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Operationalizing Debt Data Transparency

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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ESTABLISHING AND ENSURING PUBLIC DEBT TRANSPARENCY IN HUNGARY

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DEBT DATA TRANSPARENCY - KEY FACTORS

- Degree of concentration of the debt management tasks
- Other involved institutions
- Legislation
- International standards
- Degree of market financing
- Systems and procedures
- Publications

INSTITUTIONS INVOLVED I.

Until early 1990's:

- Budget financing and debt management were carried out by the **Central Bank**
- Until late 1980's the public debt was not public information

Since the mid 1990's:

- Local currency debt issuance and management was taken over by the MoF in 1993 from CB, foreign currency debt management was taken over by 1997
- The **Government Debt Management Agency** (GDMA) and the **State Treasury** were established (1995-1996)
- GDMA's first task was to gather, account and publish public debt data
- GDMA's role widened, became an autonomous DMO in 2001, fulfilling all responsibilities associated with public debt management and since 2003 the public cash management as well. This concentration of tasks makes GDMA best suited to have all central government debt related data
- Strategic decisions are made by the Board of Directors (senior officials of MoF) and the MoF, but the daily operations are done by the management of GDMA

INSTITUTIONS INVOLVED II.

State Treasury:

- Hungarian State Treasury manages and executes the public finances of the central government
- All public monies are held at the Treasury Single Account – limiting public debt

Debt management supervision:

- State Audit Office and the Fiscal Council of Hungary supervise the development of the annual budget whether it is in line with the targeted debt path (debt sustainability and debt reduction targets)
- MoF sends the Act on Budget Execution to Parliament, which contains detailed data about financing and debt management

Others:

- Central Bank, Central Statistics Office also have some data in connection with public debt.
- Internationally: IMF, EUROSTAT, EU COMMISSION, OECD, Credit Rating Agencies are provided with data as well

LEGISLATION AND INTERNATIONAL STANDARDS

Legislation:

- Definition of debt (Act on the Economic Stability in Hungary, previously in the Act on Public Finances)
- Debt sustainability / reduction rules (Hungarian constitution: 50% debt ratio targeted, EU Treaty: 60% debt ratio – Hungary’s public debt ratio is currently below 70%)
- Authorizations and operation of GDMA & State Treasury
- Public finances accounting (government regulation)
- Oversight of compliance with the above (mainly by the State Audit Office)

International standards:

- IMF SDDS
- EU’s ESA 2010 accounting rules
- Maastricht debt calculation
- OECD’s standard surveys

SCOPE OF PUBLIC DEBT

Scope of public debt:

- Originally central government (Treasury sphere)
- Local authorities are more strictly regulated after debt relief in 2013
- State-owned or directed entities (e.g. companies) are included in the public sector step-by-step (deposit insurance fund, Eximbank etc.)
- GDMA is usually involved in debt transactions by other entities in the public sector or guaranteed by the government as an advisor

Debt management strategy:

- Building the domestic and foreign government securities markets – market-based financing is decisive
- If loans come into the public debt portfolio by assuming other entity's loans, they are usually pre-paid and refinanced by government securities issuance

DEGREE OF MARKET FINANCING

Higher transparency in case of :

- Market financing (public securities issuance)
- Transaction results are readily available and can be published with short time lag
- Other institutions are involved as well (e.g. stock exchange or CB as market infrastructure provider, securities depositories, primary dealers)

Lower transparency in case of:

- Bilateral deals (loans, private placements)
- Cash management and derivative transactions (repos, deposits, swaps)
- Even in these cases aggregate data with a monthly time lag are probably not sensitive data (one possible exception: the liquidity buffer, but certain DMOs publish this as well and the TSA is usually part of the government accounts at the CB, whose balance sheet can be public)
- In case of loans the lender can also publish information about the loans

PROCEDURES AND SYSTEMS FOR TIMELINESS

- Concentrating debt and cash management to one entity enables it to have all relevant data
- Internal procedures, IT systems, databases are key
- Digitalization of data and dataflow
- Checkpoints in the procedures – reconciliation with counterparties, securities depository, State Treasury
- End-of-year debt inventory (reconciliation)
- Internal IT systems should make reporting and publication easy
- Adequate staff is needed
- In Hungary: GDMA
 - has 55 people, 2 main IT systems (Front + Back Office and Middle Office), data warehouse, 2 websites (main website + retail debt focused website)
 - Department dedicated to data dissemination (Planning and Data Dissemination Dept.)

PUBLICATION OF PUBLIC DEBT DATA

2-tier publication of public debt data:

- **Debt agency:** central government debt (managed by GDMA) data with details, break-downs published monthly with minimum time lag
- **Central bank and Eurostat:** total public debt including SOEs and subnationals (but not guarantees) quarterly with longer time lag – CB compiles the data from its own statistics (national accounts)
- All publications of information are regulated by laws

Other:

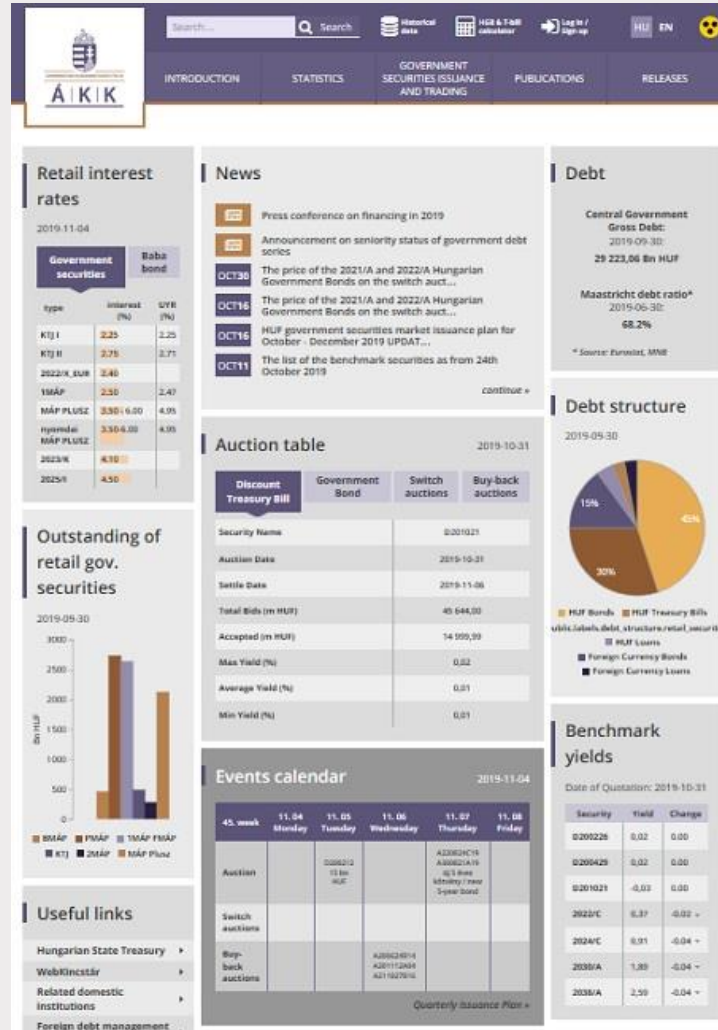
- **MoF, State Audit Office and Fiscal Council:** annually publish total public debt including data on guarantees and debt projections

Information on loan contracts:

- Part of the central government debt, GDMA publishes these data on its website (amounts, day of disbursement and maturity, lender, type of interest)
- Confidential business information (such as interest rates) are usually not public

PUBLICATIONS - WEBSITE: WWW.AKK.HU

- Main source of providing information to the market, investors and other stakeholders
- Transactional, debt stock and debt breakdown data
- Publications (financing plan, annual debt management report, strategy, auction calendar, other reports, analyses)
- Flexible, easy to add new menu points or items
- Connected to GDMA's data warehouse – automatic updates
- Bilingual, our mission is to provide an almost complete English version



The screenshot displays the AKK website interface with the following sections:

- Navigation:** Search bar, Historical data, HQ & T.MB contact, Log in / Sign up, HU, EN, and a menu with Introduction, Statistics, Government Securities Issuance and Trading, Publications, and Releases.
- Retail interest rates:** A table comparing Government securities and Buba bond rates.

type	interest (%)	YTB (%)
K10 I	2.25	2.25
K10 II	2.75	2.75
2022IK_EUR	2.40	
10AP	2.30	2.40
MÁP PLUSZ	3.50 / 6.00	4.95
nyomtat MAP PLUSZ	3.50/4.00	4.95
2023IK	4.10	
2025IK	4.50	
- News:** A list of recent news items, including press conferences and announcements regarding government debt securities.
- Debt:** Key debt metrics:
 - Central Government Gross Debt: 2019-09-30: 29 223,06 Bn HUF
 - Maastricht debt ratio*: 2019-06-30: 68.2%
- Debt structure:** A pie chart showing the composition of debt as of 2019-05-30, with categories like HUF Bonds, HUF Treasury Bills, etc.
- Auction table:** Details for a recent auction:

Security Name	0201021
Auction Date	2019-10-31
Settle Date	2019-11-06
Total Bids (in HUF)	40 644,00
Accepted (in HUF)	14 959,90
Max Yield (%)	0,02
Average Yield (%)	0,01
Min Yield (%)	0,01
- Events calendar:** A calendar view for 2019-11-04 to 11-08, listing upcoming auctions and switch auctions.
- Useful links:** Links to Hungarian State Treasury, WebKincstár, Related domestic institutions, and Foreign debt management.

SUMMARY

Critical success factors:

- Institutional set-up
 - Clarification of roles/tasks
- Legislation, related to
 - Institutions
 - Debt recording
 - Data publication
- Publications
 - Data scope and quality
 - Timeliness
 - Accessibility