

UNCTAD's Seventh Debt Management Conference

9-11 November 2009

Capacity Building Needs

by

Mrs. Amal Shebaro

Head of the Public Debt Unit

Ministry of Finance

Lebanon

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

7th UNCTAD Debt Management Conference

Capacity Building Needs



Ministry of Finance – **Lebanon**



PUBLIC DEBT DIRECTORATE

Amal Shebaro
Head of the Public Debt Unit

Geneva
9-11 November 2009



Outline

- ① Current Status
- ② What has been achieved .
- ③ What we are working on ..
- ④ What we are looking for ...



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Current Status

- Gross public debt reached US\$ 47.32 billion by the end of June 2009.
- Net public debt stood at US\$ 42.98 billion, by the end of June 2009.
- Local currency Debt totaled US\$ 25.97 billion (55%),
- Foreign currency Debt totaled US\$ 21.351 billion (45%) by the end of June 2009..
- Gross Debt to GDP was 162% as at the end of 2008



Current Status

▼ MOF	▼ CDR	▼ BDL
<ul style="list-style-type: none">●Monitoring loan services●Processing payments of all Foreign & Local currency debt;●Instructing BDL to execute payments to all creditors;●Managing the Issuance of Euro-Bonds and Monitor the issuance & maturity of Domestic Treasury Bills executed by BDL upon the instructions of MOF in coordination with BDL;	<ul style="list-style-type: none">●Negotiating and contracting all Public and Publicly Guaranteed foreign loans;●Assessment of different project financing schemes;	<ul style="list-style-type: none">●Executing all payments to the creditors based on instructions given by the MOF;●Managing the issuances and servicing of domestic Treasury bills upon the Instructions of the Minister of Finance;



Law 10,092 (1997) established the Public Debt Department (PDD), within the Directorate of Treasury and Public Debt, as the principal debt manager.

Its major functions include:

- Managing, controlling domestic loans accounts (Tbills) in coordination with the Central Bank;
- Managing, controlling foreign loans accounts contracted with government, in coordination with all beneficiary public administrations and the Central Bank;
- Managing government subscription in capital shares in regional and international funds or organizations
- Preparing yearly schedules for payment for foreign loans dues.
- Preparing detailed statistical statements regarding loans and bonds and analytical statements.
- Contributing in studying foreign loan agreements and the government share in regional and international funds organizations.
- Managing, controlling domestic borrowing accounts from The Central Bank.



Current Status

- Managing, controlling lending accounts from treasury to public administrations or institutions especially EDL. Follow up the LC's agenda (LC's opened at BDL for the purchase of fuel oil and gas Oil on behalf of the Ministry of Energy and EDL). Follow-up the payments and prepare its statistical data.
- Documenting and managing the information on Debt Management and Financial Analysis System [DMFAS] program, installed in 3 institutions (MOF, CDR, BDL) used for foreign currency public debt.
- Work on aid monitoring and reporting system which helps to enter all the information concerning grants and loans given to Lebanon from the date of signing the agreements until it is fully disbursed.



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What has been achieved

Legal Framework (1st important step)

- ▶ Enactment of Law 17 dated 9/9/2008 entitled “ Creation of a Public Debt Directorate in the General Directorate of Finance in the Ministry of Finance”
- ▶ **3 main Departments:**
 - **Department of Financial Markets** (Controlling the operation of subscription in bonds, executing operations in the financial markets,...)
 - **Department of Strategic Planning and Risks** (Preparing statistical lists - general and detailed- about loans and analytical financial studies which are related, putting a funding strategy and managing the funding processes in all currencies based on risks,...)
 - **Department of the Operations** (Preparing a calendar about the annual expired payments of loans-interests and capital- in all currencies and preparing the related financial transactions and supervising the settlement process , managing a software program for the system of management of debts and of financial analysis,...)
- ▶ Establishment of “ **The High Committee of Public Debt Management**” to define the available options for the management of the public debt and to present suggestions to the Council of Ministers about policies related to public indebtedness.



What has been achieved

Coordination with Macroeconomic Policies

- Very Strong Coordination with Fiscal Policy (Ministry of Finance)
- Very Strong Coordination with Monetary Policy (**Banque Du Liban**)

Debt Records and Reporting

- Debt Records (Daily, Weekly, Monthly, Quarterly, Yearly Reports)

All these publications are on the website of the Ministry of Finance (www.finance.gov.lb)

- Debt Reporting: [DMFAS] version 3.5

Borrowing and related Financing Activities

- Loan Guarantees, On-Lending, and Derivatives



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We are working on:

- ▶ The Government of Lebanon was awarded a grant of US\$4.0 million from the International Development Agency (IDA), the administrator of the Trust Fund for Lebanon (TFL), to implement the Emergency Fiscal Management Reform Implementation Support Project (EFMIS-TA). The project is implemented by the Ministry of Finance (MoF) over a period of one year and a half.
- ▶ Consistent with the broader fiscal and budgetary reform program presented by Lebanon at the Paris III Donor Conference in January 2007, and building on initial progress made by the MoF, the project includes five components.



What we are working on

- ▶ The first component supports strengthening macroeconomic programming and policy analysis in the Ministry of Finance.
- ▶ The second component provides assistance to improve the management of public expenditure.
- ▶ The third and fourth components provide advisory services to strengthen debt and aid management, respectively.
- ▶ The fifth component assists in the provision of targeted training connected to the other components of the project. To these ends, the project finances international and local advisory services, as well as training and capacity building directly related to the envisaged reform measures



Objective

- ▶ The main objective of the assignment is to assist the MoF :
 - ▶ In priority, to organize the Public Debt Directorate (PDD) that has been established by law;
 - ▶ Subsequently, to develop a medium-term public debt management strategy; and,
 - ▶ To provide training of the staff involved in debt management, and support the development of a detailed training plan.



Emergency Fiscal Management Reform Implementation Support Project

(EFMIS)

Medium term Debt management Strategy

A clear and publicly available debt management strategy with a medium term horizon (3-5 years) ▶

Cost/Risk Analysis

Tools that helps the debt manager quantify Costs and Risks. ▶
Furthermore cost and risk tool will support improved reporting of debt and risks. ▶

Strategy Implementation

Development of a funding plan ▶
Preparation of liability management operations ▶
Identifying suitable instruments and facilitating their introduction ▶



What we are working on

Coordination with BDL

- ▶ Coordination with fiscal and monetary policies via a Memorandum of Understanding between MOF and BDL.
- ▶ Establishment of a high level committee with representatives from MOF and BDL

Data and Debt Reporting

- ▶ Detail review of current processes and procedures.
- ▶ Easy access to debt data for both reporting and risk analysis.

Reporting and Investor Relations

- ▶ Further strengthen and improve current initiatives undertaken by MOF.
- ▶ Such as includes more detailed information in the quarterly report and the preparation of an annual report

Legal Issues and Negotiations

- ▶ Very important function typically small in staff size.
- ▶ Ensuring debt operations are in line with current laws.
- ▶ Legal research and advice.



What we are working on

- Strong Evaluation of Debt Management Operations
- Internal Audit
- Cash Balance Management

Debt Records and Reporting

- Debt Reporting [AMR (Oracle JDE & Business Intelligence)]



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We are looking for ...

- Human resource development, the process of equipping individuals with understanding skills and access to information;
 - + Knowledge and training that enables them to perform effectively.
- Management structures, processes and procedures, management relationships between the different organizations and sectors of DMO.
- Leadership development, advocacy skills, training, technical skills.
- Other areas of personal and organizations development.
- External Audit



What we are looking for ...

Capacity Building to develop:

Public Debt Management :

- Developing a medium term Debt management Strategy;
- Strategy implementation; to increase the capacity at two levels: New borrowing flow & on the stock of existing debt;
- Risk Management; and Cost/ Risk Analysis;
- Debt Portfolio Analysis; Debt Restructuring Techniques; Pricing Debt instruments and building benchmark portfolio;
- Debt Analytical and Operational Techniques;...Effective management of Domestic Debt portfolio; Debt Reorganization: Issues and solutions, various techniques for reorganizing & restructuring debt portfolios to allow sustained growth.
- Capacity and Management of Internal Operations; Cash and Debt Integration, management of Government Cash / liquidity; Sovereign Assets and Debt management.



What we are looking for ...

- Legal issues ... Loan Negotiations and Evaluation, understanding International Contracts and loan agreements;
 - Installing DMFAS version 6.0 and looking for Training on this new model which is a web-based structure, to be used for foreign and domestic debt and grants.
 - Advanced training in Debt Data Validation, elaboration of a debt statistical bulletin,

Financial Markets Basics -Securities Markets Development-

- Money Market; analyze options..,cash and derivative instruments and their market pricing and settlement calculations. Interest Rate Risk,
- Primary Market; Bonds and Treasury Bills
- Develop Reporting to include all Risk indicators and improve Investor Relations;
- Secondary Market;
- Custody and Settlement;

***Publications:* Current situation and progress to date**

External Reporting

- Reporting on debt activities and risks includes:
 - Public Finance Quarterly Report (Debt Section)
 - **Quarterly Debt and Debt Markets Report (includes risk indicators)**
 - Brief notes on Eurobond Issuances
 - Base Prospectus (when issuing Eurobonds)
- More reporting on loans and grants:
 - Paris III Quarterly Progress Reports
 - Monthly Aid Coordination Newsletter
 - Aid Monitoring and Reporting System: comprehensive view on aid from pledges to implementation; system linked to Ministry's budget process (initial data collection by July 2008; to be audited and available to public).

Amal Shebaro

Head of the Public Debt Unit



Republic of Lebanon
Ministry of Finance

WEBSITES

www.finance.gov.lb

www.bdl.gov.lb

www.cdr.gov.lb

.....Thank you

