



DOMINICA

June 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE, STAFF REPORT, AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR DOMINICA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV Consultation with Dominica, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 27, 2026 consideration of the staff report that concluded the Article IV consultation with Dominica.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 27, 2026, following discussions that ended on March 27, 2026, with the officials of Dominica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 12, 2026.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Dominica.

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IMF Executive Board Concludes 2026 Article IV Consultation with Dominica

FOR IMMEDIATE RELEASE

- *Dominica's economic outlook is positive, underpinned by implementation of the country's economic modernization and development agenda, though risks weigh on the downside.*
- *Fiscal and external imbalances are expected to narrow gradually, but more ambitious consolidation is needed to reduce debt vulnerabilities in line with the fiscal rule, strengthen disaster resilience, and reinforce the currency union.*
- *Structural reforms are critical to foster resilient and sustainable growth. Priorities include policies improving trade connectivity and addressing impediments to financial intermediation, labor market performance, innovation, and allocative efficiency.*

Washington, DC – May 29, 2026: On May 27, 2026, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Dominica. The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Dominica is sustaining an economic expansion. Real GDP growth accelerated to 4.5 percent in 2025 from 3.5 percent in 2024, supported by robust tourism—now 36 percent above pre-pandemic levels—and strategic infrastructure developments. Inflation continued to ease, averaging 2.3 percent in 2025, reflecting softening prices of imported goods.

Fiscal and external imbalances remain large. The current account deficit was elevated at 38 percent of GDP in 2025, primarily reflecting high construction-related imports tied to macro-critical infrastructure projects. The primary deficit widened to 4½ percent of GDP in FY2024/25, as strong execution of resilient roads and geothermal transmission line projects interrupted the steady fiscal adjustment of recent years. Public debt has declined sharply from its post-pandemic peak of 118 percent of GDP but remains high at 103 percent of GDP, well above the 60 percent regional benchmark.

The financial system remains stable and liquid. Banks are adequately capitalized, though sovereign and overseas exposures remain elevated alongside persistently high non-performing loan (NPL) ratios. Bank credit growth strengthened modestly to 1.6 percent in 2025. The credit union sector continues to expand—now accounting for 53 percent of total

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

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

private sector credit—but faces challenges from high NPLs, limited provisioning buffers, and sector-wide capitalization levels below regulatory requirements.

Dominica's economic outlook remains positive but subject to elevated downside risks. Real GDP growth is projected to average 3.0 percent in the near term, supported by continued strategic investment in flagship infrastructure projects, before gradually slowing to around 2 percent as construction winds down. The current account deficit is expected to narrow to its norm by 2031, on the back of stronger tourism exports, lower investment-related imports, and reduced fuel import needs accompanying the transition to geothermal energy. Public debt is expected to decline steadily, supported by a gradually improving primary balance, but remains above the currency union's prudential benchmark and is susceptible to shocks. Risks to the outlook are tilted to the downside, driven by spillovers from the war in the Middle East, heightened geopolitical and trade tensions, uncertainty surrounding Citizenship by Investment (CBI) inflows, and persistent natural disaster threats.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Dominica's economic expansion, supported by strategic infrastructure investment, while noting that fiscal and external imbalances remain elevated amid significant downside risks, including war related spillovers, geopolitical and trade tensions, and natural disaster threats. Against this background, Directors emphasized the importance of continued prudent policies and structural reforms to modernize the economy and boost diversified, climate resilient growth.

Directors concurred on the need for additional fiscal consolidation to reduce economic imbalances and risks, support compliance with the fiscal rule, and build buffers to confront natural disasters. They recommended boosting revenues by broadening the tax base, limiting exemptions, and improving expenditure efficiency to preserve macro critical investment. Directors also underscored the need to strengthen the efficiency and sustainability of the social protection framework, including by improving targeting and payments. They encouraged the authorities to advance a comprehensive strategy to clear domestic arrears.

Directors stressed the importance of addressing financial system vulnerabilities. For banks, priorities include stricter enforcement of provisioning and non performing loan standards while closely monitoring sovereign and foreign investment exposures. For credit unions, completion of the ongoing regulatory modernization involving enhanced risk based capital, provisioning, and loan classification frameworks, and strengthened supervisory enforcement tools will be important. Directors encouraged continued progress in strengthening the AML/CFT framework, and welcomed continuing efforts to enhance the citizenship by investment program, while noting scope for further improvements in data reporting and governance.

Directors emphasized the need for coordinated structural reforms to alleviate impediments to growth. In particular, they underscored the merits of improving trade integration and connectivity, advancing digital transformation, and strengthening vocational training to address skills gaps in line with market needs. They underscored that enhancing institutional capacity and data quality is critical to effective policy design and implementation, and urged the

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

authorities to address persistent weaknesses in economic data compilation and public financial management systems. Directors encouraged the authorities to leverage IMF technical assistance to support their reform efforts.

Table 1. Dominica: Selected Economic Indicators, 2021-31

	2021	2022	2023	2024	Prel.	Proj.					
					2025	2026	2027	2028	2029	2030	2031
Output and prices	(annual percent change, unless otherwise specified)										
Real GDP 1/	6.9	5.6	4.7	3.5	4.5	3.1	2.8	2.7	2.4	2.1	2.0
Nominal GDP 1/	10.1	9.3	8.6	4.5	8.0	6.2	5.2	5.0	4.7	4.3	4.2
Consumer prices											
Period average	1.6	7.7	4.2	3.1	2.3	3.0	2.3	2.2	2.2	2.2	2.2
End of period	3.5	8.7	2.5	2.1	1.6	3.9	1.8	2.2	2.2	2.2	2.2
Central government balances 2/	(in percent of GDP, unless otherwise specified)										
Revenue	58.8	62.0	59.3	60.6	53.8	46.3	41.3	41.1	40.9	40.9	41.0
Taxes	22.3	22.3	21.6	22.1	21.5	21.2	20.8	20.6	20.4	20.3	20.3
Non-tax revenue	30.9	38.2	34.1	36.4	29.0	21.8	17.2	17.2	17.2	17.2	17.2
Grants	5.5	1.5	3.6	2.1	3.3	3.3	3.3	3.3	3.3	3.4	3.5
Expenditure	67.0	69.2	63.8	67.4	55.2	47.3	42.3	42.0	41.5	40.9	41.0
Current primary expenditure	37.5	31.1	27.4	27.0	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Interest payments	2.6	2.9	2.6	2.3	2.1	2.0	2.1	2.1	2.1	2.1	2.0
Capital expenditure	26.8	35.2	33.9	38.1	26.5	18.8	13.7	13.3	12.8	12.3	12.4
Primary balance	-5.6	-4.3	-2.0	-4.4	0.7	1.0	1.1	1.2	1.5	2.0	2.0
Primary balance, excluding CBI	34.8	40.9	35.1	39.1	26.8	19.3	14.6	14.4	14.1	13.6	13.7
Overall balance	-8.2	-7.2	-4.5	-6.8	-1.3	-1.0	-1.0	-0.9	-0.5	0.0	0.0
Central government debt (incl. guaranteed) 3/	116.3	110.0	101.3	108.2	102.6	98.3	94.7	91.4	88.2	84.8	81.6
External	70.2	66.4	63.0	72.3	65.6	65.0	64.5	63.8	62.8	61.2	59.6
Domestic	46.0	43.6	38.2	35.9	37.0	33.3	30.2	27.6	25.4	23.6	22.0
Money and credit (annual percent change)											
Broad money (M2)	1.9	-1.3	-0.4	3.3	10.0	8.2	5.2	5.0	4.7	4.3	4.2
Credit to the private sector	3.6	2.7	-3.6	-1.5	1.6	3.4	4.7	6.0	5.7	4.3	4.2
External Sector	(in percent of GDP, unless otherwise specified)										
Terms of Trade (% change)	-11.1	-6.1	2.8	-0.3	1.9	-0.5	-0.7	-1.4	-1.1	0.0	0.0
Current account balance, of which:	-33.5	-27.3	-40.4	-37.8	-38.0	-33.2	-25.4	-20.8	-18.3	-16.9	-16.5
Exports of goods and services	21.2	28.6	28.6	32.2	33.0	31.3	31.4	33.3	34.8	35.8	36.2
Imports of goods and services 4/	57.1	58.6	69.7	69.7	72.8	66.4	58.6	55.6	54.5	54.0	53.9
Capital and financial account 5/	28.0	29.4	42.3	31.7	34.6	30.0	22.3	17.7	15.3	14.0	13.7
FDI	4.7	2.9	7.2	8.8	5.6	5.5	5.5	5.5	5.5	5.5	5.5
Capital transfers	29.1	21.6	30.1	35.9	28.5	20.1	12.0	9.5	11.9	15.2	15.6
of which Citizenship By Investment	30.2	33.1	34.5	34.2	30.9	23.8	17.9	15.7	15.7	15.7	15.7
Other (incl. errors and omissions)	-5.8	4.9	5.0	-13.0	0.5	4.4	4.8	2.7	-2.1	-6.7	-7.4
External debt (gross) 6/	87.7	100.4	93.0	90.1	85.4	94.8	102.0	106.8	106.6	101.7	96.7
Saving-Investment Balance	-33.5	-27.3	-40.4	-37.8	-38.0	-33.2	-25.4	-20.8	-18.3	-16.9	-16.5
Saving	1.7	10.0	-2.6	2.4	-2.5	-7.2	-5.7	-3.7	-1.7	-0.8	-0.6
Investment	35.3	37.3	37.8	40.2	35.4	26.1	19.7	17.0	16.6	16.1	15.9
Public	28.3	32.3	35.8	37.7	32.9	23.6	17.2	14.5	14.1	13.6	13.4
Private	7.0	5.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Memorandum items:											
Nominal GDP (EC\$ millions)	1,499	1,639	1,780	1,860	2,010	2,135	2,246	2,358	2,468	2,574	2,683
Nominal GDP, fiscal year (EC\$ millions)	1,569	1,710	1,820	1,935	2,072	2,190	2,302	2,413	2,521	2,629	2,740
Citizenship By Investment (U.S. million dollars)	167.9	200.7	227.3	235.7	229.7	187.8	149.2	136.9	143.2	149.5	155.8
Net imputed international reserves:											
End-year (millions of U.S. dollars)	165.2	182.3	164.2	139.8	144.4	154.4	163.3	172.5	181.9	191.2	200.8
Months of imports of goods and services	6.2	6.1	4.3	3.5	3.2	3.5	4.0	4.3	4.4	4.5	4.5
Holdings of SDRs (millions of SDRs)	11.1	9.6	8.0	6.3	3.6	3.6	3.6	3.6	3.6	3.6	3.6

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

1/ At market prices.

2/ Data for fiscal years from July to June. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year (e.g., 2024=FY2024/25).

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

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

5/ Positive sign means inflow.

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



DOMINICA

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

May 12, 2026

KEY ISSUES

Context. Dominica is a small developing state confronting large economic imbalances, natural disasters (NDs), and substantial development needs amid slowing potential growth since the 1980s. Its narrow economic base and concentrated trade linkages leave it vulnerable to shocks that have pushed debt well above the 60 percent of GDP regional benchmark, heightening debt distress risks. The country is highly reliant on citizenship-by-investment (CBI) flows to fund strategic development projects, which have supported growth while exacerbating external imbalances given the high degree of imported inputs. With no independent monetary policy, fiscal policy is the primary policy tool, but weak institutional capacity hampers policy formulation, monitoring, and execution.

Outlook and Risks. Growth is projected to average 3 percent in the medium-term before converging to 2 percent in the long run as large infrastructure projects are completed. Inflation is expected to recede to 2.2 percent, in line with trading partner trends, while the current account should revert to its norm by 2031 as tourism capacity grows and investment-related imports normalize. Public debt is projected to slowly decline under current policies remaining above the currency union benchmark amid elevated downside risks from geopolitical and trade tensions, uncertain CBI flows, and ND threats. A protracted war in the Middle East could reduce growth and exacerbate inflation via higher import costs, supply disruptions, and dampened tourism activity.

Key Policy Recommendations. Policies should address fiscal and external imbalances while fostering the basis for resilient growth:

- **Fiscal.** Reduce debt distress risks by rebuilding essential buffers under the fiscal resiliency framework. This requires concurrent policies to broaden the domestic revenue base, rationalize current expenditures, improve social spending efficiency, and prioritize investment with clear economic returns.
- **Financial sector.** Alleviate impediments to financial intermediation and strengthen credit union oversight through a modernized regulatory regime with enhanced provisioning and loan classification frameworks and enforcement powers.
- **Structural.** Improved connectivity and competitiveness could boost trade and resilient long-term growth. Parallel reforms should prioritize digitalization to boost business productivity, alleviate skills gaps by modernizing education/training systems, and strengthen institutional frameworks to scale up productive and efficient capital investment. Measures to address gaps in fiscal frameworks and persistent economic data compilation shortcomings would enhance surveillance and policy transparency, formulation, and execution.

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Mission team: Christopher Faircloth (head), Sinem Kilic Celik, Eric Huang, and Hou Wang supported by Qingyu Tao and Eliana Porras Herrera. Discussions took place in Roseau during March 16-27, 2026. The team met Minister of Finance Dr. Irving McIntyre, Financial Secretary Ms. Denise Edwards and other government officials, labor unions, and private sector stakeholders. The mission was joined by Mr. Gerard McGuinness (OEDCO).

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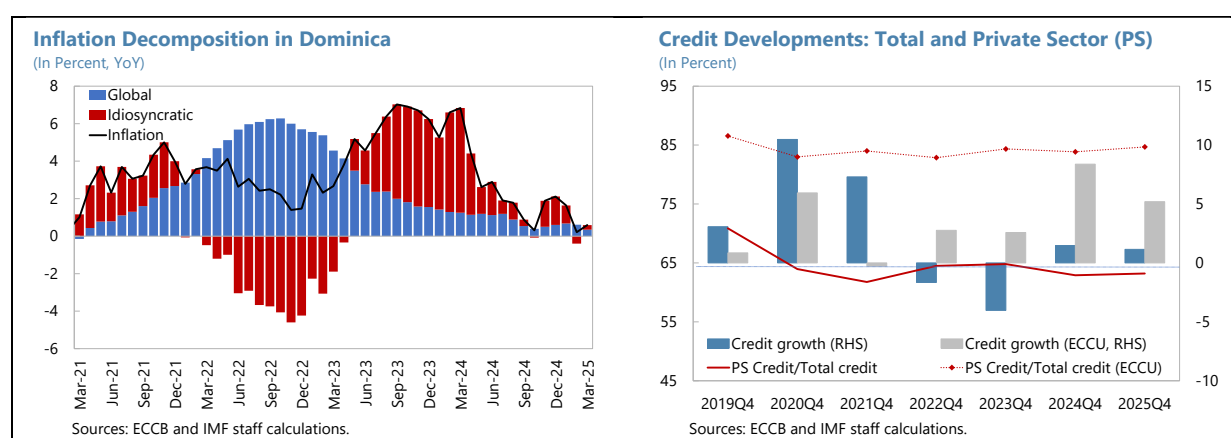
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RECENT DEVELOPMENTS

1. Dominica’s expansion reflects ongoing strategic investment and tourism. The post-pandemic rebound has been underpinned by major flagship projects to boost economic potential.¹ The economy expanded by 3.5 percent in 2024 and an estimated 4.5 percent in 2025, led by construction, retail and trade, and tourism (Figure 1). Tourist arrivals are robust at 136 percent of pre-pandemic levels, though cruise arrivals dominate over higher value-added stayovers. Inflation moderated in 2025, driven by softer energy prices and lower imported inflation. Bank credit to the private sector grew modestly (1.6 percent) but lags ECCU peers. The current account (CA) deficit remains above its estimated norm—at 38 percent of GDP in 2025 driven by construction-related imports (Figure 2)—and the external position is assessed as substantially weaker than the level implied by fundamentals and desirable policies (Annex I).

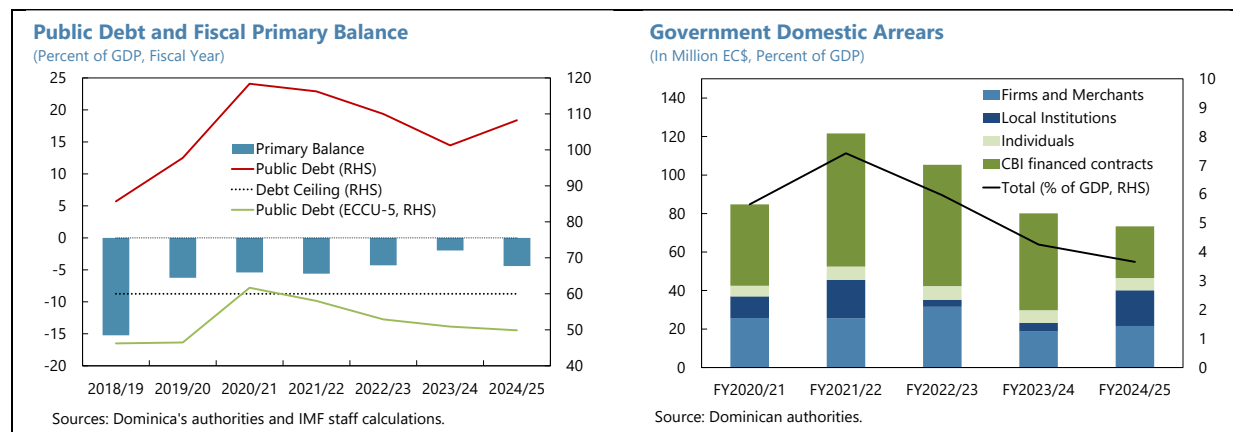


2. Public debt has declined, supported by fiscal adjustment, but remains high with elevated risks (Figure 3). Post-pandemic consolidation—totaling 4¼ percent of GDP through FY2023/24—was interrupted last year by one-off capital spending reflecting larger-than-anticipated execution of ongoing macro-critical projects, including resilient roads and geothermal transmission lines, relative to the 2025 Article IV consultation. Although partly offset by strong CBI inflows, higher tax revenues, and current expenditure restraint, the primary deficit widened to 4½ percent of GDP in FY2024/25 (from the 0.1 percent surplus projected), financed largely through concessional loans in line with Dominica’s debt strategy. Nevertheless, the underlying trajectory remains one of consolidation,² as evidenced by the further decline in domestic arrears—down 0.6 percentage points (ppts) to 3.8 percent of GDP—despite weaknesses in cash management and reporting (Section D).

¹ Dominica’s [National Resilience and Development Strategy](#) aims to raise growth potential and reduce economic imbalances by expanding tourism and agriculture capacity, enhancing competitiveness through green energy, and investing strategically in resilient productive infrastructure. Flagship projects include a new international airport, additional hotel and marina facilities, a geothermal power plant and distribution network, and climate-resilient infrastructure upgrades (e.g. East-coast road and Roseau enhancement project).

² Excluding this front-loading of capital expenditures (around 4¼ percent of GDP), the primary deficit would have strengthened in FY2024/25 by a further 1¾ ppts to a near balance, broadly in line with staff’s expectation during the 2025 consultation.

Public debt decreased 10.1 ppts from its pandemic peak to 108.2 percent of GDP in FY2024/25 but remains elevated and at high risk of debt distress (see Debt Sustainability Analysis).

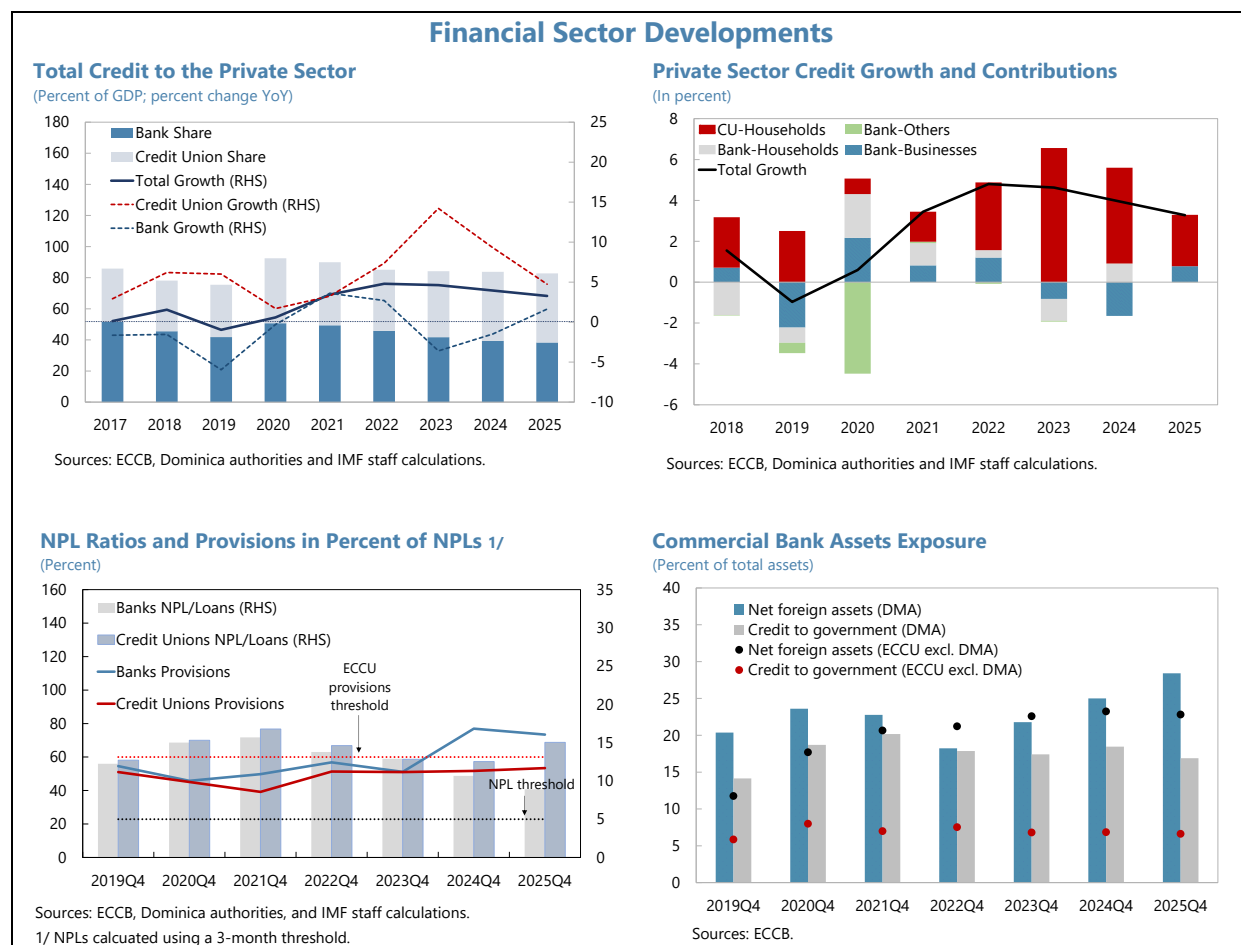


3. The financial sector has remained stable with low-to-moderate systemic risks amid evolving balance sheet weaknesses, mixed credit developments, and ample liquidity.

Vulnerabilities reflect persistent balance sheet weaknesses—stemming from banks’ elevated sovereign exposure and asset quality weaknesses in the credit union (CU) sector—alongside transmission risks from natural disasters. Banks’ private credit growth is subdued, reflecting balance sheet constraints and a shift toward overseas assets (Figure 4). Although provisioning has improved, non-performing loan (NPL) ratios remain above the regulatory threshold, and high sovereign exposure heightens vulnerability to shocks (Annex II). Meanwhile, the systemically-important CU sector—representing 31.9 percent of combined credit institution assets and 53.7 percent of total private credit—continues to underpin overall credit growth. Its rapid expansion, despite weaker capitalization, asset quality, and provisioning metrics relative to banks, highlights evolving financial stability risks and regulatory gaps (Figure 5).

Systemic Risk Assessment				
Systemic risk is assessed as low to medium. Credit and market risks are evolving across the bank and credit union sectors where long-standing balance sheet fragilities continue to dominate. Despite the region’s high exposure to natural disasters, the banking sector currently maintains adequate insurance coverage, though a potential rise in already-high reinsurance premiums could amplify financial stability risk and fiscal impact of future disasters.				
Type of risk	Likelihood	Impact if realized	Comments	
Credit risk	Medium	Low-to-medium	Banks' NPL ratios continue to exceed regulatory thresholds, with heightened sovereign exposure posing additional risks. The CU sector’s rapid expansion, amid weaker balance sheets (higher NPL ratios, lower capital buffers and provisioning) and weaker underwriting standards, poses growing risks. Credit risks also persist in restructured loans given the weak loan classification standards.	
Investment and market risks	Medium	Low-to-medium	Banks' large overseas asset exposures heighten vulnerability to global market volatility via variability of earnings and impacts on capital.	
Natural disasters risk	Medium	Low-to-medium	Dominica is highly susceptible to natural disasters. Past events, such as Hurricane Maria in 2017, led to an increase in NPLs which slowly declined over time until the COVID-19 pandemic. A sharp rise in insurance premiums could lead existing mortgagors to forgo insurance renewal, breaching loan covenants and raising default risks. Non-mortgage insurance coverage remains limited and declining, creating potential fiscal vulnerabilities.	

Source: IMF staff.



OUTLOOK AND RISKS

4. Sustained growth alongside modest consolidation is expected to gradually ease economic imbalances. Real GDP growth is projected to ease averaging 3.0 percent in 2026–27, supported by ongoing construction activity from strategic investment in flagship infrastructure projects, which more than offset negative spillovers from the war in the Middle East. Growth gradually moderates to 2 percent over the longer term as these projects conclude and consolidation advances.³ Inflation is set to accelerate to 3.9 percent by end-2026—reflecting import price pressures from the global oil price shock—before gradually declining to 2.2 percent as these pressures unwind and in line with key trading partners’ price trends. The CA balance narrows over the projection period, returning to its norm by 2031, supported by sustained tourism growth, the normalization of investment-led imports—which outweigh transitory fuel price pressures—and lower fuel import needs following the start of geothermal energy production in April 2026. Sustained, modest consolidation is projected to resume this fiscal year, reaching a primary surplus of 0.7 percent of GDP, as the planned reduction in capital expenditures (partly reflecting last year’s front-loading) alongside current expenditure restraint more than offsets moderating CBI inflows. The

³ The outlook integrates modest economic gains from ongoing tourism capacity investments and the transition to geothermal energy in 2026, which reduces oil imports needs by roughly 20 percent.

medium-term outlook assumes sustained CBI inflows—converging to 15¾ percent of GDP—that finance investment under the authorities’ Public Sector Investment Program (PSIP) at historical norms alongside a modest erosion of tax yields as imports normalize. On this basis, public debt is projected to fall further to 102½ percent of GDP this fiscal year and decline steadily to 69¼ percent of GDP by 2035, albeit with a sustained high risk of debt distress. Under the authorities’ debt strategy, financing needs will continue to be met through a mix of concessional loans and domestic issuance, with preference for the former. Together with the declining debt ratio, this supports a gradual unwinding of domestic exposures.

Macroeconomic Outlook (Percent of GDP)								
	2024	Prel.			Projections			
		2025	2026	2027	2028	2029	2030	2031
Real GDP 1/ 4/	3.5	4.5	3.1	2.8	2.7	2.4	2.1	2.0
Inflation (end of period)	2.1	1.6	3.9	1.8	2.2	2.2	2.2	2.2
Primary fiscal balance 2/	-4.4	0.7	1.0	1.1	1.2	1.5	2.0	2.0
Overall fiscal balance 2/	-6.8	-1.3	-1.0	-1.0	-0.9	-0.5	0.0	0.0
Public Capital Expenditure 2/	38.1	26.5	18.8	13.7	13.3	12.8	12.3	12.4
Public debt 2/ 3/	108.2	102.6	98.3	94.7	91.4	88.2	84.8	81.6
Current account balance	-37.8	-38.0	-33.2	-25.4	-20.8	-18.3	-16.9	-16.5
Credit to the private sector growth 4/	-1.5	1.6	3.4	4.7	6.0	5.7	4.3	4.2

Sources: Dominican authorities, ECCB, and Fund staff estimates and projections.
1/ At market prices.
2/ Data for fiscal years from July to June (e.g. 2025 = FY2025/26).
3/ Includes estimated commitments under the Petrocaribe arrangement with Venezuela.
4/ Annual percent change.

5. Downside risks dominate amid elevated global economic uncertainty. Heavy reliance on a narrow set of tourism and import source markets, alongside a high import dependence—notably food and fossil fuels (comprising 90 percent of primary energy use)—are key sources of vulnerability, heightening exposure to external slowdowns, trade disruptions, and global price volatility. Prolonged high oil prices, escalating geopolitical tensions, intensifying trade and travel barriers, and slowdowns in key trading partners could generate adverse spillovers for growth, inflation, and the balance of payments. In particular, higher or more persistent global oil prices stemming from a protracted war would raise imported inflation, widen the current account deficit through higher fuel and transport costs, and dampen tourism via higher airfares. This could reduce growth in the near and medium-term by between ½ to 1½ ppts and raise inflation by 2 and 4 ppts respectively (relative to the baseline).⁴ Increased third-party scrutiny of the CBI program and tighter financial conditions could further weaken the outlook and heighten fiscal vulnerabilities through lower revenues, higher financing costs, project disruptions, and delayed consolidation, with NDs an ever-present risk to growth. Managing these risks requires a combination of policies to rebuild buffers and accelerate structural reforms (see below and Annex III). Where support is needed to protect the most vulnerable from severe external shocks, it should be targeted, temporary, and funded within existing budget envelopes by reprioritizing spending.

Authorities’ Views

6. The authorities underscored the high degree of economic uncertainty and broadly agreed with staff’s assessment of the outlook and balance of risks. They acknowledged rising downside risks from intensifying conflicts and geopolitical tensions but noted that the geothermal plant’s recent entry into operation provides a buffer against external energy price shocks by reducing import dependence while delivering lasting benefits through anticipated structurally lower electricity costs. While fiscal mitigation measures are under review, they agreed these should be

⁴ Sensitivity analysis is calibrated to the adverse and severe scenarios outlined in the [April 2026 World Economic Outlook \(WEO\)](#). The energy price shock is assumed to unwind over the medium term and does not impede convergence of the current account to its estimated norm by the end of the projection period.

targeted, time-bound, and financed to the extent possible from deferred non-priority spending. They confirmed that the fuel price pass-through mechanism will operate fully—as it did during the COVID-19 pandemic—citing limited space under the fiscal rule. At the same time, stronger-than-expected CBI applications, in the context of heightened geopolitical tensions, reduce near-term project financing risks, and well-developed supply chains for flagship projects limit exposure to conflict-related disruptions. The authorities also highlighted ongoing bilateral and regional initiatives to mitigate risks to the CBI program, including enhanced governance, screening, and due diligence measures; the establishment of a regional regulatory body; and strengthened cooperation with third-party counterparts to bolster security. On balance, they remain optimistic about longer-term growth prospects from expanded tourism capacity, which the authorities considered understated in staff's baseline.

POLICY DISCUSSIONS

Consistent with advice in past consultations (Annex IV), policies should be recalibrated to reduce fiscal and external imbalances while enhancing the foundation for resilient growth. Priorities include: (i) rebuilding buffers within Dominica's fiscal resilience framework (FRF); (ii) enhancing financial intermediation and oversight; and (iii) easing bottlenecks to competitiveness and productivity.

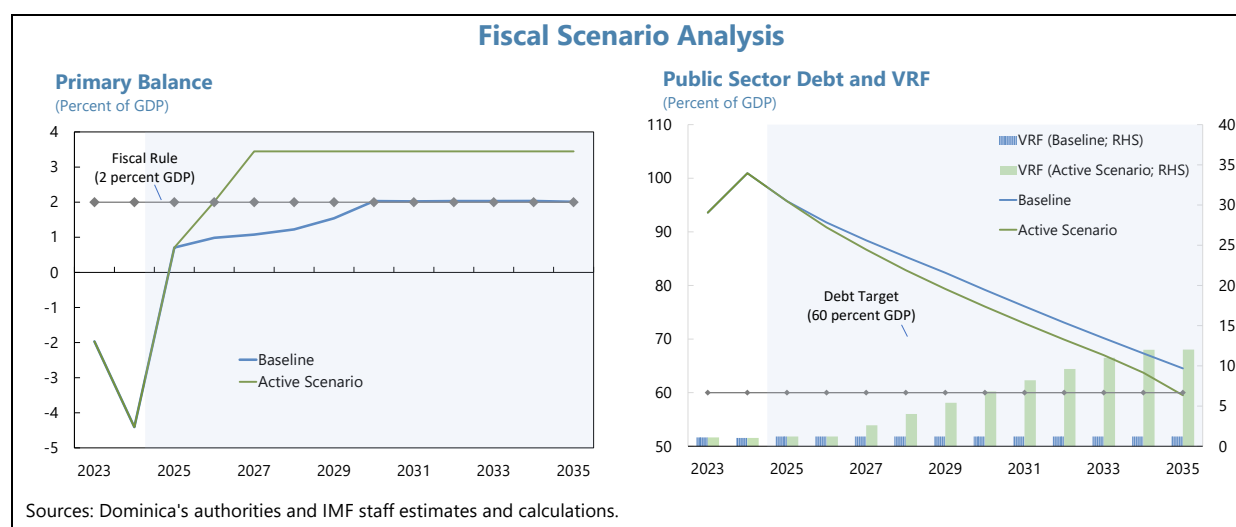
A. Rebuilding Fiscal Buffers

7. Fiscal balances are projected to improve over the projection period, albeit more gradually than outlined by the authorities. The authorities' FY2025/26 budget framework targets a primary surplus (PS) of 0.6 percent of GDP, converging to a 1¼ percent by FY2027/28. While supported by several modest staff-endorsed revenue measures (e.g., a highway maintenance levy and additional tourism fees), the framework is largely silent on underlying policy measures. Under current policies, staff projects the PS to modestly overperform this year, reaching 0.7 percent of GDP in FY2025/26—partly reflecting strong collections and a boost in international tax revenues from elevated oil prices—but thereafter to adjust only gradually to 2 percent of GDP by FY2030/31.

8. Additional consolidation—in line with FRF objectives—is critical to reduce Dominica's high risk of debt-distress and reinforce the currency union. Current fiscal policy settings are insufficient to address fragile debt dynamics and objectives under Dominica's two-pillared FRF, which involves: (i) sustaining a minimum PS of 2 percent of GDP from FY2026/27 onwards to lower public debt below 60 percent of GDP by 2035 (*Fiscal Rule pillar*); and (ii) accumulating 12 percent of GDP in the VRF contingency fund, at a rate of 1½ ppts per year (*Disaster Resilience pillar*).⁵ Staff analysis finds:

⁵ The Vulnerability, Risk and Resilience Fund (VRF) was created as part of the multi-layered [2021 Disaster Resilience Strategy](#) to self-insure against small but frequent NDs. See [Country Report No. 25/130](#) for FRF details. As VRF assets grow, policymakers should periodically assess whether continued accumulation remains preferable to accelerated debt repayment, reflecting on borrowing terms and VRF returns.

- The fiscal path on current policies (*baseline*) undershoots the 2 percent PS floor until FY2030/31⁶ and generates no additional VRF savings (currently 1.2 percent of GDP). Debt therefore remains above the 60 percent of GDP regional threshold in 2035, with elevated debt distress vulnerabilities.
- Alternatively, dual FRF objectives can be met by phasing in EC\$60 million in additional consolidation over the coming two fiscal years to achieve and sustain a 3.4 percent of GDP PS from FY2027/28. At least EC\$25 million would be required next fiscal year (FY2026/27) to meet the 2-percent floor under the fiscal rule. Under this *active scenario*, the debt declines to 59.5 percent by 2035—materially reducing debt distress vulnerabilities—and VRF balances reach 12 percent of GDP by 2034.



9. A mix of revenue and expenditure measures can deliver the recommended adjustment while preserving critical social and infrastructure investment for resilient, inclusive growth.

Staff propose a range of options in these respects building from 2025 AIV recommendations (text table). Specifically:

- *Revenue* measures to boost and diversify the base would narrow Dominica's sizable tax-revenue gap (estimated at 5.8 percent of GDP). Priorities include reducing leakage from widespread import duty and VAT exemptions, alongside targeted revenue measures. Any VAT recalibration

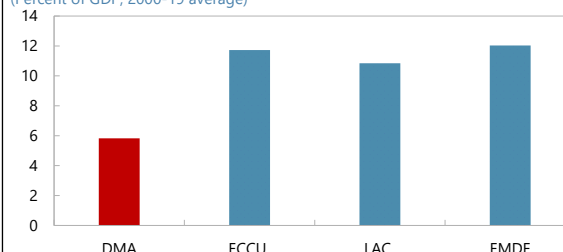
⁶ The Fiscal Responsibility Act requires corrective action within three years when cumulative deviation from the minimum PS floor exceeds 2 percent of GDP. An escape clause may be triggered by a real GDP contraction of at least 2 percent in one year or 3 percent over two years, a declared state of emergency (natural disaster, public health emergency, civil unrest, or war), or an ECCB-declared financial sector crisis. Activation requires Cabinet approval and is limited to two years.

should be carefully designed and potentially paired with targeted support for the most vulnerable.

- Optimizing *expenditure* efficiency is essential to preserve fiscal space for macrocritical investment. This involves rationalizing goods and services spending, sustaining restraint in wages, and containing transfers through improved tariff-setting and collection for key public services, notably hospital services. Consolidating overlapping public agency functions can yield scale efficiencies. Economic return considerations to growth potential and external stability should guide the rationalization and optimization of capital expenditures. The completion of the East-coast road and geothermal plant are important milestones for resilience and competitiveness, with the international airport remaining a top priority for growth. Forward-looking priorities, subject to fiscal space, include the full transition to renewable electricity-generation, port infrastructure upgrades, and the resilient Roseau enhancement project (Section C). From an optimization standpoint, the National Employment Program (NEP) should be restructured into a revolving targeted skills training program aligned with economic needs and supported by operational cost-sharing mechanisms. Housing programs should similarly be adjusted to provide need-based support through means-testing and the introduction of cost recovery mechanisms to defray outright subsidies.

Average Tax Gap: Difference between Average Tax Revenue and Potential

(Percent of GDP; 2000-19 average)



Source: IMF staff estimates based on Verdier et al. 2022.

Note: The results are obtained from a stochastic frontier analysis with 2000-19 data using 127 EMDEs. DMA = Dominica; ECCU = Eastern Caribbean Currency Union; LAC = Latin America and the Caribbean; EMDE = Emerging Market and Developing Economies.

Cumulative Fiscal Savings from a Menu of Policy Options ^{1/2/}

	Fiscal Consolidation		
	Percent of GDP	EC\$ millions	Percent of total
Revenue Measures	2.6	57.3	41.5
VAT recalibration 3/	1.8	40.2	29.1
Solid waste fee	0.1	1.6	1.1
Ending discretionary import duty exemptions (Cabinet concessions)	0.7	15.5	11.2
Expenditure Measures	3.6	80.8	58.5
Rationalizing goods and services line (excluding CBI due diligence)	0.3	7.6	5.5
Rationalizing transfers to public institutions by adjusting tariffs on public services	0.5	12.1	8.8
Optimizing the organizational structure and operational processes of public agencies	0.6	12.8	9.3
Rescaling National Employment Program	0.7	14.8	10.7
Rescaling Housing Program	1.5	33.5	24.3
Total	6.2	138.1	100.0

1/ Cumulative savings over two years.

2/ IMF staff estimates.

3/ Reported yields reflect an illustrative increase in the VAT rate by 3 percentage points but comparable yields can also be secured via a rationalization of widespread VAT exemptions. Any VAT recalibration should be carefully crafted and paired with targeted support to offset any distributional impact to the most vulnerable.

- Spillovers from the ongoing conflict could necessitate a policy response (Annex III). The authorities have adopted a pragmatic wait-and-see approach—thus far limiting action to a modest extension of temporary zero-rated VAT and duty-free provisions (originally set to expire in March) through end-FY2025/26. Any response to fuel and import price pressures should remain temporary, well-targeted, and anchored in available fiscal space under the FRF. The fuel-

price mechanism—which allows full pass-through of international developments—should continue to operate unimpeded. More broadly, consolidation should protect critical social programs through reprioritization and efficiency gains (see below), while advancing an articulated domestic arrears clearance strategy that strengthens identification, prioritization, monitoring, and cash management to prevent new arrears. As an immediate step to such a strategy, outstanding technical assistance recommendations on treasury operations and cash accounting should be implemented (Section D).

The growth impact of the proposed adjustment is expected to be muted, reflecting efforts to preserve productive investments that underpin the outlook (Box 1).

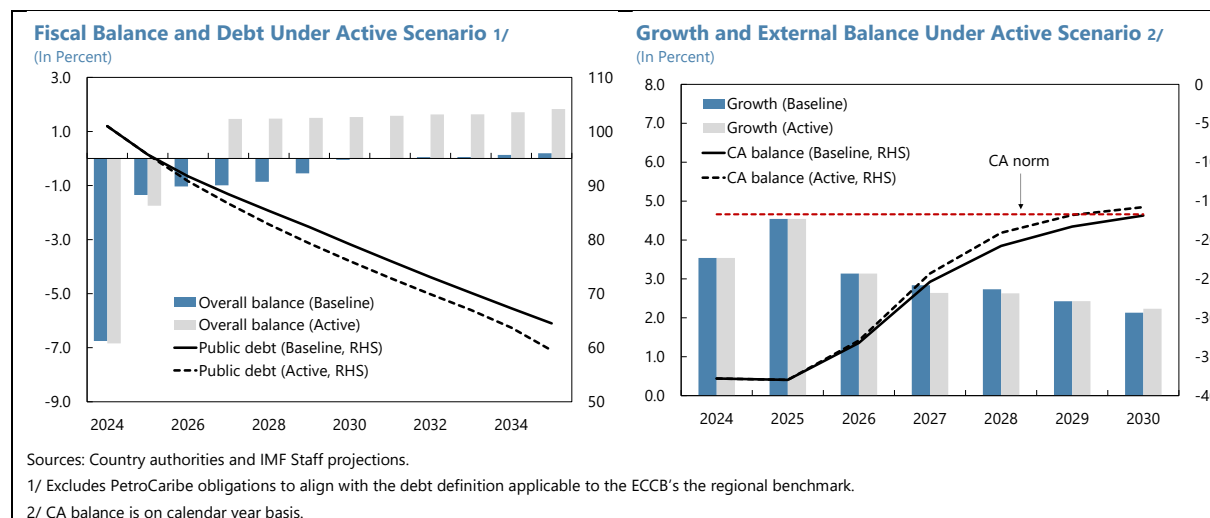
Box 1. Economic Adjustment Under a Strengthened Consolidation

An illustrative scenario demonstrates the impact of staff’s policy recalibration advice to reduce economic imbalances and rebuild critical buffers. The adjustment entails measures to raise revenues by EC\$20 million and streamline expenditures by EC\$40 million over two years. The growth impact under this active scenario is expected to be modest (about 0.15 ppts lower on average in 2027-28 relative to the baseline) as the strategy: (i) preserves key infrastructure investments that drive growth; and (ii) reallocates savings to faster clearance of domestic arrears to suppliers, providing an offsetting boost to economic activity.

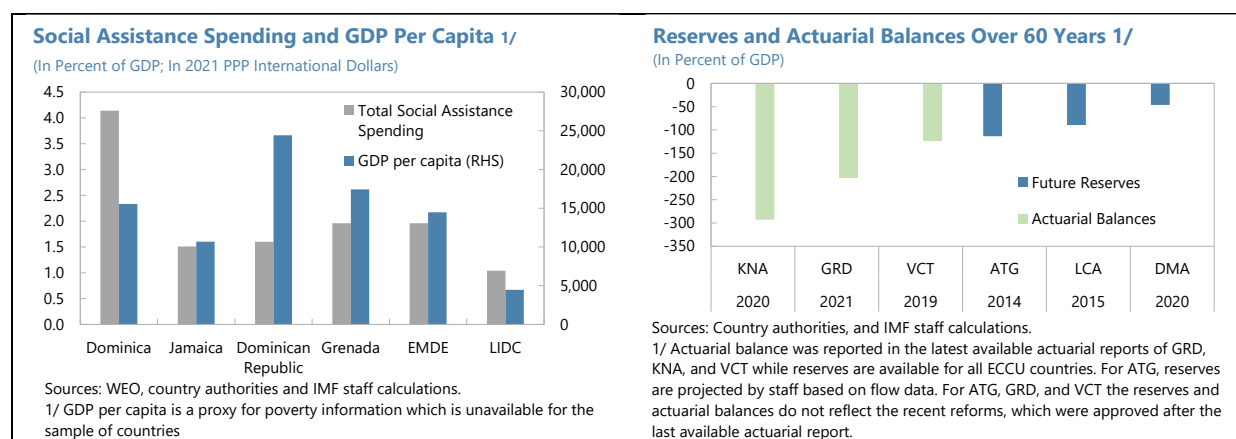
	Prel. 2025	2026	2027	2028	2029	2030	2031
Real GDP 1/ 4/	4.5	3.1	2.6	2.6	2.4	2.2	2.1
Inflation (end of period)	1.6	3.9	1.8	2.2	2.2	2.2	2.2
Primary fiscal balance 2/	0.7	2.0	3.4	3.4	3.4	3.4	3.4
Overall fiscal balance 2/	-1.4	0.0	1.4	1.4	1.5	1.5	1.5
Public Capital Expenditure 2/	26.5	18.1	11.9	11.3	11.1	11.1	11.3
Public debt 2/ 3/	102.6	97.4	93.0	88.9	85.2	81.7	78.4
Current account balance	-38.0	-32.9	-24.3	-19.1	-16.8	-15.8	-15.7
Credit to the private sector growth 4/	1.6	3.4	4.5	5.9	5.7	4.4	4.3

Sources: Dominican authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.
 1/ At market prices.
 2/ Data for fiscal years from July to June. (e.g. 2025 = FY2025/26)
 3/ Includes domestic arrears and estimated commitments under the Petrocaribe arrangement with Venezuela.
 4/ Annual percent change.

Under this consolidation plan, public debt declines to 59.5 percent of GDP by 2035 and the VRF is fully capitalized by 2034. The current account also improves by around 1½ percent of GDP on average over the medium-term—reflecting lower imports from PSIP reprioritization—resulting in a faster convergence to its norm by one year in 2030.



10. Institutional fiscal reforms are also needed to enhance the efficiency and sustainability of the social safety net. The current framework is largely untargeted and relatively generous, with assistance spending roughly double that of peers. Staff welcomes the planned launch of the Social Welfare Information Management System (SWIMS) this year covering the Public Assistance Program. All social welfare programs should eventually transition to this information management and digital payment system platform to establish a centralized beneficiary registry with improved targeting and payment efficiency. The projected depletion of pension reserves by 2050 calls for coordinated parametric reforms, including higher contribution rates, lower replacement rates, and aligning the retirement age at 65. These should be complemented by stronger enforcement to improve compliance—including timely out-of-court settlement processes—and a regularized process to publish actuarial reviews to enhance public awareness of reform needs.



Authorities' Views

11. The authorities concurred that additional consolidation is needed to achieve fiscal objectives, indicating that policy measures will be explored in the FY2026/27 budget cycle. They reaffirmed their commitment to restoring essential fiscal buffers under the resilience framework and are exploring a menu of largely expenditure-based measures in the upcoming budget, broadly aligned with staff recommendations. These include rationalizing tax concession and exemption regimes alongside a concerted emphasis to reduce primary current expenditures, which are elevated relative to regional peers. There was recognition of scope for refinements to improve outturns and secure fiscal saving in key programs, including those pertaining to national employment and housing. Work is advancing to digitalize health management and information services (Section C) which should ease transfer needs once operational. Preliminary estimates suggests that the prospective package of measures could yield near-term savings sufficient to achieve the 2 percent of GDP primary surplus floor for FY2026/27. The authorities also reaffirmed their commitment to steadily reduce domestic arrears as fiscal space permits, noting that a reporting system reconciliation and modernization is necessary to elaborate a detailed clearance plan with timelines and milestones.

12. Efforts are ongoing to enhance the efficiency and sustainability of social protection programs. The forthcoming SWIMS launch will improve targeting and cashless benefit payments, thereby strengthening security and access for beneficiaries. The intention is to extend SWIMS to other social programs to centralize the management information system, broaden stakeholder engagement, and facilitate out-migration from the assistance system. The authorities acknowledged that pension system sustainability is under further strain from weakening population dynamics and are reviewing interim measures—including raising the early pension age, increasing minimum contribution weeks, and tightening conditions for early retirement pensions—which together could extend pension reserves by about five years to 2055. To strengthen transparency, a proposal to automate the publication of actuarial reports six months after submission to the government is currently under review.

B. Strengthening Financial System Resilience and Intermediation

13. Policies should address evolving financial system vulnerabilities and ease impediments to credit growth. A multi-pronged approach is needed to tackle elevated NPLs, thin provisioning and capital buffers among CUs, unbalanced credit developments, still elevated sovereign exposure, and gaps in the regulatory architecture for the systemically important CU sector.

- **CU sector** (*nationally supervised*). Assessing balance-sheet vulnerabilities and modernizing the regulatory framework are critical. Reforms should tighten risk-based capital and provisioning requirements, strengthen loan classification frameworks to curb evergreening risks, and enhance enforcement with expanded administrative powers to incentivize timely write-offs of NPLs and ensure bank-comparable risk monitoring and mitigation in systemically important institutions. Participation in the regional initiative to establish common standards for non-bank financial institutions (NBFIs) is a key step towards harmonized, risk-based regulation. These regulatory enhancements should be complemented by the timely completion of the ongoing asset quality review (AQR) of the CU sector and Dominica's Agriculture Industrial and Development (AID) Bank, to obtain a detailed picture of balance sheet resilience and elaborate corrective measures as needed.
- **Banking sector** (*regionally supervised*). Improving asset quality and risk management is a top priority. This requires compliance with ECCB prudential standards for impaired assets—including full provisioning for long-dated NPLs. Disposal of impaired assets should proceed promptly, and risks from elevated sovereign exposures should be closely monitored and explicitly managed (see Annex II). Careful monitoring of banks' fast-rising net foreign assets is warranted to limit potential risks from net open positions.

14. Regional and national efforts should foster adequate, healthy and sustainable credit growth.⁷ Priorities include stronger prudential oversight to incentivize NPL write-offs and measures to accelerate distressed asset sales by the regional Asset Management Corporation (AMC).

⁷ Frictions to credit intermediation are outlined in Country Reports [No. 24/192](#) (Annex V) and [No. 25/104](#) (Annex VII).

Legislative reforms to modernize national insolvency, debt enforcement, and foreclosure frameworks should be pursued to streamline NPL resolution, including through the ECCB's initiative to harmonize insolvency legislation. Policies to reduce credit market frictions and improve private sector bankability—thereby reducing incentives for banks to expand overseas exposure—include: (i) full participation of banks and CUs in the regional credit bureau; (ii) streamlined loan documentation, tailored financial products, and enhanced Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) coordination with national programs to expand MSME access to finance; and (iii) intensified financial-literacy initiatives.

15. Sustained progress in strengthening the AML/CFT framework is critical amid ongoing scrutiny of CBI programs. The 2023 CFATF Mutual Evaluation Report rated Dominica compliant or largely compliant across 33 of 40 recommendations (83 percent). Remaining deficiencies are concentrated in targeted financial sanctions, beneficial ownership transparency, and the regulation and supervision of designated non-financial businesses and professions (DNFBPs) and non-profit organizations. The authorities have strengthened the legislative framework through amendments to the Money Laundering Prevention Act, Proceeds of Crime Act, and Financing of Terrorism Act, although reforms on proliferation financing remain pending. While technical compliance with FATF recommendations have improved, there is scope to enhance effectiveness across the 11 Immediate Outcomes.⁸ The authorities have also proactively strengthened the CBI program, including by the swift adoption of the regionally agreed Six Principles (2023), establishment of a dedicated due diligence and security screening function within the Financial Intelligence Unit (FIU), and spearheading the regional Memorandum of Agreement establishing common CBI standards (2024).

16. The ECCB has implemented most recommendations from the previous safeguards assessment. The remaining recommendation relates to strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. However, staff have not yet received access to management letters issued by external auditors for recent years. Staff will continue to engage on this matter, and the next periodic safeguards assessment of the ECCB is scheduled for early 2027.

Authorities' Views

17. Regulatory and legislative reforms to strengthen financial system resilience are advancing alongside continued AML/CFT upgrades. AQRs in the CU sector are ongoing, with completion expected by end-2027. The Financial Services Unit (FSU) has updated the CU regulatory and legislative framework with capacity development (CD) support from the Fund. The revised regulations—which are under review and expected to become operational in 2026—introduce key prudential enhancements, including tiered risk-based capital requirements, strengthened provisioning and collateral valuation standards, anti-evergreening measures, and clearer write-off rules, while also expanding administrative penalties and FSU intervention and governance provisions. The FIU is advancing AML/CFT reform, focusing on legal framework enhancements to

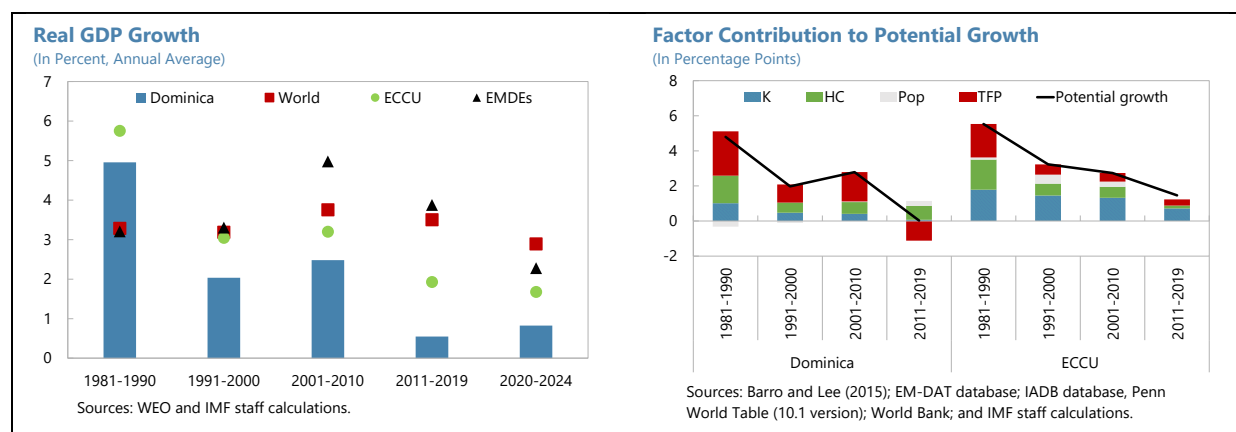
⁸ Outcome related priorities include strengthened: (i) transparency in beneficial ownership; (ii) sectoral risk assessments; (iii) risk-based supervisory capacity; and (iv) preventative measures.

achieve full technical compliance ahead of the 5th Mutual Evaluation (2027-28). To that end, the planned technical re-rating exercise at the May 2026 CFATF Plenary could raise compliance to 90 percent. The authorities also highlighted the recent completion of the National Cyber Security Strategy, with supporting legislation for the Cyber Security Act and Data Protection and Privacy Act expected to pass Parliament by September.

18. Improving financial intermediation—particularly credit access for micro, small, and medium-sized enterprises (MSMEs)—remains a priority. The authorities welcomed bank and CU initiatives to promote healthy lending, including the newly established Small Business Unit at the National Bank of Dominica and continued MSME support from the AID Bank. The FSU is working with CUs’ to facilitate participation in the credit bureau to improve credit information and risk assessment, while refinements to the ECPCGC program have increased MSMEs uptake. Weak MSME record-keeping reflects broader capacity gaps, and the authorities highlighted scope to strengthen small business management and accounting training within coordinated financial literacy efforts. Although banks’ asset disposals through the Eastern Caribbean AMC have slowed due to country concentration limits, new CU write-off requirements should further incentivize NPL resolution. The authorities acknowledged that outdated national insolvency, collateral enforcement, and foreclosure frameworks constrain intermediation. They regard regional efforts to harmonize modern regional insolvency and bankruptcy standards across ECCU jurisdiction as an important catalyst to domestic reform.

C. Strengthening Long-Term Growth Prospects

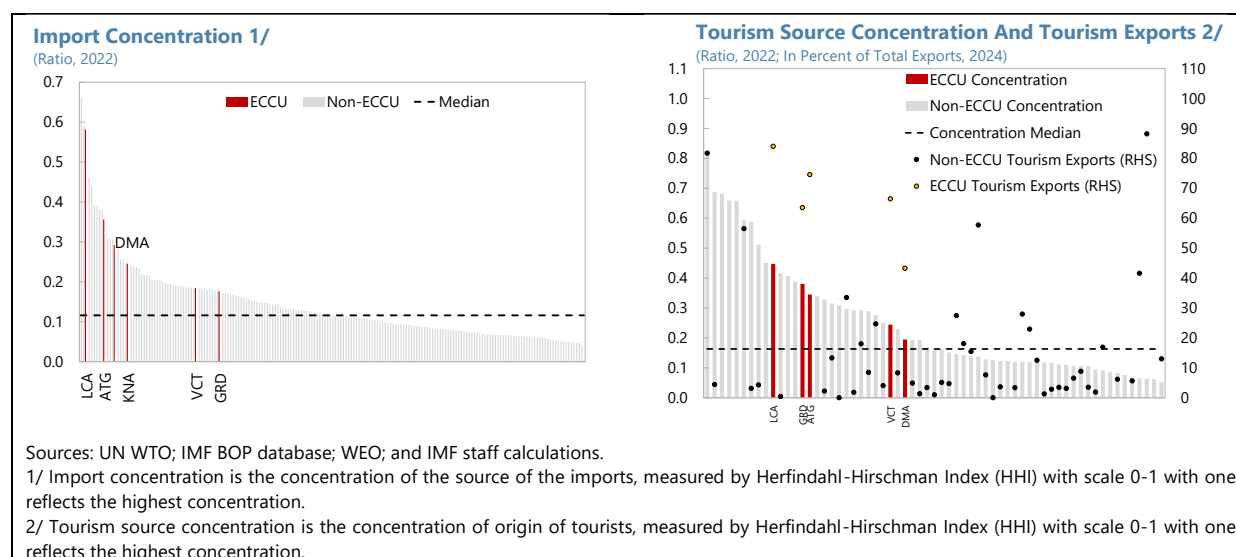
19. Dominica’s potential growth has declined over recent decades, reflecting diminishing contributions from productivity as well as human and physical capital. This trend stems from structural impediments to economic efficiency, notably barriers to credit and productive investment, burdensome administrative and licensing processes, and labor skills gaps and mismatches.⁹ A coordinated strategy to alleviate these constraints is essential to raise growth potential and resilience.



⁹ See [Country Report No. 25/130](#), Annex V.

Leveraging Trade Integration to Boost Competitiveness and Productivity.

20. Deeper trade integration and diversification offer small open economies like Dominica a path to stronger growth and reduced vulnerability to shocks. For the Caribbean, expanding trade links with new markets can diversify risks, lower costs, and broaden economic opportunities. Dominica stands to benefit, given its high concentration in both import sources and export markets.

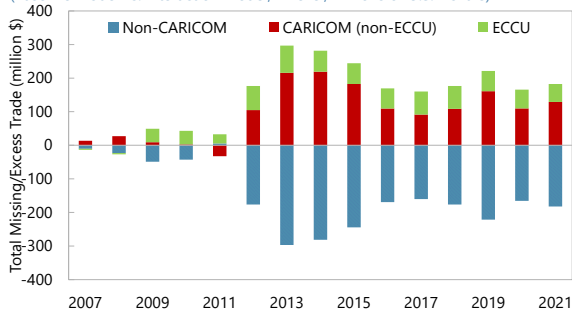


21. Empirical evidence suggests untapped trade potential, with connectivity constraints as a central impediment. A gravity model analysis of global trade indicates that ECCU countries under-trade with partners outside the Caribbean relative to fundamentals—estimated at 1.3 percent of GDP in goods exports for Dominica—largely due to limited connectivity (Annex V). On the import side, scarce direct shipping links and small market size raise Caribbean freight costs—roughly three times the global average—and reinforce reliance on a narrow set of suppliers, exacerbating concentration risks. On the export side—dominated by tourism—air connectivity challenges include limited carriers, constrained airport and hotel capacity, and dependence on regional hubs that heighten exposure to supply disruptions.

Trade Characteristics for Dominica and the wider ECCU Region

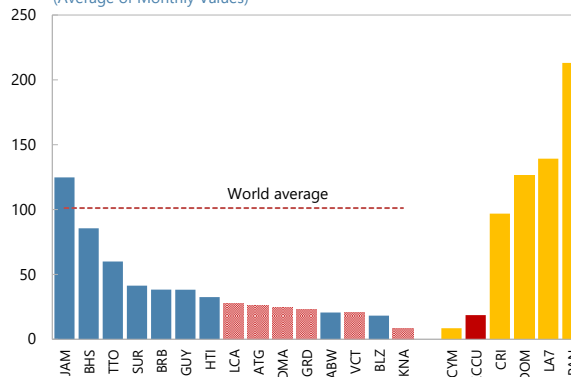
Deviations Between Actual and Predicted Trade Patterns in ECCU Countries, by Partner Region

(Baseline model vs. interaction model; In level, millions of U.S. Dollars)



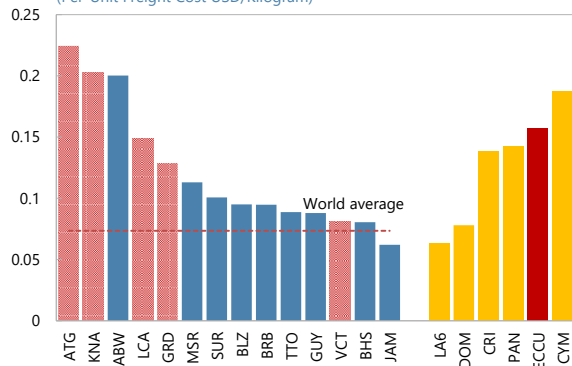
Liner Shipping Connectivity Index, 2024 1/

(Average of Monthly Values)



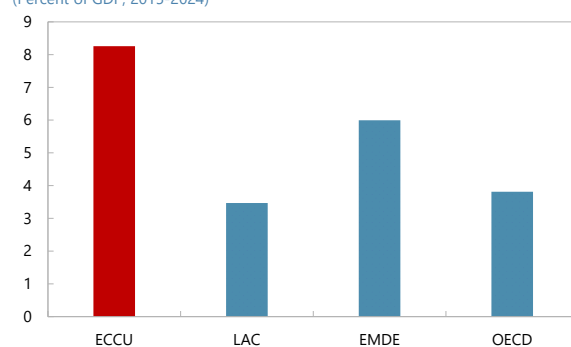
Average Freight Cost, 2016-2019 2/

(Per-Unit Freight Cost USD/Kilogram)



Volatility of Exports

(Percent of GDP, 2015-2024)



Sources: BACI database; UNCTAD Experimental Transport and Trade Dataset; WEO; and IMF staff calculations.

1/ Subcomponents of the index are: number of scheduled ship calls per week; total scheduled annual deployed capacity (in twenty-foot equivalent units); number of regular liner shipping services; number of liner shipping companies that provide services; size of the largest ship deployed on services; number of other countries that are connected to the country through direct liner shipping services.

2/ LA6 reflects an average across Argentina, Brazil, Chile, Colombia, Peru, and Uruguay. Average transport expenditure per kilogram of the traded goods (QtyKg). Transport costs reflect expenditures invoiced for the services performed to deliver internationally traded goods from the border of the economy of origin (Origin) to the border of the importing economy (Destination), including the shipping the goods and the procurement of insurance against the risk of loss or damage during carriage.

22. Coordinated policies could strengthen Dominica's trade and underlying growth prospects.

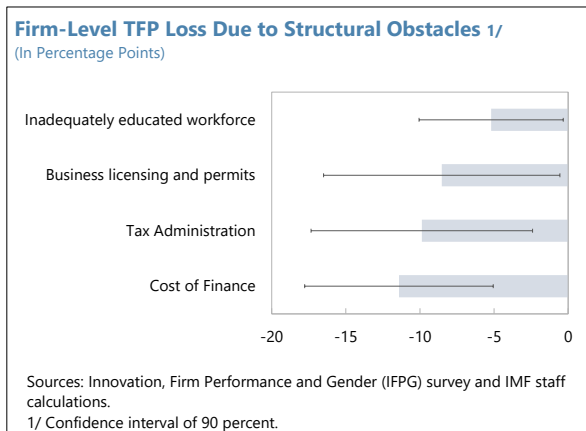
Priorities include improving institutional efficiency—domestically and regionally—through harmonized customs procedures, a unified single-window platform, and mutual recognition agreements. Modernizing trade agreements and pursuing strategic investments to enhance airlift and diversify shipping would deepen integration (see Annex V). Dominica should also explore opportunities to expand non-tourism services, such as medical education and training. Efforts to alleviate connectivity constraints are underway—with the new international airport alongside CBI-financed hotel projects expected to boost airlift and tourism capacity while diversifying source markets—offering near and medium-term growth dividends (Annex VI).

23. Complementary reforms to alleviate persistent bottlenecks to innovation and allocative efficiency are also needed. Policies should continue prioritizing the digitalization of public services and streamlining bureaucratic processes, including by modernizing tax administration, business licensing and permit procedures, and legal and institutional frameworks.

Physical Capital

24. Investment to broaden and upgrade the productivity and resiliency of the capital stock is necessary for sustained higher growth. In a fiscal consolidation setting consistent with Dominica’s development strategy, this entails prioritizing high-return investments, phasing projects in line with resource constraints, and relying on non-debt-creating (or concessional) inflows. Accordingly, the authorities should:

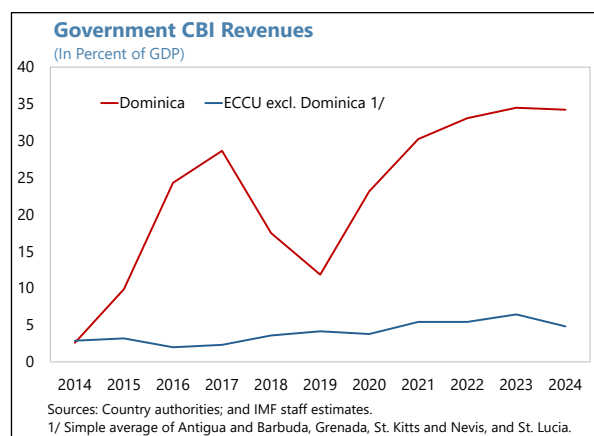
- **Prioritize completing ongoing transformative capital projects over launching new investments**, particularly given uncertainty around CBI flows. With the geothermal powerplant now commissioned—delivering 10MW to the electrical generation matrix (roughly half of Dominica’s needs)—policy focus should center on completing the international airport (expected in 2027), given its central role in boosting connectivity and growth.¹⁰ While geothermal generation raises the renewable share of electricity generation from 25 to about 75 percent, its full potential to displace volatile oil imports, boost competitiveness, and expand export markets¹¹ is constrained by limited connectivity and capacity to service the island’s north—an area of strategic importance with the forthcoming international airport. Plans to fully transition to a geothermal-based generation mix should proceed apace, guided by cost–benefit analysis and aligned with fiscal and debt objectives under the FRF. Given its strategic importance, the full geothermal transition should be included as a CBI-funded project under the PSIP and accorded top priority once the international airport is completed.
- **Remain proactive in reducing CBI inflow risks.** Dominica has undertaken wide-ranging reforms to enhance the financial integrity of its AML/CFT framework (¶12), including specific measures related to CBI, notably: tightened governance and revocation powers; stricter agent eligibility and applicant due diligence; and regional oversight through the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA). While these reforms help to mitigate



¹⁰ Annexes V and VI.

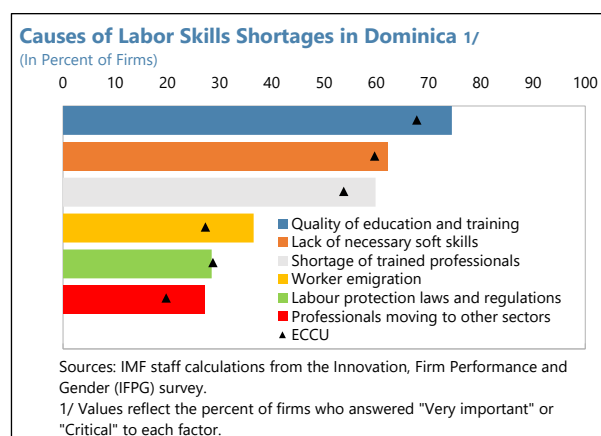
¹¹ See [Country Report No. 24/192](#).

inflow risks and underpin the expectation of a sustained albeit more modest equilibrium, they do not guarantee the resilience of CBI flows. Scope for further enhancements include strengthened governance and security protocols (such as through biometrics and enhanced residency requirements), improved CBI data reporting (internally and externally), and the introduction of accountability frameworks (e.g., best practices in investment-option design and standardized *ex-post* project assessments).



Human Capital

25. A shortage of skilled labor—reflecting gaps in quality, competencies, and the number of locally trained professionals—rank as a major labor market barrier. Dominica's participation in the full free movement arrangement with Barbados, Belize and St. Vincent and Grenadines is a useful interim step to address the skills gap by easing labor mobility constraints. Additional priorities to strengthen the supply of human capital include: (i) modernizing school curriculums and vocational certification frameworks (both nationally and regionally) to better align with in-demand skills; and (ii) recalibrating the NEP to alleviate economy-wide skill deficiencies through targeted and time-bound training at an overall lower budgetary cost.



Authorities' Views

26. A broad reform agenda to ease structural growth constraints is underway, focusing on strengthened integration and connectivity, digital transformation, and upgraded labor skills.

- **Trade integration and connectivity.** *Trade facilitation* reforms—such as port digitalization and transition to a single-window platform—are progressing, though stakeholder integration and financing remain operational challenges. The authorities saw a role for regional initiatives to harmonize customs, licensing, and regulatory frameworks to mitigate small-market constraints. Meaningful *connectivity* gains are anticipated from the completion of the international airport, supported by ongoing airline engagement, while longer-term options to expand cargo port and cruise infrastructure are being explored. The authorities also noted potential to expand

knowledge-based exports, including medical, veterinary, and business process outsourcing services.

- **Digital transformation.** Implementation of the Caribbean *Digital Transformation Project* (extended to 2028) is central to improving the *business environment and productivity*. Over 250 government services are now online, and the Health Management and Information System—expected by September 2026—will strengthen patient record management, hospital fee collection, and administrative efficiency. Parallel priorities include expanding digital payments capacity for MSMEs through the distribution of point-of-sale machines.
- **Skills development.** Efforts to *upgrade skills* and alleviate gaps include reforms to vocational and educational curricula (supported by enhanced digital infrastructure), commissioning of a new Technical Vocational and Education Training center, removal of visa restrictions for agricultural labor, and a potential retooling of the NEP. Recalibrating scholarship and tertiary education policies was also identified as a mechanism to strengthen specialized skill pipelines and mitigate brain-drain pressures.

27. The authorities reaffirmed their intention to prioritize high-impact capital projects and remain proactive in safeguarding development inflows. The authorities identified prospective visa policy changes in third countries affecting ECCU jurisdictions with CBI programs as a key risk to its demand and related development financing. The authorities underscored recent measures to mitigate CBI inflow erosion risks, including recently passed national legislation establishing the regional regulatory authority, which introduces residency requirements, and ongoing collaboration with strategic partners to integrate biometric screening into the CBI applicant vetting process. They noted that, should inflows unexpectedly weaken, their primary contingency plan would be to reprioritize CBI-related spending toward completion of the international airport.

D. Institutional and Data Issues

28. Underdeveloped institutional frameworks complicate policy formulation, monitoring, and execution. Deficiencies are most acute in statistical compilation and public financial management (PFM). The former reflects, in part, sustained resource and absorptive capacity constraints within the statistical agency, contributing to gaps in timeliness, consistency, and sectoral coverage that somewhat hamper surveillance (Annex VII). In the real sector, the absence of quarterly GDP, delays in annual data, outdated CPI weights, and lags in labor and census statistics constrain comprehensive assessments of economic activity. Fiscal and external sector analysis is similarly affected by data inconsistencies, revisions, and delays and gaps in the reporting of CBI flows—particularly those linked to FDI—which can obscure a full understanding of fiscal balances and external financing dynamics. At the same time, persistent weaknesses in PFM systems risk undermining the operationalization of the fiscal rule and disaster self-insurance mechanisms, underscoring the need for more frequent fiscal disclosure and strengthened internal reporting frameworks, including structured data compilation protocols and modern data dissemination systems.

29. Strengthening statistical compilation, medium-term budgeting, and fiscal reporting is essential and can be supported through targeted CD. Addressing institutional and technical capacity gaps—common among many small developing states—is a central element of the Fund’s Engagement Strategy with Dominica.¹² The authorities should move expeditiously to establish the Fiscal Responsibility Committee mandated under the rule—ensuring consistency with international best practice—and reconfigure budget processes to support FRF implementation by: (i) framing the budget around a policy-based three-year FRF-consistent framework; and (ii) introducing a mid-year budget review to assess outturns against targets (specifying corrective measures as needed). Pending CD recommendations to enhance Treasury operations and public cash accounting should be implemented. Staff emphasized Fund CD to operationalize the FRF in these areas as immediate priorities and reviewed the Fund’s broader CD program to strengthen institutional frameworks and statistical capacity (see Annex VII, Engagement Strategy, and Informational Annex). The authorities were encouraged to consider how tailored new CD could support key strategic priorities.

Authorities’ Views

30. A broad action plan is underway to address PFM and statistical compilation deficiencies. On PFM, a database upgrade alongside revised compilation and reporting protocols is underway within the CBI unit to reduce siloed processes and enable real-time data access for authorized users. The authorities have introduced top-down budgeting, notably for the PSIP, to align expenditure envelopes with fiscal rule and resilience objectives, and intend to establish a Fiscal Responsibility Committee while anchoring the budget process in a policy-based medium-term fiscal framework. They saw merit in supplementing the budget framework with mid-year reviews and are reviewing recent CD recommendations on public sector cash accounting with a view to implementation. On statistics, they welcomed the Fund’s CD support and highlighted several advancements, including completion of the GDP rebasing exercise (with publication of the revised series through 2025 expected by end-FY). Migration to the CPI+ system and the resumption of labor force survey reporting are expected this year. The authorities are also assessing further CD needs to alleviate institutional gaps against absorptive capacity and the broader strategic reform agenda.

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31. Growth is expected to moderate over the medium term, with risks tilted to the downside. Real GDP growth is projected to average 3.0 percent in 2026–27, supported by strategic infrastructure investment, before easing to around 2 percent as construction winds down. The CA deficit is expected to return to its norm by 2031, driven by stronger tourism, normalization of investment-related imports, and lower fuel imports following the geothermal transition. Under current policies, the primary surplus gradually rises to 2 percent of GDP by FY2030/31 and public debt ratio declines to around 70 percent by 2035 but remains above the currency union’s prudential benchmark with high debt distress vulnerabilities. Risks are elevated amid oil price volatility,

¹² [Country Report No. 25/130](#), Annex VIII.

heightened geopolitical and trade tensions, CBI uncertainty, and ND threats, highlighting a need to rebuild buffers and sustain policy discipline within the resilience framework.

32. Additional fiscal consolidation is required to reduce economic imbalances and mitigate risks while supporting resilient growth. Maintaining a primary surplus of roughly 3½ percent of GDP from FY2026/27 onward would reduce public debt below 60 percent of GDP by 2035 and ensure adequate capitalization of the VRF for disaster events. The strategy should broaden the revenue base, optimize expenditures to preserve space for macrocritical investment, and strengthen the targeting and sustainability of social protection.

33. Reducing balance sheet vulnerabilities in the financial sector and strengthening regulatory oversight are critical. For banks, priorities include stricter enforcement of provisioning and NPL standards, managing loan loss allowances, and facilitating the disposal of impaired assets, while closely monitoring sovereign and foreign investment exposures. For credit unions, completing the ongoing regulatory modernization is essential by updating regulatory thresholds, transitioning to risk-based capital, provisioning, and loan classification frameworks, and bolstering supervisory enforcement tools. These enhancements should be complemented by timely completion of AQRs for the CU sector and AID Bank to obtain a detailed picture of balance sheet resilience and elaborate corrective measures as needed.

34. Structural reforms are essential to foster resilient and sustainable growth. Addressing constraints to financial intermediation requires modernizing collateral, foreclosure, and bankruptcy frameworks. Improving trade integration and connectivity could diversify risks, lower costs, and expand economic opportunities. Streamlining customs procedures within a unified single-window platform can deliver near-term efficiency gains while ongoing and planned infrastructure upgrades in air and port capacity should ease connectivity constraints over the medium and long-term. Reforms should also address long-standing bottlenecks to innovation and skills development through stronger digital infrastructure, modernized education and training aligned with labor market needs, an improved business environment, and strengthened institutional frameworks to scale up productive and efficient capital investment. Reducing risks to development financing is critical, notably through further innovations to the CBI program where there is scope to reinforce security protocols, address weaknesses in data reporting, and strengthen accountability frameworks.

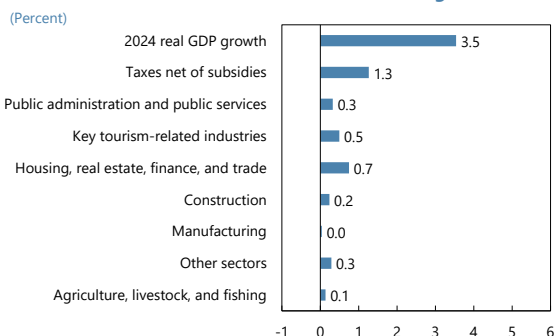
35. Institutional frameworks should be enhanced to better support policy formulation, monitoring, and implementation. Upgrades to PFM systems and the budget architecture are needed to operationalize the fiscal rule and self-insurance mechanisms, including establishing an independent fiscal oversight body, and anchoring budget formulation within a policy-based MTF complemented by mid-year reviews. Weaknesses in statistical compilation continue to constrain evidence-based policymaking. There is scope to build on recent progress to address identified institutional gaps via targeted IMF-supported CD assistance.

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

Figure 1. Dominica: Real Sector Developments

Wholesale/retail trade, tourism, and public services played the leading role in 2024 growth.

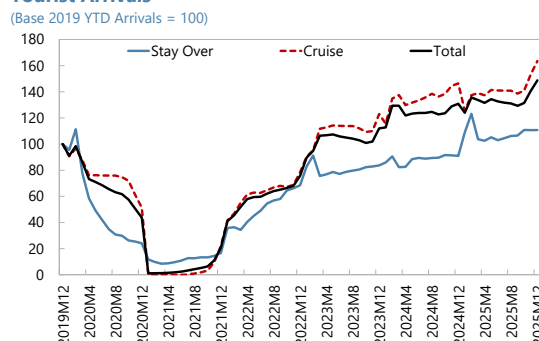
2024 Real GDP, Contributions to Percent Change



Sources: Dominica's authorities and IMF staff calculations.

While tourism is growing robustly, cruise arrivals continue to outpace higher value-added stayover arrivals.

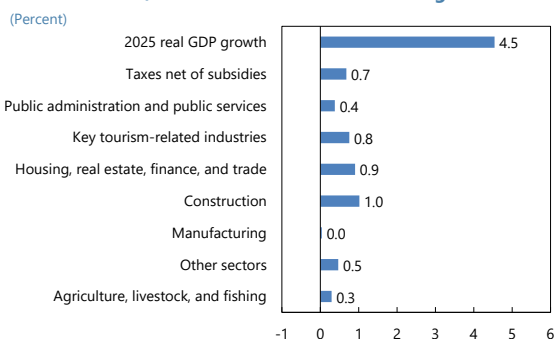
Tourist Arrivals



Sources: Dominican authorities and Fund staff calculations

Growth in 2025 was fueled by wholesale/retail trade, rising construction activity, and tourism...

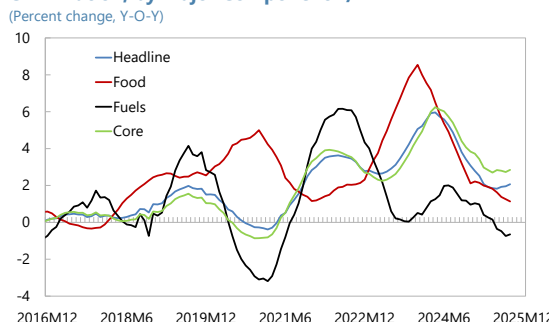
2025 Real GDP, Contributions to Percent Change



Sources: Dominica's authorities and IMF staff calculations.

...while inflation eased due to softening fuel prices.

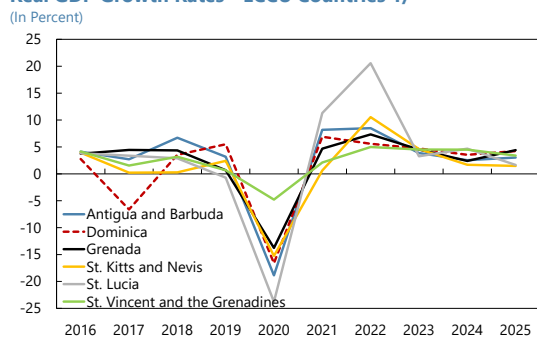
CPI Inflation, by Major Component 1/



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

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

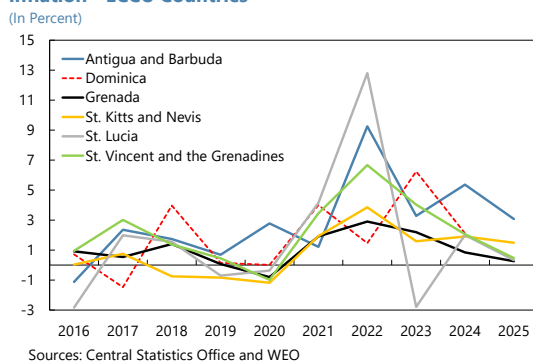
Real GDP Growth Rates - ECCU Countries 1/



Source: WEO
1/ 2025 GDP growth rates calculated using available data

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

Inflation - ECCU Countries



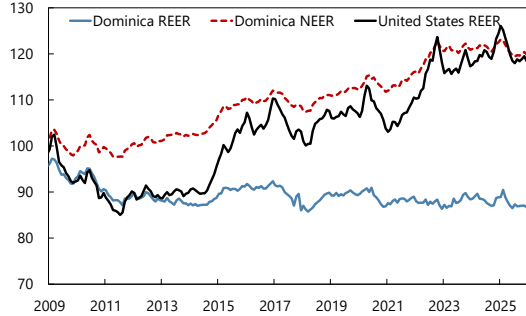
Sources: Central Statistics Office and WEO

Figure 2. Dominica: External Sector Developments

The REER depreciated in the beginning of 2025 following a weakening US dollar which then reversed and stabilized during the rest of the year.

Nominal and Real Effective Exchange Rates

(Indices, January 2005 = 100)

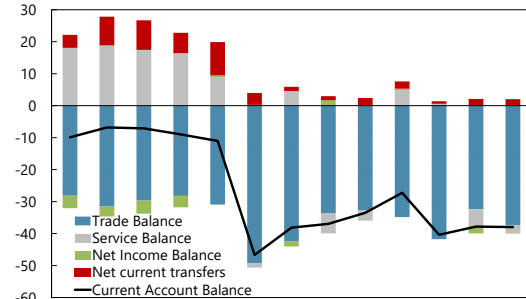


Sources: IMF Information Notice System, and IMF staff calculations.

The external position deteriorated slightly in 2025, primarily due to a widening trade deficit.

Current Account Decomposition

(In Percent of GDP)

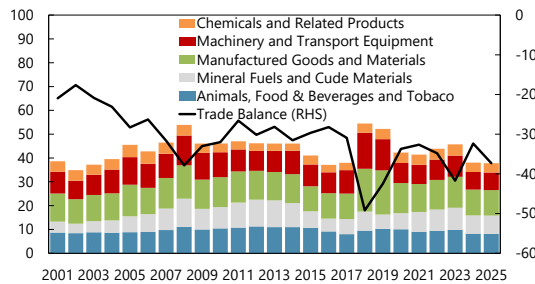


2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Sources: Dominica's authorities and IMF staff calculations.

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

Goods Import by Major Components

(In Percent of GDP)

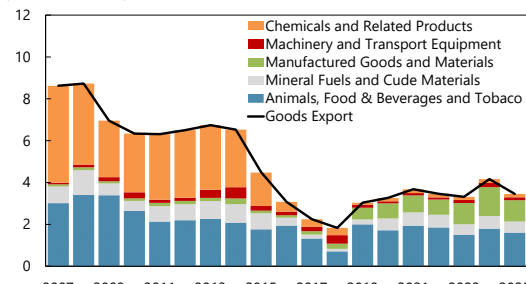


Source: ECCB.

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

Goods Export by Major Components

(In Percent of GDP)

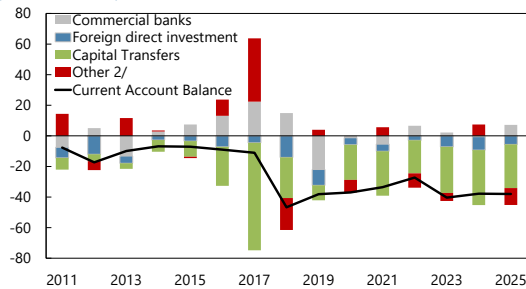


Source: ECCB

CBI flows remain the main source of external financing, ...

Current Account Deficit and Financing 1/

(In Percent of GDP)

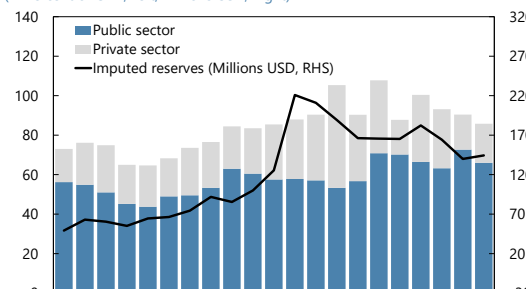


Sources: Dominica's authorities and IMF staff calculations.
1/ Negative (positive) bar numbers reflect net inflows (outflows)
2/ Includes Errors and Omissions.

... while the external debt to GDP ratio declined and imputed reserves remained stable.

External Debt

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



2005 2007 2009 2011 2013 2015 2017 2019 2021 2023 2025
Sources: Dominica's authorities and IMF staff calculations.

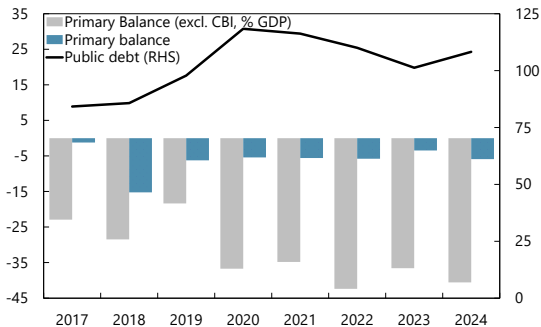
Figure 3. Dominica: Fiscal Sector Developments

Dominica's debt-ratio increases last fiscal year reflecting the execution of large one-off capital expenditures...

...and is one of the highest among peers, well above the ECCU regional prudential benchmark of 60 percent of GDP.

Public Debt and Fiscal Primary Balance

(In Percent of GDP, Fiscal Year)

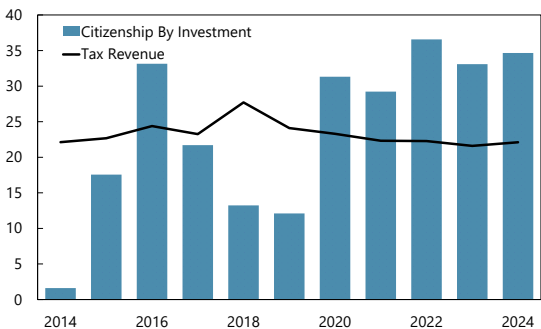


Sources: Dominica's authorities and IMF staff calculations.

Volatile and uncertain CBI flows have exceeded tax revenue in the last five fiscal years...

Total Revenue

(In Percent of GDP, Fiscal Year)

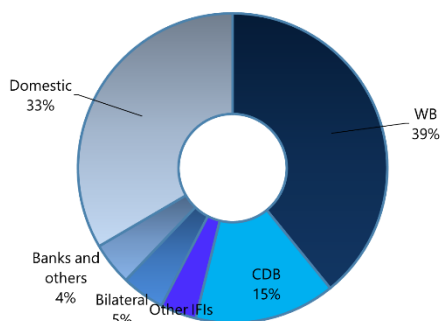


Sources: Dominica's authorities and IMF staff calculations.

Around 60 percent of total public debt is from multilateral organizations with concessional terms.

Composition of Public Sector Debt, end June 2025

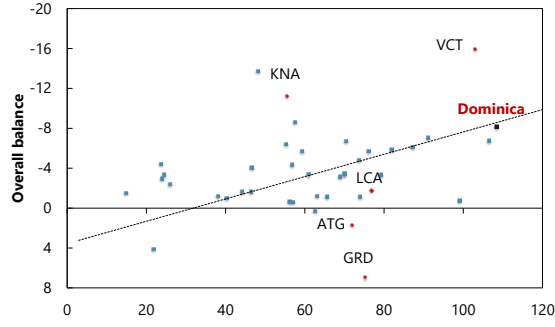
(In Percent of Total Debt)



Sources: Dominican authorities and IMF staff calculations.

EM General Government Balance and Debt, 2024

(In Percent of GDP)

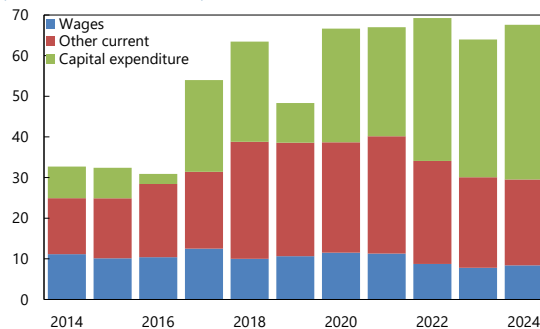


Sources: WEO, and IMF staff calculations.

...supporting a significant increase in capital spending relative to recurrent expenditures.

Government Expenditure

(In Percent of GDP, Fiscal Year)

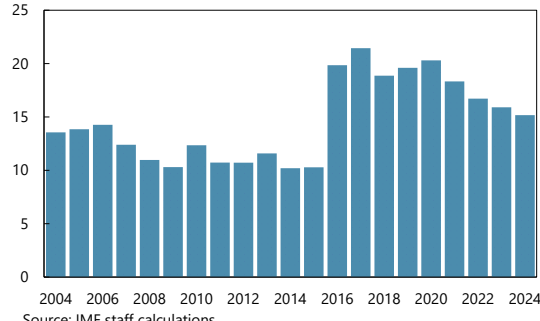


Sources: Dominica's authorities and IMF staff calculations.

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

Debt of Public Corporations 1/

(In Percent of GDP, Fiscal Year)



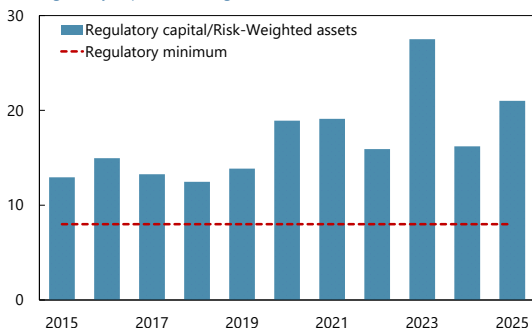
Source: IMF staff calculations.

1/ Includes guaranteed SOE debt and Petrocaribe debt.

Figure 4. Dominica: Banking Sector Developments

Banks remain well capitalized ...

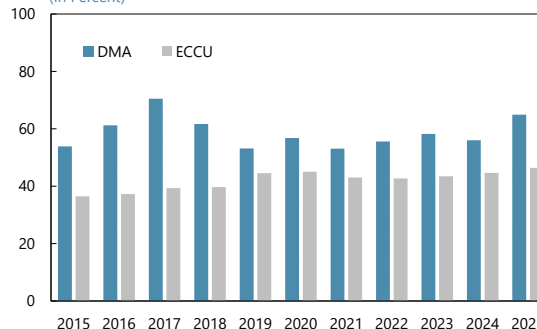
Commercial Banks' Capital Adequacy
(Regulatory Capital/Risk Weighted Assets; Percent)



1/ End of quarter value for each year except 2025 (Q3).
Sources: ECCB, Dominica authorities and Fund staff calculations.

... and enjoy a high degree of liquidity.

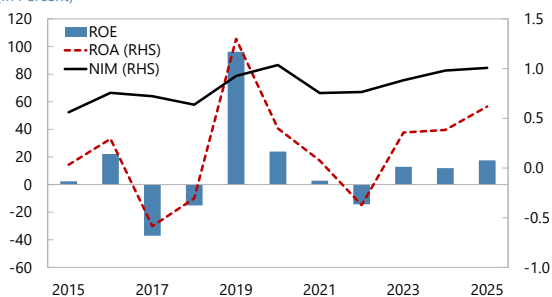
Liquid Assets to Short-term Liabilities 1/
(In Percent)



1/ 2025Q1 for ECCU.
Sources: ECCB, Dominica authorities and Fund staff calculations.

Profitability has strengthened since the pandemic.

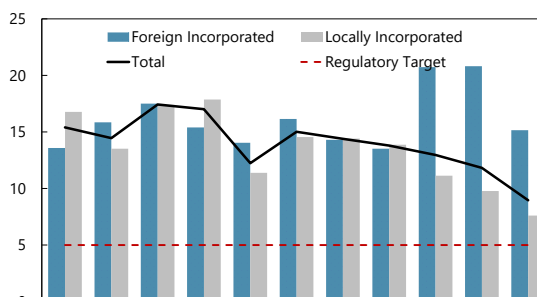
Profitability 1/
(In Percent)



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

While asset quality is slowly improving, the NPL ratio remains above prudential guidelines.

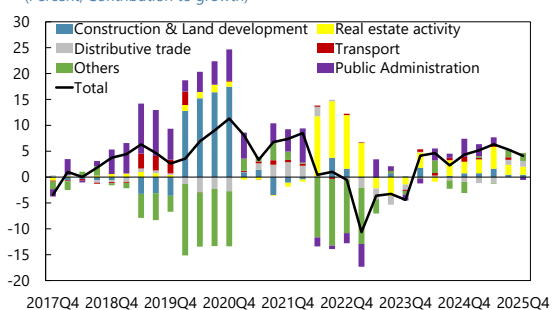
Non-Performing Loans 1/
(Commercial Banks; Percent of Total Loans)



Sources: ECCB, Dominica authorities and Fund staff calculations.
1/ End of quarter value for each year except for 2025.

Lending to the government has been the main driver of credit growth in recent years.

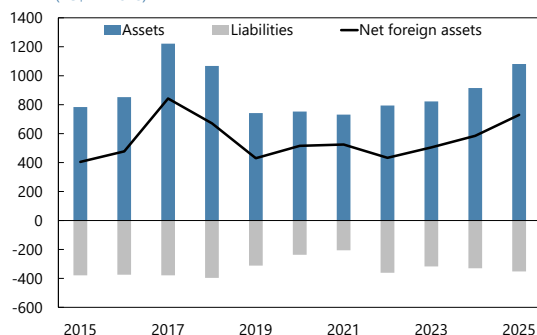
Commercial Banks Credit by Economic Activity 1/
(Percent, Contribution to growth)



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

Net foreign assets are also on the rise since the pandemic.

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



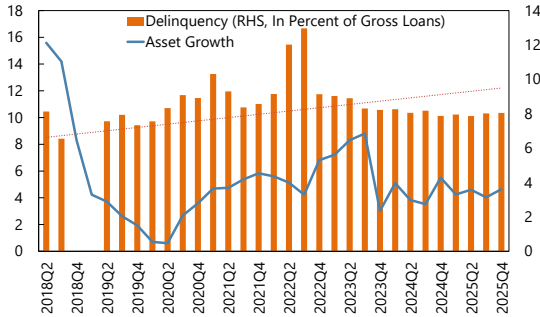
Sources: ECCB, Dominica authorities and Fund staff calculations.

Figure 5. Dominica: Credit Union Developments

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

Assets Growth and NPL Ratio 1/

(Percent, Percent of Gross Loans)

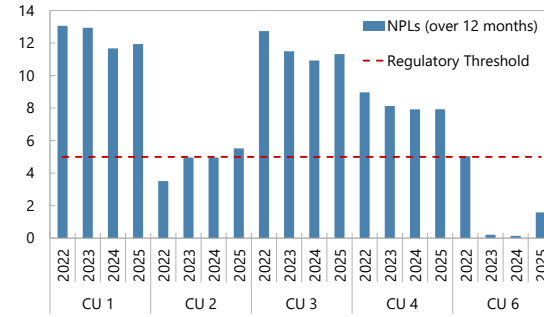


Sources: Dominica authorities and IMF staff calculation.
1/ 2018Q4 and 2019Q1 data from the authorities are unavailable.

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

NPLs to Loans - Major Credit Unions

(Percent)

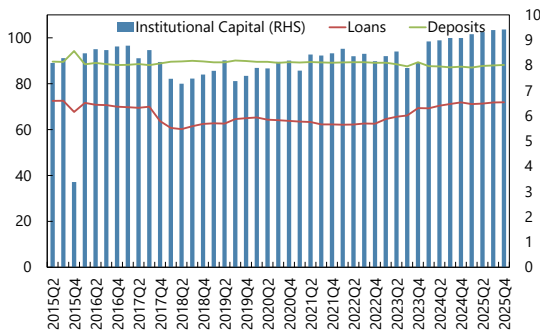


Sources: Dominica authorities and IMF staff calculation.

Loans and deposits in percentage of total assets are stable, with capital at the aggregate level slowly improving.

Institutional Capital, Loans, and Deposits of Credit Unions

(Percent of Total Assets)

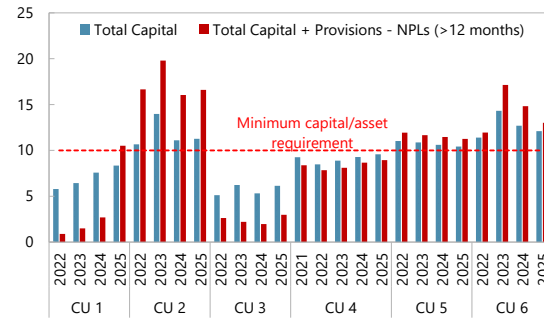


Source: Dominica authorities.

However, capital ratios are unevenly distributed, with low capital adequacy among half of the CUs.

Capital Position of Credit Unions

(Percent of total assets)

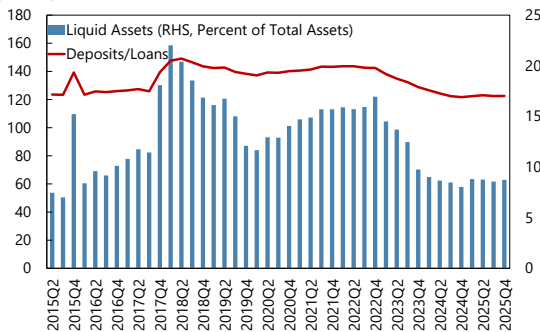


Sources: Dominica authorities and IMF staff calculation.

Liquidity indicators have declined but remain elevated, ...

Liquidity and Deposits-to-Loans Ratio

(Percent)

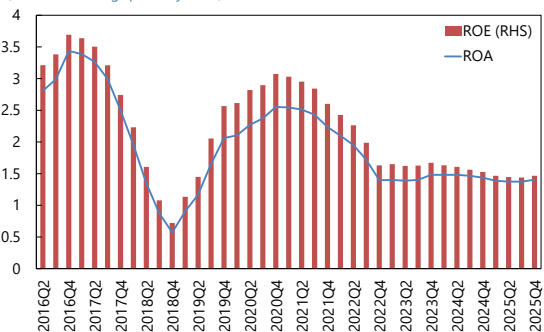


Source: Dominica authorities.

...with profitability indicators stabilizing in recent years.

Return on Assets and Return on Equity

(Percent; moving quarterly total)



Sources: Dominica authorities and IMF staff calculation.

Table 2. Dominica: Balance of Payments, 2021–31

	2021	2022	2023	2024	Prel.		Proj.				
					2025	2026	2027	2028	2029	2030	2031
(in millions of U.S. dollars)											
Current account balance	-186.1	-165.5	-266.2	-260.4	-282.6	-262.7	-211.1	-181.3	-167.1	-160.8	-163.8
Exports of goods and services, of which:	117.7	173.9	188.8	221.8	245.4	247.8	261.3	290.9	318.4	341.6	359.4
Goods	21.3	25.0	26.0	32.9	34.4	36.0	37.6	39.3	41.0	42.9	44.8
Tourism	25.2	75.2	98.9	117.5	138.7	146.0	164.0	192.7	215.7	234.4	247.5
Imports of goods and services	317.2	356.0	459.8	480.0	542.0	525.3	487.1	485.9	498.5	514.6	535.7
Fuel	45.4	52.5	59.5	51.7	53.7	51.5	47.8	50.0	52.5	55.0	57.4
Food	39.5	45.7	51.8	45.0	46.7	48.7	50.6	52.4	54.4	56.3	58.2
Other goods	117.7	138.2	189.6	159.1	211.6	196.8	170.7	163.6	159.1	156.6	159.9
Services	114.6	119.6	159.0	224.1	230.0	228.3	217.9	219.9	232.5	246.7	260.1
Net income, of which:	0.5	2.9	-0.4	-16.9	-1.0	-0.6	-1.2	-2.5	-3.5	-4.4	-4.9
Interest payments (public sector)	4.5	7.2	9.5	8.5	7.7	7.7	8.6	10.3	11.7	12.9	13.8
Net current transfers	12.9	13.7	5.3	14.6	15.0	15.5	15.8	16.2	16.5	16.7	17.4
Capital account	161.4	131.0	198.6	247.5	212.4	159.1	99.5	83.0	109.2	145.2	154.5
Capital transfers	161.4	131.0	198.6	247.5	212.4	159.1	99.5	83.0	109.2	145.2	154.5
of which Citizenship By Investment	167.9	200.7	227.3	235.7	229.7	187.9	149.2	136.9	143.2	149.5	155.8
Financial account 1/	6.1	-47.6	-80.4	29.0	-45.3	-78.2	-85.7	-71.9	-31.0	11.9	18.7
Public sector flows	-45.9	-22.7	-9.0	-50.0	-40.2	-5.1	-23.8	-22.2	-19.1	-13.6	-9.8
Foreign direct investment	-26.0	-17.7	-47.6	-60.4	-41.6	-43.4	-45.6	-47.9	-50.1	-52.3	-54.5
Commercial banks	-29.9	40.3	14.5	-3.9	53.5	55.2	56.7	58.3	59.7	61.0	62.2
Other flows 2/	107.9	-47.5	-38.3	143.3	-16.9	-84.9	-73.1	-60.1	-21.5	16.9	20.9
Errors and omissions	30.4	4.1	-30.9	17.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.4	17.2	-18.1	-24.4	-24.9	-25.4	-25.9	-26.4	-26.9	-27.5	-28.0
(in percent of GDP)											
Current account balance	-33.5	-27.3	-40.4	-37.8	-38.0	-33.2	-25.4	-20.8	-18.3	-16.9	-16.5
Exports of goods and services, of which:	21.2	28.6	28.6	32.2	33.0	31.3	31.4	33.3	34.8	35.8	36.2
Goods	3.8	4.1	3.9	4.8	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Tourism	4.5	12.4	15.0	17.1	18.6	18.5	19.7	22.1	23.6	24.6	24.9
Imports of goods and services	57.1	58.6	69.7	69.7	72.8	66.4	58.6	55.6	54.5	54.0	53.9
Fuel	8.2	8.7	9.0	7.5	7.2	6.5	5.7	5.7	5.7	5.8	5.8
Food	7.1	7.5	7.9	6.5	6.3	6.2	6.1	6.0	5.9	5.9	5.9
Other goods	21.2	22.8	28.8	23.1	28.4	24.9	20.5	18.7	17.4	16.4	16.1
Services	20.6	19.7	24.1	32.5	30.9	28.9	26.2	25.2	25.4	25.9	26.2
Net income, of which:	0.1	0.5	-0.1	-2.4	-0.1	-0.1	-0.1	-0.3	-0.4	-0.5	-0.5
Interest payments (public sector)	0.8	1.2	1.4	1.2	1.0	1.0	1.0	1.2	1.3	1.4	1.4
Net current transfers	2.3	2.3	0.8	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.7
Capital account	29.1	21.6	30.1	35.9	28.5	20.1	12.0	9.5	11.9	15.2	15.6
Capital transfers	29.1	21.6	30.1	35.9	28.5	20.1	12.0	9.5	11.9	15.2	15.6
of which Citizenship By Investment	30.2	33.1	34.5	34.2	30.9	23.8	17.9	15.7	15.7	15.7	15.7
Financial account 1/	1.1	-7.8	-12.2	4.2	-6.1	-9.9	-10.3	-8.2	-3.4	1.2	1.9
Public sector flows	-8.3	-3.7	-1.4	-7.3	-5.4	-0.6	-2.9	-2.5	-2.1	-1.4	-1.0
Foreign direct investment	-4.7	-2.9	-7.2	-8.8	-5.6	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5
Commercial banks	-5.4	6.6	2.2	-0.6	7.2	7.0	6.8	6.7	6.5	6.4	6.3
Other flows 2/	19.4	-7.8	-5.8	20.8	-2.3	-10.7	-8.8	-6.9	-2.3	1.8	2.1
Errors and omissions	5.5	0.7	-4.7	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.1	2.8	-2.7	-3.5	-3.3	-3.2	-3.1	-3.0	-2.9	-2.9	-2.8
Memorandum items:											
Trade balance (percent of GDP)	-32.6	-34.8	-41.7	-32.4	-37.3	-33.0	-27.8	-26.0	-24.6	-23.6	-23.2
Goods Export Volumes (% change)	19.3	16.3	2.9	25.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Goods Import Volumes (% change)	-4.8	8.7	29.7	-15.9	23.9	-9.8	-9.3	-2.0	-1.3	-0.6	1.6
Goods Terms of Trade (% change)	-11.1	-6.1	2.8	-0.3	1.9	-0.5	-0.7	-1.4	-1.1	0.0	0.0
Services balance (percent of GDP)	-3.3	4.8	0.6	-5.1	-2.6	-2.1	0.7	3.6	4.9	5.4	5.5
Goods and Services Export Volumes (% change)	16.7	47.8	8.6	17.5	10.6	1.0	5.5	11.3	9.5	7.3	5.2
Goods and Services Import Volumes (% change)	4.1	11.3	28.1	3.6	12.9	-3.1	-7.3	-0.2	2.6	3.2	4.1
Net imputed international reserves:											
Millions of U.S. dollars	165.2	182.3	164.2	139.8	144.4	154.4	163.3	172.5	181.9	191.2	200.8
Months of imports of goods and services	6.2	6.1	4.3	3.5	3.2	3.5	4.0	4.3	4.4	4.5	4.5
Gross external debt (in percent of GDP) 3/	87.7	100.4	93.0	90.1	85.4	94.8	102.0	106.8	106.6	101.7	96.7
Public sector	70.2	66.4	63.0	72.3	65.6	65.0	64.5	63.8	62.8	61.2	59.6
Private sector	17.5	34.0	29.9	17.8	19.8	29.9	37.5	43.0	43.7	40.5	37.1
GDP (in US\$ millions)	555.3	607.2	659.3	688.9	744.3	790.7	831.8	873.4	914.2	953.3	993.8

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

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

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 financing needs. Calendar year basis.

Table 3a. Dominica: Statement of Operations of the Central Government, 2021-31 ^{1/2/}
(In millions of Eastern Caribbean Dollars)

	2021	2022	2023	Est. 2024	2025	2026	Proj. 2027	2028	2029	2030	2031
	(in millions of Eastern Caribbean dollars)										
Revenue	922.2	1,060.2	1,079.4	1,173.2	1,115.1	1,014.5	951.3	992.6	1,032.2	1,074.3	1,124.1
Taxes	350.2	380.9	393.1	427.7	445.0	463.9	479.1	497.7	515.1	533.5	556.0
Taxes on income	50.2	54.4	56.3	72.3	64.5	68.2	71.7	75.2	78.5	81.9	85.3
Taxes on property	8.1	8.7	10.5	11.0	11.6	12.3	12.9	13.5	14.1	14.7	15.4
Taxes on goods and services	211.2	228.4	232.6	248.3	263.2	279.2	288.5	300.0	311.1	322.4	335.9
Taxes on international trade and transactions	80.7	89.3	93.6	96.1	105.7	104.2	106.0	109.0	111.3	114.5	119.4
Grants	86.7	26.0	65.4	41.6	68.4	72.3	76.0	79.6	83.2	88.5	96.5
Other revenue	485.3	653.3	620.9	703.9	601.7	478.3	396.2	415.3	433.9	452.4	471.6
Property income	2.1	1.8	0.6	3.4	1.6	1.7	1.8	1.9	2.0	2.0	2.1
Sales, fees, and fines	12.3	13.0	11.9	14.0	15.0	15.9	16.7	17.5	18.3	19.1	19.9
Other nontax revenue, of which:	470.9	638.5	608.3	686.4	585.0	460.7	377.7	395.9	413.6	431.2	449.6
Citizenship-by-Investment	458.6	625.3	602.3	670.5	569.9	444.6	360.8	378.2	395.2	412.0	429.5
Expenditure	1,051.2	1,183.0	1,161.7	1,303.9	1,143.1	1,037.1	974.1	1,013.4	1,046.0	1,075.6	1,124.3
Expense	630.1	581.8	544.8	567.3	593.1	626.1	659.2	691.5	722.5	753.1	783.7
Compensation of employees	177.4	149.5	142.2	162.6	179.7	189.9	199.6	209.3	218.6	228.1	237.8
Purchase of goods and services	300.7	244.6	235.3	229.9	241.8	255.6	268.6	281.6	294.2	306.8	319.8
Interest	41.1	49.3	46.5	45.4	42.6	44.2	47.6	50.3	52.7	54.6	55.6
Grants and social benefits (transfers and subsidies)	111.1	139.6	123.5	133.3	133.3	140.9	148.0	155.2	162.1	169.0	176.2
Other expense	-0.2	-1.2	-2.8	-4.0	-4.3	-4.5	-4.7	-5.0	-5.2	-5.4	-5.6
Net lending	-0.2	-1.2	-2.8	-4.0	-4.3	-4.5	-4.7	-5.0	-5.2	-5.4	-5.6
Net acquisition of nonfinancial assets	421.1	601.1	616.9	736.6	550.0	411.0	314.9	322.0	323.5	322.5	340.5
Grant-financed capital expenditure	84.1	86.5	38.2	47.9	68.4	72.3	76.0	79.6	83.2	88.5	96.5
Other capital expenditure	337.1	523.2	597.0	688.9	486.7	343.9	244.1	247.7	246.0	239.9	250.2
Capital revenue	-0.1	-8.6	-18.2	-0.2	-5.2	-5.2	-5.2	-5.4	-5.6	-5.9	-6.1
Net lending/borrowing (overall balance)	-129.0	-122.7	-82.4	-130.7	-28.0	-22.6	-22.9	-20.8	-13.8	-1.3	-0.2
Net financial transactions	129.0	122.7	82.4	130.7	28.0	22.6	22.9	20.8	13.8	1.3	0.2
Net acquisition of financial assets	9.3	45.1	-37.9	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	9.3	45.1	-37.9	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	86.2	55.5	97.1	224.2	50.8	22.6	22.9	20.8	13.8	1.3	0.2
Domestic	-2.3	15.8	75.9	-36.0	67.2	-39.7	-36.6	-31.2	-27.3	-21.3	-20.6
Foreign	88.5	39.7	21.2	260.2	-16.4	62.3	59.5	52.0	41.1	22.6	20.8
Other flows	33.5	22.2	23.1	-123.5	-22.8	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary balance	-87.9	-73.4	-35.8	-85.3	14.6	21.6	24.8	29.5	38.9	53.4	55.4
Citizenship By Investment, fiscal year (U.S. million dollars)	169.9	231.6	223.1	248.3	211.1	164.7	133.6	140.1	146.4	152.6	159.1
Primary balance (excl. CBI)	-546.5	-698.8	-638.1	-755.7	-555.2	-423.1	-336.0	-348.7	-356.3	-358.6	-374.1
Overall balance (excl. CBI)	-587.7	-748.1	-684.7	-801.1	-597.8	-467.3	-383.7	-399.1	-409.0	-413.3	-429.7
Public sector debt 3/	1,824	1,881	1,843	2,094	2,126	2,153	2,180	2,206	2,224	2,230	2,235
Domestic	722	745	696	695	766	730	695	666	640	621	602
Central Government	521	537	613	577	644	605	568	537	510	488	468
Rest of public sector	201	208	83	118	122	125	127	129	131	132	134
Foreign	1,102	1,136	1,147	1,399	1,360	1,423	1,485	1,540	1,584	1,610	1,634
Central Government	880	919	940	1,201	1,184	1,247	1,306	1,358	1,399	1,422	1,442
Rest of public sector	222	217	207	198	176	177	179	182	185	188	191
Domestic arrears, fiscal year (EC\$ millions)	121.6	105.4	80.1	73.3	...	...	...	...	...	...	...
Nominal GDP, fiscal year (EC\$ millions)	1,569	1,710	1,820	1,935	2,072	2,190	2,302	2,413	2,521	2,629	2,740

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

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

2/ Data for fiscal years from July to June. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year (e.g., 2024=FY2024/25).

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

Table 3b. Dominica: Statement of Operations of the Central Government, 2021-31 ^{1/2/}
(In Percent of GDP)

	2021	2022	2023	2024	Est.		Proj.				
					2025	2026	2027	2028	2029	2030	2031
	(in percent of GDP)										
Revenue	58.8	62.0	59.3	60.6	53.8	46.3	41.3	41.1	40.9	40.9	41.0
Taxes	22.3	22.3	21.6	22.1	21.5	21.2	20.8	20.6	20.4	20.3	20.3
Taxes on income	3.2	3.2	3.1	3.7	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Taxes on property	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Taxes on goods and services	13.5	13.4	12.8	12.8	12.7	12.7	12.5	12.4	12.3	12.3	12.3
Taxes on international trade and transactions	5.1	5.2	5.1	5.0	5.1	4.8	4.6	4.5	4.4	4.4	4.4
Grants	5.5	1.5	3.6	2.1	3.3	3.3	3.3	3.3	3.3	3.4	3.5
Other revenue	30.9	38.2	34.1	36.4	29.0	21.8	17.2	17.2	17.2	17.2	17.2
Property income	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales, fees, and fines	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other nontax revenue, of which:	30.0	37.3	33.4	35.5	28.2	21.0	16.4	16.4	16.4	16.4	16.4
Citizenship-by-Investment	29.2	36.6	33.1	34.7	27.5	20.3	15.7	15.7	15.7	15.7	15.7
Expenditure	67.0	69.2	63.8	67.4	55.2	47.3	42.3	42.0	41.5	40.9	41.0
Expense	40.2	34.0	29.9	29.3	28.6	28.6	28.6	28.7	28.7	28.7	28.6
Compensation of employees	11.3	8.7	7.8	8.4	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Purchase of goods and services	19.2	14.3	12.9	11.9	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Interest	2.6	2.9	2.6	2.3	2.1	2.0	2.1	2.1	2.1	2.1	2.0
Grants and social benefits (transfers and subsidies)	7.1	8.2	6.8	6.9	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Other expense	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Net lending	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Net acquisition of nonfinancial assets	26.8	35.2	33.9	38.1	26.5	18.8	13.7	13.3	12.8	12.3	12.4
Grant-financed capital expenditure	5.4	5.1	2.1	2.5	3.3	3.3	3.3	3.3	3.3	3.4	3.5
Other capital expenditure	21.5	30.6	32.8	35.6	23.5	15.7	10.6	10.3	9.8	9.1	9.1
Capital revenue	0.0	-0.5	-1.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Net lending/borrowing (overall balance)	-8.2	-7.2	-4.5	-6.8	-1.3	-1.0	-1.0	-0.9	-0.5	0.0	0.0
Net financial transactions	8.2	7.2	4.5	6.8	1.3	1.0	1.0	0.9	0.5	0.0	0.0
Net acquisition of financial assets	0.6	2.6	-2.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.6	2.6	-2.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	5.5	3.2	5.3	11.6	2.5	1.0	1.0	0.9	0.5	0.0	0.0
Domestic	-0.1	0.9	4.2	-1.9	3.2	-1.8	-1.6	-1.3	-1.1	-0.8	-0.8
Foreign	5.6	2.3	1.2	13.4	-0.8	2.8	2.6	2.2	1.6	0.9	0.8
Other flows	2.1	1.3	1.3	-6.4	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary balance	-5.6	-4.3	-2.0	-4.4	0.7	1.0	1.1	1.2	1.5	2.0	2.0
Primary balance (excl. CBI)	-34.8	-40.9	-35.1	-39.1	-26.8	-19.3	-14.6	-14.4	-14.1	-13.6	-13.7
Overall balance (excl. CBI)	-37.4	-43.8	-37.6	-41.4	-28.8	-21.3	-16.7	-16.5	-16.2	-15.7	-15.7
Public sector debt 3/	116.3	110.0	101.3	108.2	102.6	98.3	94.7	91.4	88.2	84.8	81.6
Domestic	46.0	43.6	38.2	35.9	37.0	33.3	30.2	27.6	25.4	23.6	22.0
Central Government	33.2	31.4	33.7	29.8	31.1	27.6	24.7	22.2	20.2	18.6	17.1
Rest of public sector	12.8	12.1	4.5	6.1	5.9	5.7	5.5	5.4	5.2	5.0	4.9
Foreign	70.2	66.4	63.0	72.3	65.6	65.0	64.5	63.8	62.8	61.2	59.6
Central Government	56.1	53.8	51.7	62.1	57.1	56.9	56.7	56.3	55.5	54.1	52.6
Rest of public sector	14.2	12.7	11.4	10.2	8.5	8.1	7.8	7.5	7.3	7.2	7.0
Domestic arrears	7.8	6.2	4.4	3.8	...	...	...	...	...	...	...
Nominal GDP, fiscal year (EC\$ millions)	1,569	1,710	1,820	1,935	2,072	2,190	2,302	2,413	2,521	2,629	2,740

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

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

2/ Data for fiscal years from July to June. Figures shown for a given year relate to the fiscal year beginning on July 1 of that year (e.g., 2024=FY2024/25).

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

Table 4. Dominica: Summary Accounts of the Banking System, 2021–31

	2021	2022	2023	2024	Prel.		Proj.				
					2025	2026	2027	2028	2029	2030	2031
(in millions of Eastern Caribbean dollars, end of period)											
Net foreign assets	971	925	949	962	1,119	1,136	1,151	1,168	1,185	1,202	1,219
Central Bank	446	492	443	378	390	417	441	466	491	516	542
Commercial Banks (net)	525	433	505	585	729	719	710	702	694	685	677
Net domestic assets	444	471	442	474	461	575	649	722	793	861	932
Public sector credit, net	200	197	171	240	263	265	267	270	272	275	278
(real terms)	185	168	142	195	210	204	202	200	197	195	193
Private sector credit	751	771	744	733	745	770	806	855	904	943	983
(real terms)	695	657	618	596	596	593	610	633	655	668	682
Other items (net)	-507	-497	-472	-498	-546	-459	-425	-403	-383	-356	-329
Money and quasi-money (M2)	1,415	1,397	1,390	1,437	1,581	1,711	1,800	1,890	1,978	2,063	2,150
Money	460	485	490	502	617	655	689	723.6	757.5	789.9	823.4
Quasi-money	955	912	900	935	964	1,056	1,111	1,166.1	1,220.7	1,272.9	1,326.9
(12-month percentage change)											
Net foreign assets	0.9	-4.7	2.5	1.5	16.3	1.5	1.4	1.4	1.5	1.4	1.4
Net domestic assets, of which:	4.1	6.1	-6.2	7.3	-2.7	24.7	12.7	11.3	9.9	8.6	8.2
Public sector credit, net	70.1	-1.3	-13.5	40.4	9.7	0.8	0.8	0.9	0.9	1.0	1.0
(real terms)	64.3	-9.2	-15.6	37.5	8.0	-3.0	-0.9	-1.3	-1.2	-1.2	-1.1
Private sector credit	3.6	2.7	-3.6	-1.5	1.6	3.4	4.7	6.0	5.7	4.3	4.2
(real terms)	0.1	-5.5	-5.9	-3.5	0.0	-0.5	2.9	3.8	3.4	2.0	2.0
Broad money	1.9	-1.3	-0.4	3.3	10.0	8.2	5.2	5.0	4.7	4.3	4.2
NFA contribution	0.6	-3.2	1.7	1.0	10.9	1.0	0.9	0.9	0.9	0.8	0.8
NDA contribution	1.3	1.9	-2.1	2.3	-0.9	7.2	4.3	4.1	3.8	3.4	3.4
Money	39.3	5.4	1.0	2.4	22.9	6.2	5.2	5.0	4.7	4.3	4.2
NFA contribution	-0.3	10.1	-10.1	-13.4	2.4	4.4	3.7	3.6	3.5	3.3	3.3
NDA contribution	39.6	-4.6	11.1	15.9	20.4	1.9	1.5	1.4	1.2	1.0	1.0
Broad money (real terms)	-1.6	-9.2	-2.9	1.2	8.3	4.2	3.3	2.7	2.4	2.0	2.0
(in percent of GDP)											
Net foreign assets	64.8	56.5	53.3	51.7	55.7	53.2	51.3	49.5	48.0	46.7	45.4
Net domestic assets	29.6	28.7	24.8	25.5	23.0	26.9	28.9	30.6	32.1	33.5	34.7
Public sector credit, net	13.3	12.0	9.6	12.9	13.1	12.4	11.9	11.4	11.0	10.7	10.4
Private sector credit	50.1	47.0	41.8	39.4	37.0	36.1	35.9	36.3	36.6	36.6	36.6
Broad Money	94.4	85.2	78.1	77.2	78.6	80.1	80.1	80.1	80.1	80.1	80.1
Money	30.7	29.6	27.5	27.0	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Quasi-money	63.7	55.6	50.6	50.3	48.0	49.5	49.5	49.5	49.5	49.5	49.5
Interest rates (percent) 1/											
ECCB policy rate	2.0	2.0	2.0	3.0	3.0	...	...	...	...	...	...
U.S. policy rate	0.1	4.4	5.4	4.4	3.6	...	...	...	...	...	...
ECB policy rate	0.0	2.5	4.5	3.2	2.2	...	...	...	...	...	...
Time deposit rate	3.0	3.1	3.1	3.1	2.9	...	...	...	...	...	...
Demand deposit rate	0.1	0.1	0.1	0.1	0.1	...	...	...	...	...	...
Savings deposit rate	2.0	2.0	2.0	2.0	2.0	...	...	...	...	...	...

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

1/ End-period rates.

Table 5a. Dominica: Financial Stability Indicators—Commercial Banks, 2015–25

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Adequacy											
Regulatory capital ratio 1/	12.9	15.6	13.3	12.5	13.9	18.9	18.3	15.9	27.5	15.0	21.0
Asset quality											
Nonperforming loans to total gross loans	15.1	14.5	17.4	17.0	12.2	15.0	15.7	13.8	12.9	10.7	8.9
Nonperforming loans net of provisions to capital	105.3	93.7	72.2	73.7	101.2	116.5	78.4	74.4	55.5	37.2	23.6
Earnings and Profitability											
Return on Assets	0.1	0.8	-1.5	-0.8	2.9	0.9	0.2	-0.9	0.9	1.1	1.7
Return on Equity	2.4	22.2	-39.1	-15.0	60.4	24.0	3.0	-14.3	13.0	11.9	17.6
Interest Margin to Gross Income	49.6	56.3	56.5	54.3	59.8	50.3	48.8	52.1	54.3	47.9	N.A.
Liquidity											
Liquid Assets to Short-term liabilities	53.9	61.2	70.5	61.7	53.2	56.8	53.1	55.6	58.2	56.0	64.9
Liquid Assets to Total Assets	46.9	54.5	62.5	56.3	46.7	48.9	46.1	48.1	50.5	48.2	50.4

Source: ECCB.

1/ Total Capital over risk weighted assets.

Table 5b. Dominica: Financial Stability Indicators—Credit Unions, 2015–25

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Adequacy											
Regulatory capital ratio	3.38	8.75	8.13	7.64	7.58	8.19	8.48	8.17	8.11	9.08	9.42
Asset quality											
Nonperforming loans to total gross loans	40.93	14.53	15.06	13.89	12.70	15.31	16.79	14.61	12.83	12.54	15.05
Nonperforming loans net of provisions to capital	770.96	81.82	83.42	69.07	53.30	65.46	74.99	54.46	53.80	47.87	53.49
Earnings and Profitability											
Return on Assets	1.16	1.30	0.77	0.43	0.84	1.00	0.79	0.46	0.54	0.50	0.53
Return on Equity	21.81	11.92	7.72	4.67	9.19	10.42	8.05	4.84	5.05	4.63	4.78
Liquidity											
Liquid Assets to Total Assets	15.23	10.12	18.08	16.86	12.09	14.06	15.71	16.95	9.76	8.04	8.74

Source: Country authorities.

Annex I. External Sector Assessment

Overall Assessment. *Dominica's external position in 2025 is estimated to be substantially weaker than the level implied by medium-term fundamentals and desirable policies.¹ The current account (CA) deficit is estimated to be 38 percent of GDP in 2025, in line with the levels over the past two years. This reflects still-elevated imports related to large infrastructure projects, offset in part by continued growth in services exports, mainly tourism. While external imbalances are expected to decline over the medium term, the country's vulnerability to natural disasters and high import dependence raise external sustainability risks. This assessment is subject to uncertainties given persistent data gaps on external sector statistics (Annex VII).*

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

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (IIP) is estimated to have remained mostly stable in 2025, as the CA deficit was largely financed with CBI revenues. In 2025, roughly half (50.3 percent) of the assets were held by deposit-taking institutions other than the central bank, either in the form of currency and deposits (52.7 percent of total assets) or equity and fund shares (5.3 percent of total assets). Reserve assets constitute 17.4 percent of total assets. On the liability side, nearly half of obligations pertain to FDI (close to 90.5 percent of GDP), while one-third are general government loans and debt securities.

Assessment. The large share of FDI and concessional (long maturity) loans to the general government in total liabilities mitigate potential risks, with near-term public external debt service at 4-5 percent of GDP. The change in the NIIP in 2024-25 does not constitute a significant concern for external debt sustainability, and the expected improvement in the current account over the medium term is expected to stabilize the NIIP.

2025 (Percent of GDP)	NIIP: -71.0	Gross Assets: 116.1	Debt Assets: 89.0	Gross Liab.: -187.1	Debt Liab.: -98.5
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Current Account

Background. In 2025, the estimated CA deficit remained stable at 38 percent of GDP—an increase from 37.8 percent in 2024—reflecting sustained goods imports for large infrastructure projects, together with ongoing growth in service exports, mainly tourism. The current account adjustment is expected to continue in 2026 and beyond, as tourism exports continue to grow (including from the projected expansion in capacity) and public investment-related imports normalize from earlier peaks. The baseline outlook incorporates a structural decline in fuel import needs for electricity generation by roughly 20 percent following the commissioning of the geothermal power plant in the first half of 2026.

¹ Official balance of payments and IIP data are available until 2024. This assessment is subject to uncertainty arising from previous major external shocks (hurricane Maria), and data revisions.

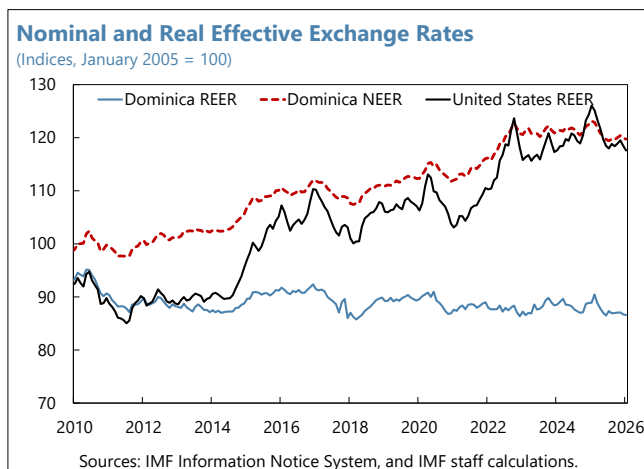
Assessment. Dominica has shown persistently large CA deficits since 2017's hurricane Maria, mainly due to the immediate fallout in curtailed tourism sector activity, subsequent reconstruction and resilience building efforts, and recent large growth-enhancing infrastructure projects. According to the CA model, the norm corresponds to a deficit of 16.7 percent of GDP, implying a CA gap of 21.3 percent of GDP. Policy contributions to the gap pertain mostly to external factors (such as increased fiscal deficit in trading partners). Although Dominica's fiscal position is weaker than its desirable medium-term level, similar gaps in the rest of the world balanced out the effect on the CA in 2025. The CA gap is projected to shrink over the medium term, partly reflecting reduced fuel imports as geothermal energy production comes onstream. A higher CA is necessary to stabilize Dominica's NIIP (-71.0 percent of GDP as of 2025) and meet external debt service payments.

EBA-lite Model Results, 2025		
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-38.0	
Cyclical contributions (from model) (-)	0.1	
Adjusted CA	-38.1	
CA Norm (from model) 2/	-16.7	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	-16.7	
CA Gap	-21.3	-0.3
o/w Relative policy gap	-0.1	
Elasticity	-0.3	
REER Gap (in percent)	69.6	1.1

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

Real Exchange Rate

Background. The REER exhibited volatility during the pandemic—depreciating by roughly 3 percent during 2020-21 followed by an appreciation of similar magnitude over 2022-23—reflecting the fact that Dominica's inflation cycle did not fully synchronize with those from its trading partners under a currency peg² (Dominica's inflation peaked later in time than foreign inflation). REER volatility increased from mid-2024, appreciating by nearly 4.5 percent over a four-month period (October 2024-February 2025), which was largely reversed by June 2025, broadly tracking movements in the U.S. dollar against other major currencies. Since June, the REER appears to have stabilized.



Assessment. Model-based estimates give divergent signals, with the CA model pointing to a sizable REER overvaluation of 69.6 percent, while the REER model suggests a small overvaluation of 1.1 percent. This divergence is partly explained by a lack of data granularity that would allow adjustments to CA model to account for the temporary nature of the recent surge in imports associated with large CBI-funded disaster reconstruction and strategic infrastructure investments (e.g., transition to geothermal energy, construction of the international airport and various hotel projects). Those infrastructure investments are expected to improve Dominica's external balances over the long term with the CA expected to revert back to its norm as the investment phase winds down and investment-related imports normalize. This interpretation is supported by complementary competitiveness indicators, which do not point to a material misalignment. Price-based measures, such as the goods terms of trade and the evolution of Dominica's real exchange

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

rate against key trading partners, have remained relatively stable over the past decade. Moreover, the speed of the post-pandemic tourism recovery was in line with peers. Specifically, total tourism arrivals have recovered beyond pre-pandemic levels, with cruise arrivals outpacing peers (160 percent of pre-pandemic levels in 2025) and stayover arrivals catching up (110 percent of pre-pandemic levels in 2025). That said, elevated input prices such as electricity and labor costs reflect longstanding challenges to competitiveness, which the ongoing energy transition reform effort is expected to partially alleviate.

Capital and Financial Accounts: Flows and Policy Measures

Background. Dominica has historically relied on FDI and, more recently, CBI flows to finance its external deficits. FDI averaged 7.5 percent of GDP since hurricane Maria (estimated 5.6 percent of GDP in 2025), while CBI revenues have been consistently above 11.8 percent of GDP during the same period, rising to over 30 percent of GDP during 2021-25.

Assessment. A balance sheet analysis (Annex II) reveals an increasing reliance on external financing in recent years, particularly in the non-bank corporate sector and the government, consistent with a growing CBI program. Going forward, CBI-related FDI and concessional lending to the government are likely to remain key sources of external financing. However, CBI revenues and equity flows could prove volatile. To the extent that CBI flows continue to be earmarked to development infrastructure investment, which has a large import component, the immediate fallout of lower CBI flows on the external accounts could be partially mitigated by reduced imports. However, the medium- to long-run impact can be significant, as lower-than-expected CBI flows could jeopardize the completion of key public investment projects—projects that are expected to strengthen the external balance through improvements in tourism and export capacity—and thereby weaken the external balance over time.

FX Intervention and Reserves Level

Background. In 2025, Dominica's reserve position is estimated to have remained broadly stable, increasing marginally in nominal terms (from US\$139.8 in 2024 to US\$144.4 in 2025). As a member of the Eastern Caribbean Currency Union, Dominica is under a quasi-currency board arrangement. Foreign assets and liabilities of the Eastern Caribbean Central Bank (ECCB) cannot be directly assigned to an individual country. Therefore, the imputed reserves method is used as a proxy for net foreign assets held at the ECCB.^{3,4} Dominica's IMF quota is 11.5 million SDRs (about US\$15.8 million), and its SDR holding of 3.53 million has been kept at the ECCB as a liquidity buffer.

Assessment. Estimated imputed reserves cover 3.2 months of imports and 26.9 percent of broad money in 2025, exceeding the typical benchmarks of 3 months of imports and 20 percent of broad money.⁵

³ According to the ECCB by-laws, the imputed reserves of each ECCB member are calculated as the difference between the member's reserve money and net domestic assets. The ECCB has the mandate to maintain a foreign exchange cover of 60 percent of total demand liabilities.

⁴ IMF 2015, *Assessing Reserve Adequacy—Specific Proposals*. Reserve adequacy assessments for currency unions should consider the reserve needs of the consolidated union level. This should be supplemented by a discussion of factors that have a bearing on the size of reserves, such as the union's financial architecture and supportive institutions, and the correlation of shocks faced by union members.

⁵ Information on short term debt and other liabilities is unavailable and consequently assessments against other reserve adequacy metrics such as the IMF's composite Assessment Reserve Adequacy (ARA) metric cannot be computed.

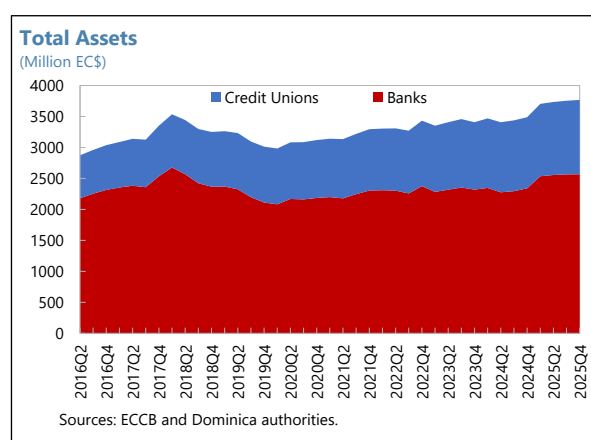
Annex II. An Overview of Macro-Financial Linkages in Dominica¹

This annex examines Dominica's evolving macro-financial vulnerabilities, focusing on the interlinkages among the financial sector, fiscal dynamics, and external conditions. Findings highlight shifting real-financial linkages—amid rapid credit union (CU) growth and significant citizenship-by-investment (CBI) flows—alongside an intensified sovereign-bank nexus and heightened external financing. These developments underscore the need to strengthen domestic financial intermediation, risk monitoring, and regional coordination.

A. Macro-Financial Landscape

1. Successive shocks have reshaped Dominica's financial sector landscape, which exhibits subdued credit growth despite ample liquidity and persistent structural fragilities.

Banks, supervised by the ECCB, remain well-capitalized and highly liquid. Persistently elevated non-performing loans (NPLs), however, have contributed to a conservative, de-risking stance (Figure 1). CUs, in contrast, have grown rapidly, accounting for 31.9 percent of assets and 53.7 percent of private credit. Less stringent regulation and a member-driven business model have allowed CUs to fill gaps left by banks, but their rapid expansion has entailed rising financial stability risks, given pronounced balance-sheet vulnerabilities—namely high NPL ratios, thin capital buffers, and weak provisioning relative to regulatory minimum thresholds—compared with the banking sector.



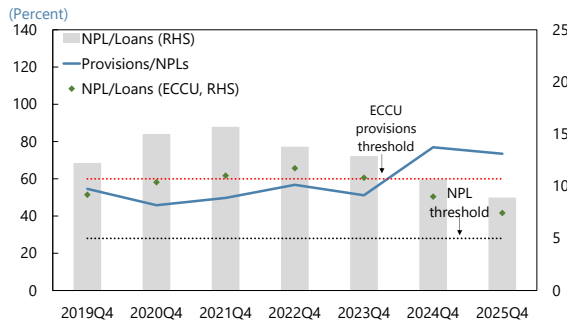
2. Banks have maintained significant sovereign exposure and built-up large assets abroad.

Since the pandemic, banks have increasingly directed lending toward the sovereign. Though starting to decline, it remains significant at 16.9 percent of assets and 312.7 percent of Tier 1 capital. Banks' net foreign assets have also surged over the past three years to 526 percent of Tier 1 capital. Both measures are well above regional averages.

¹ Prepared by Yibin Mu and Hou Wang.

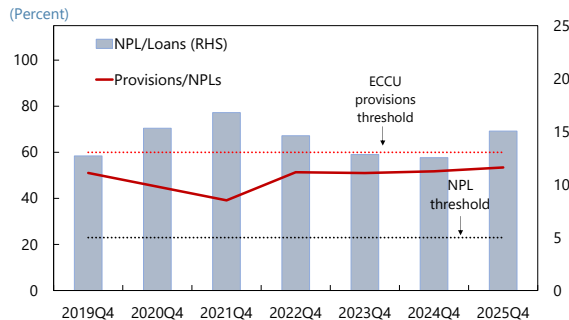
Figure 1. The Landscape of Deposit-taking Institutions* in Dominica

Commercial Banks' NPL Ratios and Provisions 1/



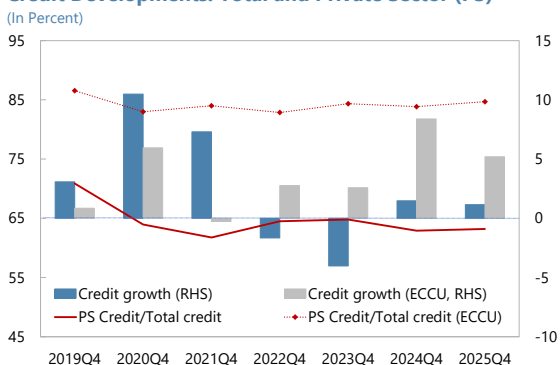
1/ NPLs are calculated using a 3-month threshold; Provisions include regulatory loan loss reserves.

Credit Unions' NPL Ratios and Provisions 1/

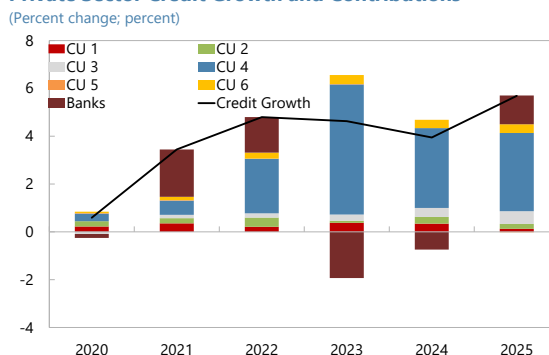


1/ NPLs are calculated using a 3-month threshold; Provisions include regulatory loan loss reserves.

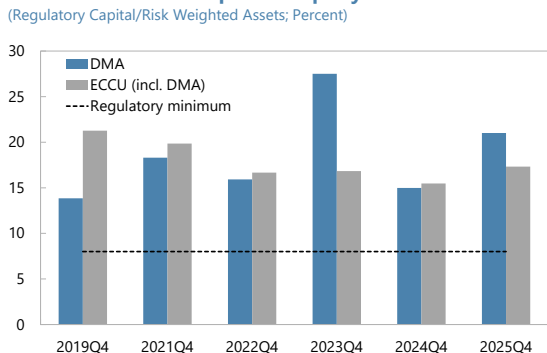
Credit Developments: Total and Private Sector (PS)



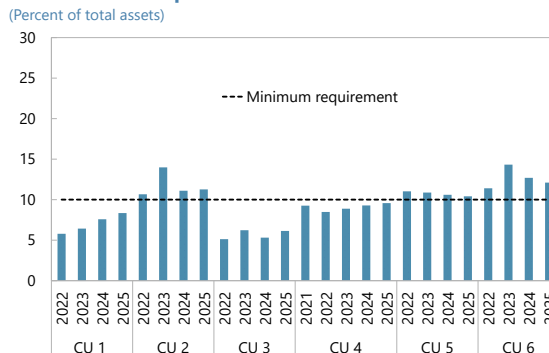
Private Sector Credit Growth and Contributions



Commercial Banks' Capital Adequacy



Credit Unions' Capital Positions



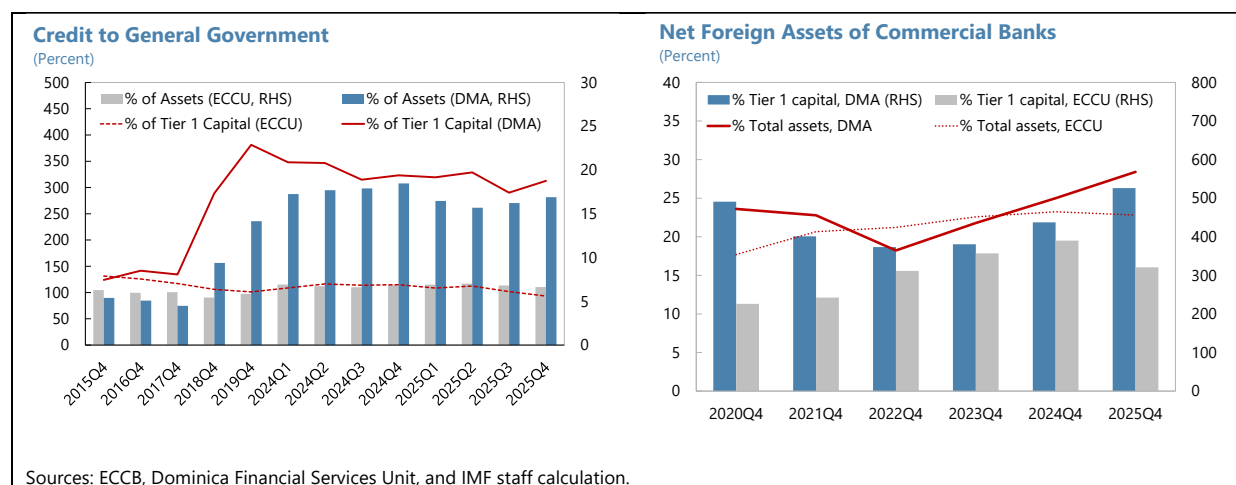
Sources: ECCB, Dominica Financial Services Unit, and IMF staff calculation.

*Include banks and credit unions.

3. A balance sheet analysis highlights rising macro-financial concentrations and points to a diminished banking sector role in domestic financial intermediation. Applying the IMF's Balance Sheet Analysis (BSA) Network Map and Cross-Sectoral Financial Exposure Tools² finds:

² The BSA—as documented in IMF (2015) and Armas and Dehmej (2024)—is a visualization instrument that displays sectoral interlinkages of a country at a specific point. The data are from the IMF's STA database, supplemented by CU data from the authorities.

- The economy's **net exposure** to the rest of the world (ROW) rose sharply—from 36 to 65 percent of GDP during 2019-24 (Figure 2). Non-financial corporations (NFCs) and the general government (GG) emerge as primary debtors, with liabilities of 91 and 61 percent of GDP in 2024, respectively (up from 80 and 44 percent in 2019). These are mainly financed by the ROW (65 percent of GDP), households (52 percent), and depository corporations (banks and CUs, 21 percent).

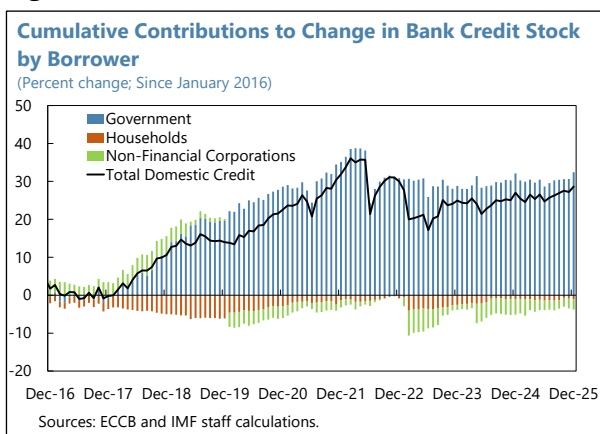


B. Contextual Drivers of Macro-Financial Linkages

4. Dominica's macro-financial configuration reflects both historical shocks and persistent structural rigidities. Hurricane Maria and the COVID-19 pandemic significantly increased public financing needs, although recent borrowing is primarily to rollover existing debt. Meanwhile, high NPLs and inadequate provisioning have constrained bank lending and pushed excess liquidity abroad.³ Structural rigidities in financial markets have also contributed to an increased reliance of NFCs on external financing.

5. Macro-financial linkages have evolved along three dimensions:

- **Real-financial feedback.** Credit-growth linkages have likely shifted away from banks, with financing increasingly intermediated through CUs. Given CUs' balance sheet fragilities and their systemic importance, close monitoring is warranted to contain financial stability risks.
- **Sovereign-bank nexus.** Since the pandemic, bank lending has increasingly shifted toward

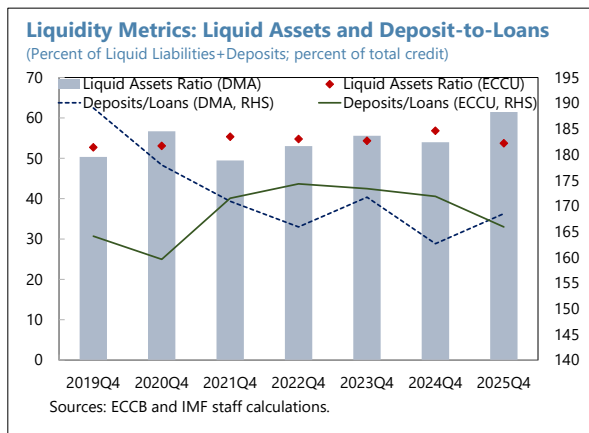


³ See Dominica [Country Report No. 24/192](#), Annex V and ECCU [Country Report No. 25/104](#), Annex VII for detailed discussion of structural impediments to financial intermediation.

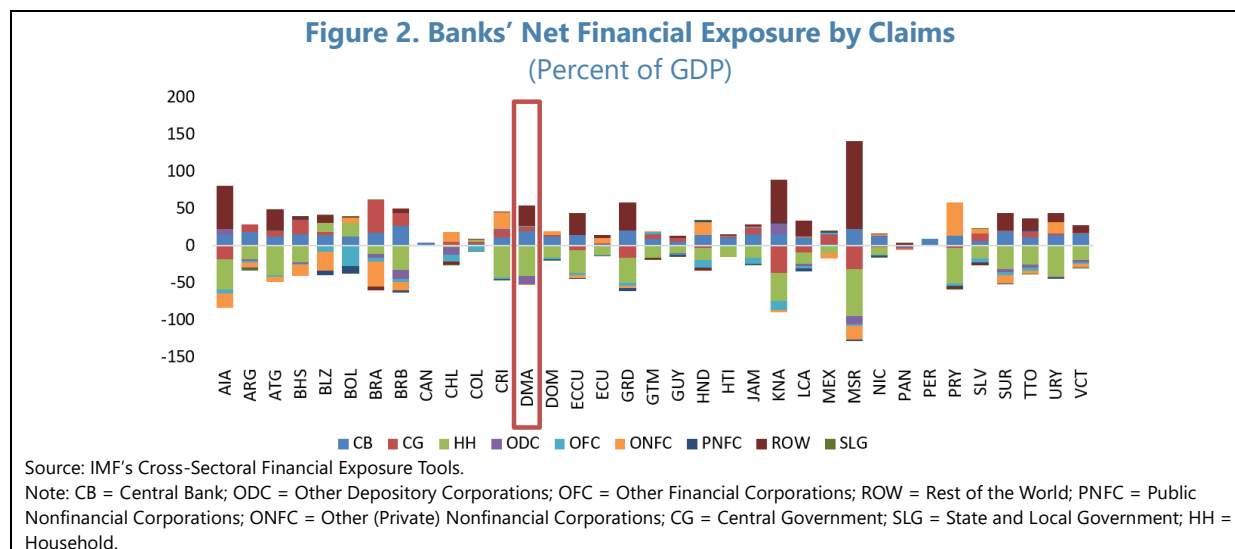
the public sector, deepening the sovereign–bank nexus. Banks retain some absorptive capacity for additional sovereign bond holdings should unanticipated financing needs arise, reflecting comfortable capital buffers, ample liquidity, and broadly adequate profitability. However, fiscal stress can transmit to banks via downgrades, arrears, and liquidity strains, while financial shocks feed back to the sovereign through higher borrowing costs.

- **Balance-sheet vulnerability:**

- **Asset-side.** Banks’ overseas portfolios are large by regional standards (Figure 2). While ample liquidity mitigates risks to credit supply, these overseas exposures—despite being a safe, liquid outlet for excess domestic deposits in shallow markets—increase banks’ exposure to global financial conditions. For banks holding large amount of overseas assets, decrease in foreign interest rates can compress net interest margins, weaken profitability, and slow capital accumulation.



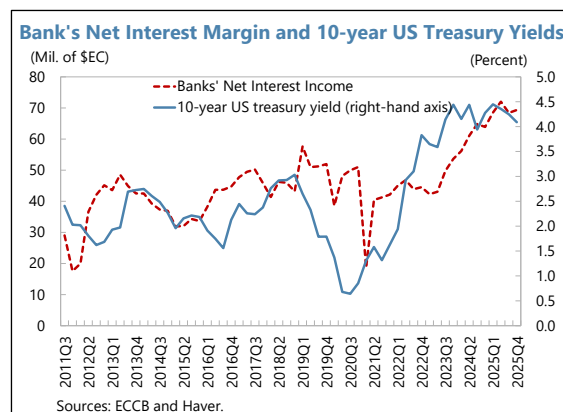
- **Liability-side.** The majority of the NFC’s gross liabilities are in the form of FDI, consistent with Dominica’s development strategy that relies heavily on foreign equity injections into CBI-sponsored infrastructure projects. Safeguarding the integrity and sustainability of the CBI program is critical to maintain these flows.



C. Risk Assessment: Scenario Analysis

6. Tailored adverse scenarios illustrate the transmission of shocks via identified macro-financial linkages.

- **Balance-sheet vulnerability.** About one-third of banks' assets are net foreign assets, a key source of earnings. Under plausible assumptions, every 100-basis-point decline in foreign interest rate could lower banks' net interest income by about 10 percent, posing material risks to profitability.⁴
- **Sovereign-bank nexus.** Vulnerabilities are examined from two perspectives.
 - **Bank to sovereign.** Competition from CUs limits banks' pricing power over private borrowing, which may compel banks to raise sovereign borrowing rates if profitability pressures intensify. Every 100-basis-point increase in government borrowing rates could widen the fiscal deficit by approximately 0.2 percentage points of GDP.
 - **Sovereign to bank.** Credit to the government amounts to 312 percent of Tier 1 capital. If just 10 percent of this exposure were temporarily impaired (e.g., following a natural disaster), it could erode the sector's risk-weighted capital adequacy ratio from 14 percent to 14 percent (but remaining above the regulatory minimum 8 percent threshold).



D. Policy Implications

7. Deepening domestic intermediation, reducing public financing needs, and strengthening regional coordination would improve financial stability and growth prospects.

In line with past IMF advice, priorities to alleviate structural constraints to credit intermediation include streamlining loan documentation requirements, developing tailored financial products for SMEs, and facilitating the disposal of impaired assets to support banks' credit expansion. Modernizing insolvency and bankruptcy frameworks, operationalizing the credit bureau, and strengthening regulatory frameworks and risk-based supervision could reduce risk premiums and incentivize productive lending. Advancing growth-friendly fiscal adjustment consistent with Dominica's FRF would lower financing needs, helping to ease sovereign concentration risks. Finally, enhanced regional–national policy coordination—to improve accessibility to the Eastern Caribbean Partial Credit Guarantee Corporation scheme and harmonize financial standards for deposit-taking institutions—could yield significant dividends for financial stability and healthy credit growth.

⁴ A full assessment of the impact would require bank-level data on foreign asset and liability exposures, maturities, accounting treatment, and interest income; however, data availability is limited.

Table 1. Dominica: Balance Sheet Approach Matrix, 2024 ^{1/}
(Percent of GDP)

	Government		Central Bank		Other Depository Corporations		Other Financial Corporations		Nonfinancial Corporations		Households		External		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Government			Source: CB		Source: ODCs		Source: OFCs		(GFS/MFS estimation)		(GFS/MFS estimation)		Source: IIP			
Total			1.13	...	21.83	11.38	...	...	...	...	...	...	52.47	2.80	75.44	14.17
In domestic currency			1.13	...	21.83	8.53	...	...	...	...	...	...	0.00	0.00	22.96	8.53
In foreign currency			0.00	0.00	0.00	2.85	...	...	0.00	0.00	0.00	0.00	52.47	2.80	52.47	5.65
Central Bank	Source: CB				Source: CB		Source: CB		Source: CB		Source: CB		Source: CB			
Total	...	1.13			0.01	...	0.00	0.00	0.00	0.00	5.22	0.00	...	20.07	5.23	21.21
In domestic currency	...	1.13			...	0.01	...	0.00	0.00	0.00	5.22	0.00	...	0.00	5.22	1.14
In foreign currency	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	20.07	0.01	20.07
Oth. Dep.	Source: ODCs		Source: CB		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs			
Total	11.38	21.83	0.01	...	0.00	0.00	1.89	2.45	18.23	25.73	114.37	68.03	...	48.65	147.74	166.68
In domestic currency	8.53	21.83	0.01	...	0.00	0.00	1.88	2.45	16.30	25.60	113.67	68.02	...	17.15	140.38	135.04
In foreign currency	2.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.93	0.13	0.70	0.01	1.88	31.50	7.36	31.64
Oth. Fin Corporations	Source: OFCs		Source: CB		Source: ODCs		Source: OFCs		Source: OFCs		Source: OFCs		Source: OFCs			
Total	...	...	0.00	...	2.45	1.89	...	...	...	...	...	...	...	...	2.45	1.89
In domestic currency	...	...	0.00	...	2.45	1.88	...	...	...	...	...	...	...	...	2.45	1.88
In foreign currency	...	...	0.00	0.00	0.00	0.00	...	...	...	...	...	...	...	...	0.00	0.00
Nonfinancial Corporations	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)		(No sectoral data)		Source: IIP			
Total	...	...	0.00	0.00	25.73	18.23	...	...	...	...	...	...	91.11	7.40	116.84	25.63
In domestic currency	...	...	0.00	0.00	25.60	16.30	...	...	...	...	...	...	0.00	0.00	25.60	16.30
In foreign currency	0.00	0.00	0.00	0.00	0.13	1.93	...	...	...	...	...	...	91.11	7.40	91.24	9.33
Households	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)		(No sectoral data)		Source: IIP			
Total	...	...	0.00	5.22	68.03	114.37	...	...	...	...	...	...	...	...	68.03	119.58
In domestic currency	...	...	0.00	5.22	68.02	113.67	...	...	...	...	...	...	...	...	68.02	118.89
In foreign currency	0.00	0.00	0.00	0.00	0.01	0.70	...	...	...	...	...	...	...	...	0.01	0.70
External	Source: IIP		Source: CB		Source: ODCs		Source: OFCs		Source: IIP		Source: IIP		Source: IIP			
Total	2.80	52.47	20.07	...	48.65	...	...	...	7.40	91.11	...	...	...	...	78.92	145.47
In domestic currency	0.00	0.00	0.00	...	17.15	...	...	...	0.00	0.00	...	...	...	...	17.15	0.00
In foreign currency	2.80	52.47	20.07	0.01	31.50	1.88	...	...	7.40	91.11	...	...	...	...	61.77	145.47
Total	14.17	75.44	21.21	5.22	166.68	145.86	1.89	2.45	25.63	116.84	119.58	68.03	143.58	78.92	CHECK	CHECK
In domestic currency	8.53	22.96	1.14	5.22	135.04	140.38	1.88	2.45	16.30	25.60	118.89	68.02	0.00	17.15	281.78	281.78
In foreign currency	5.65	52.47	20.07	0.01	31.64	7.36	0.00	0.00	9.33	91.24	0.70	0.01	145.47	61.77	212.86	212.86

1/ The analysis incorporates credit union data provided by the authorities. Work is ongoing to formally integrate these data into the BSA network map for many countries.

Table 2. Dominica: Balance Sheet Approach Matrix, 2019 ^{1/}
(Percent of GDP)

2019 - Percent of GDP (2 Billions)

	Government		Central Bank		Other Depository Corporations		Other Financial Corporations		Nonfinancial Corporations		Households		External		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Government			Source: CB		Source: ODCs		Source: OFCs		(GFS/MFS estimation)		(GFS/MFS estimation)		Source: IIP			
Total			0.00	...	18.09	11.02	...	...	...	...	...	...	40.26	3.69	58.36	14.71
In domestic currency			0.00	...	18.09	9.03	...	...	...	...	...	...	0.00	0.00	18.09	9.03
In foreign currency			0.00	0.00	0.00	1.99	...	...	0.00	0.00	0.00	0.00	40.26	3.69	40.26	5.68
Central Bank	Source: CB				Source: CB		Source: CB		Source: CB		Source: CB		Source: CB			
Total	...	0.00			0.00	0.00	...	0.00	0.00	0.00	5.40	0.00	...	27.19	5.40	27.19
In domestic currency	...	0.00			...	0.00	...	0.00	0.00	0.00	5.40	0.00	...	0.00	5.40	0.00
In foreign currency	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	27.19	0.01	27.19
Oth. Dep.	Source: ODCs		Source: CB		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs			
Total	11.02	18.09	0.00	...	0.00	0.00	12.91	3.62	20.85	29.33	96.61	73.80	...	44.92	144.45	169.77
In domestic currency	9.03	18.09	0.00	...	0.00	0.00	12.81	3.62	18.28	28.86	96.10	73.80	...	16.43	136.22	140.80
In foreign currency	1.99	0.00	0.00	0.00	0.00	0.00	0.10	0.00	2.57	0.48	0.51	0.00	3.06	28.49	8.23	28.96
Oth. Fin Corporations	Source: OFCs		Source: CB		Source: ODCs		Source: OFCs		Source: OFCs		Source: OFCs		Source: OFCs			
Total	...	...	0.00	...	3.62	12.91	...	...	...	...	...	...	...	...	3.62	12.91
In domestic currency	...	...	0.00	...	3.62	12.81	...	...	...	...	...	...	...	...	3.62	12.81
In foreign currency	...	...	0.00	0.00	0.00	0.10	...	...	...	...	...	...	...	...	0.00	0.10
Nonfinancial Corporations	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)		(No sectoral data)		Source: IIP			
Total	...	...	0.00	0.00	29.33	20.85	...	...	...	...	...	...	80.69	8.73	110.03	29.58
In domestic currency	...	...	0.00	0.00	28.86	18.28	...	...	...	...	...	...	0.00	0.00	28.86	18.28
In foreign currency	0.00	0.00	0.00	0.00	0.48	2.57	...	...	...	...	...	...	80.69	8.73	81.17	11.30
Households	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)		(No sectoral data)		Source: IIP			
Total	...	...	0.00	5.40	73.80	96.61	...	...	...	...	...	...	...	...	73.80	102.01
In domestic currency	...	...	0.00	5.40	73.80	96.10	...	...	...	...	...	...	...	...	73.80	101.50
In foreign currency	0.00	0.00	0.00	0.00	0.00	0.51	...	...	...	...	...	...	...	...	0.00	0.51
External	Source: IIP		Source: CB		Source: ODCs		Source: OFCs		Source: IIP		Source: IIP		Source: IIP			
Total	3.69	40.26	27.19	...	44.92	...	...	...	8.73	80.69	...	...	...	...	84.53	124.03
In domestic currency	0.00	0.00	0.00	...	16.43	...	...	...	0.00	0.00	...	...	...	...	16.43	0.00
In foreign currency	3.69	40.26	27.19	0.01	28.49	3.06	...	...	8.73	80.69	...	...	...	...	68.10	124.03
Total	14.71	58.36	27.19	5.40	169.77	141.39	12.91	3.62	29.58	110.03	102.01	73.80	120.96	84.53	CHECK	CHECK
In domestic currency	9.03	18.09	0.00	5.40	140.80	136.22	12.81	3.62	18.28	28.86	101.50	73.80	0.00	16.43	282.42	282.42
In foreign currency	5.68	40.26	27.19	0.01	28.96	8.23	0.10	0.00	11.30	81.17	0.51	0.00	124.03	68.10	197.76	197.76

1/ The analysis incorporates credit union data provided by the authorities. Work is ongoing to formally integrate these data into the BSA network map for many countries.

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Annex III. Risk Assessment Matrix¹

Risks	Relative Likelihood	Impact	Policy Response
Conjunctural Risks—Global/External Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	Medium. ST/MT. Higher import costs, especially for fuel and food. Weaker global growth, tourism receipts, and capital inflows.	Diversify source markets and export base. Provide targeted transfers to the vulnerable. Pursue structural measures to enhance economic competitiveness. Monitor financial risks closely, including risks to FDI and CBI, in coordination with the ECCB and regional peers. Finalize ongoing energy transition efforts.
Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High	Medium. ST/MT. Higher import costs, renewed inflationary pressures, reduced investment from abroad, lower tourism receipts and CBI revenues.	Explore cost-effective ways to diversify trading partners for imports, exports, as well as tourism revenues. Provide targeted transfers to the vulnerable. Increase value-added of tourism and exports through improved infrastructure and skill upgrade. Monitor financial risks closely, including risks to FDI and CBI, in coordination with the ECCB and regional peers. Finalize ongoing energy transition efforts.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	High. ST/MT. Renewed inflationary pressures, dampening demand, and worsening fiscal and external imbalances.	Strengthen the efficiency of the social safety net to better support the vulnerable with a targeted approach, allow pass-through of international prices to domestic prices and avoid broad-based measures to mitigate fiscal risks and cushion the economic impact. Finalize ongoing energy transition efforts to geothermal power.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing	High	High. ST/MT. Higher borrowing costs and debt service burden. Erosion of fiscal space. Reduced investor appetite for regional bonds. Sovereign-bank nexus risks. Delayed investment and resilience-building projects.	Implement medium-term fiscal consolidation strategy to achieve twin objectives of Dominica’s fiscal responsibility framework consistent with IMF advice. Strengthen fiscal frameworks to support operationalization of the fiscal rule and improve internal/external data reporting. Enhance debt management transparency to bolster investor confidence.

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

Risks	Relative Likelihood	Impact	Policy Response
economies elicit a sharp increase in short-term rates.			
New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	Low	Low. ST/MT. Diversified import and export base, faster growth.	Expand trading with new partners, boost investment, and pursue structural reforms to increase productivity, and reduce labor market mismatches.
Structural Risks			
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	Medium. ST. Reduced exports, higher import costs.	Enhance digital security in public and private platforms.
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	High. ST/MT. Loss of life, displacement, and increased poverty. Infrastructure damage. Crop losses and supply disruptions. Insurance sector stress and higher contingent liabilities for government. Lower potential output and investment.	Finalize ongoing energy transition efforts. to improve resilience and competitiveness. Design fiscal frameworks that internalize exposure to natural disasters and climate risk and implement Dominica's Disaster Resilience Strategy . Adopt national adaptation plans for investment in structural and financial resilience, build capacity to access climate finance. Strengthen data collection and monitoring of private insurance costs. Enhance the efficiency and targeting of the social safety net to better support the vulnerable.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	Medium	Medium. MT. Reduced availability of skilled labor. Upward wage pressure. Delayed infrastructure projects.	Invest in vocational training and education to build domestic capacity in line with economic needs. Strengthen regional arrangements within CARICOM to facilitate movement of workers. Promote digitalization and automation in sectors facing labor shortages. Create programs to attract skilled diaspora.
Domestic Risks			
Fiscal under-performance and lower CBI revenues. Lower-than-expected fiscal balances due to higher-than-expected spending and revenue underperformance, including a decline in CBI revenues due to increased pressure by the U.S. and the EU, leaving them unattractive.	Medium	High. ST/MT. Delayed in fiscal consolidation and weakened fiscal sustainability.	Mobilize revenue from alternative sources and improve expenditure efficiency. Operationalize the fiscal responsibility framework to rebuild buffers. Strengthen governance and transparency frameworks to protect the integrity of the CBI program.
Delays in infrastructure investment. Private investment could be unprofitable without enough infrastructure investment.	Medium	High. ST/MT. Reduced tourism and fiscal revenues. Reduced long-run potential growth.	Improve PFM and enhance expenditure efficiency, including by containing current expenditures. Strengthen fiscal frameworks while protecting space for growth-supporting investment. Safeguard critical investment and development flows such as CBI revenues and ensure the completion of flagship projects.
Risks of rising arrears. This could undermine growth and compromise achieving fiscal objectives.	High	High. ST/MT.	Improve cash and debt management.

Risks	Relative Likelihood	Impact	Policy Response
A deterioration in CU asset quality and/or disruption of correspondent bank relationships could reduce growth.	Medium	Medium. ST. Hampered private credit growth and financial instability.	Monitor asset quality and ensure adequate loan loss provisioning and advance financial reform agenda.
Delays in enacting social security system reforms to address looming sustainability pressures would deplete buffers and increase vulnerabilities to shocks.	Medium	Medium. MT/LT.	Advance pension system reform in line with IMF recommendations to buttress sustainability.

Annex IV. Implementation of Fund's Past Policy Advice

Recommendations from Last Article IV	Authorities' Actions
Fiscal Consolidation Measures	
<i>Revenue measures</i>	
Eliminate discretionary import duty exemptions. Expand tourism levies (including sites and hotels). Reinstatement highway levy. Introduce solid waste management fee. Consider modest VAT rate increase, paired with targeted transfers to protect vulnerable groups.	Partial. Fee adjustment, including introduction of new fees, of Eco-Tourism sites and reintroduction of the highway maintenance levy became effective from October 2025. Introduction of a fee for visitors to the island will be effective in 2026. Other reforms are under consideration.
Operationalize the tax on idle properties as a first step towards a comprehensive property tax regime. Rationalize PIT exemptions and streamlining discretionary duty exemptions, notably by eliminating exemptions on the importation of vehicles.	Under consideration. Increase in the environmental surcharge of the older imported motor vehicles and decline in the excise tax rate of the newer imported motor vehicles became effective by October 2025. However, elimination of exemptions and policy measures are yet under consideration.
Streamline tax incentives, review PIT allowances, and strengthen tax administration and compliance risk management to maximize tax revenue.	Under consideration.
<i>Expenditure measures</i>	
Rationalize recurrent spending, notably goods and services (adjusted for CBI due diligence spending). Tariff adjustments on hospital charges and other key public services. Restrain wage growth.	Partial. Goods and services continued to decrease to 11.8 percent in FY2024/25 by 1.1 percent of GDP compared to the previous year. Adjustment to tariff of hospital services is under consideration.
Revamp the National Employment and Housing programs to enhance efficiency and effectiveness, including by integrating means-testing and cost recovery components into housing schemes.	Under consideration.
CBI Governance and Management	
Safeguard and optimize CBI funding model.	Ongoing. Dominica has implemented some reforms recently to address the third-party concerns, such as enhanced residency requirements, tightened governance and revocation powers, stricter agent eligibility and applicant due diligence procedures, and

Recommendations from Last Article IV	Authorities' Actions
	spearheading independent regional oversight of CBI regimes via the passage national legislation to support the launch of the Eastern Caribbean Citizenship by Investment Regulatory Authority.
Allocating a higher share of CBI revenue, including all unexpected windfalls, to disaster insurance and debt amortization to bolster financial resilience and strengthen debt sustainability.	Ongoing. Vulnerability and Resilience Fund (VRF) reached 1.2 percent of GDP and Debt Repayment Fund (DRF) established with around 0.1 percent of GDP by March 2026.
Strengthening Social Protection System	
Pursue avenues for proxy-targeting and tailored social assistance to vulnerable households in a more systematized way to streamline untargeted programs and swiftly deploy exceptional support cost-effectively in the face of large shocks. Establish centralized beneficiary registry and digital payment systems.	Ongoing. Planned launch of a management information system and digital payment tools known as the Social Welfare Information Management System (SWIMS) by end 2026. This initiative, which presently only applies to the public assistance program, is expected to be extended to other social programs.
Advance parametric reforms to safeguard pension sustainability. Priorities include increasing contribution rates, reducing replacement rates, aligning the statutory retirement age for both private and public employees at 65 years.	Under consideration. The focus of parametric reforms has shifted to imposing conditions on receiving early retirement pensions between ages 60 and 65 based on beneficiaries' employment status and salaries; increasing the early pension age from 60 to 62; and gradually raising the minimum number of contribution weeks required to qualify for a pension.
Complete the ongoing population census to form the basis for a comprehensive social registry.	Ongoing.
Preserving Financial Stability	
Bring credit unions' capital above the regulatory minimum.	Ongoing. The capital ratios of all credit unions (CUs) have been bolstered to surpass 6 percent, and half of the CUs have a ratio above 10 percent.
Modernize regulatory framework for credit unions.	Ongoing. The Financial Services Unit (FSU) is advancing reforms to the CU regulatory and legislative framework. The updated regulation—currently under review and expected to be in place in June—introduces key prudential enhancements, including tiered risk-based capital requirements,

Recommendations from Last Article IV	Authorities' Actions
	strengthened provisioning and collateral valuation standards, anti-evergreening requirements, and clearer write-off requirements. The reforms also enhance the FSU's enforcement powers, including through the introduction of a range of administrative penalties. Amendments to the Cooperative Societies Act are also currently under preparation.
Stricter enforcement of provisioning and NPL standards, managing loan loss allowances, and facilitating the disposal of impaired assets.	Ongoing. The upgrade of the regulatory framework for CUs is expected to provide guidance on provisioning and NPL standards, as well as enhance the FSU's enforcement powers.
Addressing Long-Standing Constraints to Financial Intermediation	
Streamline lending processes and address collateral constraints for small businesses.	Ongoing. The authorities continue to support regional initiatives such as the regional credit bureau and partial credit guarantee scheme to streamline lending processes and alleviate collateral constraints for small businesses.
Modernize national insolvency law to facilitate resolution of NPLs. Modernize collateral, foreclosure, and bankruptcy frameworks.	Limited. Options are under consideration, including alternative solutions such as tribunal, arbitration, etc. However, no concrete decision has been taken.
Utilize ECCU regional credit bureau to facilitate lending.	Ongoing. Authorities are actively helping CUs to meet the documentation requirements for joining the credit bureau.
Bolster the Potential for Sustained Strong Resilient Growth	
Transition to geothermal energy to increase economic competitiveness and reduce vulnerabilities to external shocks.	Ongoing. Commercial operation of the geothermal powerplant has started and is expected to deliver 10MW of electricity to serve the capital area. The authorities are exploring different options to expand the coverage to service the entire country.
Timely completion of the new international airport to boost connectivity with large markets and enhance regional connectivity.	Ongoing. Airport construction is progressing and is expected to be operational by end-2027.
Advance digitalization to improve the business environment and support innovation.	Ongoing. The World Bank-supported Caribbean Digital Transformation Project has been extended through May 2028, with several initiatives advancing.

Recommendations from Last Article IV	Authorities' Actions
Improve public service access, streamline regulations, and reduce compliance costs for businesses.	Ongoing. Work is ongoing to improve access and reduce compliance costs through e-government under the Caribbean Digital Transformation Project. Over 250 government services are now online.
Advancing Institutional Reforms to Help Mitigate Risks and Support Economic Policy Making	
Further strengthen the AML/CFT framework to minimize risks to correspondent banking relationships.	Ongoing. The Financial Intelligence Unit (FIU) is advancing AML/CFT reforms, focusing on strengthening the legal framework to achieve full technical compliance by the CFATF 5th Round Mutual Evaluation tentatively slated in 2027-28, alongside efforts to improve effectiveness across the Immediate Outcomes. A third Enhanced Follow-Up Report (FUR) is expected to be considered at the CFATF May 2026 Plenary for technical compliance re-rating under three Recommendations related to targeted financial sanctions and the regulation and supervision of DNFBPs.
Strengthen institutional capacity in statistical compilation and timely publication.	Partial. With CARTAC's assistance, the statistics office has been endeavoring to compile rebased GDP series for 2023 and 2024, aiming to release them in 2026Q1. The update of the CPI basket and weights is pending.
Strengthening PFM processes for medium-term budgeting, fiscal reporting, treasury operations, and public investment management.	Mixed. Although authorities have been working on strengthening the preparation of financial statements on an IPSAS basis with CARTAC's assistance, there has been some deterioration in fiscal reporting with larger inconsistencies and longer lags.

Annex V. Trade Integration: Connectivity Challenges and Strategies for Overcoming Barriers¹

Dominica is highly exposed to external shocks affecting both goods and services trade. Understanding how connectivity constraints shape trade patterns and tourism flows is therefore critical for identifying opportunities to diversify concentrated import sources and tourism-centric exports as well as enhance resilience. This annex examines connectivity challenges— across both maritime shipping and aviation—to assess their implications for Dominica’s growth and resilience, with a view to identify policy priorities for easing these constraints.

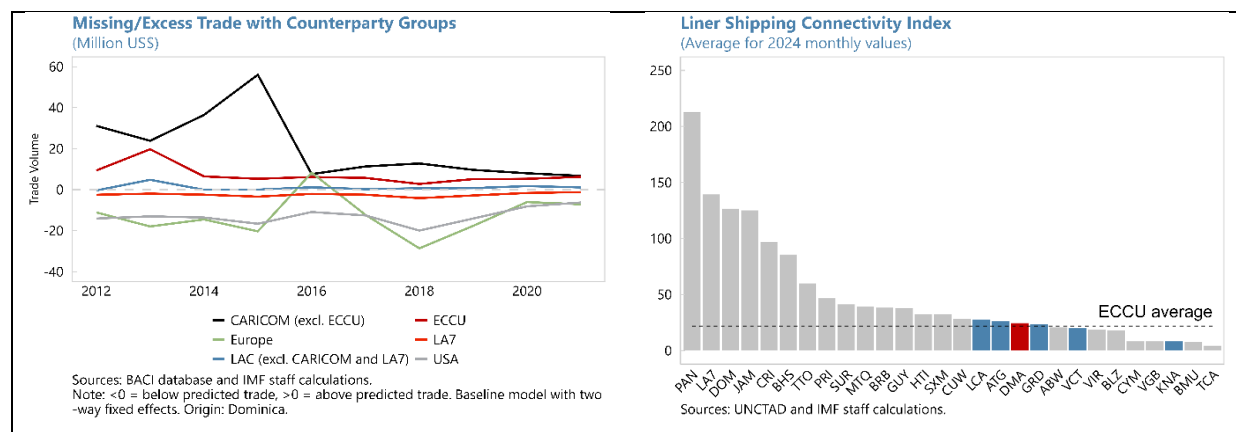
1. Caribbean economies—including Dominica—face heightened vulnerability to external shocks to goods and services trade amid evolving geoeconomic fragmentation. These small and open economies depend heavily on tourism inflows as a key source of income and employment, and on imports to meet domestic needs. Escalating geoeconomic fragmentation, rising trade disruptions, and increasing uncertainty, can all affect established trade routes and patterns critical to the region. Understanding trade patterns and key drivers helps identify constraints and bottlenecks, and opportunities to broaden trade and economic diversification.

2. A gravity model of global goods trade is used to analyze trade patterns in the Caribbean. The methodology is based on the well-established gravity model framework widely applied in the trade literature (see among many others Silva and Tenreyro, 2006). We estimate a gravity-type model on global bilateral goods trade data from the BACI (CEPII) database (Gaulier and Zignago, 2010). The purpose of the analysis is to explain relative trade patterns with a few underlying fundamental drivers, and predict trade levels based on those drivers. The framework also allows trade pattern comparisons across countries and regions.

3. Dominica’s goods exports to regions outside the Caribbean are below model estimates. The results reveal a gap between Dominica’s predicted and actual trade with regions outside the Caribbean, totaling nearly US\$7.3 million in 2021, equivalent to 1.3 percent of GDP. This gap, or the “missing” exports, reflects structural barriers rather than fundamental economic factors, and suggests room for trade expansion if those structural barriers were removed. This contrasts with intra-trade patterns within the ECCU and CARICOM regions, where actual trade exceeds model estimates based on fundamentals. Trade with Latin America has also been above model estimates, though trade with 7 major Latin American countries (LA7)² remains below expected levels. Trade with Europe and the U.S. has increased since 2018; however, actual flows remain substantially below model estimates, with combined actual trade reaching only about one-third of the level implied by the model.

¹ Prepared by Qingyu Tao and Hou Wang, based on joint work with JaeBin Ahn, Nalisa Marieatte, Philipp-Leo Mengel, David Moore, Josefine Quast on Caribbean trade patterns and connectivity constraints.

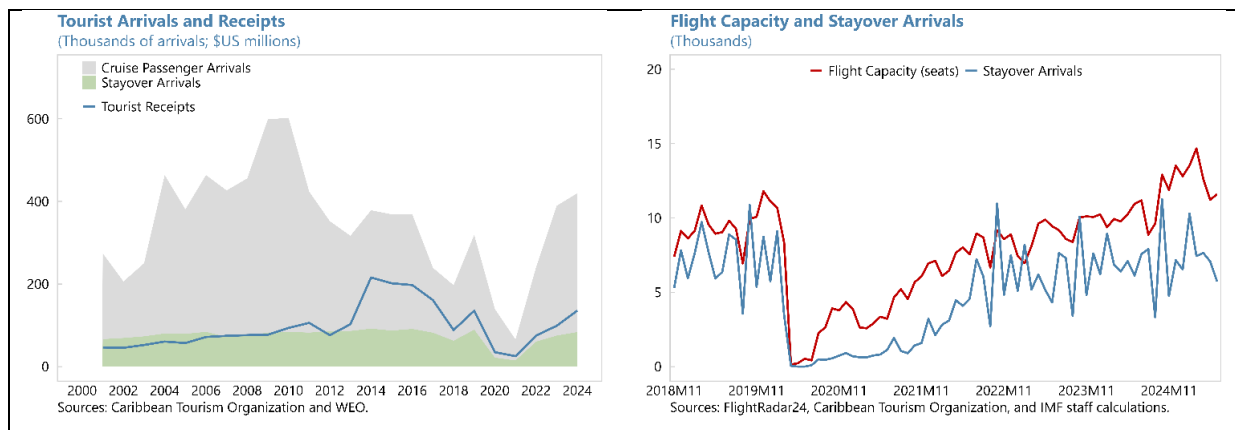
² LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay.



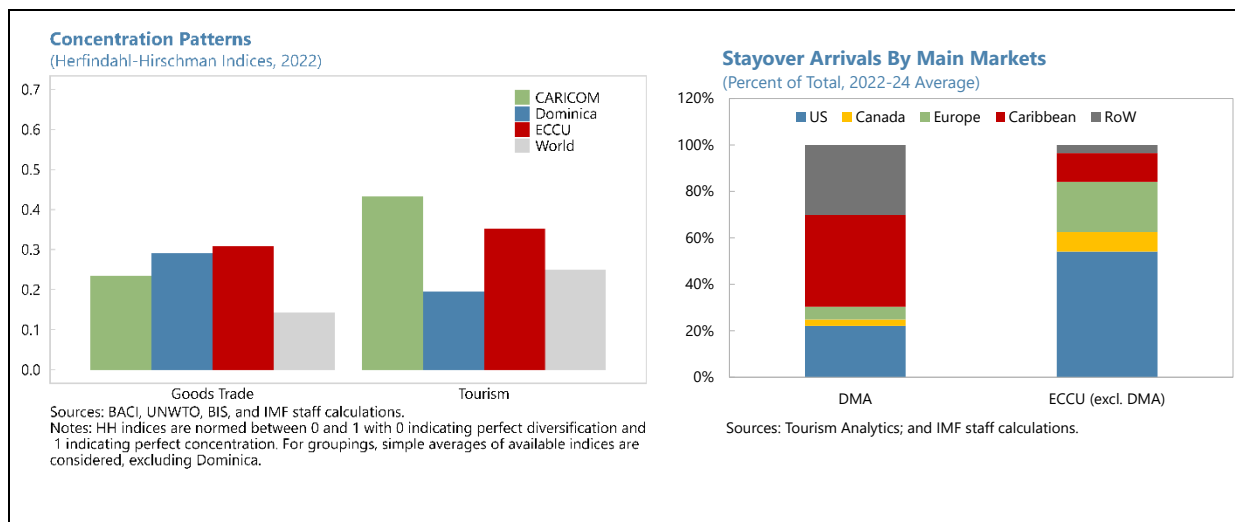
4. These structural barriers appear to be largely driven by weak shipping connectivity, which drives up costs and amplifies the negative distance effect on trade. Connectivity constraints involve a dependence on limited hubs with a heavy U.S. concentration and limited shipping routes. Furthermore, empirical estimates show a pronounced distance effect on trade for Caribbean countries, including Dominica. In other words, relative to the world average, exports decline more rapidly as the distance to trading partners increases, underscoring challenges with shipping connectivity. Connectivity challenges, in terms of concentrated hubs and limited direct shipping routes, imply a reliance on transshipment, causing delays and raising costs. Data suggests that Caribbean countries face shipping costs that are roughly three times higher than the global average. The high costs also reduce competitiveness and raise the cost of intermediate imports, presenting a significant barrier to export growth and external rebalancing.

5. Air connectivity is a key determinant of bilateral stayover arrivals in tourism-dependent Caribbean countries like Dominica. Cruise passengers represent the majority of arrivals, yet stayover tourists tend to generate higher economic multipliers. Stayover tourist arrivals are often viewed as largely driven by 'pull' factors originating from destination markets (such as attractiveness), but 'push' factors originating from source countries (such as flight availability) also play an important role. A similar gravity-type model analysis trying to empirically capture the 'push' factor points to a highly significant effect of flight capacity—a key measure of air connectivity—on tourist arrivals.³ The estimated elasticity is approximately 0.6, implying that a 10 percent increase in flight capacity is associated with roughly a 6 percent increase in arrivals over time, potentially generating significant growth dividends.

³ Following the literature, we use a shift-share (Bartik-style) instrumental variable approach to isolate 'push' factors from 'pull' factors. See Ahn and others (*forthcoming*) for details.



6. Connectivity constraints have contributed to a more concentrated economic structure that increases vulnerability to external shocks. Like many countries in the region, Dominica relies heavily on a concentrated set of sources for goods trade and tourism income. This concentration is particularly pronounced for goods imports, where the country depends on a narrower range of trading partners than world or even CARICOM average. Dominica is slightly more diverse than its ECCU peers in terms of tourism source markets, thanks to its unique natural tourism branding that attracts visitors with distinctive interests. As small open economies, while reliance on imported consumption goods and production inputs is evitable, high concentration increases vulnerability to external shocks. Cost-effective diversification strategies are therefore important, making improved connectivity a vital prerequisite.



7. Addressing connectivity constraints can help deepen trade integration and boost growth prospects. In the near-term, policy efforts should focus on efficiency gains—such as reducing red tape in port and customs procedures, streamlining clearance processes, and modernizing trade agreements. Over the longer term, upgrading and modernizing shipping and aviation infrastructure would help alleviate structural connectivity bottlenecks. In this context, Dominica’s ongoing investments on a new cargo port, the cruise village, and marina development,

and would help expand capacity for cargo, cruise, and yachting. In addition, ongoing upgrades to existing airport facilities and the construction of a new international airport are expected to expand capacity for larger aircraft and more frequent flights, generating potential substantial growth gains (Annex VI). Coupling infrastructure upgrades with enhanced digital systems would further streamline passenger processing and improve the overall travel experience.

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Annex VI. A Model-based Approach to Decoding Dominica's Growth Drivers¹

This annex introduces an econometric framework to analyze Dominica's growth drivers, with explicit links to tourism and its determinants. Findings show that tourism receipts constitute an important source of growth, with the implication that a meaningful structural increase in stayover arrivals would provide a significant, albeit temporary, fillip to growth. Scenario analyses estimate the growth impulse of a doubling or tripling of tourism capacity in the 1½ to 2 percentage points (ppts) range during the medium-term transition to the new equilibrium.

A. Context and Methodology

- 1. Dominica is a small open economy with growth heavily influenced by external shocks and economic activities.** Its economy is highly susceptible to natural disaster risks and relies primarily on tourism and large investment projects. In recent decades, potential growth has declined primarily due to declining total factor productivity.²
- 2. The proposed econometric approach aims to isolate the primary drivers of growth in tourism-dependent Caribbean economies.** The framework is based on a parsimonious panel regression model designed to capture key structural characteristics of the region capable of providing an anchor for short- to medium-term growth projections under various global economic conditions and policy settings.
- 3. The model comprises two components: a main growth model and a tourism-specific auxiliary model.** The main model projects GDP growth based on both exogenous and endogenous factors, including growth in major trading partners and tourism source countries, tourism receipts, and public capital expenditure. The auxiliary model allows for a closer analysis of the drivers of tourism. It provides plausible paths for future tourism development and forecasts growth in tourist arrivals using indicators such as flight and hotel capacity, as well as growth in key source markets.

Box 1. Methodology of Growth and Tourism Models

The GDP growth model can be specified by a linear dynamic fixed-effect panel regression of the following form:

$$\Delta GDP_{c,t} = \alpha + \sum_{i=1}^p \beta_i \Delta GDP_{c,t-i} + \gamma' X_{c,t} + \gamma_c + \epsilon_{c,t}$$

Where c, t denote country and year, and $\Delta GDP_{c,t}$ denotes year-over-year (yoy) growth in real GDP (in percent), $X_{c,t}$ denotes a vector of explanatory variables, including growth of tourism receipts, natural disaster shock, EU and U.S. GDP growth, and lagged public capital expenditure growth, γ_c denotes the country fixed effect, and $\epsilon_{c,t}$ is the error term.

¹ Prepared by Sinem Kilic Celik and Eric Huang.

² See [Country Report No. 25/130](#).

Box 1. Methodology of Growth and Tourism Models (Concluded)

Given the importance of tourism in many Caribbean countries including Dominica, it is modeled separately with an auxiliary model to allow for the projection of tourism growth under different scenarios. The auxiliary model for annual tourist arrivals can be specified by a linear dynamic panel data regression.¹ The model is specified as follows

$$\ln TA_{i,t} = \alpha + \rho \ln TA_{i,t-1} + \beta_1 \ln F_{i,t} + \beta_2 \ln HR_{i,t} + \beta_3 USgrowth_t + \beta_4 COVID_t + e_{i,t}$$

Where TA_t denotes tourist arrivals at time t for country i , F denotes flight capacity measured by total seats, HR denotes hotel room capacity, $USgrowth$ denotes U.S. growth, and $COVID$ denotes a dummy variable for COVID.

Given assumptions about future flight and hotel capacity as well as growth in the US, the auxiliary model can generate projections for stayover tourist arrivals. A baseline projection for overall tourism receipts can then be constructed under two reasonable assumptions: (i) other categories of tourist arrivals—mainly cruise visitors—grow in proportion to stayover arrivals, and (ii) average spending per visitor remains unchanged for both groups.

¹ The specification of the tourism arrival model is similar to the one used in [Selected Issues Paper No. 23/061](#).

B. Estimation Results

4. The growth model is estimated on an unbalanced panel dataset of twelve tourism-dependent Caribbean economies, with observations from 1990 onward.³ In the projection for Dominica, baseline assumptions for EU and U.S. growth are drawn from WEO projections, while assumptions for tourism receipts are based on forecasts from the satellite tourism model. Specifically, the satellite tourism model forecasts stayover arrivals and derives total tourism receipts assuming proportional improvements in cruise arrivals and unchanged per-capita spending for both stayover and cruise visitors.

5. Growth model results confirm that tourism, capital investment, and trade partner developments as being important determinants of Caribbean country growth (Table 1). The model estimates that a 1 ppt increase in tourism receipts and (lagged) capital investment (CapEx) raises Caribbean growth by 0.09 and 0.01 ppts, respectively. In addition, growth in the region is strongly affected by its major trading partners, even after controlling for tourism and CapEx. Specifically, the elasticity of Caribbean growth to growth in the U.S. and the EU is estimated at 0.49 and 0.8 respectively. Growth persistence also matters: a 1-ppt increase in growth in the previous year translates into a 0.1 ppt increase in current-year growth.⁴ Meanwhile, the analysis reaffirms that

³ The countries included in the sample are: Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. These economies share similar economic structures, characterized as small-island, tourism-dependent economies.

⁴ Growth patterns of other trading partners, such as Canada and China, are less statistically significant and thus excluded from the model specification.

natural disasters pose a significant threat to the region, with a typical disaster event estimated to reduce regional growth by 0.84 ppts on average.

Table 1. Dominica: Results of the Growth Model		Table 2. Dominica: Results of the Tourism Model	
Dependent variables	Coefficients	Dependent variables	Coefficients
Lag of real GDP growth	0.104**	Lag of tourist arrivals	0.24 ***
Tourism receipt growth	0.091***	Flights	0.15 ***
US GDP growth	0.487***	Room capacity	0.18 *
EU GDP growth	0.801***	GDP growth in the USA	0.05 ***
CapEx growth	0.010***	COVID	-0.78 ***
Natural disaster	-0.844*	Constant	6.24 ***
Constant	-1.111**	Number of observations	163
Observations	342	Note: ***, **, and * indicates $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively	
Country FE	Yes	Source: IMF staff.	
Note: ***, **, and * indicates $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively			
Source: IMF staff.			

6. Results from the tourism model indicate that source market income growth, airlift and hotel capacity are key factors for stayover tourism (Table 2). Holding hotel room capacity fixed, doubling flight capacity could boost stayover tourist arrivals by around 15 percent in the short-term, and up to 38 percent in the medium-term if hotel capacity also doubles.

C. Sensitivity Analysis

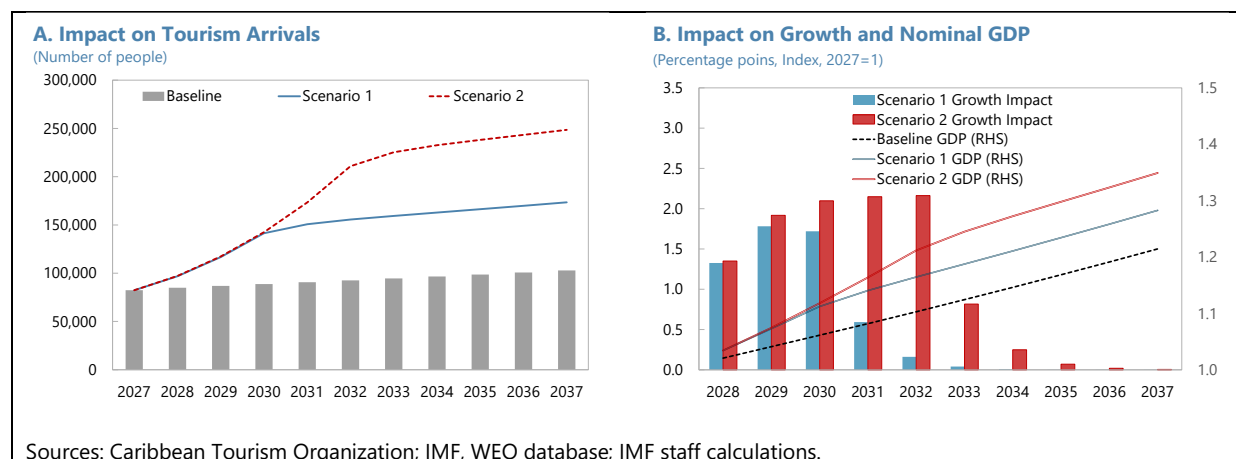
7. A structural increase in stayover arrivals is estimated to provide a meaningful transitory boost in growth. Dominica's tourism context is evolving as the forthcoming completion of the international airport—alongside ongoing complementary hotel projects to boost room capacity—helps set the conditions for a structural increase in tourism arrivals. The potential impact of a positive shock to tourism arrivals on growth is considered using *purely illustrative scenarios*.⁵

- **Scenario 1—a doubling of stayover arrivals.** Specifically, we consider a scenario where an increase in Dominica's flight capacity over a three-year period starting in 2028—alongside a proportional expansion in hotel capacity—translates into a faster expansion in tourism, with arrivals growing on average 17 percent faster than the baseline for three years, before reverting to historical norms. This scenario effectively translates into a slightly more than doubling of stayover arrivals in a decade, from about 82,000 in 2027 to about 173,000 in 2037 (Figure A). An

⁵ We assume that dynamic effects from both of the model's lagged dependent variable would be in effect with one-year lag.

increase in tourism along these lines is estimated to boost growth by about 1½ ppts on average during the first three years, with the effect dissipating relatively quickly thereafter, fading entirely by 2034 (Figure B).⁶

- **Scenario 2—a tripling of stayover arrivals.** Under a more ambitious structural shift scenario—where tourist arrivals grow on average by 18 percent faster than the baseline over the five years beginning in 2028 and converging to around 250,000 over a decade (see Figure A)—the growth impulse is estimated to average around 2 ppts during 2028-32, before gradually fading to zero by 2037 (see Figure B).



8. Under either scenario, findings suggest that a significant shift in tourism capacity over a sustained period has the potential to provide a significant, albeit transitory, boost in real growth. While the impact of policies to boost tourism capacity (via a combination of airlift or room stock enhancements) would entail a structural shift in the level of tourism receipts and GDP, its growth impact is confined to the transition to the new equilibrium level.⁷ Against this backdrop, it is important for Dominica to continue efforts to eliminate persistent structural impediments to innovation and economic diversification.⁸

⁶ Only 0.2 percentage point increase per year due to dynamic effects is expected for the following three years.

⁷ Permanent growth gains could be achieved if the structural expansion of the tourism sector were accompanied by a permanent boost to productivity growth, a scenario not explored in this exercise.

⁸ See Section C and [Country Report No. 25/130](#).

Annex VII. Data Issues

Table 1. Dominica: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	C	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	C	B	C	B		
Granularity 3/	C		C	C	B		
Consistency			C	B		C	
Frequency and Timeliness	C	C	C	C	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						

Table 1. Dominica: Data Adequacy Assessment for Surveillance (Concluded)**Rationale for staff assessment.**

Real Sector. GDP data are not reported quarterly, and annual figures are subject to significant delays. GDP components on the expenditure side are not available. The CPI basket and weights are outdated and technical complications from a software upgrade resulted in a temporary suspension of the production of the CPI series, which has been lifted but production and reporting challenges persist. The compilation of labor force information has been significantly delayed, and an updated census is overdue, creating further challenges in evaluating economic activity and identifying policy priorities.

Fiscal Sector. Data is reported on a monthly basis across almost all fiscal metrics, but is prone to inconsistencies and subject to large revisions. The coverage and granularity of government finance statistics have shortcomings that somewhat hampers the surveillance, especially due to reliability of capital expenditure and revenue from citizenship-by-investment (CBI) program. Details on CBI revenue, including the number of passports issued and the origin country of the passport holders, are not available. There is also significant scope to improve the timeliness of reporting of CBI related flows, where information dissemination is irregular and subject to long lags. This creates challenges for assessing overall fiscal balances promptly, although timely assessments of non-CBI balances remain both feasible and informative. Publicly accessible debt information is hard to find systematically, which complicates the internal data verification exercises.

External Sector. Capital account and financial account flows do not adequately capture CBI, which obscures the underlying financing dynamics. The ECCB relies on available cash-based fiscal data on CBI flows to estimate external sector flows, including foreign direct investment (FDI). These are subject to estimation and classification risks.

Monetary and Financial Sectors. Historical data is adequate for surveillance where the provision of information for credit unions (CUs) has improved in recent years. Nevertheless, monetary statistics and FSLs submitted to the Statistics Department should aim to systematically enhance data coverage of other depository corporations.

Changes since the last Article IV consultation. The authorities have made progress in advancing the GDP by activity program. The base year was rebased from 2006 to 2018, and GDP estimates for 2023 and 2024 have been compiled and published, but data quality and gaps have created delays in producing final estimates for 2025. Another system failure in the Price Index Processor System (PIPS) in mid-2025 hindered timely dissemination of CPI data. The Central Statistical Office (CSO) has since addressed this issue and resumed CPI compilation, but burdensome quality control processes create variability in release dates. Software (CPI+) to replace PIPS was procured but the new system remains at the implementation stage. CARTAC capacity development (CD) is ongoing to support the completion of GDP rebasing exercise and the development of a Statistical Business Register. A technical assistance mission on external sector statistics was conducted in July 2025, but confronted challenges in receiving requested information for CBI-related flows. Finally, the authorities are still exploring mechanisms to regularize the dissemination of CBI investment and revenue flows from the CBI unit to improve internal data transparency and reporting processes. In the interim, the reporting of CBI-related flows in fiscal accounts has deteriorated, evidenced by larger inconsistencies and longer lags. Consequently, data adequacy of GFS for surveillance has deteriorated due to more gaps in granularity, frequency and timeliness.

Corrective actions and capacity development priorities. The mission consulted with the authorities on measures to strengthen data adequacy. Ongoing CD priorities include CARTAC support for CPI compilation and reporting; GDP compilation and rebasing; development of a Statistical Business Register to support the compilation of coherent national accounts, price statistics, labor force statistics, and other macroeconomic indicators; updating the Supply-Use Table (SUT) and operationalizing a Tourism Satellite Account framework; operational support to implement Balance of Payments recommendations; and engagement to resume the preparation of labor force/employment statistics. In light of the deterioration of GFS ratings, technical assistance to address gaps in GFS and public sector debt statistics to support operationalizing the fiscal rule and resiliency framework should be considered as a new priority. On CBI revenues, a central need is to establish regular reporting processes at the CBI unit to improve the dissemination of CBI-related flows (investment and fiscal) within the Ministry of Finance on a monthly or, at minimum, quarterly basis. The mission recommended a formalized reporting mechanism of CBI-related flows to the CSO to improve its ESS compilation. It also continued to advocate data dissemination and transparency standards consistent with those in place in other ECCU jurisdictions (e.g. Grenada), which include publishing CBI revenues and expenditure breakdowns as well as the number and national origin of applications in the pipeline and of issued of passports.

Use of data and/or estimates different from official statistics in the Article IV consultation. Public debt information differs from official statistics as it includes domestic arrears (estimated as 3.8 percent of GDP as of FY2024/25) and debt to Venezuela under the PetroCaribe facility (estimated as 51.7 million US dollars, 7.2 percent of GDP as of FY2024/25). The difference in definition stems, in part, from debt relief that the authorities contend was granted by Venezuela following disaster shocks but the information confirming the debt forgiveness details are still pending to the Fund.

Other data gaps. Data on the capital stock, particularly real estate market data, would help in the assessment in the assessment of losses or damage due to physical hazard and natural-disaster-related risks.

Table 2. Dominica: Data Standards Initiatives

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

Table 3. Dominica: Table of Common Indicators Required for Surveillance
(As of April 2026)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Dominica	Expected Timeliness ^{6,7}	Dominica
Exchange Rates	Mar-26	Apr-26	M	M	D	...	NA	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Dec-25	Mar-26	M	M	M	...	1M	...
Reserve/Base Money	Dec-25	Mar-26	M	M	M	...	2M	...
Broad Money	Dec-25	Mar-26	M	M	M	...	1Q	...
Central Bank Balance Sheet	Dec-25	Mar-26	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Dec-25	Mar-26	M	M	M	...	1Q	...
Interest Rates ²	Dec-25	Mar-26	M	M	M	...	NA	...
Consumer Price Index	Dec-25	Mar-26	M	I	M	...	2M	...
Revenue, Expenditure, Balance and Composition of Financing ³ –General Government ⁴	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ –Central Government	Feb-26	Mar-26	M	M	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Jun-25	Mar-26	A	I	Q	...	2Q	...
External Current Account Balance	Dec-25	Mar-26	A	A	A	...	1Q	...
Exports and Imports of Goods and Services	Dec-25	Jan-26	A	A	A	...	12W	...
GDP/GNP	Dec-24	Mar-25	A	A	Q	...	1Q	...
Gross External Debt	Jun-25	Mar-26	A	I	Q	...	2Q	...
International Investment Position	Dec-25	Jan-26	A	A	A	...	3Q	...

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

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

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

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

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



DOMINICA

May 12, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS¹

Approved By
**Fabian Valencia and
Tokhir Mirzoev (IMF) and
Manuela Francisco and
Shireen Mahdi (IDA)**

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

Dominica: Joint Bank-Fund Debt Sustainability Analysis²	
Risk of external debt distress	<i>Moderate</i>
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Sustainable</i>
Application of judgement	<i>No</i>

Dominica's debt is sustainable, but the country remains at overall high risk of debt distress with elevated levels of public and external debt. The risk of external debt distress has remained moderate, with significant space. Public debt slightly increased to 108.2 percent of GDP in FY2024/25 due to large IDA loans mostly financing one-off large public investment projects. While public debt declines steadily over the medium and long run under the baseline scenario, current policies are insufficient to meet the regional debt target (60 percent of GDP) by 2035, and the present value of the public debt-to-GDP ratio remains above the benchmark for a protracted period, signaling persistent risks. Implementation of fiscal consolidation consistent with the national fiscal rule and savings under dedicated risk management funds—Vulnerability Risk and Resilience Fund (VRF) and Debt Repayment Fund (DRF)—is needed to put public and external debt on a firm sustainable path, reducing vulnerabilities. This should be combined with reforms to expand tourism capacity and reduce energy imports, including by ensuring proper earmarking of citizenship-by-investment (CBI) inflows. Main downside risks to the debt sustainability outlook include slower global growth with elevated global uncertainty and associated spillovers to tourism, further natural disaster (ND) shocks, and weaker than anticipated revenues from the CBI program.

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

² Dominica's score in the Composite indicator (CI) is 2.95 which implies a medium debt carrying capacity. The CI is calculated based on data from the October 2025 WEO and the 2024 CPIA data.

PUBLIC DEBT COVERAGE

1. Public sector debt includes central government direct and guaranteed debt (external and domestic). Central government direct debt accounts for about 86.5 percent of total public debt in FY2024/25.³ Guaranteed debts are directed to State Owned Enterprises (SOEs), including borrowing under the Petrocaribe arrangement with Venezuela.⁴ Public and Publicly Guaranteed (PPG) external debt is mostly owed to multilateral creditors, while the National Bank of Dominica (NBD) and the Dominica Social Security (DSS) are the main domestic creditors. There is no borrowing by local/state governments and no borrowing by the central bank on behalf of the government. External debt is defined using a residency criterion, but there is no material difference between defining external debt on a residency or currency basis. SOE's non-guaranteed debts, which are mostly domestic and mainly from the NBD, Agricultural and Industrial Development (AID) Bank of Dominica, and DSS, are not included in the public debt stock but they are expected to be small relative to the guaranteed stock.⁵ No SOEs are permitted to borrow externally without government guarantees. It is still expected that all SOE debts (both guaranteed and non-guaranteed) will be included in the public debt with progress on monitoring the SOEs under the Public Procurement and Disposal of Public Property Act.⁶

2. CARTAC has been assisting Dominica in their recent efforts of enhancing public debt management. Staff welcomes efforts to improve public debt management as evidenced by the publication of Dominica's debt portfolio review for FY2023/24 in June 2025 and the soon to be published Medium-Term Debt Management Strategy (MTDS). These developments are in line with incentives embedded in IDA's Sustainable Development Finance Policy (SDFP) and Development Policy Financing (DPF). The Performance and Policy Actions (PPAs) of SDFP implemented in Dominica in recent years—focused on operationalizing a debt repayment fund (DRF), a vulnerability risk and resilience fund (VRF), improving SOE data reporting and oversight, adopting a fiscal responsibility framework, and strengthening revenue mobilization—should help mitigate fiscal risks. Under the current fiscal year's PPAs, the country also committed to adhering to a non-zero ceiling on non-concessional debt in FY26, which is expected to reduce external vulnerabilities. CARTAC provided further capacity development in December 2025 to update Dominica's debt management procedures manual in line with international best practices to provide clear guidance and operational consistency. It also aims to improve coordination among key stakeholders and enhance

³ The definition of Central Government debt was expanded in this DSA to include domestic arrears, defined as the unpaid checks to domestic vendors (3.8 percent of GDP as of FY2024/25).

⁴ Estimated borrowing under Petrocaribe is based on the terms under its original loan agreement. It should be noted, however, that the authorities contend to have been granted debt relief by Venezuela, including the cancellation of debt service payments from 2018 (a pattern that may continue in the coming years). Total SOE-guaranteed debt in FY2024/25 is 15.1 percent of GDP, including PetroCaribe debt, which accounts for 7.3 percent of GDP. As PetroCaribe debt is not assumed to be serviced in the forecast period, it is excluded from projected financing needs.

⁵ Non-guaranteed SOE debt is collateralized against assets of the SOE.

⁶ Debt service-to-revenue ratios may be biased favorably given incomplete coverage of SOE debt stock (i.e., non-guaranteed SOE debts) but complete coverage of SOE revenues in the fiscal accounts.

internal controls, ultimately building the debt management unit's capacity for more effective and responsible public debt oversight.

3. The Contingent Liability stress test has been calibrated to reflect risks associated with debt not captured in the baseline. There are no Public-Private Partnerships in Dominica and therefore no related contingent liability has been included. The financial market contingent liability shock is calibrated at 7 percent of GDP (higher than the 5 percent of GDP default) to account for potentially higher fiscal costs of strengthening financial sector balance sheets in the event of a ND given undercapitalization of non-bank financial institutions and elevated non-performing loans in Dominica.

Text Table 1. Dominica: Coverage of Public Sector Debt

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

Text Table 2. Dominica: Contingency Liability Calibration Table

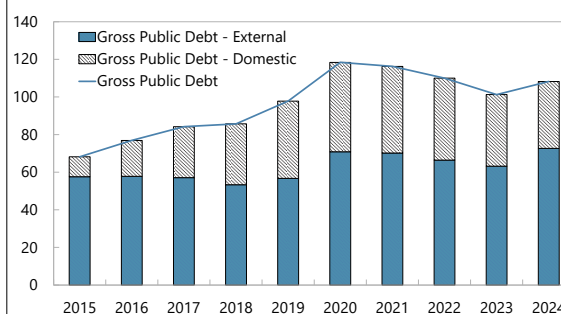
1 The country's coverage of public debt	The central government, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0	
3 SoE's debt (guaranteed and not guaranteed by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

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

BACKGROUND ON DEBT

4. The trend decline in public debt was interrupted in FY2024/25 due primarily to the financing of one-off priority public development projects. After peaking at 112.5 percent of GDP in 2020 following subsequent NDs and COVID-19 pandemic, public debt declined steadily to 101.3 percent of GDP by FY2023/24 on the back of the post-pandemic economic recovery and generally prudent fiscal management. Public debt increased moderately last fiscal year to 108.2 percent of GDP, mainly reflecting the disbursement of IDA loans to finance one-off large public investment projects, such as Transmission Network Project for the

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



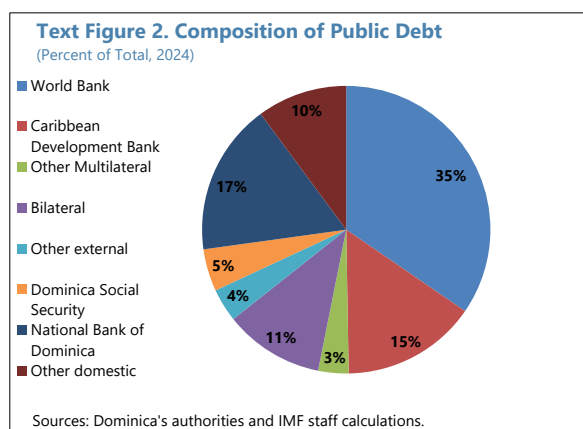
Sources: Dominica's authorities and IMF staff calculations.

Geothermal Power Plant which is essential to diversify into lower cost renewable energy to reduce external imbalances while strengthening competitiveness, risk resilience, and long-term growth.⁷

5. Gross external debt has also moderately increased. Total public external debt picked up by around 9 percentage points (ppts) to 72.3 percent of GDP in FY2024/25 due to IDA loans financing the key public infrastructure projects. On the other hand, private external debt has declined by about 12 percent of GDP to 17 percent of GDP in FY2024/25 compared to previous year, supporting a stable total external debt.

6. Dominica has no access to private international financial markets and borrows mainly from official creditors.

More than two thirds of Dominica’s public debt is external, but 94 percent of it is owed to official bilateral and multilateral creditors. The World Bank is Dominica’s largest creditor, holding more than one-third of the total public debt stock. Venezuela’s Petrocaribe is the largest bilateral creditor, followed by the Government of China and the French Development Agency. Additional external financing is obtained through bonds purchased by regional commercial banks and insurance companies and pension funds.



7. Domestic financing comes primarily through direct credit from the NBD and local debt holders, mainly the DSS. Reliance on domestic debt has continued to decline in the last fiscal year: as of June 2025, domestic debt accounted for around 31.6 percent of total public sector debt, reflecting 5.7 percentage points decline compared to the previous fiscal year.

BACKGROUND ON MACRO FORECASTS

8. This Debt Sustainability Analysis (DSA) builds from the baseline scenario of the 2026 Staff Report. Specific assumptions⁸ include:

- **Real GDP.** The economy grew at 3.5 percent in 2024 and is estimated to expand by a 4.5 percent in 2025 driven by strong retail and trade, construction, and tourism activity. Growth is expected to remain above potential over the medium term, driven by the stimulus from the construction of flagship projects. It will gradually converge to 2.0 percent, reflecting the

⁷ The total of IDA loans in FY2024/25 amounts to three times more than the average of loans disbursed in the two fiscal years prior to that.

⁸ The outlook reflects global economic assumptions outlined in the [April 2026 World Economic Outlook \(WEO\)](#) and thus captures negative spillovers from the war in the Middle East.

conservative economic benefits of these projects as construction completes and the initial growth impulse gradually fades.⁹

- **Inflation.** Inflation decelerated slightly to 1.6 percent by end-2025 and—withstanding temporary pressures from the evolving oil price shock—is projected to converge to 2.2 over the medium-term, in line with the latest inflation outlook of key trading partners and consistent with the Dominica’s fixed exchange rate regime as member of the Eastern Caribbean currency board arrangement.
- **Fiscal position.** The primary deficit deteriorated by 2.4 ppts to 4.4 percent of GDP in FY2024/25, mainly due to higher-than-expected implementation of flagship projects financed by IDA loans. Looking forward, modest steps to boost revenues (e.g. new tourism site fees and the reintroduction of highway levy, both effective by October 2025) alongside sustained current spending restraint and an anticipated slowdown in capital outlays (related to a moderation in CBI financing flows – see below) are expected to support a gradual strengthening in the primary balance to a 2 percent of GDP surplus by 2030.¹⁰
- **CBI Revenue.** CBI revenue is projected to remain buoyant in the medium term but moderate from recent highs in excess of 30 percent of GDP to around 15¾ percent of GDP from 2027. This assumption is supported by several years of sizeable inflows starting in 2014—which have remained resilient in the face of successive NDs and the pandemic shock—and Dominica’s ongoing proactive effort to strengthen the rigor of its regime and address third party concerns. CBI is expected to remain essentially earmarked to public investment, debt amortization, and the accumulation of savings.¹¹
- **Balance of payments.** The current account (CA) deficit remained high in 2025 at 38 percent of GDP. While still well above its estimated norm (16.7 percent of GDP), which is an estimated sustainable, equilibrium level of a country’s current account balance, determined by economic fundamentals, on account of the high import content of ongoing large infrastructure projects, the CA balance is expected to steadily improve—returning to its norm by 2031—on the back of increased tourism capacity, a normalization of investment-related imports, and reduced fuel import needs with geothermal energy production that began operations in April 2026.

⁹ Long-term GDP and sectoral growth estimates are sourced from the World Bank.

¹⁰ The fiscal impact of the evolving oil price shock is expected to be limited, as mitigation measures would be targeted, time-bound, and financed where possible through deferred non-priority spending. The fuel price pass-through mechanism is assumed to operate fully, as during the COVID-19 pandemic.

¹¹ The government is recurrently saving a small part of CBI to its VRF (with total balances currently amounting to 1.2 percent of GDP) but not at the magnitude envisioned under Dominica’s 2021 Disaster Resilience Strategy (1½ percent of GDP/annually). A Debt Repayment Fund (DRF) is also under implementation with a balance of around 0.1 percent of GDP as of March 2026.

Text Table 3. Dominica: IMF Staff Projections 2026 vs. 2025
(Percent of GDP, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029
		Prel.		Proj.		
Real GDP growth (percent)						
Previous DSA	3.5	4.2	3.3	2.9	2.7	2.4
Current DSA	3.5	4.5	3.1	2.8	2.7	2.4
Inflation (percent; eop)						
Previous DSA	2.1	3.1	2.3	2	2	2
Current DSA	2.1	1.6	3.9	1.8	2.2	2.2
Primary fiscal balance						
Previous DSA	0.1	0.4	0.7	1.0	1.2	1.5
Current DSA	-4.4	0.7	1.0	1.1	1.2	1.5
Overall fiscal balance						
Previous DSA	-2.9	-2.7	-2.2	-1.6	-1.3	1
Current DSA	-6.8	-1.4	-1.1	-1.0	-0.9	-0.6
Tax revenues						
Previous DSA	21.5	20.9	19.7	19.1	18.9	18.8
Current DSA	22.1	21.5	21.2	20.8	20.6	20.4
CBI revenue						
Previous DSA	30.0	23.6	15.7	15.7	15.7	15.7
Current DSA	34.7	27.5	20.3	15.7	15.7	15.7
Current primary expenditure						
Previous DSA	27.4	27.0	27.0	27.0	27.0	27.0
Current DSA	27.0	26.6	26.6	26.6	26.6	26.6
Public capital expenditure						
Previous DSA	28.0	21.2	11.8	10.8	10.4	9.9
Current DSA	38.1	26.8	19.0	13.9	13.6	13.1
Current account balance						
Previous DSA	-32.2	-30.4	-23.1	-17.1	-14.1	-14.3
Current DSA	-37.8	-38.0	-33.2	-25.4	-20.9	-18.2

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

- Financing conditions.** Dominica is expected to obtain financing from multilateral lenders and domestic borrowing (mostly to rollover existing debt).¹² Three large World Bank loans were disbursed in the last fiscal year totaling 217 million EC dollars, mainly to finance flagship public investment projects. Multilateral financing is expected to contribute the bulk of external financing in the medium term with ongoing projects to build resilience to ND and to improve fiscal institutions.¹³ Official external financing is projected at 4.1 and below 2 percent of GDP in the medium term (2026–27) and long term, respectively, to cover planned public investment supplemented by CBI revenue flows. Domestic debt is assumed to be issued on relatively

¹² If unanticipated financing needs arise, domestic banks have sufficient absorptive capacity for additional sovereign lending, reflecting ample liquidity and the absence of formal limits on sovereign exposures, albeit with trade-offs related to heightened risk concentration. (IMF, 2026: Dominica 2026 Article IV, Annex II).

¹³ World Bank financing in the projection period is assumed to have grace period of 10 years and maturity of 40 years, at 2 percent interest for years 11–20 and 4 percent interest rate for years 21–40, CDB financing is assumed at 10-year grace, 20-year maturity and 5.7 percent interest rate.

favorable terms compared to the global market.¹⁴ The baseline does not assume a drawdown of deposits (Text Table 4). The G20's Debt Service Suspension Initiative (DSSI) repayment schedule is reflected in the DSA assumptions.¹⁵ The DSA and baseline macro framework assumes that the authorities opt not to draw on their SDR allocation. Grants are projected at 3¼ percent of GDP over the short- and medium-term in line with historical norms. This assumes conservatively that only 60 percent of planned projects under the Public Sector Investment Program financed by *already committed grants* will be executed during this period.¹⁶

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

	2025	2026	2027	2028	2029	2030
Gross Financing needs	75	38	34	31	26	18
Overall deficit	10	8	8	8	5	0
Primary deficit	-5	-8	-9	-11	-14	-20
Interest	16	16	18	19	20	20
External debt	7	7	9	11	12	13
Domestic debt	9	9	9	8	8	7
Principal repayments	64	30	26	23	21	18
External	42	12	11	10	9	9
External, new debt	0	0	0	0	0	0
o.w. contracted obligations in pipeline	42	12	11	10	9	9
Domestic	22	18	15	13	11	9
Other debt creating flows (use of deposits) 1/	0	0	0	0	0	0
Deposit stock:	46	46	46	46	46	46
Gross financing sources	75	38	34	31	26	18
External financing	28	35	33	29	24	17
Multilateral	28	35	33	29	24	17
WB	19	4	3	3	3	3
CDB	9	31	30	26	21	14
IMF	0	0	0	0	0	0
other	0	0	0	0	0	0
Bilateral	0	0	0	0	0	0
Commercial & other	0	0	0	0	0	0
Domestic financing	47	3	1	2	1	1

Source: IMF staff estimates.

1/ Use of government deposits from excess CBI

¹⁴ Domestic borrowing is assumed to accrue from the NBD (a majority-owned public bank). This takes the form of an overdraft facility, which is converted into long term bonds. These bonds have generous terms, with long maturities and low interest rates. The DSA assumes 0 years grace, 1-year maturity and 5.5 percent interest on domestic borrowing in the medium term. DSA assumptions remain more conservative than authorities' strategy.

¹⁵ Dominica benefited from the DSSI initiative until 2021, but payments have resumed since then and are reflected in the DSA projections.

¹⁶ The average amount of grants already committed under the PSIP is 5.6 percent of GDP per year over the FY2025/26 and FY2026/27.

9. Debt dynamics have been driven by unexpected shocks (Figure 3). Back-to-back NDs and the pandemic resulted in a combined shock of higher-than-expected primary deficits and a sharp contraction in GDP, which translated into an increase in the debt/GDP ratio.¹⁷ Moreover, the latest loan from the World Bank leads to a moderate pick-up in the debt-to-GDP ratio in FY2024/25 (justified on development grounds) which reverts back to a downward trend thereafter. The ongoing investment-led economic expansion and modest fiscal consolidation envisioned on current policies are the main determinants of the debt dynamics in the next five years.

10. Results from applying DSA Realism Tools are affected by substantial growth volatility related to the pandemic (Figure 4). Real GDP growth paths implied from various fiscal multipliers are similar to the baseline growth projections (see upper-right chart). On the other hand, the projected 3-yr adjustment under the baseline (5.5 percent of GDP) is relatively high among the top of primary adjustments realized for LIDCs under Fund program since 1990. However, the relatively large primary deficit in FY2024/25 relates to strategically important one-off investment project expenditures that are expected to boost economic resiliency and growth in the long-term.¹⁸ The projected relation between public investment and real GDP growth differs substantially from history, reflecting the impact of unexpected shocks from the pandemic and successive NDs that delink growth from fiscal spending (see lower-right chart).

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

Text Table 5. Dominica: Calculation of CI Index			
Country	Dominica		
Country Code	321		
Debt Carrying Capacity	Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.95	Medium 2.95	Medium 3.01

¹⁷ The impact of low growth rates due to NDs and pandemic has been more than offset by the recent post-pandemic recovery contributing to lower debt-to-GDP ratios for external debt and total public debt, respectively, *ceteris paribus*.

¹⁸ Excluding this one-off of capital expenditures (around 4¼ percent of GDP), the projected 3-yr adjustment would be around 1.3 percent of GDP, which is significantly less than the top-quartile of the primary adjustments realized for LIDC under Fund program.

Text Table 5. Dominica: Calculation of CI Index (Concluded)

APPLICABLE		APPLICABLE	
EXTERNAL debt burden thresholds		TOTAL public debt benchmark	
PV of debt in % of		PV of total public debt in	
Exports	180	percent of GDP	55
GDP	40		
Debt service in % of			
Exports	15		
Revenue	18		

11. Indicative debt thresholds in this DSA are determined by the “Medium” rating of Dominica’s debt carrying capacity. The rating is based on the Composite Index (CI) score of the country, which assumes that the risk of debt distress is determined by the quality of institutions (measured by the World Bank Country Policy and Institutional Assessment (CPIA) score), and other country-specific factors such as economic growth, reserves level, and remittances.¹⁹ The calculation of the CI is based on 10-year averages of the variables, across 5 years of historical data and 5 years of projection, and the corresponding CPIA. Import coverage of reserves continues to be a factor supporting this rating in Dominica. The rating remains unchanged from the previous DSA.

12. Both external and public debt analysis consider standard-DSA alternative scenarios including climate-change risks to this baseline. The DSA includes six standardized and contingent liability stress tests. The financial market contingency liability is included at 7 percent of GDP, above the default of 5 percent of GDP, to account for the risk from NDs. This adjustment is made to account for potentially higher fiscal costs of strengthening financial sector balance sheets in the event of a ND given undercapitalization of non-bank financial institutions and high non-performing loans in Dominica. A customized “Catastrophic Climate Event” scenario is added, which assumes the reoccurrence of a typical hurricane (such as Hurricane Maria) in the second half of FY2025/26. This scenario assumes decline in real GDP growth (10 ppts) and increase in debt-to-GDP ratio (10 ppts) related to the increase in rehabilitation expenditures, while using 30 ppts decrease in export growth in line with the impact of Hurricane Maria.²⁰

EXTERNAL DSA

13. Dominica is assessed at moderate risk of external debt distress. External debt risk remains moderate as no indicators breach the threshold under the baseline (Figure 1). This assessment is also informed by the fact that the most of alternative scenarios remain below the

¹⁹ The CI indicator is calculated based on data from the October 2025 WEO and the 2024 CPIA data.

²⁰ The customized spike in the debt-to-GDP ratio is comparable to the fallout observed post hurricane Maria.

threshold. The exceptions relate to historical, export and natural disasters shock scenarios respectively, which entail a projected breach of thresholds for some debt indicators. Specifically, while the PV of external public debt-to-GDP stays below the threshold established for countries with “medium” debt carrying capacity by 2025 for the baseline, the threshold is breached by a large and moderate margin in the event of the historical and natural disaster scenarios, respectively, that leads to higher debt accumulation in the medium term. Similarly, while the PV of external public debt to exports remains below the threshold throughout the projection under the baseline, it goes well above the threshold in the case of the most extreme export shock scenario in the initial years and historical and catastrophic climate event scenarios in the outer years. Debt service to exports ratio remains below threshold from 2029 in all scenarios, except in the most extreme scenario, with a temporary breach during 2026–29, while debt service to revenue remains below the threshold for all shocks.

14. Residuals are high but on a declining trend. Residuals are high in the historical period and peak in 2023 but decline consistently through the projection period. The residual is mostly explained by the use of government deposits derived from CBI revenues especially during the historical period (Figure 3).²¹

OVERALL RISK OF PUBLIC DEBT DISTRESS

15. Under the baseline scenario, public debt is assessed to be sustainable but remains at high risk of debt distress. The baseline fiscal consolidation plan, combined with sustained CBI inflows to finance growth-enhancing resilient public investment, result in a declining trajectory of the public debt, but is insufficient to achieve the regional debt target of 60 percent of GDP by 2035. Furthermore, as discussed below, key metrics of debt sustainability remain elevated over most of the horizon—owing mainly to the higher initial debt ratio—and are sensitive to stress scenarios.

16. PPG debt remains high and above the threshold under the baseline over the horizon. Under the baseline scenario assumptions, public debt remains on a declining trajectory, and the PV of total public-sector debt-to-GDP ratio remains below the corresponding benchmark after 2027 (Figure 2). The most extreme growth shock yields large breaches of the benchmark. The debt service-to-revenue ratios increase steeply in the near-term under the catastrophic climate and growth scenarios but decelerate afterwards.

17. Domestic debt-to-GDP is projected to decline but remains above the threshold, with the domestic debt service-to-revenue ratio increasing but remaining stable in the longer-term (Figure 5). The domestic debt-to-GDP ratio has moderately declined to 33 percent of GDP in FY2024/25 and is expected to continue declining closer to the threshold²² by 2035 as gross financing

²¹ The other possibility for the large residuals might be due to data accuracy issues in the external accounts, which is related to CBI flows.

²² Threshold is displayed as the red dashed line in Figure 5, calculated by the median of average projected values over the first five years of the forecast period across countries using the LIC DSF with non-zero domestic debt.

needs are expected to decline. The domestic debt service-to-revenue ratio is expected to increase but remain stable. Finally, net domestic debt issuance is expected to be negative after 2025 due to repayments of the domestic debt.

RISK RATING, VULNERABILITY AND RECOMMENDATIONS

18. While Dominica’s external and overall debt are considered sustainable, they are assessed as being at moderate and high risk of distress, respectively. There has been no change in the risk ratings since the last analysis conducted during 2025 Article IV consultation and there is no additional judgment applied in these assessments, i.e., they are the same as mechanical risk ratings.

19. The baseline outlook that underpins debt projections is subject to downside risks:

- *CBI revenue.* CBI inflow projections could underperform in light of evolving third-party security concerns that might threaten the value of holding a Dominican passport. The impact of a structural decrease in CBI revenues on debt, however, is expected to be relatively contained, since weaker CBI flows would lead to a comparable scaling back of public capital expenditure. According to the authorities, the completion of ongoing flagship projects in this instance would continue—albeit at a potentially more muted pace—via a reallocation CBI inflows and reprioritization of capital expenditures. CBI also has upside risks, which materialized during 2020-24 with the receipt of unprecedented inflows.
- *Growth.* A slower than expected expansion of stay-over tourism may weigh on GDP growth, which may also lead to a deterioration in debt dynamics. The drivers of growth in the near and medium-term, however, primarily reflect the ongoing execution of large public development projects (where the new international airport should eliminate structural bottlenecks to airlift capacity, thus providing an important structural boost to longer-term growth once operational). Recurrent large climate events may severely damage infrastructure and compromise growth, resulting in a spike in debt.
- *Reliance on domestic borrowing.* Increased reliance on domestic borrowing heightens risks to public debt, which could strain sustainability should risk scenarios materialize. The higher than anticipated reliance on domestic debt during 2018–21 has resulted in a relatively larger debt service burden from domestic borrowing. This highlights a broader risk to financial stability via the bank- and non-bank-sovereign nexus associated with any disruption to the government’s debt-servicing capacity. Domestic debt service spikes in 2022 but moderates thereafter. The authorities should closely monitor the financial stability of local bond holders, particularly DSS.
- *Other risks.* Market risks are contained as nearly 90 percent of the debt portfolio consists of fixed interest debt, and currency risks are limited by the currency board arrangement and external debt portfolio being dominated by USD and EC dollar debt.

20. However, stress tests omit important mitigating factors that cannot be internalized within the DSA's standardized framework:

- *Resilience to NDs.* Adaptation investments greatly reduce long-term economic losses from extreme events but require careful balancing of high financing costs to preserve debt sustainability ([CCDR, World Bank, 2024](#)). In fact, large investments in physical and social resiliency to NDs—which underpin large fiscal deficits of recent years including the last FY2024/25—will ultimately reduce rehabilitation and reconstruction spending following a ND shock by mitigating post-event output and tax revenue declines. In principle, this lowers fiscal deficit and debt financing parameters relative to those currently used in the stress test exercise. Moreover, the completing of various ongoing flagship investments could deliver relatively higher long-term growth and competitiveness dividends than currently reflected in the baseline growth profile.
- *Fiscal buffers.* Although current savings in the VRF and DRF—for self-insurance against natural disasters and accelerated debt repayment, respectively—remain limited, they provide some buffer against shocks, particularly given the authorities' stated intention to strengthen these fiscal buffers over the medium term.

21. Staff advises additional fiscal consolidation to accelerate the reduction reduce debt and accumulate fiscal buffers as envisioned in Dominica's Fiscal Responsibility Framework.

The authorities' fiscal consolidation plans combined with sustained CBI revenue are sufficient to put public and external debt on a sustained downward path, although several key indicators remain above relevant thresholds for much of the horizon. Staff suggests additional fiscal consolidation so that the primary balance reaches 2 percent of GDP in FY2026/27 and 3½ percent of GDP after that. This would lead to a larger reduction in debt (reaching 59.5 percent of GDP instead of 64.5 percent of GDP excluding the Petrocaribe debt) in addition to accumulation of further buffers under VRF reaching 12 percent of GDP by 2034. This accelerated reduction in debt together with accumulation of a liquid fiscal reserve in the VRF would help protect debt service capacity and resilience to NDs and other shocks, thereby reducing the risk of debt becoming unsustainable. Authorities should also continue committing to seeking multilateral and bilateral financial support on concessional terms to restrain the debt cost.

Table 1. Dominica: External Debt Sustainability Framework, Baseline Scenario, 2022-2045
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	99.0	92.3	89.4	84.8	94.1	101.1	105.8	105.6	100.9	75.3	34.5	93.3	92.8
<i>of which: public and publicly guaranteed (PPG)</i>	66.4	63.0	72.3	65.6	65.0	64.5	63.8	62.8	61.2	51.1	25.0	62.5	60.1
Change in external debt	12.0	-6.7	-2.9	-4.6	9.3	7.0	4.7	-0.1	-4.7	-5.1	-1.5		
Identified net debt-creating flows	16.2	26.4	22.4	27.6	24.5	16.9	12.3	10.1	9.0	9.0	10.8	18.9	13.2
Non-interest current account deficit	24.7	38.1	35.0	30.5	30.8	23.1	18.7	16.3	15.0	14.6	16.3	26.7	19.6
Deficit in balance of goods and services	28.8	40.2	36.0	38.6	34.2	26.5	21.8	19.3	17.8	17.2	18.7	31.3	22.3
Exports	27.5	28.0	31.0	32.0	30.5	30.7	32.5	34.1	35.1	35.5	30.7		
Imports	56.2	68.2	67.0	70.6	64.8	57.1	54.4	53.4	52.9	52.7	49.4		
Net current transfers (negative = inflow)	-2.2	-0.8	-2.0	-2.0	-1.9	-1.9	-1.8	-1.8	-1.7	-1.7	-1.7	-3.9	-1.8
<i>of which: official</i>	-0.2	0.0	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3		
Other current account flows (negative = net inflow)	-1.9	-1.3	1.0	1.8	-1.6	-1.5	-1.3	-1.2	-1.0	-0.9	-0.7	-0.6	-0.9
Net FDI (negative = inflow)	-2.8	-7.1	-8.4	-5.4	-5.3	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4	-6.7	-5.4
Endogenous debt dynamics 2/	-5.7	-4.6	-4.1	-5.5	-0.9	-0.9	-1.0	-0.9	-0.7	-0.2	-0.1		
Contribution from nominal interest rate	1.5	1.4	1.3	-1.7	1.6	1.6	1.6	1.6	1.5	1.3	0.5		
Contribution from real GDP growth	-4.5	-4.4	-3.1	-3.8	-2.5	-2.5	-2.6	-2.5	-2.2	-1.5	-0.7		
Contribution from price and exchange rate changes	-2.7	-1.6	-2.4	...	...	...	...	...	...	...	...
Residual 3/	-4.2	-33.1	-25.4	-32.2	-15.2	-9.8	-7.6	-10.2	-13.7	-14.1	-12.2	-18.3	-14.5
<i>of which: exceptional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	28.6	26.2	26.1	26.1	25.9	24.3	23.6	19.7	8.5		
PV of PPG external debt-to-exports ratio	...	...	92.4	81.9	85.5	85.1	79.6	71.3	67.3	55.5	27.6		
PPG debt service-to-exports ratio	17.3	17.0	14.9	12.0	10.1	9.1	8.0	7.1	6.3	4.6	4.3		
PPG debt service-to-revenue ratio	7.8	8.4	7.9	7.6	7.1	7.3	6.8	6.4	5.9	4.3	3.3		
Gross external financing need (Million of U.S. dollars)	171.4	244.0	226.2	286.2	233.9	178.3	145.2	127.7	118.6	133.0	222.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.6	4.7	3.5	4.5	3.1	2.8	2.7	2.4	2.1	2.0	1.9	0.7	2.5
GDP deflator in US dollar terms (change in percent)	3.2	1.7	2.7	2.4	2.5	2.2	2.0	2.0	2.1	2.2	1.8	2.8	2.2
Effective interest rate (percent) 4/	1.8	1.5	1.6	-2.0	2.0	1.8	1.6	1.5	1.5	1.7	1.5	1.7	1.3
Growth of exports of G&S (US dollar terms, in percent)	47.8	8.6	17.5	10.6	1.0	5.5	11.3	9.5	7.3	4.2	1.7	2.4	6.1
Growth of imports of G&S (US dollar terms, in percent)	12.2	29.2	4.4	12.9	-3.1	-7.3	-0.2	2.6	3.2	4.0	1.8	5.0	2.6
Grant element of new public sector borrowing (in percent)	...	...	...	49.7	33.1	33.0	33.5	42.4	36.3	38.6	44.7	...	37.7
Government revenues (excluding grants, in percent of GDP)	61.0	56.7	58.5	50.8	43.3	38.2	38.1	37.9	37.7	37.7	40.8	51.4	39.5
Aid flows (in Million of US dollars) 5/	9.6	24.2	15.4	43.8	30.5	31.5	32.8	34.1	36.1	42.5	63.1	...	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.3	4.9	4.7	4.5	3.8	4.1	3.7	3.6	...	4.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	72.4	60.7	62.5	65.3	84.6	75.6	87.3	97.0	...	75.5
Nominal GDP (Million of US dollars)	633	674	717	...	...	...	...	...	...	...	...	...	...
Nominal dollar GDP growth	9.0	6.5	6.3	7.1	5.7	5.1	4.8	4.5	4.3	4.2	3.7	3.2	4.8
Memorandum items:													
PV of external debt 7/	...	...	45.7	45.4	55.2	62.7	67.9	67.1	63.3	44.0	18.0		
In percent of exports	...	...	147.5	141.9	180.7	204.6	208.6	196.9	180.3	123.7	58.6		
Total external debt service-to-exports ratio	18.9	18.5	16.1	13.2	11.2	10.2	8.9	8.0	7.2	5.2	4.9		
PV of PPG external debt (in Million of US dollars)	...	...	204.9	201.1	222.4	232.6	231.7	227.2	229.8	236.2	151.7		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	-0.5	2.8	1.3	-0.1	-0.5	0.3	-0.1	-0.6		
Non-interest current account deficit that stabilizes debt ratio	12.6	44.8	37.9	43.1	21.5	16.1	14.0	16.5	19.8	19.7	17.8		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - p(1+g) + E\alpha(1+i)/(1+g+p+g))$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms; E = nominal appreciation of the local currency; and α = share of local currency-denominated external debt in total external debt.

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

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

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

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

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

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

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

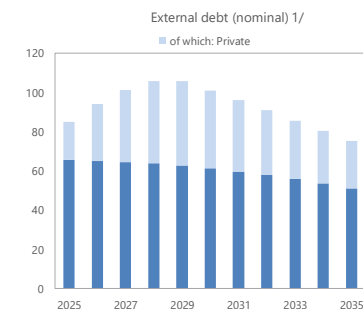
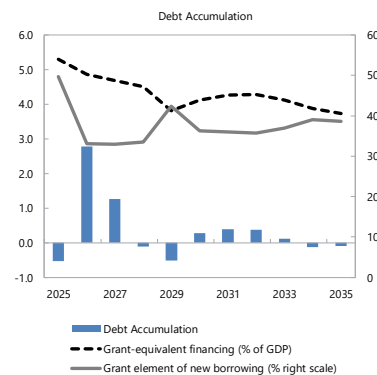


Table 2. Dominica: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35
(In percent of GDP)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	26	26	26	26	24	24	23	22	22	21	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	26	23	25	29	33	39	46	52	59	65	71
A2. Alternative Scenario (Customize, enter title)	34	38	41	44	45	46	48	50	52	53	55
B. Bound Tests											
B1. Real GDP growth	26	31	36	35	33	32	32	31	30	28	27
B2. Primary balance	26	30	36	38	38	38	38	37	36	35	34
B3. Exports	26	34	47	46	44	44	43	42	41	40	39
B4. Other flows 3/	26	31	35	35	33	32	32	31	30	29	28
B5. Depreciation	26	33	27	26	24	24	23	22	21	20	19
B6. Combination of B1-B5	26	36	37	37	35	34	33	33	32	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	26	29	31	31	30	29	29	28	27	26	25
C2. Natural disaster	26	34	38	40	42	43	45	47	49	50	52
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	82	85	85	80	71	67	65	63	61	58	55
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	82	75	80	88	97	111	129	147	165	183	201
A2. Alternative Scenario (Customize, enter title)	133	155	167	167	163	164	170	175	181	186	191
B. Bound Tests											
B1. Real GDP growth	82	85	85	80	71	67	65	63	61	58	55
B2. Primary balance	82	98	117	118	112	108	106	104	102	100	97
B3. Exports	82	148	268	251	230	219	213	209	204	199	193
B4. Other flows 3/	82	100	114	106	97	92	89	87	85	82	79
B5. Depreciation	82	85	69	65	57	53	51	50	47	45	42
B6. Combination of B1-B5	82	121	96	123	111	105	102	99	96	92	89
C. Tailored Tests											
C1. Combined contingent liabilities	82	96	100	95	87	83	81	79	77	74	71
C2. Natural disaster	82	143	158	160	156	159	165	171	177	182	188
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Ratio											
Baseline	12	10	9	8	7	6	6	6	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	12	10	9	8	8	7	7	8	8	8	8
A2. Alternative Scenario (Customize, enter title)	17	14	14	12	11	10	10	10	10	9	10
B. Bound Tests											
B1. Real GDP growth	12	10	9	8	7	6	6	6	5	5	5
B2. Primary balance	12	10	9	9	8	7	7	7	6	6	6
B3. Exports	12	14	19	19	17	15	14	13	13	12	11
B4. Other flows 3/	12	10	10	9	8	7	7	6	6	6	5
B5. Depreciation	12	10	9	8	7	6	6	5	5	5	4
B6. Combination of B1-B5	12	12	13	11	10	9	8	8	8	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	12	10	9	8	7	7	6	6	6	5	5
C2. Natural disaster	12	14	14	12	11	11	10	10	10	9	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	8	7	7	7	6	6	6	5	5	5	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	8	7	7	7	7	7	7	7	8	8	8
A2. Alternative Scenario (Customize, enter title)	9	8	9	8	8	8	8	8	7	7	8
B. Bound Tests											
B1. Real GDP growth	8	8	10	9	9	8	8	7	7	6	6
B2. Primary balance	8	7	8	8	7	7	7	6	6	6	5
B3. Exports	8	8	9	9	8	8	7	7	7	6	6
B4. Other flows 3/	8	7	8	7	7	7	6	6	6	5	5
B5. Depreciation	8	9	9	8	8	7	7	6	6	5	5
B6. Combination of B1-B5	8	8	10	9	8	8	7	7	7	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	8	7	8	7	7	6	6	6	5	5	5
C2. Natural disaster	8	8	8	8	8	8	7	7	7	7	7
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

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

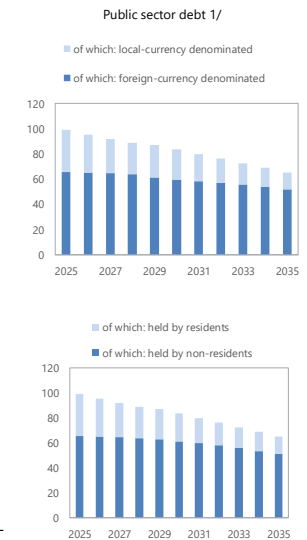
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 3. Dominica: Public Sector Debt Sustainability Framework, 2022–45
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	110.0	101.3	108.2	99.3	95.3	91.9	88.7	87.2	83.6	65.2	37.7	96.7	82.6
of which: external debt	66.4	63.0	72.3	65.6	65.0	64.5	63.8	62.8	61.2	51.1	25.0	62.5	60.1
Change in public sector debt	-6.3	-8.7	7.0	-9.0	-4.0	-3.4	-3.3	-1.5	-3.6	-3.7	-0.9		
Identified debt-creating flows	-5.3	-4.7	-1.6	-4.4	-3.7	-3.0	-2.9	-3.0	-3.2	-2.9	-3.1	-1.4	-3.2
Primary deficit	4.3	2.0	4.4	-0.7	-1.0	-1.1	-1.2	-1.5	-2.0	-2.0	-2.4	1.8	-1.6
Revenue and grants	62.5	60.3	60.6	54.1	46.6	41.5	41.4	41.2	41.1	41.1	44.0	54.1	42.9
of which: grants	1.5	3.6	2.1	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.5		
Primary (noninterest) expenditure	66.8	62.3	65.1	53.4	45.6	40.5	40.1	39.6	39.1	39.1	41.6	55.9	41.3
Automatic debt dynamics	-9.6	-6.7	-6.0	-3.7	-2.7	-2.0	-1.7	-1.4	-1.2	-0.9	-0.7		
Contribution from interest rate/growth differential	-9.6	-6.7	-6.0	-3.7	-2.7	-2.0	-1.7	-1.4	-1.2	-0.9	-0.7		
of which: contribution from average real interest rate	-3.4	-1.7	-2.5	1.0	0.3	0.7	0.8	0.7	0.6	0.4	0.0		
of which: contribution from real GDP growth	-6.1	-5.0	-3.5	-4.7	-3.0	-2.6	-2.4	-2.1	-1.8	-1.3	-0.7		
Contribution from real exchange rate depreciation	0.0	0.0	0.0	—	—	—	—	—	—	—	—		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-1.0	-4.0	8.6	-4.6	-0.3	-0.4	-0.4	1.5	-0.4	-0.7	2.2	4.0	-0.7
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	64.5	59.9	56.4	53.5	50.8	48.7	45.9	33.8	21.2		
PV of public debt-to-revenue and grants ratio	...	...	106.4	110.7	121.2	128.8	122.8	118.2	111.8	82.2	48.1		
Debt service-to-revenue and grants ratio 3/	11.7	9.4	11.5	12.6	16.3	16.4	14.7	13.3	16.2	11.2	22.2		
Gross financing need 4/	11.6	7.6	11.4	6.1	6.6	5.7	4.9	3.9	4.6	2.6	7.5		
in billions of U.S. dollars	73.5	51.4	81.6	47.0	53.6	49.0	43.4	36.7	45.2	31.1	134.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.6	4.7	3.5	4.5	3.1	2.8	2.7	2.4	2.1	2.0	1.9	0.7	2.5
Average nominal interest rate on external debt (in percent)	1.6	1.6	1.6	-3.0	2.1	2.1	2.1	2.1	2.0	2.1	1.4	1.7	1.6
Average real interest rate on domestic debt (in percent)	-3.1	-1.6	-2.6	1.0	1.5	1.8	2.0	2.0	2.1	2.6	2.1	-2.4	1.9
Real exchange rate depreciation (in percent, + indicates depreciation)	3.8	2.0	-0.2	—	—	—	—	—	—	—	—	0.2	—
Inflation rate (GDP deflator, in percent)	3.2	1.7	2.7	2.4	2.5	2.2	2.0	2.0	2.1	2.2	1.8	2.8	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	9.6	-2.4	8.2	-14.3	-11.9	-8.7	1.9	1.1	0.7	1.8	2.9	9.7	-1.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	10.6	10.7	-2.6	8.3	3.0	2.3	2.0	0.0	1.6	1.7	-1.5	6.2	2.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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



Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Table 4. Dominica: Sensitivity Analysis for Key Indicators of Public Debt, 2025–35
(In percent of GDP)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	60	56	54	51	49	46	43	41	38	36	34
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	60	60	60	59	59	59	59	60	60	60	61
A2. Alternative Scenario :(Customize, enter title)	74	73	72	71	72	71	71	71	71	71	71
B. Bound Tests											
B1. Real GDP growth	60	72	91	97	103	109	114	120	126	132	138
B2. Primary balance	60	66	71	67	65	61	59	56	53	51	49
B3. Exports	60	62	69	66	64	61	58	56	53	51	49
B4. Other flows 3/	60	61	62	59	57	55	52	49	47	45	42
B5. Depreciation	60	60	54	50	45	41	36	32	28	24	21
B6. Combination of B1-B5	60	65	65	61	59	56	53	50	47	45	42
C. Tailored Tests											
C1. Combined contingent liabilities	60	64	60	57	55	52	49	46	44	42	39
C2. Natural disaster	60	74	73	72	73	72	72	71	71	71	72
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	111	121	129	123	118	112	105	98	92	87	82
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	111	128	144	142	144	144	143	143	144	145	147
A2. Alternative Scenario :(Customize, enter title)	135	155	171	171	173	172	171	170	170	171	172
B. Bound Tests											
B1. Real GDP growth	111	153	213	228	244	257	269	281	295	310	325
B2. Primary balance	111	141	172	163	157	149	142	135	129	124	119
B3. Exports	111	134	166	160	155	149	141	135	129	124	119
B4. Other flows 3/	111	131	150	144	139	133	126	119	113	108	103
B5. Depreciation	111	129	131	121	110	99	88	78	68	59	51
B6. Combination of B1-B5	111	139	156	148	142	134	126	119	113	107	102
C. Tailored Tests											
C1. Combined contingent liabilities	111	137	144	138	133	126	119	112	106	101	96
C2. Natural disaster	111	158	174	174	175	174	172	171	171	172	173
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	13	16	16	15	13	16	15	14	12	11	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	13	17	20	20	14	18	17	16	14	14	14
A2. Alternative Scenario :(Customize, enter title)	14	34	32	28	26	29	28	26	25	24	25
B. Bound Tests											
B1. Real GDP growth	13	19	32	41	45	52	52	52	51	51	52
B2. Primary balance	13	16	30	36	24	22	19	17	15	13	13
B3. Exports	13	16	17	16	14	17	16	15	13	12	12
B4. Other flows 3/	13	16	17	15	14	17	16	14	13	12	12
B5. Depreciation	13	16	18	13	14	17	15	14	12	11	11
B6. Combination of B1-B5	13	17	18	24	22	25	23	22	20	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	13	16	27	20	16	18	16	15	13	12	12
C2. Natural disaster	13	18	35	29	26	29	28	26	25	24	24
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 1. Dominica: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–35 ^{1/2/}



Customization of Default Settings		
Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	No	Yes
Commodity price	n.a.	n.a.
Market financing	n.a.	n.a.

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

Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	9	9

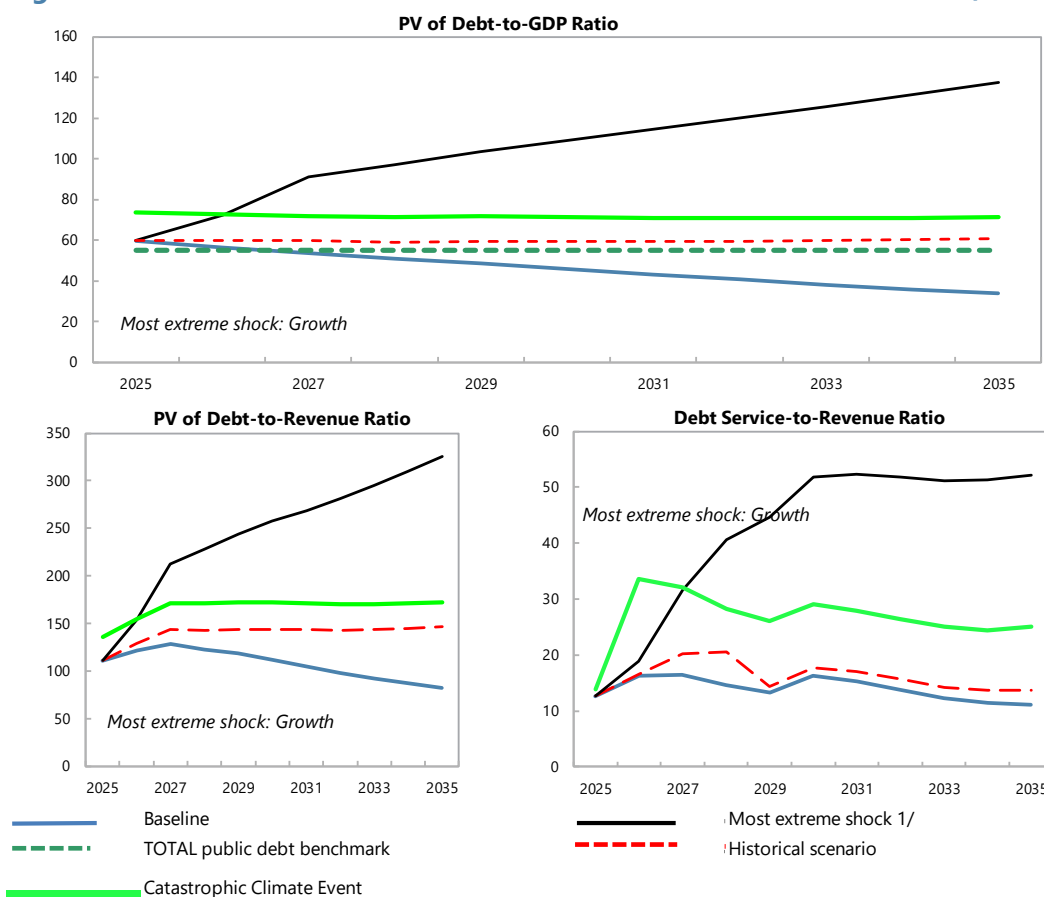
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Dominica: Indicators of Public Debt Under Alternative Scenarios, 2025–35



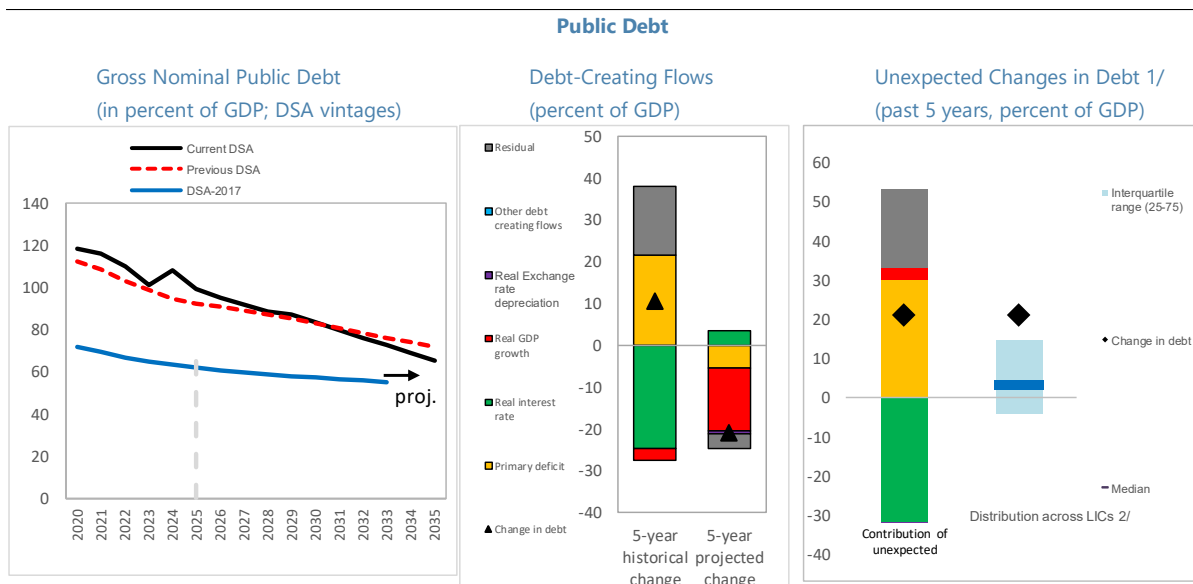
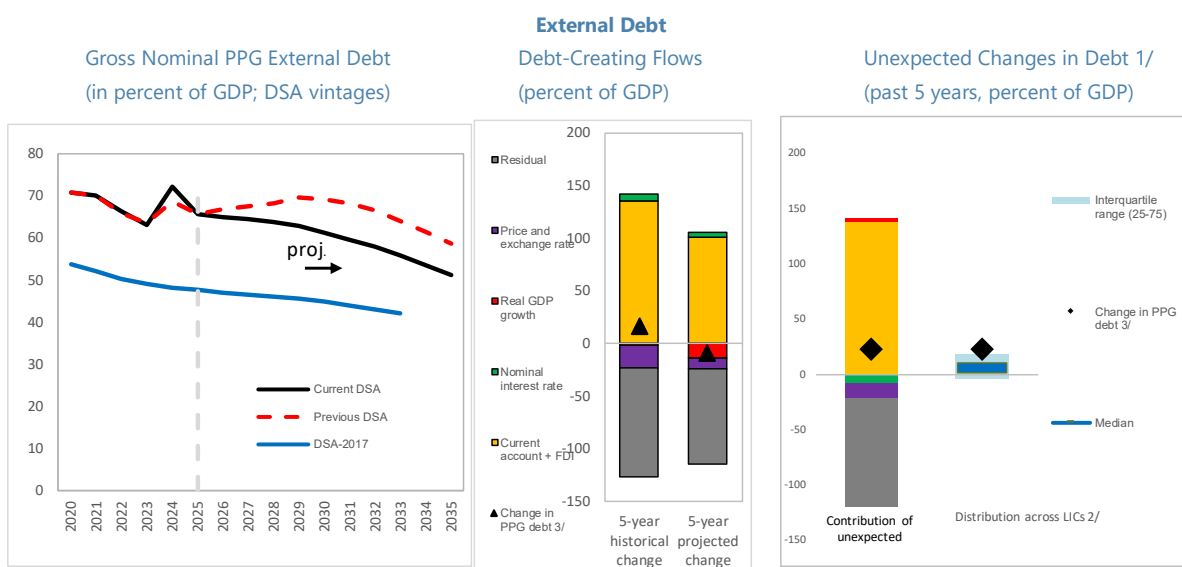
Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	54%	54%
Domestic medium and long-term	0%	0%
Domestic short-term	46%	46%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	9	9
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.5%	5.5%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	5.5%	5.5%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

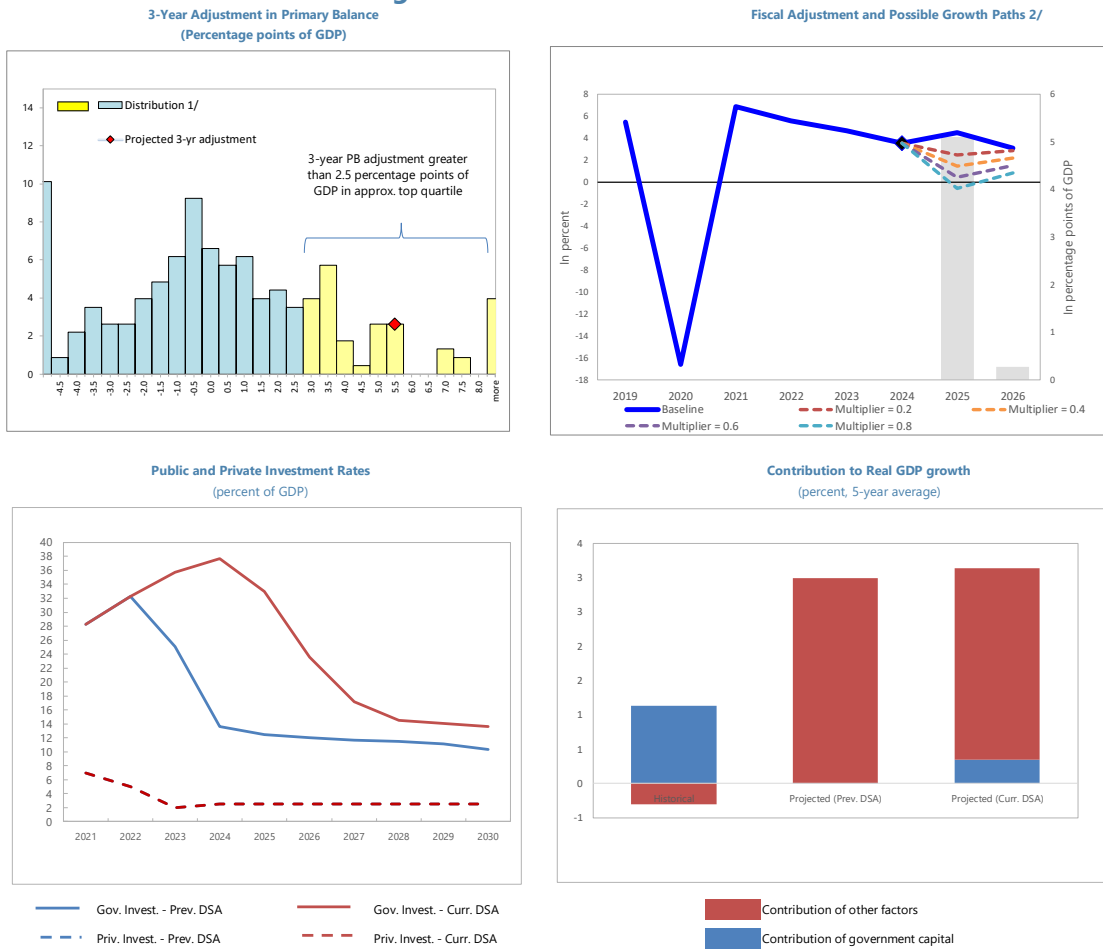


1/ Difference between anticipated and actual contributions on debt ratios.

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

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

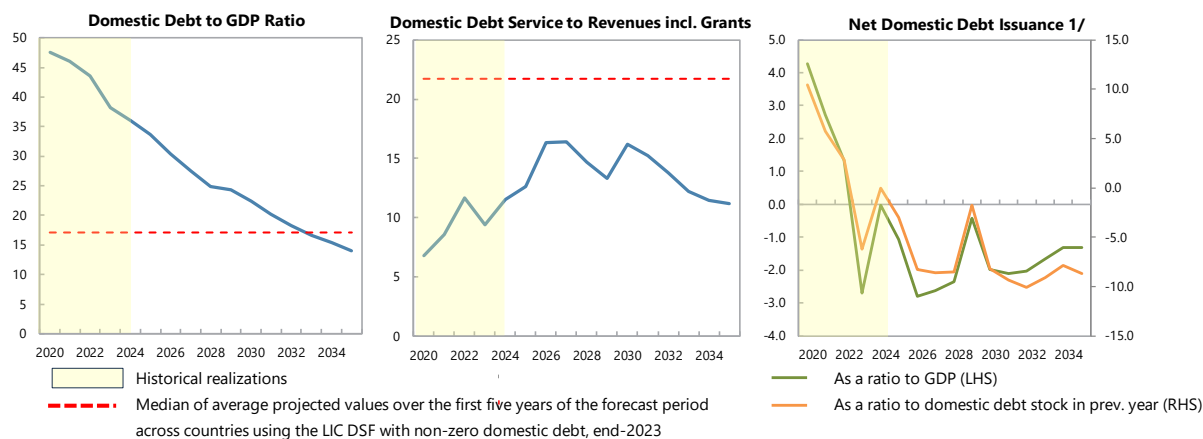
Figure 4. Dominica: Realism Tools



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

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

Figure 5. Dominica: Indicators of Public Domestic Debt 2025-2035
(Percent)



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

Sources: Country authorities; and staff estimates and projections.

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



DOMINICA

May 12, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—
INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department
(In consultation with other departments)

CONTENTS

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FUND RELATIONS

(As of March 31, 2026)

Membership Status: Joined: December 12, 1978; Article VIII

General Resources Account:	SDR Million	Percent of Quota
Quota	11.50	100.00
IMF's Holdings of Currency (Holdings Rate)	11.49	99.93
Reserve Tranche Position	0.01	0.08
SDR Department:	SDR Million	%Allocation
Net cumulative allocation	18.86	100.00
Holdings	3.53	18.72
Outstanding Purchases and Loans:	SDR Million	%Quota
RCF Loans	9.25	80.45

Latest Financial Commitments:

Arrangements:

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

^{1/} Formerly PRGF.

Outright Loans:

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

Overdue Obligations and Projected Payments to Fund^{2/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Principal	2.06	2.06	2.06	2.06	1.03
Charges/Interest	<u>0.32</u>	<u>0.43</u>	<u>0.43</u>	<u>0.42</u>	<u>0.43</u>
Total	2.37	2.48	2.48	2.48	1.45

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

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

Safeguards Assessment: An update assessment of the ECCB, finalized in August 2021, found strong external audit and financial reporting practices that continue to be aligned with international standards. All but one safeguards recommendation have been implemented. The outstanding recommendation on legal reforms to further strengthen the ECCB's operational autonomy and align the Agreement Act with leading practices is a work in progress.

Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on June 10, 2025. Dominica is on a 12-month cycle.

Technical Assistance: Dominica has received significant technical assistance from Caribbean Regional Technical Assistance Center (CARTAC) and the IMF. Technical assistance missions focused on public financial management (PFM), tax reform, revenue administration, economic and financial statistics, public debt management, and macroeconomics and Programming Analysis:³

PFM Missions

- August 2021: Strengthening Internal Audit FY22 (virtual).
- September 2021: Post-Hurricane Maria PFM Review Follow Up FY22 (virtual)
- November 2021: Developing Performance Targets and KPI (virtual).
- April 2022: Developing Performance Targets and KPI (virtual).
- August 2023: Review of Treasury Function.
- October 2023: Internal Audit Support.
- March 2024: Chart of Accounts.
- December 2025: Review of Financial Statements—IPSAS Cash Framework

Tax Policy and Revenue Administration Missions

- January 2020: Strengthening Post Clearance Audit in Customs.
- March 2020: COVID-19 Tax Policy Mission on Income Taxation and International Tax (virtual).
- October 2020: TADAT assessment (virtual mission).
- November 2020: Strengthening Risk Management and Audit Capacity in Customs.

³ A list of technical assistance missions prior to 2021 are listed in the informational annex issued in the context of the [2024 AIV Consultation](#).

- February 2021: Strengthening Risk Management and Audit Capacity in Customs.
- May 2021: Post-TADAT Implementation Plan.
- September 2021: Improving Property Tax Collections.
- October 2021: Developing Performance Targets and KPI in Customs.
- October 2021: Strengthening Treasury Operations FY22 (virtual mission).
- October 2021: Strengthening Core Business Functions- Arrears Management.
- April 2022: Strengthening Performance Management in Customs.
- May 2022: Strengthening Audit Capacity - Training in Audit Computer Audit Techniques.
- September 2022: Strengthening Capacity to Audit Computerized Taxpayer Records.
- March 2023: Revenue administration management and governance arrangements-CRM (hybrid).
- May 2023: Strengthening Risk Management Framework (CRM).
- May 2023: Strengthening Reform Management and Implementation Capacity.
- October 2023: Developing a Compliance Improvement Program and Risk Based Audit Case Selection System.
- March 2024: Implementation of the Tax Revenue and Customs Knowledge Exchange and Research (TRACKER) tool to support exchange of data between tax and customs (hybrid).
- March 2024: Assist the IRD improving their VAT gap estimates (virtual).
- November 2025: Revenue Administration
- February 2026: Strengthening Risk Management Framework
- February 2026: Strengthening Reform Management and Implementation Capacity

Economic and Financial Statistics

- May 2021: BOP CARTAC Mission.
- August 2021: Joint BOP CARTAC/STA Mission (virtual).
- July 2022: BOP - Source Data (virtual).
- September 2022: GDP Diagnostic.
- April 2023: GDP – Improving GDP.
- July 2023: BOP – Enhance Data Sources.
- August 2023: GDP – Improving GDP.
- October 2023: Improving the Consumer Price Index.
- July 2024: Identifying data gaps and improving statistical techniques for travel exports to enhance the accuracy of ESS and reduce the persistence of negative net errors and omissions (NEOs).
- July 2024: Rebasing of GDP to 2018 prices.
- October 2024: Finalizing the compilation of annual GDP by industry (GDP-P) for the updated benchmark year of 2018, from 2000 to 2022.
- April 2025: Real Sector – National Accounts Compilation
- May 2025: External Sector – Balance of Payments Compilation
- May 2025: Real Sector – National Accounts Compilation
- June 2025: Real Sector – Price Compilation
- June 2025: Real Sector – National Accounts Compilation
- June 2025: External Sector – Balance of Payments Source Data Review
- August 2025: Real Sector – GDP rebasing.

Financial Sector

- March 2026: Desk Review of Co-operative Societies Regulatory Updates and Amendments to Co-operative Societies Act.

Public Debt Management

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

Macroeconomics and Programming Analysis

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

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

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

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

(As of April 15, 2026)

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

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

**Statement by Mr. Brad Recker, Executive Director for Dominica, Ms. Gina Fitzgerald,
Alternate Executive Director for Dominica and Mr. Gerard McGuinness, Advisor to
Executive Director
May 27, 2026**

On behalf of our Dominican authorities, we would like to thank Mr. Christopher Faircloth and his team for the constructive engagement during the Article IV consultations. **Our authorities value staff advice and broadly concur with the thrust of the appraisal and policy recommendations.**

Dominica remains a small and highly vulnerable economy, with significant exposure to external shocks, climate risks, and natural disasters. In recent years, the country has experienced a series of adverse events - including natural disasters that damaged key infrastructure, the COVID-19 pandemic, and external shocks stemming from elevated energy prices linked to Russia's war in Ukraine, and more recently the uncertainty arising from the conflict in the Middle East.

Notwithstanding these headwinds, economic performance has remained resilient, supported by a strong recovery in tourism and the implementation of large, strategically important Citizenship by Investment (CBI) financed public investment projects. While cautiously optimistic about the outlook, the authorities are mindful of the economy's exposure to external risks, including fluctuations in tourism demand, energy prices, and potential vulnerabilities to CBI inflows, which have the potential to threaten funding for key infrastructural projects.

Against this backdrop, the authorities reaffirm their firm commitment to strengthening economic resilience, safeguarding macroeconomic stability, and advancing sustainable growth through policies aimed at maintaining financial stability, reinforcing social safety nets, and greater climate resilience.

Recent Economic Developments, Outlook, and Risks

After strong economic growth in 2024 and 2025, Dominica's economic growth is expected to moderate over the medium term. Our Dominican authorities welcome staff's balanced assessment and broadly concur with the characterization of recent developments. The economy has continued its post-pandemic recovery, supported by strong activity in construction, tourism, and wholesale and retail trade, underpinned by strategically important and resilience-enhancing investment projects including the new international airport. Growth strengthened in 2025, following a solid expansion in 2024, with tourism arrivals now exceeding pre-pandemic levels.

Looking ahead, staff project real GDP growth to average about 3.0 percent in 2026–27, supported by ongoing construction activity from flagship infrastructure investment, before gradually moderating toward 2.0 percent over the longer term as major CBI financed projects conclude. While acknowledging the impact of large construction projects on recent growth, the authorities consider that large scale strategic investments such as the international airport, which is envisaged to be operational in 2027, will generate stronger medium-term growth than currently envisaged by staff. At the same time, the authorities broadly concur that external imbalances should ease gradually as tourism capacity expands and import related pressures associated with major projects subside.

The authorities note that the construction of flagship projects has contributed to a widening current account deficit, which is expected to remain elevated at around 38 percent of GDP in 2025, reflecting a high level of imports. The current account is expected to return to its norm by 2031, supported by the normalization of investment related imports, lower fuel imports, and stronger tourism performance.

Price dynamics in Dominica remain largely externally driven, reflecting the country's dependence on imported goods and energy. Inflation declined through 2024–25, supported by softer fuel prices and reduced imported inflation, broadly in line with trends in trading partners. Staff project a temporary uptick in inflation in the near term, driven by renewed external pressures—particularly higher global oil prices, passing through to domestic prices; inflation is projected to rise to around 3.9 percent in 2026, before gradually declining and stabilizing at around 2.2 percent over the medium term.

The authorities note that the outlook remains subject to significant uncertainty, with risks tilted to the downside. Like other small island developing states, Dominica—remains exceptionally vulnerable to external shocks and natural disasters, including through reliance on tourism, imported energy and food, and development inflows. They highlight that the geothermal plant provides a buffer against external energy price shocks by reducing import dependence and delivering structurally lower electricity costs over time. In the event that fiscal mitigation measures are warranted, the authorities stress that these would be targeted, temporary, and time bound, financed to the greatest extent possible through deferred nonpriority spending, while allowing the fuel price pass through mechanism to operate fully.

Authorities are acutely aware of the downside risks and uncertainty of CBI flows, a vital source of revenue for the country. The authorities emphasize continued efforts to mitigate inflow risks through stronger governance, screening, and regional coordination, and note their readiness to prioritize the completion of key infrastructure projects particularly the new international airport should adverse shocks to CBI revenues materialize.

Sustained fiscal consolidation will help reduce public debt. While debt levels remain above the currency union's prudential benchmark, authorities remain committed to further tightening the fiscal stance and maintaining a down path for public debt-to-GDP levels through an array of expenditure and revenue-based measures to be considered in the forthcoming budget.

Rebuilding Fiscal Buffers and safeguarding fiscal sustainability

The authorities reaffirm their commitment to fiscal consolidation and restoring buffers under the resilience framework and note that additional measures will be pursued in the FY2026/27 budget in line with IMF recommendations. Reforms under consideration focus on rationalizing tax exemptions, reducing elevated current spending, and improving efficiency in key programs, including recalibrating the *National Employment Program* and *housing programs*. Preliminary estimates referenced by staff analysis indicate that these reforms could deliver near-term savings consistent with achieving the 2 percent of GDP primary surplus floor for FY2026/27. The authorities also intend to continue reducing domestic arrears, supported by improvements in reporting and cash management systems, and note that reconciliation and modernization of

reporting systems will be important to develop a detailed clearance plan with timelines and milestones.

In parallel, efforts are underway to strengthen the efficiency and sustainability of social protection. The planned rollout of the Social Welfare Information Management System (SWIMS) is expected to improve targeting and delivery of benefits, with scope to extend it across programs. The authorities also acknowledge pressures on pension sustainability and are reviewing parametric reforms to extend system viability, while steps to enhance transparency—such as regular publication of actuarial reports—remain under consideration.

The authorities further emphasize the importance of strengthening fiscal frameworks, including operationalizing the fiscal rule and the resilience fund (VRF), alongside plans to establish a Fiscal Responsibility Committee.

Strengthening Financial System Resilience and Intermediation

Our authorities broadly concur with staff’s assessment that the financial system remains liquid and broadly stable, while acknowledging existing vulnerabilities, including elevated non-performing loans (NPLs), sovereign exposures, and uneven credit developments. Reforms aimed at strengthening prudential regulation and supervision—particularly in the credit union sector—are a key priority, alongside efforts to modernize regulatory frameworks, enhance provisioning standards, and strengthen enforcement capacity.

Our authorities also place strong emphasis on improving financial intermediation and access to credit, particularly for micro, small, and medium-sized enterprises (MSMEs), recognizing that addressing credit constraints is essential for private sector development and inclusive growth. In parallel, they remain committed to strengthening AML/CFT frameworks, including continued enhancements of the governance and integrity of the CBI program.

Our authorities are committed to modernizing regulatory frameworks, especially for credit unions, including through the introduction of risk-based capital requirements and strengthening provisioning and loan classification rules and the enhancement of supervisory and enforcement powers. To date regulatory reforms for credit unions are advanced and expected to become operational in 2026, while Asset Quality Reviews (AQR) are expected to be completed in 2027.

Structural Reforms and Strengthening Long-Term Growth Prospects

The authorities agree with staff that structural reforms are critical to boosting long-term potential growth, enhancing resilience, and diversifying the economy. They underscore that the development strategy is focused on addressing long-standing structural constraints, including limited connectivity, skills gaps, and barriers to private investment.

Initiatives to expand tourism capacity, including through improved connectivity and major infrastructure projects, are progressing ahead. The transition to geothermal energy will be transformative for Dominica, supporting tourism and industry as well as its citizens and reducing dependence on imported fossil fuels. In addition, authorities are committed to further investing in

climate resilient measures and enhancing energy security. Reforms to strengthen human capital through education and training programs as well as the promotion of digitalization to improve productivity in the business environment will be central to achieving the objective of building a more resilient and diversified economy, better able to withstand external and climate-related shocks. With over 250 government services already digitalized, Dominica is strengthening the long-term prospects for competitiveness and productivity.

Institutional Strengthening and Data

The authorities acknowledge staff's assessment of capacity constraints in public financial management and statistical systems and agree that addressing these challenges is essential to support sound policymaking. They are advancing efforts to strengthen institutional frameworks, enhance fiscal reporting and transparency, and improve data quality and timeliness through digitalization and capacity development support. Actions underway include migration to the updated CPI+ system, resumption of labor surveys, and upgrades to data systems within the CBI unit to support real-time reporting. Taken together, these reforms are intended to strengthen PFM systems and address statistical compilation deficiencies.

Concluding Remarks

Our Dominican authorities remain strongly committed to implementing sound policies that restore fiscal sustainability, rebuild buffers, and foster sustainable and inclusive growth. They deeply value engagement with the Fund and express appreciation to the mission team for its close collaboration and ongoing support. The authorities' approach reflects a careful calibration between consolidation and development needs—aimed at placing public debt on a firm downward path while safeguarding macroeconomic stability and resilience in the years ahead.