



DMF News

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Tanzania: Developing the Government Securities Market

Assistance to low- and lower-middle income countries in developing their domestic government debt markets is important to enhance government access to domestic financing and provide greater flexibility to implement debt management strategies. Accordingly, DMF II's expanded mandate envisions support for strengthening capacity in *domestic debt market development* through technical assistance (TA) missions. Recently Tanzania benefited from such support, as a joint World Bank-IMF team visited Dar es Salaam in December 2015 at the Government's request, to undertake an assessment of the Tanzanian government securities market. The main objective was to assist the government in the development of this market both to enhance efficiency of public debt management and support the emergence of a broader capital market in the country. (continued on page 2)

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This block contains the DMF logo at the top left, followed by the text "Formal invitation and registration package to follow" in a white font on a blue background.

SAVE THE DATE

DEBT MANAGEMENT FACILITY

STAKEHOLDERS' FORUM 2016

May 30—31, 2016 Lusaka, Zambia

Managing a Diverse Debt Portfolio in a Volatile Global Environment

Co organized with the African Development Bank (AFDB)

Tanzania: Developing the Government Securities Market (continued from page 1)



The team worked with the Bank of Tanzania (BoT) and the Ministry of Finance (MoF), as well as met with representatives of key stakeholders in the government debt market (e.g. participants in the primary and secondary markets and investors).

At the end of the mission, an aide memoire presenting the mission's preliminary findings and key recommendations - integrated with a detailed action plan - was provided to the authorities. The team also undertook an assessment of the performance of the Government Securities Market Development (GSMD) to serve as a pilot study to evaluate the GSMD Toolkit. The team also discussed plans for a follow-up TA mission to design a sequenced reform plan.

Tanzania's Medium-Term Debt Management Strategy (MTDS) for 2013-17 underscores a transition from concessional to semi-concessional borrowing and the importance of developing the domestic debt market. In parallel, the authorities are moving forward with several reform initiatives that could provide improved conditions for development of the government securities market. Three wider initiatives are relevant, in particular:

East African Community (EAC) convergence criteria:

Under the guidance of the EAC Monetary Affairs Committee (MAC), all five of the region's central banks are coordinating the development of their government securities markets through adoption of similar market conventions and standards;

Modernization of the monetary operational framework:

The BoT intends to modernize the monetary policy framework by gradually transitioning to a more forward-looking policy with flexible operational targets and greater reliance on interest rates;

Unfunded pension liabilities:

The MoF is currently in process of planning the issuance of (a series of) non-cash bonds to pension funds to clear arrears and other liabilities.

Importantly, recent debt sustainability analysis (DSA) for Tanzania confirms a low risk of debt distress, provided fiscal and borrowing policies remain prudent. Together with the MTDS which facilitates a more flexible response to changing global market conditions, this underpins the mission's recommendations for development of the government securities market,

World Bank Economic View: Disappointing 2015 for global economy-gradual pickup over 2016

Global economic growth is expected to accelerate modestly in 2016 to 2.9 percent after a disappointing year in which growth was slowed by falling commodity prices and weak flows of trade and capital, the January 2016 [Global Economic Prospects](#) report says. Growth slowed in 2015 to a 2.4 percent rate, 0.4 percentage points below earlier projections.

Growth is expected to strengthen in 2016 as advanced economies grow more solidly, as commodity prices stabilize, China continues to gradually rebalance its economy and global financial conditions remain benign despite rising U.S. interest rates. Even so, the forecast is lower than projected six months ago, principally due to the simultaneous slowdown in major emerging market economies.

Downside risks to this view abound, however. These include the possibility of a disorderly growth slowdown in a number of major emerging markets or a tumultuous financial market reaction to higher borrowing costs in the United States and elsewhere. A sustained decline in the largest emerging market economies would cause ripple effects hurting growth in other emerging and developing economies. A further substantial leg down in commodity prices could set back growth in commodity exporters. Political uncertainty and an escalation of conflict in parts of the world could also deal blows to global growth.

Developing country growth slowed to a post-crisis low of a 4.3 percent pace in 2015, and the widespread slowdown across emerging and developing economies is a source of concern for the global economy. The loss of growth momentum further poses a threat to hard-won achievements in poverty reduction. More



Presenting certificates to graduate DMPPs. From left to right are: Yasantha Weerasinghe, Bernard Gibet, Mark Thomas, Abha Prasad, Christian Mulder and Mick Riordan

than 40 percent of the world's poor live in the group of developing countries where growth slowed last year.

In the current environment, developing countries can brace for possible shocks by building resilience to financial market turmoil and risks to growth.

10th Biennial Debt Management Conference organized by UNCTAD

UNCTAD's 10th Debt Management Conference held in Geneva during November, 2015

The UNCTAD Debt Management Conference, taking place every two years, provides a regular forum for the sharing of experience and exchange of views between governments, international organizations, academia, the private financial sector, and civil society on current issues in debt management. This year's conference attracted over 360 high-level participants from 91 countries, as well as from international-, regional- and non-governmental organizations. From the World Bank's Macroeconomics and Fiscal Management Global Practice, Mr. John Panzer, Director, presented on "Exogenous Shocks and Debt", and Ms. Lilia Razlog, Senior Debt Specialist, presented on debt management capacity building needs and the response of international organizations. Please click [here](#) to access the full set of conference presentations.

Debt Management Practitioners' Program (DMPP)

Welcomed Two New Participants

Under the Debt Management Practitioners' Program (DMPP), the DMF Secretariat hosted two debt management specialists over September-December 2015. As part of the program activities, Bernard Gibet of the Kenyan National Treasury, Department of Public Debt, accompanied a mission to Niger State, Nigeria (together with WAIFEM) to undertake a subnational DeMPA assessment. He made strong contributions to discussions and to the forthcoming report. And a paper prepared for the DMPP program covered the strengths and weaknesses of the domestic government debt market in Kenya. The second DMPP participant -Nakandalage Yasantha Weerasinghe of the Sri Lankan Central Bank- accompanied an MTDS mission to Vietnam, as well as produced a comprehensive paper on the primary dealer system and regulatory structures needed to bring about a more efficient domestic debt market in Sri Lanka. We thank Msrs. Gibet and Weerasinghe for having been enthusiastic participants in the program, and for having shared their views and insights on debt management issues with our group.

Activities for the Period October— December 2015

DMF and related Missions

Debt Management Performance Assessments (DeMPA)

7 DeMPA missions were undertaken, of which 3 at the sub-national level¹

>>**Tajikistan.** A World Bank team visited Dushanbe over October 12-20, 2015, to conduct a second debt management performance assessment, following the first assessment prepared in April 2011 and the Debt Management Reform Plan developed in the context of a mission which took place in July 2011. The team's interactions with the authorities and private sector entities suggest that some progress has been achieved since the DeMPA of 2011. These are highlighted by improvements- among others- in the organizational structure of the Ministry of Finance (to facilitate foreign debt issuance), publication of an annual auction calendar for domestic debt issuance, and the implementation of a Treasury Single Account. Opportunities for improvement lie in the areas of portfolio risk analysis, cash and operational risk management.

>>**Kyrgyz Republic.** The main objective of the mission, which took place in Bishkek over October 15-22, 2015, was to assess current debt management performance, jointly with the Ministry of Finance (MoF) and other public entities. The mission noted that MoF has been implementing a series of reforms in the areas of public financial management supported by the World Bank and plans follow-up technical assistance in this area. Among stronger points in debt management practices are the legal framework, a formalized fiscal role of the central bank with the MoF, and strong debt recording. And the key opportunity for improvement is resolving the current fragmentation of debt management responsibilities across agencies.

>>**Liberia.** A joint World Bank-WAIFEM team visited Monrovia from November 10 – 18, 2015, with the objective of assessing the strengths and areas for improvement in public debt management in Liberia. The mission also evaluated progress made since the first DeMPA conducted in 2009. Completion of the HIPC

Initiative in 2010 helped Liberia to reach sustainable levels of debt and to regain access to development finance. The debt to GDP ratio dropped from around 600 percent to 38 percent between 2007 and 2011—and at end-2014, this ratio remained near 38 percent. During the Ebola outbreak, only essential staff in public and private institutions were permitted to go to work, and this had the effect of stalling many debt management reform initiatives. However, likely in forthcoming technical assistance — a full review of the debt management managerial structure and operating framework would provide an opportunity to improve efficiency, compliance with the PFM Act and Regulations, and to reduce operational risk.

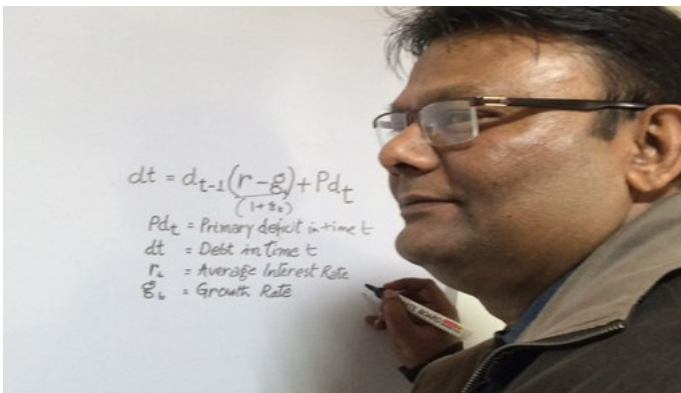
>>**Zimbabwe.** At the invitation of the Government of Zimbabwe, a World Bank team in conjunction with MEFMI visited Harare over December 3-11, 2015, to conduct a second DeMPA analysis, following the first assessment done in September 2011. In the absence of financing opportunities from multilateral sources, the government has resumed external borrowing since 2010 in the form of bilateral commercial loans. The authorities are now in the process of intensifying their efforts to reengage with creditors and the international community. Among important results of the DeMPA were the following: Zimbabwe recently adopted a new and comprehensive debt management law, providing a stronger framework for activities; a Debt Sustainability Analysis (DSA) has been undertaken, while a number of guidelines for borrowings have been developed but not yet adopted, and steps to improve operational risk management have been taken.

>>**Punjab, Pakistan** (subnational DeMPA). The objective of a World Bank technical assistance mission over October 6-9, 2015, was to conduct a scoping of debt management performance for the Government of Punjab, and develop a matrix of activities for the first year of a support program including technical assistance, capacity building, and analytical and advisory services. The mission visited Lahore, and was undertaken as part of the Pakistan Debt Management Support Program funded by the Trust Fund for Accelerating Growth and Reforms. Objectives for the debt management program include: establishing the institutional setup of a Debt Management Unit (DMU) and identifying its core responsibilities; training of DMU staff; pre-

¹Debt Management technical assistance work in Punjab, Pakistan and Rajasthan, India form part of on-going World Bank work programs, and have been financed by the World Bank and – in the case of Pakistan, by a Trust Fund, the TFAGR.

paring a debt management strategy and assisting in the province's debut debt issuance, and offering support for strengthening of fiscal rules.

>>**Niger State, Nigeria** (subnational DeMPA). At the request of the Government of Niger State, a World Bank team in conjunction with WAIFEM, visited Minna over October 19-29, 2015, to work with the Debt Management Office and Ministry of Finance to apply the DeMPA tool at the subnational level. The objective was to assess debt management performance for the State, against the background of the strong underlying relations between Federal and State entities in areas such as the legal framework and borrowings. The findings highlight generally low Debt Performance Indicators scores—this due in part to the Debt Management Department Law having been stalled in draft form since 2007. Operations are currently spread across a number of agencies within and outside of the Niger State Ministry of Finance, and information flow across these units can be much improved.



Mr Ashutosh Vajpayee, Joint Secretary, Government of Rajasthan, India - with the debt dynamics equation in his office

>>**Rajasthan, India** (subnational DeMPA). A World Bank team visited Jaipur over October 30 to November 10, 2015 to undertake a debt management assessment as part of an ongoing World Bank project: “Strengthening Public Financial Management and Accountability”.

The DeMPA exercise was timely, given that implicit contingent liabilities from electricity distribution companies amount to nearly 12 percent of GSDP for the Government of Rajasthan (GoR). Among key results, the assessment revealed that responsibilities for debt management are currently divided across entities – Re-

serve Bank of India (RBI), Department of Finance (GoR), Ministry of Finance (GoI) and the Accountant General. Among opportunities for improvement, there currently is no analysis of the debt portfolio, borrowings are not coordinated with cash-flow forecasts and the auction calendar is only partly related to projected borrowing needs.

Medium Term Debt Management Strategy (MTDS) Missions:

2 MTDS missions were undertaken

>>**Benin.** A joint World Bank-IMF mission visited Cotonou over November 23 – December 1, 2015 to work with the authorities to help build capacity to develop a medium term debt management strategy based on cost-risk analysis. To meet financing needs and to mitigate refinancing risks, the authorities are considering to diversify the sources of financing. The mission analyzed four alternative borrowing strategies using the MTDS analytical tool. While the strategies analyzed are considered to be relevant, the main objective of the work was providing technical assistance and training. Based on the quantitative analysis undertaken applying the MTDS Toolkit, and taking into account the government's risk preferences, the authorities can prepare a detailed strategy document with indicators and targets for the composition of debt, followed by a borrowing plan to operationalize the strategy.

>>**Uganda.** A joint World Bank – IMF team with representatives from UNCTAD and MEFMI visited Kampala, over December 2-10, 2015 to deliver technical assistance in updating Uganda's medium-term debt management strategy. The mission applied the MTDS Toolkit working with the Debt and Cash Management Department of the Ministry of Finance, Planning, and Economic Development- and other relevant departments in the Ministry as well as the Bank of Uganda. As part of the fiscal policy framework, the Ministry of Finance is required to develop a medium term debt management strategy, and to update the strategy annually. Uganda had published its latest debt management strategy in early 2015, and the timing of the mission facilitated and supported the 2016 update of the strategy. As part of mission activities, a 5-day workshop was held for a group of 15 staff from the agencies noted above, covering the theoretical background for strategy development as outlined in the MTDS Guidance Note,



MTDS Training in Cotonou, Benin and focusing strongly on hands-on work with the MTDS analytical tool.

Debt Management Reform Plans

2 Reform Plan Missions were undertaken

.>>Uganda. A World Bank team joined by MEFMI visited Kampala over October 5-12, 2015 to provide technical assistance on formulation of a debt management reform plan. The mission worked closely with the Debt and Cash Management Department of the Ministry of Finance, Planning, and Economic Development, to design a reform plan document for debt management. Debt management reforms in Uganda will start from a relatively advanced stage. A Debt Management Framework of 2013 is in place, an MTDS analysis has been undertaken and updated annually, and detailed statistical reports are published. The reform plan document developed as a result of mission activities was divided into two main pillars: (1) Governance, including the organizational set-up, and the legal framework; and (2) Strategy and risk management, that covers the debt management strategy, debt recording and reporting, and management of contingent liabilities.

>>Nicaragua. A joint World Bank – IMF team along with CEMLA visited Managua from November 3-11, 2015, to provide technical assistance to support authorities in formulating a detailed and sequenced debt management reform plan. The mission followed a series of engagements from the two institutions, as

well as from CEMLA, such as the 2010 World Bank-assisted DeMPA; 2013 technical assistance missions from the IMF on international bond issuance, and previous assistance from CEMLA on debt management strategy and institutional arrangements. The reform plan developed as a result of mission activities encompassed three pillars for improving debt management, including: (i) development of the domestic debt market; (ii) institutional arrangements, and (iii) debt management strategy and debt reporting. The mission team plans to conduct a follow-up mission on implementation of the reform plan in nine to twelve months.

DMF Training Activities

Debt Management Performance Assessment (DEMPA) revised methodology

1 DeMPA training was undertaken in Hanoi, Vietnam

A regional training workshop on the revised DeMPA methodology was held during December 14-18, 2015, in Hanoi, Vietnam. The objective of the workshop was to familiarize participants with the revised framework for assessing debt management institutional structures and capacities based on the revised 2015 DeMPA tool. Participants of the training included debt experts and representative of external audit entities from Afghanistan, Bangladesh, Bhutan, Cambodia, Lao, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka and Vietnam. During the workshop, debt experts presented examples of individual country practices and shared country specific experiences. By the end of the training, participants were able to use the debt performance indicators and evidence-based data for assessing debt management and became familiar with the scoring methodology for the 2015 DeMPA methodology.

Medium Term Debt Management Strategy (MTDS)

1 MTDS training was undertaken in Abidjan, Cote d'Ivoire

A joint World Bank-IMF team, in collaboration with WAIFEM, delivered a regional workshop on MTDS during November 16-20, 2015 in Abidjan, Cote d'Ivoire. The workshop covered the use of the MTDS framework and the associated recently revised analytical tool, and trained 26 officials from 12 Francophone

African countries, including, Benin, Burkina Faso, Burundi, Cameroon, Comoros, Cote D'Ivoire, Guinea, Guinea Bissau, Mali, Niger, Senegal, and Togo. The workshop was conducted in French and English, and provided an overview of the MTDS framework with a particular focus on issues that are relevant to the region. The importance of understanding the relationship between debt management and the macroeconomic framework, the budget, and debt sustainability analysis was highlighted. A considerable portion of the workshop focused on hands-on exercises. At the end of the workshop, using skills acquired in the training, participants prepared draft strategies and presented to the group.

Low-Income Country Debt Sustainability Framework

1 Debt Sustainability Framework training was undertaken in Shanghai, China

A joint World Bank and IMF team conducted a Low-Income Country Debt Sustainability Framework (LIC DSF) workshop in Shanghai over November 16 - 20, 2015, hosted by the Asia-Pacific Finance and Development Institute. The workshop was attended by 24 government officials from 12 countries, including Bangladesh, Bhutan, Cambodia, Lao PDR, Maldives, Mongolia, Myanmar, Nepal, Samoa, Sri Lanka, Tonga and Vanuatu. A representative from the Asian Development Bank also attended part of the workshop. The main purpose of the event was to provide a solid understanding of the LIC DSF through a combination of instruction and hands-on application. The first part of the workshop focused on the background of the DSF, with emphasis on its theoretical and empirical foundations as well as its operational implications for debt analysis. During the second part of the workshop, participants worked in groups to come up with their own alternative scenarios, think through the macro/fiscal implications and prepare a debt sustaina-

Recent Research and Publications

IMF-World Bank Staff Report: Public Debt Vulnerabilities in Low-Income Countries: the Evolving Landscape

In December 2015, the first joint IMF-World Bank report on public debt vulnerabilities in low income countries (LICs) was published. The report examines debt-related developments and their underlying causes since the onset of the global financial crisis. As noted in the paper, over this period, improved macroeconomic performance in LICs, combined with HIPC/MDRI debt relief and high demand for commodities, contributed to improved LIC creditworthiness. Concurrently, new borrowing opportunities emerged, given accommodative liquidity conditions in international capital markets, deepening of domestic financial markets for some LICs, and increasing lending activities of non-Paris Club countries.

The report indicates that debt vulnerabilities remain generally lower than before the global financial crisis. In particular, between 2007 and 2015, the share of countries at high risk of external debt distress fell from 43 to 26 percent. But in recent years, liquidity buffers have narrowed, and debt-to-GDP ratios have edged higher, reflecting counter-cyclical policies and some utilization of borrowing headroom to finance priority spending. Heightened vigilance is thus needed to navigate shifting market conditions and a weaker global environment. LICs' closer integration into the global economy, greater exposure to market risks and reduced fiscal buffers underline the importance of prudent fiscal policies and improved debt management. The report notes that policies are likely to be tested in the near term by lower international commodity prices and prospects for less favorable global lending conditions. The findings of the report will inform the upcoming review of the IMF/WB Debt Sustainability Framework for LICs. To access the full report, click [here](#).

New World Bank Discussion Paper: Contingent Liabilities Risk Management: A Credit Risk Analysis Framework for Sovereign Guarantees and On-Lending

Sovereign guarantees and government on-lending can catalyze private sector investment and fulfill specific policy objectives. However, the contingent liabilities and contingent assets created can pose significant risks to government finances. Prudent risk management can help identify and mitigate these risks.

A recent [paper](#) by Fritz Bachmair, Financial Officer at the World Bank Treasury, presents a framework for measuring and managing risks from guarantees and on-lending, from risk analysis and risk measurement to the design of risk management tools such as guarantee fees, the provisioning for financial losses, and the structuring of guarantee agreements. The paper presents country cases from Colombia, Indonesia, Sweden, and Turkey.

The paper is part of an effort by the World Bank to offer support to sovereign risk managers in improving risk management practices in their countries. Support includes advisory engagements, knowledge products, trainings, and peer-to-peer exchanges. An upcoming World Bank webinar on February 24th, 2016, is dedicated to this topic. To receive an invitation please contact Florent Antoine at <fantoine@worldbank.org>.

The Public Debt Management Network

The mission of the OECD-Italian Treasury–World Bank Network for Public Debt Management in Emerging Markets (PDM Network) is to enhance dialogue among debt managers and experts of advanced and emerging countries on public debt management policies and techniques and on government securities markets. The PDM Network has worked since 2004 in cooperation with the OECD Working Party on Debt Management (WPDM). It supports WPDM outreach activities, spreading selected WPDM documents also to non-OECD members and contributes to the OECD Global Forum on Public Debt Management. Recently, the World Bank has expressed its willingness to join the PDM Network and the Italian Treasury and OECD have confirmed their interest to collaborate with the Bank within the PDM Network.

Through this website, the PDM Network offers on-line free and protected access to a large number of documents, news and events for public debt managers and researchers. The PDM Network provides continuous and multilateral information on experiences, best practices and techniques on all aspects of public debt management to debt managers and other partners such as supranational and multilateral organizations, public and private research centers and financial institutions. To access the PDM Network, please click [here](#).

Forthcoming Mission Activities (January 2016 onwards)

- Pakistan: Subnational (Sindh Province), Jan. 19 – 28, 2016
- Cote D'Ivoire: Joint MTDS, Jan. 25—Feb. 5, 2016
- Kenya: Joint MTDS, Jan. 25 – Feb. 10, 2016
- Nigeria: Joint MTDS, Feb. 11 – 18, 2016
- Papua New Guinea: Second DeMPA, Feb. 17 -25, 2016
- Zambia: Joint MTDS, Feb. 23 – March 2, 2016
- Togo: DeMPA, March 9 – 18, 2016
- Kyrgyz Republic: Joint Second MTDS, April 20 – 28, 2016

Forthcoming Training Events (January 2015 onwards)

- Fourth DEMPA e-Learning, Jan. 18 – Feb. 19, 2016
- Joint WB/IMF DSA Training, Zimbabwe (Victoria Falls), February 8 – 12, 2016
- Joint IMF/ECCB DSA Training, St. Kitts and Nevis, February 22 – March 4, 2016
- Joint IMF/WAIFEM DSA Training, Accra, Ghana, March 7 – 11, 2016
- Joint WB/IMF MTDS Training, JVI, Vienna, Austria, March 28 – April 8, 2016
- Joint IMF/AFRITAC DSA Training, Mauritius, April 18 – 22, 2016
- Fifth DEMPA e-Learning, April 25 – May 27, 2016
- Joint WB/UNCAD MTDS workshop, Shanghai, China, April 25 – 29, 2016
- DeMPA Regional Training, Mexico City, May 9 – 13, 2016
- DeMPA Regional Training, MEFMI Region, June 27 – July 1, 2016

DMF News

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