



# BASIC DEBT CONCEPTS

## FACT SHEETS FOR DMFAS USERS

### Background

A debt management office needs to rely on staff with the required knowledge on basic debt concepts in order to manage and record effectively debt-related data and operations in DMFAS and have a comprehensive and accurate debt database. In periods of high staff turn-over, it is important to offer fast training material on an “as needed” basis.

### Objective of the fact sheets

Teach basic and essential concepts on debt, including the definition of debt, its classification, the interpretation and implementation of debt agreements, and debt reports.



#### Target audience

New staff assigned to back-office functions in the debt management office and in charge of recording data in DMFAS software, with little or no knowledge in debt.



#### Learning objectives

Learners will grasp basic and essential concepts on debt which will help them improve the quality and accuracy of the data they record in DMFAS and avoid common mistakes.



#### Delivery mode

Stand-alone and self-study material in “fact sheet” format.



### Fact Sheets

1	What is debt?
2	Why and how does a government borrow?
3	Why is the back office important?
4	Why do standard definitions on debt exist?
5	Understanding the coverage of the debt database
6	How to classify debt data: international standards
7	Classification of debt by residence of the creditor
8	Classification of debt by institutional sectors
9	Classification of debt by type of debt instrument
10	Classification of debt by creditor sector
11	Classification of debt by currency, interest rate, maturity, etc.
12	Identifying guaranteed debt
	Understanding loan agreements
13	Loan agreements: understanding the general characteristics
14	Loan agreements: understanding the financial terms
15	Specific case of multi-currency loans and revolving credits
16	Amortizing a loan with the equal principal repayments method
17	Amortizing a loan with the annuity-certain method
18	Measuring concessionality: the grant element
19	Identifying fees and commissions
20	Debt accounting methods and debt valuation
21	About on-lending
	Implementing the loan agreement
22	Loan mobilization and debt service
23	Understanding debt stocks and flows
24	Understanding debt reports
25	Avoiding common errors



## FACT SHEETS:

# Your key to successful learning

You just joined the debt office and expected to receive training on debt management and the tasks you need to perform, including the use of DMFAS. Maybe it didn't happen or maybe it came a bit late.

Most of us learn on the job, relying on our colleagues' experience to show us how to do our work. Hopefully, this will also work for you! We are often given reference material, in this case loads of books and guides to help us grasp terms and concepts used in a debt office.... and they are usually massive!



Now, imagine that **short, digestible information** is available to you whenever you have a question related to debt. For example, is a loan denominated in foreign currency an external debt? Is the Asian Development Bank an official bilateral creditor? Is a debt security of one year short- or long-term debt? Does it really matter if I recorded a wrong disbursement amount in DMFAS?

The **fact sheets on basic debt concepts** provide you with answers to all these questions...and many others! Their size has been limited to 2 to 4 pages so you can learn a concept in no time, right when you need it.



### Designed for a flexible use

Fact sheets are numbered and logically structured. You may wish to read them in **sequential order** if your objective is to train yourself in basic debt concepts. But remember "too much of a good thing" is not that good! In such a case, we therefore recommend that you **limit yourself to just one fact sheet per day**. Why? Because learning concepts is different from (and usually more difficult) than learning facts: it requires analytical thinking and takes time.

Learning concepts is most efficient when you take the time to think about the terms and definitions you read about and look at how they relate to, or how they are being applied by, your institution. Also, you can identify how you may apply them in your job: when analysing a debt instrument, when recording information in DMFAS, etc. In other words, try to **connect concepts** to your real life or job. Do not hesitate to share and discuss what you learned with your colleagues. All this will help you transform concepts you read into knowledge.



For example, when reading the fact sheet on the classification of debt by type of debt instrument, identify which instruments are managed and monitored by your debt office and those that are not. Try to determine if they are being managed or monitored by another entity.



You may also pick up a **single fact sheet on a "as needed" basis**, which is fine as they have been designed to be used as stand-alone material.

Whichever way you use them, we hope that they will help you in your job!