



# Program Information Document (PID)

---

Concept Stage | Date Prepared/Updated: 17-Nov-2020 | Report No: PIDC30511



**BASIC INFORMATION**

**A. Basic Project Data**

Country Dominica	Project ID P174927	Project Name Dominica First COVID-19 Response and Recovery Programmatic DPC (P174927)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Feb 25, 2021	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency Ministry of Finance		

**Proposed Development Objective(s)**

The operation seeks to support Dominica in its COVID-19 pandemic response and recovery by: (i) saving lives, protecting livelihoods and preserving jobs; and (ii) strengthening fiscal policies, public financial management and debt transparency for a resilient recovery.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	25.00
------------------------	-------

**DETAILS**

<b>Total World Bank Group Financing</b>	25.00
World Bank Lending	25.00

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

**Dominica is a small, middle-income island economy that depends primarily on services and whose macroeconomic and fiscal framework has been severely disrupted by the pandemic and by the devastating Category 5 Hurricane Maria in 2017.** Per capita GDP (2020) is approximately US\$7,500 (Atlas method). The tourism sector accounts for approximately 20 percent of GDP and nearly 50 percent of total exports. Agriculture and fishing are also important sources of jobs and incomes. Dominica's economy continues to be seriously affected by the current pandemic. In addition to the slowdown in global growth and the sudden stop in tourism, domestic COVID-19 containment measures, implemented as early as the month of March 2020, such as lockdowns, closing of national borders, quarantines, closing of shops and factories have had important economic repercussions. As firms began to lay-off workers and wage payments ceased, or were reduced, this created an income squeeze for many households. Furthermore, the closing of national borders and the stop in air travel had a severe impact on the tourism industry, as well as those indirectly related to tourism such as transport, hotels, commerce, and services. Growth in 2020 is expected to be -7.3 percent, down from a pre-COVID-19 forecast of 4.9 percent. This has negatively affected the fiscal position, as expenditures have risen in response to the pandemic and revenues have decreased, though the Government is committed to effectively managing the fiscal position and maintaining fiscal and debt sustainability..

**Dominica's macroeconomic policy framework is adequate for this development policy financing operation, despite the presence of substantial risks.** This is supported by recently approved fiscal measures (including those supported by this operation) and a strong commitment to further economic and fiscal reforms. This assessment is reflected in: improving growth prospects; consistently low and stable inflation of 2 percent or less; a forecast decline in debt following the COVID-19 pandemic; and through the maintenance of primary budget surpluses over the medium term and the enshrinement of such targets in a Parliamentary approved Fiscal Rules and Responsibility Framework.

### Relationship to CPF

**Bank programming in Dominica is guided by the OECS Regional Partnership Strategy (RPS) dated October 2014 and the Performance and Learning Review (PLR) dated May 2018 that extended the RPS to FY2020.** The objective of the RPS is to help lay the foundations for sustainable inclusive growth through three areas of engagement: (i) competitiveness, (ii) public sector modernization, and (iii) resilience. This operation directly addresses the priorities noted in the RPS and the increased focus on macro-fiscal issues and resilience stated in the PLR. This operation seeks to address issues of resiliency and disaster management, in an effort to reinforce macroeconomic stability and enhance resilience to shocks. The operation is specifically designed to build on complementarities between strengthening resilience to climate change and natural disasters, and the fiscal aspects that arise from such recurrent climatic events, such as increased macroeconomic instability and rising debt levels. Reforms supported under this operation will contribute to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity.

## C. Proposed Development Objective(s)

The operation seeks to support Dominica in its COVID-19 pandemic response and recovery by: (i) saving lives, protecting livelihoods and preserving jobs; and (ii) strengthening fiscal policies, public financial management and debt transparency for a resilient recovery.



## Key Results

**Results indicators under pillar (objective) 1 include:** the number of persons tested for COVID-19 as a percentage of the total population; the number of beneficiary entities accessing the various programs; and the number of women and female-owned beneficiary entities accessing the various programs.

**Results indicators under pillar (objective) 2 include:** total amount of funds in the disaster contingencies fund; the total amount of revenue received through the importation of vehicles; the number of joint audits undertaken between the Customs administration and the Inland Revenue Administration; and the number of clients/taxpayers included in the joint Customs/IRD database; the annual Debt Portfolio Review available on a government website and the number of site visits accessing the DPR; the percentage of awarded public procurement contracts made available on the Government website; and others that remain to be determined.

## D. Concept Description

**This proposed development policy financing operation, in the amount of US\$25 million is the first in a series of two operations.** The COVID-19 pandemic struck Dominica as the economy was recovering from the devastation of successive hurricanes. COVID-19 has triggered a sudden stop in tourism and has exacerbated the need for financial support. The series supports actions taken by the Government of the Commonwealth of Dominica (GoCD) in responding to the crisis and laying the foundation for economic recovery.

**Under Pillar 1, “saving lives, protecting livelihoods and preserving jobs”, the operation supports:** (i) standardized operating procedures for testing, tracing, and treatment following directives from the World Health Organization; (ii) tax reforms including, a three month extension for filing and payment of personal and corporate income tax; a reduction of 8 percent in the corporate income tax rate for companies that commit to continue to employ at least 80 percent of their staffing complement, deferment of tax and interest payments, and waiving of penalties for businesses that enter into payment plans; and (iii) an extension of loan facilities for farmers, hoteliers and the manufacturing sector and to micro and small businesses (including self-employed persons) such as bus drivers, barbers, hairdressers and persons in the tourism sector.

**Under Pillar 2, “strengthening fiscal policies, public financial management and debt transparency for a resilient recovery”, the operation supports:** (i) approval of a Fiscal Rules and Responsibility Framework; (ii) creation of a disaster contingencies fund; (iii) limiting discretionary and ad-hoc duty exemptions on vehicle imports to a maximum of 50 percent instead of 100 percent; (iv) signature of a binding Memorandum of Understanding between its Customs and Inland Revenue administrations to increase compliance; (v) improved coverage, timeliness and public disclosure of the Debt Portfolio Review (DPR); and (vi) preparation of a new Public Procurement Bill.

## E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

### Poverty and Social Impacts

**Supported measures under Pillar 1 aimed at saving lives and ensuring sustainable job creation are expected to impact welfare directly by limiting the increase of unemployment and labor income losses due to the COVID-19 shock.** These measures should also support businesses and avoid firm closures, particularly those of small and medium-sized enterprises, and associated loss of employment opportunities. Supported measures are expected to help mitigate



reductions in household consumption by protecting labor income, thus limiting the number of households and persons that might otherwise fall into poverty.

**Prior actions under Pillar 2 are expected to have a positive, though indirect, impact on poverty in the medium term.**

Improved efficiency in revenue collection and government spending through the application of fiscal rules, improved budget planning and reinforced procurement practices should allow the Government the ability to create additional fiscal space and additional resources for public spending without imposing a tax burden on low-income groups. As such, a potential positive effect can be expected if the generation of increased fiscal space, as supported through several of the prior actions leads to an increase in social spending. A positive distributional impact can thus be expected in the medium term provided the additional fiscal space is used for development, poverty reduction, social spending, and public services. In terms of more direct impacts resourcing of the contingencies fund and the subsequent trigger establishing the management guidelines for the fund, should have a more direct positive impact on poverty and social outcomes as natural disasters and shocks tend to hit the poorest households hardest. Having access to available resources with which to respond rapidly in the aftermath of such an event should help limit the negative impact of such disasters and allow for more prompt delivery of assistance to poor households.

Environmental, Forests, and Other Natural Resource Aspects

**The DPC-supported policy reforms are not expected to have significant negative environmental effects.** Supported reforms will have no significant negative environmental effects as these measures do not include policy reforms involving production decisions, regulatory matters, or any measures that could reasonably be expected to impact the environment and natural resources.

---

**CONTACT POINT**

**World Bank**

David Cal MacWilliam  
Senior Economist

**Borrower/Client/Recipient**

Ministry of Finance  
Denise Edwards  
Financial Secretary  
financialsecretary@dominica.gov.dm

**Implementing Agencies**



Ministry of Finance  
Denise Edwards  
Financial Secretary  
financialsecretary@dominica.gov.dm

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	David Cal MacWilliam
----------------------	----------------------

**Approved By**

Country Director:	Tahseen Sayed Khan	17-Nov-2020
-------------------	--------------------	-------------