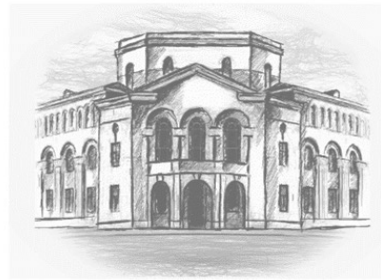




DEBT TRANSPARENCY IN ARMENIA



The Thirteenth DMF Stakeholders Forum
BERLIN, June 15, 2023

EDUARD HAKOBYAN

Deputy Minister of Finance of Armenia

- **Debt Transparency**
 - Legal Framework for Reporting
 - Structure of Debt Management Office
 - Reports and Reporting Channels
 - Market communication
 - Scrutiny and Oversight
 - Independent International Evaluations
- **Debt Transparency and Macroeconomic Stability**
 - Debt/GDP as a Fiscal Anchor
 - Debt Sustainability and Vulnerabilities of Portfolio
- **Key Bottlenecks and their Resolutions**

Sound Legal Framework to induce debt reporting and transparency

Primary Legislation on public debt: Constitution, Law on Public Debt, Law on International Treaties, Civil Code, Law on Budget System and Law on Treasury System

The main legal document on debt management is the Law on Public Debt

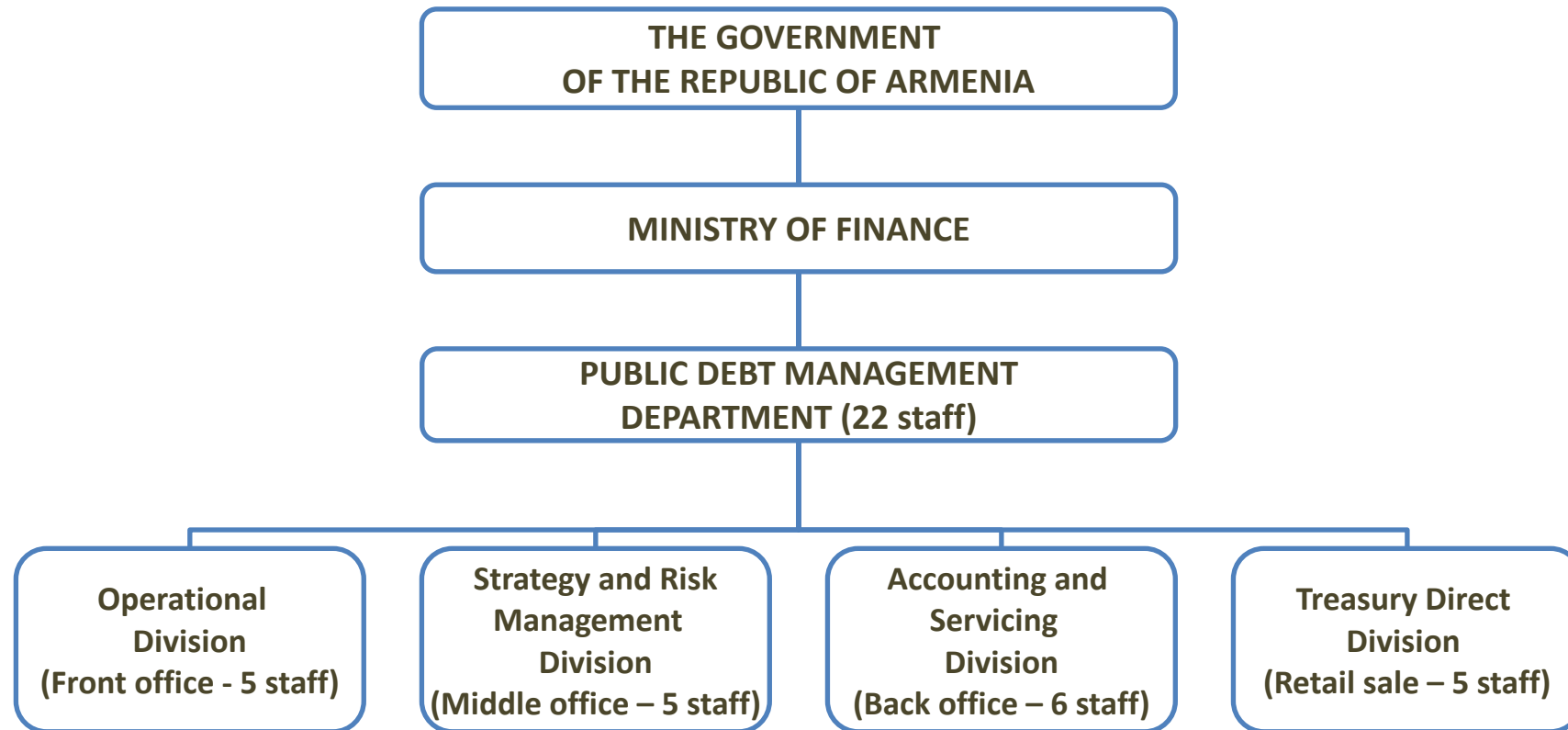
Law on Public Debt (2008)

- **The aim of the law:** To ensure effective and public process of public debt management
- **Public debt structure:** Comprises of the central government debt (domestic and external), external debt of CBA and government guarantees. Domestic and external diversification is based on the residency
- **The principles of debt management:** public debt management shall be carried out based on the principles of **transparency, accountability, predictability and publicity**

Improved debt reporting through reorganization of Public Debt Management Department (PDMD or DMO)

Since 2011 DMD has been restructured into the front, middle and back office principle

Main responsibilities: Central Government Debt Management; Forecast and Management of TSA cash flows; Retail sell of GS



- Front office: Prepares investor presentation
- Middle office: Prepares the annual report and provides analytical content to reports
- Back office: Responsible for all statistical reports

Internal reporting

To the Minister of Finance and MoFs other Stakeholders - monthly detailed actual data on the Government debt and debt transactions: debt level, benchmark indicators set up by the Debt Strategy, State Budget Deficit financing, debt interest payments and redemptions, disbursements of credits and loans, FX debt service and other data

External reporting

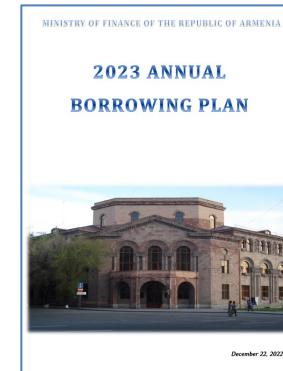
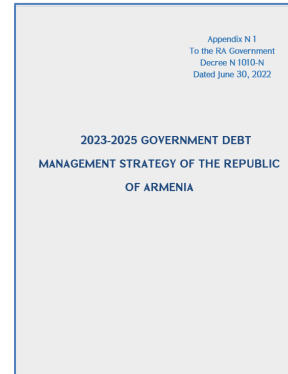
- **Parliament** (Annual budget implementation report, Public debt annual report)
- **Central Bank** (monthly data on FX debt service and external loans disbursements),
- **Statistical Committee** (data on debt and debt transactions on monthly and quarterly basis),
- **World Bank** (through the WB Debt Reporting System data on government debt on an annual basis, and data on newly signed loan agreements on quarterly basis),
- **IMF** (info on debt volume and debt transactions, SDDS debt reports, GFS reports),
- **Institutional Investors** (Semiannual Investor presentation),
- **Domestic market participants and the public** (reporting various data via Webpage),

Variety of reports and information disclosure to communicate debt policy and enhance investor confidence

Debt reports produced by the Ministry of Finance and published on the MoF website.

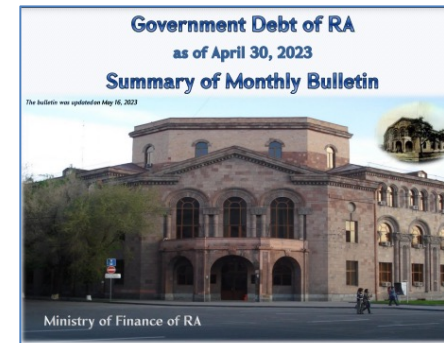
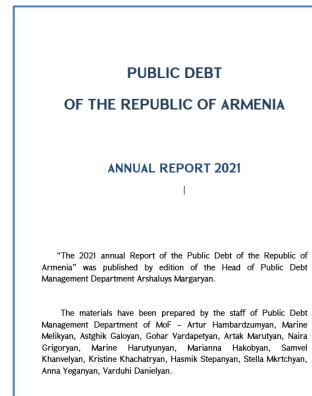
• Policy communication

- Government debt management strategy
- Annual borrowing plan
- Other



• Reporting

- Monthly Statistical bulletin
- Summary of Monthly bulletin
- Annual report on public debt
- Quarterly report on debt operations
- Retail market bulletin



Monthly Bulletin on Public Debt of the Republic of Armenia		30.04.2023				
USD mln		31.12.2022	31.01.2023	28.02.2023	31.03.2023	30.04.2023
28	Public Debt of RA	10,637.7	10,673.1	10,757.5	10,899.4	10,973.3
29	of which					
30	Debt of the Government of RA	10,086.4	10,108.0	10,203.4	10,338.1	10,406.9
31	of which					
32	External Debt	5,894.1	5,908.8	5,811.4	5,837.0	5,866.9
33	of which					
34	External Credits and Loans	4,503.9	4,335.2	4,460.7	4,495.8	4,503.1
35	Government Treasury Securities purchased by non-residents	111.8	111.3	113.3	113.3	116.1
36	Foreign Currency Denominated Bonds purchased by non-residents	1,271.0	1,254.7	1,230.1	1,220.3	1,210.0
37	External guarantees*	7.5	7.6	7.4	7.6	7.7
38	Domestic Debt	4,192.3	4,199.2	4,392.0	4,501.1	4,540.0
39	of which					
40	Domestic Credits and Loans	-	-	-	-	-
41	Government Treasury Securities purchased by residents	3,690.0	3,681.2	3,849.5	3,949.3	3,978.4
42	Foreign Currency Denominated Bonds purchased by residents	479.0	495.3	319.9	339.7	340.0
43	Domestic guarantees	23.3	22.7	22.6	22.1	21.6
44	External Debt of the Central Bank of RA	551.3	565.1	554.1	561.4	566.4
45	of which					
46	Guaranteed by the Government of RA	87.1	88.1	86.6	85.2	87.4
47	* To avoid double counting, the external guarantees of the Government of the RA issued for external loans of the Central Bank of Armenia are included in the external debt of the Central Bank of Armenia.					

Bulletin on Treasury Direct						
Indicators						
	31.12.2022	31.01.2023	28.02.2023	31.03.2023	30.04.2023	
5	Treasury Direct Outstanding, mln AMD	6,116.2	6,326.8	6,384.1	6,390.0	6,639.5
6	by Type of Securities, %					
7	Saving bonds	86,953	85,536	84,430	82,467	82,485
8	T-Bills	7,463	8,840	9,933	11,788	11,412
9	T-Notes	1,128	1,090	1,144	1,256	1,209
10	T-Bonds	4,457	4,534	4,493	4,489	4,855
11	by residency of holders, %					
12	residents	96.53	96.64	96.67	96.68	96.80
13	non-residents	3.47	3.36	3.33	3.32	3.20
14	Share of Treasury Direct in Government (Treasury) Bo	0.41	0.42	0.41	0.41	0.42
17	Number of depo accounts in Treasury Direct (cumul.)	1,856	1,869	1,878	1,889	1,892

REPORT						
No	Creditor	Loan / Credit	Interest Payments		Principal Payments	
			USD	AMD, thousand	USD	AMD, thousand
Multilateral Creditors			\$ 17,679,118.83	6,995,485.93	\$ 26,285,507.02	10,380,302.89
of which						
I	International Bank for Reconstruction and Development		\$ 6,829,665.83	2,795,013.55	\$ 4,317,398.14	1,798,746.37
II	International Development Association		\$ 3,128,485.67	1,235,337.77	\$ 12,672,056.38	5,901,856.18
III	European Bank for Reconstruction and Development		\$ -	-	\$ -	-
IV	European Investment Bank		\$ -	-	\$ -	-
V	International Fund for Agricultural Development		\$ 150,191.98	59,723.24	\$ 988,589.83	393,978.73
VI	OPEC Fund for International Development		\$ 568,192.56	228,069.76	\$ 1,630,220.88	642,488.88
VII	Asian Development Bank		\$ 2,623,859.33	1,836,874.48	\$ 6,677,323.47	2,634,149.68
VIII	International Monetary Fund		\$ 4,386,723.46	1,739,248.12	\$ -	-
IX	European Union		\$ -	-	\$ -	-
X	Eurasian Development Bank		\$ -	-	\$ -	-

Domestic investors

- Regular monthly meetings with Primary Dealers
- Regular quarterly meetings with domestic institutional investors (non-PD's)

External investors

- Semi-annual Investor presentation distributed to qualified investors
- Regular non-deal road shows

Donors/IFIs

- Collaboration with International Financial Institutions on regular basis (donor conferences, portfolio reviews, ad hoc meetings etc.)

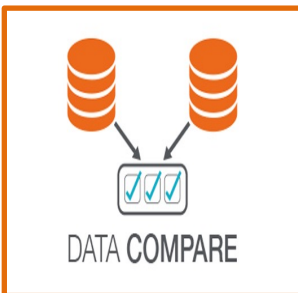
Public Debt Scrutiny and Oversight to insure the reliability and augment the transparency of Debt Management



Audit Chamber of Armenia is responsible for external audit of government debt.



Internal audit is currently outsourced service for the MoF.



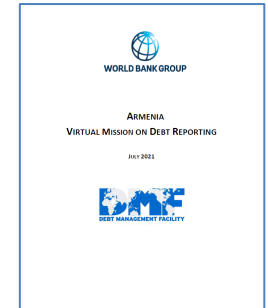
Central government debt records and public investment projects records are periodically reconciled with corresponding debt sources.

High grades by independent evaluations of International Organizations

The World Bank

Virtual Mission on Debt Reporting, July 2021

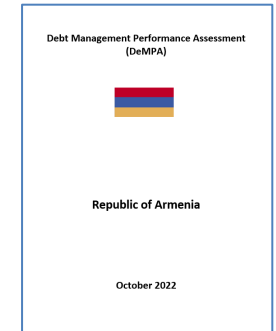
Main conclusions: Good quality reports are published in a timely fashion, and there are not urgent needs for reforms.



The World Bank and IMF

Mission on Debt Management Performance Assessment, October 2022

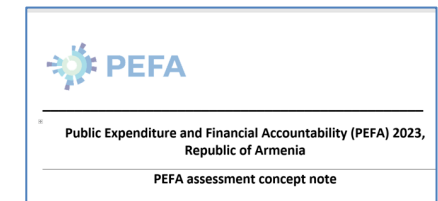
Main conclusions: The PDMD meets the high standard of central government debt transparency. The annual public debt report is a standalone report produced by the PDMD and published on the MoF website. The government should publish a debt report covering general government and SOE debt.



EU

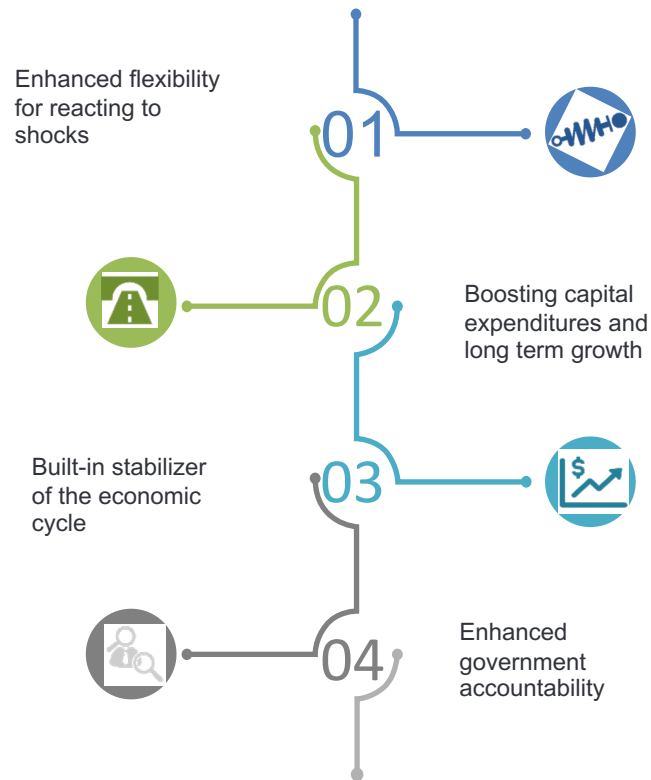
Mission on Public Expenditure and Financial Accountability, July 2023

Main conclusions (Preliminary): Reporting of Debt and Guarantees got the Highest Grade.

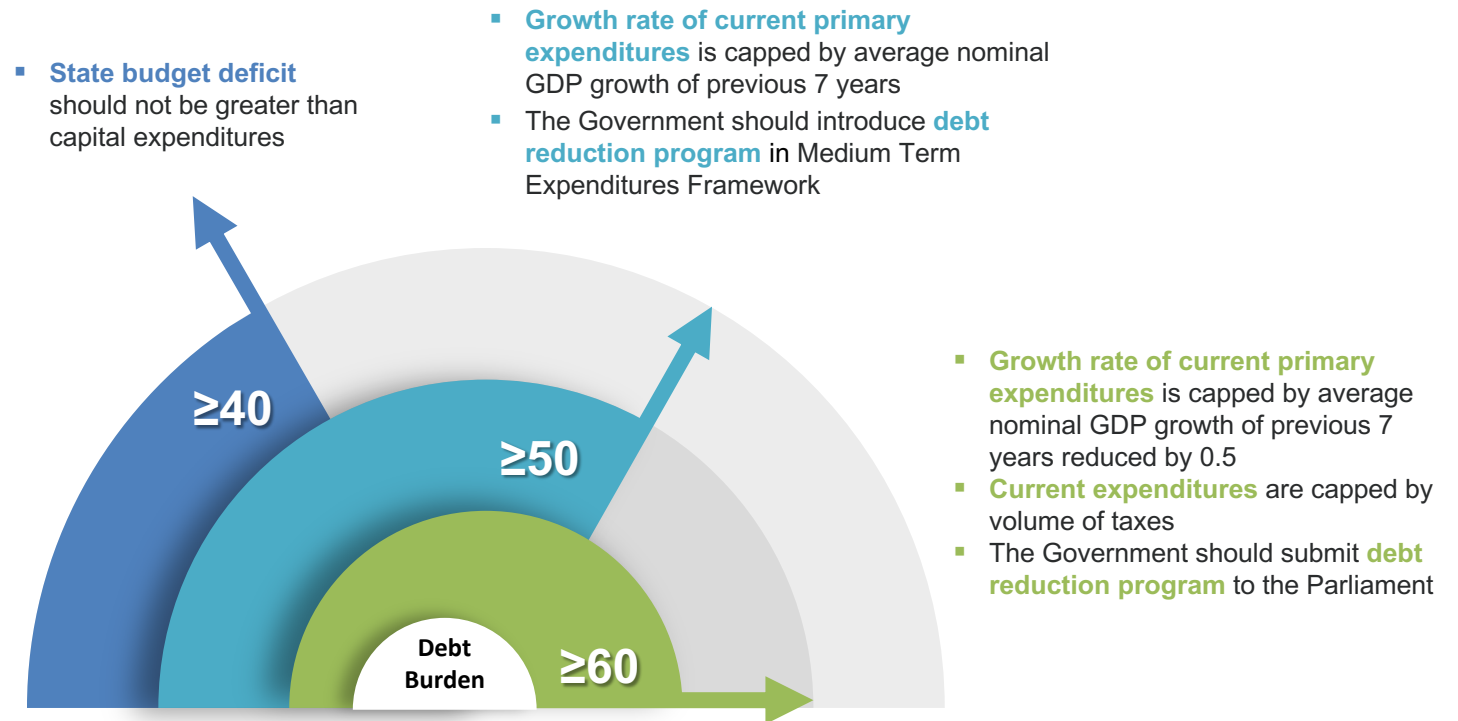


Upgraded Fiscal Rules with transparent Fiscal anchors and mechanisms

ACTIVE FISCAL POLICY PRIORITIES



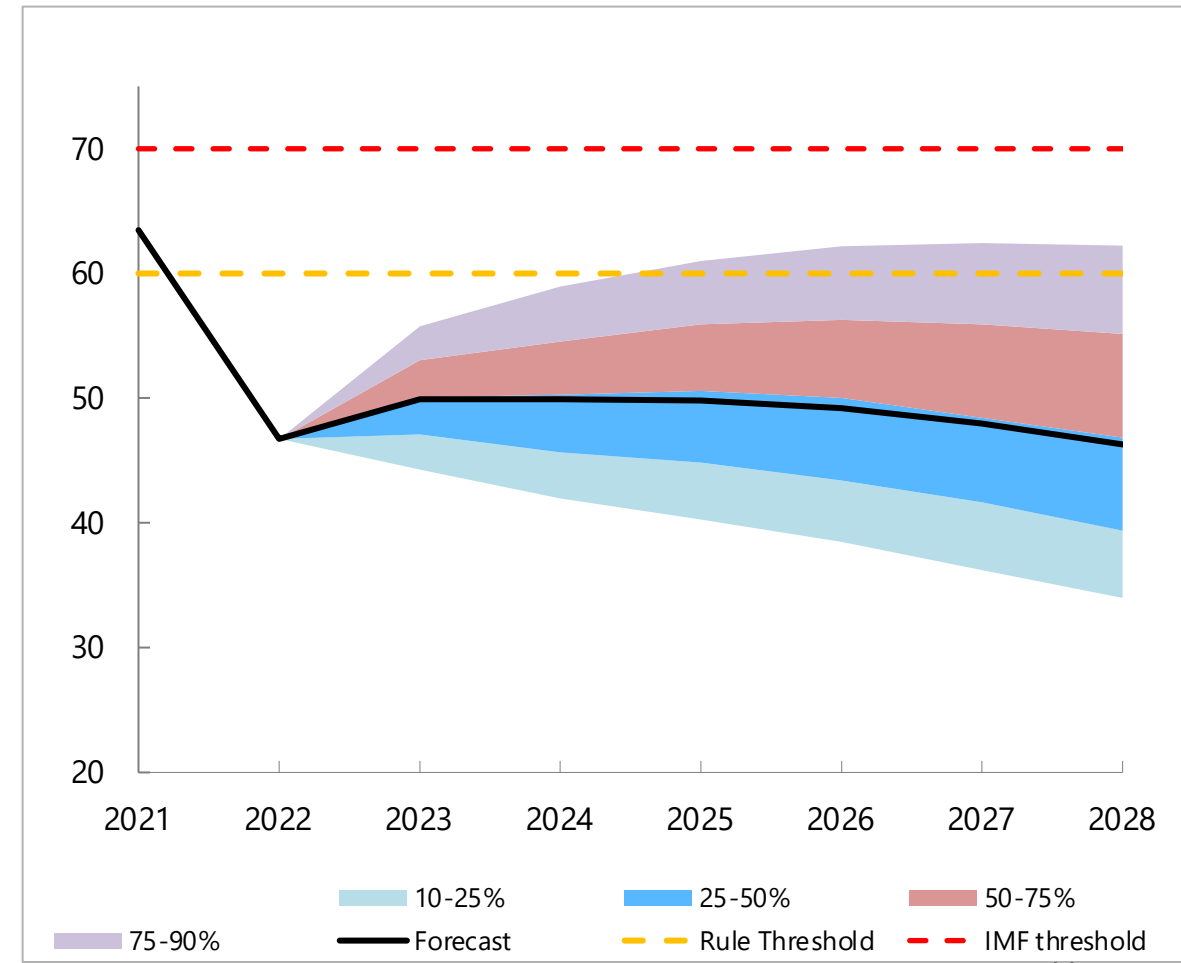
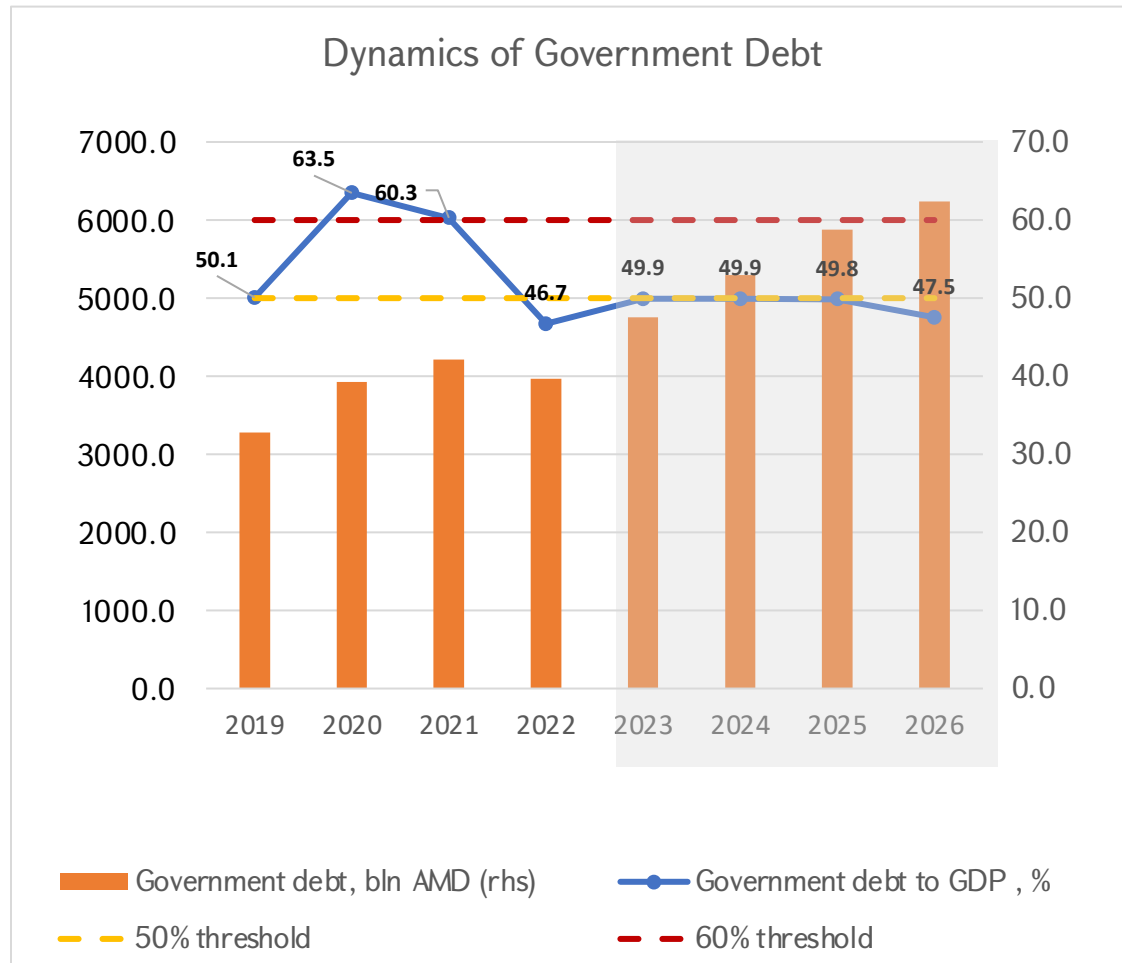
FISCAL RULE



Due to the extraordinary circumstances linked to the global pandemic and Artsakh war, the Fiscal Rule has not been applied in 2020 and 2021. In 2022, the budget performance was in line with the fiscal rule, and the Government has achieved a front loaded fiscal consolidation even beyond the medium term target in terms of Government debt to GDP ratio.

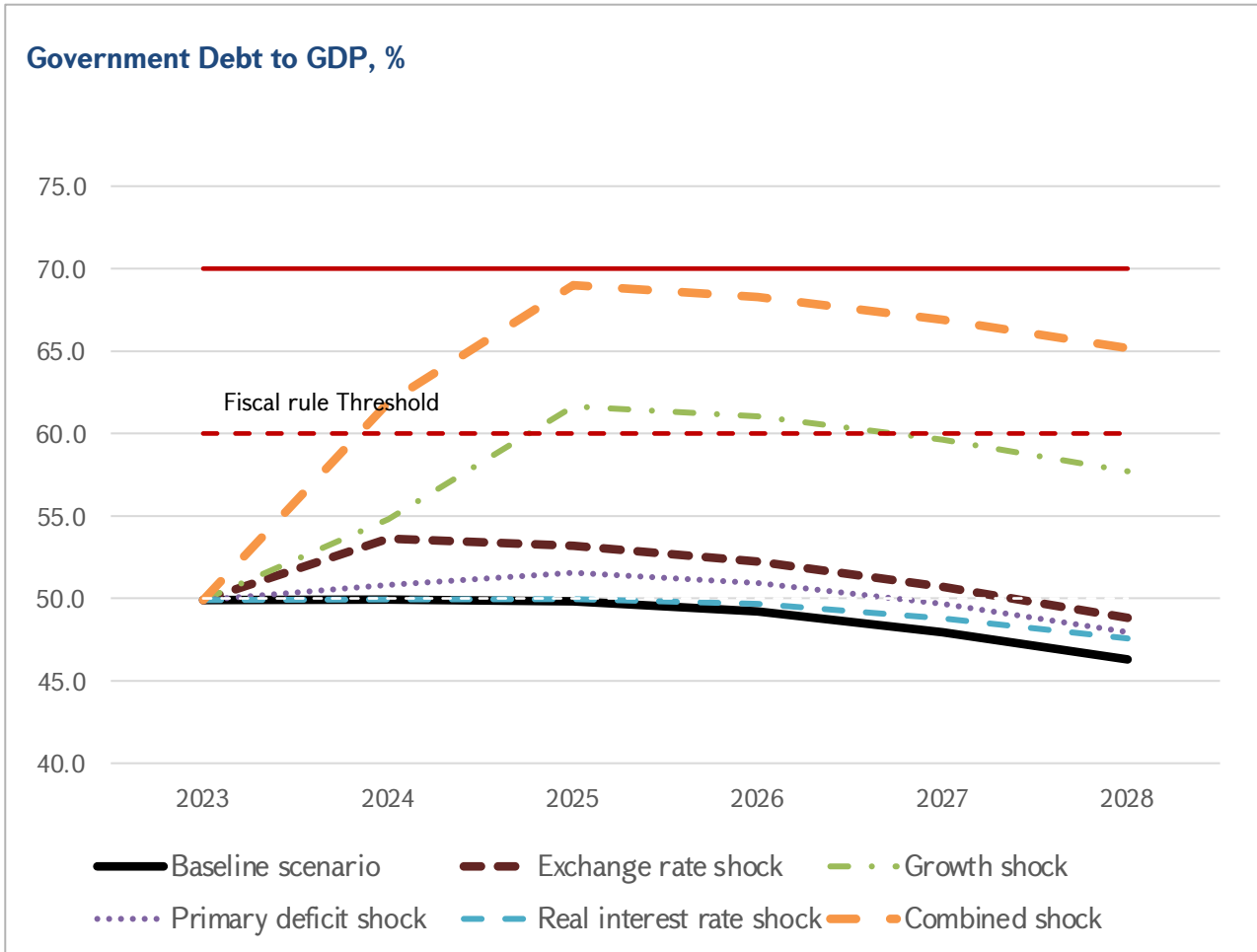
Clear communication of Debt Targets and uncertainty around them

- The Government will preserve the fiscal consolidation effort in the medium term and set the budget deficit to keep debt to GDP ratio below 50% of GDP in the medium term
- Meanwhile, the debt projections are subject to significant uncertainty given the historical volatility of the key fiscal and macroeconomic variables



Clear communication of debt sustainability risks and vulnerabilities of debt portfolio

- The government debt is sustainable under the standardized stress tests, while it remains sensitive to growth shock under which 60% threshold of debt is being breached in the medium term, while remaining below 70% threshold even under combined shock scenario
- While domestic and domestic currency debt shares has improved, and the country risk premium declined considerably during the last year, the debt portfolio remains highly vulnerable in terms of debt structure, and medium vulnerable in terms of the last one.



	Thresholds			RA figure	
	Low	Medium	High	2022 April	2023 April
RA country risk premium, basis point	<200	200-600	>600	432.9	384.5
Share of debt to non-residents, % in total debt	<15	15-45	>45	67.5	56.4
Share of foreign currency denominated debt, % in total debt	<20	20-60	>60	68.3	60.2

Key Bottlenecks and their Resolutions

The major issues hindering debt transparency

- Incomplete coverage of public sector debt by the legislation (the local government debt and public nonfinancial corporation subsector debt are not included in public debt reporting)
- The absence of centralized debt data recording database

Actions to improve debt transparency

- To improve the regulatory framework, as well as to introduce GFS 2014 in Armenia.
- To introduce an adequate IT system supporting debt accounting and reporting. MoF currently works on the development of GFMIS system.



Thank You!

Semiannual Investor presentation, https://minfin.am/en/page/investor_relations/

Government debt management strategy (<https://minfin.am/en/page/strategy/>)

Annual borrowing plan (https://minfin.am/en/page/annual_borrowing_plan/)

Monthly Statistical bulletin (https://minfin.am/en/page/monthly_statistical_bulletin/)

Summary of Monthly bulletin (https://minfin.am/en/page/summary_of_monthly_bulletin/)

Annual report on public debt (https://minfin.am/en/page/annual_reports/)

Quarterly report on debt operations (https://minfin.am/en/page/operations_on_the_government_debt)

Retail market bulletin (https://minfin.am/en/page/treasury_direct1/)

Government Treasury Securities https://minfin.am/en/page/government_treasury_securities/