

Dominica - European Community
Country Strategy Paper
and National Indicative Programme
for the period 2002 - 2007

The Government of the Commonwealth of Dominica and the European Commission hereby agree as follows:

- (1) The Government of Dominica, (represented by the National Authorising Officer, Mr. Edward LAMBERT), and the European Commission, (represented by the Head of the EC Delegation in Barbados, Mr. John CALOGHIROU) hereinafter referred to as the Parties, held discussions in Dominica and Barbados from October 2000 to August 2001 with a view to determining the general orientations for co-operation for the period 2001 – 2007. The European Investment Bank was represented at these discussions by Mr. Stephen McCARTHY.

During these discussions, the Country Support Strategy and an Indicative Programme of Community Aid in favour of Dominica were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in Dominica.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Dominica for the period 2001-2007, an amount of € 3.7 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 12 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which Dominica benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Dominica, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available under the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund. Corresponding amount shall be provided as a supplementary allocation to the eighth EDF
- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.

In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (7) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within six weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of Dominica

For the European Commission

TABLE OF CONTENTS

EXECUTIVE SUMMARY

1	EU/EC CO-OPERATION OBJECTIVES	8
2	THE GOVERNMENT'S POLICY AGENDA	9
3	ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION	10
3.1	POLITICAL SITUATION	10
3.2	MACROECONOMIC OVERVIEW	10
3.2.1	DEMOGRAPHIC STRUCTURE	10
3.2.2	ECONOMIC STRUCTURE	10
3.2.3	TRADE	10
3.2.4	RECENT ECONOMIC PERFORMANCE	11
3.2.5	FISCAL PERFORMANCE	11
3.2.6	MONETARY PERFORMANCE	11
3.2.7	BALANCE OF PAYMENTS	12
3.3	MAIN SECTORS	12
3.3.1	AGRICULTURE	12
3.3.2	FISHERIES	12
3.3.3	TOURISM	13
3.3.4	INDUSTRIAL DEVELOPMENT	13
3.3.5	MANUFACTURING	13
3.3.6	INTERNATIONAL FINANCIAL SERVICES	14
3.3.7	ENVIRONMENT	14
3.3.8	SOCIAL SITUATION	14
3.3.9	POVERTY REDUCTION	14
3.3.10	HEALTH	15
3.3.11	EDUCATION	15
3.3.12	GENDER	16
3.4	EXTERNAL CHALLENGES	16
3.4.1	INTERNATIONAL CONTEXT	16
3.4.2	REGIONAL COOPERATION	16
3.4.3	OECD HARMFUL TAX	17
3.5	FUTURE CHALLENGES AND PROSPECTS	17
3.5.1	TRADE AND ECONOMICS	17
3.5.2	ENVIRONMENT	18
4	OVERVIEW OF PAST AND ONGOING EC CO-OPERATION	18
4.1	EUROPEAN DEVELOPMENT FUND	18
4.2	STABEX TRANSFERS AND THE SPECIAL FACILITY OF ASSISTANCE (SFA)	18
4.3	STRUCTURAL ADJUSTMENT	19
4.4	CARIBBEAN REGIONAL INDICATIVE PROGRAMMES	19
4.5	EUROPEAN INVESTMENT BANK (EIB)	19
4.6	ENVIRONMENT IN DEVELOPING COUNTRIES BUDGET LINE B7-5040	19
4.7	PAST EXPERIENCE OF COMMUNITY AID	20
4.8	PROGRAMMES OF EU MEMBER STATES AND OTHER DONORS	20
4.8.1	PROGRAMMES OF EU MEMBER STATES	20

4.8.2	OTHER DONORS	20
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5	RESPONSE STRATEGY	21
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5.1	PRINCIPAL ELEMENTS TO BE ADDRESSED	21
5.2	THE EC SUPPORT STRATEGY	21
5.3	PROPOSED FOCAL SECTOR FOR EC SUPPORT	22
5.4	CONSISTENCY WITH GOVERNMENT POLICY	22
5.5	INVOLVEMENT OF NON-STATE ACTORS	22
5.6	ACTIVITIES OF OTHER DONORS IN THE SECTOR	23
5.7	THE EUROPEAN INVESTMENT BANK	23
5.8	COHERENCE AND COMPLEMENTARITY	23

6	NATIONAL INDICATIVE PROGRAMME	25
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6.1	INTRODUCTION	25
6.2	FINANCING INSTRUMENTS	25
6.3	FOCAL SECTOR	25
6.3.1	OVERALL OBJECTIVE	25
6.3.2	PROGRAMME PURPOSES	25
6.3.3	EXPECTED RESULTS	26
6.3.4	RESULT INDICATORS	26
6.3.5	THE ACTIVITIES	26
6.3.6	GOVERNMENT'S COMMITMENTS	27
6.4	INTERVENTION FRAMEWORK	28
6.5	TIMETABLE	29

ANNEXES

ANNEX 1: NATIONAL DEVELOPMENT MATRIX

ANNEX 2: OVERVIEW OF EC CO-OPERATION

ANNEX 3: KEY SOCIAL & ECONOMIC INDICATORS

ANNEX 4: MATRIX OF GOVERNMENT POLICY OBJECTIVES

ANNEX 5: ANALYSIS OF NATIONAL POLICY IN ROAD SECTOR

ANNEX 6: OVERVIEW OF THE BANANA SECTOR

ANNEX 7: ENVIRONMENTAL PROFILE

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ACP	-	Africa Caribbean Pacific
ACS	-	Association of Caribbean States
AID	-	Dominica Agricultural Industrial Development Bank
CARIBCAN	-	Caribbean-Canada Trade Agreement
CARICOM	-	Caribbean Community
CARIFORUM	-	Caribbean Forum of ACP States
CBI	-	Caribbean Basin Initiative
CDB	-	Caribbean Development Bank
CDE	-	Centre for the Development of Enterprise
CET	-	Common External Tariff
CGCED	-	Caribbean Group for Co-operation and Economic Development
CIDA	-	Canadian International Development Agency
CSME	-	Caribbean Single Market and Economy
CSS	-	Country Support Strategy
DFID	-	Department for International Development
ECCB	-	Eastern Caribbean Central Bank
EC	-	European Commission
EDF	-	European Development Fund
EIB	-	European Investment Bank
EPA	-	Economic Partnership Agreement
EU	-	European Union
FAO	-	Food and Agricultural Organisation
FATF	-	Financial Action Task Force
FTAA	-	Free Trade Area of the Americas
GDP	-	Gross Domestic Product
GIP	-	General Import Programme
GNP	-	Gross National Product
IFAD	-	International Fund for Agricultural Development
KFAED	-	Kuwait Fund for Arab Economic Development
MTES	-	Medium Term Economic Strategy
NAO	-	National Authorising Officer
NAFTA	-	North American Free Trade Agreement
NGO	-	Non-Governmental Organisation
OECD	-	Organisation for Economic Co-operation and Development
OECS	-	Organisation of Eastern Caribbean States
PAHO	-	Pan-American Health Organisation
PSIP	-	Public Sector Investment Programme
RNM	-	Regional Negotiating Machinery
ROC	-	Republic of China
SAP	-	Structural Adjustment Programme
SFA	-	Special Facility of Assistance
WHO	-	World Health Organisation
WIBDECO	-	Windward Islands Banana Development Company
WTO	-	World Trade Organisation

PART A

Country Support Strategy

Executive summary

The aim of Government in the medium-term is to facilitate the accelerated emergence of a modernised, more diversified and resilient economic structure which will be supportive of genuinely, profit oriented private sector investment, less reliant on access to guaranteed export markets and more compatible with the imperative of ecological sustainability and the realities of the rapidly emerging liberalized global trading environment.

With the gradual erosion of preferential access to the European Union banana market, further diversification into tourism and offshore financial services will be critical to sustain growth in output and employment over the medium term.

In the major export sectors, the issue of competitiveness will continue to influence performance. Structural adjustment measures should be directed at the promotion of current savings and private investment and the enhancement of competitiveness, particularly in light of the decline in the relative importance of agriculture should banana production fail to recover.

Following the country analysis and the review of Dominica, EU co-operation has clearly identified the key role of the banana sector and the possible impact of its restructuring on the socio-economic conditions. The strategy aims to respond to the challenges and opportunities presented by globalisation particularly in view of the inherent implications for the banana industry.

It is therefore proposed to utilise EU co-operation instruments in the following manner:

- (i) Continued support to the restructuring of the Banana Industry and agricultural diversification through the SFA Instrument;
- (ii) Continued support to the social sectors through Stabex and the SFA;
- (iii) Support to Infrastructure Development through the upgrading of the road network infrastructure using the “A envelope” of the 9th EDF (100%: EUR 3.7 million).
- (iv) Allow for the possibility to participate in a structural adjustment programme if deemed necessary and appropriate.

Using the A envelope for the road infrastructure sector is justified by the weakness of the infrastructural base, its importance for economic growth, and its importance for consolidating investments in the social sectors and enhancing the efficiency and effectiveness of agricultural and economic diversification programmes. A critical constraint to the pursuit of the countries diversification agenda is the weakness of the infrastructural base. The establishment of an efficient road network is deemed essential for productive development and poverty reduction by facilitating physical access to jobs, education and health. The expansion and maintenance of the road network would specifically support on-going efforts to enhance the productivity of the agricultural sector (bananas and non-bananas), support sustainable expansion of the tourism sector especially in light of future air access improvements in Dominica for which the EU is providing assistance.

1 EU/EC co-operation objectives

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;

- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which put the main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and Dominica shall pursue these objectives taking into account the fundamental principles laid down in Article 2 of the Agreement and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

2 The Government's Policy Agenda

In the absence of a Poverty Reduction Strategy for Dominica, the Governments' Medium-Term Economic Strategy (MTES) paper 2000-2002 is taken as the basis for the CSS. The most significant challenges facing the country to which the MTES attempts to respond are the restructuring of the global trade regime and the threat of further fiscal instability. The aim of Government in the medium-term is to facilitate the accelerated emergence of a modernized, more diversified and resilient economic structure capable of supporting sustainable livelihoods, especially at rural level. This will require the implementation of a more targeted and responsive public sector investment programme as well as the expansion of a private sector less reliant on access to guaranteed export markets and more compatible with the imperative of ecological sustainability and the realities of the rapidly emerging liberalized global trading environment.

The attainment of these objective is to be pursued through a broad based economic and social strategy which includes the following elements: an institutional and regulatory support programme including the preparation of an *Integrated National Development Plan* which will assemble all sectoral and investment initiatives within a coherent framework, an Industrial Development and Investment Promotion Programme, and a programme of fiscal consolidation designed to support the generation of current savings to cover the funding requirements of a well focused Public Sector Investment Programme (PSIP). The Governments' multi-sectoral approach to poverty alleviation includes a mix of social safety net operations funded by the recurrent budget and investment programmes financed by the Caribbean Development Bank (CDB), the International Fund for Agricultural Development (IFAD) and the European Union. Diversification and promotion programmes in agriculture and tourism are a central part of the strategy.

3 Assessment of the political, economic and social situation

3.1 Political situation

Dominica is democratic with universal suffrage, has a well-established parliamentary democracy, free elections, a multiparty structure, equality of access to political activity and participative decision-making. The Commonwealth of Dominica achieved independence from the UK in November 1978 and adopted a republican form of Government in 1989. The House of Assembly appoints a President for a five-year term. The current President is Vernon Lorden Shaw. The Prime Minister is appointed by the President while the Cabinet is appointed by the president on the advice of the prime minister. The unicameral Parliament is subject to the provisions of the constitution, which was introduced with independence in 1978. The House of Assembly is composed of 30 seats, of which 21 are elected by popular vote and 9 allocated to senators (5 appointed by the governing party and 4 by the opposition). Elections are constitutionally due every five years. The last elections took place in January 2000 following which a coalition government was formed between the Dominica Labour Party (10 seats) and the Dominica Freedom Party (2 seats). Dominica United Workers Party (9 seats) is the official opposition.

Dominica is not considered to have problems with human rights or the protection of civil liberties. A declaration of individual rights and freedoms is entrenched in the constitution of Dominica. The Commonwealth of Dominica is a signatory to the Universal declaration of Rights and the Convention on the Elimination of all forms of discrimination against women.

The legal system is based on English common law as exercised by the Eastern Caribbean Supreme Court (located in Saint Lucia). One of the six judges resides in Dominica and presides over the Court of Summary Jurisdiction. Provision is made for appeal to the East Caribbean Appeals Court with final appeal to the Privy Council in London. However the role of the Privy Council is to come to an end with the establishment of the Caribbean Court of Justice which is expected to be operational in 2003.

3.2 Macroeconomic Overview

3.2.1 Demographic structure

Dominica's population is 71,540 (July 2000 est.). The rate of population growth has declined in recent years due to a fall in birth rate and in 2000 was estimated to be -1.14%. Life expectancy at birth is 73.35 years. The unemployment rate in 1999 was estimated at 20%, much of which is attributed to young males.

3.2.2 Economic Structure

Dominica has a small open economy, dependent on agriculture, and highly vulnerable to climatic conditions, notably tropical storms. Agriculture, primarily bananas, accounts for 18% of GDP and employs 40% of the labour force. Industry accounts for 23% of GDP and employs 32% of the labour force whilst services accounts for the remaining 59% of GDP and employs 28% of the labour force. Development of the tourist industry remains difficult owing to the rugged coastline, the lack of beaches and an international airport. The government is attempting to develop an offshore financial industry in order to diversify the island's production base. Dominica has a GDP per capita (purchasing power parity 1998 est.) of US\$3,400 (€ 4,000).

3.2.3 Trade

Dominica's main export partners are Caricom 47%, the United Kingdom 36%, and the United States 7%, whilst its main import partners are the United States 41%, CARICOM countries 25%, the United

Kingdom 13%, and the Netherlands and Canada make up much of the remaining 21%. The principal products for export are bananas (50%), soap, bay oil, vegetables, grapefruit and oranges. The value of exports in 1998 amounted to US\$60.8 million (€ 71 million) whilst imports amounted to US\$120.4 million (€ 140 million). Dominica's main imports are manufactured goods, food, chemicals, machinery and equipment. Over the past five years there has been no significant shift in Dominica's trading patterns. Dominica's real effective exchange rate has been appreciating since 1996 and so export competitiveness has been declining. There is therefore a need for Dominica to pursue trade policies that will allow it to embrace the challenges and opportunities of a liberalized global environment.

3.2.4 Recent Economic Performance

The economic structure of Dominica has changed significantly over the past decades, moving from an economy dominated by agriculture in the '70s and '80s towards a more services oriented economy. Where once agriculture accounted for over 30% of GDP, its share is now approximately 18% of GDP. During the 1990s economic growth slowed, largely as a result of natural disasters, structural rigidities and inadequate investment in the infrastructure necessary to encourage private sector activity. Hurricane Luis devastated the country's banana crop in September 1995 and tropical storms wiped out one-quarter of the crop in 1994. Increases in construction, soap production, and tourist arrivals aided economic recovery in the period after 1995. By 1999 however growth slowed, with real GDP estimated to have increased by 0.4%, down from 3.5% in 1998, whilst the real GDP growth rate for 2000 was 0.17%. This slowdown is the result of a weak performance in the major productive sectors with the value added from the agricultural sector in 2000 down a further 0.7% as a result of the continued contraction in banana production.

3.2.5 Fiscal Performance

Central Government's fiscal outturn deteriorated in 2000. The deficit on the current account was recorded at EC\$11.4million. The main contributing factor to this further weakening of Government's finances was the faster rate of growth in current expenditure relative to the increase in the current revenue. Recurrent revenue declined by 1.8% as yields from the import consumption tax and trade taxes fell (20-25% of government's revenue) as a result of continued trade liberalisation. Plans for a broader based tax system are being examined which includes the possibility of introducing a VAT. Recurrent expenditure rose by 3.1% reflecting higher outlays on personal emoluments and on transfers as a result of higher pension payments and public assistance relief whilst part of the deterioration is due to increases in interest obligations and expenditure on repair work following hurricane Lenny in November 1999. The combined expenditure on wages and debt servicing absorbs 80% of revenue. The remaining 20% is used to fund goods and services and transfers. As a consequence, the Government relies on grant and debt flows to finance its capital investment programme.

3.2.6 Monetary performance

Dominica belongs to the Eastern Caribbean Central Bank (ECCB), which operates a fixed exchange rate regime. The Eastern Caribbean Dollar is pegged to the United States Dollar at the rate of US\$1 = EC\$2.70 since July 1976. Monetary policy in the Eastern Caribbean is thereby centralized under the Eastern Caribbean Central Bank where the focus of the policy is to maintain a strong Eastern Caribbean dollar so as provide a degree of certainty to the economic policy environment thus providing a predictable environment for investment and economic activity in general. Total monetary liabilities in the banking system in Dominica expanded by 0.6% to EC\$471million in 2000 in comparison with a 10.4% growth in 1999 reflecting in part the sluggish performance of the economy in 2000.

3.2.7 Balance of Payments

The current account of the balance of payments has shown major improvements with the deficit decreasing from over 20% of GDP in 1995 to 7% of GDP in 1998, reflecting the export performance of the manufacturing sector and the increase in tourist arrivals. In 1999 however, the deficit rose again to 11% of GDP whilst estimates show that this trend has continued for 2000 with the deficit expected to reach 21.9% of GDP as a result of sharply falling exports and the increasing fiscal deficit as increased inflows from travel were more than offset by growth in the import bill and lower receipts from merchandise exports. Development on the income account have also been associated to a large extent with Central Government's bond issues in 1999 earmarked for Airport Development.

3.3 Main sectors

3.3.1 Agriculture

In Dominica, agricultural production is the single most important activity and is centered on the banana industry, with increasing attention being given to the non-traditional agricultural crops such as plantain, coconut oil, oranges, mangoes and dried roots. The forestry and fishery potential are however not exploited. The poor performance of the agricultural sector is largely the result of the difficulties being experienced in the banana industry. The decline in the value added from the agricultural sector, in particular the banana industry, has a significant impact on the overall economic growth as the domestic multiplier of the farmers income is relatively large.

Bananas: The continuing decline of the banana industry is attributable to the combination of unfavourable weather conditions, fruit quality problems and market conditions. The banana price in the international market has fallen at an annual average of 4.4% over the 1990-1999 period. To survive the banana industry needs to raise standards of efficiency such as to allow it compete in a global market governed by rules of free trade. Productivity and quality enhancement initiatives are being implemented under the Windwards Island Production Recovery Plan and the Windward Island Action Plan financed by the STABEX and Special Framework of Assistance (SFA) funding instruments. Provision is made in the Plans for the supply of working and investment capital to targeted certified farmers who have the potential to achieve at least 12.5 tons per acre, improvements in farm management capacity, and for the creation of regulatory and institutional frameworks.

Agricultural Diversification: Non-banana agricultural production has strengthened, partially offsetting the decline in the banana industry with gains in the production of root crops, fruit and vegetables. In order to pursue advancements in agricultural diversification in December 2000, the Cabinet approved "The National Programme for Agricultural Diversification" which provides a framework for the development of strategic and co-ordinated interventions the sub-sector. The National Programme will focus on the creation of an enabling environment to facilitate greater competitive activity in the private sector, increase commercial investments in the sub-sector in addition to providing appropriate support services and opportunities for the strengthening of key institutions involved in the agricultural diversification process. In response, the Ministry of Agriculture will be restructured with the intention of re-orienting and privatising elements of the services it currently provides, and appropriately strengthening the organisation to deliver targeted services with effectiveness and efficiency.

3.3.2 Fisheries

The fisheries industry plays an important role not only to the national economy, but also at the community level, providing income, employment and food security to many of the fishing villages of Dominica. The industry provides a livelihood and income to over 2000 fishermen and their families. In addition it provides employment for fish vendors, boat builders, net and fish trap builders. In most

coastal communities in Dominica, fishing is the main economic activity. The fishing industry in Dominica is artisanal by nature and is characterized by low technology fishing methods with most of the fishing activities being carried out within a radius of 15-20 miles around the island. The future of the industry will require greater focus on the development of the offshore migratory pelagic fishing necessitating training in navigation and safety at sea as well as seamanship. In addition, investment in larger and more stable fishing platforms will be required.

3.3.3 Tourism

Tourism in Dominica accounts for 60% of the foreign exchange earned by the service sector, 35% of total exports and approximately three times the export earnings of the banana industry. Growth of the tourism sector averaged 1.7% in real terms in the three years up to 2000 a decline from the rates experienced in the early part of the '90s. Total visitor arrivals, which peaked at 311,572 in 1998 experienced a decline to an estimated 279,370 in 1999, however arrivals increased in the stay-over segment. The continued growth and development of the sector is somewhat constrained by the inadequacy of air access, the stock of quality hotel accommodation, the inadequacy of the marketing strategy, inadequate access to eco-tourist sites and the need for a much clearer and sharper definition of the product offer.

In partnership with the private sector and local communities, Government intends to accelerate the development of the tourism sector in the medium term with the intention that it becomes the main economic activity for job creation and foreign exchange generation. This takes on an added urgency in light of the decline in the fortunes of the banana industry. Efforts in this regard have focused on the positioning of the country as an eco-tourism destination. The tourism strategy is underpinned by the OECS Environmental Charter for Sustainable Development to which Dominica subscribes. A three-year Eco-Tourism Development Programme will be implemented under the 8th EDF NIP which includes support to human resource and product development, niche marketing, community based tourism development and support to the civil society and private sector. The Programme is consistent with other donor funded activities in the sector, including the development of internationally competitive standards for the industry, the regulation of the industry through licensing and permit systems, and site and trail development.

3.3.4 Industrial Development

Existing investment promotion is structured around a system of corporation tax holidays and duty free concessions. It is necessary however to establish an investment promotion framework that is more consistent with the requirements of the liberalised global trading environment. In pursuit of this objective, Government intends to revisit the policy and legislative framework for investment promotion and facilitation.

3.3.5 Manufacturing

The manufacturing sector is concentrated around the soap and detergent production industry. The sector played an important role in the economic growth registered in the three years up to 2000 however manufactured output growth tapered off in 1999 as exports contracted. The value of dental cream output declined by 35% while that of soap production fell by 14.3%. Soap exports also declined in response to increased import competition and an associated loss of export share in the Caribbean markets of Jamaica and Trinidad and Tobago. The production of beverages and cardboard boxes increased though remain as relatively small contributors to the sector's total output and exports.

3.3.6 International Financial Services

Dominica's emerging offshore services industry comprises offshore banks, international business companies, internet gaming, exempt insurance and trust companies and management services operations along with the economic citizenship programme and a medical school. The main contributor to revenue has been the economic citizenship programme accounting for 89% of inflows from the industry and an estimated 15% of non-tax revenues.

3.3.7 Environment

Given Dominica's fragile natural environment, unique geophysical features and its eco-tourism thrust, environmental concerns must be considered in all aspects of the developmental sphere. The commitment to address the problems of land degradation, solid waste disposal, sustainable energy use, the effects of climate change, biodiversity and environmental conservation are severely challenged by the restricted finances available for the funding of many programmes in this regard. It is fully recognized however, that development, both economic and social, must be done in partnership with the conservation and sustainable use of the natural environment.

3.3.8 Social Situation

According to the UNDP Human Development Report for 2000, Dominica is ranked 51 among 174 countries on the basis of adult literacy, school enrolment, life-expectancy at birth, and per capita Gross Domestic Product (GDP). The country enjoys a relatively high index of human development (0.79). This index, however, masks the existence of social gaps and deficiencies, one of the most important being a high level of poverty.

3.3.9 Poverty Reduction

While there is no comprehensive data on the extent and nature of poverty in Dominica, a 1996 study carried out by Bonnerjea and Weir, based largely on anecdotal evidence estimated that 30% of people were living in poverty. With the changing international environment, particularly changes to the EU preferential trade arrangements for bananas, an estimated 1.47% of GDP will be lost and these pockets of poverty are likely to grow. In order to facilitate the development of clearer strategies and more efficient targeting and coordination of efforts in the context of fiscal constraints and competing demands for investment funds, it is necessary that comprehensive data on the occurrence of poverty be collected. To this end, the Ministry of Community Development and Gender Affairs has developed a Strategic Plan, the objective of which is to develop a more targeted policy framework that will result in a more efficient, holistic and decentralised approach to poverty reduction. Continuous qualitative and quantitative vulnerability analysis is a key activity identified.

Intimately linked to poverty is the unemployment rate. The unemployment rate in Dominica is 20 % with much of the unemployment concentrated among young adult males.. The concern is that if left unchecked unemployment may lead to further increases in crime, social unrest and increased poverty, which would be inimical to further development particularly in the sensitive tourism sector. As job growth in the formal sector has been well below that required by the growth of the labour force there is a growing tendency towards the "informalisation" and "seasonalisation" of the work force, which particularly affects women. Emigration of skilled persons also continues at a high rate while there is now a simultaneous reduction in the outflow of excess labour (via the tightening of immigration policies in some countries, especially the USA towards migrants from the Eastern Caribbean) further exacerbating the unemployment situation.

The Governments' inability to sustain public expenditure for education, health care, social safety nets and basic social infrastructure are cited as reasons for poverty levels. Government is currently funding

social safety net operations through its recurrent budget alongside the investments of the CDB, the international Fund for Agricultural development (IFAD) and the EU. The government's strategy recognizes the importance of the nexus between economic and social development. The approach to development focuses on social policies, particularly those influenced by global trends such as the situation which currently exists in relation to farmers and farm workers displaced from the banana industry. A study being prepared on the socio-economic impact on farmers and agricultural workers resulting from the restructuring of the banana industry will form the design of a social recovery strategy to support the repositioning of those displaced. Social sector commitments account for approximately 34.2% of recurrent outlay with the health services commanding the second largest allocation of Government's recurrent expenditure.

Non-State Actors: Government has given its support to the *Directional Plan of Action for Poverty Eradication* in the Caribbean which emphasises the involvement of civil society as key actors in the solution of socio-economic problems affecting them. The Local Government Department has adopted a participatory integrated approach to community development whilst Government is expected to strengthen capacities at the grassroots level for community-based project design and management. The role of local government is being reviewed in an effort to augment their institutional capacity and make them more autonomous. Further, service providers, credit unions, NGOs, farmer organisations, Community Implementation and Advisory Committees, will continue to be assisted to make their structures and functions more responsive to the needs of the poor.

3.3.10 Health

Dominica can boast of favourable health outcomes when compared with the situation a quarter-of-a century ago. There are improvements in basic indicators such as life expectancy (73 years), infectious communicable diseases, primary health care, access to pure water, sanitation and sewerage, and infant, child and maternal mortality. The Ministry of Health and social security is currently engaged in preparing a new 5-year Sector Plan. A situational analysis has been carried out in conjunction with PAHO/WHO and an internal analysis of the achievements and failures of the previous Health Plan has been conducted along with a consultation process with non-governmental and community based organizations to identify the strategic issues. There is the need for a greater emphasis on outreach and education consistent with the need to consolidate the performance of the primary health care system, the need for the restructuring of service delivery and improving the quality of care, and the need for a stronger emphasis on higher risk groups like the elderly, adolescents and the pockets of poor communities.

HIV/AIDS: Based on existing information, Dominica is not deemed to have a serious epidemic, meaning HIV/AIDS prevalence is still low (less than 5%, even among persons presumed to practice high-risk behaviour). However on a regional level, the HIV/AIDS epidemic is spreading alarmingly and could affect Dominica thereby requiring Dominica to ensure effective prevention programmes are in place.

3.3.11 Education

By and large Dominica has shown good progress in educational outcomes since Independence. Expenditure on education as a percent of total government expenditure and GNP has been rising and in 1999 accounted for 25% of total government expenditure and 8 % of GNP. The combined primary, secondary and tertiary gross enrolment ratio is 74%. Whilst this displays a good performance, much of the country's work force has only a primary level of education and is engaged in low skilled, low productivity operations. Surveys conducted in the sector suggest unequal access to the educational system, the danger of which is one of reinforcing social inequalities, due to inequities in the school system. Efforts are currently being focussed on achieving universal secondary education by 2005. Complementary policy and inputs, including the upgrading of teacher skills, will be duly stressed.

3.3.12 Gender

The commitment to the recognition of gender as a crosscutting issue is inherent in the plans and policies for national development. Gender sensitivity programming is paramount, whereby gender equality in employment, capacity building and management of projects play a critical role in ensuring sustainability. The Ministry of Community Development and Gender Affairs through the Gender and Development Programme is dedicated to ensuring that gender issues are considered in all aspects of national life. In particular, strategies focus on the status of women in national development to guarantee that women and other vulnerable groups in society are not marginalized.

3.4 External Challenges

3.4.1 International Context

The Caribbean region is currently facing huge challenges on the external front as it grapples with the effects of globalization and international trade commitments under the World Trade Organisation (WTO) alongside pressures arising from economic groupings such as the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA). Under WTO rules, the countries of the Caribbean have until 2005 to dismantle non-tariff barriers, progressively liberalize trade in goods and services, and eliminate all discriminatory practices and tariffs. The system of preferences enjoyed by Caribbean bananas in the EU market has been successfully challenged by the United States and is to be replaced while further access by Latin American countries to North American markets through the establishment of the FTAA promises to erode even further, preferences from the CBI (Caribbean Basin Initiative) and CARIBCAN (the trade agreement between the Caribbean and Canada). In a context of globalization and liberalization, WTO and EPA (ACP-EC Economic Partnership Agreement) negotiations can further enhance the credibility and transparency of Dominica's trade and investment regime, thus encouraging investment and bolstering reform. In accordance with the provisions of the Cotonou Agreement, negotiations on future trade arrangements between the EU and ACP countries in the form of Economic Partnership Agreements (EPAs) should start in September 2002 at the latest.

3.4.2 Regional Cooperation

On the regional front, Dominica is a member of CARICOM (the Caribbean Community) and the Association of Caribbean States (ACS). CARICOM members are in the process of establishing a Common Single Market and Economy (CSME) that will include not only a fully functioning common market, but also the harmonization of macroeconomic policies and eventual monetary integration. The new regional trade arrangements are expected to be finally in place by 2005 alongside those of the FTAA and WTO. The ACS, established as a mechanism for consultation, cooperation and concerted action, brings together all the countries of the Caribbean Basin (the sovereign states of Central America, CARICOM, Cuba, Colombia, Mexico and Venezuela) with an overall population of some 200 million. Together they have pledged their commitment to strengthen cooperation in trade, tourism, transport, the environment, language training, and cultural cooperation.

Within the global context of liberalization, Dominica's national trade policy, largely guided by that of CARICOM and the OECS, focuses on forward looking, outward oriented trade policy reform programmes geared towards the gradual removal of protectionist measures. The government has made considerable progress in liberalizing its trade regime by reducing both tariff and non-tariff barriers. In keeping with its obligation to CARICOM, the government implemented the fourth and final phase of the Common External Tariff (CET). The CET, which is geared at deepening the process of

industrialization in CARICOM, imposes tariffs on imports from third countries at rates of up to 35% for industrial products, and 40% for agricultural goods. A trade policy review conducted by the WTO in June 2001 noted the strong performance of the country in recent years.

In order to secure markets for its exports the Government's strategy is to negotiate CSME/WTO compatible agreements with its trading partners. Towards this end, the Government is highly supportive of, and actively participates in the work of the RNM (Regional Negotiating Machinery) and in collaboration with the OECS and Canada, is undertaking a programme for strengthening its trade negotiating capabilities.

3.4.3 OECD Harmful Tax

A further challenge facing the countries of the Caribbean is the issue raised by the OECD of harmful tax practices. According to the 1998 OECD report, harmful features of preferential regimes are to be eliminated before the end of 2005. In June 2000, a further report presented a list of jurisdictions that are deemed tax havens under the criteria of the 1998 report. It also contained a list of 35 uncooperative countries which included Dominica and the threat of sanctions against non-cooperating jurisdictions. Data from the CARICOM secretariat reveals that the offshore sector constitutes a significant percentage of revenue for the governments of the Caribbean. In Dominica, revenue for the treasury from the offshore sector amounted to US\$3.8 million in 1999 and continues to be an important contributor to government revenue and to export of services. Dominica has 5,831 international banking companies and six offshore banks. The latest assessment by the Financial Action Task Force (FATF), the results of which were made available in June 2001 notes that Dominica has made some progress and has brought into force the Money Laundering (Prevention) Act in January 2001. However, the steps taken have not been sufficient to have Dominica removed from the list of uncooperative countries.

3.5 Future Challenges and Prospects

3.5.1 Trade and Economics

While Dominica's openness to the rest of the world affords it the opportunity to overcome inherent scale limitations, this exposure makes the island vulnerable to fluctuations in world market prices. Macroeconomic shocks are exacerbated by the relatively undiversified production and export base. Such reliance on a limited number of exports renders the economy susceptible to changing patterns of trade in any of these exports. Furthermore a large portion of these exports are traded to a very small number of countries. Bananas are predominantly sold to the United Kingdom. Toiletries are sold to the Caribbean market with Jamaica accounting for at least 50% of export earnings. The Americas provide at least three-quarters of the stay-over visitors, one-third of whom originate from the French West Indies. This small market concentration exposes the island to changing economic fortunes of its trading partners, political shifts that may influence ties between countries, trading restrictions or cost impositions, and the creation of regional blocs and alliances. With the gradual erosion of preferential access to the European Union banana market, further diversification into tourism and offshore financial services will be critical to sustain growth in output and employment over the medium term. The government intends to advance its diversification efforts by promoting further development of non-traditional export services including eco-tourism.

A critical constraint to the pursuit of the countries diversification agenda is the weakness of the infrastructural base. The establishment of an efficient road network is deemed essential for productive development and poverty reduction by facilitating physical access to jobs, education and health. The expansion and maintenance of the road network would specifically support on-going efforts to enhance productivity of the agricultural sector (bananas and non-bananas), support sustainable expansion of the tourism sector especially in light of future air access improvements for Dominica for which the EU is providing assistance. Towards that end, the Government has programmed a significantly higher level of

capital investment in these and other sectors which together with other Government operations, is likely to widen the overall deficit. In light of this, it is ever more pressing that the government address the deterioration in fiscal performance and make a major effort to increase public saving and further, to keep the debt burden within manageable limits. In the major export sectors, the issue of competitiveness will continue to influence performance. Structural measures should be directed at promoting private investment and saving and improving competitiveness as agriculture is likely to continue to decline in relative economic importance if banana production fails to recover.

3.5.2 Environment

The susceptibility of the island to natural disasters and environmental change severely impinge on the economy through infrastructure damage and production and export losses. In 1994 Tropical Storm Debbie wiped out one quarter of the banana crop, Tropical Storm Iris and Hurricane Luis and Marilyn destroyed the banana crop in 1995. In 1999, Hurricane Lenny forced the diversion of scarce resources from programmed activities to post-hurricane rehabilitation, caused the direct loss of foreign exchange and generally led to a worsening of the Central Government's fiscal situation. Efforts to address emergency recovery and disaster mitigation are being undertaken by the World Bank.

4 Overview of past and ongoing EC co-operation

Within the context of the successive Lomé Conventions, Dominica has automatically accessed the European Development Fund under the National and Regional Indicative Programmes. In addition, the Government of the Commonwealth of Dominica has been entitled to substantial annual compensation packages under the Stabex instrument, designed to cover losses in export earnings from the sale of bananas. Dominica will also benefit from the Special Framework of Assistance (SFA) instrument established in 1999 to assist with the commercialisation of the Banana Industry. Support has also been obtained from other instruments including the Structural Adjustment Facility, Rehabilitation Budget Line, along with funds from the European Investment Bank and the Centre for the Development of Enterprise.

Over the last decade the Government of the Commonwealth of Dominica has benefited from a total of nearly € 66 million in grant funding from the European Commission under the NIP, Stabex and SFA instruments. This figure does not include Regional Programmes or funding from other co-operation instruments.

4.1 European Development Fund

Dominica's first three NIPs (Lomé I, II, III) were directed at the creation of, and improving and/or restoring the necessary conditions for development in rural areas, primarily in the Road Infrastructure sub-sector. The 7th EDF NIP of € 5.5 million targeted several sectoral programmes including agricultural diversification (€2.25m), Solid Waste Disposal Programme (€1.65m), Eco Tourism Site Development Project (€0.5m), youth Skills and community development (€0.55m) and tertiary education (€0.55m). The 8th EDF NIP for Dominica amounts to € 6.5 million, 92% of which has been allocated to an Eco-Tourism Development Programme whilst the remainder of the funds have been dedicated to drug prevention and a tertiary education programme.

4.2 Stabex Transfers and the Special Facility of Assistance (SFA)

Stabex transfers are being used by Dominica to support a major reform of the banana industry in parallel with the efforts undertaken to diversify both agriculture and the economy as a whole. Stabex funds play an important role in the drive towards poverty alleviation through its contribution to the strategy for social and community development (improvements of primary health care facilities) and

pro-poor economic programmes (such as women and youth skills training and micro-enterprise development). Civil society (NGOs and National Private Sector Organisations) also benefit, primarily through institutional strengthening interventions. The Stabex transfers for Dominica in the 1993 – 1998 application period amount to € 41 million.

The SFA was approved by the Council in 1999 for a period of ten years to facilitate the adaptation of the banana industry, enhance agricultural and economic diversification and to assist with the socio-economic impact of restructuring. The financial allocation available to Dominica in the 1999-2001 period is € 18 million. The first year resources of SFA will be dedicated primarily to enhancing productivity in the banana industry and to providing further support to agricultural diversification.

4.3 Structural Adjustment

Dominica undertook a Structural Adjustment Programme (€ 2,2 million) which commenced in July 1986 in the form of a General Import Programme (GIP) to counter the influences of major external imbalances in the early '80s, (the current account deficit of the balance of payments was 21% of GDP in 1985). The counterpart funds for the GIP were used to finance those projects within the Government's budget, which provided the necessary technical and financial assistance to producers and exporters in order to facilitate the economic diversification programme.

4.4 Caribbean Regional Indicative Programmes

In addition to the EDF, Stabex, SFA and SAP, as a member of the Caribbean Forum of ACP States (CARIFORUM), Dominica also benefits from a wide range of regional programmes. The focal sectors for Community aid under the 7th EDF Regional Indicative Programme for which a global envelope of EUR 105 million was made available were agriculture and fisheries, environment, telecommunications, education, human resources development, tourism and trade. The 8th EDF Regional Programme had EUR 90 million available to it for activities in support of regional economic integration and co-operation, human resources development, institutional strengthening and capacity building. Within these priorities special attention is given to the enhancement of the region's competitiveness and to private sector development. Outside the focal sectors, priority programmes include decentralised co-operation, regional disaster preparedness and the Caribbean action plan for drugs control. Alongside the regional funds above, Dominica has benefited through the Centre for the Development of Enterprise (CDE) whose aim it is to strengthen private enterprises and professional associations in the ACP countries. A local beverage company and a solar water heater company have benefited from the programme.

4.5 European Investment Bank (EIB)

The EIB has provided Dominica with a total of EUR 15.03 million in financial assistance since 1982. In 1992 the EIB signed two finance contracts to support the Dominica Agricultural Industrial Development Bank (AID) with EUR 2.5 million of risk capital in favour of small and medium enterprises. All funds have been disbursed and repayment will continue until 2012. Other interventions have been with DOMLEC for the development of hydropower and with Carib Spring a private water bottling company. Together with the ECCB (the East Caribbean Central Bank), the EIB is working on the development of instruments which will assist towards developing the financial sector in an integrative fashion.

4.6 Environment in Developing Countries Budget Line B7-5040

Under the "Environment in Developing Countries Budget Line B7-5040", an Integrating Conservation and Eco-tourism Project identified and catalogued twenty biological sites, produced management plans for each site, investigated ways to integrate local communities with the development of the sites,

carried out visitor market research and produced a series of information booklets. These outputs were used directly in the design of the 8th EDF NIP Eco-tourism Development Programme.

4.7 Past experience of Community aid

An independent evaluation of EU co-operation with Dominica from March 1995 concluded that capital projects funded by the EDF contributed effectively to improving the accessibility of the rural productive area. Stabex and Structural Adjustment support funded by the EU were also given a favourable evaluation. The export earnings from the banana industry contributed largely to the capacity of the country to move towards a more equitable society in terms of access of the population to income, education, health and other social services.

The introduction of Budgetary Support under the Stabex instrument was intended to accelerate the disbursement of funds through the internalising of approval and implementation procedures and to increase ownership of the development agenda. The monitoring missions on the implementation of Stabex 1995 and 1996/97 transfers, conducted by the Netherlands Economic Institute, have given a positive evaluation of the implementation of budgetary support programmes in Dominica. For example the implementation of social projects by the Ministries of Health, Education and Community Development under the Public Sector Investment Programme procedures has greatly enhanced the creation of local employment opportunities and in turn significantly contributed to the sustainability of rural livelihoods. The allocation of further budgetary support will have to be assessed in view of the new economic developments and trends. It is anticipated that additional support under the new ten-year Special Framework of Assistance instrument will have a direct and positive impact on the productivity and competitiveness of the banana industry as well as significantly contribute to economic diversification.

4.8 Programmes of EU Member states and other donors

Apart from the EU, the principal donors are the Caribbean Development Bank (CDB), UN agencies, UK (DFID), France, Canada (CIDA), the Kuwaiti Fund, the Republic of China, the Government of Japan and the World Bank. Donor co-ordination plays an important role in the programming of Stabex and the SFAs with regular donor meetings to discuss the difficulties being experienced in the banana sector and the appropriate response of donors to this ever-evolving situation. Donor co-ordination mechanisms are also in place in the following sectors: drugs, education, environment, governance and disaster management, while consultations are held in other areas of common interest. Furthermore regional donor/country co-ordination is facilitated by the World Bank and CDB at annual and intercessional “Caribbean Group for Co-operation and Economic Development (CGCED)” meetings.

4.8.1 Programmes of EU Member States

The only Member States active in Dominica are the UK (DFID) and France whilst Germany via GTZ has provided technical assistance to the OECS secretariat in St Lucia for the strengthening of technical/vocational training, the Natural Resources Monitoring Unit (NRMU) and the CARICOM sub-organisation CEHI (Caribbean Environmental Health Institute). France is intending to support the forthcoming project for the upgrading of Melville Hall airport. while support is also given to a hiking and standards programme. DFID has in the recent past supported the construction of sea defences while a new programme on Public Sector Reform is to commence in 2002.

4.8.2 Other Donors

Activities of CIDA, DFID, UN agencies, USAID and the World Bank in the eastern Caribbean are increasingly relying on sub-regional strategies. The principal areas receiving support from these agencies are regional strategic objectives such as institutional support, including support to the

Regional Negotiating Machinery (RNM) which is charged with the responsibility of representing the members of CARICOM in international trade and financial negotiations, implementation of the Common Single Market and Economy (CSME), HIV/AIDS programmes, environment programmes, social recovery through economic diversification and job creation, emergency reconstruction and disaster mitigation, increased efficiency and fairness of legal systems, telecom reform, and the development of primary and secondary education.

The Caribbean Development Bank (CDB) is a significant donor to Dominica and in 1999 approved a mixture of loans and grants, the equivalent of \$120m, with emphasis on such sectors as agriculture/forestry/fishing, manufacturing, tourism, power and energy, water, transportation and communication, sea defence, housing, education, health, disaster rehabilitation and basic needs. Funding received from Japan, the ROC and the Kuwait Fund for Arab Economic Development (KFAED) has been focused on fisheries and the Roseau Water and Sewerage project which is part-funded by Government, CDB and CIDA.

5 Response Strategy

5.1 Principal elements to be addressed

The country analysis and the review of Dominica identified the following elements as the principle factors for consideration in the EC response strategy:

- The key role of the banana industry in the Dominican economy, the challenges it faces as a result of globalisation and the need to diversify it and adapt it to the existing and forthcoming constraints;
- The possible impact of the restructuring of the banana industry on the socio-economic conditions, in particular on the most vulnerable part of the population;
- The need to foster macroeconomic stability and growth and in particular to increase the level of savings so as to sustain investment spending of about 6% of GDP in key areas;
- The implementation of a medium-term strategy by the Dominican Government in which tourism, agriculture, education and human development as well as financial services constitute the core sectors.

The strategy aims to respond to the challenges and opportunities presented by globalisation particularly in view of the inherent implications for the banana industry.

5.2 The EC support strategy

The proposed strategy takes into account the different financial instruments available and includes existing uncommitted funds.

1. Continuation of support to the Restructuring of the Banana Industry and Agricultural Diversification, through the SFA Instrument;
2. Continuation of support to the Social Sectors, to be facilitated by Stabex and the SFA Instrument;
3. Economic Diversification will receive considerable funding under the SFA Instrument in addition to the proposal for a major investment in Eco-Tourism Development under the 8th EDF NIP;
4. Further economic diversification and productive development will be supported through the development of the infrastructure base, in particular through the upgrading of the road network infrastructure using the “A envelope” of the 9th EDF (100%: EUR 3.7 million).
5. Keeping the possibility to participate to a structural adjustment programme if deemed necessary. It is to be noted that Government has already put in place a fiscal strategy which encompasses adjustments to expenditure, revenue enhancements and strengthening the management structure of Government finances.

With regard to the “B envelope” and the possibility of compensation for future losses in export earnings, preference shall be given to direct budgetary support where the necessary macroeconomic conditionalities are met.

5.3 Proposed focal sector for EC support

It is proposed that "A envelope" be concentrated on the Infrastructure sector and in particular, the roads sub-sector with emphasis on road maintenance (*Annex 6*).

The justification for this is as follows :

(i) The Government’s medium term strategy for 2000 – 2002 mentions the weakness of the infrastructural base as a critical constraint to the pursuit of the country’s diversification agenda. Critical areas mentioned are inadequacy and sub-optimal use of existing airport facilities, weak coastal defence structures and vulnerable internal transport and communications.

In the last ten years Dominica has been affected by at least four major tropical storms and the threat of volcanic activity. As recently as November 1999 storm surges resulting from Hurricane Lenny caused extensive damage to the islands road network and private property. Replacement costs in the road sector were estimated at € 120 million.

(ii) The Dominica-EU Co-operation has resulted in considerable investment in social and economic sectors as highlighted in Chapter 4. It is recognised however that investment is needed in the infrastructure sector, in particular the roads infrastructure sub sector, to complement the investments in the social sectors and to enhance the efficiency of agricultural and economic diversification programmes supported by the EU. Past interventions have not addressed the need for a comprehensive road infrastructure programme. Appropriate access is essential for economic growth. Dominica therefore proposes to concentrate 100% of the €3.7 m allocation under the 9th EDF towards improvements and enhancements of the road network in Dominica. This will complement other EU initiatives of eco-tourism development, agricultural and economic diversification.

5.4 Consistency with Government policy

The Government is committed to the enhancement and improvement of the road network as a priority to support on-going efforts to improve productivity of both the agricultural sector and to support more cohesive approaches to the expansion of output both in the banana industry and non-banana agriculture. In addition to facilitating productive development, an efficient road network will contribute to poverty reduction by facilitating the mobility of the poor and providing physical access to jobs, education and health.

Especially important is the impact road network improvement will have on economic diversification especially in the tourism industry that benefit from improved access to tourism sites, which is identified in the tourism development strategy as a major constraint to the growth and development of the sector.

5.5 Involvement of non-state actors

A forum of dialogue with non-state actors was established to solicit their input for the preparation of the Country Support Strategy. The present Coalition Government is committed to "Integrated Development Planning," in addition to placing a firm emphasis on "participatory development" where it is foreseen that the private sector and wider civil society will play an integrated role in the *design* and *delivery* of a more holistic, decentralised development planning process which in the case of infrastructure is particularly pertinent in so far as the environmental aspects of the project are

concerned. In this regard the Government of the Commonwealth of Dominica has mobilised technical assistance using Stabex Budgetary Support funds to develop a national "Integrated Development Plan for the Commonwealth of Dominica" that is consistent with this new approach to development planning. The Government is exploring the possibility of supporting the civil society directly using funds from Stabex 1998/9.

5.6 Activities of other Donors in the Sector

Assistance for road infrastructure is being received from the Caribbean Development Bank, the World Bank, USAID and the Republic of China. The Caribbean Development Bank has been involved in the funding of roads to key eco-tourism sites, the Republic of China has been involved in the development of new roads whilst other donors have been involved in the upgrade of roads necessitate by hurricane damage. In particular the provision of an intensive road maintenance programme by the EU will serve to complement the work of other donors in the sector.

5.7 The European Investment Bank

Under the Investment Facility of the 9th EDF the EIB intends to expand the network of financial intermediaries through which it works. This shall be done through the establishment of lines of credit, for financing of investments made by SMEs active in core sectors of the economy, accessible through banks meeting the financial and operational requirements of the Bank. Financing under this facility may, where appropriate, be combined with the business advisory services proposed by the Commission. The facility features will depend on requirements identified and market conditions and may include equity/quasi-equity in addition to loans. In addition to this the Bank will continue to provide financing to larger projects considered to be financially viable and of economic priority to Dominica. The exact size, timing and sectors for such interventions will be determined by when and where the need arises.

5.8 Coherence and Complementarity

Coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, environment etc.) relevant for Dominica will be assessed on a permanent basis. In this context NIP resources may be used to complement resources from the RIP, budget lines and trade specific operations, according to needs and availability of funds. In particular, this may refer to support for efforts by Government departments and Non-State Actors to prepare for the establishment of a coherent trade policy framework with emphasis on preparations for the EPA and WTO undertakings, capacity building for conducting negotiations on a regional and multilateral context, and assistance in implementing the accompanying trade policy and structural reforms, including fiscal reform.

PART B

National Indicative Programme

6 National Indicative Programme

6.1 Introduction

Within the general framework of the present Country Support Strategy and based on the analysis and strategies described in the preceding chapters, the Parties have agreed on the main priorities for their cooperation and the sectors in which the support of the Community shall be concentrated. A detailed indicative programme is presented in this chapter based on the resources of the A allocation of the EDF, and, subject to the outcome of the mid-term review and emerging needs as covered by the relevant regulations, the B-allocation.

6.2 Financing Instruments

The implementation of the response strategy of the EC will be financed through a number of different financing instruments which include the following:

9th EDF A-allocation Euro 3.7 million: This allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely in the road transport sector

9th EDF B-allocation Euro 12 million: This allocation is to be used for unforeseen needs such as emergency assistance where support cannot be financed from the Community budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse affects of instability in export earnings.

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the "**Investment Facility**" as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

Centre for the Development of Enterprise (CDE): Support for Dominican enterprises in the field of non-financial services to the private sector is available through CDE.

Budget lines of the Community: Specific actions may be financed via budget lines, especially in the areas of support to NGOs, decentralised cooperation, Democracy and Human Rights, food security, disaster prevention, assistance to the banana sector. However, these are subject to specific rules and regulations and depend on the availability of funds.

6.3 Focal Sector

The concentration sector is the Infrastructure sector and in particular, the road infrastructure sub-sector to which 100 % of the indicative programme (3.7 million Euro) will be allocated.

6.3.1 Overall Objective

The overall objective of the intervention is to enhance the quality of the road network in Dominica, thereby contributing to sustainable development in both rural and urban communities.

6.3.2 Programme purposes

1. reverse the rapid decline in the condition of the overall existing road network through an intense maintenance programme of reseal and rehabilitation;

2. continue the programme of community linkages through the closure of key road loops and the improvement/rehabilitation of existing ones.

6.3.3 Expected Results

1. The implementation of a sustainable road maintenance programme with responsive institutional structures and capacities established.
2. The completion of the road link between Rosalie and La Soufriere.

6.3.4 Result indicators

1. A strategic road maintenance plan adopted by Cabinet within 3 months of the completion of the consultancy.
2. An increase in the excellent to fair rating of the current road network from 55% to 80% within 5 years (as rated by the Public Works Division of the Ministry of Communications, Works and Housing).
3. Construction of a two-lane traffic, 2.5 mile (4km) long Rosalie to Petite Soufriere village link road.

6.3.5 The Activities

Activity 1: Short Term Consultancy

There is the urgent need for assistance from an experienced transportation sector analyst to devise a program to redress the apparent demise of road maintenance while at the same time prioritising all important policy areas.

The objective of the study is to prepare a strategic plan for the Ministry of Communications and works which will identify appropriate maintenance strategies to cover different networks (primary, secondary, feeder) so as to ensure the required minimum levels of service, necessary to achieve a quality rating of 80% within 5 years, are met.

The strategic plan should:

- Integrate other priority areas (rehabilitation, maintenance, new road construction, capacity and institutional strengthening) to ensure a holistic approach to improving the road network in Dominica.
- Identify a core network of primary, secondary and feeder roads, balancing the improvement of these with economic and social justifications.
- Ensure the establishment of technical and financial management monitoring systems in order to facilitate the management and guarantee the sustainability of the investment.
- Provide for capacity building and training to improve planning, financial, and management systems for the roads sector.

The results of the consultancy will be a 10-year phased approach to enhancing the road network in Dominica and a work programme for a road maintenance programme to be carried out under the CSS.

Activity 2: Road Maintenance Programme

Based on the finding of the consultancy, a phased approach to the improvement of the road network will be formulated. A work programme for road maintenance will be implemented and will include capacity and institutional building as well as road rehabilitation and resealing .

Activity 3: Completion of network linkage – construction of the Rosalie to Petite Soufriere Road.

The construction of major links to complete the road network is among the government's top priorities. The Eastern section of the island will be well served by the Rosalie to Petite Soufriere Road and has been prioritised by Government for the following reasons:

- The continuation of the linkage network.
- The villages to be served by this road have high potential for cultural and community-based eco-tourism, a key sector in Dominica's diversification thrust. The linkage will provide a loop tour for tourists with the potential for heritage and day tours. Access will be provided to new eco-tourist sites in the surrounding villages. The potential for community based employment and income generation will be well supported by interventions under the 8th EDF NIP Eco-tourism Development Programme.
- It will provide an alternative access route in time of disaster or road blockage, a phenomenon which is very common in that part of the island.
- It will provide access to agricultural land, in line with the agricultural diversification thrust of Dominica which will complement interventions under the SFA.
- It will provide access for the southern fishing villages to new markets on the eastern coast.
- It will allow for improved and quicker access to the city, airport, and the newly constructed Castle Bruce Secondary School.
- It will facilitate a reduction in overall transport costs and ensure a better distribution of traffic.

6.3.6 Government's commitments

- A strategic road maintenance plan shall be adopted by Cabinet with responsive institutional structures and capacities established.
- Government expenditure on infrastructure shall be sufficient to ensure the overall maintenance and preservation of the country's road network

6.4 Intervention Framework

	Intervention Logic	Objectively Verifiable Indicators	Source of Verification	Assumptions												
Overall objective	Enhance the quality of the road network in Dominica, contributing to sustainable development in both rural and urban communities	<ul style="list-style-type: none"> • Goods transported on road network increased. • Growth of rural and urban economies. 	<ul style="list-style-type: none"> • Ministry of Finance Data 													
Project Purpose	Improve Road Maintenance Improve Community linkages	<ul style="list-style-type: none"> • Vehicle operating Costs reduced. • Traffic between communities increased. 	<ul style="list-style-type: none"> • Ministry of Transport Data (Road Condition Surveys) • Ministry of Transport Data (Traffic Counts) 	<ul style="list-style-type: none"> • GoCD continues support of Road Maintenance 												
Results	Road Maintenance Programme adopted and implemented Link from Rosalie to Petite Soufriere completed	<ul style="list-style-type: none"> ▪ Legislation passed to enact requirements of Road Maintenance Policy ▪ Rating of road network ("fair" from 55 to 80 %) ▪ Quantity and quality of work executed as measured against the Bill of Quantities 	Dominican Records of Parliament <ul style="list-style-type: none"> • Reports of Supervising Engineer • End of Project Report Ad-hoc expertise	<ul style="list-style-type: none"> • Road Maintenance Programme adopted by GoCD and allocated adequate financing / autonomy 												
Activities	<p>Feasibility for road design and outline road maintenance study (2nd Qtr 2002)</p> <p>Road feasibility study and outline road maintenance study completed (4th Qtr 2002)</p> <p>Preparation of work programme for maintenance programme and Tender for Technical Assistance (2nd qtr. 2003)</p> <p>Implementation of road Maintenance programme (2nd Qtr. 2003 – 2nd Qtr. 2004)</p> <p>Road Design finalised (4th Qtr. 2003)</p> <p>Road Works</p> <p>Supervision of Construction (2nd Qtr. 2004 – 2nd Qtr. 2005)</p>		<p>Budget</p> <table> <tr> <td>Technical Assistance</td> <td>EUR</td> <td>400,000</td> </tr> <tr> <td>Road Works</td> <td>EUR</td> <td>1.500,000</td> </tr> <tr> <td>Maintenance</td> <td>EUR</td> <td>1.800,000</td> </tr> <tr> <td>Total</td> <td>EUR</td> <td>3.7 million</td> </tr> </table>	Technical Assistance	EUR	400,000	Road Works	EUR	1.500,000	Maintenance	EUR	1.800,000	Total	EUR	3.7 million	<ul style="list-style-type: none"> • Successful contractor for road works is technically competent and financially sound. • Adequate supervision of works is provided by consultant • GoCD agrees to finance possible cost over runs. • Successful consultant for Road Maintenance Policy is professionally capable.
Technical Assistance	EUR	400,000														
Road Works	EUR	1.500,000														
Maintenance	EUR	1.800,000														
Total	EUR	3.7 million														

6.5 Timetable

Désignation	Montant	%	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1
NIP 7th/8th	12.0										
Stabex	17.356										
NIP 9th	3.7	100									
Road sector	3.7	100		0		0		0	0		
Feasability for design & outline maintenance study	0.1			0.1							
design	0.075					0.075					
works	1.5						0.75	0.75			
supervision	0.075						0.075				
Consutlancy Maintenace	0.1			0.1							
maintenance programme	1.85					1.85					
TOTAL PIN 9	3.7			0.2		1.925	0.825	0.75			
OTHER INSTRUMENTS											
budget lines											
SFA	13		3.9		3.64		2.73		1.638	1.092	
structural adjustment											
TOTAL	46.056		3.9	0.2	3.64	1.925	3.555	0.75	1.638	1.092	

ANNEXES

Annex 1: DONOR MATRIX

	Project Title	Description	Cost (Euro)
Agriculture & Credit			
Govt. of Japan	Fisheries Development	Rehabilitation of Fisheries Complex in Roseau which was damaged by Hurricane Lenny in 1999	€11.43m
SBX 94	Venture Capital Fund	Establishment of a revolving equity and quasi equity fund with the AID Bank. (FA expired)	€700,000
SBX 94/95 SAP	Prime Unit	To facilitate increased investment in agricultural diversification by the private sector	€2.00m
SBX 95	Banana Productivity Loans	To make production funds available to the banana industry	€3.60m
SBX 96/97	Young Farmers Recruitment Programme	To expose farmer trainees to the agricultural sector through training and field activities	€248,834
SBX 96/97	Technical Assistance	Technical assistance in support of the restructuring of the Banana Industry	€70,000
7 th EDF NIP	Agricultural Diversification	To accelerate economic diversification by supporting market driven agricultural diversification (annulment pending)	€2.25m
	SFA 1999	Banana Sector (Irrigation & Drainage, IRDCs) Agricultural Diversification (Training, Studies-land, labour); Rural Credit Fund/Line	€6.00m
	SFA 2000	Banana Sector (IRDCs Permanent Propping Systems Database Development Environmental Management); Agricultural Diversification (Business Advisory Services Environmental Management); Rural Credit Fund/Line	€6.00m
Trade, Tourism & the Environment			
Tourism			
CDB	Agriculture & Tourism Project	Construction of facilities and upgrading of tourism sites; construction and/or rehabilitation of access roads to sites. Carib Model Village.	€4.18m
CIDA/CPEC	Nature Island Standards for Excellence Project (NISE)	Institution of standards for all tourism service providers, Classification and licensing for Hotels and Restaurants.	€190,454
French Corporation	Hiking and Standards Programme	Development of Eco-tourism Trails and Eco Excellence Standards for Eco-tourism activities and service providers	€126,969
EU			
7 th EDF NIP	Tourism Site & HRD Development	Site Enhancement, Tourism Awareness & Training	€500,000
8 th EDF NIP	Eco-tourism Development Programme (Proposal submitted)	Project Management, HRD, Eco-tourism Product Development, Niche Marketing, Community Tourism	€5.99m
Trade & the Environment			
UN/GEF	National Biodiversity Plan Climate Change Convention	To prepare National Strategies and Action Plans for the Convention	€296,262
EU	STABEX 1995/ PSIP	DEXIA Benchmarking of Companies	€22,433
Engineering, Education & Health			
Engineering			
CBD	Hurricane Rehab. Works - Anse Cola Sea Wall (CDB)	Construction of a seawall	€2.22m
CBD	Roseau Water and Sewerage (CDB)	Complete rehabilitation of the sewerage and water distribution system in the Greater Roseau area.	€10.16m
CBD	Hurricane Rehab Works -Guelle Leon Seawall (CDB)	Construction of a seawall.	€3.56m
CBD	Tarou By-pass (PH. I & II)	Construction of a new road to allow for access to new electricity generating plant.	€5.08m
CBD	Dominica Sea Defences Project	Construction of sea defence walls in Pte. Mitchel, Roseau, Massacre and Colihaut.	€8.56m

CIDA	Soufriere/Scotts Head Road	Rehabilitation of road between Soufriere and Scotts Head.	€2.54m
CIDA	Roseau Water & Sewerage	Complete rehabilitation of the sewerage and water distribution system in the Greater Roseau area.	€6.28m
DFID	Capuchin/Tantan/Cabrits Sea defence	Construction of sea defence structures	€846,464
KFAED	Roseau Water and Sewerage (KFAED)	Complete rehabilitation of the sewerage and water distribution system in the Greater Roseau area	€4.67m
ROC	Blenheim /Guillet Road Rehab.	Construction of a road linking the villages of Blenheim, Penville and Guillet and the rest of the northern communities	€6.09m
World Bank	Soufriere/Scotts Head Sea Defence and Road rehab. (WB)	Construction of sea defence wall and rehabilitation of road	€7.19m
World Bank	Emergency Recovery and Disaster Mgmt.	Programme for physical prevention and mitigation measures; strengthening of the office of Disaster Management; development of an effective early warning system; community based disaster management training and institutional strengthening to build state and private sector capacity to identify hazards likely to impact on or influenced by future national investments	€5.71m

EU			
8 th EDF CRIP	Review of Airport Options	Analysis of the options to improve Dominica's air accessibility in a feasible and sustainable way.	€136,920
SBX 1994	Carib Territory Water Supply Project	Construction of a water system –storage tank, distribution	€893,885
SX 96/97	Feeder Roads	Construction of farm and rural development enterprise access	€683,290
Education			
World Bank	Basic Education Reform Project	Designed to strengthen the institutional capacity of the Ministry of Education to guide and carry out the long term development of the education sector; to enhance the quality of basic education and the quality of access to it; to provide for the expansion of secondary education	€5.11m
EU			
SBX 95	Northern Education Programme	Construction of Northern Education post primary academic and vocational complex	€6.00m
SBX96/97	CDCC Hospitality Training Centre	Establishment of a hospitality academic centre at A Level College	€508,159
SBX 96/97	Youth Enterprise Development	Youth Skills and entrepreneurial development training	€429,586
8 th EDF NIP	Scholarship Programme -Health	Scholarships provided to priority fields identified by Ministry of Health	€250,000
Health			
CDB	Solid Waste Management	Improvement of solid waste disposal in the island 1) funding waste collection and transportation equipment and 2) Construction of Solid Waste Transfer Stations (Satellite Depot)	€1.40m
GETF	Solid Waste Management	Improvement of solid waste disposal in the island by funding facilities for the reception of Ship generated waste, e.g. barges and special bins etc	€1.69m
IBRD	Solid Waste Management	Improvement of solid waste disposal in the island by funding waste treatment and disposal equipment.	€689,868
IDA	Solid Waste Management	Improvement of solid waste disposal in the island by funding waste treatment and disposal equipment.	€689,868
DFID	Capuchin/Tantan/Cabrits Sea defence	Construction of sea defence structures	€846,464
EU			
SBX95	Upgrading Rural Health Facilities	Upgrading works on rural health clinics throughout Dominica	€837,851
SBX 96/97	Environmental Health Project		€59,175
SBX 96/97	Purchase of Vehicle/Central MS	Purchase of vehicle for central medical supplies	€24,252
7 th EDF NIP	Solid Waste Disposal	Phase 2 - Construction of new landfill delayed. Supplemental Funds required.	€1.65m
8 th EDF NIP	Drug Demand Reduction	To reduce the demand for illegal drugs in Dominica through Communication Programme, Health training, Community based action and Institutional Strengthening	€260,000
Social/Community Development/NGO Civil Society			

Social Development			
EU	SBX95/PSIP	Skills Train/SME Dev./Com. Facilities	
7 th EDF NIP	Youth Skills & Community Development	Assistance to rural communities through support to infrastructure and Youth Skills Training	€550,000
SBX 95	Community Development	Skills Training, Small Micro-enterprise development, Construction of community facilities	€575,710
SBX 96/97	Old Mill Cultural Centre Development	Rehabilitation of existing cultural historical site	€202,101
SBX 96/97	Adult Education	Institutional Strengthening to the Adult Education Department	€105,093
SBX 96/7	Social Protection Programme	To establish social protection measures for displaced farmers and farm workers as a result of the restructuring of the banana industry	€2.00m
IFAD/CBD	Dominica Rural Enterprise Project	The project comprises of the following I) production, ii) marketing, iii) credit, iv) community development and mobilisation, v) rural access roads, and vi) project coordination and monitoring.	€7.88m
ROC	Benjamin Park Project	Rehabilitation of the Benjamin Park Recreation Ground in the town on Portsmouth.	€575,595
Civil Society/NGOs			
EU			
SBX95	Dominica Council on Ageing	To promote the well being of older persons through skills development for income generation, youth care of the elderly, Educational exchanges etc	€40,379
SBX95	Dominica Association of Disabled People	To enhance the quality of life and welfare of persons with disabilities through the construction of a DADP Headquarters	€17,809
SBX95	Carib Territory DBMC District Branch	To reduce the cost involved in the transportation of bananas and inputs through the opening of an interest bearing account to be used as a guarantee for securing a loan for purchase of truck and payment of part time staff.	€25,461
SBX95	TA to NGOs Institutional Strengthening	To empower civil society organisations to play an enhanced role in the national and regional development process.	€40,523
SBX95/96	DAIC Institutional Strengthening	To provide institutional and operational support to Private sector organisation	€0.2m
SBX95	NDFD Institutional Strengthening	To provide institutional strengthening and Credit Funds for Medium-Small Micro Enterprise Development	€598,172
Planning & Economic Development			
EU			
SBX 95	Economic Management Information Systems	Institution of a computerised preparation, monitoring and data storage and retrieval system for the Ministry of Finance	€179,591
SBX 95	Socio-Economic Impact Assessment	Consultancy to provide an efficient, effective and equitable socio-economic response to the restructuring of the Banana Industry	€137,501
SBX 96/97	Integrated Development Planning	Consultancy to (1) devise a new decentralized, holistic and sustainable process for planning, (2) revise and propose new institutional arrangements, (3) identify specific areas of strengthened partnerships between the public sector, private sector and civil society to result in "Integrated Development Plan for Dominica."	€363,782
SBX 96/97	Support Services to NAO	Recruitment of institutional and operational support to NAO to foster more efficient and effective planning, utilisation, monitoring and implementation of EU Development Cooperation in Dominica	€926,168
SXB 95/96/97	Netherlands Economic Institute Monitors	To monitor the implementation of SBX 95, and 96/97.	

Annex 2: Overview of EC Funding

INSTRUMENT	AMOUNT/ECU/€
Structural Adjustment	2,200,000.00
STABEX 1990/1/2/3	5,100,285.00
STABEX 1994	9,159,385.00
STABEX 1995	12,779,624.00
STABEX 1996	7,493,333.00
STABEX 1997	1,881,013.00
STABEX 1998	1,587,208.00
STABEX 1999	908,635.00
7 th EDF NIP	5,070,000.00
8 th EDF NIP	6,500,000.00
9 th EDF NIP	3,700,000.00
SFA 1999	6,500,000.00
SFA 2000	6,500,000.00
TOTAL	65,679,483.00

Stabex year	Initial allocation	Interest	Combined total
Stabex 1993			
Stabex 1994	9,380,973	173,914	9,554,887
Stabex 1995	12,779,624	1,077,219	13,856,843
Stabex 1996/97	9,374,346	445,165	9,819,511
Total	31,534,943	1,696,298	33,231,241

STABEX YEAR	SECTOR	Amount in EURO
1993		
1994	Banana Productivity Improvements	5,790,000
	Agricultural Diversification	475,500
	Diversification of the Economy	1,000,000
	Social Safety Nets	893,885
	EDF/PCU	500,000
	Monitoring and Evaluation	500,000
	FMO Top-up art. 195a	221,588
	TOTAL	9,380,973
1995	Banana Productivity Support	3,600,000
	Agricultural Diversification	2,000,000
	Social and Community Development – Poverty Reduction	6,100,000
	Promotion of Economic Diversification	300,000
	Monitoring & Evaluation	779,624
	TOTAL	12,779,624
1996 / 97	Diversification of the Economy	3,800,000
	Social and Community Development	3,600,000
	Private Sector Development	250,000
	Agricultural Diversification	950,000
	Technical Assistance	400,000
	Monitoring, Auditing and Evaluation	374,346
1998	TOTAL	9,374,346
	TOTAL	

Special Framework of Assistance to Banana growers (SFA)

SFA year	SECTOR	Amount in Euro
1999	Banana commercialisation	5,177,000
	Agro & economic diversification	694,000
	Social recovery	-
	Regional technical assistance	400,000
	Monitoring & contingencies	229,000
	Total	6,500,000
2000	Banana commercialisation	4,935,000
	Agro & economic diversification	1,100,000
	Social recovery	-
	Regional technical assistance	400,000
	Monitoring & contingencies	65,000
	Total	6,500,000
2001	Total	6,500,000

EIB

Project Name	Status	Convention	Contract number	Amount signed (m)		Date of signature	Amount outstanding (m)		Beginning Repayment
				OR	RC		OR	RC	
DOMINICA AGRIC. AND INDUST. DEV. BANK	Disbursed	Lome - 2	70310		300,000.00	9/12/82		129,690.00	30/9/91
DOMLEC CENTRALE HYDRO-ELECTRIQUE	Disbursed	Lome - 3	70678		3,800,000.00	20/8/87		1,233,520.18	15/8/93
AIDBANK GLOBAL LOAN	Disbursed	Lome - 4	70896		500,000.00	16/12/92		500,000.00	30/11/08
	Disbursed	Lome - 4	70897		2,000,000.00	16/12/92		1,400,000.00	30/11/98
AIDBANK GL II	Signed	Lome - 4 - Bis	71115		3,000,000.00	3/9/98		550,000.00	5/8/04
DOMLEC II POWER PROJECT	Signed	Lome - 4 - Bis	20255	10,000,000.00		14/12/99	0.00		
Total				10,000,000.00	9,600,000.00		0.00	3,813,210.18	

Annex 3: Social and Economic Indicators

Dominica - Key Economic Indicators

Indicator	Actual			Estimate			Projected			
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
National accounts (as % of GDP)										
Gross domestic product ^a	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	19.9	19.4	18.9	18.5	18.0	18.0	18.0	17.0	17.0	17.0
Industry	21.7	21.9	22.1	22.5	23.0	23.0	24.0	24.0	24.0	24.0
Services	58.4	58.7	59.0	59.0	59.0	59.0	58.0	59.0	59.0	59.0
Total Consumption	77.4	81.4	83.1	91.2	97.4	98.7	94.1	94.4	95.1	95.1
Gross domestic investment	31.7	29.7	22.2	25.1	29.6	27.7	25.0	24.0	23.0	23.0
Government investment	10.2	6.6	7.5	11.7	12.2	8.0	6.0	6.0	6.0	6.0
Private investment	21.5	23.1	14.7	13.4	17.4	19.7	19.0	18.0	17.0	17.0
Exports (GNFS) ^b	52.2	52.4	57.5	53.4	52.3	52.7	53.1	53.6	54.1	54.1
Imports (GNFS)	61.3	63.6	62.8	69.6	79.3	79.1	72.2	72.0	72.2	72.2
Gross domestic savings	22.6	18.6	16.9	8.8	2.6	1.3	5.9	5.6	4.9	4.9
Gross national savings ^c	18.0	19.1	17.7	10.1	6.9	4.9	5.0	7.0	8.1	8.9
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	236.4	244.1	256.2	264.4	268.6	275.4	283.7	293.7	304.1	316.3
GNP per capita (US\$, Atlas method)	3,000	3,070	3,170	3,160	3,260	3,333	3,424	3,536	3,651	3,788
Real annual growth rates (% , calculated from 1990 prices)										
Gross domestic product at factor cost	3.1	2.0	2.4	0.9	0.5	1.0	1.5	2.0	2.0	2.5
Gross Domestic Income	2.6	1.5	4.8	0.1	1.0	0.1	3.0	0.3	4.0	0.3
Real annual per capita growth rates (% , calculated from 1990 prices)										
Gross domestic product at market prices	2.6	1.5	4.8	0.1	0.5	0.7	1.2	1.7	1.7	2.2
Total consumption	-0.9	-1.9	1.2	8.5	7.4	2.1	-3.5	2.1	2.5	2.2
Private consumption	-2.4	-3.6	-1.0	11.6	11.7	11.8	11.9	12.1	12.3	12.6
Balance of Payments (US\$ millions)										
Exports (GNFS) ^b	123.5	128.0	147.3	141.1	140.5	145.1	150.6	157.4	164.5	171.1
Merchandise FOB	52.5	53.5	63.1	54.6	48.9	49.1	49.5	50.0	50.6	51.0
Imports (GNFS) ^b	145.0	155.2	160.9	184.1	213.0	217.8	204.8	211.5	219.5	228.4
Merchandise FOB	100.2	104.0	106.9	123.3	129.1	130.8	134.8	139.5	144.4	150.3
Resource balance	-21.5	-27.2	-13.6	-43.0	-72.5	-72.7	-54.2	-54.0	-55.0	-57.3
Net current transfers	10.2	10.5	13.2	17.4	11.3	15.1	13.6	12.0	10.9	10.7
Current account balance	-32.4	-25.9	-12.2	-39.8	-61.2	-62.8	-56.7	-49.9	-45.3	-44.6
Net private foreign direct investment	17.8	20.9	6.5	18.0	13.2	13.6	12.3	11.8	11.3	11.3
Long-term loans (net)	0.0	-10.5	0.7	0.8	7.4	8.4	4.2	4.1	9.0	5.8
Official	4.3	-3.4	-1.3	0.8	5.4	3.4	0.2	-1.9	2.0	4.0
Private	-4.3	-7.1	2.0	0.0	2.0	5.0	4.0	6.0	7.0	1.8
Other capital (net, incl. errors & omissions)	15.4	16.2	8.8	24.9	43.7	41.1	41.3	34.5	26.1	28.5
Change in reserves ^d	-0.8	-0.7	-3.8	-3.9	-3.1	-0.3	-1.0	-0.5	-1.1	-1.0
<i>Memorandum items</i>										
Resource balance (% of GDP)	-9.1	-11.1	-5.3	-16.3	-27.0	-26.4	-19.1	-18.4	-18.1	-18.1
Real annual growth rates (YR90 prices)										
Merchandise exports (FOB)	4.4	1.9	17.9	-13.5	-10.4	0.4	1.1	1.6	1.6	2.0
Merchandise imports (CIF)	-2.9	3.8	2.8	15.3	4.7	1.3	1.5	2.0	2.0	2.5

(Continued)

Dominica - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate			Projected			
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public finance (as % of GDP at market prices)^e										
Current revenues	26.7	29.1	28.0	29.1	29.4	28.6	28.7	29.0	30.0	30.0
Current expenditures	25.0	28.0	27.8	28.4	29.7	29.8	30.0	29.7	29.0	29.0
Current account surplus (+) or deficit (-)	1.7	1.1	0.2	0.7	-0.3	-1.2	-1.3	-0.7	1.0	1.0
Capital expenditure	10.6	8.4	7.6	13.3	12.9	10.3	8.0	7.0	7.0	7.0
Foreign financing	-0.6	-0.3	0.7	2.4	12.2	6.6	4.6	0.5	-2.3	-3.6
Monetary indicators										
M2/GDP	57.7	57.8	61.3	65.6	64.6	63.9	63.9	63.9	63.9	63.9
Growth of M2 (%)	2.0	3.5	11.4	10.4	0.6	1.3	3.0	3.5	3.5	4.0
Private sector credit growth / total credit growth (%)	-109.4	130.1	131.8	20.5	25.0	25.0	25.0	25.0	25.0	25.0
Price indices(YR90 =100)										
Merchandise export price index	100.0	100.0	100.0	100.1	100.0	100.0	99.7	99.3	98.8	97.6
Merchandise import price index	99.8	99.8	99.8	99.8	99.8	99.8	101.3	102.9	104.4	106.0
Merchandise terms of trade index	96.9	100.5	100.5	101.4	101.3	101.3	99.5	97.6	95.7	93.2
Real exchange rate (US\$/LCU) ^f	101.4	111.8	107.8	108.1	113.3	113.9	114.5	115.0	115.6	116.2
Real interest rates										
Consumer price index (% change)	2.0	2.2	1.5	0.0	1.1	1.5	1.5	1.5	1.5	1.5
GDP deflator (% change)	4.2	1.2	2.5	2.3	1.1	1.5	1.5	1.5	1.5	1.5

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Dominica Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1993-99	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year (<i>millions</i>)	0.1	0.1	0.1	508.2	571.5
Growth rate (% <i>annual average for period</i>)	0.7	0.1	0.2	1.6	1.4
Urban population (% <i>of population</i>)	55.3	66.0	70.7	74.9	75.4
Total fertility rate (<i>births per woman</i>)	2.6	2.4
POVERTY					
<i>(% of population)</i>					
National headcount index
Urban headcount index
Rural headcount index
INCOME					
GNP per capita (<i>US\$</i>)	420	1,220	3,160	3,800	4,870
Consumer price index (<i>1995=100</i>)	11	72	106	140	131
Food price index (<i>1995=100</i>)
INCOME/CONSUMPTION DISTRIBUTION					
Gini index
Lowest quintile (% <i>of income or consumption</i>)
Highest quintile (% <i>of income or consumption</i>)
SOCIAL INDICATORS					
Public expenditure					
Health (% <i>of GDP</i>)	3.4	3.3
Education (% <i>of GNP</i>)	3.6	5.0
Social security and welfare (% <i>of GDP</i>)	7.4	7.9
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	91	94
Male
Female
Access to an improved water source					
<i>(% of population)</i>					
Total	85	87
Urban	93	94
Rural	62	68
Immunization rate					
<i>(% under 12 months)</i>					
Measles	90	90
DPT	87	88
Child malnutrition (% <i>under 5 years</i>)	9	..
Life expectancy at birth					
<i>(years)</i>					
Total	..	72	76	70	69
Male	67	66
Female	73	73
Mortality					
Infant (<i>per thousand live births</i>)	27	16	14	30	27
Under 5 (<i>per thousand live births</i>)	38	34
Adult (15-59)					
Male (<i>per 1,000 population</i>)	207	233
Female (<i>per 1,000 population</i>)	122	143
Maternal (<i>per 100,000 live births</i>)
Births attended by skilled health staff (%)

CAS Annex B5. This table was produced from the CMU LDB system.

5/8/2001

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. Latest year for access to an improved water source data is 2000.

Annex 4: Matrix of Government's policies

<i>POLICY AREAS AND ISSUES</i>	STRATEGIC ACTIONS PROPOSED
1. National Integrated Development Plan	Complete draft to inform budget preparations for fiscal year 2001/02 and for discussions with donor community
2. Consolidate Public Finances	<p>2.1 Strengthening of Financial Management System</p> <p>2.1.1 Establishment of Ministerial Management Teams & Appointments of Finance Officers 2.1.2 Establishment of National Budget Management Committee 2.1.3 Appointment of Legal Adviser 2.1.4 Establishment of Cash Management Unit 2.1.5 Full Commissioning of SIGFIS</p>
	<p>2.2 Expenditure Management</p> <p>2.2.1 Complete value for Money Studies 2.2.2 Improve procurement system 2.2.3 Rationalize special accounts</p>
	<p>2.3 Revenue Enhancement</p> <p>2.3.1 Reduce arrears by \$15 million 2.3.2 Property taxes – complete preparations 2.3.3 VAT – Complete preparations</p>
3. Industrial Development	<p>3.1 Commission Industrial Development Master Plan 3.2 Restructure Incentive Framework</p>
4. Support the continued expansion of the tourism sector	<p>4.1 Continue sites development programme 4.2 Develop and implement system of standards, certification, licensing and compliance</p>
5. Other services	<p>5.1 Establishment of Ship Registry 5.2 Information Technology Strategic Plan</p>
6. Agriculture/Agro-Processing	<p>6.1 Restructuring of the banana industry 6.2 Support the continued growth and expansion of non-banana agriculture exports</p>
7. Public Service Development	<p>7.1 Implementation of new legislation & regulations</p>
8. Infrastructure Development	<p>8.1 Airport development – complete review of feasibility study and make investment decisions 8.2 Roads development 8.3 Start Roseau Water & Sewerage Project 8.4 Rural water supplies</p>
9. Education and Human Resource Development	<p>9.1 Complete Basis Education Reform Programme 9.2 Mobilize funding for next round of reforms</p>
10. Health	<p>10.1 Rehabilitation of health centers 10.2 PMH improvements</p>
11. Housing and Development	<p>11.1 Completion of ongoing schemes</p>
12. Environmental Protection	<p>12.1 Establish Environmental Management Unit</p>
13. Disaster Preparedness	
14. PSIP Management	<p>14.1 Complete review and publish new programme 14.2 Complete database testing and implement new management system</p>
15. Competitiveness	<p>15.1 Develop standards management capability</p>

Annex 5: Analysis of national policy in the road sector

1. Current Status of Road Infrastructure in Dominica

The Commonwealth of Dominica has a total road network of eight hundred and twelve (812) kilometres which are sub-divided into three categories namely, main roads (336 km), feeder roads (350 km) and secondary/village Roads (126 km).

20% of the road network is classified as excellent, 35% as good, 15% as fair and 30% as poor.¹ In terms of road condition 572 are asphalt roads, 33 km concrete roads, 64km gravel roads, and 143km dry weather roads. Significant portions of the road network remain unlinked, unlooped and unsurfaced, with little or no access provided to prime agricultural land and sites of high eco-tourism potential. Alternative access routes are a prime concern in light of the propensity for rockfalls, landslides and damage by sea swells/hurricanes that frequently cause road blocks.

The road network in the Commonwealth of Dominica is managed by the Ministry of Communications and Works. With the exception of minor village roads, some farm access roads and the roads of private developers all other roads in the State are public and are the responsibility of the Ministry for their upkeep and general maintenance. This responsibility also includes surveys when necessary, design and construction and/or rehabilitation.

Within the past few years a large portion of the Ministry's budgetary allocations have been diverted for emergency road repairs due to the hurricane season with disastrous effects on the road maintenance programme.

2. Assistance from other Donors

In addition to the financing from the Government of Dominica, targeted assistance is received through other donors. The Republic of China, DFID, Caribbean Development Bank, the World Bank and USAID contribute to Dominica's Road Programme. [table below]

DESCRIPTION	Present Status	Funding Source	Est. Cost Complete EC \$/ mn	Remarks	
Closure of Road Loops					
Penville Village to Gillette	On-going	Rep. Of China	15	E.U identified for funding	
Deux Pond/Grand Bay to Geneva	On-going	Rep. Of China	3.2		
Rosalie to Petite Soufriere	No action	N.A	4.5		
Capuchin to Delaford	No action	N.A	4.5		
Campbell to Despor	Standstill	GoCD	2.0		New allocation awaited
Wotten Waven to Trafalgar	Standstill	GoCD	2.5		New allocation awaited
Tete Morne to Soufriere	No action	N.A	3.0		Fund source to be identified
Petite Savanne to Delices	Completed	GoCD	8.0		Southern link completed
Improvement/rehabilitation of Existing					

¹ Excellent- new or nearly new pavement with little or no distress or repairs necessary

Good – some pavement distress, few visible signs of surface deterioration, treatable with sealing/patching

Fair – pavement with moderate distress and a riding quality noticeable inferior to new pavements and may be barely tolerable for high speed traffic

Poor- extensive distress or near complete failure, extensive resurfacing or complete reconstruction

Road Links <u>Sea defence and road rehabilitation</u>				
Canefield to Deepwater Harbour	On-going		9.1	
Pottersville to Deepwater Harbour	On-going		6.0	
Cabrits	On-going	CDB	3.5	Contractor mobilised
Capuchin and Tatan Village	July 2001	CDB	4.5	To commence in 2001
Gueulle Leon	Bids preparation	USAID	8.0	To commence in 2001
Anse Cola	Bids preparation	DFID	5.0	To commence in 2002
Soufriere to Scotts Head	Design	CDB	N.A	To commence in 2002
Hatten Garden	Consultancy	CDB	N.A	
Dos D' Ane to Blenheim	Design	World Bank		
Blenheim to Penville	Consultancy	World Bank		
<u>Road Links</u>				
Dos D'ane Village to Blenheim	None	-	0.6	E.U identified for funding
Blenheim to Penville	None	-	3.0	Fund source to be identified
Mahaut to Campbell	None	-	2.5	Fund source to be identified
Fortune to Eggleston	None	-	2.5	Fund source to be identified
St. Aroment to Bath Estate	None	-	1.5	Fund source to be identified
Cockrane to Imperial road	None	-	0.5	Fund source to be identified
<i>Construction/rehabilitation of roads to eco-tourism sites</i>				
Laudat to Fresh Water Lake	Funding identified	CDB	3.0	Documents & drawings being prepared
Shawford to Laudat	Design	CDB	7.0	Crown agents assisting
Shawford to Trafalgar	Consultancy			
	Design	CDB	4.0	Crown agents assisting
	Consultancy			
Coptall to Wotten Waven	Design	CDB	4.0	Crown agents assisting
	Consultancy			
<i>Construction/rehabilitation /Improvement of roads in areas of high agricultural potential</i>				
Northern District Roads	None	N.A	9.1	
Eastern District Feeder Roads	None	N.A	3.1	
<i>Resurfacing and Reseals to the countries road infrastructure network</i>				
Surface dress roads	50 km /yr	GoCD	1.85/yr	8 yr cycle @ \$37,000/km
Asphaltic concrete roads	5.5 km/yr	GoCD	0.935/yr	15 yr cycle@\$170,000/km
<i>Redesign/reconstruct of city /town street roadways</i>				
Roseau City Streets	Preliminary study completed	N.A		Sewer, water and underground electrical cable installation on-going
Portsmouth Town Streets	None	N.A		

3. Dominica National Road Sector Policy

The National Road Sector Policy is to ensure the establishment of an efficient road network that facilitates productive development and contributes to poverty reduction by facilitating the mobility of the poor and providing physical access to jobs, education and health.

Therefore three broad areas have been identified to achieve that end are maintenance (routine, periodic and road rehabilitation), upgrading of roads, and construction of new roads.

4. Issues to be addressed

i. Maintenance

The Government in a coordinated effort with the International Development Association undertook a thorough review of its maintenance programme during the two years September 1982 to June 1984. During those two years the Consulting Firms of Roy Jorgensen Association and Tippetts - Abbotte - McCarthy - Stratton of the United States of America (USA) worked closely with the Ministry staff in several areas of road maintenance, including work methods, planning, budgeting, work scheduling and reporting, work supervision, cost accounting, equipment procurement and training. A significant accomplishment during those two years was the rehabilitation of over twenty-two kilometers of main and feeder roadway.

Following the 1985 Road Maintenance Project there were regular annual increases of 10% in the overall maintenance budget. This has provided significant additional funds for the road maintenance programme, and the results of this can be noted in the fact that as much as seventy percent (70%) of the roadway was in the good to fair category.

Recent data have indicated however of a significant reduction in roadway surface reseals from as much as twenty-five percent (25%) of allocation to only two percent (2%) of allocation. The reason for this was in part due to funds having to be diverted into post hurricane resuscitation and the rehabilitation of roads which entered a state where it was no longer motorable and where immediate funding was not possible.

There is presently the urgent need to address the overall maintenance and preservation of the country's road network through timely reseals and appropriate road rehabilitation of roads on the verge of collapse. Financing of maintenance has been given top priority. It is recognised that routine and periodic maintenance and the removal of the backlog of maintenance must accompany and/or precede reconstruction or replacement.

ii. Rehabilitation

Routine rehabilitation is required along the coastline, where such roads undergo severe damage and sometimes complete destruction during storm surges. The government has made significant progress in reducing storm damage to the coastal network through the construction of sea defence walls, followed by complete rehabilitation of the associated roadway.

iii. Upgrading

All other roads traverse inland through hilly winding terrain where there is a high bank on one side and a steep slope on the opposite site. Many of these roads were constructed under British rule with hand labour. With the significant increase of traffic over the past years there is now the very urgent need to improve upon these roads in terms of width and pavement strength. Some of these improvements are also required to complement on the new loop closures in order to provide safer and quicker access.

iv. ***Completions of network links***

The closure of important road loops and improvement/rehabilitation of existing road loops and links are of critical importance when considering the impact on the potential for opening up new lands for Agricultural diversification, reduction on travel time and vehicle replacement cost, providing more scenic sites for the tourism product, providing for alternative escape route in times of natural disasters, the overall completion of through access routes around the island, reduction on travel time between communities, and reduction of traffic congestions.

The primary loop/link networks include the Northern Ecotourism Link, the Southern Ecotourism Link and the Eastern Link network. The Southern link road has been completed at a cost of EC\$8m linking the villages of Delices and Petite Savanne. This linkage is already is having an economic and social impact on the area, including increased agricultural productivity due to improved access. Access to Grand Bay sec school, and fishing villages of Fond St. Jean. Quicker access to Roseau. The Northern road link between the villages of Gilette and Penville is presently under construction with a EC\$15m loan from the Republic of China.

Annex 6: Overview of the banana sector in the Windward Islands

WINDWARDS' PRODUCTION BY ISLAND

1980 - 1999

Year	ISLAND								Total
	Dominica		St Lucia		St Vincent		Grenada		Windwards
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes
1980	7,606	11.2	29,462	43.3	18,901	27.8	12,012	17.7	67,980
1981	26,889	24.0	43,720	39.1	29,900	26.7	11,388	10.2	111,896
1982	27,236	25.6	42,923	40.3	26,284	24.7	9,993	9.4	106,437
1983	28,927	24.2	54,338	45.4	27,576	23.1	8,736	7.3	119,577
1984	31,639	22.8	65,610	47.3	33,011	23.8	8,585	6.2	138,844
1985	34,694	21.7	83,533	52.1	41,211	25.7	804	0.5	160,242
1986	51,707	24.5	112,540	53.4	38,450	18.2	7,990	3.8	210,688
1987	65,604	32.2	93,023	45.6	36,581	17.9	8,714	4.3	203,922
1988	74,194	26.3	135,727	48.1	63,072	22.3	9,240	3.3	282,234
1989	50,856	20.2	126,634	50.3	65,663	26.1	8,689	3.5	251,842
1990	57,867	20.5	135,367	48.0	81,155	28.8	7,552	2.7	281,941
1991	55,844	24.3	100,870	43.9	63,407	27.6	9,626	4.2	229,747
1992	59,220	21.2	135,291	48.4	78,779	28.2	6,522	2.3	279,812
1993	55,946	23.1	122,927	50.7	58,688	24.2	4,891	2.0	242,452
1994	43,046	25.4	90,909	53.7	30,925	18.3	4,544	2.7	169,424
1995	33,366	17.2	105,658	54.6	50,083	25.9	4,574	2.4	193,681
1996	39,956	20.9	105,547	55.1	44,038	23.0	1,866	1.0	191,407
1997	34,911	25.4	71,397	52.0	31,021	22.6	102	0.1	137,431
1998	28,640	21.9	73,220	55.9	39,886	30.5	94	0.1	141,839
1999	27,784	21.2	65,196	49.8	37,376	28.5	583	0.4	130,939

The common organisation of the market for bananas was introduced in 1 July 1993 and provided for separate arrangements for imports from the various suppliers: a tariff quota system and special arrangements for imports from traditional ACP suppliers. However, various elements of the regime were successfully challenged in the WTO and the EU banana regime was revised to take their findings into account. New arrangements come into force on 1 January 1999 but are in the process of being further modified following the Understandings reached with both the US and with Ecuador in April 2001. This was a significant step in resolving this long-standing dispute. The understandings provide for a transitional period of tariff quotas before a tariff only system comes into force in 2006.

In a **first phase** starting on 1 July 2001 and ending on 31 December 2001, the tariff quotas (TRQs) will remain at current levels, with an allocation of licences under the historical method. In a **second phase**, from 1 January 2002 to 1 January 2006, one of the quotas is reserved for ACP use only. This is conditional on obtaining an Article XIII waiver in the WTO. On **1 January 2006** at the latest, a tariff-only regime will be introduced.

It is too early to determine the precise impact of the new arrangements on Dominica as this will depend to a certain extent on traders' commercial decisions, on the management system for the ACP quota under phase II and on the response of the industry to continued competitive pressures. It will be important for Dominica to take advantage of the transitional phase before 2006 [to adapt their industry] in order to be able to cope with the new trading environment.

The change in market arrangements for Windward Islands bananas has been accompanied by an increasingly competitive environment in which higher quality, lower cost fruit from Latin America and elsewhere became much more readily available to consumers in the UK. This competitive pressure, together with an increasing volume of fruit have tended to hold prices down and increase the demand for higher quality bananas.

Productivity and quality enhancement initiatives are being implemented under the Windward Islands Production Recovery Plan and the Windward Island Action Plan financed by the STABEX and SFA funding instruments, respectively. Both plans are fairly comprehensive in seeking to realign the industry with the current global realities. Provisions are made for the supply of working and investment capital to targeted certified farmers who have the potential to achieve at least 12.5 tonnes per acre, improvement in farm management capacity, and for the creation of regulatory and institutional frameworks.

There are other important initiatives to be undertaken at the sub-region that will impact on the local industry. These are:

- An examination of the structure of WIBDECO with the intent to reorient it to a market-led organisation rather than a banana production-led company. This means that it will become involve in the marketing of other Windward crops.
- The promotion of organic and fair trade bananas as a brand product; and
- The exploration of opportunities for joint procurement of inputs, sharing of information and expertise.

Annex 7: Environmental profile

Background

Dominica is the most northerly and largest of the Eastern Caribbean's Windward Islands with a total land area of 754 sq km. Characterised by steep, rugged terrain, volcanic soils and a humid tropical marine climate, it possess some of the most extensive tracks of undisturbed forest in the Lesser Antilles. Dominica's natural resources form the mainstay of the country's economy, providing income and employment to the great majority of its people mainly through agricultural and tourism activities.

Dominica has ratified the following International Environmental Conventions: the UN Convention to Combat Desertification, Biodiversity Convention, CITES, World Heritage Convention, Montreal Protocol on substances that deplete the Ozone Layer (ODS), Vienna Convention for the Protection of the Ozone Layer, London Amendment for the Montreal Protocol, Laws of the Sea Convention, Convention for the Protection and Development of the Marine Environment in the Wider Caribbean (CARTAGENA Convention) and the Protocol concerning cooperation in the combating of Oil Spills in the Wider Caribbean Basin.

The Forestry, Parks and Wildlife Division of the Ministry of Agriculture and the Environment, continues to play a major role in the sustainable management of the countries natural resources. In 1999, the Environmental Coordinating Unit was established by the Government of Dominica to function as the coordinating, facilitating, administering and collaborating body for all environmental management and sustainable development management programmes, projects and activities in the Dominica. Other various government agencies play key roles in the management of specific natural resource issues.

Dominica has an impressive history of conservation and protection of the Environment. As early as 1958, under the forest ordinance, restrictions were placed on activities within the reserves such as limited exploitation of the timber and animal resources. Dominica's National Park system include; the Morne Trois Piton National Park (UNESCO World Heritage Site), the Central Forest Reserve, the Morne Diablotin National Park and Parrot Reserve, together making up 20% Dominica's total land area, in addition to two marine protected areas; Soufriere-Scotts Head Marine Reserve and Cabrits National Park.

Major Environmental Issues

Present trends indicate increasing pollution of coastal and marine areas from land based sources with accompanying negative impacts on marine biodiversity. Other negative environmental trends include deforestation and consequent effects on watersheds and biodiversity, generation of increasing amounts of solid and liquid wastes from domestic, tourism and agricultural uses. Issues of sustainable utilization of the natural resources lie at the core of our sustainable development debate.

Biodiversity Loss

Dominica's biodiversity is under threat largely from the impact of human activity and natural disasters. Major threats are presented by, deforestation, encroachment, introduction of foreign species, impacts of climatic change, pollution, loss of traditional knowledge, over exploitation of wildlife, unregulated development, loss of agro-biodiversity, uncontrolled use of biotechnology, natural disasters and inappropriate legal institutional frameworks.

The Government of Dominica has embarked upon the preparation of its Biological Diversity Strategy and Action Plan in fulfilment of its obligations under the Convention on Biological Diversity and as part of the Governments commitment to the sustainable management of the country's natural resources. This is

bases on a series of sectoral studies and stakeholder consultations. The activities to be implemented through a collaborative effort involving the public and private sectors are costed at US\$5.6 million.

Climate Change

Dominica, not unlike other small island developing states is likely to suffer the adverse impacts of global warming in addition to extreme climatic events as well as other social, environmental and economic vulnerabilities and challenges. Of particular concern is the coastal environment, where sea-levels can be expected to continue to rise resulting in increased coastal erosion. With the population of Dominica and the majority of the road network concentrated in the coastal regions, a formidable challenge exists for the future management of the effects of climate change.

Deforestation

Dominica's forest cover is among the most extensive in the Windward Islands. It covers approximately 60-70% of the land area with excellent mature rainforest as well as other vegetative ecotypes (e.g. montane thicket, elfin woodland, littoral woodlands, grasslands, swamps, secondary rainforest).

However since 1962, there has been a steady decline in the forest area. In 1987 following an FAO sponsored forest inventory, it was estimated that there were 4.9 million m³ of timber compared to 8 million m³ in 1962. This slow, but definite degradation is considered to be a crucial issue confronting Dominica. The demands for agricultural land especially for banana production, destructive hurricanes and timber harvesting have been largely responsible for deforestation in the past.

Pollution (marine and land based) and Solid Waste Disposal

Natural resource pollution within an island eco-system can have severe negative impacts on the health of the human, animal and plant organisms that inhabit the system. Within the context of Dominica, improper solid waste management, agricultural waste, manufacturing and industrial waste disposal, are the major sources of both point and non-point land based and marine pollution. The utilisation of sustainable energy sources will contribute to the reduction of air borne pollutants as well as reduce spending on petrochemical fuels.

Vulnerability to Natural Hazards

Dominica lies within the Atlantic hurricane area and is vulnerable to strong winds, storm surge, torrential rainfall and other atmospheric phenomenon associated with tropical storms and hurricanes. Dominica has in the past experienced significant damage to natural resources and infrastructure. The potential also exist for hazards as a result of volcanic and seismic action. Coastal erosion, soil erosion, landslides and flooding are other natural hazards that are exacerbated by poor land use management, and lack of awareness and education of the public on hazard prevention and mitigation.

Responses to these environmental issues include:

- strengthening of the human, financial, and institutional capacity to deal with environmental issues;
- the need for a review of existing legislation and regulations in the context of natural resources management in all sectors, i.e. tourism, agriculture, manufacturing etc. for sustainable development;
- adequate provision for the affected populace at national and community level in preventing and /or adapting to environmental changes by the identification of alternative sustainable livelihood options;
- the need for appropriate research and data collection;
- a grass roots, stakeholder approach to the sustainable use of natural resources;
- the development of a comprehensive public awareness/education campaign on environmental matters.