Capacity Building Needs in Debt Management: Responses from International Organizations

by

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ABOUT MEFMI

• 14 Member Capacity Building Institution: Angola, Botswana, Burundi, Eswatini, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe

• Aim to build sustainable human and institutional capacity in:
  – Macroeconomic management (including sovereign debt)
  – Financial Management

• Client Institutions: Central Banks, Ministries of Finance and Planning
ABOUT MEFMI.....cont’

• MEFMI delivers its services through:
  – Regional Workshops
  – In-country missions and workshops
  – Self paced e-Learning
  – High level seminars/fora/retreats
  – Fellows Development programme
  – Studies
The current environment

- Elevated debt vulnerabilities arising from COVID-19 shock:
  - A number of countries reclassified from low to moderate or high risk of distress, and they require debt relief

- Limited financing options due to tight external conditions and shallow domestic debt markets

- Covid-19 pandemic highlighted deficiencies in Operational Risk Management (ORM) frameworks for debt management in several countries

- Increased fiscal risks: contingent liabilities related risks

- High staff turnover - loss of institutional memory
Capacity gaps in debt management

- Borrowing not informed by DSAs – no debt sustainability analysis prior to new borrowing

- Lack of detailed analysis of financing options to inform debt management strategies.

- Weak debt database management - use of excel, ability to monitor public sector debt (implication on sustainability), skills adequacy

- Weak negotiation/renegotiation - new and complex instruments emerging; the rising need for restructuring

- Underdeveloped domestic debt markets
Capacity building gaps....cont’

• Weak fiscal risk management- focus on management of loan guarantees: inadequate frameworks, calls on guarantees, impact on sustainability

• Lack of Operational risk management frameworks: Business continuity plans and Disaster recovery sites, operational manuals

• Legal frameworks for public debt management not updated

• Weak Oversight institutions (capacity deficiencies): parliament, SAIs
What are we doing

• Hands on interventions - DSAs, MTDS, bulletins

• Interventions beyond traditional debt management capacity interventions - now focusing on strengthening oversight institutions; working on contingent liabilities; building capacity on legal frameworks for debt management-focusing of attorney general’s offices

• Enhanced interventions to strengthen debt database - currently working with the COMSEC in rolling out CS-Meridian

• Joint interventions with capacity building service providers to avoid duplication of efforts
What can be done better

• Constrained resources/duplication of efforts - need for more collaboration

• Monitoring and follow up: on TA interventions and implementation on recommendations

• Staff retention initiatives need to be enhanced - MoFs
Thank you!