



# DMF News

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## News

## In this Issue

### 2015 DMF Forum: Debt Management in a Dynamic World: Coping with Capital Flows and Hidden Risks. June 3-4 in Manila, Philippines

The 2015 Debt Management Facility (DMF) Stakeholders' Forum is scheduled to take place June 3-4, 2015, in Manila, Philippines and is co-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. See Website [here](#)

### Aiming for More Effective Subnational Debt Management Capacity



With decentralization, subnational governments in developing countries obtained certain spending, taxation and borrowing powers. This however also raised risks of subnational fiscal insolvency and unsustainable debt structures, potentially creating contingent liabilities for central/federal governments and jeopardizing sovereign credit ratings. Against this background, one of the activity streams of the Debt Management Group at the World Bank is to build client countries' capacity in subnational debt management. Most recently, the Group, in collaboration with the

Asia-Pacific Finance and Development Institute (AFDI), conducted a Subnational Fiscal and Debt Management Course in Shanghai, China; financed by the World Bank on January 12-16, 2015.

Some 58 senior debt and fiscal policy specialists from subnational governments and central governments working on subnational debt issues across the world benefited from the training. These included participants from Cambodia, Cameroon, China, Ethiopia, India, Lao PDR, Malaysia, Poland, Turkey, UAE, Uganda, and Vietnam. The course was organized into 5 modules, reflecting the mix of conceptual lectures, "hands-on" case-studies and country presentations from the client officials in each module. Several participants presented their country cases to highlight experiences with subnational reforms. Participants from Indonesia expressed interest in hosting the next training for their subnational governments. The Group is presently conceptualizing a pilot e-learning course on subnational borrowing and debt in view of reaching out to a wider audience through online course delivery mode.

### Updated DMF website available on World Bank Internet

A new 'Debt' website is now available on the World Bank's Internet site.

Page 2

### Support for National- and Subnational Debt Management in Bosnia and Herzegovina

First application of the MTDS methodology in a subnational context demonstrating the advantage of a programmatic approach and sustained engagement from the authorities.

Page 2

### Joint FT/IMF Debt Sustainability Tool introduced

Newly simplified Debt Sustainability Analysis (DSA) online tool for 'market-access' countries-high-income and emerging market economies with more substantial access to private global financial markets.

Page 3

### Plummeting oil prices and the global economy

A look at the recent steep fall in oil prices and an analysis of how it can support global growth in 2015- although there will be 'winners and losers'.

Page 2

### DMF Activities

Learn about the visits by World Bank-IMF teams to help countries around the world resolve debt-related issues.

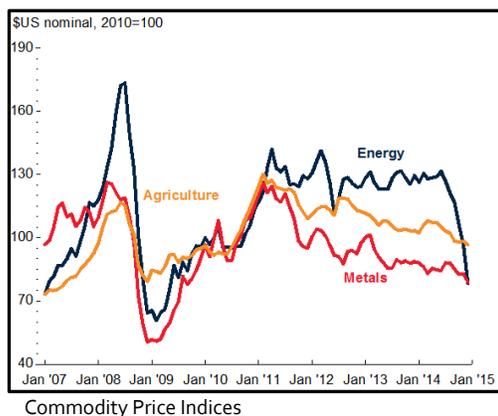
Page 4

## Plummeting oil prices and the global economy

The World Bank's *Global Economic Prospects* report of January 2015 highlights that the recent steep fall in oil prices should support global growth this year- although there will be 'winners and losers'. Following four years of stability at around \$105/bbl, world oil prices have plunged since June 2014—more than halving by late January 2015 (see figure). There are a number of drivers behind the recent falloff in oil prices, with supply factors playing a dominant role: several years of upward surprises in oil supply and downward surprises in demand, unwinding of some geopolitical risks that had threatened production, changing OPEC policy objectives and appreciation of the U.S. dollar. The decline in oil prices carries significant macroeconomic, financial and policy implications. If sustained, lower oil prices could contribute to global growth and lead to sizeable real income shifts to oil importers from oil exporters.

Lower oil prices feed into growth mainly through three channels: (i) reducing energy costs and inflation generally; (ii) generating changes in real incomes benefiting oil-importers and losses hurting oil-exporters, and (iii) loosening monetary policy for oil-importers if central banks respond to lower inflation, while lower revenues might trigger contractionary fiscal policies for exporters.

Historical estimates suggest that a 30 percent oil price decline (as expected, on an average basis between 2014 and 2015) would be associated with an increase in world GDP of about 0.5 percent in the medium-term. To read the full article click [here](#).



## Updated DMF website available on World Bank Internet

A new 'Debt' website has undergone updates and improvements, and is now available on the World Bank's Internet site. As well as providing coverage of the broader topics of Debt Sustainability, Debt Management and Debt Relief, the *Debt Management Facility (DMF)* is highlighted, with rich accompanying detail and background on its various activities. Among these, the DeMPA, MTDS and Reform Plan series of technical assistance programs- including final reports for selected countries; presentations and papers from the ongoing DMF Forums; archives of Newsletters and other Debt Management Network (DMN) related publications, and links to related sites of interest. The Debt- and DMF websites will continue to be improved in coming months, with timely updates and fresh schedules of upcoming trainings, DMN webinars and other events. The Debt page may be accessed by typing: 'debt' in the search engine on the Bank's Internet homepage, or entering: <http://www.worldbank.org/debt>

## Support for Debt Management in Bosnia and Herzegovina



*Bosnia and Herzegovina* (BiH) is a country in Southeastern Europe located on the Balkan Peninsula, with Sarajevo the capital and largest city. BiH is largely decentralized and is comprised of the Federation of Bosnia and Herzegovina (FBH) and Republika Srpska (RS), where the territorial organisation of each entity is regulated by its own Constitution. There is one additional municipality whose territory belongs to both entities, this municipality has a status of a Special District - so called "Brcko District" (DB)- with direct international supervision by a deputy High Representative. BiH's B2 government rating (Moody's) indicates the country's degree of creditworthiness. The economy is grounded in manufacturing, based on production and export of intermediate and capital goods, as well as domestic services, while tourism and remittances provide a substantial source of foreign revenues.

An important characteristic of *international borrowing practices in BiH* is that the bulk of the on-take of foreign loans is the responsibility of the State, with funds on-lent to the entities. Sourcing of international finance is also within the purview of the entities directly (with appropriate approvals), and issuance of domestic debt by RS and the FBH is well established and offers some promise for future development.

At the request of the governments at State and Entity levels of BiH, the World Bank has undertaken a DMF-supported programmatic approach within individual governments to assess debt management practices and to propose areas for reforms, as well as on a joint basis--to examine the MTDS framework and set the stage for preparation of debt management strategy reports.

For the State, Federation and Republika Srpska, the Bank in conjunction with UNCTAD (U.N.), as an implementing partner, worked closely with the Debt Management Units (DMUs) of the respective Ministries of Finance over the course of 2013-14 to undertake assessments of policies and practices through application of the National (for BiH) and *Subnational (for the entities) DeMPA tool*. The results of the analytical work that the World Bank has carried out on debt management in BiH over the last two years were used to highlight the strengths and weaknesses in debt management and underscore recommendations for reforms that can help to raise the standards and debt management capacity in BiH. It is particularly important to strengthen institutional and governance structures for debt management in the context of a highly decentralized state.

The World Bank has conducted several Debt Management Performance Assessments (DeMPA) in Bosnia and Herzegovina in 2013: a Sub-National DeMPA (SN-DeMPA) for the Federation Ministry of Finance (completed in 2013); a Reform Plan for the Federation Ministry of Finance (September); an SN-DeMPA for Republika Srpska Ministry of Finance (December) and the National DeMPA for Bosnia and Herzegovina Ministry of Finance and Treasury (conducted over October 10-18, 2013).

In September 2014, at the request of the governments (including DB), a World Bank team organized the first application of the MTDS methodology in a subnational context. This work was highlighted by reviewing the development of an MTDS and deliberating on the macroeconomic context and outlook, markets, shocks and strategies. Each entity worked with their respective data to learn how to formulate a debt management strategy in their respective contexts. The work in BiH clearly demonstrates the advantage of a programmatic approach and sustained engagement from the authorities in ensuring positive outcomes for capacity building.

### Domestic Debt Market Development Team joins DMF II

In the second phase of the DMF, the program expanded to allow the World Bank, in partnership with the IMF, to provide technical assistance to countries for the development of domestic debt markets, which complements the work on debt management. The objective is to enhance governments' access to local currency financing and provide greater flexibility to implement government debt management strategies. This component of DMF II was launched with a pilot project in Cote d'Ivoire. At the request of the Government, a joint World Bank-IMF team visited Abidjan during December 8-12 to conduct an assessment of the domestic market for government debt securities and to identify priority areas of reform to improve its functioning. Given the regional context, and the role played by the regional central bank BCEAO, in the development of the financial sector in the West African Economic and Monetary Union, the team also met with regional institutions in Dakar, Senegal, during Dec 4 and 5. As a follow up, the team will support the authorities in the development of a reform

### DeMPA online training applications for March now being accepted

As highlighted in the October 2014 Newsletter, the DMF Secretariat recently launched a four-week [e-learning course on Debt Management Performance Assessment \(DeMPA\)](#). About 100 professional debt managers and others were selected for the program, which ran from late October through early November. The DeMPA tool provides a set of indicators to help compile a comprehensive assessment of debt management performance in developing countries. The tool is also useful to guide the design of subsequent reform programs. The online course is comprised of core readings, multi-media presentations on important concepts, a set of interactive quizzes, a series of hypothetical case-based assignments and a final assignment that builds on the cases. The next offering of the course is scheduled for March 2 to 20, 2015, **with the application period ending on February 20**. See the above link to apply for the course.

plan to develop the domestic government debt market. Plans for a second program of market development assignment are underway, in this case for Tanzania.

### Recent Experience with the IMF's online Debt Management Training Program

Since 2013 the IMF and World Bank have pursued several innovative outreach and training approaches to promote and disseminate tools for addressing debt sustainability and developing a sound debt management strategy. Thanks to a new partnership with edX (nonprofit online learning initiative founded by Harvard University and the Massachusetts Institute of Technology), the IMF was able to operationalize these tools through a new online course on debt sustainability and debt management strategy available to officials across the globe, complementing its traditional training delivery. Free public access, through so-called "massive open online courses" (MOOCs), followed.

The IMF Institute for Capacity Development (ICD), jointly with five other IMF departments developed an online course on Debt Sustainability Analysis (DSAx) to provide a comprehensive overview of the newly released frameworks for debt sustainability analysis (DSA) and the medium-term debt management strategy (MTDS). The new course introduced the main principles of debt

sustainability, covered recently updated frameworks for assessing how much debt a country can safely carry (for both, advanced and emerging markets, and low-income countries), presented the new framework for developing a medium-term debt management strategy, and illustrated debt sustainability analysis under uncertainty.

The course was offered free of charge twice in 2014: first, in April-May, for government officials only; then in October-November as a MOOC for the general public. Over 11,000 people worldwide expressed interest in the topic. After the initial two DSAx course offerings, over 2,400 course participants earned a certificate, of which just over half were government officials, many from low-income countries. The DSAx online material is being used in support of the technical assistance and training under DMF II.

Innovative course elements coupled with numerous case studies were especially useful in the detailed overview of the debt sustainability framework for low-income countries. Participants found discussion forums particularly useful for sharing country experiences with different aspects of debt sustainability.

The low-income country module was followed by a module focused on how to develop a sound medium-term debt strategy. This module shifted attention from levels of debt to its composition. Participants

### Joint FT/IMF Debt Sustainability Tool introduced

The Financial Times and the IMF have teamed up to provide a simplified Debt Sustainability Analysis (DSA) online tool for 'market-access' countries- high-income and emerging market economies with more substantial access to private global financial markets. The tool allows the user to examine the effects on debt/GDP by adjusting assumptions in the underlying model- for example, GDP growth, real interest and exchange rates, and the budget balance. The DSA tool is easy to use, with the database grounded in the Fund's October 2014 World Economic Outlook. There are also useful links to information about the IMF's MAC-DSA methodology, click [here](#)

had an opportunity to role-play as a government official from the fictional nation "Utopia" and determine the appropriate composition of the debt portfolio, looking into government's cost and risk tradeoffs associated with different debt management strategies.

Participants expressed high satisfaction with the course's quality, including professionally produced lecture videos and additional interactive features, as well as relevance to their country experiences. Ninety-two percent of participants agreed that they find the knowledge and skills learned useful for their jobs and professional development, and indicated that they would recommend the course to others.

### World Bank Treasury Debt Management Forum

Public debt managers from around the world gathered at the World Bank Treasury's Sovereign Debt Management Forum on December 3-4, 2014, to discuss topical issues related to public debt management. The 2014 Forum brought together over 170 debt managers, representatives from international organizations and the private sector to review recent trends and developments in sovereign debt management and provided debt managers, primarily from developing and emerging market countries, with the opportunity to share experiences and network. Click [here](#) for conference presentations, background notes and videos.



Activities for the period Sept. through December 2014

### Debt Management Missions

#### DeMPA Missions (1 mission)

>>**Kenya.** At the request of the Government of Kenya, a World Bank team visited Nairobi over December 9-17 2014 to undertake a

comprehensive assessment of debt management functions, legal and institutional frameworks, and to assess strength and weaknesses in the current operational environment. The Debt Management Performance Assessment (DeMPA) tool was employed to conduct the evaluation. The team worked in close cooperation with the National Treasury, Central Bank of Kenya and other government agencies, as well as the Supreme Audit institution. Upon completion of the visit, the team shared its preliminary views with government authorities and provided technical opinions on a number of on-going reforms in the area of public debt management.

#### Medium Term Debt Management Strategy (MTDS) Missions (3 missions)

>>**Angola.** A joint IMF-World Bank team visited Luanda during the period November 6-10, 2014, at the request of the government to provide technical assistance to the Ministry of Finance in developing a medium-term debt management strategy. The objectives were to provide training in the design of debt management strategies using the MTDS framework and analytical tool, and to assess the degree of development of the domestic debt market and understand the investor base for government bonds. At the wrap-up meeting with the authorities, the Debt Management Unit's staff delivered its own presentation using the MTDS methodology and analytical tool to derive alternative medium-term debt management strategies. The authorities expressed their goal to have a debt strategy developed by early 2015 and the mission team reinforced that the Bank and the Fund will be ready to provide further support in this area.

>>**Grenada.** At the request of the Government of Grenada, a joint World Bank-IMF team visited St. George's to provide technical assistance to the Ministry of Finance and Energy on developing a medium term debt management strategy. Training on the MTDS framework, analytical tool and related topics was held, with workshops attended by staff from the debt management and macroeconomics units of the Ministry. The team also discussed related issues such as debt restructuring and revision of the country's debt database. Senior management of the Ministry expressed their

objective to have a debt strategy draft submitted to the Government shortly.

>> **Ethiopia.** A joint IMF/World Bank team visited Addis Ababa at the request of the Government over October 15-24, 2014, to assist in strengthening the authorities' capacity to develop a public sector medium-term debt management strategy. The team worked closely with the Debt Management Department at the Ministry of Finance and Economic Development to develop potential alternative debt management strategies with international bond issuance and taking into account future public enterprises' borrowing requirements. Following the mission, a completed MTDS report has been circulated for internal review and for comment by the authorities.

#### Debt Management Reform Plan Missions (2 missions)

>>**Honduras.** Based on a request for technical assistance from the Ministry of Finance of Honduras, the World Bank conducted a Debt Management Reform Plan mission to Tegucigalpa from October 7 to 15, 2014. The technical discussions were based on the findings of a DeMPA evaluation conducted in December 2013 and driven by priority reforms formulated by the Ministry of Finance. The team provided training sessions in all the selected areas of reforms, with a strong focus on debt portfolio analysis and risk measurement. The pillars for the plan included, among others, strengthening the legal framework for debt management and development of a debt management strategy. The Minister of Finance, who confirmed the MoF's readiness to engage in recommended reforms, chaired the closing meeting.

>>**Bosnia and Herzegovina (Republika Srpska).** Based on a request for technical assistance from the Ministry of Finance (RS), the World Bank sent a team to Banja Luka for the period October 6-15 2014, to develop-together with the authorities-a detailed reform plan for central government debt management. The technical discussions and scoping of areas for reform were built upon the findings of the Sub-National DeMPA evaluation conducted in December 2013. The team worked closely with the Head and staff of the Debt Management Section (DMS), and meetings with Heads of several Departments within the organization supplemented discussions of potential reform pillars. Areas

for reform included, among others, organizational change and aspects of operational risk management.

#### Domestic Debt Market Development Missions (1 mission)

>>Cote d'Ivoire. December 8-12, 2014, read more on page 3

#### Trainings

>>Vienna, Austria. A comprehensive workshop covering use of the MTDS framework and its analytical tool in helping to organize a debt management strategy was held at the Joint Vienna Institute over October 6-10, 2014. Representatives from 25 developing countries from around the world,

among which, Azerbaijan, Cambodia, Ghana and Nepal, as well as staff from the Commonwealth Secretariat engaged in the training program. The sessions were found to be useful and relevant for debt management

practice, as highlighted by survey results, which yielded a 4.5 average score on a 1-5 ratings scale.

>>Shanghai, China. On November 4-7, 2014, a joint IMF-World Bank team conducted a regional workshop on the Debt Sustainability Framework for Low-Income Countries (LIC DSF). The workshop was attended by twenty-one country officials from eleven low-income countries in the Asia Pacific region. The main objective of the workshop was to help participants understand debt dynamics and debt sustainability concepts, and learn to conduct their own DSAs. The workshop was delivered through a mix of presentations, interactive sections, and hands-on exercises. On the last day, participants gave group presentations on the DSAs they developed during the workshop.

#### Forthcoming Activities (January 2015- onward)

##### DMF Training Events

- LIC-DSA Workshop, Feb 16-20, 2015, Nairobi, Kenya
- MTDS training, Feb 23-27, 2015, Vienna, Austria
- DeMPA training, April 6-10, 2015, Brazil

##### DMF Missions

- Sudan, Reform Plan Follow-up, Jan 14-22, 2015
- Cameroon, MTDS, Feb 2-12, 2015
- Guinea, MTDS, March 2015 (TBD)
- Tanzania, DeMPA, March 2015 (TBD)
- DR Congo, DeMPA, April 2015 (TBD)
- Yemen, MTDS, April 2015 (TBD)
- Tanzania, Domestic Market Development, May 2015 (TBD)

### Practitioner's Corner

Three government officials, Artak Marutyan, Yeshi Lhendup and Baba Mohamadou, participated in the Debt Management Practitioners' Program (DMPP) during the final quarter of calendar 2014 under the DMF at the World Bank. All offer some comments on the program:

**Mr. Artak Marutyan (Armenia).** The DMPP Program has given me a chance to work with experienced debt managers and economists from the staff of the World Bank and participate in various trainings and discussions. I have improved my knowledge and skills regarding the MTDS analytical tool and DeMPA assessment.

It was a great opportunity to share knowledge with debt managers from other countries, to learn more from their experiences and to broaden my network of debt specialists, especially after participation in the Sovereign Debt Management Forum organized by the World Bank. I have also participated in a reform plan mission to Honduras, where I was able to engage with local authorities on existing debt issues. I was involved in discussions with local debt managers and international experts. I have an improved understanding as to how the World Bank formulates a debt reform plan for a specific country, and I hope this experience will be useful for an upcoming reform plan mission to Armenia later this year. I would like to thank to the staff of GMFDR and the Treasury of the World Bank and to my colleague DMPP practitioners from Cameroon and Bhutan for their assistance and sharing knowledge.

**Mr. Baba Mohamadou (Cameroon)** The DMPP is a great learning- and experience-sharing opportunity offered to debt managers around the world. My personal participation was a fulfilling experience. The program enhanced my understanding of broader issues in debt management, and strengthened my skills in using more specific tools, notably the MTDS, DSA, and DeMPA. I also engaged in analytic work on a number of issues of interest to Cameroon, important among which was exploring the first Eurobond Cameroon is considering to issue and its impact on the country's debt sustainability. The availability of various workshops and conferences at which renowned economists and debt specialists discussed key topics was quite useful. And I could not omit to highlight the availability of World Bank staff to answer questions and issues encountered and to provide their valued guidelines and expertise during this experience.

**Mr. Yeshi Lhendup (Bhutan).** As a debt management practitioner from Bhutan, a small landlocked country, being selected for the DMPP program presented a great opportunity for me to work with the World Bank's economists and debt experts. Among debt analytic approaches, I decided to take up more in-depth studies in the MTDS and to tailor it for my country. With a focus on MTDS, I accompanied a World Bank mission to Kuala Lumpur, Malaysia for 10 days at the Ministry of Finance and Central Bank. The mission equipped me to work on my subject, which I had split into an approach looking at hydro-power- and non-hydro-power debt.

Besides interacting with technical experts from the Bank, I also learned from my practitioner colleagues. I participated in several international forums, the World Bank Annual Meetings, as well as meetings at the IMF and IFC. My 3-month interaction with World Bank staff, in particular with Ms. Aba Prasad (Mentor) and Carlos Cavalcanti (Advisor), has provided many memorable moments, and a good opportunity to learn.



Photo: left to right, Baba Mahamadou and Artak Marutyan

# DMF News

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