



DMF News

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**Debt Management Facility
Stakeholders' Forum 2017**

May 22—23, 2017 | Vienna, Austria

**Jointly organized by the World Bank and the
Austrian Federal Ministry of Finance (BMF)**

Registration link: <https://www.surveymonkey.com/r/TDJJNSJ>



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The **DMF Stakeholders' Forum** will facilitate the discussion of issues in public debt management in a changing global environment faced by developing countries. The Forum is targeted toward policy-makers and government debt managers, international and regional technical assistance providers, representatives of civil society organizations, as well as bilateral donors and multilateral development banks. *See web-link:*

<http://www.worldbank.org/en/events/2017/01/25/debt-management-facility-stakeholders-forum-2017>

DMF Activities for the period January – March 2017

DMF Technical Assistance Missions

Debt Management Performance Assessments (DeMPA)

>>**Mozambique.** A World Bank team in conjunction with Implementing-Partner Debt Relief International (DRI), visited Maputo over February 15-23, 2017, in response to a request from the authorities to provide technical assistance in public debt management. The mission worked closely with the Ministry of Economy and Finance (MEF) to undertake a follow-up DeMPA evaluation, following the first engagement for this diagnostic program in 2008. The mission assessed the strengths and areas in need of improvement through the application of the revised 2015 -DeMPA methodology, and discussed near-term needs for technical assessment and follow-up reform plan activities with the authorities. The main findings of the DeMPA were shared with the authorities upon completion of the mission; these included several recommendations pertaining to governance and strategy development, as well as debt recording and operational risk management.

Medium-Term Debt Management Strategy (MTDS)

>>**Senegal.** At the request of the Senegalese authorities, a joint World Bank-International Monetary Fund (IMF) team visited Dakar, Senegal, over January 15-25, 2017 to deliver technical assistance on developing a medium term debt management strategy (MTDS). DRI and Agence UMOA-Titres joined the mission as Implementing Partners. The team worked in close collaboration with the members of the Technical Committee of the National Public Debt Committee (CNDP) including: Directorate of Investment, General Directorate of Finance (DGF), General Directorate of Public Accounts and Treasury (DGCPT), Directorate of Economic and Financial Cooperation (DCEF), Directorate General of Planning (DGP), Directorate of Forecasting and Economic Studies (DPEE), and the Central Bank of the States of West Africa (BCEAO). The mission team also met with some regional financial market participants, including banks and insurers.

Since 2012 Senegal has drafted several strategy documents; and the cost and risk analysis carried out by the mission and the national team validated the orientation of previous strategies. The mission made several recommendations to address the challenges faced by the authorities, including operationalizing the CNDP so that it

can monitor the implementation of the chosen strategy. The team also discussed next steps, including preparation of a draft strategy paper by the authorities; an annual borrowing plan in line with the strategic targets, and monitoring the implementation of the MTDS through the CNDP Technical Commission.

>> **Liberia.** At the request of the government of Liberia, a World Bank team visited Monrovia over January 30 and February 9, 2017, to provide technical assistance in developing an MTDS. The West African Institute for Financial and Economic Management (WAIFEM) joined the mission as an Implementing Partner. The team worked with government officials to strengthen capacity to better understand and implement the joint WB-IMF MTDS tool, in order to support development of a new strategy report for the country. The work was grounded in quantitative analysis of the costs and risks of the current debt portfolio, and design/simulation of alternative borrowing paths, consistent with the overall macroeconomic framework, and including a key objective for development of the domestic market.

>> **Kosovo.** In response to a request from the Ministry of Finance (MoF), a World Bank team visited Pristina, Kosovo from February 22 to 27, 2017 to provide technical assistance in developing an MTDS. Ms. Hsing C. Wong, Debt Management Practitioners' Program participant from the Ministry of Finance, Guyana, also joined the mission. The team worked closely in these efforts with staff of the Treasury Department of the MoF, as well as other departments within MoF and the Central Bank of Kosovo (CBK). To develop a better understanding of conditions in the domestic market, the team met with representatives of private banks (which are primary dealers) representatives of the insurance sector, together with the supervisory authorities under the CBK, and the Kosovo Pension Savings Fund (KPST). The scope of the strategy was total central government debt (domestic and external), and the time period selected was 2017-20. In addition to a focus on domestic debt issuance, the mission discussed issues affecting implementation of a debt management strategy for the Government of Kosovo, including coordination with the Macro-and International Financial Cooperation Department to ensure smooth implementation of the debt management strategy.

>> **Lesotho.** In response to a request from the authorities, a joint World Bank-IMF mission visited Maseru, Le-

sotho, over March 13-24, 2017 to provide technical assistance on developing a baseline MTDS. The Macro Economics and Financial Management Institute of Eastern and Southern Africa (MEFMI) joined the mission as an Implementing Partner. The team provided assistance to policymakers and operational officials in: (i) analyzing the costs and risks inherent in the existing debt portfolio; (ii) understanding the medium-term implications for the portfolio in terms of cost, risk, and market development arising from decisions regarding new borrowing; (iii) evaluating potential strategies as to the composition of new borrowing and the stock of the debt under baseline and stress scenarios; and (iv) drafting a multi-year, medium-term debt management strategy, taking account of existing debt, macroeconomic and fiscal projections, vulnerabilities, and borrowing constraints. To that end, the mission provided comprehensive training regarding the framework underlying the MTDS, and in application of the MTDS analytical tool.

Debt Management Reform Plan

>>**Burkina-Faso.** At the request of the Ministry of Economy and Finance (MOEF) of Burkina Faso, a joint World Bank-IMF mission visited Ouagadougou over March 20-31, 2017 to follow-up on the implementation of the country's Debt Management Reform Plan. The team's activities were geared to strengthen the capacity of the Debt Management Unit within the MOEF to implement a strategy for managing government debt. Previously, in September 2014, a World Bank mission assisted in designing a Reform Plan to improve the debt management function based on four pillars: (i) the institutional framework, (ii) risk management and medium-term debt management strategy development, (iii) treasury management and issuance of instruments in the regional market and (iv) operational risk and audit. The March 2017 mission thus aimed to take stock of progress, focusing in particular on functioning of the management of local currency debt.

Domestic Debt Market Development

>>**Zimbabwe.** The International Monetary Fund in collaboration with MEFMI, delivered a workshop on domestic debt management and debt market development in Kariba, Zimbabwe over January 16-27, 2017. Growing reliance by the government on domestic market borrowing, recent initiatives to strengthen creditor relations to clear its arrears on external debt, and commitment to

adopt a medium-term debt management strategy, make it imperative for Zimbabwe to strengthen the framework for domestic debt management operations and to develop its nascent government securities market. The in-country workshop helped build the capacity for a group of 35 technical officials from the Ministry of Finance and the Reserve Bank of Zimbabwe through a series of presentations, group discussions and hands-on exercises. The officials gained experience in macroeconomic policy coordination issues, domestic debt issuance techniques and pricing of government securities, investor base relations and diversification, building liquidity in benchmark bonds and required market infrastructure. A key output from this workshop was the formulation of a draft management reform plan by the participants.



DMF Training Activities

Medium-Term Debt Management Strategy (MTDS)

>>**Switzerland.** A joint World Bank-IMF-UNCTAD workshop on the Medium Term Debt Management Strategy framework was delivered in Geneva over February 6 to 10, 2017. The program aimed to familiarize participants with debt management strategy development using the MTDS framework and toolkit--based on cost-risk analysis of alternative borrowing strategies--and to guide in the process of developing and implementing a medium-term debt management strategy. Some twenty-eight participants from twelve countries joined the workshop, including from: Azerbaijan, Bangladesh, Belarus, Cambodia, Ghana, Lao PDR, Moldova, Myanmar, Nepal, Pakistan, Tajikistan and Uzbekistan.

Debt Sustainability Analysis (DSA)

>>Tanzania. As part of efforts to step-up comprehensive training in concepts and practices of debt sustainability analysis, the World Bank and IMF, together with Implementing Partners, are undertaking a series of ‘hub’ workshops for DMF-eligible countries across world regions. Over February 6-10, MEMFI provided leadership in sponsoring a program in debt sustainability in Arusha Tanzania, for member countries of the organization, which include: Angola, Botswana, Burundi, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. With guidance from instructors from the international financial institutions and MEFMI, participants gained a clearer understanding of the framework and principles for sustainability analysis, as well as engaged in hands-on exercises with the DSA tool. Among highlights of the program were presentations by groups of attendees on ‘alternative scenarios’ designed by the teams, and an award presented for the most creative set of assumptions.

>>Senegal. A joint World Bank–IMF team, with cooperation from the African Development Bank, visited Dakar/Saly, Senegal, from February 27 to March 3, 2017 to deliver a workshop on debt sustainability analysis. Participants included technical-level officials from the treasury departments and debt management units of ministries of finance for the eight WAEMU countries—Benin, Burkina Faso, Cote d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The workshop was organized by DMF Implementing Partner- *Agence UMOA-Titres*, the central agency for the issuance of government securities by WAEMU member states in the regional market. The objective of



the training was to build capacity of country officials to prepare and interpret a debt sustainability analysis. A range of issues was discussed, including (i) key concepts of debt sustainability, (ii) macroeconomic linkages, (iii) external and public debt dynamics, (iv) baseline and shock scenarios, and (v) operational implications of risk ratings, debt ratios, and thresholds. The agenda comprised a combination of presentations by the mission team, presentations by attendees, structured discussions and exercises.

DMN Webinar Series

January 18, 2017: Azucena Arbeleche, Consultant in Debt Management (Uruguay), presented on *Liability Management Operations: the case of Uruguay*. Liability Management Operations (LMOs) are bond buybacks and bond exchanges which facilitate achieving desired characteristics of the debt portfolio in a quick and efficient way. One of the main objectives of LMO is to reduce refinancing risk through the repurchase or exchange of debt due in the short term. Other objectives are the reduction of foreign exchange risk, reduction of interest rate risk, construction of benchmark bonds along the yield curve and a buildup of financial savings. The presentation also reviewed two transactions executed by Uruguay. The audience included DMN practitioners and World Bank Economists/debt specialists.

February 13, 2017: Fritz Florian Bachmair, Financial Officer, World Bank Treasury, and Mkhulu Maseko, Director, Credit Risk, National Treasury, South Africa, presented on *Contingent Liabilities: a Risk Management Framework and Country Examples*. The target audience included DMN members as well as staff of the Reserve Bank of India.

March 6, 2017: the DMN webinar featured two presentations: (i) Mr. Tuan Minh Le, Senior Economist, World Bank Group, presented on *Fiscal Policy for Environmentally Responsible Economic Growth*; and (ii) Mr. Wei-Jen Leow, Senior Financial Specialist, World Bank Group, introduced the *Climate Action Peer Exchange (CAPE)*, a forum for peer learning, lesson sharing and mutual advisory support for knowledge exchange. The intended audience included DMN practitioners and World Bank economists.

Debt Managers Practitioners Program: Update on February 2017 Participants



Ms. Hsing Wong is an Economic & Financial Analyst at the Ministry of Finance, Guyana. With regard to her participation in the DMPP, Ms. Wong said: “It is a great privilege to be given an opportunity to work alongside the debt unit at the World Bank. My expectation as a DMPP participant is to enhance my skills as a debt manager through the sharing of knowledge and experience with global practices and exposure with the World Bank debt experts as per the program’s objective. But more than that, I hope to take this experience and transfer it into application back home at the Ministry to strengthen the middle office’s capacity.”

Under the DMPP, Ms. Wong has been focusing primarily on developing a Medium-Term Debt Management Strategy for Guyana. She participated in an MTDS Mission to Kosovo in February 2017, which enabled her to engage with the central bank, market participants and debt management professionals in that country and gain

more hands-on experience.

With regard to her immersion into the World Bank team, Ms. Wong also noted: “The diversity and pool of knowledge and experience concentrated into one space is a very conducive environment to be working once you get ‘onboard’ and open to learning.”



Mr. Zakaria Issahaku is Head of the Risk Management Unit in the Debt Management Division of the Ministry of Finance of Ghana. Under the DMPP, he has worked on tasks related to Ghana’s Quarterly Medium-Term Debt Management Strategy. And jointly with a team from the World Bank Treasury, Mr. Issahaku has made efforts to develop a governance structure for credit risk management in Ghana, including a fee structure for government lending and guarantees.

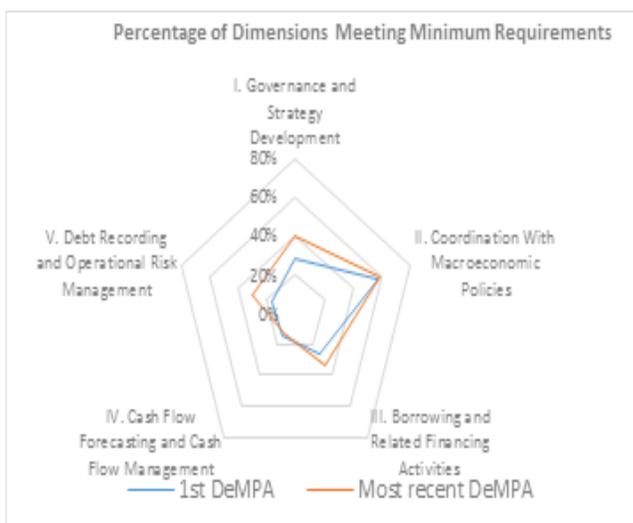
DMPP provides ample opportunities to participate in trainings offered by the World Bank-IMF. And Mr. Issahaku participated in a two-day face-to-face MAC DSA training offered in March 2017. He also joined the World Bank mission to Mongolia in April 2017 on a Public Expenditure Review and focus on debt management issues among mission activities.

DMF Note: What have we Learned from over 100 DeMPA Evaluations?

Through the Debt Management Performance Assessment (DeMPA), the World Bank helps developing countries fully comprehend the complexity of tasks and improve the quality of sovereign debt management.

World Bank experts developed and began applying the DeMPA methodology in 2008. Over the last nine years, 113 DeMPA evaluations were conducted for 78 countries across five regions. Evaluations assisted authorities to push forward the reform agenda through a joint formulation of reform plans and medium-term debt strategies, supported by the multi-donor Debt Management Facility Trust Fund (DMF–TF).

The DeMPA assessment provides a comprehensive picture of sovereign debt management in five core areas:



governance, coordination with macro and monetary policies, borrowing practices, cash flow forecasting, and operational risk management.

Thirty-one countries have conducted a follow-up DeMPA assessment in order to track progress in reform implementation over time. The comparison of the results from multiple assessments reveals improvements in most assessed areas (see figure), including quality of the legal framework, development of debt management strategies, recording of debt data and publication of debt reports. However, further efforts are required across countries for a closer coordination of debt management with cash management and cash-flow forecasting. The DMF expert team is actively working to assist member countries in this area through a combination of regional training and country specific guidelines for development of annual borrowing plans.

Other Activities and Events

World Bank Treasury Webinar Series. As part of the World Bank Treasury Webinar Series, “IT Systems for Debt Management” webinar was held on March 7, 2017. Recordings and session information, as well as information on future webinar topics, can be accessed [here](#).

The World Bank Treasury’s Government Debt and Risk Management Program: Achievements in Select Countries. Peru: Sending Markets the Right Signals. After the global financial crisis of 2008, a key priority for the Peruvian government was to reduce fiscal vulnerability to external shocks. As part of this effort, the World Bank Treasury’s GDRM Program worked with the Peruvian Ministry of Finance and Economy on improving the debt management strategy to provide more clarity and transparency in the domestic issuance of government securities to investors. Please click [here](#) to read more.

Indonesia: Basing Infrastructure Investment on More Solid Ground. For Indonesia, with its large and far-flung population, a modern and efficient infrastructure is vital to connecting with markets at home and abroad. The Indonesian ministry of finance partnered with the GDRM Program to assess and manage the risks of government guarantees for infrastructure projects. A new scorecard system is helping Indonesia finance infrastructure investment while managing government exposure to credit guarantees and making the economy more resilient to financial shocks. Please click [here](#) to read more. [More news from the GDRM Program can be accessed here.](#)

WB-IMF-JICA Training in Public Debt Management for Asian Countries in Kobe and Tokyo

Over eleven days between December 12th and 22nd 2016, the IMF, World Bank (WB), and the Japan International Cooperation Agency (JICA) co-hosted an Advanced Workshop on Developing Medium-Term Debt Management Strategies. Twenty-five Ministry of Finance and Central Bank officials from six countries participated: Bangladesh,



Malaysia, Mongolia, Pakistan, the Philippines and Vietnam. The IMF and WB have conducted similar trainings in Vienna for Central/Eastern European and African countries. The workshop in Tokyo was the first training for Asian countries.

Using the IMF-World Bank MTDS framework, the objective of the workshop was to strengthen the analytical capacity of participants to evaluate costs and risks of the public debt portfolio, design new borrowing strategies, and assess the cost-risk trade-offs among the different strategies. The importance of ensuring consistency between the MTDS and fiscal and monetary policies was highlighted, as well as building robust public debt portfolios, more resistant to exogenous shocks including realization of contingent liabilities.

A joint exchange meeting was held on the first day of the workshop between Japanese companies and program participants, hosted by JICA and the Kansai Economic Federation. And following keynote speeches from Mr. Sumi of the IMF Asia Pacific Office, and Dr. Hayashi from the Asia-Pacific Institute of Research, attendees actively exchanged their views on debt management related issues.

The workshop was comprised of lectures and exercises on MTDS using individual country debt and macroeconomic data. And country representatives gave presentations on the results of their analysis as well as on special topics of common interest to participating countries. These included the Philippines' presentation on its experience in issuing a Peso international bond; Bangladesh's challenges in managing retail debt, and Malaysia's innovations in the Sukuk market. Special lectures were also provided by IMF staff on Contingent Claim Analysis (CCA); by the Japanese MOF official and by an academic on the experience of Japanese debt management; and by the former-Assistant Governor of the Bank of Japan on debt management in an ultra-low interest rate environment, among others. Moreover, a side event was organized by JICA and the IMF in which Dr. Dale Gray, a leading expert in the field of macro financial risk and public sector contingent liabilities at the IMF, offered lectures on CCA to Japanese experts and administrators from both public and private sectors.

Overall, participants felt that they were able to obtain a good understanding on developing medium-term debt management strategies. Feedback indicated that the hands-on training would enable them to update their countries' debt management strategies; that learning from the experiences of Japan and other participating countries was quite useful, while participants recommended that IMF/WB/JICA organize additional joint trainings on other topics.

OECD Global Forum on Public Debt Management. The OECD Global Forum on Public Debt Management was held in OECD Conference Centre, Paris during February 15-16, 2017. The Forum is a roundtable meeting where public debt managers from the OECD area, as well regulators, central bankers, other financial policy makers, discuss best practices, experiences, and policies in the field of government debt management and the development of government and corporate securities markets with their counterparts from non-OECD countries. Over the years, the relevance of these Global Forums has increased, as emerging market countries increasingly face challenges similar to those of advanced markets due to pressures from global finance, the international nature of financial volatility, and the related need to share and implement best practices in public debt management. The Global Forum was organized under the aegis of the OECD Working Party on Debt Management and financially supported by the Japanese government. The forum focused on: policy challenges posed by global macroeconomic environment; issuance procedures, particularly choice of auction mechanisms; the role of debt managers in pricing and managing contingent liabilities; and implications of debt strategies for domestic debt markets. Click [here](#) to find out more.

OIC-COMCEC Financial Cooperation Working Group Meeting. A meeting of the Financial Cooperation Working Group (COMCEC) of the Organization of Islamic Cooperation (OIC) was held on March 30, 2017 in Ankara, Turkey. The meeting was entitled "Improving Public Debt Management in Islamic Countries". In addition to officials of several member countries, participants included representatives of the Islamic Development Bank (IsDB), OECD, International Islamic Financial Markets (IIFM), Secretariat of OIC Member States' Stock Exchange Forum and the Secretariat of the COMCEC Capital Markets Regulators Forum. The meeting served as a platform to discuss practices and policy options in OIC member countries. A report on the subject commissioned by the COMCEC Coordination office was also presented. As part of the agenda, Emre Balibek of the World Bank delivered a presentation on the World Bank's Technical Assistance activities in the area of debt management. Further information about the meeting can be found at the COMCEC website: <http://www.comcec.org/en/cooperation-areas/financial-cooperation/comcec-financial-cooperation-working-group-meetings/8th-meeting-of-the-comcec-financial-cooperation-working-group/>

Recent Publications

Global Report on Islamic Finance: The World Bank Group and the Islamic Development Bank published the first Global Report on Islamic Finance, which details the prospects for the global Islamic finance industry and potential to help reduce worldwide income inequality, enhance sharing prosperity, and achieve the Sustainable Development Goals. Subtitled “A Catalyst for Shared Prosperity?” The report provides an overview of trends in Islamic finance, identifies major challenges hindering the industry’s growth, and recommends policy interventions to leverage Islamic finance for promoting shared prosperity. Click [here](#) to access the report.

Push and Pull: Emerging Risks in Frontier Economy Access to International Capital Markets: Over the past decade a large number of low- and lower-middle income ‘frontier economies’ have begun to access private international capital markets to meet fiscal financing needs. Authored by staff of the World Bank’s Macroeconomics and Fiscal Management Global Practice - Tobias Haque, Jane Bogoev and Greg Smith, “*Push and pull: emerging risks in frontier economy access to international capital markets*” discussion paper seeks to identify drivers of this trend as well as associated risks, and present policy implications for frontier-market policy-makers. Through simple analysis of the characteristics of recent frontier market issuers, the authors show that smaller, poorer, and less well-governed economies are now accessing global credit markets.

Through cross-country regression analysis, however, authors also demonstrate that the capacity of these countries to issue debt (and the cost of this debt) continues to be influenced by their macroeconomic performance and quality of governance. The authors draw on evidence from select countries to illustrate potential risks arising from recent expansions of access to global debt markets, where rapid debt accumulation of foreign-currency denominated debt in the context of lessened market discipline and following recent debt relief, is now posing pronounced debt sustainability and refinancing risks. The paper concludes that increased access to international debt markets presents both opportunities and risks for frontier issuers. Click [here](#) to find out more.

World Bank Public Sector Debt Statistics Database

Jointly developed by the World Bank and the International Monetary Fund, the Public Sector Debt Statistics (PSD) quarterly database brings together detailed quarterly public sector debt data of selected countries, initially mainly developing/emerging market economies. The main purpose of the PSD database is to facilitate timely dissemination in standard formats of public sector debt data, supporting countries' efforts toward improving the coverage and availability of public sector debt data. The database supports macroeconomic analysis and cross-country comparison as it brings such data and metadata together in one central location. Countries participate in the centralized database on a voluntary basis. The PSD database includes country and cross-country tables, and enables users to query and extract data, by country, group of countries, and specific public debt components. The PSD database is linked to the Public Sector Debt Guide produced by the IMF. Click [here](#) to access the PSD database.

Forthcoming Mission Activities

(May 2017 onwards)

- Bosnia and Herzegovina: Reform Plan May 15—19, 2017

Forthcoming Training Events

(May 2017 onwards)

- DeMPA Training (AUT), Dakar, Senegal, May 15—19, 2017
- Sovereign Liabilities & Risk Analysis/Debt Strategy formulation—Regional Training, Botswana, July 17—26, 2017
- LIC-DSF Workshop (Regional W. Africa, Anglophone), Abuja, Nigeria July 17-21, 2017
- DeMPA training for Auditors, JVI, Vienna, Aug. 7—11, 2017
- LIC-DSF Workshop (Regional - Asia), Kuala Lumpur, Malaysia or Tokyo, Japan, Nov. 6—10, 2017
- LIC-DSF Workshop (Regional East and Southern Africa), Kenya or Zimbabwe, Feb. 5—9, 2018

DMF News

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