

# Government of Jamaica Partners with Citi to Set the Stage for Successful US\$800m International Bond Issuance

## Case Study

Jamaica is located in the Caribbean Sea. It is an open, diversified economy with agriculture and tourism as its major sectors. The island's strategic geographic location positions it as a potential global logistics hub.

**The Challenge** In order to restore its relationship with the International Monetary Fund ("IMF"), and significantly reduce interest on its domestic debt, the Government of Jamaica engaged in a series of successful voluntary debt exchange programs. Citi served as the sole advisor on the Jamaica Debt Exchange program in 2010, as well as the National Debt Exchange in 2013.

After the second debt exchange, the country adhered to strict IMF fiscal and monetary guidelines, putting itself on a path to meet critical targets in terms of debt to gross domestic product ("GDP"). This led domestic interest rates to fall, reducing the Government's debt service costs by approximately 30%. Jamaica had taken important steps toward macroeconomic stability, thus setting the stage for future growth. However, the Government still faced considerable challenges as a result of erosion in the domestic investor base's confidence, which had significantly affected the levels of trading in the local bond market.

**The Solution** Serving as a trusted debt advisor, Citi arranged a seven-day, non-deal roadshow for the Government of Jamaica, making stops in San Francisco, Los Angeles, New York, Boston, London, Frankfurt, The Hague and Zurich. The purpose of the roadshow was to update investors on Jamaica's funding plans, as well as to better understand market concerns. The investor sentiment from the roadshow was that there was a strong appetite for investment in Jamaica and that the government should issue new debt.

Following the roadshow, Citi acting as the Global Coordinator and Left Lead Manager, led the Government of Jamaica in issuing a US\$800 million bond in the international debt capital markets. The notes were priced at 7.625% par to yield. Responding to market preferences, the bond was priced to fully mature in ten years in 2025 with the principal being repaid in three annual tranches starting in 2023.

### The Result

Jamaica's economic program is now solidly on track, having passed all IMF reviews to date. Citi played an important role in helping Jamaica obtain IMF support. Significant achievements under the program include tax reforms, a decreasing debt-to-GDP ratio, a 0.1% fiscal surplus from a 6.4% deficit in FY2011/12, a reduction in the balance of payments deficit, and an increase in gross foreign direct investment. The extraordinary effort made by the Jamaican Government to work under the IMF program, and the consistent, credible results achieved reassured the investor markets.

The US\$800 million international bond issuance was the lowest coupon ever achieved by Jamaica.<sup>1</sup> The USD bond was rated 'Caa3' by Moody's and 'B-' by Fitch and Standard & Poor's.<sup>2</sup> A record demand was received, with total indications rising to approximately US\$3.8 billion, which was more than four times the debt-raising target. Demand for the offering was seen from a wide array of sources, made up of mostly buy and hold, long-term investors. This overwhelming response stands as a strong vote of confidence in Jamaica's economic reform program.

#### Transaction highlights:

- Strong demand from more than 200 accounts for Jamaica's notes built an order-book of approximately US\$3.8 billion, reaching an oversubscription of more than 4.0x
- This transaction marks the lowest coupon ever achieved by the Jamaican Government
- An outstanding order-book allowed Jamaica to price the notes at 7.625%

With more than 53 years of experience in-country, Citi's role as an advisor was important throughout the two earlier debt exchanges, which laid the groundwork for securing the IMF agreement. Citi's support was also instrumental in setting up the roadshow and helping tell Jamaica's debt restructuring story, which led to this successful international bond issuance.

<sup>1</sup> Ministry of Finance and Planning, Press Release, "Government of Jamaica Raises US\$800,000,000 at 7.625%", July 1st, 2014 [http://go-jamaica.com/pressrelease/pdfs/pdf\\_20140701\\_97003.pdf](http://go-jamaica.com/pressrelease/pdfs/pdf_20140701_97003.pdf)

<sup>2</sup> Ibid.