



DMFAS Programme

Advisory Group meeting

Strategic Plan 2016-2019



Geneva, 26 November 2015

Outline

What is the DMFAS Strategic Plan?

Focus, Priorities, Objectives

The system

Capacity-development

Conclusions

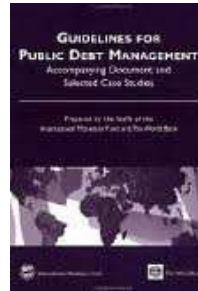
What is the DMFAS Strategic Plan?

- Guide for Programme's work for next 4 years
- Contract with our stakeholders
- Defines DMFAS response to the needs of developing countries by leveraging its comparative advantages
- Defines the '*Why*', '*What*' & '*How*'
- Concrete objectives and measurable results
- Priorities and activities for achieving the expected results

Inputs to the Plan



DMFAS Advisory Group



Standards & Best Practices



DMFAS Donor Consultations



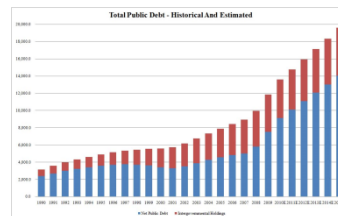
Mid-Term Review
Business Model Review



Other TA providers/
partners



GA Report on Debt 2015



Developments in debt management



SDGs, Accra Agenda for Action

Overview

- Part 1: Development Context
 - Global development: MDGs, SDGs, Addis Action Agenda
 - Challenges to debt sustainability
 - Challenges to good debt management
 - Critical role of timely, reliable debt data
 - Importance of technical assistance
 - DMFAS as part of the solution

- Part 2: Our Response – Strategy for 2016-19
 - Focus
 - Priorities
 - Objectives
 - Results
 - Monitoring and evaluation
 - Resources

Focus of the Strategic Plan

**Strengthening the
foundations for effective
debt management**

- 1. Capacity development in downstream debt management**
- 2. Central governments and sub-nationals**

Priorities

Strengthening the foundations for
effective debt management

1. Building more effective and efficient framework for capacity development;
2. Expanding scope and coverage of debt data;
3. Adding support for key Front Office functions;
4. Increasing support for Operational Risk Management;
5. Improving debt reporting and availability of information;
6. Increasing cooperation with other providers;
7. Improving programme's financial sustainability.

Objectives & Expected Results

Overall development objective

Strengthen Governments' capacity to manage their debt effectively and sustainably, in support of poverty reduction, development and good governance

Objective 1

Improve the technical and functional capacity of DMOs to record, process, monitor, report and analyse the country's public debt

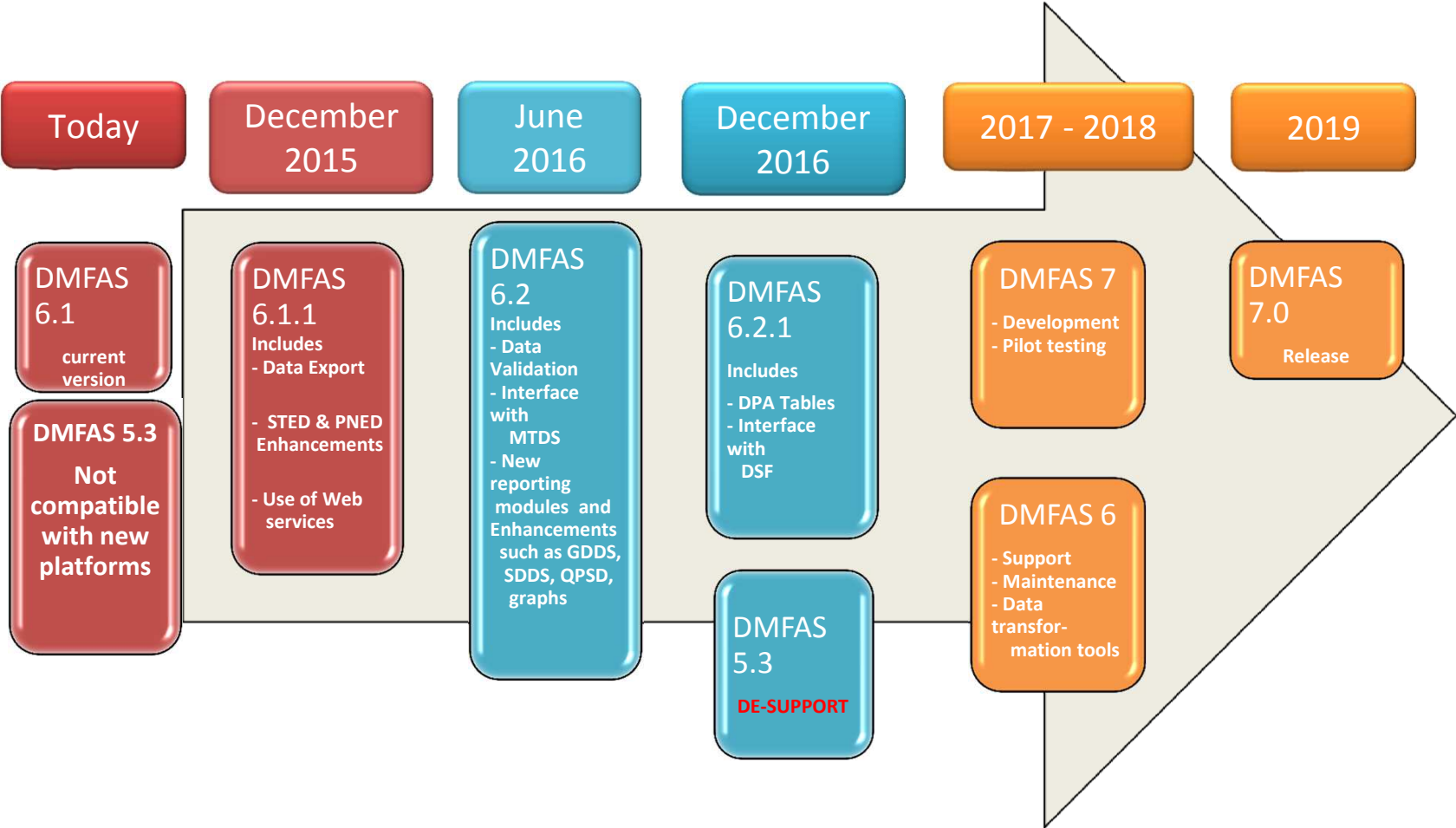
- ❑ Comprehensive, reliable debt databases
- ❑ Enhanced debt management knowledge
- ❑ Enhanced transparency & reporting
- ❑ Improved availability of information
- ❑ Improved Operational Risk Mgt
- ❑ Improved Front Office Operations
- ❑ Strengthened PFM integration
- ❑ Facilitated debt analysis

Objective 2

Improve the capacity of the DMFAS Programme to deliver, effective, efficient and sustainable responses to country needs

- ❑ Major new DMFAS version-DMFAS 7
- ❑ Enhanced DMFAS 6
- ❑ New, more comprehensive capacity-development framework
- ❑ More cooperation with other providers
- ❑ More stable financing for programme activities
- ❑ Improved service delivery

Evolution of the system



DMFAS 5.3 – Background



DMFAS 5.3 – Future...

The technology on which the version is based is now obsolete. Microsoft and Oracle, the companies providing the Operating System, development tools and database respectively, no longer provide support for the versions on which DMFAS 5.3 runs.

- ❑ Version DMFAS 5.3 will be **technologically de-supported** from January 2017 because it will no longer be possible for the Programme to provide full maintenance support for it beyond that date.
- ❑ Until December 2016, provided that the system is installed on currently supported platforms (Windows XP and Oracle 10g), support will be provided to:
 - ✓ fix any system bugs.
 - ✓ respond to functional questions.
- ❑ From 1st January 2017, the only support we can guarantee is response to functional queries.
- ❑ The Programme will also assist user institutions to upgrade to DMFAS 6 through technical assistance projects.

DMFAS 6

6.1

- DMFAS 5.3
- +
- New GUI
- New Online Help
- Debt Securities
- Issuance Auth.
- Auctions
- Sukuk
- STED
- PNED
- Drawing Request
- Drawing Interface
- Analysis
- Control Panel
- Auditing
- Closing Date

6.1.1

Data Export

STED & PNED
Enhancements

Use of WEB Services

6.2

Data Validation

Interface with MTDS

New Reporting
Modules

Template Reports

6.2.1

DPA Tables

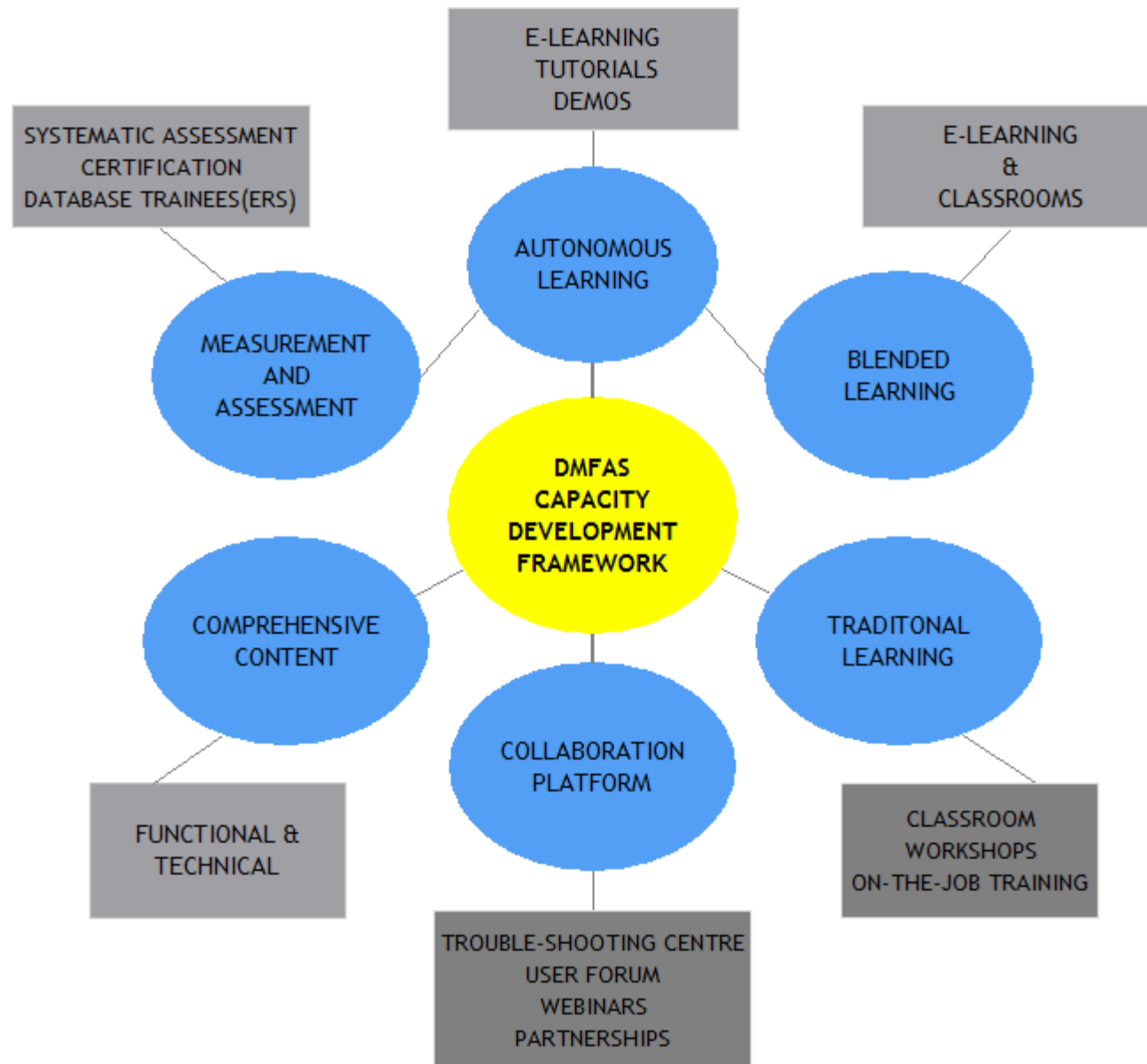
Interface with DSF

DMFAS 7



	Expanded coverage of debt data	Broader scope of functionality	Enhanced Reporting	Improved Support
DMFAS 6 Functionality +	<ul style="list-style-type: none"> Total public sector debt Contingent Liabilities Hedging & Derivatives Compliance with accounting standards Extended Calculation Methods 	<ul style="list-style-type: none"> Full Workflow Support Enhanced Audit & Security Front Office Functions Borrowing Plan Full Debt Portfolio Analysis Reinforced Data Validation Redesigned debt securities module 	<ul style="list-style-type: none"> Mobile Access/ Computing Management Reporting Consolidated Full Debt Portfolio Compliance with international standards Tradable debt 	<ul style="list-style-type: none"> New application servers More user-friendly Helpdesk system Integrated TRAC Interfaces with other systems

Capacity Development



Capacity Development

Portfolio of Capacity Development Products		
Current modules	Modules under development	New modules
<ul style="list-style-type: none">• Debt Data Validation• Debt Statistics• Debt Portfolio Analysis	<ul style="list-style-type: none">• Basics of Government Securities Market & Financial Calculations• Debt Reorganisation• Basic Debt Concepts for DMFAS Users	<ul style="list-style-type: none">• Operational Risk Management• Complex Debt Instruments• Asset & Liability Management• Developing IFMIS links• DMFAS DB structure• DMFAS Architecture• Demos• Tutorials

CBM under development

Basic Debt Concepts for DMFAS users

Learners

New staff performing back-office functions and involved in recording data in DMFAS 6.

Mostly due to staff turn-over. They can be junior staff or experienced staff recently reassigned to the debt office.

Goal

Gain basic and essential knowledge on debt concepts to better perform their job.

Understand their contribution and role to effective back-office functions.

Learn how to how classify and report on debt according to international standard and best practices.

Results

Debt management office will be able to rely on staff with the required knowledge on basics debt concepts. Staff will be able to manage and record effectively debt-related data and operations in DMFAS, resulting in a comprehensive and accurate database.

Delivery Mode

Self-study and self-paced modules

In PDF format, accessible through Internet (DMFAS website). Including quizzes.

Example

ABOUT ON-LENDING

MFAS USERS

? What do you think: true or false?

1. On-lent loans should be classified as debt.
2. On-lent funds only originate from a loan agreement.
3. On-lending should be monitored by the debt office.

What is on-lending?

On-lending occurs when funds are borrowed by a government or a domestic financial institution (normally public and acting on behalf of the government) with the aim of lending these funds to public sector entities. The loan proceeds are to be made available, through an on-lending agreement, to a third party within the country of the borrower, usually with the previous agreement of the foreign creditor. Therefore, an on-lent loan is an **asset**, not a liability!

The government can provide on-lending directly to the final borrowers, but typically funds are on-lent twice before they reach the final borrower.

Why on-lending?

Public-sector borrowers often seek the assistance of the government when it is difficult or impossible to obtain credit. A publicly-guaranteed loan is one modality. In other cases, the government borrows funds and on-lends them to the final borrowers.

The government can also borrow funds to finance infrastructure projects and on-lend these funds to lower tiers of the government, which in turn will again on-lend them to another entity or to the final borrowers.

The legal basis for on-lending

The legal basis for on-lending operations is generally set forth under the government's public debt management laws. The government can use multiple channels for on-lending such as the Ministry of Finance or government agencies established for on-lending in specific sectors.

When the Ministry of Finance does not on-lend funds directly to the final borrowers, it establishes the terms and conditions for on-lending agreements with agencies that subsequently channel the on-lent funds. Thereafter these agencies assume full responsibility for the management of all the individual loans they extend. Individual borrowers make debt service payments to the on-lending agency which then transfers these funds to the Ministry of Finance.

Terms of the on-lent loan

The repayment of a loan depends on the terms and conditions in the agreement between the government and the lender. Very often the terms of the direct loan and on-lent agreement will differ, for example in the amount, repayment terms, etc. Typically, each time loans are on-lent, the interest rates on the loans are raised and the period for repayment is reduced.

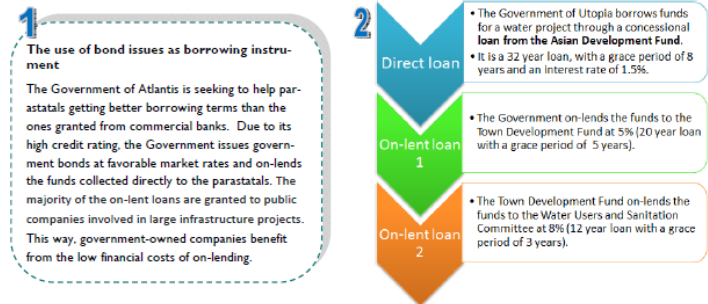
Whenever a government contracts a loan under commercial conditions and then makes it available in the form of sub-loans in foreign currency, it usually applies the interest rate and fees it owes to the lender plus an annual, domestic on-lending fee. It may also charge a preferential interest rate for certain categories of projects, for example, in the social sector, or for reconstruction costs following a national disaster.

The on-lending mechanism: direct loan / on-lent loan

On-lending entails two distinct agreements:

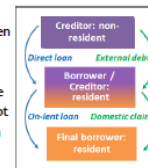
- The **direct loan** between the creditor (usually the World Bank or a regional development bank) and the government, where the government is the debtor and assumes the debt service, and
- The **on-lent loan** between the government and a public-sector enterprise (where the government is the creditor).

Two examples of on-lending



Classification

When funds are borrowed from a non-resident and then on-lent to an institutional unit within the economy, then the first loan should be recorded as an external debt liability and the on-lent loan as a domestic claim.



Best practices

- The debt database of the debt office should also include on-lent loans by the central government and other public agencies.
- Institutions which on-lend loans (e.g. ministry of finance) should manage the individual loans extended by them and report on them. When payments are not made on time, on-lending agencies should take the necessary measures to recover the funds.

On-lending in DMFAS

Direct loans are recorded as debt in the Loans module while on-lent loans are recorded as assets, not liabilities, in a specific module: On-lent Loans. You can link the on-lent loan to the source loan and produce the amortization table to follow payments of principal and interest due by the borrower to the on-lending entity.



1 (false); 2 (false); 3 (true)

Cooperation with partners

Intensified cooperation with other providers of technical assistance:

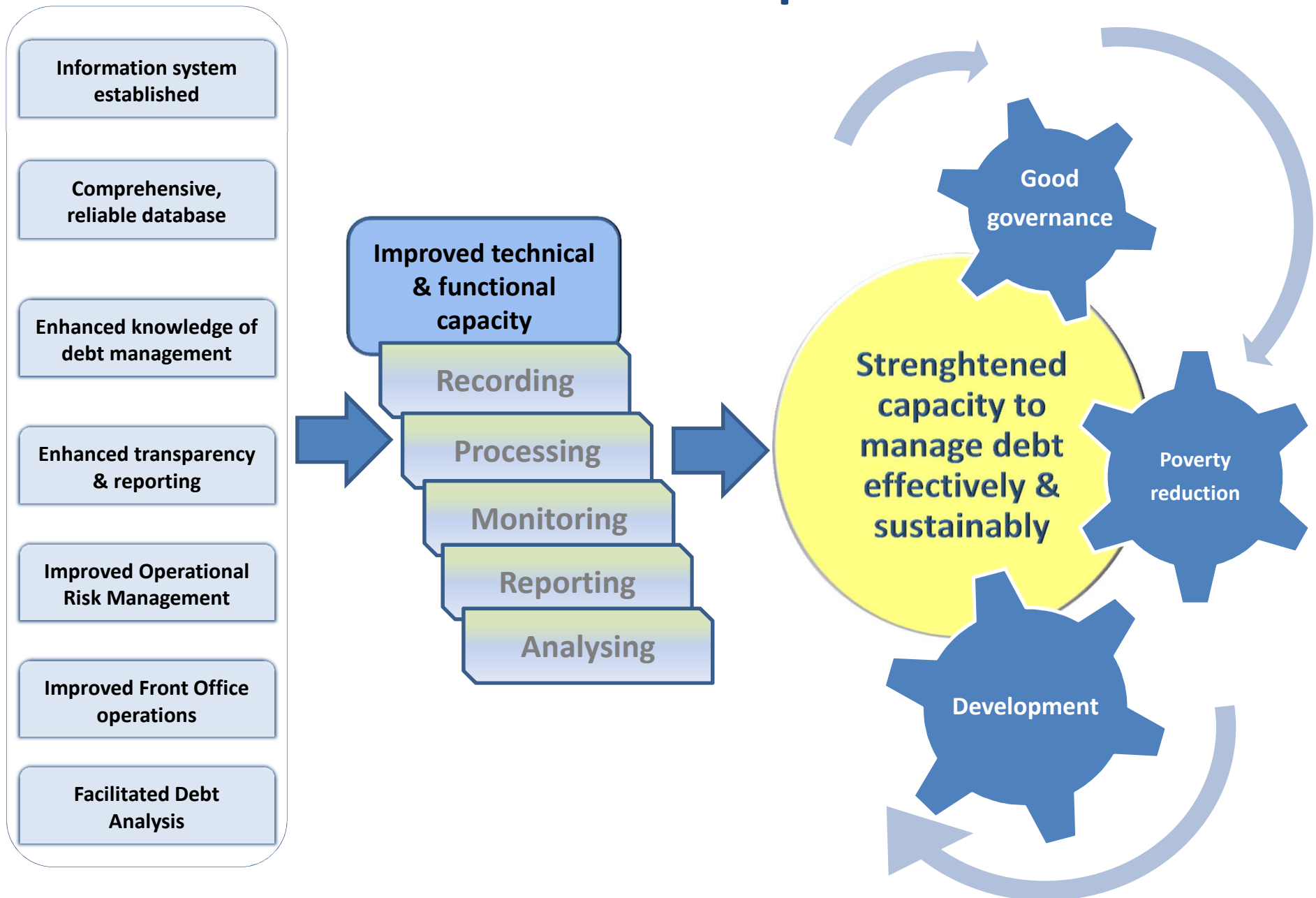
- ❑ Regional organisations: MEFMI, CEMLA, WAIFEM,
- ❑ World Bank: DMF & DRS
- ❑ IMF: debt statistics, TFFS, regional TACS
- ❑ COMSEC
- ❑ Universities....

Monitoring & Evaluation

Comprehensive M&E framework:

- Logframe
- Summary implementation plan
- Yearly work plan
- External evaluation after 2 years - Mid-term Review
- Annual reporting through the DMFAS Annual Report
- Annual Donor Consultation meetings
- Biennial reporting to the DMFAS Advisory Group
- Annual reporting to UNCTAD's Working Party (TDB)

Results & Impact



Conclusions

- Comprehensive new Strategic Plan that takes account of needs & views of all stakeholders
- Results from 2011-15 plan = excellent foundation
- Responds to the critical challenges faced by DMOs in the coming years
- Feedback from Advisory Group needed to maintain continued relevance of plan



Thank you