



Governance and Strategy Development



World Bank Treasury



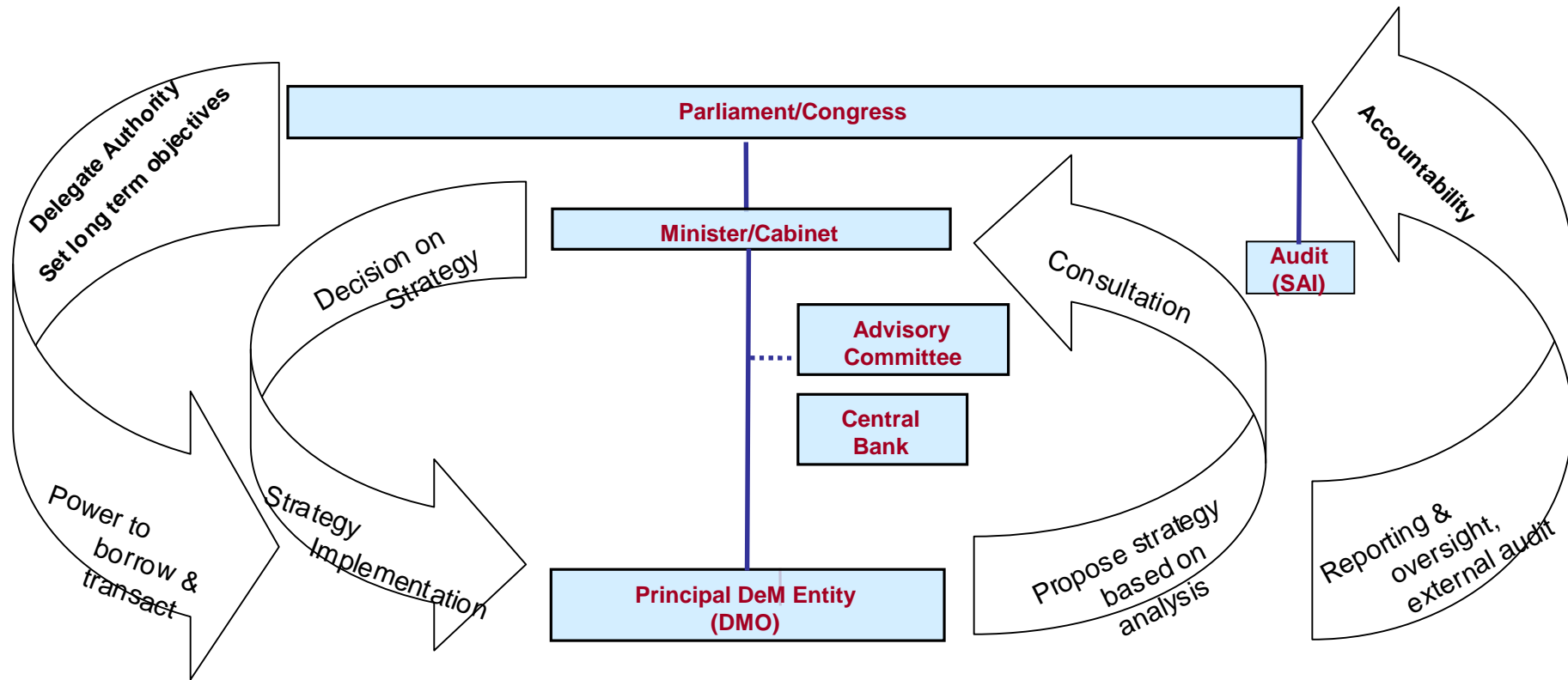
**ECONOMIC POLICY AND
DEBT DEPARTMENT**

Sound Economics for Growth and Poverty Reduction



Governance and Strategy Development

- DPI-1 Legal framework
- DPI-2 Managerial structure
- DPI-3 DeM strategy
- DPI-4 Evaluation of DeM operations
- DPI-5 Audit





Principal DeM Entity (DMO)

- DMO is responsible for the execution of the DeM strategy.
- ‘Optimal’ structure: All DeM operations are consolidated into the DMO.
- ‘Common’ structure: Some operations are outsourced to other entities - e.g., the Central Bank runs the debt auctions on behalf of the DMO, but DMO is still in command.
- O.K. that the Minister ‘without undue political influence’ approves the borrowings prepared by DMO, and signs the loan agreements.



Legal Framework

- *Score C*
 - Clear authorization to borrow and issue loan guarantees in the primary and secondary legislation
- *Score B*
 - In addition, borrowing purposes, reporting requirement to Parliament, and external audit requirement in the primary legislation
- *Score A*
 - In addition, DeM objectives, mandatory evaluation of outcomes against the stated objectives, and requirement to develop a DeM strategy in the primary legislation



Managerial Structure

- *Score C*
 1. Borrowings and debt-related transactions are undertaken either by a Principal DeM Entity or by several DeM entities that coordinate between themselves
 2. Loan guarantees are issued by one or more entities that coordinate both between themselves and with the Principal DeM Entity, if any.



Managerial Structure (cont'd)

- *Score B*
 1. In addition, borrowings and debt-related transactions are steered by a formalized DeM strategy, and undertaken “without undue political influence”
 2. In addition, loan guarantees are issued by one entity that closely coordinates with the Principal DeM Entity, if any
- *Score A*
 1. In addition, borrowings and debt-related transactions are undertaken by the Principal DeM Entity
 2. In addition, loan guarantees are prepared and issued by the Principal DeM Entity



DeM Strategy

- *Score C*
 1. Medium-term strategy based on DeM objectives and covering at least 90% of the existing and projected debt, expressed at least as guidelines for the preferred direction of specific risk indicators and, if applicable, including minimum concessionality and plan to support local debt market
 2. Strategy proposal prepared by the DMO or jointly by the DeM entities, views of Central Bank formally obtained, and finally approved by the Cabinet/Minister and made public



DeM Strategy (cont'd)

- *Score B*
 1. In addition, the strategy includes realistic target levels for the risk indicators
 2. In addition, the Cabinet/Minister has to give its rationale for not accepting the proposal, and the strategy is updated at least every third year
- *Score A*
 1. In addition, target levels are based on thorough and clearly described analysis, including stress tests
 2. In addition, the strategy is annually updated



Evaluation of DeM Operations

- *Score C*
 - An annual report on DeM activities and outstanding debt is submitted to the Cabinet/Minister by the DMO or the DeM entities
- *Score B*
 - In addition, the report contains an evaluation on how the activities have complied with the strategy
- *Score A*
 - In addition, the Parliament receives an annual report on the DeM activities, including an evaluation of outcomes against stated objectives, chosen strategy and the rationale behind it, and how the activities have complied with the strategy, and this report is made public



Audit

- *Score C*
 1. An external audit of DeM activities, policies and operations has been performed within the past 5 years
 2. There is commitment from the DMO or DeM entities to address the outcomes from audits
- *Score B*
 1. In addition, there are frequent, at least every 3 to 5 years, external audits, and annual internal audits
 2. In addition, the commitment to address the outcomes is strong
- *Score A*
 1. In addition, the external audit is conducted at least every 2 to 3 years, and the audit report is made public within 6 months from the completion of the audit
 2. In addition, the commitment is strong and immediate



DeMPA

Thank you!

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