2023/2024

Debt Report

Dominica Ministry of Finance

06/2025

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Acronyms and Abbreviation

AFD	Agence Française de Development
ATM	Average Time to Maturity
ATR	Average time to Re-fixing
BBD	Barbados Dollar
CariCRIS	Caribbean Information and Credit Rating Services limited
CBI	Citizenship By investments
CDB	Caribbean Development Bank
ComSec	Commonwealth Secretariat
DAID Bank	Dominica Agricultural and Industrial Bank
DASPA	Dominica Air and Sea Port Authority
DMU	Debt Management Unit
DOWASCO	Dominica Water and Sewerage Company
DSA	Debt Sustainability Analysis
DSS	Dominica Social Security
DSSI	Debt Service Suspension Initiative
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EIB	European Investment Bank
FY	Fiscal Year
GDP	Gross Domestic Product
GHLB	Government Housing Loans Board
GoD	Government of Dominica
IMF	International Monetary Fund
IRP	Investor Relations Programme
MoF	Ministry of Finance
MSME	Micro Small and Medium Enterprise
PRC	People's Republic of China
PSIP	Public Sector Investor Programme
PV	Present Value
RBTT	Royal Merchant Bank
RGSM	Regional Government Securities Market
SDR	Special Drawing Rights
T-Bills	Treasury Bills

Introduction

The 2023/2024 Debt Portfolio Review is divided into eight sections as outlined below:

SECTION 1:	The Executive Summary
SECTION 2:	Debt management objectives and Function
SECTION 3:	An overview of the economy and the economic outlook
SECTION 4:	The analysis of the public debt; new debt contracted/borrowings and debt service payments, debt relief
SECTION 5:	Government Securities
SECTION 6:	Risk analysis of the debt portfolio, debt sustainability and debt outlook
SECTION 7 :	Debt Management Activities
SECTION 8 :	Conclusion

Section 1.0

Executive Summary

The 2023/2024 Debt Portfolio Review provides stakeholders with an analytical view of the Government of Dominica's total debt[1] performance for the last five fiscal years to FY 2023/2024. The Report, which was prepared by the Debt Management Unit of the Ministry of Finance, Economic Development, Climate Resilience and Social Security also gives an overview of the performance of the economy and debt sustainability.

The Government has been building resilience in all facets of the economy. Therefore, notwithstanding the challenges, Dominica's economy expanded by 4.70 percent in FY 2023/2024 with improved performance by major sectors such as tourism, agriculture, construction, and whole and retail. Tax revenues increased by 3.10 percent in FY 2023/2024 over the previous year, and non-tax revenues decreased by 4.93 percent.

Although at the end of FY 2023/2024 the operations of Central Government recorded an overall deficit of 1.10 percent of GDP, there was a primary surplus of 1.50 percent of GDP.

Total expenditure for FY 2023/2024 decreased by 2.30 percent over the previous year 2022/2023 due to reductions in both recurrent and capital expenditure.

At the end of June 2024, total debt outstanding[2] amounted to EC$1,620.75 million or 87.89 percent of GDP compared to EC$1,616.60 or 94.59 percent of GDP at

[1] central government's debt plus debt guaranteed by the government
[2] Total debt outstanding: debt of the central government plus debts of other public sector entities that are guaranteed by the central government. The disbursed outstanding debt (DoD) does not include any arrears nor floating debt.

the end of June 2023. This represents a 0.18 percent increase in nominal debt with a corresponding increase in the debt to GDP ratio by 7.90 percentage points.

In fiscal year 2023/2024 Central Government held EC$1,480.11 million or 91.32 percent of the total debt, while the remaining EC$140.64 million or 8.68 percent represented debt guaranteed for state-owned enterprises. Total external debt accounted for 62.97 percent of the total debt while domestic debt was 37.03 percent.

Interest rate risk and currency risk remained low. At the end of FY 2023/2024, 93.69 percent of the total outstanding debt carried fixed interest rates and 6.61 carried a variable rate of interest. Moreover, 88.78 percent of the debt was denominated in foreign currency, of which 49.9 percent was denominated in United States Dollars (USD), which is pegged to the EC dollar at $2.70.

Refinancing risk remained low, this was measured by the Average Time to Maturity (ATM) and the Average time to Re-fixing (ATR). At the end of the reporting period the ATM and the ATR of the total debt was 9.62 years and 9.19 years respectively.

The government, over the years has kept its presence on the Regional Government Securities Market (RGSM) and continues to use this platform as one of the means of meeting its financing needs. During fiscal year 2023/2024, the government floated a 91- day Treasury bill, on a quarterly basis, in the amount of EC$20 million on the RGSM.

Dominica's debt carrying capacity[3] is ranked as medium. The country has an overall high overall risk of debt distress resulting from elevated levels of debt due to ongoing efforts, to raise financing for development projects. However, the level

[3] Based on policy strength, macroeconomic performance, global economic conditions and buffers to absorb shocks.

of debt is sustainable, as the government has the ability to service its debts when they fall due, while still maintaining macroeconomic stability.

Section 2.0

2.1 Objectives for Debt Management

The Government has set for itself a high- level debt management objective:

"To ensure that Government's financing needs and obligations are met on a timely basis, in a way that minimises cost over the medium to long-term with a prudent level of risk."

The underlying objectives are to consider the lowest cost and risk to meet financing needs; and ensure that there is adequate coordination between Government's debt management policies and its macro fiscal policies, to help build and maintain an economy that is robust and resilient to future adverse economic shocks.

As part of its debt strategy, Government has set the following quantitative targets for total public sector debt:

a. Maintain an Average Time to Maturity ≤ 7.5 years;
b. Variable interest rate debt to be ≤ 15.0 percent of the total debt stock;
c. Non-USD debt exposure (excluding SDR) at ≤ 20.0 percent of the total debt stock; and
d. Maintain government guaranteed debt at ≤ 17.0 percent of the total debt stock.

These targets are reviewed periodically.

2.2 Debt Management Function

The Ministry of Finance (MoF) is responsible for formulating and implementing fiscal policies and managing the financial resources of the State. Debt management is one of the main responsibilities of the MoF.

The Debt Management Unit (DMU) is the primary entity for debt related matters. These functions are closely coordinated with the Policy Unit; the Accountant General's Office; and the Chambers of the Attorney General which ensures compliance with the necessary legislative framework. The DMU participates in debt negotiations, manages, records, and reports on public sector debt; as well as analyses and evaluates the debt portfolio to determine the desired optimal mix. The Eastern Caribbean Central Bank (ECCB) acts as the paying agent for Government in servicing its debt. Additionally, the ECCB provides technical advice and support to the DMU.

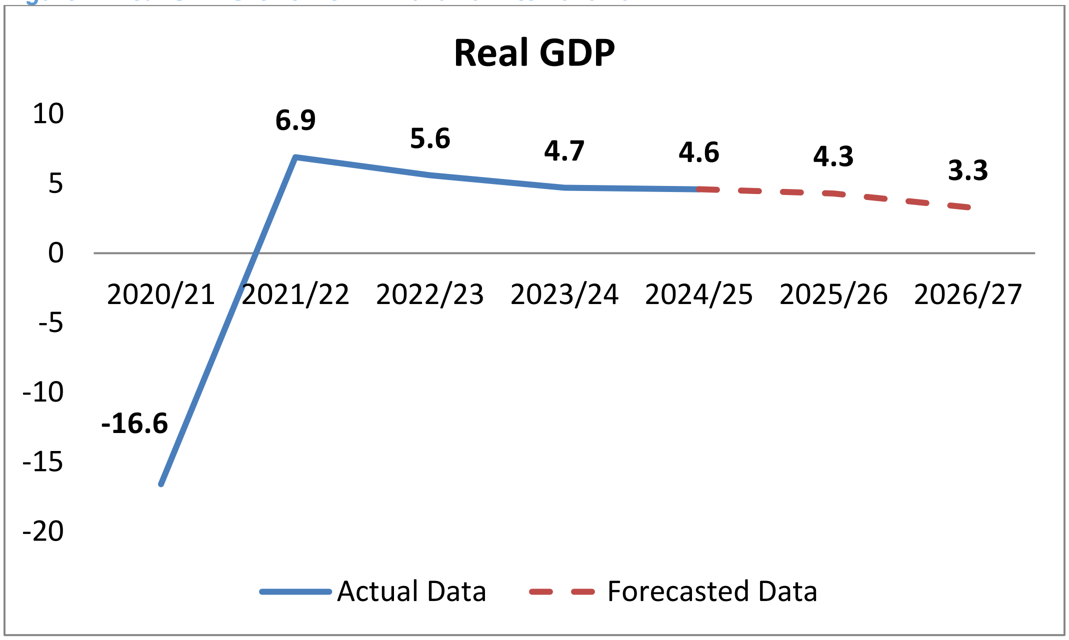
Section 3.0

3.1 Overview of the Economy

Economic Performance

The Dominican economy grew by 4.70 percent in FY 2023/2024, driven by robust growth in the tourism, construction and wholesale and retail sectors (See Figure 1). The construction sector grew by 5.60 percent highlighted by a remarkable 105.00 percent increase in construction starts. Activity in the wholesale and retail trade sector also increased by 13.00 percent while the tourism sector was spurred by a 94.00 percent increase in visitor arrivals. Forecasts for FY 2024/2025 indicate a 4.60 percent growth underpinned by an anticipated 7.00 and 6.00 percent growth in the tourism and construction sector respectively. In the near term, real Gross Domestic Product (GDP) growth is anticipated to average 4.10 percent as it tapers towards long-term growth of 2.00 percent.

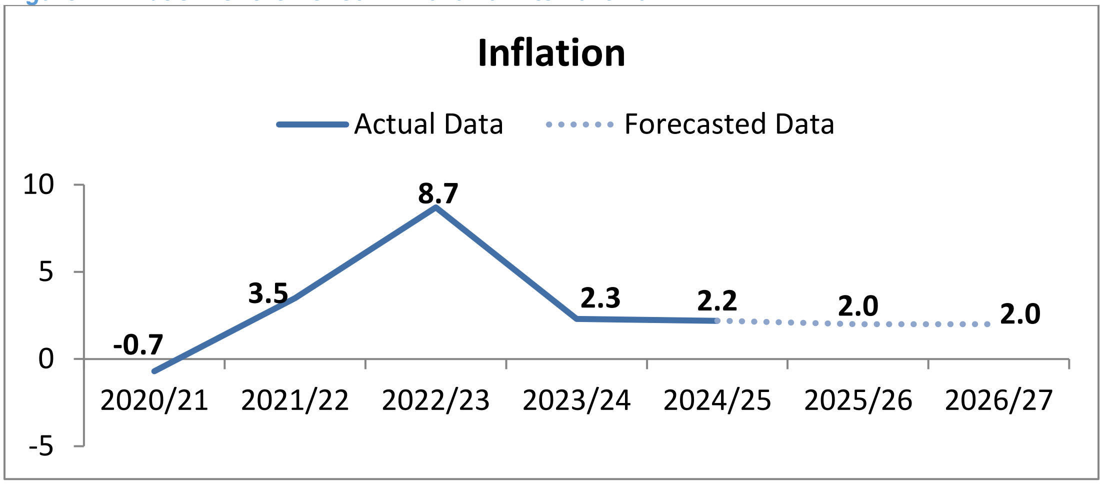
Figure 1: Real GDP Growth for FY 2020/2021 to 2026/2027



Source: Macroeconomic Policy Unit, Ministry of Finance

Inflation moderated in FY 2023/2024 with the consumer price index falling to 2.30 percent from its peak of 8.70 percent in FY 2022/2023 (See Figure 2). This was due largely to a contraction in the heavily weighted sub-indices of housing and fuel, and a moderation of international price increases. The consumer price index is projected to trend downwards to 2.00 percent in the medium term. Risks to the outlook stem from trade policy uncertainty, trickle down effects from the Russia – Ukraine and Israel – Hamas wars, extreme weather events and the potential slowdown of Citizenship by Investment inflows.

Figure 2: Inflation for the Period FY 2020/2021 to 2026/2027



Source: Macroeconomic Policy Unit, Ministry of Finance

The Fiscal Position

Operations of Central Government have resulted in an overall deficit of 1.10 percent of GDP and a primary surplus of 1.50 percent of GDP in Fiscal Year 2023/2024. The improvement in both balances is largely attributable to fiscal consolidation efforts and greater capital revenue gains (See Table 1).

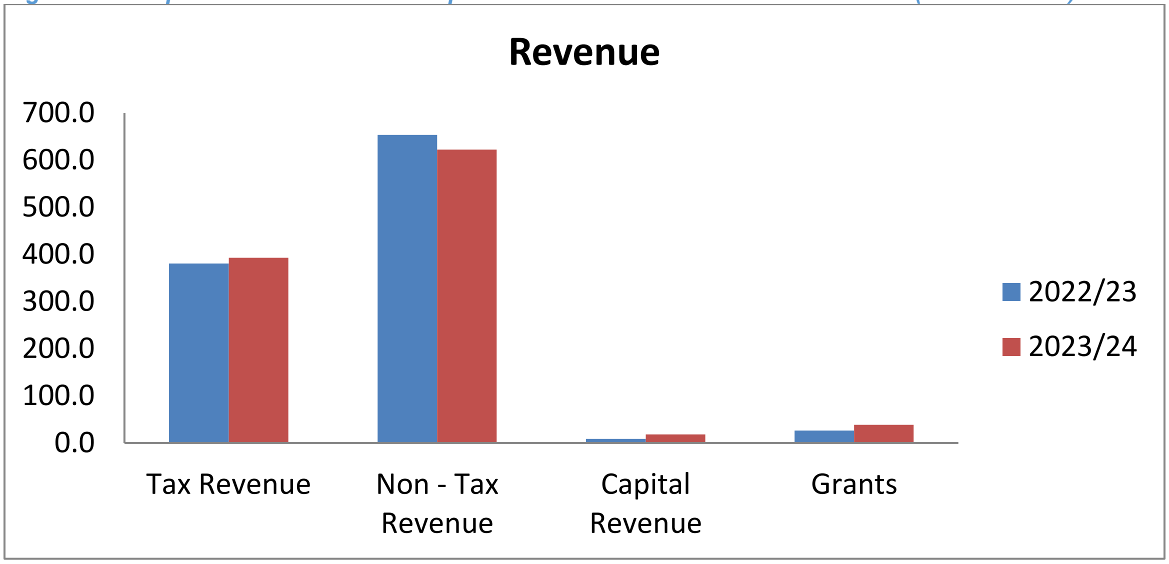
Table 1: Overview of Government's Fiscal Operations for 2022/23 and 2023/24 (XCD Millions)

	2022/23	2023/24
Total Revenue + Grants	**1,068.8**	**1,097.5**
Total Revenue	**1,042.8**	**1,032.1**
Recurrent Revenue	**1,034.2**	**1,013.8**
Tax Revenue	380.9	392.7
Non - Tax Revenue	653.3	621.1
Capital Revenue	**8.6**	**18.2**
Grants	**26.0**	**65.4**
Total Expenditure	**1,215.0**	**1,187.3**
Recurrent Expenditure	583.0	547.5
Capital Expenditure + Net Lending	608.5	543.4
Current Balance	**451.1**	**466.3**
(As % of GDP)	*26.4*	*25.3*
Primary Balance	**(14.2)**	**27.1**
(As % of GDP)	*(0.8)*	*1.5*
Overall Balance	**(146.2)**	**(19.4)**
(As % of GDP)	*(8.6)*	*(1.1)*
Nominal GDP	**1,709.0**	**1,844.0**

Source: Macroeconomic Policy Unit, Ministry of Finance

Total revenue and grants amounted to $1.10 billion, marking a 2.70 percent increase over the previous year due primarily to substantial growth in grants. Inflows of grants rose to $65.40 million from $26.00 million. However, recurrent revenue collections declined slightly by 2.00 percent as the 3.10 per cent gains in tax revenue were dampened by a 4.90 percent decrease in non-tax revenue receipts (See Figure 3).

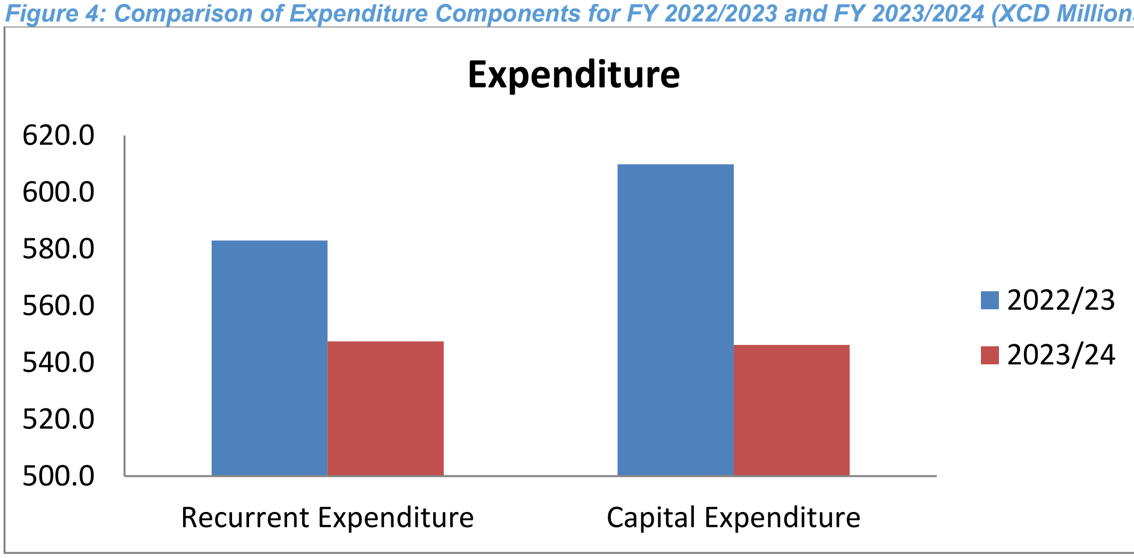
Figure 3: Comparison of Revenue Components for FY 2022/2023 and 2023/0224 (XCD Millions)



Source: Macroeconomic Policy Unit, Ministry of Finance

Total expenditure was $1.20 billion comprising of recurrent expenditure of $547.50 million and capital expenditure inclusive of net lending of $543.40 million. This represents a 2.30 percent decline compared to the previous year, driven by reductions in both expenditure components (See Figure 4).

Figure 4: Comparison of Expenditure Components for FY 2022/2023 and FY 2023/2024 (XCD Millions)



Source: Macroeconomic Policy Unit, Ministry of Finance

Section 4.0

Public Debt Analysis

4.1 Total Public Debt

Over the five-year period FY 2019/2020 to FY 2023/2024, the total debt increased by an average of 5.10 percent per annum, moving from a total of EC$ 1,331.88 million in FY 2019/2020 to EC$ 1,620.75 million in FY 2023/2024 (See Appendix 1). Central government debt at the end of FY 2023/2024 was EC$ 1,480.11 million or 91.32 percent of the total debt, while government guaranteed debt was EC$140.64 or 8.68 percent of the total debt. The largest increase over the last five fiscal years was in FY 2020/2021, where the debt stock increased by EC$138.45 million over FY 2019/2020, due to an increase in borrowing for Covid-19 related expenses.

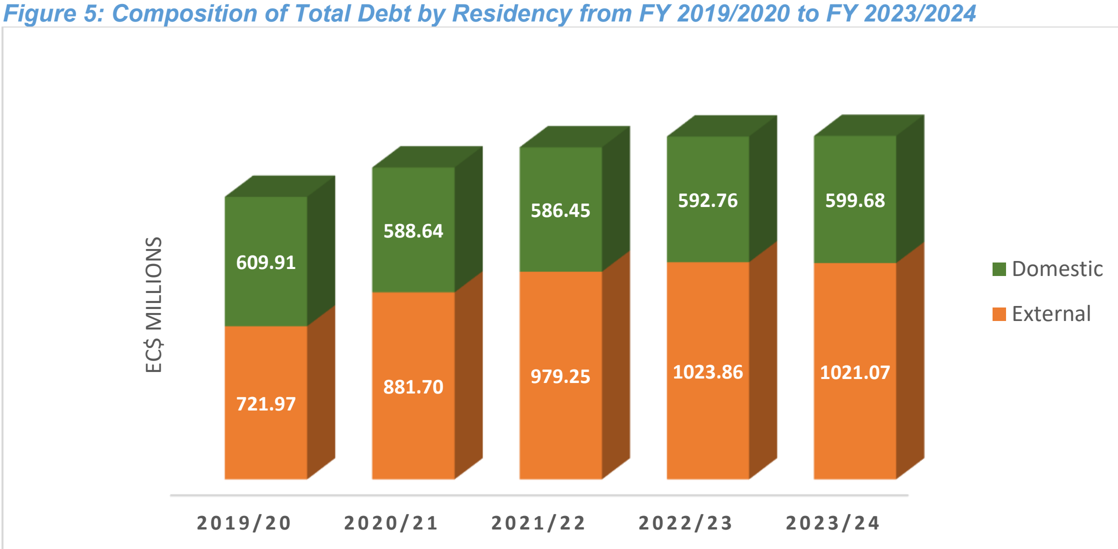
For the five-year period, the share of central government debt averaged 90.09 percent, while the guaranteed debt averaged 9.91 of the total debt. On average, total debt to GDP over the five-year period was 94.69 percent.

Government guaranteed debt maintained a downward trajectory from FY 2019/2020 to FY 2022/2023, averaging about $151.54 million or 9.38 percent of the total debt to GDP. The stock of guaranteed debt increased minimally by 0.45 percent in the FY 2023/2024 over the previous year. This was as a result of a two-year moratorium on interest from January 2022 that was capitalised. The share of guaranteed debt to total debt remained way below the 17.0 percent benchmark at 8.7 percent.

At the end of the FY 2023/2024, total debt to GDP was 87.89 percent, with central government and government guaranteed debt to GDP at 80.26 percent and 7.63 percent respectively. External creditors hold the major share of debt at 63.29 percent or ($1,021.07 million) compared to domestic creditors at 36.71 percent or (EC$599.68 million).

Figure 5 shows the composition of total debt by residency over the five-year period (FY2019/2020-FY2023/2024).

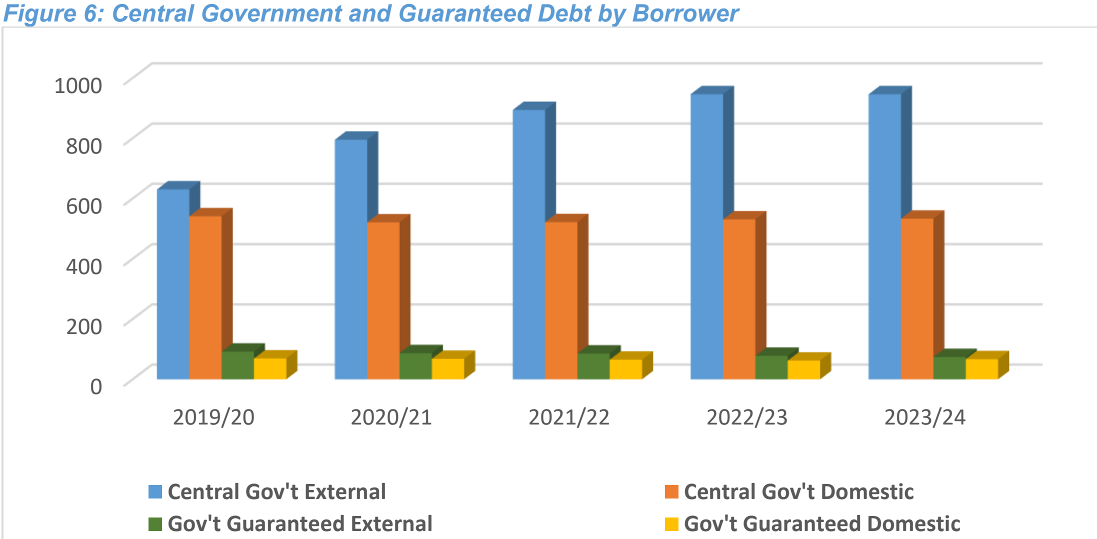
Figure 5: Composition of Total Debt by Residency from FY 2019/2020 to FY 2023/2024



Source: The Debt Management Unit

Figure 6 shows the distribution of external and domestic central government and government guarantees debt.

Figure 6: Central Government and Guaranteed Debt by Borrower



Source: The Debt Management Unit

As exhibited in figure 6, over the five-year period, Central government external debt maintained a steady increase from FY 2019/2020 and FY 2022/2023, and remained relatively stable, up to the end of the review period FY 2023/2024 as a result of low disbursements and repayment of principal. Government guaranteed external debt mirrored an opposite trend, decreasing throughout the period.

In FY 2020/2021, central government domestic debt showed a decreased over the previous period, and continued to increase thereafter, amounting to $532.96 million in FY 2023/2024, a slight increase of $2.36 million over FY 2022/23. Government guaranteed domestic debt maintained the same trajectory as the external guarantees, reducing steadily throughout the five-year period to $73.92 million, a decrease of $3.94 million, at the end of the FY 2023/24.

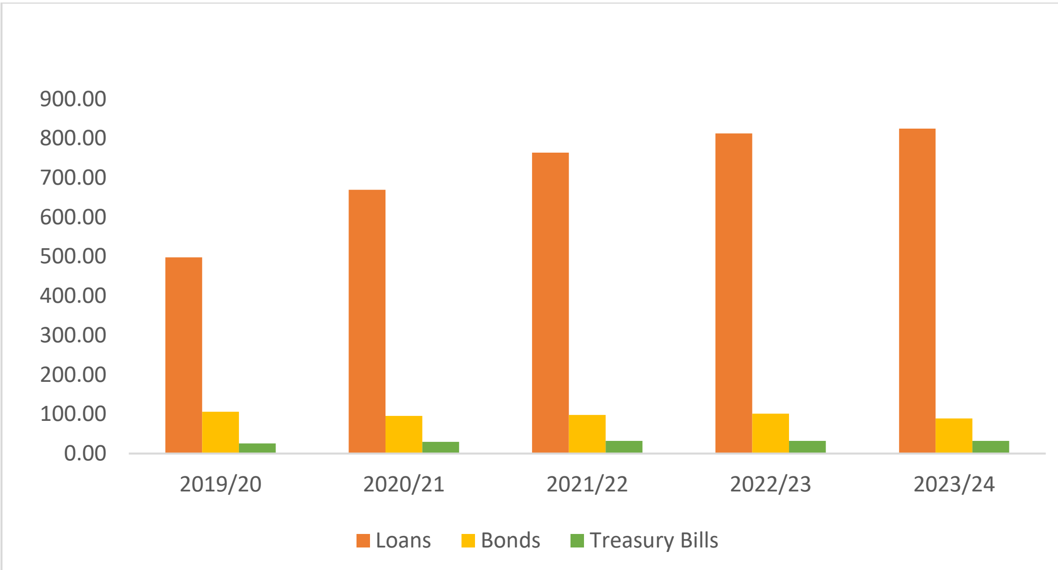
4.2 Debt by Instrument

Figure 7 exhibits the central government external debt by instrument type.

Central government debts are in the form of loans, treasury bills, bonds and bank overdrafts; whereas, on loans comprised Government's debt.

Over the five-year reporting period, the relative share of debt instruments has been fairly stable with loans accounting for the largest portion (87.19 percent), followed by bonds (9.43 percent), and treasury bills (3.38 Percent). From FY 2019/2020 loans trended upward, peaking at EC$824.74 million at the end FY 2023/2024, an increase of $12.01 million over FY 2022/2023. The share of bonds fluctuated, decreasing in FY 2020/2021, increasing in the following two financial years, then decreasing again FY 2023/2024. In that year bonds amounted to $89.03 million, a decrease of $12.27 million over FY 2022/2023. Treasury bills trended upward from FY 2019/2020 to 2021/2022 and remained steady thereafter, at $31.97 million by the end of FY 2023/2024. This is attributed to a change in investor residency relating to issuances on the RGSM.

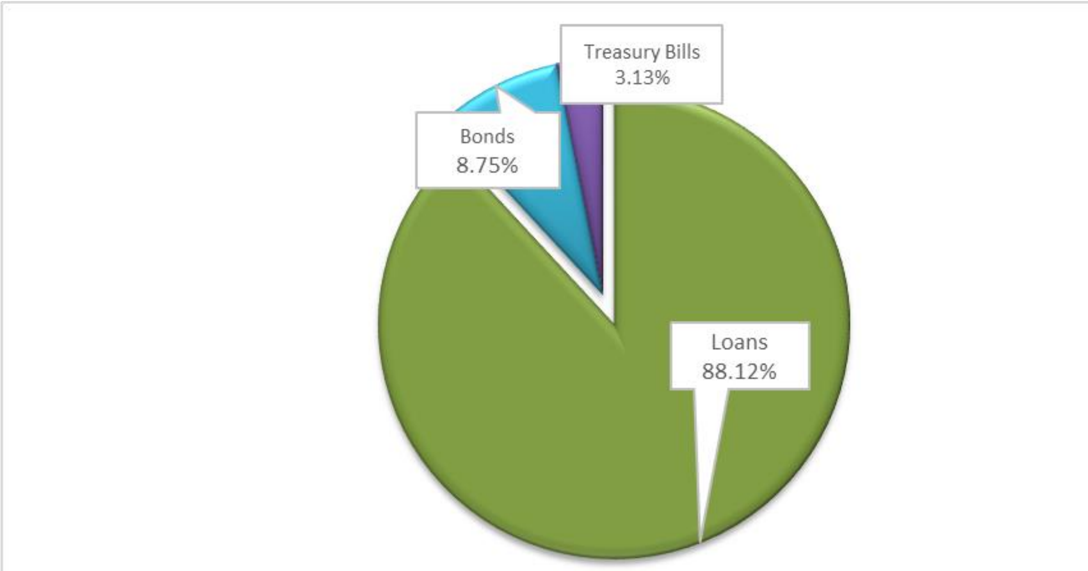
Figure 7: Central government external debt by instrument



Source: The Debt Management Unit

Figure 8. illustrates the composition of the total external debt portfolio at the end of fiscal year 2023/2024. It can be seen that the portfolio is predominantly made of loans with 88.12 percent, followed by bonds with 8.75 percent and treasury bills 3.13 percent.

Figure 8: Total external debt by instrument as at June 2024



Source: The Debt Management Unit

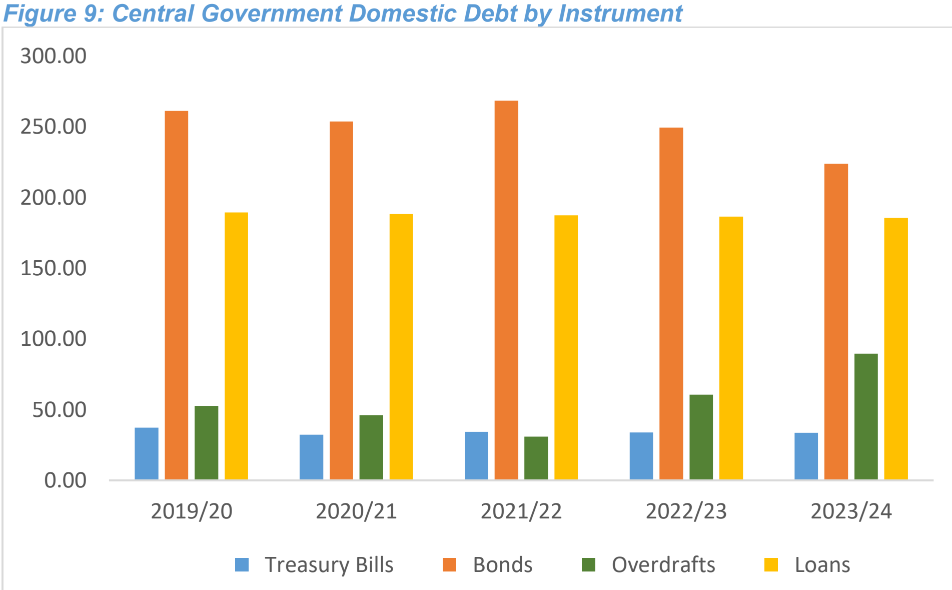
In addition to overdrafts facilities, central government domestic borrowing has mainly relied on instrument composition similar to external borrowing (see figure 9).

There was 3.72 percent decrease in the total central government domestic debt stock in financial year 2020/2021 over the previous year followed by minimal increases in the subsequent years averaging less than 1.0 percent.

The stock of bonds over the period averaged EC$251.46 million. There was an increase of 5.83 percent in fiscal year 2021/2022 over the previous year with a reduction of 7.07 percent in the following year and a further reduction of 10.29 percent in FY 2023/2024. The increase was due to the issuance of a private bond placement while the redemption of bonds contributed the reduction in the stock of bonds. The loan portion maintained a downward trajectory, decreasing to $185.76 million in FY 2023/24. The stock of treasury bills was almost flat throughout the period, closing at $33.72 million at the end of FY 2023/24. In the fiscal year 2019/2020 to 2021/2022 the overdrafts reduced by an average 22.72 percent moving from EC$52.80 million to EC$31.00 million. For the following two years, there was greater reliance on the overdraft facilities, due to urgent need of financing. There was a 48 percent increase over FY 2022/23, moving from $60.65 million to $89.55 million in FY 2023/24.

Notwithstanding the increases in the overdraft balances, there were no breaches of the required legal limit. The stock of overdrafts was EC$56.50 million for FY 2021/2022 and then increased to EC$102.00 million in FY 2022/2023 and remained at that amount in FY 2023/2024.

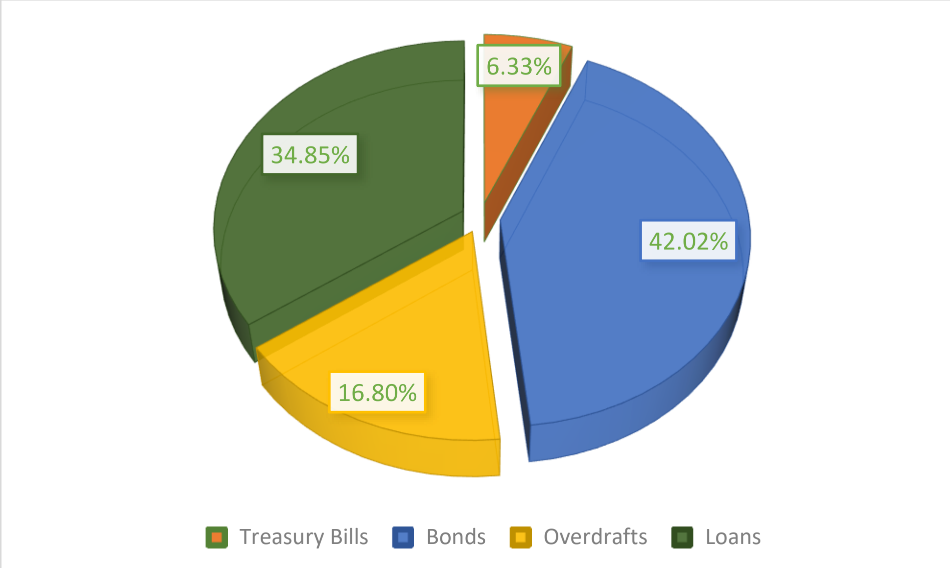
Figure 9: Central Government Domestic Debt by Instrument



Source: The Debt Management Unit

Figure 10 reflects the domestic debt by instruments of central government at the end of fiscal year 2023/2024. Bonds represent the largest portion of the domestic debt portfolio with 42.02 percent, followed by loans with 34.85 percent, and overdrafts and treasury bills with 16.80 percent and 6.33 percent respectively.

Figure 10: Central government domestic debt by instrument as at June 2024



Source: The Debt Management Unit

4.3 Debt by creditor category

The total debt by creditor category is displayed in Appendix 2. Over the period both government and the statutory bodies have maintained a creditor base of predominantly creditors traditional to Dominica, including, IDA, CDB, IMF, DSS and NBD.

External

Dominica is a blend country and qualifies for IDA borrowing because of its vulnerable small state status. Over the years the government has secured its debt financing primarily from concessionary sources; mainly multilateral creditors who accounted for 78.72 percent of the total debt at the end of fiscal year 2023/2024. The main multilateral creditor is the International Development Association (IDA), accounting for 61.20 percent, followed by Caribbean Development Bank (CDB) with 33.60 percent. The other multilateral creditors, such as the IMF, OPEC and EIB collectively held 10.01 percent. Bilateral creditors held 11.41 percent of the total external debt. Within this category, Paris Club members accounted for 2.68 percent while 8.73 percent of the debt was held by Non-Paris Club members.

Commercial creditors accounted for 2.37 percent of the debt stock, while the remaining 7.51 percent was held by insurance companies and private individuals.

Domestic

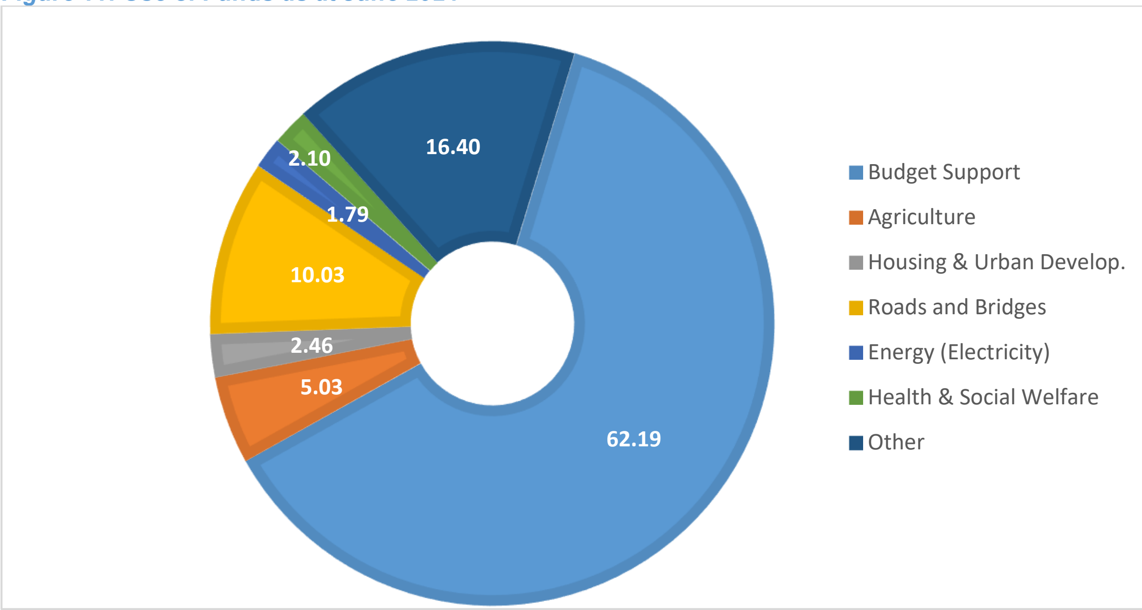
With regards to domestic borrowings, over the review period the debt was sourced mainly from the commercial banks and the Dominica Social Security. At the end of the fiscal year 2023/2024, commercial banks accounted for 63.69 percent of the total domestic debt, (central government 57.65 percent and 6.04 percent for statutory bodies). The Dominica Social Security (DSS) held the second largest share of 23.53 percent (central government 18.44 percent and the statutory bodies at 5.09 percent). The remaining 12.78 percent of domestic debt is owed to the other categories including private investors, insurance companies and other financial institutions.

The total exposure of government to DSS investment portfolio is 39.28 percent; of which 8.00 percent represents government guaranteed debt. (While the total amount falls above the 35.00 percent benchmark set for Government, in accordance with DSS Investment Policy, 31.28 percent is attributed to central Government).

4.3 Debt by Use of Funds

Figure 11 displays a breakdown of the accumulated debt by sectors over the review period. As at June 2024, 62.19 percent was allocated to budgetary support, 10.03 percent to roads and bridges, 5.03 percent to agriculture, 2.46 percent to housing and urban development, 2.10 percent to the health and social welfare sector while 1.79 percent to energy. The other sectors, which include tourism, utilities, and industry among others, totalled about 16.4 percent. The debt contracted for budget support was used mainly to bridge the financing gap caused by a sharp increase in expenditures and the reduction in revenues during and post the two-year Covid -19 pandemic. This funding came from sources such as re-issuance of securities, IMF facilities, policy-based loans from the CDB, OPEC Fund and IDA as well as the use of overdrafts.

Figure 11: Use of Funds as at June 2024



Source: The Debt Management Unit

4.4 New Borrowings and Debt Service Payments

4.4.1 New Debt

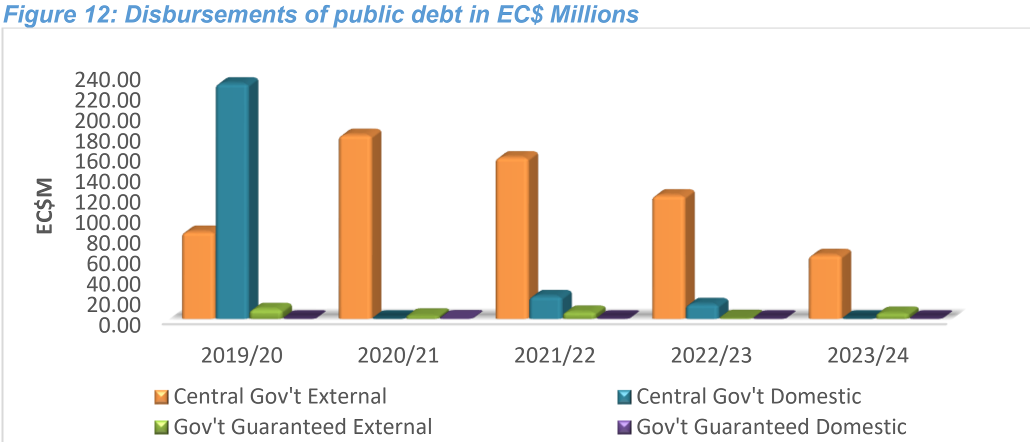
During the five-year review period, the government contracted new debt, in the form of loans, and issuance of securities. Funds were mainly sourced from external creditors namely the World Bank, the International Monetary Fund (IMF), Caribbean Development Bank, OPEC Fund, the Eastern Caribbean Central Bank and RGSM. Domestic funds were sources from National Commercial Bank of Dominica, Dominica Social Security, and a private placement.

In FY 2022/2023, Government's new debt borrowings amounted to EC$37.0 million compared to EC$108.92 million in FY 2021/2022. The new debts were in the form of Over-the-Counter bonds, issuance of bonds on the RGSM. Domestic sources accounted for $14.28 million ($12.0 million OTC and $2.28 million RGSM) while $22.72 were from non-resident investors on the RGSM. No new borrowing in FY 2023/2024 occurred for central government nor guarantees for statutory corporations, since there was committed undisbursed balances on existing debt.

4.4.2 Disbursements

The disbursement trend over the five-year period is illustrated in Figure 12 and shows a downward trajectory, reducing by an average of 29.80 percent. From fiscal year 2020/2021 to the end of the period, the external component maintained a larger share of the drawdown. The disbursements throughout the five-year period were mainly on funds already committed for projects. Funds were also disbursed through the issuance of government's securities on the Regional Securities Market and the private placement of securities. In the year under review, 2023/2024 drawdowns were from only external sources in the sum of EC$67.40 million of which central government amounted to EC$62.15 million and guaranteed debt EC$5.25 million. The main creditors were IDA and CDB with loans amounting to EC$53.88 and EC$9.52 million respectively. There were no domestic disbursements.

Figure 12: Disbursements of public debt in EC$ Millions



Source: The Debt Management Unit

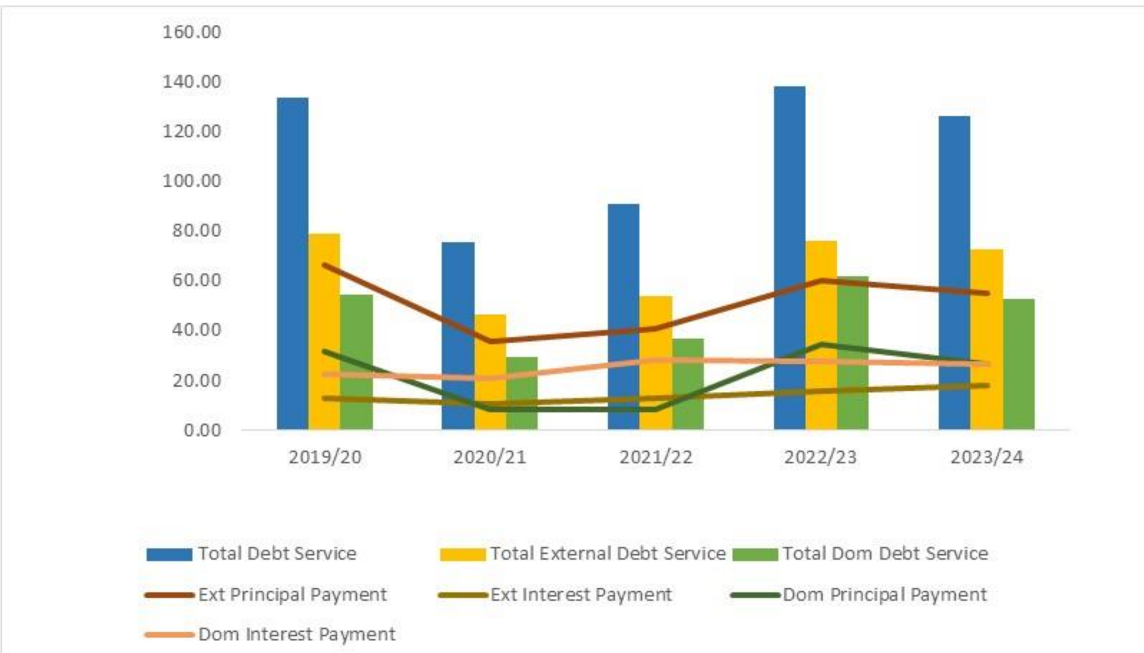
4.4.3 Debt Service Payments - Central Government

Figure 13 displays the central government external and domestic debt service repayments over the review period FY 2019/2020 to FY 2023/2024.

There was an overall decrease of EC$6.23 million in external debt service repayment over the five-year period. Average annual external debt service payments averaged EC$65.74 million; comprising principal of EC$51.70 million and EC$14.04 million in interest payments.

Domestic debt service repayments, increased on averaged by 8.46 percent over the five-year period. The average annual debt service payments to domestic creditors was EC$47.07 million; of which EC$21.87 million represented principal repayments and EC$25.20 million in interest payments.

Figure 13: Central Government Debt Service 2019/20-2023/24 in EC Millions



Source: The Debt Management Unit

Section 5.0

Government Securities

The RGSM operates on a fully electronic platform[4]. The instruments issued on the RGSM are in the form of treasury bills and bonds with varying maturities. These

[4]http://www.eccb-centralbank.org/money/rgsm.asp

securities are backed by the full faith and commitment of the issuing governments. This platform provides an alternative investment opportunity for investors, and has offered attractive rates to the many investors who continue to invest over the years.

Table 2 shows the issuance during the fiscal year 2023/2024 and the outstanding balance of securities at the end of this financial year. This fiscal year reflects low activity with only four (4) 91-days treasury bill auctions.

Table 2: Government Securities

Securities issued in FY 2023/24	Issue Date	Maturity Date	Issue Amount EC$M	Amount Raised	No of Bids	Rate
RGSM ISSUES						
91-Day Treasury Bill	5/7/2023	4/10/2023	20.00	28,272,000.00	8	3.50
91-Day Treasury Bill	4/10/2023	4/1/2024	20.00	27,210,000.00	10	1.50
91-Day Treasury Bill	4/1/2024	4/4/2024	20.00	24,906,000.00	8	1.50
91-Day Treasury Bill	4/4/2024	5/7/2024	20.00	30,549,000.00	10	1.47
Non-RGSM Issues(NONE)						
Securities Outstanding as at June 30,2024	**Amount**			**Average Interest Rate(%)**		
RGSM	**90.17**					
91-Day Treasury Bill	20.00			1.99		
7-Year Bonds (3 issues)	70.17			7.00		
Non-RGSM Issues	**269.44**					
Treasury Bills	**45.69**					
365- Day Treasury Bill	26.47			2.50		
91-Day Treasury Bill	19.22			6.20		
Bonds	**242.97**					
30 Year Restructured Bonds	124.43			2.75		
20 Year Annuity Bonds	71.20			3.75		
15 Year Annuity Bonds	22.81			4.50		
7 Year Bonds	10.00			7.00		
5 Year Bonds	14.53			4.00		

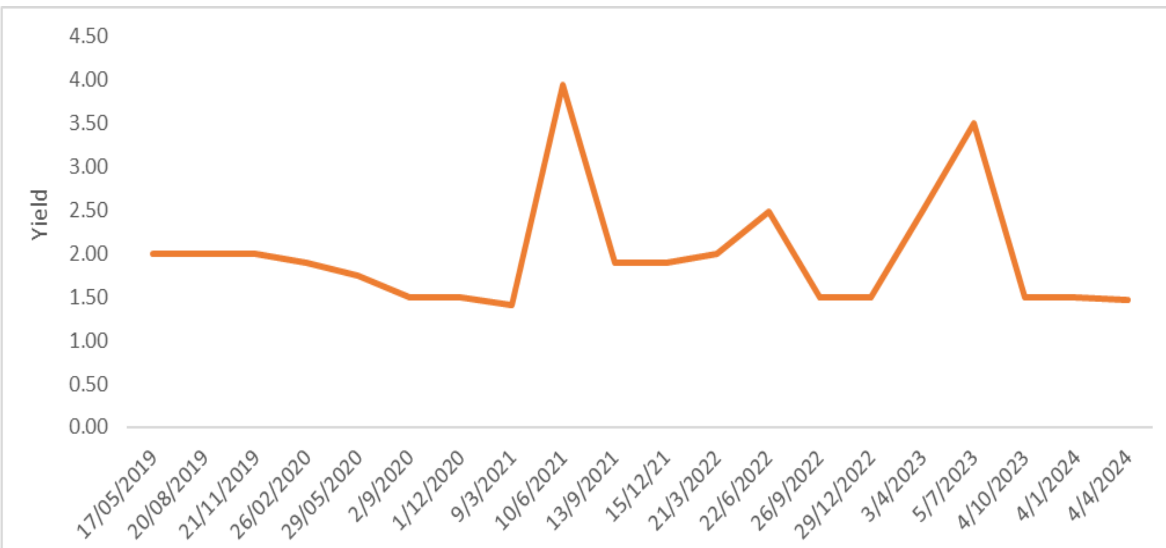
Source: The Debt Management Unit

At the end of FY 2023/2024, OTC treasury bills accounted for 69.62 percent of the stock of treasury bills, while the RGSM was 30.38 percent. The average FY2023/2024 rate for the RGSM and OTC treasury bills were 1.99 percent and 5.70 percent respectively. OTC treasury bills were predominantly issued as statutory deposits. Bonds, in contrast, on the other hand, 80.00 percent were issued as OTC while 20.00 percent were issued on the RGSM. The average rates on the RGSM are of 7.00 percent and 3.65 percent respectively. In the case of bonds, a large percentage of issuance was due to debt conversion, exchanging short- term obligation into to long-term debt. This was done in an effort to help minimize refinancing risk, and to improve the ATM.

All the Treasury bill auctions on the RGSM were oversubscribed; with bid-to- cover ratios of 1.41, 1.36,1.24 and 1.53 for the four auctions in FY 2023/24.

Figure 14 shows the yields of T-bills on the market between the period FY 2019/2020 to FY 2023/2024. During the period, the T-bills closed between the range of 1.50 percent and 3.95, averaging about 1.99 percent.

Figure 14: Treasury bills yields on the RGSM 2019-2024



Source: The Debt Management Unit

Based on presentation in Figure 14, yield increased at the beginning of FY 2023/24, to 3.59 percent and fell to 1.5 percent for auctions in October and January, falling further to 1.47 percent in April 2024. The auction in April also registered the highest oversubscription of EC $10.55 million and realised the lowest yield.

There continues to be is a lack of participation of the household (retail) investors on the RGSM. Member countries are still strategizing on ways to increase participation of retail investors on the RGSM.

Section 6.0

Risk analysis of the public and publicly guaranteed debt

Risk refers to the potential for the cost of debt to deviate from its expected outcome. This stems from unexpected variations of different macroeconomic variables such as interest rates and exchange rates. Market risks, operational risks and liquidity risks are the types of risks associated with the public debt portfolio (see Box 1). Assessing the risks associated with the debt portfolio is important in public debt management because it enables decision-makers to design forward-looking strategies to achieve an optimal debt structure in terms of the maturity profile and, interest rate and exchange rate composition. This section highlights, the level of exposure of the debt portfolio to: refinancing risk, market risk and foreign exchange risk.

6.1 Refinancing Risks

6.1.1 Maturity Profile

Table 3 shows the maturity profile, which are the payments that fall due over a specific period   The maturity profile for central government's debt is based on the disbursed outstanding debt as at June 2024. The amount of EC$256.74 million or 17.40 percent of the total matures in less than 1 year. The refinancing risk is considered high for this period. However, considering its composition the likelihood of rolling over is high. The sum of, EC$411.74 million or 27.8 percent, is due to mature in more than 1 year but less than 5 years. In 5 years but less than 15 years EC$ 496.50 million of the debt will mature while EC$313.89 million or 21.20 percent of the debt matures in more than 15 years but less than 20 years.

There will be continuous monitoring, and the necessary measures will be taken in order to avoid liquidity risk.

Table 3: Maturity profile of Central Government

RANGE	NOMINAL VALUE EC$M	PERCENTAGE
Less than 1 Year	256.74	17.36
1>5	411.74	27.84
5>10	297.79	20.14
10>15	198.71	13.44
15>20	313.89	21.22
TOTAL	**1478.87**	

Source: The Debt Management Unit

Figure 15 displays the maturity profile[5] for the outstanding debt stock, as at June 2024, of central government and debt guaranteed by government, taking into account both external and domestic portfolios. It shows that a significant amount (EC$280.35 million) will mature within FY 2024/2025. Of this amount EC$166.20 million is central government domestic debt, EC$23.61 million is guaranteed debt while EC$90.54 million is central Government's external debt.

The central government domestic debt which will fall due in FY 2024/2025 comprises mainly short-term instruments including treasury bills and the bank overdrafts. Over the review period, these instruments have not posed any threats of liquidity risk despite their short maturity. Government has continued to roll-over OTC treasury bills, and to manage bank overdraft facilities. The treasury bills issued on the RGSM will be reissued every quarter. They are not considered a liquidity risk, as past trends have shown that there is an appetite for this instrument. EC$ 39.79 million is expected to be paid in FY 2024/2025, and EC$29.41 million

[5] Note that the profile is limited to the most visible section of the graph but actually goes up to 2087/2088 with a negligible amount.

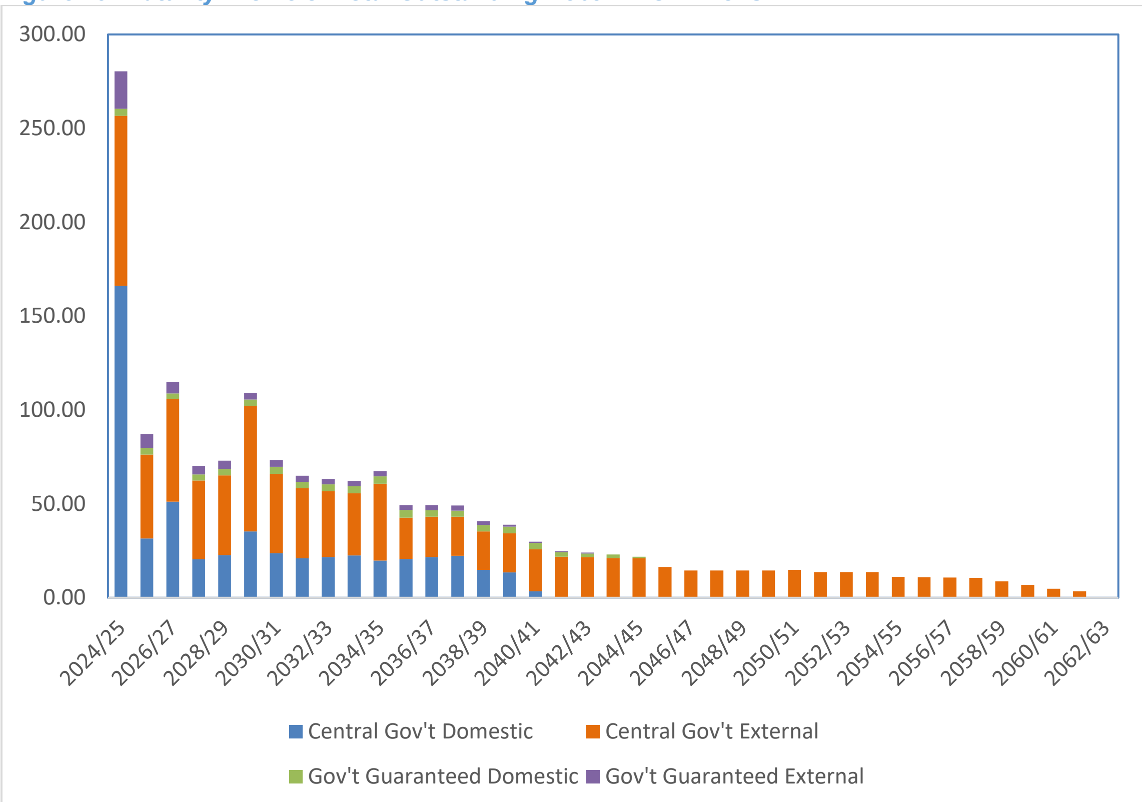
in FY 2025/2026 to bonds holders. Provisions have been made place for the settlement of these bonds.

In FY 2026/2027 the debt maturing will increase to EC$51.23 million. This notable increase is due to the redemption of two seven-year bonds issued on the RGSM amounting to EC$34.90 million, and other bonds valued at EC$16.23 million. The maturity profile of the debt remains stable from FY 2027/2028 to FY 2028/2029 onwards, hovering at EC$21.70 million but will peak slightly in 2029/2030 due to a redemption of a RGSM bond and an OTC bond.

The EC$ 90.54 million central governments external debt which is expected to mature in fiscal year 2024/2025, is the largest annual payment across the profile, due to the redemption of the RGSM and OTC treasury bills. However, the EC$20.00 million on the RGSM will be reissued resulting in an expected maturity of EC$76.64. In 2025/2026 the amount maturing will be EC$44.77 million, with an increase to EC$ 54.49 million the following year. The second largest amount maturing is expected to be in FY 2029/2030 in the amount of EC$66.72 million. This amount includes a RGSM bond of which over 90.0 percent is held by external investors. Thereafter, the debt expected to mature will reduce significantly, especially if there are no substantial issues, creating a much smoother redemption profile.

The maturity profile of the guaranteed debt is relatively smooth as the debt maturing is on a downward trajectory throughout the maturity period. This is because of the slow pace at which the statutory bodies have been borrowing or requesting guarantees.

Figure 15: Maturity Profile of Total Outstanding Debt in EC Millions



Source: The Debt Management Unit

6.1.2 Average Time to Maturity

Average time to maturity (ATM) is the measure of the weighted average time that the debt in a debt portfolio will mature. It is an additional measure of refinancing risk. A long ATM implies that there is a predominance of concessional loans, signaling lower refinancing risk; whereas, a short ATM suggest high refinancing risk. The ATM illustrated in Table 4, reflects maturities of all debt instruments comprising all debt: bonds, loans, T-bills and bank overdrafts, The ATM for total debt outstanding as at June 2024 is 9.62 years; ATM of 11.86 years and 5.80 years for external debt and domestic debt respectively.

The ATM for central government total outstanding debt is 9.88 years, 12.45 years for external and 5.33 years for domestic. The external debt has a longer ATM than the domestic debts since the external debt portfolio comprises a higher proportion of loans which carry longer maturity; the domestic debt portfolio comprises mainly short to medium- term maturities such as, bonds, treasury bills, and overdraft facilities. The ATM of the outstanding debt is well above the target of 7.5 years; indicating low financing risk.

Guaranteed loans have a total ATM of 7.35 years, 9.63 years for domestic debt, and 5.30 years for external. The higher ATM on the domestic side is because of the longer maturity period, due to highly concessional debt from a domestic creditor, as compared to the external debt.

Table 4: Risk Profile as at June 2024

Risk Profile 2023/24	Total Debt	Central Government	Guaranteed Debt
Refinancing Risk			
Average Time to Maturity (years)	9.62	9.88	7.35
External ATM	11.86	12.45	5.30
Domestic ATM	5.80	5.33	9.63
Market Risk			
Average Time to Refixing (years)	9.19	9.48	6.15
External ATR	11.19	11.83	3.02
Domestic ATR	5.80	5.33	9.63

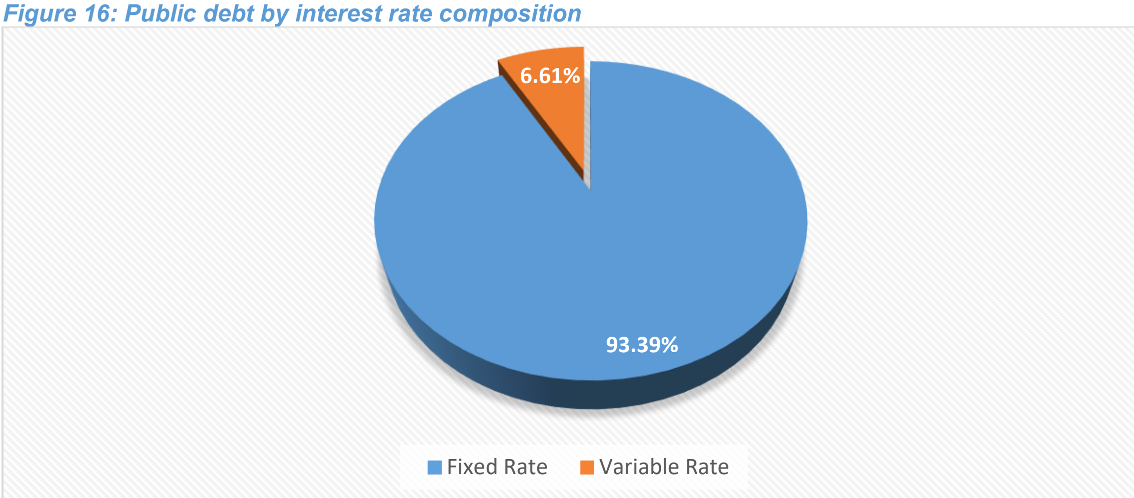
Source: The Debt Management Unit

6.2 Market Risks

6.2.1 Interest rate Composition

Figure 16 presents the public debt outstanding at the end of fiscal year 2023/2024 by interest rate composition. At the end of the period 93.39 percent of the total public debt had a fixed rate of interest while 6.61 percent had variable rates of interest. As part of the variable interest rate loans, there are loans from the IMF amounting to 2.66 percent of the total debt, which are presently at zero percent interest; however, this is subject to change based on periodic review of interest rates by the IMF. This indicator is below the target of 15.0 percent set in the debt management strategy. This helps to minimize the risk of increased debt service cost relating to interest rate fluctuation,

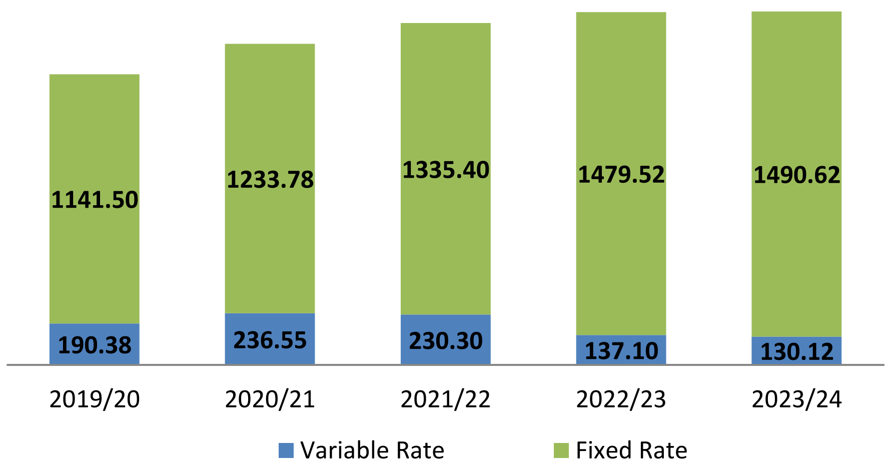
Figure 16: Public debt by interest rate composition



Source: The Debt Management Unit

Figure 17 shows the nominal value of the total debt by interest rate composition. On average, EC$1,335.92 million of the debt portfolio carries a fixed rate of interest. Throughout the review period, the share of fixed rate debt has been hovering in the region of 85.71 to 93.69 percent. While the variable rate debt remains in the region of 6.61 to 14.29 percent and mainly comprises of Caribbean Development Bank Ordinary Resource (CDBOR) loans.

Figure 17: Public debt by interest rate composition from 2019/20-2023/24in EC Millions



Source: The Debt Management Unit

6.2.2 Interest Rate Risk

Average Time to Re-fixing (ATR) is a measure of weighted average time until all the principal amount outstanding on the debt is subjected to a new interest rate. A high ATR indicates that a relatively large proportion of debt will not be subject to interest rate changes in a short period of time, and that interest rate exposure is low. It can be seen in **Table 4** above, that the ATR at the end of FY 2023/2024 for the total debt stock is 9.19 years while central government is 9.48 years and guaranteed debt is 6.15 years. The ATR for central government external debt is 11.83 years, while the domestic is shorter being 5.33 years and this is due to prevalence of short-term instruments. The opposite is reflected in the guaranteed debt. The domestic component which has only fixed rates, possessed a high ATR of 9.91 years while the external portion which contains about 43.59 percent of variable rates, stood at 3.24 years. Overall, the ATR in the debt portfolio is considered low.

6.2.3 Foreign Currency Risk

Currency Composition

Figure 18 shows the distribution of the central government external debt in nominal amounts and illustrates the currency denomination of the debt portfolio.

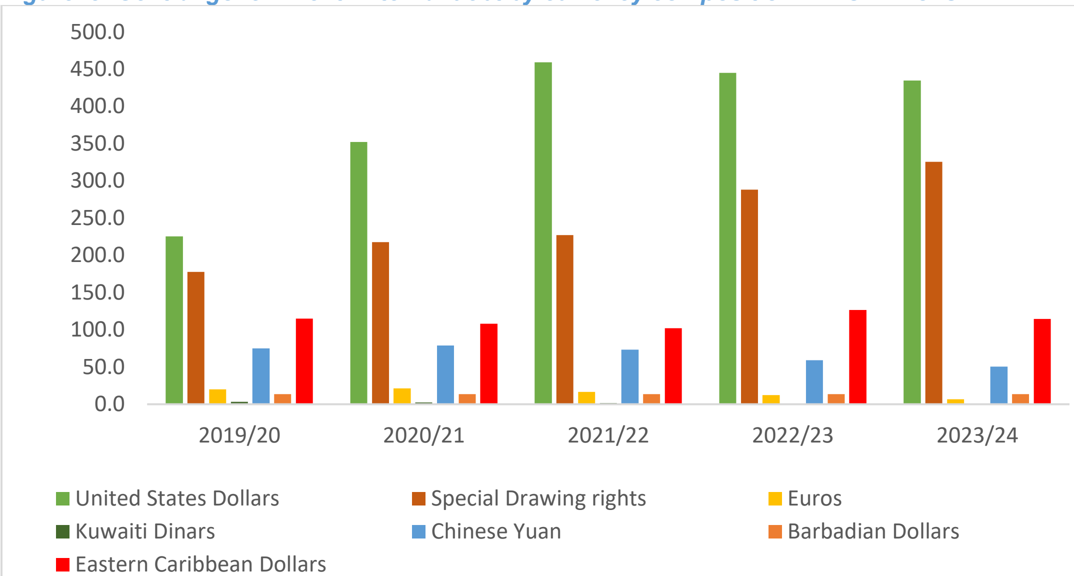
At the end of fiscal year 2023/2024, 37.56 percent of the debt carries a variable exchange rate. However, since the Special Drawing Rights (SDR) accounts for 31.93 percent of the external debt, currency risk is considered tolerable because a larger portion of the SDR basket of currencies consist of United States Dollars (USD)[6]. Additionally, the external debt of the statutory bodies is currently denominated only in US dollars.

Over the five-year period, the currency composition of the central government external debt has been relatively stable with US dollars being the dominant currency. However, there has been a steady increase in SDR denominated debt, from FY 2020/2021 to FY 2023/2024. The amount of SDR denominated debt was $325.60 million at the end of FY 2023/2024, an increase of $37.20 million over the previous year.

These increases were as a result of increased borrowing of concessional loans from the World Bank. Debt in the other currencies namely Euro, Kuwaiti Dinars (KWD) and Chinese Yuan (CNY) are on the decline as no new debt is being contracted in these currencies.

[6] Currency Basket- USD 43.38%, EUR 29.31%, CNY 12.28%, JPY 7.59% GBP 7.44%

Figure18: Central government External debt by currency composition in EC Millions

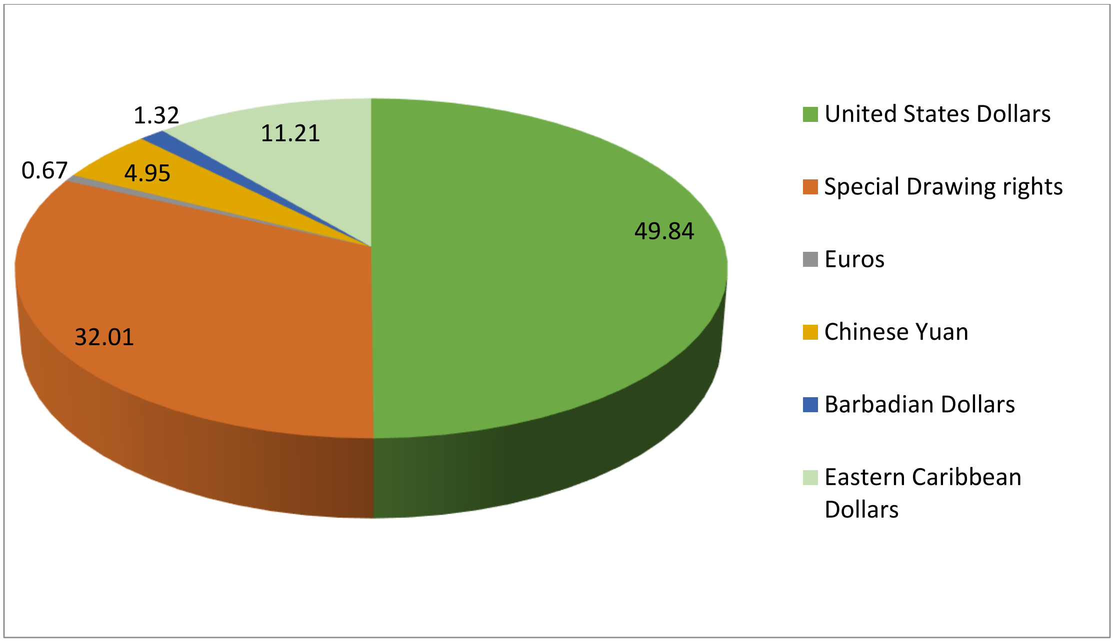


Source: The Debt Management Unit

The total external debt was denominated in four main currencies namely United States Dollars, Special Drawings Rights[7] , Chinese Yuan and Eastern Caribbean Dollars with minimal amounts denominated in Euros, Barbadian dollars and Kuwaiti Dinars. The share of total external debt exposed to foreign currency risk comes from exchange rates movement for currencies such as CNY, KWD, Euro and SDR. Figure 19 shows that , as at June 2024, about 88.79 percent of the total external debt is denominated in foreign currency; while 11.21 percent of the external debt is denominated in EC dollars. External debt is predominantely denominated in US dollars at 49.84 percent

Figure 19: Currency composition of Public External Debt

[7] "The currency value of the SDR is determined by summing the values in U.S. dollars, based on market exchange rates, of a basket of major currencies (the U.S. dollar, Euro, Japanese yen, pound sterling and the Chinese renminbi). The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business), and the valuation basket is reviewed and adjusted every five years." https://www.imf.org/external/np/fin/data/rms_sdrv.aspx



Source: The Debt Management Unit

6.2.4 Risk performance versus MTDS Targets

Table 5 below shows the current position of the central government debt portfolio, against the quantitative targets outlined in the current MTDS 2023/2024 to 2026/2027. Based on the data presented, there were no breaches in FY 2023/2024.

Table 5: Quantitative Targets

Indicators	**Targets**	**Position at June 2024**	**Breach Yes/No**
Average Time to Maturity	7.5 Years	9.88 Years	No
Variable Interest Rate Debt (Central Government)	15.0 Percent	6.32 Percent	No
Non-USD Exposure excl. SDR	≤20.0 Percent	6.10 Percent	No
Guaranteed Debt	17.0 Percent	8.68 Percent	No

Source: The Debt Management Unit

6.3 Debt Sustainability and Portfolio Risk Indicators

Debt ratios are measures of potential debt related risks in the portfolio which, when combined with other variables and examined over time, will indicate the level of debt sustainability. The regional target set for the ECCU member countries is to achieve a Debt/GDP of 60.0 percent by 2035. Table 6 highlights some key ratios which indicate the sustainability of Government of Dominica's debt. Over the period FY 2019/2020 to FY 2023/2024, total debt- to- GDP averaged 94.70 percent. In FY 2020/2021, the debt- to -GDP increased by 16.26 percent to 102.80 percent over FY 2019/2020. This can be explained by increases in health expenditure relating to Covid-19, accompanied by declines in growth during the pandemic years. This ratio decreased from FY 2021/2022 until FY 2023/2024 with a debt to GDP ratio of 87.89 percent. This outcome suggests that GDP grew at a faster pace than the debt.

Table 6: Public and Publicly Guaranteed Debt Ratios

Ratios	2019/20	2020/21	2021/22	2022/23	2023/24
Total Debt to GDP	88.4	102.8	99.7	94.6	87.8
External Debt to GDP	47.9	61.7	62.4	59.9	55.3
Domestic Debt to GDP	45.8	40.0	37.5	36.7	37.0
CG Debt Service to Revenue	23.4	9.3	10.9	13.4	12.4
Share of Foreign Currency to Domestic Currency	44.0/56.0	52.2/47.8	55.0/44.0	55.5/44.5	56.2/43.8
Share of Fixed Rate Debt to Floating debt	88.2/11.8	85.9/14.1	87.5/12.5	93.1/6.9	93.4/6.6
External Debt Service to Exports	290.13	141.03	127.88	182.02	184.54

Source: The Debt Management Unit

Fiscal year 2019/2020 recorded the highest debt service to revenue of 23.40 percent, owing to the redemption of a five-year bond. However, this ratio stayed between 9.30 percent to 13.40 percent from FY 2020/2021 to FY 2022/23, and decreased to 12.40 percent at the end of the review period FY 2023/24. This liquidity ratio is an indication of government's ability to service its debt this is as a result of the debt service increasing at a faster pace than exports.

The share of foreign currency to domestic currency ratio fluctuated over the period under review. From FY 2020/2021 the share of foreign currency debt was greater than the domestic debt. In FY 2023/24 this ratio increased slightly to 56.20 percent, a 1.30 percent increase over FY 2022/2023.

The share of fixed rate debt to floating debt has remained relatively constant with the fixed rate being higher throughout the period.

From 2020/2021 to 2021/2022 there was a decline in the external debt service to revenue with an increase thereafter to 184.54 at the end of the period.

Based on the IMF Article IV Consultation of May 13, 2024, both the external and overall risk of debt distress is high; owing to the elevated levels of external and public debt. Dominica has a medium debt carrying capacity; however, the debt is manageable.

6.3.1 Public Debt Management Outlook

Government has established buffers to respond to immediate disaster relief and to to build fiscal resilience. A Vulnerable Risk Resilient Fund has been set up at the ECCB to provide financial resources for eligible expenses and to build resilience and undertake disaster risk reduction activities. This fund which is capitalized monthly will seek to relieve on due pressure on the government's budget in cases of disaters. A debt repayment fund has also been established with the primary purpose of servicing future debt payments.

6.3.2 Public Debt Rating

Based on the media release of July 24, 2024, the Caribbean Information and Credit Rating Services Limited (CariCRIS) on June 28, 2024. reaffirmed the ratings assigned to the Government of the Commonwealth of Dominica (GoD) on its regional rating scale of *Cari***BB** (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of Government's debt obligation, adjudged in relation to other debt obligations in the Caribbean is **below average.** A stable outlook was assigned.

The stable outlook is premised on:

- a projected medium-term growth path that is consistent with the pre-coronavirus (COVID-19) average trend for output,
- planned fiscal performances meant to gradually reduce debt to Gross Domestic Product (GDP) below the Eastern Caribbean Central Union's (ECCU's) 60% sustainability limit,
- maintenance of comfortable external sector earnings, and
- continuation of adequate financial sector metrics.

The ratings of GOCD are tempered by:

- high debt to GDP notwithstanding fiscal recovery,
- significant capacity constraints owing to Dominica's small demographic and macroeconomic size, and
- weaknesses in the financial sector, particularly non-bank financial institutions.

The ratings are supported by:

- GDP growth underpinned by Citizenship by Investment (CBI) inflows, tourism recovery and a sizeable public sector investment programme anchored in continued post-hurricane/resilience rebuilding,
- an adequate external sector position, and
- a stable political environment.

The report also stated that the rating can improve if the real economic sector grows by 6.00 percent and if, a fiscal surplus of 5.00 percent is sustained for at least two years. However, the reverse can be expected should the debt-to-GDP ratio exceeds 100.00 percent in two consecutive years and there is, social and economic disruption brought about by natural disasters. This would be further exacerbated with material reductions in grants and multilateral funding.

Section 7.0

Debt Management Activities

Capacity Building

The Government of Dominica is now fully utilising the Commonwealth Meridian as its debt management system. This debt management system is web based and provides real time data which is essential for effective debt management. Commonwealth Meridian is an efficient debt management system which contributes to debt transparency and accessibility. In addition, it enhances data quality and reporting; and facilitates transaction execution and the formulation of MTDS, as well as the ease of transmitting debt data to World Bank

The staff in the DMU continues to develop their capacity in the area of debt management. In April of 2024, two members of staff benefited from Medium-Term Debt Strategy (MTDS) refresher training, facilitated by the Commonwealth Secretariat, CARTAC/IMF and the World Bank. DMU staff will continually seek to enhance their skills to effectively carry out the duties and functions of the Unit.

Section 8.0

Conclusion

Overall, Dominica's debt, can be considered manageable even though it has increased, as a result of exogenous shocks over the past years. The servicing of debt remains a high priority for the Government of Dominica and as such, outstanding debt obligations are met in a timely manner. The debt position at the end of the period shows the portion of guaranteed debt at 8.68 percent which is below the 17.0 percent target. The variable interest rate debt is also below the 15 percent target at 6.61 percent; included in this percentage is the debt owed to IMF which is currently interest free and has been that rate for the past five years. The maturity profile shows peaks for the fiscal years FY2024/2025, FY2026/2027 and FY2029/2030 resulting mainly from redemption of securities, and the payments of the bank overdrafts facility in FY 2024/2025. In an effort to smoothen the repayment profile and maintain an ATM of 7.5 years and above; Government will continue to re-issue the maturing securities. There continues to be a great appetite for short- term to medium- term securities; therefore, the challenge remains to increase investor appetite in securities with maturities 10 years and above, and to catalyse household participation (retail investors) in the market.

The percentage of the non-US dollar denominated debt (excluding SDR) is 6.10 percent which is below the established target of 20 percent. The exchange rates from the foreign currencies (excluding USD and SDR) have not increased significantly during the reporting period; the BB dollar like the USD is fixed to.

This report is intended to enhance public debt transparency and accountability in Dominica. The expectation is that it be considered a useful tool to enhance the decision making of policy makers, market participants, and other key stakeholders.

Appendix1: Total Public Sector Debt 2018/19 to 2022/23 by Borrower in EC Millions

	2019/20	2020/21	2021/22	2022/23	2023/24
TOTAL PUBLIC DEBT	**1331.88**	**1470.33**	**1565.70**	**1616.61**	**1620.75**
GDP at market prices	1506.00	1430.00	1570.00	1709.00	1844.00
% Total Debt/GDP	88.44	102.82	99.73	94.59	87.89
A. Central Government					
% GDP	77.76	92.01	90.13	86.40	80.27
Outstanding Debt	**1171.03**	**1315.74**	**1415.09**	**1476.61**	**1480.11**
- Domestic	***540.89***	***520.75***	***521.35***	***530.60***	***532.96***
- Treasury Bills/Notes	*37.27*	*32.35*	*34.27*	*33.87*	*33.72*
- Bonds	*261.37*	*253.81*	*268.60*	*249.61*	*223.93*
- Overdraft	*52.80*	*46.13*	*31.00*	*60.65*	*89.55*
- Loans	*189.44*	*188.46*	*187.47*	*186.47*	*185.76*
- External	***630.15***	***794.99***	***893.74***	***946.00***	***947.15***
- Treasury Bills/Notes	*25.97*	*29.89*	*31.97*	*31.97*	*31.97*
- Bonds	*106.48*	*95.52*	*97.69*	*101.30*	*89.20*
- Loans	*497.70*	*669.58*	*764.08*	*812.73*	*825.97*
- Bilateral	*127.75*	*132.04*	*119.45*	*96.78*	*78.32*
- Paris Club	*47.18*	*49.67*	*44.01*	*36.21*	*27.31*
- Non-Paris Club	*80.57*	*82.37*	*75.43*	*60.56*	*51.01*
- Multilateral	*363.15*	*530.74*	*637.88*	*709.21*	*740.91*
- Other	*6.80*	*6.80*	*6.75*	*6.75*	*6.75*
% of Central Government Debt	**87.92**	**89.49**	**90.38**	**91.34**	**91.32**
B. Gov Guaranteed Debt					
% of GDP	**10.68**	**10.81**	**9.59**	**8.19**	**7.63**
Outstanding Debt	**160.85**	**154.59**	**150.61**	**140.01**	**140.64**
- Domestic (Loans)	*69.02*	*67.89*	*65.11*	*62.15*	*66.72*
AID Bank	*6.81*	*6.39*	*5.50*	*4.57*	*3.73*
DOWASCO	*32.36*	*32.56*	*31.62*	*30.58*	*37.02*
GHLB	*29.85*	*28.94*	*27.99*	*27.00*	*25.97*
- External (Loans)	*91.82*	*86.71*	*85.50*	*77.86*	*73.92*
- Bilateral	*10.90*	*10.86*	*10.85*	*10.85*	*10.85*
AID Bank	10.85	10.85	10.85	10.85	10.85
DOWASCO	*0.05*	*0.01*	*0.00*	*0.00*	*0.00*
- Multilateral	*80.93*	*75.85*	*74.66*	*67.01*	*63.07*
AID bank	*41.66*	*39.52*	*41.12*	*37.77*	*34.32*
DOWASCO	36.93	34.24	31.64	27.64	27.39
DASPA	2.33	2.09	1.89	1.60	1.35
% of Guaranteed Debt	**12.08**	**10.51**	**9.62**	**8.66**	**8.68**
TOTAL (Domestic)	**609.91**	**588.64**	**586.45**	**592.75**	**599.68**
TOTAL (External)	**721.97**	**881.70**	**979.25**	**1023.86**	**1021.07**

Source: The Debt Management Unit

Appendix 2: Total debt by Creditor category in millions of ECD

	2019/20	2020/21	2021/22	2022/23	2023/24
EXTERNAL	**721.97**	**881.70**	**979.25**	**1023.86**	**1021.07**
Central Government	**630.10**	**794.94**	**893.74**	**946.00**	**947.15**
Multilateral	363.15	530.74	637.88	709.21	739.67
CDB	155.28	206.64	205.21	215.26	210.37
CDF	2.08	2.27	1.58	0.88	0.32
IDA	121.17	230.31	333.39	405.63	453.86
IMF	64.07	62.49	52.29	47.96	43.06
IFAD	1.11	1.04	0.86	0.76	0.65
OPEC	0.00	8.10	27.00	27.00	27.00
Societe General	19.43	19.90	17.55	11.71	5.64
Commercial Banks	30.24	27.63	25.94	35.74	24.13
Other	80.05	76.06	82.44	76.68	76.63
Bilateral: *of which*	156.65	160.51	147.48	124.38	105.49
Paris Club (AFD)	**47.18**	**49.67**	**44.01**	**36.21**	**27.31**
Non-Paris Club	**109.47**	**110.84**	**103.47**	**88.17**	**78.18**
EXIM Bank	2.36	0.88	0.65	0.53	0.41
KWD	3.26	2.49	1.62	0.79	0.00
PRC	74.95	78.99	73.17	59.24	50.59
Gov't of Belize	2.70	2.48	2.27	2.05	1.84
Gov't of Grenada	2.70	2.48	2.27	2.05	1.84
Gov't of Barbados	13.50	13.50	13.50	13.50	13.50
Gov't of Trinidad &Tobago	10.00	10.00	10.00	10.00	10.00
Government Guaranteed Debt	**91.87**	**86.76**	**85.50**	**77.86**	**73.92**
Multilateral	**81.02**	**75.91**	**74.66**	**67.01**	**63.07**
CDB	66.20	63.96	65.50	60.56	59.37
EIB	8.69	6.91	5.25	3.70	2.15
CDF	6.13	5.03	3.91	2.74	1.55
Bilateral: *of which*	**10.86**	**10.85**	**10.85**	**10.85**	**10.85**
Paris Club	0.01	0.00	0.00	0.00	0.00
Non-Paris Club	10.85	10.85	10.85	10.85	10.85
DOMESTIC	**609.91**	**588.64**	**586.45**	**592.75**	**599.68**
Central Government	**540.89**	**520.75**	**521.35**	**530.59**	**532.96**
Central Bank	0.14	0.14	0.14	0.14	0.14
Other Financial Institutions	4.18	4.18	4.17	4.17	4.17
Dominica Social Security	156.63	148.97	141.31	133.82	126.43
Private	47.59	47.58	56.67	56.47	46.94
Other	10.41	10.23	17.96	15.60	9.57
Commercial Banks	**321.94**	**309.65**	**301.10**	**320.40**	**345.71**
of which:					
NBD	314.53	309.08	300.69	319.99	345.71
RBC	1.00	0.00	0.00	0.00	0.00
Other	6.41	0.56	0.41	0.41	0.00
Government Guaranteed Debt	**69.02**	**67.89**	**65.11**	**62.15**	**66.72**
Dominica Social Security	27.26	27.08	25.76	24.33	30.50
Commercial Banks	**41.76**	**40.81**	**39.35**	**37.82**	**36.22**
of which:					
NBD	41.76	40.81	39.35	37.82	36.22

Source: The Debt Management Unit

Box 1: Risks in Public Debt Management

Type of Risk	Description
Market Risk	➢ Refers to the risks associated with changes in market prices, such as interest rates, exchange rates, commodity prices, on the cost of the government's debt servicing. ➢ Changes in interest rates affect debt servicing costs when the rates on floating rate debt are reset and when fixed rate debt is refinanced. ➢ Hence, short-duration debt (short-term or floating rate) is usually considered to be riskier than long-term, fixed rate debt. ➢ Debt denominated in or indexed to foreign currencies also adds volatility to debt servicing costs as measured in domestic currency owing to exchange rate movements.
Rollover Risk	➢ The risk that debt will have to be rolled over at an unusually high cost or, in extreme cases, cannot be rolled over at all. This can lead to higher debt servicing costs and a debt crisis. Managing this risk is particularly important for emerging market countries.
Liquidity Risk	➢ The main form of liquidity risk for a borrower refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations and/or a possible difficulty in raising cash through borrowing in a short period of time. From an investor perspective, this refers to the cost or penalty investors face in trying to exit a position when the number of transactors has markedly decreased or because of the lack of depth of a particular market.
Credit Risk	➢ The risk of non-performance by borrowers on loans or other financial assets or by counterparty on financial contracts. This is particularly relevant where the government is on-lending (or lending) and guaranteeing debt to other parts of government.
Settlement Risk	➢ Refers to the potential loss that the government, as counterparty, could suffer as a result of failure to settle, for whatever reason other than default, by counterparty.
Operational Risk	➢ This includes a range of different types of risks, including transaction errors in the various stages of executing and recording transactions; inadequacies or failures in processes, internal controls, or in systems and services; reputation risk; legal risk; security breaches; or natural disasters that affect business activity.

Box 2: Legal and Institutional Framework

The applicable laws which govern borrowing and guaranteeing debt include the Loans Act Chapter 64:05 of the 2017 Revised Laws of the Commonwealth of Dominica gives the Minister for Finance the authority to contract debt on behalf of the State and to provide guarantees to qualifying institutions. The Treasury Bill Act No.5 of 2010 authorises the Minister for Finance to incur debt through the issuance of Treasury Bills; while in accordance with the Bonds and Securities Act Chapter 64:04 provides the authority to borrow through the issuance of bonds.

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Glossary

Concessionary

A measure of the softness of a credit reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

Debt Service

The amount of funds necessary for or used in the payment of interest, or amortisation charges of a debt.

Debt Sustainability

Sustainable debt is the level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

Debt Sustainability Analysis

This is conducted in the context of medium-term scenarios. These scenarios are numerical evaluations that take account of expectations of the behaviour of economic variables and other factors to determine the conditions under which debt and other indicators would stabilise at reasonable levels, the major risks to the economy, and the need and scope for policy adjustment. In this analysis, macroeconomic uncertainties, such as for fiscal policy, tend to dominate the medium-term outlook.

Disbursement

The transfer of financial resources, or of goods, or services by the lender to the borrower.

Disbursed Outstanding Debt (DOD)

Any disbursed portion on a debt commitment that is unpaid.

Public Sector Debt

Means debt of the central government plus debts of other public sector entities that are guaranteed by the central government. Debt reported includes loans, bonds treasury bills and overdraft.

Net Disbursement

The net disbursement shows the actual change in the debt stock; it is difference between the disbursement and the principal repaid during the period.