GLOBAL CONTEXT

Debt-based finance, as recognized by the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, is a key component of countries’ strategies for financing the investments needed to meet the targets of the Sustainable Development Goals. The importance of maintaining external debt sustainability and of national capacity for sound debt management is also emphasized.

In the current global environment of low interest rates, combined with new forms of borrowing, proper debt management contributes to the formulation of critical financial policies and strategies, and consequently, to improvements in financial stability, risk identification and the enhancement of good governance.

It is widely accepted that timely and comprehensive data on the level and composition of debt are a prerequisite not only for the effective management of public liabilities but also for the identification of the risks of occurrence of a debt crisis and the limitation of its impact. But it is also recognized that many countries lack the capacity for effective debt recording and reporting. This situation has serious consequences for effective debt management at the national level and for the ability of the international community to help avoid debt crises and to support the countries concerned.

The DMFAS Programme, one of the world’s leading providers of technical cooperation and capacity development in debt management, offers countries a set of proven solutions for improving their capacity to handle the day-to-day management of public liabilities and the production of reliable debt data for policymaking purposes. Its focus on debt data recording, reporting and monitoring (the downstream areas of debt management) complements the work of the International Monetary Fund and the World Bank, which focus primarily on data sustainability analysis and medium-term debt strategies (upstream debt management).

The Programme consists of a specialized debt management software, DMFAS, with related training (technical and functional), which greatly facilitates the work of the debt office, and a set of capacity-development activities in debt management, using a combination of traditional courses, e-learning and self-learning material.

HOW IS MANAGING DEBT MADE MORE FEASIBLE?

DMFAS projects are initiated at the request of Governments. The counterpart ministry or central bank that is involved throughout the process takes ownership of the project. Each project is customized based on the specific needs of the beneficiary country. The project covers the software and the training activities related to the installation and use of the system, as well as a series of capacity-development activities. Technical assistance projects typically cover the following types of activities:

- Technical training on installing and maintaining the system.
- Functional training in areas such as recording debt instruments, reporting and basic analysis.
- Capacity development in debt data validation, debt statistics, debt portfolio analysis and procedures (operational risks).
- Self-learning material on basic debt concepts, debt reorganization and government securities market and financial calculations.
RESULTS AND IMPACTS AT A GLANCE

Testimonies from DMFAS users back its practical solutions and results:

“This [DMFAS] would allow the Ministry of Finance to have world-class accounting and management of public debt.”
Ministry of Finance, Uzbekistan, 2019

“(We emphasize) the (DMFAS) programme’s continued essential role in assisting countries to build sustainable capacity for the effective management of public debt, particularly in ensuring the availability of high-quality debt data and statistics, and consequently assisting the international community to meet its commitments to promote debt sustainability as defined in the 2030 Agenda for Sustainable Development.”
DMFAS Advisory Group, 2017

“Thanks to the joint efforts of UNCTAD and of the DMFAS user team in Albania, we have established an accurate information system on external debt. Its advantages are quite evident in debt management decision-making.”
Vice-Minister of Finance, Albania

“DMFAS helped us manage our public debt in a more efficient and transparent manner and proved itself to be an indispensable tool in helping us during the last phases of the Heavily Indebted Poor Countries Initiative in reconciling our public debt data with our creditors.”
Director of Public Credit, Ministry of Finance, Honduras

DMFAS users by number of countries per region, 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>19</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>14</td>
</tr>
<tr>
<td>South Asia</td>
<td>2</td>
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<tr>
<td>Middle East and North Africa</td>
<td>12</td>
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<tr>
<td>Eastern Asia and the Pacific</td>
<td>6</td>
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<tr>
<td>Europe and Central Asia</td>
<td>9</td>
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</tbody>
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PROGRAMME FACTS AND FIGURES
Scope: all regions
Start date: 1981
Projects implemented per year: 25 (average)
Active DMFAS users: 88 institutions in 62 countries
Website: unctad.org/dmfas

Sustainable Development Goals addressed:
Directly: 17
Indirectly: 1

DONORS/FUNDING SOURCE (2014–2019)
Self-financing by some user countries, other international organizations and institutions (African Development Bank, Asian Development Bank, European Union, World Bank), Multi-donor Trust Fund (Germany, Ireland, Netherlands, Switzerland, European Union and cost-sharing by user countries)