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NOTE

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Executive summary

This document is a compilation of presentations made by debt management experts and professionals at UNCTAD's Third Inter-regional Debt Management Conference, held in Geneva in December 2001. The conference addressed recent trends in the area of debt management, and in particular aimed at highlighting the consequences which recent developments have had, and will have in the future, for individual national debt offices and for the profession of debt management.

A recent trend in developing countries is to establish autonomous or semi-autonomous debt offices. This is a model that has been implemented by most European countries over the last 10 years. It is important to bear in mind, however, that the borrowing instruments used by developing countries are very different from those used by developed market economies. The creation of an autonomous debt office is therefore an issue that should be treated with some care.

In many countries, local governments and municipalities have the right to engage in domestic and foreign borrowing on their own. Although this is in principle not a liability at the level of the central Government, the effects on the economy could be disastrous in the event of default by a major municipality. An increasing number of debt offices are therefore setting up institutions and procedures to improve the monitoring of such indebtedness.

To support ongoing institutional changes, it is necessary to upgrade procedures and information systems to comply with the new requirements for data compilation. The rapid improvement in computer technology contributes to some extent to driving the development of procedures. Sophisticated integrated computer systems open up new possibilities and challenges that affect the institutions where they are used.

The conference attempted to address the challenges faced by debt managers as they strive to manage change. Specifically, it set out to analyse recent institutional trends in debt management as the role of the national debt office changes; discuss the resulting changes to procedures; discuss the general usefulness and impact of risk management systems; and analyse the new requirements for computerized debt management tools in changing environments.

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ABBREVIATIONS

ADB	African Development Bank
ADO	autonomous debt office
AFJP	Retirement Pension Fund Administration (Argentina)
ALM	asset and liability management
ARO	advances of fiscal revenue (Brazil)
BCB	Central Bank of Bolivia
BCEAO	Central Bank of West African States
BEAC	Bank of Central African States
BI	Bank Indonesia
BIS	Bank for International Settlements
BOI	Board of Investments (Philippines)
BPRN	Bank of the Province of Río Negro (Argentina)
BSRD	Bangko Sentral Registration Document (Philippines)
CBDMS	computer-based debt management system
CEMAC	Economic and Monetary Community of Central Africa
CIDE	Center for Research and Teaching in Economics
COLT	Commercial Offshore Loan Team (Indonesia)
CPSS	Committee on Payment and Settlement Systems (BIS)
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DAMS	Debt Analysis and Management System
DDFB	Debt and Development Finance Branch (UNCTAD)
DFID	Department for International Development (United Kingdom)
DMFAS	Debt Management and Financial Analysis System
DMO	debt management office
DO	debt office
DOF	Department of Finance (Philippines)
DSA	debt sustainability analysis
EMBI	Emerging Market Bond Index
ERSA	electric power supply enterprise (Argentina)
FFDP	Trust fund for Provincial Development (Argentina)
G-30	the Group of Thirty
GAO	General Accounting Office (United States)
GATT	General Agreement on Tariffs and Trade
GCP	gross city product (Moscow)
GDDS	General Data Dissemination System (IMF)
GDP	gross domestic product
HIPC	heavily indebted poor country
IBRD	International Bank for Reconstruction and Development
ICC	Investment Coordination Committee (Philippines)
IDB	Inter-American Development Bank
IFMS	integrated financial management systems
IIP	International Investment Position
ILACO II	Administrative Decentralization and Responsibility Project (Bolivia)
IMF	International Monetary Fund
INEGI	National Institute of Statistics, Geography and Informatics (Mexico)
INSS	National Social Security Institute (Brazil)
IOSCO	International Organization of Securities Commissions
MAE	Electronic Open Market (Argentina)
MEDD	Management of External Debt Department (Philippines)
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MRS	margin of real savings (Brazil)
NEDA	National Economic and Development Authority (Philippines)

NPV	net present value
NSFC	National System of Fiscal Coordination (Mexico)
ODA	official development assistance
OECD	Organization for Economic Co-operation and Development
ORTN	Reajustable Obligations of the National Treasury (Brazil)
PRGF	Poverty Reduction and Growth Facility (IMF)
PSED	private sector external debt
RBI	Reserve Bank of India
SAFyC	integrated financial administration and monitoring system (Argentina)
SAI	supreme audit institutions
SAP	Structural Adjustment Programme
SDDS	Special Data Dissemination Standard (IMF)
SDR	Special Drawing Right
SEUD	Unified Debt Statistics System (Colombia)
SIGMA	Integrated Management and Administrative Modernization System (Bolivia)
SIIF	Integrated Financial Information System (Bolivia)
SISER	System for Monitoring and Evaluating Performance-Based Government Management (Bolivia)
SISIN	Public Investment System (Bolivia)
SNDO	Swedish National Debt Office
SNG	sub-national government
SOE	state-owned enterprise
SSUE “Mosfin Agency”	Specialized State Unitary Enterprise “Financial Agency of the City of Moscow”
TCP/IP	Transmission Control Protocol/Internet Protocol
TFFS	Inter-Agency Task Force on Finance Statistics (IMF)
TGN	General Treasury of the Nation (Bolivia)
UEPEX	external loan management units (Bolivia)
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WADMO	World Association of Debt Management Offices
WAEMU	West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management

OPENING STATEMENT

Yilmaz Akyuz

Distinguished participants, ladies and gentlemen,

It is a great pleasure to welcome you to UNCTAD's Third Inter-regional Debt Management Conference. Some 150 government officials from more than 50 countries are here to listen to experts, participate in debates and meet with colleagues from around the world. This is a great opportunity for all of us, and UNCTAD is honoured to host such an important meeting.

Like the previous inter-regional debt management conferences organized by UNCTAD, this meeting will focus on recent developments of interest to professional debt managers. The institutional set-up for effective debt management continues to be one of the most difficult issues in that area. In this regard, an interesting phenomenon is the recent establishment in some developing countries of autonomous or semi-autonomous debt offices – a model that has been successfully implemented by most European countries over the past 10 years. It is important to bear in mind, however, that these institutions cannot simply be replicated in developing countries without the proper adjustment, as their circumstances are very different from those of developed countries. This is a key factor to consider when setting up an autonomous debt office.

In many countries, local governments and municipalities have the right to engage in domestic and foreign borrowing on their own. Although in principle such borrowing does not create new possibilities and challenges that affect the institutions where they are used.

UNCTAD has for many years been advocating orderly debt workout procedures, drawing on a number of broad bankruptcy principles such as temporary standstill, lending into arrears and debt restructuring. The international community has started to address this problem, as indicated by recent statements in Ottawa and by the First Deputy Managing Director of the International Monetary Fund. There can be little doubt that effective debt management should include know-how and competence regarding debt workout procedures.

Similarly, much more attention should be paid to the implications of global financial instability for debt management. I am particularly referring to sharp and unexpected movements in interest rates in the major industrial countries, as well as to gyrations and misalignments among the exchange rates of the G3 currencies. It is no longer possible to hedge against such disruptions simply by matching the currency composition of debt and export earnings. Developing countries do not often have the freedom to choose the currency in which to borrow, particularly in bond markets, or choose the currency denomination of their exports. Nor do they have the kind of easy access to hedging techniques employed in developed countries. I intend to generate synergy between the Debt Management and Financial Analysis System (DMFAS) and substantive work in these areas in UNCTAD.