Debt Watch - Caribbean

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News

Antigua and Barbuda seeks IMF support through Stand-by facility

The government of Antigua and Barbuda has announced that it intends to seek support from the International Monetary Fund (IMF) through a Stand-by Arrangement.

The Government and the IMF have agreed in principle on the parameters of the fiscal consolidation programme (FCP) but there still remains further fine tuning of some of the targets under the FCP. The FCP includes measures that increase revenue, reduce expenditure and improve Antigua and Barbuda's debt position.

It was agreed between the IMF and the authorities that while the fiscal measures are expected to generate major improvements in the fiscal balances, they cannot by themselves secures the fiscal and debt sustainability that underpin strong and sustained economic growth. Fiscal measures will have to be accompanied by measures to address the more than US$1.5 billion in arrears that form part of the public debt stock. Debt restructuring is therefore a critical aspect of the programme so as to restore sustainability.

Source: Caribbean Net News

IADB provides US$2.5 million to Belize to improve land management

The Inter-American Development Bank (IADB) has approved a US$2.5 million loan to Belize to assist the government establish a more dynamic and efficient land market by improving country-wide access to land management services, their quality and efficiency.

The resources will finance the expansion of a parcel based land information system and the improvement of urban land information as well as support the provision of modern land management services. The project will complete the shift from manual procession of land transactions and record keeping to streamlined, automated procedures through a parcel based information system to be established in the Ministry of Natural Resources and the Environment.

The IADB loan is for a 25-year term with a 3 ½ year grace period at a LIBOR-based rate of interest.

Source: Inter-American Development Bank

Belize to improve social and macro-economic policies with IADB help

Belize will seek to improve better basic health care, improve secondary education and strengthen its capacity to target, coordinate and evaluate social protection programmes with financing from a US$15 million loan approved by the Inter-American Development Bank.

The Bank's loan is for a 20-year term, with a five year grace period, and at a variable interest rate based on LIBOR.

Source: Caribbean Net News

Dominica negotiates US$40 million loan from Ex-Im Bank of China

The government of Dominica and the government of China have signed a Framework Agreement which paves the way for the Dominican government to finalised discussion with the Export-Import Bank of China for a loan not exceeding US$40 million to undertake four major projects in the Roseau area.

The loan is expected to be highly concessional with a repayment period of twenty-years including a grace period of five years at an interest rate of 2 percent per annum

Source: Caribbean Net News

IADB approves a US$24.8 million loan for Guyana

The Inter-American Development Bank (IADB) has approved a US$24.8 million credit line to Guyana to improve roads so as to lower transportation costs and travel time while increasing safety and accessibility to key residential and agricultural areas.

The funds will support the Government's Road Improvement and Rehabilitation Programme which focuses on rehabilitating 30 kilometres of roads, enhancing mobility within the Georgetown metropolitan area and making nearby communities more accessible to markets and services in suburban and rural districts

The credit line consists of a US$12.4 million loan from the IADB's ordinary capital for a 30-year term including a 5 ½ year grace period at a LIBOR-based variable rate, and a US$12.4 million credit from the IADB's concession a Fund for Special Operations (FSO) for a 40-year term and interest at 0.25%.

Source: Inter-American Development Bank

Guyana and IADB sign US1.45 million climate change agreement

The government of Guyana and the Inter-American Development Bank have signed two technical cooperation agreements totalling US$1.45 million which will see the Bank providing support for the Low Carbon Development Strategy (LCDS) and Guyana's efforts to improve disaster risk and flood management. The agreement that provides support to the LCDS also caters for the strengthening of national institutional capacities for effectively dealing with climate change; and supporting a nation-wide consultation process on the LCDS.

According to the IADB's Country Representative, the support is consistent with the IADB strategy for Climate Change, recognizing that the Latin American and Caribbean region offers significant opportunities for avoiding and reducing greenhouse gas emissions, therefore contributing significantly in the world's effort against global climate change.

Source: Caribbean Net News

Jamaica receives 74% of SDR quota from IMF

Jamaica has received an allocation of US$303.41 million or 74 per cent of its quota of Special Drawing Rights from the International Monetary Fund (IMF). This follows the decision by the IMF to bolster the reserves of member countries with a general allocation of SDRs equivalent to US$250 billion in order to bolster liquidity in the global economy. With the allocation, the Net International Reserves of the Bank of Jamaica have increased to over US$1.9 billion, with the gross reserves being equivalent to 15.6 weeks of imports.

Source: Caribbean Net News

EU provides significant financial support to Jamaica

The European Union (EU) has provided Jamaica with a grant of approximately Euro 28 million under the European Commission co-operation programme.

Total EU assistance to Jamaica amounts to an estimated Euro 740 million since the inception of the Lomé Convention, making the EU Jamaica's largest donor of grant resources.

Source: Caribbean Net News

IADB provides US$70 million private sector loan to Jamaica

The Inter-American Development Bank approved a US$70 million loan to the private sector loan to Transjamaican Highway Limited (TJH) for the expansion and upgrade of the Transjamaican Highway project, a network of world-class motorways linking the capital city of Kingston with its Western suburbs and central regions of the island.

Source: Caribbean Net News

Jamaica gets US$15 million World Bank loan for rural development

The government of Jamaica is to benefit from a US$15 million World Bank loan for its Rural Economic Development Initiative (REDI) project. The REDI project is aimed at improving market access for small-scale rural agricultural producers and for tourism service providers in Jamaica.

The US$15 million commitment-linked loan, with a variable spread, is payable in 30 years including a 5 ½ year grace period and equal principal repayments.

Source: World Bank

Suriname pays off debt to Brazil

The government of Suriname has paid off the country's long outstanding debt of USS118 million to Brazil. The initial debt of US$60 million which consisted of loans dating back from the 1980s, over the years increased to US$118 million due to arrears in payments.

After negotiations, Suriname agreed to pay US$74 million to Brazil in a single instalment while Brazil wrote-off the remaining US44 million. Suriname has agreed to invest the debt reduction of US$44 million in the rehabilitation of the runway of the country's international airport and co-financing of the Southdrain Road connecting Suriname and Guyana.

The clearing of the debt to Brazil was facilitated by Suriname's agreement with the Netherlands to utilise the remaining development aid it was receiving from that country to pay off the Brazilian debt.

Source: Caribbean Net News

Standard and Poor's lifts Trinidad and Tobago from credit watch

The international ratings agency Standard and Poor's (S&P) has take Trinidad and Tobago off its negative credit watch stating that the debt pressure of the government's bailout of CL Financial earlier in the year is limited.

S&P has issued a stable outlook after its evaluation the government's bailout. There is therefore no immediate threat of the country's ratings being downgraded.

Source: Caribbean360.com

CariCRIS lowers credit ratings for Anguilla

Regional credit ratings agency, Caribbean Information and Credit Rating Services Limited (CariCRIS), has lowered Anguilla's credit ratings citing the significant effects of the worsening global economic conditions on the fiscal and external positions of the government of Anguilla. Despite the oversight provided by the British Foreign Office, the overall fiscal deficit almost doubled in 2008 following a substantial increase in recurrent expenditure and a decline in recurrent revenue.

Source: Caribbean360.com

Feature

Swimming against the Caribbean tide – The striking case of Suriname

Mention the Caribbean and debt and what immediately comes to mind is a region of small middle-income countries plagued with high and rising levels of indebtedness, payments arrears, a recent spate of credit rating downgrades and, increasingly, the spectre of comprehensive debt restructuring.

This view is not surprising. Six of the ten most heavily indebted middle-income countries are located in the Caribbean with three of them (Grenada, Jamaica, and St. Kitts) with public debt-to-GDP ratios in excess of 100%. Since the start of the year, three countries, the Bahamas, Barbados and Jamaica have had credit rating downgrades by either one or more of the international ratings agencies - Moody's, Standard and Poor's, and Fitch. In addition, Antigua and Barbuda, and Jamaica, have both given notice that they intend to secure a Stand-By arrangement from the International Monetary Fund (IMF). Grenada already receives substantial support from the IMF under the terms of a 3-year Poverty Reduction and Growth Facility (PRGF). So, amidst the dismal debt dynamics characterising many Caribbean countries, is there any good news regarding debt in the Caribbean? The answer is yes – Suriname!

At the end of 2009, Suriname's debt-to-GDP ratio was an estimated 16%, the lowest debt-to-GDP ratio among Caribbean states. While the clearance of US$118 million in debt arrears to Brazil no doubt contributed to the 2009 decline in the debt-to-GDP ratio, Suriname's robust economic growth and healthy fiscal surpluses coupled with more active debt management in recent years have been the principal factors underlying the country's favourable debt dynamics.

Suriname's real GDP growth has averaged 6% per annum over the past 6 years moderating to 2.5% only in 2009, in the wake of the global economic slowdown. Gold, oil, and alumina exports have been significant factors in Suriname's strong economic performance. The mineral sector accounts for 50% of total GDP and 80% of exports. Suriname's public finances have also been healthy, with the government running fiscal surpluses on average of 2% per annum over the period 2006 to 2008. The deterioration in the fiscal accounts in 2009 is expected to be only temporary as, with a projected expansion in the gold, alumina and oil sectors, the fiscal accounts should revert to a modest surplus by 2013.

The debt situation in Suriname was not always so favourable. High levels of external debt, with debt-to-GDP ratios of more than 100%, and arrears accumulation were the main features of Suriname's debt profile for much of the 1990s and early 2000s.

However, following years of military rule, a new democratically elected government took office in Suriname in 2000 and immediately embarked upon a comprehensive programme of economic reform. One component of the economic reform programme was the enactment of legislation, the National Debt Act, in 2003, to strengthen the institutional framework for debt management and to increase government transparency and accountability. Most significant among the provisions of the National Debt Act were:

- An exposure limit of 60% of the total debt to GDP. Separate ceilings of 45% for external debt-to-GDP and 15% for domestic debt-t-GDP were also prescribed.
- The imprisonment of up to 10 years and fines of up to 2 million Suriname dollars (SRD) or approximately US$728,000 imposed on the minister of Finance if he is found guilty of intentionally breaching the prescribed debt-to-GDP exposure limits.
- The requirement for national debt figures to be published on a regular basis and made publicly available.
- The requirement for all loan agreements to be registered with the Auditor General's Office or otherwise to be legally considered null and void.

The National Debt Act also provided for the establishment of a National Debt Office charged with the specific responsibility of managing Suriname's national debt.

In 2004, the Suriname Debt Management Office (SDMO) was established as an independent entity under the aegis of the Ministry of Finance. The SDMO, headed by an Administrator General, is accountable to a Board of Directors, and is functionally organised in conformity with international best practice with front, middle and back offices.

With the enactment of the National Debt Act and the establishment of the SDMO, significant progress has been made in the management of Suriname's debt. The SDMO embarked on a comprehensive programme of debt restructuring clearance of debt arrears and repayment discipline to bring the public debt to sustainable levels. They have achieved noted success.

Aided by significant fiscal revenues and foreign inflows, payment arrears to Brazil, Venezuela and Japan were all cleared over the period 2004-2009. Debts to Germany and Italy were also renegotiated with longer maturities, lower interest rates and partial write-offs. As a consequence, Suriname's overall debt-to-GDP ratio fell by almost one-half from 38.9% in 2004 to 20.8% in 2008. It has since fallen further to roughly 16% at the end of 2009.

Counter to the prevailing trend of ratings downgrades in the Caribbean, Suriname's credit ratings have been steadily improving. In 2009, both Fitch and Standard and Poor's (S&P) reaffirmed their positive credit ratings for Suriname citing the country's modest debt levels and improved fiscal positions as the underlying reasons. Suriname currently enjoys a B/Positive and a B+/Positive from Fitch and S&P respectively.

Moody's also viewed Suriname's debt dynamics positively assigning Suriname a B1/Stable on its foreign currency debt and Ba3/Stable on its domestic currency debt.

What then are the debt management challenges for Suriname going forward? With the economic downturn and imminent elections, the Suriname authorities are under pressure to boost spending. A second phase of a two-step wage reform programme is slated to be implemented in 2010. The likely effect is to increase the wage bill significantly, by over 50% on a cumulative basis over the period 2009-2011, and seriously erode price and exchange rate stability. A programme of large capital projects, in the oil and mining sectors and in infrastructure, is also about to start. While these large expenditures are expected to be offset in the medium-term by a substantial increase in revenues, the challenge is to finance them prudently so as to maintain a sustainable debt path over the medium to long-term.

Notwithstanding these concerns, the Suriname authorities in their most recent Article IV Consultation with the International Monetary Fund are poised to lower their debt exposure limits from 60% of GDP to 30% of GDP. Notably, the IMF had suggested a target of 20-25%.

The Suriname authorities are confident that a 30% debt ceiling can be maintained if they continue to proactively manage their debt and ensure that their economic fundamentals remain sound. Prudent borrowing, mainly through grants and concessional loans, underpin their debt strategy. Amidst the swirling waves of debt threatening to inundate many of its Caribbean neighbours, may Suriname continue to swim against the Caribbean tide. *Michele Robinson*

Debt Statistics

National

The table below shows Suriname's debt to GDP ratios relative to selected CARICOM countries at the end of 2008.

		Public Debt to GDP
1.	Suriname	**20.8**
2.	Trinidad & Tobago	**27.2**
3.	Bahamas	**42.0**
4.	St. Vincent & the Grenadines	**69.3**
5.	St. Lucia	**69.9**
6.	Belize	**77.3**
7.	Antigua & Barbuda	**90.8**
8.	Guyana	**92.5**
9.	Dominica	**93.2**
10.	Barbados	**98.7**
11.	Grenada	**107.4**
12.	Jamaica	**115.8**
13.	St. Kitts & Nevis	**170.3**

***Source**: ECCB, IMF, MOF-Jamaica, World Bank*

Upcoming Events/Courses

January 2010

- January 19: International Monetary Fund - High Level Conference on Exiting from High Public Debt; Paris, France.

February 2010

- February 11: Eastern Caribbean Central Bank – Meeting of the ECCU Regional Debt Coordinating Committee; Basseterre, St. Kitts.
- February 15-26: Commonwealth Secretariat – Training of Trainers Workshop on CS-DRMS; London, United Kingdom.

March 2010

- March 2-4: Commonwealth Secretariat – Round Table on Public Debt Analytical Tool; London, United Kingdom
- March 19: Inter-American Development Bank – IADB-IIC Annual Meetings; Cancun, Mexico.

April 2010

- April 19-30: Crown Agents – Loan Evaluation and Negotiation; United Kingdom.
- April 24-25: IMF/Wold Bank – Annual Spring Meetings of the International Monetary Fund and the World Bank Group; Washington, D.C., United States.

If you have information about an important event or development related to public debt management in or relevant to the Caribbean, please email Michele Robinson at:

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