



Public Debt Management

Workshop on budget 2016 in Chandigarh on
7.1.2016

Haryana Public Debt Fact Sheet



State Wise Debt
GSDP Position



Maturity Profile



Interest rate
profile

Defining Objective of Public Debt Management

Ensuring that the Government's **Financing needs** and its **payment obligations** are met at the **lowest possible cost to the State** over the medium to long term consistent with a **prudent degree of risk**

Legal Frame Work of Debt Management in Haryana

- The Haryana Fiscal Responsibility And Budget Management Act , 2005
- Preamble: An act to provide for the responsibility of the state government to ensure
 - **prudence in fiscal management and fiscal stability** by progressive elimination of revenue deficit, reduction in fiscal deficit
 - **prudent debt management** consistent with fiscal sustainability
 - **Greater Transparency in Fiscal Operations** of the Government and
 - **Conduct of fiscal policy** in medium term framework and for matters connected therewith or incidental thereto
 - Sections 3 to 10 lay spell out the substantive framework of the act

Objectives of medium term debt management strategy

A medium term Debt Management Strategy should aim to cover following areas

- Debt Management Objectives and Coordination
 - a. Objectives
 - b. Scope
 - c. Coordination with monetary and fiscal policies

- Transparency and accountability
 - a. Clarity of roles, responsibilities and objectives of agencies responsible
 - b. Open process for formulating and reporting debt management policies
 - c. Public availability of information on debt management policies
 - d. Accountability and assurance of integrity by agencies responsible for debt management

Framework and Components of medium term debt management strategy

- Institutional Framework
 - a. Governance
 - b. Management of internal operations and legal documentation
 - c. Consider establishing Fiscal Risk Management Office (FRMO)
- Debt Management Strategy
- **Risk Management Framework**
 - a. Scope for active management
 - b. Debt of public and quasi public sector enterprises
 - c. Contingent *liabilities, including government guarantees*
- Development of effective market for Government Securities

Risk Management

- A key piece of the debt management strategy is the analysis of risk and cost trade offs
- Asset- liability management is used as conceptual framework to do that which is essentially a balance sheet of the Government –asset side includes discounted value of future tax receipts and discounted return on Government assets-liability side include the debt stock and present value of future expenditure. The timing of the assets and liabilities also needs to be considered to manage liquidity .
- Being highly sophisticated, and complex its implementation can be achieved in phased and incremental manner

Risks in Public Debt Management

- Market risks
- Roll over risks
- Liquidity risks
- Credit risks
- Settlement risks
- Operational risks

Key Messages

- Enacting FRBM Act was a right step in that direction but the real challenge is to operationalize the objectives set out in the FRBM Act.
- More pro-active debt management could help reduce debt management risks and fiscal burden.
- An institutional structure in the form of Fiscal Risk Management Office (FRMO) merits serious consideration. Staffing it with requisite skills sets would be essential.



THANK YOU