

## Chapter 8

### Conclusion and Recommendations

#### 8.1 Conclusion

Union Government's public debt, consisting of internal and external debt, was managed by various agencies with internal debt being managed by Budget Division of the DEA of the MOF along with the IDMD of RBI and external debt being managed by MR, BC and MI divisions of DEA and supported by the CAAA. The Performance Audit on Public Debt Management showed that:

- The legal framework for debt management did not define the term public debt. The legal framework did not indicate clearly debt management objectives and borrowing purposes; and also did not provide for formulation of a debt management strategy.
- There were no objective criteria/guidelines for devolvement on PDs in auction of securities. Subsequently RBI informed (May 2016) that a policy on devolvement criteria had been prepared which *inter alia* incorporated the factors to be considered for arriving at the devolvement decision.
- The minutes of the meetings of the Screening Committee did not indicate whether knowledge transfer, technology transfer and best practices transfer from international experience were considered while approving projects for external assistance in 60 of the 82 approved projects.
- CMBs, introduced to meet temporary cash flow mismatches of the Government, were issued to meet monetary policy objectives.
- The public debt information systems used for internal debt (E-Kuber) and external debt (ICS) did not have provisions for analytical functions.
- There was no centralized database of all internal and external liabilities of the Government. Further, discrepancies were noticed in the internal debt figures published by various divisions of DEA and RBI.

#### 8.2 Recommendations

Based on the audit findings discussed in the foregoing chapters, the following recommendations are made:


- Legal framework, consisting of both the primary as well as secondary legislation, may include the definition of public debt, debt management objectives, borrowing purposes, and

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requirement of debt management strategy. DEA may consider doing this in a phased manner.

- Conditions of 'Finance Plus' criteria aimed at maximizing access and leverage of Multilateral Financial Institutions'/Multilateral Development Banks' knowledge base, international experience and familiarity with best practices may be applied in deciding on the projects for external assistance and the same should be properly documented.
- A centralized database of internal debt, external debt and other liabilities may be developed.
- Steps may be taken to ensure that the public debt information systems used (E-Kuber and ICS) support analytical functions.
- Mechanism may be developed to ensure consistency in the reporting of public debt by RBI and DEA and amongst the various divisions of DEA.

**Dated: 14 June 2016**  
**Place: New Delhi**

  
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**Countersigned**

**Dated: 22 June 2016**  
**Place: New Delhi**

  
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