



DMF News

Issue 18, October, 2014

NEWS

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Mark Your Calendars! DMF Forum June 3-4 in Manila

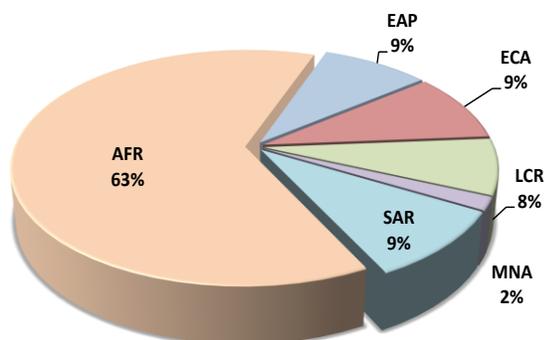
The next Debt Management Facility (DMF) Stakeholders' Forum is scheduled to take place over June 3-4, 2015, in Manila, Philippines and is hosted by the Asian Development Bank. The objective is to provide a forum for discussion of a policy-relevant agenda on debt management; to discuss current challenges faced by developing countries with respect to debt management; and to foster knowledge exchange among participants. The Forum is targeted toward policy-makers and debt managers from developing countries, international and regional technical assistance providers, representatives of civil society organizations, as well as bilateral donors and multilateral development banks. Please do mark your calendars. The details and agenda will be posted shortly.

DMF News

After five productive and successful years, DMF I completed its operations in June 2014. The current phase, DMF II, envisions an expanded mandate including activities on the Debt Sustainability Framework (DSF), domestic debt market development, subnational debt management, risk management, international capital markets and knowledge products, see the [April issue](#) for more information on DMF II.

Inside this issue, we take a glance at the results and outcomes achieved under DMF I. Nearly 70 countries benefited from over 170 DeMPA (including subnational DeMPA), Reform Plan and MTDS missions and related training events. Over 60 percent of missions were to Sub-Saharan African countries.

DMF Missions by Regions, as of end-FY14



Looking Back on the DMF

The first phase of the Debt Management Facility (DMF) is finished. Learn about some of the things it accomplished, including hundreds of trainings, forums, Debt Management Practitioners' Programs, and e-courses.

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Looking Back on the DMF

DeMPA missions across the globe expanded significantly since the launch of DMF I in November 2008 ([click here to see a map](#)). Over 300 country officials (61% from Sub-Saharan Africa) were trained under DMF support in FY14 alone. Training activities have been an important component of the program and have had positive effects: (a) boosting knowledge and the ability of participants to utilize debt management tools; and (b) promoting peer learning and knowledge sharing among practitioners. Other DMF-supported activities brought the following results:

- Annual Stakeholders' Forums were critical in providing a platform for debt managers across the world for sharing experiences and discussing cross cutting issues.
- 22 practitioners gained knowledge and experience, and graduated from the Debt Management Practitioners' Program (DMPP). All selected practitioners participated in DMF missions (DeMPA, MTDS, or Reform Plan missions).
- More than 150 debt management practitioners from Asia, Africa, Europe and Latin America attended virtual meetings / webinars held by the Debt Management Network (DMN) with active participation of the DMF implementing partners (IPs).
- The first [interactive e-course on DeMPA](#) has been developed and launched (see separate article in this issue).

High program implementation standards were maintained in delivering DMF products and services, ensuring client satisfaction. The joint implementation of the work program with DMF implementing partners further strengthened the technical assistance, as well as enhanced partners' capacity. Implementing partners include: the Centre for Latin American Monetary Studies ([CEMLA](#)), Debt Management Section (DMS) of the Commonwealth Secretariat ([ComSec](#)), [DMFAS](#) Program of the United Nations Conference on Trade and Development (UNCTAD), Debt Relief International ([DRI](#)), Macroeconomic and Financial Management Institute of Eastern and Southern Africa ([MEFMI](#)) and the West African Institute for Financial and Economic Management ([WAIFEM](#)). The programmatic approach, which has been successfully transmitted to DMF II, has been highly appreciated by client countries and by the external evaluation of the program. Please contact DMF Program Manager, Ms. Abha Prasad

(aprasad@worldbank.org) for more information.

The Creditworthy Poor?

In early October, Marcelo Giugale, Senior Director of the World Bank's Macroeconomics and Fiscal Management Global Practice and DMF Director, published "[The Creditworthy Poor?](#)", an article covering the recent upturn in debut bond issuance, in *Project Syndicate*, an online business and economics website. In the article, Giugale argues that former HIPC countries now selling bonds in global markets (some \$12 billion in recent "debut issues", with spreads of just 450 basis points above U.S. Treasuries) says much for greater investor confidence, but also sounds some familiar warnings. Countries are exposed to risks that should be highlighted before they grow into potential threats. Among risks are rollovers; capital flow reversals in the fragile post-crisis environment; the uneven quality of debt management practices in low-income countries; and the riskier context for bond issuance following court rulings that permit bondholders to reject debt workouts and sue for full payment.

Launch of DeMPA Course

The DMF Secretariat launched a four-week [e-learning course on Debt Management Performance Assessment \(DeMPA\)](#) on October 20th, 2014. This represented the first pilot e-learning course offered by the World Bank's Macroeconomics and Fiscal Management Global Practice. The course was developed in collaboration with the World Bank's Leadership, Learning & Innovation Vice-Presidency through the e-Institute, with funding provided by the DMF and the South Korean Trust Fund.

The DeMPA tool provides a set of indicators to help compile a comprehensive assessment of debt management performance in developing countries. The debt management performance indicators (DPIs) span six core areas of public debt management. The indicators represent an internationally recognized methodology for assessing debt management performance in relation to country peers, as well as for monitoring progress over time. The tool is also useful to guide the design of subsequent reform programs and to enhance donor harmonization.

The online course comprises core readings, multi-media presentations summarizing important concepts, a set of interactive quizzes, a series of hypothetical case-based assignments and a final assignment that builds on the cases. The course offers

completion certificates to the participants that successfully finish required coursework, including the final assignment where one is asked to design a reform plan to improve debt management performance in a hypothetical country, Utopia.

Over 250 applications for the course were received and 100 participants selected, targeting audiences from government debt offices and central banks. Online facilitation was provided, including engaging with participants through e-discussion forums on a daily basis (answering questions and providing feedback on selected comments) and grading and evaluating participants' performance. Regional distribution of the selected participants is presented in the chart.

Sample e-discussion

Question/Comment: The importance of DeMPA in an emerging market like ours in Nigeria cannot be over emphasized, as performance evaluation is the way to go in order to keep the country focused on implementation of the various debt management strategies. Debt sustainability is the "in thing" in debt management and to achieve this requires an effective debt performance evaluation using time tested tools and analysis, hence it is important that if a country does not want to mortgage the life of its citizens and sentence them to a future of poverty it must start now to determine how to assess and do continuous evaluation of its debt performance.

Response by Abha Prasad: You are correct and have raised a very important point and that's why the DeMPA tool assesses if a debt sustainability analyses (DSA) is undertaken in DPI-6. For clarity we would like to highlight that the DSA and the DeMPA tools address debt issues but have different objectives that relate to different policy areas. The DSA focuses on the long-term sustainability of debt, which is influenced by both its level and composition. The level of debt is determined by fiscal policy and the interaction between revenues and expenditures. The DSA looks at the evolution of the debt in a forward-looking time frame. The DeMPA, on the other hand, is focused on the processes of debt management; it assesses the strengths and weaknesses of debt management policy, functions and practices at a given point in time. It looks at the status quo and is more in the nature of a health check. It covers all the six core functions of debt management (including coordination with fiscal policy in DPI-6). The DeMPA evaluation through DPI-6, thus helps to understand if there is capacity in the country to undertake a DSA."

The next offering of the course is scheduled for March 2015; applications will be accepted from mid-December 2014. If interested, please go to the [e-Institute's website](#) to apply. The DeMPA e-Course Team takes this opportunity to welcome your suggestions on future collaboration. Please contact us at uhimid@worldbank.org.

Debt Sustainability Course

The IMF, through its [Institute for Capacity Development \(ICD\)](#), has made available an on-line learning course in the Debt Sustainability Framework for Low-Income Countries. The framework for analysis is discussed in detail, and the steps for data application and simulations of the DSA module are reviewed with an eye toward preparing a debt sustainability analysis for a particular country. The ICD is registering participants for this e-Learning program.

Activities for the period July through September 2014

Medium Term Debt Management Strategy (MTDS) – Four missions

>>**Zambia.** A joint World Bank-IMF mission visited Lusaka over July 16-24 at the request of the Ministry of Finance. The Ministry has committed to publish a debt management strategy report for 2014-16 by end-October 2014. The MTDS mission delivered technical assistance (TA) in developing a medium-term debt management strategy, with a focus on ensuring that the financing needs of the government are met at the lowest cost, subject to a prudent degree of risk, while taking account of the macroeconomic framework and market constraints. The primary counterpart for the mission was the Investment and Debt Management Department of the Ministry of Finance, with strong participation from the Financial Markets Department of the Bank of Zambia.

>>**Mozambique.** A joint International Monetary Fund-World Bank mission visited Maputo over the period July 16-24 to provide technical assistance to the Ministry of Finance on developing a medium-term debt management strategy. The objectives of the mission were to (i) support the authorities in reviewing their current strategy, while formulating a new comprehensive debt management strategy; (ii) provide initial inputs to facilitate the process of further developing the domestic government debt market; and (iii) build the capacity of the Debt Management Department on the cost-risk tradeoffs of alternative financing strategies. The opportunity was taken to make recommendations about internal coordination and linkages, as well as, more

specifically, in relation to domestic debt market development.

>>**Tonga.** A joint World Bank-Debt Relief International team visited Nuku'alofa from August 4-12 to provide technical assistance to further develop the Ministry of Finance and National Planning's medium-term debt management strategy. The mission was conducted in two parts: training in excel functions, their application to the preparation of Tonga's debt database, and calculation of risk indicators for the current debt portfolio; and core MTDS framework and borrowing strategy sessions. The MTDS Analytic Tool (AT) was used extensively together by the mission team and Debt Management Section staff, to design alternative borrowing strategies that would align with current debt management objectives. Comparisons of cost and risk elements of the alternative strategies were carried out, and conclusions drawn regarding their relative merit.

>>**Bosnia and Herzegovina.** A joint World Bank-UNCTAD team visited Sarajevo, Bosnia and Herzegovina over September 11-26 in response to a request from the central government (State) of Bosnia and Herzegovina (BiH), the Federation of Bosnia and Herzegovina (FBiH), Republika Sprska (RS), and the District of Brcko (DB), to provide technical assistance to develop a medium-term debt management strategy. Government operations in Bosnia and Herzegovina (BiH) are to a high degree decentralized to the FBiH, RS and DB. BiH has a legal requirement to have a debt management strategy, including subnational debt. The mission was the first application of the MTDS methodology in a subnational context, working simultaneously with the central and subnational governments to assist in preparing an integrated national debt management strategy. This involved a two-layered approach: (i) assistance in preparing separate debt strategies for each government; and (ii) blending the preferred strategies from FBiH, RS and DB into a harmonized national debt management strategy.

Each subnational worked with their respective data under the guidance of an assigned mission member to formulate four alternative strategies, one of which was chosen by the subnational as a preferred one. Discussions helped to highlight and understand the macro-, fiscal-, monetary and structural considerations while formulating the MTDS. A favorable outcome was the common understanding of the MTDS approach and assumptions, which highlighted the importance of coordination between the various entities dealing with

debt management in BiH. The teams then travelled to their respective capitals and presented the analysis to their respective Ministers and obtained concurrence on the preferred strategy. The alternative strategies evaluated the risk and cost consequences of a move towards more Euro debt (given the BAM is fixed to the Euro), and an increase of external fixed interest rate borrowing, while accepting a gradual decrease in domestic debt compared with total debt, although domestic borrowing will still be important.

Debt Management Reform Plans – One mission

>>**Burkina Faso.** At the request of the Government of Burkina Faso a World Bank mission visited Ouagadougou over September 18-26 to develop a Reform Plan to improve debt management practices in the country. The objective of the project was to design a program of reforms and capacity building based on the diagnostics produced by the earlier DeMPA, to improve the country's capacity in central government debt management and in the maintenance and development of the domestic debt market. The outcome of the project is a report with the design of a detailed program of reforms and institution-and capacity building in the areas covered by the project, developed in close cooperation with the authorities.

Debt Management Performance Assessments (DeMPA) – Three missions

>>**Ho Chi Minh City, Vietnam.** Following DeMPA training in Hanoi, a World Bank team visited Ho Chi Minh City (HCMC) over July 22-28 to conduct a Sub-national DeMPA evaluation. The main objective of the SN DEMPA mission was to assess, jointly with the central and local government authorities, current debt management practices in HCMC and inform local authorities about the legal framework, institutional arrangements and procedures which needs to be put in place in order to create a sound debt management framework, as well as to enhance knowledge of the staff on debt management and related processes. At the final meeting with the authorities, the team presented its preliminary findings to the Vice Chairwomen of the City People's Committee and officials from the Departments of Finance- and Planning and Investment. The authorities were highly appreciative of the mission results and preliminary conclusions.

>>**Angola.** The World Bank together with the IMF and UNCTAD fielded a DeMPA mission to Luanda over August 18-29. The mission worked closely with the Public Debt Management Unit at the Ministry of Finance.

The objectives of the mission were to: (i) assess debt management performance in Angola using the World Bank DeMPA methodology, (ii) share and discuss the results of the assessment with the authorities and (iii) draft a detailed evaluation report. Two workshops also took place: (i) on Managing Guarantees and Contingent Liabilities and (ii) on the Medium-Term Debt Management Strategy. At the end of the stay, the team discussed the main findings with the Minister of Finance, who was appreciative of the efforts in capacity building.

>>**Nepal.** At the request of the Ministry of Finance the World Bank fielded a DeMPA mission to Kathmandu over August 19-26. This marked the second DeMPA for Nepal; the first assessment was carried out in February 2010. The mission worked closely with key counterparts in the Ministry of Finance and the Nepal Rashtira Bank, and also met with relevant debt management entities. The second DeMPA exercise in Nepal revealed some improvements. These were reflected in the establishment of a Treasury Single Account (TSA), the operation of the General Ledger, Custody module or Registry that provides delivery-vs-payments settlement and secure records of all holders of government securities. Of importance, there were separate market instruments introduced for meeting monetary policy objectives vis-à-vis instruments for meeting governments' financing needs.

DMF Training

>>**Hanoi, Vietnam.** Over July 14-18, a World Bank team conducted a regional training workshop on Debt Management Performance Assessment (DeMPA) evaluations for debt managers and external auditors from the South- and East Asia regions. Participants from Supreme Audit entities and ministries of finance attended the training. The objective of the course was to familiarize participants with the framework for assessing debt management practices and institutions based on the DeMPA methodology developed by the World Bank. The course was delivered through a mix of presentations and hands-on exercises of DeMPA assessments and Reform Plan formulation. The activities also included country-specific presentations by course participants from Afghanistan, Pakistan, Vietnam and others.

>>**Vienna, Austria.** Sub-national DeMPA training took place over August 18-22 at the Joint Vienna Institute. Course participants comprised officials from debt offices of subnational and sovereign entities dealing with fiscal and debt management issues in the Europe and Central Asia and Africa

regions. Participants from Central and Eastern European countries did not have such training organized in the region for more-than two years. During the course, in addition to World Bank materials and presentations delivered by instructors, participants from Tanzania, Mongolia, Kyrgyzstan, the Federation of Bosnia and Herzegovina, and Ethiopia presented their respective country cases and challenges related to existing debt management practices.

DMF Meetings

>>**Debt Management Network Webinar** took place on September 30th, covering issuance of international bonds. The webinar featured presentations by three noted experts in this field.

Mr. Christian Esters, Senior Director, EMEA Emerging Markets for Standard and Poor's, reprised his well-received presentation from the DMF Forum in Brussels earlier this year on "Sovereign Eurobonds: The Credit Rating Agency Perspective"; Ms. Pamela McLaren, Special Advisory Services Division of the Commonwealth Secretariat, covered pros and cons--as well as procedural issues---critical when issuing in the international bond market; and Mr. Gabriel Presciuttini of the IMF highlighted the main messages from a just-published working paper entitled: "First-time International Bond Issuance—New Opportunities and Emerging Risks."

Forthcoming Activities (October 2014 onward)

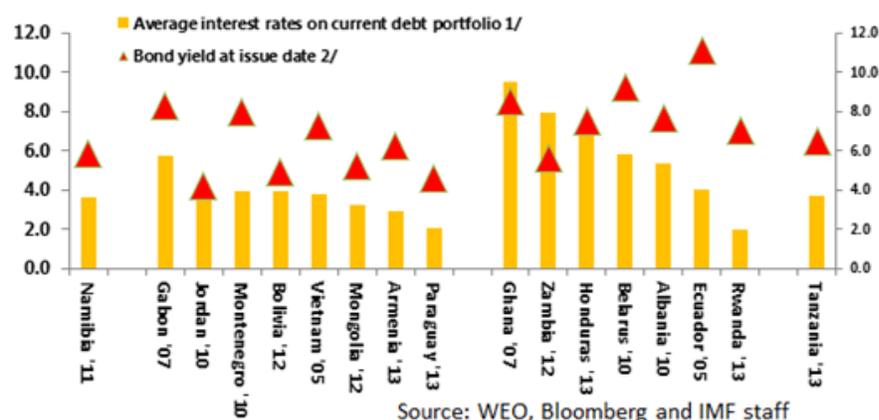
DMF Training Events

- Workshop on MTDS, at JVI in Vienna, Austria, Oct. 6-10
- LIC Debt Sustainability Framework workshop, Nov. 3-7, Shanghai, China
- DSA training, Nov. 11-19, Vanuatu
- Subnational Fiscal and Debt Management Training, Jan. 12-16, 2015, Shanghai, China
- DSA Workshop, Feb. 9-18, 2015, Cameroon
- Workshop on MTDS, Vienna, Austria, Feb. 23-27, 2015
- DSA Workshop, May 25-20, 2015, TBD

DMF Missions

- Republika Srpska, Reform Plan, Oct. 6-15
- Honduras, Reform Plan, Oct. 7-15
- Ethiopia, MTDS, Oct. 15-25
- Angola, MTDS, Nov. 6-10
- The Gambia, MTDS Follow-up, Nov. 19-21
- Kenya, DEMP, Dec. 9-17
- Cote d'Ivoire, Domestic Debt Market, Dec. 8-12
- Tanzania, Domestic Debt Market, Jan. 2015 TBD
- Cameroon, MTDS, Feb. 2-13, 2015
- Armenia, Reform Plan, TBD
- Mongolia, Domestic Debt Market, TBD
- Bolivia, Reform Plan/MTDS, TBD
- Yemen, MTDS, TBD
- Burundi, MTDS, TBD
- Grenada, MTDS, TBD

Cost of Borrowing at the time of Eurobond Issuance



>> **Implementation Coordination Group (ICG) of DMF II** took place on September 24th, 2014.

>>**The Panel of Experts** group created under DMF II had its second meeting on July 29, 2014.

DMF News

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