DMFAS Mid-Term Review

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DMFAS Mid-Term Review

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The findings, conclusions and recommendations are those of the author
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Main Characteristics of DMFAS Programme

✓ Created more than 40 years ago to help developing countries negotiate better terms with its Paris Club creditors.

✓ DMFAS has become a High-Tech Software Development and Services organization that provides the foundational software and essential technical services to manage public debt in 61 countries and 86 institutions.

✓ DMFAS is a Programme of UNCTAD, responsible for providing its product and services widely to UN members to strengthen their public debt management capacity, in a cost-effective manner.

✓ DMFAS users make voluntary contributions, according to a schedule based on the World Bank income category.

✓ DMFAS Programme main resources are comprised of:

  ✓ A full-time staff in charge of project management, IT systems, quality assurance and user support, plus a management team and a support unit.

  ✓ Multi-lingual mobile consultants who support the staff in delivering technical services and capacity-development training

  ✓ IT experts in several countries who develop DMFAS 7

  ✓ DMFAS core activities are financed through a central trust fund that is funded with donor contributions, cost sharing by beneficiary countries and institutions, cost recovery for project activities and services, and support from UNCTAD.

Impact of Global Developments on DMFAS

Three developments have increased the importance of the DMFAS Programme

1) The number and complexity of instruments that need to be captured in DMFAS system have increased, from multilateral and bilateral concessional loans, to marketable domestic and external securities, to explicit and implicit contingencies.

2) The characteristics and number of creditors captured in DMFAS system have increased. Eligible countries for the G20 Debt Service Suspension Initiative (DSSI) had, on average, more than 20 distinct creditor entities.

3) The COVID-19 pandemic caused an unexpected, rapid and widespread increase in sovereign debt levels. DMFAS software system and technical experts provided to debt management offices in Central Banks and Ministries of Finance in 61 countries to capture, record, service and report on their public debt during the COVID-19 lockdowns.

Methodology of the Mid-Term Review (MTR)

The 2020-2023 Strategic Plan requires the MTR to assess whether its two strategic objectives have been met in the 2020-2021 period.

- ✓ <u>Objective 1</u> - Improve the capacity of DMOs to record, process, monitor, report and analyze public debt in a sustainable manner.
- ✓ <u>Objective 2</u> - Improve the capacity of DMFAS Programme to deliver effective, efficient and sustainable responses to country needs.
- ✓ Potential improvements in DMFAS Programme are also included.

The MTR uses six evaluation criteria:

- ✓ Relevance, Effectiveness, Efficiency, Impact, Sustainability and Coherence

Sources of evidence used in the evaluation:

- ✓ Desk review of relevant DMFAS documents
- ✓ Interviews of DMFAS and UNCTAD staff, user countries, donors, partners
- ✓ Survey of DMFAS users
- ✓ In-depth study of DMFAS in Egypt, Honduras, Pakistan

Relevance: Main findings

Relevance refers to the extent to which the DMFAS Programme is responsive to the need and priorities of client countries and supports stakeholders' policies.

High relevance

The evidence shows DMFAS software and services have a high level of relevance among all its stakeholder groups.

- ✓ Respondents to user survey ranked as "very important" for debt management the DMFAS software (93%), then DMFAS training (83%) and third support services (71%), such as helpdesk.

- ✓ DMFAS software was "very important" because it provides the primary data for debt reporting, and training is "very important" to provide skills to new personnel. With respect to helpdesk support, respondents requested a faster response to their needs.

- ✓ The staff at MEFMI, World Bank and IMF expressed a high regard for the quality of technical support provided by DMFAS in their regional and joint capacity development activities.

- ✓ DMFAS donors and stakeholders expressed high levels of satisfaction with DMFAS products and services. Donors praised the DMFAS software for its strategic contribution to strengthening debt data transparency and public accountability in user countries.

- ✓ DMFAS stakeholders MEFMI, World Bank and IMF staff expressed a high level of satisfaction with the quality of technical support provided by DMFAS in their regional and joint capacity development activities

Effectiveness: Main findings

Effectiveness refers to what extent the objectives of the DMFAS Programme have been realized.

High Effectiveness

DMFAS had a high level of overall effectiveness in the 2020-2021 period.

- ✓ DMFAS was highly effective in reallocating its staff during the COVID-19 pandemic, developing quickly its capacity to respond to the needs of client countries during the lockdowns in 2020-2021.

- ✓ DMFAS helped its users to maintain their commitment to debt reporting and transparency during the challenging period of 2020-2021.

  - DMFAS users that report their debt data to the World Bank Debt Reporting System increased from 93% in 2019 to 95% in 2021.

  - DMFAS users that record domestic debt increased from 68% in 2019 to 71% in 2021.

Effectiveness: Main findings

DMFAS 7 Project

The DMFAS Programme suffered a setback with respect to its second strategic objective to improve its capacity to support user countries.

The setback was related to the delay in the completion of the DMFAS 7 software project. The delay in the DMFAS 7 project was caused by three major factors:

- ✓ COVID-19 lockdown,
- ✓ Lack of initial financing, and
- ✓ Need to follow UN procurement procedures in order to:

    (a) Achieve labor cost savings through outsourcing,

    (b) Secure free open-source software, and

    (c) Maintain control over the intellectual property of DMFAS software.

Specific plans for the implementation of DMFAS 7 will be discussed at this meeting of the DMFAS Advisory Group.

Effectiveness: Main findings

DMFAS 7 Project

Looking forward, after delivery of the DFMAS 7 software, there are major tasks to ensure DMFAS 7 software is effectively embraced by most user countries.

Specifically, a major task is to prepare a communications plan to:
- ✓ Provide sufficient information to help user countries determine when they should move from DMFAS 6 to DMFAS 7.
- ✓ Specify if DMFAS will provide technical support to DMFAS 6 after DMFAS 7 has been released
- ✓ Define incentives for early adoption of DMFAS 7, such as:
  - o Offers of technical support to migrate existing databases to DMFAS 7
  - o Opportunity to participate in regional pilot program with several countries
  - o Opportunity to participate in the pool of DMFAS regional experts to implement DMFAS 7 (South-South Network)

Efficiency: Main findings

Efficiency refers to the extent to which the DMFAS Programme interventions transformed the available resources into the intended results in terms of quality and timeliness.

High efficiency

- ✓ DMFAS Programme provided its services to client countries, donors and implementing partners in 2020-2021 with a high level of efficiency, despite the challenges it faced during the period.

- ✓ DMFAS obtained significant financial savings thanks to its decision to outsource DMFAS 7 software development to several countries, and to its rapid adoption of cost-efficient online tools for capacity development during the lockdown caused by the COVID-19 epidemic.

Impact: Main findings

Impact evaluates whether DMFAS products and services have caused:
1) Significant improvements in the lives of intended beneficiaries
2) Higher-level benefits, such as reductions in poverty and increased good governance
3) Improvements that may be replicable in other countries

High impact
✓ DMFAS has had a high, sustainable positive impact.
✓ Sustaining the high impact is dependent on DMFAS capacity to continuously deliver capacity-development training to new staff in DMOs with high staff turnover.

1) The evidence shows DMFAS increased or maintained its impact in four categories that are used to measure DMFAS impact on debt management:
✓ Producing comprehensive and reliable data bases
✓ Expanding debt reporting
✓ Conducting effective operational risk management
✓ Increased knowledge of debt management among DMO staff

2) DMFAS provides higher-level benefits in countries, facilitating the mobilization of debt financing to achieve climate mitigation (Green Bond of Government of Egypt, 2020)
✓ Reduce poverty and increase economic development
✓ Improve debt transparency

Impact: Main findings

3) Improvements that may be replicable in other countries

Honduras is the only DMFAS user that provides its Supreme Audit Institution (SAI) a read-only access to its debt database.

Thanks to intensive training and DMFAS access, the SAI executed multi-year audits that produced specific recommendations to improve debt management in Honduras.

The continuous oversight of the SAI may have contributed to the high scores which the DMO obtained in the 2021 DeMPA assessment made by the World Bank. See table below.

Honduras debt performance indicators (2021)	Score
12.1 Recording debt-related transactions	A
12.2 Making debt payments	B
13.1 Securing data access, backups, IT infrastructure	B
14.1 Complete and timely debt records	A
14.2 Debt registry system and debt holders	A
15.1 Use of Debt Management Information System	B

Sustainability: Main findings

Sustainability and Ownership of Benefits for DMFAS users

For client countries, who are the direct beneficiaries, the DMFAS Programme provides a high return on the investment.

DMFAS products and services help DMO staff to make timely payments (80%), make payments for the correct amount (79%), and make better budget forecasts (78%).

In return for the financial benefits, user countries have increased their <u>voluntary</u> maintenance fees 153% and their average cost-sharing by 142% in last two decades.

In the last four years, there was a significant decrease in the number of DMOs where several staff have the capacity to work independently without DMFAS support, from 85% in 2018 to 64% in 2022.

The comments provided by respondents identified a need to train new DMO staff to ensure the realization of DMFAS benefits.

Sustainability: Main findings

Financial sustainability of DMFAS Programme

Near Term

The sustainability of the DMFAS Programme is assured in the near term. User countries, donors and other stakeholders expressed a firm commitment to continue their support of DMFAS Programme.

Medium and Long Term:

In the medium and long term, it is important to take effective measures to ensure the continued financial stability of the Programme.

The donors, who have been the largest contributors for decades, cautioned that their governments have many development aid priorities, and the budgets for development aid are subject to periodic appropriations.

Documentary evidence shows the **Sustainable Development Goals (SDG)** are a shared framework used by DMFAS donors to define their development aid priorities

Sustainability: Main findings

Financial Sustainability of DMFAS Programme
Trends in four components of DMFAS revenues, 2002 to 2021
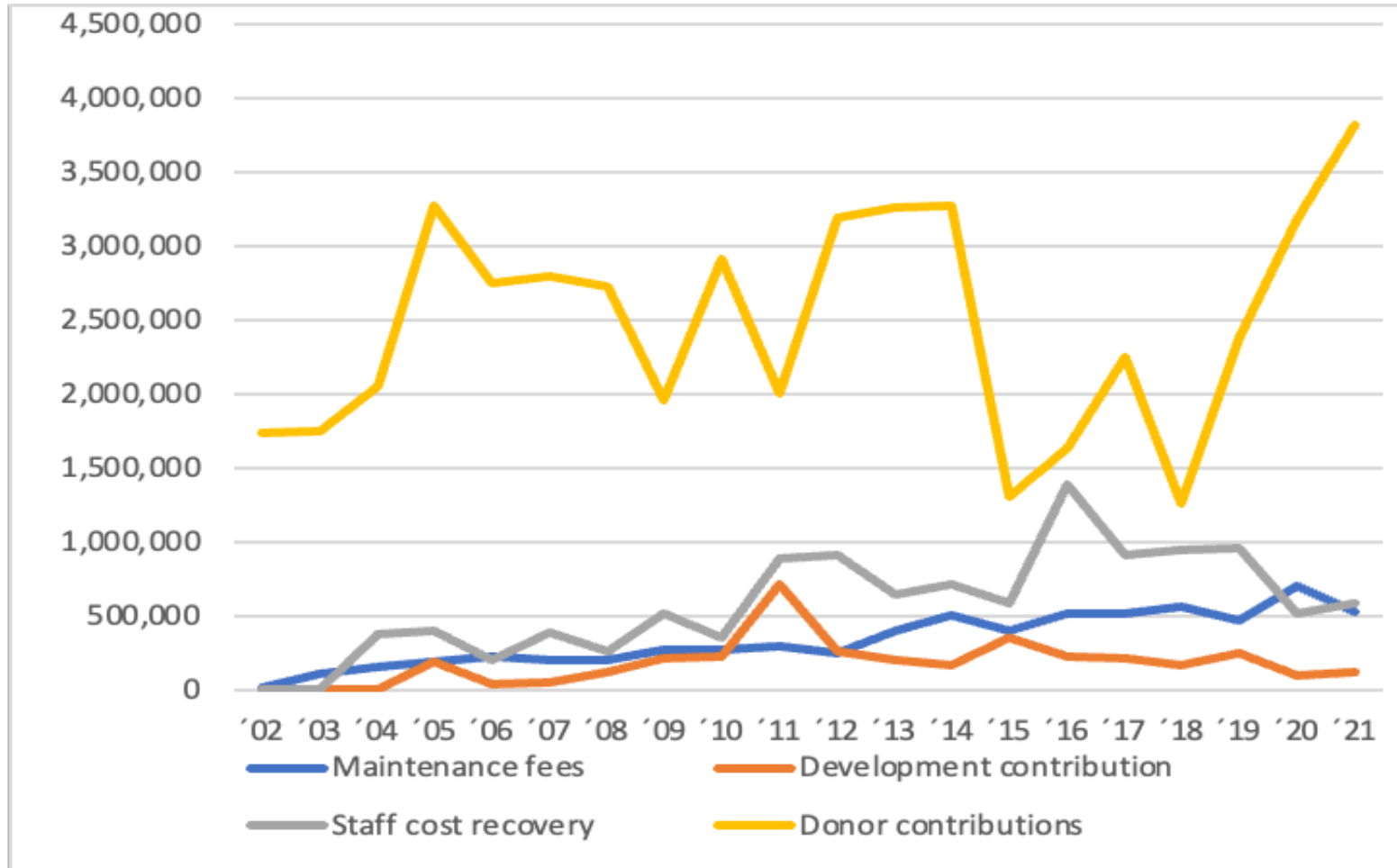
Sustainability: Main findings

Financial sustainability of DMFAS Programme

DMFAS faces a binding financial constraint, since it must comply with UN financial rules and regulations that prevent activities to take place when funds targeted for these activities are not available in the UN bank account.

The risks that critical projects, like DMFAS 7, will be challenged by a lack of sufficient and timely financial resources will continue in the future.

Effective measures must be taken to provide DMFAS Programme the tools to avoid a repeat of the financial problems which retarded the implementation of the DMFAS 7 project.

Coherence: Main findings

Coherence refers to the extent the DMFAS Programme is compatible with other institutions that collaborate in public debt issues, internally within UNCTAD and externally with respect to other institutions. DMFAS Programme showed high levels of internal and external coherence.

Internal Coherence

DMFAS Programme is aligned with UNCTAD´s main policy framework of supporting the 2030 Agenda for Sustainable Development (SDGs), the Addis Ababa Agenda, the UN Framework on Climate Change, and the UN commitment to position human rights at the core of global development agenda.

The Programme strengthens the capacity of its users to manage their debt effectively, enhance financial transparency and achieve lower-cost borrowings.

DMFAS facilitates the mobilization of funds to build infrastructure projects to protect the climate, expand educational facilitates, improve agricultural productivity, and provide essential services of water, electricity and communications.

These achievements, in turn, contribute to poverty reduction and the realization of economic, social and cultural rights.

Coherence: Main findings

Sustainable Development Goals (SDGs)

DMFAS is currently listed as providing support to SDG 17: *Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.*

DMFAS also supports other SDGs, including:

✓ **SDG 1**, elimination of poverty by increasing investments that support agricultural productivity.

✓ **SDG 13.a**, to mobilize $100 billion annually to help developing countries achieve effective climate mitigation.

✓ **SDG 16.10**, to ensure public access to information, in accordance with national legislation and international agreements.

Providing well-documented support for these SDGs goals would raise the potential of increasing donor support to DMFAS.

Conclusions

Relevance

✓ Vast majority of DMFAS users, donors and stakeholders were highly satisfied with its products and services.

✓ Looking forward, the capacity to support higher levels of satisfaction with DMFAS will depend on achieving a prompt implementation of DMFAS 7 in all user countries.

Effectiveness

✓ The DMFAS Programme achieved significant progress in most of its effectiveness indicators, despite the lockdowns caused by COVID-19 pandemic.

✓ The DMFAS Programme also faced significant challenges that led to the postponement of the delivery of its DMFAS 7 project.

✓ Recommendations are provided to implement DMFAS 7 widely and quickly.

Efficiency

✓ The DMFAS Programme was highly efficient in providing its services to client countries, donors and implementing partners in 2020-2021.

✓ DMFAS has developed the capacity to tailor both e-learning and in-person services to respond to the needs of its user clients.

✓ This capacity should be utilized to implement DMFAS 7 in a cost-effective way in user countries.

Conclusions

Impact

✓ DMFAS has had a high, sustainable positive impact.

✓ Sustained high impact requires DMFAS capacity to deliver capacity-development training to new staff in DMOs with high staff turnover.

Sustainability

✓ For client countries, who are the direct beneficiaries, the DMFAS Programme provides a high return on the investment. Users identified a need to train new DMO staff to ensure the continued realization of DMFAS benefits.

✓ For DMFAS, its sustainability is assured in the near term.

✓ In the medium and long term, measures must be taken to provide DMFAS Programme the tools to avoid a repeat of the financial challenges which retarded the implementation of the DMFAS 7 project.

Coherence

✓ Providing well-documented support for all the Sustainable Development Goals that are supported by DMFS has the potential of increasing donor support to DMFAS.

Main recommendations

Relevance

✓ DMFAS should solidify its high relevance among users, donors and stakeholders by accelerating the implementation of DMFAS 7 in all user countries through ensuring that rollout begins in 2023 and establishing a plan in 2023 for implementation in all beneficiary countries, in consultation with those countries.

✓ DMFAS should clearly communicate to beneficiary countries the support that it can offer for the creation of DMFAS links with domestic debt systems and other financial management systems.

Effectiveness

✓ E1. UNCTAD should create a staff position similar to a Chief Software Development Officer (CSDO), to ensure the successful implementation of DMFAS 7 in user countries.

✓ E2. DMFAS should continue to support increases in debt transparency and accountability, by (a) providing support to DMOs for incorporating fiscal contingencies systematically in debt databases, and (b) offering SAIs training to improve their capacity to evaluate debt transparency and debt reporting.

✓ DMFAS should conduct a feasibility study to determine the best cost-effective option to initiate DMFAS debt coverage of sub-national governments.

Main recommendations

Efficiency

✓ DMFAS should evaluate the potential of expanding the number of trained consultants in regions, in order to implement DMFAS 7 quickly, widely, and more efficiently.

✓ DMFAS should incorporate lessons learned from the development of DMFAS 7 into the Programme's procedures for future software development, in order to ensure continuous improvement in DMFAS 7 modules to promptly meet client needs.

Impact

✓ DMFAS should evaluate the most cost-effective methods to deliver continuous training in the DMOs that experience high staff turnover.

Main Recommendations

Sustainability

✓ Establish a trust fund to finance continuous improvements in DMFAS 7.

✓ DMFAS should continue efforts to expand the DMFAS' donor base with the support of UNCTAD high-level management and UNCTAD fundraising strategy.

✓ DMFAS should facilitate the participation of client countries to continue their participation in cost-sharing in line with the framework agreed by the DMFAS Advisory Group in 2017.

✓ DMFAS should accelerate the implementation of DMFAS 7 in support of the goal of 40:40:20 funding.

✓ UNCTAD management should examine the feasibility of the DMFAS Programme obtaining an increase in contributions from UNCTAD's budgets.

Coherence

✓ DMFAS should increase its potential to attract donor support by recognizing all the contributions of DMFAS Programme to the Sustainable Development Goals (SDG) in its results-based management framework.