

Germany joins the DMF Donor Community

The Debt Management Facility (DMF) welcomes the Government of Germany as a DMF donor, joining Austria, Belgium, Canada, The Netherlands, Norway, Switzerland and the African Development Bank (AfDB).

We take this special occasion to express our appreciation to the DMF donors for their support to the DMF and look forward to our continued collaboration on this important work of strengthening debt management in Low Income Countries (LICs).

Debt Management Practitioners' Program – Practitioners for FY2012

The second call for nominations to the FY12 Debt Management Practitioners' Program (DMPP) was completed by the end of August 2011. Once again, we have received highly qualified applicants and we are pleased to announce the DMPP secondees for FY 2012:

Mr. Njaga Gaye, from The Gambia, is the Senior Loans Officer and Head of Back Office, Directorate of Loans and Debt Management, Ministry of Finance and Economic Affairs;

Mr. Alhassan Mansaray, from Sierra Leone, is a Senior Economist, Directorate of Public Debt, Ministry of Finance and Economic Development;

Mr. Sene Souleymane, from Senegal, is an Economist, Public Finance Inspector, Treasury Department, Ministry of Economy and Finance;

Ms. Makamong Tsolele, from Lesotho, is the Debt Manager, Public Debt Department, Ministry of Finance and Development Planning;

Mr. Boukare Zouanga, from Burkina Faso, is the Head of Service of Studies and Orientation, Directorate of Public Debt, Ministry of Economy and Finance.

We would like to thank all applicants for their interest in the program. We are also grateful to the DMF's Technical Advisory Group (TAG) members for their inputs in the selection of the DMPP candidates.

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) perspectives

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) is a regionally owned Institute with 13 member countries. Founded in 1997, its goal is to build sustainable human and institutional capacity in Central Banks, Ministries of Finance and Planning, and to foster best practices in these institutions, including in the area of debt management. Mr. Raphael O. Otieno, Director of the Debt Management Programme, provides us with MEFMI's experience in implementing DMF activities.

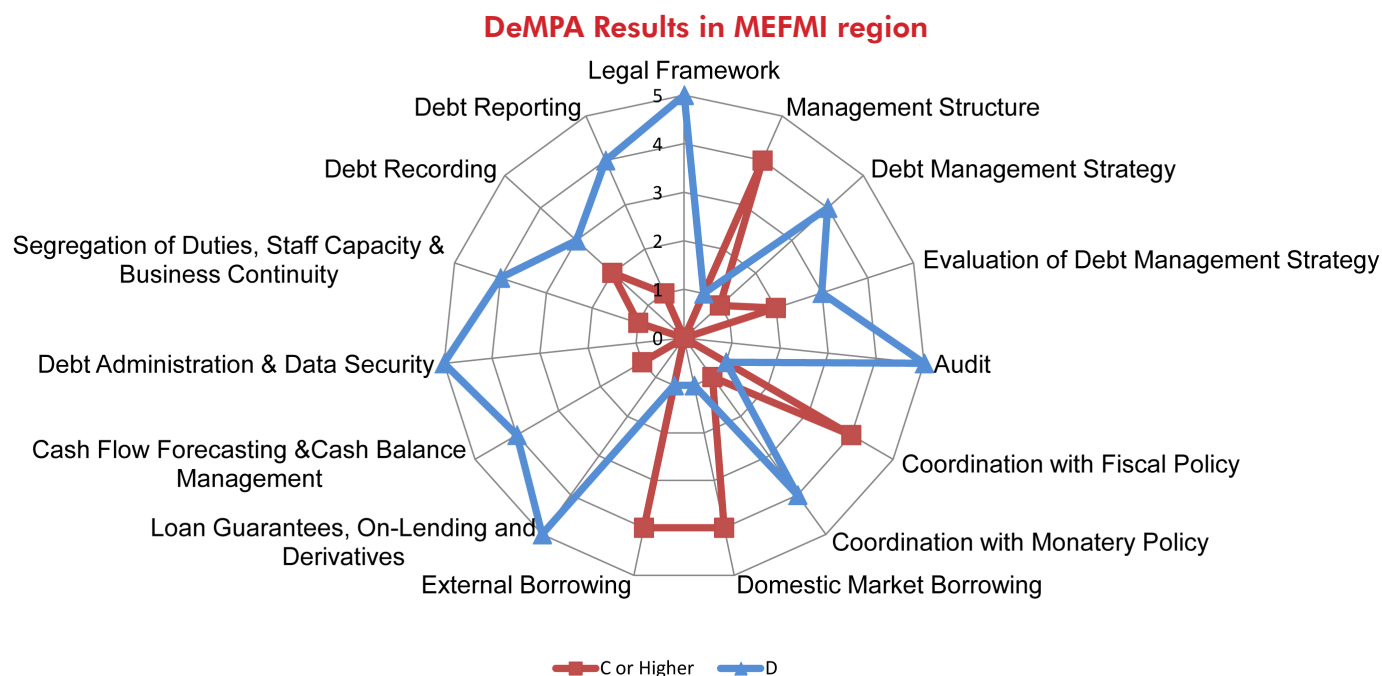
I. DMF – The Nexus for Debt Sustainability in MEFMI Region

In MEFMI member countries, DMF activities, covering the Debt Management Performance Assessment (DeMPA) and the Medium Term Debt Strategy (MTDS),



have been implemented in 8 out of the 13 countries. These include missions to Malawi, Kenya, Mozambique, Tanzania, Uganda, Rwanda, Zambia and Zimbabwe. Therefore, apart from Angola, the DMF activities have covered all the low income countries in the region.

The DeMPA results have revealed a number of structural weaknesses and inadequacies in the debt management institutions resulting in some countries requesting for further reform plan missions. The chart below shows the DeMPA results in a sample of five countries of the region.



The chart reveals weaknesses in legal frameworks, audit, loan guarantees and on-lending, debt administration and data security. These require urgent attention and it is hoped that countries will prioritize these areas when implementing reforms. In some of these areas, countries are missing on elements such as failure to document the existing procedures or having laws that omit some requirements of the DeMPA.

The MTDS missions have shown that a number of countries did not have debt management strategies even after conducting Debt Sustainability Analyses. Authorities were accumulating debt with little or no regard to the consequences this would have to the cost and risk of their public debt portfolio.

As a consequence of the DMF implementation in the region, Kenya and Tanzania have successfully produced their debt management strategies with minimal external technical support. Malawi, Mozambique and Botswana are working on publishing their Medium Term Debt Management Strategies.

The DMF has also supported regional MTDS workshops in Kigali, Rwanda, in November 2009, and in Mbabane, Swaziland, in August 2011, and a DeMPA workshop in Namibia in November 2010. MEFMI Secretariat staff and officials from MEFMI member countries have also been trained at the Joint Vienna Institute in Austria.

II. Outcomes of the DMF

- » Some countries have adopted the MTDS methodology as part of their debt management practice. For example, Kenya updates the MTDS on a rolling, annual basis in order to achieve debt management objectives at minimum cost and risk. Tanzania has published its first MTDS and Malawi is currently conducting MTDS with the view of institutionalizing the process to become part of their budgetary process.
- » Zambia is going through a reform process of their debt management office and MEFMI assisted them in the initial

process using the pilot DeMPA results.

- » MEFMI has adopted the capacity building practice of the World Bank in its missions and training. In the process MEFMI has developed some regional experts called Fellows in Risk Analysis.
- » Countries have realized that there is need for greater transparency in debt management practice after the conduct of DeMPA missions. In some countries, they now have regular reporting of their debt and conduct portfolio reviews.
- » As a result of the DMF, countries have realized the importance of coordination of debt management activities within the country and some have reviewed their MOUs (Tanzania debt database is now under the full mandate of the Accountant General's Office) to ensure better coordination.
- » The countries have realized the importance of establishing the middle offices and strengthening them with training. Countries like Tanzania and Malawi have initiated training in MTDS to ensure there is capacity to formulate debt strategies.
- » Enhanced synergy among capacity building service providers in the region has been achieved. The World Bank, IMF, WAIFEM, UNCTAD, ComSec, MEFMI and CEMLA now coordinate some of their technical assistance to countries to avoid duplication of work.

III. Challenges and the Way Forward

- » As indicated by the DeMPA results, countries in the MEFMI region need to address the weaknesses identified. These include areas such as legal framework, audit of public debt practices, data security and administration. The challenge, however, is that some countries may lack the required financing to implement the recommended reforms.
- » Analytical skills are still inadequate in most countries even those that have had training. Many countries will still need a lot of external technical support to conduct MTDS. The recent regional training in MTDS did record a great success to an extent that participants were able to work on their respective country data and produce results that could be reported in an MTDS report, but there is need for follow-up to ensure that the trained officials use the skills gained.

From DeMPA and MTDS to a Debt Management Reform Plan: The Example of Moldova

Moldova has shown good progress in debt management in recent years, most notably with the development and publication of an MTDS, and the publication of an annual report with detailed analysis of borrowing activities and information on the cost and risk on the debt portfolio.

In early 2008, a World Bank mission visited Chisinau to assess the strengths and areas for reform of the country's debt management (DeM) institutions, functions, and procedures. Identified weaknesses in the area of debt management strategy, among others, led the authorities to request assistance that would help the Debt Office (DO) develop a MTDS. Prior to 2009, debt management in Moldova was guided by an informal strategy that was published as part of the Medium Term Expenditure Framework (MTEF). Mindful of the possible graduation from IDA leading to gradual loss of access to funding at highly concessional terms, and lacking detailed analytical support for the strategy, the DO needed a more comprehensive approach to managing the risks to the debt portfolio. In addition, the DO wanted to prepare for an environment in which an increasing share of the funding would be at market terms.

On the back of the first joint World Bank-IMF MTDS mission, the DO started systematically exploring alternative financing options and using quantitative tools to inform their choices. To provide additional technical support, an MTDS follow-up mission took place one year later, in October 2009. Both missions had a strong focus on technical training with the objective of internalizing the comprehensive MTDS methodology. The DO developed its first medium term debt management strategy late 2009.

In May 2011, a Reform Plan mission visited Chisinau to help the authorities devise reforms to improve the procedures, functions, and institutions within the DO. A reform plan, in part based on the DeMPA assessments, was developed jointly with the DO in June 2011, and this plan is expected to provide the foundations for further improvements in debt management and may help the government in identifying funding sources for implementation, in case external assistance is needed.

DMF activities during the period July to September 2011

Since its inception in November 2008, the DMF has financed a total of **31** Debt Management Performance Assessment (DeMPA), **20** Medium Term Debt Management Strategy (MTDS) and **14** Reform Plan missions. The facility has also financed **16** training events. Details of activities for the period July to September 2011 are as follows:

DeMPA

The DMF financed DeMPA missions in Central African Republic, Zimbabwe and Vietnam:

- » A DeMPA mission took place in Bangui, **Central African Republic**, from September 5 to 16 to perform a second assessment of the debt management function. The first DeMPA assessment was completed in May 2008. This is the eighth 2nd DeMPA mission taking place.
- » A DeMPA mission took place in Harare, **Zimbabwe** between September 6 and 11, 2011. The mission was followed by a reform plan and was joined by MEFMI.
- » A third DeMPA mission took place in Hanoi, **Vietnam** from September 27 to October 7, 2011. The mission was joined by the UNCTAD's Debt Management and Financial Analysis System (DMFAS).

MTDS

During this period, joint World Bank-IMF MTDS missions were undertaken in Cape Verde, Rwanda, Mozambique and Mongolia:

- » **Cape Verde**: A mission visited Praia between July 10 and 15, 2011 to provide a follow-up technical assistance on developing a MTDS. The mission built on the foundation provided through the baseline mission on MTDS, delivered in August 2009, and a subsequent training workshop on the use of the MTDS quantitative tool in June 2011. The main objectives of the mission were to review the progress made by the authorities since then and assist them in drafting their own MTDS, a structural benchmark in the current Policy Support Instrument (PSI) supported by the economic program of the IMF.
- » **Rwanda**: A mission visited Kigali during August 22 and 29, 2011. The main objectives of the mission were to assist the authorities finalize an effective and comprehensive MTDS document that could be published in line with the PSI program structural benchmark, and to build their capacity to independently use the MTDS toolkit, monitor and refine their MTDS over time. The mission was joined by MEFMI.
- » **Mozambique**: A technical assistance mission visited Maputo during September 8 and 16, 2011. This was the second of two envisaged MTDS missions for Mozambique and was joined by IPs from MEFMI. The main objective of the mission was to complete the project for capacity building to develop and implement sound debt management strategy.
- » **Mongolia**: A mission visited Ulaanbaatar from September 15 to 29, 2011. The main objectives of the mission were to provide capacity building to the Ministry of Finance in strategy development; assist MoF team draft a debt management strategy based on detailed cost-risk analysis, and initiate work on identifying and managing fiscal risks. The mission team, joined by Debt Relief International, (DRI), also provided training to a team comprising of officials from the Debt Management Division, the Financial and Fiscal Policy Department, the Development Financing and Cooperation Department and the Bank of Mongolia.

Reform Plan

Three DeM Reform Plan design missions took place during the period:

- » **Maldives**: From July 31 to August 10, 2011 a Reform Plan mission took place in Male, Maldives. The mission team held meetings with officials dealing with public debt management, including officials from the Ministry of Finance and Treasury (MOFT), the Maldives Monetary Authority (MMA) and the Audit Office. The team also met with a consultant from the Asian Development Bank (ADB). A few training sessions on conceptual aspects of debt policy and strategy were delivered. The training was appreciated and very well received by the authorities. On the final day, participants made a presentation on their debt situation and strategy to the Minister.
- » **Zimbabwe**: Following the DeMPA mission, a Reform Plan mission took place in Harare, Zimbabwe between September 6 and 16, 2011. The mission was built on the findings of the DeMPA mission and had the objective to formulate a detailed and sequenced reform plan for debt management capacity enhancement over a 2-3 year time

frame, including the priorities for reforms and current capacity to implement those reforms.

- » **Sao Tome and Principe:** From September 26 to October 6, 2011, a technical assistance (TA) mission visited São Tomé e Príncipe to assist the authorities in developing a reform plan in the area of public debt management. The team was joined by an IP from the Center for Latin American Monetary Studies (CEMLA). The reform plan mission was built on the findings of the DeMPA mission (May 2011) and other reports and discussions, and had the objective to identify priority areas and suggest recommended actions to strengthen and support debt management activities in the country. In addition, the mission team assisted the authorities on the debt framework law which is currently being considered for approval by the National Assembly of São Tomé e Príncipe.

DMF Training

Two DMF training events took place during the period:

- » **A regional MTDS workshop took place in Mbabane, Swaziland, from August 24 to September 2, 2011.** The workshop was organized by MEFMI and was attended by 30 officials from MEFMI member countries including Angola, Kenya, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
- » **A Joint Bank-Fund MTDS workshop was conducted from September 19 to 23, 2011 at the Joint Vienna Institute in Vienna, Austria.** A total of 28 participants from debt management offices of European and Central Asian (ECA), African (AFR), Latin American (LAC) and South Asian (SAR) countries attended the workshop.

Related non-DMF events

A joint Bank-Fund mission visited Basseterre, St. Kitts on July 18-27, 2011. The objective of the mission was to conduct a workshop on developing an MTDS for the Eastern Caribbean Currency Union (ECCU) countries including Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, as well as Barbados, Suriname, and Trinidad and Tobago. The workshop was hosted by the Eastern Caribbean Central Bank under the Canada Eastern Caribbean Debt Management Advisory Service (CANEC DMAS) Project.

The 2011 Small States Forum and Technical Workshop on Debt took place on September 24 during the annual meeting in Washington D.C. The report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States: 'Small States: Meeting Challenges in the Global Economy', concludes that developing small states share a number of characteristics that shape their development challenges. Partner organizations committed themselves to courses of action in response to the recommendations of the Task Force report. The forum served as a platform to discuss the report and was followed by a technical workshop on debt for small states. The workshop was attended by about 40 officials from small states including finance ministers, central bank governors, and debt managers.

Workshop on DeMPA and Debt Management Reform Plan for staff at the AfDB, Tunis. A mission was invited to Tunis from September 26 to 28, 2011 to conduct a workshop on DeMPA and Reform Plan for staff of the AfDB. The objective of the workshop was to build staff capacity in debt management and thus so, to enhance their effectiveness in supporting client governments in AfDB operations.

DMF activities for October to December 2011

Training

- » DeMPA/Reform Plan training in Ghana with WAIFEM, October 24 to 28, 2011
- » DeMPA Asia training in Shanghai, November 7 to 11, 2011

DMF Missions: October to December 2011

- » MTDS follow-up mission to Nigeria, November 9 to 18, 2011
- » Reform Plan mission to Bhutan, November 14 to 19, 2011
- » MTDS follow-up mission to Cameroon, November 2011
- » 2nd DeMPA mission to Mali, November 2011

