

Debt Management
TA programmes -
scope for coordination?

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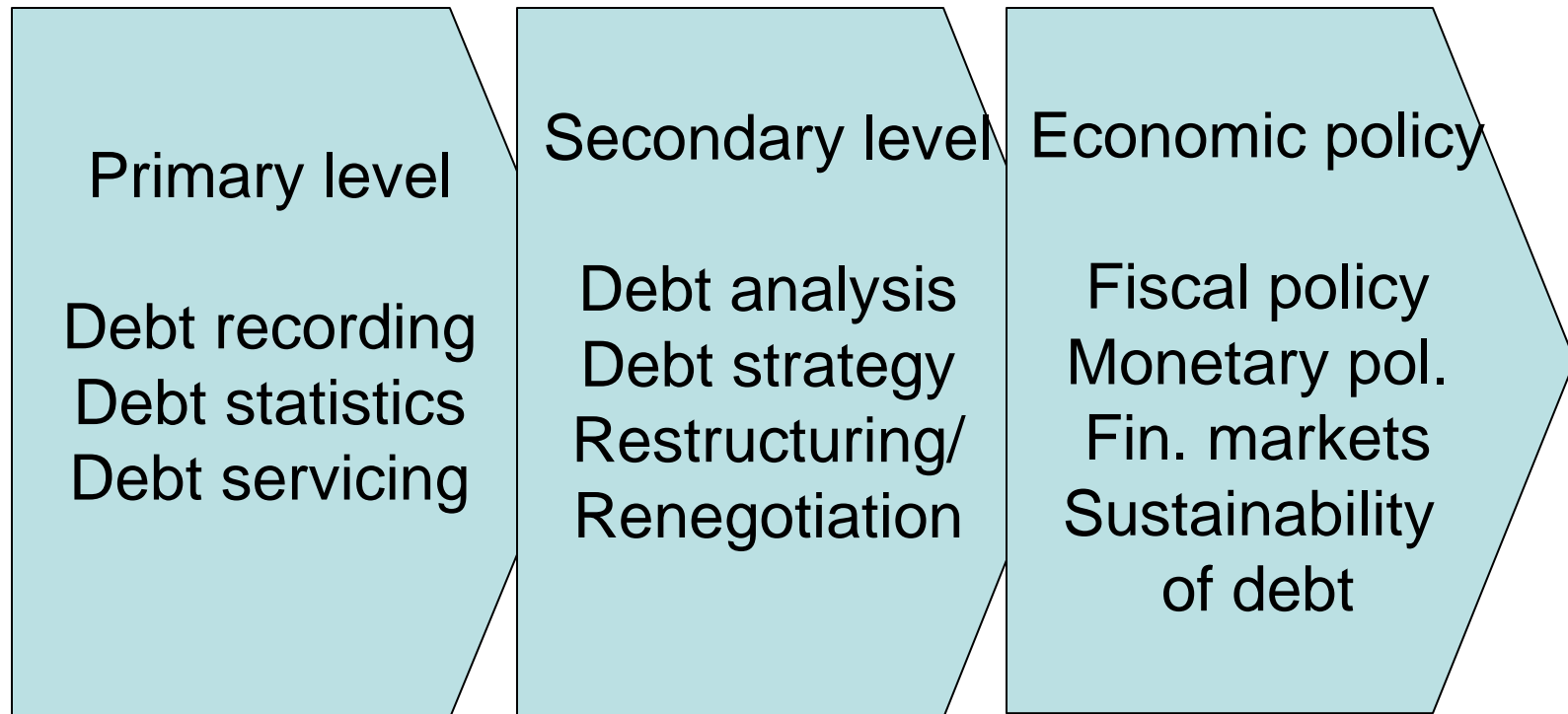
Study of debt management support programmes

- About 120 countries have some form of debt management TA programme
- Sum of all DMFAS, Comsec, HIPC/MDRI, HIPC/CDP etc. partners
- Variation of challenges and problems even between similar countries
- “Significant room for improvement” in many countries but no in depth evaluation made

Coordination of efforts to improve debt management

- Coordination between providers of services within debt management
 - Avoiding duplication and trans. costs
- In-country coordination important:
 - Link from debt man. to core economic policy functions often problematic
 - Problems can be a reflection of non-coordinated earlier international initiatives

The debt management "value chain" towards poverty reduction



Ownership and in-country capacity

- Need to develop country-owned capacity in the low income countries in particular
- View debt as part of a overall economic policy and dialogue with int. community
 - Fiscal policy and quasi fiscal operations
 - Debt management and negotiations
 - Aid flows and predictability
 - Development of financial markets, FDI etc

(I) Debt management systems - database applications

- Core a database that is kept up to date
- Standard details about each loan and possibility of adapting to specific needs
- Archiving, statistics and basis for analysis
- Can be used to 'track' grant aid (MTEF)
- Developed initially for foreign debt but can now be used for domestic debt
- Belong to same group of applications as modern IFMIS systems

(I) Debt management systems

- Two “public” providers of specialised debt systems (Comsec and DMFAS)
- Also commercial systems available
- Two main challenges:
 - Many countries appear to be running multiple systems (foreign/domestic)
 - Staffing the key constraint in LICs
- “Public good” idea seems sensible

(I) Key coordination issues

- Debt management systems - healthy competition or stopped other suppliers?
- Development appears underresourced
 - Either for lack of in-country political will
 - Lack of funding for international initiatives
- Many countries now carry out broad PFM reforms including new IFMIS
 - Need to include Debt Man. in PFM reforms
 - Shared IT platforms, maintenance etc.

(II) Debt analysis and strategy

- Analysis: sensitivity, projections
- Scope and strategy for renegotiation of terms and conditions
- Assist countries in managing debt
 - Manage risk, (exchange rates, floating rates),
 - Securing cash flow and liquidity
 - Fiscal implications in the medium term

(II) Coordination – overlap ?

- DSM+ : analytical tool for debt analysis, WB, DMFAS, COMSEC (another public good?)
- MTDS: Strategy for debt policy, size and composition. LICs mainly (IMF/WB)
- HIPC CDP: Capacity building programme for HIPC countries based on regional organisations – incl self assessment. Broad approach to debt management
- DeMPA: diagnose capacity of debt man.

Competing or overlapping initiatives?

- Several points where HIPC CDP and WB/IMF activities touch, but;
- Competing policy advice is not "overlap"
- Opportunity to combine resources:
 - Regional membership organisations
 - Technical capacity of the WB/IMF
 - Reform oriented governments and active NGOs
 - Corresponds to "best practise" in TA

Self diagnosis vs international review instrument

- HIPC CDP self assessment and DeMPA
 - The two tools are different in coverage
- All parties agree on the importance of country ownership
- PEFA technique proven to be useful in underpinning dialogue with donors
- Possible to do both – alternate?

Interfacing with other policy areas

- Debt management strengthening and general PFM reform
- Trade/aid policy and export/project guarantees - contingent liabilities
- Medium term debt strategy linked to:
 - Macro policy, fiscal policy incl. tax policy
 - Quality aid (predictable and on-budget)
 - Development of financial markets

Debt strategies - key part of macroeconomic planning and policy

- Technical problems: Many LICs need
 - improvements in National Accounts data, and
 - develop improved macroeconomic models
- Realistic domestic revenue projections and agreement with international community of aid volume vs loans vs domestic revenue targets □ □

Domestic revenue – the forgotten factor?

- Many LICs need to raise taxes – target 20 – 25 pct of GDP, now often 12-14
- More domestic revenue the only solution to debt in the longer term
- Dialogue on tax – fragmented and weak at the moment
- The budget support dialogue could pick it up

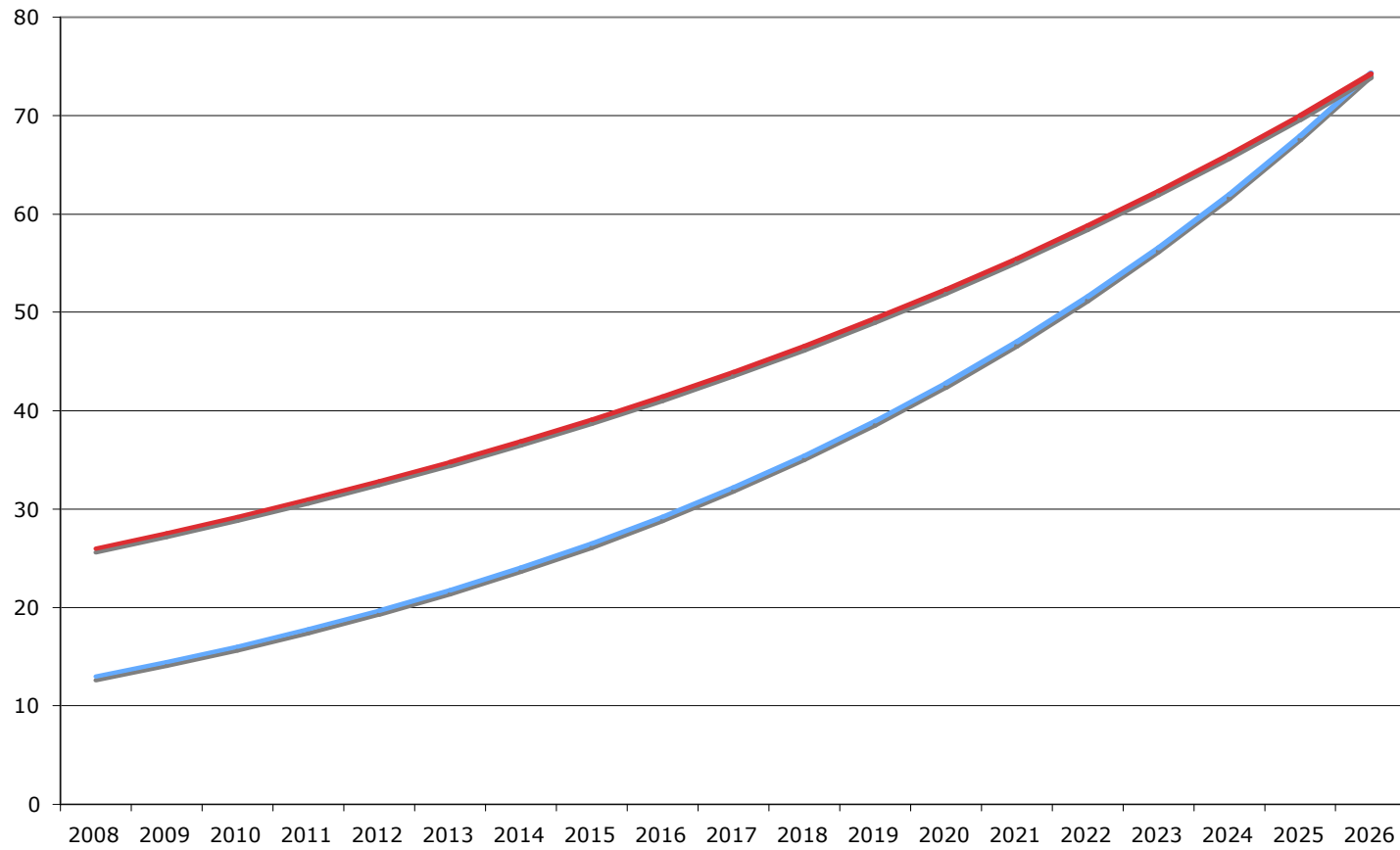
”Closing the gap”

- Low income, high deficit country
- Not sustainable debt situation
- Example: 20 years on closing the gap
- 7 percent growth of GDP, 6 percent in public expenditures, 2 pct in Population
- Tax/GDP up by 0,5% point each year

18 years of fiscal consolidation

	2008	2017	2020
Index, 2008 = 100, growth GDP : 7pct, Expend: 6, pop: 2			
GDP, index	100	184	338
GDP pr cap	100	154	237
Expend pr cap	100	141	200
Pct of GDP			
Tax revenue	13	17,5	22
Expenditures	26	24	22

Expenditure and tax in real terms



Closing the gap

- Consolidation period in phases
- Phase 1 : GBS, predictable annual aid financing
- better than debt relief
- Phase 2: Also private capital inflow, domestic markets for loans and liquidity
- Gradual build down of state to state aid
- Good debt management needed the whole period - accumulated deficit before interest rates is about 40 percent of GDP in end year