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Comments on Chapter 5: Debt Management

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We agree with the main thrust of the recommendations

- A holistic approach to the responsibilities of the debt manager.
- The roadmap to LCBM development likely varies across countries.
- Even where long-term issuance or deep local markets are not relevant, effective money market and cash management strategies can be beneficial.

Potential areas of focus

- First, and perhaps foremost, we believe the chapter would be significantly strengthened through the inclusion of practical examples and case studies where possible.
- Second, we recommend the chapter take a tiered approach:
 - A comprehensive road map for larger emerging market issuers that have realistic access to capital markets, both domestic and external.
 - A more limited approach that focuses on local money markets and cash management operations, plus other ad hoc operations when needed.
- For larger economies, we think India would make a good case study for many of the points made in the chapter:
 - Prior to the 1990s, local markets were limited and highly regulated
 - 1992 the Internal Debt Management Department was moved to within the central bank
 - 1997 decision to abolish ad hoc issuance and promote auction-based pricing
 - Fiscal Responsibility Budget Management Act of 2003
 - Transparency push in 2010

Potential areas of focus

- Does the process of deepening local bond markets mean the government has to conduct more issuance than it actually needs for financing purposes?
- Is there a case for efforts to develop local currency bond markets that coincide with capital controls to reduce the incidence or likelihood of capital flight?
- A focus on a strong regulatory framework as part of comprehensive risk management strategies.
- Contingent claims analysis is useful to understanding contingent liabilities in addition to traditional debt sustainability analysis.
- How much does currency status of the borrower drive the Investor Base Risk Index?
- What is the appropriate distinction between central bank operations in debt markets versus sovereign operations?

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