

# Organisation of Asset and Liability Management in South Africa – Coordination of Institutions

*Workshop on Asset and Liability Management*

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**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

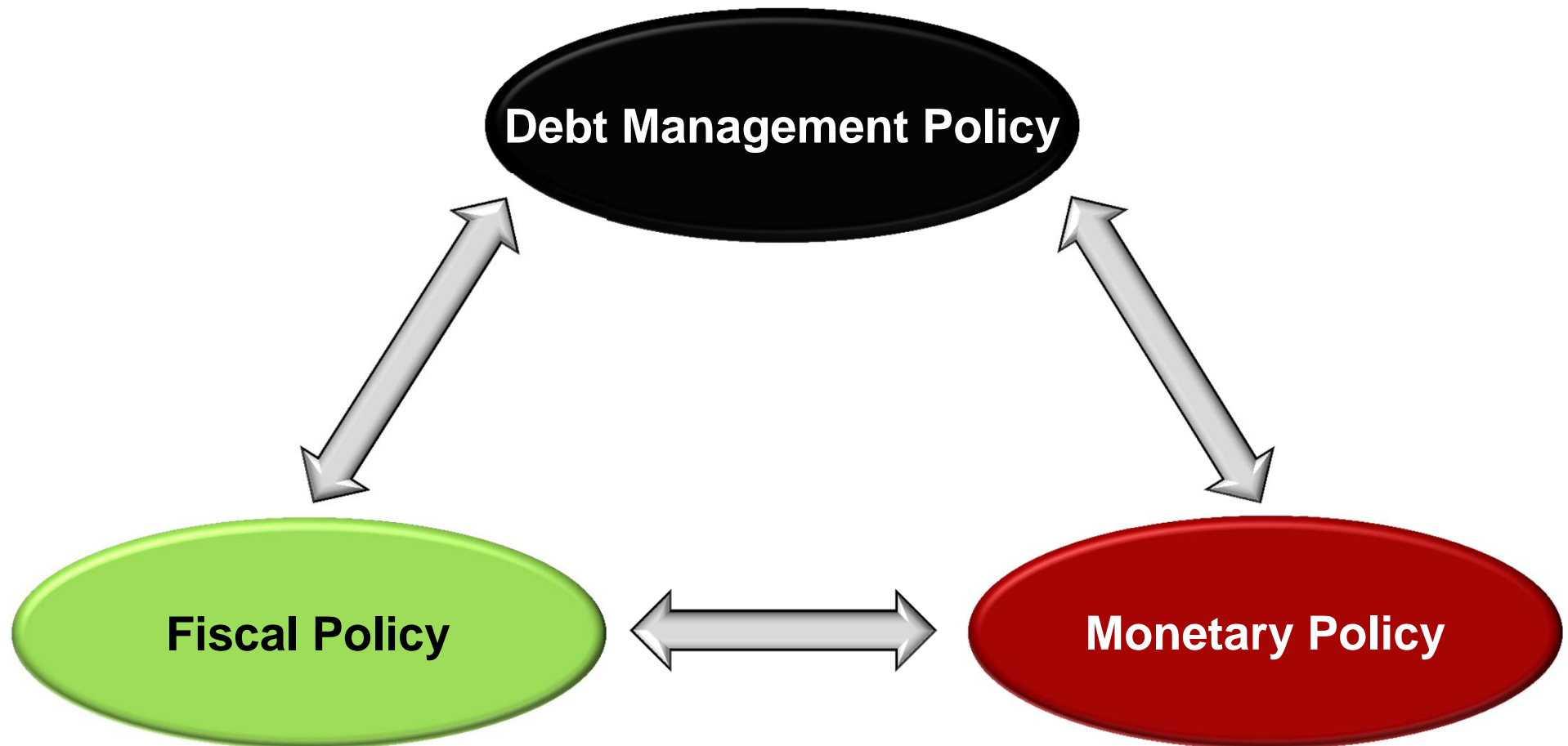
# Content

- Legal framework enabling Asset and Liability Management (ALM) in South Africa
- ALM coordination framework between main economic policy areas

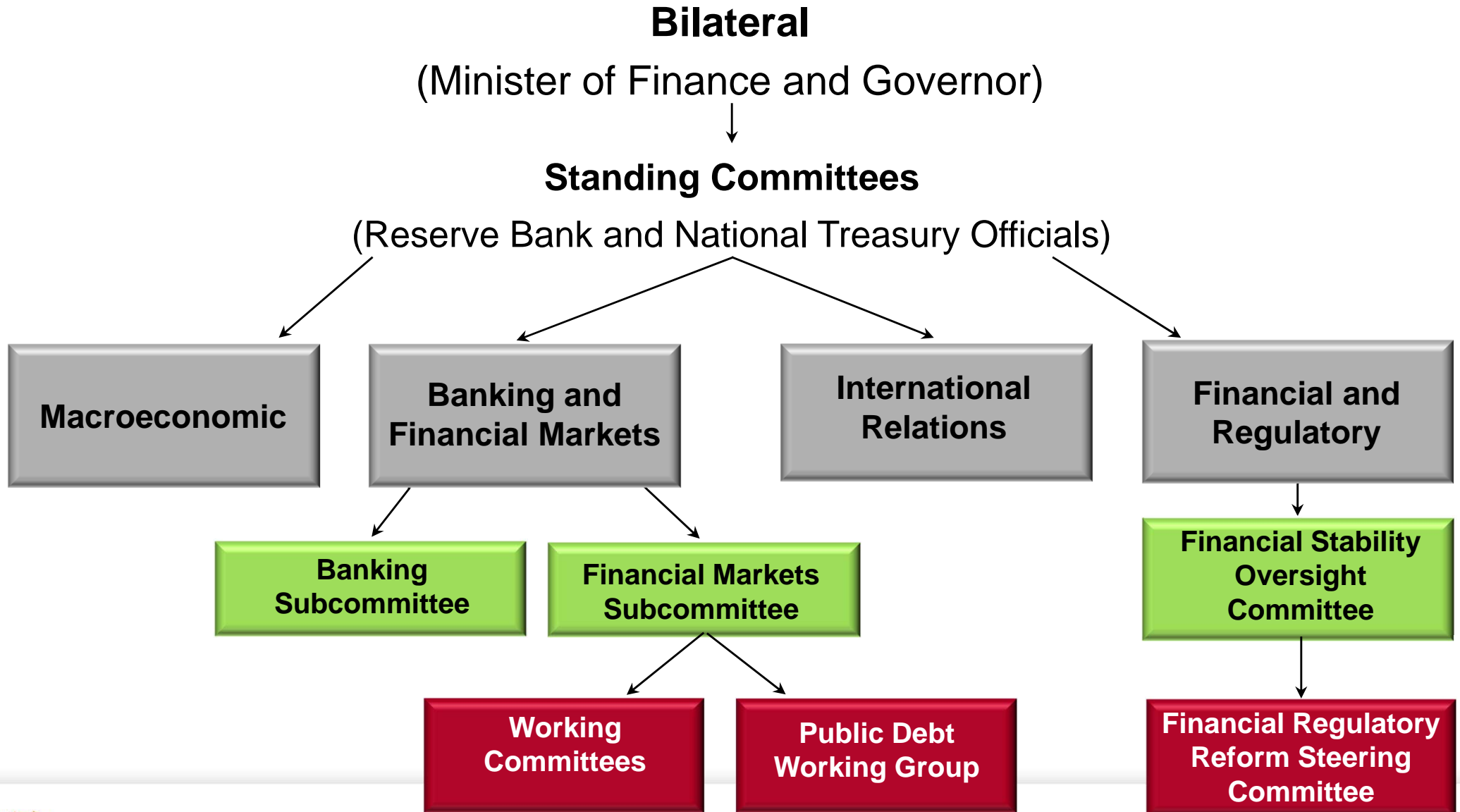
# Legal framework enabling ALM in South Africa

- Constitution of the Republic of South Africa
  - Section 216 (1) provides for the establishing of a National Treasury and to prescribe measures to ensure transparency and expenditure, central in each sphere of Government by introducing amongst others generally recognised accounting practice
- Public Finance Management Act and Regulations
  - Section 8 (1) (a) requires the National Treasury to compile consolidated financial statements annually in accordance with generally recognised accounting practice
  - Section 40 (1) (b) determines that departments must prepare financial statements in accordance with generally recognised accounting practice
- Municipal Finance Management Act (MFMA) and Regulations
- Finance and Financial Adjustments Acts Consolidations Act
- South African Reserve Bank Act
- Gold and Foreign Exchange Contingency Reserve Account (GFECRA)  
Defrayal Act

# ALM coordination framework within following economic policy areas



# Fiscal Policy ↔ Monetary Policy ↔ Debt Management Policy

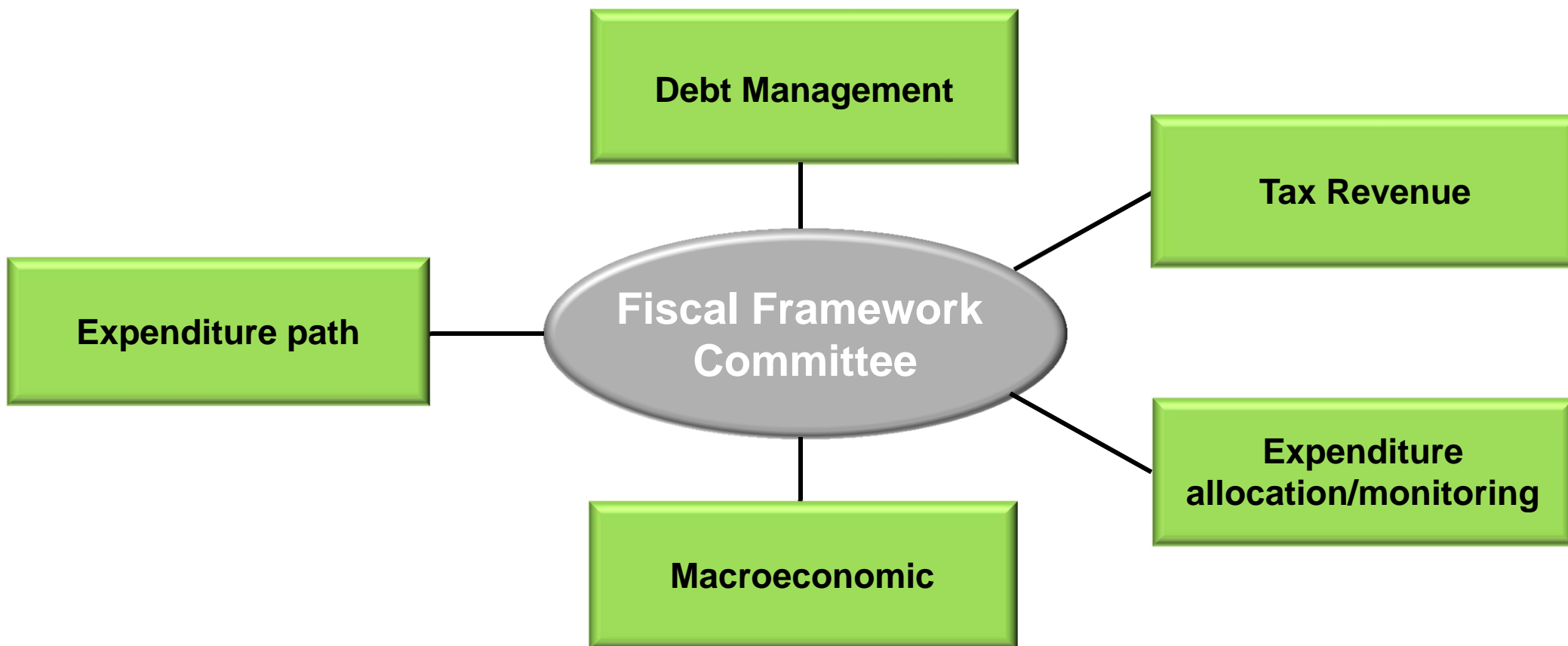


# Fiscal Policy



# Debt Management Policy

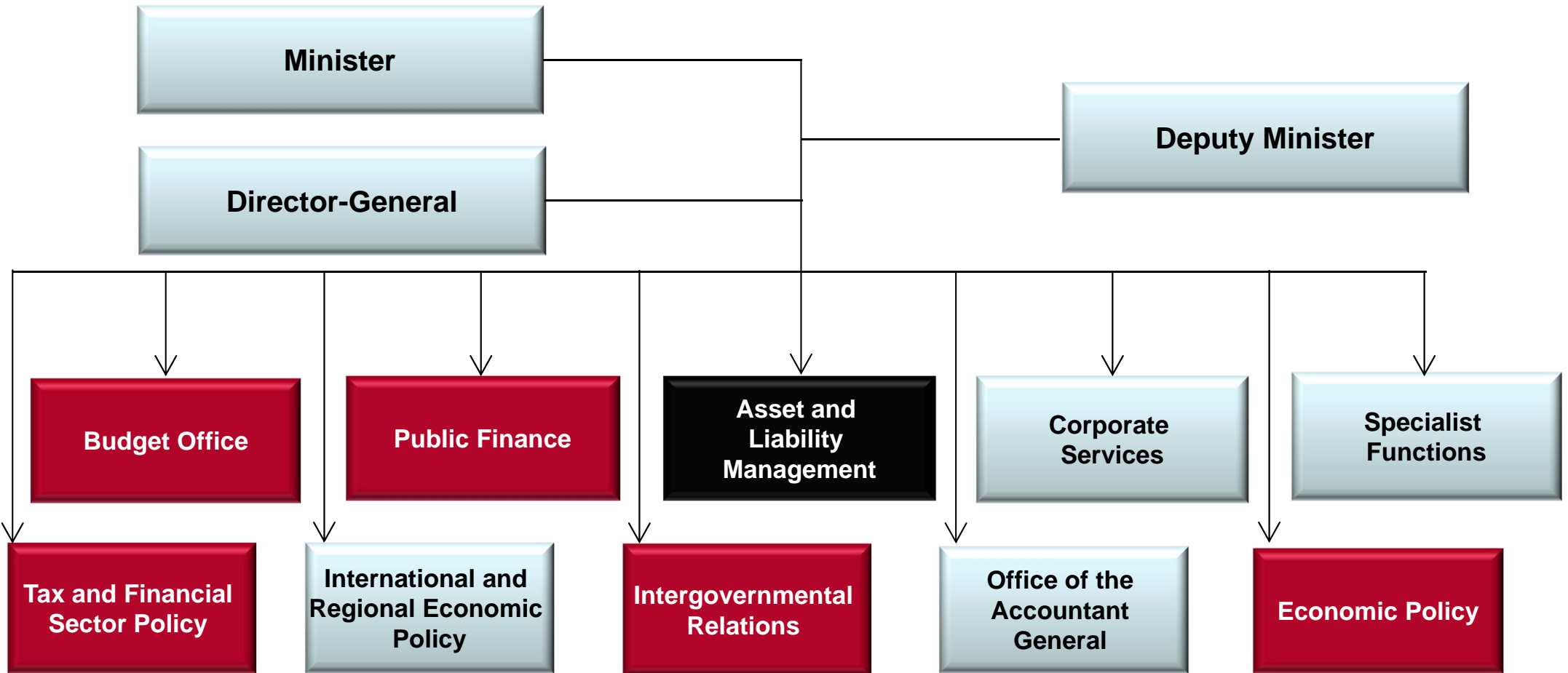
- Formal structure between areas contributing to Fiscal Framework



- Informal engagements on debt service cost/total debt

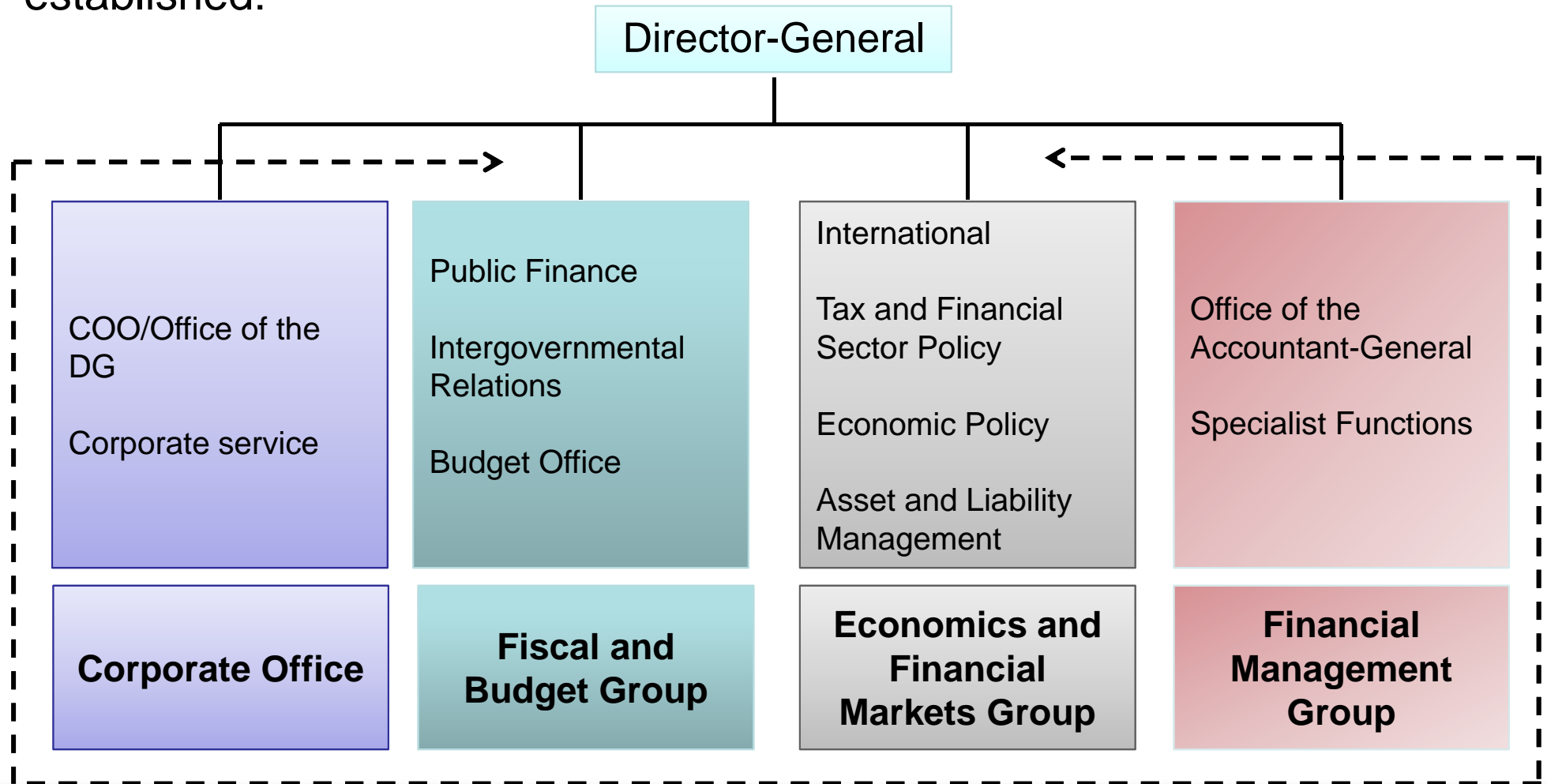
# Coordination within Fiscal Policy areas

- National Treasury organisational structure



# Coordination within Fiscal Policy areas (cont)

- To improve coordination within National Treasury formal groups were established:



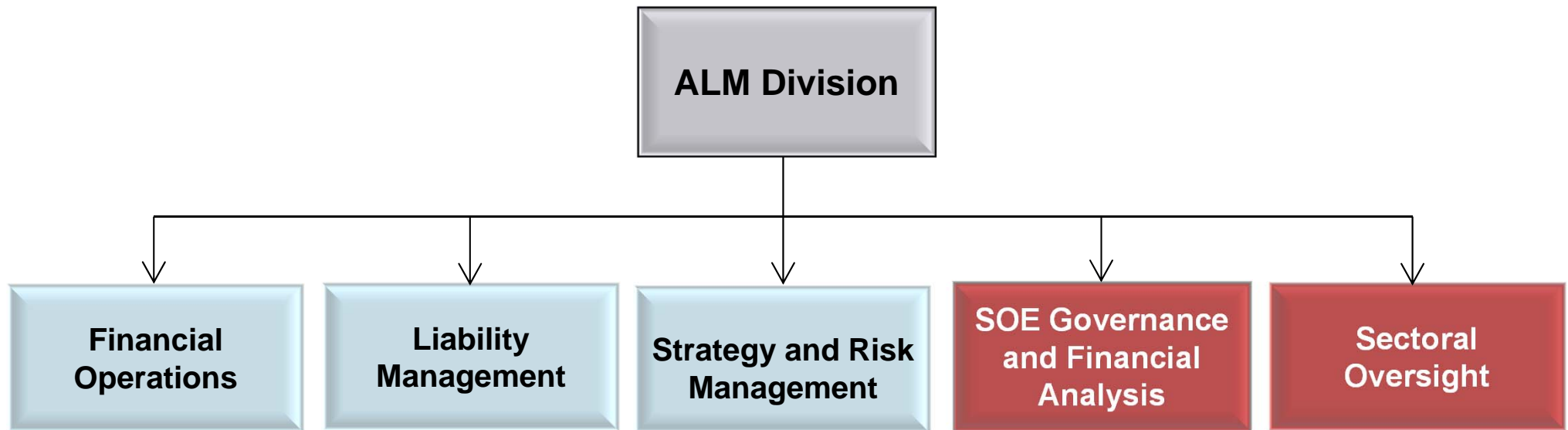


# Coordination within Fiscal Policy areas (cont)

- Revenue Analysis Committee
  - National Treasury
  - Reserve Bank
  - Statistics South Africa
  - South African Revenue Service
- Expenditure Budget Process
  - Medium Term Expenditure Committee
  - Minister's Committee on the Budget
  - Cabinet
- Provincial Government oversight
  - Technical Committee on Finance
  - Budget Council
  - One on One meetings
- Local Government Oversight
  - Budget Forum
  - South African Local Government Association
  - One on One meetings

# Coordination within Debt Management Policy areas

- ALM Division's organisational structure



- Specific engagements with Reserve Bank:
  - Roles and responsibilities (slides 11 and 12)
  - Coordination with Reserve Bank's money market liquidity management (slide 13)
  - Monthly statistical information report (slide 17)

# Reserve Bank's roles and responsibilities

- Announce and execute Treasury bill and bond auctions (primary issues, switches and buy-backs)
- Settlement of auctions
- Central Security Depository Participant for Treasury bills
- Surveillance of Primary Dealers
- Issue foreign loans for foreign reserve purposes
- Manage money market liquidity
- Banker to government

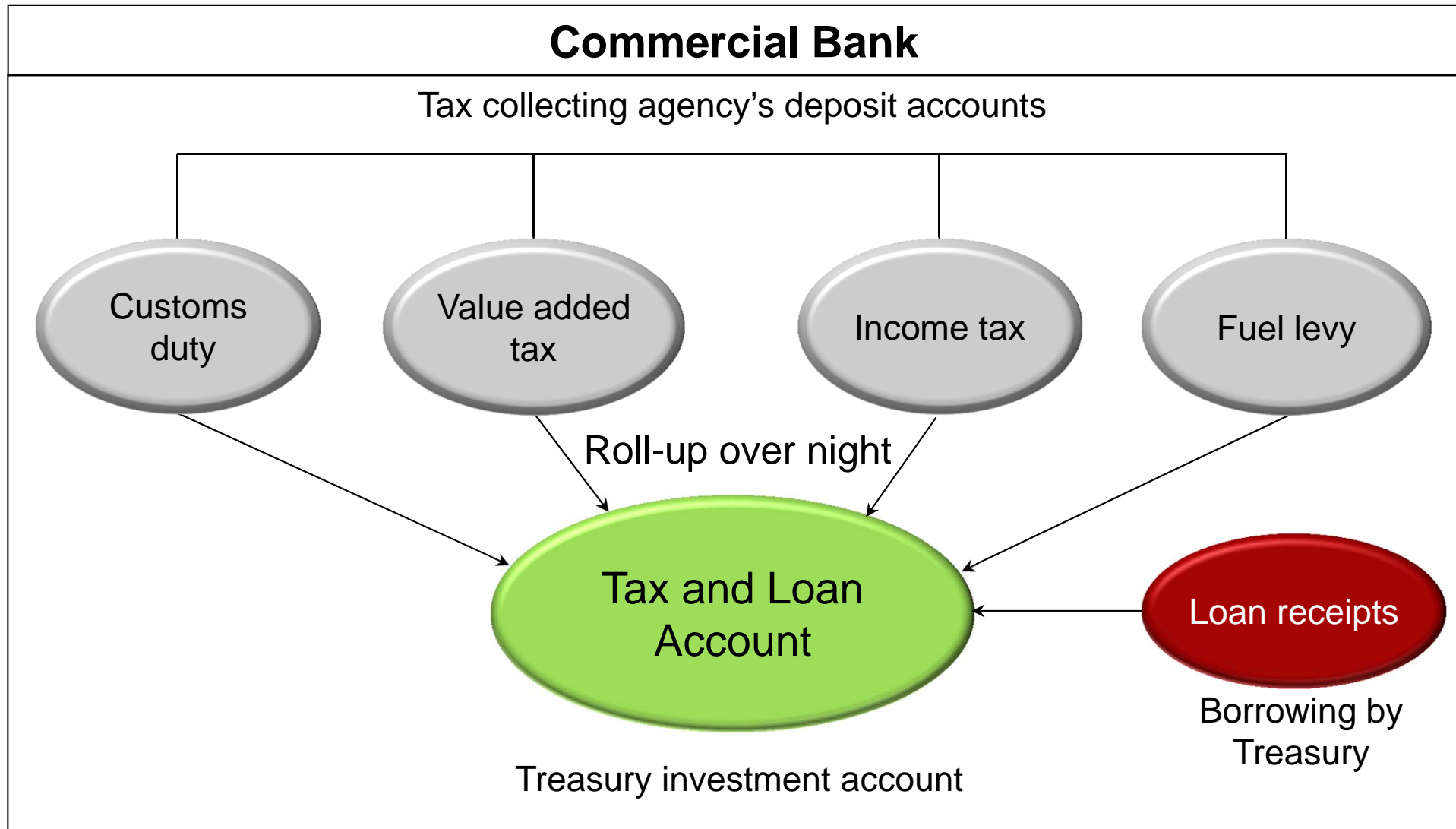
# National Treasury's roles and responsibilities

- Formulate debt management and annual funding strategies
- Notify Reserve Bank of weekly funding strategy
- Registrar of domestic bonds
- Manage state debt cost budget
- Appoint primary dealers
- Issue foreign loans for financing purposes
- Maintain investor relations

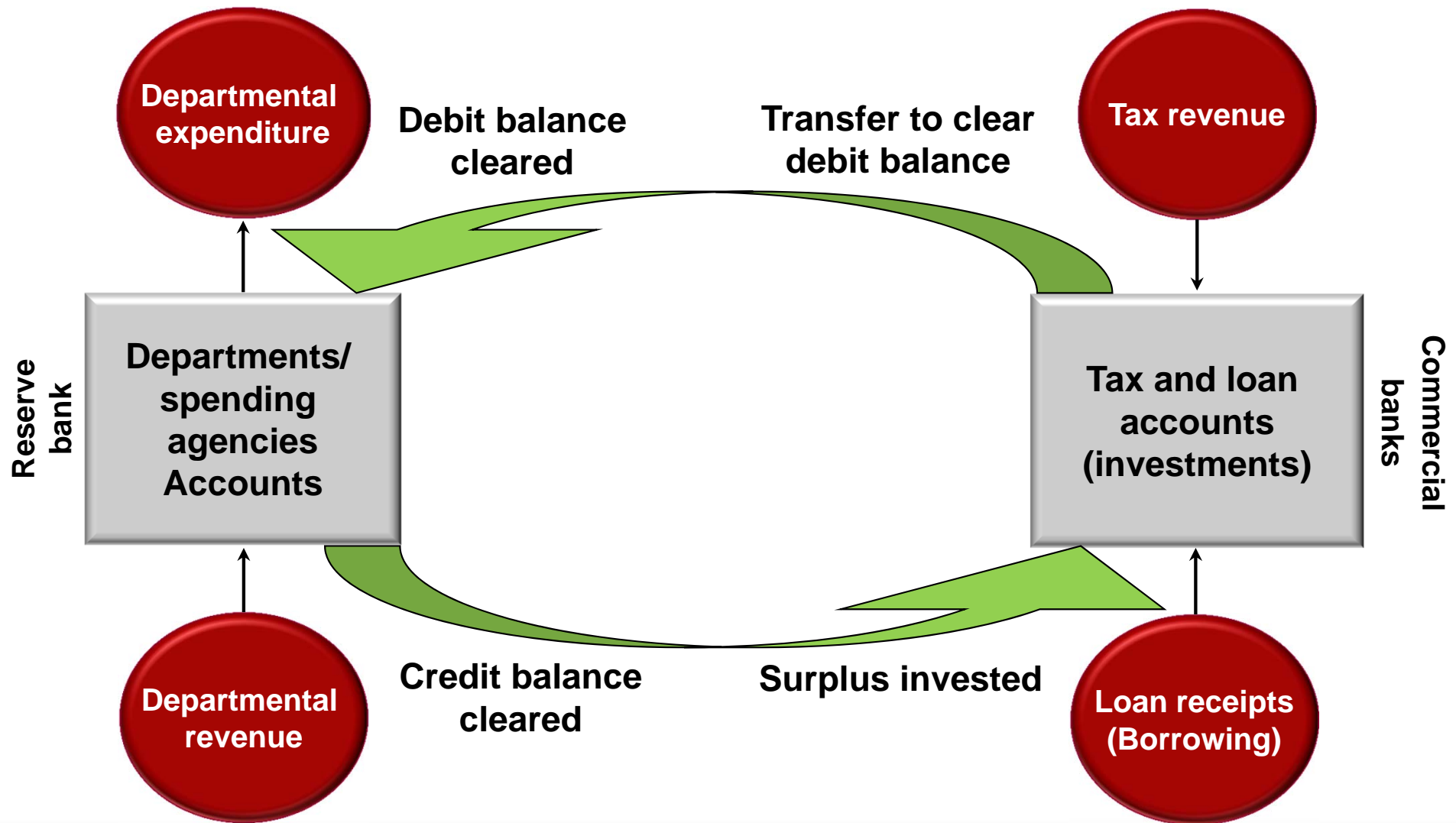
# Coordination, money market liquidity management

- Reserve Bank's liquidity management tools:
  - Debentures;
  - Repurchase agreements using own government bond portfolio;
  - Currency swaps; and
  - Notes and coin flows
- Sterilisation assistance provided by government to the Reserve Bank on request:
  - Government deposits with the Reserve Bank to facilitate accumulation of FX reserves; and
  - Short-term cash deposits/withdrawals from government accounts at the Reserve Bank
- Government's cash flows should not impact on market liquidity:
  - Revenue collections not flowing to the Reserve Bank (tax and loan accounts); (slide 14)
  - Government's local currency payments made by the Reserve Bank, sterilised through transfer of money from commercial banks; and (slide 15)
  - Foreign exchange borrowing/purchases not converted to local currency but deposited with the Reserve Bank for future use (slide 16)

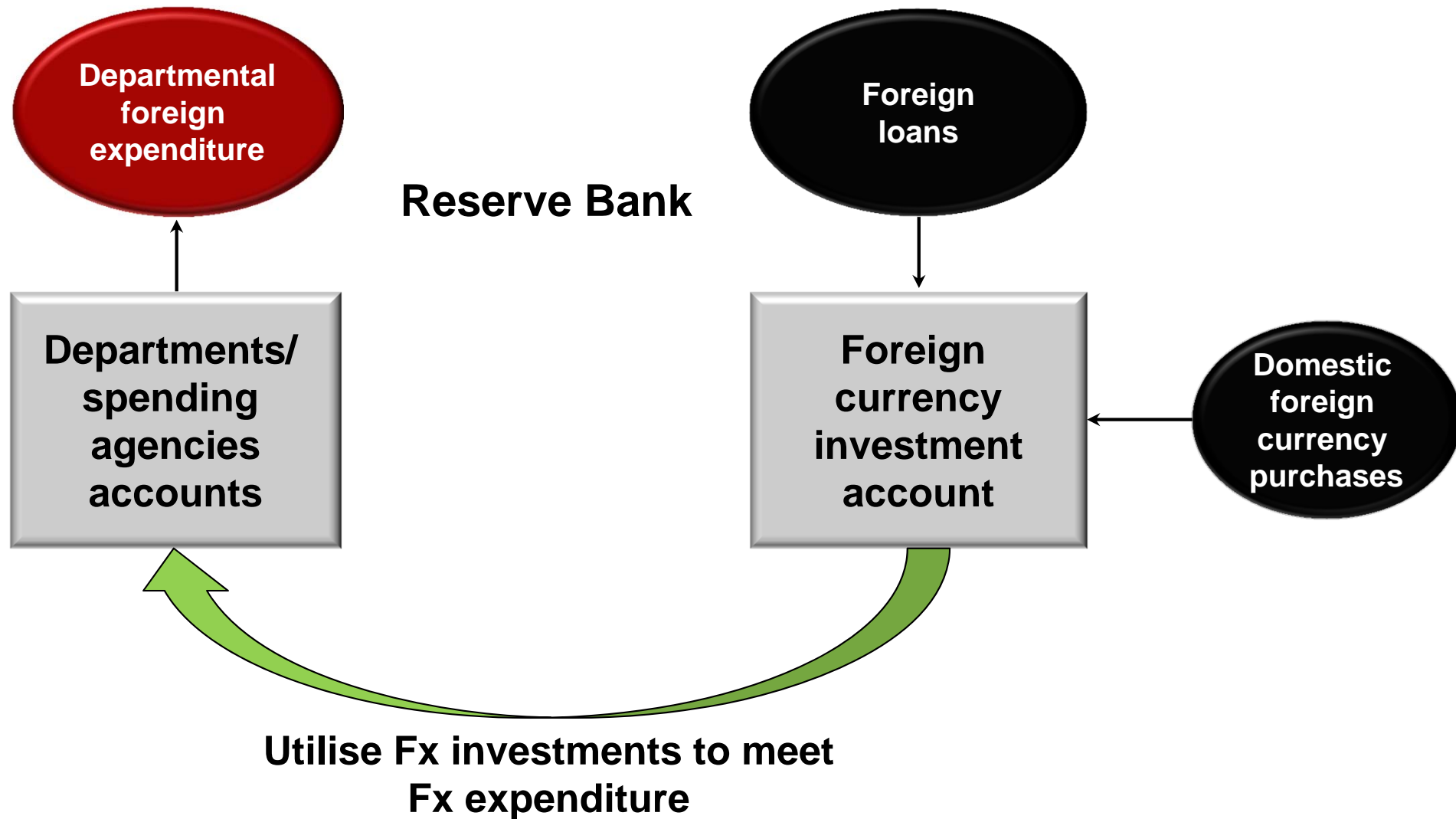
# Tax revenue receipt cycle



# Daily settlement of local currency expenditure



# Daily settlement of foreign currency expenditure





# Reserve Bank's monthly statistical information report

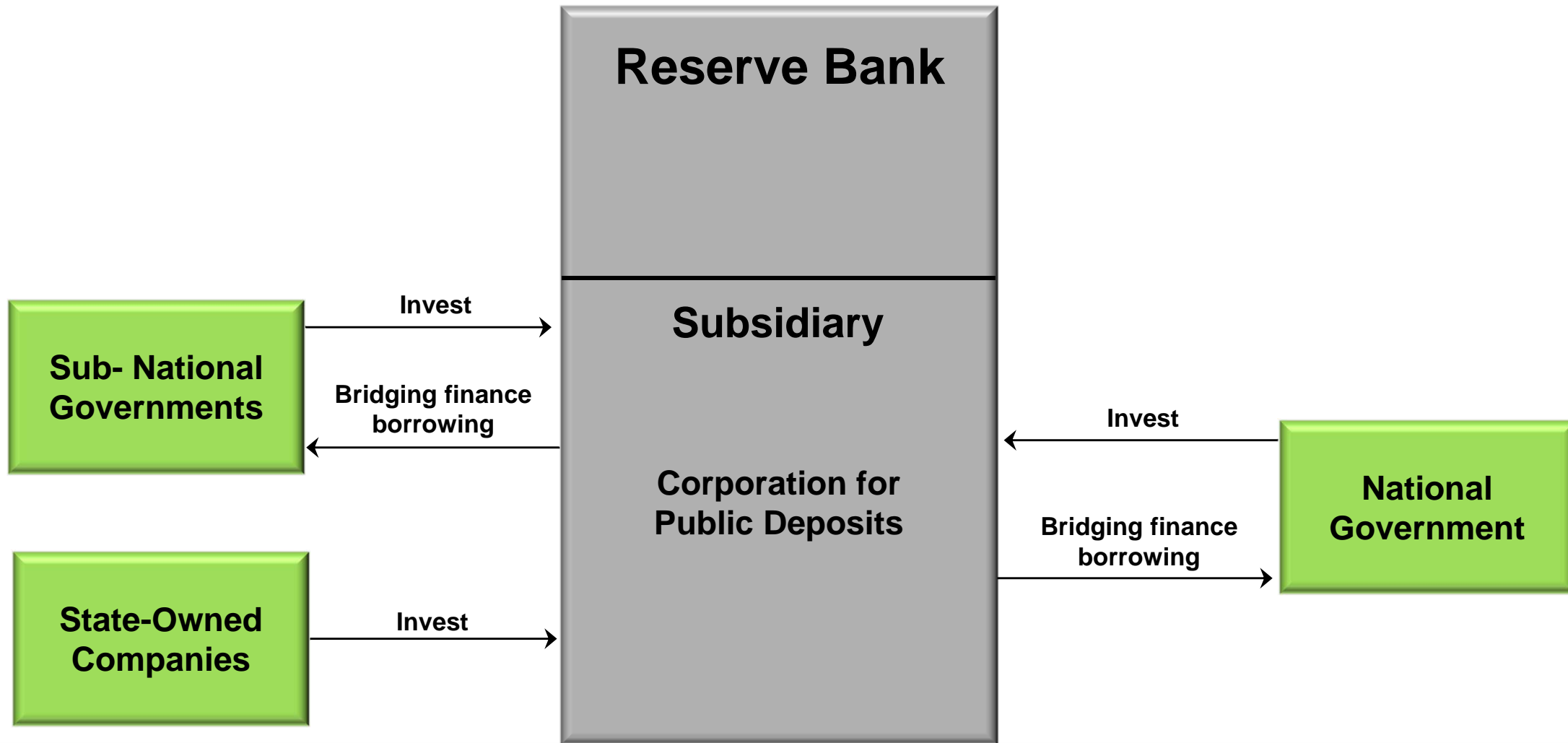
- Provides information on foreign currency operations performed on behalf of Government
- Official gold and foreign reserve position
  - Gross reserves;
  - Forward position; and
  - International Liquidity Position (ILP)
- Currency composition of net foreign reserves
- Reserve accumulation progress
- Money market and long-term foreign exchange swap transactions
- Detailed analysis of the GFECRA

# Coordination within Debt Management Policy areas (cont)

- Public Sector Borrowers Forum
- Contributing to market development:
  - Transparency;
  - Investor relations programme;
  - Appropriate funding strategy;
  - Contribute to money and bond markets advisory committees; and
  - Drive structural changes (electronic trading platform)
- Participate in Financial Regulatory Reform Steering Committee
- Cash Management Operations:
  - Alignment of tax revenue/expenditure flows; (including interest/redemptions)
  - Maintain appropriate cash buffer and bridging finance facilities (to enable stable funding plan);
  - Onlending to Provinces; and
  - Coordination of broader public sector cash (slide 19)



# Coordination of broader public sector cash









# Coordination within Debt Management Policy areas (cont)

- Contingent Liability Management
  - Fiscal Liability Committee
  - Specific reporting rules for Departments/Public Entities
  - Central Guarantee register
- Development/implementation of annual debt management strategy
  - Funding Strategy Committee
  - Public debt analytical tool (moving to formal system)
  - Weekly funding monitoring committee meeting (National/Public Companies borrowing)
  - Consolidated public sector auction calendar (slide 21)
  - Consolidated public sector maturity profile (slide 22)

# Consolidated auction calendar of National Government and SOEs

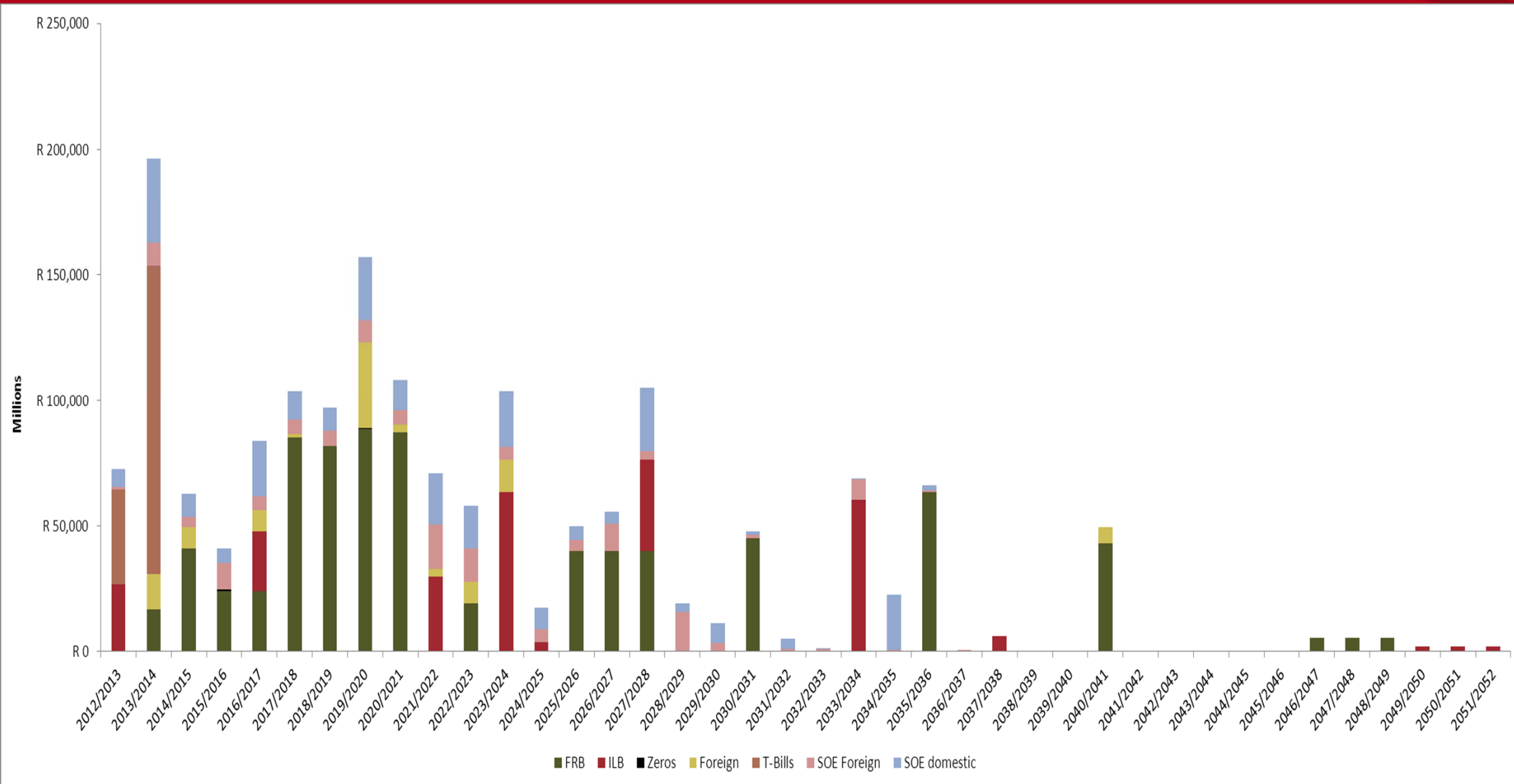
Apr-13							May-13							Jun-13						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6				1	2	3	4							1
7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8
14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15
21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22
28	29	30					26	27	28	29	30	31		23	24	25	26	27	28	29
														30						
July 2013							Aug-13							Sep-13						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3	1	2	3	4	5	6	7
7	8	9	10	11	12	13	4	5	6	7	8	9	10	8	9	10	11	12	13	14
14	15	16	17	18	19	20	11	12	13	14	15	16	17	15	16	17	18	19	20	21
21	22	23	24	25	26	27	18	19	20	21	22	23	24	22	23	24	25	26	27	28
28	29	30	31				25	26	27	28	29	30	31	29	30					
Oct-13							Nov-13							Dec-13						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2	1	2	3	4	5	6	7
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				
Jan-14							Feb-14							Mar-14						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4							1							1
5	6	7	8	9	10	11	2	3	4	5	6	7	8	2	3	4	5	6	7	8
12	13	14	15	16	17	18	9	10	11	12	13	14	15	9	10	11	12	13	14	15
19	20	21	22	23	24	25	16	17	18	19	20	21	22	16	17	18	19	20	21	22
26	27	28	29	30	31		23	24	25	26	27	28		23	24	25	26	27	28	29
														30	31					

 NT	 NT & RAND WATER
 Eskom	 Holiday
 Transnet	
 DBSA	

Actual bonds and amounts to be auctioned will be published on announcement dates.  
 Issued by National Treasury

# Consolidated maturity profile of National Government and SOEs



**Thank you**

