MANAGING HIGH PUBLIC DEBT

THE CASE OF JAMAICA

Presentation by Pamella McLaren
Ministry of Finance & Planning
Seminar on Preventing and Managing Debt Crisis to Promote Long-Term Sustainability
Santiago, Chile
November 9-10 2011
# Themes

- **Introduction**

- **Debt Perspectives**
  - External
  - Domestic

- **Fiscal Dominance**

- **Managing Jamaica’s Debt**
  - Jamaica Debt Exchange
  - Institutional Reforms

- **Challenges**
Jamaica Fact Sheet

Prime Minister: Hon. Andrew Holness
Form of Government: Parliamentary Democracy
Judicial System: English Common Law
Continuity of Institutions: 49 Years - uninterrupted democracy since 1962
Last General Election: September 2007
Current Political Party: The Jamaica Labour Party
Parliamentary term: 5 years

GDP: US$12,510M (2009/10)
GDP per Capita: US$4,633 (2009/10)
Population: 2.7 Million (2009)
Territory: 10,991 km²

FX Rate: J$86.40/US$1 (Sept. 2011)
Inflation: 13.3% (2009/10)
6 month T-Bill Rate: 6.26643% (Oct. 28, 2011)
Net Int’l Reserves: US$2080.6 mil (Sept. 2011)
JAMAICA’S DEBT PERSPECTIVES
The Caribbean: Public Debt-to-GDP (end 2010)

- St. Kitts & Nevis: 200.4
- Jamaica: 153.7
- Barbados: 117.8
- Grenada: 93.6
- Belize: 81.4
- Antigua & Barbuda: 69.6
- St. Vincent & the Grenadines: 66.8
- St. Lucia: 63.3
- Guyana: 60.2
- Dominica: 54.3
- Bahamas: 45.4
- Trinidad & Tobago: 40.1
- Suriname: 21.6
- Haiti: 17.1

Debt/GDP
The Big Picture

Chart Title

- Domestic Debt
- External Debt
- Debt/GDP

J$Mn

%
Factors Contributing to the Increase

DEBT/GDP

1970’s

1984

1994

1996

2000’s

Assumption of other contingent liabilities

Assumption of FINSAC liabilities due to the collapse of the Financial sector

High & rising domestic debt and high domestic interest rates

Paris and London Clubs restructurings

B.O.P Crises
Contingent Liabilities

- Deferred Financing
- FINSAC
- BoJ - Capitalised Interest
- BoJ - Liquidity Management Programme
- BoJ Losses & Receivables (incl FINSAC)
- Parastatal Debt

[$'Mn]

- 0
- 20'000
- 40'000
- 60'000
- 80'000
- 100'000
- 120'000
- 140'000
EXTERNAL DEBT
External Debt

![Graph showing external debt by type over time]
External Creditors

- Bond Issue: 44.2%
- Multilateral: 37%
- Bilateral: 12.7%
- Commercial Banks and other commercial suppliers: 7.1%
DOMESTIC DEBT
Holders of GOJ Domestic Debt
(as at September 2011)

- Bank of Jamaica: 10.6%
- Superannuation & Pension Fund: 10.0%
- Building Societies: 4.8%
- Commercial Banks: 9.9%
- Merchant Banks, Trust Companies & Brokers: 27.7%
- Insurance Companies: 21.9%
- Public Sector Entities: 9.6%
- Other Institutions: 3.8%
- Individuals: 1.7%
- Public Sector Entities: 9.6%
- Other Institutions: 3.8%
Domestic Debt Interest Payment and Amortization
FISCAL

DOMINANCE
Fiscal Dynamics

![Graph showing fiscal dynamics with lines for Overall Balance, Primary Balance, and DEBT/GDP over time.]
MANAGING DEBT
Pro-active Debt Management

- Institutional reforms
- Improving the debt profile and extending average life
- Reduction in domestic interest rates
- Liability management
- Debt Management
The Dilemma

Marketing  

Burden Sharing

Financial Sector Stability
Objectives of JDX

- Achieve substantial, but balanced cost savings
- Improve maturity profile
- Control balance of fixed, variable, and USD instruments
- Ensure banking system stability
- Obtain substantially 100% participation rate
- Simple offer for retail participation
Positive Impact of JDX

Pre JDX

- VR 54%
- FR 33%
- USD 13%

Post JDX

- VR 46%
- FR: 38%
- USD: 13%
- CPL: Indexed 33%
Pre and Post JDX J$ Yield Curve
Interest Rates Decline....

GOJ TBill & BOJ CD Rates
Sep-09 to Oct-11

- 6M TBill
- 3M TBill
- 30 Day BOJ CD
Institutional Reforms

- Fiscal Responsibility Framework
- Restructuring of the DMU
- Legal Framework
- Central Treasury Management
- Tax - Policy and Administration
CHALLENGES
The Challenge Continues

- Restructuring of the Debt Management Unit
- Debt/GDP ratio 100% by 2015/2016
- Management of contingent liabilities
- Prevention of high and recurrent fiscal deficits
- Tax reform - policy and administration
- Improved credit ratings
The Challenge Continues 

Preventing!!!

Preventing!!!

To Promote Long-Term Sustainability
THANK YOU
Data Websites

• Ministry of Finance and Planning
  – www.mof.gov.jm

• Bank of Jamaica
  – www.boj.org.jm

• Planning Institute of Jamaica
  – www.pioj.gov.jm

• Statistical Institute of Jamaica
  – www.statinja.com