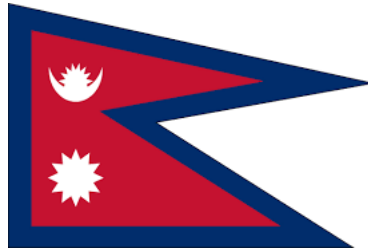


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**Debt Management Reform Plan**



**Nepal**

**May 2019**



**WORLD BANK GROUP**

## Acronyms

ADB	Asian Development Bank
ATM	Average Time to Maturity
ATR	Average Time to Refixing
ComSec	Commonwealth Secretariat
CB	Central Bank
CSB	Citizen Savings Bond
CSD	Central Securities Depository
CS-DRMS	ComSec – Debt Recording Management System
D-Bonds	Development Bonds
DeMPA	Debt Management Performance Assessment
DOMS	Debt Office Management System
DMIS	Debt Management Information System
DMO	Debt Management Office
DMS	Debt Management Strategy
DSF	Debt Sustainability Framework
DvP	Delivery vs Payments
EAPD	Economic Analysis Policy Division
FCGO	Financial Comptroller General Office
FEB	Foreign Employment Bond
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GoN	Government of Nepal
IECCD	International Economic Cooperation Coordination Division
IDA	International Development Association
IMF	International Monetary Fund
IT	Information Technology
LIC	Low Income Countries
LiM	Line Ministries
LMBIS	Line Ministry Budgetary Information System
MoF	Ministry of Finance
MTDS	Medium Term Debt Management Strategy
NEPSE	Nepal Stock Exchange
NPR	Nepalese Rupee
NPC	National Planning Commission
NRB	Nepal Rastra Bank
OTC	Over the Counter
PDMO	Public Debt Management Office
PDMD	Public Debt Management Department – Nepal Rastra Bank
PDMC	Public Debt Management Committee
SOE	State Owned Enterprise
TA	Technical Assistance
T-Bills	Treasury bills
TSA	Treasury Single Account
WB	The World Bank

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## I. EXECUTIVE SUMMARY

**In response to a request from the Ministry of Finance to provide technical assistance on debt management a World Bank mission<sup>1</sup> visited Kathmandu, Nepal, during March 12-19, 2019.** The mission objective was to assist the authorities consolidating the debt management functions under the newly established Public Debt Management Office (PDMO) at the Ministry of Finance (MoF).

**The mission held wide ranging discussions with high-level officials at the Ministry of Finance, the Nepal Rastra Bank (NRB) and representatives from selected commercial banks.** The mission main counterparty was the PDMO led by Mr. Bishnu Raj Dhakal- Chief and his team, including Undersecretaries Mr. Ram Krishna Pudasaini, and Mr. Ramesh Aryal. The World Bank team is most grateful for the helpful and open discussions with the PDMO team and other participants and for their outstanding hospitality.

**Nepal fares better than most peers on debt levels, debt composition and exposure to foreign currency risk.** With debt/GDP below 30%, Nepal indebtedness is well below the median of Low-Income Countries (LICs), that is slightly above 50%. Relative low debt levels together with a highly concessional external debt and relatively low domestic interest rates result in interests/government expenditures below 2%. In addition, foreign currency inflows from remittances, close to 25% of GDP, keep foreign reserves at levels higher than foreign currency debt<sup>2</sup> mitigating the exposure to a depreciation of the Nepalese rupee.

**Supported by sound fundamentals, the authorities are taking actions to strengthen debt management.** On December 26, 2018 the PDMO was created with the goal of consolidating the management of government debt under the MoF, in contrast with the current practice where the MoF, scattered among various units, handles external debt and delegates domestic debt management to NRB<sup>3</sup>. In parallel, the authorities are redrafting the Public Debt Law to provide a robust legal framework for the activities the PDMO will perform. In addition, there is a project for developing an IT system to support debt management functions.

**In agreement with Nepalese authorities, this report covers selected areas considered critical for the PDMO to start developing the functionality needed to take over the responsibility for the management of domestic debt from NRB.** These areas are: (i) governance arrangements comprising legal framework and managerial structure to enable PDMO perform all necessary activities (sections III and IV); (ii) processes and systems for the recording, validation, payment,

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<sup>1</sup> The World Bank mission was led by Andre Proite (Senior Debt Specialist – GMTMD) and comprised Antonio Velandia (Lead Financial Officer – FABDM), Daniel Wolde (DMPP- GMTMD), and Muriel Stuart (DMPP-GMTMD)

<sup>2</sup> The net creditor position of Nepal shows a balance of assets and liabilities in foreign currency stronger than Bangladesh, Myanmar, Sri Lanka, Vietnam and Lao PDR (see 2018 Article IV Consultation—Staff report, IMF Country Report No. 19/60).

<sup>3</sup> A gradual transition is to take place to allow the PDMO absorb the activities from NRB. A new Public Debt Law will accommodate the new functions and activities. Until then, NRB continues to manage domestic debt until infrastructure and capacity in the PDMO are built. Similarly, the FCGO will continue to perform debt recording, monitoring, payment and reporting functions.

accounting and reporting of the government debt, making this the safe powerhouse of the PDMO (section V); and (iii) supply of government securities (section VI)<sup>4</sup>.

**While the legal framework provides clear authorization for borrowing in the name of the GoN it does not resonate with the international sound practice.** The Public Debt Act of 2002 does not specify the purposes of borrowing in the domestic market. Nor this Public Debt Act neither the Loan and Guarantee Act of 1968 define objectives for managing the government debt. The legal framework is silent on the need to prepare a strategy to manage the government debt and to periodically report on the performance on the implementation of such a strategy vis a vis the debt management objectives. Last, the Public Debt Act of 2002 is outdated, does not cover the use of a Central Depository for dematerialized securities nor the need for conducting liability management operations.

**The management of domestic and external debt is fragmented and NRB faces significant conflicts of interest in its responsibilities for monetary policy and as a debt manager.** Although policy decisions, such as the funding mix, are under the purview of the Public Debt Management Committee (PDMC), in practice the committee is not active, and the financing gap is closed by maximizing concessional external borrowing and filling the residual in the domestic market, comprising mainly the banking sector. MoF handles external debt while the management of domestic debt is fully delegated to NRB. According to market participants, NRB's dual responsibility for monetary policy and debt management has led to opportunistic behavior from the issuer conditioning the offerings of government securities to monetary policy actions. In addition, the lack of coordination and fragmentation in the management of external and domestic debt deprives management from a holistic approach to the government debt portfolio and increases the needs for coordination.

**There are important policy functions that are performed neither by the MoF nor by NRB.** There is no formal medium-term debt management strategy (DMS) and the decisions on the instrument type, maturities and desired profile of the government debt are taken in an ad-hoc process, mostly driven by a cashflow approach without due consideration for the funding cost and the need to develop a domestic market for government securities. No cost-risk analysis is undertaken.

**Debt recording and reporting can be significantly improved.** The responsibility for managing the debt database is split between the Ministry of Finance and NRB. Recording and monitoring are partially done by the Financial Comptroller General Office. There are no publications on consolidated debt and there are no regular reports on the risks of the government debt portfolio. The MoF is currently developing an in-house debt management information system (DOMS) and plans to consolidate the debt database.

**At 46% of the government debt, the share of government securities is relatively large and has the potential to become a growth engine; however, some developmental constraints stand out.** First, the use of paper-based securities; second, there are no reopenings and every auction creates a new security with a distinct maturity and coupon; and third, the authorities have shown no commitment to the issuance calendar that is published quarterly on the website. The use of paper-

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<sup>4</sup> The report is not meant to be comprehensive and other areas such as a development of a debt management strategy, the management of guarantees, coordination with macro policies, cash management, evaluation of debt operations and audit are not covered.

based securities constitutes a formidable obstacle to the development of a market for government securities. Very few countries still use physical securities because of the operational risks they pose, the transaction costs involved, and the impediments to their trading in the secondary market. Removing these obstacles is key to entice market participants to trade these securities in a more active manner.

**Amidst all these challenges, the PDMO was formally set up but is currently not operational.** The staff has been appointed from different parts of the official bureaucracy, but few are familiar with debt or financial management in the government. Notwithstanding, some operational debt functions and debt-transactions are being performed in different parts of the Ministry and NRB. The objective and mandate of the new PDMO is to gradually absorb the ongoing debt functions, before developing other more analytical missing functions.

**The mission key recommendations are summarized in table 1 below and detailed, in Annex 1.** The recommendations lay out a transition path for the PDMO to become operational in a 2-year period, with a specific focus for the next 12 months, given the ongoing positive momentum in the MoF and in the Legislative.

**The first step is for the MoF to focus on the legal framework reform and to send a draft Public Debt Law to the Legislative.** The current legal framework is fragmented and outdated. It does not cover all core debt functions and does not resonate with international best practices. The priority task is for the PDMO to prepare a draft to be sent to the Congress in the next 12 months, after clearing with the MoF Cabinet and Legal Department.

**The second step is for the head of the PDMO to arrange the initial managerial structure and to focus on back office (recording and monitoring, payments) functions.** The priority is to transfer the existing back office functions (debt recording, monitoring and payments) of the external debt from FCGO to the PDMO. The reason is due to the availability of staff who is familiar with similar processes. The first task is for the head of the PDMO to finalize the allocation of staff and to secure the operational and physical structure (including hardware/software). The targeted date to formalize this internal arrangement is July 2019.

**The third step is to produce a comprehensive public debt report.** The authorities seek to organize the office to initiate analytical functions. The first task is to elaborate a debt report, analyzing the maturity profile, the calendar of debt operations and monitoring cash availability. The team will investigate the initial steps to dematerialize domestic bonds. Cost and Risk analysis (typical middle office functions) will be incorporated afterwards. The target for publishing the first consolidated report is July-2020.

**The fourth step is to decide on whether they should finalize the ongoing debt information system – DOMS or to use another available off-the-shelf- system.** Initial tests revealed inconsistencies, leading the authorities to further investigate the viability to carry on with the project. Given the limited budgetary and personnel resources, it was recommended to consider the use of other readily available software. The authority's expectation is to make a decision by the end of 2019.

**Table 1: Overview Reform Plan**

<b>Area</b>	<b>Main weaknesses</b>	<b>Main proposed actions</b>
<i>1. Legal Framework for debt and guarantees' management</i>	<ul style="list-style-type: none"> <li>- Fragmented and incomplete legal framework for debt management</li> <li>- No legal and regulatory framework for issuance, recording and monitoring of guarantees</li> </ul>	<ul style="list-style-type: none"> <li>- Consolidate the primary legislation under a Public Debt Law and send it to the Legislative</li> <li>- Include in the debt law: objectives, coverage, requirement to elaborate a strategy and to publish reports on debt stock and activities</li> <li>- Authorize the dematerialization of government securities</li> <li>- Enable the GoN to conduct liability management operations</li> <li>- Include regulation in the law for the issuance of guarantees</li> </ul>
<i>2. Managerial Structure</i>	<ul style="list-style-type: none"> <li>- NRB responsible for domestic debt and MoF for external debt</li> <li>- NRB has conflicts to manage monetary policy and domestic debt</li> <li>- Middle Office functions are not performed by either institution</li> <li>- PDMO recently created in the MoF with limited resources and needs to build capacity</li> </ul>	<ul style="list-style-type: none"> <li>- Gradual absorption of debt functions</li> <li>- Transfer the current external debt recording, monitoring, payments process from the FCGO to the PDMO.</li> <li>- Establish the unit that will develop gradual analytical functions.</li> <li>- Consolidate the origination of external debt in the PDMO</li> <li>- Prepare a transition plan to gradually move domestic debt from NRB to the PDMO</li> </ul>
<i>3. Debt Recording, Monitoring, Payments and Reporting</i>	<ul style="list-style-type: none"> <li>- Database is fragmented</li> <li>- Uncertainty on the viability to complete the development of the in-house debt system (DOMS)</li> <li>- Consolidated debt reports are outdated and not systematically produced</li> <li>- Absence of procedures manuals</li> </ul>	<ul style="list-style-type: none"> <li>- Unify the existing database from NRB, FCGO</li> <li>- Assess and define whether to proceed the development of DOMS or choose an off-the-shelf IT solution for the debt system</li> <li>- Start to periodically report the external debt and combine it with the available information that is systematically being produced by NRB.</li> <li>- Elaborate a procedures manual for debt recording, monitoring, payments.</li> </ul>
<i>4. Domestic debt market</i>	<ul style="list-style-type: none"> <li>- Paper based securities have high operational risk and make trading very expensive</li> <li>- The issuance policy promotes a large number of small sized lines of outstanding securities</li> </ul>	<ul style="list-style-type: none"> <li>- Decide if the CSD will be held by NRB, Stock exchange or private-off-the-shelf model.</li> <li>- Publish an issuance calendar in coordination with the NRB. Interact with NRB and market participants before designing the calendar.</li> <li>- Reorganize the issuance plan with the use of reopening lines.</li> </ul>

## II. BACKGROUND

### Debt Management Context

1. **Nepal's is a Low-Income Country with low risk of debt distress.** Under the revised IMF/World Bank Debt Sustainability Analysis Framework for Low Income Countries (LIC-DSF), all debt and debt service ratios are projected to remain below indicative threshold values. Following a prolonged decline to 25 percent of GDP in mid-2015, the sum of external and domestic public debt rose to 33.3 percent of GDP in Apr-18. One of the main reasons behind this increase corresponds to increased disbursement of projects and increasing transfers to local governments under the newly established federal system, stemming from the 2015's Nepalese Constitution.

2. **Currently the domestic debt represents 46 percent of the total debt.** The external debt is largely concessional with the World Bank (IDA) and the Asian Development Bank (ADB) as the two main external lenders. The remaining external debt by the bilateral creditors and other multilaterals is also largely concessional.

3. **The PDMO was created as a part of MoF in December 26, 2018 upon a MoF directive which aims at unifying central government debt management in a single unit, contrasting to the current practice, where the MoF handles external debt and delegates domestic debt management to the NRB.**<sup>5</sup> As per existing law, the parliament approves the budget including internal and external borrowing.<sup>6</sup> IECCD is responsible for external borrowing, which consists of loans from multilateral and bilateral creditors. FCGO is responsible for keeping all debt records and debt service. The NRB manages the domestic debt, comprised by securities issued to wholesale and retail investors. The monetary authority operates as the fiscal agent of the MoF and is responsible for recording and reporting domestic debt.

4. **A gradual transition is to take place to allow the PDMO absorb the activities from other agencies.** The Public Debt Law will be reformed to accommodate both the transfer of functions from other units to the PDMO as well as the new functions and activities that will be performed in line with international sound practice. The NRB will continue to manage domestic debt until infrastructure and capacity in the PDMO are built. Similarly, the FCGO will continue to perform debt recording, monitoring, payment and reporting functions related to external debt until PDMO can take over.

5. **The new PDMO currently have 17 staff and there are 37 vacancies.** The staff have been assigned the following functions, although none of it is currently operational:

- a. Public debt forecasting
- b. Policy formulation
- c. Domestic debt management
- d. Foreign debt management

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<sup>5</sup> ADB produced a report in 2013 that became the origin of a reform plan recommending the consolidation of the DMO in the MoF. No action has been taken since then until the creation of the PDMO in late 2018.

<sup>6</sup> Public Debt Act 2059 (2002).



e. Research

6. **A Public Debt Management Committee (PDMC) was informally established to connect the MoF, FCGO, NRB and PDMO.** It is designed to be a high-level decision-making group to oversee and regulate debt management activities and operations.

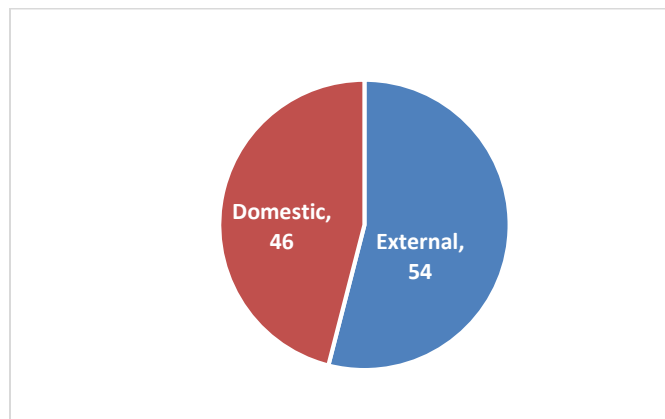
**Public Debt**

7. **Domestic debt is almost entirely composed by T-Bills and D-Bonds.** As of June 2018, 37.5 percent of domestic debt is composed of short-term T-Bills. The remaining portion of domestic debt is mainly issued in the form of D-Bonds (60.1 percent of domestic debt), with maturities between 5 to 15 years. T-Bills and D- Bonds are issued through auctions and their interest rates are market-based. In addition, there are retail securities representing 1.06 percent of total debt.

8. **All external debt is contractual, largely on concessional terms.** Although Nepal fares well relatively to its LIC peers, 54 percent of the debt is contracted in foreign currencies. Nepal on the other hand, has a large stock of foreign reserves and receives a steady inflow of remittances in foreign currencies mitigating the exposure to exchange rate risk.

9. **GoN’s total central government debt portfolio is associated with low costs** The weighted average interest rate across the portfolio is below 2 percent. This reflects large share of concessional external loans and historically low interest rates in the domestic market. However, the rates in the domestic market have been rising, with the rate for the 3-month T-Bill going up from a level of 0.3 percent in July 2016 peaking nearly 6 percent in 2018, closing at 3 percent in early 2019. Prior to July 2016, the rates for 3-month T-Bill were consistently below 1percent.

**Figure 2: Central Government composition as of Jun-18**



Source: FCGO

10. **A further rise in total public debt is projected, to about 35 percent of GDP in the medium term** and about 42 percent of GDP in the long term, owing to continuing fiscal and current

account deficits, as the authorities implement fiscal federalism and aim to put the economy on a higher growth path.<sup>7</sup>

### III. LEGAL FRAMEWORK FOR DEBT AND GUARANTEES' MANAGEMENT

#### Sound practice

11. **Sound practice requires a clear and transparent legal framework to govern public debt management operations, including government guarantees<sup>8</sup>.** A sound legal framework sets out a clear mandate and responsibilities for those delegated to carry out debt and debt-related functions on behalf of government. In turn, a clear mandate facilitates the formulation of debt management policies that ensure effective management of borrowed funds and public debt strategy. In so far as the legal framework sets clear delegations it also promotes transparency, discipline and accountability through reporting and auditing requirements.

12. **Although Parliament usually has the ultimate power to borrow on behalf of central government, it should not be involved in individual debt management operations.** The first level of delegation of the borrowing power therefore comes from Parliament to the executive branch. Further delegation (possibly) within the executive branch of government to a debt management entity should be provided for in secondary legislation. These powers should be exclusive: there should be a single borrowing authority not multiple authorities.

13. **Primary legislation should include a clear authorization by the Parliament and the specific purposes for which the executive can borrow.** To safeguard against borrowing for speculative investments, or, to finance expenditures that have not been included in the budget, the Parliament authorization should specify the purposes of the borrowing e.g. budget financing, liquidity.

14. **Parliament authorization should state objectives for debt management.** Clear debt management objectives elucidate Parliament's mandate and allow the debt manager to formulate a policy in line with those objectives. Primary legislation should also require the entity authorized to manage the government debt to develop a debt management strategy and to report back with an evaluation of outcomes against the stated objectives.

15. **The primary legislation should clearly define which entity has the authority to issue guarantees and to on-lend funds.** Ideally credit risk resulting from loan guarantees and on-lending should be assessed before being issued by the debt management office. Sound practice requires a risk assessment before issuing loan guarantees or on-lending. An understanding of the risks could

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<sup>7</sup> Recent DSA exercise.

<sup>8</sup> The coverage of the legislation differs across countries. In the anglophone countries the legal system flows from a common law tradition, where decisions by courts are explicitly acknowledged to be legal sources whereas in other countries based on civil law the sources recognized as authoritative are primarily those in the legislation. Country practice also vary on the boundary between primary and secondary legislation and the extent to which the roles and responsibilities of officials are specified in legislation

assist the authorities mitigate the potential default by using partial guarantees, requesting counter guarantees or collateral, and using budget provisions or reserves. Based on the risk assessment a risk premium could be levied upon the beneficiary of the loan guarantee or the on-lending.

16. **The primary legislation is often found either as part of the Public Finance Act, or, in a stand-alone public debt or debt management law.** Where multiple laws governing public debt management exist, it is important to ensure that there are neither inconsistencies between the laws, nor any gaps in their coverage.

17. **Primary legislation should be complemented, at a secondary level, by clear decrees that would allow for an effective implementation of the required legal provisions.** A third level of the legal and regulatory framework comprise a complete and thorough set of procedures at the department or unit level that would detail the various tasks and controls to be carried out by the staff to better manage debt and government guarantees. Annex 2 provides more detail on the coverage of the legislation and discusses the boundary between primary and secondary legislation.

18. **Some countries use specific regulation to establish a statutory Public Debt Committee (PDMC) with decision-making powers, or, to provide advice for decision makers.** In any case, it might be advisable to provide for such a committee in a regulation to ensure cooperation and coordination of all concerned. Although the high-level purposes of the PMDC might be in primary legislation, detailed terms of reference would be for secondary legislation or administrative decision. The public debt management law could also include powers for the ministry to set up internal policy committees or external advisory committees; but should allow for terms of reference and membership to be promulgated separately.

## **Current Situation**

19. **The legal framework for public debt management in Nepal is spread out through several Acts, Rules and Regulations.** The main pieces of legislation include the Constitution (2015), the Loan and Guarantee Acts (1968), the NRB Act (1955), Public Debt Act (2002), Fiscal Procedures Act and Regulations (1998 and 2017).

20. **The authority to borrow emanates from the Constitution of Nepal (2015),** which states that “No loan shall be raised, and guarantee given by the Government of Nepal except as provided for in the Federal law”.

21. **External debt is governed by the Loan and Guarantee Acts of 1968 and the government allocation business rule of 2016.** The Loan and Guarantee Act delegates the authority to the Government of Nepal (GoN) to raise the external debt, issue guarantees against certain borrowings and sets a cumulative ceiling for the external debt stock. The GoN allocation of business rule grants authority to the MoF on foreign loan, grant and other bilateral and multilateral aid as well as public debt and control matters.

22. **The management of the foreign exchange for the disbursement and servicing of external debt is established in the NRB Act.** Section 70 of NRB Act states that NRB could be consulted on

the contracting of external debt and should be informed on the conclude agreements that will create a liability in foreign exchange as well as on debt servicing commitments.

23. **Domestic debt is governed by the Public Debt Act of 2002 and by several sections of the NRB Act.** The Public Debt Act of 2002 grants authority to the GoN to raise the domestic debt by issuing securities and delegate management to NRB. Section 72 of NRB relates to the central bank role as a fiscal agent for the government and states that such a function shall be defined in a separate agreement between MoF and NRB.

24. **External debt recording, reporting and service are regulated by the Fiscal Procedure Act, 1998 and the Fiscal Procedure Regulations, 2007.** These attributions are delegated to the MoF, which must prepare central accounts fulfil its obligations.

25. **Annual budget documents define the amounts that can be borrowed during a fiscal year.** Accordingly, the budget defines the volume of borrowing on an annual basis including the split between domestic and foreign borrowing.

26. **The Public Debt Act of 2002 anchors the Public Debt Management Committee.** The committee is chaired by NRB deputy governor and includes four NRB executive directors and two joint secretaries from the MoF. The Secretariat is handled by the Executive Director of the Public Debt Management Department and the Treasury management section is charged with preparing the policy proposal for the Committee. Nonetheless, the PDMC is not currently meeting on a regular basis, although they have a mandate to define the schedule of debt issuances, its size, amounts and cut-off rates.

### **Issues and Recommendations**

27. **While the legal framework provides clear authorization for borrowing in the name of the GoN it does not resonate with the international sound practice.** The Public Debt Act of 2002 does not specify the purposes of borrowing in the domestic market. Nor this Public Debt Act neither the Loan and Guarantee Act of 1968 define objectives of managing the government debt. Finally, the legal framework is silent on the need to prepare a strategy to manage the government debt and to periodically report on the performance on the implementation of such a strategy vis a vis the debt management objectives.

28. **The text of the Public Debt Act of 2002 is outdated, does not cover the use of Central Depository for dematerialized securities nor the need for conducting liability management operations.** The Act has detailed procedures on how to transfer the ownership of the securities, the disposal of the bonds in case of death of the owner, sanctions to buyers of government securities for submitting false information, but does not consider the use of book entry systems and the need for the debt office to undertake buybacks, exchanges, swaps, other, as regular operations to manage the government debt portfolio.

29. **Consolidate the primary legislation under a Public Debt Law.** The revised legislation should be comprehensive and cover all the key elements of public debt management including requirements that cover both external as well as domestic debt such as: (i) clear debt management

objectives; (ii) specification of the purposes of borrowing; (iii) requirement to formulate, approve, update and implement a medium-term strategy for managing the government debt; and (iv) mandatory annual reporting to Parliament on debt and debt-related functions.

30. **Adapt the text governing the issuance of government securities to allow for their dematerialization and the execution of liability management operations.** For the modernization of the government securities market dematerializing the securities is of paramount importance. The legislation needs to recognize the use of a book entry system and the need for a separate agreement with the Central Depository. Similarly, as the management of domestic debt evolves, the PDMO will need to perform liability management (LM) operations that need to be authorized by law.<sup>9</sup>

31. **Add in the Public Debt Law a framework for the issuance and management of government guarantees.** This framework should include: (i) authorization to issue government guarantees together with purposes for these operations and potential beneficiaries; (ii) formulation of a guide to decide when a guarantee can be issued and under which conditions (fees and risk mitigation measures e.g. counter-guarantee); and (iii) requirement for the entity authorized to issue the guarantee quantify the risk of these operations and to monitor and report on the portfolio of guarantees.

32. **In conclusion, the first step of the reform plan is for the MoF to focus on the legal framework reform and to send a draft Public Debt Law to the Legislative.** As such, this task ranks high in the PDMO's priority, which has been preparing a draft to be sent to the Congress in the next 12 months, after clearing with the MoF Cabinet and Legal Department.

**In sum the following recommendations are made:**

*Short-term*

- Consolidate the primary legislation under a Public Debt Law and send it to the Legislative
- Include in the debt law: objectives, coverage, requirement to elaborate a strategy and to publish reports on debt stock and activities
- Authorize the dematerialization of government securities
- Enable the GoN to conduct liability management operations
- Include regulation in the law for the issuance of guarantees

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<sup>9</sup> In the context of public debt management, liability management encompasses all instruments used by a debt manager with a view to improve the structure of the debt by adapting it to guidelines set by the debt management strategy. This definition encompasses a wide variety of operations, such as buying back old debt or exchanging old debt against new debt; transforming fixed-rate coupons into floating-rate coupons or vice versa; changing the currency denomination of old debt or hedging the foreign exchange risk on external debt, among others. These operations serve various functions and the amounts involved can be significant.

- Improve the governance of the PDMC, formalizing its role and mandate in a regulation, while establishing an agenda and calendar for its meetings

#### IV. MANAGERIAL STRUCTURE

##### Sound practice

33. **The public debt portfolio is often the country's largest financial portfolio.** Given that this portfolio can create a substantial risk to the balance sheet of the Government and the financial stability of the country, it is essential that it benefits from a governance which, on the one hand, makes it possible to mitigate the vulnerability of the country smoothing economic and financial shocks, on the other hand, support economic growth.

34. **Good governance arrangements allow a clear division of responsibilities between the political and technical levels, as well as clear rules for the control of debt operations.** In advanced countries, debt management objectives are clearly defined, there is an explicit strategy for all debt and the political authorities appropriate the chosen strategy. Decisions on the level of debt and the acceptable risks of the debt portfolio are taken at the political level. However, the design and implementation of the strategy is the responsibility of professionals who operate within the limits of the authorizations granted to them.

35. **It is up to the Government to prepare the rules for the debt management process and to identify those responsible for the strategic and operational tasks in this process.** This will come after the debt management objectives and competencies of the different actors are defined in a legal framework, which serves as an anchor for debt management.

36. **International experience has shown that public debt is managed efficiently when responsibilities fall under a single entity.** The centralization of responsibilities for debt activities: (i) promotes integrated debt management; (ii) allows for better arbitrage between funding sources; (iii) reduces the risk of skidding (risk of hidden agendas); (iv) better empower the actors; (v) avoid duplication of debt management responsibilities; (vi) reduces the need for coordination of debt activities; and (vii) reduces the operational risk that may result from confusion and / or duplication of competencies. Centralization also fosters the creation of a cadre of executives who can raise the quality of debt management and disseminate their experience and know-how to their colleagues.

37. **International good practice is based on a functional organization of the front, middle and back office type.** This organization promotes the effectiveness of debt management and reduces operational risks. According to this division of functions, the front office is responsible for the mobilization of the loans themselves (negotiation of the loans, issuance of the debt and communication with the market participants). The middle office is responsible for strategic planning, cost-risk analysis, risk management, monitoring the implementation of the strategy, publishing the annual financing plan and the management debt report. Finally, the back office is responsible for data recording, validation, enabling reporting and settling, executing the debt service.

## Current Situation

38. **Public debt management in Nepal is shared by MoF and NRB: MoF is responsible for external debt while effectively NRB manages domestic debt.** The allocation of responsibilities is under revision and a PDMO was created in December 2018. The objective was to consolidate all debt management functions under the MoF.

39. **External funding is determined by the disbursement of ongoing and newly approved public investment projects.** The process of external borrowing starts with the scrutiny of development projects by line ministries and the definition of development priorities by the National Planning Commission (NPC). NPC and MoF set the annual borrowing ceiling in line with the fiscal aggregates. Within those limits and following the priorities established by the NPC, selected projects are approved. This information is added up with expected disbursements of ongoing projects to estimate the annual external borrowing needs.

40. **External debt is managed by several divisions within MoF.** The responsibility for the relation with the creditors and donors, negotiations and preparation of projections of disbursements and debt service and monitoring falls under the IECCD. FCGO is charged with debt recording, preparing debt servicing and debt reporting. Payments are executed by NRB acting as the MoF banker under instructions of FCGO<sup>10</sup>. The TSA is debited with the authorization of the Treasury. The Economic Affairs and Policy Analysis Division (EAPAD) negotiates the loans with creditors and coordinates external borrowing with the FCGO and other divisions at the MoF.

41. **Domestic debt is managed by the Public Debt Management Department at NRB.** The Primary Issue and Management section is responsible for the issuance of government securities while the Accounts and Reimbursement section is charged with instructing debt service payments on behalf of the MoF.

42. **At present, the NRB manages the issuance program taking into account the profile of the domestic debt portfolio and the demand for long term paper.** In principle, the Rastra Bank tends to preserve the structure of the domestic debt over time by issuing the same instruments that arrive to maturity. For instance, the T-Bills are typically rolled over at maturity. This cannot always be done with Development Bonds for which offerings depend on the liquidity conditions and willingness of the commercial banks to participate in the auctions.

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<sup>10</sup> NRB executes the payment under instructions of FCGO, in case of external debt informs the applicable exchange rate and requests the authorization to debit the Treasury Single Account.

## Issues and recommendations

43. **The management of domestic and external debt is fragmented.** While policy decisions on the domestic debt are supposed to be taken by a Committee with the participation of the MoF, in practice NRB sits in the driver seat and controls the decision on the issuance program. The MoF is sidelined in this process and focuses almost exclusively on the management of the external borrowing which is the result of the public investment process. At present the separation of responsibilities does not pose serious management issues because foreign borrowing is all project related. Notwithstanding the former, separate responsibilities do deprive management from a holistic approach to the government debt portfolio and to some extent results in the duplication of competencies. Therefore, the PDMO is recommended to prepare a plan to transition the domestic debt management from NRB, gradually absorbing its activities. At the same time, it is recommended to absorb the external debt activities scattered within the MoF.

44. **NRB faces potential conflicts with its responsibilities for monetary policy and as a debt manager.** International sound practice establishes that CBs responsible for monetary policy should not be charged with establishing the policy for managing the government debt since they cannot meet simultaneously two separate objectives: price stability and lower funding cost under a controlled risk environment<sup>11</sup>. As long as the debt policy is decided within the MoF following its objectives and strategies, there is no conflict for the central bank acting as fiscal agent for debt operations, providing the infrastructure for the auctions, or even acting as a full back office for the MoF. Unfortunately in Nepal, NBR apparently has used privileged information on the monetary policy rates to decide on the timing and amount of government debt offerings. This conflict creates mistrust in the auction participants and tend to increase the funding cost for the government.

45. **NRBs potential use of its own instruments adds to the market fragmentation and could pose a significant obstacle to the development of the domestic debt market.** Although NRB has not issued its own paper since 2015, it has the capacity of doing it again if need be. Two public debt issuers in a market as small as Nepal without institutional or nonresident investors further reduce the potential demand for government securities elevating the government funding costs and negatively affecting the effectiveness of the transmission channel of the monetary policy. To avoid that, some countries had substituted CB securities by open market operations collateralized with treasury securities.

46. **There are important policy functions that are performed neither by the MoF nor by NRB.** There is no formal medium-term debt management strategy and the decisions on the instrument type, maturities and desired profile of the government debt are taken in an ad-hoc process, mostly driven by a cashflow approach without due consideration for the funding cost and the need to develop a domestic market for government securities. To that matter, the DeM strategy is a plan that the government intends to implement over the medium term to achieve a desired composition of its debt portfolio, which captures its preferences regarding the cost-risk trade-offs. It operationalizes the DeM

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<sup>11</sup> Local market participants may suspect that the CB acquaintance with exchange rate policy and short-term interest rates influence the timing and type of borrowing putting the investors in a weak and asymmetric position versus the government. In general, this practice translates into higher costs for the issuer.



objectives and has a strong focus on managing the risk exposure embedded in the debt portfolio—specifically, potential variations in the cost of debt servicing and its impact on the budget.

47. **Given the PDMO is in its very early stages the recommendation is for the head of the PDMO to arrange the initial managerial structure and to focus on back office (recording and monitoring, payments) functions.** The priority is to transfer the existing back office functions (debt recording, monitoring and payments) of the external debt from FCGO to the PDMO. The reason is because the external debt is already managed within different parts of the MoF, benefiting from staff who is familiar with the similar processes. The first task is for the head of the PDMO to finalize the allocation of staff and to secure the operational and physical structure, with hardware and software. Since Mar-2019 there has been trainings and collaboration between the FCGO and PDMO, to prepare the existing staff to perform the functions. The next step consists in the MoF to issue a Circular to define this new internal organization, allocating one undersecretary and two accounting officers, which is planned to happen by July 2019 and this consists on the second step of the reform plan.<sup>12</sup>

48. **Another priority is to establish the unit to start analytical functions, which will happen gradually.** The first task starts with reporting the public debt, analyzing the maturity profile, calendar of debt operations and monitoring cash availability. The team will investigate the initial steps to dematerialize domestic bonds. Cost and Risk analysis (typical middle office functions) will be incorporated afterwards. Until July-2019, the MoF will issue a circular to allocate one undersecretary and two accountant officers to initiate the activities.

In sum the following recommendations are made:

#### *Short-term*

- Finalize the allocation of the staff and secure the infrastructure to operate.
- Issue a MoF Circular to define the new internal organization.
- Transfer the current external debt recording, monitoring, payments process from the FCGO to the PDMO.
- Establish the unit that will develop gradual analytical functions.

#### *Medium-term*

- Build capacity on cost-risk analysis and in the formulation of a medium-term debt management strategy

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<sup>12</sup> Next section will unfold this debt function.

- Publish an issuances calendar, in coordination with the NRB.
- Prepare a transition plan to gradually move domestic debt from NRB to the PDMO
- Consolidate the origination of external debt in the PDMO.

## V. DEBT RECORDING, MONITORING, PAYMENTS AND REPORTING

### Sound practice

49. **Sound debt management practice calls for processes that facilitate recording, monitoring, settlement, and accounting for all central government debt and debt-related transactions.** Such processes should provide an accurate, consistent, and complete database of all direct debt, both external and domestic, and guaranteed debt.

50. **A typical debt recording system covers all the financial instruments in the government debt portfolio.** That facilitates the complete recording of all related transactions with minimum manual data processing. The system should assist debt managers in storing, securing, processing, validating, and disseminating debt statistics (on total debt and specific sub-portfolios) in a timely and accurate manner. It should ensure data integrity and, ideally, permit interfacing with other financial management systems within Government. The debt recording system should be protected through carefully assigned access authorities to data entry, authorization and editing of records, and include audit trails. In addition, business continuity should be assured by documented procedures for debt and transaction data recording and validation, safe data storage and backup procedures.

51. **Operational procedure manuals are important.** They contribute to identifying possible sources of risks, means of minimizing occurrence of such risks and addressing the effects whenever they might occur.

52. **The government should report both central government and total non-financial public sector debt and loan guarantees outstanding to meet statutory or contractual reporting obligations or both.** The Debt Management Office plays an important role here as it is typically responsible for Central Government debt. In some countries, the DMO also controls state-owned debt contributing to expand the coverage for the non-financial public sector.<sup>13</sup>

53. **Reporting and increased transparency is key for managing debt and improving accountability.** This extends to direct Government debt, and other explicit contingent liabilities, such as official guarantees. Therefore, a debt report or bulletin covering domestic and external central government debt and loan guarantees should be published at least annually, but preparing quarterly, shorter updates is also recommended. The bulletin needs to provide information on central government debt stocks (by creditor, residency classification, instrument, currency, interest rate basis, and residual maturity); debt flows (principal and interest payments); debt ratios and indicators such

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<sup>13</sup> Ethiopia is an example.

as Debt-to-GDP, short-term debt ; and basic risk measures of the debt portfolio such as fixed and floating rate shares, as well as information on outstanding Government guarantees and on-lent funds.

## **Current Situation**

54. **Debt recording and monitoring responsibilities are under FCGO (MoF) for the external debt and in NRB Public Debt Management Department, for the domestic debt.** The two units use different in-house information systems and produce different types of outputs, respectively focused on external and domestic debt. The information is then aggregated by the FCGO, which produces a bulletin, whose latest available version shows data as of first quarter of 2018.

55. **The recording process of the loans is fragmented within the MoF.** with the loans are negotiated by IECCD, the unit responsible for engaging with the creditors. After signed off by the authorizing parties, IECCD sends the contracts to the FCGO to register the debt instruments. FCGO inserts the basic information into the system, such as total amount, currency, grace period, amortization schedule, interest rate and creditor. This procedure is currently not subject to data validation.

56. **The FCGO monitors the events that will affect the debt stock using information from the disbursements coming from the units implementing the projects and the creditors.** In order to track the disbursements of any given loan, the back office sub-unit (within the FCGO) has the means to reach out the District Treasury Office, responsible for the financial programming of line ministries and the Project Management Unit within the MoF, responsible for monitoring the implementation of the projects and processing the disbursements requests. Finally, the back office also contacts the creditors to capture invoices and notices of disbursements. Debt monitoring process is subject to intermediate validation at different levels, to control for errors and inconsistencies. The FCGO conciliates this information quarterly.

57. **The redemption profile of the existing debt is monitored by the FCGO, which uses this information to prepare the payments.** The payment instructions contain information on the resources to be withdrawn from the TSA besides the creditors' banking information. The instructions are sent to the NRB, which performs the operations and feeds back the FCGO to confirm the settlement and record accordingly.

58. **As a result, three information systems are used to perform debt recordings monitoring and financial execution of the external debt.**<sup>14</sup> Beside the debt system, the regular Financial Management Information System (FMIS) is used to record the accounting and budgetary registries. The FCGO also gathers information from the Line Ministries Budget System (LiMBS) to track the disbursements. Currently, a new system (DOMS) is being developed under a project that would consolidate both external and domestic debt, while connecting to the other peripheral systems.

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<sup>14</sup> Domestic loans (contracts) are also under FCGO responsibility, although it represents only 1.1 percent of total debt.

59. **Guarantees are recorded by staff in the Cabinet of the Minister of Finance.** Although unreported, the officials mentioned these records are registered in a separated system and the information is not integrated in the debt systems nor is kept in a single database.

60. **Regarding the domestic securities, recording, monitoring, financial execution and reporting is performed by the NRB.** The main share of the portfolio consists of securities placed through auctions with commercial banks: T-Bills and Development Bonds. NBR uses an application to announce the auction, allow commercial banks enter the bids, decide on the cut-off rate and announce the results. The results of the auctions are entered manually into the NRB own debt system, following a procedure to validate the inputs.<sup>15</sup> The information consists on the amount issued, the interest/coupon rates and the maturity dates.

61. **Payments of domestic and external debt are operated by the FCGO, which is the single unit with the authorization to execute financial withdraws from the TSA.** The FCGO prepares the payment instructions and sends the information to the District Treasury, which will clear the authorization to the NRB. The bank operates as the financial agent to transfer the resources to the final creditors.<sup>16</sup> After settlement, the NRB feeds back the FCGO to record the transaction.

62. **Consolidated reports on public debt are published with significant lags.** The information available in the *Quarterly Debt Position of Government of Nepal*<sup>17</sup> refers to the stock, resources mobilized by issuances and contracts, debt service, broken down in interest and principal. There is also information on the creditors and debt instruments for both external and domestic. The data is one year old at publication.

63. **There is valuable information on the domestic debt that is not reported in a user friendlier manner.** The NRB has historical and detailed data on the auctions results. This can be presented in a user friendlier manner and complemented with detailed information on the offerings, charts with the evolution of interest rates, amounts auctioned versus calendar.

#### **Issues and recommendations**

64. **Debt is recorded in different systems through highly manual processes.** The data sets for domestic and external debt are kept in different recording systems and are not integrated, which is prone to result in inconsistencies when reporting total debt. The segregation of data recording may also pose difficulties when consolidating the debt portfolio to provide data of the composition of stocks and flows by different criteria. Finally, the lack of integration and standardized procedures create challenges for the staff who will absorb this core function in the PDMO, increasing operational risk.

65. **Even though the FCGO maintains a loan-by-loan disaggregated debt data, the current software does not capture all basic information.** For instance, administrative charges and fees have to be calculated manually and incorporated in the financial execution exogenously. Limitations in the

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<sup>15</sup> The NRB DMIS is called Olympic System.

<sup>16</sup> The incoming maturities are monitored by FCGO, who keeps its own records for the external debt and receives domestic debt information from NRB.

<sup>17</sup> <https://www.fcgo.gov.np/download>

data capture is reflect by the limited capability of the system to produce reports. For instance, there is no computation of basic risk exposure indicators.

66. **Producing consolidated debt reports is the third priority of the reform plan. Current reports show segregated data and outdated numbers, especially on external debt.** The situation could improve if the newly appointed staff acts to prioritize the reporting in a timely manner. The managerial structure is being designed to consolidate domestic and external debts for the central government, guarantees and on-lending activities. The report will also include liability from SOEs, as they are beneficiaries of government lending. The targeted date for publishing the first consolidated report is July-2020.

67. **It is important for the authorities to decide on whether they should finalize the ongoing debt information system – DOMS or to use an off-the-shelf- system.** The DOMS is a debt recording system that has been developed under a project that is to be handed over to the newly established PDMO as of July-2019. Following the WB mission recommendations, debt officers started to migrate the database to the existing system to familiarize the staff with the debt instruments and existing applications. As of May-2019, the initial tests have reportedly shown inconsistencies of the data and unsatisfactory outputs, leading the debt officers to believe that the system will require careful review and further IT development, requiring budgetary and human resources. This poses a significant challenge for an unit that is in formation and that will employ almost all resources to start basic debt functions. As such, the PDMO must further assess the current situation of the DOMS and the cost/benefits to continue its program or to acquire another IT solution. The WB has been providing background material to show pros and cons in developing the in-house system compared to outsourcing, aiming to support the authorities in taking that decision. Last, the authorities have demonstrated will to use the expertise of an IT specialist to assess the time and cost to sequence the development of the DOMS. Their expectation is to decide by the end of 2019 and this constitute the fourth step of the reform plan.

**In summary, the following recommendations are made:**

*Short-term*

- Publish a consolidated report, including central government debt, on-lending, guarantees, SOE debt.
- Decide on whether to continue the development of the DOMS or to use an alternative off-the-shelf debt system.

*Medium-term*

- Consolidate the domestic and external debt in a single database and debt information system.
- Create a procedures manual to standardize recording, monitoring, payments and reporting.

## VI. DOMESTIC DEBT MARKET

### Sound practice<sup>18</sup>

68. **Government bonds are the backbone of most fixed-income securities markets and have salient macroeconomic benefits.** A market for government securities offers wide range of opportunities for funding the government, often contributes to reduce exchange-rate risk, and provides investors with saving opportunities that encourage domestic savings. A well-functioning market strengthens the transmission and implementation of monetary policy and enable the use of market-based or indirect monetary policy instruments.

69. **Development of a domestic securities market also increase financial intermediation through competition and development of related financial infrastructure, products and services.** This helps change the financial system from primarily bank-oriented to a multi-layered system, where capital markets can complement bank financing. It entails creation of an extensive informational, legal and institutional infrastructure that benefits the entire financial system. This permits diversification and offers new ways of managing, mitigating and transforming risk alleviating undue stress on the banking system in a country.

70. **A money market<sup>19</sup> supports the government bond market by increasing the liquidity of securities,** thereby lowering liquidity risk premiums and enabling investors to hold larger portfolios of longer-term instruments. In countries that rely heavily on short-term instruments for government borrowing, money market efficiency lowers government financing costs more directly.

71. **The operation of the primary market<sup>20</sup> should be transparent and predictable and maximize competition among investors** to reduce costs to the government's debt portfolio. A primary market should be open to the largest number of participants and facilitated by the government's dissemination of relevant and timely information on the government's finances and funding operations.

72. **A large and diversified investor base is important for ensuring strong and stable demand for government debt securities.** The investor base should ideally include both domestic and foreign investors and all types of institutions – ranging from commercial banks to insurance companies, pension funds, and mutual funds, as well as individual investors.

73. **Well-functioning secondary markets<sup>21</sup> promote efficient price discovery, facilitate liquidity and risk management, and bolster the development of the primary market.** They do so by providing a cost-efficient environment in which market participants can trade government securities in a fair and transparent manner. Secondary markets improve the valuation and pricing of government securities and permit government to issue longer-term debt to better manage their exposure to interest rate and rollover risk.

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<sup>18</sup> This section is based on a Technical Note “Developing Domestic Government Bond Markets in Low Income Countries” prepared by Francis Rowe and Abha Prasad in 2005. The Note draws heavily from, “Handbook on Developing Government Bond Markets.” 2001.

<sup>19</sup> A money market is the market for short term debt instruments maturing in one year or less. Examples of money market instruments include Treasury bills, commercial paper, and certificate of deposits.

<sup>20</sup> A primary market is the market for new government security issues.

<sup>21</sup> A secondary market provides for the purchase or sale of previously sold or bought securities

74. **Dematerialized securities exist only as accounting records.** In a book entry environment settlement takes place by means of credit and debit entries in cash and securities accounts. Typically, these accounts are held at clearing houses providing a central database and acting as a settlement hub for the recording of data and the execution of transactions. Clearing Houses enable *Delivery versus Payment* (commonly known as DvP), the simultaneous, irrevocable, and risk-free exchange of securities and money between seller and buyer or their custodians.

75. **Securities settlement is determined by several primary concerns:** (i) the legal framework to discipline the performance and set the standards; (ii) the safety of the settlement process; (iii) the efficiency and cost effectiveness of the transactions; and (iv) settlement should preserve the nature of the transferred securities so that security holders can exercise their rights against the issuer.

76. **The sound development of government securities markets requires an efficient securities-settlement infrastructure** to facilitate the smooth flow of transactions in the primary and secondary markets, strengthen investor confidence, stimulate the pace of market expansion, and limit exposure to systemic risk.<sup>22</sup>

77. **A country's legal and regulatory framework affects the structure, functioning, and development of its government securities markets.** Like any other securities market, the regulatory framework for government securities should have three distinct, but complementary objectives: (i) maintaining fair, efficient, and transparent markets; (ii) reducing systemic risk; and (iii) protecting investors. As borrower and issuer of securities, legislation should allow the government to borrow and set ceilings on public debt. Legislation should also clarify the authority for different government entities to act in these markets and should name the central bank or other institutions that act as agent for the government.

## Current Situation

78. **The government issues 2 type of securities for the wholesale market (89 percent of domestic debt) and 2 for retail investors (11 percent of domestic debt).** The instruments for the wholesale market are T-Bills, regular zero-coupon bonds with 3, 6, 9 and 12-month maturity, and Development Bonds paying semi-annual fixed coupons and maturities from 5 to 15 years. Retail investors can buy Citizens Savings Bonds (CSB) and Foreign Employment Bonds (FEB) both are fixed rate bonds with 5 years to maturity. While CSB can be acquired by any individual, FEB are reserved for offshore workers. Both retail instruments have an embedded put options that allow investors to redeem them before maturity, accessing the commercial banks, operating as market makers for the government.

79. **Government securities are placed at auctions in amounts that vary between 200 and 500 crore<sup>23</sup>.** All auctions are announced one day in advance through NRBs auction system: the information includes the type of securities being offered and the amount expected to be allocated. T-Bills are offered on a weekly basis and the most popular tenor is the 3-month. Development bond auctions are infrequent and have not been issued in the current fiscal year. Auction results are announced at the end of the day of the auction through the auctions system.

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<sup>22</sup> For more details, see <https://openknowledge.worldbank.org/handle/10986/6707?show=full&locale-attribute=es>

<sup>23</sup> 1 crore – 10 million Indian Rupee. The T-Bills auction would range between USD 30 to 73 mn, as of Mar-19.

80. **Auctions are open only to commercial banks, but other financial institutions can participate in the non-competitive tranche.** Securities are auctioned on a multiple price system and cut off rates are determined by the amount to be allotted. Non-bank financial institutions can get up to 15 percent of the auctioned amount at the cut off rate determined in the auction. Each participating institution must have an account with the NRB to participate into the offerings.

81. **There are no reopenings and every auction creates a new security with a distinct maturity and coupon.** In the fiscal year 2017-2018 the government issued NPR 144.7 billion<sup>24</sup> (USD 1.3 bn) through weekly auctions of T-Bills (3 tenures) and 14 auctions of D-Bonds (7 tenures). Considering D-bonds, CSB, FEB issued in previous years the mission estimates that the domestic debt portfolio could have more than 200 lines.

82. **The authorities have shown no commitment to the issuance calendar.** For instance, for the current fiscal year which will end in June 30, 2019, no calendar has been published. The banks are kept in the dark regarding the quantum and the type of securities that will be placed to cover the financing needs<sup>25</sup>. As mentioned, no D-Bonds were placed in this fiscal year compared to last fiscal year when 14 auctions were held with several tenors offered in each occasion including 5, 7, 8, 11, 12, 14, and 15 years.

83. **Market participants complain that NRB has been opportunistic in the timing of the offerings.** The issuance of medium-term securities has dried out since market liquidity has tightened but was incremented significantly in the past when the monetary authority adopted a more expansive stance.

84. **All securities outstanding in the market are paper-based.** Material securities are susceptible to fraud, counterfeit and exponentially increase operational risk. Processing paper-based securities is highly labor intensive, and, on top of that, the situation is compounded by a large number of lines created since

85. **All government securities are paper based, and it may take up to two weeks for banks to receive the securities awarded at the auctions.** NBR, as agent for MoF, handles the settlement of the auctioned securities. Settlement is t+1 for the cash leg with NRB debiting the cash from the bank account with NRB, but the security leg could be t+14. Since banks in general are not trading the securities in the secondary market, the long delay in the delivery of the securities is not affecting the banks operations. The settlement procedure is the same for non-bank financial institutions participating in the non-competitive segment of the auctions since they have accounts with NRB.

86. **There are 28 commercial banks, which dominate the local market and hold 70 percent of the T-Bills and D-Bonds.** Banks present bids only for their proprietary positions to invest their excess liquidity and prefer short-term instruments up to 5-years. Lending to the private sector is scarce, so there are no investment alternatives for the banks. Non-bank financial institutions cover the remaining 30 percent of the demand for government securities.

87. **At present the 3-month T-Bill rates are highly volatile.** Market participants attribute the recent volatility to the erratic behaviour of the issuer and to changes in monetary policy as NRB stopped intervening to keep money market rates within a corridor.

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<sup>24</sup> <https://www.nrb.org.np/pdm/pdmindex.php>

<sup>25</sup> Only 3-month T-Bills are issued regularly every week



88. **The secondary market is OTC and transactions are very seldom.** Banks behave as buy and hold investors and rarely see the need to trade government securities before maturity. Potential explanations include the role of NRB as provider of “cheap” liquidity to the system, fragmentation of the supply, and transaction costs and risks associated with the manipulation of paper-based securities.

### **Issues and recommendations**

89. **There is a conflict of interest for NRB to manage monetary policy and government debt.** Market participants have perceived that NRB uses privileged information on the impact of monetary policy measures to decide on the type of securities that will be placed and the timing of issuance. Such actions leave market participants exposed to interest rate risk, discourage them to participate aggressively in the auctions and increase the funding costs to the government in the medium term.

90. **The use of paper-based securities constitutes a serious obstacle to the development of a market for government securities.** Very few countries still use physical securities because of the operational risks they pose, the transaction costs involved, and the impediments raised to their trading in the secondary market. This severs the growth and diversification of the investors base, a crucial part of the government securities market. Another fundamental part is the market infrastructure, as scripless financial instruments are registered electronically<sup>26</sup> and connected to the real time gross settlement payment systems, driving down transactional costs and risks. Given the diversity and large amount of government securities outstanding the market, the cost and inefficiencies associated to their manipulation should be significant. Lowering these costs is key to entice market participants to trade these securities in a more active manner.

91. **To promote trading in the secondary market the authorities also need to drastically revise their issuance policy.** The fragmentation of supply into a large number of small size securities severely reduces the likelihood that market participants trade with each other. In contrast, the consolidation of the supply into a few lines of relatively large size will strengthen the price formation enticing banks to take views on interest rates and to trade accordingly. Fewer securities auctioned regularly through reopenings, for instance 1, 2, 3 and 5-years, will result in more representative rates for this segment of the curve. Stronger reference rates resulting from this process are a precondition for market liquidity and could be the beginning of a more active market in Nepal.

92. **Maturities should be carefully organized to keep refinancing risk under control and to encourage the demand from commercial banks.** Given the limited investment alternatives, commercial banks are a captive market for government securities. Nonetheless, the issuer should carefully manage the higher refinancing exposure that will arise from the concentration of the supply. A careful analysis should be made on the number of lines to keep, their size and the organization of maturities over the year.

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<sup>26</sup> On a DvP – Delivery versus Payment standard.

**In sum the following recommendations are made:**

*Short-term*

- Publish an issuance calendar in coordination with the NRB. Leverage on NRB experience and gradually expose PDMO officials to issuance activities.

*Medium-Term*

- Transition plan to move domestic debt from NRB to PDMO
- Implementation of the dematerialization of government securities
- Revision of the issuance program
- Implementation of measures to encourage trading in the secondary market

**Annex 1: Nepal: Debt Management Reform Plan – Log Frame**

Issue #	Issues/Project Components	Actions	Timing	Expected Outputs of the Actions	Budget (for external assistance)	Expected Outcome of the Project Components
<b>LEGAL FRAMEWORK</b>						
1	Fragmented and incomplete legal framework for debt management  No legal and regulatory framework for issuance, recording and monitoring of guarantees	Consolidate the primary legislation under a Public Debt Law and send it to the Legislative	Jul-20	Review the existing draft law	Internal	Enhanced legal control of, and accountability for public debt management
		Include in the debt law: objectives, coverage, requirement to elaborate a strategy and to publish reports on debt stock and activities	Jul-20	Draft Law to be sent to the Legislative - Consultation with the Legal office	Internal	
		Authorize the dematerialization of government securities	Jul-20	Use of scripless securities	Internal	
		Enable the GoN to conduct liability management operations	Jul-20	Authorization to perform buybacks, switches, exchanges and other operations	Internal	
		Include regulation in the law for the issuance of guarantees	Jul-20	Improve the governance of the PDMC, formalizing its role and mandate in a regulation, while establishing an agenda and calendar for its meetings	Internal	

MANAGERIAL STRUCTURE						
1	Transfer the current external debt recording, monitoring, payments process from the FCGO to the PDMO.	Issue a MoF Circular to define the new internal organization.	Jul-20	Finalize the allocation of the staff and secure the infrastructure to operate.	Internal	Functional institutional set up to secure core debt functions of the PDMO in the initial stage
2	Establish the unit that will develop gradual analytical functions.	Issue a MoF Circular to define the new internal organization.	Jul-20	Build capacity on cost-risk analysis and in the formulation of a medium-term debt management strategy	Internal	
3	Consolidate the origination of external debt in the PDMO	Integrate / Coordinate the role of the PDMO with IECCD	Jul-21	Concentrate external debt operations in the PDMO	Internal	
4	Prepare a transition plan to gradually move domestic debt from NRB to the PDMO	Use the Debt Committee to elaborate the transition plan	Jul-21	Gradual absorption of domestic debt functions	Internal	

### DEBT RECORDING, MONITORING, PAYMENTS AND REPORTING

1	Publish a consolidated report, including central government debt, on-lending, guarantees, SOE debt.	Start to periodically report the external debt and combine it with the available information that is systematically being produced by NRB.	Dec-19	Publish a Public Debt Report/Bulletin	Internal	Improve transparency by publishing consolidated reports and control for operational risk and data inconsistency
2	Decide on whether to continue the development of the DOMS or to use an alternative off-the-shelf debt system.	Consult with an internal or external IT expert to estimate the cost, time and human capital needed to finalize the project	Dec-19	Finalize the DOMS or contract an off-the-shelf software for public debt management	Internal - Local MoF IT expert or External- IT expert/firm to assess the DOMS - WB PFM Assistance	

3	Consolidate the domestic and external debt in a single database and debt information system	Unify the existing database from NRB, FCGO	Jul-21	Single debt database under one debt information system	Internal - Local MoF IT expert or External- IT expert/firm to assess the DOMS - WB PFM Assistance
4	Standardize recording, monitoring, payments and reporting procedures	Create a Procedures Manual detailing these processes	Jul-21	Procedures Manual for all activities	Internal

### DOMESTIC DEBT MARKET

1	Publish an issuance calendar in coordination with the NRB	Interact with NRB and market participants before designing the calendar	Jul-20	Issuance calendar for bills and bonds	Internal
2	Transition plan to move domestic debt from NRB to PDMO	Leverage on NRB experience and gradually expose PDMO officials to issuance activities.	Jul-21	PDMO leads the issuance program and allocation	Internal
3	Implementation of the dematerialization of government securities	Decide if the CSD will be held by NRB, Stock exchange or private-off-the-shelf model	Jul-21	Electronic securities in a book-entry system	TBD
4	Revision of the issuance program	Organize the issuance plan with the use of reopening lines	Jul-21	Benchmark securities with fewer outstanding maturities, compared to the current structure	Internal
5	Implementation of measures to encourage trading in the secondary market	Consolidate and standardized the supply of securities; increase the size of supplies; increase transparency and commitment to the issuance plan;	Jul-21	Secondary market activity	Internal

Higher activity in both primary and secondary market, facilitating the domestic resource mobilization

## **Annex 2: Debt Management Legal Framework**

This Annex list with some detail the contents of the primary legislation, examples of purpose of borrowing and the contents of secondary legislation. The Commonwealth Secretariat has prepared a guidance note, which includes a number of country examples.<sup>27</sup>

### **Content of primary legislation**

1. Set out the authority to borrow (in both domestic and foreign markets), undertake liability management operations or other debt-related transactions (such as debt restructuring and potentially also swaps), and issue loan guarantees.
2. Specify borrowing purposes: to guard against the risk of abuse, the delegation of the borrowing power is often restricted by a statement of the purposes for which the executive can borrow or by a limit on the annual net borrowing or the outstanding debt (or both).
3. Set clear debt management objectives: it is important to ensure accountability that there is a formal objective against which the government's performance can be assessed.
4. Require the preparation of a debt management strategy, as the practical expression of the high-level objectives.
5. Specify mandatory (at least annual) reporting to the parliament on debt management activities, including an evaluation of outcomes against stated objectives and the determined strategy.
6. Determine audit requirements; external audit will usually be the responsibility of the country's supreme audit institution.
7. Other provisions will be needed, e.g. on the scope of the GDMA, controls (if any) on other public sector borrowing, establishing a permanent authorization for debt servicing payments and equal treatment for all investors, and necessary powers to obtain information.

### **Purposes of borrowing**

1. Finance the budget deficit.
2. Refinance, prepay, or buyback outstanding debt.
3. Finance the investment program.
4. Support the foreign currency reserves.
5. Foster the development of the financial markets.

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<sup>27</sup> See Arindam Roy and Mike Williams "Government Debt Management: A Guidance Note on the Legal Framework". (Commonwealth Secretariat, 2010), at [http://www.thecommonwealth.org/document/235301/government\\_debt\\_management\\_a\\_guidance\\_note\\_on\\_the.htm](http://www.thecommonwealth.org/document/235301/government_debt_management_a_guidance_note_on_the.htm) . The World Bank's Comments of July 2017 on the Proposed Decree for Procedures for Issuance and Management of Debt and Guarantees provides further guidance. Elsie Addo Awadzi "Designing Legal Frameworks for Public Debt Management" (IMF, Working Paper WP/15/147) is more detailed and written from a legal rather than a policy perspective, and has a large number of other references. See: <http://www.imf.org/en/publications/wp/issues/2016/12/31/designing-legal-frameworks-for-public-debt-management-43045> .

6. Support the operationalization of monetary policy with government securities.
7. Pre-finance the deficit, or, provide temporary finance for liquidity purposes
8. Payment of sovereign guarantees that have materialized
9. Restructuring of public sector debt.
10. To finance on-lending [subject to agreed limits or purposes], which is not otherwise included in the budget.

#### **Content of secondary legislation**

1. The terms of reference and procedures of a Public Debt Management Committee or equivalent.
2. Arrangements for the conduct of auctions.
3. The scope and arrangements for any secondary market operations, such as repos, securities lending transactions, outright sales, bond conversions or switch auctions. (A value for money requirement or cost saving constraint may be imposed.)
4. Arrangements, if they exist, to control (or “queue”) the timing of bond issuance by non-government borrowers.
5. The “contracts” with market makers.
6. Arrangements for the conduct of (or constraints on) cash management operations.
7. Procedures for handling project-related loans and credits, procedures for the granting of guarantees; and procedures for extending on-lending.
8. Procedures for debt servicing and redemptions.
9. Procedures relating to settlement, registration and the use of a local depository (although these may be covered by other legislation that applies to all securities).
10. The roles, tasks and accountabilities of the DMO and/or the Ministry with debt management responsibilities.
11. The roles, tasks and accountabilities of senior officials and the procedures for their appointment.
12. The organizational structure of the DMO

### Annex 3: Debt Management Functions, Activities and Skills

This Annex contain some detail in terms of the functions and skills required in the debt management office.

#### A. Funding and transactions execution

Funding and transaction execution is a core function of debt management. The number and type of activities may differ significantly across DMOs depending on the government's level of access to different funding sources

**Activities:** The set of activities under this function might include:

- Designing and executing funding transactions, both from domestic and international funding sources, in line with the DMS and annual borrowing plan. This may involve analyzing financial proposals across different currencies, markets, maturities and transaction structures. Steps can include the evaluation, negotiation, pricing, and launch of bond issues, contracting of loans, and subsequent market monitoring.
- Leading the design of an annual borrowing plan which is the short-term operationalization of the medium-term DMS. For some countries this may be limited to a forecast of disbursements of multilateral and bilateral loans. For other countries the annual borrowing plan might also include an auction calendar and a program for creation and maintenance of benchmark securities.
- Monitoring of and reporting on domestic and international market conditions and market participants, including an analysis of the investor base for government debt.
- Undertake research and conduct analysis on development of new funding tools and financial instruments.

**Skills Required:** Basic knowledge of the links between debt management and monetary policy, cash management and fiscal policy. For countries that rely on official sources, staff should be acquainted with non-market sources of funding, (e.g. from International Financial Institutions (IFIs)) and their funding characteristics, as well as basic finance to be able to compare the different potential sources of financing. For countries with a DMS expressed in terms of risk indicators, staff should be familiar with the conceptual framework for portfolio and risk management, in particular, with the role of strategic targets in public debt management.

Once the DMO begins transacting in financial markets, including money markets and debt markets (international and domestic, primary and secondary) staff must have advanced finance and financial markets knowledge as well as knowledge about the main stakeholders, such as investment banks. If involved in issuance of securities, staff should have detailed and up-to-date knowledge of available markets and financial institutions, market conditions and conventions, and issuance techniques.

Staff performing funding and transactions execution also should have strong communications skills to engage effectively in loan negotiations. More specific necessary skills include, but are not limited to:

- Analysis, pricing and execution of funding transactions available to the government
- Gathering and analysing market information for monitoring and executing transactions
- Ability to interact with market intermediaries



- English language training, if transacting in the international markets
- Specialized IT systems (related to pricing of transactions, market monitoring and reporting, practical knowledge of Bloomberg, Reuters, Excel, etc.).

**Suggested background and training:** General background of debt management office staff performing funding and transactions execution functions should include:

- Undergraduate level macroeconomics
- Undergraduate level finance and financial math
- Training in use of Excel, Bloomberg, and Reuters software/systems
- Functioning and analysis of financial markets
- English language training

Specialized or advanced skills that could be acquired through on-the-job or external training include:

- Analysis of fixed income markets
- Analysis of derivatives instruments
- Issuance mechanisms for government securities
- Liability management operations
- Trade simulations

## **B. Debt Management Strategy Design**

The medium term debt management strategy is the plan guiding all debt management activities. The strategy should be developed within the framework of macroeconomic policies, taking into consideration debt sustainability and capital markets development objectives. For countries with limited financing choices, qualitative analysis is often sufficient for developing a strategy. For less constrained countries, quantitative analysis provides a firmer and richer foundation for the strategy, and it allows for the formulation of quantitative targets for risk exposure indicators.

**Activities:** The unit responsible for debt management strategy design should:

- Provide the analytical framework for the medium term debt management strategy, and review the DMS on an annual basis.
- Liaise with fiscal policy units and the central bank on the framework for and risks to the debt management strategy.
- Prepare regular (analytical) reports on outstanding debt and risks, including an annual report with an analysis of compliance with the DMS and annual borrowing plan, and including reference to guarantees, on-lending, restructured loans.
- Acting as secretariat to a debt management committee which advises the finance minister on debt management strategy design and monitoring.
- Monitoring of, and reporting on, different financial markets and market participants, both domestic and international (including knowledge of Reuters, Bloomberg, etc.)

**Skills Required:** The strategy design unit requires staff with strong analytical skills, understanding of public policy (including fiscal and budget policies) market instruments and market development issues. Advanced analytical skills related to cost-risk analysis are needed as financial choices and the sophistication of the financial products used by the debt management office increases. Specific skills required include:

- Technical skills in finance and risk analysis, risk quantification and portfolio management in particular
- Financial market skills - an understanding of the workings of financial markets, in particular the impact of debt management decisions and strategy design on debt market development

- Public policy skills – an understanding of the role of debt management within the context of overall macroeconomic policies. Preferably some experience in public sector financial management and some macroeconomic knowledge for analyzing integration with the rest of the economy
- Information technology (IT) skills are necessary for quantification of cost and risk of the government’s debt; at a minimum, advanced knowledge in the use of spreadsheets, but ideally strong skills in different analytical software packages
- Strong communication skills – ability to translate analysis into material that can be the basis for the high level decisions on debt management.

In addition, good knowledge of these topics and processes:

- Risk exposure indicators and reporting on the debt portfolio profile
- Risk modeling of debt servicing cash flows, scenario analysis, stochastic analysis
- The government budget and the budget process
- Financial products
- Knowledge of Debt Sustainability Analysis (DSA)

**Suggested background and training:** Strong technical and analytical skills are required for this function. Since the debt management strategy design function is unique, on-the-job training and specialized debt management training are essential in building the needed capacity.

The basic needs for staff of this unit can be summarized as:

- Undergraduate level macroeconomics
- Undergraduate level finance
- Strong skills in Excel or similar

### **C. Transaction Processing and Recording**

Transaction processing and recording is a core debt management function regardless of a country’s level of development or level of access to market funding sources. Processing errors can be expensive and can damage a DMO and a government’s reputation.

**Activities:** The set of activities in this function include:

- Providing information to the budget authorities on debt related payments and settlement of payment transactions (debt service, fees).
- Confirming and preparing instructions for all debt service payments.
- Processing externally funded project disbursements and monitoring of contractual obligations.
- Confirmation with the lender of the terms and conditions of debt transactions conducted by the funding and transactions execution team.
- Validation of the debt transactions (new debt including guarantees and on-lending where relevant, restructuring, payments, disbursements) by cross-checking organization’s own records with those of the lender.
- Timely and accurate recording of all debt transactions in the debt database (includes the tailoring of the database for new instruments).
- In coordination with the risk monitoring and compliance function, management of operational risks relating to data security (e.g. debt data back-ups).
- Maintenance and updating of procedures manuals, referring to systems processes and procedures for debt servicing and accounting.

**Skills Required:**

- Strong operational skills, including quantitative skills, attention to detail, ability to follow procedures and identify quickly when exceptions have occurred
- Debt registration and database management in the particular IT system used by the DMO
- Ability to read loan agreements to extract the terms and conditions of loans
- Knowledge of the rules and conventions of the settlement and payments systems, custody systems and exchanges that are used
- Understanding of the financial instruments in which the DMO transacts
- Administrative procedures of the lenders and/or donors from which the DMO borrows
- Negotiation skills for senior staff to manage expectations of counterparties.

**Suggested background and training:** Although procedures manual can provide reliable guidance, it is important that senior staff are retained to train new employees and ensure continuity of knowledge in the organization. General background of debt management office staff performing transaction processing and recording functions should include:

- Undergraduate level macroeconomics
- Undergraduate level finance and financial math
- Undergraduate level accounting

Specialized or advanced skills that could be acquired through on-the-job or external training include:

- Basic finance and financial markets
- Basic accounting
- Operational risk management
- Training in use of Excel (and equivalents), and debt management systems used in the DMO
- Functioning and analysis of financial markets
- English language training, if transacting in the international markets.

### Annex 4: Description of the Workshop

Session	Objective	Key Lessons	Remarks
Managerial Structure	Good governance arrangements allow a clear division of responsibilities between the political and technical levels, as well as clear rules for the control of debt operations.	Sound legal framework Division of responsibilities There are gains in concentrating activities in a single unit	Degree of specialization  Coordination across the core functions  Concentration in a single unit
Back-Office Typical Processes	To describe the major functions of the back office:  Recording, Monitoring,  Financial execution and Reporting.   Control operational risk	Focus on processes and degree of specialization of the activities  Fluidity and continuous collaboration of the units within the Back-Office and the DMO  Focal point for auditing	Importance of data validation  Engage with disbursing units and creditors
Costs and Risks of a debt portfolio	To Identify outstanding debt and its composition  To Calculate basic cost and risk indicators  To Analyze the current risk profile  To Identify the current debt management strategy	Risk is a function of the risk factor and the exposure  As risk has different dimensions, debt managers normally use and monitor a set of risk indicators rather than relying on only one.  It is important that they are calculated on a regular basis, e.g. monthly, and tracked over time	Discussion: The refinancing risk for Nepal is relatively low as the majority of their external borrowing are from concessional sources.

Session	Objective	Key Lessons	Remarks
Identifying the objective and scope of Debt Management, MTDS and linking it with ABP	<p>To identify the main objectives for PDM and define the scope and the time horizon for MTDS.</p> <p>Also to analyze its linkages with annual borrowing plan.</p>	<p>Definition of debt objectives</p> <p>Scope of MTDS</p> <p>Decision on the time horizon</p> <p>Annual Borrowing Plan allows DMO to monitor the strategy implementation and facilitates information sharing among institutions.</p> <p>It is also and investor relation tool to provide transparency and accountability .</p>	<p>It is important to include the debt objectives in the primary legislation.</p> <p>The importance of a clear and concise issuance plan for government securities.</p> <p>Benefits of reopening the securities</p>
Potential Sources of Funding	Identify potential sources of finance, their financial characteristics, availability and desirability of use	<p>An assessment of the characteristics, including the cost and risk, of all available and potential financing instruments and sources.</p> <p>Identification of any constraints, particularly on issue size</p>	Discussion on how to develop the domestic debt
Understanding Investors and the Role of Transparency	<p>Identify the different types of investors</p> <p>Why is this important?</p>	<p>Banks vs Institutional investors</p> <p>Preferences vary across the types of investors</p> <p>Need to understand and engage with them, if you plan to issue in the market</p>	Questions on retail programs. Nepal currently has 10.6% of its total debt in retail bonds

Session	Objective	Key Lessons	Remarks
Key Functions of a Debt Management Information System	Role and the Importance of DMIS on overall functions on DM	<p>The need to focus on planning if the DMO is going to build on their own. Project Owner is desirable.</p> <p>Inputs, process/data retrieval</p> <p>Based on Workflow</p>	<p>Staff must be constantly training</p> <p>Understand the processes treated by the system</p> <p>Learn how to operate under a contingency plan</p>
Subnational Debt and Sovereign Guarantees – A quick overview and the role of DeM in Brazil	<p>Show stylized facts o past subnational debt crises</p> <p>The role of the DMO on controlling Guarantees</p>	<p>Fiscal rules and monitoring are key</p> <p>Federalism and decentralization</p> <p>DMO's involvement in guaranteed credit operations</p>	<p>Fiscal/ budget laws to define the debt limits subnationals have to observe</p> <p>Guarantees should be seen as a special part of the overall portfolio</p>

### Annex 5: Participants List

<b>List of Nepalese Government officials participated on the discussion (12,13 &amp; 17 March,2019)</b>		
N°	Name	Institutions
1	Bishnu Raj Dhakal	PDMO Chief
2	Ram Krishna Pudasaini	Under secretary Account -PDMO
3	Ramesh Aryal	Under secretary Account-PDMO
4	Shankar Neupane	
5	Ms. Kasmira Pandey	
6	Bodha Raj Ghiwire	Account Officer-PDMO
8	Raj Kumar Sherstha	“
10	Hemant Raj Nupane	Section Officer- PDMO
11	Radheshyam Dahal	“
12	Ananta Khanal	“
13	Naryan Prasad	Accountant-PDMO
15	Pavan Kumar Mahato	“
16	Dhaka Ram Tiwari	Under Secretary-DDMD
17	Nirmal Dhakal	Under Secretary -National Natural Resource and Fiscal Commission
18	T.P Kairala	NRB
19	Shikha Adkari	NRB
20	Bhaskar Panta	NRB
21	Ramesh Pandel	NRB
22	Canesh Pd Chrimse	FCGO
23	Sarswati Adhikani	Rastriya Banijaya Bank
24	Bipni Amatya	Everest Bank
25	Nidhi Rana	Standard chartered bank
26	Hamnat Dahal	Nepal Bank limited
27	Shisbir Shakyo	Global IME Bank
	Prahodh Shamea	NIC Asia Bank
	Situ Shrekota	Sanima Bank

## Annex 6: Examples of Debt Report

### Brazil

- See publications on  
[https://www.tesouro.fazenda.gov.br/documents/10180/0/RQG\\_2\\_quadri\\_EN/32113c8f-73e5-48d8-a628-4b8348420e49](https://www.tesouro.fazenda.gov.br/documents/10180/0/RQG_2_quadri_EN/32113c8f-73e5-48d8-a628-4b8348420e49)
- Guarantees  
[https://www.tesouro.fazenda.gov.br/documents/10180/0/RQG\\_2\\_quadri\\_EN/32113c8f-73e5-48d8-a628-4b8348420e49](https://www.tesouro.fazenda.gov.br/documents/10180/0/RQG_2_quadri_EN/32113c8f-73e5-48d8-a628-4b8348420e49)

### Uruguay

- <http://deuda.mef.gub.uy/7996/12/areas/debt-management-unit---uruguay.html>
- Quarterly Reports  
<http://deuda.mef.gub.uy/415/12/areas/quarterly-reports.html>

### Hungary

- <http://www.akk.hu/en/page/publications>

### Sweden

- <https://www.riksdagen.se/en/press/publications/Government-debt/>

### Poland

- <https://www.gov.pl/web/finance/outstanding-debt>

### Ethiopia

- <http://www.mofed.gov.et/documents/10182/13981/Public+Sector+Debt+Statistical+Bulletin+No.+28.pdf/4953da32-9dfd-44f4-919c-3a52ee1ae24b>