INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/130

# DOMINICA

June 2025

## 2025 ARTICLE IV CONSULTATION—PRESS RELEASE: AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV Consultation with Dominica, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on April 3, 2025, with the officials of Dominica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 22, 2025.
- A **Debt Sustainability Analysis** prepared by the IMF staff.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund**
**Washington, D.C.**

PRESS RELEASE

PR25/193

# IMF Executive Board Concludes 2025 Article IV Consultation with Dominica

**FOR IMMEDIATE RELEASE**

- *Dominica's economic outlook is positive, predicated on the implementation of the country's economic modernization and development agenda, but risks weigh on the downside*.
- *Fiscal and external imbalances are expected to narrow gradually, but more ambitious consolidation is needed to bring debt below the prudential currency union benchmark, mitigate disaster risks, and support resilient growth*.
- *Structural reforms are critical to fostering resilient and sustainable growth. Priorities include policies to alleviate impediments to financial intermediation, labor market performance, and innovation and allocative efficiency.*

**Washington, DC** – **June 10, 2025:** On June 10, 2025, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Dominica and endorsed the staff appraisal without a meeting on a lapse-of-time basis. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Dominica's economy has continued its expansion. Real GDP grew by 3.5 percent in 2024, supported by a recovery in tourism and targeted development investment to boost economic capacity and competitiveness. Inflation has eased from its 2023 peak of 7 percent, averaging 3.1 percent in 2024. Tourism arrivals have surpassed pre-pandemic levels by roughly 32 percent, but the composition has shifted towards cruise visitors over stayovers. The labor market recovery remains uneven, with formal employment lagging behind overall growth.

Fiscal and external imbalances have narrowed but remain large. The primary balance improved by 2¼ percentage points (ppts) to a deficit of 2 percent of GDP in FY2023/24, reflecting declines in primary current spending that more than offset moderately lower revenues. Public debt has steadily declined from its pandemic peak but remains elevated at

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/en/Countries/DMA page.

100 percent of GDP. The current account deficit narrowed by 2 ppts to 32¼ percent of GDP in 2024, reflecting higher tourism receipts.

The financial system is liquid with a mixed credit picture and balance sheet fragilities that require monitoring. Bank credit has declined further since 2023 reflecting ongoing de-risking amid persistent balance sheet challenges, notably elevated non-performing loans (NPLs) and still fragile provisioning. Meanwhile, the credit union (CU) sector is expanding its lending portfolio rapidly, despite weak capitalization, high NPLs, and limited provisioning. Modernizing the supervisory framework governing these institutions is a priority to safeguard financial sector stability given their growing systemic importance.

Dominica's economic outlook is positive, predicated on the implementation of the country's economic modernization and development agenda. External imbalances are projected to narrow on the back of increased tourism, a normalization of investment-related imports, and reduced fuel imports with the rollout of geothermal energy. Meanwhile, public debt is set to decline gradually in coming years, supported by sustained prudent fiscal management, but remains above the prudential currency union debt benchmark and is susceptible to shocks.

**Executive Board Assessment[3]**

Dominica's economic expansion is poised to continue, but risks to the outlook are elevated and tilted to the downside. Real GDP growth is projected to average 3½ percent over the next three years, underpinned by ongoing investment in flagship infrastructure projects to boost tourism capacity and transition to lower-cost geothermal energy. The heavy import-related content of these projects has eroded the external position—which is assessed to be substantially weaker than implied by medium-term fundamentals and desirable policy settings—but gradual improvements are expected as major capital outlays wind down and fiscal consolidation intensifies. Risks are elevated reflecting Dominica's vulnerability to natural disaster shocks and amid the evolving trade policy and geopolitical environment.

More ambitious fiscal consolidation than what is envisaged under the authorities' current policies is needed to reduce economic imbalances and mitigate disaster risks while helping to reinforce prospects for resilient growth. The overall risk of debt distress is high and as such, it is critical to rebuild fiscal buffers by achieving and maintaining a primary surplus of 3½ percent of GDP from 2026 onward to: (i) reduce public debt below 60 percent of GDP by 2035; and (ii) adequately capitalize the Vulnerability and Resilience Fund to mitigate disaster risks. The strategy should focus on broadening the revenue base, optimizing expenditures to preserve space for macrocritical investment, and enhancing the targeting and sustainability of social protection programs.

[3] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Reducing balance sheet vulnerabilities and strengthening regulatory oversight are critical. For banks, priorities include stricter enforcement of provisioning and NPL standards, managing loan loss allowances, and facilitating the disposal of impaired assets, while closely monitoring sovereign and foreign investment exposures. For credit unions, reforms to modernize the prevailing regulatory regime is essential by reinforcing the Financial Services Unit's operational independence, enhancing risk-based supervision, updating regulatory thresholds, strengthening provisioning and loan management frameworks, and bolstering enforcement tools.

Continued structural reforms are essential for fostering resilient and sustainable growth. Addressing structural challenges that hinder financial intermediation remains a priority. The upcoming launch of a regional credit bureau is welcome. Complementary reforms should aim at modernizing collateral, foreclosure, and bankruptcy frameworks. Eliminating gaps in education and training relative to economic needs is essential to improve labor market outcomes. A comprehensive approach is needed to foster innovation and allocative efficiency, including exploiting digitalization and streamlining administrative processes for tax compliance, business registration, and permitting.

Concerted efforts to bolster institutional frameworks to mitigate risks and support surveillance, economic planning, and policy execution should continue. Ongoing efforts to strengthen AML/CFT legislation and procedures in line with the CFATF recommendations should help protect correspondent banking relationships. Progress on regional coordination across Citizenship-by-Investment (CBI) programs to improve due diligence and transparency is welcome. Proactive engagement to address evolving concerns around Dominica's CBI regime remains critical to safeguard this essential source of development financing. Finally, underdeveloped institutional frameworks and limited technical capacity—common among small developing states—complicate policy formulation, monitoring, and implementation. Alleviating these impediments is an important aspect of sustained engagement, where priorities include targeted measures to strengthen statistical capacity and improve public financial management across fiscal reporting, treasury operations, public investment management, and budget processes.

## Table 1. Dominica: Selected Economic Indicators, 2020–30

| | | | | | Prel. | Proj. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| **Output and prices** | | | | | | | | | | | |
| Real GDP 1/ | -16.6 | 6.9 | 5.6 | 4.7 | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.5 |
| Nominal GDP 1/ | -17.5 | 10.1 | 9.3 | 7.7 | 6.7 | 7.2 | 5.7 | 4.9 | 4.8 | 4.5 | 4.5 |
| Consumer prices | | | | | | | | | | | |
| Period average | -0.7 | 1.6 | 7.7 | 4.2 | 3.1 | 2.8 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| End of period | -0.7 | 3.5 | 8.7 | 2.5 | 2.1 | 3.1 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Central government balances 2/** | | | | | | | | | | | |
| Revenue | 59.1 | 58.8 | 62.3 | 59.1 | 54.5 | 47.5 | 38.4 | 37.8 | 37.6 | 37.5 | 37.2 |
| Taxes | 23.3 | 22.3 | 22.4 | 21.5 | 21.5 | 20.9 | 19.7 | 19.1 | 18.9 | 18.8 | 18.5 |
| Non-tax revenue | 33.3 | 30.9 | 38.4 | 34.0 | 31.0 | 24.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 |
| Grants | 2.4 | 5.5 | 1.5 | 3.6 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Expenditure | 66.6 | 67.0 | 69.5 | 63.6 | 57.4 | 50.2 | 40.6 | 39.4 | 39.0 | 38.5 | 37.8 |
| Current primary expenditure | 36.5 | 37.5 | 31.3 | 27.3 | 27.4 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| Interest payments | 2.1 | 2.6 | 2.9 | 2.5 | 3.0 | 3.0 | 2.8 | 2.6 | 2.5 | 2.5 | 2.6 |
| Capital expenditure | 28.0 | 26.8 | 35.3 | 33.8 | 27.0 | 20.2 | 10.8 | 9.8 | 9.4 | 8.9 | 8.2 |
| Primary balance | -5.4 | -5.6 | -4.3 | -2.0 | 0.1 | 0.4 | 0.7 | 1.0 | 1.2 | 1.5 | 2.0 |
| Primary balance, excluding CBI | -36.7 | -34.8 | -41.0 | -35.0 | -29.9 | -23.3 | -15.0 | -14.7 | -14.5 | -14.2 | -13.7 |
| Overall balance | -7.5 | -8.2 | -7.2 | -4.5 | -2.9 | -2.7 | -2.2 | -1.6 | -1.3 | -1.0 | -0.6 |
| Central government debt (incl. guaranteed) 3/ | 112.5 | 108.5 | 104.3 | 99.8 | 100.6 | 96.9 | 94.1 | 91.5 | 89.0 | 86.4 | 83.4 |
| External | 70.9 | 70.2 | 66.7 | 64.2 | 69.3 | 65.4 | 66.7 | 67.4 | 68.2 | 69.4 | 68.5 |
| Domestic | 41.6 | 38.3 | 37.6 | 35.7 | 31.3 | 31.5 | 27.4 | 24.1 | 20.7 | 16.9 | 14.9 |
| **Money and credit (annual percent change)** | | | | | | | | | | | |
| Broad money (M2) | -9.9 | 1.9 | -1.3 | -0.4 | 4.2 | 6.2 | 5.7 | 4.9 | 4.8 | 4.5 | 4.5 |
| Credit to the private sector | -0.3 | 3.6 | 2.7 | -3.6 | -1.5 | 1.2 | 3.7 | 5.0 | 6.9 | 6.6 | 4.5 |
| **External Sector** | | | | | | | | | | | |
| Terms of Trade (% change) | 11.9 | -11.1 | -6.2 | 2.6 | 1.3 | 0.3 | -0.4 | -0.8 | -1.2 | -1.1 | 0.0 |
| Current account balance, of which: | -37.0 | -33.5 | -27.0 | -34.2 | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Exports of goods and services | 20.0 | 21.2 | 28.6 | 28.9 | 31.8 | 35.0 | 33.9 | 33.9 | 35.8 | 35.9 | 36.2 |
| Imports of goods and services 4/ | 60.0 | 57.1 | 58.3 | 63.8 | 65.5 | 66.5 | 58.1 | 52.1 | 51.0 | 51.2 | 50.5 |
| Capital and financial account 5/ | 36.2 | 28.0 | 29.1 | 36.2 | 33.5 | 31.0 | 23.6 | 17.6 | 14.6 | 14.8 | 13.8 |
| FDI | 4.6 | 4.7 | 2.9 | 7.2 | 7.0 | 5.6 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Capital transfers | 23.0 | 29.1 | 21.6 | 30.4 | 21.8 | 23.0 | 14.6 | 8.4 | 8.1 | 10.6 | 13.8 |
| of which Citizenship by Investment | 23.2 | 30.2 | 33.1 | 34.8 | 31.5 | 26.7 | 19.5 | 15.7 | 15.7 | 15.7 | 15.7 |
| Other (incl. errors and omissions) | 8.6 | -5.8 | 4.6 | -1.4 | 4.7 | 2.4 | 3.6 | 3.8 | 1.0 | -1.3 | -5.5 |
| External debt (gross) 6/ | 107.6 | 87.5 | 100.2 | 86.9 | 89.7 | 82.1 | 83.5 | 83.1 | 83.5 | 84.3 | 83.1 |
| **Saving-Investment Balance** | -37.0 | -33.5 | -27.0 | -34.2 | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Saving | -12.9 | 1.7 | 10.3 | 3.9 | 2.4 | -2.7 | -3.5 | -2.5 | -0.2 | -0.8 | -0.4 |
| Investment | 24.0 | 35.3 | 37.3 | 38.1 | 34.7 | 27.7 | 19.6 | 14.6 | 13.9 | 13.5 | 12.9 |
| Public | 21.0 | 28.3 | 32.3 | 36.1 | 32.2 | 25.2 | 17.1 | 12.1 | 11.4 | 11.0 | 10.4 |
| Private | 3.0 | 7.0 | 5.0 | 2.0 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| **Memorandum items:** | | | | | | | | | | | |
| Nominal GDP (EC $ millions) | 1,361 | 1,499 | 1,639 | 1,766 | 1,885 | 2,020 | 2,135 | 2,240 | 2,348 | 2,453 | 2,563 |
| Nominal GDP, fiscal year (EC$ millions) | 1,430 | 1,569 | 1,703 | 1,825 | 1,952 | 2,077 | 2,188 | 2,294 | 2,400 | 2,508 | 2,619 |
| Net imputed international reserves: | | | | | | | | | | | |
| End-year (millions of U.S. dollars) | 165.6 | 165.2 | 182.3 | 164.2 | 168.3 | 179.8 | 192.2 | 203.9 | 216.3 | 228.6 | 241.7 |
| Months of imports of goods and services | 6.6 | 6.2 | 6.2 | 4.7 | 4.4 | 4.3 | 5.0 | 5.7 | 5.9 | 5.9 | 6.0 |
| Holdings of SDRs (millions of SDRs) | 0.2 | 11.1 | 9.6 | 8.0 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 |

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.

1/ At market prices.

2/ Data for fiscal years from July to June. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year.

3/ Includes estimated commitments under the Petrocaribe arrangement with Venezuela.

4/ Includes public capital expenditure induced imports from 2019 onwards to account for possible mitigation of natural disasters.

5/ Positive sign means inflow.

6/ Comprises public sector external debt, foreign liabilities of commercial banks, and other private debt. Calendar year basis.

INTERNATIONAL MONETARY FUND

# DOMINICA

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 22, 2025

## KEY ISSUES

**Context.** Dominica is a small developing state (SDS) facing large economic imbalances, natural disasters (NDs), and substantial development needs amid slowing potential growth. Its narrow economic base (ecotourism and agriculture) with limited downstream integration leaves it exposed to external shocks, which have pushed debt well above the regional 60 percent of GDP threshold, heightening debt distress risks. The country is highly reliant citizenship-by-investment (CBI) flows—that are susceptible to abrupt halts from evolving third-party security concerns— for reconstruction and strategic investment, which has raised the current account deficit during the building phase. With no independent monetary policy, fiscal policy is the primary policy tool, but weak institutional capacity hampers policy formulation, monitoring, and execution.

**Outlook and Risks.** Real GDP growth is projected to average 3½ percent in the coming years before converging to 2 percent in the long term as large infrastructure projects are completed. Inflation is expected to recede to 2 percent, in line with trading partner trends, while the current account should revert to its norm over the medium-term on the back of increased tourism and a normalization of investment-related imports. Public debt is projected to slowly decline under current policies but remains above the prudential currency union benchmark amid elevated downside risks, notably from NDs, evolving trade shocks, and uncertain CBI flows.

**Key Policy Recommendations.** Policies should focus on addressing fiscal and external imbalances while fostering the basis for resilient growth, focusing on three areas: *Fiscal consolidation* needs to be stepped-up to rebuild policy buffers and meet fiscal framework objectives. This requires concurrent policies to broaden the domestic revenue base, rationalize current expenditures, improve social spending efficiency, and prioritize investment with clear economic returns. *Financial sector policies* should seek to enhance financial intermediation and oversight, particularly in the non-bank sector by modernizing the regulatory framework and strengthening supervisory enforcement. *Structural policies* should aim to unlock growth potential by (i) reducing the skills gaps to improve labor market outcomes; (ii) prioritize resilient and productive infrastructure with an immediate focus on a transition to renewables to help reduce external imbalances; and (iii) alleviating bottlenecks to allocative efficiency, including by streamlining regulatory processes for tax administration, business registration, licensing, and permitting.

Approved By
**Fabian Valencia (WHD) and Tokhir Mirzoev (SPR)**

Mission team: Christopher Faircloth (head), Yibin Mu, Sinem Kilic Celik, Hou Wang, and Eric Huang, supported by Qingyu Tao and Eliana Porras Herrera. Discussions took place in Roseau during March 24–April 3, 2025. The team met Minister of Finance Dr. Irving McIntyre, Financial Secretary Ms. Denise Edwards and other government officials, labor unions, and private sector stakeholders. The mission was joined by Ms. Jenna Hartman (OEDCO).

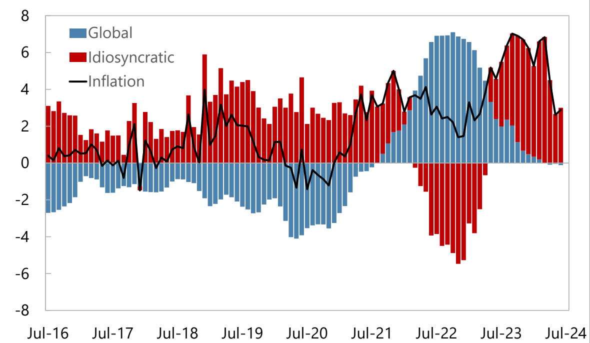
## CONTENTS

**ANNEXES**

# RECENT DEVELOPMENTS

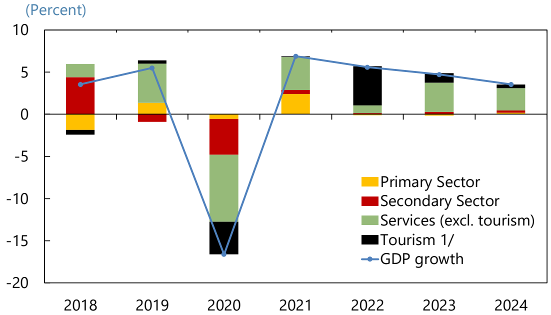
**1. Dominica is experiencing a sustained expansion supported by a recovery in tourism and strategic development investment.** Real output recovered to pre-pandemic levels in 2023 supported by the execution of large flagship infrastructure projects to boost economic potential.[1] Growth in 2024 is estimated at 3.5 percent, fueled by retail and trade, construction, and tourism (Figure 1). Inflation picked up during 2023—peaking at 7 percent in September—but eased to 2.1 percent by end-2024 with the softening of food and commodity prices. Tourism has recovered, with arrivals at 131 percent of pre-pandemic levels, though skewed toward cruise visitors over higher value-added stayovers. The current account (CA) deficit is estimated to have narrowed by 2 percentage points (ppts) to 32.2 percent of GDP in 2024 (Figure 2) but remains above its norm (16.3 percent of GDP) due to import-heavy infrastructure projects (Annex I). A lagged recovery in formal employment relative to the economic rebound partly reflects the heavy imported labor component of large projects.

**Inflation Decomposition in Dominica**
(In Percent, YoY)



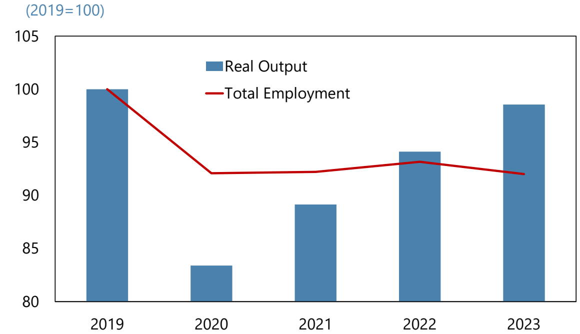

Sources: ECCB and IMF staff calculations.

**Contribution to GDP Growth**
(Percent)




Sources: Dominica's authorities and IMF staff calculations.
1/ Tourism only includes direct contribution to the GDP.

**Real Output and Formal Employment 1/**
(2019=100)



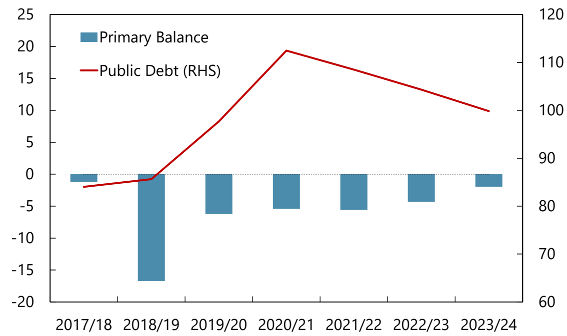

Source: Dominica Social Security (DSS).
1/ Insured workers with active contributions to the DSS.

**2. Fiscal imbalances have continued to recede, but debt remains elevated and above pre-pandemic levels (Figure 3).** Cumulative adjustment of 4¼ percent of GDP (both on a primary and overall balance basis) has been achieved since the pandemic, including 2¼ percent of GDP consolidation during FY2023/24, reducing the primary deficit to 2 percent of GDP. These gains have

[1] Dominica's development strategy aims to foster resilient growth by boosting economic capacity (tourism and agriculture) and enhancing competitiveness through geothermal energy. Key flagship projects include a new international airport, new hotels to double the historical room stock, a geothermal power plant with distribution infrastructure, and resilient infrastructure initiatives (e.g., East-Coast Road, Roseau Enhancement Project).

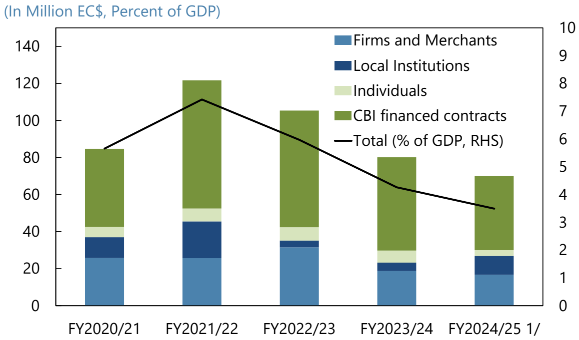
been achieved alongside efforts to reduce domestic arrears—which have more than halved since the post-pandemic peak—but remain high at 3.5 percent of GDP, owing partly to public financial management (PFM) challenges such as limited processes to identify cash-flow bottlenecks and underdeveloped reporting frameworks (Section D).[2] Total public debt has declined from its post-pandemic peak of 112½ percent of GDP but remains elevated at 100 percent of GDP and is assessed at high risk of debt distress (see Debt Sustainability Analysis).

**Public Debt and Fiscal Primary Balance**
(Percent of GDP, Fiscal Year)




Sources: Dominica's authorities and IMF staff calculations.

**Government Domestic Arrears**
(In Million EC$, Percent of GDP)




Source: Dominican authorities.
1/ As of February 2025.

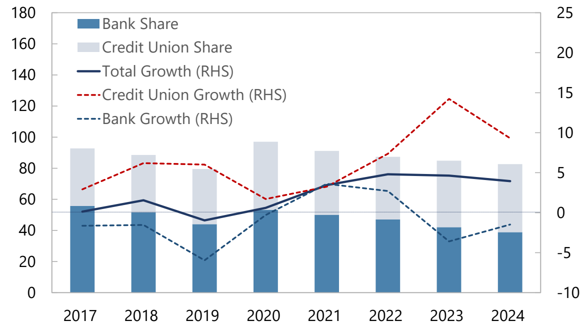
3. **The financial sector is liquid with a mixed credit picture, but stability risks remain elevated due to persistent balance sheet fragilities that require careful monitoring (Figures 4 and 5).** Bank credit has contracted by 5 percent since 2022, reflecting de-risking—with banks now comprising less than half of total private sector credit—owing to balance sheet challenges. Improvements in banks' non-performing loans (NPLs) and provisioning have been slow, with NPLs exceeding regulatory thresholds and provisioning overstated by excess reserves. Banks remain well-capitalized but maintain significant overseas investments and still elevated government exposure. Credit union (CU) lending continues to grow rapidly, now constituting 41 percent of total credit, despite undercapitalization and breaches of regulatory thresholds on NPLs and provisioning. This points to regulatory gaps that lend to arbitrage opportunities and increasing financial stability risks given CUs' growing systemic importance.

[2] Domestic arears are not included in the authorities' definition of public debt but are captured in the reported fiscal deficit. Staff's fiscal policy advice is calibrated, in part, around the clearance of domestic arrears, which are incorporated in the underlying fiscal policy anchor (see footnote 7).

## Credit, Non-Performing Loan, and Provisioning Developments

### Total Credit to the Private Sector

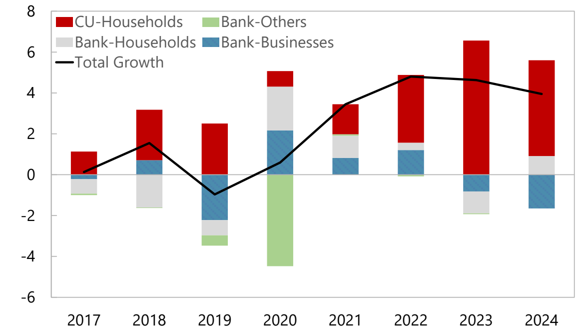
(Percent of GDP; percent change YoY)




Sources: ECCB, Dominica authorities and IMF staff calculations

### Private Sector Credit Growth and Contributions

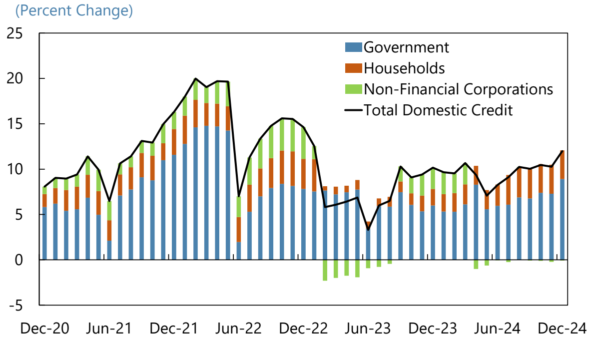
(in percent)




Sources: ECCB, Dominica authorities and IMF staff calculations

### Cumulative Contributions to Change in Bank Credit Stock by Borrower

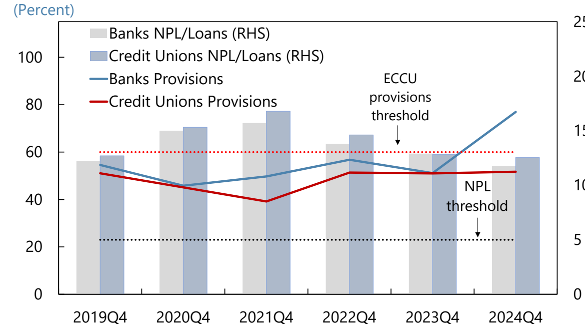
(Percent Change)




Sources: ECCB and IMF staff calculations.

### NPL Ratios and Provisions in Percent of NPLs 1/

(Percent)




Sources: ECCB, Dominica authorities, and IMF staff calculations.
1/ NPLs are calcuated using a 3-month threshold; Provisions include regulatory loan loss reserves.

# OUTLOOK AND RISKS

4. **Ongoing strategic investments are expected to sustain growth and help reduce external and fiscal imbalances.** Real GDP growth is projected to average 3½ percent over the next three years, supported by flagship projects and the renewable energy transition. Growth is then projected to slow as major infrastructure projects conclude and fiscal consolidation continues, converging to 2 percent in the long run as enhanced capacity in tourism and agriculture and competitiveness via the geothermal

**Macroeconomic Outlook**
(Percent of GDP)

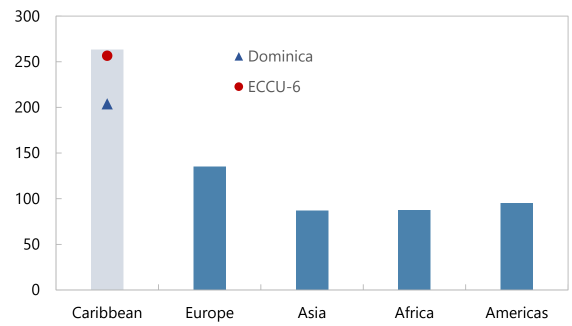
| | Prel. 2024 | Projected 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| Real GDP 1/ 4/ | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.5 |
| Inflation (end of period) | 2.1 | 3.1 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| Primary fiscal balance 2/ | 0.1 | 0.4 | 0.7 | 1.0 | 1.2 | 1.5 | 2.0 |
| Overall fiscal balance 2/ | -2.9 | -2.7 | -2.2 | -1.6 | -1.3 | -1.0 | -0.6 |
| Overall fiscal balance, excl. CBI 2/ | -32.9 | -26.3 | -17.8 | -17.3 | -17.0 | -16.7 | -16.2 |
| Public Capital Expenditure 2/ | 27.0 | 20.2 | 10.8 | 9.8 | 9.4 | 8.9 | 8.2 |
| Public debt 2/ 3/ | 100.6 | 96.9 | 94.1 | 91.5 | 89.0 | 86.4 | 83.4 |
| Current account balance | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Credit to the private sector 4/ | -1.5 | 1.2 | 3.7 | 5.0 | 6.9 | 6.6 | 4.5 |

Sources: Dominican authorities, ECCB, and Fund staff estimates and projections.
1/ At market prices.
2/ Data for fiscal years from July to June.
3/ Includes estimated commitments under the Petrocaribe arrangement with Venezuela.
4/ Annual percent change.

transition take hold.[3] Inflation is expected to recede to 2 percent, in line with key trading partners' price dynamics. External imbalances are projected to narrow—with the CA balance returning to its norm by 2028—on the back of increased tourism, a normalization of investment-related imports, and lower fuel imports as geothermal energy comes on stream.[4] The government has financed its deficit and debt amortizations mainly through domestic issuance and concessional loans from multilaterals. Staff assumes this financing mix will be sustained, prioritizing concessional lending where available.

**5. Risks to the outlook are elevated and tilted to the downside (Annex III).** Trade policy shocks, risks to geoeconomic fragmentation, and commodity price volatility could disrupt tourism, trade, FDI, and income channels. Tighter financial conditions could trigger losses on overseas investments, affecting domestic credit and FDI. Extreme climate events pose significant growth risks. Domestically, fiscal underperformance, rising arrears, and lower-than-expected CBI inflows could weaken activity, jeopardize flagship projects, exacerbate imbalances, and potentially trigger debt distress risks, particularly if coupled with higher global or domestic interest rates. These shocks could be amplified by local financial sector vulnerabilities. Persistent cost differentials with competing tourism markets could also constrain anticipated gains. Upside risks stem from stronger-than-expected dividends from flagship projects. Managing risks will require a mix of fiscal consolidation and accelerated structural reforms (see Annex III).

**Average Daily Cost for Tourists 1/**
(In USD, Per Person)




Source: Budget Your Trip.
1/ Caribbean, Europe, Asia, Africa, and Americas are simple averages.

***Authorities' Views***

**6. The authorities broadly concurred with staff's assessment of the economic outlook and the balance of risks.** They underscored that flagship development projects are on schedule and will underpin growth over the near and medium term, helping buffer Dominica against global uncertainties. They reiterated that the economic dividends of these projects are likely understated in staff's projections, suggesting that fiscal buffers could be restored with less demanding adjustments. The authorities noted strong tourism performance thus far in 2025 and expressed confidence in Dominica's continued competitiveness in tourism, particularly as cost structures are expected to improve following the completion of the international airport and geothermal project. They acknowledged intensifying downside risks, citing rising protectionist sentiment as a key uncertainty. They highlighted ongoing bilateral and regional initiatives to mitigate these risks, including a

[3] Key projects to be completed in the coming years include: (i) geothermal powerplant (end-2025); (ii) international airport (end-2027); and (iii) remaining CBI-funded hotel projects. Additionally, the authorities are targeting a tripling agricultural output by 2030 as part of their development strategy.

[4] The baseline incorporates a reduction in annual fuel imports used for electricity generation by around half from 2026.

Caribbean exemption from U.S. port fees on China-built vessels and coordinated efforts to strengthen governance and due diligence in CBI programs within the ECCU. They clarified that CBI inflows have been healthy this fiscal year in line with Staff's outlook—partly reflecting a backlog of higher applications before the 2024 fee increase—and remain committed to proactive engagement with third parties on CBI-related concerns to safeguard this critical financing source.

# POLICY DISCUSSIONS

*The economic expansion provides an opportunity to recalibrate policies to reduce fiscal and external imbalances while enhancing the basis for resilient growth. Priorities include: (i) rebuilding buffers within Dominica's fiscal framework prioritizing critical investment; (ii) enhancing financial intermediation and oversight; and (iii) advancing structural reform to alleviate constraints to competitiveness and productivity.*

## A. Rebuilding Fiscal Buffers

7. **A further improvement in fiscal balances is anticipated in FY2024/25.** The authorities have taken modest steps to boost revenues by raising excise taxes on sugary drinks, alcohol, and tobacco in the FY2024/25 budget, and increasing the excise on diesel as recommended in the 2024 AIV (Annex II). On the expenditure side, current spending has been restrained—notably goods and services outlays—with an expected moderation in capital expenditures reflecting slow implementation rates, capacity constraints, and an anticipated modest decline in CBI revenues (a key source of financing) from last year's peak. On balance, a small primary surplus (0.1 percent of GDP) is projected this fiscal year, based on data through the first two-thirds of the year. The fiscal position is expected to gradually improve to a 2 percent of GDP surplus by 2030 on current policies and as capital expenditures further recede (with the completion of flagship capital projects) but falls short of fiscal rule obligations (see below). Under the baseline outlook, public debt is projected to decline steadily to 69¾ percent of GDP by 2035 but remain at high risk of debt distress. The outlook assumes sustained, though lower, CBI inflows stabilizing at 15¾ percent of GDP, reflecting ongoing efforts to reinforce the regime's integrity (Section B and C).

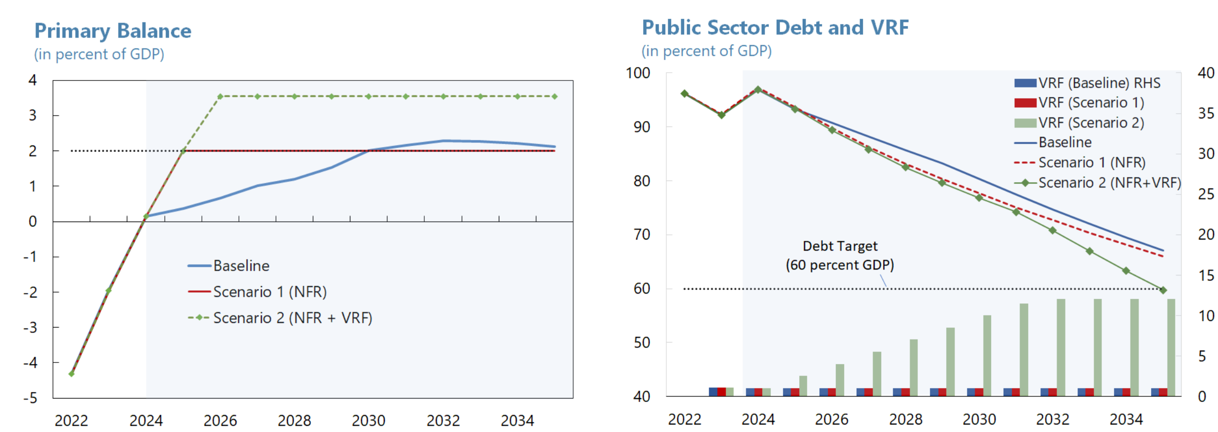
8. **Additional fiscal consolidation is critical to reduce debt vulnerabilities, strengthen credibility of the fiscal framework, and reduce external imbalances.** The fiscal framework comprises two pillars. *Pillar 1* relates to the National Fiscal Rule (NFR).[5] *Pillar 2* relates to the Vulnerability Risk and Resilience Fund (VRF)—a central element of Dominica's multi-layered Disaster Resilience Strategy (DRS)—requiring the accumulation of 12 percent of GDP (at a rate of 1.5 percent

[5] The 2021 Fiscal Responsibility Act requires achieving primary surplus of at least 2 percent of GDP by FY2026/27 to reduce public debt below 60 percent of GDP by 2035, as required by ECCU member jurisdictions. If the cumulative difference between the primary balance and the minimum targeted balance exceeds 2 percent of GDP, corrective revenue or expenditure policies need to be introduced to eliminate the difference over three fiscal years.

per year) in a ND contingency fund from its current level of 1 percent of GDP.[6] Additional fiscal consolidation is also required to reduce large external imbalances—which result in the external position assessed to be substantially weaker than implied by medium-term fundamentals and desirable policy settings (see Annex I)—absent independent monetary policy given Dominica's participation in the Eastern Caribbean Currency Union (ECCU).

9. **Achieving these joint objectives requires attaining a primary surplus of 3½ percent of GDP by FY2026/27 and sustaining that level over the medium term (Annex IV and text charts).** A minimum adjustment path that only reaches the Pillar 1 objective of a 2 percent primary surplus (Scenario 1) would breach the 2035 debt target by almost 6 ppts and would not add to VRF balances.[7] Therefore, staff recommends a stronger consolidation path (Scenario 2) of sustaining a 3½ percent of GDP primary surplus from FY2026/27 onwards where additional savings are directed to both the VRF and DRF, prioritizing the former until its target balance is achieved. Under this path, the debt ratio would fall to 59¾ percent in 2035 and VRF balances would rise to 12 percent of GDP by 2032, attaining the fiscal objectives and significantly reducing the risk of debt distress. Achieving this path would, in turn, require a cumulative EC$75 million of additional adjustment during the coming two years over the baseline (compared to EC$40 million of additional adjustment under Scenario 1). The authorities should continue to prioritize non-debt creating flows (e.g., CBI flows and grants) and concessional loans to finance expenditures. This involves sustaining a proactive posture to allay evolving third-party concerns to safeguard critical CBI flows that finance Dominica's ambitious development agenda (see Sections B and C).

**Fiscal Scenario Analysis**




Sources: Dominica's authorities and IMF staff estimates and calculations.

[6] The VRF is one of three main pillars of Dominica's multi-layered 2021 DRS intended to self-insure against small but frequent NDs. The remaining complementary pillars involve the use of parametric insurance (CCRIF) for large disasters and the issuance of Catastrophe (CAT) bonds at the regional level for extreme disasters.

[7] Additionally, the primary balance on current policies is only projected to reach 2.0 percent of GDP in 2030, implying that the baseline scenario also breaches the fiscal consolidation tenet of the NFR by four years. Public debt for the fiscal scenario analysis is defined to include domestic arrears but excludes the Petrocaribe debt so as to align with the ECCB's definition of debt, which will be used to assess the regional debt target.

**10. Measures to broaden the revenue base and enhance spending efficiency can attain the recommended path while preserving investment priorities for resilient and inclusive growth.** Staff advocates a range of options in these respects building from recommendations agreed during the 2024 AIV consultation (text table). Specifically:

- A mix of revenue measures to boost and diversify the revenue base is warranted, notably by eliminating leakage from discretionary import duty exemptions, expanding tourism levies to include tourism sites, reintroducing the highway levy, and implementing the proposed solid waste management fee related to garbage collection. Staff supports consideration to enhance VAT yields through a modest rate adjustment, which could be usefully complemented by targeted transfers to offset regressivity impacts on the most vulnerable.

- On the expenditure side, rationalizing inefficient spending to preserve space for macrocritical social and economic investments is a priority. This includes exploiting further efficiencies in goods and services spending (without compromising enhanced CBI due diligence outlays), sustaining restraint in wages, and alleviating transfer outlays by adjusting tariffs on key public services, notably hospital services. Carefully vetting and prioritizing capital outlays with clear economic returns is critical. In that regard, the National Employment Program (NEP) should be revamped into dedicated revolving skills training program aligned with economic needs (see Section C), and the housing program calibrated to provide support on a needs basis through means-testing and with cost recovery mechanisms to defray outright subsidies. Efforts to enhance expenditure efficiency should protect key programs to safeguard the most vulnerable (see below).

The proposed consolidation mix is expected to have a muted growth impact (0.1 ppt weaker relative to the baseline—see Annex IV), reflecting strategic efforts to preserve critical flagship investments that underpin the growth outlook and deliberate policies to protect the vulnerable.

**Cumulative Fiscal Savings from a Menu of Policy Options 1/ 2/**

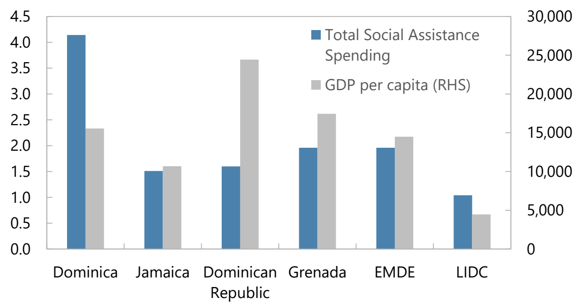
| | Fiscal Consolidation | | |
|---|---|---|---|
| | Percent of GDP | EC$ millions | Percent of total |
| **Revenue Measures** | **2.8** | **59.3** | **52.6** |
| VAT rate increase by 3 percentage points 3/ | 1.8 | 38.0 | 33.7 |
| Highway levy | 0.1 | 3.1 | 2.8 |
| Tourism levy (hotels and tourism sites) | 0.3 | 6.9 | 6.1 |
| Solid waste fee | 0.1 | 1.5 | 1.3 |
| End discretionary import duty exemptions (Cabinet concessions) | 0.5 | 9.9 | 8.8 |
| **Expenditure Measures** | **2.5** | **53.4** | **47.4** |
| Rationalize goods and services line (excluding CBI due diligence) | 0.3 | 7.2 | 6.4 |
| Tariff adjustment on hospital services | 0.2 | 4.9 | 4.3 |
| Rescaling National Employment Program (decrease by one-third) | 0.9 | 19.1 | 16.9 |
| Rescaling Housing Program (decrease by one-fifth) | 1.1 | 22.3 | 19.8 |
| **Total** | 5.3 | 112.8 | 100.0 |

1/ Cumulative savings over two years.
2/ IMF staff estimates.
3/ A smaller rate increase of 1 (2) ppts is estimated to yield 0.6 (1.2) percent of GDP in additional revenue, respectively.

**11. Policies to enhance the targeting and sustainability of social protection programs are needed to safeguard social inclusion and resilience as consolidation proceeds.** Dominica's social protection framework is fragmented and largely unconditional, with assistance spending approximately double that of peers, despite comparable per capita GDPs. Minimizing overlap and better targeting vulnerable households requires a centralized beneficiary registry and management information system to accurately track beneficiaries, identify gaps/duplicates, and facilitate payments. Ongoing efforts by international partners to set up a centralized management information system and digitalized payment tools is therefore welcome. Regarding the pension system, sustainability indicators have worsened on the back of deteriorating demographic dynamics with depletion of reserves now estimated by 2050.[8] This highlights a pressing need to pursue reforms to buttress sustainability, such as through a combination of measures to raise contribution rates, lower replacement rates, and align the retirement age at 65 for all employees.

**Social Assistance Spending and GDP Per Capita 1/**

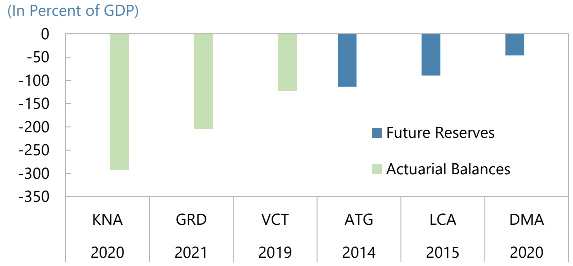
(In Percent of GDP; In 2021 PPP International Dollars)




Sources: WEO, country authorities and IMF staff calculations.
1/ GDP per capita is a proxy for poverty information which is unavailable for the sample of countries

**Reserves and Actuarial Balances Over 60 Years 1/**

(In Percent of GDP)




Sources: Country authorities, and IMF staff calculations.
1/ Actuarial balance was reported in the latest available actuarial reports of GRD, KNA, and VCT while reserves are available for all ECCU countries. For ATG, reserves are projected by staff based on flow data. For ATG, GRD, and VCT the reserves and actuarial balances do not reflect the recent reforms, which were approved after the last available actuarial report.

***Authorities' Views***

**12. The authorities agreed that additional consolidation was needed to achieve joint fiscal objectives, indicating that policy options would be explored in the upcoming budget cycle.** They reaffirmed their commitment to the fiscal framework and a balanced consolidation strategy that safeguards strategic development priorities, noting that staff's proposed consolidation path and reform package will inform FY2025/26 budget discussions. Potential revenue measures include new tourism levies (on sites and hotels), higher medical service fees, and a solid waste charge. Any prospective VAT rate adjustments would be accompanied by a lowering of income tax rates, partially offsetting yields. On the expenditure side, the authorities are seeking greater efficiencies to preserve space for macrocritical investment. They are prioritizing a reduction in current transfers—partly facilitated by tariff adjustments on key public services—and indicated that negotiations with public sector unions on a new collective agreement are advancing in line with fiscal framework objectives. An audit of the NEP is ongoing and will inform forward-looking reform priorities. Finally, while reiterating their commitment to objectives under the fiscal framework, the authorities indicated that

[8] This compares to the estimated 2063 exhaustion date reported in the 2024 Article IV consultation.

prospective fallout from evolving trade policy shocks—which remains unclear at this stage—could affect the timing of adjustment, particularly given that the fiscal rule only becomes binding in FY2026/27.

13. **Enhancing the efficiency and sustainability of social protection programs remains a priority.** The authorities indicated that the initiative to establish a centralized database and a digital payment system to reduce overlap and better tailor social assistance to the most vulnerable households is progressing. Modifications to payment system are expected to be implemented within a year with support transitioning from the World bank to the World Food Program. They acknowledged that pension system sustainability challenges have intensified and are reviewing options to alleviate pressures, including accelerating the phasing in of previously agreed contribution rate increases, extending the number of years required to qualify for a pension, reducing accrual rates, and adjusting early retirement provisions.

14. **The authorities reiterated their intention to prioritize concessional loans in its financing strategy.** They noted that they have recently secured two concessional loans from the Caribbean Development Bank and the World Bank, part of which will be dedicated to settling domestic arrears, with plans to clear roughly 60 percent of obligations (prioritizing vintage arrears) over the next four years through equal annual installments.

## B. Strengthening Financial System Balance Sheets and Intermediation

15. **Reducing balance sheet vulnerabilities and strengthening oversight are urgent priorities, particularly for CUs given their systemic importance in Dominica's financial system.**

- **Banking sector.** Despite efforts to address NPLs through sales, write-offs, and restructurings, NPL ratios remain high, impairing credit activity. Policy priorities to strengthen bank balance sheets remain to enforce regulatory standards for provisioning and NPL treatment, effectively manage loss allowances, and facilitate the disposal of impaired assets. Risks from elevated sovereign exposure and rising overseas investments should be closely monitored (see Figure 4).
- **Credit Unions (CU).** Elevated credit activity relative to banks partly reflects regulatory arbitrage between banks and CUs. The effort by the Financial Supervisory Unit's (FSU)—the regulatory authority of non-bank financial institutions (NBFI)—to modernize the regulatory framework and enhance risk-based supervision by end-2025 is welcome. Priorities include reinforcing the operational independence of FSU, tightening risk-based capital requirements, updating regulatory thresholds, strengthening provisioning requirements, enhancing loan management frameworks to reduce evergreening risks, and bolstering enforcement tools, including expanded administrative intervention authority. Broader financial stability can also be reinforced by: (i) participating in the ECCU's regional initiative to establish common minimum NBFI regulatory

standards[9]; (ii) ensuring the FSU is adequately resourced for monitoring asset quality (especially for restructured loans and forbearance measures); (iii) conducting regular audits and on-site examinations (notably for larger CUs); and (iv) strengthening governance via enhanced "fit and proper" criteria for board members.

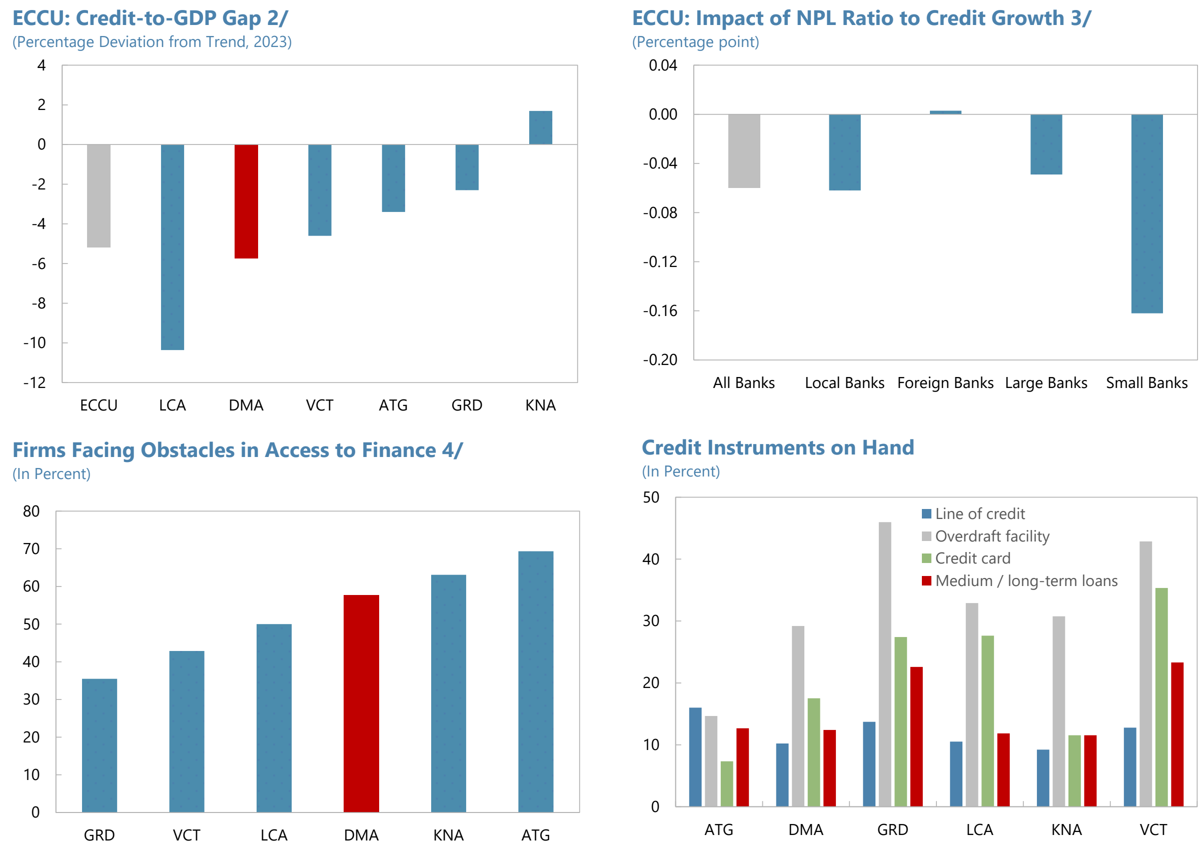
**16. Meaningful progress has been made to strengthen AML/CFT frameworks, which is crucial to safeguard correspondent banking relationships (CBRs) amidst ongoing CBI scrutiny.** The authorities have taken numerous actions to address recommendations from the 2023 CFATF Mutual Evaluation Report, including sectoral risk assessments of legal persons and arrangements, proliferation and terrorism financing, non-profit organizations, virtual asset service providers (VASPs), and the CBI program. The legislative framework was enhanced through enactment of Virtual Asset Business Regulations and sector-wide VASP Guidelines in 2024. Proposed legislative amendments on targeted financial sanctions and mechanisms to manage beneficial ownership information are being finalized. Institutional capacity has improved with additional staffing at the FSU and Financial Intelligence Unit (FIU), notably the establishment of a CBI application due diligence unit within the FIU. Dominica has also adopted the Six Principles for CBI programs agreed regionally in 2023 to strengthen governance and mitigate financial crime risks. Ongoing reforms include legislation on proliferation financing and crypto assets, along with shifting the National Implementation Action Plan to a risk-based framework.

**17. Addressing longstanding structural challenges that constrain financial intermediation at the expense of productivity and growth remains a priority.** The paradox of ample bank liquidity alongside limited access to finance by businesses is partly explained by persistent structural constraints, including limited credit information, outdated collateral laws, and inefficient foreclosure and insolvency frameworks. An ECCU-wide empirical analysis shows a negative credit gap in Dominica (5¾ ppt below trend) and finds that NPLs, particularly at smaller institutions, hinder credit growth. Access to financing is also cited as the top impediment to firm-level productivity.[10] Against this backdrop, policy priorities include participating in the regional credit bureau scheme, modernizing collateral, foreclosure, and insolvency laws, streamlining loan documentation, and facilitating micro, small, and medium-sized enterprises (MSME) access to the Eastern Caribbean Partial Credit Guarantee Corporation and the new CARICOM-led Credit Guarantee Scheme.

[9] Useful innovations to enhance regulatory cohesion between CUs and banks could include tighter risk-based capital requirements for CUs and a standardized approach to provisioning and loan management that together would discourage imprudent lending, enhance risk monitoring/detection, and bolster financial resilience to shocks.

[10] In Dominica, 60 percent of firms report access to finance as major or severe obstacle while firms able to access funding are unable tap instruments amenable to investment.

## Credit Gap and Access to Finance Analysis [1/]




Sources: IMF staff calculations from the Innovation, Firm Performance and Gender (IFPG) survey; ECCB and IMF staff estimates.
1/ ATG = Antigua and Barbuda, DMA = Dominica, GRD = Grenada, KNA = St. Kitts, LCA = St. Lucia, VCT = St. Vincent and the Grenadines.
2/ The credit-to-GDP gap is estimated by one-sided Hodrick-Prescott filter.
3/ Large (small) banks are the banks with larger (smaller) assets than the median.
4/ Share of firms that report access to finance as a "Major" or "Very severe" obstacle and that do not have any credit instrument.

**18. The ECCB has taken steps to address most of the 2021 safeguards assessment's recommendations.** The pending recommendation is on further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. The next full safeguards assessment is due later in 2025.

### *Authorities' Views*

**19. The authorities are prioritizing regulatory and legislative reforms to safeguard financial sector stability and preserve CBRs.** They clarified that a World Bank-supported Asset Quality Review (AQR) of the CU sector is underway, with assessments of the largest CUs expected by end-2025. Findings will inform efforts by the FSU to modernize the CU regulatory framework, including transitioning to risk-based capital standards, updating regulatory thresholds, standardizing provisioning frameworks, bolstering enforcement tools consistent with IFRS 9 principles, and enhancing administrative intervention powers. The FSU saw merit in staff's recommendation to standardize loan management practices and is exploring options. The authorities emphasized substantial progress in strengthening Dominica's AML/CFT framework, noting it is rated as compliant or largely compliant across 80 percent of CFATF metrics. While corrective actions have been taken to improve all metrics, priority has been given to the most deficient areas, with remedial measures undertaken in more than half of these cases. They reaffirmed their commitment to achieving full CFATF compliance by end-2026 and noted that CBRs remain stable.

**20. The authorities broadly agreed with staff's recommended policies to enhance financial intermediation.** They stressed the importance of fostering credit access for individuals and MSMEs by addressing supply-side factors (e.g., balance sheet weaknesses, absence of credit registries, inefficient NPL resolution) and demand-side barriers (e.g., collateral constraints, weak MSME record-keeping). They noted the Agricultural, Industrial and Development (AID) Bank's focus on MSME support and welcomed the regional credit bureau initiative, noting strong interest among banks and credit unions. The authorities acknowledged that sub-standard MSME record-keeping reflects broader capacity gaps and identified scope to strengthen small business management and accounting training within wider financial literacy efforts. They also recognized that outdated insolvency frameworks hamper efficient foreclosure and collateral recovery and welcomed regional efforts to harmonize modern regional insolvency and bankruptcy standards within the ECCU and facilitate asset disposal through the Eastern Caribbean Asset Management Company.

## C. Unpacking the Long-Term Growth Puzzle—Structural Reforms to Boost Resilient Growth

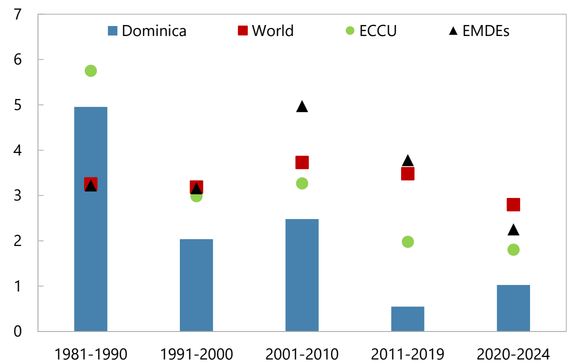
**21. Dominica has exhibited a trend slowdown in growth due to structural factors (Annex V).** Average growth has lagged peers, hindering convergence. While Dominica's trend decline mirrors the broader ECCU region, its estimated potential growth deterioration to near zero is more acute. This reflects falling contributions from major factors of production and declining total factor productivity (TFP), which was negative in the decade preceding the pandemic.[11] Supply-side bottlenecks underlie these trends, including labor and financial market impediments alongside hindrances to innovation, such as rigidities to the business environment, which contribute to resource misallocation. Recurring natural disasters also scar productive physical capital and hinder human capital formation, further limiting TFP.[12]

[11] Negative TFP growth during the last decade is mostly linked to extreme climate shocks during the second half of the 2010s, notably Hurricane Maria (category 5) in 2017, which alone caused an estimated loss and damage totaling 226 percent of GDP.

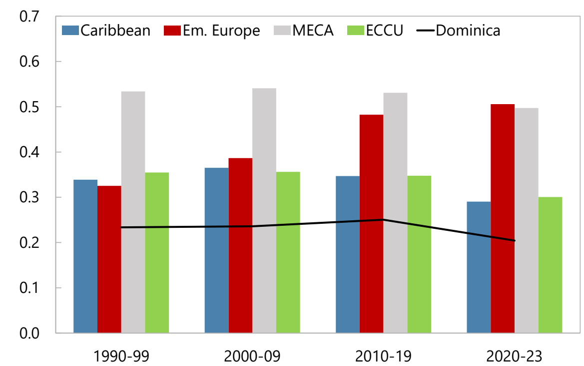
[12] A natural disaster event is estimated to weigh on growth by 2½ ppts on average.

## Economic Growth, Productivity, and Convergence

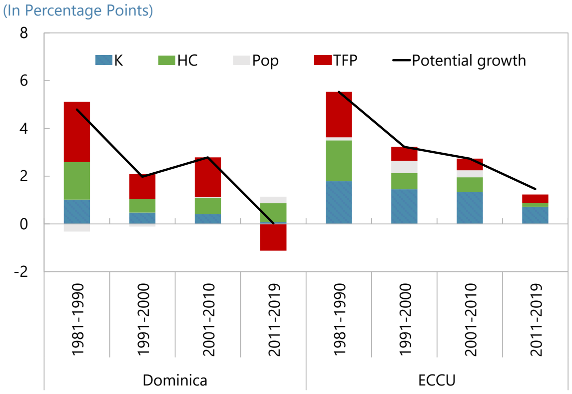
**Real GDP Growth 1/**
(In Percent, Annual Average)



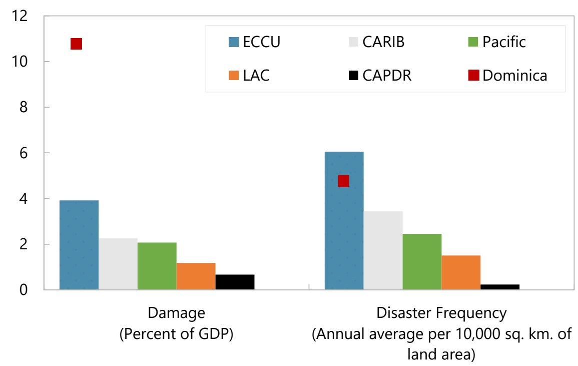

**GDP Per Capita 2/**
(Ratio to United States)




**Factor Contribution to Potential Growth**
(In Percentage Points)




**Average Annual Economic Impacts of Natural Disasters 3/**
(1980-2023)

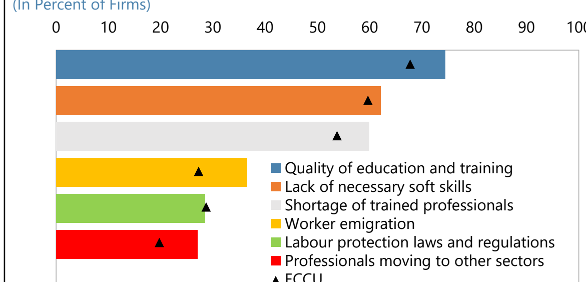



Sources: ECCB, WEO and IMF staff calculations (top left panel); WEO and IMF staff calculations (top right panel); Barro and Lee (2015), EM-DAT database, IADB database, Penn World Table (10.1 version), World Bank, and IMF staff calculations (bottom left panel); EM-DAT, World Bank, World Economic Outlook; and IMF staff calculations (bottom right panel)
1/ Real GDP data for ECCU for 1981-89 is calculated as a simple average of available member country data.
2/ Aggregates are PPP-weighted averages; EM Europe = emerging markets Europe; MECA = Middle East and Central Asia; ECCU excludes overseas territories.
3/ Groups of WHD, Pacific and rest of the world are exclusive. 2021 reported figures are used for country land area.

### *Human Capital*

**22. Improving labor market outcomes and alleviating skills gaps are priorities.** An ECCU firm-level analysis aligns with earlier findings that structural frictions—particularly education and training mismatches relative to economic needs—impede labor outcomes at the expense of growth. Enhancing vocational training and accreditation frameworks, while modernizing education systems would help. In this context, the NEP should be recalibrated to alleviate skill deficiencies within the economy through targeted and time-bound training. Staff analysis suggests that closing the labor force participation gender

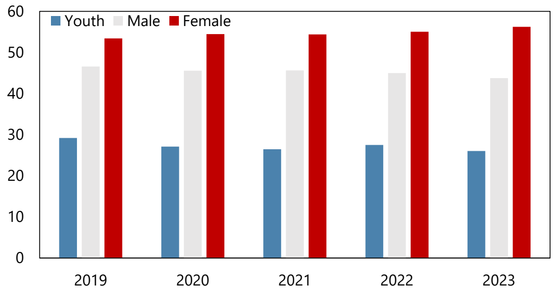
**Causes of Labor Skills Shortages in Dominica 1/**
(In Percent of Firms)




Sources: IMF staff calculations from the Innovation, Firm Performance and Gender (IFPG) survey.
1/ Values reflect the percent of firms who answered "Very important" or "Critical" to each factor.

gap—which has narrowed to around 6.5 percent in recent years—could raise GDP by nearly 6 percent, adding an average annual growth impulse of roughly 0.6 percent over the next decade (Annex VI). Policies should prioritize addressing barriers such as childcare costs, flexible work arrangements, and discrimination, to help boost female participation.

**Shares of Formal Employment 1/**
(In Percent)




Source: Dominica Social Security (DSS).
1/ Formale employment refers to insured workers with active contributions to the DSS. Youth includes males and females.

**Labor Force Participation Rate**
(Percent of Population Age 15+)

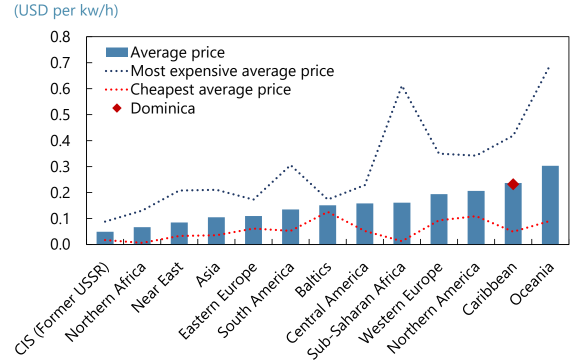

Source: IMF staff calcuation.

### *Physical Capital*

**23. Ensuring efficient and resilient investment to enhance the productive capital stock is necessary to support higher sustained growth.** Dominica's development strategy aims to enhance the capacity, competitiveness, and resilience of its capital base by:

- ***Harnessing geothermal energy transition (GET) opportunities.*** As presented in IMF (2024), the GET could lower fuel imports and electricity costs to reduce external imbalances and raise growth potential via competitiveness channels. Full benefits depend on completing both project phases.[13] *Phase II* financing remains pending, while the anticipated decrease in electricity prices from a partial reduction in fuel surcharges once the *Phase I* is operational is uncertain given the ongoing electricity tariff review.

**Average Electricity Price**
(USD per kw/h)




Source: Cable.co.uk

- ***Safeguarding and optimizing the CBI funding model.*** Preserving the CBI regime is vital to sustain strategic development financing. Dominica has been proactive to address perceived security concerns around its CBI regime (see Section B), including by: (i) adopting agreed

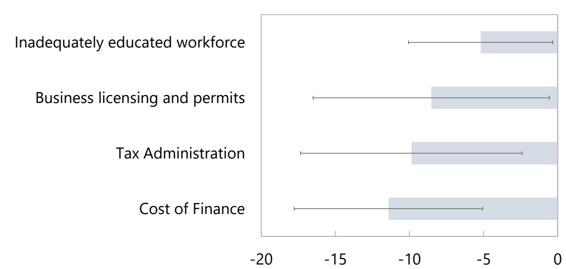
[13] *Phase I* involves a powerplant build and partial transmission network upgrade to supply the Southern capital area (roughly half of the country) with geothermal energy (on track for end-2025). The remaining build-out of the network to the entire country via the build-out of Northern transmission lines will occur under *Phase II*.

governance principles; (ii) strengthening enforcement through enhanced passport recall powers; (iii) modifying agent eligibility criteria; (iv) enhancing vetting procedures (FIU due diligence unit); and (v) joining the regional initiative to harmonize pricing, strengthen information exchange processes, and introduce regulatory oversight of CBI regimes within the ECCU. Further improvements to Dominica's CBI processes could include: (i) enhancing transparency in reporting (externally and internally); and (ii) strengthening accountability frameworks of CBI-financed investments to ensure the productive allocation of these inflows. Elaborating strategic guidelines for the allocation of CBI inflows among competing policy priorities (e.g., development, debt reduction, and contingent savings) is also a priority (Annex VII).

***Total Factor Productivity***

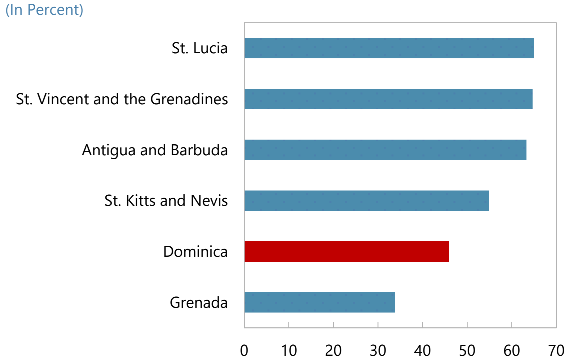
24. **Addressing structural bottlenecks to innovation and allocative efficiency that weigh on productivity requires multipronged efforts.** While flagship investments are expected to lift potential growth, maximizing these economic dividends requires reforms to alleviate business environment constraints. ECCU firm-level analysis reveals sizable TFP losses from the high cost of finance, burdensome tax administration, and inefficient licensing processes (see Annex V). Staff estimates that resolving these issues could raise productivity by nearly 47 percent, which would help raise GDP per capita by a similar magnitude and reduce the gap vis-à-vis the U.S. by around 10 ppts. Against this backdrop, priorities include reforms to improve financial intermediation (see Section B), transition to a digital platform for government services, and streamline bureaucratic processes, especially for tax administration and business registration, licensing, and permitting. The authorities have prioritized digitalization to boost productivity and have made significant progress in implementing its National Digital Transformation Strategy (Box 1).

**Firm-Level TFP Loss Due to Structural Obstacles 1/**
(In Percentage Points)



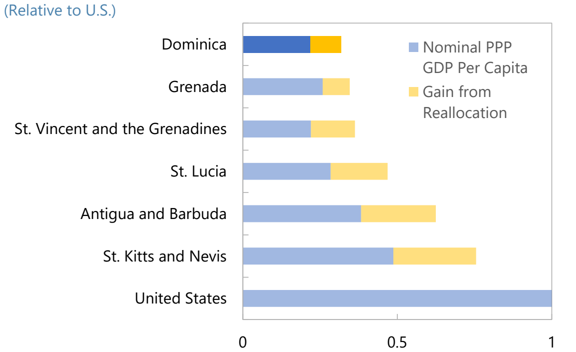

Sources: Innovation, Firm Performance and Gender (IFPG) survey and IMF staff calculations.
1/ Confidence interval of 90 percent.

**Aggregate TFP Gain from Reallocation**
(In Percent)




Source: Innovation, Firm Performance and Gender (IFPG) survey

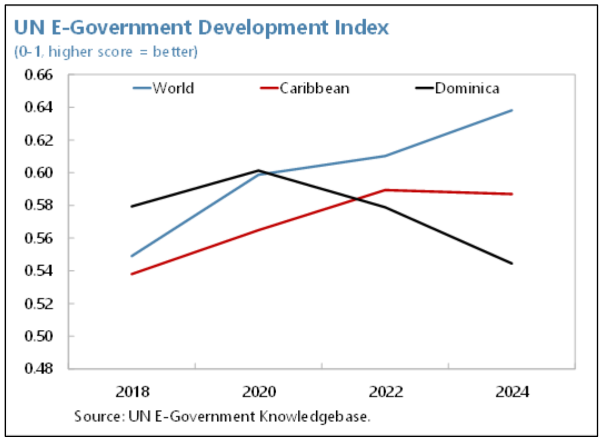
**GDP Convergence through Reallocation, 2019**
(Relative to U.S.)




Sources: IMF staff calculations from the World Economic Outlook and the Innovation, Firm Performance and Gender (IFPG) survey.

### Box 1. Dominica's Digitalization Agenda

**Digital technologies hold significant potential to boost productivity, enhance efficiency, and reduce informality, ultimately improving economic outcomes.** Several channels exist. For example, Al-Sadiq (2021) finds that e-Government—providing accessible government information and services online—plays a key role in attracting foreign direct investment by improving the efficiency, transparency, and timeliness of public services. In the Caribbean, digitalization can help accelerate economic convergence with advanced economies. Staff analysis based on ECCU firm-level data highlights structural bottlenecks to growth, such as limited access to finance and burdensome administrative processes, which digitalization could help alleviate. However, there are early signs that the region's digital gap relative to the rest of the world has widened, particularly following the COVID-19 pandemic.




**Recognizing this potential, Dominica launched its National Digital Transformation Strategy (2020–26) to achieve an inclusive digital transition.** Significant progress to e-government has been made under the World Bank-funded Caribbean Digital Transformation Project, with over 250 government services—including registration, permitting, border and customs controls—now available online. Ongoing initiatives include establishing a digital health information system, developing digital ticketing infrastructure for tourism sites, upgrading government services to support digital payments, and creating a universal identifier (U-ID) to serve as the primary cross-cutting identifier in government databases to reduce duplication of records, improve coordination, and strengthen eligibility verification for public services.

**Viewing digitalization through both 'demand' and 'supply' lenses helps identify ways to accelerate digital transformation.** On the demand side, policies should aim to improve digital literacy and absorptive capacity to expand the use of digital services. Sixteen digital hubs across Dominica now provide digital training to the general public. On the supply side, building a digitally skilled workforce is critical. School curricula and vocational programs should be aligned with evolving labor market needs to ensure an adequate supply of digitally skilled workers, including technicians and digital marketing professionals.

***Authorities' Views***

25. **The authorities welcomed staff's long-term growth analysis and broadly concurred with identified structural impediments that weigh on growth potential.** While ongoing flagship development projects are expected to provide a structural boost to growth, they clarified that reforms to address persistent bottlenecks to efficiency and innovation are also a priority. This includes scope to revamp education and vocational training systems to better align curricula and certification frameworks with economic needs. The authorities identified the GET as a key diversification opportunity and stressed the importance of securing financing for *Phase II* to meet expected energy demand from the new international airport and hotel developments. They further emphasized digitalization as a core pillar for boosting productivity, citing expanded e-government services and the role of innovation hubs to support skills development, improve digital literacy, and help overcome access to credit constraints. Expanding point-of-sale infrastructure at tourism sites

and launching an online tax filing platform were highlighted as key forward-looking priorities. The authorities have requested broadening the work program of the Caribbean Digital Transformation Project to support these initiatives.

## D. Institutional Strengthening

**26. Bolstering institutional frameworks for surveillance, economic planning, and policy execution is a priority for ongoing engagement.** Like other small states, Dominica faces challenges from underdeveloped institutional frameworks and limited technical capacity that complicates policy formulation, monitoring, and execution. Addressing these gaps is central to the Fund's engagement strategy (see Annex VII). Institutional deficiencies are most prominent in statistical compilation and PFM. Under-resourcing and limited absorptive capacity in the statistical agency have impeded timely updates and regular reporting of key indicators, which somewhat hampers surveillance (Annex VIII). Fiscal management is hindered by underdeveloped cash flow processes (resulting in a reliance on costly bank overdraft facilities), fragmented reporting and data sharing systems (notably for CBI-related flows), and institutional gaps as illustrated by the absence of processes integrating the fiscal framework with the budget.

**27. Strengthening statistical compilation, medium-term budgeting, fiscal reporting, and Treasury operations remain essential.** Exploring regional data collection approaches could help optimize limited resources. The authorities are encouraged to implement pending recommendations to enhance Treasury processes, including regular cash forecast reporting and the adoption of modern IT and accounting systems. Budget processes should also be reconfigured to support fiscal rule implementation by FY2026/27 by: (i) framing the budget around a three-year fiscal framework aligned to the fiscal rule and rationalized by supporting policies; and (ii) introducing a mid-term budget review process to assess outturns against targets and outline corrective measures as needed.[14] Staff encouraged the authorities to request IMF support in this context and further build on the IMF's ongoing capacity development program with Dominica to bolster statistical and PFM capacity.

***Authorities' Views***

**28. The authorities welcomed the proposed engagement strategy and underscored the importance of sustained, well-targeted capacity development (CD) support.** They agreed that underdeveloped institutional frameworks and limited technical capacity—common among small developing states—pose obstacles to achieving development and resilience objectives. The authorities endorsed the Fund's continued focus on fiscal sustainability, financial stability, financial intermediation, and inclusive growth. They emphasized that CD efforts should prioritize strengthening statistical capacity and PFM. They welcomed Fund support for the GDP rebasing exercise and collaboration with regional partners on a long overdue labor force survey. On PFM, the authorities noted progress in strengthening oversight of public entities and indicated they are

[14] Reforms to operationalize Barbados' procedural fiscal rule during the 2018 EFF arrangement could prove a useful model.

exploring options to regularize internal CBI reporting processes to facilitate monitoring and the compilation of balance of payments flows. While recognizing the need to enhance budget processes ahead of the fiscal rule's operationalization in FY2026/27, they stressed that simplifying the corporate income tax framework is a more immediate priority to reduce administrative costs, boost compliance, and support primary balance targets.

## STAFF APPRAISAL

**29. Dominica's economic expansion is poised to continue, but risks to the outlook are elevated and tilted to the downside.** Real GDP growth is projected to average 3½ percent over the next three years, underpinned by ongoing investment in flagship infrastructure projects to boost tourism capacity and transition to lower-cost geothermal energy. The heavy import-related content of these projects has eroded the external position—which is assessed to be substantially weaker than implied by medium-term fundamentals and desirable policy settings—but gradual improvements are expected as major capital outlays wind down and fiscal consolidation intensifies. Risks are elevated reflecting Dominica's vulnerability to ND shocks and amid the evolving trade policy and geopolitical environment.

**30. More ambitious fiscal consolidation than what is envisaged under the authorities' current policies is needed to reduce economic imbalances and mitigate disaster risks while helping to reinforce prospects for resilient growth.** The overall risk of debt distress is high and as such, it is critical to rebuild fiscal buffers by achieving and maintaining a primary surplus of 3½ percent of GDP from 2026 onward to: (i) reduce public debt below 60 percent of GDP by 2035; and (ii) adequately capitalize the VRF to mitigate disaster risks. The strategy should focus on broadening the revenue base, optimizing expenditures to preserve space for macrocritical investment, and enhancing the targeting and sustainability of social protection programs.

**31. Reducing balance sheet vulnerabilities and strengthening regulatory oversight are critical.** For banks, priorities include stricter enforcement of provisioning and NPL standards, managing loan loss allowances, and facilitating the disposal of impaired assets, while closely monitoring sovereign and foreign investment exposures. For credit unions, reforms to modernize the prevailing regulatory regime is essential by reinforcing the FSU's operational independence, enhancing risk-based supervision, updating regulatory thresholds, strengthening provisioning and loan management frameworks, and bolstering enforcement tools.

**32. Continued structural reforms are essential for fostering resilient and sustainable growth.** Addressing structural challenges that hinder financial intermediation remains a priority. The upcoming launch of a regional credit bureau is welcome. Complementary reforms should aim at modernizing collateral, foreclosure, and bankruptcy frameworks. Eliminating gaps in education and training relative to economic needs is essential to improve labor market outcomes. A comprehensive approach is needed to foster innovation and allocative efficiency, including exploiting digitalization and streamlining administrative processes for tax compliance, business registration, and permitting.

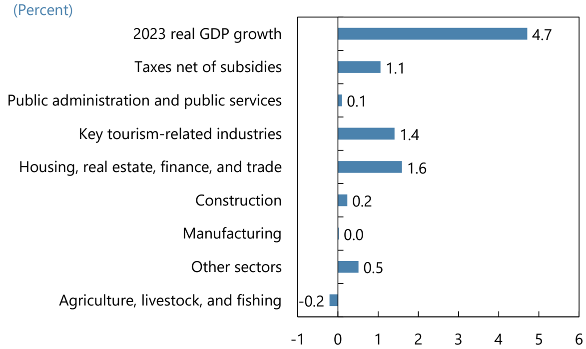
**33. Concerted efforts to bolster institutional frameworks to mitigate risks and support surveillance, economic planning, and policy execution should continue.** Ongoing efforts to strengthen AML/CFT legislation and procedures in line with the CFATF recommendations should help protect CBRs. Progress on regional coordination across CBI programs to improve due diligence and transparency is welcome. Proactive engagement to address evolving concerns around Dominica's CBI regime remains critical to safeguard this essential source of development financing. Finally, underdeveloped institutional frameworks and limited technical capacity—common among small developing states—complicate policy formulation, monitoring, and implementation. Alleviating these impediments is an important aspect of sustained engagement, where priorities include targeted measures to strengthen statistical capacity and improve PFM across fiscal reporting, treasury operations, public investment management, and budget processes.

**34. It is recommended that the next Article IV consultation takes place on the standard 12-month cycle.**

## Figure 1. Dominica: Real Sector Developments

*Wholesale/retail trade and tourism played the leading role in 2023 growth. And, while total arrivals have fully recovered…*

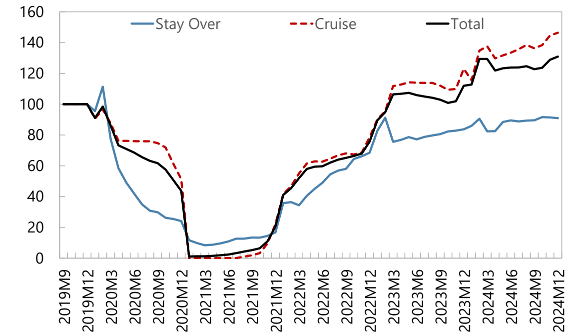
**2023 Real GDP, Contributions to Percent Change**
(Percent)




Sources: Dominica's authorities and IMF staff calculations.

*… the increased share of cruise arrivals has potential long-term implications given larger multipliers from stayover tourism.*

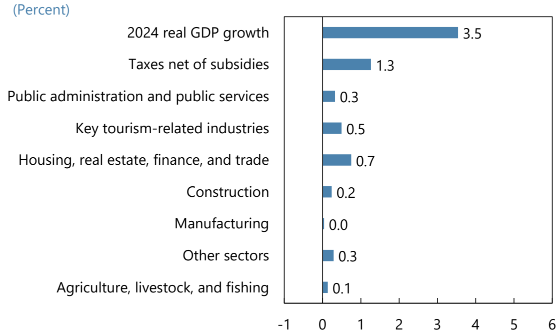
**Tourist Arrivals**
(Base 2019 YTD Arrivals = 100)




Sources: Dominican authorities and Fund staff calculations

*Wholesale/retail trade, tourism, and public services are the main drivers in 2024, along with construction…*

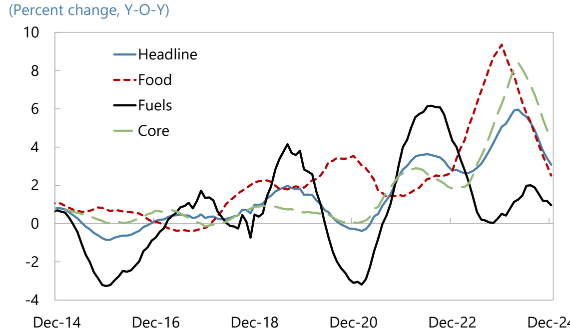
**2024 Real GDP, Contributions to Percent Change**
(Percent)




Sources: Dominica's authorities and IMF staff calculations.

*…which contributed to a pick-up in prices from end-2022 offset by a softening in global commodity prices.*

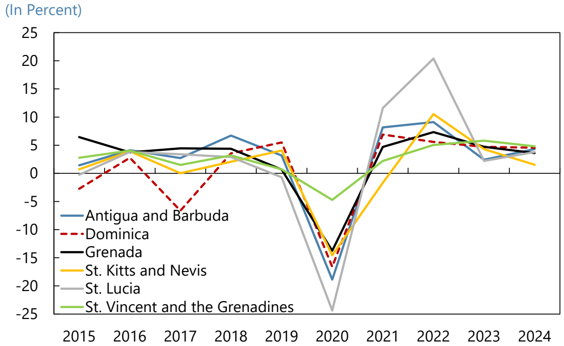
**CPI Inflation, by Major Component 1/**
(Percent change, Y-O-Y)




Sources: Central Statistics Office, Dominica and IMF staff calculations.
1/ Inflation calculated using 12-month moving averages.

*From a regional standpoint, Dominica's growth aligns with the ECCU average…*

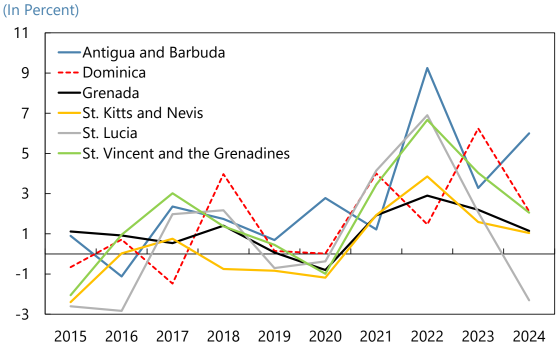
**Real GDP Growth Rates - ECCU Countries 1/**
(In Percent)




Source: WEO
1/ 2024 GDP growth rates calculated using available data

*…. with inflation also in line with the regional average.*

**Inflation - ECCU Countries**
(In Percent)



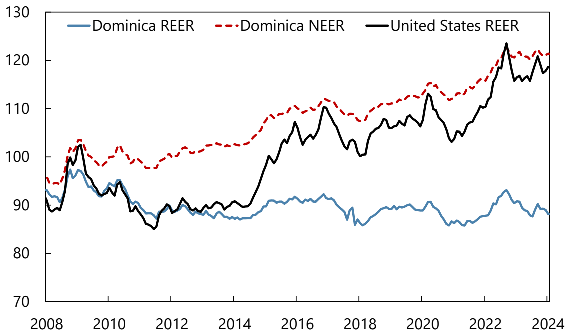

Sources: Central Statistics Office and WEO

## Figure 2. Dominica: External Sector Developments

*The REER stabilized in 2024 following increased volatility during 2020-23.*

### Nominal and Real Effective Exchange Rates

(Indices, January 2005 = 100)

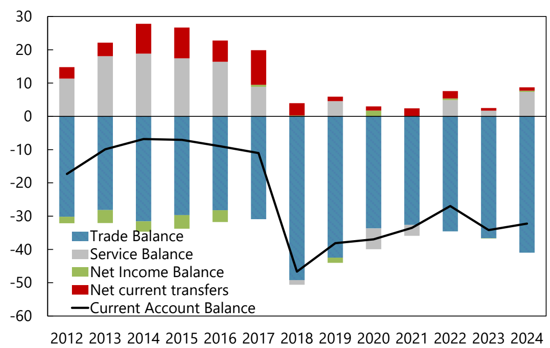



Sources: IMF Information Notice System, and IMF staff calculations.

*The external position improved modestly in 2024, primarily due to a stable goods and services trade balance combined with higher nominal GDP.*

### Current Account Decomposition

(In Percent of GDP)

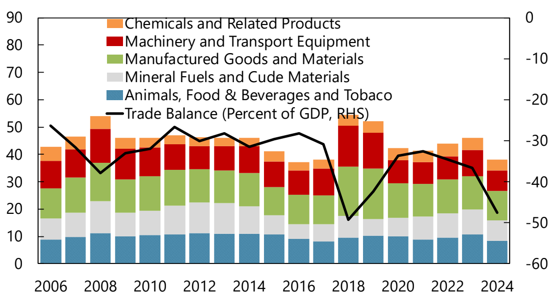



Sources: Dominica's authorities and IMF staff calculations.

*Large infrastructure projects continued to spur a high level of imported goods, …*

### Goods Import by Major Components 1/

(In Percent of GDP)



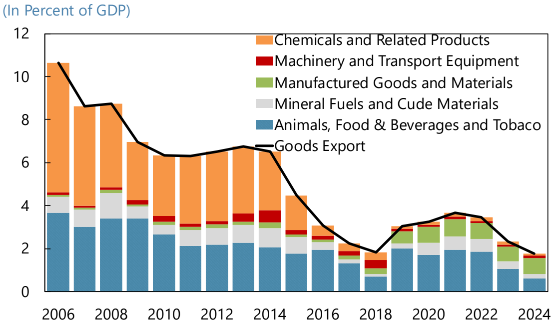

Source: ECCB

1/ 2024 includes three quarters of actual data, with the full year projected based on historical performance.

*…while exports continued to experience lackluster growth across major categories.*

### Goods Export by Major Components 1/

(In Percent of GDP)



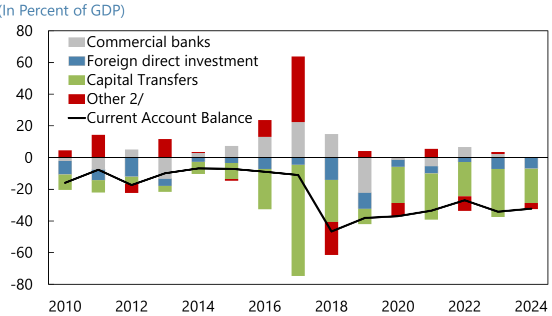

Source: ECCB

1/ 2024 includes three quarters of actual data, with the full year projected based on historical performance.

*CBI flows remain the main source of external financing…*

### Current Account Deficit and Financing 1/

(In Percent of GDP)




Sources: Dominica's authorities and IMF staff calculations.

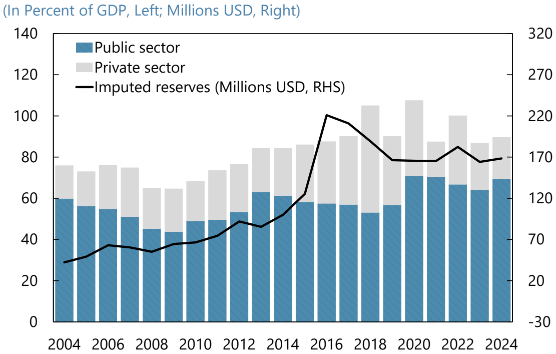
1/ Negative (positive) bar numbers reflect net inflows (outflows)

2/ Includes Errors and Omissions.

*… with the public external debt ratio remaining broadly stable, albeit elevated since the pandemic.*

### External Debt

(In Percent of GDP, Left; Millions USD, Right)

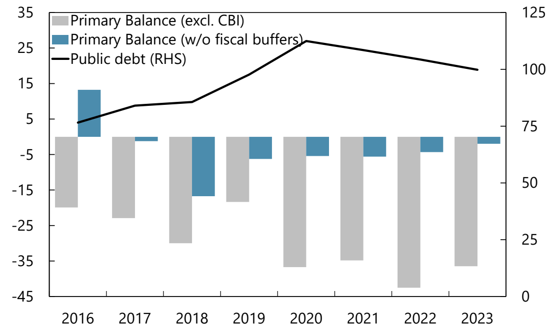



Sources: Dominica's authorities and IMF staff calculations.

## Figure 3. Dominica: Fiscal Sector Developments

*Despite sustained modest improvements to the fiscal balance, the public debt ratio remains elevated…*

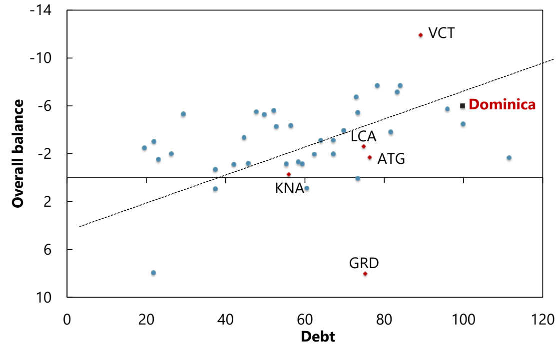
### Public Debt and Fiscal Primary Balance
(In Percent of GDP, Fiscal Year)




Sources: Dominica's authorities and IMF staff calculations.

*…and is one of the highest among peers, well above the ECCU regional target of 60 percent of GDP.*

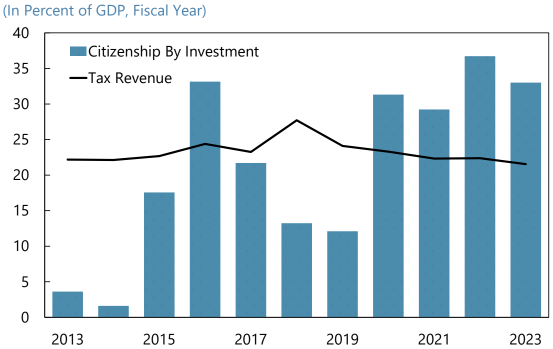
### EM General Government Balance and Debt, 2023
(In Percent of GDP)




Sources: WEO, and IMF staff calculations.

*Volatile and uncertain CBI flows have exceeded tax revenue in the last four fiscal years…*

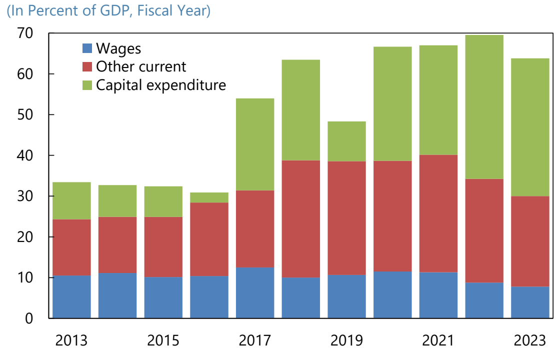
### Total Revenue
(In Percent of GDP, Fiscal Year)




Sources: Dominica's authorities and IMF staff calculations.

*…supporting a marked increase in capital spending relative to recurrent expenditures.*

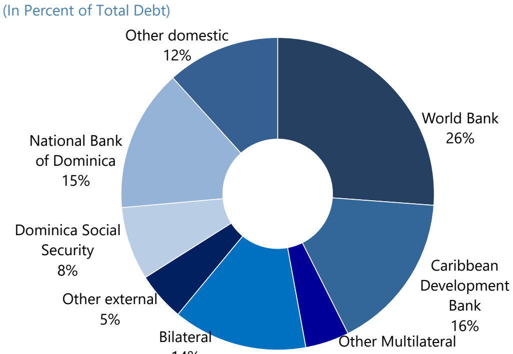
### Government Expenditure
(In Percent of GDP, Fiscal Year)




Sources: Dominica's authorities and IMF staff calculations.

*More than 40 percent of domestic public debt (15 percent of total public debt) is held by the systemically important National Bank of Dominica.*

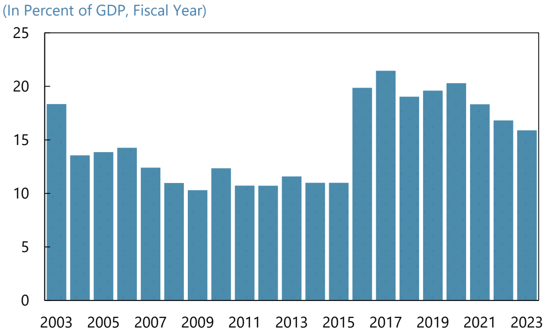
### Composition of Public Sector Debt, 2023
(In Percent of Total Debt)




Sources: Dominican authorities and IMF staff calculations.

*Debt of SOEs has continued to decline since the pandemic benefiting from a largely shock-free environment.*

### Debt of Public Corporations 1/
(In Percent of GDP, Fiscal Year)

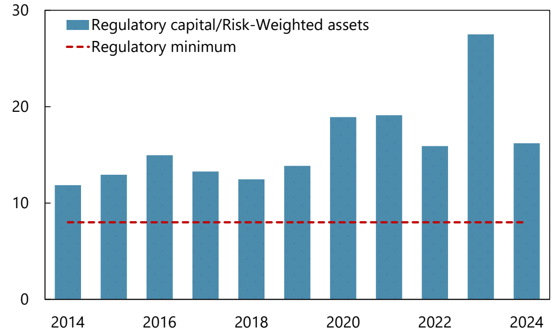



Source: IMF staff calculations.
1/ Includes guaranteed SOE debt and Petrocaribe debt.

## Figure 4. Dominica: Banking Sector Developments

*Banks remain well capitalized…,*

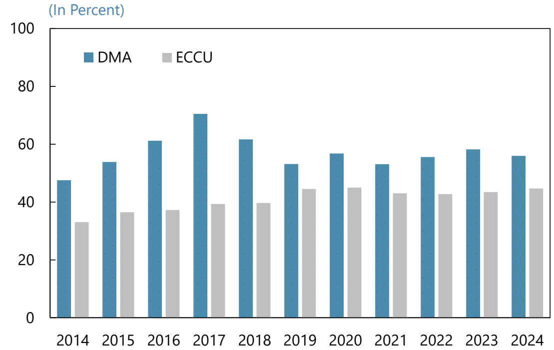
### Commercial Banks' Capital Adequacy
(Regulatory Capital/Risk Weighted Assets; Percent)




1/ End of quarter value for each year.
Sources: ECCB, Dominica authorities and Fund staff calculations.

*…enjoy a high degree of liquidity…*

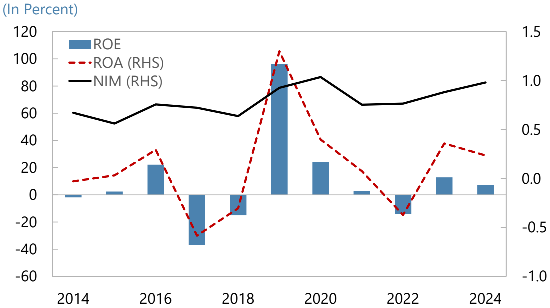
### Liquid Assets to Liquid Liabilities
(In Percent)




Sources: ECCB, Dominica authorities and Fund staff calculations.

*… but profitability has been volatile.*

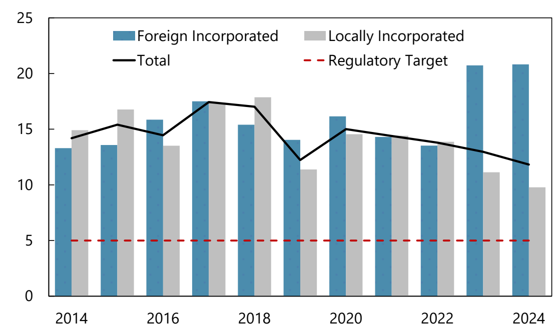
### Profitability 1/
(In Percent)




Sources: ECCB, Dominica authorities and Fund staff calculations
1/ ROE = net earnings before tax/average equity; ROA = net earnings before tax/total assets; NIM = net interest income/total assets.

*While asset quality is slowly improving, the NPL ratio remains elevated exceeding prudential guidelines.*

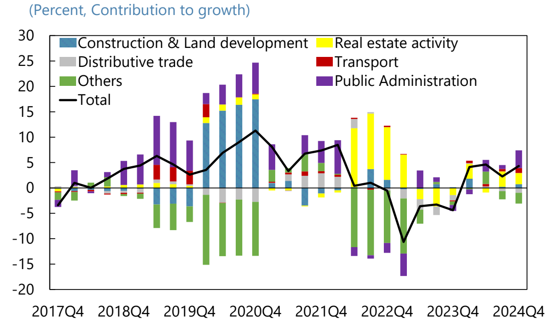
### Non-Performing Loans 1/
(Commercial Banks; Percent of Total Loans)




Sources: ECCB, Dominica authorities and Fund staff calculations.
1/ End of quarter value for each year.

*Total to the economy has been lackluster buoyed by lending to the government…,*

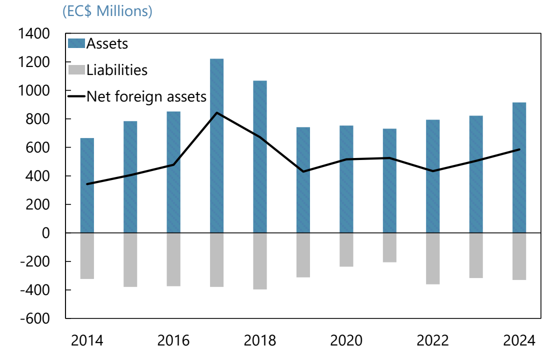
### Commercial Banks Credit by Economic Activity 1/
(Percent, Contribution to growth)




Sources: ECCB, Dominica authorities and Fund staff calculations.
1/ "Others" include Agriculture & Mining, Manufacturing, Utilities. Contributions by real estate activity prior to 2020 are based on estimates.

*while foreign assets exhibit a modest increasing trend.*

### Net Foreign Assets of Commercial Banks
(EC$ Millions)



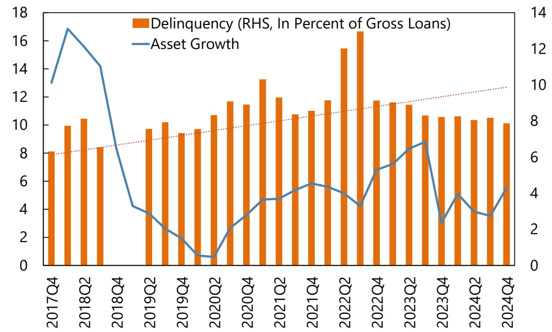

Sources: ECCB, Dominica authorities and Fund staff calculations.

## Figure 5. Dominica: Credit Union Developments

*Assets are growing but NPLs (delinquent over 12 months) remain persistently elevated…*

### Assets Growth and NPL Ratio

(Percent, Percent of Gross Loans)

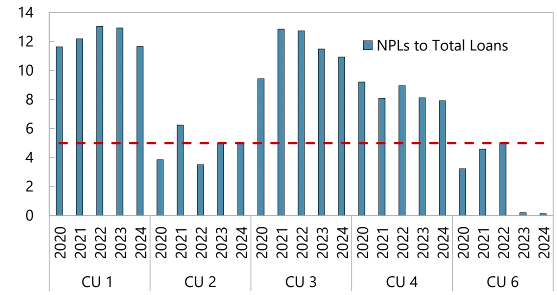



Sources: Dominica authorities and IMF staff compilation.

*…and unevenly distributed with the majority of CUs exceeding the regulatory threshold.*

### NPLs to Loans - Major Credit Unions 1/

(Percent)

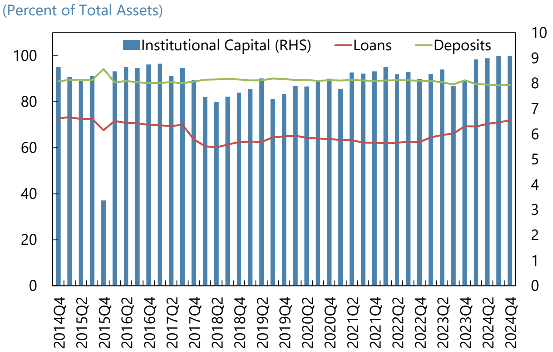



Sources: Dominica's authorities and IMF staff calculations.
1/ Loans that have been non-performing for over 12 months.

*Loans and deposits in percent of total assets are stable, but capital at the aggregate level remains weak…*

### Institutional Capital, Loans, and Deposits of Credit Unions

(Percent of Total Assets)

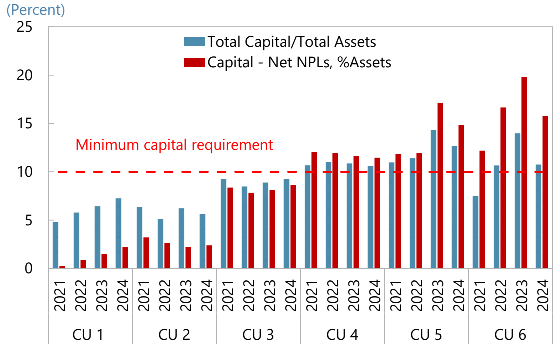



Source: Dominica authorities.

*…and unevenly distributed, with low capital adequacy among half of CUs.*

### Capital Position of Credit Unions

(Percent)

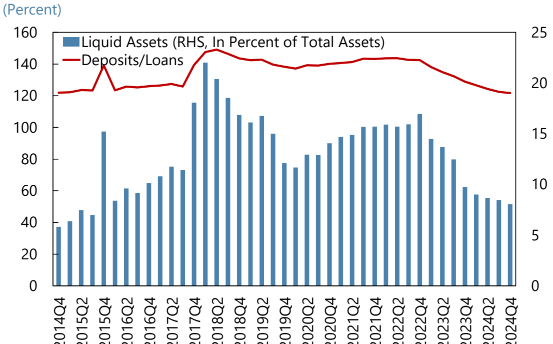



Sources: Dominica's authorities and IMF staff calculations.

*Deposits and liquidity have exhibited declines in recent quarters but remain generally high….*

### Liquidity and Deposits-to-Loans Ratio

(Percent)

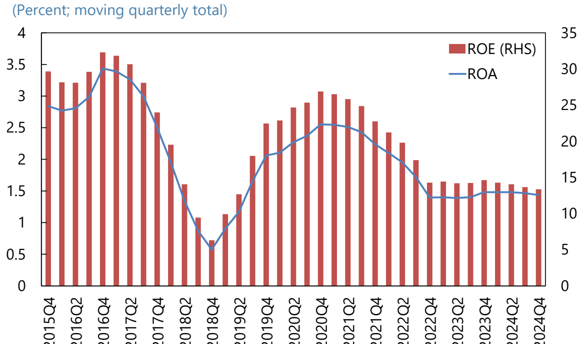



Source: Dominica authorities.

*….with profitability stabilizing in recent years below pre-shock norms.*

### Return on Assets and Return on Equity

(Percent; moving quarterly total)




Sources: Dominica authorities and IMF staff compilation.

## Table 1. Dominica: Selected Economic Indicators, 2020–30

**I. Social and Demographic Indicators**

| | | | |
|---|---|---|---|
| Area (sq. km.) | 754 | Adult literacy rate (percent, 2016) | 94 |
| Population (2023) | | Unemployment rate (2016) | 23 |
| Total | 73,040 | | |
| Annual rate of growth (percent) | 0.4 | | |
| Density (per sq. km.) | 96.9 | Gross Domestic Product (2023) | |
| Population characteristics | | Millions of E.C. dollars | 1,766 |
| Life expectancy at birth (years, 2022) | 73 | Millions of U.S. dollars | 654 |
| Infant mortality (per thousand live births, 2022) | 31 | U.S. dollars per capita | 8,954 |

**II. Economic Indicators**

| | | | | | Prel. | Proj. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| **Output and prices** | (annual percent change, unless otherwise specified) | | | | | | | | | | |
| Real GDP 1/ | -16.6 | 6.9 | 5.6 | 4.7 | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.5 |
| Nominal GDP 1/ | -17.5 | 10.1 | 9.3 | 7.7 | 6.7 | 7.2 | 5.7 | 4.9 | 4.8 | 4.5 | 4.5 |
| Consumer prices | | | | | | | | | | | |
| Period average | -0.7 | 1.6 | 7.7 | 4.2 | 3.1 | 2.8 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| End of period | -0.7 | 3.5 | 8.7 | 2.5 | 2.1 | 3.1 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Central government balances 2/** | (in percent of GDP, unless otherwise specified) | | | | | | | | | | |
| Revenue | 59.1 | 58.8 | 62.3 | 59.1 | 54.5 | 47.5 | 38.4 | 37.8 | 37.6 | 37.5 | 37.2 |
| Taxes | 23.3 | 22.3 | 22.4 | 21.5 | 21.5 | 20.9 | 19.7 | 19.1 | 18.9 | 18.8 | 18.5 |
| Non-tax revenue | 33.3 | 30.9 | 38.4 | 34.0 | 31.0 | 24.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 |
| Grants | 2.4 | 5.5 | 1.5 | 3.6 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Expenditure | 66.6 | 67.0 | 69.5 | 63.6 | 57.4 | 50.2 | 40.6 | 39.4 | 39.0 | 38.5 | 37.8 |
| Current primary expenditure | 36.5 | 37.5 | 31.3 | 27.3 | 27.4 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| Interest payments | 2.1 | 2.6 | 2.9 | 2.5 | 3.0 | 3.0 | 2.8 | 2.6 | 2.5 | 2.5 | 2.6 |
| Capital expenditure | 28.0 | 26.8 | 35.3 | 33.8 | 27.0 | 20.2 | 10.8 | 9.8 | 9.4 | 8.9 | 8.2 |
| Primary balance | -5.4 | -5.6 | -4.3 | -2.0 | 0.1 | 0.4 | 0.7 | 1.0 | 1.2 | 1.5 | 2.0 |
| Primary balance, excluding CBI | -36.7 | -34.8 | -41.0 | -35.0 | -29.9 | -23.3 | -15.0 | -14.7 | -14.5 | -14.2 | -13.7 |
| Overall balance | -7.5 | -8.2 | -7.2 | -4.5 | -2.9 | -2.7 | -2.2 | -1.6 | -1.3 | -1.0 | -0.6 |
| Central government debt (incl. guaranteed) 3/ | 112.5 | 108.5 | 104.3 | 99.8 | 100.6 | 96.9 | 94.1 | 91.5 | 89.0 | 86.4 | 83.4 |
| External | 70.9 | 70.2 | 66.7 | 64.2 | 69.3 | 65.4 | 66.7 | 67.4 | 68.2 | 69.4 | 68.5 |
| Domestic | 41.6 | 38.3 | 37.6 | 35.7 | 31.3 | 31.5 | 27.4 | 24.1 | 20.7 | 16.9 | 14.9 |
| **Money and credit (annual percent change)** | | | | | | | | | | | |
| Broad money (M2) | -9.9 | 1.9 | -1.3 | -0.4 | 4.2 | 6.2 | 5.7 | 4.9 | 4.8 | 4.5 | 4.5 |
| Credit to the private sector | -0.3 | 3.6 | 2.7 | -3.6 | -1.5 | 1.2 | 3.7 | 5.0 | 6.9 | 6.6 | 4.5 |
| **External Sector** | (in percent of GDP, unless otherwise specified) | | | | | | | | | | |
| Terms of Trade (% change) | 11.9 | -11.1 | -6.2 | 2.6 | 1.3 | 0.3 | -0.4 | -0.8 | -1.2 | -1.1 | 0.0 |
| Current account balance, of which: | -37.0 | -33.5 | -27.0 | -34.2 | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Exports of goods and services | 20.0 | 21.2 | 28.6 | 28.9 | 31.8 | 35.0 | 33.9 | 33.9 | 35.8 | 35.9 | 36.2 |
| Imports of goods and services 4/ | 60.0 | 57.1 | 58.3 | 63.8 | 65.5 | 66.5 | 58.1 | 52.1 | 51.0 | 51.2 | 50.5 |
| Capital and financial account 5/ | 36.2 | 28.0 | 29.1 | 36.2 | 33.5 | 31.0 | 23.6 | 17.6 | 14.6 | 14.8 | 13.8 |
| FDI | 4.6 | 4.7 | 2.9 | 7.2 | 7.0 | 5.6 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Capital transfers | 23.0 | 29.1 | 21.6 | 30.4 | 21.8 | 23.0 | 14.6 | 8.4 | 8.1 | 10.6 | 13.8 |
| of which Citizenship By Investment | 23.2 | 30.2 | 33.1 | 34.8 | 31.5 | 26.7 | 19.5 | 15.7 | 15.7 | 15.7 | 15.7 |
| Other (incl. errors and omissions) | 8.6 | -5.8 | 4.6 | -1.4 | 4.7 | 2.4 | 3.6 | 3.8 | 1.0 | -1.3 | -5.5 |
| External debt (gross) 6/ | 107.6 | 87.5 | 100.2 | 86.9 | 89.7 | 82.1 | 83.5 | 83.1 | 83.5 | 84.3 | 83.1 |
| **Saving-Investment Balance** | -37.0 | -33.5 | -27.0 | -34.2 | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Saving | -12.9 | 1.7 | 10.3 | 3.9 | 2.4 | -2.7 | -3.5 | -2.5 | -0.2 | -0.8 | -0.4 |
| Investment | 24.0 | 35.3 | 37.3 | 38.1 | 34.7 | 27.7 | 19.6 | 14.6 | 13.9 | 13.5 | 12.9 |
| Public | 21.0 | 28.3 | 32.3 | 36.1 | 32.2 | 25.2 | 17.1 | 12.1 | 11.4 | 11.0 | 10.4 |
| Private | 3.0 | 7.0 | 5.0 | 2.0 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| **Memorandum items:** | | | | | | | | | | | |
| Nominal GDP (EC$ millions) | 1,361 | 1,499 | 1,639 | 1,766 | 1,885 | 2,020 | 2,135 | 2,240 | 2,348 | 2,453 | 2,563 |
| Nominal GDP, fiscal year (EC$ millions) | 1,430 | 1,569 | 1,703 | 1,825 | 1,952 | 2,077 | 2,188 | 2,294 | 2,400 | 2,508 | 2,619 |
| Net imputed international reserves: | | | | | | | | | | | |
| End-year (millions of U.S. dollars) | 165.6 | 165.2 | 182.3 | 164.2 | 168.3 | 179.8 | 192.2 | 203.9 | 216.3 | 228.6 | 241.7 |
| Months of imports of goods and services | 6.6 | 6.2 | 6.2 | 4.7 | 4.4 | 4.3 | 5.0 | 5.7 | 5.9 | 5.9 | 6.0 |
| Holdings of SDRs (millions of SDRs) | 0.2 | 11.1 | 9.6 | 8.0 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 |

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.
1/ At market prices.
2/ Data for fiscal years from July to June. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year.
3/ Includes estimated commitments under the Petrocaribe arrangement with Venezuela.
4/ Includes public capital expenditure induced imports from 2019 onwards to account for possible mitigation of natural disasters.
5/ Positive sign means inflow.
6/ Comprises public sector external debt, foreign liabilities of commercial banks, and other private debt. Calendar year basis.

## Table 2. Dominica: Balance of Payments, 2020–30

| | | | | | Prel. | Proj. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| | | | | | (in millions of U.S. dollars) | | | | | | |
| **Current account balance** | **-186.4** | **-186.1** | **-163.7** | **-223.6** | **-225.0** | **-227.6** | **-182.7** | **-141.7** | **-122.8** | **-129.5** | **-126.1** |
| Exports of goods and services, of which: 1/ | 100.9 | 117.7 | 173.9 | 188.8 | 222.1 | 261.7 | 267.9 | 281.6 | 311.2 | 326.3 | 343.9 |
| Goods | 17.7 | 21.3 | 25.0 | 25.9 | 15.8 | 17.4 | 18.2 | 19.0 | 19.9 | 20.8 | 21.7 |
| Tourism | 34.9 | 25.2 | 75.2 | 98.9 | 135.7 | 174.0 | 183.6 | 197.9 | 223.5 | 234.7 | 248.2 |
| Imports of goods and services | 302.3 | 317.2 | 354.3 | 417.2 | 456.8 | 497.5 | 459.5 | 432.7 | 443.5 | 465.5 | 479.7 |
| Fuel | 32.7 | 45.4 | 52.5 | 57.1 | 53.2 | 49.7 | 46.4 | 44.5 | 42.8 | 45.0 | 47.4 |
| Food | 40.6 | 39.5 | 45.7 | 54.4 | 47.5 | 49.4 | 50.9 | 52.8 | 54.7 | 56.7 | 58.9 |
| Other goods 2/ | 114.3 | 117.7 | 136.7 | 154.0 | 201.1 | 237.0 | 205.5 | 179.8 | 183.7 | 192.7 | 191.1 |
| Services | 114.6 | 114.6 | 119.3 | 151.7 | 155.1 | 161.3 | 156.7 | 155.6 | 162.3 | 171.1 | 182.3 |
| Net income, of which: | 8.7 | 0.5 | 2.9 | -0.4 | 2.7 | 0.9 | 1.4 | 1.7 | 1.6 | 1.6 | 1.6 |
| Interest payments (public sector) | 5.5 | 4.5 | 7.2 | 9.5 | 8.1 | 7.0 | 6.9 | 7.1 | 7.6 | 8.0 | 8.5 |
| Net current transfers | 6.4 | 12.9 | 13.7 | 5.1 | 7.1 | 7.3 | 7.5 | 7.7 | 7.9 | 8.1 | 8.2 |
| **Capital account** | **115.7** | **161.4** | **131.0** | **198.6** | **152.1** | **172.2** | **115.1** | **69.3** | **70.7** | **96.2** | **131.2** |
| Capital transfers | 115.7 | 161.4 | 131.0 | 198.6 | 152.1 | 172.2 | 115.1 | 69.3 | 70.7 | 96.2 | 0.0 |
| of which Citizenship By Investment | 116.7 | 167.9 | 200.7 | 227.3 | 220.0 | 199.4 | 154.4 | 130.1 | 136.3 | 142.5 | 148.8 |
| **Financial account 3/** | **-66.8** | **6.1** | **-45.8** | **-37.9** | **-81.4** | **-59.6** | **-71.9** | **-76.7** | **-56.5** | **-37.8** | **0.5** |
| Public sector flows | -33.0 | -46.1 | -22.7 | -12.8 | -40.1 | -34.5 | -19.9 | -35.1 | -32.9 | -36.0 | -29.1 |
| Foreign direct investment | -23.2 | -26.0 | -17.7 | -47.2 | -48.9 | -41.8 | -43.4 | -45.5 | -47.7 | -49.8 | -52.0 |
| Commercial banks | -6.2 | -29.9 | 40.3 | 14.5 | 2.4 | -4.2 | -4.3 | -4.4 | -4.5 | -4.6 | -4.8 |
| Other private flows 4/ | -7.6 | 77.7 | -49.9 | 38.5 | 9.6 | 21.0 | -4.4 | 8.3 | 28.6 | 52.6 | 86.4 |
| **Errors and omissions 5/** | **3.2** | **30.4** | **4.1** | **-31.0** | **-4.5** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Overall balance** | **-0.7** | **-0.4** | **17.2** | **-18.1** | **4.1** | **4.2** | **4.3** | **4.3** | **4.4** | **4.5** | **4.6** |
| | | | | | (in percent of GDP) | | | | | | |
| **Current account balance** | **-37.0** | **-33.5** | **-27.0** | **-34.2** | **-32.2** | **-30.4** | **-23.1** | **-17.1** | **-14.1** | **-14.3** | **-13.3** |
| Exports of goods and services, of which: 1/ | 20.0 | 21.2 | 28.6 | 28.9 | 31.8 | 35.0 | 33.9 | 33.9 | 35.8 | 35.9 | 36.2 |
| Goods | 3.5 | 3.8 | 4.1 | 4.0 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Tourism | 6.9 | 4.5 | 12.4 | 15.1 | 19.4 | 23.3 | 23.2 | 23.8 | 25.7 | 25.8 | 26.1 |
| Imports of goods and services | 60.0 | 57.1 | 58.3 | 63.8 | 65.5 | 66.5 | 58.1 | 52.1 | 51.0 | 51.2 | 50.5 |
| Fuel | 6.5 | 8.2 | 8.7 | 8.7 | 7.6 | 6.7 | 5.9 | 5.4 | 4.9 | 5.0 | 5.0 |
| Food | 8.1 | 7.1 | 7.5 | 8.3 | 6.8 | 6.6 | 6.4 | 6.4 | 6.3 | 6.2 | 6.2 |
| Other goods 2/ | 22.7 | 21.2 | 22.5 | 23.5 | 28.8 | 31.7 | 26.0 | 21.7 | 21.1 | 21.2 | 20.1 |
| Services | 22.7 | 20.6 | 19.7 | 23.2 | 22.2 | 21.6 | 19.8 | 18.8 | 18.7 | 18.8 | 19.2 |
| Net income, of which: | 1.7 | 0.1 | 0.5 | -0.1 | 0.4 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Interest payments (public sector) | 1.1 | 0.8 | 1.2 | 1.5 | 1.2 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Net current transfers | 1.3 | 2.3 | 2.3 | 0.8 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| **Capital account** | **23.0** | **29.1** | **21.6** | **30.4** | **21.8** | **23.0** | **14.6** | **8.4** | **8.1** | **10.6** | **13.8** |
| Net acquisition of nonproduced, nonfinancial assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.2 | 0.3 | 0.4 | 0.0 |
| Capital transfers | 23.0 | 29.1 | 21.6 | 30.4 | 21.8 | 23.0 | 14.6 | 8.4 | 8.1 | 10.6 | 0.0 |
| of which Citizenship By Investment | 23.2 | 30.2 | 33.1 | 34.8 | 31.5 | 26.7 | 19.5 | 15.7 | 15.7 | 15.7 | 15.7 |
| **Financial account 3/** | **-13.2** | **1.1** | **-7.6** | **-5.8** | **-11.7** | **-8.0** | **-9.1** | **-9.2** | **-6.5** | **-4.2** | **0.0** |
| Public sector flows | -6.5 | -8.3 | -3.7 | -2.0 | -5.8 | -4.6 | -2.5 | -4.2 | -3.8 | -4.0 | -3.1 |
| Foreign direct investment | -4.6 | -4.7 | -2.9 | -7.2 | -7.0 | -5.6 | -5.5 | -5.5 | -5.5 | -5.5 | -5.5 |
| Commercial banks | -1.2 | -5.4 | 6.6 | 2.2 | 0.3 | -0.6 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 |
| Other private flows 4/ | -1.5 | 14.0 | -8.2 | 5.9 | 1.4 | 2.8 | -0.6 | 1.0 | 3.3 | 5.8 | 9.1 |
| **Errors and omissions 5/** | **0.6** | **5.5** | **0.7** | **-4.7** | **-0.6** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Overall balance** | **-0.1** | **-0.1** | **2.8** | **-2.8** | **0.6** | **0.6** | **0.5** | **0.5** | **0.5** | **0.5** | **0.5** |
| **Memorandum items:** | | | | | | | | | | | |
| Trade balance (percent of GDP) | -33.7 | -32.6 | -34.6 | -36.6 | -41.0 | -42.6 | -36.0 | -31.1 | -30.1 | -30.1 | -29.1 |
| Goods Export Volumes (% change) | -16.4 | 19.3 | 16.3 | 2.8 | -39.5 | 10.0 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Goods Import Volumes (% change) | -25.5 | -4.8 | 7.9 | 14.9 | 13.8 | 12.3 | -10.6 | -9.4 | 0.3 | 3.5 | -0.1 |
| Goods Terms of Trade (% change) | 11.9 | -11.1 | -6.2 | 2.6 | 1.3 | 0.3 | -0.4 | -0.8 | -1.2 | -1.1 | 0.0 |
| Services balance (percent of GDP) | -6.2 | -3.3 | 4.9 | 1.7 | 7.3 | 11.1 | 11.8 | 12.9 | 14.8 | 14.8 | 14.7 |
| Goods and Services Export Volumes (% change) | -50.2 | 16.7 | 47.8 | 8.6 | 17.6 | 17.9 | 2.3 | 5.1 | 10.5 | 4.9 | 5.4 |
| Goods and Services Import Volumes (% change) | -31.0 | 4.1 | 10.8 | 16.8 | 8.6 | 8.9 | -7.7 | -5.8 | 2.5 | 5.0 | 3.1 |
| Net imputed international reserves: | | | | | | | | | | | |
| Millions of U.S. dollars | 165.6 | 165.2 | 182.3 | 164.2 | 168.3 | 179.8 | 192.2 | 203.9 | 216.3 | 228.6 | 241.7 |
| Months of imports of goods and services | 6.6 | 6.2 | 6.2 | 4.7 | 4.4 | 4.3 | 5.0 | 5.7 | 5.9 | 5.9 | 6.0 |
| Gross external debt (in percent of GDP) 6/ | 107.6 | 87.5 | 100.2 | 86.9 | 89.7 | 82.1 | 83.5 | 83.1 | 83.5 | 84.3 | 83.1 |
| Public sector | 70.9 | 70.2 | 66.7 | 64.2 | 69.3 | 65.4 | 66.7 | 67.4 | 68.2 | 69.4 | 68.5 |
| Private sector | 36.7 | 17.3 | 33.5 | 22.7 | 20.4 | 16.7 | 16.7 | 15.7 | 15.2 | 14.9 | 14.5 |
| GDP (in US$ millions) | 504.2 | 555.3 | 607.2 | 654.0 | 698.0 | 748.0 | 790.7 | 829.8 | 869.5 | 908.4 | 949.1 |

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); donor organizations; and Fund staff estimates and projections.

1/ Includes revised historical data from 2014 onwards on exports of tourism services.

2/ Includes public capital expenditure induced imports from 2019 onwards, to account for possible mitigation of natural disasters.

3/ Positive values indicate net outflows (i.e., net acquisition of financial assets).

4/ Assumed to cover the residual financing needs over the projection period.

5/ Large errors and omissions in 2016 and 2017 are presumed to be driven by inconsistent timing of the recording of CBI revenue; the 2016-17 errors and omissions average is 6 percent of GDP.

6/ Comprises external public sector debt, gross liabilities of commercial banks, and other private debt that covers the projected financing needs. Calendar year basis.

## Table 3a. Dominica: Statement of Operations of the Central Government, 2020-30 1/2/

(In millions of Eastern Caribbean Dollars)

| | 2020 | 2021 | 2022 | 2023 | Est. 2024 | Proj. 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (in millions of Eastern Caribbean dollars) | | | | | | | | | | |
| **Revenue** | **845.2** | **922.2** | **1,060.2** | **1,079.4** | **1,064.4** | **987.2** | **840.6** | **867.1** | **903.1** | **940.0** | **974.8** |
| Taxes | 333.3 | 350.2 | 380.9 | 393.1 | 419.9 | 433.6 | 431.7 | 438.3 | 454.5 | 471.3 | 485.3 |
| Taxes on income | 57.1 | 50.2 | 54.4 | 56.3 | 63.9 | 68.0 | 71.7 | 75.1 | 78.6 | 82.1 | 85.8 |
| Taxes on property | 9.6 | 8.1 | 8.7 | 10.5 | 10.9 | 11.6 | 12.3 | 12.8 | 13.4 | 14.0 | 14.7 |
| Taxes on goods and services | 194.3 | 211.2 | 228.4 | 232.6 | 241.0 | 249.8 | 249.8 | 255.1 | 263.6 | 273.8 | 281.6 |
| Taxes on international trade and transactions | 72.3 | 80.7 | 89.3 | 93.6 | 104.0 | 104.2 | 98.1 | 95.2 | 98.8 | 101.4 | 103.2 |
| Grants | 35.0 | 86.7 | 26.0 | 65.4 | 39.0 | 41.5 | 43.8 | 45.9 | 48.0 | 50.2 | 52.4 |
| Other revenue | 476.9 | 485.3 | 653.3 | 620.9 | 605.5 | 512.1 | 365.1 | 382.9 | 400.6 | 418.5 | 437.1 |
| Property income | 1.6 | 2.1 | 1.8 | 0.6 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 |
| Sales, fees, and fines | 12.7 | 12.3 | 13.0 | 11.9 | 12.7 | 13.5 | 14.2 | 14.9 | 15.6 | 16.3 | 17.1 |
| Other nontax revenue, of which: | 462.6 | 470.9 | 638.5 | 608.3 | 592.1 | 497.8 | 350.1 | 367.1 | 384.1 | 401.3 | 419.1 |
| Citizenship-by-Investment | 448.0 | 458.6 | 625.3 | 602.3 | 585.6 | 491.0 | 342.9 | 359.6 | 376.2 | 393.1 | 410.5 |
| **Expenditure** | **953.0** | **1,051.2** | **1,183.0** | **1,161.7** | **1,120.9** | **1,042.6** | **888.0** | **904.3** | **935.0** | **965.7** | **989.5** |
| **Expense** | **552.9** | **630.1** | **581.8** | **544.8** | **593.8** | **623.5** | **652.7** | **680.1** | **709.0** | **741.3** | **774.8** |
| Compensation of employees | 164.5 | 177.4 | 149.5 | 142.2 | 174.4 | 185.7 | 195.9 | 205.6 | 215.2 | 224.9 | 234.9 |
| Purchase of goods and services | 247.3 | 300.7 | 244.6 | 235.3 | 226.4 | 232.7 | 245.0 | 256.9 | 268.8 | 280.9 | 293.3 |
| Interest | 30.3 | 41.1 | 49.3 | 46.5 | 59.3 | 62.9 | 62.0 | 60.5 | 60.7 | 63.8 | 67.3 |
| Grants and social benefits (transfers and subsidies) | 111.0 | 111.1 | 139.6 | 123.5 | 136.6 | 145.4 | 153.1 | 160.6 | 168.0 | 175.5 | 183.3 |
| Other expense | -0.3 | -0.2 | -1.2 | -2.8 | -3.0 | -3.2 | -3.3 | -3.5 | -3.7 | -3.8 | -4.0 |
| Net lending | -0.3 | -0.2 | -1.2 | -2.8 | -3.0 | -3.2 | -3.3 | -3.5 | -3.7 | -3.8 | -4.0 |
| **Net acquisition of nonfinancial assets** | **400.0** | **421.1** | **601.1** | **616.9** | **527.1** | **419.1** | **235.3** | **224.1** | **226.0** | **224.4** | **214.8** |
| Grant-financed capital expenditure | 39.9 | 84.1 | 86.5 | 38.2 | 39.0 | 41.5 | 43.8 | 45.9 | 48.0 | 50.2 | 52.4 |
| Other capital expenditure | 362.0 | 337.1 | 523.2 | 597.0 | 507.6 | 398.3 | 213.4 | 201.2 | 202.0 | 199.3 | 188.6 |
| Capital revenue | -1.9 | -0.1 | -8.6 | -18.2 | -19.5 | -20.8 | -21.9 | -22.9 | -24.0 | -25.1 | -26.2 |
| **Net lending/borrowing (overall balance)** | **-107.7** | **-129.0** | **-122.7** | **-82.4** | **-56.6** | **-55.4** | **-47.4** | **-37.2** | **-32.0** | **-25.7** | **-14.8** |
| **Net financial transactions** | **107.7** | **129.0** | **122.7** | **82.4** | **56.6** | **55.4** | **47.4** | **37.2** | **32.0** | **25.7** | **14.8** |
| **Net acquisition of financial assets** | **-32.3** | **43.1** | **87.2** | **40.0** | **30.0** | **10.0** | **5.0** | **2.0** | **0.0** | **0.0** | **0.0** |
| Currency and deposits | -32.3 | 43.1 | 87.2 | 40.0 | 30.0 | 10.0 | 5.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| **Net incurrence of liabilities** | **142.1** | **86.2** | **55.5** | **75.5** | **137.3** | **45.4** | **42.4** | **35.2** | **32.0** | **25.7** | **14.8** |
| Domestic | -22.2 | -2.3 | 15.8 | 41.4 | 12.8 | 73.3 | -51.3 | -27.8 | -30.7 | -46.6 | -4.6 |
| Foreign | 164.3 | 88.5 | 39.7 | 34.0 | 124.4 | -27.9 | 93.6 | 63.0 | 62.6 | 72.3 | 19.3 |
| **Other flows** | **-2.1** | **-0.2** | **-19.9** | **-33.1** | **-110.7** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Memorandum items:** | | | | | | | | | | | |
| Primary balance | -77.4 | -87.9 | -73.4 | -35.8 | 2.7 | 7.5 | 14.6 | 23.3 | 28.7 | 38.2 | 52.5 |
| Citizenship By Investment, fiscal year (U.S. million dollars) | 165.9 | 169.9 | 231.6 | 223.1 | 216.9 | 181.8 | 127.0 | 133.2 | 139.3 | 145.6 | 152.0 |
| Public sector debt 3/ | 1,608 | 1,703 | 1,776 | 1,822 | 1,963 | 2,013 | 2,060 | 2,099 | 2,136 | 2,166 | 2,185 |
| Domestic | 595 | 601 | 640 | 651 | 611 | 655 | 600 | 552 | 498 | 424 | 391 |
| Central Governement | 524 | 521 | 537 | 579 | 591 | 665 | 614 | 586 | 555 | 508 | 504 |
| Rest of public sector | 71 | 79 | 103 | 72 | 19 | -9 | -14 | -34 | -57 | -84 | -113 |
| Foreign | 1,014 | 1,102 | 1,136 | 1,171 | 1,353 | 1,358 | 1,460 | 1,547 | 1,638 | 1,742 | 1,795 |
| Central Governement | 791 | 880 | 919 | 953 | 1,078 | 1,050 | 1,143 | 1,206 | 1,269 | 1,341 | 1,361 |
| Rest of public sector | 222 | 222 | 217 | 218 | 275 | 308 | 316 | 341 | 368 | 400 | 434 |
| Domestic arrears, fiscal year (EC$ millions) | 84.7 | 121.6 | 105.4 | 80.1 | … | … | … | … | … | … | … |
| Nominal GDP, fiscal year (EC$ millions) | 1,430 | 1,569 | 1,703 | 1,825 | 1,952 | 2,077 | 2,188 | 2,294 | 2,400 | 2,508 | 2,619 |

Sources: Dominican authorities; and Fund staff estimates and projections.

1/ The GFSM 2001 format presentation is an approximation, and is based on the GFS 1986 format data.

2/ Fiscal year (July-June) basis. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year.

3/ Includes debt of SOEs guaranteed by the central government, and commitments under the Petrocaribe arrangement with Venezuela.

## Table 3b. Dominica: Statement of Operations of the Central Government, 2020-30 1/2/

(In Percent of GDP)

| | 2020 | 2021 | 2022 | 2023 | Est. 2024 | Proj. 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (in percent of GDP) | | | | | | |
| **Revenue** | **59.1** | **58.8** | **62.3** | **59.1** | **54.5** | **47.5** | **38.4** | **37.8** | **37.6** | **37.5** | **37.2** |
| Taxes | 23.3 | 22.3 | 22.4 | 21.5 | 21.5 | 20.9 | 19.7 | 19.1 | 18.9 | 18.8 | 18.5 |
| Taxes on income | 4.0 | 3.2 | 3.2 | 3.1 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Taxes on property | 0.7 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Taxes on goods and services | 13.6 | 13.5 | 13.4 | 12.7 | 12.3 | 12.0 | 11.4 | 11.1 | 11.0 | 10.9 | 10.8 |
| Taxes on international trade and transactions | 5.1 | 5.1 | 5.2 | 5.1 | 5.3 | 5.0 | 4.5 | 4.2 | 4.1 | 4.0 | 3.9 |
| Grants | 2.4 | 5.5 | 1.5 | 3.6 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Other revenue | 33.3 | 30.9 | 38.4 | 34.0 | 31.0 | 24.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 |
| Property income | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sales, fees, and fines | 0.9 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Other nontax revenue, of which: | 32.3 | 30.0 | 37.5 | 33.3 | 30.3 | 24.0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |
| Citizenship-by-Investment | 31.3 | 29.2 | 36.7 | 33.0 | 30.0 | 23.6 | 15.7 | 15.7 | 15.7 | 15.7 | 15.7 |
| **Expenditure** | **66.6** | **67.0** | **69.5** | **63.6** | **57.4** | **50.2** | **40.6** | **39.4** | **39.0** | **38.5** | **37.8** |
| **Expense** | **38.7** | **40.2** | **34.2** | **29.8** | **30.4** | **30.0** | **29.8** | **29.6** | **29.5** | **29.6** | **29.6** |
| Compensation of employees | 11.5 | 11.3 | 8.8 | 7.8 | 8.9 | 8.9 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Purchase of goods and services | 17.3 | 19.2 | 14.4 | 12.9 | 11.6 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 |
| Interest | 2.1 | 2.6 | 2.9 | 2.5 | 3.0 | 3.0 | 2.8 | 2.6 | 2.5 | 2.5 | 2.6 |
| Grants and social benefits (transfers and subsidies) | 7.8 | 7.1 | 8.2 | 6.8 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Other expense | 0.0 | 0.0 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| Net lending | 0.0 | 0.0 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| **Net acquisition of nonfinancial assets** | **28.0** | **26.8** | **35.3** | **33.8** | **27.0** | **20.2** | **10.8** | **9.8** | **9.4** | **8.9** | **8.2** |
| Grant-financed capital expenditure | 2.8 | 5.4 | 5.1 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Other capital expenditure | 25.3 | 21.5 | 30.7 | 32.7 | 26.0 | 19.2 | 9.8 | 8.8 | 8.4 | 7.9 | 7.2 |
| Capital revenue | -0.1 | 0.0 | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 |
| **Net lending/borrowing (overall balance)** | **-7.5** | **-8.2** | **-7.2** | **-4.5** | **-2.9** | **-2.7** | **-2.2** | **-1.6** | **-1.3** | **-1.0** | **-0.6** |
| **Net financial transactions** | **7.5** | **8.2** | **7.2** | **4.5** | **2.9** | **2.7** | **2.2** | **1.6** | **1.3** | **1.0** | **0.6** |
| **Net acquisition of financial assets** | **-2.3** | **2.7** | **5.1** | **2.2** | **1.5** | **0.5** | **0.2** | **0.1** | **0.0** | **0.0** | **0.0** |
| Currency and deposits | -2.3 | 2.7 | 5.1 | 2.2 | 1.5 | 0.5 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Net incurrence of liabilities** | **9.9** | **5.5** | **3.3** | **4.1** | **7.0** | **2.2** | **1.9** | **1.5** | **1.3** | **1.0** | **0.6** |
| Domestic | -1.6 | -0.1 | 0.9 | 2.3 | 0.7 | 3.5 | -2.3 | -1.2 | -1.3 | -1.9 | -0.2 |
| Foreign | 11.5 | 5.6 | 2.3 | 1.9 | 6.4 | -1.3 | 4.3 | 2.7 | 2.6 | 2.9 | 0.7 |
| **Other flows** | **-0.1** | **0.0** | **-1.2** | **-1.8** | **-5.7** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Memorandum items:** | | | | | | | | | | | |
| Primary balance | -5.4 | -5.6 | -4.3 | -2.0 | 0.1 | 0.4 | 0.7 | 1.0 | 1.2 | 1.5 | 2.0 |
| Citizenship By Investment | 23.2 | 30.2 | 33.1 | 34.8 | 31.5 | 26.7 | 19.5 | 15.7 | 15.7 | 15.7 | 15.7 |
| Primary balance (excl. CBI) | -36.7 | -34.8 | -41.0 | -35.0 | -29.9 | -23.3 | -15.0 | -14.7 | -14.5 | -14.2 | -13.7 |
| Overall balance (excl. CBI) | -38.9 | -37.4 | -43.9 | -37.5 | -32.9 | -26.3 | -17.8 | -17.3 | -17.0 | -16.7 | -16.2 |
| Public sector debt 3/ | 112.5 | 108.5 | 104.3 | 99.8 | 100.6 | 96.9 | 94.1 | 91.5 | 89.0 | 86.4 | 83.4 |
| Domestic | 41.6 | 38.3 | 37.6 | 35.7 | 31.3 | 31.5 | 27.4 | 24.1 | 20.7 | 16.9 | 14.9 |
| Central Governement | 36.6 | 33.2 | 31.5 | 31.7 | 30.3 | 32.0 | 28.0 | 25.5 | 23.1 | 20.3 | 19.2 |
| Rest of public sector | 5.0 | 5.0 | 6.0 | 4.0 | 1.0 | -0.5 | -0.6 | -1.5 | -2.4 | -3.4 | -4.3 |
| Foreign | 70.9 | 70.2 | 66.7 | 64.2 | 69.3 | 65.4 | 66.7 | 67.4 | 68.2 | 69.4 | 68.5 |
| Central Governement | 55.3 | 56.1 | 54.0 | 52.2 | 55.2 | 50.5 | 52.3 | 52.6 | 52.9 | 53.5 | 52.0 |
| Rest of public sector | 15.6 | 14.2 | 12.7 | 11.9 | 14.1 | 14.8 | 14.5 | 14.9 | 15.4 | 16.0 | 16.6 |
| Domestic arrears | 5.9 | 7.8 | 6.2 | 4.4 | ... | ... | ... | ... | ... | ... | ... |
| Nominal GDP, fiscal year (EC$ millions) | 1,430 | 1,569 | 1,703 | 1,825 | 1,952 | 2,077 | 2,188 | 2,294 | 2,400 | 2,508 | 2,619 |

Sources: Dominican authorities; and Fund staff estimates and projections.
1/ The GFSM 2001 format presentation is an approximation, and is based on the GFS 1986 format data.
2/ Fiscal year (July-June) basis. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year.
3/ Includes debt of SOEs guaranteed by the central government, and commitments under the Petrocaribe arrangement with Venezuela.

## Table 4. Dominica: Summary Accounts of the Banking System, 2020–30

| | 2020 | 2021 | 2022 | 2023 | Prel. 2024 | Proj. 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (in millions of Eastern Caribbean dollars, end of period) | | | | | | | | | | |
| **Net foreign assets** | **963** | **971** | **925** | **949** | **944** | **964** | **988** | **1013** | **1039** | **1065** | **1093** |
| Central Bank | 447 | 446 | 492 | 443 | 454 | 486 | 519 | 551 | 584 | 617 | 652 |
| Commercial Banks (net) | 516 | 525 | 433 | 505 | 489 | 478 | 469 | 462 | 455 | 448 | 441 |
| **Net domestic assets** | **426** | **444** | **471** | **442** | **505** | **576** | **639** | **695** | **751** | **805** | **860** |
| Public sector credit, net | 118 | 200 | 197 | 171 | 202 | 214 | 222 | 226 | 228 | 231 | 233 |
| (real terms) | 113 | 185 | 168 | 142 | 168 | 173 | 175 | 174 | 173 | 171 | 170 |
| Central Government | 299 | 387 | 349 | 390 | 422 | 434 | 441 | 445 | 448 | 450 | 453 |
| Private sector credit | 725 | 751 | 771 | 744 | 733 | 742 | 769 | 808 | 863 | 920 | 961 |
| (real terms) | 694 | 695 | 657 | 618 | 609 | 598 | 606 | 624 | 654 | 683 | 699 |
| Other items (net) | -416 | -507 | -497 | -472 | -430 | -380 | -352 | -338 | -341 | -346 | -334 |
| **Money and quasi-money (M2)** | **1,389** | **1,415** | **1,397** | **1,390** | **1,449** | **1,540** | **1,627** | **1,708** | **1,790** | **1,870** | **1,954** |
| Money | 330 | 460 | 485 | 490 | 517 | 550 | 581 | 610 | 639.3 | 667.9 | 697.8 |
| Quasi-money | 1,059 | 955 | 912 | 900 | 932 | 990 | 1,046 | 1,098 | 1,150.5 | 1,201.9 | 1,255.8 |
| | (12-month percentage change) | | | | | | | | | | |
| **Net foreign assets** | **9.5** | **0.9** | **-4.7** | **2.5** | **-0.5** | **2.1** | **2.5** | **2.5** | **2.6** | **2.5** | **2.6** |
| **Net domestic assets, of which:** | **-35.7** | **4.1** | **6.1** | **-6.2** | **14.4** | **14.0** | **11.0** | **8.8** | **8.0** | **7.2** | **6.9** |
| Public sector credit, net | -37.0 | 70.1 | -1.3 | -13.5 | 18.7 | 5.9 | 3.3 | 1.9 | 1.1 | 1.1 | 1.2 |
| (real terms) | -36.6 | 64.3 | -9.2 | -15.6 | 18.7 | 2.7 | 1.0 | -0.1 | -0.9 | -0.9 | -0.8 |
| Private sector credit | -0.3 | 3.6 | 2.7 | -3.6 | -1.5 | 1.2 | 3.7 | 5.0 | 6.9 | 6.6 | 4.5 |
| (real terms) | 0.4 | 0.1 | -5.5 | -5.9 | -1.5 | -1.8 | 1.4 | 2.9 | 4.8 | 4.5 | 2.4 |
| **Broad money** | **-9.9** | **1.9** | **-1.3** | **-0.4** | **4.2** | **6.2** | **5.7** | **4.9** | **4.8** | **4.5** | **4.5** |
| NFA contribution | 5.4 | 0.6 | -3.2 | 1.7 | -0.3 | 1.4 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 |
| NDA contribution | -15.3 | 1.3 | 1.9 | -2.1 | 4.6 | 4.9 | 4.1 | 3.5 | 3.2 | 3.0 | 3.0 |
| Money | -10.1 | 39.3 | 5.4 | 1.0 | 5.5 | 6.4 | 5.7 | 4.9 | 4.8 | 4.5 | 4.5 |
| NFA contribution | -0.5 | -0.3 | 10.1 | -10.1 | 2.3 | 6.0 | 6.1 | 5.4 | 5.5 | 5.2 | 5.3 |
| NDA contribution | -9.6 | 39.6 | -4.6 | 11.1 | 3.3 | 0.4 | -0.4 | -0.5 | -0.7 | -0.7 | -0.8 |
| **Broad money (real terms)** | **-9.3** | **-1.6** | **-9.2** | **-2.9** | **4.2** | **3.0** | **3.3** | **2.9** | **2.7** | **2.4** | **2.4** |
| | (in percent of GDP) | | | | | | | | | | |
| **Net foreign assets** | **70.7** | **64.8** | **56.5** | **53.7** | **50.1** | **47.7** | **46.3** | **45.2** | **44.3** | **43.4** | **42.7** |
| **Net domestic assets** | **31.3** | **29.6** | **28.7** | **25.0** | **26.8** | **28.5** | **29.9** | **31.0** | **32.0** | **32.8** | **33.6** |
| Public sector credit, net | 8.6 | 13.3 | 12.0 | 9.7 | 10.7 | 10.6 | 10.4 | 10.1 | 9.7 | 9.4 | 9.1 |
| Private sector credit | 53.2 | 50.1 | 47.0 | 42.1 | 38.9 | 36.7 | 36.0 | 36.0 | 36.8 | 37.5 | 37.5 |
| **Broad Money** | **102.0** | **94.4** | **85.2** | **78.7** | **76.9** | **76.2** | **76.2** | **76.2** | **76.2** | **76.2** | **76.2** |
| Money | 24.3 | 30.7 | 29.6 | 27.7 | 27.4 | 27.2 | 27.2 | 27.2 | 27.2 | 27.2 | 27.2 |
| Quasi-money | 77.8 | 63.7 | 55.6 | 51.0 | 49.5 | 49.0 | 49.0 | 49.0 | 49.0 | 49.0 | 49.0 |
| **Interest rates (percent) 1/** | | | | | | | | | | | |
| ECCB policy rate | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | ... | ... | ... | ... | ... | ... |
| U.S. policy rate | 0.1 | 0.1 | 4.1 | 5.5 | 4.5 | ... | ... | ... | ... | ... | ... |
| Time deposit rate | 3.1 | 3.1 | 3.1 | 3.1 | 3.0 | ... | ... | ... | ... | ... | ... |
| Demand deposit rate | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | ... | ... | ... | ... | ... | ... |
| Savings deposit rate | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | ... | ... | ... | ... | ... | ... |

Sources: Eastern Caribbean Central Banks (ECCB); and Fund staff estimates and projections.

1/ End-period rates.

## Table 5a. Dominica: Financial Stability Indicators—Commercial Banks, 2014–24

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital Adequacy** | | | | | | | | | | | |
| Regulatory capital ratio 1/ | 11.9 | 12.9 | 15.6 | 13.3 | 12.5 | 13.9 | 18.9 | 18.3 | 15.9 | 27.5 | 15.0 |
| **Asset quality** | | | | | | | | | | | |
| Nonperforming loans to total gross loans | 14.2 | 15.1 | 14.5 | 17.4 | 17.0 | 12.2 | 15.0 | 15.7 | 13.8 | 12.9 | 11.8 |
| Nonperforming loans net of provisions to capital | 111.9 | 105.3 | 93.7 | 72.2 | 73.7 | 101.2 | 116.5 | 78.4 | 74.4 | 55.5 | 39.1 |
| **Earnings and Profitability** | | | | | | | | | | | |
| Return on Assets | -0.1 | 0.1 | 0.8 | -1.5 | -0.8 | 2.9 | 0.9 | 0.2 | -0.9 | 0.9 | 0.4 |
| Return on Equity | -1.9 | 2.4 | 22.2 | -39.1 | -15.0 | 60.4 | 24.0 | 3.0 | -14.3 | 13.0 | 6.9 |
| Interest Margin to Gross Income | 48.0 | 49.6 | 56.3 | 56.5 | 54.3 | 59.8 | 50.3 | 48.8 | 52.1 | 54.3 | 47.9 |
| **Liquidity** | | | | | | | | | | | |
| Liquid Assets to Short-term liabilities | 47.5 | 53.9 | 61.2 | 70.5 | 61.7 | 53.2 | 56.8 | 53.1 | 55.6 | 58.2 | 56.0 |
| Liquid Assets to Total Assets | 39.8 | 46.9 | 54.5 | 62.5 | 56.3 | 46.7 | 48.9 | 46.1 | 48.1 | 50.5 | 48.2 |

Source: ECCB

1/ Total Capital over risk weighted assets.

## Table 5b. Dominica: Financial Stability Indicators—Credit Unions, 2014–24

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital Adequacy** | | | | | | | | | | | |
| Regulatory capital ratio | 8.65 | 3.38 | 8.75 | 8.13 | 7.64 | 7.58 | 8.19 | 8.48 | 8.17 | 8.11 | 9.08 |
| **Asset quality** | | | | | | | | | | | |
| Nonperforming loans to total gross loans | 8.78 | 40.93 | 14.53 | 15.06 | 13.89 | 12.70 | 15.31 | 16.79 | 14.61 | 12.83 | 12.54 |
| Nonperforming loans net of provisions to capital | 40.71 | 770.96 | 81.82 | 83.42 | 69.07 | 53.30 | 65.46 | 74.99 | 54.46 | 53.80 | 47.87 |
| **Earnings and Profitability** | | | | | | | | | | | |
| Return on Assets | 0.91 | 1.16 | 1.30 | 0.77 | 0.43 | 0.84 | 1.00 | 0.79 | 0.46 | 0.54 | 0.50 |
| Return on Equity | 8.71 | 21.81 | 11.92 | 7.72 | 4.67 | 9.19 | 10.42 | 8.05 | 4.84 | 5.05 | 4.63 |
| **Liquidity** | | | | | | | | | | | |
| Liquid Assets to Total Assets | 5.83 | 15.23 | 10.12 | 18.08 | 16.86 | 12.09 | 14.06 | 15.71 | 16.95 | 9.76 | 8.04 |

# Annex I. External Sector Assessment

***Overall Assessment.*** *Dominica's external position in 2024 is estimated to be substantially weaker than the level implied by medium-term fundamentals and desirable policies.*[1] *The current account (CA) deficit is estimated to have narrowed to 32.2 percent of GDP in 2024 from 34.2 percent in the previous year. The improvement is primarily due to a stable goods and services trade balance combined with a higher nominal GDP, although net income and net current transfers also increased slightly. While external imbalances are expected to decline over the medium term, the country's vulnerability to natural disasters and high dependency on commodity imports raise external sustainability risks.*

***Potential Policy Responses.*** *Stronger efforts are needed to pursue fiscal consolidation in line with the ECCU's regional debt target and Dominica's national fiscal rule. Mitigating vulnerability to shocks requires earmarking CBI revenue to high-quality resilience building projects, while increasing the allocation to the government's self-insurance fund (VRF) and to external debt amortization. Reforms are needed to raise productivity growth, improve competitiveness, broaden the export base, and advance the transition to renewable energy generation, with the latter helping to reduce the country's reliance on imported fossil fuels. The proposed mix of fiscal consolidation and competitiveness-enhancing structural reforms is critical to strengthen Dominica's resilience to shocks—including from natural disasters—and bring the external sector back to balance.*

**Foreign Assets and Liabilities: Position and Trajectory**

**Background.** The net international investment position (IIP) was estimated to have remained mostly stable in 2024, as the CA deficit was largely financed with CBI revenues. In 2024, roughly half (49.6 percent) of the assets were held by deposit-taking institutions other than the central bank, either in the form of currency and deposits (50.2 percent of total assets) or equity and fund shares (5.5 percent of total assets). Reserve assets constitute 17.9 percent of total assets. On the liability side, nearly half of obligations pertain to FDI (close to 88 percent of GDP), while one-third are general government loans and debt securities.

**Assessment.** The large share of FDI and concessional (long maturity) loans to the general government in total liabilities mitigate potential risks, with near-term public external debt service at 4-5 percent of GDP. The minimum change in the NIIP in 2023-24 does not constitute a significant concern for external debt sustainability, and the expected improvement in the current account over the medium term is expected to stabilize the NIIP.

| | | | | | |
|---|---|---|---|---|---|
| 2024 (Percent of GDP) | NIIP: -69.6 | Gross Assets: 107.4 | Debt Assets: 82.2 | Gross Liab.: -177.0 | Debt Liab.: -91.1 |

**Current Account**

**Background.** In 2024, the estimated CA deficit decreased to 32.2 percent of GDP (from 34.2 percent in 2023), primarily due to a stable goods and services trade balance combined with a higher nominal GDP, although net income and net current transfers also increased modestly. Indeed, the improvement in the services trade balance on the back of higher tourism exports was almost entirely offset by a deteriorating goods trade balance reflecting higher imports related to the large infrastructure projects. The current account adjustment is expected to continue in 2025 and beyond, as tourism exports strengthen (including from expansion in capacity), public investment related imports normalize from earlier peaks, and fuel imports for electricity generation decline after the geothermal powerplant comes into production in 2026.

[1] Official balance of payments and IIP data are available until 2023. This assessment is subject to uncertainty arising from previous major external shocks (hurricane Maria), and data revisions.

**Assessment.** Dominica has shown persistently large CA deficits since 2017's hurricane Maria, mainly due to the immediate fallout in curtailed tourism sector activity as well as subsequent reconstruction and resilience building efforts. According to the CA model, the norm corresponds to a deficit of 16.3 percent of GDP, implying a CA gap relative to actual in excess of 16.1 percent of GDP. Policy contributions to the gap pertain mostly to external factors (such as increased fiscal deficit and public health spending from trading partners). Although Dominica's fiscal position is weaker than its desirable medium-term level, similar gaps in the rest of the world balanced out the effect on the CA in 2024. The CA gap is projected to shrink over the medium term, partly reflecting reduced fuel imports as geothermal energy production comes onstream. A higher current account is necessary to stabilize Dominica's NIIP (-69.6 percent of GDP as of 2024) and meet external debt service payments.

**EBA-lite Model Results, 2024**

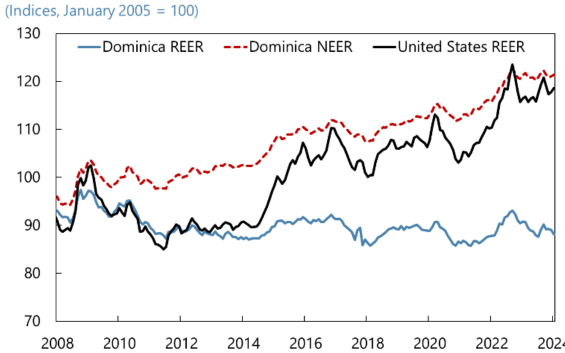
| | CA model 1/ | REER model 1/ |
|---|---|---|
| | (in percent of GDP) | |
| **CA-Actual** | **-32.2** | |
| Cyclical contributions (from model) (-) | 0.2 | |
| **Adjusted CA** | **-32.5** | |
| | | |
| **CA Norm (from model) 2/** | **-16.3** | |
| Adjustments to the norm (-) | 0.0 | |
| **Adjusted CA Norm** | **-16.3** | |
| | | |
| **CA Gap** | **-16.1** | **0.0** |
| o/w Relative policy gap | 0.0 | |
| | | |
| Elasticity | -0.3 | |
| | | |
| **REER Gap (in percent)** | **54.0** | **0.0** |

1/ Based on the EBA-lite 3.0 methodology.
2/ Cyclically adjusted, including multilateral consistency adjustments.

## Real Exchange Rate

**Background.** The REER exhibited volatility during the pandemic—depreciating by roughly 3 percent during 2020-21 followed by an appreciation of similar magnitude over 2022-23—reflecting the fact that Dominica's inflation cycle did not fully synchronize with those from its trading partners under a currency peg (Dominica's inflation peaked later in time than foreign inflation). Since 2024, the REER has been relatively stable, depreciating by less than 1 percent compared to end-2023, and is expected to end the year at a level close to end-2019.[2]

**Nominal and Real Effective Exchange Rates**
(Indices, January 2005 = 100)




Sources: IMF Information Notice System, and IMF staff calculations.

**Assessment.** Although the CA model approach would imply a substantial (54.0 percent) overvaluation of the REER, the IREER model indicates neither over- nor undervaluation. This divergence is partly explained by the fact that the CA model does not account for the temporary nature of elevated import flows associated with large CBI-financed disaster reconstruction and strategic infrastructure investments (including a transition to geothermal energy and the construction of the international airport), which are expected to improve Dominica's external balances over the long term. Indeed, other competitiveness measures do not suggest a large misalignment. Price indicators, such as goods terms of trade and the evolution of Dominica's real exchange rate against key trading partners, have remained relatively stable over the past decade. Moreover, the speed of the post-pandemic tourism recovery was in line with peers. Specifically, total tourism arrivals have recovered beyond pre-pandemic levels, with cruise arrivals outpacing peers (124 percent of pre-pandemic levels in 2024) and stayover arrivals lagging somewhat but close to pre-pandemic levels (89 percent) possibly due to structural constraints such as reduced airlift capacity into the country. That said, elevated input prices such as electricity and labor costs reflect longstanding challenges to competitiveness, which the ongoing energy transition reform effort is expected to partially alleviate.

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[2] The Eastern Caribbean dollar, the currency of Dominica, is pegged to the U.S. dollar.

| Capital and Financial Accounts: Flows and Policy Measures |
|---|
| **Background.** Dominica has historically relied on FDI and, more recently, CBI revenues to finance its external deficits. FDI averaged 7.3 percent of GDP since hurricane Maria (7.0 percent of GDP in 2024), while CBI revenues have been consistently above 11.8 percent of GDP during the same period, rising to around 30 percent of GDP during 2021-24.<br><br>**Assessment.** FDI and concessional lending to the government are likely to remain stable sources of external financing to Dominica. However, CBI revenue could prove volatile. To the extent that CBI continues to be earmarked to public investment, which has a large import component, the impact of a CBI fall on the external accounts could be partially mitigated by resulting lower imports. Moreover, public investment could also strengthen the external balance through improvements in tourism capacity and lower energy imports. Lower-than-expected CBI flows could jeopardize the completion of key projects and therefore weaken the external balance. |
| **FX Intervention and Reserves Level** |
| **Background.** In 2024, Dominica's reserve position is estimated to have remained broadly stable, increasing marginally in nominal terms (from US$164.2 in 2023 to US$168.3 in 2024). As a member of the Eastern Caribbean Currency Union, Dominica is under a quasi-currency board arrangement. Foreign assets and liabilities of the Eastern Caribbean Central Bank (ECCB) cannot be directly assigned to an individual country. Therefore, the imputed reserves method is used as a proxy for net foreign assets held at the ECCB.[3,4] The 2024 SDR allocation to Dominica of 11.5 million SDRs (about US$15.1 million) has been kept at the ECCB as a liquidity buffer.<br><br>**Assessment.** Estimated imputed reserves cover 4.4 months of imports and 31.4 percent of broad money in 2024, exceeding the typical benchmarks of 3 months of imports and 20 percent of broad money.[5] |
| [3] According to the ECCB by-laws, the imputed reserves of each ECCB member are calculated as the difference between the member's reserve money and net domestic assets. The ECCB has the mandate to maintain a foreign exchange cover of 60 percent of total demand liabilities.<br>[4] IMF 2015, *Assessing Reserve Adequacy–Specific Proposals*. Reserve adequacy assessments for currency unions should consider the reserve needs of the consolidated union level. This should be supplemented by a discussion of factors that have a bearing on the size of reserves, such as the union's financial architecture and supportive institutions, and the correlation of shocks faced by union members.<br>[5] Information on short term debt and other liabilities is unavailable and consequently assessments against other reserve adequacy metrics such as the IMF's composite Assessment Reserve Adequacy (ARA) metric cannot be computed. |

# Annex II. Implementation of Fund's Past Policy Advice

| Recommendations from Last Article IV | Authorities' Actions |
|---|---|
| **Fiscal Consolidation Measures** | |
| ***Revenue Measures*** | |
| Reverse the reduction of VAT on electricity, increase of the excise tax on diesel to align with that of gasoline, and reinstate the highway levy tax. | **Partial.** The excise tax on diesel was increased (effective in January 2025). Other reforms under review. |
| Operationalizing the tax on idle properties as a first step towards a comprehensive property tax regime. Rationalizing PIT exemptions and streamlining discretionary duty exemptions, notably eliminating exemptions on the importation of vehicles. | **Under consideration.** Tax on idle properties is still to be operationalized, while a comprehensive property tax regime is under consideration. Options to rationalize PIT exemptions and discretionary duty exemptions are under consideration. |
| Streamline tax incentives, review PIT allowances, and strengthen tax administration and compliance risk management to maximize tax revenue. | **Under consideration.** Policy options still being explored including modest adjustments to the VAT rate partially offset with lower income tax rates. |
| ***Expenditure Measures*** | |
| Rationalizing recurrent spending, notably goods and services (adjusted for CBI due diligence spending). Tariff adjustments on key services, notably water and sewage and hospital charges. | **Partial.** Goods and services reduced to 12.9 percent in FY2023/24 by 1½ percent of GDP compared to the previous year. Water access charges are introduced but adjustment to tariff of hospital services is under consideration. |
| Rescaling the National Employment and Housing programs, including by integrating means-testing and cost recovery components into housing schemes. | **Under Consideration.** |
| **CBI Revenue Allocation** | |
| Allocating a higher share of CBI revenue, including all unexpected windfalls, to disaster insurance and debt amortization to bolster financial resilience and strengthen debt sustainability. | **Ongoing.** The government has withdrawn funds from the Disaster Vulnerability Risk and Resilience Fund (VRF) following a weather shock. As such, VRF balances decreased modestly to 1.0 percent of GDP as of March 2025. The Debt Repayment Fund was established in April 2023 with a target capitalization of 1.3 percent of GDP. |
| **Strengthening Social Protection System** | |
| Pursue avenues for proxy-targeting and tailored social assistance to vulnerable households in a more systematized way to streamline untargeted programs and swiftly deploy exceptional support cost-effectively in the face of large shocks. | **Ongoing.** The government is still working to operationalize a beneficiary registry and management information system for social programs, including a digital registration process and payment reconciliation mechanism. |

| Recommendations from Last Article IV | Authorities' Actions |
|---|---|
| Advance parametric reforms to safeguard pension sustainability. Priorities include increasing contribution rates, reducing replacement rates, aligning the statutory retirement age for both private and public employees at 65 years. | Reforms to pension system are under consideration including an acceleration in the phasing in of increase in contribution rate approved in 2006 |
| Complete the ongoing population census to form the basis for a comprehensive social registry. | **Ongoing.** |
| **Preserving Financial Stability** | |
| Bring credit unions' capital above the regulatory minimum. | **Ongoing.** The capital ratios of all credit unions (CUs) have been bolstered to surpass 5 percent. The FSU remains committed to collaborating with CUs to bring capital ratios to 10 percent by 2026. |
| Modernize regulatory framework for credit unions. | **Ongoing.** The authorities are seeking to complete the modernization of the CU regulatory framework by end 2025. |
| Enhance human/financial resources and independence of supervisory agency (FSU). | **Ongoing.** Several new supervisors have been hired. The upgrade of CU regulatory framework is expected to reinforce the FSU's operational independence, including by enhancing its enforcement powers. |
| **Addressing Long-Standing Constraints to Financial Intermediation** | |
| Utilize ECCU regional credit bureau to facilitate lending. | **Ongoing.** Authorities continue to collaborate with the ECCU regional credit bureau to establish operations in Dominica. |
| Streamline lending processes and address collateral constraints for small businesses. | **Ongoing.** The authorities continue to support regional initiative such as the regional credit bureau and partial credit guarantee scheme to streamline lending processes and alleviate collateral constraints for small businesses. |
| Modernize national insolvency law to facilitate resolution of NPLs. | **Ongoing.** Options are under consideration, including alternative solutions such as tribunal, arbitration, etc. No concrete decisions have been taken. |
| **Bolster the Potential for Sustained Strong Resilient Growth** | |
| Transition to geothermal energy to increase economic competitiveness via lower energy costs. | **Ongoing.** The geothermal powerplant is expected to be operational by end-2025 to serve the capital region. The authorities are actively seeking financing to expand the transmission network to service the entire country. A review of electricity tariff is ongoing. |
| Timely completion of the new international airport to boost connectivity with large markets and enhance regional connectivity. | **Ongoing.** Airport construction is progressing and is expected to be operational by end-2027. |

| Recommendations from Last Article IV | Authorities' Actions |
| --- | --- |
| Support the agricultural sector to broaden the export base and explore synergies with the growing tourism sector. | **Ongoing.** The Ministry of Agriculture is implementing the Agriculture and Fishery Sustainability Development Plan and is working with the Ministries of Tourism, Health, and Education to improve climate resilience, youth participation, and food safety. |
| Expand digitalization and professional training to support inclusive development and further boost productivity. | **Ongoing.** Work is ongoing under the *Caribbean Digital Transformation Project* to promote e-government, with over 250 government services now online. Future work includes creating a universal digital ID, expanding point-of-sale infrastructure at tourism sites, and launching an online tax filing platform. Digital skills training to the general public at the 16 Innovation Hubs is also ongoing. |
| Improve public service access, streamline regulations, and reduce compliance costs for businesses. | **Partial.** Work is ongoing to improve access and reduce compliance costs through e-government under the *Caribbean Digital Transformation Project*. |
| **Advancing Institutional Reforms to Help Mitigate Risks and Support Economic Policy Making** | |
| Further strengthen the AML/CFT framework to minimize risks to CBRs. | **Ongoing.** Since 2023 CFATF review, Dominica has advanced risk assessments, passed virtual asset business regulations, and plans key legal reforms by mid-2025. Capacity has grown with new staff and a CBI due diligence unit. It also adopted the Six Principles for the CBI programs. Reforms continue on crypto, proliferation financing, and risk-based National Implementation Action Plan. |
| Strengthen institutional capacity in statistical compilation and timely publication. | **Ongoing.** With CARTAC's assistance, the statistics office has resumed compiling CPI and completed the GDP rebasing from the year 2000 to 2022. Work on rebasing GDP for 2023 is nearly completed while the update of the CPI basket and weights is pending. |
| Strengthening PFM processes for medium-term budgeting, fiscal reporting, treasury operations, and public investment management | **Ongoing.** Several proposals to enhance treasure operations under review. Options to enhance PFM processes from a budget and reporting perspective are under internal deliberation. |

# Annex III. Risk Assessment Matrix[1]

| Risks | Relative Likelihood | Impact | Policy Response |
|---|---|---|---|
| **Conjunctural Risks—Global/External Risks** | | | |
| **Trade policy and investment shocks.** Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation. | High | Medium. **ST/MT** Renewed inflationary pressures, lower real incomes, slower economic growth. | Strengthen the social safety net. Diversify tourism revenues. Accelerate the geothermal energy transition. Increase the linkage between tourism and other sectors. Monitor financial risks closely, including risks to FDI and CBI, in coordination with the ECCB. Policies to offset the cost-of-living impact should be temporary and targeted to the most vulnerable. |
| **Sovereign debt distress.** Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries. | High | High. **ST/MT** Less concessional financing, capital outflow, putting pressure on budget financing. | Strengthen the fiscal framework to rebuild buffers and communicate credible medium-term fiscal plans. |
| **Tighter financial conditions and systemic instability.** Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs. | Medium | Medium. **ST/MT** Increasing NPLs and reducing liquidity in the financial system. Potential market losses on overseas investments and disruptions to FDI inflows. | Intensify supervision of financial institutions and tighten regulations. Monitor financial risks closely, in coordination with the ECCB. |
| **Regional conflicts**. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows. | Medium | High. **ST/MT** Renewed inflationary pressures, lower real incomes, slower economic growth. | Strengthen the social safety net. Diversify tourism revenues. Accelerate green energy transition. Increase the linkage between tourism and other sectors. Monitor financial risks closely, including risks to FDI and CBI, in coordination with the ECCB. |
| **Commodity price volatility.** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability. | Medium | Medium. **ST/MT** Renewed inflationary pressures, lower real incomes, dampening demand, and worsening fiscal and external imbalances. | Strengthen the social safety net to better support the vulnerable, allow pass-through of international prices to domestic prices and avoid broad-based measures to mitigate fiscal risks and cushion the economic impact. Accelerate transition to renewable energy. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("Low" is meant to indicate a probability below 10 percent, "Medium" a probability between 10 and 30 percent, and "High" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 and 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

| Risks | Relative Likelihood | Impact | Policy Response |
|---|---|---|---|
| **Global growth acceleration.** Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade. | Low | Medium. **ST/MT** Increase tourism activity, faster growth, higher inflation. | Monitor potential overheating and inflation. |
| **Structural Risks** | | | |
| **Deepening geoeconomic fragmentation.** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth. | High | Medium. **ST/MT** Reduced exports, higher import costs. | Boost efforts to increase employment and productivity, broaden export base, foster regional integration/collaboration, and strengthen economic competitiveness. |
| **Cyberthreats.** Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability. | High | Medium. **ST** | Enhance digital security in public and private platforms. |
| **Climate change.** Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. | Medium | High. **ST/MT** Reduced growth and worsened fiscal and external positions, with disproportionate impact on the most vulnerable. | Accelerate transition to renewable energy to improve resilience. Design fiscal frameworks that internalize exposure to natural disasters and climate risk. Adopt national adaptation plans for investment in structural and financial resilience, build capacity to access climate finance. Strengthen data collection and monitoring of private insurance costs. Strengthen the social safety net to better support the vulnerable. Safeguard critical investment financing flows such as CBI revenues and ensure the completion of key projects. |
| **Social discontent.** Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing. | Medium | Medium. **MT** | Strengthen the social safety net to better support the vulnerable. Adopt measures to assist job search and upskill workers and improve labor mobility. |
| **Domestic Risks** | | | |
| **Fiscal under-performance and lower CBI revenues.** Lower-than-expected fiscal balances due to higher-than-expected spending and revenue underperformance, including a decline in CBI revenues due to increased pressure by the EU and the U.S. leaving them unattractive. | Medium | High. **ST/MT** Disrupt fiscal consolidation and growth prospects to the detriment of fiscal sustainability. | Mobilize revenue from alternative sources and improve expenditure efficiency. Strengthen the fiscal framework to rebuild buffers. Strengthen governance frameworks to protect the integrity of the CBI program. |
| **Delays in infrastructure investment.** Private investment could be unprofitable without enough infrastructure investment. | Medium | High. **ST/MT** Reduced tourism and fiscal revenues. Reduced long-run potential growth. | Improve PFM and contain growth of current expenditures. Strengthen fiscal frameworks while protecting space for growth-supporting investment. Safeguard critical investment financing flows such as CBI revenues. |

| Risks | Relative Likelihood | Impact | Policy Response |
|---|---|---|---|
| **Rising domestic arrears.** This could undermine growth and compromise achieving fiscal objectives. | **High** | **High. ST/MT** | Improve cash and debt management. |
| **A deterioration in CU asset quality and/or disruption of correspondent bank relationships** could reduce growth. | **Medium** | **Medium. ST** Restrain private credit growth and undermine financial instability. | Monitor asset quality and ensure adequate loan loss provisioning and advance financial reform agenda. |
| **Delays in enacting social security system reforms** to address looming sustainability pressures would deplete buffers and increase vulnerabilities to shocks. | **Medium** | **Medium. MT/LT** | Advance pension system reform to buttress its sustainability. |

# Annex IV. Economic Adjustment Under a Strengthened Consolidation Scenario

**1. The proposed fiscal adjustment builds on policy advice from the 2024 Article IV consultation.** The 2024 report identified a fiscal adjustment gap of 3 percent of GDP necessary for Dominica to meet the twin objectives under its fiscal framework. This gap is estimated to have widened slightly to 3½ percent of GDP, mainly due to a relatively weaker projected starting position from FY2024.[1] Consistent with the strengthened consolidation path outlined in last year's consultation, staff's active scenario involves targeting a 3½ percent primary surplus from FY2026, which involves identifying an estimated EC$75 in additional adjustment measures to be phased in during the coming two years.[2]

**2. Proposed adjustment involves reprioritizing the policy mix to resolve economic imbalances without compromising critical investment that underpins resilient growth.** The active scenario outlines a combination of measures designed to increase tax revenues and reduce inefficiencies in government spending, ultimately resulting in greater savings from CBI revenues. As fiscal spending is recalibrated, it will be crucial to prioritize strategic developmental investment that boost economic potential, such as the completion of ongoing flagship projects that are expected to drive the near and medium-term growth outlook. This approach would not only yield substantial economic benefits for the country, but also enhance its resilience to external shocks by fortifying its external position and rebuilding essential fiscal buffers.

**3. An illustrative economic scenario is presented to demonstrate the impact of staff's proposed fiscal consolidation strategy.** The adjustment will be implemented by incorporating measures to expand the revenue base by EC$25 million and reduce expenditures by EC$50 million over two years. Under the proposed active scenario, the fiscal multiplier and associated growth impact is expected to be muted (0.1 ppt lower relative to the baseline during 2026-27) as the consolidation strategy is designed to minimize the negative growth impulse. Specifically, it: (i) preserves major infrastructure investments that drive growth under the baseline; and (ii) dedicates additional fiscal savings to the faster clearance of arrears to domestic suppliers, which can provide a significant boost to economic activity helping to offset the

**Macroeconomic Outlook**
(Percent of GDP)

| | Prel. | Projected | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Real GDP 1/ 4/ | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.5 |
| Inflation (end of period) | 2.1 | 3.1 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 |
| Primary fiscal balance | 0.1 | 0.4 | 0.7 | 1.0 | 1.2 | 1.5 | 2.0 |
| Overall fiscal balance 2/ | -4.4 | -4.2 | -3.7 | -3.1 | -2.8 | -2.5 | -2.1 |
| Overall fiscal balance, excl. CBI 2/ | -32.9 | -26.3 | -17.8 | -17.3 | -17.0 | -16.7 | -16.2 |
| Public Capital Expenditure 2/ | 27.0 | 20.2 | 10.8 | 9.8 | 9.4 | 8.9 | 8.2 |
| Public debt 2/ 3/ | 100.6 | 96.9 | 94.1 | 91.5 | 89.0 | 86.4 | 83.4 |
| Current account balance | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -14.3 | -13.3 |
| Credit to the private sector growth 4/ | -1.5 | 1.2 | 3.7 | 5.0 | 6.9 | 6.6 | 4.5 |

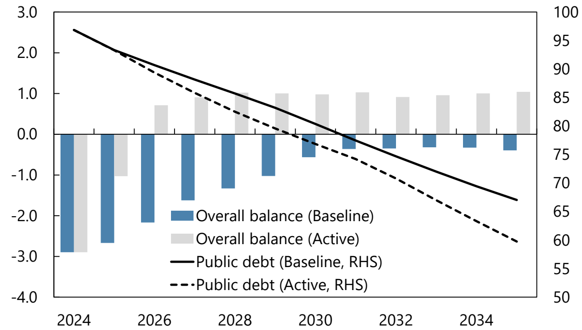
Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.
1/ At market prices.
2/ Data for fiscal years from July to June.
3/ Includes estimated commitments under the Petrocaribe arrangement with Venezuela.
4/ Annual percent change.

[1] Primary balance outturn in FY2023 was weaker than anticipated during the 2024 Article IV consultation by almost 2½ percent of GDP, which prompted a downward revision to the projection for FY2024 by around ½ percent of GDP

[2] The EC$75mn in additional adjustment is EC$10mn (or ½ percent of GDP) higher than recommended during the 2024 AIV consultation. The difference is consistent with the modestly weaker primary balance starting point now anticipated for FY2024/25.

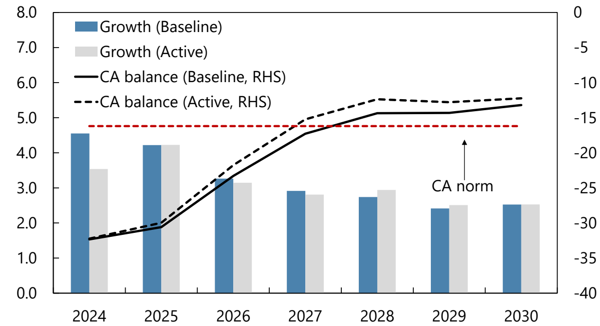
growth effects of the consolidation. At the same time, debt dynamics are expected to improve significantly, with public debt projected to decline to 59.8 percent of GDP by 2035, compared to 67.1 percent under the baseline scenario.[3] This consolidation plan also fully capitalizes the VRF to the targeted 12 percent of GDP by 2032 as opposed to remaining fixed at 1 percent of GDP under the baseline. The CA is anticipated to improve by around 1.5 percent of GDP on average over the medium-term relative to the baseline, as the reprioritization of PSIP expenditure reduces imports resulting in a faster convergence to the estimated norm by one year (2027).

**Fiscal Balance and Debt Under Active Scenario 1/**
(In Percent)




Sources: Country authorities and IMF staff projections.
1/ Debt excludes PetroCaribe obligations but includes domestic arrears.

**Growth and External Balance Under Active Scenario 2/**
(In Percent)




Sources: Country authorities and IMF staff projections.
2/ CA balance is on calendar year basis.

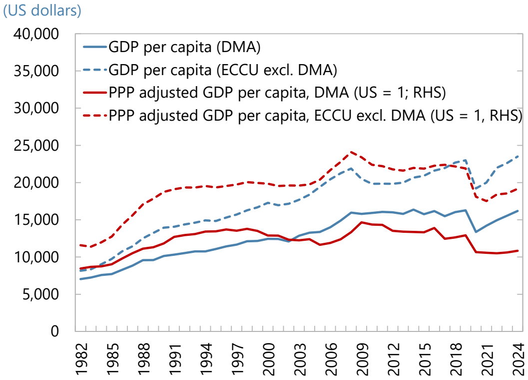
[3] Excludes debt commitments under the Petrocaribe arrangement and includes domestic arrears, which aligns with the ECCB's definition of Dominica's debt used to assess the regional debt target.

# Annex V. Potential Growth and Productivity: Trends and Prospects in Dominica[1]

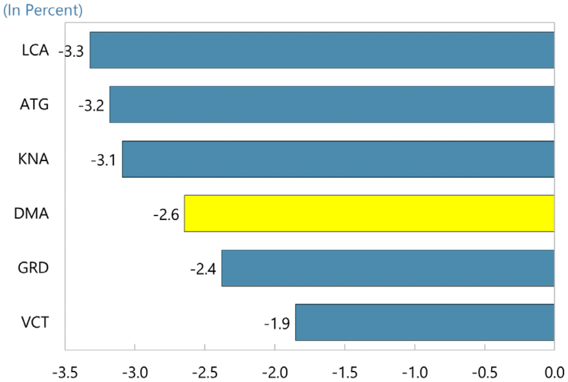
*This annex examines historical growth and productivity trends in Dominica to help inform forward-looking priorities. A growth-accounting of the aggregate economic data suggest that declining productivity—which has been negative in recent years—has underpinned the persistent decline in potential growth in recent decades. This finding is complemented by firm-level analysis that identifies challenges in terms of accessing finance, workforce skill shortages, and burdensome administrative processes as primary obstacles to productivity, which could boost average firm-level productivity by 44 percent if resolved.*

1. **Dominica has experienced a slowdown in growth over the past few decades.** Since 2000, average economic growth has been lower than the average in the preceding two decades by roughly 2½ percentage points (ppts). This deceleration has stalled the convergence in living standards with more advanced economies, where Dominica's per capita GDP levels relative to the U.S. have stagnated since 1990. While these trends are observed more generally among other Eastern Caribbean Currency Union (ECCU) countries—especially after the second half of 2000s—understanding these trends and their implications in a Dominica context is crucial for formulating effective policies.

**GDP Per Capita and Convergence**
(US dollars)




**Economic Growth, 2001-23 vs. 1980-2000 Averages**
(In Percent)




Sources: WEO database, IMF; and IMF staff calculations.
Note: ATG = Antigua and Barbuda, DMA = Dominica, GRD = Grenada, KNA = St. Kitts and Nevis, LCA = St. Lucia, and VCT = St. Vincent and the Grenadines.

2. **To analyze long-term growth trends and their determinants, staff estimate potential output growth using a growth accounting approach.** This method defines potential growth as the maximum noninflationary growth attainable by an economy based on its available resources and technological capabilities, while also separating the contributions from total factor productivity (TFP), physical capital, human capital, and labor. It permits estimates over an extended historical period, given the available data. The impact of natural disasters (NDs) is considered in estimating

[1] Prepared by Sinem Kilic Celik drawing on work from a broader regional analysis presented in the 2025 Eastern Caribbean Currency Union Staff Report for Common Policies of Member Countries (forthcoming).

contributions to potential growth to limit distortions from transitory economic disruptions in the aftermath of a ND. Specifically, the measurement of physical capital stock is adjusted for NDs since post-disaster investment reflects reconstruction needs unrelated to potential growth (Box 1). This adjustment is particularly relevant for Caribbean countries, which frequently experience severe NDs.

### Box 1. Methodology of Potential Growth Estimation

Production function is defined as: $Y_t = A_t\theta_t K_t^{\alpha} L_t^{1-\alpha}$, where $Y$ is output, $K$ is physical capital, $L$ is labor input. $\theta_t$ measures inefficiencies in production during and immediately after NDs. In addition, physical capital stock is adjusted for NDs because post-disaster investment reflects reconstruction needs that are unrelated to potential growth. The followings steps are taken to adjust capital stock for NDs and estimate inefficiency and potential growth:

Step 1. Estimate investment excluding the impact of NDs ($\widetilde{I_t}$) using an ARIMA model: $I_t = \phi(L)I_t + A(L)\epsilon_t + \gamma_1 z_t + \gamma_2 z_{t+1}$, where $z_t$ is a dummy variable for the year of an ND and the year after a disaster.

Step 2. Calculate capital stock excluding the impact of NDs ($\widetilde{K_t}$) using perpetual inventory method: $\widetilde{K}_{t+1} = (1-\delta)\widetilde{K}_t + \widetilde{I_t}$

Step 3. Estimate output excluding the impact of NDs ($\widetilde{Y_t}$) using an ARIMA model: $Y_t = \phi(L)Y_t + A(L)\epsilon_t + \gamma_1 z_t + \gamma_2 z_{t+1}$, where $z_t$ is the dummy variable defined in step 1.

Step 4. Calculate $\theta_t = \frac{\widetilde{Y_t}}{Y_t}$ for the year of ND and the following year. Define $\theta_t$ as 1 for other years.

Step 5. Calculate actual TFP as $A_t = Y_t/\theta_t\widetilde{K}_t^{\alpha}L_t^{1-\alpha}$

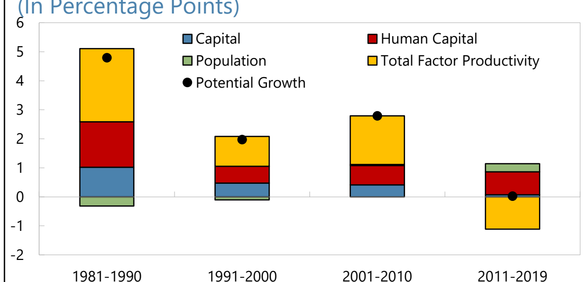
Step 6. Estimate the trend TFP using a Hodrick–Prescott filter to obtain potential TFP $A_t^{pot}$

Step 7. Calculate potential output as $Y_t = A_t^{Pot}\theta_t\widetilde{K}_t^{\alpha}L_t^{1-\alpha}$

Labor is measured as human capital augmented population $L_t = h_t P_t$, where $h_t$ is human capital and $P_t$ is population. Human capital is calculated using average schooling years: $h_t = \exp\left(\frac{\vartheta}{1-\omega}s_t^{1-\omega}\right)$, where $s_t$ is years of schooling of the population aged 24 or older. The values of the parameters ($\vartheta = 0.32$ and $\omega = 0.58$) are set following the literature (Guerson et al. 2017, Bils and Klenow 2000; Sosa et al. 2013). Average schooling years are estimated using skill-specific emigration rates from IAB database, and secondary enrollment rates from WDI.

**3. The growth accounting exercise suggests that declining productivity underpins the steady erosion in potential growth.** Specifically, growth potential is estimated to have dropped from 5 percent in the 1980s to nearly zero in the decade leading up to COVID-19. The primary cause of this decrease is a weakening in productivity (TFP) contribution, which accounts for 75 percent of the total estimated decline in

**Factors Contribution to Potential Growth in Dominica**
(In Percentage Points)




Sources: Barro and Lee (2015); EM-DAT database; IADB database, Penn World Table (10.1 version); World Bank; and IMF staff calculations.

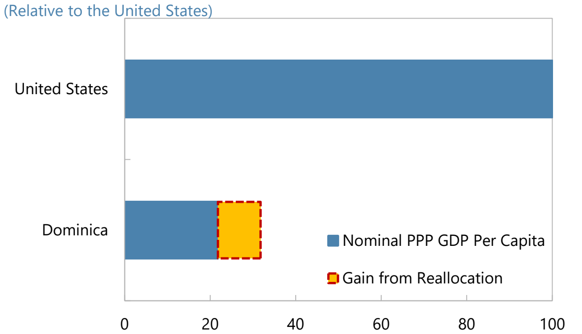
potential growth, followed by a slower growth rate in physical and human capital, which contributes around 20 and 16 percent, respectively.[2]

**4. Firm-level analysis can provide insights on these underlying trends.** The analysis draws from the 'Innovation, Firm Performance, and Gender (IFPG)' survey—conducted in 2020 across 1,979 firms throughout 13 Caribbean countries.[3] This included 137 firms in Dominica, representing 45 percent of manufacturing firms and 9 percent of service firms. The dataset broadly groups firms into manufacturing and services and offers information on firms' balance sheets, statements of income, and firm-level performance. TFP is estimated using the factor share approach, which equates an input's cost share to its respective output elasticity under the assumptions of cost minimization by firms, perfect competition, and constant returns to scale.[4]

**5. Findings at the firm level highlights resource misallocation that weigh on TFP and potential growth.** Using the Hsieh and Klenow (2009) approach, misallocation is measured as the dispersion in the marginal revenue products of capital and labor between firms. This misallocation results in firms producing at a sub-optimal level, leading to lower aggregate productivity. The degree of misallocation varies across Caribbean countries. The potential TFP gain from eliminating resource misallocations in Dominica is 45 percent, placing it in the lower mid-range among the ECCU countries (between 34 percent and 65 percent). Nonetheless, this still substantial gain would entail significant improvements in living standards. A back-of-the-envelope calculation suggests that addressing this misallocation in Dominica could narrow its GDP per capita gap with the U.S. by around 10 ppts.[5]

**GDP per Capita Convergence through Reallocation**

(Relative to the United States)




Sources: IMF staff calculations from WEO and the Innovation, Firm Performance and Gender (IFPG) Survey.

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[2] The contribution from population is positive at around 10 percent, partially offsetting the estimated decline in potential growth.

[3] Launched by the Inter-American Development Bank (IADB) in collaboration with Compete Caribbean. The survey collected information from country-wide representative samples of business establishments in 13 CARICOM countries, combining both quantitative responses and perception-based answers. The sectors in the survey are broadly defined and do not allow for an analysis into more granular industries. The dataset is available at: IFPG Datasets.

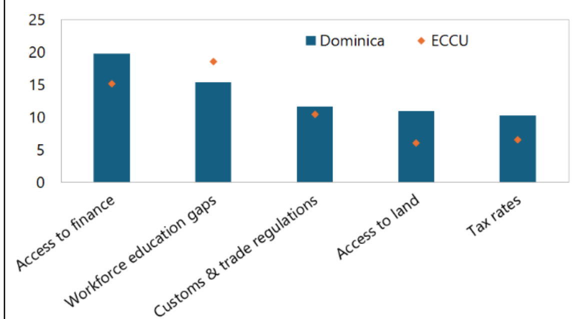
[4] The lack of panel data and the limited availability of certain variables hinder the use of other elaborate TFP measures. In the TFP estimates, firms are excluded if they have missing values or if they fall within the top and bottom 2 percent of productivity to address outliers. The sectors in the survey are broadly defined, which does not allow for an analysis of narrowly defined industries.

[5] This back-of-the-envelope calculation assumes that the gains in labor productivity are the same as the gains in TFP and that labor participation does not change.

**6. The misallocation of resources and its underlying distortions reflect a range of structural bottlenecks.** Of 18 potential obstacles examined in the survey, the top five obstacles in a Dominica context relate to: insufficient access to finance (20 percent), an inadequately educated workforce (15 percent), burdensome customs and trade regulations (12 percent), limited access to land for expansion/relocation (11 percent) and cumbersome tax rates (10 percent). The identified constraint on access to finance reflects persistent weaknesses in the banking system that underlies a de-risking trend and underdeveloped financial infrastructure (e.g., the absence of credit bureaus and outdated collateral and insolvency frameworks). The identified inadequacy of workforce quality aligns with the aggregate data showing low human capital growth. Specifically, firms identified weaknesses/gaps in local education and training frameworks, skills mismatches (both in terms of necessary personal and soft skills and an overall of qualified professionals) and emigration pressures, as key contributory factors to a perceive shortfall of "in-demand" labor skills in Dominica.

**Top Obstacles Firms Facing in Dominica 1/**

(Percent)




Source: IMF staff calculations from the IFPG survey.
1/ Values reflect the distribution of firms who chose one of 18 obstacles as their

**7. Cross-Caribbean regression analysis indicates an alleviation in structural bottlenecks could yield a statistically meaningful increase firm-level productivity.** In addition to creating misallocation, obstacles can affect the level of firm productivity by impacting the business environment. Results from regressing the level of firm TFP on dummy variables indicating when firms face 'Major' or 'Very severe' obstacles,[6] and including firm controls and industry/country fixed effects, show that improvements to the business environment can improve firm-level outcomes. Removing obstacles related to cost of finance and tax administration have the potential to raise productivity in the wider Caribbean by around 10 ppts each, while resolving issues related to business license and permits and workforce quality could boost productivity by 8.5 and 5.2 ppts, respectively. Furthermore, tackling challenges in accessing to land and accessing to finance could enhance productivity by 3.7 and 2.6 ppts, respectively. These findings underscore the potential for aggregate TFP improvements: if the main eight obstacles (primary contributors to TFP if resolved and the leading obstacles

**Aggregate TFP Gain from Removal of Structural Obstacles**

(In Percent)

| | |
|---|---|
| Cost of finance | 11.4 |
| Tax administration | 9.9 |
| Business license and permits | 8.5 |
| Inadequately educated workforce | 5.2 |
| Access to land for expansion/relocation | 3.7 |
| Access to finance | 2.6 |
| Customs and trade regulations | 1.6 |
| Tax rates | 1.2 |

Sources: Innovation, Firm Performance and Gender (IFPG) survey; and IMF staff calculations.

[6] The obstacles are included as dummy variables equal to one if firms report that they are 'Major' or 'Very severe', and equal to zero if firms report that they are 'No', 'Minor', or 'Moderate'.

faced by Dominican firms) were addressed for firms in Dominica, the TFP could potentially increase by up to 44 percent (text table).

**8. The analysis emphasizes policy priorities aimed at strengthening productivity and human capital development to enhance potential growth.** Identified key obstacles associated with aggregate growth and firm-level performance provide a basis for the authorities to target their efforts. Particularly, improving workforce quality can be achieved by enhancing the quality of education and vocational training—including by leveraging digitalization and artificial intelligence—and modernizing curricula to better align with evolving economic needs. Access to finance can be improved by strengthening the soundness of the banking system and developing the necessary financial infrastructure including the efforts for legislative reforms on regulation of the credit unions. Improving customs and tax administration, as well as trade facilitation, can be supported by ongoing efforts in terms of the digitalization of government services (see Box 1 of main report).

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# Annex VI. An Overview of the Gender Landscape in Dominica[1]

*Gender inequalities can create inefficiencies and distortions that come at the expense of growth and productivity. While women's economic opportunities and political representation have improved significantly in Dominica over the years, there are indications of disparities in legal equity and in labor market outcomes, including labor force participation, wages, and pension savings. In Dominica's case, Staff estimates suggest that closing the gender gap in labor force participation could contribute to an output gain of nearly 6 percent.*

## A. Stylized Facts

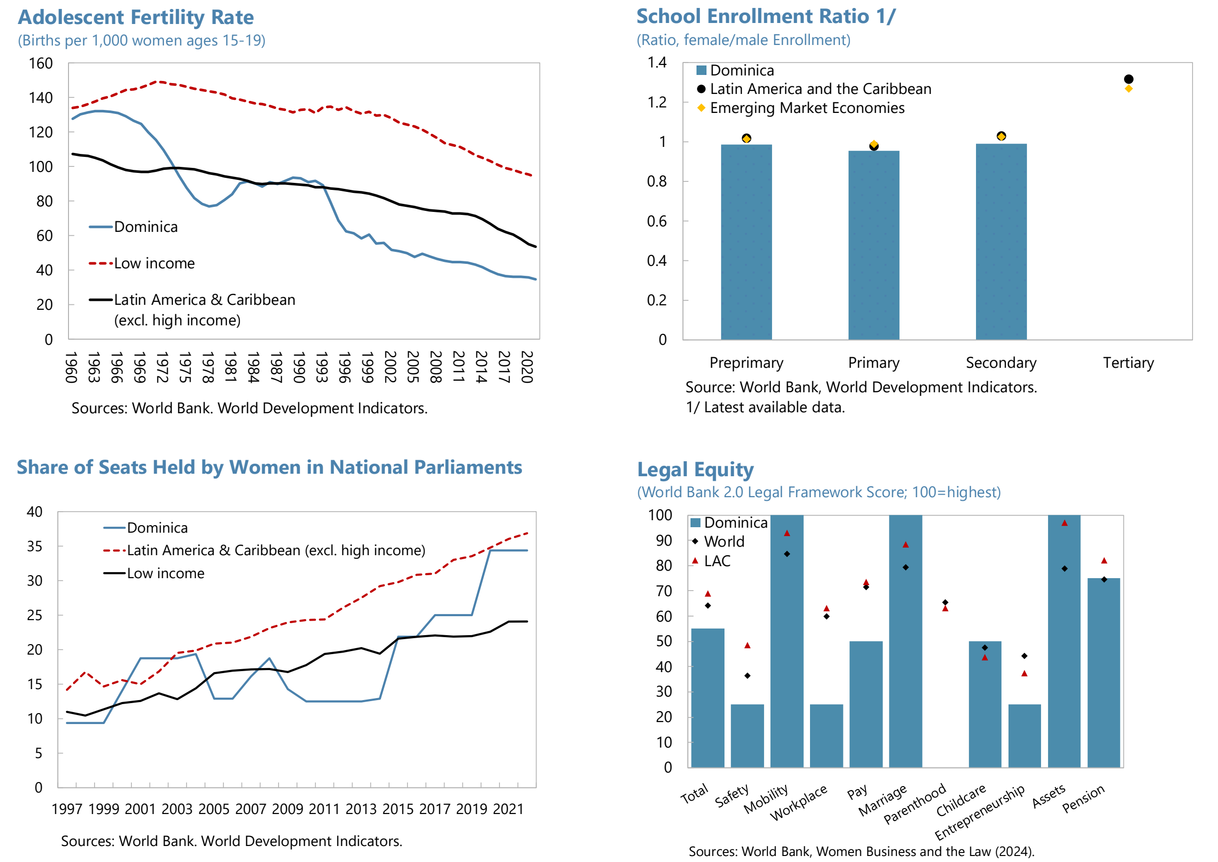
1. **Dominica has steadily improved women's opportunities over the years across various metrics.** Adolescent birth rates have declined from over 120 per 1,000 women aged 15-19 in 1960 to 34 per 1,000 as of 2022—a faster decline compared to other countries in the region and other low-income countries (Figure 1). Gross school enrollment rates are similar for boys and girls in Dominica, in line with other Latin American and Caribbean economies. Political representation has increased significantly in recent years. As of February 2024, 37.5 percent of seats in parliament were held by women—over 10 percentage points higher than other countries in the same income group.

2. **While survey results suggest that women's financial literacy is on par with men's, they tend to lag men in entrepreneurship.** A recent ECCU financial literacy and financial inclusion survey indicated very little gender gap in financial literacy in Dominica based on a gender-balanced sample. However, the survey identified gender difference in financial goals. For instance, although interest in acquiring property was equal across genders in all age groups, when choosing between spending money to start or grow a business versus spending on education, men showed a strong preference for business (21.9 percent) over education (9.7 percent). In contrast, women's preferences were more balanced, with 16.1 percent favoring education and 13.4 percent favoring business.

3. **Gaps exist in certain indicators of legal equality.** Dominica outperforms the world average in certain areas of legal rights for women, particularly in protecting property ownership, ensuring equal status in marriage, and safeguarding physical mobility. There are also legal provisions for maternity leave and equal access to pensions. However, Dominica's overall rating ranks below the world and Latin America and Caribbean (LAC) averages. Specifically, the World Bank's Women, Business, and the Law Report (2024) ranks Dominica's legal rights index at 55 in 2024 (out of 100), compared to the worldwide average of 64, and lower than the Latin American and the Caribbean region (69) or the Caribbean (61). The report identifies gaps in certain indicators of legal equity, such as prohibiting hiring discrimination based on gender, marital or parental status, and protecting rights to request flexible work arrangements.

[1] Prepared by H. Wang and E. Huang benefiting from valuable guidance and inputs from the Strategy, Policy, and Review Department's Gender Unit.

**Figure 1. Women's Opportunity and Legal Equality**

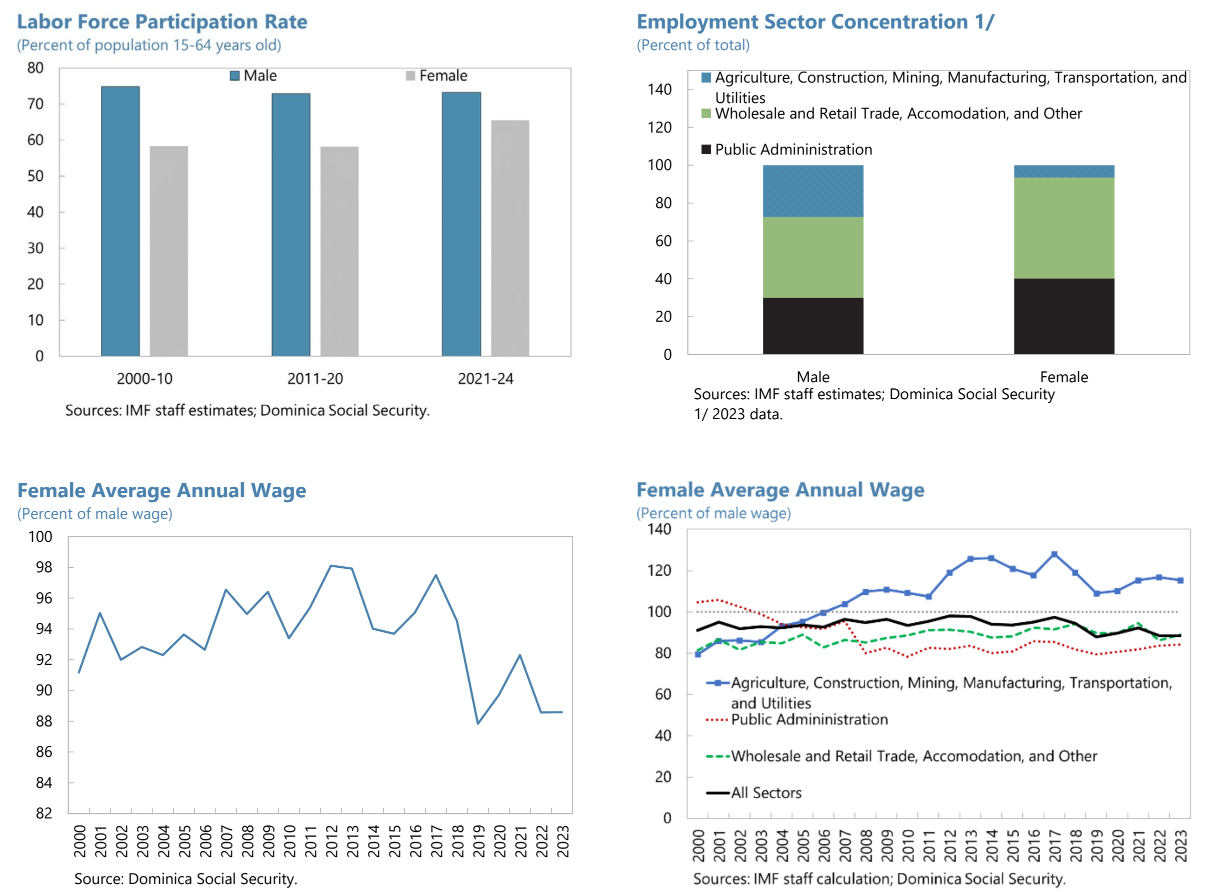



4. **While labor force data is outdated, the evolution of formal employment metrics suggests ongoing—albeit declining—inequality in labor force participation.** The most recent Labor Force Survey dates back to 2011, making it insufficient for providing a timely assessment of current labor market conditions. According to that survey, among working-age population, the female unemployment rate was slightly lower than that of males (10.1 percent vs. 12.5 percent). However, women had a significantly lower labor force participation rate—56.3 percent compared to 75 percent, an 18.7 percentage point gap. In the absence of more recent survey data, available information from Social Security on the active insured population can help fill the gap by tracking the evolution of employment by gender over time. Staff estimates suggest that the gender gap in labor force participation has likely narrowed over time to around 6.5 percentage points in 2024 (Figure 2).[2]

[2] The analysis assumes that, starting in 2012, employment by gender grows at the same rate as the gender-specific active insured population reported by Social Security. It also assumes that gender-specific unemployment rates remain constant over time, which allows for estimating the number of unemployed individuals. The gender-specific labor force is then derived by summing the employed and unemployed populations.

**5. There has also been an improvement in economic outcomes by gender, but gaps persist.** Women appear to be well-represented in managerial positions, with 48.4 percent of those positions held by women according to UN Women Data Hub. However, Social Security data suggests that women's average annual wage relative to men's has fallen in recent years, from 97.9 percent in 2013 to 88.6 percent in 2023. The gender wage gap is more pronounced in certain sectors, such as the public sector and those industries related to trade and tourism, where there is a high concentration of female workers who are employed in lower-paid positions, contributing to a lower overall average wage. Additionally, UN Women Data Hub reveals that while all men above the statutory pensionable age receive a pension, only 85.3 percent of women do. The pension disparity may partially stem from the wage disparity, which results in lower lifetime earnings and consequently reduced or insufficient pension savings for women, although some women's extended career interruptions due to child-rearing could also be a contributing factor.

**Figure 2. Women's Economic Outcomes Equality**




## B. Policy Considerations

**6. Narrowing the gender gap in labor participation is likely to yield sizable economic gains.** Similar school enrollment rates and financial literacy levels help explain women's strong representation in professional or managerial positions but is at odds with indications of lower labor force participation rates and wages. Reducing gender gaps in labor force participation can yield substantial gains in GDP—not merely by expanding the labor force—but also by enhancing labor productivity through more diverse skillsets and a better match between skills and jobs, which helps drive overall productivity growth. According to IMF's Output Gains Toolkit, closing the gender gap in labor force participation could boost economic output by nearly 6 percent in Dominica.[3] This policy is essential against the backdrop of rapid population aging and brain drain, particularly in smaller, less populated islands like Dominica.

**7. Policies that address barriers such as childcare costs, flexible work arrangements, and discrimination, can help boost female labor market participation.** While maternity leave is legally guaranteed, finding safe, convenient, and affordable care for young children can at times be challenging for certain working mothers. To address that challenge, the authorities have been proactive in developing a program to support early childhood education to single mothers and vulnerable households via the *Build Back Better* project funded by Global Affairs Canada. Flexible work arrangements, such as having remote work opportunities, parttime or flexible hours, can also help increase women's participation in the labor force. The government's digitalization initiatives such as *Dominica Work Online Program*, which offers hands-on training to individuals seeking online work, can also complement efforts to improve childcare services, especially if the latter takes more time to implement. In addition, efforts should continue to promote equal legal rights for women and close any gaps that remain—especially those related to the workplace equality and safety. This includes explicitly prohibiting discrimination in employment based on gender, marital or parental status, and age.

**8. Investing in education and skills training and creating opportunities for women in the technical field help address the gender wage gap.** Evidence suggests that women are heavily represented in the tourism sector, particularly in roles like cleaning, housekeeping, and cooking, and often face lower wages than their male counterparts, who are more commonly employed in higher-paying positions like technicians, maintenance workers and/or security guards. Providing training programs and educational opportunities to help women advance in their careers and gain skills in traditionally male-dominated areas could help address the gender wage gap. The ongoing program at Dominica's Electricity Services Limited (DOMLEC) that aims at reducing the gender gap in female employment for technical jobs through education and training, is a positive step in that regard and serves as a potential model for other sectors.

**9. Supporting entrepreneurship and addressing structural challenges to credit access help improve women's financial well-being.** While the ECCU's recent Financial Literacy and Financial Inclusion Survey did not suggest a significant gender gap in financial literacy in Dominica, it acknowledged an overall low level of financial literacy in the region. Modernizing education and training curricula to include financial literacy helps promote improve labor outcomes including for

[3] The estimated output gain is derived from IMF's Output Gains Toolkit, which is based on the Ostry, Alvarez, Espinoza, and Papgeorgiou (2018) model.

women. While women do not face legal restrictions in opening financial accounts or obtaining land ownership, they may be more limited in their access to resources and assets compared to men due to a variety of reasons. For instance, most microbusinesses were home-based and uninsured, and predominately owned by women. Those businesses are more vulnerable to natural disaster shocks. After Hurricane Maria in 2017, many single mothers were left with destroyed houses which further limits their ability to borrow (GFDRR, 2022). Promoting and accelerating women-owned businesses through resources, training, and mentorship can help boost women's economic outcomes.

## C. Data Gaps

**10. The lack of gender-specific data constrains policy development.** As an important starting point, policies should strive to improve the quality and availability of gender-disaggregated data, which is critical for making informed policy decisions. Dominica has one of the lowest availabilities of key gender-disaggregated data among the Caribbean and Latin American countries. The absence of timely labor force data in Dominica seriously constrains evidence-based labor market policy recommendations. Data on gender-based violence is also lacking. Alleviating capacity and resource constraints within the Central Statistical Office (CSO) in staffing and funding, as well as bottlenecks in data sharing within the government, are necessary steps. Greater use of synergies in regional data collection and processing could also help address persistent resource and capacity gaps.

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# Annex VII. Small State Engagement Strategy for the Commonwealth of Dominica

*The Small State Engagement Strategy (SSES) outlines a three-year plan to help Dominica address economic imbalances and achieve development, climate resilience, and risk management goals.*

1. **Dominica has set multiple medium-term policy goals through various development and risk management frameworks.** The National Resilience Development Strategy (NRDS) aims for sustainable, inclusive, and resilient development through strategic infrastructure and social investments, including a green energy transition (GET) to mitigate emissions, reduce fuel import dependence, and improve competitiveness. The Disaster Resilience Strategy (DRS) promotes financial resilience through a multi-layered insurance strategy, including emergency contingency funds. The DRS together with the National Fiscal Rule (NFR) forms key pillars of Dominica's fiscal framework to reduce imbalances and ensure stability amid persistent risks.

2. **These strategic policy priorities are well targeted but lack a unifying operational framework with linking institutional processes.** Achieving multiple and competing policy objectives is complicated by resource constraints and institutional gaps that anchor policy objectives within operational processes. Strategic guidelines are needed to clarify the mix of policies to advance development priorities while also achieving fiscal consolidation/debt reduction and contingent financing objectives. This involves formalizing procedures to link the fiscal framework to the budget process and allocate savings from CBI inflows into contingent fiscal funds. Underdeveloped institutions and limited technical capacity—common among small developing states—further complicate implementation. In Dominica's case, weaknesses in statistical compilation and PFM processes frustrate policy formulation, monitoring, and implementation.

3. **The SSES will leverage the IMF's core instruments, prioritizing surveillance and capacity building.** *Surveillance* remains the primary channel to assess macroeconomic risks and elaborate policies to reduce economic imbalances and enhance resilient growth. AIV consultations will continue to be aligned with the budget cycle for maximum policy traction. *Capacity Development (CD)* will be tailored to enhance institutional capacity, notably in statistics, PFM processes, and risk management, prioritizing fiscal, statistical, and financial sector needs. Coordination with CARTAC will ensure targeted technical assistance. *Lending* is not planned, but the IMF will provide guidance as needed, particularly in the event of a disaster shock.

4. **The Fund's engagement will focus on:**

- **Fiscal and Debt Sustainability.** The priority is to rebuild fiscal buffers to comply with Dominica's fiscal framework and reduce debt vulnerabilities, while preserving critical social and infrastructure investment. Key priorities include boosting domestic revenue (by reducing leakage and improving tax administration), cutting inefficient spending, enhancing PFM operations, and managing fiscal risks (e.g., pensions). Priorities to bolster fiscal planning and execution include strengthening (i) budget, cash management, and reporting processes; (ii) treasury operations; and (iii) public investment management, all supported by targeted CD (¶3).

- **Financial Stability and Intermediation.** Surveillance priorities are closing regulatory gaps, strengthening supervision to address balance sheet weaknesses. The Fund is engaging at the regional level with the ECCB to strengthen supervision of the banking sector and with the national financial regulator to enhance risk-based oversight of nonbanks and modernize its enforcement mechanisms.

- **Climate Resilience.** Policy focus is to minimize the fallout from NDs, including by elaborating comprehensive risk management strategies, building resilient infrastructure, and facilitating the GET. The Fund has already assisted in these areas with its contributions to the DRS (2021) and recent economic assessment of the GET (2024).The SSES will prioritize disaster risk management and climate financing in surveillance, while supporting Dominica's climate resilience activities by leveraging policy expertise in green budgeting and enhanced procurement and PSIP processes.

- **Strong and Inclusive Growth.** Surveillance will continue to explore structural growth constraints and prospective policy responses. Priority deliverables include assessments on (i) growth accounting and firm-level allocative efficiencies; (ii) the financial intermediation/growth nexus; (iii) gender-based labor market frictions; and (iv) efficiencies from digitalization.

**5. The IMF will sustain collaborations with development partners to promote economic stability, climate resilience, and sustainable development.** Staff will continue its joint work with the World Bank (WB) on debt sustainability and tax and social policies and pursue broader partnerships with the WB, IADB, and Caribbean Development Bank to support the GET.

# Annex VIII. Data Issues

## Table 1. Dominica: Data Adequacy Assessment for Surveillance

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Data Adequacy Assessment Rating 1/** | | | | | | | |
| C | | | | | | | |
| Questionnaire Results 2/ | | | | | | | |
| **Assessment** | National Accounts | Prices | Government Finance Statistics | External Sector Statistics | Monetary and Financial Statistics | Inter-sectoral Consistency | Median Rating |
| | C | C | B | C | B | C | C |
| Detailed Questionnaire Results | | | | | | | |
| **Data Quality Characteristics** | | | | | | | |
| Coverage | B | C | B | C | B | | |
| Granularity 3/ | C | | B | C | B | | |
| | | | C | | B | | |
| Consistency | | | C | B | | C | |
| Frequency and Timeliness | C | C | B | C | A | | |

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

| | |
|---|---|
| A | The data provided to the Fund is adequate for surveillance. |
| B | The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. |
| C | The data provided to the Fund has some shortcomings that somewhat hamper surveillance. |
| D | The data provided to the Fund has serious shortcomings that significantly hamper surveillance. |

## Table 1. Dominica: Data Adequacy Assessment for Surveillance (Concluded)

| |
|---|
| **Rationale for staff assessment**.<br>***Real Sector.*** GDP data are not reported quarterly, and annual figures are subject to significant delays. The CPI basket and weights are outdated and technical complications from a software upgrade resulted in a temporary suspension of the production of the CPI series, which was recently lifted. The compilation of labor force information has been suspended and an updated census is overdue, creating challenges in evaluating economic activity and identifying policy priorities.<br>***Fiscal Sector***.The coverage and granularity of government financial statistics is deemed adequate overall. Data is reported on a monthly basis across almost all fiscal metrics, but prone to inconsistencies and subject to large revisions. There is scope to improve the reporting of citizenship-by-investment (CBI) related flows, where information dissemination is irregular and subject to lags that create challenges in providing early-stage assessments of overall fiscal balances (although timely assessments of non-CBI fiscal balances are possible and informative). Publicly accessible debt information is hard to find systematically, which complicates the internal data verification exercises.<br>***External Sector.*** Capital account and financial account flows do not adequately capture CBI, which obscures the underlying financing dynamics. The ECCB relies on available cash-based fiscal data on CBI flows to estimate external sector flows. These are subject to estimation and classification risks.<br>***Monetary and Financial Sectors***. Historical data is adequate for surveillance where the provision of information for credit unions (CUs) has improved in recent years. |
| **Changes since the last Article IV consultation.** The authorities completed the GDP rebasing exercise until 2022, with the 2023 rebasing ongoing. A fully rebased series is not expected to be available for surveillance purposes until the 2026 AIV cycle. The authorities have made progress to resume the release of CPI, which was suspended in February 2021 due to system failures in the Price Index Processor System (PIPS). Software (CPI+) to replace PIPS was procured but the new system remains at the implementation stage. In the meantime, the Central Statistical Office (CSO) has continued its price data collection having addressed challenges related to missing items associated with pandemic-related supply chain disruptions. On this basis, the compilation of CPI has resumed up to end-2024, with the CSO now in the process of operationalizing its dissemination. CARTAC capacity development (CD) is ongoing to support CPI reporting with updated weights and the completion of GDP rebasing exercise. A CD mission on external sector statistics was conducted in July 2024, which listed improving CBI-related flow reporting and addressing gaps in the Visitor Exit Survey as priority recommendations. The authorities have started to provide non-performing loan information for CUs with delinquency over three months in addition to over twelve months. Finally, the authorities are exploring mechanisms to improve the dissemination of CBI investment flows to the CBI unit to improve data transparency and reporting |
| **Corrective actions and capacity development priorities**. The mission consulted with the authorities on measures to strengthen data adequacy. CD priorities include ongoing CARTAC support for CPI compilation and reporting; GDP compilation and rebasing; updating the Supply-Use Table (SUT) and operationalizing a Tourism Satellite Account framework; operational support to implement Balance of Payments recommendations; and engagement to resume the preparation of labor force/employment statistics. On CBI revenues, the mission advocated transparency standards in place in other ECCU jurisdictions, which include publishing CBI revenues and expenditure breakdowns as well as the number and national origin of applications in the pipeline and of issued of passports. |
| **Use of data and/or estimates different from official statistics in the Article IV consultation.** Public debt information differs from official statistics as it includes debt to Venezuela under the PetroCaribe facility (estimated as 51.7 million US dollars, 7.7 percent of GDP as of FY2023/24). The difference in definition stems from debt relief that the authorities contend was granted by Venezuela following recent disaster shocks, the details of which have not yet been shared with the Fund. This issue is under review pending additional information. |
| **Other data gaps**. GDP components on expenditure side, labor market data, climate data, details on CBI revenue including the number of passports issued and the origin country of the passport holders. |

## Table 2. Dominica: Data Standards Initiatives

| |
|---|
| Dominica participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in September 2000 but is yet to disseminate the data recommended under the e-GDDS. |

## Table 3. Dominica: Table of Common Indicators Required for Surveillance

(As of April 28, 2025)

| | Data Provision to the Fund | | | | Publication under the Data Standards Initiatives through the National Summary Data Page | | | |
|---|---|---|---|---|---|---|---|---|
| | Date of Latest Observation | Date Received | Frequency of Data[6] | Frequency of Reporting[6] | Expected Frequency[6,7] | Dominica | Expected Timeliness[6,7] | Dominica |
| Exchange Rates | Mar-25 | Apr-25 | M | M | D | ... | NA | ... |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | Dec-24 | Mar-24 | M | M | M | ... | 1M | ... |
| Reserve/Base Money | Dec-24 | Jan-24 | M | M | M | ... | 2M | ... |
| Broad Money | Dec-24 | Jan-24 | M | M | M | ... | 1Q | ... |
| Central Bank Balance Sheet | Dec-24 | Mar-24 | M | M | M | ... | 2M | ... |
| Consolidated Balance Sheet of the Banking System | Dec-24 | Mar-24 | M | M | M | ... | 1Q | ... |
| Interest Rates[2] | Dec-24 | Mar-24 | M | M | M | ... | NA | ... |
| Consumer Price Index | Dec-24 | Mar-24 | M | M | M | ... | 2M | ... |
| Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4] | NA | NA | NA | NA | A | ... | 3Q | ... |
| Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government | Feb-25 | Mar-25 | M | M | Q | ... | 1Q | ... |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | Jun-24 | Mar-25 | A | I | Q | ... | 2Q | ... |
| External Current Account Balance | Dec-24 | Jan-25 | A | A | A | ... | 1Q | ... |
| Exports and Imports of Goods and Services | Dec-24 | Jan-25 | A | A | A | ... | 12W | ... |
| GDP/GNP | Dec-23 | Jul-24 | Q | Q | Q | ... | 1Q | ... |
| Gross External Debt | Jun-24 | Mar-25 | A | I | Q | ... | 2Q | ... |
| International Investment Position | Dec-24 | Jan-25 | A | A | A | ... | 3Q | ... |

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.

[7] Recommended frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected.

INTERNATIONAL MONETARY FUND

# DOMINICA

May 22, 2025

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
**Fabian Valencia and Tokhir Mirzoev (IMF) and Manuela Francisco and Oscar Calvo-Gonzalez (IDA)**

Prepared by the staffs of the International Monetary Fund and the International Development Association.

| Dominica: Joint Bank-Fund Debt Sustainability Analysis[2] | |
|---|---|
| **Risk of external debt distress** | *Moderate* |
| **Overall risk of debt distress** | *High* |
| **Granularity in the risk rating** | *Sustainable* |
| **Application of judgement** | *No* |

*Dominica's debt is sustainable, but the country remains at overall high risk of debt distress with elevated levels of public and external debt. The risk of external debt distress, however, has been lowered relative to the 2024 assessment from high to moderate. The COVID-19 pandemic compounded preexisting debt sustainability challenges, as the economy was still recovering from back-to-back natural disasters (NDs) in 2015 and 2017. Public debt peaked at 112.5 percent of GDP in 2020, declining to 99.8 percent of GDP in FY2023/24. While the baseline assumes public debt to continue to fall over the medium and long run, current policies are insufficient to meet the regional debt target (60 percent of GDP) by 2035, and the present value of the public debt-to-GDP ratio remains above the benchmark for a protracted period, signaling persistent risks. Implementation of fiscal consolidation consistent with the national fiscal rule and savings under dedicated risk management funds—Vulnerability Risk and Resilience Fund (VRF) and Debt Repayment Fund (DRF)—is needed to put public and external debt on a firm sustainable path, reducing vulnerabilities. This should be combined by reforms to expand tourism capacity and reduce energy imports, including by ensuring proper earmarking of Citizenship-by-investment (CBI) inflows. Main downside risks to the debt sustainability outlook include slower global growth and associated spillovers to tourism, further ND shocks, and weaker than anticipated revenues from the CBI program.*

[1] The last published DSA for Dominica can be accessed here. This DSA follows the Guidance Note of the Join Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] Dominica's score in the Composite indicator (CI) is 3.01 which implies a medium debt carrying capacity. The CI is calculated based on data from the October 2024 WEO and the 2023 CPIA data.

# PUBLIC DEBT COVERAGE

**1. Public sector debt includes central government direct and guaranteed debt of both external and domestic debt.** Central government direct debt accounts for about 84 percent of total public debt. Guaranteed debts are directed to State Owned Enterprises (SOEs), including borrowing under the Petrocaribe arrangement with Venezuela.[3] Public and Publicly Guaranteed (PPG) external debt is mostly owed to multilateral creditors, while the National Bank of Dominica (NBD) and the Dominica Social Security (DSS) are the main domestic creditors. There is no borrowing by local/state governments and no borrowing by the central bank on behalf of the government. External debt is defined using a residency criterion, but there is no material difference between defining external debt on the residency or currency basis. SOE's non-guaranteed debts, which are mostly domestic and mainly from the NBD, Agricultural and Industrial Development (AID) Bank of Dominica, and DSS, are not included in the public debt stock but they are expected to be small relative to the guaranteed stock.[4] Other SOEs are not permitted to borrow externally without government guarantees. It is still expected that all SOE debts (both guaranteed and non-guaranteed) will be included in the public debt with progress on monitoring the SOEs under the Public Procurement and Disposal of Public Property Act.[5] Recent measures implemented to improve coverage and timeliness of debt reporting include finalizing a new Medium-Term Debt Strategy (MTDS) and an Annual Borrowing Plan (ABP) for Cabinet approval in addition to an annual Debt Portfolio Review (DPR), including loan guarantees under the 2019 DPR, submitting the DPR to Parliament and publishing the DPR on the Ministry of Finance website in line with the incentives provided by IDA's Sustainable Development Finance Policy (SDFP) and Development Policy Financing (DPF).

**2. The stock of government arrears is excluded from the official definition of debt but add to debt vulnerabilities.** As of February 2025, government arrears (unpaid checks) were 3.5 percent of GDP and largely owed to domestic suppliers. While unpaid cheques have been decreasing through FY2024/25 and trending down more broadly in recent years, the arrears stock is non-negligible and presents additional risks for debt and cash flow management. In particular, in addition to increasing the overall envelope of government debt obligations, they may increase pressure on debt dynamics to the extent that arrears clearance involves recourse to expensive bank overdraft facilities.

**3. The Contingent Liability stress test has been calibrated to reflect risks associated with debt not captured in the baseline.** There are no Public-Private Partnerships in Dominica and

[3] Estimated borrowing under Petrocaribe is based on the terms under its original loan agreement. It should be noted, however, that the authorities contend to have been granted debt relief by Venezuela, including the cancellation of debt service payments from 2018 (a pattern that may continue in the coming years). Outstanding debt to Petrocaribe is estimated at 7.7 percent of the total debt stock as of FY2023/24.

[4] Non-guaranteed SOE debt is collateralized against assets of the SOE.

[5] Debt service-to-revenue ratios may be biased favorably given incomplete coverage of SOE debt stock (i.e., non-guaranteed SOE debts) but complete coverage of SOE revenues in the fiscal accounts.

therefore no related contingent liability has been included. The financial market contingent liability shock is calibrated at 7 percent of GDP (higher than the 5 percent of GDP default) to account for potentially higher fiscal costs of strengthening financial sector balance sheets in the event of a ND given undercapitalization of non-bank financial institutions and elevated non-performing loans in Dominica.

**Table 1. Dominica: Coverage of Public Sector Debt**

| | Subsectors of the Public Sector | Check box |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | |
| 3 | Other elements in the general government | |
| 4 | o/w: Social security fund | |
| 5 | o/w: Extra budgetary funds (EBFs) | |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | |
| 8 | Non-guaranteed SOE debt | |

**Table 2. Dominica: Contingency Liability Calibration Table**

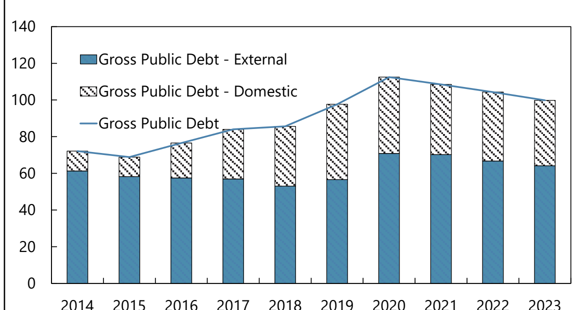
| | | Default | Used for the analysis | Reasons for deviations from the default settings |
|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central government, government-guaranteed debt | | |
| | | Default | Used for the analysis | Reasons for deviations from the default settings |
| 2 | Other elements of the general government not captured in 1. | 0 percent of GDP | 0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 percent of GDP | 2 | |
| 4 | PPP | 35 percent of PPP stock | 0.00 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 percent of GDP | 7 | Impact of natural disasters on financial instiutions. |
| | Total (2+3+4+5) (in percent of GDP) | | 9.0 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

# BACKGROUND ON DEBT

**4. Public debt has been on a declining trend after peaking during the COVID-19 pandemic and following successive ND shocks.** Tropical storm Erika in 2015, hurricane Maria in 2017, and the onset of the pandemic resulted in declines in public revenue while imposing sizeable expenditure needs on the budget. Though strong CBI revenues provided significant financing for the reconstruction efforts, large and persistent primary deficits led to an increase in the public debt level from an average of 70 percent of GDP in 2014–15 to 112.5 percent of GDP by 2020. The post-pandemic economic recovery alongside generally prudent fiscal management has underpinned a steady decline in public debt (99.8 percent of GDP by FY2023/24).

**Text Figure 1. Gross Public Debt**
(Percent of GDP)



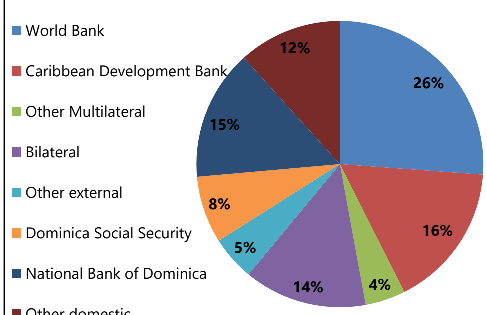

Sources: Dominica's authorities and IMF Staff calculations.

**5. Gross external debt has been declining following its pandemic peak.** Total public external debt is high at 64.2 percent of GDP in FY2023/24. An increased reliance on concessional financing related to pandemic spending translated into a steep increase in the PPG external debt to 70.9 percent of GDP in 2020 that underpinned a peak in total external debt at 105.8 percent of GDP.

Public external debt declined by more than 6 percent of GDP by FY2023/24. While the import bill remains elevated above long-term norms as key public infrastructure projects (e.g., international airport and geothermal plant) unfold, it does not entail higher indebtedness due to an increasing share of CBI, which was already earmarked to these projects. In fact, private external debt has declined significantly by 13 percent of GDP to 22 percent of GDP in FY2023/24 compared to FY2020/21, supporting a decline in total external debt.

6. **Dominica has no access to private international financial markets and borrows mainly from official creditors.** Two thirds of Dominica's public debt is external, but 92.4 percent of it is owed to official bilateral and multilateral creditors. The World Bank is Dominica's largest creditor, holding 40 percent of the total external public debt stock. Venezuela's Petrocaribe is the largest bilateral creditor, followed by the Government of China and the French Development Agency. Additional external financing is obtained through bonds purchased by regional commercial banks and insurance companies and pension funds.

**Text Figure 2. Composition of Public Debt**
(Percent of Total, 2023)




Sources: Dominica's authorities and IMF staff calculations.

7. **Domestic financing comes primarily through direct credit from the NBD and local debt holders, mainly the DSS.** Reliance on domestic debt has begun to decline in the last three years after a larger amount of direct borrowing from the NBD FY2017/18, which coincided with hurricane Maria, and increased use of their overdraft facility, most notably in FY2018/19 when reconstruction costs were high and the level of grant financing low. As of June 2024, domestic debt accounted for around 34 percent of total public sector debt.

# BACKGROUND ON MACRO FORECASTS

8. **The economy is projected to continue expanding with growth converging to 2 percent in the long term as the impulse from key infrastructure investments recedes.** Annual real growth is projected to average 3½ during 2025-27, supported by investments in flagship projects to boost economic capacity in tourism and agriculture and enhance competitiveness via the geothermal transition—which are expected to lead to further improvement in the current account balance. Over the medium to long term, growth is projected to gradually slow, supported by the continued fiscal consolidation, and converge to around 2 percent (consistent with trading partner demand growth and reflecting enhancements in economic capacity and competitiveness).

9. **The growth profile is relatively unchanged but the fiscal and external adjustment is now assumed to be more gradual.** While the inflation outturn was slightly higher in 2023 than previously anticipated (and now converges more gradually to 2 percent reflecting escalating trade tensions), the economic outlook is broadly consistent with the 2024 Article IV report. The overall fiscal balance is set to steadily improve by almost 1½ percent by 2028 on current policies. Similarly,

the CA balance will improve over the medium term—returning to its norm by 2028 (one year later than previously anticipated)—on the back of increased tourism capacity, a normalization of investment-related imports, and lower fuel imports as geothermal energy comes on stream.

**Table 3. Dominica: IMF Staff Projections 2025 vs. 2024**

| | 2025 Article IV | | | | | | 2024 Article IV | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| **Real GDP** | 4.7 | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 4.7 | 4.6 | 4.3 | 3.3 | 2.9 | 2.9 |
| **Inflation (eop)** | 2.5 | 2.1 | 3.1 | 2.3 | 2.0 | 2.0 | 2.3 | 2.2 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Overall fiscal balance** | -4.5 | -2.9 | -2.7 | -2.2 | -1.6 | -1.3 | -3.8 | -3.4 | -2.9 | -2.7 | -2.2 | -2.0 |
| **CBI revenue** | 33.0 | 30.0 | 23.6 | 15.7 | 15.7 | 15.7 | 18.0 | 15.4 | 14.5 | 14.5 | 14.5 | 14.5 |
| **Public capital expenditure** | 34.8 | 28.0 | 21.2 | 11.8 | 10.8 | 10.4 | 13.8 | 12.0 | 11.4 | 11.0 | 10.8 | 10.7 |
| **Current account balance** | -34.2 | -32.2 | -30.4 | -23.1 | -17.1 | -14.1 | -33.7 | -21.7 | -19.8 | -17.7 | -15.8 | -13.4 |

Source: Dominican authorities, Eastern Caribbean Central Bank (ECCB), and IMF staff estimates.

**10. This Debt Sustainability Analysis (DSA) builds from the baseline scenario of the 2025 Article IV.** Specific assumptions include:

- **Real GDP.** The economy grew at 4.7 percent in 2023 and expanded by a further 3.5 percent in 2024 driven by strong retail and trade, construction, and robust tourism. Growth is expected to remain above potential over the medium-term, supported by investments in flagship projects to boost economic capacity and enhance competitiveness via the transition to geothermal energy. Subsequently, growth is projected to converge to 2.0 percent in the long run, which builds in modest economic growth dividends from flagship development projects.

- **Inflation.** Inflation fell since peaking at 7 percent in 2023 to 2.1 percent (eop) in 2024—primarily due to softening world energy prices—and is projected to converge at this level over the medium-term, in line with the latest international inflation outlook and consistent with the fixed exchange rate under the currency board arrangement of the Eastern Caribbean Central Bank (ECCB - the regional monetary authority).

- **Fiscal position.** The primary balance improved significantly by 2.3 percentage points (ppts) to a deficit of 2 percent of GDP in FY2023/24. Looking forward, modest steps to boost revenues (e.g. by increasing excise taxes on beverages and tobacco (Sep 2024) and diesel (Jan 2025)) alongside sustained current spending restraint and an anticipated slowdown in capital outlays (related to a moderation in CBI financing flows – see below) are expected to support a gradual improvement in the primary balance to reach a 2 percent of GDP surplus in 2030.

- **CBI Revenue.** CBI revenue is projected to remain buoyant in the medium term but moderate from recent highs in excess of 30 percent of GDP to around 15¾ percent of GDP from 2026. This assumption is supported by several years of sizeable inflows starting in 2014—which have remained resilient in the face of successive NDs and the pandemic shock—and Dominica's measures to address third party concerns and strengthen the rigor of its regime. CBI is expected to remain essentially earmarked to public investment, debt amortization, and the accumulation of savings.[6]

- **Grants.** Grants are projected at 2 percent of GDP, in line with the historical average excluding the pandemic shock and ND years.

- **Balance of payments.** The current account (CA) deficit narrowed in 2024 by 2 ppts to 32.2 percent of GDP. While still well above its estimated norm (16.3 percent of GDP) on account of the high import content of ongoing large infrastructure projects, the CA balance is expected to steadily improve—returning to its norm by 2028—on the back of increased tourism capacity, a normalization of investment-related imports, and lower fuel imports as geothermal energy production comes on stream.

- **Financing conditions.** Dominica is expected to obtain financing from multilateral lenders and domestic borrowing (mostly to rollover existing debt). Dominica has negotiated a US$41 million loan from the Saudi Development Fund (SDF) on concessional terms (2 percent interest rate, with 28 years maturity and 8 years grace) to fund a priority climate-resilient infrastructure enhancement project. The disbursement plan remains unclear, however, and thus it is not currently included in the framework. Concurrently, the government has secured two new loans: US$20 million from the Caribbean Development Bank (CDB) and SDR$18.5 million from the World Bank, both of which are included in the framework with the expectation of full disbursement in FY2024/25. Multilateral financing is expected to contribute the bulk of external financing in the medium term with ongoing projects to build resilience to ND and to improve fiscal institutions.[7] Official external financing is projected at 9 and 6 percent of GDP in the medium term (2025–26) and long term, respectively, to cover planned public investment supplemented by CBI revenue flows. Domestic debt is assumed to be issued on relatively favorable terms compared to the global market.[8] The baseline assumes partial use of deposits (Table 4). The G20's Debt Service Suspension Initiative (DSSI) repayment schedule is reflected in

[6] The government is recurrently saving a small part of CBI to its VRF (1.0 percent of GDP, in total) but not at the frequency nor magnitude (1½ percent of GDP/annually) envisioned under Dominica's 2021 Disaster Resilience Strategy (DRS). A Debt Repayment Fund (DRF) is also under implementation.

[7] World Bank financing in the projection period is assumed to have grace period of 10 years and maturity of 40 years, at 2 percent interest for years 11-20 and 4 percent interest rate for years 21-40, CDB financing is assumed at 10-year grace, 20-year maturity and 2.5 percent interest rate. Other multilateral borrowing is assumed at 5 years grace, 30-year maturity and 1 percent interest rate.

[8] Domestic borrowing is assumed to accrue from the NBD (a majority-owned public bank). This takes the form of an overdraft facility, which is converted into long term bonds. These bonds have generous terms, with long maturities and low interest rates. The DSA assumes 0 years grace, 5-year maturity and 7 percent interest on domestic borrowing in the medium term. In the long term, domestic borrowing is assumed to have 7-year maturity, to account for the authorities' medium term debt strategy to extend debt maturity to 9 years. DSA assumptions remain more conservative than authorities' strategy in the medium and long term.

the DSA assumptions.[9] The DSA and baseline macro framework assumes that the authorities opt not to draw on their SDR allocation.

**Table 4. Dominica: Government Financing Needs and Sources**
**(In US$ million, fiscal years July-June)**

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|
| **Gross Financing needs** | **51** | **50** | **45** | **42** | **44** | **46** |
| Overall deficit | 21 | 21 | 18 | 14 | 12 | 10 |
| **Primary deficit** | **-1** | **-3** | **-5** | **-9** | **-11** | **-14** |
| **Interest** | **22** | **23** | **23** | **22** | **22** | **24** |
| External debt | 6 | 7 | 6 | 7 | 7 | 8 |
| Domestic debt | 16 | 17 | 17 | 16 | 15 | 16 |
| **Principal repayments** | **30** | **29** | **27** | **24** | **20** | **19** |
| External | 19 | 17 | 14 | 13 | 13 | 12 |
| External, new debt | 0 | 0 | 0 | 0 | 0 | 1 |
| o.w. contracted obligations in pipeline | 19 | 17 | 14 | 13 | 12 | 11 |
| | | | | | | |
| Domestic | 11 | 13 | 13 | 11 | 8 | 7 |
| **Other debt creating flows (use of deposits) 1/** | **-11** | **-4** | **-2** | **4** | **12** | **18** |
| Deposit stock: | **11** | **7** | **6** | **10** | **22** | **40** |
| | | | | | | |
| **Gross financing sources** | **51** | **50** | **45** | **42** | **44** | **46** |
| **External financing** | **45** | **44** | **42** | **42** | **44** | **46** |
| Multilateral | 45 | 44 | 42 | 42 | 44 | 46 |
| WB | 33 | 31 | 28 | 28 | 29 | 30 |
| CDB | 12 | 13 | 14 | 15 | 15 | 16 |
| IMF | 0 | 0 | 0 | 0 | 0 | 0 |
| other | 0 | 0 | 0 | 0 | 0 | 0 |
| Bilateral | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial & other | 0 | 0 | 0 | 0 | 0 | 0 |
| **Domestic financing** | **6** | **6** | **3** | **0** | **0** | **0** |

Source: IMF staff estimates.
1/ Use of government deposits from excess CBI

**11. Debt dynamics have been driven by unexpected shocks (Figure 3).** Back-to-back NDs and the pandemic resulted in a combined shock of higher-than-expected primary deficits and a sharp contraction in GDP, which translated into an increase in the debt/GDP ratio.[10] Moreover, the newly agreed loan from CDB and the Word Bank leads to a small bump in the debt-to-GDP ratio in FY2024/25 (justified on development grounds) but reverts back to a downward trend thereafter. The

[9] Dominica benefited from the DSSI initiative until 2021, but payments have resumed since then and are reflected in the DSA projections.

[10] The impact of low growth rates due to NDs and pandemic has been more than offset by the recent post-pandemic recovery contributing to lower debt-to-GDP ratios for external debt and total public debt, respectively, *ceteris paribus*.

ongoing investment-led economic expansion and modest fiscal consolidation envisioned on current policies are the main determinants of the debt dynamics in the next five years.

**12. Results from applying DSA Realism Tools are affected by substantial growth volatility related to the pandemic (Figure 4).** Real GDP growth paths implied from various fiscal multipliers are similar to the baseline growth projections (see upper-right chart). Moreover, the projected 3-yr adjustment under the baseline (2.5 percent of GDP) is moderate relative to the distribution of fiscal adjustment for low-income countries.[11] The projected relation between public investment and real GDP growth differs substantially from the historical relation, reflecting the impact of unexpected shocks from the pandemic and successive NDs that delink growth from fiscal spending (see lower-right chart).

# COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

**Table 5. Dominica: Calculation of CI Index**

| | |
|---|---|
| **Country** | Dominica |
| **Country Code** | **321** |

| | |
|---|---|
| **Debt Carrying Capacity** | **Medium** |

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintage |
|---|---|---|---|
| Medium | Medium | Medium | Medium |
| | 3.01 | 2.93 | 3.01 |

| **APPLICABLE** | |
|---|---|
| **EXTERNAL debt burden thresholds** | |
| **PV of debt in % of** | |
| **Exports** | 180 |
| **GDP** | 40 |
| **Debt service in % of** | |
| **Exports** | 15 |
| **Revenue** | 18 |

| **APPLICABLE** | |
|---|---|
| **TOTAL public debt benchmark** | |
| PV of total public debt in percent of GDP | 55 |

**13. Indicative debt thresholds in this DSA are determined by the "Medium" rating of Dominica's debt carrying capacity.** The rating is based on the Composite Index (CI) score of the

[11] A 2.5 percent of GDP adjustment is just below the top quartile of primary adjustments realized for LIDCs under Fund program since 1990.

country, which assumes that the risk of debt distress is determined by the quality of institutions (measured by the World Bank Country Policy and Institutional Assessment (CPIA) score), and other country-specific factors such as economic growth, reserves level, and remittances.[12] The calculation of the CI is based on 10-year averages of the variables, across 5 years of historical data and 5 years of projection, and the corresponding CPIA. Import coverage of reserves continues to be a factor supporting this rating in Dominica. The rating remains unchanged from the previous DSA.

**14. Both external and public debt analysis consider standard-DSA alternative scenarios to this baseline.** The DSA includes six standardized and contingent liability stress tests. The financial market contingency liability is included at 7 percent of GDP, above the default of 5 percent of GDP, to account for the risk from NDs. This adjustment is made to account for potentially higher fiscal costs of strengthening financial sector balance sheets in the event of a ND given undercapitalization of non-bank financial institutions and high non-performing loans in Dominica. A customized "Catastrophic Climate Event" scenario is added, which assumes the reoccurrence of a typical hurricane (such as Tropical Storm Erika) in the second half of FY2024/25. This scenario assumes default declines in real GDP growth (1.5 ppts), export growth (3.5 ppts), and increase in debt-to-GDP ratio (10 ppts) as a result of considerable increase in expenditure in rehabilitation.[13]

# EXTERNAL DSA

**15. Dominica is assessed at moderate risk of external debt distress.** Since no indicators breach the threshold under the baseline (Figure 1), external debt risk has been lowered from high to moderate compared to the 2024 Article IV. Specifically, while the PV of external public debt-to-GDP stays below the threshold established for countries with "medium" debt carrying capacity by 2025 , the threshold is breached by a large margin in the event of the most extreme shock scenario of a reduction in exports to one standard deviation below its historical average. Similarly, while the PV of external public debt to exports remains below the threshold throughout the projection, it goes well above the threshold in the case of the most extreme export shock.[14] The historical scenario has a similar trajectory in the debt-to-GDP ratio in initial years but leads to higher debt accumulation in the medium term. The historical scenario for the debt to exports ratios stays below the threshold until 2033 and exceeds the threshold thereafter.

**16. Strong policy implementation will ensure that debt service metrics are put on a downward trend and remain below the threshold for most of the projection period.** Debt service to exports ratio remains below threshold from 2028 in all scenarios, while debt service to revenue remains below the threshold for all shocks.

[12] The CI indicator is calculated based on data from the October 2024 WEO and the 2023 CPIA data.

[13] The customized spike in the debt-to-GDP ratio is comparable to the fallout observed post hurricane Maria.

[14] Given that Dominica is in a currency union with other OECS countries, constraints around debt-to-exports ratios are much less important. In the case of a catastrophic climate event, given the geographical alignment of OECS members, it is unlikely that all, or even several, would be hit simultaneously.

**17. External debt distress risk has decreased and is now assessed as moderate, with no threshold breaches under the baseline.** The conclusion is based on baseline debt projections and most of the alternative scenarios being under the threshold. Only alternative scenarios with historical and catastrophic climate shock scenarios entail a projected breach of thresholds for some debt indicators.

**18. Residuals are high but on a declining trend.** Residuals are high in the historical period and peak in 2021 but decline consistently through the projection period. The residual is mostly explained by the use of government deposits derived from CBI revenues, which become smaller as deposit use falls from 2024 onwards (Figure 3).[15]

# OVERALL RISK OF PUBLIC DEBT DISTRESS

**19. Under the baseline scenario, public debt is assessed to be sustainable but remains at high risk of debt distress.** The baseline fiscal consolidation plan, combined with sustained CBI inflows to finance growth-enhancing resilient public investment , result in a declining trajectory of the public debt, but is insufficient to achieve the regional debt target of 60 percent of GDP by 2035. Furthermore, as discussed below, key metrics of debt sustainability remain elevated over most of the horizon owing mainly to the higher initial debt ratio and are sensitive to stress scenarios. Relative to the historical scenario, debt declines more rapidly owing to the strong post-pandemic expansion, underpinned by strategic development investment with anticipated competitiveness and productivity gains (see Figure 3).

**20. PPG debt remains high and above the threshold under the baseline over the horizon.** Under the baseline scenario assumptions, public debt remains on a declining trajectory, and the PV of total public-sector debt-to-GDP ratio remains below the corresponding benchmark after 2025 (Figure 2). The most extreme growth shock yields large breaches of the benchmark. The debt service-to-revenue ratios increase steeply in the near-term due to the slow recovery in tax revenue following the pandemic but decelerates afterwards.

**21. Domestic debt-to-GDP is projected to decline below the threshold, with the domestic debt service-to-revenue ratio significantly narrowing the gap in the longer term.** The domestic debt-to-GDP ratio has been high at around 40 percent of GDP but is expected to decline below the threshold by 2029 as gross financing needs are both expected to decline and mainly sourced externally on a concessional basis. The domestic debt service-to-revenue ratio is also expected to fall significantly, converging to the threshold by 2032 (Figure 5). Finally, net domestic debt issuance is expected to be negative after 2025.

[15] The other possibility for the large residuals might be due to data accuracy issues in the external accounts, which is related to CBI flows.

# RISK RATING, VULNERABILITY AND RECOMMENDATIONS

**22. Stress tests omit important mitigating factors that cannot be internalized within the DSA's standardized framework:**

- *Resilience to NDs*. Large investments in physical and social resiliency to NDs, which underpin large fiscal deficits of recent years, will reduce rehabilitation and reconstruction spending following ND and climate shocks by mitigating output and tax revenue declines after those events. This may reduce the fiscal deficit and debt financing parameters used in the stress test.

- *Fiscal buffers*. Large government deposits obtained from buoyant CBI revenues have been used to finance fiscal deficits since 2015. Without this buffer, the fiscal deficits in 2018–19 would have been significantly smaller due to constrained financing, which would result in lower debt in the standardized stress test for the historical and catastrophic climate event scenarios. The government's intention to improve fiscal buffers in the medium term by accumulating savings in the VRF and DRF for self-insurance against NDs and accelerated debt repayments respectively, will further cushion the financial impact of catastrophic climate events and resilience to shocks generally. Staff's recommendation to reprioritize CBI revenues towards enhancing VRF contributions and paying down debt via the DRF would further enhance debt sustainability by reducing borrowing needs following extreme climate shocks and lowering the outstanding debt stock.

**23. Non-resident deposits of Dominican expats reduce rollover risk of external debt while enhancing imputed international reserves.** Dominica nationals that have migrated to developed nations generally maintain country links (family and economic) and consequently hold deposits in the banking sector. These deposits (12 percent as ratio of public external debt) enhance the overall stability of external debt, given its low rollover risk. In addition, these deposit inflows generate an increase of imputed international reserves given the regional currency board arrangement.

**24. While Dominica's external and overall debt are considered sustainable, they are assessed as being at moderate and high risk of distress, respectively.** The authorities' fiscal consolidation plans combined with sustained CBI revenue are sufficient to put public and external debt on a sustained downward path, although several key indicators remain above relevant thresholds for much of the horizon. The planned accumulation of a liquid fiscal reserve in the VRF and accelerated debt repayments via the DRF will help protect debt service capacity and resilience to NDs and other shocks, thereby reducing the risk of debt becoming unsustainable. Execution of the government's development plan centered on building resilience to ND will further strengthen public and external debt sustainability by: (i) reducing spending in reconstruction and rehabilitation after NDs; (ii) containing output and employment losses with resilient structures; and (iii) increasing output in the long-term by stimulating investment and employment (including by reducing out-migration) in the context of a more resilient and productive economy. Adherence to staff recommendations for enhancing annual contributions to the VRF as envisioned under the DRS and paying down debt with CBI revenues will further enhance debt sustainability.

**25. The debt projections are underpinned by macro framework assumptions that are subject to risk.** CBI inflow projections could underperform if travel restrictions are imposed by other nations, reducing the value of holding a Dominican passport, which is the main incentive to acquire Dominica citizenship. CBI also has upside risks, which materialized during 2020-24 with the receipt of unprecedented inflows. A slower than expected expansion of stay-over tourism may weigh on GDP growth, which may also lead to a deterioration in debt dynamics. However, relative to other countries in the region, Dominica's reliance on tourism is lower and the assumptions underpinning growth are determined primarily by high public investment (where the airport project should eliminate structural bottlenecks to airlift capacity). Recurrent large climate events may severely damage infrastructure and compromise growth, resulting in a spike in debt. External grants have been projected conservatively and have upside risk. Market risks are contained as nearly 90 percent of the debt portfolio consists of fixed interest debt, and currency risks are limited by the currency board arrangement and external debt portfolio being dominated by USD and EC dollar debt.

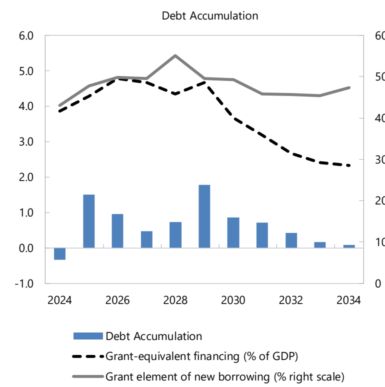
**26. Increased reliance on domestic borrowing heightens risks to public debt, which could become unsustainable should risk scenarios materialize.** A higher than projected reliance on domestic debt during 2018–21 has resulted in larger debt service burdens arising from domestic borrowing. This highlights a potential threat to financial stability related to the bank- and non-bank-sovereign nexus should unanticipated shocks threaten the government's ability to service its debts. Domestic debt service spikes in 2022 but moderates thereafter. The authorities should closely monitor the financial stability of local bond holders, particularly DSS. Stress tests highlight the exposure to a catastrophic climate event as a primary risk, a shock that could increase debt into unsustainability, reinforcing the importance of the authorities' commitment to the implementation of its fiscal framework (i.e. the National Fiscal Rule and layered risk management strategy under the DRS), as well as the continued commitment to seeking multilateral and bilateral financial support on concessional terms.

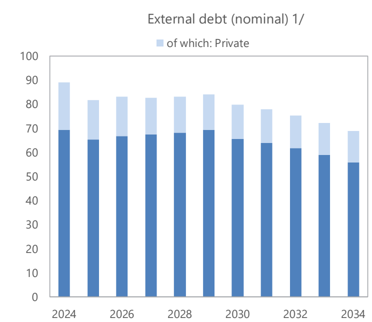
# Table 6. Dominica: External Debt Sustainability Framework, Baseline Scenario, 2021-2044

## (In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections |
| **External debt (nominal) 1/** | **86.7** | **98.9** | **86.1** | **89.0** | **81.6** | **83.1** | **82.7** | **83.1** | **84.0** | **68.9** | **40.9** | **92.1** | **79.8** |
| ***of which: public and publicly guaranteed (PPG)*** | **70.2** | **66.7** | **64.2** | **69.3** | **65.4** | **66.7** | **67.4** | **68.2** | **69.4** | **55.9** | **31.6** | **61.6** | **64.8** |
| | | | | | | | | | | | | | |
| Change in external debt | -19.1 | 12.2 | -12.8 | 2.9 | -7.4 | 1.5 | -0.3 | 0.4 | 0.9 | -3.2 | -2.1 | | |
| **Identified net debt-creating flows** | **18.2** | **16.4** | **19.5** | **21.5** | **20.6** | **14.7** | **9.0** | **6.3** | **6.7** | **5.2** | **6.2** | **16.0** | **9.5** |
| **Non-interest current account deficit** | **30.6** | **24.5** | **31.6** | **29.8** | **28.2** | **21.3** | **15.5** | **12.6** | **12.8** | **11.1** | **11.6** | **23.1** | **16.1** |
| Deficit in balance of goods and services | 34.3 | 28.6 | 33.8 | 32.5 | 30.6 | 23.6 | 17.8 | 14.9 | 15.0 | 13.2 | 13.7 | **28.3** | **18.3** |
| Exports | 20.3 | 27.6 | 27.9 | 30.7 | 34.0 | 33.1 | 33.1 | 35.0 | 35.1 | 35.2 | 32.5 | | |
| Imports | 54.6 | 56.2 | 61.7 | 63.2 | 64.7 | 56.7 | 50.9 | 49.9 | 50.1 | 48.5 | 46.2 | | |
| Net current transfers (negative = inflow) | -2.2 | -2.2 | -0.8 | -1.0 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.8 | -0.8 | **-4.6** | **-0.9** |
| *of which: official* | 0.0 | -0.2 | 0.0 | -0.3 | -0.3 | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | | |
| Other current account flows (negative = net inflow) | -1.5 | -2.0 | -1.4 | -1.7 | -1.5 | -1.4 | -1.4 | -1.4 | -1.3 | -1.3 | -1.3 | **-0.6** | **-1.4** |
| **Net FDI (negative = inflow)** | **-4.5** | **-2.8** | **-7.0** | **-6.8** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.2** | **-6.1** | **-5.5** |
| **Endogenous debt dynamics 2/** | **-7.9** | **-5.3** | **-5.2** | **-1.5** | **-2.2** | **-1.3** | **-1.1** | **-1.0** | **-0.8** | **-0.5** | **-0.2** | | |
| Contribution from nominal interest rate | 1.4 | 1.5 | 1.5 | 1.3 | 1.4 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 0.7 | | |
| Contribution from real GDP growth | -6.6 | -4.5 | -4.3 | -2.8 | -3.5 | -2.5 | -2.3 | -2.2 | -1.9 | -1.6 | -0.8 | | |
| Contribution from price and exchange rate changes | -2.7 | -2.3 | -2.3 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | **-37.2** | **-4.2** | **-32.3** | **-18.6** | **-28.0** | **-13.2** | **-9.4** | **-5.9** | **-5.8** | **-8.4** | **-8.3** | **-15.8** | **-11.1** |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| | | | | | | | | | | | | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | **...** | **...** | **28.9** | **26.7** | **25.3** | **25.2** | **25.3** | **24.9** | **25.5** | **22.5** | **11.1** | | |
| **PV of PPG external debt-to-exports ratio** | **...** | **...** | **103.5** | **87.0** | **74.4** | **76.2** | **76.4** | **71.2** | **72.7** | **63.9** | **34.3** | | |
| **PPG debt service-to-exports ratio** | **21.5** | **18.0** | **17.6** | **13.4** | **10.4** | **8.7** | **7.9** | **6.9** | **6.3** | **4.0** | **4.4** | | |
| **PPG debt service-to-revenue ratio** | **8.2** | **8.1** | **8.7** | **7.7** | **7.6** | **7.7** | **7.1** | **6.6** | **6.1** | **3.9** | **4.1** | | |
| Gross external financing need (Million of U.S. dollars) | 179.9 | 170.6 | 202.5 | 199.0 | 205.2 | 155.8 | 111.1 | 89.0 | 92.7 | 84.8 | 145.1 | | |
| | | | | | | | | | | | | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 6.9 | 5.6 | 4.7 | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.3 | 2.0 | **0.8** | **2.8** |
| GDP deflator in US dollar terms (change in percent) | 2.6 | 2.8 | 2.4 | 3.3 | 2.1 | 2.0 | 1.9 | 1.8 | 2.0 | 2.0 | 2.3 | **2.5** | **2.1** |
| Effective interest rate (percent) 4/ | 1.5 | 1.9 | 1.6 | 1.7 | 1.6 | 1.5 | 1.5 | 1.5 | 1.4 | 1.6 | 1.6 | **1.8** | **1.5** |
| Growth of exports of G&S (US dollar terms, in percent) | 16.7 | 47.8 | 8.6 | 17.6 | 17.9 | 2.3 | 5.1 | 10.5 | 4.9 | 4.2 | 4.2 | **4.7** | **7.3** |
| Growth of imports of G&S (US dollar terms, in percent) | 4.9 | 11.7 | 17.8 | 9.5 | 8.9 | -7.7 | -5.8 | 2.5 | 5.0 | 4.3 | 3.4 | **7.2** | **2.8** |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 43.0 | 47.8 | 49.8 | 49.5 | 55.1 | 49.5 | 47.3 | 37.1 | **...** | **48.0** |
| Government revenues (excluding grants, in percent of GDP) | 53.2 | 61.2 | 56.6 | 53.5 | 46.5 | 37.4 | 36.8 | 36.6 | 36.5 | 36.0 | 34.9 | **48.1** | **38.9** |
| Aid flows (in Million of US dollars) 5/ | 32.1 | 9.6 | 24.2 | 29.2 | 35.4 | 44.0 | 44.8 | 46.9 | 49.0 | 25.8 | 35.8 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 3.9 | 4.3 | 4.8 | 4.7 | 4.3 | 4.7 | 2.3 | 2.1 | **...** | **3.7** |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 61.1 | 63.2 | 63.0 | 63.1 | 69.4 | 63.2 | 86.6 | 90.0 | **...** | **69.8** |
| Nominal GDP (Million of US dollars) | 581 | 631 | 676 | ... | ... | ... | ... | ... | ... | ... ... | ... | | |
| Nominal dollar GDP growth | 9.7 | 8.5 | 7.2 | 7.0 | 6.4 | 5.3 | 4.9 | 4.6 | 4.5 | 4.4 | 4.4 | **3.0** | **5.0** |
| | | | | | | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 50.9 | 46.4 | 41.6 | 41.5 | 40.6 | 39.8 | 40.1 | 35.5 | 20.5 | | |
| In percent of exports | ... | ... | 182.1 | 151.1 | 122.2 | 125.5 | 122.5 | 113.7 | 114.1 | 100.6 | 63.0 | | |
| Total external debt service-to-exports ratio | 23.9 | 19.6 | 19.1 | 14.7 | 11.4 | 9.8 | 8.9 | 7.8 | 7.2 | 4.6 | 5.6 | | |
| PV of PPG external debt (in Million of US dollars) | | | 195.4 | 193.1 | 204.0 | 211.4 | 215.2 | 221.4 | 237.2 | 259.2 | 197.4 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | -0.3 | 1.5 | 1.0 | 0.5 | 0.7 | 1.8 | 0.1 | -0.6 | | |
| Non-interest current account deficit that stabilizes debt ratio | 49.7 | 12.3 | 44.4 | 26.9 | 35.6 | 19.9 | 15.8 | 12.2 | 12.0 | 14.3 | 13.7 | | |

| **Definition of external/domestic debt** | **Residency-based** |
|---|---|
| **Is there a material difference between the two criteria?** | **No** |




Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Table 7. Dominica: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–34

(In percent of GDP)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| **PV of Debt-to GDP Ratio** | | | | | | | | | | | |
| **Baseline** | 27 | 25 | 25 | 25 | 25 | 26 | 25 | 25 | 24 | 23 | 23 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 27 | 23 | 24 | 28 | 33 | 39 | **45** | **50** | **56** | **62** | **67** |
| A2. Alternative Scenario :[Customize, enter title] | 30 | 30 | 31 | 31 | 31 | 33 | 33 | 33 | 32 | 32 | 31 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 27 | 30 | 35 | 35 | 35 | 36 | 35 | 35 | 34 | 33 | 32 |
| B2. Primary balance | 27 | 28 | 32 | 35 | 36 | 37 | 37 | 37 | 36 | 36 | 35 |
| B3. Exports | 27 | 35 | **47** | **47** | **47** | **47** | **47** | **46** | **46** | **45** | **44** |
| B4. Other flows 3/ | 27 | 29 | 33 | 33 | 33 | 33 | 33 | 33 | 32 | 31 | 30 |
| B5. Depreciation | 27 | 32 | 27 | 27 | 27 | 27 | 27 | 27 | 26 | 25 | 24 |
| B6. Combination of B1-B5 | 27 | 38 | 39 | 39 | 39 | 40 | 39 | 39 | 38 | 37 | 36 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 27 | 27 | 28 | 29 | 29 | 30 | 30 | 30 | 29 | 28 | 27 |
| C2. Natural disaster | 27 | 28 | 30 | 31 | 31 | 32 | 32 | 32 | 32 | 31 | 31 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| **PV of Debt-to-Exports Ratio** | | | | | | | | | | | |
| **Baseline** | 87 | 74 | 76 | 76 | 71 | 73 | 71 | 70 | 69 | 66 | 64 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 87 | 68 | 72 | 84 | 94 | 110 | 126 | 142 | 159 | 175 | **191** |
| A2. Alternative Scenario :[Customize, enter title] | 98 | 89 | 94 | 96 | 91 | 94 | 94 | 93 | 93 | 91 | 89 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 87 | 74 | 76 | 76 | 71 | 73 | 71 | 70 | 69 | 66 | 64 |
| B2. Primary balance | 87 | 82 | 97 | 104 | 101 | 105 | 105 | 105 | 103 | 101 | 99 |
| B3. Exports | 87 | 154 | **291** | **290** | **271** | **274** | **269** | **267** | **263** | **257** | **251** |
| B4. Other flows 3/ | 87 | 86 | 100 | 100 | 93 | 95 | 93 | 92 | 90 | 88 | 85 |
| B5. Depreciation | 87 | 74 | 65 | 65 | 60 | 62 | 61 | 60 | 58 | 56 | 53 |
| B6. Combination of B1-B5 | 87 | 125 | 92 | 141 | 131 | 133 | 131 | 129 | 127 | 123 | 119 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 87 | 81 | 86 | 88 | 83 | 85 | 84 | 84 | 82 | 80 | 77 |
| C2. Natural disaster | 87 | 84 | 91 | 94 | 90 | 93 | 92 | 92 | 92 | 90 | 88 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| **Debt Service-to-Exports Ratio** | | | | | | | | | | | |
| **Baseline** | 13 | 10 | 9 | 8 | 7 | 6 | 6 | 5 | 4 | 4 | 4 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 13 | 11 | 9 | 8 | 8 | 7 | 7 | 7 | 6 | 7 | 7 |
| A2. Alternative Scenario :[Customize, enter title] | 14 | 11 | 9 | 8 | 7 | 7 | 7 | 6 | 5 | 5 | 5 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 13 | 10 | 9 | 8 | 7 | 6 | 6 | 5 | 4 | 4 | 4 |
| B2. Primary balance | 13 | 10 | 9 | 8 | 8 | 7 | 7 | 6 | 5 | 5 | 5 |
| B3. Exports | 13 | **17** | **21** | **21** | **18** | **17** | **16** | 15 | 12 | 12 | 11 |
| B4. Other flows 3/ | 13 | 10 | 9 | 8 | 7 | 7 | 6 | 6 | 5 | 5 | 4 |
| B5. Depreciation | 13 | 10 | 9 | 8 | 7 | 6 | 6 | 5 | 4 | 4 | 4 |
| B6. Combination of B1-B5 | 13 | 14 | 14 | 13 | 11 | 10 | 10 | 9 | 7 | 7 | 6 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 13 | 10 | 9 | 8 | 7 | 7 | 6 | 6 | 5 | 4 | 4 |
| C2. Natural disaster | 13 | 11 | 9 | 8 | 7 | 7 | 7 | 6 | 5 | 5 | 5 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 8 | 8 | 8 | 7 | 7 | 6 | 6 | 5 | 4 | 4 | 4 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 6 | 7 | 7 |
| A2. Alternative Scenario :[Customize, enter title] | 8 | 8 | 8 | 8 | 7 | 7 | 6 | 6 | 5 | 5 | 5 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 8 | 9 | 11 | 10 | 9 | 9 | 8 | 7 | 6 | 6 | 5 |
| B2. Primary balance | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 6 | 5 | 5 | 5 |
| B3. Exports | 8 | 8 | 9 | 9 | 9 | 8 | 8 | 7 | 6 | 6 | 5 |
| B4. Other flows 3/ | 8 | 8 | 8 | 8 | 7 | 7 | 6 | 6 | 5 | 5 | 4 |
| B5. Depreciation | 8 | 10 | 10 | 9 | 8 | 7 | 7 | 6 | 5 | 5 | 5 |
| B6. Combination of B1-B5 | 8 | 9 | 11 | 10 | 9 | 8 | 8 | 7 | 6 | 6 | 5 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 8 | 8 | 8 | 7 | 7 | 6 | 6 | 6 | 5 | 4 | 4 |
| C2. Natural disaster | 8 | 8 | 8 | 7 | 7 | 7 | 6 | 6 | 5 | 5 | 4 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

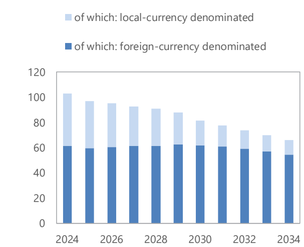
# Table 8. Dominica: Public Sector Debt Sustainability Framework, 2021–44

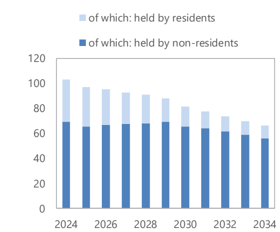
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections |
| **Public sector debt 1/** | 108.5 | 104.3 | 99.8 | 102.8 | 96.8 | 95.2 | 92.6 | 90.9 | 88.0 | 66.1 | 44.9 | 91.0 | 85.0 |
| **of which: external debt** | 70.2 | 66.7 | 64.2 | 69.3 | 65.4 | 66.7 | 67.4 | 68.2 | 69.4 | 55.9 | 31.6 | 61.6 | 64.8 |
| Change in public sector debt | -4.0 | -4.2 | -4.5 | 3.0 | -6.0 | -1.6 | -2.6 | -1.7 | -2.9 | -3.7 | -0.9 | | |
| **Identified debt-creating flows** | -4.4 | -4.2 | -5.0 | -0.4 | -2.7 | -2.0 | -2.1 | -2.3 | -2.4 | -2.9 | -1.2 | -0.6 | -2.5 |
| **Primary deficit** | 5.6 | 4.3 | 2.0 | -0.1 | -0.4 | -0.7 | -1.0 | -1.2 | -1.5 | -2.2 | -2.2 | 1.9 | -1.4 |
| Revenue and grants | 58.8 | 62.8 | 60.1 | 55.5 | 48.5 | 39.4 | 38.8 | 38.6 | 38.5 | 38.0 | 36.9 | 50.6 | 40.9 |
| *of which: grants* | 5.5 | 1.5 | 3.6 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | |
| Primary (noninterest) expenditure | 64.4 | 67.1 | 62.1 | 55.4 | 48.2 | 38.8 | 37.8 | 37.4 | 37.0 | 35.8 | 34.7 | 52.5 | 39.5 |
| **Automatic debt dynamics** | -10.0 | -8.5 | -7.0 | -0.3 | -2.3 | -1.3 | -1.1 | -1.1 | -0.9 | -0.6 | 1.1 | | |
| Contribution from interest rate/growth differential | -10.0 | -8.5 | -7.0 | -0.3 | -2.3 | -1.3 | -1.1 | -1.1 | -0.9 | -0.6 | 1.1 | | |
| *of which: contribution from average real interest rate* | -2.7 | -2.8 | -2.3 | 3.1 | 1.8 | 1.8 | 1.6 | 1.3 | 1.3 | 1.0 | 2.0 | | |
| *of which: contribution from real GDP growth* | -7.3 | -5.7 | -4.7 | -3.4 | -4.2 | -3.1 | -2.7 | -2.5 | -2.2 | -1.6 | -0.9 | | |
| Contribution from real exchange rate depreciation | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | 0.4 | 0.0 | 0.6 | 3.4 | -3.3 | 0.3 | -0.5 | 0.6 | -0.5 | -0.9 | 0.3 | 4.3 | -0.6 |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | 64.6 | 60.2 | 56.8 | 53.6 | 50.5 | 47.5 | 44.1 | 32.7 | 24.5 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | 107.4 | 108.5 | 117.1 | 136.1 | 130.1 | 123.1 | 114.5 | 86.0 | 66.3 | | |
| **Debt service-to-revenue and grants ratio 3/** | 8.6 | 12.0 | 11.0 | 13.9 | 17.5 | 22.6 | 20.3 | 16.4 | 14.3 | 0.6 | 30.0 | | |
| Gross financing need 4/ | 10.7 | 11.8 | 8.6 | 7.6 | 8.1 | 8.3 | 6.9 | 5.1 | 4.0 | -2.0 | 8.9 | | |
| in billions of U.S. dollars | 61.9 | 74.7 | 58.1 | 55.0 | 62.6 | 66.9 | 58.2 | 45.5 | 36.9 | -22.8 | 156.8 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 6.9 | 5.6 | 4.7 | 3.5 | 4.2 | 3.3 | 2.9 | 2.7 | 2.4 | 2.3 | 2.0 | 0.8 | 2.8 |
| Average nominal interest rate on external debt (in percent) | 1.5 | 1.6 | 1.7 | 1.6 | 1.5 | 1.4 | 1.4 | 1.3 | 1.2 | 1.5 | 0.9 | 1.8 | 1.4 |
| Average real interest rate on domestic debt (in percent) | -2.6 | -2.7 | -2.3 | 3.3 | 5.0 | 5.7 | 5.4 | 5.3 | 5.6 | 9.6 | 18.2 | -1.9 | 6.2 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 1.9 | 4.3 | 1.2 | ... | ... | ... | ... | ... | ... | ... | ... | 0.4 | ... |
| Inflation rate (GDP deflator, in percent) | 2.6 | 2.8 | 2.4 | 3.3 | 2.1 | 2.0 | 1.9 | 1.8 | 2.0 | 2.0 | 2.3 | 2.5 | 2.1 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 6.5 | 10.0 | -3.1 | -7.7 | -9.4 | -16.9 | 0.3 | 1.8 | 1.2 | 2.3 | 1.6 | 9.2 | -2.0 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | 9.6 | 8.5 | 6.4 | -3.1 | 5.6 | 1.0 | 1.6 | 0.5 | 1.4 | 1.5 | -1.3 | 8.2 | 1.6 |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-based** |
| **Is there a material difference between the two criteria?** | **No** |

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Table 9. Dominica: Sensitivity Analysis for Key Indicators of Public Debt, 2024–34

(In percent of GDP)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** |
| | | | | | | **PV of Debt-to-GDP Ratio** | | | | | |
| **Baseline** | **60** | **57** | 54 | 50 | 48 | 44 | 41 | 38 | 36 | 34 | 33 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | **60** | **60** | **60** | **58** | **57** | **56** | **56** | **55** | **56** | **57** | **58** |
| A2. Alternative Scenario :[Customize, enter title] | **67** | **63** | **59** | **56** | 54 | 50 | 48 | 45 | 43 | 42 | 40 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **60** | **75** | **95** | **100** | **105** | **109** | **113** | **117** | **122** | **128** | **133** |
| B2. Primary balance | **60** | **66** | **71** | **66** | **62** | **58** | 55 | 52 | 49 | 47 | 45 |
| B3. Exports | **60** | **64** | **71** | **67** | **64** | **61** | **58** | 55 | 53 | 51 | 49 |
| B4. Other flows 3/ | **60** | **61** | **62** | **58** | **55** | 52 | 49 | 46 | 44 | 42 | 40 |
| B5. Depreciation | **60** | **60** | 54 | 49 | 44 | 38 | 34 | 29 | 26 | 23 | 20 |
| B6. Combination of B1-B5 | **60** | **65** | **66** | **63** | **60** | **56** | 53 | 50 | 48 | 46 | 44 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **60** | **64** | **60** | **56** | 53 | 49 | 46 | 43 | 41 | 39 | 38 |
| C2. Natural disaster | **60** | **66** | **62** | **59** | **56** | 52 | 50 | 47 | 45 | 43 | 42 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **TOTAL public debt benchmark** | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| | | | | | | **PV of Debt-to-Revenue Ratio** | | | | | |
| **Baseline** | 108 | 117 | 136 | 130 | 123 | 115 | 107 | 101 | 95 | 90 | 86 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 108 | 124 | 152 | 149 | 148 | 145 | 145 | 144 | 146 | 148 | 151 |
| A2. Alternative Scenario :[Customize, enter title] | 120 | 129 | 151 | 145 | 139 | 131 | 124 | 118 | 113 | 110 | 106 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 108 | 153 | 235 | 252 | 266 | 276 | 289 | 301 | 314 | 329 | 344 |
| B2. Primary balance | 108 | 136 | 180 | 171 | 161 | 151 | 143 | 135 | 129 | 124 | 120 |
| B3. Exports | 108 | 132 | 179 | 173 | 166 | 158 | 151 | 144 | 138 | 133 | 129 |
| B4. Other flows 3/ | 108 | 125 | 156 | 150 | 143 | 135 | 127 | 121 | 115 | 110 | 106 |
| B5. Depreciation | 108 | 125 | 137 | 127 | 114 | 100 | 88 | 77 | 69 | 61 | 54 |
| B6. Combination of B1-B5 | 108 | 134 | 166 | 162 | 155 | 146 | 138 | 131 | 125 | 120 | 115 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 108 | 132 | 152 | 145 | 137 | 128 | 121 | 114 | 108 | 103 | 99 |
| C2. Natural disaster | 108 | 136 | 158 | 152 | 144 | 136 | 129 | 123 | 118 | 114 | 110 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| | | | | | | **Debt Service-to-Revenue Ratio** | | | | | |
| **Baseline** | 14 | 18 | 23 | 20 | 16 | 14 | 8 | 4 | 1 | 0 | 1 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 14 | 18 | 27 | 28 | 18 | 16 | 9 | 5 | 2 | 1 | 2 |
| A2. Alternative Scenario :[Customize, enter title] | 14 | 31 | 34 | 28 | 22 | 19 | 12 | 7 | 4 | 3 | 4 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 14 | 21 | 47 | 60 | 64 | 68 | 63 | 60 | 58 | 59 | 61 |
| B2. Primary balance | 14 | 18 | 40 | 49 | 34 | 25 | 15 | 9 | 5 | 3 | 3 |
| B3. Exports | 14 | 18 | 23 | 21 | 17 | 15 | 8 | 5 | 2 | 1 | 1 |
| B4. Other flows 3/ | 14 | 18 | 23 | 21 | 17 | 15 | 8 | 4 | 1 | 1 | 1 |
| B5. Depreciation | 14 | 18 | 24 | 18 | 17 | 15 | 9 | 5 | 2 | 1 | 1 |
| B6. Combination of B1-B5 | 14 | 18 | 25 | 33 | 30 | 28 | 21 | 17 | 14 | 13 | 14 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 14 | 18 | 36 | 29 | 21 | 18 | 10 | 5 | 2 | 1 | 1 |
| C2. Natural disaster | 14 | 18 | 39 | 31 | 24 | 20 | 12 | 8 | 4 | 3 | 4 |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

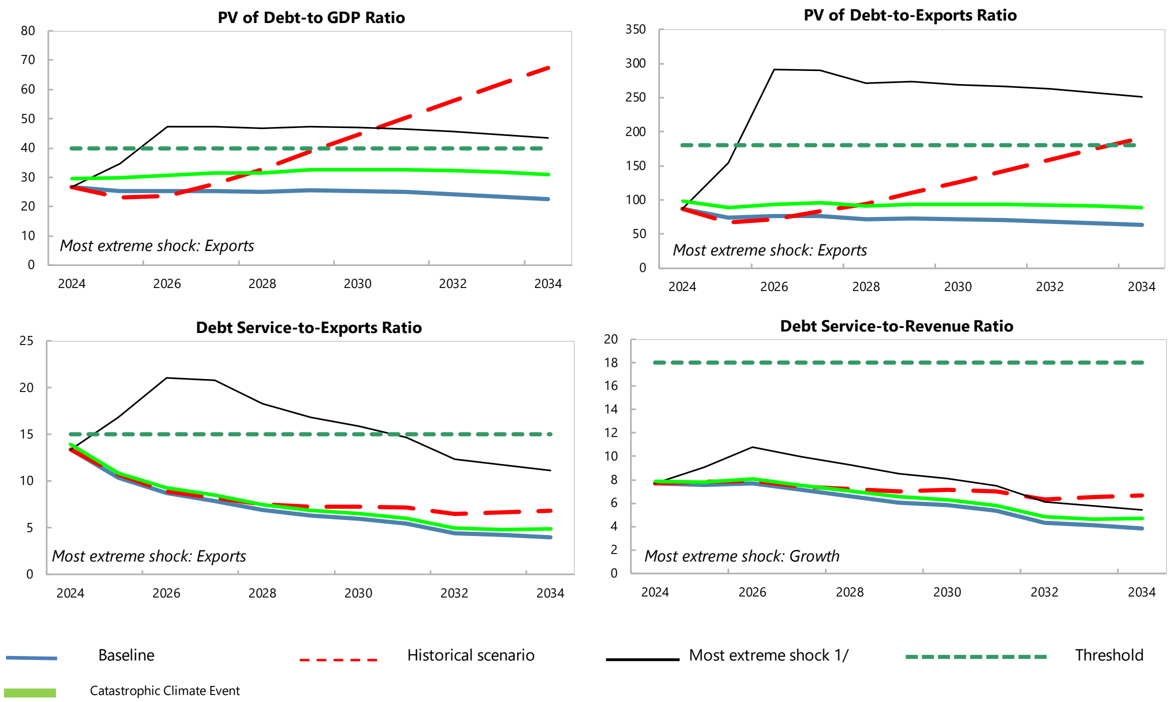
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

## Figure 1. Dominica: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2024–34 [1/2/]




**Customization of Default Settings**

| Tailored Stress | Size | Interactions |
|---|---|---|
| Combined CL | Yes | |
| Natural disaster | No | No |
| Commodity price | n.a. | n.a. |
| Market financing | n.a. | n.a. |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

**Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests***

| | Default | User defined |
|---|---|---|
| Shares of marginal debt | | |
| External PPG MLT debt | 100% | |
| Terms of marginal debt | | |
| Avg. nominal interest rate on new borrowing in USD | 1.3% | 1.3% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 33 | 33 |
| Avg. grace period | 9 | 9 |

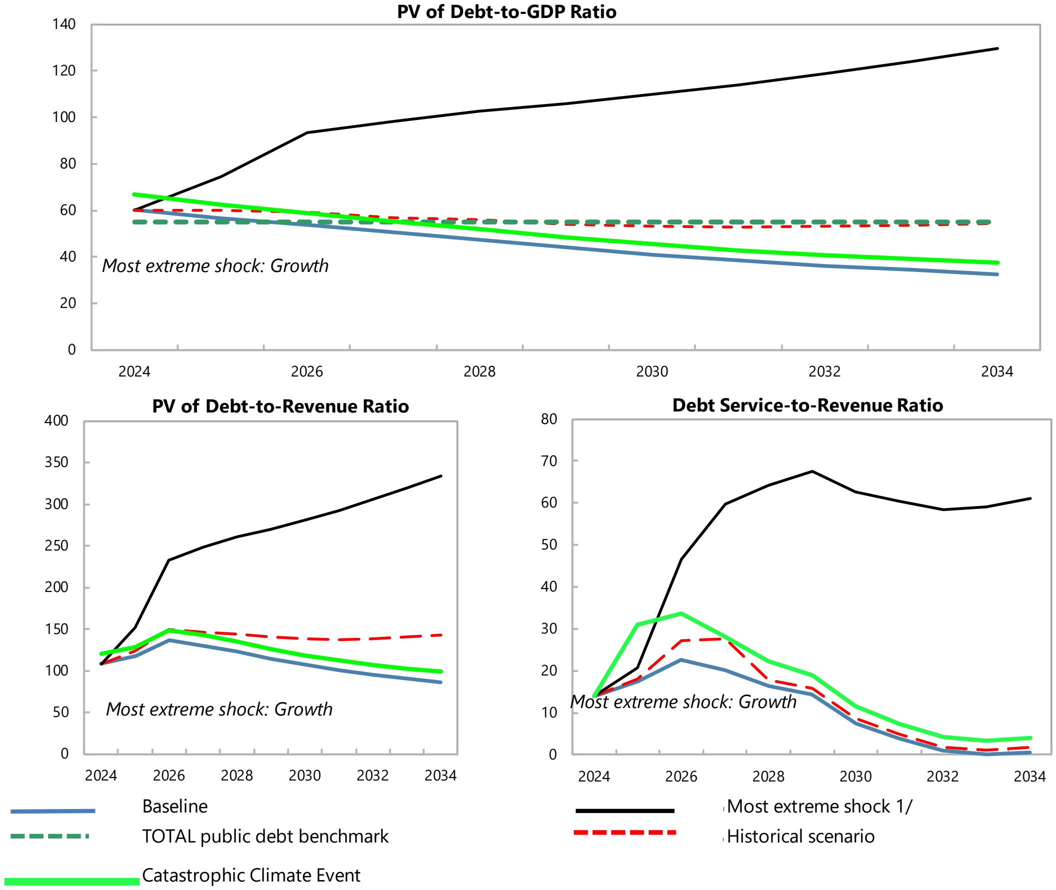
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

### Figure 2. Dominica: Indicators of Public Debt Under Alternative Scenarios, 2024–34




| Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests* | Default | User defined |
|---|---|---|
| Shares of marginal debt | | |
| External PPG medium and long-term | 43% | 43% |
| Domestic medium and long-term | 0% | 0% |
| Domestic short-term | 57% | 57% |
| Terms of marginal debt | | |
| External MLT debt | | |
| Avg. nominal interest rate on new borrowing in USD | 1.3% | 1.3% |
| Avg. maturity (incl. grace period) | 33 | 33 |
| Avg. grace period | 9 | 9 |
| Domestic MLT debt | | |
| Avg. real interest rate on new borrowing | 5.5% | 5.5% |
| Avg. maturity (incl. grace period) | 1 | 1 |
| Avg. grace period | 0 | 0 |
| Domestic short-term debt | | |
| Avg. real interest rate | 5.5% | 5.5% |

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

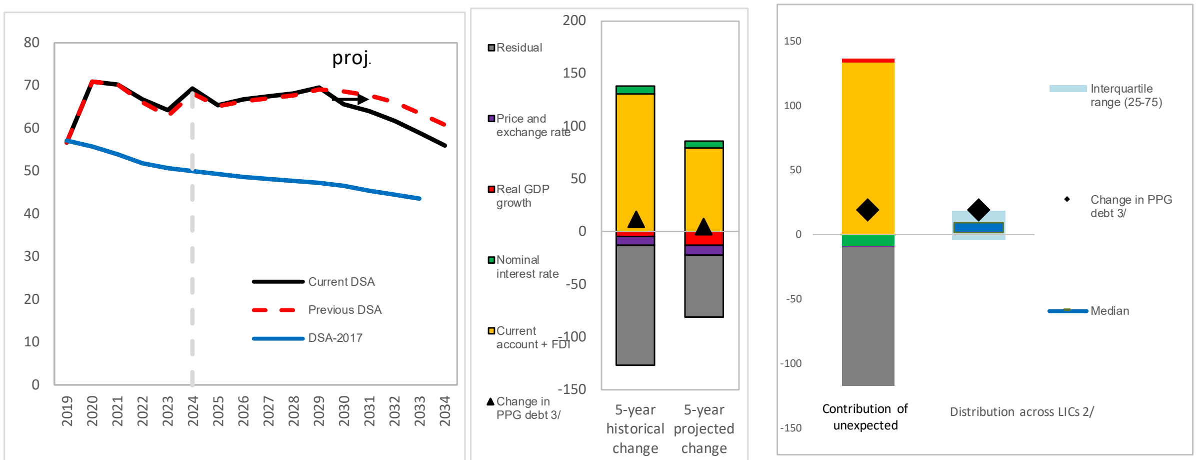
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

## Figure 3. Dominica: Drivers of Debt Dynamics—Baseline Scenario

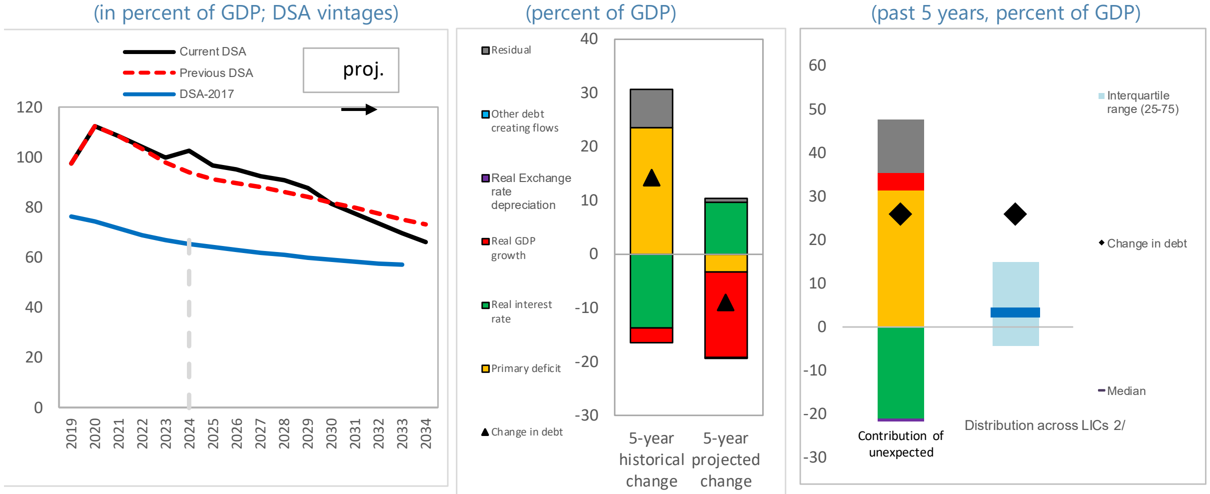
### External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)




### Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)

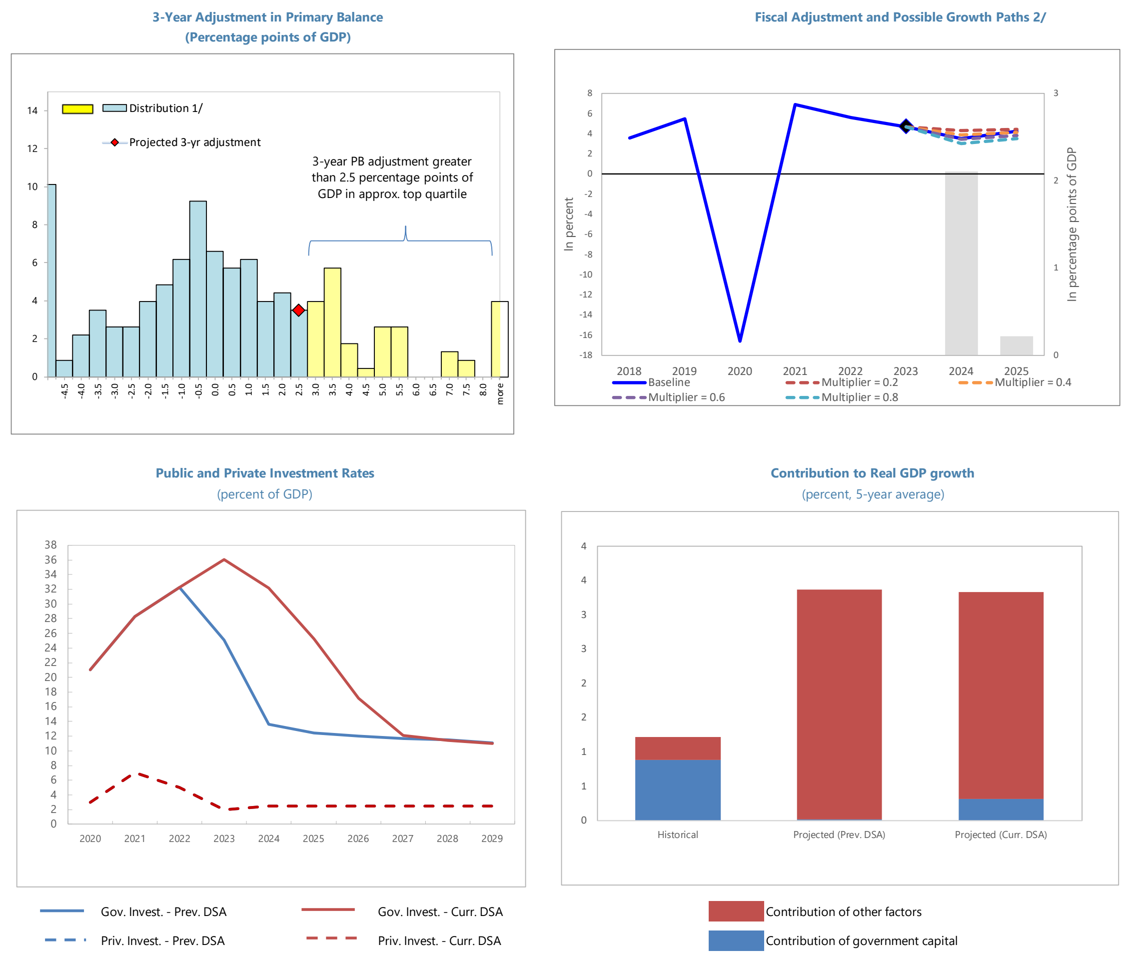



1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

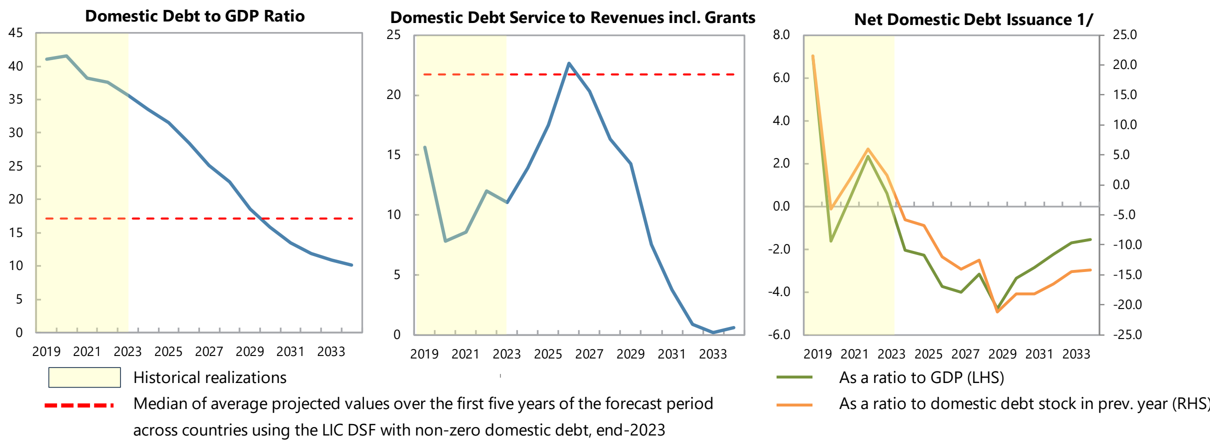
## Figure 4. Dominica: Realism Tools




1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

2\ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

## Figure 5. Dominica: Indicators of Public Domestic Debt 2024-2034
(Percent)




| Borrowing Assumptions (average over 10-year projection) | Value |
|---|---|
| **Shares in new domestic debt issuance** | |
| Medium and long-term | 0% |
| Short-term | 100% |
| **Borrowing terms** | |
| **Domestic MLT debt** | |
| Avg. real interest rate on new borrowing | 5.5% |
| Avg. maturity (incl. grace period) | 1 |
| Avg. grace period | 0 |
| **Domestic short-term debt** | |
| Avg. real interest rate | 5.5% |

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

INTERNATIONAL MONETARY FUND

# DOMINICA

May 22, 2025

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX


Prepared By

Western Hemisphere Department
(In consultation with other departments)


## CONTENTS

# FUND RELATIONS

(As of March 31, 2025)

**Membership Status:** Joined: December 12, 1978. **Article VIII**

| **General Resources Account:** | **SDR Million** | **Percent of Quota** |
|---|---|---|
| Quota | 11.50 | 100.00 |
| IMF's Holdings of Currency (Holdings Rate) | 11.49 | 99.93 |
| Reserve Tranche Position | 0.01 | 0.08 |

| **SDR Department:** | **SDR Million** | **%Allocation** |
|---|---|---|
| Net cumulative allocation | 18.86 | 100.00 |
| Holdings | 6.18 | 32.79 |

| **Outstanding Purchases and Loans:** | **SDR Million** | **%Quota** |
|---|---|---|
| RCF Loans | 11.51 | 100.09 |

**Latest Financial Commitments:**

**Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| ECF [1/] | Dec 29, 2003 | Dec 28, 2006 | 7.69 | 7.69 |
| Stand-By | Aug 28, 2002 | Jan 02, 2004 | 3.28 | 2.97 |
| SAF | Nov 26, 1986 | Nov 25, 1989 | 2.80 | 2.80 |

[1/] Formerly PRGF.

**Outright Loans:**

| Type | Date of Commitment | Date Drawn/Expired | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| RCF | Apr 28, 2020 | Apr 30, 2020 | 10.28 | 10.28 |
| RCF | Oct 28, 2015 | Nov 05, 2015 | 6.15 | 6.15 |
| RCF | Jan 11, 2012 | Jan 18, 2012 | 2.05 | 2.05 |

**Overdue Obligations and Projected Payments to Fund[2/]**
(SDR Million; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2025 | 2026 | 2027 | 2028 | 2029 |
| Principal | 2.26 | 2.06 | 2.06 | 2.06 | 2.06 |
| Charges/Interest | 0.29 | 0.39 | 0.39 | 0.39 | 0.39 |
| **Total** | 2.55 | 2.45 | 2.45 | 2.45 | 2.45 |

[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Exchange Rate Arrangement:** The exchange rate arrangement is a currency board. Dominica participates in a currency union with seven other members of the Eastern Caribbean Currency Union (ECCU) and has no separate legal tender. Monetary policy and the exchange system is managed by a common central bank, the Eastern Caribbean Central Bank (ECCB), which operates like a quasi-currency board, maintaining foreign exchange backing of its currency and demand liabilities of close to 100 percent. The common currency, the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. Dominica has accepted the obligations of Article VIII, Sections 2(a), 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.[3]

**Safeguards Assessment:** Under the Fund's safeguards policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment on a four-year cycle. An update assessment of the ECCB, finalized in August 2021, found strong external audit and financial reporting practices that continue to be aligned with international standards. The ECCB has taken steps to address most of the 2021 assessment's recommendations. The pending recommendation is on further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices.

**Article IV Consultation:** The last Article IV consultation was concluded by the Executive Board on May 31, 2024. Dominica is on a 12-month cycle.

**Technical Assistance:** Dominica has received significant technical assistance from Caribbean Regional Technical Assistance Center (CARTAC) and the IMF. Technical assistance missions focused on public financial management (PFM), tax reform, revenue administration, economic and financial statistics, public debt management, and macroeconomics and Programming Analysis:[4]

**PFM Missions**

- August 2021: Strengthening Internal Audit FY22 (virtual).
- September 2021: Post-Hurricane Maria PFM Review Follow Up FY22 (virtual)
- November 2021: Developing Performance Targets and KPI (virtual).
- April 2022: Developing Performance Targets and KPI (virtual).
- August 2023: Review of Treasury Function.
- October 2023: Internal Audit Support.
- March 2024: Chart of Accounts.

**Tax Policy and Revenue Administration Missions**

- January 2020: Strengthening Post Clearance Audit in Customs.
- March 2020: COVID-19 Tax Policy Mission on Income Taxation and International Tax (virtual).

[3] The finding of an exchange restriction arising from the 2024 Act imposing a 2 percent stamp tax on outbound money transfers using money transfer companies was reversed following a review of recent relevant precedents.

[4] A list of technical assistance missions prior to 2021 are listed in the informational annex issued in the context of the 2024 AIV Consultation.

- October 2020: TADAT assessment (virtual mission).
- November 2020: Strengthening Risk Management and Audit Capacity in Customs.
- February 2021: Strengthening Risk Management and Audit Capacity in Customs.
- May 2021: Post-TADAT Implementation Plan.
- September 2021: Improving Property Tax Collections.
- October 2021: Developing Performance Targets and KPI in Customs.
- October 2021: Strengthening Treasury Operations FY22 (virtual mission).
- October 2021: Strengthening Core Business Functions- Arrears Management.
- April 2022: Strengthening Performance Management in Customs.
- May 2022: Strengthening Audit Capacity - Training in Audit Computer Audit Techniques.
- September 2022: Strengthening Capacity to Audit Computerized Taxpayer Records.
- March 2023: Revenue administration management and governance arrangements-CRM (hybrid).
- May 2023: Strengthening Risk Management Framework (CRM).
- May 2023: Strengthening Reform Management and Implementation Capacity.
- October 2023: Developing a Compliance Improvement Program and Risk Based Audit Case Selection System.
- March 2024: Implementation of the Tax Revenue and Customs Knowledge Exchange and Research (TRACKER) tool to support exchange of date between tax and customs (hybrid).
- March 2024: Assist the IRD improving their VAT gap estimates (virtual).

**Economic and Financial Statistics**

- May 2021: BOP CARTAC Mission.
- August 2021: Joint BOP CARTAC/STA Mission (virtual).
- July 2022: BOP - Source Data (virtual).
- September 2022: GDP Diagnostic.
- April 2023: GDP – Improving GDP.
- July 2023: BOP – Enhance Data Sources.
- August 2023: GDP – Improving GDP.
- October 2023: Improving the Consumer Price Index.
- July 2024: Identifying data gaps and improving statistical techniques for travel exports to enhance the accuracy of ESS and reduce the persistence of negative net errors and omissions (NEOs).
- July 2024: Rebasing of GDP to 2018 prices.
- October 2024: Finalizing the compilation of annual GDP by industry (GDP-P) for the updated benchmark year of 2018, from 2000 to 2022.

**Public Debt Management**

- May 2024: Updating Government's Medium Term Debt Strategy (MTDS) for 2024/2025 to 2026/2027.

**Macroeconomics and Programming Analysis**

- May 2021: Coordination of Macro Program with Resident Advisor.

**FSAP:** A joint IMF/World Bank team performed an assessment of the financial sector of the member states of the ECCU, in two missions—September 1–19 and October 20–31, 2003. The principal objective of the missions was to assist the authorities in assessing the development needs and opportunities for the financial sector and identifying potential vulnerabilities of financial institutions and markets to macroeconomic shocks, as well as the risks to macroeconomic stability from weaknesses and shortcomings in the financial sector. The Financial System Stability Assessment (FSSA) was discussed by the Executive Board on May 5, 2004, and subsequently published on the IMF's external website, including the Report on the Observance of Standards and Codes (ROSC) on Banking Supervision.

**AML/CFT:** Dominica designated the ECCB as the competent authority for AML/CFT regulation and supervision in the banking sector in 2020, while the government (Financial Intelligence Unit and Financial Services Unit) retains responsibility regarding all other sectors. The last assessment of Dominica's AML/CFT regime was conducted by the Caribbean Financial Action Task Force (CFAFT) in August 2022 and the evaluation report was discussed during the CFAFT plenary in June 2023. In October 2024, Dominica participated in an HQ-led workshop for ECCB member countries on the Transparency of Beneficial Ownership. The course was aimed at increasing participants' understanding of the technical requirements of the FATF international standard for transparency of legal persons and legal arrangements.

# RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

(As of April 24, 2025)

World Bank https://financesapp.worldbank.org/countries/Dominica/

Caribbean Development Bank https://www.caribank.org/countries-and-members/borrowing-members/dominica