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## I. Feature Stories: Supplemental LIC-DSF Guidance Note

The LIC-DSF tool, developed in collaboration with the IMF and the World Bank, supports public and external debt sustainability analysis for low-income countries (LICs). The framework was last reviewed and updated in September 2017 to adapt to the evolving financing landscape.



It helps guide borrowing decisions for LICs, informs creditors' lending and grant allocation strategies, and enhances policy advice provided by the World Bank and IMF.

The new supplement guidance note (published in July 2024) complements the 2018 Bank-Fund Guidance Note and provides additional guidance in three key areas:

### 1. Integration of Climate Change Risks in DSA

The supplement emphasizes the importance of explicitly incorporating climate change risks, investments, and policies into DSAs. It outlines methods for including these factors in baseline projections and alternative scenarios, considering their potential volatility. Among the key features:

- **Explicit consideration of climate factors:** Analysts are now required to evaluate how climate change impacts growth potential, fiscal performance, and borrowing needs, especially for countries vulnerable to natural disasters. It also encourages the inclusion of long-term scenarios that account for the financial burden of adaptation and mitigation policies, focusing on how they could influence debt dynamics.
- **Climate-linked debt instruments:** Countries are advised to incorporate tools like Climate Resilient Debt Clauses (CRDCs) into their debt frameworks, which enables debt payment deferrals in response to natural disasters, allowing countries to maintain fiscal space in times of crises.

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## 2. Domestic Public Debt Vulnerabilities

The supplement provides more granular guidance for analyzing domestic public debt vulnerabilities into a risk based quantitative analysis taking into account of the dynamics of domestic public debt indicators and the consistency of the domestic public borrowing plan to maintain macroeconomic and financial stability. These include:

- **Solvency and liquidity indicators:** Recent developments and projections of the levels and changes over time of relevant solvency and liquidity domestic public debt indicators, such as the domestic public debt-to-GDP and domestic public debt service-to-revenue ratios as currently defined in the framework.
- **Borrowing plan consistency:** Analysis of the consistency of the domestic public borrowing plan with maintaining macroeconomic and financial stability would generally encompass:
  - The main assumptions on the projected take-up of new domestically issued public debt by the government's main creditors operating in the domestic market,
  - The functioning of the primary and secondary government domestic bond markets, with a view of identifying signs of market pressures.

## 3. Debt Restructuring Applications

For countries undertaking debt restructuring within the context of a Fund-supported program, the supplement provides guidance on establishing appropriate debt restructuring targets to restore sustainability. Key features of the guidance include:

- **Setting Restructuring targets:** For countries facing debt distress (where debt restructuring negotiations are ongoing or impending), the framework offers to restore debt sustainability by reducing the risk rating to at least a moderate risk of external debt distress over a specified time horizon (mostly in the medium term), with additional considerations for the PV of overall public debt to GDP ratio.
- **Scenario Analysis using DSA:** The supplement advises using stress-testing and scenario analyses to simulate the impact of different restructuring options. This helps governments and creditors evaluate trade-offs and the effectiveness of proposed solutions.
- **State-Contingent Debt Instruments (SCDIs):** The framework supports the use of SCDIs and emphasize the necessity of assessing costs and associated risks to ensure that their integration is consistent with preserving debt sustainability.
- **Presentation of DSA Findings:** The supplement advises on presenting DSA analyses at various stages of the restructuring process to inform stakeholders and guide decision-making.

These changes make the LIC-DSF more robust and better suited to handle the evolving challenges faced by low-income countries, particularly those arising from climate change, domestic debt pressures, and the increasing complexity of debt restructuring scenarios. For more details refer the guidance note in the link [here](#).

## II. Regional Training: Debt Management Performance Assessment

Regional training on the Debt Management Performance Assessment took place at Joint Vienna Institute (JVI), Austria, between August 12-16, 2024. The objective of the course was to familiarize the participants with the debt management performance assessment methodology and the 2021 DeMPA methodology. During the course, country representatives presented debt management topics and shared country specific experience in debt management reforms' implementation. The course format included presentations and hands-on case studies with discussions about operational application. By the end of the course, participants were expected to understand the inter-linkages between the debt performance indicators, the use of evidence-based data for assessing debt management and be familiar with the scoring methodology.



IMF-World Bank representatives and participants at JVI

The course targeted the Ministry of Finance and Central Bank technical and management level staff who have direct involvement in the government debt management operations. A total of 29 participants represented the following countries: Armenia, Ethiopia, Georgia, Kosovo, Kyrgyz Republic, Moldova, Nigeria, Tanzania, Uganda, and Uzbekistan.

## III. Technical Assistance and Training

### *Technical Assistance*

Enhancing Strategy and Policy	
TYPE	Medium-Term Debt Management Strategy
COUNTRY	Congo, Republic of, June 24-July 4, 2022
ORGANIZERS	IMF
OBJECTIVE	The mission objective was to provide technical assistance and training on the application of the Medium-Term Debt Management Strategy (MTDS) framework and the interpretation of the Analytical Tool (AT) results to The Caisse Congolaise d'Amortissement and the national treasury. In addition, it aimed to address shortcomings in the authorities' current practices for designing their MTDS and to provide guidance for the successful development and implementation of the debt management strategy.
HIGHLIGHTS	The mission provided an overview of the MTDS framework, including linkages with the fiscal framework, and addressed the authorities' knowledge gaps in MTDS design. It trained the participants in data preparation for use in the MTDS AT and in forward-looking debt portfolio risk analysis, while emphasizing the MTDS methodology. The analysis performed during the mission will serve as a basis for the authorities to prepare their 2025-2028 debt management strategy document.

Technical Assistance continued:

Improving Governance and Institutions	
TYPE	Reform Plan Follow up
COUNTRY	Madagascar, July 22-August 2, 2024
ORGANIZERS	World Bank/AFRITAC
OBJECTIVE	The main objective of the mission was to take stock of the progress on debt management reform plan since November 2023 and review the remaining activities under the FY25 action plan. As part of the Reform Plan implementation, the Bank team delivered technical assistance for the update and publication of the country's Annual Borrowing (ABP) using the MTDS/ABP tool.
HIGHLIGHTS	The mission assessed the mid-term review and noticed significant progress in the DMO restructuring, the preparation of legal framework for cash management awaiting submission to Parliament, and the preparation of the credit risk analysis of guarantees, on-lending, and direct loans to SOEs including for major SOEs. The mission also reviewed the institutional framework for the MTDS preparation and validation and recommended (i) strengthening the institutional coordination between the relevant agencies, continuously involving senior management of MOF in the design of strategy, and consistently monitoring and revising the MTDS in line with updated budget and macro framework. The mission also provided training in the use of the ABP tool to the DMO staff and delivered an indicative issuance calendar for H2 2024.

Developing Debt Markets	
TYPE	Local Currency Bond Market (LCBM) Development
COUNTRY	Bolivia, July 29-August 7, 2024
ORGANIZERS	World Bank/IMF
OBJECTIVE	The objective of the mission was to undertake a comprehensive diagnosis of the development level of the Bolivian local currency bond market (LCBM), under a standardized methodology jointly developed by the World Bank (WB) and the International Monetary Fund (IMF), launched in 2021. The mission team will assess multiple aspects related to enabling conditions for the development of the LCBM and to six building blocks for achieving a well-developed market.
HIGHLIGHTS	The mission reviewed each aspect of the building block for developing LCBM, i.e, i) legal and regulatory framework; ii) money market; iii) primary market; iv) secondary market; v) investor base; and vi) financial market infrastructure and providing rating for each aspects. The assessment is share with authorities to provide their feedback and the Mission team stands ready to support on the implementation of the recommendations (action plan) according to government priorities.

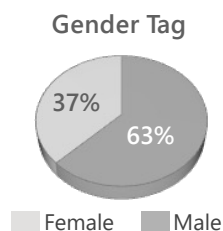
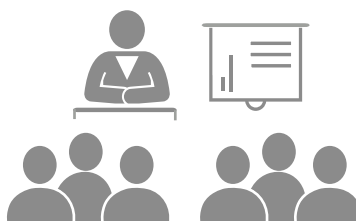
Technical Assistance continued:

Enhancing Strategy and Policy	
TYPE	Issuance Calendar Preparation and Implementation
COUNTRY	Burundi, August 19-23, 2024
ORGANIZERS	IMF
OBJECTIVE	The objective of the mission was to enhance the capacity of the Treasury and Debt Department to develop an issuance calendar consistent with the chosen debt strategy and to execute cost-effective government securities operations using the Annual Borrowing Plan analytical Tool (ABP-AT). This was part of the technical assistance workplan agreed with the authorities for FY25.
HIGHLIGHTS	The mission took stock of the World Bank MTDS mission recommendations from February 2024 regarding issuance practices and conducted training on the ABP-AT. This training focused on the process for translating the chosen debt strategy into an issuance calendar and detailed the tactical choices involved in creating and executing that calendar. Over the last decade, Burundi has not requested debt management TA from AFC. This mission presented a significant opportunity to re-establish engagement on debt management technical assistance and to enhance relationships with authorities to gain additional momentum.

Improving Governance and Institutions	
TYPE	Procedures Manual
COUNTRY	Central African Republic, September 16-27, 2024
ORGANIZERS	IMF
OBJECTIVE	The objective of the mission was to provide technical assistance to develop an internal procedures manual which will provide guidance on business processes for staff involved in debt management operations.
HIGHLIGHTS	To reduce operational risk and ensure that new or junior staff understand debt management procedures and work processes, the authorities have identified the preparation of an internal procedure manual for debt management operations as a priority. The mission helped the authorities document business processes for debt management activities and discussed with the authorities the means of ensuring ownership of the procedures manual to facilitate its implementation, monitoring and regular updating.

## Training

4 Training Opportunities



Enhancing Strategies and Policy	
TYPE	Designing Debt Management Strategies
COUNTRY	JVI, Austria, July 1-5, 2024
ORGANIZERS	World Bank
OBJECTIVE	The main objective of the course was to provide TA enabling debt managers to strengthen the analytical foundation for the development and update of debt management strategies. The topics covered included risk identification and management, understanding the macro- and market context, and analyzing alternative borrowing strategies through presentations, case studies, and interactive exercises. Hands-on exercises focus on the quantitative tools necessary to support debt management decisions, such as the generation of cash flows and calculation of risk exposure indicators. All participants delivered a presentation on their debt management strategies.
PARTICIPANTS	23 participants from Azerbaijan, Bangladesh, Ethiopia, Georgia, Hungary, Kenya, Kyrgyz Republic, Nigeria, North Macedonia, Philippines, South Africa, Thailand, and Vietnam participated in the course.

Improving Governance and Institutions	
TYPE	Joint AFC-AFW Regional Workshop on Public Debt Management Regulatory Framework
COUNTRY	Cameron, Douala July 15-19, 2024
ORGANIZERS	IMF
OBJECTIVE	The objective of the mission was to conduct a 5-day workshop to assist the CEMAC and WAEMU Commissions jointly with AFRITAC Central (AFC) and AFRITAC West (AFW). The mission took stock of the implementation of the regional public debt management regulations in both regions' member countries with a view to ensuring that they remain relevant and topical.
HIGHLIGHTS	The mission helped share governance and policy framework best practices for debt management, supervise the series of presentations by country representatives on the implementation of the existing regulations and challenges they encountered, identify gaps in the existing public debt management regulations, and build consensus around areas for further improvement in public debt management regulations.
PARTICIPANTS	The primary audience of the workshop were staff from debt management units of CEMAC and WAEMU member countries, CEMAC and WAEMU commissions, BEAC, BCEAO and UMOA-Titres.

Training continued:

Improving governance and institutions	
TYPE	Debt Management Performance Assessment
COUNTRY	Austria, August 12-16, 2024
ORGANIZERS	World Bank
OBJECTIVE	The objective of the <b>DeMPA</b> course was to familiarize the participants with the debt management performance assessment methodology and the 2021 DeMPA methodology. This five-day course achieved the following objectives: (i) informed participants about the updated version of the DeMPA methodology's main areas of performance measurement while evaluating the central government debt activities, (ii) familiarized participants with the application techniques for evaluating debt management performance, including through a case study, (iii) informed participants about the cross-country experiences and recent trends in sound debt management practices at the central government level. The WB team also presented sound practices for monitoring debt-related contingent liabilities, as well as the process of prioritization of debt management reforms.
PARTICIPANTS	29 participants from Ministries of Finance and National Audit entities from Armenia, Ethiopia, Georgia, Kosovo, Kyrgyz Rep., Moldova, Nigeria, Tanzania, Uganda, and Uzbekistan attended the training.

Enhancing Strategies and Policy	
TYPE	Medium Term Debt Strategy
COUNTRY	India, September 23-27, 2024
ORGANIZERS	World Bank/IMF
OBJECTIVE	The objective of mission was to build capacity in developing and implementing a sound medium-term debt management strategy (MTDS). The workshop combined lectures with workshops using each country data to produce their own draft MTDS. Officials analyze cost-risk trade-offs of alternative debt management strategies, utilizing the MTDS Analytical Tool (MTDS AT) developed by the IMF and WB, considering the composition of their own debt portfolio, macroeconomic indicators, market conditions, potential sources of financing, and the linkages with the broader medium-term macroeconomic framework.
PARTICIPANTS	23 participants from India, Maldives, Lao PDR, Sri Lanka, Nepal and Bangladesh attended the workshop.

## IV. Future Debt Events

### Upcoming Technical Assistance Missions, October–December, 2024

COUNTRY	ACTIVITY	NAME	DATES
Congo Republic	National	Debt Reporting	October 2024
Zambia	National	Cash Forecasting	October 2024
Kosovo	National	Cash Forecasting	November 2024
Kenya	National	MTDS and ABP	November 2024
Mauritania	National	Reform Plan	November 2024
Gambia	National	Credit Risk Assessment	November 2024
Cambodia	National	Reform Plan - Follow up	December 2024
Madagascar	National	Fiscal Risk Management	December 2024

### Upcoming DMF Trainings, October–December, 2024

COUNTRY	ACTIVITY	NAME	DATES
Asia-Pacific, Fiji	Regional	LCBM	October 2024
Ghana	Bilateral	LIC DSF	November 2024
Asia-Pacific, Fiji	Regional	LIC DSF	November 2024



## V. Debt Management Publications and Blogs

### BLOG

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#### *Now is the Time to Help Countries Faced With Liquidity Challenges*

**A** With elevated debt service squeezing the space available to finance much needed investment in many countries, urgent action is needed to boost fiscal space, maintain adequate international support, and reduce debt servicing costs.

Many countries are facing challenges due to increasing interest payments and high debt redemptions, exacerbated by economic scarring from the pandemic, global conflicts, and rising interest rates. Low-income countries are the most affected, with debt service to foreign creditors doubling as a percentage of revenue over the past decade. Despite efforts to improve creditor processes, more work is needed to expedite debt restructuring and reduce uncertainty. The current situation of high interest payments and debt redemptions is hampering growth and employment, adding pressure to public finances. If left unaddressed, these liquidity pressures could escalate into a debt crisis with serious consequences for economic development. More details are [here](#).



Photo: © Yosef Hadar / World Bank

### PUBLICATION

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#### *Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries*

**T**he Bank and the Fund issued a supplement providing additional guidance to the IMF and World Bank staff on the implementation of the Bank-Fund Debt Sustainability Framework for Low Income Countries (LIC-DSF) approved in 2017 by the IMF and World Bank Boards. It complements the 2018 Bank-Fund Guidance Note on the LIC-DSF. Since the publication of the 2018 Guidance Note, several issues have increased in significance, requiring more tailored guidance on the implementation of the LIC-DSF to address these issues, including: (1) Greater prominence of risks from climate change; (2) Further increase in borrowing on commercial terms and in domestic markets; and (3) Increased number and complexity of debt restructurings. This Supplement to the 2018 Guidance Note on the LIC-DSF provides further guidance on how to address these issues within the current framework. All aspects of the 2018 LIC-DSF Guidance Note remain in effect, except as modified in this Supplement. More details [here](#).

### PUBLICATION

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#### *Debt for Development Swaps: An Approach Framework*

**T**he aim of this note is to help stakeholders optimize their decision-making on when, where, and how to use debt-for-development swaps (“debt swaps”), ensuring they bring the intended benefits to all parties involved. It also proposes new approaches to structure these mechanisms, making them less transaction-heavy and more sustainable while maintaining accountability for fulfilling policy and spending commitments. Debt swaps are agreements between a government and one or more of its creditors to replace existing sovereign debt with one or more liabilities that include a spending commitment towards a specific development goal. These goals may include nature conservation, climate action, education, nutrition, support for refugees, among others. The spending commitment is often associated with the country's decision to pursue an important development policy. More details are [here](#).



## DMF III Donors

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Switzerland - State Secretariat for Economic Affairs - SECO
United States of America - Department of the Treasury

Newsletter, July–September 2024

The DMF Newsletter is published quarterly by the DMF Secretariat. The newsletter is distributed to debt management practitioners from developing countries, donors, DMF implementing partners, civil society organizations and private sector firms. The newsletter aims to share DMF work plans, lessons learned, and news and developments related to debt management.



### DEBT MANAGEMENT FACILITY

The World Bank Group  
1818 H Street, NW Washington D.C. 20433  
[www.dmfacility.org](http://www.dmfacility.org) | [www.worldbank.org/debt](http://www.worldbank.org/debt) | [dmf@worldbank.org](mailto:dmf@worldbank.org)