Debt Management and Integrated Public Financial Management: Experiences and Implications for the Debt Manager?

by

Ms. Evelyn Bautista
Vice Minister, Ministry of Finance
Republic of Honduras

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD
FINANCE AND PUBLIC DEBT MANAGEMENT IN HONDURAS

November, 2011

Sra. Evelyn Bautista
Vice Minister of Public Credit and Investment
Secretary of Finance
# Honduras: Fiscal Goals

<table>
<thead>
<tr>
<th>Description</th>
<th>September Goals</th>
<th>December Goals</th>
<th>Difference</th>
<th>IMF Program</th>
<th>December Projection</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall balance of Combined Public Sector</td>
<td>2.2</td>
<td>1.3</td>
<td>-0.9</td>
<td>3.1</td>
<td>3.1</td>
<td>-0.0</td>
</tr>
<tr>
<td>Overall balance of Central Government</td>
<td>1.9</td>
<td>2.4</td>
<td>0.5</td>
<td>3.5</td>
<td>3.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Current Primary Expenditure of Central Government</td>
<td>11.1</td>
<td>11.1</td>
<td>-0.0</td>
<td>15.7</td>
<td>15.4</td>
<td>-0.3</td>
</tr>
<tr>
<td>Wages and Salaries of Central Government</td>
<td>6.9</td>
<td>6.9</td>
<td>-0.0</td>
<td>9.9</td>
<td>9.8</td>
<td>-0.1</td>
</tr>
<tr>
<td>Tax Revenue of Central Government</td>
<td>11.3</td>
<td>11.1</td>
<td>-0.2</td>
<td>15.4</td>
<td>14.9</td>
<td>-0.5</td>
</tr>
<tr>
<td>Capital expenditure of Central Government a/</td>
<td>2.6</td>
<td>2.9</td>
<td>0.3</td>
<td>4.0</td>
<td>4.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Capital expenditure of Public Sector</td>
<td>3.5</td>
<td>3.9</td>
<td>0.4</td>
<td>5.3</td>
<td>5.7</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Fuente: UPEG/SEFIN

a/ The largest capital expenditure in relation to the goal of capital expenditure is mainly due to the transfer of funds L.961.7 Petrocaribe mm with the ENEE for initial Hydroelectric Project PATUCA III
# Honduras Macroeconomic Framework 2009-2012

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td><strong>Real Sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>-2.1</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Open Unemployment Rate (%)</td>
<td>5.1</td>
<td>3.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Underemployment rate (%)</td>
<td>44.8</td>
<td>44.9</td>
<td>43.6</td>
</tr>
<tr>
<td><strong>External Sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (var. %)</td>
<td>-22.2</td>
<td>19</td>
<td>15.2</td>
</tr>
<tr>
<td>Imports (var. %)</td>
<td>-30.2</td>
<td>17.1</td>
<td>12.4</td>
</tr>
<tr>
<td>Remittances millions of US$</td>
<td>2,467.90</td>
<td>2,594.10</td>
<td>2,702.40</td>
</tr>
<tr>
<td>Foreign Direct Investment (% of GDP)</td>
<td>3.7</td>
<td>5.2</td>
<td>4.9</td>
</tr>
</tbody>
</table>
## Honduras Macroeconomic Framework

### 2009-2012

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>Projection 2011</th>
<th>Projection 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall balance of Central Government (% of GDP)</td>
<td>6.2</td>
<td>4.8</td>
<td>3.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Overall balance of Combined Public Sector (% of GDP)</td>
<td>4.6</td>
<td>2.9</td>
<td>3.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Balance Public Debt (% of GDP)</td>
<td>23.9</td>
<td>26.3</td>
<td>27.7</td>
<td>28.1</td>
</tr>
<tr>
<td>Tax burden (tax revenues / GDP)</td>
<td>14.4</td>
<td>14.8</td>
<td>15.2</td>
<td>15.3</td>
</tr>
<tr>
<td>Wages and Salaries of Central Government (% of GDP)</td>
<td>11.1</td>
<td>11</td>
<td>9.9</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Monetary Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>3</td>
<td>6.5</td>
<td>8.0 + 1pp</td>
<td>7 + 1pp</td>
</tr>
<tr>
<td>Nominal lending rate average (%)</td>
<td>17.1</td>
<td>15.1</td>
<td>16.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Total liquidity var %</td>
<td>0.5</td>
<td>10</td>
<td>15</td>
<td>16.7</td>
</tr>
</tbody>
</table>
In nominal terms, the most elevated burden of public external debt during the last decade and in the history of our country was during the year 2004, when it reached US$5,213.8 millions, representing 59.4% of the GDP.

Source: SEFIN y BCH.
The balance of the Public Debt by the end of September 2011 was $5,281.4 millions.

During the last years there has been a change in the structure of the public debt, in which the burden of the domestic debt had a significant effect over the total debt portfolio of the country.
### Structure of Public Debt

**Interest Rates**

<table>
<thead>
<tr>
<th>External (55%)</th>
<th>Domestic (45%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fix (93%)</td>
<td>Fix (86%)</td>
</tr>
<tr>
<td>Variable (7%)</td>
<td>Variable (14%)</td>
</tr>
</tbody>
</table>

**By Maturity**

<table>
<thead>
<tr>
<th>External</th>
<th>Domestic (45%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td>3</td>
</tr>
<tr>
<td>≥ 1 year &lt; 5 years</td>
<td>11</td>
</tr>
<tr>
<td>≥ 5 years</td>
<td>86</td>
</tr>
</tbody>
</table>

**Average**

- **External**: 14.2
- **Domestic**: 3.74
- **Average of Total Central Government Debt Portfolio**: 9.73

---

87% of the external debt portfolio has fixed interest rates and mostly with rate ranges of less than 3%, therefore, denoting a very low exposure to the inherent risks of the financial costs.

Concerning the domestic debt, an 89% has fixed rates, ranging from 7.75% to 12.25%, making it a competitive and attractive instrument for investors.
Debt Policy Content

- Debt Evolution
- Relevant Debt Topics
- Debt Policy
- Financial Plan
- Sustainability Analysis
- Risk-Cost Analysis
- Regulations
- Macro-environment and Perspectives

PUBLIC DEBT POLICY
Public Debt Committee

INTEGRATED BY:

SEFIN
- Public Credit General Directorate
- Administration Planning and Evaluation Unit

CBH
- Economic Studies Office
- International Department
- Monetary Operations Department
Country’s Debt Strategy

Honduras’ Public Debt Policy establishes the following guidelines:

✓ Mixed Indebtment of 35% Grant Element of Concessionality.
✓ The Contracting of non-concessional debt for the period of October 2010 to March 2012 for an amount of US$350.0 millions
✓ Government Bond Swap Program
✓ For the year 2011 the maximum ceiling established for
Approval Process of Public Debt Policy

Document review by the Technical Group

Document review by the Authorities and Advisors of the Secretary of Finance (SEFIN) and the Central Bank of Honduras (CBH)

Approval by the Public Credit Committee

Publication on the SEFIN’S web page.
PUBLIC FINANCE ADMINISTRATION SYSTEM (SIAFI)
Public Finance Administration System

Other Systems

SIGADE
SIARHD
HONDUCOMPRAS

Interfaz

Accounting
Budget
Treasury
Human Resources
Administration of Goods
1 Constitution of the Republic
   1.1- Title VI. OF THE ECONOMIC REGIME
       - Chapter IV: Of The Financial Regime (Art.351)
       - Chapter V: Public Estate (Arts. 352 to 360)
       - Chapter VI: Of The Budget (Arts. 361 to 372)

2. ORGANIC LAW OF BUDGET
Decree 83 of 28/05/2004
   2.1. OBJECT AND GENERAL AREA
   2.2. SUBSYSTEM OF BUDGET
   2.3. THE PUBLIC INVESTMENT
   2.4. SUBSYSTEM OF PUBLIC CREDIT
   2.5. SUBSYSTEM OF TREASURY
   2.6. SUBSYSTEM OF ACCOUNTING
       GOVERNMENTAL
   2.7. INTERNAL CONTROL OF THE ADMIN.
       FINANCIER OF THE PUBLIC SECTOR
   2.8. COMPLEMENTARY DISPOSITIONS
       And TRANSITORY

3. GENERAL DE LAW THE ADMINISTRATION
   PUBLIC (Decree 146-86)

4. GENERAL DISPOSITIONS OF
   BUDGET

5. REGULATION OF EXECUTION GRAL.
   OF THE LOP (Executive Agreement 419 of
   10/05/2005)

6. REGULATION OF THE DISPOSITIONS
   PERSONAL DETAILS OF THE BUDGET

7. TECHNICAL PROCEDURE
   7.1. SUBSYSTEM OF BUDGET
   7.2. SUBSYSTEM OF ACCOUNTING
   7.3. SUBSYSTEM OF PUBLIC CREDIT
   7.4. SUBSYSTEM OF TREASURY
   7.5. PUBLIC INVESTMENT
   7.6. NATIONAL GOODS
<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normative centralization and operative decentralization</td>
</tr>
<tr>
<td>Only one record of transactions</td>
</tr>
<tr>
<td>Procedures that delimit functions and assign levels of responsibility</td>
</tr>
<tr>
<td>Production of information: budgetary, economic, financial, countable and of management, in simultaneous form</td>
</tr>
</tbody>
</table>

**Integration.** The operative of the Cuenta Unica of the treasury in the siafi allows that the suppliers or beneficiaries who contract with the Government receive their payments directly in their bank account, in any commercial bank achieving major efficiency in the process of payment and in the administration of the resources
SIGADE: INSTITUTIONS USING DATA

- CENTRAL GOVERNMENT
- ENEE
- BANHPROVI
- BANADESA
- HONDUTEL
- LOCAL GOV.
- OTHER PUBLIC ENTERPRISES
- CENTRAL BANK
- PRIVATE SECTOR WITH AND WITHOUT PUBLIC WARRANTY

SIGADE CREDITS-DONATIONS OF:
UEPEX LOGICAL STRUCTURE

Convention structure

Convention Structure - Budget

Contrats

Project Costs

Logical Frame - Financial plan

Logical frame - indicators

Disbursement requests

Court dates

Disbursement notification

Table of document generation

Manager/Analyst monitoring

Financial Analyst

Coordinator UAP

Acquisitions analyst

Analyst monitoring DGCP

Monitoring Manager DGCP

www.sefin.gob.hn
Thank you

ebautista@sefin.gob.hn