



Nepal Public Debt Bulletin

A Semi-Annual Publication of Public Debt Management Office (PDMO)

Year 1, Volume 1

२०७७ श्रावण -पौष

July 16, 2020 – January 13, 2021

Message from the PDMO Chief



Public Debt Management Office (PDMO) presents the first volume of Public Debt Bulletin. It presents a set of information regarding the debt of Government of Nepal (GoN). It includes the debt position of GoN up to the first six months of FY 2077/78 (2020/2021). This also describes the debt portfolio characteristics in respect to its debt composition and maturity profile. The bulletin aims to provide debt transparency. It can be beneficial to policy makers, investors/creditors and other stakeholders. The bulletin helps enhance accountability and transparency of public debt management. The bulletin will be published in half-yearly basis.

(To be continued in page 2)

Overall Debt Position

The total government debt has reached to NPR 1530.38 billion with an increment of 5.94% at January 13, 2021 than the previous fiscal year. Out of this amount, external debt is NPR 865.64 billion and internal debt consists NPR 664.74 billion. External debt consist of 56.56 percent and internal debt stock is 43.44 percent. The total debt of Government of Nepal for the first six month of F/Y 2077/78 has increased by 4.55%. External debt has increased by 5.94% and internal debt by 2.78%. This increment is due to the raise in disbursement of external debt and issuance of development bonds: 7, 9 and 10 years.

During this semester, total increment of external debt is NPR 4.85 billion whereas increment of internal debt is NPR 18 billion.

(Detail in Annex 1)

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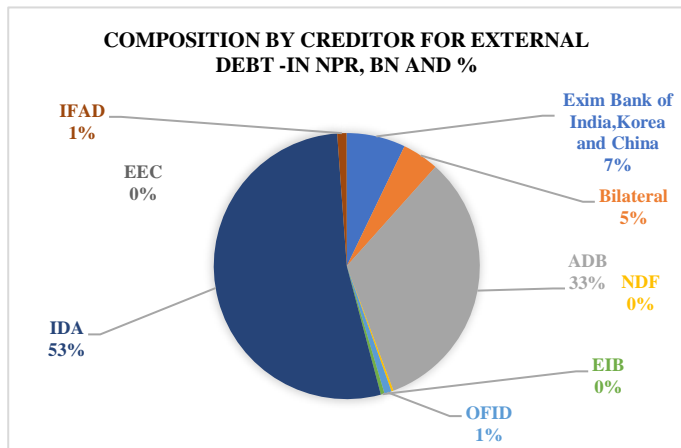


**DOMS Live Operation by Finance Secretary
(Revenue) Mr. Ram Sharan Pudasaini**

Public Debt Bulletin

Total External Debt by Creditors

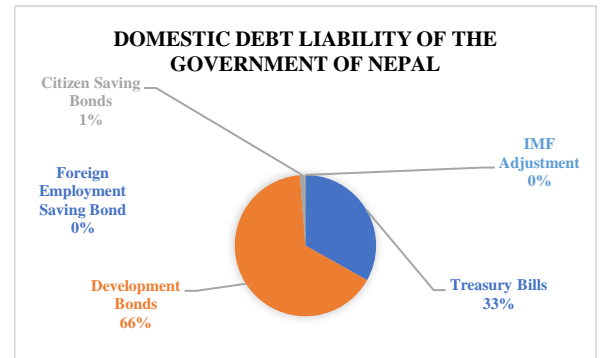
Figure 1



The total external debt by creditors is depicted in Figure 1. IDA comprises 53% of the total external debt followed by ADB (33%) and Exim Bank of India, Korea and China comprises 7% and Bilateral loan to Nepal is 5%. (Annex 2)

Internal Debt

Figure 2



The domestic debt composition is depicted in Figure 2. Development Bonds represent 66% of total domestic debt, whereas Treasury bills comprises 33% of the domestic debt. Citizen saving bonds, foreign employment saving bonds and IMF Adjustment represent only 1% of the domestic debt. (Annex 3)

Maturity Profile (In NPR) -Domestic and External composition portfolio

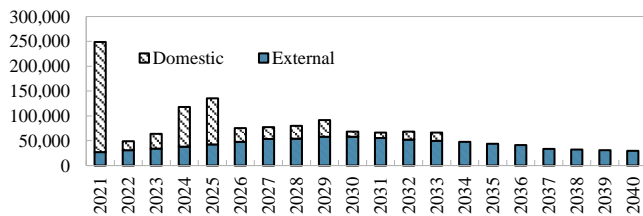


Figure 3

Figure 3 depicts the maturity profile with domestic and external debt composition of GoN. The chart shows that maturity profile is uneven with a significant peak in 2021 due to the relative high presence of Treasury Bills. T-bills with less than a year maturity will get matured and need to be rolled over with new issuance in next year. There are spikes in 2024 and 2025, mostly due to relevant redemptions of 5-year Development Bonds. Domestic debt has high presence of 5 years' bonds which is getting matured by 2024 and 2025. The external debt does not impose significant refinancing risks due to the predominantly high volumes of concessional debt.

Message from ...

We are very pleased to announce that the PDMO has prepared Medium Term Debt Strategy (MTDS) covering the period of 2077/78 - 2080/81 (2021-2024 AD). Similarly, PDMO has recently published first volume of Debt Report 2019/20.

Debt Operation and Management Software (DOMS) has been functional from July 16,2020 for External Debt. Public Debt Management Committee (PDMC) and the Ministry of Finance have decided to implement DOMS also for the internal debt. A MOU between Nepal Rastra Bank and PDMO is going to be held for smooth operation of DOMS internal debt module.

We request our readers for suggestions and feedback.

Baburam Subedi

Office Chief

PDMC and Ministry decision to implement DOMS in June,2020

1. As mentioned in Article 299 of the Budget Statement for the Fiscal Year 2077/78, the internal and external debt related transactions will be done through Debt Operation and Management System (DOMS).
2. To bring the Debt Operation and Management Software (DOMS) fully operational from the next fiscal year. The authority to operate the Debt Management and Management Software (DOMS) will remain with the Public Debt Management Office. Towards internal loan, Nepal Rastra Bank has the right to operate DOMS (Admin).
3. The Public Debt Management Office (PDMO) will carry out the work of making the subsidiary loan agreement and loan investment bond from the Economic Policy Analysis Division of the Ministry of Finance from Shrawan 2077 BS and handing over the related documents to that office for the same purpose.
4. Arrangements will be made to deploy the staff required to manage the records of loans and investments from the Financial Comptroller General Office to the Public Debt Management Office for at least the first four months.
5. The Ministry of Finance will inform all the development partners about the payment of public debt from the Public Debt Management Office (PDMO) from July 16,2020.
6. Necessary arrangements will be made by the Public Debt Management Office for the operation of the Debt Operation and Management Software (DOMS), training for manpower skills and strengthening of the system. Necessary assistance for this will be provided by the Ministry of Finance, Financial Comptroller General Office and Nepal Rastra Bank.

Statement of Government Guarantees

There are Two government guaranteed debt in Nepal. They are related to the Nepal Airlines Corporation in the past decade as contingent liabilities to the government. The guarantees amount to NPR 24 billion.

Table-1

Guaranteed Operations - Government of Nepal				
SOE	Guarantee Provided to	Amount (Rs in bn)	Date	Remarks
Nepal Airlines Corporation	Employees Provident Fund	12	2074/01/07 (B.S.)	For the Purchase of Aeroplane A330-200
	Citizen Investment Trust	12	2074/01/07 (B.S.)	For the Purchase of Aeroplane A 330-200
Total		24		

Risks and Cost Indicators of the existing debt (2019-20)

Table-2

Risk Indicators	External debt	Domestic debt	Total debt	
Amount (in millions of NPR)	806,140.8	613,735.5	1,419,876.3	
Amount (in millions of USD)	6,664.0	5,073.5	11,737.4	
Nominal debt as percent of GDP	21.4	16.3	37.7	
PV as percent of GDP ¹	13.5	16.3	29.8	
Cost of debt ²	Interest payment as percent of GDP ³	0.2	0.7	1.0
	Weighted Av. IR (percent)	1.0	4.6	2.6
Refinancing risk ²	ATM (years)	14.1	3.8	10.5
	Debt maturing in 1yr (percent of total)	2.3	37.0	14.3
	Debt maturing in 1yr (percent of GDP)	0.7	6.0	6.7
Interest rate risk ²	ATR (years)	14.1	3.8	10.5
	Debt refixing in 1yr (percent of total)	2.3	37.0	14.3
	Fixed rate debt incl T-bills (percent of total)	100.0	100.0	100.0
	T-bills (percent of total)	0.0	35.2	12.2
FX risk	FX debt (percent of total debt)			56.8
	ST FX debt (percent of reserves)			2.2

Notes:

¹PV as percent of GDP is calculated based on projected debt service payments where discount rate of 5% is applied to those instruments on concessional or semi-concessional.

² Cost-Risk indicators that use projected cash flows such as weighted average interest rate, refinancing and interest rate risks use projected exchange rate assumptions.

³ Interest payment as percent of GDP is calculated by dividing interest payment on outstanding debt at 2020 to 2020 GDP.

Mid Term Debt Strategy (MTDS) draft prepared

The PDMO has formulated debt management strategy of Government of Nepal, as its middle office functions, and has submitted to the Ministry of the Finance for approval. The Medium-Term Debt Management Strategy (MTDS) prescribes objectives and criteria for debt management of the Government of Nepal for the period of 2077/78 – 2080/81 B.S. (FY 2020/21-2023/24 A.D.). This strategy maps out a framework of workable debt management policy along with quantitative targets. It covers the Government of Nepal's domestic and external debt. It will be implemented once it is approved by the Ministry of Finance.

This key features of the MTDS are:

1. Slightly higher use of external borrowing with a moderate combination of domestic borrowing,
2. Higher presence of concessional borrowing from multilateral financial institutions,
3. Introduction of non-concessional borrowing,
4. A balanced use of shorter-term T-bills and T- bonds to longer term bonds,
5. Borrowing from EXIM Banks will also be utilized for external sources.
6. A search for a new financing source such as blended finance, flexible interest rates and non-concessional borrowings will also be entertained.

Debt Servicing

Debt Service:

Government of Nepal has made total NPR 33.76 billion as debt servicing (up to January 13,2021). During the FY 2077/78 out of the total debt servicing, NPR 16.85 billion is the total interest payment and NPR 16.91 billion is principal repayment. (Annex-4)

DSSI:

Nepal has entered into Debt Service Suspension Initiative (DSSI) with Paris club countries and G20 countries as a relief initiative for creating fiscal space to cope the problem created by COVID-19 Pandemic. This initiative has helped to manage cashflow of the GoN. DSSI Agreement has already been made with Japan, France and South Korea. With Belgium, China and Saudi Arabia, agreement is in final stage of signing. A diplomatic note is sent to India for DSSI.

Government Investment

The total investment up to January 13,2021 is 620 billion of which share investment is 320 billion and loan investment is 300 billion. Similarly, the total cash dividend of share investment received to Government of Nepal till January 13,2021 is 2.92 billion. Similarly, the total principal amount received of loan investment is 0.43 billion and interest amount received is 3.25 billion. Thus, the cash dividend, principal and interest received up to January 13,2021 of FY 2077-78(2020-21) is 6.6 billion. (Annex 5 and Annex 6)

Future Activities

A new Public Debt Management Act is under the approval process in the parliament. It will integrate all of the functions of debt management currently managed by different laws. The new law will provide full legal framework to the PDMO to perform all of the given responsibilities along with the integration of public debt management functions.

The draft of Medium-term Debt Strategy is prepared, it will be implemented once it is approved by the MoF. Annual Borrowing Plan will be prepared based on this strategy. Institutional and legal framework will be updated to cover the potential scope of public debt. DeMPA (assessment) will also be conducted.

Photo Gallery



**Inauguration of Public Debt Management Office (PDMO) by Hon. Finance Minister
Dr. Yubaraj Khatiwada**



**DOMS monitoring before live operation with Joint Secretary Mr. Shree Krishna Nepal and
Joint Secretary Mr. Yam Lal Bhusal**

Annex-1**Overall Debt Position**

Debt	Opening Balance As on 2077 Shrawan 1, 2077(July 16, 2020)	Closing Balance as on Poush 29, 2077(January 13, 2021)	Change (%)
External Debt	806,140,700,000.00	865,647,471,285.92	5.94%
Internal Debt	*613,735,428,411.91	664,735,428,411.91	2.78%
Total	1,419,876,128,411.91	1,530,382,899,697.83	4.55%

Annex-2**Total External Debt by Creditors up to January 13,2021**

S.No.	Donor Name	Amount in NPR
1	ADB	285,263,599,695.66
2	Bilateral	38,980,060,295.48
3	EEC	262,896,127.21
4	EIB	3,955,921,256.46
5	Exim Bank of India, Korea and China	62,366,330,560.40
6	IDA	462,271,864,395.01
7	IFAD	9,859,299,279.64
8	NDF	2,233,130,573.51
9	OFID	7,650,376,056.11

Annex-3**Domestic Debt Liability of Government of Nepal up to January 13,2021**

S.no.	Bonds	Amount (NRs. In Crore)	Share (in %)
1	Treasury Bills	22221.81	33.13
2	Development Bonds	43994.7	65.59
3	Citizen Saving Bonds	764.2	1.14
4	Foreign Employment Saving Bond	40.5	0.06
5	IMF Adjustment	52.34	0.08
	Total	67073.55	

Annex-4
Total Debt Servicing: FY 2077-78 up to January 13,2021

Details	Principal Repayment (Amount in NPR)	Interest Payment (Amount in NPR)	Total Repayment (Amount in NPR)
Internal Debt			
Citizen Saving Bond and Foreign Saving Bond	-	336,450,925.00	336,450,925.00
Development Bond	6,000,000,000.00	10,405,477,500.00	16,405,477,500.00
Treasury Bill	-	3,223,050,744.57	3,223,050,744.57
Commission and Management Charge	-	59,119,760.43	59,119,760.43
Total	6,000,000,000.00	14,024,098,930.00	20,024,098,930.00
External Debt			
Multilateral	9,954,286,090.52	2,594,438,544.30	12,548,724,634.82
Bilateral	961,451,613.02	231,850,085.11	1,193,301,698.13
Total	10,915,737,703.54	2,826,288,629.41	13,742,026,332.95
Grand Total	16,915,737,703.54	16,850,387,559.41	33,766,125,262.95

Annex-5

Overall GoN's Investment to SOE's up to January 13,2021

Share Investment	Loan Investment (in Billion NPR)	Total Investment (in Billion NPR)
320 billion	300	620 billion

Annex -6

Cash Dividend, Principal and Interest received up to of FY 2077-78(up to January 13,2021)

Share Investment	Loan Investment		Total
	Cash Dividend	Principal	
2.92 billion	0.43 billion	3.25 billion	6.6 billion