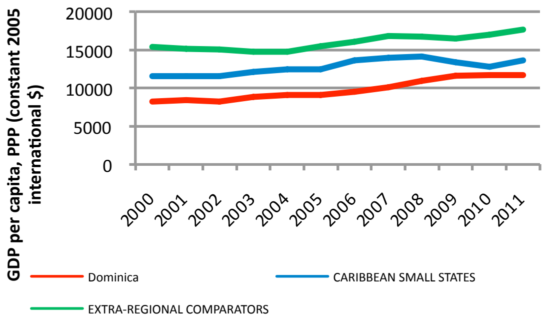
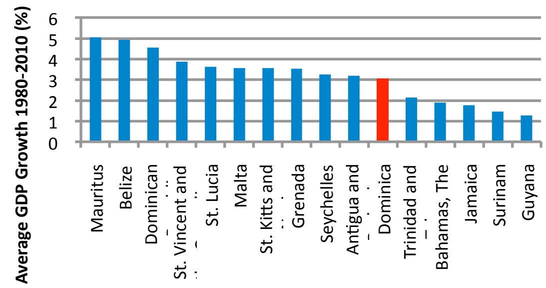
A Snap-Shot of the Private Sector In The Commonwealth of Dominica 2013

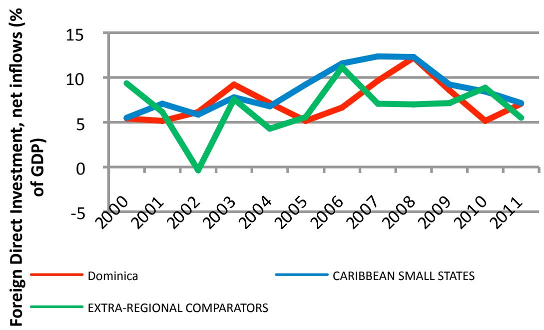
GDP per capita in Dominica has been consistently below the regional and extra-regional average



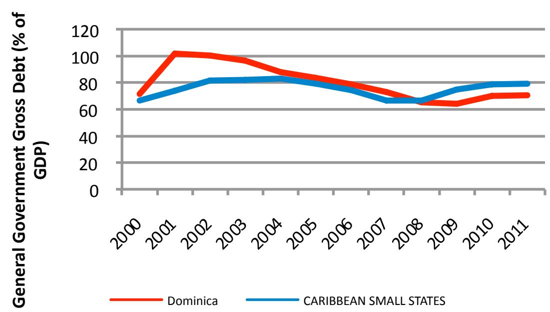
In addition, GDP growth over the last 30 years has been marginally below than that for the majority of comparator countries



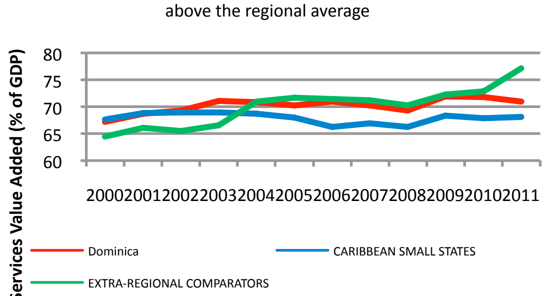
Net FDI in the country has been erratic, and mostly below the regional average, falling dramatically since 2008 to its current position which is on par with the region



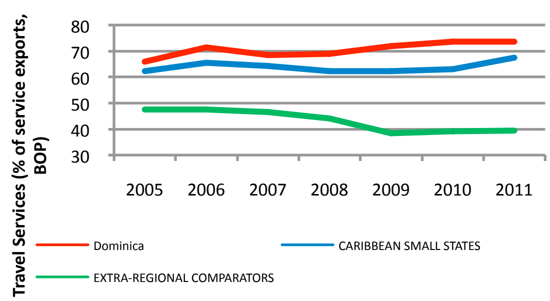
Government Debt as a percentage of GDP has fallen significantly since the start of the century and is currently some 10% below the regional average of nearly 80%



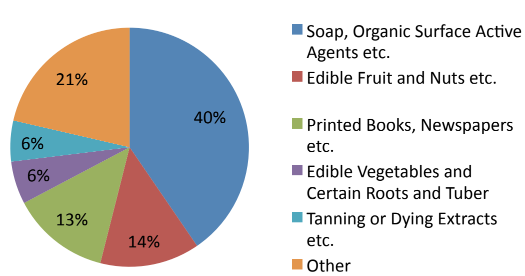
Services are an important part of the Dominican economy. Services are currently at approximately 70% of GDP, 3% above the regional average



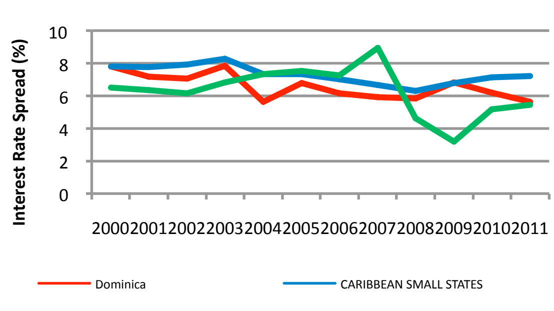
Travel services are the main component of service exports in Dominica , marginally above the regional average



Dominica's main export partners are regional, while the main export commodities in 2010 were...



One of the main issues for businesses in Dominica and the region was access to finance. While still high, interest rate spreads in Dominica are below the regional average



***Caribbean small states aggregate**: includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Guyana, Suriname, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.
****Extra-regional comparators** are Seychelles, Palau, Malta and Mauritius ***Sources of Data: World Development Indicators, World Bank, Central Bank data, Doing Business Reports, Enterprise Surveys

Opportunities to accelerate private sector growth

The Dominican economy, in the wake of major damage from natural disasters over the last two years, has been further impacted by the global downturn and a spillover of the turmoil in international financial markets. Dominica was struck by two hurricanes in 2007 and 2008, causing cumulative damage estimated at close to 35% of GDP. In the pre-disaster years, substantial primary fiscal surpluses of around 5% of GDP had placed the public debt/GDP ratio on a firmly declining path. However, the external current account deficit widened to about 32% of GDP in 2008.

Average growth for the Dominican economy over the last 30 years was just over 3% per annum but has also been quite variable. The current global downturn has underscored Dominica's high vulnerability to external shocks; real GDP growth stagnated in 2009 and 2010 after robust growth of 7.8% in 2008, reflecting mainly declines in stay-over tourism and remittances, as well as lower FDI inflows.

Large and fast growing sectors

The largest sectors in Dominica as a percentage of gross value added (GVA) are: Transport, Storage and Communications (15%); Wholesale and Retail Trade (13%); Agriculture (11%); Real Estate, Renting and Business Activities (11%); and Private Education (10%).

Given the strategic interventions by Government, the most viable growth sectors appear to be: Tourism, with strategic goal of having 2500 hotel rooms by 2020; the geothermal energy sector; construction, due to the Public Sector Investment Program; and manufacturing (confectionary, agro-processing, garments, furniture, and craft) .

Business climate

The Private Sector Assessment for Dominica revealed the following constraints to growth:

- Access to finance issues (cost and collateral requirements)
- Trade issues related to importation delays, freighting times and port charges
- Inadequately trained labour force
- Cost of electricity
- Difficulties in accessing fiscal incentives
- A large amount of informal enterprises

Government priorities as identified by government

The Government of Dominica seeks to pursue economic growth while maintaining and improving its fiscal position. In this vein, the Budget Address of July 2012 was titled: *'Fulfilling the Social Contract/Remaining Focused in the Midst of Economic Turbulence'*. The Address drew heavily on the revised
Growth and Social Protection Strategy (GSPS) which focused on:

- Fiscal policy and administrative reform, including creating an enabling environment for private enterprise and investment attraction
- Sectoral strategies for growth
- Strategies for poverty reduction and social protection.

In relation to sectoral strategies, these relate mainly to tourism and manufacturing, particularly agro-processing. Government's strategy towards the development of agro-processing and manufacturing in general is outlined in the GSPS as:

'…to reduce barriers to growth and create an environment that will enhance the performance and competitiveness of manufacturing firms and contribute to efforts to attract investment' (p.53)

It appears that the Dominican Government seeks to fulfill its social mandate directly through targeted social programs, as well as indirectly through economic growth and subsequent benefits. This is seen with the GSPS Priorities below which concentrate on addressing poverty and the causes of poverty:

- Capital development programs that will promote

Priorities actions to expand business as identified in the Compete Caribbean Private Sector Assessment Report

The main priorities to emerge from the Private Sector Assessment in Dominica were developed into Action Plans. The first of these Action Plans relate to the establishment of a *Tripartite Committee* to oversee the development of private section development strategies and the mainstreaming of private sector development in national strategic plans. The other elements of the Action Plan include the following:

- Improve access to finance and reduce the cost by reducing the risk attached to lending through the development of credit bureaus and collateral registries;
- Targeting the exploitation of renewable/alternative energy to reduce the cost of doing business as well as its development as a productive sector in its own right;
- Education and curriculum reform to ensure the skills demanded in the private sector are supplied by the educational sector.

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economic growth and job creation • Programs with a direct or indirect effect on poverty reduction • New initiatives that may not require substantial additional Government expenditures but will make a significant difference to poor communities.	

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