Survey on Debt Management Strategies

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The survey: objectives and questions posed

Preliminary results

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Sovereign debt management is the process of establishing and executing a strategy for managing the government’s debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities.

Guidelines for Public Debt Management (2001)
Objective of the survey

- Shed light on the establishment and conduct of debt management strategies around the globe, improving our understanding of the progress being made in this critical area

- Compare with a similar survey conducted in 2007 and update some key findings of the research

- May reveal patterns and trends that are useful to inform the World Bank’s ongoing public debt technical advisory programs
1. Has your government established a *formal* debt management strategy for the total central government debt portfolio?
2. Is the debt management strategy approved by high level authorities?
3. Is the debt management strategy document published?
4. Is the debt management strategy annexed to the annual budget act/law or adopted by primary legislation (the law governing public debt, the budget system or fiscal responsibility)?
What are we asking on the survey?

5. Have you established a strategic target/benchmark (or range) for the total debt portfolio?
   
   5a. Have you established a strategic target/benchmark for currency risk?
   
   5b. Have you established a strategic target/benchmark for interest rate risk?
   
   5c. Have you established a strategic target/benchmark for refinancing risk?

6. Is the design of the debt management strategy supported by quantitative analysis?
Methodology

- Direct responses from public debt managers
- On line or via filling a word file
- Different from 2007 survey
  - Direct responses from public debt managers (around 25%)
  - Responses from WB offices
  - Research on websites
  - Research on other public documents
- 2007 survey had only 3 questions (existence of DM strategy, transparency and targets)
Our total sample so far: 71 completed surveys

- LIC: 14%
- L-MIC: 27%
- U-MIC: 32%

By WB regions (excluding HICs): 52 countries

- Sub-Saharan Africa: 27%
- East Asia and Pacific: 15%
- Europe and Central Asia: 15%
- Latin America & the Caribbean: 29%
- Middle East and North Africa: 10%
- South Asia: 6%
Some preliminary aggregate results:

Do you have a debt management strategy?
- yes, 63%
- no, 37%

Is it published?
- no, 51%
- yes, 49%

Strategic targets / benchmarks?
- refinancing risk: 39%
- interest rate risk: 39%
- currency risk: 55%
- total debt: 59%
- no: 41%

Is it based on quantitative analysis?
- yes, deterministic and stochastic: 27%
- yes, stochastic models: 29%
- yes, deterministic models: 31%
- no: 13%
Some figures by income:

Do you have a DM strategy?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Total</th>
<th>HIC</th>
<th>U-MIC</th>
<th>L-MIC</th>
<th>LIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>63%</td>
<td>68%</td>
<td>57%</td>
<td>68%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Is it published?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Total</th>
<th>HIC</th>
<th>U-MIC</th>
<th>L-MIC</th>
<th>LIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>49%</td>
<td>37%</td>
<td>48%</td>
<td>58%</td>
<td>60%</td>
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</tbody>
</table>

Strategic benchmarks?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>LIC</th>
<th>L-MIC</th>
<th>U-MIC</th>
<th>HIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>61%</td>
<td>55%</td>
<td>48%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Is it supported by quantitative analysis?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Total</th>
<th>HIC</th>
<th>U-MIC</th>
<th>L-MIC</th>
<th>LIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>87%</td>
<td>100%</td>
<td>92%</td>
<td>85%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Some figures by region:

Do you have a DM strategy?

- SAR: 67%
- MENA: 40%
- LAC: 40%
- ECA: 100%
- EAP: 75%
- AFR: 64%

Is it published?

- SAR: 33%
- MENA: 40%
- LAC: 47%
- ECA: 100%
- EAP: 63%
- AFR: 43%

Strategic benchmarks?

Is it supported by quantitative analysis?

- SAR: 50%
- MENA: 50%
- LAC: 67%
- ECA: 71%
- EAP: 83%
- AFR: 56%
Preliminary comparison to the previous survey:

- General conclusions from the previous survey:
  - A positive correlation between country income level and the level of indebtedness, and having a debt management strategy in place
  - Europe and Central Asia the most strategy-rich World Bank region
  - No consistent pattern evident with respect to the transparency of debt strategies

- So far...
Summary of preliminary results

- Majority of countries (63%) have formal DM strategies
- However, only half of them have the strategy published (!)
- A bit more than half of the DM strategies include strategic targets / benchmarks
  - Mainly on total debt (59%) and currency risk (55%)
- Most of the strategies are supported by quantitative analysis (83%)
  - It increases with income
- Governance
  - 79% are approved by high-level authorities
  - 31% are annexed to the budget law or adopted by primary legislation
Summary of preliminary results

- Existence of DM strategies is more or less the same across countries with different incomes (¼)

- Transparency shows negative correlation with income (¼)

- ECA continues to be the region with the highest prevalence of DM strategies and transparency

- But... at this stage comparisons are very preliminary!
Next steps

- Expand the survey with additional direct answers from debt managers to include all the countries in the 2007 survey and a relevant number of LIC
- Analyze the results
  - What can we say?
  - Correlations with income, region, level of debt, rating
- Compare with the 2007 survey
  - What the evolution of the indicators have to say to us?
  - Analysis of more detailed information we have now!

- Suggestions? Very welcome!
  - rcabral@worldbank.org
Challenges

- Some duplicated surveys... with (very) different answers
- Differences in the methodology of the two surveys
- Deferent interpretations as a potential source of “noise”
- Total sample may be large, but some breakdown sets not that much....
The survey depends on your input...

- If you didn't't have the chance to complete the survey yet, please take a few minutes to do so!
- Survey forms with our staff here...

Thank you!
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