Governance Arrangements in the Republic of Serbia

Sovereign Debt Management Forum 2012
Background

• The Public Debt Law 2005 stated that a dedicated public debt management unit should be established within the Ministry of Finance

• In the interim, the Treasury Administration should handle the debt management functions

• In 2009, the Public Debt Administration (PDA) was finally established

• To separate debt management from the ordinary Treasury functions was necessary for better management of the public debt and more focus on crucial issues related to development of the government debt securities market
Internal Organization of the PDA

• Current organization is based more on general principles on how the Ministry should be organized than what is optimal for an efficient debt management unit

• Two parallel organizational structures!

• High priority is to establish an efficient organizational structure with clear roles and responsibilities

• The success of the new organizational structure will depend on capacity building in the medium-term period
Decision-making Power

• The decision-making power of the PDA is rather limited, basically restricted to acceptance or rejections of bids in the debt security auctions

• In general, risk aversion is present in the decision-making process
  - Room for mistakes is small
  - By law, Director of the PDA will pay a substantial amount in penalty if he/she borrows in a way contrary to the provisions of the Public Debt Law or any other law
  - The auditors are considered more as a threat than a support

• The first audit of public debt for 2011 was conducted by the State Audit Institution, focused on the following areas
  - Debt Stock on the end of 2011
  - Eurobond – selection of JLMs
  - Cash flows related to public debt
Legal Framework

• Revision of the Public Debt Law is planned for 2013

• Areas to be strengthened are
  - Eurobond issuance
  - Strengthening PDA control functions – local government borrowing, guarantees issuance
Debt Management Strategy

• First MTDS was adopted in 2006

• Improved in 2011 and 2012 with support from the World Bank

• EC Project is preparing new model for risk management

• Strong commitment of PDA team to improve public debt management

• In July 2012 PDA launched web site: www.publicdebt.gov.rs