

**CARIBBEAN REGION**  
**CS-DRMS USER GROUP COMMUNIQUE**  
**February 2008**

**INTRODUCTION**

The first Caribbean Region CS-DRMS User Group Meeting (UGM) was held on Friday 22<sup>nd</sup> February 2008 at the Malin Moving Conference Centre, Phase Two of the Eastern Caribbean Central Bank (ECCB), St Kitts and Nevis. This UGM preceded the Caribbean Regional CS-DRMS 2000+ Domestic Debt Workshop which was held from February 25-29, 2008, at ECCB, St Kitts and Nevis.

The countries represented at the UGM were: Anguilla, Antigua and Barbuda, Barbados, Belize, British Virgin Islands (BVI), Grenada, Dominica, Jamaica, St. Kitts and Nevis, Saint Lucia, and Guyana. A total of twenty-two (22) persons participated in the meeting including three (3) representatives from the Commonwealth Secretariat (COMSEC) and three (3) representatives from ECCB.

**OBJECTIVES**

The objectives of the meeting were to:

1. Discuss cross-cutting issues in the region
2. Review findings of the CS-DRMS Customer Satisfaction Survey 2006
3. Discuss COMSEC supportive role
4. Discuss contemporary issues in debt management.
5. Outline new proposals for the development of CS-DRMS.
6. Listen to users' needs regarding the way forward for the project.

**DISCUSSIONS / PRESENTATIONS**

Participants were assigned to groups to discuss a wide range of topics relating to debt management and CS-DRMS software issues. The groups deliberated in caucus and then made presentations in plenary. The groups comprised representatives from the following countries and the host institution, ECCB. The following topics were discussed by the respective groups during the UGM: (1) Institutional Arrangements and Systems for Debt Management in the Caribbean Region (2) Debt Data Quality (3) Domestic Debt Management in the Caribbean (4) Emerging Issues in Debt Management (5) Software Issues, CS-DRMS User Support/Technical Assistance. Summarised below are the presentations and interventions of the users at the User Group Meeting.

**1. Institutional Arrangements for Debt Management**

Institutional Arrangements in the region are country specific but can generally be divided into two broad categories:

- Centralised – This is the case of Anguilla for example, which has one department that is responsible for performing all the debt management functions.
- Decentralised – Most countries indicated that the front, middle and back office functions were split up among several agencies. The countries expressed the view that although the functions were split, good coordination allowed each country to carry out the respective functions adequately.

However, there were some issues of concern regarding institutional arrangements in the region:

- Procedures Manual – It has been found that some countries do not have a procedures manual that clearly outlines the debt management functions and the roles of the entities involved in the debt management process. Consequently, some functions are not performed or there is duplication of effort.
- Coordination – In the decentralised systems, coordination among the various agencies need to be strengthened.
- Staffing – Some countries indicated that there is limited staff in the debt unit and so some debt management functions are not performed adequately.
- Verification – In cases where there is a limited number of staff, debt data can be subject to error since validation checks are not done.
- Preparation of debt strategy – There is need for training in the preparation of annual debt strategies. Currently, only Jamaica prepares a formal debt strategy that is published on the Ministry of Finance’s Debt Management Unit’s website.
- Guyana expressed a need for establishing a comprehensive domestic debt database. The Central Bank currently has responsibility for domestic debt but the Bank does not have access to CS-DRMS.

## **2. Debt Data Quality Issues in the Caribbean**

Data quality issues in Debt Management can be viewed from the following perspectives: (1) Timeliness (2) Coverage (3) Classification (4) Valuation (5) Systems management (6) Dissemination of information to users

### **Timeliness**

The involvement of several agencies in the preparation of data, affect the timeliness of the debt data disseminated. Delays in sharing information on new contracted debt or additional disbursements can result in the under reporting of the debt data. It can also result in delayed or inaccurate/impaired policy measures.

### **Coverage**

It was agreed that coverage of the Central Government debt is fairly well represented in the official debt statistics. However, the full coverage of the debt of public enterprises might not be reported – especially in situations where the debt is not guaranteed. In addition, very few countries are capturing their private sectors’ external liabilities. For those countries that capture private sector debt, in trying to differentiate between intercompany share holding loans and other loans, and, the related payments, it can lead to misrepresentation of the data.

### **Classification**

Some countries tend to record their debt based on the residency of the creditors/investors whilst others record it on the basis of currency. Debt data that are classified according to currency result in inconsistency with the Balance of Payments statistics. The meeting noted that debt should be classified according to residency and not on the basis of currency and that in the region most countries record their debt on the residency principle.

The classification of the debt of private sector borrowers incorporated under international business legislation but engaging in borrowing for public sector projects under the Private Public Partnerships (PPP) or Bolts Build, Operate, Lease and Transfer (BOLT) financing arrangements, is not uniformly dealt with across countries. This can lead to difficulty in cross-country comparisons of debt data.

## **Valuation**

The use of period average foreign exchange rates and/or period-ended rates by some countries can lead to inconsistency in datasets across the region. The international best practice regarding market valuation of debt is not strictly adhered to in the region.

## **Systems Management**

There is need for ongoing training in the proper management of CS-DRMS. There is also a need for CS-DRMS to be linked with other information management systems to improve accuracy and consistency of data and reduce the duplication in data entry.

### **3. Domestic Debt Management in the Caribbean**

The key areas and issues of concern raised in relation to the above stated subject in the Caribbean region were as follows:

- Inadequate / incomplete data capture
- Inability of CS-DRMS to meet the specific needs of some Caribbean countries
- Poor dissemination of debt information to the market.
- Fiscal deficit
- Interest rate volatility
- Limited number and range of financial instruments
- Underdeveloped Payment System infrastructure – [Delivery versus Payment (DVP), including electronic registration of securities and Central Securities Depository (CSD)].
- Monetary policy-induced fiscal liabilities – evidence exists in the Caribbean where Treasury bills have been issued not to satisfy the Government's borrowing requirements but for purposes of sterilising excess liquidity in the financial system;
- Foreign currency risk as a result of foreign currency denominated debt issued to residents.

Several suggestions to tackle the issues were also raised. These are listed below:

- Implementation of an appropriate debt recording and management system such as CS-DRMS.
- Customisation of CS-DRMS to meet specific needs of user countries
- Promotion of greater transparency and disclosures – reports, media releases and internet.
- Development of greater fiscal discipline
- Implementation of an appropriate macroeconomic framework – stable foreign exchange system
- Development of a Domestic Capital Market
- Addressing constraints affecting financial intermediation by adopting appropriate policy initiatives such as those listed below. These would eliminate or minimise the need to sterilise excess liquidity via the issue of government securities, thus reducing Government debt.
  - Development of effective entrepreneurial skills
  - Infrastructural development that lends support to productive investments
  - Establishment of Credit Bureaus to facilitate credit for development activities.
  - Enhancing foreclosure proceedings, via legislative refinements.

#### **4. Emerging Issues in Debt Management**

In the past the focus of debt management was debt recording and more specifically recording of external debt. The focus has now shifted to broader debt management issues. The following areas were identified as some of the emerging issues in debt management:

- Establishing formal debt management strategy to:
  - focus more on debt analysis and management;
  - perform portfolio analyses and
  - conduct risk assessment
- Structure of debt management office:
  - The ideal structure is the front, middle and back office;
  - Better coordination of different roles and activities by various institutions involved in debt management;
- Capacity building in debt management
  - Establish procedures manual
  - Retention of staff with appropriate skill set
- Develop efficient Government Securities Market
  - Alternative source of financing given the reduction in grant and concessional external financing in the region.
  - limit/reduce debt servicing due to adverse exchange rate movements
  - Provides a cheaper source of financing if markets operate efficiently.
- Managing debt portfolio based on an asset- liability framework
  - Debt statistics normally presented on a gross basis; need to also report net debt
  - Hedge liabilities by matching the maturity structure of liabilities with assets
- Transparency and accountability
  - demand from lending agencies for greater disclosure
  - scrutiny by lending agencies on use of funds
  - more timely reporting to the public
  - more reports demanded by lending agencies
- More advanced technology
  - lending agencies focusing on paperless reporting
  - integration of accounting and other information systems with CS-DRMS
- Techniques in Loan Evaluation and Negotiation
  - Need to adequately research and prepare the relevant information prior to negotiation
  - In loan negotiation there are no 'standard clauses'; all clauses can be subject to negotiation.
  - Seek information from countries with similar credit rating to determine the terms given to those countries.

#### **5. Software Issues, CS-DRMS User Support/Technical Assistance**

Below is a summary of the software issues currently faced in the Caribbean region.

- Recording of Instruments:
  - (1) T-Bills - This process is tedious and time consuming process.
  - (2) Bonds – The software is not able to accommodate some of the emerging types of bonds e.g. amortised bonds.
  - (3) Loans – There are no problems in recording of these instruments.
  - (4) Overdraft Facilities – Overdrafts are recorded as loans which result in unrealistic increases in the debt service.

- Reports
  - (1) Some of the system generated reports do not meet the requirements of the debt office.
  - (2) The software adequately provides for the manipulation of reports.
- Management Tools
  - (1) No analysis can be done on the Domestic Debt.
  - (2) Provide for adequate analysis on External Debt.
  - (3) Analysis need to be done on the entire debt portfolio. Currently the system only analyses external loans.
- Technical Assistance/User Support
  - (1) This is being provided by the respective Information Technology Divisions, ECCB and COMSEC.
  - (2) This should be provided for:
    - Analysis in the Domestic Debt module
    - Resolution of the issues relating to recording of instruments
    - Merging the External and Domestic Debt modules

Major upgrades have been done over the past years. The software has become more user- friendly and continues to meet user requirements on demand. However, there is need for continued upgrade to cater for the emerging issues in Debt Management.

### **Future Directions of CS-DRMS in the Caribbean Region**

Following the group presentations, the meeting discussed the future direction of the CS-DRMS project in the Caribbean Region. The meeting identified the following issues that it would like the Commonwealth Secretariat (COMSEC) to address:

- Merging of the External and Domestic Debt Modules;
- Merging of the loans and securities platforms and making the reports identical;
- Consolidation of the individual country databases into a single ECCU database;
- Improve the processing of the data (Monthly Processing Run) to a real time basis or higher frequency than monthly;
- Provide technical assistance to countries to develop a procedures manual;
- Inform and get the Finance Ministers to agree to the implementation of a formal debt strategy;
- Provide users with information regarding the calculations that inform the reports generated by CS-DRMS;
- Training in understanding of CS-DRMS reports;
- Upgrading the software to permit the printing of reports in Management Tools;
- Training in the Debt Guide for compilers;
- An interface between ECCB's auctioning system and CS-DRMS i.e. importing the Auctioning Module of the Regional Securities Market (RGSM) to CS-DRMS;
- Interface between CS-DRMS and Jamaica's Central Securities Depository.

### **INTERIM STEERING COMMITTEE**

The meeting climaxed with the election of an Interim Steering Committee for the Caribbean Region CS-DRMS User Group. This Committee will be tasked with the responsibility to represent the issues of concern and the needs of the users in the Caribbean Region.

The composition of the Committee is as follows:

Name	Position	Country
Juletta Jeffers	Chairperson	St. Kitts & Nevis – ECCB
Johnathan Brown	Deputy Chair	Jamaica
Desrie Pascal	Executive Member	Dominica
Shaundell Taylor-Brotherson	Executive Member	Guyana
Celeste Wood	Executive Member	Barbados
Leslie Glen	Executive Member	Guyana
Adela Frederick	Executive Member	Saint Lucia

## CONCLUSION

The meeting was very interactive. Participants clarified certain issues and presented information specific to their countries and the region. They expressed their concerns which were well received and carefully noted by the COMSEC's Team. Participants were informed by the COMSEC's Team that in order to receive technical assistance a formal request **must** be made to COMSEC. The participants thanked the COMSEC and ECCB for facilitating the meeting and looked forward to a quick resolution to the various issues. They expressed the hope that there will be more frequent meetings of that nature and that the User Group will maintain meaningful and sustained interactions.