



## **FINAL REPORT**

# ***Compete Caribbean OECS Project Private Sector Assessment and Donor Matrix Report for Dominica***



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**BENCHMARK/COMPARATOR COUNTRIES:**

Benchmark countries used in this report include all 15 beneficiary countries of the Compete Caribbean Program, as listed below, in addition to Malta, Mauritius, the Seychelles, and Palau.

1. Antigua and Barbuda
2. The Bahamas
3. Barbados
4. Belize
5. Dominican Republic
6. Dominica
7. Grenada
8. Guyana
9. Haiti
10. Jamaica
11. St. Lucia
12. St. Kitts and Nevis
13. St. Vincent and the Grenadines
14. Surinam
15. Trinidad and Tobago

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## ACRONYMS AND ABBREVIATIONS

CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CIDA	Canadian International Development Agency
CROSQ	CARICOM Regional Organisation for Standards and Quality
CSME	Caribbean Community Single Market and Economy
DfID	United Kingdom Department for International Development
ECCU	Eastern Caribbean Currency Union
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
IADB	Inter-American Development Bank
ICT	Information and Communication Technology
IFC	International Financial Corporation
IMF	International Monetary Fund
MFI	Microfinance Institution
NBFI	Non-Bank Financial Institution
OECS	Organisation of Eastern Caribbean States
PRGF	Poverty Reduction and Growth Facility
PSA	Private Sector Assessment
PSD	Private Sector Development
RCA	Revealed Comparative Advantage
RCF	Rapid Credit Facility of the IMF
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value Added Tax

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## Executive Summary

The private sector assessment (PSA) for Dominica draws on primary data analysis from interviews with key stakeholders from the domestic private and public sectors as well as interviews with regional and international agencies. In addition, secondary data was utilised to describe the state of the country at both the micro and macro levels.

### Threats to Private Sector Development in Dominica

Dominica has a number of strengths that would likely support the continued growth and development of the private sector including: relatively low inflation; a relatively good rating on governance effectiveness, although it is only 4<sup>th</sup> highest in the OECS; a firmly established system for gender representation; and a high potential for the exploitation of renewable energy. The island's natural beauty and heritage can also be leveraged to support its continued focus on tourism as a substitute for banana production. However, key threats identified could have significant implications for private sector development in the future.

**Table A: Biggest Obstacles to Business in the OECS (Enterprise Survey, 2010)**

Biggest Obstacle	ANT	DOM	GREN	SKN	SLU	SVG
Access to finance	<b>15.3</b>	<b>44.0</b>	<b>12.8</b>	<b>20.9</b>	<b>35.0</b>	<b>20.6</b>
Electricity	<b>13.0</b>	<b>29.7</b>	2.7	<b>15.2</b>	<b>22.4</b>	<b>10.6</b>
Tax rates	<b>18.2</b>	<b>8.6</b>	<b>17.6</b>	<b>20.0</b>	<b>6.0</b>	<b>11.0</b>
Labor regulations	0.0	<b>4.4</b>	2.9	0.0	5.6	0.0
Crime, theft and disorder	<b>7.9</b>	<b>3.6</b>	<b>10.2</b>	<b>13.4</b>	5.1	<b>11.3</b>
Transportation	3.9	3.5	4.1	3.4	<b>10.7</b>	1.0
Practices of the informal sector	4.8	3.1	8.4	5.8	2.7	7.8
Inadequately educated workforce	1.3	2.1	<b>15.4</b>	<b>10.0</b>	<b>7.4</b>	<b>12.8</b>
Customs and trade regulations	<b>16.1</b>	0.9	2.1	5.2	4.0	9.9
Access to land	0.7	0.0	3.9	0.7	0.0	0.0
Business licensing and permits	2.7	0.0	0.0	0.0	0.0	0.3
Corruption	7.7	0.0	1.4	3.5	0.9	1.5
Courts	0.0	0.0	0.8	0.0	0.0	0.3
Political instability	6.1	0.0	<b>12.3</b>	0.5	0.2	<b>10.2</b>
Tax administration	2.4	0.0	5.7	1.4	0.0	2.6

Overall, the applied element of the research (interviews and consultations), indicated that the issues identified from the secondary data were mostly representative of the issues facing the private sector in Dominica, with the main issues related to finance issues, cost issues and logistical issues. In addition, several other issues were identified including:

- Political and Governance Issues in relation to the lack of a specific strategy for private sector development and limited capacity in business support organisations;
- Lack of fiscal space and hence a lack of Government investment in public good investments such as tourism marketing, business support mechanisms and inefficiencies in the public service;
- Inadequate skills in the workforce.

These findings from the applied element of the PSA are not dissimilar to those emerging from the Caribbean Growth Forum (CGF) consultations. The three working groups (Logistics and Connectivity, Investment Climate, Skills and Productivity) organized for the CGF for Dominica identified a number

of issues that once addressed can catalyze private sector development and provided a number of detailed recommendations. Drawing on these results, a review of other relevant background research, and interviews with key stakeholders, the main issues affecting the private sector were categorised under five broad headings:

- **Governance Issues:**
  - a. Lack of specific sectoral strategies for private sector development
  - b. Need for a mechanism for dialogue between the public sector, private sector and labour unions to address issues relating to identifying skill needs, develop programs to address skill needs, and improve productivity and information sharing
- **Finance Issues:**
  - a. Reduce financing costs and improve access to finance generally
- **Energy Cost Issues:**
  - a. Reduce cost of energy and accelerate the exploitation on renewable energies
- **Transport and Trade Issues:**
  - a. Improvement of road infrastructure
  - b. Improvement in trade logistics and reduce the cost of shipping
  - c. Strengthening of regional collaboration between importers and exporters
- **Labour Market Issues:**
  - a. Lack of adequate skills in the labour force at both the technical and management level

#### **A Long Term Action Plan for Private Sector Growth**

One of the most critical recommendations to emerge from both the PSA and the CGF was the need for the implementation of a forum for collaboration between key stakeholders and representatives of labour, the private sector and Government. This gave the number one priority of the Action Plan as:

- Action 1: **Establishment of a Tripartite Committee (government-employers-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

However, there are some specific issues that labour and the private sector will need to address in relation to the formation of representative bodies at the national level. It is recommended that once representative bodies of labour and the private sector are organised appropriately, that this tripartite group be tasked with implementing the other elements of the action plan identified from the PSA for Dominica:

- Action 2: **Conduct a Skill Needs Assessment** to identify the specific skill gaps in key strategic sectors and develop plans to address the identified gaps.
- Action 3: **Development of a National Strategic Plan** that include specific sector development strategies.
- Action 4: **Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions through the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.

- Action 5: **Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.
- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy**. Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.
- Action 7: **Education and training curriculum reform** that addresses the long term strategic direction of Government as well as the more immediate needs of the private sector. The long term strategic direction of Government should be constructed on the basis of dialogue with the private sector.

An overview of the recommendations and related action plans are shown in Table B.

While all of the Action Points relate to the establishment of a conducive environment for the development of the private sector and are external to enterprises, that the private sector itself will need to take a portion of responsibility and seek to adopt a more proactive approach to exploiting opportunities available in the market. Given the perception that the private sector is not as proactive as it can be, and as a caution in relation to interventions to spur private sector development, it is imperative that all key stakeholders, from the international to the domestic level, are fully aware of the current level of development of the private sector. In Dominica, and across the region, the private sector is *relatively* under-developed and limited in its ability to cope with current neo-liberal developments given a long period of protection through such mechanisms as preferential trade agreements which have recently been removed. Any interventions should therefore seek to assist the private sector, with the assistance of the public sector, to build domestic market opportunities as well as special and differential treatment for export goods in the short- to medium-term, rather than fully expose it to the rigours of international competition. Lessons should also be learnt in relation to drawing on the strengths of the region rather than seeking, as in the past, to attract investment based on low-cost labour which subsequently led to the attraction of *footloose* enterprises that relocate to competitors as cost levels change or economic circumstances deteriorate in relative terms. In this vein, the Caribbean needs to exploit those resources for which it has an advantage and a brand, suggesting a concentration on alternative energy (geothermal, solar), specialist agricultural products (nutmeg in Grenada) and agro-processing, eco-tourism, education (drawing on human resources in the region), heritage tourism, health and wellness (both product-specific and related to tourism), and financial services, among others.

In addition to drawing on the locational advantages that exist in the region, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to: niche market development; moving up the value chain; development of strategic alliances and joint ventures for knowledge and technology transfer; and the development of clusters, both vertical and horizontal. While activities in these areas are not specifically mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Dominica.

**Table B: Recommendations and Actions Matrix for Dominica**

Critical Themes	Main Critical Issues	Actions	Details	Responsibility of...
<b>General Political and Governance Issues</b>	Need for dialogue between Government, Labour and the Private Sector to address issues of mutual concern. A lack of a single representative bodies for labour. Lack of knowledge and skills required by the private sector. Lack of specific sector support strategies by Government; Lack of information sharing by the private sector; Lack of utilization of technology.	<ol style="list-style-type: none"> <li><b>1. Establishment of a Tripartite Committee</b></li> <li><b>2. Conduct a Skills Need Assessment</b></li> <li><b>3. Development of a National Strategic Plan that includes sector specific plans</b></li> </ol>	As noted by Fashoyin (2004) there is a need for: <ul style="list-style-type: none"> <li>• Members to be independent and representative</li> <li>• Willing to consult and negotiate</li> <li>• Demonstrate mutual trust and respect</li> </ul> Need for communication at the Tripartite Committee level to determine the specific external needs of enterprises in relation to the business environment (finance, technical assistance) while meeting the wider obligations of Government.	Government to initiate
<b>Access to Finance</b>	High Transaction and Operating Costs Informational Asymmetries Alternative Financing Options	<ol style="list-style-type: none"> <li><b>4. Reduce the cost of finance</b></li> <li><b>5. Increase capacity of business to access finance</b></li> </ol>	To address the issues of access to finance, several specific steps can be taken: <ul style="list-style-type: none"> <li>Introduction of technological advances;</li> <li>Monitoring of efficiency rate of financial institutions to identify areas for improvement;</li> <li>Establishment of credit bureaus and collateral registries;</li> <li>Introduction of alternative financing options such as equity financing,</li> <li>Greater competition in the financial sector, particularly the strengthening of domestic institutions;</li> <li>Provision of technical assistance and training to the private sector in relation to increasing formality, the adoption of accepted business practices, and the skills to secure funding.</li> </ul>	Eastern Caribbean Central Bank; Business support organisations
<b>Cost of Doing Business</b>	Cost of electricity	<ol style="list-style-type: none"> <li><b>6. Provide incentives for energy conservation and frameworks for the exploitation of alternative energy options.</b></li> </ol>	Provision of incentives and support to help reduce energy costs through conservation as well as for investing in the sector. To facilitate investment in the sector, Castalia Strategic Advisors (2012:7), note that there is a need to: <ul style="list-style-type: none"> <li><i>'Define legal and regulatory framework for geothermal energy;</i></li> <li><i>Support geothermal resource exploration and related feasibility studies;</i></li> <li><i>Set clear permitting and planning for geothermal development;</i></li> <li><i>Support geothermal transactions'</i></li> </ul>	Government
<b>Labour Market Issues</b>	Limited availability and lack of specialist skills in the labour market:	<ol style="list-style-type: none"> <li><b>7. Education and training curriculum reform.</b></li> </ol>	The specific content of any reform should be determined at the Tripartite level and informed from the strategic plan for private sector development. Agreement will need to be reached on the immediate needs of the private and the longer terms development vision of Government.	Government

# Compete Caribbean Private Sector Assessment Report for Dominica

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## 1. Introduction

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### 1.1. Background

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Compete Caribbean is a private sector development program funded by the IDB, DfID and CIDA which works with Governments and the private sector to promote economic growth and enhance competitiveness across the Caribbean region. The Private Sector Assessment (PSA) and construction of Donor Matrices for countries in the region is one element of the overall program.

The overall objectives of the Compete Caribbean program in the OECS include:

- a) Building a more robust and sustainable private sector through the elimination of remaining restrictions to the free flow of goods, services, capital and people within the countries of the Caribbean Single Market and Economy;
- b) Providing opportunities for forging closer private sector linkages across OECS member countries;
- c) Shifting from protection to adjustment support to help disadvantaged countries, regions and sectors manage the process of intra-regional liberalisation; and
- d) Facilitate private sector development within a more open trading environment.

The program is expected to be delivered within three components as follows:

1. **Component 1** provides a review and diagnostic of the status of private sector development in the OECS region. This component focuses on:
  - a. A review of existing studies and reports on private sector development and competitiveness for the participating OECS member countries in the last 5 years, as well as an evaluation of the recent performance of the private sector in each of the six independent OECS member countries; and
  - b. The identification and evaluation of obstacles to effective private sector development;
2. **Component 2** focuses on the development of private sector development strategies and action plans to include the development of a draft private sector development action plan for each of the six independent OECS member countries, and for the OECS sub-region as a whole, and the identification of possible opportunities for collaboration by CDB and IDB in supporting the development of the private sector in the region.
3. **Component 3** focuses on consensus building among key stakeholders on future actions under the recommended private sector development strategy and facilitation of national and regional workshops to present findings and action plans.

There are two main elements of the PSA project which are a Private Sector Assessment Report (PSAR) and the construction of a Donor Matrix (DMX). The DMX is to provide an inventory of donor projects related to private sector development and identify duplication and omissions. The main aim of the PSAR element of the project is to identify market failures that are affecting the development of the private sector at a national and at a regional/sub-regional level, and to identify priority areas for intervention. There are two main elements of the PSA:

*First, it compiles and analyzes information from different sources in order to provide a snapshot of the state of the private sector in the country, and second, it brings the*



*information to relevant stakeholders- such as firms in the economy- to establish priorities on all the identified issues affecting the future growth in the private sector.*

The Caribbean Development Bank is the executing agency for the PSAs and DMXs for six of the OECS countries which include: Antigua and Barbuda, Dominica, Grenada, St. Kitts, St. Lucia and St. Vincent and the Grenadines.

In 2012, the research team conducted interviews across the OECS with key stakeholders including government ministries and agencies concerned with private sector development, private sector associations, civil society and individual business enterprises. These interviews were conducted with a view to ascertaining the primary constraints to private sector development and potential solutions to the issues identified.

The following report highlights the main results to emerge from the analysis of primary and secondary data collected as well as the views expressed in national consultations organised by SALISES in Grenada and Antigua and Barbuda, and by the Caribbean Growth Forum in Dominica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The details of the methodology adopted for the research is shown below.

## **1.2. Methodology**

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The private sector assessment (PSA) draws on primary data analysis from interviews with key stakeholders from the domestic private and public sector as well as interviews with regional and international agencies. In addition, secondary data was utilised to describe the state of the country at both the micro and macro levels. The specific methodology for the PSARs had three (3) core components:

1. Analysis of secondary data and documentation from the following sources:
  - a. Enterprise Surveys/Doing Business Surveys
  - b. Central Government Fiscal Accounts
  - c. World Development Indicators
  - d. CARICOM Secretariat/OECS Secretariat
  - e. Miscellaneous Country Surveys
2. Interviews/Consultations with key stakeholders:
  - a. International Donor Agencies
  - b. Regional/Sub-Regional Agencies
  - c. Country-Specific Agents including business associations, representatives of labour and relevant public sector bodies. Specific businesses and finance providers were also included.
3. Identification of Main Thematic Issues affecting PSD and Identifying Priorities from the results of interviews and national consultations.

The interviews conducted in Dominica included the main business support organisations and sector associations in both the public and private sector (Ministry of Employment, Trade, Industry and Diaspora Affairs; Invest Dominica Authority; National Development Foundation of Dominica; Dominica Agricultural Producers and Exporters; Dominica Manufacturers' Association; Dominica Hotel and Tourism Association; Dominica Coalition of Service Industries), finance providers and representatives, and private enterprises. A listing of key stakeholders from interviews and consultations is included in the Appendices.

In addition to these specific elements of the research, the development of the PSA Reports was assisted by the information to emanate from consultations organised under the Caribbean Growth Forum banner.

*The Caribbean Growth Forum (CGF) is a joint initiative by the Compete Caribbean Program, the Inter-American Development Bank, the World Bank, and the Caribbean Development Bank. It is supported by the Canadian International Development Agency, the United Kingdom's Department for International Development, CARICOM Secretariat, and the University of the West Indies.*

*The CGF is a facilitative methodology for public-private dialogue around issues central to private sector development and growth. It brings a non-traditional approach to the greatest challenge currently faced by the region – creating sustainable and inclusive growth. The Forum also aims to facilitate an action oriented dialogue around key policy reforms needed across three thematic areas: **Investment Climate, Skills and Productivity and Logistics and Connectivity.***

*Many Caribbean territories have a very good starting point with draft or completed national growth strategies. Therefore, the aim is to identify the priorities within the three pillars of the CGF that can contribute to these national strategies. In this respect, the CGF's methodology has been designed to result in a consensual, concrete action plan with specific responsibilities and timelines, and it has built in transparency and accountability mechanisms to make sure that, over time, results are delivered.*

*The CGF is part of the donor agencies' commitment to support the Caribbean and develop and implement inclusive growth policies that generate jobs and opportunities for all.<sup>1</sup>*

The CGF's consultations and subsequent working groups provided useful information to add to, and corroborate, the findings of the current PSA.

### **1.3. Report Structure**

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The rest of the Private Sector Assessment is structured as follows. Initially, Section 2 provides a general overview of the country. This is followed by a description of its relationship with the OECs and the ECCU in Section 3. Section 4 then presents the macroeconomic context of the country in relation to domestic economic variables and the productive sectors, and the country's position in the international economy with respect to trade and foreign direct investment.

Section 5, the main section of the report, outlines the main characteristics, issues and challenges of the private sector including the support for private sector development, the state of the private sector, a review of primary and secondary data on the private sector and a summary of the main issues affecting its development. This is followed by the development of an action plan for private sector development in the country. Section 6 presents the main conclusions of the PSA and provides some general recommendations.

The Appendices to the report include relevant details to complement the main report as well as the Donor Matrix Report for the country. The Donor Matrix Report describes the relevant members of the donor community, local stakeholders, information sources, opportunities for enhancing the design and execution of programs and opportunities to address priority gaps.

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<sup>1</sup> <http://caribgrowth.competecaribbean.org/about-the-cgf>

## **2. Country Overview**

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The Commonwealth of Dominica is a lower-middle income small island nation within the Eastern Caribbean archipelago measuring just 750 km<sup>2</sup>. At the end of 2011, the population was estimated at 70,739 persons, with a population growth rate of about -0.07% per annum. Dominica's Human Development Index (HDI) score in 2012 was 0.745 giving it a ranking of 70<sup>th</sup> out of 187 countries. The country's score is marginally above that for the region. Dominica is a member of the Eastern Caribbean Currency Union (ECCU), which is fixed to the US dollar at \$1 (Eastern Caribbean Dollar) to \$0.37 (US Dollars).

The Dominican economy, in the wake of major damage from natural disasters over the last two years, has been further and severely impacted by the global downturn and spillover of the turmoil in international financial markets. Dominica was struck by two hurricanes in 2007 and 2008 causing cumulative damage estimated at close to 35% of GDP. Figure 1 outlines some indicators of Grenada's economy in relation to its strength and the structure of the private sector.

### **2.1. Governance**

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The Commonwealth of Dominica represents one of the many parliamentary democracies within the Commonwealth of Nations. The island can be categorized as the most rugged Caribbean island and it is no surprise why the island has a striking colonial past. Following its discovery by Christopher Columbus on November 3<sup>rd</sup>, 1493, the island was occupied by the French and the English forces in the 18<sup>th</sup> century. At the end of the seven year war (1756-1763), the 1763 Treaty of Paris was signed, which gave sole possession of Dominica to Great Britain. However, the treaty was revised in 1783 after a successful French invasion in 1778 in the midst of the American Revolution. Their subsequent invasions in 1795 and 1805 ended in failure. The British established a legislative assembly in 1763 which was primarily comprised of the white plantocracy, and the island later became a British colony in 1805. By 1831, the Brown Privilege Bill was established which conferred political and social rights to free non-white citizens. Following the abolition of slavery in 1834, Dominica was the only British colony to have a Mulatto-controlled legislative majority in the early 19<sup>th</sup> century. Conflicts arose amongst this Legislative majority and the white plantocracy and as a result, the former lobbied for more direct British rule. The crown colony government was re-established in 1896.

Like most Caribbean territories, Dominica formed alliances with neighbouring territories in attempts to create solidarity amongst member states that tried to achieve similar economic and social ideologies. Such attempts include their accession to the Leeward Island Federation in 1871, the Windward Island Federation in 1940 and the short-lived West Indian Federation of 1958. After the dissolution of the latter, the economy became an associate of the United Kingdom in 1967. After achieving independence from Great Britain on November 3<sup>rd</sup>, 1978, the Commonwealth of Dominica joined the Caribbean Community (CARICOM), the Caribbean Single Market and Economy (CSME) and the Organization of Eastern Caribbean States.

Figure 1: Snapshot of Dominica and Comparator Countries

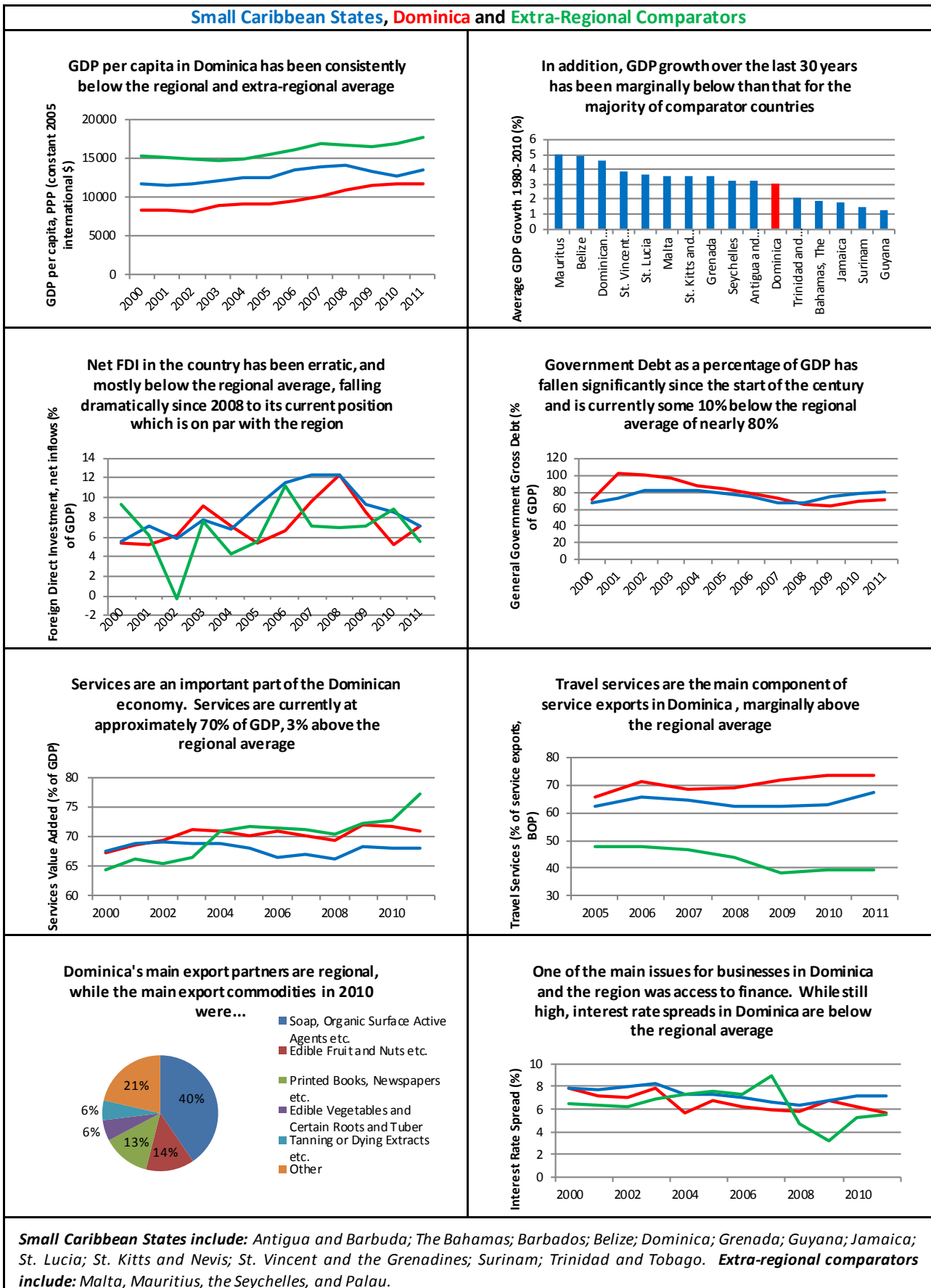
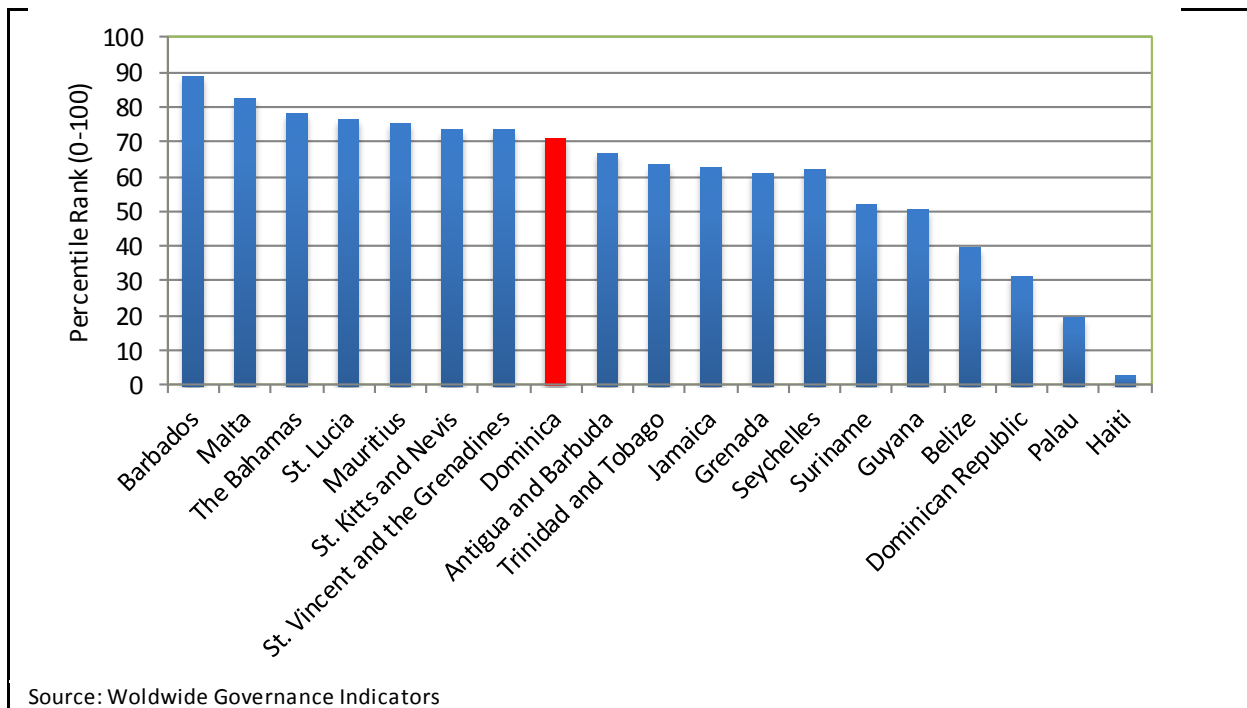


Figure 2: Governance Effectiveness for Dominica versus Comparators (2010)



Female representation stands at the cornerstone of the political and business environment within the Commonwealth of Dominica. One primary example lies in the country’s first Prime Minister Dame Eugenia Charles (b.1919, d.2005) - the first female Prime Minister within the Caribbean region. As a visionary for Caribbean integration, *The Iron Lady of the Caribbean* was a strong proponent of freedom, anti-corruption measures and the emergence of the regional air carrier, LIAT. During her tenure which spanned from 1980-1995, she survived two attempted coups that were orchestrated by Patrick John, the incumbent Prime Minister at the time. Even though this particular period in her political life was marred by political distress, she was able to make headway in areas such as education and skills training. Through her campaigns, she increased adult literacy on the island, initiated the Dominica State College, and expanded the number of secondary schools whilst making provision for youth skills programs and Education Trust Funds. The latter, which offered financial assistance to individuals who wished to pursue higher education, came from her own personal contributions. She also made significant contributions to health, sports, youth and the elderly. Dame Eugenia Charles’ entry into the political arena came in 1968 when the Dominica Labour Party attempted to have a Sedition Act passed in Parliament. She was appointed to the Legislature in 1970 and co-founded the now incumbent party, the Dominica Freedom Party, in 1972. In 1975, she was appointed to the House of Assembly, became leader of the Opposition and was a strong proponent of relinquishing British rule in 1978. She was an Executive Member of the Organization of Caribbean States, at one point becoming the chairperson and encouraged the United States led invasion of Grenada in October, 1983. As Prime Minister, her portfolio was as Minister of Foreign Affairs, Finance, Economic Affairs and National Security. She was knighted by Queen Elizabeth II at Harare, Zimbabwe in 1991 for her contribution to statesmanship as a lawyer, politician and journalist. Two years prior to her death in 2005, the Order of the Caribbean Community was bestowed upon her by the Heads of Government of the Caribbean Community.

Dame Eugenia's legacy lives on amongst Dominicans today and is exemplified today in Mrs. Shillingford's (Minister for Social Services, Community Development and Gender Affairs) effort to promote gender equality within the workforce. In May 2006, the Commonwealth of Dominica adopted a Gender Policy which sought to address conceptual and nationally relevant gender perspectives and to provide analysis that can be integrated into the design, implementation, monitoring and evaluation of all government policies and programs. It is being spearheaded by the Bureau of the Gender Affairs, an umbrella organization of the Ministry of Community Development, Culture and Gender Affairs and consists of an institutional framework of Gender Mainstreaming. The latter can be broken down into the various components: (i) a gender management system, (ii) a gender management team and (iii) gender focal points.

## **2.2. Environment**

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The Commonwealth of Dominica is a unique volcanic island which has one of the lowest population densities and the most intact forest cover within the Caribbean Archipelago. It is located 15°25'N 61°20'W, approximately 40 kilometres from the next nearest landmass. The island, which is considered to be the most northerly of the Windward island grouping, is 47 kilometres long and 29 kilometres wide and has a total land area of approximately 754 square kilometers. Its coastline spans 148 kilometres.

An examination of the physical aspect of the country has been divided into climatic conditions, geology, topography and biodiversity. The island's climate is characterized as humid tropical marine. There is a distinct dry season from February to April with average temperatures between 21° and 28°Celsius, and a wet season from June to October with average temperatures between 23° and 30°Celsius. Owing to the rugged topography on the island, micro-climate variability exists within very short distances. This is influenced by the high moisture content of the air masses that enter the region by way of the Atlantic Ocean and as a result Dominica can be defined as a high rainfall country. The average annual rainfall ranges from 1,900 mm in the lower elevations and about 5,000 mm in higher elevations. As a Small Island Developing State within the Caribbean Basin, the island is susceptible to natural disasters, particularly hurricanes and climate change variability. Such anthropogenic activities have the potential to cause widespread damage to exported commodities. There is a lot of surface water on the island. According to the Health in the Americas Report, approximately 95.8% of Dominicans had access to potable drinking water. The proportion of households with water piped to the house in 2009 was 61.2%, piped to the yard was 10.5%, to a public standpipe was 19.4%, and private catchment was 4.7%. The remaining 4.2% collected water from other sources such as rivers and streams (Country Poverty Assessment, Dominica 2008–2009). With regard to access to sewage facilities, 2008 estimates show that 14.6% of households had water closets which were linked to sewage lines while 50.6% utilized septic tanks. Pit latrine usage generally stood at 24.3%. It should be noted that this is a dominant feature amongst the underprivileged as 51.4% of them still utilize this option.

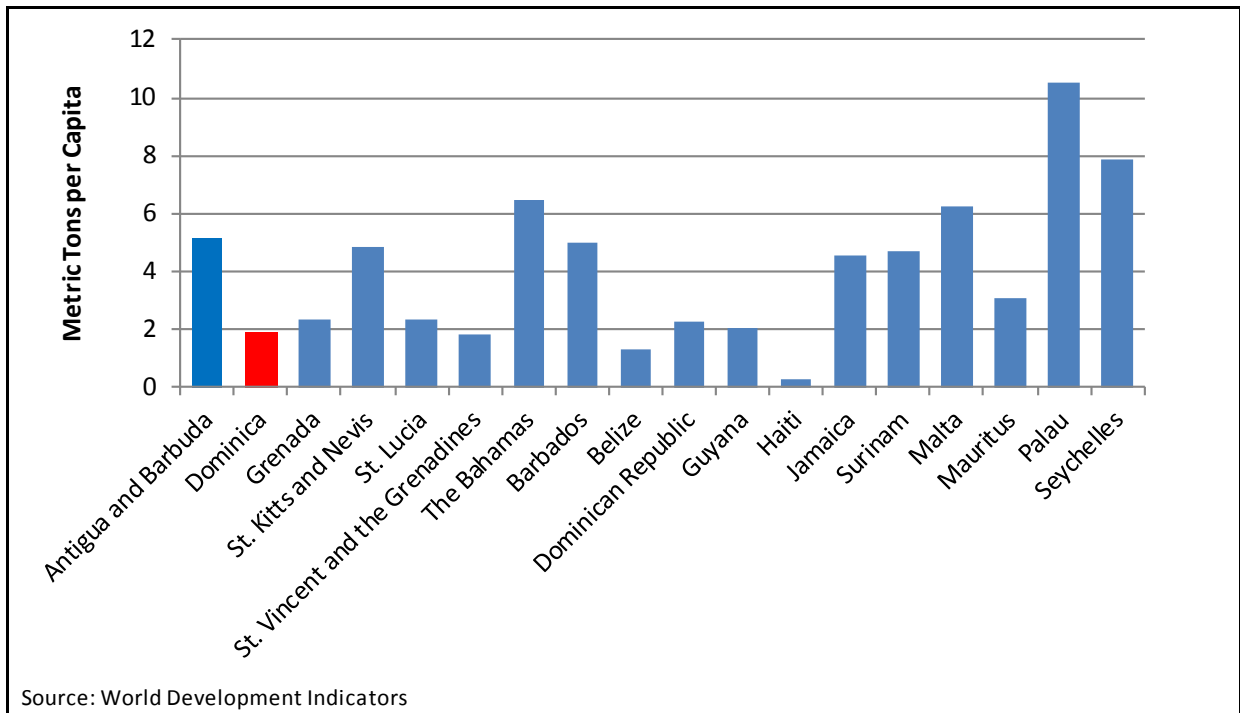
Like most islands within the Caribbean Archipelago, the Dominican landscape was shaped and formed by a series of geological forces caused by plate tectonic movements. Even though the island is volcanic in nature, it is comprised of some Pleistocene to Holocene conglomerates and corals along the western shoreline (Martin-Kaye 1960; Sigurdsson and Carey 1991). Dominica is comprised of eight active volcanoes and owing to the nature of the volcanic rocks, the island can be subdivided into four regions: (i) Miocene, (ii) Pliocene, (iii) 'Older Pleistocene' and (iv) 'Younger Pleistocene' -

Recent. The landscape is characterized by a series of complex mountainous peaks and steep terrain. The highest point, located in the North-West, is Mount Diablotins at 1,447m (4,747 ft). Many waterfalls, freshwater lakes, rivers, springs, fumaroles, craters and geysers exist with the highest concentration of such being found within the Valley of Desolation. The world's second largest thermally active boiling lake, the only one of its kind in the Western hemisphere, is found within this region.

Dominica has an abundant natural resource endowment which is exemplified in its lush flora, fauna and hydroelectric energy sources. The island, which is often referred to as the 'Nature Isle of the Caribbean', has an extensive forest cover and arable land that accounts for 22.6% and 27.8% of the total land mass. The diversity of terrestrial flora spans approximately 155 families, 672 genera and 1226 species of vascular plants (Dominica's Biodiversity Action Plan and Strategy, 2001-2005). There is a diverse assemblage of terrestrial fauna in Dominica, some of which are thought to be extinct on neighbouring islands. It includes 175 species of bird, 2 of which are endemic to the island, whereas 9 are regionally endemic; eighteen species of wild terrestrial mammals; nineteen species of reptiles; four species of amphibians; twenty species of freshwater/terrestrial/semi-terrestrial crabs and fifty-five species of butterflies. Spectacular views on the island include the Morne Trois Piton National Park, an area spanning 6.857 hectares that is centred on the 1,342 metre volcano known as Morne Trois Pitons. It is located in the highlands of South-central Dominica and was recognized by UNESCO as a World Heritage site in 1997.

Climate Change represents one of the biggest obstacles affecting the global community to date. Small Island Developing States, such as those comprising the Caribbean Basin, represent one of the most vulnerable groupings affected by this phenomenon. Components of this phenomenon include decreases in the cryosphere, rising green house gas (GHG) emissions from the burning of fossil fuels, rising sea levels and rising average temperatures which will have detrimental effects on our flora and fauna. As seen in Figure 3, The Commonwealth of Dominica has one of the smallest ecological footprints when compared to its comparators for the given year. Its carbon dioxide emissions amounted to approximately 1.883 metric tons per capita – the lowest recorded value within the OECS grouping. This level of environmental performance has only been surpassed by St. Vincent and the Grenadines, Belize and Haiti, which stood at approximately 1.847, 1.320 and 0.250 metric tons per capita respectively. Most environmental problems tend to be exacerbated by excessive pollution, anthropogenic activities as a result of climate change, and shifts in land use patterns, whereas the extent of environmental impact is the product of population size by per capita affluence and some measure of damage done to the environment by technologies per unit of consumption. More advanced economies tend to have higher carbon dioxide emissions. For instance, the level of carbon dioxide emissions for comparators such as Palau, Seychelles, Malta and Barbados well surpass the five metric ton per capita mark. As one of the least densely populated countries within the Caribbean basin, a small ecological footprint is expected and the extent of forest cover within Dominica should counteract excessive carbon dioxide emissions resulting from economic activity. It should be noted that there is in fact a buzz of private sector activity on the island in relation to renewable energies. Dominica has a renowned natural resource endowment which the government is willing to take advantage of but in a sustainable manner. For instance, the country is a pioneer in renewable energy technologies and the exploitation of such resources can prove viable to local residents and neighbouring territories. Such technologies include the use of wind turbines, solar and geothermal energy sources to meet the local and foreign energy demand.

Figure 3: Environmental Performance: CO2 Emissions for Dominica versus Comparators (2008)





### 3. Dominica, the OECS and the ECCU

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Dominica is a member of the Organisation of Eastern Caribbean States (OECS) and the Eastern Caribbean Currency Union (ECCU), the common currency framework for the OECS countries; this is with the exception of the British Virgin Islands which does not use the Eastern Caribbean Dollar. The Eastern Caribbean Dollar is issued by the Eastern Caribbean Central Bank (ECCB), the monetary authority for the OECS. Dominica represented 8% of nominal GDP for the OECS, and ranked 8<sup>th</sup> and last in GDP per capita, in 2010.

The OECS was established in 1981 with the signing of the Treaty of Basseterre, named after the venue of the signing of the treaty, the capital of St. Kitts and Nevis. The motivation for the formation of the body was to provide a formal structure for cooperation to deal with development challenges posed in the post-independence period. The OECS currently has nine members: Antigua and Barbuda; Commonwealth of Dominica; Grenada; Montserrat; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; and Anguilla and the British Virgin Islands as associate members.

In June 2010, a Revised Treaty was signed, establishing the OECS Economic Union, a single economic space for the free movement of goods, people and capital and a framework for the harmonization of monetary and fiscal policies. The Revised Treaty allows for the adoption of *'...a common approach to trade, health, education and environment, as well as to the development of such critical sectors as agriculture, tourism and energy'*<sup>2</sup>. The organs of the OECS are shown in Appendix 1. Of particular relevance to the development of the private sector in the region are the units under the Economic Affairs Division, specifically the Export Development Unit (EDU) and the Trade Policy Unit (TPU). The EDU is responsible for export development in manufacturing and non-traditional agriculture and the TPU provides assistance in formulation and implementation of trade policies and in the negotiation of trade arrangements. The EDU is currently working directly with officers in business development organisations across the region to facilitate interaction between them and actual enterprises in the region. Such proactive outreach programs are integral to enabling these development agencies in serving the needs of the private sector and act to allay the concerns expressed by international agencies during the PSA that the organs of the OECS were not as proactive as they could be.

Although the Revised Treaty of 2010 spoke to fiscal coordination and free movement of persons, these have not come to full fruition, while movement of capital has not obtained any significant scale economies at the regional level.

In relation to fiscal coordination, Schipke, Cebotari and Thacker (2013:5)<sup>3</sup> note:

*'...faced with very high public debt, the region needs to put in place a mechanism to enforce fiscal discipline because the success of the common currency depends on simultaneously satisfying eight national budget constraints. As the experiences from the European Union demonstrate, cross-border spillover- especially via the financial sector- from the weakest member could undermine confidence and trigger a regionwide crisis.'*

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<sup>2</sup> <http://www.oecs.org/about-the-oecs/who-we-are/about-oecs>

<sup>3</sup> Schipke, A., Cebotari, A. and Thacker, N. (eds.) (2013). The Eastern Caribbean Economic and Currency Union: Macroeconomics and Financial Systems. IMF: Washington D.C..

The undermining of confidence in these economies would indeed create a crisis, especially in relation to these economies' reliance on foreign investment and tourism.

In addition, the free movement of goods, labour and capital are the foundation of unions of this type to enable, in the long term, the realization of the benefits of integration, namely benefits of scale economies, rationalization of public services, and greater bargaining ability at international forums. However, given that private sector enterprises in the region indicate inadequately trained labour as a major constraint, it is questionable whether free movement of labour within the sub-region will pay any dividends to the receiving country, or the union as a whole, given that the economies are not structured in any significantly different ways, and therefore their labour force is likely to be comprised of the same types of skills and abilities.

A similar situation to what exists for labour could be said to exist in relation to finance. While Schipke, Cebotari and Thacker (2013) note that indicators at a macro level indicate that the financial sector in the OECS is well developed, and on par with Latin America and the rest of the Caribbean, Enterprise Surveys *'tell a different story'* (p.15). Enterprise Surveys and Doing Business indicators across the region show that a significant amount of firms in the OECS view lack of access to finance as a major obstacle to their business, while interviews conducted during the PSA for the region indicate that this is due to the cost of finance, collateral requirements and application procedures, issues ground in the lack of credit information as well as the capacity of enterprise owners in supplying information to creditors. Given that this issue is pervasive across the OECS, while theoretically regional integration should provide scale economies in financial provision, in reality the movement of capital within the union would simply replicate the problems experienced at the domestic level.

While these issues demonstrate that perhaps regional integration in the OECS/ECCU does not facilitate private sector development to the degree it should, their actual existence provides for a perception of stability at both the political and financial level, as well as pose the opportunity for growth in the future; that is if issues related to skills in the labour force, fiscal coordination and scale economies in financial provision can be addressed, if the private sector itself seeks to proactively exploit available opportunities in the wider region.

However, these issues cannot be taken without due consideration to the external effect of the global financial crisis. In seeking to address the downturn, the OECS/ECCU has implemented an eight point program which includes the following elements and main components:

1. Suitably adapted Financial programmes for each country:
  - a. Aim: To identify the financing gaps of government and recommendations to close gaps and address structural issues in relation to the Balance of Payments (external sector), National Accounts (real sector), Fiscal Accounts (public sector) and Monetary Accounts (financial sector).
2. Fiscal reform programmes:
  - a. Aim: To develop efficient revenue and expenditure systems, as well address the management of governments' cash flows, debt servicing and wages.
3. Debt management programmes:
  - a. Aim: To facilitate the adoption of a structured approach to debt management to achieve optimal debt profiles and enhance sustainability. The debt target is 60% of GDP by 2020.

4. Public sector investment programmes (PSIP):
  - a. Aim: To provide short- to medium-term fiscal stimuli for the ECCU in relation to 'Quick disbursing projects which will put people to work and stimulate economic activity to restore growth; and ...provision of critical infrastructure for medium and long term development'<sup>4</sup>.
5. Social safety net programmes:
  - a. Aim: To review the social safety nets in the ECCU countries and the development of measures to achieve sustainable poverty reduction.
6. Financial safety net programmes:
  - a. Aim: Restructuring and recapitalisation of the banking and insurance sectors and regulatory and supervisory strengthening.
7. Amalgamation of the indigenous commercial banks:
  - a. Aim: To create economies of scale and scope, operational efficiency in financial services in the ECCU.
8. Rationalisation, development and regulation of the insurance sector:
  - a. Aim: To reduce the number of insurance companies in the region and strengthen the regulatory framework.

A brief review of the eight point plan reveals limited direct relevance to the development of the private sector with the exception of plans for public sector investment programs (PSIP) and the amalgamation of banks which, it would be hoped, would provide easier access to finance. While the points in the plan seek to provide an overall conducive environment for business in the long term, there appears to be limited attention to the immediate needs of the private sector at the regional and domestic level. This is not to say that the needs of the private sector are not being addressed, simply that the focus of policy at the regional level is focussed more on the macroeconomic environment rather than increasing productivity and private sector development.

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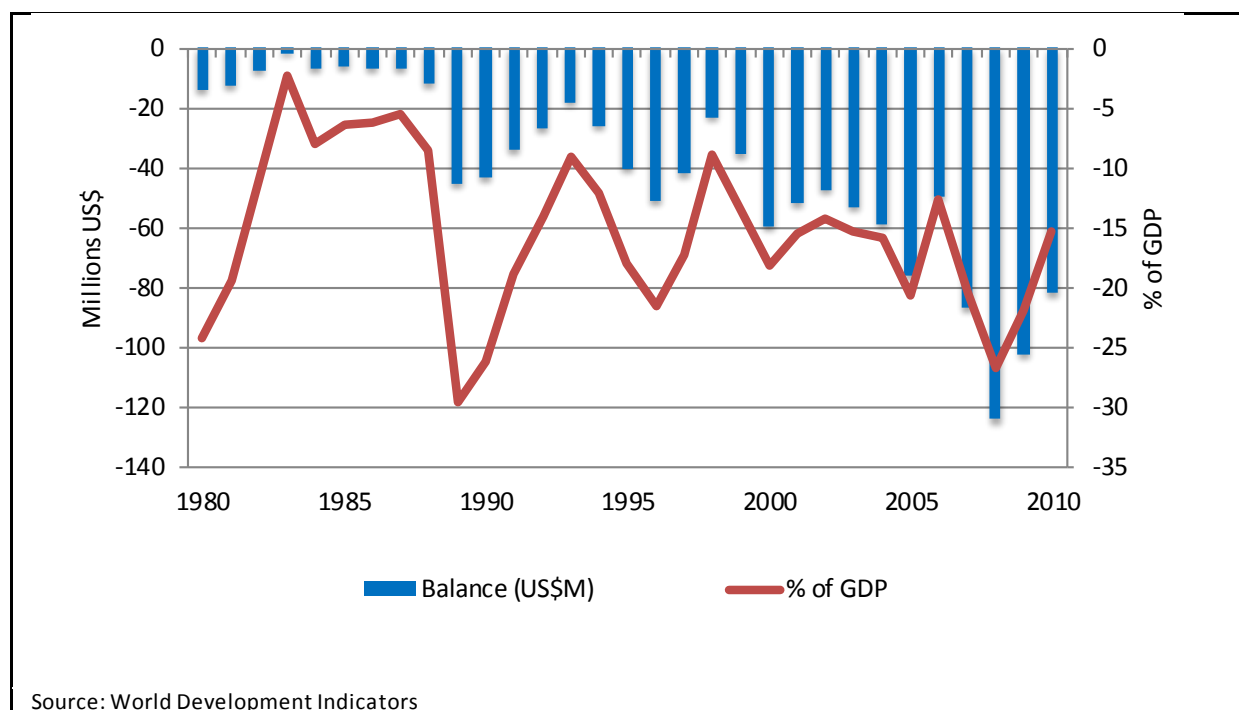
<sup>4</sup> [http://www.eccb-centralbank.org/about/ann26\\_eight.asp](http://www.eccb-centralbank.org/about/ann26_eight.asp)

## 4. Macro Context of Dominica and the OECS

### 4.1. The International Economy

Dominica’s external current account balance has deteriorated significantly during the latter half of the last decade. This reflected higher reconstruction-related imports and lower exports following the hurricanes in 2007 and 2008—the latter, partly on account of the full-year impact of the closure of a toothpaste factory.

Figure 4: Current Account Balance for Dominica (1980-2010)



The large current account deficits, reported since 2005, were largely financed by foreign direct investment (FDI) inflows, and to a lesser extent remittance flows and overseas development assistance (Figure 5). FDI inflows reached a high of US\$56 million in 2008, remittance flows are usually about US\$21 million per year. The external indebtedness of the island has improved steadily, falling from around 85% of GDP in 2003 to 49% of GDP in 2010 and 21% of exports of goods and services (Figure 6), well above the OECS average.

In small open economies, the real effective exchange rate is not a good proxy for external competitiveness. These economies tend to be very open to the rest of the world, given the lack of natural resources and limited self-sufficiency in food production. As a result, domestic prices tend to be largely driven by external factors beyond the control of the domestic authorities. In addition, as these economies tend to largely focus on the supply of services to other economies (e.g. tourism and international financial services), which are not very dependent on price, but on quality, the real effective exchange rate is not a good proxy for competitiveness of the island to provide these services. The limited utility of the real effective exchange rate to explain competitiveness changes is shown by the lack of correlation between the index and the external current account balance (Figure 7). Essentially, as the exchange rate is fixed, domestic prices are largely driven by external prices, not domestic market conditions. One would therefore not expect any relationship between the RER and the current account balance in fixed exchange regimes such as in the OECS.

Figure 5: External Accounts Analysis for Dominica (1980-2010)

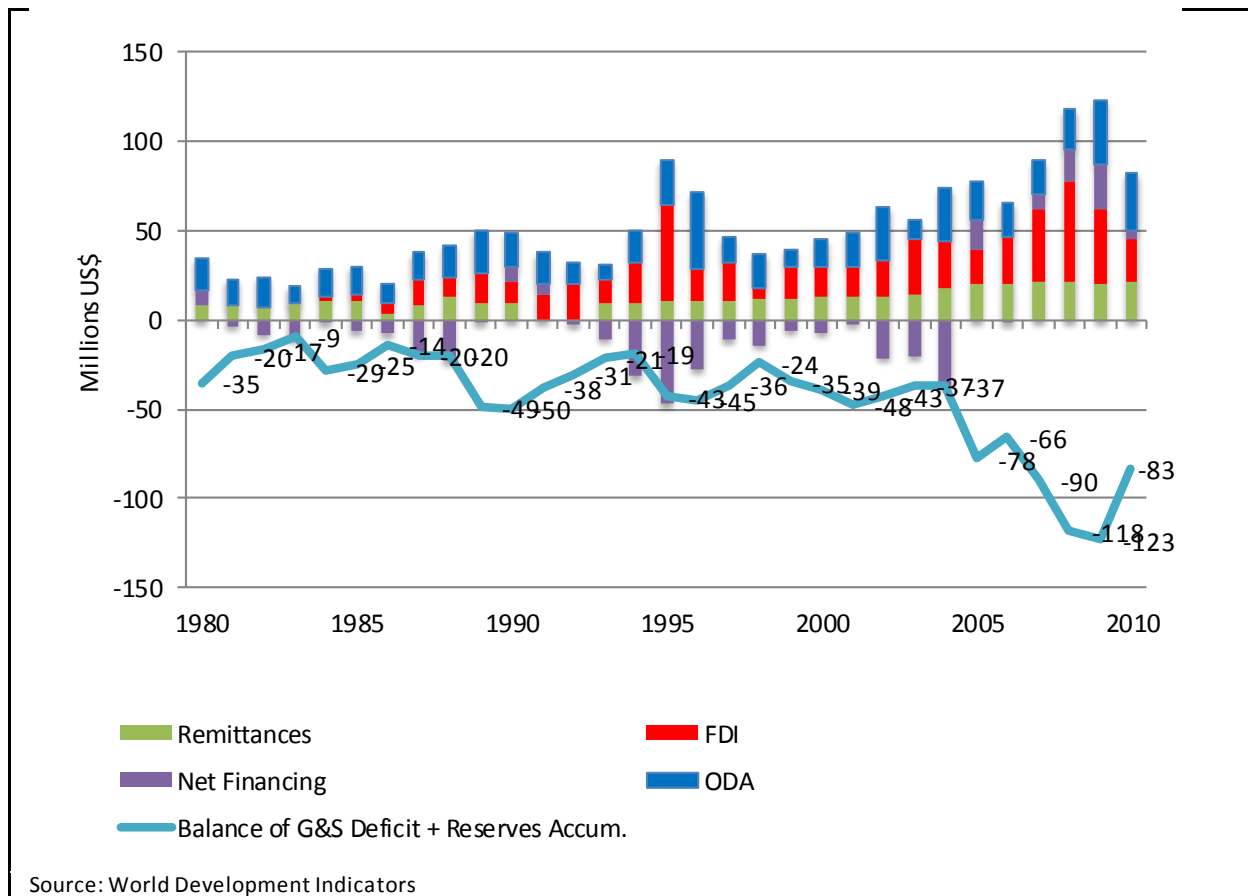
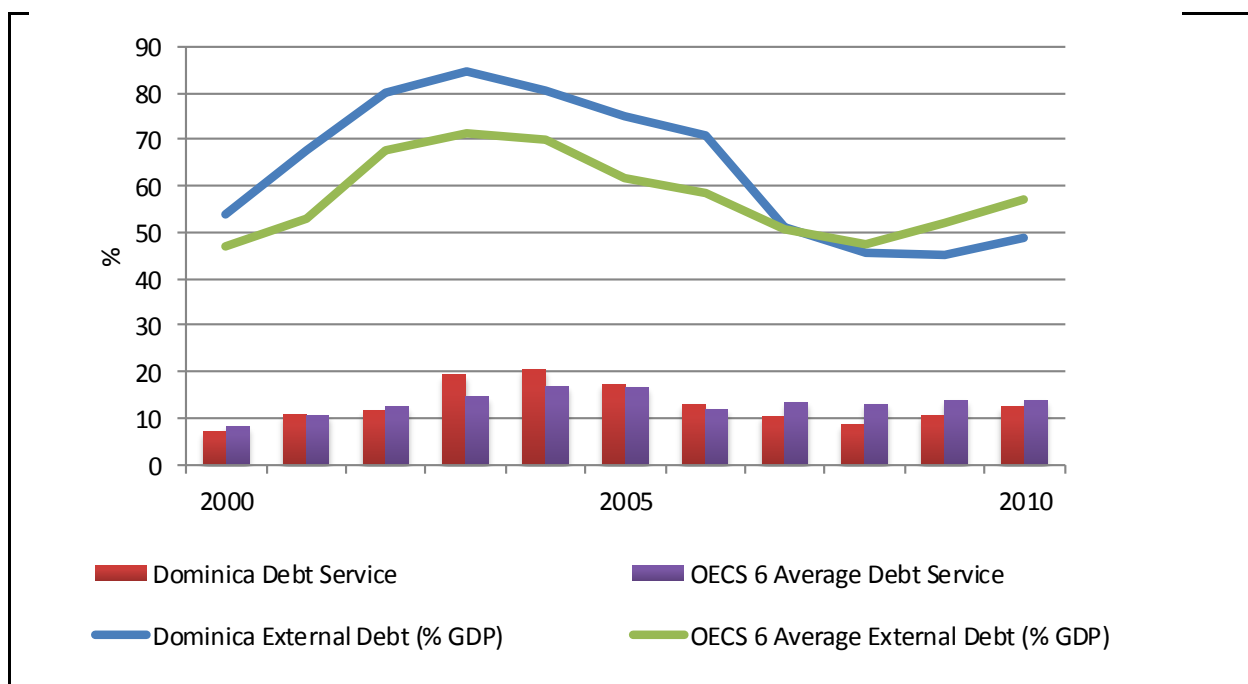
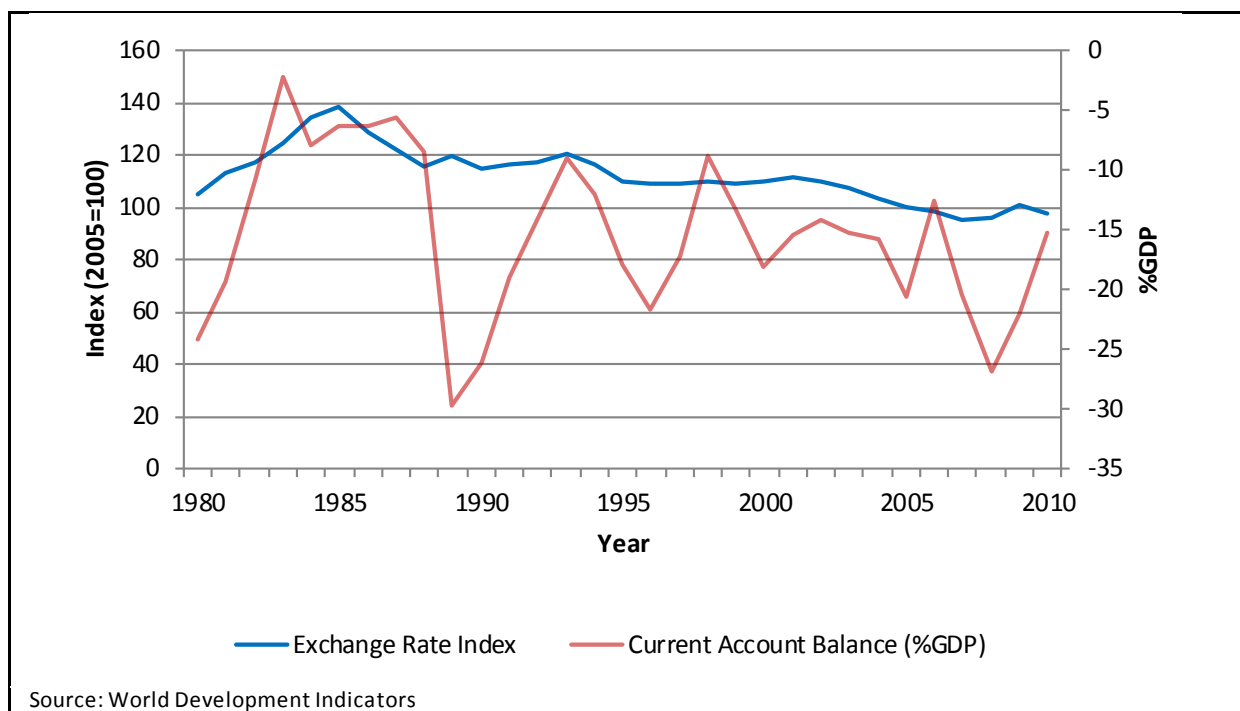


Figure 6: External Debt and Debt Service for Dominica and the OECS 6 (2000-2010)



**Figure 7: Real Effective Exchange Rate Index (2005=100) and Current Account Balance (%GDP) for Dominica (1980-2010)**

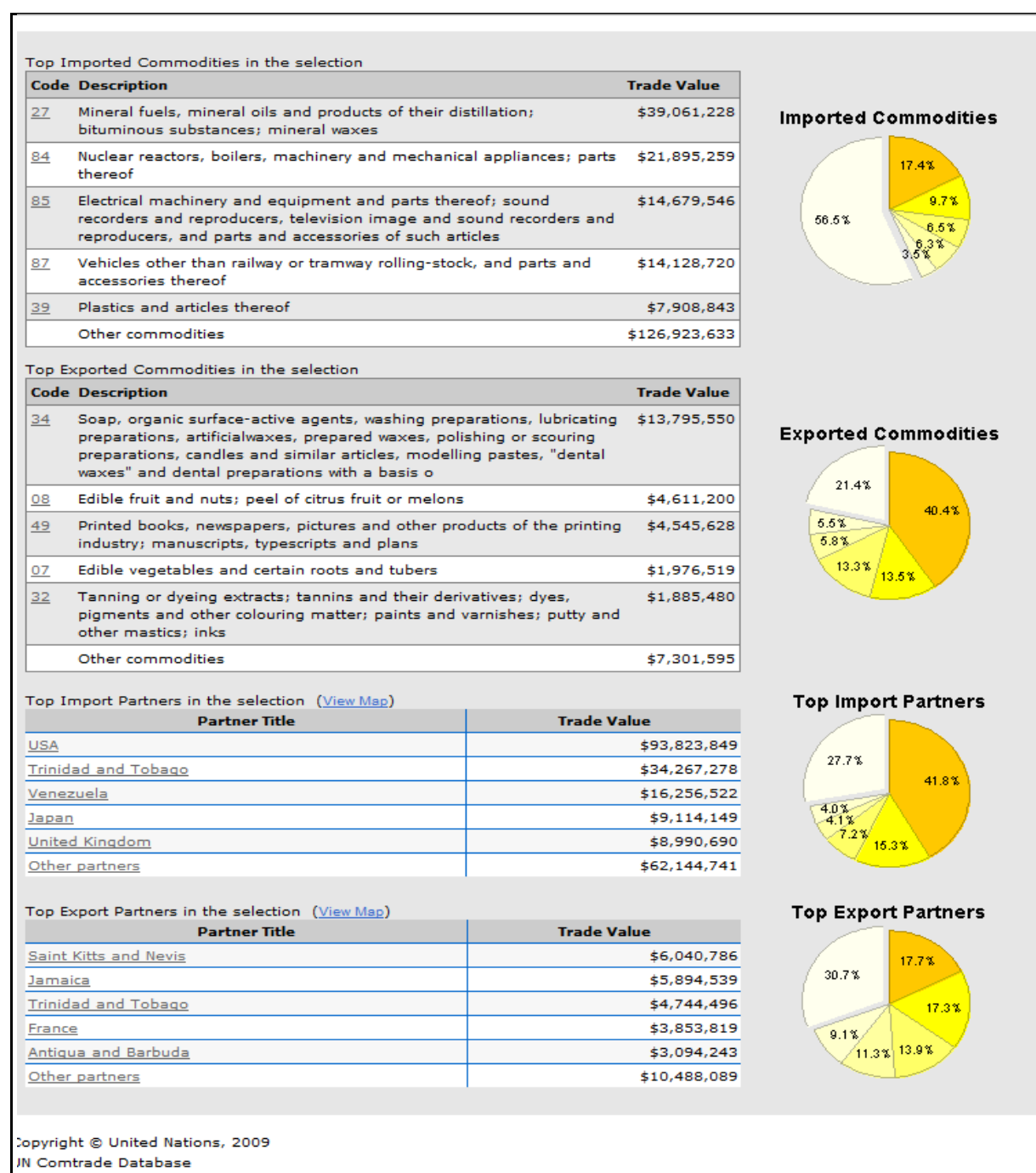


**4.1.1 Trade**

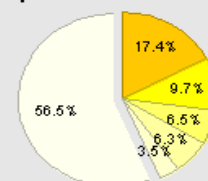
Figure 8 provides a snapshot of the trade pattern in Dominica. Less than one fifth of all imports are for energy related imports though fluctuations in international oil prices therefore have a significant impact on the overall external current account for the island.

The USA is the largest trading partner, accounting for 42% of imports, most of which are non-durable and durable consumer items. Trinidad and Tobago also shows up as a major source of imports with some 15% of imports. On the exports side, soaps are very dominant and represent 40% of exported goods. St. Kitts and Nevis and Jamaica are the two largest trading parts with respect to exports.

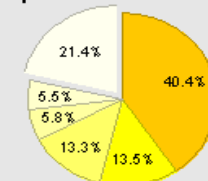
Figure 8: Trade Snapshot for Dominica (2010)



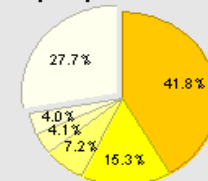
Imported Commodities



Exported Commodities



Top Import Partners



Top Export Partners

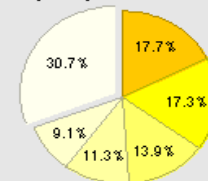


Figure 9: Treemap of Imports<sup>5</sup>, Dominica 2010

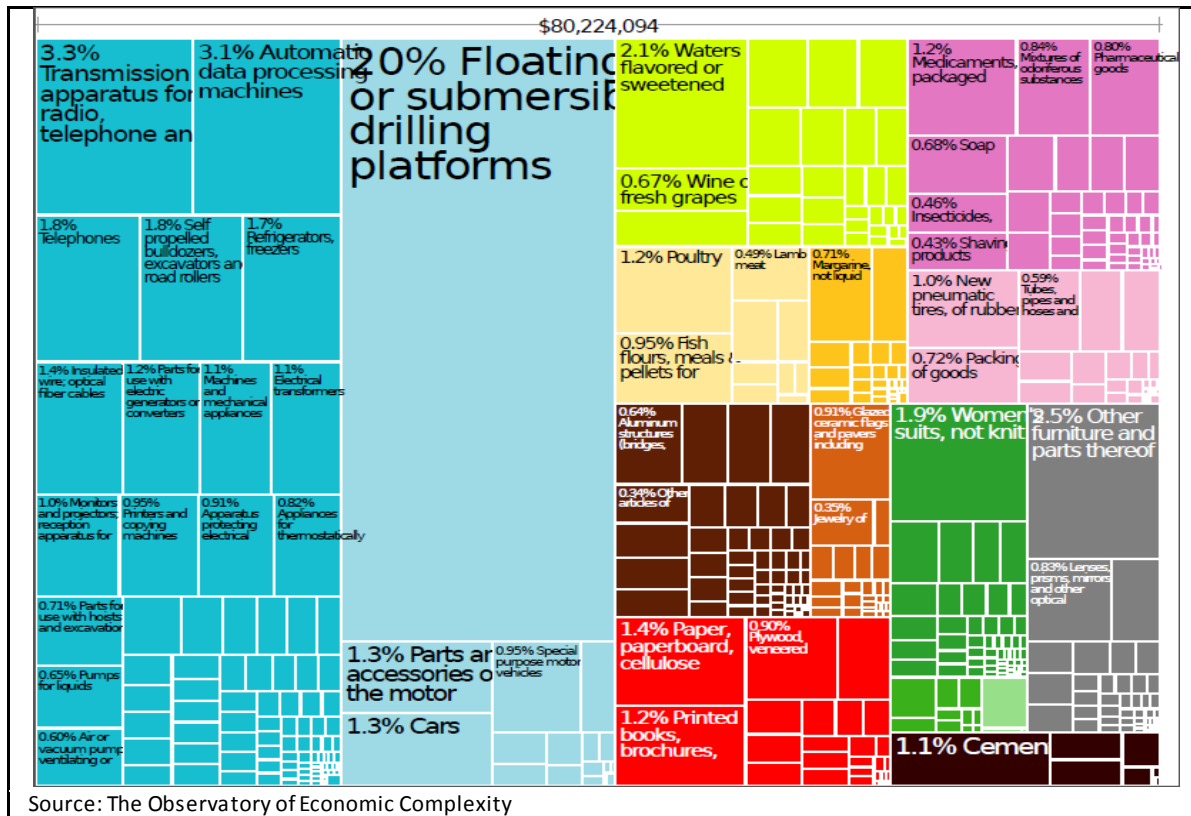
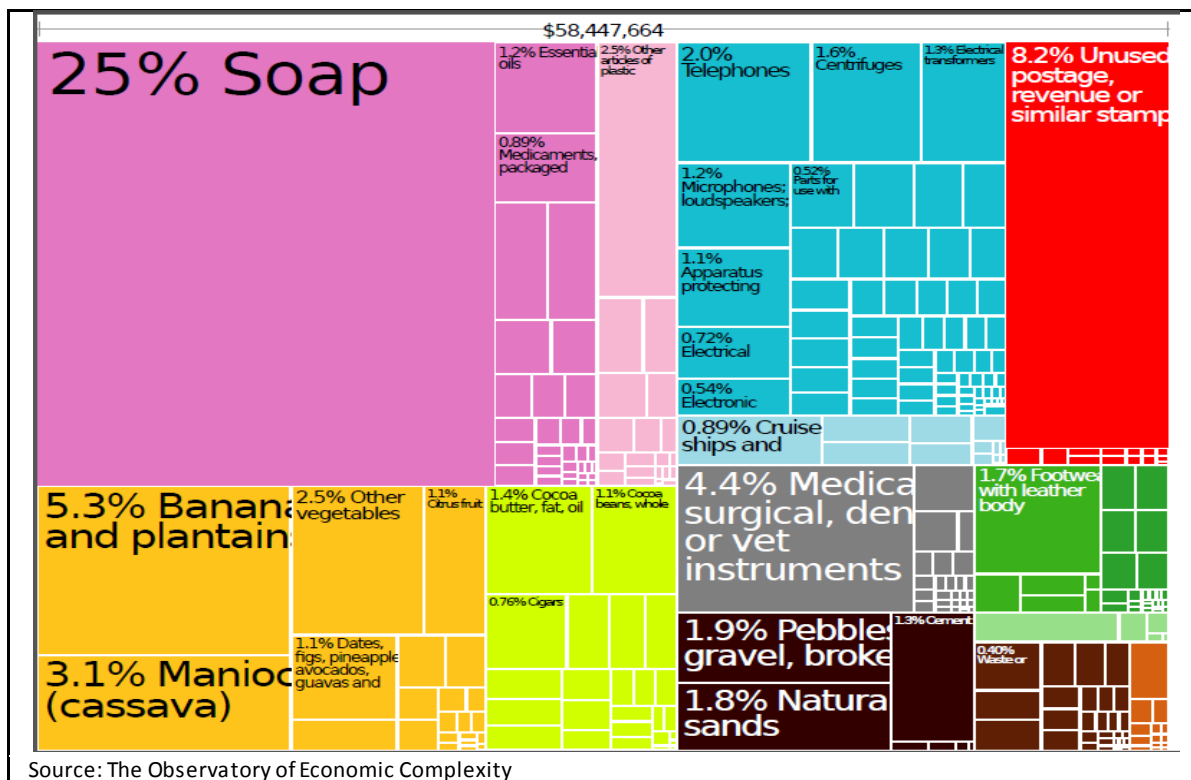


Figure 10: Treemap of Exports, Dominica 2010



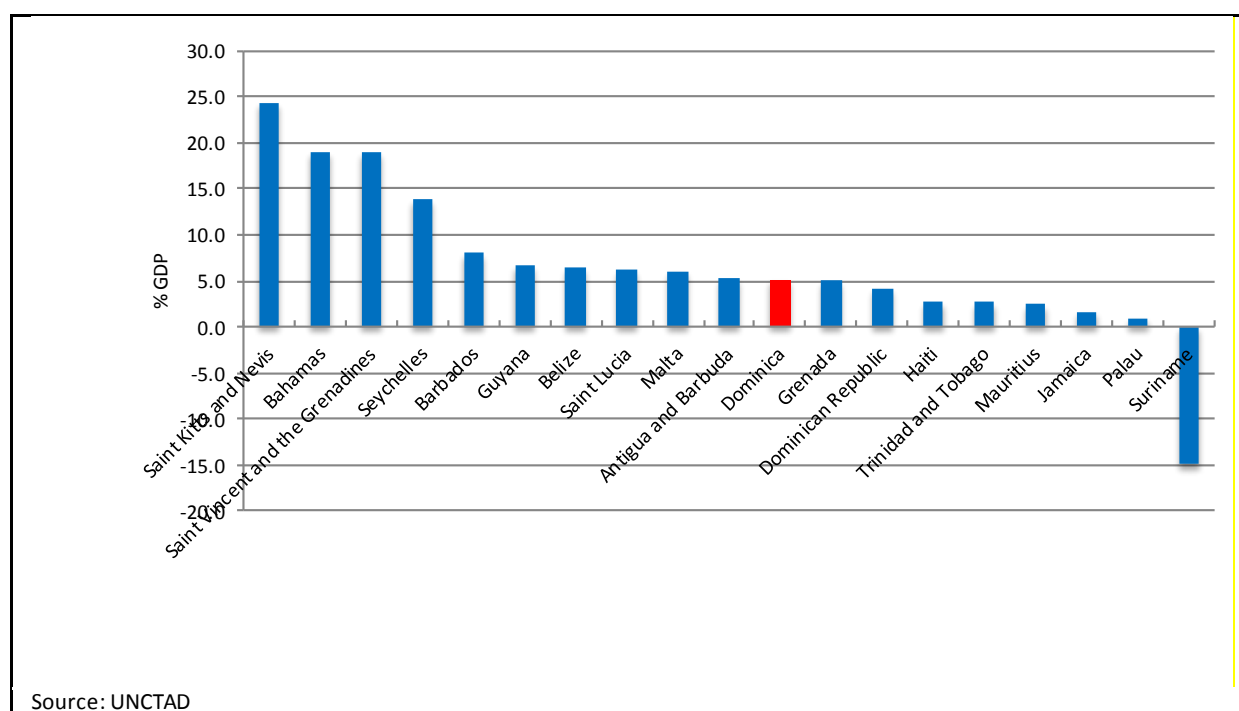
<sup>5</sup> A treemap of imports/exports show various products' share of total imports/total exports. The product classification is based on the Harmonised Commodity Description and Coding System (HS) at the 4-digit level.



### 4.1.2 Foreign Direct Investments

FDI in Dominica is largely associated with tourism. In 2011, FDI was 5% of GDP, largely on par with most other small island states. Dominica faces a number of challenges in regards to attracting FDI, many of which are outside of the control of policymakers. Its small market size limits the amount of funds flowing into the island for market-seeking opportunities. The size of the economy may result in higher input costs, but the abundance of natural resources presents opportunities for natural resource seeking FDI. Given the profile of the island, it is likely that most FDI would continue to be tourism related, but with the prospect of exploiting geothermal energy becoming an increasing reality there will be significant interest in this sector.

Figure 11: Inward FDI for Dominica and Comparators (2011)



The macroeconomic environment is quite stable, but there are some social and political uncertainties that might impact on potential FDI flows. In relation to the macroeconomic environment, inflation is relatively low whilst there are no restrictions on capital flows and little exchange rate uncertainty.

The Investment Dominica Authority (IDA) has been playing an important role in relation to investment promotion on the island. The institution offers investment and trade information, investment incentives, investment facilitation, entrepreneurial/business skills training, small business support services, industrial facilities and policy advice. The entity attempts to act as a one-stop shop for potential investors.

### 4.1.3 Analysis for the International Economy

Given the openness of the Dominican economy, international economic developments have a significant impact on the domestic economy. There are three key potential external threats to future developments: (1) growth levels in more developed economies; (2) commodity prices; and, (3) FDI flows. Given the small size of the domestic market, most growth opportunities in small states are related to the international economy. Future prospects for tourism, for example, are largely

driven by economic developments in key source markets. If growth in these economies is protracted, the already weak tourism industry could be further affected. Remittance flows, which are also an important component of the financing mix for the island, are also intimately associated with economic developments in the above-mentioned larger economies.

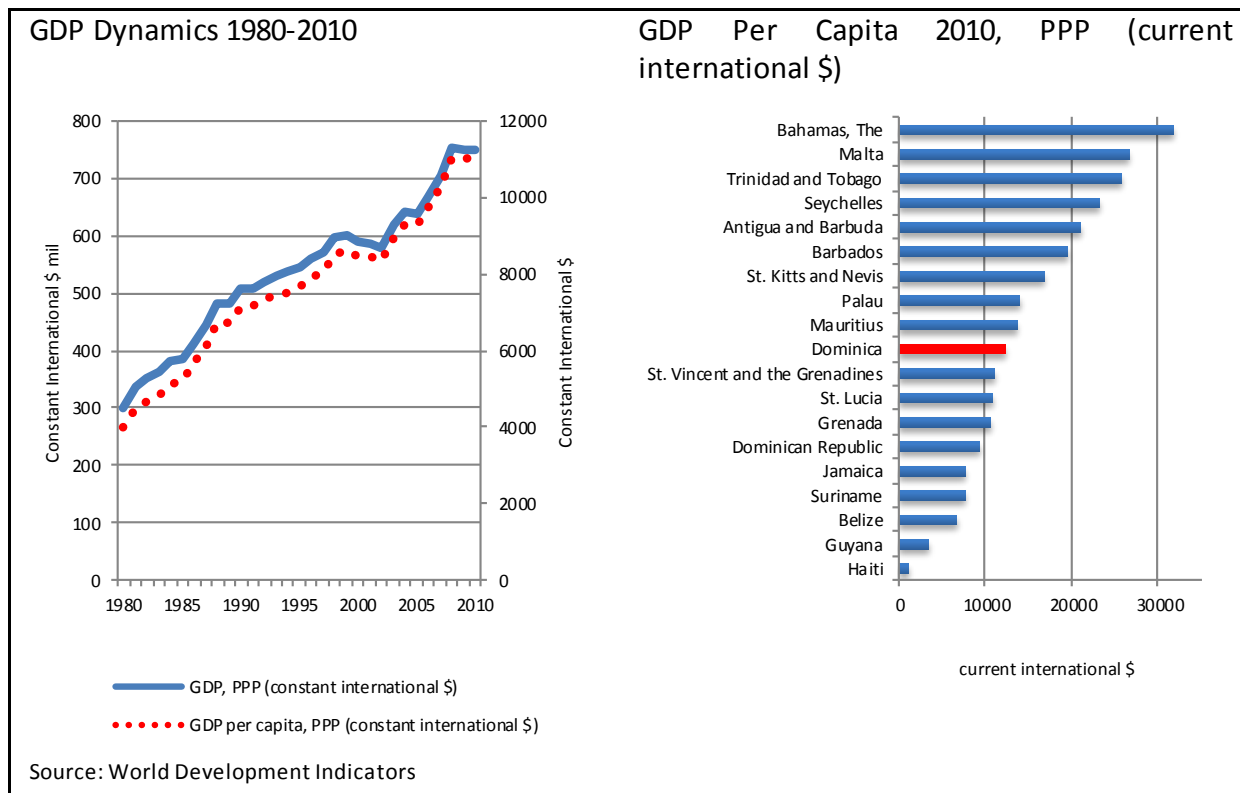
Commodity prices have a significant impact on not only domestic prices but also external current account sustainability. Though less than 20% of imports in Dominica, for example, are made of imports of petroleum-related products, fluctuations in international oil prices can affect the success of any economic adjustment programme. Commodity prices also impact on the demand for travel to the island and can also increase the price of all imports as shipping costs rise.

The relatively large current account deficit that Dominica has reported in recent years has largely been financed by FDI inflows. Should these flows continue to decline, the island will need to accumulate an even larger amount of external debt. FDI inflows also support growth in the construction industry. Any rebound in growth of this industry is therefore dependent on a rebound in FDI inflows.

#### 4.2. The Domestic Economy

The size of the Dominica economy has grown modestly between 1980 and 2010. In 2010, real GDP was estimated at US\$0.748 billion, just under 2.5 times its size in 1980. On a per capita basis, GDP for the island ranked 10<sup>th</sup> amongst comparator countries (US\$12,266) sitting midway amongst the 18 comparator countries.

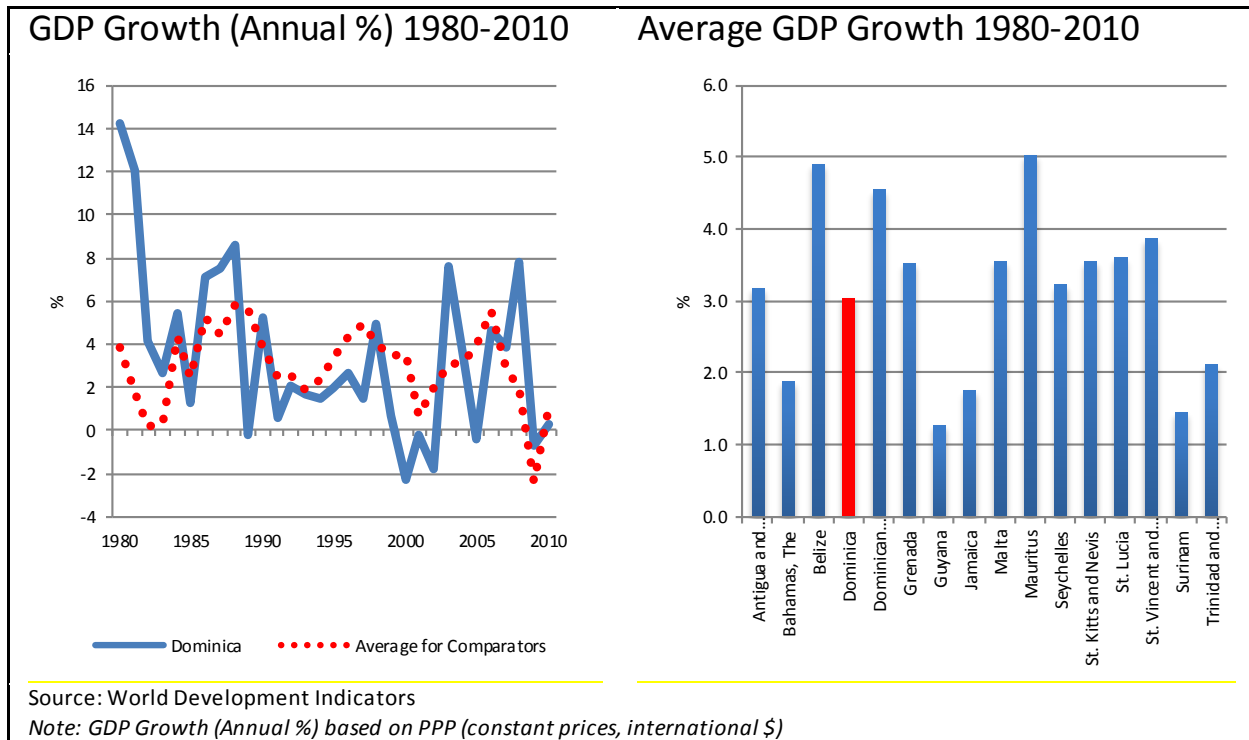
Figure 12: GDP Dynamics in Dominica



Average growth for the Dominica economy over the period is just over 3% per annum but has also been quite variable. The current global downturn has underscored Dominica’s high vulnerability to

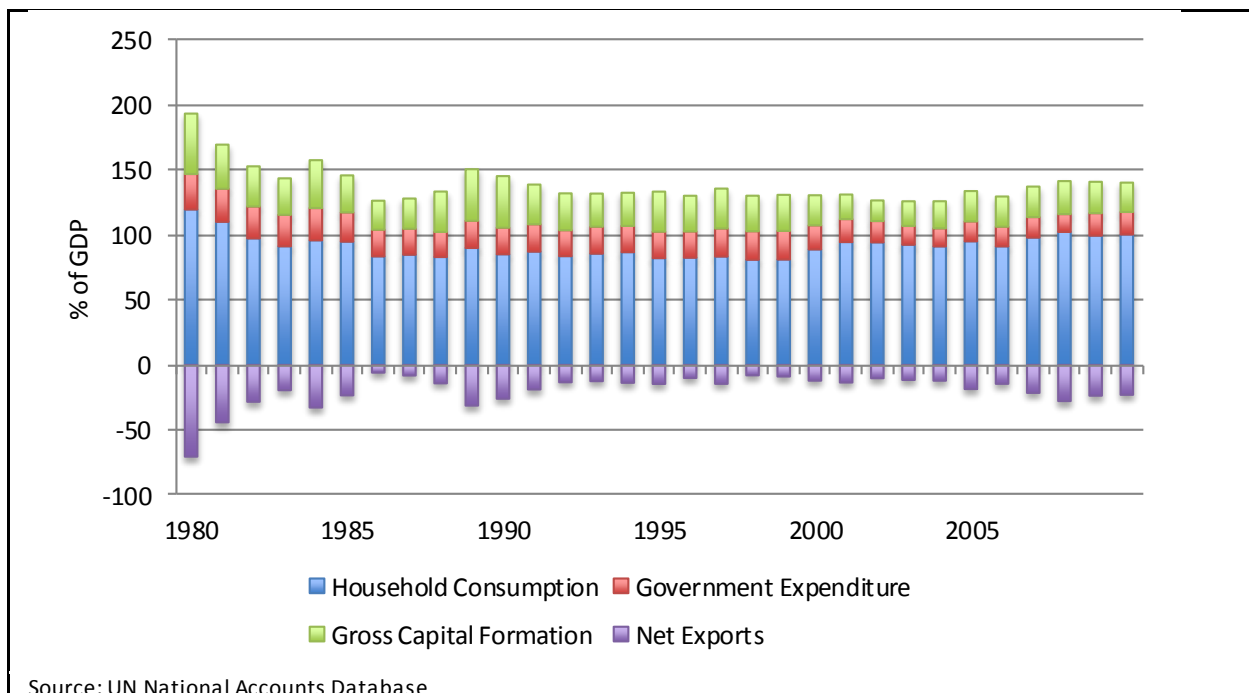
external shocks. Real GDP growth stagnated in 2009 and 2010 after robust growth of 7.8% in 2008, reflecting mainly declines in stay-over tourism and remittances, as well as lower FDI inflows.

**Figure 13: GDP Growth in Dominica (1980-2010)**



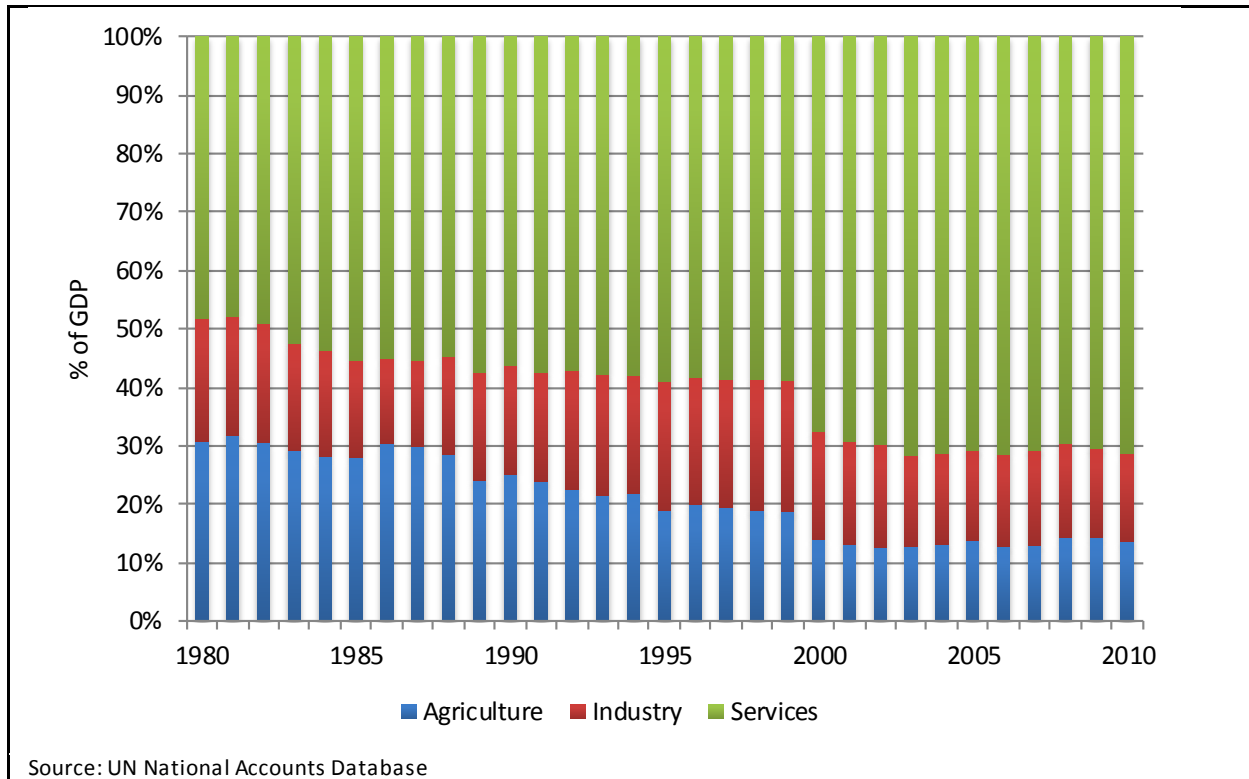
Expenditure on GDP is largely driven by trends in household consumption. For most of the period the share of consumption in GDP has fluctuated around 91 per cent of GDP as can be seen in Figure 14. Despite the slowdown in economic activity, this category has been approximately 100% of GDP in recent years.

**Figure 14: GDP Decomposition by Expenditure for Dominica (1980-2010)**



The economy of Dominica has become largely dependent on tourism and other services since the loss of preferential European market which supported its banana industry. In 1980 services accounted for less than 50% of GDP whilst in 2010 services have grown to 71%. The economy continues to depend largely on tourism to generate most of its growth in recent years. Tourism is largely dominated by cruise passengers. Total stay-over visitors on average during 2000-2010 were 73,500 not much above the Dominica population.

**Figure 15: GDP Decomposition by Industry for Dominica (1980-2010)**



Inflation in Dominica tends to be relatively low. The average annual rate of inflation was 2.5% compared to 8.5% in a group of its peers. In 2010, the average annual change in prices was +3.2%, largely due to higher food, energy prices and household and furniture equipment. In more recent time, food prices rose on account of higher prices for meats, dairy products and vegetables, while energy prices were largely influenced by international oil prices.

Figure 16: Inflation Data for Dominica (1980-2010)

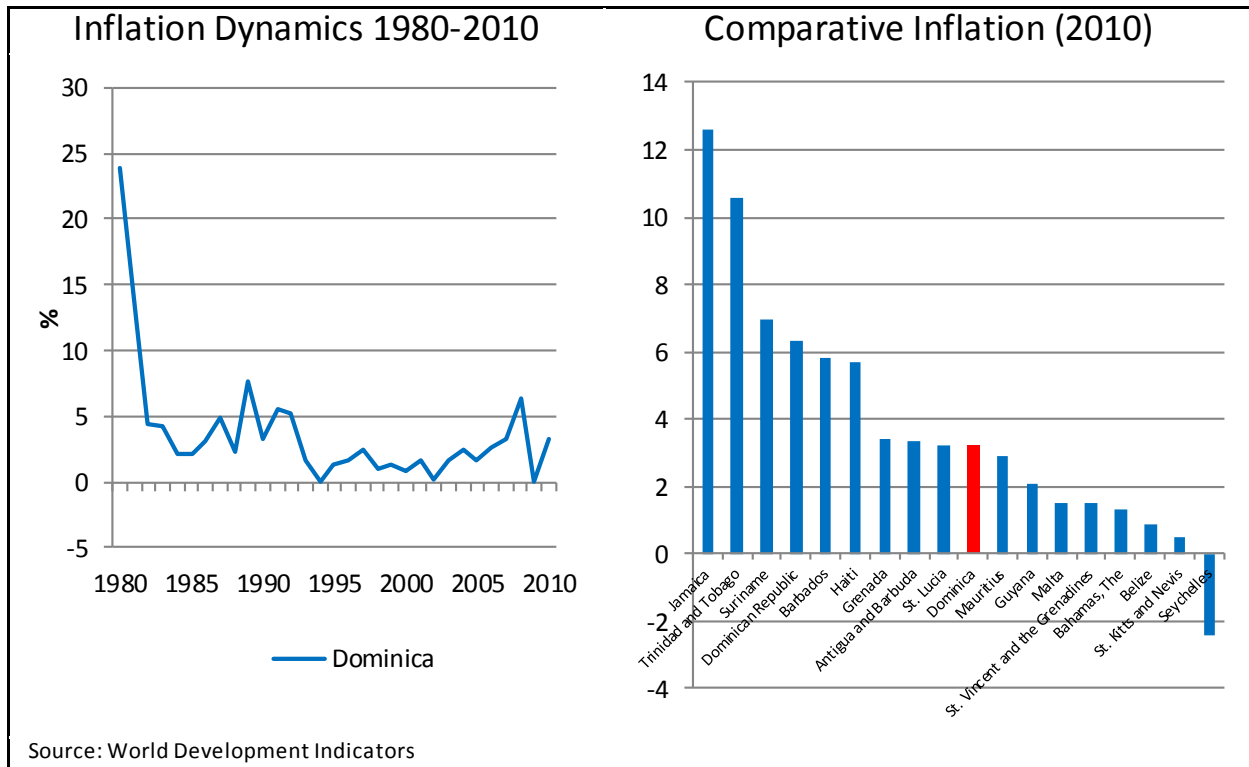
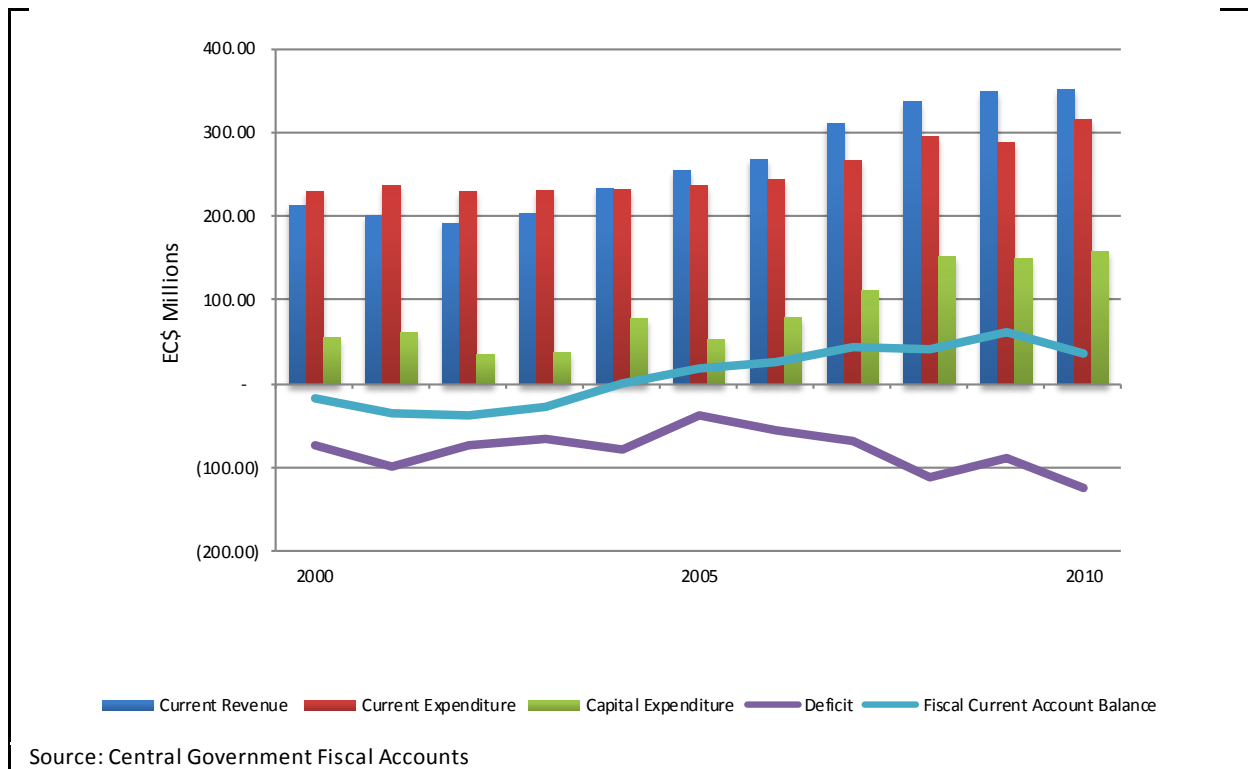


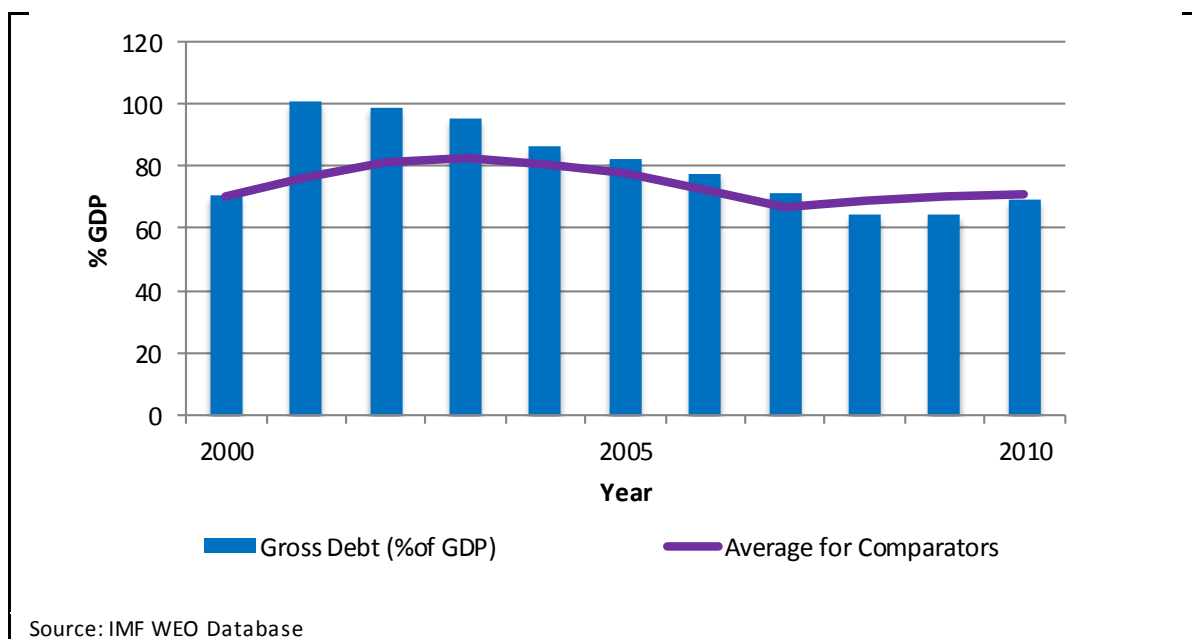
Figure 17 shows that the fiscal deficit for Dominica has transitioned from being driven primarily by the current account deficit during 2000-2003 to one driven by expansions in capital expenditure. This increased capital expenditure was due in part to reconstruction after the passage of hurricanes on 2007 and 2008. Revenues increased on account of the introduction of value added tax in 2006, helping to keep the overall fiscal deficit under control.

**Figure 17: Fiscal Deficit for Dominica (2000-2010)**



Following a debt restructuring programme in 2004/2005 the gross government debt to GDP ratio has declined significantly in recent years relative to earlier in the decade.

**Figure 18: Gross Government Debt for Dominica versus Comparators (2000-2010)**



There is a severe lack of labour market data in the OECS, with the exception of St. Lucia. For Dominica, the only data available is for the years: 1997, 1999, 2001 and 2009. Data for these years is shown in the table below.

**Table 1: Labour Market Data for Dominica (Various Years)**

Year	Unemployment Rate	Male Unemployment Rate	Female Unemployment Rate	Unemployment Rate (Youth 15-24 years)	Participation Rate
1997	23.1	19.6	27.3	40.6	-
1999	15.7	13.1	19.5	34.8	65.2
2001	11.0	12.0	9.5	26.0	57.7
2009	14.0	-	-	-	-

Source: CARICOM Secretariat

As a means of comparison, the table below demonstrates that the unemployment rate in Dominica is higher than for most comparator countries, with the exception of Guyana, with a higher burden on women and the youth.

**Table 2: Unemployment Data for Comparator Countries (Various Years)**

Country Name	Data Year	Total (%)	Female (%)	Male (%)	Youth (%)
Bahamas, The	2011	13.7	13.7	13.6	na
Barbados	2011	11.2	12.5	9.8	na
Belize	2007	8.5	13.0	5.9	na
Dominican Republic	2010	12.4	16.4	9.34	na
Guyana	2011	21.0	25.74	17.24	46.0
Jamaica	2011	12.7	17.2	9.6	30.1
St. Lucia	2007	14.0	18.5	10.0	na
Trinidad and Tobago	2008	4.6	6.2	3.5	10.5
Malta	2011	6.4	7.0	6.1	13.9
Mauritius	2011	7.9	12.3	5.2	21.7

Source: World Development Indicators

For the most recent year, 2009, the table below demonstrates that the burden of unemployment falls mainly on poor females. With an overall unemployment rate of 14%, the related rate for the poor is 26%, while for poor women the rate is 34%. The equivalent percentage for non-poor females was 13%.

**Table 3: Dominica: Distribution of Unemployed Persons by Socio-Economic Status and Gender (2009)**

Gender	Poor		Non-Poor		Total	
	N	%	N	%	N	%
Male	888 (4424)	20.0	1110 (13647)	8.1	1998 (18071)	11.1
Female	1092 (3224)	33.8	1481 (11359)	13.0	2573 (14583)	17.6
Total	1980 (7648)	25.9	2591 (25006)	10.4	4571 (32654)	14.0

Source: The Country Poverty Assessment 2008-2009 Report for the Commonwealth of Dominica

\*Figures in parentheses are total labour force

One of the reasons for this unequal burden of poverty on women is perhaps in some way linked to the gender segmentation in the labour market. In terms of occupation by industry, the table below highlights the distribution for Dominica in 2005 by sex. What the table reveals is that while male employment is widely distributed across sector, females are heavily reliant on wholesale and retail trade, a sector noted for its low skill, low remuneration and high staff turnover, and agriculture, with the attached seasonality this brings.

**Table 4: Dominica: Distribution of Employed Persons by Industry and Sex: 2005 (%)**

Industry	Male (%)	Female (%)	Total
Agriculture, Forestry, Hunting	28.2	14.1	22.2
Fishing	2.4	0.4	1.6
Mining & Quarrying	0.0	0.0	0.0
Manufacturing	3.5	6.2	4.6
Electricity, Gas and Water	1.8	0.4	1.2
Construction	13.4	0.5	7.9
Wholesale and Retail Trade	13.6	23.8	17.9
Hotels and Restaurants	2.6	7.7	4.7
Transport, Storage and Communication	10.5	3.6	7.6
Financial Intermediation, Real Estate Renting and Business Activities	3.3	5.7	4.3
Public Administration and Social Security	11.5	8.8	10.4
Education	2.8	8.0	5.0
Health and Social Work	1.6	6.5	3.7
Other Community, Social and Personal Service Activities	2.7	5.5	3.9
Private Households with Employed Persons	2.1	8.9	5.0
Total	100.0	100.0	100.0

Source: 2005 Labour Force Survey

The high levels of unemployment amongst poor women in Dominica and the gender segmentation in the labour market will need to be explicitly addressed in relation to promoting the participation of women in the labour force, especially in non-traditional sectors.

**Table 5: Dominica: Types of Worker by Quintiles (%) (2008)**

Occupation	Consumption Quintiles					Total
	I	II	III	IV	V	
	%	%	%	%	%	%
Managers	0.0	1.9	2.3	2.2	13.3	4.8
Professionals	3.2	3.1	7.6	9.3	15.5	8.7
Technicians and Associate Professionals	0.7	3.8	7.1	6.9	11.9	7.0
Clerical Support Workers	1.6	5.6	9.6	11.9	9.9	8.5
Service and Sales Workers	20.6	20.5	25.3	19.6	17.0	20.4
Skilled Agricultural, Forestry and Fishery Workers	32.9	19.7	14.9	17.2	10.5	17.3
Craft and Related Trades Workers	19.4	21.2	13.3	16.4	10.8	15.5
Plant and Machine Operators and Assemblers	1.3	5.9	5.0	5.8	5.0	4.9
Elementary Occupations	18.0	16.9	14.4	10.3	4.8	11.8
Not Stated	2.3	1.4	0.6	0.4	1.3	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Country Poverty Assessment 2008-2009 Report for the Commonwealth of Dominica

In relation to occupation, the disparity by consumption quintile demonstrates that the poorest are disproportionately segmented as agriculture, forestry and fishery workers and in elementary occupations. Any advancement in the structure of production up the value chain would undoubtedly benefit the poorest as more skilled occupation vacancies become available in the medium to long term.

#### 4.2.1 Analysis for Domestic Economy

The current global downturn has underscored Dominica's high vulnerability to external shocks. Real GDP growth slowed in 2009 and 2010 reflecting mainly large declines in stay-over tourism and remittances, as well as lower FDI inflows. Severe climatic events have hampered sustained growth as



already scarce resources have to be reallocated to redeveloping the country. The natural disasters come on the heels of an already difficult economic environment, with the country still dealing with the effects of the global financial crisis. Although the crisis had a relatively mild impact on Dominica due to relatively lower reliance on tourism and supportive fiscal policies, the economic recovery remains subdued. While the economic recovery remains subdued, the bulk of the burden of lack of growth is falling mainly on poor women.

### **4.3. The Productive Sector**

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Dominica has traditionally depended on agriculture, bananas in particular, to spur growth and development on the island. After the demise of the banana industry, focus has shifted to tourism services. The tourism development plan for Dominica sets a strategic goal of having 2500 hotel rooms by 2020. However, more recently agriculture is making a comeback with a resurgent Dominica Agricultural Producers and Exporters (DAPEX) leading the way with its cooperative of some 150 farmers on between 400-500 acres of land. Though facing some serious challenges DAPEX still exports 25% of Dominica's agricultural produce.

#### **4.3.1 Industry and Agriculture**

Dominica's export production structure has not changed much in recent years, and in general, the island tends to export goods that are not unique/complex. The product space maps show that there have been limited developments in the core with some expansion in the periphery (Figure 19<sup>6</sup>). In addition, most of the new industries are on the periphery, which could have implications for coordination in the accumulation of capabilities.

In reviewing the export data utilised to construct the maps, most notably, Ferroalloys, Yachts, Special purpose motor vehicles, Cleaning Products and Machinery for working rubber or plastics have fallen from the top 10 to being out of the top 20. These products have been replaced by Unused postage, revenue or similar stamps, Other articles of plastic, Other vegetables, Telephones and Natural sands. Soap has moved from third at 15% of exports to first at 24% of exports. The analysis reveals that while there has been some movement up the production chain, there are still a number of primary products in the top 10 exports in 2010. While primary products in the top 10 comprised 21%<sup>7</sup> of total exports in 1995, they comprised 14%<sup>8</sup> in 2010. While the analysis reveals that there has been some movement up the production chain with a reduction of exports of primary products and an expansion of more processed products the percentage change has been limited over the period.

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<sup>6</sup> *The product space map is a view of the network of relatedness of products that countries trade. The layout remains fixed for which the country's export basket is overlaid with a thick black border on the products that they were exporting in the given year' <http://atlas.media.mit.edu/about/>. An interactive version of the Product Space Maps for Exports is available from <http://atlas.media.mit.edu/>*

<sup>7</sup> 1995 primary product exports in the top 10 included Bananas and plantains and Manioc (cassava)

<sup>8</sup> 2010 primary product exports in the top 10 included Bananas and plantains, Manioc (cassava), Other vegetables, Pebbles, gravel, broken and crushed stone for aggregate, and Natural sands.

Figure 19: Product Space Map (Exports) for Dominica 1995 and 2010

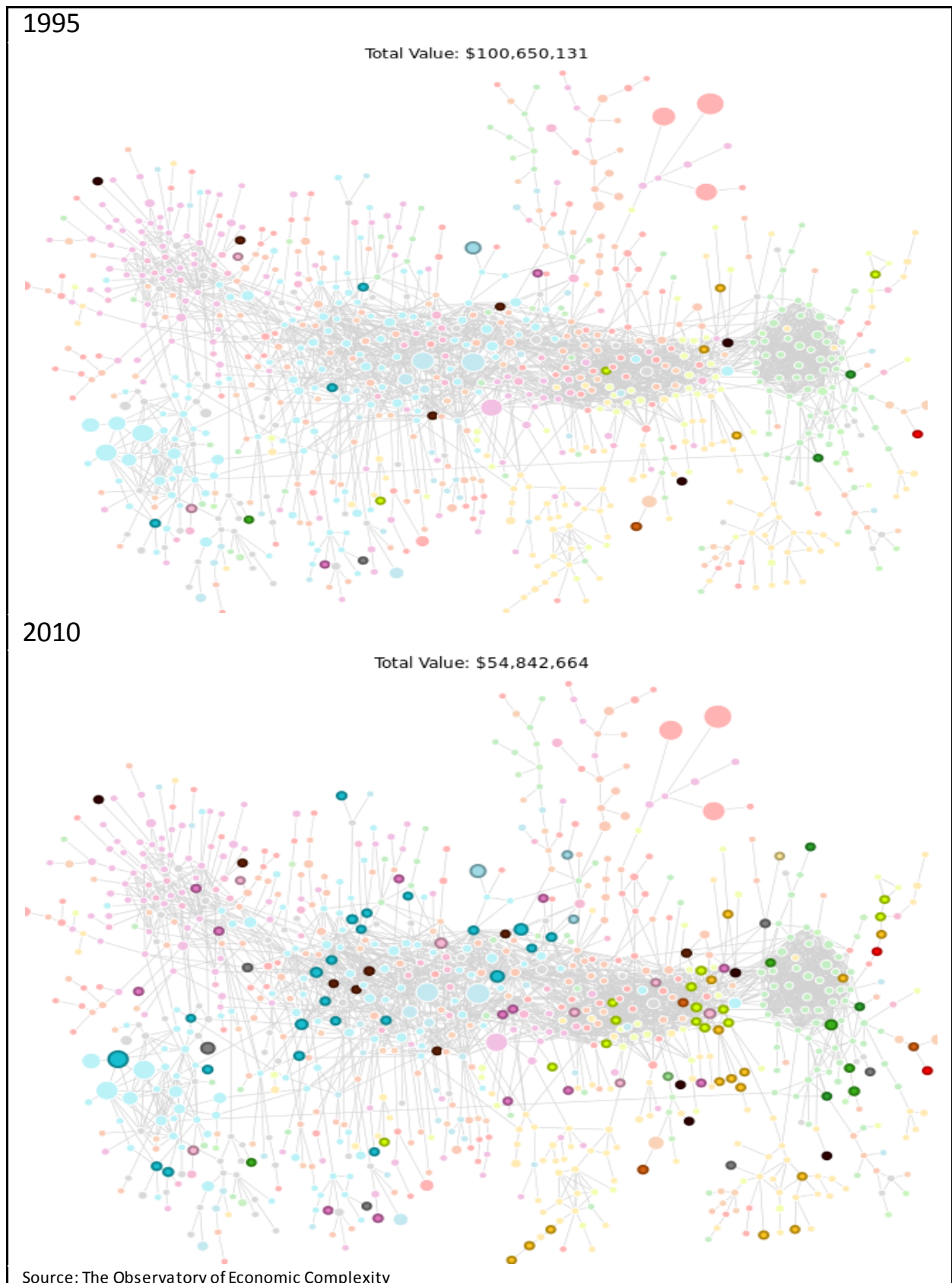


Table 6: Top 20 Exports for Dominica for 1995 and 2010

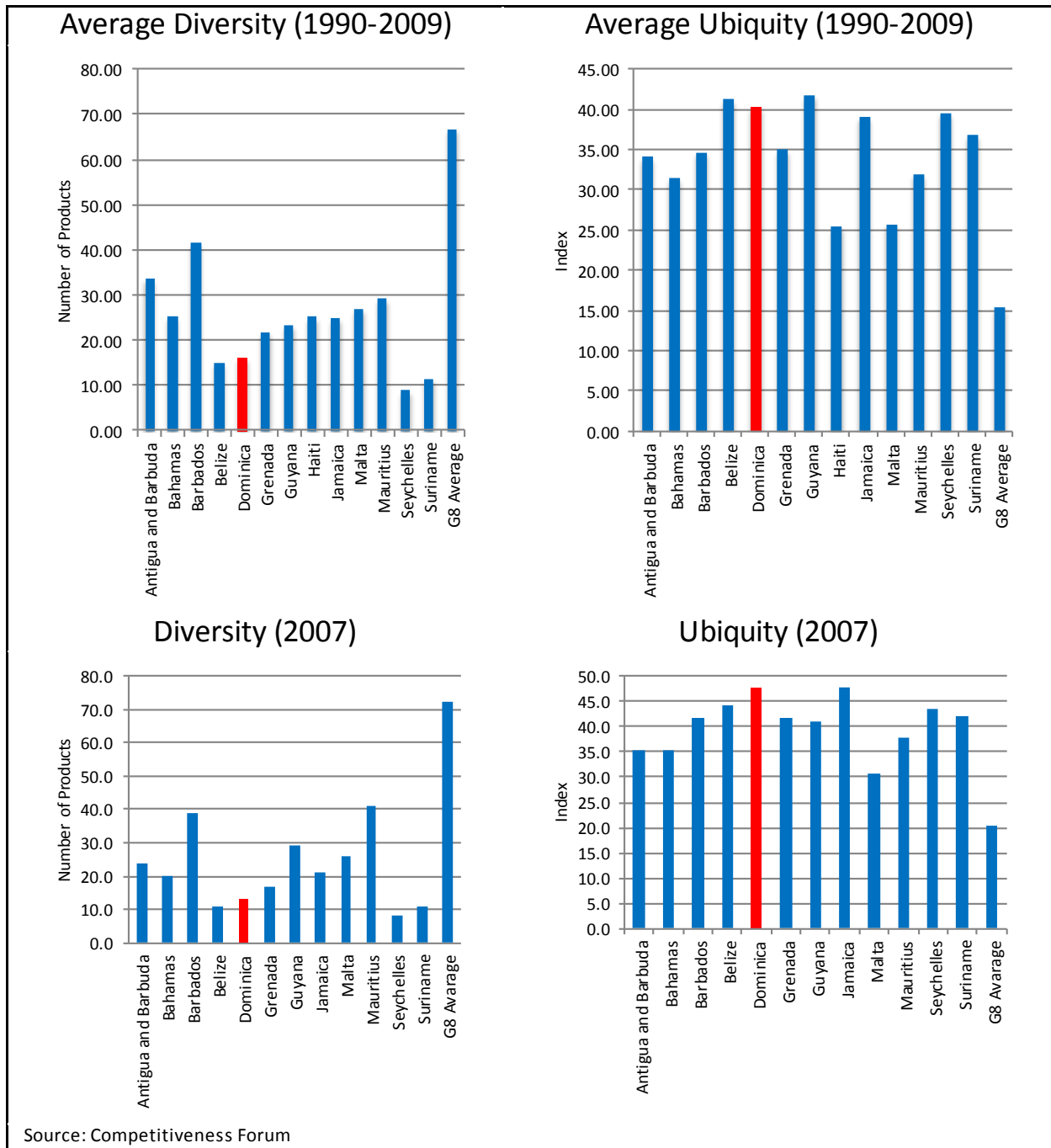
1995 Top 20 Exports	Share	2010 Top 20 Exports	Share
Ferroalloys	28.59%	Soap	23.78%
Bananas and plantains	19.64%	Unused postage, revenue or similar stamps	7.73%
Soap	14.64%	Bananas and plantains	5.00%
Yachts	1.57%	Medical, surgical, dental or vet instruments	4.08%
Medical, surgical, dental or vet instruments	1.33%	Manioc (cassava)	2.89%
Special purpose motor vehicles	1.09%	Other articles of plastic	2.36%
Manioc (cassava)	1.08%	Other vegetables	2.31%
Footwear, with leather body	1.01%	Telephones	1.90%
Cleaning products	0.98%	Pebbles, gravel, broken & crushed stone for aggregate	1.78%
Machinery for working rubber or plastics	0.93%	Natural sands	1.72%
<i>Human or animal blood prepared for therapeutic uses</i>	<i>0.82%</i>	<i>Footwear, with leather body</i>	<i>1.63%</i>
<i>Dates, figs, pineapples, avocados, guavas and mangoes</i>	<i>0.74%</i>	<i>Centrifuges</i>	<i>1.54%</i>
<i>Citrus fruit</i>	<i>0.69%</i>	<i>Cocoa butter, fat, oil</i>	<i>1.35%</i>
<i>Packing of goods</i>	<i>0.69%</i>	<i>Cement</i>	<i>1.26%</i>
<i>Paper and paperboard labels</i>	<i>0.66%</i>	<i>Electrical transformers</i>	<i>1.18%</i>
<i>Cigars</i>	<i>0.63%</i>	<i>Microphones; loudspeakers; headphones</i>	<i>1.13%</i>
<i>Pebbles, gravel, broken &amp; crushed stone for aggregate</i>	<i>0.63%</i>	<i>Essential oils</i>	<i>1.08%</i>
<i>Essential oils</i>	<i>0.60%</i>	<i>Citrus fruit</i>	<i>1.06%</i>
<i>Sauces and seasonings</i>	<i>0.55%</i>	<i>Cocoa beans, whole</i>	<i>1.06%</i>
<i>Machines for preparing textile fibers</i>	<i>0.48%</i>	<i>Apparatus protecting electrical circuits for &lt; 1kv</i>	<i>1.05%</i>

Source: The Observatory of Economic Complexity

The diversity of the island's exports can be also be gleaned by looking at the diversity and average ubiquity indices for the island (Figure 20). The diversity is the number of products for which a country has a revealed comparative advantage (1990-2009). The figure shows that over the period Dominica, on average, had 16 export products with an RCA greater than 1, and in 2007<sup>9</sup> specifically, 13 products with an RCA greater than 1. In general, this was lower than most comparator countries and significantly lower than the average for developed countries. The average ubiquity index measures the extent to which the exports of a country are unique: the higher the value, the less unique a country's exports (i.e. many other countries also export this good). In line with previous results, Dominica tended to export goods for which many other countries were also exporting over the period 1990 to 2009; the average ubiquity was 40 over the period 1990 to 2009 and 48 in 2007 specifically.

<sup>9</sup> 2007 is used in this case as it was the most recent year for which data was available for all comparators.

Figure 20: Diversity and Average Ubiquity of Exports for the Caribbean

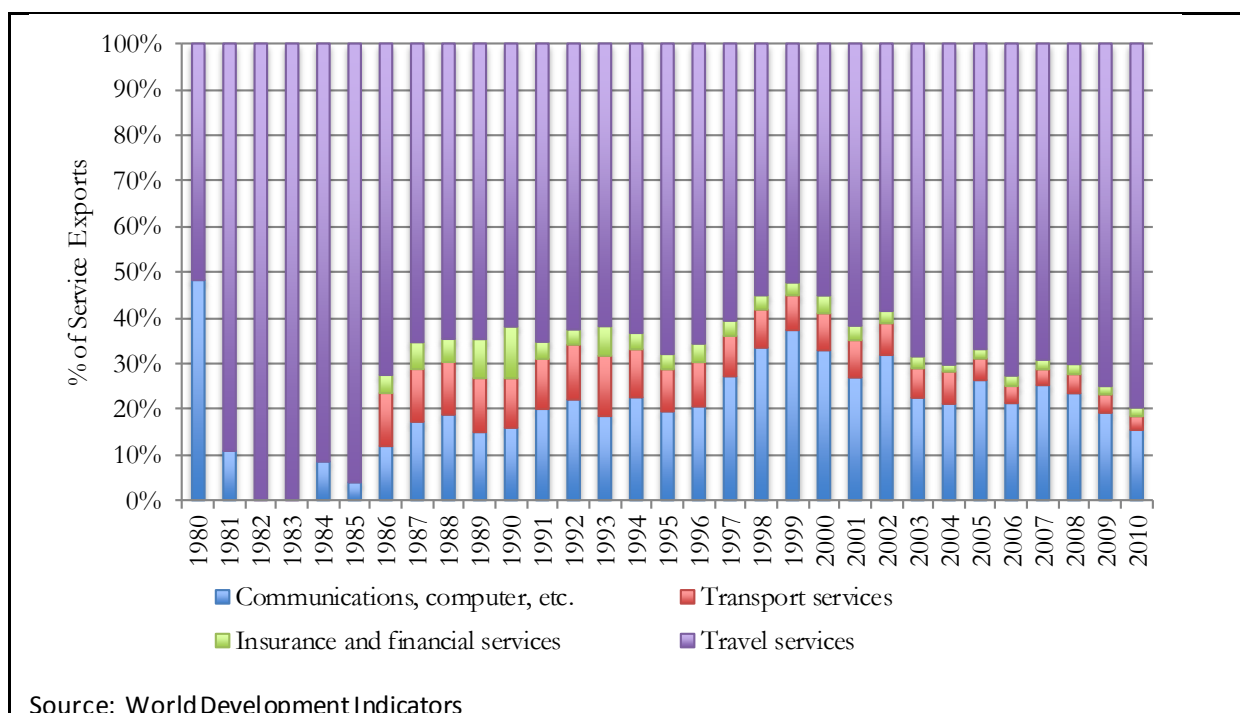


### 4.3.2 Services

Tourism is the main driver of activity in the services sector of the economy. Figure 21 plots the decomposition of the various components of the services industry for the period 1990 to 2010. On average, tourism services accounted for about 80 per cent of service exports, with communications services accounting for most of the remainder. Travel services are the only category of services trade where the island has a trade surplus. For all the other segments of services trade payments for these services far exceed earnings.

In specifically addressing tourism, the World Travel and Tourism Council (2013)<sup>10</sup>, estimates the direct contribution<sup>11</sup> of travel and tourism to the economy of Dominica as 9.5% of GDP in 2012, and 8.8% of employment, or approximately 3,000 jobs.

**Figure 21: Decomposition of Service Exports for Dominica (1980-2010)**



### 4.3.3 Analysis for the Productive Sector

The agricultural sector in Dominica, traditionally a key foreign-exchange earning industry, has contracted significantly in recent years. In 1980, agriculture accounted for almost one third of all production on the island. Since then, the size of the sector has shrunk significantly and now only accounts for about one eighth of total domestic activity. During the last 15 years saw the collapse of the Windward Island Banana industry after the removal of preferential treatment in Europe forcing the government to reposition the economy to compete in the 21<sup>st</sup> century.

The Government has identified tourism as one of its priority area and have embarked on the improvement of landside and airside facilities. Another important area is the Geothermal Project which initial investigations have shown that the quality and quantity of the geothermal resource are extremely favourable in terms of energy use for electricity generation.

<sup>10</sup> [http://www.wttc.org/site\\_media/uploads/downloads/dominica2013.pdf](http://www.wttc.org/site_media/uploads/downloads/dominica2013.pdf)

<sup>11</sup> The WTTTC defines 'direct contribution' as spending in relation to travel and tourism by residents, businesses and government, and visitor exports on tourism related commodities (accommodation, transportation, entertainment and attractions) in relation to GDP, and for employment, jobs provided in these industries (accommodation services, food and beverage services, retail trade, transportation services, and cultural, sports and recreational services).

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## 5. Characteristics, Issues, Challenges of Private Sector Development in Dominica

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### 5.1. Goal for Private Sector Development in Dominica

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

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

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

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

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

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

In supporting this element of the national strategy, the Government of Dominica has developed an institutional framework for the growth and development of private sector through the establishment of several agencies, with the key ministry in this regard being the Ministry of Employment, Trade, Industry and Diaspora Affairs. The agencies directly under the Ministry include:

- Invest Dominica Authority
- Dominica Employment and Small Business Support Unit
- Trade Division

In Dominica there is also the Dominica Agricultural Industrial Development Bank (DAIDB) which provides loans to enterprises, residential housing and student loans. In addition to Government agencies, there are also several representatives of the private sector in Dominica. These private sector stakeholders include:

1. Dominica Agricultural Producers & Exporters (DAPEX)
2. National Development Foundation of Dominica
3. Dominica Employers' Confederation
4. The Builders and Contractors Association of Dominica
5. Association of Bankers and Financial Institutions

6. Dominica Manufacturers Association
7. Dominica Hotel & Tourism Association (DHTA)
8. Dominica Coalition of Service Industries (DCSI)
9. Dominica Association of Industry and Commerce
10. Dominica Chamber of Agri-Business

For the most part these entities have limited political influence as there is no single entity representing the private sector, until recently. While in the past there appeared to be limited interaction between private sector representatives outside of informal, ad hoc, arrangements, in December 2012, the ten stakeholders identified above signed a memorandum of understanding (MOU) to form the Dominica Business Forum. The motivation for the formation of the DBF was noted as: *'it is time the private sector join forces to establish proposals for better policies which will enhance the business climate on the island'*<sup>12</sup>.

## 5.2. State of the Private Sector

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Even though the Commonwealth of Dominica is regarded as the poorest country in the OECS union<sup>13</sup>, there is a somewhat vibrant private sector which offers a wide range of job opportunities to many individual across various income and social strata in the areas of manufacturing, agro-processing, sand and stone quarrying and paper manufacturing. The island possesses a comparative advantage both geographically and in its production capacity (food and live animals, chemicals and related products), yet these potentials are not fully utilized. Although the local population size is significantly smaller than other OECS countries: 71,293 persons based on the preliminary results of the 2011 Population and Housing Census, there is an increasing migrant population primarily from Hispaniola. The entry of Haitians within the population has added to the workforce and created some form of dynamism within the informal sectors, agricultural activities and the distribution of farm supplies.

Overall, the industrial structure of Dominica is dominated by services; Transport, Storage and Communications, Education, Wholesale and Retail Trade, and Real Estate, Renting and Business Activities account for over 53% of GDP, as shown in the table below. The other large sector in terms of a percentage of GDP is Agriculture, Livestock and Forestry at 11% of GDP.

As regards the performance of the various sectors in recent times, the construction sector appears to have contracted slightly with the reduction in public sector capital projects by 17% which was still not compensated for by the moderate growth of private sector capital projects which increased in terms of value by 55%. This contraction in construction inevitably had a direct impact on the mining and quarrying sector. In tourism, a fall in cruise ship passengers affected the overall sector and in agriculture output contracted in 2012 due to a decline in banana production as a result of crop disease and reduced export demand. However, the decline in banana production was somewhat compensated for by other crops, livestock, forestry and fisheries with increased public sector investment and infrastructure provision. Given the integral part these sectors play in the economy, other sectors were also adversely affected such as transport, storage and communications and

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<sup>12</sup> <http://dominicanewsonline.com/news/homepage/news/business/private-sector-comes-together/>

<sup>13</sup> An excerpt from the paper entitled, 'Dominica – European Community Country Strategy Paper and National Indicative Programme for the period 2008-2013: 10th EDF

wholesale and retail trade. However, there was some growth in the manufacturing sector due mainly to increased soap production driven by export demand; output expanded by 29% to 4,500 tonnes. Apart from notable declines in agriculture, construction, and tourism, and healthy increases in the manufacturing of soap, only marginal increases were seen in other sectors of the economy.

**Table 7: Contribution to GDP by Sector in Dominica (2012)**

Sector	Share (%)
Transport, Storage and Communications	15.43
Education	14.13
Wholesale & Retail Trade	13.20
Agriculture, Livestock and Forestry	11.18
Real Estate, Renting and Business Activities	10.62
Public Administration, Defence & Compulsory Social Security	8.99
Financial Intermediation	7.93
Construction	6.72
Electricity & Water	5.53
Health and Social Work	3.82
Manufacturing	3.66
Hotels & Restaurants	1.93
Other Community, Social & Personal Services	1.22
Mining & Quarrying	1.02
Fishing	0.43

Source: ECCB (2013)

In relation to the sectoral distribution of labour, according to the 2005 Labour Force Survey (see Table 8), the total distribution of workers within the Commonwealth of Dominica is highest within the Agricultural (22%), Wholesale and Retail Trade (17.9) and Public Administration and Social security (10.4%) industries.

**Table 8: Dominica: Distribution of Employed Persons by Industry and Gender: 2005 (%)**

Industry	Male (%)	Female (%)	Total
Agriculture, Forestry, Hunting	28.2	14.1	22.2
Fishing	2.4	0.4	1.6
Mining & Quarrying	0.0	0.0	0.0
Manufacturing	3.5	6.2	4.6
Electricity, Gas and Water	1.8	0.4	1.2
Construction	13.4	0.5	7.9
Wholesale and Retail Trade	13.6	23.8	17.9
Hotels and Restaurants	2.6	7.7	4.7
Transport, Storage and Communication	10.5	3.6	7.6
Financial Intermediation, Real Estate Renting and Business Activities	3.3	5.7	4.3
Public Administration and Social Security	11.5	8.8	10.4
Education	2.8	8.0	5.0
Health and Social Work	1.6	6.5	3.7
Other Community, Social and Personal Service Activities	2.7	5.5	3.9
Private Households with Employed Persons	2.1	8.9	5.0
Total	100.0	100.0	100.0

Source: 2005 Labour Force Survey

There is a higher proportion of males in Agriculture, Forestry and hunting (28.2%) which is somewhat indicative of a resonant banana industry; Construction (13.4%), Transport, Storage and



Communication (10.5%) and Public Administration and Social security (11.5%). On the other hand, females tend to be the forerunners in the Wholesale and Retail sector (23.8%), Private households (8.9%), Health, Community and Educational sectors (6.5%, 5.5% and 8.0%, respectively). In terms of their contribution to small and medium sized enterprises, females predominate in the Hotels and Restaurants sector (4.7%), Manufacturing (4.6%) and in Financial Intermediation, Real Estate Renting and Business Activities (4.3%).

The categorization of Small and Medium size enterprises (SMEs) across regions varies due to a lack of comparability and consistency on several measures as well as the applications used to define criteria which may be based on employment, sales and/or investment data. The World Bank defines an SME as a formal enterprise whose statistics provide an estimate of the size of the informal economy. From the World Bank perspective, a micro-enterprise is one that is categorized by less than 10 employees, total assets of up to \$10,000 and total annual sales of \$100,000; whereas a small enterprise may comprise of approximately 50 employees, total assets and total sales of up to \$3 million. As one progresses in size, it is termed as a medium enterprise which has approximately 300 employees, total assets and total sales of up to \$15 million. Like most small island developing states, the nature of the private sector within the Commonwealth of Dominica is characterized by a few dominant firms and numerous micro and small enterprises. Firm characteristics as it relates to the distribution of employees and assets in Dominica can be observed in Table 9.

**Table 9: Dominica: Enterprise Size and Employees (%)**

Type of Enterprise	Total Number of Employees	Total Assets
Micro	28.2	14.1
Small	2.4	0.4
Medium	0.0	0.0

Source: The World Bank

According to the International Finance Corporation and the World Bank (2010), 80.3% of the firms are categorized as private domestic ownerships whereas establishments under the sole proprietorship and limited liability models stood at 53.0% and 21.7%, respectively. Few firms in Dominica operate as partnerships - whether it may be a standard partnership (17.0%) or a limited partnership (8.3%). Women play a moderate role within the private sector in ownership (41.0%) and top management (23.6%). In addition to this, the proportion of full time workers that are female stood at 32.1%. All of these estimates as it relates to the empowerment of women in the workforce are slightly higher than the corresponding figures obtained for Latin America and the Caribbean as well as the World.

According to the 2008-2009 country poverty assessment for Dominica, the size of the island's labour force was estimated at 32,630 individuals with 86% of them being employed. The rate of unemployment for the period was approximately 14%, and significantly higher for the poor, especially poor women.

The occupational profile for Dominica shows that based on the occupation of employed persons by consumption quintiles, the highest observed percentages relate to primary activities and tertiary activities such as services and sale workers. In addition to this, the highest proportion of workers, irrespective of the consumption quintile, are Paid-Employees in the private sector (see Table 10), with the private sector overall contributing to over 78% of employment in the island.

**Table 10: Dominica: Types of Worker by Quintiles (%) (2008)**

Status in Main Job	Consumption Quintiles					Total
	I	II	III	IV	V	
	%	%	%	%	%	
Paid Employee- Government	6.7	11.2	16.2	13.2	18.3	14.0
Paid Employee- Statutory	0.8	3.5	1.7	4.9	6.0	3.8
Paid Employee-Private	45.1	57.3	46.5	44.9	40.5	46.3
Self Employed without employees	40.9	23.6	27.3	26.2	18.4	25.7
Self Employed with employees	0.7	1.1	4.7	7.5	12.4	6.3
Unpaid family worker	0.9	0.0	0.6	0.8	0.3	0.5
Other	1.7	1.6	1.0	0.5	2.5	1.5
Not Stated	3.2	1.7	2.0	1.9	1.6	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Country Poverty Assessment 2008-2009 Report for the Commonwealth of Dominica

As outlined in the island's third medium term growth and social protection strategy, it is imperative that the public and private sectors work in tandem to propel the economy further as well as assist with addressing poverty in the island. During the 1980s, economic growth within the Commonwealth of Dominica was curtailed by a series of unfortunate events with respect to trade which led to the collapse of the island's vibrant banana industry. This phenomenon only highlighted the country's increasing dependency on monocrop agriculture but also made it increasingly vulnerable to external shocks within the global economic environment. The Government expects the private sector to be entrepreneurial and innovative taking full advantage of the bilateral and multilateral opportunities, both intra-regionally and extra-regionally, as it relates to trade and Government's foreign policy. Within this scope, trade relationships such as the OECS economic union, the Caribbean Single Market and Economy as well as the EU-ACP Economic Partnership must be fully analyzed and exploited.

The private sector in Dominica is largely dominated by services in terms of contributions to GDP, while in terms of employment, 78% of employment is in the private sector, dominated by Agriculture (22%), Wholesale and Retail Trade (17.9%), Construction (7.9%) and Transport, Storage and Communications (7.6%). The labour market data also reveals that there is a clear gender segmentation in the labour market with women more dependent on low skill, low remuneration employment.

In terms of the performance of the sectors of the economy, agriculture has been adversely affected by disease and reduced demand for bananas, construction has waned due to reduced public sector capital expenditure and tourism has fallen due to a decline in cruise passenger arrivals. However, growth has been seen in the manufacture of soap while the other main sectors (education, real estate, renting and business activities, and financial intermediation) have seen marginal increases. Of real concern for the Commonwealth is the vulnerability of its agriculture with disease and reduced demand for bananas adversely affecting the sector, the sector which contributes the most to employment on the island (22%).

### **5.2.1 Large and Fast Growing Sectors**

In terms of contributions to GDP, the largest sector in Dominica in 2012 was Transport, Storage and Communications. During the period 2000-2010, this sector on average accounted for approximately 15% of real GDP. This is primarily related to the topography of the island as well as improved infrastructural developments that took place on the island in the last decade. Road transportation

has been a significant driver, however it is the area of communications where the growth in this sector has been concentrated. The upgrade of the telecommunications infrastructure has opened up the market and provided opportunities for the Communications subsector.

Education services have been the second largest driver of economic activity in Dominica in the last decade accounting for just over 14% of GDP on an annual basis. This is driven mainly an increase in private education subsector which is supported by consistent growth in public education. Ross University School of Medicine is one of the main private institutions providing medical training to students from across North America. Related to this is Real estate, renting and business activities which contributed just over 11% of GDP over the past decade. This has been a result of the diversification of the economy since the demise of the banana industry. A significant part of this sector is related to the provision of accommodation services to Ross University as well as professional services that are offered on the island.

Agriculture, Livestock and Forestry contributed just over 12.5% of GDP to the Dominican economy over the past decade with food crops responsible for the largest proportion of the growth. The sector has been responsible for a significant amount of jobs in the local economy and has well-established linkages with other sectors in the economy. Despite the challenges faced when the Windward Island Banana industry collapse, the other food crops have provide somewhat of a cushion as producers are exporting other crops off the island.

Despite the recent decline in banana production due to disease and reduced export demand, the sector has experienced the highest average *rate of growth* over the period 2008 to 2012. This was followed closely by growth in construction at approximately 7%. The table below highlights all of the sectors that experienced above average growth over the period; average growth was 1.8% between 2008 and 2012.

**Table 11: Average Growth in GDP by Economic Activity (2007-2012) (constant 2006 prices)**

<b>Economic Activity</b>	<b>Average Growth (2007-2012)</b>
Bananas	7.70
Construction	6.90
Other Crops (excluding Bananas)	3.32
Electricity	3.39
Education	2.69
Wholesale & Retail Trade	2.60
Restaurants	2.55
Road Transport	2.28
Insurance	1.91
<b>Average Growth in GDP (2007-2012)</b>	<b>1.82</b>

Source: ECCB (2013)

As the table above demonstrates, agriculture dominates two of the top three growth sectors. However, the vulnerability of agriculture to disease, natural disasters and competition of lower cost suppliers, does not suggest that a reliance on this sector will bode well for future growth in Dominica. This is unlike a case such as Grenada whose specialty focus on nutmeg is successful due to marketing and branding, bananas are a different case. However, agriculture continues to receive significant investment as there is an increasing export demand for a number of crops in which Dominica has a competitive advantage within the Caribbean. Government has already commenced a programme of rehabilitating feeder roads in the major production areas; support will also be

provided for on farm irrigation, especially where farmers are able to organize themselves in groups for that purpose.

The government has also supported the Dominica Agriculture Producers and Exporters Company (DAPEX) which was established to conduct the business of agricultural production and export. Currently, a subsidy is provided to DAPEX on fertilizer imported by the company for sale to farmers as the company was experiencing cash flow challenges which adversely affected its capacity to purchase commodities from the farmers, thereby constraining its capacity to exploit export opportunities.

In addition to agriculture, construction, despite growth over this period, does not appear to be able to sustain this path due to a reduction in public sector capital projects and a lack of ability of private sector investment to compensate. However, in the short term, some public sector projects will continue such as: Roseau/Melville Hall road upgrade; Point Michel sea defence; State House renovation and extension; State College; Moroccan Hotel; and the geothermal initiative.

Though Electricity and Water currently accounts for just over 5% of GDP, the government of the Commonwealth of Dominica has provided resources to examine the feasibility of generating electricity from “geothermal energy”. After drilling three test wells, it has been confirmed that there is indeed an exploitable geothermal resource in the Roseau Valley that can be used to produce electricity. The government has already commenced the process of negotiation for building a 10 to 15 megawatt geothermal plant within two to three years. The electricity thus generated will be used exclusively to augment the domestic supply, 70% of which is currently dependent on the importation and use of diesel fuel. Dominica is also exploring the feasibility of supplying both Guadeloupe and Martinique as part of the process of expanding this sector. This sector is well poised for take-off providing the incentive for both domestic and foreign investment giving the economy much need thrust at this time.

The tourism industry is also seen as a crucial sector to further develop the economy of Dominica. To that end the government has improved the air access infrastructure by completing the upgrade of the Melville Hall Airport to accommodate night landings which has considerably eased what was the air access constraint to both arrivals and investment. Major rehabilitation of the road network between Roseau and the airport is progress which will afford both citizens and visitors a comfortable journey with enhanced safety features. The government is also confronting the challenge of increasing the quantity and quality of the hotel plant in Dominica as it seeks to erase the image of Roseau as the only capital in the OECS with inadequate hotel accommodation and facilities for hosting regional and international meetings. The ongoing project involving the construction of a new and modern State House Complex with conference facilities is a first step to debunking this image.

Apart from these sectors, the greatest prospects for Dominica appear to lie in financial and educational services, eco-tourism and manufacturing. The ECCB also notes that in addition to these sectors that any growth in the economy will also need to also emerge from real estate, renting and business activities. There is also the opportunity to develop new ventures emerging from the island’s geothermal potential as well as other efforts to assist in reducing the cost of energy and electricity (retrofitting, recycling).

Many of the opportunities presented to these sectors are based on Dominica's physical environment. As noted in the subsection on the environment, Dominica has a number of assets in this regard. The country has many waterfalls, freshwater lakes, rivers, springs, fumaroles, craters and geysers, with the highest concentration of such being found within the Valley of Desolation. The world's second largest thermally active boiling lake, the only one of its kind in the Western hemisphere, is also found within this region. In addition, Dominica has an abundant natural resource endowment which is exemplified in its lush flora, fauna and hydroelectric energy sources. The island, which is often referred to as the 'Nature Isle of the Caribbean', has an extensive forest cover and arable land that accounts for 22.6% and 27.8% of the total land mass. The diversity of terrestrial flora spans approximately 155 families, 672 genera and 1226 species of vascular plants (Dominica's Biodiversity Action Plan and Strategy, 2001-2005). There is a diverse assemblage of terrestrial fauna in Dominica, some of which are thought to be extinct on neighbouring islands. It includes 175 species of bird, 2 of which are endemic to the island, whereas 9 are regionally endemic; eighteen species of wild terrestrial mammals; nineteen species of reptiles; four species of amphibians; twenty species of freshwater/terrestrial/semi-terrestrial crabs and fifty-five species of butterflies. Spectacular views on the island include the Morne Trois Piton National Park, an area spanning 6.857 hectares that is centred on the 1,342 metre volcano known as Morne Trois Pitons. It is located in the highlands of South-central Dominica and was recognized by UNESCO as a World Heritage site in 1997.

It is clear that all of these attributes provide opportunities for the exploitation of ventures in offshore education in the natural sciences, eco-tourism, and alternative energies. As it relates to manufacturing, the production of organic soap is already realising its potential with production expanding by nearly 30% in 2012, drawing on the natural resources of the island.

While growth of the private sector in Dominica is curtailed given the current financial crisis, Dominica has experienced growth in agricultural production over the period 2008 to 2012, although recent declines have been seen due to disease and a fall in export demand. This suggests there is a need for the country to diversify its production base as well as move up the value chain to not only assist in growing the economy, but also assisting in the reduction of poverty through the provision of suitable, sustainable, employment opportunities. The natural resources that Dominica possesses and has led to the island being known as the Nature Isle, provide for sustainable entrepreneurial opportunities in several sectors including eco-tourism, offshore tertiary education in the natural sciences, geothermal and renewable energies, and the manufacturing of niche organic products which are marketed and branded in accordance with the country's reputation as 'the Nature Isle'.

### **5.2.2 Business Supportive Institutions Structure**

The main public sector body in Dominica supporting private sector development is the Ministry of Employment, Trade, Industry and Diaspora Affairs. The relevant agencies under the direction of the Ministry include: a Trade Division, the Invest Dominica Authority, and the Dominica Employment and Small Business Support Unit. In Dominica there is also the Dominica Agricultural Industrial Development Bank (DAIDB) which provides loans to enterprises, residential housing and student loans.

In addition to Government agencies, there are also several representatives of the private sector in Dominica. These private sector stakeholders include:

1. Dominica Agricultural Producers & Exporters (DAPEX)
2. National Development Foundation of Dominica
3. Dominica Employers' Confederation
4. The Builders and Contractors Association of Dominica
5. Association of Bankers and Financial Institutions
6. Dominica Manufacturers Association
7. Dominica Hotel & Tourism Association (DHTA)
8. Dominica Coalition of Service Industries (DCSI)
9. Dominica Association of Industry and Commerce
10. Dominica Chamber of Agri-Business

For the most part these entities have limited political influence as there is no single entity representing the private sector, until recently. While in the past there appeared to be limited interaction between private sector representatives outside of informal, ad hoc, arrangements, in December 2012, the ten stakeholders identified above signed a memorandum of understanding (MOU) to form the Dominica Business Forum. The motivation for the formation of the DBF was noted as as: *'it is time the private sector join forces to establish proposals for better policies which will enhance the business climate on the island'*<sup>14</sup>. The first chairman of the DBF is quoted as saying:

*"We recognise the private sector cannot exist without the public sector and we need to have an excellent relationship with the government and the public sector as we try to provide representation... I hope the Dominica Business Forum can bring a level of quality representation to the private sector that it has not seen before."*

The establishment of the forum for the discussion of private sector needs and the representation of once voice to Government bodes well for the development of productive dialogue between the private and public sectors in Dominica. Details of the main public and private sector entities in Dominica are shown in Table 14.

### **5.2.3 Donors and Other International Entities**

Like most developing economies, particularly Small Island Developing States, Dominica requires developmental assistance from donors and international entities. The current economic crisis not only highlighted the economy's lack of diversification within various sectors, particularly agriculture, as well as its increasing dependency on donors and international entities to fund sectoral projects. As seen in Table 15, key donors and international entities include the Caribbean Development Bank, Compete Caribbean, the Canadian International Development Agency, the European Union, the Organization of American States, United States Agency for International Development (USAID), the International Bank for Reconstruction and Development – the World Bank and bilateral arrangements with territories such as France, Japan, Cuba, Venezuela and Taiwan – China. An overview of some of the key entities at the regional level is shown below, while a full exposition is located in the Donor Matrix (DMX) covering both national and regionally relevant programs and projects.

The activities of donors are driven from both internal and external sources. While some agencies base the identification of priority areas from an internal analysis of country or region-specific data,

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<sup>14</sup> <http://dominicanewsonline.com/news/homepage/news/business/private-sector-comes-together/>

others base the allocation of funds on the strategic/political objectives of the source country or region. Other donors indicated that priority areas are based on country demands, and not on any covert strategic or political objective. While donors indicate for the most part that the needs of the receiving country are paramount, they do note that there are several main areas that greater support is needed, including support for regional integration, trade facilitation and logistics, access to finance and greater public sector dialogue. It should also be noted that the issue of gender is taken into consideration in all projects, sometimes implicitly, but for the most part the issue of gender is explicitly included.

One of the main issues of concern in recent times was lack of donor coordination, however, duplication of donor efforts is being addressed, as seen with the Compete Caribbean program and the Caribbean Growth Forum (CGF). However, there was some concern in relation to duplication with the CGF and the Private Sector Assessments (PSAs) of Compete Caribbean. In addition, most agencies interviewed indicated that there is formal coordination with other donor agencies, while informal coordination is seen with country-specific agencies and NGOs in receiving countries. Some donors however noted that there was the need for greater collaboration with the CARICOM Secretariat and the OECS Secretariat.

In relation to the nature of projects funded, the majority of active projects are focussed on the Business Support, Finance (access to finance), the Business Environment in general or a combination of these objectives. For projects focussed on these objectives, there are 35 active or recently completed donor funded projects in Dominica specifically, and 12 operating at the OECS level. Of these projects, at the country level, the majority of projects are focussed on the Business Environment (43%) and Business Support/Institutional Structure (31%). The largest areas in terms of funding is Access to Finance at US\$21 million and the Business Environment (US\$20million). It should however be noted that although Access to Finance by itself only accounts for 17% of projects, it accounts for 35% of funding (US\$21 million). In terms of the sector focus, 91% of these main objectives are targeted at the service sector.

**Table 12: Main Objectives and Sector Profiles of Donor Projects in Dominica and the OECS**

	Objective	Share (%)	Agriculture (%)	Industry (%)	Services (%)	Value of Active Projects (US \$'000)
Dominica	Business Support/Institutional Structure	31.4	11.4	11.4	22.9	\$ 14,553
	Access to finance	17.1	11.4	11.4	17.1	\$ 20,873
	Business Environment	42.9	2.9	11.4	42.9	\$ 20,243
	Business Support/Finance	8.6	2.9	2.9	8.6	\$ 4,150
	TOTAL	100.0	28.6	37.1	91.4	\$ 59,819
OECS	Business Support/Institutional Structure	41.7	8.3	8.3	8.3	\$ 31,140
	Access to finance	16.7	8.3	8.3	16.7	\$ 1,940
	Business Environment	25.0	8.3	8.3	8.3	\$ 14,190
	Business Support/Finance	16.7	8.3	8.3	8.3	\$ 2,060
	TOTAL OECS	100.0	33.3	33.3	41.7	\$ 49,330

At the OECS level, for projects in these areas which are operating at the sub regional level, the service sector is also the focus, accounting for 42% of projects. In terms of the number of projects

and value, the Business Support/Institutional Structure objectives dominate with 42% of projects and funding in excess of US\$31 million.

In terms of gaps in support, although access to finance has been noted as a major obstacle to business development in the region, projects specifically targeting this area at the sub regional level only account for 17% of projects, and less than US\$2 million in funding. However, at the domestic level in Dominica, while only accounting for 17% of projects, support for access to finance accounts for 35% of total funding in these areas.

In taking the region as a whole, access to finance is only the main focus of 14% of projects, and a joint focus with Business Support for 13% of projects. However, within these categorisations, 22% of funding is directed to Access to Finance, while 21% of funding is targeted at both Access to Finance and Business Support.

**Table 13: Overview of Main Donor Projects by Objective, Sector and Value**<sup>15</sup>

Objective	Active/Recent Completed Projects	Average Share (%)	Agriculture Projects (% of total)	Industry Projects (% of total)	Services Projects (% of total)	Total Value of Main Projects (US\$'000)
Business Support/ Institutional Structure	67	27.0	6.3	7.9	10.8	\$ 107,738
Access to finance	36	14.1	5.9	6.7	10.6	\$ 104,390
Business Environment	91	33.5	9.0	10.1	19.0	\$ 155,733
Business Support/ Access to finance	35	12.9	4.8	5.2	7.0	\$ 96,996
Total	229	-	26.0	30.0	47.4	\$ 464,857

As indicated in the table above, the greatest number of projects relate to the Business Environment, accounting for on average 34% of projects at a total value of US\$156 million. In terms of sector concentration, 47% of projects are focussed on services. The table below outlines the main information by the main objectives, sector of focus and value at the country level in the OECS.

<sup>15</sup> Note that some percentages do not sum to 100% due to rounding during aggregation.



**Table 14: Institutional Analysis: Background of Business Support Institutions in Dominica**

Name	Type and Brief History	Report to...	Vision, Mission and Goals (assessment)
Dominica Agricultural Industrial Development Bank (DAIDB)	The Dominica Agricultural Industrial and Development Bank (DAIDB) is a body corporate established in 1971, which operates under the Dominica Agricultural Industrial and Development Bank Act, Chapter 74:03 of the laws of the Commonwealth of Dominica (1990 Revised Edition). The DAIDB provides loans for business enterprises in all major sectors of the economy including tourism, agriculture and agro-processing, telecommunications and other services. It also provides funding for residential housing and student loans.	Board	<p>Vision: To be a top rated development finance institution in three years.</p> <p>Mission: To be a leader and catalyst in the economic and social development of the Commonwealth of Dominica, by being a facilitator for investment, a financier and a partner with the private sector while adhering to the highest principles of good corporate governance, exercising prudent and responsible financial management and promoting environmental sustainability.</p> <p>Objectives: Under the provisions of the DAIDB Act the objectives are to: 1. Promote and influence economic development in the Commonwealth of Dominica; and 2. Mobilize funds for the purpose of such development.</p>
National Development Foundation of Dominica	The National Development Foundation of Dominica (NDFD) Limited is a private, non-profit development institution established in 1981 as a company limited by guarantee under the laws of the Commonwealth of Dominica.	Board of Directors	<p>Mission: To contribute to poverty reduction and human resource development at the National level by mobilizing funds for the provision of credit, business advisory services and training primarily to the micro and small business sectors.</p> <p>Goals: To continue to assist entrepreneurs to start, expand or improve their businesses. The general criteria for the business which seeks assistance from the foundation is as follows: (i) be economically viable; (ii) utilize local raw materials; (ii) manufacture new products or develop existing products; (iv) help in the stimulation of exports or reduction of imports; (v) offer a service that is vital to the community and/or visitors to the community; and (vi) be of productive value to the community.</p>
Invest Dominica Authority	The Invest Dominica Authority is the Government Agency responsible for promoting and facilitating investment in tourism and industrial activities. The mandate is to actively pursue all sustainable investments both domestic and foreign and to provide the necessary facilitation services from beginning to end to ensure that businesses succeed.	Board	<p>Vision: To establish Dominica as the preferred investment location for sustainable development.</p> <p>Mission: To facilitate and actively promote investment opportunities in Dominica by assisting Government in the formulation and execution of national policies and providing support that exceeds clients' expectation.</p> <p>Mandate/Functions of Invest Dominica Authority: (i) Formulate strategies and programmes to promote Dominica as a destination in which to invest. (ii) Execute strategies, programmes and activities to promote Dominica as a destination in which to invest. (iii) Provide information to investors and prospective investors, domestic and foreign, on the legal, financial, real property, industrial relations requirements and other matters relating to the establishment of business enterprises in Dominica. (iv) Compile and disseminate information on available investment opportunities in Dominica. (v) Provide local and foreign investors and prospective investors with information on potential joint venture partnership. (vi) Liaise with government agencies, departments and authorities to identify and secure</p>

Name	Type and Brief History	Report to...	Vision, Mission and Goals (assessment)
			<p>suitable land that may be required by investors and prospective investors to implement investment projects. (viii) Establish procedures to process applications for investments projects and investment incentives efficiently. (ix) Provide services to assist investors and prospective investors, domestic and foreign, to obtain such certificates, approvals, authorizations or permits as may be required by law to establish and operate business enterprises. (x) Process applications for investment incentives consistent with the law and policy of the Government. (xi) Advise on ways to improve the industrial and investment climate of Dominica.</p>
<p>Dominica Hotel &amp; Tourism Association (DHTA)</p>	<p>The Dominica Hotel &amp; Tourism Association (DHTA) was first formed in 1972. For more than three decades the organisation has been fostering and promoting tourism in Dominica.</p>	<p>Members</p>	<p>Mission: The DHTA's mission is to promote tourism and related services as a critical sector in Dominica's economic development and to work closely with all stakeholders to create and sustain an enabling environment that will support Members' efforts to improve the standards of their products and the quality of their services</p>
<p>Dominica Co-operative Societies League Limited</p>	<p>In 1957, the Credit Union League was formed with the then twelve (12) existing credit unions on the island. The League grew out of the need for one, unified voice for the fledgling Credit Union Movement in Dominica.</p>	<p>Members</p>	<p>Mission: The League aims to provide the highest quality of products and services to enable affiliates to improve the living standards of members and their communities. Embracing all Dominican people with their cherished rights to individual religious and political persuasions, the DCSLL, jealously guards its own independence and non-partisan alignment while seeking to work in close consultation with all other organisations for the common good.</p>
<p>Dominica Coalition of Service Industries (DCSI)</p>	<p>The Dominica Coalition of Service Industries (DCSI) was launched in January 2009 with the support of the Government of the Commonwealth of Dominica and incorporated as a non-profit organization in August 2009 under the Dominica Companies Act of 1994. It is intended that the Dominica Coalition of Service Industries would serve as the focal point for the national service sector and function fundamentally as a lobbying institution with the aim of providing CARICOM governments and negotiators with general and sectoral positions as it relates to trade in services. It is also envisioned that the Coalition will be a partner in the national development process bringing members of the service industry under one umbrella organization. The ultimate goal of this initiative being, to assist service providers to become better organized for the purpose of taking advantage of trade in export services.</p>	<p>Members</p>	<p>Vision: To become the premiere non-governmental umbrella body incorporated to safeguard the interest, foster the growth and sustainability of service organizations in the Commonwealth of Dominica. Mission: To provide advocacy services on behalf of its members while continually providing learning opportunities for the development of the human resources of members. This capacity building initiative will be performed in order to prepare our Dominica services sector for the dynamic nature of the business world by fostering of new relationships locally, regionally and internationally and by bench-marking and emulating the best practices in the service industries in the micro and macro environments. Strategic goals: Increase Dominica's export of services within the CSME and between CSME and third world countries by way of promoting the further development and competitiveness of firms locally, regionally and internationally and encouraging the formation of strategic alliances with regional and extra-regional counterparts. (a) Identify and provide service providers with knowledge of export opportunities and provide assistance</p>

Name	Type and Brief History	Report to...	Vision, Mission and Goals (assessment)
			<p>to members in accessing the foreign markets by organizing and hosting Trade Mission and Exhibitions. (b) Represent the interest of the services sector by advocating and lobbying Government as well as providing technical and other inputs into the trade in services negotiations on behalf of service providers and promoting fair multi-lateral rules for trade in services by means of Mutual Recognition Agreements. (c) Establish standards of regional and international best practice for services professionals as well as ensuring and encouraging that the highest industry standards are met by all members. (d) Assist non-organized service providers in establishing professional associations and strengthen existing services organizations. (e) Educate service providers of relevant aspects of the CARICOM Single Market and Economy, the CARIFORUM-EC Economic Partnership Agreement (EPA) and World Trade Organization's (WTO) General Agreement on Trade in Services (GATS), CARICOM-Canada Negotiations and other trade agreements and developments that can affect trade in services.</p>
<p>Dominica Association of Industry and Commerce</p>	<p>The objective of the Dominica Association of Industry &amp; Commerce is to foster the development of the private sector, promoting trade, commerce and industry, and to develop and promote trade in and with Dominica.</p>	<p>Board of Directors</p>	<p>Vision: The creation of a Dominican private sector that is proactive and visionary in its approach to embracing opportunities and challenges to achieve the highest level of competitiveness, economic growth and development.</p> <p>Mission Statement: The DAIC will facilitate the growth and development of Dominica's private sector through effective representation of the core interests of its members and the private sector and the delivery of products and services that will enhance productivity and competitiveness in a changing world economy.</p> <p>Objectives of the Association: 1. To foster economic development of the private sector. 2. To foster the economic and social development of the state of Dominica by promoting and practicing the trade commerce and industry and other objects incidental thereto. 3. To promote and protect the commercial interests of the state, its local, regional and foreign trade. 4. To collect and disseminate all statistical and other information relating to commerce, trade, manufacturing and industry. 5. To collect, arrange, index and publish information as to material, patents, processes, machines, appliances and tools likely to be useful to members of the Association. 6. To negotiate, arrange and make agreements for the carrying out of research work of any kind in connection with trade, business, commerce, industries and/or manufacturing either by individuals or in any institution, laboratory or University on any land. 7. To Promote and encourage the development in Dominica of manufacturing</p>

Name	Type and Brief History	Report to...	Vision, Mission and Goals (assessment)
			and processing operations capable of making contributions to the economic welfare and development of the state. 8. To encourage and assist members in Dominica in the use of efficient and modern methods and the maintenance of proper standards of safety, labour relations, employees' welfare, public relations and advertising. 9. To promote and encourage adherence in Dominica to proper standards and grades of quality. 10. To promote and encourage the use by consumers, via advertising media, trade fairs and howsoever otherwise, of manufactured goods.

**Table 15: Institutional Analysis: Donors and International Organisations**

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
<b>(DFID) Department For International Development</b>	DFID's projects run under cycles. They are currently in the 2nd year of (2011-2015) cycle, where 75m pounds are allotted to the Caribbean. The program runs under thematic areas i.e. Economic Growth (27.5m pounds), Climate Change, Governance and Security.	DFID's team identifies problems i.e. development issues, debt burden, competitiveness, regional integration then bid for funds from government for 4 year cycle.	Some coordination with OECS Secretariat.	Need for more work on trade facilitation and freight and trade logistics in OECS. Regional Integration, Non-Tariff Barriers, Clearer Political Targeting.	Gender is involved in each project implicitly	There is an aid coordination structure (Private Sector Donor Working group) which CIDA heads.	Everything is undertaken through cooperation with others i.e. IDB, CARTAC and CART fund (CDB)	A lot of projects and work done with local stakeholders done via CART fund (CDB)	DFID has 5.6m pounds unallocated currently. Would like to focus on strengthening financial sector, regulation and competitiveness in poorer countries in Caribbean including Guyana and Belize.	The level of duplication is moderate and varies somewhat by sector, what helps mainly is that not many donors are in the Caribbean; they also have Donor coordination structures in place.	DFID uses a program called LOGFRAMES to gauge projects and determine outputs i.e. jobs created, outcome of project, workshops, activities carried out, average Caribbean business indexes etc.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Caribbean Development Bank	CDB allocated US\$22.5 million to 11 financial intermediaries (development banks) in 2012.	Current priorities include: <ul style="list-style-type: none"> <li>• Enhancing Disaster Risk Management and Safeguards/Strengthening Environmental Sustainability</li> <li>• Economic Growth, Inclusive Social Development</li> <li>• Support for Education and Training</li> <li>• Improving the environment for private sector development</li> <li>• Improving Productivity and Competitiveness in Agriculture</li> </ul>	-	-	Gender Equality Policy adopted in 2009 and related Operational Strategy. Seeking to ensure that policies, programmes (including PSD) and practices are responsive to gender equality issues.	CDB works closely with all the bilateral and multilateral partners in the region; IADB, DFID, European Union, World Bank, IMF, CARTAC and other bi-lateral and multilateral partners.	-	The CDB works to serve the needs of its BMCs. The OECS member states are also BMCs.	-	-	Results matrix.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Compete Caribbean Program	US\$40 for the Caribbean in areas such as Knowledge Management, Business Climate. Compete operates in a competitive process where businesses can submit proposals.	Background reports and analysis of information from World Reports, Country Budgets from governments & investment agencies. Compete is demand driven		Competitiveness Council, Public Sector Dialogue and Reform of the Business Climate is currently on the agenda but can only take place if the country has an appetite for such reforms	Every single project must have gender consideration involved. However, certain gender specific indices are hard to obtain from OECS.	Formal coordination and special initiatives with most donors i.e. CDB, DFID, CIDA	Informal coordination with World Bank, CARICOM, other NGOs like Branson Center Foundation, U.S State Dept		Antigua Customs Reform & Investment Attraction. One of the projects in Dominica was to do a growth strategy in partnership with EU. Updated Strategies presented with local stakeholders.	Donor coordination group and the outcome of donor matrix helps with Compete Caribbean's objective to minimize duplication	Results Matrix and Mid-term evaluation to determine outcomes and impact

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
<b>CARICOM Regional Organisation for Standards and Quality (CROSQ)</b>	Funds come from 2 sources: 1. Gov'ts of 15 members 2. Donors who support most of CROSQ programs. Budget based on a formula CARICOM uses (i.e. per capita GDP). No specif. budget allotted on a country basis, more regional.	Political (key trade issue that affect member states & these guide standards for production (i.e. flour, honey, furn.) in the region). Important research needed include Demand Surveys in the private sector to understand what equipment needed and calibration services needed from CROSQ to facilitate trade.	There is potential to work with UNIDO	The 10th EDF is going to be the core for what they want to do. The main thing is to evolve from not just standards institution, but to put together committees to help with Accreditation and Metrology.	Most projects under the CARTfund (CDB) maintains that gender be included, however most efforts are in building up standard bureaus and gender still needs to be properly defined for CROSQ projects.	CDB CARTfund and own funds, Germany and IDB funds helped with RQ1 (quality, infrastructure and awareness). Now working with PAHO and CDC working with accreditation. UNDP as well.	CARIB Export, CIDA, CTO.	Regional program, works with governments where local stakeholders benefit.	Rather than focus just on standards, trying to establish accreditation and metrology. With the accreditation project currently in house (funded by CARTfund CDB) it is the first time using resources in the private sector (starting with labs)	There are areas for better synergy and this is improving. Need to cooperate more within the CARICOM Secretariat.	CROSQ has been functioning under a strategic plan from 3 years ago, where it was determined that they had met those objectives. Different CROSQ projects use different evaluations, mostly done through LOGFRAME.



Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Caribbean Export	Funding mostly from the EU with counterpart member states, DFID, German Development Agency, CIDA, also contributing.	Sectors with opportunities for growth are focus in relation to professional services, investment in distributive services, creative industries, agro-processing, energy, specialist tourism, among others.	Currently work with a range of international, regional and domestic agencies.	-	-	Governments , Business Support Organisations , CARICOM, OECS, EU, DFID	-	Governments and local stakeholders	All projects which meet remit: enhancing competition via investment promotion agencies, direct assistance to firms, small grants to key sectors; trade and export development; trade and investment relations etc..	-	Utilise both internal and external evaluators.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Canadian International Development Agency (CIDA)	CIDA handles approximately 80% of financial assistance provided by the Government of Canada. Funds are provided via grants and contributions rather than loans.	CIDA's priorities are determined by the Canadian Government and currently focus on: Sustainable Economic Growth; and Entrepreneurship and Connecting Markets.	Already collaborating with main stakeholders.	Due to differences in laws and requirements in each country, regional integration is a challenge.	Gender is core to all of CIDA's efforts (cross-cutting issue).	Formal coordination is seen with the Compete Caribbean Program which involves IDB, and DFID.	-	-	CIDA as an entity is currently being subsumed within the Ministry of Foreign Affairs. Current projects however include: Eastern Caribbean Leadership Program; Entrepreneurship for Innovation; Canada-Caribbean Leadership; Regional Integration and Trade; and Caribbean Local Economic Development.	Can be reduced through better planning and coordination and through better reporting on project results to inform the development of future projects.	A log frame methodology is utilized in the planning and execution phase of projects in order to specify indicators to track project progress.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
<b>European Union Delegation to Barbados and the Eastern Caribbean</b>	EU Delegation operates under EDF cycles every 5 years. Under the current cycle (2008-2013), funds are allotted both Regionally and Nationally. EU delegation determines the national allocation via the country strategy paper (CSP), located on EU's website.	Joint process between country development priorities & E.U. It has to be linked globally & with national initiatives. C.P.M. (Country Portfolio Meetings) held annually where project officers look at social and economic status from governments	EU works with DOMex in Dominica, St. Lucia, St. Kitts, OECS Secretariat [OECS Export Development] Caribbean Export also.	All projects fit for EPA, EU not in a position to provide loan financing but is looking to assist banking sector. There is need for more loans and funding to private sector in Caribbean. Banks are too risk averse; need for Guarantee fund and Credit Bureaus	The Country Strategy Paper identifies allocation, and each project has a Financial Agreement. This implicitly targets women through development of Micro and Small Businesses	Donor groups meet each other at Donor presentation level. There are framework agreements with UNDP, World Bank, FAO.	Fluid, transparent among agencies	Deal with Investment Agencies, Chambers of Commerce, mostly quasi-government Institutions	EU has financing agreement for; Integration & Trade in OECS (8.6m Euros), Harmonisation, Tourism sector, agriculture & health food safety systems, export capacity development, 28.3m Euros to Carib Export for Regional Private Sector Development Program 3.1m of CARIFORUM 47.1m EPA funds for services.	Some challenges; take for e.g. Compete Caribbean is conducting national initiatives & ITC conducting export interventions ; results are almost the same & some projects need to be run sequentially. Private Sector Donor Group coordination helps.	Each project in financial agreement has provision for mid-term evaluation & EU contracts evaluators. EU also uses ROM [Results Oriented Monitoring] to evaluate project design, effectiveness, relevance and sustain. Court of Auditors come for large EU projects

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
IFC	No budget for OECS, but have strategic priorities and needs to address, and modify approach and find money to meet those needs. Most services in OECS are Advisory Services and Trade Facilitation, Logistics, Credit Bureaus	Because the majority of projects in the OECS are Advisory services, work with clients (government institutions, financial institutions) to provide services that are needed i.e. Trade Logistics, Credit Portfolio Management		IFC is flexible, and works with clients to meet their needs.	No specific outline for explicit gender efforts in projects, however gender is implied in projects and gender impact and outcomes i.e females jobs provided	Most Donor organisations	CIDA	Ministries of Finance, Grenada Investment Office of Investment Climate Reform, St. Lucia Min. of Commerce, Antigua ABIA, St. Kitts Min of Finance	Trade logistics and Tax implementation	Proportionally to what IFC have seen there is an importance in looking to fill the gaps where no one is providing assistance. IFC looks at gaps and tries to fill them.	For Investment Services IFC uses the Development Outcome Tracking System (DOTS) to assess financial performance, Economic & Environmental performance, Private Sector Impact. For Advisory Services they use Strategic Relevance, Efficiency & Effectiveness

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
World Bank	For the OECS, the bank operates under a Regional Partnership Strategy for the region. 120 m US approved May 2010 for 4 years. Depending on country's income level they may get IBRD funds (middle income loans) or IDA assistance (lower income concessional loans & grants)	The Bank act only on the basis of government requests. The Bank aligns program and projects with government, however may suggest some areas government could look at.	To strengthen coordination with Donors in Barbados is a good area where World Bank could work. The Bank is one of the only Donors that does not have a regional office in Barbados.	The Bank is open to whatever provided 1) it comes from government 2) the Bank has resources and makes sure that project is sustainable (bank may not have enough for certain initiatives)	Gender is explicitly defined in World Bank's Regional Strategic Objectives and the Bank thinks that this is also crucial to development in the region	CIDA, E.U., DFID, UNDP, CDB (one main partner). WB view CDB as a crucial a partner for projects, as they are very prevalent in the region and together can be more effective in helping countries	The informal platform is sometimes considered better. Sometimes setting up meetings with all Donors is difficult because of Donors availability. WB tries to keep constant dialogue with Donors.	There are some clear policies on where the Bank have to operate with governments and other stakeholders. Depending on nature of project, WB always takes into account the implication to private sector.	One of the main priorities is improving business competitiveness. The bank tries to assist countries with broadband access(Telecom m.) and energy, and tries to adopt regional initiatives.	There are a number of interactions with Donors (DFID, CIDA, UNDP E.U Delegation, CDB to avoid duplication. UNDP sets up periodic meeting with donors (every 3-4months)	Monitoring and evaluation is done every 6 months for each project. Task team leader has dialogue with the country and conducts an Implementation Status Report

#### 5.2.4 Access to Finance

Access to finance is one of the foremost pre-requisites for facilitating entrepreneurs and helps bring conception into real gains. Sharma *et al.* (2012) noted that access to finance strongly influences private sector and economic growth, and it is pivotal to the finance-growth link. The World Bank maintained that when financial institutions and markets work well:

*...they provide opportunities for all market participants to take advantage of the best investment by channelling funds to their most productive uses, hence improving income distribution and reducing poverty* (World Bank 2008).

Addressing the issue of easy or cheap access to financing and working capital is specifically important to Small Island Developing States (SIDS) like Dominica due to the fact that the financial sector (i.e. commercial banking) is not as competitive and efficient as major economies. The overall competitiveness and growth of an economy can be boosted through the existence of well functioning financial markets. For such markets to be effective, the link between trade, investments and communication must be enhanced to attract potential investors because this would lead to sustained economic growth in the long run. However, the reality within the Caribbean Basin is that financial markets tend to be shallow, inefficient and generally underdeveloped because they negate the importance of linkages between savers and investors and favour large businesses which have all the necessary requirements for credit approval. In addition to this, the region's heavy reliance on key service sectors such as tourism, natural resource markets and remittances from abroad increase the fragility of these vulnerable economies.

The financial sector in Dominica is dominated by three large foreign commercial banks (Canadian owned), one locally owned bank, and ten credit unions representing nearly 63,000 members (88% penetration rate) in 2011. While this penetration rate is the highest in the OECS, it should be noted that lending to enterprises by credit unions is limited across the region. In addition to these financial institutions, there is also the Agricultural Industrial Development Bank (the AID Bank). The National Development Foundation also provides credit facilities for microenterprises.

**Table 16: Credit Unions in the Caribbean (Number and Penetration Ratio)**

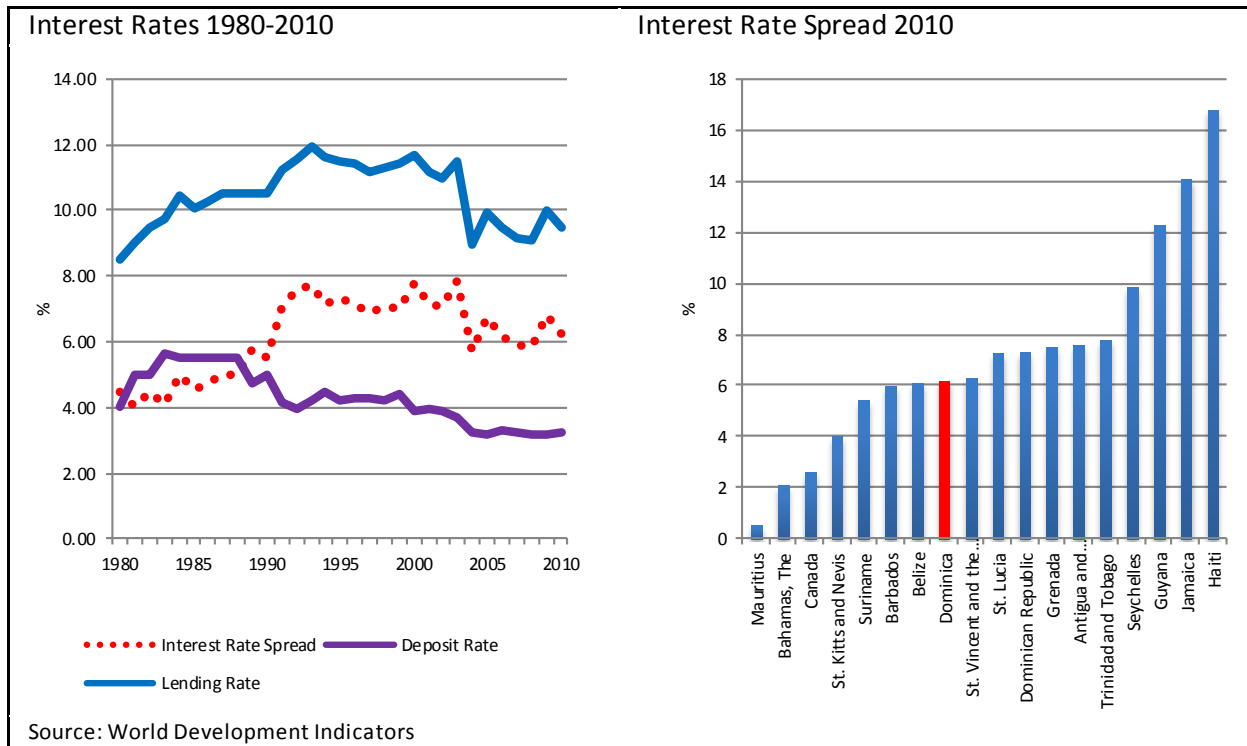
Country	Number of Credit Unions	Members	Penetration Ratio
Antigua & Barbuda	6	25892	0.44
Bahamas	10	39070	0.18
Barbados	35	157198	0.77
Belize	13	121889	0.64
<b>Dominica</b>	<b>10</b>	<b>62683</b>	<b>0.88*</b>
Dominican Republic	15	417862	0.07
Grenada	11	43849	0.62
Guyana	25	33499	0.07
Haiti	69	400379	0.07
Jamaica	42	920408	0.52
St. Kitts & Nevis	4	18523	0.53
St. Lucia	15	81022	0.74
St. Vincent & the Grenadines	9	56741	0.81
Suriname	25	24628	0.07
Trinidad & Tobago	130	499528	0.56

Source: World Council of Credit Unions (2013).

\*Penetration ratio not available from WCCU. Ratio estimated from population estimates for 2011.

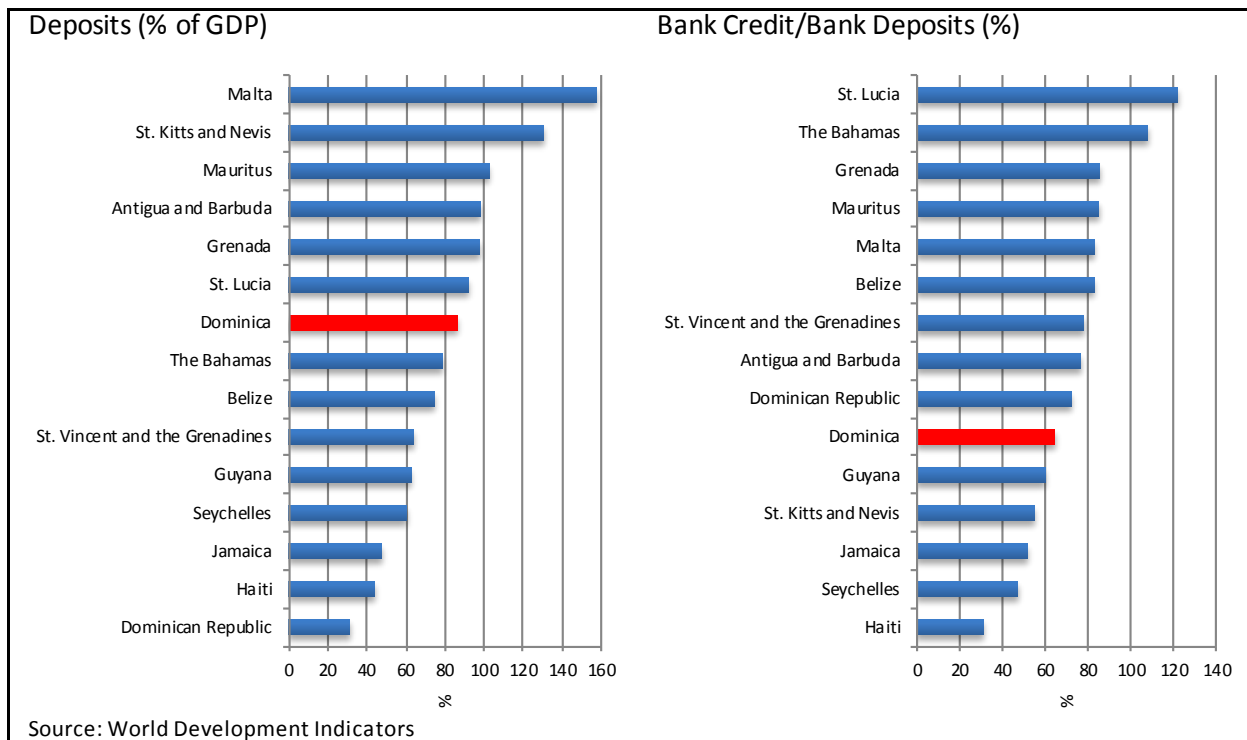
Compared to the other Caribbean countries, Dominica’s credit market is relatively efficient when measured by the spread between lending and deposit rates. As seen in the figure below, the interest rate spread in Dominica were under 6% for the period 1980 to 1990, yet climbed to around 7% from 1990-2002, a period in time that is associated with a sharp decline in the deposit rate. There were two prominent peaks in the interest rate spread; in 1993 and 2003 where the two highest rates 7.73% and 7.84 were recorded. After 2002, interest rates in Dominica underwent a series of sharp fluctuations to finally obtain a rate of 6.2% in 2010. When compared to the benchmark group, Dominica’s interest rate fell in line with the economies of Barbados, Suriname and Belize, however, this rate was significantly lower than most of its comparators particularly those within the OECS grouping with the exception of St. Kitts and Nevis which obtained a rate of 4.02%.

**Figure 22: Interest Rate Spreads for Dominica (1980-2010) and Comparators (2010)**



Given the importance of domestic firms in the economy, domestic savings also play a key role in relation to the availability of credit. At the end 2010, deposits as a percentage of GDP were over 86%, the second lowest in the OECS. Similarly, bank credit as a ratio of bank deposits was 65%, again the second lowest in the OECS. This suggests that only a moderate amount of savings in Dominica are utilised to finance credit. This moderate conversion ratio is reflected in the moderate ranking on the ease of getting credit, 78 out of 185. This suggests that business finance (or the lack thereof) is both a supply and demand problem. On the supply-side, there is the perceived risk associated with supplying loans to the small business sector, while on the demand-side entrepreneurs and small businesses may lack the ability (e.g. record keeping, constructing business plans) to access available lending facilities. It should however be noted that with the savings deposit rate (SDR) and the reserve requirement rate (RRR) set by the ECCB, that the funds available for lending are restricted and may therefore account in part for the high cost of finance in Dominica and the wider region.

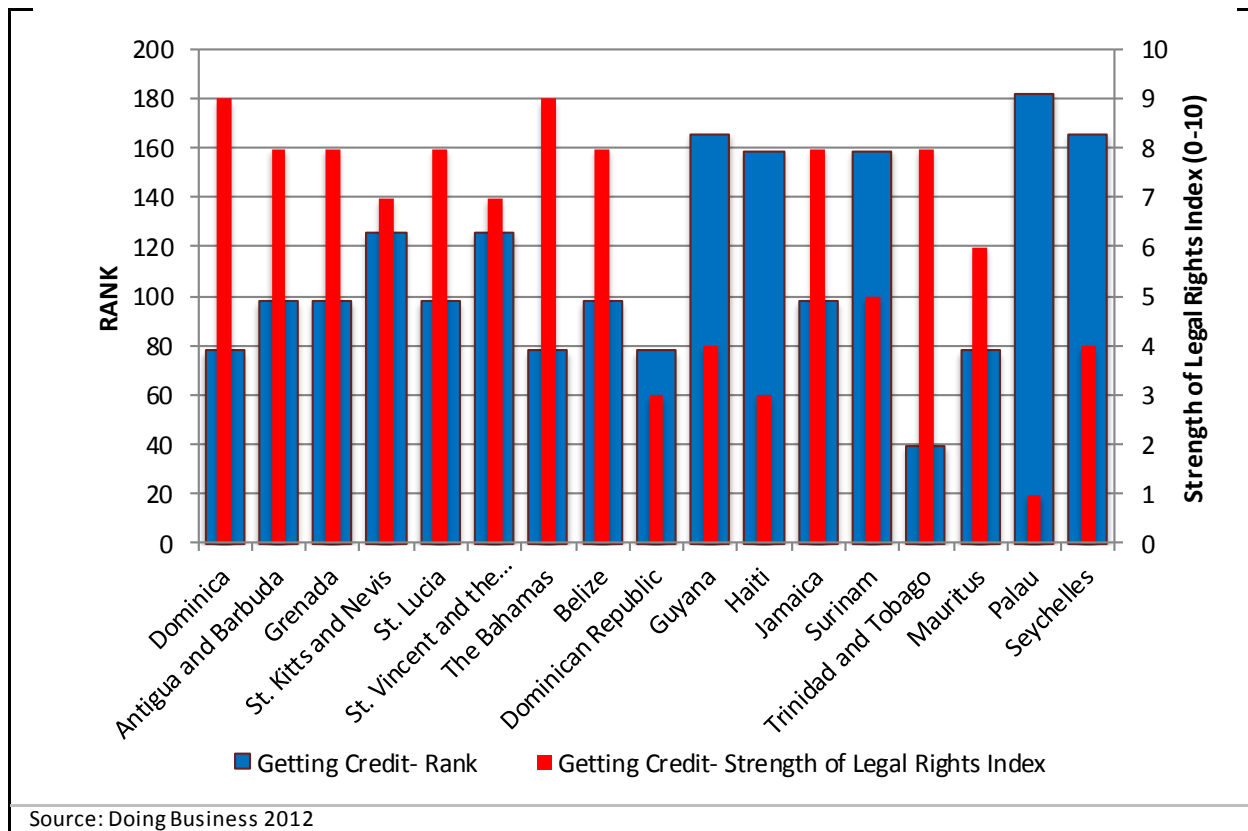
Figure 23: Domestic Financial Variables for Dominica versus Comparators (2010)



To facilitate the easy access of credit, two mechanisms need to be put in place: (i) the establishment of a credit information system (whether this may be run by a public or private entity) and (ii) legal rights governing collateral and bankruptcy laws for prospective borrowers and lenders. Ideally, high scores on both indices are preferred. As of 2012, acquiring credit in Dominica was seen as being potentially problematic. The economy, which ranks 78<sup>th</sup> out of 185 economies (along with comparators such as the Bahamas, the Dominican Republic and Mauritius), outperforms most of its regional counterparts especially those within the OECS grouping. Dominica is only surpassed by Trinidad and Tobago on this measure. The Getting Credit measure can be subdivided into many components: (i) a legal rights index; (ii) a depth of credit information index; and (iii) credit coverage – whether this may be from (a) public or (b) private credit agency. A closer look at the overall credit measure reveals that only one mechanism exists within the Commonwealth of Dominica – the legal rights index. The economy’s index of 9 represents the highest index amongst all comparators – a spot shared by the Bahamas. According to the Doing Business Country Profile for Dominica 2013, the 2012 index is well above the regional index of 6 and indicates that the current structure with respect to collateral and bankruptcy laws is sound. This should provide some ease to investors as it is demonstrative of the Government’s efforts to facilitate easy access to prospective investors.

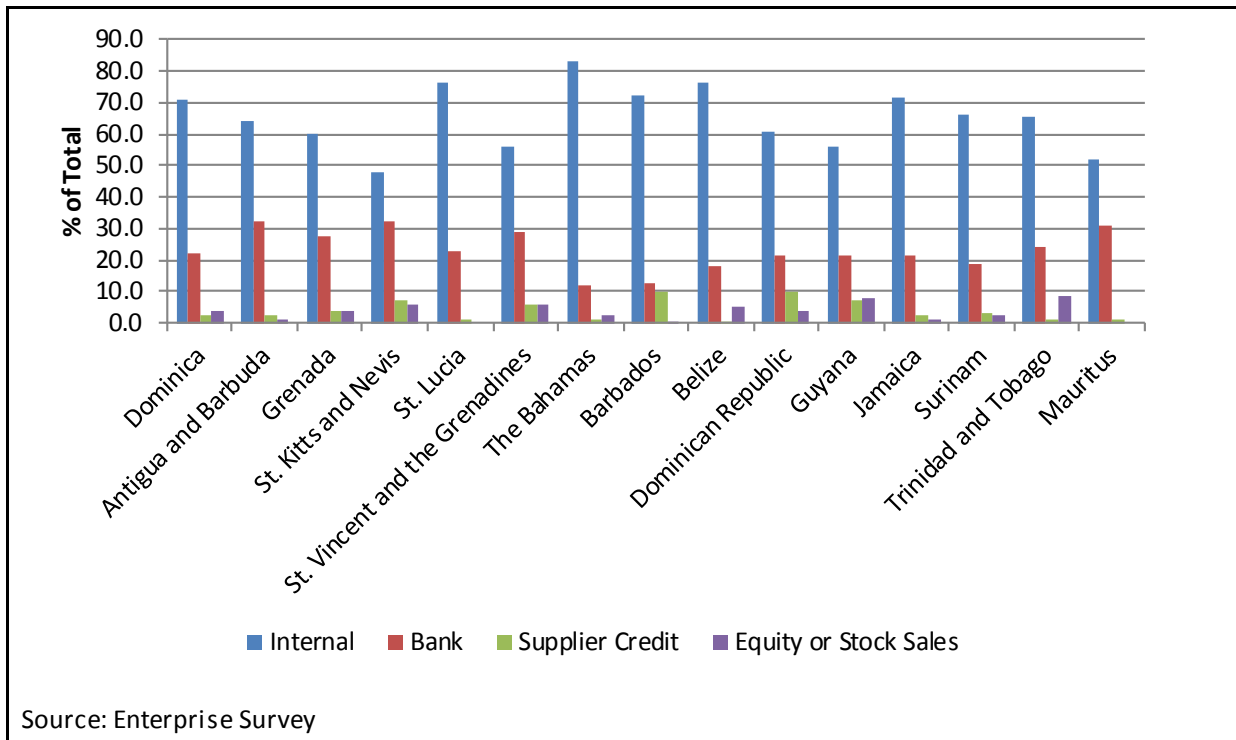


Figure 24: Doing Business Rankings for Dominica versus Comparators (2012) for Selected Indicators



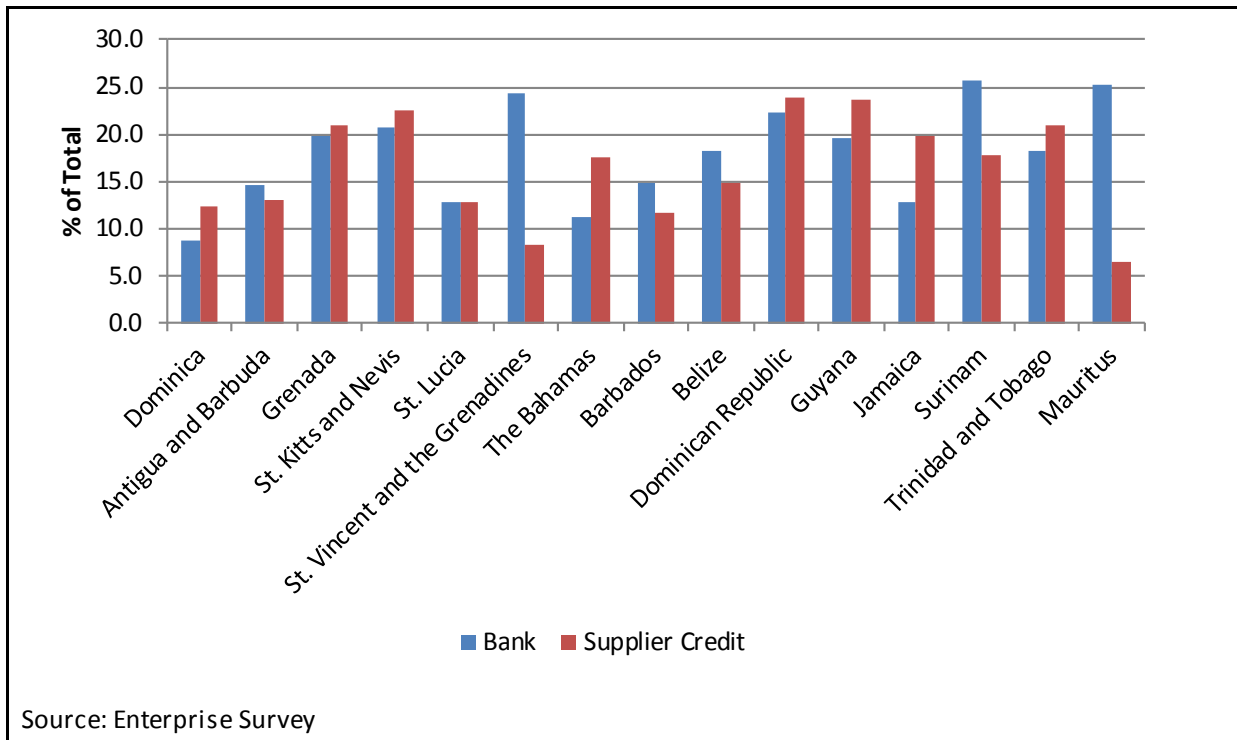
A common feature amongst all comparators is the increasing reliance on internal sources of financing for investment. This feature falls in line with the Pecking Order Theory whereby firms utilize the safest security first in the event that they require external sources of funds (Myers, 1984). On average, this source was utilized by 65% for all firms within the comparator countries. In Dominica, this source type which is utilized by 71% of the firms; however, the economy trails behind Jamaica (72%), Barbados (73%), Belize and St. Lucia (76%) in this regard. The second source of financing identified was the banking system. Less than 35% of the firms within the benchmark grouping identified this as a source of financing. Utilising supplier credit is not a prominent feature in the Caribbean basin and in particular within the OECS grouping. This is noted as insignificant amounts were obtained from these two sources.

Figure 25: Sources of Finance for Investment for Dominica and Comparators (2010)



The emergence of a vibrant and dynamic private sector can be constrained by limited access to finance. One key tenant of a firm’s viability is an assessment of its working capital, a measure of its operational efficiency as well as its short term financial strength. This is primarily important to investors because an inability to maintain a good working capital ratio may result in problems from creditors and possibly bankruptcy if the problem persists. To meet their day-to-day obligations, firms may rely on financing from two sources: (i) banks and (ii) credit from suppliers. In the case of the former, over 24% of the firms from St. Vincent and the Grenadines, Surinam and Mauritius mainly utilized this source. However, it should be noted that only 8.7% of firms within the Commonwealth of Dominica utilized this option, the lowest amongst OECs member states and remaining comparators. With respect to funding via credit from suppliers, the economies of Dominican Republic (23.8%), Guyana (23.7%), St. Kitts and Nevis (22.5%), Trinidad and Tobago (21.0%) and Grenada (20.9%) were forerunners in this regard. There is a preference for supplier credit in Dominica as 12.3% of firms utilized this option.

Figure 26: Sources of Finance for Working Capital for Dominica and Comparators (2010)



As seen in Figure 27, the value of the collateral required for the issuance of credit is considerably greater within the OECS grouping than that for like Barbados, Trinidad and Tobago and Mauritius. The trailing economy in this grouping was the Dominican Republic where collateral represented over 234% of the value of the loan. Within the OECS grouping, Dominica attained the third highest value on this measure for collateral, 194% of the value of the loan. Irrespective of this prevalence of high collateral requirements amongst comparators, all firms stated that they had access to checking accounts (See Figure 28). With respect to bank loans, 33% of firms within the benchmark group stated that they had direct access to such credit facilities. Accessing credit from the banking system is not particularly common within the territories of The Bahamas (34.2%), Jamaica (27.2%) and St. Lucia (24.5%).

Figure 27: Value of Collateral Required for Credit for Dominica and Comparators (2010)

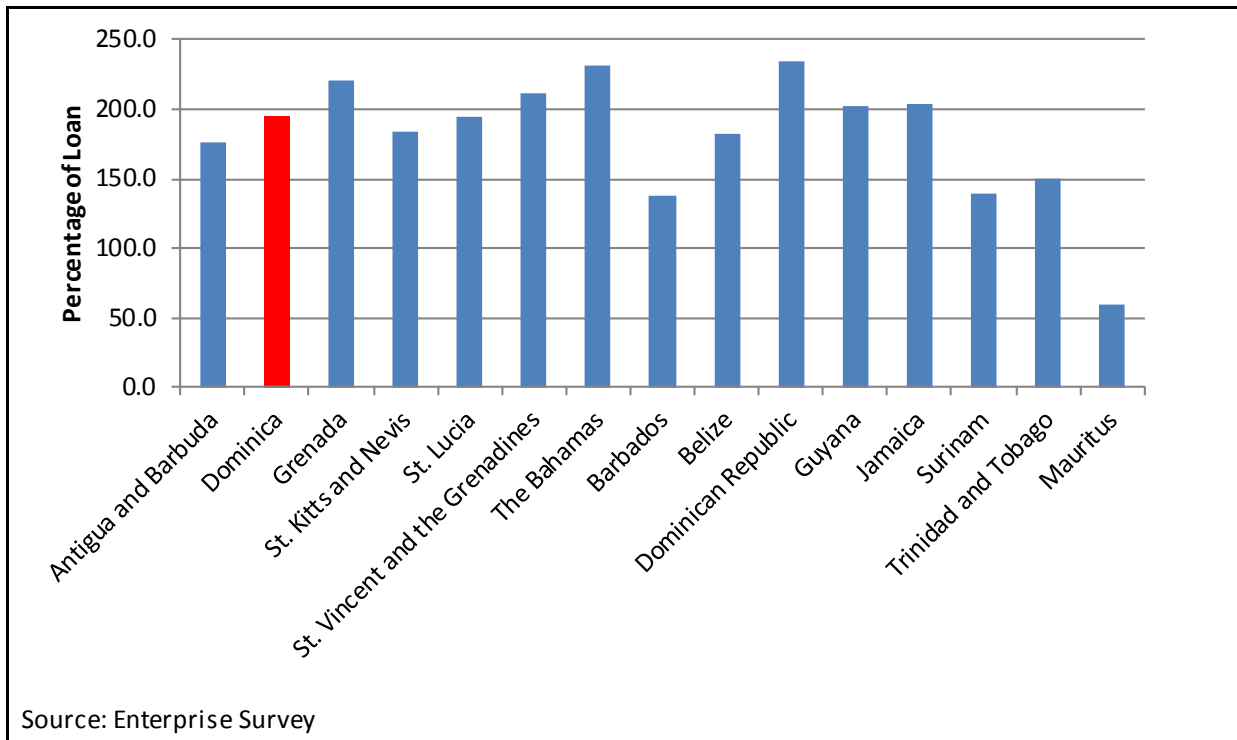
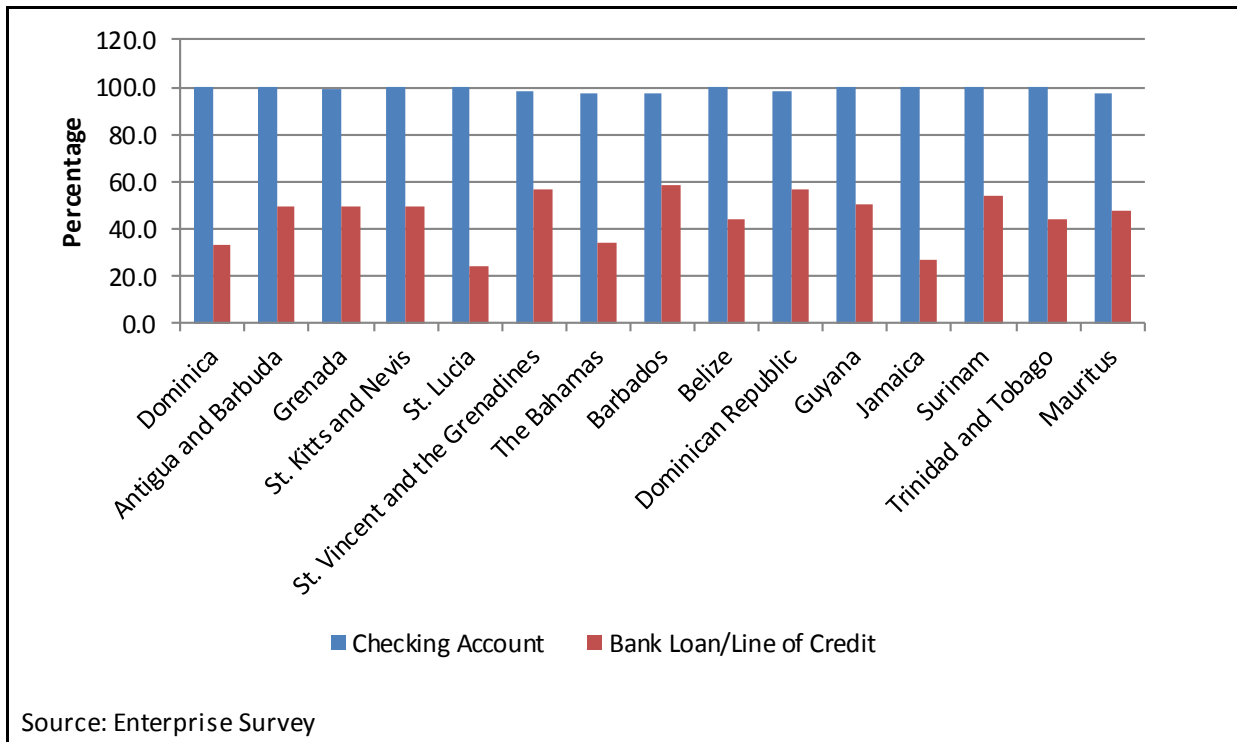


Figure 28: Firms with Access to Financial Services for Dominica and Comparators (2010)



### 5.2.5 Corporate Taxation

The level of taxation applied to corporate entities within the Commonwealth of Dominica stands at 30% of profits. This falls in line with the rates seen across many comparators particularly those within the OECS grouping. As seen in Table 17, the tax base within Dominica can be subdivided into various components.

**Table 17: Components of the Tax Base within the Commonwealth of Dominica**

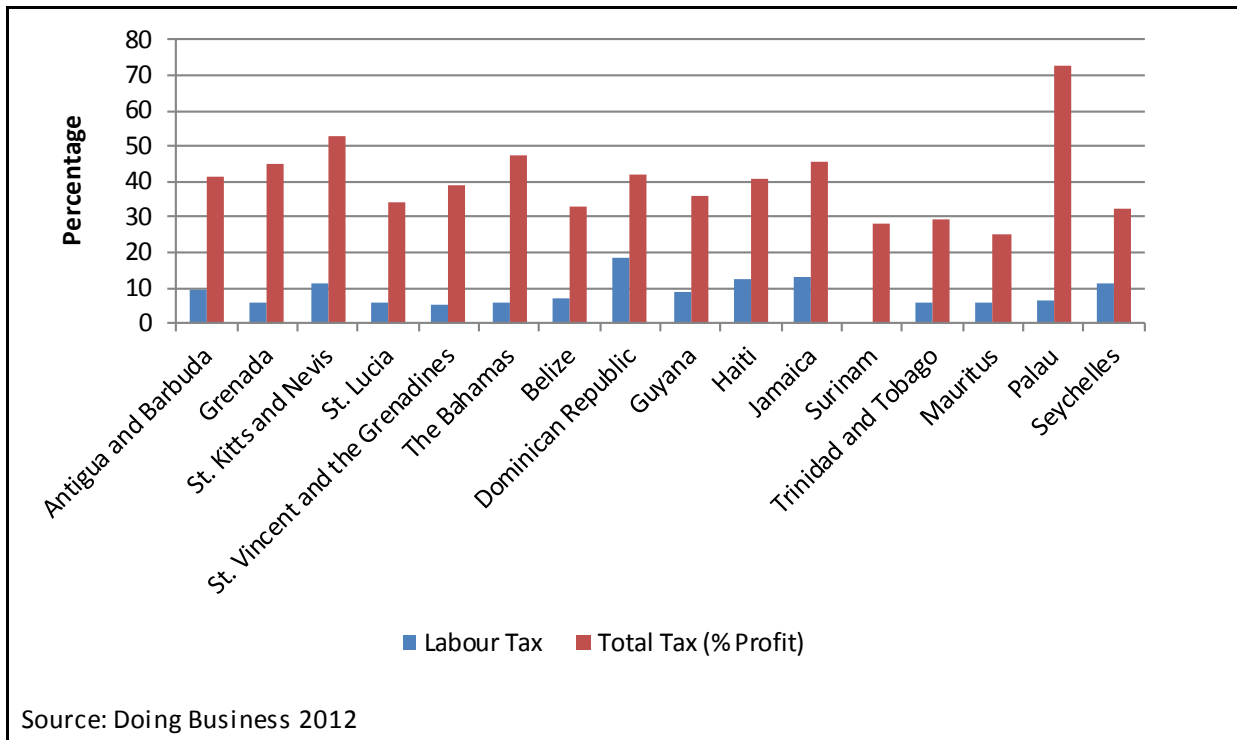
Tax rates	Percentages
Corporate Tax	30%
Value Added Tax	15% on goods and services
Value Added Tax	10% on hotel accommodation
Environmental Levy	1% or 1.5% dependant on the nature of the products
Alien Land Holding license fee	10% of the property value
Customs Service Charge	3%
Excise Tax : Motor Vehicles	28%

All taxes must comply with the Income Tax Act within the Commonwealth of Dominica. Personal income taxes are progressive with zero tax being applied on the first EC\$20,000; 15% tax being applied to the next EC\$20,000; 25% tax on the following EC\$30,000; and 35% tax being applied to any additional amounts. Figure 29 shows an examination of the total tax rate (% of profits) as well as labour tax for all comparators under investigation. According to the Doing Business survey, the ease of paying taxes rank is computed as the simple average of the following three components: (i) the number of annual payments inclusive of consumption taxes (Value Added Tax, sales tax or goods and services tax); (ii) time (measured in days) and (iii) the total tax rate. The economy of Dominica, which ranks 73<sup>rd</sup> out of 185 economies, stands up well against all comparators and is only preceded by St. Lucia (in the OECS grouping), Seychelles, Mauritius, Suriname, Belize and the Bahamas. Dominica lies well above the Latin American and Caribbean average. On average, firms made 37 payments a year, spent 120 hours per year filing, preparing and paying taxes and paid total taxes amounting to 37.5% of their profits. The number of payments made on an annual basis falls in line with the regional average of 30, yet it trails when compared to the regional and global best performances of Belize and the United Arab Emirates. The proportion of labour taxes within the Commonwealth of Dominica represents 7.9% of the total tax (% profits). This figure falls in line with most of the tax rates within many comparator economies – particularly those within the Caribbean Archipelago. Dominica's tax rate represents the third highest rate within the OECS being preceded by St. Kitts and Nevis (11.3%) and Antigua and Barbuda (9.5%). Amongst all comparators, the highest rates were noted in the Dominican Republic (18.6%); Haiti (12.4%) and Seychelles (11.5%). The rate attained by Dominica is just shy of the Regional best performer Belize at 7% and the Global Best performer, United Arab Emirates, at 14.1%.

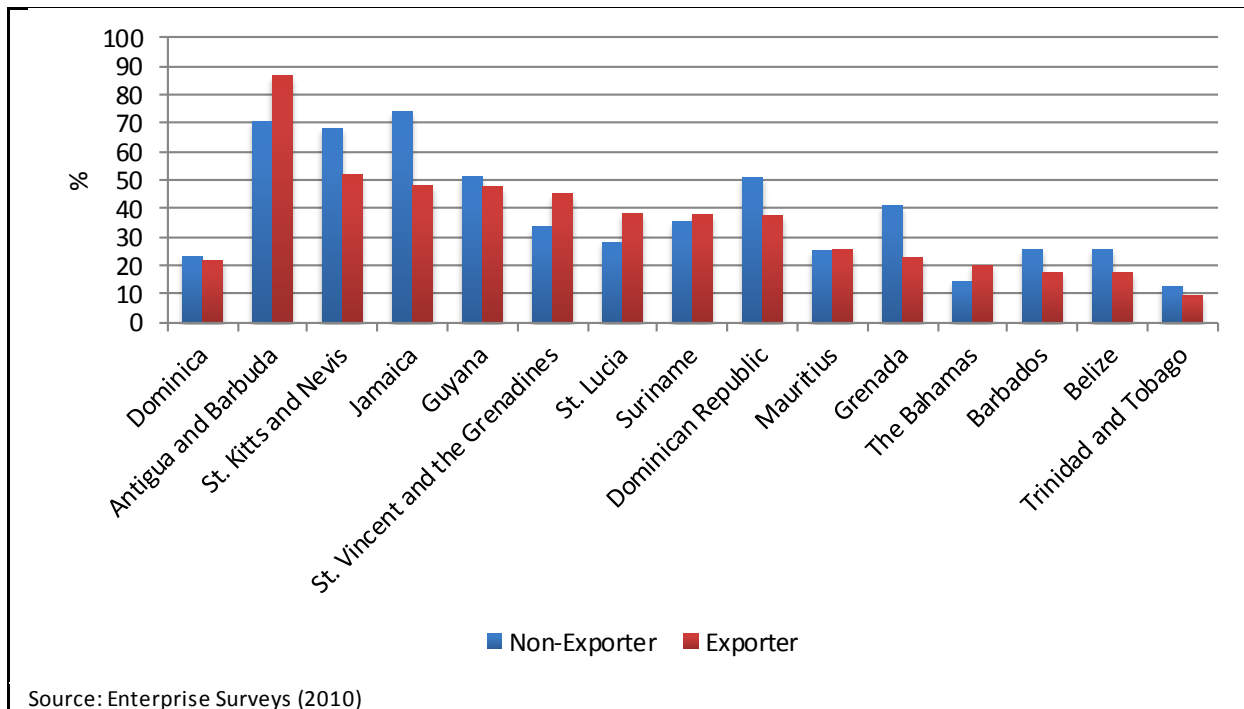
As seen in Figure 30, approximately 20% of the firms (non-exporters and importers) within the Commonwealth of Dominica identified tax rates as a major impediment to their business practices. This falls in line with comparators such as the Bahamas, Barbados and Belize at around 20%, and Trinidad and Tobago which attained the lowest recorded value in this class (13% for a non-exporter and 9% for an importer). Economies such as Jamaica (74%), Antigua and Barbuda (71%) as well as St. Kitts and Nevis (68%) lagged behind the remaining comparators on this measure particularly when it relates to non-exporters, falling well above the 50% margin. As it relates to exporters, 87% of the

firms within Antigua and Barbuda cited this as a major impediment. Approximately 50% of the firms within St. Kitts and Nevis, Jamaica and Guyana also highlighted this issue as a constraint.

**Figure 29: Corporate Taxes for Dominica and Comparators (2012)**



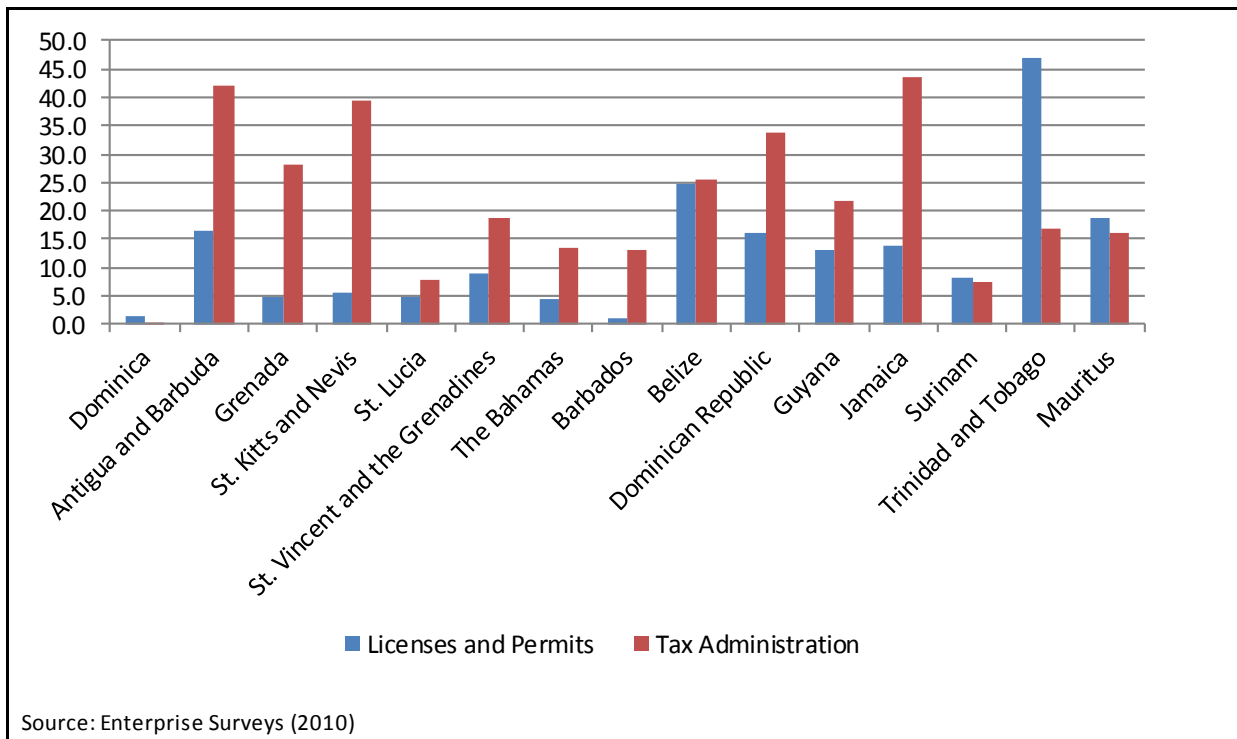
**Figure 30: Tax Rates as a Constraint to Doing Business for Exporters and Non-Exporters (2010)**



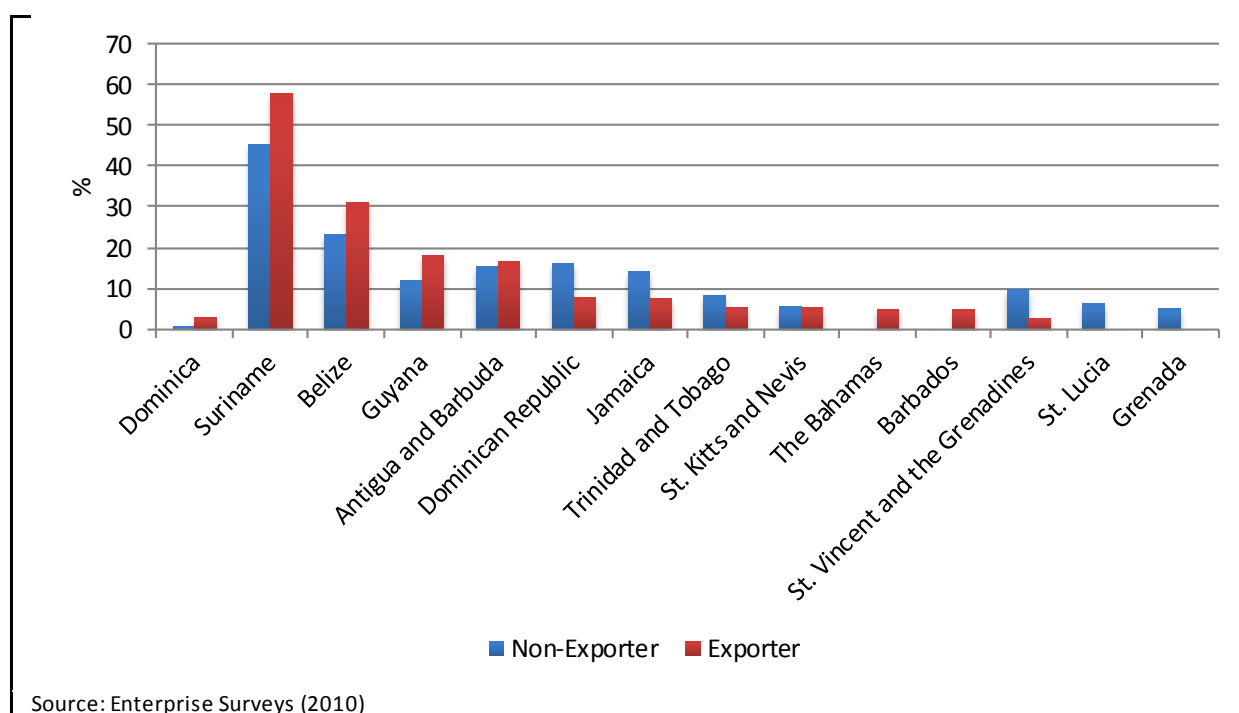
As seen in Figure 31, the acquisition of permits and licences within the Commonwealth of Dominica is relatively easier in contrast to most comparators. Based on the Doing Business Survey, Dominica has the highest rank amongst its OECS counterparts, ranking 22<sup>nd</sup> out of 185 economies and is well above the regional average of 80. This rank is indicative of the Government’s intention to reduce the

bureaucratic red tape associated with the acquisition of such permits. As of 2012, it took nine (9) procedures, 165 days and cost 10.8% of income per capita to acquire a construction permit. As it pertains to the 2010 Enterprise survey, Dominica fell in line with the remaining OECS territories, Barbados, and Belize, as approximately 10% of the firms cited the acquisition of licences and permits as a major constraint. Barbados was the forerunner in this regard as only 1.1% of firms identified it as a constraint. As seen in Figure 32, acquiring business licensing is not deemed as a major constraint in Dominica when compared to the benchmark grouping. Dominica is on par with more advanced economies of Barbados and The Bahamas in terms of percentage of non-exporters and exporters that cited this as a major impediment. Based on the Enterprise survey 2010, Dominica performs exceptionally well as it took 2.6 days to obtain an operating license and 7.3 days to obtain an import licence. Exporters within the territories of Suriname (58%) and Belize (31%) are faced with increasing challenges in this regard. The level of bureaucratic red tape is significantly high in the territories of Jamaica (43%), Dominican Republic (34%), Guyana (22%), Trinidad and Tobago (17%) and Mauritius (16%). Noting this, there is a significant amount of bureaucratic red tape with respect to two procedures in the Commonwealth of Dominica: (i) obtaining an outline for planning permission (takes 56 days at a cost of XCD\$50) and (ii) actually obtaining the said permission (takes 90 days at a cost of XCD\$1,000).

**Figure 31: Major Constraints to Doing Business- Licenses and Permits and Tax Administration (2010)**



**Figure 32: Business Licensing as a Major Constraint to Doing Business (2010)**

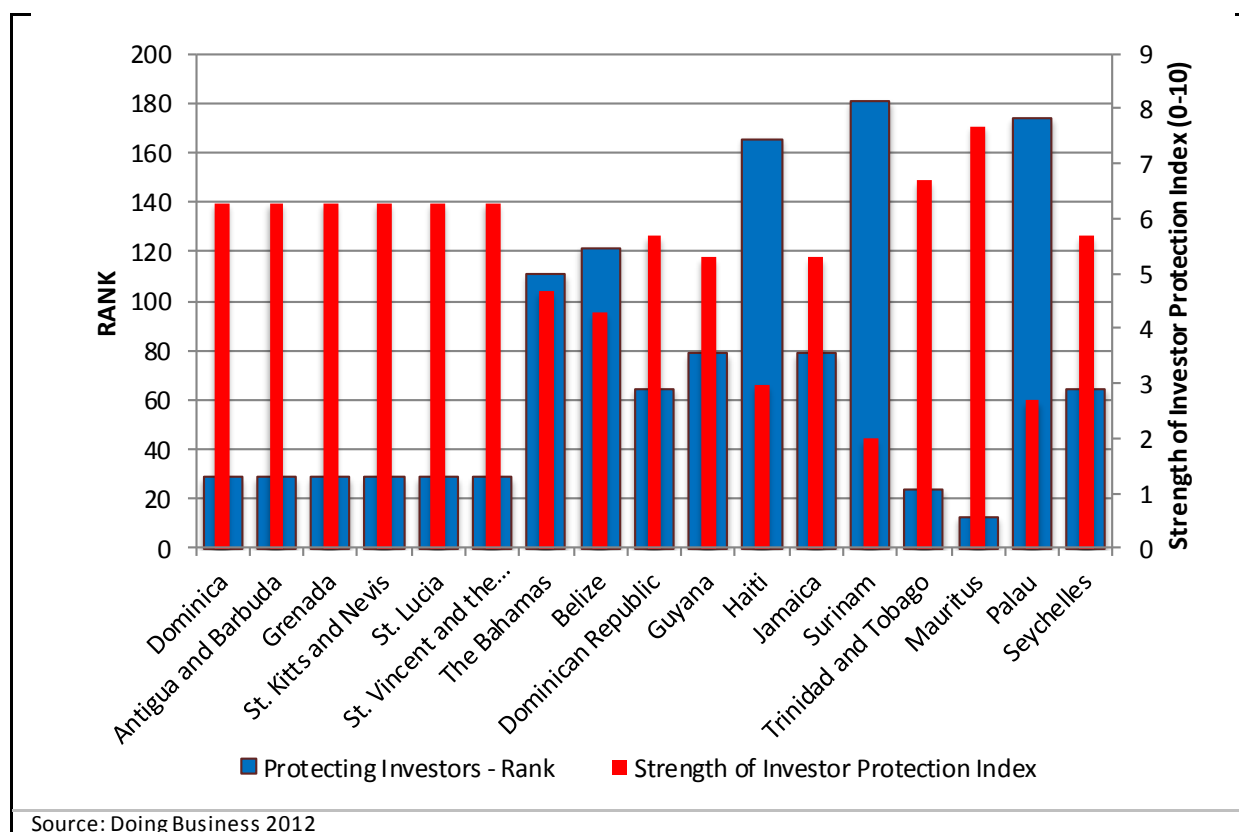


### 5.2.6 Business Environment

It is relatively easier to conduct business in the Commonwealth of Dominica when compared to other territories within the OECS grouping. According to the Doing Business 2012 Survey, the island attained an ease of Doing Business rank of 65 out of 185 economies, surpassing St. Vincent and the Grenadines, St. Kitts and Nevis and Grenada, who all attained rankings of 73, 92 and 97 respectively. Dominica lags slightly behind St. Lucia and Antigua and Barbuda who ranked at 51 and 59, respectively. Part of this is that Dominica has strong legislative framework with respect to investor protection which falls in line with all other territories within the OECS grouping. The OECS member states all attained an investor’s rank of 29 as well as a rank of 140 on the strength of their investor protection index. To reiterate, the strength of the investor’s index is computed as a simple average of three indices: (i) the extent of disclosure index; (ii) the extent of director liability index and; (iii) the ease of shareholder suit index. Based on the Doing Business Country Profile for Dominica, the overall strength of the index was above par when compared to the global best performer, New Zealand; the lead comparator Mauritius who ranked 13<sup>th</sup>, and the regional best performer, Trinidad and Tobago who ranked 25<sup>th</sup>. The high rank attained by Dominica was largely attributed to the strides made in the legislative framework as it related to: (i) the extent of director liability index; and (ii) the ease of shareholder suit index. The economy attained ranks of 8 and 7 respectively, surpassing the Latin American and Caribbean averages on both indices. The director liability index of 8 is quite a remarkable feat when compared to the Latin American and Caribbean average of 5 and it speaks volumes to the presence of sound legislation in this regard. Similarly, the ease of shareholder suit index of 7, which is demonstrative of the level of power shareholders can exert, exceeds the Latin American and Caribbean average of 6.



Figure 33: Strength of Investor Protection for Dominica versus Comparators (2012)

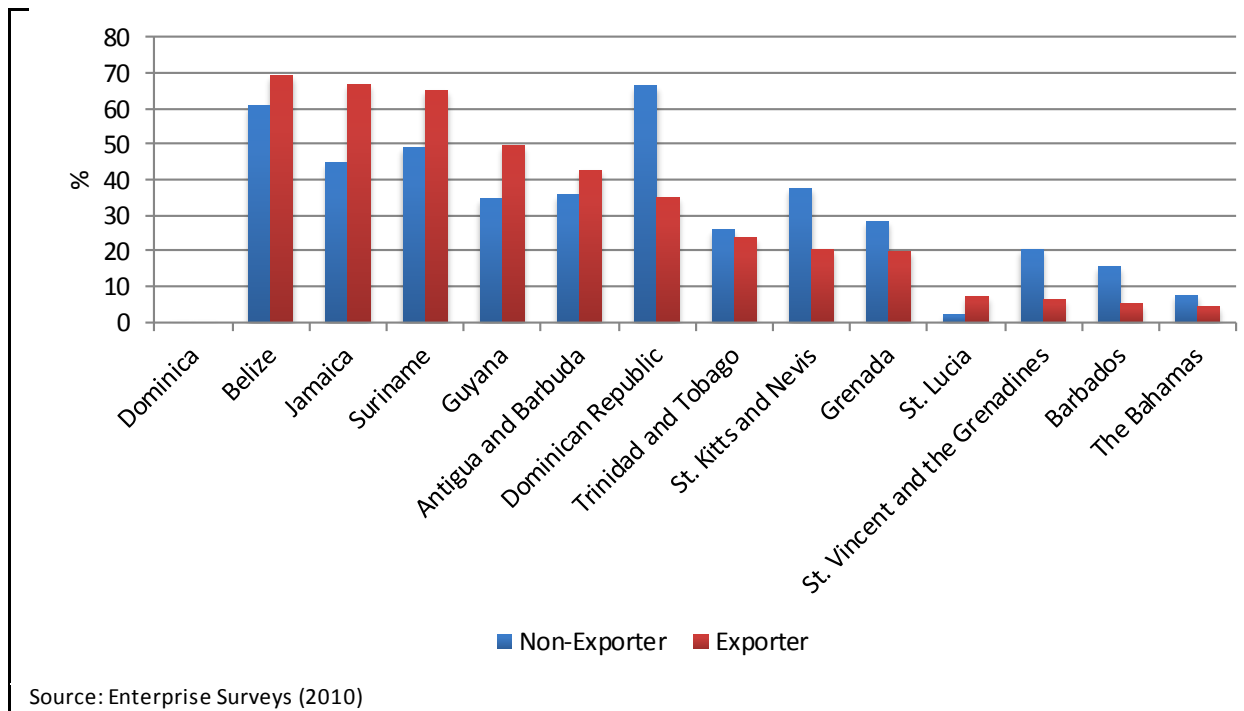


Corruption was neither identified by the non-exporters or exporters as a major hindrance to business activity, as seen in Figure 34. This seems like such an anomaly when compared to other OECs territories and Barbados. Practices of corruption are more largely felt in small enterprises. Several impediments to business activity were identified by firms, these included:

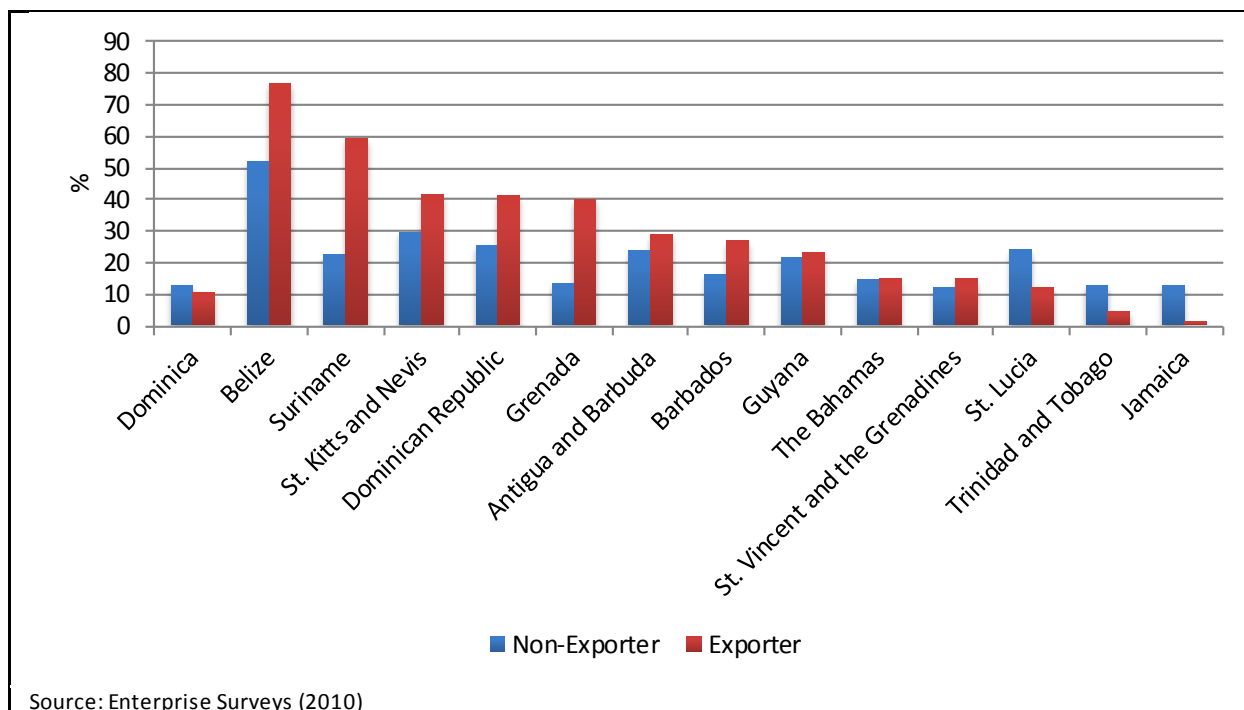
- i. The expectation of gifts by tax officials during meetings (5.6% of firms identified this practice);
- ii. The expectation of gifts by the relevant authorities whilst firms are trying to obtain an operating license from them (3.1% of firms identified this practice);
- iii. Bribery depth (% of public transactions where a gift or informal payment is requested) (4.8% of firms identified this practice);
- iv. Firms experiencing at least one bribery payment request (5.8% of firms identified this practice); and
- v. Firms who identified the courts system as a major constraint (3.1% of firms identified this practice)

As seen in Figure 35, issues relating to crime, theft and disorder were not highlighted as a major constraint within the Commonwealth of Dominica. However, the incidence of these issues was mainly addressed by exporters and is significantly high in Belize, Suriname, St. Kitts and Nevis, The Dominican Republic and Grenada, as approximately 40% of firms deemed it as a constraint.

**Figure 34: Corruption as a Major Constraint to Doing Business (2010)**



**Figure 35: Crime, Theft and Disorder as a Major Constraint to Doing Business (2010)**



The level of informality that exists within a given economy has the potential to undermine the rule of law and the existing governance structure. High levels of informality are extremely common within the developing world and in particular within Small Island Developing States, regions where the proportion of abject poverty is significantly higher. Some individuals from these regions may enter the informal sector as a matter of choice or merely because of social or financial circumstance. In the case of the former, an individual may be unable to acquire a job in the formal sector primarily due to a lack of adequate education and or training. The existence of a social paradigm with rigid

ideologies of gender and work can also act as a deterrent for the entry of individuals, especially women, into the formal sector. The existence of gender inequality is quite prevalent in the Caribbean Basin with higher percentages being recorded in Latin America. Irrespective of the fact that the informal sector provides a means to an end, primarily for the disadvantaged through the creation of jobs and the generation of production and income; governments would deem such sectors as the underpinnings of a decaying social fabric in terms of social cohesion and the rule of law. Due to the fact that activities within the informal sector are underreported or unreported, this results in fiscal losses for a given economy. The reductions in revenue and social contributions as a result of undisclosed income limit the amount of financial resources a government can allocate to build and or maintain public goods. As a consequence, persons within the formal sector face higher taxes, the level of competitiveness the economy once exhibited is compromised, and the growth of the economy is constrained. However, within the Commonwealth of Dominica, informality is not deemed as a major constraint to business activity. Approximately 97% of the firms are formally registered prior to the start of their operations and only 11% of all firms identified informality as a hindrance. According to the European Community Country Strategy Paper and National Indicative Programme for the period 2008-2013: 10th EDF, Dominica is the poorest country within the OECS grouping. Noting this, one would expect the economy to exhibit significantly high levels of informality when compared to the benchmark group. Yet, the economy is able to maintain its ground at approximately 10% for both non-exporters and exporters on this measure. However this is not the case in Belize and Suriname, the economies which attained the highest percentages with respect to exporters on this measure. Belize is somewhat unique because it exhibits high level of informality towards exporters and non-exporters. These features are expected given the higher incidence of absolute poverty in Central America.

The Commonwealth of Dominica is a unique volcanic island which has one of the lowest population densities and the most intact forest cover within the Caribbean Archipelago. It is considered to be the most northerly of the Windward island grouping, is 47 kilometres long and 29 kilometres wide and has a total land area of approximately 754 square kilometres. Owing to its topography, the island has a very limited road network which makes travelling to the air and sea ports very time consuming based on the extensive distances one must travel. As a business not located near either port of entry, this could impact negatively on the overall productivity and prosperity of the firm. Unlike most of its Caribbean counterparts, namely exporters, transportation was not deemed as an issue (see Figure 37). Approximately 90% of the Dominican firms did not deem it as an issue and this could be mainly due to the fact that most businesses are located in the Central Commercial District, Roseau. Irrespective of this finding, during the interview stage of the PSA, many firms highlighted the terrain and associated distances one must travel when going to the sole operating airport on the island, Melvin Hall, as a hassle. One individual even cited his preference to take the inter-island ferry between Dominica and the neighbouring French islands from Roseau than travel inland to Melvin Hall in the Northwest.

Figure 36: Practices of Competitors in the Informal Sector as a Major Constraint to Doing Business (2010)

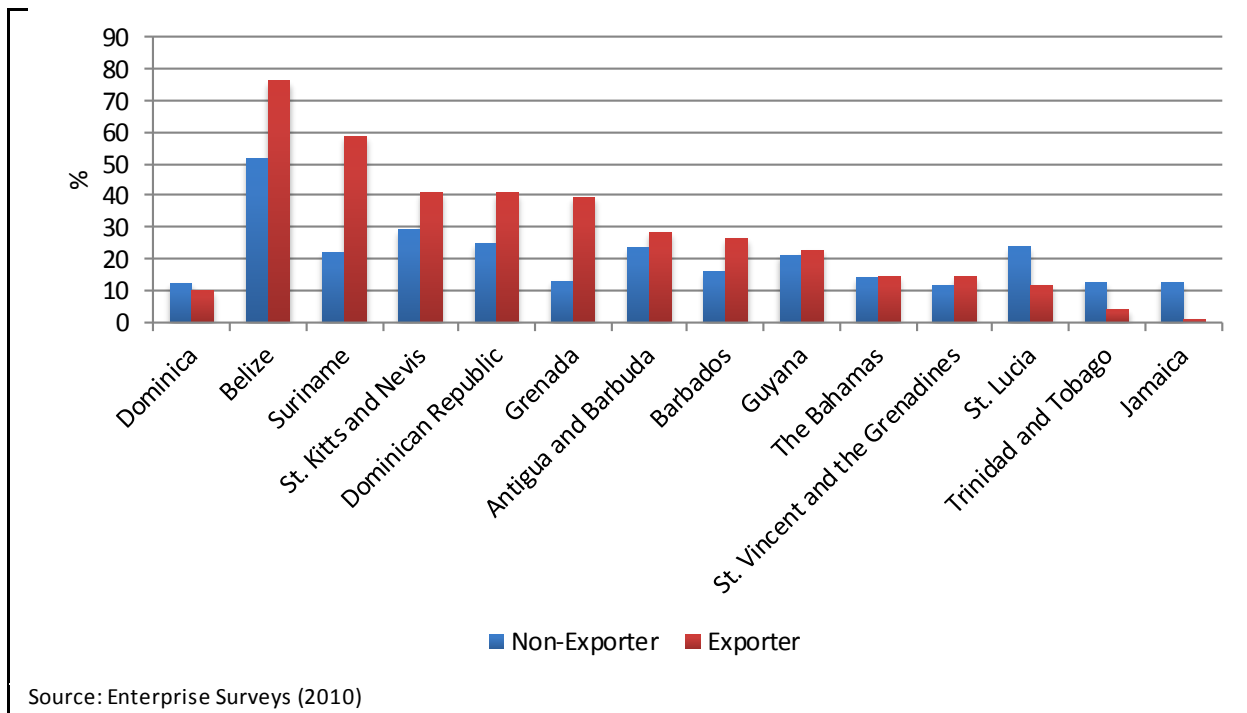
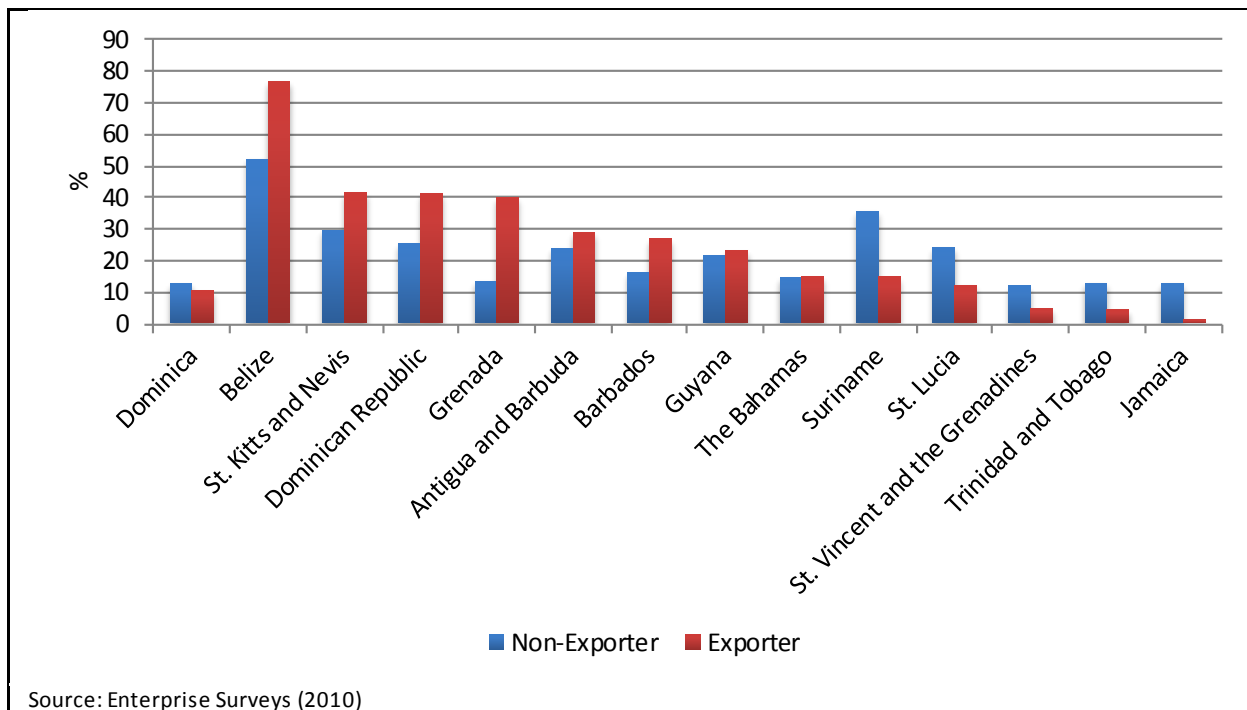


Figure 37: Transportation as a Constraint to Doing Business (2010)



### 5.2.7 Technology and Innovation

The use of technology and innovative techniques is imperative in any business model if the economy as a whole is to create and maintain a competitive advantage within a highly globalized system. It allows a firm to increase its productive capacity and aids in the development of additional skill sets amongst its workforce. It has the potential to lead to increased profits, hence resulting in lower production and operating expenses as sustainable consumption and production practices are

developed. Within the Commonwealth of Dominica, there is a relatively low level of technology use in most enterprises. Technology allows firms to better attract new markets through the advertising of various products via various online media. As seen in Table 18, Barbados was noted as the prominent leader in the percentage of firms that have their own websites (68.2%) and utilized email to interact with clients and suppliers (100%). A significant proportion of Dominican firms simply utilize electronic mail as a basic means of interacting with clients and suppliers, one of the lowest percentage ranks within the OECS grouping. Irrespective of this, such firms have lagged behind the remaining comparator countries in their pursuits to acquire a website. With respect to the number of firms that rely on technology from external entities, Dominica trails in the benchmark grouping and ranks 4<sup>th</sup> in the OECS grouping. This indicates that there is potential scope for collaboration amongst external entities. In addition, few Dominican firms have acquired an internationally-recognized quality certification which places a huge impediment in their attempts to enter new markets. For instance, the percentage of firms with international recognized quality certification is relatively higher in the territories of Grenada and the Bahamas (33% and 31%, respectively), yet it is drastically lower in Belize and St. Lucia (0.7% and 0.6%, respectively).

**Table 18: Technology Use by Manufacturing Firms in Selected Countries**

Variable	% of firms using technology licensed from foreign companies	% of firms with an internationally-recognized quality certification	% of firms having their own website	% of firms using e-mail to interact with clients/suppliers
Antigua and Barbuda	0.0	3.7	28.3	87.9
Barbados	6.8	18.3	68.2	100.0
The Bahamas	20.1	31.1	50.1	89.5
Belize	16.7	0.7	27.8	85.0
<b>Dominica</b>	<b>10.3</b>	<b>1.3</b>	<b>1.8</b>	<b>70.8</b>
Dominican Republic	24.1	11.8	48.9	85.3
Grenada	15.2	32.6	42.5	80.6
Guyana	17.4	29.5	46.0	92.5
Jamaica	14.6	16.5	36.4	72.6
Mauritius	14.4	11.1	35.9	69.3
St. Kitts and Nevis	9.6	19.4	40.4	91.5
St. Lucia	0.0	0.6	15.4	53.9
St. Vincent and the Grenadines	24.6	20.9	32.3	82.2
Suriname	5.4	11.1	11.0	58.5
Trinidad and Tobago	2.2	16.9	30.8	81.2

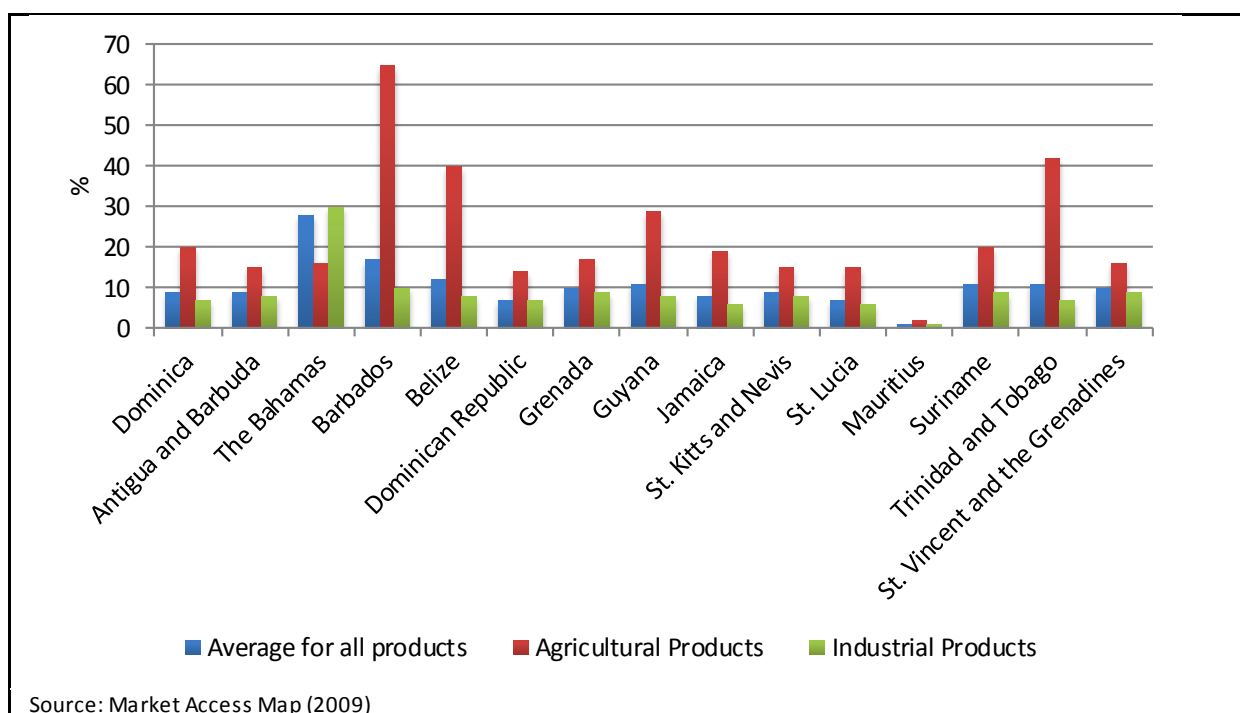
Source: Enterprise Survey (2010)

### 5.2.8 Trade and FDI Policies

In terms of average tariffs applied, the Commonwealth of Dominica had an average of 9% which is slightly below the average of all the comparator countries, suggesting that domestic producers/traders are at a relative disadvantage from competition from import. Dominica had a marginally higher average tariff than four comparator economies; Jamaica, St. Lucia, Dominican Republic and Mauritius whose average tariffs were to 8%, 7%, 7% and 1% respectively. In terms of the average tariffs applied to agricultural products, Dominica was above all of the OECS comparators

yet it was significantly lower than the economies of Barbados (65%), Trinidad and Tobago (42%), Belize (40%) and Guyana (29%). Owing to the fact that the island has an abundant natural resource endowment, the rate of 20% is not unusual for protectionism purposes. However, with respect to its industrial products, the island has an average tariff of 7% is in line with most of its comparators.

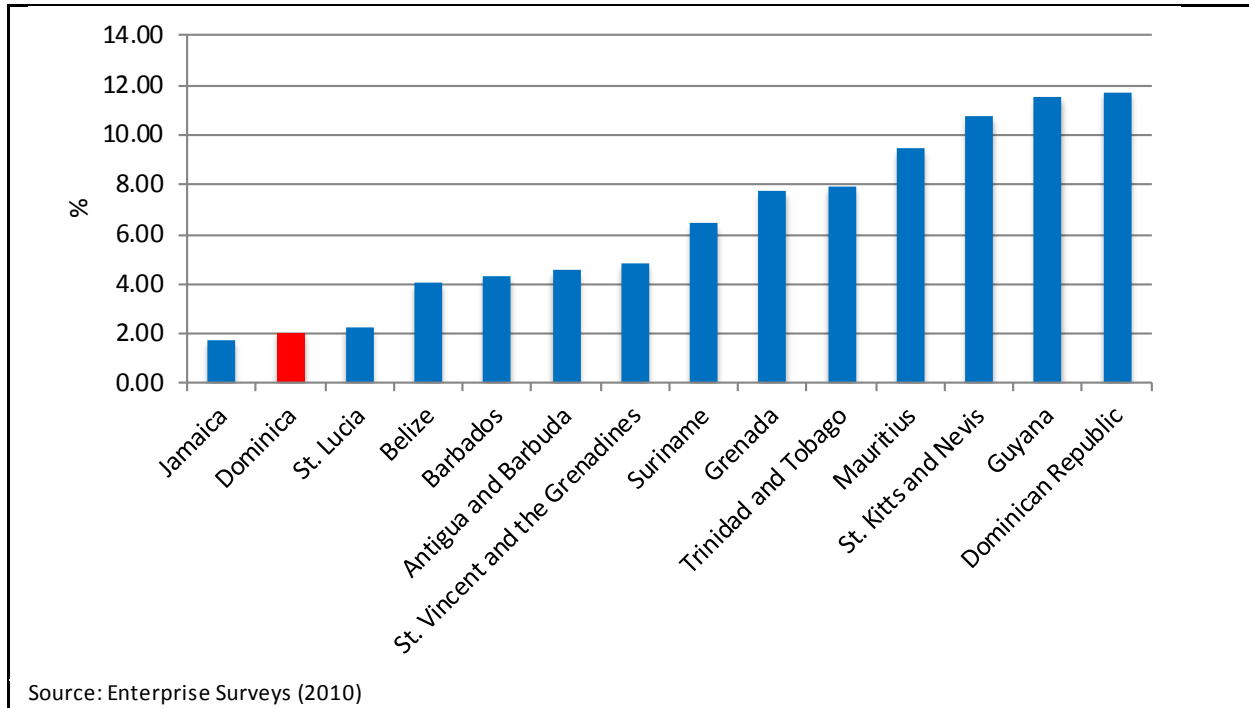
**Figure 38: Market Map Average Tariffs (2009)**



With respect to the time spent by senior management officials to adhere to government regulations, the regulatory framework within the Commonwealth of Dominica is not as complex as that for most of the comparator economies. The island is deemed as a forerunner in this regard, only trailing Jamaica by 0.30% as senior management spends 2% of their time dealing with regulations. This figure is marginally lower than that obtained by St. Lucia (2.2%), Barbados (4.30%) and is roughly 5.5 times lower than the values obtained for St. Kitts and Nevis, Guyana and Mauritius.

Customs and trade regulations were not deemed as a major constraint like in Belize, Antigua and Barbuda as well as Trinidad and Tobago whose averages were 44.6%, 58.4% and 35.8%, respectively. Dominica is in line with its other OECS counterparts, Barbados and the Bahamas with averages around 20%. Similarly, the time to clear imports was not deemed as a major hurdle as in the case of the Dominican Republic and Guyana (see Figure 41). In this respect, Dominica was in line with Barbados, Jamaica and most of its OECS counterparts all of whom took approximately 7-8 days to clear imports.

**Figure 39: Senior Management Time Spent on Dealing with the Requirements of Government Regulations- Comparison across Selected Countries (2010)**



**Figure 40: Major Constraints to Doing Business: Customs and Trade Regulations (2010)**

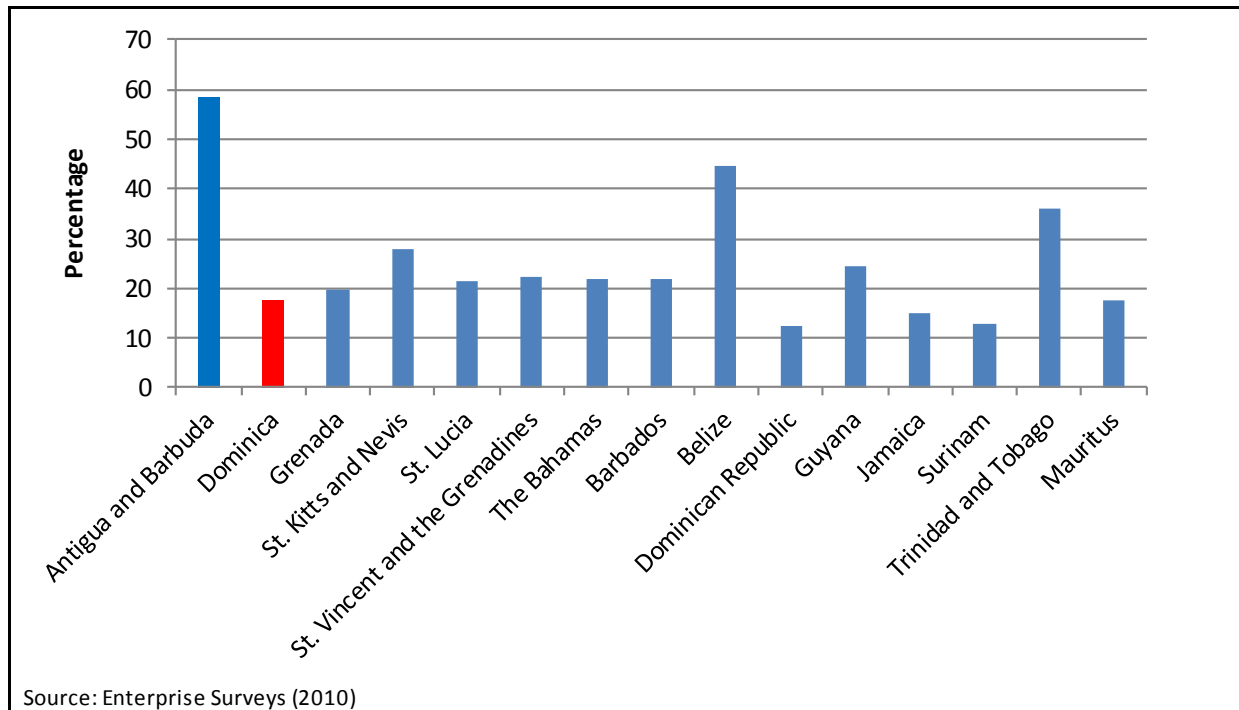
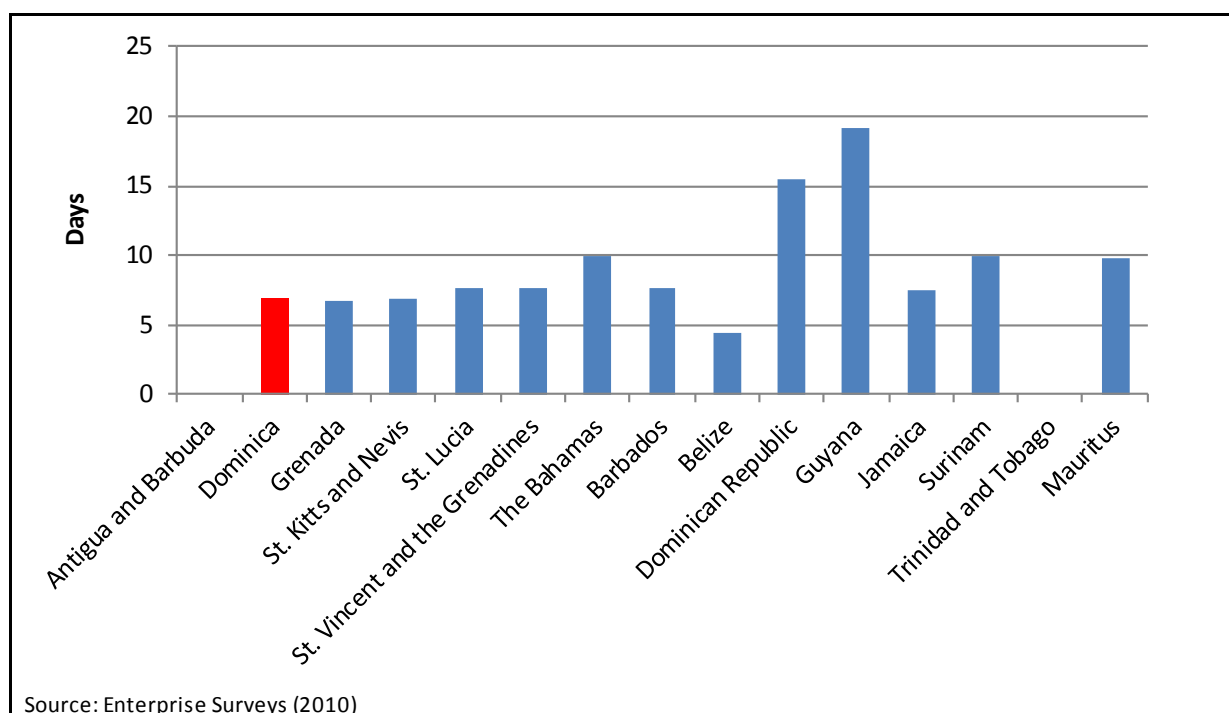


Figure 41: Major Constraints to Doing Business: Time to Clear Imports (days)



### 5.2.9 Labour Regulation

The Commonwealth of Dominica is governed by a series of acts with respect to Labour regulations. These include, but are not limited to, the Employment and Training Act, the Employment of Women, Young Persons and Children Act, the Employment Safety Act, the Industrial Relations Act, the Protection of Employment Act, Protection of Wages Act and the Recruitment of Workers Act. All of the Acts governing labour regulations in the Commonwealth of Dominica can be seen in Table 19.

Table 19: Acts within the Commonwealth to Dominica which pertain to Labour regulations

Name of Labour Act	Primary basis of Labour Act
Accidents and Occupational Diseases (Notification) Act	An act to provide for the notification of accidents and occupational diseases.
Apprentices Act	An act relating to apprentices.
Employment and Training Act	To provide for the employment and the training of persons for employment and for purposes connected therewith
Employment of Children (Prohibition) Act	An act to prohibit the employment of children in any occupation with certain exceptions.
Employment of Women, Young Persons and Children Act	An act relating to the employment of women, young persons and children.
Employment Safety Act	An act to provide for reorganising the system under which safety and health at work is safeguarded and to extend it to cover everyone at work; to provide for the establishment of consultative and advisory committees; to provide for the appointment of safety officers and for purposes connected with those matters.
Industrial Relations Act	An act to consolidate the law relating to industrial relations/
Industrial Relations (Amendment) Act, 2001*	An act to amend the industrial relations act, chapter 89:01.

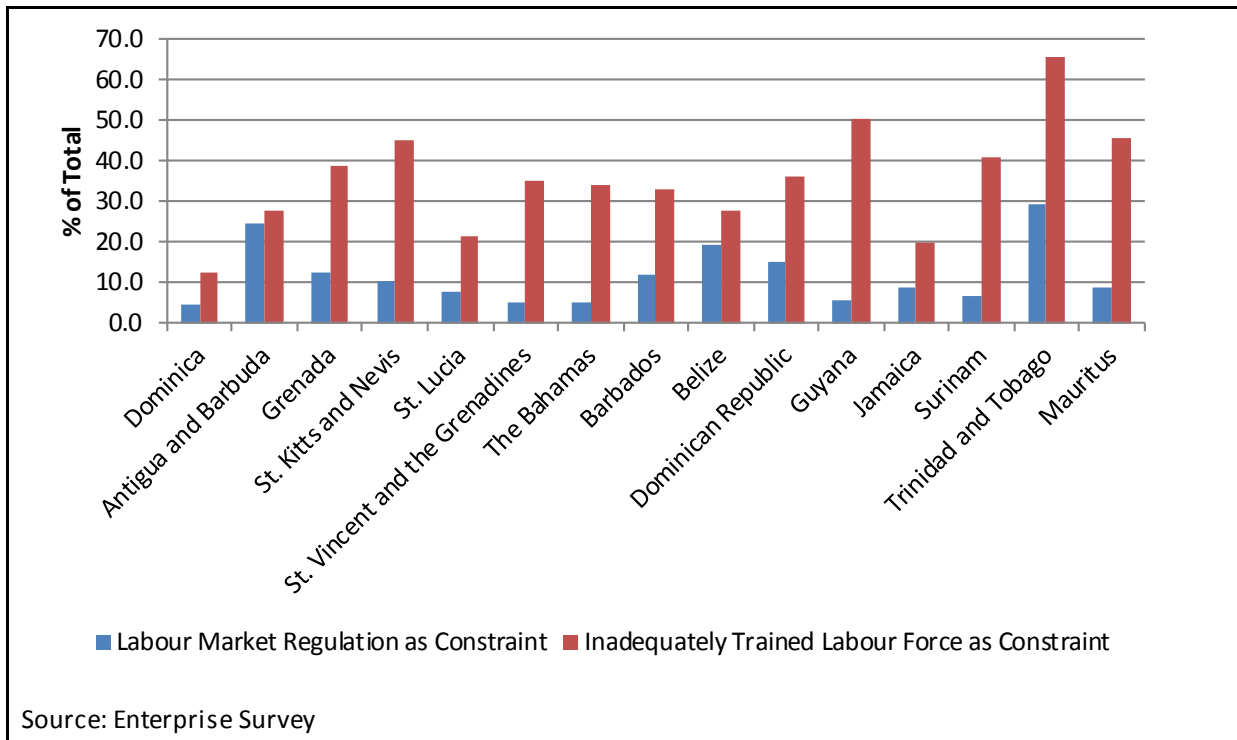


Name of Labour Act	Primary basis of Labour Act
Labour Contracts Act	An act to make provisions whereby every employer is required to provide each employee within the application of this act with a written contract specifying certain particulars of his employment; to provide the contents of a basic labour contract, and for the purposes connected therewith.
Labour Standards Act  Labour Standards (Amendment) Act, 1991	An act to provide for the fixing of wages of workers, the hours of work, their leave and generally for matters pertaining to the welfare of workers. An act to amend the labour standards act, 1977.
Labour Statistics Act	An act to provide for the preparation and publication of labour statistics.
Protection of Employment Act	This act applies except where benefits more favourable.
Protection of Wages Act	An act to make provision for the protection of wages of workers.
Recruitment of Workers Act	An act relating to the recruitment of workers.
Shop Hours Act	An act to regulate the opening hours of shops.
Trade Unions Act	An act to amend and consolidate the law relating to trade unions and trade disputes.

Source: The International Labour Organization

As opposed to other comparators within the benchmark group, the regulatory framework with respect to labour is relatively efficient within the Commonwealth of Dominica. Such regulations were not deemed as a major impediment by most firms as only 4.4% saw it as a hindrance. The island ranks first on this measure whereas economies such as Trinidad and Tobago, Antigua and Barbuda as well as Belize obtained percentages well in excess of 19% and represent the three highest values. The lack of an adequately trained labour force does not only hinder business development within the private sector, but also the advancement of the economy on the whole. Even though 12.7% firms within Dominica identified an inadequately trained labour force as a major constraint, the economy still outperforms all comparators in the benchmark group, being trailed by Jamaica and St. Lucia who stood at 20% and 22% respectively. Within Trinidad and Tobago, it was deemed as a major hindrance by 66% of the firms as well as within the OECS countries of St. Kitts and Nevis, Grenada, as well as St. Vincent and the Grenadines who stood at 45%, 39%, and 35% respectively.

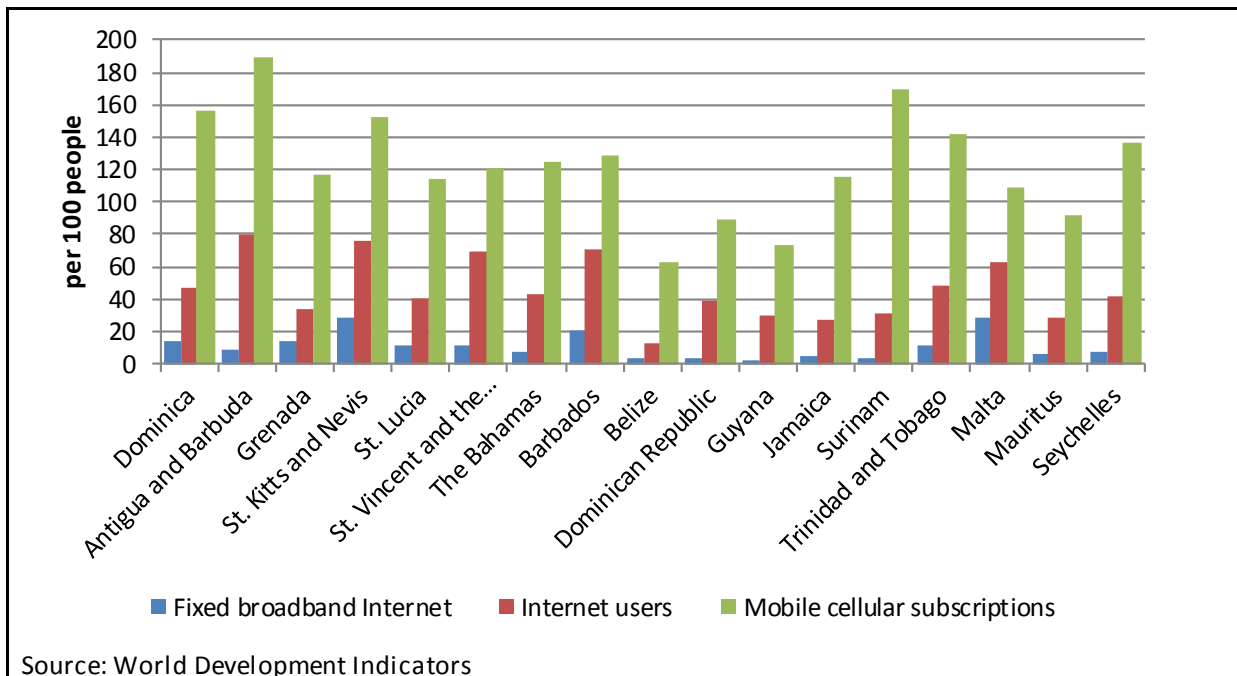
Figure 42: Labour Market Issues in Dominica and Comparators (2010)



5.2.10 Infrastructure, Communications and Energy

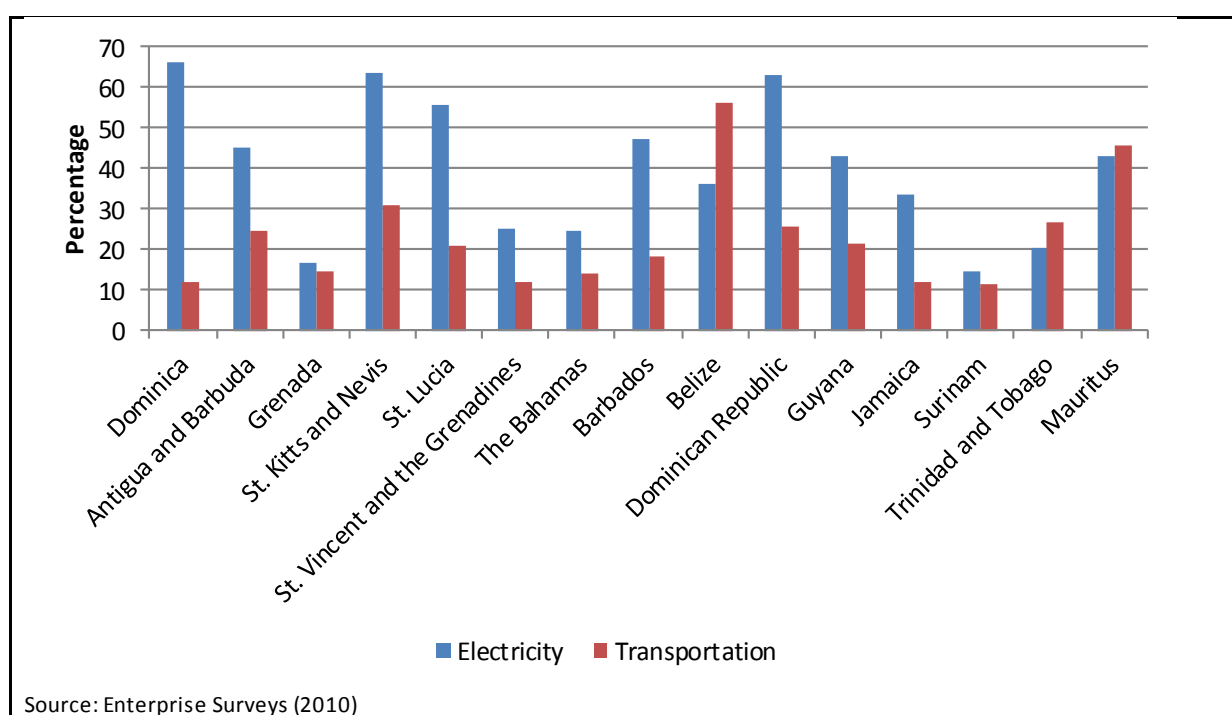
Most of the modern telephony and communications technologies are widely available in Dominica; however there is limited utilisation of fixed broadband internet and the country is 4<sup>th</sup> in the OECS in terms of internet users per 100 people. There are also dead zones due to the topography of the island. However, the amount of mobile cellular users per 100 persons surpasses that of most comparator countries with the exception of Antigua and Barbuda and Surinam.

Figure 43: Availability of Services to Firms for Dominica versus Comparators (2010)



Unlike Trinidad and Tobago, most Small Island Developing States, especially those within the Caribbean region are net energy importers, which make them increasingly vulnerable to fluctuations in oil prices within the global market. Whilst underscoring the importance of utilizing non-renewable resources in a sustainable manner and through dialogues involving the pursuit of the Green Economy initiative, most Caribbean economies have adopted national energy policies and in some instances renewable energy initiatives; Barbados and the Commonwealth of Dominica are pioneers in this regard. Despite the prospect of alternative energy exploitation, the cost of electricity acts as a major constraint to private sector development in Dominica which is provided by the monopoly energy agency, Dominica Electricity Services (DOMLEC). Based on the geology, there is scope for the island to exploit its geothermal resources as this can provide a viable outcome to the energy demands of local residents and neighbouring territories.

**Figure 44: Major Constraints to Doing Business: Electricity and Transportation (2010)**



Most businesses within the Commonwealth of Dominica are located in close proximity to the seaport along the western side of the island which significantly eliminates the distances one must travel to get to that port of entry. However, limited road networks, due to the topography of the island, could possibly act as an impediment to businesses located outside of the capital. The location of the island's main airport at Melvin Hall also creates a logistical impediment. The quality of the road network makes traversing various regions within the island easy time consuming. There is however relatively less congestion on the island as compared to territories such as Barbados owing to the fact that Dominica has one of the lowest population densities within the Caribbean Archipelago.

As seen in Table 20, a comparison between Dominica and the average for comparator countries shows that the Dominica falls short on two measures: (i) Percent of Firms Identifying Electricity as a Major Constraint and (ii) Number of Electrical Outages in a Typical Month. The cost of electricity, which has been noted as one of the major constraints to businesses, was noted by 66% of respondents, nearly twice that of the regional average. In addition to this, there is usually a two hour

delay to business productivity when electrical outages occur, yet, minimal losses as a result of this were noted. However, Dominica outperforms the regional average based on the number of days it takes to acquire an electrical connection, the percentage of firms that own or share a generator and the proportion of electricity obtained from a generator.

**Table 20: Infrastructure Indicators for Dominica and Comparator Countries**

Economy	Dominica	Average for Comparator Countries (Latin America and the Caribbean)
Number of Electrical Outages in a Typical Month	2.8	2.5
Duration of a Typical Electrical Outage (hrs)	2.0	1.3
Losses Due to Electrical Outages (% of Annual Sales)	0.1	1.1
Percent of Firms Owning or Sharing a Generator	8.8	28.8
Proportion of Electricity from a Generator (%)	0.1	2.1
Days to Obtain an Electrical Connection	5.6	21.3
Percent of Firms Identifying Electricity as a Major Constraint	66.1	37.6

Source: Enterprise Surveys, 2010

### 5.2.11 Gender

Promoting gender equality represents one of the founding principles of the United Nations system. Prior to the recently concluded Rio +20 United Nations Conference on Sustainable Development, in his feature address at the 'Gender Equality for Sustainable Business Workshop' on March 6th, 2012, the United Nations Secretary General, Ban Ki Moon, highlighted various initiatives being jointly undertaken by the United Nations System and the private sector to promote gender equality on all cusps of economic activity. These include:

- i. The women empowerment principles - a joint initiative between the United Nations Global compact and UN Women;
- ii. The Every Woman Every Child Initiative which has implications for healthy societies; and
- iii. The Sustainable Energy for All conference which has implication for sustainability, gender equality, empowerment and prosperity.

In particular, the United Nations Secretary General underscored the importance of businesses to promote corporate social responsibility through the adoption of the women empowerment principles which have inspired maternity leave policies, compensation equalization measures and entrepreneurship training programs for women, especially those in poor rural communities. These seven principles include:

- i. Establish high-level corporate leadership for gender equality;
- ii. Treat all women and men fairly at work – respect and support human rights and non-discrimination.
- iii. Ensure the health, safety and well-being of all women and men workers.
- iv. Promote education, training and professional development for women.
- v. Implement enterprise development, supply chain and marketing practices that empower women.
- vi. Promote equality through community initiatives and advocacy.
- vii. Measure and publicly report on progress to achieve gender equality.

Achieving sustainable development offers a revolutionizing proposal to all economies, particularly Small Island Developing States. Its achievement calls for a firm approach with regard to care for the environment, and economic development and social equity.

Women are regarded as the least utilized human resources and the adoption and implementation of the women empowerment principles would reduce the barriers that women face to fully participate in a given economy such as lack of access to jobs, markets, credit and property; and lead to strong economic returns for all. According to Michelle Bachelet, the Executive director of UN Women, countries and companies with higher gender quality enjoy high levels of inclusive growth and performance. The pursuit of the Green Economy, which has attained globally significance at the recently concluded Rio+20 United Nations Conference on Sustainable Development, seeks to achieve economic development and social equity whilst minimizing biodiversity loss and ecological scarcities. It is inextricably linked to an economy's sustainable development initiative(s). The shift to a green economy can be seen as one pathway to the attainment of sustainable development. The nature of the approach sought by developed and developing nations depends on a number of factors:

- a) Geological location;
- b) Natural resource base;
- c) Human and social capital; and
- d) Stage of economic development.

The Caribbean Basin presents a region in which women's economic participation and representation as enterprise owners is at its lowest. Female participation, which accounts for approximately 57%, is mostly concentrated within the informal sectors. This results from a lack of equal opportunities as well as barriers facing women. Such barriers, including the gender wage differential and occupational segregation, have pushed women to become entrepreneurs in their own right. Such businesses have the following characteristics:

- i. Firms are small, which makes them increasing vulnerable to corruption;
- ii. Firms are young, therefore lack stability, and often fail soon after their onset;
- iii. Firms are less likely to grow due to low investments in human capital and technology as well as the absence of training mechanisms for employees;
- iv. Firms tend to be concentrated in less lucrative businesses, are less productive and are therefore less profitable;
- v. Firms tend to have a family-oriented dynamic and generally save less because most of the profits are used as subsistence.

Even though these women empowered themselves to become entrepreneurs, their lack of penetration within the formal sectors causes them to remain uncouneted. Female ownership in enterprises only accounts for 18-31% of all businesses within the Caribbean basin, even though a large proportion of women start enterprises. Irrespective of this, significant strides have been made to reverse the gender disparity.

The Commonwealth of Dominica is committed to the Beijing +5 Platform of Action and the 23<sup>rd</sup> Special Session of the General Assembly, the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) as well as the Millennium Development Goals. Through the assistance of the CARICOM Secretariat, the island has established a Millennium Development Goals Committee who is charged with identifying and collecting data on social, economic and

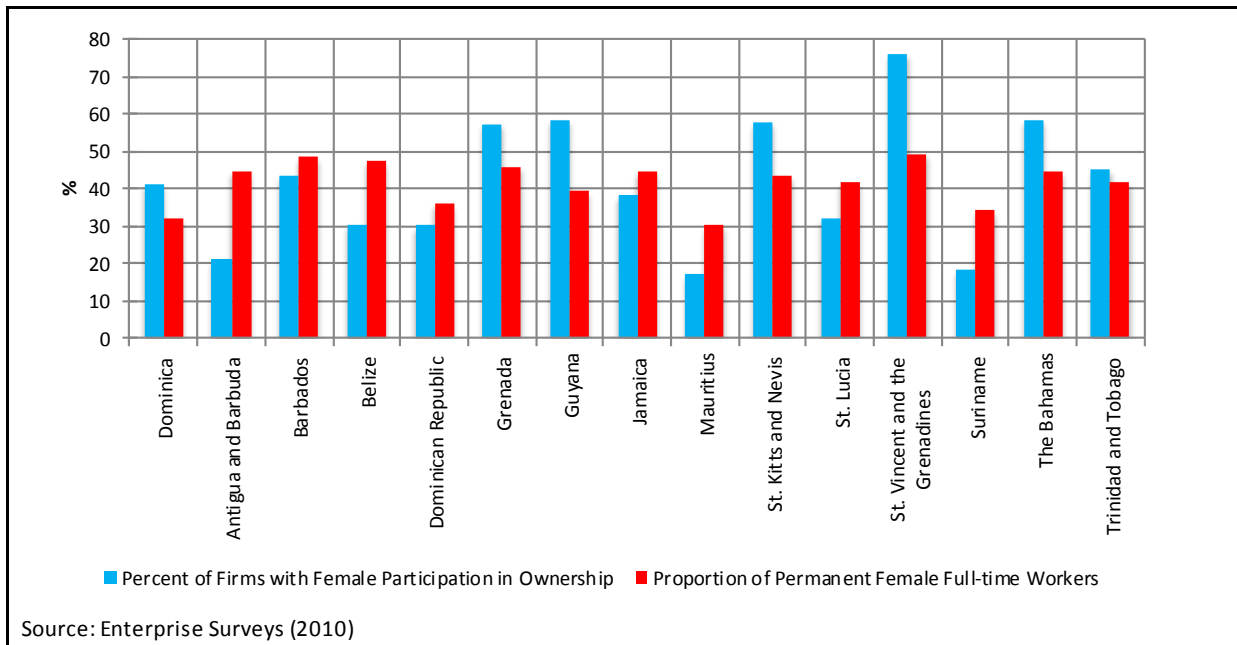
environmental indicators. In addition to this, a National Policy and Action Plan for Gender Equity and Equality was adopted in 2006 to deal with specific issues related to the attainment of Goal 3 of the Millennium Development Goals. There are two (2) national agencies that are charged with the responsibility of dealing with gender issues: (i) The Bureau of the Gender Affairs and (ii) The Dominican National Council of Women. The former is a government agency that was established in 1979 as a women's desk, but quickly attained Bureau status in 1982. It is an umbrella arm of the Ministry of Community Development, Culture, Gender Affairs and Information. Their mission statement is as follows:

*"...To promote and advance the concerns of women and gender issues and assisting women and men in realizing their full potential through the attainment of gender equity and equality."*

The Dominica National Council of Women (DNCW) is a non-governmental organisation (NGO) that was first established in 1986 and is headed by a Board of Directors. Even though the mandate of the organization is to promote the rights of all Dominican women, mainly through the assessment of gender-based violence, it has been concerned with providing assistance during natural disasters in more recent years. Both organizations have a staff compliment of three individuals which speaks volumes to the workload, their level of efficiency and effectiveness. In particular, the challenges encountered by the Women's Bureau include the lack of data that is disaggregated by gender, the lack of employment data in traditionally male dominated fields, and heightened delinquency amongst males whom access the services provided by the Bureau. There is a need for stronger collaboration and cooperation within all ministries to enable the Gender Bureau to fully perform its function. Progress has been made through the establishment of an Institutional Framework for Gender Mainstreaming whereby gender focal points exist within each ministry to ensure that there is no gender disparity within any policies that are adopted. In addition to this, the bureau communicates its message to the general populace via sensitization workshops and to date significant progress has been made in relation to issues of gender-based violence, female-headed households and young men at risk.

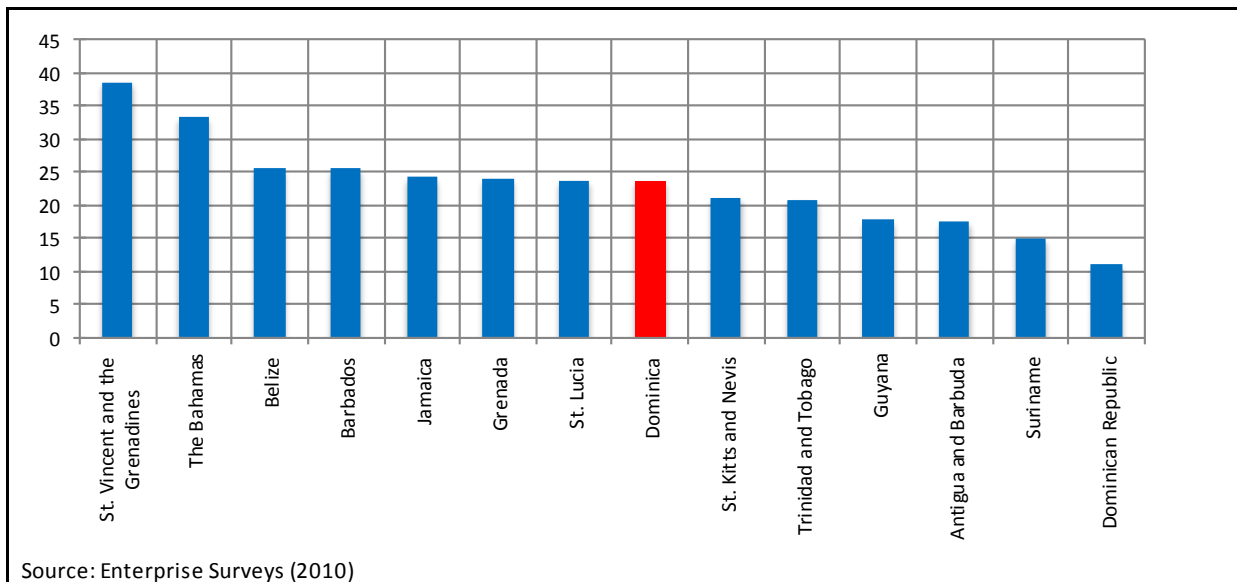
As seen in Figure 45, approximately 40% of the firms have female participation in ownership. In contrast to its comparators, the economy outperforms many of its OECS counterparts on this measure. It is only surpassed by St. Vincent and the Grenadines, Guyana, Grenada, St. Kitts, Barbados and the Bahamas. As of 2010, the proportion of permanent female full-time works stood at 32%. The lack of penetration within the formal sectors could act as a deterrent for women for various reasons; the existence of the gender wage differential, which is the primary barrier to female economic advancement, exclusion via occupational segregation, and the lack of training, which is based to the social norms and ideologies to some extent. Other obstacles include access to finance, predominantly high levels of unemployment for women over the long term, low returns on education, access to networks and technologies, the presence of risk aversion and the resumption of traditional household roles and cultural beliefs. Improving female participation in the labour market through the adoption of women empowerment principles will alter the corporate environment, both horizontally and vertically. This can be achieved through the adoption of programmes that could allow women to perform their gender roles whilst making substantial contributions to economic development as well as reversing the gender wage disparity.

**Figure 45: Female Participation in Establishments for Dominica versus Comparator (2010)**



In 2010, the percentage of firms with female managers stood at 24%, in line with most comparators. Achieving gender equity can result in mutually benefits for firms. It can increase the firm’s productive capacity and hence its competitiveness; increasing the percentage of women in the workforce can allow the firm to become dynamic, creative and innovative, easily mutable. Training for all employees can result in fewer rotations and a reduction of costs associated with hiring new individuals, particularly males, rather than utilizing the existence the female labour force. The presence of female participation at the helm of business decisions can not only act as a motivational tool for women seeking such job opportunities but also improve the firm’s image to consumers and investors.

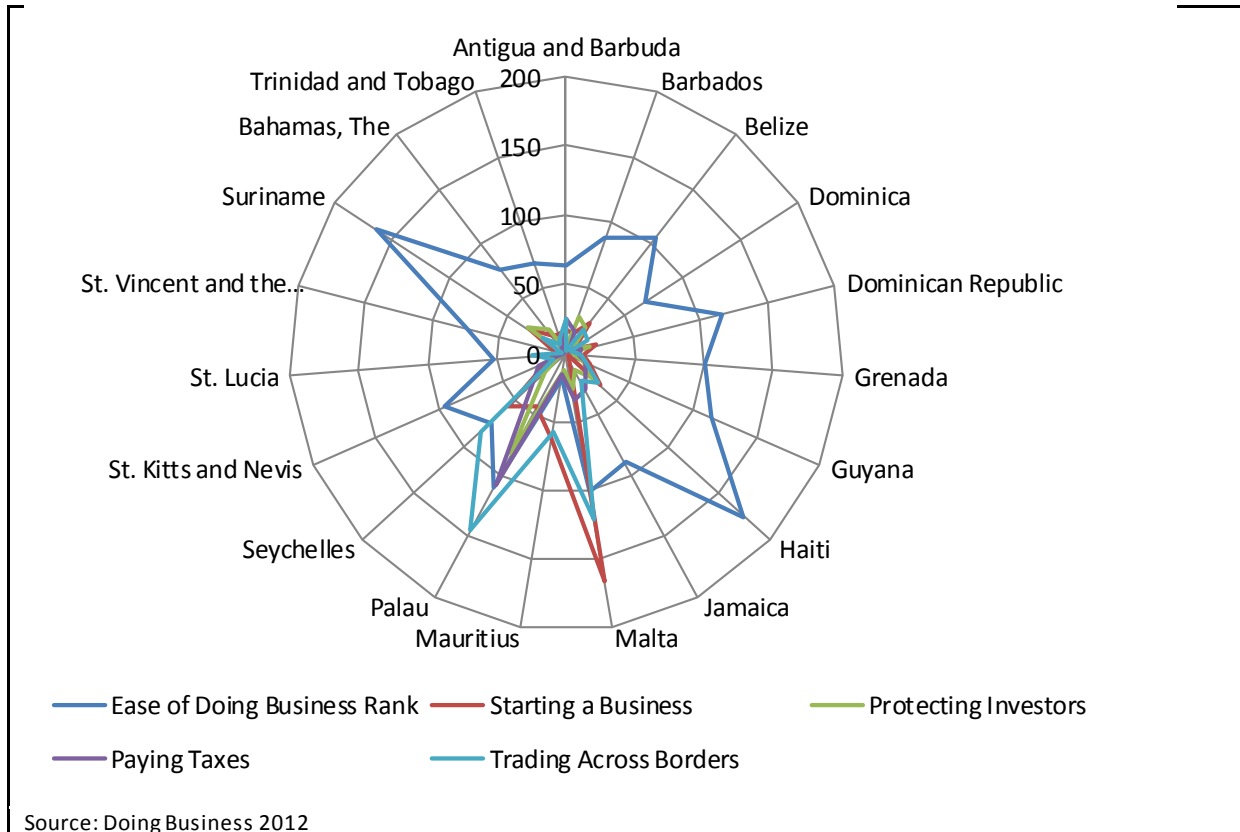
**Figure 46: Percentage of Firms with Female Top Managers for Dominica versus Comparators (2010)**



**5.2.12 Ease of Doing Business**

In relation to the institutional structure for doing business, Figure 47 shows that the Commonwealth of Dominica has one of the highest rankings for the overall Ease of Doing Business when compared to its comparators. It is only surpassed by Mauritius, St. Lucia and Antigua and Barbuda.

**Figure 47: Overall Ease of Doing Business Rankings for Selected Countries (2012)**



Historically, the Commonwealth of Dominica has outperformed most, and in some instances all, of its comparators in terms of time and cost of doing of doing business. It is therefore no surprise why the economy has consistently performed so well on the overall Ease of doing Business measure. For example, in 2004, Dominica was noted as a leader amongst the comparator grouping in terms of time. It took an average of 4 days to set up a business. Despite this figure increasing to 13 days in 2011, 13 days behind the global leader, New Zealand, Dominica was second amongst comparator countries. In 2004 and 2010, the cost associated with starting a business amounted to approximately 20% of GNI. Even though the costs and number of procedures remained consistent, improvements can be made to simplify procedures and hence reduce the time lag.



Figure 48: Time and Cost to Start a Business: Dominica versus Comparators (2004)

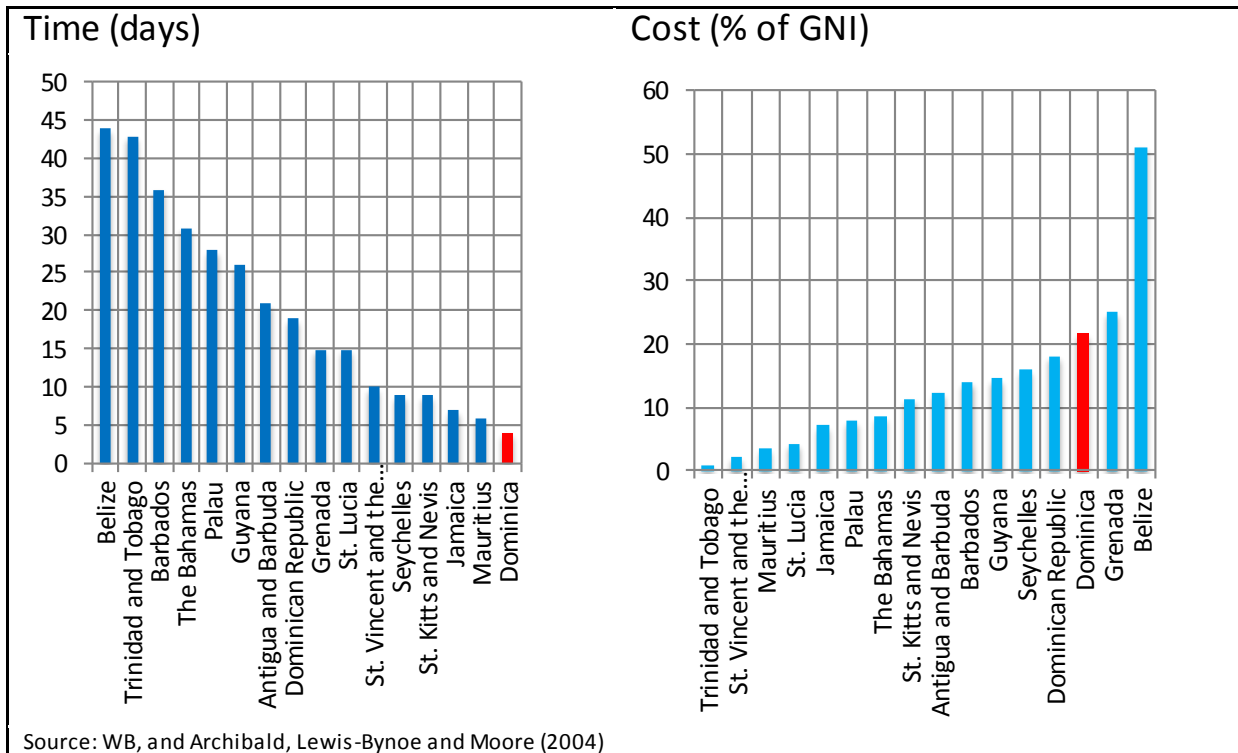
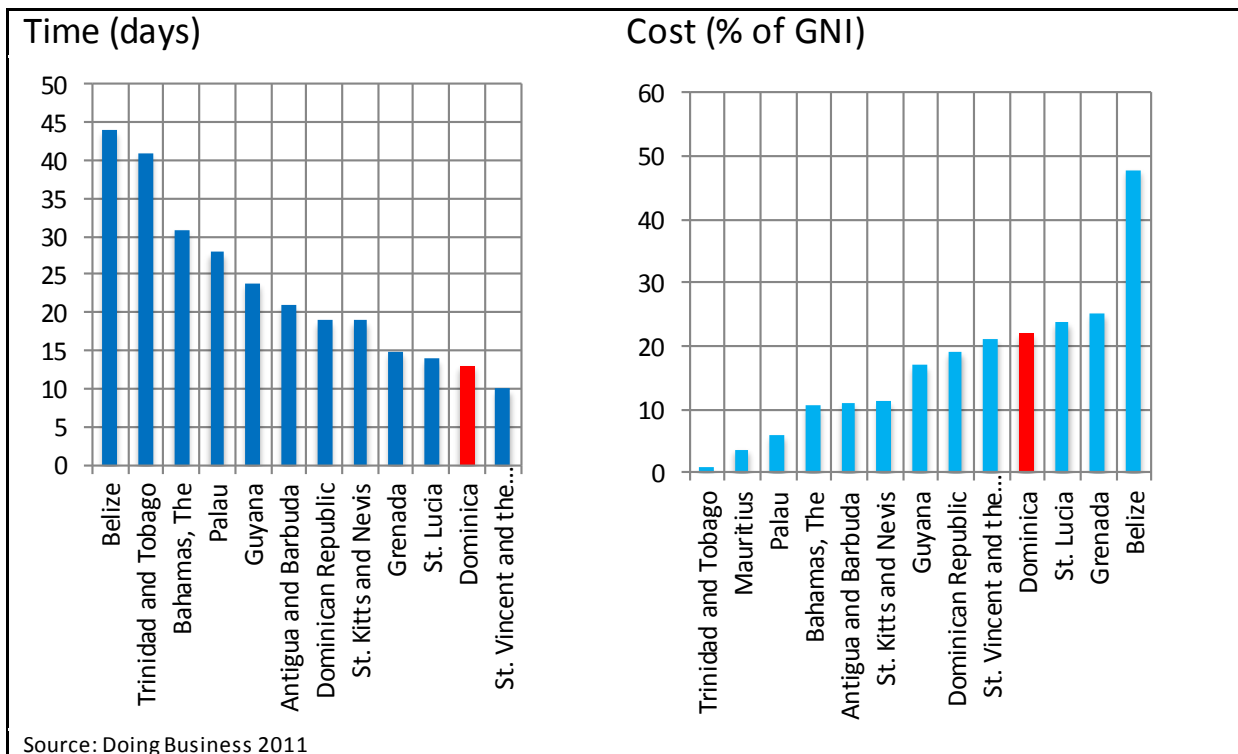


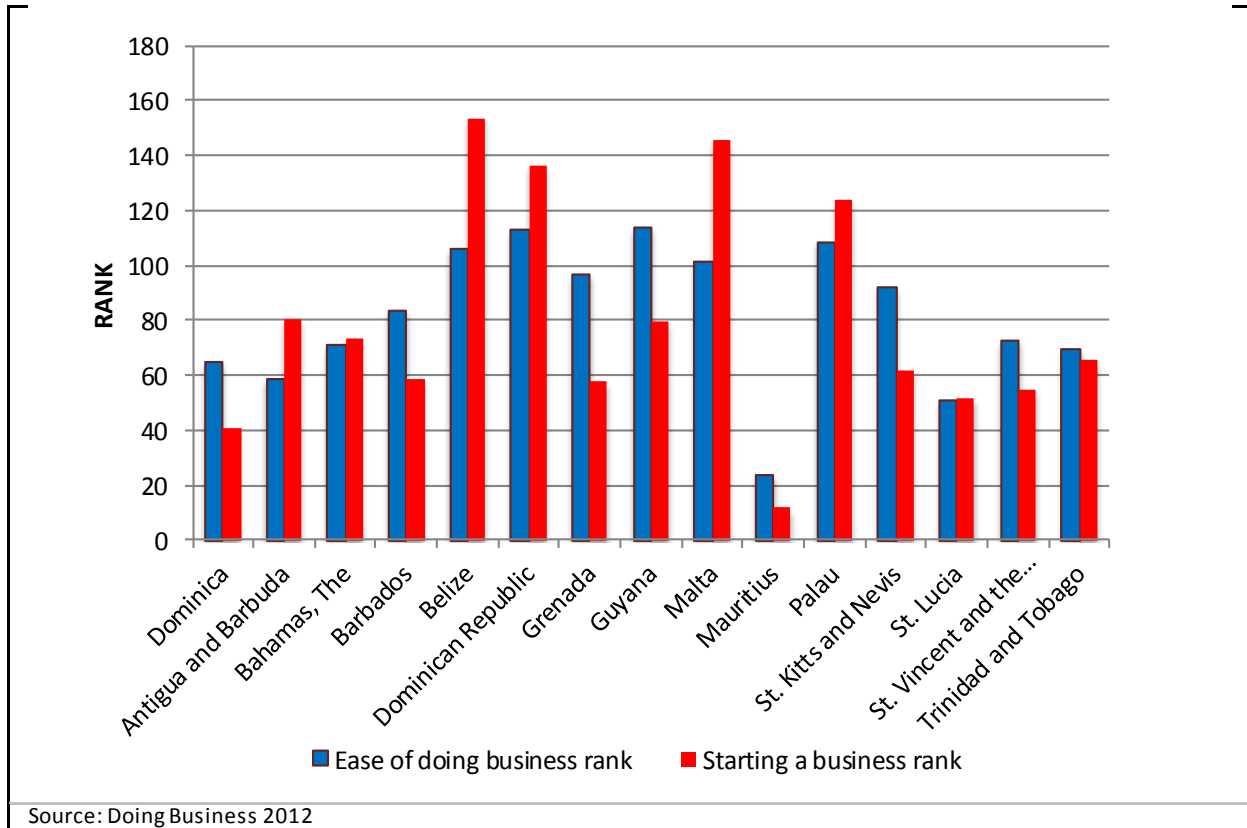
Figure 49: Time and Cost to Start a Business: Dominica versus Comparators (2011)



It is relatively easy for investors to set up businesses in the Commonwealth of Dominica. In 2012, its Ease of Doing Business ranking of 65 out of 185 economies was much higher than most comparators, especially those within the OECS grouping. Overall, it ranks 4<sup>th</sup> on this measure, only being surpassed by Antigua and Barbuda, St. Lucia and Mauritius. The starting a business ranking is calculated as a

simple average of the percentile ranking of four indicators. These include the number of procedures, time, cost (percentage cost of income per capita) and the paid-in minimal capital investment. The analysis clearly shows that Dominica is better off than most of its OECS counterparts as it takes five (5) procedures, thirteen (13) days, cost 21.8% of income per capita and does not require minimum paid-in minimum capital to start a business.

**Figure 50: Doing Business Rankings for Dominica versus Comparators (2012)**



Over the period 2011-2012, there has been a slight improvement in the overall Ease of Business ranking. This resulted from a change in the cost (percentage cost of income per capita) required to start a business. According to Doing Business 2013, this cost was reduced from 22.0% in 2011 to 21.8% in 2012. This cost, which outperforms the Latin America and Caribbean regional average, is indicative of Dominica’s successful attempts to streamline measures with respect to the costs new investors face. Other indicators such as the number of procedures, time and the paid-in cost of capital required remained relatively constant.

Figure 51: Change in Doing Business Rankings for Dominica versus Comparators (2011 to 2012)

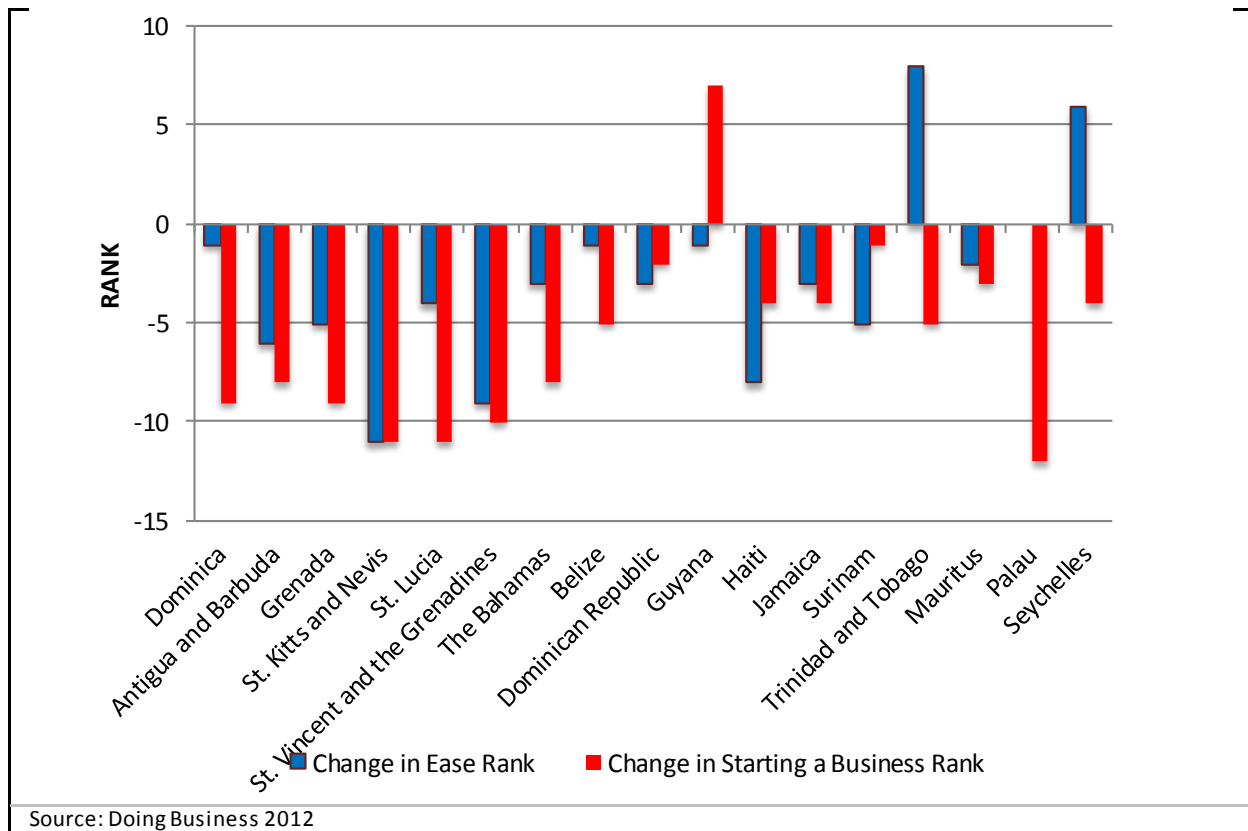
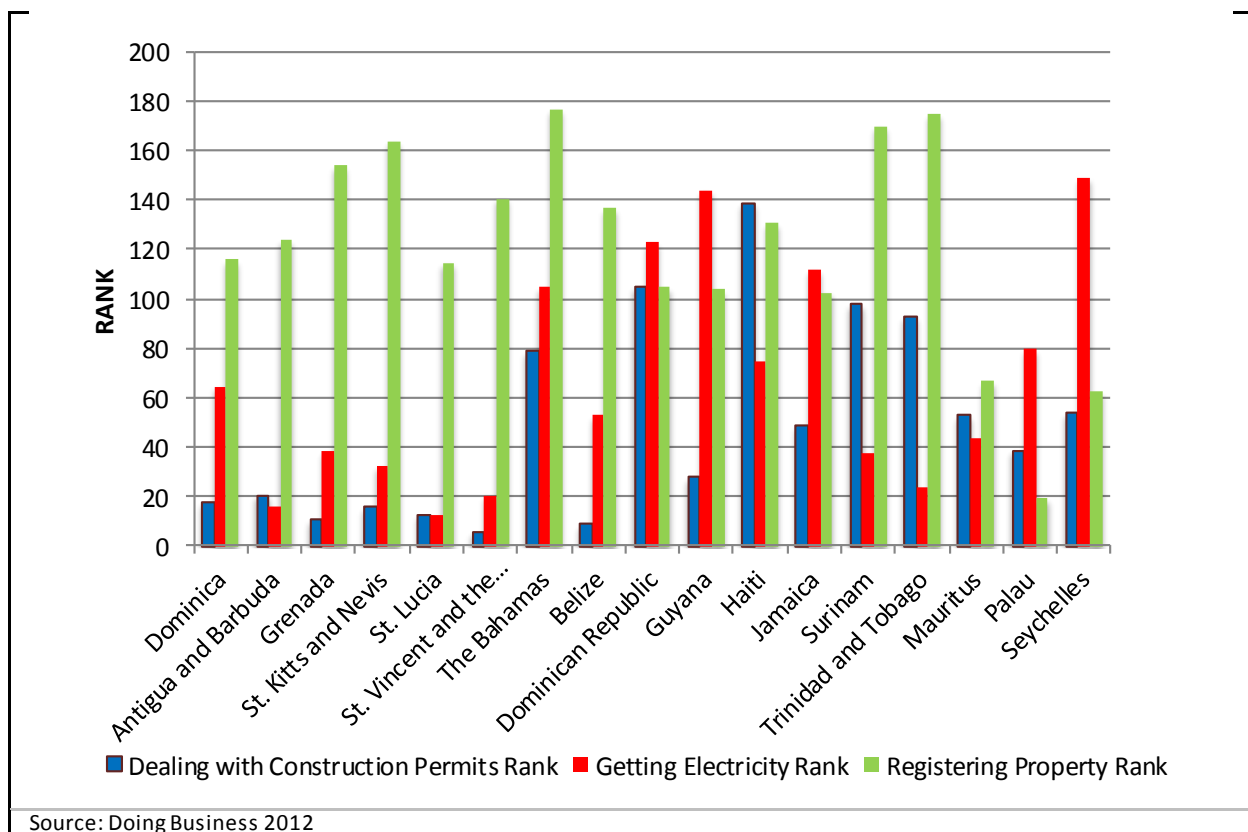


Figure 52: Doing Business Rankings for Dominica versus Comparators (2012) for Selected Indicators



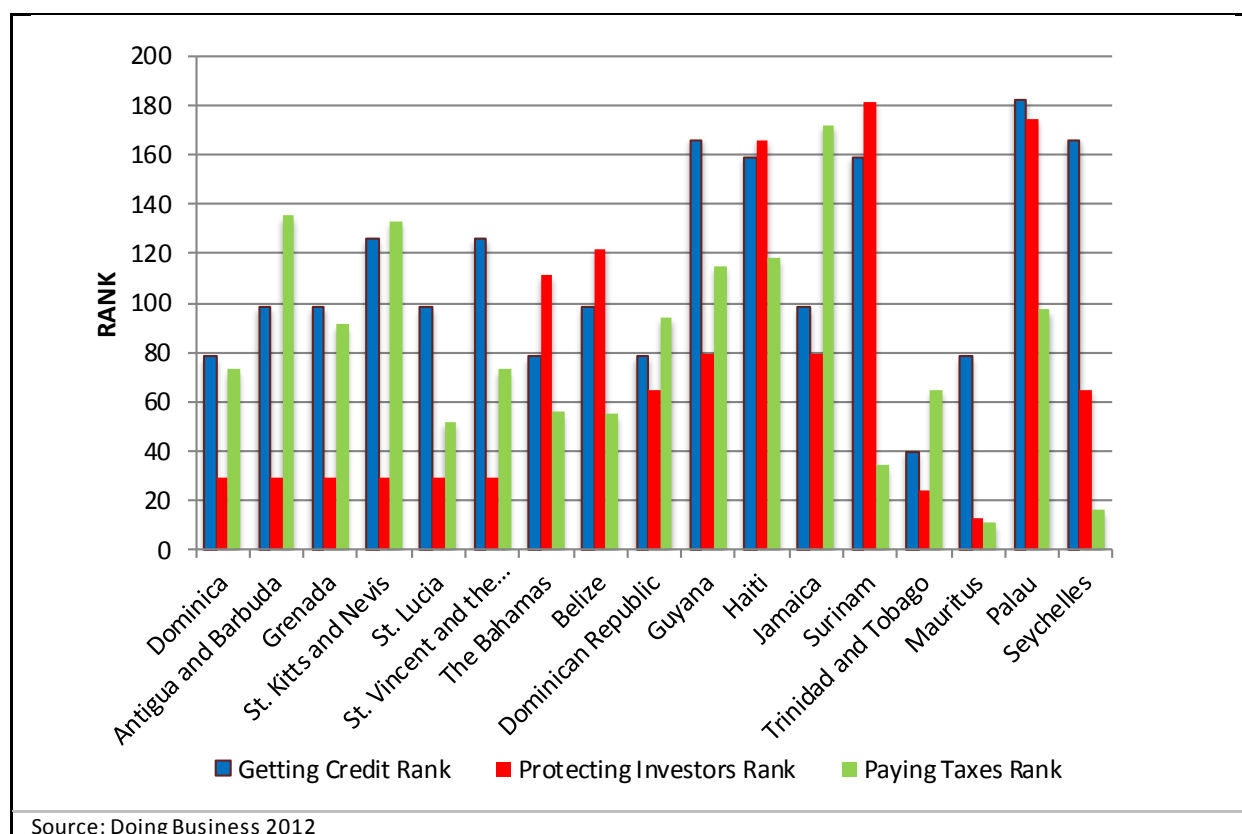
Acquiring construction permits within the Commonwealth of Dominica is relatively easier in contrast to most comparators; the rank is indicative of the Government's intention to reduce the bureaucratic red tape associated with the acquisition of such permits. Ideally, the process should be simple, straightforward and inexpensive, so that the economy can fully reap the benefits from this level of economic activity. The Dealing with Construction Permits rank is computed as the simple average of the percentile rankings on the following component indicators: procedures, time and cost. As of 2012, it takes nine (9) procedures, 165 days and cost 10.8% of income per capita to acquire a construction permit. Dominica, which currently ranks at 22 out of 185 economies, is well above the regional average of 80. However, it is out of line with the forerunners as it pertains to procedures because it lags slightly behind the regional and global best performances on that measure. In addition, there is a significant amount of bureaucratic red tape with respect to two procedures: (i) obtaining an outline for planning permission (56 days at a cost of XCD \$50) and (ii) actually obtaining the permission (90 days at a cost of XCD 1,000). There is therefore much need for improvement with respect to bureaucratic red tape. In terms of time, the economy trails behind the regional and global best performances which are both approximately 50 days, yet it still outperforms the regional average which lies between 200 and 250 days. Dominica is on par with the regional and global best performances when costs are taken into account. This is indicative of sound regulations being adopted by policymakers which ensures that standards are met and compliance is easily accessible.

It is extremely difficult for a business to acquire an electricity permit within Dominica. Similar to the computation for a construction permit rank, the getting electricity rank utilizes the components of procedures, time and cost (% of income per capita). The general assumptions are (i) this is the first time the plant, which is not located within a special economic zone, has sought a permit. The plant should exist within the economy's largest business centre and be easily accessible by the road network on the island. The Commonwealth of Dominica ranks 63<sup>rd</sup> out of 185 economies. Relative to its comparators, Dominica has one of the highest rankings within the Caribbean basin and slightly underscores the regional average of 73. Under regular circumstances, getting electricity requires 5 procedures, takes 61 days at the high cost of 849.7% of income per capita. Dominica trails the regional and global best performances in time, yet it is close to said performers in terms of the number of procedures. It should be noted that the following two procedures are time consuming and costly: (i) the client obtains external works by Dominica Electricity Services' (DOMLEC) contractor, and (ii) the client obtains meter installation and final connection from Dominica Electricity Services (DOMLEC). As a net importer of energy, Dominica is increasing vulnerable to fluctuations in oil prices within the global market. The presence of the monopoly DOMLEC and a lack of reform with respect to consolidated requirements make obtaining electricity difficult. With respect to the external works conducted by DOMLEC's private contractors, the client bears all of the cost if an upgrade is required. The time spent to complete these works is inclusive of the time it takes DOMLEC to acquire the necessary documentation for an evacuation permit. With respect to meter installation, even though DOMLEC is needed to fulfill the electricity connection, they are not responsible for external works which are completed by a private contractor.

It is extremely difficult to register property with the Commonwealth of Dominica. Dominica, which ranks at 116 out of 185 economies, represents one of the lowest rankings amongst the comparators and in particular those within the OECS grouping. It lies slightly below the regional average, yet it surpasses most economies within the Caribbean Basin. Registering property in Dominica requires

five procedures, takes 42 days and costs 13.2% of the property value. A comparison of these procedures with the regional and global best performers as well as the Latin American and Caribbean regional average indicates that more can be done to simplify the processes involved in registering a property. For instance, the mechanization of some if not all procedures, especially those that involve a memorandum of transfer (a process which currently takes 14-60 days), would be beneficial to entrepreneurs. The amount of time it takes can also be drastically reduced through the implementation of time limits for procedures, which will make Dominica more appealing to new investors. The associated cost of registering a property is significantly higher than the corresponding regional average as well as the regional and global forerunners. A reduction of this cost will surely create an influx of new investors if an enabling environment is created.

**Figure 53: Doing Business Rankings for Dominica versus Comparators (2012) for Selected Indicators**



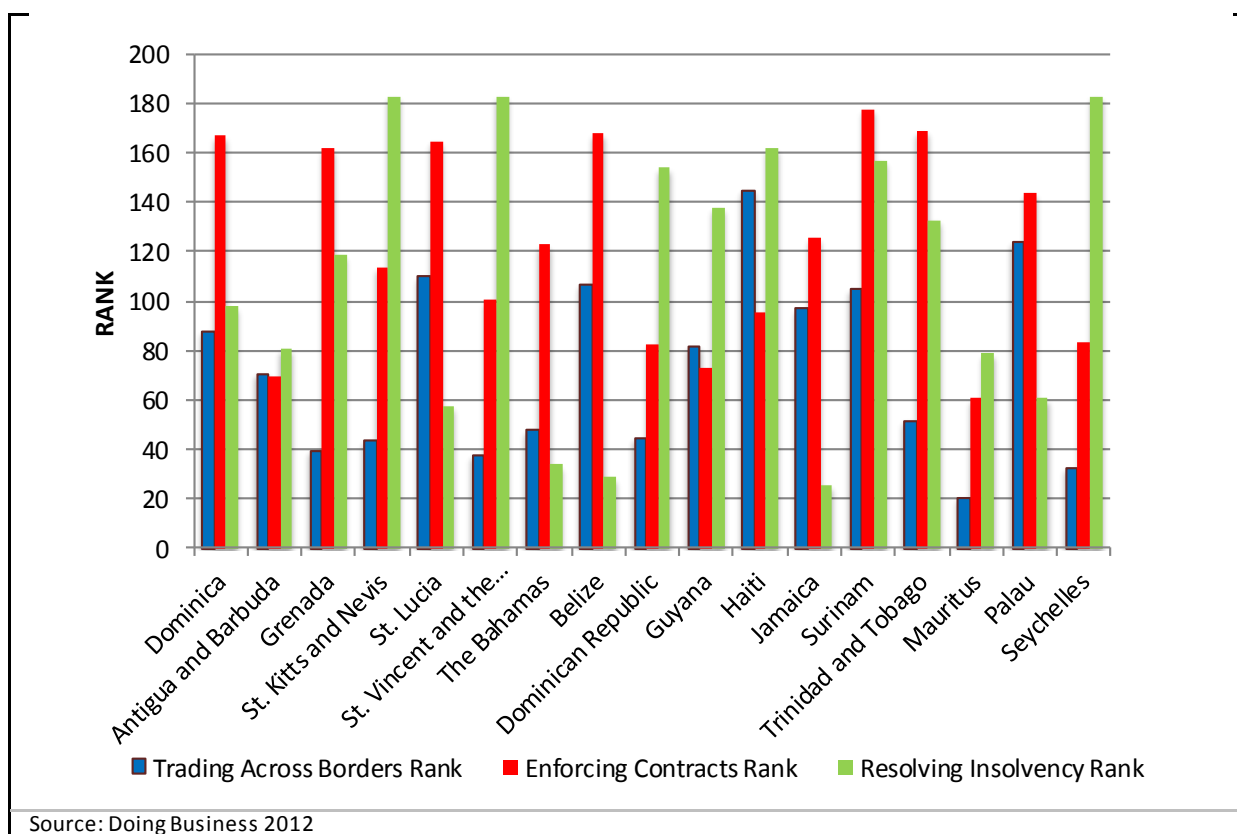
To facilitate the easy access of credit, two mechanisms need to be put in place: (i) the establishment of a credit information system (whether this may be run by a public or private entity), and (ii) legal rights governing collateral and bankruptcy laws for perspective borrowers and lenders. Ideally, high scores on both indices are preferred. As of 2012, acquiring credit in Dominica was seen as being potentially problematic. The economy, which ranks 78<sup>th</sup> out of 185 economies (along with comparators such as the Bahamas, the Dominican Republic and Mauritius), outperformed most of its regional counterparts especially those within the OECS grouping. It is only surpassed by Trinidad and Tobago on this measure. The Getting Credit measure can be subdivided into many components: (i) a legal rights index (based on a 10-point Likert scale); (ii) a depth of credit information index (based on a 10-point Likert scale); and (iii) credit coverage – whether this may be from (a) a public or (b) a private credit agency. The latter component is calculated as a percentage of the adults listed at the respective entity or entities. A closer look at the overall credit measure reveals that one mechanism

exists within the Commonwealth of Dominica – the legal rights index. The economy's index of 9, which is well above the regional index of 6, indicates that the current structure with respect to collateral and bankruptcy laws is sound, which provides some ease to investors. It is also indicative of the Government's efforts to facilitate easy access to prospective investors. However, the economy scores low on the credit information index. This primarily results from an absence of a public or even a private registry bureau which should divulge information to prospective firms and individuals – irrespective of the nature of the outcome of such data.

With respect to the Protecting Investors rank, the Commonwealth of Dominica has one of the highest rankings when compared to the benchmark grouping. The economy's current rank of 29 out of 185 economies, in line with other members of the OECS grouping, outperformed the regional average. This high ranking on the international stage indicates that the Government understands the importance for complying with regulations as it relates to private sector development. Existing weak regulations would make investors reluctant to invest in a given economy and would likely only occur if they are given part of the controlling majority. Like most indices within the Doing Business surveys, the protecting investors rank is computed as the simple average of the percentile ranking on many indices. In this case, the three indices include: (i) the extent of disclosure index, (ii) the extent of director liability index; and (iii) the ease of shareholder suits index, all of which have a scorecard ranging from 1 to 10. The extent of disclosure index is indicative of the level of transparency that exists between transactions. The economy performs well on this measure, obtaining an index of 6 which is consistent with the Latin American and Caribbean average. The extent of director liability index is indicative of the liability actions directors are likely to face if they conduct themselves in an unscrupulous manner. The economy achieved an index of 8 which is well above the regional average of 5. It speaks volumes to the presence of sound legislative framework in this regard. The shareholder suit index underscores the power vested with shareholders to influence the company's decisions. The index score of 7 demonstrates the high level of power shareholders can exhibit. This index surpasses the regional average of 6. Overall, the strength of the investor index remains above par when compared to the regional and global best performances.

The ease of paying taxes rank is computed as the simple average of the following three components: (i) the number of annual payments inclusive of consumption taxes (Value Added Tax, sales tax or goods and services tax); (ii) time (measured in days) and (iii) the total tax rate. The economy, which ranks 73<sup>rd</sup> out of 185 economies, stands up well against all comparators and is only preceded by St. Lucia (in the OECS grouping), Seychelles, Mauritius, Suriname, Belize and the Bahamas. Dominica lies well above the Latin American and Caribbean average. Firms made approximately 37 payments a year, spent 120 hours per year filing, preparing and paying taxes, and paid total taxes amounting to 37.5% of their profits. The number of payments made on an annual basis falls in line with the regional average of 30, yet it trails when compared to the regional and global best performances. In an attempt to make firms more compliant, simplifying the procedures would make the tax system more convenient, user-friendly and decrease the associated backlog. Based on the regional average, firms within the Commonwealth of Dominica spend less time filing taxes. However the economy falls short of the regional best performance. Owing to the fact that most businesses simply utilize electronic mail whilst undertaking their business transactions, the mechanization of tax procedures would prove beneficial to such firms.

Figure 54: Doing Business Rankings for Dominica versus Comparators (2012) for Selected Indicators



The trading across borders rank is computed as a simple average of the component indicators of procedural requirements, time and cost. It highlights documentation and procedural requirements at customs and other regulatory agencies and accounts for the inland transportation to the Central Commercial District. However, it excludes any tariffs as well as time and cost associated with sea transportation. Dominica has one of the highest rankings amongst all comparators especially within the OECS grouping. At its current rank of 88, it trails behind most comparators within the OECS grouping except St. Lucia, which has a corresponding ranking of 110. Exporting a standard 20-foot container requires 7 documents and takes 13 days at an estimated cost of US\$1340. Historically, the number of documents required for export has always been significantly higher than the regional and global best performances which stand at 3 and 2 respectively. Since 2008, there has been a marked improvement on the time it takes to export commodities. It was reduced from 16 days to 13 days over the period 2008 – 2009, currently outperforms the regional average yet trails the regional and global best performers by approximately 4 days and 8 days respectively. The cost associated with exports are significantly higher than the regional average and lags behind the regional and global best performers whose associated cost range between US\$400 and US\$600. Importing goods to Dominica is even more hectic. It requires 8 as opposed to 7 procedures and takes 15 days at an estimated cost of US\$1,350. Historically the time was always higher than the regional and global best performers. The Customs and Excise Department, in its attempts to improve the efficiency and effectiveness of the Information Technology-based administration system, recently updated to the latest version of the ASYCUDA World - a computerized customs management software system which was developed in Geneva, Switzerland by the United Nations Commission on Trade and Development. The system attempts to streamline foreign trade procedures and hence reducing any associated backlog at various ports of entry. Irrespective of this, costs of imports to Dominica have

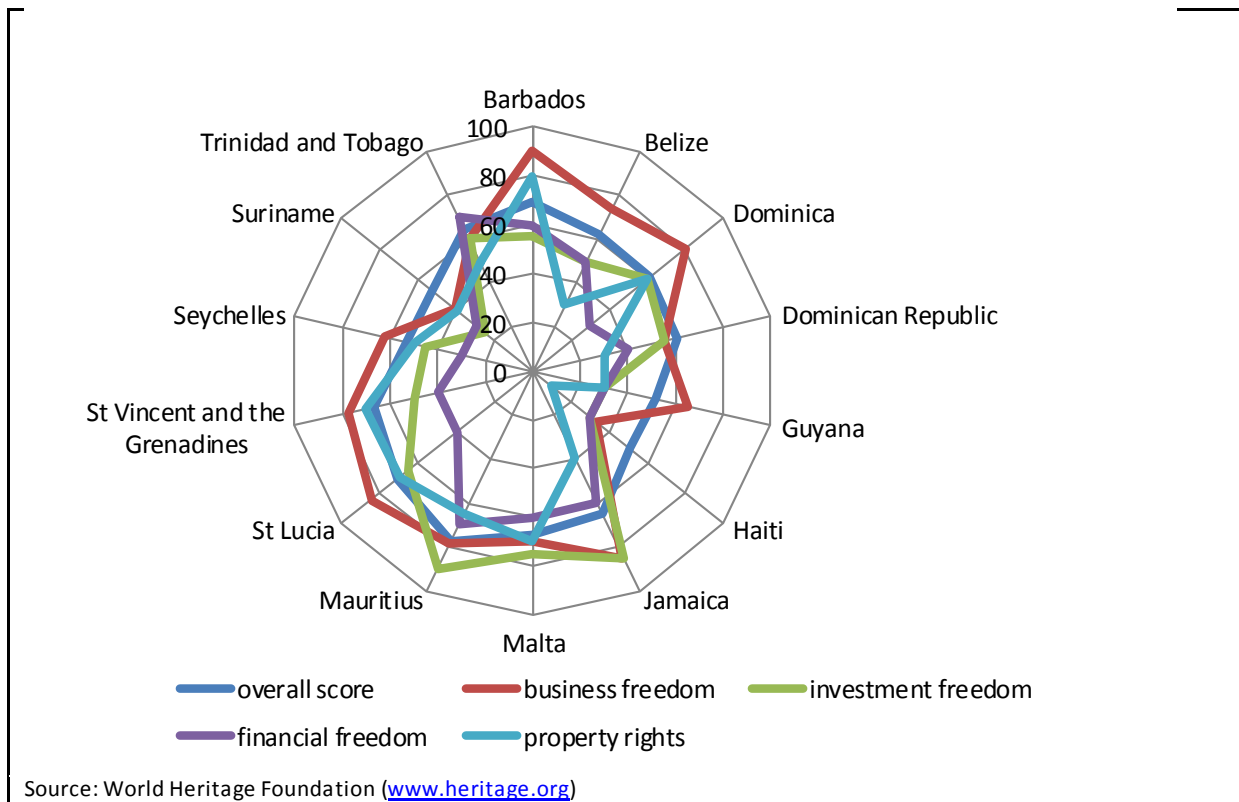
always been significantly higher than the regional average but underwent drastic fluctuations over the period 2007-2011 and have since then been consistent at US\$1,350 in 2012. There is therefore scope for improving the existing infrastructure, mechanizing some if not all procedures to reduce the amount of time it takes within the port and other agencies and reviewing the current cost structure.

The inability to effectively enforce contracts presents a major constraint to private sector development. The economy's current rank of 167 out of 185 is indicative of its lack of competitiveness on this measure - a primary index for attracting new investors and clients as well as accessing credit. It ranks lower than most of its OECS counterparts, obtaining the second highest ranking amongst all comparators. In 2012, enforcing contracts in Dominica required 47 procedures, took 681 days at a percentage claims cost of 36.0%. With respect to time and cost, these parameters remained constant over an extended period even though there have been substantial improvements in the regional and global best performers since 2006. Historically, the number of procedures was always significantly higher than the regional average as well as the best performers, interregionally and extra-regionally. To date, Dominica still lags behind the regional average as well as the regional and global best performances which stand at 30 and 20 procedures, respectively.

Ideally, a bankruptcy system should be robust and cheap. Adopting effective insolvency procedures ensures the survival of more viable businesses and reallocates the funds from the less viable entities. Such procedures not only increases returns to creditors, but also their expectations as well as those of the debtors of the level of competitiveness the country exhibits. This would facilitate more investor buy in, facilitate access to finance, save more viable businesses and lead to growth and overall sustainability within various industries and the economy as a whole. Based on its insolvency ranking, Dominica ranks 103th out of 185 economies, ranks 3rd within the OECS grouping yet lags behind the regional average. It is surpassed by a few comparators such as St. Lucia, the Bahamas, Jamaica, Mauritius and Palau. The rank is computed as a simple average of time, cost and other factors which impact upon insolvency procedures such as lending rate and the likelihood of a company to continue to operate. According to the Doing Business 2013 Report for Dominica, it takes 4.0 years on average, at a cost of 10% of the debtor's estate and the average recovery rate is 28.3 cents on the dollar. There is a high likelihood of the company being sold as a piecemeal sale. In terms of time and cost, the figures have remained constant since 2006. However, there is scope to increase the efficiencies of the insolvency procedures with respect to these parameters, as Dominica trails the regional and global best performers on these measures. However, it should be noted that the economy outperformed the regional Latin Americana and Caribbean average in terms of cost. Significant strides must be made to improve the island's recovery rate which stands at 28.5 cents on the dollar to a rate concurrent with the regional and global best performers – in the vicinity of 60-90 cents on the dollar.



Figure 55: Economic Freedom, Comparison for Selected Countries (2012)



First produced by Gwartney, Lawson and Block (1996), the Economic Freedom of the World index is designed to measure the consistency of a nation’s policies and institutions with economic freedom. Ideally, a given economy should attempt to rank high on this measure which would be indicative of more stable financial freedom, fewer regulations, less government spending, freer trade and more secure property. In the case of the Commonwealth of Dominica, there are a number of sound institutions that facilitate a sound business environment and it is therefore no surprise why it has surpassed most of its comparators and attained an overall score of 61.6. It should be noted that the economy scored exceptionally high on the business freedom index as it received one of the highest scores (80.5) along with the economies of Barbados (90), St. Lucia and Jamaica (both of whom scored 84.7). Similarly, adequate scores associated with the investment freedom and government spending were noted, 60 and 43.8 respectively. However, the economy lies within the bottom echelon with respect to its financial freedom. It obtained a score of 30, along with comparators the Dominican Republic, Seychelles and Guyana. The latter suggests that there is scope for improvement with respect to this measure.

Within an ever-changing economic climate, the existence of a strong institutional framework is ideal. The institutions must be well managed and enforced so that they can address the challenges facing a given economy. Such challenges include but are not limited to poverty alleviation, the enhancement of the trade environment both regionally and extra-regionally and the development and diversification of key sectors to spur much needed economic growth. Deteriorating fiscal balances, coupled with weak institutional frameworks especially in the trade sector, can hinder private sector development within a country. The preceding charts showed the key factors that prevail within the Commonwealth of Dominica. Failure to address and rectify the existing challenges for these components can alter the country’s investment climate. As a result, investor confidence in the

economy will not be ensured and they may opt to take their business activity to other territories and or regions.

### 5.2.13 Summary

Dominica has a number of strengths that would likely support the continued growth and development of the private sector including: relatively low inflation; a relatively good rating on governance effectiveness, although it is only 4<sup>th</sup> highest in the OECS; a firmly established system for gender representation; and a high potential for the exploitation of renewable energy. The island's natural beauty and heritage can also be leveraged to support its continued focus on tourism as a substitute for banana production. However, key threats identified in this section could have significant implications for private sector development in the future.

**Table 21: Biggest Obstacles to Business in the OECS (Enterprise Survey, 2010)**

Biggest Obstacle	ANT	DOM	GREN	SKN	SLU	SVG
Access to finance	<b>15.3</b>	<b>44.0</b>	<b>12.8</b>	<b>20.9</b>	<b>35.0</b>	<b>20.6</b>
Electricity	<b>13.0</b>	<b>29.7</b>	2.7	<b>15.2</b>	<b>22.4</b>	<b>10.6</b>
Tax rates	<b>18.2</b>	<b>8.6</b>	<b>17.6</b>	<b>20.0</b>	<b>6.0</b>	<b>11.0</b>
Labor regulations	0.0	<b>4.4</b>	2.9	0.0	5.6	0.0
Crime, theft and disorder	<b>7.9</b>	<b>3.6</b>	<b>10.2</b>	<b>13.4</b>	5.1	<b>11.3</b>
Transportation	3.9	3.5	4.1	3.4	<b>10.7</b>	1.0
Practices of the informal sector	4.8	3.1	8.4	5.8	2.7	7.8
Inadequately educated workforce	1.3	2.1	<b>15.4</b>	<b>10.0</b>	<b>7.4</b>	<b>12.8</b>
Customs and trade regulations	<b>16.1</b>	0.9	2.1	5.2	4.0	9.9
Access to land	0.7	0.0	3.9	0.7	0.0	0.0
Business licensing and permits	2.7	0.0	0.0	0.0	0.0	0.3
Corruption	7.7	0.0	1.4	3.5	0.9	1.5
Courts	0.0	0.0	0.8	0.0	0.0	0.3
Political instability	6.1	0.0	<b>12.3</b>	0.5	0.2	<b>10.2</b>
Tax administration	2.4	0.0	5.7	1.4	0.0	2.6

The key threat identified from the Enterprise Survey (2010) for Dominica was access to finance where 44% of firms identified this as the biggest obstacle to doing business in their country. The average for the OECS in this regard was 25%. This result is despite Dominica ranking favourably in relation to getting credit rankings, as discussed above, and suggests a disconnect between the variables used to measure those rankings and the perception of those in the private sector. The other main obstacles were electricity, due probably to the unrealised potential of renewable energy, tax rates, labour regulations, and crime, theft and disorder, although the latter two were noted by less than 5% of respondents.

In addition to these general issues, some specific issues also emerged from the background research. These issues included:

- Finance Issues: need for legislation to protect creditors; lack of a credit bureau; high interest rate spreads; high collateral requirements; high levels of bureaucracy in obtaining credit.
- Domestic transportation and logistical difficulties in importing and exporting

These and other issues are discussed in greater depth in relation to the responses from stakeholder interviewees in the following section.

### **5.3. Field Research Findings**

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In addition to the desk review of key private sector development challenges, interviews were conducted with various departments, enterprises and representative associations in the public service, private sector and civil society. These entities were chosen to capture a wide variety of views regarding the main challenges concerning private sector development in the country. Interviews were conducted between July and August 2012 using a focused semi-structured interview. Both open-ended and closed-ended questions were posed to interviews in order to obtain details on the key private sector development challenges. Following on from these interviews, issues to emerge from the working groups developed for the Caribbean Growth Forum (CGF), as described in the introduction, were also reviewed. The following subsections identify the main critical issues to emerge from the interviews and the CGF and present a series of required actions to address these issues.

#### **5.3.1 Priority Action Areas**

The key obstacles to business growth gleaned from the background research in Dominica where:

- Finance Issues
- Cost of Electricity
- Tax Rates
- Domestic Transportation Infrastructure
- Logistical difficulties in importing and exporting

During the interviews conducted with key stakeholders, these issues were presented and interviewees were asked to comment in relation to:

- Did the list adequately capture the main issues constraining private sector development in the country?
- What other issues would they add to this list?
- Identification the top three issues holding back private sector development?
- Recommendations to solve the identified challenges?

Overall, the applied element of the research (interviews and consultations), indicated that the issues identified from the secondary data were mostly representative of the issues facing the private sector in Dominica, with the main issues related to finance issues, cost issues and logistical issues. In addition, several other issues were identified including:

- Political and Governance Issues in relation to the lack of a specific strategy for private sector development and limited capacity in business support organisations;
- Lack of fiscal space and hence a lack of Government investment in public good investments such as tourism marketing, business support mechanisms and inefficiencies in the public service;
- Inadequate skills in the workforce.

These findings from the applied element of the PSA are not dissimilar to those emerging from the Caribbean Growth Forum (CGF) consultations undertaken across the region in the first quarter of 2013. The three working groups (Logistics and Connectivity, Investment Climate, Skills and

Productivity) organized for the CGF for Dominica identified a number of issues that once addressed can catalyze private sector development and provided a number of detailed recommendations. The main relevant recommendations from the CGF Working Groups for the private sector in Dominica are outlined below in relation to the main working groups.

#### **Logistics and Connectivity**

1. Improve the logistical system of imports particularly the costs of shipping
2. Establish an OECS and/or CARICOM Association of importers
3. Improve the capacity of the local shipping fleet and local seafarers
4. Improve the quality of vessels for agricultural exports
5. Improve the use of the ICT infrastructure to increase productivity in the public and private sectors; and, to drive growth and employment in the economy.

#### **Investment Climate**

1. To provide venture capital, concessionary financing and technical assistance with transparent and flexible conditions to enable growth of private sector firms
2. To restructure tax and incentive regimes to create the enabling environment for private sector
3. To ease cash flow burden and reduce investment/financing cost on businesses by making the appropriate amendments to the VAT Act/Regulations
4. To incentivize the productive sector to re-invest profits, thus leading to expansion of the economy and job creation
5. To be engaged in Public-Private Sector collaboration to invest in viable business ventures in selected priority productive sectors
6. To establish the legal and administrative framework and ratify relevant conventions that would enable Dominica to become the leading Intellectual Property (IP) Centre of the CARICOM region.

#### **Skills and Productivity**

1. Provide support to the Ministry of Education and Human Resource Development for the introduction of the TVET/CVQ Programme to improve the supply of skilled workers to the private sector, especially in key strategic sectors
2. Establish coordination/collaboration between the private sector and education and training institutions for curriculum development and internship opportunities
3. To conduct a skills and qualification audit to include skills of the Diaspora, and a skills demand and training needs assessment of the private sector
4. Develop policies and incentives to support training and skills development
5. Strengthen the relationship between the private sector, the public sector and the trade unions to improve productivity and job satisfaction
6. Introduce management training programmes aimed at developing a management culture at the level of the enterprises to ensure effective leadership and management and to enhance productivity
7. Institutional Strengthening of Private Sector Organizations
8. Establish mechanisms to improve the sharing of information between the public and private sector
9. To increase the employability of unemployed youth through training programs geared specifically for rural communities to meet the existing and future demands of the business sectors established in these communities.

From the issues examined in the previous sections, a review of other relevant background research, interviews with key stakeholders and the results of the CGF working groups, the main issues affecting the private sector have been identified under five broad headings:

- **Governance Issues:**
  - a. Lack of specific sectoral strategies for private sector development
  - b. Need for a mechanism for dialogue between the public sector, private sector and labour unions to address issues relating to identifying skill needs, develop programs to address skill needs, and improve productivity and information sharingHowever, private sector organisations are noted as lacking in capacity and this will need to be addressed as a matter of urgency
- **Finance Issues:**
  - a. Reduce financing costs and improve access to finance generally
- **Energy Cost Issues:**
  - a. Reduce cost of energy and accelerate the exploitation on renewable energies
- **Transport and Trade Issues:**
  - a. Improvement of road infrastructure
  - b. Improvement in trade logistics and reduce the cost of shipping
  - c. Strengthening of regional collaboration between importers and exporters
- **Labour Market Issues:**
  - a. Lack of adequate skills in the labour force at both the technical and management level

Drawing on the results of all aspects of the research, the following SWOT (Strengths, Weaknesses, Opportunities, Threats) matrix was developed in relation to the private sector growth and development in Dominica. The matrix is subsequently used to develop recommendations and action plans based on the main critical issues identified.

Table 22: Private Sector Growth and Development: SWOT Matrix for Dominica

Strengths	Weaknesses	Opportunities	Threats
<p><b>International Relations and Governance:</b> Membership of international bodies, regional integration schemes (OECS/ECCU and CARICOM) and other regional bodies (CDB, UWI, ECCB). Signatory to trade agreements and international conventions; Stable democracy; Strength of investor protection; Recent formation of Dominica Business Forum (private sector representation); Relative overall ease of doing business.</p> <p><b>Economy:</b> Stable regional currency; Relatively low inflation;</p> <p><b>Labour and Skills:</b> Presence of labour representation; Access to education in the domestic and regional market.</p> <p><b>Sectors:</b> Established reputation in eco-tourism and diving;</p> <p><b>Environment and Society:</b> Natural beauty and heritage;</p> <p><b>Transport and Communications:</b> Proximity to regional and international markets; Access to technology platforms.</p>	<p><b>Governance:</b> Lack of human resource capacity in business support organizations; Lack of formal dialogue between social partners; Lack of formal coordination amongst business support organizations; Lack of unified labour representation (no congress of trade unions); Lack of a strategic plan to guide public and private sector investment; Lack of freely available data.</p> <p><b>Economy:</b> Relatively high Government debt; High current account deficit; Difficulty in accessing finance due to cost and collateral requirements; Limited utilisation of non-debt financing (i.e. equity) Small domestic market; Low tariff levels exposes domestic producers to increased competition; Costs of energy;</p> <p><b>Labour and Skills:</b> Lack of skills demanded in the labour market at the technical and managerial level</p> <p><b>Sectors:</b> Lack of diversification of products and export markets;</p> <p><b>Environment and Society:</b> Exposure to natural disasters; High levels of poverty and unemployment</p> <p><b>Transport and Communications:</b> Poor domestic road infrastructure; Cost of shipping; Lack of suitable shipping options for agricultural products, e.g. refrigeration facilities Main airport difficult to access from capital.</p> <p><b>Technology:</b> Existing technology not utilised to its full potential (private and public sectors)</p>	<p><b>Economy:</b> Freedom of movement of capital in the region; Freedom of movement of goods in the region; Exploitation of larger regional market;</p> <p><b>Labour and Skills:</b> Freedom of movement of skilled labour in the region.</p> <p><b>Sectors:</b> Specialty tourism; Geothermal energy; Agro-processing; Trade agreements.</p> <p><b>Technology:</b> Exploitation of existing technology for cost-savings in the private sector and greater dissemination of information from the public sector.</p>	<p><b>Economy:</b> Lack of growth in main trading and inward investing countries; Fall in FDI inflows; Increases in commodity prices on the international market</p> <p><b>Labour and Skills:</b> Brain drain</p> <p><b>Sectors:</b> Competition from new tourism destinations with new tourism products and loss of seat capacity from non-national carriers; Increased competition from imports for domestic producers with greater trade liberalisation;</p> <p><b>Environment and Society:</b> Climate change.</p>

These interrelated issues are discussed below and used to develop recommendations and action plans in relation to the priority areas of: general governance issues; access to finance issues; general cost issues; labour market issues; and transport and trade issues.

### 5.3.1.1. General Political and Governance Issues

The issue of general political and governance issues were not raised extensively during interviews with stakeholders in Dominica, with the exception of the issue of a lack of an explicit sectoral strategy by Government. However, in reviewing background information, the Government in the Budget Address of July 2012 focused on:

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

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

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

However, it appears that stakeholders consider these announcements as somewhat lacking in substance and require more detail in relation to the manner in which Government intends to address the economic issues facing the country.

While this was the only general governance issue raised during the PSA, the results of the CGF working groups noted the need for greater collaboration between the state, the private sector and labour in relation to address issues relating to: identifying skill needs, programs to address skill needs, and to improve productivity and information sharing. However, it was also noted that private sector organisations lack capacity and this will need to be addressed as a matter of urgency if any meaningful dialogue between these parties is to be facilitated. Going beyond these issues, there is a need, as noted in other PSAs in the OECS, for greater collaboration between Government and the private sector. The development of such a mechanism would not only address the current concerns as it relates to skills and productivity issues, as raised in the CGF working groups, and give the private sector a voice in the development of sector-specific policies, it would also allow the grouping as a whole to address business-specific issues such as increasing access to finance, as well as general societal issues such as youth unemployment. It is critical in this vein to note that such a mechanism is not simply a conduit for the private sector and labour to lobby the Government, but should be considered a forum through which the Government can also encourage the private sector and the labour unions to adopt practices that are in keeping with the overall objective of Government, whether it be employment generation or export generation.

The main points therefore to emerge from this segment of the analysis relate to a need for dialogue to assess skill needs of the private sector, the development of sector specific policies for private sector growth, and the promotion of information dissemination. In this regard the relevant Action Plan developed from the PSA is:

- Action 1: **Establishment of a Tripartite Committee (government-employers-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

The partners in this regard are the Government of Dominica, a trade union representative and a representative of the private sector. While Governmental representation should be guided from the Office of the Prime Minister with operational assistance from the Ministry of Employment, Trade, Industry and Diaspora Affairs, and the newly formed Dominica Business Forum should be able to represent the private sector, the allocation of a specific representative from labour is somewhat difficult. For labour there is no specific trade union congress (TUC) in the country to represent the views of the five trade unions<sup>16</sup>. While efforts have been made to develop a constitution for a TUC, this has not come to fruition. It will therefore be imperative that efforts are made to form this congress so that labour can speak with one voice within a tri-partite committee. Therefore, there are several steps that will need to be taken before the Tripartite Committee can be formally established. However, once established, the Tripartite Committee should seek to also address the following:

- Action 2: **Conduct a Skill Needs Assessment** to identify the specific skill gaps in key strategic sectors and develop plans to address the identified gaps.
- Action 3: **Development of a National Strategic Plan that include specific sector development strategies.** Through the lobbying efforts of Government, the plans for the development of the private sector should also be included in any regional strategic plans at the level of the OECS/ECCU and CARICOM.

It should however be noted that these two actions cannot be independent of each other given that priority sectors identified will have implications for strategies to address skill deficits. Overall, it should be the national strategic plan that guides the overall approach to private sector growth and development. In this regard, a national strategic plan will ensure that national policy planning is continuous and not subject to the electoral business cycle. It is considered that such an approach to development planning would also enhance the transparency of government policy formation as well as reduce business uncertainty.

The development of a national strategic plan however offers up some logistical challenges in relation to who develops the plan and how to ensure that it would be followed with changes in Government. These challenges should however not be viewed as insurmountable and the existence of these challenges should not deter action. Indeed, if the private sector was sufficiently strong, and insisted that successive government keep to a development plan, the concern about political business cycles would not be present. This therefore suggests that if the private sector is afforded the space to grow, these problems with implementation would wane.

One of the other issues that warrant discussion is the lack of fiscal space afforded to the Government. While the development of a strategic plan for the development of the private sector will not in itself solve the fiscal problems of government, the demonstration of commitment to private sector development can act as a boost to investor confidence and open avenues for public-private partnerships in public goods where opportunities exist. In addition, the establishment of a more interactive and proactive business support framework can assist in expenditure savings through rationalisation, as well as revenue enhancement through the general growth and development of the private sector.

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<sup>16</sup> The five trade unions in Dominica are: the Dominica Public Service Union; Dominica Amalgamated Workers' Union; the Dominica Trade Union; the National Workers' Union and the Waterfront and Allied Workers' Union.



However, in order to effectively execute these action plans a number of issues will need to be addressed including:

- Lack of information sharing and research by the private sector;
- Lack of economic and labour market information; caused in part by the limited use of existing technology by the public sector.

Private enterprises are reluctant to share information on their enterprises and by greater inclusion in the decision-making process there may be greater willingness to share relevant information. The private sector will need to inculcate this culture of **information sharing** to assist governments in understanding the situation of the private sector, and its contribution to the economy. One such avenue that this can be addressed through is the establishment of a private sector funded **research unit**, perhaps overseen by the private sector representative on the Tripartite Committee. Such a unit could identify opportunities (domestic and foreign) for private sector growth as well as potential threats to the various sectors. Pooling of resources would allow the decision-making process of individual firms and other economic agents to benefit from evidence-based research and data which should enhance profitability and sustainability.

There is also a strong demand by private sector enterprises for data, to assist in strategic planning and the formulation of business plans for accessing finance. However, the situation is not that data does not exist in the region, it is basically that the data is not collated or mined as public sector agents are **not fully exploiting the available technology**. Individual governments, through such agencies as Inland Revenue Departments and National Insurance Schemes, collect information over specific periods that could provide more detailed information as regards revenue and expenditure by sector, employment levels and categories, and investment data. The problem in this regard is a lack of infrastructure and human resources to consistently collate and present data. This is an area where, at the country and regional level through national statistical offices and the OECS Secretariat and the Eastern Caribbean Central Bank, that donors could direct resources; especially as it relates to technical assistance in the development of such a system. These are the sorts of issues that will need specific attention to enable all of the action plans to be effectively implemented.

It should however also be noted that the private sector is also not utilising the available technology to its fullest potential even though they would benefit from its use in the general operations of their firms. As an example, firms utilize a significant amount of their human resources physically collecting payments whilst the technology exists that can provide a far more efficient solution, thereby reducing fraud and associated security issues. Once implemented, the current resources can then be deployed to enhance the levels of service delivery or to more productive areas within the business operation.

#### *5.3.1.2. Access to Finance*

Across the OECS, the issue of access and the cost of finance is one of the biggest barriers to doing business, mainly due to under-developed capital markets. The situation is somewhat more pressing in Dominica where 40% of respondents to the Enterprise Survey (2010) noted that this was the biggest obstacle to doing business; the OECS average was 25%. Private sector stakeholders interviewed stated that finance was either difficult to attain due to collateral pre-requisites or too costly to borrow (interest rates); collateral as a percentage of loan size was 194%, the fourth highest in the OECS which had an average of 197%; and the interest rate spread was 6.2% in 2010, the

fourth highest in the OECS. The interest rate spread in this regard is important as it provides a relative indicator as to the efficiency of financial institutions and/or the level of competition in the sector; high interest rate spreads can either indicate that financial institutions are inefficient or that they are exploiting a dominant market position. High transaction and operating costs are passed onto the consumer via higher interest rates.

In Dominica and across the OECS, individuals noted that the high cost of finance was a key hurdle limiting new firm formation and the expansion of existing enterprises. Added to this, access was also limited due to a lack of information on potential borrowers, and the financial sector regulators lack an appreciation for the special circumstances of smaller enterprises. It should however be noted that these limitations to accessing finance are not purely institutional, that entrepreneurs also either propose impractical projects, or present poorly constructed business plans due to a lack of skills, as well as a lack of data.

To address these access to finance issues (collateral requirements and high interest rates), there is a need to investigate the cause of these issues which relate primarily to efficiency in financial institutions, a lack of competition, high transaction and operational costs, and information asymmetries in relation to borrower information available to lenders. In addition, there is also the need to balance the savings deposit rate and the reserve requirements set by the ECCB. The ECCB's Savings Deposit Rate (SRD), the statutory minimum rate on savings deposits, has been shown to be positively correlated with interest rate spreads from commercial banks operating in the OECS (Grenade (2007)). This, taken in relation to the Reserve Requirement Ratio (RRR), proxied as the percentage of reserves to total deposits mandated to be held by commercial banks, which has an effect on the amount of funds available to make loans, together influence higher interest rates on loans in the region as this burden is normally passed on to customers. It is recommended that these two variables, RRR and SDR, are assessed intermittently to find a suitable balance as they both affect the cost of borrowing in Dominica and the OECS in general. The other causes of high interest rates, high interest rate spreads and high collateral requirements are discussed below.

#### *Transactional and Operating Costs*

Communications charges, legal fees, informational cost for finding the correct price all increase banking transaction costs. The World Bank (2008) stated modern trends in transactional lending suggest that any improvements in information available and technological advances are likely to improve access to finance for MSME's (for example through credit registries and automated credit appraisal) and hence reduce transactional costs. To quote:

*'Encouraging the development of specific infrastructures (particularly in information and debt recovery) and of financial market activities that can use technology to bring down transaction costs will produce results sooner than long-term institution building.'* World Bank (2008:15)

The IMF (1998) also noted that operating costs for commercial banks in the Eastern Caribbean was a key determinant of interest rate spreads. Grenade (2007) showed that operating cost ratios, defined as operating costs to assets, for foreign banks in the Eastern Caribbean were higher than indigenous banks and the overall average ratio was higher than the acceptable international standard of 3.6<sup>17</sup>.

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<sup>17</sup> Moore and Craigwell (2000)

It can be assumed that the operating cost ratio for commercial banks operating in the region, is presently higher than Grenade's 2003 estimates, due to substantial changes in energy prices and other expenses.

The concept of introducing technological advances to reduce transaction and interest costs from banks operating in Dominica should be high on the priority list. To reduce transaction and operating costs it is recommended that policies be structured around ensuring the formality of businesses (i.e. the registering of companies, technical assistance for product/service development), technological advancement (i.e. credit information systems), and efficiency of operating costs (i.e. incentives/policies that reduce variable costs of electricity such as retrofitting). All of these policies should contribute to reductions in interest rates charged for credit services.

Given that inefficient operation of financial institutions will result in increased costs to consumers, it is also recommended that a quarterly assessment be taken of the overall efficiency rate to ensure commercial banks operating in Dominica are running efficiently and, as a result, benefitting the consumer, individual or enterprise, from competitive prices. The overall efficiency rate in this regard relates to profitability rates, margin rates, weighted results rates and employment efficiency rates<sup>18</sup>.

#### *Information Asymmetries*

Informational asymmetries, as well as informality, directly affect the level of collateral required by commercial banks in the region as they increase the uncertainty of lending, *id est*. higher risk. This uncertainty is therefore passed onto customers through collateral requirements. While average collateral in Dominica was 194%, the world average was 168%, and the average for Latin America and the Caribbean was 197% (Enterprise Survey, 2010). Any measures to reduce information asymmetries, and increase formality, should therefore assist in reducing the cost of, and access to, commercial finance.

Overall, the proportion of informational asymmetry that leads to higher collateral requirements for formal businesses could be said to be due to the absence of credit bureaus and related registries. It is recommended that these issues be address by the following actions:

*Establishment of Credit Bureaus:* Credit Bureaus are defined as an agency which collects the credit history on individuals and other prospective borrowers that assist financial institutions with its lending decisions:

*'Rather than... various ill-fated schemes aimed at broadening access to credit, the countries would be better served with a vibrant system of credit bureaus. The bureaus would provide reliable information on all current and potential borrowers at low cost to banks and other lenders. This would allow lenders to move beyond their fairly small circle of well-known, and*

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<sup>18</sup> **Profitability Rates**, defined as: Return on Assets (ROA)- presented as a ratio of financial results and a bank's assets; Return on Equity (ROE)- a ratio of financial results to a bank's own fund; Return on Sale (ROS)- a ratio of financial results to a bank's income; Costs Ratio (C/I)- a ratio of costs to income. **Margin Rates**, defined as: Net Interest Margin- a ratio of interest results to assets; Interest Spread, which can be interpreted as a difference between the average interest-bearing assets and the average expense of interest-bearing liabilities. **Weighted Results Rates**, defined as: The result rate charged with reserves (reserves balance) which is shown as a difference between the building up and dissolution of reserves, and the achieved result; The result rate charged with operating costs, i.e. the ratio of operating costs to the result. **Employment Efficiency Rates:** The rate presented as a ratio of assets to a number of employees (job positions); The rate presented as a ratio of a result to a number of employees.

*typically higher-income, business clients to lend to the broad strata of small and even micro businesses that represent the vast majority of productive enterprises in the Caribbean.*

*To be truly useful, credit bureaus should be able to obtain not only bank loan repayment histories but also all hire-purchase, tax, and bill payment histories without the prior consent of the individuals involved. By the same token, each individual should be able to review and challenge the accuracy of his or her record, and the credit bureau should be responsible for correcting any verified inaccuracy on a low-cost and timely basis.’ IADB (2009:22).*

In 2012, the ECCB collaborated with the IFC in a conference called “*Wider Access to Credit and Consumers’ Empowerment through Credit Information Sharing*”. Representatives from regional central banks, ministries of finance, other government agencies, and financial institutions from the Eastern Caribbean Currency Union (ECCU) and the wider Caribbean region met to discuss credit information sharing systems (credit bureaus) in the Caribbean. The Credit Reporting Conference falls under the umbrella of a Canadian International Development Agency (CIDA) funded project aimed at establishing a private credit bureau in the ECCU and the development of the credit bureau legislation for the region. This is the first step of many needed to rectify information asymmetry in Dominica and the OECS.

The only country in the Caribbean that actively participates in comprehensive credit history collection is Trinidad and Tobago. According to USAID:

*‘The Credit Bureau of Trinidad and Tobago was founded eighteen years ago by a law firm and collection agency. The bureau currently holds over 350,000 records and reviews an average of approximately 10,000 credit applications a month (individual and corporate applications). The banks in Trinidad and Tobago have recently decided to create their own platform for exchanging credit information, in which The Credit Bureau of Trinidad and Tobago will also be included’. USAID (2004)*

*Establishment of Collateral Registries:* Collateral registries are systems that identify and document property (movable property or real estate). In the Caribbean, the collateral registry system is underdeveloped and does not fit the ‘*needs of a modern financial system*’<sup>19</sup>. For the most part, financial entities in the Caribbean do not accept movable collateral (such as inventory, accounts receivables, crops and equipment) which is seen by the IFC as a significant impediment to a free flowing credit market and economic development.

*‘Reforming the framework for movable collateral lending allows businesses—particularly SMEs—to leverage their assets into capital for investment and growth. Modern Secured Transactions Registries increase the availability of credit and reduce the cost of credit’<sup>20</sup>.*

#### *Alternative Financing Options*

The financial landscape in the region is characterised by commercial banks (international, regional and domestic) and non-bank financial institutions (NBFIs) which are mostly domestic credit unions and microfinance institutions (MFIs). However, non-national banks dominate and ‘cherry-pick’ in

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<sup>19</sup> USAID(2004)

<sup>20</sup>Source:

[http://www1.ifc.org/wps/wcm/connect/Industry\\_EXT\\_Content/IFC\\_External\\_Corporate\\_Site/Industries/Financial+Markets/Financial+Infrastructure/Collateral+Registries/](http://www1.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Industries/Financial+Markets/Financial+Infrastructure/Collateral+Registries/)

their lending while maintaining a conservative, traditional approach to lending (collateral-based lending). There is a need for financial services which suit domestic needs through credit unions and other NBFIs.

In addition to debt financing, equity financing options are also required. Venture capital financing is limited in the Caribbean and institutions such as the MIF, part of the IADB group, has also been working on creating a better venture capital industry in the Caribbean, although it does not operate in the OECS. One of the problems faced in encouraging venture capital is a lack of a legal and regulatory framework in the region, and these issues will need to be addressed. In seeking to address this gap in financing options, the ECCB established the Eastern Caribbean Enterprise Fund (ECECF) in 2009:

*The ECECF is being positioned to be a mechanism for attracting investment capital and channelling those resources to promote the development of private sector enterprises in the region. In this regard, the ECECF will complement existing financial intermediation services of providers in the ECCU by offering a wide range of services to assist in filling the current gap with respect to the availability of requisite financing and technical support. Additionally, the ECECF will foster the creation and growth of productive sectors in the economies of the region through the injection of equity and debt financing....In addition, as the first regional fund of its type in the ECCU, the ECECF will also play a key role in the promotion of a private equity/venture capital industry in the region<sup>21</sup>.*

It should be noted that the promotion of venture capital in Dominica was one of the recommendations to also emerge from the CGF working group on the Investment Climate, noting that there was also the need for concessionary finance and technical assistance to enterprises to enable them to take advantage of growth opportunities.

In drawing all of these issues related to the lack of access to finance, there is a need to reduce the cost of finance and increase the ability of firms to access finance through increasing the formality of enterprises and enhancing the availability of data. While the availability of data is important for the development of business plans, both strategic and to access finance, this should be addressed during the development of strategic plans at the national level. However, businesses also lack the ability to access finance in relation to a lack of record keeping, and a lack of skills to prepare viable proposals to finance providers. By increasing formality, not only in terms of issues related to registration but also the adoption of accepted business practices, access to credit is increased. The relevant Action Plans to emerge from this element of the PSA include:

- **Action 4: Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions through the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.
- **Action 5: Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.

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<sup>21</sup> <http://www.eccb-centralbank.org/money/ecef.asp>

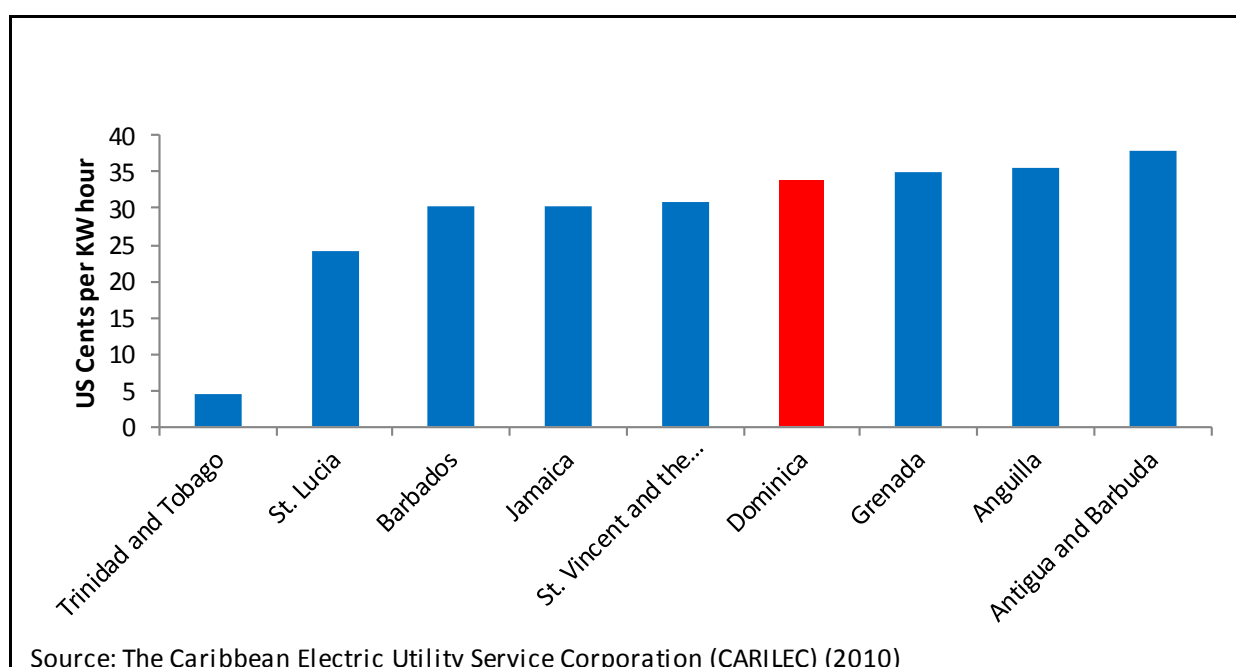
It should also be noted that the negative impact of the current constraints in the financial market are often magnified due to other costs of doing business, especially the cost of electricity.

### 5.3.1.3. General Cost Issues

The two main issues raised in relation to costs to businesses, with the exception of the cost of finance, were taxes and the cost of electricity. Given the limited fiscal space of Government, addressing the reduction in taxes will be a complex issue. An assessment of the efficiency of current tax rates will need to be undertaken to determine whether the Government has any leeway in reducing taxes in a strategic manner that would ease the burden on the private sector yet recoup revenue losses in the event of private sector growth. This is an issue that will need further discussion at the Tri-partite Committee level. Of more immediate concern however is the issue of the cost of electricity, as it is across the OECS.

Based on interviews and the results of the Enterprise Surveys (2010), electricity costs were ranked as one of the biggest obstacles to doing business across the OECS. As shown in the figure below, cost per kilowatt hour (kwh) exceeded US\$0.30 for all of the OECS countries included, while this cost was, unsurprisingly, less than US\$0.05 for Trinidad and Tobago.

**Figure 56: Electricity Rates in Dominica and Selected Caribbean Countries (2010)**



To address the issue of the high cost of electricity, and energy in general, the two main options involve **conservation of energy and exploitation of alternative energy options**. In terms of conservation, the adaptation of behaviour to reduce usage and the adoption of energy efficient technologies, along with retrofitting, provide avenues to reduce costs in the short and medium term. For Dominica, the possibility for the exploitation of alternative energy sources is high given the country's overall ranking of first in the wider region in relation to the existence of an enabling environment (6<sup>th</sup> overall), existing renewable generation (2<sup>nd</sup> overall), and renewable energy projects expected to come on line in the next five years (2<sup>nd</sup> overall)<sup>22</sup>. The main opportunities in this area

<sup>22</sup> [http://www.castalia-advisors.com/files/Castalia-CREF\\_RE\\_Islands\\_Index\\_121010-1.pdf](http://www.castalia-advisors.com/files/Castalia-CREF_RE_Islands_Index_121010-1.pdf)

relate to geothermal energy specifically. Castalia Strategic Advisors (2012) suggest that in order to realise the potential for geothermal energy that there is the need to: *'Define legal and regulatory framework for geothermal energy; Support geothermal resource exploration and related feasibility studies; Set clear permitting and planning for geothermal development; Support geothermal transactions'* (p.7).

The need for energy conservation and exploitation of alternative energy options relate to the following Action Plan:

- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy.** Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.

Incentives in this area could include concessions related to duties on imports of materials, technical assistance and the development of special funds for investments in alternative energy projects and enterprises supplying complementary services such as retrofitting. Skill training in this area and knowledge transfers from international investors should form an integral part of the skill development section of the national strategic plan.

#### 5.3.1.4. Labour Market Issues

In relation to the labour market, even when the above hurdles are scaled, the limited availability of trained individuals and the lack of specialist skills can still limit the potential for further expansion of the private sector in Dominica. In seeking to address these issues, two main areas that would require attention:

- Implementation of education, human resource and comprehensive human capital planning
- Vocational and On-the-Job Training

#### Human Resource Planning

Before the details of any strategic plan can be conceptualised, there needs to be a human resource development strategy based on a balanced account of the needs of industry and the strategic direction of Government. Manpower planning in this respect, along with other elements of a national strategic plan, would greatly assist in the current work environment as well as assist in future growth of the private sector by clearly signalling the sectors which Government intends to support. Such clear signalling would encourage investment by the private sector in these strategic sectors, both foreign and domestic, such as in geothermal energy. However, there is a lack of useful data on the composition of the workforce and labour market dynamics to usefully inform the development of human resource plans for Dominica.

A combination of the right investments in labour and physical capital can change the productive capacity of an economy. What is spurred from strategic human capital planning is identifying the research and development skills needed for sectors, which also helps in understanding the right type of investments in physical capital.

Research and development, particularly in Science, Technology and Engineering, has been a predominant feature of emerging countries human capital plan to ensure the highest return per worker. Non-natural resourced governments such as Taiwan, Korea, and Malaysia strategized the

role of R&D for industrial competitiveness and identified competencies in areas such as information technology, robotics, micro-electronics, laser technology, food and agro-technology, and bio-technology. Dominica and the wider OECS can learn lessons from these experiences and seek to exploit advantages in relation to renewable energy technologies (geo-thermal, solar, wind and wave) and other locational advantages such as technologies related to the marine environment, agro-processing and niche manufacturing.

### ***Vocational and On-the-Job Training***

With respect to on-the-job training and apprenticeships, the promotion/incentivising for enterprises to invest in this element of skill development needs to be implemented to ensure that enterprises attain the required skills for growth, as well as provide an opportunity for uncertified labour to enhance their earning capacity through on-the-job certification initiatives such as national vocational qualifications (NVQs). This is an area where the private sector can contribute to the wider development of society and was given prominence in the recommendations to emerge from the CGF working groups in Dominica.

Given the specificity of required skills in some organisations, it is unlikely that training will be available in the education sector and therefore these skills need to be built internally. As with incentivising investments in plant and equipment, incentives need to be put in place to invest in training at the enterprise-level rather than the educational institution level through apprenticeships and on-the-job training with requisite recognition through certification and opportunities for labour to improve their employment prospects within and outside of the specific enterprise. Caribbean and National Vocational Qualifications (CVQs/NVQs) provide an ideal mechanism in this respect and participation by enterprises should be strongly encouraged. Such enhancement of skills not only benefits the productivity of the individual enterprise, but demonstrates to potential investors that there is a skills-base in the country and that there is a commitment to on-going training. Given this, and once the skill gaps in the country can be identified, the relevant Action Plan is:

- **Action 7: Education and training curriculum reform** that addresses the long term strategic direction of Government as well as the more immediate needs of the private sector. The long term strategic direction of Government should be constructed on the basis of dialogue with the private sector.

#### ***5.3.1.5. Transport and Trade Issues***

Trade logistics in Dominica are hampered particularly by the high amount of bureaucratic red tape associated with the importation and exportation of goods, as well as the availability of packaging materials to aid in the export of commodities. The frequency and unexpected delays associated with cargo vessels presents a major impediment to private sector activity. Due to the nature of most commodities being exported, produce must be picked within a certain time frame to ensure viability. Failure to do so results in losses for farmers. The island's terrain is also not conducive to last minute harvesting due to the extensive distances one must travel to get to the seaport if the establishment is located inland. Logistical constraints and adverse weather conditions could delay the arrival of cargo vessels. Coupled with this is the absence of adequate facilities to house such cargo in the interim as they await transportation. This was an increasing cause for concern for interviewees. The inability to acquire a particular type of cargo vessel – for instance for produce that require refrigeration – can decrease the viability of the produce even before it reaches its final destination,



resulting in losses for producers and hampering existing and long-standing relationships with external clients and or investors. In addition, firms also import packaging material from Asia and the Pacific and any delays in this regard could hamper operations within Dominica.

Addressing these logistical issues in trade and transport will involve a variety of measures including: reform of trade procedures, investment in suitable vessels, and infrastructural investment as it relates to roads. While the specific issues to be addressed in relation to reducing bureaucracy should be addressed via consultation at the tri-partite level to identify specific issues to address, addressing investment issues (vessels and roads) is difficult at both the private and public sector level given the current financial crisis and already high levels of debt. While major public sector capital investment in roads is perhaps not feasible at this time, the issue of investment in suitable vessels is perhaps an issue for consideration at the sub-regional level given the recurrence of this theme, perhaps via public-private partnerships. An assessment of the feasibility of investment in vessels should be undertaken at the OECS level.

In addition to logistical trade issues, all of the previous issues addressed (governance, finance, costs and labour market issues) also have an impact on the product mix in Dominica. Most of the goods Dominica exports are not unique or complex and generally reside at the lower end of the value chain due to finance, cost and skill issues. Moving further up the value-chain would allow the island to reduce the price volatility of these exports as well as enhance the economic impact of these export industries. In addition to the low value-added content, there also tends to be high export product and market concentration. This type of export structure therefore makes the island very vulnerable to shifts in the global business cycle. Given that Dominica's trade performance is in the contemporary period a result of other issues that affect the level of value-added in production, it is proposed that the problems experienced can be solved by the implementation of action plans that enhance the private sector's voice in strategic planning, strengthens business development support, reduces the cost of doing business and provides suitable skills in the labour market.

Given the indirect nature of the relationship between the various action plans and the alleviation of problems in relation to transportation and trade, there is therefore no specific Action Plan to address these issues in Dominica.

### **5.3.2 Summary**

Private sector development cannot be separated from the overall sustainable development of the country. This therefore implies that social issues such as poverty, unemployment as well as environmental vulnerabilities should be considered in any plan to enhance private sector development. Indeed, these issues can often show up in the bottom line for businesses via higher security and insurance costs. It is imperative that these issues be kept in mind during the development of strategic plans to support the private sector.

## 6. Conclusions and Recommendations

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### 6.1. A Long Term Action Plan for Private Sector Development

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The preceding analysis identified a number of pertinent issues affecting the development and growth of the private sector in Dominica. As noted previously, the findings from the CGF are not significantly different to that from the PSA for Dominica in terms of the broad issues arising. One of the most critical recommendations to emerge from both studies is the need for the implementation of a forum for collaboration between key stakeholders and representatives of labour, the private sector and Government. This gives the priority of the Action Plan as:

- Action 1: **Establishment of a Tripartite Committee (government-employers-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

However, there are some specific issues that labour will need to address in relation to the formation of representative bodies at the national level. At present there is no single voice for labour in relation to a trade union congress, although a draft constitution has been prepared. Once this issue can be addressed, Dominica could learn from the experience of the Social Partnership model in Barbados. This Social Partnership, which is chaired by the Prime Minister, draws members from labour and private sector representative bodies; the Congress of Trade Unions and Staff Associations of Barbados (CTUSAB) for labour, and the Private Sector Association (BPSA) for the private sector. There are sub-committee meetings of the social partnership that then feed into the sessions chaired by the Prime Minister. Added to this consultative process, members of the social partnership also sit on the boards of various government agencies and key policymaking committees. Fashoyin<sup>23</sup> (2004:59), drawing on the Barbadian Social Partnership, provides some conditions for effective dialogue:

- *Free, independent and representative organisations of workers and employers;*
- *The willingness and readiness to consult, negotiate and share information;*
- *Strong and capable trade unions and employers' organisations;*
- *Acknowledgement of the interdependence of the tripartite partners;*
- *Shared vision and a commitment to search for wider consensus;*
- *Mutual trust and respect for each party;*
- *Institutional machinery for social dialogue at the various levels of the economy;*
- *A certain degree of coordination between the levels of consultation and negotiation.*

Fashoyin (2004) does however note that the framework for social dialogue cannot be neatly exported from one country to another, and the development of a Tripartite body in Dominica will need to be cognisant of this, while appreciative of the challenges for meeting the conditions for effective dialogue, especially as it relates to information sharing.

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<sup>23</sup> Fashoyin, T. (2004). Social Dialogue in Selected Countries in the Caribbean: An Overview, *Journal of Eastern Caribbean Studies*, 29 (4), 42-63.

It is recommended that once representative bodies of labour and the private sector are organised, that this tripartite group be tasked with implementing the other elements of the action plan below, identified from the PSA for Dominica:

- Action 2: **Conduct a Skill Needs Assessment** to identify the specific skill gaps in key strategic sectors and develop plans to address the identified gaps.
- Action 3: **Development of a National Strategic Plan** that include specific sector development strategies. Through the lobbying efforts of Government, the plans for the development of the private sector should also be included in any regional strategic plans at the level of the OECS/ECCU and CARICOM.
- Action 4: **Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions through the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.
- Action 5: **Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.
- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy**. Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.
- Action 7: **Education and training curriculum reform** that addresses the long term strategic direction of Government as well as the more immediate needs of the private sector. The long term strategic direction of Government should be constructed on the basis of dialogue with the private sector.

It should be noted that the various elements of the Action Plan seek to provide a conducive environment for private sector development in Dominica, however, this does not suggest that the implementation of the Action Plan in and of itself will automatically lead to growth of the private sector; there must also be entrepreneurial action in exploiting opportunities in the local, regional and global market. This is especially in light of anecdotal evidence that emerged during interviews throughout the region that the private sector demonstrated a lack of interest in looking *'beyond their borders'* and instead seek to grow domestic market share.

As another *caveat*, the implementation of the Action Plan cannot be undertaken in isolation from regional integration efforts at the OECS and CARICOM levels. If Action 3, the development of a national strategic plan, is taken as synonymous to some degree as the development of an industrial policy, the following should be noted:

*'Given that trade negotiations often take place at the regional level, industrial policies should be framed by the existing and likely trade commitments and coordination should be*

*facilitated as much as feasible as it is unlikely that the Region will gain the first-world status that it seeks without greater regional coordination'*(p.145)<sup>24</sup>

In relation to the development of a national strategic plan with a regional focus, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to niche market development, moving up the value chain, development of strategic alliances and joint ventures for knowledge and technology transfer, and the development of clusters, both vertical and horizontal<sup>25</sup>. While activities in these areas are not specifically mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Dominica.

## 6.2. Summary

The private sector within the Commonwealth of Dominica can flourish if the correct mechanisms are put in place. In 2010, real GDP stood at 2.5 times its 1984 value. On a per capita basis, the island ranked 10<sup>th</sup> amongst all comparators in this regard (US\$12,266) and maintained an average annual growth rate of 3% with slight variability. The level of inflation on the island is relatively low. The average annual rate stood at 2.6% when compared to 8.6% in the benchmark grouping. In addition to this, the current annual change in prices was 2.4% which could be attributed to fluctuations in food and energy prices on the international market. Historically, the fiscal deficit was primarily driven by the current account; however in recent times it has been driven by capital expenditures mainly geared towards reconstructive efforts from devastating natural disasters. The current economic downturn has underscored Dominica's high vulnerability to external shocks. The economy is largely dependent upon tourism and other sectors for revenue generation since the loss of the preferential European market which supported the island's vibrant banana industry. To date, the service sector accounts for 71% of GDP (2010 estimate) and demonstrates a major shift from its original recorded figure which stood at approximately 50% of GDP in 1980.

Like most Small Island Developing States, tourism is the key driver of economic activity. The tourism sector is primarily driven by cruise ship passengers. For the period 2000-2010, total stay-over passengers amounted to 73,500, a figure almost equivalent to the island's residential population. The Commonwealth of Dominica has one of the highest overall ease of doing business rankings within the benchmark group, only being surpassed by Mauritius, St. Lucia as well as Antigua and Barbuda.

While the private sector in Dominica face many specific issues related to taxes, dealing with Government departments, etc., it is considered that addressing the wider issues and the facilitation of a forum for discussion, that many of these specific issues could be addressed. It is also important to be aware that many of the recommended actions will not bear results in the short-term; building a framework for the development of alternative energy and curricula reform are not overnight processes, and require an element of structural change. In summary, the table below outlines the

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<sup>24</sup> Moore, W. (2010). *Trade and Industrial Policy in the Caribbean*. In: Alleyne, F., Lewis-Bynoe, D. and Archibald, X. (2010). *Growth and Development Strategies for the Caribbean*. CDB: Barbados.

<sup>25</sup> An overview of policy recommendations made in this respect can be found in: Lashley, J. (2010). *Productive Sector Development in the Caribbean: Manufacturing and Mining*. In: Alleyne, F., Lewis-Bynoe, D. and Archibald, X. (2010). *Growth and Development Strategies for the Caribbean*. CDB: Barbados.

relationship between the main critical themes identified from the PSA, the main critical issues and related elements of the Action Plan.

It should be noted that while all of the Action Points relate to the establishment of a conducive environment for the development of the private sector and are external to enterprises, that the private sector itself will need to take a portion of responsibility and seek to adopt a more proactive approach to exploiting opportunities available in the market. Given the perception that the private sector is not as proactive as it can be, and as a caution in relation to interventions to spur private sector development, it is imperative that all key stakeholders, from the international to the domestic level, are fully aware of the current level of development of the private sector. In Dominica, and across the region, the private sector is *relatively* under-developed and limited in its ability to cope with current neo-liberal developments given a long period of protection through such mechanisms as preferential trade agreements which have recently been removed. Any interventions should therefore seek to assist the private sector, with the assistance of the public sector, to build domestic market opportunities as well as special and differential treatment for export goods in the short- to medium-term, rather than fully expose it to the rigours of international competition. Lessons should also be learnt in relation to drawing on the strengths of the region rather than seeking, as in the past, to attract investment based on low-cost labour which subsequently led to the attraction of *footloose* enterprises that relocate to competitors as cost levels change or economic circumstances deteriorate in relative terms. In this vein, the Caribbean needs to exploit those resources for which it has an advantage and a brand, suggesting a concentration on alternative energy (geothermal, solar), specialist agricultural products (nutmeg in Grenada) and agro-processing, eco-tourism, edu-tourism (drawing on human resources in the region), heritage tourism, health and wellness (both product-specific and related to tourism), and financial services, among others.

In addition to drawing on the locational advantages that exist in the region, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to: niche market development; moving up the value chain; development of strategic alliances and joint ventures for knowledge and technology transfer; and the development of clusters, both vertical and horizontal. While activities in these areas are not specifically mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Dominica.

**Table 23: Recommendations and Actions Matrix for Dominica**

Themes	Main Critical Issues	Actions	Details	Responsibility of...
<b>General Political and Governance Issues</b>	Need for dialogue between Government, Labour and the Private Sector to address issues of mutual concern. A lack of single representative bodies for labour. Lack of knowledge of skills required by the private sector. Lack of specific sector support strategies by Government Lack of information sharing by the private sector Lack of utilization of technology.	<b>1. Establishment of a Tripartite Committee</b> <b>2. Conduct a Skills Need Assessment</b> <b>3. Development of a National Strategic Plan that includes sector specific plans</b>	As noted by Fashoyin (2004) there is a need for: <ul style="list-style-type: none"> <li>• Members to be independent and representative</li> <li>• Willing to consult and negotiate</li> <li>• Demonstrate mutual trust and respect</li> </ul> Need for communication at the Tripartite Committee level to determine the specific external needs of enterprises in relation to the business environment (finance, technical assistance) while meeting the wider obligations of Government.	Government to initiate and subsequently address secondary issues in conjunction with Tripartite Committee
<b>Access to Finance</b>	High Transaction and Operating Costs Informational Asymmetries Alternative Financing Options	<b>4. Reduce the cost of finance</b> <b>5. Increase capacity of business to access finance</b>	To address the issues of access to finance, several specific steps can be taken: Introduction of technological advances; Monitoring of efficiency rate of financial institutions to identify areas for improvement; Establishment of credit bureaus and collateral registries; Introduction of alternative financing options such as equity financing, Greater competition in the financial sector, particularly the strengthening of domestic institutions; Provision of technical assistance and training to the private sector in relation to increasing formality, the adoption of accepted business practices, and the skills to secure funding.	Eastern Caribbean Central Bank; Business support organisations
<b>Cost of Doing Business</b>	Cost of electricity	<b>6. Provide incentives for energy conservation and frameworks for the exploitation of alternative energy options.</b>	Provision of incentives and support to help reduce energy costs through conservation as well as for investing in the sector. To facilitate investment in the sector, Castalia Strategic Advisors (2012:7), note that there is a need to: <i>'Define legal and regulatory framework for geothermal energy;</i> <i>Support geothermal resource exploration and related feasibility studies;</i> <i>Set clear permitting and planning for geothermal development;</i> <i>Support geothermal transactions'</i>	Government
<b>Labour Market Issues</b>	Limited availability and lack of specialist skills in the labour market:	<b>7. Education and training curriculum reform.</b>	The specific content of any reform should be determined at the Tripartite level and informed from the strategic plan for private sector development. Agreement will need to be reached on the immediate needs of the private and the longer terms development vision of Government.	Government

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**Appendices**

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### **Appendix 1: Structure of the OECS**

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The administration of the OECS is run by the OECS Secretariat, which is based in St. Lucia. The organs of the OECS include:

- The OECS Authority: The highest policy-making body of the OECS consisting of the various Heads of Government. The Authority's chairmanship changes annually and rotates between the various member countries' Head of Government.
- The Council of Ministers: The Council is comprised of appointed Ministers of Government from each member state and is responsible to the Authority. The Council act on matters referred by the Authority and also makes recommendations to the Authority.
- The OECS Assembly: The Assembly is comprised of appointed members of Government and Opposition from each member state. The Assembly serves as the legislative arm of the OECS. The power of the Assembly is confined to common market aspects of the Economic Union- Monetary Policy; Trade Policy; Maritime Jurisdiction and Maritime Boundaries; and Civil Aviation. The Assembly is permanently based in Antigua and is comprised of five legislators from every independent state and three from every non-independent state.
- The Economic Affairs Council: The Council is comprised of representatives of member states, usually Ministers of Trade. The Council is guided by the Economic Union Protocol and the Council is the principal organ of the Economic Union.
- The OECS Commission: The Commission is the main administrative organ of the Economic Union. It is comprised of a Director-General whose responsibility is the daily administration of the Organisation and convenes and presides over meetings of the Commission. The Commission also included one Commissioner of Ambassadorial rank named by each member state. The Commission also provides the Secretariat services for the organs of the OECS and makes recommendations to the Authority and Council of Ministers *'...regarding the formation of Acts and Regulations of the Organisation; and undertake other work and studies, and perform other services relating to the functions of the Organisation as required under this Treaty or the OECS Authority or by any other organ'*<sup>26</sup>.
- The OECS Secretariat: The Secretariat is responsible for the coordination of the function of the OECS under the direction of the Director-General. The organizational chart of the Secretariat is shown below.

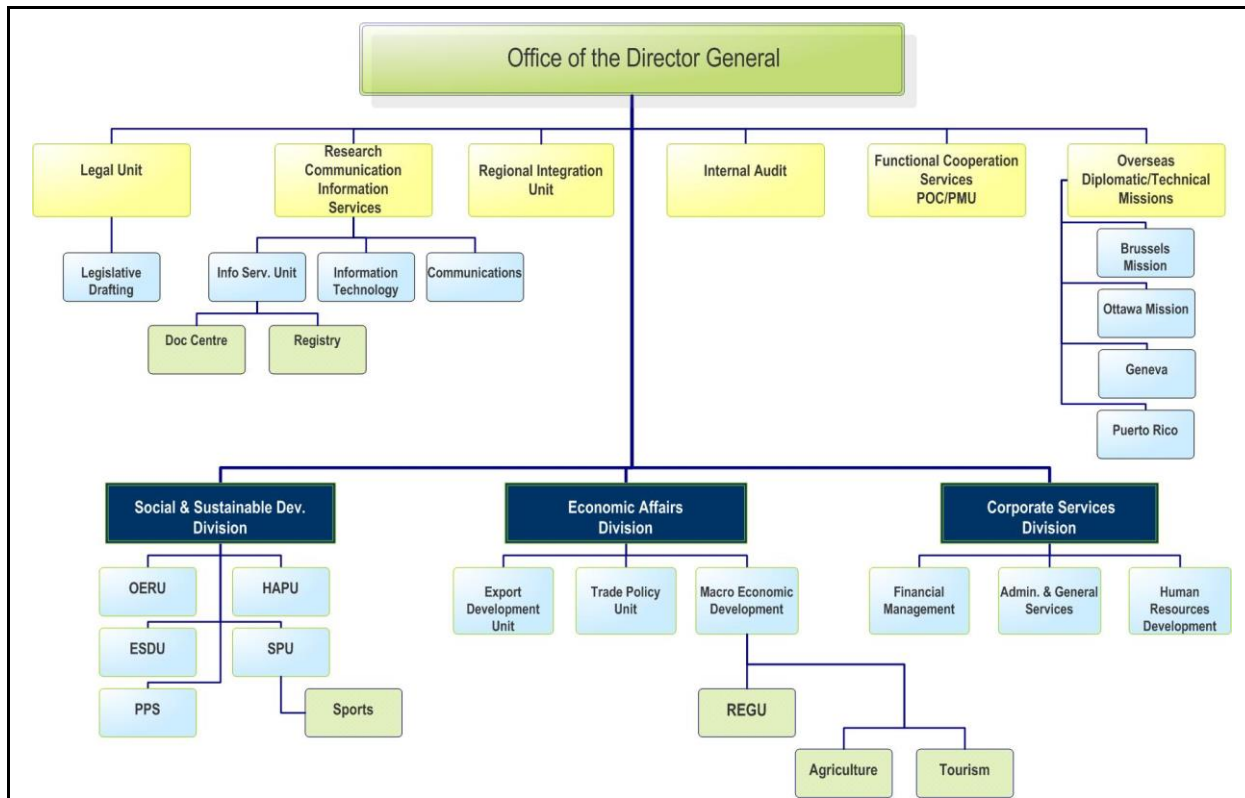
In addition to these organs, other relevant institutions include:

- The Eastern Caribbean Central Bank (ECCB): The ECCB is the monetary authority of the OECS and issues the Eastern Caribbean Dollar. The ECCB maintains currency stability and oversees the banking system in the member states. The ECCB is governed by a Monetary Council and a Board of Directors and is managed by a Governor, currently Sir Dwight Venner. The ECCB was formed in 1983 and is based in St. Kitts and Nevis.
- The Eastern Caribbean Civil Aviation Authority (ECCAA): The ECCAA is an autonomous body with the OECS with responsibility to regulate civil aviation activities.
- Eastern Caribbean Supreme Court (ECSC): The ECSC has unlimited jurisdiction in all member states in accordance with individual Supreme Court Acts. The Court, established in 1967, is the superior court of record for the OECS member states.

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<sup>26</sup> Op cit.

Figure 57: Organisational Chart of the OECS Secretariat



Source: [http://www.oecs.org/images/oecs\\_org\\_chart.jpg](http://www.oecs.org/images/oecs_org_chart.jpg)

## **Appendix 2: Dominica's Governance Framework**

According to the Constitution, the parliament of Dominica consists of a President (who is given executive authority which he may exercise directly or indirectly through officials subordinate to him) and a House of Assembly. The head of state within the Commonwealth of Dominica is H.E. Dr. Nicholas Joseph Orville Liverpool. There are three political parties on the island: the Dominica Labour Party (DLP), the United Workers Party (UWP) and the Dominica Freedom Party (DFP).

Elections are generally held every five years, yet may occur within a shorter time frame if suggested or mandated by the Prime Minister. The President appoints the Prime Minister and the Leader of the Opposition. The former's appointment is based on the elected member's inherent capability to command the support of the elected legislative majority. Subsequently, the offices of Ministers are also appointed by the President but under the advice of the Prime Minister. Following the 2009 election, the House of Assembly is currently comprised of thirty (31) members, including the President: 21 elected by popular vote and 9 who are elected to the Senate (five selected based on the recommendation of the Prime Minister, and four based on the recommendation of the Opposition Leader to the president). The current cabinet consist of 19 members, as highlighted in the table below, and the next general election is due by 2015.

**Table 24: The Government of Dominica: Cabinet Members and Portfolios**

<b>Name</b>	<b>Portfolio</b>
Hon. Roosevelt Skerrit	Prime Minister and Minister for Finance, Foreign Affairs and Information Technology
Hon. Francine Baron-Royer	Attorney General
Hon. Reginald Austrie	Minister for Lands, Housing, Settlements and Water Resource Management
Hon. Matthew Walters	Minister for Agriculture and Forestry
Hon. John Colin McIntyre	Minister for Employment, Trade, Industry and Diaspora Affairs
Hon. Kenneth Darroux	Minister for the Environment, Natural Resources, Physical Planning and Fisheries
Hon. Petter Saint Jean	Minister for Education and Human Resource Development
Hon. Gloria Shillingford	Minister for Social Services, Community Development and Gender Affairs
Hon. Justina Charles	Minister for Culture, Youth and Sports
Hon. Ian Douglas	Minister for Tourism and Legal Affairs
Hon. Ambrose George	Minister for Information, Telecommunication and Constituency Empowerment
Hon. Julius Timothy	Minister for Health
Hon. Rayburn Blackmore	Minister for Public Works, Energy and Ports
Hon. Ashton Graneau	Minister for Carib Affairs
Hon. Charles Savarin	Minister for National Security, Labour and Immigration
Hon. Alvin Bernard	Minister of State in the Ministry of Foreign Affairs
Hon. Kelvar Darroux	Parliamentary Secretary in the Office of the Prime Minister, Responsible for Information Technology
Hon. Johnson Drigo	Parliamentary Secretary in the Ministry of Public Works
Hon. Ivor Stephenson	Parliamentary Secretary in the Ministry of Lands, Housing, Settlements and Water Resource Management
Source: Dominica News Online	

Within the current Government, women account for 11% of the participation: three of whom hold Ministerial posts and one within the Senate. In terms of government effectiveness, Dominica ranks within the upper 50<sup>th</sup> percentile on this measure (Rank of 71) when compared to the comparator territories and ranks higher than the OECS member states of Antigua and Barbuda and Grenada who stand at 67 and 61, respectively. The indicator captures the perceptions of the quality and independence of public services and civil service, the quality of policy formulation and implementation and the credibility of the government's commitment to these polities.

### **Appendix 3: List of Key Stakeholders from Interviews and Consultations**

**Table 25: Business Support Institutions and Other Relevant Bodies**

<b>Name of Institution</b>	<b>Contact Person</b>	<b>Address</b>
CARDI (Caribbean Agricultural Research and Development Institute)	Ms Sharon Jones	P.O. Box 346 NDC Building Valley Road
Central Statistics Office	Ms Prayma Carrette	First Floor, Financial Centre, Kennedy Avenue
Dominica Agricultural Industrial Development Bank (DAIDB)	Ms Josephine Dechausay Titre	Corner Charles Ave. and Rawlins Lane, Goodwill
Dominica Agricultural Producers and Exporters Limited (DAPEX)	Mr Errol Emanuel	Fond Cole Highway, Fond Cole
Dominica Amalgamated Workers' Union	Mr Curtis Augustus	W.A.W.U. Building
Dominica Association of Industry & Commerce	Ms Lilian Piper	14, Church Street,
Dominica Coalition of Services Industries	Mr Lester Riviere	14 Hanover Street,
Dominica Co-operative Societies League Limited	Mr Aaron Dalrymple	Alice Wyllis House, 4 Fields & Cross Lanes
Dominica Export Import Agency (DEXIA)	Mr Gregory Thomas	P. O. Box 173, Bayfront, Roseau, DOMINICA
Dominica Hotel & Tourism Association	Ms Yvonne Armour	Anchorage Hotel Whale Watch and Dive Centre
Dominica Manufacturer's Association	Mrs Roslyn Sorhaindo	Harris Paints Dominica Limited
Dominica Trade Union	Mr Bernard Nicholas	70-71 Independence Street
Invest Dominica Authority	Mr Patrickson Victor	First Floor, Financial Centre, Kennedy Avenue
Ministry of Finance, Financial Centre,	Mrs Rosamund Edwards	<u>Kennedy Avenue</u>
National Development Foundation of Dominica	Mr Ronald Knight	NDFD Building #9 Great Marlborough Street
National Export Council Secretariat (NECS)	Mr Joseph Issaacs	
The Organization of Eastern Caribbean States (Secretariat)	Mr Vincent Phillbert	

**Appendix 4: Donor Matrix Report for Dominica**

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# Compete Caribbean Private Sector Donor Matrix Report for Dominica

August 2013



## Description of the Donor Community

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Please see Section 5.2.3 of the main PSA Report for information on:

- Active multilateral and bilateral donors
- Formal and Informal Coordinating Mechanisms among donors
- Methodologies for indentifying priorities for donor funding
- Monitoring and evaluation by donors
- Opportunities to improve coordination amongst donors

For information on programs and projects undertaken by donors in the country and in the OECS in general, please see DMX Appendix 1: Donor Projects and Programs.

## Description of Local Stakeholders

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### Public Sector Stakeholders

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The main public sector body in Dominica supporting private sector development is the Ministry of Employment, Trade, Industry and Diaspora Affairs. The relevant agencies under the direction of the Ministry include: a Trade Division, the Invest Dominica Authority, and the Dominica Employment and Small Business Support Unit. In Dominica there is also the Dominica Agricultural Industrial Development Bank (DAIDB) which provides loans to enterprises, residential housing and student loans. An overview of the main agencies is provided in Section 5.2.2 of the main report.

### Private Sector Stakeholders

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A listing of main private sector stakeholders is shown in Section 5.2.2. These private sector stakeholders include:

1. Dominica Agricultural Producers & Exporters (DAPEX)
2. National Development Foundation of Dominica
3. Dominica Employers' Confederation
4. The Builders and Contractors Association of Dominica
5. Association of Bankers and Financial Institutions
6. Dominica Manufacturers Association
7. Dominica Hotel & Tourism Association (DHTA)
8. Dominica Coalition of Service Industries (DCSI)
9. Dominica Association of Industry and Commerce
10. Dominica Chamber of Agri-Business

For the most part these entities have limited political influence as there was no single entity representing the private sector, until recently. While in the past there appeared to be limited interaction between private sector representatives outside of informal, ad hoc, arrangements, in December 2012, the ten stakeholders identified above signed a memorandum of understanding (MOU) to form the Dominica Business Forum. The motivation for the formation of the DBF was stated as: *'it is time the private sector join forces to establish proposals for better policies which will enhance the business climate on the island'*<sup>27</sup>. The first chairman of the DBF is quoted as saying:

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<sup>27</sup> <http://dominicanewsonline.com/news/homepage/news/business/private-sector-comes-together/>

*“We recognise the private sector cannot exist without the public sector and we need to have an excellent relationship with the government and the public sector as we try to provide representation,” Paris stressed. “I hope the Dominica Business Forum can bring a level of quality representation to the private sector that it has not seen before.”*

### **Description of Information Available for the Analysis of Private Sector Characteristics, Development Initiatives and Results**

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The most up-to-date information on the private sector in Dominica is provided by the Enterprise Surveys and Doing Business Reports as used extensively throughout the PSA Report. In addition, the Eastern Caribbean Central Bank conducts twice yearly Business Outlook Surveys (<http://www.eccb-centralbank.org/Statistics/outlooksummary.asp>).

### **Identification of Opportunities to Increase Efficient Design and Execution of Programs**

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The main issue in relation to opportunities to increase the efficient design and execution of programs relates not only to these overlaps and duplication, but also to gaps. The gaps mainly relate to the main issues raised in the PSA Report in relation to lack of easily accessible finance, lack of matching of skills supplied with the needs of the private sector, and process issues related to the operation of customs and trade. One of the reasons for these gaps is a lack of inclusion of the private sector in decision-making and strategic planning. It is hoped that this issue would be addressed by the establishment of a high-level steering committee comprising of labour, private sector and public sector representatives.

### **Identification of Opportunities to Address Omitted Priority Problems**

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The areas omitted from current support for private sector development can be addressed as recommended in the PSA Report. In addition, many of the agencies mentioned in the previous section are in one way or the other associated with the goal of private sector development in Dominica. While a single entity would result in some cost savings, it is likely that such an institution might not have the necessary capacity to effectively enable private sector development in such a wide cross-section of industries. Instead, members of all the above agencies, along with representatives from key supporting industries (e.g. finance, labour, customs, among others) could form a special taskforce with the expressed objective of private sector development. Such should be tasked with coordinating any overlaps or duplication that might occur in relation to the goal of private sector development.

### **Recommendations**

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The areas where recommendations are required from the terms of reference for the DMX section of the project relate to recommendations that improve coordination amongst donors, improve donor coordination with local stakeholders and improve PSD-related information systems and monitoring and evaluation.

The current activities by Compete Caribbean as an approach to improve donor coordination and the Caribbean Growth Forum (CGF) initiative are two examples that other donor agencies not currently participating would do well to emulate. In areas of congruence, such initiatives should be utilised to

achieve overall development goals, while unilateral targets could still be met via the donor's independent activities.

In relation to donor coordination with local private sector and public sector representatives, the results of interviews across the region speak to the issue of a lack of dissemination of information on areas of support available as well as the results of research studies which local stakeholders have provided information for. The inclusive *modus operandi* of the CGF is a good example of how to improve the relationships with local stakeholders through inclusion in working groups and transparency in research results. However, it should be noted that there was limited participation by the private sector and this will need to be more actively encouraged.

This point is closely related to the issues of the development of information systems and monitoring and evaluation. Private enterprises are reluctant to share information on their enterprises and by greater inclusion in the decision-making process there may be greater willingness to share relevant information. There is a strong demand by private sector enterprises for data to assist in strategic planning. However, the situation is not that data does not exist in the region, it is basically that the data is not collated or mined. Individual governments, through such agencies as Inland Revenue Departments and National Insurance Schemes, collect information over specific periods that could provide more detailed information as regards revenue and expenditure by sector, employment levels and categories, and investment data. The problem in this regard is a lack of infrastructure and human resources to consistently collate and present data. This is an area where, at the country and regional level through national statistical offices and the OECS Secretariat and the Eastern Caribbean Central Bank, that donors could direct resources, especially as it relates to technical assistance in the development of such a system.

### **DMX Annex 1: Analysis of Donor Projects and Programs in Dominica**

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Main donors to Dominica include: The Caribbean Development Bank (CDB), The European Union's European Development Funding (EDF) program, The Department for International Development (DFID), The International Bank for Reconstruction and Development (IBRD), the European Investment Bank (EIB), and the International Finance Corporation (IFC). Major bilateral assistance related to the private sector came from the Canadian International Development Agency (CIDA), USAID, and Japan. In addition, multi-donor support is provided through Compete Caribbean.

In relation to the nature of projects funded, the majority of active projects are focussed on the Business Support, Finance (access to finance), the Business Environment in general or a combination of these objectives. For projects focussed on these objectives, there are 35 active or recently completed donor funded projects in Dominica specifically, and 12 operating at the OECS level. Of these projects, at the country level, the majority of projects are focussed on the Business Environment (43%) and Business Support/Institutional Structure (31%). The largest areas in terms of funding is Access to Finance at US\$21 million and the Business Environment (US\$20million). It should however be noted that although Access to Finance by itself only accounts for 17% of projects, it accounts for 35% of funding (US\$21 million). In terms of the sector focus, 91% of these main objectives are targeted at the service sector.

**Table 26: Main Objectives and Sector Profiles of Donor Projects in Dominica and the OECS**

	Objective	Share (%)	Agriculture (%)	Industry (%)	Services (%)	Value of Active Projects (US \$'000)
Dominica	Business Support/Institutional Structure	31.4	11.4	11.4	22.9	\$ 14,553
	Access to finance	17.1	11.4	11.4	17.1	\$ 20,873
	Business Environment	42.9	2.9	11.4	42.9	\$ 20,243
	Business Support/Finance	8.6	2.9	2.9	8.6	\$ 4,150
	TOTAL	100.0	28.6	37.1	91.4	\$ 59,819
OECS	Business Support/Institutional Structure	41.7	8.3	8.3	8.3	\$ 31,140
	Access to finance	16.7	8.3	8.3	16.7	\$ 1,940
	Business Environment	25.0	8.3	8.3	8.3	\$ 14,190
	Business Support/Finance	16.7	8.3	8.3	8.3	\$ 2,060
	TOTAL OECS	100.0	33.3	33.3	41.7	\$ 49,330

At the OECS level, for projects in these areas which are operating at the sub regional level, the service sector is also the focus, accounting for 42% of projects. In terms of the number of projects and value, the Business Support/Institutional Structure objectives dominate with 42% of projects and funding in excess of US\$31 million.

In terms of gaps in support, although access to finance has been noted as a major obstacle to business development in the region, projects specifically targeting this area at the sub regional level only account for 17% of projects, and less than US\$2 million in funding. However, at the domestic level in Dominica, while only accounting for 17% of projects, support for access to finance accounts for 35% of total funding in these areas.

In taking the region as a whole, access to finance is only the main focus of 14% of projects, and a joint focus with Business Support for 13% of projects. However, within these categorisations, 22% of funding is directed to Access to Finance, while 21% of funding is targeted at both Access to Finance and Business Support.

**Table 27: Overview of Main Donor Projects by Objective, Sector and Value<sup>28</sup>**

Objective	Active/Recent Completed Projects	Average Share (%)	Agriculture Projects (% of total)	Industry Projects (% of total)	Services Projects (% of total)	Total Value of Main Projects (US\$'000)
Business Support/Institutional Structure	67	27.0	6.3	7.9	10.8	\$ 107,738
Access to finance	36	14.1	5.9	6.7	10.6	\$ 104,390
Business Environment	91	33.5	9.0	10.1	19.0	\$ 155,733
Business Support/Access to finance	35	12.9	4.8	5.2	7.0	\$ 96,996
Total	229	-	26.0	30.0	47.4	\$ 464,857

As indicated in the table above, the greatest number of projects relate to the Business Environment, accounting for on average 34% of projects at a total value of US\$156 million. In terms of sector concentration, 47% of projects are focussed on services. The table below outlines the main information by the main objectives, sector of focus and value at the country level in the OECS.

<sup>28</sup> Note that some percentages do not sum to 100% due to rounding during aggregation.

Table 28: Main Objectives and Sector Profiles of Donor Projects in the OECS and Member States

Country	Objective	Active/Recently Completed Projects	Share of Total (%)	Agriculture Projects (%)	Industry Projects (%)	Services Projects (%)	Total Value of Main Projects (US\$ '000)
Antigua and Barbuda	Business Support Institutional Structure	12	37.5	6.3	3.1	9.4	\$ 15,350
	Access to finance	5	15.6	6.3	6.3	6.3	\$ 1,250
	Business Environment	11	34.4	3.1	9.4	3.1	\$ 19,049
	Business Support and Access to finance	4	12.5	3.1	3.1	9.4	\$ 3,457
	TOTAL	32	100.0	18.8	21.9	28.1	\$ 39,105
Dominica	Business Support Institutional Structure	11	31.4	11.4	11.4	22.9	\$ 14,553
	Access to finance	6	17.1	11.4	11.4	17.1	\$ 20,873
	Business Environment	15	42.9	2.9	11.4	42.9	\$ 20,243
	Business Support and Access to finance	3	8.6	2.9	2.9	8.6	\$ 4,150
	TOTAL	35	100.0	28.6	37.1	91.4	\$ 59,819
Grenada	Business Support Institutional Structure	10	28.6	5.7	14.3	20.0	\$ 9,950
	Access to finance	7	20.0	5.7	5.7	20.0	\$ 11,081
	Business Environment	16	45.7				\$ 19,688
	Business Support and Finance	2	5.7			5.7	\$ 34,658
	TOTAL	35	100.0	11.4	20.0	45.7	\$ 75,377
St. Kitts and Nevis	Business Support Institutional Structure	10	28.6	8.6	8.6	8.6	\$ 7,493
	Access to finance	9	25.7	2.9	11.4	14.3	\$ 9,093
	Business Environment	14	40.0	8.6	11.4	34.3	\$ 15,243
	Business Support and Access to finance	2	5.7				\$ 3,820
	TOTAL	35	100.0	20.0	31.4	57.1	\$ 35,648
St. Lucia	Business Support Institutional Structure	11	28.9	5.3	10.5	7.9	\$ 15,450
	Access to finance	5	13.2	10.5	7.9	7.9	\$ 22,651

Country	Objective	Active/Recently Completed Projects	Share of Total (%)	Agriculture Projects (%)	Industry Projects (%)	Services Projects (%)	Total Value of Main Projects (US\$ '000)
	Business Environment	16	42.1	21.1	18.4	15.8	\$ 37,674
	Business Support and Access to finance	6	15.8	2.6	5.3	5.3	\$ 7,243
	TOTAL	38	100.0	39.5	42.1	36.8	\$ 83,017
St. Vincent and the Grenadines	Business Support Institutional Structure	8	19.0	4.8	7.1	9.5	\$ 13,803
	Access to finance	2	4.8	2.4	2.4	2.4	\$ 37,503
	Business Environment	16	38.1	19.0	11.9	28.6	\$ 29,647
	Business Support and Access to finance	16	38.1	11.9	11.9	11.9	\$ 41,608
	TOTAL	42	100.0	38.1	33.3	52.4	\$ 122,561
OECS Level	Business Support Institutional Structure	5	41.7	8.3	8.3	8.3	\$ 31,140
	Access to finance	2	16.7	8.3	8.3	16.7	\$ 1,940
	Business Environment	3	25.0	8.3	8.3	8.3	\$ 14,190
	Business Support and Access to finance	2	16.7	8.3	8.3	8.3	\$ 2,060
	TOTAL	12	100.0	33.3	33.3	41.7	\$ 49,330

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