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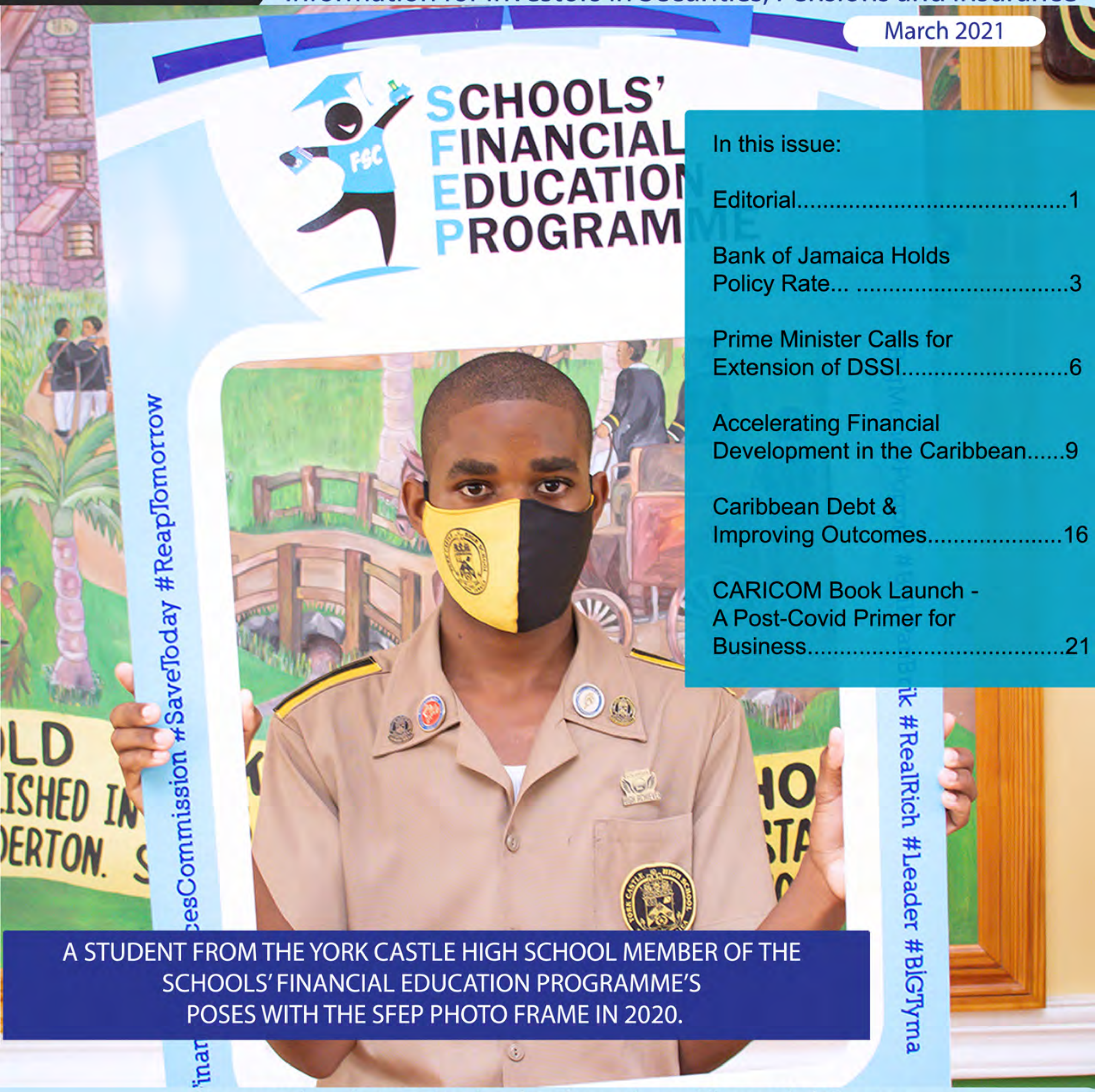
Information for investors in Securities, Pensions and Insurance

March 2021



In this issue:

A STUDENT FROM THE YORK CASTLE HIGH SCHOOL MEMBER OF THE SCHOOLS' FINANCIAL EDUCATION PROGRAMME'S POSES WITH THE SFEP PHOTO FRAME IN 2020.

Promoting Integrity in the Jamaican Financial Sector.

EDITORIAL

David Answer
Communications Officer,
Stakeholer Engagement,
Communication & Int'l
Relations

The Financial Services Commission has always been a champion of promoting financial literacy and financial inclusion in Jamaica. This dedication to human development is seen through our various initiatives that are interactive and centred on the needs of our stakeholders.

Jamaica's plan for development as embodied in Vision 2030 being the ideal place to live, work, raise families and do business relies in part upon the FSC's duty to promote financial literacy and thereafter financial inclusion.

We believe that with a proper framework of knowledge that is made available to our stakeholders at an early age, we can help to promote sound financial decision making and a clear understanding of our financial industry.

It is our belief that with these key skills, our stakeholders can participate freely in the Jamaican financial sector, knowing that there is an equal ground for all to succeed and that the financial institutions that operate within the industry are working for the well-being of their customers.

This year, the COVID-19 pandemic presented us with many challenges however, our youth programme adapted to the challenges and was delivered to schools across Kingston, St. Andrew and St. Catherine. Our real-time presentations were adapted as video tutorials and lessons that were shared with approximately twenty schools, with a further 5 expressing their interest in using the curriculum from our redesigned website.

Our subject areas remained the same to a large extent, highlighting the timeless importance of saving, budgeting, prioritizing expenses and the roles of major financial entities (BOJ, JDIC and JSE). We also took into account the importance of financial resilience in times of uncertainty. In 2020, the International Organization of Securities Commissions (IOSCO) and its regional subsidiary, the International Forum on Investor Education (IFIE) celebrated World Investor Week with the main theme being financial resilience, which is the ability to withstand life events that impact one's...

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EDITORIAL

income or assets. As a result, we saw it fit to ensure that our youth were introduced to this concept as it can be adapted to their own personal finance planning exercises through having emergency funds, investing and business management.

As always, the FSC will continue to be the flag bearer for financial literacy and financial inclusion in Jamaica, and we will continue to work towards building a better Jamaica in stakeholder-based capacity building initiatives.

David Answer
Communications Officer,
Stakeholer Engagement,
Communication & Int'l
Relations

BANK OF JAMAICA HOLDS POLICY RATE

Bank of Jamaica (BOJ) announces its decision to hold the policy interest rate (the rate offered to deposit-taking institutions on overnight placements with BOJ) unchanged at 0.50 per cent per annum.

Bank of Jamaica has kept the policy rate at the historic low level of 0.50 per cent based on its assessment that inflation will generally continue to remain within the target of 4.0 per cent to 6.0 per cent over the next two years. The Bank's accommodative monetary policy posture is also aimed at supporting a recovery in economic activity in Jamaica.

The economic outlook for Jamaica remains uncertain in the context of the ongoing COVID-19 pandemic but BOJ remains cautiously optimistic, particularly in light of the commencement of the domestic vaccination programme against the COVID-19 virus. The Bank will continue to assess and monitor new developments as they emerge and take appropriate actions, as needed.

Inflation

Annual headline inflation at February 2021, as reported by the Statistical Institute of Jamaica, declined to 3.8 per cent, from 4.7 per cent at January 2021. The inflation rate for February 2021 is below the lower limit of the Bank's target of 4% – 6% but continues to reflect success in keeping inflation low (see Chart below). The decline in inflation during the month largely reflected a fall in prices for vegetables and starchy foods, emanating from an improvement in agricultural supplies.

Underlying or core inflation, which measures the change in prices excluding agricultural food and fuel prices, was 3.5 per cent at February 2021, in line with the outturn at January 2021.

Bank of Jamaica's current assessment remains broadly in line with our projections communicated in February 2021. Inflation will average around 5.0 per cent over the next two years and will, for the most part, track within the target range of 4.0 per cent to 6.0 per cent.

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- Bank of Jamaica

BANK OF JAMAICA HOLDS POLICY RATE

The inflation forecast anticipated that, while domestic food price inflation would fall, oil price inflation would accelerate. A normalisation in domestic GDP growth, accompanied by some imported inflation, was projected to support core inflation over the next eight quarters. Additionally, the outlook for core inflation contemplated the effects of one-off adjustments in selected regulated prices.

The risks to the inflation forecast are balanced. Factors that could cause the inflation rate to be higher than forecasted include stronger than anticipated increases in international oil and grains prices. However, inflation could be lower than forecasted given stronger than anticipated reversals in the prices for agriculture items.

Economic Activity

Bank of Jamaica is forecasting a contraction in the economy in the range of 10.0 per cent to 12.0 per cent in FY2020/21 before partially recovering with growth in the range of 4.0 per cent to 8.0 per cent in FY2021/22. A projected decline in real GDP for the March 2021 quarter is expected to be mainly reflected in Hotels & Restaurants, Transport, Storage & Communication and Other Services. The overall decline for the quarter, which is expected to be smaller than the contractions of the previous three quarters, is largely based on the adverse, albeit receding, impact of the global COVID-19 pandemic on travel and entertainment activities.

The Bank's current assessment suggests that the risks to the GDP forecast are balanced. The main risk over the forecast period is the continued adverse impact of COVID-19 on the Jamaican economy, given the increased number of confirmed cases in the island recently and accompanying tighter stringency measures. However, on the upside, there is the possibility that approved vaccines are distributed at a faster than anticipated rate, which could lead to relaxed lockdown and physical distancing measures, thus supporting stronger economic activity.

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- Bank of Jamaica

BANK OF JAMAICA HOLDS POLICY RATE

Monetary Policy

While the impact of the Covid-19 virus has recently led to an increase in the stringency of measures in Jamaica to control its spread, there remains optimism about future GDP growth as vaccination programmes have commenced both locally and globally. Bank of Jamaica has maintained an accommodative monetary policy stance aimed at supporting a speedy economic recovery once this crisis has passed. Bank of Jamaica remains committed to ensuring that inflation remains low and stable, within its target and, at the same time, is prepared to take all necessary actions to ensure that Jamaica's financial system remains sound. The Bank intends to maintain this monetary policy stance until there are clear signs that economic activity in Jamaica is returning to pre-COVID-19 levels.

The date of the next policy decision announcement, to be issued by the Bank's newly formed Monetary Policy Committee, is 18 May 2021

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- Bank of Jamaica

PRIME MINISTER CALLS FOR EXTENSION OF DSSI

Prime Minister, the Most Hon. Andrew Holness, is calling for an extension of the Debt Service Suspension Initiative (DSSI) of the Group of 20 (G-20), to further aid in the economic recovery of developing countries from the coronavirus (COVID-19) pandemic.

Mr. Holness noted that while he appreciates that the initiative has been extended until June 2021, he is suggesting a further extension to next year, highlighting the fact that debt servicing for developing countries "has come at tremendous socio-economic costs to our population, which have borne the burden of steep cuts in public expenditures".

The Prime Minister, who was addressing a virtual High-Level Meeting with Heads of State and Government on the International Debt Architecture and Liquidity, on Monday (March 29), stressed that consideration should also be given to the G-20 expanding its beneficiaries, to include highly indebted middle-income countries.

The G-20 is an international group of Finance Ministers and Central Bank Governors from 19 of the world's largest economies, including those of developing nations, along with the European Union. Formed in 1999, the G-20 has the mandate to promote global economic growth, international trade, and regulation of financial markets.

Mr. Holness noted, as well, that private creditors represent an increasingly large share of the overall creditor composition of developing countries and should be actively pursued and engaged to participate in the DSSI on equal terms.

"However, we need to bring the credit rating agencies into our discussions, as many countries are afraid to apply for debt relief because of the threat of ratings downgrade," he said.

The Prime Minister further suggested that a special framework, applicable only to this extraordinary period, "is more than worthy of their contemplation, given the larger medium-term cumulative benefit of more countries achieving earlier recovery with sustainable debt arrangements".

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- Alecia Smith, Jamaica Information Service

PRIME MINISTER CALLS FOR EXTENSION OF DSSI

He pointed out that the utilisation of innovative financial instruments, such as debt swaps, contingent debt instruments, and the creation of specialised liquidity funds can also play an important role in ameliorating the debt and liquidity challenges of developing countries.

"In this respect, we support the proposal by the Economic Commission for Latin America and the Caribbean (ECLAC) to address the liquidity needs of Caribbean countries, through the creation of a Caribbean Resilience Fund. It has also proposed a debt for climate adaptation swap facility," he said.

Also of interest, the Prime Minister said, is Costa Rica's proposal for the creation of an extraordinary support fund to alleviate the effects of the COVID-19 economic impact.

The fund will be geared towards addressing the impacts of COVID-19 and the fiscal space of countries and assist them in fulfilling their external debt obligations.

"These initiatives merit serious consideration, especially for Caribbean Island Developing States, given our vulnerability to climate change and dependence on external capital flows from tourism and remittances," Mr. Holness said.

The Prime Minister said he is also encouraged by the view of the United States (US) Treasury Secretary that a new allocation of Special Drawing Rights (SDRs) could improve the health and economic recovery efforts of developing countries and prevent them from falling into insolvency.

"It would be helpful if a new issuance was combined with a voluntary reallocation of excess SDRs provided by countries with strong external positions to those that need them the most," he said.

SDRs are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund IMF).

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- Alecia Smith, Jamaica Information Service

PRIME MINISTER CALLS FOR EXTENSION OF DSSI

The Prime Minister further highlighted the need to establish a sovereign debt architecture mechanism that provides a framework for orderly and effective debt restructuring.

“With the collective will of the international community, we can successfully overcome these challenges and place ourselves on a more sustainable and resilient path over the years to come. The extraordinary nature of these times demands different thinking and action from us all. An effective, variable and scalable response is possible and can lead to faster, stronger and more resilient recoveries,” he said.

The meeting, which Prime Minister Holness co-convened with United Nations Secretary-General, António Guterres, and Prime Minister of Canada, His Excellency Justin Trudeau, is part of the Financing for Development in the Era of COVID-19 and Beyond Initiative, which seeks to mobilise action to assist the economic recovery from the pandemic.

- Alecia Smith, Jamaica Information Service

WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Financial development is crucial for economic growth, poverty reduction, reducing inequality, and a number of other important social outcomes. Caribbean countries have historically lagged in a number of related areas, and our new chapter in Economic Institutions for a Resilient Caribbean—entitled: Financial Development in the Caribbean—focuses on how countries in the region compare to peers around the world, including key deficits that have held the region back, and policies or reforms that can help to accelerate financial deepening and facilitate access, particularly for the most vulnerable.

To this end, our chapter develops new measures of financial access and adequacy applied to the region, as well as original methods designed to assess countries' levels of financial development relative to their country-specific potential. In both contexts, our findings suggest that many of the six members of the Inter-American Development Bank's Caribbean Country Department—The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago, referred to as "CCB countries"—have been held back by both inherent deficits, including economies of scale and scope, as well as policy and structural deficits that should be the focus of reform.

Economic uncertainty has compromised financial development across the region…

Our research documents a variety of outcomes in terms of financial depth, access, and adequacy. In terms of the depth of credit markets—the base of the financial pyramid—, most CCB countries compare poorly with both regional peers, and other countries at similar levels of income and development. Jamaica, Suriname, and Trinidad and Tobago in particular have seen only limited progress in terms of financial deepening since the 1980s, likely owing to policy inconsistencies—for example, unsustainable fiscal or debt situations, high inflation and interest rates, and/or uncompetitive exchange rates—, and the impacts of large external shocks. In this context, surveys of firms have reported concerns over the macroeconomic environment as among their most significant challenges to productivity and performance (Figure 1)

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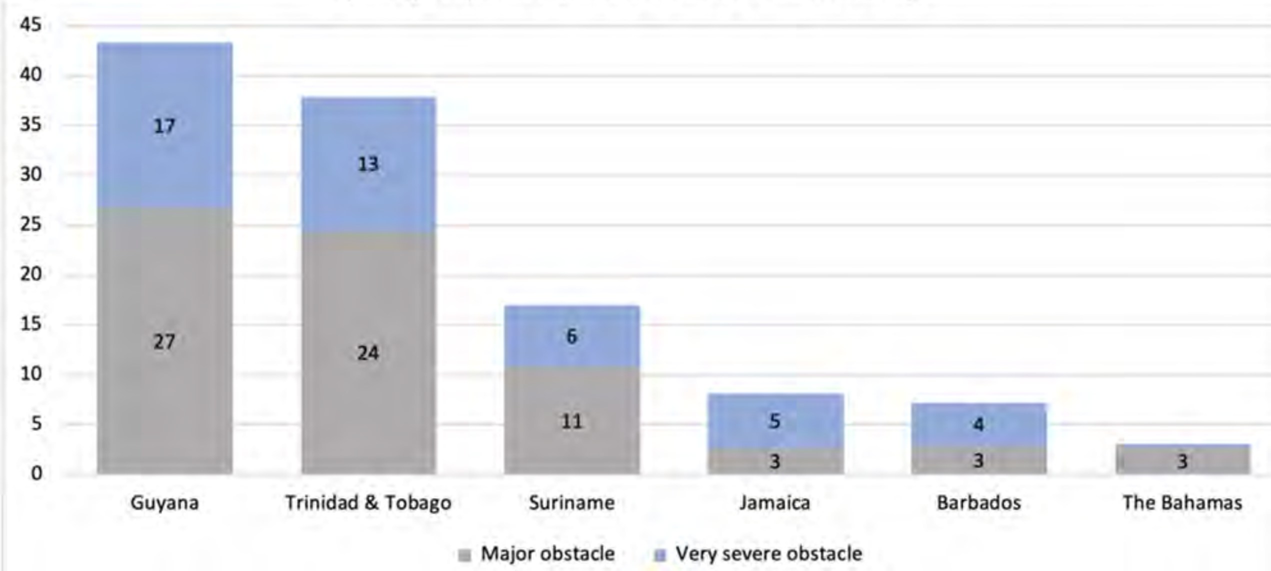
- Thorsten Beck, Henry Mooney, IDB Blog

WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Figure 1. Constraints to Firm Productivity and Performance: Macroeconomic Environment
(survey responses: percent of firms for each country)



Source: Beck and Mooney (2021).

Financing gaps between some Caribbean country firms and their global peers are wide…

We also find that while the use of savings accounts appears widespread, firm access to basic lending services are constrained in several countries. For example, firms in Barbados, Trinidad and Tobago, and Guyana report greater access to loans and credit lines than global and regional averages, while firms in Jamaica, the Bahamas, and Suriname fell short. Turning from access to the concept of sufficiency, we develop a new measure of financial adequacy—"Firm Financing Gaps"—, based on the latest available cross-country enterprise survey data (ranging from 2010 to 2018 at the time of writing), that highlights impediments to firm access to finance in most of the CCB countries, compared with strong performance in Barbados (Figure 2). Though data is admittedly dated in some cases, these findings are consistent with more recent survey results also presented in our chapter.

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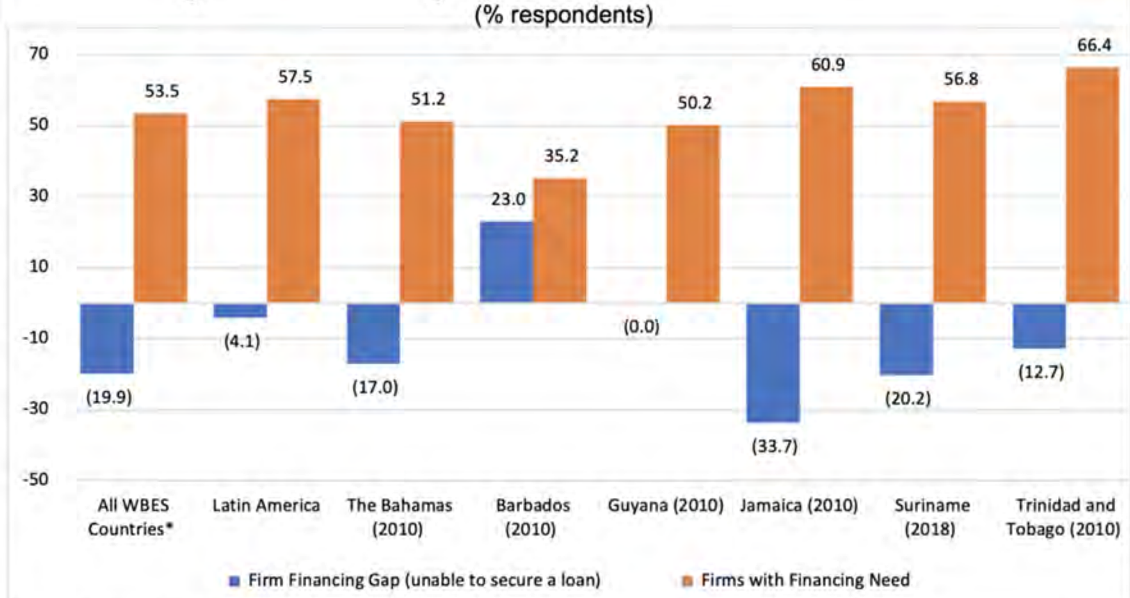
- Thorsten Beck, Henry Mooney, IDB Blog

WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Figure 2. Firm Financing Gaps: Caribbean Countries vs. Global Peers
(% respondents)



Source: Beck and Mooney (2021).
Notes: (*) 'All Countries' refers to the 143 countries included in the World Bank Enterprise Survey data. See Annex 1 for list of country aggregates. 'Firm Financing Gap' = proportion of firms reporting that they had secured a loan or line of credit minus (-) the proportion of firms reporting having had a financing need. Positive results (i.e., Barbados and Guyana) indicate that more firms had secured loans or lines of credit than had reported a need for financing (and vice versa).

High costs of credit have been an impediment to access across the region…

Our research also focuses on some reasons why firms may face challenges in accessing finance. For example, cross-country surveys suggest that high interest rates, the need for collateral or guarantees, and the complexity of loan applications are among the most common reasons why firms do not apply for loans. In this context, IDB-sponsored enterprise surveys suggest that impediments to finance, such as prohibitive collateral requirements and the high costs of borrowing are among most commonly-reported challenges to firm productivity and performance. These impediments tend to be more acute for smaller firms. Other enterprise survey results confirm these conclusions, highlighting the fact that with the exception of Barbados, firms in all CCB countries reported collateral requirements that are higher than both cross-country and regional averages.

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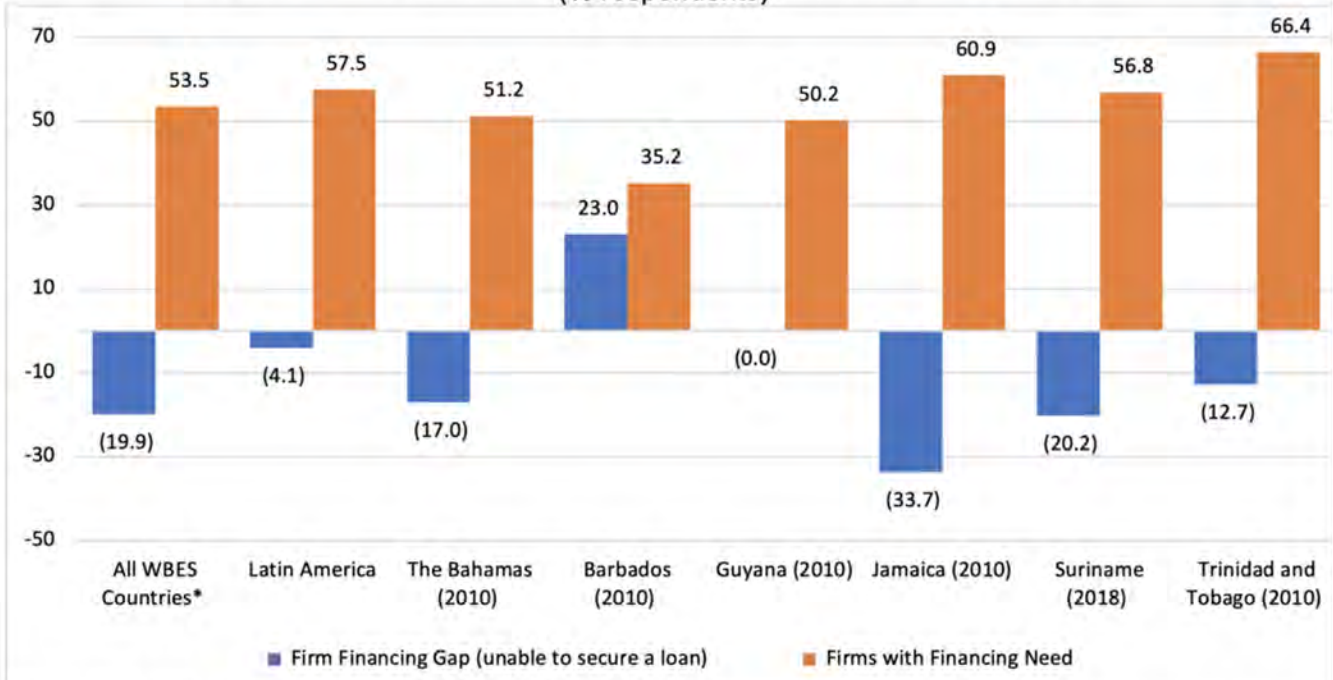
WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Similarly, we consider indicators linked to the costs of credit, including interest rate spreads and bank profitability in these jurisdictions, and find that Jamaica, Guyana, and Trinidad and Tobago appear to host banking sectors characterized by high profitability and relatively high interest rates on loans. These and related indicators tend to suggest the presence of structural deficits preventing local banks in several CCB countries from providing funding at more reasonable costs (Figure 3).

Figure 2. Firm Financing Gaps: Caribbean Countries vs. Global Peers
(% respondents)



Source: Beck and Mooney (2021).
Notes: (*) 'All Countries' refers to the 143 countries included in the World Bank Enterprise Survey data. See Annex 1 for list of country aggregates. 'Firm Financing Gap' = proportion of firms reporting that they had secured a loan or line of credit minus (-) the proportion of firms reporting having had a financing need. Positive results (i.e., Barbados and Guyana) indicate that more firms had secured loans or lines of credit than had reported a need for financing (and vice versa).

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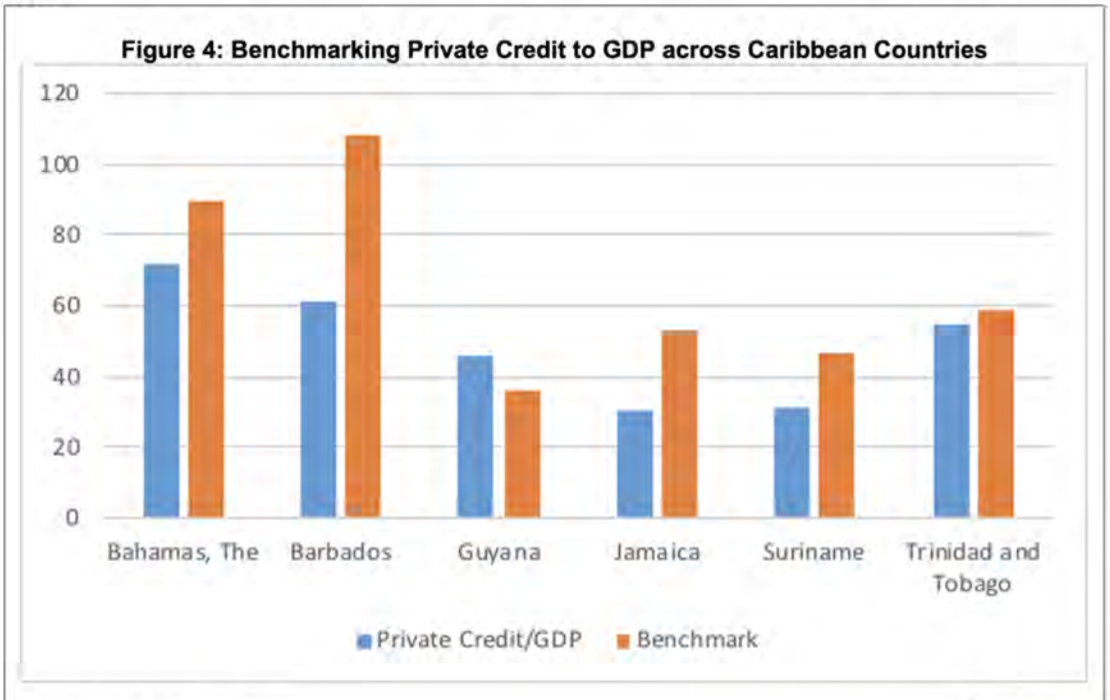
WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Caribbean financial sectors are far behind global peers on our new synthetic benchmark…

We also considered financial depth and development across various segments of the financial market, including the credit sector (e.g., banking), equity markets, and insurance sectors (both life and non-life insurance providers). To this end, an original benchmarking exercise for each of the CCB countries compares financial sectors and relevant subsectors against predicted values, with findings that have considerable potential implications for policies and reform efforts. First, we find that with the exception of Guyana, CCB countries have credit sectors—as measured by private credit as a proportion of GDP—below the predicted level (Figure 4). This is consistent with our findings regarding less than adequate funding for firms in several countries. Second, stock market capitalization—as a proportion of GDP—in all 3 countries for which comparable data was available—Barbados, Jamaica, and Trinidad and Tobago—are larger than the predicted values, while liquidity (i.e., turnover) is less ample than predicted. Substantially so in the cases of Barbados and Trinidad & Tobago. This result suggests that the real negative effect of the diseconomies of scale in public capital markets is even stronger than suggested by the benchmarking model. Finally, the size of the insurance sector—primarily life insurance—is substantially larger than predicted by the benchmarking model.



Source: Beck and Mooney (2021).

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- Thorsten Beck, Henry Mooney, IDB Blog

WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

What can Caribbean countries do to accelerate financial development?

As outlined above, we find that when CCB countries are benchmarked with respect to their structural characteristics against other countries across the world, they are found to display small banking systems, but large insurance sectors—especially for life insurance. Their stock markets are larger than we would expect, but display lower-than-expected liquidity. Findings of this benchmarking exercise support the above-mentioned conclusions of our newly developed measures of financial adequacy, suggesting that firms in several CCB countries are considerably underserved in the credit markets. This represents a considerable impediment to their performance and productivity growth, hampering the prospects of achieving a faster and more inclusive growth. This is particularly so for smaller firms, that are responsible for a large share of employment in many of these countries.

In terms of policies and reform priorities, there are many potential implications flowing from this work, including:

Macroeconomic Stability and Policy Prudence: The first priority of any government wishing to create an enabling environment must be ensuring low and stable inflation, and fiscal prudence to avoid crowding out private credit. Similarly, policy predictability will also provide added confidence to those who would both lend and borrow, as well as invest in local capital markets.

Availability of Credit Information: High collateral requirements and costs of borrowing have also been reported as significant impediments to financial deepening and access. Measures such as the development of centralized credit registries and bureaus, as well as other mechanisms for risk information gathering and sharing, would support improved counterparty credit risk assessment and management. Thus, allowing banks to reduce their need for collateral and guarantees, extend maturities, and broaden the base of potential borrowers at lower costs.

Property Rights and Insolvency Procedures: Ensuring that country institutional frameworks—particularly regulation and the judicial system—are able to provide both creditors and debtors with greater confidence in terms of property rights, contract enforcement, and the process of resolving insolvency, would help to accelerate financial development and improve access to credit. These are also areas where several CCB countries fall short of international benchmarks.

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- Thorsten Beck, Henry Mooney, IDB Blog

WHAT CAN CARIBBEAN COUNTRIES DO TO ACCELERATE FINANCIAL DEVELOPMENT?

Credit Sector Competition: Regulatory and other reforms aimed at stimulating healthy competition in the banking sector is important for ensuring that credit can be provided at reasonable costs—one of the key hurdles identified by many firms in the region. If implemented without compromising financial stability or prudential standards, adequate regulation aimed at fostering competition could encourage broader use of credit by individuals and small and medium-sized enterprises, with benefits for all sectors of the economy.

While other country-specific issues are also clearly relevant—for example, the prevalence of informality, crime and disorder—, focusing on these four critical themes could help countries move towards their financial possibility frontiers, and achieve their full potential in terms of financial sector depth and development. This would, in turn, support broader and more adequate access to finance for firms—both small and large—, households, and marginalized populations, as well as help many of the Caribbean countries to improve the lives of their citizens in a more inclusive and sustainable way.

- Thorsten Beck, Henry Mooney, IDB Blog

WHY HAVE CARIBBEAN COUNTRIES BEEN SO INDEBTED, AND WHAT CAN THEY DO TO IMPROVE OUTCOMES?

Caribbean countries have long been among the most indebted on earth, and related vulnerabilities have slowed growth and poverty reduction across the region. Our chapter in Economic Institutions for a Resilient Caribbean—entitled: Debt Management and Institutions in the Caribbean: Best Practices and Priorities for Reform—focuses on debt-related vulnerabilities affecting Caribbean countries that are members of the IDB's Caribbean Country Department—The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

In it, we undertake a detailed review of factors that have driven debt accumulation, identify common factors that have driven debt and related economic crises, and also review the evolving consensus with respect to sound international practices for debt management. In this context, we discuss priority reforms with the potential to help address existing deficits, and insulate Caribbean economies from future shocks, in order to support faster and more inclusive growth.

Caribbean Countries: Among the World's Most Indebted

The history of public debt in Caribbean countries is striking. Several countries in the region have been among the most indebted in the world (measured in terms of the public-debt-to-GDP ratio) since gaining independence beginning in the 1960s (Figure 1). While economic and debt crises have been common throughout Latin America and the Caribbean over the past century—particularly when compared to other regions—the frequency, depth, and duration of such episodes for Caribbean countries makes it an outlier.

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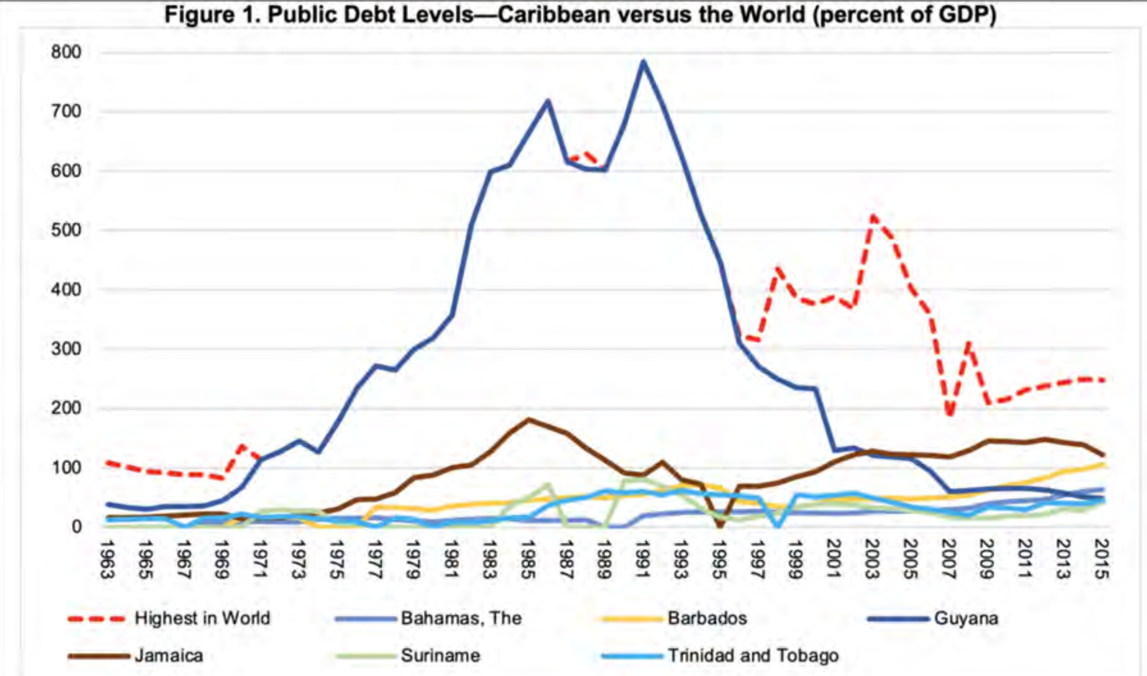
- Henry Mooney, David Rosenblatt, Jason Christie, IDB Blog

Why have Caribbean countries been so indebted, and what can they do to improve outcomes?

Figure 1. Public Debt Levels—Caribbean versus the World (percent of GDP)



Source: Mooney, Prats and Rosenblatt (2021).
Note: Highest in world represents the highest of 197 countries for which data were available continuously starting in 1963.

This is particularly significant given the development needs of many Caribbean countries. High debt levels and weak institutions and capacity for public financial management have held back growth, incomes, and living standards for millions of people. Standard economy theory tells us those developing countries—where capital is scarce and labor is abundant—should borrow resources from abroad to support faster development. In this context, developing countries also tend to suffer from large and persistent public and social infrastructure deficits that act as brakes on private sector investment and productivity growth. Many of these deficits must be addressed with prudent public investment and expenditure, generally requiring governments to borrow both domestically and from abroad.

- Henry Mooney, David Rosenblatt, Jason Christie, IDB Blog

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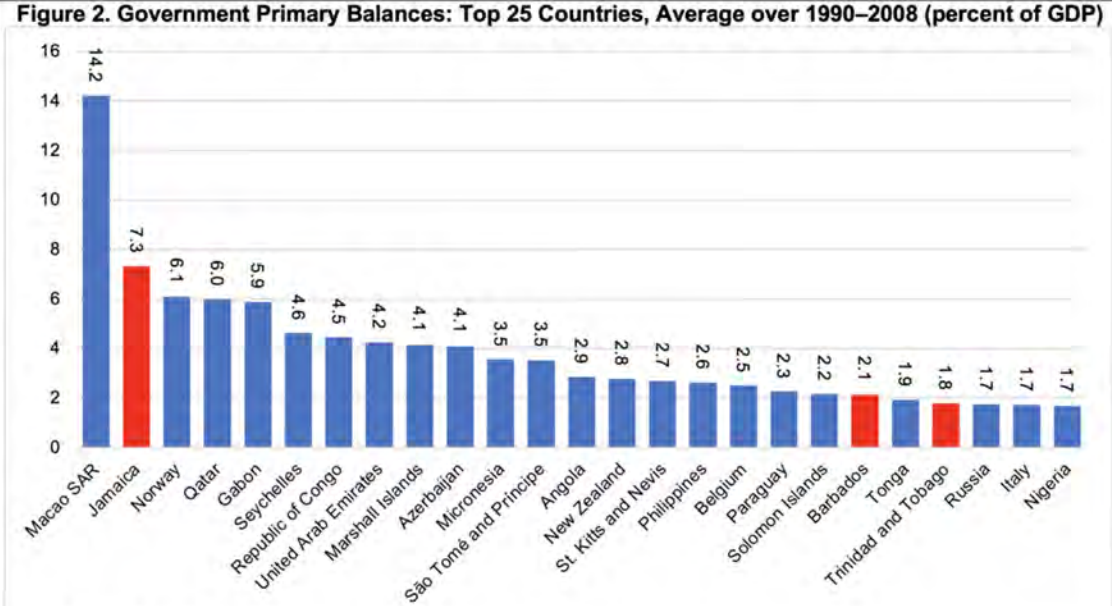
WHY HAVE CARIBBEAN COUNTRIES BEEN SO INDEBTED, AND WHAT CAN THEY DO TO IMPROVE OUTCOMES?

Given their history of recurring debt crises, Caribbean countries have undertaken numerous debt restructurings (though some have been characterized as voluntary in nature), and their governments have been forced to initiate some of the most severe fiscal adjustments ever contemplated in the context of emergency reform programs aimed at restoring debt sustainability and macroeconomic stability. For example, Jamaica recorded the highest average primary fiscal surplus in the world for a sovereign nation from 1990 to 2018 (7.3 percent of GDP), while other countries in the region, including Barbados and Trinidad and Tobago, also ranked near the top of the list globally on this measure over the same period (Figure 2). While this is only one measure, what is clear is that recurring crises have led to severe constraints with respect to fiscal space, acting as a break on critical investments in both infrastructure and social services, that developing Caribbean countries so badly require.

Figure 2. Government Primary Balances: Top 25 Countries, Average over 1990–2008 (percent of GDP)



Source: Mooney, Prats and Rosenblatt (2021).
Note: Highest 25 average primary surpluses out of 194 countries for which data were available.

- Henry Mooney, David Rosenblatt, Jason Christie, IDB Blog

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WHY HAVE CARIBBEAN COUNTRIES BEEN SO INDEBTED, AND WHAT CAN THEY DO TO IMPROVE OUTCOMES?

So why have Caribbean countries been so indebted and crisis prone?

There are many reasons for these outcomes. It is clear that initial conditions mattered for many of these countries, as the group includes some of the youngest nation-states in the hemisphere, and many were severely lacking in terms of financial and technical resources after gaining independence, amplifying existing vulnerabilities to economic and other shocks. Caribbean countries are small, open, and in most cases island economies, making them particularly dependent on external demand and capital flows, as well as susceptible to related shocks from abroad. Their small size and limited economies of scale have led to narrow production bases, and in some cases outsized sectors—for example, commodity exports or tourism—that further amplify vulnerabilities to swings in external demand. Similarly, their geography makes them among the most vulnerable on earth to weather-related shocks, as well as the implications of climate change.

In our chapter, we undertake detailed decompositions of debt dynamics for all six countries. Based on this analysis, we identify several common factors that have contributed to debt accumulation and related vulnerabilities across the Caribbean, including:

• **Fiscal deficits are not all that matters.** In some cases, countries hardest hit by debt crises had been running large fiscal surpluses during their most pronounced shocks to public debt, bending against the prevailing wisdom that deficits always drive crises.

• **External risks from poor liability management.** We find other factors, such as poor portfolio construction in terms of the currency and cost structure of debt that left countries vulnerable to exchange rate shocks.

• **Contingent liabilities were important drivers.** Countries also suffered from large shocks to sustainability from the crystallization of contingent liabilities and/or other unanticipated debt-creating flows. Deficits "hidden" in state-owned enterprises were an important factor compromising debt sustainability

- Henry Mooney, David Rosenblatt, Jason Christie, IDB Blog

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WHY HAVE CARIBBEAN COUNTRIES BEEN SO INDEBTED, AND WHAT CAN THEY DO TO IMPROVE OUTCOMES?

Taken together, these findings suggest that deficiencies in debt management institutions, practices, and capacity were important contributors to the region's debt-related woes. In this context, our chapter provides a broad overview of international best practices related to debt management institutions, and discusses areas where Caribbean countries have scope for improvement, which can improve public financial management, and help to insulate our economies from future debt vulnerabilities. See Table 1 for a broad overview of sound institutions and practices in related areas.

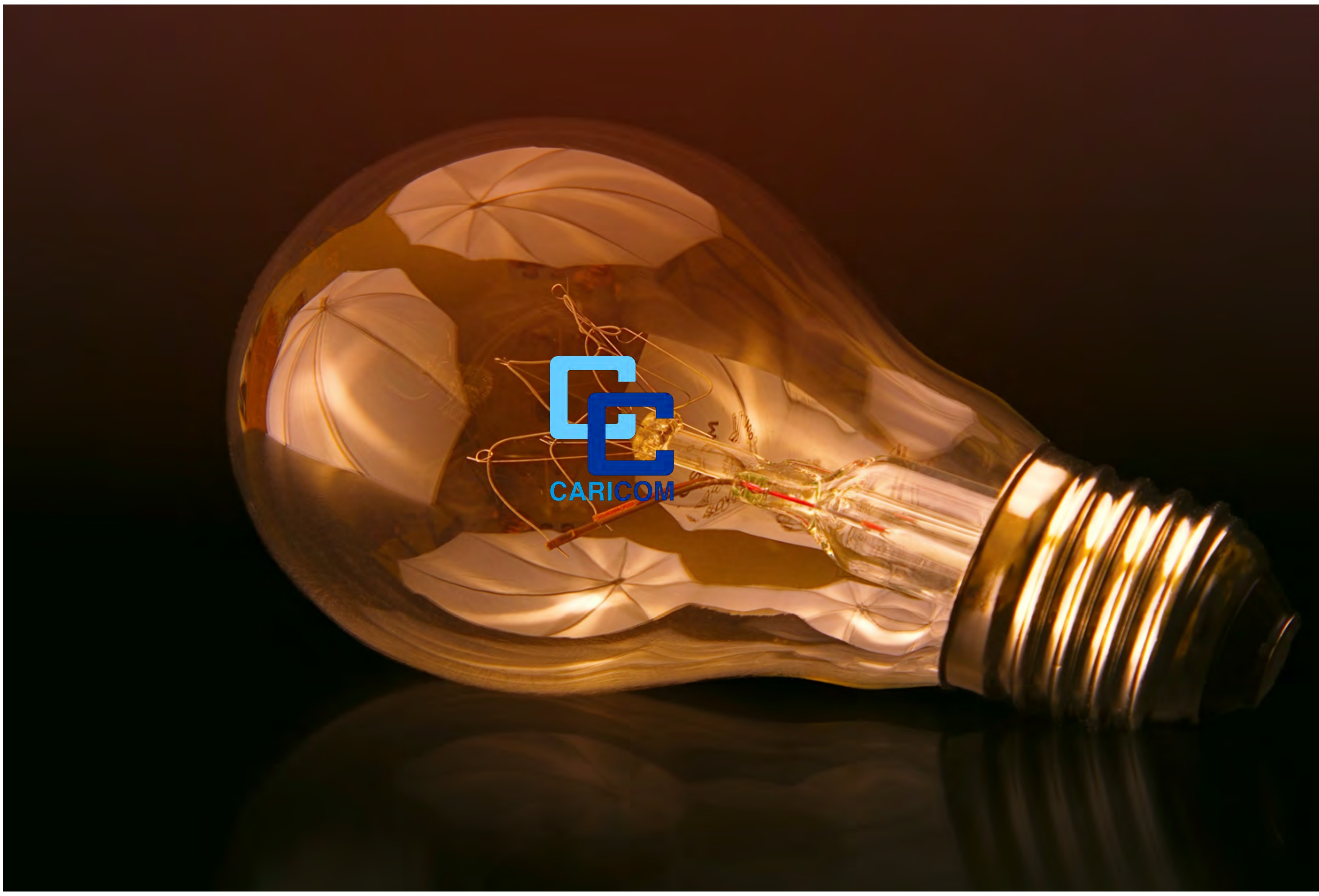
Table 1. Key Pillars of Sound Debt Management Institutions and Practices

1. Governance and Strategy Development	2. Macroeconomic Policy Coordination	3. Borrowing and Related Financing Activities	4. Cash Flow Forecasting and Cash Balance Management	5. Debt Recording and Operational Risk Management
• Managerial Structure	• Coordination with Fiscal Policy	• Domestic Borrowing	• Cash Flow Forecasting and Cash Balance Management	• Debt Administration and Data Security
• Legal Framework	• Coordination with Monetary Policy	• External Borrowing		• Separation of Duties, Staff Capacity, and Business Continuity
• Debt Management Strategy		• Loan Guarantees, On-lending, and Derivatives		• Debt and Debt-related Records
• Debt Reporting and Evaluation				
• Audit Practices				

Source: Mooney, Prats and Rosenblatt (2021).

While further diagnostics are warranted, our review of the history of debt accumulation in the Caribbean, the policy implications of these vulnerabilities, and common institutional deficits suggest that much remains to be done to bring Caribbean country practices and capacity up to the level of international sound practices. This will be a crucial undertaking for countries in the region, as they strive to establish and maintain macroeconomic stability, without which development aspirations are likely to remain unmet.

- Henry Mooney, David Rosenblatt, Jason Christie, IDB Blog



BOOK LAUNCH

THE NEW NORMAL - A POST-COVID PRIMER FOR BUSINESS

WEDNESDAY, **APRIL 28, 2021** AT 3PM EST

You are cordially invited to the virtual launch of the publication ***The New Normal - A Post-COVID Primer for Business***, a guide tailored for MSMEs, new and existing, with tips on preparing your business for the post-COVID operating environment.

The digital version has already received the endorsement of the Council for Trade and Economic Development (COTED). The audio version is also available for download.

The event will feature a few brief messages, a keynote speaker and a brief reading from the book. For further details please visit https://caricom.org/the-new-normal/

KEYNOTE SPEAKER: **Mr Bruce Golding,**
Former Prime Minister of Jamaica

Event will be live streamed

www.caricom.org

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The editorial staff of the Invested newsletter welcomes your comments, suggestions and articles as we strive to share financial information with our many stakeholders.

The FInancial Services Commission also welcomes invitations to speak at forums as well as community meetings.

Public education and financial literacy are critical elements as we pursue financial inclusion.

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