



THE HIPC DEBT STRATEGY AND ANALYSIS CAPACITY BUILDING PROGRAMME: KEY FEATURES AND RESULTS



In 1997, Austria, Denmark, Sweden and Switzerland established the Heavily Indebted Poor Countries' Debt Strategy and Analysis Capacity-Building Programme (HIPC CBP). The HIPC CBP aims to establish in each beneficiary country the capacity (independent of external technical assistance) to design and implement its own national debt management strategy, to benefit from the maximum debt relief in the context of the HIPC Initiative and the Multilateral Debt Relief Initiative, and to keep its debt levels sustainable thereafter.

Demand-Driven Governance and Implementation

The programme is governed by a Steering Committee composed jointly of five HIPC representatives selected by their peers in each region, the six CBP donors, and the five implementing partners, which meets once a year in a HIPC country. It also receives strong inputs on programme direction and priorities from the annual meetings of HIPC Finance Ministers, from biennial inter-regional meetings of HIPC Debt Managers, and from regional meetings organised by regional partners.

The CBP is implemented by Debt Relief International (DRI), and four regional partner organisations, which have been mandated by more than 60 governments in Africa, the Caribbean and Latin America to be key providers of debt management capacity-building services: the BEAC-BCEAO Pôle Dette in Francophone Africa, the Centro de Estudios Monetarios Latino-Americanos (CEMLA) in Latin America and the Caribbean, the Macro-Economic and Financial Management Institute (MEFMI) in Eastern and Southern Africa and the West African Institute for Financial and Economic Management in West Africa.

The CBP is entirely demand driven by the beneficiary countries, who prepare their own evaluations of their progress in debt management, which are quality controlled by the implementing partners (and have been validated as realistic by several independent reviewers). Using these evaluations they then design their own capacity-building programmes covering the range of debt management functions, which are presented to donors via the CBP and wider programmes of the regional implementing partners, for funding and mobilising appropriate regional and international expertise.

A key characteristic of the CBP is that it works by exchanging best practices among low-income countries, making it independent of international organisations and allowing it to train and develop a roster of more than 120 low-income country officials who are best placed to assist countries in similar circumstances in a highly cost-effective way. This also enhances decentralisation and country ownership.

Country-Tailored Subject Coverage and Methodology

At the demand of HIPC Ministers and officials, over the years the programme has expanded the subject coverage of its work beyond external debt, in order to cover:

- capacity-building in domestic debt analysis (which has been since 1998 an issue of growing importance for HIPCs),
- analysis of how to maximise the quality and development contribution of new financing (both aid and non-concessional flows, from OECD and non-OECD sources) in order to keep external debt levels sustainable; and
- analysis of how best to manage debt and contingent liabilities contracted by “decentralised government agencies” (municipalities, states, parastatals etc).

It has also in recent years incorporated the LIC-DSF framework, basic risk management, ways to set borrowing ceilings, and management of non-concessional flows, in its methodology, thereby assisting HIPCs to identify how to keep their debt sustainable after relief.

The CBP has also increasingly focussed its work on comprehensive support to institutional and legal changes requested by the HIPCs, in order to facilitate their own design and implementation of debt strategies and debt management capacity-building programmes.

Methodology is always tailored and adapted to the needs, capacity levels and priorities of each individual country. So are the types of activities and interventions used. The CBP achieves this goal through offering a wide range of multiple different activities, including regional and national training workshops, training for trainers, missions to help countries with legal, institutional and technical issues, a distance learning programme, attachments of senior debt management officials to other countries, and to regional and international organisations, and a comprehensive set of information products (website, newsletters, listserves, publications) to share best practices among the participating countries.

Close Coordination with Other Providers

The programme works in close cooperation with the Bretton Woods Institutions and other providers of debt management assistance such as the Commonwealth Secretariat, UNCTAD and UNITAR. An Advisory Group of such institutions was created at the early stage of the programme and existed until 2004. As a best practice, work programmes of regional and international institutions are shared and coordinated in advance. Given this demonstration of coordination, many countries have asked through the HIPC CBP that teams of regional and international agencies should provide them with joint, coordinated and well-sequenced in-country support.

In 2001 HIPC Finance Ministers mandated the CBP implementing partners to suggest creating a HIPC Debt Management Capacity-Building Coordination Group, to be governed and led by HIPCs and include all non-profit providers of capacity-building assistance. Due to low interest by two multilateral institutions, the idea was shelved.

Results and Impact

The HIPC CBP has helped many countries to design their own debt sustainability analyses and debt strategies which have allowed them to access the HIPC Initiative (Bolivia, Guyana, Mali, Mozambique, Uganda), or to increase their entitlement to debt relief (Benin, Ethiopia, the Gambia, Honduras, Malawi, Nicaragua, Niger, Rwanda, and Zambia). In Ghana in 2000, the CBP played a key role in supporting Ghanaian technicians to design a debt strategy and conduct a DSA, convincing the leaders of their new government to enter the HIPC Initiative, and resulting in an additional US\$200 million a year of funding for Ghana's growth and poverty reduction strategy. Nineteen countries (partly due to CBP assistance) have developed the independent capacity to design their own debt strategies and to implement them through discussions with creditors, donors and domestic market participants, and need only occasional refresher training.

Through its network of HIPC Finance Ministers the CBP has also helped HIPCs to advocate to the international community steps towards enhanced HIPC relief and multilateral debt relief initiatives, as well as their views on debt sustainability and debt management capacity-

building. After HIPC's finish the process of the HIPC Initiative, it helps them to design strategies to keep their debts sustainable by mobilising the best quality and most concessional external and domestic financing to support their national development plans. In 15 countries it has helped the governments to pass laws which will ensure that the national strategy is updated annually and incorporated into the budget.

The programme is now in its fourth phase, which will last until at least June 2009. Each phase has been evaluated very positively by independent reviewers and donors, for its successes in both building country capacity and decentralising programme management to regional partners.

The programme's primary goal is to enable HIPC's to develop and implement their own external and domestic debt management strategies. To assess progress with this goal, the programme has developed a comprehensive methodology for participating countries to assess their strategy and wider debt management capacity, and to identify the gaps in this capacity and the priority steps needed to fill such gaps. The latest results of the self-evaluation indicates that the programme has allowed 78% of the countries assisted to make major improvements to their external and domestic debt management strategies, as well as to the supporting institutional and legal frameworks. The remaining countries are those with which the CBP has had relatively little involvement, due to political instability or international sanctions. These results have been confirmed by three sets of independent reviewers and evaluators.

Another aim of the programme was to decentralise responsibility to regional partners, for implementing capacity-building activities such as training and institutional support missions. This has been virtually completed, to the degree that the regional partner organisations now organise and execute all training events and missions, and DRI's role is limited to sharing international experiences and best practices, developing methodology and leading on multi-regional products such as inter-regional Ministerial and debt managers' meetings, and information products (which are all produced in English, French, Spanish and Portuguese to enhance country ownership).

The programme's success has led Canada, Ireland and the United Kingdom to join since 2000, as well as to an increasing level of donor funding. Since 1997, donors have provided a total of US\$39 million for the programme's work in 36 countries. Most important, the beneficiary countries themselves are showing their strong ownership of the programme by currently mobilising around 40% of the programme's financing from their own contributions (up from only one fifth in the previous phase). During this period, a further 16 low and lower-middle income countries have received support on debt strategy and debt management from the CBP implementing partners.

Nevertheless, the CBP provides clear evidence that capacity-building is a long-term process requiring constant renewal of skills and institutional structures to cope with new debt management challenges, and with changes of personnel or governments. Political stability and strong leadership by policymakers, technical leadership by debt managers and close coordination between the different agencies involved in debt management in each country, have all been crucial to the CBP's success, to ensure that all CBP activities are entirely tailored to beneficiary country needs.

For more details of the programme, including its methodology and participating countries, please see www.hipc-cbp.org.