

Analysis of Costs and Main Investors of Sovereign Debt Issuances in Latin American and Caribbean Countries

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Joan Prats
María Eugenia Pereira

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ANALYSIS OF COSTS AND MAIN INVESTORS OF SOVEREIGN DEBT ISSUANCES IN

LATIN AMERICAN AND THE
CARIBBEAN COUNTRIES



Joan Prats
María Eugenia Pereira

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Abstract*

Sovereign debt issuances are often assessed in quantitative terms and in terms of their impact on a country's debt profile. However, behind every debt issuance there are also a series of operational practices which involve engaging with parties such as credit rating agencies, law firms, underwriters, and investors which also warrant assessment. The costs, periodicity, and range of these engagements vary across Latin America and the Caribbean (LAC). This paper aims to illuminate practices surrounding the selection processes, associated costs, and priorities of debt management offices (DMOs) across LAC. By classifying the participating countries in three main categories—large economies that are

regular sovereign debt issuers, smaller economies that are also regular issuers and that issued debt in 2020, and smaller economies that are non-regular issuers—the analysis identifies common regional practices, as well as differences among countries. The main purpose of the paper is to present data that may be relevant to LAC countries in assessing their own procedures at the time of issuing debt, and to identify strengths and areas for improvement that may lead to more efficient operational financing practices in the region as a whole.

JEL Code: H63

Keywords: debt, debt management, sovereign debt

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Introduction

This paper analyzes the operational characteristics surrounding sovereign debt issuances in Latin America and the Caribbean (LAC). It explores the interactions among countries and the actors involved in the sovereign issuance process, such as credit rating agencies, law firms, underwriters, and investors. The analysis will illuminate practices surrounding the selection processes, associated costs, and priorities for debt management offices (DMOs). It aims to identify common practices in the region, as well as differences among participating countries. The paper also includes a final section that summarizes the opinions and priorities of DMOs in the region on administrative practices related to sovereign debt issuances and interactions with other actors.

The data were collected through a survey containing information up to 2020. The following countries provided data: Brazil, Chile, Costa Rica, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Perú, Trinidad and Tobago and Uruguay. Given the confidential nature of the information involved, the paper will not distinguish between countries and instead refers to results by country

groups. Any reference to the LAC regional averages includes this group of respondent countries. Whenever individual questions were not answered by all countries, country shares are calculated among the respondents.

Because of the variations in the economies involved in the study, countries were classified into three main group for analysis, using most recent issuances and size of issuances as criteria:

- Large economies that are regular sovereign debt issuers (**LR**): Brazil, Chile, Mexico and Peru.
- Smaller economies that are also regular issuers and that issued debt in 2020 (**SR**): Panama, Paraguay, and Uruguay.
- Smaller economies that are non-regular issuers (**SNR**): Costa Rica, Guatemala, Honduras, Jamaica, and Trinidad and Tobago.

This analysis will compare practices, costs, and expectations surrounding the operational characteristics of sovereign debt issuances in LAC.

Key Findings

Credit Rating Agencies

LAC countries are rated on average by four credit rating agencies (CRAs). There is a positive correlation between the size and regularity of debt issuances and the number of rating agencies assessing the country. Large economies that are regular issuers are rated on average by six agencies, while smaller economies are rated on average by three agencies.

All countries in LAC carry out solicited ratings and pay an annual fee for CRAs. The annual fees paid range from US\$20,000 to US\$270,000, with the average fee being US\$163,209. Smaller economies that are non-regular issuers have considerably lower fees. Sixty-seven percent of the countries also pay transaction fees to CRAs. Fifty-eight percent of the region also receives unsolicited ratings, and nearly all DMOs choose to meet with agencies providing unsolicited ratings. Fifty percent of countries value DMOs engaging with a diverse group of CRAs.

With regard to the actors interacting with the CRAs, in smaller, non-regular debt issuing economies a wider base, including political entities and financial institutions, participate in the processes.

Name recognition among investors is key at the time of selecting an agency. One hundred percent of regular issuers highlighted name recognition as an essential selection criterion, as did 80 percent of non-regular issuers.

Fairness and transparency in methodology are essential features considered by all DMOs in the region when selecting an agency. However, while reducing information barriers is also very important for regular issuers, objective facts and data are key priorities of non-regular issuers. Finally, regarding preparation for meeting the agencies, 67 percent of DMOs prepare books in advance of meetings with CRAs, but only 33 percent hire a ratings advisor.

Law Firms

LAC countries most frequently use one or two law firms that specialize in debt issuance. Larger economies use more firms than smaller economies. However, among the smaller economies, those who are non-regular issuers tend to consult with an average of four firms. Law firms are selected for three years on average, both through direct (27 percent of countries) and competitive processes (73 percent

of countries). Per-transaction fees are more common than annual retainers. The latter range from US\$20,000 to US\$800,000. While half of the large economies who are regular issuers have a maximum pre-established annual law firm retainer, only 33 percent of small economies who are regular issuers do, as well as 40 percent of those who are non-regular issuing small economies.

Underwriters

LAC countries used an average of five underwriters for total debt issuances during the period assessed. One of the countries used as many as 18 underwriters. Reported underwriter fees per issuances of

US\$1 billion to US\$5 billion vary greatly, even within country groups.

Investors

Investment and hedge funds, both local and from United States, remain the main investors for external jurisdiction debt for 75 percent of the countries. Corporate investors and insurance groups are also identified among the main investors in external debt. On the other hand, 43 percent of countries identify financial institutions as the main investors for internal legislation debt. Others mentioned include pension funds, insurance coverage funds, central banks and the public sector in equal proportions.

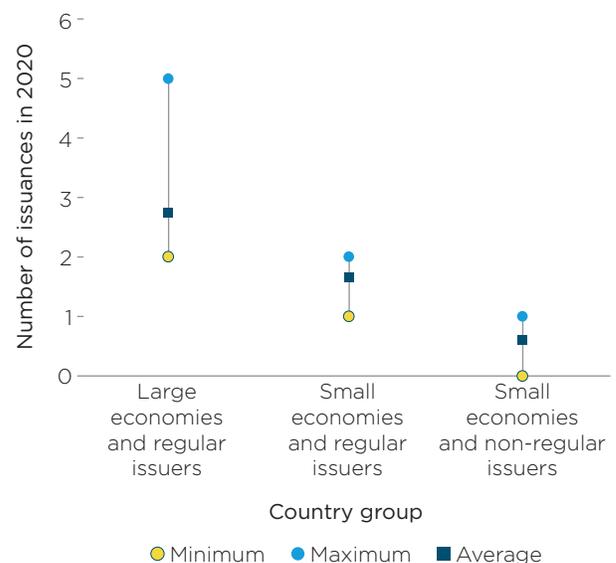
Section 1: Context and Debt Issuances

There were 19 debt issuances throughout 2020 among the respondent LAC countries, with a yearly average of two issuances. The country with the greatest number of issuances completed five in 2020, while two other countries had no issuances that year, having released debt prior in 2019. 50 percent of the countries had two or more debt issuances in 2020.

When analyzing country groups, the LR economies had a many issuances consistent with higher financing needs as well as wider access to markets, with an average of three yearly issuances that exceeds that of less than two and one issuances for SR and SNR, respectively.

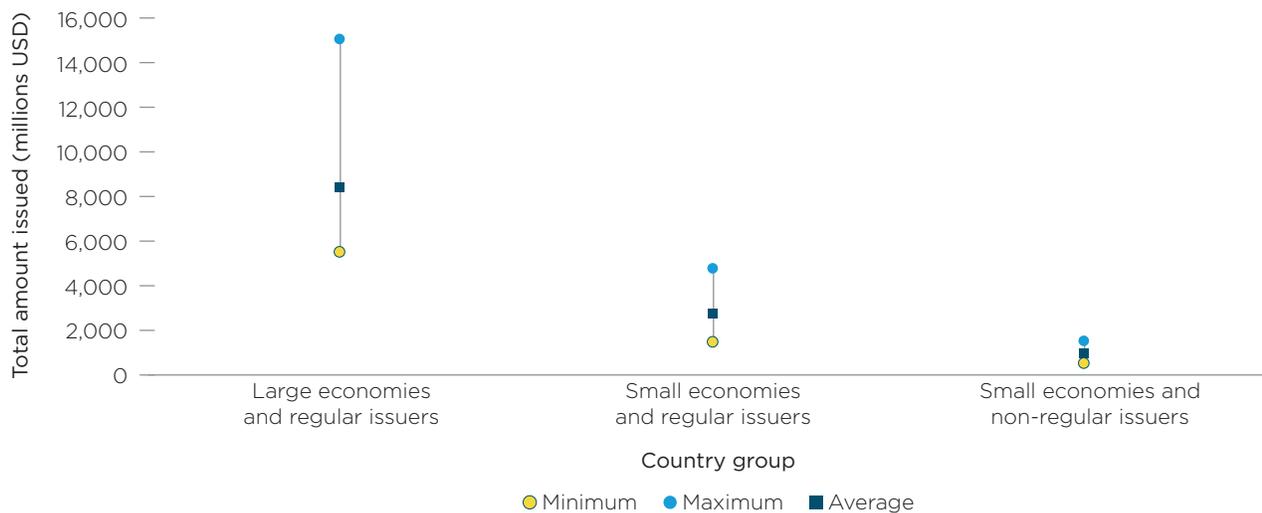
The total amount issued varied widely and related to the size of the economy. The maximum amount issued was for US\$15.013 billion and the smallest issuance in the group was for US\$500 million. This difference is positively related to the size of the country's gross domestic product (GDP) and the regularity of sovereign debt issuances. LR economies were able to obtain on average three times more funding than the SR countries, and ten times more than that obtained by SNR economies, as can be seen in Figure 2.

FIGURE 1 NUMBER OF DEBT ISSUANCES IN 2020



Source: Authors' elaboration.

FIGURE 2 MINIMUM, MAXIMUM AND AVERAGE AMOUNT OF MOST RECENT ISSUANCE, BY COUNTRY GROUP (IN US\$ MILLIONS)



Source: Authors' elaboration.

Section 2: Credit Rating Agencies

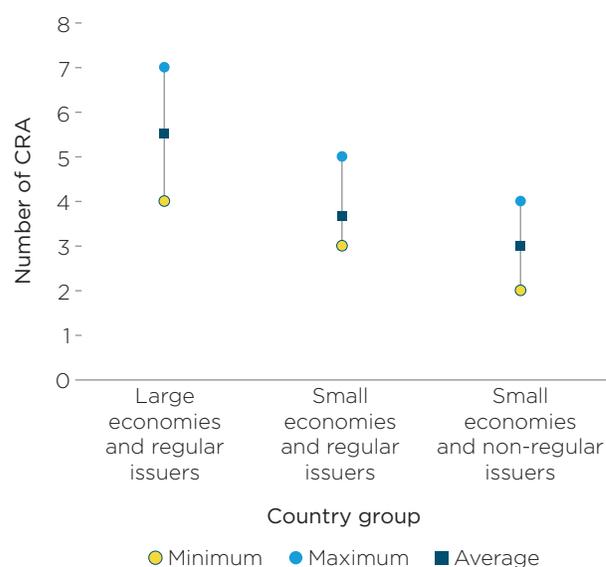
The role of CRAs in determining access to wider funding markets and establishing credibility in the LAC region is a matter of great importance. On average, four CRAs rate each LAC country. The respondent with the highest number of CRAs in 2020 received ratings from seven CRAs, while the country with the least number only received ratings by two agencies.

With respect to country groups, here again there is a positive relationship between the size of the economy and regularity in debt issuing with the number of CRAs assessing the country. LR countries had almost twice as many CRAs than the other country groups, and among the small economies, those that are regular issuers had a higher number of CRAs on average.

With respect to whether the countries solicited these ratings, all of the respondents reported having solicited the ratings. However, 58 percent of LAC countries had both solicited and unsolicited rating occurring in 2020, with a positive relationship between the size of the economy and the regularity of issuances.

SR economies received only solicited ratings despite being consistent members of the sovereign issuance markets, showing the size of the economy has a more impactful incidence in this matter.

FIGURE 3 MAXIMUM, MINIMUM, AND AVERAGE NUMBER OF CRAS, BY COUNTRY GROUP

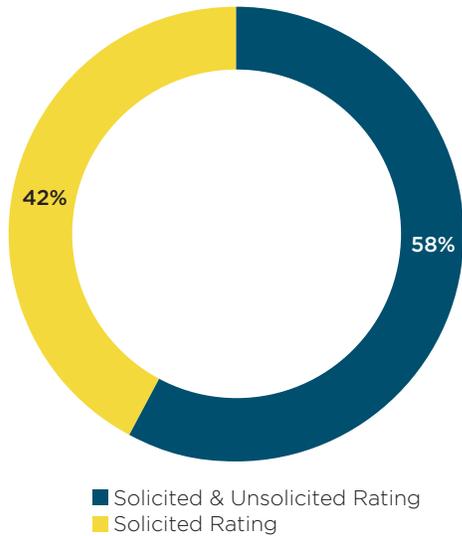


Source: Authors' elaboration.

SNR issuers received both types of ratings as can be seen in Figure 5 below.

With respect to the **firms providing these ratings**, all the LAC countries received solicited ratings by Standard and Poors and Moody's, while

FIGURE 4 SHARE OF LAC COUNTRIES RECEIVING SOLICITED AND UNSOLICITED RATINGS BY CRAS



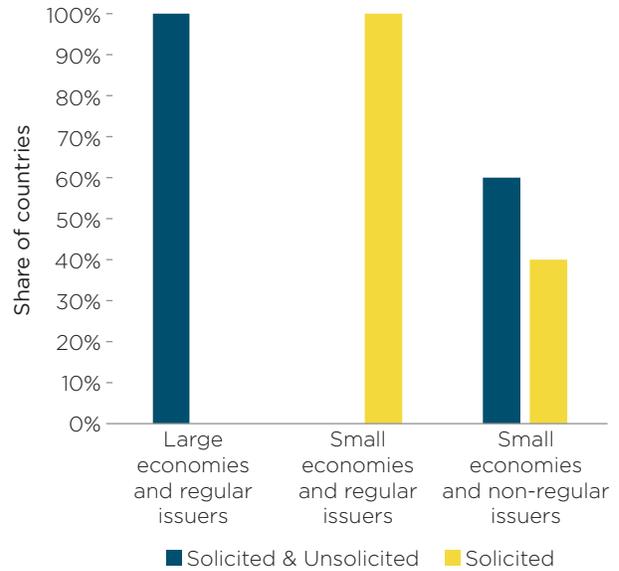
Source: Authors' elaboration.

Fitch executed solicited ratings for 83 percent of the respondents, and other firms executed them for 25 percent of the countries. These include JCR, CariCRIS, DBRS, and R&I, which were used by some of the countries in each sub-category. This shows a regularity among all LAC economies in their selection of CRAs and ensures that similar assessment practices are carried out for each country.

All LAC countries with solicited credit ratings pay an annual fee, and these fees range in value. The minimum fee paid by a LAC country is less than US\$20,000, while the maximum fee exceeds US\$270,000. Both of these boundaries are within the LR country group.

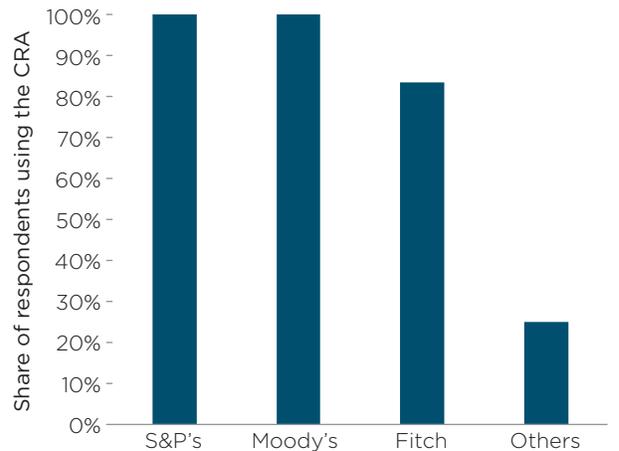
The average annual fee for the LAC region is US\$163,209. However, even among average annual fees per country there is also a wide range, with the minimum average value being less than US\$60,000 and the maximum average value exceeding US\$300,000. LR issuers pay a higher average CRA fee of US\$251,314, while SR economies pay considerably lower fees, averaging

FIGURE 5 SHARE OF COUNTRIES RECEIVING SOLICITED AND UNSOLICITED RATINGS BY CRAS, BY COUNTRY GROUP



Source: Authors' elaboration.

FIGURE 6 SHARE OF COUNTRIES USING THE CRAS FOR SOLICITED RATINGS

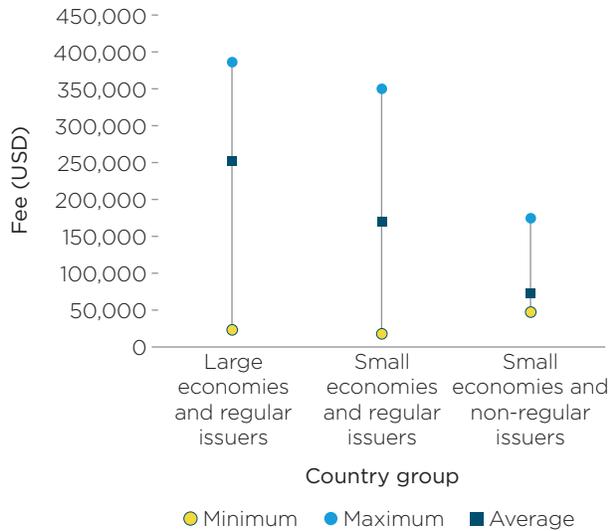


Source: Authors' elaboration.

US\$169,542. Non-regular issuers present less of a dispersion and pay considerably lower annual CRA fees.

As Figure 7 shows, there is a marked difference in fees paid by regular issuers within the SNR

FIGURE 7 AVERAGE, MAXIMUM, MINIMUM ANNUAL FEES FOR CREDIT RATING AGENCIES IN LAC COUNTRIES, BY COUNTRY GROUP



Source: Authors' elaboration.

* The minimum fee: is the minimum value among all reported minimum fees by countries in the group. The maximum fee: is the maximum value among all reported maximum fees by countries in the group. The average fee: is the average value among all reported average fees by countries in the group.

economies. They have all lower maximum, minimum and average values.

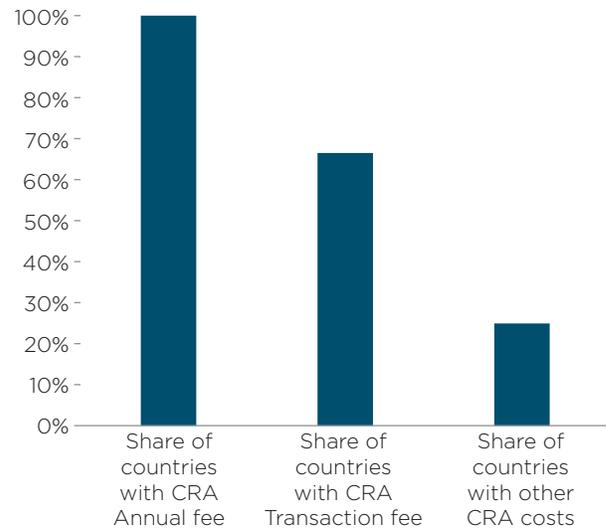
While all countries in LAC pay CRAs an annual fee, certain countries also need to cover additional fees related to CRAs, such as transaction fees, travel, and expenses.

While all countries pay annual fees, 67 percent of them also pay transaction fees, with prices set in U.S. dollars or in basis points (bps). The average transaction fee for applicable LAC countries is US\$149,653, or bps of 2.46 points.

With respect to country groups, there is a marked difference in the ranges of these transaction fees. The average fee in U.S. dollars in LR issuers is more than twice that of SR issuers.

In the case of countries paying transaction fees in basis points, the SR issuers pay a higher fee, followed by SNR. This indicates that larger and

FIGURE 8 FEES RELATED TO CRA SOLICITED RATINGS - SHARE OF LATIN AMERICAN AND CARIBBEAN COUNTRIES



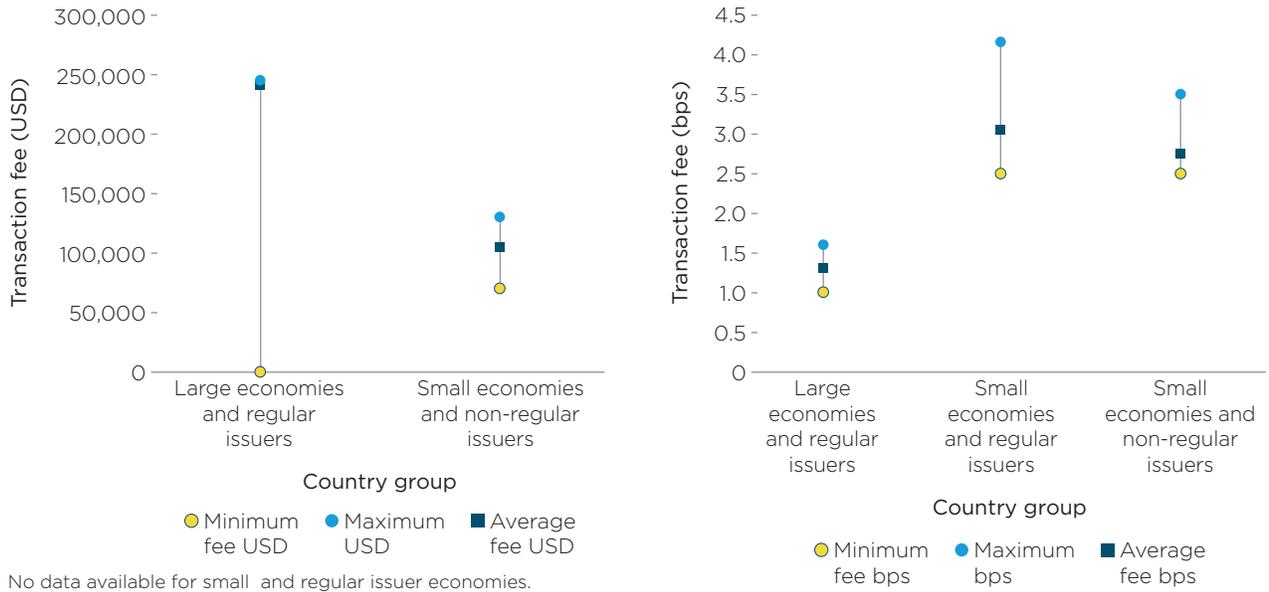
Source: Authors' elaboration.

regularly issuing economies pay lower transaction costs.

In 50 percent of the countries with a transaction fee, there is also an issuance volume cap on which the transaction fee is based. This, however, is most frequent for LR economies, where all countries have an issuance volume cap applicable to the variable fees. Regarding the extension of CRA contracts, the average contract period is two and a half years, ranging between one year and five years in length. LR countries tend to have a more prolonged contract period, while SR and SNR countries re-negotiate these contracts more frequently.

All CRA contracts are in U.S. dollars. Only one country reported having a contract in a currency other than dollars, euros, or their domestic currency. With respect to the agencies carrying out unsolicited ratings in applicable countries, the most frequent come from HR ratings, while the most popular solicited rating agencies, such as S&P and Moody's, only conducted one unsolicited rating for one country.

FIGURE 9 AND 10 AVERAGE TRANSACTION FEE IN APPLICABLE COUNTRIES (IN US\$ AND BPS)

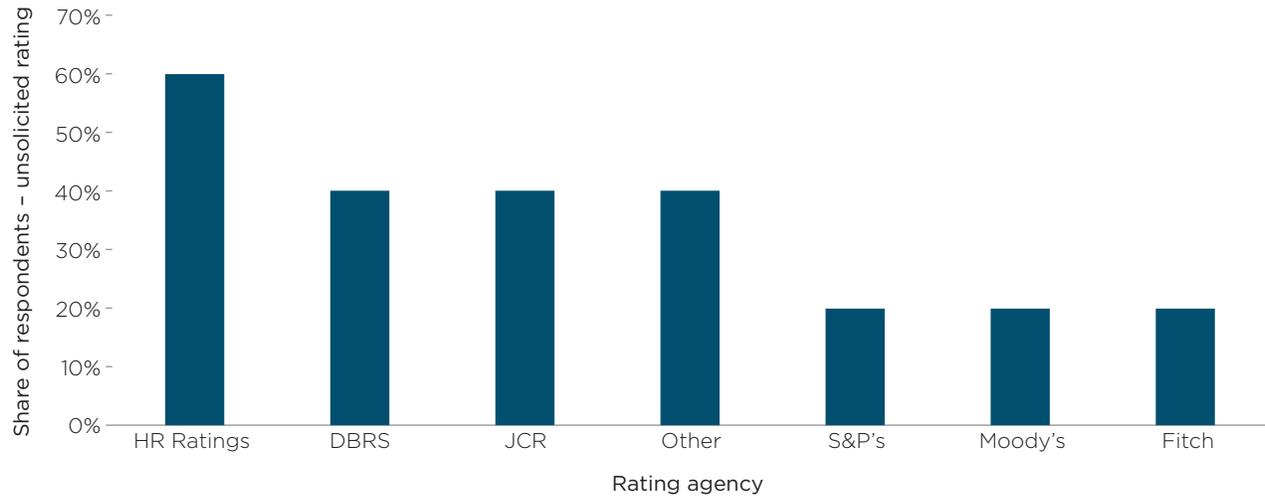


Source: Authors' elaboration.

FIGURE 11 MAXIMUM, MINIMUM, AND AVERAGE CONTRACT DURATION WITH CRAS, BY COUNTRY GROUP



Source: Authors' elaboration.

FIGURE 12 CREDIT RATING AGENCIES THAT CARRY OUT UNSOLICITED RATINGS

Source: Authors' elaboration.

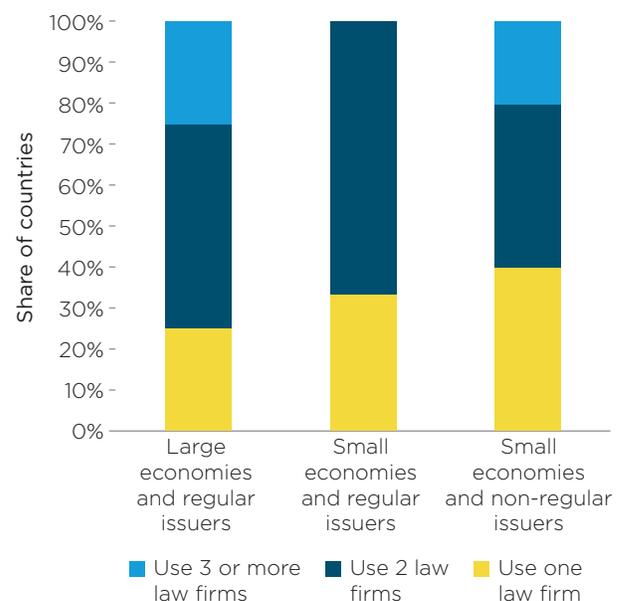
Section 3: Law Firms

The next section explores the use of law firms in debt issuance processes in 2020. While all countries use at least one law firm in the sovereign issuance process, almost half the countries use a single firm, while the rest prefer to use two or even three firms. With respect to the country groups, LR economies need more legal guidance, while the SNR economies use fewer law firms. Nonetheless, among the smaller economies, some non-regular issuing countries tend to consult with a greater number of law firms than those that issue regularly; thus, they may have a better grasp on the practices and procedures.

The most popular firm among the countries was Cleary, Gottlieb, Steen & Hamilton, used by all the large economies, while Arnold & Porter and Simpson Thacher & Bartlett LLP were also used repeatedly among countries. With respect to the periodicity of the selection processes, countries select their law firm for sovereign debt issuances on average every three years. Larger economies have a selection process that occurs on average every three years as well, while there is no identifiable common selection periodicity in the remaining groups, especially among the SNR.

Seventy-three percent of responding countries select their law firm through a competitive process,

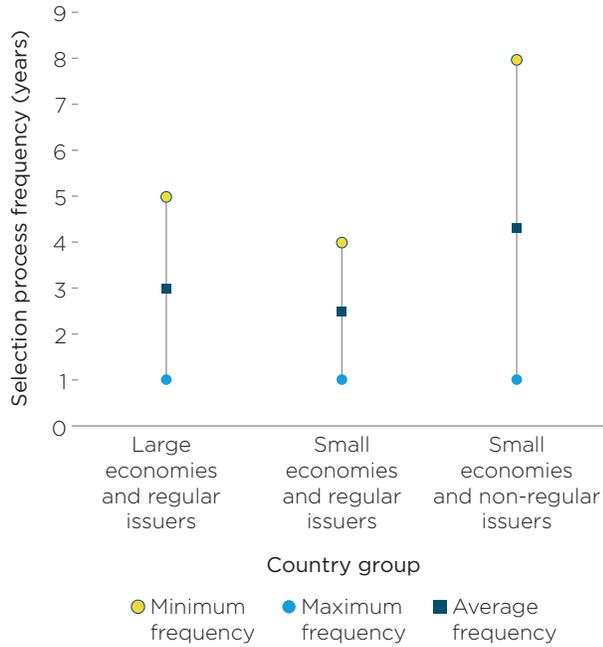
FIGURE 13 SHARE OF COUNTRIES USING LAW FIRMS, BY NUMBER OF FIRMS AND COUNTRY GROUPS



Source: Authors' elaboration.

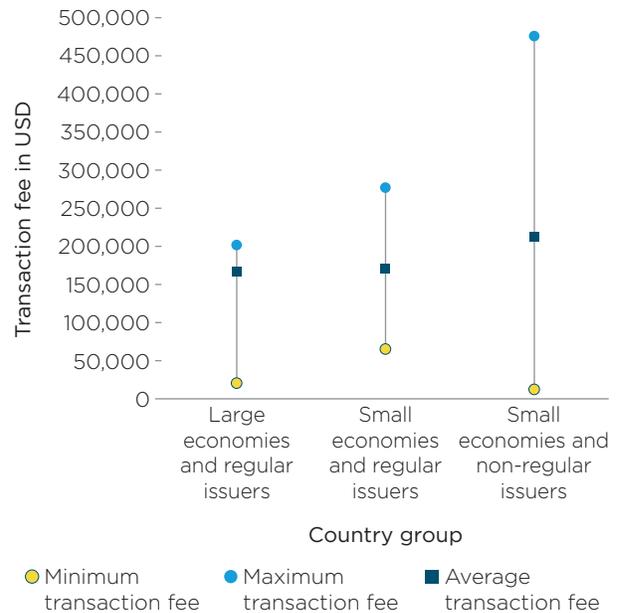
while the rest do so through direct selection. There are countries in all groups that carry out a direct selection process. Regarding annual law firm fees, only two of the countries pay an annual fixed fee

FIGURE 14 FREQUENCY OF LAW FIRM SELECTION, BY COUNTRY GROUP



Source: Authors' elaboration.

FIGURE 15 TRANSACTION FEES PAID IN LATIN AMERICAN AND CARIBBEAN COUNTRIES



Source: Authors' elaboration.

to the law firms selected. These values, which are only paid by small economies that are regular issuers, range from over US\$20,000 to more than US\$800,000.

Seventy-three percent of the countries are charged a transaction fee, including all LR as well as most SNR economies. The average transaction fee for the region is US\$186,814, and ranges from US\$20,000 to more than US\$300,000. As seen in Figure 15, SNR issuers pay the highest average transaction fees, while the LR economies pay lower fees.

Some LR economies also reported having additional costs associated with filing, document

production, staff overtime, and delivery charges, among others. With respect to pre-established maximum annual fees for law firms, 50 percent of LR have established a maximum, while only 33 percent of SR economies and 40 percent of smaller economies have done so. Although most countries did not disclose the amounts paid, those that did reported an average maximum value of nearly US\$1.5 million. Finally, the currency in which these contracts are established varies between local, dollar, and other currencies in the case of large economies and small non-regular issuers, while the dollar is the only currency for small regular issuers.

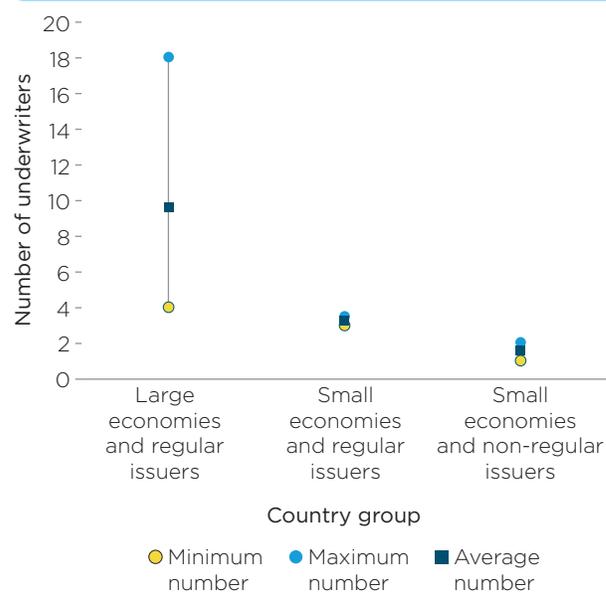
Section 4: Underwriters

LAC countries use an average of five underwriters for total debt issuances. There is a wide disparity in the region regarding the number of underwriters used, ranging between a maximum of 18 and a minimum of 1. LR countries use a greater number of underwriters based on the greater issuance volume and frequency. However, even within LR countries there is a wide variety in terms of the number used.

The most popular underwriter in the region is Citi group, used by 75 percent of the countries. It is followed by Goldman, as can be observed in Figure 17.

Regular issuers in both large and small economies use the preferred underwriters in general, while small non-regular issuers use a more limited variety of underwriters. Underwriter fees were reported for issuances ranging from US\$1 billion to US\$5 billion, and there is a positive correlation between the size of the economy and regularity of the issuer and the underwriter fees. The average fee is tripled when comparing that of SNR and LR economies. However, the range of underwriting fees for LR economies may be even wider depending on the type of bond issued, since not all countries issue “plain vanilla” bonds. The frequency of issuances may impact

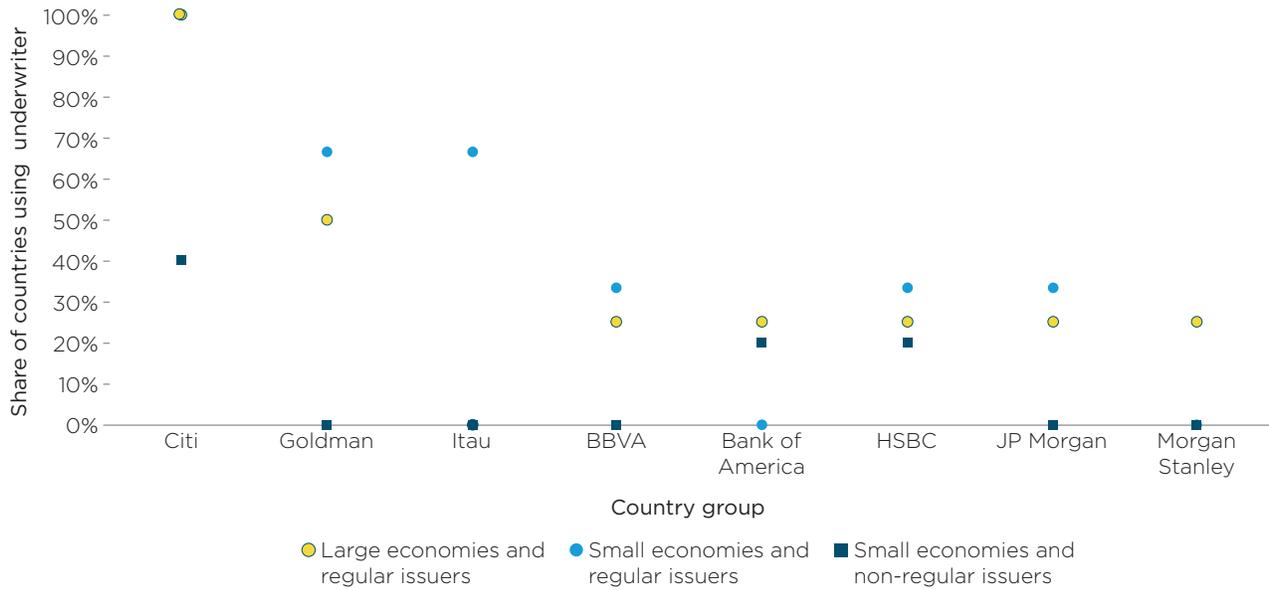
FIGURE 16 NUMBER OF UNDERWRITERS USED PER COUNTRY GROUP



Source: Authors' elaboration.

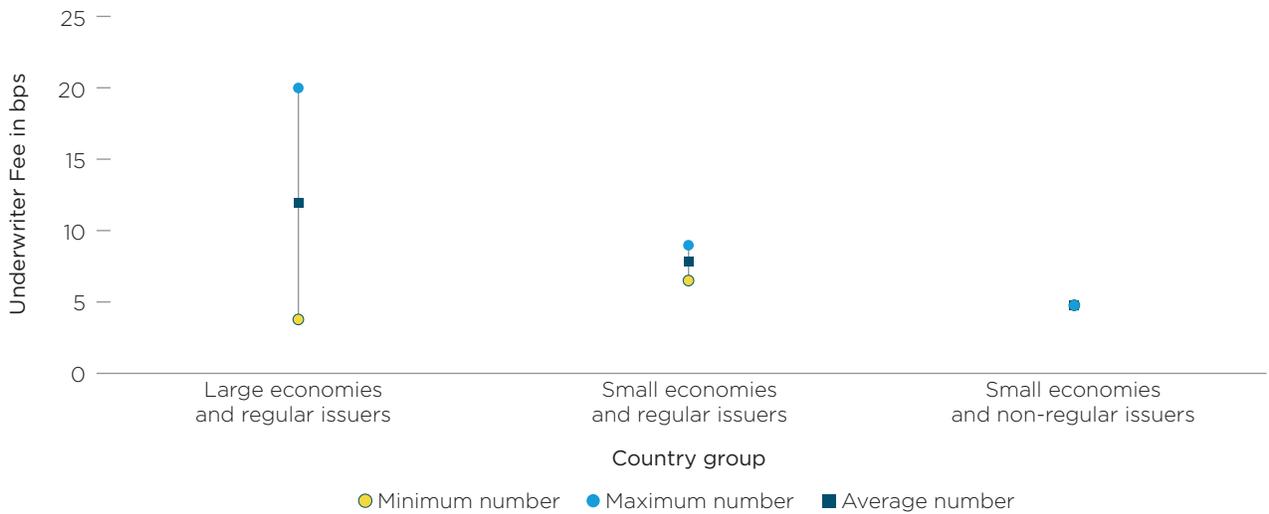
fees, along with the credit rating of the soliciting countries and the DMO's negotiating power, among others.

FIGURE 17 MOST POPULAR UNDERWRITERS PER COUNTRY GROUP



Source: Authors' elaboration.

FIGURE 18 UNDERWRITER FEES FOR ISSUANCES BETWEEN US\$1 BILLION AND US\$5 BILLION, PER COUNTRY GROUP



Data only available for one small non regular issuing economy.

Source: Authors' elaboration.

Section 5: Main Investors

The main investors in sovereign debt were assessed by classifying them into investors in external and internal debt.

External Debt

Only three of the countries surveyed provided the names of their main investors in external debt. The three investors identified were Blackrock, Schrodgers, and Vanguard.¹ The rest of the countries surveyed provided information on the type of investor that was one of the four main investors in the country's external debt. Reported data was grouped for assessment into the following categories: investment and hedge funds, pension funds, banks, corporate and insurance coverage.

Investment and hedge funds were identified in 75 percent of the countries as the main investor in external debt. Countries reporting Asset Managers as their main investors were included in this category. These investments originate either in North America or locally even when issued under foreign jurisdiction. Pension funds and banks were also reported by some countries as their main investor in external debt.

Investment and hedge funds were also identified in all cases as the second main group of

investors for the LAC countries' external legislation debt, but in this case originating from either from Europe, North America, or Asia. Insurance companies were identified as the third main investor and banks as the fourth main investor in external debt for most of the respondents. Nonetheless, as can be seen below, investment and hedge funds remain the most frequent investors in external debt issuances.

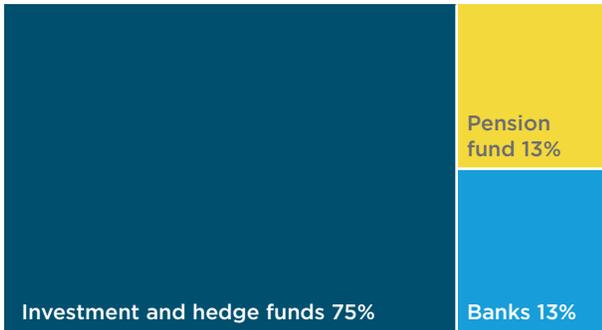
These main investors hold a different share of total external debt depending on the country. The four main investors comprise 99 percent of total external debt shares in some cases; in others they only represents 20 percent of the debt, and therefore must not be fully deemed as representative for all.

Debt Issued under Domestic Legislation

As to debt issued under domestic legislation, only two countries declared the main investors by name, and in both cases they were identified as

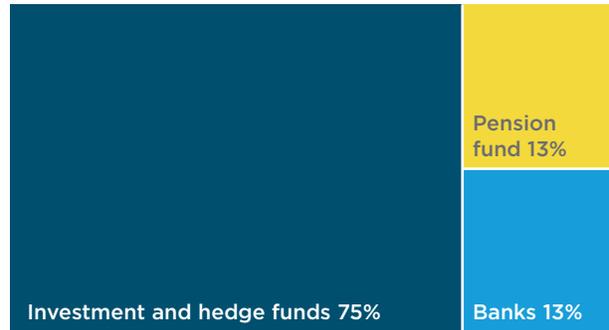
¹ Several countries have domestic/external legal restrictions to acknowledge specific investors holding their debt issuances at each point in time. It is believed that it is based on these restrictions that countries were able to signal their main investors only by group but not individually.

FIGURE 19 DEBT ISSUED UNDER FOREIGN JURISDICTION - MAIN INVESTOR TYPE



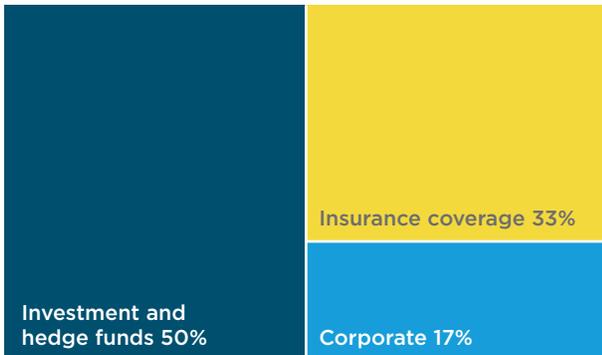
Source: Authors' elaboration.

FIGURE 20 DEBT ISSUED UNDER FOREIGN JURISDICTION - SECOND MAIN INVESTOR TYPE



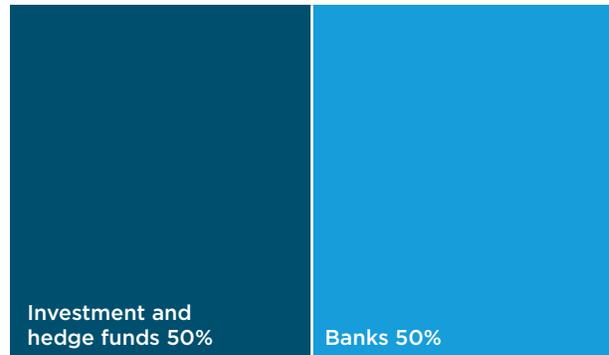
Source: Authors' elaboration.

FIGURE 21 DEBT ISSUED UNDER FOREIGN JURISDICTION - THIRD MAIN INVESTOR TYPE



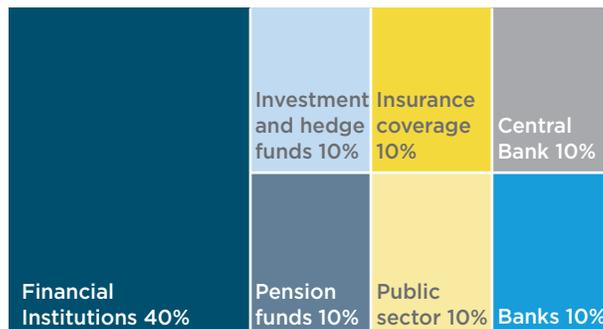
Source: Authors' elaboration.

FIGURE 22 DEBT ISSUED UNDER FOREIGN JURISDICTION - FOURTH MAIN INVESTOR TYPE



Source: Authors' elaboration.

FIGURE 23 DEBT ISSUED UNDER DOMESTIC JURISDICTION - MAIN INVESTOR TYPE



Source: Authors' elaboration.

local pension funds. The remaining respondents identified their four main investors. The most popular main investor described for domestic legislation debt were financial institutions, followed in the same share by the remaining options. In all but one case, local businesses acquired this debt. Financial institutions and pension funds were identified as the second most popular investor, while varied local investors were identified as the

third and fourth most important investors for all countries.

Similar to the external debt investors, for some LAC countries the share of total debt that these investors represent ranges as high as 95 percent of their total main investor shares, while for others it represents a mere 25 percent. On average, 68 percent of all investors invest in debt issued under domestic legislation.

Section 6: Relationship between Debt Management Offices and Credit Rating Agencies

This section summarizes the perceptions shared by DMOs in the region about the relationship with CRAs. The first question asked whether DMOs should engage with credit rating agencies other than the “big three” (Moody’s, Standard & Poor’s, and Fitch). Responses were divided on this matter, as 50 percent of respondents agreed that this was a positive feature, while the remaining countries did not deem it necessary. Seventy-five percent of LR economies agreed this was important, while only 33 percent of SR issuers did, and 40 percent of SNR issuers considered it a factor. With respect to the relationship with CRAs that provide unsolicited ratings, 83 percent of LAC countries sustain this practice. This is true in all cases for LR issuers.

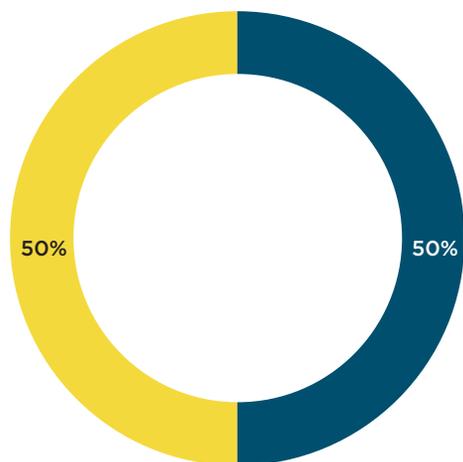
With respect to the characteristics that LAC debt management offices look for in their relationship with the credit rating agencies, all countries agreed on the importance of having a fair rating from CRAs, of having access to a transparent methodology rating system, and of having a transparent relationship with the agency as a whole.

Regular issuers also prioritized two other points, as distinct from non-regular issuers: reducing information barriers and the inclusion of an assessment of contingent liabilities. On the other hand, a greater share of non-regular issuers found information flows based on facts and objective data of key importance.

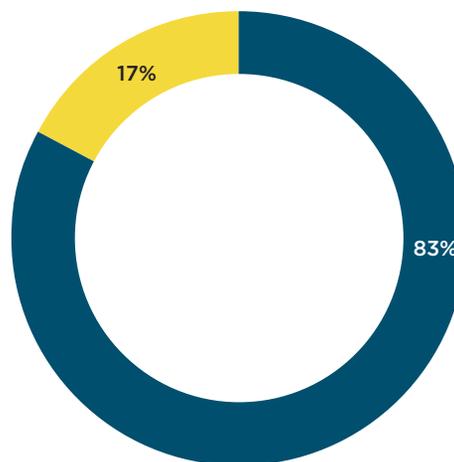
Among other characteristics prioritized, countries also mentioned that frequent and transparent communication can generate credibility for the sovereign in periods of market stress. Also, agencies should remain consistent across time in the rationale used in their reports and the inclusion of environmental, social, and governance (ESG) fundamentals. With respect to the process of selecting CRAs, countries mostly prioritize name recognition among investors, as well as analytical rigor and methodology. Institutional and legal requirements for selecting a CRA do not seem to be relevant in the LAC region for smaller economies, which implies that they are either not present in legislation or non-binding.

FIGURE 24 AND 25 OPINIONS ON INTERACTION WITH CREDIT RATING AGENCIES - SHARE OF COUNTRIES

Engagement with CRAs outside the 'Big Three'



Meetings with unsolicited CRAs



■ Yes ■ No

Source: Authors' elaboration.

Having references made to a specific CRA in country regulations was the least important criterion. None of the SNR economies identified this as a feature, demonstrating no reference to individual agencies in regulations. With respect to domestic regulations associated with the CRA selection processes, this category is not as binding for SR and SNR groups. Domestic regulations are mostly present in the responses from LR economies, where with a more developed debt market comes increasing regulatory aspects that may not be present in less developed debt markets.

Finally, the criteria of having analytical rigor and a pre-established methodology proved to be of higher importance to the smaller economies in the group. Regarding institutional exchange with CRAs, all of them interact with investors through the country's ministry of finance. DMOs also work closely with CRAs in 92 percent of LAC cases. The central bank and political staff also interact with CRAs in 75 percent and 50 percent of cases, respectively. Other actors also identified in this interaction include analysts, researchers and consultants, commercial banks, the Ministry of Trade, the Ministry of Energy, and labor unions.

However, institutional linkages also vary by country group. In SNR countries, there is a closer interaction of actors that are farther from the direct debt management operations, including political staff, the central bank, financial institutions, other government offices, and additional consultants. In the case of regular issuers, on the other hand, this interaction is more concentrated within the DMOs, which are in all cases in contact with the CRAs.

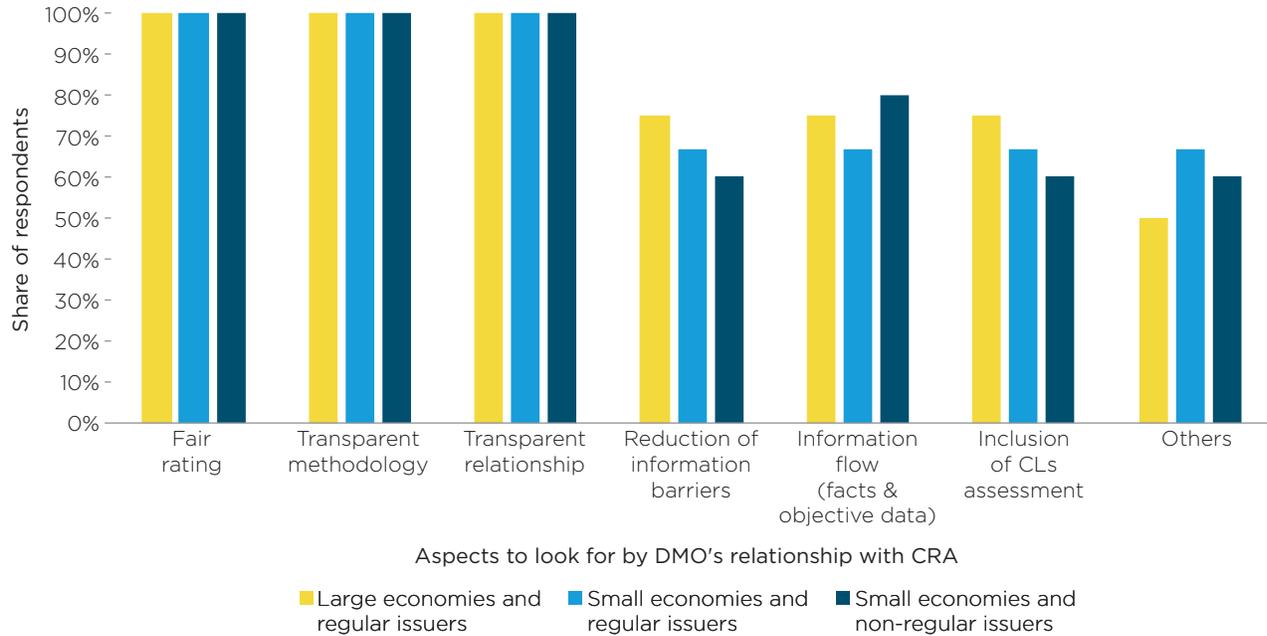
The involvement of the central bank with CRAs is also different depending on the size and regularity of issuances. Central Banks in LR countries are always in contact with CRAs, while in smaller economies this is not as frequent, even when they are regular issuers.

With respect to preparations by the DMOs for meeting with CRAs, 67 percent of DMOs prepare the books for meetings with CRAs. SR issuers all follow this practice.

Fifty-eight percent of LAC countries provide non-public additional information. This practice is occurs in 75 percent of LR issuers but is less common as issuances and size diminish.

Rating advisors are not common in any of the subcategories, which is surprising especially for

FIGURE 26 CHARACTERISTICS SOUGHT BY DEBT MANAGEMENT OFFICES IN THEIR RELATIONSHIP WITH CREDIT RATING AGENCIES - SHARE OF RESPONDENTS BY COUNTRY GROUP



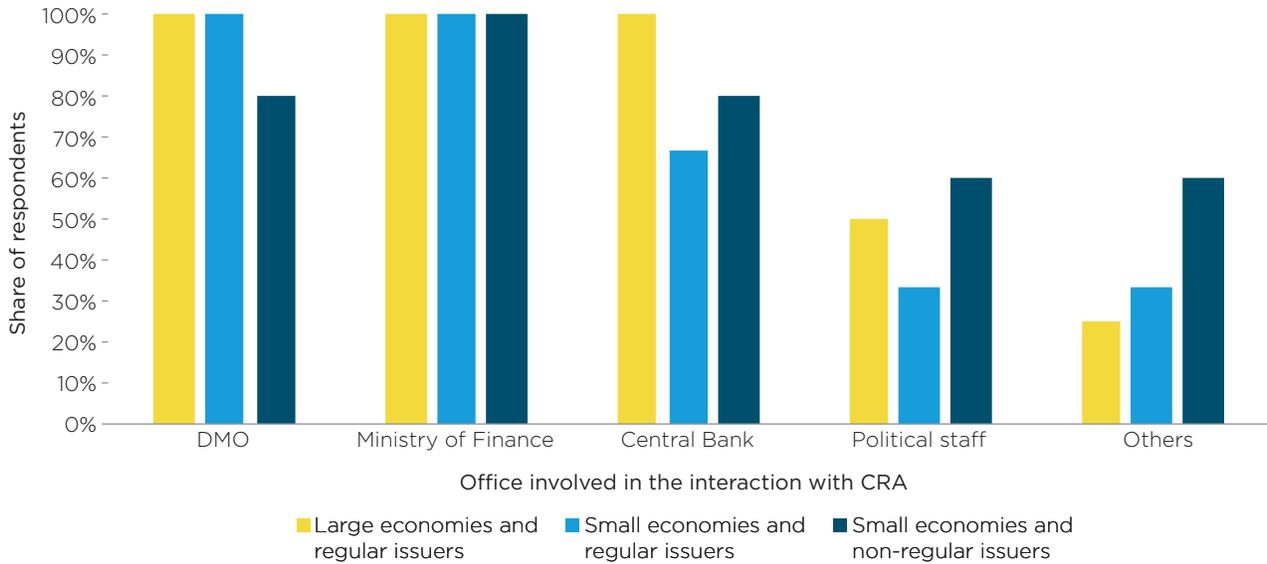
Source: Authors' elaboration.

FIGURE 27 CREDIT RATING AGENCY SELECTION CRITERIA - SHARE OF RESPONDENTS BY COUNTRY GROUP



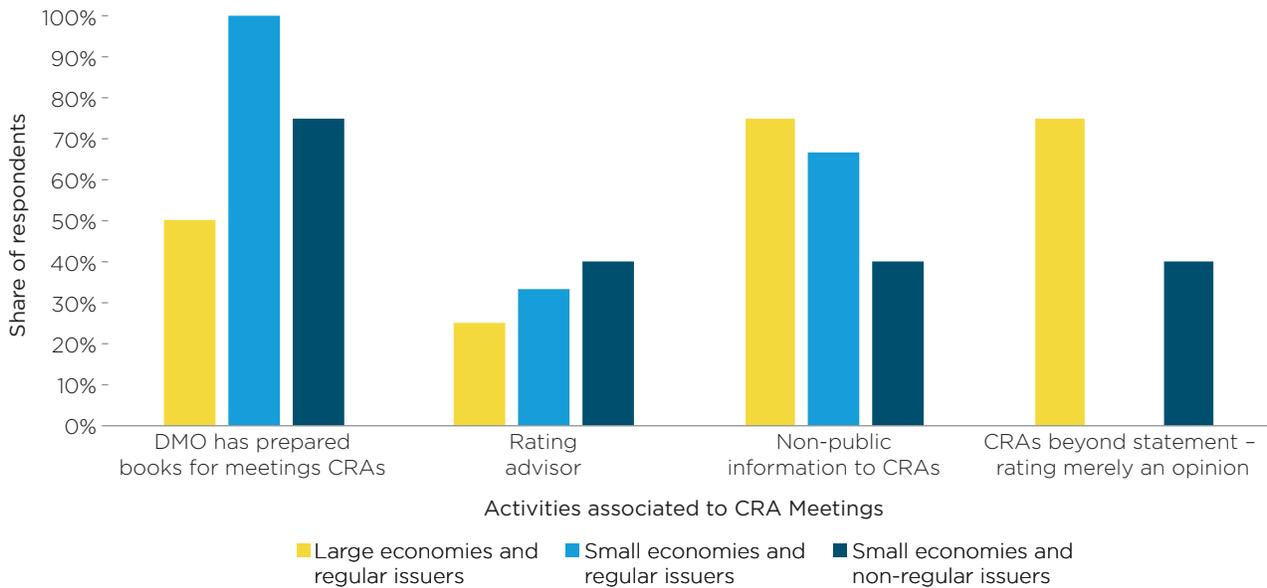
Source: Authors' elaboration.

FIGURE 28 OFFICES INVOLVED IN THE INTERACTION WITH THE CREDIT RATING AGENCY, BY COUNTRY GROUP



Source: Authors' elaboration.

FIGURE 28 ACTIVITIES ASSOCIATED WITH CREDIT RATING AGENCY MEETING PREPARATIONS - SHARE OF RESPONDENTS BY COUNTRY GROUP



Source: Authors' elaboration.

the case of regular issuers. Only 33 percent of LAC countries have hired a ratings advisor.²

Some of the participating countries provided some possible reasons for the scant use of rating advisors: they used a rating advisor in the past but are not currently doing so; countries with more frequent issuances have already developed, based on experience, a proper understanding of what is necessary; CRAs send questions prior to the meeting to help them prepare, and thus advisors are not essential.

Finally, DMOs were asked to evaluate the importance of CRAs stating that a ‘rating is merely an opinion’. This was only deemed relevant for 42 percent of the respondents. It was particularly important for LRs but not as much for the smaller economies.

² Some participants said that the complexity of having a ratings advisor attend meeting with CRA, without a confidentiality agreement like those held with CRAs, was one of the reasons.

Methodology

This analysis was completed based on the results of a survey sent in 2021 to all 25 member countries of the LAC Debt Group. The objective of this survey—which emerged from the request of some members of the group—is to develop a comparative database on costs and main investors of sovereign debt issuances in LAC countries.

The data used for the report was collected from a survey completed with 2020 values. The following countries provided data: Brazil, Chile, Costa Rica, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay. Any reference to the LAC regional averages contemplates this group of respondent countries. Whenever individual questions were not answered by all countries, country shares are calculated among the respondents. Countries who had not issued debt in the international markets since 2018 did not complete the survey.

Respondents were informed that the information provided in this survey was confidential. The use of this data therefore respects the countries' confidentiality agreements (private agreements). Cost data are not disaggregated by name of company, law firm, or underwriter.

The database and analysis will be exclusively accessible to LAC countries' DMOs.

For the purpose of the analysis, countries were grouped into three categories based on the country's GDP, debt volume issued, and frequency of issuances.

Large economies that are regular sovereign debt issuers (**LR**): Brazil, Chile, and Mexico. Smaller economies that are regular issuers and issued debt in 2020 (**SR**): Panama, Paraguay, and Uruguay. Smaller economies that are non-regular issuers (**SNR**): Costa Rica, Guatemala, Honduras, Jamaica and Trinidad and Tobago. Responses related to underwriter costs consider only the cost of issuances from US\$1 billion to US\$5 billion, which was the category in which most countries responded.

When analyzing the investors in external and domestic debt, individual country responses were consolidated in the following groups: for external debt investors: investment and hedge funds; pension funds; banks; insurance companies; and corporate investors. responses for "asset managers" were classified as investment and hedge funds. For internal debt investors: investment and hedge funds; pension funds; financial institutions; insurance coverage; central bank and public sector.

