



Public Debt Bulletin

A Publication of the Public Debt Management Office
Fiscal Year 2080/81

Year 3 Volume 2

2080 Magh- 2081 Asar

Jan 15, 2024 – July 15, 2024

Message from PDMO Chief

In accordance to Public Debt Management Act, 2022 and Rule, 2023, Public Debt Management Office (PDMO) has been undertaking all three (front, middle and back) office functions of public debt management. Being guided



by the overarching policy guidelines and other strategies such as Medium-Term Debt Strategy of the Government of Nepal, we make projections on maximum fresh public debt that the government can raise. We perform other public debt management functions of both domestic and external debt. We make investment to state-owned enterprises and other entities in the form of share or loan. We have developed and operationalized Debt Operation and Management System (DOMS), which has been the backbone for debt management.

Along with the increasing expenditure needs of the government on health, education and infrastructure development globally, public debt has emerged as an important instrument of fiscal management. Nepal is not an exception to this. We do have sizable public debt. The Debt to GDP ratio of Nepal is 42.7% which is the lowest in the SAARC region. External debt service is less than 1% of GDP. Different studies have shown Nepal at low risk of debt stress. Nepal also has very good track record of debt repayment. More specifically, even in the critical situation of Earthquake in 2015 and COVID 19, Nepal didn't default.

I am pleased to bring this semi-annual (Jan 16-July 15, 2024) public debt bulletin to all the stakeholders and those who have interest on the public debt. This is our regular publication. Most of the data and publications related to public debt are published on monthly basis through our website (www.pdmo.gov.np). This bulletin is an epitome of our commitment to transparency. This bulletin will give a bird eye-view on public debt status and public investment (both share and loan) to state-owned enterprises and public entities. We always welcome your constructive comments and feedback.

Finally, I would like to express my gratitude to the Ministry of Finance, Financial Comptroller General Office, Nepal Rastra Bank and the Development Partners for the guidance and support. I appreciate the hard work of my colleagues to bring this publication up to this stage.

Thank you.

KEY HIGHLIGHTS

- ⊙ Issuance of Public Debt Management Regulation, 2080
- ⊙ Approval of Medium-Term Debt Management Strategy
- ⊙ Initiation of Issuance of Internal Debt Instruments
- ⊙ Training on Annual Borrowing Plan (ABP) and Issuance Calendar
- ⊙ Training on Debt Sustainability Analysis
- ⊙ Issuance of Citizen Saving Bonds and Foreign Employment Saving Bonds
- ⊙ Loan negotiation and agreement
- ⊙ On-going upgradation of DOMS

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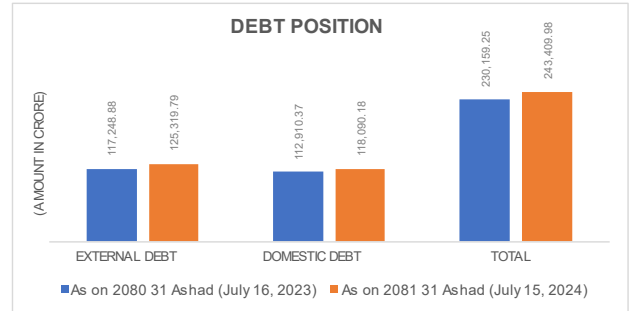
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Public Debt Position

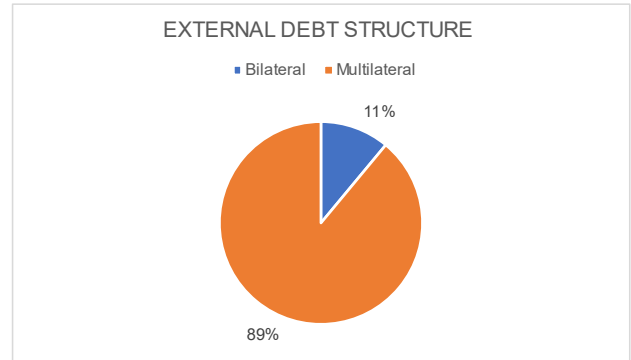
The total outstanding debt of Government of Nepal has reached NPR 2434.9 billion at the end of Ashad 2081. Out of total debt, external debt comprises NPR 1253.19 billion and domestic debt comprises of NPR 1,180.90 billion. Compared to the previous fiscal year, the total debt has increased by 5.75%, with an addition of NPR 132.5 billion in FY 2080/81.



Status of External Debt

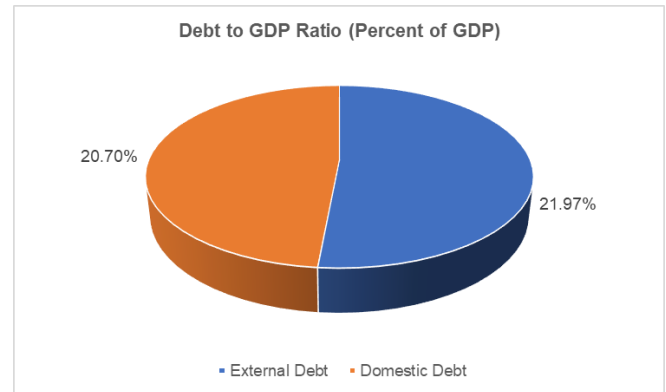
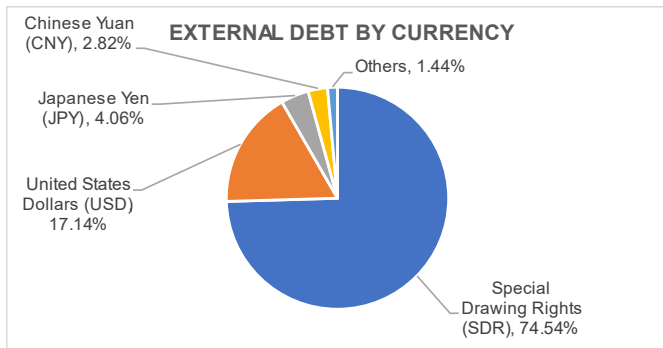
Institutional Structure of External Debt:

The total foreign debt liability has increased by 7.02% in fiscal year 2080/81 compared to the previous fiscal year 2079/80, reaching NPR 1253.20 billion. As of the end of Ashad 2081, the structure of foreign debt liability comprises NPR 1115.9 billion in multilateral debt and NPR 138.11 billion in bilateral debt. In the total foreign debt structure, multilateral debt accounts for 88.98%, and bilateral debt accounts for 11.02%.



Currency wise External Debt Liability:

Nepal has outstanding external debt liabilities with 17 different entities in 10 different currencies. Among these, the highest share of debt is in Special Drawing Rights (SDR), accounting for 74.54%, followed by US Dollars (USD) at 17.14%. Similarly, Japanese Yen constitutes 4.06%, and Chinese Yuan accounts for 2.82% of the total external debt liabilities.

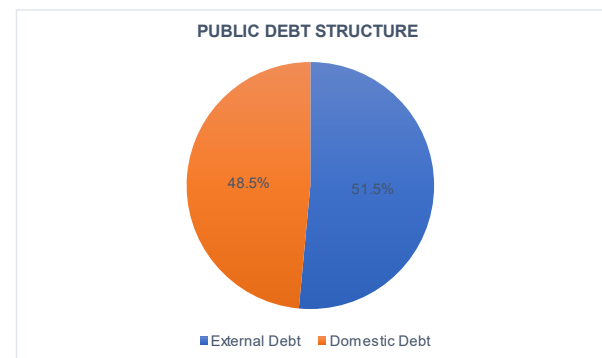
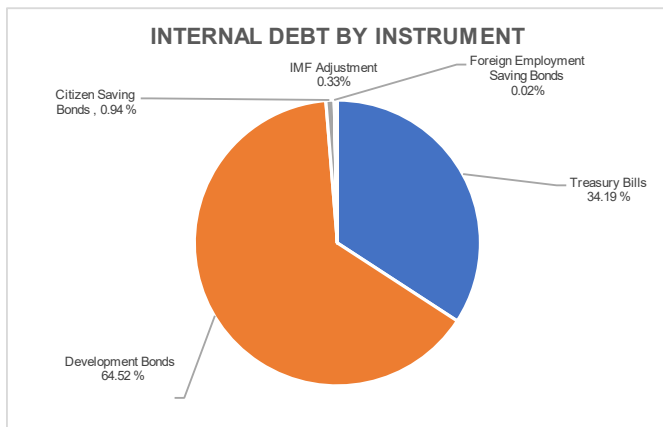


Status of Domestic Debt

As of Ashad end 2081, internal debt liability has increased by 4.59% compared to the previous fiscal year, reaching NPR 1180.90 billion. The internal debt structure includes 64.52% in development bonds, 34.19% in Treasury Bills, 0.94% in Citizen Saving Bonds, 0.02% in Foreign Employment Saving Bonds, and 0.33% in IMF bonds.

Public Debt Structure

In the previous fiscal year 2079/80, the share of domestic and external debt was nearly equal. However, in the current fiscal year 2080/81, the share of external debt has increased, with external debt accounting for 51.5% and domestic debt for 48.5% of the total public debt.



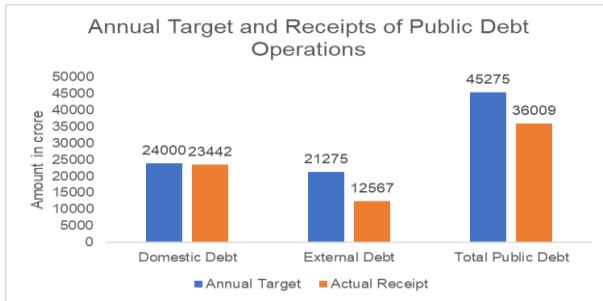
Public Debt to GDP

Public debt obligations reached 42.67% of the Gross Domestic Product (GDP) at the end of FY 2080/81. The external debt to GDP ratio is 21.97 percent and domestic debt to GDP ratio is 20.70 percent. Starting from 30.26% in FY 2075/76, the debt to GDP ratio has steadily increased to 42.77% in FY 2079/80 and has slightly declined to 42.67% by the end of FY 2080/81.

Debt mobilization and Service Expenses in FY 2080/81

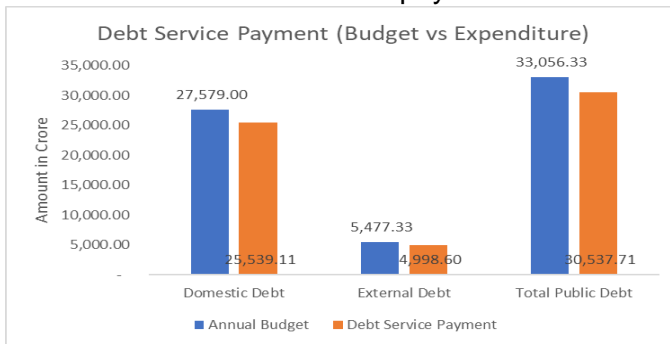
Debt mobilization:

In FY 2080/81, a total of NPR 360 billion is received, compared to a target of NPR 452 billion for public debt mobilization. Of this, the foreign debt target was NPR 212 billion, out of which NPR 125 billion has been received, and the internal debt target was NPR 240 billion, out of which NPR 234 billion has been received.



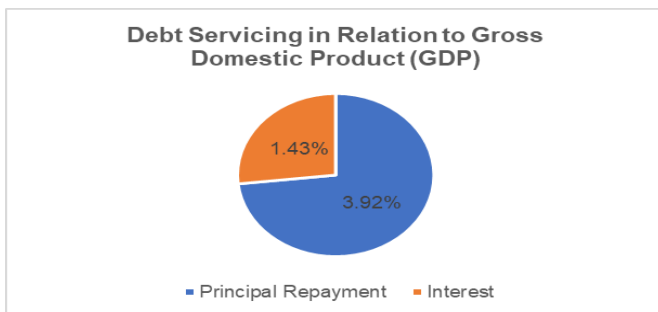
Debt Service Expenses:

In FY 2080/81, a total of NPR 305.37 billion has been paid for both principal and interest. Of this, NPR 223.34 billion is for principal payments, and NPR 82.5 billion is for interest payments.



Debt Service Expenses as a Proportion of Gross Domestic Product (GDP):

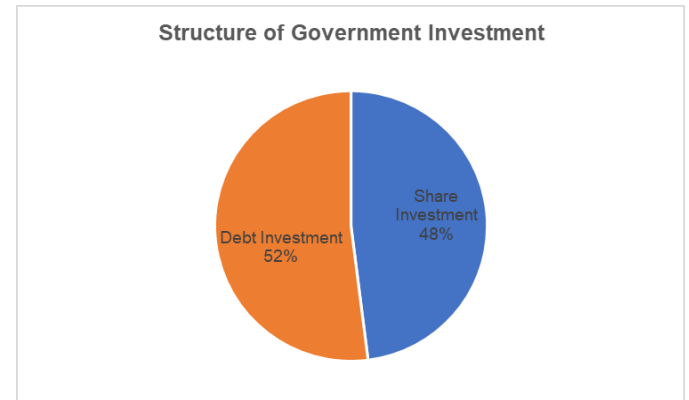
In FY 2080/81, the share of total debt service expenses in relation to the total GDP is 5.35%. This includes 3.92% for principal payments and 1.44% for interest payments.



Share & Loan Investment

As of FY 2080/81, the government has outstanding principal and interest liabilities of NPR 91.17 billion. As of the end of Ashad 2081, the Government of Nepal has invested NPR 827.52 billion in 150 different state owned enterprises and Public

institutions. Of this, NPR 395.19 billion is in share, and NPR 432.32 billion as loan investment. The proportion of loan investment in total investment is approximately 52%. and 48% respectively. Similarly, the government has received NPR 7.26 billion as principal payments from 8 institutions, NPR 7.45 billion as interest payments from 11 institutions, and NPR 46.60 billion as cash dividends from 13 institutions, totaling NPR 61.32 billion as of the end of Ashad 2081.



Other Major Activities

I. Issuance of Public Debt Management Regulation, 2080

On 1st Chaitra, 2080, the Government of Nepal has issued the Public Debt Management Regulation, 2080. With the implementation of this regulation, the issuance of internal debt instruments (such as Treasury Bills, Development Bonds, Citizen Saving Bonds and Foreign Employment Saving Bonds), secondary market transactions and interest payments which were previously handled by Nepal Rastra Bank, is now being managed by the Public Debt Management Office.

II. Approval of Medium-Term Debt Management Strategy

The Medium-Term Debt Management Strategy (FY 2080/81-2082/83) has been approved by the Ministry of Finance, Government of Nepal on 23rd Baisakh, 2081 and is implemented. This strategy outlines the objectives and criteria for managing the

public debt. It evaluates the debt portfolio and cost-exchange risk rates, aiming to meet the financial resource needs of the government while maintaining minimum cost and reasonable risk exposure. The strategy prioritizes utilizing concessional financing sources and plans to fill financial gaps through internal debt. As a concessional financial resource, loans are mobilized from various multilateral and bilateral agencies, while domestic borrowing is carried out through the use of treasury bills and debt instruments maturing in the medium and long term.

III. Initiation of Issuance of Internal Debt Instruments

After the issuance of the Public Debt Management Regulation, 2080 on 1st Chaitra, 2080, the PDMO has started to execute front, mid & back-office functions related to internal debt operations and management. The issuance of internal debt instruments started from 15th Chaitra, 2080, and the management of secondary market transactions and interest payments for Citizen Saving Bonds started fully from Ashad 2081. On 15th Falgun 2080, the first meeting of the Debt Issuance and Operation Committee, chaired by the Revenue Secretary, was held, marking the beginning of the renewal of Treasury Bills.

IV. Issuance of Citizen Saving Bonds and Foreign Employment Saving Bonds

As per approved annual debt issuance calendar for FY 2080/81, notices were published for the issuance of Citizen Saving Bonds worth NPR 5 billion with an 8% interest rate on 30th Baisakh, 2081, and Foreign Employment Saving Bonds worth NPR 1 billion with a 9% interest rate on 30th Baisakh, 2081. Individuals were allowed to invest in saving bonds by registering on investor Portal of PDMO (i.e.investor.doms.gov.np) creating a login ID, and purchasing the desired amount

electronically. Within the specified period, Citizen Saving Bonds worth NPR 369.8 million were issued on 19th Asar, 2081, and Foreign Employment Saving Bonds worth NPR 51.6 million were issued on 8th Asar, 2081. Despite offering interest rates higher than the prevailing market rates, only 7 percent of the targeted amount was subscribed.

V. Subsidiary Loan Agreements

As per the agreement signed on 4th Chaitra 2080 between the Government of Nepal and an international development agency, a subsidiary loan agreement was signed on 17th Jestha, 2081 between the Public Debt Management Office and the Nepal Electricity Authority to facilitate the Project Preparation Facility for the Upper Arun Hydropower Project. The agreement allocates USD 6 million for project preparation, with additional funding to be determined in the main agreement.

Likewise, on 30th Jestha 2081, the Public Debt Management Office and the Town Development Fund signed a subsidiary loan agreement for the implementation of the Urban Resilience and Livelihood Improvement Project. Under this arrangement, concessional loan assistance amounting to USD 23.15 million, provided by the Asian Development Bank (ADB), was converted into a subsidiary loan in Nepalese currency for project implementation.

VI. Training on Debt Sustainability Analysis

A training program on "Debt Sustainability Analysis Using the LIC DSF" was held from 1st to 8th Magh, 2080, organized by the Asian Development Bank. The program was held at Hotel Yak & Yeti, Durbar Marg with the participation of employees from the Ministry of Finance, the Office of the Auditor General, Nepal Rastra Bank, and the Public Debt Management Office.

VII. Training on Annual Borrowing Plan (ABP) and Issuance Calendar

A two-day training on the Annual Borrowing Plan (ABP) and Issuance Calendar was held on 23rd and 24th Jestha, 2080, at the Public Debt Management Office. The training was attended by staff from the Public Debt Management Office, Nepal Rastra Bank, and Ministry of Finance.

VIII. Investment-Related Interaction Program

On 20th Baisakh, 2081, an interaction program on the collection of applications, account reconciliation, and service fees for Citizen Saving Bonds and Foreign Employment Saving Bonds was held at the Customs Department's hall. Representatives from banks and financial institutions, market makers, sales agents, Nepal Rastra Bank, and the Public Debt Management Office participated in the event.

IX. Interaction and coordination with Development Partners

PDMO has been collaborating with different development Partners that are working in Public debt management. Their support in institutional capacity development and system development and operation has been instrumental in undertaking key functions of PDMO.

X. Interaction Program on Internal Debt Issuance and Management

An interaction program on the draft guidelines for internal debt issuance and management was held on 19th and 20th Ashad, 2081, in the presence of stakeholders from the Ministry of Finance, Nepal Rastra Bank and other entities. A detailed discussion was held and suggestions for the final version of the guidelines were obtained.

XI. Use of Information Technology

The operations and management of public debt by the Public Debt Management Office are being carried out through the Debt Operation and Management Software (DOMS) system. From 2080 Chaitra 18, all processes related to domestic debt, including bidding and settlement, have been conducted using the DOMS system. The sale of Citizen Saving Bonds and Foreign Employment Saving Bonds has also been initiated through an online Investor Portal. For the first time, the online sale process was implemented during the period.

Furthermore, the preparation for dematerialization process of Citizen Saving Bonds and Foreign Employment Saving Bonds is being made in DOMS system. The integration of records and data of domestic debt obtained from Nepal Rastra Bank has been completed in the Debt Operation and Management Software (DOMS) system.

PHOTO GALLERY



Interaction Program on Internal Debt Issuance and Management



Public Debt Management Training



Training on Annual Borrowing Plan (ABP) and Issuance Calendar



Internal Debt Assurance and Management Procedure discussion workshop



Training on Debt Sustainability Analysis



Training on Debt Sustainability Analysis