



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

DMFAS

DEBT MANAGEMENT AND
FINANCIAL ANALYSIS SYSTEM

NEWSLETTER

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This is the first issue of the DMFAS users' newsletter. We hope it will be useful for you. In this and future issues of the newsletter, we will aim to keep you up-to-date with developments in the system, our current activities, and our plans for the future.

But we would also like you to keep us up-to-date. Tell us what's going on in the debt office in your country, who has joined, who has left. Tell us how you're using the system, what innovations you've made, what problems you've had. We hope you will use this newsletter as a way of communicating with other users of the DMFAS, a place to share ideas and problems, or to ask questions. The newsletter will come out twice a year, and we hope that the next issue will contain letters from you. Tell us what you need.



WHO USES THE DMFAS?

Burundi
Costa Rica
Djibouti
Egypt
El Salvador
Ethiopia
Guatemala
Haiti
Honduras
Indonesia
Nicaragua
Pakistan
Philippines
Rwanda
Togo
Trinidad and Tobago
Uganda
Zambia
Zimbabwe

WHAT IS DMFAS?

The question of debt has been extensively examined within UNCTAD since the first session of the Conference. Already before the debt difficulties of the developing countries came to world-wide attention with the Mexican crisis in 1982, UNCTAD had turned its attention to possible ways and means of alleviating the debt burden. In 1976 two proposals were put forward within the UNCTAD machinery, on one of which a compromise agreement was reached at a special session of UNCTAD's Trade and Development Board (TDB) in 1978 on identification of specific features for multilateral negotiations of bilateral debt (resolution 165(S-IX)). On the basis of this resolution, at the request of interested debtor countries, the UNCTAD secretariat started to attend Paris Club meetings in the Autumn of 1987. Due to its participation in the Paris Club, and to its accumulated experience dealing with the debt problem its

economists came to know at first hand the strengths and weaknesses of debt management systems in a large number of countries. As a result UNCTAD considered that enhancing the capacity of developing countries to manage their foreign debt would make a significant contribution to clarifying some aspects of the debt problem and in general lead to better resource management. The focus of UNCTAD's technical assistance so far has been on the development and installation of software for a computer-based debt management information system - the Debt Management and Financial Analysis System (DMFAS). The DMFAS has been designed to assist debt management offices (usually in the Ministry of Finance or the Central Bank) in the recording, monitoring and analysis of external debt and other financial flows, and it has been set up both on microcomputers and in mainframe environments.

DMFAS SEMINARS IN GENEVA AND MEXICO

A new version of the DMFAS, 4.1, was recently released after extensive testing. UNCTAD is particularly grateful to the Government of Indonesia for its help with this. Before installation in countries already using the system, two seminars were held, in Mexico (8 July - 19 July 1991) and Geneva (16 September - 4 October 1991), to provide debt managers with a thorough knowledge of and practice in the new version.

Nine participants at the seminar in Cuernavaca, Mexico represented the five Central American countries. Four French-speaking and eight English-speaking countries took part in the seminar in Geneva. Algeria and the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) were present as observers.

On the penultimate day of the Geneva seminar a Round Table was held with all participants and the DMFAS team. Two main issues were ad-

ressed: first, the DMFAS software package and the participants' requirements for future versions, and, secondly, the factors which have affected successful installation of the system. Comments, suggestions and queries were made concerning the DMFAS in terms of raw data, reports, documentation and manuals, system characteristics and other technical aspects.

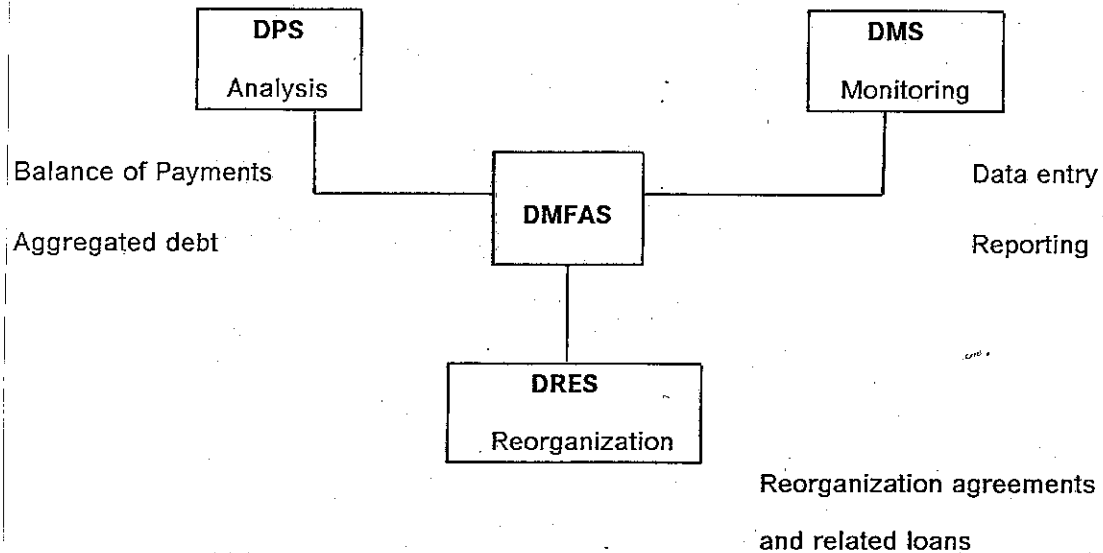
The Round Table produced a useful exchange of views, particularly on technical issues. The UNCTAD team received a clear idea of countries' requirements, and participants were informed of the planned improvements to the system.

Both seminars were felt to have been a success. Participants gained extensive training in the new version of the DMFAS and UNCTAD received useful feedback on the system.

HISTORY OF THE DMFAS

- 1978 UNCTAD begins participating in Paris Club meetings.
- 1980 By this year many requests received from countries for help in preparing for Paris Club negotiations, and the urgent need recognised for a computer-based debt management system.
- 1981 Discussions begin in UNCTAD to develop such a system.
- 1982 The debt crisis breaks. DMFAS is born.
- 1983 First installation of version 1 of DMS in Costa Rica. Work on version 2 starts. First PC received and work starts on PC version of DMS.
- 1984 System installed in Liberia, Madagascar and Bolivia. System developed in response to countries' requests and within framework of country projects. Beginning of development of DPS.
- 1985 First "official showing" of DMFAS at World Bank conference on debt. Demand grows for system. French and Dutch bilateral assistance begins.
- 1986 Project begins in Egypt.
- 1987 Version 3 of DMFAS (DAS and DMS running concurrently). First annual training seminar in Geneva. Belgian, German and Norwegian assistance begins.
- 1988 Regional project to instal the system in the five countries of Central America. Development of DMFAS version 4 (including DRES).
- 1989 First test and installation of version 4 in Pakistan and Egypt, where project is successfully concluded. Version 4 also installed in five Central American countries. Italian bilateral assistance begins.
- 1990 By this year, projects running successfully in 19 countries of Latin America, Africa, Asia and the Caribbean. Version 4.1 developed.
- 1991 Test of version 4.1 in Indonesia. First installation of version 4.1 in Egypt and the five Central American countries. Seminars in Geneva and Mexico on version 4.1. British bilateral assistance begins. Start of Joint Programme between UNCTAD and the World Bank.

ARCHITECTURE OF THE DMFAS SYSTEM



TECHNICAL FOCUS

A regular column in this newsletter will offer advice and suggestions on using the system. In this first issue we offer you some ideas on computer maintenance and BACKUPS. As some of you will already know, to your cost, the worst disaster that can occur is losing data. To make sure this doesn't happen, backups of all important files must be regularly maintained.

(1) Take regular backups of all important indexed data files. Establish a written procedure, i.e. backups to be taken on a daily, weekly or monthly basis.

(2) PREVENTIVE MAINTENANCE

From time to time restore these backups in order to clear unwanted information (e.g. deleted records) from the index areas of these files. This type of 'clean up' eliminates sequence errors, for example, and could be carried out on a monthly basis. As a general rule, if a file has only been updated a few times during the period, it is not necessary to restore it.

(3) Before carrying out the restore from backup diskettes, remember to take an additional backup of the file in its original format with, for example, DOS BACKUP or PC Tools. This makes it easy to restore the original file if unexpected anomalies arise in the restore activity itself.

(4) Trouble shooting. If the file that is being restored has a defective backup, then this could mean that the index of the original file was already corrupted. If this is the case, refer to the EDP staff of your section (since they are familiar with file structures etc.) or call UNCTAD in Geneva. Remember that you can always recreate the defective file from the backup taken in step (3) above. In this way the indexed file, even though it contains indexing errors, can be used until a way of removing these errors has been found.

UNCTAD AND THE PARIS CLUB

Compared with the peak years of 1989 and 1990, in 1991 activity in the Paris Club slowed down: by October 1991, only 12 debt rescheduling agreements had been signed, compared to 21 in the 1989-1990 period. This does not mean, however, that pressures for debt relief have lessened. In fact, by autumn 1991, about 30 countries were candidates for future reschedulings. The delays experienced by these debtor countries reflect the difficulties experienced in concluding new arrangements with the IMF, a precondition for Paris Club creditors to agree on a debt rescheduling meeting. In addition, for some debtor countries the date of a new Paris Club meeting has been postponed, whilst creditor member countries come to a decision on the United Kingdom's proposal, made in September 1990, for better treatment of indebted low-income countries (the so-called Trinidad terms).

In spite of this slowdown in activity, 1991 has been an eventful year for the Paris Club. Two major debt reduction agreements were concluded, for Poland and Egypt. These two agreements constitute historic deals: they mark a major advance in international debt strategy by introducing the concept of official debt reduction for middle-income countries and by applying the reduction to the entire stock of debt. Both agreements provide for a reduction of 50 per cent in the net present value of the debt stock, in various stages. The deals are also exceptional because of the size of the amounts involved. Altogether about \$24.5 billion of debt will be forgiven. In both cases,

creditor countries indicated that the treatment granted was exceptional and should not be viewed as a precedent. On the other hand, they show that, 'under particular circumstances', the Paris Club can demonstrate flexibility, and more. There also might be other important developments concerning the terms applied to debt rescheduling for poorer countries; next on the Paris Club's agenda are discussions on improved terms for low-income countries.

As part of its activities on debt, UNCTAD has been following developments on bilateral official debt closely, and reporting on such developments in its various publications. Over time UNCTAD has acquired a large experience in Paris Club negotiations. Since 1978 it has participated in over 150 Paris Club meetings dealing with the debt of some 45 countries. At such meetings, UNCTAD presents a statement on the economic circumstances and future prospects of the debtor country. This statement seeks to make the case for the appropriate nature and extent of relief to be accorded in the overall context of the debtor country's adjustment and development efforts and its need for long-term finance. Upon request from a debtor country, the UNCTAD secretariat can also provide assistance to the country in (a) preparing its case for submission to the Paris Club, (b) elaborating a strategy for the negotiations before the Paris Club meeting, and (c) examining creditor countries' counterproposals during the meeting and devising a fall back position.

DMFAS AND THE DONORS

UNCTAD's debt management activities have been funded mainly through UNDP-financed country and regional projects. However, an increasing proportion of expenditures is being contributed by bilateral donors, from 21% in 1986, and 36 % in 1989 to 55 % in 1990. The Federal Republic of Germany contributed US\$268,400 between 1987 and 1989 in the form of associate experts and attendant costs; Belgium US\$172,100 during the same period, also for associate experts; while Norway since 1987 has supported activities with US\$157,000 for an associate expert and \$101,400 in programme support. The Netherlands has given US\$192,800 as a programme contribution and US\$175,200 to support debt management in the least developed East African countries. Italy has made a general programme contribution of

US\$251,600, and the United Kingdom, since mid-1991, has funded a professional post. France has since 1985 put at the disposal of DMFAS a senior expert in debt management.

Bilateral funding is of great importance, both in helping governments to maintain and service existing installations after the termination of UNDP-financed country projects, and in assisting in the design and development of an enhanced decision support system and tool for developing country policy makers. Once systems are up and running the need for interregional, e.g. bilateral, funding increases dramatically. The software needs to be upgraded from time to time, new versions distributed to countries, training courses provided and monitoring missions undertaken.

UNCTAD/DMFAS AND THE WORLD BANK

Following consultations with UNDP on external debt management, and in particular the emphasis on better co-ordination among technical assistance agencies in that area, an agreement, in the form of a Memorandum of Understanding, has been reached between UNCTAD and the World Bank on a joint programme to provide debt management technical assistance services to developing countries, to be co-sponsored by UNDP, UNCTAD and the World Bank. The programme is designed to co-ordinate the debt-related activities provided by these institutions, to eliminate duplication of effort and to enhance the quality and delivery of debt-related technical assistance.

In 1991, UNCTAD and the World Bank, with UNDP financing, initiated the development of a joint standard computer-based debt management information system software package (CBDMS) drawing upon the accumulated collective experience of their debt data management sections and

reflecting the most recent state-of-the-art computer technology. The new software will give Governments a better capacity to analyze the different components of an external resource policy.

During the time that the new system is under development, joint World Bank/UNCTAD technical assistance projects in debt data management will use version 4.1 of DMFAS as their CBDMS. The new system itself will take into account the need to migrate from prior CBDMSs offered by both institutions.

Enrique Cosio-Pascal and Pekka Sankala of UNCTAD visited Washington in December to discuss a work plan with the World Bank. During their mission it was agreed to integrate the World Bank's Debt Strategy Module (DSM) into the DMFAS. Work on the interface will start in February 1992 and the joint UNCTAD/World Bank system will be released with version 4.1 Plus in the third quarter of 1992.



DMFAS USERS' CLUB

At the seminar held in September in Geneva there was quite a lot of talk about setting up a users' group of people working with the DMFAS in different countries. This could provide users with an informal forum in which to discuss experiences of the system, innovations or problems encountered.

LOOKING TO THE FUTURE -

VERSION 4.1+ AND VERSION 5.0

The UNCTAD secretariat is committed to the perfecting of the DMFAS and to updating the system in line with changes both in information technology and international financial techniques. System updates are offered to all users. At the moment the following developments are in the pipeline: Version 4.1+ is planned for release third quarter 1992. It will incorporate many of the suggestions made at the Round Table at the recent seminar.

Version 5.0 (to be released in September 1994) will be a major step forward from previous versions of the DMFAS. It will be written in a fourth generation computer language and will not only be easier to use but will also have greatly increased functionality.

BOOK REVIEWS

In this section we will be presenting reviews of publications that might be of interest to those involved in debt management.

Trade and Development Report, 1991, United Nations Conference on Trade and Development, New York.

The 1991 Trade and Development Report focuses on the recession in the world economy, and the rapid changes which have taken place both in response to events such as the Gulf War, and to the experiences of economic liberalisation underway in much of the developing world. The report's three sections deal, respectively, with current developments in the world economy, finance, investment and savings, and selected issues in the Uruguay Round of GATT. Chapter IIB discusses various aspects of borrowing by developing countries. An overview of the external debt

situation reveals that the growth of borrowing from international capital markets slowed in 1990 and the creditworthiness of developing countries, apart from those of South and South-East Asia, continued to be unfavourably perceived. This overview is followed by an analysis of the costs and other terms of private export credits, initiatives on external debt renegotiation, both bilateral and with commercial banks (including examination of the Craxi report, the Brady initiative, and a comparison of the Toronto and Trinidad terms) and developments in the Paris Club.

(United Nations publications may be obtained from bookstores and distributors throughout the world. If you have difficulty obtaining publications locally, write to: United Nations, Sales Section, Palais des Nations, 1211 Geneva 10, Switzerland)

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