2021

Debt Portfolio Review

Dominica Ministry of Finance

10/2022

Acronyms and Abbreviations

AFD	Agence Française de Development
ATM	Average Time to Maturity
ATR	Average time to Re-fixing
BBD	Barbados Dollar
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
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 2021 Debt Portfolio Review is divided into seven 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 over the years 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 Debt Portfolio Review is an annual report prepared by the Debt Management Unit that aims to provide all stakeholders with an analytical view of the total debt situation of the Government of the Commonwealth of Dominica, including the risks embedded therein.

This document comprehensively covers central government's debt and debt guaranteed by the government (the sum of which is referred to in the document as total public debt) for a five (5) calendar year period, 2017-2021, with greater emphasis on the debt management operations during 2021. It highlights critical observations during the period. The document also gives a brief overview of the performance of the economy, and touches on sustainability, evolution and composition of the debt.

Dominica, like several other small island states, is exposed to exogenous shocks. The country continues to grapple with the negative impact of the lingering COVID-19 pandemic along with the effects of the 2017 category 5 Hurricane Maria. These events continue to have adverse social and economic effects on the country. In an effort to combat the impact of these events, Government has had to rely on debt financing, resulting in an increase in the level of debt.

In 2021, economic activities expanded by 3.7 percent following an 11.6 percent decline in 2020. Tax revenue grew by 6.8 percent in 2021 while non-tax revenue increased by 119.3 percent in 2021 over 2020. Fiscal disciple measures applied resulted in a decrease in recurrent expenditure in 2021. However, at the end of 2021 the overall and primary deficits stood at 6.3 and 4.1 percent of GDP respectively due to the lingering impact of the pandemic.

In April of 2020, the G-20 Finance Ministers and Central Bank Governors met and agreed on a Debt Service Suspension Initiative (DSSI) supported by the WB and IMF. Through this initiative, which took effect in May of that year and expired in December of 2021, the Government of Dominica received moratorium on debt service payments from participating creditors. This has enabled government to divert resources to critical areas of the economy including the management of the COVID-19 pandemic.

At the end of December 2021, total debt outstanding[1] amounted to EC$1,571.7 million or 100.2 percent of GDP compared to EC$1,436.7 or 97.8 percent reported at the end of December 2020. This represents a 9.4 percent increase in nominal debt with a corresponding increase in the debt to GDP ratio by 2.4 percentage points.

In 2021 Central Government held EC$1,419.6 million or 90.3 percent of the total debt, while the remaining EC$152.1 million or 9.7 percent represented debt guaranteed for state-owned enterprises. Total external public debt accounted for 57.4 percent of the total debt and 42.6 percent was held by domestic creditors.

Interest rate risk remained low. The proportion of the debt portfolio with fixed interest rates, made up 90.9 percent of total outstanding debt. Currency risk remained low as well, given a majority of the debt is denominated in either local currency or United States Dollar (USD), to which the EC dollar is pegged. In 2021, 50.8 percent of the total debt portfolio was denominated in foreign currency and 49.2 percent in domestic currency. The major currencies which made up the foreign currency denominated debt are USD, SDR, CNY and EURO. The

[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.

fluctuating currencies have proven to be relatively stable. Refinancing risks were also low measured by the Average Time to Maturity (ATM) of the total debt which was 8.6 years.

The government, over the years has kept its presence on the Regional Government Securities Market (RGSM) and continues to use this platform to meet its financing needs. In 2021, the government floated quarterly an EC$20 million 91- day Treasury Bill 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 contracting of debt remains in compliance with the law. The DMU participates in the debt negotiation, 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 when servicing external 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

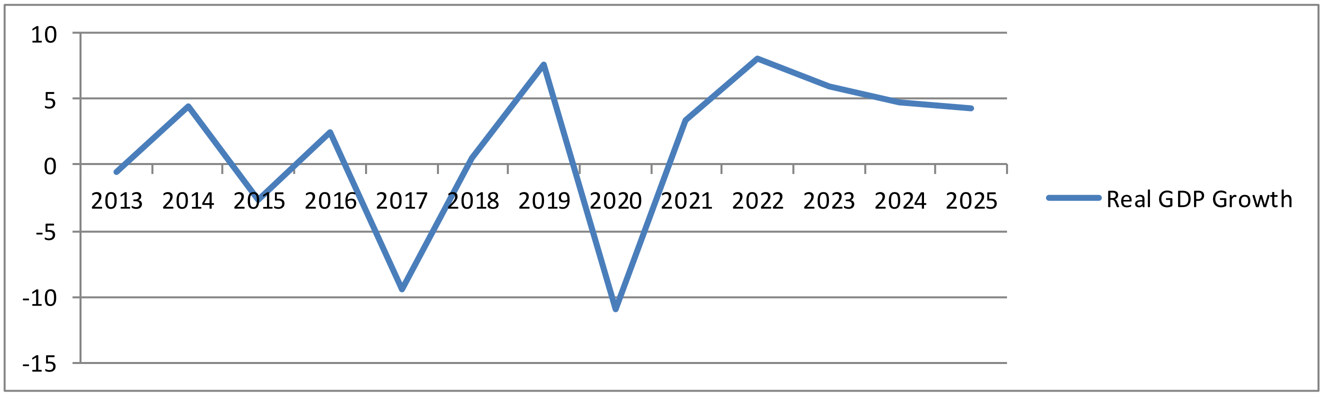
Economic Performance

The Dominican economy expanded by an estimate of 3.7 percent in 2021 led by the Construction sector followed by growth in the Agriculture, Wholesale and Retail trade, and Manufacturing sectors. Growth remained flat in the tourism sector which was hard-hit by the COVID 19 pandemic.

Growth in construction was fueled by a strong 31.0 percent increase in Public Investment. Agriculture sector registered a second year of positive growth of 1.5

percent in 2021 following a 2.2 percent growth in 2020. Output in the wholesale and retail trade sector expanded by 8.0 percent in 2021 reversing a 19 percent contraction in 2020. The manufacturing sector expanded by 1.5 percent driven by production of small and medium enterprises.

Figure 1. Real GDP growth for 2013 to 2025



Source: Ministry of Finance preliminary estimates

Economic Outlook

Overall economic activity in 2022 is expected to expand by 6.8 percent led by an estimated 11.0 percent growth in the construction sector. In 2023 we project real GDP growth to further expand by 5.4 percent driven by a strong 17.0 percent growth in the construction sector and a strong recovery in the tourism sector. From 2024 onward 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, and on the external financial conditions.

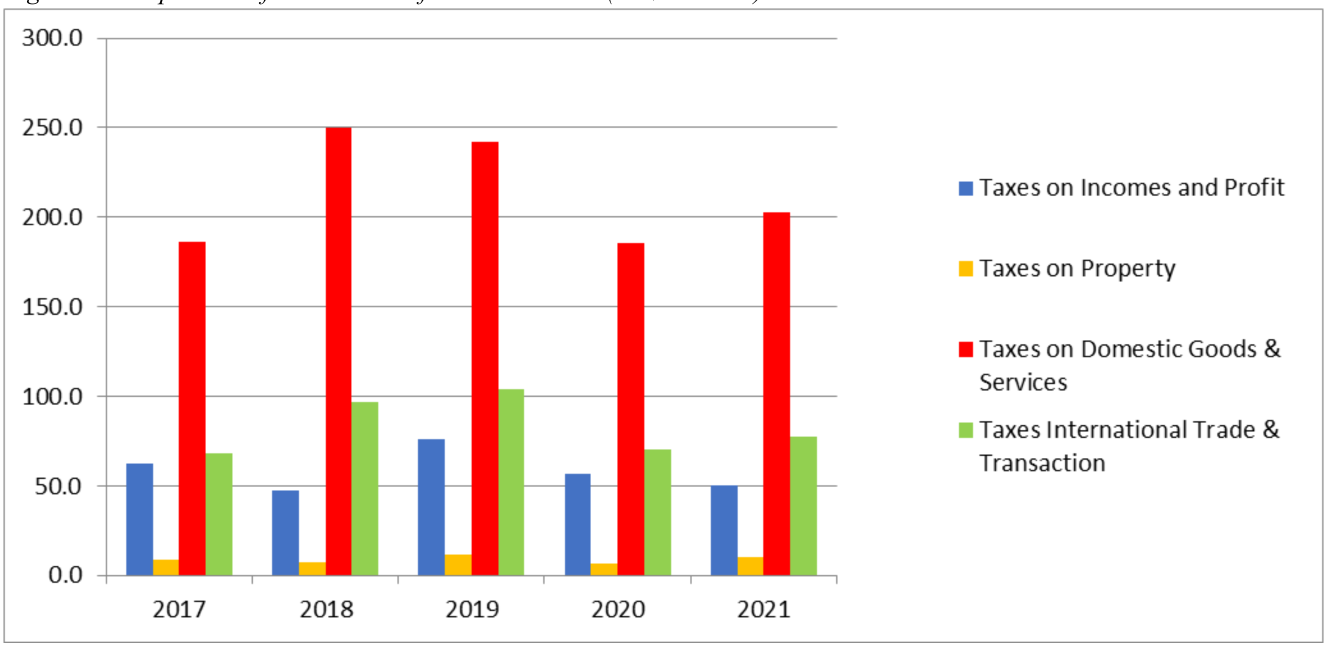
The Fiscal Position for 2021

The Central Government finances continued to be negatively affected by the pandemic during 2021, registering an overall deficit of 6.3 percent of GDP and a primary deficit of 4.1 percent of GDP in 2021. This shows an improvement of the 13.0 percent overall deficit and 11.0 percent primary deficit in 2020.

Tax revenue collections grew by 6.8 percent in 2021 reflecting increases in the VAT (15.0 percent) and import duties revenue (16.6 percent). However, there was an 11.5 percent reduction in revenues from taxes on incomes affected by the reduction in personal and companies' incomes during the pandemic.

Non-tax revenue performance for the year was strong, fueled by CBI revenue which more than doubled in 2021; to about EC$ 500.0 million in 2021 up from EC$228.0 million in 2020.

Figure 2. Components of Tax Revenue for 2017 to 2021 (EC$ millions)



Source: Ministry of Finance fiscal accounts

Recurrent expenditure declined slightly in 2021 owing to a decrease in outlays for expenditure on goods and services and interest payments. Expenditure on goods and services declined by 6.5 percent and interest payments declined by 2.2 percent. However, expenditure on personal emoluments increased reflecting the salary back pay paid to public officers in December of 2021.

Capital expenditure for 2021 more than doubled in 2021 compared to 2020 reflecting the similar growth in CBI financing. The easing of the COVID-19 restrictions allowed a strong recovery of the construction sector and project implementation. CBI revenue financed close to 80.0 percent of the total capital expenditure.

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

	2020	2021
Total Revenue + Grants	580.6	928.8
Total Revenue	549.6	868.4
Recurrent Revenue	547.6	868.4
Tax Revenue	319.6	341.3
Non Tax Revenue	228.0	527.2
Capital Revenue	2.0	0.0
Grants	31.1	60.4
Total Expenditure	773.7	1,027.4
Recurrent Expenditure	601.8	596.0
Capital Expenditure + Net Lending	171.9	431.4
Capital Expenditure	172.8	431.6
Current Acct Balance	-54.2	272.4
Overall Balance	-193.1	-98.6
Primary Balance	-158.4	-64.6
Overall balance as % of GDP	-13.1	-6.3
Primary balance as % of GDP	-10.8	-4.1
Nominal GDP	1,469.0	1,569.0

Source: Ministry of Finance fiscal accounts

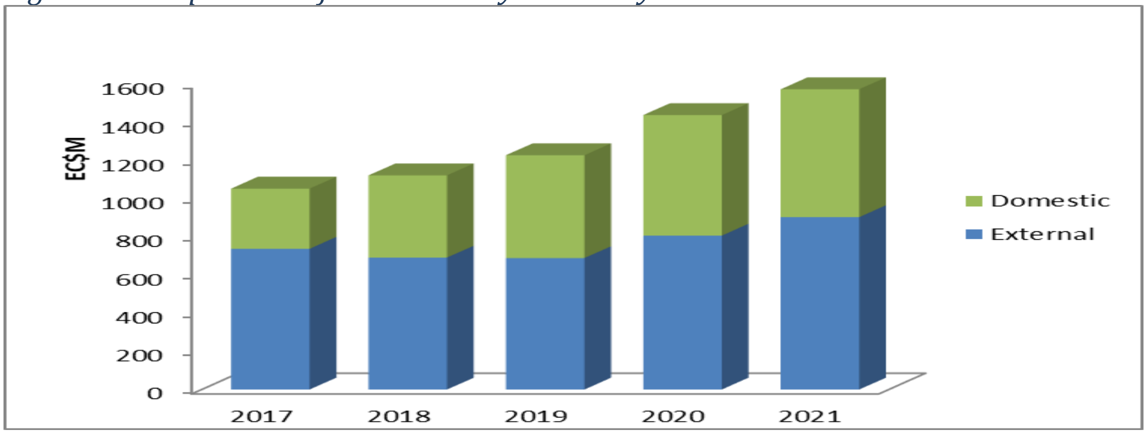
Section 4.0

Public Debt Analysis

4.1 Total Public Debt

Figure 3 shows the composition of the total public sector outstanding debt by residency, which consists of debt of the central government and government guarantees. Over the five-year period 2017 to 2021, the total debt increased by an average of 10.6 percent, moving from a total of EC$1,051.6 million in 2017 to EC$1,571.7 million in 2021.

Figure 3: Composition of Total Debt by Residency



Source: The Debt Management Unit

This steady increase was primarily due to disbursements of committed debt contracted for recovery and reconstruction efforts post Hurricane Maria, as well as new debt to mitigate the effects of the pandemic. The disbursed amount for 2020 and 2021, relating to the COVID-19 pandemic, amounted to EC$187.8 million. The largest increase was in 2020, where the debt stock increased by EC $210.2 million over 2019. The sharp increase in the debt stock over the five-year period was mainly on the domestic side, with an increase of EC$356.9 million.

As illustrated in Appendix 1, at the end of 2021 total debt stood at $1,571.7 million, of which external debt was $902.4 million, and domestic debt $669.4 million. Central government debt was $1,419.6 million or 90.3 percent of the total debt, while government guaranteed debt was EC$152.1 or 9.7 percent of the total debt.

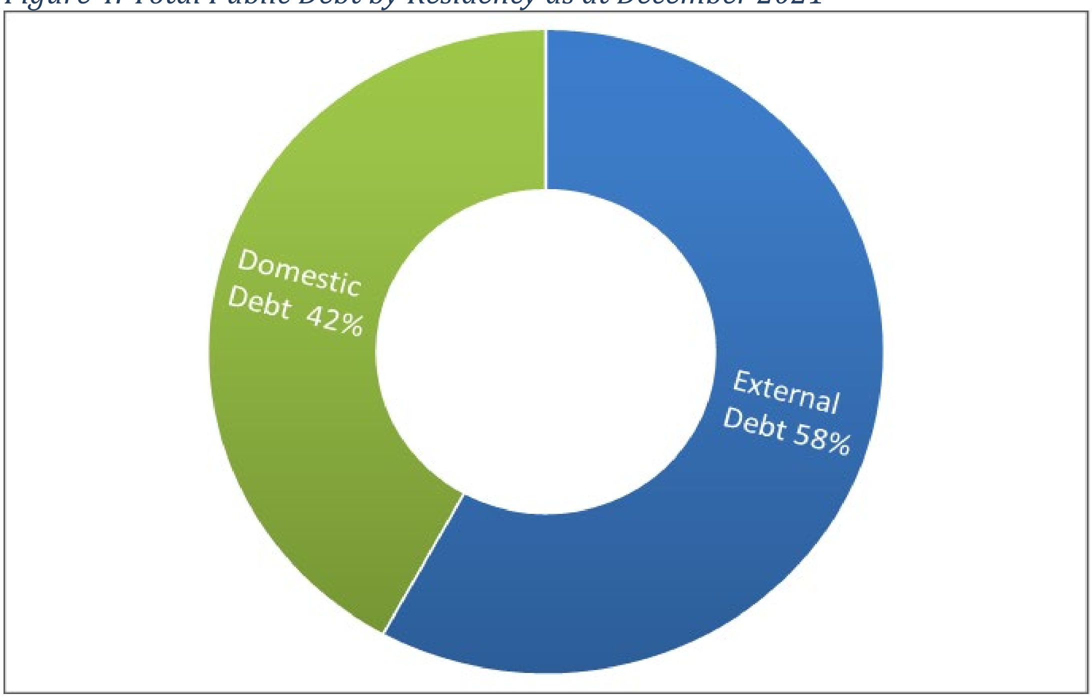
Central government debt to GDP has averaged about 83.5 percent over the period, whereas government guaranteed debt averaged 10.6 percent. At the end of 2021, total debt to GDP was 100.2 percent, with central government and government guaranteed debt to GDP at 90.5 and 9.7 percent respectively.

For the five-year period, the share of central government debt averaged 86.9 percent, while the share of guaranteed debt averaged 13.1 of the total debt.

The total government guaranteed debt has been fairly stable averaging about $162.8 million over the period or an average 11.1 percent of the total. In 2019, there was a 2.9 percent increase in guaranteed debt, over 2018, and from 2020 the debt took a downward trend. This ratio remained within the 17.0 percent benchmark for guaranteed debt, as outlined in Government's Medium Term Debt Management Strategy (MTDS).

Figure 4 shows the distribution of total public debt at the end of 2021 broken down by residency. The external creditors held 58.0 percent of the total debt and domestic creditors 42.0 percent.

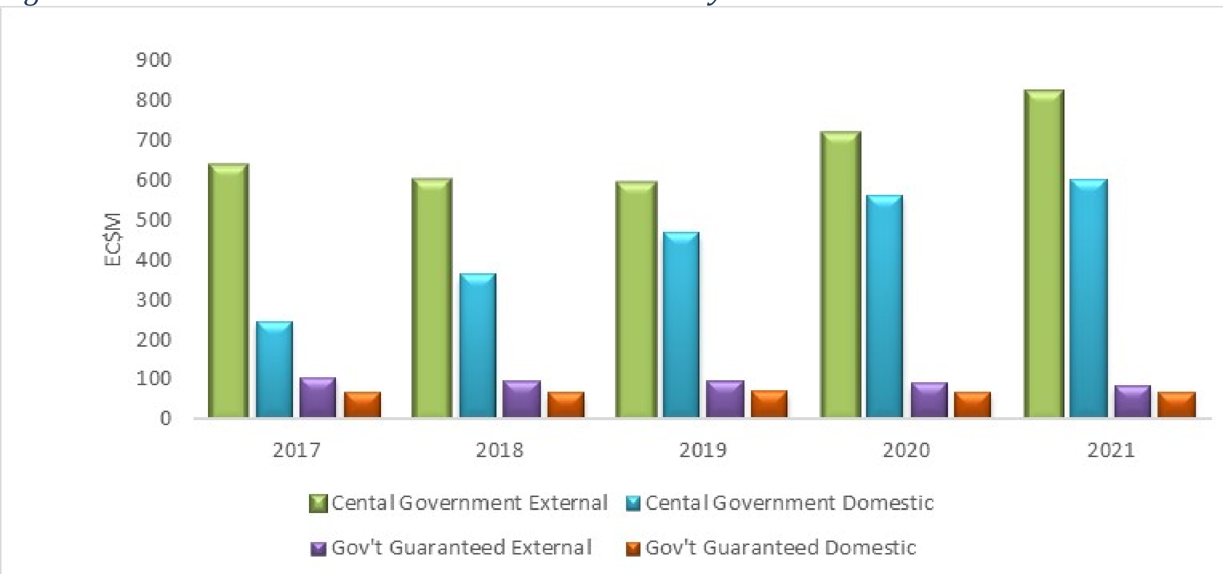
Figure 4: Total Public Debt by Residency as at December 2021



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 is held by central government. Central government external debt maintained a relatively consistent trend for the first three years of the review period, and trended upward from 2020; while government guaranteed debt showed a consistent trend throughout the period.

Figure 5: Central Government and Guaranteed Debt by Borrower



Source: The Debt Management Unit

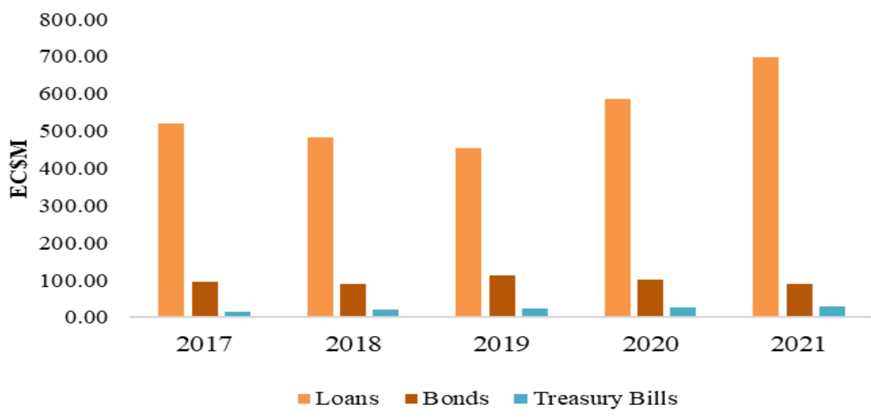
On the domestic side, the government guaranteed debt remained in the region of EC$69.0 million, whereas central government debt showed steady increases throughout the period.

4.2 Debt by Instrument

Public debt has been contracted using a variety of instruments namely, loans, treasury bills, bonds and bank overdrafts. This combination is reflected in central government debt; However, guaranteed debt is made up of only loan instruments.

Figure 6 presents, the debt of the central government external debt portfolio by instrument. Over the five-year period the share of the debt instruments has been fairly the same with loans accounting for the largest portion followed by bonds, and treasury bills. However, the portion of loans trended downwards from 2017 to 2019 but increased in 2020 by EC$132.9 million followed by a further increase of EC$109.9 million in 2021. The bonds followed a declining trend throughout the period except in the year 2019 which registered an increase due to a new issue amounting to EC$30.0 million. Conversely, the treasury bills trended upward from 2017, because a decision was taken, effective 2017, to classify the EC$ 20.0 million treasury bills auctioned on the RGSM based on residency.

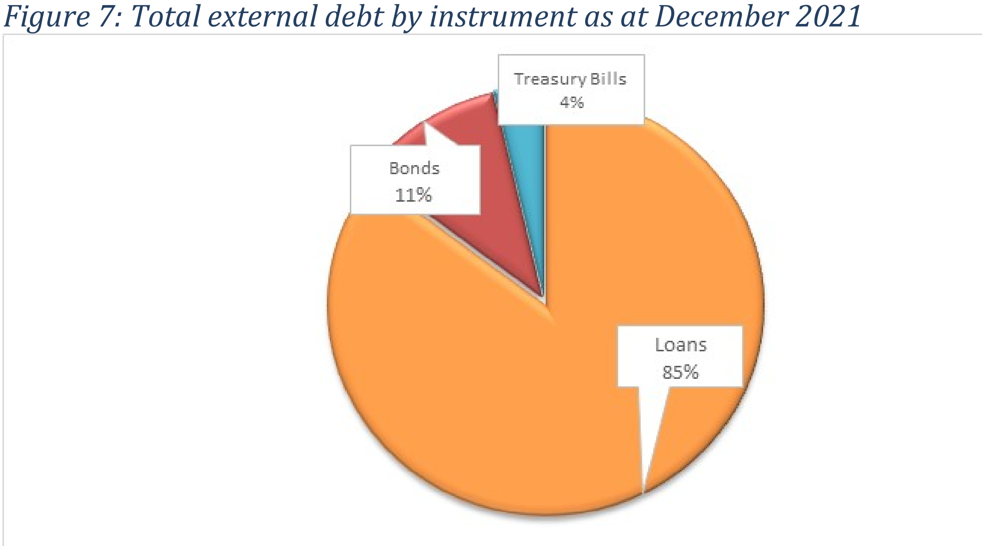
Figure 6: Central government external debt by instrument



Source: The Debt Management Unit

External debt is largely made up of loan instruments, as illustrated in Figure 7. Loans accounts for 85.0 percent of the total external debt portfolio followed by bonds with 11.0 percent and Treasury bills 4.0 percent.

Figure 7: Total external debt by instrument as at December 2021



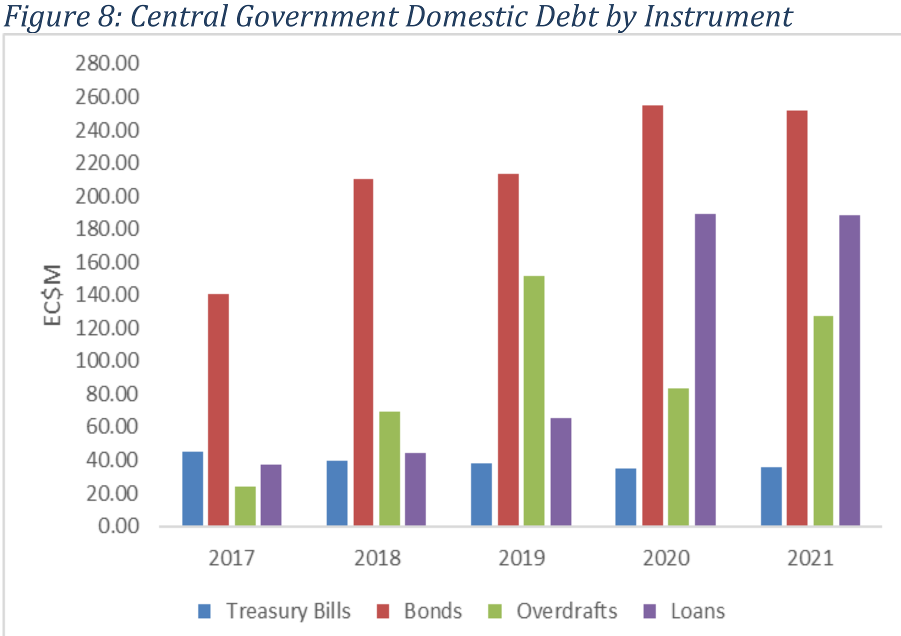
Source: The Debt Management Unit

Over the years, the central government domestic borrowing has been in the form of the same type of instruments (see figure 8), namely bonds, treasury bills, bank overdrafts and loans.

There was an increase in bank overdraft of over 50.0 percent in 2021 over 2020. This increase was primarily a result of the government's utilisation of the overdraft facility to respond urgently to a spike in the number of COVID-19 cases. In 2020 there was a decrease of 44.8 percent in 2020 over 2019.

Government borrowing in the form of bonds increased rapidly over the review period, moving from EC$140.7 in 2017 million to EC$252.0 million in 2021; while treasury bills have declined steadily. The loan portion remained relatively the same for 2017 and 2018 but took an upward movement in 2019 and showed significant increase of 189.5 percent in 2020 as a result of the conversion of part of the overdraft facility, to a long-term instrument. There was a slight decrease of 0.5 percent in 2021.

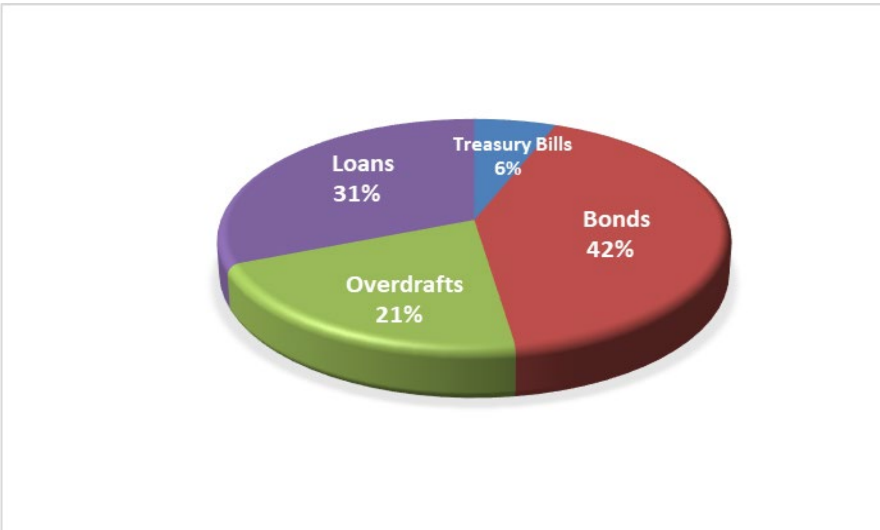
Figure 8: Central Government Domestic Debt by Instrument



Source: The Debt Management Unit

Figure 9 reflects the domestic debt instruments of central government as at December 2021. Contrary to the composition of the external debt portfolio, bonds represent the largest portion of the domestic debt portfolio with 42.0 percent, followed by loans with 31.0 percent, and overdrafts and treasury bills with 21.0 percent and 6.0 percent respectively.

Figure 9: Central government domestic debt by instrument as at December 2021



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 70.0 percent of the external debt by the end of 2021. The Caribbean Development Bank (CDB) is the main multilateral creditor for both the central government and the statutory bodies with 43.5 percent (33.3 percent for central government and 10.2 percent for guaranteed) of the external debt. The International Development Association (IDA) with 39.7 percent of the debt is the second largest multilateral creditor and only forms part of the central government component while the other multilaterals such as the IMF, forms 16.8 percent. Bilateral creditors held 17.9 percent of the total external debt, of which Paris Club members accounted for 5.4 percent while 12.5 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 9.1 percent, while commercial creditors accounted for 3.0 percent of the debt.

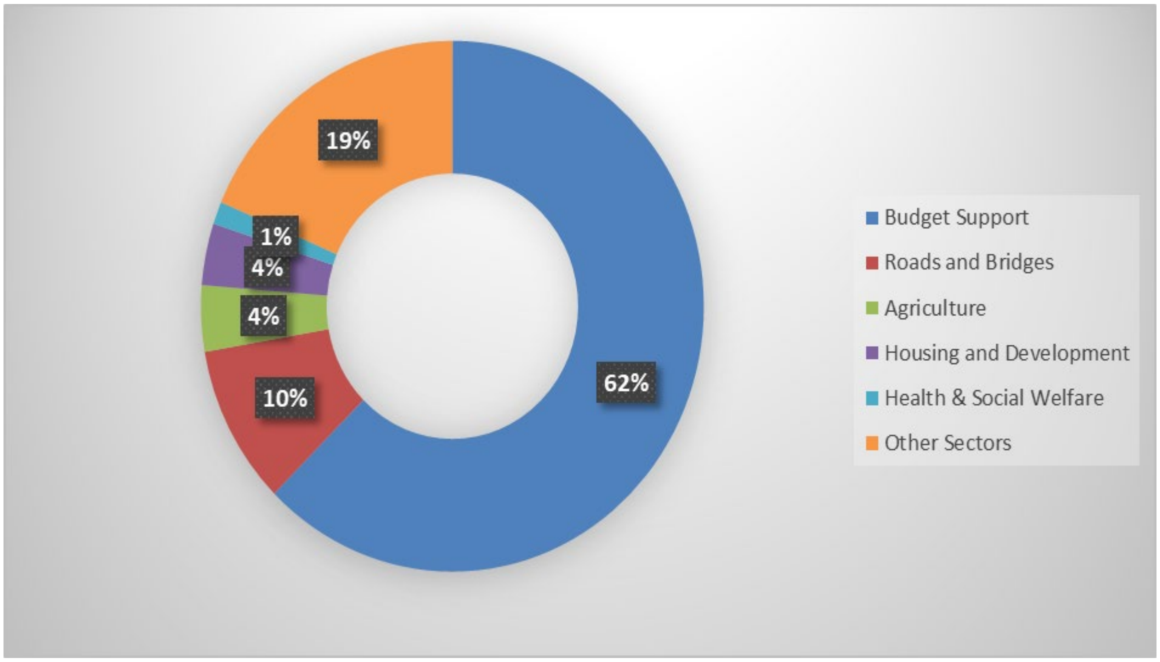
Domestic

For most of the five-year period, domestic borrowings were mainly from the commercial banks, and the Dominica Social Security. At the end of 2021, debt to commercial banks accounted for 65.6 percent of the domestic debt, of which, central government was 59.6 percent and 6.0 percent for statutory bodies. The Dominica Social Security (DSS) held the second largest share of 25.1 percent; with central government indebtedness at 21.2 percent and the statutory bodies at 3.9 percent. The total borrowing represents 43.7 percent of the DSS Investment Portfolio and within the upper band limit of 45.0 percent set for Government, in accordance with DSS Investment Policy. Additionally, net of the guaranteed debt, government's borrowing from DSS stood at 33.5 percent which is lower than the 35.0 percent benchmark.

4.3 Debt by Utilization

Figure 10 displays a breakdown of the areas which were financed by the proceeds of the debts. At the end of 2021, 62.0 percent of the debt was used for budget support, 10.0 percent for roads and bridges, and 4.0 percent for agriculture. The health and social welfare sector indicate that a minimal amount of about 1.0 percent was funded by debt. The other sectors, which includes tourism, utilities, industry among others, totalled about 19.0 percent. The budget support sector is used for meeting government's expenditure not tied to any specific project. This sector would include funding 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 December 2021



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), 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 2021, Government's new debt commitments amounted to EC$99.4 million compared to EC$470.4 million in 2020. No new commitments were guaranteed on behalf of statutory corporations. These new commitments as indicated in table 2 were related to funding for the Micro, Small and Medium-sized Enterprises (MSME) programme which was launched by the government and executed through the AID Bank as well as additional financing sourced from the World Bank, through a policy-based loan, to assist in the management of COVID-19 pandemic and the issuance of a treasury bill for budget support.

Table 2: Terms of New Borrowings in 2021 in Millions

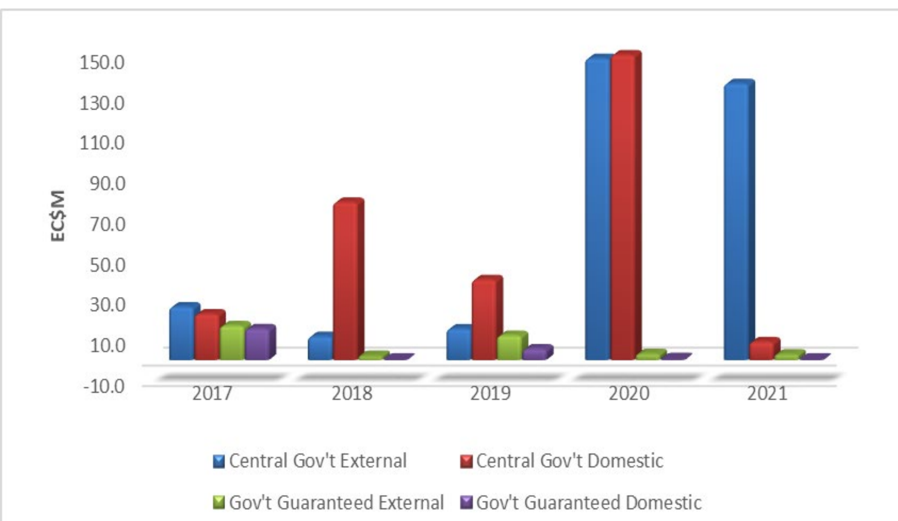
CREDITORS	USE OF FUNDS	INSTRUMENT	AMOUNT	CURRENCY	DISBURSEMENT AS AT DECEMBER 31,2021	ORIGINAL MATURITY	GRACE PERIOD (YRS)	INTEREST RATE (%)
CDB	Financing MSME	Loan	10,340,000.0	USD	3,000,000.0	22.0	5.0	1.97
IDA	Policy Based Loan	Loan	25,000,000.0	USD	25,000,000.0	40.0	10.0	0.75+Basis adj
NBD	Budget Support	T-Bill	4,000,000.0	ECD	4,000,000.0	1.0	0.0	2.0

Source: The Debt Management Unit

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 2020 followed by 2021. In 2021 total disbursements was EC$147.6 million which included disbursements to central government of EC$144.8 million and government guaranteed debt EC$2.8 million. This is a significant reduction of EC$194.1 million, over the year 2020 which recorded a total of EC$341.7 million. The sizeable increase in disbursements in 2020 was mainly due to immediate drawdowns on emergency financing to deal with the pandemic; and on funds already committed for projects; the issuance of government's securities on the Regional Securities Market and private placement of securities. The disbursements in 2021 were basically for the same purposes as the year 2020.

Figure 11: Disbursements of public debt in EC Millions



Source: The Debt Management Unit

4.4.3 Debt Service Payments - central government

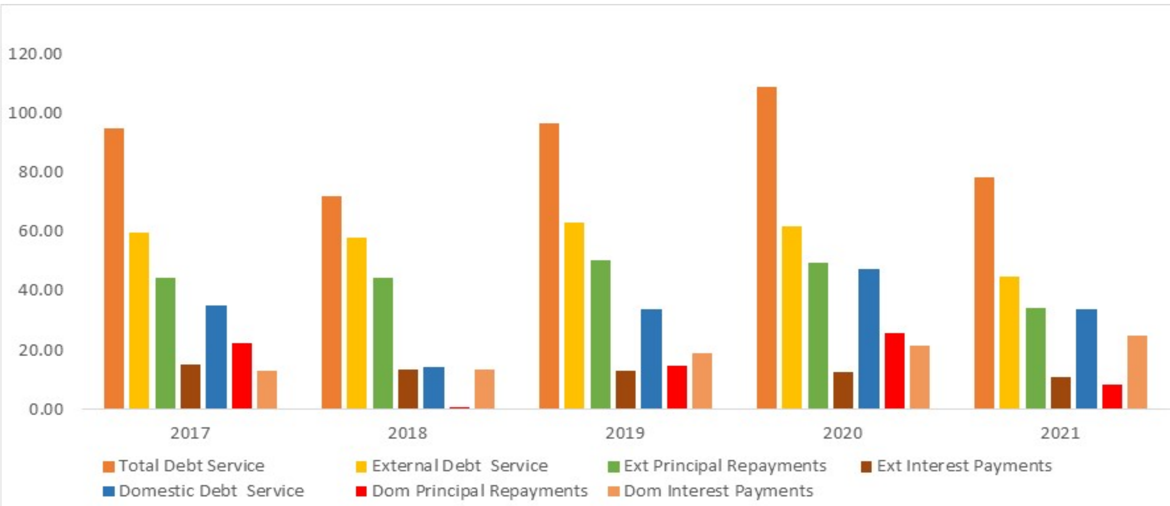
Figure 12 displays the central government external and domestic debt service repayments on an annual basis over the review period. The noted significant decrease in external debt service of 28.0 percent in 2021, can be attributed to the moratorium on debt service, received under the DSSI initiative.

There was a decrease of 23.3 percent in total debt service repayment in 2018 over 2017 followed by a significant increase in the two consecutive years 2019 and 2020 of 34.1 percent and 12.6 percent respectively due to a substantial amount in principal repayment to both external and domestic creditors.

There was an overall decrease of EC$3.7 million in external debt service repayment. Annual debt service repayments to external creditors averaged EC$44.5 million for principal and EC$12.9 million for interest. Interest repayment fluctuated between EC$10.7 million and EC$15.1 million, whereas principal ranged between EC$34.4 million and EC$50.3 million. In 2018 external debt service decreased by 3.1 percent or EC$1.9 million over 2017; there was an increase in 2019 of EC$5.4 million or 9.4 percent over the previous year but trended downward for the next two years.

As it relates to the domestic debt service repayment, the overall increase averaged 25.3 percent over the five-year period. The average annual repayment to domestic creditors was EC$14.4 million for principal and EC$18.4 million for interest. There was a considerable decrease of 96.1 percent in principal repayment in 2018 over 2017 with significant increases in, 2019 and 2020 followed by a reduction in 2021. Interest repayment showed a different trend from 2017 increasing steadily throughout the period. As in the case of the external debt, the increases in debt service repayment were as a result of the maturity of three 5-year bonds in 2017, 2019 and 2020 respectively. However, the increases in the interest repayments were highly influenced by the increased utilisation of the bank overdraft facility; which carries a high borrowing cost. On the other hand, the low principal repayment recorded in 2018 was due to a moratorium on principal granted on a loan in 2017. The principal repayment in 2021 was mainly with respect to the restructured bonds. The amount paid towards loans was just below EC$1.0 million; as the principal repayment on the NBD loans commence in 2024 and 2027.

Figure 12: Central Government Debt Service 2017-2021 in EC Millions



Source: The Debt Management Unit

4.4.4 Debt Service Suspension

Since the start of the pandemic, government has been faced with increases in expenditure while revenues have declined. In April of 2020, the G-20 Finance Ministers and Central Bank Governors met and agreed on a Debt Service Suspension Initiative (DSSI) supported by the WB and IMF. Through this initiative, moratorium in the amounts of EC$ 6.4 in 2020 and EC$ 21.6 in 2021, 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

	2020	2021	TERMS		
Creditor	**Amount in EC$**		**Maturity**	**Grace**	**Interest**
Agence Francaise de Developpement(EUR)	2,344,167.4	4,097,877.1	5 years	1 year	1.33
Agence Francaise de Developpement(USD)	1,645,298.2	3,204,728.2	5 years	1 year	3.265 & 3.78
	3,989,465.6	**7,302,605.3**			
Peoples Republic of China (CNY)	0	**9,513,074.1**	5 years	1 year	2.0
Societe Generale (USD)	2,405,453.5		5 years	1 year	1.22
Societe Generale(USD)		2,384,172.2	5 years	1 year	1.82
Societe Generale(USD)		2,357,798.3	5 years	1 year	2.11
	2,405,453.5	**4,741,970.5**			
TOTAL	**6,394,919.2**	**21,557,649.7**			

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 and have 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 year 2021 and the outstanding balance of securities at the end of year. The amount on the RGSM during the year has been stable given that the same amount is being re-issued on a quarterly basis. Additionally, there was an issue of a one-year private placement.

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

Table 4: Government Securities

Securities Issued in 2021	Issue Date	Maturity Date	Issue Amount EC$M	Amount Raised	No of Bids	Rate
RGSM Issues						
91-Day Treasury Bill	9/3/2021	9/6/2021	20.0	45.0	17	1.40
91-Day Treasury Bill	10/6/2021	10/9/2021	20.0	20.0	11	3.95
91-Day Treasury Bill	13/9/2021	12/12/2021	20.0	24.8	17	1.95
91-Day Treasury Bill	15/12/2021	17/3/2022	20.0	34.0	22	1.98
Non-RGSM Issues						
360-Day Treasury Bill	13/10/2021	13/10/2022	4.0	4.0	N/A	2.00

Securities Outstanding as at December 2021	Amount	Averaage Interest Rate (%)
RGSM		
91-Day Treasury Bill	20.0	1.98
5-Year Bond	25.0	7.00
7-Year Bond	20.3	7.00
7-Year Bond	24.9	7.00
Non-RGSM Issues		
Treasury Bills	45.2	6.00
Bonds	272.2	3.88

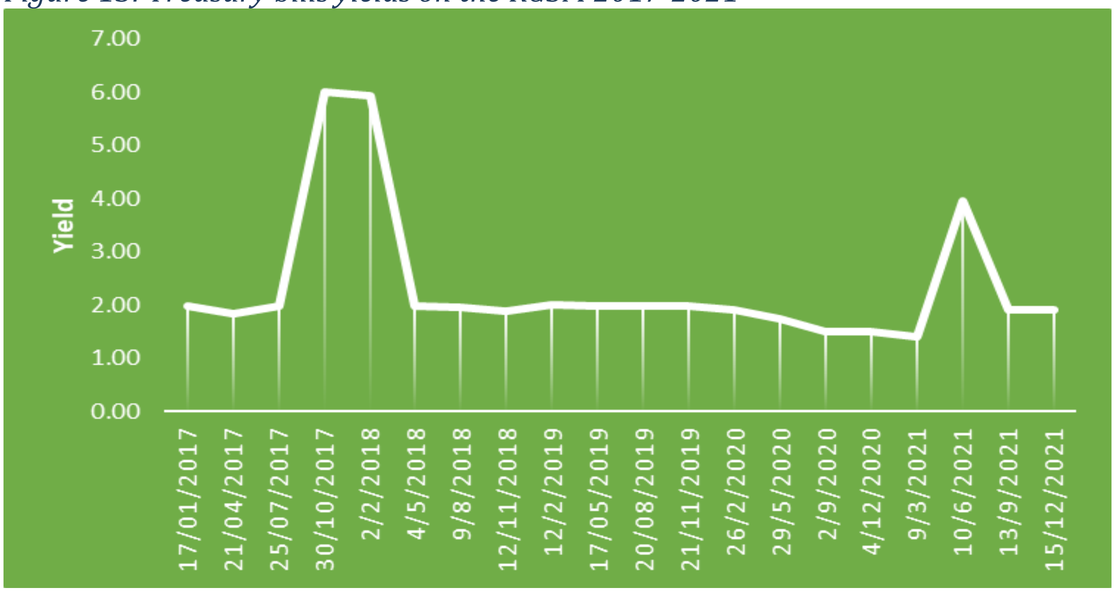
Source: The Debt Management Unit

In addition to the securities issued on the RGSM, Government also issues over-the-counter securities. In 2021, there was only one issue, a 360-Day Treasury Bill of EC$4.0 million. At the end of 2021, over-the-counter (OTC) treasury bills accounts for 69.3 percent of the stock of treasury bills, while the RGSM was 30.7 percent. In the case of the bonds, 79.5 percent and 20.5 percent represents the OTC and RGSM respectively.

Although, the market has done well with short-term instruments there is not a large appetite for long-term instruments.

Figure 13 shows the yields of T-bills on the market between January 2017 and December 2021. 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 until the end of 2020. 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. Therefore, investors expect a higher rate of return to compensate for that risk. There was an increase in price for the June 2021's issue closing at 4.0 percent and reduced in the subsequent issues.

Figure 13: Treasury bills yields on the RGSM 2017-2021



Source: The Debt Management Unit

Based on results of the auctions, it can be said that there continues to be an appetite for treasury bills. The oversubscription of the auctions in 2021 solidified the investors' confidence in government securities. The bid to cover ratio for the quarterly auctions were 2.24, 1.00, 1.24, and 1.70.

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 rate and exchange rate. Market risk, operational risk and liquidity risk 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 December 2021. The largest portion, EC$416.9 million or 29.4 percent, is due to mature between 1 and 5 years. The second largest portion, EC$290.0 million or 20.4 percent, matures between 5 and 10 years. The amount of EC$284.2 million or 20.0 percent of the total matures in less than 1 year and 13.8 percent matures between 10 and 15 years. The remaining 16.4 percent will mature between 15 and 20 years. A quantum of EC$ 991.1 million or 69.8 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	284.17	20.0
1>5	416.90	29.4
5>10	289.99	20.4
10>15	195.34	13.8
15>20	233.24	16.4
TOTAL	**1419.64**	**100**

Source: The Debt Management Unit

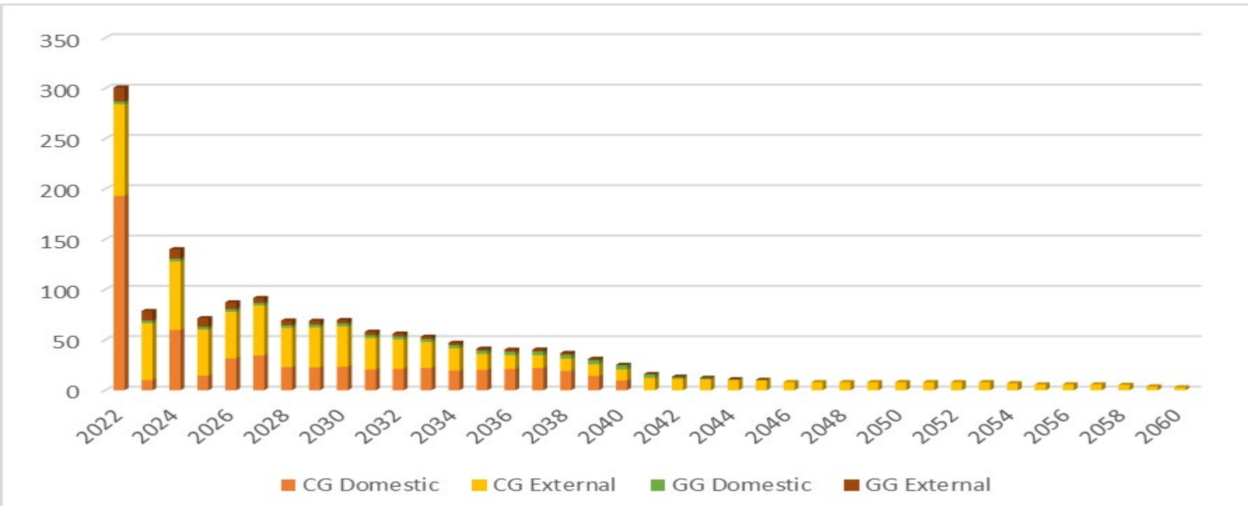
Figure 14 displays the maturity profile for the outstanding debt stock of central government and debt guaranteed by government, taking into account both external and domestic components. It shows that a significant amount (EC$284.2 million) will mature in 2022.

In 2022 EC$193.1 million of the central government domestic debt falls due, representing mainly short-term instruments. This indicates the redemption of treasury bills and outstanding overdrafts. About 90.5 percent of the over-the-counter treasury bills are held by Dominica Social Security and the National Bank of Dominica. Over the past years, the institutions continue 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 five-year bond issued on the RGSM matures within that year with domestic holders making up the larger portion. The amount to be repaid in 2023 falls to about EC$10.1 million but will subsequently increase to almost $60.0 million in 2024 due to the maturity of a large over the counter bond. There will be a reduction to $14.4 million in 2025. However, in the years 2026 and 2027 the debt maturing will increase to $31.7 and $34.5 million respectively. These notable increases are due to the redemption of two seven-year bonds issued on the RGSM. The maturity profile of the debt remains stable from 2028 to 2030 remaining in the region of EC$23.0 million and will further reduce thereafter.

The central government's external debt comprises mainly concessional loans from multilateral and bilateral creditors with longer maturity. In 2022 EC$91.1 million of the external debt will mature compared to EC$193.1 million of the domestic. The spike in the domestic debt maturing is as a result of the redemption of treasury bills in addition to fixed loans and bonds. The amount maturing in 2023 is about EC$56.4 million. However, the repayment amount in 2024 increases to $68.2 million due to of the redemption of a EC$13.5 million bond, in addition to the expiration of moratorium on some loans. From 2025 to 2027 the amount expected to mature averages EC$47.0 million and from 2028 the amount of external debt maturing begins to decrease 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 years.

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, for the total debt. The ATM for total debt outstanding as at December 2021 is 8.58 years; external debt and domestic debt with ATM of 9.94 years and 6.73 years respectively.

The ATM for central government total outstanding debt is 8.61 years, external with 10.37 years and domestic 6.22 years. The external debt usually has a longer ATM than the domestic debt since the external debt portfolio carries more concessional terms, e.g., longer maturity and lower interest rates. The domestic debt portfolio comprises of debt with mainly short to medium term maturity. The ATM of the outstanding debt indicates a slight breach of the 9.0-year target set in the debt strategy; and a susceptibility to refinancing risk. This can be improved with the reduction is the quantum of short-term instruments.

On the guaranteed side, the ATM is 8.28 years, 11.4 years for domestic debt and 5.84 years for external.

This is because the external guaranteed debt existing in the portfolio is less concessional than that of the domestic debt. Additionally, the domestic guaranteed debt is made up of only loan instruments with long maturity periods.

Table 6: Risk Profile as at December 2021

Risk Profile 2021	Total Debt	Central Government	Guaranteed Debt
Refinancing Risk			
Average Time to Maturity (years)	8.58	8.61	8.28
External ATM	9.94	10.37	5.84
Domestic ATM	6.73	6.22	11.41
Market Risk			
Average Time to Refixing (years)	8.12	8.24	7.00
External ATR	9.14	9.73	3.56
Domestic ATR	6.73	6.22	11.41

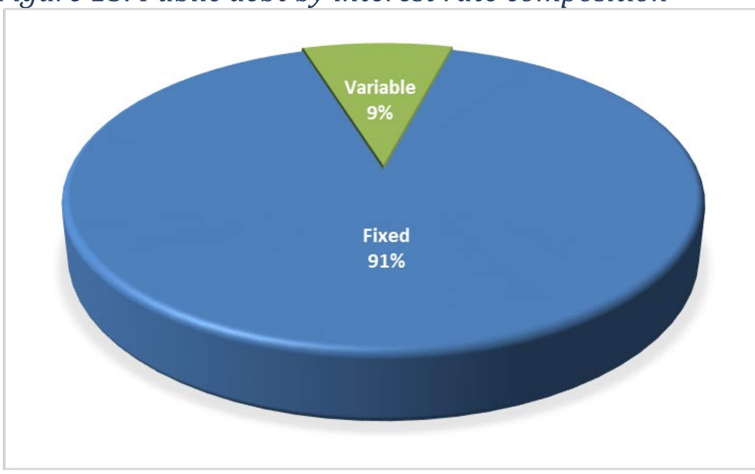
Source: The Debt Management Unit

6.2 Market Risks

6.2.1 Interest rate Composition

Figure 15 presents the public debt outstanding at the end of 2021 by interest rate composition. At the end of the period, 91.0 percent of the total public debt had a fixed rate of interest while 9.0 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 well within the target of 15.0 percent set in the debt management strategy and is expected to be maintained going forward.

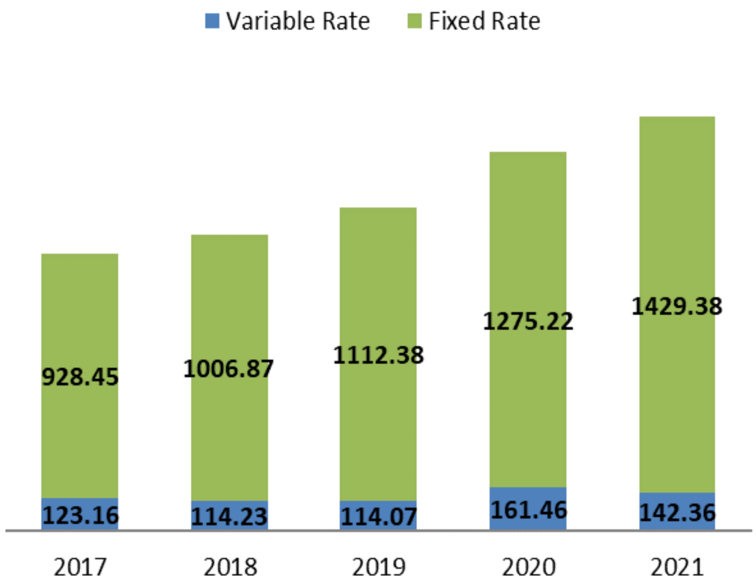
Figure 15: Public debt by interest rate composition



Source: The Debt Management Unit

Figure 16 shows the nominal value of the total debt by interest rate composition. On average, EC$1150.46 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 88.0 to 90.0 percent. While the variable rate debt remains in the region of 10.0 to 12.0 percent and mainly comprises of Caribbean Development Bank Ordinary Resource (CDBOR) loans.

Figure 16: Public debt by interest rate composition from 2017-2021 in 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 2021 for the total debt stock is 8.12 years while central government is 8.24 years and guaranteed debt is 7.00 years. The ATR for central government external debt is 9.73 years, while the domestic is shorter being 6.22 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 11.41 years while the external portion which contains about 25.0 percent of variable rates, stood at 3.6 years.

6.2.3 Foreign Currency Risk

Currency Composition

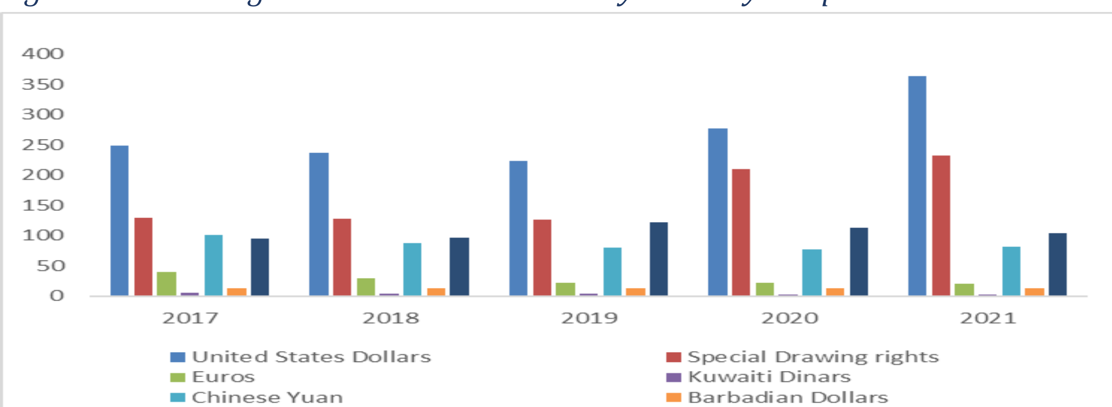
Figure 17 shows the distribution of the central government external debt in nominal amounts and illustrates the currency denomination of the debt portfolio.

At the end of 2021, 41.1 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 in US dollars only.

Over the five-year period, the currency composition of the external debt has been relatively the same with US dollars being the dominant currency. However, from 2020 there has been an increase in the SDR denominated debt of EC$82.5 million over 2019 and a further increase of EC$22.9 million 2021.

The increase is as a result of the contraction of new debt and disbursement on existing loans from the World Bank.

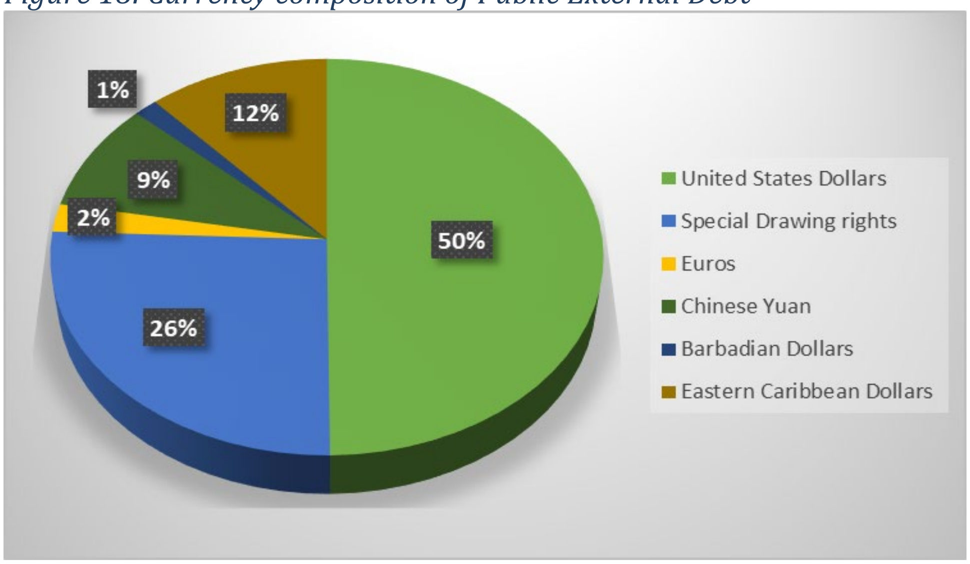
Figure 17: Central government External debt by currency composition in EC Millions



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 December 2021, about 88.0 percent of the total external debt is denominated in foreign currency. While 12.0 percent of the external debt is denominated in EC dollars. However, 50 percent, the largest portion of the foreign currency denominated debt is in US dollars.

Figure 18: Currency composition of Public External Debt



Source: The Debt Management Unit

[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

Table 7 below shows the current positon of the debt portfolio, against the quantitative targets set in the MTDS and it indicates that with exception of the ATM, there were no breaches.

Table 7: Quantitative Targets

Indicators	**Targets**	**Position at December 2021**	**Breach Yes/No**
Average Time to Maturity	9.0 Year	8.6 Years	Yes
Variable Interest Rate Debt (Central Government)	15.0 Percent	7.7 Percent	No
Non-USD Exposure excl. SDR	≤20.0 Percent	12.7 Percent	No
Guaranteed Debt	17.0 Percent	9.7 Percent	No

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 2017 to 2019, total debt to GDP averaged 73.2 percent. In 2020 the Debt to GDP increased significantly, to 97.8 percent, increasing by 24.1 percentage points over 2019 thus reflecting the impact of the COVID-19 pandemic. There was a further increase in 2021 showing that the debt to GDP deteriorated by 2.4 percent over 2020. This minimal change relative to the previous year, is attributed to the improvement in GDP notwithstanding the increase in debt stock.

Table 8: Public and Publicly Guaranteed Debt Ratios

	2017	2018	2019	2020	2021
Total Debt to GDP	72.2	73.6	73.7	97.8	100.2
External Debt to GDP	50.6	45.3	41.4	54.9	57.5
Domestic Debt to GDP	21.6	28.2	32.4	42.9	42.7
Central Gov External Debt Service to Exports	376.8	429.9	408.1	334.4	187.5
Central Gov Debt Service to Revenue	15.3	10.0	15.3	19.9	9.3
Foreign to Domestic Currency	61.0/39.0	53.1/49.6	46.2/53.8	48.3/51.7	50.8/49.2
Fixed to Floating Rate debt	88.3/11.7	89.8/10.2	90.7/9.3	88.8/11.2	90.9/9.1

Source: The Debt Management Unit

Central government external debt service to export increased in 2018 by 14.1 percent over 2017 but there after trended downwards, decreasing by an average of 22.4 percent to the end of the period. The gains from exports outpaced the debt service obligation leading to an improvement in the ratio.

In 2018, debt service to revenue improved by 5.3 percentage points over 2017, while there was deterioration over the two consecutive years, 2019 to 2020 due to the reduction in revenue. However, 2021 marked a significant improvement in revenue, increasing by 54.6 percent over the previous year hence the reason for the reduction in debt service to revenue ratio, by 10.6 percentage points.

The total external debt portfolio is predominantly denominated in foreign currencies, as indicated in figure 16 above 88.0 percent represents foreign debt and 12.0 percent is denominated in local currency which represents that of central government and is attributable to securities. It should be noted that despite the large portion of foreign currency debt, the level of exposure to currency risk is tolerable because of the prevalence of USD and also the BBD which are fixed rates while the movement of the SDR and other currency have been stable over the years.

Interest rate risk remained low with the average fixed rate debt for the five-year period being 89.7 percent while the remaining 10.3 percent represents variable or floating rate debt. Throughout the period, the share of fixed rate debt to floating rate debt remained in line with the MTDS benchmarks with set targets of 85.0 percent to 15.0 percent.

6.3.1 Public Debt Management Outlook

The Government of Dominica is cognisant of the uncertainty of the global pandemic and other external shocks which pose a threat to small island developing states. These external shocks can cause a deterioration in the debt situation leading to a high level of debt distress. In light of this, Government will continue to monitor and manage debt to minimise adverse effects.

The government benefited from the debt suspension initiative which was extended to the end of 2021. Additionally, the London Interbank Offered Rate (LIBOR) is expected to be phased out by the end of June 2023 and this imminent change will impact interest cost. It is not certain the magnitude of the impact this change will have on borrowing cost. In Dominica's case the portion of variable debt is minimal, therefore, it is anticipated that this change would not have a serious adverse effect on debt service cost.

Considering the increase in debt due to exogenous shocks, the 2030 debt to GDP target of 60.0 percent was postponed to 2035 by the ECCU Monetary Council. Effective February 12, 2020, ECCU members including the GOCD, will now aim to reduce their total debt to 60% of GDP by 2035 rather than by 2030.

The Commonwealth Secretariat Debt Recording System (CS-DRMS) has been used over the years for maintaining the debt data base. The evolution of technology has led to the development a new web-based system. The Commonwealth Meridian[4] by ComSec and is being introduced to the respective users of CS-DRMS. This current debt recording and management system will be phased out and be replaced by The Commonwealth Meridian. The Government of Dominica is expected to be fully on stream by the second half of 2022. There

[4] https://thecommonwealth.org/about-meridian

will be continuous training and collaboration with ComSec to allow for a smooth transition to the new debt recording and management system.

The MTDS is due for updating and will be done subsequent to this review. Therefore, the breach identified will be examined and recommendations for addressing these breaches will be made accordingly.

Section 7.0

Debt Management Activities

Capacity Building

The staff of the Debt Unit participated in several training activities over years, aimed at increasing staff capacity and skills. A number of training activities were undertaken as part of the Canada Eastern Caribbean Debt Management Advisory Service project. These training were intended to encourage international accepted practices and innovation in debt management. Additionally, the staff have also benefited from training facilitated by the World Bank and the IMF. This covers areas such as: Investor Relations Program, Public Sector Debt Statistics, Debt Performance Management Assessment, and Debt Sustainability Assessment. In light of the pandemic, the plans and programs intended for further training and development were hampered. However, in the advent of online learning, the various organisations have utilised this method in administering refresher courses/trainings and this proves to be effective.

Nonetheless, debt management continues to be central to Government's operations and efforts are being made to mitigate the exposure of the debt portfolio to risks. The improvement in debt management is a continuous activity in collaboration with various regional partners including the Eastern Caribbean

Central Bank and CARTAC; and international agencies such as World Bank, the IMF, and the Commonwealth Secretariat.

Section 8.0

Conclusion

Overall, Dominica's debt although it has increase slightly as a result of exogenous shocks over the past 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 9.7 percent which is below the 17.0 percent target. The variable interest rate debt is also below the 15 percent target at 9.1 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 years 2022 to 2024, 2026 and 2027 resulting mainly from redemption of securities, and the payments of the bank overdrafts facility in 2022. To smoothen the repayment profile and lengthen the ATM; government intends to re-issue the maturing securities. Presently, there is a greater appetite for short term to medium term securities; therefore, the challenge is getting the investors' interest in securities 10 years and above.

The percentage of the non-US dollar denominated debt (excluding SDR) is 12.0 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. Additionally, the DMU will engage in a Medium-Term Debt Strategy exercise, to explore ways where cost and risks embedded in the debt portfolio can be reduced and new financing options may be considered.

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.

Appendix 1: Total Public Sector Debt 2017-2021 by Borrower in EC Millions

	2017	2018	2019	2020	2021
TOTAL PUBLIC DEBT(EC$Millions)	**1051.6**	**1121.1**	**1226.4**	**1436.7**	**1571.7**
GDP at market prices	1457.0	1524.0	1663.0	1469.0	1568.9
% Total Debt/GDP	72.2	73.6	73.7	97.8	100.2
A. Central Government					
% GDP	60.3	62.9	63.7	86.9	90.5
Outstanding Debt	**878.5**	**959.1**	**1059.7**	**1276.7**	**1419.6**
- Domestic	***245.9***	***363.3***	***468.3***	***561.6***	***602.8***
- Treasury Bills/Notes	*44.8*	*39.4*	*37.8*	*34.5*	*35.4*
- Bonds	*140.7*	*209.9*	*213.8*	*254.5*	*252.0*
- Overdraft	*23.6*	*69.6*	*151.5*	*83.6*	*127.5*
- Loans	*36.9*	*44.3*	*65.3*	*189.0*	*188.0*
- External	***632.6***	***595.8***	***591.5***	***715.0***	***816.8***
- Treasury Bills/Notes	*16.2*	*21.8*	*24.4*	*26.7*	*29.7*
- Bonds	*95.5*	*90.3*	*113.2*	*101.6*	*90.4*
- Loans	*520.8*	*483.8*	*453.8*	*586.7*	*696.7*
- Bilateral	*184.5*	*157.9*	*137.0*	*131.5*	*132.9*
- Paris Club	*72.1*	*60.6*	*50.3*	*49.7*	*49.2*
- Non-Paris Club	*112.4*	*97.3*	*86.6*	*81.7*	*83.8*
- Multilateral	*329.5*	*319.1*	*310.1*	*448.5*	*557.0*
- Other	*6.8*	*6.8*	*6.8*	*6.8*	*6.8*
% of Central Government Debt	**83.5**	**85.6**	**86.4**	**88.9**	**90.3**
B. Gov Guaranteed Debt					
% of GDP	**11.9**	**10.6**	**10.0**	**10.9**	**9.7**
Outstanding Debt	**173.1**	**162.0**	**166.7**	**160.0**	**152.1**
- Domestic (Loans)	***69.0***	***67.1***	***70.0***	***69.3***	***66.6***
AID BANK	*8.7*	*8.1*	*7.0*	*6.8*	*6.0*
DOWASCO	*28.3*	*27.8*	*32.6*	*33.0*	*32.1*
GHLB	*32.0*	*31.2*	*30.4*	*29.5*	*28.5*
- External (Loans)	***104.1***	***94.9***	***96.8***	***90.8***	***85.5***
- Bilateral	***11.0***	***10.9***	***10.9***	***10.8***	***10.8***
AID Bank	*10.8*	*10.8*	*10.8*	*10.8*	*10.8*
DOWASCO	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*
- Multilateral	***93.2***	***84.0***	***85.9***	***79.9***	***74.7***
AID Bank	*60.9*	*52.2*	*48.7*	*45.4*	*42.8*
DOWASCO	*29.3*	*29.1*	*34.8*	*32.3*	*29.9*
DASPA	2.9	2.7	2.5	2.2	2.0
% of Guaranteed Debt	**16.5**	**14.4**	**13.6**	**11.1**	**9.7**
TOTAL (Domestic)	**314.9**	**430.4**	**538.2**	**630.9**	**669.4**
TOTAL (External)	**736.7**	**690.7**	**688.2**	**805.8**	**902.4**

Source: The Debt Management Unit

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

	2017	2018	2019	2020	2021
EXTERNAL	**736.68**	**690.69**	**688.23**	**805.78**	**902.36**
Central Government	**632.56**	**595.81**	**591.45**	**715.03**	**816.83**
Multilateral	329.55	319.15	310.10	448.52	556.99
CDB	171.70	163.97	157.74	208.48	210.62
CDF	2.22	2.80	2.33	2.61	1.93
IDA	92.05	95.42	100.57	150.25	250.98
IMF	35.79	30.95	26.79	66.40	58.21
IFAD	1.42	1.28	1.17	1.11	0.96
OPEC	0.00	0.00	0.00	0.00	14.18
Societe General	26.36	24.74	21.50	19.67	20.10
Commercial Banks	36.69	34.87	34.04	29.46	26.85
Other	62.93	65.03	91.45	87.10	82.02
Bilateral: *of which*	203.38	176.76	155.86	149.95	150.97
Paris Club (AFD)	72.07	60.59	50.31	49.74	49.17
Non-Paris Club	131.31	116.17	105.55	100.21	101.80
EXIM Bank	6.06	4.58	3.10	1.62	0.71
KWD	5.43	4.56	3.73	2.89	2.06
PRC	100.91	88.12	79.81	77.23	81.00
Gov't of Belize	2.70	2.70	2.70	2.48	2.27
Gov't of Grenada	2.70	2.70	2.70	2.48	2.27
Gov't of Barbados	13.50	13.50	13.50	13.50	13.50
Government Guaranteed Debt	**104.12**	**94.88**	**96.77**	**90.75**	**85.52**
Multilateral	93.15	83.96	85.90	79.91	74.68
CDB	66.23	62.18	68.88	66.52	64.18
EIB	18.20	14.08	10.35	7.80	6.02
CDF	8.72	7.71	6.66	5.58	4.47
Bilateral: *of which*	10.97	10.92	10.88	10.85	10.85
Paris Club	0.12	0.07	0.03	0.00	0.00
Non-Paris Club	10.85	10.85	10.85	10.85	10.85
DOMESTIC	**314.93**	**430.41**	**538.22**	**630.91**	**669.38**
Central Government	**245.92**	**363.30**	**468.27**	**561.64**	**602.80**
Central Bank	0.14	0.14	0.14	0.14	0.14
Other Financial Institutions	0.61	0.60	5.58	4.58	4.58
Dominica Social Security	125.97	133.38	156.92	149.27	141.61
Private	0.25	0.25	0.25	47.58	47.56
Other	11.95	11.92	11.45	10.24	10.06
Commercial Banks	107.01	217.01	293.93	349.83	398.85
of which:					
NBD	96.73	212.14	292.71	349.83	398.85
RBC	0.98	0.98	0.98	0.00	0.00
ScotiaBank	0.00	0.00	0.00	0.00	0.00
Other	9.29	3.89	0.24	0.00	0.00
Government Guaranteed Debt	**69.01**	**67.11**	**69.95**	**69.27**	**66.58**
Dominica Social Security	24.39	23.53	27.55	27.68	26.42
Commercial Banks	44.62	43.58	42.40	41.59	40.16
of which:					
NBD	44.62	43.58	42.40	41.59	40.16

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 Framework

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.