



Restoring Debt Sustainability through Debt Restructuring

**JOINT COMMONWEALTH SECRETARIAT/CARADEM FORUM 2013
IBEROSTAR ROSEHALL, MONTEGO BAY JAMAICA**

Pamella McLaren



Debt Sustainability

Jamaica Debt Exchange - Debt Sustainability???

National Debt Exchange

Appendix



Jamaica Fact Sheet

Strategic Location at the Centre of Caribbean and Central America

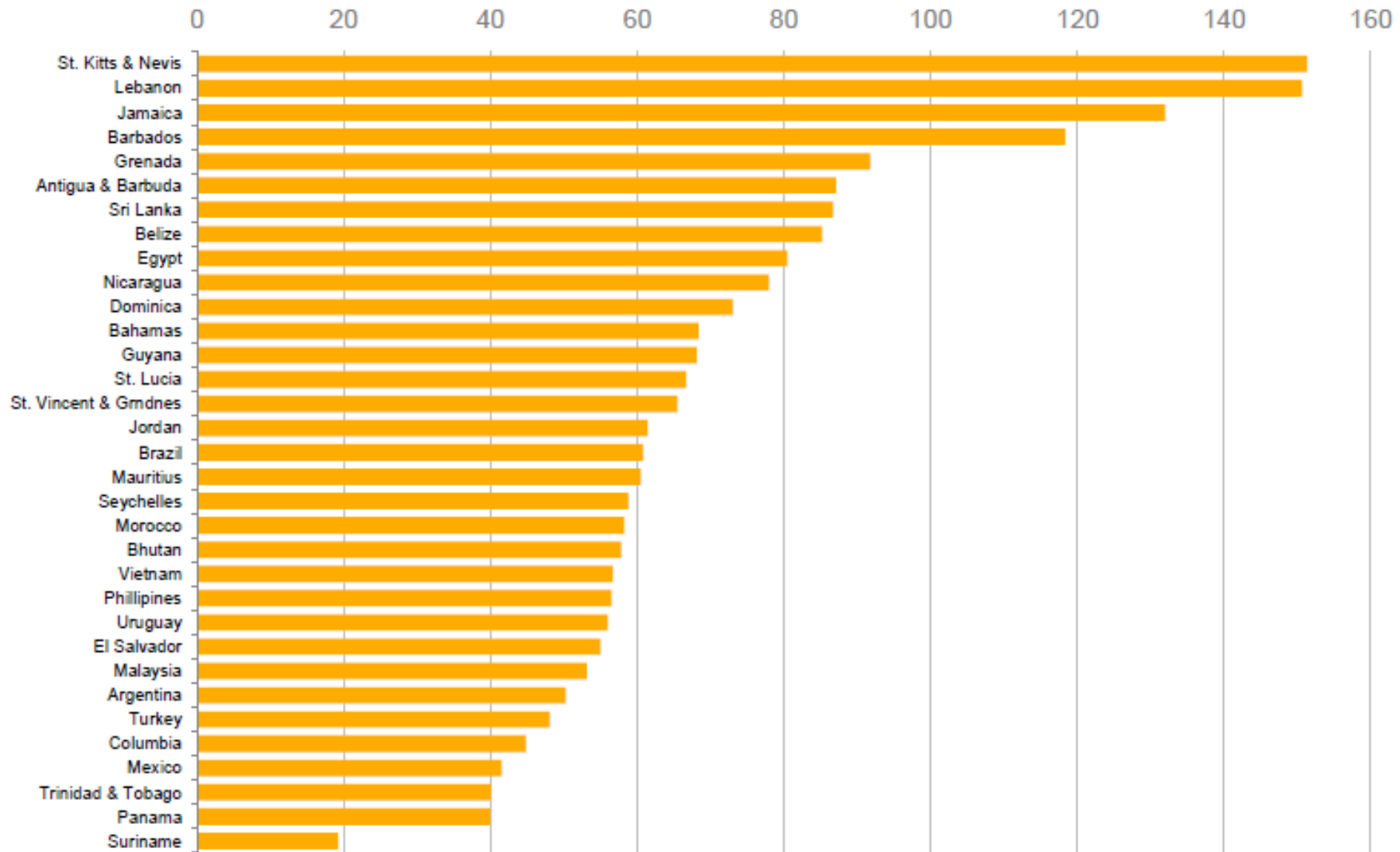


Prime Minister	• Most Hon. Portia Simpson-Miller
Form of Government	• Parliamentary Democracy
Judicial System	• English Common Law
GDP	• US\$14,880.4 mn (2012)
GDP per Capita	• US\$5,495.4 (2012)
Population	• 2.7 mn (2010)
Territory	• 10,991 km ²
FX Rate (EOP)	• J\$99.55/US\$1 (April 2013)
Annual Inflation	• 9.1% (as of April 2013)
6 month T-Bill Rate	• 6.44% (avg. May 2013)
Net Int'l Reserves	• US\$866.14 mn (May 2013)

Political Overview

- Last General Election held December 2011
- The People's National Party (PNP)
 - A parliamentary term has a constitutional limit of 5 years
- The Ministry of Finance and Planning has two elected ministers, both members of the Cabinet
- Just completed upcoming Fiscal Year budget and May 1st Obtained IMF Board Approval for a 4-year EFF

Debt-to-GDP Middle Income Countries





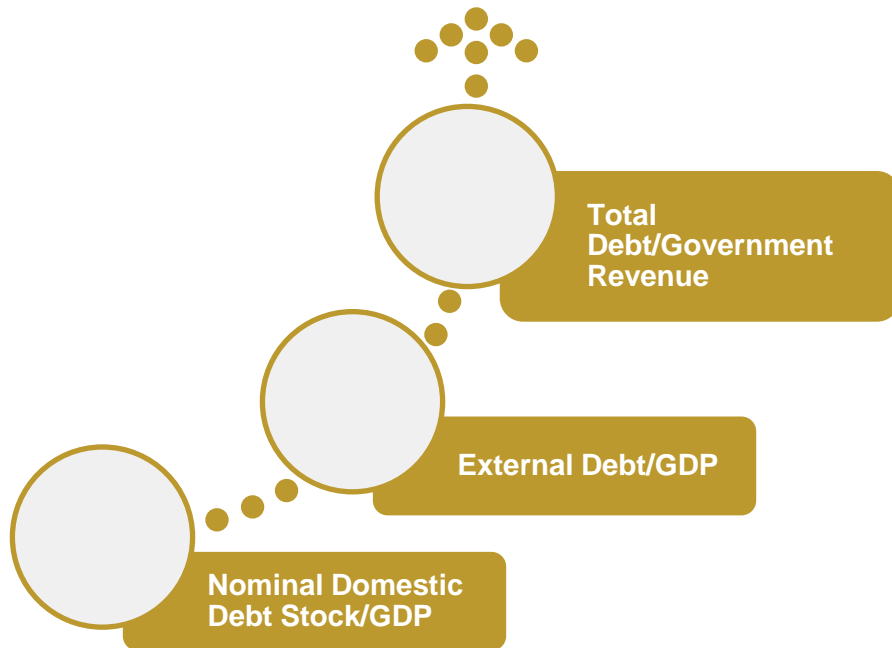
Debt Sustainability



Debt Sustainability

“...defined as the ability of a country to meet its debt obligations without requiring debt relief or accumulating arrears”

SOLVENCY



LIQUIDITY BURDEN

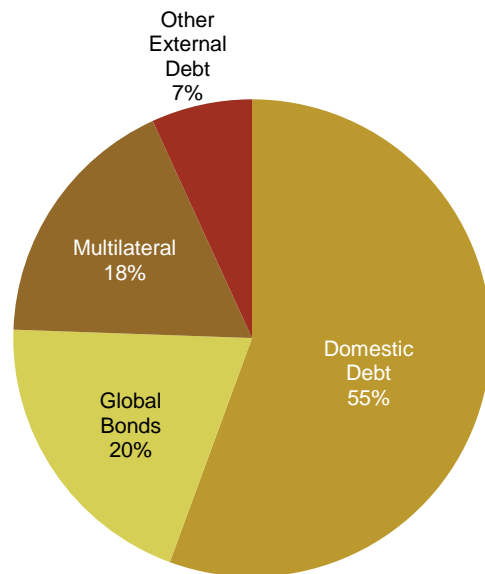




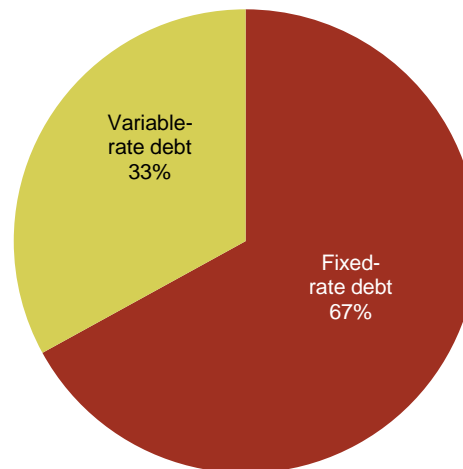
Jamaica's Debt Profile

Ratios (%)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Public Debt/GDP	113.2	108.5	115.7	129.3	128.3	131.5	134.1
Interest/Budget	27.3	26.7	25.6	34.0	28.2	22.6	26.2
Debt Service /Revenue	117.6	110.2	112.5	119.3	83.2	77.3	92.6
Ext. Debt Service/XGS	9.3	12.9	14.2	12.1	11.5	14.7	15.2

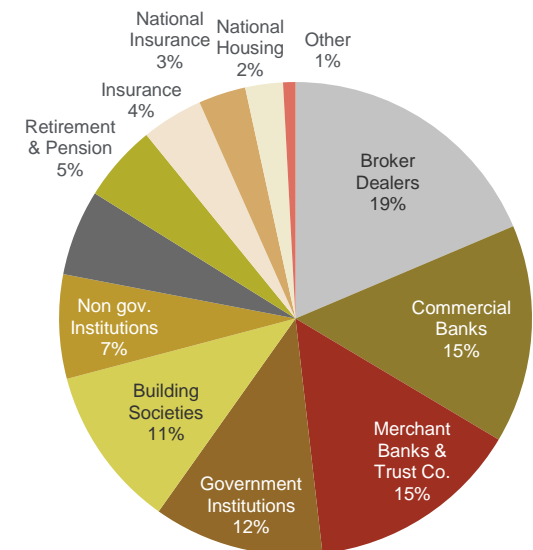
Debt as of Mar. 2013



Type of Debt as of Mar. 2013



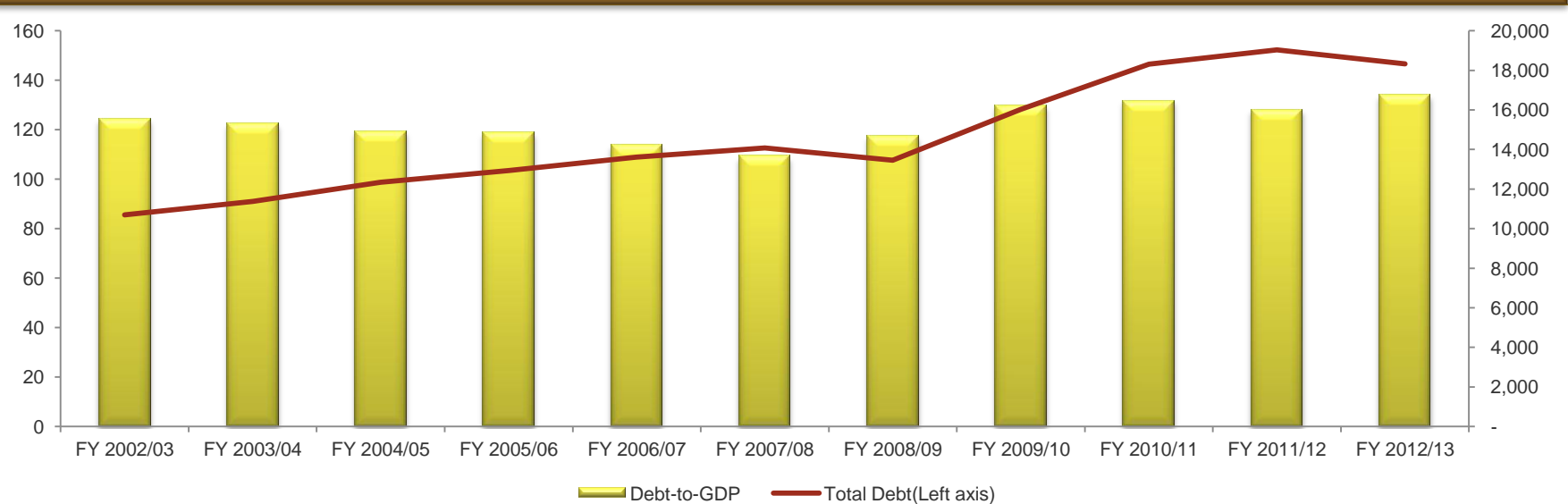
Domestic Debt Holders



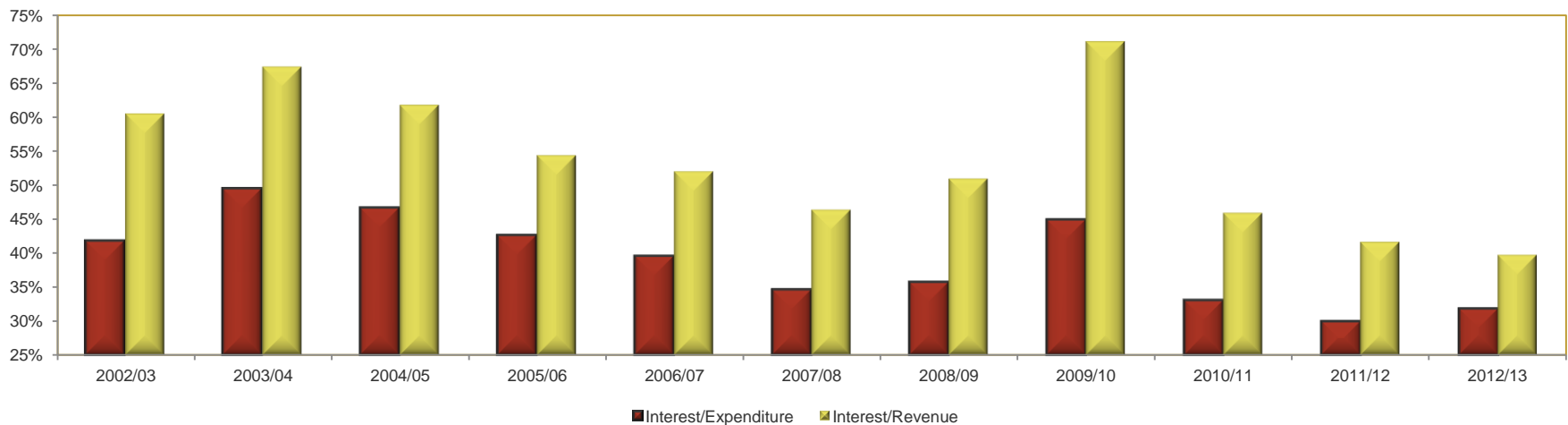


High Levels of Debt

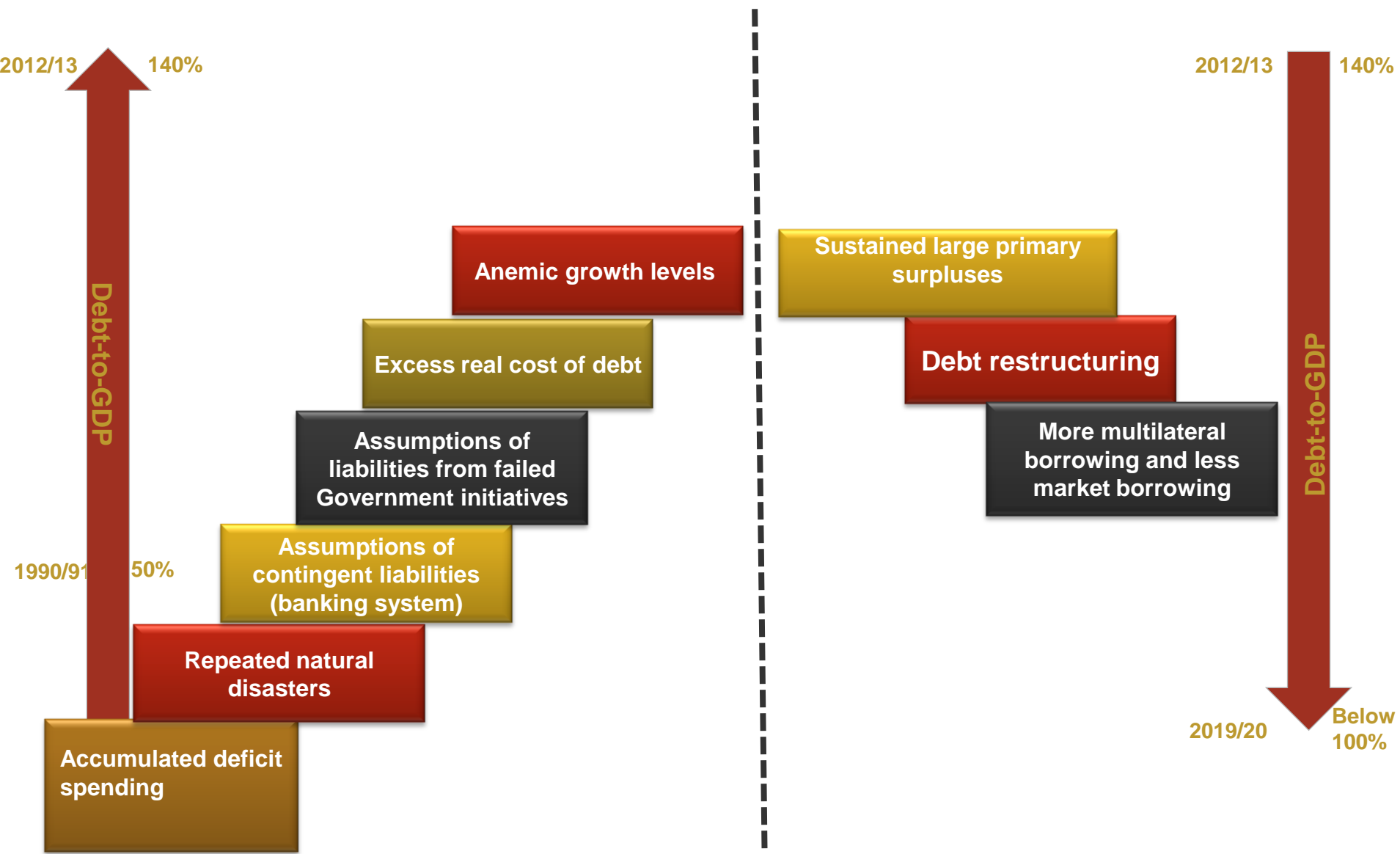
Debt-to-GDP ratio and Total Debt



Interest-to-Revenue and Expenditure



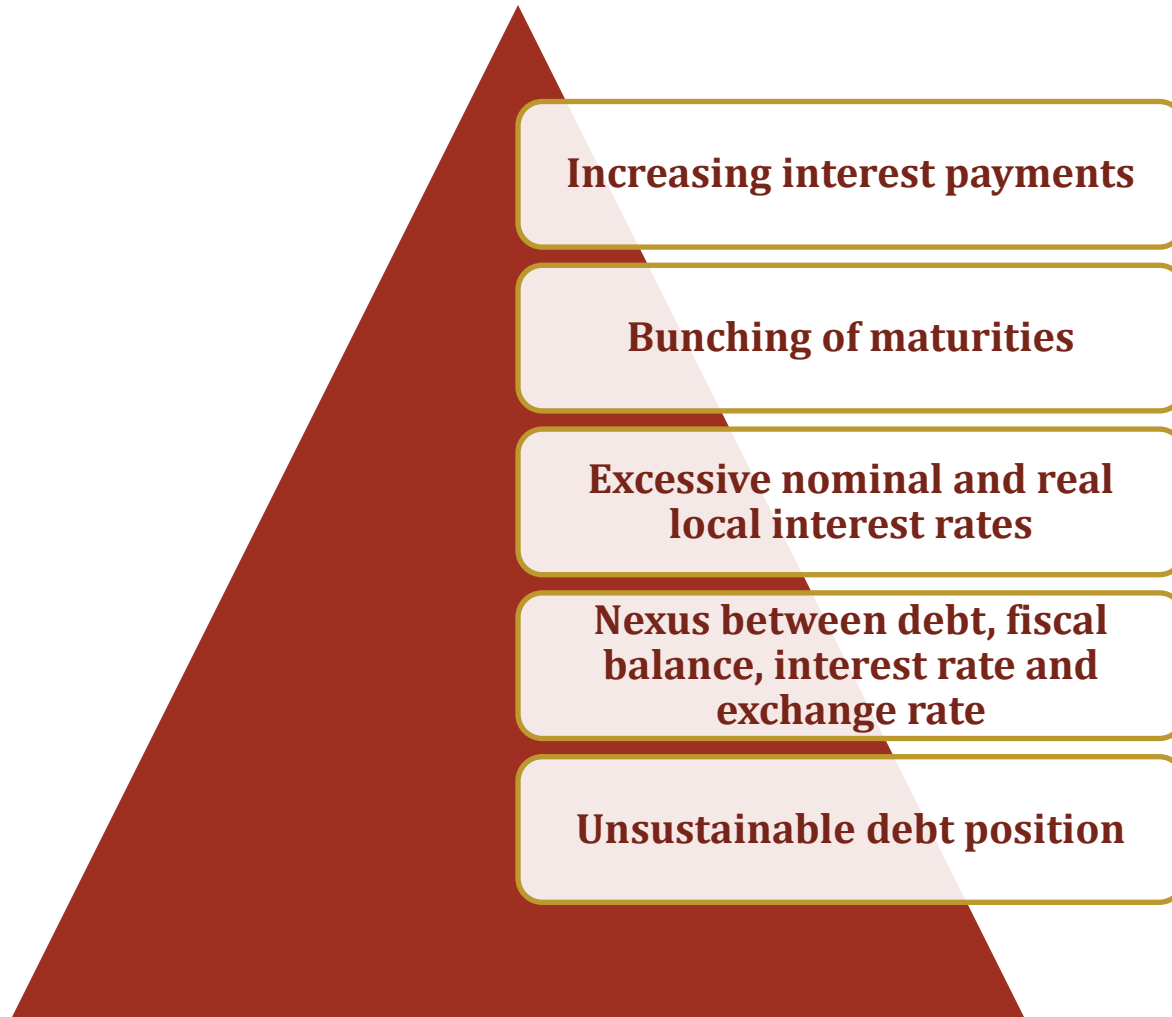
Jamaica's -Debt Sustainability





Jamaica Debt Exchange - Debt Sustainability???

Factors Contributing to the JDX





Jamaica Debt Exchange

Improve
Maturity Profile

**Reduced by two-thirds the
amount of domestic debt
that would mature over
the next 36 months**

Substantial Cost
Savings

**Achieved interest savings
of 3 percent of GDP in fiscal
year 2010/11**

Ensure Banking
System Stability

**Minimize impairment
of balance sheets**

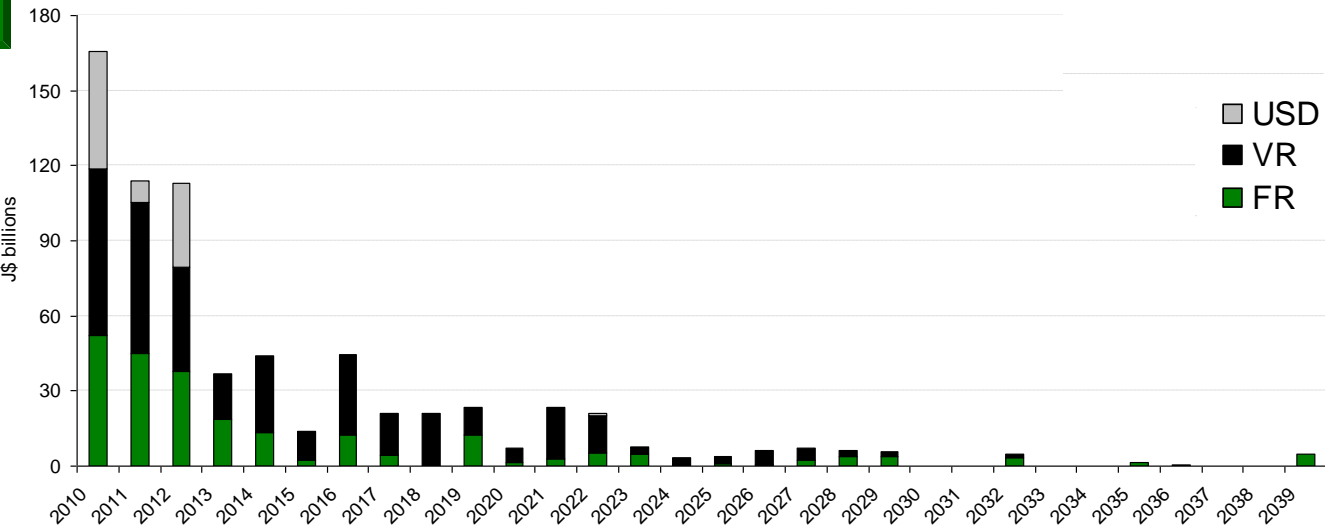
Obtain
approximately
100%
participation
rate

**Significantly reduce
refinancing
requirement during
period of adjustment**

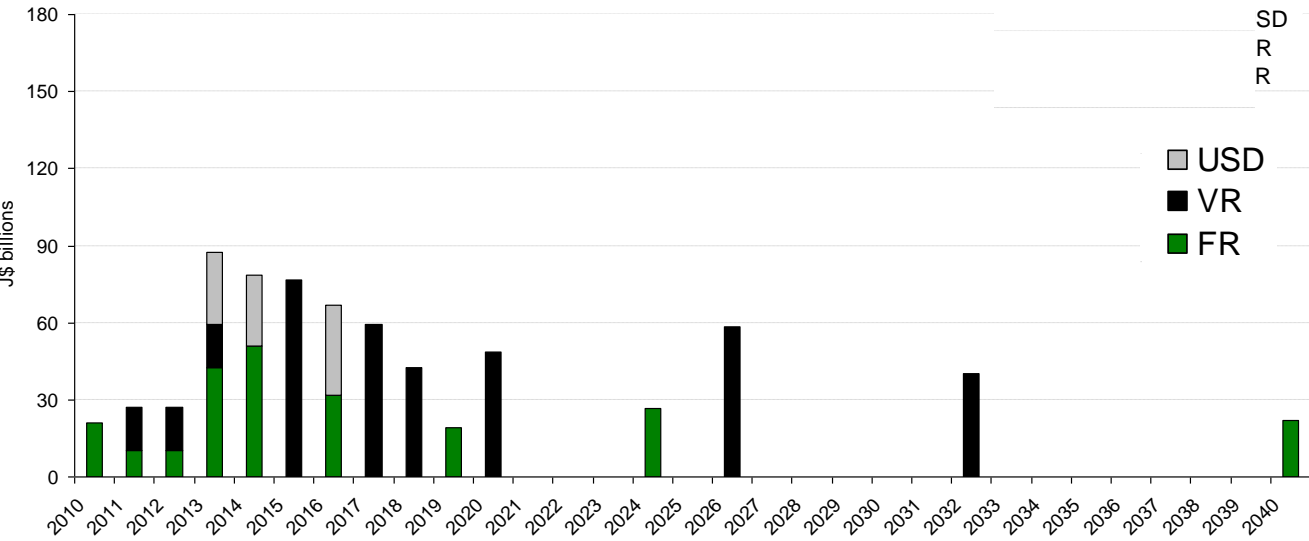


Pro-forma Impact of Exchange Offer

Before Transaction



After Transaction*



2010/11

2011/12

2012/13



JAMAICA DEBT EXCHANGE

Reduced
Financing
requirement

Unlocked
multilateral
support
US\$1.25 BN

Interest as a
% of GDP:
17.28% in
2009/10



10.95% in
2010/11

Interest as a %
of total
expenditure:
45% in 2009/10



33% in 2010/11

Slow
implementation of
structural
reforms

Fiscal
targets
not met

Interest as
a % of
Budget:
26% in
2012/13



22.7% in
2011/12

CONSTRAINTS



National Debt Exchange

Debt Reduction Strategy



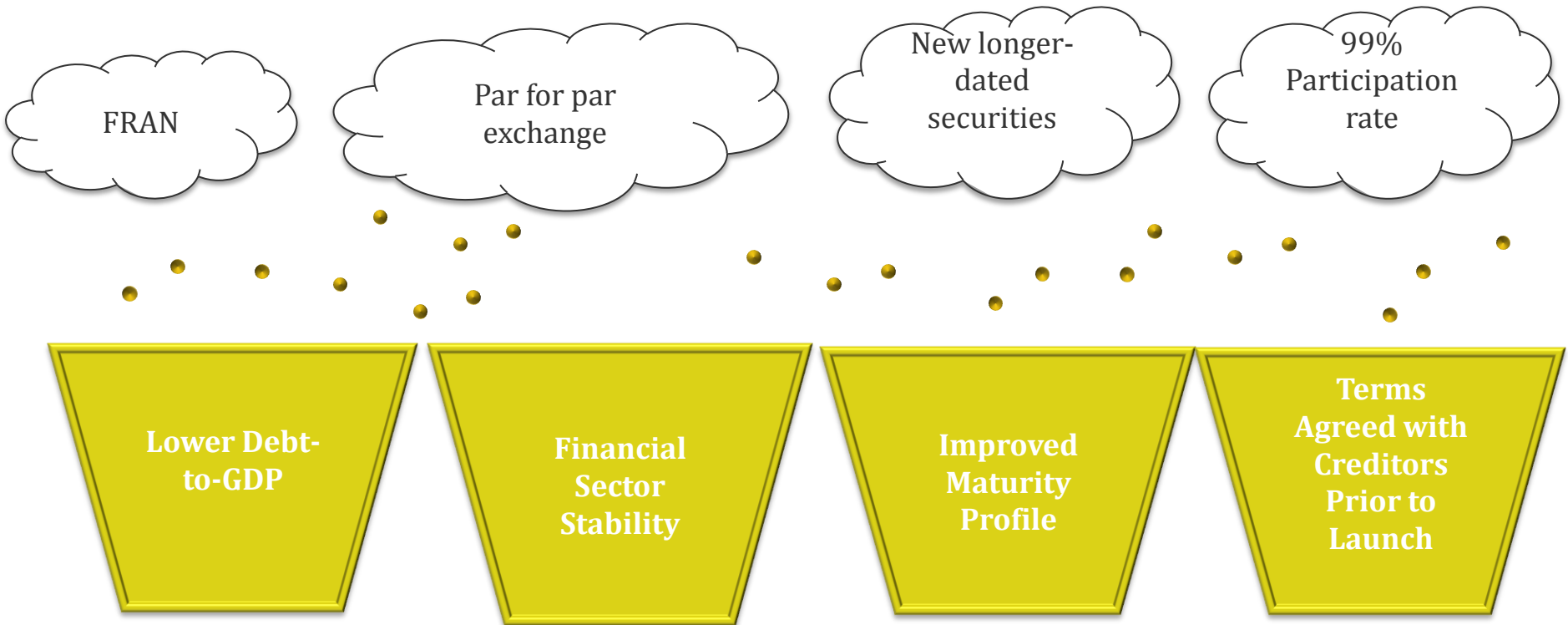
OBJECTIVES

**Meet IMF
Programme
Prior Action**

**Reduce
Expenditures
& Increase
Revenue**

**Extend
Maturity
Profile**

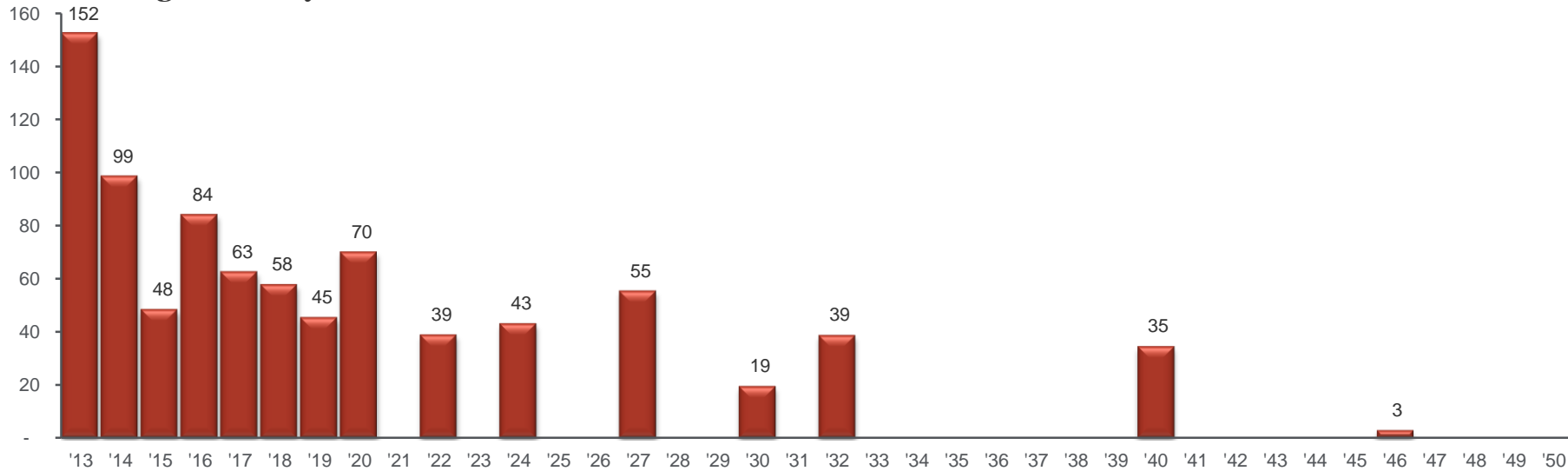
NDX Highlights



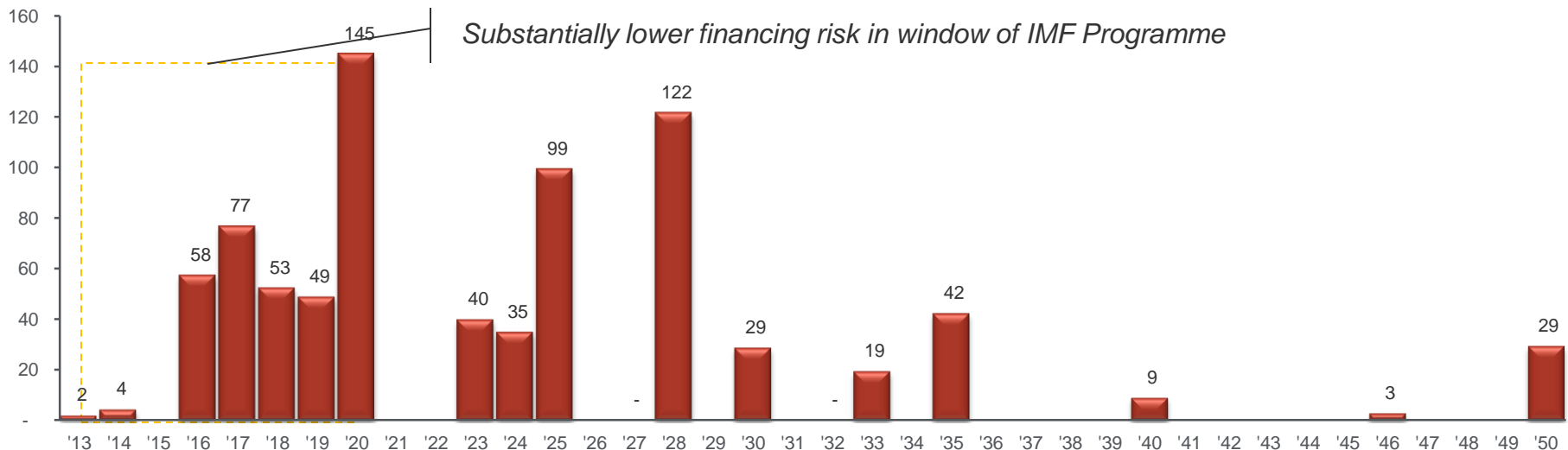
Maturity Impact of NDX Transaction



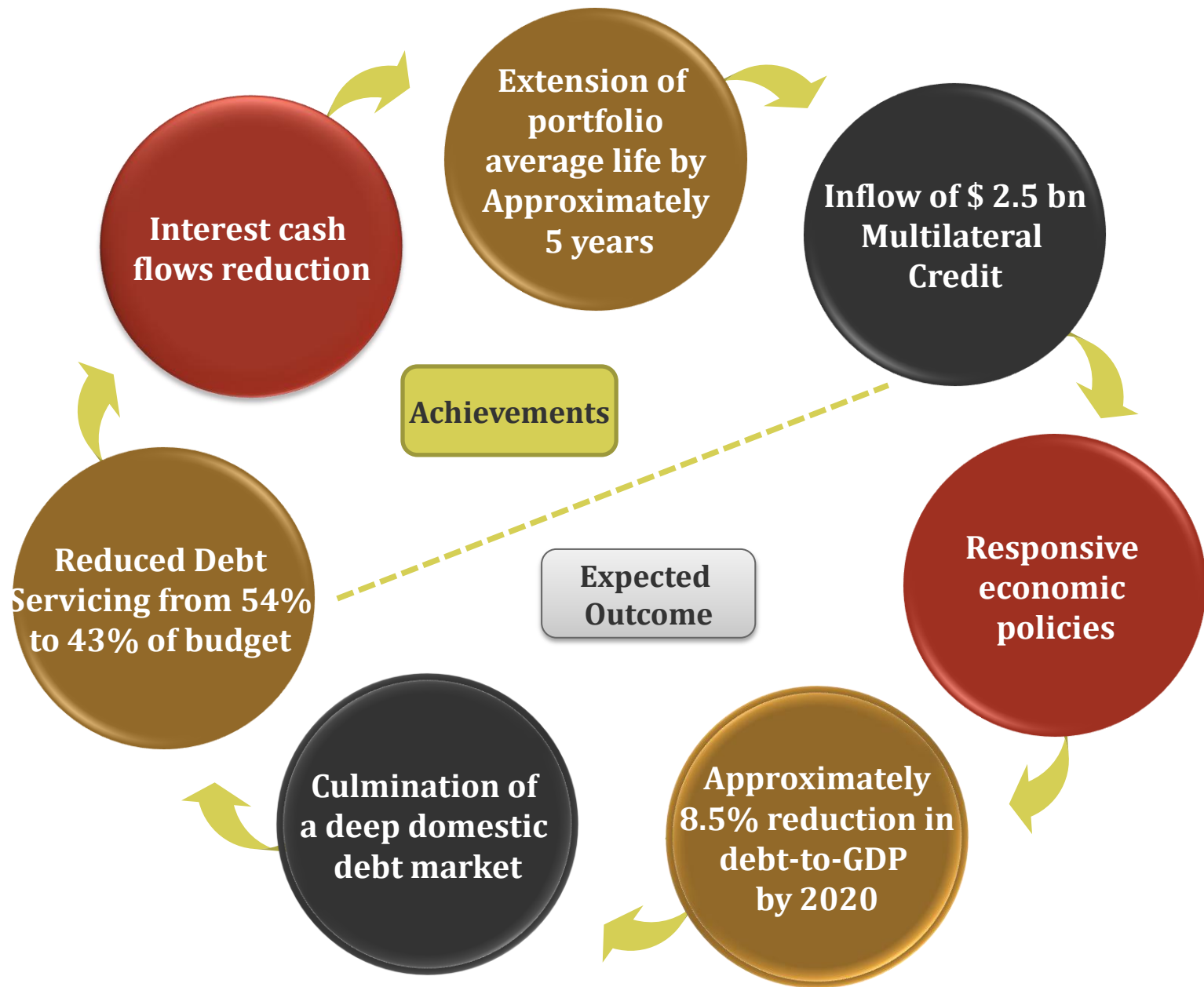
Pre-Exchange Maturity Profile (in J\$)



Post-Exchange Maturity Profile (in J\$)



Achievements of NDX





The Way Forward – Sustainable Debt

Balanced budget 2016/17

Strong institutional framework

Central Treasury Management

Fiscal Responsibility Framework-Fiscal Rules

Implementation of Tax Reform

Active growth agenda

Continued coordination with monetary policy





The Way Forward – Sustainable Debt

Prudent debt management

Active Risk Management

Modest government financing needs

Development of domestic market

Engagement of institutional investors

Strong commitment to honouring debt obligations

Continued access to multilateral credit



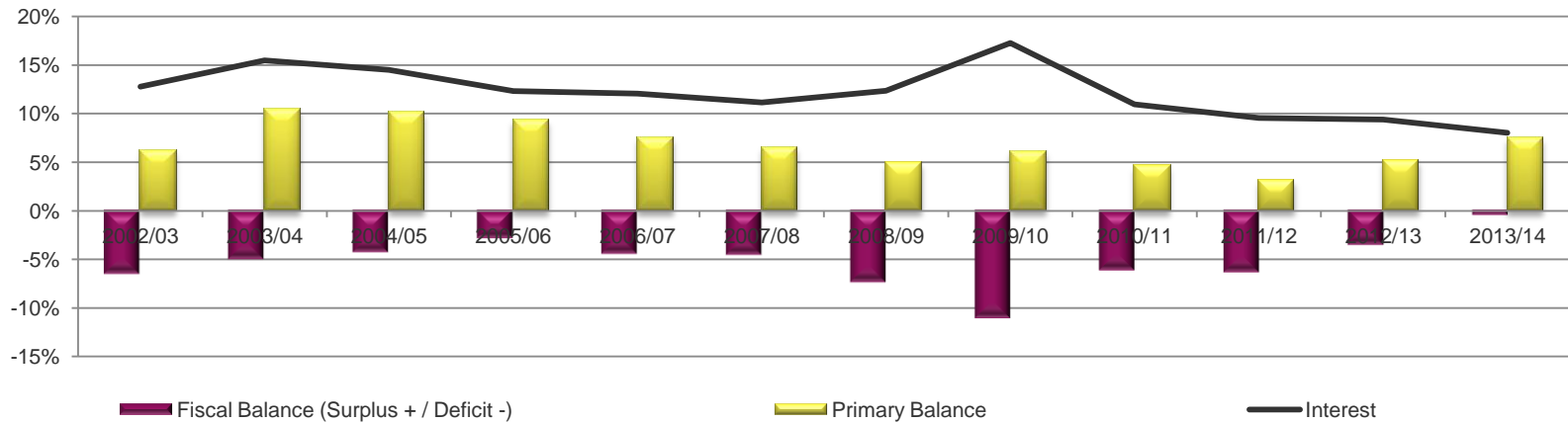


Appendix

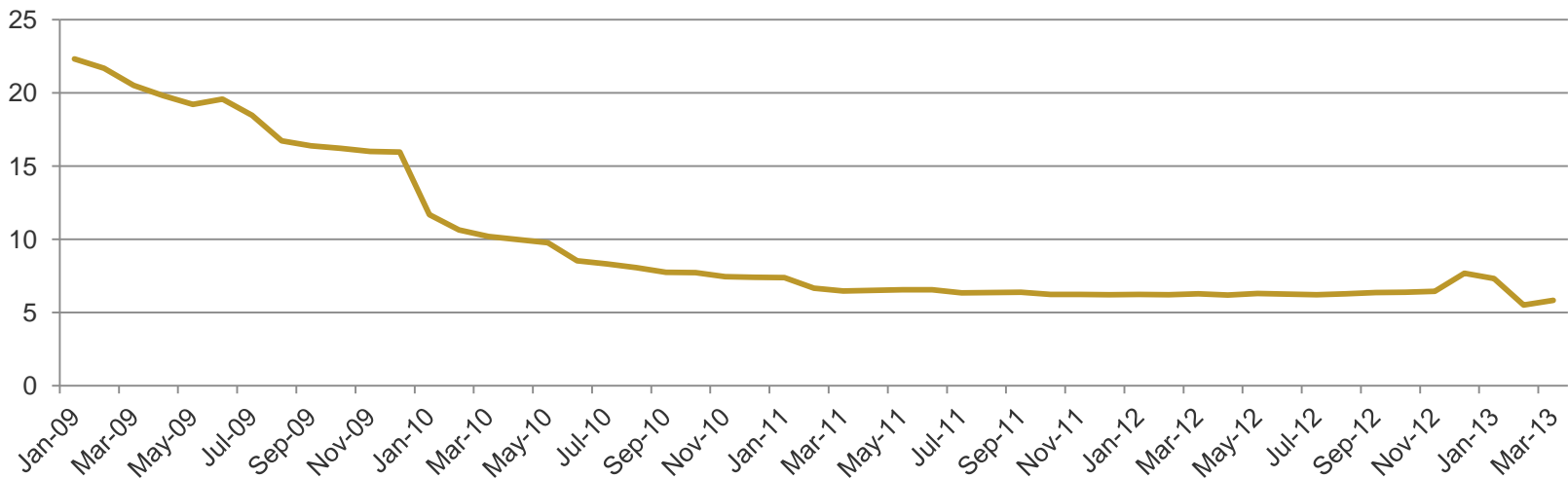


Macroeconomic Overview

Fiscal Indicators as a % of GDP



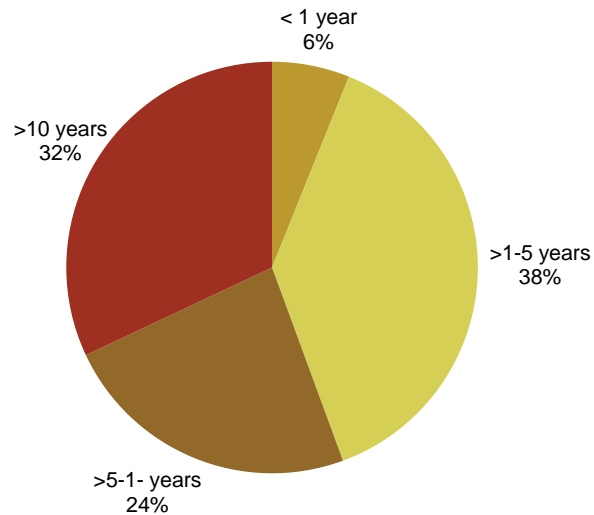
6 Month T-bill Yields



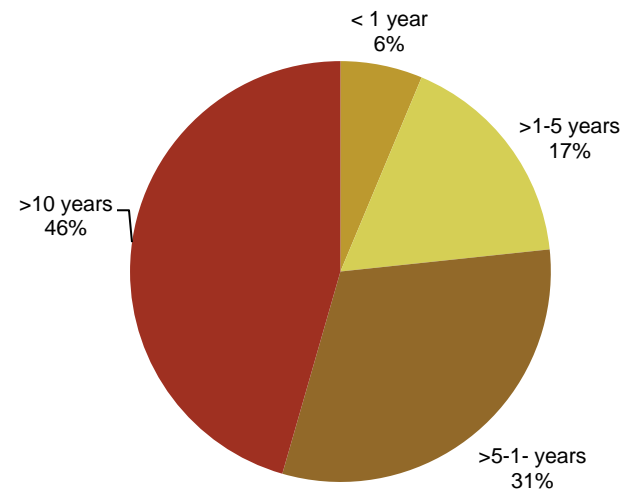


Jamaica's Debt Profile

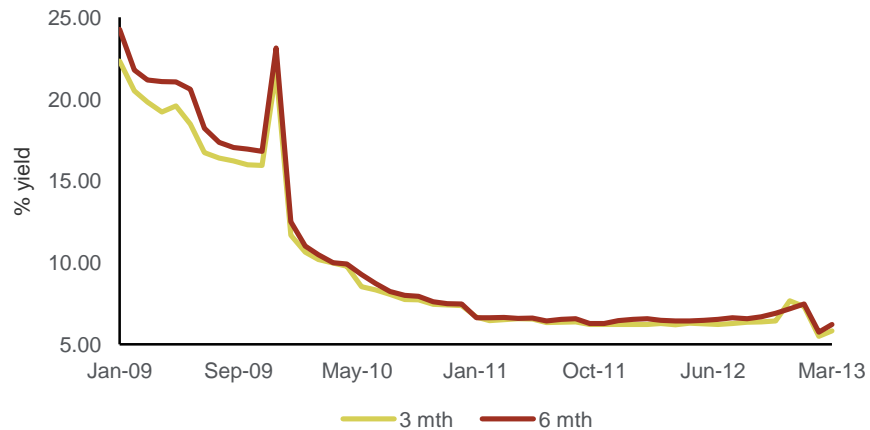
External Debt Maturity as of Mar. 2013



Domestic Debt Maturity as of Mar. 2013

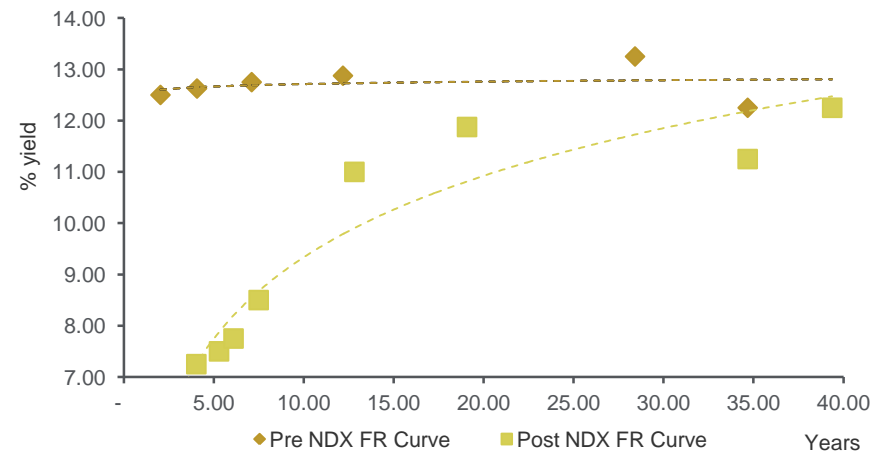


T-Bill Historical Rates



Source: Ministry of Finance and Planning

J\$ Domestic Curve





Thank
You



- 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