

***Role of the Ministry of Finance (MOF) in developing
government bond markets – suggested issues for
discussion***

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***Ministry of finance (MOF) as key player in developing
the government debt market***

The Ministry of Finance (MOF) is the government agency that plays a key role in developing fixed-income securities markets. On behalf of the government the MOF usually act as the official issuer of public debt instruments. The MOF needs therefore to take a leading role in developing the government debt market. Other agencies are involved as well. The Central Bank often acts as fiscal agent and also carries out back-office operations, including executing auctions. In addition, an increasing number of OECD governments are giving the *operational arm* for debt management greater independence. The emphasis is on more autonomy for the execution or implementation of debt management policies by debt management offices (DMOs).

Development of a well-functioning government bond market entails putting in place the important elements of the financial infrastructure, and thus, helps to facilitate the development of a public- and private-sector bond market. The focus on debt management and the upgrade of debt management capabilities, and the establishment of interest rate, liquidity and currency benchmarks has helped to improve the transparency, predictability, and liquidity of fixed-income debt markets in OECD countries, including corporate bond markets.

For the MOF to be effective, the role of the different players needs to be crystal clear. In addition, the MOF needs to have a transparent medium-term strategy with time-table for developing the debt management function and related market (as discussed at our first meeting). Moreover, it is necessary to build a sound institutional framework for debt management with appropriate governance

structures. The responsibilities of the debt managers should be explicitly stated, the organisation should be endowed with adequate operational capacity, including the ability to attract and retain professional staff in the debt-management functions. Finally, a proper incentive framework ensuring accountability of debt managers should be put into place.

-- Experts are invited to comment on these issues.

--What are the key practical (technical and political) consequences of the MOF taking the lead?

-- What are the biggest political obstacles?

--Against the above backdrop, what would be the key components of the plan of action by the MOF and the related list with priorities?