



# Public Debt Bulletin

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

Year 3 Volume 1

2080 Shrawan-Poush

July 17, 2023- Jan 14, 2024

## Message from PDMO Chief

Every government needs a sufficient public fund for effective governance in the state administration. In Nepal, Public fund comprises government revenue, grants of any kind received by the government and income generated from the sale of public property. The government manages its expenses from the accumulated amount in the public fund. Generally, the government is expected to spend as much as it earns. However, the prevalent international practice is to allocate more expenditure than income to fulfill the increasing needs of citizens, accelerate economic growth and maintain financial stability. It is noticeable in Nepal's history that deficit budgeting has been initiated along with budget management. Initially, government used the foreign aid as the source to cover the fiscal deficit but in recent years both external and internal loans have been utilized to cover budget deficit.



About one-third of the Nepal's annual budget is allocated to public debt. In the context of recent trend of budget allocation, continuous upward movement of public debt, increasing global concern regarding the government's capacity to repay debts and the sustainability of the economy, I am pleased to publish the latest bulletin including informative analysis of the relevant subject matter and activities of the Public Debt Management Office of Nepal (PDMO). It is expected that the bulletin will contribute to transparency, accountability and public awareness regarding public debt and investment. This bulletin presents debt related data, debt related activities, status of public investment (share and loan) to the state-owned enterprises (SoEs), debt service liabilities and the recent operational & institutional development issues in public debt management in Nepal.

PDMO has been continuously carrying out mainly middle office & back office functions relating to public debt management. Middle office work involves preparing mid-term debt strategies, conducting long-term debt analysis and formulating policies for share and debt investments. In this regards, training programs on capacity development for employees are being conducted in coordination of international institutions mainly International Monetary Fund, World Bank and Asian Development Bank. The office has also introduced digital signatures to carry out its work recently for initiating paperless documentaion of the works. The challenge lies in expanding the physical, human and technical capabilities of the PMDO to handle internal debt-related tasks transferred from the Nepal Rastra Bank in an effective manner, while no significant progress has been made towards developing the bond market through the secondary market of government securities to speed up financial transactions.

Lastly, I expect that this bulletin will be beneficial to the policy makers, investors/creditors, public, scholars & researchers in the field along with other stakeholders. I am thankful to my colleagues at PDMO, Ministry of Finance, NRB and the development partners for the direct and indirect support and suggestions, while preparing this bulletin. Any feedback on this bulletin will be welcomed.

Thank You

## KEY HIGHLIGHTS

- ⊙ Introduction of digital signature for day-to-day office activities of PDMO
- ⊙ Completion of DSA Training using DDT Tools
- ⊙ Loan negotiation and agreement
- ⊙ Preparation of draft domestic debt operation procedure
- ⊙ Publication of annual report of debt & investment and reporting to FCGO & MoF
- ⊙ Publication of Quarterly Debt Reports
- ⊙ Completion of subsidiary loan agreement with Nepal Electricity Authority (NEA)
- ⊙ Preparation & submission of O&M report to MoF
- ⊙ IMF TA Mission (9-19 January, 2024)
- ⊙ On-going upgradation of DoMS

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## Public Debt Bulletin

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## Public Debt Position

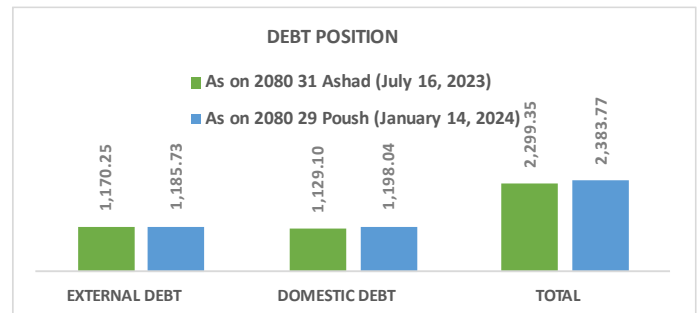
The total outstanding debt of Government of Nepal is NPR 2,383.77 billion as on Poush 29, 2080 (January 14, 2024). Out of total debt, external debt comprises NPR 1,185.73 billion and domestic debt comprises of NPR 1,198.04 billion. During the six months of FY 2080/81, the total outstanding debt has increased by 3.67 percent consisting of increase in external debt & internal debt by 1.32 percent and 6.11 percent respectively as shown below:

Debt Position: Total Outstanding Debt  
 As on 2080 Poush 29 (January 14, 2024)

(NPR in Billions)

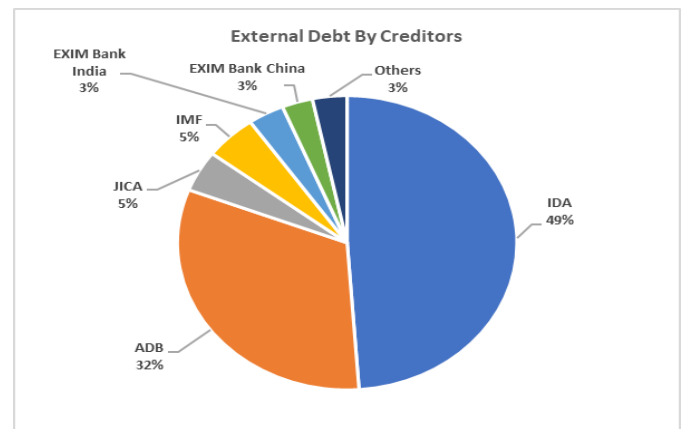
Debt	As on 2080 31 Ashad (July 16, 2023)	As on 2080 29 Poush (January 14, 2024)	Change Percentage
External Debt	1,170.25	1,185.73	1.32%
Domestic Debt	1,129.10	1,198.04	6.11%
<b>Total</b>	<b>2,299.35</b>	<b>2,383.77</b>	<b>3.67%</b>

\*Domestic Debt includes IMF Bond.

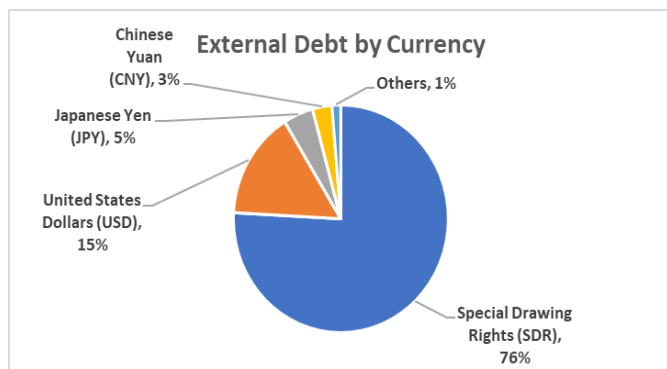


## External Debt Portfolio

External public debt represents almost one-half of total outstanding public debt as on Poush 29, 2080 (January 14, 2024). IDA is responsible for the largest share of outstanding external debt (49%), followed by the ADB (32%). These multilateral agencies hold nearly 81 percent of the GoN's outstanding external debt. Other major creditors comprise JICA (5%), IMF (5%), and Exim Banks & Others (9%).

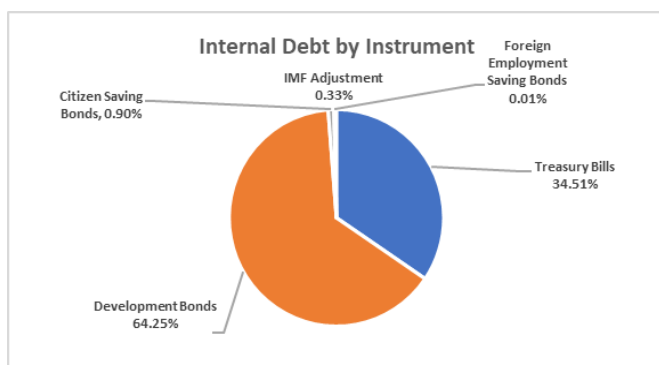


As of Poush 29, 2080 (January 14, 2024), 76 percent of the total external debt is held in SDR (Special Drawing Rights), followed by 15 percent USD (United States Dollar), 5 percent JPY (Japanese Yen) and 3 percent CNY (Chinese Yuan). The remaining other currencies hold 1 percent of the total external debt outstanding.



### Domestic Debt Portfolio

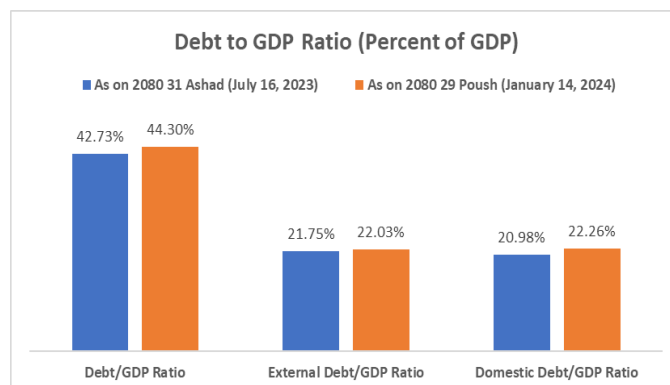
Domestic debt comprises mainly of short- term and long-term securities issued at the domestic market and loans borrowed from central bank. As on Poush 29, 2080 (January 14, 2024) Development Bonds account for 64.25 percent of the total domestic portfolio, whereas Treasury bills cover 34.51 percent, Citizen saving bonds represent 0.90 percent, and IMF adjustment & foreign employment saving bonds represent only 0.34 percent of the total domestic debt.



### Public Debt to GDP

The total debt to GDP ratio is 44.30 percent as on Poush 29, 2080 (January 14, 2024). The external debt to GDP ratio is 22.03 percent and domestic debt to GDP ratio is 22.26 percent. At the end of FY

2079/80 (July 16, 2023), the debt to GDP ratio was 42.73 percent consisting of 21.75 percent on external debt and 20.98 percent on domestic debt.



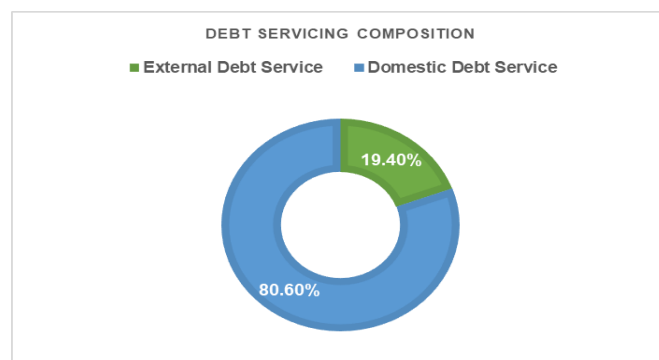
### Debt Servicing

Total debt servicing is NPR 116.085 billion during the two quarters of Fiscal Year 2080/81, of which NPR 22.51 billion i.e., 19.40 percent is for external debt and remaining NPR 93.56 billion i.e. 80.60 percent is for domestic debt.

**Debt Servicing**  
for the period 2080 Shrawan to 2080 Poush  
(for the period 2023 July 17 to 2024 January 14)

(NPR in Billions)					
S.N.	Description	Amortization	Interest Payment*	Total	Percent
1	External Debt	17.940	4.579	22.519	19.40
2	Domestic Debt	59.372	34.195	93.566	80.60
	<b>Total</b>	<b>77.311</b>	<b>38.774</b>	<b>116.085</b>	<b>100.00</b>

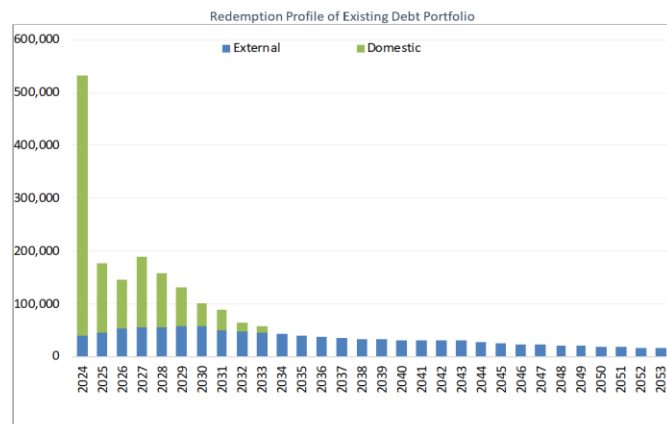
\* 1) Interest payment of external debt includes grace period interest payment and commitment charges payment.  
2) Interest payment of domestic debt includes commission payment.



### Redemption Profile of Existing Debt Portfolio

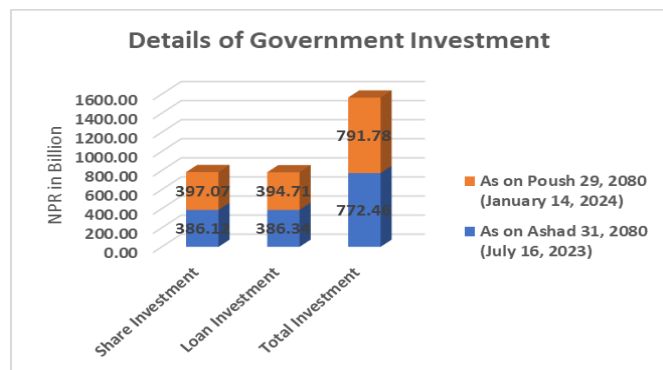
The redemption profile depicts the level of risk associated with refinancing. Though there is a huge spike in 2024, it is expected to get shifted to next year with rollovers of T-bills. Other spikes are seen from fiscal year 2025 to 2028, due to the relevant redemptions of 5-year Development Bonds, with heavy weight in the portfolio. The redemptions of

external debt are spread throughout the period without any significant spike ahead.

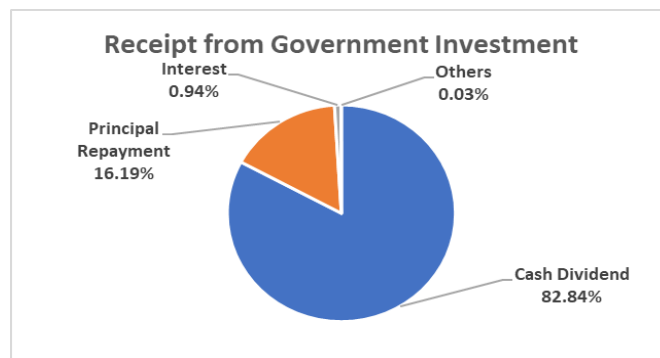


### Government Investment

The total investment up to Poush 29, 2080 (January 14, 2024) is 791.78 billion of which share investment is 397.07 billion and loan investment is 394.71. Total investment was 772.46 billion consisting of 386.12 billion and 386.34 billion to share investment & loan investment respectively as on Ashad 31, 2080 (July 16, 2023).



The total cash dividend of share investment received to Government of Nepal till Poush 29, 2080 (January 14, 2024) is 22.90 billion. Similarly, the total principal amount received of loan investment is 4.48 billion and interest amount received is 0.26 billion. Thus, the cash dividend, principal, interest and others receipt up to Poush 29, 2080 (January 14, 2024) of FY 2080-81(FY 2023-24) is 27.65 billion. The composition of the receipt relating to government investment is as follows:



### Capacity Building

The Asian Development Bank (ADB) conducted a training program titled "Training in Debt Sustainability Analysis using the Debt Dynamics Tool" from 9th to 13th October 2023 in Nagarkot. More than 20 participants from various institutions including the Ministry of Finance, Financial Comptroller General Office, National Planning Commission, Nepal Rastra Bank, and PDMO attended the program. The primary aim of the training was to bolster the capacity of the PDMO and other stakeholders in analyzing the country's debt sustainability using the Debt Dynamics Tool. To achieve this objective, an intensive hands-on exercise was conducted, focusing on conducting debt sustainability analysis using Nepal's data emphasizing technical aspects. DSA report has been prepared based on this training which is in final stage of completion and will be forwarded to MoF for final approval.

### Report Publication

Annual report has been published for the fiscal year 2079/80 (2022/23) including two quarterly debt reports relating to the period under consideration of this bulletin. Debt related information was reported in compliance with the existing Nepal public sector accounting standards.

### IMF TA Mission

A team of experts from IMF provided training of Public Debt Management to around 20 designated officials of PDMO, MoF, FCGO & NRB from January 9 to January 19, 2024 in Tripureshwor, Kathmandu. Similarly, mission team made several visits to MoF, NRB & FCGO to hold discussions relating to

existing aspects of public debt management practices & issues with respective stakeholders. The aim of the mission was to provide training on key aspects of the public debt management focusing on DMO office set up, annual borrowing plan, debt management transition, portfolio risk analysis, MTDS analysis, cash management, contingent liability and others including providing findings & recommendations on existing practices of debt management in Nepal considering the standard international practices.

The major recommendations provided by the mission are as follows:

- Course correction of PDMO for greater focus on core debt management functions
- Need for review and amendment in public debt management legislation to make it compliant with sound international practices
- Reform plan for PDMO as outlined by TA mission with cabinet approval, if required
- Finalization of arrangement with NRB for deputation of staff
- Initiation of process for dematerialization of government securities under NRB
- Replacement of existing committees with Public Debt Management Committee to provide greater role for PDMO and MoF

### Strategic Key Activities

#### I. Medium Term Debt Strategy

The submission of MTDS report (both Nepali & English version) covering FY 2080/81 to FY 2082/83 (FY 2023/24 to FY 2025/26) has been submitted to MoF for approval & implementation, which is in the final phase of approval from MoF.

#### II. Domestic & External debt operation procedure

PDMO has drafted separately for domestic & external debt operation procedure for the management of domestic & external debt operation activities in efficient & transparent manner.

#### III. External public debt negotiation & agreement

PDMO has actively participated in the negotiation of various loans with external creditors & entered into three loan agreements with ADB & IDA amounting to USD 300 million for various projects during first six months of FY 2080-81 (FY 2023/24).

#### IV. Subsidiary loan agreement

PDMO has entered into subsidiary loan agreement with Nepal Electricity Authority (NEA) amounting to JPY 15,901 million for the project “Urban Transmission & Distribution System Improvement Project” as on Poush 12, 2080 (December 28, 2023).

Similarly, the loan deed (tamsuk) with four SoEs & public institutions have been made amounting NPR. 2125.18 million during the first six months of FY 2080/81 (FY 2023/24).

#### V. Approval for integration of RTGS to DoMS

The approval from NRB for integration of RTGS to DoMs is in final stage of approval till the end of the period. Similarly, the initiations have been made for integration of DoMs with Nepal Stock Exchange (NEPSE), Computerized Government Accounting System (CGAS), Treasury Single Accounts (TSA) & Development Finance Information Management System (DFMIS).

#### VI. Organization & Management (O&M) Survey report

PDMO has prepared O&M survey report based on existing requirements of human resources for the smooth operation of public debt related activities. The survey report has been submitted to MoF for approval & further proceedings.

#### VII. Migration Plan for domestic debt related activities from NRB

The migration plan has been made for operation of domestic debt activities under PDMO from upcoming fiscal year in close coordination with NRB & MoF.

### **VIII. Ongoing upgradation of DoMS**

The ongoing upgrade of the Debt Operation and Management Software (DOMS) includes dynamic upgrade to investment module; enhancing accuracy of accounting and reporting module of external debt; addition of rollover auction function in domestic debt module; and overall improvement in investment portal for retail instruments. Plans are in place for the Public Debt Management Office (PDMO) to manage domestic borrowing issuances through the system from the beginning of the next fiscal year, for which necessary tasks in the DoMS are being carried out.

### **IX. Public Debt Management Committee Meeting**

During the first six months of FY 2080-81(FY 2023/24), two meetings of public debt management committee have been concluded under the chairmanship of Secretary (Revenue) of Ministry of Finance for review & analysis of the public debt situation.

### **X. Future capacity building Plan**

There is a schedule of Training in Debt Sustainability Analysis using the LIC DSF to be held on 13-20 February 2024 at Kathmandu, Nepal to the officials of PDMO, MoF, FCGO & NRB by ADB. This will enhance the skill of the designated personnels in conducting debt sustainability analysis of Nepal.

## Photo Gallery



*DSA training at Nagarkot*



*Token of love to resource person of DSA training at Nagarkot*



*Farewell program of Office chief Mr. Bhumiram Sharma*



*TA Mission IMF training session*



*Farewell Program of Joint Secretary of MoF Mr. Baburam Subedi*



*IMF TA mission debriefing*