I. COVID Response and G20 Debt Initiative

The escalating COVID-19 outbreak is causing widespread disruption in the world’s economic order by both a supply and demand shock whose full magnitude and duration remain unclear. It has disrupted international trade, led to extended business closures, harsh limitations in mobility of population and strains on public health systems. As the virus spreads, increased coordinated action are needed to boost confidence and provide stability to the global economy.

The World Bank Group has worked to take broad swift action to respond to the coronavirus pandemic. On March 17, 2020 Board of Directors approved a $14 billion package focused on the immediate health and social consequences of the outbreak. The goals are to shorten the time to recovery; create conditions for growth; support small and medium enterprises; and help protect the poor and vulnerable. The shrinkage in the global economy threatens to push up to 60 million people into extreme poverty. The World Bank Group's COVID-19 emergency health programs have now reached 100 developing countries. The World Bank Group is working to expand emergency health response through social protection measures, scalable cash transfers, and other steps to support livelihoods. World Bank Group approved $500 million for the Emergency Locust Response Program (ELRP), helping countries in Africa and the Middle East fight the locust swarms that are threatening the food security and livelihoods of millions of people.
A call for debt relief in IDA countries was issued during G20 meeting on March 26, 2020. It called official bilateral creditors to suspend debt payments due from IDA countries, effective immediately. This would allow time to assess the crisis’ impact and financing needs for each IDA country. Policy priorities for low-income economies (LIEs) include mobilizing additional domestic revenues, improving spending efficiency and public investment management, and strengthening debt management and governance. For official creditors, adherence to sustainable financing practices that pay appropriate attention to maintaining debt sustainability in borrower countries, including by providing financing on more concessional terms, can help borrowers meet development objectives while maintaining debt sustainability.

The unprecedented situation generated by the COVID-19 outbreak has triggered a dramatic dislocation of financial markets globally and will likely cause a significant downturn of the global economy. For public debt managers, the current economic and financial market situation creates immediate challenges in four areas:

**Meeting increased funding needs and changing financing conditions.** As economic activity declines and the full impact of the current crisis unfolds, fiscal pressures on governments will likely increase, a large part of which will need to be financed in capital markets. Revised government budgets and the financing of the larger deficits may be financed initially by shorter maturities but will pose challenges to debt managers overtime, particularly with respect to refinancing risk and managing the re-profiling of the debt portfolio over the medium term. Moreover, strong capital outflows and temporary disruptions to domestic market operations will adversely impact the implementation of debt management strategies. As a result, countries may need to reorganize their market operations, including planned issuances of international bonds. Faced with these changes, debt managers will need to revise their debt management strategies. The implementation of the revised debt management strategies will also require changes in market operations.

**Preserving investor confidence.** There are already clear signs of collapsing investor confidence, mainly in underdeveloped and developing markets. The global sell off across financial markets has been acute as investors have reduced risk exposures and sought security in the safest, most liquid instruments. Local investors have been shortening exposures and liquidating higher risk assets while foreign investors have abandoned these markets and sought “safe havens”, liquid markets with hedging instruments available. The appropriate communication of the changing debt management strategies and actions to be taken to cover the envisaged funding gap is key to restore investor confidence.

**Mitigating operational risks.** The changing operational risk environment, in which DMO staff are constrained to access their workplace, could jeopardize the daily operation of the debt managers. Appropriate operational risk management procedures and protocols become critical in this context.

**Managing specific fiscal risks.** The economic downturn and loss of fiscal revenues is likely to be a strain on SOEs, subnational governments and private sector entities that benefit from government guarantees covering loans or PPP projects. Depending on the contractual arrangements such guarantees could be triggered if the repercussions of the crisis last for too long bringing economic and revenue performance of those beneficiaries below critical levels.
II. Guarantee Framework and Credit Risk Assessment Tool

The Framework for Managing Government Guarantees and Scenario Analysis Tool for Assessment and Monitoring of Government Guarantees

Managing government guarantees poorly can lead to a waste of public resources, and it exacerbates the risks of a fiscal crisis. But managing guarantees well is hard to do because of the difficulty of understanding their potential cost and the temptation to use them excessively since they have no immediate effect on the reported budget deficit and level of public debt. These problems can be mitigated by establishing a sound framework of rules and policies to govern the granting and monitoring of guarantees.

For most governments, the management of guarantees is much less formal than the management of traditional liabilities such as loans. However, this informality can lead to poor decisions and destabilizing surprises, especially in times of crisis. This pair of publications prepared by the World Bank experts seeks to help governments to formalize the management and reporting of guarantees and quantify the extent to which guarantee payments may impact the budget.

The World Bank experts’ team, led by Lilia Razlog, wrote two policy papers to assist governments in improving the management of loan guarantees. The first paper helps governments develop a sound framework for managing guarantees by setting out a checklist of ideas to consider when establishing or a reforming its framework. The checklist starts with steps to establish macroeconomic control of guarantee, including setting limits on the issuance of guarantees and restricting the authority to grant guarantees. It goes on to consider six ways of improving decisions about guarantees and concludes with steps to improve the monitoring and management of guarantees after they have been issued. It is structured to allow a government to select and prioritize implementation of the options that will give it the greatest benefit in its current situation.

Many of these management options are best supported by having quantitative estimates of the potential guarantee payments. The second publication presents the scenario analysis (or stress testing) approach for quantifying the risk of potential payments from guarantees. The approach is designed to be easily understood, and there are accompanying Excel models to allow government analysts to immediately use the approach (so long as a minimal amount of financial data is available on the guaranteed entity). The approach is described in three stages of increasing complexity depending on the government’s current need.

The first stage estimates the payment on a guarantee for a single company given individual stress scenarios. This helps the government to understand its potential liability and can be used during the approvals process or for an existing guarantee to estimate upcoming payments on behalf of a company that is facing potential distress.

The second stage estimates the average payment across multiple scenarios to estimate the expected economic fee.

The third stage looks at multiple guarantees together, and it estimates the combined loss in an economic crisis. This combined loss can be used in setting reserve targets or be part of a larger project to measure macro-economic risks to the fiscus.

The paper is accompanied by two Excel credit risk assessment models. These models can be used as-is or customized by government analysts as the basis for making their own models.

Publication of these papers and two models aims to help government officials and country economists of the World Bank and provide additional tools and techniques to assess risks associated with government guarantees.

More information about the publications: here and here:
III. Update on GDRM Implementation

The Government Debt and Risk Management (GDRM) Program provides customized technical advisory services to middle-income countries, encompassing the full array of debt management and debt-related topics. Designed for the medium term, the Program supports partner countries from upstream, diagnostic work and developing reform plans, to downstream implementation of the projects. The Program is sponsored by the Swiss Secretariat for Economic Affairs (SECO).

GDRM Phase II was launched in 2018 after a very successful first phase implemented from 2011 to 2017. The Program currently has 13 member countries: Albania, Azerbaijan, Colombia, Egypt, Ghana, Indonesia, Morocco, North Macedonia, Peru, Serbia, South Africa, Ukraine, and Vietnam. In the case of Vietnam, it covers both the central government and Ho Chi Minh City, the first subnational government to become a member of the Program.

A programmatic and implementation-focused approach is key to achieving outcomes, and, by halfway through the Program, significant results have been achieved in many countries. Developments in the domestic markets in Colombia and Peru, the sovereign balance sheet being produced in Indonesia, and the approval of revised primary legislation in North Macedonia represent only a few.

GDRM phase II has also focused on contributing to the debt management knowledge space. Under the Program, three new training workshops were developed: (i) managing credit risk arising from government guarantees; (ii) cash flow forecasting and cash management; and (iii) sovereign asset and liability management, with an innovative approach. In the fourth quarter of 2019, the World Bank’s internal reorganization led to a decision to gather all debt management advisory expertise under the World Bank Equitable Growth, Finance, and Institutions (EFI) group. Consequently, the GDRM Program became a part of the Macroeconomics, Trade, and Investment (MTI) Global Practice, separating from the Treasury as of February 1, 2020. With this addition, the EFI group will now be responsible for all debt-related issues, resulting in improved efficiency for clients, executors of the programs, and donors, while keeping a strong partnership with the Treasury whenever the expertise can be leveraged.

IV. Staff Corner

Meet the Team

Rodrigo Cabral joined the World Bank Group in 2012, after 11 years of debt management experience at the Brazilian National Treasury. In Brazil, Rodrigo was part of the team that set up the middle office and developed its risk management framework. In the World Bank, Rodrigo worked at the Treasury until last February, when he joined the MTI Global Macro & Debt team after the Bank decided to group together all debt management expertise.

Rodrigo has worked with more than 35 developing countries across all regions of the world. Rodrigo now manages the Government Debt and Risk Management Program (GDRM) and leads the Program’s implementation in Indonesia, North Macedonia, and Peru. Father of three boys, Rodrigo likes to enjoy the time with the family exploring national parks, playing — or watching — soccer, and listening — and playing — music.
## V. DMF Missions and Regional Trainings

### Debt Management Performance Assessment (DeMPA) Missions

| OBJECTIVES | Deliver technical assistance in evaluating the legal, institutional and regulatory framework in government debt management, using DeMPA tool. The DeMPA is a methodology for assessing public debt management performance through a comprehensive set of indicators spanning the full range of government debt management functions. |
| ORGANIZERS | World Bank | World Bank | World Bank | World Bank |

### Other DMF Technical Assistance Missions

| MISSION NAME | Technical Assistance on Institutional Framework |
| OBJECTIVE | Advise on a structure for the consolidated Debt Management Office (DMO), and Review the Fiscal Responsibility and Debt Limitations Act (FRDLA) and Rules of Business from a debt management perspective. |
| COUNTRY | Islamabad, Pakistan, January 29–February 4, 2020 |
| ORGANIZERS | World Bank and IMF |
| HIGHLIGHTS | The mission advised on a structure for a consolidated Debt Management Office (DMO) after meeting with all stakeholders involved in implementation of the debt management functions. The mission also reviewed FRDLA and Rules of Business. |

| MISSION NAME | Technical Assistance on Debt Reporting |
| OBJECTIVE | Review debt reports produced by Pakistan and the ROB and FRDLA with regards to consolidating debt reporting in line with sound practice. |
| COUNTRY | Islamabad, Pakistan, February 5–7, 2020 |
| ORGANIZERS | World Bank |
| HIGHLIGHTS | The mission advised on consolidating debt reporting in line with debt management sound practice for reporting on debt and debt-related operations. |
### Reform Plan

**Objective**

Reform plan focused on technical assistance for debt management and debt transparency; training on macro-economic modeling to different government services for the Ministry of Finance and the Central Bank.

**Country**

Moroni, Comoros, February 3–11, 2020

**Organizers**

World Bank

**Highlights**

Improving debt management capacity and its transparency is key to avoid falling into the high risk of debt distress classification. The mission discussed with the authorities about recent developments in these areas and how they can be improved. The mission presented a first draft with the main proposed actions and timeline for reform implementation to the authorities.

### Institutional Arrangements and Coordination

**Objective**

Strengthening Institutional Arrangements

**Country**

Tegucigalpa, Honduras, February 17–27, 2020

**Organizers**

IMF

**Highlights**

The mission helped the authorities through capacity building to reform and strengthen institutional arrangements for more effective debt management. It also focused on achieving greater coordination between various stakeholders involved in debt management.

### MTDS Data Preparation

**Objective**

MTDS data preparation

**Country**

Kathmandu, Nepal, February 9–13, 2020

**Organizers**

World Bank

**Highlights**

The mission assisted authorities in the following activities: i) compiling the existing debt data, ii) verifying the consistency of the database, and iii) preparing the MTDS inputs. The mission met with the government officials at the Public Debt Management Office (PDMO), the Financial Comptroller General Office (FCGO) and the Nepal Rastra Bank (NRB), and delivered workshops on overview of MTDS, and data preparation for the MTDS.
<table>
<thead>
<tr>
<th>MISSION NAME</th>
<th>Capital Market Development Plan (Virtual Mission)</th>
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<tr>
<td>OBJECTIVE</td>
<td>Work with authorities on the preparation of a reform plan for capital market development</td>
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<tr>
<td>COUNTRY</td>
<td>Yerevan, Armenia, March 16–27, 2020</td>
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<td>ORGANIZERS</td>
<td>IMF</td>
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<td>HIGHLIGHTS</td>
<td>The team worked with authorities in preparing their Capital Market Development Program (CMDP) and provided support and capacity building on structuring the CMDP for implementation. The mission team worked remotely with the Ministry of Economy, the Ministry of Finance and the Central Bank of Armenia (CBA) in developing and left a draft plan with the authorities.</td>
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**Regional MTDS Training**

| OBJECTIVE | The objectives of the workshop were to strengthen capacity in analyzing the characteristics of a government debt portfolio and develop a strategy. The issues discussed included (i) setting the objectives and the debt data perimeter underpinning the strategy; (ii) understanding the concepts and measures of costs and risks; (iii) assessing costs, risks and market-developments associated with different financing; (iv) analyzing macroeconomic outlook and long-term structural factors; (v) identifying potential financing strategies with desirable cost-risk characteristics; (vi) learning to manipulate the MTDS analytical tool; (vii) drafting and disseminating the strategy document. |
| COUNTRY    | Dakar, Senegal, January 20–24, 2020 |
| ORGANIZERS | World Bank and Agence UMOA–Titres |
| PARTICIPANTS | 16 participants from 8 countries including: Benin, Burkina Faso, Cote d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. |

**In–Country MAC DSA Training**

| OBJECTIVE | The Market Access Country Debt Sustainability Analysis (MAC-DSA) workshop was organized to deliver customized training to the Vietnamese authorities to support the Ministry of Finance to draft the public debt borrowing and debt repayment plan for 2021–2025. |
| COUNTRY    | Hanoi, Vietnam, February 24–28, 2020 |
| ORGANIZERS | IMF and World Bank |
| PARTICIPANTS | The opening session was attended by 40 participants and the hands-on sessions were attended by 10–14 more specialized staff, mostly from the Ministry of Finance (MoF) and one staff from the Finance Department of Ho Chi Minh city. The workshop was mostly hands-on, including only two lecture sessions, and aimed to provide skills at manipulating the MAC-DSA Excel-based tool. The participants input Vietnamese data into the template, making appropriate adjustments, and producing and analyzing results. Comparisons were drawn with other countries and examples. Finally, participants delivered a presentation of the main MAC-DSA outputs and interpretation of the results. |
Online DeMPA Training

**OBJECTIVE**
Online courses can be as effective as face-to-face education and permit to widen the scope of trainees. The course is designed on a self-paced basis offering convenience and flexibility in the learning process. The completion of the course requires a good understanding of the course materials. In addition, participants need to independently design a reform plan program for a hypothetical case.

**COUNTRY**
February 3–March 6, 2020

**ORGANIZERS**
World Bank

**PARTICIPANTS**
94 participants registered for the course, including auditors from the countries' Supreme Audit Institutions, government officials in Ministry of Finance and DMOs in national and sub-national governments.

**HIGHLIGHTS**
59 external participants fulfilled all the requirements at the end of the course. In addition to the facilitated DeMPA e-learning, which is offered periodically, a self-paced mode has been available through the OLC platform around the year.

### VI. DMF Debt Management Network Webinars

The DMF manages the Debt Management Network (DMN) to share knowledge and build lasting capacity. The DMN is a community of government debt management practitioners aimed at sharing experience, exchanging information and helping to foster peer learning through virtual meetings, or webinars, for information sharing and discussions.

**Past Webinars:**

*International Debt Statistics 2020*, February 25, 2020

Chair: **Doerte Doemeland**, Practice Manager, Macroeconomics, Trade and Investment Global Practice, Global Macro and Debt Analytics Unit, World Bank.


Discussant: **Diego Rivetti**, Senior Debt Specialist, Global Macro and Debt Analytics, MTI Global Practice.

The World Bank's International Debt Statistics (IDS) 2020 data shows a 5.3 percent increase in the total external debt of low- and middle-income countries climbed 5.3 percent to $7.8 trillion last year, while net debt flows (gross disbursements minus principal payments) from external creditors tumbled 28 percent to $529 billion. The IDS 2020 features for the first time a breakdown of public and publicly guaranteed debt — government and other public sector debt, as well as private debt that is government guaranteed. It also provides information of explicit contingent liabilities of governments. This webinar provides also an overview of global challenges related to public debt statistics, and shares good practices and lessons learnt from the World Bank’s Debt Reporting System (DRS).

**Upcoming Webinars:**

*Overview of Common Legal Practices in Debt Contracts, Specific Clauses, and Some Negotiation Strategies*, May 26, 2020

Chair: **J. Clifford Frazier**, Deputy General Counsel, World Bank.

Presenters: **Nicole Kearse**, Senior Legal Counsel, African Legal Support Facility and **Ian Clark**, Partner, White & Case LLP.

Discussant: **Cigdem Aslan**, Lead Debt Specialist, Global Macro and Debt Analytics, MTI Global Practice.
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.

VII. Debt Management Events and Publications

Past Events:

Development and Debt in Lower-Income Economies
A Conversation between Kristalina Georgieva and David Malpass
February 10, 2020, World Bank Headquarters

A discussion about recent report on the debt and development in LICs, and how these countries can best mobilize the funding necessary for development while ensuring public debt sustainability. They also presented latest developments on enhanced debt transparency and quality of public investment.

Ms. Georgieva:

“We look at public investments in low-income countries, and we can only trace 60 cents on the dollar in terms of what exactly money buys.”

Mr. Malpass:

“Whereas from the standpoint of the people in the country, what they want is long-term sustainable growth that really pulls up median income.”

Debt and Entanglements Between the Wars
February 12, 2020, IMF Headquarters, Washington D.C.

A book discussion of “Debt and Entanglements Between the Wars”, edited by Era Dabla-Norris Asia Pacific Department of the IMF, and “Sovereign Debt: A Guide for Economists and Practitioners” by Strategy Policy and Review Department’s (SPR) S. Ali Abbas and European Department’s Alex Pienkowski. Two books by IMF staff were the focus of a recent discussion on the past, present, and future of sovereign debt. The event featured a conversation among Vitor Gaspar (Fiscal Affairs Department), Martin Mühleisen (SPR) and the editors of two significant new books on debt: Era Dabla-Norris (Debt and Entanglements, Between the Wars) and S. Ali Abbas (Sovereign Debt: A Guide for Economists and Practitioners). Christoph Rosenberg moderated the discussion.
Regional Conference on Public Debt Management and Sustainable Economic Growth in Sub-Saharan Africa
February 26, 2020

The conference was co-organized by the Ugandan Ministry of Finance, Planning, and Economic Development, the Ministry of Foreign Affairs of the Netherlands, and the UK’s Overseas Development Institute, and supported by the United Nations Department of Economic and Social Affairs (UNDESA) brought together senior government officials from across sub-Saharan Africa (SSA). The conference brought together experts, including from the World Bank and the IMF, other international financial institutions, and a wide range of experts and stakeholders. Sovereign borrowers face complexity and the conference discussed options facing sovereign borrowers in SSA and focused on ways forward for getting the best deal for financing national development plans, including the sustainable development goals.
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