MID-TERM REVIEW OF THE STRATEGIC PLAN FOR 2011-2014
DEBT MANAGEMENT AND FINANCIAL ANALYSIS SYSTEM PROGRAMME

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<th>Full Form</th>
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<tr>
<td>COMSEC</td>
<td>Commonwealth Secretariat</td>
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<tr>
<td>CS-DRMS</td>
<td>Commonwealth Secretariat Debt Recording and Management System</td>
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<td>DeMPA</td>
<td>Debt Management Performance Assessment</td>
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<td>DM</td>
<td>Debt Management</td>
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<td>DMF</td>
<td>Debt Management Facility</td>
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<td>DMFAS</td>
<td>Debt Management and Financial Analysis System</td>
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<td>DMO</td>
<td>Debt Management Office</td>
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<td>DRI</td>
<td>Debt Relief International</td>
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<td>DPA</td>
<td>Debt Portfolio Analysis</td>
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<td>DRS</td>
<td>Debtor Recording System</td>
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<td>DSA</td>
<td>Debt Sustainability Analysis</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIIDS</td>
<td>Graduate Institute of International and Development Studies</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Countries</td>
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<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<td>IMF</td>
<td>International Monetary System</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>JEDH</td>
<td>Joint External Debt Hub</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<td>MEFMI</td>
<td>Macroeconomic and Financial Management Institute</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MTDS</td>
<td>Medium Term Debt Strategy</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PNG</td>
<td>Private Non-Guaranteed</td>
</tr>
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<td>PPG</td>
<td>Public and Publicly Guaranteed</td>
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<td>PSDS</td>
<td>Public Sector Debt Statistics</td>
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<tr>
<td>QEDS</td>
<td>Quarterly External Debt Statistics</td>
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<tr>
<td>SG</td>
<td>Secretary General</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TDB</td>
<td>Trade and Development Board</td>
</tr>
<tr>
<td>TRAC</td>
<td>On-line Tracking System for recording user requests</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNITAR</td>
<td>United Nations Institute for Training and Research</td>
</tr>
<tr>
<td>WAIFEM</td>
<td>West African Institute for Financial and Economic Management</td>
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Executive Summary

This report was commissioned in April 2013 by UNCTAD in fulfillment of the requirement that there be a review of its 2011-2014 Strategic Plan for the Debt Management and Financial Analysis System (DMFAS) at its mid-term. It was undertaken by Nihal Kappagoda (Lead) and Roy Culpeper, independent consultants based in Ottawa.

The methodology of the review was outlined in the terms of reference and further elaborated in an inception report discussed with the DMFAS management. The key sources of data for the review included: (1) presentations by DMFAS staff in Geneva; (2) documents pertaining to the Strategic Plan and operations of DMFAS; (3) a survey sent to all DMFAS clients; (4) site visits to Indonesia, Madagascar, and Uganda; and (5) interviews of donors and individuals in other organizations supporting debt management.

The evidence collected led the evaluators to conclude that DMFAS is achieving its long-term strategic goal of strengthening the debt management capacity of beneficiary governments so that they can meet their financing needs and payment obligations at the lowest cost and risk over the medium to long-term. They also concluded that the programme is strengthening clients’ operational, statistical and analytical debt management functions, and improving the capacity of the DMFAS programme itself to deliver effective, efficient and sustainable responses to the needs of countries. The new version 6 of the DMFAS software package is clearly recognized in contributing to these objectives.

Notwithstanding the reviewers’ overall assessment of the programme, which is very positive, they make some recommendations where there may be room for improvement. These include, inter alia: working in collaboration with the World Bank and IMF to enhance clients’ capacities to prepare borrowing plans; enhancing the collection and monitoring of data on private non-guaranteed debt, the major source of recent increases in developing countries’ debt obligations; the establishment of a Coordination Committee among the major providers of debt management assistance; and outsourcing of some training and increasing the use of e-learning for this purpose. Suggestions are also made on decentralization, a graduation policy, and elements to include in a forthcoming study on the DMFAS business model.

There are three annexes containing: (1) reports on the country site visits undertaken in June and July 2013; (2) the aggregated responses to the survey of clients; and (3) the Inception Report.
1. Introduction

The Debt Management and Financial Analysis System (DMFAS) Programme of the United Nations Conference on Trade and Development (UNCTAD) has become a leading provider of software, technical assistance and advisory services since 1982, in response to the need of developing countries to build capacity in Debt Management (DM). The Programme is currently implementing its Strategic Plan for the period 2011-2014. The Mid-Term Review\(^1\) (MTR) will focus on evaluating the first two years of implementation of the Plan and assess actual results in comparison with the expected and draw lessons for the remainder of the Plan period and future.

The Programme is an important long-standing activity of the UNCTAD which has worked with 106 institutions (Central Banks and Finance Ministries) in 69 countries (mostly low and lower middle income) to improve their debt management capacity. At the end of 2012, there were 57 countries and 89 active institutions in them using the software. Twenty of these countries and 23 institutions use the latest version 6 of the DMFAS software\(^2\) while the others use the earlier version 5.3 and a few, version 5.2. The Programme provides assistance to Debt Management Offices (DMOs) in the “downstream” activities\(^3\) of debt recording and related operational issues such as data validation, debt reporting and preparation of statistical bulletins, and debt portfolio analysis. The output from the public debt loan database established using the DMFAS software can feed into other financial management systems such as treasury and cash management systems of governments. Loan data and reports also feed into the World Bank’s Debtor Reporting System (DRS), the Quarterly External Debt Statistics (QEDS) Database\(^4\) and the Joint External Debt Hub (JEDH)\(^5\) and the preparation of Medium-Term Debt Strategies (MTDS) under the Debt Management Facility (DMF) of the World Bank, and Debt Sustainability Analysis (DSA) of the IMF and World Bank. Countries also provide data to the Public Sector Debt Statistics (PSDS) database\(^6\) on a quarterly basis. The participation of countries in the

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1 The Review was undertaken by two independent consultants, Mr. Nihal Kappagoda (Leader) and Dr. Roy Culpeper.
3 See p. 8 for a discussion of “downstream” and “upstream” DM activities.
JEDH, PSDS and QEDS is on a voluntary basis. The Programme also provides advisory services and training in various aspects of debt management.

Following the introduction, Section 2 describes the methodology adopted for the review. Sections 3, 4 and 5 analyse the relevance, effectiveness and efficiency of the DMFAS Programme. Section 6 covers the sustainability of benefits to client countries, financial sustainability of the Programme, the adoption of a graduation strategy and the key elements to be covered in a study to develop a new business model. Sections 7 and 8 present, respectively, the conclusions and recommendations. The three country reports, the analysis of the questionnaire sent to DMOs of user countries and the Inception Report are in Annexes 1, 2 and 3 respectively.

2. Methodology

The first two years of the Plan period are covered by the evaluation. The overall objective of the Review is to determine the continued relevance and fulfillment of the Programme objectives and their effectiveness, efficiency and sustainability. This is in accordance with the criteria set out by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) for the Evaluation of Development Assistance and stated in the Terms of Reference (TOR) given to the two member team. The TOR was elaborated by the Inception Report, which appears as Annex 3 to this report.

The Inception Phase took place during April 15 to May 15, 2013 beginning with a visit to Geneva by the two evaluators. Meetings were held with the Officer in Charge, Globalization and Development Strategies Division; Head, Debt and Development Finance Branch; and Chief, staff and consultants of the DMFAS Programme. Presentations were made by DMFAS staff during the visit and relevant documents provided. Further consultations took place by e-mail and telephone with the staff following the visit. The documents provided were reviewed by the evaluation team.

The resulting Inception Report amplified the basic evaluation questions posed in the TOR. These are summarized below:

**Relevance** of the Programme refers to the extent to which the DMFAS Programme is in compliance with the needs and priorities of beneficiaries, and supports the policies of other stakeholders. It will be assessed from the perspectives of beneficiaries and donors and other providers of debt management (DM) capacity-building. The relevance of the current scope of the Programme will be assessed, including program design, activities and toolkits. Key issues include the degree of complementarity and coordination with other providers of DM capacity-building, and the extent of engagement of the Programme in debt portfolio analysis and support for other areas of debt analysis.

**Effectiveness** refers to the extent to which the objectives of the DMFAS Programme have been realized, specifically to the difference the Programme has made during the period under review. The effectiveness of programme delivery needs to be judged in terms of
the ability of the DMFAS staff and HQ based consultants to meet the demands of user countries adequately and in a timely manner. One key issue in this area is the impact of DMFAS on public finance management. Another area to be covered is the validity and adequacy of the logframe of the current strategic plan, and where improvements could be made if considered less than optimal. The Programme's governance and management structure will also be reviewed.

**Efficiency** refers to the extent to which interventions transformed available resources into the intended results in terms of quality and timeliness. It has to be judged based on the possibility of better program delivery through other modalities. Software upgrades are made necessary due to IT technological developments and significant user demand for handling new borrowing instruments. The Programme has outsourced such work in the past. Outsourcing of training to regional or other organisations and partnerships are options that should be explored.

**Sustainability** refers to the extent the results achieved by the Programme will continue. This will depend on both beneficiaries and donors. Financial sustainability of the Programme is also a critical issue, and under the current business model would depend on the continuing interest of current donors and the possibility of attracting new ones. Contributions from beneficiaries may be expected to become an increasingly significant component of the financing requirements.

In addition, the following key issues were identified in the Inception Report for review insofar as they affect the long-term sustainability of the Programme:

- **Decentralisation**: is the Programme’s plan to decentralize still valid? The only current example of decentralisation that could be reviewed is the office established in Argentina. It has the added advantage of having assisted in the installation of the software in four provinces to manage their sub-national debt. The Mali office closed down for security reasons in its fourth year of operations. However, the report covering its establishment may be relevant for other locations. The costs of programme delivery from HQ should be compared for the activities undertaken by both the Malian and the Argentine offices, if possible. The feasibility of obtaining adequate funds to finance more regional centres should be investigated. The experience of using regional advisers by the COMSEC using its own and donor funds should be reviewed;

- The adoption of a **Graduation Strategy** during the Plan period. The available options are to cease using DMFAS services, continue using the services with donor funding or full payment by the beneficiary or a combination of both, and the use of learning services only; and

- The MTR discusses the main elements to be covered in a study to develop a business model to ensure **Financial Sustainability**. This will be undertaken during 2014 the results of which will be incorporated in the next Strategic Plan. One issue to discuss is
whether the study could be completed with sufficient time to enable its recommendations to be adequately discussed and incorporated in the next strategic plan.

The TOR required the evaluators to undertake three country visits. The criteria used for the selection of countries were a) users of DMFAS version 6.0 with active projects, b) users of the software for over 10 years, c) operational status of the project 4/5, d) per capita income classification, e) region and f) whether evaluated during the previous MTR. Based on these criteria, Indonesia, Madagascar and Uganda were selected for the country visits which were undertaken during June and July 2013. Indonesia had been evaluated during the MTR in 2009 and its current DMFAS project is financed by a bilateral donor.

The questionnaire used for seeking information from DMOs in user countries during the MTR undertaken in 2009 of the previous Strategic Plan for 2007 to 2010 was reviewed and changes made for use in the current MTR. The revised questionnaire was sent to 76 institutions in 54 active user countries of DMFAS in mid-May. At the closing date on July 5, 2013, a total of 34 countries and 44 institutions (15 Central Banks and 29 Ministries of Finance (MoFs)) had responded. As stated, the analysis of the survey results is presented in Annex 2.

Telephone interviews were conducted with key stakeholders of the Programme. Consultations took place with five donors who were available based on a questionnaire following the format of the MTR. Discussions were held with the staff of the Debt Data Group and DMF in the World Bank. The former was mostly on data issues reported to the DRS and the latter on Debt Management Performance Assessments (DeMPAs), Reform Plan missions and Medium Term Debt Strategies (MTDSs) done under the DMF. Consultations took place with the staff of the Monetary and Capital Markets and Statistics Departments of the IMF. The former dealt with DSAs and debt restructuring in countries and the latter with data issues arising from the chairmanship of the Task Force on Financial Statistics (TFFS). Discussions were held with two implementing partners, Debt Relief International (DRI) and the Macroeconomic and Financial Management Institute (MEFMI) who had involvement with DMFAS user countries during the preparation of MTDSs, DeMPAs and regional and national training on public debt management issues. Consultations were held with the Commonwealth Secretariat (COMSEC) which has a programme similar to DMFAS in 56 user countries and 91 institutions in them. Programme delivery has similarities to DMFAS but the funding arrangements are different.

3. Relevance
   • Global Context.

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7 These connote the level of activity in DMFAS, as defined in Annex 2 of the DMFAS Programme Annual Report 2012, United Nations, 2013.
8 The Evaluation Team wishes to thank DMFAS staff for the assistance provided and those in the user institutions for responding to the questionnaire.
The global context in which the DMFAS programme operates today is strikingly different from that in which DMFAS was created in 1982. Many developed countries, particularly in Europe, are in or emerging from an acute debt crisis, while most developing countries have actually experienced a lower level of debt distress. In contrast, during much of the three decades preceding the financial crisis of 2007-8, most debt crises erupted in developing rather than developed countries. Nor has contagion from the financial crisis in developed countries yet spread to the developing countries.

There are a number of reasons for this turn of events. First and foremost, the debt relief initiatives of the 1990s and 2000s, culminating in the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI), along with debt relief granted by Paris Club creditors, resulted in a significant reduction in the debt overhang of the poorer developing countries. For the 36 eligible low-income countries that had completed the HIPC debt-reduction process, the ratio of debt service to exports fell from 14.5 percent in 2001 to 3.1 percent in 2011; the ratio of debt service to GDP fell from 2.9 percent to 0.9 percent\(^9\).

Second, developing countries have outperformed developed countries in terms of economic growth rates. Growth in the developed countries has been anemic, because of the financial crisis, while that in many developing countries exceeded the low rates prevalent for the preceding two or three decades. And the low-income countries have performed as well, or better, than lower middle-income countries in recent years, excepting 2010 (Table 1).

**TABLE 1**

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</tr>
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<tbody>
<tr>
<td>World</td>
<td>1.1</td>
<td>4.0</td>
<td>2.7</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Developed Economies</td>
<td>-0.4</td>
<td>2.6</td>
<td>1.4</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Developing Economies</td>
<td>5.2</td>
<td>7.7</td>
<td>5.7</td>
<td>4.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>5.9</td>
<td>6.6</td>
<td>6.0</td>
<td>5.7</td>
<td>5.9</td>
</tr>
<tr>
<td>Lower middle-income countries</td>
<td>5.8</td>
<td>7.4</td>
<td>5.6</td>
<td>4.4</td>
<td>5.5</td>
</tr>
</tbody>
</table>


Part of the growth story is a result of the public expenditure and financial reforms that were implemented as the *quid pro quo* for debt relief. In the pre-crisis period, these reforms led many developing countries to build up fiscal buffers that enabled them to implement countercyclical measures when the crisis broke. Thus not only did such reforms help to bring about macroeconomic stability and lay the foundations for growth; they also reduced the need for borrowing to finance deficits, and hence the growth of debt liabilities. Growth in output is generally commensurate with growth in the ability to service debt and inverse to the risk of debt distress. Thus, although developing countries’ total external debt outstanding almost doubled

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\(^9\) International Development Association and International Monetary Fund (2013). “Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative: Statistical Update.” April. Table 1, p.13. Ratios for 2011 are preliminary. This update projects the debt service to exports ratio rising to 5.4 percent, and the debt service to GDP ratio rising to 1.5 percent, in 2012, with both ratios falling slightly in the next five years.
between 2005 and 2011, the ratio of external debt outstanding to GDP fell significantly in this period, from 27.4 percent to 21.5 percent (Table 2).

**TABLE 2**

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<tr>
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<tr>
<td>Total External Debt Outstanding</td>
<td>$2,577</td>
<td>$4,412</td>
<td>$4,876</td>
</tr>
<tr>
<td>Long-term (including IMF)</td>
<td>$1,993</td>
<td>$3,192</td>
<td>$3,469</td>
</tr>
<tr>
<td>Public and publicly guaranteed (including IMF)</td>
<td>$1,308</td>
<td>$1,674</td>
<td>$1,773</td>
</tr>
<tr>
<td>Private nonguaranteed</td>
<td>$685</td>
<td>$1,518</td>
<td>$1,696</td>
</tr>
<tr>
<td>Short-term external debt</td>
<td>$512</td>
<td>$1,062</td>
<td>$1,249</td>
</tr>
<tr>
<td><strong>Ratios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External debt outstanding to GNI (%)</td>
<td>27.4</td>
<td>22.7</td>
<td>21.5</td>
</tr>
<tr>
<td>External debt stocks to exports (%)</td>
<td>80.8</td>
<td>76.3</td>
<td>69.3</td>
</tr>
<tr>
<td>Reserves to external debt outstanding (%)</td>
<td>74.5</td>
<td>122.3</td>
<td>120.8</td>
</tr>
<tr>
<td>Short-term debt to imports (%)</td>
<td>16.2</td>
<td>17.9</td>
<td>17.2</td>
</tr>
</tbody>
</table>

Source: The World Bank (2013), *International Debt Statistics*, Table 1.1

Developing country external debt increased between 2005 and 2011 from nearly $2.6 trillion to almost $4.9 trillion. About three-quarters of the increase of $2.3 trillion took the form of private non-guaranteed (PNG) debt ($1 trillion) and short-term debt ($740 billion). Moreover, short-term debt is primarily owed by private sector borrowers. The data indicate that the build-up in external debt that has taken place since the debt relief initiatives has largely been driven by private sector borrowers. However, as noted by the World Bank, there is as yet no comprehensive international data series on the external obligations of developing countries’ private sectors. Many countries do not have the mechanisms in place to collect and report on this category of external obligations, but the importance of setting up an appropriate institutional framework is widely recognized, and improvements have been realized. The data in Table 2 reflect reported private-sector debt; depending on the magnitude of unreported debt, these figures could significantly understate the amount of PNG debt.

One other contextual shift that has taken place in the past two decades relates to the increasing role of domestic debt in developing countries. Specifically, prompted by a series of crises involving external debt, developing country governments have sought to develop their local currency markets in order to lessen their dependence on external creditors and reduce their exposure to exchange rate risk. The growth in domestic borrowing has been dramatic. Coupled
with a slowdown in external borrowing and debt-relief initiatives, the overall composition of debt has shifted from being primarily external to primarily domestic debt\textsuperscript{11}.

While the evidence seems clear that such a significant shift has taken place, as in the case of PNG debt, the quality and comprehensiveness of domestic public debt is not commensurate with that of external public and publicly guaranteed debt. Only in 2010 did the World Bank begin to collect Public Sector Debt Statistics (on a quarterly basis), but only on a voluntary basis. At the time of writing, 64 developing countries agreed to participate and 38 have provided data to the PSDS database.

Since the DMFAS software system is primarily designed as a data recording and monitoring system, it can make a contribution to improving data collection for PNG debt and domestic debt. It has begun to do so in the area of domestic debt, particularly with the advent of DMFAS version 6. Work has begun on PNG debt but progress has been less than in domestic debt.

- **Debt Management**

A recent review by the World Bank and IMF asserts that, although the developing countries have been relatively insulated from the direct effects of the financial crisis centred in the developed countries, the crisis highlighted the importance of managing sovereign debt well. The interaction of past relief and positive economic growth has helped reduce the number of developing countries in, or at high risk of, debt distress. And despite improvements in their debt positions, significant financial resources are still being used to service debt—on average, 12 percent of revenues. Moreover, going forward, it is to be expected that governments in developing countries will increase their borrowing in order to finance needed investment. If access to concessional finance is reduced due to the crisis in the developed countries, many developing countries will become increasingly reliant on non-concessional market-based financing\textsuperscript{12}.

In other words, even though most developing countries are not currently at high risk of debt distress, on current trends the downside risks may increase, in which case the importance of capable debt management systems will only appreciate. And even if the risks do not increase, there are a number of dividends that a capable debt management system will yield by enhancing public financial management and the effectiveness of macroeconomic policy. It also makes possible the design of debt strategies the risk and cost characteristics of which remain compatible with the developing countries’ fiscal framework.

For all these reasons, UNCTAD’s DMFAS programme remains as highly relevant as ever, particularly to developing country clients who are the prime beneficiaries.

\textsuperscript{11} Using data from a variety of sources, Panizza (2008) estimated that in 1994, domestic debt accounted for 48% of total public debt; by 2005 it had risen to 69%. Panizza, Ugo (2008). “Domestic and external public debt in developing countries.” UNCTAD Discussion Papers No. 188 (March).

Coordination and Complementarity with Other DM Capacity Building Programmes

The main international organizations providing technical assistance in DM are the World Bank, IMF, COMSEC, UNCTAD; the main regional organisations providing technical assistance are MEFMI, and West African Institute for Financial and Economic Management (WAIFEM); and the regional development banks providing technical assistance are the African Development Bank, Asian Development Bank, and Inter-American Development Bank. UNCTAD and the COMSEC are the principal providers of debt management software with the exception of a few countries that have developed their own. The provision of the DMFAS software enables UNCTAD to provide assistance in the “downstream” areas of DM which are a) building up, validating and maintaining external and domestic debt databases; b) debt reporting and preparation of statistical reports; and c) basic debt portfolio analysis. The Programme provides training in all aspects of software maintenance and use to enable all downstream activities to be undertaken and to develop interfaces between DMFAS and other financial management software used by governments. UNCTAD has developed a collaborative approach with the COMSEC given that countries have a choice of two programmes.

There are a number of “upstream” activities for which assistance is provided principally by the IMF and World Bank. These are: a) the evaluation of the country’s debt management capacity done by the DeMPA or a needs assessment leading to the possibility of a reform plan in the areas that need attention; b) assistance to countries to prepare MTDSs using the World Bank’s Analytical Tool or other software leading to the formulation of annual or multi-year borrowing plans; c) DSAs based on the Debt Sustainability Framework done by the World Bank and IMF; and d) training the staff in DMOs on the use of these tools. The Programme works closely with these two institutions to ensure that the maximum complementarity is achieved in the downstream and upstream programs and ensure that the interfaces between DMFAS and the software used for these activities function effectively.

DRI, MEFMI and WAIFEM play supporting roles in these programs given that funding has to be obtained for their participation. The latter two have the advantage of being able to provide regional experience and expertise. The regional development banks are a source of funding for DM technical assistance at a regional or country level. The United Nations Institute for Training and Research (UNITAR) has developed a number of e-learning programmes in debt management some of which are included by DMFAS in country projects.

The DMFAS Programme has made a conscious effort to collaborate with other institutions providing assistance and avoid duplication. Collaboration extends to organising joint workshops and participating in each other’s activities.

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13 See page 22 of Strategic Plan 2011-2014, DMFAS Programme, UNCTAD, 2011 for a discussion of downstream and upstream activities and the division of labour among TA providers.
• **Relevance for Donors**

Five donors to the DMFAS programme were interviewed. They unanimously regarded the DMFAS programme as highly relevant. Among the comments made were the following:

- One donor emphasized the fact that the relevance of DMFAS results from its focus on downstream activities, comprising the recording, validation, and reporting of debt data, and its complementarity with the upstream activities under the DMF of the World Bank, comprising debt policy and medium-term debt strategy;
- Another donor stressed the importance of the DMFAS software and the potential of linking it with public finance management software, which would yield dividends in terms of better budgeting and expenditure decisions; and
- Another donor related the relevance of DMFAS to the debt management needs of client countries.

• **Relevance for Clients**

The survey commissioned for the MTR indicated (in Question 12) that 86 percent of respondents considered that the DMFAS system, training and support for debt management was “very important” for their institution, and a further 11 percent considered these “important”.

Question 15 asked respondents how well they consider that DMFAS addresses key debt management issues in their country. The responses indicate clearly that in the core functions of DMFAS, the programme addresses the needs of clients very well (63 percent) or well (33 percent) in the case of debt recording. However, it is worth noting that in the case of debt statistics, a few more respondents felt the programme addresses the issues well (47 percent) rather than very well (44 percent).

The survey results are corroborated by interviews conducted during site visits to Indonesia, Madagascar and Uganda, confirming the relevance of DMFAS to users in these countries. The following were among the comments made:

- DMFAS is a high-quality debt recording tool, to support higher-level decisions on the level or composition of the debt;
- the system is extremely relevant to the needs of the MoF: by enabling debt payment projections to get the necessary share of budget resources for debt servicing; for reconciliation of payments with creditors’ claims; and for filing quarterly and monthly reports for managers;
- The DMFAS system was described by interlocutors as being more relevant to Madagascar’s debt management system when it was upgraded from version 5.2 to 6. Among other things, this enabled the system to take into account the extraordinary debt relief provided through the HIPC and MDRI initiatives; to integrate domestic

15 Feedback from all three country visits can be found throughout this report. Detailed findings for each site visit may be found in Annex 1.
debt and external debt into a single DM system; and to be able to produce timely reports, such as a debt statistics bulletin, for policy-makers;

- DMFAS is “one of the best systems available for managing debt, better than internally-generated systems or those available from the private sector”. Others referred to the fact that the current DMFAS 6 installation had been adapted to Indonesia’s specific needs—for example, the Sharia/Sukkuk module was designed to accommodate Islamic lending, of growing importance to Indonesia. It also helped integrate Indonesia’s domestic securities portfolio, which had a number of idiosyncrasies not present in other countries, into the integrated DMFAS 6 system; and

- The relevance of DMFAS to Indonesia’s needs is also exemplified by its adaptation to “asset liability management”, which represents a departure from the debt management objectives for which DMFAS is principally designed. However, DMFAS is proving itself to also be a useful tool for managing asset portfolios.

- **Key Issue: Engagement of the Programme in Debt Analysis and Formulation of a Borrowing Policy and Strategy**

It is necessary for a country to establish an effective capacity for debt management before contemplating the formulation of a borrowing policy and strategy. Efficient debt management requires the performance of a number of functions, classified above as downstream and upstream activities. The latter include debt portfolio analysis and risk management, debt strategy and debt sustainability analyses leading to the formulation of a policy on public sector borrowing, the issue of guarantees and on-lending, and an operational strategy to implement the borrowing policy.

However, in the opinion of the reviewers, an effective debt management capacity does not by itself assure that borrowing policies and plans will be optimal. A central component of a public sector borrowing policy is the annual or multi-year ceilings on new borrowing or the year-end limits on total debt outstanding. The borrowing ceiling is the maximum amount that the government is authorized to borrow from all sources to cover shortfalls in funding within a specified operating period. It is an important instrument of national policy that serves to establish the boundaries of a prudent borrowing policy. Models used to estimate sustainable borrowing levels in the past focused only on external borrowing. With many countries choosing to borrow in domestic capital markets, it has become necessary to estimate sustainable levels of total public sector borrowing that include both domestic and foreign loans. Government borrowing would depend on the size of the public sector investment program and revenue performance.

In view of these considerations, it is necessary to be very clear about the categories of borrowing that are included when adopting a borrowing plan which is annual or multi-year. Both external and domestic debts should be included. A public sector borrowing plan would normally include direct borrowing by the government sector, guarantees issued by the government for borrowing by state enterprises and the private sector, and borrowing by state enterprises without government guarantee and the Central Bank. This requires information on the investment plans of state enterprises, which should become available to the Ministry of Finance when a public
investment program is prepared. When a government borrowing plan is formulated, only direct borrowing and guarantees issued by the government should be included, the latter as they are explicit contingent liabilities of the government.

The Public Debt Management Law or similar legislation of a country should stipulate that the total amounts of government loans and guarantees are established annually in the Annual Appropriations Act. It is possible that there could be separate legislation that sets borrowing ceilings that are revised from time to time. Ideally, this total should include the external and domestic debt of the government. Upon presentation by the Minister of Finance the borrowing ceiling is approved as a part of the Annual Appropriations Act or as separate legislation by the Parliament or National Assembly.

The availability of version 6 of DMFAS in 2009 with additional analytical tools has enabled detailed debt portfolio analysis to be done by user countries. This has enabled the middle offices in DMOs to building up their capacities to analyse debt portfolios and market developments. The Programme has held 11 national workshops in the 20 user countries and 5 regional workshops since 2009. Eight countries\(^{16}\) had ‘staff trained in the system as an input to debt portfolio analysis, debt strategy formulation or debt sustainability’\(^{17}\). DMFAS staff members have participated in the preparation of MTDSs under the DMF and facilitated the data transfer to the Analytical Tool or trained country staff to do so. It has done the same for DSAs.

However, in the opinion of the reviewers, the technical assistance collectively available from current providers stops short of helping countries to formulate viable borrowing strategies. The DMFAS Programme, along with other providers of debt management TA, should examine what enhancements to the current system could assist user countries in the preparation of viable annual or multi-year borrowing plans. From the perspective of DMFAS, this can be seen as the end product of a system that begins with the collection of loan data. Given the financial implications involved, the Programme should work closely to coordinate efforts with the IMF, World Bank and regional development banks to achieve this goal, while avoiding duplication or overlap.

4. Effectiveness

- **Achievement of the Strategic Plan Goals and Objectives at the Mid-Term**

The overall objective of the Programme\(^{18}\) is to strengthen the DM capacity of governments in developing countries and those in transition so that they can meet their financing needs and payment obligations at the lowest cost and risk over the medium to long-term. This is the long-term strategic goal of the Programme to which the work undertaken during the Plan will contribute. The Plan has two immediate objectives which are to:

\(^{16}\) DMFAS Programme Annual Report 2012.

\(^{17}\) However, it should be pointed out that in the three site visits, the debt portfolio analysis module was either unutilized (Madagascar and Indonesia) or thought to be non-functional (Uganda), indicating the need at least for some training in those countries on that module.

\(^{18}\) Strategic Plan 2011-2014, DMFAS Programme, UNCTAD, 2011.
1. strengthen the capacity of governments to manage their operational, statistical and analytical debt management functions which focuses on providing direct solutions to the DM needs of the countries; and
2. improve the capacity of the DMFAS Programme to deliver effective, efficient and sustainable responses to the needs of countries. It focuses on the challenges that the Programme faces in its ability to deliver the solutions needed by countries to strengthen DM capacity.

Objective 1. At the end of 2012, the second year of the Plan, 20 of the 57 user countries of the DMFAS software use version 6 and work is underway to install the upgrade in more countries. Forty nine countries have developed comprehensive and reliable databases on government and government guaranteed external debt and captured 84 percent of the domestic debt. Sixteen Central Banks monitor private external debt. Fifty one user countries have reported adequately to the World Bank’s DRS. Thirty eight user countries participate in the QEDS database of which 30 report to it while twenty eight countries participate in the PSDS database but only 21 have started reporting. These databases were launched in 2004 and 2010 respectively.

Many countries have difficulties in collecting data on PNG debt and consequently these are not fully recorded. In Madagascar, for example, the Review Team discovered that the unit in the Central Bank responsible for monitoring PNG debt had not registered a $2 billion loan which was used to finance a large mining development, even though the existence of this loan was known to the World Bank. This was a significant omission since the inclusion of the debt would have almost doubled the debt to GDP ratio. Central Banks have to work closely with commercial banks and other financial institutions to collect this data and introduce regulations to require borrowers to report them. Commercial banks are normally required to report foreign exchange transactions to the Central Bank on a daily or other stipulated basis. Proper identification of loan inflows and debt service payments when these are reported should assist the process. It is recommended that the Programme work more closely with user countries to improve the collection and recording of this debt.

One country has integrated DMFAS with its Auction System and three additional countries linked it to other financial management systems in 2012 making a total of 16 countries being linked to Integrated Financial Management Information Systems (IFMIS). Eight additional countries produced statistical bulletins in 2012 bringing the total to 30 of the 57 user countries. Six countries are undertaking debt portfolio reviews using the facilities of the software. UNCTAD’s Debt Management Conference in 2011 had 380 participants from 107 countries illustrating the international nature of the DMFAS Programme. Overall the activities of Objective 1 are being achieved. Nevertheless, for the future it is recommended that the Programme focus on improvements in the capture of PNG debt, improving levels of reporting to the QEDS and PSDS databases and implementing possible improvements to coordination with other DM TA providers.

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19 Details are provided in the Madagascar country report in the Annex.
20 DMFAS Programme Annual Report 2012.
Objective 2. The Programme continued to update the capacity building modules on debt statistics and debt data validation during the first half of the Plan period. These have taken account of version 6 of the software and the international standards set in the Public Sector Debt Statistics Guide prepared by the TFFS. Software is upgraded when a major development is undertaken such as version 6 and at other times depending on the number of countries requesting the upgrades.

The major funding for the Programme is provided by a multi-donor, multi-year central trust fund. Seven donors, the European Union, Germany, Ireland, Italy, Norway, Switzerland and the Netherlands made contributions in 2012. Funds obtained through cost sharing with user countries increased to 14 percent during 2011 and 2012. This is made up of annual maintenance fees and contributions for new installations the levels of which are based on the World Bank’s income classification of countries.\textsuperscript{21}

Planning is well advanced for the establishment of a regional centre located at MEFMI in Zimbabwe. The closure of the regional centre in Mali in 2012 yet leaves action to be taken to establish two other offices. The Strategic Plan mentioned a focus on Africa for the two new offices but the possibility of a centre for ASEAN countries was brought up during the country mission to Indonesia.

The coordination of programme operations with other technical assistance (TA) providers has continued. During 2012, the DMFAS staff and consultants participated in seven DMF activities - three DeMPAs, two MTDS missions and two reform plan missions. There were eight events held jointly with other TA providers. As stated, information on programme and mission activities and schedules are shared with them where possible. Overall the activities of Objective 2 are being achieved.

\begin{itemize}
  \item \textbf{User Satisfaction of DMFAS Products and Services}
\end{itemize}

Results from the survey indicate that the DMFAS programme has had a positive impact in its core areas of competence (see Question 16). Responses indicate that DMFAS has had a very important (86 percent) or somewhat important (14 percent) impact on establishing an information system for debt recording. It had a somewhat less impact on improving the national capacity to analyze the debt structure (very important: 68 percent; somewhat important: 23 percent), and on the production of debt statistics bulletins (very important: 70 percent; somewhat important: 23 percent). In other areas, including the development of administrative, institutional and legal structures for effective debt management, its impact was seen as somewhat less important.

Nonetheless, 96 percent of respondents felt that DMFAS has made a very good (57 percent) or good (39 percent) contribution to improving debt management capacity in their country (Question 17). However, the assessment of respondents is more attenuated—shifting from

\textsuperscript{21} DMFAS Programme Annual Report 2012.
mostly very good (41 percent) to mostly good (48 percent)—when it comes to its contribution to
general debt management processes or processes specific to their country (Question 19).

Interviews from the site visits confirmed this generally positive assessment of effectiveness and
impact. DMFAS was recognized as an important management and planning tool. The following
comments from Indonesian interlocutors were also echoed in site visits to Uganda and
Madagascar:

- The Oracle d-base platform for DMFAS was described as very powerful;
- Good technical documentation provided—not just on how to operate DMFAS 6 but
  also on “what’s inside”;
- Helpdesk and TRAC system—are very good in addressing technical problems;
- Web-based DMFAS 6—gives improved accessibility over desktop-based earlier
  versions; and
- IT experts are available for support most of the time.

The enhancement of DMFAS from versions 5.2 and 5.3 to version 6 was particularly noted, both
for technical improvements in accessibility, and for its scope in being able to integrate domestic
debt and the significant debt restructuring that came about through the HIPC and MDRI debt-
relief initiatives.

That said, it was also noted in all three site visits that the impact of DMFAS fell short of its full
potential. The reasons varied among the countries. In all three cases, however, there were
institutional issues impeding the efficient operation of the debt management office. Typically
these issues involve the fact that both the Central Bank and the Ministry of Finance, in which the
DMO is located, have divided or joint responsibilities for debt management. In all cases DMFAS
staff have demonstrated a sensitivity to how these typically very challenging institutional issues
may be resolved.

In addition, there are country-specific technical issues that were raised that deserve the attention
of DMFAS staff. On balance, these should not be considered as major impediments to the
effectiveness or impact of DMFAS. Rather, they indicate that in each country there is room for
improvement in the delivery and support services provided by DMFAS to its client countries.
Further details about these country-specific issues may be found in the country studies (in Annex
2 of this report).

- **Future Needs for DMFAS Products and Services**

The survey provides some indications as to whether the DMFAS programme caters to clients’
future needs. Question 28 asks “To what extent have the DMFAS products and services evolved
to keep up with your (existing and future) needs?” Most of the responses indicate that they have
done so to a very considerable or considerable extent, whether for software (93%), training in the
use of software (82%), IT training (72%), or IT installation (77%), maintenance (72%) or
support (73%). But in all cases respondents answered “to a considerable extent” more than “to a
very considerable extent” (except as noted below). A majority of respondents answered “to a
considerable extent” or, a much smaller number, “to a small extent”. These responses indicate there may be room for improvement by the programme in keeping up with clients’ software, training and IT needs.

Only in the case of training in data recording, validation and statistics—the core functions of DMFAS—were respondents more likely to answer that the programme has evolved to “a very considerable extent” to keep up with client needs. It is worth noting that in the case of training in debt portfolio analysis, however, only 30 percent responded that the programme had evolved to a very considerable extent, while 52 percent responded that it had only kept up with needs to a considerable extent (33%), small (7%) or very small extent (12%), —again suggesting that this is another area for improvement (on which more below from the site visits).

The MTR site visits provided more specific indications of how DMFAS could cater to clients’ future needs.

- Indonesia is using derivatives to hedge its risk exposure in its borrowing portfolio. It could therefore utilize a derivatives module in its debt recording and monitoring system. This module should be made available to other users in the future subject to the charges that will be levied in the future.
- Indonesia and Uganda are both currently working to build an electronic interface between DMFAS and their respective public finance management software programmes (IFMIS) so that data can be transferred seamlessly between the two systems. In the case of Madagascar, this is a project that lies in the future.
- Debt Portfolio Analysis appears to be an underutilized capability of the DMFAS programme. In the case of Indonesia, the middle office is aware of the DPA module but does not utilize it in its debt analysis and strategy work; training on this module is likely necessary to facilitate utilization. In the case of Uganda, there is a perception that the DPA module is non-functional. Intervention by the DMFAS programme is evidently required if this is a misperception or if a technical fix is necessary to restore functionality.
- In all three countries, greater efforts are required to facilitate a more comprehensive recording and validation of private non-guaranteed debt, which does not seem to be accorded the same priority as public and publicly guaranteed (PPG) debt. In the case of Madagascar, a $2 billion private sector loan was overlooked by the unit in the Central Bank responsible for monitoring PNG debt. In the case of Indonesia, the debt of state-owned enterprises is considered as PNG, and in these cases (which are not included as part of PPG apart from the electricity and water utilities) there is very likely a contingent liability of such debt for the Government.

- **Cooperation with other providers of DM technical assistance**

The responses from the survey indicate that there is a high degree of complementarity between DMFAS and other service providers of DM technical assistance—that is, there is little evidence of overlap with or duplication of assistance provided by the World Bank or the IMF, considered by respondents as the other principal supporters of DM capacity building (Question 20). The
high degree of complementarity is not surprising, given the emphasis placed by the all the principal players to provide either “upstream” services (related to medium-term debt strategy and debt sustainability analysis, as in the case of the World Bank and the IMF), or “downstream” services (debt recording, validation, statistics, and basic portfolio analysis, as in the case of DMFAS and the COMSEC’s CS-DRMS). The relationship between DMFAS and CS-DRMS is clearly not one of complementarity, but competition or substitutability since the two programmes deliver fairly similar products and services.

Respondents also demonstrated a high degree of awareness of this complementarity. Question 24 asked “Do you consider the activities of the following institutions complementary to those of the DMFAS Programme in your country?” Some 44 percent of respondents answered that the activities of the World Bank’s Debt Management Facility are complementary (and another 44 percent that the question was not relevant), and 70 percent that the activities of the IMF are complementary with DMFAS (and another 26 percent that the question was not relevant).

However, strong complementarity does not necessarily imply adequate coordination between the various service providers supporting debt management capacity building, both multilateral and bilateral. Almost 47 percent of respondents felt that there is either “good coordination” or “very good coordination” (Question 21). The fact that almost 26 percent felt that there was “deficient coordination” or “no coordination at all” may be because in some countries, other capacity-building programmes besides DMFAS are not active, so for these users the question may not be relevant.

Nevertheless, interviews from the site visits suggested that there could be an enhancement in coordination between DMFAS and the upstream service providers, principally the World Bank through its Debt Management Facility. The Evaluation Team is of the view that the involvement of the DMFAS Programme should go beyond participating in the missions of the other lead institutions (which already occurs to some extent), to taking a more active role in the formulation of debt strategies and public finance management strategies. Such involvement would result in enhancing the awareness of clients’ needs in the downstream DMFAS core areas, of debt recording, validation and statistics, and hence in improving and upgrading those products. However, greater involvement in upstream activities might require different staff skill-sets (more macro-economists and finance specialists) than are currently present in DMFAS’ staff complement.

There is also the issue of coordination between DMFAS and CS-DRMS, the other main debt recording and management software and thus the main competitor to DMFAS in the international public domain. There is effectively a de facto “market-sharing” under which COMSEC serves Commonwealth countries and UNCTAD serves others (with some exceptions, including Uganda, which is a Commonwealth country served by UNCTAD), although over time this distinction is becoming blurred in respect of countries entering into the 'market'. However, since both organizations provide a “global public good” in the form of debt management software, and an element of competition between the two may serve to increase innovation in both parties, greater coordination could also help to ensure that similar products and
functionalities, and similar technical support services, are offered by both, so that clients of one are not at a disadvantage over clients of the other.\textsuperscript{22}

Furthermore, there is also an issue of annual fees or cost-sharing with Commonwealth country users. COMSEC asks the users of CS-DRMS who are members of the Commonwealth to make a voluntary contribution of GBP1500/year (non-members of the Commonwealth are assessed a fee of 15 percent of software costs). However, few Commonwealth member countries actually observe this requirement and as a result, the DRMS is regarded by some DMFAS clients (for example, Uganda), as being “free”, in contrast to DMFAS version 6, for which the current annual maintenance fee ranges from $10,000 for low-income countries to $20,000 for upper middle-income countries. The differential in costs for Commonwealth member states between the two systems provides a constraint on the possibility of UNCTAD increasing its annual maintenance fee and thus the relative share of costs borne by users. In Uganda, where there had already been consideration of switching from DMFAS to CS-DRMS, there was a feeling expressed by several interviewees that if UNCTAD were to increase its fees further, Uganda would need to reopen this possibility.

With the above considerations in mind, the MTR came to the conclusion that greater coordination between the main service providers (The World Bank, the IMF, UNCTAD/DMFAS and COMSEC/CS-DRMS) could be enhanced through a Coordination Committee that met on a regular basis in order to ensure that synergies among this group of service providers are optimized and that any potential inconsistencies or frictions among them are resolved.

- **Validity and Adequacy of the Logframe of the Current Strategic Plan**

The details of the Logframe are in the Strategic Plan.\textsuperscript{23} It provides detailed information of the expected results relating to the two immediate objectives of the DMFAS Programme. There are ten indicators selected to demonstrate the improvements in the capacity of countries to manage operational, statistical and analytical debt management functions required in Objective 1 with baselines provided for most. The Programme has also developed 12 Effectiveness Indicators to demonstrate the change in a country’s DM performance. These correspond to most of the dimensions in six of the debt performance indicators of the DeMPA. These were used to design the performance indicators relating to Objective 1. Similarly there are ten indicators in the Logframe to measure the expected results in Objective 2 which are intended to improve the capacity of the Programme to deliver effective, efficient and sustainable responses to country needs with a baseline provided for one. The chosen indicators are comprehensive in coverage and adequate to measure performance.

The assessment of performance of countries shows that they are building a sustainable capacity to record, report and analyse their debt. Some countries are integrating their debt management system with IFMIS and the implementation of version 6 is generating a considerable demand

\textsuperscript{22} It should be pointed out that COMSEC and UNCTAD do not compete with each other for funding from donors.  
\textsuperscript{23}DMFAS Programme Annual Report 2012, pages 26-29 and 32-44.
from existing institutions and new ones. The donor pool has been broadened and cost sharing has increased at the same time. Collaboration with partners has increased to avoid duplication but the site visits and responses to the questionnaire suggest that improvements are possible.

Given the increasing importance of PNG external debt for user countries, the Programme should advise them, particularly the institution responsible, of the best way of collecting the data. It may require changes in legislation, regulations and administrative procedures. This will certainly improve the quality of debt data transferred to the World Bank’s DRS. There is an indicator under expected output 1.1 of Objective 1 to measure performance but this measures the number of Central Banks collecting data with no reference to quality or completeness. Further an indicator should be added under expected output 1.2 to determine the extent of the reporting that is done to the PSDS database.

The data required for the formulation of MTDSs and DSAs is transferred from the DMFAS software using the interfaces that have been developed as stated in the Logframe. Countries have reported difficulties in achieving these transfers. It would be useful and helpful to the countries if these analyses are used for the preparation of borrowing policies and plans. There is no evidence of the DMFAS Programme moving in this direction but the Evaluation Team suggests interaction with the World Bank and IMF to encourage these agencies to assist countries in this area. If this happens, an indicator should be added to measure performance but it is outside the scope of the two immediate Objectives.

- Adequacy of the Programme’s Governance and Management Structure

The Programme was established in 1982 in response to requests from developing countries for assistance to improve their capacity for DM. Two decades later in 2000, a multi-year, multi-donor trust fund was created to provide stability to the financial management of the Programme and an Advisory Group was established to advise the Secretary-General (SG) of UNCTAD on issues related to the management of the Programme. Based on these developments, the governance structure of the Programme now consists of the following:

a) the quadrennial UNCTAD Conferences which gives it the continuing mandate to analyse debt and development finance issues and maintain its capacity building programme for public debt management through the DMFAS Programme in collaboration with the IMF, World Bank and other stakeholders;

b) the Trade and Development Board (TDB) which guides the work of the DMFAS Programme between these four year meetings. Its membership is open to all member states with accredited intergovernmental and non-governmental organisations enjoying observer status. The Board meets annually and up to three times a year in executive sessions to deal with policy and institutional issues that arise on an ad hoc basis. It receives reports and recommendations from the Working Party through which it monitors and evaluates the work of the DMFAS Programme;

c) the DMFAS Advisory Group made up of interested member states of UNCTAD, existing and potential donors, the UNCTAD Secretariat
and partner organisations such as the IMF and World Bank. The Group advises the SG on the development and implementation of the work programme of DMFAS, its financial planning and sustainability and other issues related to policy and direction. It meets every two years at the time of UNCTAD’s Debt Conference. Decisions are made on the basis of consensus and they are delivered to the SG in the form of a report at the conclusion of the meetings;

d) the bilateral donors in the Advisory Group who meet the management of the DMFAS Programme once every year to discuss directions, priorities and financial resources needed for the work of the Programme; and

e) the SG who has overall responsibility for the mandate, policy and oversight of the Programme. The strategic directions and priorities are set by the SG based on the advice of the DMFAS Advisory group in accordance with the decisions of the UNCTAD Conferences and the TDB.

The UNCTAD Secretariat is responsible for implementing the policies and work programmes decided by the SG and accordingly provides the staffing, administrative and logistical support needed for the Programme. The DMFAS Programme prepares a detailed Strategic Plan every four years which is submitted for validation at Advisory Group and Donor Consultation meetings. The DMFAS Programme is located in the Debt and Development Finance Branch of the Globalization and Development Division within the Secretariat. In the opinion of the Review team, the governance and management structure works well for the DMFAS Programme given its current focus. However, consideration should be given to establishing a smaller group to represent the users who could meet more frequently than at the Debt Conferences every two years. There are financial implications to this suggestion.

The core functions of the Debt and Development Finance Branch span three areas of work that are in line with UNCTAD's main pillars, which include research and analysis, capacity building and consensus building. The work of the branch is organized across these pillars. The Debt and Financial Analysis Unit (DFAU) engages in research and analysis activities to contribute to and inform the international debate on debt and development finance issues; services intergovernmental processes on issues pertinent to debt and development such as providing support to General Assembly and Paris Club negotiations; and conducts capacity building and technical assistance projects in the areas of risk management, sovereign asset and liability management and debt sustainability management. The DMFAS Programme provides technical assistance to countries to strengthen their debt management capacities of debt management offices via the development and provision of DMFAS software and capacity building trainings in debt data validation, statistics, and debt analysis; it assists countries to build up loan databases on public and publicly guaranteed external debt and total public debt and related downstream activities including training needed for them. In the area of consensus building, the project on Promoting Responsible Lending and Borrowing facilitates a multi-stakeholder forum that aims to build consensus around a set of guidelines to guide lending and borrowing practices of sovereigns.24

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24 This one-paragraph overview of how DMFAS fits within UNCTAD’s debt work was provided by DMFAS management.
Elsewhere in this report it is suggested that there should be greater engagement by DMFAS in clients’ borrowing policies and strategy. While DMFAS and the DFAU have a close collaboration, this will likely require specific collaboration with the Debt Finance and Analysis Unit, because of developments in global and domestic financial markets. The goal would be to anticipate data collection needs and thereby enhance the effectiveness of the core functions of data recording, validation, and analysis.

5. Efficiency

- Timeliness and Quality of DMFAS Products and Services for Users

The MTR found it difficult to determine whether the DMFAS programme delivers “value for money”. Such an assessment would require benchmarks against which the performance of the DMFAS programme can be measured. Alternatively, DMFAS could be assessed against a comparator programme delivering the same or similar products and services. One such programme exists, notably the COMSEC’s CS-DRMS. In order to undertake such an assessment, a thorough analysis would have to be made of the cost structure and outputs of each organization. In this manner it might be possible to reach conclusions as to how much each programme costs per unit of output delivered (appropriately defined). Such an analysis would require access to comparable financial data for both organizations, and was not possible within the scope of the MTR.

However, it was possible to gather evidence on the timeliness and quality of DMFAS products and services as viewed from the perspective of clients. Available evidence was provided by the survey as well as from interview material gathered during the three country site visits.

Questions 36 to 43 address various issues related to the timeliness and quality of DMFAS products and services. In general, the responses indicate that while clients find the products and services of high quality, there are important qualifications to this positive assessment. With regard to timeliness, many respondents also felt that there is some room for improvement. Question 36, for example, asks: “Are DMFAS activities being implemented according to the planned time-schedules?” Almost half (46%) the respondents answered that implementation of DMFAS activities encountered delays, and half of the latter (23%) considered their delays significant. Question 37 asks: “Taking into consideration the amount and complexity of change, how would you rate the ability of the DMFAS Programme to modify DMFAS software in a timely manner to meet evolving needs and circumstances of your country?” Twenty-one percent rated the programme’s ability to modify the software as “very good”, and slightly less than half of the respondents rated it as merely “good” (49%), while almost one-quarter (23%) rated it as “poor”.

Finally Question 40 asked respondents whether DMFAS is a cost-effective solution for their institution. While slightly over half (51 percent) fully agreed that DMFAS is cost-effective, slightly under half (44 percent) did not fully agree, 37% somewhat agreed, 5% somewhat
disagreed and 2% fully disagreed). This question gives rise to a caveat regarding possible cost increases for clients under a future DMFAS business model, discussed below.

The survey responses summarized above were corroborated by the interviews conducted in Indonesia, Madagascar and Uganda during site visits for the MTR. Overall, the views expressed indicated a high regard for the quality of DMFAS products and services and satisfaction with the timeliness of their delivery. At the same time there were some instances raised of services not being delivered in a timely fashion, with delays ranging from a few days to several months, bearing in mind that for some debt transactions even a few days’ delay can be a serious matter. (These examples are fully described in the country studies in Annex 1.)

There were also some inconsistencies among the country site visits related to adapting the DMFAS programme to the specific needs and circumstances of the client country. In Indonesia, officials expressed satisfaction with the adaptation by DMFAS to the country’s specific needs, e.g. by including Sharia (Islamic) loans in the database and by applying DMFAS to Indonesia’s on-lending programmes. In Uganda, on the other hand, there was a sense expressed by several interlocutors that the DMFAS programme is too generic and not user-friendly enough for Uganda’s specific needs.

- Possibility of Better Programme Delivery Through Other Modalities such as Outsourcing to Regional and Other Organisations

Financial considerations are important for the Programme, therefore it has to judge whether better and more efficient programme delivery through other modalities are possible. Software upgrades are made necessary due to developments in information technology (IT) and significant user demand for handling new borrowing instruments. There are documentation and training requirements that follow such developments. The Programme has outsourced such work and the development of software and related documentation including translations to the private sector in the past. The DMFAS Programme estimates that this has cost less than if the work had been undertaken by the DMFAS staff and consultants.

Outsourcing of training to regional or other organisations are options that should be explored. E-learning modules have been developed for training in public debt management and the use of the DMFAS software. Training by UNITAR has been used by DMFAS projects in the past. It would also be useful to review the experience of the COMSEC with the software training module that was developed in collaboration with the Commonwealth of Learning for lessons that it could provide. The possibility of using regional centres for DMFAS training should be explored due to the possibility of using expertise from other countries in the region for considerations of cost and the knowledge of the working environment.

- Key Issue: Scope for Greater Programme Efficiency Through Decentralisation
The staffing of a regional centre was expected to consist of a Functional Project Manager and a DMFAS IT expert. The former would be a debt expert and manage the centre’s operations and the DMFAS projects in the region, and provide technical advice on debt issues to countries as needed. The latter would be an analyst/programmer recruited locally with responsibility for systems installation, training and advice on DMFAS links. This position would be filled only if funding is available. No appointment of IT staff was made in Mali for this reason. It would not be possible to assess the efficiency of delivering services from the centre in comparison to delivering all the services from Geneva unless both positions are filled.

Decentralisation involves several risks to the management of the Programme. First, there has to be a strong management structure with the integration of the centres into the work plans of the Programme. Second, insufficient coordination would lead to confusion and overlap making it necessary for clear lines of communication to be drawn and responsibilities assigned. Third, user countries should be informed of the responsibilities of the centre and asked to contact the centre directly for Helpdesk services as it is the first level of support for DMFAS users. Fourth, there would be the perception among user countries in the region that the host country monopolises the time of the staff of the centre. Fifth, adequate financing should be available for the centres to function with the required staffing.

There are several benefits achieved from decentralisation. There are better response times to country requests, increased awareness of country needs, improved coordination with other providers and higher participation in regional activities such as training workshops that would otherwise have not taken place. There is also the possibility of attracting additional funding from bilateral donors for regional activities. Peer learning would be facilitated by a centre arranging bilateral or multi-national exchanges though these could yet take place without a centre. At the same time, there are several challenges that the Programme has to meet. The current financial situation affecting donor countries has created problems for securing long-term financing. Management and administration costs of services have to be provided from Geneva because of the centralisation of decisions relating to finance, procurement and travel. Coordination with other providers at the regional level requires involvement with activities not always related to DM unless the office is located in the premises of a partner organisation such as MEFMI. There is also the challenge of meeting the demands of the country in which the centre is located without neglecting the needs of other regional users. Views were expressed to the Review team that the location of the centre in a MoF makes it difficult for it to fulfil an effective regional role.

- Cost efficiency measures implemented

DMFAS Management has indicated to the Review Team that the following cost efficiencies have been achieved in the programme:

- Lower staffing costs: the professional staff complement has been reduced by three positions compared to the 2007-2010 period, for savings of $550,000 a year; and one post has been downgraded, for gross savings of $40,000 per year. While somewhat offset by increased use of consultants, the latter are engaged as and when needed, giving the programme greater operational flexibility and cost efficiency;
• Outsourcing: major components of the DMFAS 6 system development and related support services led to savings of $1.168 million, compared to the alternative of system development undertaken by UN staff in Geneva;
• New Helpdesk tools: remote access to resolve technical problems has reduced the need for some staff missions, resulting in savings in travel costs of an average of $8,000 per mission; and
• An improved Monitoring and Evaluation Framework: this is being implemented and will improve efficiency and programme effectiveness on an ongoing basis.

6. Sustainability

• Sustainability of Benefits for Client Countries

It is difficult to obtain the perspective of DMFAS clients on the sustainability of the programme at a global level. During country visits by the MTR mission, the possibility of an escalation in clients’ fees in order to ensure the sustainability of the DMFAS programme was generally met with criticism. This issue is discussed further below.

Clients’ preoccupations are more understandably focused on the sustainability of the programme at the country level, that is, on the durability of the institutional and human capacity built by the DMFAS programme. This issue, in turn, hinges on the inter-related problems of staff skills and turnover. Particularly for low-income countries\(^{25}\), the skills necessary to operate a well-functioning DMO are scarce, and must be provided through specialized training to ensure that staff have the capabilities to utilize the software and apply their enhanced skills in the context of their own country. Such training, including that delivered by the DMFAS programme, helps to ensure that the requisite capacity is created, but cannot guarantee that it is maintained or sustainable. A common challenge is the turnover of staff trained for these specialized positions. Paradoxically, training may contribute to the mobility and marketability of trainees.

There are no easy solutions to this dilemma, which is common in many low-income countries. Issues such as comparative salary levels, and the career status of jobs, in the DMO relative to other parts of the bureaucracy, also play a role. Each country must ultimately seek an effective resolution to this issue. From the viewpoint of the sustainability of the DMFAS programme as a whole, the allocation of resources to training would be more effective if it could be ascertained that beneficiary institutions and countries have in place a strategy to constrain staff turnover and thereby help assure that capacity-building benefits endure longer.

• Adoption of a Graduation Strategy

The DMFAS Programme began generating funds for its Central Trust Fund through cost sharing with beneficiaries by charging maintenance fees and software development contributions from

\(^{25}\) Although the MTR mission was informed by Indonesia, a lower middle-income country, that staff turnover is also an issue for the debt-management operations of that country.
2002. The Programme has existed for over thirty years and has been financially dependent on bilateral donors. However, the current financial and donor environment makes it necessary to examine increased cost sharing measures and the possibility of attracting new donors to a successful TA programme. But it is not envisaged that an exit strategy for DMFAS be formulated. It does not intend to withdraw its services from beneficiaries as long as the public good it has been providing is in demand and countries are pursuing their development goals to the achievement of which the Programme contributes. The UN is committed to provide sustained support while the need exists. As an effective alternative, the DMFAS Programme envisages establishing a Graduation Strategy.

New cost sharing mechanisms were recommended by the Advisory Group in 2009 and incorporated in the current Strategic Plan. The maintenance fees and development contributions are dependent on the income status of the user countries as classified by the World Bank. Based on the payments received in 2011 and 2012, an average of 14 percent of total income was received from these two sources.

The annual maintenance fees\(^{26}\) are $10,000 for low income countries, $15,000 for lower middle income countries, $20,000 for upper middle income countries and $25,000 for high income countries. Similarly, development contributions for new users have been based on their income status at $50,000 for low income countries, $75,000 for lower middle income countries, $100,000 for upper middle income countries and $150,000 for high income countries. When upgrades such as version 6 are provided, existing users are charged $50,000 except for high income users who are charged $150,000. The development contributions were introduced to contribute to the financing of software upgrades. These payments are made usually when the software is installed in the institutions in user countries.

The Graduation Strategy options that could be pursued as part of a new business model are the following:

a) the continued use of the DMFAS software and supporting services with donor funding and cost sharing until the country reaches upper middle income status;

b) on reaching upper middle income status the user country could graduate to a full cost recovery basis, change to a software developed internally or one that is developed by the private sector; or

c) only use peer learning services provided by the Programme without using the software.

- The Main Elements that should be included in a Study to Develop a Business Model to ensure Financial Sustainability of the Programme.

The terms of reference for the study will be submitted to the Advisory Group meeting during the Debt Conference in November 2013. The study will be undertaken in 2014 and it is expected

that the recommendations of the study will be incorporated in the next Strategic Plan. It is recommended that the current Plan be extended by one year to 2015 to enable the next Strategic Plan to include the proposals. This would require the next Plan period to be 2016-2019. The costs that should be included for recovery from user countries/institutions have to be carefully listed and assigned for maintenance fees and systems development. They are:

a) personnel costs of staff based in Geneva; 
b) costs of consultants based in Geneva and the field; 
c) costs of systems development not charged to personnel and consultants services in a) and b) above; 
d) travel costs of staff and consultants; 
e) costs of conferences, regional and other workshops and systems documentation; and 
f) miscellaneous costs.

The revenues currently generated to finance the expenditures listed above are:

a) contributions from UNCTAD for payment of regular staff; 
b) financial contributions from UNCTAD; 
c) donor contributions to Central Trust Fund and to country projects; 
d) maintenance fees and software development contributions; 
e) staff time paid by DMFAS projects; and 
f) payment for services provided to other stakeholders such as the World Bank’s DMF.

When preparing a plan for determining future maintenance fees, it would be necessary to determine a time period over which the charges should apply. The Strategic Plan period should be a good starting point and expenditures monitored in relation to income. Revisions should not be made during the four year period as user countries need to be confident of stability in costs. At present there are 57 active user countries and 89 active or reactivating institutions using versions 5.3 and 6 all of whom should be required to pay maintenance fees. The classification of countries on the four income status categories should be used to levy charges based on an initial cost-sharing ceiling of perhaps 20 percent of projected expenditures excluding the costs of systems development and related expenditures on training and documentation for the Plan period.

The costs of systems development specific to one country should be borne by it or funded by a donor. When a major systems upgrade or a development is requested by a significant number of active user countries (such as one-third or more), the estimated costs should be divided among all active users and each institution should pay the charge when the software is installed and the training provided.

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27 The actual cost-sharing by clients achieved in 2011 and 2012 averaged 14 percent. It is acknowledged that a 20 percent target may be ambitious.
When preparing the plan for maintenance fees and systems development payments, the donors should indicate the contributions they intend to make during the Strategic Plan period. The DMFAS Programme should have discussions with prospective new donors to determine their interest and include their projected contributions in the projected revenues for this period. Donors should indicate their continuing interest or otherwise in supporting the Programme given the heavy dependence on donor funding from the start in 1982. The interest of regional development banks - the African, Asian, Caribbean and Inter-American Development Banks - that support DM projects at the country level to provide core support for the Programme should be determined when formulating a business plan to set maintenance fees and other payments.

7. Conclusions

This review concluded that the long-term strategic goal of the DMFAS Programme, namely to strengthen the DM capacity of beneficiary governments so that they can meet their financing needs and payment obligations at the lowest cost and risk over the medium to long-term, was being met in the plan period under review (2011-2012). The MTR also concluded, on the basis of evidence from the survey, the site visits, and documents reviewed, that the two immediate objectives of the current Strategic Plan, notably, (1) to strengthen the capacity of governments to manage their operational, statistical and analytical debt management functions; and (2) to improve the capacity of the DMFAS Programme to deliver effective, efficient and sustainable responses to the needs of countries, were also both being met.

That said, the MTR has identified certain areas in which there is some room for improvement in the delivery of the DMFAS programme. These are summarized below. Finally, the review has considered a number of key issues that were identified during the inception phase—the scope for decentralization of the programme; a graduation strategy for clients; and elements of a business model that could be included in a future study to strengthen the programme’s financial sustainability.

Following are the salient conclusions emerging from the detailed analysis of the review.

Relevance. The DMFAS programme continues to be highly relevant, even as debt ratios have fallen significantly due to the relief initiatives of the last decade. Meanwhile absolute levels of outstanding debt have doubled, most of the increase being due to the growth of PNG and short-term debt. The need for vigilance due to the increasing risk associated with the buildup of debt cannot be understated, and DMFAS can play a vital role in monitoring and assessing the growth of debt liabilities.

The DMFAS programme plays a vital role in complementing the activities of other providers of DM technical assistance, particularly the World Bank and the IMF, for example by recording, validating and analyzing debt data that can be used for analyzing medium-term debt strategies and for undertaking debt sustainability analysis, overseen by the Bretton Woods Institutions. For these reasons the programme is viewed as highly relevant by the donors, the World Bank, and the IMF.
It is also viewed as highly relevant by the clients, particularly in the core areas of debt recording and statistics, but somewhat less so in the case of debt analysis. The countries upgrading to DMFAS version 6 have found it even more relevant than older versions, among other reasons because of its inclusion of domestic debt in the system, and its greater accessibility because it is web-based.

**Effectiveness.** Clients indicate that DMFAS has had an important impact on establishing an adequate information system for debt recording, and to a somewhat lesser degree, in improving the national capacity to analyze the debt structure. The programme is clearly recognized as an important planning and management tool. At the same time, the MTR concluded that the programme falls short of its full potential, and there is scope for enhancing its impact by further tailoring the programme to local needs at the country level. Examples include greater utilization of the debt portfolio analysis module; the development of a module to accommodate the recording of hedging instruments (derivatives); the design and implementation of working interfaces with IFMIS, MTDS, DSA, and other systems that complement DMFAS; and, a more comprehensive recording and validation of private non-guaranteed debt, given its rapid growth relative to public and publicly guaranteed debt.

Effectiveness and impact of the collective efforts of debt management service providers, including DMFAS, could also likely be enhanced through more intensive coordination.

**Efficiency.** Lacking adequate data for an informed analysis, the MTR could not reach a conclusion about the overall “value for money” of the DMFAS programme. But most clients did express the view that DMFAS provides a cost-effective solution for their needs. However, it was clear from the clients that while the *quality* of DMFAS products and services was considered high, the *timeliness* of delivery is sometimes an issue. Almost one-quarter of DMFAS clients surveyed indicated that they faced significant delays, and a quarter also rated the ability of UNCTAD to modify the system in order to meet the evolving needs of the country in a timely manner as “poor”.

DMFAS Management has indicated to the review team that cost efficiencies have been achieved in the programme by lowering staff costs, outsourcing systems development and related support services, introduction of new Helpdesk tools and an improved Monitoring and Evaluation Framework.

**Sustainability.** At the country level, the sustainability of the DMFAS program is related to the issue of staff turnover, an issue that goes far beyond debt management, and which is endemic in developing countries facing a chronic shortage of skilled personnel. The capacity of DMOs depends directly on the skill levels of staff. Capacity normally suffers if trained staff depart. Paradoxically training, including that provided through DMFAS, which imparts skills to beneficiaries and hence increases their potential mobility, may enhance turnover. Sustainability at the country and institutional level can best be enhanced within the context of a human resources strategy that helps ensure that beneficiaries, or their skills, are retained for longer periods in the positions and institutions for which they are trained.
As to the financial sustainability of the DMFAS programme itself, this cannot be guaranteed in the long run. The need to enhance the programme’s sustainability assumes that for the foreseeable future, there will be a continuing need for its products and services, which is a reasonable assumption to make in the case of the low-income countries. There is some scope for a greater contribution to the financing of the programme via a graduation policy which would entail higher costs for clients as incomes rise to lower- and upper-middle income levels. However, the MTR concluded that anything beyond modest increases in maintenance and development fees for low-income clients would likely be resisted.

Given the significant challenges of enhancing the financial sustainability of the programme, a separate study is required to investigate alternative business models for DMFAS. The MTR identified key elements for such a study that could be undertaken in advance of the next Strategic Plan.

8. Recommendations

Relevance

The DMFAS Programme should build on its capacity in the downstream activities of debt management which are debt recording, data validation and reporting, preparation of statistical bulletins and basic debt portfolio analysis. The user countries need to build capacity for upstream activities leading to the preparation of borrowing plans and strategies. Countries need to estimate sustainable levels of public sector borrowings on an annual or multi-year basis. This requires capacity to be built up for debt portfolio analysis and risk management, debt strategy formulation and DSAs. If the Programme continues its focus only on the former, it needs to work closely with the partner institutions working on the upstream activities such as the IMF and World Bank to ensure that the full DM needs of developing countries are met. Attention needs to be paid by DMFAS to the training of staff in these upstream areas.

Effectiveness

Many countries have difficulties in collecting data on private sector external debt and consequently these are not recorded. Central Banks have to work closely with commercial banks and other financial institutions to collect this data and introduce regulations to require borrowers to report them. It is recommended that the Programme works to a greater extent with user countries to achieve this objective when version 6 is installed. This will improve the capacity of the user countries to participate and report to the DRS and other external debt databases.

The Programme continued to update the capacity building modules on debt statistics and debt data validation during the first half of the Plan period. These have taken account of the international standards set in the PSDS Guide and by the TFFS. Software is upgraded when a major development is undertaken such as version 6 in 2009 and at other times depending on the number of countries needing/requesting the upgrades. Funding is a major constraint for this, and affects the timeliness of response, and the Programme should deal with it when formulating the next business plan.
The responses to the survey indicate that there is a high degree of complementarity between DMFAS and other service providers of DM technical assistance and there is little evidence of overlap with or duplication of assistance provided by the World Bank or the IMF. The high degree of complementarity is not surprising, given the emphasis placed by the all the principal partners to provide either upstream services or downstream services. The MTR came to the conclusion that greater coordination between the main service providers (The World Bank, IMF, UNCTAD and COMSEC) should be enhanced through a Coordination Committee that met on a regular basis in order to ensure that synergies among this group of service providers are optimized and that any potential conflicts are resolved.

The indicators chosen to measure performance of the two immediate objectives of the Strategic Plan are comprehensive and adequate. The Logframe does have an indicator to measure performance relating to the collection of PNG debt, although the current Strategic Plan focuses on PNG debt to a more limited extent than other types of debt. Given the increasing importance of this category of debt for user countries, the Programme should advise them, particularly the institution responsible, of the best way of collecting the data. An indicator should be added under expected output 1.2 of Objective 1 to determine the extent of the reporting that is done to the QEDS database.

At the time of writing, 64 developing countries agreed to participate and 38 have provided data to the recently-initiated PSDS database, which includes both domestic and external debt. Domestic debt constitutes an increasingly significant portion of developing countries’ overall debt profiles, yet does not receive the attention it deserves in current systems of debt recording and analysis. By virtue of encompassing domestic as well as external debt, DMFAS version 6 can make a critical contribution to the comprehensiveness and coverage of the PSDS database. DMFAS should accordingly encourage more of its clients to report to PSDS. For example, an indicator should be added under expected output 1.2 to determine the extent of the reporting that is done to the PSDS database.

In the opinion of the Review team, the governance and management structure works well for the DMFAS Programme given its current focus. However, consideration should be given to establishing a smaller group from among the Advisory Group to represent the users who could meet more frequently than at the Debt Conferences every two years. There are financial implications to this suggestion.

The Programme assists countries to build up loan databases on PPG external debt and total public debt and related downstream activities. While concentration on data is needed, should the Programme provide support for borrowing plans and related strategies, as recommended above, specific collaboration with the Debt and Finance Analysis Unit in these areas would be beneficial, because of the latter's research and analysis work on developments in global and domestic financial markets.

28 The management of the DMFAS Programme takes the view that if clients feel that monitoring PNG debt is not a priority, and do not ask for support in this area, the Programme cannot insist that more be done. However, in the opinion of the Review team DMFAS should recognize that under-reported PNG debt constitutes an area of potential vulnerability and risk for their clients from sudden changes in the global economic environment, as occurred in the Asian financial crisis and the ongoing European debt crisis.
Efficiency

Outsourcing of training to regional or other organisations are options that should be explored. E-learning modules have been developed for training in public debt management and the use of the DMFAS software. One donor recommended the increasing use of e-learning for this purpose which is in accordance with the DMFAS Capacity Building Framework. It would also be useful to review the experience of the COMSEC with the software training module that was developed in collaboration with the Commonwealth of Learning for lessons that it could provide. The possibility of using regional centres for DMFAS training should be explored due to the possibility of using expertise from other countries in the region for considerations of cost and the knowledge of the working environment.

There are several benefits achieved from decentralisation. There could be better response times to country requests, increased awareness of country needs, improved coordination with other providers and higher participation in regional activities such as training workshops. Peer learning would also be facilitated by a centre arranging bilateral or multi-national exchanges. At the same time, decentralisation involves several risks to the management of the Programme. There is the major challenge of meeting the demands of the country in which the centre is located without neglecting the needs of other regional users. Views were expressed that the location of the centre in a MoF makes it difficult to fulfil an effective regional role. Further, secure funding should be obtained for 3-4 year periods before new centres are opened.

Sustainability

A common challenge in DMOs is the turnover of staff trained for specialized positions in it. Training may contribute to the mobility and marketability of trainees. From the viewpoint of the sustainability of the DMFAS Programme, the allocation of resources to training at the country level would be more effective if it could be ascertained that beneficiary institutions and countries have in place a strategy to constrain staff turnover and thereby help assure that capacity-building benefits endure longer.

The graduation options that UNCTAD could suggest to user countries are the following:

a) the continued use of the DMFAS software and supporting services with donor funding and cost sharing until the country reaches upper middle income status;

b) on reaching upper middle income status the user country could graduate to a full cost recovery basis, change to a software developed internally or one that is developed by the private sector; or

c) only use peer learning services provided by the Programme without using the software.

When preparing a plan for determining future maintenance fees, it would be necessary to determine a time period over which the charges should apply such as the period of the Strategic Plan and expenditures monitored in relation to income. The classification of countries on the four income status categories should be used to levy charges based on an initial target perhaps of
20 percent of projected expenditures excluding the costs of systems development and related expenditures on training and documentation. When a major systems upgrade or a development is requested by a significant number of active user countries (such as one-third or more), the estimated costs less expected the contributions from donors should be divided among all active users and each institution should pay the charge when the software is installed and the training provided. As in the case of maintenance fees, the charges should be based on the income status of the countries. These issues should be included in the TOR for the preparation of the new business plan that will be done in 2014. It is recommended that the current Plan be extended by one year to 2015 to enable the next Strategic Plan to include the recommendations made. This would require the next Plan period to be 2016-2019.

When preparing the plan for maintenance fees and systems development payments, the donors should indicate the contributions they intend to make during the Strategic Plan period. The DMFAS Programme should also have discussions with prospective new donors to determine their interest and include their projected contributions in the projected revenues for this period.
Persons Interviewed

1. Michele Chiappini   DEVC O E3, European Commission
2. Robert Heath and staff    Statistics Department, IMF
3. Richard Kozul-Wright Division on Globalization and Development Strategies, UNCTAD
4. Ibrahim Levent   Debt Data Group, World Bank
5. Yuefen Li Debt & Development Finance Branch, UNCTAD
6. Matthew Martin   Debt Relief International
7. Ingrid Marie Mikelsen  Ministry of Foreign Affairs (Norway)
8. Raphael Otieno   MEFMI
9. Ugo Panizza   GIIDS, Geneva
10. Abha Prasad Debt Management Facility, World Bank
11. Arindam Roy   Debt Management Section, COMSEC
12. Rosmarie Schlup SECO (Switzerland)
13. Niels Schütt   BMZ (Germany)
14. Eriko Togo Monetary and Capital Markets Department, IMF
15. Irene van Hofwegen Ministry of Foreign Affairs, Netherlands
16. Pieter van Sloten Ministry of Foreign Affairs, Netherlands
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