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Debt records and operational risk

by

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



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El Pueblo, Presidente!

“Debt recording and operational risk in Nicaragua”

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1.- Legal Base:

@ **General Public Debt Law No. 477**

- @ Article 2, it defines that all institutions that are part of the public sector that carry out internal and external credit operations, shall be subject to the provisions of this law.
- @ Article 4, it designates the Ministry of Finance and Public Credit as the Governing Body of the Public Credit system.
- @ Article 89, it empowers the Ministry of Finance and Public Credit to issue all the technical and administrative provisions required to apply this Law.

@ **Financial Administration and Budgetary Regulation Act, No. 550**

- @ Article 116, it designates the Ministry of Finance and Public Credit as the Governing Body of the Public Credit Subsystem.



2.- Balance of the public debt:

(In millions of USD on 30 september 2017)

Type of Debt	Amount
Internal Debt of Central Government	798,47
External Debt of Central Government of Nicaragua ^[1]	3,660.63

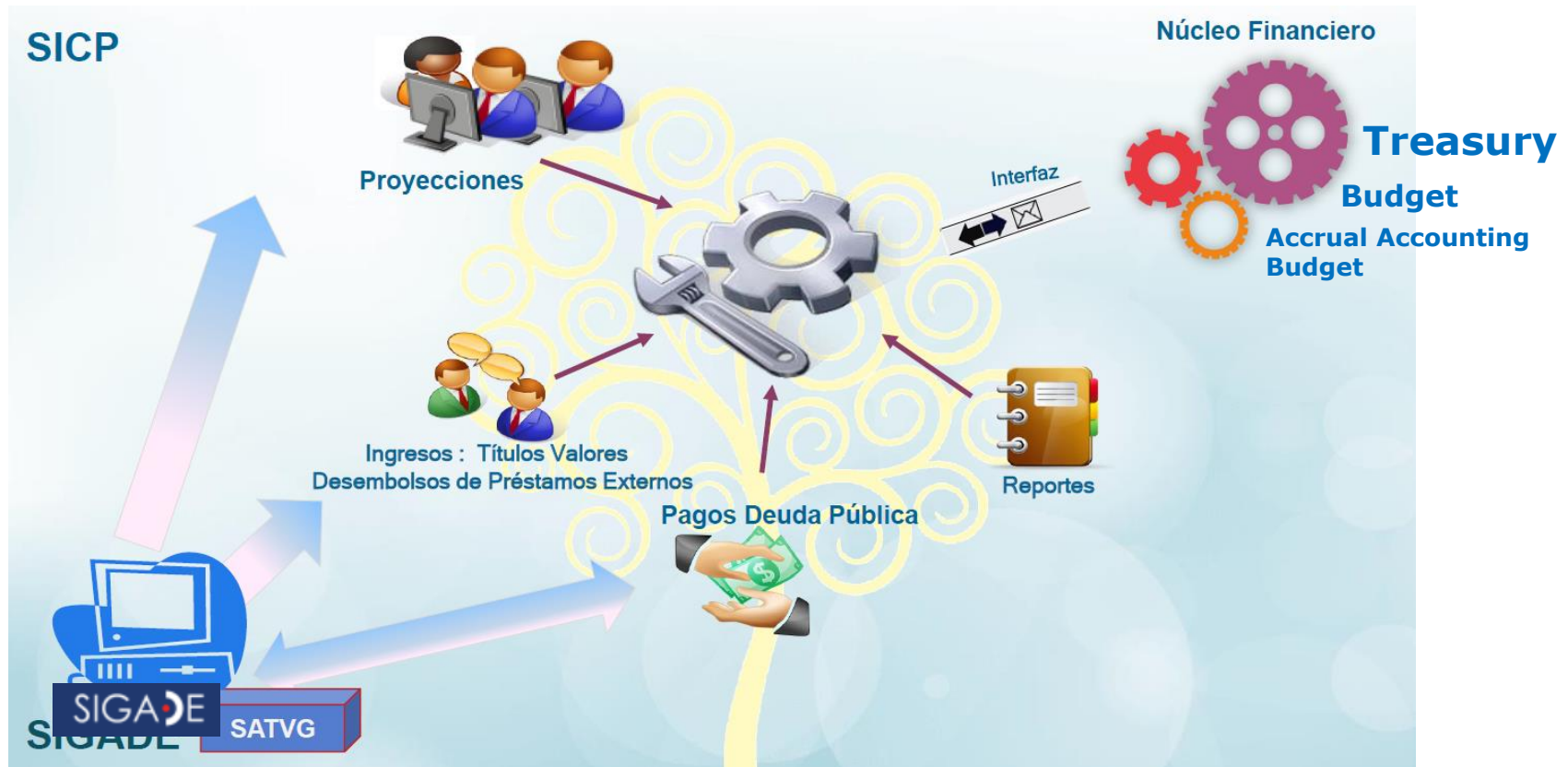
Source: Ministry of Finance and Public Credit - MFPC

1\ Does not include interest in arrears or accrued



SIGAF

3.- Use of Computerised Information Systems



3.1.- Use of computerised information Systems *(Credit Public Subsystem –CPSI)*

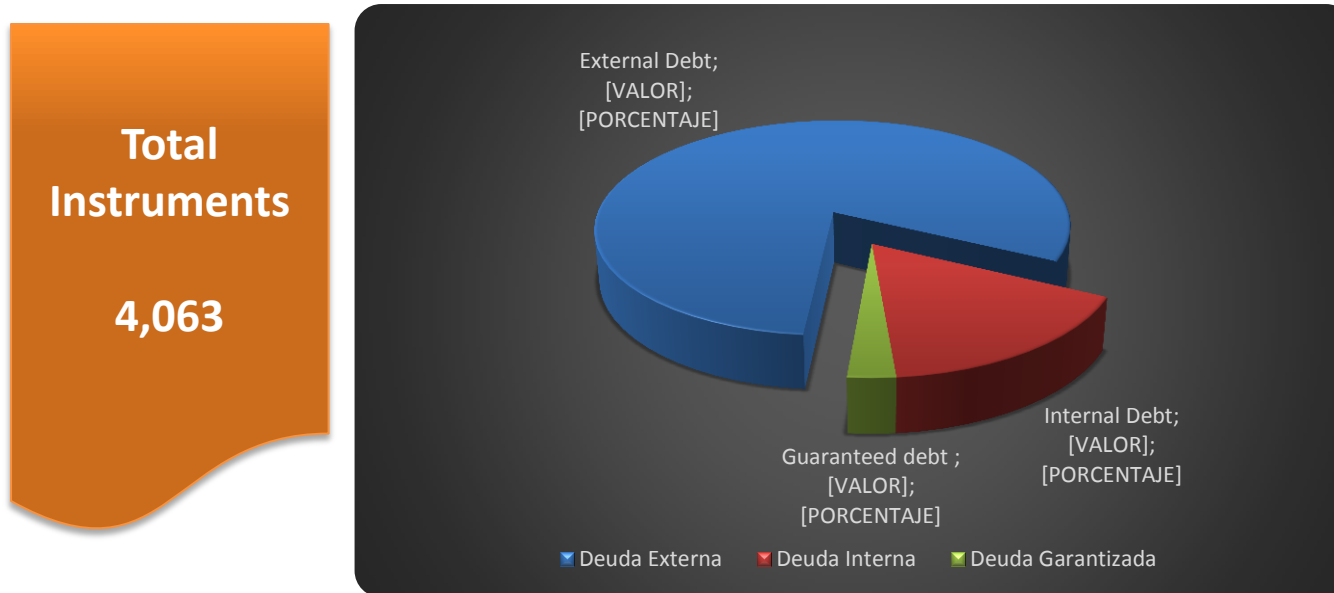
- ② The Credit Public Subsystem (CPSI) is the interface between the Integrated Financial Management and Audit System (IFMAS) and The Debt Management and Financial Analysis System (DMFAS), composed by the following modules:
 - ✓ *Cash Payment Module: External Debt / Internal Debt*
 - ✓ *Disbursement Module: External Debt / Internal Debt*
 - ✓ *Programming Module*
 - ✓ *Reports Module*

- ② These modules are currently working linked to the DMFAS 6 database.



3.2.- DMFAS 6.1.2:

Graph 1: Number of instruments in the Database by type of debt



4.- Work with entities *(The World Bank – through the Center for Latin American Monetary Studies – CEMLA, The United Nations Conference on Trade and Development - UNCTAD)*



DeMPA (Evaluation of debt management)		
2011- Methodology 2009	2014- Methodology 2011	2017- Methodology 2015

MTDS
(Analysis of the Medium-Term
Debt Management Strategy
Tool)

DSA
(Debt Sustainability Analysis)

DMFAS
(Debt
Management and Financial
Analysis System)



4.1.- Work with entities

(The World Bank – through the Center for Latin American Monetary Studies – CEMLA)



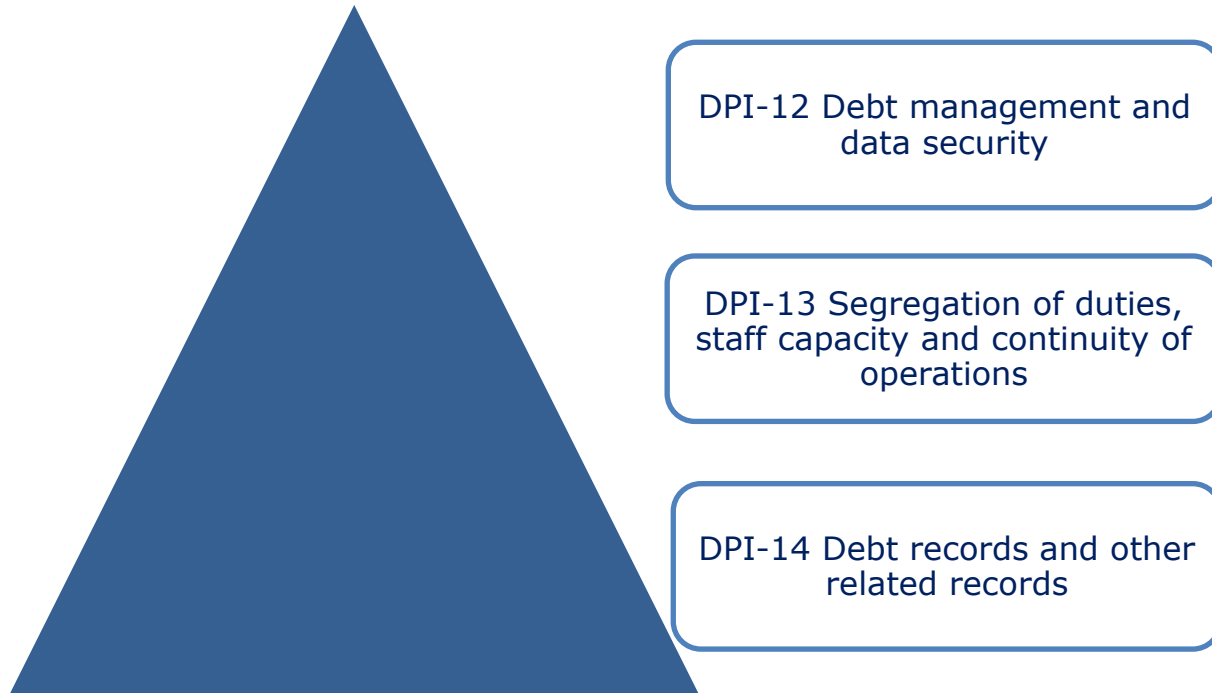
Development of procedures for debt recording

- Control and monitoring of external, internal and intermediated debt
- Programming and / or budget modification
- Records of budgetary income and expenditures of the public debt in SIGFA
- Accounting and conciliation of balances of public debt with SIGFA and DMFAS
- Database management
- Confirmation of balances with creditors
- Preparation of plans and reports of the General Department of Public Credit (GDPC)



5.- Debt recording and operational risk

DeMPA 2015 (**Assesment 2017**) → which implied variation in their results-
The management of operational risk and debt records is based on three
fundamental pillars.



(Methodology DEMPA 2015 applied/ Assesment Nicaragua 2017)



5.1- Debt recording and operational risk DeMPA 2015 (Assesment 2017)

DPI-12 Debt management and data security	1. Availability and quality of documented procedures to process debt service.
	2. Availability and quality of documented procedures for registration and validation of debt data, as well as storage of agreements and debt management documents.
	3. Availability and quality of documented procedures to control access to the registration and administration of the debt and payment system of the central government.
	4. Frequency and secure off-site storage of documentation system and debt management backups

1. Quality procedure manuals are available for :

- ✓ Processing debt service.
- ✓ Registration and data validation
- ✓ Storage of Agreements
- ✓ Debt management
- ✓ Control of access to the registration system
- ✓ Electronic payment orders

It requires the creation of an additional alternate site in other cities of the country, to recover the system's support (backup) in the framework of a continuity of operation plan.

(Methodology DEMPA 2015 applied/ Assesment Nicaragua 2017)



5.2.- Debt recording and operational risk. DeMPA 2015 (Assesment 2017)

DPI-13 Segregation of duties, staff capacity and continuity of operations	1. Segregation of duties for some key functions, as well as the presence of a risk monitoring and compliance function.
	2. Staff capacity and administration of human resources.
	3. Presence of an operational plan for risk management, including continuity of operations and disaster recovery agreements.

1. It is available:

- ✓ Administrative structure organized according to the suggested standard for an effective and modern debt office (Front Office, Middle Office and Back office).
- ✓ Function manuals for Personal GD
- ✓ Institutional code of conduct
- ✓ Corporate training program
- ✓ Continuity and disaster recovery plan
- ✓ Daily backups of the government's public finance system information at a website within the Ministry of Finance

Complement the code of conduct with the conflict of interest issue.

(Methodology DEMPA 2015 applied/ Assesment Nicaragua 2017)



5.3.- Debt recording and operational risk.

DeMPA 2015 (Assesment 2017)

DPI-14 Debt records and other related records	1. How comprehensive and timely are the records / documents of central government debt
	2. Complete and update records / documents of all holders of government securities in a secure registration system

1. It is available :

- ✓ An integrated DMFAS database that has the complete and timely record of the internal, external and guaranteed debt operations of the Central Government.

The Ministry of Finance has the records and documents of the holders of the government securities in the primary issuance, however, only the Central Securities Depository - CENIVAL has the information of the current holders.

(Methodology DEMPA 2015 applied/ Assesment Nicaragua 2017)



6.- Support required by the Government of Nicaragua from International Organizations to strengthen risk management in the administration of public debt

- ✓ Strengthening the management and administration of public debt. Statistics and analysis of debt
- ✓ To promote the development of the internal stock market
- ✓ To continue with the technological improvement and consolidation of the Public Debt Database, in the implementation of the Integrated Public Credit Subsystem interface (CPSI) in a second phase in order to achieve the effective integration of DMFAS of the new Integrated System of Administrative and Financial Management (SIGAF-GRP).
- ✓ Review and agree on amendments or reforms to existing laws and regulations that control the public debt process.
- ✓ Creation of a risk monitoring unit



Thank you!!!

November 2017



Performance Evaluation of Debt Management Performance Indicators and Dimensions

INDICATORS	DIMENSIONS	2011	2014	2017
DPI-12 Debt management and data security	1. Availability and quality of documented procedures to process debt service.	C	C	B
	2. Availability and quality of documented procedures for registration and validation of debt data, as well as storage of agreements and debt management documents.	D	D	B
	3. Availability and quality of documented procedures to control access to the registration and administration of the debt and payment system of the central government.	B	B	B
	4. Frequency and secure off-site storage of documentation system and debt management backups	D	D	B
DPI-13 Segregation of duties, staff capacity and continuity of operations	1. Segregation of duties for some key functions, as well as the presence of a risk monitoring and compliance function.	D	D	C
	2. Staff capacity and administration of human resources.	C	B	B
	3. Presence of an operational plan for risk management, including continuity of operations and disaster recovery agreements.	C	B	B
DPI-14 Debt records and other related records	1. How comprehensive and timely are the records / documents of central government debt	A	A	A
	2. Complete and update records / documents of all holders of government securities in a secure registration system	D	D	C