

The World Bank

Technical Assistance (TA) on Public Debt Management

OIC-COMCEC

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Ankara / Turkey

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Global Practice

Structure

- Overview WBG TA Activities
- Modes of TA Delivery
- Sample Cases

PART 1

TA Activities in PDM

WBG TA Activities

- Strengthening capacity in Debt Sustainability Framework (DSF)
- Debt Management Performance Assessment (DeMPA)
- Debt Management Reform Plan
- Medium-Term Debt Management Strategy (MTDS)
- Debt market development
- Knowledge management
- Peer learning and outreach
- Other

Debt Sustainability Analysis (DSA)

- World Bank-IMF DSA Framework for Low Income Countries (LICs) was developed in 2005.
 - to guide the borrowing decisions of low-income countries in a way that matches their financing needs with their ability to repay debt.
- The Framework was reformed in 2011-2014 for advanced and emerging market countries
 - DSA for Market Access Countries (MAC-DSA)

Debt Sustainability Analysis (DSA)

- An analysis of a country's projected future debt burden and its vulnerability to external and policy shocks
- Baseline and stress tests are calculated
- The baseline scenario represents the path of a country's debt that is deemed to be the most likely, derived from a series of assumptions and projections of key macroeconomic variables
 - Fiscal Policy
 - Growth
 - Market Rates
 - BOP developments etc.
- Stress tests gauge the sensitivity of the baseline scenario to shocks and changes in assumptions
- Regional, bilateral training and e-learning courses (in English and French) are offered in response to a recognition that countries need to conduct the DSA independently.

Debt Management Performance Assessment (DeMPA)

- DeMPA is a methodology for assessing public debt management performance through a comprehensive set of performance indicators spanning the full range of government debt management functions
- It reflects sound practice in public debt management
- It is grounded in the Public Expenditure and Financial Accountability (PEFA) methodology and offers a more detailed drill down” on debt management
- It may be applied in all developing countries
- It covers all Central Government DeM and connected activities

DeMPA

Objective

- Assess public debt management performance capacity
- Monitor performance overtime
- Enable design of reform program
- Fosters donor harmonization based on common understanding of priorities

Methodology Coverage

- 14 Debt Performance Indicators (DPI)
- 33 Dimensions
- Covers five core DeM functions
- Methodology also includes references to background material, rationale, indicative questions

Implementation

- Assessment missions
- Performance Report
- No conditionality
- Report is released at the authorities' discretion
- Demand-driven

DeMPA: Implementation Process

Assessment

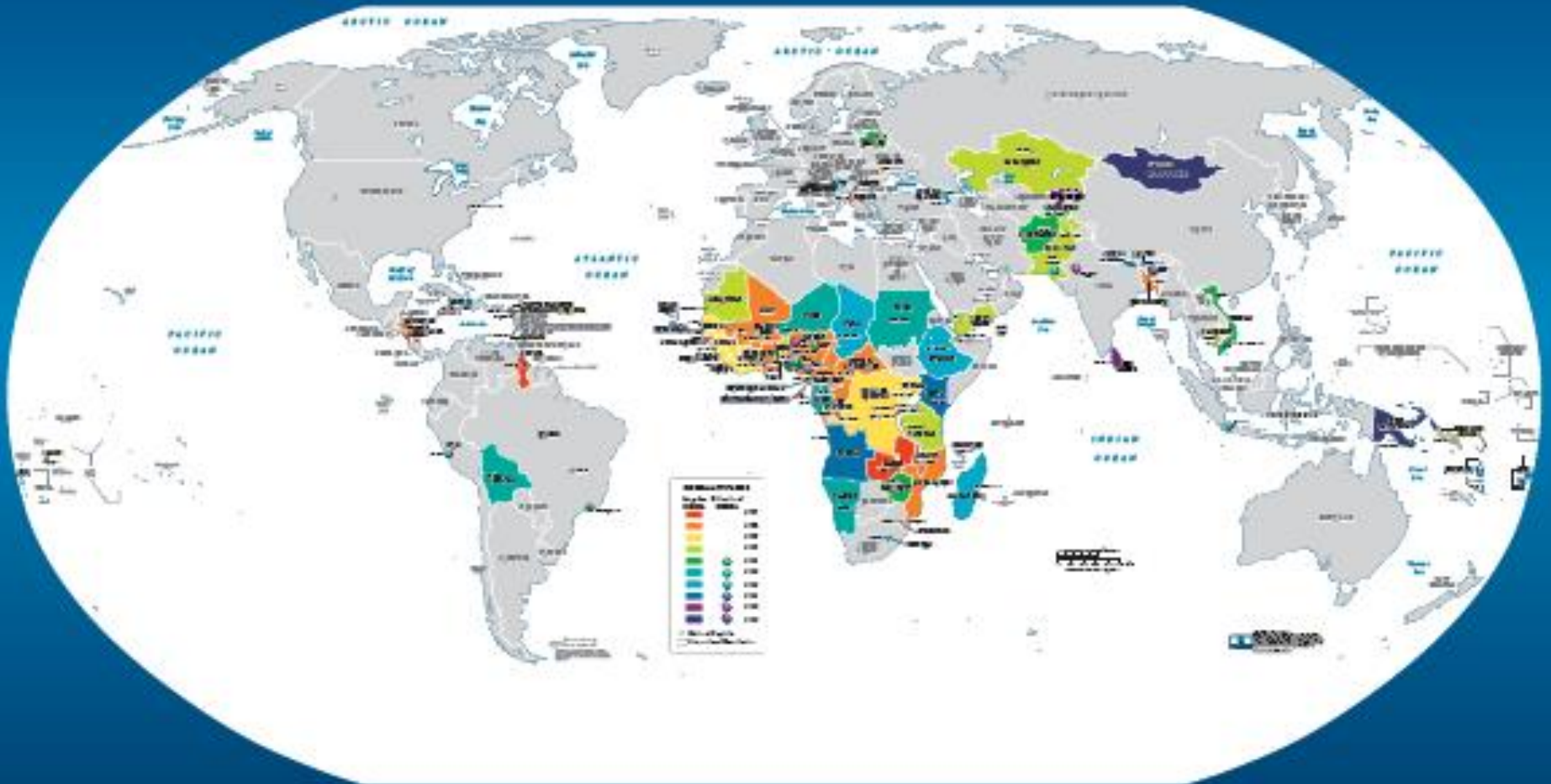
- Country-team led initiative
- Evaluation of existing and available evidence
- Regional training providers participate in missions
- In-country assessments, based on both qualitative and quantitative data
- Meetings with stakeholders, including on the ground donors, TA providers

Performance Report

- Evaluates debt management performance based on indicators (around 20-30 pages)
- Assessment developed and finalized with country authorities
- Highlights strengths and areas for improving performance in debt management

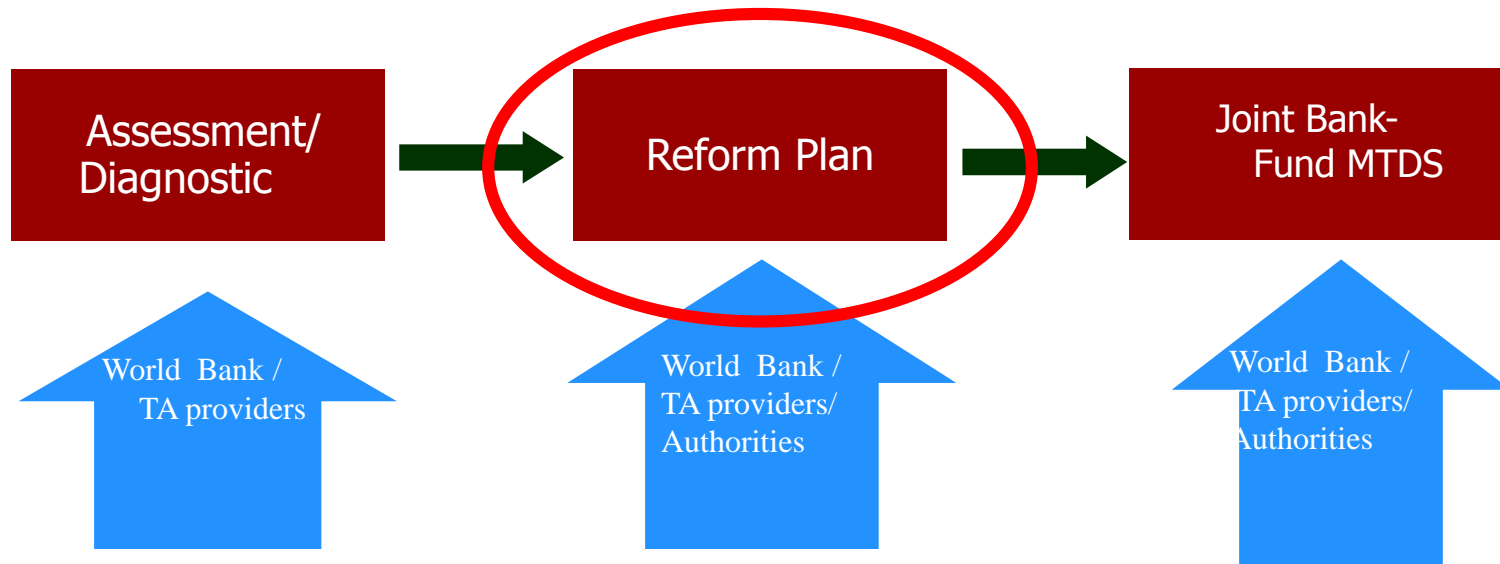
DeMPA is generally the basis for further TA

DeMPA Missions



As of end-2016

Programmatic Approach to Building Debt Management Capacity



- Sequencing is flexible, depending on the country's priorities
- Integrated approach to ensure continuous engagement
- Sustained and proactive engagement enhances effectiveness of capacity building activities

Customized and Country Specific Reforms: Governance and Institutional Arrangements

CLIENT NEEDS	PRODUCTS AND SERVICES
Governance – Legal Framework	<ul style="list-style-type: none">• Diagnostics (DeMPA)• Support to develop debt management laws
Institutional Framework	<ul style="list-style-type: none">• Setting up a debt management office (DMO)• Design of structures to delineate clear roles, checks and balances, reporting lines
Capacity and Management of Internal Operations	<ul style="list-style-type: none">• Support for internal controls, procedures, etc.• Evaluation of IT Systems• Operational risk management• Training

Select country examples: Kuwait, Tunisia, Azerbaijan, Indonesia, etc.

Customized and Country Specific Reforms: Debt Management Strategy

CLIENT NEEDS	PRODUCTS AND SERVICES
Debt Management Strategy	<ul style="list-style-type: none">• Medium-term Debt Management Strategy (MTDS) framework<ul style="list-style-type: none">• Guidance Note• Analytical Tool
Risk Management	<ul style="list-style-type: none">• Identification of risks• Analysis of cost-risk trade-offs• Assessment of contingent liabilities and fiscal risks
Strategy Implementation	<ul style="list-style-type: none">• Development of borrowing plans

Select country examples: Malaysia, Egypt, Indonesia, Nigeria, Niger, Benin etc.

Medium Term Debt Management Strategy (MTDS)

- A prudent debt management policy can reduce the potential impact of shocks to the government finances
 - Sharp spending cuts
 - Tax hikes
 - Social and economic costs
- Debt portfolio can be structured on the bases of cost and risk criteria to reduce vulnerabilities to various shocks
- Strategic debt targets / explicit guidelines for
 - the currency and interest rate mix of debt instruments
 - the portfolio maturity profile

IMF-WB MTDS Analytical Toolkit

Objective

- Provides guidance on the **process for developing a plan** that the government intends to implement over the medium-term (3-5 yrs) **to achieve an optimum/desired composition** of the government debt portfolio
- Evaluates the **cost-risk tradeoffs** associated with different strategies.

Methodology (developed in partnership with the IMF)

- Guidance Note (GN) provides practical guidance on the process of developing an MTDS.
- The Analytical Tool (AT) allows to undertake a cost-risk analysis to guide the MTDS decision-making process.
- A Handbook explains the use of the AT.

Implementation

- Implementation mission plus training follow-up missions
- It is implemented jointly with the IMF
- Report release at authorities' discretion
- Demand driven.

Debt Market Development:

To enhance governments' access to financing in local currency while increasing the opportunities to implement the preferred debt strategy.

CLIENT NEEDS	PRODUCTS AND SERVICES
Ensuring stable demand and improving cost-effectiveness	<ul style="list-style-type: none">• Instrument choice• Benchmark building strategy and issuance plan• Placement mechanisms and auction analysis• Primary dealer systems• Investor base diversification
Improving secondary market liquidity and supporting yield curve development	<ul style="list-style-type: none">• Market-making arrangements• Trading platforms• Alternate price discovery methods• Clearing and settlement infrastructure• Repo markets and securities lending programs• Yield curve methodology
Reducing portfolio risk and supporting crisis response	<ul style="list-style-type: none">• Liability management operations• Cash management• Crisis response

Select country examples: Egypt, Morocco; Albania

Other TA Activities

- Cash Management
- Subnational debt management
- Risk management (Fiscal Risks and Contingent Liabilities)
- International capital markets access (Bonds and Sukuk)
- Peer learning and outreach
 - Training programs (on-line and conventional)
 - Forums
 - Debt Management Practitioners Program (DMPP)
- Knowledge management

PART 2

Modes of Delivery of TA Activities

Delivery of TA Activities

Debt Management Facility (DMF)

- The DMF is a multi-donor trust fund supported by Austria, Germany, The Netherlands, Norway, Russian Federation and Switzerland with the objective of enhancing debt management capacity in developing countries
- The DMF works with all LICs, IDA-eligible and PRGT countries (84 eligible countries)
- OIC members that received DMF support include: Afghanistan, Azerbaijan, Bangladesh, Benin, Chad, Comoros, Djibouti, Ivory Coast, Kyrgyz Republic, Maldives, Mali, Mozambique, Niger, Nigeria, Pakistan, Senegal, Sudan, Tajikistan, Togo, Uganda, Yemen

Delivery of TA Activities

Government Debt and Risk Management Program (GDRM)

- The GDRM Program, financed by the Swiss State Secretariat for Economic Affairs (SECO) provides assistance to middle-income countries
- Participating OIC members: Azerbaijan, Egypt, Indonesia, Tunisia

Country-Specific Programs

- Examples include projects in Jordan, Kazakhstan, Jordan, Lebanon, Albania

Reimbursable Advisory Services (RAS)

- For higher income countries

PART 3

TA Activities in Select OIC Countries

Egypt

- TA focused on capacity building, strategy development and organizational reforms through a RAS engagement, followed by Egypt becoming part of the GDRM program.
- Assisted in preparation of legislation allowing Sukuk issuance
- Debt market development
- Support on-going

Indonesia

- Long-lasting engagement with the MoF on debt management. Focus initially on building capacity, establishing the DMO, and developing DM strategy. Later the focus have shifted to more advanced issues: Risk modeling, ALM, contingent liabilities management etc.
- Have established a directorate in the DMO for shariah compliant borrowing. Have issued Sukuk on domestic and foreign currencies, as well as retail and wholesale
- On-going

Albania

- TA was provided to build the capacity of the DMO staff on the cost and risk analysis leading to the formulation of a new debt management strategy and the corresponding issuance plan
- Analyses of the primary and secondary markets and proposed potential issuance strategies to support benchmark building and help reduce fragmentation.
- On-going

Maldives

- Provided support on designing the debt management strategy, restructuring the debt management office, improving the functioning of the debt management info system and debt reporting

Niger

- MTDS analysis

Nigeria

- MTDS analysis

Kuwait

- Provided support for establishment of a Debt Management Office

Thank you...

For more information: www.worldbank.org/debt

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