



**GOVERNMENT OF THE COMMONWEALTH OF  
DOMINICA**

**PROSPECTUS**

**EC\$20 Million 7 year Bond  
Ministry of Finance  
Financial Centre  
Kennedy Avenue  
Roseau  
DOMINICA**

**Telephone:** (767) 266-3221

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**Email:** finsec@cwdom.dm

**PROSPECTUS DATE: JULY 2019**

*The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Coordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. This prospectus is issued for the purpose of giving information to the public. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of government instruments or other securities.*



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## **Notice to Investors**

This prospectus is issued for the purposes of giving information to the public. The Government of the Commonwealth of Dominica (GOCD) affirms the accuracy of the information contained herein and accepts full responsibility for the same. The GOCD confirms that, having made all reasonable inquiries, this prospectus contains all information material in the context of the securities being issued, and to the best of its knowledge there are no other facts, the omission of which would cause the information in this prospectus to be misleading.

This prospectus and its content are issued for the specific securities described herein. Should you need advice, you should consult a person licensed under the Securities Act or any other duly qualified person who specializes on advising on the acquisition of Governments instruments or other securities.

The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with you. Therefore, prior to entering into the proposed investment, you should determine the economic risks and merits, as well as the legal, tax and accounting characteristics and consequences of this Bill offering, and that you are able to assume those risks. This Prospectus and its content are issued for the specific securities described.

## Abstract

### Reasons for the Addendum:

#### To include:

- a. The issue of a \$20.0 million seven (7) year Bond of the Government of the Commonwealth of Dominica identified by the trading symbol DMG070726. The Bond will be auctioned on July 29, 2019. In the event of an oversubscription, the GOCD reserves the right to increase the issue size by an additional EC\$5.0 million. The maximum bid price is price 7 percent.
- b. A reduction in the maximum bid price on the 91 day Treasury Bills from 6 percent to 5 percent

The Government of the Commonwealth of Dominica (hereafter referred to as GOCD) proposes to raise a total of EC\$100 Million on the Regional Government Securities Market (RGSM) through the issue of the following securities:

#### Issue amount: EC\$100-105 Million

Auction Date	Tenor/Type	Amount	Trading Symbol	Settlement Date	Maturity Date
<del>13<sup>th</sup> February 2019</del>	91 Day T-bill	EC\$20.0 Million	DMB160519	<del>14<sup>th</sup> February 2018</del>	<del>16<sup>th</sup> May 2019</del>
<del>17<sup>th</sup> May 2019</del>	91 day T-bill	EC\$20.0 Million	DMB190819	<del>20<sup>th</sup> May 2019</del>	<del>19<sup>th</sup> August 2019</del>
29 <sup>th</sup> July 2019	7 year Bond	EC\$20.0 Million	DMG070726	30 <sup>th</sup> July 2019	30 <sup>th</sup> July 2026
20 <sup>th</sup> August 2019	91 day T-bill	EC\$20.0 Million	DMB201119	21 <sup>st</sup> August 2019	20 <sup>th</sup> November 2019
21 <sup>st</sup> November 2019	91 day T-bill	EC\$20.0 Million	DMB210220	22 <sup>nd</sup> November 2019	February 21 2020

The securities will be issued under the authority of the Bonds and Securities Act 64:04 of the Revised Laws of Commonwealth of Dominica and the Treasury Bills Act No. 5 of 2010 of the Commonwealth of Dominica.

The securities will be issued on the Regional Government Securities Market (RGSM) in the months of February 2019, May 2019, July 2019, August 2019, and November 2019. The securities will be listed on the Eastern Caribbean Securities Market (ECSE) and available for trading on the secondary market.

Bidding will commence at 9:00 a.m. and will be closed at 12:00 noon on the auction day.

## **I. General Information**

**Issuer:** Government of the Commonwealth of Dominica (GOCD)

**Address:** Ministry of Finance  
Financial Centre  
Roseau  
Commonwealth of Dominica

**Email:** finsec@cwdom.dm

**Telephone No.:** (767) 266-3221

**Facsimile No.:** (767) 448-0054

**Contact Persons:** Hon. Mr. Roosevelt Skerrit, Prime Minister and Minister for Finance  
Mrs. Rosamund Edwards, Financial Secretary  
Mrs. Beverly Pinard, Accountant General

**Arrangers/Brokers:** Bank of St. Lucia  
(7 year Bond and Treasury bill)

**Address:** P.O. Box 1862  
Castries, LC04 101  
St. Lucia

**Telephone:** 758 456 6000

**Fax:** 758 456 6720

**Contact:** Lawrence Jean

**Arrangers/Brokers:** First Citizen Investment Services Ltd  
(Treasury bill)

**Address:** P.O. Box 1294

John Compton Highway  
Sans Souci  
Castries, St. Lucia

Telephone: 758 458 6375

Fax: 758 451 7894

Contact: Omar Burch-Smith

**Types of Securities:** One 7 year bond, two 91 day treasury bills

**Amount of Issue:** 7 year Bond - EC\$20 million with an option to take up an additional \$5 million.

91 day Treasury bill – EC\$20.0 million with maximum reserve price of 5 percent.

91 day Treasury bill – EC\$20.0 million with maximum reserve price of 5 percent.

**Use of Proceeds:** The proceeds of this issue will be used to finance part of the GOCD operational budget and to refinance existing GOCD debt.

**Legislative Authority:** The Treasury Bills Act No. 5 of 2010 of the Commonwealth of Dominica and the Bonds and Securities Act 6404 of the Revised Laws of Commonwealth of Dominica.

**Method of Issue:** The price of the issue will be determined by a competitive uniform price auction with open bidding

**Listing:** The securities will be issued on the RGSM and listed on the Eastern Caribbean Securities Exchange (ECSE).

**Minimum Bid Amount:** The minimum bid quantity is EC \$5,000.

**Bid Multiplier:** The bid multiplier will be EC \$1,000.

**Bidding Period:** **The bidding period will start at 9:00 a.m. and end at 12:00 noon on the auction day.**

**Bid Limitation:** Each investor is limited to one (1) bid with the option of increasing the amount being tendered or reducing the interest rate offered until the close of the bidding period.

**Taxation:** Yields on these securities will not be subject to any tax, duty or levy by Eastern Caribbean Currency Union (ECCU) participating Governments.

**Participation:** Investors may participate in the auction through licensed financial intermediaries on the Eastern Caribbean Securities Exchange (ECSE).

**List of Intermediaries:**

- The Bank of Nevis Limited
- St. Kitts-Nevis-Anguilla National Bank Ltd
- Bank of St. Lucia
- First Citizens Investment Services Limited
- Bank of St Vincent and the Grenadines Limited



Grenada Co-operative Bank Limited

**Currency of Issue:** All currency references are to Eastern Caribbean Dollars unless otherwise specified.

**II. Information about the Issues**

**Size of issue:** \$20.0 million Eastern Caribbean Dollars with an option to take an additional \$5 million in oversubscriptions.

**Tenor:** 7 years

**Maximum bid price:** 7.0 percent

**Trading Symbol:** **DMG070726**

**Auction Date:** July 29<sup>th</sup> 2019

**Issue Date:** July 30<sup>th</sup> 2019

**Maturity Date:** July 30<sup>th</sup> 2026

**Repayment Type:** Bullet on maturity

**Size of issue:** \$20.0 million Eastern Caribbean Dollars

**Tenor:** 91 days

**Maximum bid price:** 5.0 percent

**Trading Symbol:** **DMB201119**

**Auction Date:** August 20<sup>th</sup> 2019

**Issue Date:** August 20<sup>th</sup> 2019

<b>Maturity Date:</b>	November 20 <sup>th</sup> 2019
<b>Size of issue:</b>	\$20.0 million Eastern Caribbean Dollars
<b>Tenor:</b>	91 days
<b>Maximum bid price:</b>	5.0 percent
<b>Trading Symbol:</b>	<b>DMB210220</b>
<b>Auction Date:</b>	November 21 <sup>st</sup> 2019
<b>Issue Date:</b>	November 22 <sup>nd</sup> 2019
<b>Maturity Date:</b>	February 21 <sup>st</sup> 2020

### **III. CariCRIS Credit rating**

On July 9<sup>th</sup> 2019, the Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed its ratings of CariBB (Foreign and Local Currency Ratings) to the US \$25 million (notional) debt issue of the Government of the Commonwealth of Dominica (GOCD). These ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is below average. CariCRIS has also maintained a stable outlook on the ratings. The stable outlook is based on our expectation that there will be continued growth in the economy over the next 12 to 15 months given the ongoing reconstruction efforts and restoration of productive capacity among the key sectors of the economy.

Furthermore, CariCRIS expects that there will be continued prudential control by the Government over its fiscal operations considering the volatility of both CBI revenues and grant funding. Fiscal revenue is still expected to be sufficient to make debt repayments and Dominica is expected to remain one of the least indebted Caribbean countries. GOCD's ratings reflect the country's significant capacity constraints and weak financial system which were exacerbated following the passage of Hurricane Maria. The ratings also reflect the GOCD's reliance on CBI and grant funding, leading to uncertainty and volatility in fiscal

performance. The factors supporting the ratings include continued satisfactory debt servicing capability, the ongoing recovery efforts with the support from the international community, as well as the country's stable political environment.

#### **IV. Financial administration and management**

##### **Debt Management Objectives**

The GOCD's high-level debt management objective is "to ensure that the GOCD's financing needs and obligations are met on a timely basis. To do so in a way that minimizes cost over the medium to long term, while taking account of risks, and subject to that, to develop over time a range of financing options."

Guided by the foregoing, the MOF seeks to ensure that the GOCD's debt management policies over the medium to long term support fiscal and monetary policy and help build a robust and resilient economy, able to withstand economic shocks. As such, the GOCD purports to lower public debt as a percentage of GDP to 60 percent by Financial Year (FY) 2030, the revised time frame.

##### **Debt management Strategy**

The debt management strategy hinges on the objectives of lowering the debt to GDP ratio to 60 percent by FY 2030 and minimizing borrowing costs while supporting the development of a well-functioning market for government securities. The GOCD recognizes the need to factor the impact of fluctuations in exchange rates on debt servicing costs and takes this into account in formulating its debt management strategy. The underlying elements guiding the strategy are:

- Limiting variable rate funding to no more than 15 percent of the public debt portfolio;
- Limiting non-US dollar external financing to a maximum of 20 percent of the public debt portfolio;
- Maintaining an Average Time to Maturity (ATM) of 9 years to minimize refinancing risk;
- Maintaining government guaranteed debt at 17 percent of total debt stock.

The overall debt management strategy also includes the provision of legal borrowing limits. The issuance of Treasury Bills, for example, is limited to EC\$60.0 million. Additionally, the authorities have capped the overdraft facility at \$31.5 million in totality and aims to keep it at that limit. There are no borrowing limits for loans.

##### **Transparency and Accountability**

The GOCD is continuously seeking ways of improving its systems of accountability and transparency. As the authorities continue to adopt more prudent and transparent fiscal

management practices, they intend to continue to utilize the Regional Government Securities Market (RGSM). As a consequence, disclosure of information on the cash flow and debt stock will be made available bi-annually to all investors, consistent with the rules of the Regional Debt Coordinating Committee (RDCC)

### **Institutional Framework**

The Debt Unit (DU) of the Ministry of Finance (MOF) of the GOCD is charged with the responsibility of administering the Government's debt portfolio on a day-to-day basis and implementing the Government's borrowing strategy. The unit is directly accountable to the Budget Comptroller.

### **Risk Management Framework**

The establishment of an effective and efficient debt management system as a major element of economic management is of paramount importance to the government of the Commonwealth of Dominica. Accordingly, attempts have been made to strengthen the capacity of the debt unit (DU). Consequently, the DU's functions have been broadened to include:

- Assisting in the formulation of debt management strategies and policies
- Managing the debt portfolio to minimize cost with an acceptable risk profile
- Conducting risk analysis and developing risk management policies; and
- In collaboration with the Macro-policy Unit, conduct debt sustainability analysis to assess optimal borrowing levels.

## **V. Public Debt Overview**

Table 1 gives a synopsis of the public debt position and it indicates that at the end March 2019, total disbursed outstanding debt of the public sector<sup>1</sup> stood at \$ 1.152 billion or 75.6 percent of GDP<sup>2</sup>. This is, approximately 7.3 percent above the outstanding amount at the end of the same period in 2018, which was \$1.069 billion. The total existing debt portfolio is comprised of 68 percent External and 32 percent Domestic. The external component of the portfolio is made up of loans contracted mainly from multilateral and bilateral sources with a proportion of 58.0 percent and 31.0 percent respectively. The other portion (11.0 percent) represents loans and bonds with varied creditors such as commercial banks, insurance companies and pension funds among others.

Central government debt represents 85.0 percent of the total debt portfolio while guarantees hold 15.0 percent which is in line with the quantitative targets of the debt strategy. The total

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<sup>1</sup> Includes both central government and central government guaranteed debt

<sup>2</sup> Based on nominal GDP of \$1523 billion

external debt was reduced by 6.8 percent at the end of March 2019 over the same period in 2018, while the total domestic debt increased by 27.1 percent. The significant increase in the domestic debt, predominantly central government, represent an increase in securities as a result of an over the counter issue and the increase in the overdraft due to payments from local sources for the acceleration of projects and rapid response owing to the passage of hurricane Maria. The government is aware of the breach in the legal limit of the overdraft and is currently considering measures in its revised debt strategy, to reduce it to the limit.

**Table 1: Size of Public Debt, end March 2019 (in EC \$) with March 2018 comparative**

	End of March 2018		End of March 2019		change	
	EC\$ Millions	% total debt	EC\$ Millions	% total debt	EC\$ Millions	%
<b>TOTAL DEBT</b>	<b>1069.26</b>	<b>100%</b>	<b>1152.82</b>	<b>100%</b>	83.56	7.25
<b>Total External debt</b>	<b>721.36</b>	<b>68%</b>	<b>675.73</b>	<b>59%</b>	-45.63	-6.75
<i>Loans</i>	608.36	57%	562.55	49%	-45.81	-8.14
<i>Central government</i>	511.23	48%	465.53	41%	-45.70	-9.82
<i>Guaranteed</i>	97.13	9%	97.02	8%	-0.11	-0.11
<b>Securities</b>	<b>113.00</b>	<b>11%</b>	<b>113.18</b>	<b>10%</b>	0.18	0.15
<i>Bonds</i>	95.44	9%	90.08	8%	-5.36	-5.95
<i>Treasury Bills</i>	17.56	2%	23.10	2%	5.54	23.97
<b>Main creditor Category</b>	<b>721.36</b>		<b>675.73</b>		-45.63	-6.75
<i>Bilateral</i>	222.80	31%	193.32	29%	-29.48	-15.25
<i>Multilateral</i>	415.16	58%	389.62	58%	-25.54	-6.56
<i>Other</i>	83.4	11%	92.79	13%	9.39	10.12
<b>Total Domestic Debt</b>	<b>347.90</b>	<b>32%</b>	<b>477.095</b>	<b>41%</b>	129.20	27.08
<i>Loans</i>	104.86	10%	106.75	9%	1.89	1.77
<i>Central Government</i>	36.24	3%	36.1	3%	-0.14	-0.39
<i>Guaranteed</i>	68.62	7%	70.65	6%	2.03	2.87
<b>Securities</b>	<b>185.31</b>	<b>17%</b>	254.035	22%	68.73	27.05
<i>Bonds</i>	140.63	13%	214.86	19%	74.23	34.55
<i>Treasury Bills</i>	44.68	4%	39.175	3%	-5.51	-14.05
<b>Overdrafts</b>	<b>57.73</b>	<b>5%</b>	116.31	10%	58.58	50.37
<b>Total Central Government Debt</b>	<b>903.51</b>	<b>85%</b>	<b>985.15</b>	<b>85%</b>	81.64	8.29
<b>Total Guaranteed Debt</b>	<b>165.75</b>	<b>15%</b>	<b>167.67</b>	<b>15%</b>	1.92	1.15

### Regional Government Securities Market (RGSM)

During the year March 2018 to March 2019, the government of Dominica floated a EC\$20 million treasury bill and the results (table 2) indicate that based on the over-subscription and the price obtained at the auctions; there continues to be strong appetite for those securities.

Table 2: RGSM auction results (March 2018 to March 2019)

Auction Date	Issuer Amount (EC\$m)	Value of Bids (EC\$m)	Amount Accepted (EC\$m)	Over/(Under) Subscription (EC\$m)	Interest Rate (%)	Number of bids	Accepted Bids
08/05/2018	20,000,000.0	29,535,000.0	20,000,000.0	9,535,000.0	2.00	14.00	6.00
09/08/2018	20,000,000.0	31,022,000.0	20,000,000.0	11,022,000.0	1.99	14.00	5.00
12/11/2018	20,000,000.0	29,751,000.0	20,000,000.0	9,751,000.0	1.89	17.00	7.00
13/02/2019	20,000,000.0	33,613,000.0	20,000,000.0	13,613,000.0	2.00	14.00	8.00

Source: Government of Dominica

## VI. Recent Economic Performance

The Dominican economy is recovering strongly following the destruction wrought by hurricane Maria. The most recent estimates suggest a 0.5 percent expansion in economic activity during 2018 following a contraction of 9.5 percent in 2017. Projections for 2019 point to a year of very robust activity with growth of 9.6 percent. Construction has been the main sector leading the recovery, with large investments in infrastructure and public services, aimed at building resilience to natural disasters. Strong support also comes from the mining and quarrying, transport, and wholesale and retail sectors. Tourism and agriculture, key for exports and employment, continue to recover but remain significantly below potential. Output is projected to reach pre-hurricane levels by 2020 owing largely to significant foreign investment in new hotels expected to start operations by end-2019. The Central statistics Office is currently reviewing its final estimates which may lead to a further review if these numbers.

## VII. Security Issuance Procedures, Clearance and Settlement

This market operates on the ECSE trading platform for both primary issuance and secondary trading. The series of Securities will be listed on the ECSE. The pricing methodology to be used for selling the securities will be a Competitive Uniform Price Auction. The ECSE is responsible for disseminating market information, providing intermediaries with market access, administering the auction process and monitoring the auctions.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), will be responsible for facilitating clearance and settlement for the securities allotted. The ECCSD will ensure that funds are deposited to the account of the Government of the Commonwealth of Dominica.

The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), will record and maintain ownership of the government securities in electronic book-entry form. The ECCSR will mail confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuing governments.

Intermediaries will be responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE platform. Investors must provide the intermediaries with funds to cover the cost of the transaction. For this particular offering, investors will pay the applicable brokerage fees to the intermediaries. A list of licensed intermediaries who are members of the ECSE is provided (Appendix 1).

Successful clients will be informed of their payment obligations and the funds provided to the intermediary will be used to purchase the allotted amount.

As an issuer on the RGSM, the Government of the Commonwealth of Dominica will be subject to the rules, guidelines and procedures developed by the Regional Debt Coordinating Committee (RDCC) for the operation of the market, including ongoing reporting and disclosure requirements.

#### **VIII. Appendix 1: Listing of Licensed intermediaries**

<b>Territory</b>	<b>Institution</b>	<b>Name of Licensee</b>	<b>Type of License</b>
GRENADA	Grenada Co-operative Bank Ltd	Allana Joseph	Principal
		Aaron Logie	Principal
		Carla Sylvester	Representative
		Kishel Francis	Representative



<b>Territory</b>	<b>Institution</b>	<b>Name of Licensee</b>	<b>Type of License</b>	
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Anthony Galloway	Principal	
		Angelica Lewis	Representative	
		Marlene Nisbett	Representative	
		Petronella Crooke	Representative	
	The Bank of Nevis Ltd	Monique Williams	Principal	
		Brian Carey	Principal	
		Denicia Small	Representative	
Judy Claxton		Representative		
SAINT LUCIA	Bank of St Lucia Ltd	Medford Francis	Principal	
		Lawrence Jean	Principal	
		Deesha Lewis	Representative	
		Cedric George Charles	Representative	
		Mervin Simeon	Representative	
	First Citizens Investment Services Ltd	Carole Eleuthere-Jn Marie	Principal	
		Omar Burch-Smith	Principal	
		Norlann Gabriel	Principal	
		Temelia Providence	Principal	
		Shaka St Ange	Representative	
		Samuel Agiste	Representative	
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Laurent Hadley	Principal	
		Monifa Latham	Principal	
		Chez Quow	Representative	
		Patricia John	Representative	





**APPENDIX IV Central Government Debt Service**

*Source: Debt Unit/Dominica Authorities*

**APPENDIX V Dominica Balance of Payments**