Implementing Debt Management Reform in Jamaica

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The World Bank Sovereign Debt Management Forum
Outline

- Debt Profile and Institutional Framework
- Debt Management Reforms
- Challenges and Obstacles
- Lessons Learned
# Debt Profile

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- Market access country, speculative grade rating of “B-”
- Among most highly-indebted countries in the world
- Debt to GDP has exceeded 100% for better part of four decades, 128% at end 2011/2012
- In 2011/12, debt servicing 54.6% of budgetary expenditure, 115% of tax revenue
- Domestic debt comprises 55% of total debt and 70% of GDP
- Major restructuring with domestic debt exchange (the JDX) in 2010
**Institutional Framework**

**Pluses**
- Functioning debt management unit within the Ministry of Finance
- Regular publication of debt management strategy to Parliament
- Annual report on debt management operations
- Established debt management objectives

**Minuses**
- Several laws governing debt management
- No mandatory reporting of debt management outcomes against strategic objectives/debt management strategy
- Debt management office organised by source of finance
- Debt management strategy did not consider array of borrowing options
Debt Management Reforms

**Legislation**

- Legislation aimed to clearly specify debt management objectives, promote good governance, provide for more strategic borrowing decisions
- Consolidation of several laws governing public debt management into single integrated debt law, the Public Debt Management Act (PDMA)

**Organisational Structure**

- Aim of reform to strengthen government debt management operationally and strategically
- Complete overhaul of the debt management unit - new structure organised along functional lines
- Organisational structure approved in April 2011 - implementation began June 2011
- Reform Objective - Strengthen public debt management and provide greater strategic direction to borrowing decisions
- Reform process began in early 2010

**External Support**
- Widespread support from the international community
  - Commonwealth Secretariat
  - DFID (UK)
  - IADB
  - IMF/CARTAC
  - The World Bank
- Technical assistance
  - Needs assessment
  - Reform plan
  - Organisational reform
  - Guidance on debt legislation
  - Operationalising new structure
- Financial support

**Internal Support**
- Public Sector Transformation Unit
Key steps taken in implementation

**Legislation Reform**

- Technical assistance - to develop legislation
- Working closely with Parliamentary counsel in drafting
- Building wide-based consensus – Government and Opposition

**Organisational Reform**

- Technical assistance and funding
- Enlisting “champions” to lead the change
- Early communication with key stakeholders
- Early engagement of HR and Training divisions
- Formation of a high-level Steering Committee
- Change Management workshops/counselling
Challenges and obstacles to reform

**Legislation Reform**

- **Main challenges:**
  - Bill tabled in Parliament in July 2011 but has, to date, not yet been passed
- **Contributory factors**
  - Lack of political will to push bill through
  - Newly elected government during reform process

**Organisational Reform**

- **Main challenges:**
  - Difficulty in recruiting staff to the middle office
  - Slow pace of overall recruitment
- **Contributory factors**
  - Low remuneration offered in public sector
  - Relatively low interest in middle office senior position
  - Difficulty with applicants satisfying shortlisting criteria
  - Difficulty with applicants passing recruitment and selection process
  - Public service recruitment regulations and practices impede recruitment
Some lessons learned

External support is essential

A “champion” is required

Engage key stakeholders early

Understand the environment

Ensure government’s commitment

Sustainable reform
“...successful reform is not an event. It is a sustainable process that will build on its own successes – a virtuous cycle of change.”

Abdullah II