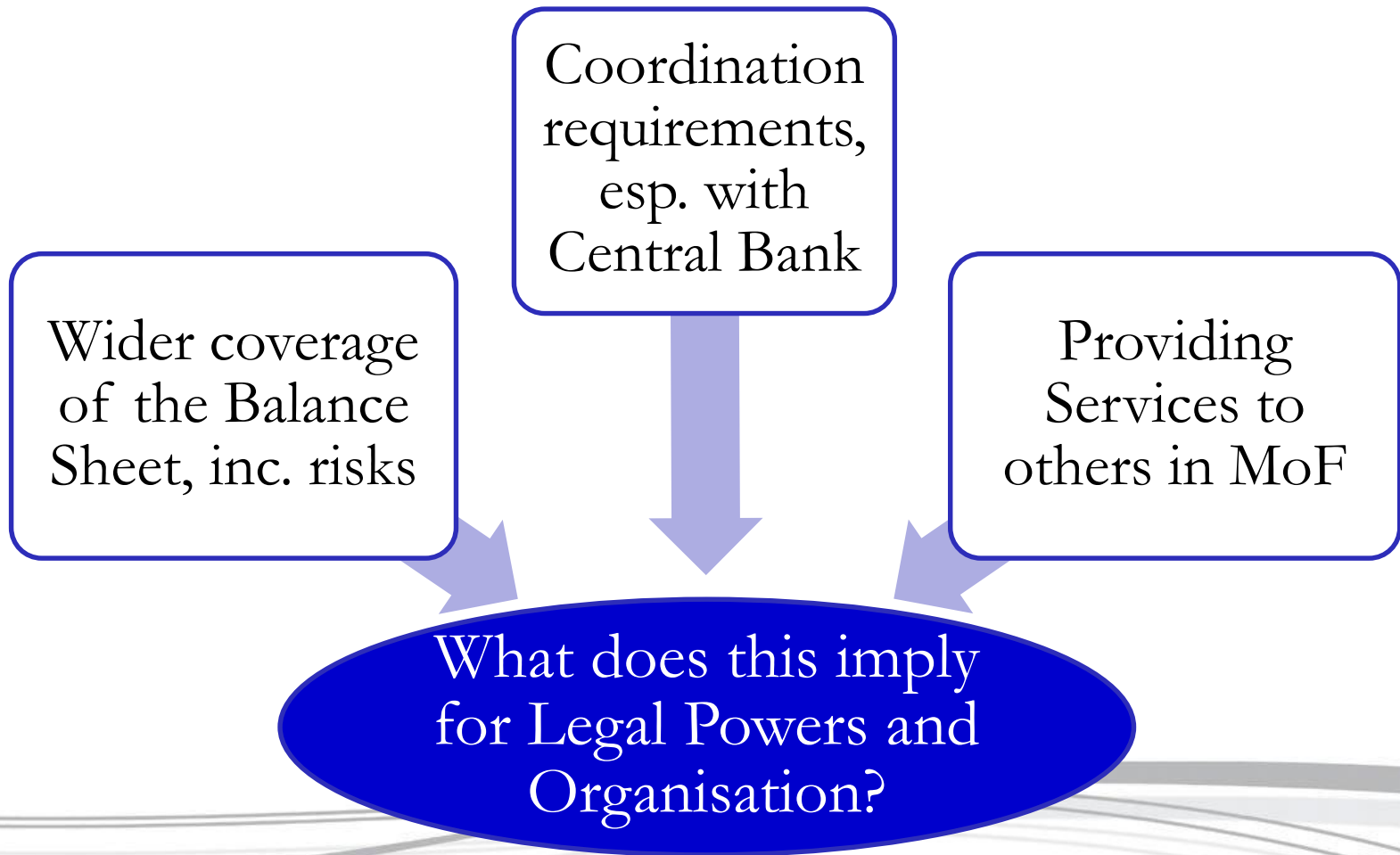


Laws and Institutions

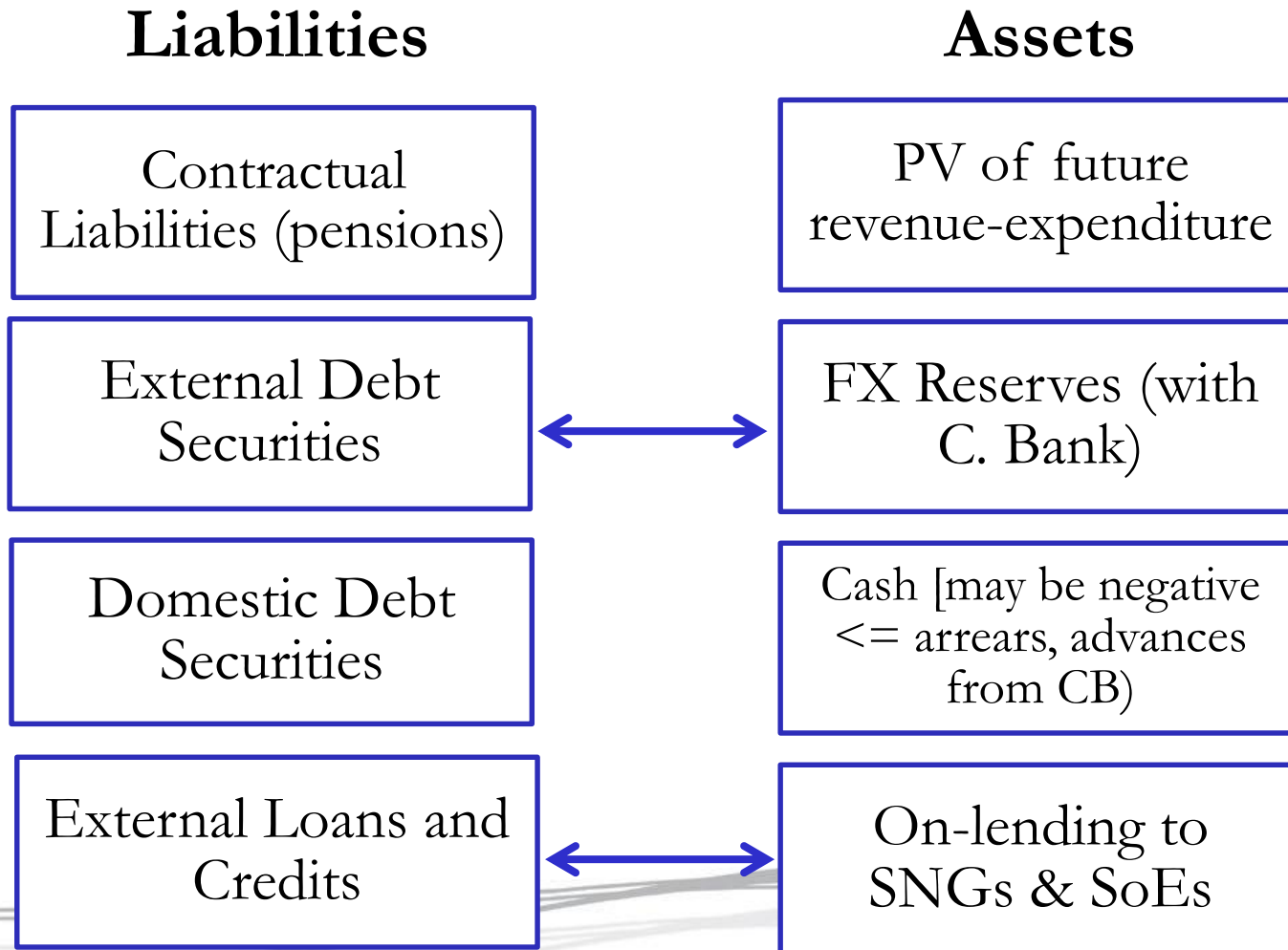
The changing role of the debt manager – and what that implies?

DMF Stakeholders' Forum
Brussels, May 2018

Growing Challenges



The Government Balance Sheet



The Government Balance Sheet

Liabilities

Contractual
Liabilities (pensions)

External Debt
Securities

Domestic Debt
Securities

External Loans and
Credits

Guarantees, PPPs,
Other CLs

Assets

PV of future
revenue-expenditure

FX Reserves (with
C. Bank)

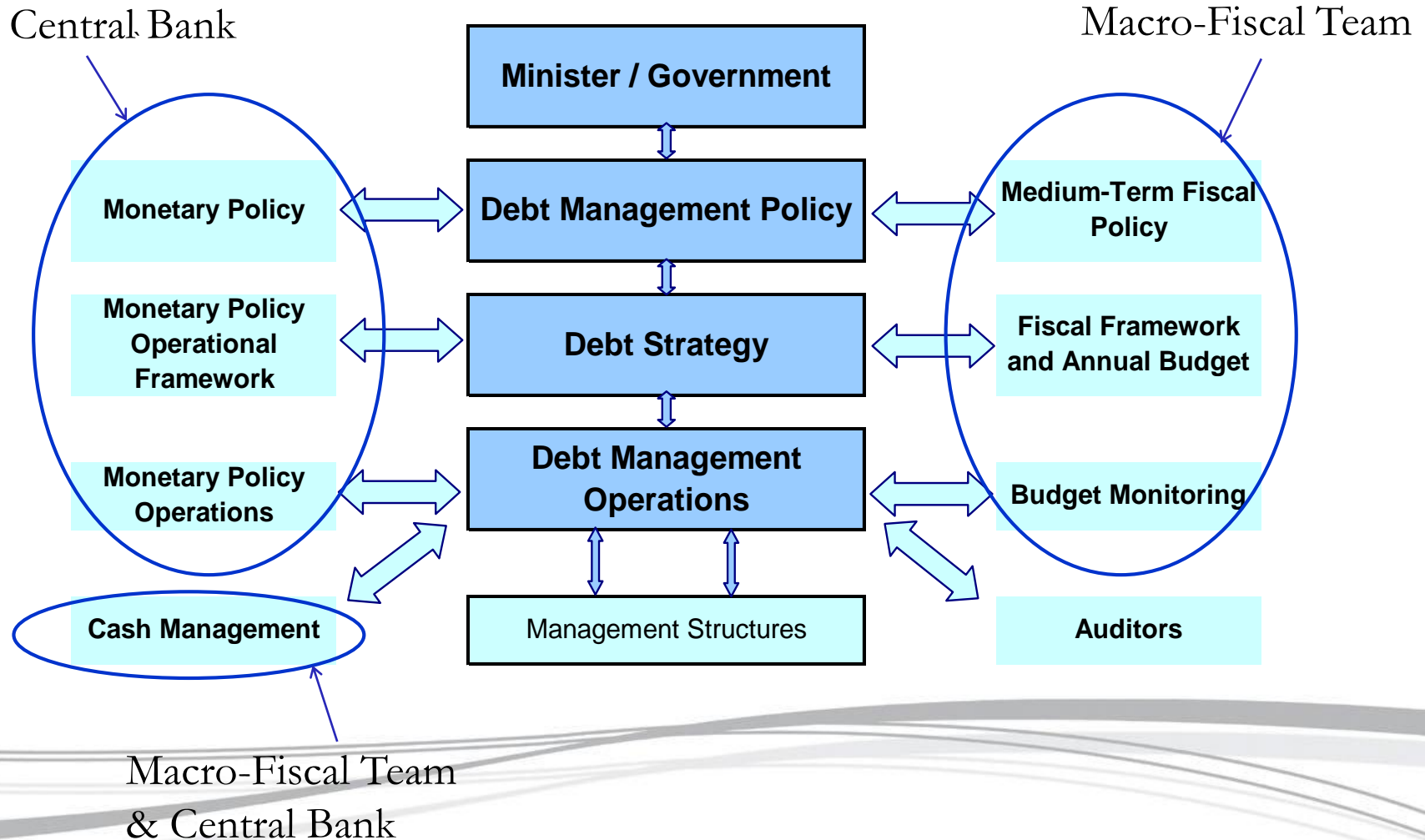
Cash [may be negative
<= arrears, or advances
from CB]

On-lending to
SNGs & SoEs

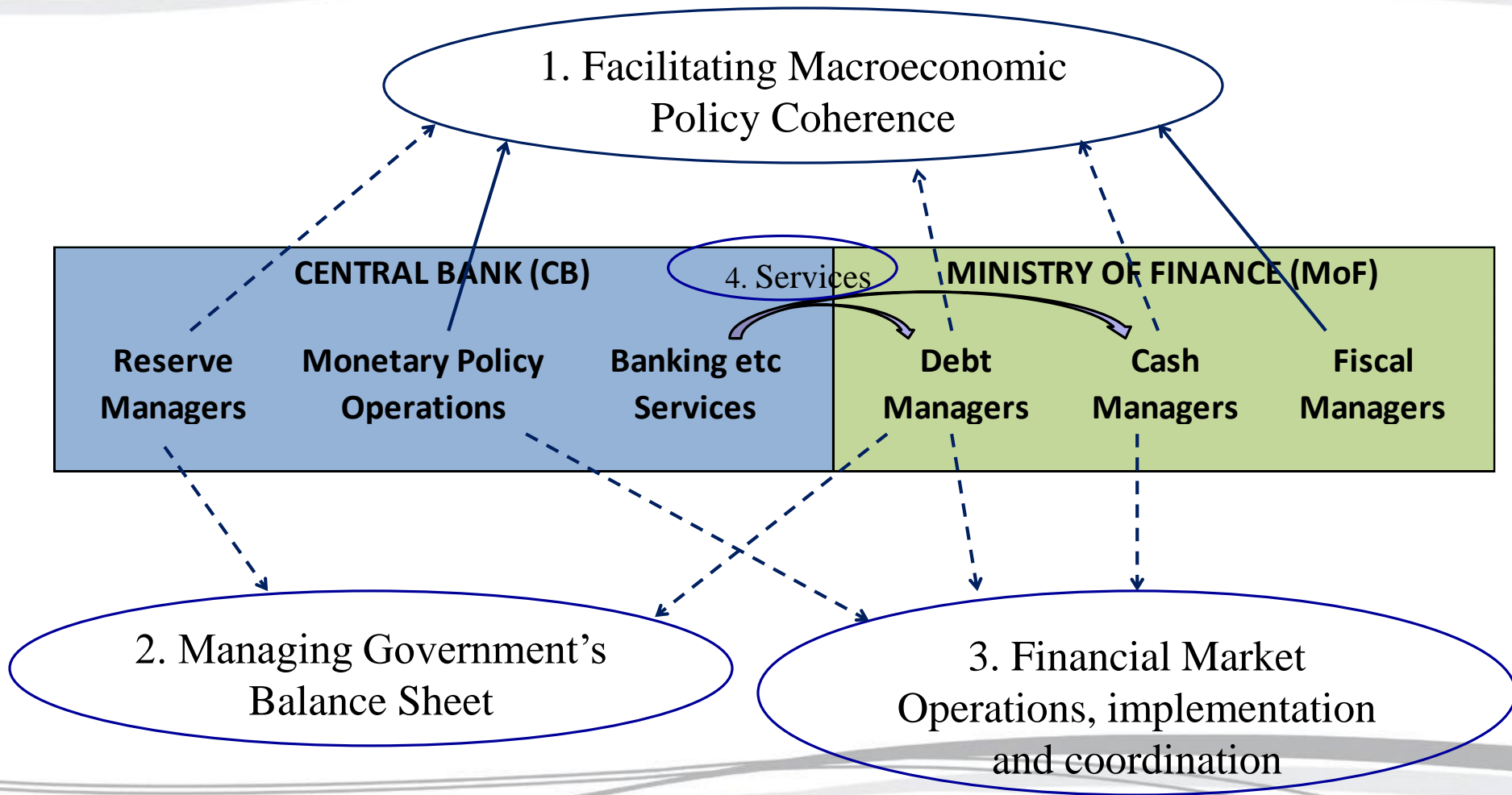
Negative
Contingent Assets



The DMO's Coordination Challenges



An Overview – Policy and Operational Interaction



Operational Tension between MoF & Central Bank

There are common interests

- Development of the money and debt markets
- Cash forecasts support monetary policy

But also sources of tension

- Concern that more active cash management by MoF will complicate monetary policy
- Central Bank bills v Treasury bills
- Timing and amounts of respective auctions
- Interest on balances in TSA
- Use of overdraft

Need Coordination structures

- Must cover both policy and operations: at different levels

Coordination Structures with Central Bank

Formal committee structures

- Public Debt Committee for high level policy coherence,
- Cash Coordination Committee for daily or weekly operations
- Technical working groups, day to day cooperation

Memorandums of Understanding

- How the CB reports its views on MTDS/ABP
- Payment of interest on MoF balances at CB
- Information exchanges, respective responsibilities
- Understandings about use of overdraft; and use of CBBills

Service Level Agreements: to manage expectations on both sides

- Notice that both sides give of any change in the auction pattern or timetable
- Turnaround times by CB in handling transactions, e.g. as fiscal or settlement agent.
- Details of information flows in either direction,
- The basis of calculation of fees paid for the services
- Handling of business continuity events (and compensation for any failure to meet the specified service)
- Includes performance indicators or quantitative targets

Debt Manager's Responsibilities for Other Services

- Debt managers increasingly given responsibility for other services:
 - Government cash management, especially cash balance management
 - Using capabilities to supply 'treasury' services within government
 - Transaction execution, operational risk management, risk modelling skills, market knowledge...
 - Asset management
- This evolution makes sense:
 - Governments can lever off the capabilities of debt management functions; and professional and technically skilled staff
 - Debt managers have an understanding of the government's objectives for its balance sheet and its attitude to risk
- But requires clarity about respective roles and responsibilities - and adequate resources

The Responses

Organizational Structures

- Public Debt Cttee, Cash Coord Cttee
- Identifying roles and responsibilities in the expanded DMO, inc cash management

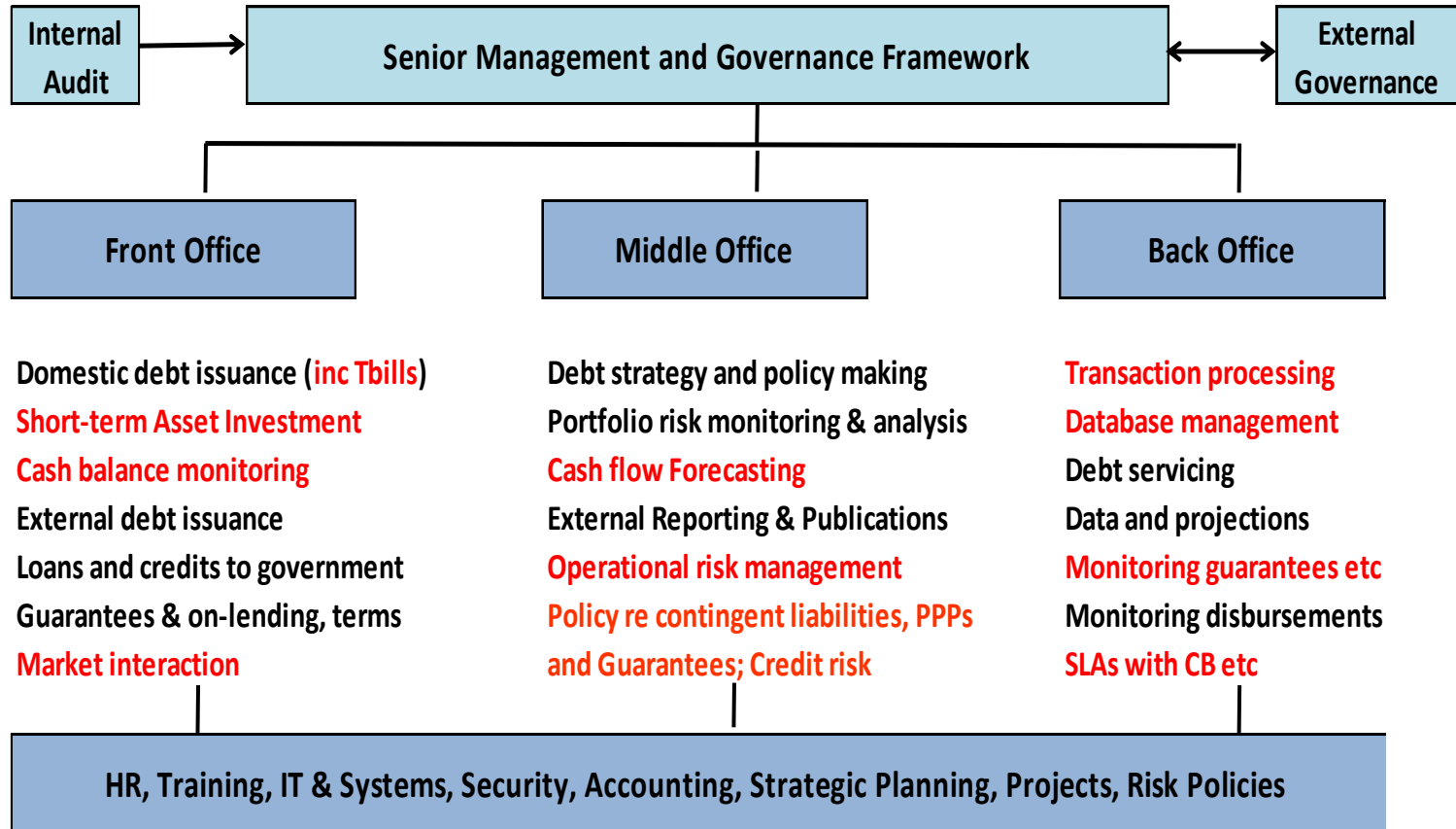
Resources

- Skill requirements – cash management, credit risk assessment and analysis
- Stakeholder management – MoUs, SLAs..

Powers and Responsibilities

- To establish coordination structures
- To ensure [insist on] information flows
- To have the necessary borrowing powers

Expanding Responsibilities



The red font indicates additional or heightened activities

Do you have the necessary powers?

- Roles and objectives of the DMO
 - Cash management: use of Tbills, investing surpluses
 - Formal role v guarantees, PPPs etc
- To establish the coordination structures
- Information/data flows
 - Line ministries, revenue authority provide forecast information
 - Detailed data on guarantees, PPPs, CLs
 - Monitoring performance and on-lending, guaranteed projects – or early warning of problems
- Are the purposes of borrowing sufficient , beyond the familiar:
 - [To finance the deficit
 - To finance the investment programme
 - To refinance, prepay or buyback outstanding debt] – next slide

Other Purposes of Borrowing: for Discussion

To support the balance of payments or the FX reserves

To foster the development of the financial markets (issuing when cash not needed to maintain market activity)

To support monetary policy objectives (e.g. issuing Tbills at the request of the central bank to drain liquidity)

To pre-finance liquidity connected with cash flows (i.e. as part of cash management) – also powers to invest cash surpluses

To meet payments under guarantees and restructuring of public sector debt

To finance on-lending, beyond that allowed for in the budget

To handle impact of natural or environmental disasters

Thank You!