



World Bank Treasury Government Debt and Risk Management (GDRM) Program

Providing customized advisory services
to middle-income countries
to build resilience to financial shocks



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The Government Debt and Risk Management (GDRM) Program

The Government Debt and Risk Management (GDRM) Program provides customized technical advisory services to middle-income countries in a programmatic approach. The Program assists countries in developing robust debt and risk management frameworks to reduce vulnerability to financial shocks.

Focus on Middle Income Countries

The GDRM Program focuses on middle-income countries (MICs), which are home to 75% of the world's poor. MICs face a unique set of fiscal challenges: governments must finance the budget at the lowest possible cost, deepen the domestic market, borrow internationally, and develop capacity to handle more complex financial instruments, often with limited human and technical resources.

Most current debt and risk management technical assistance for MICs focuses mainly on upstream diagnostic work and developing reform plans, while assistance for targeted, downstream implementation work is limited.

The GDRM Program is designed to fill this gap.

Partner Countries

Albania, Azerbaijan, Colombia, Egypt, Ghana, Indonesia, Macedonia, Morocco, South Africa, Serbia, Peru, Tunisia, Ukraine and Vietnam



The World Bank-Swiss Partnership



Schweizerische Eidgenossenschaft
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Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

Switzerland is a valued, active partner of the World Bank Group. The Government Debt and Risk Management Program is a trust fund under the World Bank Treasury, funded by the Swiss State Secretariat for Economic Affairs (SECO).

Customized Advisory Services

From diagnostic to implementation

■ Institutional Strengthening

Governance:

Focuses on the legal framework, institutional arrangements, accountability and transparency mechanisms that shape and direct the operations of government debt and risk managers: design of government structures with clear roles and responsibilities, with appropriate checks and balances and clear reporting lines.

Policy coordination:

Focuses on establishing efficient coordination mechanisms between debt management and monetary policy, fiscal and budget planning processes and cash management.

Strengthening debt and cash management relations:

Aims to improve the implementation of the debt management strategy, and supporting domestic market development.

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.

■ Technical Capacity Development

Debt management strategy development:

Covers formulation of debt management strategies based on sound analysis of costs and risks, considering a country's macroeconomic framework and level of debt market development, determining the composition of public debt portfolio.

Debt management strategy implementation:

Covers the development of an annual borrowing plan, access to the capital markets, hedging and the functioning of the primary and secondary markets.

Contingent liability management :

Focuses on developing models to identify, measure and manage risks arising from sovereign loan guarantees, guarantees issued to public private partnership schemes, legal claims against the government, catastrophic and other risks.

Asset and liability management:

Management of the balance sheet risks (fiscal risks) from an asset and liability management perspective where market-based mitigation is possible.

GDRM Program Approach

■ Programmatic

Designed for the medium term, the GDRM Program supports partner countries from upstream, diagnostic work and developing reform plans, to downstream implementation of the plans.

■ The right expertise

The core team consists of public debt management professionals who have held positions in public debt offices in emerging and developed countries. They represent the World Bank Treasury's asset management expertise, market transactions and banking solutions know-how, as well as reserves advisory and management capability. As seasoned practitioners, speaking the same technical language as their country partners, they provide pragmatic solutions in advanced areas such as issuance in international capital markets, use of derivatives, market-, credit- and operational-risk management, and management of contingent liabilities.

■ Know your partners

Once a country becomes part of the GDRM Program, dedicated debt managers build and manage long-term relationships with partner countries' management and technical teams. They support their counterparts in all debt management related issues, giving trusted advice, becoming a sounding board, and providing much needed continuity. As they develop a deep understanding of the country's context, they recommend tailor-made solutions, specific to countries needs and national priorities.

■ Peer learning

The Program connects countries facing similar issues, providing a platform for an in-depth exchange of ideas and experiences. Peer Group Dialogues provide 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.

■ Sustainable outcomes

The GDRM Program is focused on sustainable outcomes. It not only allows time for diagnostic work and plan recommendations, but also time to support the client through implementation, achieving change within the partner country and seeing the reform plans take root.

Challenges

Solutions

Azerbaijan, Colombia, Indonesia, Macedonia, Serbia, Peru and South Africa wanted to improve the quality of their debt management strategies.

These countries are using analytical tools to regularly analyze the cost and risk trade-offs of alternative strategies under a range of macroeconomic and market scenarios.

Vietnam and Macedonia wanted to improve their debt management legal framework to support more active and market-based borrowing and to make sure it aligned with international sound practices.

Vietnam revised its public debt management law with the National Assembly's approval and is now revising secondary legislation. Macedonia will submit the revised law to the parliament until the end of the year. Revising the budget law simultaneously with the debt management law they are aiming to streamline harmonize both laws.

Serbia wanted to improve the functioning of the primary government securities market.

The debt management office developed an annual borrowing plan consistent with the latest debt management strategy to increase transparency and reduce uncertainty for investors.

Peru wanted to assess exposure to contingent liabilities from government guarantees for public-private partnership infrastructure investments.

Peru improved valuation tools to better assess and account for contingent liabilities from public-private partnerships.

Serbia wanted to restructure its debt management office to strengthen its enabling environment.

Serbia reorganized the Public Debt Administration and benefits from improved internal structure.

Indonesia wanted to better manage risks from government loan guarantees to state-owned enterprises.

Indonesia introduced a credit rating methodology to assess credit risk and improve risk monitoring and reporting.

Vietnam wanted to expand its capacity to borrow in the international markets.

Vietnam launched a successful and modern (switch tender offer) international market operation. Vietnam had just-in-time support of debt management experts from lead emerging markets, and a workshop on the topic supported the authorities in increasing the team's capacity.

South Africa wanted to improve transparency and price discovery for secondary market trading of government securities.

South Africa will establish an electronic trading platform for secondary market trading that will improve the functioning of secondary market trading overall.

Albania wanted to develop its domestic market for government securities.

A market making arrangement with select benchmark securities will be piloted as a first step for boost the secondary market trading. Depending on the success of the pilot, a broader primary market dealership to support primary and secondary markets might be envisaged.

Indonesia wanted to have a broader risk management strategy by looking at risks on both sides of the balance sheet (assets and liabilities).

Indonesia is in the process of setting up an asset and liability management (ALM) framework.



■ Contact us

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