

RESERVE BANK OF FIJI



**OPENING ADDRESS AT THE COMMONWEALTH
SECRETARIAT WORKSHOP: “Using CS-DRMS 2000+ for Proactive
Debt Management” BY GOVERNOR OF THE RESERVE BANK
OF FIJI, MR SAVENACA NARUBE ON 27 MARCH 2006**

Team Members of the Commonwealth Secretariat London Mr. Walton
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Participants from the region,
Members of the Debt Unit of the Ministry of Finance,

I thank the Commonwealth Secretariat for inviting me to inaugurate this regional workshop on **Proactive Debt Management Using CS-DRMS 2000+**. I understand that this workshop has drawn participants from seven user countries in the region, including Fiji. As the host country, I take this opportunity to welcome you all to Fiji and wish you an enjoyable stay.

You are here to learn the concept of debt management, acquire skills in working with the software developed by the Commonwealth Secretariat called the debt reporting and management system or CS-DRMS in short, and learn few strategic tips to assist your own government, in using a proactive debt management strategy. I trust that at the end of this workshop, you would have acquired the required skills in the use of the CS-DRMS software and return to your respective countries with confidence that you can contribute to building your debt recording and management system.

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I know a little bit about CS-DRMS as I had the opportunity to oversee its embryonic implementation in the Reserve Bank of Fiji way back in 1980's. At that time until very lately, the Reserve Bank was primary responsible for the operation of CSDRMS. Unfortunately for two decades, we struggled to effectively operate the system. Our major hurdle was on retention of skills—a common problem for us all. As soon as we were able to train an expert in the system, that person left the Bank. We had then to train all over again. Our backup system did not work as well as it should. Capacity building such as in this conference is therefore absolutely essential. I thank the Commonwealth Secretariat for organising this training. Please pay some attention also in you staff backup and succession planning.

The CS-DRMS 2000+ is a unique windows-based platform which not only provides the essentials of a data reporting tool, but also provides several analytical aspects of debt management. In the past, this computerized database system along with the regular training has contributed significantly towards building capacity of member governments of the Commonwealth, to manage their external and domestic debt commitments.

I understand that the latest version, that is 2000+ 1.2, which has just been released and would be the basis for this training workshop, has the potential to record all types of public sector liabilities of government as well as private sector, domestic as well as external, short, medium and long-term. You get all your data management within one software, which also facilitates user interface with other stakeholders of government.

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Why are we concerned about accurately recording debt? The need for recording government liabilities was actually in response to the third world debt crisis of early 1980s, which began in Latin America, and affected subsequently several developing countries of Asia, including those in the Commonwealth. Following the debt crisis, it was near impossible to judge the total external exposure of countries to internal creditors. CS-DRMS, which I understand began as early as in 1983, provided an important tool to capture debt data in a systematic fashion.

The Asian currency crisis of 1997 brought to the fore the difficulties of other kind of liabilities, in addition to external debt. The issue that surfaced in the post crisis period was not so much to do with the aggregate level of external debt, but more to do with their composition between private and public sector, its maturity structure, other forms of debt such as contingent liabilities, and the pursuance of macroeconomic policies that were not consistent with the debt management objectives. All of a sudden Asian governments faced huge defaults and bankruptcy, which could not have been anticipated. Once again such crisis reminded the need for a comprehensive capture of debt data, considering all liabilities in the economy. It also tells us that governments not only need to monitor liabilities of its own, but also of other sectors, such private corporate, financial sector, etc. which have severe systemic implications in the event of a crisis. We in the Reserve Bank of Fiji are examining ways in which we can start to measure total national debt including the private sector and we are looking at developing this data base using the CSDRMS.

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Today you have a debt register at your finger tip, not only to provide entire debt figures of the nation, but to make projections for future years, and evaluate their macroeconomic aspects such as debt sustainability. There is an international attempt to also standardize the debt data reporting, promoted by multilateral organizations such as the Commonwealth Secretariat, the IMF and the World Bank. Countries are required to adopt harmonized standards establishing clear methodology in recording and reporting of external debt. We need to ensure that better institutional processes are in place, in order that accurate as well as timely information flows is ensured.

Let me emphasize here that statistical data needs intuitive interpretations. Remember that behind all figures there is an economic logic. As debt managers you need to go beyond figures, and understand the reasons for their occurrences, growth and be able to analyze their implications. You need to provide early warning signals to the policy planners. There are of course trade offs in debt contracting, domestic versus external, foreign currency versus domestic currency, short term versus medium and long term, which cannot be ignored. Government cannot ignore the costs of debt overhang, and its implications on its own financial situation as well as economy.

It is in this context one needs to make debt analysis using sophisticated analytical models to make risk and vulnerability assessments. Illustrative scenarios can be made exploring several analytical aspects of debt such as the impact of alternative government debt borrowing policies on certain

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key risk parameters in order to assess the vulnerability of government debt portfolio (floating vs. fixed interest rate, long term vs. short term maturity and duration, and local currency vs. foreign currency linked public debt).

Such analysis essentially requires not only recording of debt levels, but also examining their relationship with the macroeconomic goals of the country. The task of the debt manager is not just meeting the 'funding requirement' of the government, but to acquire funds within the preference of its costs and risks, taking into account long run objectives such as sustainability.

Let me very briefly turn to another important issue that is concerned with government borrowings. Borrowings, external or domestic, can serve as an important source of financing investments which enable countries to achieve higher economic growth. However excessive contraction of debt as well their irrational deployments in unproductive sectors can also become obstacles to growth, as several episodes of debt crises have shown. The question should therefore be as to how to make debt finance promote development.

The answer to this question is not straightforward but would lie in myriads of issues surrounding debt contracting and management, such as maintaining sustainable level of debt, mix of domestic as well as external debt, their effective utilization as well as honoring creditors in time and in full amount.

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We should strengthen our capacity to maintain an effective debt management information system and to use the emerging sophisticated computerized environment. The entire debt management operations should be fully automated, which would track the whole of the external loan cycle from the stage of signing of agreement till repayment of the last installment, as well as reporting and recording.

It is also necessary that the quality and timeliness of the data reporting should be improved, and their format of recording should be rationalized. It is necessary to identify if there are significant time gaps in reporting and/or missing information due to regulatory and institutional issues.

Trained staff is an essential prerequisite for efficient debt management. Training should not only be provided to support staff, but more importantly to their supervisors also, as the later need to undergo advanced training for effective supervision. Ultimately the debt management staff should have the capacity to make advanced debt analysis and projections, and help strengthen the country's capacity to manage debt in an efficient manner. I understand that CS-DRMS 2000+ and this training has the potential to achieve these objectives. I definitely intend to see the fruits of such training realized at the Reserve Bank of Fiji and I will be monitoring this with interest.

I wish you a successful workshop.

Thank you.