Programme 4:

Asset & Liability Management

Technical Indicator Descriptions

2014 / 15

Performance Indicator 4.1

Indicator title	Analysis of corporate plans, shareholder compacts and annual reports of state-owned companies (SOCs), development finance institutions (DFIs) and water boards.
Short definition	Analysis of corporate plans and annual reports
Purpose/importance	The indicator measures that corporate plans, annual reports and shareholder compacts that NT has reviewed in order to assess the potential impact on the fiscus and alignment with government policy.
Source/collection of data	Summary reports completed
Method of calculation	Reports completed / Reports received
Data limitations	Corporate Plans and Annual Reports may be submitted late or Executive Authorities may request amendments to the Corporate Plans that may result in delays; and/or entities are not required to submit the final shareholder compacts to NT for review
Type of indicator	Activity
Calculation type	Cumulative
Reporting cycle	Annually
New indicator	No
Desired performance	Number of analyses completed, compared with number of analyses planned for the period under review
Indicator responsibility	CD: Governance and Financial Analysis

Performance Indicator 4.2

Indicator title	Review of PFMA submissions and applications for guarantees, funding, borrowing limits and MFMA tariff increases.
Short definition	Applications reviewed
Purpose/importance	The indicator is intended to show that NT has fulfilled its statutory responsibilities as outlined in 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 as below, i.e. 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 that have been responded to due to additional information being required to finalise the review of submissions and applications received that has still to be 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	Activity indicator
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	CD: Sector Oversight

Performance Indicator 4.3

Indicator title	Review of regulatory environment for SOCs/DFIs.
Short definition	Review of legislative, policy, sector reforms and strategies for SOCs/DFIs.
Purpose/importance	Reviews ensure that any potential negative impact of new / amendments to legislation, policies, sector reforms and strategies are identified and mitigated as far as possible
Source/collection of data	Comments provided on legislation, policy etc.
Method of calculation	Legislation, policy, etc. on which NT provided comments / Requests received for comments
Data limitations	No formal process for receiving legislation for comment or for submitting such comments
Type of indicator	Activity
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
New indicator	No
Desired performance	Completion of all planned reviews
Indicator responsibility	CD: Sector Oversight

Performance Indicator 4.4

Indicator title	Total annual government borrowing needs met.
Short definition	Funding of the government borrowing requirement resulting from the annual budget deficit through issuances of domestic long term loans and foreign loans
Purpose/importance	To ensure that there is money available to meet government commitments
Source/collection of data	The gross borrowing requirement is sourced from the Budget tabled by the Minister of Finance annually
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	Annually
New indicator	No
Desired performance	Meeting the funding target as required
Indicator responsibility	Chief Directorate: Liability Management

Performance Indicator 4.5

Indicator title	Ensure timely and accurate payment of interest and redemptions.
Short definition	Servicing of government debt obligations
Purpose/importance	Servicing of debt is a requirement as per loan agreements and 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 cost is 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 system due to internal and/or external factors
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Annually
New indicator	No
Desired performance	To meet all government debt obligations on time
Indicator responsibility	Chief Directorate: Liability Management

Performance Indicator 4.6

Indicator title	Retain current investors and attract new ones.
Short definition	Developing and maintaining sound investor relations
Purpose/importance	Positioning South Africa as a safe and credible borrower
Source/collection of data	Information is sourced through investor interaction i.e.: Roadshows; Continuous interaction with market participants; and Marketing and promotion campaigns.
Method of calculation	Maintaining a database of investor records and information
Data limitations	Low investor confidence due to negative economic and political factors
Type of indicator	Activities such as : Well supported weekly government bond auctions Oversubscribed order books for foreign loan issuances Investments made by retail investors
Calculation type	Annual increase in investors/investments – cumulative
Reporting cycle	Daily, weekly, monthly and annually
New indicator	Not a new indicator
Desired performance	Higher: Increased market appetite and support for government funding instruments Broadened investor base Increase in household savings ratio
Indicator responsibility	Chief Directorate: Liability Management

Performance Indicator 4.7

Indicator title	Government's liquidity requirements met at all times.
Short definition	Forecasting and managing of government's daily and medium term cash flows.
Purpose/importance	To ensure that money is available to meet government's commitments at the right time, in the right amounts and the right currency.
Source/collection of data	Cash flow data on receipts and payments is received from the South African Revenue Services, Reserve Bank and various units within the National Treasury and then consolidated.
Method of calculation	Government's net cash position is calculated taking into account: - Gross borrowing requirement which is the sum of revenue, expenditure and debt due (loan redemptions); - Proceeds from short- and long-term loans issued in the domestic and international markets; and - Change in cash balances A monthly net cash position is calculated for the MTEF period and thereafter maintained. Daily net cash positions are forecasted for three months ahead.
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/annually
New indicator	No
Desired performance	Total forecasted cash flows are impacted by the outcome of the budget and financing thereof.
Indicator responsibility	Programme manager

Performance Indicator 4.8

Indicator title	Forecasts of debt and debt-service cost 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, the reporting standards of the IMF and the OECD, to the financial markets and investors.
Purpose/importance	Debt-service costs are one of the biggest expenditure items and impact on 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 and accountability.
Source/collection of data	Internal treasury operational system, Excel data bases and inputs from departments and state-owned companies.
Method of calculation	Debt and debt-service costs are forecasted using an in-house build Excel based model. Inputs into the model includes the existing volume of debt, new borrowing and market variables such as interest, inflation and exchange rates.
Data limitations	The accuracy of the numbers depends on the outcome of 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	The indicator monitors government's debt and debt-service costs, and report on the progress of government debt operations (progress of the annual borrowing plan). Higher debt and the corresponding higher debt-service costs have an impact on the budget.
Indicator responsibility	Programme manager

Performance Indicator 4.9

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 in such a way that minimises the impact of interest rate, inflation and exchange rate risks on annual funding requirements and government's debt portfolio, while balancing the liquidity (cash) and cost objectives.
Purpose/importance	Debt Portfolio Analysis reports the impact of weekly auctions on debt stock, debt portfolio indicators and risk benchmarks. Market Performance Report assesses risk factors impacting on government's funding requirements. Funding Assessment of the actual cash against targeted cash. Monitoring of debt portfolio indicators against approved risk benchmarks. Risk inputs to the ALM annual funding strategy process recommends allocations for the new fiscal year. Annual Risk Rating and Risk Profile of Government Debt to assess movement in debt portfolio indicators and risk benchmarks on an annual basis. The importance of the monitoring and assessment reports is that the portfolio indicators such as: share of debt maturing within a year; share of debt maturing within 5 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 (thresholds/limits) and within (ranges of) the approved benchmarks. Further, the smooth maturity profile of affordable cash redemptions continue to inform the switch auction and maximum issuance limits.
Source/collection of data	Debt/Portfolio Data – Schedule of RSA Debt; Total State Debt (Financial Operations) Funding Data – Borrowing Requirements from Financial Operations, Cash and Nominal Auction Figures from Liability Management and Financial Operations Market Data – JSE, Bloomberg and Inet Bridge.
Method of calculation	Spread sheet Models
Data limitations	None
Type of indicator	Government debt/financial indicators
Calculation type	Mathematical, Statistical and Financial
Reporting cycle	1. Debt Portfolio Analysis Report - Weekly 2. Market Performance Report - Monthly 3. Funding Assessment - Monthly

	- Quarterly 4. Risk Monitoring of Benchmarks - Quarterly 5. Risk Inputs to the Funding Strategy - Annual 6. Risk Rating and Risk Profile of Government Debt - Annual
New indicator	None
Desired performance	Actual funding in fixed rate and inflation linked bonds should not deviate by more than 5 percentage points from the recommended strategy allocation of 78 per cent fixed rate and 22 per cent inflation linked bonds Issuance in fixed rate and inflation linked bonds to be within a range given from second quarter of the fiscal year 2014-15
Indicator responsibility	Market Risk, Strategy and Risk Management

Performance Indicator 4.10.1

Indicator title	Prudent strategies to manage counterparty risk and relations with the credit rating agencies.
Short definition	Continuous engagements and information sharing between the credit rating agencies and the National Treasury.
Purpose/importance	The purpose of improving the relations between government and the rating agencies serves to improve the context of the discussions that take place regarding the rating and to ensure the most accurate information on the country is shared with the rating agency.
Source/collection of data	Telephone calls and email correspondence forms the bulk of the communication. However, meetings and conference calls are scheduled to discuss rating matters more in depth.
Method of calculation	The rating trajectory and status of the SA credit rating is monitored using our internal methodology.
Data limitations	There are no limitations to accessing the credit rating agencies and improving the relationship with them.
Type of indicator	The indicator can be used to improve the discussions between government and the rating agencies regarding rating challenges.
Calculation type	The relations with the rating agencies can be thought of as a cumulative process that is constantly improving.
Reporting cycle	Daily/ Ad hoc
New indicator	The indicator keeps improving every year as the relationship becomes more long term.
Desired performance	Consistently improving relationship with the rating agencies.
Indicator responsibility	Country Risk, Strategy and Risk Management

Performance Indicator 4.10.2

Indicator title	Prudent strategies to manage counterparty risk and relations with the credit rating agencies.
Short definition	Continuous credit risk analysis of government counterparties to determine quality of government's credit risk exposure.
Purpose/importance	Managing counterparty risk is to determine their ability meet their obligations (servicing of guaranteed debt for SOC as well as settlement of government bond auctions and surplus cash for banks). Ultimately the purpose is to protect the fiscus against any sudden and unplanned outflows.
Source/collection of data	Annual Reports of counterparties, Guarantee register from Financial Operations, SOC debt profiles from Governance and Financial Analysis and Bloomberg, SOC credit spreads from the JSE and I-Net bridge as well as BA 900 from the South African Reserve Bank. Additional market information from Moody's Analytics.
Method of calculation	The credit risk analysis is based on an internal risk rating methodology, which uses financial and business risk indicators.
Data limitations	There are limitations in terms of getting data on a quarterly basis as the official annual reports are only available twice a year. Even this is not available for all counterparties.
Type of indicator	The indicator can be used to determine probability of default and the impact that default will have on the fiscus.
Calculation type	The methodology uses financial and business risk indicators to determine probability of default as at a particular point in time although the monitoring is continuous.
Reporting cycle	Weekly, quarterly and semi-annually
New indicator	The indicator continues without change from the previous year.
Desired performance	Consistently improving the quality of government's credit risk exposure.
Indicator responsibility	Credit Risk, Strategy and Risk Management