

UNCTAD's Seventh Debt Management Conference

9-11 November 2009

Capacity Building Needs in Debt Management: *Zimbabwe's Perspective*

by

Mr. Gift Gumbira

A/Deputy Accountant General

Ministry of Finance

Republic of Zimbabwe

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

UNCTAD 7TH DEBT MANAGEMENT
CONFERENCE
9 – 11 NOVEMBER, 2009



ZIMBABWE

Palais des Nations, Geneva

**CAPACITY BUILDING NEEDS IN DEBT MANAGEMENT:
ZIMBABWE'S PERSPECTIVE**

Presented By

GIFT GUMBIRA

A/Deputy Accountant General

MINISTRY OF FINANCE, REPUBLIC OF ZIMBABWE



1. Introduction

- In Zimbabwe Public Debt Management is set up in both the Ministry of Finance and the Reserve Bank of Zimbabwe (RBZ)
- Ministry of Finance handles Government external and domestic debt
- RBZ handles all domestic debt and external debt contracted by Parastatals and the private sector.



1. Introduction (Cont)

- Domestic Debt is handled in the Accountant General's Department as back office and Domestic Finance Division as front office in the Ministry of Finance
- External Debt is handled in both the Accountant General's Department as back office and the International Finance Division as the front office
- In RBZ External Debt is handled in the External Sector of the Economic Research Department.



2. Capacity Building needs in Public Debt Management

- Capacity building in public debt management is critical for the country to achieve debt sustainability and effective debt management to achieve National Development Goals
- Institutional and technical capacity building needed in order for the country to achieve effective public debt management
- Zimbabwe needs capacity building in the following functions in Public Debt Management



2. Capacity Building needs in Public Debt Management (cont)

● **Back Office Functions**

- Zimbabwe uses DMFAS to maintain its debt database
- It is critical for the country to have a comprehensive and validated debt database in order to produce accurate, relevant and reliable debt reports.
- Since the country has been accumulating arrears, the debt data officers have faced challenges in reconciling figures with creditors such as the World Bank, KFW, EIB and the ADB, particularly on the computation of penalty interest on DMFAS



2. Capacity Building needs in Public Debt Management ((cont)

- **Back Office Functions (cont)**
- Officers in the back office need continuous training in DMFAS to facilitate production of high quality reports on debt.
- More officers should be trained in debt data recording, validation, reconciliation and reporting on DFMAS, especially due to staff turnover



2. Capacity Building needs in Public Debt Management ((cont)

- **Back Office Functions (cont)**
- The IT programmer needs to appreciate the functionalities of DMFAS in order to provide effective support services to the users
- Zimbabwe needs to carryout a reconciliation exercise with creditors to validate the debt data



2. Capacity Building needs in Public Debt Management ((cont)

- **Front Office Functions**
- Front Office personnel should be trained on how to mobilize resources from both external and domestic sources at minimum cost and with acceptable degree of risk exposure based on the country's borrowing strategy.
- Capacity building in the negotiation skills of the front office is required to facilitate debt re-scheduling arrangements or debt reorganization.

2. Capacity Building needs in Public Debt Management ((cont)



● **Front Office Functions (cont)**

- Officials in the front office should also be trained in monitoring and evaluation of projects
- Lawyers from the legal and civil division need training in the debt contraction and dispute resolution process
- There is need for continuous training of staff in debt management due to staff turnover
- Assistance is needed for the procurement of the appropriate hardware and software for all functions of the debt management



2. Capacity Building needs in Public Debt Management ((cont)

- **Middle Office Functions**
- There is urgent need to capacitate Middle Office for debt management to ensure it performs its functions including undertaking frequent Debt Sustainability Analysis to assess future debt service obligations and identify deviations from approved benchmarks especially those relating to currency composition, interest rate composition and maturity structure.



2. Capacity Building needs in Public Debt Management ((cont)

- **Middle Office Functions (cont)**
- The middle office needs to be strengthened for more rigorous analytical skills particularly in the area of Risk Analysis and Sustainability Analysis.



3. Capacity to Carryout Debt Sustainability Analysis

- In August 2009 Zimbabwe conducted a partial Debt Sustainability Analysis Workshop
- It became clear that the capacity for the country to conduct an independent DSA was inadequate
- The training received so far is not sufficient for officials to be able to do the DSA independently without assistance.



3. Capacity to Carryout Debt Sustainability Analysis (cont)

- Previous training involved data collection and input into consultant's models.
- The analysis would then be done with the consultants guiding the process.
- All previous Debt Sustainability Analysis were carried out with such technical assistance
- Technical assistance is, therefore, needed to capacitate staff in the Ministry to do DSA independent of consultants



3. Capacity Building in Formulation of Debt Management Policy and Strategy

- Currently there is no debt policy in place to form the basis of all future debt strategy formulation in conformity with best practices in debt management
- Capacity building is therefore required to facilitate the formulation and implementation of policies and strategies in debt management.



4. Migration to DMFAS 6.0 Version

- The country is preparing for the migration from DMFAS 5.3 to DMFAS 6.0 Version which can operate on a fiber platform and will be web-based in 2010
- This would make it possible to consolidate the database that currently resides at the MOF and RBZ
- The Government is hence seeking assistance in the procurement of appropriate hardware and software in preparation for migration to the DMFAS higher version



5.

DEBT MANAGEMENT OFFICE (DMO)

- The Government would be seeking UNCTAD's assistance in installing the new version and conducting training for the system operators and the IT staff.
- Zimbabwe appreciates the need to establish a DMO in line with international best practice in debt management
- Going forward, the country looks forward to further assistance in the institutionalization and implementation of the DMO

5. DEBT MANAGEMENT OFFICE (DMO) (Cont)



- The Government would therefore seek assistance in the requisite capacity building needs and development of appropriate legal, institutional and operational frameworks to guide the operations of the DMO



I THANK YOU