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External Evaluation of Development Account Project 1011R-Strengthening Capacity for Effective Asset-and Liability Management in National Debt Management Offices *

Prepared by

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List of Acronyms

ALM	Asset and Liability Management
BWI	Bretton Woods Institutions
CL	Contingent Liabilities
CPIA	Country Performance and Institutional Assessment score
DDF	District Development Funds
DESA	Department of Economic and Social Affairs
DFAU	Debt and Finance Analysis Unit
DMFAS	Debt Management and Financial Analysis System
DMOs	Debt Management Office
DPA	Debt Portfolio Analysis
DSA	Debt Sustainability Analysis
ECA	Economic Commission for Africa
ECLAC	Economic Commission for Latin America and the Caribbean
ESA	Economic and Social Affairs
FLAR	Latin American Reserve Fund
GAR	General Assembly Resolution
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
IADB	Inter-American Development Bank
IADGs	Internationally Agreed Development Goals
ICT	Information and Communications Technology
IADB	Inter-American Development Bank
IFI	International Financial Institutions
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LAC	Latin America and Caribbean
LDC	Least Developed Countries
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MIT	Massachusetts Institute of Technology
MOFED	Ministry of Finance and Economic Development
MOFPD	Ministry of Finance and Economic Planning
NAFTA	North American Free Trade Agreement
NTSA	National Treasury of South Africa
OECD	Organization for Economic Cooperation and Development
SALM	Sovereign Asset And Liability Management
SARB	South African Reserve Bank
SOE	State-Owned Enterprises
UNCTAD	United Nations Conference on Trade and Development
WBG	World Bank Group

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EXECUTIVE SUMMARY

The UNCTAD Project: "Strengthening Capacity for Effective Asset-and Liability Management in National Debt Management Offices", funded from the 7th Tranche of the UN Development Account, ended its four-year duration in December 2013. This external evaluation has been commissioned in accordance with the terms for all Development Account projects.

The project aimed to strengthen the institutional capacity of national debt management offices in six developing countries in Africa and the Latin American and Caribbean region (LAC) to develop their capacity in debt management based on an integrated Asset and Liability Management (ALM) framework, an emerging practice in the domain of public debt management.

The Project enlisted three outcomes, relating to: strengthening collection and reporting of debt data; articulation of a roadmap for ALM implementation; and building awareness in other countries to assess prospects for adoption of ALM frameworks. The project was implemented in partnership with Inter-American Development Bank (IDB) in the LAC, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) in Africa. Activities consisted of a mix of: research background papers, customised in-country technical assistance, and regional workshops and study tours, besides an e-learning tool kit.

The project was managed by the Development Finance Analysis Unit in the Debt and Development Finance Branch, with valuable support from its Debt Management and Financial Analysis System (DMFAS) programme staff.

Based on the assessments, the evaluation concludes that the Development Account Project R was based on sound intervention logic and rationale, was well-timed and responded to the concerns expressed by UNCTAD's clients and constituencies. The project built on UNCTAD's mandate, drew on relevant domain expertise, built on entry points already established in the selected countries, and used available synergies between various parts of the house to unprecedented levels.

The thematic focus on ALM, an important emerging theme in the domain of debt management, is relevant but also perceived as premature by less developed countries whose debt management capabilities are weak and evolving gradually, leading to varying levels of initial reluctance in engagement with the project. The project sought to balance a standardised regimen of training on ALM frameworks with coverage of more immediate needs articulated by participating countries, which resulted in a non-uniform coverage of contents. However, taken collectively, the project's outputs covered a number of sub themes that are essential for ALM frameworks.

The project experienced several setbacks during implementation and could not complete all its activities or consume allocated funds. This was caused by several factors beyond the reasonable control of the unit; however, there has been a tremendous effort to revive and accelerate delivery in later stages, during which the project delivered with high efficiency and productivity despite severe shortage of human resources. The unit and branch deserve special credit for salvaging the project and accelerating the delivery in the last year. Unfortunately, the project was not extended, resulting in almost 35 percent underutilisation of allotted budgets with some activities/outputs remaining incomplete.

The project could not attain its expected accomplishments as formulated, in part due to non-completion of activities leading to the respective outcomes, but even more due to an overambitious formulation of outcomes. However, the project created due awareness and enhanced appreciation among debt management functionaries of the benefits of ALM, and enabled them to appraise their states of readiness and identify the various building blocks to implement functional ALM practices in their countries. In doing so, it has seeded the process of change and advocacy within the national institutional structures toward a road map for ALM adoption.

There were a few missed opportunities as well, such as: sequencing activities more effectively; developing and preserving audio-visuals of the valuable technical training and regional seminars; and disseminating outputs to a wider audience beyond the project beneficiaries electronically.

Sustaining the initiatives seeded by the project will require efforts at three levels: at UNCTAD; at regional partners; and within project countries, based on the experiences and outputs from the current project. The theme of ALM is sufficiently complex and requires sustained investments over the long-term to justify a series of Development Account projects that provide upstream knowledge and tools to help member countries build ALM capabilities sequentially and progressively. Thus, a pipeline of projects, set in a well-structured sequence, should be formulated, with a view to applying for Development Account and/or other funding over the medium term.

A follow-on project under the Development Account is justified, to ensure a consolidation of the outputs of the present project and to accelerate implementation of ALM in countries demonstrating greater levels of commitment and preparedness, especially in Latin America. The good cooperation between DMFAS and DFAU witnessed in this project should be deepened and should cover all stages: from design and formulation, implementation arrangements and project coordination.

The remainder of 2014 should be used as a preparatory phase for a second ALM project in 2015 by when the Unit should have its full staff strength in place. Future versions of the project should evaluate the merit of implementing activities in homogeneous groups instead of accommodating a diversity of country profiles to prequalify for development account funding.

Adequate provisions should be made in all future projects for cost-effective ICT and e-learning for wider dissemination and participation by target beneficiaries. Over time, this would create a unique collection of knowledge content on ALM, available online/ offline for reference by DMOs in developing countries.

The project provides some useful lessons. Implementing ALM framework requires multi-pronged approaches at the technical, policy, and institutional levels, and demands sustained interventions. The Development Account can be seen as a means to seek analytical validation of new areas and themes and to combine ‘ivory tower’ ideas with ‘work in the trenches’ activities, to derive practical benefits on the ground. They also provide strategic and flexible funding for UNCTAD’s upstream analytical work to complement the largely downstream DMFAS programme and support synergies between different parts of the house.

1 INTRODUCTION

1.1 BACKGROUND AND CONTEXT

1. The UNCTAD Project: "Strengthening Capacity for Effective Asset-and Liability Management in National Debt Management Offices", funded from the 7th Tranche of the UN Development Account ended its four-year duration in December 2013. The terms for all Development Account projects call for an external terminal evaluation, accordingly, this evaluation was commissioned in end November 2013 to be completed by February 2014.

1.2 PROJECT SUMMARY

2. The project's objective was to strengthen the institutional capacity of national debt management offices (DMOs) in six developing countries from the Africa and Latin America and Caribbean regions to manage their public debt and develop their capacity to move to a debt management approach based on an integrated Asset and Liability Management (ALM) framework, which is a new approach followed in a few developed countries, led by New Zealand and Denmark. The project complemented UNCTAD's current engagement through its DMFAS programme to assist DMOs in their data collection/reporting role and risk analysis capacities.
3. The project was implemented in six countries: Argentina, Bolivia, Chile (in place of Mexico as originally intended), Ethiopia, Uganda and Zambia, with cooperation of regional partners Inter-American Development Bank (IDB) in the LAC and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) in Africa. Activities consisted of a mix of: research background papers, in-country assessments of the current capacities of debt management offices to collect, classify and analyse the structure of public debt and the state of readiness to move from a pure liability management approach to an integrated ALM approach; and provide technical assistance based on identified needs. Besides in-country activities, the project included a set of regional and inter-regional workshops and study tours to enable knowledge sharing for participant countries as well as other non-beneficiaries.

Project title:	Strengthening capacity for effective Asset-and Liability Management in National Debt Management Offices
Duration:	4 years (2010-2013)
Location:	Africa and Latin America and the Caribbean regions
Executing agency:	United Nations Conference on Trade and Development
Co-operating agencies:	ECA, ECLAC, UNDP
National counterpart institutions:	Ministries of Finance and Central Banks
Funding from Development Account:	US$ 663,400

4. The Project enlisted three outcomes, termed as Expected Accomplishments, along with their indicators of achievement:
   - EA1 - Debt management offices in selected countries are able to collect and report data on the level and structure of public debt (both external, domestic, and of local governments) and on external private debt.
   - EA2 - Debt management offices in selected countries have a well-defined roadmap for moving from debt management to an ALM framework and a detailed work plan for implementing such a framework.
   - EA3 - Other countries in the pilot regions are informed about ALM and enabled to assess whether the ALM framework is replicable in their own debt management offices.

1.3 Evaluation Scope

5. The purpose of the evaluation is to assess the project's design, management and performance using the standard framework of: Relevance, Effectiveness, Efficiency and Sustainability, and to draw conclusions and make recommendations to enhance UNCTAD's work in the area. Specific coverage under these assessments is reproduced below.
   a) Relevance and project design
      - Whether the project design and choice of beneficiaries and activities have properly reflected and addressed the needs of the beneficiaries, taking into account UNCTAD's mandates, and alignment with the objectives of the Development Account;
   b) Effectiveness
      - To what extent does the project contribute to the objective of strengthened capacity of national authorities to manage their public debt through integrated Asset and Liability Management?
      - What are the main factors influencing the outcomes of the project?
      - To what extent are project stakeholders satisfied with the activities delivered and the quality of the outputs? Have the countries used the reports/outputs produced? How?
   c) Efficiency
      - Have project management and implementation modalities been adequate, and have the activities been carried out within the planned timeframe?
   d) Sustainability
      - Have the project activities been designed and implemented in such a way to ensure maximum sustainability of their impact, for instance, whether beneficiary country stakeholders and development partners were actively involved in the initiation, design and implementation of the project;
      - To what extent do the national counterparts now have the capacities and willingness to continue the necessary follow-up actions?
6. The evaluation covers assessments of the project's successes and failures, strengths and shortcomings, and external and internal challenges faced in implementation; to draw lessons to inform and strengthen UNCTAD's future projects in the area of debt management support. The primary audiences of the evaluation report are UNCTAD management and programme officers, the Capacity Development Office/Development Account of DESA, project stakeholders, and other member States interested in the domain.
7. The evaluation obtained the necessary facts and information for its assessment from the following sources:
   - Desk review of relevant project documents and relevant materials, including

Project documents and reports; mission reports; progress reports, publications, documents and/or reports produced in the project; training materials, etc.

- In-person, telephonic and Skype interviews with
    - Debt and Financial Analysis Unit (current and former) staff implementing the project
    - Focal point for Development Account projects
    - Head of Debt and Development Finance Branch
    - DMFAS staff
    - Counterpart staff at regional partners IADB and MEFMI
    - Principal beneficiaries from the participant countries that took part in the project activities, except Bolivia and Zambia which did not respond to several requests by the Evaluation Office
    - National counterparts from countries that withdrew from the project or in which activities could not be completed at the time of evaluation
    - Government officials in relevant ministries with authority to approve/ ratify and implement policies related to debt management and transition to an integrated ALM framework
- Feedback survey of participants at various workshop events

2 PROJECT CONTEXT AND PLANNING

2.1 INTERVENTION LOGIC

8. The government's debt portfolio is usually the largest financial portfolio in the country, and often the government is also the largest holder of financial (and often non-financial) assets. Sovereign liabilities and assets differ in their characteristics- their core causes and drivers, the nature and quantum of their flows, temporal variations and factors on which they depend. Thus, governments are challenged to respond to any developments that affect the assets and liabilities to avoid or mitigate payment risks and debt crises. Increasingly, they need to deal with the impact of external shocks on both assets and liabilities. The Asset and Liabilities Management (ALM) concept is based on the principle that aggregate risk can be reduced if the assets and liabilities are structured in a way so that the shocks have opposite effects on assets and liabilities, thus enabling gains on one side to neutralise or cushion losses emerging on the other.
9. These principles have been used with success in financial institutions and the private sector. However, several problems arise in implementing ALM approaches to sovereign balance sheets, especially in developing countries. Firstly, there is insufficient capacity to collect and analyse data, especially for debt issued by sub national governments and contingent liabilities. The second challenge is to define and decide which types of assets to include in the balance sheet, given that state owns a large portfolio of non-financial assets as well. It is important to identify assets that have flow characteristics suitable for debt management strategies and operations. Many developing countries focus a lot less on assets compared to liabilities management, and do not formulate sovereign balance sheets partly because there is no obligation (by donors and lenders) to report assets other than the reserves for the purposes of debt servicing and sustainability assessments.
10. Even after acquiring knowledge and understanding of collecting and presenting accurate information on assets and liabilities, countries need instruments, institutional mechanisms and market structures to manage assets and liabilities to mitigate impact of shocks and to prevent debt or financial crisis. This calls for well-delineated functions among state institutions – especially the treasury and central bank operations, middle office /debt management capabilities, and functional domestic and regional debt markets. This is not the case in many developing and least developed countries and regions.
11. At the very least, an ALM approach can assist in improved debt management by mapping and performing cost/risk analysis of public debt against the revenues used to service debt, to design a strategy that can reduce the overall risk in its balance sheet, and avoid the occurrence of ‘double whammies’ from the simultaneous increase in liabilities and devaluation of assets due to external shocks. The policies and practices concerning management of foreign currency reserves, aid flows, wealth funds and contingency/ stabilization funds play a key role in preparing for such situations.

2.2 PROJECT IDENTIFICATION

12. The project focused on two regions, Africa and Latin America, which have had to deal with major financial and debt crises in recent years. UNCTAD has a significant presence in both Africa and LAC regions through its DMFAS Programme, which has 15 projects in LAC countries and 20 in Africa. Out of the six selected countries five (Argentina, Bolivia, Ethiopia, Uganda and Zambia) have DMFAS installations and have regular contact with DMFAS for debt data collection and reporting through the DMFAS installation. As a result, UNCTAD has established entry points and active relationships at the technical level in Debt Management Offices and other apex finance institutions in several countries.
13. DMFAS also cooperates with the World Bank and IMF in providing quarterly debt data statistics for countries, and supports countries with training and technical assistance in integrated public debt management. There is wide disparity in debt data collection and analysis capabilities across countries in the two regions, and between the regions themselves.
14. The three African countries have been beneficiaries of multilateral debt relief initiatives and are pursuing reform programmes to enhance their debt sustainability, while embarking on public expenditure programmes under national economic development strategies. Also, they receive large amounts of foreign aid, which presents opportunities for inclusion of foreign aid as a class of assets. Zambia presents an interesting possibility to use copper resources as a potential asset to leverage reserves and exchange rate movements to smoothen debt service and development expenditure cash flows. Uganda has one of the most advanced debt management offices in Sub-Saharan Africa and is a possible front-runner for an ALM framework. Thus, there is a commonality as well as interesting diversity in the selection.
15. In Latin America, Argentina and Mexico have well-organized debt management offices, and Argentina has progressively rolled out DMFAS for debt collection monitoring and risk analysis capabilities at the subnational government levels. Argentina has specific needs in debt portfolio analysis, in the context of its recent policy of not accessing international debt. Mexico, which too suffered two severe crises in the past fifteen years, is seen as an interesting example for the use of contingent debt instruments (Multi-Cat catastrophe bonds) and hedging/ insurance instruments to cap the volatility of its commodity (oil) exports. Bolivia, in contrast, has less developed debt management capabilities and has been a beneficiary of multilateral debt relief similar to the African countries in the project. Its export of primary commodities (especially minerals and natural gas) and the revenues linked to them potentially support ALM approaches. The existence of special asset classes that have exposures to external shocks and the opportunity for debt management offices to learn new tools for risk analysis built the rationale for this development account project.

2.3 PROJECT FORMULATION

16. The beneficiaries of the project are the debt management offices (DMO) in the ministries of finance and central banks. The responsibility of a country's debt management office is to manage the country’s debt by maintaining - with minimal funding costs -a debt structure to avert the likelihood of debt crisis. This necessitates the capacity to issue debt instruments and also to collect comprehensive and correct data, analyse the risk profile of various types of debt, and advise operations to optimise the debt structure. Developing countries have capacity gaps in both collection and risk analysis. With respect to data

collection, detailed data needs to be compiled on not just external public debt, but also on domestic public – including sub national – debt, and external private debt.

17. Progressing to an ALM approach imposes new needs to classify and record data on appropriate financial and non-financial assets of the sovereign and their valuation based on international standards. Next, analytical risk models need to be formulated to evaluate the various risks under different scenarios, including shocks, to provide insights for effective debt management strategies.
18. The project sought to support to debt management offices through: thematic research, needs assessments in debt management and evaluating gaps in their readiness to progress to an integrated ALM framework, followed by technical assistance and knowledge sharing through national, regional and inter-regional workshops, training sessions, study tours and seminar events. By focusing at the technical levels, the project aimed to assist participating DMOs to understand the risks to debt servicing emanating from joint shocks to government assets and liabilities. However, its results are expected to also sensitise policymakers to explore a calibrated path to the adoption of an integrated ALM framework.

2.4 Positioning

19. UNCTAD is the focal point of the United Nations for dealing with debt issues. The Debt and Development Finance Branch, which spearheads UNCTAD's work on debt issues, follows a two-pronged approach: downstream activities through the extensive DMFAS programme to assist DMOs in debt data collection; and upstream work through the research and analytical activities and outputs of its Development Finance Analysis Unit. The unit staff involved in the project had specialist knowledge and acknowledged credentials in the area of debt management, besides strong connections with both academia and debt practitioners.
20. The delivery of activities was planned with the support of regional partners MEFMI and IADB who have the expertise as well as effective access to beneficiary institutions and knowledge/experts. MEFMI, a regional training and capacity development institute in East/Southern Africa, undertakes a number of regional and in-country activities relating to public finance and debt management, including in Debt Management Performance Assessments and debt sustainability assessments. Similarly, the LAC Debt Group, a grouping of debt managers in the region, with its secretariat at IDB, has extensive networks in the LAC region, which have been used effectively in the project's activities.
21. UNCTAD's work complements without overlaps the training and capacity development initiatives of the IMF, World Bank and OECD, which have regional training centres and programmes in all regions in Medium Term Debt Strategy, Debt Sustainability, and Debt Management Performance Assessments. The DMFAS programme supports these institutions with data collection and reporting for the quarterly debt statistics, and also contributes to joint missions when requested. However, implementation partners mentioned that with this Development Account project, UNCTAD is the first institution to roll out any programme on Asset Liabilities Management; therefore, there is no overlap with technical programmes of the IFIs.

3 PROJECT IMPLEMENTATION

3.1 AMENDMENTS

3.1.1 DESIGN CHANGES

22. There were three key changes to the project design: change of countries, with Mexico withdrawing from the project and replaced at a very late stage by Chile; the replacement of country DMO studies and needs assessment by regional inception workshops; and front-loading of the LAC regional seminar. These are explained in more detail in section 3.3.

3.1.2 BUDGETS AND EXPENDITURE

23. As at end December 2013, the project had incurred a final expenditure of USD 447,000 against the disbursed USD 663,400, representing a utilisation of 65%. Fellowships, grants and contributions (to facilitate regional workshops and training) represented 36% of expenditure, followed by consultant and expert participation costs at 32%, and Staff travel at 28 %. Of all items, staff travel was the only budget line that consumed and even marginally overshot its original allocation.

Table 4. Financial details by activity

Object Class	Object Description	Allotment	Expenditure 2010-2011	Expenditure (2012-13)	Total Expenditure	Implementation Rate
602	General Temporary Assistance	8,000	0	0	0	0%
604	Consultants and participation of experts to seminars	217,000	26,389	110,000	136,389	63%
608	Travel of staff	113,000	40,541	80,000	120,541	107%
612	Contractual services	58,400	0	15,000	15,000	26%
616	General operating expenses	5,000	141	1,500	1,641	33%
621	Fellowships, grants and contributions	262,000	42,958	113,000	155,958	60%
	Total	**663,400**	**110,029**	**319,500**	**429,529**	**65%**

3.2 MANAGEMENT

24. The project was managed by the Development Finance Analysis Unit (in the Debt and Development Finance Branch), which has an effective staff strength of 3.5 persons, consisting of one P5, one P4, one P3 staff, while a fourth P2 is shared between the unit and DMFAS. Managing Development Account projects are additional to staff's task load under the Regular Budget, which includes: preparing the UN Secretary General's report to the General Assembly on external debt, servicing GA negotiations on the resolution on external debt, supporting developing countries in Paris Club negotiations, preparing inputs and servicing major UN Conferences and Summits on topics relating to debt; undertaking annual research papers on debt and finance, and responding to ad hoc requests for substantive inputs from other parts of UNCTAD and its member States from time to time; represent UNCTAD on inter-agency tasks forces; prepare policy briefs and research

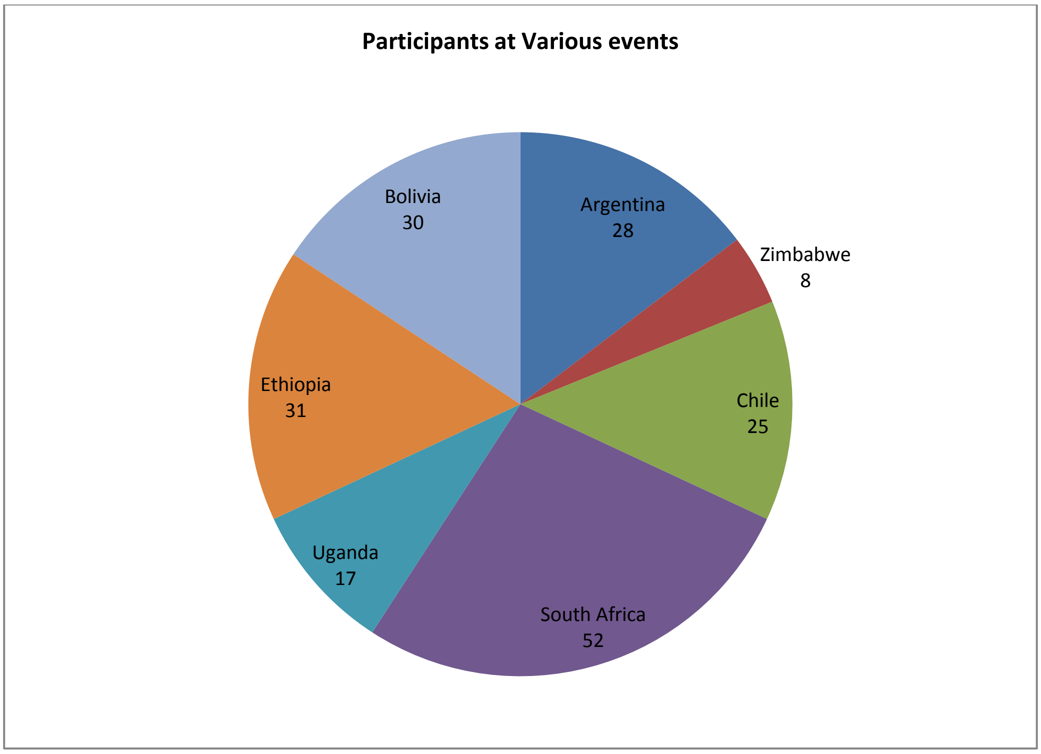
papers; holding UNCTAD's debt conference every two years; special events for the General Assembly; and contributing to UNCTAD short term courses. Despite this, the unit had two Development Account projects under implementation during the past four years.

25. The unit experienced serious staff shortages during implementation. There were two leadership changes; first in November 2012, with the departure of the Unit head on lien; and second, in October 2013, when the second (a short-term replacement) manager's 11-month tenure expired. However, the project remained without a leader for almost six months in 2012 due to the transition period in finding a replacement. In addition, the unit also lost another resource with the long illness of the unit's P4 staff (the staff was not involved in the Project R) for almost 5 months, which denied the possibility of some level of back stopping These unforeseen gaps could not be filled despite the best efforts of the Debt and Development Finance Branch head, in large measure due to staffing policies relating to filling of permanent posts in the UN system.

3.3 Outputs

26. The project planned and delivered a diverse range of outputs, consisting of: thematic research papers authored by international experts; regional seminars involving participants from several countries; national workshops involving debt management officials in project countries; and e-learning modules. In all, 191 direct beneficiaries from 33 countries, 16 from the LAC and 17 from Africa participated in activities, as shown in the chart below.

27. The project's reporting consisted of mission reports for each event attended by UNCTAD staff, and Annual progress reports as required by the Development Account guidelines. Mission reports were available for all the events except for Uganda's in-country workshops in 2012. Annual progress reports were available for 2011 and 2012, but were not available for 2010 as no activities had begun. An end of project report is due in March 2014.



3.3.1 A1. RESEARCH PAPERS

28. Activity A1 consisted of three research papers, commissioned to international experts with specialist knowledge in sovereign asset liabilities management. The three papers were:
    - What Role for Aid in Sovereign Asset and Liability Management, by Andrea F Presbitero
    - Sovereign Asset and Liability Management Framework for DMOs – What do country experiences suggest? By Fatos Koc
    - Implementing Sovereign Asset Liability Management in Developing Countries, by Andre Proite

    The authors were identified in consultation with project partners (IADB), and terms of reference and contracts issued in 2012. The draft outputs were received in mid-2013 and underwent extensive commenting by the unit. As at the time of evaluation, the papers were still under finalisation, and therefore not yet shared with DMOs or even with DMFAS staff. It is expected that the papers will be disseminated through the Branch's web portal along with other materials developed under the project.
29. According to project staff, there are no other papers on the subject similar in scope. The evaluator found the papers to be highly informative, although some contents were rather technical and beyond the lay reader's comprehension. The evaluator's general understanding from these papers is summarised in Annex 1 to the report. The papers aid in building a conceptual understanding of ALM issues among practitioners in debt management offices and policy makers. Ideally, these papers should have been ready before in-country technical assistance workshops, or at least released at the regional workshops in 2013, as that would have enriched the quality of participation at the regional events. However, the project staff stated that the research papers were not intended to be a precursor to the country activities.

3.3.2 A2-A3: INCEPTION REGIONAL WORKSHOPS:

30. As per the project document, Activity A2 consisted of case studies of the six DMOs to identify needs in data collection and reporting, and to analyse the implement-ability of an ALM approach in the six countries. Activity A3 aimed at providing technical assistance based on the needs identified in the country case studies. A budget of US$ 168,000 was allocated to A2 and A3, of which US$ 96,000 was earmarked for external consultants, and USD 72,000 for staff travel.
31. The first progress report 2011 records that terms of reference had been prepared for MEFMI to undertake assessments of ALM capacities in selected African countries. The progress report for 2012 explicitly mentions that four DMO studies (Argentina, Ethiopia, Uganda and Zambia) have been completed, while consultations were underway with Bolivia. However, the evaluation was unable to locate evidence of these studies. Discussions with the first project manager revealed that activities A2 and A3 were dropped and were replaced by two one-day regional inception workshops held in Harare and Buenos Aires.
32. The progress reports do not detail the reasons for the deviation; however, the project manager clarified that no value-addition was seen from the country studies and needs assessments, on the following grounds: a) the unit head had a reasonable idea including based on discussions with DMFAS staff that the countries- particularly in Africa - were far from ready for implementation of ALM approaches; and b) DMFAS programme staff, had sufficient insights into the quality of data collection in the participant countries, as five of the six chosen countries had DMFAS installations. For instance, in Africa, Uganda and

Ethiopia were assessed as having good debt data collection capabilities but Zambia was reported as having challenges in this regard. Similarly, there was recognition that among LAC countries, Brazil, Mexico and Argentina had more evolved debt management capabilities.

33. Representatives from Ethiopia and Uganda's DMO/ financial institutions attended the Harare workshop; Zambia did not participate, backing off due to 'logistical' challenges at the last moment. At the workshops, UNCTAD staff presented the ALM project – this was the first exposure of the beneficiaries to the substantive aspects of the project, which was followed by presentations by MEFMI and UNCTAD on the principles and elements of the ALM approach. This was followed by short bilateral discussions with participants. The mission reports of the workshops indicate tentative responses from both Uganda and Ethiopia, based on their level of readiness and the need to secure further approvals. This attests to the lack of extensive prior consultation in the project formulation stages.

34. The Buenos Aires regional workshop had participants from 7 LAC countries, including senior officials from Argentina's federal and provincial governments. Brazil, Chile, Bolivia and Argentina shared their current assets and liability management practices. The Argentinian DMO preferred to do a set of analyses and risk modelling studies using its staff under a mentoring arrangement with Brazil's DMO, instead of appointing a consultant. There was no participation from Mexico, despite their prior interest in the project as communicated. Bolivia's response to join the project was delayed several months, and again, activities took place only in 2013.

3.3.3 A4. TECHNICAL ASSISTANCE

35. The project document intended Activity A4 to provide technical assistance in collecting information on assets and supporting in the analysis of correlation between assets and liability movements with the objective of formulating an appropriate ALM strategy. However, the inception workshops resulted in deviations from the original design. None of the countries, including Argentina, felt they were anywhere close to being ready for commitments toward an ALM framework. This led to a variety of requests from the participating countries for their in-country activities.

36. Argentina worked out a project to learn- by seconding its own internal staff -how an advanced DMO (Brazil) used ALM for risk management of its debt portfolio. In the Harare workshop, bilateral meetings led to requests for a focus on 'domestic debt management' in Uganda. In Ethiopia's case, the Debt Management Office did not wish to commit to activities beyond building an understanding of the sovereign balance sheet elements; instead, emphasis was laid on debt portfolio risk analysis. Zambia, which did not participate in the inception workshop, later opted for studies of contingent liabilities and on lending, clubbing these with activities under a related DMFAS project. In doing so, the project covered a broad canvas of subjects somewhat leading to an ALM approach, but in the process, traded-off uniformity of content coverage with responses to divergent national priorities expressed by some countries.

37. Ethiopia: The National Workshop on Asset and Liability Management held at Addis Ababa covered a progression of modules beginning with a conceptual grounding, and moving on to specific concepts, followed by a hands-on sessions and concluding with a trial exercise for the participants. UNCTAD staff from the unit and DMFAS, along with an external expert from the Brazilian Debt Management Office, conducted an assessment of Ethiopia's public assets and liabilities and a five-day workshop on Asset and Liability

Management, attended by senior officials of the Debt Management Directorate, MOFED, and representatives of the National Bank of Ethiopia.

38. The topics were:
    - Basics of ALM; Country Examples; How ALM fits into debt analysis – international reserves vs. external debt, on lent loans, etc.
    - ALM in Ethiopia – elements to be considered; Debt cost/risk indicators and analytical elements; Practical exercises in calculating cost/risk indicators; Risk Models deterministic and stochastic; Risk modelling including Assets and Liabilities
    - Improvements to the existing Debt Portfolio report; Assets and Liabilities applied to Debt Portfolio report; Hands-on working groups
    - Presentations and discussions on new Debt Portfolio report

39. Uganda: The mission report is not available for Uganda. However, the progress report for 2012 mentions that 'the study of Uganda DMO did not detect particular problems in collecting and analysing public debt data profile, and assistance was redirected to the development of a domestic debt market. The resource persons/ experts for the workshops were from MEFMI, Central Bank of Kenya, and Central Bank of Zambia, and the events were attended by17 participants, including from the MOFPD, and Central Bank of Uganda.

40. The seven-day workshop covered the following sessions:
    - Legal and Institutional Arrangements; Key domestic debt concepts and Instruments; Role of Market Players; Macro-economic implications of Domestic Debt Market Operations
    - Sound Practice and Coordination of Domestic Debt Management Fiscal, Monetary, Interest Rate and Reserves Management Polices; Managing the Domestic Debt Market – Liquidity, Auction Size and Frequency and Offering Menu; Issuance of Marketable Debt – Choices and Techniques
    - Designing a Strategic Domestic Debt Management Policy Framework; Domestic Debt Portfolio Analysis and Data Management Systems; Development and Maintenance of an Efficient Primary Market for Government Securities
    - Yield Curve –Development, Interpretation, Policy Issues and Market Responses; Money Market and Fixed Income Securities and their Pricing; Exercise: Yield Curve Development and Analysis; Domestic Debt Market Development - Communication and Market Interaction for Effective Market Operations and Management
    - Promoting Secondary Market Development and Liquidity; Sequencing of Market Reforms; Exercise: Auction Simulation; Exercise: Simulation of whole process related to bond market issuance
    - Identification of Uganda Needs/Gaps in Domestic Debt Management; Creation and Organization of Debt Office, Legal and Institutional Framework, Front, Middle and Back Office, Debt Market Development; Development of Plan of Action

    At the concluding session of the workshop, the participants identified a Plan of Action toward reforming debt management and developing a domestic debt market, to diversify its debt portfolio and rely less on external currency debt.

41. Zambia: The project reported long delays in securing Zambia's interest in the project, and it was only in end 2012 that Zambia became sufficiently serious about the project. Communications with Zambia have been somewhat a challenge for the project. *There was no response to the evaluation office's numerous requests for an appointment with the evaluator*. Beside the absence of a single treasury account, the project also noted inadequacies in data collection and reporting capabilities in Zambia, as assessed by a World Bank - led mission. The counterparts were not interested in the workshop format

and requested assistance in conducting studies on contingent liabilities and on-lending practices, which are important elements of debt risk analysis and a building block in an eventual ALM framework. The studies were carried out with MEFMI's active involvement, and in collaboration with a related project 'Strengthening Integrated Debt Management' being implemented by DMFAS.

42. The first output was an assessment of Government's explicit and implicit Contingent Liabilities, their magnitude and sources; and recommendations for policy and organisational reforms to strengthen management of contingent liabilities. Key points in the report are: Contingent Liabilities (CL), by virtue of their probabilistic nature, pose difficulties in estimation and valuation, and are not recognised as liabilities until their occurrence. However, they need to be compiled and monitored closely to reduce the fiscal costs and risks associated with their manifestation. IPSAS reporting standards require listing of aggregate data on CLs as memorandum items to the balance sheet and budget statements. The report inventories a range of Zambia's explicit and implicit CLs and makes several policy recommendations, including:
    - Monitoring CLs by reporting them using DMFAS;
    - Centralising the power to issue guarantees with the Minister of Finance;
    - Restructuring and recapitalisation of SOEs;
    - Setting up a treasury office and treasury single account to manage liquidity of SOEs.

43. The second output was a report on Monitoring and Managing On-lending in Zambia. On-lending differs from government guaranteed borrowings in two ways: in guaranteed debt, one, guarantees are often not shown on the sovereign debt, and two, the government does not have primary liability in case of default. However, on lending is more transparent and makes government directly accountable to lenders, while at the same time, shielding weaker state entities from being monitored directly by international lenders. The report assesses the value of current on lending, and their associated financial risks: review current on-lending procedures; and provides recommendations toward more effective tracking and monitoring of on-lending activities.

44. Key challenges observed in the study are operational: poor data and record keeping at the Ministry; poor financial health of on-lent institutions; and poor information flow and lack of formal procedures between borrowers and the Ministry. Importantly, the report highlights that Zambia's laws (Cap 366) provide ample powers to the Minister of Finance, but there is a need to formally adopt a Public Debt Procedures Manual, which is still in draft form. The report recommends several steps for monitoring and control; these include: formal credit appraisal processes for project feasibility; project and borrower credit ratings; use of ratios and indicators (profitability, debt sustainability and liquidity); formal legal documentation for subsidiary loans; pricing terms; monitoring and periodic reporting obligations of borrowers; recording subsidiary loans in DMFAS; and procedures for restructuring and write-offs.

45. <u>Argentina:</u> UNCTAD and IADB set up a mentoring partnership between the Argentinian DMO and the National Treasury of Brazil, considered the leader in Latin America in ALM practices. With support from Brazil, a risk analysis model was formulated for Argentina, using a specified selection of assets of key institutions. The output of these efforts is the formulation of Argentina's first ALM model, developed by internal staff and not external consultants. Argentina's debt management officials also attended a study tour of Brazil to test the model. There are no mission reports for Argentina in-country activities as there were no missions by UNCTAD staff or experts as meetings were held via videoconference.

46. Bolivia: After initial delays in confirming interest in the project (in obtaining consent of the central bank as well as the DMO), Bolivia eventually opted for a national workshop structure similar to that of Ethiopia. The five-day programme in May 2013 was delivered by the same expert team as in Ethiopia and was attended by representatives of Bolivia's key institutions. The topics covered:

- Introduction to ALM concepts; Benefits of Inducting ALM in Pubic Debt Management; Concepts and Definitions: Assets and Liabilities to consider; Measurement problems
- Objectives of ALM: Minimization of Risks, Fiscal and Financial vulnerabilities; Risk Minimization: Debt Cost/Risk Indicators and Analytical Elements; Practical Exercises in calculation of costs/ risk indicators
- Contingent Liabilities, best practices; Public Enterprises and Local Governments; Foreign Reserves
- Managing International Risks; International Risk Minimization; Risk Models (deterministic and stochastic models); Practical exercises on Risk models and Medium Term Debt Strategy
- Bolivia's Public Sector Balance Sheet; Characteristics of Assets and Liabilities, Risk Exposures; Organisation and Institutional Aspects; Mapping of Bolivia's Assets and Liabilities, Presentation and Discussions on Bolivia public sector balance sheet; Benefits of integrating an ALM framework in public debt management
- DMFAS 6 presentation.

47. Chile: Chile was not on the initial list of participating countries in the project, even though officials from the DMO participated and shared Chile's current state of debt management in the regional workshops in Buenos Aires and Santiago. Chile was brought into the project rather late, with a formal letter of intent signed only in September 2013 for a study paper on 'Unifying Domestic Debt Markets and Harmonizing Foreign Asset Management: The Case of Chile'. At the time of the evaluation, a draft report had been submitted for comments. Chile also offered to host Bolivia for a study tour, which did not take place eventually due to reasons explained later under Activity A5 below.

3.3.4 A5: Regional Study Tours

48. After receiving technical assistance, members from DMOs in beneficiary countries were to be taken on study tours to visit DMOs with more advanced debt management capabilities. Two tours, one per region, with a total budget of US$ 55,000 were planned in the project..
49. The National Treasury of South Africa hosted a study tour (Nov 25-29, 2013) for officials from Uganda, Zimbabwe and Ethiopia to gain practical hands-on experience in the day-to-day work of Asset and Liability Management and to implement best practices within their own countries. The five-day event involved full-day programmes at the Chief Directorates of: Liabilities Management; Financial Operations; Strategy and Risk Management; Financial Sector Oversight; and on the last day at the South African Reserve Bank on Auctions, Deal Matching and Settlements.
50. In the LAC region, UNCTAD arranged for Argentina DMO staff to visit Brazil from 8 to 10 July 2013. This provided an opportunity for Argentinian debt managers to fine tune their model while having first hand exposure to the work of the Brazilian DMO. While the unit cites this as a study tour on the lines of the regional study tour in Africa, the evaluator views this as equivalent of the week-long technical assistance opted by the other countries, and not in the mould of a regional study tour as designed in the project document (see Activity A 7 below). UNCTAD also arranged for Bolivian DMO staff to visit Chile, which had agreed to host them for a study tour. However, there were delays

because at a rather late stage Bolivia expressed a preference to visit Mexico instead of Chile. This request was difficult to accommodate within the few weeks left under the project deadline. UNCTAD was prepared to consider the change provided Bolivia had already secured agreements to be hosted by a counterpart. With no responses, even the visit to Chile could not be organised eventually, because the arrangements for processing travel and per diems could not be completed within the remaining duration of the project. As a result, the tour was cancelled and funds lapsed on the expiry of the project's original deadline.

3.3.5 A6: REGIONAL TRAINING WORKSHOPS

51. The aim of regional training workshops was to disseminate the lessons learnt from the country studies, needs analyses, research papers and technical assistance (A1, A2, A3 and A4) are disseminated to other DMOs (non beneficiaries) in the region. The project document mentions a participation of 10-15 countries in each regional workshop. According to the progress reports and discussions with the project managers, both regional workshops have been held as per the project's requirement: in Santiago, Chile in November 2011, and in Midrand, South Africa in September 2013.
52. <u>Santiago Regional Seminar (9-11 November 2011):</u> UNCTAD hosted a two-day seminar on "Preventing and Managing Debt Crises to Promote Long Term Sustainability" in Santiago, Chile at ECLAC on 9-10 November 2011. The seminar was organized in cooperation with ECLAC, the IADB and the LAC Debt Group and brought together debt managers from the region with prominent members of academia (Harvard, MIT and Universidad Torcuato di Tella) and representatives from UNCTAD, ECLAC, IADB, IMF, World Bank, FLAR to discuss issues surround asset and liability management. The seminar was delivered over two days; the first day presented the views from academia (View from the Ivory Tower) and a second day that presented the views at the country level (View from the Trenches).
53. The topics discussed included: Design of a country insurance facility; Promoting responsible sovereign lending and borrowing; Debt structure and vulnerabilities; How to measure financial and real assets; Building an Asset-Liability Map: The experience of Brazil; How to develop local bond market in emerging markets; and Financial Risk Management of Natural Disasters. Country case studies were presented by Brazil, Argentina Jamaica and Peru, among others. UNCTAD also presented its principles on responsible sovereign lending and borrowing.
54. While the usefulness of the Santiago seminar can be justified on a standalone basis, its sequencing and timing deviated from the logic for regional seminars as postulated in the project document. The main purpose of the regional seminar was to bring together the project's beneficiaries to present and share their experiences and the lessons learnt in the project to non-beneficiary debt management offices. By that very description, the Santiago regional event should have been preceded by in-country activities. This was not the case: only Argentina had made any concrete commitments into the project; Bolivia and Mexico had not yet confirmed participation and had been slow in communicating with UNCTAD.
55. <u>Regional Asset and Liability Management Workshop, Midrand (30 Sept – 03 Oct 2013):</u> The workshop organised with the National Treasury of South Africa and MEFMI was held in Midrand, South Africa. The workshop focused on the main concepts, objectives, instruments employed in sovereign ALM and examined the practical implementation of an ALM framework in South Africa. Presentations by practitioners and experts from the

National Treasury provided an opportunity for countries in the region to learn of the challenges faced and the solutions devised by South Africa.

56. Specific themes for the four day event included: i) the benefits of integrating public debt management into an ALM framework; ii) ALM concepts and definitions for the sovereign balance sheet; iii) objectives of ALM in minimization of risk and fiscal/financial vulnerabilities; iv) contingent liabilities - definitions, monitoring and reporting; v) monitoring local governments and public enterprises; vi) managing international risk - foreign reserves and funds; vii) organization of ALM in South Africa - coordination of institutions; viii) reserve management and coordination issues; ix) practical issues of ALM implementation; x) risk monitoring and management; xi) risk management and benchmarking; and xii) lessons learnt in implementing prudent debt and risk management strategies and policies within a fiscal and monetary framework.
57. The South African National Treasury also expressed an interest to hold an annual event on ALM activities, subject to funding. The event also presented an occasion for a DMFAS programme officer to have an extensive overview of the National Treasury's debt management system and its business processes.

3.3.6 A7: Intra regional study tours:

58. This activity aimed at disseminating the project’s results by organising study tours of DMO staff from non-beneficiary countries in the region to one of the DMOs that participated in the project, based on which they were to provide assessment reports of their own levels of readiness for an ALM approach. This activity did not take place. It was also not clear whether this was intended to be an inter-regional tour, to enable sharing of experiences between the regions.

3.3.7 A8: Compendium in electronic format:

59. The project aimed at creating a compendium – in electronic form – of all the research activities in the project, to be uploaded on the portal and possibly in DVD formats. This had not been done as at the time of the evaluation, mainly because the research papers had not yet been finalised. The evaluator also discussed the inclusion of presentations at various training sessions and regional workshops in the e-compendium, but was told that presentations containing financial data of the countries were confidential and could not be shared externally. However, it is possible to release sanitised versions of the same without revealing any sovereign financial information. Even though DVD copies may no longer be possible as the funds have been returned, it is expected that the research papers and some presentations will be uploaded on the UNCTAD website.

3.3.8 A9: E-Learning Module

60. The project aimed at developing an e-learning module that provides examples of procedures for implementing an ALM framework, including steps to guide debt managers to implement ALM in a fictitious developing country DMO. An external consultant was contracted to develop four modules: Module I – Overview; Module II – Strategic Asset Liability Management Framework; Module III – Institutional Framework; and Module IV – Risk Management. The e-learning modules were developed over a period of five calendar months, beginning after March 2013.
61. Discussions with the consultant that prepared the module yielded that Modules I and II have been completed; Module III is more than 90% complete; and Module IV, about 80% complete. Several discussion papers and research documents of UNCTAD, World Bank

and IMF have been accessed in preparing the module, and 58 sources have been acknowledged in the bibliography section. Unit staff mentioned that despite the expiry of the contract, the consultant continues to work (pro bono) to complete the module, and that the e-learning module is likely to be in place by March 2014.

62. A perusal of the module contents indicated that these are mostly texts laid out along the lines of a course book. The texts are easy to understand and explain the concepts in an elementary manner. However, they do not have the practical step-by-step guidance of structures, functions and practices using a fictitious DMO as set out in the project document. There are no exercises or testing modules, or even illustrations drawn from the in-country workshops of the project. There are presently no hyperlinks to other relevant reference materials, In that sense, the e-learning module is presently a standalone output isolated and de-linked from the other parts of the project. However, the Unit clarified that the hyperlinks and other references will be inserted subsequently by the unit.

3.3.9 A 10: Evaluation

63. The evaluation is the last activity of the project, and was initiated in December 2013, with a completion date of end February 2014.

4 Assessments

4.1 Relevance

64. Developing countries face challenges of managing economic development without endangering debt sustainability or becoming victims to exogenous shocks leading to debt crises. Sovereign liabilities and assets are often the largest portfolio in an economy and therefore critical in determining its ability to withstand and recover from external shocks caused by sharp external sector turns, natural disasters and other global developments. Increased integration with the global economy brings needs for understanding more complex risks emanating from the global trade and finance system, and as seen in the recent global financial crisis, the manifestation of 'double whammies' resulting in a depleted assets base concomitant with a ballooning of liabilities. In this context, public debt management is an important instrument in the economic arsenal, and demands due preparation and skill in its deployment. However, developing countries lack the necessary capacities and frameworks to undertake comprehensive risk analyses of their liabilities and asset profiles to various external shocks.

65. Strengthening sovereign capacities in public debt management is a recognised priority for the UN, and particularly for UNCTAD, which is the nodal agency dealing with the subject, and an acknowledged authority in the domain. The mandate to work on debt and development finance issues was reaffirmed in the Accra Accord which endorsed 'the special importance of continued work toward durable solutions to the debt sustainability and management problems of developing countries' and resolved (GA Resolution A/RES/62/186) that UNCTAD should continue its analysis of debt and development finance issues and maintain its capacity-building programme for public debt management.

66. The UNCTAD Strategic Framework 2010-2011 draws from the Accra Accord mandate para 40 and includes specific accomplishments in debt management under item (b) of its sub programme 1: Progress toward a durable solution to the debt problems of developing countries by fostering a better understanding at all levels of the interplay between

successful development finance strategies and effective debt management, indicated by: the number of countries /institutions using capacity building services of DMFAS, number of policy positions and initiatives incorporating contributions from UNCTAD; and number of countries assisted by UNCTAD having improved their external debt positions in terms of stable or decreasing external debt to GNP, with the recognition that many factors have an impact on this indicator.

67. Para 40 of the Accra Accord states that UNCTAD should continue its analysis of debt and development finance issues and should maintain its capacity-building programme for public debt management. On the basis of its analytical work, UNCTAD should continue to provide technical assistance and support for developing countries in building national capacities through the DMFAS programme; and continue to contribute to multilateral processes on external debt and finance. Para 41 states that UNCTAD must strengthen its special focus on the needs of the least developed countries and Africa across all areas of its mandate and in accordance with the Bangkok Plan of Action and the São Paulo Consensus.
68. UNCTAD has a long-established record of working on debt and debt management issues. The Debt and Financial Analysis Unit services the General Assembly requests, undertakes special studies and provides policy inputs to the Paris Club, besides dealing with special requests made to the Secretary General on Debt and Development Finance. In addition, it manages special projects funded by the Development Account, with two ongoing projects at the time of the evaluation. The Branch also runs a flagship DMFAS programme, which provides a debt management and financial analysis system to over 100 institutions in 57 countries (source: DMFAS portal) in debt data collection and reporting through its DMFAS programme; and in risk analysis, through research and analytical work of the DDF Branch. Also, UNCTAD’s biennial Debt Conference is a flagship event that brings together a large gathering of country representatives to deliberate, exchange knowledge and practices on the latest issues and benefit from specialist research on contemporary themes and cutting edge practices.
69. UNCTAD is also at the forefront of an initiative to build consensus towards Responsible Sovereign Lending and Borrowing Guidelines which covenant governments as agents with fiduciary duties to state and citizens and therefore accountable for sovereign borrowings to both domestic and global stakeholders.
70. The project selected six countries for its activities primarily because they have all been hit in the past by severe financial and debt crises. The decision was taken mostly based on consultations between the DFAU and DMFAS, which has a rather wide footprint of presence in both the regions. Five of the six countries have DMFAS installations besides regular contact between DMFAS staff and the debt management offices. However, there were other reasons as well. Africa and Latin America have the highest levels of Debt/GDP (source) among the various regions and a high concentration of countries that face debt sustainability challenges. Indeed four of the six countries selected for this project (Uganda, Ethiopia, Zambia and Bolivia) have been beneficiaries of HIPC and MDRI debt relief initiatives and are post-completion-point countries. Even though their debt indicators have improved, they remain vulnerable to external shocks, particularly linked to international trade deficits and the volatility of exchange rates. The high dependence on aid flows and external debt toward budgetary support adds another dimension to the volatility of exchange rates in African countries through currency valuations that render domestic products uncompetitive in home and export markets, and reduce the ability to service external debt through trade flows.

71. In the past fifteen years, debt crises have also hit large Latin American economies, including Argentina and Mexico, which were participants in the project. Argentina which faced its biggest debt crisis in 2001 and underwent major structural changes to its monetary and debt policies, faces new challenges in its public debt structure (in part arising from spiralling inflation) despite improved economic growth and more stringent controls on its foreign currency borrowings. Mexico, which emerged from its last financial crisis in 1994-1995, faced the aftermath of the 2008 global financial crisis in form of steep fall in exports (due to its narrow dependence on oil revenues and NAFTA), migrant remittances, reduced tourism and a sharp dip in oil export prices, besides a reduction in credit (foreign banks had a significant market share) and reduction in public spending, all of which led to a contraction in GDP. Accordingly, Mexico has resorted to insurance contracts to against volatile oil prices that seriously impact its export revenues. Also, since 2009, Mexico has systematically issued contingent debt instruments (MultiCat catastrophe bonds) to lock-in disaster relief funding through multi-year insurance coverage against earthquake risk and hurricane risk at a fixed price. These instruments have allowed Mexico to transfer a pool of disaster risk to the market and helped the government diversify its risk financing strategy and reduce pressure on public budgets. Bolivia, among the lesser developed countries in Latin America, has been a beneficiary of the HIPC/MDRI initiatives. However, it also has a sizeable sovereign assets portfolio - natural gas and minerals resource - which potentially benefits from an ALM approach to manage risks in its debt portfolio.

72. Thus, all the six countries originally identified for the project have useful lessons to bring from their experiences, besides having specific needs to improve their debt management capacities. The nascent and emerging practice area of integrated Asset Liability Management Framework is one such theme, and therefore of relevance to developing countries that wish to graduate from a purely liabilities monitoring approach of the past. ALM, which originated in a selection of developed countries, represents a new approach that interlinks asset and liability portfolios to minimize the risks from an improved matching of their structures and cash flows over time. It supports stronger debt management through accurate compiling, the portfolio of assets and liabilities of the public debt and then analysing and restructuring them optimally to minimize funding costs as well as maintain solvency and debt sustainability. Therefore, it is equally relevant for developing countries as well.

73. Given that the project seeks to strengthen debt management, an overview of the countries' debt profiles and sources of vulnerabilities can be useful. As there was no such compilation in form of country studies (activities A2 and A3), the evaluator, for practical purposes a lay person in the domain, looked at a selection of debt indicators which provided useful insights on debt structure and profile. A comparison of the debt ratios of the project's countries – summarised in Table 2. Similarly, the evaluator perused debt sustainability reports to understand the countries' growth strategies and policy choices and their impact on the debt structures in these countries. The notes from these are summarized in Box 1. The same are shared for the record; however, the evaluator does not claim competence to reflect on debt sustainability issues, nor in any way wishes to defend these insights; these are mainly to point out the potential usefulness of country studies that were dropped.

Table 2. Select Debt Indicators of Project Countries (Source: IMF/WB)

ARGENTINA	**2009**	**2010**	**2011**	**BOLIVIA**	**2009**	**2010**	**2011**
Ratios				**Ratios**			
External debt stocks to exports (%)	181.0 %	133.4 %	113.1 %	External debt stocks to exports (%)	106.3 %	87.4%	69.9%
External debt stocks to GNI (%)	42.6%	31.2%	26.3%	External debt stocks to GNI (%)	36.1%	32.2%	27.6%
Debt service to exports (%)	21.0%	17.1%	15.3%	Debt service to exports (%)	10.5%	9.6%	4.9%
Short term to external debt stocks (%)	15.7%	12.4%	14.5%	Short term to external debt stocks (%)	9.4%	10.4%	9.8%
Multilateral to external debt stocks (%)	12.8%	15.2%	15.6%	Multilateral to external debt stocks (%)	32.9%	37.4%	40.1%
Reserves to external debt stocks (%)	36.4%	44.5%	37.7%	Reserves to external debt stocks (%)	126.0 %	134.4 %	153.1 %
Reserves to imports (months)	9.0	7.4	5.1	Reserves to imports (months)	15.0	13.7	12.0
CHILE	**2009**	**2010**	**2011**	**ETHIOPIA**	**2009**	**2010**	**2011**
Ratios				**Ratios**			
External debt stocks to exports (%)	99.1%	89.9%	94.8%	External debt stocks to exports (%)	152.3 %	157.9 %	147.6 %
External debt stocks to GNI (%)	43.3%	40.4%	41.0%	External debt stocks to GNI (%)	16.4%	24.8%	27.2%
Debt service to exports (%)	25.7%	16.0%	15.2%	Debt service to exports (%)	3.0%	4.0%	6.1%
Short term to external debt stocks (%)	20.8%	18.3%	17.8%	Short term to external debt stocks (%)	0.9%	4.3%	2.0%
Multilateral to external debt stocks (%)	1.2%	1.0%	0.8%	Multilateral to external debt stocks (%)	44.2%	38.3%	39.6%
Reserves to external debt stocks (%)	36.2%	34.2%	43.6%	Reserves to external debt stocks (%)	34.0%	0.0%	0.0%
Reserves to imports (months)	4.4	3.6	4.7	Reserves to imports (months)	2.4	0.0	0.0
UGANDA	**2009**	**2010**	**2011**	**ZAMBIA**	**2009**	**2010**	**2011**
Ratios				**Ratios**			
External debt stocks to exports (%)	81.6%	91.5%	95.1%	External debt stocks to exports (%)	82.7%	57.0%	48.1%
External debt stocks to GNI (%)	17.6%	19.3%	23.5%	External debt stocks to GNI (%)	33.0%	30.8%	24.7%
Debt service to exports (%)	2.1%	1.8%	1.7%	Debt service to exports (%)	3.7%	1.9%	2.1%
Short term to external debt stocks (%)	8.6%	9.6%	16.3%	Short term to external debt stocks (%)	12.6%	27.0%	7.5%
Multilateral to external debt stocks (%)	73.7%	74.1%	70.1%	Multilateral to external debt stocks (%)	23.1%	20.9%	22.2%
Reserves to external debt stocks (%)	109.4 %	83.0%	67.8%	Reserves to external debt stocks (%)	50.1%	47.5%	53.3%
Reserves to imports (months)	6.2	4.8	4.0	Reserves to imports (months)	5.0	3.6	3.0

74. For instance, compared to Argentina and Chile which are more developed economies, Bolivia, Ethiopia, Uganda and Zambia report lower debt stocks as a share of GNI and lower debt service to reserves ratio, which has in large measure been due debt write-offs in recent years under HIPC/MDRI programmes. In contrast, Chile shows significantly higher ratios for both these metrics, given the characteristics of its debt portfolios- a large dependence on external debt, issued by private sector. Also, the low percentage of multilateral debt in Argentina and Chile's debt stocks compared to the others is reflective of their development status and non-access to concessional borrowings, unlike the others. The variations in the short-term debt intensity across the six countries also hint at the availability of functional domestic debt markets as well as active issuance of short term debt in some countries, compared to others that either do not resort to or lack markets for trading short term debt.

75. While there is sufficient justification for the inclusion of the project countries for an initiation into ALM, the project could not follow its original design of a standardised delivery on the theme of ALM in line with the project document. This was largely due to lack of prior consultation with beneficiaries (except Mexico and Argentina). Countries were reluctant to take on an intensive ALM project due to lack of readiness. Instead, bilateral discussions led to a customised menu of activities and themes (domestic debt framework in Uganda, contingent liabilities in Zambia, debt portfolio analysis in Ethiopia, for instance). Zambia and Chile (which joined in late 2013) opted for studies on specific themes, while Ethiopia and Uganda focused on specific themes of debt portfolio analysis and domestic debt issuance. Argentina came closest to the original design, going as far as to do risk models using a set of assets for key sovereign institutions. In responding to individual national priorities, the project traded off the opportunity to pilot-test a specific, common theme in diverse settings as intended in the project pilot. This is important to bear while assessing the project's accomplishments, which are very specific on capacities relating to ALM.

76. Another deviation from the design was dropping country DMO studies and ALM gaps assessment, which was justified by the project manager on grounds of superfluity and lack of value addition, given that DMFAS had a fairly good idea of the debt data collection capabilities of participating DMOs in all the project countries. With that argument, the rationale for including activities A2 and A3 in the project document becomes unclear, for there was no need to do studies in countries already engaged with DMFAS and whose data collection capabilities were known. The evaluator's conclusion is that the one-year delay in rolling out activities (explained under Efficiency) was a key factor in dropping country studies, in an attempt to compress delivery in the shortened implementation period, although this was not stated formally.

Box 1.Notes from Latest Debt Sustainability Assessments (source: IMF)

Ethiopia: The Country Performance and Institutional Assessment score (CPIA) 2011 criteria classify Ethiopia as a medium performer. Ethiopia's Debt Sustainability Analysis of 2012 concludes that external debt indicators will rise in the coming years, but will remain well under the thresholds. However, public sector borrowings (for infrastructure investments) are growing rapidly. The overall public debt to GDP will rise in the short term, until 2017. Policies for price stability, correcting the exchange rate overvaluation, and structural impediments to private sector investment are important to enhance debt sustainability. Thus, while there is little chance of Ethiopia's external debt falling in distress, there is a need to monitor it closely against debt accumulation especially commercial loans. Thus, medium term debt strategy and debt management performance assessments are important areas to build national capacities in Ethiopia.
Uganda: The Country Performance and Institutional Assessment score (CPIA) 2011 criteria classify Uganda as a strong performer. Since its debt-relief stages, Uganda have used concessional external borrowings primarily to finance energy and transportation infrastructure as its medium term growth plans prioritize the energy and transportation sectors, besides an oil-hydrocarbon sector, including an export pipeline to Sudan. Uganda's Debt Sustainability Analysis of 2012 concludes that its total public debt as well as external debt will remain sustainable despite the rise in infrastructure-linked borrowings over the medium term. The biggest risk to debt sustainability will be shocks to growth, especially linked to the oil sector development plans, which have uncertainties of demand, pricing, and cross-border revenue sharing agreements with Sudan and other regional partners. Thus, there is a need to carefully monitor the concessional borrowings path for commercial infrastructure, and fiscal prudence through tax and revenue policies that focus on non-oil revenues.
Zambia: The Country Performance and Institutional Assessment score (CPIA) 2011 criteria classify Zambia as a medium performer. Zambia has a relatively low stock of public debt and external debt, accounting for 28 percent and 11.6 percent of GDP respectively, in 2011. Zambia runs a current account surplus; copper will remain the major export item, accounting for more than 75 percent of exports. However, the government's main priorities are to maintain the economic growth through diversification away from mining, and funding these through revenue (tax) increases. Zambia's Debt Sustainability Analysis of 2012 concludes that its external debt burden indicators will rise over the medium term, but remain within the thresholds and sustainability is maintained under stress scenarios, including under high-investment-low-growth scenarios. The biggest needs for Zambia are to diversify its production structure to insulate itself against shocks in the mining sector, and ensure the productivity of its new investments in non-mining sectors.
Bolivia: The Country Performance and Institutional Assessment score (CPIA) 2011 criteria classify Bolivia as a strong performer. After obtaining MDRI debt relief and running a track record of fiscal surpluses in recent years, Bolivia's gross debt has reduced dramatically from 96 percent of GDP in 2003 to 34 percent of GDP in 2011.. However, most of its debt is on non-concessional terms. Bolivia runs a trade surplus (2 percent of GDP) and a budget surplus (0.5 percent of GDP). Bolivia's Debt Sustainability Analysis of 2012 concludes that its total public debt as well as external debt is resilient to shocks. Its external debt stock is more than covered by its currency and gold reserves. However, the heavy dependence on hydrocarbon revenues necessitates medium term policies that make it less vulnerable to trade shocks. These considerations are at the back of Bolivia's policies toward industrialization of its minerals and hydrocarbons sectors.
Argentina: Unlike the other countries presented above, comparable debt sustainability assessments do not exist for Argentina post its 2001/2 crisis. Argentina's sovereign debt default in 2001/2 led to a series of tough policy actions, including: a shift to a flexible exchange rate regime, major restructuring and re-negotiation of external debt, withdrawal from international debt markets, and strategies to boost domestic demand via monetary, fiscal, and income distribution policies. Favourable commodity prices, higher tax rates, improved tax collection efforts and growth recovery led to a steady 8-9 percent growth between 2003 and 2007and primary fiscal surpluses of 3-4 percent of GDP, until the global financial turmoil and rapid declines in commodity prices during 2008 and 2009. The government accumulated substantial official reserves, and reduced its public debt from 138 percent to less than 40 percent of GDP. Argentina's potential risks to debt sustainability will come from the rising costs of government's extensive fiscal effort as it pursues equity through social transfers: setting price and domestic supply of food; providing direct subsidies for energy and transportation; and social welfare programmes. Argentina will need to reformulate its approach to the external borrowings markets and reduce its over-dependence on domestic debt.
Chile: Chile's situation differs from the other countries in the project in interesting ways. Firstly, it is a small economy with high levels of trade openness and international financial integration. Second, while the government is a net creditor, with government assets representing 8 percent of GDP, debt (40 percent of GDP) is concentrated in Chilean banks and private sector corporations, and is mostly external debt linked to the mining and financial sectors. Thirdly, one item, copper accounts for bulk of its foreign trade, and is subjected to commodity price fluctuations. Fourthly, a large share of bank assets is held by subsidiaries of foreign banks and is the cost and availability of capital is linked to developments and policies in parent countries. Thus, Chile's high dependence on volatile commodity income and vulnerability to adverse global financial developments and natural disasters make large fiscal buffers particularly important despite a strong sovereign balance sheet. Accordingly, contingency planning becomes one of the strategic pillars of debt management in Chile, necessitating adequate contingency instruments and fiscal buffers to face the impact of external shocks and natural disasters.

4.2 EFFICIENCY

77. The project was unable to complete its activities in the allotted four-year time frame ending in December 2013. Five of the ten activities remained in different states of non-completion. Two activities, A7 – intra regional study tours and A8 – E-compendium of the project's outputs and documents, were not initiated; activity A5– regional study tour was completed in Africa but could not be done in LAC; and activity A2 – country DMO studies, was dropped from the project. A fifth activity A9 – the e-learning module – is about 80 percent complete. Table 3 summarises the completion status against each activity. The project was able to expend only 65 percent of the allotted funds of US$ 663,400.

Table 3. Project Activities Completion Status

	Original description	Status of completion	Observations
A1	Prepare three papers. Paper 1 to discuss lessons from ALM in developed countries and how to transfer these to developing countries. Paper 2: analytical challenges in risk analyses and solutions to design implementable ALM framework. Paper 3 to study application of ALM to issues of low-income countries, specifically aid.	Outputs delivered, but final review yet to be formally concluded.	Three papers were produced. However, these have been completed only in 2013, and have not been shared with the beneficiaries.
A2	Conduct studies of six DMOs, to identify DMO main needs in data collection and reporting, and analyse whether ALM can be implemented in country.	Not done, replaced by inception workshops.	No country studies were conducted; instead, beneficiary DMOs were brought to the one-day workshops in Buenos Aires and Harare, where the project was introduced and short bilateral sessions were held to confirm interest and the scope of activities. There was considerable divergence among participants as to the readiness and immediate relevance of an ALM framework. Eventually, activities were amended and customised according to the needs expressed by each country. The uniform coverage of ALM methodologies was sacrificed, in this process. Countries took considerable time to formally sign on to the project, which delayed activities.
A3	Use the needs identified to scope technical assistance to the six DMOs.	Replaced by inception workshops.	The uniform coverage of ALM methodologies was sacrificed, in this process. Countries took considerable time to formally sign on to the project, which delayed activities.
A4	Use needs identified in studies under A2 to provide technical assistance to the six DMOs in collecting information on assets, and supporting analysis of the correlation between assets and liability movements to formulate an appropriate ALM strategy	Done.	Weeklong training workshops were delivered in Ethiopia, Uganda and Bolivia. Zambia and Chile opted for country studies instead of workshops, while Argentina undertook an in house exercise of preparing its balance sheet for a specific list of assets and institutions and carried out risk modelling, under a mentoring arrangement with Brazil and went also went on a week-long study tour to test/ validate its model.
A5	Organize study tours aimed at strengthening DMO capacities, in which staff of DMOs visit DMOs with more advanced debt management capacities	Done in Africa, and partly in LAC.	The African study tour was completed, with DMOs from Uganda, Ethiopia and Zambia visiting Pretoria for a five-day study tour. In LAC a study tour of Bolivian officials to Chile was planned. However, at the last stage, Bolivia expressed a preference for Mexico. This request was difficult to accommodate, as hosting arrangements could not be secured (by Bolivia), and UNCTAD administrative procedures needed few weeks lead-time to process travel and DSA funds. The Unit cites Argentina DMO staff visit to Brazil as a study tour, in which case the logic of a second tour (Bolivia) is not clear, as the project design was one study tour per region. The evaluator considers the Argentina-Brazil tour as more the equivalent of in country technical assistance opted by other participant countries.
A6	Organize two regional training workshops in which lessons of A1, A2, A3 and A4 are disseminated to other DMOs in the region. Participants from 10-15 countries to attend.	LAC Workshop in not in conformance with project design.	In Africa, members from 18 countries attended the regional workshop in Midrand, South Africa. In LAC, the project cites a seminar held in 2011, in Chile, against this activity. However, the purpose and the timing deviate from the project's intent; therefore, the evaluator does not include it against Activity A6.

A7	Organize intra-regional study tours aimed at disseminating results of project, through study tours of DMOs from countries not in the project to visit one DMO in the project.	Not done.	There was some confusion whether this component was for inter-regional or intra-regional study tours, which would have justified the two regions. However, if these were not inter-regional, then this activity completely overlaps with A5.
A8	Prepare an electronic compendium summarizing main finding and research activities	Partly completed and expected to be completed by March 2014	This was to be done at the end of the project. Expectations are that the unit will upload all contents when the research papers are finalised. There are no cost implications.
A9	Develop an e-learning module that provides examples of procedures for implementing an ALM framework. Steps to guide debt managers to implement ALM in a fictitious developing country DMO.	Advancing towards completion	The task is more than 80% complete, but it lacks the features and functionalities proposed in the design, nor has it been accessed by anyone in the project so far. It does not propose to have mock DMO testing module for each exercise, which was a key element. Also there are presently no hyperlinks and references to the project's lessons from research papers, country activities and technical assistance modules. These are proposed to be added by the Unit.
A10	Evaluation	Underway.	Commissioned as scheduled.

78. A series of unforeseen developments impaired the DFAU's ability to complete activities, leading to serious under-delivery within the allotted of four years' time frame. Some of these were beyond the reasonable control of the management. It must be stated to the credit of the unit that despite these challenges, the project delivered rather efficiently in the latter part of the project and completed its critical deliverables with considerable success in 2012 and 2013.
79. The project was to start in early 2010, but received funds into UNCTAD account in October 2010. However, the inception workshops were held in July 2011, almost eighteen months after the official start date of the project. . The project team cited that discussions were initiated with counterparts in Dec 2010 after the conclusion of the UNCTAD Debt conference in Nov 2010, and it takes at least three months of preparation to manage logistics and gain financial authorisation for a regional meeting. In view of the late start, the project manager wished to seek an extension in 2011, but was advised that it would be more appropriate to roll out the project and file for an extension closer to the deadline. However, despite best efforts and high efficiency in the later stages, the project could not secure a much-deserved extension, which was a major setback as it denied the project's several useful lessons to be disseminated to a wider audience of indirect beneficiaries.
80. Lack of timely response from participating countries further delayed implementation. Countries were enlisted in the project document mostly based on DMFAS inputs, to enlist countries that were most representative, had good data collection and were most likely to gain from the project. However, formal contact was made only before the inception workshops.
81. There was a lack of communication from Mexico and Zambia (which did not attend the workshops) and even Bolivia, which took some time to seek the consent of the Central Bank and other key institutions. Eventually, Mexico pulled out of the project due to a change in management, while Zambia agreed to the project supporting studies of contingent liabilities and on-lending as part of a larger DMFAS project under negotiation at the time.
82. The third challenge to the project was an unplanned reduction in staff strength, caused by the long absence of a P4 staff facing a major illness and the departure of the project manager in August 2012 to avail of accumulated leave before leaving the post on a two-year lien in November 2012. In this case, the project manager has the right to reclaim his post at the unit until Sept 2014. Under UNCTAD staff regulations, a suitable replacement could not be made before November 2012, as the project manager was still on the payroll.

Also, the rules imposed a maximum tenure of eleven months for replacements, unless the post was vacated permanently. Therefore, the replacing project manager had to leave the project by November 2013. The loss of two senior staff left the unit with only one full time staff, which constrained delivery amidst other activities mandated under the regular budget. These developments were unforeseen and equally immitigable under their special circumstances. Despite the best efforts of the Branch, uncertainties over the two permanent staff remain unresolved, and confine the unit's work plans to the compulsory minimum. It was partly these circumstances that led to the non-extension to the project, the only one among six UNCTAD projects that applied for extensions, to be turned down.

83. After the inception workshops, country activities were sequenced two countries at a time, which the Unit observed as the realistic pace for implementation. In 2011- 2012, only Ethiopia and Uganda had their national workshops, while Argentina opted for studies to be done by internal staff, twinning with Brazil's DMO, with UNCTAD guidance and support. Under the eleven-month tenure of the second project manager, the unit delivered with an amazing level of efficiency, completing studies in Zambia, national workshops in Bolivia, and regional workshops and study tours in South Africa. In addition, the draft outputs of the three research papers went through several rounds of comments; the e-learning module was more than three-fourths complete, and a country study had been commissioned in Chile. The entire unit and branch deserves to be complimented for salvaging the project and compressing the critical deliverables in a short time span. With these rapid gains, the project was on course to complete all activities with a six-month extension. However, the second project manager's departure at the end of his tenure brought back the resource constraints once again.

84. The project saw good levels of cooperation between the DFAU and DMFAS, which made a valuable supporting contribution. There were regular interactions between the head of DMFAS and the project manager in the initial stages. DMFAS provided inputs to shortlisting regions and countries, facilitated implementation through its country level networks and also contributed to training activities in Ethiopia and Bolivia. This not only provided the project the right entry points, but also saved costs of hiring local consultants for coordination. The example of subsuming the contingent liabilities study in Zambia as an output under the DMFAS project is yet another example of good use of synergies to attain complementary objectives across projects. However, the two DMFAS staff that interacted with the project were not fully aware of important outputs, particularly the research papers and the e-learning module, which DMFAS staff felt could be very relevant for its future training activities. Looking forward, inter-unit cooperation will become even more necessary in the light of new demands for DMFAS to provide upstream advisory and technical support in debt management areas, as captured in its strategic plan 2011-2014.

4.3 EFFECTIVENESS

85. The project's aim is fairly specific: to strengthen the capacity of developing countries to manage their public debt through integrated Asset and Liability Management. The target Expected Accomplishments (Results) as stated in the project document are:

- EA1: Debt management offices are able to collect and report debt on the level and structure of public debt (external, domestic and of provincial governments) and on external private debt
- Indicator IA1: Debt managers in the six countries now demonstrate increased ability to collect and report debt on the level and structure of public debt (external,

domestic and of provincial governments) and on external private debt, before the completion of the project.

- EA 2: Debt management offices have a well-defined roadmap to move from debt management to an ALM framework and a detailed work plan for implementing such a framework.
- Indicator IA 2: After completion of the project, the DMO is ready to start building a framework for ALM, has identified the necessary steps for recording the country's public assets and analysing the flow of funds from its sovereign assets. Recognising that full collection of data requires a multi-year effort, the indicator confines itself to the first step of such a process.
- EA 3: Other countries in the pilot regions are informed about ALM and enabled to assess whether the ALM framework is replicable in their own debt management offices.
- Indicator IA 3: After completion of the project, non-beneficiary countries in the target regions prepare short reports describing lessons learnt during the project, these reports would discuss whether these countries are interested in adopting an ALM approach, and if so, identify the necessary follow-up steps.

86. Assessed strictly against the above formulations, the evaluation finds that in two of the three accomplishment areas EA 2 and EA 3, the project did not engage sufficiently enough to produce the level of results targeted; EA 2, due to insufficient readiness/ policy direction in the participant countries toward articulating a roadmap to induct ALM in their debt management practices; and EA 3, due to non-implementation of dissemination activities (A7, A8 and A9) to spread awareness <u>*in non-beneficiary countries*</u>.
87. As for outcome EA 1, the project has assisted debt management offices in specific areas to strengthen their debt reporting and portfolio analysis. The examples of Uganda (domestic debt), Zambia (contingent liabilities) and Argentina (balance sheet and ALM analyses for selected institutions) attest to the project responding to country-specific issues . Bolivia and Ethiopia undertook intensive national workshops that resulted in creating their rough balance sheets for a selection of assets and liabilities for which data was compiled with the project's assistance.
88. However, whether these countries are able to collect and report on all categories of public debt is not ascertainable from the project itself and can only be confirmed in the quality and depth of reporting for the Quarterly Debt Statistics to the IMF and World Bank. Countries have shown an interest to upgrade to DMFAS Version 6, which will enable reporting of data on contingent liabilities and sub national debt. On the other hand, data collection capabilities are not merely technical; they call for considerable ICT infrastructure as well, and this is a challenge in many less developed countries. Thus, the ability to report detailed levels of debt data goes beyond the scope of this project. Therefore, it cannot be concluded that debt managers in the six countries demonstrated increased ability to collect and report debt on the level and structure of public debt (external, domestic and of provincial governments) and on external private debt, before the completion of the project.
89. Taking EA 2, which aimed for countries to prepare a roadmap for implementation, even in Argentina, which is acknowledged as having the most advanced capacities among the project's six participants, there was recognition that it will be some time before Argentina will be ready to implement an ALM framework. The project was viewed (by the

respondent) as an intense investigative experiment to understand how Brazil has implemented ALM in debt portfolio risk assessment and management, to draw lessons for Argentina when it re-enters the international capital markets. Despite a keen commitment to implement ALM, Argentina also faces challenges in the form of the absence of good quality relevant data over long timelines, which are critical ingredients for analytical modelling. Through the project, a beginning has been made to populate data on selected financial assets for 2011, to serve as a baseline for suitable data sets to enable risk modelling. Lastly, beneficiaries(three respondents) cited that to apply ALM in practice, there need to be functioning domestic and regional debt markets for countries to implement market operations aimed at risk minimization, which constitute the core of ALM operations. These are not in place in many least-developed countries. Thus, the accomplishment of EA 2 is way beyond the limited scope of the project.

90. For Outcome EA 3, it can be concluded without much analysis that it was not attained, given that the activities linking to the results were either not delivered or remained incomplete. More importantly, the participants from non-beneficiary countries that attended the regional events were not even informed of the requirement to prepare short reports based on their learning from the project, nor asked for assessments of their readiness for ALM.

91. The above assessments are not necessarily negative; rather, they need to be placed in the context of the daunting challenges of implementing ALM frameworks in developing and least developed countries. In retrospect, the evaluation considers the expected accomplishments EA1 and EA2 to be over ambitious in their formulation, in relation to the scope, duration and intensity of the activities. ALM in sovereign liabilities management is a rather complex subject and requires a well-developed understanding of capital markets, besides functioning national capital markets. Its use has been recent, and in only a few developed countries, notably New Zealand and Denmark. Even in South Africa, which began applying ALM concepts more than fifteen years, the national treasury considers its shock-response capacities to be inadequate. This underscores the enormity of the task of putting functional ALM frameworks in place.

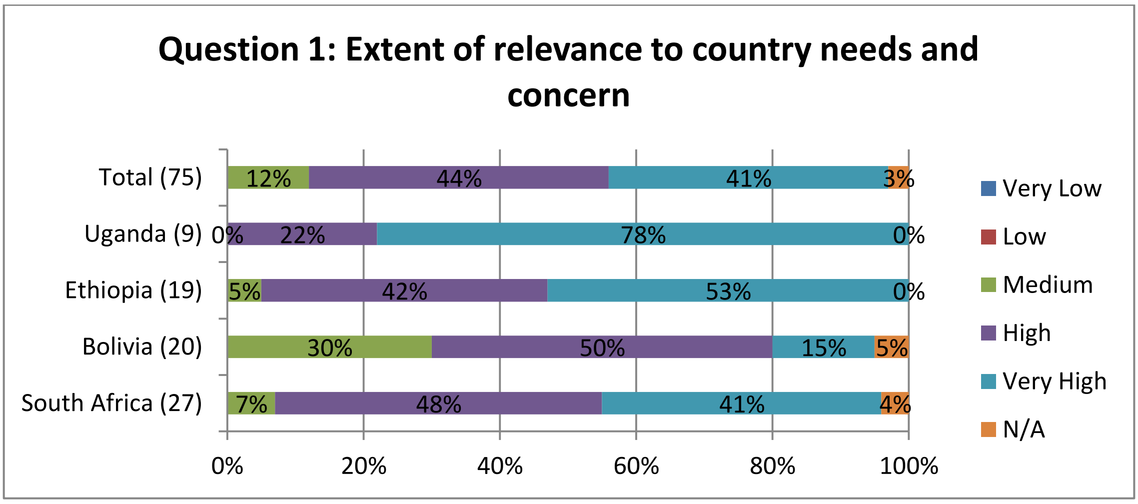
92. The creation of a roadmap for implementation calls for policy direction and involves engagement with multiple stakeholders and national policy makers, which was not intended in the project. There was no engagement at the policymaker level to gauge commitment to the policy and institutional structures to implement ALM frameworks. On the other hand, protocol issues, which require that UNCTAD communications to ministers can only be under the Secretary General's signature, would have only slowed the project further. Thus, expectations that the six countries would commit to a roadmap for ALM when the project has only engaged at technical levels were unrealistic.

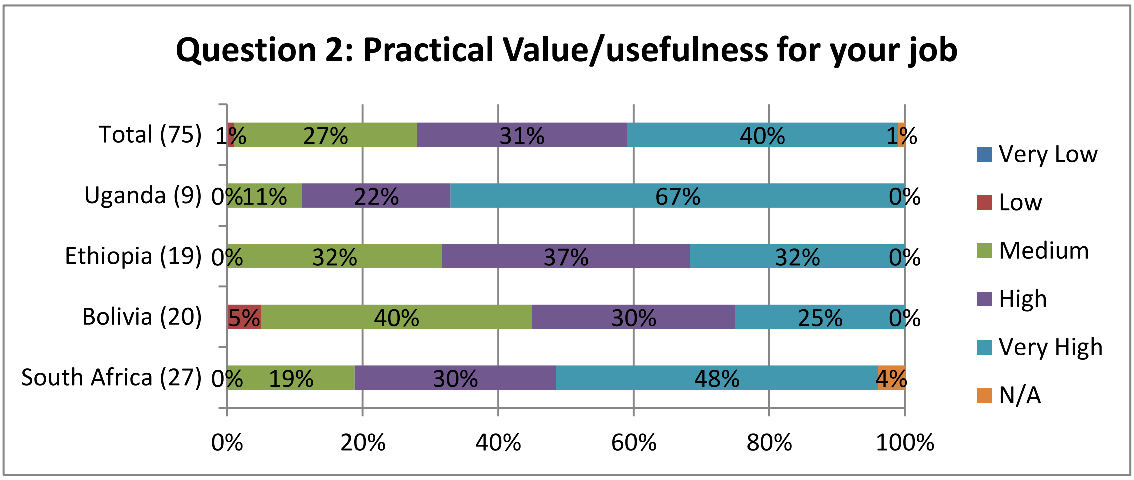
93. However, the project has built an enhanced understanding and appreciation of ALM's potential in Debt Management Offices, a key stakeholder group in the roadmap to an ALM framework, which is the first step toward initiating long-term changes in policy and practice. The project's training activities and regional seminars directly benefited 191 participants with several high-ranking functionaries. The most attended events were: Midrand Regional Workshop (46 persons from 19 countries); the National workshops in Ethiopia (31) and Bolivia (30); followed by regional inception workshops in Buenos Aires (28 persons from 8 countries) and Chile (26 persons from 15 countries). National workshops in Chile, Ethiopia and Uganda were attended by 17 to 31 senior technical persons, drawn from the DMO, Ministry of Finance and Central Banks, besides others.

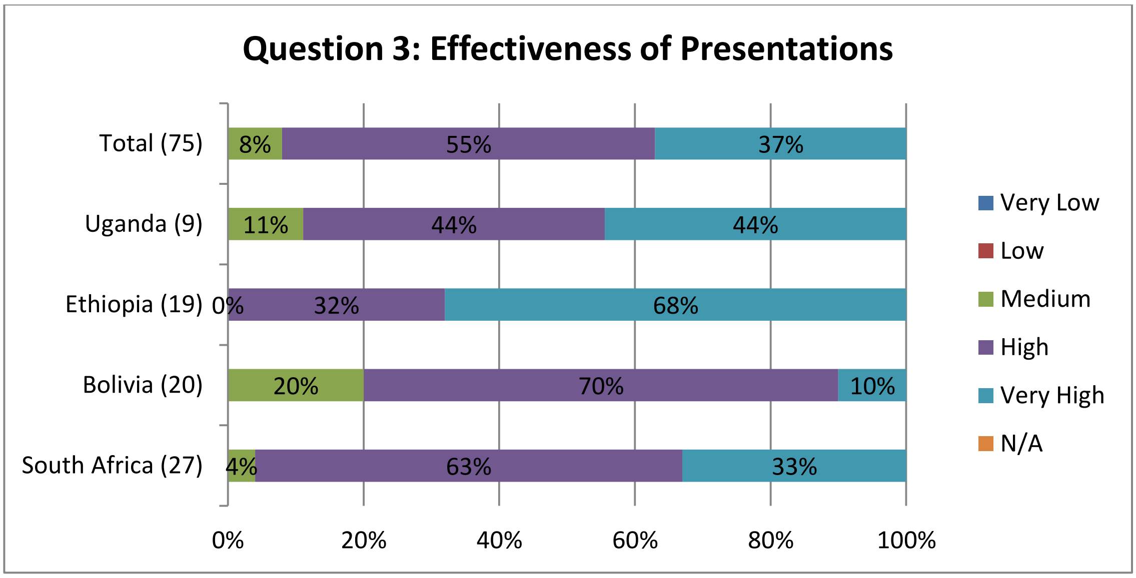
Thus, the project has seeded the process of change and advocacy within the national institutional structures toward a road map for ALM adoption.

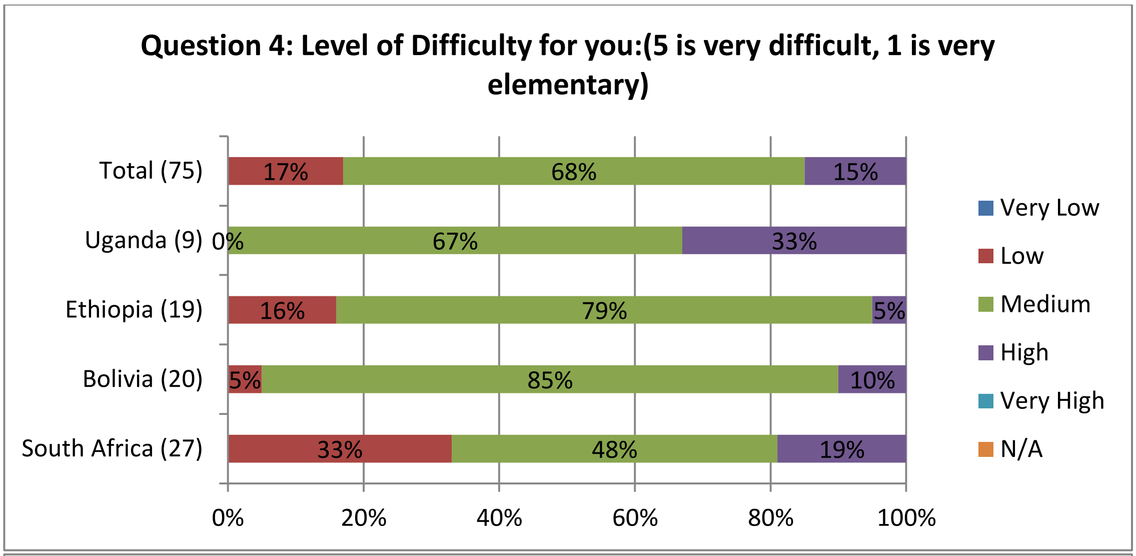
94. Beneficiaries and implementation partners IADB and MEFMI considered the project to be the first of its kind to bring a systematic introduction of ALM concepts through intensive workshops; neither IMF nor World Bank, which have significant training activities in the participant countries, have so far engaged on ALM. Debt managers interviewed by the evaluator were uniformly of the view that the project has given them a deeper appreciation of the potential of ALM in strengthening their debt management capacities, and has also shown them the key building blocks that need to be put into place sequentially for an ALM framework.

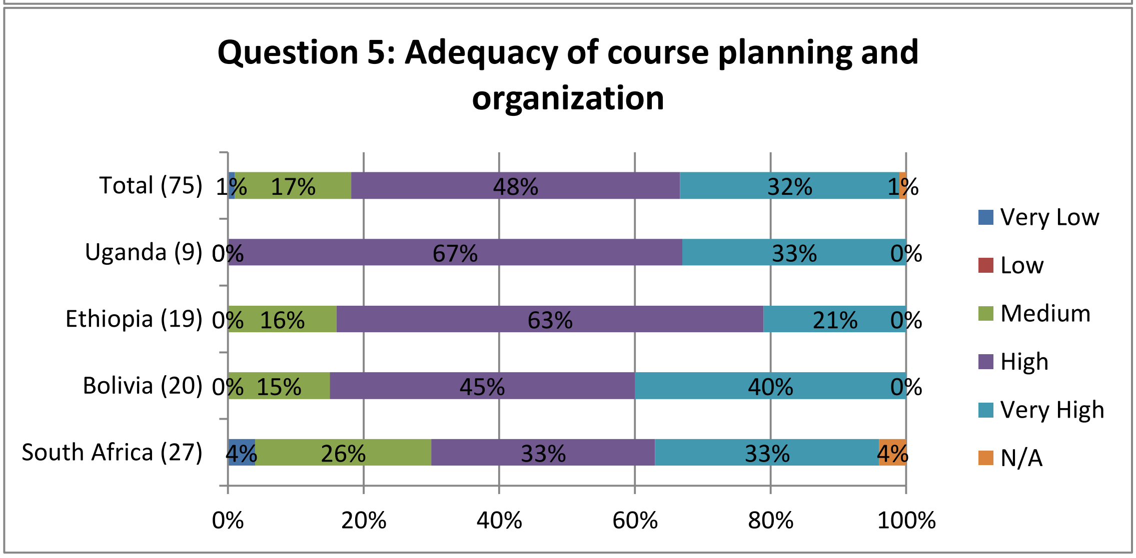
95. Feedback forms filled at the end of various events show a consistent appreciation of the relevance and usefulness of the contents. The end-of-workshop survey forms polled respondents on a range of questions, responses to the most salient questions have been summarised below.











96. In Ethiopia and Uganda, the exposure to the project has led to debt managers seeing themselves as agents of change by influencing policy and procedural improvements in debt management practices. Argentina's experience with risk modelling, Uganda's decision to develop a domestic debt market and Zambia's intent to collect and report on its contingent

liabilities and on-lending, are essential steps in the direction of an eventual ALM framework. It takes several years of preparation in collecting and archiving accurate debt data, building functional capital markets and developing middle office analytical capabilities, even in more advanced countries. Therefore, the project served as the first essential step in these countries, the first in a long series of preparations for a full-fledged ALM framework.

Table 4. Benefits as summarised by beneficiaries/project implementation partners

Country	Results and Benefits
Argentina	The hands-on experience enabled the DMO a significantly improved understanding of the big picture of Argentina's public assets and liabilities and how to use the tools of ALM to better understand the nature and magnitude of various risks in the portfolio and adopt strategies for optimizing debt structure and its management. The project, through the exposure to how Brazil manages its active debt portfolio using ALM, will help Argentina when it re-enters the external capital markets after many years of isolation. The project has also paved the way for more extensive data collection on assets, beginning with a base year 2011 so that a useful and analysable time series is built over time.
Bolivia	The in-country workshops assisted in an enhanced understanding of the need for assessments of public assets and liabilities and their risks; including the risks from contingent liabilities, foreign reserves and operations of sub-national governments and state enterprises. The more specific sessions assisted in identifying / mapping of Bolivia's assets and liabilities and identifying the risks associated with them, including the practical application of risk models. However, study tours could not be undertaken as planned, due to last minute changes in plans and eventually lapse of the deadline for preparations. *The above were compiled from mission reports and inputs from the unit; the evaluator could not get to speak with the country counterparts.*
Chile	The study paper 'Unifying the Domestic Sovereign Debt Market and Harmonizing Foreign Asset Management' when finalised will show beneficiaries an analysis of the potential impacts of the market fragmentation of domestic debt and insufficient separation between central bank and treasury in managing domestic debt and foreign assets. Using examples of other countries, the paper's recommendations will assist the government with options to reduce, eventually eliminate central bank domestic debt replacing it with treasury debt, and for the Treasury to sterilize foreign reserves of the Central bank buy repurchasing or issuing foreign debt against the reserves, thus reducing the central bank's exposure to currency risks.
Ethiopia	Debt issuance powers are centralised in Ethiopia. There has been a regime of good technical cooperation with key financial institutions; Ethiopia has been assisted in reform plans, debt management strategies and performance assessments, and has adequate data collection capabilities. The project provided the first exposure of debt managers and other key officials to the concepts of ALM, and showed its potential in debt risk management. The most useful sessions were: a mapping of Ethiopia's public sector liabilities and assets and; sessions focused on debt portfolio analysis using various risk indicators. The

	upgrading to DMFAS 6 is also expected to strengthen reporting of domestic guaranteed debt and following ALM reporting will add to transparency and enhance Ethiopia's image.
Uganda	There are challenges in considering ALM approaches, as Uganda has a very broad assets composition, and it is complex to capture their value and cash flow horizons of important assets such as rivers. Having assets merely for reporting doesn't make sense if they cannot help in financing capital needs. On the other hand, domestic debt seemed an important area, to reduce the excessive dependence on external capital. Accordingly, the project focused on Uganda's preference to strengthen its domestic debt management instead of orientation to ALM concepts. The training focused on legal and procedural aspects, and introduced the main issues relating to debt portfolio analysis including the latest guidelines and best practices for international debt statistics, as related to the production and publication of analytical information on public debt. The project's final session led to recommendations for the scope and coverage for Uganda's proposed Debt Portfolio Review document: Macroeconomic environment and main debt ratios; Debt composition and evolution; and main risk indicators, besides requests to include new indicators within the DMFAS 6 Analysis Module.
Zambia	The project helped Zambia in understanding the nature and magnitude of its contingent liabilities spread across a swathe of SoEs and the implications of their incomplete recording and reporting, besides the government's explicit and implicit exposure resulting from default. The study on on-lending procedures based on the first study outlines prudential guidelines for issuing guarantees for government guaranteed debt. These studies were delivered in collaboration with the DMFAS project 'Strengthening Integrated Public Debt Management', which include as outputs policies for management of contingent liabilities and on-lending, and eventually track these instruments on the DMFAS installation.
MEFMI	MEFMI's long-standing cooperation with UNCTAD was reinforced further in this project. MEFMI made useful contributions by facilitating and providing consultants/ experts for country workshops and the regional seminar. The most important benefit to MEFMI has been the experience gained from Zambia's study of contingent liabilities (facilitated by MEFMI); MEFMI plans to replicate studies in other member countries which face similar challenges in recording and provisioning contingent liabilities, and also looks forward to disseminating the e-learning module with due customisation in Africa, based on its own experience in developing e-learning courses in debt management.
IADB	The project has provided new mode of cooperation among the region's members in an important domain that will gain significance in the near future. The good experiences reported by Argentina and Bolivia in the project can be replicated in others, and there is an increasing awareness and demand from countries. At IDB, ALM is one of the emerging discussion subjects in its six monthly meetings, but there is a need to move beyond the DMOs and engage with policy makers to resolve the potential conflict of interests among financial actors, and also to clear the DMO inertia to focus only on 'liabilities' management. IADB seeks opportunities to engage more in similar initiatives, including regional projects.

NTSA	The project enabled the NTSA to formulate its plans for a regional Centre for technical capacity development, to meet the increasing demands from the region. Using its own experience, NTSA has proposed a step-by-step plan for DMOs to adopt ALM frameworks, over a four-year training horizon, and has submitted a proposal for three-year funding for a Centre for ALM, to be located and managed by the NTSA.

97. In the evaluator's view, there were a few lost opportunities as well, which have limited the project's benefits. These are not linked to staff shortages, but are rooted in the design and sequencing of activities. Specific reference is made to: the premature holding of the Chile regional workshop; the scheduling of research papers; the back-loading of the e-learning module rather late in the project; and the logic of selecting two disparate regions that had little to contribute to one another under the project.

98. Chile regional workshop: The aim of the two regional training workshops was to disseminate the lessons of the initial activities A1, A2, A3 and A4 to other DMOs (from non-beneficiary countries) in the region. While the Midrand regional workshop conformed to this design and received participants from 19 countries, the event in Chile in 2011 was merely opportunistic and not based on the project's design logic, for none of the countries had begun any in-country activities in the project at the time. Therefore, its utility as a regional workshop designed to enable the participant DMOs to exchange experiences, remains debatable. The project staff justified the event as an opportunity for the region's DMOs to interact with high profile academics that were already attending another event in Chile, with considerable savings on the experts' travel and logistics costs. However, the evaluator learnt that eventually the full costs of the presenters were paid out from the project. Unfortunately, the lessons of the high profile Chile workshop deliberations were not used in the project's in-country activities, nor disseminated to a wider audience of non-beneficiary countries. In hindsight, the rich content of the entire event (a rare opportunity as justified for its front loading) should have been video-recorded and preserved for future reference and dissemination. This also brings into discussion the need for recording and archiving all the presentations at national and regional workshops, as a regular practice in all projects.

99. Research papers: the logic of the research papers was to provide a conceptual understanding of some specific elements of ALM and issues and challenges in implementation by developing countries. The project staff clarified that TORs for the papers were released in latter part of 2012, and the authors submitted draft outputs in mid-2013, which went through extensive commenting by the unit and will shortly be ready for dissemination. Ideally, these papers should have been ready for dissemination at the regional workshops.

100. E-learning module: The logic of rolling out the e-learning modules so late in the project seems unclear, and, in the evaluator's view, suboptimal. The original intent was that the E-learning module would illustrate procedures for implementing an ALM framework and to show steps to guide debt managers to implement ALM in a fictitious developing country DMO. The second project manager justified the late timing of the e-learning module citing that the e-learning modules were meant to incorporate the project's research papers and the lessons from country workshops, and thus were scheduled toward the end of the project. However, that did not happen, and the consultant created the modules in isolation of the project's other activities. Also, there are no exercises or illustrations at the end of each

module, nor the steps to guide debt managers as originally stated. The evaluator's view is that advance availability of the e-learning module would have facilitated advance immersion into the general concepts and given in-country activities a head start, thus allowing more in-depth sessions at country workshops. Ideally, the static content should have been uploaded in 2011 and shared widely, while the project's other materials could have been added subsequently, as and when ready.

101. Two regions: Given the project's focus on laying a road map for ALM practices, the choice of two regions with sharp contrasts in their debt management capacities can be argued. There is broad agreement that the LAC countries have more developed debt management capacities and also sizeable sovereign assets with volatile cash flows, and thus more amenable to inducting ALM approaches. Therefore, concentrating the project on one region (LAC) could have advantages of homogeneity as well as contiguity. In fact, several Caribbean nations have expressed an interest in joining the project; therefore, getting sufficient participation was not a constraint. The logic for two regions is also not clear as the project did not include any inter-regional elements. One explanation from project staff was that Africa was probably selected despite very low capacities and readiness for ALM was added because of the UNCTAD mandate to work more in LDCs especially in Africa, and also to meet the Development Account criteria (covered separately below).

102. Suitability/ Limitations of Development Account criteria: Although this does not form part of the evaluation scope, the evaluator would like to present and analyse specific feedback regarding the Development Account criteria, which, according to the project staff, may have been responsible for the diversity of activities in the project and possible sub-optimality in its results. This aspect came up on several occasions, especially in defending the logic for two different regions, commissioning of standalone study papers, and the e-learning module. The project staff were of the view that Development Account projects evaluated submissions based on multi-country, multi-regional coverage; imposed a maximum of six countries for coverage; and prioritised projects that have a combination of new research, training work-shops, networking events, and use of ICT/ e-Learning tools. As a result, the mixture of different types of activities was seen as a pre-qualification for selection, which may have traded off effectiveness. However, the evaluator could not find any written guidelines, nor did the focal point confirm the existence of such criteria. The focal point clarified that there was no requirement of a minimum or maximum number of countries/ regions for development account proposals. The evaluator observes that given the nascence of ALM, building critical mass in one region that has greater readiness offers greater benefits and contributes to building strong regional counterpart expertise.

103. The second issue is of fungibility of budget lines. Project staff were of the view that Development Account projects did not allow funds to be reassigned from one sub-line to other; which meant that activities could not be reprioritised or reallocated based on developments during implementation. However, this is contradicted by the project's multiple changes without prior approval: replacing country DMO studies with inception workshops, and in-country workshops by country studies did not require prior clearance from the Development Account administrator or focal point.

104. However, Development Account policies on project extension have played out rather unfortunately for the project. Notwithstanding the initial challenges, there is consensus that the project made up considerably for the initial slack and delivered with a high efficiency under the direction of the second project manager. It was also apparent that the project would have completed all its activities with a six-month extension as proposed in

September 2013. However, Project R was the only one (of six UNCTAD projects that had applied) to be denied extension. The grounds cited were: the project had the longest tenure among the six that had applied for extension; and the departure of the second project manager left the unit with only one staff to manage the project's remnant activities, which seemed un-achievable. However, a third reason, informally stated as the clinching reason, was that extension policies proscribed a hundred- percent extension, and at least one proposal had to be turned down. Unfortunately, Project R bore the casualty, leading to a sudden termination of some activities midcourse, and the unspent funds being sent back to New York.

105. Even though the project has ended, resource persons involved in the studies and e-learning module have shown commitment to complete their outputs, without additional remuneration. Thus, with the exception of the LAC study tour, all other outputs can still be completed without further funding. However, staff time will still be a serious constraint in the short term, until intended recruitments are in place. Thus, even though the project has the possibility to complete its outputs, there is an air of uncertainty over the time frame for their completion.

4.4 SUSTAINABILITY

106. The assessment of sustainability needs to be contextualised, as Development Account projects differ from conventional technical assistance projects in their intent, approach and thrust of activities. The primary thrust of Development Account projects is to foster collaboration at national, sub-regional, regional and inter-regional/ global levels for exchange/transfer of skills, knowledge and practices; and in the adoption of pilot approaches to test new ideas and eventually scale them up through supplementary funding. Development Account projects provide agencies like UNCTAD the much-needed flexibility to experiment and innovate new approaches, compared to classical donor-funded projects, which seek extensive needs assessments and are driven by donors' thematic priorities. At the same time, Development Account projects have a much smaller financial cap of US$ 1 million over a four-year horizon, which is much lower in magnitude than typical donor assisted projects. Thus, sustainability can only be assessed in how Development Account projects seed other strategic or long-term initiatives, whether at UNCTAD or in the beneficiary countries themselves.

107. The project's main counterparts were senior functionaries in the debt management office, central bank and ministries, based on DMFAS entry points. Developing the ALM idea beyond the sensitisation done by Project R requires dialogue not only at the technical levels, but also at the policy maker levels, as it calls for political commitment to implement institutional arrangements and allocate resources for back office and middle office functions. Beneficiaries as well as UNCTAD staff stated that given the nature of the subject, the annual General Assembly briefings and UNCTAD's biennial Debt Conferences besides events organised by other international institutions are the best forums to engage with policy makers.

108. In retrospect, the evaluator concurs with the project's focus on the technical level with a view to build national ownership at DMOs, who can become agents of change based on their own appreciation of the usefulness of ALM. This has been achieved to a considerable extent. The best prospects of sustainability lie in DMOs evangelising the adoption of ALM and influencing policy decisions and implementation commitments.

109. At UNCTAD, the two possibilities to deepen the initiative and further spread the importance of ALM frameworks are: a) rolling out a second phase of the project, supported by the Development Account, using the research and information created under the first phase, extending the same to other regions especially Asia; and b) leveraging DMFAS footprint through its 'capacity development in debt analysis' work streams stated in the Strategic Plan 2011-2014, which has been endorsed by the Advisory Group consisting of donors, member countries and other institutions including the BWI.
110. A follow-on phase of the development account project is justified for several reasons. Firstly, the research papers and electronic compendium of the project's activities (assuming these would be completed as confirmed by the project officer) will be readily available to be shared with a large number of countries to sensitise them to ALM concepts. Thus, future projects can be delivered more efficiently. Other things being equal, the evaluator believes it may be more productive to select countries that have already begun collecting and reporting on sovereign assets, financial and non-financial, to secure immediate practical benefits from the project, which was not possible in the African countries selected for the present project.
111. UNCTAD's biennial Debt Management Conference is yet another platform to showcase the knowledge gleaned from the project. Presently, the Branch organises technical events on the side-lines of the main conference, and this opportunity can be used to share and seed awareness among DMFAS member countries of the usefulness of ALM as a tool to strengthen debt management capacities and explore opportunities for technical assistance.
112. Outside of UNCTAD, the project's implementation partners too have shown interest in building further on the project's themes and institutionalising the knowledge at regional levels. For instance, based on the Zambian example, MEFMI plans to undertake studies of contingent liabilities in other MEFMI member countries. The National Treasury of South Africa's Centre for African Debt Management and Bond Market Development has prepared a concept note for a four-year capacity programme focusing on ALM Debt Management, with key staff to be seconded from the Treasury. This proposal is annexed to the report. IADB too finds merit in a LAC regional centre for ALM studies as an essential investment to deepen the regional knowledge and capacities on the subject. However, it must also be said that these partner institutions do not have sufficient financial resources of their own to implement these intents, and will need to be funded through external resources.

5 CONCLUSIONS

113. Based on the assessments, the evaluation concludes that the Development Account Project R was based on sound intervention logic and rationale, and addressed issues that emerged from recent global developments in financial markets and had implications for debt sustainability in several countries and regions. The intervention, when formulated, was well timed and responded to the concerns expressed by UNCTAD's clients and constituencies.
114. The project built on UNCTAD's mandate as reflected in the Accra Accord; drew on relevant domain expertise residing in the Branch besides specialist expertise sourced by regional implementation partners; and built on entry points already established through its DMFAS programme in the selected countries. The project used available synergies between various parts of the house to unprecedented levels, although there is still

considerable scope for cooperation in leveraging opportunities and the flexibilities provided by Development Account projects.

115. The thematic focus of the project on an important emerging issue in the domain of debt management, is relevant but also perceived as premature for less developed countries that do not have evolved debt management capabilities. The selection of a diversity of regional and development profiles instead of homogeneous groupings may not have been ideal in this first phase, which aimed to introduce and pilot test an emerging practice area. The project was compelled to trade off a standardised programme of activities against immediate needs articulated by participating countries, which resulted in a non-uniform coverage of contents. However, taken collectively, the project's activities provide several useful insights on the importance of ALM frameworks in developing countries.

116. The project experienced several setbacks during implementation and could not complete its activities or consume allocated funds. This was caused by several factors beyond the reasonable control of the Unit; however, there has been a tremendous effort to revive and accelerate delivery in later stages, during which the project delivered with high efficiency and productivity despite shortage of human resources. The unit and branch deserve special credit for salvaging the project and stepping up the pace of delivery in the last year of implementation. Unfortunately, guidelines concerning Development Account projects resulted in a denial of a well-deserved extension.

117. There were a few missed opportunities as well, and the project could have benefited more stakeholders and indirect beneficiaries through: sequencing activities more effectively; developing and preserving audio-visual recordings of valuable technical content from training and regional seminars for future reference; and front-loading e-learning and research papers and disseminating them actively to a wider audience beyond the immediate beneficiaries .

118. Assessed against intended outcomes, the project could not attain its target results, partly due to non-completion of activities leading to the respective outcomes, and partly due to overambitious formulation of some outcomes. Clearly, the project could not disseminate the useful results to a wider audience as intended in EA 3; and given UNCTAD does not impose policies on countries, the project could not get participating countries to commit to roadmaps or specific actions for ALM implementation as targeted in EA 2, except in Argentina. However, the project created enhanced awareness and appreciation among debt management functionaries of the benefits of ALM, and enabled them to appraise their states of readiness and identify building blocks to implement functional ALM practices in their countries. In doing so, it has seeded the process of change and evangelisation within the national institutional structures toward a road map for ALM adoption. These changes will also support DMFAS work streams as well, in particular with an increased adoption of Version 6 with its additional debt reporting features and risk analysis capabilities.

119. Sustaining the initiatives seeded by the project will require efforts at three levels: at UNCTAD- through subsequent follow-on projects to build on and deepen the themes; at implementing partners, through new proposals for regional roll-outs of similar projects; and within project countries through policy actions, identification of second-stage needs and preparations to install the building blocks for ALM, based on the experiences from the current project.

6 RECOMMENDATIONS

120. The theme of ALM is sufficiently complex and requires sustained engagement to justify a series of projects to develop upstream knowledge and tools to help member countries to put in place the building blocks for ALM sequentially – detailed mapping of assets and liabilities; creating reliable time series of data to enable risk analysis; building debt markets and institutional separation of treasury and central bank functions in domestic debt and forex management. Thus, a pipeline of projects, set in a well-structured sequence, should be formulated, and Development Account and/or other sources of funding sought for over the medium term.
121. Development Account projects should be seen as strategic funding for the DFAU to complement to technical assistance needs as elaborated in the DMFAS Strategic Plan 2011-2014, under 'Training and Capacity Building'. DFAU's role is to create upstream analytical work, e-learning tools and compilation of good practices, to supplement DMFAS's downstream focus. The good cooperation between DMFAS and DFAU in this project should be deepened and should cover all stages: design and formulation, implementation arrangements and project coordination.
122. Greater emphasis and adequate budgetary provisions should be made for electronic/multimedia dissemination and e-learning tools, as emphasised in Development Account projects. In this regard, one easily implementable action is to videotape all technical sessions at country workshops and all presentations at regional events and upload them or distribute in electronic formats (opportunities existed to preserve the valuable content in the regional seminar at Midrand, and the high profile expert event in Chile). Over time, this would become a unique collection of knowledge content on ALM, available online/ offline for reference by DMOs in developing countries.
123. The current project's electronic compendium should be compiled and distributed at the earliest, now that project activities have finished. The e-learning module should be completed and fortified with practical exercises at the end of each chapter to test absorption; ideally, it should simulate the environment of a fictional DMO as originally intended, and create virtual scenarios for learners to apply decisions that would eventually need to be taken in an ALM approach. This will result in a unique practical tool for debt management practitioners all over the world.
124. A follow-on project under the Development Account is justified, to ensure a consolidation of the outputs of the present project and to accelerate implementation of ALM in countries demonstrating greater levels of commitment and preparedness, especially in Latin America.
125. The remainder of 2014 should be used as a preparatory period for a second phase of the ALM project in 2015 by when the Unit should have its full staff strength in place. The e-compendium and e-learning modules will create an improved understanding of the concept and result in more serious expressions of interest, ideally with some commitments for implementation. Preference should be given to countries based on self-assessments of their needs, outlines of their roadmaps to implement ALM approaches for debt management, and specific investments in collecting data on contingent liabilities, sub national debt and sovereign assets.
126. Future versions of the project should evaluate the merit of implementing activities in homogeneous groups instead of accommodating a diversity of country profiles to prequalify for development account funding. In this regard, a formal clarification should be

sought on the weightage/ preference to regional mix and diversity of country profiles while selecting Development Account projects.

7 LESSONS LEARNT

127. Implementing an appropriate sovereign ALM framework requires multi-pronged interventions. At the technical level, these include: institutional capacities for accurate data collection and compilation, analytical tools and models for risk and vulnerability analysis to effectively balance/ match the attributes of sovereign assets and liabilities and insulate against market risks and credit risks. At the policy level, it requires formulation of strategic policies and norms for sovereign debt (including responsible principles); setting prudent monetary and fiscal thresholds; adopting monitoring indicators for debt and asset composition/ structure, and creating institutional arrangements to safeguard against conflict of interest of debt management and monetary policy functions. Finally, there needs to be markets to undertake operations for: managing asset-liability hedges, foreign currency reserves, and restructuring the debt mix. Therefore, interventions need to be long-term, and launched sequentially.
128. Development Account projects should be seen as means to seek analytical validation of new areas and themes for UNCTAD to build/ deepen national capacities in debt management. There is merit in formulating projects that combine 'ivory tower' ideas with 'work in the trenches' technical activities, thus deriving practical benefits on the ground.
129. Development Account projects are also useful as strategic and flexible sources of funding for UNCTAD to produce upstream analytical products and training materials that complement the largely downstream orientation of its DMFAS programme. Thus, they produce great opportunities for synergies between different parts of the house.
130. Given that development account projects seek to create new knowledge to be tested and piloted on the field, securing the best candidates for field-testing the concepts and ideas is of great importance. Project selection criteria should not impose rigidities in the selection of beneficiaries in such a way that they compromise design robustness or deny meaningful conclusions and inferences based on the logic of intervention.
131. Organisational policies can at times impede or prevent practical solutions from being implemented, thus limiting the results of even well-conceived interventions.

8 ANNEXES

8.1 LIST OF PERSONS CONTACTED

Institution	Persons	Status
Project staff at DFAU	Ugo Panizza	Skype
	Alessandro Missale	Skype
	Kristine Forslund	In person
E-learning module developer	Ryan Cunningham	Skype
Focal Point for Dev. Account	Maria Sabina Yeterian Parisi	In person
Head of DDF Branch	Yuefen Li	In person
Head of DMFAS	Gerry Teeling	In person
DMFAS Staff	Diego Rivetti Gabor Piski	In person/
MEFMI	Cornilius Deredza	Telephonic
IADB	Edgardo Daemaestri	Telephonic
South Africa National Treasury	Johan Krynauw	Telephonic
Participant countries		
Ethiopia	Dr. Tesfaye Alemu	Telephonic
Uganda	Martin Nsubuga	Telephonic
Chile	Mr. Patricio Sepulvada	Telephonic
Argentina	Mr. Francesco Eggers	Telephonic
Bolivia		No response
Zambia		No response
Participants at regional events		End of event Questionnaire

8.2 RESEARCH PAPERS

1.What Role for Ad in Sovereign Asset and Liability Management by Andrea F Presbitero.

The paper provides an analysis of aid as a risk-mitigating asset in the context of a sovereign asset and liabilities management framework. The concept is particularly interesting for aid-dependent low income countries that are highly vulnerable to exogenous shocks such as commodity price fluctuations, natural disasters, adverse terms of trade and sudden capital outflows. The paper examines the characteristics of aid and compares its volatility and correlation with other private and public capital flows- remittances, FDI, private debt, etc. and its potential to assist in managing public debt and to deal with external shocks. The salient points made by the paper are:

Foreign aid is an important source of finance for developing, especially low-income countries. However, it also exhibits characteristics of pro-cyclical volatility linked to business cycles of donor and recipient countries, and unpredictability linked to shortfalls between donor commitments and actual disbursements.

Data on aid flows show that aid acts as an output stabiliser, in that as it responds to counteract reduction in growth and deterioration in terms of trade in recipient countries and fall in private investment flows. At the same time, aid unpredictability can have negative effects on recipient countries by impeding productive investment and expenditures for social development.

Developing countries differ in their degree of vulnerability to external shocks- economic and natural, based on the magnitude and frequency of the shocks, their exposure and their capacity to respond. Even though countries have made efforts to improve their macroeconomic stability through prudence and internal discipline, recent global crisis has exposed their vulnerability to external macroeconomic conditions, particularly, changes in commodity prices, weak export demand and steep declines in terms of trade caused by exchange rates. Natural disasters have exacerbated these conditions in several LDCs by disrupting economic activity and revenue generation. The global slowdown also led to ebbing capital flows (especially in foreign bank lending) for investment in recent years, thus impeding expenditure for employment and welfare creating investments. Remittances and aid flows have been more stable than private capital flows and portfolio capital, which reduced dramatically since 2008.

Bilateral and Multilateral assistance have been the principal fall backs to deal with external shocks, but their ex post nature and the associated conditionality bring along their own risks of unpredictability and volatility. In these conditions, many developing countries have resorted to reserve accumulation as a means of self-insurance against debt defaults and sovereign spread. However, reserves carry a high opportunity cost by denying funds for more productive investments, and maturity mismatches with long-tenor liabilities, besides valuation risks from currency fluctuation.

An asset liability management framework seeks to enable states to deal with fluctuations in revenues and increase in public liabilities without significant changes in tax rates and expenditure on public services, and stabilise currency, interest rates and risks. However, developing countries lack robust systems of collecting data on assets and liabilities and evaluating them appropriately for the balance sheet, using scenario analysis for future projections.

Aid and remittance flows, being less volatile than other capital forms can be seen as mitigating assets in such a framework, provided they can be more stable and predictable sources of external finance. However, this also depends a lot on donor business cycles, on which recipients have little control or say. Aid flows in recent years have been affected by down cycles and recessions in donor economies.

Foreign aid's potential to act as an insulator against external shocks is hindered by its procyclicality, volatility and unpredictability characteristics. While aid tends to be pro cyclical in responding to domestic conditions, it is usually counter cyclical to external factors and shocks which does serve to mitigate the adverse impacts. However, aid flows are relatively more volatile than GDP trends in donor as well as recipient countries, and thus impede macro-economic management and government spends, thereby contributing to welfare losses. Worse is the effect of unpredictability of funds, which leads to postponing of investments, and in case of windfalls, spurs consumption rather than investments, thus creating wasteful aid flows in both cases.

The paper concludes that for aid to attain its potential for risk mitigation, it should be stable and predictable. While aid flows tend to be stable, they remain unpredictable and often fall short of commitments, besides being volatile to economic shocks in donor countries. Thus, there is need to create mechanisms to insulate aid flows from donor cycles to make them more predictable through rolling multi-annual commitments, linking them to slow moving indicators than annual indicators, and creating buffer stocks to cushion fluctuations in aid budgets. In recipient countries, reserves management could be used as stabilisation tools for aid flows, thus smoothening the effects of aid fluctuation without compromising debt sustainability or affecting exchange rates. Aid can play a more effective role if it is used in ways different from funding a budget deficit. These include: financing long term social and economic needs or cover contingent liabilities of social welfare schemes; reducing domestic public debt that crowds out private sector borrowers; and supporting access to finance for private sector enterprises. The lucid flow of the paper and the easy-to-understand texts make it a useful read for practitioners in countries that have a high traditional dependence on aid to meet their structural deficits.

2. **Sovereign Asset and Liability Management Framework for DMOs -What do country experiences suggest? By Fatos Koc (commented version 26.06.2013)**
The paper opens with an overview of the origins and basic concepts of SALM, and explains the differences between the characteristics of a sovereign balance sheet and a financial accounting balance sheet. Finally, it showcases SALM practices of Denmark, New Zealand and Turkey and the differences in their scope and differentiated approaches, to highlight the flexibility and that make a case for a graded, 'art of the possible' approach to SALM's for developing countries to flexibly deal with their inadequacies in data collection, technical capacities of DMOs, and the institutional arrangements to deal effectively and coordinate the key actors associated with sovereign debt management. Key points made in the paper:
The sovereign balance sheet is a country's largest and most complex portfolio, consisting of: on the liabilities side, public debt, guarantees and contingent liabilities; and on the assets side, cash; loans, foreign currency reserves; state-owned assets including enterprises; wealth funds, etc. However, a sovereign balance sheet in its classic form also records the net present value of its revenues and expenditures, unlike the annual Profit and Loss statements, which are reported under annual budgets. Unlike in a private corporation, sovereign assets and liabilities fall under more than one public institution; thus their effective risk management requires an integrated approach and appropriate levels of centralisation and coordination among institutions (including provincial institutions) that issue debt, the central bank, the treasury and the ministry of finance. The ALM approach traditionally used by financial institutions to manage financial risks, has evolved several advanced instruments such as options, hedges, swaps, futures and forwards to manage currency risk, liquidity risk, and credit risk besides interest rate risk, which was the initial objective of ALM approaches. Presently, there are a number of international guidelines and reporting standards for public financial statements, including those used or prescribed by ESA, IMF, IPSAS and IFRS. However, there are challenges in measuring, recording and reporting especially non-financial assets – infrastructure, state owned enterprises – and the difficulties in valuation of future revenues and liabilities given their sensitivity to interest rates and exchange rates. At the same time, sovereign liabilities have become more complex with off-balance sheet items with states bailing out other actors or issuing guarantees. Government debt stocks, especially foreign currency debt and short-term borrowings have risen alarmingly for some countries in recent years, adding to their vulnerability to external shocks. In some countries, there has been an accumulation of reserves and creation of sovereign wealth funds as stabilisation tools. An ALM approach involves an assessment of the assets and liabilities portfolio to identify vulnerabilities arising from mismatches in their financial characteristics, maturities and the different types and extents of uncertainties associated with each item. This in turn will enable prescriptions for mitigating specific risks and prepare better to deal with uncertainties, by matching asset and liabilities characteristics, hedging, interest swaps, tax smoothing, and other instruments, without severely changing the fiscal policy or cutting back productive public expenditure. Borrowing strategies play a key role in creating the needed flexibility to deal with interest, currency and maturity mismatches.
Contingent liabilities present another important aspect of risk and debt sustainability, and there is an increasing emphasis on the need to report them on the sovereign balance sheet, instead of treating them as an off-balance sheet item. Collection of accurate data on government guaranteed debt, and monitoring guidelines including annual ceilings for beneficiaries form important elements of contingent liability management, as practised in some DMOs.
Notwithstanding the benefits of ALM, the challenges to its adoption include: inadequate compilation of debt data and statistics- especially of individual public institutions, measurement

of non-financial assets; institutional and technical capacities in risk analysis; accounting principles and levels of centralization in issue of debt and risk management. Operational aspects of SALM call for balance sheet analysis, formulation of medium term debt strategy, and use of risk analysis tools to quantify costs and risks (models for Cost at Risk, Value at Risk, etc.) and invoking hedging instruments. Countries can adopt these at conceptual levels using principle approaches, to formulate a debt strategy and policy, without resorting to extensive modelling. However, increasingly models is being used in conjunction with debt sustainability and sensitivity analyses, including to understand the correlation between primary deficits, tax rates and interest rates for budget smoothing. These lead to strategies to manage currency risks, refinancing risks and also undertake hedging operations such as interest and currency swaps, buyback of bonds and other treasury operations. Coordination and information sharing among various institutions is key to the effective monitoring of sovereign balance sheet risks and some countries have set up appropriate governance structures to ensure prudential oversight. The experiences in New Zealand, Denmark and Turkey indicate the range and scope of ALM approaches in use. New Zealand is the only country with a fully integrated ALM approach and prepares a comprehensive quarterly government balance sheet on accrual basis. Key elements include: use of natural hedging techniques as well as derivative instruments- exchange rate swap and interest swaps; immunization of foreign currency reserves through foreign currency debt of the DMO; and centralised credit risk management.
In Denmark, which has low level of net debt stock (most government debt is re-lent), the focus is on assets portfolio. To support banks in the recent crisis, the government has drawn on its accumulated financial assets instead of issuing bonds. Also, Denmark's major funds are required to invest mainly in government bonds, so there is a natural hedging of assets and liabilities. As a policy, Denmark also has cash reserves to cover one year debt repayments. Government issues only domestic debt, and the Central Bank transacts currency swaps for foreign currency reserve management and hedges exchange rate risk of high value public procurement (defence) through forward contracts in dollars. In Turkey, which has suffered from debt sustainability challenges, centralization of assets and liabilities inside the Treasury, and strengthening middle office functions, and setting up a Debt and Risk Management Committee were key steps toward improved monitoring and managing public debt. Turkey uses the terminologies of Public Net Debt Stock and Net External Debt Stocks in its debt management approach. Reducing foreign currency debt has been Turkey's main priority to contain the exchange rate risk. External debt stock has reduced from 35 % in 2002 to 0.8% in 2010. The creation of a liquid buffer for short-term demand spurts and issue of inflation-indexed domestic bonds are other elements in the debt management strategy. The implications of mismatches are more severe for developing countries, which have weaker fundamentals, thus calling for greater levels of centralisation in monitoring and setting prudential guidelines. For countries dependent on natural resources, long-term fiscal frameworks can be difficult to formulate given the resource curse implications associated with commodity movements. Good governance, creation of sovereign wealth funds and strong public institutions play a major role in resource rich developing countries. Countries need not always use sophisticated modelling, and can begin with simpler ALM approaches with simplified risk analyses and make gradual progress towards more sophisticated states. Indeed, the lack of developed financial markets may preclude opportunities for derivatives, however, simpler practices like natural hedging methods, creation of liquid buffers, accumulating currency reserves in the most exposed currencies, and centralization of credit risk management, can be good initial steps. Coordination between the central bank, ministry of finance and the DMO is a key institutional arrangement to be considered in developing countries.

3.Implementing Sovereign Asset Liability Management in Developing Countries
By Andre Proite

The paper introduces the sovereign balance sheet approach with country examples, and analyses several a number of risk management instruments. Finally it concludes that developing countries can make choices among the alternative approaches while implementing an ALM framework in debt management practices.

Key points:

Despite the popular use of balance sheet (ALM) approaches in the financial sector, Sovereign debt management has traditionally focussed on the liabilities side, because of: i) the financial and economic costs of debt servicing and ii) the complexities in identifying and valuing sovereign assets which include sizeable non-financial assets, whose risks are difficult to quantify.

However, crises events have shown that relying on flow variables such as revenue, expenditure, trade flows and capital movements are not adequate to analyse vulnerabilities. Nor is fiscal policy monitoring sufficient to assess debt sustainability and its resulting impacts.

Balance sheet approaches help in identifying mismatches in the characteristics (maturity, currency, etc.) of assets and liabilities and the different risks (liquidity, credit, interest, exchange rate) that these can potentially cause. Risk models can be of two types: optimization models targeting the balance sheet's target net worth; or simulation models to measure debt service costs of different financing strategies. These help in creating benchmarks for optimal long-term debt structures to guide short and medium term borrowing strategies.

However, institutional aspects – coordination among apex agencies and with sub national bodies, etc., – make it difficult for governments to follow an integrated ALM framework.

However, the balance sheet approach is still important for debt managers as it shed light on other sources of potential debt creation such as subnational and private sector, which will become contingent liabilities.

Sections 2 and 3 over the balance sheet approach and risk models in technical detail, while section 4 shows the reasons for popularity of benchmark models by advanced countries. The content is beyond the comprehension levels of the evaluator, beyond an appreciation of the principles used in simulation models shown, beginning with projections of current debt service, maturity structures and composition; and moving to projections of interest, inflation and exchange rates to analyse future debt profiles and formulate a debt strategy that mitigates against the major risks so analysed. Simulation models provide an estimate of the various risk measures, most importantly, value at risk (VaR) and cost at risk (CaR) of the debt portfolio.

Section 5 concludes that balance sheet approaches can begin with simple levels showing central government, public sector and significant entities that can affect the sovereign balance sheet, and progress to higher levels, showing external sector, private sector and non-financial sector aspects in greater levels of detail. Despite the simplicity of the concept, putting together sovereign balance sheets is a difficult exercise that calls for coordination across government agencies, subnational governments and state owned entities, and skills to compile and analyse the linkages. Yet, the balance sheet framework can help debt managers to identify hidden vulnerabilities and begin the process of analysis using a range of risk analysis models and tool Kits.

8.3 List of Documents Consulted .

Title	Documents provided by Evaluation Unit/ Project Staff
Project Document and progress reports	ALM Project Document
	ALM Progress Report 2011
	ALM Progress Report 2012
	Development Account 7th tranche guidelines
Argentina Papers	Commissioned Paper on Balance Sheet
	Ongoing work on Simulation Model
	Country Case Argentina [1] UNCTAD VI report
Bolivia Workshop	Evaluation Questionnaire
	Mission Report
	Official Letters
	Presentations
	Programme
Buenos Aires regional consultation	Meeting documents
	Mission report
	Presentations
	List of Participants
Chile country study	Official Letters
	ToR for Study - in progress
	Address of Patricio Sepúlveda
	Draft report of Country Study
E-Learning module - in progress	Bibliography
	Box I, SALM 8-8-13
	Box II, II Source Cebatori, 2008
	Box II, SALM 8-8-13
	Box III, I
	Box III, II
	Box IV, I
	Box Module II, I
	Glossary SALM
	Module IV, Technical Appendix; Source, Das et al 2012
	SALM UNCTAD SALM Module I, 8-8-13
	SALM UNCTAD SALM Module II 8-8-13
	SALM UNCTAD SALM Module III, 8-8-13
	SALM UNCTAD SALM Module IV, 8-8-13
	SALM UNCTAD SALM OVERVIEW
	UNCTAD SALM Module I, 28-6-13
Extension Request	My Extension Request Aug 2013
	Funding summary
	ALM_FundingSummary_25-09-2013
	Annex 1 (Revised estimate for R7) List of projects closing in 2013 (Rev 5)
	Extension request R7 project 290813 (Rev 2) August 2013

	Further Information for project 1011R_Sept 2013
Ethiopia Workshop	Evaluation
	Mission Report
	Presentations
	Bios for ALM workshop Ethiopia
	Ethiopia DPA ALM Workshop Outline
	Opening statement Tesfaye Alemu MOFED ALM Ethiopia Dec 12
Harare regional consultation	Presentations
	ALM Harare List of Participants
	ALM_GP
	ALM_HARARE
	Mission Report Harare_08-2011
	Provisional Programme AFR_june2011
	UN ResCoor_Fax_ALM_seminar ZIM
Lists + contacts of participants	ALM_list of participants, Buenos Aires, final
	ALM_Project_Contact DB
	Excel_List Particpts_S-Chile_Reg ECLAC_31-10-2011
	LIST OF PARTICIPANTS MEFMI UNCTAD UG 2012 AUGUST
	Harare_List of Participants_06-11
Project docs and annual reports	ALM Progress Report 2012_14_Jan_2013
	progress.report.up_2011
	Project Doc PR_ALM_06
Redeployment Sept 2013	Fax Redeployment Dev Acc Proj R7
	RedepProj R7
	2012-13 Allotment Advise
Research Papers	Koc First Paper
	Presbitero Third Paper –Final
	Proite Second Paper – In Progress
Santiago Regional Seminar	Bios
	Meeting documents
	Presentations
	ALM Santiago 2011 MR
	ALM Santiago Participants final
	MR_UP_Santiago_11-11
	Santiago Event Notification
	SignedRoster_2011-ROA-2184-6875-7202_Santiago_11-11
South Africa Regional Workshop	Evaluation Forms
	Meeting documents
	Presentations
	2013 Regional ALM Workshop Mission Report
Study tour to South Africa	Meeting documents
	Official letters
	SA Study Tour List of Participants
Uganda Workshop	Presentations
	Program

	List of participants
	Recommendations Workshop DPA
	Uganda - Draft Debt Portfolio Review
	Uganda Certificate
Zambia	Contingent Liabilities
	On-Lending

Additional Documents identified by the Evaluator on Public domain
Development Account 9th tranche guidelines
Submission checklist for Focal Points 9th tranche
Terminal Report Template
Draft principles on Promoting Responsible Sovereign Landing and Borrowing 2011
Sovereign Debt Crisis: from Relief to Resolution 2012
MEFMI procedures manual
IMF Working Paper-Sovereign Risk & ALM-Conceptual Issues
The Impact of the Financial and Economic crisis on Debt Sustainability in Developing Countries 2009
Report on External Debt Sustainability and Development
Debt Management Guidelines: 10 yrs_Otavio, Brazil
Public Debt Management Guidelines-IMF, WB
Staff Guidance note for Public Debt sustainability analysis in market _ IMF 2013
Stanford Centre for International Development-Public Debt in India
Guidelines on Banks' ALM Framework Interest rate risk
Core Principles of Effective Banking Supervision-RBI
Public Debt Management and Role of RBI
Overview of Advances in Risk Management of Govt. Debt-OECD 2005
Risk Management of Contingent Liabilities within a Sovereign ALM
Federal public debt risk management in brazil-Part2 (Chapter 3)
Scope and Fundamental Challenges to public debt risk management 2006-Brazil, WB
UNCTD 2009 Debt Sustainability & Development Compendium
Debt Sustainability 2001
Debt Sustainability in low income countries 2004 –IMF, WB
Debt Sustainability in Emerging Markets 2010 Malaysia
Debt Indicators-ISSAI 5411
International debt statistics-2013

8th UNCTAD Debt Management Conference-Responses from International Organisations by Dziobek , IMF
8th UNCTAD Debt Management Conference-Responses from International Organisations by Gooptu , WB
8th UNCTAD Debt Management Conference-Responses from International Organisations by Teeling, UNCTAD
9th UNCTAD Debt Management Conference-External Shocks, Financial Stability and Debt by Yuefen Li, UNCTAD
Global crisis in Mexico-RAP 118
Petroleum Fund of Timor Leste Quarterly Report-31st Dec 2010
Fondad-Argentina-Book Complete
R41029 note on the Argentina crisis
IMF Working paper1327
Bolivia Debt Sustainability Analysis report 2012_IMF
Uganda Debt Sustainability Analysis
Ethiopia Debt Sustainability Analysis
Zambia Debt Sustainability Analysis

8.4 PROPOSAL TEXTS FROM NATIONAL TREASURY OF SOUTH AFRICA

5 February 2014

THE CENTRE FOR AFRICAN DEBT MANAGEMENT AND BOND MARKET DEVELOPMENT

As requested by UNCTAD, see the response below regarding the Centre for African Debt Management and Bond Market Development:

BACKGROUND

The Centre for African Debt Management and Bond Market Development is an initiative by African Public Debt Managers, under the auspices of the National Treasury of South Africa and the OECD, to establish a platform for debt managers on the continent to interact, share ideas, transfer skills and knowledge as well as build capacity amongst the various Public Debt Offices.

The Centre is not (yet) fully covering all core activities due to budget constraints. Nonetheless, it is already reacting to the strong demand for the services/activities by initiating several projects.

These include:

1. African Central Government Debt – OECD/Centre for African Debt Management and Bond Market Development Statistical Yearbook, of which the fourth edition was published in October 2013 with 17 African Countries participating. This is a globally appreciated flagship publication;

2. Annual forums for African debt managers and other market participations (the 7th annual forum was held in June 2013);

3. Joint OECD/MEFMI/Centre study on public sector contingent liabilities for Eastern and Southern African countries (a report will be released soon);

4. Co-operation and co-ordination with regional Stock Exchanges, World Bank, Commonwealth, African Development Bank and Asian Development Agency;

5. Visits by several African countries to the National Treasury of South Africa obtaining hands on experience of the daily activities within a Public Debt Office;

6. Workshop with 20 African countries and a study tour by three African countries on an Asset and Liability Management framework was conducted in 2013, with the support of UNCTAD.

Projects 1 and 2 are part of the core activities of the Centre. They are therefore embodied in the pillars of the Centre for African Debt Management and Bond Market Development.

The main focus in 2014 is to obtain significant and stable sponsorship agreements over a three to five year period, which will enable the Centre to appoint a small number of key permanent staff to manage, facilitate and expand the activities of the Centre.

The core activities of the Centre are based on African Debt Capital Market needs and priorities are embodied in the following pillars:

- Networks of African sovereign debt managers, other related policy makers (such as Central Banks) and market participants (Exchanges, Banks and Investors) with market development as its core;

- Capacity building programs (including training and technical assistance) with peer-assisted learning activities as a central tool;

- The creation and maintenance of an analytical African government debt database;

- Regular reports on African public debt management policies (with policy conclusions and recommendations); and

- An African Bond market monitor.

The annual work plan of the Centre, over a five year term, has been developed with the above pillars in mind and in terms of capacity building within the respective African Debt Offices based on an Asset and Liability Management framework.

WORKPLAN OF THE CENTRE FOR AFRICAN DEBT MANAGEMENT AND BOND MARKET DEVELOPMENT

Year 1	• Centre to be properly structured and funded (nominate and appoint Steering Committee members as well as permanent staff); • Secure sponsorship and budget over a three to five year term; • Promote the Centre to all African Countries and establish a platform for African Public Debt Managers; • Co-ordinate debt management activities by Common Wealth, World Bank Group,

	IMF, African Development Bank, UNCTAD and other market initiatives within the African continent; • Continue with study tours and annual forums; • Involve more African countries in the compilation and provision of data for the African Central Government Debt - Statistical Yearbook. 1.
Year 2	• Assist in the establishment of proper structures within the Public Debt Offices in Africa (Front, Middle and Back Office); • Develop roles and responsibilities within the above structures; • Assist with building capacity within sub divisions of the structures; • Develop an African Bond monitor based in part on Asian model; • Assist in the development and review of debt recording systems in close co-operation with UNCTAD and Common Wealth; • Offer training opportunities in terms of the benefits of integrating Public Debt Management into an Asset and Liability Management framework; • Continue with other projects such as the statistical yearbook, annual forums and study visits, building a website, co-operation and co-ordination amongst regional stock exchanges, other private initiatives as well as the work of Multilaterals and Development Agencies.
Year 3	• Offer training opportunities in ALM, Cash Management, Contingent Liabilities and monitoring of State Owned Entities; • This will be followed up by visits to African Public Debt Offices to monitor progress and offer technical assistance with the implementation of the Asset and Liability Management framework; • Study tours and peer assisted learning activities will continue; • Assist in implementing and reviewing Debt Capital Market Regulatory frameworks in terms of best practices; • Release of market related and public debt management reports; • Promote and assist with regional market infrastructures within Africa in terms of trading platforms, settlement and payments systems; • Continue with daily activities in terms of updating the website, gathering and updating data for the annual statistical yearbook, coordinating market development activities and assisting with specific needs and requirements of countries. 2.
Year 4	• Further training in ALM – Reserve Management, Risk Rating Methodologies,

	Benchmarking, Minimization of Risks, Monitoring of Local Government activities; • This will be followed up by visits to African Public Debt Offices to monitor progress and offer technical assistance; • Study tours and peer assisted learning activities will continue; • Release of market related and public debt management reports; • Continue to assist with development and implementation of market infrastructure and system developments within Public Debt Offices; • Regular interaction between African Public Debt Managers; • Support African countries to obtain investment ratings; • Continue with daily activities in terms of updating the website, gathering and updating data for the annual statistical yearbook, coordinating market development activities and assisting with needs.
Year 5	• Further training in co-ordination between Government, Central Bank and sub Governments; • Continue to strengthen the professional skills of African Public Debt Managers and support them in implementing various aspects of reforms of their national public debt management systems and markets; • This will be achieved by exchanges of experiences, peer reviews and knowledge transfers among the African debt managers; • Promote the Centre's role and activities internationally and building credibility for African debt markets to a wider international investor base; • To integrate and introduce African officials into a wider global network of public debt managers and investor base; • Continue to work closely with OECD, UNCTAD, Common Wealth and World Bank on their respective programs and priorities in the Continent; • It is important that the Centre obtain a high political profile within the Continent as well as within G8/G20 countries. (The National Treasury and the OECD are making important contributions to the G20 work on public debt management and the G8/G20 activities on local markets). 3.

This project is timely. Africa is the fastest economically growing Continent over the last five to seven years, only outperformed by a few Asian countries. The Centre is well placed to identify and address the key concerns of African debt managers. With the impartial guidance of the OECD, together with the National Treasury of South Africa, there is no doubt that the Centre for African Debt Management and Bond Markets should be the entity to bring all role players together and align the different activities towards common goals.

UNCTAD's support to this initiative in building an Asset and Liability Management framework within the respective Debt Offices will be core to building liquid and sustainable debt capital markets in Africa.

Regards,

JOHAN KRYNAUW

CENTRE FOR AFRICAN DEBT MANAGEMENT AND BOND MARKETS