

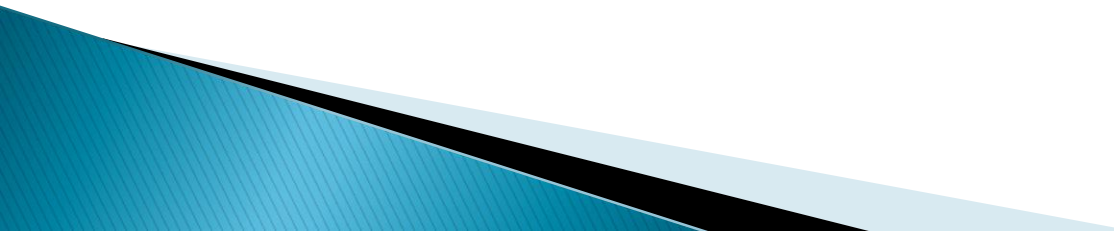
Developing and Implementing a Medium Term Debt Management Strategy (MTDS): Issues and Progress – Barbados

Antonino Inniss – Ministry of Finance and Economic Affairs
CARADEM Meeting, Montego Bay, Jamaica, June 17–18, 2013

Rational for Developing a MTDS

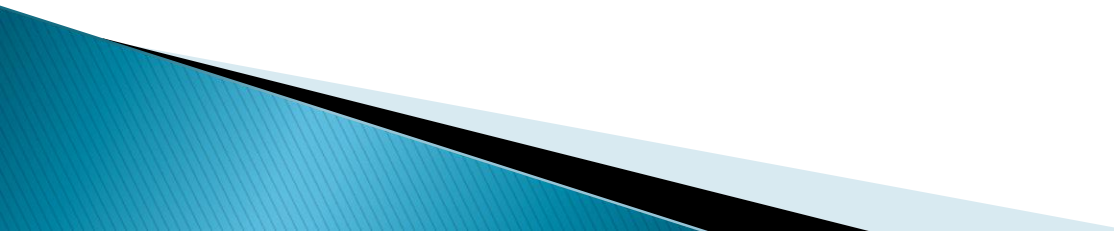
- ▶ Previously an informal strategy was followed, which:
 - Maximize domestic borrowing;
 - Limit external borrowing to refinancing of maturing external debt and build up of international reserves;
 - Avoid bunching of maturing debt to reduce the impact of shocks on fiscal policy and/or reserves; and
 - reduce debt service payments through borrowing at lower interest rates.

Rational for Developing a MTDS

- ▶ Specify the objectives for public debt management in Barbados
 - ▶ Necessary to access a strategy within a cost risk framework.
 - ▶ International best practice
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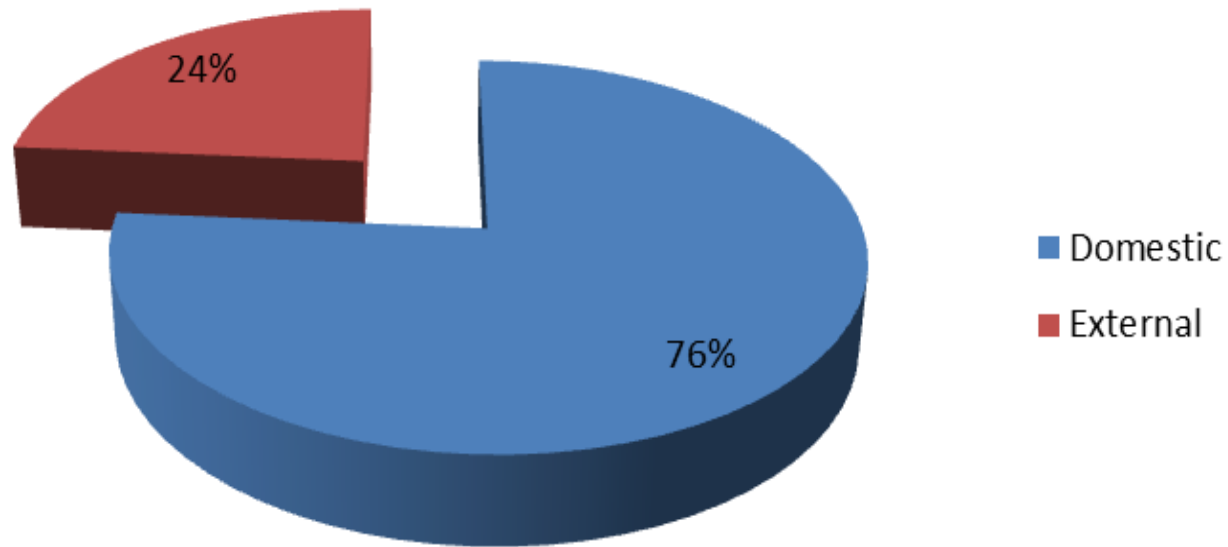
Methodology

Utilized the IMF/World Bank Framework of Preparing a MTDS

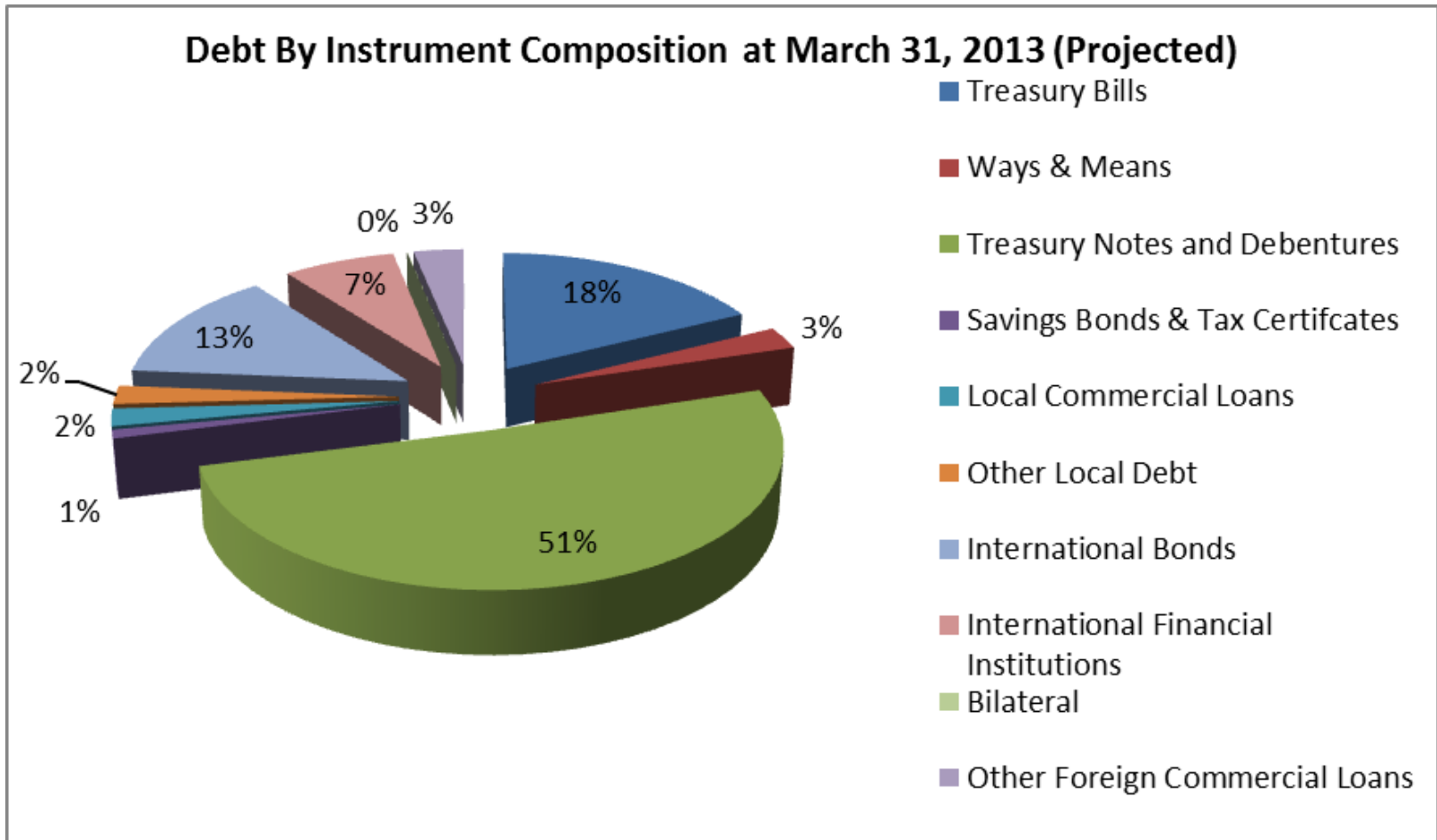
- Step 1. Objectives and scope of the MTDS
 - Step 2. Existing strategy and cost and risk of existing debt
 - Step 3. Potential sources of finance
 - Step 4 & 5. Medium-term macro-policy and market environment
 - Step 6. Analysis of alternative debt management strategies
 - Step 7. Review with fiscal & monetary authorities, market, other stakeholders
 - Step 8. Propose and approve MTDS
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Existing Debt Portfolio

Debt Composition at March 31, 2013 (Projected)



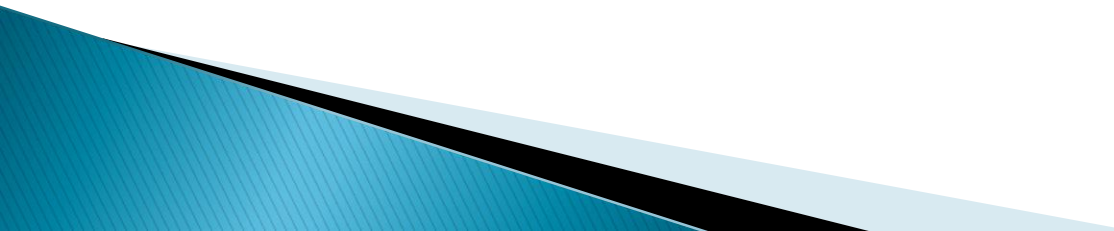
Existing Debt Portfolio



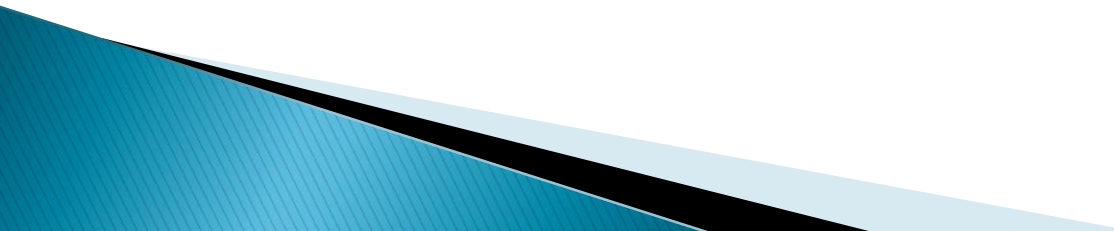
Existing Debt Portfolio

Cost-Risk Indicators as of March, 2013				
Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of USD)		1,174.8	3,765.3	4,940.1
Nominal debt as % GDP		27.8	89.1	116.9
PV as % of GDP		26.1	88.9	115.1
Cost of debt	Weighted Av. IR (%)	4.5	5.9	5.5
Refinancing risk	ATM (years)	10.3	5.5	6.7
	Debt maturing in 1yr (% of total)	6.1	32.2	26.0
Interest rate risk	ATR (years)	7.2	5.5	5.9
	Debt refixing in 1yr (% of total)	39.5	32.2	33.9
	Fixed rate debt (% of total)	64.2	100.0	91.5
FX risk	FX debt (% of total debt)			23.8
	ST FX debt (% of reserves)			9.8

Issues and Challenges

- ▶ Needed Technical Assistance with the use of and Analytical Tool.
 - ▶ Emerging Issue with Domestic Financing
 - ▶ Sovereign Rating
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Next Steps

- ▶ Formalize the MTDS
 - ▶ Approval – (NDAC and Cabinet)
 - ▶ Implementation and Monitoring
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Thank You

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