
SOVEREIGN CREDIT RATINGS AND THE GOVERNMENT SECURITIES MARKET IN THE ECCB MEMBER TERRITORIES*

by
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Introduction

The Eastern Caribbean Central Bank (ECCB) along with the member governments is developing a fully integrated regional primary and secondary market for government securities. This activity forms part of a wider objective to develop money and capital markets in the Eastern Caribbean currency union.

The Regional Government Securities Market (RGSM) would open up the sale and purchase of individual government securities to non-residents. At present, almost all the securities issued by the individual governments are purchased by institutions and individuals domiciled within the country of issue. Several impediments to the purchase of government paper by non-residents have been identified and some are being addressed. These include withholding taxes on non-residents on income from securities; a paucity of information on new issues; an inefficient payments system and an uncertain legal and administrative framework for cross border purchases of securities.

Under the proposed RGSM, residents in any country can purchase treasury bills/bonds from any government in the currency union. A resident of Anguilla, for example, will be able to hold a bill from the government of Grenada or a resident of St Vincent and The Grenadines will be able to hold a bond from the government of Antigua and Barbuda. One of the major advantages of the RGSM is that investors could carry less risk for the same dollar value of investment,

as they would be able to hold government paper from all eight countries in the currency union. In order to attract wider participation of potential investors in this market, member governments and the ECCB are putting in place the necessary infrastructure to encourage cross border transactions in government securities.

This paper analyses the information on the performance and prospects of the respective governments that would be required by potential investors to make decisions. Investors will use this information to determine the ability of governments to meet their debt obligations. The paper will also discuss sovereign credit ratings, the methodology used by various rating agencies and which entities in the ECCB region should be responsible for conducting these ratings. The paper attempts to stimulate debate on the need for sovereign credit ratings.

What Are Sovereign Credit Ratings?

Sovereign credit ratings are primarily an assessment of the probability that a country will not meet its debt service obligations. Most rating agencies calculate ratings on a scale of 0 to 100, with 100 representing a low likelihood of default and zero the highest likelihood of default. In order for a country to access the international capital markets (i.e. London and New York) it is required to have a rating by at least one internationally recognised agency. A country's credit rating is normally reflected in the cost of borrowing.

* *The views expressed are those of the author and not necessarily those of the Eastern Caribbean Central Bank.*



For instance, a country that has a high rating may access capital at the London Inter-Bank Offer Rate (LIBOR) plus 75 basis points, while a country with a low rating may have to pay LIBOR plus 400 to 600 basis points.

Credit ratings are therefore very important to any government, government agency or company wishing to access funds from the international capital market. The prudential guidelines of some banks and trust and insurance companies prohibit lending to any company or government that does not have a strong credit rating. Sovereign credit ratings are also important for government agencies or private enterprises wishing to access the international capital market, since they do not usually receive a rating that is higher than their home country.

The international agencies most associated with sovereign ratings are Standard and Poors and Moody's based in North America and Fitch IBCA in Europe. These agencies issue ratings twice yearly for a number of countries. Ratings for over 100 countries are also conducted and published in a number of magazines such as Institutional Investor and Euromoney in March and September.

Credit ratings for countries are often conducted separately for external and domestic debt. The rationale for this is that various factors may affect a country's ability to service the different types of debt. For instance, a country may be generating sufficient current revenue on its fiscal operations to service its domestic debt but may have insufficient foreign exchange to service its foreign debt.

Credit ratings are especially critical in the currency union given that there are persons in other islands who do not necessarily have full information on other countries in the currency union. In order to encourage cross border trading, an independent agency would need

to provide information on the economic performance of countries. In the absence of such data, the volume of transactions is likely to be lower and interest rates higher.

Current Situation in the Eastern Caribbean Currency Union

In the ECCB member countries, the majority of government securities (treasury bills and bonds) are purchased by residents. As at March 1999, of the \$725m outstanding stock of bonds and bills, only \$9.4m (1%) was held by investors outside of the issuing country. This is mainly due to the fact that government paper is not marketed overseas as the mechanism to handle cross border financial transactions is not well developed. In addition, government paper is normally given preferential treatment in each specific country. There is also a lack of current information in the public domain on the economic performance of other countries and the fiscal situation of other governments. An example of the lack of cross border trading in government paper is reflected in the case of Anguilla, which does not issue treasury bills and as a result the four banks operating in that country hold no bills. Prior to the government of St Vincent and The Grenadines resuming the issuing of treasury bills in December 1996, the five banks in that country held \$0.5m of treasury bills in their portfolios.

The main source of information for the public on the economic performance and prospects of the economy is the annual budget address and debate. The Mexican crisis in 1994 and more recently the Asian crisis, brought to the fore the issue of poor disclosure of pertinent information. Data on reserves were often sparse, late, insufficient and misleading. This has led to efforts by the International Financial Institutions (IFIs) to establish reporting standards in light of the growing level of international capital flows. In the ECCB



region, data on economic performance are not disseminated widely but are available on request from the statistical offices attached to the Ministry of Finance or the Ministry of Planning. Direct contact between the private sector in one country and the statistical office in another country is not very prevalent. As such, potential investors rely on direct contact with their counterparts in other countries, the publications of regional organisations such as the CARICOM Secretariat, Organisation of Eastern Caribbean States (OECS), Caribbean Development Bank (CDB) and the ECCB and on the media. Other possible sources of information are publications of international institutions such as the International Monetary Fund (IMF) and the World Bank, but some of these are restricted. Potential investors will have access to public information notices (PINs) from the IMF, which include data on the performance and prospects of the economies. However, the availability of these documents on the internet is at the discretion of the government and while usage of the internet is growing the number of individuals that have access to this medium is still small.

If the involvement across countries is to be significant, it is important that potential investors have ready access to pertinent data on all countries participating in the RGSM. Credit ratings provide this data.

Determinants of Sovereign Ratings

Determining a country's credit rating is at best an imprecise science. While there may be some amount of agreement amongst practitioners about what categories are important, difficulties arise with respect to the weights and method of quantifying some of the criteria. This information on the weights and methodology is not always available as some agencies consider these to be trade secrets.

In assessing a country's ability to meet its debt obligations, one needs to examine three main categories - debt indicators, economic conditions and other qualitative factors. The data should reflect both the trends and prospects in these categories.

Table 1
Ranking of Rating Factors

OECD COUNTRIES			EMERGING MARKETS		
1979	1994	Rating Factor	1979	1994	Rating Factor
1	1	Economic outlook	1	1	Debt Service
5	2	Debt Service	3	2	Political Outlook
2	3	Reserves and Current Account	2	3	Economic Outlook
9	4	Fiscal Policy	4	4	Reserves & Current Account
3	5	Political Outlook	5	5	Trade Balance
6	6	Access to Capital Markets	6	6	Foreign Direct Investment
4	7	Trade Balance	9	7	Fiscal Policy
7	8	Inflow of Portfolio Invest.	8	8	Inflow of Portfolio Invest.
8		Foreign Direct Investment	7	9	Access to Capital Markets

Source: Institutional Investor, March 1994



From the literature, economic conditions are the primary factor used to determine the creditworthiness of a developed country, while for developing countries the primary factor is debt indicators. In a survey conducted by Institutional Investor and published in its March 1994 edition (see Table 1), the economic outlook for countries of the Organisation of Economic Co-operation in Development (OECD) ranked number one. For emerging or developing countries debt service received the highest rank. The table also shows that over time, the relative importance of the rating factors may change. In the following section, the specific variables that are examined under these primary factors are reviewed.

Debt Indicators

All the agencies that produce credit ratings look very closely at debt indicators to determine the ability of a country/agency to service its debt. A higher debt service ratio indicates a higher risk of default. Generally, several debt service ratios can be used in assessing the burden facing the country. The standard ratios include:

- debt service to exports of goods and services;
- debt service to recurrent revenue;

- outstanding debt to GDP;
- accrued debt service to exports; and
- accrued interest to exports.

No data are readily available on what critical values used for the respective ratios or which values are given preference. In its Global Finance publication (formerly World Debt Tables)¹, the World Bank uses ranges for four debt indicators to determine which category of indebtedness a country falls into (see Table 2). In the currency union these critical values are not applicable to those countries that have accumulated arrears before reaching these values. As these ratios differ in size and in relative importance from country to country, it is necessary to develop the appropriate ratio on a case by case basis.

Countries with accumulated arrears would be well advised to improve their track record in meeting their debt obligations prior to joining the RGSM. Participation in such a market by countries with a poor track record in making payments would result in them having to pay higher rates of interest to attract investors. International agencies provide ratings on some of these countries and potential investors will use their own criteria to rate countries.

Table 2
World Bank Critical Indicators and Values
in Percentage

Debt Ratio	Severely Indebted Country	Moderately Indebted Country
Debt to GNP	50	30 to 50
Debt to Exports of goods and Services	275	165 to 275
Accrued debt service to exports	30	18 to 30
Accrued interest to Exports	20	12 to 20

Source: World Bank Debt Tables

¹ From 1990-91 World Debt Tables. External debt of developing countries, volume 2 Country tables, page xxiii.



It is proposed that the most relevant debt indicator in the context of the ECCB area is the ratio of debt service payments to recurrent revenue. In many other countries, the most relevant measure is the ratio of debt service payments to exports of goods and factor services, which measures the country's ability to generate foreign exchange to service its foreign debt. One drawback of this measure is that it says nothing

of the domestic debt burden. Under the ECCB monetary arrangement, the foreign exchange earnings of the member countries are pooled. Therefore the binding constraint on servicing external debt of an individual country is the government's ability to raise sufficient domestic resources to purchase foreign exchange.

Table 3
Selected External Debt Indicators - 1998

Country	Debt to GDP	Debt to Exports of Goods and Services	Debt Service Payments to Recurrent Revenue
Anguilla	9.58	1.38	4.14
Antigua and Barbuda	36.85	1.50	4.69
Dominica	34.92	5.66	10.61
Grenada	27.29	3.56	6.50
Montserrat	29.52	1.57	2.54
St Kitts & Nevis	37.92	6.96	11.68
St Lucia	22.06	3.22	7.48
St Vincent & The Grenadines	31.07	6.36	10.64
ECCB Area	30.10	3.58	7.93

Source: Digest of Debt Statistics, 1998, ECCB

For instance, countries A and B may each have a debt to GDP ratio of 45.0 per cent. However, the composition of A's debt might include a very high proportion of commercial debt (higher interest rates and shorter grace and repayment periods), while country B's debt might be primarily on concessional terms. These factors could in effect translate to much higher debt service payments for country A in comparison to country B. Thus the use of the outstanding debt to GDP ratio could be grossly misleading especially when comparing countries. For example, countries A and B might have similar debt to

GDP ratios, but country B might have a high proportion of debt denominated in an appreciating currency. Over time this could translate into a higher debt service ratio than in the case of country A. In the currency area, emphasis should be placed on the use of the debt service to recurrent revenue ratio in determining the true debt burden of the individual countries.

The major constraint faced by individual countries in the quasi currency board system of the Eastern Caribbean currency union with respect to their debt is the ability to generate sufficient local revenue from a



relatively narrow tax base. The main source of revenue for the ECCB member states is taxes on international trade and transactions. In 1997 taxes on international trade and transactions accounted for 50.0 per cent of current revenue². In addition, a relatively high level of expenditure on personal emoluments ranging from 0.42 cents to 0.63 cents per dollar of revenue and the growing level of pensions have placed extreme pressure on the budgets of various governments. This has been exacerbated by a reduction in tariffs, which are likely to be further reduced as a result of regional, hemispheric and international trading agreements.

Economic Conditions

This category can be separated into two sections - domestic economic conditions and external economic developments. Coverage of these sectors should include recent developments as well as prospects.

Under domestic conditions, ratings should cover GDP growth, prospects for the main sectors, investment, the rate of inflation, liquidity in the banking system and exchange rate risks. The external conditions should include changes in trading arrangements, changes in economic conditions in trading partners, access to bank credit, capital markets and external aid.

For a given size of debt and debt service obligations and for a given revenue to GDP ratio, the higher the level of economic growth the higher should be the credit rating of the country. The rationale for this relationship is that the potential tax base increases as the economic fortunes of the residents of the country improve. This provides revenue for the government and enhances the ability of the country to service its debt. In addition,

during a period of domestic economic growth there is less likelihood that there would be greater demands for government transfers to the rest of the public sector and to the private sector.

The external balance of the country is also an important factor in rating a country. A deteriorating current account position accompanied by a low level of reserves could retard growth and contribute to a crisis. Under these conditions the economy might be under stress in the short term, which may impair its ability to service its debt. A growing scarcity of hard currency would affect the country's ability to meet payments for critical imports especially in the tradable sector. A study by Burton and Inoque (1985) indicated that the economic variable, which most affects country risk, was the ratio of foreign exchange reserves to monthly imports.

In the currency union, due to the openness of the economies, growth is determined by the external environment. Two of the major export earners of the region - agriculture (bananas and sugar) and tourism - are to a large extent dependent on economic and political factors in North America and Western Europe. The demand for tourism services and manufactured goods varies with economic conditions in the major economies, while the prospects for agricultural products are determined by a mix of economic and political factors which influence industrial countries stance on preferential trade arrangements. The end of the cold war and the rise in domestic debt led to a reduction in aid flows and increased pressure by industrial countries towards trade liberalisation. The dismantling of the banana regime under the World Trade Organisation (WTO) is one result of trade liberalisation. These developments could further affect developing countries

² 1998 ECCB Annual Report and Statements of Accounts



as loan terms become more commercial, translating into higher debt ratios in the short term while at the same time there is greater volatility in production and export earnings.

Qualitative Factors

In addition to the economic factors referred to earlier, political and social aspects are taken into consideration in the determination of a country's credit rating. These factors may include general strikes, government crises, riots, violence, election timing, the type of government (free market as opposed to centrally planned) and the policies of opposition parties. The greater the level of uncertainty associated with these factors, the greater the likelihood that a country may default on its debt obligations directly or indirectly through poor economic performance. As is expected the value associated with this category, often referred to as political risk, is more of an art than a science and is based largely on informed judgement.

Some of the credit rating agencies poll various specialists to determine what scores to give the respective countries. These specialists include bank credit officers, risk analysts and risk insurance brokers.

Weighting of Factors

The more difficult task in determining a country's credit risk is the assignment of weights to various factors that have been outlined. This is reflected by looking at the factors used by rating agencies. In the case of Euromoney, economic performance and political risks are assigned the highest individual weights of 25.0 per cent each. A weight of 30.0 per cent is assigned to various debt indicators including ratings from Moody's, S & P and some other rating agencies. The remaining 20.0 per cent includes aspects of access to financial and capital markets.

In the case of the Economist Intelligence Unit (EIU), medium term lending risk carries a weight of 45.0 per cent. Included in this category are several of the standard debt indicators – external debt to GDP, debt service ratio, and the interest-payments ratio. However, consideration is also given to economic ratios such as current account to GDP and savings/investment ratio, as well as arrears on international bank loans, recourse to IMF credit and the degree of reliance on a single export. The second major category that the EIU look at is political and policy risk, which carries a weight of 40.0 per cent. Short term trade risk accounts for the remaining 15.0 per cent.

No information is available on the weights used by Institutional Investor magazine. Their ratings system is constructed by polling an undisclosed number of international banks and weighting the responses of the banks according to their worldwide exposure.

In the final analysis, the weight assigned to the different variables is somewhat eclectic. The differences in these weights across agencies give rise to different rankings. Ul-Haque, Mathieson and Mark (1997) concluded that "while a higher real GDP growth rate had a significant positive effect on ratings issued by Institutional Investor and Euromoney, it had a statistically insignificant positive effect on the EIU's rating. In contrast, an increase in the rate of growth of a country's exports significantly raised the country's EIU and Institutional Investor ratings, but had a smaller positive effect on Euromoney's rating."

Rating Performance

Some international and regional agencies conduct periodic ratings on a number of the ECCB member countries. Euromoney magazine publishes ratings twice a year on all the member countries of the ECCB with the exception of St Kitts and Nevis and the two British dependencies - Anguilla and Montserrat.



Table 4
Credit Ratings Rankings of ECCB Member Countries

Country	Mar 1997	Sep 1997	Mar 1998	Sep. 1998	Mar 1999	Sep 1999	Mar 2000	Change in Ranking Mar 97 - Mar 00
Antigua & Barbuda	176	176	NA	171	164	171	174	+2
Dominica	140	130	NA	110	130	104	136	+4
Grenada	165	159	NA	109	123	101	121	+44
St Lucia	131	117	NA	74	100	81	98	+33
St Vincent & The Grenadines	143	122	NA	104	109	91	114	+29

Source: Euromoney Magazine

Table 4 shows that between March 1997 and March 2000 there was an improvement in the ranking of the five countries for which ratings are available in Euromoney magazine. Grenada, St Vincent and The Grenadines and St Lucia jumped by at least 25 places. Dominica climbed by 4 places, whilst Antigua and Barbuda was up by 2 places.

The highest ranked of the five member countries reviewed by the magazine continued to be St Lucia in 98th place as at March 2000. Antigua and Barbuda is the lowest ranked ECCB member country at 174. The total number of countries ranked by the magazine is 180. Most of the other CARICOM partner countries, with the exception of Guyana and Haiti, were ranked above the five ECCB member countries. As at March 2000, Jamaica was ranked 91st. St Lucia ranked below Jamaica and received a lower score because it does not regularly access funds from the capital markets nor does it receive regular ratings from other credit agencies. Both of these factors are included in the compilation of the credit rating by Euromoney.

The improvement in the rankings of these countries may be attributable to the fact that they have by and large maintained fairly good macroeconomic and debt policies during a period, when many other developing countries suffered as a result of poor fiscal and debt management. Adherence to democratic traditions has reduced political risks and enhanced the countries' credit ratings. Ratings and rankings have fluctuated over the period mainly as a result of the availability of statistical information on economic performance.

Credit ratings are not a precise science and different methodologies are used and constantly being refined. For instance, Moody's and S & P gave similar ratings for 28 out of 49 countries in September 1995. For the 21 that differed, 12 were rated higher by S & P and 9 were rated higher by Moody's.

Although there are variations amongst the leading agencies, there are some common core features which countries should note in order to improve their credit rating. All the agencies include factors that cover



economic conditions, debt indicators and political risks. However, one study concluded that the ratio of non-gold foreign exchange reserves to imports, the ratio of the external current account balance to GDP, the rate of growth of GDP and the inflation rate are the most important domestic economic variables.

As a minimum requirement, individual member governments should adopt credible macroeconomic policies led by fiscal discipline. These need to be supported by other policies that are credible, consistent and supportive of macroeconomic sustainability. The origin of the Asian crisis of 1998 was the financial sector and this undermined the macroeconomic policies that had been in place.

Adherence to a framework of good policy making would provide investors with confidence to participate in the RGSM. Countries need to improve their fiscal accounting procedures and be more transparent. Improved debt management capacity and ability for the countries to manage risk and minimise debt servicing costs would contribute to enhanced credit ratings.

The cornerstone of attracting investors would be the easy availability of information on the performance and prospects of the individual economies. This is best disseminated through composite statistics in the form of sovereign credit ratings. All the ECCB member countries are small states that are vulnerable to external shocks. As part of their strategy for benefiting from the RGSM, they must plan for the worst and provide a cushion for any loss in productive capacity and revenue. This would require the accumulation of reserves, both foreign and local, to mitigate the risks posed by these shocks.

The governments should seek to strengthen their public sector investment programmes (PSIPs) especially

as they relate to investment in projects that can generate foreign exchange earnings. With the decline in external funding for the PSIP, the public sector may switch to domestic resources for funding projects. If such projects have a high import content, then over time the reserves of the region would be adversely affected. The governments should also introduce policies to improve general fiscal management and strengthen debt management. This action would not only reduce the over-reliance on the market for deficit financing and investment expenditure, but would enable the authorities to maintain a sustainable level of public debt.

Conclusions

In recent years the ECCB region has witnessed an actual reduction in external aid flows from the traditional creditors such as the United States of America, United Kingdom and Canada. The RGSM is seen as an important source of financing the public sector borrowing requirement. The literature has borne out the fact that the most efficient method of trading in government paper is through the open market. In order to have a smooth transition to a market oriented system across the currency union, the authorities need to put in place the necessary infrastructure.

One of the objectives of the RGSM is to open up the market for government paper to a wider array of institutions, firms and individuals across the ECCB area. It is therefore vital that measures be put in place. These include an education programme on the benefits of holding government paper. Information on the performance and prospects of the various economies needs to be made available to facilitate decision making. This must be supported by an efficient payment system for the purchase and redemption of securities, preferably same day, to effect trades across the currency union.



The requisite information infrastructure to provide potential investors with the necessary information on the creditworthiness of any government does not exist in the currency union. The potential market for this information would not warrant the establishment of a dedicated agency to undertake the necessary research to publish credit ratings on an annual or semi-annual basis. Such an agency may not even become viable if ratings are also conducted for private sector institutions that may wish to put themselves on the market. As a result it may be necessary for an existing private sector institution to provide this service.

Recommendations

The following are some recommendations on how credit ratings could be conducted for the ECCB member countries and how governments could best position themselves to benefit from the gains that credit ratings could provide.

- 1) That accounting firms in the currency union compile and disseminate sovereign credit ratings for the ECCB member states. This would facilitate the informational infrastructure for the efficient operation of the RGSM. These firms may already have on staff the skills to conduct such research or through their international affiliations may have access to training and exposure in this field. A survey of the ECCB member countries shows that a number of the international accounting firms - Price Waterhouse Coopers, KPMG Peat Marwick and Pannell Kerr Forster – operate in the region. Although no one firm operates in all eight countries (Pannell Kerr Foster has representation in six of the eight countries), each country has at least one of these major firms resident.
- 2) That the local and regional authorities make available to the public data on growth rates, per capita income, balance of payments, public finance and monetary and financial variables on a timely basis. The disclosure of relevant information on a timely basis is critical to securing the most realistic rating possible. In Appendix III, ratings published by Euromoney magazine do not include vital economic data. This has probably led to some countries being at least 8 to 10 points or 20 to 30 places lower than they ought to be.
- 3) That countries establish creditable macroeconomic and debt policies and enhance their capabilities for policymaking. This policy framework would enable governments to recognise potential problems and take corrective action in a timely fashion. These measures should be taken before the countries seek to have ratings established. The literature shows that once a country is assigned a rating by an agency, marginal shifts in policy and performance have very little impact on the rating. Thus an initial unfavourable rating could be extremely difficult to improve without the implementation of drastic policy reforms.
- 4) That a surveillance mechanism be established at the level of the currency union to provide advice to member governments on the appropriateness of policies. This role is important as the failure to maintain good domestic policies in one country could quickly lead to the downgrading of other countries' securities through contagion. In addition, with the liberalisation of capital flows inappropriate policies could be reflected in a deterioration in the external account.



APPENDICES

APPENDIX I

Table 1
Euromoney Credit Ratings

CATEGORY	WEIGHTING	REMARKS
Economic Performance	25	An average of the economic projections for the previous year and projection of the coming year.
Political Risks	25	Rating of 0 - 10. Zero means there is no chance of payments being made. Ten means no risk of non-payment.
Debt Indicators	10	From Global Development Finance debt service to exports (A); current account balance to GNP (B); external debt to GNP (C). Formula used to calculate scores are $C+(Ax2) - (Bx10)$. The lower the score the better. Note: Developing countries that do not report debt data to the World Bank score zero.
Debt in Default/Rescheduled	10	A score of between zero and ten based on the amount of debt in default of that has been rescheduled over the past three years. Zero equals no non-payments and ten all in default or rescheduled.
Credit Ratings	10	The average of ratings from Moody's, S&P and Fitch IBCA.
Access to Bank Credit	5	Calculated from disbursements of private, long term, unguaranteed loans as a percentage of GNP.
Access to Short-Term Finance	5	Members of OECS consensus group I score 10, members of group II score 5 and members of group II score zero.
Access to Capital Markets	5	How easily the country might tap the markets now, based largely on issues since January 1995
Discount on Forfeiting	5	The average maximum tenor available and the forfeiting spread over riskless countries such as the US. The score equals the average maximum tenor minus the spread.

Source: Euromoney



Table 2
Caribbean Development Bank Credit Ratings

CATEGORY	WEIGHTING	REMARKS
Last years economic performance	25	GDP growth (3); rate of inflation (2), change in domestic credit (3); fiscal current account (3); current account on the BOP (2); international reserves adequacy (2); level of external debt (4); debt service ratio (4); gross domestic debt savings ratio (3).
Past trends extrapolated	25	GDP growth (3); rate of inflation (2); change in domestic credit (3); fiscal current account (3); current account on the BOP (2); international reserves adequacy (2); level of external debt (4); debt service ratio (4); gross domestic debt savings ratio (3).
Assessment of current plans for	15	Feasibility of development plans; exchange rate policy; for the economy bottlenecks.
Economic vulnerability	25	Preferential markets (5); natural resource base (4); human resource base (3); export growth (2); diversification of imports by geographical area (3), diversification of exports by category (2) and geographical area (2); likelihood of man made disasters (4).
Non-Economic considerations	10	Election timing (2); foreign trade policy (3); private/public mix in the economy (2); social indicators (3).

Source: CDB



APPENDIX II

Table 1
Credit Ratings for Selected Countries
as at September 1996 (S'96) and March 1997 (M'97)

Factor/ Weight	Antigua & Barbuda		Dominica		Grenada		St Lucia		St Vincent & The Grenadines		Barbados	
	S96	M97	S96	M97	S96	M97	S96	M97	S96	M97	S96	M97
Ranking	166	176	101	140	151	165	100	131	143	143	62	71
Total (100)	17.7	6.6	37.6	28.4	25.6	19.9	37.6	29.8	27.5	27.2	53	52.8
Economic Performance (25)	7.9	-	10.5	-	-	-	9.4	-	-	-	11.8	19.9
Political Risk (25)	8.3	6.1	7.7	9.1	6.1	9.7	8.4	10.1	8	8.4	12.8	12.8
Debt Indicators (10)	-	-	9.5	9.2	9.5	-	9.8	9.6	9.5	8.6	9.5	-
Debt in Default or Rescheduled (10)	-	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Credit Ratings (10)	-	-	-	-	-	-	-	-	-	-	3.1	3.1
Access to Bank Finance (5)	-	-	-	-	-	-	-	-	-	-	-	-
Access to Short- Term Finance (5)	-	-	-	-	-	-	-	-	-	-	2.9	4.3
Access to Capital Markets (5)	1.5	0.5	-	0.1	-	0.2	-	0.1	-	0.1	1.5	1.5
Discount on Forfeiting (5)	-	-	-	-	-	-	-	-	-	-	1.2	1.2

Source: Euromoney magazine



Table 2
Credit Ratings for Selected Countries
as at September 1997 (S'97) and March 1998 (M'98)

Factor/ Weight	Antigua & Barbuda		Dominica		Grenada		St Lucia		St Vincent & The Grenadines		Barbados	
	S97	M98	S97	M98	S97	M98	S97	M98	S97	M98	S97	M98
Ranking	176	-	130	-	159	-	117	-	122	-	128	-
Total (100)	10.1	-	29.4	-	20.0	-	32.4	-	31.3	-	29.9	-
Economic Performance (25)	0	-	0	-	-	-	0	-	-	-	-	-
Political Risk (25)	6.4	-	7.2	-	7.0	-	9.9	-	9.7	-	11.7	-
Debt Indicators (10)	-	-	9.2	-	0	-	9.5	-	8.6	-	0	-
Debt in default or Rescheduled (10)	-	-	10.0	-	10.0	-	10.0	-	10.0	-	10.0	-
Credit ratings (10)	-	-	-	-	-	-	-	-	-	-	3.3	-
Access to Bank Finance (5)	-	-	-	-	-	-	-	-	-	-	-	-
Access to Short- Term finance (5)	2.7	-	3.0	-	3.0	-	3.0	-	3.0	-	3.8	-
Access to Capital Markets (5)	1.0	-	-	-	-	-	-	-	-	-	1.0	-
Discount on Forfeiting (5)	-	-	-	-	-	-	-	-	-	-	-	-

Source: Euromoney magazine



Table 3
Credit Ratings for Selected Countries
as at March 1999 (M'99) and September 1999 (S'99)

Factor/ Weight	Antigua & Barbuda		Dominica		Grenada		St Lucia		St Vincent & The Grenadines		Barbados	
	S99	M99	S99	M99	S99	M99	S99	M99	S99	M99	S99	M99
Ranking	164	171	130	104	123	101	100	81	109	91	74	76
Total (100)	19.3	16.6	29.4	34.8	30.1	35.0	34.0	40.6	33.2	38.9	43.1	42.7
Economic Performance (25)	10.6	7.9	-	6.1	-	5.6	-	7.9	-	7.7	10.9	9.8
Political Risk (25)	5.6	5.5	7.4	7.3	7.5	7.3	11.1	9.4	10.9	8.7	13.7	14.9
Debt Indicators (10)	-	-	9.4	9.4	10.0	10.0	9.9	9.9	9.8	9.8	-	-
Debt in Default or Rescheduled (10)	-	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Credit Ratings (10)	-	-	-	-	-	-	-	-	-	-	3.8	3.8
Access to Bank Finance (5)	-	-	-	-	-	-	-	-	-	-	-	-
Access to Short- Term Finance (5)	2.5	2.7	2.7	2.1	2.7	2.1	1.9	2.3	1.9	2.1	3.8	3.2
Access to Capital Markets (5)	0.5	0.5	-	-	-	-	1.0	1.0	0.5	0.5	1.0	1.0
Discount on Forfeiting (5)	-	-	-	-	-	-	-	-	-	-	-	-

Source: Euromoney magazine



Table 4
Credit Ratings for Selected Countries
as at March 2000

Factor/ Weight	Antigua & Barbuda	Dominica	Grenada	St Lucia	St Vincent & The Grenadines	Barbados
Ranking	174	136	121	98	114	75
Total (100)	13.28	29.73	31.94	35.90	32.86	43.6
Economic Performance (25)	6.14	2.68	3.37	4.73	4.44	8.32
Political Risk (25)	4.74	5.57	6.33	8.6	7.88	14.6
Debt Indicators (10)	0	9.23	10	9.5	7.79	0
Debt in Default or Rescheduled (10)	0	10	10	10	10	10
Credit Ratings (10)	0	0	0	0	0	5.6
Access to Bank Finance (5)	0	0	0	0	0	0
Access to Short- Term finance (5)	1.9	2.24	2.24	2.41	2.24	3.7
Access to Capital Markets (5)	.5	0	0	0.67	.5	1.33
Discount on Forfeiting (5)	0	0	0	0	0	0

Source: *Euromoney magazine, March 2000*



APPENDIX III

Table 1
Credit Ratings for Selected Countries

COUNTRY	MARCH 1998		SEPTEMBER 1997		MARCH 1997	
	Rating	Ranking	Rating	Ranking	Rating	Ranking
Anguilla	-	-	-	-	-	-
Antigua and Barbuda	-	-	-	-	-	-
Dominica	-	-	-	-	-	-
Grenada	17.3	116	15	117	12.9	122
Montserrat	-	-	-	-	-	-
St Kitts and Nevis	-	-	-	-	-	-
St Lucia	-	-	-	-	-	-
St Vincent and The Grenadines	-	-	-	-	-	-
Barbados	42.3	57	42.9	57	41.9	55
Jamaica	30.1	83	29.7	81	27.5	83
Guyana	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-
Belize	-	-	-	-	-	-
Trinidad and Tobago	43.5	54	42.9	56	39.7	60
Switzerland	92.6	1	92.2	1	92.5	1
USA	92.6	2	92.1	2	91.2	4
United Kingdom	89.3	7	88.4	7	88.4	6
Seychelles	28.2	86	29.5	82	27.3	86
Mauritius	51.8	45	51.9	42	50.9	43
Cote d'Ivoire	21.4	103	20.1	104	18.9	103
Global Average	41.2	-	41.0	-	40.1	-

Source: Institutional Investor



Table 2
Credit Ratings for Selected Countries

COUNTRY	SEPTEMBER 1999		MARCH 1999		SEPTEMBER 1998	
	Rating	Ranking	Rating	Ranking	Rating	Ranking
Anguilla	-	-	-	-	-	-
Antigua and Barbuda	-	-	-	-	-	-
Dominica	-	-	-	-	-	-
Grenada	16.7	116	14.7	120	15	120
Montserrat	-	-	-	-	-	-
St Kitts and Nevis	-	-	-	-	-	-
St Lucia	-	-	-	-	-	-
St Vincent and The Grenadines	-	-	-	-	-	-
Barbados	45.0	54	43.5	54	42	57
Jamaica	28.9	84	28.0	85	29.1	84
Guyana	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-
Belize	-	-	-	-	-	-
Trinidad and Tobago	44.9	55	43.3	56	42.9	55
Switzerland	93.0	1	92.7	1	93.4	1
USA	90.9	5	92.2	3	91.2	4
United Kingdom	90.2	7	90.2	6	90.9	5
Seychelles	29.6	82	29.1	79	28.9	85
Mauritius	53.9	41	53.7	39	53.0	43
Cote d'Ivoire	25.5	94	24.3	96	22.2	102
Global Average	41.5		40.9		41.2	

Source: Institutional Investor



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