Debt Management: Capacity-Building Needs

by

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CHALLENGES AND DEFIANCES OF THE PUBLIC DEBT OFFICES
Particularities of the Public Debt Offices

- Each Public Debt Management Office is different.

**International Standards on Sovereign Debt Management**

**Challenges**
Usual policy objectives in all Debt Offices

**Goals**
What do we want to accomplish?

**Particularities of the Public Debt Office**

**Defiances**
Specific obstacles that we must overcome

**Pathway**
How are we going to accomplish what we want?

*The challenges are similar in all Debt Offices; the defiances are subjective, they depend on the particularities of each Debt Office.*
Particularities of the Public Debt Offices

Staff Capabilities

- Limitations of capital markets
- Exchange Rate Regime
- General characteristics of the country
- Institutionality and Autonomy
- Quality of Macroeconomic and Fiscal Policies
Creation of the Public Debt Management Office of Dominican Republic

- Management of public debt successfully transferred from the Central Bank of the Dominican Republic to the Public Debt Management Office in 2006
- Officially recognized as the governing body of the Public Credit System

Centralizing the negotiation, analysis, data recording, and monitoring of the public debt, is very important to keep a “healthy” debt portfolio, mitigate risks, and control surprises.

In this sense, the high technical level of employees, along with the successful structuring and organization of functions and divisions of the Debt Office, laid the groundwork that allowed us to accomplish the objectives achieved in subsequent years.
Challenges and Defiances for Public Debt Managers

- How do we prepare our staff in order to accomplish our objectives?
- Which capabilities should we develop?

In a Public Debt Management Office one must develop the skills to **analyze, innovate, negotiate, and solve problems**.

In order to develop the skills of our staff, we may need institutional, legal, and operational changes.
THE DOMINICAN REPUBLIC CASE:

Results that reflect the competencies of our staff
Trainings offered in the Public Debt Management Office of Dominican Republic

- Statistics and Management of Sovereign Debt
- Capital Markets
- Macroeconomic and Financial Programming and Policies
- Risk Management
- Technology Tools
- Debt Sustainability
- Managerial, administrative and legal skills
Results of the Capabilities built in the Public Debt Management Office of Dominican Republic

• Public Debt Securities Auction Program and Market Makers Program
  ✓ Standardization of local emissions, domestic market development, and increased transparency with local creditors.

• Successful international issuances of bonds
  ✓ Improved financial conditions and extension of the yield curve.

• Debt Restructuring Operations: PDVSA Debt Buyback
  ✓ Reduction of Public Debt.

• Update of the Medium Term Debt Management Strategy, creation of the Interinstitutional Comission, new transparency website, and start of operations of the Treasury Single Account
  ✓ Institutional progress.
Improvement in the Debt Portfolio Indicators

- Good debt trajectory and credit ratings upgrade

The high technical level of the staff in charge of structuring the issuances of bonds, and the good relationship with creditors to properly manage their expectations in terms of maturities and interest rates, have contributed to fulfill these accomplishments.
Projects in Progress and Goals to Accomplish

- Review of **contingencies** and management of forfeited guarantees.
- Improved business continuity.
- Creation of two new Divisions:
  - **Legal Affairs Division** within the Public Debt Office → important expedite the legal processes of debt management.
  - **Investors Relations Office** → formal development of an investors relations strategy and the investors web subportal, improving transparency and increasing the confidence of creditors.
- Look for opportunities to:
  - New **debt restructuring** operations and unification of the curve.
  - Staff **trainings** needed to accomplish the outstanding goals.
- Enhancement of the inter-institutional coordination between the Central Bank and the Ministry of Finance.
- Update the rules of the Market Makers Program.
- Motivate the demand of foreign investors in the local debt market.
If we had to distinguish one skill to be successful in sovereign debt management, we would dare to point out that constant **innovation** in all aspects of debt management is the key to achieving the goals of the Debt Office.
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