



Debt Management Reform in Antigua and Barbuda

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Presented by Karel Forde

**Public Debt Officer, Ministry of Finance, the
Economy and Public Administration (MFEPA)**





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Country Profile

- ❑ Antigua –108 sq miles, Barbuda- 68 sq miles
- ❑ Twin island state, population of approx. 88,000 persons (census 2011)
- ❑ Currency : EC Dollar
- ❑ Constitutional monarchy with a British-style parliamentary system of government
- ❑ Main economic drivers: tourism, construction

The Debt Situation (2005)

- Debt Advisors contracted in 2005 (through CIDA project) to conduct an in-depth audit and diagnostic review of the public sector's debt situation
- The diagnostic exercise conducted on the public sector's debt problems were not of a temporary nature or related to a lack of liquidity, the public sector's debt position at the end of 2005 was simply not sustainable.
- The public sector's debt-to-GDP ratio stood at 117% despite earlier successful efforts by the Government to retire debts.
- Without drastic measures, the debt-to-GDP ratio would again surpass 140% (reached in 2003) within four years

Recommendations

- The debt advisor's diagnostic review of the public sector's debt position revealed that the Government's payment capacity was almost non-existent.
- A robust strategy was urgently needed to restore the public sector's financial footing and rehabilitate its credit standing.
- The lack of cash resources also meant that some degree of debt relief was needed.
- Actions were also required to facilitate the reform of institutional debt management procedures

Recommendations (Cont'd)

- Measures to improve debt management capacity over time:
 - Institutionalisation of Debt Management Procedures:
to properly assess borrowing proposals, the utilisation of overdraft facilities and other debt instruments, as well as the development of risk assessment tools.

 - Centralisation of Debt Management Operations
issuing of debt, recording of debt items, establishment of reporting and analytical functions, forecasting of future debt service, processing of payments as they come due. A specialised and dedicated team empowered to take decisive actions to manage payment obligations, engage with creditors and respond quickly to major developments affecting either the debt portfolio or public sector borrowing requirements.

- Development of a Creditor/Investor Relations Strategy

The Debt Management Plan (2005)

- Antigua and Barbuda began to draft a comprehensive debt strategy in 2005 and was adopted by the Cabinet of Ministers in 2006.
- The overarching aim of the strategy was to achieve a debt-to-GDP target of 80.0 % by 2012 and 60.0 % by 2020.
- The Government also intended to target a debt service burden of no more than 20.0 % of current revenue.
- In order to strengthen debt recording and reporting, liabilities were reconciled with creditors to assess arrears, project debt service requirements, and reconstruct financial documentation.
- The restatement of some debt items and debt relief led to a decline in the debt to GDP ratio from 117.0 % in 2005 to 90.0 % at the end of 2008.

Objectives of the Debt Management Plan (2005)

- Establish a sustainable debt service profile consistent with the Government's medium-term payment capacity outlook
- Resolve contractual principal and interest arrears and normalise relations with creditors
- Resume payment of contributions and resolve arrears owed to statutory bodies
- Address the large stock of earmarked liabilities
- Improve the market perception of Antigua and Barbuda to rehabilitate its credit rating
- regain access to the international capital markets

The NEST Plan (2009-2014)

- A home grown strategy created in 2009
- Sets out a range of policies and strategies grounded in fiscal prudence and sound macroeconomic policy.
- There are four elements of the NEST Plan:
 - **The Fiscal Consolidation Programme**
 - **The Economic Action Plan**
 - **The Social Transformation Programme**
 - **Financial Sector Stability**
- Represents the culmination of ideas and recommendations that arose in various discussions between the Government and stakeholders in the public, private and social sectors
- Basis of the negotiations for the 2010 IMF Stand-By Arrangement and CDB PBL

The Debt Management Strategy (2009)

- The overall aim to ensure that debt management policies provide support to the on-going NEST Plan (Fiscal consolidation), while ensuring that Government's financing needs and obligations are met on a timely basis in a cost-effective manner, with a prudent management of risk.

The Debt Management Unit

- Formally set up in 2009
- Housed in the MFEPA and manages the Government's debt portfolio on a day-to-day basis and implements the Government's borrowing strategy.
- The Unit is headed by a Debt Manager and staffed with a Senior Public Debt Officer and 3 Public Debt Officers
 - ▣ Front, middle and back office functions are facilitated through this set up

Mandates of the Debt Management Unit:

- Assisting in the formulation of debt management policies and strategies;
- Managing the debt portfolio to minimize cost with an acceptable risk profile;
- Conducting risk analysis and developing risk management policies; and
- Conducting debt sustainability analyses to assess optimal borrowing levels.

Institutional Arrangements

- Creation of procedures manual
 - ▣ Provides a guide to the operations of the DMU

- National Debt Coordinating Committee (NDCC)
 - ▣ formed to help the Government rationalise its funding requirements.

- Public sector borrowing practices were strengthened
 - ▣ The legal and institutional framework places the authority to manage debt with the Minister of Finance (FAA 2006)
 - ▣ The DMU and NDCC ensure that an effective and efficient debt management system is maintained and all borrowing is consistent with the Government's payment capacity
 - ▣ **Restructuring Programme in 2010**
 - supported by the IMF to place the debt on a downward trend over the medium term by eliminating arrears and normalising relations with creditors.
 - ▣ Adoption of Government Guarantee Policy

Institutional Arrangements (cont'd)

- Cash management procedures were introduced
 - ▣ NDCC meets quarterly to prioritise upcoming financial commitments and to plan the timely payment of these items.
 - ▣ Weekly cash management meetings to ensure debt obligations are met

- Debt monitoring procedures were introduced
 - ▣ The DMU is responsible for recording and monitoring the public sector's debt
 - ▣ New procedures have empowered the DMU to request information, receive periodic updates and take a more proactive approach to communications with borrowers and creditors and other Departments (Treasury)
 - ▣ DMU makes proposals for new borrowing including new debt issues on the RGSM and makes all arrangements with the broker .
 - ▣ Builds and strengthens relationships with potential investors in government securities and SOEs
 - ▣ Liability Management with Government contractors and suppliers
 - ▣ The unit also evaluates unsolicited debt proposals.
 - ▣ CS-DRMS is used to reconcile figures and improve reporting capacity.
 - ▣ DSA, MTDS, Debt portfolio review, QEDS, monthly reports
 - ▣ Published debt data (quarterly fiscal review)

Institutional Arrangements (cont'd)

□ Capacity Building Measures

- The Government strengthened the DMU and the Treasury Department by recruiting new personnel and consultants to enhance debt management operations.
- Training of personnel through a number of initiatives, including targeted debt and risk management workshops, specialised seminars attended in the region and further abroad.

□ Relationship with DMAS Project

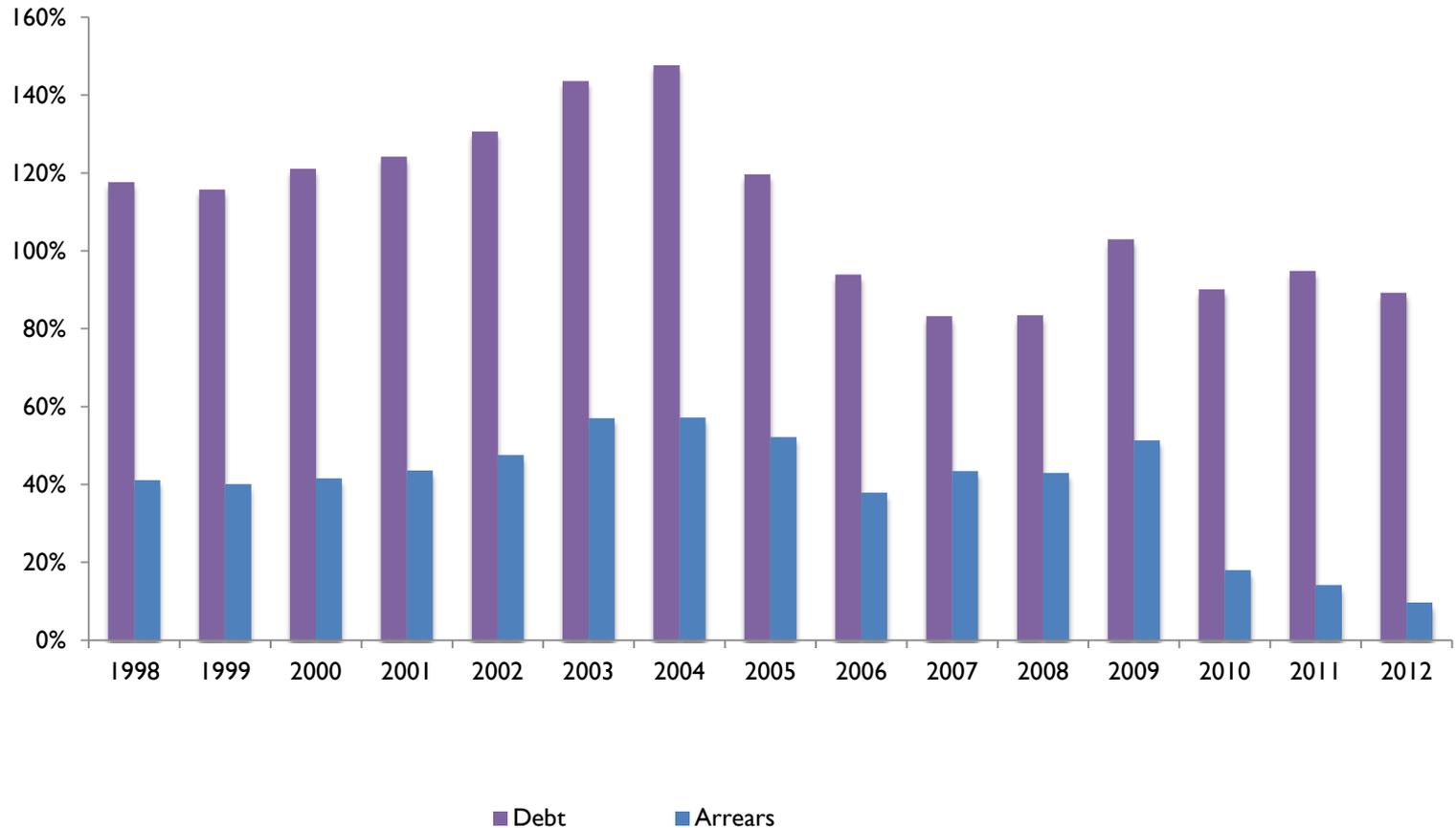
- DEMPA Action Plan guides the DMU's work plan
- Regional debt coordinating committee (every quarter with FS)
- ECCU Debt managers meeting coordinating debt units
- debt technical committee for monetary council minister of finance

MTDS 2013-2017

- Utilizes WB toolkit- a work in progress , first draft complete and under review
- Provides support to the NEST Plan
- Intended to be a formal document to be presented in Parliament
- Concretizes objectives previously mentioned:
 - Maintain a satisfactory and prudent debt structure consistent with the Government's payment capacity;
 - Refinance high cost loans and credit facilities to reduce debt servicing and to adjust the maturity profile of Central Government Debt in a way that balances lower financing cost and risk;
 - Support the development of a well-functioning domestic and regional market;
 - Provide funds for the Government at the lowest possible interest cost; and
 - Improve debt management functions through greater transparency in the operations of the Debt Management Unit.

Public Sector Debt 1998 -2012

(% GDP)



Excerpts of IMF Press Release (end of SBA 2013)

- “The authorities’ have successfully implemented their program, supported by a Stand-By Arrangement, under very challenging circumstances, and the economy is now better positioned for a robust recovery. Fiscal consolidation and debt restructuring have reduced the debt ratio and arrears, while structural reforms have improved revenue administration and public financial management. The strong first quarter fiscal performance puts public finances in a good position to achieve 2013 targets, consistent with the goal of reducing the debt ratio to 60 percent of GDP by 2020.
- “Fiscal adjustment and debt restructuring have put the debt ratio on a downward path with the debt ratio dropping from 102.5 percent of GDP in 2009 to 89 percent of GDP at the end of 2012.”

Next Steps

- The government is currently undertaking a comprehensive reform in PFM to strengthen and change the way the Treasury operates and functions and how it interacts with the DMU.

- Plans are being made to formalize the role of Treasury officers to create a better linkage to:-
 - Access to the IFMIS for monitoring payments
 - Further back office support from the Treasury
 - Strengthening Middle Office operations
 - working along with SOE and Macro Fiscal Units
 - monitoring debt performance to Budget
 - Continued Liability Management

- Public Sector Transformation project which is being undertaken will influence job titles in the unit so that they closely reflect job function.

Next Steps (cont'd)

- Perform Debt Audit
- Create a draft Public Debt Law (DMAS project)
- Strengthen the Middle office function

The END



Thank you for listening!!!