

# Breakout Session 4: Recording, Monitoring and Reporting Public Debt: Organizing a Back Office

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# Motivation

1. Public Debt Management is a complex activity

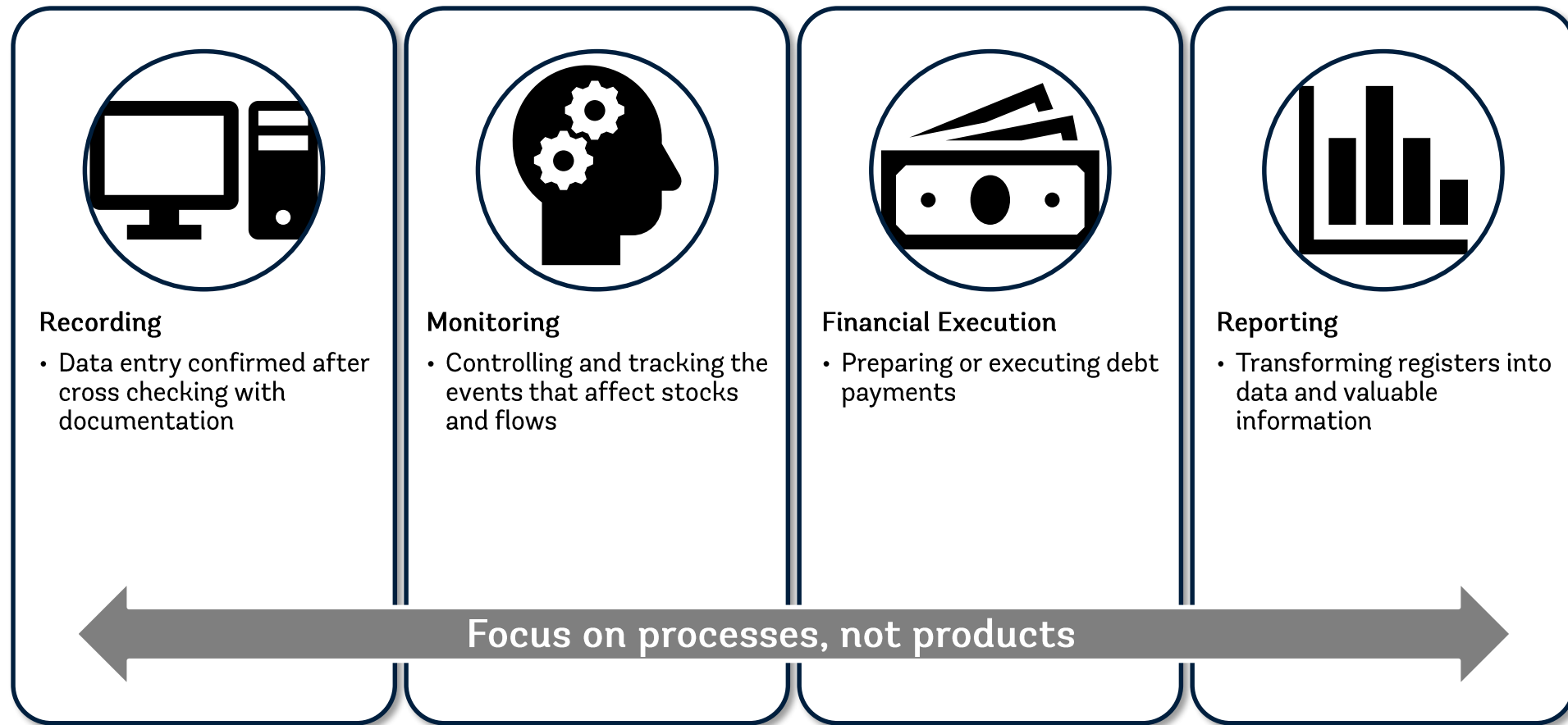
2. But the primary goal is

- To meet the obligations timely and accurately

3. This is heavily dependent on the back-office

**“A powerhouse to generate information to serve other parts of the government, while servicing the debt with precision and on time”**

# Back-Office basic functions



Recording

Monitoring

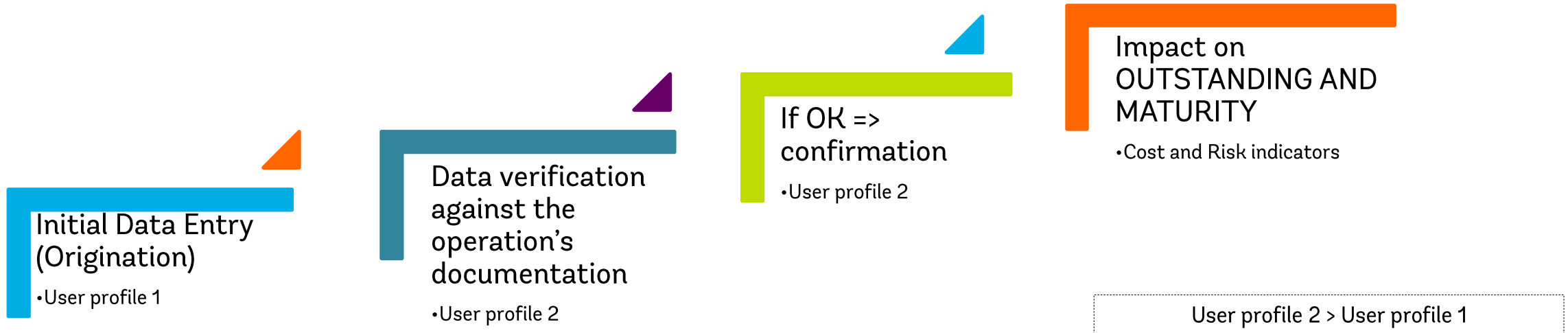
Financial Execution

Reporting

# Recording

## ➤ Basic Process

1. Entry data on Debt System (DMIS) -> preferably by the unit who's originated the operation
2. Parameter verification and confirmation
3. After that scrutiny => Debt impact
  - => OUTSTANDING AND FLOW
  - Typical cost and risk indicators derive from these components



Recording

Monitoring

Financial Execution

Reporting

# Monitoring

- **Basic Process:** Once the debt is created, it must be constantly monitored, because it's constantly affected by
  1. Time
  2. Disbursements, cancelling, extensions
  3. Issuances and Redemptions
    - => OUTSTANDING AND MATURITY

# Monitoring contracts

## Line Ministries or Projects Executing Agencies

- Verifications with disbursements
- Checks invoices with creditors



## Creditor Deposits Proceedings in Special accounts or TSA

- DMO verifies with Treasury Unit and Creditor
- DMIS and FMIS



## DMO

- Monitors cash movements on the accounts (withdrawals)
- Verifies the disbursement with the creditor (Portal or Directly)
- Disbursed amount must be equal or less than the total contracted



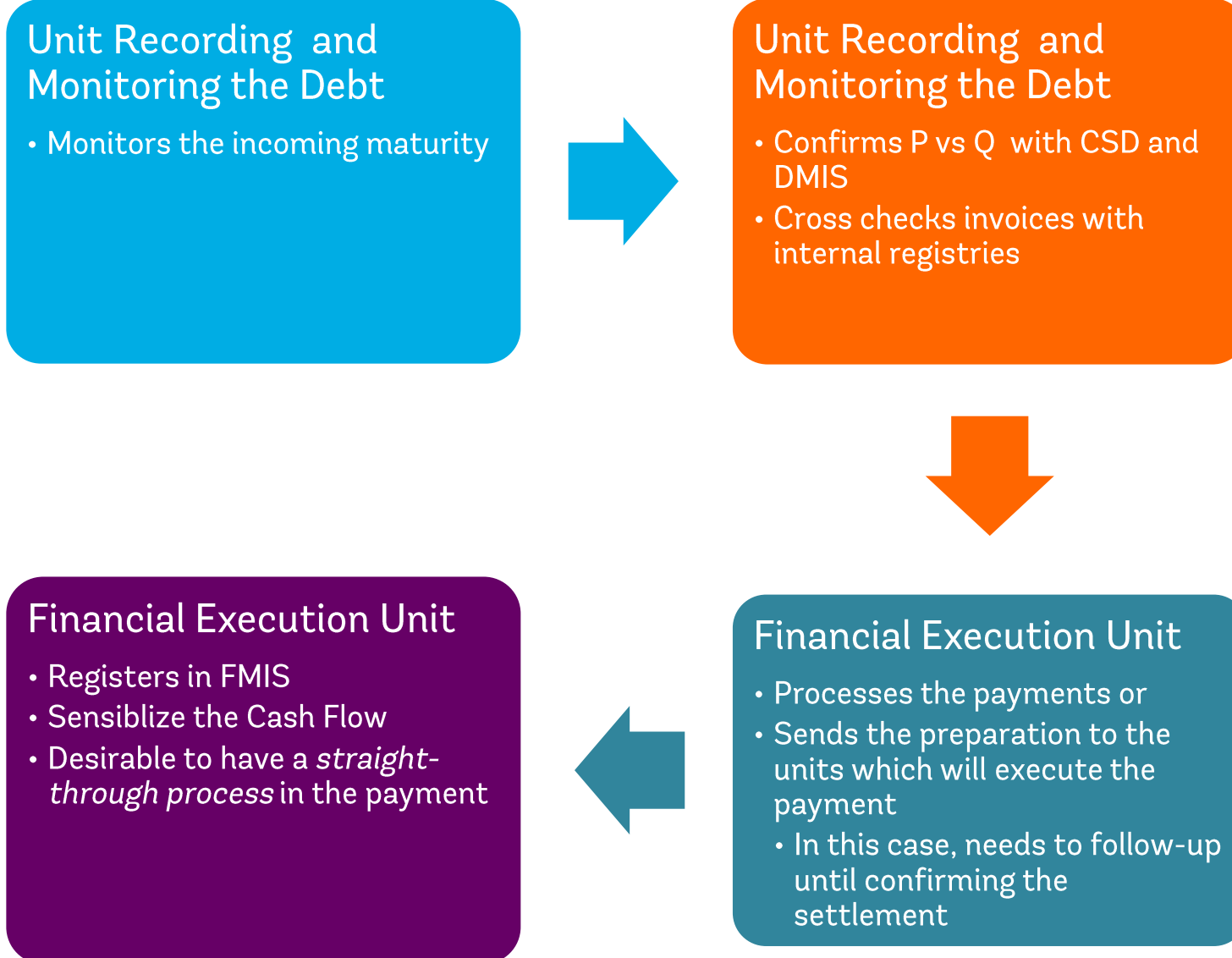
Recording

Monitoring

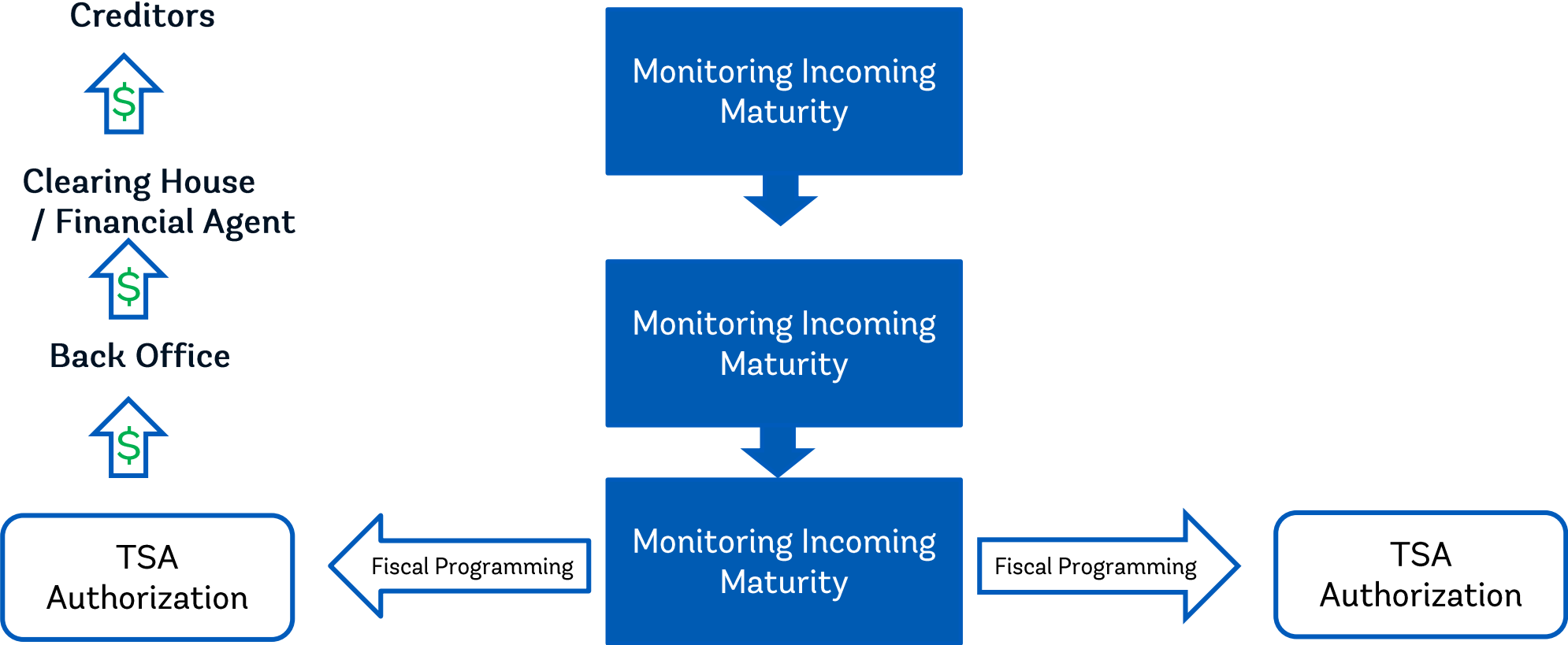
Financial Execution

Reporting

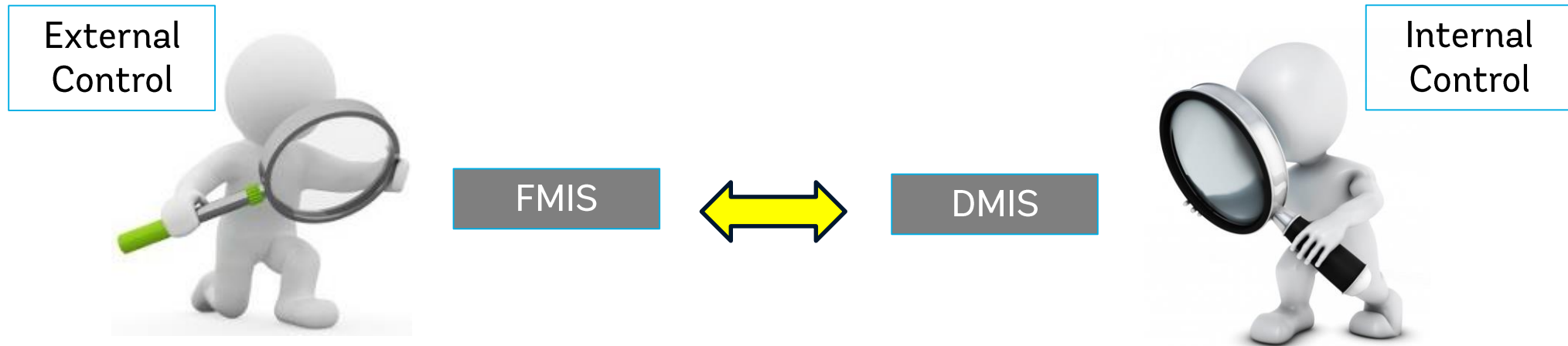
# Financial Execution



# Financial Execution and Fiscal Programming (FP)



# Financial Execution and Auditing



Recording

Monitoring

Financial Execution

Reporting

# Reporting and Transparency



## Final Messages – know your business

1. Focus on processes and degree of specialization of the activities
2. Fluidity and continuous collaboration: **Back-Office <=> DMO**
3. Contact with **auditing**



Old



Transition



Modern

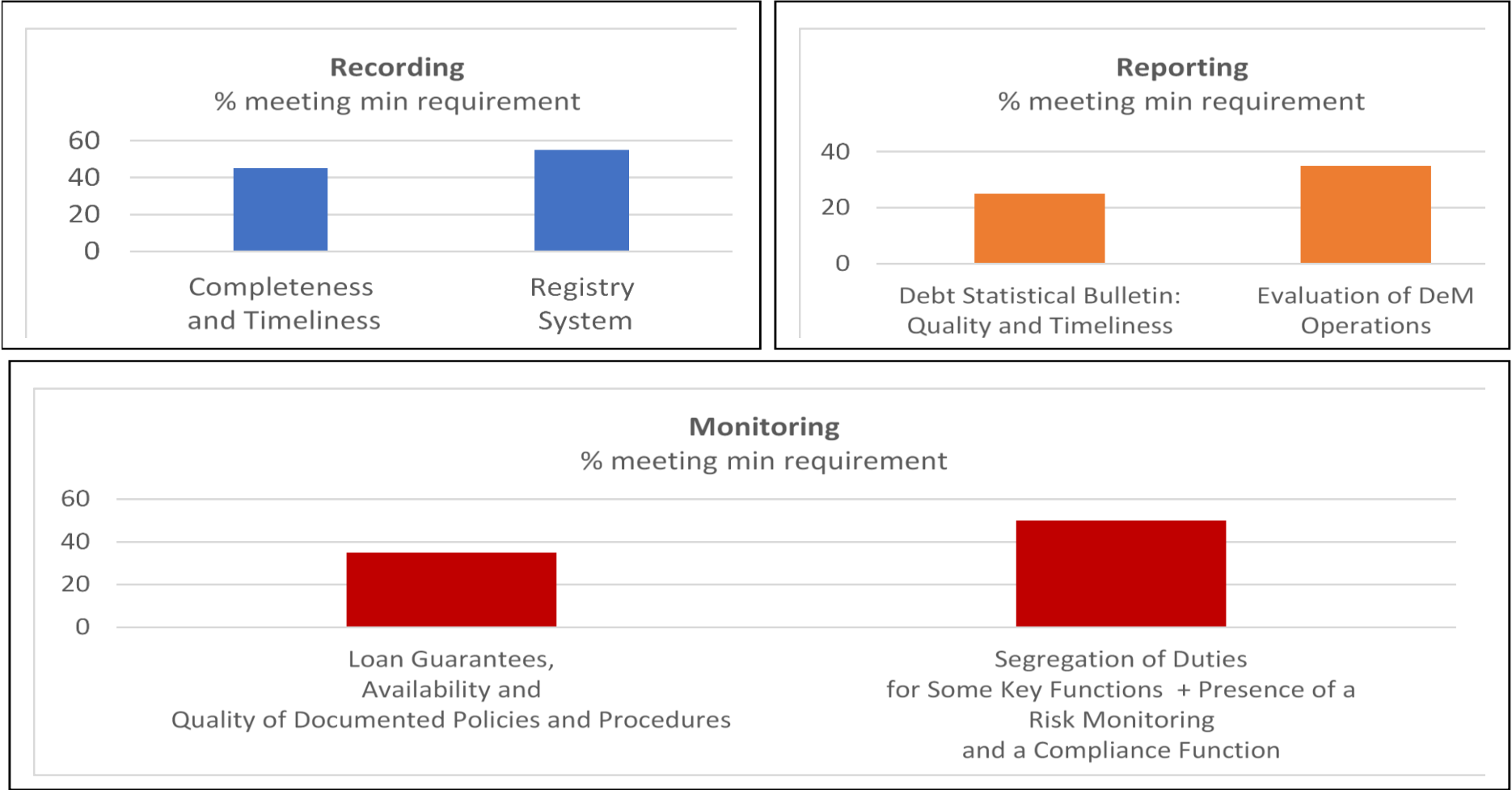
### 4. DEBT COVERAGE -> GUARANTEES, SUBNATIONAL, SOEs

- Replicating these processes and the role of the DMO
- Commitment and staffing will always be critical

# Annex



# Poor performance in general



Source: DeMPA

# Recording Contracts

1. In general, contracts are negotiated evolving legal representatives
  - Financial parameters entry : Currency, interest, grace period, maturity, amortization schedule etc
  - It's desirable the party involved in the negotiation to perform that role
    - future cash flow and budget
2. Verification and validation of the parameters
  - Interpret the contracts => Confirmation
3. Verification with the contract's executing agencies (Line Ministries)
  - Search for the events which affect the disbursements
  - Request the disbursement information with the creditor and account manager (special account or TSA, normally in the Treasury)
  - Back-Office should be part of this process
  - **Cross checking the invoices vs cash movements with the Treasury**  
**=> Impact on OUTSTANDING AND MATURITY**

DATA ENTRY

CHECK POINT 1

CHECK POINT n

CLEAR

# Recording Securities

## 1. Securities transaction

DATA ENTRY

- Financial parameters entry : Currency, interest, maturity etc
  - It's desirable the party involved in the negotiation to perform that role
  - PRICES vs QUANTITIES -> gives you more information to track the debt

CHECK POINT 1

## 2. Verification and validation of the parameters

- Offerings (Direct or Competitives) => Confirmation
- Cross checking the information with the Central Securities Depository

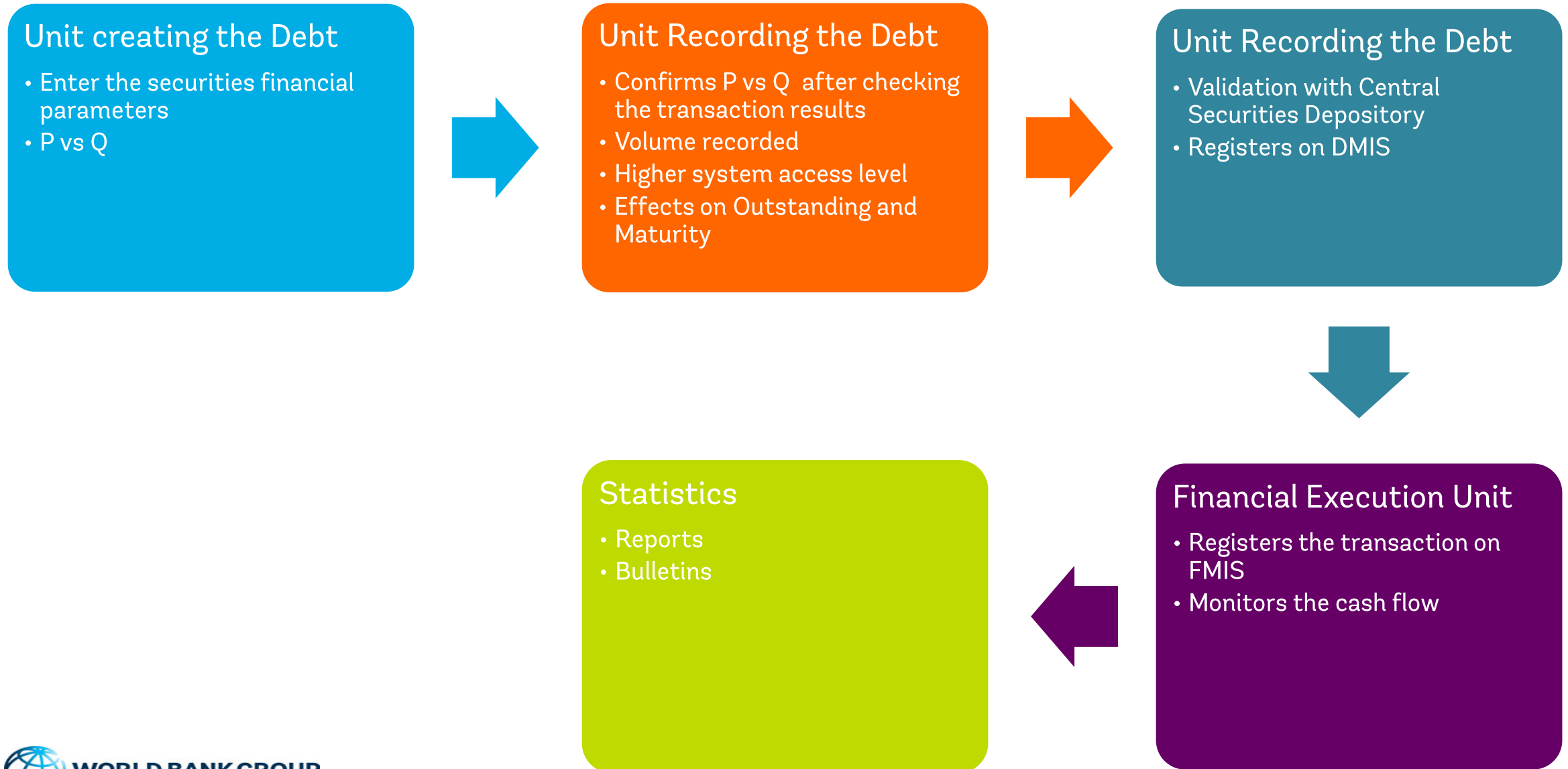
CHECK POINT 2

## 3. Verification of the Central Securities Depository

- => Impact on OUTSTANDING AND MATURITY

CLEAR

## Monitoring securities



# Financial Execution

- **Basic Process:** Ensure the debt is paid in the due date with accurate values
- 1. Focus on transferring the resources from the government to creditors
  - Many countries have this process “outsourced” from the DMO
- 2. However, there are operational and analytical gains in concentrating this in the DMO
  - Settlement
  - Cash control, buffers, other budgetary resources
- 3. Connection with public financial management (PFM) and recordings
  - a) Financial
  - b) Budgetary
  - c) Accounting
- Reference for internal and external auditing

# Reporting

- **Basic Process:** Transform registries into information to feed the DMO's (and other parts of the gov't) objectives
- **Customized information**
- **Data Dissemination**
  - **Cost and Risk Indicators are important**
  - **Connection with debt planning and mid-term strategy**