

Debt Management Stakeholders' Conference

Oslo, March 5-6, 2008

SUMMARY OF PROCEEDINGS

The World Bank, in cooperation with the Norwegian Ministry of Foreign Affairs, held a stakeholders' conference on public debt management. The conference brought together more than 90 representatives from recipient countries (17), donor governments (13), technical-assistance providers (14), and private sector/civil society organizations (7). The conference proceedings were enriched by an address from Minister Solheim on the importance of creditor responsibility and political will in pushing through reforms.

Welcome address

Henrik Harboe (Norway, Ministry of Foreign Affairs) in his welcome address emphasized the importance of healthy competition combined with coordination between providers of technical assistance (TA) in debt management. Debt relief, in conjunction with responsible lending initiatives, would not be enough to avoid future debt distress in Low-Income Countries (LICs) if debt management practices are not improved upon. The investments of the HIPC Initiative and MDRI need to be secured inter alia through improved debt management efforts.

Inauguration

Danny Leipziger in his inaugural address, acknowledged the Norwegian government's support of World Bank work on debt issues pertinent to LICs. Debt relief has created an estimated 90 percent reduction in the debt stock of the post-decision-point countries (from over \$100 billion in end-2006 NPV terms, before traditional debt relief), the World Bank being the largest single provider of debt relief. LICs today face an altered financial landscape, with increased borrowing space combining with the emergence of new lenders and other drivers favoring borrowing, such as improved growth rates, infrastructure needs, and financial sector development. Against this background, the World Bank aims to maintain a three-fold relationship with countries: (i) prudent financier – noting the role of the joint World Bank-IMF Debt Sustainability Framework (DSF) to calibrate IDA finance to mitigate the risk of future debt distress; (ii) informed analyst – bringing a broad development perspective through country work programs; and (iii) trusted adviser – providing training, tools and approaches, that assist countries with debt sustainability and debt management. Recognizing these roles, the Bank's shareholders have asked the Bank to increase its coordination with other providers of public debt management TA to LICs, including through standard setting, providing tools and approaches, catalyzing coordination/harmonization, and the integration of public debt management into broader programs of Public Financial Management (PFM).

Panel I – Emerging Challenges to Government Debt Management

Some emerging trends and challenges facing government debt management in developing countries were presented. Developing countries are now the target of many new investors and this alters the nature of capital flows and the associated risks, requiring increased

focus on risk management and analytical techniques. On the other hand, these countries have enormous capacity constraints with fragmented responsibilities and high levels of operational risk, creating challenges in terms of forming borrowing strategies, optimizing utilization of new sources of external finance, and developing domestic debt markets. Brazil and Uganda shared their experiences: Brazil described its efforts to develop debt markets through market transparency and predictability via a rule-based approach, and Uganda highlighted attempts to build capacity and retain staff. The discussions brought out the importance of country ownership and political commitment as a precondition to reform. Capacity-building was a continual process rather than a “one-time” effort and political sensitization was accepted as an important focal point for reforms. Experiences narrated by recipient countries drew attention to the need for good governance and institution-building in public debt management reforms.

Panel II – Scope for Co-ordination between Service Providers

Preliminary results of the study on *Sovereign Debt Management Programmes and Initiatives* commissioned by the Norwegian government were presented by Dag Aarnes, the author. The presentation stressed the importance of coordination at two levels: (i) between providers internationally, to avoid duplication and reduce transactions costs; and (ii) in-country coordination between debt management and other core economic policy functions. The study has found that: (i) there is healthy competition among the public providers, (ii) although the HIPC-CBP and WB/IMF activities “touch,” this cannot be categorized as “overlap”; (iii) several TA activities were under-funded and needed additional resources to improve both quality and coverage; and (iv) interfacing debt management with PFM reforms will strengthen support and garner political buy-in.

Discussions centered on the value chain going from basic infrastructure, such as IT systems for debt management, through to policy advice, such as risk management strategies and the scope for cooperation among providers to offer coordinated services to client countries. The importance of different actors was recognized and the comparative advantage of some institutions and providers in meeting global needs through developing tools and methodologies *versus* direct implementation was acknowledged. Suggestions for optimization included formal modes for collaboration, such as a directory of providers, a technical cooperation calendar, and setting up an institutional global partnership. Minimizing the burden on recipient countries to coordinate service provision was crucial and could be accomplished if countries dictated their own development agendas and then sought development partners/service providers to assist.

Panel III – Evolving Approaches and New Tools for Debt Management in Low-Income Countries

The panel presented the evolving approaches and new tools for debt management in LICs, including the World Bank’s Debt Management Performance Assessment (DeMPA) tool (already applied in 12 countries) and joint work on medium-term debt management strategies (MTDS) by the World Bank and the IMF. Broad support for these technical tools was expressed by recipient countries and service providers alike. Discussions focused on clarifying technical aspects of the tools and their links with existing methodologies. Deliberations covered the timing and sequencing of future

DeMPA/MTDS missions and the participation of regional providers in these exercises, which participants encouraged.

Panel IV – Debt Management Facility for Low-Income Countries (DeMFLIC)

The concept was presented of a multi-donor trust fund facility to award grants on a demand-driven basis for TA projects aimed at strengthening debt management in developing countries. The facility would pursue “additionality” by funding activities complementary to those already funded from existing sources with a view to avoid that its funding substitute for or displace assistance available from those sources. It would be administered by the World Bank and promote partnership in line with the Paris Principles. Discussions and clarifications centered on institutional and governance arrangements, scope of activities to be financed, coverage of countries, eligibility and selection criteria, and financing and operational modalities.

Address by Honourable Minister Erik Solheim, Minister of the Environment and International Development, Government of Norway

In his address Minister Solheim focused on the moral dilemma if the poor people of today should pay back the interests and arrears accumulated during the last decades of dictatorships, using Liberia as an example. However, at the same time he emphasized the fact that a loan is a contract with obligations for both parties. Much debt has been cancelled the last years. Public Debt Management and Responsible Lending are important challenges to avoid a new debt crisis. We lack a definition of “illegitimate debt”, but more analytic work should be done on the issue. Meanwhile, he urged other creditors to take a critical look at its claims, like Norway did before deciding to cancel the rest of the debt from the Norwegian Shipping Export Campaign. At the end of his address, Minister Solheim said other issues than aid and debt are more important: Foreign Direct Investment, illicit capital flight, corruption, national resource management, and transparency in revenue management.

Panel V – Perspectives on the Way Forward

This panel recognized that the shift from debt relief to debt sustainability and towards debt management called for new tools, methodologies, approaches and improved coordination among providers. The need for additional resources at the country level, for global initiatives and public goods, and for improving service delivery was articulated. Several donors expressed willingness to keep providing or increase funding for debt management in LICs and, in some cases, middle-income countries. There was broad support for the World Bank’s proposed focus on global public goods, standard-setting, toolkit development, information-sharing, and plans to design capacity-building action plans. Further consultations involving donors and other TA providers were urged in order to determine the optimal design for the proposed multi-donor trust fund facility.

Wrap-Up

Carlos Braga explained the mandate given by the World Bank Executive Board, comprising 184 governments, to put emphasis on and accelerate the work program on improving debt management in LICs. The World Bank’s response came through

developing new tools and initiatives (e.g. DeMPA and MTDS in cooperation with the IMF), based on its comparative advantage and reflecting the Paris principles of aid effectiveness. The activities and tools will be mainstreamed within existing approaches and country programs, and applied within the broader agenda of meeting the MDGs. The Bank's role in providing resources and convening stakeholders was emphasized. A first step in this process was the dialogue that took place here in Oslo on DeMFLIC, which could provide additional "glue" for coordination, increase resources, and enhance efficiency. Henrik Harboe underlined the need for countries to be "in the driver's seat," to direct their own reform agendas and to choose among suppliers. He closed by acknowledging the valuable suggestions and practical ideas harvested during the conference's deliberations.

Wednesday, March 5

8:00 – 9:00	Registration
9:00	Welcome address
	<ul style="list-style-type: none"> Mr. Henrik Christian Harboe, Deputy Director General, Multilateral Bank and Finance Section, Ministry of Foreign Affairs (Norway)
9:30	Inauguration
	<ul style="list-style-type: none"> Mr. Danny Leipziger, Vice President, Poverty Reduction and Economic Management, The World Bank
9:45 – 11:15	Panel I – Emerging Challenges to Government Debt Management
	<p><u>Presentation:</u></p> <ul style="list-style-type: none"> Mr. Phillip Anderson, Principal Financial Officer, Banking and Debt Management (BDM), The World Bank <p><u>Moderator</u></p> <ul style="list-style-type: none"> Mr. Udaibir Das, Division Chief, Sovereign Asset and Liability Management Division, Monetary and Capital Markets (MCM), International Monetary Fund (IMF) <p><u>Panelists</u></p> <ul style="list-style-type: none"> Mr. Babar Kamal, Programme Coordinator, Debt and Financial Management (DFM), UNITAR (<i>tentative</i>) Mr. Paulo Fontoura Valle, National Treasury Deputy Secretary & Head of the Debt Management Office (Brazil) Mr. Fredrick Matyama, Principal Economist, Ministry of Finance, Planning and Economic Development (Uganda) Mr. Matthew Martin, Director, Debt Relief International <p><i>Open discussion</i></p>
11:15 – 11:30	Coffee break
11:30 – 13:00	Panel II – Scope for Co-ordination between Service Providers
	<p><u>Presentation:</u></p> <ul style="list-style-type: none"> Mr. Dag Aarnes, Senior Economist, Assist Consulting AS – Preliminary results from the Study on <i>Sovereign Debt Management Programmes and Initiatives</i> <p><u>Moderator</u></p> <ul style="list-style-type: none"> Mr. Henrik Christian Harboe, Deputy Director General, Multilateral Bank and Finance Section, Ministry of Foreign Affairs (Norway) <p><u>Panelists</u></p> <ul style="list-style-type: none"> Mr. Gerard Teeling, Head of the DMFAS Programme, UNCTAD Mr. Mark Thomas, Lead Economist and Acting Sector Manager, Economic Policy and Debt Department (PRMED), The World Bank Ms. Anna Msutze, Director, Debt Management Programme (Macroeconomic and Financial Management Institute of Eastern and Southern Africa, MEFMI) Mr. Stan Nkhata, Assistant Director, Debt and Aid Management, Ministry of Finance and Economic Planning (Malawi) <p><i>Open discussion</i></p>
13:00 – 14:30	Lunch buffet
14:30 – 17:00	Panel III – Evolving Approaches and New Tools for Debt Management in Low-Income Countries
	<p><u>Presentations:</u></p> <ul style="list-style-type: none"> Mr. Tomas Magnusson, Principal Financial Officer, BDM, The World Bank – <i>Debt Management Performance Assessment (DeMPA) tool</i> Mr. Mark Thomas, Lead Economist and Acting Sector Manager, PRMED, The World Bank – <i>Initiative to develop a toolkit for the design of Medium-Term Debt Management Strategies (MTDS)</i>

	<p><u>Moderator</u></p> <ul style="list-style-type: none"> ▪ Ms. Debra von Koch, Associate Director, Government Debt Issuance & Management, U.S. Treasury Office of Technical Assistance <p><u>Panelists</u></p> <ul style="list-style-type: none"> ▪ Dr. Sherefedin Shehu, Deputy Minister of Finance (Albania) ▪ Mr. Carlos G. Sequeira, Manager, International Relations, Central Bank of Nicaragua ▪ Mr. Mukuli S Chikuba, Principal Economist, Investment & Debt Management Department (Zambia) ▪ Mr. Dev Useree, Director, Crown Agents ▪ Mr. Herve Joly, Deputy Division Chief, Policy Development and Review Department, IMF <p><i>Open discussion</i></p>
17:30	Reception

Thursday, March 6

9:00 – 10:30	Panel IV – Debt Management Facility for Low-Income Countries
	<p><u>Presentation:</u></p> <ul style="list-style-type: none"> ▪ Mr. Thor-Jurgen Greve Loberg, Senior Economist, PRMED, World Bank <p><u>Moderator</u></p> <ul style="list-style-type: none"> ▪ Dr. Hans Blommestein, Head, Public Debt Management and Bond Market Programmes, OECD <p><u>Panelists</u></p> <ul style="list-style-type: none"> ▪ Mr. Jonathan Rothschild, Senior Economist, Policy Branch, Canadian International Development Agency (CIDA) ▪ Mr. Christian Panneels, Director, Multilateral Cooperation, Ministry of Development Cooperation (Belgium) ▪ Mr. Jean-Luc Bernasconi, Head, Macroeconomic Support, State Secretariat for Economic Affairs (Switzerland) ▪ Mr. Dag Aarnes, Senior Economist, Assist Consulting AS <p><i>Open discussion</i></p>
10:30 – 10:45	Coffee break
10:45 – 11:15	Address by Honourable Minister Erik Solheim, Minister of the Environment and International Development, Government of Norway
11:15 – 12:45	Panel V – Perspectives on the Way Forward
	<p><u>Moderator</u></p> <ul style="list-style-type: none"> ▪ Mr. Syed Monjurul Islam, Joint Secretary, Resource and Debt Management Wing, Finance Division, Ministry of Finance (Bangladesh) <p><u>Panelists</u></p> <ul style="list-style-type: none"> ▪ Mr. Gerben Planting, Deputy Head, International Financial Institutions Section, Ministry of Foreign Affairs (The Netherlands) ▪ Mr. Gerard Teeling, Head of the DMFAS Programme, UNCTAD ▪ Dr. Kenneth Coates, Executive Director, Centre for Latin American Monetary Studies (CEMLA) ▪ Mr. Udaibir Das, Division Chief, MCM, IMF ▪ Mr. Jose Maurel, Director, Special Advisory Services Division, Commonwealth Secretariat <p><i>Open discussion</i></p>
12:45 – 13:00	Wrap-Up
	<ul style="list-style-type: none"> ▪ Mr. Carlos Primo Braga & Mr. Henrik Christian Harboe
13:00	Lunch buffet