

I. Debt Management During COVID-19: Crises Response Framework

The unprecedented situation generated by the COVID-19 outbreak has triggered uncertainty in financial markets globally and will likely cause a significant downturn of the global economy. To provide guidance and to outline potential areas of just in-time support, the World Bank Group has developed a debt management crisis response framework. As countries will face increased financing needs and changed investor behavior, it will be critical for debt sustainability that governments carefully assess how to finance their fiscal response, particularly in the context of loss of fiscal revenues and already high public debt vulnerabilities in many countries. The crisis response framework is based on lessons from the 2008 global financial crisis and interviews with debt managers, and provides a systematic approach to prepare countries for meeting the government's financial needs during the crisis and taking actions that support debt management and the functioning of government bond markets.

The Framework has four components:



Safeguard Business Continuity

The focus is on ensuring that coordination among main stakeholders is established and that the day-to-day business of the Debt Management Unit, including issuance of new debt and servicing existing debt, can be undertaken even if work is conducted remotely.



Scrutinize the Government's Funding Needs

Increasing funding needs are likely due to falling revenues, an increase in healthcare cost and contingent liabilities potentially materializing. The recommendation is that countries develop granular cash forecasts and contingency plans, and revise the domestic and external funding plans.



Ensure Sufficient and Timely Government Funding

To address changes in market conditions and investor demand, DMUs should explore all funding sources, including domestic and external markets, non-capital market sources, available liquidity within the public sector, and strengthened coordination with the Central Bank. In the domestic markets, DMUs will likely need to update issuance plans, consider shifting the issuance of local currency instruments to shorter maturities, increase the frequency of auctions and reduce the offered amounts per transactions.



Support Domestic Market Functioning

Transparency is critical in interacting with both domestic and external investors, providing up-to-date information, and adjusting operations as needed. Some countries support the domestic market through Liability Management Operations or secondary market interventions that can help keeping the market functioning.

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Informed by the framework and existing tools, the World Bank Group is offering immediate and continuous support remotely to countries facing debt management and market challenges.

Examples of such areas of support are:

- ✓ Review of the operation risk management framework
- ✓ Analytical support for temporary adjustments to the debt management strategy
- ✓ Support for assessing fiscal risks stemming from contingent liabilities
- ✓ Review of the market issuance program
- ✓ Support for strengthening cash forecasting and cash management
- ✓ Scale up of investor relations activities
- ✓ Adoption of new domestic market tools to adapt to the new environment

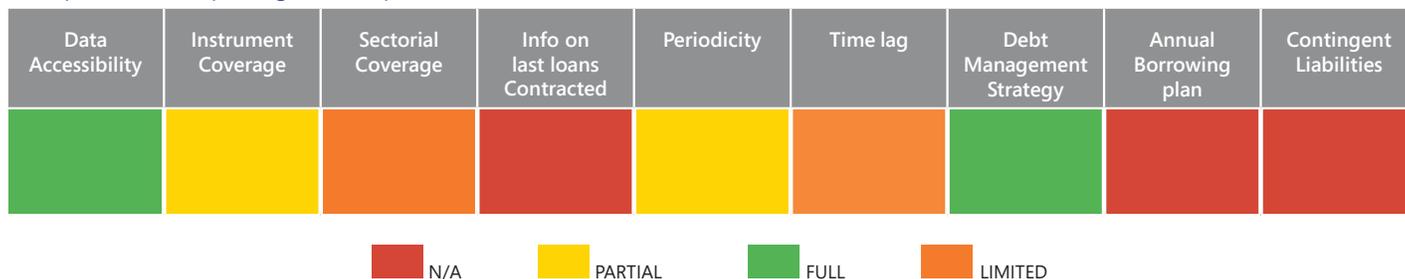
The crisis response framework and potential just-in-time support was presented in a DMF webinar on June 18, 2020. A recording of the webinar is available [here](#).

II. Debt Reporting Heat Map

The Public Debt Reports Heatmap assesses public debt dissemination practices in IDA countries. It was prepared and published at the World Bank website in June 2020. The assessment, which will be updated on a semi-annual basis, covers three main areas: (i) public debt statistics dissemination practices; (ii) publication of key debt management documents; and (iii) identification of fiscal risks stemming from contingent liabilities. The assessment is conducted on the basis of the information available on national authorities' websites. While

dissemination may take several forms (e.g. reports, statistical bulletins, Excel files, etc.), governments are expected to make debt statistics regularly available online to meet minimum standards of transparency towards citizens and investors. The results of the evaluation are presented in a heatmap showing strengths and weaknesses by country and indicator. Country's performance in each indicator is evaluated under a four-category scale, which ranks standards from low (red) to high (green). For more about this report, please click [here](#).

Example of Debt Reporting Heat Map



III. Recording, Monitoring, and Reporting Public Debt—Organizing a Back-Office

The note was published by the World Bank to provide guidance for countries on how to organize a public debt management back offices most effectively. It describes the core processes that should be performed by that unit that is ultimately responsible for recording, monitoring, and reporting on public debt. It also highlights their involvement in the execution and settlement process. These are the basic functions of a debt management office, and evidence shows that many countries could benefit from improvements in this area. Proper debt recording and monitoring are the essential first step to developing good quality data; these form

the basis for quantitative analysis, provide support for debt operations and facilitate effective policy decisions. Focusing on the main debt instruments that are used by low income countries, the note describes each process individually and highlights their interdependence. The main conclusion is that debt managers should organize themselves around the processes not products, and they should gather information to create a dataset to support debt management activities. Sound reporting is important for risk assessment and monitoring of a sovereign, and for the development and execution of debt strategies. More about the Guidance Note [here](#).

IV. Staff Corner

Meet the Team

Diego Rivetti is a Senior Debt Specialist at MTI debt management team. In this role, he has been involved in different analytical projects and Technical Assistance activities on public debt management, including debt transparency, sustainability analysis, elaboration of debt



Diego Rivetti

strategies, and development of government securities markets. Prior to joining the World Bank, he worked for the International Monetary Fund as a long-term expert in public debt management for Eastern Caribbean countries and for the United Nations (UNCTAD) as a debt analyst. He has an extensive banking background as he worked for the largest Italian bank (Intesa-Sanpaolo) in Italy and Romania between 2001 and 2007. He holds a Master in Economics from the University of Turin.

V. DMF Missions and Regional Trainings

During this period, all missions were conducted remotely due to COVID-19

Domestic Market Development, Debt Management and MTDS Missions

TITLE	Virtual Technical Assistance on Debt Market Development
OBJECTIVE	The main objectives of this follow-up mission were to: (i) advance the implementation of the Market Makers Pilot Program (MMPP) that will support the establishment of a fully-fledged Primary Dealer system; including assessment of the readiness of the candidate banks; (ii) discuss the design of the MMPP and the draft Memorandum of Understanding to be signed by the participating banks, Ministry of Finance (MOF) and National Bank of Georgia (NBG); and (iii) engage domestic and foreign institutional investors to discuss the domestic government securities market development.
COUNTRY	Georgia, Tbilisi, May 25–29, 2020
ORGANIZERS	IMF

TITLE	Just-in-Time: Technical Assistance on Debt Management
OBJECTIVE	The objective of the mission was to: (i) Update the status of reform implementation of the 2018 Reform plan, discuss pending areas of reforms and amend the timeline to the next medium term period., (ii) Provide in-house training to the newly established middle office. Training sessions will include LIC DSA and MTDS. The training was provided using in-house data, and (iii) Discuss debt transparency enhancement plans with the DMO.
COUNTRY	Bishkek, Kyrgyz Republic, May 27–June 10, 2020
ORGANIZERS	World Bank

TITLE	Just-in-Time: Medium Term Debt Management Strategy Development
OBJECTIVE	Following the preparatory mission in February 2020, to compile the existing debt data and prepare the MTDS inputs. This virtual mission is provided with the following main objectives: (i) To support the PDMO to derive and to interpret the cash flows defined by different types of debt instruments, mainly bonds and loans; (ii) To facilitate the computation of cost and risk indicators ; (iii) To support the authorities to produce a debt management strategy and to generate the first consolidated debt report for the central government.
COUNTRY	Nepal , April 1–June 30, 2020
ORGANIZERS	World Bank

Workshops on Debt Sustainability Analysis in Low-Income Countries

OBJECTIVE	The training presents the features of the new LIC DSF and provides hands-on exercises. Attendees are encouraged during the training to discuss issues related to the LIC DSA they may be preparing. The last day of the training is entirely focused on the preparation of DSAs, their presentation and discussion.
COUNTRY	Virtual , June 15– 19, 2020
ORGANIZERS	World Bank

VI. DMF Debt Management Network Webinars

March–June 2020

TITLE	Overview of Common Legal Practices in Debt Contracts, Specific Clauses, and some Negotiation Strategies
OBJECTIVE	With the deepening of the domestic and international capital markets as well as expanding sources of funding from multilateral and bilateral creditors, governments rely on a variety of borrowing options to finance their economy. As the debt instruments become more complex, debt management offices need comprehensive guidance from their legal counsel during contract negotiation. However, many developing and emerging countries lack proper legal support, as evidenced by Debt Management Performance Assessment (DeMPA) findings. In this context, a sound understanding of the legal implication of specific clauses as well as negotiation strategies is critical.
DATE	May 26, 2020
ORGANIZERS	World Bank, Macroeconomic Trade and Investment (MTI) Global Practice and DMF Team, and African Legal Support Facility (ALSF)

TITLE	Crisis Response: Debt Management and Government Securities Markets
OBJECTIVE	The EFI FCI Long Term Finance and MTI Global Macro and Debt teams of the World Bank have developed a crisis-response policy framework to provide support on public debt management and government securities markets for developing countries impacted by the developing COVID-19 pandemic. As countries will face increased financing needs and changed investor behavior, it is critical for debt sustainability that governments carefully assess how to finance their fiscal response, particularly in the context of already high public debt vulnerabilities in many countries. It is anticipated that demand for just-in-time support and for policy guidance to countries on public debt related issues will grow as a result of the crisis. This webinar will provide an overview of the framework, just in time technical assistance available to support countries in this time of crisis and provide examples of how countries have reacted to the crisis challenges. In addition, debt managers from Georgia and South Africa will provide examples of challenges faced and measures taken during the crisis.
DATE	June 18, 2020
ORGANIZERS	World Bank, Macroeconomic Trade and Investment (MTI) Global Practice and DMF Team

Debt and COVID-19, June 1, 2020

Vulnerability to debt problems had been building in many emerging and developing countries prior to the emergence of the COVID-19 (coronavirus) pandemic.

The issues with debt varied significantly across countries but spanned the “classic” cases of deteriorating fiscal finances (especially pronounced as international commodity prices declined and growth slowed since 2013), growth in private debt (potentially contingent liabilities for the government), and “hidden debts” to China (most prevalent among the lower income countries). The emergence of COVID-19 and the near-global lockdowns that came with it has created the most precarious environment for emerging economies since the 1980s and, more

likely, the depression of the 1930s—notwithstanding the unprecedented (in peacetime) fiscal and monetary

stimulus put in place in the advanced economies. Since the beginning of a comprehensive monthly time series in 1980, sovereign downgrades by the major rating agencies peaked in April 2020. In this setting, general debt management, sovereign defaults, debt restructuring, and debt relief have, once again, resurfaced as a major policy focus. This seminar offered an assessment of some of the

current and future risks, and discuss some policies that could tackle pre-existing or new debt problems. More information about the event [here](#).



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VII. Debt Management Events and Publications

Upcoming Mission Events:

COUNTRY	REMOTE ACTIVITY	NAME	DATES
Kenya	Technical Assistance	Scoping and Reform Plan	July 20–24, 2020
Georgia	Technical Assistance	Domestic Debt Market Development	Late July, 2020
Cameroon	Technical Assistance	MTDS Strategy Development	August 10–21, 2020
Ethiopia	Technical Assistance	MTDS Strategy Development	August 20, 2020

Upcoming Training Events:

COUNTRY	REMOTE ACTIVITY	NAME	DATES
Virtual	Regional Training	International Bond Issuance	July 7–15, 2020
Vienna (JVI)	Regional Training	DeMPA National	August 7–15, 2020

Recent Publications:

Debt Management Monitor 2011-2019, May 2020	Publication
Power to the fiscal? An Exploration of the Use of Credit Ratings to Estimate the Expected Cost of a Guarantee of a Power-Purchase Agreement, June 2020	Publication
Recording, Monitoring, and Reporting Public Debt—Organizing a Back Office, April 2020	Publication
Key Considerations for Collateralized Transactions, January 2020	Publication
Public Sector Debt Definitions, January 2020	Publication

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