

3. Checklist for Action

The Economic and Legal Advisory Services Division (ELAS) of the Commonwealth Secretariat held three workshops on Effective Domestic Debt Management in June 1996 for the Caribbean region, in December 1996 for countries from the Asia–Pacific region, and in March 1998 for African countries. At the end of each workshop an action plan based on the discussions was issued to all participating countries. A checklist of the action plan is presented below, and reflects the areas where further consideration is required on domestic debt matters.

1. Debt management objectives

- Consider domestic debt operations in the context of the economic conditions prevailing in your country.
- Define the objectives of domestic debt management.
- Prioritise them according to your country's needs.
- Define the role of debt managers and encourage them to promote the objectives of debt management.

2. Fiscal management

- Improve revenue sources through tax reform.
- Undertake expenditure and administrative reforms and correct fiscal imbalances through fiscal restraints.
- Analyse sustainability of debt, maintain debt servicing at manageable levels and conduct periodic review of interest rates on debt instruments.
- Review borrowing limits, analyse outstanding debt levels and streamline government cash flow operations, restore public confidence in government debt operations.

3. Policy co-ordination

- Harmonise fiscal and monetary policies.
- Agree on common goals involved in fiscal, monetary and debt management.

- Reduce or eliminate government intervention in the operation of markets, but introduce regulatory and supervisory systems to ensure their orderly development and the protection of investors.

4. Deficit financing

- Analyse merits and demerits of borrowing through various instruments.
- Advise debt managers, where possible, to engage in least cost methods of borrowing.
- Avoid monetary financing.
- Establish overall government borrowing ceilings.
- Introduce legislation or amend existing legislation to incorporate government borrowing ceilings (if such statutory ceilings do not exist).
- Avoid borrowing for long-term purposes through the issue of short-term debt instruments.
- Review financial positions of sinking funds (if any) and improve their ability to redeem debt by allowing them to invest in high return investments.

5. Development of debt securities markets

- Central banks to initiate action to develop domestic or regional markets for debt securities.
- Individual countries to ensure that necessary preconditions are established to set up regional debt markets.
- Appoint a reputable and well-capitalised group of institutions for market making.
- Prepare guidelines for market makers, outlining their privileges and responsibilities.
- Deregulate markets by removing administrative controls on interest rates and barriers to entry for investors.
- Design and install systems for cheque payment, clearing, settlement and trading systems for debt securities.
- Remove tax, legislative, regulatory and institutional and other administrative constraints on the sale, trading and investment in debt securities.
- Improve primary Treasury bills market and encourage active trading in the secondary market.
- Allow captive institutions to manage their portfolios professionally.

- Begin open market operations by central banks.
- Begin issuing debt securities with different maturity structures and in a sequential order to ensure regular supply of debt instruments to the market.
- Promote the issuing and trading of private debt securities.
- Enhance the role of the central banks in effective debt management and delegate responsibilities to debt managers.
- Issue development bonds for financing of projects.
- Establish training programmes for staff of the central banks, ministries of finance, and contractual savings organisations (captive funds), on domestic debt management, portfolio management, debt issues and selling techniques.

6. *Contingent liabilities and parastatal debt*

- Establish an effective system of debt operations of parastatals and public enterprises.
- Introduce limits on overdraft facilities given to parastatals and public enterprises.
- Privatisise (fully or in part) public enterprises which are dependant on budgetary resources.
- Review criteria for providing government guarantees.

7. *Institutional arrangements and operational co-ordination*

- Set up an appropriate institutional structure, including debt review committees to ensure co-ordination of fiscal, monetary and debt management operations.
- Establish close co-ordination among debt management units in the ministry of finance, the central bank and the accountant general's department.

8. *Data collection, recording and computerisation*

- Debt management unit to collect, record, analyse information relating to domestic debt and submit periodic reports to senior staff, policy makers and co-ordination committees.
- Use computer-assisted data recording and management systems, such as CS-DRMS.
- Provide adequate incentives – involving salaries, training and promotion – to staff in debt management units.