



STORKEY & CO
MANAGEMENT CONSULTANTS

Governance Arrangements for Public Debt Management

Presentation by Ian Storkey
April 2017

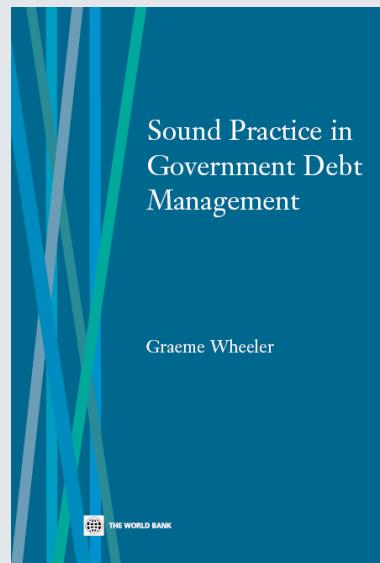


2017 Asian Regional
Public Debt Management Forum

4-6 April 2017 | Siem Reap, Cambodia



Sound Practice Debt Management



IMF & World Bank Guidelines for Public Debt Management Debt Management Performance Assessment (DeMPA)

Sound Practice in
Government Debt
Management

Graeme Wheeler

THE WORLD BANK

THE WORLD BANK

Advances in Risk
Management
of Government Debt



Governance Framework

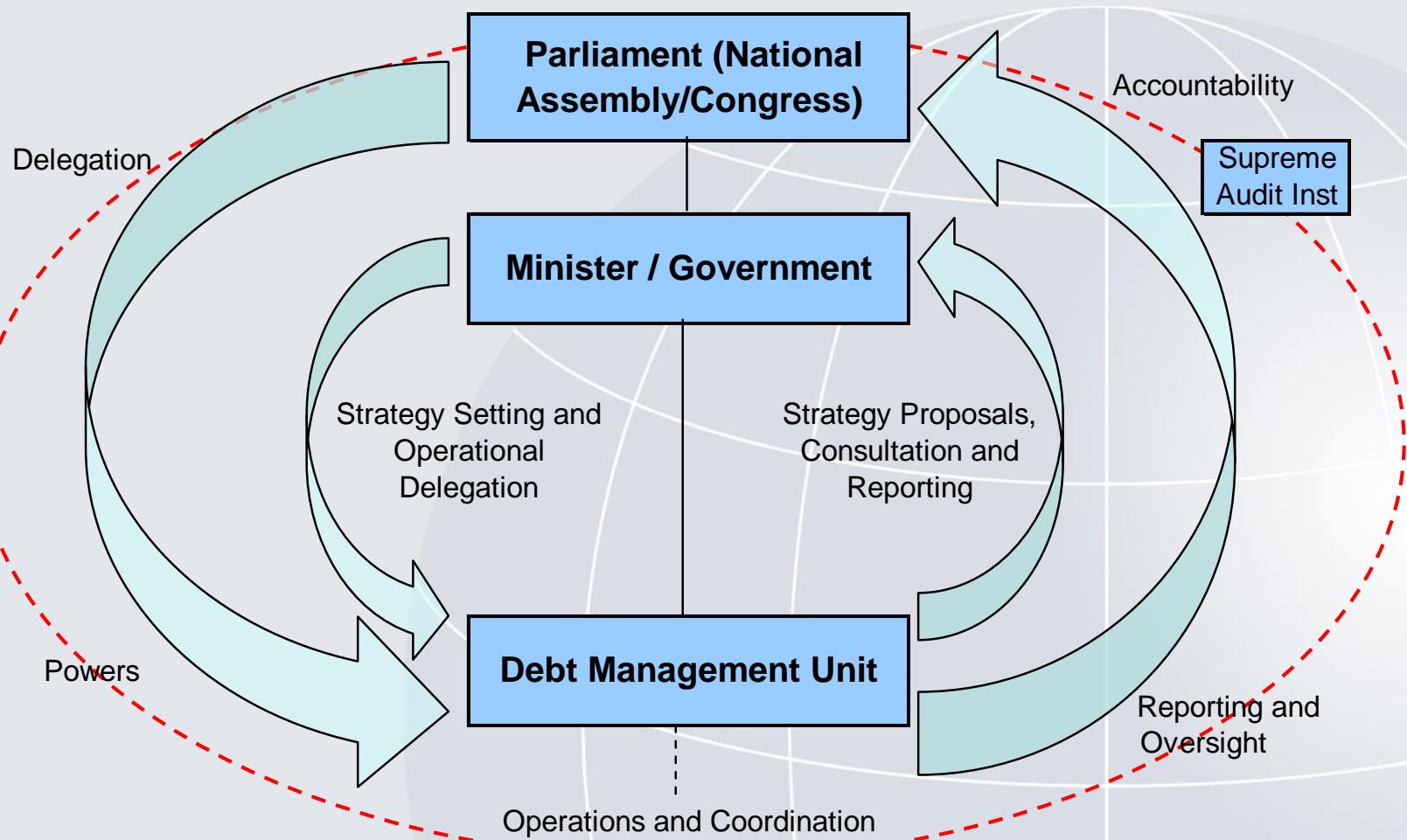


Chart Adapted from: World Bank Debt Management Performance Acceptance Tool

Oversight of Debt Management

Advisory Board

- Provides oversight, advice and/or endorsement of the DMO's business activities and operations
- Oversight helps ensure that DMO complies with its governance framework and operates in line with sound debt management standards - provides Minister of Finance with these assurances
- Comprised of government and non-government members with financial and/or debt management expertise

Debt Policy Committee

- Main strategic policy-making committee – chaired by the most senior debt management official or the Minister of Finance
- Should include representatives of all functions with a policy interest and serviced by those with responsibility for generating strategic policy options
- Ensures the separation of the policy and execution functions of the DMO

Management, Risk Policy, Operational and Audit Committees

Public Debt Laws

Macedonia

Official Gazette of the Republic of Macedonia 62/05

REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE

PUBLIC DEBT LAW

Skopje, June 2005

Thailand

Translation

PUBLIC DEBT MANAGEMENT ACT, B.E. 2548 (2005)

HRH Bhumibol Adulyadej, REX
Given on the 31st Day of January B.E. 2548,
Being the 60th Year of the Present Reign.

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that

Whereas it is expedient to have a law on public debt management; Be it, therefore, enacted by the King, by and with the advice and consent of the National Assembly, as follows:

Section 1. This Act is called the "Public Debt Management Act, B.E. 2548".

Section 2. This Act shall come into force as from the day following the date of its publication in the Government Gazette.

Section 3. The following shall be repealed:

(1) Treasury Bill Act, B.E. 2487 (1944);
(2) Act Determining the Power of the Ministry of Finance to Guarantee Loan, B.E. 2510 (1967), Announcement of the Revolutionary Council No. 110 dated 31st March 1971 (1972); Act Determining the Power of the Ministry of Finance to Authorise Loan, B.E. 2519 (1974); Announcement of the Revolutionary Council No. 17 dated 8th November B.E. 2520 (1977);

(3) Loan for National Defence Act, B.E. 2519 (1976);
(4) Act Authorising the Ministry of Finance to Raise Loan from Abroad, B.E. 2519 (1976);
(5) Act Authorising the Ministry of Finance to Raise Loan from Foreign Government to Purchase Military Equipment, B.E. 2524 (1981);
(6) Emergency Decree Authorising the Ministry of Finance to Restructure External Debt, B.E. 2528 (1985);
(7) Emergency Decree Authorising the Ministry of Finance to Raise Loan from Abroad for Economic Rehabilitation, B.E. 2541 (1998).

Section 4. In this Act:

"Public debt" means any debt incurred by the Ministry of Finance, State agency or State enterprise through the raising or guaranteeing of loan by the Ministry of Finance, but does not include a debt incurred by a State enterprise which undertakes money lending business and such debt is not guaranteed by the Ministry of Finance;

"Public debt management" means an incurring of debt through the raising or guaranteeing of loan, debt repayment, debt restructuring and any act related to public debt;

Published in the Government Gazette, Vol. 122, Part 12a, dated 2nd February B.E. 2548 (2005).

© 2005, Office of the Council of State (www.krajdoh.gov.th), new license for 10 days.

Remark: Reference to this legislation in any jurisdiction shall be made to the Thai version only. This translation has been made to assist in obtaining a correct understanding about this Act to the foreigners.

Turkey

LAW ON REGULATING PUBLIC FINANCE AND DEBT MANAGEMENT
(Law on Regulating Public Financial and Debt Management and Law on Amending
the Law on Duties and Organization of the Undersecretariat of Treasury and
Undersecretariat of Foreign Trade and Law on Allocating Share from the General
Budget Tax Revenues to Provincial Special Administrations)

Law No. 4749
Accepted On: 28.3.2002

PART ONE Purpose, Scope and Definitions

Purpose

Article 1. The purpose of this Law is to set the procedures and principles related with domestic and external borrowing, receipt of grants, lending and extension of grant and debts, cash management in a coordinated manner with fiscal and monetary policies, effective management and monitoring of the guarantees to be extended by the Treasury, the financial claims and State External and Domestic Debt arising from such borrowing and guarantee arrangements and financial relations between the Treasury and institutions mentioned in Article 2 below and reimburses all kinds of financial liabilities, budgeting and accounting of all kinds of obligations assumed by the Treasury, taking into consideration development targets of the country and maintaining confidence and stability of the markets and macroeconomic balances.

Scope

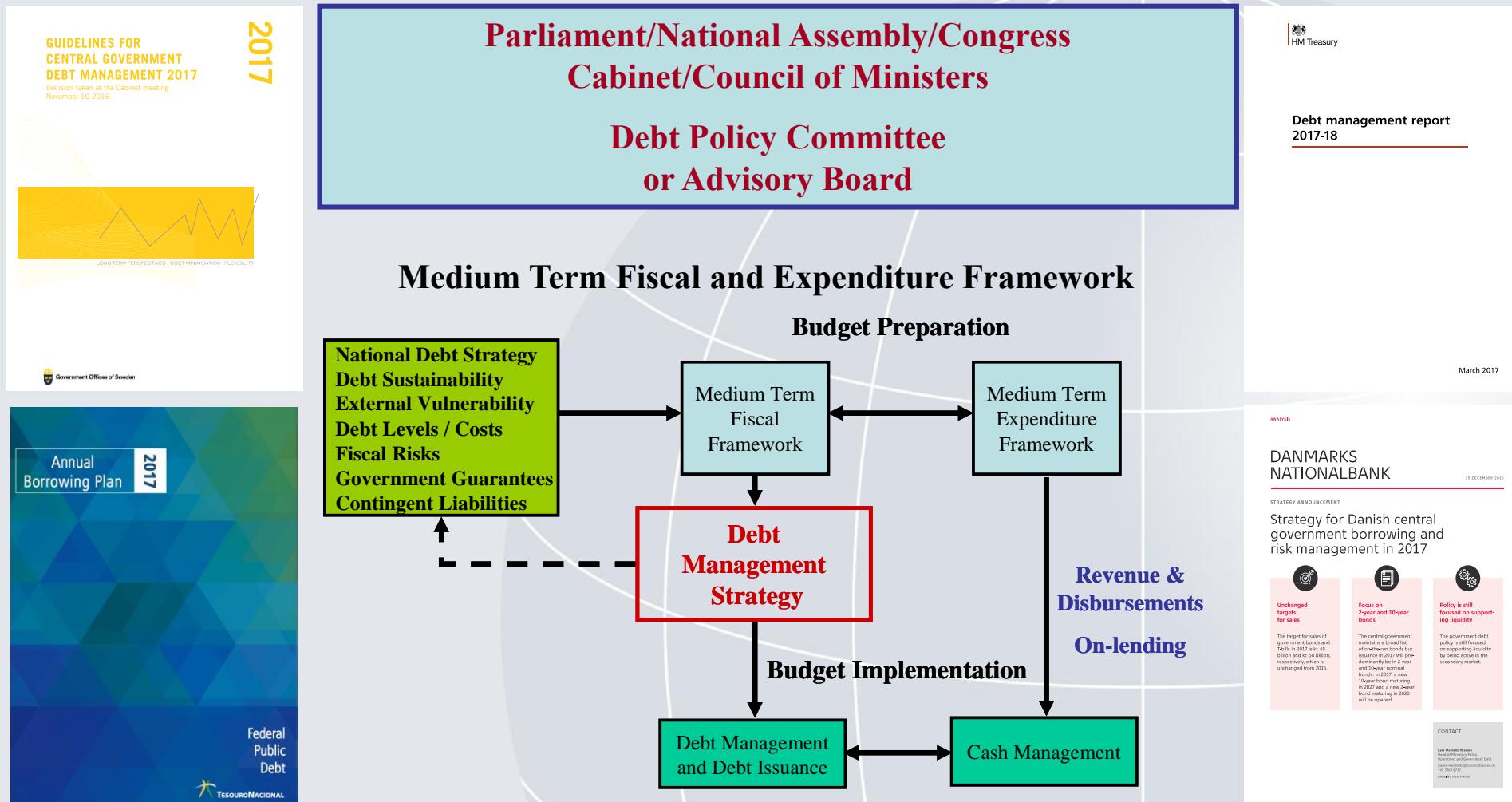
Article 2. This Law covers the institutions and establishments included in the general, annexed and authorized budget, establishments subject to provisions of private law with more than 50% of their assets belonging to the state, local, regional, basic investment and development banks, metropolitan, municipalities, and establishments affiliated to municipalities, and other local government agencies, the establishments whose payment obligations have been guaranteed by the Undersecretariat of Treasury under the projects foreseen to be realized under such financing models as build-operate-transfer, build-operate, transfer of operational right and similar financing models and non-governmental organizations to be limited with grants.

Definitions

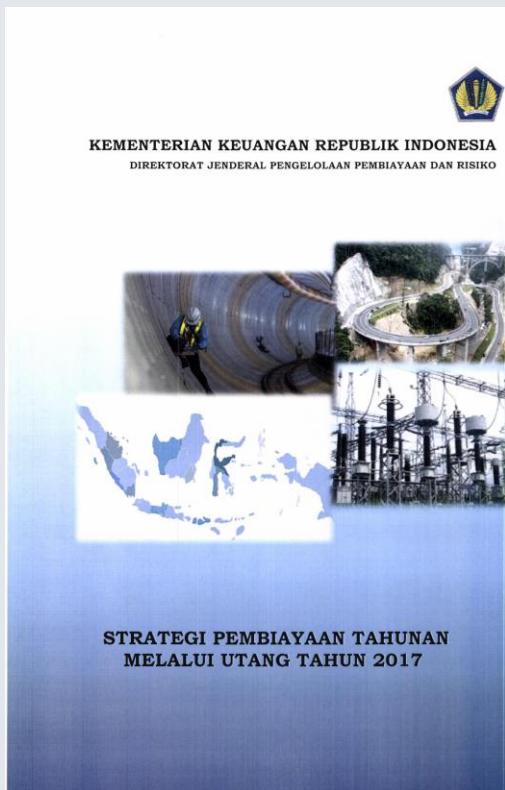
Article 3- In this law, the following terms have the meanings stated below:

Minister: The Minister, in charge of the Undersecretariat of Treasury,

Role of the Debt Management Strategy



Debt Management Strategy Examples



Indonesia



Pakistan

2017 Budget, Volume 1

CHAPTER 7: FINANCING & DEBT STRATEGY

7.1 OVERVIEW

The Central Government stock of debt continued to increase in 2016 as the Government continued to borrow in the domestic and international markets to fund the deficit. Interest rates were steadily increasing over 2016, the outcome of low demand for Treasury Bond (Inscribed Stock) over the first half of the year. Demand remained moderately low for Treasury Bills throughout the year.

A first tranche of US\$ 200.0 million of Credit Suisse syndicated loan was disbursed in August 2016. The second tranche is expected in November. Off shore borrowing is diversifying the financial sources, if used to repay short term Treasury Bills will extend the term of the debt portfolio.

The debt-to-GDP ratio is expected to be around 28.8 per cent in 2017 and 2018, decline thereafter to 27.0 per cent in 2021.

International Development Partners have provided assistance through concessional foreign currency project loans.

7.2 FINANCING DEVELOPMENT

In 2017, the planned borrowing is K1,639.5 million comprising of acquisition of financial asset of K38.0 million and financing the net borrowing of K1,576.5 million. Over the next four years, total net borrowing is forecasted to decline to less than a billion in 2021.

From 2017 onwards, the Government will continue to examine and explore options of broadening the range of its financing sources and instruments. It will introduce measures as well as improvements that will contribute to greater efficiencies and functionalities in the primary and secondary securities markets.

7.2.1 Foreign currency denominated loans and bond issuance

The Government's predominant form of foreign currency borrowing has been concessional loans from bilateral and multilateral development partners. These are generally repayable over 20-30 years with very concessional interest rates and long grace periods.

In terms of the contribution to the financing requirement in 2017, the Government intends to undertake net external financing of K183.0 million through concessional loans of K126.5 million and commercial loans of K54.4 million. This comprises of expected gross external borrowings of K432.0 million and external repayments of K293.8 million.

Government will continue to seek other external financing apart from concessional loans in 2017 as part of the financing strategy. The external financing will ease the pressure on domestic markets and reduced the risk of refinancing short term domestic securities.

7.2.2 Treasury Bonds (Inscribed Stock) issued via tender

The Government, as part of its financing program early this year, set a target of issuing K900.0 million Treasury Bonds in 2016. Low demand for Treasury Bonds and investors preference for shorter dated debt instrument (Treasury Bills), the Government is unlikely to achieve it. This can be attributed to limited investor base and inability of the market to absorb

Papua New Guinea

Annual Debt Reports

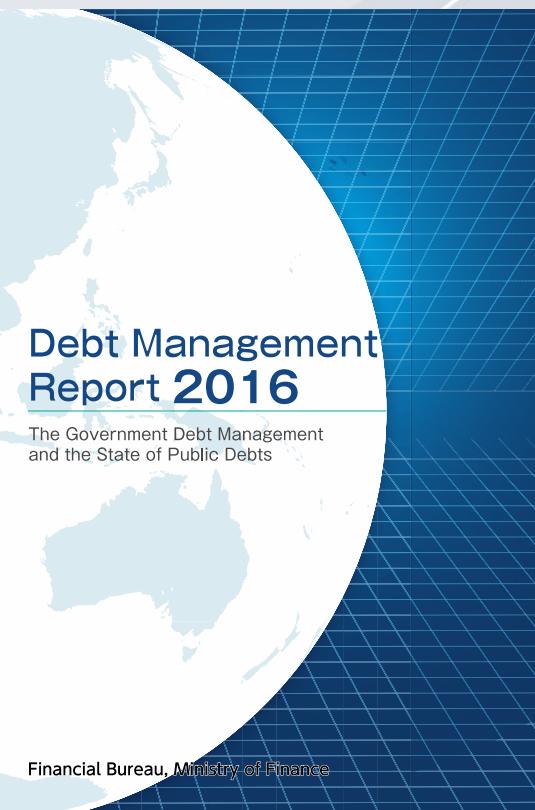
VII PUBLIC DEBT MANAGEMENT

The expansionary counter-cyclical fiscal policy stance adopted by the Government, in the face of emerging ramifications of the global economic crisis for growth and aggregate demand, resulted in a sharp increase in both the borrowings of the Central and State Governments during 2008-09 over their respective budget estimates. The key challenge for the Reserve Bank in its debt management operations for 2008-09, therefore, was to manage this vastly expanded government market borrowing programme without creating any disruptive pressures on the government securities market. The Reserve Bank employed a combination of measures involving monetary easing and use of innovative debt management tools such as synchronising the Market Stabilisation Scheme (MSS) buyback auctions and open market purchases with the Government's normal market borrowings and de-sequestering of MSS balances. By appropriately timing the release of liquidity to the financial system to coincide with the auctions of government securities, the Reserve Bank ensured a relatively smooth conduct of the Government's market borrowing programme, resulting in the decline in the cost of borrowings during 2008-09 for the first time in the last five years. Reflecting the continued need for fiscal stimulus in 2009-10, the combined net market borrowing programme of the Centre and the State Governments (dated securities and 364-day Treasury Bills) is estimated to be Rs.5,37,957 crore as against Rs.3,46,083 crore in 2008-09. This calls for continuance of the active debt management strategy by the Reserve Bank so as to mitigate pressures on interest rates and avert possible crowding-out of private sector demand for credit.

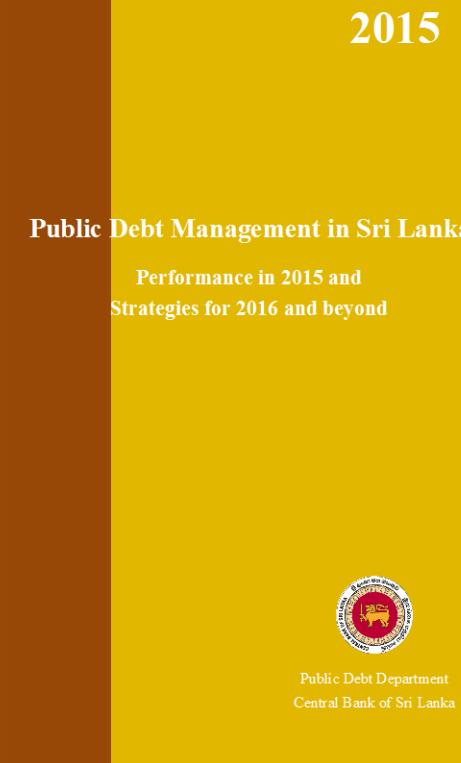
VII.1 Management of large government borrowing programme in a manner supporting the expansionary counter-cyclical fiscal policy stance of the Government without creating any disruptive pressures on the government securities market was a key challenge for the Reserve Bank in 2008-09. To deal with the growth dampening moderation in private consumption and investment demand, some deviation from the fiscal consolidation path and introduction of adequate fiscal stimulus became essential, which concomitantly escalated the size of the borrowing programme significantly. In 2008-09, larger recourse to market borrowing and flight to safety were the common trends across countries around the world; while the cost of borrowings declined in general, reflecting the low policy interest rates and quantitative easing stance of the central banks, significant increase in risk aversion and resultant preference for government securities led to a larger demand for these securities.

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India



Japan



Sri Lanka

Performance & Market Reporting

DMO Annual Report

Australian Office of
Financial Management

Annual Report
2015-16

Australia

Market Report

JAPANESE GOVERNMENT BONDS

Monthly Newsletter of the Ministry of Finance, Japan

WHAT'S NEW

Central Government Debt (As of December 31, 2016)

On February 10, the MOF released the update on central government debt. Debt outstanding and composition as of the end of December 2016 are as follows.

	The end of December 2016 (Actual)	The end of March 2017 (Estimate)
1) Outstanding Government Bonds and Borrowings		
① General Bonds	826.4	845.3
② Fedaihenset and Lai Pryan Bonds (FILP Bonds)	94.1	96.2
③ Borrowings, Subsidy Bonds, etc.	62.7	62.7
④ Financing Bills (FBs)	83.2	112.2
Total	1,066.4	1,116.4
2) Outstanding Government-Guaranteed Debts		
Government-Guaranteed Debts	41.0	-

Notes:

1. Figures may not sum up to the total because of rounding.
2. Above "Outstanding Government Bonds and Borrowings" includes government bonds and borrowings held by government.
3. Figures are total of the general account and all special accounts, and the coverage is different from the central government defined in SNA.
4. The data as of March 31, 2017 will be released on May 10, 2017.
5. Figures for "Outstanding Government-Guaranteed Debts" are blank, because these are not estimated in formulating the budget.

Details: <http://www.mof.go.jp/english/jobs/reference/qbb/e201612.html>

<Main Points>

- Outstanding government bonds and borrowings increased by 3.8 trillion yen to 1,066.4 trillion yen from the end of September (1,062.6 trillion yen). This is because the total outstanding of FILP bonds increased by 2.2 trillion yen.

The Ministry of Finance

www.mof.go.jp

Japan

Monthly/Quarterly Report



REPUBLIC OF TURKEY
PRIME MINISTRY
Undersecretariat of Treasury



No: 139

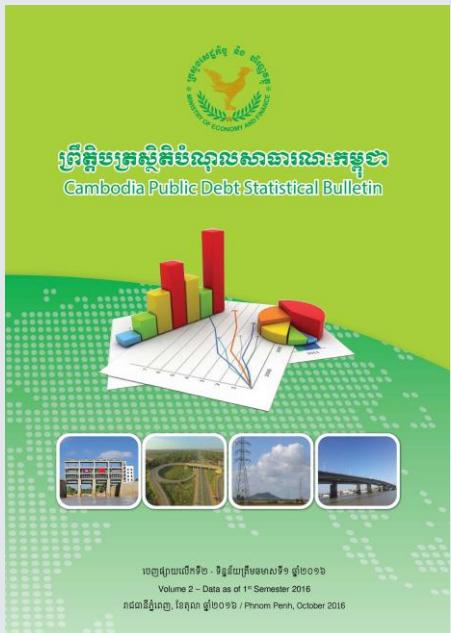
FEBRUARY 2017

PUBLIC DEBT MANAGEMENT REPORT

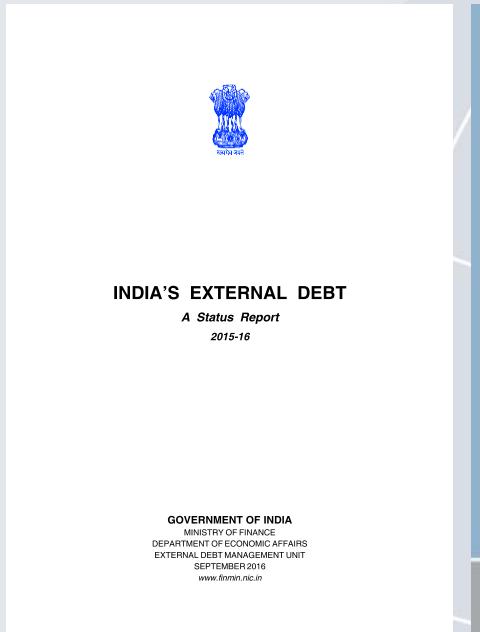
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Turkey

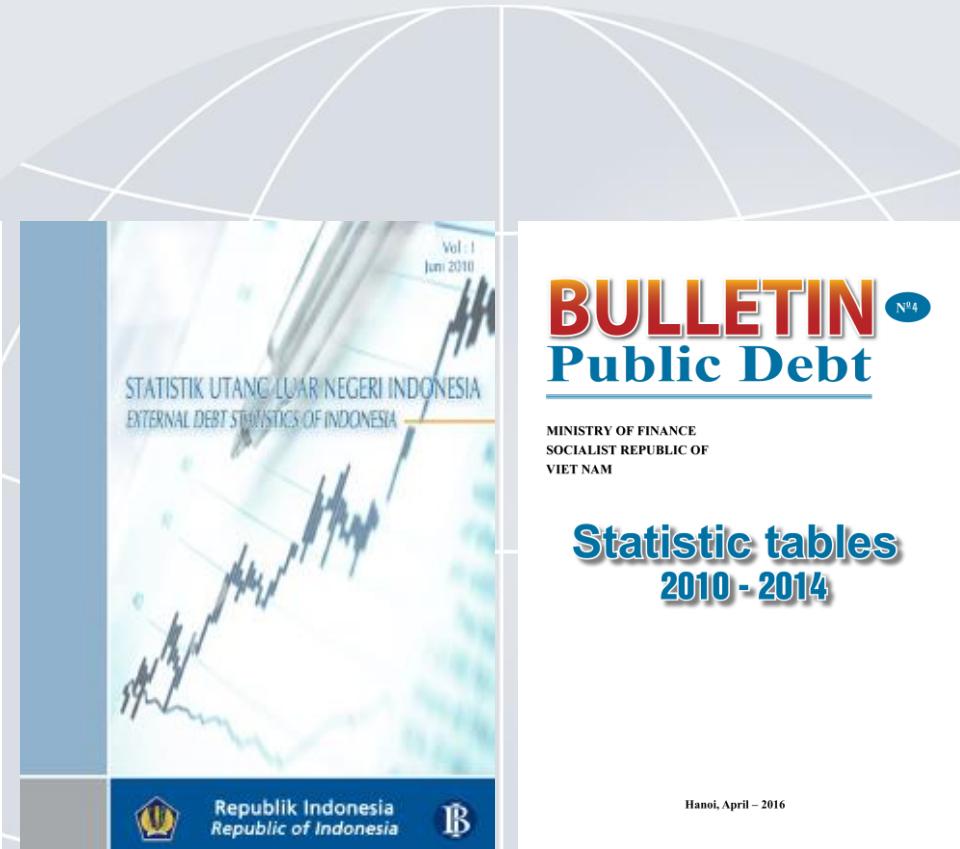
Debt Statistical Bulletins



Cambodia



India



Indonesia

Vietnam

Example of an Effectiveness Audit Report

New Zealand

