



WORLD BANK GROUP

PUBLIC DEBT MANAGEMENT

ADVISORY SERVICES

TRAINING AND OUTREACH,
KNOWLEDGE PRODUCTS

ASSISTANCE PROVIDERS

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ADVISORY SERVICES

GOVERNMENT DEBT AND RISK MANAGEMENT

For clients seeking to improve their debt and risk management practices, the World Bank offers a full range of advisory services to assist developing countries in strengthening their capacity to manage debt. Our specialists are drawn from senior positions in sovereign debt offices worldwide, and are available to provide advice on a range of topics:

- * **Governance:** Focuses on the legal framework, institutional arrangements, accountability and transparency mechanisms that shape and direct the operations of government debt and risk managers. This topic area also includes the design of government structures to delineate clear roles and responsibilities for the institutions involved, including appropriate checks and balances and clear reporting lines.
- * **Debt management strategy and risk management:** Covers formulation of debt management strategies based on sound analysis of costs and risks, taking into account a country's macroeconomic framework and level of debt market development. This covers designing a Medium-Term Debt Management Strategy (MTDS) that provides a framework for formulating and implementing a debt management strategy for the medium term. Support in this area is delivered jointly with the International Monetary Fund (IMF). Advisory services in risk management includes identification and assessment of contingent liabilities (e.g. guarantees) and other fiscal risks, where market-based mitigation measures may be possible.
- * **Capacity and management of internal operations:** Includes analysis of organizational structures, development of strategies for recruiting and training staff, and evaluation of information technology systems for debt management transactions, with the aim of reducing operational risks and increasing debt management office efficiency.
- * **Coordination with cash management, macroeconomic policy, and debt market development:** Focuses on establishing efficient coordination mechanisms between debt management and monetary policy, fiscal and budget planning processes and cash management.
- * **Debt management strategy implementation and access to the international capital and derivatives markets:** Covers the implementation of the debt management strategy using all sources of financing available to the government. This includes

accessing derivatives markets and executing the domestic borrowing program.

Advisory support could be provided in response to the requests of debt management offices in ministries of finance or central banks. Engagements begin either with a diagnostic mission or DeMPA (Debt Management Performance Assessment) to assess strengths and weaknesses in public debt management. Following the assessment the World Bank team prepares an action plan or a Debt Management Reform Plan which specifies the desired outcomes and the steps to be taken. Action plans are implemented by the client, with the support of the World Bank debt management specialist and usually with development partners.

GOVERNMENT BOND MARKET DEVELOPMENT

For clients interested in developing the domestic government bond market and implementing sound debt management practices, the World Bank Group provides support in identifying and addressing client needs on a range of topics including:

- * **Ensuring stable demand for government debt:** Focuses on instrument choice, placement mechanisms and auction practices, primary dealer systems, and investor base diversification.
- * **Improving secondary market liquidity and supporting yield curve development:** Covers benchmark building strategy and issuance plan, trading platforms and market-making arrangements, alternate price discovery methods, clearing and settlement infrastructure, repo markets and securities lending programs.
- * **Reducing portfolio risk and supporting crisis response:** Focuses on liability management operations, cash management, and crisis response.
- * **Improving capacity for debt management and market development:** Includes peer-to-peer learning, training and conferences, handbooks, toolkits, and surveys.

The team works with debt management offices in ministries of finance and central banks, and with securities regulators, to design targeted or comprehensive solutions based on clients' needs, and to actively support the implementation of these solutions. The program focuses on three types of developing economies:

1. Advanced emerging markets, enhancing the efficiency of local currency bond markets
2. Middle-income countries, implementing comprehensive development reforms

3. Low-income countries, facing small scale and capacity challenges

Solutions are delivered in the following ways:

- * **Country-specific programs:** Assistance is provided for reform design and implementation, targeted at addressing specific bottlenecks (e.g. linking local infrastructure to international clearing and settlement systems), or comprehensive to address broader objectives of market development (e.g. strategies and instruments to build reliable interest rate benchmarks).
- * **Innovative global products:** Products help catalyzing debt market and financial sector development in a specific area (e.g. Issuer-Driven Exchange Traded Fund model to improve liquidity in and demand for government securities – pilot in Brazil; Treasury Mobile Direct model to facilitate retail distribution of government securities through mobile technology – pilot in Kenya).
- * **Cross country dialogue:** The fora provide a platform for in-depth exchange of ideas and experiences (e.g. Peer Group Dialogues provides a cost-effective way to discuss challenges and policy actions on a virtual platform; South-South Collaboration promotes in-depth engagement by multi-country authorities and WBG experts to tackle common reform priorities).

SUBNATIONAL FISCAL AND DEBT MANAGEMENT

Subnational fiscal and debt management is emerging as an important public policy agenda for developing countries. The work program provides technical assistance, policy advice and training on conceptual and operational aspects of subnational fiscal and debt management, including regulatory frameworks for subnational borrowing and debt management.

For more information:

<http://www.worldbank.org/en/topic/debt>

http://treasury.worldbank.org/bdm/htm/advisory_services.html

<http://www.worldbank.org/en/topic/financialsector/brief/government-bond-markets>

DEBT SUSTAINABILITY FRAMEWORK

The Debt Sustainability Framework (DSF) as the Joint World Bank IMF application promotes appropriate lending and borrowing decisions in low-income countries (LICs). The main source of financing for these countries was until recently official loans. To prevent the accumulation of unsustainable debt, the DSF monitors LICs' risk of

sovereign debt distress. It is a forward-looking approach aimed at helping client countries balance the need for funding expenditures through borrowing with their ability to repay. It encourages creditors and donors to provide financing on terms that allow clients to pursue the Millennium Development Goals while providing warning signs to borrowers to stay within their means to repay loans.

For more information:

<http://www.worldbank.org/en/topic/debt/brief/dsf>

THE DEBT REDUCTION FACILITY

The Bank also helps LICs reduce the burden of their commercial debt through the Debt Reduction Facility (DRF), which is managed by the International Development Association (IDA). The DRF provides grants to countries under the Heavily Indebted Poor Countries Initiative to prepare a comprehensive debt reduction strategy and to buy back their public and publicly guaranteed external commercial debt at a deep discount, thereby redeeming such debt obligations.

For more information:

<http://www.worldbank.org/en/topic/debt>

TRAINING AND OUTREACH, KNOWLEDGE PRODUCTS

Through an extensive program of training, on-site technical assistance programs, virtual peer-to-peer events, conferences, and applied research, the World Bank Group provides opportunities for learning, knowledge sharing and networking. These opportunities are available to member countries, staff and other stakeholders.

TRAINING

Training is built around current thinking on sound practices in sovereign debt management, debt market development, debt performance assessment, debt management strategy, and management debt sustainability analysis. Training is delivered in interactive workshops consisting of presentations, case studies, hands-on exercises, peer group discussions, and participant led presentations. In many instances, the World Bank Group co-sponsors and delivers training events with related institutions and other debt management assistance providers.

OUTREACH

Outreach events include a practitioners' program for debt management officials from developing countries, the Debt

Management Practitioners' Program (DMPP), a network for developing country debt managers, the Debt Manager's Network (DMN), and virtual peer-to-peer events featuring country presentations and international experts on current issues for debt managers. In partnership with the Italian Treasury and the Organization for Economic Co-Operation and Development (OECD) the World Bank Group hosts the Public Debt Management Network for Emerging Markets aimed at building, sharing and developing knowledge on public debt management. Periodically, the World Bank Group organizes conferences that bring together practitioners and experts in the field, such as the Sovereign Debt Management Forum, the World Bank-OECD-IMF Bond Market Forum, the Government Borrowers' Forum, the Government Bond Market Conference, the Annual DMF Stakeholders' Forum, and others.

KNOWLEDGE PRODUCTS

The Bank conducts original research and is a leader in new thinking in critical areas of debt policy and public debt management. Research focus on areas such as the legal framework, institutional arrangements, links with macroeconomic policy, the sovereign asset-liability management framework, risk management, foreign currency portfolio composition, IT systems, contingent liabilities, debt market development, and the links between sovereign debt and market development. Knowledge gaps are tackled by developing resources on international experience, and best practices (e.g. handbooks, toolkits, surveys), and learning events on technical and policy issues (e.g. training workshops, webinars, master classes, conferences).

ASSISTANCE PROVIDERS

The range of services and advice the World Bank Group offers are provided by seasoned practitioners and are grounded by the experiences of public debt management practices in developed and emerging market governments, as well as the funding operations and management of financial risks on the balance sheet of the World Bank.

Our experts are available to support the reform process through three main stages: (1) needs assessments/diagnostic, (2) design of a reform plan, and (3) implementation support. Depending on the support required, three units at the World Bank Group provide advice:

The World Bank Treasury offers a range of financial and related advisory services to members of the International Bank for Reconstruction and Development (IBRD) at national and subnational level, and other official institutions. The services offered leverage Treasury's expertise in the areas of asset management, public debt and risk management, including

contingent liabilities, and international capital market access. The Government Debt and Risk Management team leads the Treasury's efforts in providing public debt management advisory services. Under the Government Debt and Risk Management Program supported by a multi-donor trust fund the World Bank Treasury provides advisory support to developing countries within a wide range from diagnostics to design, development and implementation support of debt and risk management strategies, and from governance to internal operations.

For more information:

http://treasury.worldbank.org/bdm/html/advisory_services.html

The Macroeconomics and Fiscal Management Global Practice (MFM GP) works on debt policy and strategy for developing countries at national and subnational level. Under the Debt Management Facility (DMF) which is a multi-donor trust fund implemented jointly with the International Monetary Fund (IMF), MFM assists these countries in strengthening their debt management through the application of the DeMPA framework, technical assistance in the formulation and the implementation of the MTDS, the formulation of Debt Management Reform Plans, hosting the debt management practitioners' program (DMPPs), training and other outreach activities. The MFM GP is also tasked with coordinating activities related to the Debt Sustainability Framework, which aims at monitoring countries' risk of sovereign debt distress.

For more information: <http://www.worldbank.org/en/topic/debt>

The Finance and Markets Global Practice (F&M GP) helps countries develop deeper, liquid and more stable capital markets, including government and non-government debt markets. The Capital Markets Regulation & Deepening Global Solutions Team leads the Finance and Markets Global Practice's efforts in providing government debt market development advisory services. The Team's Government Bond Market Development Program supports the development of local currency bond markets to increase developing countries' attractiveness for domestic and foreign investment. The program provides technical support in identifying and addressing client needs on a range of topics including: (i) ensuring stable demand for government debt, (ii) improving secondary market liquidity and supporting yield curve development, (iii) reducing portfolio risk and supporting crisis response, and (iv) improving capacity for debt management and market development.

For more information:

<http://www.worldbank.org/en/topic/financialsector/brief/government-bond-markets>

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