

## **Perspectives on the Way Forward**

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Good morning to all and thanks to the organizers, both the Government of Norway and the World Bank, for the invitation to participate in this very stimulating and informative event. As you may know, CEMLA is the regional association of central banks in Latin America and the Caribbean, and more to the point, has been the executing agency for the HIPC CBP in the region since 2001. CEMLA's mandate includes capacity building via training and technical assistance, as well as research and dissemination, in monetary and financial matters.

I would like to begin by saying that we welcome the World Bank's initiative to formalize its activities in the area of debt management. We have collaborated with the Bank in this area in the past, and we look forward to intensified cooperation in the future. In addition, we currently execute with support from the World Bank programs in the areas of payments systems, credit information systems and remittances. We also have a long tradition of cooperation with the IMF, especially in the area of capacity building in statistics, including national accounts.

As has been made clear in the proceedings of this meeting, capacity building in debt management has been going on for some time now, for the most part concentrated in HIPC countries, financed by bilateral donor agencies and the beneficiary countries themselves, both directly and via the regional organizations they fund. It is clearly convenient for all parties concerned, but mostly for the beneficiaries themselves, that any new initiative in the field of debt management should attempt to fit in with ongoing efforts to avoid duplication or crowding out.

In this sense, the mandate from the World Bank shareholders, our governments, is fairly clear and framed in the context of the Paris declaration: the Bank is to expand its engagement in the field of debt management, coordinating and cooperating with other service providers, but not designing reform plans nor engaging itself in capacity building.

Much of the discussion during the preceding panels has centered on these issues of coordination. Other aspects include the scope of coverage (that is, exactly at which countries is the initiative aimed) and content (exactly what aspects of debt management shall the initiative deal with). These three dimensions, coverage, content and coordination, are inextricably intertwined. It will be difficult to deal with any of them in isolation without touching upon aspects of the others. Furthermore, I cannot possibly do justice to all the important points that were raised yesterday and today in areas which perhaps do not fit neatly into one of these dimensions.

But in attempting to chart a way forward, without exhausting your patience, perhaps it may help to organize our thoughts around these three categories of issues. First of all I would like to deal with coverage:

### **Coverage**

CEMLA has 30 central bank members in the region, of which 5 are HIPCs, 4 are HICs and the remaining 21 are MICs. For the most part, our capacity building efforts in debt management have

focused on HIPCs. At times we have seen this as a limitation, since many of the debt management procedures, systems and skills designed for HIPCs could be just as valuable to lower and middle income countries, and could be made available to them at very marginal costs.

At this stage it is not yet clear to us exactly which market segment DeMFLIC is targeting. The name suggests only LICs, but the presence of Brazil and others at this meeting who have taken great strides in debt management by institutionalizing procedures and setting up DMOs, would seem to imply that MICs (or even BRICs) will not be excluded. Perhaps it is preferable not to be too precise on this issue, but inwardly we should require some idea as to the profile of countries that would be eligible for technical assistance under the initiative.

## **Content**

There are two aspects to the content dimension: tools and topics. With regard to tools for diagnosis of debt management performance, the discussion has focused on the comparison between DeMPA and the HIPC CBP self-assessment exercise. Broadly speaking, one may detect a consensus to the effect that each approach has its merits and that both approaches could be combined. While the primary elements of debt management are well covered in the CBP approach, as countries get closer to the market it may well be that the DeMPA approach emphasizes aspects that will become increasingly important, such as currency and interest rate risk management. DeMPA is a tangible contribution to the process of diagnosis of debt management needs, and clearly constitutes the most well thought out element of the Bank proposal.

In effect there is a continuum of topics relating to debt management as we move up the chain of value (to use Dag's phrase), and if one keeps "raising the bar" to accommodate those who are further along the road to voluntary lending on market terms, there will obviously always be room for significant improvement in the debt management skills for those who are more distant from this goal. In this respect, the integration of debt management with macroeconomic planning is a fundamental step that must be taken. Some of the skills would only be required in close proximity to the market objective, but as we were reminded yesterday, some of the risks involved (such as sudden stops in capital flows) are beyond the control of recipient countries and can in fact originate in industrialized markets.

But it should remain clear that we are talking about the diagnostic stage. Plans for upgrading skills and systems remain the province of national governments, and the delivery of technical assistance is an area in which regional organizations (set up for precisely this purpose) possess a comparative advantage.

The development of deep and liquid domestic debt markets is a laudable objective, but it seems to me rather beyond the specific scope of these activities. Given the difficulties and costs inherent to market-making, the complex legislation and payment systems required to ensure the settlement of certain transactions, and the interaction of genuine debt operations with central bank liquidity management via open market and sterilization operations, perhaps the best approach would be in the context of an independent project.

## **Coordination**

The first step in coordination is for all parties to keep each other informed of plans and activities. Who are the parties? Those of us here today: donors, beneficiaries, international and regional partner organizations. Somebody spoke yesterday of a global partnership for capacity building in debt management. This is what we all should be aiming for.

This does not rule out competition. There may be competing diagnoses, competing delivery mechanisms, even competing donors. Conditionality was mentioned as a concern yesterday, and despite protestations to the contrary it may remain a concern. The best way to minimize this concern would be through the continued availability of non-conditional technical assistance alternatives for recipient countries.

Competition keeps costs down, and as a regional partner we are confident we can deliver quality assistance on an extremely cost-efficient basis with respect to the open market. But the time of recipient country officials is a scarce commodity, and coordination may allow us to impose fewer requirements on it.

Coordination also requires adequate governance mechanisms. Country ownership has been singled out by all present at this meeting as a fundamental value to be preserved in this context. The governance mechanisms for any global partnership must guarantee this. But I would also suggest that the governance mechanisms proposed for DeMFLIC reflect this by incorporating appropriate representation of other debt management stakeholders such as the countries themselves and the ROs.

## **Conclusion**

In going forward, the basic question is whether World Bank engagement should take place on an ad hoc basis, or if some formal arrangements for periodic and multilateral consultation among the parties should be implemented. There would appear to be sufficient commonality of objectives and goodwill to attempt the latter in the framework of a global partnership, where different providers of distinct services at the various stages (diagnosis, design and implementation) could compete and coordinate for the available funding. Ideally the Bank could, in addition to competing for donor resources in this arena, mobilize its own funds in support of this initiative. As the representative of a regional organization that consists mostly of MICs, I would remind the Bank of the significant contribution these countries make via the contribution of IBRD net income to concessional lending.

So at the present stage there are still some issues of coverage and content to be clarified, and of course the World Bank initiative has yet to identify its level of funding of the initiative. As Jean Luc Bernasconi indicated, this process of consultation may yet have some distance to go. We agree that important elements of governance and procurement remain to be defined. Nevertheless, the process of engagement has begun and we look forward to taking it through to a fruitful conclusion.

Thank you