



Case-studies on Scoring Selected Indicators

Objective of the exercise:

The following 3 case studies are intended to illustrate and resolve common problems in the scoring of indicators DPI-2, 12, and 14.

For each indicator, information is provided on the state of affairs as found in a typical debt management (DeM) Performance Report. The group will assess the relevance and adequacy of the information provided, and agree on the score for each indicator or dimension in accordance with the requirements of the DeMPA Tool (February 2008) and Guide (February 2008).

Required:

Each group needs to:

1. Judge whether the information provided is sufficient for scoring each dimension and indicator and identify any information gaps;
2. Assessment of the score for each indicator, citing the evidence for that score.

Each group should report back their findings at the plenary session. All cases should be prepared, as reports will be made in turn by each group, indicator by indicator, and other groups will be invited to comment (computers available on request).

Group Number:

Facilitator:

Room No:

UTOPIA CASE STUDY A

DPI-2 Managerial Structure

The main debt management functions are currently performed by the Debt Management Directorate (DMD) which is part of the General Directorate for Treasury and Public Debt Management of the Ministry of Finance (MoF). DMD is organized in two sections, one for domestic debt and one for external debt. Another directorate within the General Directorate for Treasury and Public Debt Management that is closely linked to debt management is the Treasury Directorate, which is responsible for government cash flow forecasts and cash balance management.

DMD is responsible for preparation of domestic and external loan contracts, while the Minister of Finance makes the final decision. There is a debt strategy approved by the Council of Ministers. The major decisions as to the overall volume of indebtedness and acceptable risks in the debt portfolio are made by the Minister and the Cabinet, but DMD is responsible to optimize the risk-adjusted outcome within those parameters.

The Reserve Bank of Utopia conducts the auctions and maintains registry services of Treasury bills and bonds on behalf of the MoF based on a clear agency agreement between the two institutions. All the entities regularly exchange debt information and closely coordinate their activities.

The DMD also prepares loan guarantees (to date limited to external loan guarantees) for final approval by the Minister of Finance. DMD assesses the credit risks on the guarantees and keeps track of all guarantees issued.

Required

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?
2. If the evidence is sufficient, what is your rating?

Dimension	Score
1. The managerial structure for central government borrowings and debt-related transactions.	
2. The managerial structure for preparation and issuance of central government loan guarantees.	
Overall Score	

DPI-12 Debt Administration and Data Security

All original signed copies of loan agreements are stored in Debt Management Directorate (DMD) in an unlocked filing cabinet. Copies of loan agreements are also held by Reserve Bank of Utopia. There is a Procedures Manual (1990) for loan administration and payment activities in Reserve Bank of Utopia. All debt payment advices/invoices received from donors are reconciled with internal records and payments made within the stipulated date to avoid penalty charges or other sanctions. Debt service payment vouchers are prepared manually by DMD and submitted to the Treasury for authorization, and then sent manually to Reserve Bank of Utopia for effecting payment. All activities are subject to a minimum two-person authorization/signature process.

DMD use the manual provided by the supplier of the Debt Management System and Securities recording system (DeMSyS) as its procedures manual. The responsibility for providing access to DeMSyS is the system administrator in the MoF IT Directorate, which is done through an informal process. There is no document that sets out the procedures for the system administrator to follow in allocating access permissions to DeMSyS. Neither DMD nor IT are monitoring system access or generating audit trails.

The IT Directorate undertakes back-ups of DeMSyS each Friday and these are stored in a secure and fireproof location in the same building. Planning is underway to develop a separate recovery site where back-up system will be located and the back-ups will be stored.

Required

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?
2. If the evidence is sufficient, what is your rating for the following dimensions?

Dimension	Score
1. Availability and quality of documented procedures for the processing of debt service.	
2. Availability and quality of documented procedures for debt data recording and validation, and storing of agreements and debt administration records.	
3. Availability and quality of documented procedures for controlling access to the central government debt recording/management system and payment system.	
4. Frequency and off-site, secure storage of debt recording/management system back-ups.	
Overall Score	

DPI-14 Debt Records

There is a comprehensive Debt Management System and Securities recording system (DeMSyS) that provides for an accurate and complete debt database of Central Government Public and Publicly Guaranteed debt. The Public Debt Law allocates the responsibilities of debt recording and validation to Reserve Bank of Utopia and the MoF. The Reserve Bank of Utopia is responsible for recording all new external debt as well as rescheduling of existing debt, including debt relief received under the HIPC and MDRI Initiatives. While, at the moment, there are no new domestic issues, the responsibility for domestic debt recording is with MoF. There are written procedures agreed by MoF and Reserve Bank of Utopia regarding the use, administration, maintenance of DeMSyS.

Debt records (including terms and conditions) are entered into the system within one month of loan signature. The Reserve Bank of Utopia and the Department of Technology within the MoF (supervisor of government's data recording systems) notes that DeMSyS provides for a safe and secure environment for keeping the debt records and provides for several levels of security access to the database. The authorities have recently upgraded to DeMSyS version 5.3, which provides for tighter security and administration access. In this environment, there are several staffs responsible for a group of creditors; each staff has writing access only to those creditors for whom they are responsible, and reading access to the rest of the database. For the external debt database, there is in Reserve Bank of Utopia one person responsible for verification and validation of debt data against creditor's records and loan contracts.

The Superintendent of Securities maintains a register of securities which are issued in physical form. Payment of interest/principal is made on presentation of the securities at the Reserve Bank of Utopia. The registry has up-to-date records of all holders of government securities and the Reserve Bank of Utopia makes payment of principal and interest electronically to the commercial banks and non-bank holders of securities for good value on the due date.

Required

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?
2. If the evidence is sufficient, what is your rating for the following dimensions?

Dimension	Score
1. Completeness and timeliness of central government debt records.	
2. Completeness and up-to-date records of all holders of government securities in a secure registry system.	
Overall Score	