

Assessing the risks and costs of alternative debt strategies is integral to helping policymakers decide which is the most appropriate one to adopt and implement. In particular, it is helpful in analysing the trade-offs between borrowing externally or domestically as there are different costs and risks associated with these alternative financing sources. The types of risks include those arising from currency or interest rate fluctuations and the government's ability to rollover or refinance its borrowings, which need to be balanced against their respective costs. For example, borrowing concessionally from external sources carries an exchange rate risk whereas borrowing domestically at market-related interest rates may be more costly but less risky.

DFI is currently developing new training materials and manuals for risk and cost management, which will be available shortly.

The [BWI's Medium-Term Debt Strategy](#) provides a framework and tool for doing risk and cost analysis.