



The Changing Role of Government Debt Management

Government Borrowers' Forum

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The Evolving Role of the Debt Manager – “the Treasury's treasury”

- Government cash manager
- Controlling the government balance sheet
- Leverage off debt management capabilities
 - Using IT systems; transaction execution, operational risk management and modelling skills; and market knowledge
 - Supplier of “treasury” services
 - Supplier of “asset management” services

Debt and Cash Management

- Balancing government cash flows (cost-effectively) by borrowing and lending (in money markets)
- Integration of CM & DM
 - Co-ordinating issuance across the full range of instruments
 - Debt issuance decisions taken in the context of the government's overall cash flows
- Parallels monetary / DM policy separation
 - Active cash management essential in Eurozone
 - Followed by UK, Sweden
 - Many others rough tune if not fine tune
- Requires co-ordination with CB's monetary policy ops

Controlling the Balance Sheet

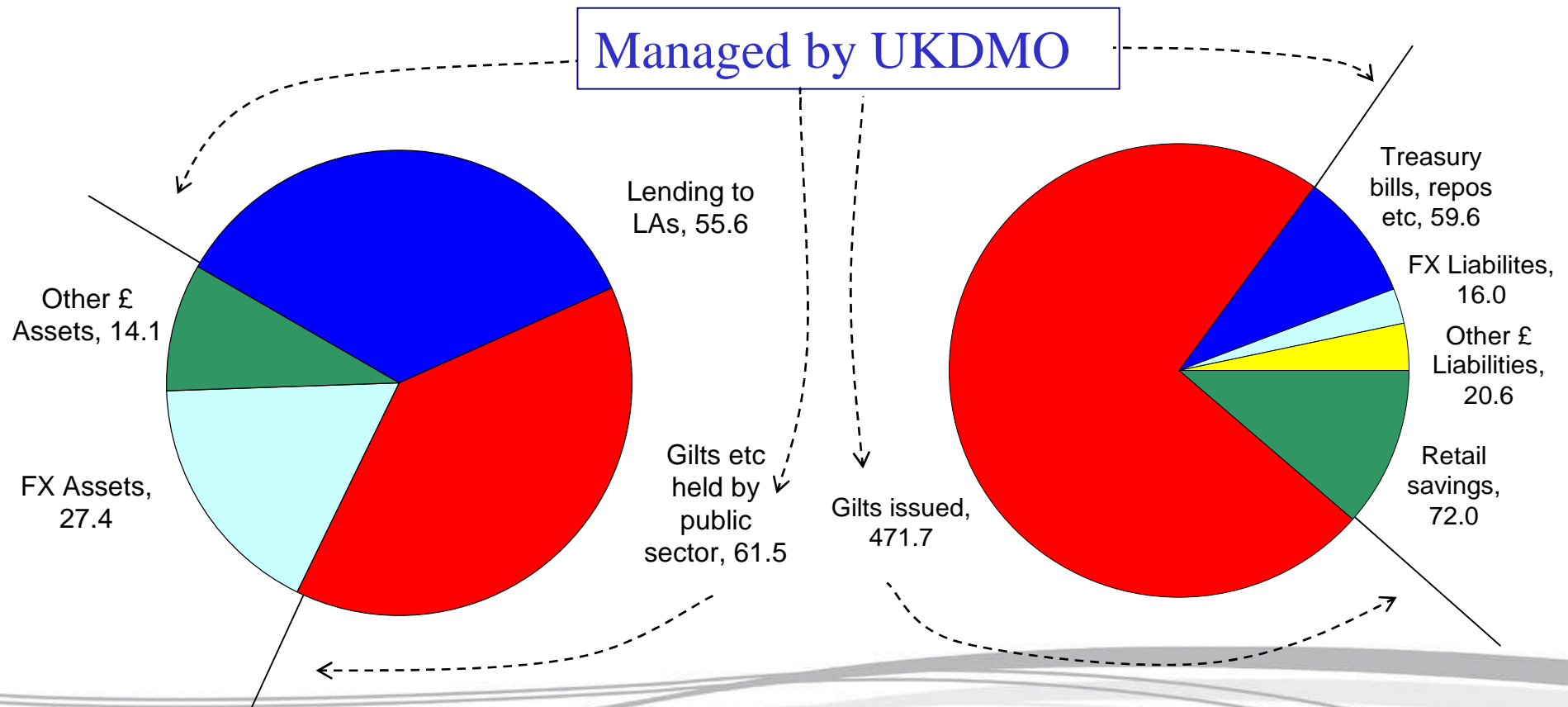
- Debt portfolio objectives linked to balance sheet as a whole
- Management of on-lending
 - Sweden, Ireland, Denmark, Finland, UK (municipalities)
- Contingent liabilities
 - Costing and advice – many countries
 - Control and charges – Sweden, Colombia
- Monitoring of “surrogate” finance
- Matching/offsetting others’ risk through derivatives
 - Finland, Ireland, UK (floating/equity swaps matching retail savings instrument exposure to equity market)

UK Financial Assets and Liabilities

Central Government, end Dec 2005 £bn

Financial Assets, £158.5 bn

Financial Liabilities, £640.1 bn



Source: HM Treasury

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Supplier of Treasury Services

- Pricing government lending, transaction advice / execution
 - UK, Sweden, NZ, Finland
- Advice to government bodies on cash & risk management
 - Portugal, Denmark, NZ, Finland
- Deposit (or lending) facilities for municipalities or other public sector bodies
 - UK, Belgium, Ireland (borrowing and lending)
- Foreign exchange services
 - Many countries
 - France oil price hedging for Ministry of Defence and others
- Advice on (or control of) PPP/PFI projects
 - UK, NZ, Ireland (can also supply finance via NDFA)

Supplier of Fund Manager Services

- Investing structural cash surpluses
 - UK (others as part of cash management – Australia)
- Active asset management
 - Asset funds – Ireland (Pension Reserve Fund)
 - Matching specific assets & liabilities; buy backs – NZ and others
- Management of specific public sector funds
 - Invested in public sector to meet public sector liability – many countries
- But still relatively modest compared to central banks
 - Separation (protection) of funds from political process
 - Raises governance and policy issues (how are objectives set; how do they relate to the balance sheet as a whole?)