



Eighth UNCTAD Debt Management Conference

Geneva, 14 - 16 November 2011

Capacity Building Needs in Debt Management: Responses from International Organisations

by

Mr. Jacob Mkandawire

Programme Officer, Debt Management

Debt Management Programme, Macroeconomic and Financial
Management Institute (MEFMI)

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



Capacity Building Needs in Debt Management: Responses from International Organisations

UNCTAD Eighth Debt Management Conference
14-16 November, 2011
Geneva
Switzerland

Presentation By: Jacob Mkandawire

Outline

- ❑ Introduction
- ❑ Capacity Building Needs
- ❑ Responses to capacity building needs
- ❑ Ongoing Responses to capacity gaps
- ❑ Implementation Strategy
- ❑ Conclusion

Introduction

□ Capacity building needs in debt management are identified through various assessment methodologies, including use of;

- Country self assessments,
- Technical missions by cooperating partners,
- ‘External’ impact and needs assessments,
- Medium term reviews among others.

□ MEFMI identifies capacity needs mainly through;

- Country self assessment using the HIPC-CBP framework,
- Assessment using the Debt Management Performance Assessment (DeMPA) tool,
- Regular interactions (Annual Debt Forum Series),
- Technical missions to countries, and
- Impact and needs assessments.

The identified needs are analysed to develop the appropriate responses to address the capacity gaps. MEFMI Work programme is developed based on the impact and needs assessment.

Capacity Building Needs in MEFMI States

There are various capacity building need in the countries. The main ones include;

❑ Human Capital. There is a lack of adequate skilled debt managers. This is compounded by high staff turnover in DMOs. Most countries have existence of DMOs.

❑ Institutional Arrangements. Fragmented debt management functions with weak coordination mechanism, is exacerbated by lack of documented operational procedures and guidelines in the DMOs. Critically, no procedures and guidelines exist for government guarantees!

❑ Legal framework. Debt Law reforms have been slow, pieces of legislation are scattered in the national laws. In some instances, the laws are rather ancient.

Capacity Building Needs in MEFMI States

- ❑ Back Office operations. Lack of comprehensive debt database on Computer Based Debt Management Systems (CBDMS). Domestic debt data is mostly on spreadsheets. Lack of expertise in using systems CS-DRMS, DMFAS is prevalent. Private sector debt data is not readily available.
- ❑ Interfacing of systems. Interfacing of systems is widely needed to achieve '**one stop shop**' for all financial transactions and information! However "Many aspire to possess it - Fewer achieve the mastery of it"...
- ❑ Debt management analytical skills. Need analytical skills to undertake analytical work e.g. Debt Sustainability Analyses (DSAs-DSF), Medium Term Debt Strategy formulation, macroeconomic forecasting, and analysis related to sovereign bond issuance.

Capacity Building Needs in MEFMI States

- Negotiations skills. Lack of negotiations skills for effective loan negotiation.
- Debt Audits. There is limited capacity to conduct effective debt audits. Lack of training on debt for Auditors has been identified.
- Debt reporting. Information on debt is not readily available to stakeholders.

Most of the identified capacity needs are continuously being addressed and are not at crisis levels, but are definitely cause for concern.

Responses to Capacity Building Needs

MEFMI and partners have responded to capacity needs of member states very actively:

☐ *Institutional reforms:*

- All member countries have a public debt management office or designated public debt department/section through TA generated reform plans.
- Operations are getting structured along functional areas front, middle and back office.
- MEFMI produced a generic debt management manual that countries are adapting to country specific requirements.

☐ *Debt data and database management:*

- Continued training through annual regional and in-country workshops.
- One designated staff at MEFMI trained on DMFAS and another on CS- DRMS to provide support to countries on capacity issues. Also training specialists through fellowship programme on both users side and IT administrators.
- Training on debt statistics and reporting

Responses to Capacity Building Needs

- ❑ *Enhancing Analytical Skills.*
 - DMF- Regional training on MTDS and DeMPA tool. Developing middle office specialist, awareness of DSF tool.
 - Practical quantitative hands-on training on analytical aspects of debt management, including spreadsheets, financial mathematics and risk modelling.

- ❑ *Resource Mobilisation (front office skills)*
 - Comprehensive regional training on loan negotiation and negotiation skills for middle to senior debt managers intensified - post HIPC era.
 - Training included tools, techniques and guides in negotiations.

- ❑ *Legal reforms*
 - Jointly with the Comsec legal Clinic; treasury counsels, advocates from Attorney Generals chambers were trained on the legal reforms necessary for effective debt management. This included responsible borrowing issues.

Summary of Outputs of key activities: Number of Events

Activity	Period								
	Phase I	Phase II	Phase III	Phase IV					
	1997-2001	2002-2006	2007-2011*	2012	2013	2014	2015	2016	2012-2016
Regional workshop	133	138	142	30	30	30	30	33	153
In-country workshop	15	43	57	25	25	24	24	24	122
Executive fora	17	23	8	2	1	2	1	2	8
Missions	85	43	60	20	19	19	19	18	95
Fellows development	2	1	2	1	0	1	0	0	2
Studies	11	5	13	4	4	2	3	0	13
Total events	263	253	282	82	79	78	77	77	393

* phase III outputs includes estimates to end 2011

Summary of Outputs of key activities: Number of Participants

Activity	Period								
	Phase I	Phase II	Phase III	Phase IV					
	1997-2001	2002-2006	2007-2011*	2012	2013	2014	2015	2016	2012-2016
Regional workshop	2,339	2,844	4,049	943	871	821	803	1,024	4,462
In-country workshop	327	963	1,002	590	590	560	560	560	2,860
Executive fora	184	328	103	30	60	30	60	30	210
Fellows development	21**	39**	33**	15	0	15	0	0	30
Total Participants	2,874	4,174	5,187	1,578	1,521	1,436	1,423	1,614	7,562

*phase III outputs includes estimates to end 2011

**recruitment during the phase only.

Ongoing Responses to Capacity Building Needs

☐ *Legal and institutional reforms:*

- Facilitating stronger compliance, greater coordination, avoidance of duplication or gaps and enhancing implementation of best practise in all aspects of debt management.

☐ *Back Office operations:*

- Further strengthening of back office operations (data and database management) through installation of updated versions of CBDMS,
- New focus on capturing domestic debt data on CBDMS,
- Collaboration with other stakeholders on accelerating systems interface.

☐ *Middle Office operations:*

- Enhancing in-country training on MTDS, DSA, DeMPA training,
- Developing middle office specialists for analytical work and risk modelling,- analytical skills for sovereign bonds issuance and domestic debt market development.

☐ *Front Office operations*

- Continued enhancing country capacities through training to improve negotiation skills, access to knowledge on sources of finance.

Ongoing Responses to Capacity Building Needs

Debt Recording and Reporting.

- Further training on new versions of CBDMS. Enhanced training on production of debt bulletin and publication of debt statistics on media such as websites.

Debt Audits

- Enhance collaboration on training of Auditors in collaboration with INTOSAI, AFROSAI and other audit institutions.

Other ongoing responses Include:

- Facilitating government securities market development,
- Developing debt management 'Reform Plans'

Implementation Strategy

- ❑ MEFMI's strategy in implementing the responses has been through implementing activities designed to achieve increasing levels of competence over a reasonable time frame.
- ❑ The focus is on improved outcomes and not completion of activities.
- ❑ This has assisted MEFMI provide strategic direction in debt management development and a good understanding by member states of why reforms are needed where necessary to enhance capacity.
- ❑ This has also enabled those involved in implementing activities after training to engage in actual reforms.

Conclusion

- ❑ A lot of capacity improved has been registered in the MEFMI region in the last decade
- ❑ However, gaps still exist and need to be addressed by the countries with assistance from partners like MEFMI, World Bank, IMF, UNCTAD and others to achieve sound practice .
- ❑ The process is not all smooth, there are challenges faced by the countries and international organisation in the process.
- ❑ Critically however, the willingness and commitment to enhancing debt management operations by the Countries in need of capacity building, is fundamental to the success of the responses from international organisations.

Thanks for Your Attention

Email: capacity@mefmi.org

www.mefmi.org