Strengthening Public Debt Monitoring and Reporting - Lessons Learnt from the Debt Management Facility (DMF)

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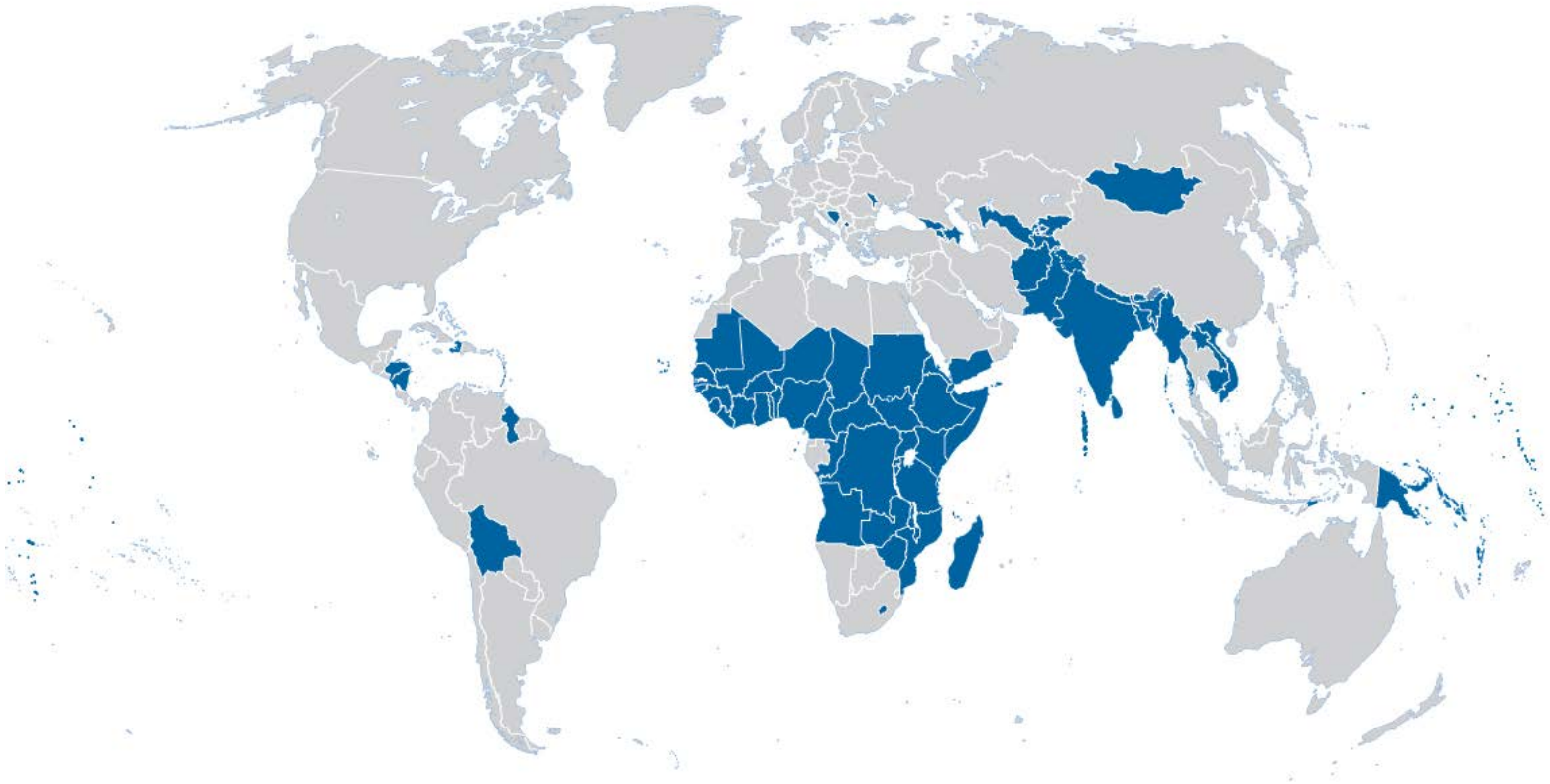
OUTLINE

1. About the Debt Management Facility
2. Lessons Learned on Debt Monitoring and Reporting
3. Way Forward under DMF III

ABOUT THE DMF

THE DEBT MANAGEMENT FACILITY (DMF)



The DMF is a multi-donor trust fund, launched by the World Bank in 2008, and administered in partnership with the International Monetary Fund since 2014 which provides assistance on debt management.

It seeks to strengthen debt management to reduce debt related vulnerabilities through the development and implementation of analytical tools, technical assistance and tailored advisory and peer-to-peer learning.

It covers all IDA eligible countries as of 2008 (= 84 countries)

THE DMF PROVIDES TA THAT ESTABLISHES AND DISSEMINATES INTERNATIONAL SOUND PRACTICE IN DEBT MANAGEMENT

Debt Management Performance Assessment (DeMPA)

Debt Management Reform Plans

Joint WB-IMF Medium-Term Debt Management Strategy (MTDS)

Joint WB-IMF Domestic Debt Market Development

Knowledge Products: e.g. Cash Management, Guide for Bond issuance, Guarantee Management

Peer-2-Peer learning (Debt Manager Network, Practitioners Program, DMF Forum)

Training, including on LIC-DSF

THE DEBT MANAGEMENT PERFORMANCE ASSESSMENT: DEMPA

DMF II Offerings

Debt Management Performance Assessment (DeMPA)

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Knowledge Products: e.g. Cash Management, Guide for Bond issuance, Guarantee Management

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DeMPA

Objective

- Assess public debt management performance capacity
- Monitor performance overtime
- Informs design of reform programs based on sound diagnostics
- Fosters donor harmonization based on common understanding of priorities

Methodology

- Covers all key DeM functions;
  - Governance and strategy development
  - Coordination with macroeconomic policies
  - Borrowing and related financing activities
  - Cash flow forecasting and cash balance management
  - Debt recording and operational risk management
- National and subnational

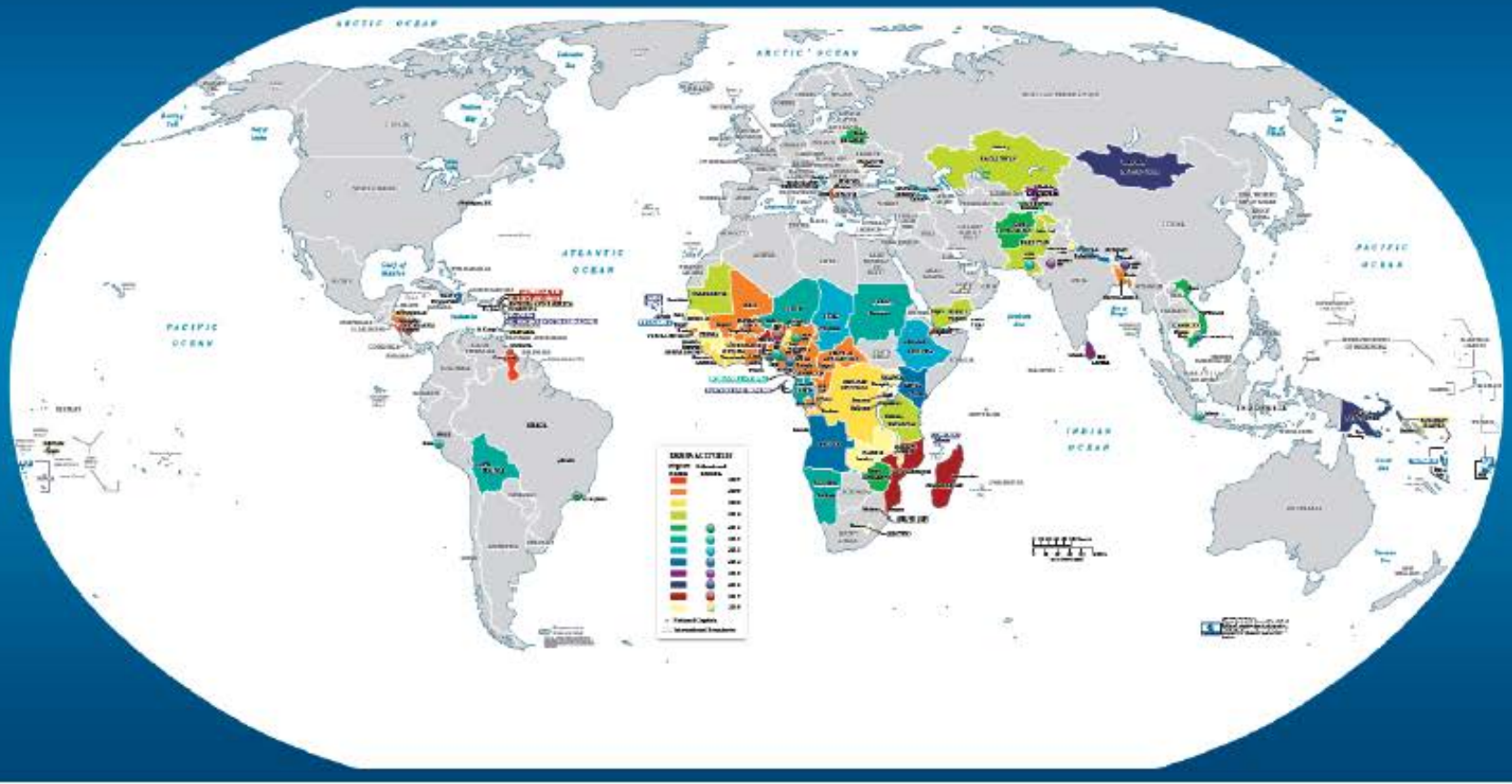
DEMPA HAS BEEN APPLIED AROUND THE GLOBE

Since 2007 ca. 130 sovereign and 19 subnational DeMPA in 80 developing countries, mostly financed by DMF

2007

Debt Management Performance Assessment (DeMPA)

2018



Assessments 2007–2018

The Debt Management Performance Assessment (DeMPA) is a standardized evaluation of the strengths and weaknesses in government debt management. It looks at a number of indicators of healthy performance, including how a government coordinates debt management with macroeconomic policies, forecasts its cash flow, and conducts debt management transactions.

A DeMPA evaluation helps establish priorities and design further reform programs. Importantly, it is often used to facilitate monitoring of performance over time through repeated assessments.

2007
The Gambia
Albania
Malawi
Guyana
Nicaragua
Togo
Zambia

2008
Bangladesh
São Tomé and Príncipe
Ghana
Mozambique
Mongolia
Maldives
Honduras
Burkina Faso
Mali
Swaziland
Congo, Rep. of
Cameroon

2009
Cabo Verde
Solomon Islands
Saint Kitts and Nevis
Uganda
Burundi
Congo, D.R. of
Grenada
Antigua and Barbuda
Côte d'Ivoire
Sierra Leone
Senegal
Guinea-Bissau
Liberia
Maldives
Cambodia
Malawi

2010
Samoa
Nepal
Pakistan
Djibouti
Tanzania
Mauritania
Benin
Kazakhstan
Yemen, Rep. of
Papua New Guinea
Bhutan
The Gambia
Albania
Nicaragua
Togo
Mongolia

2011
Comoros
Nigeria, Lagos
Brazil, Rio de Janeiro
Pakistan
Belarus
Afghanistan
Zimbabwe
Vietnam
Zambia
São Tomé and Príncipe
Burkina Faso
Mali
Swaziland
Central African Republic

2012
Sudan
Namibia
Nigeria, Ondo State
Niger
Indonesia, Jakarta
Gabon
Bolivia
Peru, Lima
Lesotho
Equatorial Guinea
Kosovo
Nigeria
Burundi
Ghana

2013
Madagascar
Chad
Ethiopia
Rwanda
Pakistan, Punjab
Pakistan, Sindh
Bosnia and Herzegovina, Bosnia
Nigeria, Edo State
Uganda, Kampala
Bangladesh
Suriname
Honduras
Bosnia and Herzegovina, R. Srpska

2014
Nigeria, Cross River State
Fiji
Bhutan
Haiti
The Gambia
Angola
Nepal
Vanuatu
Kenya

2015
Tanzania
Côte d'Ivoire
Sri Lanka
Rwanda
Grenada
Congo, D.R. of
Nigeria, Niger State
Antigua and Barbuda
Tajikistan
Kyrgyz Republic
India, Rajasthan State
Liberia
Zimbabwe

2016
Papua New Guinea
India, Assam State
Togo
Cabo Verde
Comoros
Mongolia
São Tomé and Príncipe
Saint Lucia
Saint Vincent and the Grenadines

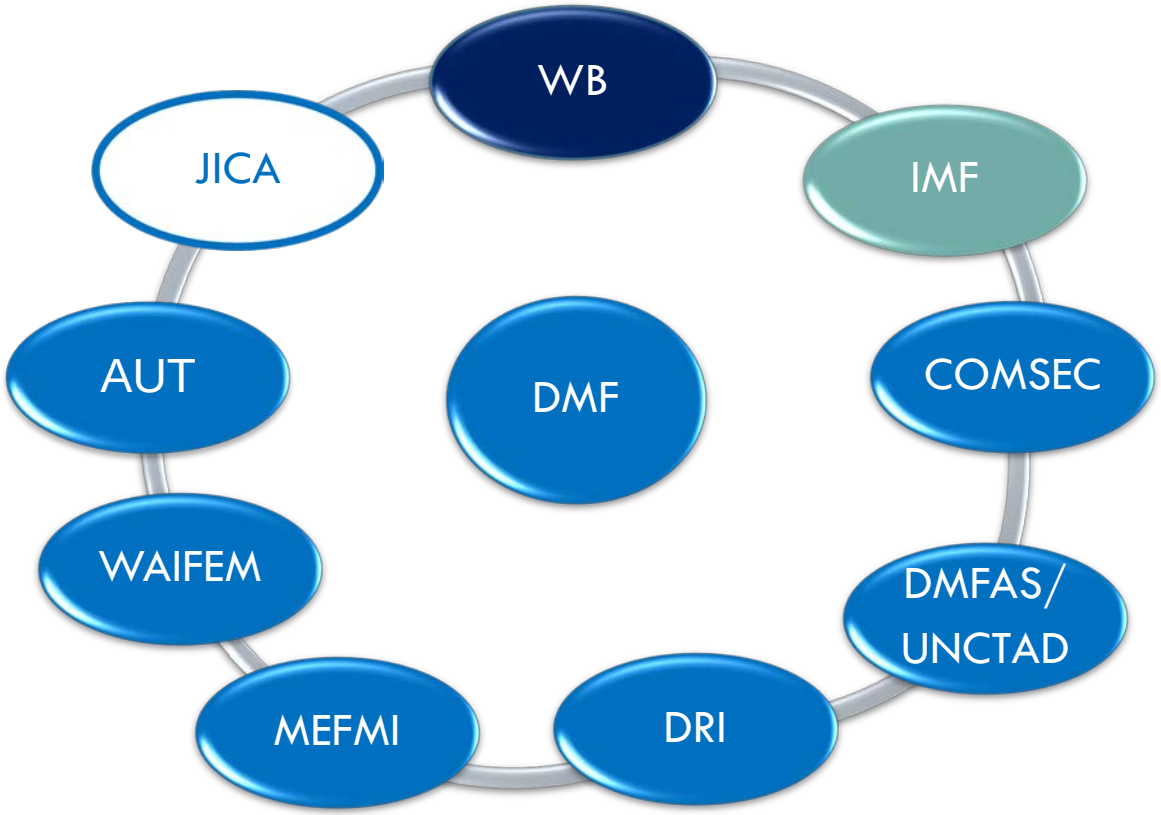
2017
Mozambique
Anguilla, U.K.
Saint Kitts and Nevis
Djibouti
Benin
Kosovo
Madagascar

2018
Uganda
Cambodia
Guinea
Senegal
Dominica
Grenada
Lesotho
Moldova
Zambia
Malawi
Nigeria, F.C.T. (Abuja)
Nigeria, Kano State
India, Uttarakhand State
Nigeria, Kaduna State

THE DMF PLAYS AN IMPORTANT ROLE IN STRENGTHENING COORDINATION AMONG DEBT MANAGEMENT TA PROVIDERS THAT SUPPORT DELIVERY OF THE PROGRAM

Acronyms:

- AUT: Agence UMOA Titres
- COMSEC: Debt Management Section of the Commonwealth Secretariat
- DMFAS/UNCTAD: Debt Management Program of the United Nations Conference on Trade and Development
- DRI: Debt Relief International
- JICA: Japanese International Cooperation Agency
- MEFMI: Macroeconomic and Financial Management Institute of Eastern and Southern Africa
- WAIFEM: West African Institute for Financial and Economic Management



DMF II IS SUPPORTED THANKS TO EIGHT BILATERAL AND MULTILATERAL ENTITIES

SIGNIFICANT STRIDES HAVE BEEN IN DEBT MANAGEMENT SINCE 2008 IN DMF-ELIGIBLE COUNTRIES

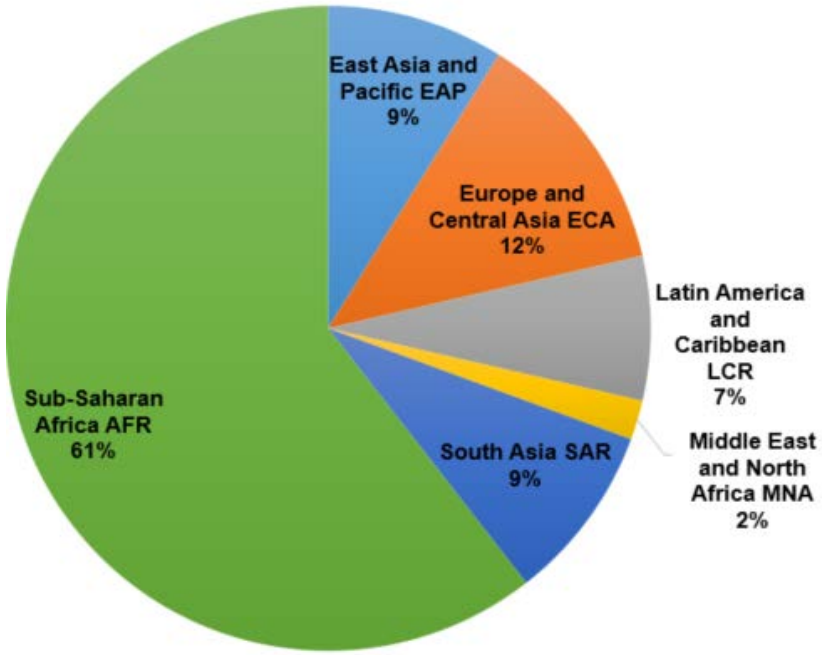
The DMF has responded to demands from over 75 countries and 14 subnational governments and trained client practitioners, while adapting to the changing needs of beneficiary countries.

Progress in debt management reforms:*

- ✓ More countries prepare and public debt management strategies
- ✓ The quality of debt records of government debt has improved
- ✓ Many countries have improved the organization of their debt management institutions
- ✓ Many countries have improved coordination with fiscal policies through alignment with medium term fiscal frameworks

*Based on DeMPA results for 37 countries where are least two assessments were undertaken during 2008-2017

DMF Activities by Region (as of September 2018)



Source: DMF Secretariat

LESSONS LEARNED ON DEBT REPORTING AND MONITORING

DEBT MANAGEMENT FACILITY

MANY LICS HAVE LIMITED DEBT COVERAGE

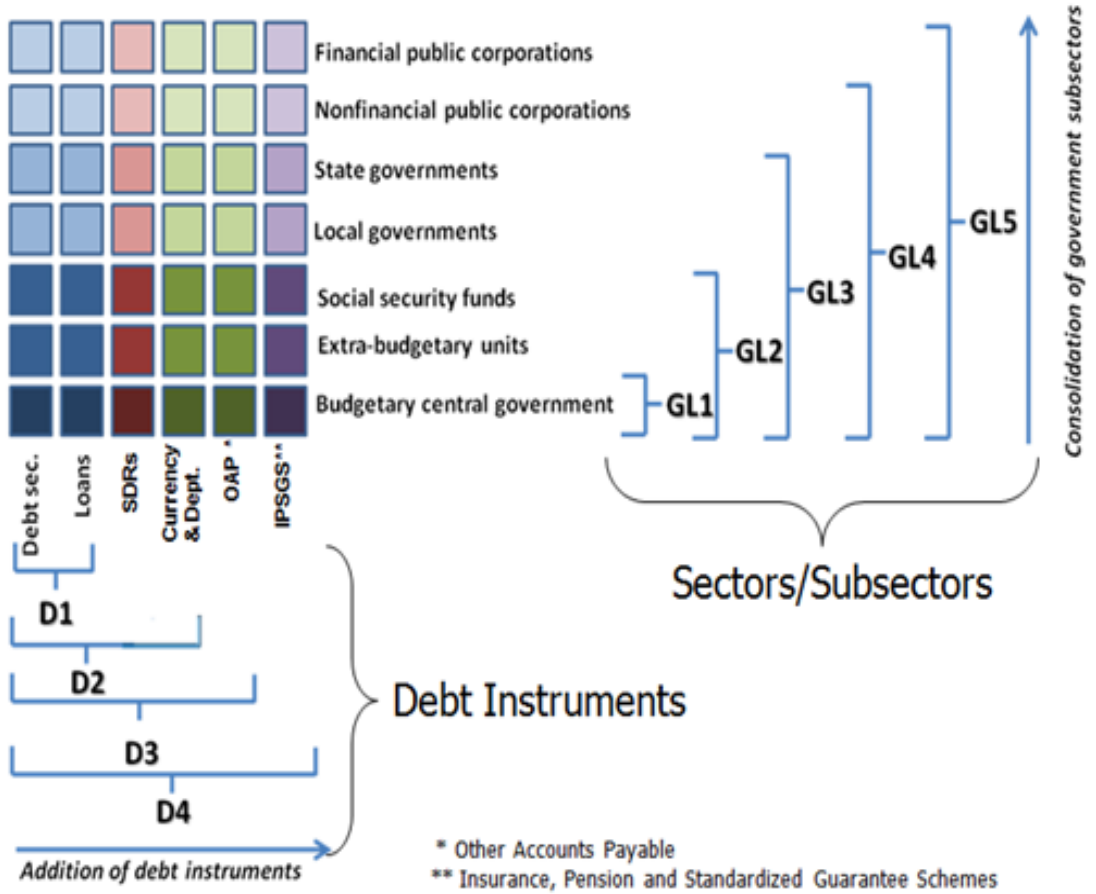
Most of LICs have only a **D1** / **GL1** coverage

Sectors under-reported:

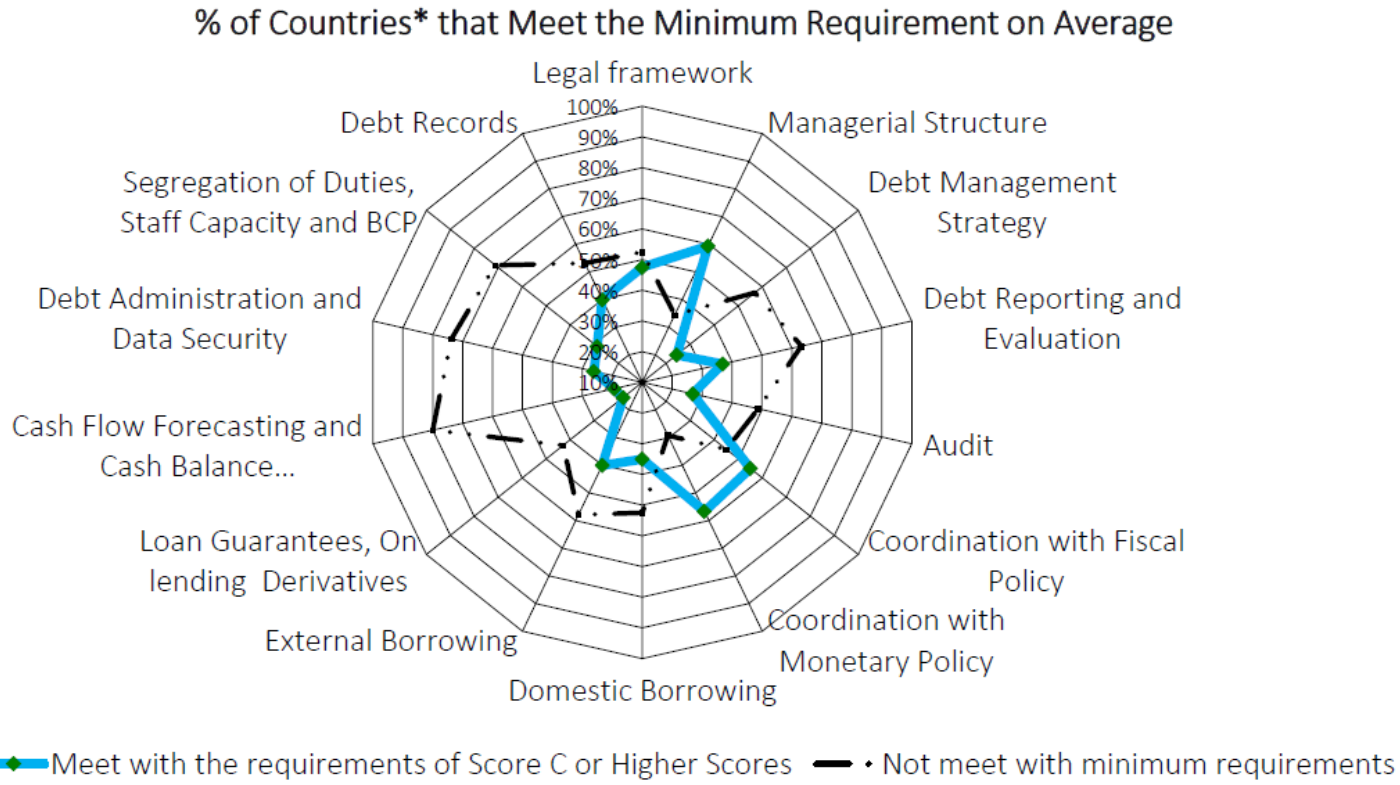
- Government guarantees
- State and local governments debt
- SOEs

Instruments not reported / partially reported:

- Private external non guaranteed
- Securities
- Currency and deposit
- FDI intercompany lending



TAKING STOCK OF COUNTRIES THAT MEET MINIMUM REQUIREMENTS OF DEMPA INDICATORS



*Based on 127 completed DeMPA reports in 80 countries

TAKING STOCK OF DEMPA SCORE EVOLUTION

Results from 2015-2016 World Bank's Debt Management Performance Assessment (DeMPA) in LICs and LMICs show **significant gaps** in

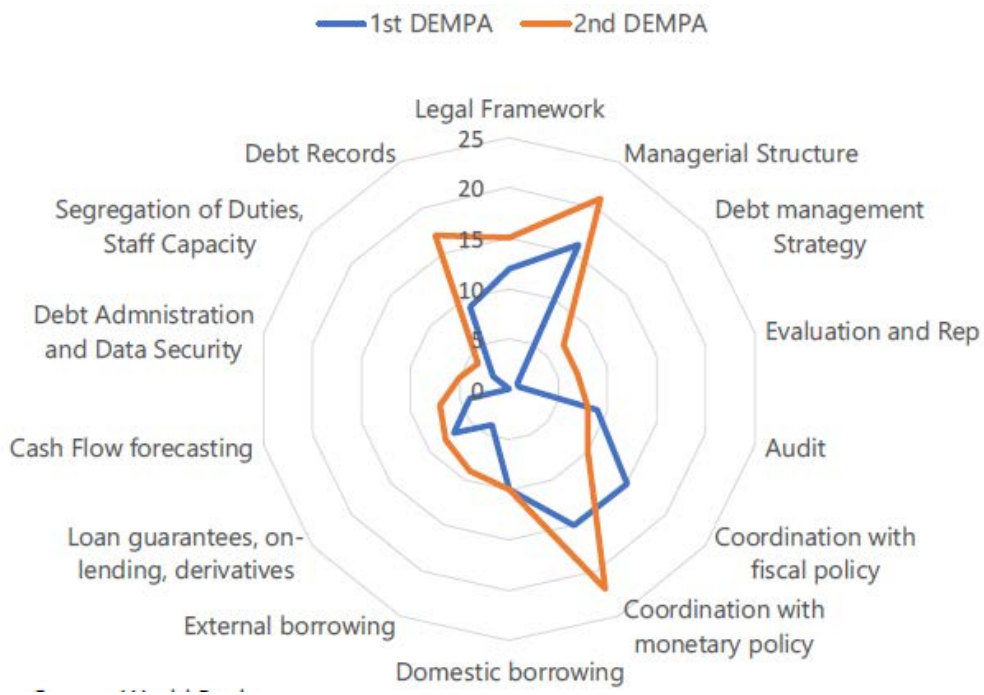
- debt recording (41% of countries meet minimum requirements)
- debt reporting and evaluation (35%)
- monitoring of guarantees (33%)

and **broader problems in debt management governance:**

- weak legal frameworks
- lack of audits
- poor data administration and internal control
- low staff capacity

with **limited and uneven progress** over time.

DeMPA Scores Evolution



Source: G20 Note: Improving Public Debt Recording, Monitoring and Reporting Capacity in Low and Lower Middle-Income Countries: Proposed Reforms. June 2018. Based on 37 countries that have received at least two DeMPA assessments 2008-2015.

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MAIN CONSTRAINTS FOR EXPANDING COVERAGE

INSTITUTIONAL	OPERATIONAL	CAPACITY
Fragmented **responsibilities** and uncoordinated institutional arrangements	Weak **procedures** and **processes** on data administration	Insufficient and/or not qualified **staff**
Narrow **mandate** for the DMOs to collect debt data for the whole public sector. As a result, narrow **coverage** in debt recording / reporting	Weak **IT infrastructure** for debt recording and outdated software	Weak **incentives** for the DMOs to produce reliable data (limited public scrutiny, lack of integration in PFM)
Limited **audits**	**Multiple data requests** from different internal / external stakeholders	

Source: World Bank. 2018. *Debt Vulnerabilities in IDA Countries (English)*. Washington, D.C.
G20 note: Strengthening Public Debt Transparency: the Role of the IMF and the World Bank," "G20 note: Improving Public Debt Recording, Monitoring, and Reporting Capacity in Low and Lower Middle-Income Countries: Proposed Reforms."

WAY FORWARD UNDER DMF III

THE THIRD PHASE OF THE DMF SEEKS SCALE UP TAILORED TECHNICAL ASSISTANCE IN CRITICAL AREAS

- **DMF III was launched at the IMF/World Bank Spring Meetings 2019** and will become operational in fiscal year 2020

Continuity – to build on the success of DMF I and II	**Adaptation - to deliver better services as needs evolve**
• International recognized methodologies • Partnerships • Focus on results	• Meet evolving needs • Support debt transparency • Enhance support for countries' reform implementation

THE THIRD PHASE OF THE DMF WILL FEATURE MORE ACTIVITIES RELATED TO DEBT REPORTING AND MONITORING

- **On debt reporting and monitoring, DMF III will:**
  - scale up TA on debt recording, reporting and monitoring in line with G20 recommendations
  - develop diagnostic TA that assess back office functions, processes and procedures in line with sound practices
  - provide advisory services that seek to address some of the main constraints identified for expanding debt coverage

Forthcoming

- Back Office Guidelines
- Guarantee and On-lending Framework

Thank you

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