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**Statement by Mr. Hendrick and Ms. Bustillo on Dominica  
(Preliminary)  
Executive Board Meeting  
February 2, 2022**

We thank staff for the informative report and selected issues paper and Mr. O’Brochain and Ms. Edwards for their helpful Buff statement.

**Following a severe contraction in 2020 that interrupted the recovery from Hurricane Maria, the economy of the Commonwealth of Dominica is expected to reach the pre-pandemic level by 2023**, supported by a return of tourism and public investment in infrastructure. The outlook however remains largely dependent on the evolution of the global pandemic and on sustained efforts to counter vaccine hesitancy. Going forward, further progress in fiscal reforms, as committed under the Rapid Credit Facility, and the preservation of financial stability are key to support sustainable economic growth.

**Despite the difficulties posed by the global pandemic, the authorities continued with the implementation of fiscal reforms.** We welcome the efforts to advance fiscal consolidation, including improving revenue collection and prioritizing expenditure efficiency measures. Moreover, given the vulnerability of the island to natural disasters, continued strengthening of financial resilience is essential for the creation of fiscal space for post-disaster responses. We are encouraged that, as noted in the Buff statement, a critical component of the fiscal consolidation strategy is rebuilding financial resilience. To this end, we see merit in staff’s recommendation to allocate, once the recovery takes hold, a larger share of the Citizenship by Investment Program (CBIP) revenue to the Vulnerability and Resilience Fund for self- insurance and public debt reduction. Moreover, the fiscal rule approved in December 2021 is a welcome step to further advance debt sustainability and we encourage the authorities to consider further strengthening its implementation along the lines suggested by staff.

**The financial system needs to be strengthened to maintain financial stability.** The financial sector has remained stable during the pandemic, but Non-Performing Loans (NPLs) remain above prudential benchmarks. We concur with staff that swift actions are required to strengthen capital buffers and to increase provisioning in line with the Eastern Caribbean Central Bank requirements. Addressing risks from large and undercapitalized credit unions and advancing in the near term with plans to modernize their regulation is of utmost importance. To this end, we encourage the authorities to advance in the preparation of crisis management plans for credit unions.

**On structural reforms.** We welcome Dominica's continued efforts to become the first country resilient to climate change. "Climate proofing" new infrastructure, a focus of the authorities' efforts, is essential to reduce the risk of climate-related disruptions. *We would appreciate staff's comments on the mobilization of financing for climate mitigation which, as noted in the Buff statement, remains a challenge.* We appreciate the selected issues paper's focus on informality and concur that accuracy in how it is measured is important for the design of effective public policies. We note, however, that informality is complex and multi-dimensional phenomenon, as well as a longstanding challenge in Dominica. *Could staff elaborate on the policies pursued by the authorities to improve formal employment opportunities?*

With these comments, we wish Dominica and its people every success in their future endeavors.