THE CHALLENGE OF MANAGING HIGH DEBT

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Caribbean Countries are amongst the most highly indebted in the World

Average debt/GDP ratio for 139 emerging markets and developing countries was 44 percent at end-2012

Source: IMF – WEO and Article IV
In many countries, debt service payments are crowding out private investment and financing for development.

2011 debt service to revenue ratio for countries in the Caribbean with debt/GDP > 90 percent

Low growth is related to the problem of debt overhang

Source: Greenidge, K., Craigwell, R., Thomas, C., and Drakes, L., 2012
Debt Restructuring has been useful, but its benefits were limited

Debt service ratio before and after restructuring

Ratio of public debt to GDP before and after restructuring

Three year average before and after the debt restructuring

$ t $ indicates the launch of the debt restructuring.

Source: Jahan, S, in IMF (2013)
Domestic financial stability needs to be carefully assessed as it can be impacted by debt restructuring.

Sources: National authorities; and author's calculations.

1/ ATG stands for Antigua and Barbuda, BHS for the Bahamas, BRB for Barbados, BLZ for Belize, DMA for Dominica, GRD for Grenada, GUY for Guyana, JAM for Jamaica, KNA for St. Kitts & Nevis, LCA for St. Lucia, VCT for St. Vincent and the Grenadines, SUR for Suriname, and TTO for Trinidad and Tobago.

Source: IMF Staff
How Can Caribbean Countries work with IFIs to develop better solutions?

- Leveraging financial support through multilateral guarantees
- Maintaining eligibility for concessional financing on the basis of vulnerability (IDA, PRGT)
- Supporting resilience building through policy based loans
- Securing contingent credit lines to supplement CCRIF
- Leveraging climate change funds for debt reduction
- Using national assets to facilitate debt reduction
Thank you!