

Medium Term Debt Management Strategy

A World Bank-IMF Toolkit

Recap: principles

- Objective:
 - Improve debt management in LICs, including its articulation with macro/fiscal planning
- WB aims to leverage:
 - Its own country programs
 - Its own technical knowledge built up from work in LICs and MICs
 - Technical knowledge and country presence of other TA/CB providers
- Approach: public-goods provision
 - Tools/methodology (cf. DSF, DeMPA)
 - Monitoring progress
 - Standard-setting where tools/methodologies are developed (cf. PEFA)

Schematic existing offer

Low Income Countries

- Debt sustainability based strategies
- DSAs under the joint DSF
- Budget & PFM support
- Concessionality & grants

Identified Gap “LIC-MTDS”

- Cost-risk based strategy tailored to concessional finance in LICs
- Articulation between macro planning & PDM
- Articulation between aid & PDM
- Articulation with market development

Market Access Countries

- Cost-risk tools
- Tailored debt management strategies with focus on domestic yield curve
- Fee for service TA

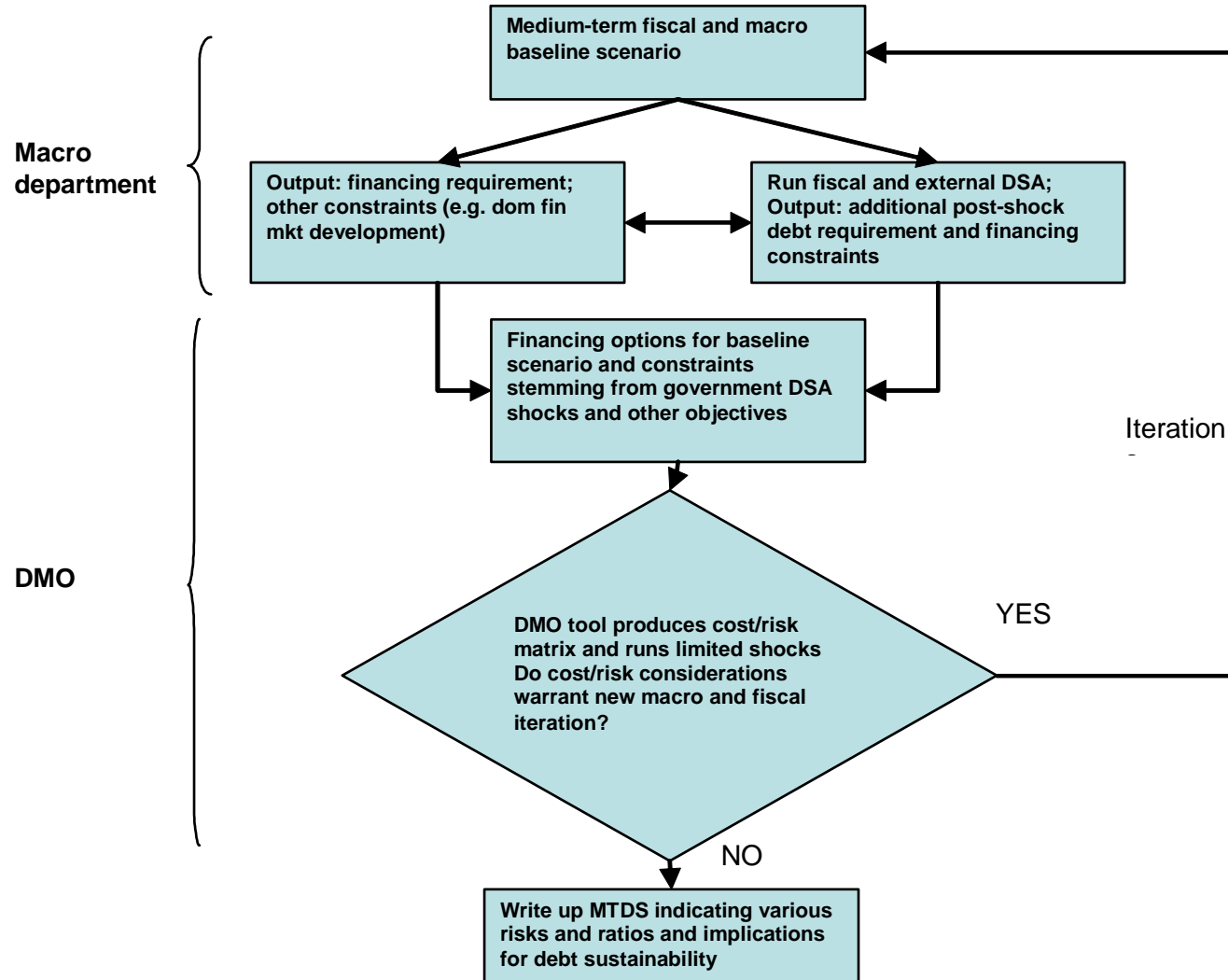
The MTDS “toolkit”

- Process guidance
 - Step-by-step guidance
 - Including liaison with economic planning functions
 - Excluding specific recommendations on institutional development
- Quantitative tools
 - Cost-risk spreadsheets
 - Consistency check with DSF

Step-by-step guidance on process

1. Identify objectives for debt management and scope of the MTDS
2. Identify cost and risk of the existing debt
3. Identify potential funding sources
4. Identify outlook for key policy areas: fiscal, monetary, and market
5. Review key longer-term structural factors
6. Identify cost-risk trade-offs for alternative debt management strategies
7. Review implications of preferred debt management strategy with fiscal and monetary policy authorities, and for market conditions
8. Submit recommendation on proposed MTDS for approval

Quantitative analysis



Cost/risk analysis: key features

- Tailored to common LIC instruments
- Tailored to common constraints faced by LICs
 - E.g., BOP, domestic market
- Simplified input structure
- Cost/risk measures adapted for both medium-term cash-flow and longer-term debt stock
 - Present value calculations
- Can be fed into DSF DSA template for sustainability checks

Country work

- Initial phase comprises implementation and development by Bank and Fund staff
 - Bangladesh, Ghana
 - About four more countries in the coming months
- Report to Boards by year-end
- Further implementation “mainstreamed” within country programs
 - But delivery need not be by Bank/Fund staff
 - Toolkit published
- Synergy with DeMPA roll-out