



Trends in Sovereign Debt Management in IBRD Countries Over the Past Two Years

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Country Credit Ratings

	October 1997	October 1999
Number of countries rated (by Moody's or S&P's)	39	45
Number of countries not rated	17	11
Total*	56	56
Number of countries with ratings changes within the last two years		
- upgraded	N.A.	9
- downgraded	N.A.	19
Range of long-term foreign currency debt ratings		
- highest ratings (Moody's/S&P's)	A1/AA-	A3/A
- lowest ratings (Moody's/S&P's)	B3/B	Caa3/SD
- median of ratings (Moody's/S&P's)	Ba1/BB+	Ba1/BB+
- mode of ratings (Moody's/S&P's)	Baa3/BBB-	Ba1/BBB-

* Refers to total number of countries which responded to the questionnaire for the 1999 Second Sovereign Debt Management Forum.

Use of International Bond Markets

Countries which have tapped international bond markets

	Prior to October 1997		October 1999 (within the past two years)	
	Number	%	Number	%
Yes	30	61%	27	48%
No	19	39%	29	52%
Total	49*	100%	56	100%

* Based on countries which responded to the questionnaire for the 1997 Debt Management Forum

Sovereign Debt Management Objectives

Government's debt management objectives:

	1997		1999	
	Number	%	Number	%
1. Management of Financial Costs and Risks	30	31%	53	38%
2. Funding Management	30	31%	37	26%
3. Manage Debt/Cost Levels	24	25%	21	15%
4. Development Markets	3	3%	12	9%
5. Operations	5	5%	5	4%
6. Other	4	4%	13	9%
Total	96	100%	141	100%

Sovereign Debt Management Objectives

Government's risk management objectives :

	1997		1999	
	Number	%	Number	%
Management of Financial Costs and Risks	30	31%	53	38%
1. lengthen/smooth amortization profile	9	9%	19	13%
2. reduce cost and/or risk	12	13%	17	12%
3. balance cost/risk trade-off	6	6%	11	8%
4. match/hedge assets and liabilities	1	1%	4	3%
5. monitor/control private sector debt/contingent liabilities	2	2%	2	1%

Risk Management Practices

Has the government established a strategic benchmark for its foreign currency debt management?

	1997		1999	
	Number	%	Number	%
Yes	2	4%	10	21%
No	47	96%	38	79%
Total	49	100%	48	100%

Risk Management Practices

If you are undertaking risk analysis, what analytical techniques do you use?

1999	Number	%
Use analytical techniques	19	40%
Generic "currency risk" analysis	4	8%
Debt sustainability indicators	2	4%
Sensitivity scenario analysis	3	6%
Duration	3	6%
Value-at-Risk/Cost-at-Risk	7	15%
In process of setting them up	2	6%
Not using analytical techniques	27	54%
Total	48	100%

Multiple response

Risk Management Practices

What are the difficulties/constraints faced by the government in establishing strategic benchmarks?

1999	Number	%
Lack of policy on debt management	9	22%
Lack of expertise in debt management	9	22%
Lack of debt monitoring/risk management software	4	10%
Lack of development of domestic markets	5	12%
Difficult economic environment	4	10%
Access constraint	2	4%
Others	8	20%
Total	41	100%

Multiple response

Risk Management Practices

What, if any, are the sovereign debt manager's responsibilities in respect of government guarantees and in respect of other contingent liabilities?

1999	Number	%
No responsibility	1	3%
Bears total responsibility	8	24%
Analyzes and approves such operations	9	26%
Records and monitors guarantees	9	26%
Evaluates liquidity and possible contingency	2	6%
Others*	5	15%
Total	34	100%

* Others include decentralization, registration with Central government, have no provision.

Institutional Arrangements

Which institution(s) manages the central government's foreign currency debt?

	1997		1999	
	Number	%	Number	%
Ministry of Finance	25	51%	24	51%
Jointly	16	33%	14	30%
Central Bank	4	8%	5	11%
Other	4	8%	4	9%
Total	49	100%	47	100%

Institutional Arrangements

Countries with middle office units:

	1999	
	Number	%
Centralized middle office responsible for all analysis	1	3%
Distinct units charged with middle office type functions for a portion of the debt	13	43%
Middle Office unit placed under the direction of the Front Office	1	3%
In process of creating a middle office unit	2	7%
No middle office unit	13	43%
Total	30	100%

Some countries mentioned that the central bank had a middle office but focused on reserve management

Recent Developments

Important developments in the area of sovereign debt management during the past two years:

1999	Number	%
Institutional capacity-building in debt management	31	48%
Developing local currency debt market	10	16%
Tapping new markets/ using new financing mechanisms	10	16%
Debt buy-backs to improve debt profile	5	8%
Improved legal framework	5	8%
Increase in debt	3	5%
Improved cash-management practices	2	3%
Debt rescheduling	2	3%
Macro policy helped debt management	1	2%
Total	64	100%

Multiple response

Main Constraints

Main constraints/obstacles/concerns that the government faces in debt management:

1999	Number	%
Institutional capacity	33	51%
Legal framework	4	6%
Macroeconomic risk	9	14%
Limited local debt market	4	6%
Cost of funds	4	6%
Risk management	10	15%
Inefficient use of external funding	1	2%
Total	65	100%