CICA met with World Bank Macroeconomics & Fiscal Management Global Practice
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The World Bank relies on the judgement of Macroeconomics & Fiscal Management Global Practice for:

- 1) Budget support operations: ie to support the treasury of a country. They look at public policies, tax measures etc. For instance when reforms are approved, they can decide to go for the loan.

- 2) Investment landing operations: ie for specific projects.

Mainly infrastructure projects with gradual disbursement up to 10 years. But they prefer short terms up to 7 years ideally.
One way to understand the Bank is to think that there is a department in the Bank corresponding to each ministry of the countries. The Macroeconomics & Fiscal Management Department is the counterpart of the Ministry of Finance.

- **Debt assessment:**

The teams assess the debt of the country and need to make sure the debt is sustainable for the country.

- **Technical assistance:**

The teams help the governments to strengthen their public investment management framework and specific processes such as projects prioritization and appraisal techniques. They also provide assistance during the procurement and implementation phases as well as in assets management.
They make a diagnostic of the debt and reform plan implementation.
For instance they indicated that in Africa the pipelines of projects are weak.

CICA asked how they consider the socioeconomic returns of the projects.
For Investment loans, a costs-benefits analysis and a negotiation are made with the governments. The analysis includes social benefits. All revenues are assessed.
However it depends on the information given by the countries. In some countries, there are no cadasters. The bigger issue for them is the lack of information.
It is even more difficult for the bigger projects such as a road crossing the entire country.
They used to have trainings inside the Bank on costs-benefits analysis but they admitted the Bank needs to provide new trainings on that matter.
They underlined the much detailed methodology used in the United Kingdom for all big projects with Best case scenarios.
A focus is made on the concept of fiscal risk. The Bank estimates the risk case by case and provides technical assistance to assess this risk.
They agree Well-Prepared Project is a key concept.
In therecent past, the World Bank President Mr. Kim stressed clients want the project quickly and the loan should be approved in aprox. 6 months. The main problem is some projects are NOT ready. The Ministry of Finance is most of the time very impatient.

The teams explained they use the **Medium-Term Debt Management Strategy (MTDS) methodology.**

"An MTDS is a plan that the government intends to implement over the medium term (three to five years) in order to achieve a composition of the government debt portfolio that captures the government's preferences with regard to the cost-risk tradeoff. The plan operationalizes

country authorities' debt management objectives—e.g., ensuring the government's financing needs and payment obligations are met at the lowest possible cost consistent with a prudent degree of risk.

An MTDS focuses on managing the risk exposure embedded in the debt portfolio—specifically, potential variations in the cost of debt servicing and its impact on the budget. In particular, an MTDS identifies how cost and risk vary with the composition of the debt. While a sound MTDS can be developed without the use of a quantitative tool, especially where countries are severely constrained in their choices, the use of scenario analysis provides useful information, enabling the debt manager to quantify the potential risks to the budget of alternative debt management strategies.

The MTDS has been developed in partnership with the World Bank and the International Monetary Fund. Technical assistance on the MTDS is driven by country demand and is generally implemented through a baseline country visit and a follow-up visit, as well as a wide range of training activities. Some countries are eligible to receive technical assistance financed under the Debt Management Facility (DMF)."

The ***MTDS toolkit*** *includes: A Guidance Note which describes the process of designing and implementing a debt management strategy in a developing country context; An Analytical Tool which can be used for the cost-risk analysis; and, a draft User Guide which complements the Analytical Tool.*

http://www.worldbank.org/en/topic/debt/brief/mtds

They gave the example of the Colombia PPP Law for the 4th generation of PPP which provided more clarity for contractors when they bid for projects.

The team explained they use the **Tool PFRAM:** simulation of the fiscal and budgetary impact contract per contract. It is a new tool to assess the risk and the macroeconomic impact. Metrics are: direct liability, contingency. If the information is not in the system, the contract is not signed.

Appendixes:
http://www.worldbank.org/en/topic/publicprivatepartnerships/brief/ppp-tools

- PFRAM tool
- PFRAM Guidance note
- A Framework for Disclosure in Public-Private Partnership Projects (English and Spanish version
- Infrastructure Prioritization Framework