Part II

MANAGING THE BRAZILIAN PUBLIC DEBT

Part II
Chapter 1

Institutional structure and recent developments in Federal Public Debt management

by Karla de Lima Rocha

1 Introduction

The best course to manage public debt efficiently[1] has been debated for years, given its role in helping countries protect monetary and fiscal policies against financial contagion and shocks.

The search for an efficient management framework prompted institutions such as the International Monetary Fund (IMF) and World Bank to design *Guidelines for Public Debt Management*, (March 2001). The aim was to encourage developed and developing countries to enact reforms to strengthen the process and reduce their vulnerability to international financial shocks. The Guidelines identify areas considered critical to sound medium-and long-term strategies to deal with the public debt: These include fiscal and monetary policies, governance, institutional structures, technical capacity, and information systems.

This chapter, divided into six sections, describes the Brazilian experience, illustrating how public debt management (PDM) has drawn on international best practices.[2] Following this introduction, Section 2 describes the coordination between PDM and fiscal and monetary policies. Section 3 reviews the process of developing sound and efficient governance. Section 4 examines the ways to develop a prudent, consistent public debt strategy and create a risk-management structure. Section 5 describes the measures taken to improve the management team's technical capacity and information systems. Section 6 explains how Brazil progressed from developing PDM capacity to disseminating information about best practices. Section 7 reviews the main points and relates how Brazil's methods are consistent with international best practices.

2 Coordinating public debt management with fiscal and monetary policies

According to the IMF and World Bank guidelines, public debt and fiscal policy managers and central bank authorities must share the same policy goals, given the inter-dependence of their instruments. Thus, if authorities introduce a new PDM policy, it must be consistent with other macroeconomic policies, so as to maintain public debt at sustainable levels.

---

[1] "Sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities" (IMF and World Bank, 2001)

[2] It should be noted that several of the measures adopted for Brazil's PDM were supported by the Fiscal and Financial Management Technical Assistance Loan Project (PROGER) financed by the World Bank. This project aimed to improve the government's performance in fiscal and financial areas and the quality of public services.

In countries with more developed, efficient financial markets, debt management and monetary policy are clearly separated, which reduces possible conflicts. Countries less able to separate the goals and responsibilities face greater challenges. In most cases, these arise mainly because the countries lack a developed bond market and an independent central bank; also, because they adopt similar market instruments for both monetary and debt policies. With respect to the latter, in Brazil, until the Fiscal Responsibility Law (LRF) was passed in 2000, the Central Bank used the National Treasury bonds in its portfolio as well as its own bonds to conduct monetary policy. Thus, the market could not detect the goals of a certain issuance, which undermined the policies.

To correct this problem, the enactment of LRF stopped the Central Bank from issuing its own bonds. Also, to separate monetary and fiscal policies, in 2002, the Central Bank began to do repurchase agreements exclusively with the National Treasury bonds registered in its portfolio.

Another key step was to transfer the management of External Federal Public Debt (EFPD) operations from the Central Bank to the National Treasury. Until October 2003, the Central Bank performed almost all tasks associated with issuing external debt bonds, under an agreement between it and the Ministry of Finance. When the agreement ended, in order to apply international best practices, the two institutions began a one-year transition process through which decisions about issuing bonds were first taken jointly and then became the sole responsibility of the National Treasury.

The process of transferring the foreign debt management occurred throughout 2004, and by January 2005, the National Treasury began to centralize decisions for managing both the domestic and external FPD. It should be noted that by managing the two together, risk is handled more efficiently as this allows for synergies in the integrated planning of related operations. It also generates transparency with respect to the FPD's goals, guidelines and strategies.

The government's funding needs are based on economic projections, including interest rates, primary surplus and inflation expectations. Since PDM is closely related with fiscal and monetary policy guidelines, National Treasury and Central Bank authorities, who are closely connected, hold regular meetings to share information about their market perceptions and future actions.

3 Governance

Achieving good governance requires that (a) administrative structures be regulated, (b) managers' rights and duties be well defined, along with the goals, responsibilities and rules regarding PDM institutions, and (c) rules for transparency and accountability be legally set.

3.1 Legal structure

Best international practices require laws that clearly define responsibilities with respect to issuing new debt instruments, investing, and carrying out transactions for the government.

In Brazil, these were defined by a decree[3] according to which the Ministry of Finance is responsible for the "administration of the domestic and external public debt." The decree specified the National Treasury as the Ministry of Finance entity responsible for "managing the domestic and external securities and contractual public debts."

[3] Decree nº 4,643, of 2003.

Brazil's indebtedness policy is based on five legal instruments:[4] (a) the Federal Constitution, which establishes the general guidelines for public debt;[5] (b) the LRF, which defines public finance standards to achieve responsible fiscal management as well as several FPD limits; (c) a law[6] that defines the general characteristics of public debt bonds under the National Treasury; (d) the Budgetary Guidelines Law (LDO);[7] and (e) the Annual Budgetary Law (LOA)[8].

The Federal Constitution invests the Federal Senate with the power to authorize all the government's external financial operations. Further, it sets global limits[9] and external credit conditions for the national and sub-national levels of government and establishes the limits/conditions for the concession of guarantees in external credit operations. Up to the approved limit, the National Treasury has decision-making autonomy regarding the choice of markets, amounts, timing and types of bonds. The process by which these limits have been renewed and adjusted to the government's funding needs has been smooth, ensuring both accountability and good debt management.

3.2 Institutional structure

Internationally, there is increasing consensus about the value of concentrating public debt management functions in a single government unit, as this can make the process more efficient and, consequently, allow for more coordinated strategic management. In countries where responsibility for managing public debt is shared by various institutions, strategies may be inconsistent and functions may overlap.

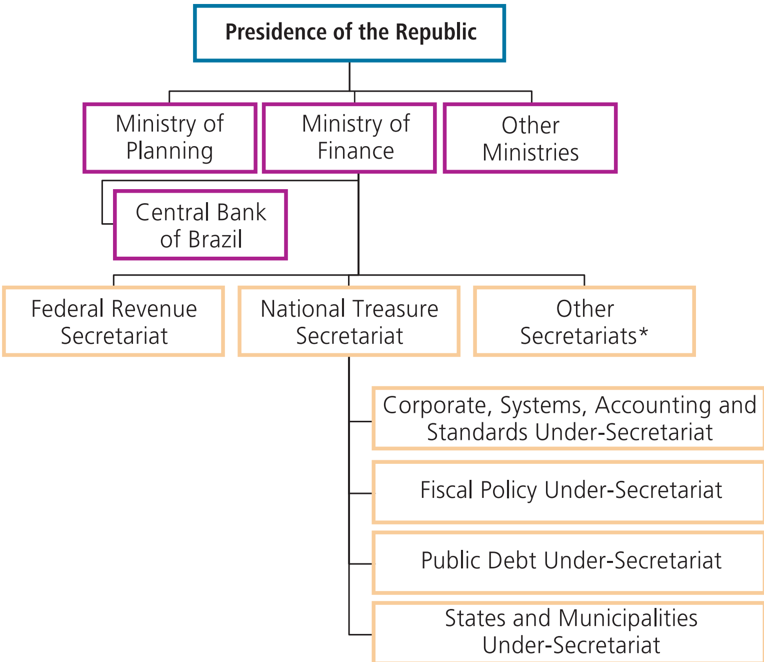
According to Wheeler and Jensen (2000), several countries have tried to centralize and improve their public debt management by creating an independent department located either outside or inside the Ministry of Finance or Treasury. These are known as Debt Management Offices (DMOs), whose aim is to separate the agency's functions, usually into front, middle and back offices, according to the different objectives and responsibilities of the public debt managers.

In Brazil, the functions are centralized by the Ministry of Finance within the National Treasury. The reasons for maintaining them within the Ministry include the need for a close relationship with other parts of the administration, linked, say, to executing the budget and fiscal policy.

The following figure demonstrates how the National Treasury fits into the Federal government's administrative structure.

[4] For more information, see Part II, Chapter 5 (regulatory frameworks and government auditing of the public debt).
[5] Among the guidelines, attention should be drawn to the Golden Rule (the amount of revenues from credit operations should not exceed the amount of capital expenditures), the competence of the Federal Senate to authorize and propose limits for external operations and the ban on financing the National Treasury by the Central Bank.
[6] Law nº 10,179, of 2001.
[7] The LDO establishes annual targets and priorities for the next financial year and guides the preparation of the budget.
[8] The LOA lists public revenues and expenditures and presents the government's economic and financial policies and working program, in compliance with the principles of unity, universality and balance.
[9] The current ceiling for issuing Federal bonds in the international market is US$75 million, established by the 2004 Federal Senate Resolution nº 20.

Figure 1. Federal government's administrative structure



* Executive Secretariat (SE), Economic Policy Secretariat (SPE), Economic Monitoring Secretariat (SEAE) and International Affairs Secretariat (SAIN).
Note: Under-Secretariat V, created in 2008, is responsible, among other functions, for economic-fiscal studies within the National Treasury's scope.

To improve its structure for managing debt, the National Treasury designed a new model in 1999[10] based on the Debt Management Office (DMO) concept, in line with international practices. It reorganized two of its offices[11] which were divided into three new areas, known as CODIV, COGEP and CODIP (see Figure 2). The three are supervised by the Treasury's Public Debt Under-Secretariat.

The Public Debt Control Department - CODIV (the back office) (a) registers and controls the FPD and also relates to central depositories, (b) draws up the annual public debt appropriations bill, (c) executes the budget, (d) calculates the main public debt statistics and (e) issues bonds derived from special operations,[12] such as PROEX[13] and FCVS[14].

The Public Debt Strategic Planning Department - COGEP (the middle office) (a) develops and oversees medium and long-term borrowing strategies, (b) sets and monitors debt risk parameters, (c) conducts studies to support decision makers, (d) analyzes the macroeconomic outlook and (e) promotes relations with investors, the press, rating agencies, among others.

The Public Debt Operations Department- CODIP (the front office) is responsible for (a) short-term public debt strategies, (b) new products issued to finance the deficit and (c) special operations.

---

[10] The middle office (COGEP) was created in 1999 first as working group; the new structure was formally created in 2001, through Presidential Decree nº 3.782, of 2001.

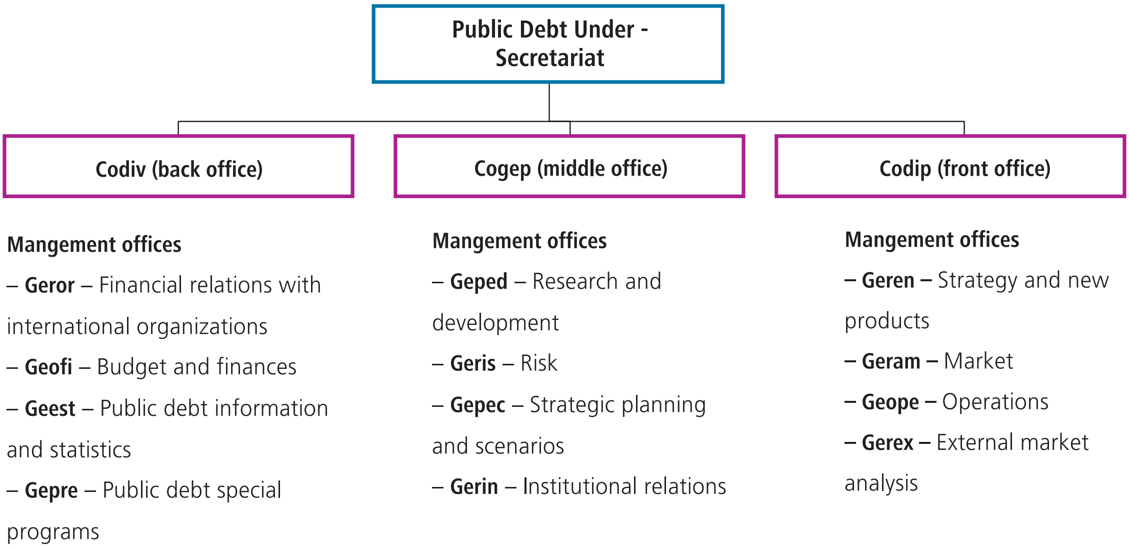
[11] Domestic Debt Management General Coordination (CODIP) and Foreign Affairs General Coordination (COREX)

[12] Special operations are those involving issuances/buybacks of public bonds for specific purposes that are not conducted through open auctions.

[13] Export Financing Program.

[14] Salary Variation Compensation Fund.

Figure 2. Structure of the Public Debt Under-Secretariat



Good governance practices are devised by committees in the Treasury; their goal is to share information and decisions that will affect the PDM. To this end, the National Treasury created the Federal Public Debt Management Committee, chaired by its Deputy Secretary for Public Debt, and composed of heads and deputy heads of each of the three departments that comprise the Public Debt Under-Secretariat, among others.

The Committee meets once a month and proposes the debt strategy for the next month. Also, it publicizes the schedule of auctions for domestic public bonds. Key decisions from these meetings are sent to the National Treasury for approval. It also meets once a year to define medium- and long-term guidelines for the FPD and propose a borrowing strategy for the next fiscal year, along with limits for the Annual Borrowing Plan (ABP). After approving the committee's proposal, the National Treasury presents it to the Minister of Finance for final approval. Thus, the committee has an advisory role to the secretary and ultimately the Minister of Finance, who makes the final decisions.

This management model has improved the debt management process as it standardized operational and risk-monitoring controls; it also promoted more efficient medium- and long-term strategic planning and short-term tactical planning

3.3 Transparency

According to Wheeler and Jensen (2000), a transparent policy can be defined as:

[…] an environment in which the objectives of policy, its legal, institutional and economic framework, policy decisions and their rationale, data and information related to … policies, and the terms of agencies' accountabilities are provided to the public on an understandable, accessible and timely basis.

It is essential to publicize the goals and responsibilities of debt management to ensure credibility. According to IMF and World Bank guidelines, such goals, including those related to cost and risk measures, and timely information on financial assets, debt profile and outstanding debt, should be clearly defined and available to the public.

In Brazil, transparency reduced the market uncertainties related to debt management goals and made political decisions more consistent. It also helped reduce market volatility and the risk premium required by investors: Once the public was aware of the targets and instruments of debt management policy, and authorities were committed to them, debt management became more effective.

The functions and responsibilities of public debt managers are defined by legal instruments that are publicly available on the National Treasury's website,[15] along with regulations related to debt management and primary and secondary market activities.

The Public Debt Institutional Relations Office[16] has been key to ensuring that policies would be transparent and the Treasury's actions (as the manager of public debt) would be publicized. It was also crucial in expanding the investor base, conducting regular meetings with risk-rating agencies and updating the website with relevant information for investors and the public (see Box 1).

Some of the material it publicizes include:

- *The Annual Public Debt Borrowing Plan,* since January 2000, which presents the National Treasury's targets, assumptions and priorities;
- *The Annual Debt Report,* which offers a retrospective analysis of PDM for previous years, describing the goals and targets in terms of human and technological resources, and results;
- *The Monthly Debt Report,* which presents information and statistics on issuances, buybacks, outstanding debt and its average maturity and life, maturity profiles and average costs for the FPD, including domestic and external debt for which the Treasury is responsible;
- *Monthly issuance schedules,* which, at the start of each month, list the dates of auctions, as well as the maximum volume and bonds to be auctioned in the period;
- *A debt newsletter,* which provides information on issues related to the public debt;
- *Presentations for investors,* updated weekly, which include information on the public debt in Portuguese and English. These offer a macroeconomic overview and describe the advances and challenges in PDM, highlighting the Treasury's financing strategy.

Also, the Institutional Relations Office releases statements made by government representatives at national and international events.

Finally, it arranges for regular teleconferences in which the Treasury secretary talks with domestic and foreign investors to describe the latest policies on PDM, fiscal issues, etc., that investors and the public need to know.

All Treasury communications are sent by direct mail to the various stakeholders, such as domestic and foreign investors, multilateral organizations, rating agencies and the press.

---

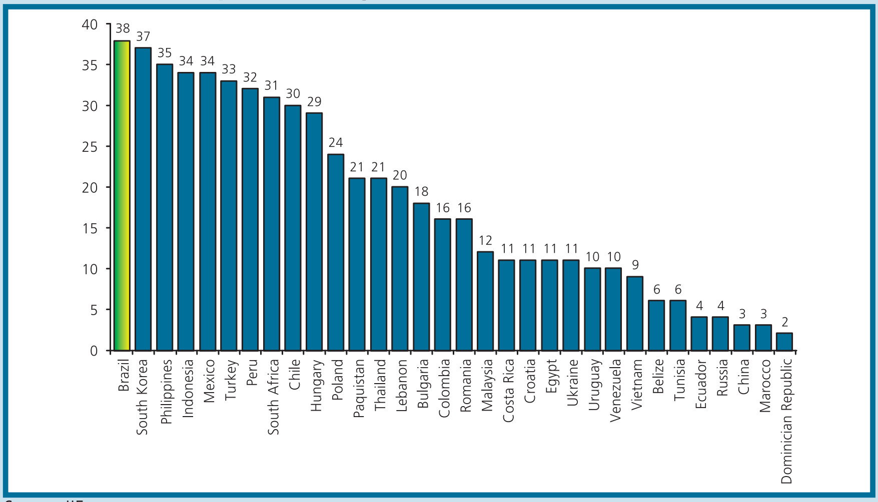
[15] http://www.tesouro.fazenda.gov.br/legislacao/leg_divida.asp.

[16] The Institutional Relationship Office (GERIN) was created in 2001 within the Public Debt Strategic Planning Department, as part of the National Treasury restructuring process.

Box 1. The market's recognition of the institutional relationship program

According to the Institute of International Finance (IIF), which studies the world's main financial institutions, Brazil is now the emerging country with the best investor relations and the most transparent in the way it disseminates information on public accounts and indebtedness. Its study[17] of 30 countries, including China, India, South Korea, Russia and South Africa, which have already reached investment grade, provides investors with a comparison of the countries' communications and transparency in disseminating data.

Graph 1. Rating of relations with investors



Source: IIF

In Brazil, two institutions are responsible for investor relations: (a) the Central Bank, whose task is to improve communications with the private sector, focusing on domestic and foreign investors, by providing information on the country's economic and monetary policies; and (b) the National Treasury, whose task is to develop and improve contacts with national and international financial markets, so as to ensure transparency and better dissemination of information about the FPD and the Treasury's funding policies, as well as help expand the investor base.

According to the IIF, the two institutions have consistently met their goals for presenting information about fiscal statistics in a timely, regular manner. The IIF study highlighted the two agencies' efforts, which have promoted Brazil's transparency.

The top rating reflects Brazil's having adopted best practices with regard to investor relations and disseminating information. This can translate into important benefits for PDM, such as increased protection against market uncertainties, not only in favorable times, but in periods of high volatility or low international liquidity.

3.4 External audits[18]

Good debt management practices suggest that external auditors should review activities annually. These audits should evaluate the institutional environment (organizational structures and information systems), operational risks, information flows, and monitoring of internal controls.

[17] http://www.iif.com/press/press+14.php.

[18] For more information, see Part II, Chapter 5.

Brazilian debt management is audited internally each year by the Office of the Comptroller General (CGU), an agency of the executive branch, and externally, by the Federal Court of Accounts (TCU), within the legislative branch.

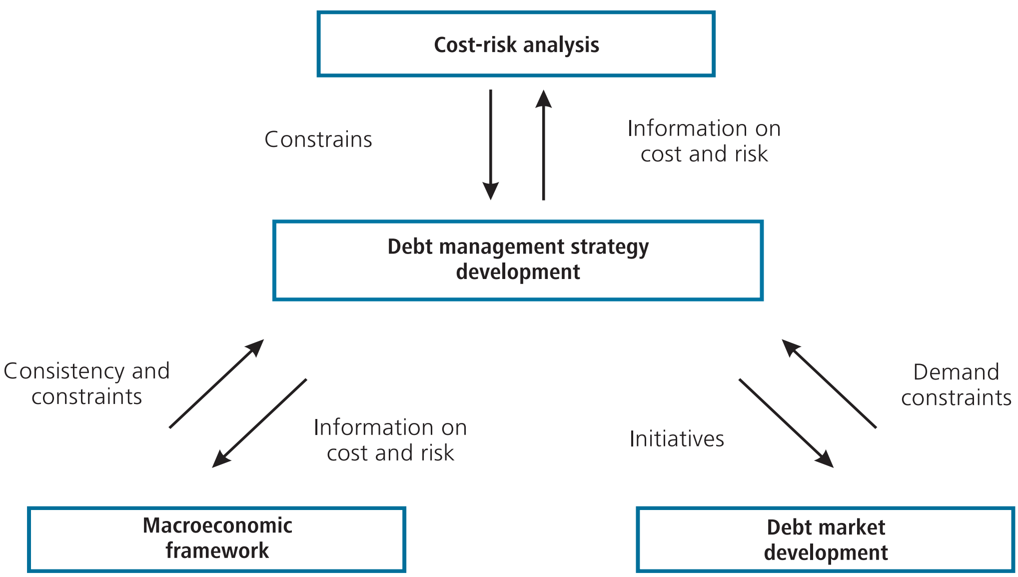
4 PDM strategy and risk management

The most important elements of PDM are a consistent, sustainable strategy for the public debt based on cost and risk analyses that consider macroeconomic and market restrictions and a developed domestic market (World Bank, 2007).

Guidelines advocated by debt strategy experts stress the importance of monitoring and evaluating risks in the debt structure, considering, for example, its maturity profile and exposure to fluctuations of economic-financial variables. In particular, managers should be concerned about risks associated with variations in interest and exchange rates, and in securing debt payment and refinancing.

The strategy should assess distinct medium- and long-term debt structures for defining optimum debt profiles which would help managers identify and manage cost-risk tradeoffs. It should also consider macroeconomic restrictions and the market's level of development. The figure below outlines the process.

Figure 3. Elements of a public debt strategy



Source: World Bank

The strategy, presented in the ABP, aims to minimize long-term borrowing costs, ensure prudent risk levels and contribute to the good performance of the public bond market. Also, it is a tool that increases transparency and ensures predictability.

In recent years, the Treasury has sought to improve debt management by drawing on international best practices, through technical discussions on methodologies and indicators used by the private sector and international debt management agencies.

Also, staff visited agencies in Portugal, the UK, Sweden, Denmark and Belgium that were selected for their reputation with regard to debt management. Information derived from the meetings led to a proposal to improve Brazil's debt risk management and were included in a Treasury report, to guide the next steps.

After this, a seminar was held in early 2003[19] in Rio de Janeiro, jointly organized with the Organization for Economic Cooperation and Development (OECD) and the World Bank, that focused on framing the current Brazilian model in the context of international best practices. It included participants from the National Treasury, academics and international experts. The visits and the seminar were fundamental to better position Brazil's DMO within the international best practices group, as well as to bring new ideas to enhance the tools used to measure the cost-risk tradeoff of a debt portfolio.

In this regard, and according to IMF and World Bank guidelines, debt managers must identify debt-related risks, measure their extent, and design cost-risk tradeoff strategies. The increased focus on managing risk requires specific tools. The IMF and World Bank[20] examined different countries'[21] models to measure the cost-risk tradeoff of the debt portfolio. The study found that many use very simple ones, based on deterministic scenarios. However, more sophisticated models are being developed; and, most prefer stress tests as a way to assess market risks and the sensitivity of various borrowing strategies.

In Brazil, there have been important institutional and technical advances regarding risk as it relates to domestic and external debt. These include improvements to (a) stochastic risk models; (b) information processing systems and analytical tools; (c) integrated systems for managing assets and liabilities[22] and (d) benchmark models.[23]

The National Treasury's stochastic models to analyze market and refinancing risks, such as Cost-at-Risk (CaR) and Cash-Flow-at-Risk (CFaR), improved significantly in estimating parameters related to risk factors (interest rates, inflation, currency exchange) and adapting the models to assess external debt-related risks.

Along with these models, the data processing and analysis systems were redesigned to provide more information on the external debt, drawing on links with the domestic debt. Also, new computer tools were developed to run liability management simulations and outline efficient parameters for the FPD (see Box 2).

The Assets and Liabilities Management (ALM) system gathers information on the Federal government's assets and liabilities that directly or indirectly relate to the public debt. It is also being re-designed, particularly to make the integrated domestic and external debt study more effective, by considering distinct financing sources. This approach allows assessments of cost and risk, and helps determine an optimum debt structure. Finally, studies and discussions on a Brazilian public debt benchmark have also progressed: The 2007 Annual Borrowing Plan described the FPD benchmark for the first time, along with its guidelines.

---

[19] Hosted by the Getulio Vargas Foundation.

[20] "Guidelines for Public Debt Management: Accompanying Documents and Selected Case Studies".

[21] Brazil, Colombia, Denmark, India, Ireland, Italy, Jamaica, Japan, Mexico, Morocco, New Zealand, Poland, Portugal, Slovenia, South Africa, Sweden, the UK and United States.

[22] ALM – Assets and Liabilities Management.

[23] The benchmark is a long-term optimum debt structure that guides the short- and medium-term borrowing strategy. It is a key risk management and strategic planning instrument.

Box 2. Strategic planning and risk management system (Gerir)

The Gerir system, adopted in December 2002, provides inputs for designing and analyzing alternative public debt issuance strategies: It presents cost and risk indicators for each strategy, as well as maturity and composition profiles. With this information, debt managers can better evaluate different plans of action for specific scenarios.

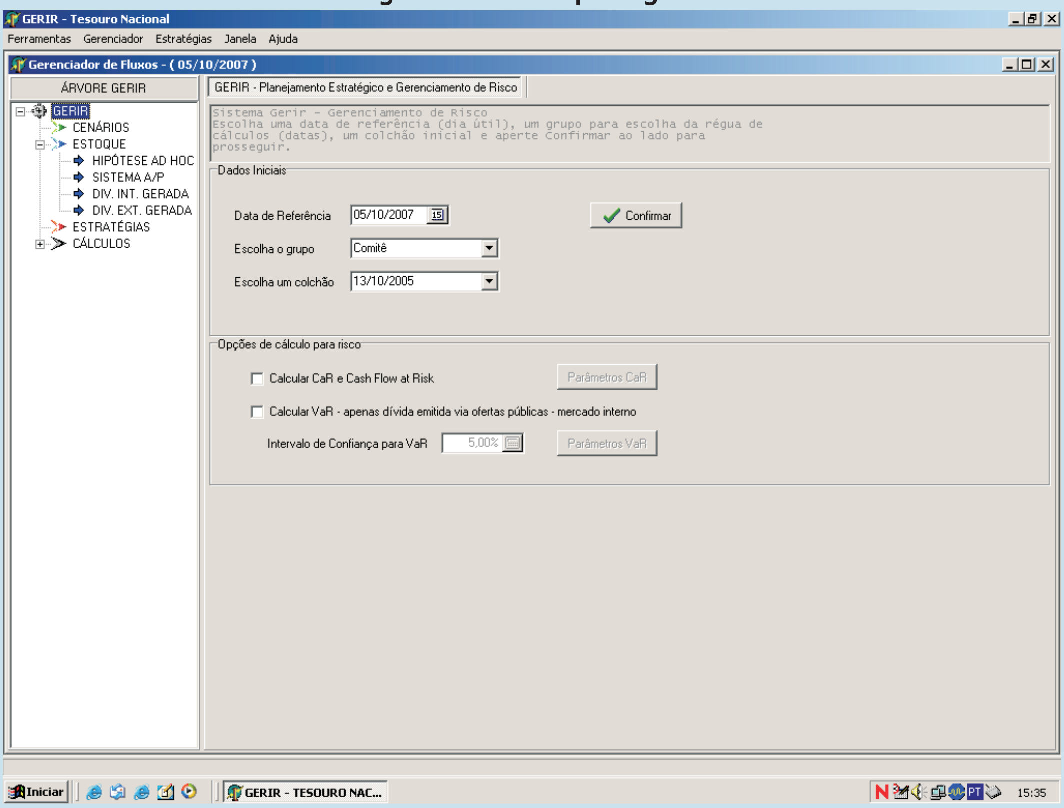
Specifically, the system (a) integrates asset and liability analyses, (b) designs and evaluates public debt strategies, (c) estimates financial and risk indicators of assets and liabilities under the National Treasury, and (d) evaluates other National Treasury operations with the market.

Its main inputs are:

- Macroeconomic scenarios, based on market information;
- Asset and liability portfolios;
- Domestic and external debt strategies that can be simulated and compared.

Its main outputs are reports containing debt indicators and risks (regarding outstanding debt flows and stocks, average maturity and percentage due in 12 months), stochastic indicators such as CaR, CFaR, BaR[24] and VaR,[25] and a mapping of the Treasury's assets and liabilities.

Figure 4. Gerir's opening screen



[24] Budget-at-Risk.
[25] Value-at-Risk.

5 Technical capacity and technological information systems

5.1 Technical capacity

"Public debt management requires staff with a combination of financial market, economics, and public policy skills. Regardless of the institutional structure, the ability to attract and retain skilled debt management personnel is crucial, both for developing and executing an effective strategy and for mitigating key-person risk" (World Bank, 2007).

In Brazil, such recruitment has improved significantly in recent years. Despite competition with institutions in the public or private sector, the Treasury has assembled a qualified team by restructuring the finance and control analyst career. This category was created to support the Treasury, and includes technical staff and analysts who enter through civil service competitive examinations.

The selection process is designed to attract professionals with solid backgrounds in economics and finance. The last examination for the position was held in 2008, and the Under-Secretariat responsible for managing the debt received 10 new analysts, which brings the total to 96.

The Treasury also offers development and qualification programs for its technical staff, together with institutions that focus on professional specialization, and international organizations. Many in the debt team are highly qualified in economics and finance, and have masters and doctorate degrees, as well as post-graduate training.

Another measure to improve debt management was the adoption of Code of Ethics and Standards of Professional Conduct for National Treasury staff. The code was designed to create rules/principles to guide relations with the financial market, the main buyer/holder of public bonds. It describes responsibilities and restrictions, such as standards of conduct and rules for investing personal finances. Those who drafted the code analyzed international and domestic experiences, the training of staff in civil servant ethics, and collected suggestions from all Treasury units.

This measure conforms to IMF and World Bank guidelines which state that public debt managers should be subject to a code of conduct and guidelines regarding conflict of interest related to personal financial affairs.

5.2 Technological information systems

The guidelines also state that debt management needs a single, secure information system to record debt data, ensure payments, and improve transparency; if multiple systems exist, they can create obstacles to tasks that require consolidated debt information, such as analyzing data and developing strategies.

To adopt best international practices, the Treasury developed an integrated system that incorporated the existing systems (*Dívida Pública Interna – DPI, Dívida Externa, Elabora*[26] and *Gerir*, among others). This was needed because the commercial packages available in the market were incompatible with Brazil's DMO.

The Integrated Debt System (IDS), introduced in 2004, is being developed in two phases. Phase I includes the IDS operational core, which, after 2011, will unify the entire Federal Public Debt database, eliminating redundancies and reducing operational risks, since various actions will be automated. Also, it will improve statistical analysis and decision making since information from the entire FPD will be integrated.

[26] System for elaborating and monitoring the Federal Public Debt budget.

Phase II, expected to last two and a half years, will develop technical support for analyzing risk, planning strategies, executing auctions, managing the Treasury Direct program,[27] and carrying out budget/financial programming. Previous systems will be discontinued.

Thus, the IDS will cover the complete cycle of FPD activities and simplify the tasks of extracting data, generating information and issuing reports. Specifically, it will (a) integrate the actions of the Public Debt Under-Secretariat's three coordination offices; (b) eliminate calculation redundancies; (c) integrate the greatest possible amount of data and functions; (d) integrate the main systems by rewriting them with new technology; (e) expand capacity for extracting managerial information; and (f) minimize operational risks.

Figure 5. IDS modules and sub-modules

System	Administrative	Market monitoring	Planning records
– Security – Framework – Setup – Interaction with users – Online help	– Calendar – People – Institucional communication – Economic and financial studies	– Indexers – Market indicators – Central Bank operations – Secondary Market	– Scenarios – Strategies – Central Bank operations – Budget
Liability registration	**Debt operations**	**Budgetary and financial management**	**Planning**
– Securities debt – Contractual debt – Debt analyses	– Support to credit operations – Structured operations – Treasury Direct management – Auction planning and determination – Purchase of foreign currency	– Budgetary control – Contractual debt – Debt analyses	– Development of scenarios – Strategy design – Development of flows – Risks – Budget elaboration
	Public supply	**External accesses**	
	– Auctions	– Ministries' contractual debt	

6 Integration and dissemination of public debt management best practices

The Treasury's achievements in PDM paved the way for Brazil's broader participation in the international debate and dissemination of best practices. Along with support from the Inter-American Development Bank (IADB) and some countries in the region, Brazil oversaw the creation of the Latin American and Caribbean Expert Group on Public Debt Management (the LAC Debt Group). Set up in 2005, the group includes professionals who work on sovereign debt management. Members can share experiences related to various activities, thus improving the agencies involved with PDM: The group helps managers harmonize governance, institutional structures, standards and regulations and develop a secondary market of public bonds, as well as improve each country's capital market.

[27] The Treasury Direct is a program designed to sell bonds to the public, developed by the Treasury in partnership with BM&FBovespa. For more information, see Part 3, Chapter 7 (Treasury Direct Program).

At the group's first meeting, in Rio de Janeiro[28] in March 2005, discussions focused on the (a) institutional structures for public debt departments, (b) regional secondary markets for public bonds, (c) methodologies to calculate debt indicators, (d) experiences and recent advances in public debt risk management, and (e) the prospect of opening domestic public debt markets to foreign investors. On that occasion, the first steering committee was elected which included Brazil (chair), Colombia (vice-chair), Chile, Jamaica, Mexico and Panama. The IADB was assigned the role of executive secretary.

The second annual meeting, in April 2006, in Cartagena, Colombia, focused on (a) best practices related to the institutional structure of PDM and developing regional secondary public bond markets, (b) the link between debt management and fiscal policy, and (c) standardizing debt statistics across the region. During the meeting, Brazil described the process of developing the bond market and creating regional information systems for the public debt and derivatives market.[29]

LAC Debt Group participants also met in Brasilia, in October 2008, for a special one-week seminar which included 35 experts on PDM from 21 countries. It focused on governance, institutional structures, macro-processes and instruments used in Brazil's PDM, as well as its interaction with various institutions.[30]

7 Conclusions

Best international practices show that efficient PDM entails, among other factors: (a) sound institutional structures, with functions consolidated in a single department; (b) coordination between PDM policy and fiscal/monetary policy; (c) a solid governance structure, with goals, responsibilities and rules stipulated for PDM institutions; (d) a medium- and long-term public debt strategy based on cost and risk analyses; and (e) a high level of technical capacity among the team in charge of PDM along with secure, accurate technological information systems.

In recent years, the Treasury invested in promoting transparency, separating debt from monetary policy, building institutional structures with distinct functions (in front, middle and back offices), as well as improving statistics, information systems and technical staff. Also, goals were set and a medium- and long-term strategy was consolidated in its Annual Borrowing Plan. Thus, The Brazilian Treasury succeeded in adopting international best practices.

[28] Participants represented 19 LAC countries, experts from Spain, Portugal, Denmark and Italy, and from the World Bank, IADB, IMF, OECD and UN Conference on Trade and Development (UNCTAD).

[29] Brazil's representative, who was coordinating the project, described how the process was evolving at the third annual meeting in April 2007, in Costa Rica.

[30] Brazil was represented by members of the National Treasury's Strategic Planning, Operations and Public Debt Control Departments. Guest speakers were from the National Association of Financial Market Institutions (Andima), the Securities, Commodities and Futures Exchange (BM & FBovespa), the Securities and Exchange Commission (CVM), the Open Market Operations Department (Demab) and the Economic Department (Depec), both of the Brazilian Central Bank.

Bibliography

INTERNATIONAL MONETARY FUND AND THE WORLD BANK. *Guidelines for public debt management*. Washington, DC, 2001.

_______. *Accompanying Document to Guidelines for public debt management.* Washington, DC, 2002.

MINISTÉRIO DA FAZENDA. Secretaria do Tesouro Nacional. *Relatório anual da dívida pública*. Brasília: MF, jan. 2007. Vários números.

TESOURO NACIONAL. http://www.tesouro.fazenda.gov.br.

THE WORLD BANK. *Managing public debt: from diagnostics to reform implementation*. Washington, DC, 2007.

WHEELER G.; JENSEN, F. *Governance Issues in Managing the Government's Debt: World Bank Handbook on Public Debt Management*. Washington, DC: The World Bank, 2000.