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Dominica—Request for Disbursement Under the Rapid Credit Facility—Staff Report and Press Release

The following documents have been released and are included in this package:

- The staff report for Request for Disbursement Under the Rapid Credit Facility, prepared by a staff team of the IMF, following discussions that ended on November 16, 2011 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 December 20, 2011. 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.

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
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INTERNATIONAL MONETARY FUND

DOMINICA

Request for Disbursement Under the Rapid Credit Facility

Prepared by the Western Hemisphere Department
(In Consultation with Other Departments)

Approved by David Vegara and Jan Kees Martijn

December 20, 2011

- **Context:** Dominica was hit by a number of natural disasters during July-September 2011, with major flooding and landslides damaging infrastructure, as well as the housing stock. The fiscal cost of the reconstruction is high (estimated at 6½ percent of GDP) and, while the disasters are not expected to affect growth in 2011, the reconstruction costs will weaken significantly the balance of payments.
- **Request for Fund support**: The Dominican authorities are requesting financial assistance under the Fund's Rapid Credit Facility to address the urgent fiscal and balance of payment needs associated with the reconstruction efforts. In the attached letter, they request a disbursement of SDR 2.05 million (25 percent of quota, US$3.2 million or 0.7 percent of GDP), with the full amount to become available upon Board approval. The authorities are also seeking grants and concessional financing from multilateral and bilateral donors to cover the remaining financing needs.
- **Discussions**: Discussions were held from headquarters during the second half of November 2011. These will be followed by a planned staff visit during January 4-6, 2012. The staff team includes A. Cebotari (head), A. Guscina, M. Li, and T. Roy (all WHD).
- **The 2011 Article IV consultation was concluded by the Board on July 22, 2011, on a lapse of time basis.**[1] At the time, the Fund supported the authorities' general intention to correct the weakening fiscal position by returning to the long-standing primary surplus target of 2.4 percent of GDP and encouraged them to develop a clear adjustment plan for achieving it, focused on restraint in current spending. The Fund also called for increased efforts to tackle weaknesses in the financial system to safeguard macroeconomic stability, and for structural reforms to boost growth prospects. The last ECF arrangement (SDR 7.69 million) expired in December 2006.

1/ See country report No.11/324 at http://www.imf.org/external/pubs/cat/longres.aspx?sk=25354.0.

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I. Introduction

1. **Dominica was hit by a number of natural disasters during July–September 2011.** Heavy rains in late July led to the collapse of a large dam, resulting in major flooding of the country's main river (Layou), and damaging the road and bridge networks in the agricultural interior areas, as well as houses. Torrential rains on September 17–18 caused major landslides that blocked parts of the main access road to the island's East coast. On September 28, tropical storm Ophelia brought torrential rains and flooding, causing further damage to the West Coast's roads, bridges and housing stock.

2. **Recovery from the disasters will have a significant economic and social cost.**[1] While the impact on growth may be limited due to the localized nature of the damage, the disasters will have large fiscal and balance of payment costs as the government undertakes the necessary rehabilitation work, including relocation of people from the affected areas. Preliminary damage assessments put the combined costs for reconstruction and rehabilitation of these disasters at about US$32 million (6½ percent of GDP). Efforts are already underway to provide relief to those affected by the natural disasters and to repair critical infrastructure, financed by redirecting resources from less critical discretionary spending.

3. **The authorities are requesting financial assistance under the Fund's Rapid Credit Facility (RCF).** In the attached letter, they request a disbursement of SDR 2.05 million (equivalent to 25 percent of quota, US$3.2 million or 0.7 percent of GDP) to address the urgent fiscal and balance of payment needs associated with the reconstruction efforts. The authorities are also seeking grants and concessional financing from multilateral and bilateral donors, including China, Venezuela, and the Caribbean Development Bank to cover the remaining financing needs.

Dominica: Flood-Related Costs and Financing

	EC$ mn	% GDP
Estimated costs	**86.4**	**6.5**
Effects of tropical storm Ophelia	55.2	4.2
Cost of cleaning	2.6	0.2
Cost of damage	7.0	0.5
Rehabilitation cost	45.6	3.4
Rehabilitation after September rain	1.2	0.1
Layou River flooding	30.0	2.3
Potential financing	**86.4**	**6.5**
Grants (prelim.)	40.0	3.0
Loans	46.4	3.5
IMF (RCF)	8.7	0.7
CDB (prelim.)	36.7	2.8
Other/Unidentified	1.0	0.1

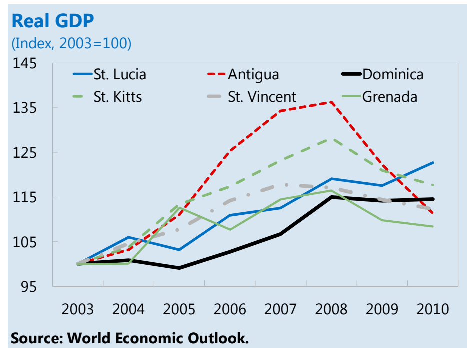
4. **The Fund has provided significant assistance to Dominica in the past**. During 2002–06, two IMF-supported programs helped Dominica undertake an impressive effort to restore fiscal sustainability through a large fiscal adjustment, debt restructuring (2005), and concerted efforts to shift public financing towards grant and concessional borrowing. Debt declined significantly as a result, from 100 percent of GDP in mid-2002 to about 69 percent in mid-2011, helped by primary surpluses that averaged 3 percent of GDP over the past eight years. In addition, the Fund provided emergency assistance on two recent occasions: in 2008 to help the government deal with the effects of Hurricane Dean (under *Emergency Natural Disaster Assistance* of 25 percent of quota, US$3.3 million, or 0.7 percent of GDP), and in

[1] The country's terrain is very mountainous. Hence, relative to most countries, rains are more likely to cause severe landslides and disrupt the road network, and reconstruction costs are generally higher.

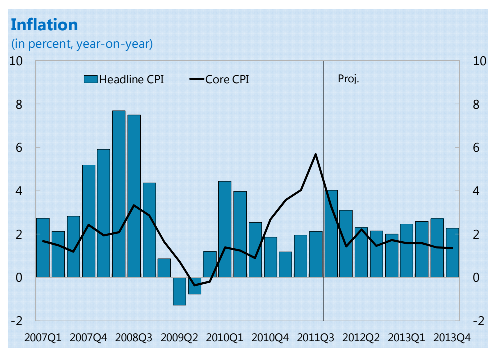
2009 to buffer the adverse impact of the global financial crisis (under the *Rapid Access Component* of the *Exogenous Shocks Facility* of 40 percent of quota, US$5.1 million, or 1.1 percent of GDP).

II. Recent Developments and Outlook

5. **The natural disasters come on the heels of an already difficult economic environment**, with the country still dealing with the effects of the global financial crisis. Although the crisis had a relatively mild impact on Dominica due to limited reliance on tourism and supportive fiscal policies, the recovery remains subdued. Growth turned mildly positive in 2010 and is projected to pick up to around 1 percent in 2011, with the headwinds from waning external demand being offset by a strong fiscal impulse and a strong post-drought recovery in agriculture (Table 1). On preliminary data, the growth impact of the natural disasters is estimated to be limited due to the confined nature of the damage and the offsetting effects of the related reconstruction works. Medium-term prospects remain subdued due to lack of clear growth drivers, with potential growth estimated at about 2 percent.

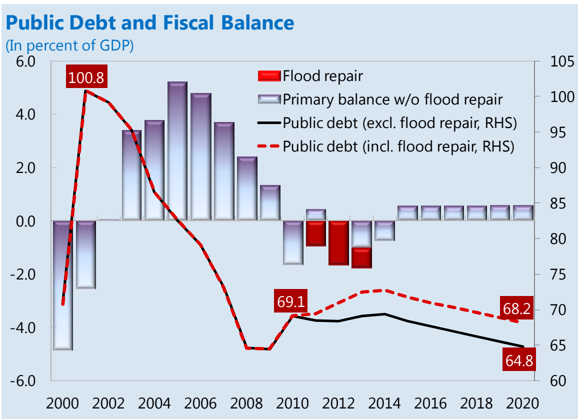


6. **Weak demand, along with low imported inflation, has kept inflationary pressures subdued**. Headline inflation hovered around 2 percent during most of 2011, on the recently rebased CPI numbers, with food deflation offsetting higher fuel prices and associated pressures on core inflation. Inflation is expected to peak at 4 percent towards end-2011 with incipient pressures on food inflation and the lagged passthrough of the recent hike in world fuel prices, returning gradually to about 2 percent as the impact of commodity inflation peters out.



7. **The recent natural disasters will strain the already vulnerable fiscal accounts and the balance of payments.**

- The significant fiscal stimulus over the past three years has helped shore up activity during the cyclical downturn, but the fiscal position has weakened. The primary surpluses of the past decade turned into a deficit of 1¾ percent of GDP in FY2010, which has reversed—along with weaker growth—the downward debt dynamics (Table 3a). As the fiscal stimulus is withdrawn over the next few years with the winding down of a Chinese loan-related investment spending, the primary balance is projected to revert to a surplus of about ½ percent of GDP over the medium term in the absence of further policy action. In the near term, however, the anticipated correction in the fiscal position will be set back by the need for additional post-flood reconstruction during FY2011–13 and, while debt would continue on a downward trend after it peaks in FY2014, it would remain relatively high and notably above the 60 percent of GDP regional target for 2020 (Table 5a).



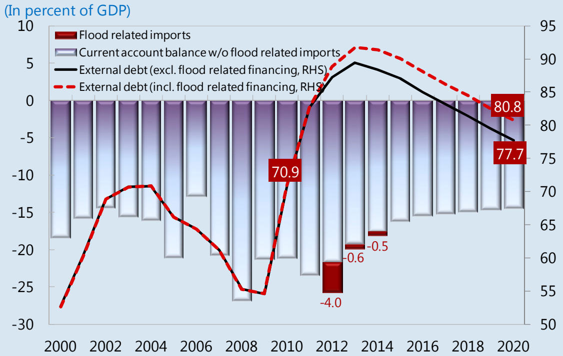
Fiscal Policies: No-Adjustment Scenario
(In percent of GDP, fiscal year)

	2010	2011	2012	2013	2014	...	2020
Primary balance, central government							
Article IV, 2011	-1.2	-0.3	0.1	0.7	0.4		0.4
Projections, before floods	-1.7	0.4	0.0	-1.0	-0.7		0.6
Projections, after floods	-1.7	-0.5	-1.6	-1.8	-0.7		0.6
Flood impact, of which:	...	-0.9	-1.6	-0.8	...		...
On grants	...	1.5	1.4	0.0	...		...
On capital expenditure	...	2.4	3.1	0.8	...		...
Grant-financed	...	1.5	1.4	0.0	...		...
Loan-financed	...	0.9	1.6	0.8	...		...
Public debt							
Article IV, 2011	67.3	67.3	66.7	65.4	64.2		58.9
Projections, before floods	69.1	68.4	68.4	69.1	69.4		64.8
Projections, after floods	69.1	69.4	71.0	72.5	72.7		68.2
Flood impact		0.9	2.6	3.3	3.3		3.3

- The current account deficit will also widen with the expected post-flood reconstruction costs, as most construction materials are imported. After a correction during the downturn, the current account deficit is expected to have widened to about 24 percent of GDP in 2011 with a higher commodity import bill, public investment spending and lower tourism receipts following the recent cancellation of a cruiseship line. These deficits are estimated to have been financed with increased PetroCaribe[2] and other public sector inflows. The current account deficit will further widen in 2012, to about 26 percent of GDP, as imports of construction materials for post-flood rehabilitation increase (estimated at slightly over 4 percent of GDP). The authorities expect to finance the reconstruction through bilateral grants and external concessional financing from CDB and the IMF's RCF facility. Over the medium-term, while the current account is expected to narrow to some 15 percent of GDP with the unwinding of the post-flood reconstruction spending and the anticipated fiscal adjustment (see below), its financing outlook will remain fragile (Table 2).

[2] Since 2006, Dominica has participated in the PetroCaribe arrangement and obtained long-term financing for oil imports from Venezuela covering about a fifth of its total oil import bill (about 1 percent of GDP per year). The funds collected from these financing inflows were accumulated in a domestic bank account, and the government has only recently started to tap small amounts for financing social projects.

External Debt and Current Account Balance 1/
(In percent of GDP)



1/ Based on the fiscal adjustment scenario as committed in the LOI.

Balance of Payments: Impact of Floods 1/
(Percent of GDP)

	2011	2012	
		W/o floods	W/ floods
Current account balance	**-23.5**	**-21.8**	**-25.7**
Exports	32.7	32.9	33.0
Imports, o.w.	57.7	56.3	60.3
Public spending related imports (est.)	8.3	7.0	11.0
Capital and financial account	**23.8**	**20.8**	**24.9**
Public sector flows	12.7	7.3	11.3
Grants	7.2	4.5	7.5
Other public sector flows	5.5	2.8	3.8
Private sector flows	11.1	13.5	13.5

1/ Based on the fiscal adjustment scenario as committed in the LOI.

8. **The outlook continues to be subject to significant uncertainties, but risks are broadly balanced.** Downside risks include a slower-than-expected recovery in Dominica's main trading partners and additional stress from ECCU regional financial systems. On the upside, a faster than anticipated recovery of foreign or domestic demand could boost economic activity.

Dominica: Selected Indicators, 2007-2016
(percent change, unless otherwise specified)

	2007	2008	2009	2010	2011		2012^p	2013-16^p
					Art IV	Proj		
Real GDP	3.9	7.8	-0.7	0.3	0.9	0.9	1.5	2.0
Inflation, p.a. 1/	3.2	6.4	0.0	3.2	4.2	2.4	2.5	2.3
Inflation, eop 1/	6.0	2.0	3.2	1.6	3.8	4.0	2.0	2.1
Current account balance (% GDP)	-20.8	-26.9	-21.3	-21.1	-22.4	-23.5	-25.7	-17.4
REER (CPI based, period average) 2/	-3.2	0.9	5.0	-2.8	..	-4.2	..	..

Sources: Dominican authorities and staff estimates.
1/ Article IV numbers are based on CPI series prior to rebasing.
2/ For 2011, latest available data.

III. Policy Discussions

A. Fiscal Policies

9. **To strengthen the medium-term debt outlook and improve policy resilience to future shocks, the authorities are committed to further fiscal consolidation.** In the attached Letter of Intent, they convey their commitment to return to their long-standing primary surplus target of 2.4 percent of GDP—which has anchored fiscal policies since early 2000's—within three years (Table 3b). This will bring debt to about 52 percent of GDP by 2020, comfortably below the regional target, but will require an adjustment effort of about 3 percentage points of GDP on top of the anticipated withdrawal of the fiscal stimulus (Table 5b-6). While the authorities intend to spread the adjustment broadly evenly over the next three years, they felt some back-loading is warranted to allow for the recovery to take hold.

Fiscal Policies: Adjustment Scenario
(In percent of GDP)

	FY2010	FY2011	FY2012	FY2013	FY2014	…	FY2020
Primary balance, central government	-1.7	-0.5	-1.0	0.0	2.4		2.4
(net of flood spending)	-1.7	0.4	0.6	0.8	2.4		2.4
Adjustment effort (non-cumulative)	…	…	0.6	1.2	1.3		…
Public debt	69.1	69.4	70.3	70.0	67.2		51.9

10. **Adjustment measures to achieve the target will focus on current spending and will be supported by fiscal structural measures that would secure their sustainability**. The authorities intend to focus on addressing spending pressures in the social sectors, including through improved targeting and rationalization of the social assistance programs, reforming the operations of the state agencies to improve their performance, rolling back food subsidies as soon as international prices subside, reducing the cost of public pensions[3] and rationalizing the system of tax exemptions. With assistance from CARTAC, they will continue to improve public financial management, building on progress to date in strengthening budget preparation and execution procedures, and focusing on safeguarding the integrity of the budget to limit arrear accumulation outside the budget process.

11. **Risks to the fiscal outlook are not negligible.** The fiscal consolidation may prove politically difficult, especially if growth remains sluggish, and contingent liabilities are building up in the financial system. On the upside, the authorities have shown strong commitment to continued improvements in the public financial management systems, which bodes well for fiscal structural reforms.

B. Financial Sector

12. **While the financial sector is not likely to be affected by the recent natural disasters, it is still grappling with various pockets of stress and a weak economic environment**. Banks continue to face notable asset quality problems, including from their cross-border exposures in the region, which are eroding their profitability and capital base. In the credit union sector, which accounts for a third of total financial system assets or 30 percent of GDP, most institutions need to increase capital and have large exposures to the failed insurance subsidiaries of the regional CL Financial Group (CLICO, Colonial Life Insurance Company, and BAICO, British American Insurance Company). In the insurance sector, the 2009 collapse of the group left Dominica with some 11½ percent of GDP in assets in these companies, the bulk of them in fraudulent deposit-like instruments that are not likely to be recovered. While the ECCU governments are still working on a regional resolution of

[3] The urgency of this measure was brought forth by the recent reforms of the national pension system, which implemented earlier recommendations of actuarial reviews such as increases in retirement age and contribution rates. The reforms will put additional pressures on public pensions over the medium-term, as these are bridging civil servants from their earlier retirement age until they qualify for pensions under the national scheme.

the failed companies, contingent fiscal losses may be high. Finally, the development bank is pursuing a fast expansion of its loan portfolio, already heavily impaired, and the credit risks that are accumulating are further exposing the government to contingent losses (Tables 4 and 7).

Selected Financial Soundness Indicators.

	2007	2008	2009	2010	2011 Q2	ECCU, Q2
Capital adequacy ratio	16.9	15.8	15.1	17.5	15.9	21.7
NPLs	8.1	7.1	5.5	8.7	7.6	12.3
Past due loans (%) loans	5.8	6.1	4.4	2.8	2.6	3.3
Provisions % NPLs	29.4	21.2	20.6	14.2	19.2	24.7
Loan-to-deposit ratio	54.3	58.4	60.4	63.6	61.0	85.5
Liquidity ratio 1/	52.3	45.8	44.5	39.7	42.7	28.6
Return on average assets 2/	8.1	8.0	11.7	15.0	12.2	6.8

1/ Liquid assets (%) of deposits and liquid liabilities.
2/ Interest Income (%) average earning assets.

13. **The authorities' immediate priority is to restore the financial system to health and ensure macroeconomic stability is preserved.**

- In the banking system, where supervision is delegated to the ECCB, the government of Dominica will work with the regional governments and the ECCB to develop strategies for forcefully addressing bank weaknesses in the region and strengthening the overall prudential and supervisory environment. The government will support efforts to ensure adequate capitalization of the indigenous bank and will pursue an in-depth evaluation of the bank's financial standing in the context of the ongoing work of the regional financial task force.

- In the non-banking system, the authorities are focusing on: (i) strengthening the recently established agency for supervision of non-banks (the Financial Services Unit); (ii) assessing the financial health of the credit unions and developing a strategy for addressing weaknesses, with technical assistance from CARTAC; initial steps will focus on onsite inspections in the largest institutions and the formalization of *memoranda of understanding* on compliance with the recently tightened prudential requirements; (iii) in the insurance sector, approving revised insurance legislation that tightens the activities these institutions can engage in, establishes prudential standards, and introduces stricter licensing requirements; and (iv) in the development banking sector, strengthening supervision to minimize the accumulation of credit risks and of public contingent liabilities.

C. Growth-Enhancing Policies

14. **Wide-ranging structural reforms are needed to improve the country's growth prospects**. The authorities are currently revising their rolling medium-term *Growth and Social Protection Strategy*, which would inform their policies over the next three to five years and which is expected to be approved by the Cabinet by end-December 2011. The strategy will identify the main bottlenecks to competitiveness and growth, and will help focus government's policies and resources in tackling these, including improvements in the business environment, restrictions in the labor and product markets, and poor infrastructure, among other.

IV. ACCESS AND CAPACITY TO REPAY THE FUND

15. **The authorities have requested a disbursement under the RCF of 25 percent of quota (equivalent to SDR 2.05 million).** The disbursement, which amounts to 0.7 percent of GDP, will provide much needed rapid support to meet the immediate foreign exchange needs stemming from the natural disasters. Fund support will also likely play a catalytic role in mobilizing additional donor resources.

16. **Access under the RCF would be justified by the urgent balance of payments need and concerns that, given capacity limitations and lack of access to financial markets,[4] allowing time to develop a medium-term program would lead to binding cash constraints.** That said, staff pointed out to the authorities that the repeated use of the RCF and the narrowing space for any future emergency IMF financing[5] underscores the need to address underlying structural vulnerabilities and build buffers to strengthen the country's resilience and ability to respond to such shocks in the future. Staff indicated that a medium-term Fund arrangement could provide such a framework. The authorities agreed with staff on the need to improve the country's resilience to shocks and emphasized their commitment to undertake the required policies.

17. **Dominica's capacity to repay the Fund is expected to remain strong.** Total Fund exposure to Dominica is projected to be about 3 percent of GDP or about 22 percent of gross reserves at end-2012. While this exposure remains moderate, the associated servicing risks are mitigated by the relatively low debt servicing obligations in light of the concessionality of its debt and the good track record in maintaining fiscal discipline (Table 8).

18. **Under the Fund's safeguards assessment policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment under a four year cycle**. The most recent assessment was completed in November 2011, and concluded that the ECCB continues to have appropriate control mechanisms in place. Its control systems are well developed and supported by robust external and internal audit mechanisms; the published financial statements are comprehensive; and safeguards exist to protect the autonomy of the ECCB. Some improvements in the legal framework and internal audit mechanism were recommended, including securing the hierarchy of the ECCB Act in case of conflicting national or supranational regulations and enhancing ECCB Board autonomy. The next assessment will take place in 2015.

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[4] The authorities' plans to enter the regional bond markets have so far been delayed.

[5] The disbursement under the RCF would put total use of Fund assistance at 146.4 percent of quota and use of emergency assistance at 80.6 percent of quota, leaving little or no scope for additional emergency financing (capped at 100 percent of quota).

V. STAFF APPRAISAL

19. **Dominica has been hit by a number of disasters that brought severe rainfall and damaged infrastructure**, at a time when the economy is striving to recover from the recent economic downturn. The authorities have taken quick action to start the rehabilitation process and restore normal life in the affected areas, but the full reconstruction will take time and will require the assistance of the international community. In this context, the authorities—who have a strong record of cooperation with the Fund through programs and Article IV consultations —have requested a disbursement of Fund resources equivalent to 25 percent of quota under the Rapid Credit Facility.

20. **The post-flood rehabilitation spending will put further pressures on the already strained public finances and on the balance of payments.** The eroded fiscal space to absorb future economic or natural disaster shocks highlights the need to refocus fiscal policies from a supportive response to the cycle to its medium-term consolidation objectives. Staff welcomes the authorities' intention to return to their long-standing primary surplus objective within three years, and encourages them to formulate clear fiscal consolidation plans to confer further credibility to their commitment. The authorities' ongoing efforts to strengthen their fiscal policy framework are commendable and should be followed through with increased focus on fiscal responsibility and strengthened capital budgeting.

21. **Action to strengthen the financial system need to take immediate priority, in order to minimize possible fiscal and macroeconomic spillovers.** The authorities are appropriately focusing on strengthening the regulatory and supervisory framework for nonbanks, and participating in regional efforts to strengthen it for the banking system. Staff encourages the authorities to remain proactive and forward-looking in assessing the financial system's need for capital buffers, especially in a sustained low-growth environment, and to follow through on their intentions to undertake—with technical assistance from CARTAC—an in-depth diagnosis of the financial system, develop strategies on how to address weaknesses and seek to ensure adequate capitalization of all financial institutions, including through strong supervisory action. This could be achieved only with strengthened capacity of the supervisory authorities for nonbanks, which should take immediate priority even as the currency union may be moving towards a more regional model for nonbank supervision over the medium-term.

22. **Strengthening external competitiveness and growth will be key to addressing social, fiscal, and financial sector challenges**. Staff welcomes authorities' focus on this in their upcoming review of the Growth and Social Protection Strategy, and encourages bold reforms focused on creating an enabling business environment for private sector to become the main growth engine.

23. **In view of the authorities' policy intentions, staff supports their request for disbursement under the RCF**. Access under the RCF is warranted by the urgency of the financing needs, lack of market access and the time that would be needed to develop a medium-term program with the IMF. Nevertheless, given the eroding space for further emergency assistance from the Fund and the need for fiscal consolidation and structural reforms, staff stands ready to engage in deeper program relations with Dominica.

Table 1. Dominica: Selected Economic and Social Indicators

I. Social and Demographic Indicators

Area (sq. km.)	754.0	Adult literacy rate (percent, 2004)	88
Population (2009)		Unemployment (including discouraged)	14.0
Total	71,785	Unemployment rate (excl. discouraged)	9.8
Annual rate of growth (percent)	0.5		
Density (per sq. km.)	95.2	Gross Domestic Product (2010)	
Population characteristics		(millions of E.C. dollars)	1,274
Life expectancy at birth (years, 2006)	74.1	(millions of U.S. dollars)	472
Infant mortality (per thousand live births, 2006)	13.0	(US dollars per capita)	6,573

II. Economic Indicators

	2007	2008	2009	2010	2011		2012	2013	2014	2015	2016
				Est.	Art. IV	Proj.			Proj.		
	(Annual percentage change, unless otherwise specified)										
Output and prices											
Real GDP	3.9	7.8	-0.7	0.3	0.9	0.9	1.5	1.8	2.2	2.3	1.9
Consumer prices (end of period) 1/	6.0	2.0	3.2	1.6	3.8	4.0	2.0	2.3	2.0	2.0	2.1
Consumer prices (period average) 1/	3.2	6.4	0.0	3.2	4.2	2.4	2.5	2.5	2.4	2.1	2.1
Output gap	-0.6	5.1	2.3	0.7	-0.2	-0.2	-0.5	-0.6	-0.3	0.1	0.0
Real effective exchange rate											
(period average, depreciation -)	-3.2	0.9	5.0	-2.8	...	...	...	...	...	...	...
	(In percent of GDP, unless otherwise specified)										
Savings-Investment Balance 2/	-6.9	-14.4	-12.1	-14.0	-17.3	-15.6	-17.6	-14.8	-13.1	-11.1	-10.3
Savings	16.8	11.1	11.2	12.3	4.7	10.5	6.9	9.5	10.0	10.8	10.7
Investment	23.8	25.5	23.4	26.4	22.0	26.1	24.4	24.3	23.0	21.9	21.0
Central government 3/											
Revenue and grants, *of which:*	35.8	35.6	37.0	37.5	31.4	33.7	32.5	30.7	30.6	30.4	30.4
Revenues	26.7	26.6	28.1	27.8	26.4	27.0	26.5	26.3	26.1	25.9	25.9
Grants 4/	9.1	8.9	8.9	9.8	5.0	6.7	5.9	4.5	4.5	4.5	4.5
Total expenditure	34.0	34.9	37.0	40.8	33.1	35.8	35.2	32.4	29.8	29.6	29.5
Primary balance	3.7	2.4	1.3	-1.7	-0.3	-0.5	-1.0	0.0	2.4	2.4	2.4
Overall balance	1.8	0.7	0.0	-3.2	-1.7	-2.1	-2.7	-1.6	0.7	0.8	0.9
Public sector debt (gross) 5/	71.7	64.6	64.5	69.1	67.3	69.4	70.3	70.0	67.2	64.4	61.8
External	50.9	45.4	45.1	50.7	49.2	51.0	52.0	51.9	49.6	47.5	45.4
Domestic	20.7	19.2	19.3	18.4	18.2	18.4	18.3	18.2	17.6	16.9	16.4
Money and credit	(Annual percentage change)										
Broad money (M2)	9.7	4.3	10.0	6.1	4.2	1.9	4.4	3.9	4.2	4.3	4.1
Credit to the private sector	4.9	8.3	6.9	9.5	4.7	6.7	3.5	4.1	4.2	4.3	4.1
Balance of payments	(In percent of GDP)										
Current account balance	-20.8	-26.9	-21.3	-21.1	-22.5	-23.5	-25.7	-19.9	-18.1	-16.2	-15.4
Trade balance	-31.8	-37.5	-33.5	-34.2	-35.0	-35.7	-37.9	-33.0	-31.6	-29.9	-29.4
Services balance	10.7	10.5	11.1	11.1	11.5	10.7	10.6	11.4	11.7	12.0	12.2
Capital and financial account balance 6/	19.8	25.5	22.7	19.5	22.6	23.8	24.9	19.7	18.0	16.1	15.3
FDI	9.7	12.2	8.6	5.2	6.5	5.4	5.7	6.0	6.3	6.6	7.0
Capital grants	13.1	11.7	8.5	6.4	5.5	7.2	7.5	4.5	4.5	4.5	4.5
Other	-2.9	1.6	5.7	8.0	10.6	11.2	11.6	9.2	7.2	4.9	3.8
External debt (gross) 7/	61.2	55.3	54.6	70.9	72.4	82.7	88.8	91.8	91.3	90.0	88.0
Memorandum items:											
Nominal GDP at market prices (EC$ millions)											
Calendar year	1,131	1,248	1,300	1,274	1,324	1,324	1,371	1,419	1,475	1,536	1,595
Net imputed international reserves											
(U.S. dollars millions; end-of-period)	60.4	55.1	64.5	66.4	67.3	68.3	67.4	66.4	65.6	64.8	64.0

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

1/ Historical numbers through 2010 reflect recently rebased CPI series.
2/ Based on current account balance including net capital transfers.
3/ Fiscal year (July–June) basis. Figures shown for a given calendar year relate to the fiscal year beginning on July 1 of that year.
4/ Does not include grants that were received but not spent.
5/ Includes central government liabilities to Dominica Social Security.
6/ Including errors and omissions.
7/ Comprises public sector external debt, foreign liabilities of commerical banks and other private debt.

Table 2. Dominica: Balance of Payments

	2007	2008	2009	2010	2011		2012	2013	2014	2015	2016
				Est.	Art. IV	Proj.			Proj.		
					(In millions U.S. dollars)						
Current account balance	**-87.0**	**-124.3**	**-102.4**	**-99.7**	**-110.1**	**-115.0**	**-130.3**	**-104.4**	**-99.1**	**-92.2**	**-91.2**
Trade Balance	-133.3	-173.5	-161.4	-161.4	-171.5	-175.3	-192.5	-173.6	-172.4	-170.3	-173.9
Exports (f.o.b.)	39.0	43.9	36.8	36.2	36.6	38.1	40.0	41.0	42.6	44.2	46.0
Imports (f.o.b.)	172.3	217.4	198.2	197.6	208.2	213.4	232.5	214.6	215.0	214.5	219.9
Fuel	29.6	43.4	32.4	33.6	44.8	45.6	45.8	47.2	48.0	49.5	49.2
Food	27.3	32.7	32.4	36.2	44.0	45.9	45.4	45.3	44.7	44.3	45.2
Other	115.4	141.3	133.4	127.8	119.4	121.8	141.3	122.1	122.3	120.7	125.5
Services balance	44.8	48.5	53.4	52.5	56.6	52.6	53.8	59.9	63.7	68.1	72.1
Receipts 1/	108.8	118.4	119.8	118.6	122.3	122.3	127.6	132.7	138.4	144.6	151.1
Tourism receipts	74.5	81.8	86.1	87.3	89.8	89.8	93.6	97.4	101.6	106.1	110.9
Other	34.4	36.7	33.6	31.3	32.5	32.5	33.9	35.3	36.8	38.5	40.2
Payments	64.0	69.9	66.4	66.1	65.8	69.8	73.8	72.9	74.6	76.4	79.0
Net income, *o.w.:*	-19.6	-18.3	-13.7	-9.3	-15.5	-10.9	-10.7	-10.5	-11.0	-11.4	-11.7
Interest payments (public sector)	-5.0	-4.7	-4.8	-6.1	-6.4	-7.5	-7.1	-6.7	-6.9	-7.0	-7.0
Net current transfers	21.2	19.0	19.3	18.5	20.4	18.6	19.2	19.8	20.5	21.4	22.3
Capital and financial account	**83.0**	**118.1**	**109.5**	**92.2**	**111.0**	**116.9**	**126.2**	**103.4**	**98.3**	**91.4**	**90.4**
Capital account	58.0	57.6	44.0	33.5	29.9	38.3	41.3	26.7	27.8	29.1	30.2
Public capital transfers	54.7	54.3	40.8	30.2	26.9	35.3	38.3	23.6	24.6	25.7	26.7
Private capital transfers	3.2	3.3	3.1	3.2	2.9	2.9	3.0	3.2	3.3	3.4	3.5
Financial account	25.0	60.5	65.5	58.8	81.1	78.6	84.9	76.7	70.4	62.3	60.2
Public sector, *o.w.:* 2/	-6.6	5.2	12.9	25.5	10.8	27.0	19.3	16.9	12.8	5.2	4.4
Petrocaribe	0.0	8.6	4.8	6.0	..	8.8	8.6	7.1	6.8	6.7	6.3
Flood related	..	..	..	..	..	0.8	8.0	4.4	4.0	..	..
Private sector	31.6	55.3	52.6	33.3	70.3	51.7	65.6	59.8	57.6	57.0	55.7
Direct investment	40.5	56.5	41.3	24.3	32.0	26.5	29.0	31.6	34.5	37.8	41.4
Commercial banks	-18.8	-17.6	-10.3	10.2	4.5	-22.9	5.2	5.1	5.0	4.9	4.8
Other private flows 3/	10.0	16.3	21.6	-1.3	33.8	48.1	31.4	23.1	18.1	14.3	9.5
Errors and omissions	**2.7**	**2.9**	**1.5**	**8.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.3**	**-3.4**	**8.5**	**1.2**	**0.9**	**1.9**	**-4.1**	**-1.0**	**-0.9**	**-0.8**	**-0.8**
Overall financing	**1.3**	**3.4**	**-8.5**	**-1.2**	**-0.9**	**-1.9**	**4.1**	**1.0**	**0.9**	**0.8**	**0.8**
Change in ECCB NFA 4/	2.6	5.3	-9.4	-1.9	-0.9	-1.9	0.9	1.0	0.9	0.8	0.8
IMF reserve liabilities	-2.5	3.2	4.3	-1.1	0.0	-2.9	-4.1	-2.9	-1.6	-2.3	-1.8
Change in Government Foreign Assets	-1.2	-2.0	0.9	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF-RCF	..	..	..	..	..	..	3.2	..	..	..	..
					(In percent of GDP)						
Current account balance	**-20.8**	**-26.9**	**-21.3**	**-21.1**	**-22.5**	**-23.5**	**-25.7**	**-19.9**	**-18.1**	**-16.2**	**-15.4**
Exports of goods and services	35.3	35.1	32.5	32.8	32.4	32.7	33.0	33.1	33.1	33.2	33.4
Imports of goods and services, o.w.	56.4	62.2	55.0	55.9	55.9	57.7	60.3	54.7	53.0	51.1	50.6
Fuel	7.1	9.4	6.7	7.1	9.1	9.3	9.0	9.0	8.8	8.7	8.3
Food	6.5	7.1	6.7	7.7	9.0	9.4	8.9	8.6	8.2	7.8	7.6
Other	27.6	30.6	27.7	27.1	24.3	24.8	27.8	23.2	22.4	21.2	21.2
Net income	-4.7	-4.0	-2.8	-2.0	-3.2	-2.2	-2.1	-2.0	-2.0	-2.0	-2.0
Net current transfers	5.1	4.1	4.0	3.9	4.2	3.8	3.8	3.8	3.8	3.8	3.8
Capital and financial account	**19.8**	**25.5**	**22.7**	**19.5**	**22.6**	**23.8**	**24.9**	**19.7**	**18.0**	**16.1**	**15.3**
Grants	13.8	12.5	9.1	7.1	6.1	7.8	8.1	5.1	5.1	5.1	5.1
Public sector flows, o.w.:	-1.6	1.1	2.7	5.4	2.2	5.5	3.8	3.2	2.3	0.9	0.8
PetroCaribe	0.0	1.9	1.0	1.3	..	1.8	1.7	1.3	1.2	1.2	1.1
Flood related	..	..	..	.. ..	..	0.2	1.6	0.8	0.7	..	..
Foreign direct investment	9.7	12.2	8.6	5.2	6.5	5.4	5.7	6.0	6.3	6.6	7.0
Commercial banks	-4.5	-3.8	-2.1	2.2	0.9	-4.7	1.0	1.0	0.9	0.9	0.8
Other private flows 3/	2.4	3.5	4.5	-0.3	6.9	9.8	6.2	4.4	3.3	2.5	1.6
Overall balance	**-0.3**	**-0.7**	**1.8**	**0.3**	**0.2**	**0.4**	**-0.8**	**-0.2**	**-0.2**	**-0.1**	**-0.1**
Memorandum items:											
Gross external debt 5/	61.2	55.3	54.6	70.9	72.4	82.7	89.5	92.4	91.9	90.6	88.5
Public sector	50.9	45.4	45.1	50.7	49.2	51.0	52.6	52.3	50.1	47.9	45.9
Private sector	10.3	9.9	9.4	20.2	23.2	31.7	36.9	40.1	41.8	42.7	42.7
GDP (in US$ millions)	418.8	462.2	481.4	471.9	490.4	490.5	507.7	525.6	546.4	568.8	590.9

Sources: Dominican authorities; Eastern Caribbean Central Bank; donor organizations; and Fund staff estimates and projections.

1/ Data on tourism receipts from 2010 onward are based on the pre-2010 expenditure surveys until structural breaks related to the newly revised survey are resolved.

2/ Official public flows are adjusted upward by staff estimates of PetroCaribe flows.

3/ Assumed to cover the residual financing needs over the projection period.

4/ 2009 numbers reflect IMF's SDR allocation.

5/ Comprises external public sector debt (including PetroCaribe net debt), gross liabilities of commercial banks and other private debt that covers the projected financing needs.

Table 3a. Dominica: Summary Accounts of the Central Government - No-Adjustment Scenario [1/]

	2007	2008	2009	2010		2011		2012	2013	2014	2015	2016
				Art IV	Act.	Art IV	Proj.			Proj.		
	(In millions of Eastern Caribbean dollars)											
Total revenue and grants	**425.8**	**453.2**	**475.9**	**414.1**	**487.4**	**423.2**	**453.8**	**453.2**	**444.8**	**460.4**	**475.7**	**493.2**
Revenues	318.0	339.4	361.8	353.0	360.5	355.3	363.9	370.4	380.3	392.4	404.9	419.8
Tax revenue	289.3	313.7	326.8	318.4	318.9	325.0	329.2	334.4	343.0	353.6	364.6	378.0
Nontax revenue	27.9	25.4	33.9	33.1	39.9	28.7	32.8	34.0	35.2	36.7	38.1	39.5
Capital revenue	0.8	0.3	1.1	1.6	1.8	1.6	1.9	2.0	2.0	2.1	2.2	2.3
Grants 2/	107.8	113.8	114.1	61.0	126.9	67.9	89.9	82.8	64.5	68.1	70.8	73.3
Total expenditure	**404.5**	**444.3**	**476.5**	**447.6**	**529.5**	**446.6**	**481.8**	**499.1**	**494.6**	**497.6**	**494.3**	**512.0**
Current expenditure	269.1	287.0	293.3	305.4	311.1	320.9	323.6	336.1	349.2	363.8	378.4	391.9
Wages and salaries	117.7	123.5	126.2	135.7	135.0	144.5	144.5	149.6	155.2	161.4	167.9	174.0
Goods and services	70.5	78.1	82.7	85.0	86.1	90.2	90.2	93.3	96.8	100.7	104.8	108.6
Interest	22.7	21.9	17.8	18.5	20.6	19.7	21.2	23.0	24.4	25.9	27.0	27.6
Transfers and subsidies	58.3	63.6	66.6	66.2	69.5	66.5	67.8	70.2	72.8	75.7	78.8	81.7
Capital expenditure and net lending	135.3	157.3	183.2	142.2	218.4	125.7	158.2	163.1	145.3	133.8	115.9	120.1
Primary balance	**44.0**	**30.8**	**17.3**	**-15.0**	**-21.5**	**-3.6**	**-6.9**	**-23.0**	**-25.3**	**-11.2**	**8.4**	**8.7**
Overall balance	**21.4**	**9.0**	**-0.5**	**-33.5**	**-42.1**	**-23.4**	**-28.0**	**-45.9**	**-49.8**	**-37.2**	**-18.6**	**-18.9**
	(In percent of GDP)											
Total revenue and grants	**35.8**	**35.6**	**37.0**	**31.7**	**37.5**	**31.4**	**33.7**	**32.5**	**30.7**	**30.6**	**30.4**	**30.4**
Revenues	26.7	26.6	28.1	27.1	27.8	26.4	27.0	26.6	26.3	26.1	25.9	25.9
Tax revenue	24.3	24.6	25.4	24.4	24.5	24.1	24.4	24.0	23.7	23.5	23.3	23.3
Income	4.4	4.3	4.7	4.2	4.4	4.2	4.4	4.4	4.4	4.4	4.4	4.4
Property	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Domestic goods and services	13.8	14.1	14.4	14.0	13.9	14.0	13.9	13.7	13.5	13.4	13.3	13.3
International trade and transactions	5.3	5.4	5.6	5.6	5.6	5.3	5.5	5.3	5.2	5.1	5.0	5.0
Nontax revenue	2.3	2.0	2.6	2.5	3.1	2.1	2.4	2.4	2.4	2.4	2.4	2.4
Capital revenue	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants, *o.w.:* 2/	9.1	8.9	8.9	4.7	9.8	5.0	6.7	5.9	4.5	4.5	4.5	4.5
flood-repair related	...	...	...	...	...	...	1.5	1.4	0.0	...	...	...
Total expenditure	**34.0**	**34.9**	**37.0**	**34.3**	**40.8**	**33.1**	**35.8**	**35.8**	**34.2**	**33.1**	**31.6**	**31.5**
Current expenditure	22.6	22.5	22.8	23.4	24.0	23.8	24.0	24.1	24.1	24.2	24.2	24.1
Wages and salaries	9.9	9.7	9.8	10.4	10.4	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Goods and services	5.9	6.1	6.4	6.5	6.6	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Interest	1.9	1.7	1.4	1.4	1.6	1.5	1.6	1.6	1.7	1.7	1.7	1.7
Transfers and subsidies	4.9	5.0	5.2	5.1	5.4	4.9	5.0	5.0	5.0	5.0	5.0	5.0
Capital expenditure and net lending *o.w.:*	11.4	12.3	14.2	10.9	16.8	9.3	11.7	11.7	10.0	8.9	7.4	7.4
flood-repair related	...	...	...	...	...	...	2.4	3.1	0.8	...	...	...
Primary balance	**3.7**	**2.4**	**1.3**	**-1.2**	**-1.7**	**-0.3**	**-0.5**	**-1.6**	**-1.8**	**-0.7**	**0.5**	**0.5**
Overall balance	**1.8**	**0.7**	**0.0**	**-2.6**	**-3.2**	**-1.7**	**-2.1**	**-3.3**	**-3.4**	**-2.5**	**-1.2**	**-1.2**
Financing	**-1.8**	**-0.7**	**0.0**	**2.6**	**3.2**	1.7	**2.1**	**3.3**	**3.4**	**2.5**	**1.2**	**1.2**
Net external financing, *o.w.:*	-0.9	-0.7	0.9	2.6	4.2	1.5	1.7	2.8	2.6	1.7	0.8	0.8
flood-repair related	...	...	...	...	...	...	0.9	1.6	0.8	...	...	...
Net domestic financing	-0.6	-0.4	0.7	-0.1	-1.2	0.3	0.4	0.5	0.8	0.7	0.4	0.4
Statistical discrepancy	-0.3	0.4	-1.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Nonfinancial public sector debt	71.7	64.6	64.5	67.3	69.1	67.3	69.4	71.0	72.5	72.7	71.7	71.0
External	50.9	45.4	45.1	49.0	50.7	49.2	51.0	52.5	53.6	53.7	52.8	52.1
Domestic	20.7	19.2	19.3	18.3	18.4	18.2	18.4	18.5	18.8	19.0	18.9	18.8
Nominal GDP fiscal year (EC$ millions)	1,189	1,274	1,287	1,305	1,299	1,348	1,348	1,395	1,447	1,505	1,566	1,623

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

1/ Fiscal year (July-June) basis. For example, figures for 2010 cover July 2010 - June 2011.

2/ Includes only spent grants.

Table 3b. Dominica: Summary Accounts of the Central Government - Adjustment (Baseline) Scenario[1/]

	2007	2008	2009	2010		2011		2012	2013	2014	2015	2016
				Art IV	Act.	Art IV	Proj.			Proj.		
	(In millions of Eastern Caribbean dollars)											
Total revenue and grants	**425.8**	**453.2**	**475.9**	**414.1**	**487.4**	**423.2**	**453.7**	**453.1**	**444.8**	**460.5**	**475.7**	**493.2**
Revenues	318.0	339.4	361.8	353.0	360.5	355.3	363.8	370.3	380.2	392.4	404.9	419.9
Tax revenue	289.3	313.7	326.8	318.4	318.9	325.0	329.1	334.4	343.0	353.6	364.6	378.0
Nontax revenue	27.9	25.4	33.9	33.1	39.9	28.7	32.8	34.0	35.2	36.7	38.1	39.5
Capital revenue	0.8	0.3	1.1	1.6	1.8	1.6	1.9	2.0	2.0	2.1	2.2	2.3
Grants 2/	107.8	113.8	114.1	61.0	126.9	67.9	89.9	82.8	64.5	68.1	70.8	73.3
Total expenditure	**404.5**	**444.3**	**476.5**	**447.6**	**529.5**	**446.6**	**481.8**	**490.5**	**468.2**	**449.2**	**462.6**	**478.3**
Current expenditure	269.1	287.0	293.3	305.4	311.1	320.9	323.6	336.1	349.0	362.8	375.9	388.4
Wages and salaries	117.7	123.5	126.2	135.7	135.0	144.5	144.5	149.6	155.2	161.4	167.9	174.0
Goods and services	70.5	78.1	82.7	85.0	86.1	90.2	90.2	93.3	96.8	100.7	104.8	108.6
Interest	22.7	21.9	17.8	18.5	20.6	19.7	21.2	23.0	24.2	24.9	24.5	24.1
Transfers and subsidies	58.3	63.6	66.6	66.2	69.5	66.5	67.8	70.2	72.8	75.7	78.8	81.7
Capital expenditure and net lending	135.3	157.3	183.2	142.2	218.4	125.7	158.2	163.1	145.3	133.8	115.9	120.1
Adjustment measures	...	...	...	...	...	...	...	-8.7	-26.1	-47.4	-29.1	-30.2
Primary balance	**44.0**	**30.8**	**17.3**	**-15.0**	**-21.5**	**-3.6**	**-6.9**	**-14.4**	**0.7**	**36.1**	**37.6**	**39.0**
Overall balance	**21.4**	**9.0**	**-0.5**	**-33.5**	**-42.1**	**-23.4**	**-28.1**	**-37.4**	**-23.4**	**11.2**	**13.0**	**14.8**
	(In percent of GDP)											
Total revenue and grants	**35.8**	**35.6**	**37.0**	**31.7**	**37.5**	**31.4**	**33.7**	**32.5**	**30.7**	**30.6**	**30.4**	**30.4**
Revenues	26.7	26.6	28.1	27.1	27.8	26.4	27.0	26.5	26.3	26.1	25.9	25.9
Tax revenue	24.3	24.6	25.4	24.4	24.5	24.1	24.4	24.0	23.7	23.5	23.3	23.3
Income	4.4	4.3	4.7	4.2	4.4	4.2	4.4	4.4	4.4	4.4	4.4	4.4
Property	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Domestic goods and services	13.8	14.1	14.4	14.0	13.9	14.0	13.9	13.7	13.5	13.4	13.3	13.3
International trade and transactions	5.3	5.4	5.6	5.6	5.6	5.3	5.5	5.3	5.2	5.1	5.0	5.0
Nontax revenue	2.3	2.0	2.6	2.5	3.1	2.1	2.4	2.4	2.4	2.4	2.4	2.4
Capital revenue	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants, *o.w.:* 2/	9.1	8.9	8.9	4.7	9.8	5.0	6.7	5.9	4.5	4.5	4.5	4.5
flood-repair related	...	...	...	...	...	...	1.5	1.4	0.0	...	...	...
Total expenditure	**34.0**	**34.9**	**37.0**	**34.3**	**40.8**	**33.1**	**35.8**	**35.2**	**32.4**	**29.8**	**29.6**	**29.5**
Current expenditure	22.6	22.5	22.8	23.4	24.0	23.8	24.0	24.1	24.1	24.1	24.0	23.9
Wages and salaries	9.9	9.7	9.8	10.4	10.4	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Goods and services	5.9	6.1	6.4	6.5	6.6	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Interest	1.9	1.7	1.4	1.4	1.6	1.5	1.6	1.6	1.7	1.7	1.6	1.5
Transfers and subsidies	4.9	5.0	5.2	5.1	5.4	4.9	5.0	5.0	5.0	5.0	5.0	5.0
Capital expenditure and net lending *o.w.:*	11.4	12.3	14.2	10.9	16.8	9.3	11.7	11.7	10.0	8.9	7.4	7.4
flood-repair related	...	...	...	...	...	...	2.4	3.1	0.8	...	...	...
Adjustment measures	...	...	...	...	...	...	...	-0.6	-1.8	-3.1	-1.9	-1.9
Primary balance	**3.7**	**2.4**	**1.3**	**-1.2**	**-1.7**	**-0.3**	**-0.5**	**-1.0**	**0.0**	**2.4**	**2.4**	**2.4**
Overall balance	**1.8**	**0.7**	**0.0**	**-2.6**	**-3.2**	**-1.7**	**-2.1**	**-2.7**	**-1.6**	**0.7**	**0.8**	**0.9**
Financing	**-1.8**	**-0.7**	**0.0**	**2.6**	**3.2**	1.7	**2.1**	**2.7**	**1.6**	**-0.7**	**-0.8**	**-0.9**
Net external financing, *o.w.:*	-0.9	-0.7	0.9	2.6	4.2	1.5	1.7	2.3	1.3	-0.6	-0.7	-0.7
flood-repair related	...	...	...	...	...	...	0.9	1.6	0.8	...	...	...
Net domestic financing	-0.6	-0.4	0.7	-0.1	-1.2	0.3	0.4	0.4	0.3	-0.1	-0.1	-0.2
Statistical discrepancy	-0.3	0.4	-1.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Nonfinancial public sector debt	71.7	64.6	64.5	67.3	69.1	67.3	69.4	70.3	70.0	67.2	64.4	61.8
External	50.9	45.4	45.1	49.0	50.7	49.2	51.0	52.0	51.9	49.6	47.5	45.4
Domestic	20.7	19.2	19.3	18.3	18.4	18.2	18.4	18.3	18.2	17.6	16.9	16.4
Nominal GDP fiscal year (EC$ millions)	1,189	1,274	1,287	1,305	1,299	1,348	1,348	1,395	1,447	1,505	1,566	1,623

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

1/ Fiscal year (July-June) basis. For example, figures for 2010 cover July 2010-June 2011.

2/ Includes only spent grants.

Table 4. Dominica: Summary Accounts of the Banking System

	2007	2008	2009	2010	2011 Proj.	2012 Proj.
	(In millions of Eastern Caribbean dollars, end of period)					
Net foreign assets	471.2	504.1	557.3	535.0	602.0	585.5
Central Bank	163.2	148.8	174.1	179.3	184.4	182.0
Commercial Banks (net)	307.9	355.4	383.3	355.7	417.6	403.5
Assets	579.9	599.8	659.4	612.4	707.0	692.9
Liabilities	-271.9	-244.4	-276.1	-256.8	-289.4	-289.4
Net domestic assets	373.4	376.9	412.0	493.3	446.2	509.3
Public sector credit, net	-70.4	-73.3	-87.5	-86.0	-87.2	-82.9
Central Government	2.9	10.6	4.9	0.4	-6.4	-0.8
Other public sector	-73.3	-83.9	-92.5	-86.4	-79.3	-82.1
Private sector credit	565.0	611.9	654.3	716.2	764.3	791.3
(real terms)	601.5	638.4	661.7	714.0	732.5	743.5
Other items (net)	-121.2	-161.6	-154.8	-137.0	-230.9	-199.1
Money and quasi-money (M2)	844.5	881.1	969.3	1028.2	1048.2	1094.8
Money	196.5	183.4	198.4	205.3	188.6	195.3
Currency outside banks	49.0	43.9	50.7	46.5	48.7	50.5
Demand deposits	147.4	139.5	147.7	158.9	139.9	144.9
Quasi-money, *of which:*	648.1	697.6	771.0	822.9	859.6	899.4
Time deposits	192.7	208.9	236.3	254.1	262.9	275.8
Savings deposits	445.2	473.3	520.5	533.9	572.2	592.4
Foreign currency deposits	10.2	15.5	14.2	29.6	24.5	25.4
	(12-month percentage change)					
Net foreign assets	10.3	7.0	10.6	-4.0	12.5	-2.7
Net domestic assets, *of which:*	9.0	1.0	9.3	19.7	-9.5	14.1
Private sector credit	4.9	8.3	6.9	9.5	6.7	3.5
(real terms)	-1.1	6.1	3.6	7.9	2.6	1.5
Broad money	9.7	4.3	10.0	6.1	1.9	4.4
Money	12.5	-6.6	8.1	3.5	-8.1	3.5
Quasi-money	8.9	7.6	10.5	6.7	4.5	4.6
	(In percent of GDP) 1/					
Net foreign assets	41.7	40.4	42.9	42.0	45.5	42.7
Net domestic assets	33.0	30.2	31.7	38.7	33.7	37.2
Public sector credit, net	-6.2	-5.9	-6.7	-6.7	-6.6	-6.0
Private sector credit	50.0	49.0	50.3	56.2	57.7	57.7
Broad Money	74.7	70.6	74.6	80.7	79.2	79.9
Interest rates (percent per year) 1/						
Time deposit rate	5.06	4.91	4.63	4.76	4.56	n.a.
Weighted average lending rate	9.18	8.88	9.99	8.95	8.79	n.a.

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

1/ Commercial banks; end-of-period rates for local currency; 2011 latest available.

Table 5a. Dominica: Public Sector Debt Sustainability Framework, No-Adjustment Scenario, 2008–31

(In percent of GDP, unless otherwise indicated)

	Actual			Average 2/	Standard Deviation 2/	Estimate	Projections								
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 3/	**64.6**	**64.5**	**69.1**			**69.4**	**71.0**	**72.5**	**72.7**	**71.7**	**71.0**		**67.5**	**60.2**	
o/w foreign-currency denominated	45.4	45.1	50.7			51.0	52.5	53.6	53.7	52.8	52.1		49.1	43.1	
Change in public sector debt	-8.5	-0.2	4.7			0.2	1.6	1.5	0.3	-1.0	-0.8		-0.6	-0.8	
Identified debt-creating flows	-7.9	-0.6	4.4			0.1	1.4	1.4	0.2	-1.1	-0.9		-0.8	-0.9	
Primary deficit	-4.8	-2.1	3.4	-2.3	3.2	0.4	1.6	1.8	0.9	-0.4	-0.3	0.6	-0.3	-0.2	-0.2
Revenue and grants	44.5	45.9	46.4			42.6	41.4	39.7	39.5	39.3	39.3		39.3	39.4	
of which: grants	8.9	8.9	9.8			6.7	5.9	4.5	4.5	4.5	4.5		4.5	4.6	
Primary (noninterest) expenditure	39.7	43.8	49.8			43.0	43.0	41.4	40.4	38.9	39.0		39.1	39.1	
Automatic debt dynamics	-3.1	1.5	1.0			-0.3	-0.2	-0.4	-0.7	-0.7	-0.5		-0.5	-0.7	
Contribution from interest rate/growth differential	-4.5	1.9	1.1			0.8	0.1	-0.4	-0.8	-0.9	-0.7		-0.8	-0.8	
of which: contribution from average real interest rate	0.8	1.4	1.3			1.5	1.1	0.8	0.8	0.7	0.7		0.5	0.4	
of which: contribution from real GDP growth	-5.3	0.5	-0.2			-0.6	-1.0	-1.2	-1.6	-1.6	-1.3		-1.3	-1.2	
Contribution from real exchange rate depreciation	1.3	-0.4	-0.1			-1.1	-0.3	0.0	0.1	0.2	0.1		...	...	
Residual, including asset changes	-0.6	0.4	0.3			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.2	
Other Sustainability Indicators															
PV of public sector debt	**...**	**...**	**59.0**			**58.0**	**57.7**	**57.4**	**56.3**	**54.8**	**53.7**		**51.8**	**44.4**	
o/w foreign-currency denominated	...	...	40.6			39.6	39.2	38.6	37.3	35.9	34.9		33.4	27.3	
o/w external	...	...	40.6			39.6	39.2	38.6	37.3	35.9	34.9		33.4	27.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 4/	-0.5	3.0	7.3			9.6	9.6	10.7	10.9	9.5	9.9		12.2	11.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	127.1			136.1	139.2	144.8	142.5	139.4	136.6		131.6	112.7	
PV of public sector debt-to-revenue ratio (in percent)	...	...	160.9			161.4	162.5	163.1	160.9	157.5	154.3		148.8	127.5	
o/w external 5/	...	...	110.7			110.3	110.5	109.7	106.5	103.2	100.2		95.9	78.4	
Debt service-to-revenue and grants ratio (in percent) 4/	9.7	11.1	8.4			21.7	19.4	22.4	25.5	25.2	26.1		31.6	29.5	
Debt service-to-revenue ratio (in percent) 6/	12.1	13.8	10.6			25.7	22.6	25.3	28.8	28.4	29.5		35.7	33.4	
Primary deficit that stabilizes the debt-to-GDP ratio	3.7	-1.9	-1.3			0.1	0.0	0.3	0.6	0.6	0.4		0.4	0.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	7.8	-0.7	0.3	1.8	3.4	0.9	1.5	1.8	2.2	2.3	1.9	1.8	2.0	2.0	2.0
Average nominal interest rate on forex debt (in percent)	2.1	3.1	2.4	2.5	0.3	2.5	2.4	2.3	2.2	2.1	2.1	2.3	1.8	1.6	1.7
Average real interest rate on domestic debt (in percent)	4.1	2.5	2.0	1.7	2.0	2.8	3.5	3.5	3.5	3.5	3.3	3.4	3.5	3.1	3.3
Real exchange rate depreciation (in percent, + indicates depreciation)	2.8	-0.8	-0.2	0.1	1.9	-2.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-0.6	1.8	0.6	2.1	2.2	2.8	2.0	2.0	1.8	1.7	1.8	2.0	1.5	1.7	1.6
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	30.9	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3	...

Sources: Country authorities; and staff estimates and projections.

1/ Figures shown for a given calendar year relate to the fiscal year beginning on July 1 of that year.

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

3/ Nonfinancial public sector.

4/ 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.

5/ Revenues excluding grants.

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

Table 5b. Dominica: Public Sector Debt Sustainability Framework, Adjustment (Baseline) Scenario, 2008–31

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2008	2009	2010	Average 2/	Standard Deviation 2/	2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 3/	**64.6**	**64.5**	**69.1**			**69.4**	**70.3**	**70.0**	**67.2**	**64.4**	**61.8**		**49.5**	**25.4**	
o/w foreign-currency denominated	45.4	45.1	50.7			51.0	52.0	51.9	49.6	47.5	45.4		35.9	17.9	
Change in public sector debt	-8.5	-0.2	4.7			0.2	1.0	-0.3	-2.8	-2.8	-2.6		-2.4	-2.4	
Identified debt-creating flows	-7.4	-0.9	4.8			0.1	0.8	-0.4	-3.0	-2.9	-2.7		-2.5	-2.5	
Primary deficit	-4.8	-2.1	3.4	-2.3	3.2	0.5	1.0	0.0	-2.4	-2.4	-2.4	-1.0	-2.4	-2.5	-2.5
Revenue and grants	44.5	45.9	46.4			42.6	41.4	39.7	39.5	39.3	39.3		39.3	39.4	
of which: grants	8.9	8.9	9.8			6.7	5.9	4.5	4.5	4.5	4.5		4.5	4.6	
Primary (noninterest) expenditure	39.7	43.8	49.8			43.1	42.5	39.6	37.1	36.9	36.9		36.9	36.9	
Automatic debt dynamics	-2.6	1.2	1.4			-0.4	-0.2	-0.4	-0.6	-0.5	-0.3		-0.1	0.0	
Contribution from interest rate/growth differential	-3.9	1.6	1.5			0.7	0.0	-0.4	-0.6	-0.7	-0.4		-0.3	-0.1	
of which: contribution from average real interest rate	1.4	1.1	1.7			1.3	1.1	0.8	0.9	0.8	0.8		0.7	0.4	
of which: contribution from real GDP growth	-5.3	0.5	-0.2			-0.6	-1.0	-1.2	-1.5	-1.5	-1.2		-1.0	-0.5	
Contribution from real exchange rate depreciation	1.3	-0.4	-0.1			-1.1	-0.3	0.0	0.1	0.2	0.1		...	...	
Residual, including asset changes	-1.1	0.7	-0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.2	
Other Sustainability Indicators															
PV of public sector debt	**...**	**...**	**59.0**			**58.0**	**57.2**	**55.8**	**52.5**	**49.8**	**47.5**		**39.5**	**22.8**	
o/w foreign-currency denominated	...	...	40.6			39.6	38.9	37.6	35.0	32.9	31.1		26.0	15.3	
o/w external	...	...	40.6			39.6	38.9	37.6	35.0	32.9	31.1		26.0	15.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 4/	0.1	2.7	7.7			10.0	9.4	9.1	7.5	6.4	6.3		5.9	0.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	127.1			136.1	138.2	140.7	132.9	126.7	120.7		100.5	58.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	160.9			161.4	161.3	158.5	150.1	143.1	136.4		113.6	65.5	
o/w external 5/	...	...	110.7			110.3	109.8	106.9	99.9	94.4	89.3		74.7	44.1	
Debt service-to-revenue and grants ratio (in percent) 4/	11.0	10.4	9.3			22.3	20.3	23.0	25.0	22.5	22.1		21.2	6.3	
Debt service-to-revenue ratio (in percent) 6/	13.7	12.9	11.8			26.4	23.7	26.0	28.2	25.4	25.0		24.0	7.2	
Primary deficit that stabilizes the debt-to-GDP ratio	3.7	-1.9	-1.3			0.3	0.1	0.3	0.4	0.4	0.2		0.0	-0.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	7.8	-0.7	0.3	1.8	3.4	0.9	1.5	1.8	2.2	2.3	1.9	1.8	2.0	2.0	2.0
Average nominal interest rate on forex debt (in percent)	3.3	2.3	3.4	2.7	0.4	3.2	3.4	3.4	3.4	3.4	3.4	3.3	3.4	3.4	3.4
Average real interest rate on domestic debt (in percent)	4.1	2.5	2.0	1.7	2.0	0.0	0.7	0.8	1.0	1.1	1.0	0.8	1.5	2.2	1.6
Real exchange rate depreciation (in percent, + indicates depreciation)	2.8	-0.8	-0.2	0.1	1.9	-2.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-0.6	1.8	0.6	2.1	2.2	2.8	2.0	2.0	1.8	1.7	1.8	2.0	1.5	1.7	1.6
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	0.1	0.0	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	30.9	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3	...

Sources: Country authorities; and staff estimates and projections.

1/ Figures shown for a given calendar year relate to the fiscal year beginning on July 1 of that year.

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

3/ Nonfinancial public sector.

4/ 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.

5/ Revenues excluding grants.

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

Table 6. Dominica: External Debt Sustainability Framework, Baseline Scenario, 2008–31 [1/]

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 2/	Standard Deviation 2/	Projections									
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-2016 Average	2021	2031	2017-2031 Average
External debt 3/	**65.0**	**66.4**	**70.9**			**82.7**	**88.9**	**91.9**	**91.4**	**90.1**	**88.1**		**79.2**	**66.8**	
o/w public and publicly guaranteed (PPG)	45.4	45.1	50.7			51.0	52.0	51.9	49.6	47.5	45.4		35.9	17.9	
Change in external debt	-10.0	1.4	4.5			11.8	6.2	3.0	-0.4	-1.3	-2.0		-1.6	-1.0	
Identified net debt-creating flows	9.4	12.2	15.0			17.1	18.4	12.1	9.7	7.4	6.7		6.7	6.9	
Non-interest current account deficit	**24.1**	**19.8**	**18.6**	**15.4**	**4.7**	**20.9**	**22.9**	**17.2**	**15.5**	**13.7**	**13.1**		**12.3**	**11.2**	12.0
Deficit in balance of goods and services	26.5	22.7	22.6			24.6	26.9	21.3	19.5	17.6	16.9		16.0	14.7	
Exports	34.4	32.9	32.2			32.1	32.4	32.4	32.5	32.6	32.8		34.1	36.8	
Imports	60.9	55.5	54.8			56.7	59.3	53.7	52.0	50.2	49.7		50.1	51.5	
Net current transfers (negative = inflow)	-4.0	-4.0	-3.8	-4.5	0.6	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7		-3.8	-4.0	-3.9
o/w official	0.0	-0.1	-0.1			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other current account flows (negative = net inflow)	1.6	1.2	-0.2			0.0	-0.2	-0.4	-0.3	-0.2	-0.2		0.1	0.5	
Net FDI (negative = inflow)	**-12.0**	**-8.7**	**-5.1**	**-7.4**	**2.3**	**-5.3**	**-5.6**	**-5.9**	**-6.2**	**-6.5**	**-6.9**		**-5.8**	**-4.1**	-5.3
Endogenous debt dynamics 4/	**-2.7**	**1.0**	**1.5**			**1.6**	**1.1**	**0.8**	**0.3**	**0.2**	**0.5**		**0.2**	**-0.2**	
Contribution from nominal interest rate	2.3	1.7	2.1			2.2	2.3	2.3	2.3	2.2	2.1		1.7	1.0	
Contribution from real GDP growth	-5.4	0.5	-0.2			-0.6	-1.2	-1.5	-1.9	-2.0	-1.6		-1.5	-1.3	
Contribution from price and exchange rate changes	0.5	-1.1	-0.4			...	...	...	...	...	...		...	...	
Residual (3-4) 5/	**-19.4**	**-10.7**	**-10.6**			**-5.3**	**-12.3**	**-9.1**	**-10.1**	**-8.7**	**-8.7**		**-8.4**	**-7.9**	
o/w capital grants	-12.2	-9.2	-7.0			-7.7	-8.0	-5.0	-5.0	-5.0	-5.0		-5.2	-5.2	
PV of external debt 6/	...	...	60.7			71.3	75.8	77.6	76.8	75.5	73.8		69.2	64.2	
In percent of exports	...	...	188.8			221.9	233.7	239.5	236.5	232.0	224.9		203.1	174.5	
PV of PPG external debt	**...**	**...**	**40.6**			**39.6**	**38.9**	**37.6**	**35.0**	**32.9**	**31.1**		**26.0**	**15.3**	
In percent of exports	**...**	**...**	**126.2**			**123.3**	**120.1**	**116.1**	**107.7**	**100.9**	**94.8**		**76.3**	**41.7**	
In percent of government revenues	**...**	**...**	**110.7**			**110.3**	**109.8**	**106.9**	**99.9**	**94.4**	**89.3**		**74.7**	**44.1**	
Debt service-to-exports ratio (in percent)	**12.8**	**12.9**	**12.8**			**20.3**	**16.8**	**18.1**	**21.1**	**18.3**	**18.3**		**16.8**	**10.6**	
PPG debt service-to-exports ratio (in percent)	**10.8**	**10.9**	**11.0**			**18.3**	**14.7**	**16.1**	**19.2**	**16.5**	**16.6**		**15.3**	**9.5**	
PPG debt service-to-revenue ratio (in percent)	**10.4**	**9.6**	**9.6**			**16.4**	**13.5**	**14.8**	**17.8**	**15.4**	**15.6**		**15.0**	**10.0**	
Total gross financing need (Millions of U.S. dollars)	77.8	73.3	85.1			110.2	117.7	91.9	90.1	76.3	73.2		88.0	112.5	
Non-interest current account deficit that stabilizes debt ratio	34.1	18.4	14.1			9.0	16.8	14.2	15.9	15.0	15.1		14.0	12.1	
Key macroeconomic assumptions															
Real GDP growth (in percent)	7.8	-0.7	0.3	1.8	3.4	0.9	1.5	1.8	2.2	2.3	1.9	1.8	2.0	2.0	2.0
GDP deflator in US dollar terms (change in percent)	-0.6	1.8	0.6	2.1	2.2	2.8	2.0	2.0	1.8	1.7	1.8	2.0	1.5	1.7	1.6
Effective interest rate (percent) 7/	3.2	2.6	3.2	3.3	0.4	3.2	2.9	2.7	2.6	2.5	2.4	2.7	2.2	1.6	2.0
Growth of exports of G&S (US dollar terms, in percent)	9.8	-3.5	-1.1	1.0	8.3	3.6	4.5	3.7	4.2	4.3	4.4	4.1	4.4	4.4	4.4
Growth of imports of G&S (US dollar terms, in percent)	21.6	-7.9	-0.3	4.2	11.1	7.4	8.2	-6.1	0.7	0.4	2.7	2.2	3.7	4.0	3.8
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	30.9	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3
Government revenues (excluding grants, in percent of GDP)	35.6	37.0	36.7			35.9	35.5	35.2	35.0	34.8	34.8		34.8	34.8	34.8
Aid flows (in Millions of US dollars) 8/	42.2	42.3	47.0			59.2	55.3	45.8	43.4	39.9	41.9		53.2	60.1	
o/w Grants	42.2	42.3	47.0			33.3	30.7	23.9	25.2	26.2	27.2		32.6	46.5	
o/w Concessional loans	0.0	0.0	0.0			25.9	24.6	21.9	18.1	13.7	14.8		20.7	13.6	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.4	7.4	5.7	5.5	5.3	5.3		5.5	5.0	5.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			68.4	69.4	67.2	71.3	76.5	75.8		73.3	84.4	77.4
Memorandum items:															
Nominal GDP (Millions of US dollars)	471.8	476.6	481.2		-1.1	499.1	516.7	536.0	557.6	579.8	601.2		716.1	1020.8	
Nominal dollar GDP growth	7.1	1.0	1.0		-0.3	3.7	3.5	3.7	4.0	4.0	3.7	3.8	3.5	3.7	3.6
PV of PPG external debt (in Millions of US dollars)			195.3			197.8	201.2	201.7	194.9	190.5	186.8		186.2	156.5	
(PVt-PVt-1)/GDPt-1 (in percent)						0.5	0.7	0.1	-1.3	-0.8	-0.6	-0.2	0.3	-0.6	-0.2

Sources: Country authorities; and staff estimates and projections. 0

1/ Figures shown for a given calendar year relate to the fiscal year beginning on July of that year.
2/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
3/ Includes both public and private sector external debt.
4/ Derived as [r - g - ?(1+g)]/(1+g+?+g?) times previous period debt ratio, with r = nominal interest rate, g = real GDP growth rate, and ? = growth rate of GDP
5/ Includes excepcional 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.
6/ Assumes that PV of private sector debt is equivalent to its face value.
7/ Current year interest payments divided by previous period debt stock.
8/ Defined as grants, concessional loans, and debt relief.

Table 7. Dominica: Vulnerability Indicators 2005-10
(In percent of GDP, unless otherwise indicated)

	2005	2006	2007	2008	2009	2010
Real sector indicators						
Real GDP growth (percent)	-1.7	3.6	3.9	7.8	-0.7	0.3
CPI inflation (period average, in percent)	1.6	2.6	3.2	6.4	0.0	3.2
Financial indicators						
Commercial Banks						
Total capital asset ratio of banks	26.2	20.8	16.9	15.8	15.1	17.5
Of which: Tier 1 capital	25.0	19.1	16.0	16.5	13.6	16.7
Liquid assets/total assets	43.5	43.2	45.8	40.2	38.8	34.4
Liquid assets/current liabilities	52.1	50.6	52.5	46.1	46.5	41.9
Total loans/total deposits	58.1	57.5	54.3	58.4	60.4	63.6
Net liquid assets/total deposits	47.6	44.1	48.9	40.7	39.5	36.0
Nonperforming loans/total loans	22.0	9.3	8.1	7.1	5.5	8.7
Provisions for loan losses/nonperforming assets	26.8	26.1	29.4	21.2	20.6	14.2
Gross government exposure/total assets	10.4	10.1	9.4	11.7	10.8	11.2
FX deposits/total deposits	2.9	3.5	2.5	2.6	1.7	2.3
Net foreign currency exposure/capital (indigenous banks)	182.5	234.8	268.2	166.1	133.4	112.6
Contingent liabilities/capital (indigenous banks)	62.1	85.8	85.1	164.9	120.0	94.4
Before-tax profits to average assets (percent)	1.2	1.5	1.5	0.7	2.2	1.7
Broad money (percent change, 12-month basis)	3.7	9.9	9.7	4.3	10.0	6.1
Private sector credit (percentage change, 12-month basis)	6.0	10.9	4.9	8.3	6.9	9.5
Credit Unions						
Liquid assets to total assets 1/	...	...	...	...	29.5	...
NPLs to total loans 1/	...	...	...	...	8.7	...
Loans to households to total loans 1/	...	...	...	...	95.0	...
Before-tax profits to average assets (percent) 1/	...	...	...	...	2.4	...
External indicators						
Exchange rate (per US$, end of period)	2.7	2.7	2.7	2.7	2.7	2.7
REER appreciation (end of period)	-3.4	-1.9	-3.2	0.9	5.0	-2.8
Exports of goods and nonfactor services (percent change, 12-month basis)	-0.9	11.7	2.4	9.8	-3.5	-1.1
Imports of goods and nonfactor services (percent change, 12-month basis)	12.6	1.4	18.8	21.6	-7.9	-0.3
Travel receipts (gross, percent change, 12-month basis)	-5.9	25.7	3.9	9.8	5.3	1.3
Current account balance (percent of GDP)	-21.0	-12.9	-20.8	-26.9	-21.3	-21.1
Capital and financial account balance (percent of GDP)	20.6	13.6	19.8	25.5	22.7	19.5
Net FDI inflows (percent of GDP)	5.3	6.7	9.7	12.2	8.6	5.2
Gross international reserves (GIR) in the ECCB (in US$ millions)	49.1	63.0	60.4	55.1	64.5	66.4
GIR in months of current year imports of goods and nonfactor services	3.0	3.8	3.1	2.3	2.9	3.0
GIR to broad money (percent)	18.9	22.1	19.3	16.9	18.0	17.4
Public gross external debt (in US$ million)	212.1	222.7	224.3	214.0	215.1	244.1
Debt to exports of goods and services (percent)	164.0	154.2	151.7	131.9	137.4	157.6
Interest payments to exports of goods and services (percent)	3.4	3.6	3.2	2.9	3.1	4.7
Amortization to exports of goods and services (percent)	8.9	7.5	7.2	6.3	7.1	7.5
Interest payments to fiscal revenue (percent)	3.7	4.0	3.0	2.8	2.8	4.1
Amortization payments to fiscal revenue (percent)	9.6	8.2	6.8	6.1	6.3	6.5
Public Sector Indicators						
Central government overall balance (excluding grants)	-5.0	-3.2	-7.3	-8.2	-9.2	-13.3
External public debt	56.6	55.2	50.9	45.4	45.1	50.7

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

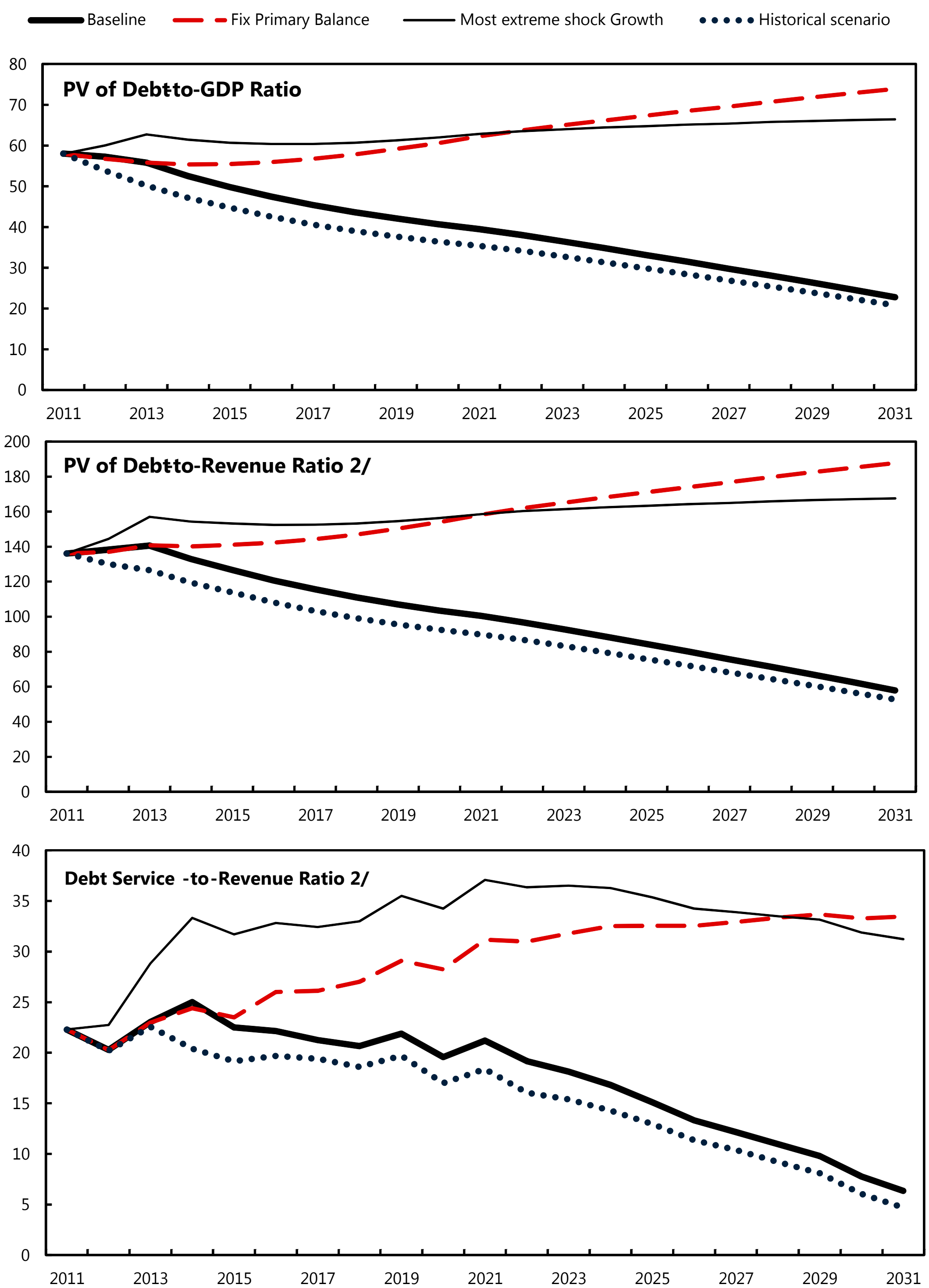
1/ For 2009, as of end June.

Table 8. Dominica : Indicators of Capacity to Repay the Fund, 2011–22

		Projections										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt service under existing drawings *(In millions of SDRs)*	1.85	2.60	1.82	1.06	1.50	1.13	0.67	0.67	0.67	0.01	0.01	0.01
Principal	1.84	2.56	1.79	1.04	1.48	1.12	0.66	0.66	0.66	0.00	0.00	0.00
Charges/interest 1/	0.01	0.04	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Debt service under existing and prospective drawings 2/												
In millions of SDRs	1.85	2.60	1.82	1.07	1.50	1.14	0.88	1.08	1.08	0.42	0.42	0.22
Principal	1.84	2.56	1.79	1.04	1.48	1.12	0.86	1.07	1.07	0.41	0.41	0.21
Charges/interest 1/	0.01	0.04	0.03	0.03	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01
In millions of U.S. dollars	2.95	4.14	2.89	1.70	2.37	1.80	1.39	1.71	1.71	0.66	0.66	0.35
In percent of exports of goods and services	1.84	2.47	1.66	0.94	1.26	0.91	0.68	0.79	0.76	0.28	0.27	0.14
In percent of debt service	4.02	4.30	2.95	1.67	2.32	1.76	1.37	1.69	1.70	0.66	0.67	0.36
In percent of quota	22.61	31.71	22.20	13.05	18.29	13.90	10.73	13.17	13.17	5.12	5.12	2.68
In percent of net imputed reserves 3/	4.31	6.15	4.35	2.59	3.67	2.82	2.14	2.59	2.56	0.98	0.97	0.50
Fund credit outstanding 2/												
In millions of SDRs	9.96	9.44	7.65	6.61	5.14	4.02	3.16	2.09	1.03	0.62	0.21	0.00
In millions of U.S. dollars	15.82	15.04	12.16	10.48	8.14	6.35	4.99	3.30	1.63	0.98	0.33	0.00
In percent of exports of goods and services	9.87	8.98	7.00	5.79	4.31	3.22	2.43	1.54	0.73	0.42	0.14	0.00
In percent of debt service	21.60	15.61	12.40	10.34	7.93	6.22	4.92	3.28	1.62	0.98	0.34	0.00
In percent of quota	121.46	115.12	93.29	80.61	62.68	49.02	38.54	25.49	12.56	7.56	2.56	0.00
In percent of net imputed reserves 3/	23.17	22.31	18.30	15.99	12.57	9.93	7.70	5.02	2.44	1.45	0.48	0.00
Net use of Fund credit 2/ *(In millions of SDRs)*	-1.84	-0.51	-1.79	-1.04	-1.48	-1.12	-0.86	-1.07	-1.07	-0.41	-0.41	-0.21
Disbursements	0.00	2.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and repurchases	1.84	2.56	1.79	1.04	1.48	1.12	0.86	1.07	1.07	0.41	0.41	0.21
Memorandum items:												
Exports of goods and services (millions of U.S. dollars)	160.39	167.53	173.75	180.98	188.75	197.12	205.69	214.69	224.09	233.91	244.11	254.75
Debt service (millions of U.S. dollars)	73.27	96.35	98.04	101.40	102.57	102.09	101.49	100.78	100.33	99.82	98.85	97.74
Quota (millions of SDRs)	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20
Quota (millions of U.S. dollars)	13.03	13.06	13.03	13.01	12.98	12.96	12.96	12.96	12.96	12.96	12.96	12.96
Net imputed reserves (millions of U.S. dollars) 3/	68.28	67.40	66.43	65.56	64.76	63.96	64.85	65.76	66.68	67.62	68.56	69.52
GDP (millions of U.S. dollars)	490.47	507.70	525.62	546.38	568.77	590.92	630.06	652.79	676.27	700.71	725.30	750.40
SDRs per U.S. dollar 4/	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63

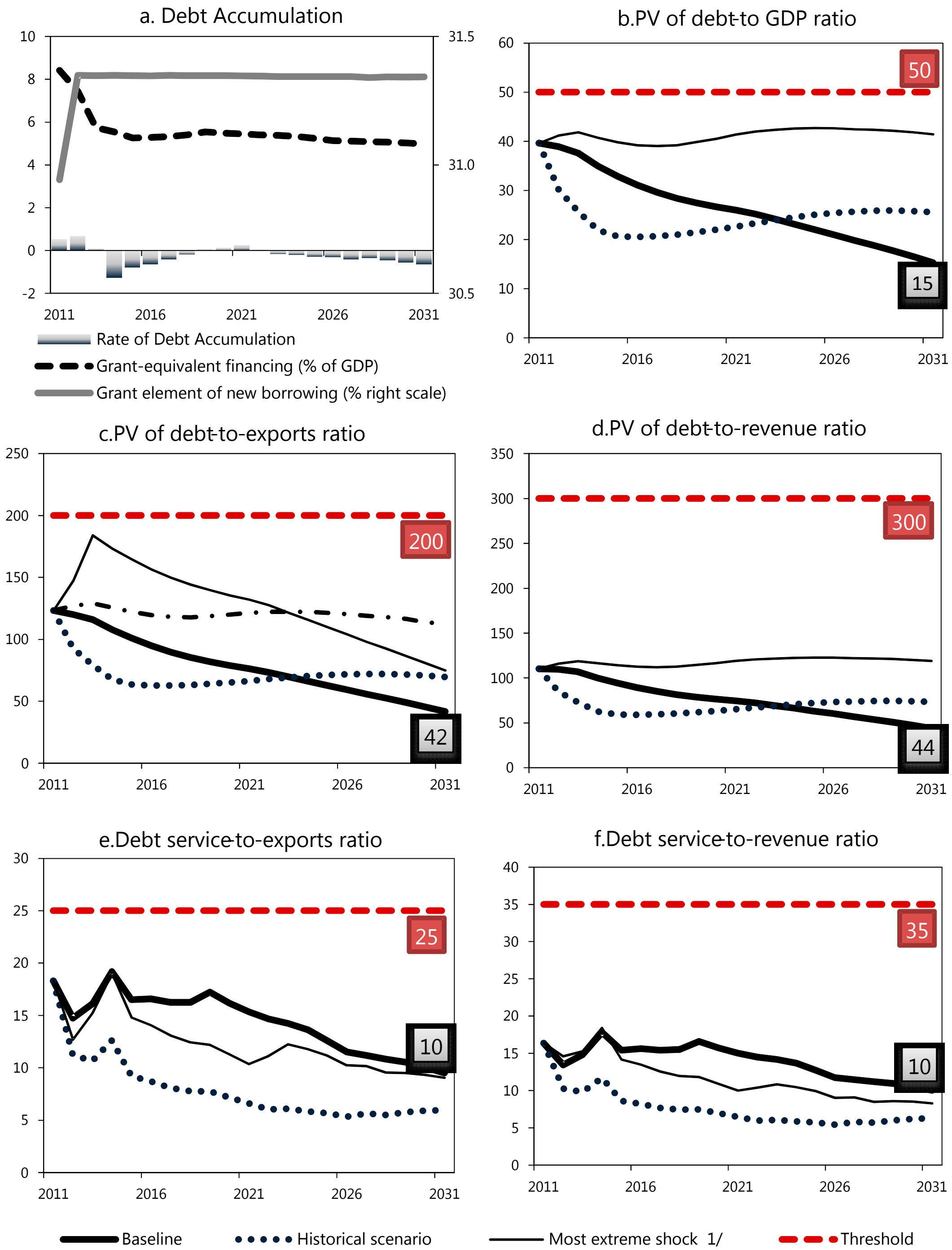
Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.
1/ Projections based on an interest rate of 0.25 percent for concessional loans under the PRGT.
2/ Includes the requested RCF in the ammount of SDR 2.05 million (25 percent of quota).
3/ Net international reserves of the monetary authorities; net imputed reserves of the ECCB and transactions with the Fund.
4/ WEO GAS projections, dated October 25, 2011 up to 2016, after which the exchange rate is fixed at the 2016 level.

Figure 1. Dominica: Indicators of Public Debt Under Alternative Scenarios, 2011–31[1/]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2021.
2/ Revenues are defined inclusive of grants.

Figure 2. Dominica: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011–31[1/]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2021. In figure b. it corresponds to a Terms shock; in c. to a Exports shock; in d. to a Terms shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

ATTACHMENT

LETTER OF INTENT

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC, 20431
U.S.A.

Roseau, December 14, 2011

Dear Ms. Lagarde,

1. Dominica has been badly affected by a number of natural disasters during July-September 2011, most recently the tropical storm Ophelia. Heavy rains in late July led to a collapse of a large dam, resulting in major flooding of the country's main river (Layou), and damaging the road and bridge networks in the agricultural interior areas, as well as houses. Torrential rains on September 17–18 caused major landslides that blocked parts of the main access road to the island's East coast. On September 28 tropical storm Ophelia brought torrential rains and flooding, causing further damage to the West Coast's roads, bridges and housing stock. Preliminary damage assessments put the combined costs for reconstruction and rehabilitation of these disasters at about US$32 million (6½ percent of GDP). Efforts are already underway to provide relief to those affected by the natural disasters and to repair critical infrastructure, financed by redirecting resources from less critical discretionary spending.

2. These natural disasters come on the heels of an already difficult economic environment, with the country still dealing with the effects of the global financial crisis. Though the crisis had a relatively mild impact on Dominica due to limited reliance on tourism and supportive fiscal policies, the recovery remains subdued and we project growth to reach about 1 percent during 2011. The growth impact of the disasters is estimated to be limited due to the localized nature of the damage and will in any event be offset by the related reconstruction works. The disasters, however, will have a large impact on the fiscal accounts and on the balance of payments (most construction materials are imported) as the government undertakes the necessary rehabilitation work. To address the urgent fiscal and balance of payment needs associated with this work, the government of Dominica requests emergency assistance from the IMF amounting to SDR 2.05 million (equivalent to 25 percent of quota, US$3.2 million, or 0.7 percent of GDP) to be disbursed under the Fund's Rapid Credit Facility (RCF). We have also approached our bilateral and multilateral partners, including the Caribbean Development Bank and the EU, to cover the remaining financing needs.

3. In addition to addressing the short-term reconstruction needs, the government is committed to increasing the resilience of the economy to future shocks, whether natural disasters or economic. This will require policy action on three fronts: (a) maintaining prudent fiscal policies to reduce Dominica's public debt; (b) strengthening the financial system; and (c) enhancing the investment climate for private sector development.

Maintaining prudent fiscal policies

4. After providing the much-needed stimulus during the global downturn, fiscal policies will be geared towards returning to our primary surplus target of nearly a decade. In particular, we are committed to restoring a primary balance of 2.4 percent of GDP by FY2014, which—barring further economic or natural disaster shocks—will put public debt on a firmly downward path and bring it comfortably below 60 percent of GDP regional target for 2020. To attain this target, we intend to focus on (i) addressing spending pressures in the social sectors, including through improved targeting and rationalization of the social assistance programs; (ii) reforming the operations of the state agencies to improve their performance; (iii) rolling back food subsidies as soon as international prices subside; (iv) reducing the cost of public pensions; (v) rationalizing the system of tax exemptions; and (vi) reinvigorating revenue administration reforms. To allow the recovery to take hold, our adjustment will be somewhat back-loaded: we will seek to target a primary balance of at least 0.6 percent of GDP in FY2012, net of flood-related spending, with the remaining adjustment spread broadly evenly during FY2013–14.

5. In the event, the need for additional post-flooding reconstruction investment will offset the planned correction and would temporarily deteriorate the fiscal outcomes relative to the above underlying adjustment path. With at least 3 percentage points of GDP of the flood-related spending likely to be financed by debt during FY2011–13, the deficit will widen correspondingly during these three years.

6. To ensure the sustainability of our adjustment effort over the medium-term, we will step up our fiscal structural reform efforts. We will undertake a number of reforms—with assistance from CARTAC—to strengthen public financial management, including (i) strengthening cash management functions to avoid arrears accumulation; (ii) proceeding with measures to improve procurement and the budgeting process, both to ensure effective and transparent use of public resources; and (iii) bolstering government's external and internal audit functions.

Strengthening the financial system

7. Dominica's financial system, especially the insurance sector, has been affected by the difficult macroeconomic and financial environment in which it operates and our immediate priority is to restore it to health.

- In the non-banking system, our focus will be on (i) strengthening the recently established Financial Services Unit, the agency responsible for the supervision of non-banks; (ii) assessing the financial health of the credit unions and developing a strategy for addressing weaknesses, with technical assistance from CARTAC; initial steps will focus on onsite inspections in the largest institutions and the formalization of *memoranda of understanding* on compliance with the recently tightened prudential requirements; (iii) in the insurance sector, approving revised insurance legislation that tightens the activities these institutions can engage in, establishes prudential standards, and introduces stricter licensing requirements; and (iv) in the development banking sector, strengthening supervision to minimize the accumulation of credit risks and of public contingent liabilities.

- In the banking system, where supervision is delegated to the ECCB, we will work with the regional governments and the ECCB to develop strategies for addressing bank weaknesses in the region and strengthening the overall prudential and supervisory environment. The government will support efforts to ensure adequate capitalization of the indigenous bank and we will pursue a more in-depth evaluation of the bank's financial standing in the context of the ongoing regional diagnostic of financial institutions.

Enhancing the growth prospects

8. Strengthening competitiveness and improving growth prospects are key to resolving the challenges that Dominica faces. The government is currently updating its rolling medium-term *Growth and Social Protection Strategy*, which would inform our policies over the next three to five years and which is expected to be approved by the Cabinet by end-December 2011. The strategy will identify the main bottlenecks to competitiveness and growth, and will help focus government's policies and resources in tackling these, including improvements in the business environment, restrictions in the labor and product markets, and inadequate infrastructure, among other.

9. The government will continue to cooperate with the Fund on how best to address the economic challenges outlined above, and will make efforts to strengthen the balance of payments situation. We hope that the international financial community will support our efforts to repair and rehabilitate our severely damaged economy and the country's social structure, and look forward to an early approval by the Fund of the emergency assistance.

Sincerely yours,

/s/
HON. ROOSEVELT SKERRIT
PRIME MINISTER AND MINISTER FOR FINANCE

Press Release No. 12/5
FOR IMMEDIATE RELEASE
January 11, 2012

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$3.1 Million Disbursement Under the Rapid Credit Facility for Dominica

The Executive Board of the International Monetary Fund (IMF) today approved a disbursement of an amount equivalent to SDR 2.05 million (US$3.1 million) under the Rapid Credit Facility (RCF) for Dominica to help manage the economic impact of a series of natural disasters from July-September 2011. The Board's approval enables the immediate disbursement of the full amount.

Dominica was hit by a number of natural disasters during the summer and fall of 2011, with major flooding and landslides damaging infrastructure and housing. The cost of reconstruction and rehabilitation is expected to be high at 6 1/2 percent of gross domestic product (GDP) and will weaken Dominica's balance of payments.

The RCF, which provides rapid financial assistance for low-income countries with an urgent balance of payments need, does not require any program-based conditionality or review. However, economic policies are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries zero interest (until end 2013), has a grace period of 5 ½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

Following the Executive Board's discussion of Dominica, Mr. Min Zhu, Deputy Managing Director and Acting Chair, stated:

"Dominica suffered significant infrastructure damage following torrential rains, flooding and landslides in the second half of 2011. The recovery and rehabilitation costs will be high, putting pressures on the fiscal and balance of payments positions.

"Fiscal policies will partially accommodate the near-term increase in spending following the natural disasters, while underlying policies are being appropriately refocused towards medium-term consolidation objectives. The authorities are committed to returning to robust primary surpluses over the medium term to ensure downward debt dynamics, by tackling pressures on current spending and strengthening the revenue base and collection. A strengthened fiscal policy framework will support the adjustment effort.

“Structural reforms are key to supporting the fiscal effort, improving growth prospects, and increasing Dominica’s resilience to external shocks. Reforms to boost external competitiveness and enhance the business climate will be necessary to promote private sector activity. Stronger financial sector policies will help tackle vulnerabilities in the regional and domestic financial systems, both in terms of financial institution health and their supervisory and regulatory environment.”