



Institutional Aspects of Public Debt Management in Poland

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Overview

- Developments of the Polish market of Treasury Securities
- Organisational framework of public debt management
- Institutions and co-ordination

Developments of the Polish Market

1. **Relatively short history – since the political and economic transition of 1989**
2. **Starting point in 1989: only vast amount of foreign non-marketable debt; in majority not serviced due to solvency problems during the 80s**
3. **Since 1989 the development from passive servicing into active management of public debt**
 - ❑ restructuring and reduction of foreign debt
 - 1991 and 1994 - Paris Club - official creditors
 - 1994 London Club - commercial banks
 - ❑ establishment and development of domestic market of Treasury securities
 - regular T-bills auctions since 1991
 - regular fixed rate T-bonds auctions since 1994
 - ❑ borrowing on international markets
 - first bond issue in 1995
 - ❑ dramatic changes in debt structure, institutional and market environment, legal framework, organisation, infrastructure, methodology and instruments

Organisational Framework (1)

1. The Minister of Finance responsible for:

- drawing the State Treasury debt
- formulating the strategy of public debt management
- ensuring that the public debt to GDP ratio does not exceed 60%

2. Public debt management in the structure of the Ministry of Finance

The process – gradual move towards:

- Active debt management (from passive debt servicing)
- Integrating all public debt issues in one unit
- Clear functional structure (front, middle and back office)

The structure

- Division in the Financial Policy Department
- 1992: Public Debt Department (financing, domestic debt management)
- 1998: domestic and foreign merged in one department
- 2002: foreign separate again – a step back
- 2005: Financial Assets and Liabilities Department – full functional integration of public debt management

3. Is Poland ready for a DMO?

Organisational Framework (2)

FINANCIAL ASSETS AND LIABILITIES DEPARTMENT

FRONT OFFICE

- Wholesale Market
- Retail Market
- International Markets
- International Financial Institutions

MIDDLE OFFICE

- Strategy and Forecast
- Public Debt Management
- Analysis of Financial Markets
- Debt Record and Reporting
- Information Technology

BACK OFFICE

- Domestic Debt Service
- Foreign Debt Service
- Accounting of Domestic Debt Servicing Costs
- Legal Issues
- Financial Assets

Institutions

Ministry of Finance	<ul style="list-style-type: none"><input type="checkbox"/> Strategy<input type="checkbox"/> Daily debt and liquidity management<input type="checkbox"/> Budget execution<input type="checkbox"/> Back office (domestic debt)
Agents (1) Front office functions	<ul style="list-style-type: none"><input type="checkbox"/> National Bank of Poland – TS auctions<input type="checkbox"/> Bank PKO BP – retail instruments<input type="checkbox"/> Bank BGK – deposits on the inter-bank market
Agents (2) Back office functions	<ul style="list-style-type: none"><input type="checkbox"/> Bank BGK (foreign debt)<input type="checkbox"/> Bank PKO BP – retail debt
Settlement	<ul style="list-style-type: none"><input type="checkbox"/> National Depository for Securities (T-bonds)<input type="checkbox"/> National Bank of Poland (T-bills)
Market participants	<ul style="list-style-type: none"><input type="checkbox"/> Primary Dealers<input type="checkbox"/> Other investors<input type="checkbox"/> Electronic platform
Policy co-ordination	<ul style="list-style-type: none"><input type="checkbox"/> Public Debt Management Committee

Public Debt Management Committee

- ❑ Set up in 1994 to co-ordinate public debt management with monetary policy
- ❑ Advisory and opinion-making body but smoothes decision-making due to high rank of its members
 - Co-chaired by the (under)secretary of state in the MoF responsible for public debt management and the vice-president of the NBP
 - Directors of key departments
- ❑ Monthly meetings
- ❑ Main topics discussed:
 - Budgetary situation
 - Issuance strategy
 - Money, credit & balance of payments
 - Market situation
 - New instruments and operational co-operation
- ❑ Useful forum of (sometimes heated) discussion going beyond public debt management, like optimal policy mix

Conclusions

- ❑ Institutions and organisational structure evolve and mature together with markets and scope for active debt management
- ❑ Co-ordination of policies (fiscal, monetary and debt) needed regardless of the place of public debt management in the institutional framework



THANK YOU

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