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Staff Country Reports

Dominica: Poverty Reduction Strategy Paper—Preparation Status Report

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Dominica—Preparation Status Report of Growth and Social Protection Strategy

Introduction

The Government of the Commonwealth of Dominica (GOCD) submitted its Interim Poverty Reduction Strategy Paper (I-PRSP) to the Boards of the IMF and the World Bank in December of 2003. In that document, the government presented an assessment of the poverty situation in Dominica, and outlined an interim medium- and long-term strategy to tackle it.

The Executive Boards of both the World Bank and the International Monetary Fund, as well as the staffs of the two institutions have given us valuable feedback on our interim strategy paper. In particular, the Joint Staff Assessment emphasized the need for a more detailed analysis of the structural reforms needed in Dominica and highlighted the importance of maintaining macroeconomic stability. Staffs also suggested involving the large Dominican Diaspora in the consultation process.

Status of the Poverty Reduction Strategy Paper

At the time the paper was submitted, it was envisaged that our Growth and Social Protection Strategy (GSPS) would be finalized by the end of 2004. While we have made substantial progress in developing many of the areas outlined in the I-PRSP and issues raised in the consultation process, the GSPS has not yet been completed.

While recognizing the advantages of having a finalized poverty reduction strategy in place, the GOCD has considered it important that additional time be taken-up to finalize the report for two reasons. First, the government expects the GSPS to guide its policies over the medium term and, in consequence, wants it to cover all of the areas that are relevant for its reform agenda. Second, given the importance of the document, we have decided to undertake an extensive consultation process. Following a series of focus group discussions earlier in the year, we have also discussed the GSPS at a donors meeting held in June 2005.

At this stage, we are in process of finalizing GSPS, and expect to submit the document to the Boards of the Bank and Fund by the end of this year.

Issues Raised in Joint Staff Assessment

The GSPS tries to address many of the issues that were raised in the staff's joint assessment:

- In the area of macroeconomic stability, we have taken measures to improve the primary balance and sought collaborative debt restructuring, helping put public finances on a firmer footing.
- Fiscal structural reforms that we are currently considering include amendments to the Finance Administration Act which will ensure fiscal responsibility in the future. We have also recently passed legislation that will allow the introduction of a Value

Added Tax in March of 2006. Reforms are also being taken on the expenditure side, where we continue to rationalize public wages.

- The government has advanced its sectoral strategy to enhance growth in several dimensions. For instance, the country now has a national tourism policy which will set the policy agenda in the medium term. With technical assistance from the World Bank, the government has been reviewing its Electricity Supply Act in order to modify it and allow the exploitation of geothermal energy, which potentially can be exported to neighboring islands. The government is also overseeing the development of a water industry in Dominica, with the potential to export bulk and bottled water.
- The government has also made progress in the area of social protection. For instance, with technical assistance from the IMF and the World Bank, the government is currently assessing how to tackle the unfunded liabilities of the social security system, which will start to run deficits starting in 2014 as population aging puts pressure on the system. The government has also analyzed more carefully the problematic of HIV/AIDS in the country and the situation of the Carib community. The government strategy to deal with these two issues will be presented in the final GSPS.
- The final version of the GSPS will contain a much more detailed structural reform agenda than the one envisaged in the I-PRSP. This reflects the considerable emphasis the government is putting to the country's structural reform as well as the result of the consultation process and technical assistance provided by international organizations and donors.

New timeline

Having now reviewed the recommendations from the extensive consultation process in the first half of 2005, we feel comfortable that the GSPS can be finalized shortly, and on the outside by the end of the year.