

12th UNCTAD Debt Management Conference

Making debt work for development

18–20 November 2019
Palais des Nations, Geneva

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



Strengthening Debt Management: Support from the International Community

by

Ms. Lea Hakim

The World Bank

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



DEBT MANAGEMENT CAPACITY BUILDING – EXPERIENCE FROM THE DEBT MANAGEMENT FACILITY

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UNCTAD Debt Management Conference

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OUTLINE

- I. About the Debt Management Facility
- II. Current Context
- III. Key findings and results
- IV. Lessons learned and way forward

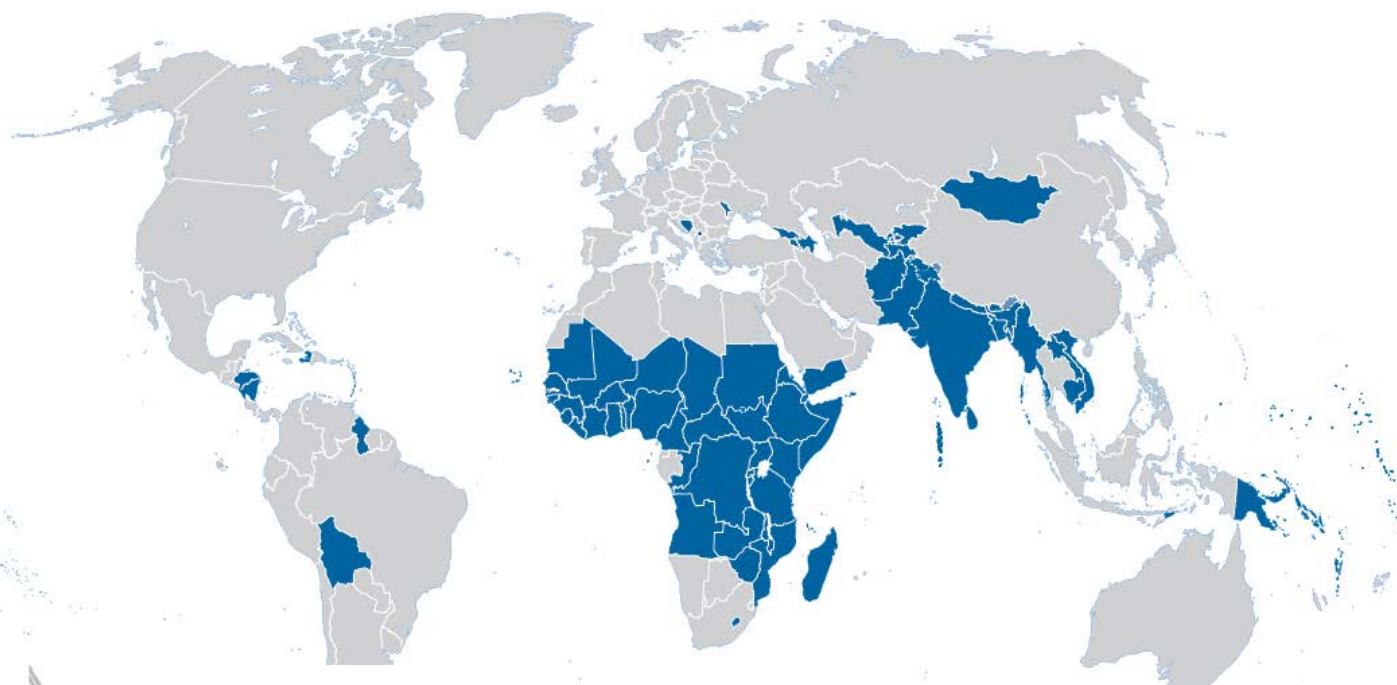
ABOUT THE DMF

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 IDA eligible countries as of 2008 (= 84 countries)



THE DMF HAS EXPANDED ITS OFFERINGS OVER TIME TO ADAPT TO COUNTRIES' NEEDS AND SUPPORT A SUSTAINED ENGAGEMENT

DMF Offerings



2008

DMF launched by the WB

- Debt Management Performance Assessment (DeMPA)
- Debt Management Reform Plans
- Medium-Term Debt Management Strategy (MTDS)
- Debt Managers' Network (DMN)
- Debt Managers Practitioners' Program (DMPP)
- Knowledge Products

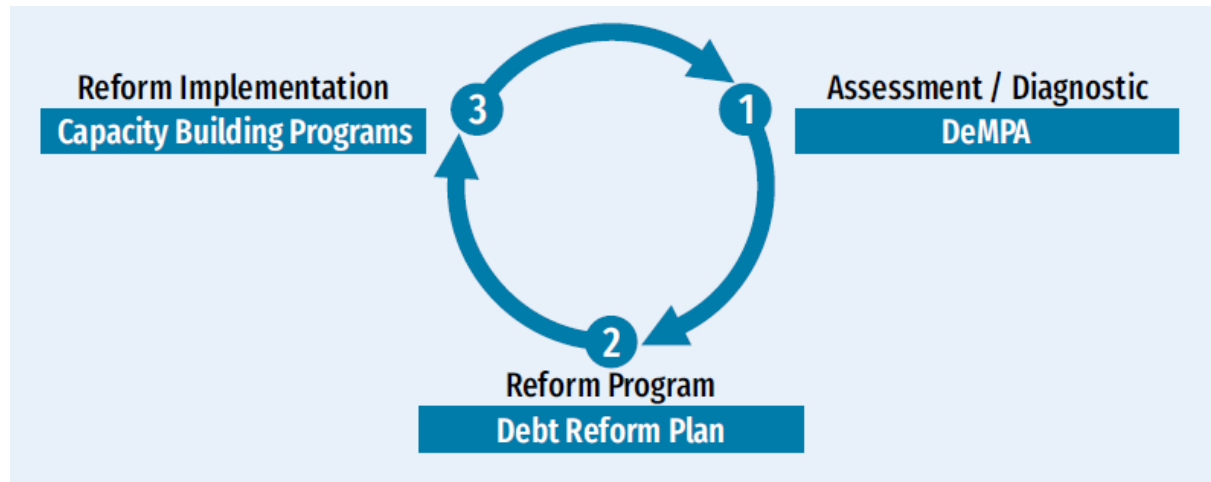


2014

DMF II launched with WB-IMF partnership

- Low-Income Country Debt Sustainability Framework (DSF) training
- Domestic Debt Market Development
- Risk Management
- Cash management
- Annual Borrowing Plans
- International Capital Market Access
- Guarantee Framework

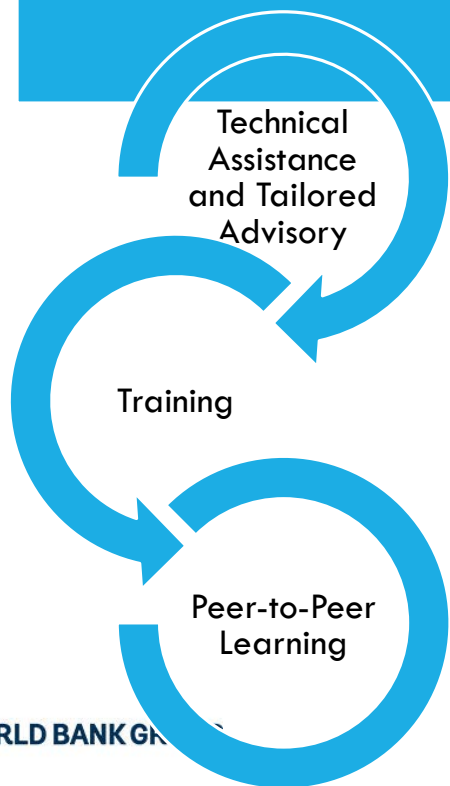
A Country's Debt Management Reform Process



“The DMF recognizes that capacity development is a longer term endeavor that requires a sustained engagement over time.” *DMF Guiding Principle*

THREE TYPES OF COMPLEMENTARITIES SERVE TO STRENGTHEN THE IMPACT OF DEBT MANAGEMENT CAPACITY BUILDING UNDER THE DMF

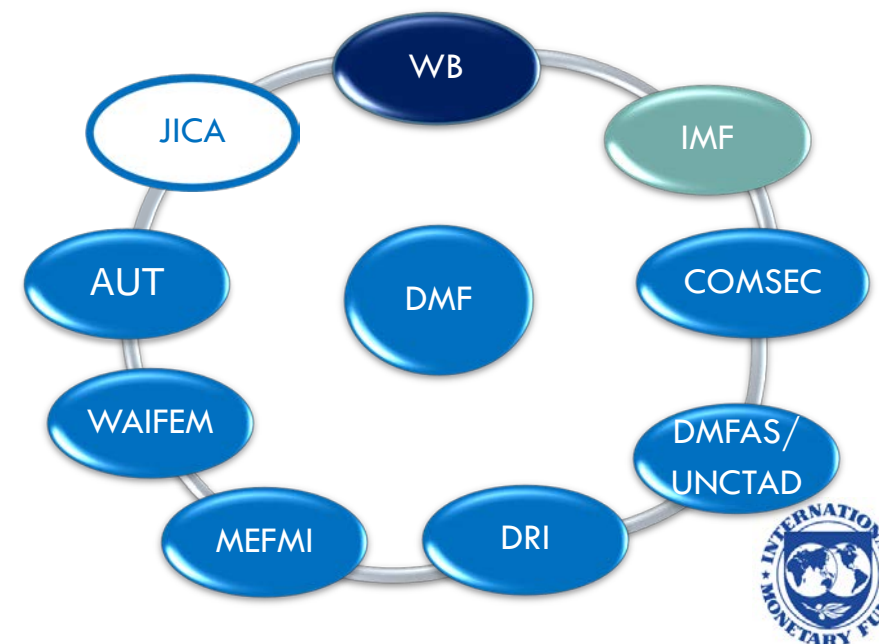
DMF Offerings



Programming

- DMF offerings are complementary to:
- TA under World Bank projects ex. PFM
 - World Bank operations that support debt management
 - Training and TA provided by other debt management TA providers

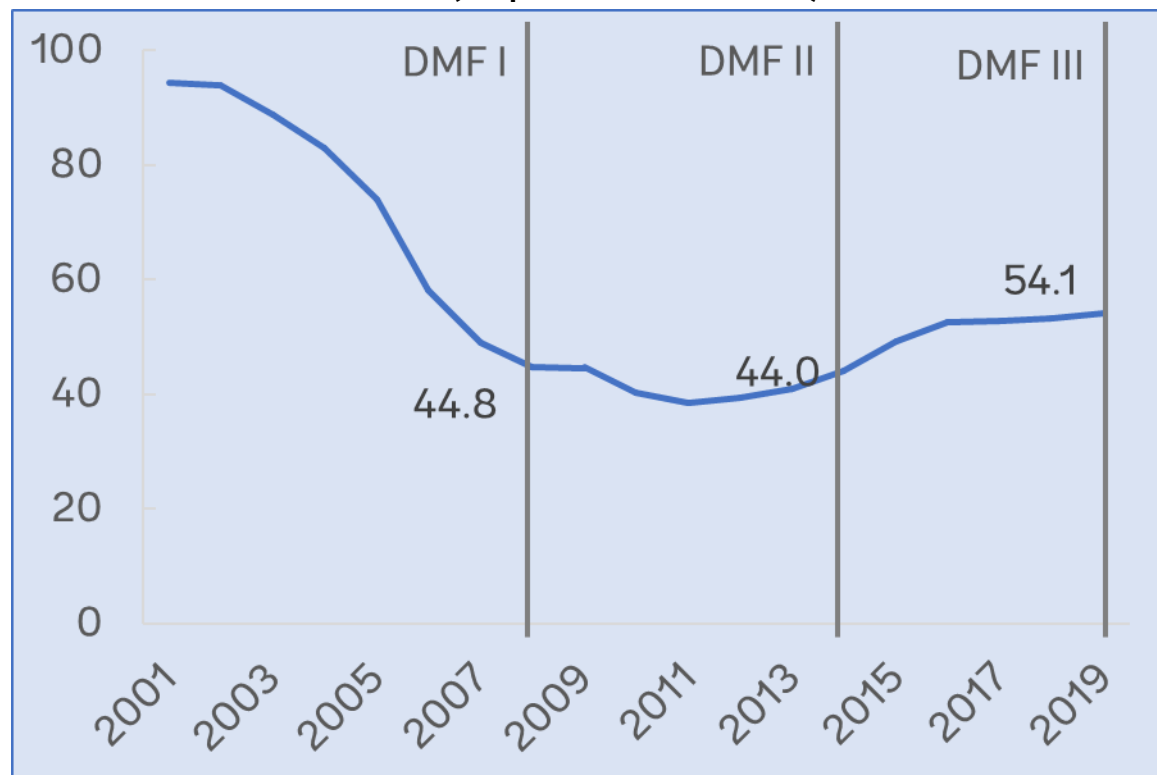
Coordination among TA providers



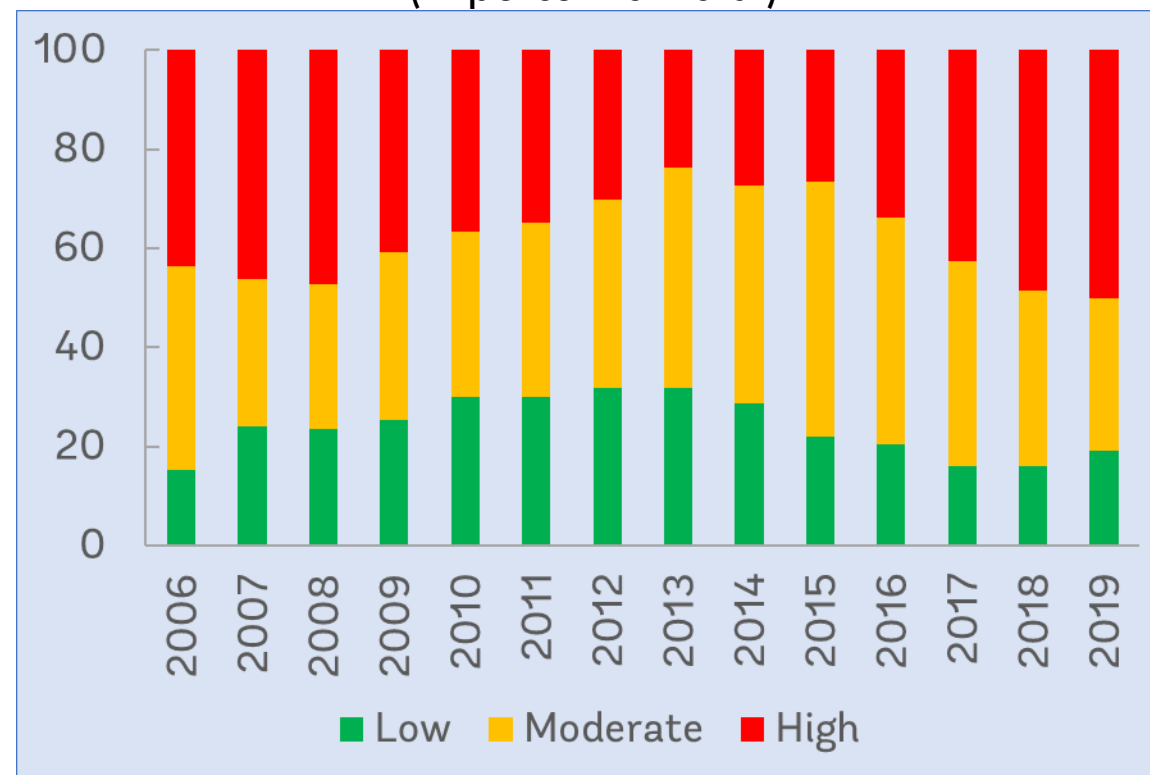
CURRENT CONTEXT

DEBT VULNERABILITIES IN DMF COUNTRIES ARE RISING

Public Debt in DMF countries
(in percent of GDP)



Evolution of Risk of External Debt Distress
(in percent of total)



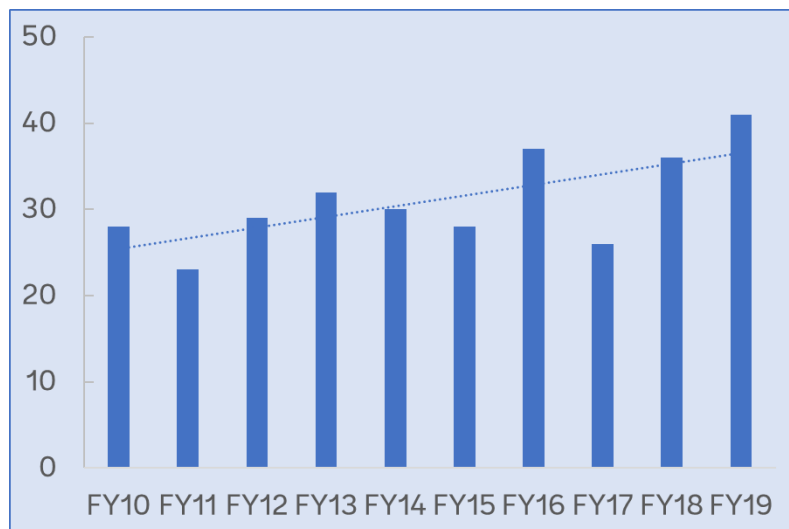
THE FINANCING LANDSCAPE HAS BECOME MORE CHALLENGING FOR DEBT MANAGERS

Period / Characteristic	DMF I	DMFIII
Creditors	Official	Non-PC, Commercial
Instrument	Loans	Bonds, Guarantees
Size	Many and Small	Few and Big
Interest	Concessional	Market
Speed of Debt Accumulation	Slow	Fast
Macroeconomic and Fiscal Framework	Weak	Deteriorating
Number of Countries at High Risk of Debt Distress	Declining	Increasing
Contingent Liabilities/Hidden Debt	Hidden	Increasing/Resurfacing
Debt Management Capacity	Weak Analytical, Weak Implementation	Stronger Analytical, Weaker Implementation

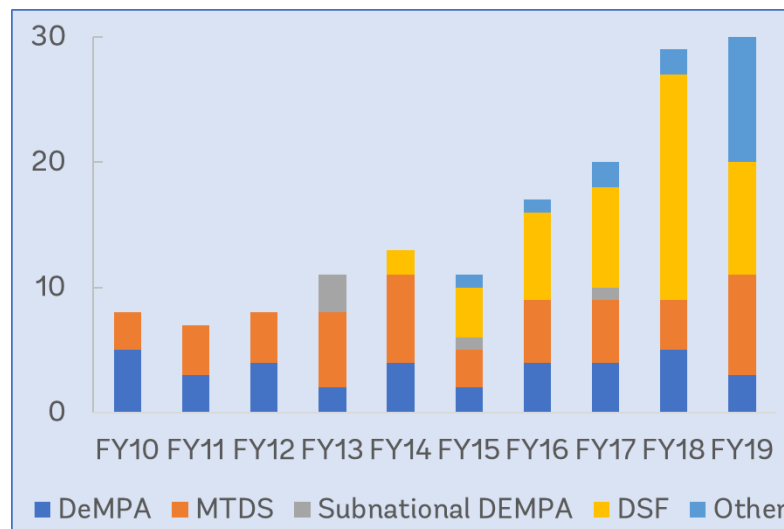
KEY FINDINGS AND RESULTS

THE DMF HAS RESPONDED TO INCREASED DEMAND AND SCALED UP DELIVERY OVER TIME

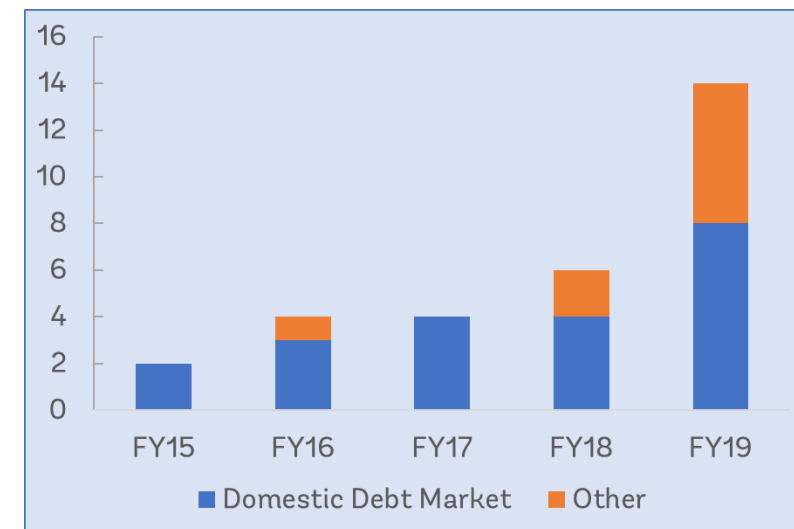
TA Activities



Trainings



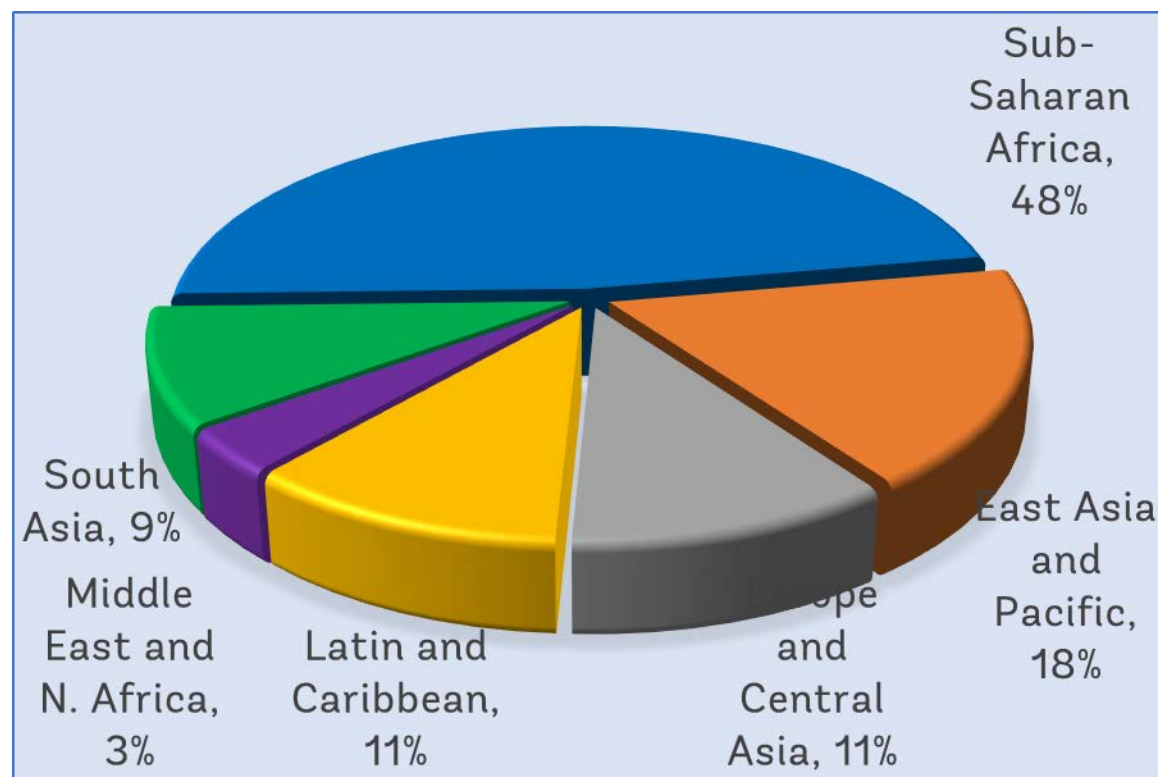
New TA Activities



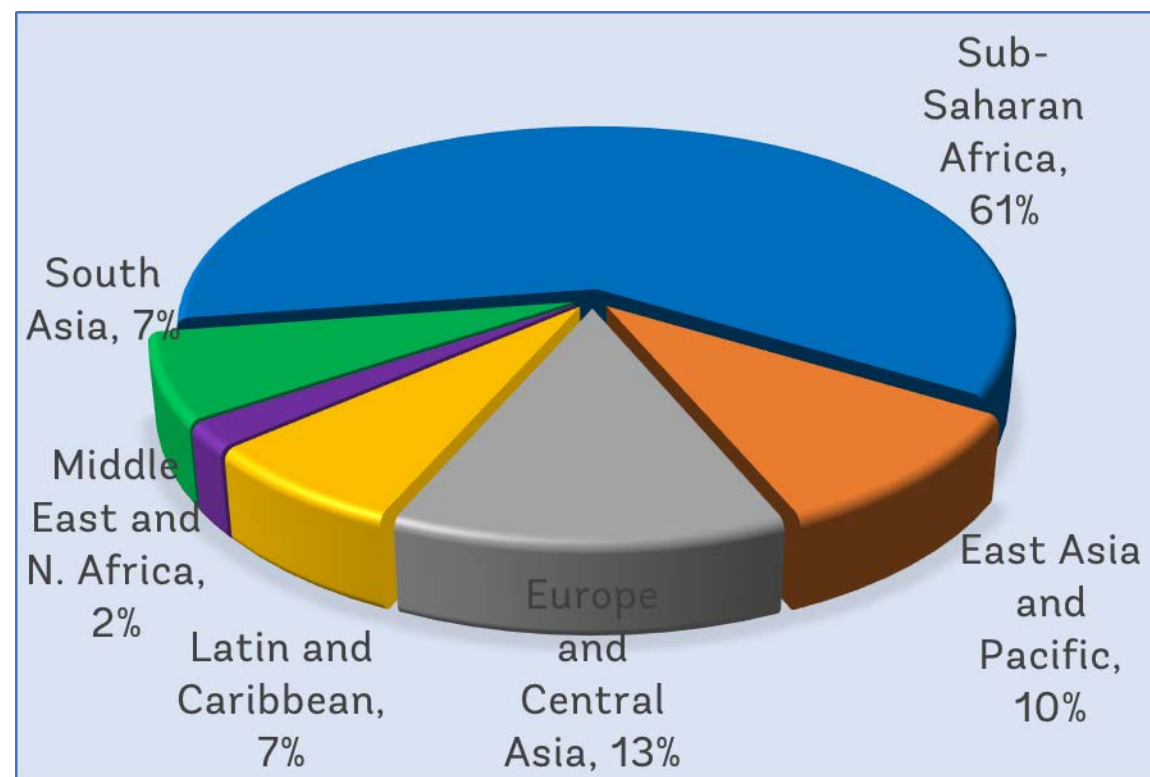
Source: DMF Secretariat, DMF Annual Reports; DMF funded activities as of end-June 2019.

DMF HAS PROVIDED TA TO MORE THE 75 COUNTRIES AND 15 SUBNATIONAL GOVERNMENTS; SSA BENEFITTED MOST

Characteristics DMF Countries



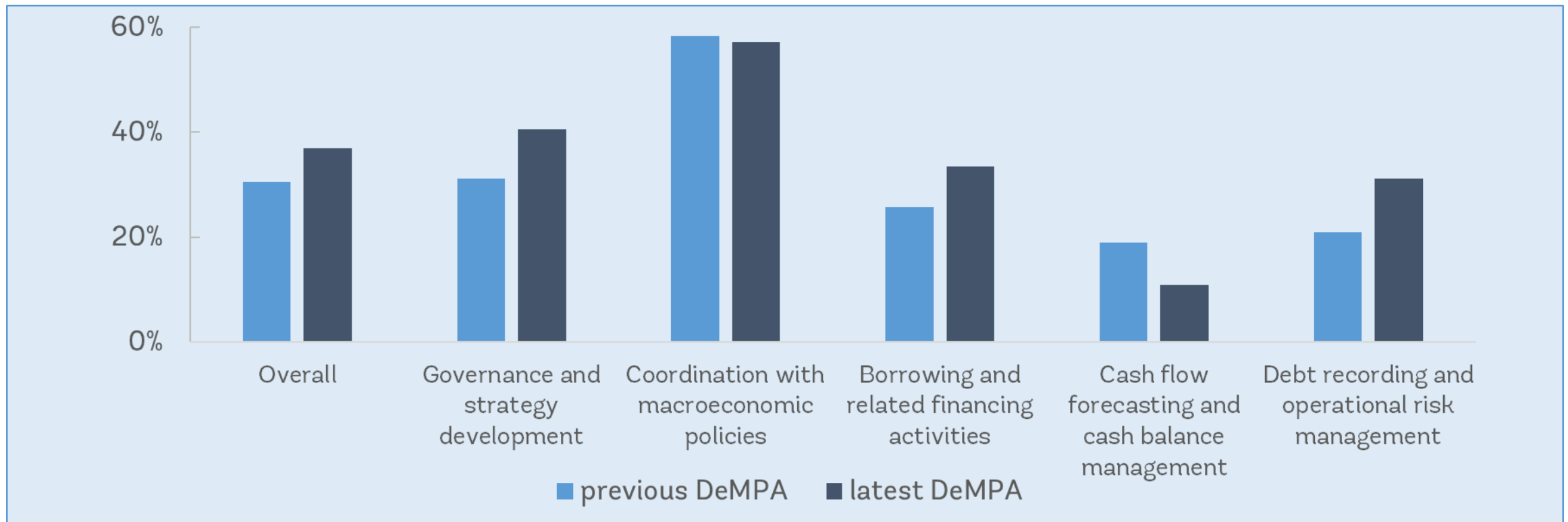
DMF TA Activities by Region, DMF I and II



Source: DMF Secretariat, DMF Annual Reports, DMF funded TA from inception until end-2018.

DEMPA RATINGS HAVE IMPROVED...

Score (C or higher) by category, latest and previous DeMPA



Source: DMF Secretariat

...YET CHALLENGES REMAIN

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

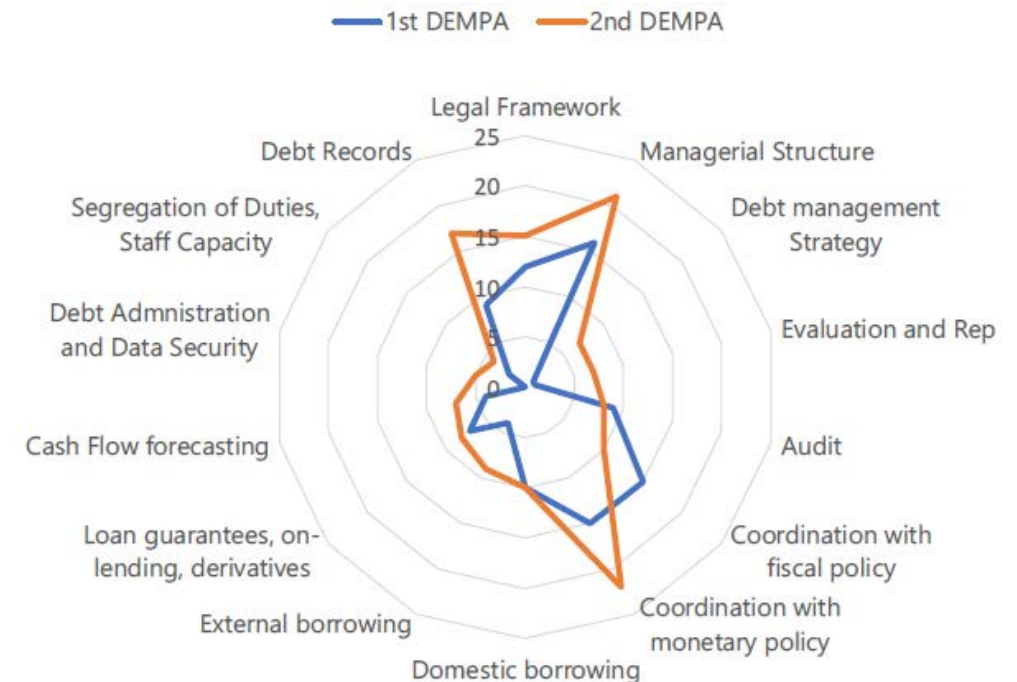
- debt recording (41% of countries meet minimum requirements)
- debt reporting and evaluation (35%)
- monitoring of guarantees (33%)

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.

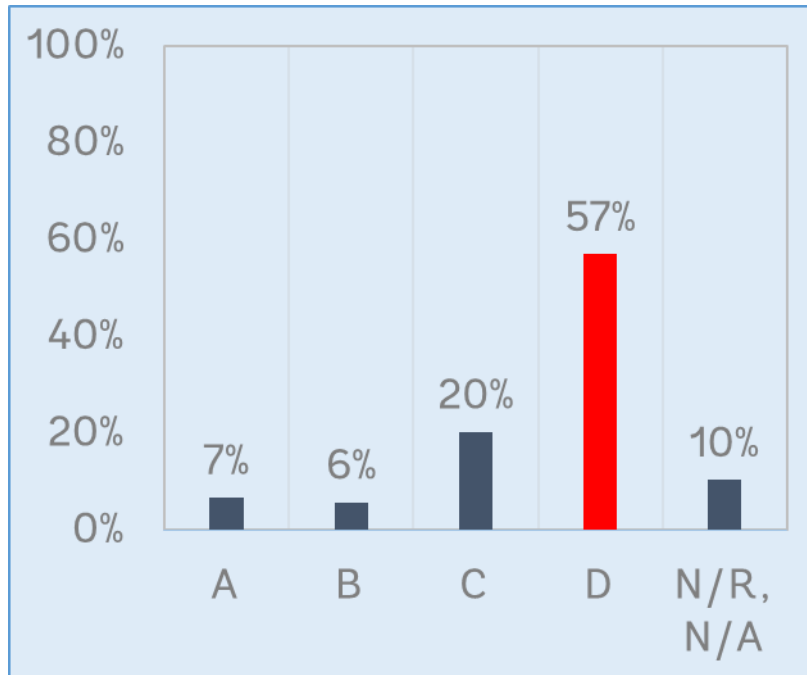
DeMPA Scores Evolution



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.

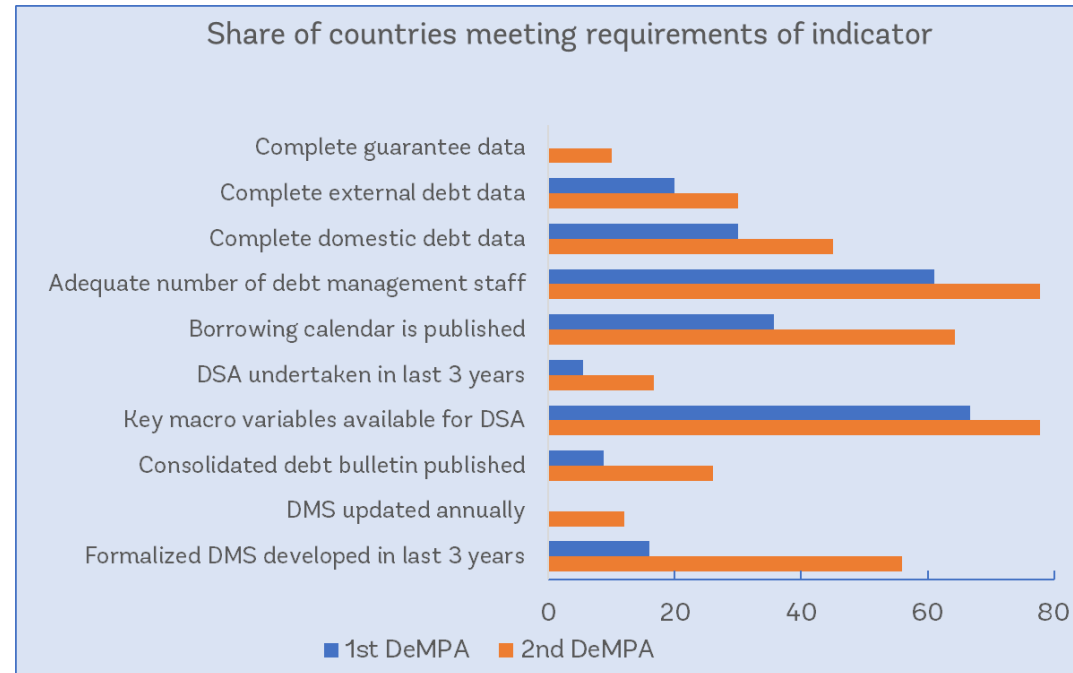
ACHIEVING MINIMUM DEMPA REQUIREMENTS REMAINS A HURDLE; HOWEVER PROGRESS IS GREATER THAN CAPTURED BY DEMPA SCORES.

Scores of most recent DeMPAs



Source: DMF Secretariat

DeMPA Sub-Categories



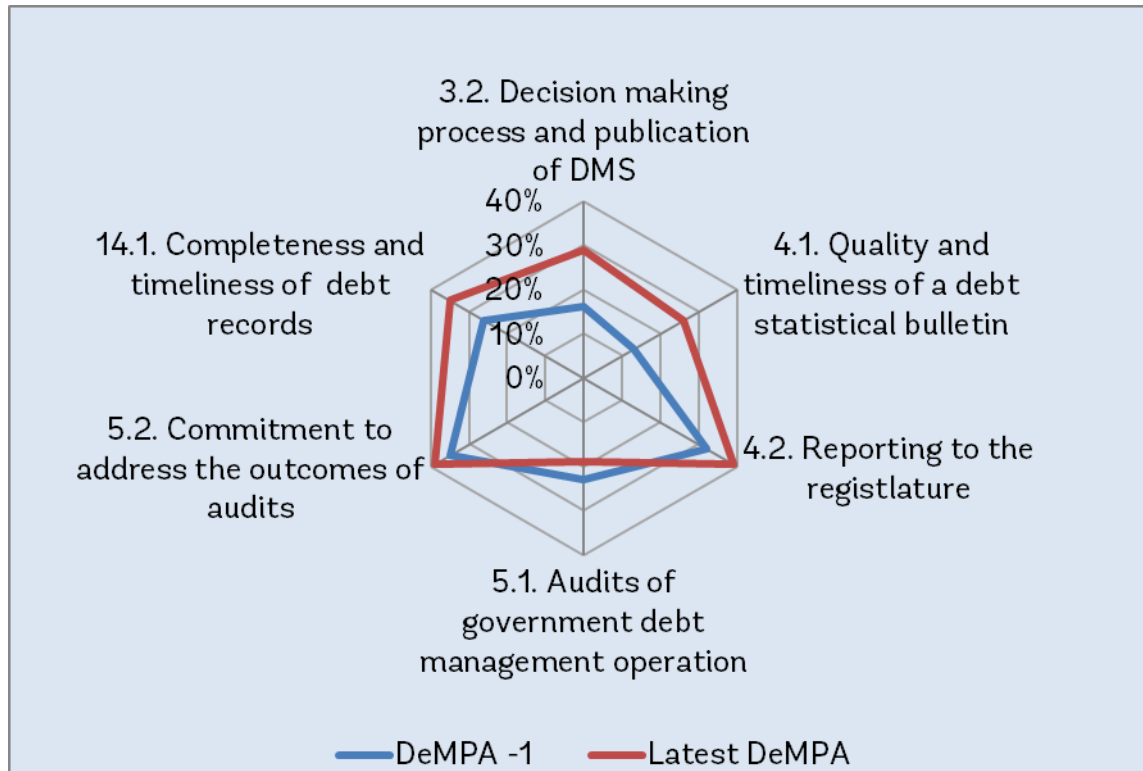
Example of DPI subcomponents

DPI 3-2

- The strategy proposal is prepared by the principal debt management (DeM) entity or, if there is no principal DeM entity, jointly by DeM entities.
- The view of the central bank are obtained.
- The strategy is formally approved.
- The strategy is made publicly available.

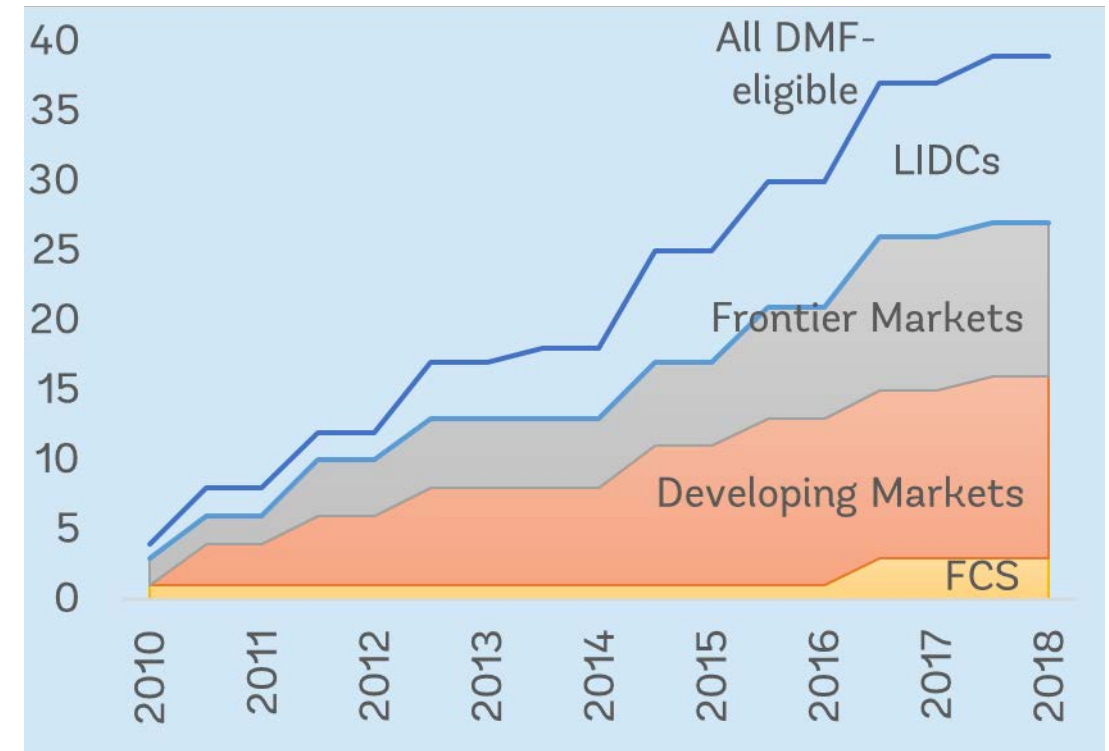
DEBT TRANSPARENCY INDICATORS IMPROVED

DeMPA Debt Transparency Indicator
(% of C Scores or Better)



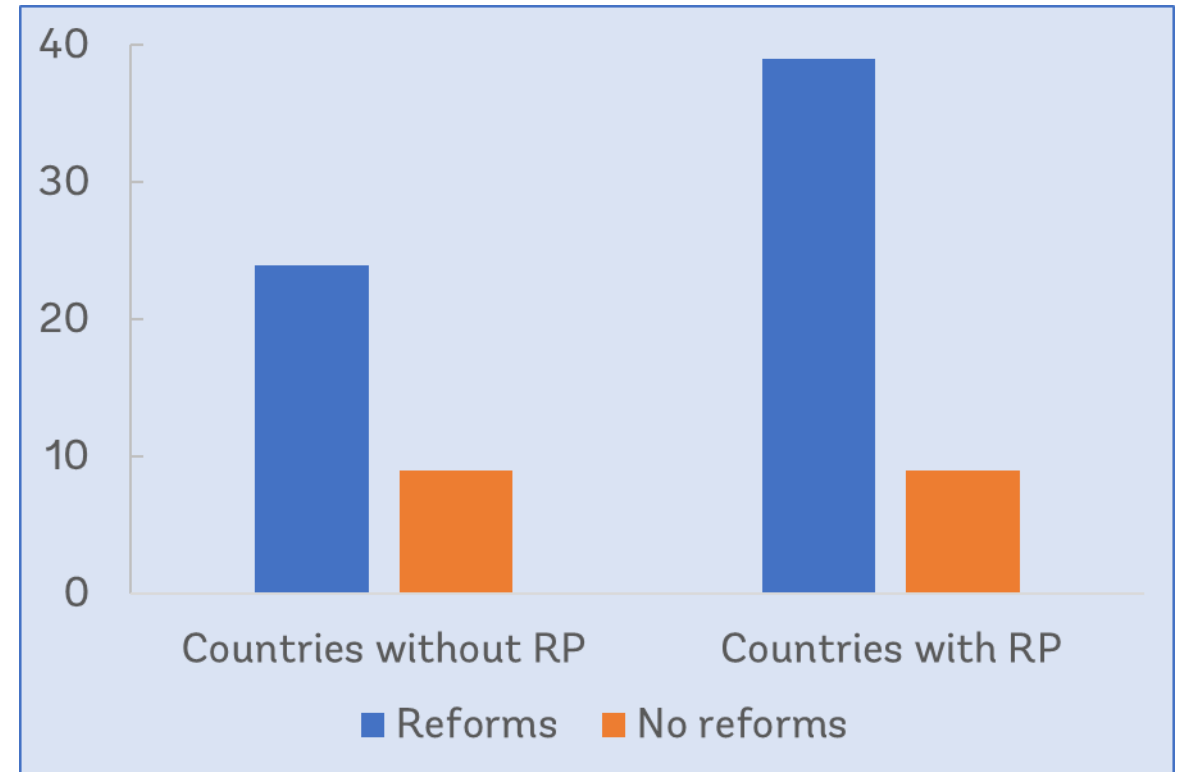
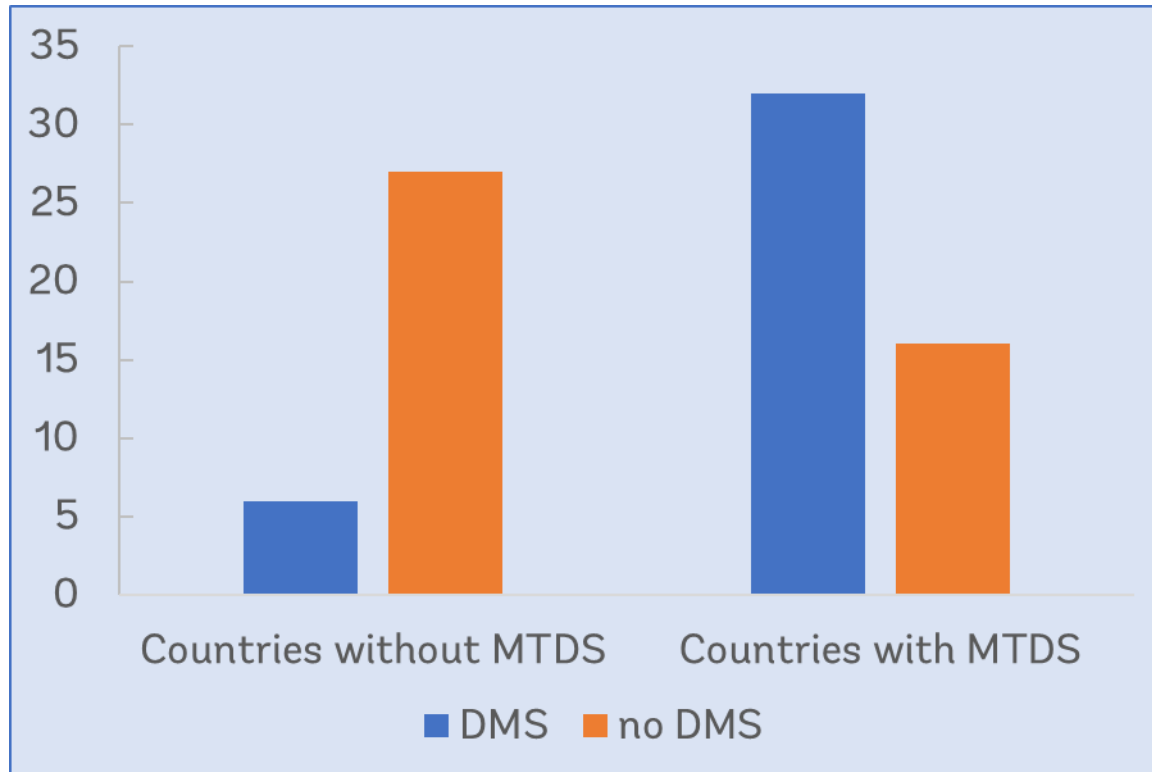
Source: DMF Secretariat

Publication of Debt Management Strategies
(Number)



Source: World Bank

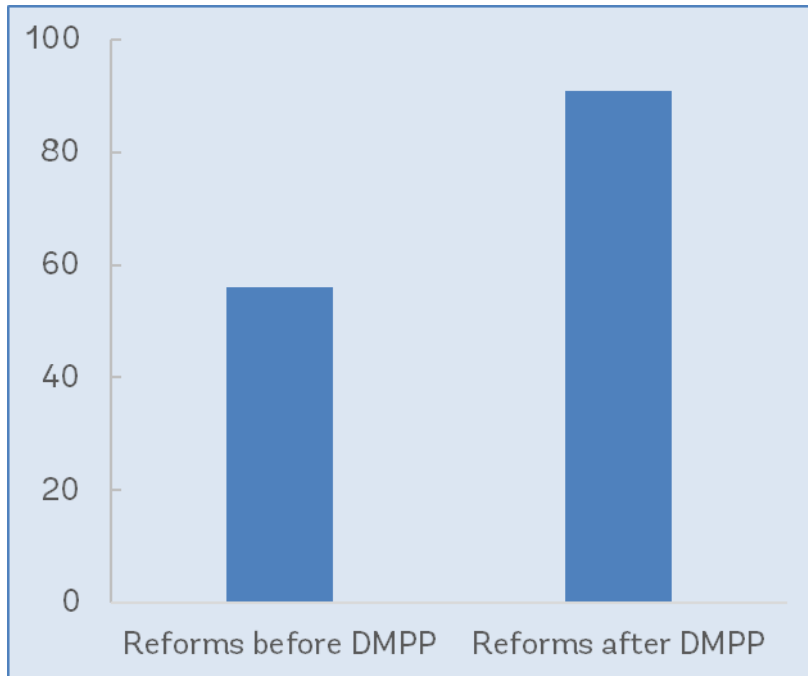
DMF SUPPORT ON MTDS OR REFORM PLAN TA INCREASED LIKELIHOOD OF REFORMS



Source: DMF Secretariat administered survey to DMF-eligible DMOs, Annual Reports, Reform efforts self-reported by DMF Countries.

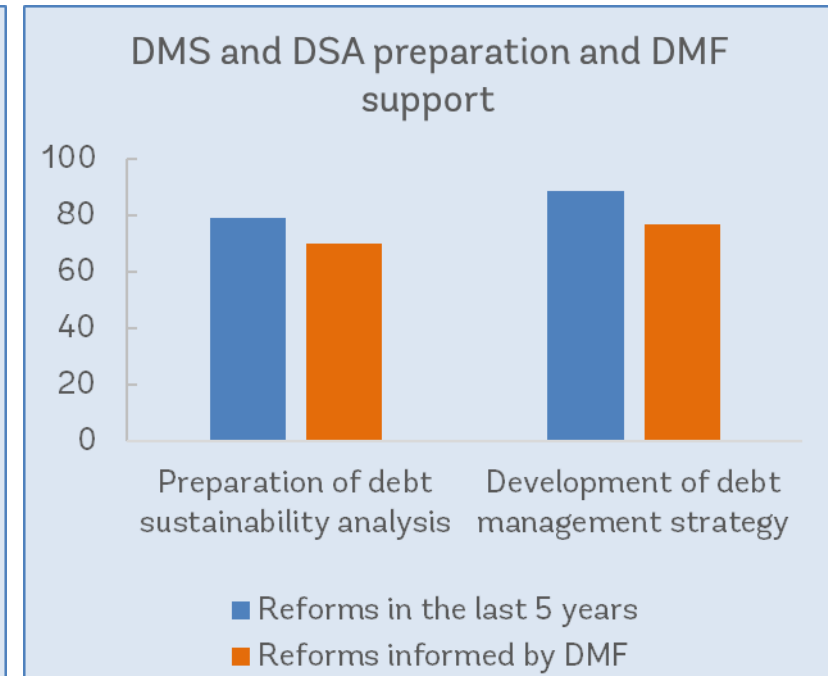
THE DMF HAS PLAYED AN IMPORTANT ROLE IN INFORMING COUNTRIES' REFORM EFFORTS

DMPP and Reforms



Reforms and DMF Support

(% of responses)



Source: DMF Secretariat administered survey to DMF-eligible DMOs, Annual Reports, Reform efforts self-reported by DMF Countries.

LESSONS LEARNED AND WAY FORWARD

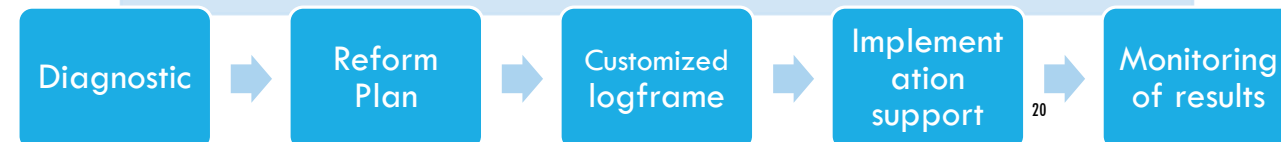
KEY LESSONS LEARNED IN DEBT MANAGEMENT CAPACITY BUILDING

On TA offerings

- Tools MTDS are used beyond DMF-eligible countries (Jamaica, Jordan, Gabon, Lebanon)
- Demand for new areas of TA takes time to pick up
- Addressing debt transparency gaps will require tailored TA
- More support is required to address debt-related contingent liabilities and fiscal risks

On TA delivery

- Sequencing of activities may differ among countries, depending on the country's priorities and capacity
- Providing a sustained stream of support, rather than one-off missions, often produces better results and enabled country-tailored TA to support the implementation of needed reforms that are undertaken by country authorities
- The programmatic approach can help to strengthen ownership and accountability, sustain reforms and deliver better results



KEY LESSONS LEARNED IN DEBT MANAGEMENT CAPACITY BUILDING

On other capacity building programming

- Decision-making on borrowing is made at a high-level, beyond the scope of technical staff; debt management audits and Parliamentary oversight remain weak
- Peer-to-peer learning programs can be a successful impetus for reform

On diagnostic and monitoring

- The DeMPA has become a monitoring tool
- The revision of the DeMPA methodology would complement ongoing efforts to strengthen debt transparency
- This revision will allow to better capture reform progress

THE THIRD PHASE OF THE DMF III EXPANDS OFFERINGS TO ADDRESS EVOLVING COUNTRY NEEDS



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- Knowledge Products
- Outreach and Training



2014

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- Domestic Debt Market Development
- Risk Management
- Cash management
- Annual Borrowing Plans
- International Capital Market Access
- Guarantee Framework



2019

DMF III launched at Bank-Fund Spring meetings

- Debt reporting and monitoring
- Institutional frameworks
- Debt-related contingent liabilities and fiscal risks
- Bilateral support on LIC DSF and MAC
- Expanded peer-to-peer activities ex. Debt Managers Workshops
- Enhanced coordination of debt management TA providers → Implementing Partners Council
- Programmatic engagements
- Increased outreach to decision-makers on debt management, including Parliamentarians and auditors

Thank you

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