



Introduction to Medium Term Debt Management Strategy Course Information Sheet

This course covers the concepts and formulation process of a medium-term debt management strategy (MTDS). The course also illustrates how the Commonwealth Secretariat's decision support system, Horizon, can assist in the analysis. Learners will be taken through a series of modules that cover the strategy formulation process including analysis of the existing portfolio, developing baseline and stressed scenarios of market variables, development of alternative debt management strategies, analysis of cost and risk measures, and the use of liability management operations. The delivery of this course will require exercises outside the e-learning portal for the calculations and computations of various debt management indicators. The course will be run by a Commonwealth Secretariat mentor over a four-week period.

<p>Prerequisite</p> <p>Learners are expected to have completed the Commonwealth Secretariat's eLearning course on Domestic Debt Management Concepts and External Debt Management Concepts, or have a high level of understanding on public debt management. Learners are also expected to be working in a Debt Management Office, Ministry of Finance or Central Bank, or plan to work in these institutions. No pre-course materials are required.</p>	<p>Learning Outcomes</p> <p>On completion of the course, learners will be able to:</p> <ul style="list-style-type: none">• demonstrate their understanding of the importance of a debt management strategy and how it fits into the wider macroeconomic framework;• understand the process to developing a MTDS in its eight steps;• measure and understand if a debt portfolio is cost effective for a given level of risk;• develop and analyse various debt strategies and shock scenarios to determine the most effective for country circumstances and associated cost-risk trade-offs;• develop a plan for the implementation of a selected debt management strategy, whilst incorporating country and market specific nuances;• understand the tools that can be used to manage the existing debt portfolio.
<p>Assessment</p> <p>This course is concluded with a final assessment comprising a number of multiple choice questions. The assessment should take about 1 ½ hours to complete. In addition, small assessments are included in each lesson.</p> <p>Course Syllabus</p> <p>The course is divided into 12 modules.</p> <p>Module 1: Public Debt Management and Debt Crises</p> <p>In this module, the context of debt management and debt manager's role in it are examined. More specifically: (i) The importance of debt management; (ii) Lessons into sovereign debt crises; (iii) Strengthening sovereign debt management frameworks; and (iv) How public debt management fits within the macroeconomic framework.</p> <p>Module 2: Introduction to MTDS</p> <p>In this module, what a Medium-Term Debt Management Strategy (MTDS) is and the benefit of having a good MTDS are examined. The module provides an example of the cost-risk trade-off in practice, possible funding options, and various strategies are introduced. The relationship with the fiscal strategy and the supporting frameworks contribute to the MTDS.</p> <p>Module 3: Formulating your MTDS</p> <p>This module presents the eight steps in developing a MTDS. It also explains the debt management strategy document and MTDS models available.</p> <p>Module 4: Introduction to Horizon</p> <p>This module provides an overview of the key steps involved in modelling the MTDS in the Commonwealth Secretariat's decision supporting tool, Horizon. An explanation of Horizon and a guided tour, help learners become aware of the tool that will support the MTDS formulation process. Please note, learners do not require the installation of Horizon to complete the training.</p>	



Module 5: Portfolio Analysis: Cost Indicators

This module focuses on the ways to measure if a debt portfolio is cost effective for a given level of risk. An explanation of the factors driving the cost of debt, as well as how to calculate various cost measures to assess different strategies and measure performance are detailed within the module. This will lay the foundation for selecting cost measures that are most appropriate for country specific circumstances.

Module 6: Portfolio Analysis: Risk Indicators

This module presents the ways to identify, analyse and manage portfolio risks. What risk measures are important, how to calculate these risk measures and how to benchmark risk measures will be covered. This module also provides an example of how to apply risk measures and how risk measures can be used to help understand a portfolio.

Module 7: Developing Scenarios

This module aids in the analysis of how cost effective different strategies will be based on different scenarios. It will focus on the development of scenarios, selecting the scenarios to model, and which variables to include. The module will also illustrate how to input these scenarios into Horizon.

Module 8: Developing Debt Management Strategies

This module presents the process of developing debt management strategies, how shocks to the macroeconomic environment can impact these strategies, and an overview of how Horizon helps to model the strategies and shocks.

Module 9: Risk Analysis using Horizon

This module illustrates step by step how to use the Risk Analysis module within Horizon to help assess the cost and risks of strategies under baseline and shock scenarios.

Module 10: Strategy Implementation

This module presents how debt strategies are implemented. The module focuses on (i) the use of strategic benchmarks; (ii) the development of an annual borrowing programme that is guided by the debt strategy; (iii) issuance methods for the delivery of the borrowing programme; and (iv) the role of cash management.

Module 11: Liability Management Operations

This module provides an overview of tools to change the existing debt portfolio's maturity, interest rate base, and or market liquidity. This module will also provide a practical illustration of how bond buybacks and bond exchanges work, and how to choose between different possible liability management operations.

Module 12: Yield Curves and Bond Pricing

This module explains yield curves, what affects yield curves, and how to derive and use the government yield curve to price and benchmark bonds.