40th Anniversary Briefing on the DMFAS Programme

Strengthening public debt management:

A briefing on UNCTAD’s DMFAS Programme
• About the DMFAS Programme
• Problems addressed and solutions
• Synergies, cooperation and coordination
• Results-based management and impact
• DMFAS funding
UNCTAD’s DMFAS Programme

• Technical assistance in public debt management

• Multi-partite initiative: shared costs and responsibilities with supported countries, donors, UNCTAD

• Supporting 112 institutions (CB, MoF) in 74 countries since 1981

Our mission:

Assist countries in strengthening Governments’ capacity to manage their debt effectively and sustainably, in support of poverty reduction, development, transparency and good governance
Development context

- Debt-based finance a key component of countries’ financing strategies
- National capacity for sound debt management is critically important for sustainability
- Availability of comprehensive, accurate and timely information on public debt is essential

However:

- Serious concerns about the overall outlook for external debt sustainability in developing countries
- Debt data transparency is a major concern
- Many countries lack the capacity for effective debt management

Monitoring and prudent management of liabilities an important element of comprehensive national financing strategies and critical to reducing vulnerabilities

Addis Ababa Action Agenda
Problems addressed

Incomplete or unreliable debt databases
• Despite improvements, still significant problems with quality of public debt data
• Problems with timeliness, accuracy and completeness of recording
• Limited coverage of public debt is common problem

Weak debt reporting and transparency
• Limited information flows and access to debt data
• Inadequate knowledge of reporting standards
• Weak debt transparency undermines country’s capacity to effectively manage its finances and limits ability of international community to provide support
Problems addressed

Increasing complexity of debt landscape
- New, more complex debt instruments
- Evolving composition of the public debt portfolio

Low capacity to adapt to changes
- High staff turnover
- Low staff capacity and limited access to capacity-building
- Inadequate information technology and low capacity to keep up with changes

Growing demand and limited resources for technical assistance in debt management
Importance of high-quality debt data

Comprehensive, timely, reliable debt data

- Sustainable development
  - Debt sustainability
    - Poverty reduction
    - Lower-cost borrowing
    - Reduced debt distress

- Transparency
  - Better governance
  - Improved reputation

- Well-informed decisions
  - Coordinated policies

- Medium-term debt strategies
  - Debt sustainability analysis
  - Borrowing plans

- Accurate, timely debt servicing
  - Effective debt reporting
  - Reliable debt statistics
Consequences of low-quality debt data

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- Accurate, timely debt servicing
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- Reliable debt statistics
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- Lower-cost borrowing
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- Consequences of low-quality debt data
Importance of low-quality debt data

- Damaged reputation
- Poor planning & decision-making
- Weak coordination
- Lack of information

- Debt distress
- Increased vulnerability
- Higher cost of borrowing
- Difficulty securing funding
- Poor planning & decision-making

Importance of low-quality debt data
Current data quality situation

Legend: Debt data and reporting is:
- Complete and of high integrity
- Significantly incomplete and inaccurate
- High standard with minor problems
- Insufficient data at the time of elaboration
- Fair quality, but gaps and reconciliation problems

Source: Ratings are based on Performance Indicator 17(i) of the latest Public Expenditures and Financial Accountability (PEFA) national assessment, publicly available, supported by publicly available Debt Management Performance Assessment (DMMP) reports and records of UNCTAD's Debt Management and Financial Analysis (DMFAS) Programme.
DMFAS solutions

• Provision of public goods for debt recording, monitoring, reporting
• Focus on areas of comparative advantage – downstream debt management
• Integrate international standards and best practices
• Synergy and cooperation with other organizations
• Commitment to continuous and adaptable response to countries’ evolving need

Sustainability requires a long-term continuous, iterative process of learning and adapting to change!
DMFAS helps countries to climb the debt management ladder through:

- Provision of DMFAS software
- Portfolio of proven capacity-building services
- Traditional, virtual, hybrid training
- National, regional and international events
- Customized technical assistance projects
“There is evidence that [DMFAS] strategic planning is based on both constituent priorities and informed by the latest innovation, good practice, … and feedback from key stakeholders at other agencies.”

MOPAN 2019 Assessment of UNCTAD
DMFAS History

1981
DMFAS 1.0

1985
DMFAS 3.0

1990
DMFAS 4.0

1995
DMFAS 5.0

2000
DMFAS 5.1

2005
DMFAS 5.2

2010
DMFAS 5.3

2015
DMFAS 6.0

2022
DMFAS 7

Web-based application

Mobile application

COBOL Programming

Oracle
Countries supported

DMFAS services used by 60 countries

Income distribution of DMFAS users

- Latin America and the Caribbean: 13
- Middle East and North Africa: 9
- Europe and Central Asia: 9
- South and East Asia: 8
- Sub-Saharan Africa: 21

Income distribution:
- LIC: 25%
- UMIC: 30%
- LMIC: 43%
- HIC: 2%
Governance structure

Quadrennial UNCTAD Conferences → UNCTAD Secretary-General → UNCTAD Trade & Development Board

DMFAS Advisory Group

Biennial meetings
Annual reporting

Supported countries → Bilateral donors

Annual meetings
Annual reporting
Financial structure

**Programme Trust Fund**
DMFAS core activities:

- Development of Public Goods
  - Specialized Debt Management Software
  - Capacity Building Modules
  - Help Desk/Maintenance Support

**Country Project Trust Funds**
activities specific to a country/institution:

- Delivery of Public Goods
  - DMFAS Software Installation
  - Technical & Functional Training
  - Capacity Building & IFMIS

**Financed through:**

- Programme Trust Fund
  - Bilateral Donors
  - Cost Sharing & Cost Recovery
  - UNCTAD Contributions

- Country Project Trust Funds
  - Self-financing
  - Donors

**Overall, the programme is clearly recognized as ... a cost-effective solution to building core capacity.**

*Independent Evaluation 2018*
Results–based management

• Four-year strategic plans with well-defined objectives and expected results
• Annual reports with review of performance indicators
• Regular independent evaluations

... Programme objectives are well-delivered, and the Programme is highly effective in the areas of debt recording and reporting.

Mid-term review conclusions (2018)

Overall satisfaction with the Programme of donors, clients and partners is rated as very high.

DMFAS Advisory Group conclusions, November 2019
Impact: Increased debt database coverage

In 2021

91% of user countries have complete external central government and government guaranteed debt records in DMFAS

71% of user countries have complete domestic debt records in DMFAS
Impact: Increased debt statistics bulletins publication

Debt bulletins published on a regular basis

In 2021

38 countries publish debt statistics bulletins
Impact: Increased debt portfolio reviews production

In 2021, 36 countries regularly produce debt portfolio reviews.
Success story: Ethiopia

Ethiopia MoFED is using DMFAS in 1988
Started to publish debt statistics bulletins in 2008

<table>
<thead>
<tr>
<th>GOVERNANCE</th>
<th>IN THE 1980's</th>
<th>DMFAS SUPPORT</th>
<th>TODAY</th>
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<tbody>
<tr>
<td></td>
<td>No computerized database</td>
<td>Installation of DMFAS 4.1+, 5.3 and 6</td>
<td>Public debt data is recorded in DMFAS system &amp; used for operations, reporting &amp; analysis</td>
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<td>Reliance on hard copy records</td>
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<table>
<thead>
<tr>
<th>DEBT DATABASE</th>
<th>IN THE 1980's</th>
<th>DMFAS SUPPORT</th>
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<tr>
<td></td>
<td>Data not fully reliable</td>
<td>Functional training and data validation</td>
<td>Public debt data is complete, up-to-date and reliable in a single database</td>
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<tr>
<th>REPORTING</th>
<th>IN THE 1980's</th>
<th>DMFAS SUPPORT</th>
<th>TODAY</th>
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<tr>
<td></td>
<td>Complicated reporting procedures</td>
<td>DMFAS debt statistics workshops</td>
<td>Simplified reporting procedures Publication of quarterly Debt statistical bulletin</td>
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<td></td>
<td>Debt statistics not published</td>
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<tr>
<th>ANALYSIS</th>
<th>IN THE 1980's</th>
<th>DMFAS SUPPORT</th>
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<tr>
<td></td>
<td>Debt analysis produced on an ad-hoc basis</td>
<td>DMFAS debt portfolio analysis workshops</td>
<td>MoFED regularly produces and publishes an annual Debt Portfolio Review</td>
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<tr>
<th>INTEGRATION</th>
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<th>DMFAS SUPPORT</th>
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<tr>
<td></td>
<td>Debt management not integrated with other systems</td>
<td>IFMIS workshops</td>
<td>DMFAS is integrated with Treasury system for payments</td>
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Ethiopia has been using DMFAS for about three decades, and it would be impossible to manage Ethiopia's total public debt ... if it weren't for DMFAS.

Yohannes Hailu Tesfa
Director, Debt Management Directorate
Success story: Uganda

Uganda MoF and CB have been using DMFAS since the mid-1980’s

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<tr>
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<th>DMFAS SUPPORT</th>
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<tr>
<td>GOVERNANCE</td>
<td>Installation of DMFAS</td>
<td>Consolidated debt management functions at MoF (close coordination with CB)</td>
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<tr>
<td>Debt management functions split between MoF and CB</td>
<td></td>
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<tr>
<td>DEBT DATABASE</td>
<td>Functional training and data validation</td>
<td>Single consolidated debt database</td>
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<tr>
<td>Several non-consolidated debt databases</td>
<td></td>
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<tr>
<td>REPORTING</td>
<td>DMFAS debt statistics workshops</td>
<td>Regular publication of debt bulletins &amp; reporting to international databases</td>
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<td>Mainly internal reporting</td>
<td></td>
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<tr>
<td>ANALYSIS</td>
<td>DMFAS debt portfolio analysis workshops</td>
<td>Regular analysis to select optimal funding sources</td>
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<td>Limited to selecting among multilateral creditors</td>
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<tr>
<td>INTEGRATION</td>
<td>Integration support</td>
<td>DMFAS is integrated with the public financial management system</td>
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<td>No integration of the debt database</td>
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I am expressing my deep gratitude to the UNCTAD for its continued support to debt management.

Jennifer Muhuruzi
Head of the Debt Management Office

Madagascar has been using DMFAS since 2001

Two DMFAS technical assistance projects

The situation significantly improved. All the public debt is now recorded in DMFAS ...

PEFA Report 2018

Thanks to DMFAS, our public debt management has become more transparent, effective and efficient, in line with the objectives of our decision-makers.

Volatantely Randrianjanaka
Treasury General Directorate of Madagascar
1. A forward looking plan for the DMFAS Programme
   - To deliver high quality and highly relevant services
   - Response to debt management needs
   - In support of efforts to meet SDGs

2. Focus on critical requirements
   - Strengthening debt data transparency
   - Coverage of General Government Debt & all debt instruments
   - Integration of latest reporting standards
   - Upgrade to latest technological developments
   - Expanded capacity development framework
Financing needs

• Strong support from committed group of current donors

• Actively seeking new donors to fill financing gap to achieve the full Strategic Plan 2020-23

• DMFAS estimates that USD 4.0 million in additional financing will be needed.

Conveys its appreciation for the donor community’s financial support to the DMFAS Programme and encourages donors to continue their support and requests that the Programme continue its efforts to expand its donor base.

DMFAS Advisory Group 2019
**Results framework 2020-23**

**Outputs**
- Government complete, up-to-date and reliable debt databases
- Enhanced knowledge of debt management best practices
- More effective debt reporting
- Improved operational risk
- Strengthened integration to Public Finance Management

**Outcomes**
- Better recording, processing, monitoring, reporting, disseminating and analysing the countries public debt
- Enhanced debt transparency
- Solid foundation for:
  - debt sustainability analysis
  - medium-term debt strategies

**Impact**
Governments manage their debt effectively and sustainably in support of poverty reduction, development and good governance
Conclusions

- Over 40 years, DMFAS has established a strong track record
- Programme remains very relevant in today’s environment
- Despite major improvements, there are significant problems in debt data and reporting quality in many countries
- Strengthening capacity for debt data recording and reporting particularly important
- Continuous high demand for DMFAS support from countries facing challenges
- DMFAS’ forward-looking strategy is designed to respond to countries’ pressing needs in downstream debt management, contributing to

strengthened debt transparency & enhanced capacity for effective debt management
Thank you!

Visit us at unctad.org/dmfas