INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/316

DOMINICA

November 2015

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; FOR DOMINICA

In the context of the Staff Report for the Request for Disbursement Under the Rapid Credit facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 28, 2015, following discussions that ended on October 7, 2015, with the officials of Dominica on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 21, 2015.

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.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 15/483
FOR IMMEDIATE RELEASE
October 28, 2015

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Approves US$8.7 million Disbursement under the Rapid Credit Facility for Dominica

The Executive Board of the International Monetary Fund (IMF) on October 28, 2015 approved a disbursement of an amount equivalent to SDR 6.15 million (about US$8.7 million) for Dominica to be drawn from the Rapid Credit Facility (RCF).

Following the Executive Board's discussion of Dominica, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"Dominica was hit by Tropical Storm Erika in August 2015, which resulted in significant loss of life and substantial damage to physical infrastructure. The Assessment Report by the World Bank and Government of Dominica estimates total damage and loss at US$483 million (96 percent of GDP), making this storm one of the worst natural disasters to ever strike the country. The recovery and rehabilitation costs will be substantial, putting tremendous pressure on already challenging fiscal and balance of payments positions.

"Fiscal policies will accommodate an increase in reconstruction spending over the medium term, expected to be mostly grant financed, while the underlying policies are being appropriately refocused from a supportive cyclical stance toward a medium-term consolidation objective. The authorities have committed to generating robust primary surpluses over the medium term to ensure downward debt dynamics. They will tackle pressures on current spending, broaden the revenue base, strengthen tax collection, further re-prioritize capital expenditures, and step up efforts to strengthen the fiscal policy framework to ensure the sustainability of the fiscal adjustment effort.

"The authorities are committed to strengthening financial policies to tackle regional and domestic vulnerabilities, both in terms of the health of financial institutions and their supervisory and regulatory frameworks. Structural reforms remain critical to support the fiscal effort as well as to improve competitiveness and private-sector growth prospects. Reforms to build resilience to potential future natural disasters should also be stepped up."

The RCF provides immediate financial assistance with limited conditionality to low-income countries with an urgent balance of payments need. In this context, the economic policies of a member receiving RCF financing are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries a zero interest rate, has a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

Dominica: Selected Economic Indicators

	2011	2012	2013	2014	Projected 2015	2016
			(annual percentage change)			
Output and prices						
Real GDP 1/	-0.1	-1.3	0.6	3.9	-3.0	3.9
Consumer prices (period average)	1.1	1.4	0.0	0.8	-1.0	0.3
Consumer prices (end of period)	2.0	1.2	-0.4	0.5	-0.2	0.1
Output gap (in percent of potential GDP)	1.4	-1.2	-1.8	0.7	-3.5	-1.1
Real effective exchange rate	-5.6	0.2	-0.6	-0.7	...	...
(period average, depreciation -)						
Central government operations 2/			(in percent of GDP)			
Revenue 3/	30.7	30.3	30.0	28.0	33.0	35.7
Expenditure	35.1	35.7	33.0	32.4	35.4	38.2
Primary balance	-2.9	-3.4	-1.0	-2.9	-0.1	-0.2
Overall balance	-4.4	-5.4	-3.0	-4.4	-2.4	-2.6
Central government debt (incl. guaranteed) 4/	69.7	72.6	74.7	79.8	82.7	82.7
External	49.6	52.6	54.8	58.2	59.7	59.4
Domestic	20.1	20.0	20.0	21.7	23.0	23.3
Money and credit			(annual percentage change)			
Broad money (M2)	0.3	9.7	2.2	7.8	1.1	4.1
Real credit to the private sector	4.5	3.1	-0.3	-2.7	-3.8	3.9
Balance of Payments			(in percent of GDP)			
Current account balance	-13.5	-18.8	-13.3	-13.1	-14.9	-16.7
Exports of goods and services	38.1	33.0	34.6	34.1	30.6	32.5
Imports of goods and services	52.8	51.5	48.1	47.4	45.8	49.3
Capital and financial account balance	17.5	18.9	10.6	15.4	11.9	15.2
FDI	2.8	6.0	4.8	6.4	4.7	4.8
Capital grants	3.8	3.3	1.5	3.7	5.0	8.5
Other (incl. errors and omissions)	10.9	9.6	4.3	5.3	2.2	2.0
External debt (gross) 5/	73.6	83.1	84.6	93.5	96.0	95.7
Saving-investment balance	-13.5	-18.8	-13.3	-13.2	-14.9	-16.7
Saving	3.0	-3.5	0.4	1.7	2.2	0.8
Investment	16.6	15.2	13.7	14.9	17.1	17.5
Memorandum items:						
Nominal GDP at market prices (EC$ millions)						
Calendar year	1,354	1,310	1,368	1,415	1,359	1,416
Net imputed international reserves						
Millions of U.S. dollars, end-of-period	74.5	91.8	85.4	99.9	96.4	88.6
Months of imports of goods and services	3.4	4.4	4.2	4.8	5.0	4.1

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and IMF staff estimates.
1/ Real GDP at market prices.
2/ Fiscal year (July-June) basis.
3/ Does not include grants that were received but not spent.
4/ Excludes commitments under the Petrocaribe arrangement with Venezuela.
5/ Comprises public sector external debt, foreign liabilities of commercial banks, and other private debt.

INTERNATIONAL MONETARY FUND

DOMINICA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

October 21, 2015

EXECUTIVE SUMMARY

Context. On August 27, 2015, Dominica was hit by Tropical Storm Erika, resulting in loss of life and substantial damage to crops and physical infrastructure. Flooding and landslides have severely damaged transport infrastructure and substantially diminished the productive capacity of agriculture and tourism. The main airport was badly damaged, with its operations continuing to be heavily limited. Several roads and bridges remain unusable, and the water and sewage network is still below full operational capacity. The total damage and loss estimate is equivalent to [96] percent of GDP.

Request for Fund support. The Dominican authorities are requesting emergency financial assistance under the Fund's Rapid Credit Facility (RCF) to address urgent balance of payments and fiscal needs associated with the rehabilitation and reconstruction efforts. In the attached letter, they request a disbursement in the equivalent of SDR 6.15 million (US$8.7 million), equivalent to 75 percent of quota, with the full amount to become available upon Board approval. Staff supports the request. The authorities are also seeking grants and additional concessional financing from multilateral and bilateral donors to cover the remaining financing needs.

Macroeconomic policies. Dominica has struggled with fiscal and external sustainability for a few years, and the impact of the storm has worsened the situation further. The authorities' immediate focus is on addressing pressing social needs, rehabilitation, reconstruction, and the identification of financing sources. They agreed with staff on the broad parameters, objectives, and policies of a medium-term macroeconomic plan that addresses reconstruction needs and also achieves decisive fiscal consolidation, strengthens the financial system, and improves competitiveness.

Approved By
Charles Enoch and Bob Traa

Discussions took place in Roseau during September 30-October 8, 2015. The team comprised of Trevor Alleyne (Head), Alejandro Guerson, Saji Thomas, Geoffrey Keim, and Ke Wang (all WHD); Wayne Mitchell (IMF Resident Representative); Andrew Ceber (CARTAC macroeconomic advisor); and Ronald James (Economist, Resident Representative Office). The mission met with Hon. Roosevelt Skerrit, Prime Minister and Minister of Finance; Hon. Johnson Drigo, Minister of Agriculture; Hon. Robert Tonge, Minister of Tourism; Financial Secretary Rosamund Edwards, other senior officials, public enterprise representatives, financial sector and other private sector stakeholders. Michael Hough, Senior Advisor from the ED's office attended the policy meetings.

CONTENTS

TABLES

ANNEXES

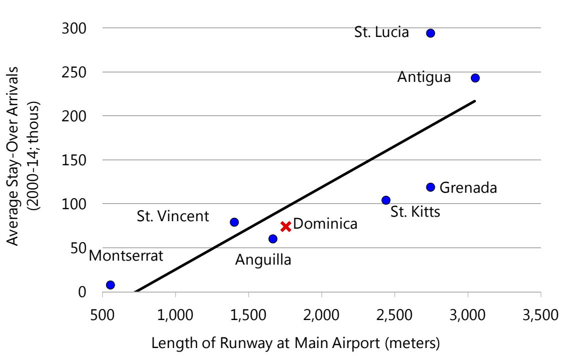
APPENDIX

INTRODUCTION

1. On August 27, 2015, Dominica was hit by Tropical Storm Erika, resulting in loss of life and substantial damage to crops and physical infrastructure. Out of a total population of 72,340, 11 persons were confirmed dead, 22 remain missing, 713 were displaced, and 514 have been left homeless. Flooding and landslides have resulted in the need to resettle communities, severely damaged transport infrastructure, and substantially diminished near-term prospects for agriculture and tourism. The main airport was badly damaged, with its operations continuing to be heavily limited pending reinstallation of key equipment and reconstruction. Several roads and bridges remain unusable, rendering several communities and key farmlands inaccessible. The water and sewage network is still below full operational capacity and functioning with transitory repairs in several areas. The Rapid Damage and Impact Assessment Report by the World Bank and Government of Dominica estimates total damage and loss at US$483 million or 96 percent of GDP, and full recovery will take several years.

2. Achieving resilient and sustainably higher growth, in the context of fiscal sustainability and financial soundness, has been a longstanding challenge. Many of the underlying causes, including weak competitiveness, deficiencies in regional financial supervision and regulation, and skills mismatches are common in ECCU economies. However, infrastructure bottlenecks and the need for financial institutions in the dominant credit union sector to strengthen their balance sheets are more unique to Dominica. These regional and domestic challenges have contributed to a slow economic transition since the collapse of the traditional banana industry following the end of European trade preferences in the mid-1990s. The authorities and Fund staff have generally agreed on key development objectives including expanding tradable production, strengthening the financial system, and addressing key bottlenecks in infrastructure and high energy costs. Scaling back certain public sector activities traditionally performed by the private sector could increase efficiency, attract more private investment, and ease the burden on public finances.

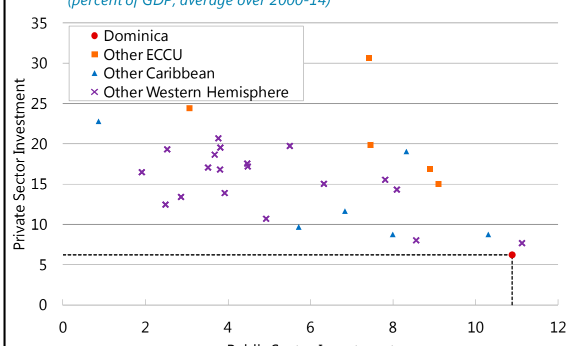
ECCU: Airport Infrastructure and Tourism



Sources: DAFIF; ECCU; and Fund staff estimates.

Public and Private Investment

(percent of GDP, average over 2000-14)



Source: World Economic Outlook.

IMPACT OF THE DISASTER AND OUTLOOK

A. Pre-Storm Conditions

3. **Just before the storm, momentum in the Dominican economy appeared to be slowing, after reports of strong 2014 performance (Figure 1)**. In 2014, real GDP grew strongly at 3.9 percent. However, monthly indicators in 2015 suggested that performance in key export sectors including agriculture and manufacturing were weakening, with a mixed tourism sector performance. Nonperforming loans (14.9 percent in 2015Q2) continue to weigh on the commercial banks, likely accounting for the 2.7 percent decline in private credit in April (year/year), despite deposit growth of 1.2 percent. Twelve-month inflation had weakened further to -0.9 percent in June 2015, largely reflecting the full-year impact of the drop in world petroleum prices.

4. **The fiscal position weakened further in FY2014/15 mainly due to lower ECP revenue collections**. Tax revenues were stronger as both compliance and recovery of tax arrears increased with the improved functioning of the large and medium taxpayer unit. Domestically financed capital spending was reduced to partially offset the decline in non-tax revenues. Non-tax revenues performed below expectations, mainly as a result of poor performance of ECP revenues, but this is in part explained by transitory factors and ECP revenues have recovered strongly in FY2015/16.[1] The overall fiscal deficit increased to 4.4 percent of GDP in FY2014/15 and public debt increased to about 80 percent of GDP.

B. Damages, Reconstruction, and Immediate Response

5. **The infrastructure damage has severely weakened productive capacity of key economic sectors**. Approximately 17 percent of roads and 6 percent of bridges are fully damaged. In addition, 24 percent of roads and 44 percent of bridges are partially damaged. Agriculture is affected by the loss of crops, inaccessibility of farmlands, and lower arable land productivity from soil nutrient depletion.[2] Tourism-related industries are likely to suffer from the main airport's limited daytime only operations;

Summary of Damage and Loss, by Sector

Sector	Loss and damages: U.S. dollars	Loss and damages: Percent of GDP 1/
Productive sectors		
Agriculture	47	9.4
Tourism	31	6.2
Industry and commerce	10	1.9
Infrastructure		
Water and sanitation	20	3.9
Air and sea ports	15	3.0
Roads and bridges	288	57.1
Electricity	3	0.5
Telecommunications	10	2.0
Social		
Housing	54	10.8
Education	4	0.8
Health	2	0.4
Total	**483**	**96.0**

Source: Commonwealth of Dominica and World Bank, *Rapid Damage and Impact Assessment*; and Fund staff estimates.
1/ 2014 nominal GDP, US$524 million.

[1] The ECP was revised last year to permit applicants to invest in an approved project (such as real estate) or make a cash donation to the government in return for citizenship, delaying application decisions. In the first three months of FY 2015/16, ECP revenue collection has been 50 percent higher than the total collections in FY 2014/15.

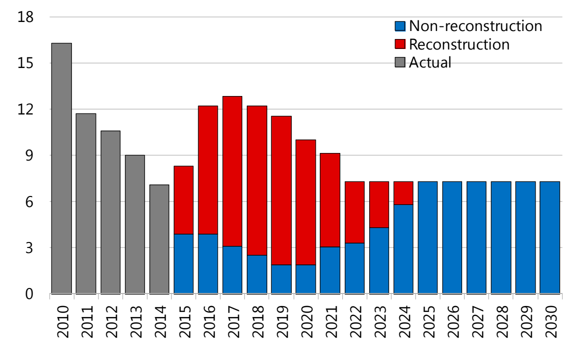
[2] Lowland flooding and landslide were the principal causes of loss and damage in the agricultural sector, which accounts for 10 percent of GDP. Apart from crop loss and damage, some important agriculture based operations were completely destroyed. Among these were the destruction of two rum factories and the partial damage of a third, as well as the destruction of the bay oil distillery.

damages to hotels[3]; and the cancellation of the Creole Festival, the major event on the tourism calendar. In manufacturing, the storm either destroyed or made several plants inoperative. Adverse spillover effects are likely to materialize in other sectors including finance, housing and real estate, and wholesale and retail. The authorities' disaster response is likely to provide some offset to the contractions observed in other sectors of the economy.

6. Public sector reconstruction costs are estimated at about 65 percent of GDP. The authorities have already planned a reprogramming of the capital budget to prioritize reconstruction and scale back other projects. So far, about half of the required financing for reconstruction has been preliminarily identified in the form of grants and official concessional loans (text table). This process is still at an early stage and formal commitments by most donors and creditors are still pending. The authorities are actively seeking as much grant support as possible so as to minimize recourse to borrowing and further debt accumulation.

Capital Expenditures: Reconstruction and Other

(percent of GDP, fiscal years)



Sources: Dominican authorities and Fund staff estimates and projections.

Reconstruction Investment and Financing

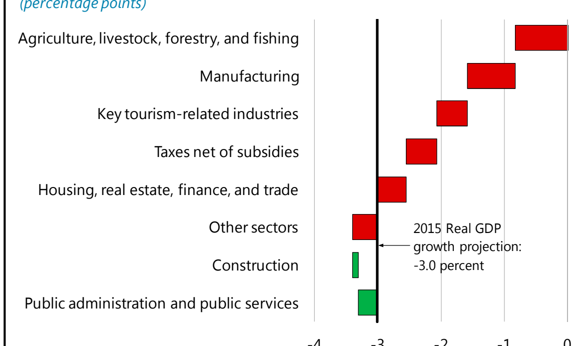
	US$ mn.	Percent of GDP 2/
Reconstruction projects' investment	**343**	**65.5**
Roads and bridges	293	55.9
Airport & Ports	15	2.8
Water and sanitation	20	3.8
Housing	10	1.8
Public buildings	4	0.8
Tourism sites	2	0.3
Other projects 3/	**82**	**15.7**
Identified financing	**214**	**40.9**
Grants 1/	152	29.0
Official loans	62	11.9
World Bank	38	7.3
CDB	20	3.9
ECCB	4	0.7
Finacing yet to be identified	**211**	**40.3**

1/ Includes grants from bilateral donors and the Caribbean Development Bank.
2/ As a percent of 2014 GDP.
3/ Includes projects in the Public Sector Investment Program that remain in the budget after reprioritization.

7. The damages are expected to result in a 3 percent real GDP decline in 2015 (Table 1 and Figure 2). Contractions in manufacturing, agriculture and private services will only be partially offset by the increase in construction and government services (text chart).The full-year impacts of low world fuel prices and benign core inflation, which is largely imported, are expected to

Contributions to Percent Change in 2015 Real GDP

(percentage points)



Source: Fund staff projections.

[3] Out of 95 hotels, more than 30 have been affected, with ten hotels closing operations and two completely destroyed. In total, room capacity has declined by 8 percent.

dominate a transient disaster-induced rise in food prices; slight deflation of 0.2 percent (December/December) is expected in 2015.

8. The FY2015/16 fiscal deficit is projected at about 2.4 percent of GDP, about 2 percent of GDP narrower than in FY2014/15 and 0.8 percent of GDP wider than that budgeted (Tables 2a, 2b, 3, and 4). As a result of the storm, lower tax revenues and higher spending related to cleanup and reconstruction, resettlement of displaced households, and assistance to farmers that lost crops will put pressure on the fiscal accounts. Total public debt would reach 83 percent of GDP, with public external debt projected to rise to 60 percent of GDP.

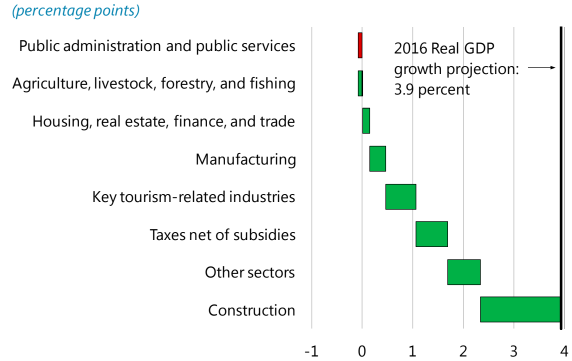
9. The disaster has given rise to a balance-of-payments gap in 2015. The current account deficit is projected to be around 15 percent of GDP in 2015, a worsening of about 2 percent of GDP relative to the previous year (Tables 5 and 6 and Figure 3). Demands for imported reconstruction materials and replacements for locally grown foodstuffs along with expected decreases in exports and tourism receipts have given rise to an urgent balance of payments need. An expected rise in remittances is projected to provide only a partial offset. Similarly, grants and official financing will assist the post-storm recovery effort going forward; however, the disbursement of official financial assistance will take some time. Thus, an external financing gap is in place for this year, which the authorities aim to close by the RCF request.

10. Damages and losses from the storm may increase NPLs from already elevated levels as households and businesses contend with lost income. Financial institutions have responded in some cases by granting deferments, interest waivers, or other relief to customers affected by the storm. In this context, financial institutions' earnings are likely to be impacted by lower interest income, and higher provisioning expenses. This impact may be partially offset as a result of the reduction in the minimum deposit rate earlier this year.

C. Medium-Term Recovery and Risks

11. Economic activity is projected to rebound in 2016, propelled by construction and normalizing conditions in other sectors. Post-storm reconstruction is expected to be the main engine of growth, which is projected at 3.9 percent in 2016. As operations at the airport and hotels normalize, the tourism sector is expected to rebound rapidly. Agriculture activities may take some time to recover fully while replanting activities take hold, implying that production levels are not likely to begin rising until later in 2016. The government investments in the livestock and fishing sectors will partially offset the lower crops. Manufacturing and key private-sector services are also expected to grow overall, but output levels in

Contributions to Percent Change in 2016 Real GDP
(percentage points)



Source: Fund staff projections.

these industries will likely remain below pre-storm levels as these sectors recover their full capacity. The fiscal outlook for FY2016/17 envisages a slightly wider overall fiscal deficit of 2.6 percent of GDP with high capital expenditures contained by a surge in grants; public debt is expected to remain at 83 percent of GDP.[4] Large construction-related imports would contribute to a further deterioration of the current account deficit to 16¾ percent in 2016. Over the medium term, growth is projected to settle to its potential level of around 2 percent per year and the external current account deficit to narrow to below its pre-storm level, reflecting the winding-up of reconstruction activities and fiscal adjustment. (Annex II).

12. The fiscal deficit would narrow over the medium term after an initial widening during the peak of reconstruction spending, putting public debt on a sustainable declining path. The reconstruction project, which entails capital spending of some 65 percent of GDP over ten years is assumed to peak during FY2016/17-FY2018/19. The majority of this spending in the first few years is assumed to be financed by grants after which there is greater reliance on concessional borrowing. At the same time, savings are achieved by fiscal measures in other areas of the budget amounting to a cumulative 6.2 percent of GDP by FY2019/20. As a result, the primary balance shifts to a surplus of 2⅓ percent by FY2020/21 and public debt would be sustainable, falling to 76 percent of GDP.

13. There are important upside and downside risks to the projection (Box 1). A major hotel project financed under the real estate arm of the ECP and the potential for lower electricity prices from geothermal energy development—neither of which are factored in to the projections—would boost growth above staff's projections.[5] The main downside risks involve weak policy implementation, particularly with respect to fiscal consolidation; and an inability to mobilize financing for reconstruction, especially grants. Delays or outright failure to identify sufficient financing for the full extent of reconstruction needs could postpone the economic recovery and reduce growth. Under a *customized scenario,* without fiscal consolidation, the primary deficit would remain at around 4 percent of GDP over the medium term. The debt sustainability analysis (DSA) indicates that in this case, public debt would reach about 95 percent of GDP in FY 2020/21 and would be unsustainable.[6] In addition, if the proportion of grants in total funding were reduced to 3 percent of GDP, over the medium-term, public debt would increase to around 90 percent of GDP by 2020, and decline thereafter as reconstruction expenditures taper off and the fiscal consolidation measures take hold.

14. There are other important risks, beyond those associated with the reconstruction project. Other downside risks include technical delays in key rebuilding projects owing to limited

[4] The narrowing of the FY2015/16 deficit also reflects unwinding the one-off retroactive wage payment in FY2014/15.

[5] In the 2015 Article IV Staff Report, the construction of the hotel project was assumed to add 0.4 and 1.2 percentage points to real GDP growth in 2015 and 2016, respectively.

[6] The most recent Debt Sustainability Analysis (DSA) for Dominica indicated that the overall risk of debt distress was high and there are significant vulnerabilities related to public domestic debt and private external debt.

Box 1. Risk Assessment Matrix			
Source of risk and direction if materialized	**Like-lihood**	**Impact**	**Policy response**
Persistently low energy prices (↑) Costs may be kept down if supply factors reverse gradually or if demand weakens.	**Medium**	**Medium**	Take advantage of favorable conditions to begin fiscal adjustment when reconstruction needs permit.
Citizenship program demand (↑/↓) If citizenship revenues are high, and the program managed prudently, the program could reduce fiscal risks and debt overhang. A sudden stop could lead to fiscal financing pressures.	**Medium**	**Medium** to **High**	Reduce fiscal dependence risks by directing receipts towards debt reduction, and high-impact infrastructure investment. Reduce sudden stop risks by maintaining strict governance standards.
Poor fiscal policy implementation (↓) Fiscal adjustment may be delayed.	**High**	**High**	Implement credible multi-year fiscal adjustment strategy in line with the baseline scenario.
Decompression of credit spreads/higher public sector borrowing costs (↓) U.S. monetary policy tightening may raise interest rates, or investors may reassess underlying risks.	**High**	**Low**	In addition to implementing credible fiscal adjustment, prioritize grant financing and seek to lower borrowing costs by maintaining a high the share concessional borrowing in public debt.
Persistent U.S. dollar strength (↓) The dollar may rise further reflecting improving U.S. economic prospects and lead to real effective appreciation in Dominica, weakening competitiveness.	**High**	**Medium**	Address cost competitiveness issues by public sector wage restraint, which may signal to the private sector; continue reforms to lower energy prices, including through renewable energy; and mitigate other bottlenecks.
Financial sector instability (↓) The commercial banks in the ECCU, including Dominica, continue to report high NPLs and weak earnings.	**Medium**	**High**	Promptly implement remaining elements of regional strategy to strengthen indigenous banks in the ECCU.
Natural disasters (↓)	**High**	**High**	Build buffers and optimize insurance policies, with the assistance of the World Bank.

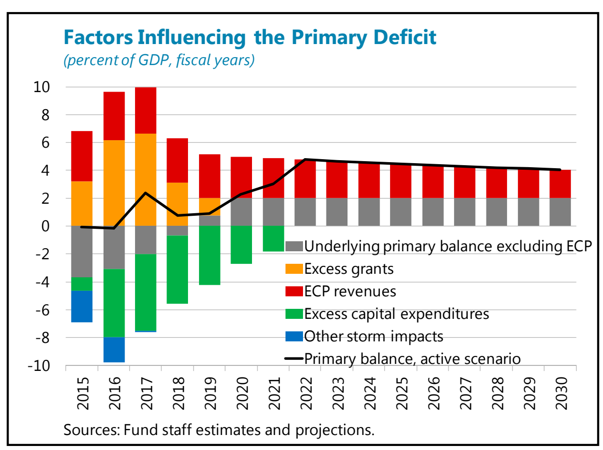
capacity; and a larger-than-expected drag from financial institutions, particularly if NPLs rise markedly from their already high levels. The inherent uncertainty surrounding the sustainability of ECP flows represents another risk to the projections, which assume ECP income substantially below current levels and declining over time. Finally, as made clear by Tropical Storm Erika, potential damages from future storm events could severely damage growth prospects. Other risks, related to global factors, include U.S. monetary policy tightening, which could weigh on already extant competitiveness gaps, if the U.S. dollar (to which the Eastern Caribbean dollar is pegged) appreciates further. Potential disruptions to correspondent banking relations from the global banks' de-risking activities could also lead to economic disruptions. Upside external risks could result from still greater-than-expected impacts from low oil prices and higher-than expected growth in major tourist-source markets in the advanced economies.

POLICY ISSUES AND DISCUSSIONS

A. Assuring Fiscal Sustainability

15. Policy discussions focused on policies to support the need to accommodate reconstruction expenditure within a sustainable macroeconomic framework. Achieving fiscal sustainability requires a plan anchored on a phased adjustment of the primary fiscal balance consistent with a declining public debt trajectory that is resilient to shocks. This adjustment should be smoothed over the medium term and would need to be somewhat back loaded to moderate the drag on economic activity while the economy recovers from the storm. However, an early announcement and commitment to this consolidation plan is needed to facilitate access to financing during the reconstruction phase. Given the nature and extent of damage, the adjustment plan would fully accommodate reconstruction expenditures which, for the most part, are needed to restore normalcy to social conditions and economic activity.

16. The authorities reiterated their commitment to fiscal consolidation of sufficient size to achieve convergence towards the ECCU debt target of 60 percent of GDP by 2030 at the latest. They also agreed that the primary surplus targeted for the medium term should include a buffer to cover future disaster-related expenses. Toward this end, the authorities agreed on the need for cumulative fiscal measures of 6.2 percent of GDP over the next 5 years (as described in the staff's baseline scenario) that would entail reaching a primary



surplus of 2⅓ percent of GDP by FY2020/21, equivalent to an underlying primary surplus of 1.8 percent of GDP.[7,8]

17. The authorities agreed on a progressive set of fiscal measures to begin the process of fiscal consolidation with no delay:

- Conscious of the need for fiscal consolidation before the storm, the authorities have passed measures to increase revenues in the FY2015/16 budget equivalent to 0.5 percent of GDP. The storm has delayed their implementation, but they remain fully committed to make them effective before the end of 2015. These include an increase in specific excises on liquefied natural gas and kerosene, alcohol, and tobacco. New levies have also been introduced, including a highway maintenance fee and a villa owners' levy. A new airport security levy has been passed by the Parliament with implementation pending an agreement with IATA to include the levy in the passenger's ticket. This levy will be collected by the Airport Authority allowing it to resume remittance of the existing departure tax to the central government.

- Capital expenditures have already been re-prioritized immediately after the storm to provide room for the reconstruction investment. The authorities already have suspended projects equivalent to 5 percent of GDP from the approved FY2015/16 budget and are exploring further elimination or re-programming of non-reconstruction capital projects that are still in the budget, especially those that are not financed with grants. They will also seek to re-program the allocation of grants already committed into more critical projects. Fund staff will provide assistance to the authorities in the preparation of a supplementary budget that will be presented after early donor support becomes visible.[9]

- The authorities are actively negotiating a public sector wage freeze with unions, with a freeze for the FY2016/17 already accepted by the main union, and with the authorities targeting a freeze extension of at least two additional years. The authorities plan to allow some labor attrition in non-critical public service areas, but explained that there might be a need for some additional personnel, especially skilled professionals (e.g., engineers, procurement specialists) that are needed for reconstruction. All in all, the authorities agreed to keep the wage bill growing below the rate of inflation for five years. Staff indicated that the practice of retroactive compensations

---

[7] The underlying primary surplus, is calculated as the primary surplus assuming a normal level of grants (3 percent of GDP) and capital spending (7¼ percent of GDP) and excluding ECP income and temporary other storm-related factors.

[8] The deterioration of the primary balance in the longer term depicted in the chart is explained by the protracted decline in ECP revenues. Staff will discuss the need to strengthen the primary balance excluding the ECP program further in future (to be developed more fully in the subsequent detailed medium-term discussions).

[9] The authorities are organizing a donor meeting for early November. Fund staff will attend.

of wage freezes would need to be discontinued in order to sustain savings in the long-term, as needed to address debt sustainability concerns.

- The authorities intend to increase fuel-related taxes and import charges that have not been updated since 2006. They will also consider additional increases of fuel taxes over the medium term should oil prices decline further, and the change to an ad-valorem rate as opposed to a fixed nominal charge to protect the real value of revenues.[10] The authorities are also considering the introduction of a sanitation fee to enable cost recovery for sanitation and solid waste collection services provided by the government.

- The authorities will intensify the collection of tax arrears, supported by enforcement and capitalizing on the large-taxpayers office. The stock of arrears is 1.2 percent of GDP. A contract has been signed with a foreign firm to review major taxpayers.

- The authorities have reinforced expense monitoring and controls in several dependencies of the public sector. All new expenditures travel, and goods and services contracts of SOEs now require the approval of the Ministry of Finance, and a better system to monitor SOEs finances will be put in place. Also, the Ministry of Public Works will be subject to periodic audits by an independent certified accountant.

- The authorities will consider introducing a temporary reconstruction tax.

18. There was also consensus on a number of important structural fiscal measures that will provide the necessary additional fiscal savings and increase efficiency:

- The authorities will reduce tax exemptions, which are estimated at 4.3 percent of GDP, including from overly generous tax holiday periods. The scope of reduction of exemptions includes the Value Added Tax (especially in non-food and non-medicine items), corporate taxes, and import duties. In addition, the authorities plan to request Fund technical assistance to streamline the regime, reduce discretion in the concession and renovation processes, and possibly introduce an annual cap that would be reported in the budget.

- The authorities are planning to reform the property tax regime. The current system taxes transactions and the revenues are appropriated by town councils, which typically have insufficient monitoring and enforcement capacity, resulting in low revenue yields. A reform into a recurrent property tax system based on property valuations that centralizes revenue collection and includes a revenue-sharing system for the financing of town councils would aim at increasing yields. This reform will need Fund technical assistance.

[10] Dominica has a full pass through of international oil prices into domestic fuel prices, based on a formula that updates prices every four weeks.

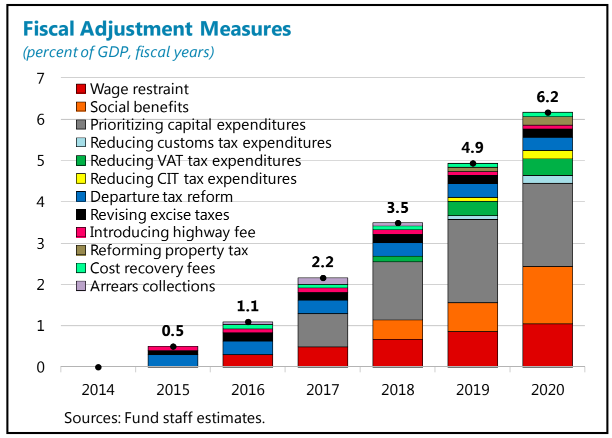
Fiscal Adjustment Measures, Active Scenario							
	FY2014 / 15	FY2015 / 16	FY2016 / 17	FY2017 / 18	FY2018 / 19	FY2019 / 20	FY2020 / 21
	(in percent of GDP)						
Adjustment measures required (cumulative)	**0.0**	**-0.5**	**-1.1**	**-2.2**	**-3.5**	**-4.9**	**-6.2**
of which: Cushion	...	...	...	...	-1.5	-1.5	-1.5
Primary balance after adjustment	-2.9	-0.1	-0.2	2.4	0.7	0.9	2.3
Public sector debt	80.6	82.7	82.7	80.5	79.7	78.8	76.3
Potential options:	**...**	**-0.5**	**-1.1**	**-2.2**	**-3.5**	**-4.9**	**-6.2**
Expenditure items	**...**	**0.0**	**-0.3**	**-1.3**	**-2.5**	**-3.6**	**-4.4**
Wage bill restraint 1/	...	0.0	-0.3	-0.5	-0.7	-0.9	-1.0
Non-reconstruction capital expenditure prioritization	...	0.0	0	-0.8	-1.4	-2.0	-2.0
Social benefits, including the unwinding of storm related transfers	...	0.0	0.0	0.0	-0.5	-0.7	-1.4
Revenue items	...	**-0.5**	**-0.8**	**-0.9**	**-0.9**	**-1.4**	**-1.7**
Streamlining of tax exemptions		0.0	0.0	0.0	-0.2	-0.6	-0.8
VAT	...	0.0	0.0	0.0	-0.2	-0.4	-0.4
Fuel	...	0.0	0.0	0.0	-0.1	-0.2	-0.2
Final supply goods	...	0.0	0.0	0.0	-0.1	-0.1	-0.1
Non-food, non-medicine	...	0.0	0.0	0.0	0.0	-0.1	-0.1
Customs and import duties	...	0.0	0.0	0.0	0.0	-0.1	-0.2
Reform corporate income tax regime	...	0.0	0.0	0.0	0.0	-0.1	-0.2
Update excise tax rates	...	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Departure tax	...	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Highway maintenance fee		-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Property tax reform	...	0.0	0.0	0.0	0.0	-0.1	-0.2
Non-tax revenues (cost recovery fees and licenses)	...	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Tax arrears collection enforcement	...	0.0	-0.1	-0.2	-0.1	0.0	0.0

1/ Wage bill restraint includes increase in wage bill at the rate of inflation for 5 years.

- The authorities plan to increase efficiency and introduce a cost-recovery mechanism in the provision of health and education services in order to reduce the amount of grants and social transfers. The authorities are planning to consolidate schools, as many have a low number of students, and also plan to introduce a system to monitor and control the hiring of teachers. They are also planning to review transfers to specific schools that benefit from idiosyncratic government transfers. On health, the authorities have received technical assistance by PAHO that includes a proposal for a contributory health care system, which the authorities are considering for implementation.

- Given the recurrent nature of natural disasters, the authorities agreed, with assistance from the Fund, to investigate the creation of a savings fund using a portion of ECP revenues. This fund would need a strong institutional framework and governance structure for a transparent utilization of resources, and have a clear mandate and operational rules for the allocation to public investment, public debt reduction, and saving for possible reconstruction expenditures in the future. This institutional set up should prevent the financing of current expenditures with ECP revenues. Although this measure would not contribute to the overall amount of fiscal savings, it would contribute to more resilient debt dynamics.

19. In the baseline scenario prepared with the authorities, the cumulative adjustment of 6¼ percent of GDP is spread over five consecutive budget periods starting in the current year. Of this amount, 1½ percent of GDP corresponds to the additional balance buffer to cushion future reconstruction expenditures (Figure 2).[11] The authorities agreed that this scenario would be the basis for the preparation of the FY2016/17 budget.



B. Boosting Economic Dynamism and Resilience

20. The recovery from the storm should not interrupt progress on implementing growth-enhancing structural reforms. While the public sector will need to play a major role in rebuilding infrastructure, staff's recommendations in the 2015 Article IV consultation to boost private sector development remain relevant, particularly to assure a sustained improvement in long-run economic prospects. In particular, policy advice to strengthen tourism connectivity; explore energy options to lower electricity costs; and prioritizing public investment in physical infrastructure and skills attainment programs can be incorporated in rebuilding plans naturally. The authorities could also catalyze added private sector involvement and likely boost FDI flows by developing property markets further, including by further reviewing and reforming the taxation of property transactions in a revenue-neutral fashion. The authorities noted that they were in agreement with the Article IV recommendations. Recent policy changes to the real estate option in the ECP would help to boost FDI in the tourism sector. In cooperation with the European Union, they were developing projects to enhance the productivity and improve the export potential of the agriculture sector.

21. Notwithstanding the serious tragedy brought by the storm, reconstruction is an opportunity to develop policies to enhance resilience to future natural disasters. Advance planning and appropriate investments can contain risks to public safety, property, and economic activity. In particular, the authorities' future policy priorities with respect to the growth agenda should incorporate important recommendations outlined in the Rapid Damage and Impact Assessment Report. These include (i) strengthening the identification of risks and hazards through improved collection and analysis of key data; (ii) bolstering building codes, revising zoning procedures, and incorporating resilience in reconstruction and recovery strategies with respect to housing, agriculture, and transportation; (iii) securing disaster risk preparedness through pre-

[11] This has been calculated based on the frequency and damage estimates of Dominica's last four natural disasters. It assumes that shocks inflicting a total loss of 5 percent of GDP occur every 4 years, and that very severe shocks with a loss of 80 percent of GDP occur every 40 years. It is then assumed that government reconstruction expenditures are equivalent to about ½ of the total loss, in line with historical trends. These expenditures are then distributed evenly over a 40 year period to obtain the annual estimated surplus that is needed to cover the reconstruction expenditures. Current account balances are also adjusted accordingly.

positioning of essential materials, improved communications, developing early warning systems, and urging the private sector to strengthen capacity to respond to natural events; and (iv) developing and implementing adequate risk-financing strategies in both the public and private sectors so that key assets are insured against lower-frequency, high-damage disasters.

C. Safeguarding Financial Stability

22. Continuing to adopt measures to strengthen the resilience of the financial sector would also be important for macroeconomic stability and growth. The loss of property and income as a result of the storm boost NPLs from already high levels of 14.9 percent, requiring close monitoring. In the commercial banks, the authorities should push for prompt implementation of the remaining elements of the regional strategy to strengthen the indigenous banks. For the large credit union sector, which has aggregate assets of 44 percent of GDP, a number of institutions had reported capitalization below the regulatory minimum prior to the storm. The domestic regulator, the Financial Services Unit (FSU), should be given adequate powers to enforce existing regulations, including those with respect to capitalization, where needed. Moreover, the authorities could facilitate both bank and credit union balance sheet cleanup by streamlining foreclosure processes and advocating removal of the ECCU-wide deposit rate floor in the context of the Monetary Council.[12] Similarly, strict and transparent governance standards on their Economic Citizenship Program (ECP) and a stronger AML/CFT framework in line with the 2012 FATF standard would reduce the risk of disruptions in correspondent banking relations. The authorities were in broad agreement with these recommendations. They have approved all legislation regional banking reform legislation and were committed to providing the Financial Services Unit with the necessary power to ensure compliance by credit unions with prudential financial management requirements. They pointed out that their due diligence processes for screening ECP applicants had been positively assessed by national security agencies in key advanced countries. They also noted the intention to strengthen the AML/CFT framework, and that they recently successfully completed the Phase 1 peer review of the Global Forum's standards on transparency and exchange of information on tax matters.

RATIONALE FOR RAPID CREDIT FACILITY, ACCESS, AND ABILITY TO REPAY THE FUND

23. An RCF is the most appropriate instrument at this juncture to support the immediate needs. The significant impact of the storm requires immediate financial relief to restore basic public infrastructure and support the reconstruction effort. In particular, Dominica meets the requisite criteria for an RCF in the respect that the storm has given rise to an urgent balance-of-payments

[12] The deposit rate floor is only mandatory for banks, but impacts credit unions through their competition with banks for deposits.

need. While staff believes that Dominica would benefit from a Fund supported program, the urgent need for financial assistance and the authorities' focus on their immediate recovery efforts make it unfeasible to engage in discussions of a Fund supported program at this time.

24. However, developing a sustainable plan that accommodates reconstruction is paramount. The RCF would provide bridge financing while the donor assistance and official loans are mobilized and give time to develop a detailed medium-term plan. The authorities expressed their broad agreement with and commitment to the parameters proposed in the baseline scenario and the fiscal adjustment targets, which are consistent with the sustainability of public debt, as required to access RCF financing. Moreover, the authorities have already begun to reallocate expenditures in the budget to immediate recovery needs and envision a supplementary budget soon after the donor meeting noted earlier. The authorities' commitment to this agreement has been stated in the attached Letter of Intent. The authorities have also agreed to work with Fund staff in the donor meeting, in preparation of the supplementary budget, and in a full mission after that to discuss the design of the plan and its underlying policies. The authorities aim to work intensively with staff to provide a full rendering of the detailed medium term policy needs in the FY2016/17 budget (to be approved in mid-2016).

25. The mission encouraged the authorities to consider a long-term Fund arrangement to support the medium-term policies as soon as the efforts to respond to the immediate effects of the storm make this possible. A long-term Fund arrangement would support the medium-term fiscal consolidation and structural reform effort; unlock additional access to financing from official creditors and commercial borrowing at better terms; and provide priority status to technical assistance for structural reform. While the authorities would like to continue the close engagement with Fund staff in the design and monitoring of their policies and will seek Fund technical assistance to prepare for a number of structural reforms, they were not in a position to engage in a Fund arrangement at this stage.

26. Fund support has helped Dominica to recover from disasters in the past. The Fund has provided natural disaster assistance on three previous occasions, in 2008, 2009, and 2012. Cumulative outstanding emergency lending amounted to SDR4.67 million (57 percent of quota) at end-August, relative to a limit of 150 percent. The Fund has also supported two adjustment programs over 2002-2006 (SBA and PRGF), which were able to help Dominica considerably ease acute vulnerabilities through a large fiscal adjustment, debt restructuring, and associated structural reforms.

Dominica: Borrowing Under PRGT or Emergency Assistance Instruments

			In millions of SDRs		In percent of Quota	
Years	Instrument	Disaster event	Drawn	Outstanding as of August 31, 2015	Drawn	Outstanding as of August 31, 2015
2012	RCF	Ophelia and post-storm flooding	2.05	2.05	25.0	25.0
2009	ESF-RAC	Hurricanes Dean and Omar	3.28	2.62	40.0	32.0
2008	ENDA	Hurricane Dean	2.05	0.00	25.0	0.0
2003-06	PRGF	n.a.	7.69	0.70	93.8	8.5
		Total	15.07	5.37	183.8	65.5

27. Staff considers access of 75 percent of quota under the RCF to be appropriate. With this disbursement, total outstanding PRGT credit under emergency assistance instruments would be 132 percent of quota. If the disbursement were to be approved according to these parameters, the Fund's exposure to Dominica would amount to about 3.2 percent of GDP or about 16 percent of net imputed international reserves (Table 8). In addition, the risks from this exposure would be mitigated by the highly concessional nature of Dominica's public debt. Consequently, Dominica is expected to be able to repay its obligations to the Fund.

STAFF APPRAISAL

28. Tropical Storm Erika had a devastating effect on Dominica's economy. The transport infrastructure has been severely damaged, and the productive capacity of agriculture and tourism substantially diminished. Total damage and loss is estimated at 96 percent of GDP). Real GDP is projected to decline by 3 percent in 2015, and reconstruction expenditures and the impact on agriculture and tourism activities are putting pressure on the fiscal and external accounts. Despite the high capital expenditures, the 2015 budget deficit will be contained to 2.4 percent of GDP reflecting strong grants, and the current account balance could deteriorate to a deficit of about 15 percent of GDP. Starting in 2016, output is expected to recover, as crops are replanted, transport infrastructure is restored, and normal activities resume. Reconstruction activities will boost growth in the near term, but will also imply a protracted deterioration of government finances and further accumulation of debt, as it would possibly take years before public infrastructure is fully restored.

29. Unsustainable public finances prior to the storm add to the challenge. Reconstruction expenses would only be feasible within a sustainable macroeconomic framework that preserves access to financing during the reconstruction phase. In a customized scenario without fiscal consolidation, staff estimates indicate that public debt would take an increasing trajectory, reaching more than 95 percent of GDP by 2020, up from 80 percent at end-2014.

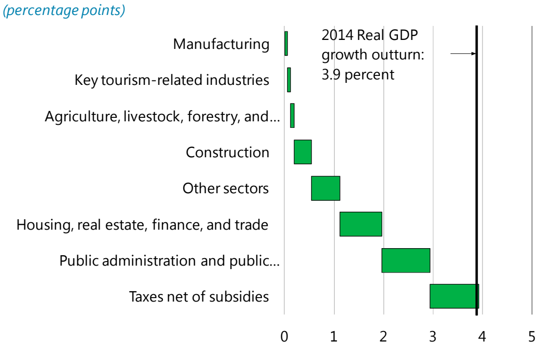
30. The authorities are committed to restoring fiscal and debt sustainability and have agreed to develop with staff a detailed medium-term plan starting with the FY2016/17 budget. They have expressed their commitment to generating primary surpluses in the range of 2⅓ percent of GDP in five years, building off of some measures implemented in FY2015/16, sufficient to put public debt-to-GDP ratio on a sustainable, declining path. Toward this end, they plan to implement fiscal consolidation measures of about 6 percent of GDP in several areas that have been broadly identified. These include streamlining tax expenditures; restraining the wage bill; rationalizing social benefits; prioritizing public investment; normalizing air embarkation tax revenues. They will also consider a property tax reform; a reconstruction levy; and updating excise tax rates. Structural reforms could include enhancing budget control with a PFM reform; adopting a medium-term budget framework; institutionalizing the allocation of the ECP revenues to a saving fund for public investment, future reconstruction and debt reduction; and improving the financial performance and monitoring of state-owned enterprises. Measures to improve private sector competitiveness and to improve the resilience of the financial sector are also important and should be adopted in the near term. The identified prospective measures of this plan will be specified in time to begin to be implemented in the FY2016/17 budget, with support of follow-up Fund missions. This commitment has been outlined in their Letter of Intent accompanying this request.

31. Against this background, staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 6.15 million (US$8.7 million; 75 percent of quota). Staff support is based on the severity of the damages, the urgent balance of payments need, and the strength of the authorities' existing and prospective policies to address the shock, including the commitment to seek grants and concessional resources to finance flood related capital expenditures and to implement offsetting measures if such assistance is not forthcoming. While there are downside risks given the country's high public debt and vulnerability to exogenous shocks, the authorities' track record and commitment to fiscal prudence are mitigating factors. The authorities are also planning on enhancing resilience against future adverse weather events by improving emergency response capabilities, and enhancing the robustness of physical infrastructure.

Figure 1. Dominica: Pre-Storm Economic Performance

Growth in 2014 was reported to be quite strong, largely owing to positive contributions from the public sector, finance, and wholesale and retail trade. …

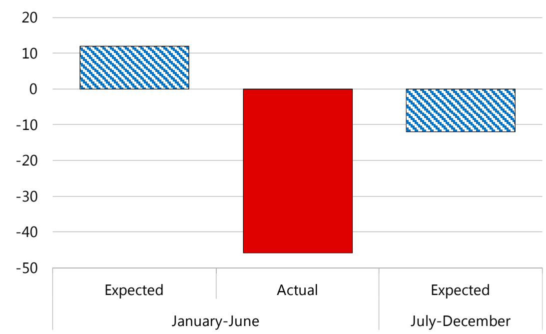
Contributions to Percent Change in 2014 Real GDP
(percentage points)



Sources: ECCB and Fund staff estimates.

… However, responses to a survey on business conditions indicate that recent economic performance was evolving below expectations, …

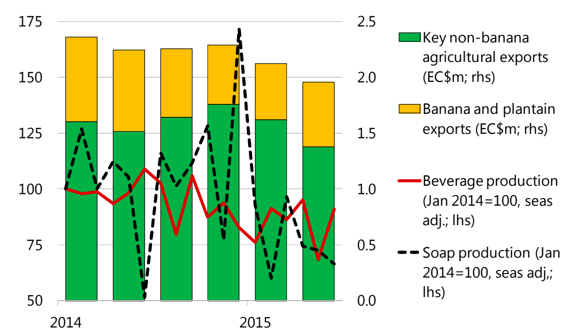
Dominica: Business Outlook Survey Responses
(balance of opinion, + = improved conditions)



Source: ECCB, *Business Outlook Survey*.

… which corroborates weakening monthly activity indicators in key sectors, and …

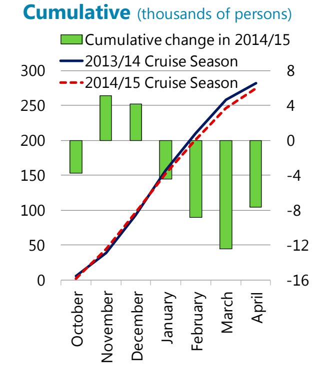
Agriculture and Manufacturing Output Indicators



Sources: Customs & Excise, Dominica; Central Statistics Office; and Fund staff est.

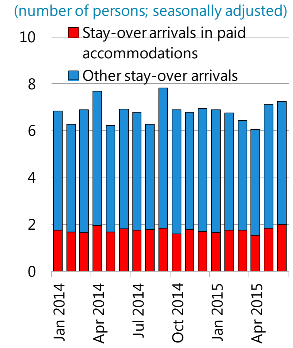
… a mixed tourism-sector performance.

Cruise Ship Passengers, Cumulative
(thousands of persons)



Sources: ECCB and Fund staff calculations.

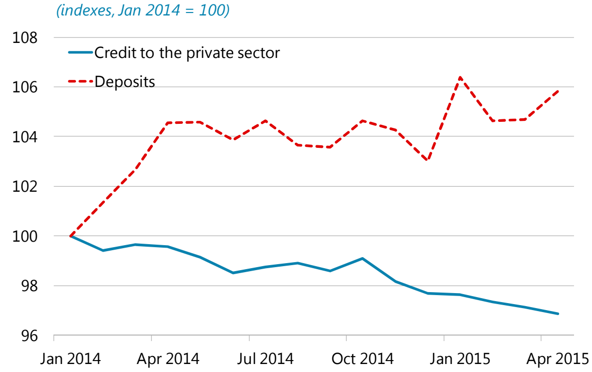
Stay-over Visitors
(number of persons; seasonally adjusted)



Sources: Discover Dominica Authority; Fund staff calculations.

Private sector credit contracted, despite a rise in deposits.

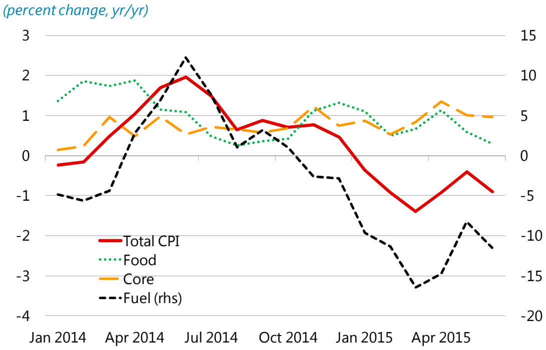
Credit to the Private Sector
(indexes, Jan 2014 = 100)



Sources: ECCB and Fund staff estimates.

Deflation was recorded, largely owing to the full-year impacts of low imported petroleum prices.

CPI Inflation, by Major Component
(percent change, yr/yr)

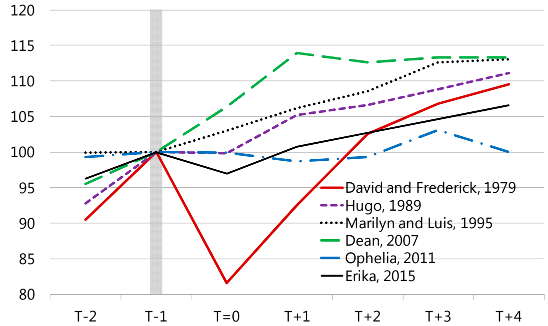


Sources: Central Statistics Office, Dominica; and Fund staff estimates.

Figure 2. Dominica: Impacts of Past Storms on Economic Performance

Real GDP is expected to fall, as in previous large disaster events. ...

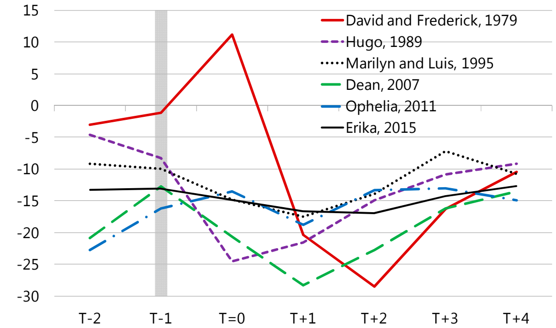
Real GDP
(index, year prior to disaster=100)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

... And the current account will likely widen, reflecting rebuilding needs.

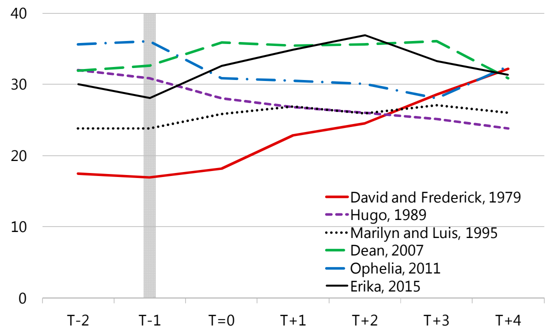
Current Account Balance
(percent of GDP)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

Revenues may rise up as often occurs...

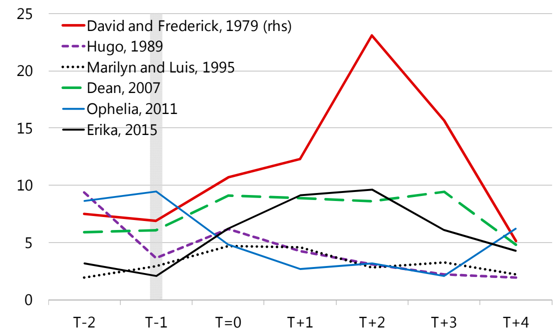
Government Revenues
(percent of GDP, fiscal years beginning July)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

... including from an uptick in grants.

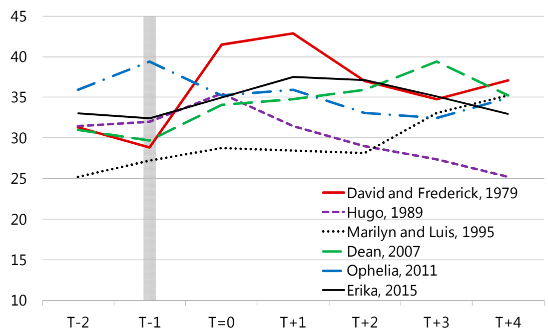
Grants
(percent of GDP, fiscal years beginning July)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

Expenditures will jump as repairs to infrastructure fuel public capital expenditures. ...

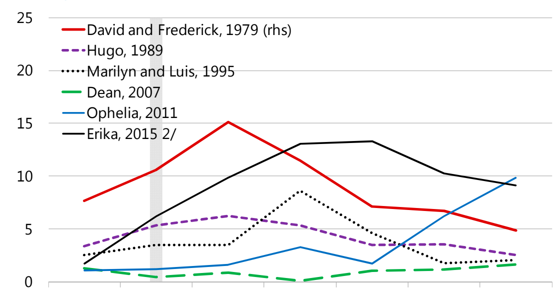
Government Expenditures
(percent of GDP, fiscal years beginning July)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

... and may be financed largely by official development assistance.

Official Development Assistance 1/
(percent of GDP)



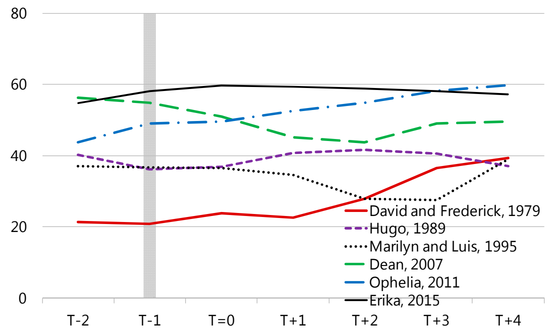
Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.
1/ Concessional loans and grants. 2/ Fiscal year basis. Grants and grant-equivalent financing from DSA.

Figure 2. Dominica: Impacts of Past Storms on Economic Performance (concluded)

… which may boost external debt.

Public External Debt

(percent of GDP, fiscal years beginning July)

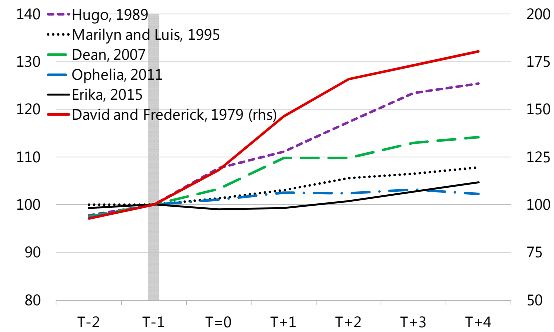


Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

Inflation will likely remain moderate.

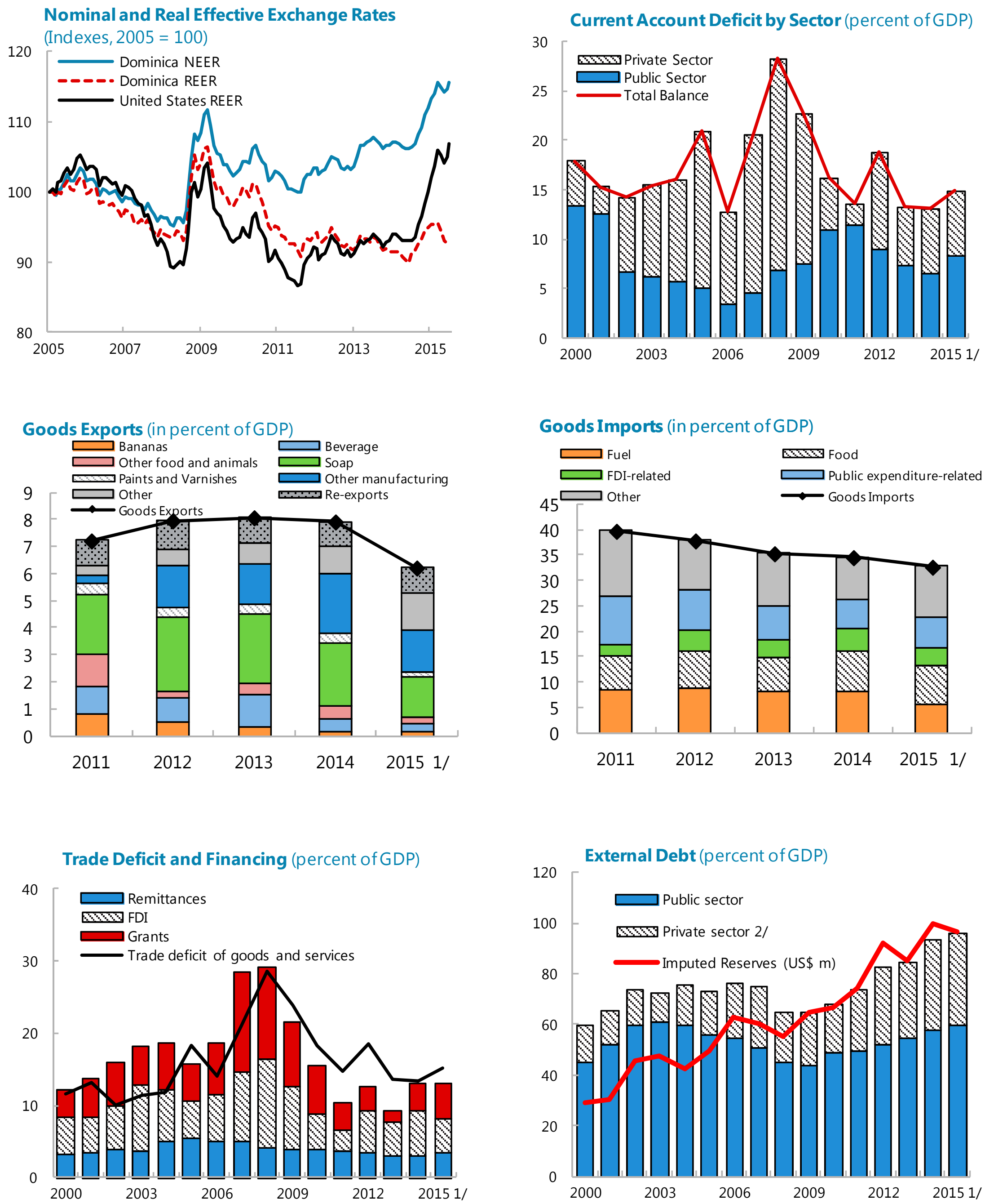
Consumer Price Index

(index, year prior to disaster=100)



Sources: WEO; ECCB; Archived Staff Reports; Fund staff calculations.

Figure 3. Dominica: External Sector Developments



Sources: ECCB; Dominica Customs; and IMF staff estimates.
1/ Estimates.
2/ Comprises foreign liabilities of commercial banks and other commercial debt.

Table 1. Dominica: Selected Economic and Social Indicators, Baseline Scenario

I. Social and Demographic Indicators

Area (sq. km.)	754	Adult literacy rate (percent, 2004)	88
Population (2011)		Unemployment rate (2011)	11
Total	71,293		
Annual rate of growth (percent)	-0.1		
Density (per sq. km.)	94.6	Gross Domestic Product (2014)	
Population characteristics		Millions of E.C. dollars	1,415
Life expectancy at birth (years, 2006)	74.1	Millions of U.S. dollars	524
Infant mortality (per thousand live births, 2006)	13	U.S. dollars per capita	7,353

II. Economic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
Output and prices	(annual percent change, unless otherwise specified)									
Real GDP 1/	-0.1	-1.3	0.6	3.9	-3.0	3.9	1.9	1.9	1.9	1.9
Nominal GDP 1/	1.5	-3.3	4.4	3.5	-4.0	4.2	3.4	3.7	3.9	4.1
Consumer prices										
Period average	1.1	1.4	0.0	0.8	-1.0	0.3	1.5	1.9	2.0	2.1
End of period	2.0	1.2	-0.4	0.5	-0.2	0.1	1.8	1.8	2.1	2.1
Potential GDP	1.5	1.3	1.3	1.3	1.3	1.4	1.5	1.6	1.7	1.7
Output gap (percent of potential GDP)	1.4	-1.2	-1.8	0.7	-3.5	-1.1	-0.7	-0.4	-0.2	0.0
Real effective exchange rate (period average, depreciation -)	-5.6	0.2	-0.6	-0.7	…	…	…	…	…	…
Central government balances 2/	(in percent of GDP, unless otherwise specified)									
Revenue	30.7	30.3	30.0	28.0	33.0	35.7	37.8	34.2	32.7	31.6
Taxes	22.6	22.2	21.9	22.8	21.2	21.4	23.1	23.2	23.6	24.0
Non-tax revenue	3.3	5.5	4.9	3.2	5.6	5.1	5.0	4.9	4.8	4.6
Grants 3/	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.3	3.0
Expenditure	35.1	35.7	33.0	32.4	35.4	38.2	37.9	35.9	34.2	31.8
Current primary expenditure	22.0	23.3	22.0	23.9	24.8	23.7	23.4	22.7	22.3	21.4
Interest payments	1.5	2.0	2.0	1.5	2.3	2.4	2.5	2.4	2.5	2.4
Capital expenditure	11.5	10.5	9.0	7.1	8.3	12.2	12.0	10.8	9.5	8.0
Primary balance	-2.9	-3.4	-1.0	-2.9	-0.1	-0.2	2.4	0.8	0.9	2.3
excl. Economic Citizenship Program	-4.9	-7.2	-4.6	-4.6	-3.7	-3.6	-1.0	-2.5	-2.2	-0.7
Overall balance	-4.4	-5.4	-3.0	-4.4	-2.4	-2.6	-0.1	-1.7	-1.6	-0.1
excl. Economic Citizenship Program	-6.4	-9.2	-6.6	-6.1	-6.0	-6.0	-3.5	-4.9	-4.7	-3.1
Memo: cumulative adjustment measures	0.0	0.0	0.0	0.0	0.5	1.1	2.2	3.5	4.9	6.2
Memo: underlying primary balance ex. ECP	-4.2	-4.2	-4.2	-4.2	-3.7	-3.1	-2.0	-0.7	0.8	2.0
Central government debt (incl. guaranteed) 4/	69.7	72.6	74.7	79.8	82.7	82.7	80.5	79.7	78.7	76.3
External	49.6	52.6	54.8	58.2	59.7	59.4	58.7	57.9	56.9	54.9
Domestic	20.1	20.0	20.0	21.7	23.0	23.3	21.8	21.8	21.9	21.4
Money and credit (annual percent change)										
Broad money (M2)	0.3	9.7	2.2	7.8	1.1	4.1	3.8	3.7	4.1	4.0
Real credit to the private sector	4.5	3.1	-0.3	-2.7	-3.8	3.9	1.9	1.9	1.9	1.9
Balance of payments										
Current account balance, *o/w:*	-13.5	-18.8	-13.3	-13.1	-14.9	-16.7	-17.0	-14.3	-12.7	-10.9
Exports of goods and services	38.1	33.0	34.6	34.1	30.6	32.5	32.8	33.0	33.3	33.6
Imports of goods and services 5/	52.8	51.5	48.1	47.4	45.8	49.3	50.0	47.6	46.2	44.6
Capital and financial account balance	17.5	18.9	10.6	15.4	11.9	15.2	17.2	14.5	13.0	11.2
FDI	2.8	6.0	4.8	6.4	4.7	4.8	4.9	4.8	4.8	4.8
Capital grants	3.8	3.3	1.5	3.7	5.0	8.5	10.2	8.6	6.0	4.4
Other (incl. errors and omissions)	10.9	9.6	4.3	5.3	2.2	2.0	2.1	1.2	2.3	2.0
External debt (gross) 6/	73.6	83.1	84.6	93.5	96.0	95.7	95.2	93.8	92.4	90.4
Saving-Investment Balance	-13.5	-18.8	-13.3	-13.2	-14.9	-16.7	-17.0	-14.3	-12.7	-10.9
Saving	3.0	-3.5	0.4	1.7	2.2	0.8	1.8	3.9	4.3	4.5
Investment	16.6	15.2	13.7	14.9	17.1	17.5	18.7	18.2	17.1	15.5
Public	15.4	12.6	11.0	9.1	9.1	11.5	13.7	13.7	13.1	12.0
Private	1.2	2.6	2.7	5.8	8.0	6.0	5.0	4.5	4.0	3.5
Memorandum items:										
Nominal GDP (EC$ millions)	1,354	1,310	1,368	1,415	1,359	1,416	1,465	1,519	1,579	1,643
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,441	1,492	1,549	1,611	1,677
Net imputed international reserves:										
End-year (millions of U.S. dollars)	74.5	91.8	85.4	99.9	96.4	88.6	90.0	91.5	93.2	94.9
Months of imports of goods and services	3.4	4.4	4.2	4.8	5.0	4.1	4.0	4.1	4.1	4.2

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

1/ At market prices. Historical data reflect national accounts data revision published by the ECCB on July 2, 2015.

2/ Data for fiscal years running July-June.

3/ Does not include grants received but not spent.

4/ Excludes commitments under the Petrocaribe arrangement with Venezuela.

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

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

Table 2a. Dominica: Statement of Central Government Operations, Baseline Scenario[1/2/]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
	(in millions of Eastern Caribbean dollars)									
Revenue	**408.2**	**406.3**	**417.6**	**388.8**	**458.1**	**514.1**	**563.3**	**529.7**	**526.2**	**530.3**
Taxes	300.8	297.5	305.0	315.9	293.8	308.5	345.2	359.7	380.9	402.2
Taxes on income	55.6	57.3	58.9	59.8	44.5	46.4	60.4	62.5	66.3	70.6
Taxes on property	7.5	6.7	7.7	7.7	6.5	6.4	6.8	7.1	9.0	11.0
Taxes on goods and services	174.0	176.1	179.2	183.8	172.8	179.5	198.7	208.3	219.6	229.3
Taxes on international trade and transactions	63.7	57.3	59.3	64.6	70.0	76.1	79.3	81.8	86.1	91.3
Grants 3/	64.1	35.9	43.9	28.7	86.1	131.7	143.3	94.4	68.6	50.3
Other revenue	43.4	73.0	68.6	44.2	78.2	73.9	74.7	75.7	76.7	77.8
Property income	2.9	5.0	2.0	2.0	2.0	2.1	2.2	2.2	2.3	2.4
Sales, fees, and fines	9.4	10.9	13.2	10.5	10.5	10.9	11.3	11.7	12.2	12.7
Other nontax revenue	31.1	57.1	53.4	31.7	65.7	60.9	61.3	61.7	62.2	62.7
Expenditure	**466.9**	**478.2**	**459.6**	**449.7**	**491.6**	**550.9**	**565.0**	**555.7**	**551.4**	**532.5**
Expense	**313.1**	**338.2**	**334.6**	**351.6**	**377.1**	**375.6**	**386.2**	**388.9**	**398.2**	**399.0**
Compensation of employees	135.5	146.8	144.5	159.5	147.2	148.5	151.0	153.9	157.0	160.3
Purchase of goods and services	88.3	97.0	93.1	99.9	117.5	108.9	112.8	117.1	121.8	126.7
Interest	20.4	26.6	28.1	20.6	32.3	34.6	37.1	37.6	39.7	40.6
Grants and social benefits (transfers and subsidies)	69.1	68.8	68.9	71.7	80.1	83.6	85.3	80.3	79.7	71.2
Other expense	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**153.8**	**140.0**	**125.0**	**98.1**	**114.5**	**175.3**	**178.8**	**166.8**	**153.1**	**133.5**
Grant-financed capital expenditure	63.6	35.9	43.9	28.7	86.1	131.7	143.3	94.4	68.6	50.3
Other capital expenditure	92.6	106.6	81.4	69.7	28.7	43.9	35.8	72.7	84.9	83.6
Capital revenue	-2.4	-2.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4
Gross operating balance	**95.2**	**68.1**	**83.0**	**37.1**	**81.0**	**138.5**	**177.1**	**140.9**	**127.9**	**131.3**
Net lending/borrowing (overall balance)	**-58.7**	**-71.9**	**-42.0**	**-61.0**	**-33.5**	**-36.9**	**-1.8**	**-25.9**	**-25.2**	**-2.2**
Net financial transactions	**-58.7**	**-71.9**	**-42.0**	**-61.0**	**-33.5**	**-36.9**	**-1.8**	**-25.9**	**-25.2**	**-2.2**
Net acquisition of financial assets	**-31.8**	**-16.7**	**18.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-31.8	-16.7	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	**45.0**	**25.2**	**78.9**	**61.0**	**33.5**	**36.9**	**1.8**	**25.9**	**25.2**	**2.2**
Domestic	27.7	-15.9	23.4	30.9	9.3	10.2	0.5	7.2	7.0	0.6
Foreign, of which:	17.3	41.1	55.5	30.0	24.2	26.6	1.3	18.7	18.2	1.6
Statistical discrepancy	18.2	-30.0	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	**…**	**…**	**…**	**…**	**134.8**	**149.1**	**147.9**	**164.9**	**195.1**	**189.5**
Overall deficit	…	…	…	…	33.5	36.9	1.8	25.9	25.2	2.2
Debt repayments	…	…	…	…	101.3	112.3	146.2	139.0	169.9	187.3
External	…	…	…	…	69.4	76.0	81.3	94.4	106.6	118.0
Domestic	…	…	…	…	31.9	36.3	64.9	44.5	63.4	69.3
of which: short-term	…	…	…	…	20.0	20.0	20.0	20.0	20.0	20.0
Gross financing sources	**…**	**…**	**…**	**…**	**111.3**	**149.1**	**147.9**	**164.9**	**195.1**	**189.5**
Debt issuance	…	…	…	…	111.3	149.1	147.9	164.9	195.1	189.5
External	…	…	…	…	70.2	102.6	82.6	113.2	124.8	119.6
Domestic	…	…	…	…	41.1	46.5	65.4	51.7	70.4	69.9
of which: short-term	…	…	…	…	20.0	20.0	20.0	20.0	20.0	20.0
Financing Gap	**…**	**…**	**…**	**…**	**23.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	…	…	…	…	23.5	…	…	…	…	…
Memorandum items:										
Primary balance	-38.2	-45.4	-13.9	-40.4	-1.2	-2.2	35.3	11.6	14.5	38.5
Primary balance (excl. ECP)	-64.6	-96.0	-63.6	-63.4	-51.2	-52.2	-14.7	-38.4	-35.5	-11.5
Overall balance (excl. ECP)	-85.0	-122.6	-91.7	-84.0	-83.5	-86.9	-51.8	-75.9	-75.2	-52.2
Central government debt (incl. guaranteed) 4/	928	971	1,040	1,107	1,148	1,192	1,201	1,235	1,269	1,280
Domestic	268	268	278	300	319	336	325	338	352	359
Direct	222	207	230	261	270	280	281	288	295	296
Guaranteed	46	61	48	39	48	56	44	50	57	63
Foreign	660	704	762	807	829	856	876	897	917	921
Direct	554	595	651	681	705	732	733	752	770	772
Guaranteed	106	108	112	126	124	124	143	145	147	150
Cumulative adjustment measures	0	0	0	0	7	16	32	54	80	103
Underlying primary balance, ex. ECP	-56	-56	-58	-58	-51	-44	-30	-11	12	34
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,441	1,492	1,549	1,611	1,677

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ In this report, the fiscal operations tables are presented in the GFSM 2001 format, with the view to ensure cross-country comparability in terms of concepts and presentation. This resulted in the reclassification of certain items, causing data reported here to be not strictly comparable to earlier reports.

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/ Does not include grants that were received but not spent.

4/ Direct debt and debt of parastatal entities guaranteed by the central government; excludes commitments under the Petrocaribe arrangement with Venezuela.

Table 2b. Dominica: Statement of Central Government Operations, Baseline Scenario[1/2/]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
	(in percent of GDP)									
Revenue	**30.7**	**30.3**	**30.0**	**28.0**	**33.0**	**35.7**	**37.8**	**34.2**	**32.7**	**31.6**
Taxes	22.6	22.2	21.9	22.8	21.2	21.4	23.1	23.2	23.6	24.0
Taxes on income	4.2	4.3	4.2	4.3	3.2	3.2	4.0	4.0	4.1	4.2
Taxes on property	0.6	0.5	0.6	0.6	0.5	0.4	0.5	0.5	0.6	0.7
Taxes on goods and services	13.1	13.2	12.9	13.2	12.5	12.5	13.3	13.4	13.6	13.7
Taxes on international trade and transactions	4.8	4.3	4.3	4.7	5.0	5.3	5.3	5.3	5.3	5.4
Grants 3/	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.3	3.0
Other revenue	3.3	5.5	4.9	3.2	5.6	5.1	5.0	4.9	4.8	4.6
Property income	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales, fees, and fines	0.7	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other nontax revenue	2.3	4.3	3.8	2.3	4.7	4.2	4.1	4.0	3.9	3.7
Expenditure	**35.1**	**35.7**	**33.0**	**32.4**	**35.4**	**38.2**	**37.9**	**35.9**	**34.2**	**31.8**
Expense	**23.5**	**25.3**	**24.0**	**25.3**	**27.2**	**26.1**	**25.9**	**25.1**	**24.7**	**23.8**
Compensation of employees	10.2	11.0	10.4	11.5	10.6	10.3	10.1	9.9	9.7	9.6
Purchase of goods and services	6.6	7.2	6.7	7.2	8.5	7.6	7.6	7.6	7.6	7.6
Interest	1.5	2.0	2.0	1.5	2.3	2.4	2.5	2.4	2.5	2.4
Grants and social benefits (transfers and subsidies)	5.2	5.1	5.0	5.2	5.8	5.8	5.7	5.2	4.9	4.2
Other expense	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**11.5**	**10.5**	**9.0**	**7.1**	**8.3**	**12.2**	**12.0**	**10.8**	**9.5**	**8.0**
Grant-financed capital expenditure	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.3	3.0
Other capital expenditure	7.0	8.0	5.8	5.0	2.1	3.0	2.4	4.7	5.3	5.0
Capital revenue	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating balance	**7.1**	**5.1**	**6.0**	**2.7**	**5.8**	**9.6**	**11.9**	**9.1**	**7.9**	**7.8**
Net lending/borrowing (overall balance)	**-4.4**	**-5.4**	**-3.0**	**-4.4**	**-2.4**	**-2.6**	**-0.1**	**-1.7**	**-1.6**	**-0.1**
Net financial transactions	**-4.4**	**-5.4**	**-3.0**	**-4.4**	**-2.4**	**-2.6**	**-0.1**	**-1.7**	**-1.6**	**-0.1**
Net acquisition of financial assets	**-2.4**	**-1.2**	**1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-2.4	-1.2	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	**3.4**	**1.9**	**5.7**	**4.4**	**2.4**	**2.6**	**0.1**	**1.7**	**1.6**	**0.1**
Domestic	2.1	-1.2	1.7	2.2	0.7	0.7	0.0	0.5	0.4	0.0
Foreign, of which:	1.3	3.1	4.0	2.2	1.7	1.8	0.1	1.2	1.1	0.1
Statistical discrepancy	1.4	-2.2	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	…	…	…	…	9.7	10.4	9.9	10.6	12.1	11.3
Overall deficit	…	…	…	…	2.4	2.6	0.1	1.7	1.6	0.1
Debt repayments	…	…	…	…	7.3	7.8	9.8	9.0	10.5	11.2
External	…	…	…	…	5.0	5.3	5.4	6.1	6.6	7.0
Domestic	…	…	…	…	2.3	2.5	4.3	2.9	3.9	4.1
of which: short-term	…	…	…	…	1.4	1.4	1.3	1.3	1.2	1.2
Gross financing sources	**…**	**…**	**…**	**…**	**8.0**	**10.4**	**9.9**	**10.6**	**12.1**	**11.3**
Debt issuance	…	…	…	…	8.0	10.4	9.9	10.6	12.1	11.3
External	…	…	…	…	5.1	7.1	5.5	7.3	7.7	7.1
Domestic	…	…	…	…	3.0	3.2	4.4	3.3	4.4	4.2
of which: short-term	…	…	…	…	1.4	1.4	1.3	1.3	1.2	1.2
Financing gap	**…**	**…**	**…**	**…**	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	…	…	…	…	1.7	…	…	…	…	…
Memorandum items:										
Primary balance	-2.9	-3.4	-1.0	-2.9	-0.1	-0.2	2.4	0.8	0.9	2.3
Primary balance (excl. ECP)	-4.9	-7.2	-4.6	-4.6	-3.7	-3.6	-1.0	-2.5	-2.2	-0.7
Overall balance (excl. ECP)	-6.4	-9.2	-6.6	-6.1	-6.0	-6.0	-3.5	-4.9	-4.7	-3.1
Central government debt (incl. guaranteed) 4/	69.7	72.6	74.7	79.8	82.7	82.7	80.5	79.7	78.7	76.3
Domestic	20.1	20.0	20.0	21.7	23.0	23.3	21.8	21.8	21.9	21.4
Direct	16.7	15.4	16.5	18.8	19.5	19.5	18.8	18.6	18.3	17.6
Guaranteed	3.4	4.6	3.4	2.8	3.5	3.9	3.0	3.2	3.5	3.8
Foreign	49.6	52.6	54.8	58.2	59.7	59.4	58.7	57.9	56.9	54.9
Direct	41.6	44.5	46.8	49.1	50.8	50.8	49.1	48.5	47.8	46.0
Guaranteed	8.0	8.1	8.0	9.1	8.9	8.6	9.6	9.4	9.1	8.9
Cumulative adjustment measures	0.0	0.0	0.0	0.0	0.5	1.1	2.2	3.5	4.9	6.2
Underlying primary balance, ex. ECP	-4.2	-4.2	-4.2	-4.2	-3.7	-3.1	-2.0	-0.7	0.8	2.0
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,441	1,492	1,549	1,611	1,677

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ In this report, the fiscal operations tables are presented in the GFSM 2001 format, with the view to ensure cross-country comparability in terms of concepts and presentation. This resulted in the reclassification of certain items, causing data reported here to be not strictly comparable to earlier reports.

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/ Does not include grants that were received but not spent.

4/ Direct debt and debt of parastatal entities guaranteed by the central government; excludes commitments under the Petrocaribe arrangement with Venezuela.

Table 3. Dominica: Central Government Financing Needs and Sources, Baseline Scenario

	2015	2016	2017	2018	2019	2020
	(in millions of Eastern Caribbean dollars)					
Gross financing needs	**134.8**	**149.1**	**147.9**	**164.9**	**195.1**	**189.5**
Overall deficit	33.5	36.9	1.8	25.9	25.2	2.2
Debt repayments	101.3	112.3	146.2	139.0	169.9	187.3
External	69.4	76.0	81.3	94.4	106.6	118.0
Domestic	31.9	36.3	64.9	44.5	63.4	69.3
of which: short-term	20.0	20.0	20.0	20.0	20.0	20.0
Gross financing sources	**111.3**	**149.1**	**147.9**	**164.9**	**195.1**	**189.5**
Debt issuance	111.3	149.1	147.9	164.9	195.1	189.5
External	70.2	102.6	82.6	113.2	124.8	119.6
Domestic	41.1	46.5	65.4	51.7	70.4	69.9
of which: short-term	20.0	20.0	20.0	20.0	20.0	20.0
Use of deposits	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**23.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	23.5	...	...	...	...	...
Memo: central government deposits	69.0	69.0	69.0	69.0	69.0	69.0
	(in millions of U.S. dollars)					
Gross financing needs	**49.9**	**55.2**	**54.8**	**61.1**	**72.3**	**70.2**
Overall deficit	12.4	13.7	0.7	9.6	9.3	0.8
Debt repayments	37.5	41.6	54.1	51.5	62.9	69.4
External	25.7	28.1	30.1	35.0	39.5	43.7
Domestic	11.8	13.4	24.0	16.5	23.5	25.7
of which: short-term	7.4	7.4	7.4	7.4	7.4	7.4
Gross financing sources	**41.2**	**55.2**	**54.8**	**61.1**	**72.3**	**70.2**
Debt issuance	41.2	55.2	54.8	61.1	72.3	70.2
External	26.0	38.0	30.6	41.9	46.2	44.3
Domestic	15.2	17.2	24.2	19.2	26.1	25.9
of which: short-term	7.4	7.4	7.4	7.4	7.4	7.4
Use of deposits	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**8.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	8.7	...	...	...	...	...
Memo: central government deposits	**25.6**	**25.6**	**25.6**	**25.6**	**25.6**	**25.6**
	(in percent of GDP)					
Gross financing needs	**9.7**	**10.4**	**9.9**	**10.6**	**12.1**	**11.3**
Overall deficit	2.4	2.6	0.1	1.7	1.6	0.1
Debt repayments	7.3	7.8	9.8	9.0	10.5	11.2
External	5.0	5.3	5.4	6.1	6.6	7.0
Domestic	2.3	2.5	4.3	2.9	3.9	4.1
Short-term domestic debt rollover	1.4	1.4	1.3	1.3	1.2	1.2
Gross financing sources	**8.0**	**10.4**	**9.9**	**10.6**	**12.1**	**11.3**
Debt issuance	8.0	10.4	9.9	10.6	12.1	11.3
External	5.1	7.1	5.5	7.3	7.7	7.1
Domestic	3.0	3.2	4.4	3.3	4.4	4.2
of which: short-term	1.4	1.4	1.3	1.3	1.2	1.2
Use of deposits	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	1.7	...	...	...	...	...
Memo: central government deposits	5.0	4.8	4.6	4.5	4.3	4.1
Memo: nominal GDP, FY basis (EC$ millions)	1,388	1,441	1,492	1,549	1,611	1,677

Sources: Fund staff estimates and projections.
1/ Fiscal year (July-June) basis.

Table 4. Dominica: Balance of Payments, Baseline Scenario

					Projected					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(millions of U.S. dollars)									
Current account balance	**-67.9**	**-91.1**	**-67.5**	**-68.4**	**-74.9**	**-87.5**	**-92.0**	**-80.4**	**-74.5**	**-66.6**
Exports of goods and services	191.0	160.3	175.4	178.7	153.8	170.3	177.8	185.7	194.8	204.6
Goods	36.2	38.6	40.9	41.5	31.3	32.7	34.3	35.6	37.0	38.5
Tourism	105.9	76.1	82.0	83.7	70.7	79.1	83.6	88.6	94.0	99.7
Other services	48.9	45.5	52.5	53.4	51.9	58.5	59.9	61.4	63.8	66.4
Imports of goods and services	264.8	249.9	243.7	248.6	230.4	258.5	271.1	267.7	270.3	271.4
Fuel	41.5	41.3	40.4	42.1	27.7	29.5	32.9	36.2	37.6	39.2
Food	34.1	35.3	34.2	41.5	38.5	39.8	38.0	39.0	40.6	42.2
Other goods 1/	123.3	106.7	104.1	97.2	98.0	115.9	123.2	115.1	112.7	108.6
Services	65.9	66.6	65.0	67.8	66.2	73.2	77.0	77.4	79.4	81.4
Net income, o/w:	-10.5	-18.3	-19.5	-19.2	-17.4	-19.0	-19.9	-21.0	-22.0	-23.1
Interest payments (public sector)	-7.4	-6.2	-6.9	-5.9	-5.2	-6.0	-6.2	-6.4	-6.5	-6.5
Net current transfers	16.5	16.8	20.3	20.7	19.1	19.7	21.3	22.6	23.0	23.4
Capital and financial account	**87.9**	**91.4**	**53.6**	**80.6**	**59.7**	**79.7**	**93.4**	**81.9**	**76.0**	**68.1**
Grants 2/	19.0	16.2	7.8	19.5	25.3	44.5	55.3	48.5	34.9	26.9
Public sector flows	9.5	28.5	18.8	22.7	3.6	9.0	8.8	7.6	7.5	4.5
PetroCaribe financing flows	6.6	7.5	7.0	5.5	2.8	2.8	3.1	3.5	3.5	3.5
Foreign direct investment	14.2	28.9	24.2	33.5	23.5	24.9	26.6	26.9	27.9	29.0
Commercial banks	37.5	-15.3	-0.1	-16.6	3.8	-2.8	-1.8	-2.3	0.0	0.0
Other private flows 3/	1.1	25.7	-3.9	16.0	3.6	1.3	1.4	-2.4	2.3	4.2
Errors and omissions	-13.7	6.4	7.4	5.7	2.9	0.0	0.0	0.0	0.0	0.0
Overall balance	**6.4**	**6.8**	**-6.5**	**17.9**	**-6.5**	**-7.8**	**1.4**	**1.5**	**1.5**	**1.5**
Overall financing	**-6.4**	**-6.8**	**6.5**	**-17.9**	**6.5**	**7.8**	**-1.4**	**-1.5**	**-1.5**	**-1.5**
Change in ECCB NFA, o/w:	-7.9	-17.4	6.5	-14.6	3.6	7.8	-1.4	-1.5	-1.5	-1.5
IMF reserve liabilities	-2.9	-0.8	-2.7	-1.6	-2.1	-1.6	-1.2	-1.5	-1.5	-0.6
Change in foreign reserve assets	1.5	10.6	0.0	-3.3	0.0	0.0	0.0	0.0	0.0	0.0
External financing gap	...	...	...	...	-8.7	0.0	0.0	0.0	0.0	0.0
of which: Possible Rapid Credit Facility	...	...	...	...	8.7	0.0	0.0	0.0	0.0	0.0
	(in percent of GDP)									
Current account balance	**-13.5**	**-18.8**	**-13.3**	**-13.1**	**-14.9**	**-16.7**	**-17.0**	**-14.3**	**-12.7**	**-10.9**
Exports of goods and services	38.1	33.0	34.6	34.1	30.6	32.5	32.8	33.0	33.3	33.6
Goods	7.2	8.0	8.1	7.9	6.2	6.2	6.3	6.3	6.3	6.3
Tourism	21.1	15.7	16.2	16.0	14.0	15.1	15.4	15.8	16.1	16.4
Other services	9.7	9.4	10.4	10.2	10.3	11.2	11.0	10.9	10.9	10.9
Imports of goods and services	52.8	51.5	48.1	47.4	45.8	49.3	50.0	47.6	46.2	44.6
Fuel	8.3	8.5	8.0	8.0	5.5	5.6	6.1	6.4	6.4	6.4
Food	6.8	7.3	6.7	7.9	7.6	7.6	7.0	6.9	6.9	6.9
Other goods 1/	24.6	22.0	20.6	18.5	19.5	22.1	22.7	20.5	19.3	17.8
Services	13.1	13.7	12.8	12.9	13.1	14.0	14.2	13.7	13.6	13.4
Net income, o/w:	-2.1	-3.8	-3.9	-3.7	-3.5	-3.6	-3.7	-3.7	-3.8	-3.8
Interest payments (public sector)	-1.5	-1.3	-1.4	-1.1	-1.0	-1.1	-1.1	-1.1	-1.1	-1.1
Net current transfers	3.3	3.5	4.0	4.0	3.8	3.8	3.9	4.0	3.9	3.8
Capital and financial account	**17.5**	**18.9**	**10.6**	**15.4**	**11.9**	**15.2**	**17.2**	**14.5**	**13.0**	**11.2**
Grants 2/	3.8	3.3	1.5	3.7	5.0	8.5	10.2	8.6	6.0	4.4
Public sector flows	1.9	5.9	3.7	4.3	0.7	1.7	1.6	1.4	1.3	0.7
PetroCaribe financing flows	1.3	1.5	1.4	1.1	0.6	0.5	0.6	0.6	0.6	0.6
Foreign direct investment	2.8	6.0	4.8	6.4	4.7	4.8	4.9	4.8	4.8	4.8
Commercial banks	7.5	-3.2	0.0	-3.2	0.8	-0.5	-0.3	-0.4	0.0	0.0
Other private flows 3/	0.2	5.3	-0.8	3.1	0.7	0.2	0.3	-0.4	0.4	0.7
Errors and omissions	**-2.7**	**1.3**	**1.5**	**1.1**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**1.3**	**1.4**	**-1.3**	**3.4**	**-1.3**	**-1.5**	**0.3**	**0.3**	**0.3**	**0.3**
External financing gap	...	...	...	...	**-1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	...	...	...	...	1.7	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Trade balance (percent of GDP)	-32.5	-29.8	-27.2	-26.6	-26.4	-29.1	-29.4	-27.5	-26.3	-24.9
Services balance (percent of GDP)	17.7	11.4	13.7	13.2	11.2	12.3	12.2	12.9	13.4	13.9
Net imputed international reserves:										
Millions of U.S. dollars	74.5	91.8	85.4	99.9	96.4	88.6	90.0	91.5	93.2	94.9
Months of imports of goods and services	3.4	4.4	4.2	4.8	5.0	4.1	4.0	4.1	4.1	4.2
Gross external debt 4/	73.6	83.1	84.6	93.5	96.0	95.7	95.2	93.8	92.4	90.4
Public sector	49.6	52.6	54.8	58.2	59.7	59.4	58.7	57.9	56.9	54.9
Private sector	24.0	30.5	29.8	35.3	36.3	36.3	36.5	35.9	35.5	35.4
GDP (in US$ millions)	501.4	485.1	506.6	524.2	503.3	524.6	542.4	562.8	585.0	608.7

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

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

2/ Differs from grants reported on the Statement of Central Government Operations (tables 2a and 2b) based on timing, as this table reports transactions on a calendar-year basis, and the inclusion of private sector capital grants in the totals reported on this table.

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

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

Table 5. Dominica: External Financing Requirements and Sources, Baseline Scenario

		Projected					
	2014	2015	2016	2017	2018	2019	2020
	(in millions of U.S. dollars, unless otherwise indicated)						
I. Total financing requirement	**-107.8**	**-99.3**	**-112.7**	**-128.7**	**-120.8**	**-119.6**	**-116.2**
Current account balance	-68.4	-74.9	-87.5	-92.0	-80.4	-74.5	-66.6
of which: exports of goods and services	178.7	153.8	170.3	177.8	185.7	194.8	204.6
of which: imports of goods and services	248.6	230.4	258.5	271.1	267.7	270.3	271.4
Official debt amortization	-21.5	-28.0	-32.9	-35.3	-38.9	-43.7	-48.1
Gross reserves accumulation (- = increase)	-17.9	3.6	7.8	-1.4	-1.5	-1.5	-1.5
II. Total available financing	**80.6**	**90.6**	**112.7**	**128.7**	**120.8**	**119.6**	**116.2**
Grants	19.5	25.3	44.5	55.3	48.5	34.9	26.9
Commercial bank flows (net)	-16.6	3.8	-2.8	-1.8	-2.3	0.0	0.0
Official flows	22.7	3.6	9.0	8.8	7.6	7.5	4.5
Rollover of maturing debt	n.a.	28.0	32.9	35.3	38.9	43.7	48.1
PetroCaribe financing flows	5.5	2.8	2.8	3.1	3.5	3.5	3.5
Foreign direct investment	33.5	23.5	24.9	26.6	26.9	27.9	29.0
Private financing (net)	16.0	3.6	1.3	1.4	-2.4	2.3	4.2
III. Financing gap (=I. + II.)	**-27.2**	**-8.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Possible IMF-RCF	...	8.7	0.0	0.0	...	...	...
IV. Memorandum items							
Net imputed international reserves							
Millions of U.S. dollars	99.9	96.4	88.6	90.0	91.5	93.2	94.9
Months of imports	4.8	5.0	4.1	4.0	4.1	4.1	4.2

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

Table 6. Dominica: Summary Accounts of the Banking System

	2011	2012	2013	2014	Projected 2015	2016
	(in millions of Eastern Caribbean dollars, end of period)					
Net foreign assets	456.7	545.0	527.9	611.9	591.9	578.5
Central Bank	201.0	248.0	230.5	269.8	260.2	239.2
Commercial Banks (net)	255.7	297.0	297.4	342.1	331.8	339.3
Assets	559.5	586.4	586.5	665.5	639.1	656.5
Liabilities	-303.8	-289.3	-289.1	-323.4	-307.3	-317.2
Net domestic assets	574.7	586.8	628.4	634.8	668.7	733.6
Public sector credit, net	-96.6	-133.2	4.7	21.4	26.3	23.5
(real terms)	-95.4	-130.1	4.6	20.9	25.7	23.0
Central Government	-18.7	-30.7	126.6	116.2	117.3	118.4
From ECCB	-15.2	-34.2	-8.8	-23.8	-17.8	-17.8
From commercial banks	-3.5	3.4	135.5	140.0	135.1	136.2
Other public sector	-77.9	-102.4	-122.0	-94.8	-91.0	-94.9
Private sector credit	763.4	796.5	790.9	773.2	742.5	772.7
(real terms)	754.3	778.0	775.9	755.0	726.2	754.7
Other items (net)	-92.1	-76.5	-167.2	-159.9	-100.0	-62.7
Money and quasi-money (M2)	1,031.4	1,131.8	1,156.3	1,246.7	1,260.7	1,312.0
Money	187.2	221.3	210.6	232.4	228.8	238.2
Currency outside banks	47.0	45.6	41.6	46.9	43.4	45.2
Demand deposits	140.2	175.7	169.0	185.6	185.4	193.0
Quasi-money, *of which:*	844.2	910.5	945.7	1,014.2	1,031.8	1,073.9
Time deposits	256.2	248.8	235.8	217.5	204.7	213.0
Savings deposits	564.2	628.2	686.4	760.4	782.7	814.6
Foreign currency deposits	23.8	33.5	23.5	36.4	44.4	46.2
	(12-month percentage change)					
Net foreign assets	-14.8	19.3	-3.1	15.9	-3.3	-2.3
Net domestic assets, *of which:*	16.8	2.1	7.1	1.0	5.4	9.7
Public sector credit, net	-30.6	37.9	-103.5	361.0	22.6	-10.4
(real terms)	-31.9	36.3	-103.5	358.9	22.7	-10.6
Private sector credit	6.6	4.3	-0.7	-2.2	-4.0	4.1
(real terms)	4.5	3.1	-0.3	-2.7	-3.8	3.9
Broad money	0.3	9.7	2.2	7.8	1.1	4.1
NFA contribution	-7.7	8.6	-1.5	7.3	-1.6	-1.1
NDA contribution	8.0	1.2	3.7	0.6	2.7	5.1
Money	-8.8	18.2	-4.8	10.4	-1.6	4.1
NFA contribution	10.6	25.1	-7.9	18.7	-4.1	-9.2
NDA contribution	-19.4	-6.9	3.1	-8.3	2.6	13.2
Broad money (real terms)	-1.7	8.5	2.6	7.3	1.3	3.9
	(in percent of GDP)					
Net foreign assets	33.7	41.6	38.6	43.2	43.6	40.8
Net domestic assets	42.4	44.8	45.9	44.9	49.2	51.8
Public sector credit, net	-7.1	-10.2	0.3	1.5	1.9	1.7
Private sector credit	56.4	60.8	57.8	54.6	54.6	54.6
Broad Money	76.2	86.4	84.5	88.1	92.8	92.6
Money	13.8	16.9	15.4	16.4	16.8	16.8
Quasi-money	62.4	69.5	69.1	71.7	75.9	75.8
Interest rates (percent per year) 1/						
ECCB policy rate	6.5	6.5	6.5	6.5	n.a.	n.a.
U.S. policy rate	0.1	0.1	0.1	0.1	n.a.	n.a.
Interbank market rate	4.9	6.3	6.4	6.0	n.a.	n.a.
Time deposit rate	4.5	4.5	4.3	4.2	n.a.	n.a.
Demand deposit rate	0.5	0.7	0.4	0.4	n.a.	n.a.
Weighted average lending rate	3.5	3.3	3.3	3.0	n.a.	n.a.

Sources: Eastern Caribbean Central Banks (ECCB); and Fund staff estimates and projections.
1/ End-of-period rates.

Table 7. Dominica: Indicators of Capacity to Repay the Fund, Baseline Scenario

						Projected						
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Debt service under existing drawings (SDR million)	**1.5**	**1.1**	**0.9**	**1.1**	**1.1**	**0.4**	**0.4**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Principal	1.5	1.1	0.9	1.1	1.1	0.4	0.4	0.2	0.0	0.0	0.0	0.0
Charges/interest 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service under existing and prospective drawings 2/												
(SDR million)	**1.5**	**1.1**	**0.9**	**1.1**	**1.1**	**0.4**	**1.6**	**1.4**	**1.2**	**1.2**	**1.2**	**0.0**
Principal	1.5	1.1	0.9	1.1	1.1	0.4	1.6	1.4	1.2	1.2	1.2	0.0
Charges/interest 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In millions of U.S. dollars	2.1	1.6	1.2	1.5	1.5	0.6	2.3	2.0	1.7	1.7	1.7	0.0
In percent of exports of goods and services	1.3	0.9	0.7	0.8	0.8	0.3	1.1	0.9	0.8	0.7	0.7	0.0
In percent of external debt service	7.4	4.8	3.4	3.9	3.4	1.2	4.4	3.6	2.8	2.8	3.0	0.0
In percent of quota	18.0	13.7	10.5	13.0	13.0	5.0	20.0	17.6	15.0	15.0	15.0	0.0
In percent of net imputed international reserves 3/	2.1	1.7	1.3	1.5	1.5	0.5	2.2	1.9	n.a.	n.a.	n.a.	n.a.
Fund credit outstanding												
In millions of SDRs	11.3	10.2	9.3	8.2	7.2	6.8	5.1	3.7	2.5	1.2	0.0	0.0
In millions of U.S. dollars	15.9	14.3	13.1	11.6	10.1	9.5	7.2	5.2	3.5	1.7	0.0	0.0
In percent of exports of goods and services	10.3	8.4	7.4	6.2	5.2	4.6	3.4	2.3	1.5	0.7	0.0	0.0
In percent of quota	137.7	124.0	113.5	100.5	87.6	82.6	62.6	45.0	30.0	15.0	0.0	0.0
In percent of net imputed international reserves 3/	15.8	15.2	13.5	11.6	9.8	9.0	6.7	4.8	n.a.	n.a.	n.a.	n.a.
Net use of Fund credit (SDR million)	4.7	-1.1	-0.9	-1.1	-1.1	-0.4	-1.6	-1.4	-1.2	-1.2	-1.2	0.0
Disbursements	6.2	0	0	0	0	0	0	0	0	0	0	0
Repayments and repurchases	1.5	1.1	0.9	1.1	1.1	0.4	1.6	1.4	1.2	1.2	1.2	0.0
Memorandum items												
Exports of goods and services (million USD)	153.8	170.3	177.8	185.7	194.8	204.6	212.9	221.1	229.6	238.5	247.7	257.2
Goods	31.3	32.7	34.3	35.6	37.0	38.5	40.1	41.6	43.2	44.8	46.5	48.3
Services	122.5	137.6	143.5	150.0	157.8	166.1	172.8	179.5	186.5	193.7	201.2	209.0
External debt service (million USD)	28.0	32.9	35.3	38.9	43.7	48.1	52.2	56.2	61.6	61.2	57.2	57.7
Quota												
Million SDR	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Million USD	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Imputed international reserves (million USD)	100.1	93.9	96.6	99.6	102.8	105.2	107.1	108.9	n.a.	n.a.	n.a.	n.a.
GDP (million USD)	503.3	524.6	542.4	562.8	585.0	608.7	633.4	657.9	683.4	709.8	737.3	765.8
SDRs per U.S. dollar 4/	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**

Sources: Dominican Authorities; Eastern Caribbean Central Bank; and Fund staff estimates and projections.

1/ PRGT interest waived through end-2016. RCF interest set at zero percent and no longer subject to biannual Board reviews. The following rates are assumed beyond 2016: projected interest charges between 2017 and 2018 are based on 0/0.25/0.25 percent per annum for the ECF, SCF, and ESF, respectively, and beyond 2018 0.25/0.5/0.25 percent per annum.

2/ Includes the requested RCF of SDR 6.15 million, or 75 percent of quota.

3/ Net international reserves of the monetary authorities; net imputed reserves of the ECCB and transactions with the Fund.

4/ SDR exchange rate as on September 22, 2015, assumed constant in projection horizion.

Table 8. Dominica: Summary Table on External Borrowing Program, 2015

PPG external debt contracted or guaranteed	Volume of new debt US million 1/	Present value of new debt US million 1/
Sources of debt financing	**34.7**	**20.8**
Concessional debt, of which 2/	34.7	20.8
Multilateral debt	34.7	20.8
Bilateral debt	0.0	0.0
Non-concessional debt, of which	0.0	0.0
Semi-concessional debt 3/	0.0	0.0
Commercial terms 4/	0.0	0.0
Use of debt financing	**34.7**	**20.8**
Infrastructure	34.7	20.8
Budget financing	0.0	0.0
Memorandum items		
Indicative projections		
Year 2	38.0	22.8
Year 3	30.9	18.6

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

2/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

3/ Debt with a positive grant element which does not meet the minimum grant element.

4/ Debt without a positive grant element. Reflect newly-issued commercial bonds resulting from debt restructuring.

Table 9. Dominica: Selected Economic and Social Indicators, Customized Scenario

I. Social and Demographic Indicators

Area (sq. km.)	754	Adult literacy rate (percent, 2004)	88
Population (2011)		Unemployment rate (2011)	11
Total	71,293		
Annual rate of growth (percent)	-0.1		
Density (per sq. km.)	94.6	Gross Domestic Product (2014)	
Population characteristics		Millions of E.C. dollars	1,415
Life expectancy at birth (years, 2006)	74.1	Millions of U.S. dollars	524
Infant mortality (per thousand live births, 2006)	13	U.S. dollars per capita	7,353

II. Economic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
Output and prices	(annual percent change, unless otherwise speficied)									
Real GDP 1/	-0.1	-1.3	0.6	3.9	-3.0	4.0	2.0	2.0	2.0	2.1
Nominal GDP 1/	1.5	-3.3	4.4	3.5	-4.0	4.3	3.5	3.9	4.1	4.2
Consumer prices										
Period average	1.1	1.4	0.0	0.8	-1.0	0.3	1.5	1.9	2.0	2.1
End of period	2.0	1.2	-0.4	0.5	-0.2	0.1	1.8	1.8	2.1	2.1
Potential GDP	1.5	1.3	1.3	1.3	1.3	1.4	1.5	1.6	1.7	1.8
Output gap (percent of potential GDP)	1.4	-1.2	-1.9	0.6	-3.7	-1.2	-0.8	-0.5	-0.1	0.2
Real effective exchange rate (period average, depreciation -)	-5.6	0.2	-0.6	-0.7	…	…	…	…	…	…
Central government balances 2/	(in percent of GDP, unless otherwise specified)									
Revenue	30.7	30.3	30.0	28.0	32.5	34.9	36.8	33.2	31.2	29.9
Taxes	22.6	22.2	21.9	22.8	20.8	20.8	22.5	22.5	22.5	22.5
Non-tax revenue	3.3	5.5	4.9	3.2	5.5	4.9	4.8	4.7	4.5	4.4
Grants 3/	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.2	3.0
Expenditure	35.1	35.7	33.0	32.4	35.4	38.5	39.3	38.7	38.2	36.7
Current primary expenditure	22.0	23.3	22.0	23.9	24.8	24.0	24.0	24.0	24.0	24.0
Interest payments	1.5	2.0	2.0	1.5	2.3	2.4	2.5	2.6	2.7	2.9
Capital expenditure	11.5	10.5	9.0	7.1	8.2	12.2	12.8	12.1	11.5	9.9
Primary blanace	-2.9	-3.4	-1.0	-2.9	-0.6	-1.2	0.1	-2.9	-4.2	-4.0
excl. Economic Citizenship Program	-4.9	-7.2	-4.6	-4.6	-4.2	-4.7	-3.2	-6.1	-7.3	-7.0
Overall balance	-4.4	-5.4	-3.0	-4.4	-2.9	-3.7	-2.4	-5.4	-6.9	-6.9
excl. Economic Citizenship Program	-6.4	-9.2	-6.6	-6.1	-6.5	-7.1	-5.8	-8.7	-10.0	-9.8
Memo: cumulative adjustment measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government debt (incl. guaranteed) 4/	69.7	72.6	74.7	79.8	83.2	84.2	84.2	86.9	90.9	94.7
External	49.6	52.6	54.8	58.2	60.1	60.6	61.6	63.5	66.0	68.4
Domestic	20.1	20.0	20.0	21.7	23.1	23.7	22.6	23.4	24.9	26.3
Money and credit (annual percent change)										
Broad money (M2)	0.3	9.7	2.2	7.8	1.1	4.1	3.8	3.8	4.2	4.1
Real credit to the private sector	4.5	3.1	-0.3	-2.7	-3.8	4.0	2.0	2.0	2.0	2.0
Balance of payments										
Current account balance, *o/w:*	-13.5	-18.8	-13.3	-13.1	-14.9	-16.7	-17.0	-14.4	-12.9	-11.2
Exports of goods and services	38.1	33.0	34.6	34.1	30.6	32.4	32.7	32.9	33.2	33.5
Imports of goods and services 5/	52.8	51.5	48.1	47.4	45.8	49.3	50.0	47.5	46.2	44.6
Capital and financial account balance	17.5	18.9	10.6	15.4	11.9	15.2	17.3	14.6	13.1	11.4
FDI	2.8	6.0	4.8	6.4	4.7	4.8	4.9	4.8	4.8	4.8
Capital grants	3.8	3.3	1.5	3.7	5.0	8.5	10.2	8.6	5.9	4.4
Other (incl. errors and omissions)	10.9	9.6	4.3	5.3	2.2	2.0	2.2	1.3	2.4	2.3
External debt (gross) 6/	73.6	83.1	84.6	93.5	96.2	96.1	96.0	95.3	94.3	92.8
Saving-Investment Balance	-13.5	-18.8	-13.3	-13.2	-14.9	-16.7	-17.0	-14.4	-12.9	-11.2
Saving	3.0	-3.5	0.4	1.7	1.6	8.8	5.6	3.3	4.6	5.7
Investment	16.6	15.2	13.7	14.9	16.5	25.5	22.6	17.7	17.5	16.9
Public	15.4	12.6	11.0	9.1	9.1	11.5	13.7	13.7	13.0	11.9
Private	1.2	2.6	2.7	5.8	7.4	14.0	8.9	4.0	4.5	5.0
Memorandum items:										
Nominal GDP (EC$ millions)	1,354	1,310	1,368	1,415	1,359	1,417	1,467	1,524	1,585	1,652
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,442	1,495	1,555	1,619	1,686
Net imputed international reserves:										
End-year (millions of U.S. dollars)	74.5	91.8	85.4	99.9	96.4	88.6	90.1	91.6	93.3	95.1
Months of imports of goods and services	3.4	4.4	4.2	4.8	5.0	4.1	4.0	4.1	4.1	4.2

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.
1/ At market prices. Historical data reflect national accounts data revision published by the ECCB on July 2, 2015.
2/ Data for fiscal years running July-June.
3/ Does not include grants received but not spent.
4/ Excludes commitments under the Petrocaribe arrangement with Venezuela.
5/ Includes public capital expenditure induced imports from 2019 onwards, to account for possible mitigation of natural disasters.
6/ Comprises public sector external debt, foreign liabilities of commercial banks, and other private debt.

Table 10a. Dominica: Statement of Central Government Operations, Customized Scenario

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
	(in millions of Eastern Caribbean dollars)									
Revenue	**408.2**	**406.3**	**417.6**	**388.8**	**451.2**	**502.8**	**550.9**	**516.2**	**505.8**	**503.8**
Taxes	300.8	297.5	305.0	315.9	288.3	300.1	335.8	349.2	363.6	378.7
Taxes on income	55.6	57.3	58.9	59.8	44.5	46.2	60.0	62.4	64.9	67.6
Taxes on property	7.5	6.7	7.7	7.7	6.5	6.4	6.8	7.1	7.4	7.7
Taxes on goods and services	174.0	176.1	179.2	183.8	172.8	179.4	198.5	206.4	214.9	223.8
Taxes on international trade and transactions	63.7	57.3	59.3	64.6	64.5	68.0	70.6	73.4	76.4	79.6
Grants 3/	64.1	35.9	43.9	28.7	86.1	131.7	143.3	94.4	68.6	50.6
Other revenue	43.4	73.0	68.6	44.2	76.8	71.0	71.8	72.6	73.6	74.5
Property income	2.9	5.0	2.0	2.0	2.0	2.1	2.2	2.3	2.3	2.4
Sales, fees, and fines	9.4	10.9	13.2	10.5	10.5	10.9	11.3	11.8	12.2	12.7
Other nontax revenue	31.1	57.1	53.4	31.7	64.3	58.0	58.3	58.6	59.0	59.4
Expenditure	**466.9**	**478.2**	**459.6**	**449.7**	**491.6**	**555.8**	**587.1**	**600.9**	**617.7**	**619.4**
Expense	**313.1**	**338.2**	**334.6**	**351.6**	**377.1**	**380.4**	**396.3**	**412.4**	**432.3**	**452.1**
Compensation of employees	135.5	146.8	144.5	159.5	147.2	152.9	158.6	164.8	171.7	178.8
Purchase of goods and services	88.3	97.0	93.1	99.9	117.5	109.0	113.0	117.5	122.3	127.4
Interest	20.4	26.6	28.1	20.6	32.3	34.9	38.0	39.9	44.4	48.1
Grants and social benefits (transfers and subsidies)	69.1	68.8	68.9	71.7	80.1	83.7	86.7	90.2	93.9	97.8
Other expense	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**153.8**	**140.0**	**125.0**	**98.1**	**114.5**	**175.3**	**190.8**	**188.5**	**185.4**	**167.3**
Grant-financed capital expenditure	63.6	35.9	43.9	28.7	86.1	131.7	143.3	94.4	68.6	50.6
Other capital expenditure	92.6	106.6	81.4	69.7	28.7	43.9	47.8	94.4	117.1	117.1
Capital revenue	-2.4	-2.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4
Gross operating balance	**95.2**	**68.1**	**83.0**	**37.1**	**74.1**	**122.4**	**154.7**	**103.8**	**73.5**	**51.7**
Net lending/borrowing (overall balance)	**-58.7**	**-71.9**	**-42.0**	**-61.0**	**-40.4**	**-52.9**	**-36.1**	**-84.7**	**-111.9**	**-115.6**
Net financial transactions	**-58.7**	**-71.9**	**-42.0**	**-61.0**	**-40.4**	**-52.9**	**-36.1**	**-84.7**	**-111.9**	**-115.6**
Net acquisition of financial assets	**-31.8**	**-16.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-31.8	-16.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrance of liabilities	**45.0**	**25.2**	**78.9**	**61.0**	**40.4**	**52.9**	**36.1**	**84.7**	**111.9**	**115.6**
Domestic	27.7	-15.9	23.4	30.9	11.2	14.7	10.0	23.5	31.0	32.0
Foreign, of which:	17.3	41.1	55.5	30.0	29.2	38.3	26.1	61.2	80.9	83.6
Identified	17.3	41.1	55.5	30.0	29.2	19.1	41.2	12.2	2.3	2.6
Unidentified	0.0	0.0	0.0	0.0	0.1	19.2	-15.1	49.1	78.7	81.0
Statistical discrepancy	18.2	-30.0	36.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	**...**	**...**	**...**	**...**	**141.7**	**165.8**	**184.4**	**228.9**	**292.8**	**320.5**
Overall deficit	...	...	...	...	40.4	52.9	36.1	84.7	111.9	115.6
Debt repayments	...	...	...	...	101.3	112.9	148.2	144.3	180.8	204.9
External	...	...	...	...	69.4	76.3	82.4	97.3	112.5	127.6
Domestic	...	...	...	...	31.9	36.6	65.8	46.9	68.3	77.3
of which: short-term	...	...	...	...	20.0	20.0	20.0	20.0	20.0	20.0
Gross financing sources	**...**	**...**	**...**	**...**	**118.2**	**165.8**	**184.4**	**228.9**	**292.8**	**320.5**
Debt issuance	...	...	...	...	118.2	165.8	184.4	228.9	292.8	320.5
External	...	...	...	...	75.2	114.6	108.5	158.5	193.4	211.2
Domestic	...	...	...	...	43.0	51.3	75.8	70.4	99.3	109.3
of which: short-term	...	...	...	...	20.0	20.0	20.0	20.0	20.0	20.0
Fiancing Gap	**...**	**...**	**...**	**...**	**23.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	...	...	...	...	23.5	...	...	...	...	...
Memorandum items:										
Primary balance	-38.2	-45.4	-13.9	-40.4	-8.1	-18.0	1.9	-44.8	-67.5	-67.5
Primary balance (excl. ECP)	-64.6	-96.0	-63.6	-63.4	-58.1	-68.0	-48.1	-94.8	-117.5	-117.5
Overall balance (excl. ECP)	-85.0	-122.6	-91.7	-84.0	-90.4	-102.9	-86.1	-134.7	-161.9	-165.6
Central government debt (incl. guaranteed) 4/	928	971	1,040	1,107	1,154	1,215	1,259	1,351	1,472	1,596
Domestic	268	268	278	300	320	342	338	365	404	443
Direct	222	207	230	261	272	287	297	320	351	383
Guaranteed	46	61	48	39	48	55	41	44	52	59
Foreign	660	704	762	807	834	873	920	987	1,068	1,153
Direct	554	595	651	681	710	748	774	836	917	1,000
Guaranteed	106	108	112	126	124	125	146	151	151	153
Cumulative adjustment measures	0	0	0	0	0	0	0	0	0	0
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,442	1,495	1,555	1,619	1,686

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ In this report, the fiscal operations tables are presented in the GFSM 2001 format, with the view to ensure cross-country comparability in terms of concepts and presentation. This resulted in the reclassification of certain items, causing data reported here to be not strictly comparable to earlier reports.

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/ Does not include grants that were received but not spent.

4/ Direct debt and debt of parastatal entities guaranteed by the central government; excludes commitments under the Petrocaribe arrangement with Venezuela.

Table 10b. Dominica: Statement of Central Government Operations, Customized Scenario

					Projected					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(in percent of GDP)									
Revenue	**30.7**	**30.3**	**30.0**	**28.0**	**32.5**	**34.9**	**36.8**	**33.2**	**31.2**	**29.9**
Taxes	22.6	22.2	21.9	22.8	20.8	20.8	22.5	22.5	22.5	22.5
Taxes on income	4.2	4.3	4.2	4.3	3.2	3.2	4.0	4.0	4.0	4.0
Taxes on property	0.6	0.5	0.6	0.6	0.5	0.4	0.5	0.5	0.5	0.5
Taxes on goods and services	13.1	13.2	12.9	13.2	12.4	12.4	13.3	13.3	13.3	13.3
Taxes on international trade and transactions	4.8	4.3	4.3	4.7	4.6	4.7	4.7	4.7	4.7	4.7
Grants 3/	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.2	3.0
Other revenue	3.3	5.5	4.9	3.2	5.5	4.9	4.8	4.7	4.5	4.4
Property income	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales, fees, and fines	0.7	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other nontax revenue	2.3	4.3	3.8	2.3	4.6	4.0	3.9	3.8	3.6	3.5
Expenditure	**35.1**	**35.7**	**33.0**	**32.4**	**35.4**	**38.5**	**39.3**	**38.7**	**38.2**	**36.7**
Expense	**23.5**	**25.3**	**24.0**	**25.3**	**27.2**	**26.4**	**26.5**	**26.5**	**26.7**	**26.8**
Compensation of employees	10.2	11.0	10.4	11.5	10.6	10.6	10.6	10.6	10.6	10.6
Purchase of goods and services	6.6	7.2	6.7	7.2	8.5	7.6	7.6	7.6	7.6	7.6
Interest	1.5	2.0	2.0	1.5	2.3	2.4	2.5	2.6	2.7	2.9
Grants and social benefits (transfers and subsidies)	5.2	5.1	5.0	5.2	5.8	5.8	5.8	5.8	5.8	5.8
Other expense	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**11.5**	**10.5**	**9.0**	**7.1**	**8.2**	**12.2**	**12.8**	**12.1**	**11.5**	**9.9**
Grant-financed capital expenditure	4.8	2.7	3.2	2.1	6.2	9.1	9.6	6.1	4.2	3.0
Other capital expenditure	7.0	8.0	5.8	5.0	2.1	3.0	3.2	6.1	7.2	6.9
Capital revenue	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating balance excl. adjustement meaures	**7.1**	**5.1**	**6.0**	**2.7**	**5.3**	**8.5**	**10.3**	**6.7**	**4.5**	**3.1**
Net lending/borrowing (overall balance)	**-4.4**	**-5.4**	**-3.0**	**-4.4**	**-2.9**	**-3.7**	**-2.4**	**-5.4**	**-6.9**	**-6.9**
Net financial transactions	**-4.4**	**-5.4**	**-3.0**	**-4.4**	**-2.9**	**-3.7**	**-2.4**	**-5.4**	**-6.9**	**-6.9**
Net acquisition of financial assets	**-2.4**	**-1.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-2.4	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrance of liabilities	**3.4**	**1.9**	**5.7**	**4.4**	**2.9**	**3.7**	**2.4**	**5.4**	**6.9**	**6.9**
Domestic	2.1	-1.2	1.7	2.2	0.8	1.0	0.7	1.5	1.9	1.9
Foreign, of which:	1.3	3.1	4.0	2.2	2.1	2.7	1.7	3.9	5.0	5.0
Identified	1.3	3.1	4.0	2.2	2.1	1.3	2.8	0.8	0.1	0.2
Unidentified	0.0	0.0	0.0	0.0	0.0	1.3	-1.0	3.2	4.9	4.8
Statistical discrepancy	1.4	-2.2	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	…	…	…	…	10.2	11.5	12.3	14.7	18.1	19.0
Overall deficit	…	…	…	…	2.9	3.7	2.4	5.4	6.9	6.9
Debt repayments	…	…	…	…	7.3	7.8	9.9	9.3	11.2	12.2
External	…	…	…	…	5.0	5.3	5.5	6.3	7.0	7.6
Domestic	…	…	…	…	2.3	2.5	4.4	3.0	4.2	4.6
of which: short-term	…	…	…	…	1.4	1.4	1.3	1.3	1.2	1.2
Gross financing sources	**…**	**…**	**…**	**…**	**8.5**	**11.5**	**12.3**	**14.7**	**18.1**	**19.0**
Debt issuance	…	…	…	…	8.5	11.5	12.3	14.7	18.1	19.0
External	…	…	…	…	5.4	7.9	7.3	10.2	11.9	12.5
Domestic	…	…	…	…	3.1	3.6	5.1	4.5	6.1	6.5
of which: short-term	…	…	…	…	1.4	1.4	1.3	1.3	1.2	1.2
Fiancing Gap	**…**	**…**	**…**	**…**	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	…	…	…	…	1.7	…	…	…	…	…
Memorandum items:										
Primary balance	-2.9	-3.4	-1.0	-2.9	-0.6	-1.2	0.1	-2.9	-4.2	-4.0
Primary balance (excl. ECP)	-4.9	-7.2	-4.6	-4.6	-4.2	-4.7	-3.2	-6.1	-7.3	-7.0
Overall balance (excl. ECP)	-6.4	-9.2	-6.6	-6.1	-6.5	-7.1	-5.8	-8.7	-10.0	-9.8
Central government debt (incl. guaranteed) 4/	69.7	72.6	74.7	79.8	83.2	84.2	84.2	86.9	90.9	94.7
Domestic	20.1	20.0	20.0	21.7	23.1	23.7	22.6	23.4	24.9	26.3
Direct	16.7	15.4	16.5	18.8	19.6	19.9	19.8	20.6	21.7	22.7
Guaranteed	3.4	4.6	3.4	2.8	3.5	3.8	2.8	2.8	3.2	3.5
Foreign	49.6	52.6	54.8	58.2	60.1	60.6	61.6	63.5	66.0	68.4
Direct	41.6	44.5	46.8	49.1	51.2	51.9	51.8	53.8	56.6	59.3
Guaranteed	8.0	8.1	8.0	9.1	8.9	8.7	9.8	9.7	9.4	9.1
Cumulative adjustment measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP, fiscal year (EC$ millions)	1,332	1,339	1,392	1,387	1,388	1,442	1,495	1,555	1,619	1,686

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ In this report, the fiscal operations tables are presented in the GFSM 2001 format, with the view to ensure cross-country comparability in terms of concepts and presentation. This resulted in the reclassification of certain items, causing data reported here to be not strictly comparable to earlier reports.

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/ Does not include grants that were received but not spent.

4/ Direct debt and debt of parastatal entities guaranteed by the central government; excludes commitments under the Petrocaribe arrangement with Venezuela.

Table 11. Dominica: Balance of Payments, Customized Scenario

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
					Projected					
					(millions of U.S. dollars)					
Current account balance	**-67.9**	**-91.1**	**-67.5**	**-68.4**	**-74.9**	**-87.6**	**-92.3**	**-81.1**	**-75.6**	**-68.4**
Exports of goods and services	191.0	160.3	175.4	178.7	153.8	170.3	177.9	185.8	195.1	205.0
Goods	36.2	38.6	40.9	41.5	31.3	32.7	34.3	35.7	37.1	38.6
Tourism	105.9	76.1	82.0	83.7	70.7	79.1	83.6	88.6	94.0	99.7
Other services	48.9	45.5	52.5	53.4	51.9	58.5	59.9	61.5	64.0	66.7
Imports of goods and services	264.8	249.9	243.7	248.6	230.4	258.5	271.4	268.3	271.1	272.6
Fuel	41.5	41.3	40.4	42.1	27.7	29.6	33.0	36.4	37.8	39.4
Food	34.1	35.3	34.2	41.5	38.5	39.8	38.0	39.1	40.7	42.4
Other goods 1/	123.3	106.7	104.1	97.2	98.0	115.9	123.3	115.2	112.8	108.9
Services	65.9	66.6	65.0	67.8	66.2	73.3	77.1	77.6	79.7	81.8
Net income, o/w:	-10.5	-18.3	-19.5	-19.2	-17.4	-19.0	-20.1	-21.3	-22.6	-24.2
Interest payments (public sector)	-7.4	-6.2	-6.9	-5.9	-5.2	-6.0	-6.3	-6.6	-7.0	-7.5
Net current transfers	16.5	16.8	20.3	20.7	19.1	19.7	21.3	22.6	23.0	23.4
Capital and financial account	**87.9**	**91.4**	**53.6**	**80.6**	**59.7**	**79.9**	**93.8**	**82.6**	**77.1**	**69.9**
Grants	19.0	16.2	7.8	19.5	25.3	44.5	55.3	48.5	34.9	27.0
Public sector flows	9.5	28.5	18.8	22.7	-10.2	12.3	16.0	21.1	27.3	30.8
PetroCaribe financing flows	6.6	7.5	7.0	5.5	2.8	2.8	3.1	3.5	3.5	3.5
Foreign direct investment	14.2	28.9	24.2	33.5	23.5	24.9	26.6	26.9	27.9	29.1
Commercial banks	37.5	-15.3	-0.1	-16.6	3.8	-2.8	-1.9	-2.4	0.0	0.0
Other private flows 2/	1.1	25.7	-3.9	16.0	2.6	-1.8	-5.3	-14.9	-16.5	-20.5
Errors and omissions	-13.7	6.4	7.4	5.7	2.9	0.0	0.0	0.0	0.0	0.0
Overall balance	**6.4**	**6.8**	**-6.5**	**17.9**	**-6.5**	**-7.7**	**1.5**	**1.5**	**1.6**	**1.6**
Overall financing	**-6.4**	**-6.8**	**6.5**	**-17.9**	**6.5**	**7.7**	**-1.5**	**-1.5**	**-1.6**	**-1.6**
Change in ECCB NFA, o/w:	-7.9	-17.4	6.5	-14.6	3.6	7.7	-1.5	-1.5	-1.6	-1.6
IMF reserve liabilities	-2.9	-0.8	-2.7	-1.6	-2.1	-1.6	-1.2	-1.5	-1.5	-0.6
Change in foreign reserve asssets	1.5	10.6	0.0	-3.3	0.0	0.0	0.0	0.0	0.0	0.0
External financing gap	…	…	…	…	-8.7	0.0	0.0	0.0	0.0	0.0
of which: Rapid Credit Facility	…	…	…	…	-8.7	0.0	0.0	0.0	0.0	0.0
					(in percent of GDP)					
Current account balance	**-13.5**	**-18.8**	**-13.3**	**-13.1**	**-14.9**	**-16.7**	**-17.0**	**-14.4**	**-12.9**	**-11.2**
Exports of goods and services	38.1	33.0	34.6	34.1	30.6	32.4	32.7	32.9	33.2	33.5
Goods	7.2	8.0	8.1	7.9	6.2	6.2	6.3	6.3	6.3	6.3
Tourism	21.1	15.7	16.2	16.0	14.0	15.1	15.4	15.7	16.0	16.3
Other services	9.7	9.4	10.4	10.2	10.3	11.1	11.0	10.9	10.9	10.9
Imports of goods and services	52.8	51.5	48.1	47.4	45.8	49.3	50.0	47.5	46.2	44.6
Fuel	8.3	8.5	8.0	8.0	5.5	5.6	6.1	6.4	6.4	6.4
Food	6.8	7.3	6.7	7.9	7.6	7.6	7.0	6.9	6.9	6.9
Other goods 1/	24.6	22.0	20.6	18.5	19.5	22.1	22.7	20.4	19.2	17.8
Services	13.1	13.7	12.8	12.9	13.1	14.0	14.2	13.7	13.6	13.4
Net income, o/w:	-2.1	-3.8	-3.9	-3.7	-3.5	-3.6	-3.7	-3.8	-3.9	-3.9
Interest payments (public sector)	-1.5	-1.3	-1.4	-1.1	-1.0	-1.2	-1.2	-1.2	-1.2	-1.2
Net current transfers	3.3	3.5	4.0	4.0	3.8	3.8	3.9	4.0	3.9	3.8
Capital and financial account	**17.5**	**18.9**	**10.6**	**15.4**	**11.9**	**15.2**	**17.3**	**14.6**	**13.1**	**11.4**
Grants	3.8	3.3	1.5	3.7	5.0	8.5	10.2	8.6	5.9	4.4
Public sector flows	1.9	5.9	3.7	4.3	-2.0	2.3	2.9	3.7	4.7	5.0
PetroCaribe financing flows	1.3	1.5	1.4	1.1	0.6	0.5	0.6	0.6	0.6	0.6
Foreign direct investment	2.8	6.0	4.8	6.4	4.7	4.8	4.9	4.8	4.8	4.8
Commercial banks	7.5	-3.2	0.0	-3.2	0.8	-0.5	-0.4	-0.4	0.0	0.0
Other private flows 2/	0.2	5.3	-0.8	3.1	0.5	-0.3	-1.0	-2.6	-2.8	-3.3
Errors and omissions	**-2.7**	**1.3**	**1.5**	**1.1**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**1.3**	**1.4**	**-1.3**	**3.4**	**-1.3**	**-1.5**	**0.3**	**0.3**	**0.3**	**0.3**
External financing gap	…	…	…	…	**-1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Rapid Credit Facility	…	…	…	…	-1.7	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Trade balance (percent of GDP)	-32.5	-29.8	-27.2	-26.6	-26.4	-29.1	-29.4	-27.5	-26.3	-24.9
Services balance (percent of GDP)	17.7	11.4	13.7	13.2	11.2	12.3	12.2	12.9	13.3	13.8
Net imputed international reserves:										
Millions of U.S. dollars	74.5	91.8	85.4	99.9	96.4	88.6	90.1	91.6	93.3	95.1
Months of imports of goods and services	3.4	4.4	4.2	4.8	5.0	4.1	4.0	4.1	4.1	4.2
Gross external debt 3/	73.6	83.1	84.6	93.5	96.2	96.1	96.0	95.3	94.3	92.8
Public sector	49.6	52.6	54.8	58.2	60.1	60.6	61.6	63.5	66.0	68.4
Private sector	24.0	30.5	29.8	35.3	36.1	35.5	34.5	31.8	28.3	24.4
GDP (in US$ millions)	501.4	485.1	506.6	524.2	503.3	524.9	543.2	564.3	587.2	612.0

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

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

2/ Differs from grants reported on the Statement of Central Government Operations (tables 11a and 11b) based on timing, as this table reports transactions on a calendar-year basis, and the inclusion of private sector capital grants in the totals reported on this table.

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

3/ Comprises external public sector debt, gross liabilities of commercial banks, and other private debt that covers the projected

Annex I. Debt Sustainability Analysis

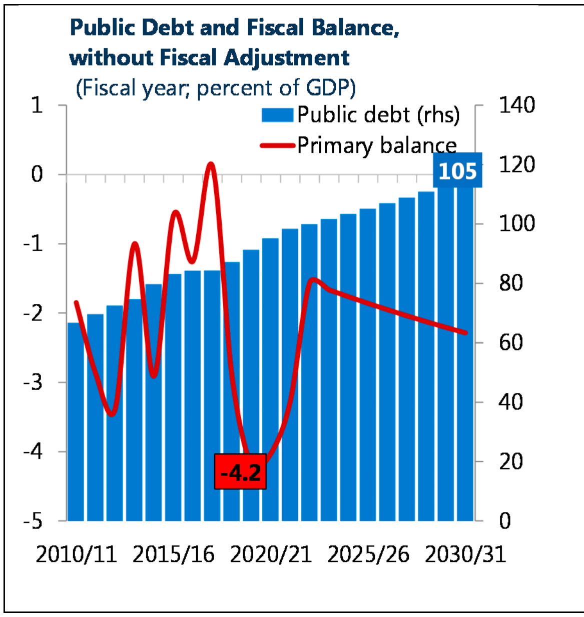
Dominica continues to be at high risk of debt distress. In the wake of tropical storm Erika, rehabilitation and reconstruction activities will entail significant fiscal costs in the short term, which would worsen the debt outlook in the absence of significant consolidation. Nevertheless, the authorities have expressed commitment to a significant fiscal adjustment that would put debt on a sustainable path and close to the ECCU regional debt target over the medium term. This constitutes the baseline scenario for this DSA. A customized scenario assuming no consolidation, complemented by a historical scenario reflecting a weak fiscal track record, is used to inform the external risk rating, given the challenging medium-term fiscal consolidation under the baseline. Should the planned fiscal consolidation take hold and the debt outlook move firmly along the sustainable path projected under the baseline scenario, an improvement of the risk rating could be considered in a future assessment.

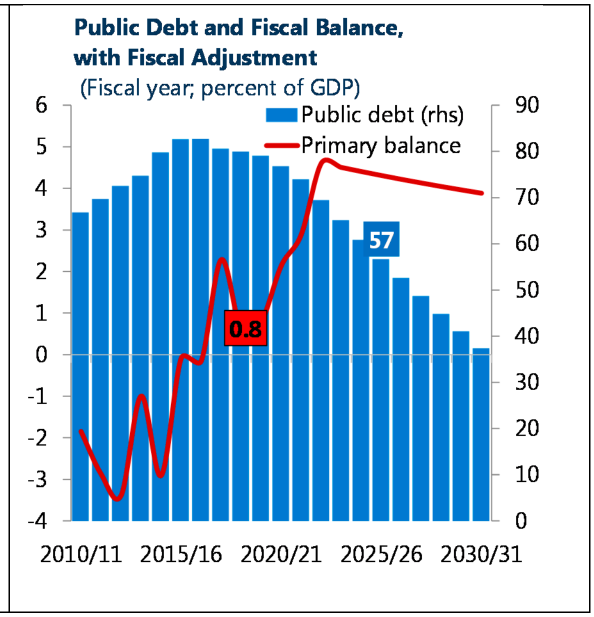
1. **Dominica's public debt has been increasing steadily since 2010, reflecting the weakening fiscal position.** As of end-FY 2014/15, the stock of central government's direct and guaranteed debt (henceforth public debt) is estimated to be around 80 percent of GDP. Over 70 percent of the debt is external, owed mainly to multilateral creditors and the remaining is held domestically, mostly by commercial banks and other financial institutions. The guaranteed debt of state owned enterprises is about 4 percent of GDP. The composition of debt has increasingly shifted towards bilateral lenders (mostly concessional), due to the growing importance of China and Venezuela, who together hold more than 11 percent of the total public debt.

2. **Under the baseline scenario, supported by the authorities' commitment in the LOI, debt is assessed to be sustainable**. This scenario envisages a gradual fiscal consolidation over the next five years, supported by comprehensive reforms to improve revenue collection, broaden the tax base, and contain current expenditures. This would significantly improve the debt outlook, setting it on a gradually declining path and allowing the authorities to meet the public debt target by FY 2025/26 (Text figure).

3. **The authorities agreed to building fiscal buffers in light of frequent natural disasters.** Dominica is subject to frequent natural disasters and the authorities are enhancing their efforts to build resilience against future storms. In the aftermath of the tropical storm Erika, the authorities have decided to build a fiscal cushion of about 1.5 percent of GDP every year beginning in FY 2018/19, which may serve as a contingency fund to provide resilience to fiscal sustainability. The baseline scenario, which envisages a primary surplus of around 4 percent of GDP over the medium-term, includes the buffer to cover future disaster related expenses.

4. **Nevertheless, significant risks of debt distress remain.** Failure to implement the necessary fiscal measures, lower-than expected donor grants, including to finance reconstruction needs, and future recurrence of natural disasters could cause debt-to-GDP ratio to breach its threshold over the medium term. This was the case even before Tropical Storm Erika hit Dominica, as flagged in the last Article IV consultation; the reconstruction and rehabilitation costs (amounting to 96 percent of GDP for the country as a whole, of which about 2/3 would be covered by the public sector) only reinforce this view. The impact of insufficient fiscal consolidation is illustrated in the customized scenario, which assumes no additional fiscal measures. [1] The debt path under the historical scenario leads to similar results reflecting a weak track record of fiscal policies.





5. **As a result, the public and publicly guaranteed (PPG) external debt risk rating remains high.** This assessment is based on the risks reflected both in the customized and historical scenarios. Given the challenges associated to the required fiscal adjustment, the customized scenario (which assumes no fiscal consolidation) is attached significant weight in this assessment. Under this scenario, the debt path takes an increasing trajectory and eventually breaches one solvency threshold (Figure A1). The historical scenario, which assumes that growth, the primary deficit, and nominal interest rates remain at historical averages, illustrates the risk inherent to the baseline

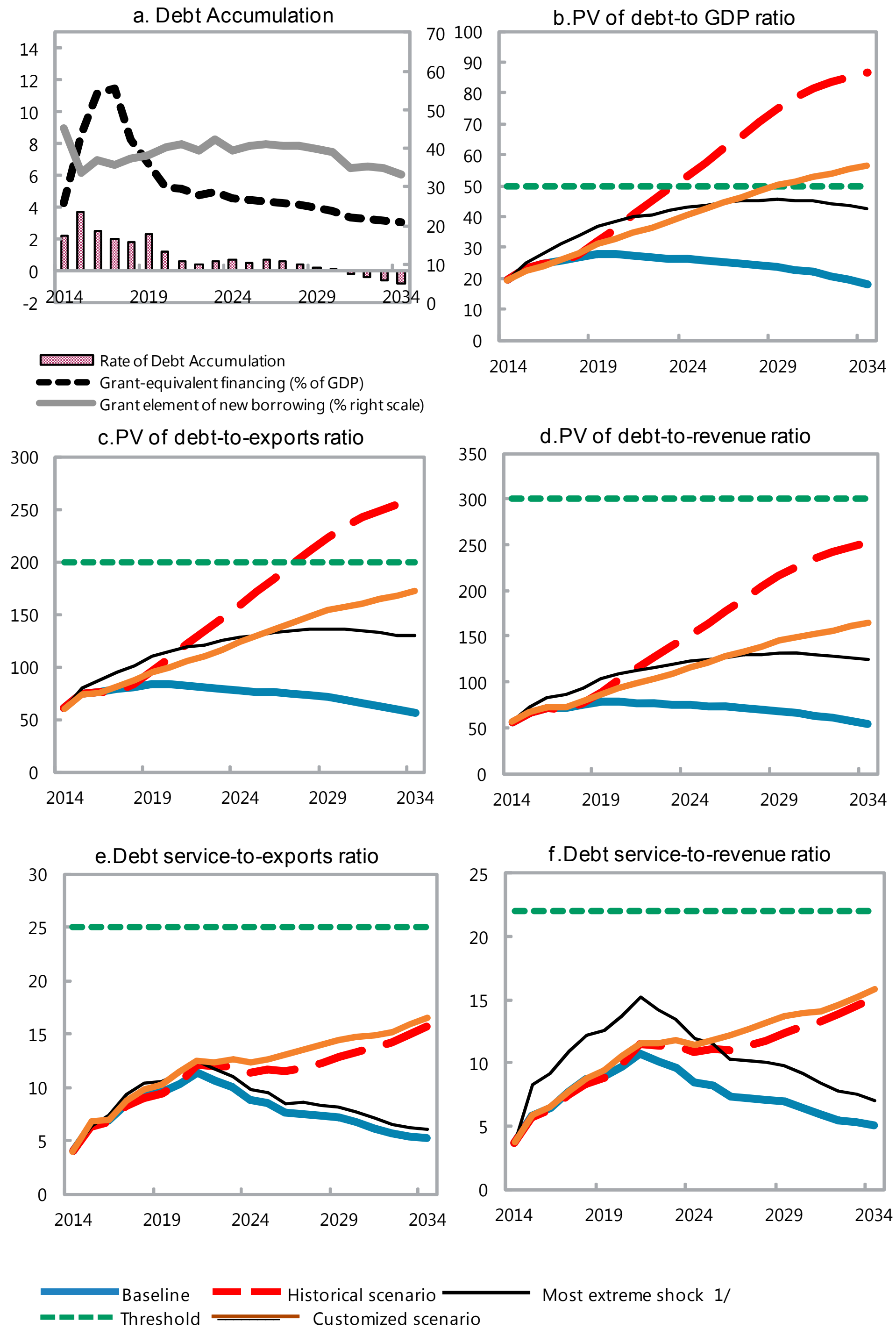
[1] This customized scenario is slightly more favorable than the passive scenario considered in the last Article IV Consultation including because of data updates and because it assumes larger grants in the medium term, which helps to partly offset the negative impact of storm Erika.

scenario, with all indicators on an increasing trajectory and two of them breaching their respective thresholds.

Conclusion

6. **The risk rating assigned to PPG external debt is high.** Under a scenario without fiscal consolidation (customized scenario) debt would exceed a solvency threshold in the medium term. Given the challenges associated to fiscal consolidation in the wake of storm Erika, this scenario is attached significant weight in the risk assessment. Nevertheless, the authorities have expressed commitment to a strong fiscal adjustment that would put public debt on a sustainable trajectory. As the planned fiscal consolidation takes hold, further increasing confidence in the baseline scenario, an upgrade of the risk rating could be considered in a future assessment.

Figure A1. Dominica: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2014-34 (Baseline Scenario) 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Customized scenario shock; in c. to a Customized scenario shock; in d. to a Customized scenario shock; in e. to a Customized scenario shock and in figure f. to a Customized scenario shock.

Table A1. Dominica: External Debt Sustainability Framework, Baseline Scenario, 2011-34 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**76.8**	**82.7**	**87.4**			**94.0**	**96.0**	**95.8**	**94.9**	**93.6**	**92.4**		**78.3**	**53.8**	
of which: public and publicly guaranteed (PPG)	49.6	52.6	54.8			58.2	59.7	59.4	58.7	57.9	56.9		42.9	15.6	
Change in external debt	6.2	5.9	4.7			6.6	2.0	-0.3	-0.8	-1.3	-1.3		-2.6	-3.2	
Identified net debt-creating flows	10.0	12.6	4.4			4.4	12.7	7.9	10.1	7.5	6.0		3.8	4.3	
Non-interest current account deficit	**12.3**	**17.1**	**11.8**	**16.1**	**4.7**	**11.6**	**12.7**	**14.6**	**14.6**	**11.9**	**10.5**		**8.8**	**9.8**	8.8
Deficit in balance of goods and services	16.6	15.9	13.4			14.3	16.0	17.0	15.9	13.7	11.9		10.3	10.5	
Exports	35.6	33.8	34.3			32.4	31.5	32.6	32.9	33.2	33.5		33.6	33.0	
Imports	52.2	49.8	47.8			46.6	47.6	49.6	48.8	46.9	45.4		43.9	43.5	
Net current transfers (negative = inflow)	-3.4	-3.7	-4.0	-4.3	0.7	-3.9	-3.8	-3.8	-4.0	-4.0	-3.9		-3.8	-3.6	-3.8
of which: official	0.2	-0.6	-1.1			-0.7	-0.4	-0.5	-0.6	-0.6	-0.5		-0.4	-0.3	
Other current account flows (negative = net inflow)	-0.9	4.9	2.3			1.2	0.5	1.4	2.7	2.1	2.4		2.3	2.9	
Net FDI (negative = inflow)	**-4.4**	**-5.3**	**-5.6**	**-6.8**	**2.4**	**-5.5**	**-4.7**	**-4.8**	**-4.8**	**-4.8**	**-4.8**		**-4.9**	**-4.8**	-4.9
Endogenous debt dynamics 2/	**2.1**	**0.9**	**-1.8**			**-1.7**	**4.7**	**-1.8**	**0.3**	**0.4**	**0.3**		**-0.1**	**-0.7**	
Contribution from nominal interest rate	1.4	1.3	1.3			1.7	1.8	1.8	2.0	2.1	2.0		1.3	0.3	
Contribution from real GDP growth	0.0	1.0	-0.5			-3.4	2.8	-3.6	-1.7	-1.7	-1.7		-1.4	-1.0	
Contribution from price and exchange rate changes	0.6	-1.4	-2.7			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-3.9**	**-6.7**	**0.3**	**-7.3**	**6.8**	**2.2**	**-10.6**	**-8.2**	**-10.9**	**-8.8**	**-7.2**		**-6.4**	**-7.5**	
of which: Capital transfers	3.6	2.4	2.6			4.4	6.8	9.4	9.4	7.3	5.2		3.8	6.6	
of which: Commercial banks and other private flows	6.4	2.1	0.8			1.2	0.8	0.4	0.1	0.4	1.1		3.2	0.8	
of which: exceptional financing	0.0	0.0	0.0			0.0	1.7	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	49.8			55.3	59.5	61.1	62.0	62.3	63.2		61.6	56.5	
In percent of exports	...	...	145.1			170.9	188.8	187.4	188.5	188.0	189.0		183.2	171.1	
PV of PPG external debt	**...**	**...**	**17.2**			**19.5**	**23.2**	**24.7**	**25.8**	**26.6**	**27.7**		**26.1**	**18.3**	
In percent of exports	**...**	**...**	**50.1**			**60.3**	**73.6**	**75.9**	**78.5**	**80.2**	**82.9**		**77.6**	**55.3**	
In percent of government revenues	**...**	**...**	**48.2**			**55.9**	**66.4**	**71.9**	**71.9**	**74.3**	**77.8**		**74.2**	**53.2**	
Debt service-to-exports ratio (in percent)	**12.0**	**13.7**	**11.5**			**5.8**	**8.3**	**8.5**	**10.1**	**11.0**	**11.1**		**10.1**	**6.1**	
PPG debt service-to-exports ratio (in percent)	**10.4**	**12.1**	**9.9**			**4.0**	**6.5**	**6.8**	**8.4**	**9.3**	**9.5**		**8.8**	**5.2**	
PPG debt service-to-revenue ratio (in percent)	**10.5**	**11.2**	**9.5**			**3.7**	**5.8**	**6.5**	**7.7**	**8.7**	**8.9**		**8.5**	**5.0**	
Total gross financing need (Billions of U.S. dollars)	0.1	0.1	0.1			0.0	0.1	0.1	0.1	0.1	0.1		0.1	0.1	
Non-interest current account deficit that stabilizes debt ratio	6.2	11.1	7.1			5.0	10.7	14.9	15.5	13.2	11.7		11.5	13.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	-0.1	-1.3	0.6	2.1	3.1	3.9	-3.0	3.9	1.9	1.9	1.9	1.7	1.9	1.8	1.9
GDP deflator in US dollar terms (change in percent)	-0.8	1.8	3.3	1.7	1.7	-4.0	3.1	-0.1	1.7	2.0	2.0	0.8	2.0	1.3	1.8
Effective interest rate (percent) 5/	2.0	1.7	1.7	2.7	0.9	2.0	2.0	1.9	2.2	2.3	2.2	2.1	1.7	0.6	1.8
Growth of exports of G&S (US dollar terms, in percent)	-3.8	-4.4	5.5	3.7	5.3	-6.1	-2.5	7.4	4.4	4.7	5.0	2.1	3.9	1.6	3.6
Growth of imports of G&S (US dollar terms, in percent)	-2.8	-4.1	-0.3	4.3	8.1	-2.7	2.1	8.3	1.8	-0.2	0.7	1.7	3.9	1.9	3.4
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	45.4	33.5	37.0	35.5	37.5	38.0	37.8	39.5	33.2	38.8
Government revenues (excluding grants, in percent of GDP)	35.3	36.8	35.7			34.9	35.0	34.4	35.9	35.8	35.7		35.1	34.3	34.9
Aid flows (in Billions of US dollars) 7/	0.0	0.1	0.0			0.0	0.1	0.1	0.1	0.1	0.1		0.0	0.0	
of which: Grants	0.0	0.0	0.0			0.0	0.0	0.0	0.1	0.0	0.0		0.0	0.0	
of which: Concessional loans	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			4.2	8.6	11.2	11.5	8.2	6.8		4.6	3.0	4.2
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			61.9	64.3	76.2	76.8	69.7	62.3		65.5	98.7	73.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	0.5	0.5	0.5			0.5	0.5	0.5	0.6	0.6	0.6		0.7	1.0	
Nominal dollar GDP growth	-0.9	0.5	3.9			-0.3	0.0	3.8	3.6	3.8	4.0	2.5	3.9	3.2	3.7
PV of PPG external debt (in Billions of US dollars)			0.1			0.1	0.1	0.1	0.1	0.2	0.2		0.2	0.2	
(PVt-PVt-1)/GDPt-1 (in percent)						2.2	3.7	2.5	2.0	1.8	2.3	2.4	0.7	-0.8	0.3
Gross workers' remittances (Billions of US dollars)	...	...	...			...	...	...	...	...	...		...	...	
PV of PPG external debt (in percent of GDP + remittances)	...	...	17.2			19.5	23.2	24.7	25.8	26.6	27.7		26.1	18.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	50.1			60.3	73.6	75.9	78.5	80.2	82.9		77.6	55.3	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	9.9			4.0	6.5	6.8	8.4	9.3	9.5		8.8	5.2	

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)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

changes.

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

8/ 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).

Table A2. Dominica: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2014-34

(In percent)

		Projections						
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	19	23	25	26	27	28	**26**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	19	23	25	25	28	32	**53**	87
A2. New public sector loans on less favorable terms in 2014-2034 2	19	25	28	31	34	37	**43**	43
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	19	23	25	27	27	29	**27**	19
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	19	23	26	28	28	29	**28**	20
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	19	24	25	27	27	29	**27**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	19	24	26	27	28	29	**27**	19
B5. Combination of B1-B4 using one-half standard deviation shocks	19	21	23	24	25	26	**24**	17
B6. One-time 30 percent nominal depreciation relative to the baseline scenario in 2015 5/	19	33	35	36	37	39	**37**	26
PV of debt-to-exports ratio								
Baseline	60	74	76	78	80	83	**78**	55
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	60	74	75	76	84	95	**158**	262
A2. New public sector loans on less favorable terms in 2014-2034 2	60	79	87	94	101	110	**127**	129
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	60	74	76	78	80	83	**78**	55
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	60	72	88	90	92	95	**89**	64
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	60	74	76	78	80	83	**78**	55
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	60	75	79	82	83	86	**81**	58
B5. Combination of B1-B4 using one-half standard deviation shocks	60	65	72	75	76	79	**74**	53
B6. One-time 30 percent nominal depreciation relative to the baseline scenario in 2015 5/	60	74	76	78	80	83	**78**	55
PV of debt-to-revenue ratio								
Baseline	56	66	72	72	74	78	**74**	53
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	56	67	71	70	77	89	**151**	252
A2. New public sector loans on less favorable terms in 2014-2034 2	56	71	82	86	94	103	**122**	124
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	56	65	74	74	76	80	**76**	55
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	56	66	77	77	79	83	**79**	57
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	56	68	74	74	77	80	**76**	55
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	56	68	75	75	77	81	**77**	55
B5. Combination of B1-B4 using one-half standard deviation shocks	56	60	67	67	70	73	**69**	50
B6. One-time 30 percent nominal depreciation relative to the baseline scenario in 2015 5/	56	94	101	101	105	110	**105**	75

Table A2. Dominica: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2014-34 (concluded)

(In percent)

Debt service-to-exports ratio								
Baseline	4	6	7	8	9	10	**9**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	4	6	7	8	9	9	**11**	16
A2. New public sector loans on less favorable terms in 2014-2034 2	4	6	6	7	9	9	**10**	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	6	7	8	9	10	**9**	5
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	6	7	9	10	11	**10**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	6	7	8	9	10	**9**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	6	7	9	9	10	**9**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	4	6	7	8	9	10	**9**	5
B6. One-time 30 percent nominal depreciation relative to the baseline scenario in 2015 5/	4	6	7	8	9	10	**9**	5
Debt service-to-revenue ratio								
Baseline	4	6	6	8	9	9	**8**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	4	6	6	7	8	9	**11**	15
A2. New public sector loans on less favorable terms in 2014-2034 2	4	6	6	7	8	8	**9**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	6	7	8	9	9	**9**	5
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	6	6	8	9	9	**9**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	6	7	8	9	9	**9**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	6	7	8	9	9	**9**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	4	6	6	8	9	9	**8**	5
B6. One-time 30 percent nominal depreciation relative to the baseline scenario in 2015 5/	4	8	9	11	12	13	**12**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	19	19	19	19	19	19	**19**	19

Sources: Country authorities; and staff estimates and projections.

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

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline scenario, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline scenario level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table A3. Dominica: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011-34

(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	69.7	72.6	74.7			79.8	82.7	82.7	80.5	79.7	78.8		59.8	21.2	
of which: foreign-currency denominated	49.6	52.6	54.8			58.2	59.7	59.4	58.7	57.9	56.9		42.9	15.6	
Change in public sector debt	2.9	2.8	2.2			5.1	2.9	0.0	-2.2	-0.8	-1.0		-4.4	-3.5	
Identified debt-creating flows	5.5	5.5	0.3			5.1	2.9	0.0	-2.2	-0.8	-1.0		-4.4	-3.6	
Primary deficit	3.0	4.2	1.1	-1.5	4.2	2.8	0.2	0.3	-2.4	-1.0	-1.0	-0.2	-4.2	-3.4	-4.1
Revenue and grants	40.1	39.5	38.9			36.9	41.2	43.6	45.5	41.9	39.9		38.1	37.3	
of which: grants	4.8	2.7	3.2			2.1	6.2	9.1	9.6	6.1	4.3		3.0	3.0	
Primary (noninterest) expenditure	43.1	43.6	40.0			39.8	41.4	43.9	43.1	40.9	38.9		33.9	34.0	
Automatic debt dynamics	2.5	1.4	-0.8			2.2	2.7	-0.3	0.2	0.2	0.1		-0.1	-0.2	
Contribution from interest rate/growth differential	1.3	1.4	0.1			-1.1	3.2	-1.6	0.0	0.2	0.1		-0.2	-0.3	
of which: contribution from average real interest rate	1.2	0.5	0.5			1.7	0.7	1.6	1.5	1.6	1.6		1.0	0.2	
of which: contribution from real GDP growth	0.0	0.9	-0.4			-2.8	2.5	-3.1	-1.5	-1.5	-1.5		-1.2	-0.5	
Contribution from real exchange rate depreciation	1.3	0.0	-0.9			3.3	-0.5	1.3	0.2	0.0	0.0		0.0	0.1	
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	
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 implicit or contingent liabilities	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 (specify, 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	
Residual, including asset changes	-2.6	-2.7	1.9			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	37.2			41.1	46.2	48.1	47.6	48.4	49.6		43.0	23.9	
of which: foreign-currency denominated	...	...	17.2			19.5	23.2	24.7	25.8	26.6	27.7		26.1	18.3	
of which: external	...	...	17.2			19.5	23.2	24.7	25.8	26.6	27.7		26.1	18.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	10.1	11.0	6.6			5.4	4.5	5.2	4.9	5.3	6.5		3.6	0.3	
PV of public sector debt-to-revenue and grants ratio (in perce	...	...	95.6			111.4	112.1	110.4	104.5	115.6	124.3		112.8	64.1	
PV of public sector debt-to-revenue ratio (in percent)	...	...	104.1			118.1	132.0	139.7	132.5	135.3	139.1		122.5	69.7	
of which: external 3/	...	...	48.2			55.9	66.4	71.9	71.9	74.3	77.8		74.2	53.2	
Debt service-to-revenue and grants ratio (in percent) 4/	17.8	17.4	14.1			7.1	10.5	11.2	16.2	14.9	18.8		20.6	9.8	
Debt service-to-revenue ratio (in percent) 4/	20.3	18.6	15.3			7.5	12.4	14.2	20.6	17.5	21.1		22.3	10.7	
Primary deficit that stabilizes the debt-to-GDP ratio	0.0	1.3	-1.0			-2.2	-2.7	0.3	-0.2	-0.2	-0.1		0.1	0.2	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-0.1	-1.3	0.6	2.1	3.1	3.9	-3.0	3.9	1.9	1.9	1.9	1.7	1.9	1.8	1.9
Average nominal interest rate on forex debt (in percent)	1.8	1.6	1.6	2.6	1.0	2.1	2.2	2.2	2.6	2.8	2.7	2.4	2.0	0.2	2.5
Average real interest rate on domestic debt (in percent)	6.8	2.9	2.5	3.3	2.5	8.7	3.3	7.0	5.4	5.4	5.6	5.9	5.6	7.7	6.2
Real exchange rate depreciation (in percent, + indicates depr	2.6	-0.1	-1.7	0.3	1.8	6.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-0.8	1.8	3.3	1.7	1.7	-4.0	3.1	-0.1	1.7	2.0	2.0	0.8	2.0	1.3	1.8
Growth of real primary spending (deflated by GDP deflator, ir	-11.6	0.0	-7.8	-1.9	4.2	3.2	1.0	10.2	0.1	-3.3	-3.1	1.3	2.6	3.0	1.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	45.4	33.5	37.0	35.5	37.5	38.0	37.8	39.5	33.2	...

Sources: Country authorities; and staff estimates and projections.

1/ Public and publicly guaranteed gross debt.

2/ 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.

3/ Revenues excluding grants.

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

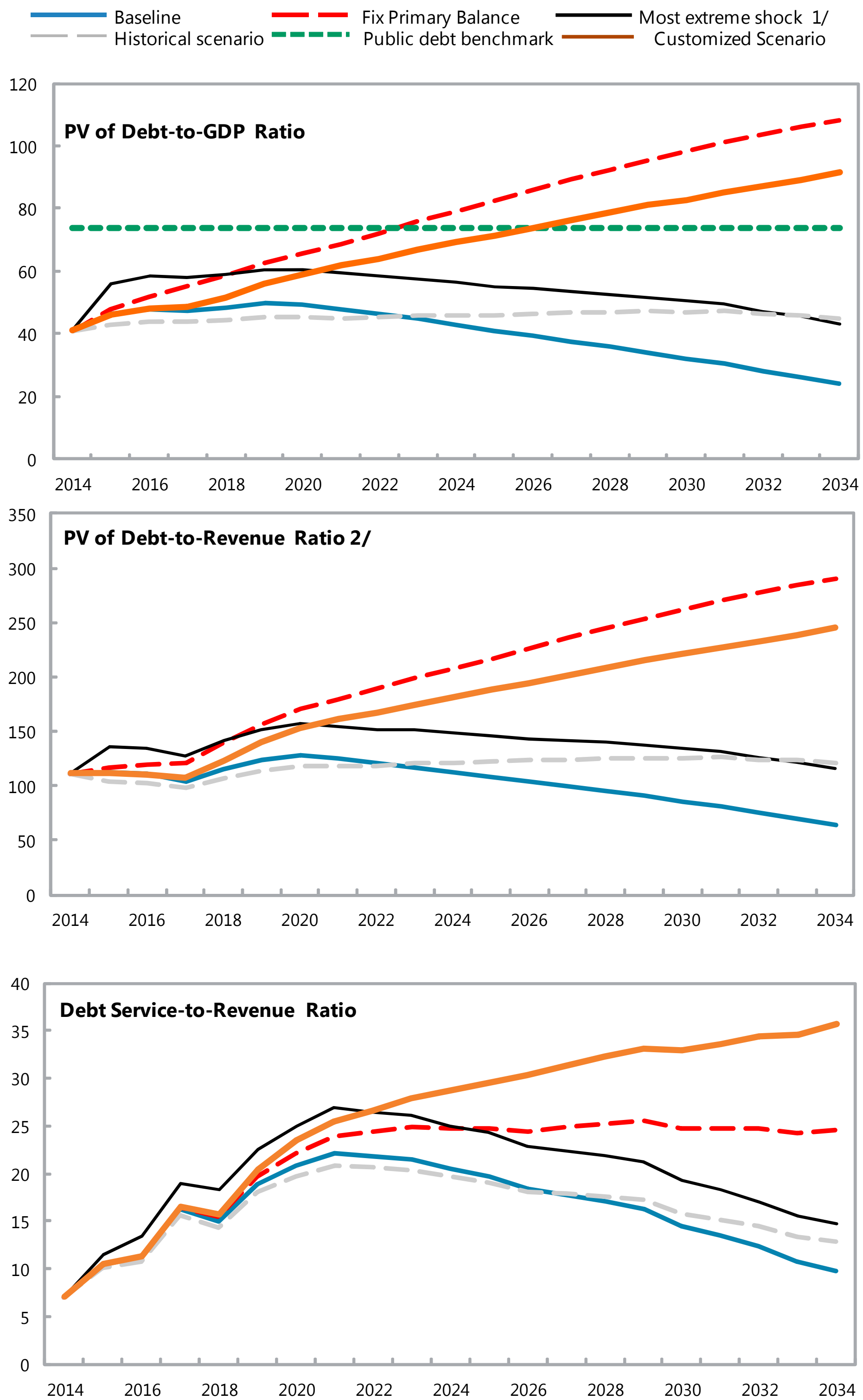
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table A4. Dominica: Sensitivity Analysis for Key Indicators of Public Debt, Baseline Scenario, 2014-34

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline Scenario	41	46	48	48	48	50	43	24
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	41	43	44	44	44	45	46	45
A2. Primary balance is unchanged from 2014	41	48	52	55	59	63	79	108
A3. Permanently lower GDP growth 1/	41	47	49	50	51	54	55	64
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	41	45	50	50	51	53	50	37
B2. Primary balance is at historical average minus one standard deviations in 2015-201	41	48	52	51	52	53	46	27
B3. Combination of B1-B2 using one half standard deviation shocks	41	45	48	48	49	50	43	23
B4. One-time 30 percent real depreciation in 2015	41	56	58	58	59	61	57	43
B5. 10 percent of GDP increase in other debt-creating flows in 2015	41	53	55	55	56	57	50	30
PV of Debt-to-Revenue Ratio 2/								
Baseline Scenario	111	112	110	105	116	124	113	64
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	111	104	102	98	107	114	121	121
A2. Primary balance is unchanged from 2014	111	117	119	121	140	157	208	290
A3. Permanently lower GDP growth 1/	111	113	113	108	122	134	145	170
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	111	109	113	109	122	133	131	99
B2. Primary balance is at historical average minus one standard deviations in 2015-201	111	116	118	112	124	133	122	72
B3. Combination of B1-B2 using one half standard deviation shocks	111	109	111	105	116	125	112	62
B4. One-time 30 percent real depreciation in 2015	111	137	134	127	141	152	148	116
B5. 10 percent of GDP increase in other debt-creating flows in 2015	111	129	127	120	133	142	131	81
Debt Service-to-Revenue Ratio 2/								
Baseline Scenario	7	10	11	16	15	19	21	10
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	7	10	11	16	14	18	20	13
A2. Primary balance is unchanged from 2014	7	10	11	17	16	20	25	25
A3. Permanently lower GDP growth 1/	7	11	11	17	15	20	23	17
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	7	10	11	17	15	19	22	12
B2. Primary balance is at historical average minus one standard deviations in 2015-201	7	10	11	17	15	19	21	11
B3. Combination of B1-B2 using one half standard deviation shocks	7	10	11	16	15	19	21	10
B4. One-time 30 percent real depreciation in 2015	7	12	13	19	18	22	25	15
B5. 10 percent of GDP increase in other debt-creating flows in 2015	7	10	12	17	15	19	22	11

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

Figure A2. Dominica: Indicators of Public Debt Under Alternative Scenarios, 2014-34 (Baseline Scenario) 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Annex II. Long-Term Projection Assumptions

The near and medium-term projections are expected to be heavily impacted by the storm and the subsequent recovery. However, over the longer run, projections are based on the following assumptions:

- *Real sector*: Real GDP growth rates are expected to slow from 3.9 percent in 2016 to 1.9 percent in 2021, and remain at that level thereafter. This long-run growth assumption, which has been maintained from the 2015 Article IV Consultation, is aligned with the average growth rate observed since the late 1990s, when the economy began to transition upon the erosion of European trade preferences for banana exports. Inflation is assumed to be 2 percent in the long-run, about equal to the average from the late 1990s until 2008 (the start of the global financial crisis). Reflecting both real growth and inflation, nominal GDP growth is assumed to grow 3.9 percent in the long run.

- *External sector*: Current account balances are expected to rise to 14.9 percent of GDP in 2015 and be wider in 2016 and 2017, which incorporates the decline in exports of banana and other crops as projected decline in the agriculture sector. Imports are expected to rise with increases in public spending related imports and other imports for rebuilding purposes, assuming reconstruction starts from 2015 and finishes in 2019. The changes in current account balance also reflect declines in service exports with expected lower tourism in 2015 and recovery from 2016. The capital account changes reflect higher capital grants in 2015 to 2017. Financial account changes incorporate higher budgetary disbursements and assumption of lower FDI after the surge in 2014. The overall balances are -1.3 percent of GDP in 2015 and -1.5 in 2016, reflecting the assumption of decline in reserves in 2015 and 2016.

- *Fiscal sector*: In the passive scenario, tax revenues are expected to be lower in FY 2015/16 and FY2016/17 in line with the GDP compression as was observed during the previous storms. However, Import VAT taxes will provide a cushion in light of the huge increase in construction related imports. Capital spending is projected to rise up to 12¼ percent of GDP before falling back to normal levels during the medium-term, with high reconstruction investments partly offset by prioritization of ongoing capital projects. The spending also accounts for future disaster reconstruction related spending. The baseline scenario incorporates a fiscal adjustment of 6.2 percentage points of GDP over five years beginning in FY2015/16 to achieve the ECCU debt target by 2030. The primary balance improvement is somewhat back-loaded to accommodate the reconstruction related spending in the first two years.

Appendix I. Letter of Intent

Roseau, Dominica
October 21, 2015

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Lagarde,

1. On August 27, 2015, Dominica was hit by Tropical Storm Erika, resulting in flooding and landslides that caused loss of life, destruction of homes, and substantial damage to crops, property, and infrastructure. Out of a total population of 72,340, eleven persons were confirmed dead, twenty-two are missing, 713 were displaced, 574 have been left homeless, and about 7,229 impacted in disaster-declared areas. The main airport continues to have its operations heavily limited. Although great effort has been made to provide temporary access to most communities, some key transportation routes remain unusable from damages to bridges and roads. The water and sewage network is still below full operational capacity and functioning with transitory repairs in several areas.

2. The Rapid Damage and Impact Assessment Report by World Bank and Government of Dominica estimates total damage and loss at US$ 483 million (96 percent of projected 2015 GDP), making this storm one of the worst natural disasters to strike since our independence. Damages and losses sustained to the transport sector is estimated at US$ 303 million (60 percent of GDP) while that to housing and agriculture are estimated at US$ 54 million (11 percent of GDP) and US$ 47 million (9 percent of GDP), respectively.

3. A full recovery will take several years. Real GDP is projected to decline by 3 percent in 2015, implying a drop of almost 7 percentage points relative to the strong outcome booked last year. Agricultural output is projected to decline by 7.6 percent, while tourism, affected by reduced air access to the country and damage to the hotel infrastructure, is projected to decline by 5.6 percent. As a result, the external current account deficit is projected to widen to about 15 percent of GDP. As crops are replanted, transport infrastructure rebuilt, and normal activities resume, output is expected to begin to recover in 2016. Reconstruction activities will boost growth in the near term, gradually lifting potential output back to normal levels.

4. Our fiscal situation has been fundamentally changed by the storm. Cleanup and reconstruction expenditures, the increased need for social assistance (including from resettling displaced households and addressing losses in agriculture and tourism income), and lower tax

revenue as a result of the flood-related shock to economic activity are putting pressure on the fiscal accounts.

5. Total public sector recovery and reconstruction costs for roads and bridges, the airport, water and sanitation infrastructure, and health and education facilities are preliminarily estimated at US$ 343 million, or 68 percent of GDP. Rebuilding the damaged infrastructure is not an option for us; it is vital to protecting the economic and social fabric of our country. The focus on reconstruction also means suspending other capital projects so as to ensure we are able to execute reconstruction projects as fast as possible and ensure the timely availability of co-financing funds. However, we intend to remain prudent in mobilizing financial resources and avoid excessive debt accumulation. Accordingly, we will seek to fund the reconstruction costs via external grants, concessional loans, and income from the Economic Citizenship Program (ECP) as much as possible.

6. The FY2015/16 (July-June) overall budget deficit is projected at around 2½ percent of GDP. Thus far, financing the immediate post-storm cleanup and recovery has been achieved through grants from key bilateral and multilateral development partners, and by reallocations from lower-priority expenditures in the capital budget. Despite the generous funding from donors, the extent of infrastructure damage and economic disruption will still require additional financial support this year and into the medium term.

7. Against this background, the Government of Dominica requests emergency financing from the IMF in the equivalent of SDR 6.15 million (US$8.7 million), equivalent to a disbursement of 75 percent of quota under the Rapid Credit Facility (RCF). The IMF assistance will help meet the urgent foreign exchange needs in stemming from the disaster and ease the immediate pressure on our government accounts and balance of payments. It may also facilitate unlocking of additional grants and concessional loans.

8. Even as we contemplate the large increase in government spending needed to carry out this massive reconstruction effort, we are aware of the urgent need to contain risks that existed even before the storm and that would jeopardize our development gains. In particular, fiscal policy settings will need to be tightened to put debt on a firmly declining trajectory; financial institutions need to strengthen their balance sheets; and gaps in competitiveness must be reduced. We are strongly committed to putting in place policies to resolve this situation.

9. Consistent with our commitment at the ECCU level, our fiscal consolidation plan takes into account our achievement of a public debt to GDP ratio of 60 percent of GDP by 2030. To that end, we plan a phased fiscal adjustment, excluding recovery costs, that would gradually raise the primary balance. This adjustment, which would amount to a cumulative 6 percentage points of GDP over the medium term would include a cushion to build resilience in anticipation of future natural disasters.

10. The process of fiscal consolidation has already begun. Revenue mobilization measures were adopted in this year's budget, equal to 0.5 percent of GDP, including raising alcohol and tobacco excise taxes, and introducing new airport, highway, and villa ownership levies. Looking ahead, we are resolved to find savings through a broad range of measures, including (i) prioritizing public

investment according to growth and resilience building objectives while eliminating lower-priority capital expenditures; (ii) containing the public sector wage bill; (iv) streamlining tax incentives and reducing their fiscal cost; (iv) improving the targeting of social transfers to the most vulnerable; and (v) strengthening their operations of state-owned enterprises. With the Fund's technical assistance, we are also prepared to explore the creation of a natural disaster reserve fund using a portion of our ECP revenues.

11. We will revise our Medium Term Growth and Social Protection Strategy to ensure that recovery from the storm will not interrupt our efforts to reduce poverty and strengthen growth. We also will continue with efforts to boost private sector development particularly, strengthening tourism connectivity, evaluating all forms of renewable energy to help lower electricity costs, and increasing the share of physical infrastructure and skills attainment programs in the capital budget. In cooperation with the European Union, we are working on enhancing the productivity as well as diversifying and improving the export potential of agriculture as part of the National Adaptation Strategy.

12. We will implement policies that strengthen the resilience of the financial sector. With the damages and losses from the storm, NPLs in financial institutions could rise and this situation will have to be monitored closely. In the context of our membership in the Eastern Caribbean Central Bank's Monetary Council, we will push for prompt implementation of the remaining elements of the regional strategy to strengthen the banking sector. The Financial Services Unit, which is the domestic regulator of non-bank financial institutions, will continue to ensure compliance with prudential financial management requirements. Lastly, we will further strengthen our compliance with international standards, particularly with the AML/CFT framework and on transparency and exchange of information on tax matters, where we have recently successfully completed the Phase 1 peer review of the Global Forum's standards.

13. The detailed policies underpinning the medium-term fiscal consolidation program will be included in the FY2016/17 and subsequent budgets. Right now, our immediate focus is on emergency rehabilitation and reconstruction activities to restore normalcy to the lives of our citizens as soon as possible. However, we will soon prepare a supplementary FY2015/16 budget and subsequently start work on the formulation of next year's budget and the specification of a medium-term macroeconomic plan within the fiscal parameters mentioned above. We are strongly committed to work closely with Fund staff in this process so that they are involved in the design and monitoring of the policies to be implemented. In this context, we would welcome Fund staff to visit in upcoming months to assist us in this effort.

14. The Government of the Commonwealth of Dominica values its cooperation with the IMF and takes its obligations seriously. We do not intend to introduce measures or policies that would compound the balance-of-payments difficulties. We do not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance-of-payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of

Agreement. As a commitment to undergo a safeguards assessment is required for an RCF, we note that the next ECCB safeguards assessment is scheduled to take place in 2016.

15. The challenge before us is formidable but we are determined to succeed. We hope that the international financial community will support our efforts to restore our economy and reconstruct our severely damaged infrastructure. We look forward to an early approval of financial assistance by the IMF.

16. We authorize the Fund to publish this Letter of Intent and the staff report for the request for disbursement under the RCF.

Sincerely yours,

/s/

The Hon. Roosevelt Skerrit
Prime Minister and Minister of Finance