



Regulatory Framework for Government Debt Management

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Example of issues to be included in the regulatory framework

- Clear authorization for the debt manager (DMO) to borrow on behalf of the central government, preferably from any source and by the use of any form of loan instruments (if restrictions, e.g., the use of zero coupon bonds and perpetuals, they need to be spelled out), but restricted to stated purposes, the main purposes being budget deficit financing and refinancing.

Example of issues (cont'd)

- Clear authorization to actively manage the debt through the use of prepayments of loans and repurchases of securities, and financial derivatives. (Note that IBRD and other IFIs now provide governments the flexibility to select borrowing terms, and offer hedging products such as interest rate swaps, interest rate caps and collars, and currency swaps.)
- Clear authorization for the DMO to pay debt service and other necessary costs linked to the borrowing/debt management activities. (It also might be a good idea to include a permanent and indefinite appropriation for the debt service.)

Example of issues (cont'd)

- Debt recording and accounting rules.
- Rules on investment of surplus cash in the market.
- Clear objectives for debt management.
- Basic processes for formulation of the debt management strategy, and for debt sustainability analyses.
- Rules for consultation with the central bank to avoid any conflict with monetary policy.
- Mandate for the DMO to use the central bank as agent (normally as paying agent and for conducting the auctions).
- Procedures for budget preparation

Example of issues (cont'd)

- Reporting and audit processes.
- Other functions of the DMO, such as recording and monitoring of financial guarantees.
- Internal organization and internal decisionmaking of the DMO.
- Code-of-conduct and conflict-of-interest rules.

3 country examples

- Sweden
- Portugal
- Serbia



Thank you!

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