

Newsletter

Number 8**August 1995**

Welcome to the eighth issue of the DMFAS newsletter. We would first like to thank everybody for the valuable contributions we received for this issue. The first half of 1995 has been particularly busy for the DMFAS team members preparing for the first DMFAS 5.0 installations. DMFAS 5.0 is being installed in the first country this month. Many more installations will soon follow as most countries have already expressed their interest in upgrading to DMFAS 5.0. Moreover, a number of new countries have requested the DMFAS and this will result in an expansion of our activities. We have estimated that, with the DMFAS now installed in almost 30 countries, the system manages a total debt of more than 300 billion US\$.

Between January and July 1995, country delegations from Zimbabwe, Nicaragua and Egypt visited the DMFAS central team to receive a demonstration of DMFAS 5.0 and to discuss the modalities of the DMFAS 5.0 implementation in their respective country.

In this issue we will report on Argentina's experiences with the DMFAS. Argentina beta-tested DMFAS 5.0 and will receive the final installation in December. In the Technical Focus, we will continue to inform you about how to make Windows more efficient and give you an abstract of Windows 95, the new version of Windows, which Microsoft has just released.

We hope you will enjoy this issue and we look forward to any comments or suggestions you might have.

DMFAS DOMESTIC DEBT STUDY

In co-operation with ESAIDARM and the World Bank, UNCTAD is undertaking a domestic debt study in DMFAS user countries in the ESAIDARM region. The first countries to be visited were Zimbabwe and Uganda. UNCTAD's main responsibility in this co-operation is to study operational issues of domestic debt management, such as recording, monitoring and analysis of domestic debt. The outcome of the study will be individual reports on each of the visited countries as well as a global report for the study as a whole. In addition, UNCTAD is taking advantage of this opportunity to make improvements to the DMFAS software with the participation of a financial economist and a systems analyst.

When financing a deficit on the government budget, domestic debt is an alternative to external debt. As the availability of external financing to the public sector decreases for many countries, the government has little other choice but to cover the gap by borrowing domestically. The various functions of domestic debt management, such as registration, accounting, servicing and control is therefore becoming increasingly more important.

DMFAS Highlights:

♦ UNCTAD study on domestic debt ♦ Debt Management in Anglophone Africa ♦ Country Report: Argentina ♦ Technical Focus: How to use Windows more efficiently and a glance at Windows 95 ♦ Book Review: World Bank: "Reducing the debt burden of poor countries"

Another factor complicating the effective management of domestic debt is that this type of debt is being made available to foreign investors to a larger and larger extent. The term domestic debt has generally been defined as loans to the government from residents of its own country and denominated in its own currency. As countries open up their economies, however, the distinction between domestic and external debt becomes more and more blurred.

In the countries of this study, the interest in treasury bills and stocks is rising. Previously only banks and insurance companies would invest in these government securities. In recent years, however, the number of private investors has been rising resulting in an increased number of transactions and increased workload for both the Central Banks and the Ministries of Finance.

These factors gradually increase the need for up-to-date data for decision making. One of the current management problems is the quality of data and the capacity to organise information into something useful for the decision makers. Registration and operations are the basis for analysis and decision-support and for translating knowledge into action. Statistics on domestic debt data should be prepared by officers in the Central Banks and the Ministry of Finance. The statistical capabilities of both institutions, however, are lacking due to capacity problems and outdated recording systems.

Addressing the problem of effective domestic debt management is often very timely. The volume of domestic debt is increasing, creating operational as well as resource problems. Therefore, the importance of proper control is becoming more and more vital. In order to provide a tool to manage domestic debt more effectively, UNCTAD will improve the domestic debt management module in the DMFAS system.



Seminar News

ESAI DARM - EXTERNAL DEBT DATA VALIDATION WORKSHOP

This workshop, arranged jointly by ESAIDARM and the World Bank, took place in Maseru, Lesotho from May 22 to 27, 1995. UNCTAD was represented by Mr. Baball, Chief Technical Officer (CTO) attached to the ESAIDARM secretariat in Harare and Mr. Børresen from Geneva headquarters. Other resource persons were from ESAIDARM, the World Bank and the Commonwealth Secretariat. The workshop was attended by approximately 20 participants from eight of the nine ESAIDARM member countries.

Background

When international organizations compile external debt data they often find big discrepancies between aggregated data reported by the debtor countries and the creditor sources. Likewise, there may be considerable differences between a debt situation reported by the ministry of finance of a country and other institutions of the same country, such as the central bank. This workshop attempted to address some of the underlying factors causing such problems, develop proposals for overcoming them and, thereby, improving debt reporting from the participating countries.

Issues covered

The workshop emphasised institutional issues related to external debt data validation, validation of individual loans and transactions, restructuring and international - as well as national debt aggregation. The UNCTAD representatives were directing sessions on institutional issues, loan-by-loan validation and restructuring.

It was the first time that any of the organizations providing resource persons to this workshop had undertaken training of this kind. Hence, the workshop was somewhat of an experiment. There are, however, plans to repeat this type of workshop and ESAIDARM is working on a theoretical framework for data validation in co-operation with the World Bank, UNCTAD and the Commonwealth Secretariat.

WORLD BANK DEBT STRATEGY SEMINAR IN GENEVA

ESAIIDARM and UNCTAD jointly organised a seminar on the use of the World Bank's Debt Strategy Module (DSM) at UNCTAD Headquarters in Geneva from 27 June to 6 July. Ms. Aysel Basci of the World Bank acted as resource person together with UNCTAD and ESAIDARM staff members. Twelve delegates from Uganda, Zimbabwe, Zambia, Tanzania, and EURODAD, a Brussels based NGO, participated in this seminar.

This seminar focused on the use of the World Bank's Debt Strategy Module (DSM) to simulate the impact of debt reorganization agreements under the Enhanced Toronto Terms and the Naples Terms as well as for new borrowings. The participants were familiarised with the different options for debt reorganisation and discussed their possible impacts on key debt indicators. They were shown how to enter data manually into the DSM, how to input the different restructuring scenarios and how to simulate new borrowings. Moreover, they were trained to prepare various reports with the DSM. The reports were then discussed and interpreted.

Likewise, the participants carried out a number of simulations of different debt restructuring and analysed the impact of those strategies on debt indicators and the economy. For example, the different impact of debt stock reduction and debt flow reductions under the Naples terms was analysed. Some country case studies using actual data were carried out and real debt restructurings were discussed during this seminar. Furthermore, the participants were shown how to prepare data in DMFAS 4.1 plus for exporting it into the DSM. To facilitate this data export, a new link between DMFAS 4.1Plus and DSM was developed during the seminar.



DMFAS Mission News

UKRAINE

From 13 until 17 March, two DMFAS staff carried out a needs assessment mission to Ukraine. The mission analysed the needs of the Ukrainian administration for a computerised debt management system and installed DMFAS version 4.1 Plus in the Ministry of Finance. The installation of version 5.0 is foreseen for 1996.

BELARUS

Two DMFAS staff members carried out a needs assessment mission to Minsk from 3 to 7 April 1995. Upon Government's request, DMFAS version 4.1Plus was installed during this mission and two staff members of the Ministry of Finance received introductory training. In June, a training mission was fielded during which more officials were trained in the use of DMFAS 4.1Plus.



ZIMBABWE

From 15 to 19 May, two DMFAS staff members went on mission to Harare. This mission took place within the framework of a study on domestic debt in the ESAIDARM region (see: Domestic Debt Study).

LESOTHO

A DMFAS staff member participated in a debt validation workshop in Maseru from 22 to 26 May. (See Seminar News).

VIETNAM

Two staff members carried out a needs assessment mission to Hanoi between 5 and 9 June to evaluate the possibilities of an implementation of the DMFAS 5.0 in the Ministry of Finance.

ARGENTINA

As a follow-up to the beta testing mission in December 1994, a mission composed of three staff members was fielded to the Ministry of Finance. This mission also served to elaborate the specifications for the link between the Argentinian financial administration system and DMFAS 5.0.

ANGOLA

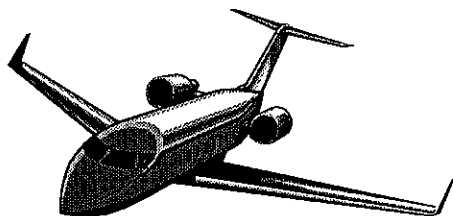
In response to an invitation by the Government of Angola, two staff members undertook a mission between 24 and 28 April to demonstrate DMFAS 5.0 to the local authorities and to discuss a possible implementation of the system.

BANGLADESH

A mission took place from July to August 1995 to install and test the DMFAS 5.0 in the Economic Relations Department of the Ministry of Finance and to train the relevant staff in its use.

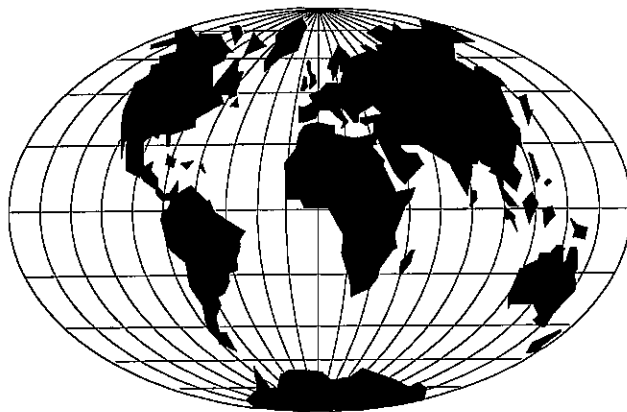
UGANDA

One DMFAS staff member carried out a mission to Kampala to study the Ugandan domestic debt situation. This mission took place within the framework of the domestic debt study (see: Domestic Debt Study)



PARAGUAY

A mission composed of two staff members took place in April 1995 to analyse the technical environment and to evaluate the possibilities for the DMFAS 5.0 implementation on a wide area network in Paraguay. Paraguay will receive DMFAS 5.0 in November this year.



MAURITANIA

One staff member carried out a mission to the *Direction de la dette extérieure* to assess the possibilities of a DMFAS implementation. Mauritania will receive the DMFAS 5.0 in 1996.

ROMANIA

From 9 July to 14 July, two DMFAS staff members and one consultant fielded a mission to Bucharest. The objective of this mission was to provide advanced training to users of DMFAS 4.1Plus and to evaluate the technical environment for the planned implementation of DMFAS 5.0 in the last quarter of 1995. DMFAS 5.0 will be implemented on a wide area network in the Ministry of Finance and the Central Bank.



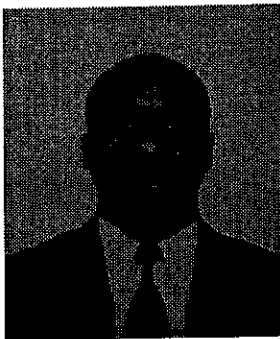
Regional Focus

THE EVOLVING CHALLENGES IN ANGLOPHONE AFRICA

From debt crisis management to debt management crisis

A message from President DMFAS CLUB (Anglophone Africa), Cornilious Deredza¹

The international debt crisis which came very close to crippling the international payments system in the early 1980s has now been largely normalised. However, for many Anglophone African States, the *heavy debt overhang* continues to threaten the potential gains of their current macroeconomic reform efforts. This scenario is compromising Anglophone Africa's international creditworthiness against a background of increasing global competition for the limited international financial resources.



Cornilious Deredza

While considerable importance has been attached to *debt crisis management* throughout the 1980s, a new concern with the capacity limitations of existing debt management institutions in Anglophone Africa has emerged.

Consequently, regional consensus has been reached among several Eastern and Southern African States on the need to address what could be called a looming "*debt management crisis*", as a matter of high priority.

The advent of new financing techniques, the still little-understood *Naples terms* of July 1994 among them, and the increasing sophistication of *computerized debt management systems*, means that debt management as a profession now demands wider, deeper and more specialised skills and knowledge than ever before. In this regard, Anglophone Africa has to 'make or break'. 'Making' certainly involves prioritising and integrating debt management into general economic management. It also invariably implies a closer and more objective re-

examination of efficiency issues in debt management practice.

Countries in the sub-region now need to focus not only on computerisation of debt recording (as has been the case in the past), but on *developing all-round sustainable capacity* in all other aspects of debt management, both executive and operational. Matters of debt negotiation, analysis, strategy formulation, and debt macro-linkages can no longer be dealt with only "as and when they arise". These critical components of debt management cannot be relegated to the world of "off-site" international consultancy for long-term cost reasons.

Part of the new challenge for African debt management consists of the development of a more *professional and systematic approach* to debt management practices. In this regard, strategic *human resources development (HRD)* should occupy a central position in debt management. To do this cost-effectively, a *regional approach* will need to be employed in order to harness economies of scale. Simultaneously, the current international financial support and technical assistance to African debt management in this direction has to be regionally coordinated for optimum impact.

The other dimension of this challenge lies in developing *sustainable institutional capacity and memory* in debt management. This consists of regularly developing, testing and documenting debt management systems and procedures as well as co-ordinating the organisational set-up and co-ordination within and outside respective national debt management systems.

The success and sustainability of such regional capacity-building efforts in debt management, depends on *regional political commitment and*

¹ Cornilious Deredza is currently *Regional Technical Officer (UNCTAD)* in the Eastern and Southern African Initiative in Debt and Reserves Management (ESAI DARM). He is also an *External Debt Economist* with Economic Research and Policy Department, Reserve Bank of Zimbabwe. However, views contained herein do not represent those of these institutions and are expressed in the capacity of *President DMFAS Club*.

support. Although this commitment appears firmly in place now, its sustainability has to pass the test. Already, there are *indications of new regional demands* in capacity building in domestic debt, aid management, macro-analysis of debt and monitoring of private non-guaranteed external debt and non-debt capital flows under liberalised exchange regimes. To these and other cutting-edge issues in debt

management, our systems have to measure-up or simply go-down-under. The time to act is now. The critical difference between urgently addressing these issues now and postponement of them indefinitely lies in the fact that there is a *time-cost* of adopting the latter decision. In this regard, Africa would be better-served by decisively "waking-up to its call".

Debt Management in Argentina

REORGANISATION OF THE PUBLIC DEBT SYSTEM

EXPERIENCES OF ARGENTINA

EXTRACT OF A PAPER BY JORGE AMADO, NATIONAL PROJECT DIRECTOR, ARGENTINA ²

During the past decades, Argentina has suffered from a strong economic decline. The significant involvement of the state in all sectors of the economy, be it by direct involvement or by strong regulations, generated a permanent crisis which found its climax in the hyperinflation of the years 1989 and 1990. High public debt incurred during the 70s and worsening conditions in the eighties contributed to the aggravation of the situation.

However, political reforms in the recent years initiated a profound change in the economic structures of Argentina. Under President Carlos Menem, measures were taken to liberalise and deregulate markets and establish currency convertibility. Moreover, the elimination of the fiscal deficit was the starting point for a deep rooted reform of public administration, of which the reform of public debt management was an important part.

THE SITUATION BEFORE THE REFORM

Before the reform, every public entity involved in debt management collected its own data, and neither a controlling system nor a central registry for debt data was in place. Only the Central Bank had an independent statistical register of the public debt. Registers kept by other institutions and public enterprises were insufficient to

give useful information for debt management. Moreover, no legislation or systematic collection of debt data was in place. To proceed with debt service payments, the Ministry of Finance relied on payment advices or claims by its creditors, without being able to check these claims for correctness. Information on debt stocks and flows was collected by means of summarising data from different institutions and consolidating them later. This method was cumbersome and it was not possible to know the exact debt stock at a given date and flows of a period, neither the exact maturity profile nor committed interest rates. Moreover, due to difficulties in using the budget as a tool for public administration, there was no obligation to earmark parts of the budget for debt service payments. In addition, in the absence of a registry in the Ministry of Finance, the Central Bank and the Banco de la Nación Argentina bypassed the Ministry and the Treasury when making payments. The Ministry was informed only after the payments were made, and the two banks thus assumed the functions of an independent treasury.

THE PRESENT SITUATION

By the end of 1994, this situation had changed completely. The entire administration and man-

² Jorge Amado is National Project Director in the Finance Ministry of Argentina. The full text of the paper in its original language (Spanish) can be obtained from DMFAS Geneva.

agement of public debt is now centralised in the Directorate for the Administration of Public Debt (DADP) in the Ministry of Finance. The tasks of the DADP range from registering public debt information electronically in the DMFAS, which was installed there in 1993, to calculating debt service payments and issuing payment orders. DADP's functions also include some of those previously assumed by the Central Bank (BCRA), such as preparing the Paris Club and the collection of domestic debt bonds. The DMFAS database now contains 99% of the public debt, or 1,026 loans. It is considered a powerful tool for debt management. For example, DMFAS data provides the following information:

- Calculation of debt service payments and their inclusion into the budget;
- Analysis of the composition of debt, analysis of effects of exchange rate variations, projections for the period and of international scenarios and their effect on local finances;
- Debt information for publication in the Fiscal Bulletin of the Ministry of Finance and other publications of the Government;
- Monthly status report on the total debt and flows.

Electronic links have been established with the World Bank and the BCRA. The DADP is able to connect to the World Bank via modem, where it can access accounting data and concile the data in its registers. In addition, an electronic link established with the BCRA permits the exchange of debt information through the Financial Telecommunications System (STAF).

Another important aspect is that the information contained in DMFAS is now reconciled with the creditors upon every maturity of debt services. Thus, DADP has been able to correct claims for interest payments by lenders who inadvertently overcharged their original claims.

The DADP establishes a weekly schedule of maturities for debt service for the next 45 days, which is sent to the BCRA, the Treasury and other institutions involved in financial planning.

DMFAS 5.0

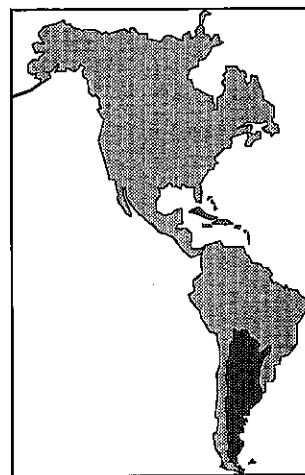
In November 1994, UNCTAD carried out the beta testing of the new version of the DMFAS

in the DADP. The final installation will take place in December 1995. Presently, the DADP is running the new version in parallel with version 4.1Plus. DMFAS 5.0 will be installed on a local area network. With this new version it is possible to establish a link between the Integrated Financial Information System (SIDIF), that comprises Budget, Treasury and Accounting sub-systems, in place in the Ministry of Finance, and the DMFAS 5.0. It will then be possible to incorporate the code of the budget allocations in every loan, thus registering inflows and outflows. For example, every time a disbursement is produced, it will be reflected in the SIDIF through the record of actual deposits of funds and in the DMFAS automatically. Payment orders will be automatically issued by the DMFAS and registered in the SIDIF, and SIDIF will issue the payment advise for the Treasury. In addition, the DADP will be able to create user-defined report tables which will always give updated information on debt stocks and flows. With the new facilities, it will be possible to have this information in real time, as the reports will automatically contain all the changes and updates every time the report is retrieved.

RESULTS

Apart from the efficiency gains obtained by the reorganisation and computerisation of public debt administration, actual cost savings have been achieved. Up to 1995, the total costs of the DMFAS implementation amount to

US\$ 970,000. Since the implementation of DMFAS in 1993, the Republic of Argentina has saved US\$ 21.4 million by servicing its debt on time and thus benefiting from the so called Interest Rate Waivers of the World Bank. Moreover, involuntary errors in the application of credit terms or the determination of outstanding debt were detected. The sums that were saved this way greatly outweigh the costs of the implementation of the system.



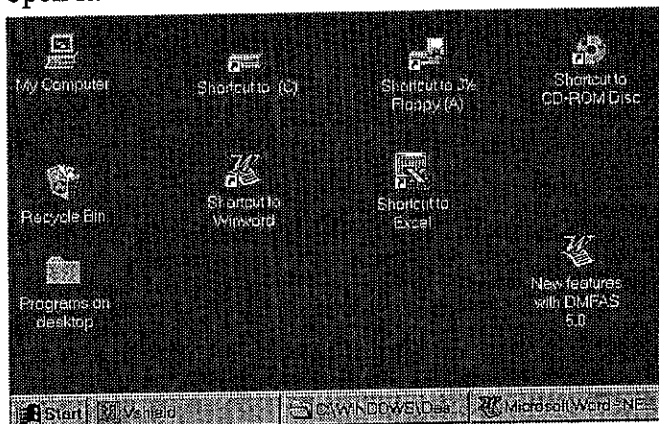
Technical Focus

WINDOWS 95

Finally, on 24 August, Microsoft released its new version of Windows. It is the most important update of Windows ever, and, for the first time, does not rely on DOS as it is an operating system itself. So, what does this mean for the average user? In this article, we will clarify some of the major differences between Windows 3.x and Windows 95.

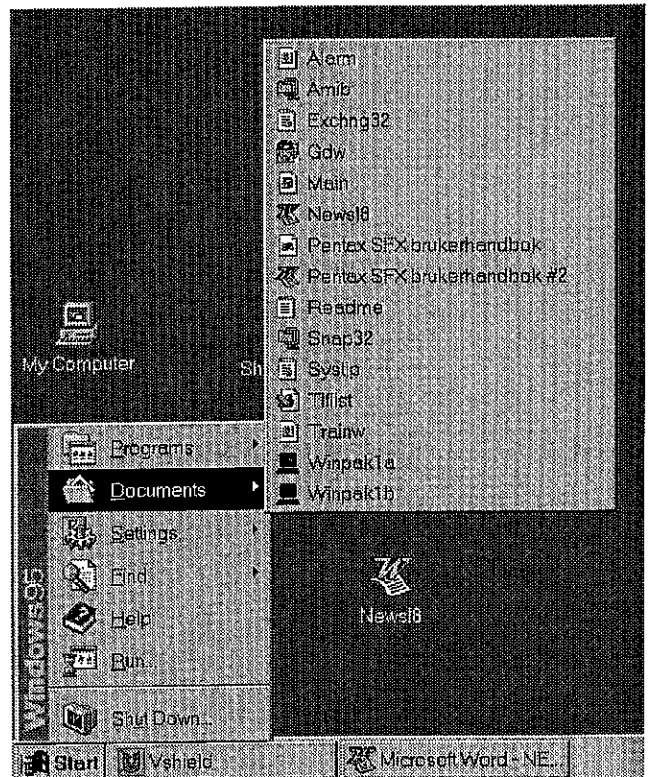
Windows 3.1x, including versions 3.1, 3.11 and 3.11 for Workgroups, is not an operating system, but a graphical interface that runs on the 16 bit DOS operating system. It has to rely on DOS for a lot of its functions, such as disk, file and memory handling etc. Even though hidden for the user, this means slower performance. General faults in one application often meant that the PC had to be rebooted. Windows 95, on the other hand, is a 32 bit operating system in itself, can run programs faster, does not have the 640 Kb (conventional memory) barrier and can protect one hanging application from affecting other applications.

The user interface has been changed, and looks more like what is found on Macintoshes or PCs running OS/2. The familiar Program Manager that appears automatically as Windows 3.x is started, and which contains icons for the applications, has been replaced, and so has the File Manager. Instead, you will see the **desktop**, with icons for folders (directories), files (documents and programs), diskette drives, hard disks, CD-ROMs etc. As before, you can double click on a program or a document to open it.



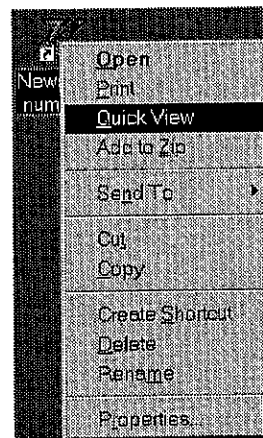
The Windows 95 desktop

The Taskbar is also a new feature of Windows 95. It is located on the bottom of the screen, and will show the new Start Button as well as all open programs, documents and folders, so you can switch between them with a click of the mouse. The easiest way to start a program is often to click on the new Start Button. A hierarchical menu appears containing programs and documents. This menu can be customised to suit the user's preference.



The Start Button

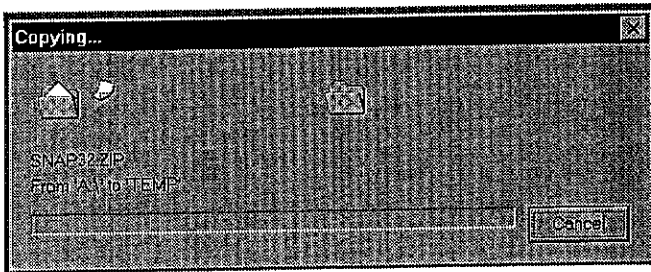
Deleting files is done by dragging a file to the Recycle Bin which is placed on the desktop. If



Pop-up menu

you regret deleting a file, you just open the recycle bin and put it back where it belongs. This requires some reserved space on the hard disk for deleted files. Copying is done the same way, by dragging a file from one place to another, e.g. from a diskette icon to a folder on the hard disk. As the copying is taking place, you will

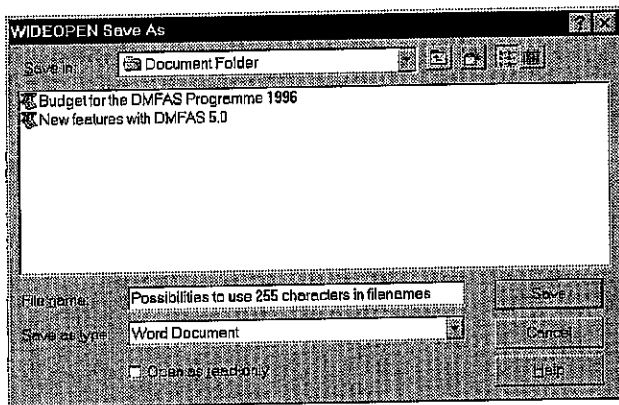
see the document flying from one folder to another.



Copying files

Each icon, whether it is a folder, the hard disk, a diskette, a file or the Recycle Bin, has its own pop-up menu that is accessible with a click on the right mouse button. One of the most useful features in this menu might be Quick View which will show you the contents of a file without having to load the program it is created in.

Long file names might be the most welcomed new feature for some users, with 255 characters instead of the 8+3 character restriction with DOS/Windows 3.1x. Now you can name a letter *New features with DMFAS 5.0* instead of *FEADMFS5.DOC*.



Long File names

The Shortcut is also a new concept for Windows. A shortcut is simply a pointer to another object, e.g. a file or a program. E.g. by placing a shortcut for Word on the desktop, Word can be started by double clicking on this icon.



Shortcut

Whether Windows 95 is faster or slower than its predecessor cannot be answered with a simple yes or no. Windows 95 seems to need more powerful hardware to run efficiently,

starting from a fast 486 with 16 Mb of RAM. With this equipment, Windows 95 will run old Windows 3.x programs (16 bit programs) about as fast or as Windows 3.1x. However, in the majority of cases, a Windows 95 compatible program running under Windows 95 will perform better than a Windows 3.1x program running under Windows 3.1x. Most major software manufacturers will come out with new Windows 95 versions of their programs this year.

What happens when running several applications simultaneously? This is to a certain extent possible under Windows 3.1x, but with sluggish performance. Windows 95 is far superior, and can handle true pre-emptive multi-tasking, which means that two tasks can be run simultaneously. You can therefore create the amortization table in DMFAS while copying files in another window. Even better, it supports multi-threading, which means that even a program can do several tasks simultaneously, e.g. you can start spell checking your document while you are typing in the same document.

Windows 95 is also much more robust than old versions. If one Windows applications is hanging, it will be possible to close that application without affecting others.

But what happens to our old favourite DOS applications? Windows 95 has, as Windows 3.1x, the possibility to open DOS windows and run DOS applications !

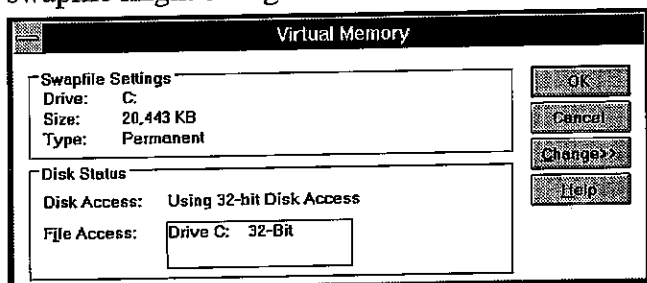
OPTIMIZING WINDOWS 3.1X

This article will focus on how to optimise your Windows 3.1x installation, to make the Windows environment faster. In the DMFAS newsletter No. 6, we described why and how to use disk caching, which is one of the easiest, cheapest (it is free!) and efficient ways to improve the speed under Windows. If you have not yet installed a disk cache program, do it now as a first step to a faster Windows.

As the heading of this article indicates, there are several Windows versions starting with 3. The best and fastest of these is Windows 3.11 for Workgroups (check which version you are running by choosing *About Program Manager* from Program Manager's *Help* menu). It is 100% compatible with Windows 3.1, and has some extra features such as printer- and file

sharing, and an improved File Manager. Another feature is its **32-bit File Access**, which greatly improves the hard disk access. When combining it with **32-bit Disk Access**, you will get an even better result. Start *Control Panel*, double-click on the *Enhanced* button and then *Virtual Memory* and *Change*. If your hard disk controller is not compatible with 32-bit Disk Access, this choice will not be available, and if you use Windows 3.1, the 32-bit File Access will not be available. Tick off for *Use 32-bit File Access* if you use Windows 3.11 for Workgroups, and *Use 32-bit Disk Access* if that option is available.

In the same window, verify that you are not using a temporary swapfile, and if you do, change it to permanent, which will also improve the speed. The swapfile is used as Virtual Memory, an extension to the physical RAM on the PC. The less RAM installed on the PC, and the more and bigger programs you want to run, the bigger should the swapfile be. If you are running a word processor and a spreadsheet with 4 Mb of RAM, an 8 Mb permanent swapfile might be a good choice.



When did you last defragment the hard disk? If the answer is "What is defragmenting?", it is probably time to do it now. When a hard disk has been in use for a while, and files have been created, deleted or changed, the disk becomes fragmented. One file might be spread around different places on the disk, which makes access to the file slower than if it had been saved in a continuous space. If you use DOS version 6.x, exit Windows and start the DOS program DEFrag to defragment the disk. If you use an older DOS version, you will need another product, such as Norton's SPEEDISK, or PCTools' COMPRESS to do the same.

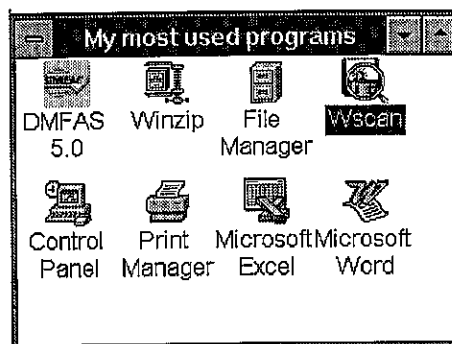
A full hard disk also tends to slow down Windows' performance. Leave at least 10 Mb free space on your hard disk if you can afford it.

Exit Windows and type **DIR *.TMP /S /P**, and there is a good chance that you will find several Mb of temporary files in different directories. Delete all of them to free up some space.

System Resources under Windows is a limited memory area (2 x 64 Kb) for fonts, icons and other graphical objects, that is crucial for the speed, as well as for the stability of a PC. When choosing *About Program Manager* from the *Help* menu in Program Manager, you will see how much of this memory is free. If it is below 35% percent, the PC will often start slowing down and become unstable.

To avoid running out of System Resources, keep Program Manager groups with many icons closed. If you only use a few icons regularly, you can create a new Program Manager window, copy the icons you use regularly to this window by holding down the Ctrl-Key while dragging them with the mouse, and then close all the other windows. Insure that this will be the setting next time you start Windows by pressing Alt-Shift-F4 (see last newsletter for a description of how to set up Program Manager).

Another way of getting more free System Resources is removing Windows fonts you never or rarely use (use *Control Panel's Fonts* icon). Do not run too many Windows programs at the same time either, as they all use System Resources. Since some applications do not give back the System Resources when exiting, restarting Windows can also free up System Resources if you have started and exited several applications in a Windows session.



Book Review

REDUCING THE DEBT BURDEN OF DEVELOPING COUNTRIES

A FRAMEWORK FOR ACTION

THE WORLD BANK

The World Bank produced this publication due to growing concerns of the international financial community about the special difficulties of the severely indebted low income countries (SILICS). While many of the heavily indebted middle income countries are emerging successfully from the debt crisis, the economic situation for most of the SILICS continues to deteriorate. Debt plays a major part in this development. This World Bank publication therefore provides a diagnosis of the problem and discusses the steps that have been taken to date, and, secondly, gives a framework for action to reduce the debt overhang of these poorer countries.

ORIGINS AND CHARACTERISTICS OF THE DEBT PROBLEM

This first chapter describes the origins and characteristics of the SILIC debt problem. While net transfers to SILICS have been largely positive in the 80's and 90's, debt indicators deteriorated sharply. The situation has improved somewhat since 1987 due to recoveries in export earnings and efforts made by creditors to shift grants and concessional finance toward restructuring. At the end of 1992, almost 45 per cent of outstanding debt was on concessional terms.

SILICS vary substantially as to individual indebtedness. To assess the magnitude of individual indebtedness, the authors analyse the following liquidity and solvency for the different SILICS: Debt to export ratio on a present value basis and actual and scheduled debt service ratios.

The analysis shows that for most SILICS severe indebtedness is manifested by both high current debt service ratios and a large overhang of debt stock. In fact, 32 of the SILICS show debt to export ratios in excess of 200, the limit above which debt is not considered as sustainable any more.

THE REMAINING AGENDA

Chapter two discusses the steps taken to date toward resolving the debt problem. Creditors responded to the aggravated situation of the SILICS by providing increased concessional funds and greater debt relief by applying Toronto and Enhanced Toronto Terms, ODA debt cancellation and buybacks of commercial bank debt. The World Bank applied measures such as supporting governments with the implementation of policy reforms, shifting to IDA lending, increasing flows to adjusting countries and other technical assistance. However, most SILICS are still not able to meet their scheduled debt service obligations, and arrears continue to accumulate. The problem calls for a concerted effort by both creditors and debtors.

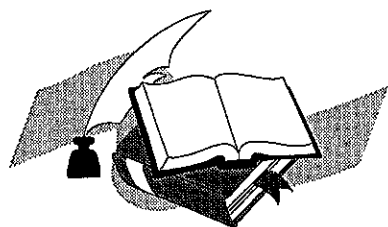
A FRAMEWORK FOR ACTION

This volume proposes a case by case approach based on the assessment of three complementary ways to achieve debt sustainability: Growth in Export earnings, additional debt reductions (stocks and interest rate), and additional concessional new money. However, export growth is likely to be modest for most of the SILICS, compared with the magnitude of the debt overhang. Thus, more efforts by the creditors are needed. The SILICS themselves can contribute by continuing their efforts for policy reform, while the creditors should continue providing greater debt relief and additional concessional new money. Debt reduction and new money can be used jointly to support policy reforms, reduce the debt overhang and ensure adequate resource transfer for investment and import needs. The extent of these measures has to be decided on a case by case basis.

Moreover, the authors propose a division of labour among the creditors according to the type of debt.

Restructuring should be based on a target outcome tailored to every individual country rather than be based on a fixed percentage. This target outcome should be sufficient to exit protracted negotiations and ensure the availability of adequate financial resources for every country.

Reducing the Debt Burden of Developing Countries
 A Framework for action
 Development in practice series
 The World Bank
 Washington, September 1994



UNCTAD PUBLICATIONS:

The Trade and Development Report has been issued in September this year.

The Trade and Development Report, 1995, is a United Nations Publication (Sales No. E.94.II.D.26, pp199). It may be obtained at the price of US\$ 45 from the United Nations Sales Section, Palais des Nations, 1211 Geneva 10, Switzerland, Tel. 41 22 907 2613, fax: 41 22 907 0027; or from the United Nations Publications, Room DC2-853, United Nations Plaza, New York, N.Y. 10017, United States, Tel: 1 212 963 8302, fax: 1 212 963 3062.

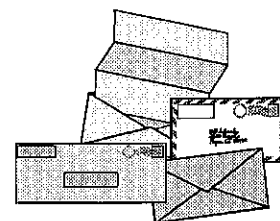
It is with deep grief that we have to announce the sudden death on Sunday 20 August of Mr. Shahan Abrahamian, Officer-in-Charge of the Global Interdependence Division of UNCTAD. Mr. Abrahamian served UNCTAD and the United Nations for 26 years. At the time of his death, he was Officer-in-Charge of the Global Interdependence Division. He directed, among others, the Debt Management Section, of which the DMFAS Programme is part.

Throughout his long career, he always displayed exemplary loyalty and dedication to the United Nations, and in his turn commanded strong loyalty among his colleagues, particularly those closely associated with him for his work for the Trade and Development Report. The Global Interdependence Division and the DMFAS Programme lose a dedicated and competent colleague, who will be missed for his exceptionally quick and wide ranging intelligence, the warmth of his personality, his wit and his skill in public as well as private repartee. His sudden death, for which we were all totally unprepared, leaves his friends and colleagues as well as the organisation much poorer.

The DMFAS Team:

| | |
|----------------------|-------------------------------|
| Enrique Cosío-Pascal | Chief |
| Isabella H. Mackie | Programme Officer |
| Alan Bodin | Senior Debt Management Expert |
| Philippe Straatman | Financial Economist |
| Pal Borresen | Financial Economist |
| Mark Willis | Financial Economist |
| Manuela Jander | Financial Economist |
| Pekka Sankala | Senior Analyst |
| Gerry Teeling | Systems Analyst/Team Leader |
| Marjo-Riikka Järnsen | Programmer |
| Mabel Triguís | Programmer |
| Marilyn de Guzman | Programmer |
| Dagfinn Vaksvik | DMFAS Trainer |
| Maria Begona Olea | Secretary |
| Nathalie Bois | Secretary |
| Mónica Sierra | Secretary |

Letters for the Newsletter to:
 DMFAS Newsletter Editor
 E 10055
 UNCTAD
 Palais des Nations
 CH-1211 Geneva 10
 Switzerland



HOT LINE:

Telephone:
41 22 907 6049

Fax:
41 22 907 0045

E-mail:
ENRIQUE.COSIO.PASCAL@UNCTAD.ORG
 or **DAGFINN.VAKSVIK@UNCTAD.ORG**