

Debt Management Strategy

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History

- Formation of Slovak Republic in year 1993
- Debt that came from previous Czech-Slovak state was small
- No need for debt management
- Transition period = increase of debt from approximately 0 % to almost 40 % of GDP
- Growing need to manage debt

Institutional Framework

Public Finance Reform

Ministry of Finance

- Establishment (year 2003)
 - State Treasury as electronic retail bank for budgetary and some public institutions
 - Debt and Liquidity Management Agency (debt and cash management responsibility)
- Decreasing role of Central bank

Institutional Framework

Relationship between MoF and ARDAL

- ARDAL is subsidiary institution to MoF
- Minister's State deputy responsible for ARDAL
- Debt management strategy creation
- Debt management meetings monthly (ALCO) - reporting to state deputy

Main tasks of DMO

- Strategy preparation
- Strategy implementation
- Cash management of Single Account of State
- Bonds and T-Bills issuance
- Advising MoF by loans
- Settlements and all redemptions
- Management of the debt portfolio

The Debt Management Strategy

- Prepared by ARDAL for 4 years
- Harmonized with MoF (Institute for financial policy, state deputy)
- Communicated with external experts and investors
- Submitted by Minister of Finance to government
- Approved by government
- Yearly updated

The Debt Management Strategy

Targeted parameters of debt portfolio

- Float/fix ratio
- Domestic/foreign currency ratio
- Percentage of maturing debt in next years
- Average maturity
- Average duration
- Tool palette

Values are expressing strategy creator's "risk appetite"

Primary and secondary market

Primary and secondary market

- Auction calendar published in December for whole year
- Regular meetings with auction participants
- Public tender for lead managers by syndication (transparency)
- Only benchmark size bond (liquidity)
- Buy back and exchange auctions
- Lending facility (not yet in Slovakia)

Additional details

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