

TECHNICAL **INDICATOR DESCRIPTORS** 2015/16

PROGRAMME 4:
**ASSET AND LIABILITY
MANAGEMENT**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PERFORMANCE INDICATOR 4.1.1

Indicator title	Analysis of corporate plans, shareholder compacts and annual reports of state-owned companies (SOCs) and development finance institutions (DFIs) and water boards
Short definition	Analyse the remuneration trends, borrowing, infrastructure spending and funding progress data for SOCs to ensure continued governance of the entities and its alignment with government policy objectives
Purpose/importance	The indicator measures corporate plans, annual reports and shareholder compacts to assess their potential impact on the fiscus and alignment with government policy
Source/collection of data	Summary reports completed
Method of calculation	Reports completed/received
Data limitations	<ul style="list-style-type: none"> • Late submission of Corporate Plans and Annual Reports from SOCs • Executive Authorities may request amendments to Corporate Plans which may result in delays • Entities are not required to submit final shareholder compacts to NT for review
Type of indicator	Activity and output
Calculation type	Cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	Number of analyses completed against the number planned for the period under review
Indicator responsibility	Chief Directorate: Governance and Financial Analysis

PERFORMANCE INDICATOR 4.1.2

Indicator title	Review of PFMA submissions and applications for guarantees, funding, borrowing limits and MFMA tariff increases
Short definition	<ul style="list-style-type: none"> • Applications reviewed • Review of the regulatory environment for DFIs
Purpose/importance	Ensure that SOC submissions and applications comply with the PFMA and MFMA
Source/collection of data	Submissions prepared in response to applications for PFMA submissions and applications for guarantees, funding, borrowing limits and MFMA tariff increases
Method of calculation	Reviews completed/submissions received, with adjustments to account for inter-temporal differences (submissions carried forward from previous year/to following year)
Data limitations	Inter-temporal differences between the submissions received during the course of the year and those responded to, due to additional information being required to finalise the review of submissions and applications received; applications for guarantees and borrowing limits must be considered by the FLC and/or delays in receiving sign off due to e.g. amendments being required
Type of indicator	Output and activity
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
New indicator	No
Desired performance	Completed review of all submissions and applications received, within acceptable timeframes
Indicator responsibility	Chief Directorate: Sector Oversight

PERFORMANCE INDICATOR 4.1.3

Indicator title	Review of the regulatory environment for SOCs/DFIs
Short definition	Review of legislation, policy, sector reforms and strategies for SOCs/DFIs
Purpose/importance	Reviews ensure that any potential negative impact of new/amended legislation, policies, sector reforms and strategies are identified and mitigated
Source/collection of data	Comments provided on legislation, policy etc.
Method of calculation	<ul style="list-style-type: none"> • Number of reviews conducted and submitted • Number of documents on which comments are provided
Data limitations	No formal process for receiving legislation for comment or for submitting such comments
Type of indicator	Activity and output indicator
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
New indicator	No
Desired performance	Completion of all planned reviews and related activity
Indicator responsibility	Chief Directorate: Sector Oversight

PERFORMANCE INDICATOR 4.2.1

Indicator title	Meet government's total annual borrowing needs
Short definition	Fund government's annual borrowing requirements through various debt instruments
Purpose/importance	Ensure that sufficient funds are available to meet government commitments
Source/collection of data	Annual gross borrowing requirement is sourced from the Budget tabled annually by the Minister of Finance
Method of calculation	Gross borrowing requirement is the sum of revenue, expenditure and debt due for repayment
Data limitations	Accurate revenue and expenditure forecasts Market conditions
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	Meeting the annual borrowing requirement amount
Indicator responsibility	Chief Directorate: Liability Management

PERFORMANCE INDICATOR 4.2.2

Indicator title	Ensure timely and accurate payment of interest and redemptions
Short definition	Payment of government debt obligations in a timely and accurate manner to avoid any credit defaults or additional costs due to inaccurate/delayed payment
Purpose/importance	Servicing of debt is a requirement as per loan agreements; failure to do so will result in credit defaults which could lead to credit rating downgrades and loss of investors
Source/collection of data	Government debt-service costs are contained in the annual Budget as tabled by the Minister of Finance
Method of calculation	Outlined in Terms of Conditions of funding instruments
Data limitations	Inability to access debt recording and payment systems due to internal and/or external factors
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	To accurately meet all government debt obligations on time
Indicator responsibility	Chief Directorate: Liability Management

PERFORMANCE INDICATOR 4.2.3

Indicator title	Retain current, and attract new investors
Short definition	Developing initiatives to attract new investors whilst maintaining sound relations with current investors
Purpose/importance	Positioning South Africa as a safe and credible borrower
Source/collection of data	Information is sourced through investor interactions such as: <ul style="list-style-type: none"> • Roadshows • Continuous interaction with market participants • Marketing and promotion campaigns
Method of calculation	Maintaining an up-to-date database of investor records and investment information
Data limitations	Low investor confidence due to negative economic and political factors
Type of indicator	Activities and outcomes indicator
Calculation type	Cumulative
Reporting cycle	Daily, weekly, monthly and annually
New indicator	No
Desired performance	Achieve objectives by: <ul style="list-style-type: none"> • Increasing appetite and support for government funding instruments • Broadening the investor base • Increasing household savings ratio
Indicator responsibility	Chief Directorate: Liability Management

PERFORMANCE INDICATOR 4.3.1

Indicator title	Government's liquidity requirements met at all times.
Short definition	Forecasting and management of government's short and medium term cash flows
Purpose/importance	Ensure provision for government's short and medium term commitments at the right time, in the right amounts and in the right currency
Source/collection of data	Cash flow data on receipts and payments is received from SARS, Reserve Bank and various units within NT and then consolidated
Method of calculation	<p>Government's net cash position is calculated, taking into account:</p> <ul style="list-style-type: none"> - Gross borrowing requirement, which is the sum of revenue, expenditure and debt due (interest and redemptions) - Proceeds from short- and long-term loans issued in the domestic and international markets - Change in cash balances <p>A monthly net cash position is calculated for the MTEF period and thereafter maintained</p> <p>Daily net cash positions are forecast for three months ahead</p>
Data limitations	Although projections of government's receipts and payments over the medium term fluctuate, daily cash flows can be projected accurately.
Type of indicator	Inputs and outputs
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly and annually
New indicator	No
Desired performance	Total forecasted cash flows are impacted by the outcome of the budget and financing thereof
Indicator responsibility	Chief Directorate: Financial Operations

PERFORMANCE INDICATOR 4.3.2

Indicator title	Forecasting of debt and debt-service costs; and reporting of national government debt operations
Short definition	To forecast the stock of national government debt and the cost of servicing this debt, and to report on national government debt operations in terms of the PFMA, and the reporting standards of the IMF and the OECD, to investors and the financial markets
Purpose/importance	Debt-service costs are one of the biggest expenditure items affecting the budget. Dissemination of information on government debt operations relating to the progress on government's borrowing plan, outstanding government debt and guarantees improves transparency, accountability and investor confidence.
Source/collection of data	Internal NT operational system, Excel databases and inputs from departments and SOCs
Method of calculation	Debt and debt-service costs are forecast using an in-house Excel-based model. Inputs into the model includes the existing volume of debt, new borrowing data and market variables such as interest, inflation and exchange rates.
Data limitations	The accuracy of the numbers generated by the forecasting model is dependent on the outcome of the government's budget balance, borrowing programme and volatility of market variables such as interest, inflation and exchange rates.
Type of indicator	Outputs and activities
Calculation type	Cumulative – for the year
Reporting cycle	Varies from monthly, quarterly and annually
New indicator	No
Desired performance	Government's debt and debt-service costs are accurately forecast and monitored, and reports on the progress of government debt operations (progress of the annual borrowing plan) generated
Indicator responsibility	Chief Directorate: Financial Operations

PERFORMANCE INDICATOR 4.4.1

Indicator title	Performance assessment against market and refinancing risks benchmarks
Short definition	To recommend annual risk allocations using appropriate techniques; to manage the debt portfolio within approved risk benchmarks so that it minimises the impact of interest rate, inflation and exchange rate risks on annual funding requirements and government's debt portfolio while balancing liquidity (cash) and cost objectives
Purpose/importance	<p>Debt portfolio analysis reports the impact of weekly auctions on debt stock, debt portfolio indicators and risk benchmarks.</p> <p>Market performance reports assess risk factors affecting government's funding requirements</p> <p>Funding assessment of actual cash against targeted/ allocated cash.</p> <p>Monitoring of debt portfolio indicators against approved risk benchmarks.</p> <p>Risk inputs to the ALM annual funding strategy process recommends allocations for the new fiscal year</p> <p>Annual risk rating and risk profile of government debt to assess movement in debt portfolio indicators and risk benchmarks on an annual basis</p> <p>Monitoring and assessment reports indicate that share of debt maturing within one year; share of debt maturing within five years; share of inflation linked debt; share of foreign debt; average term to maturity of fixed rate bonds and T-bills; and average term to maturity of inflation-linked debt are below threshold limits and within range of approved benchmarks.</p> <p>Smooth maturity profile of affordable cash redemptions continues to inform switch auction and maximum issuance limits</p>
Source/collection of data	<p>Debt/portfolio data: schedule of RSA debt; total state debt (financial operations)</p> <p>Funding data: borrowing requirements from Financial Operations</p> <p>Cash and nominal auction figures from Liability Management and Financial Operations</p> <p>Market Data: JSE, Bloomberg, Inet Bridge</p>
Method of calculation	Spread sheet models
Data limitations	None
Type of indicator	Government debt/financial indicators
Calculation type	Mathematical, statistical and financial
Reporting cycle	<ul style="list-style-type: none"> • Debt portfolio analysis report: weekly • Market performance report: monthly • Funding assessment: monthly, quarterly • Risk monitoring of benchmarks: quarterly • Risk inputs to the funding strategy: annual • Risk rating and risk profile of government debt: annual
New indicator	No
Desired performance	<p>Actual funding in fixed rate and inflation linked bonds should not deviate by more than the acceptable deviation percentage points from the recommended strategy allocation</p> <p>Issuance in fixed rate and inflation linked bonds to be within a range given during a particular quarter of the fiscal year</p>
Indicator responsibility	Chief Directorate: Strategy and Risk Management

PERFORMANCE INDICATOR 4.4.2

Indicator title	Prudent strategies to manage counterparty risk and ensure effective relations with the credit rating agencies
Short definition	Continuous and proactive engagements with and information sharing between the credit rating agencies and NT
Purpose/importance	Strengthen relations between government and the rating agencies to improve the context of the discussions regarding credit ratings and to ensure that the most accurate information on the country is shared with the rating agencies on a timely basis; and to address information asymmetries and ensure that government is the first point of contact for key policy messages to be shared with the rating agencies
Source/collection of data	Telephone calls and email correspondence forms the bulk of the communication. International and domestic meetings and conference calls are scheduled to discuss ratings matters more in depth.
Method of calculation	The rating trajectory and status of SA's sovereign credit rating is monitored and communicated using the following four reports: <ul style="list-style-type: none"> • Daily Special Sovereign Risk Developments • Weekly Sovereign Risk Developments • Monthly Sovereign Risk Highlights Reports • Monthly CDS Credit Evaluation and Probability of Default Model • Bi-Annual Forward Looking Internal Risk Rating Methodology
Data limitations	Regional, contagion and political risks are outside of the control of this NT programme
Type of indicator	Activity
Calculation type	Cumulative for the year
Reporting cycle	Daily (only for <i>ad hoc</i> developments), weekly, monthly and bi-annual
New indicator	No
Desired performance	Consistently improving relationships with the rating agencies. Consistency across public and private sector when communicating key policy messages Greater collaboration in addressing ratings constraints
Indicator responsibility	Chief Directorate: Strategy and Risk Management

PERFORMANCE INDICATOR 4.4.3

Indicator title	Management of contingent liabilities
Short definition	Prudent management of contingent liabilities
Purpose/importance	Management of contingent liabilities is critical to prevent government from being in a position where contingent liabilities, should they materialise, compromise the sustainability of funding strategies
Source/collection of data	<ul style="list-style-type: none"> • Drafting and submitting quarterly reports outlining the performance of SOCs • Weekly monitoring of key data relating to credit spreads of SOCs' banking sector expected default frequency and foreign bonds issued in foreign denominated currency
Method of calculation	<ul style="list-style-type: none"> • Existence of quarterly reports and evidence of submission to NT stakeholders • Submission of inputs to Cabinet memoranda • Evidence of monitoring of key data undertaken: existence of key data within the unit's filing system
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Weekly and quarterly
New indicator	Yes
Desired performance	Consistently ensuring that government's exposure to contingent liabilities remains within acceptable parameters
Indicator responsibility	Chief Directorate: Strategy and Risk Management