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

by

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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

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

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

Description	2009	2010	Projection	
			2011	2012
Real Sector				
Real GDP Growth (%)	-2.1	2.8	3.0 - 4.0	3.5 - 4.5
Open Unemployment Rate (%)	5.1	3.9	3.6	3.4
Underemployment rate (%)	44.8	44.9	43.6	42.4
External Sector				
Exports (var. %)	-22.2	19	15.2	8.7
Imports (var.%)	-30.2	17.1	12.4	8.9
Remittances millions of US\$	2,467.90	2,594.10	2,702.40	2,824.30
Foreign Direct Investment (% of GDP)	3.7	5.2	4.9	5.2

Honduras Macroeconomic Framework

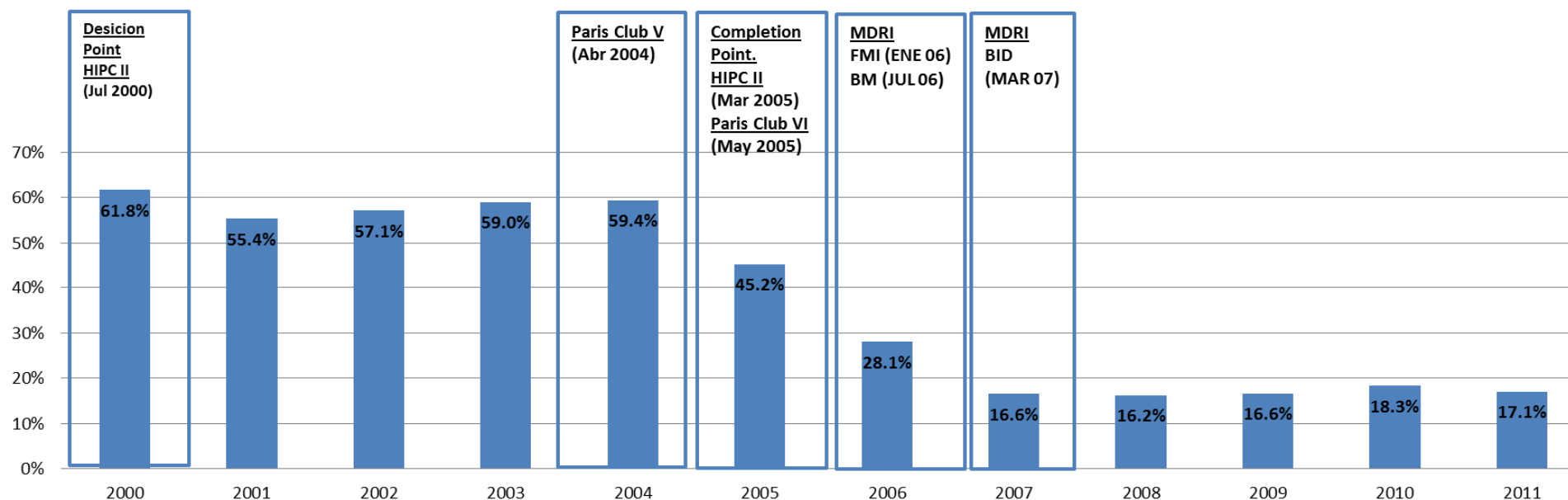
2009-2012

Description	2009	2010	Projection	
			2011	2012
Fiscal Sector				
Overall balance of Central Government (% of GDP)	6.2	4.8	3.9	2.9
Overall balance of Combined Public Sector (% of GDP)	4.6	2.9	3.1	2.5
Balance Public Debt (% of GDP)	23.9	26.3	27.7	28.1
Tax burden (tax revenues / GDP)	14.4	14.8	15.2	15.3
Wages and Salaries of Central Government (% of GDP)	11.1	11	9.9	9.8
Monetary Sector				
Inflation (%)	3	6.5	8.0 ± 1pp	7 ± 1pp
Nominal lending rate average (%)	17.1	15.1	16.3	16.6
total liquidity var %	0.5	10	15	16.7

External Public Debt Evolution

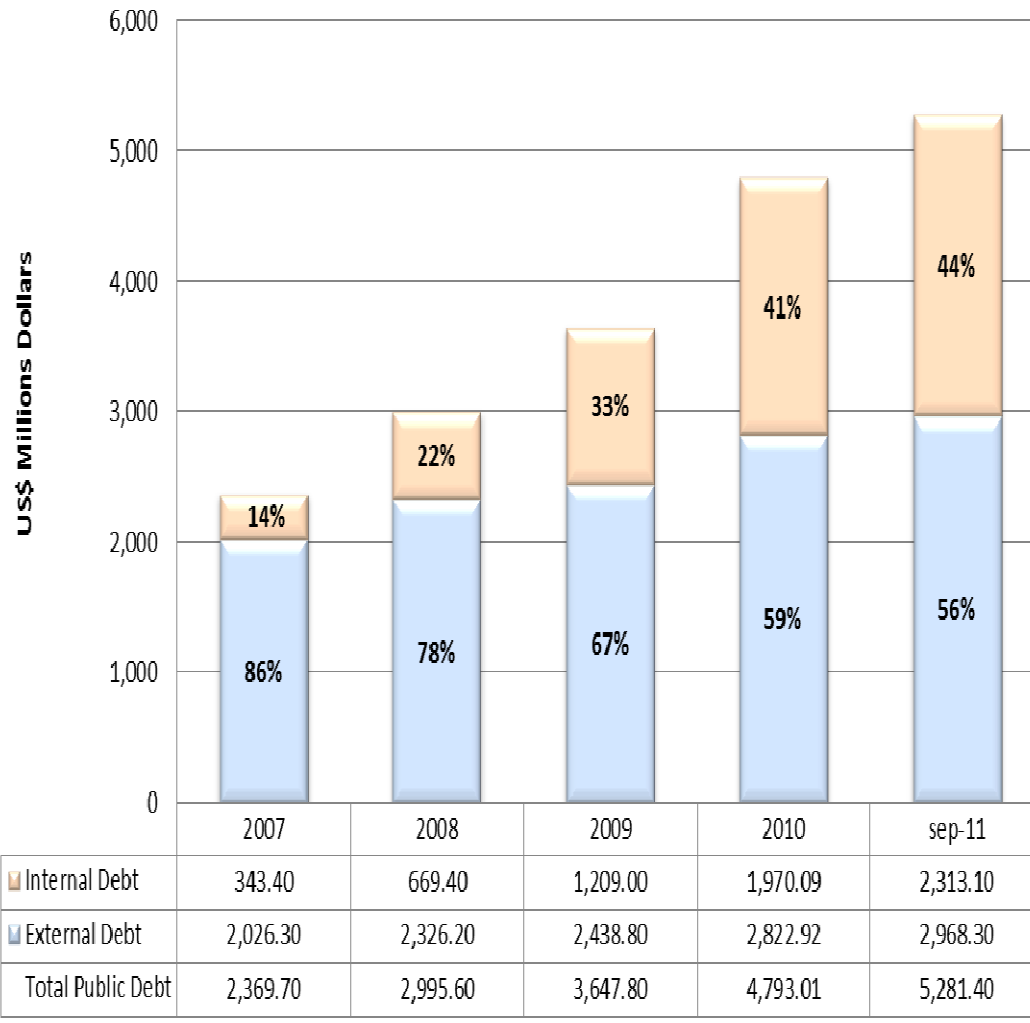
In nominal terms, the most elevated burden of public external debt during the last decade and in the history of our country was during the year 2004, when it reached US\$5,213.8 millions, representing 59.4% of the GDP .

External Public Debt Evolution (% GDP)



Source: SEFIN y BCH.

Public Debt Profile



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.

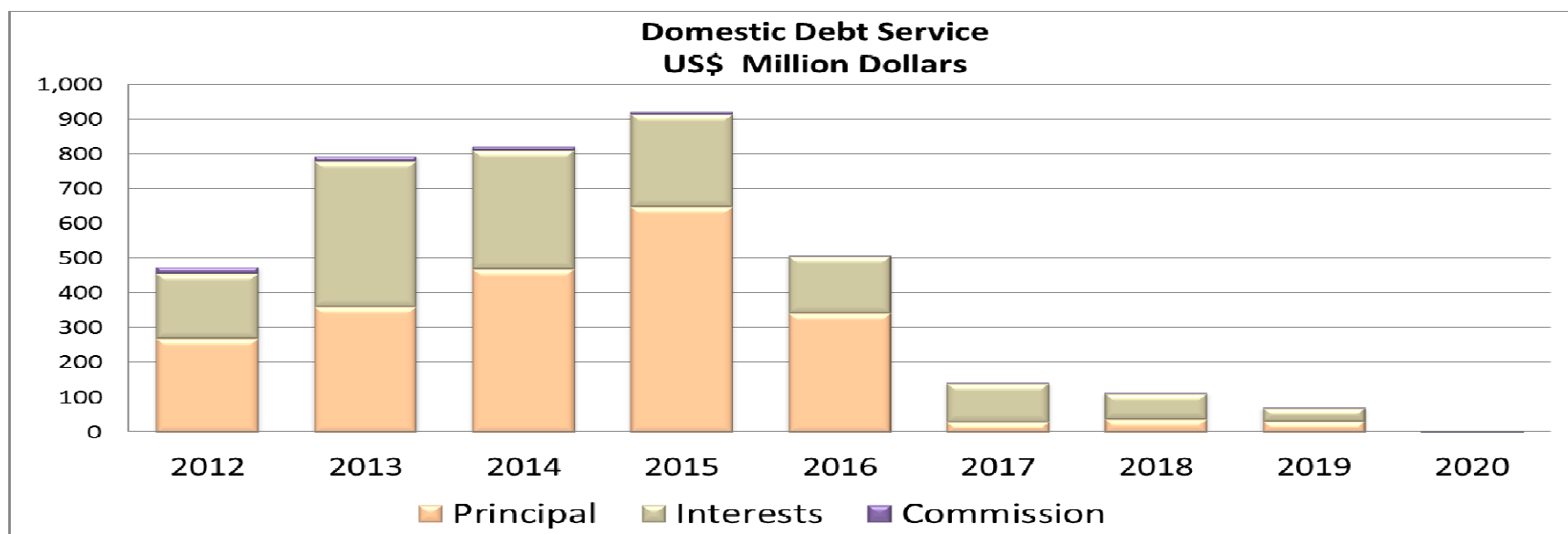
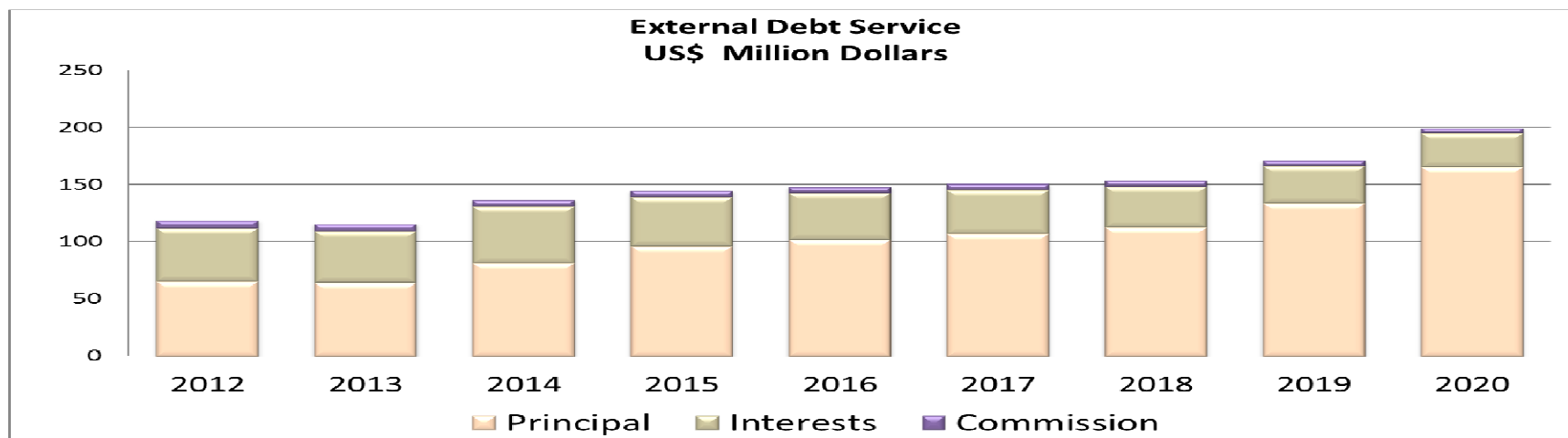
Structure of the Total Public Debt

Structure of Public Debt			
Interest Rates			
External (55%)		Domestic (45%)	
Fix(93%)	Variable (7%)	Fix (86%)	Variable (14%)
By Maturity			
External		Domestic (45%)	
< 1 year	3		17
≥ a 1 year < 5years	11		63
≥ 5 years	86		20
Average	14.2		3.74
Average of Total Central Government Debt Portfolio			9.73

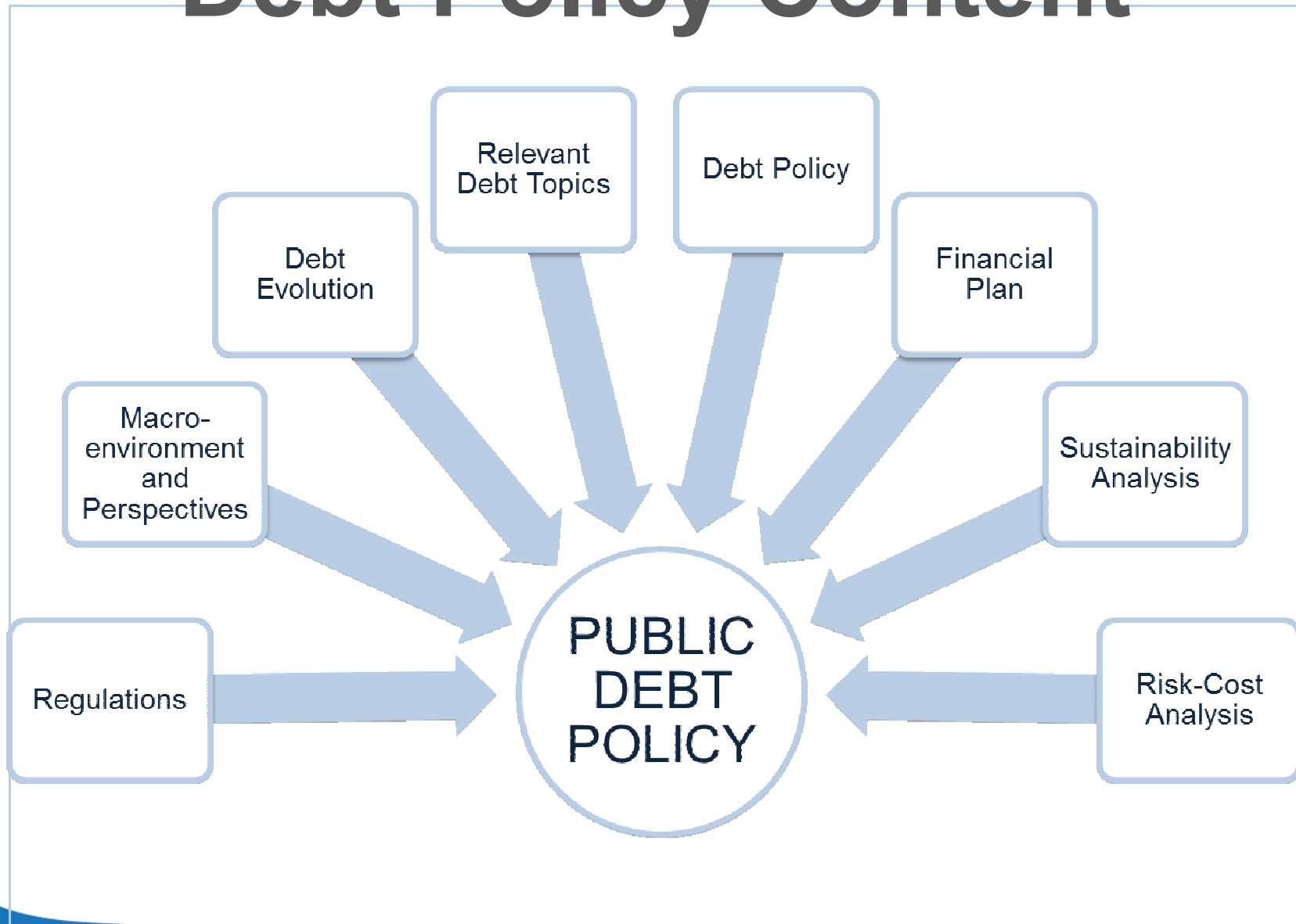
87% of the external debt portfolio has fixed interest rates and mostly with rate ranges of less than 3%, therefore, denoting a very low exposure to the inherent risks of the financial costs.

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

Public Debt Service Projections



Debt Policy Content



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

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graph TD; A[Document review by the Technical Group] --> B[Document review by the Authorities and Advisors of the Secretary of Finance (SEFIN) and the Central Bank of Honduras (CBH)]; B --> C[Approval by the Public Credit Committee]; C --> D[Publication on the SEFIN'S web page.];
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Document review by the Authorities and Advisors of the Secretary of Finance (SEFIN) and the Central Bank of Honduras (CBH)

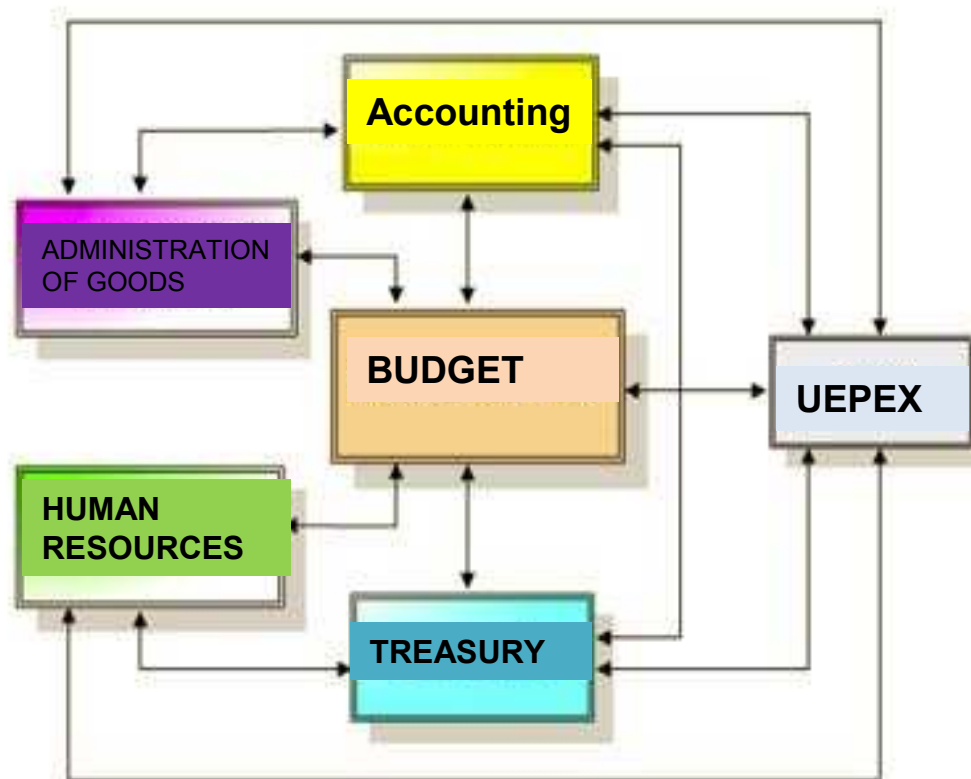
Approval by the Public Credit Committee

Publication on the SEFIN'S web page.

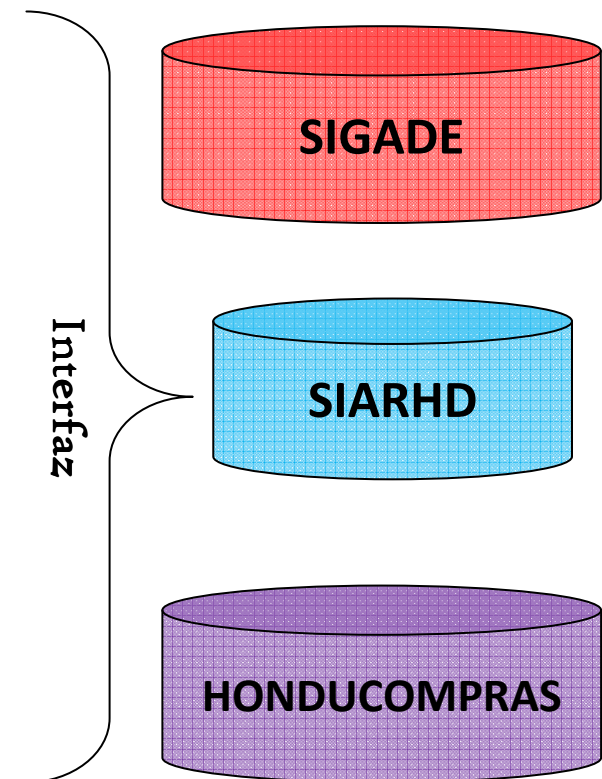


**PUBLIC FINANCE
ADMINISTRATION SYSTEM
(SIAFI)**

Public Finance Administration System



Other Systems



SIAFI'S LEGAL FRAME

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

CHARACTERISTICS

Normative centralization and operative decentralization

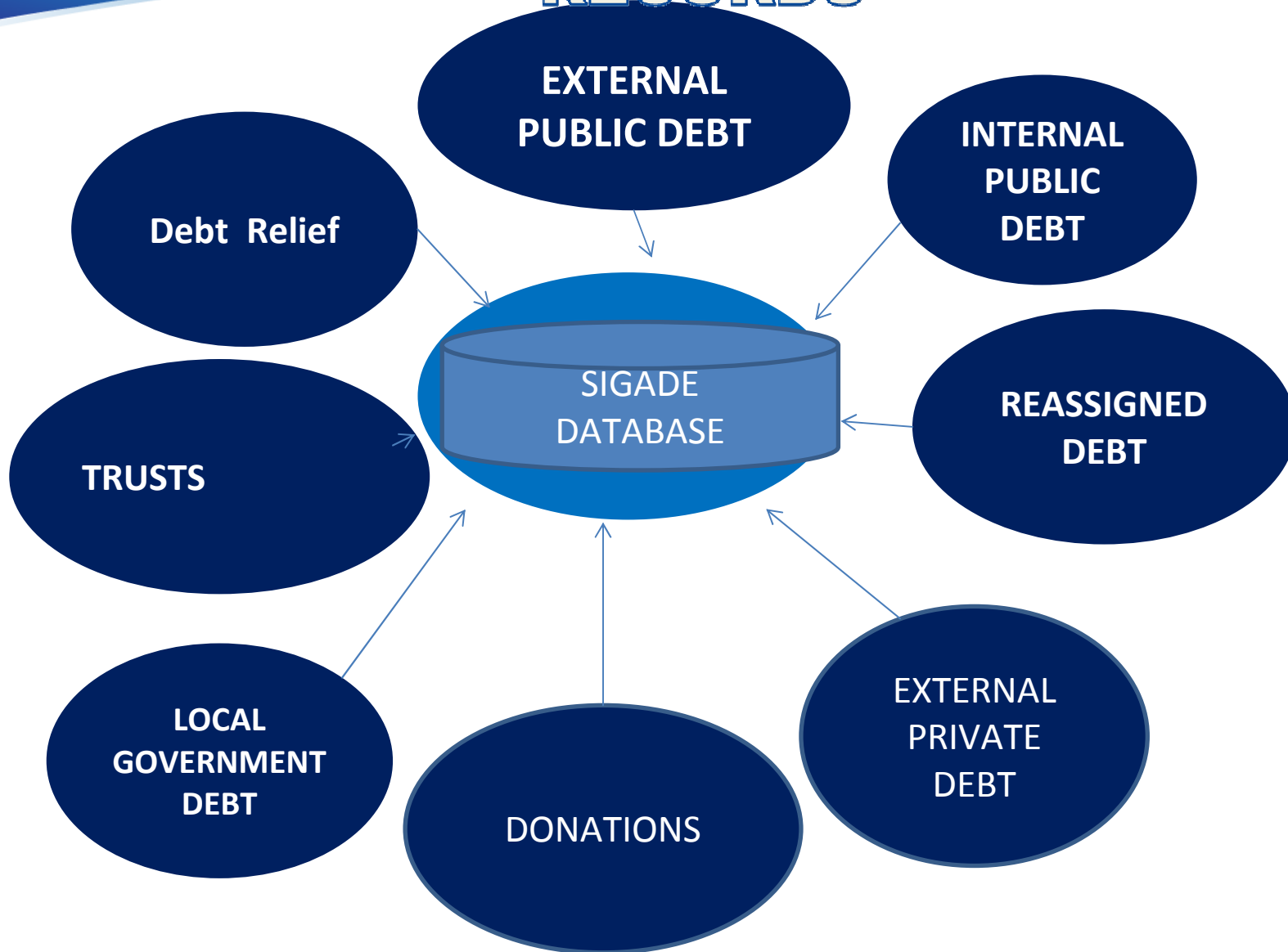
Only one record of transactions

Procedures that delimit functions and assign levels of responsibility

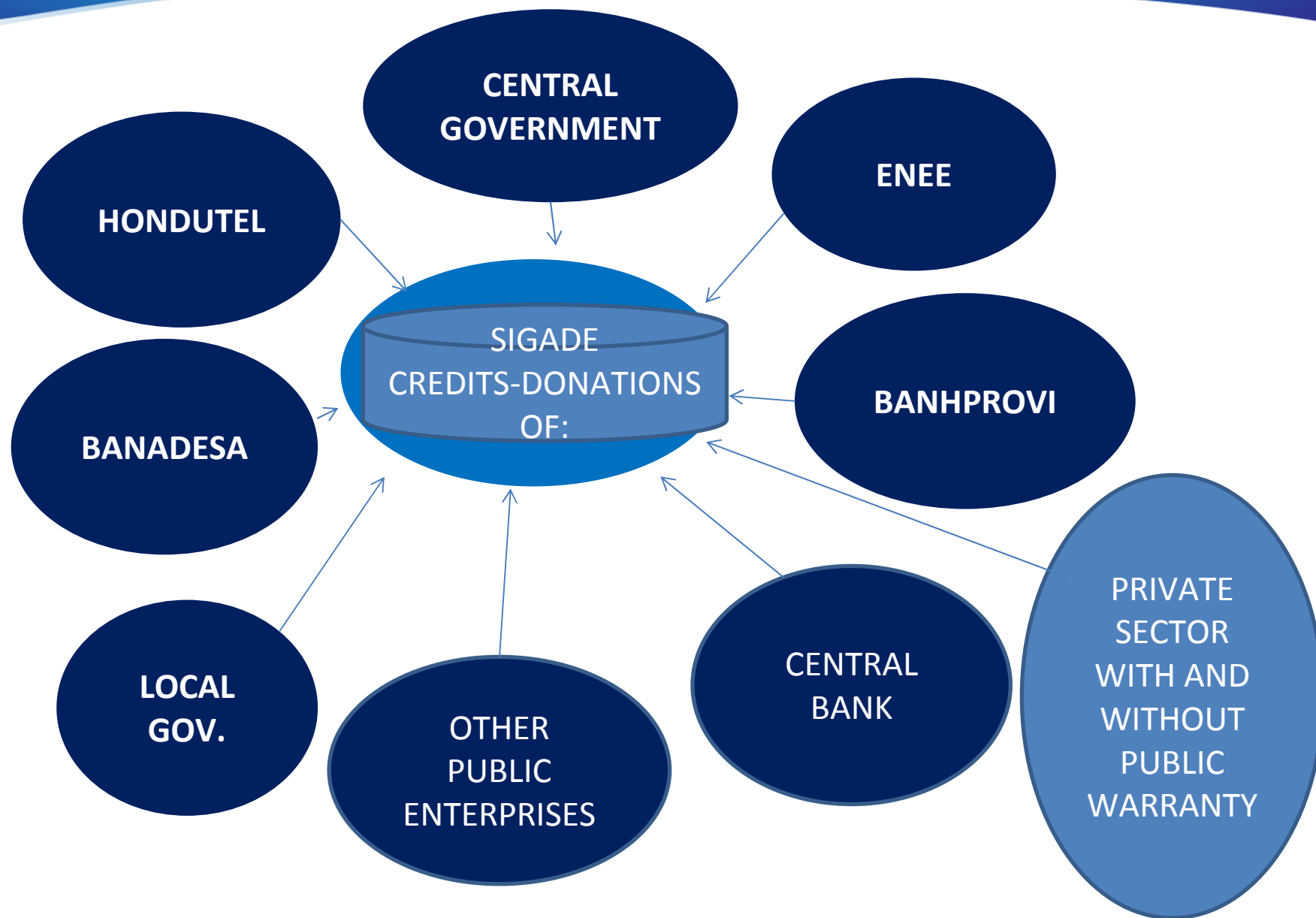
Production of information: budgetary, economic, financial, countable and of management, in simultaneous form

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 there bank account, in any commercial bank achieving major efficiency in the process of payment and in the administration of the resources

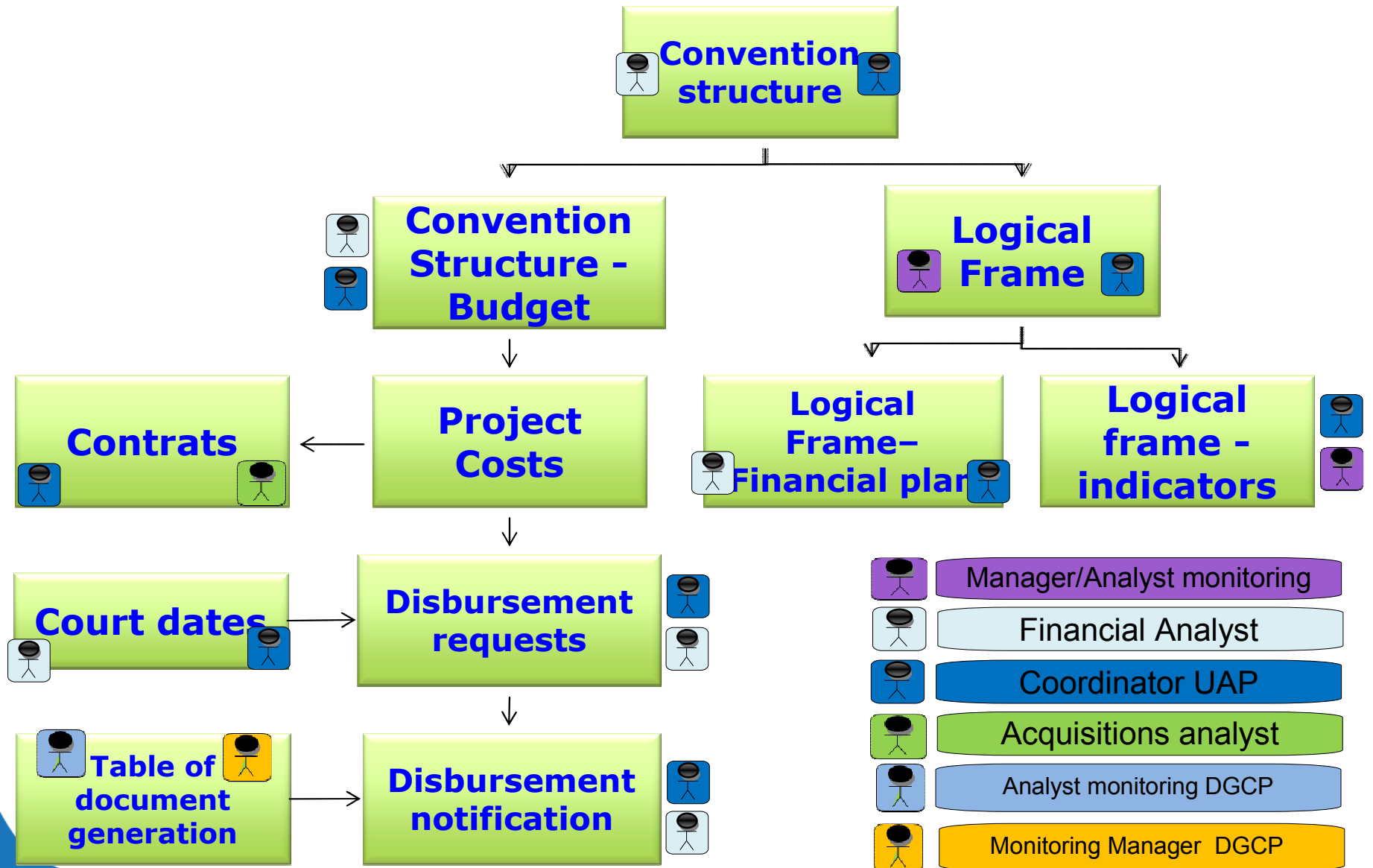
SIGADE HONDURAS: COVERAGE OF RECORDS



SIGADE: INSTITUTIONS USING DATA



UEPEX LOGICAL STRUCTURE





Thank
You

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