2022/2023

Debt Portfolio Review

Dominica Ministry of Finance

11/2023

Acronyms and Abbreviations

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 2022/2023 Debt Portfolio Review is divided into eight sections as outlined below:

SECTION 1:	The Executive Summary
SECTION 2:	The current arrangements for public debt management in Dominica, and the debt management objectives
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 in the Regional Government Securities Market (RGSM)
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 2022/2023 Debt Portfolio Review aims to provide all stakeholders with an analytical view of the Government of Dominica total debt (central government's debt plus debt guaranteed by the government) performance for the last five fiscal years that is fiscal year (FY) 2018/2019 to FY 2022/2023, with a greater emphasis on the performance during FY 2022/2023. 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, debt sustainability, the evolution and composition of the debt.

The effects of natural disasters and exogenous shocks have negated the gains that the Government had made in reducing public debt prior to 2018. Examples of these events during the past five years include the impact of the COVID-19 pandemic, an increase in the frequency of climatic events as a consequence of climate change, the high inflationary impact of the Russia Ukraine War resulting in spikes in the price of oil, food and other critical commodities, and the effects of other ongoing geopolitical events. Each of these events has caused sharp declines in revenues and increases in expenditures for response and recovery purposes. This has resulted in primary balance deficits for all of the periods under review except for FY 2022/2023 and consequently forcing the Government to rely on debt financing thus increasing debt levels.

The Government has been building resilience in all facets of the economy. Therefore, notwithstanding the challenges, Dominica's economy expanded by 5.90 percent in FY 2022/2023 with improved performance by major sectors such as tourism, agriculture, construction and manufacturing. Tax revenues grew by 8.60 percent in FY 2022/2023 over the previous year, reflecting increases in all tax types, and non-tax revenues increased by 34.14 percent.

At the end of FY 2022/2023 the operations of Central Government have resulted in an overall deficit of 0.9 percent of GDP and a primary surplus of 1.90 percent of GDP.

Capital expenditure for FY 2022/2023 increased by 32.70 percent over the previous year 2021/2022 due to improvement in project implementation. Overall, eighty-five (85.0) percent of these projects were financed by CBI revenues.

At the end of June 2023, total debt outstanding[1] amounted to EC$1,614.39 million or 98.40 percent of GDP compared to EC$1,565.70 or 104.40 percent reported at the end of June 2022. This represents a 3.11 percent increase in nominal debt with a corresponding decrease in the debt to GDP ratio by 6.00 percentage points.

In fiscal year 2022/2023 Central Government held EC$1,474.38 million or 91.33 percent of the total debt, while the remaining EC$140.01 million or 8.67 percent represented debt guaranteed for state-owned enterprises. Total external debt accounted for 63.29 percent of the total debt while domestic debt was 36.71 percent.

Interest rate risk and currency risk remained low. At the end of FY 2022/2023, 85.63 percent of the total outstanding debt carried fixed interest rates and 14.37 carried a variable rate of interest. Moreover, 88.92 percent of the debt was denominated in foreign currency, of which 52.48 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 9.87 years and 9.42 years respectively.

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[1] 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 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 2022/2023, the government floated a 91- day Treasury bill in the amount of EC$20 million and reissued an EC$25 million 7-Year bond on the RGSM.

Section 2.0

2.1 Debt Management Function

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

The Debt Management Unit (DMU) is the primary agent for debt related matters. These functions are closely coordinated with the MoF Policy Unit; the Accountant General's Office; and the Chambers of the Attorney General which ensures that the contracting of debt remains in compliance with the law. The DMU participates in debt negotiations, manages, records, and reports on public sector debt; and is tasked with the responsibility of achieving the optimal mix for the debt portfolio. The Eastern Caribbean Central Bank (ECCB) acts as the paying agent for Government in servicing its debt. Additionally, the Bank provides technical advice and support to the DMU.

2.2 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 objective is to 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 ATM of 9 years and above;
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.

Section 3.0

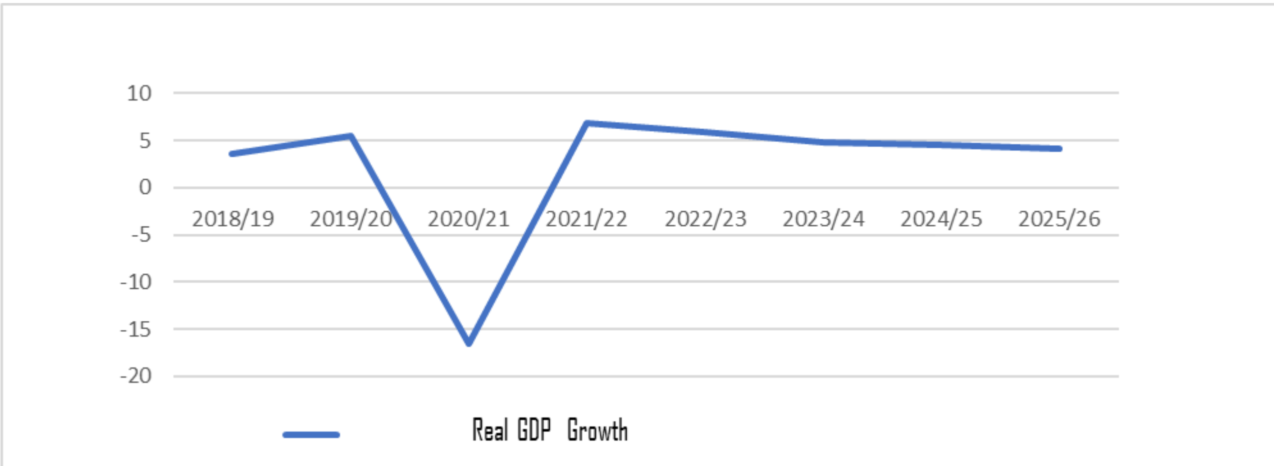
3.1 Overview of the Economy

Economic Performance

The Dominican economy expanded by an estimate of 5.90 percent in FY 2022/2023 with reflective of increased value added in all major sectors. The hotels and restaurants sector (tourism) grew at a strong rate of 175.00 percent in FY 2022/2023 following the lifting of the COVID-19 health and travel restrictions and reversing the contraction of 14.10 per cent in FY 2021/2022 and 13.60 percent in FY 2020/2021. However, the sector's direct contribution to GDP is relatively small, accounting for less than 2.00 percent. Nevertheless, the spill-overs to the wholesale and retail trade; transport, storage and communications; and real estate, rental and business activity were significant, with those sectors reporting expansions of 11.00 per cent, 11.30 percent and 3.60 percent, respectively. Collectively these sectors contribute approximately 35.00 percent of GDP.

Output in the agricultural sector increased by 5.40 percent, a much slower pace of growth when compared to FY 2021/2022, in which the sector grew by 24.40 percent. The slowdown in the sector was mostly influenced by the rise in prices of agricultural inputs. Manufacturing output rose by 20.00 percent owing to higher production of soap and beverages.

Figure 1. Real GDP growth for 2018/19 to 2025/26



Source: Ministry of Finance preliminary estimates

Economic Outlook

Overall economic activity in FY 2023/24 is expected to expand by 4.80 percent led by an estimated growth in both the hotel and agricultural sectors. In FY 2024/2025 we project real GDP growth to also accumulate 4.60 percent driven by a strong growth in the tourism sector and a most impactful agricultural sector. From FY 2025/2026 on-ward we project the economy to converge to a growth rate in the range of 4.0-5.0 percent.

Down side risks to this projected outlook remain from the economic impact resulting from external geopolitical events mainly on fuel and food prices, natural disasters and on the external financial conditions.

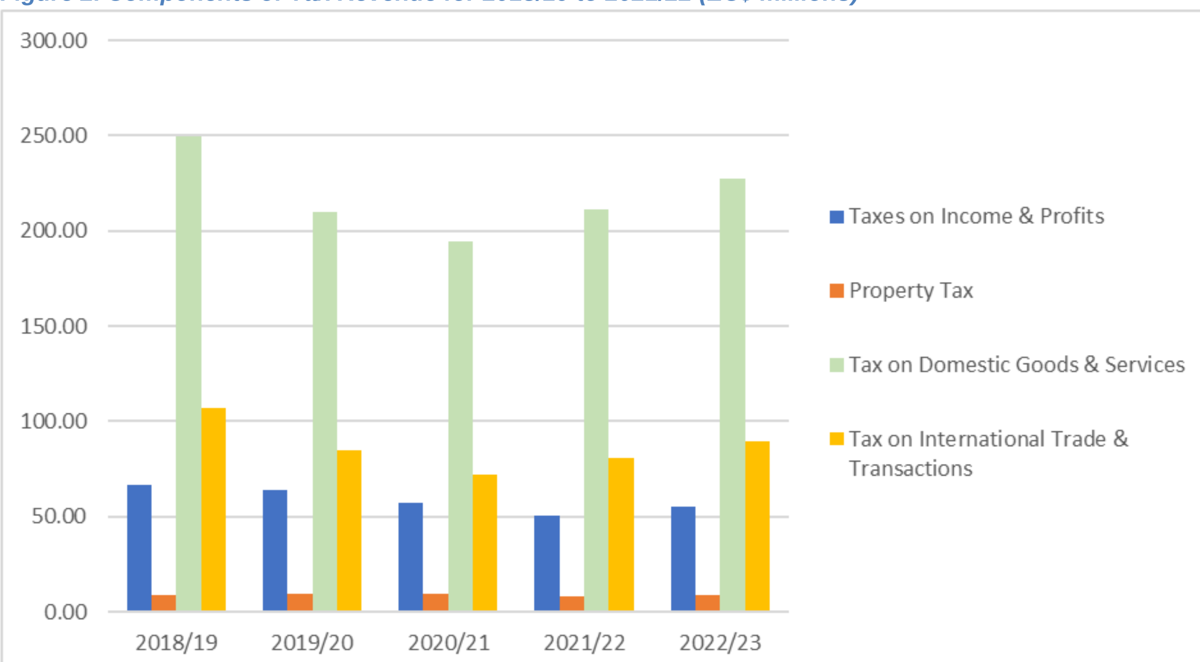
The Fiscal Position for 2022/2023

Operations of Central Government have resulted in an overall deficit of 0.90 percent of GDP and a primary surplus of 1.88 percent of GDP in FY 2022/2023.

Tax revenue collections grew by 8.60 percent in FY 2022/2023 reflecting increases in all tax types. Taxes on international trade and transactions recorded the most significant increase of 10.00 percent when compared to FY 2021/2022.

Non-tax revenue performance for the year was stronger compared to previous year, fueled by CBI revenue which accumulated $623.66 million.

Figure 2. Components of Tax Revenue for 2018/19 to 2021/22 (EC$ millions)



Source: Ministry of Finance fiscal accounts

Recurrent expenditure decreased slightly in FY 2022/2023. Expenditure on goods and services, and personal emolument decrease by 20.0 percent and 16.0 percent respectively. Expenditure on transfers and subsidies increased by approximately 23.0 percent reflecting government commitment toward providing grant funding to local institutions.

Capital expenditure for FY2022/2023 increased by 32.7 percent over the previous year 2021/2022 resulting from improved project implementation. Eighty-five (85) percent of these projects were financed by CBI revenues.

Table 1. Outturn for 2020/21 and 2021/22 ($EC Millions)

	2021/22	2022/23
Total Revenue (incl, grants)	**919.8**	**1,118.9**
Revenue	**835.7**	**1,040.0**
Current Revenue	**835.5**	**1,031.4**
Tax Revenue	**350.3**	**380.3**
Non-Tax Revenue	**485.3**	**651.0**
Capital Revenue	0.11	8.61
Grants	84.11	78.91
Total Expenditure (incl. Net lending)	**1,051.3**	**1,134.6**
Total Expenditure (excl. Net lending)	**1,051.5**	**1,135.9**
Current Expenditure	**630.3**	**575.5**
Capital Expenditure	**421.22**	**560.40**
Net Lending	**(0.20)**	**(1.23)**
Capital Expenditure (incl Net Lending)	**421.0**	**559.2**
Current Balance	**205.2**	**455.9**
Overall Balance	**(131.6)**	**(15.7)**
Primary balance	**(90.4)**	**32.8**
Over Balance as % of GDP	**(8.49)**	**(0.90)**
Primary Balance as % of GDP	**(5.83)**	**1.88**
Nominal GDP	**1,550.00**	**1,741.00**
NB: Figures in EC$ million		

Source: Ministry of Finance fiscal accounts

Section 4.0

Public Debt Analysis

4.1 Total Public Debt

Over the five-year period FY 2018/2019 to FY 2022/2023, the total debt increased by an average of 7.58 percent per annum, moving from a total of EC$1,207.06 million in FY 2018/2019 to EC$1,614.39 million in FY 2022/2023. Central government debt at the end of FY 2022/2023 was EC$1,474.38 million or 91.33 percent of the total debt, while government guaranteed debt was EC$140.01 or 8.67 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. The steady increase in the debt stock over the five-year period was mainly owing to the impact of the Hurricane Maria and COVID-19. The disbursed amount for period FY 2019/2020 to FY 2021/2022, relating to the management of COVID-19 pandemic, amounted to EC$272.64 million, while EC$36.95 million was attributed to Hurricane Maria.

For the five-year period, the share of central government debt averaged 89.12 percent, while the share of guaranteed debt averaged 10.88 of the total debt. On average, total debt to GDP over the five-year period was 94.42 percent.

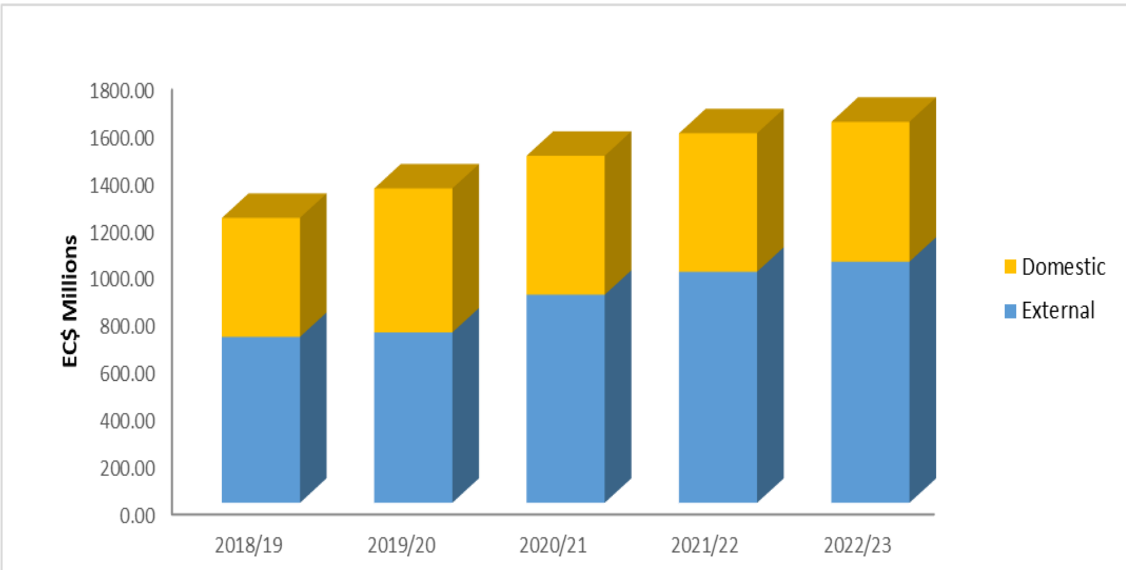
However, the total government guaranteed debt maintained a downward trajectory over the period averaging about $153.90 million or an average 10.12 percent of the total debt to GDP. This ratio remained below the 17.0 percent benchmark for guaranteed debt, as outlined in Government's Medium Term Debt Management Strategy (MTDS).

At the end of the fiscal year 2022/2023, total debt to GDP was 98.40 percent, with central government and government guaranteed debt to GDP at 89.90 and 8.54

percent respectively. External creditors held EC$1,021.80 million (63.29 percent) of the total debt and domestic creditors EC$592.58 million (36.71 percent).

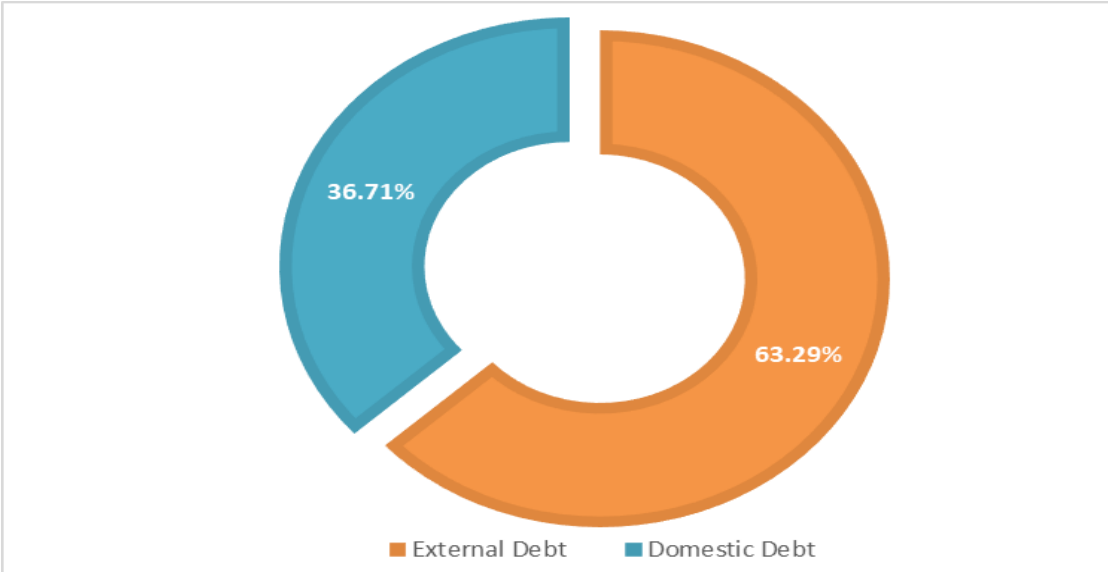
Figure 3 shows the composition of total debt by residency from FY 2018/2019 to FY 2022/2023 while Figure 4 shows the distribution of total public debt at the end of fiscal 2022/2023 broken down by residency.

Figure 3: Composition of Total Debt by Residency from FY 2018/2019 to FY 2022/2023



Source: The Debt Management Unit

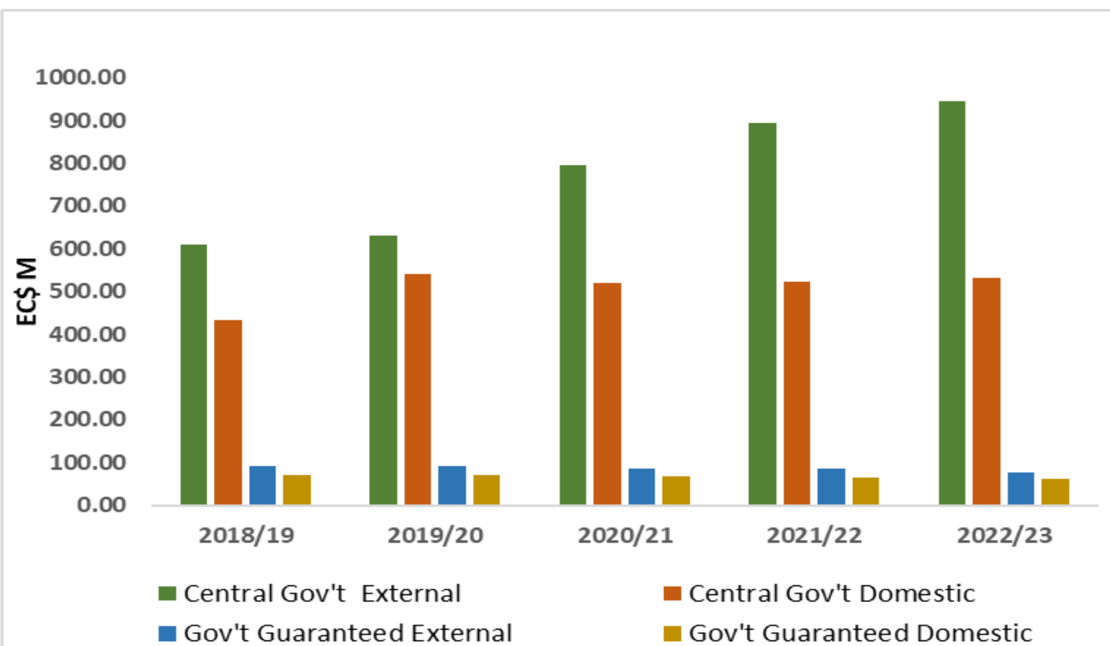
Figure 4: Total Public Debt by Residency as at June 2023



Source: The Debt Management Unit

Figure 5 shows the composition of the total public sector outstanding debt by residency, which consists of debt of the central government and government guarantees.

Figure 5: Central Government and Guaranteed Debt by Borrower



Source: The Debt Management Unit

As exhibited in figure 5, over the five-year period, the largest portion of both the external and domestic debt has been held by central government. Central government external debt maintained a steady climb throughout the period increasing at a faster pace between FY 2020/2021 and FY 2022/2023, while government guaranteed external debt showed an opposite trend, decreasing throughout the period.

On the domestic side, the government guaranteed debt maintained the same trajectory as the external guarantees. On the other hand, central government debt spiked in FY 2019/2020, declined slightly in the following year, and remained steady for the balance of the period.

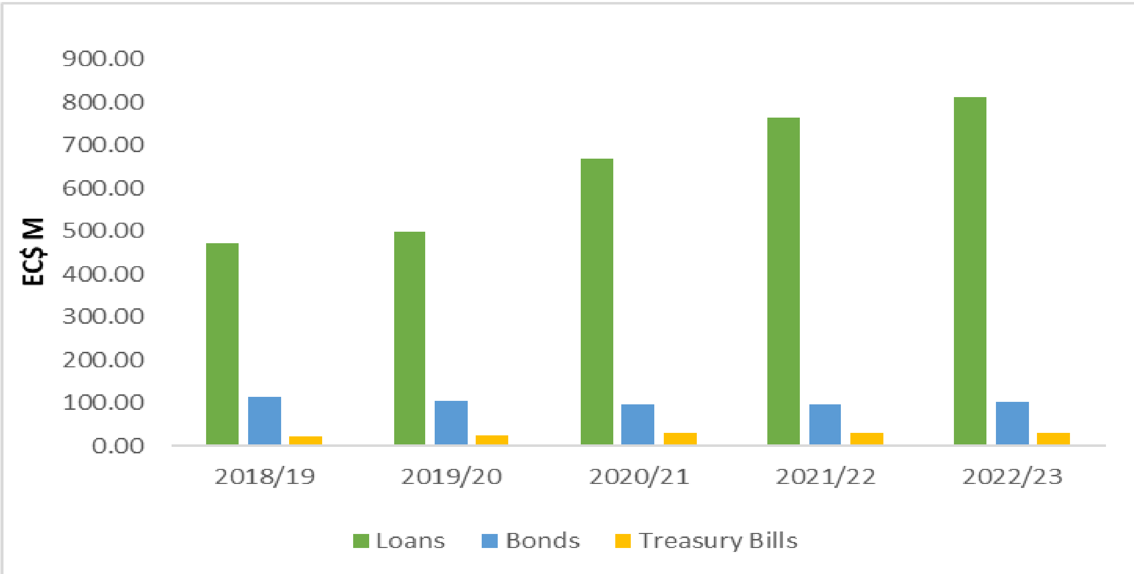
4.2 Debt by Instrument

Central government external debt portfolio by instrument, is demonstrated in Figure 6.

Central Government's debt has been obtained through a variety of instruments namely: loans, treasury bills, bonds and bank overdrafts; whereas, debt guaranteed by Government is made up of only loan instruments.

Over the five-year period the share of the respective debt instruments has been fairly the same with loans accounting for the largest portion, followed by bonds, and treasury bills. From FY 2018/2019 the loan portion went on an upward trend, peaking to EC$810.67 million at the end of the period FY 2022/2023. The bonds followed a declining trend over the period FY 2018/2019 to FY 2020/2021 and increased marginally thereafter. The treasury bills also trended upward from FY 2018/2019.

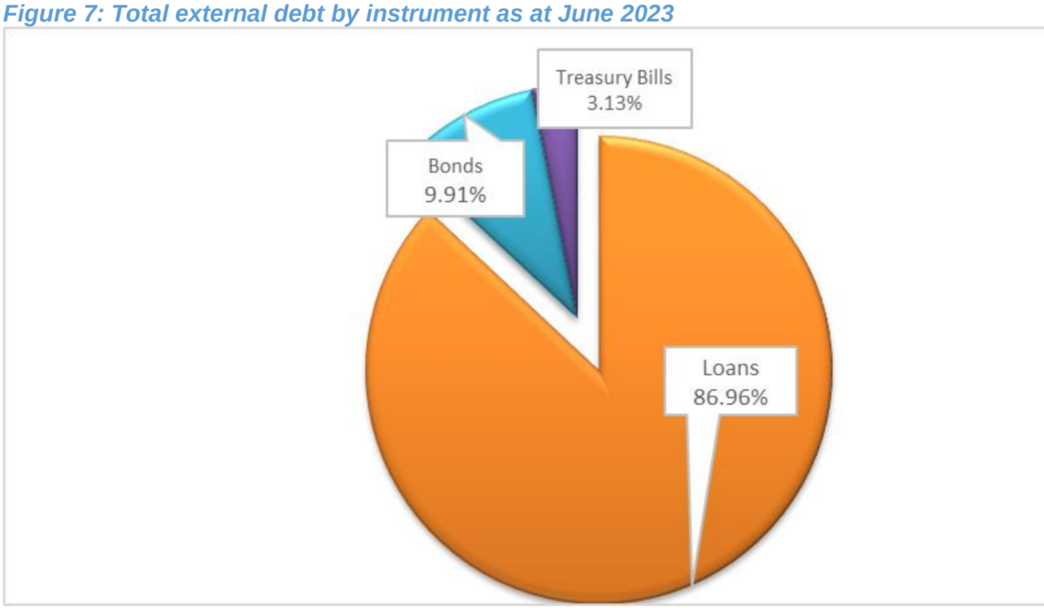
Figure 6: Central government external debt by instrument



Source: The Debt Management Unit

Figure 7. illustrates the composition of the total external debt portfolio at the end of fiscal year 2022/2023. It can be seen that loans account for the largest share at 86.96 percent, followed by bonds with 9.91 percent and treasury bills 3.13 percent respectively.

Figure 7: Total external debt by instrument as at June 2023



Source: The Debt Management Unit

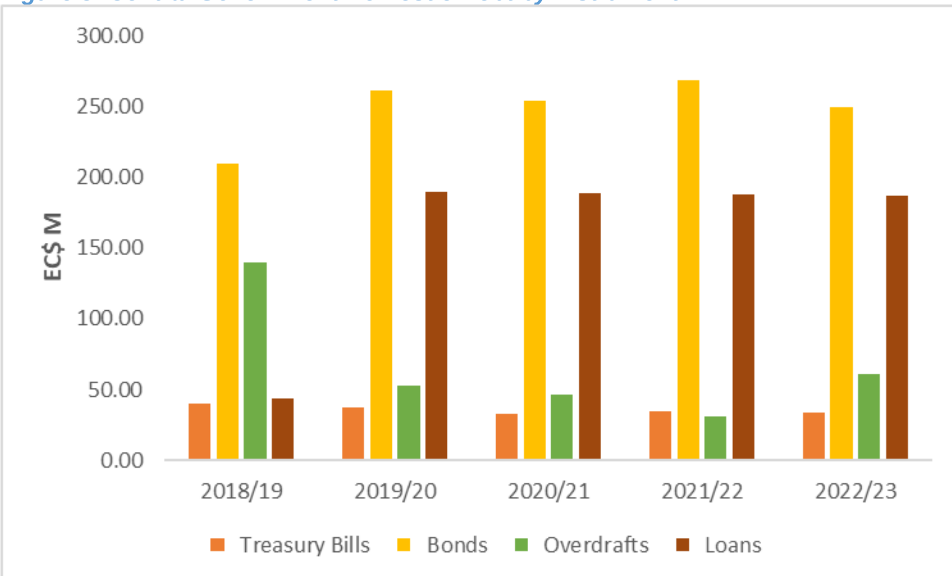
Over the years, the central government domestic borrowing has been in the same type of instruments as the external, in addition to overdrafts facilities (see figure 8).

There was a 25.0 percent increase in the total central government domestic debt stock in financial year 2019/2020 over the previous year; the highest within the review period. This increase is attributed to the assumption of Public Works Corporation overdraft facility, which was converted to a loan, a loan between DSS and government, as well as the issue of an Over-the-Counter bond. In fiscal year 2020/2021, the stock of debt reduced by 3.72 percent; followed by slight increases of 0.12 percent and 1.74 percent in FY 2021/2022 and FY 2022/2023 respectively.

The stock of bonds fluctuated over the period averaging EC$248.50 million. There was a sharp increase of 24.94 percent in fiscal year 2019/2020 over the previous year. From FY 2020/2021 the stock of bonds hovered between EC$260.00 and EC$250.00 million. This movement is as a result of a private bond placement. The loan portion maintained a downward trajectory after the significant increase of over 300.00 percent in fiscal year 2019/2020 over the previous year. The stock of treasury bills maintained an almost flat position throughout the period. In the fiscal year 2019/2020 the overdrafts reduced to EC$52.80 million from EC$140.04 million over 2018/2019; due to the part conversion to a loan. For the following two years the overdrafts continued to decrease, and increased to $60.65 million in FY 2022/2023 from EC$31.00 in FY 2021/2022.

The overdraft balances at the end of each period, after FY 2019/2020 has remained within the required legal limit of EC$56.50 million up to FY 2021/2022 and EC$108.00 million in FY 2022/2023.

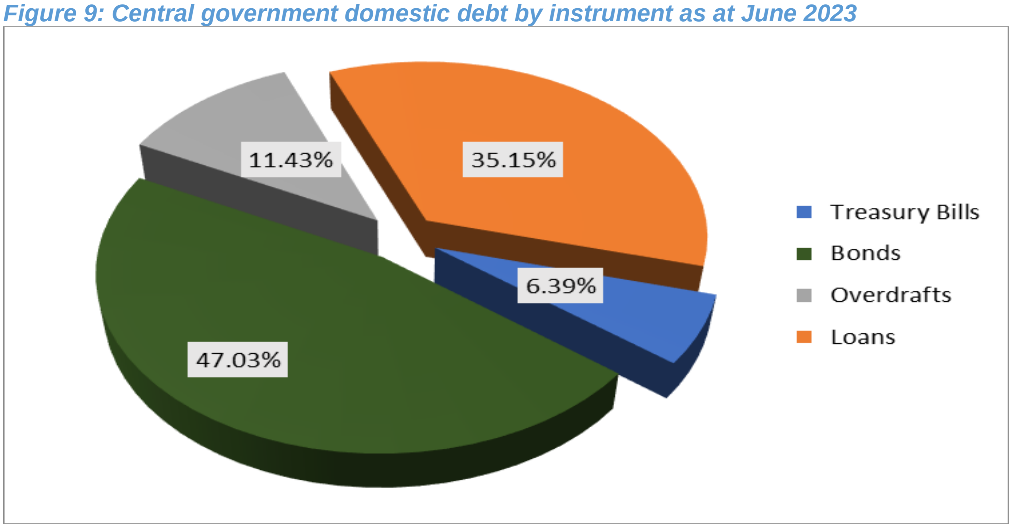
Figure 8: Central Government Domestic Debt by Instrument



Source: The Debt Management Unit

Figure 9 reflects the domestic debt by instruments of central government at the end of fiscal year 2022/2023. Contrary to the composition of the external debt portfolio, bonds represent the largest portion of the domestic debt portfolio with 47.03 percent, followed by loans with 35.15 percent, and overdrafts and treasury bills with 11.43 percent and 6.39 percent respectively.

Figure 9: Central government domestic debt by instrument as at June 2023



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 traditional creditors.

External

Throughout the period, multilateral creditors represented the largest share of the debt portfolio, accounting for 75.95 percent of the external debt at the end of fiscal year 2022/2023. Of the share of multilateral debt, the International Development Association (IDA) (central government only) is the main multilateral creditor accounting for 52.27 percent followed by Caribbean Development Bank (CDB) with 35.52 percent (27.72 percent for central government and 7.80 percent for guaranteed). The other multilateral creditors, such as the IMF, OPEC and EIB hold 12.20 percent. Bilateral creditors held 13.05 percent of the total external debt, of which Paris Club members accounted for 3.36 percent while 9.69 percent of the debt was held by Non-Paris Club members. The category of other external creditors which include inter alia insurance companies and private individuals held 7.50 percent, while commercial creditors accounted for 3.50 percent of the debt stock.

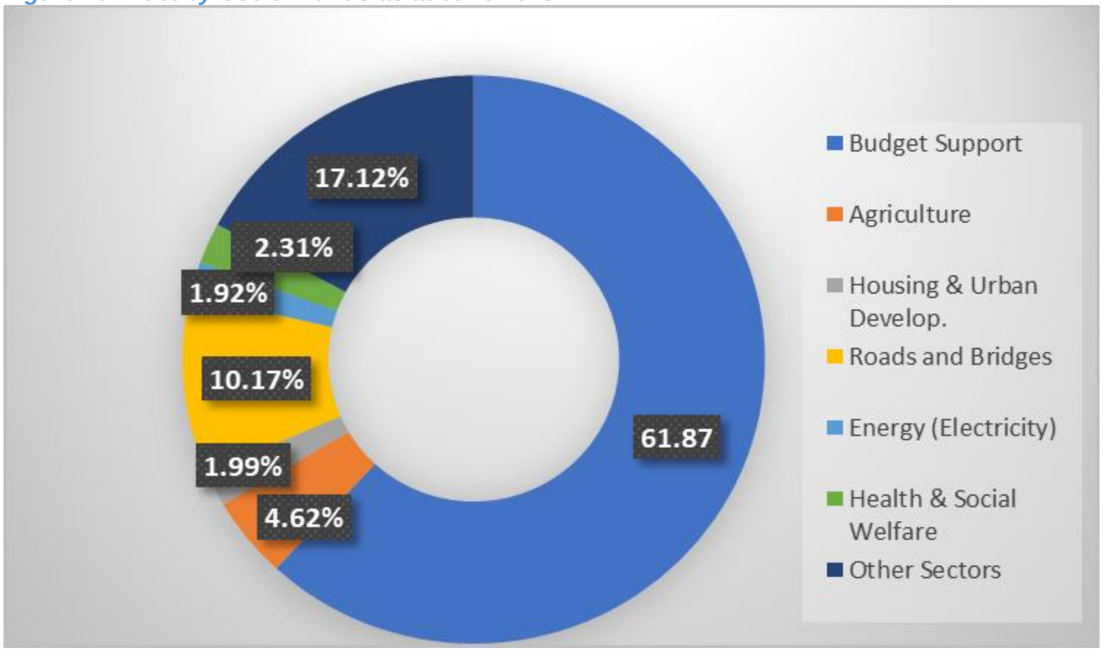
Domestic

For most of the five-year period, domestic borrowings were mainly from the commercial banks, and the Dominica Social Security. At the end of fiscal year 2022/2023, debt to commercial banks accounted for 60.45 percent of the domestic debt, of which, central government was 54.07 percent and 6.38 percent for statutory bodies. The Dominica Social Security (DSS) held the second largest share of 26.69 percent with central government indebtedness at 22.58 percent and the statutory bodies at 4.11 percent. (The total borrowing of central government represents 29.04 percent of the DSS Investment Portfolio and is lower than the 35.00 percent benchmark set for Government, in accordance with DSS Investment Policy). The remaining 12.86 percent of domestic debt is owed to the other categories including private investors, insurance companies and other financial institutions.

4.3 Debt by Utilization

Figure 10 displays a breakdown of the accumulated debt by sectors over the review period. As at June 2023, 61.87 percent represented budgetary support, 10.17 percent roads and bridges, 4.62 percent agriculture, 2.31 percent represents the health and social welfare sector, 1.99 percent for housing and urban development while 1.92 percent energy. The other sectors, which include tourism, utilities, industry among others, totalled about 17.12 percent. The budget support debt was used for meeting government's expenditure not tied to any specific project. Budget support funding came from sources such as re-issuance of securities, IMF facilities, policy-based loans, and the use of overdrafts.

Figure 10: Debt by Use of Funds as at June 2023



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 the World Bank, the International Monetary Fund (IMF),Caribbean Development Bank, OPEC Fund, the Eastern Caribbean Central Bank, National Commercial Bank of Dominica, Dominica Social Security and investors on the RGSM as well as private placements.

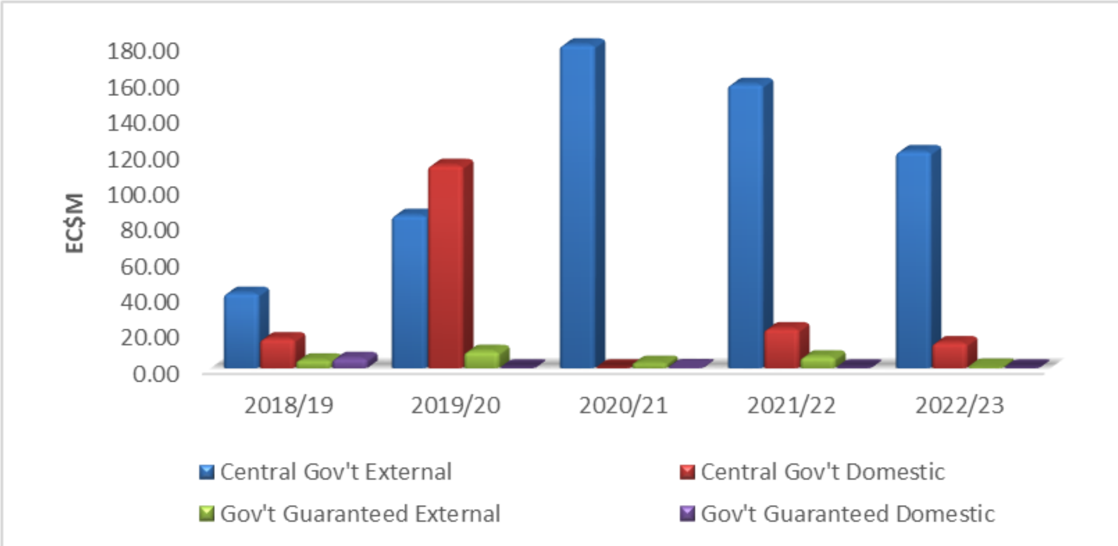
In fiscal year 2022/2023, Government's new debt commitments amounted to EC$12.00 million compared to EC$108.92 million in fiscal year 2021/2022. These new debts were in the form of Over-the-Counter bonds, which were issued as a mean of managing Government's cash flow.

No new commitments were guaranteed on behalf of statutory corporations.

4.4.2 Disbursements

The disbursement trend over the five-year period is illustrated in Figure 11. Over the review period, the largest disbursements were recorded in fiscal year 2019/2020 followed by FY 2020/2021. In fiscal year 2019/2020, total disbursement was EC$206.78 million which included disbursements to central government of EC$197.37 million and government guaranteed debt of EC$9.41 million; an increase of EC$138.65 million, over the fiscal year 2018/2019 which recorded a total of EC$68.13 million. This sizeable increase in disbursements in FY 2019/2020 which continued into FY 2020/2021 was mainly due to immediate drawdowns on emergency financing to deal with the COVID-19 pandemic; and on funds already committed for projects; the issuance of government's securities on the Regional Securities Market and private placement of securities. In FY 2019/2020 disbursements on domestic debt increased due to an issuance of an Over-the-Counter bond.

Figure 11: Disbursements of public debt in EC$ Millions



Source: The Debt Management Unit

4.4.3 Debt Service Payments - central government

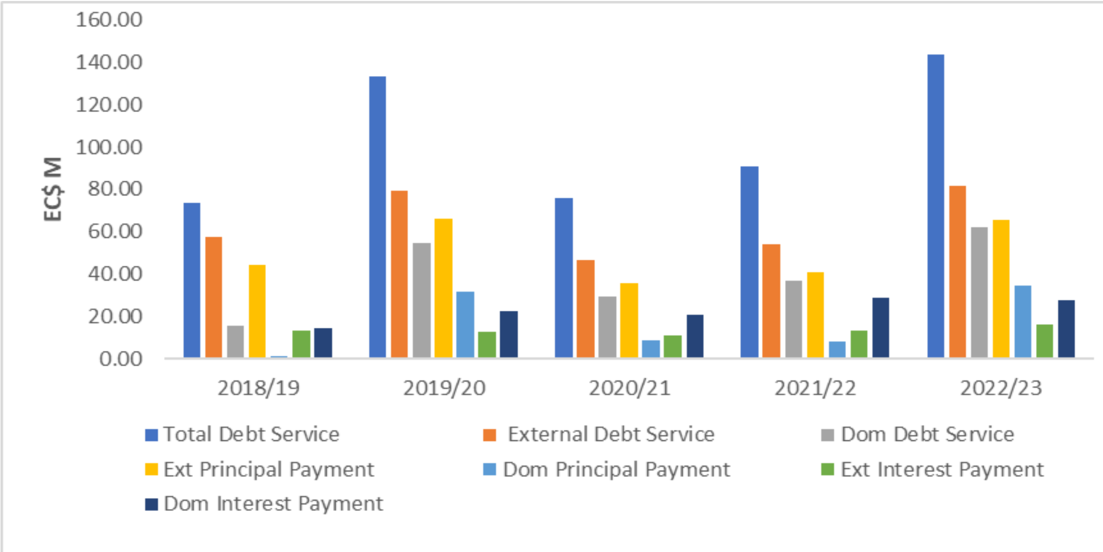
Figure 12 displays the central government external and domestic debt service repayments over the review period FY 2018/2019 to FY 2022/2023. The noted increase in the total debt service payments of 82.09 percent in fiscal year 2019/2020, over the previous year was due to the redemption of an EC$ 25.00 million bond on the RGSM along with loan repayments, as well as interest repayments on treasury bills and the overdraft facility. However, in fiscal year 2020/2021 there was a reduction of 43.40 percent. This decrease can be attributed to the moratorium on debt service payments, under the DSSI initiative; as well as the reduction of interest payments on the overdraft facility corresponding with the reduction in the overdraft balance.

There was an overall increase of EC$23.73 million in external debt service repayment over the five-year period. The total debt service payments per fiscal year to external creditors averaged EC$63.78 million; for principal EC$50.59

million and EC$13.19 million for interest. The Interest repayments fluctuated between EC$10.83 million and EC$16.15 million, whereas principal ranged between EC$35.66 million and EC$66.43 million.

As it relates to the domestic debt service repayment, the overall increase averaged 74.30 percent over the five-year period. The average debt service payment to domestic creditors was EC$39.59 million; for principal EC$ 16.87 and EC$22.72 million for interest. The principal payment in fiscal year 2018/2019 was significantly low amounting to about EC$1.28 million. However, there was a sizeable increase of over 2000.00 percent in principal repayment within fiscal year 2019/2020 as a result of the maturing of an EC$25.00 million bond issued on the RGSM of which over 90.00 percent was held by domestic investors, in addition to other payments becoming due. There was a reduction in the two subsequent years, FY 2020/2021 and FY 2021/2022, with an increase in the final year of the review period 2022/2023 due to the redemption of an EC$ 25.00 million RGSM bond of which EC$22.00 million was held by domestic investors. Interest repayment showed a different trend with a fluctuating path. There was a 57.33 percent increase in FY 2019/20 over the previous FY 2018/2019 with a decrease of 8.67 in FY 2020/2021 followed by a 38.55 percent increase in FY 2021/2022 and a reduction of 3.42 percent in FY 2022/2023.

Figure 12: Central Government Debt Service 2018/19-2022/23in EC Millions



Source: The Debt Management Unit

4.4.4 Debt Service Suspension

The government of Dominica benefited from the moratorium received in the amounts of EC$ 15.54 million for fiscal year 2020/2021 and EC$ 11.43 million in 2021/2022, through the Debt Service Suspension Initiative (DSSI) which allowed Government the fiscal space to address COVID-19 related expenditure. Table 3 below presents further details on the DSSI.

Table 3: Breakdown and repayment terms of Debt Suspension 2020/2021-2021/2022

	2020/2021	**2021/2022**	**TERMS**		
Creditor	Amount in EC$	Amount in EC$	Maturity	Grace	Interest
Agence Francaise de Developpment(EUR)	2,267,873.08	2,234,849.43	5 years	1 year	1.33
Agence Francaise de Developpment(USD)	3,241,096.39	1,595,922.24	5 years	1 year	3.265 & 3.78
	5,508,969.47	**3,830,771.67**			
People's Republic of China (CNY)	**5,237,739.74**	**5,241,729.87**	5 years	1 year	2.00
Societe' Generale(USD)	2,412,661.87		5 years	1 year	1.22
Societe' Generale(USD)	2,384,172.20		5 years	1 year	1.82
Societe' Generale(USD)		**2,359,212.70**	5 years	1 year	2.11
	4,796,834.07				
TOTAL	**15,543,543.27**	**11,431,714.23**			

Source: The Debt Management Unit

Section 5.0

Government Securities

The RGSM was established in November 2002 and operates on a fully electronic platform[2]. The instruments on the RGSM take the form of treasury bills and bonds with varying maturities. These securities are backed by the full faith of the governments of the issuing member states.

Table 4 shows the issuance during the fiscal year 2022/2023 and the outstanding balance of securities at the end of this financial year. There were three (3) 91-days treasury bill auctions, one 7-year bond on the RGSM; and three private placements of bonds during the period.

Table 4: Government Securities

Secirities issued in Fin Yr 2022/23	Issue Date	Maturity Date	Issue Amount EC$M	Bid Amounts EC$M	No of Bids	Rate
RGSM ISSUES						
91-Day Treasury Bill	26/9/2022	27/12/2022	20.00	33.64	12	1.50
7-Year Bond	17/11/2022	16/11/2029	25.00	25.00	10	3.95
91-Day Treasury Bill	29/12/2022	3/4/2023	20.00	28.91	11	1.95
91-Day Treasury Bill	3/4/2023	5/7/2023	20.00	25.05	10	1.98
Non-RGSM Issues						
2- Year Bond	30/03/2022	1/5/2024	10.80	N/A	N/A	3.00
4- Year Bond	1/5/2022	1/5/2026	16.99	N/A	N/A	4.00
7- Year Bond	17/11/2022	16/11/2029	10.00	N/A	N/A	6.99

Securities Outstanding as at June 30,2023	Amount	Average Interest Rate(%)
RGSM		
91-Day Treasury Bill	20.00	2.50
7-Year Bonds (3 issues)	70.17	7.00
Non-RGSM Issues		
Treasury Bills	45.84	5.72
Bonds	280.58	3.65

Source: The Debt Management Unit

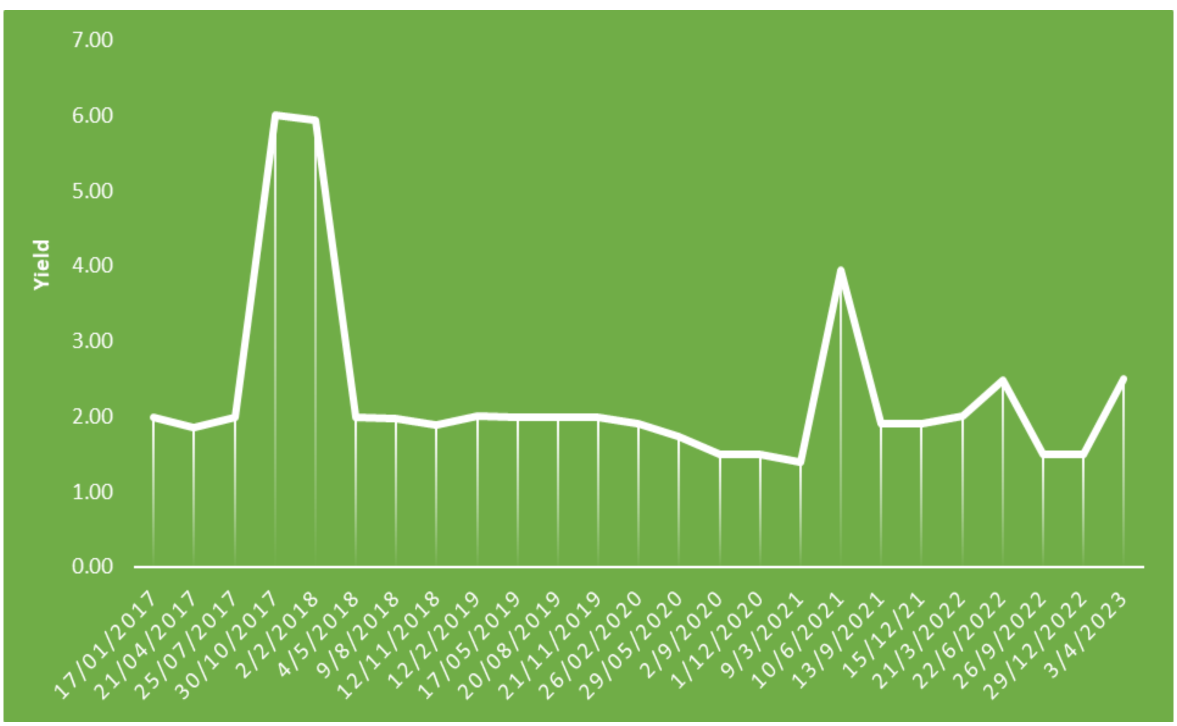
[2] http://www.eccb-centralbank.org/money/rgsm.asp

At the end of 2022/2023, OTC treasury bills accounts for 69.62 percent of the stock of treasury bills, while the RGSM was 30.38 percent. In the case of the bonds, 80.00 percent and 20.00 percent represents the OTC and RGSM respectively.

All the Treasury bill auctions on the RGSM were oversubscribed; with a bid cover 1.68, 1.44, and 1.25. However, the bond had a bid cover ratio of 1.0, indicating a full subscription.

Figure 13 shows the yields of T-bills on the market between January 2017 and June 2023. In October 2017 and February 2018, the T-bills closed at the reserved price of 6.0 percent and took a downward trend from May 2018, where it remained stable averaging about 1.86 percent. The peak in the yield was influenced by the passage of category 5 Hurricane Maria in September 2017. Disasters create a level of uncertainty which normally transcends into risks for investors. In June 2021 the auction closed at 3.95 percent and reduced in the subsequent issues.

Figure 13: Treasury bills yields on the RGSM 2017-2023



Source: The Debt Management Unit

Based on results of the auctions, it can be said that there continues to be an appetite for short-term treasury bills.

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 public debt portfolio (see box 1). In this regard, it is important to assess the risks associated with the debt portfolio because such information enables decision makers to design forward-looking strategies on the optimal debt structure in terms of maturity, interest rate and exchange rate. In this section, the level of exposure of the debt portfolio risk is captured using the following risk indicators: refinancing risk, market risk and foreign exchange risk.

6.1 Refinancing Risks

6.1.1 Maturity Profile

Table 5 shows the maturity profile, which is the amount that falls due at a given time. The table gives central government's debt based on the disbursed outstanding debt as at June 2023. The largest portion, EC$375.27 million or 25.5 percent, is due to mature between 1 and 5 years. The second largest portion EC$324.21 million or 22.00 percent, matures between 5 and 10 years. The amount of EC$254.71 million or 17.30 percent of the total matures in less than 1 year and 13.3 percent matures between 10 and 15 years. The remaining 22.00 percent will mature between 15 and 20 years. A quantum of EC$ 699.48 million or 47.40 percent of the central government's total debt will mature between 1 and 10 years, therefore there will be continuous monitoring, and management of the debt portfolio to avoid liquidity risk.

Table 5: Maturity profile of Central Government

RANGE	NOMINAL VALUE EC$M	PERCENTAGE
Less than 1 Year	254.71	17.3
1>5	375.27	25.5
5>10	324.21	22.0
10>15	196.56	13.3
15>20	323.63	22.0
TOTAL	**1474.38**	**100**

Source: The Debt Management Unit

Figure 14 displays the maturity profile for the outstanding debt stock of central government and debt guaranteed by government, taking into account both external and domestic components. It shows that a significant amount (EC$254.71 million) will mature within 2023/2024.

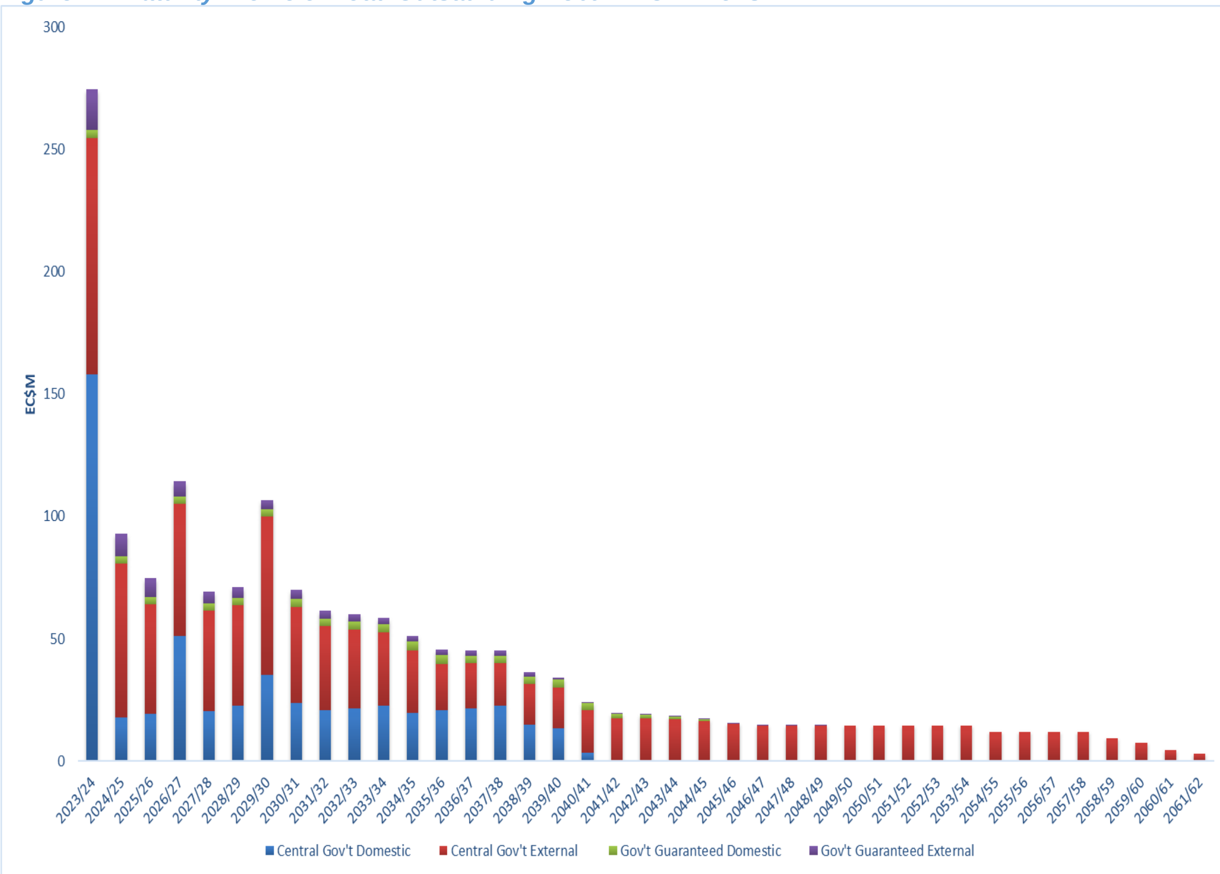
In fiscal year 2023/2024 EC$158.06 million of the central government domestic debt falls due, representing mainly short-term instruments namely treasury bills and the bank overdrafts. About 91.67 percent of the OTC treasury bills are held by Dominica Social Security and the National Bank of Dominica. Over the past years, these institutions have continued to roll over these treasury bills. The treasury bills issued on the RGSM will be reissued over every quarter; since the past trends prove that there is appetite for this instrument. Additionally, a four-year OTC bond issued in the amount of EC$47.23 million, matures within that year. There will be a reduction to EC$17.83 million in fiscal year 2024/2025. However, in the FY year 2026/2027 the debt maturing will increase to EC$51.23 million. These notable increases are due to the redemption of two seven-year bonds issued on the RGSM amounting to EC$34.90 million in addition to two OTC bonds as well as the amortised bonds making up EC$ 16.33 million. The maturity profile of the debt remains stable from FY 2027/2028 to FY 2028/2029 remaining in the region of

EC$23.0 million but will peak in 2029/2030 due to a redemption of a RGSM bond and an OTC bond.

The amount of external debt expected to mature in fiscal year 2023/2024 is EC$96.64 million. This portion represents the largest quantum throughout 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 2024/2025 the amount maturing will be about EC$62.87 million, the second largest of the profile. This amount includes a private placement of EC$13.5 million maturing. During the fiscal years 2025/2026 to 2029/2030 an average of EC$ 51.35 million is expected to mature each year. Thereafter, the debt expected to mature will reduce significantly, 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 engaging in debt.

Figure 14: 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 indicates that there is a predominance of concessional loans, signaling a lower refinancing risk; whereas, a short ATM would imply a high refinancing risk. The ATM is illustrated in table 6, it takes into consideration all debt instruments: bonds, loans, T-bills and bank overdrafts, making up the total debt. The ATM for total debt outstanding as at June 2023 is 9.87 years; ATM of 11.86 years and 6.44 years for external debt and domestic debt respectively.

The ATM for central government total outstanding debt is10.09 years, 12.38 years for external and 6.03 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; while the domestic debt portfolio comprises of debt with mainly short to medium term maturity, e.g., bonds, treasury bills and overdraft facilities. The ATM of the outstanding debt is well above the 9.0-year target set in the debt strategy, and poses no refinancing risk.

On the guaranteed side, the total ATM is 7.49 years, 9.91 years for domestic debt and 5.56 years for external. The longer ATM on the domestic side is because of the longer maturity. Notwithstanding, this does not pose any significant refinancing risk.

Table 6: Risk Profile as at December 2021

Risk Profile 2022/23	Total Debt	Central Government	Guaranteed Debt
Refinancing Risk			
Average Time to Maturity (years)	9.87	10.09	7.49
External ATM	11.86	12.38	5.56
Domestic ATM	6.44	6.03	9.91
Market Risk			
Average Time to Refixing (years)	9.42	9.72	6.20
External ATR	11.15	11.80	3.24
Domestic ATR	6.44	6.03	9.91

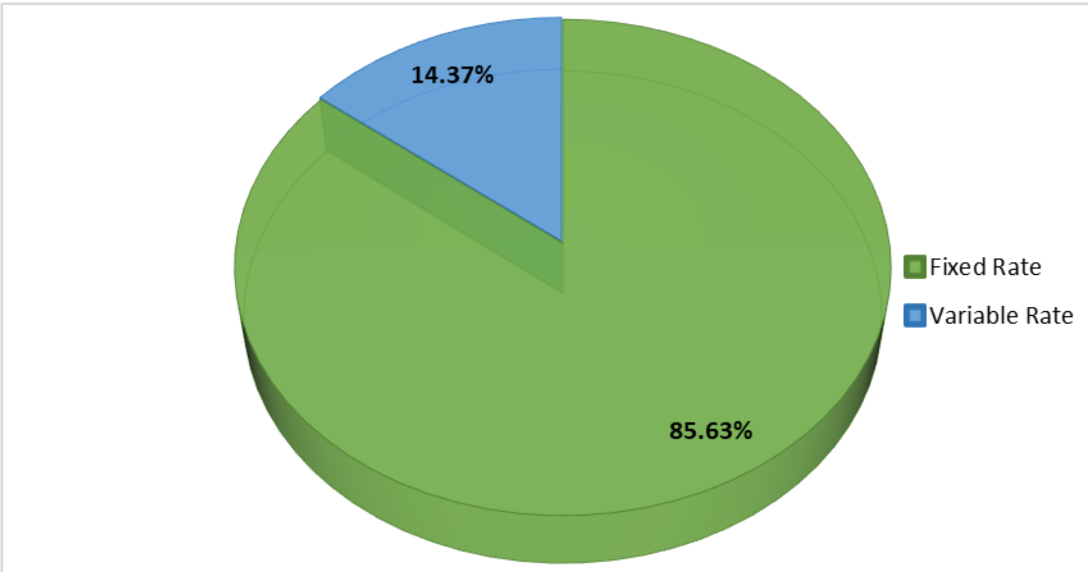
Source: The Debt Management Unit

6.2 Market Risks

6.2.1 Interest rate Composition

Figure 15 presents the public debt outstanding at the end of fiscal year 2022/2023 by interest rate composition. At the end of the period 85.63 percent of the total public debt had a fixed rate of interest while 14.37 percent had variable rates of interest. As part of the variable interest rate loans, there are loans from the IMF which are presently at zero percent interest; however, this is subject to change as the IMF periodically reviews its rates. This indicator is slightly below the target of 15.0 percent set in the debt management strategy. However, should the IMF debt be excluded from the share of variable debt the result would be much lower than the target in the region of 12.41 percent.

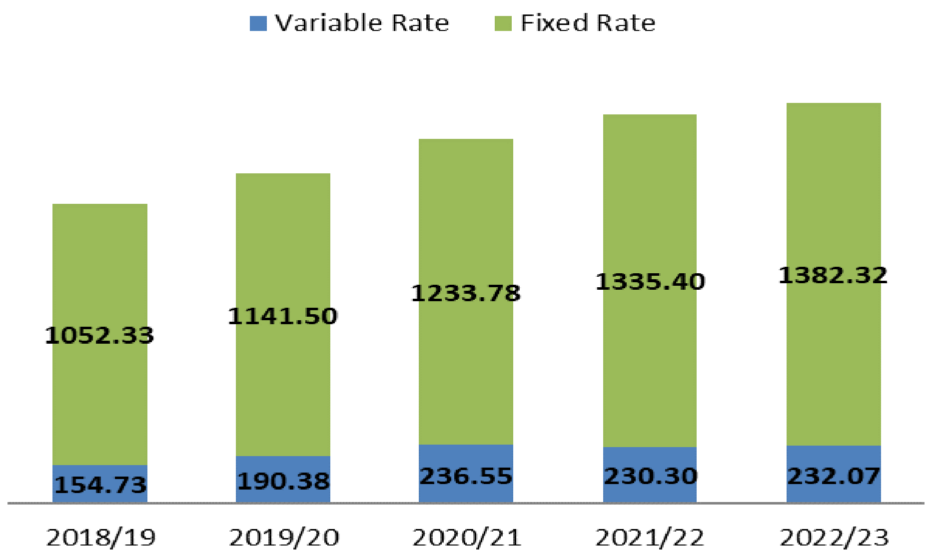
Figure 15: Public debt by interest rate composition



Source: The Debt Management Unit

Figure 16 shows the nominal value of the total debt by interest rate composition. On average, EC$1,125.38 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 87.48 to 89.62 percent. While the variable rate debt remains in the region of 10.38 to 14.13 percent and mainly comprises of Caribbean Development Bank Ordinary Resource (CDBOR) loans.

Figure 16: Public debt by interest rate composition from 2018/19-2022/23in 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 change in a short period of time and suggests a low interest rate risk to the portfolio. It can be seen in **table 7** above, the ATR at the end of FY 2022/2023 for the total debt stock is 9.42 years while central government is 9.72 years and guaranteed debt is 6.20 years. The ATR for central government external debt is 11.80 years, while the domestic is shorter being 6.03 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 35.11 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

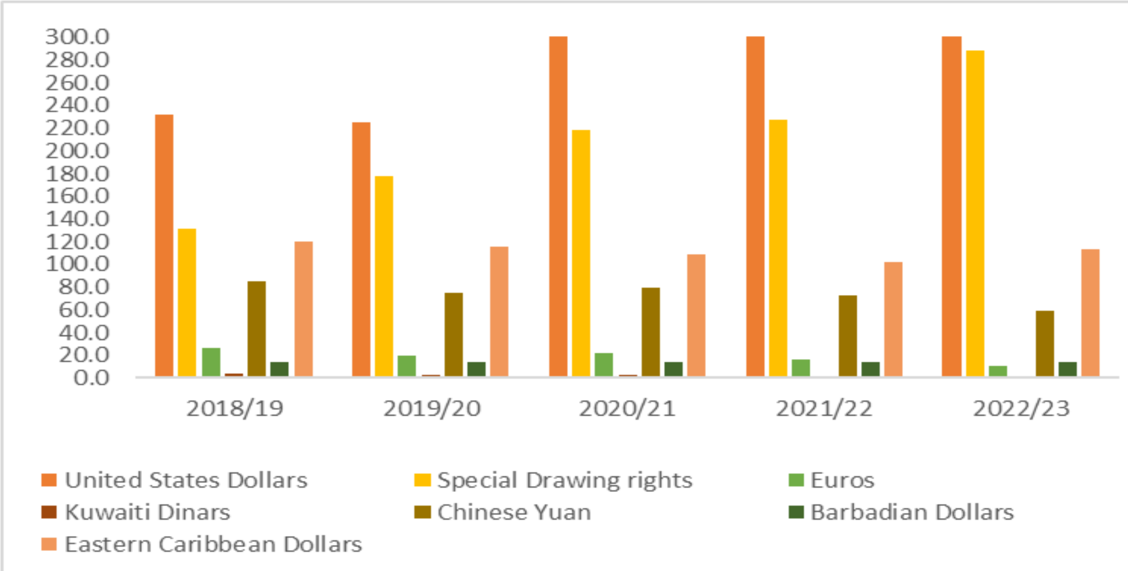
Figure 17 shows the distribution of the central government external debt in nominal amounts and illustrates the currency denomination of the debt portfolio.

At the end of fiscal year 2022/2023, 38.01 percent of the debt carries a variable exchange rate but since SDR is the main contributor, this risk is considered tolerable because a larger portion of this currency consists of USD. 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 the same with US dollars being the dominant currency. However, from FY 2019/2020 there has been a steady increase in the SDR denominated debt with an amount of EC$46.90 million over FY 2018/2019 followed by a further increase of EC$39.87 million in fiscal 2020/2021, EC$ 9.6 million in FY 2021/2022 and EC$ 61.04 in FY 2022/2023.

These increases are as a result of new debt and disbursement on existing loans from the World Bank. Debt in the other currencies namely Euro, KWD and CNY prove to be on a decline because no new debt is being contracted in these currencies.

Figure17: Central government External debt by currency composition in EC Millions

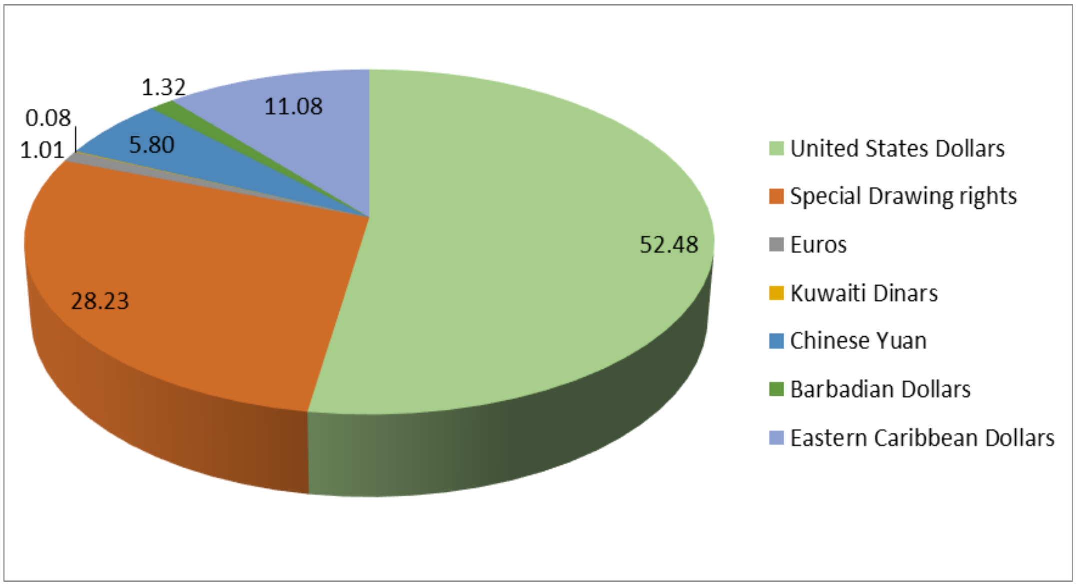


Source: The Debt Management Unit

The total external debt is denominated in four main currencies namely United States Dollars, Special Drawings Rights[3] , Chinese Yuan and Eastern Caribbean Dollars with minimal amounts denominated in Euros, Barbadian dollars and KWDs. The component of the total external debt portfolio exposed to foreign currency risk comes from the fluctuation in exchange rates for currencies such as Chinese Yuan, Kuwaiti Dinar, Euro and SDRs. Figure 18 shows that as at June 2023, about 88.92 percent of the total external debt is denominated in foreign currency. While 11.08 percent of the external debt is denominated in EC dollars.However, 52.48 percent, the largest portion ofthe foreign currency denominated debt is in US dollars.

[3] "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

Figure 18: Currency composition of Public External Debt



Source: The Debt Management Unit

6.2.4 Risk performance versus MTDS Targets

Table 7 below shows the current position of the central government debt portfolio, against the quantitative targets set in the MTDS and it indicates that at the end of fiscal year 2022/2023, there were no breaches.

Table 7: Quantitative Targets

Indicators	**Targets**	**Position at June 2023**	**Breach Yes/No**
Average Time to Maturity	9.0 Year	10.09 Years	No
Variable Interest Rate Debt (Central Government)	15.0 Percent	12.41Percent	No
Non-USD Exposure excl. SDR	≤20.0 Percent	10.09 Percent	No
Guaranteed Debt	17.0 Percent	8.67 Percent	No

Source: The Debt Management Unit

6.3 Debt Sustainability and Portfolio Risk Indicators

Debt ratios are measures of potential debt related risk in the portfolio which when combined with other variables and examined over time will indicate the level of sustainability of the debt. Table 8 highlights some key ratios which could be used to assess the sustainability of GOCD's debt. Over the period FY 2018/2019 to FY 2022/2023, total debt to GDP averaged 94.40 percent. In FY 2020/2021 the Debt to GDP increased by 33.89 percent to 108.0 percent over FY 2019/2020 thus reflecting the significant negative impact of the COVID-19 pandemic on Government's debt level. There was an improvement in the debt to GDP in fiscal year FY 2021/2022 which stood at 104.4 as GDP grew at a faster pace than the debt stock. There was a further reduction in the debt to GDP to 98.40 percent at the end of FY 2022/2023, again resulting to GDP growth.

Table 8: Public and Publicly Guaranteed Debt Ratios

Ratios	2018/19	2019/20	2020/21	2021/22	2022/23
Total Debt to GDP	80.6	80.7	108.0	104.4	98.4
External Debt to GDP	46.9	43.7	64.8	65.3	62.3
Domestic Debt to GDP	33.6	36.9	43.2	39.1	36.1
CG Debt Service to Revenue	10.4	23.4	9.3	10.9	13.9
Share of Foreign Currency to Domestic Currency	47.0/53.0	44.0/56.0	52.2/47.8	55.0/44.0	56.3/43.7
Share of Fixed Rate Debt to Floating debt	89.6/10.4	88.2/11.8	84.9/15.1	85.3/14.7	85.6/14.4

Source: The Debt Management Unit

Fiscal year 2019/2020 recorded the highest debt service to revenue of 23.40 percent. This is as a result of an increase in debt service payments with a corresponding reduction in revenue during that year. Debt service to revenue decreased by 60.12 percent in FY 2020/2021 over FY 2019/2020. This reduction is attributable to the reduction in debt service by 43.40 owing to debt suspension initiative. However, FYs 2021/2022 and 2022/2023 there were minimal increases in this ratio.

The share of foreign currency to domestic currency ratio fluctuated over the period under review. In FYs 2018/2019 and 2019/2020 the share of foreign currency was lower than the domestic, however from FY 2020/2021 there was an increase in the share of foreign currency debt to domestic debt.

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

6.3.1 Public Debt Management Outlook

The Government of Dominica continued the parallel run of the Commonwealth Secretariat Debt Recording System (CS-DRMS) and Commonwealth Meridian up to the end of the fiscal year. The parallel run will be discontinued by the end of the first quarter of fiscal year 2023/2024.

There is a lack of participation of the household investors on the RGSM. In this regard, it has become necessary to take action to increase the participation of these investor. The debt units in the member countries have been in discussion with the ECCB, regarding the way forward in getting this group of investors to take a greater interest in the market.

6.3.2 Public Debt Rating

Based on the media release of July 03, 2023, the Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the ratings assigned to the Government of the Commonwealth of Dominica (GOCD) on its regional rating scale of *Cari***BB** (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of this debt obligation, adjudged in relation to other debt obligations in the Caribbean is **below average.**

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is premised on: (1) a projected medium-term growth path that is consistent with the pre-coronavirus (COVID-19) average trend for output, (2) planned fiscal performances meant to reduce debt to Gross Domestic Product (GDP) below the Eastern Caribbean Central Bank's (ECCB's) 60% sustainability limit, (3) maintenance of comfortable external sector earnings, and (4) continuation of adequate financial sector metrics.

The ratings of GOCD are tempered by: (1) high debt to GDP notwithstanding fiscal recovery, (2) significant capacity constraints owing to Dominica's small demographic and macroeconomic size, and (3) weaknesses in the financial sector, particularly non-bank financial institutions. Nevertheless, the ratings are supported by: (1) GDP growth underpinned by Citizenship by Investment (CBI) inflows, tourism recovery and continued post-hurricane/resilience rebuilding, (2) an adequate external sector position, and (3) a stable political environment.

The report also stated that there can be improvement in the rating if there is growth of 6.00 percent in the real economic sector, along with a fiscal surplus of 5.00 percent being for at least two years. However, the reverse can be expected should there be a debt to GDP ratio exceeding 100.00 percent, in addition to social and economic disruption brought about by natural disasters and with material reduction in grants.

Section 7.0

Debt Management Activities

Capacity Building

The Debt Unit now has a new member of staff, who is charged with responsibility of undertaking the functions of back office. The officer is presently learning both debt management systems with greater emphasis on Commonwealth Meridian.

The two other staff members of the Unit are also deeply involved in learning the new debt management system, and moreover, ensuring the accuracy of the database.

Section 8.0

Conclusion

Overall, Dominica's debt although it has increased as a result of exogenous shocks over the past years, can be considered manageable. The servicing of debt remains a high priority for the government and as such, outstanding debt obligations are met in a timely manner even during times of crisis. The debt position at the end of the period shows the portion of guaranteed debt at 8.67 percent which is below the 17.0 percent target. The variable interest rate debt is also below the 15 percent target at 14.37 percent; included in this percentage is the debt owed to IMF which is currently at interest free and has been at that rate for the next five years. The maturity profile shows peaks for the fiscal years 2023/2024, 2026/2027 and 2029/2030 resulting mainly from redemption of securities, and the payments of the bank overdrafts facility in FY 2023/2024. In an effort to smoothen the repayment profile and maintain an ATM of 9 years and above; government intends to re-issue the maturing securities. Presently, there is a greater appetite for short term to medium term securities; therefore, there is a continued challenge getting the investors' interest in securities 10 years and above.

The percentage of the non-US dollar denominated debt (excluding SDR) is 10.09 percent which is within the established target. The exchange rates from the foreign currencies (excluding USD and SDR) have not increased significantly during year; the BB dollars on the other hand is fixed.

The debt portfolio does not reveal any major market or refinancing risks. However, in the advent of crises such as the COVID-19 pandemic, the DMU will continue to closely monitor the debt management activities and continue to actively participate in the borrowing process to meet government financing needs and obligations on a timely basis with limited exposure to risks.

It is the Government’s expectation that this report will enhance transparency and accountability of public debt management in Dominica and will be used by policymakers and other stakeholders as part of the mechanism for decision making.

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

	2018/19	2019/20	2020/21	2021/22	2022/23
TOTAL PUBLIC DEBT	***1207.0***	***1331.9***	***1470.3***	***1565.7***	***1614.4***
GDP at market prices	***1497.9***	***1651.2***	***1361.4***	***1499.2***	***1640.1***
% Total Debt/GDP	*80.6*	*80.7*	*108.0*	*104.4*	*98.4*
A. Central Government					
% GDP	*69.7*	*70.9*	*96.6*	*94.4*	*89.9*
Outstanding Debt	***1043.7***	***1171.0***	***1315.7***	***1415.1***	***1474.4***
- Domestic	***432.7***	***540.9***	***520.7***	***521.3***	***530.4***
- Treasury Bills/Notes	*39.6*	*37.3*	*32.4*	*34.3*	*33.9*
- Bonds	*209.2*	*261.4*	*253.8*	*268.6*	*249.4*
- Overdraft	*140.0*	*52.8*	*46.1*	*31.0*	*60.6*
- Loans	*43.8*	*189.4*	*188.5*	*187.5*	*186.5*
- External	***611.0***	***630.1***	***794.9***	***893.7***	***943.9***
- Treasury Bills/Notes	*22.6*	*26.0*	*29.9*	*32.0*	*32.0*
- Bonds	*115.0*	*106.5*	*95.5*	*97.7*	*101.3*
- Loans	*473.4*	*497.6*	*669.5*	*764.1*	*810.7*
- Bilateral	*217.6*	*191.1*	*184.5*	*157.9*	*137.0*
- Paris Club	*84.1*	*75.3*	*72.1*	*60.6*	*50.3*
- Non-Paris Club	*133.5*	*115.8*	*112.4*	*97.3*	*86.6*
- Multilateral	*322.5*	*310.6*	*324.2*	*314.3*	*305.7*
- Other	*6.8*	*6.8*	*6.8*	*6.8*	*6.8*
% of Central Government Debt	*86.5*	*87.9*	*89.5*	*90.4*	*91.3*
B. Gov Guaranteed Debt					
% of GDP	*10.9*	*9.7*	*11.4*	*10.0*	*8.5*
Outstanding Debt	***163.4***	***160.9***	***154.6***	***150.6***	***140.0***
- Domestic (Loans)	***71.1***	***69.0***	***67.9***	***65.1***	***62.2***
AID Bank	*7.4*	*6.8*	*6.4*	*5.5*	*4.6*
DOWASCO	*32.9*	*32.4*	*32.6*	*31.6*	*30.6*
GHLB	*30.7*	*29.9*	*28.9*	*28.0*	*27.0*
- External (Loans)	***92.3***	***91.9***	***86.8***	***85.5***	***77.9***
- Bilateral	*10.9*	*10.9*	*10.8*	*10.8*	*10.8*
AID Bank	*10.8*	*10.8*	*10.8*	*10.8*	*10.8*
DOWASCO	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
- Multilateral	*81.4*	*81.0*	*75.9*	*74.7*	*67.0*
AID bank	*45.9*	*41.8*	*39.6*	*41.2*	*35.5*
DOWASCO	*32.9*	*36.9*	*34.2*	*31.6*	*30.0*
DASPA	*2.6*	*2.3*	*2.1*	*1.8*	*1.6*
% of Guaranteed Debt	***13.5***	***12.1***	***10.5***	***9.6***	***8.7***
TOTAL (Domestic)	***503.8***	***609.9***	***588.6***	***586.5***	***592.6***
TOTAL (External)	***703.2***	***722.0***	***881.7***	***979.2***	***1021.8***

Source: The Debt Management Unit

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

	2018/19	2019/20	2020/21	2021/22	2022/23
EXTERNAL	**703.23**	**721.97**	**881.70**	**979.25**	**1021.80**
Central Government	**610.96**	**630.10**	**794.94**	**893.74**	**943.95**
Multilateral	318.48	363.15	530.74	637.88	709.08
CDB	160.24	155.28	206.64	205.21	215.13
CDF	2.56	2.08	2.27	1.58	0.88
IDA	102.38	121.17	230.31	333.39	405.63
IMF	28.93	64.07	62.49	52.29	47.96
IFAD	1.23	1.11	1.04	0.86	0.76
OPEC	0.00	0.00	8.10	27.00	27.00
Societe General	23.12	19.43	19.90	17.55	11.72
Commercial Banks	33.04	30.24	27.63	25.94	35.74
Other	82.39	80.05	76.06	82.44	76.68
Bilateral: *of which*	177.05	156.65	160.51	147.48	122.45
Paris Club (AFD)	**55.54**	**47.18**	**49.67**	**44.01**	**34.29**
Non-Paris Club	**121.52**	**109.47**	**110.84**	**103.47**	**88.17**
EXIM Bank	3.84	2.36	0.88	0.65	0.53
KWD	4.15	3.26	2.49	1.62	0.79
PRC	84.63	74.95	78.99	73.17	59.24
Gov't of Belize	2.70	2.70	2.48	2.27	2.05
Gov't of Grenada	2.70	2.70	2.48	2.27	2.05
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	**92.26**	**91.87**	**86.76**	**85.50**	**77.86**
Multilateral	**81.36**	**81.02**	**75.91**	**74.66**	**67.01**
CDB	62.16	66.20	63.96	65.50	60.56
EIB	12.02	8.69	6.91	5.25	3.70
CDF	7.19	6.13	5.03	3.91	2.74
Bilateral: *of which*	**10.90**	**10.86**	**10.85**	**10.85**	**10.85**
Paris Club	0.05	0.01	0.00	0.00	0.00
Non-Paris Club	10.85	10.85	10.85	10.85	10.85
DOMESTIC	**503.83**	**609.91**	**588.64**	**586.45**	**592.59**
Central Government	**432.71**	**540.89**	**520.75**	**521.35**	**530.43**
Central Bank	0.14	0.14	0.14	0.14	0.14
Other Financial Institutions	0.19	4.18	4.18	4.17	4.17
Dominica Social Security	133.09	156.63	148.97	141.31	133.82
Private	0.25	47.59	47.58	56.67	56.48
Other	11.92	10.41	10.23	17.96	15.43
Commercial Banks	**287.12**	**321.94**	**309.65**	**301.10**	**320.40**
of which:					
NBD	282.36	314.53	309.08	300.69	319.99
RBC	1.00	1.00	0.00	0.00	0.00
Other	3.77	6.41	0.56	0.41	0.41
Government Guaranteed Debt	**71.12**	**69.02**	**67.89**	**65.11**	**62.15**
Dominica Social Security	28.15	27.26	27.08	25.76	24.33
Commercial Banks	**42.97**	**41.76**	**40.81**	**39.35**	**37.82**
of which:					
NBD	42.97	41.76	40.81	39.35	37.82

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 more risky 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 Framewo

The applicable laws which govern borrowing and guaranteeing debt include the Loans Act Chapter 64:05 of the 1990 Revised Laws of the Commonwealth of Dominica amended by the Loans (Amendment) Act (No. 4 of 1996) and the Finance (Administration) Act 4 of 1994; give 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.