Comments on Chapter 5: Debt Management

IMF Conference on Sovereign Debt: A Guide for Economists and Practitioners
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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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