G-20 NOTE: IMPROVING PUBLIC DEBT RECORDING, MONITORING, AND REPORTING CAPACITY IN LOW AND LOWER MIDDLE-INCOME COUNTRIES: PROPOSED REFORMS

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ABBREVIATIONS AND ACRONYMS

ABP Annual Borrowing Plan
BIS Bank for International Settlements
COMSEC Commonwealth Secretariat
CPIA Country Policy and Institutional Assessment
CS-DRMS CS-Debt Management and Recording System
D4D Data for Decisions
Debt-DQAM Debt Data Quality Assessment Methodology
DeM Government Debt Management
DeMPA Debt Management Performance Assessment
DeMRP Debt Management Reform Plan
DLP Debt Limit Policy
DMF Debt Management Facility
DMFAS Debt Management and Financial Analysis System
DMO Debt Management Office
DRS Debtor Reporting System
DSA Debt Sustainability Analysis
DSMx Debt Sustainability and Debt Management
EBRD European Bank for Reconstruction and Development
EDS External Debt Statistics
EME Emerging Market Economy
FAD Fiscal Affairs Department
FSSF Financial Sector Stability Fund
FSVC Financial Services Volunteer Corps
FTE Fiscal Transparency Evaluation
GBMDP Government Bond Market Development Program
GDDS General Data Dissemination System
GFS Government Finance Statistics
ICD Institute for Capacity Development
IFI International Financial Institutions
IMF International Monetary Fund
IMFC International Monetary and Financial Committee
INTOSAI International Organization of Supreme Audit Institutions
IT Information Technology
LEG Legal Department
LIC Low-Income Country
LIC DSF Debt Sustainability Framework for Low-Income Countries
LMIC Lower Middle-Income Country
MAC DSA Debt Sustainability Analysis in Market-Access Countries
MCM  Monetary and Capital Markets Department
MEFMI  Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MOF  Ministry of Finance
MTDS  Medium-term Debt Management Strategy
NCBP  Non-Concessional Borrowing Policy
NSDP  National Summary Data Page
OECD  Organization for Economic Co-operation and Development
PEFA  Public Expenditure and Financial Accountability
PFM  Public Financial Management
PPP  Public Private Partnership
PSD  Public Sector Debt
PSDS  Public Sector Debt Statistics
QEDS  Quarterly External Debt Statistics
RAP  Resource Allocation Plan
RTAC  Regional Technical Assistance Center
SDDS  Special Data Dissemination Standard
SDG  Sustainable Development Goal
SNA  System of National Accounts
SOE  State Owned Enterprise
SPR  Strategy, Policy, and Review Department
STA  Statistics Department
TA  Technical Assistance
UNCTAD  United Nations Conference on Trade and Development
USAID  United States Agency for International Development
WAIFEM  West African Institute for Financial and Economic Management
I. INTRODUCTION

1. Strengthening public debt recording, monitoring and reporting is critical to debt transparency. Rising sovereign debt levels, coupled with recent cases where debt monitoring and disclosure has been inadequate, have highlighted the need for greater attention in building capacity in these areas. Lack of accurate information is particularly relevant for: borrowing undertaken (and committed), debt terms and conditions, breadth of coverage of the public sector, and sovereign exposures to contingent liabilities. These issues have become more significant in the context of a changing creditor and instrument landscape, combined with an increase in off-balance sheet transactions (see IMF 2018, World Bank 2018).¹

2. The primary responsibility for reporting accurate and comprehensive public debt data lies with the sovereign borrower. To effectively report upon public debt, reliable and comprehensive data recording and monitoring is necessary. This requires a legal framework with clearly specified instrument and institutional coverage, well-defined organizational structures that ensure segregation of duties and avoid conflicts of interest, internal controls that ensure laws, procedures and policies are followed, and a secure debt recording system. At the same time, adequate capacity is needed at every step to record, monitor, and report public debt data as well as to audit and to conduct internal control functions.²

3. This note identifies gaps in the recording, monitoring, and reporting of reliable and comprehensive public debt data in low-income countries (LICs) and lower middle-income countries (LMICs), examines the factors that contribute to the difficulties, and proposes actions for improvement. The next section describes the prerequisites for effective debt recording, monitoring, and reporting. The third section takes stock of existing capacity and identifies the main shortcomings, followed by the fourth section which discusses the main drivers of weak capacity. The fifth section highlights key shortcomings behind recent cases of “debt surprises” and the consequences that lack of transparency can have for borrowers. The current technical assistance (TA) aimed at enhancing capacity in this area is discussed in the sixth section. The final section identifies prospective strategies to improve LIC and LMIC borrower capacity in public debt recording, monitoring, and reporting.

¹See Annex I for definition of LICs and LMICs.

²For the purpose of this paper, public debt liabilities include SDR allocations, currency and deposits, debt securities, loans, other accounts payable, insurance, pension and standardized guarantee schemes incurred by government units and other public sector units. They may also include contingent liabilities (such as implicit guarantees) that are not debt from a statistical or legal perspective, but represent a fiscal risk to the government and are thus relevant for analytical purposes.
II. PREREQUISITES FOR EFFECTIVE PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

4. To effectively record, monitor, and report public debt on a consistent basis requires a strong governance framework, effective organizational structure, adequate staff capacity, and a functional recording system.

- The governance framework should be underpinned by legislation setting out the delegation of authority to borrow and issue guarantees on behalf of the State, the public debt management objective, the requirement of a medium-term debt management strategy, the need for regular audits, and for reporting to the legislative body (see Figure 1).³⁴

![Figure 1. Debt Management Governance Framework](image)

Source: Fund and World Bank staff.

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³To ensure public debt recording, monitoring, and reporting are adequately mandated by the law, the legal framework should also specify the scope of public debt and the sanctions for violations of the legal framework.

⁴See IMF and World Bank (2014). The location of the debt management office could be set up as an independent agency, or reporting at arm’s length to the Minister of Finance and could vary according to country circumstances.
• **The government must also have the authority and institutional capacity to monitor all public debt.** In particular, a legal and regulatory mandate to monitor the debt of all public issuers, including state owned enterprises (SOEs, with or without a sovereign guarantee), and other contingent liabilities should be established, and responsibilities for doing so should be clearly delegated to a specific agency. These should also be supported by proper institutional arrangements and policies to contain fiscal risks related to guarantees, SOEs, and public private partnerships (PPPs).  

• **Effective organizational arrangement for debt management is crucial.** Consistent with fiscal financing needs and debt management strategy, debt should ideally be negotiated and contracted by a front office, confirmed and recorded by a back office, and monitored and analyzed by a middle office. Regular and timely reporting of the debt data should be produced by the back and/or middle office. Where debt management functions are fragmented across departments and institutions, an effective coordination mechanism that ensures timely information sharing and clear accountability for providing and aggregating information is needed (see Figure 2).

![Figure 2. Process for Contracting, Recording, Monitoring, and Reporting Public Debt](image)

Source: Fund staff.

5. **Recording, monitoring, and reporting of public debt also depend critically on robust data collection and the use of a secure debt recording system with appropriate**

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5For example, by setting risk exposure ceilings, charging risk-related guarantee fees, ensuring proper risk sharing to minimize moral hazard, transparently assessing, monitoring, reporting and provisioning for any potential fiscal exposure. See IMF (2016a).
functionalities. An effective data collection framework and a good recording system would enable comprehensive capturing of debt including: domestic and external public debt, publicly guaranteed-debt, other debt-related transactions, such as central bank debt (if borrowed on behalf of the government or used to finance quasi-fiscal activities), currency and interest swaps, arrears, details on past debt relief and debt restructuring, as well as the tracking of contingent liabilities. The debt recording system should also provide for comprehensive reporting features (see Box 1).

Box 1. Desirable Elements of a Debt Recording System

A robust debt recording system should provide for an accurate, up-to-date, consistent and comprehensive database with the ability to generate reports as required by the borrower and to inform debt service transactions. A good debt recording system would readily provide the following:

- Instrument-by-instrument financial terms repository.
- An accurate breakdown of the outstanding debt by various characteristics, including currency composition, creditor category and residency, concessionality, and instrument composition (including by interest rate type).
- Aggregate debt servicing schedules across various categories of debt.
- Basic portfolio indicators, such as average maturity and proportion of foreign currency debt.
- Payment schedules for interest and amortization of individual loans and securities, along with the functionality of generating associated payment notices.

Ideally, the system would also interface with other key systems including (i) the payments system used to make debt servicing payments; (ii) the transaction management system (where relevant);¹ (iii) the auction system (if separate from the transaction management system); (iv) the aid management system, and (v) the government’s financial management information and accounting system(s). In addition, the integrity of the system should be ensured by appropriate security controls.

Source: IMF and World Bank staff, adapted from IMF and World Bank (2009b).

¹For example, if the debt management unit engages directly in financial market transactions.

III. TAKING STOCK OF EXISTING CAPACITY ON PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

6. While there have been improvements in debt management capacity and institutions, available evidence suggests that there are still significant gaps for LICs and LMICs in debt recording, monitoring, and reporting. The World Bank’s Country Policy and Institutional Assessment (CPIA) indicates that the average quality of the debt management policy and institutions are broadly comparable with the overall assessments of policy and institutions, and they both fall short of the 3.5 rating for which countries are considered to have “adequate” capacity (see Figure 3.a).⁶ Similarly, according to the 2017 debt recording and monitoring capacity

⁶The CPIA is a diagnostic tool that captures the quality of a country’s policies and institutions, with ratings ranging from 1 to 6. Countries that have a rating below 3.5 are considered to have “weak” capacity. Among the sixteen criteria in the CPIA, one indicator assesses the central government’s capacity to record reliable and comprehensive public debt data and to produce public debt reports.
assessment conducted for the IMF’s Debt Limits Policy (DLP) and the World Bank’s Non-Concessional Borrowing Policy (NCBP), 32 out of 70 LICs (46 percent) were assessed to have weak capacity.

7. Results from the World Bank’s Debt Management Performance Assessment (DeMPA) provide more granular information on debt recording, monitoring, and reporting capacity. The analysis is based on assessments between 2015–17 in 17 countries, including 9 LMICs and 8 LICs. Although this is a limited data set, evidence from DeMPAs in a broader set of countries and those conducted prior to 2015 suggests the patterns here may be representative. DeMPA results suggest that only 41 percent of the sample countries meet the minimum requirements in debt recording, measured in terms of completeness and timeliness of general government debt data. With regards to monitoring guarantees, 33 percent meet the minimum requirement. Given the problems with the accuracy, timeliness, coverage and completeness of government debt records, DeMPA results show that for many LICs and LMICs, the production of a comprehensive debt statistical bulletin is a challenge. Only 35 percent of countries in the sample meet the minimum requirements for debt reporting and evaluation (see Figure 3.b–d).

The DeMPA tool is a methodology for assessing performance covering the full range of government debt management operations. It is focused on central government debt and loan guarantees. See Annex II on a description of the DeMPA and the specific requirements to score a “C” rating to achieve meeting the minimum requirements.

The LMICs in the DeMPA results sample include: Cape Verde, Cote d’Ivoire, Djibouti, Kosovo, Kyrgyz Republic, Mongolia, Papua New Guinea, São Tomé and Príncipe, and Tajikistan. For LICs, they include: Benin, Comoros, Democratic Republic of Congo, Liberia, Madagascar, Mozambique, Rwanda, and Zimbabwe.

See IMF and World Bank (2009a, 2013, 2017) for DeMPA results for a broader set of countries and historical perspective.
8. The DeMPA results also highlight broader problems in debt management governance (see Figure 4).

i) Weak legal frameworks: Only about half of the sample countries have legal frameworks that clearly define the delegation of authority to borrow and undertake debt management activities including the issuance of guarantees.

ii) Lack of audits: Few countries (25 percent) undertake external financial audits on an annual basis, or have conducted compliance audits in the past two years; hardly any country has had a debt management performance audit. Where audits are conducted, 56 percent of the countries address the outcomes of the audits.

iii) Poor data administration and internal control: Even fewer countries evaluated complied with all the minimum requirements to have procedures (12 percent) and internal
controls (18 percent) in place that ensure accurate, timely, and secure processing with minimal errors of public debt transactions. 18 percent of the countries had adequate data security with documented procedures for controlling access to the data recording system.

iv) **Low staff capacity:** only 44 percent in the sample meet the minimum requirement for staff capacity and human resource management. The countries in the sample score very poorly on operational risk management, business continuity, and disaster recovery planning.

9. **DeMPA results in 37 countries that have received at least two assessments over 2008-15 suggests uneven improvements in debt management functions.** Strong improvements have been observed in the areas of coordination with monetary policy, managerial structure, and to some extent, debt records. However, in the areas of audit and coordination with fiscal policy there has been a deterioration in performance, and the results suggest that more needs to be done in the
areas of debt administration and data security, operational risk management, and evaluation and reporting (see Figure 5).

10. The IMF’s Fiscal Transparency Evaluations (FTEs) confirm weaknesses in debt reporting and reveal a broader deficiency in fiscal reporting and risk disclosure (Figure 6). In terms of the institutional coverage of fiscal reports, 9 out of the 11 LICs/LMICs publish reports either covering only the central government or a part of it. More than half of the sampled LICs/LMICs are at the basic or below basic level of compliance with the disclosing stocks of assets and liabilities. The coverage of flows in these countries is, likewise, limited to cash payments and receipts with little or no information on accruals. Weaknesses are even more apparent in the disclosure and management of fiscal risks, such as those arising from government guarantees and PPPs.  

11The DeMPA methodology changed in 2015. The 37 countries covered between 2008-15 are different from the 17 LIC and LMICs discussed above, hence the results are strictly not comparable.

11. The International Organization of Supreme Audit Institutions (INTOSAI) reaches similar conclusions. INTOSAI’s “Audit of Lending Borrowing Frameworks, 2013 - 2017” concludes that, where legislation was not clear on the allocated authority, front, middle and back office activities were uncoordinated and spread across a number of entities, creating inefficiencies in the debt management function, and information to departments and auditors was limited. Lack of clear segregation of duties led to lack of transparency in reporting, weak quality control, and a lack of accountability. The auditors also found that record keeping was often not accurate or complete, delays in updating of information led to discrepancies between payment schedules and orders, debt reporting often did not comply with legislative requirements, and there was little integration of debt statistics into policy making decisions. They noted that in some cases, while the data was regularly published, it was not useful for decision makers as it lacked relevant details. They also pointed to significant inconsistencies among different sources.

IV. MAIN DRIVERS OF WEAK CAPACITY

12. IMF and World Bank TA provides insights into the main drivers of weaknesses in debt recording, monitoring, and reporting including:

- **Weak incentives to produce reliable data, leading to debt data not being recorded or updated accurately or on a consistent basis.** The weak incentives relate to lack of senior management demand for data, limited public scrutiny, lack of integration with other PFM systems, and the absence of market consequences.

- **Weak procedures contribute to low quality data and data administration.** Lack of adequate procedures to reconcile debt service data have led to erroneous debt service payments (e.g., some debtors rely on creditor invoices for external payments, without reconciling these against the information in the debt recording systems). In addition, reporting of bilateral and commercial project loans from line ministries and SOEs to the debt management unit under the ministry of finance, are often delayed or incomplete. In some cases, loan proceeds may not even cross the border of the beneficiary country and are remitted directly from a foreign lender to a foreign supplier without informing the borrower, thereby causing recording issues. Inadequate procedures for data administration impose additional burden to staff in countries with weak capacity and high staff turnover.

- **Weaknesses in IT infrastructure for debt recording and outdated software.** Outdated software and delayed maintenance or upgrading of IT systems are common in countries

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12 Countries included in INTOSAI’s publication differ from the coverage in this report and include: Argentina, Bangladesh, Bhutan, Botswana, Brazil, People’s Republic of China, Colombia, Georgia, Honduras, India, Kenya, Malaysia, Maldives, Mexico, Mongolia, Nepal, Paraguay, Peru, Philippines, Venezuela, Zambia, and Zimbabwe. The fact that similar findings are reported for upper middle-income countries suggests the identified challenges are difficult to resolve and require extensive support, particularly for low-income countries.
that place low priority on debt management issues in general, and back office functions in particular as well as in countries that have limited financial resources. At the same time, it is a challenge for system providers to stay abreast of financial innovation and keep their product and services relevant against increasingly sophisticated debt portfolios and transactions (i.e. securities, liability management transactions, etc.).

- **Insufficient human resources also contribute to the identified weaknesses.** Debt management units are often under-resourced and understaffed, with employees (including IT support) often lacking appropriate skills to perform their role and with insufficient opportunities for training. Attracting and retaining skilled staff is difficult given relative levels of compensation in the private sector as well as in other parts of the public sector.

13. **Weaknesses are also driven by broader institutional and governance related issues.** These include:

- **Fragmented responsibilities and uncoordinated institutional arrangements.** Disconnections make it difficult to create a comprehensive record of total government debt, because there are multiple institutions overseeing parts of the debt and recording information in different systems, or arrangements for debt data sharing are inadequate. This is particularly prevalent when the legislation does not clearly allocate the authority of debt management functions. Weak coordination between the compilers of government finance statistics (GFS), which include debt statistics, and public debt compilers also contribute to the weak reporting of public debt statistics.

- **Limited mandate.** Where the legal framework for the coverage of public debt is narrow, DMOs have an inadequate legal mandate to collect necessary information from SOEs and other relevant public bodies (whose compliance with reporting requirements is often weak), particularly in the case of non-guaranteed debt and guarantees extended by these entities. Moreover, if a country has a centralized debt statistics compilation agency, it may face difficulties in getting source data from all the various levels of the general government or public sector, simply because that agency does not have a mandate to ensure timely and regular reporting of source data by other public entities.

- **Weak audit capacity.** Lack of trained internal and external auditors can result in weak audits and lack of follow-up on audit recommendations. Where responses are weak, or recommendations are ignored, audits have limited impact. Lack of publication of external audit reports also contributes to a lack of effectiveness, as there is then no public scrutiny.

14. **TA providers have also observed that the capacity issues are exacerbated by multiple data requests.** In particular, challenges with weak capacity can be compounded by data requests

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13 The Commonwealth Secretariat (COMSEC) and UNCTAD indicate that the latest versions of debt management and recording systems (CS-DRMS and DMFAS, respectively) provide for most of the requirements in the Public Sector Debt Statistics: Guide for Compilers and Users. Notwithstanding there remain several outstanding issues.
from IFIs, donors, rating agencies, and investors, all demanding different information in different formats throughout the year. This is in addition to requests for information from internal management and the public. Further, existing guidance for the compilation of debt data is complex and difficult to implement where capacity is weak.

V. LESSONS FROM RECENT PUBLIC DEBT SURPRISES

15. There have been several recent cases of hidden debt:

- In the Republic of Congo, pre-financing contracts with oil traders were contracted by the oil state-owned enterprise on behalf of the government, but remained undisclosed to the DMO, for over two years, as they were considered to be outside the DMO’s mandate.

- In Togo, “the government had pre-financed debt in 2015—a form of de facto government debt which was not reflected in official government debt statistics, amounting to 7 percent of GDP at end-2016” (cited from Togo’s May 2017 Article IV Consultation staff report).

- In Ecuador, data was published on other liabilities that are not considered public sector debt under the official debt definition, including advanced oil sales, short-term treasury certificates, which were previously not transparently disclosed. Those liabilities represent about 9 percent of GDP.

- In Mozambique, two state-guarantees issued in 2013 and 2014 by the Minister of Finance to SOEs incorporated as private enterprises were not disclosed to the debt management staff and the public, and broader governance issues appear to have been an issue (see Box 2).

16. The case of Mozambique illustrates the consequences of the fallout that hidden debt can have. The authorities’ announcement to restructure the “tuna bonds” and the discovery of potential misuse of the borrowed funds led to the country being cut off from donor funding, and its subsequent default. It also set off a sharp widening of the bond yields since mid-2015. Just as the debt exchange for the “tuna bonds” was concluded in April 2016, two large previously undisclosed external loans were revealed (Box 2), which saw the bond yields spike again in October 2016.
Box 2. Mozambique: A Case of Hidden Debt

Two large previously unreported external loans were revealed to IMF staff in April-June 2016.¹ The two loans, amounting to US$1.15 billion (9 percent of GDP at end-2015), were contracted in 2013 and 2014 by two SOEs with government guarantees, allegedly for maritime projects. The loans, together with a third loan of US$850 million contracted by another SOE with government guarantee, were examined by an independent external audit, the summary of which was subsequently posted to the Mozambique Attorney General’s website.²³

The independent external audit points to possible inadequacies in the process for granting of these government guarantees. The audit received no evidence of any assessment of the guarantee requests by the Ministry of Finance (MoF) prior to their approvals and any involvement of Parliament or the Administrative Court in the process of granting these guarantees. These guarantees were also not disclosed to the IMF, leading to the non-observance of the continuous assessment criterion on the ceiling for the contracting or guaranteeing of new non-concessional external borrowing by the Mozambique, as set forth in the PSI program documents.

The audit also raises concerns about significant deficiencies in the management and oversight of the SOEs involved. First, information gathered during the audit suggests that the fact that the SOEs were incorporated as private companies may have contributed to less scrutiny by the MoF. Secondly, the SOEs apparently lacked coherent business plans and adequate management capacity, which negatively affected the progress and quality of the projects and in turn their ability to generate revenues to service their debt. Increasing difficulties to meet the debt payments eventually led to the defaults on these loans.

The audit also suggests a lack of transparency, including critical information gaps regarding the use of the loan proceeds. Specifically, the audit could not verify the transfer of US$500 million from the “tuna bonds” proceeds to the budget in 2014 in part due to confidentiality of the information. The audit also did not receive adequate information to undertake a reliable valuation of the supply contracts and instead sought to estimate, with the support of an independent expert, possible price discrepancies of the assets and services provided. The fact that most of the loan proceeds were directly transferred to the contractors without entering Mozambique could have also contributed to the difficulty of reporting and monitoring these loans.

¹The authorities also disclosed six smaller bilateral loans that were previously unreported (totaling US$334 million), which were not the subject of the independent audit. Three of these loans also gave rise to misreporting cases.
²This debt issued by the SOE in bonds (the so-called “tuna bonds”) with a government guarantee was subject to a debt exchange with a sovereign Eurobond in April 2016.

17. Just uncertainty about the debt numbers can have negative consequences. In Zambia, a weak debt management framework, including reporting lags and uncertainty regarding debt coverage, led to speculation about the level of public debt and also prompted the market’s repricing of Zambia’s credit risk (as evidenced by the spike in its EMBI spread in April 2018, see Figure 7), which was later reversed after the government finally released its annual economic report that provided some clarity on its debt situation.
These examples point to the role of poor capacity in monitoring contingent liabilities, and governance issues. In most of these cases, the critical issue appears to be the absence of comprehensive accounting of the debt, coupled with an inadequate governance framework, together weak in the ability to control, enforce compliance, and monitor SOE debt and guarantees.

VI. BUILDING CAPACITY IN PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

The World Bank, the IMF, and other TA providers deliver extensive TA on debt management related issues in LICs and LMICs, from institutional and governance arrangements to the preparation of medium-term debt management strategies (MTDS) (see Figure 8).
20. The IMF and World Bank’s TA provided to date is focused on governance frameworks and building analytical capacity for developing policy (“upstream activities”, see Annex III, and IV). Most, but not all, of this advice is provided through the coordinating umbrella of the Debt Management Facility (DMF)—a multi-donor trust fund supporting debt management capacity building in LICs—as well as country-specific TA (see Box 3).

- In many cases, the content of the TA is driven by DeMPA results, which identify areas of weaknesses. The TA to develop a reform plan establishes priorities, provides diagnostics of the causes of weaknesses, and develops an action plan for reform implementation, with sequencing, timeline, and milestones in accordance with country specific circumstances.

- TA on developing MTDS is often complemented by efforts to strengthen institutions and governance arrangements; introduce new debt management laws; develop operational procedures, policies and manuals; and support the publication of statistical bulletins and annual borrowing plans.

- TA is complemented by training activities, including the DeMPA, DSA, and MTDS. E-learning opportunities of these are also offered on a regular basis.
Box 3. The Debt Management Facility

The Debt Management Facility (DMF) is a multi-donor trust fund, launched by the World Bank in 2008 to strengthen debt management capacity in IDA-eligible countries through expert technical assistance. After a positive external evaluation, a second phase of the DMF (DMFII) was launched in 2014 and the IMF joined the DMF as co-chair. The objective of the DMF is to strengthen debt management institutions, processes and capacity to reduce debt related vulnerabilities and costs through the development and implementation of analytical tools, trainings, peer-to-peer learning and tailored technical assistance. Since its inception, the DMF has responded to demands from roughly 80 countries and 15 subnational governments, and trained over 600 client practitioners.

The core DMF activities include Debt Management Performance Assessments (DeMPA), the Medium-Term Debt Management Strategy (MTDS), the development of Reform Plans, the Debt Management Practitioner’s Program and the DMF Forum. These activities have been expanded to include domestic debt market development, and subnational debt management, risk management, assistance on international capital market access and training under the under Joint World Bank –IMF Debt Sustainability Framework for low-income countries (LIC DSF).

Besides traditional country missions, the DMF supports training events, on-line training courses, outreach programs, and research and development. Moreover, peer learning and outreach activities include the annual DMF Stakeholders’ Forum, The debt Managers’ Network, and the Debt Management Practitioners Program, under which debt managers from LICs join the World Bank on a temporary assignment.

21. **TA is also provided outside the DMF umbrella.** The IMF, including through the Regional Technical Assistance Centers (RTACs), and the World Bank deliver TA financed by own and other donor resources on: debt and public financial management laws; development of domestic debt markets and international bond issuance; debt statistics, reporting, and compliance with international standards (including through the IMF’s new D4D and FSSF facilities);\(^{14}\) operational procedures, debt manuals, statistical bulletins, cash management, and management of fiscal risks, including PPPs.\(^{15}\)

22. **Capacity building efforts have been leveraged through the contributions of various partners,** who are well-placed to provide training and advice tailored to regional needs. Regional partners can provide targeted, timely, and cost-effective assistance to their member countries. Specifically, the DMF facility finances “implementing partners” whose staff participate in selected technical assistance missions as well as host training events. The implementing partners’ capacity is increasing, particularly in Africa.\(^{16}\)

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\(^{14}\) See G-20 Note on Strengthening Public Debt Transparency – The Role of the IMF and The World Bank, Box 1, IMF and World Bank Initiatives to Improve Data Availability for a further discussion of the D4D and FSSF initiatives.

\(^{15}\) Donor support also takes place in the beneficiary countries. For example, many donors such as EBRD, USAID and FSVC (funded through USAID) provide TA in areas such as portfolio flows and integration of debt recording system with PFM systems.

\(^{16}\) For example, Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and West African Institute for Financial and Economic Management (WAIFEM).
23. There are a few other TA providers with global reach beside the World Bank and the IMF (see Annex V).

- COMSEC and UNCTAD are the main providers of debt recording software systems in LICs and LMICs (CS-DRMS and DMFAS) and are funded by user countries and donors (see Annex V). Their focus has been on the “downstream” areas including the maintenance of debt databases, debt data validation, debt operations, internal and external debt reporting, debt statistics and basic debt analysis, operational risk management, and building system links between debt management and other financial software. Both COMSEC and UNCTAD report that they face challenges in ensuring that they have sufficient financial resources for meeting the needs of countries for support in these areas.

- The INTOSAI, through its Development Initiative and the Working Group on Public Debt, provides TA and training to its member supreme audit institutions and is in the process of finalizing a Handbook that would help national auditors conduct performance, compliance, and financial audit of public debt management.

24. Various TA evaluation reports point to strategies for improving the effectiveness of TA. These will continue to inform the design of TA strategy going forward (e.g., the concept note for DMFIII, now under preparation). The reports suggest:\(^\text{17}\)

- **A more programmatic approach and efforts to sustain capacity development.** While each TA mission should have its own focal issues to address, it should build on previous TA recommendations to identify and address persistent challenges, and ensure continuity. To ensure that TA continues to be effective, it is important to assess the implementation status of previous TA recommendations, and confirm full commitment from the authorities, especially high-level officials.

- **Strengthening linkages between debt management TA and macroeconomic management.** Addressing weaknesses in data issues is critical to this since it affects the quality of key analytical tools, including the DSA and the MTDS, which inform macroeconomic policy. Integration with IMF-supported programs and World Bank development policy financing can also strengthen the linkages with the macroeconomic framework.

- **Better integrating upstream and downstream TA.** MTDS-related advice has mostly concentrated on supporting capacity building in the formulation of a strategy. Strengthening capacity to record and monitor public debt where such capacity remains low could prove an important complement to MTDS-related work.

- **Improving information sharing and increasing publication of TA reports.** There is ongoing need for TA providers to share diagnostic and coordinate work plans to ensure

that new TA builds on and leverages on past experience. Encouraging the authorities to publish TA reports and increasing transparency of TA will also contribute to greater information sharing.

- **Sustaining funding to deliver and enhance capacity building.** Among upstream activities, resources for TA on legal and regulatory framework for LICs and LMICs have been scarce (despite their frequent appearance in structural benchmarks in IMF-supported programs), as have TA resources to manage and monitor fiscal risks. Among downstream activities, resources have fallen short where more continuous support is needed in upgrading technical capacity in debt recording, monitoring, and reporting.

25. **IMF-supported programs and the World Bank’s Development Policy Financing often involve efforts to enhance debt management capacity.**

- IMF-supported program conditions are generally established only on variables and measures that are of critical importance for achieving program goals or for monitoring the implementation of the program and country authorities will often request technical assistance to help them meet such conditions. Also, the IMF’s Debt Limits Policy (IMF 2015) suggests that, where data monitoring and recording capacity is deemed weak, there is a presumption that this capacity will be strengthened during an IMF-supported program. A review of recent debt-related structural benchmarks indicates that adoption of debt management laws has been a frequent benchmark (and is generally considered to be durable reforms even after the end of the programs). However, relatively few programs have benchmarks relating to debt recording and systems issues. Other benchmarks have addressed transparency issues by requiring the publication of statistics, audit results, and debt management strategy (see Table 1).18

- The World Bank’s Development Policy Financing loans set prior actions on mutually agreed policy and institutional actions that are deemed critical to achieving a country’s selected development objectives to be implemented in advance of the Board approval of a loan. A significant share of Development Policy Financing operations required improvements in debt management prior to any disbursements (see Figure 9).

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18Staff reports are required to explicitly identify key capacity weaknesses, explain how those weaknesses may affect the ultimate design of the program, and highlight the measures under the program to build capacity in those areas. See IMF (2010).
<table>
<thead>
<tr>
<th>Benchmark/Country</th>
<th>Start Year of Program</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approval of debt management laws</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>2006</td>
<td>Met</td>
</tr>
<tr>
<td>Burundi</td>
<td>2012</td>
<td>Met</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>2006</td>
<td>Not met</td>
</tr>
<tr>
<td>Grenada</td>
<td>2014</td>
<td>Met</td>
</tr>
<tr>
<td>Haiti</td>
<td>2010</td>
<td>Met</td>
</tr>
<tr>
<td>Honduras</td>
<td>2014</td>
<td>Met</td>
</tr>
<tr>
<td>Moldova</td>
<td>2006</td>
<td>Not met</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2002</td>
<td>Met</td>
</tr>
<tr>
<td>Sao Tome and Principe</td>
<td>2009</td>
<td>Met</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2014</td>
<td>Not met</td>
</tr>
<tr>
<td>Uganda</td>
<td>2002</td>
<td>Met</td>
</tr>
<tr>
<td><strong>Introduction or improvement of debt recording systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central African Republic(^1/)</td>
<td>2006</td>
<td>Not met</td>
</tr>
<tr>
<td>Guinea-Bissau(^1/)</td>
<td>2010, 2015</td>
<td>Not met</td>
</tr>
<tr>
<td>Grenada</td>
<td>2010</td>
<td>Not met</td>
</tr>
<tr>
<td>Sao Tome and Principe</td>
<td>2005</td>
<td>Met</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2010</td>
<td>Met</td>
</tr>
<tr>
<td><strong>Publication of debt data or audit results</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central African Republic</td>
<td>2016</td>
<td>SB(^2/)</td>
</tr>
<tr>
<td>Chad</td>
<td>2017</td>
<td>Met</td>
</tr>
<tr>
<td>Congo</td>
<td>2004</td>
<td>Met</td>
</tr>
<tr>
<td>Grenada</td>
<td>2014</td>
<td>Met</td>
</tr>
<tr>
<td>Senegal</td>
<td>2007</td>
<td>Met</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2009</td>
<td>Met</td>
</tr>
<tr>
<td><strong>Publication of debt management strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>2006</td>
<td>Met</td>
</tr>
<tr>
<td>Ghana</td>
<td>2012, 2015</td>
<td>Met</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2006</td>
<td>Met</td>
</tr>
<tr>
<td>Uganda</td>
<td>2006</td>
<td>Met</td>
</tr>
</tbody>
</table>

Source: IMF MONA database.
\(^1/\) DEMFAS system was upgraded in the Central African Republic in 2017 and 2018 in Guinea-Bissau.
\(^2/\) It remains a structural benchmark with a test date of end-June 2018.
VII. AGENDA GOING FORWARD

26. Many LICs and LMICs have made progress in strengthening debt management capacity and institutions, but there remain significant shortfalls that originate for diverse reasons across countries. There is a need to develop tailored and targeted plan of action in countries based on a solid understanding of the underlying problems in the various phases in the process of recording, monitoring, and reporting public debt. The action plans could be developed with the assistance of DeMPAs, FTEs, other specialized diagnostics.\textsuperscript{19} MTDS missions can also be of assistance as they can observe where data issues are problematic. It would be especially important to target these to countries where capacity is understood to be weak (via the annual CPIA analysis), and where such work has not been done before or would need an update (see Table 2).

27. Where capacity is weak and the problems have already been identified through previous diagnostics, more targeted TA to support the implementation of reforms is needed. There are options to provide this including with add-on topics for MTDS missions and other stand-alone and focused TA. Assistance in this area may also require hiring additional experts under relevant Trust Funds, including in RTACs, selective deploying in-country resident advisors where cost effective, and greater collaboration with global and regional TA providers could complement the delivery of TA.

\textsuperscript{19}The new diagnostic tool being developed by COMSEC and UNCTAD, the Debt Data Quality Assessment Methodology Debt-DQAM\textsuperscript{−} for measuring debt data quality and identifying specific areas for improvement, could be useful in this regard, but it will need to be closely coordinated with IMF and World Bank diagnostic tools.
25. There are some common problems across countries that deserve specific attention. In particular, the recent debt surprises suggest that the most pressing issues are in the area of strengthening coverage and improving governance and legal frameworks.

- **Broadening debt data coverage:** Additional TA may be needed in many countries to revise the legal and regulatory framework to permit the central government to obtain information from sub-central governments and SOEs or provide a central oversight on their borrowing activities, including PPPs. In others, there may be a need to strengthen compliance with existing procedures and policies by building the capacity of internal control functions. More TA on assessing and managing fiscal risks from contingent liabilities, both implicit and explicit, is critical. This could be facilitated by tools such as fiscal stress testing and the public-private partnerships fiscal risk assessment model.

- **Promoting stronger governance:** The IMF’s new framework for enhanced engagement can also be useful to complement the ongoing work of the World Bank...
Group. These efforts can assist in helping member countries to address governance and corruptions issues, including fiscal governance, domestic resource mobilization, public financial management and related aspects of fiscal transparency.\textsuperscript{20} Another important avenue to this is stronger external and internal audit. This would provide for more effective checks and balances and greater transparency and accountability to legislative bodies and the public. Greater international support to TA and trainings organized by INTOSAI’s Development Initiative and the Working Group on Public Debt could strengthen local auditors’ capacity in conducting debt management performance, compliance, and data audits.

- **Building staff capacity:** High staff turnover particularly in back-office functions points to a need for more frequent training events. To achieve this in a cost-effective manner, e-learning programs could be more effectively used to complement national and regional trainings. Increased international support to TA and training could strengthen local capacity in ‘downstream’ areas such as debt data recording, monitoring, and reporting. Further, data-related training for debt sustainability and debt management could be enhanced by including tutorials on data sources into the new e-learning course on Debt Sustainability and Debt Management (DSMx), currently under production by the IMF and the World Bank.

- **Developing appropriate tools:** A closer review of countries’ need with regard to recording, monitoring and reporting may be warranted, to ensure that the existing mechanism serve their objectives. The forthcoming release of Com Sec’s new Meridian software and UNCTAD’s DMFAS version 7 is an opportunity to take stock of strength and weaknesses of debt recording systems, in collaboration with the IMF and World Bank.

**29. There are also overarching issues that will need to be addressed:**

- **Funding:** The additional TA proposed in this note to support more focused and expanded assistance to member countries to strengthen capacity will require more resources. Appropriate funding on the ground is also needed to support the authorities to put in place needed systems, staffing, and possibly resident experts to assist in integrating debt management activities into wider public financial management frameworks and processes.

- **Raising awareness at the highest political level:** TA should be used increasingly to raise awareness of issues related to debt recording and reporting at the highest level of government officials and parliaments.

• **Enhance information sharing**: To enhance information sharing, the IMF and the World Bank could create a catalogue of all relevant TAs delivered on an ongoing basis (containing information such as the subject matter, the TA provider, the beneficiary country, year of delivery, main topics addressed, and where possible, a summary of recommendations). Where the authorities consent to the publication of the TA report, the link to the TA report could be established in the catalogue. This could be shared among TA providers, so that, where TA is being planned, TA providers would have access to a comprehensive reference of past TA reports. In addition, IMF and WB are reviewing ways to increase the dissemination of TA reports.

• **Reporting to the international community**. The Communiques of the IMFC and the Development Committee called on the IMF and the World Bank to work together on a multi-pronged work program to enhance debt transparency and sustainability and address LIC public debt vulnerabilities. In this regard, the IMF and World Bank staff will keep their respective Boards updated on the progress of their work, including in the context of regular broader work program discussions.

30. **There is further scope for IMF-supported programs and World Bank development policy operations to support country’s efforts to improve debt data transparency.** Where institutional or capacity weaknesses are seen as a major risk factor, and/or there are significant concerns about the potential materialization of contingent liabilities leading to heightened risks of debt distress in DSAs, structural conditionality on debt-related reforms would be warranted. This would be done with a view to more explicitly link debt sustainability with weaknesses in debt recording, monitoring, and reporting capacity. The existing capacity assessment done annually to inform the IMF’s DLP and World Bank’s NCBP offers a means through which to communicate possible corrective measures to teams covering countries where capacity has been found to be weak.

31. **Finally, existing debt recording guidance could be significantly simplified and reporting templates standardized to help ease capacity challenges.** For example, simpler guidance on debt recording (i.e. in the Public Sector Debt Statistics PSDS Guide) could be produced. Moreover, a comprehensive debt reporting template could be agreed amongst IFIs and other stake holders to help reduce the burden on the borrowers’ debt management unit and reduce potential errors. This would need to be designed to be automatically produced and exported to Excel in the debt recording systems, and should be consistent with the PSDS Guide.
Annex I. List of Low-Income and Lower Middle-Income Countries

(per World Bank classification)

<table>
<thead>
<tr>
<th>Low-income countries (LICs)</th>
<th>Lower middle-income countries (LMICs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Angola</td>
</tr>
<tr>
<td>Benin</td>
<td>Armenia</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Bangladesh</td>
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<tr>
<td>Burundi</td>
<td>Bhutan</td>
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<tr>
<td>Central African Republic</td>
<td>Bolivia</td>
</tr>
<tr>
<td>Chad</td>
<td>Cabo Verde</td>
</tr>
<tr>
<td>Comoros</td>
<td>Cambodia</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>Cameroon</td>
</tr>
<tr>
<td>Eritrea</td>
<td>Congo, Rep.</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Côte d'Ivoire</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>Djibouti</td>
</tr>
<tr>
<td>Guinea</td>
<td>Egypt, Arab Rep.</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>El Salvador</td>
</tr>
<tr>
<td>Haiti</td>
<td>Georgia</td>
</tr>
<tr>
<td>Korea, Dem. People's Rep.</td>
<td>Ghana</td>
</tr>
<tr>
<td>Liberia</td>
<td>Guatemala</td>
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<tr>
<td>Madagascar</td>
<td>Honduras</td>
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<tr>
<td>Malawi</td>
<td>India</td>
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<tr>
<td>Mali</td>
<td>Indonesia</td>
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<tr>
<td>Mozambique</td>
<td>Jordan</td>
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<td>Nepal</td>
<td>Kenya</td>
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<tr>
<td>Niger</td>
<td>Kiribati</td>
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<tr>
<td>Rwanda</td>
<td>Kosovo</td>
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<tr>
<td>Senegal</td>
<td>Kyrgyz Republic</td>
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<tr>
<td>Sierra Leone</td>
<td>Lao PDR</td>
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<td>Somalia</td>
<td>Lesotho</td>
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<tr>
<td>South Sudan</td>
<td>Mauritania</td>
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<tr>
<td>Togo</td>
<td>Moldova</td>
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<tr>
<td>Uganda</td>
<td>Mongolia</td>
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<tr>
<td>Zimbabwe</td>
<td>Morocco</td>
</tr>
</tbody>
</table>

Annex II. DeMPA

Since its inception in 2008, the Debt Management Performance Assessment (DeMPA) has been a cornerstone of the World Bank’s technical assistance to help developing countries improve debt management. The DeMPA tool is a methodology for assessing performance through a comprehensive set of performance indicators covering the full range of government debt management (DeM) operations. While performance assessment facilitates the tailoring of plans to strengthen DeM capacity and institutions, the DeM performance report itself does not contain specific recommendations for reforms or action plans. The DeMPA also allows for the monitoring of progress over time in achieving government DeM objectives consistent with international best practices.

The scope of the DeMPA is central government DeM activities and its functions. This includes activities such as the contracting and guaranteeing loans, on-lending, and debt recording and reporting. The DeMPA does not assess the ability to manage the wider public debt, such as debt of state-owned enterprises that is not guaranteed by the central government.

The DeMPA performance indicators (DPI) is composed of 14 indicators. These aim to measure government DeM performance and capture the elements that are critical to achieving sound DeM practices, ranging from legal framework to debt recording. A score of A, B, or C is assigned to each of 14 key DeM area based on the specific criteria, and a score of D would be assigned when the minimum requirements set out in C are not met.

The minimum requirements for each of key areas relevant for debt recording, monitoring, and recording (see Table AII.1) are summarized in the table below:

<table>
<thead>
<tr>
<th>Debit Management Area</th>
<th>Minimum Requirements (for “C” rating)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal framework</td>
<td>The legislation (primary and secondary) provides clear authorization to borrow and to issue new debt, to undertake debt-related transactions (where applicable), and to issue loan guarantees (where applicable), all on behalf of the central government. In addition, the primary legislation specifies the purposes for which the executive branch of government can borrow.</td>
</tr>
<tr>
<td>Debt reporting and Evaluation</td>
<td>1. A debt statistical bulletin (or its equivalent), with the main categories listed in the “Rationale and background” section of this debt management performance indicator (DPI) (with the exception of the basic risk measures of the debt portfolio), is published annually, with debt data that are not more than six months old at the date of publication.</td>
</tr>
<tr>
<td></td>
<td>2. A report (or section of a wider report) providing details of outstanding government debt and DeM operations is submitted annually to the parliament or congress and is also made publicly available.</td>
</tr>
<tr>
<td>Debt Management Area</td>
<td>Minimum Requirements (for “C” rating)</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Audit**                          | 1. An external financial audit of DeM transactions is undertaken annually. External compliance audits have been conducted in the past two years. Audit reports are publicly available within six months of completion of the audit.  
2. The relevant decision makers produce a management response to address the outcomes of the internal and external audits of government DeM activities.                                                                                                                  |
| **Monitoring of guarantees**        | 1. There are adequate and readily accessible internal documented procedures for the approval, issuance, and monitoring of loan guarantees.                                                                                                                                                                                                                                                             |
| **Debt administration and data security** | 1. There is an adequate and readily accessible procedures manual for the processing of debt service payments.  
2. There are adequate and readily accessible procedures manuals for debt data recording and validation, as well as for storage of agreements and debt administration records.  
3. There are adequate and readily accessible documented procedures for controlling access to the central government’s debt recording and management system.  
4. Debt recording and management system backups are made at least once per month, and the backups are stored in a separate, secure location where they are protected from incidents such as theft, fire, flood, or other incidents that may damage or destroy any of these backups. |
| **Segmentation of duties, staff capacity, and business continuity** | 1. There is clear separation between staff responsible for loan negotiation and preliminary contract data entry and those responsible for (a) confirmation of contract information and finalization of records in the system, and (b) initiating and processing payments.  
2. There are sufficient and adequately trained staff members with formal job descriptions reflecting their current tasks.  
3. There is a written business continuity plan and DRP, which has been tested in the past three years. |
| **Debt and debt-related records**   | 1. There are complete records within a three-month lag for central government domestic, external, and guaranteed debt, as well as all debt-related transactions, including past debt relief and debt restructuring.  
2. Government securities are dematerialized and kept in a central registry that has up-to-date and secure records of all holders of government debt. It is subject to an audit of internal controls and management of operation risk every two years. |
Annex III. The IMF’s TA and Training in the Debt Recording and Monitoring Area

**The IMF’s Monetary and Capital Markets (MCM) Department** provides TA in debt management through bilateral missions, training events, and long-term resident experts. This TA is mainly focused on enhancing the analytical capacity of debt managers, including in the analysis of debt data; building strong institutional arrangements for debt management, for example, in terms of linkages with macro policy and the preparation and implementation of medium-term debt strategies; and supporting the development of domestic debt markets and international bond issuance. Much of this analytical capacity building makes use of the Medium-Term Debt Management Strategy (MTDS) framework and associated analytic tool (which was developed with the World Bank; usually MTDS missions are joint with the World Bank). MCM training on debt data reporting is usually alongside capacity building related to the MTDS framework. MCM does offer additional support to Fund members in building capacity to monitor and manage debt data, including on debt reporting training, organization of the debt management office, and strengthening the back office and debt recording.

**The IMF’s Fiscal Affairs Department** provides TA emphasizing integration of debt management operations with other public financial management functions. The focus is on: (i) institutional arrangements for debt management (including the organizational setting, the legal framework, and the procedures and processes surrounding the debt management function); (ii) integration of debt and cash management (including consolidation of government cash balances, cash planning, and active management of the government’s cash position); (iii) fiscal risk management (including advice on identification, analysis, quantification, mitigation, and disclosure of risks surrounding the debt portfolio, and guidance on direct and contingent liabilities stemming from sources such as SOEs, subnational governments, and public-private partnerships); (iv) accounting and reporting on public sector debt (including advising on recognition, accounting and reporting of debt and other financial liabilities in line with international standards, including on the institutional coverage of reports); and (v) the Public-Private Partnerships Fiscal Risks Assessment Model (PFRAM) (done jointly with the World Bank, to identify elements of a PPP contract which are critical to determine potential fiscal costs and fiscal risks).

**The IMF’s Statistics (STA) Department** provides both TA and training on debt statistics. STA provides TA on: Government Finance Statistics the classification of public sector units, and the compilation of government liabilities, financial assets, or full balance sheets for the general government, the wider public sector, and the various subsectors; strengthening of debt statistics (for reporting and compliance with international standards); and in the context of the new Data for Decisions (D4D) Fund, expanding coverage both regarding institutions (currently limited in many countries to budgetary central government) and instruments (often limited to debt securities while omitting accounts payable). STA TA and training provided in the context of the new Financial Section Stability Fund (FSSF), has an emphasis on balance sheet data for the financial,

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1 More extensive descriptions of the IMF’s technical assistance and training are available at request.
external, and government sectors, including reconciling cross-sectoral differences, and with proper sector and instrument breakdowns for all the relevant components.

STATA also provides multiple one or two-week Public Sector Debt Statistics (PSDS) courses, which examine coverage and accounting rules of the PSDS framework, valuation, classification, selected methodological issues, and the sources and methods used for compiling the statistics. These also covers debt data reporting to the IMF and the World Bank. Training in external debt statistics aims at providing participants with a thorough understanding of the conceptual framework for compilation, and with practical guidance on the collection and analysis of these data for both public and private sectors, including the institutional arrangements and international sources. The requirements under the IMF’s data dissemination standards, including reporting to the World Bank’s quarterly external debt statistics, are covered.

The IMF’s Legal (LEG) Department provides TA on key elements of sound legal frameworks for public debt management. These include: the definition of public debt; the institutional scope and coverage of debt instruments; the legal basis for public debt management objectives; requirements for preparation and approval process of the Medium-term Debt Strategy (MTDS) and Annual Borrowing Plan (ABP); explicit and clear authority to borrow, and constraints to this authority such as debt ceilings; the indication of borrowing purposes; and an effective sanctioning regime for non-compliance. LEG’s TA also covers the institutional arrangements for an effective public debt management legal framework (focusing on the roles, responsibilities and objectives of institutions responsible for debt management, such as the Parliament, the Cabinet, and the central bank in its fiscal agency function, and the various debt management departments and committees). LEG TA is provided in a variety of forms, including desk reviews of legal frameworks, diagnostic missions, preparation or reviews of draft laws, regulations and instruction manuals on public debt. In addition, LEG provides training in the form of courses, seminars, workshops, and hands-on technical guidance in close collaboration with area and technical departments (e.g., MCM, FAD).
Annex IV. The World Bank’s TA in the Debt Recording and Monitoring Area

The WB assists developing countries in strengthening their debt management capacity and institutions. The WB’s TA activities in this area are executed broadly under the umbrella of the Debt Management Facility (DMF) and through country engagements. The DMF supports countries with TA missions, trainings and tools that help countries design institutional reform to improve the effectiveness of their debt management, and plan their future borrowing in a prudent way.

Specific evaluations of debt recording and monitoring capacity are provided through Debt Management Performance Assessments (DeMPA). DeMPA evaluations, administered in consultation with DMF partners, help assess strengths and weaknesses of debt management operations and policies through a wide range of indicators, including those on debt recording and debt monitoring. Notably, the completeness and timeliness of central government records on debt, loan guarantees, and debt related transactions, as well as the completeness and secureness of the government’s loan registry system, and the existence of documented procedures for debt recording and monitoring are assessed.

Assistance is also provided through other DMF initiatives, such as the Debt Management Reform Plans (DeMRP). DeMRPs are based on DeMPAs, and lay out a detailed plan of debt management reforms. In case a DeMPA finds weaknesses in debt recording, data administration or debt reporting, specific recommendations to address them are presented in a subsequent Reform Plan. The DeMRP include expected outputs and outcomes, specific actions, sequencing and milestones, budgeting and resourcing; and they help fostering coordination among donors and TA providers.

Debt data recording issues are also implicitly addressed through TA on the Medium-Term Debt Management Strategies (MTDS), and the Debt Sustainability Analysis (DSA). The MTDS aims at designing a cost/risk effective borrowing strategy in the medium term (3/5 years), while the DSA assesses the long-term sustainability of public debt under different macro and market scenarios. A key prerequisite for these analytical exercises is the availability of complete, accurate and timely debt data for the existing debt portfolio. As a result, an extensive validation of the debt database is usually conducted before every MTDS or DSA mission.

DMF TA is provided on a demand-driven basis to lower-, lower-middle, and few upper-middle income countries. DMF TA responds to client demand and missions are usually scheduled during a short time-frame, possibly within the period of three months. Over the past 5 years, an average of 10 DeMPAs, 10 MTDS and 5 Reform Plan missions have been delivered during a fiscal year.

In addition to the DMF activities, TA is provided—upon country’s request—on a wide range of debt management activities and policies, which improve the countries’ quality of debt recording and monitoring. These includes: strengthening risk management capacity; supporting the centralization of the public debt management functions in one unit; designing the appropriate
legal framework for debt operations; managing contingent liabilities, including those arising from public-private partnership investments and state-owned enterprises; analyzing the impact of debt restructuring plans; improving government cash management.

**Given the recent trend in LICs’ debt portfolios, particularly important is the TA on developing debt securities markets, conducted through the WB’s Government Bond Market Development Program (GBMDP).** The GBMDP is a critical pillar to support the countries’ agenda aiming at mobilizing capital for both governments and the private sector to financing strategic sectors and support economic growth. The team works with debt management offices in Ministries of Finance and Central Banks, and with securities regulators, to design targeted or comprehensive solutions based on clients’ needs, and to actively support the implementation of such plans. The team addresses core needs in areas such as money markets, primary markets, clearing & settlement, regulatory framework, secondary markets and the investor base.

**The World Bank’s PEFA contributes significantly to fiscal transparency.** Some 579 PEFA assessments across 150 countries have been undertaken since 2005. Of these, 379 are publicly available and could provide useful information on fiscal and debt transparency. The PEFA assesses, for example, country performance on i) the recording and reporting of debt and debt guarantees; ii) arrangements for the approval and control of contracting debt and guarantees; and iii) whether the government has prepared a debt management strategy, and whether progress against the strategy is reported to the legislature.

**Finally, WB has extensive expertise also in the compilation of debt statistics and related reporting to international data collection systems, including the World Bank Debtor Reporting System.** In cooperation with its partners (IMF, OECD, BIS), the WB also plays a key role in formulating the related reporting guidelines, methodologies and standards. Technical assistance in this area is mainly conducted through the ongoing dialogue with DRS reporters, participation in relevant seminars and workshops and periodic country-specific requests for support.
COMSEC TA

The COMSEC provides TA in debt recording and monitoring primarily utilizing the Debt Recording and Management System (CS-DRMS). CS-DRMS is an integrated system that records various types of flows, covering external and domestic debt, grants, and government lending, for day-to-day administration and management of various debt operations. It has a comprehensive loans module that allows for the recording of a wide range of official and commercial instruments, including short-term debt and private sector debt. The securities module allows for the recording of various types of government securities including Treasury bills, domestic and external bonds (fixed, floating, discount, and indexed instruments), Promissory Note and Commercial Papers.

CS-DRMS has a fully customizable reporting facility with over 100 standard reports relating to operational, analytical, and statistical functions. Where additional reports are required, users can create their own reports through a user-friendly reporting wizard and an advanced reporting tool. The system fully complies with the international reporting requirements of the SDDS, GDDS, QEDS, Debtor Reporting System (DRS), and Public Sector Debt (PSD) Statistics Database initiatives under the IMF and World Bank.

The main types of TA in debt recording/monitoring are as follows:

(a) Debt data validation and debt data building on CS-DRMS. The objective of this TA is to establish a high-quality debt database in the member countries. TA is delivered through an in-country mission.

(b) Development of an integrated public debt database in CS-DRMS comprising external and domestic debt liabilities. In some countries, the public debt database is scattered in different Government agencies. The TA helps establish an integrated public debt database on CS-DRMS. It also develops a bridge to facilitate data integration and necessary in-country capacity on the system to create an integrated debt database for the coming periods. TA is delivered through in-country missions.

(c) Development of a public debt bulletin using CS-DRMS for dissemination of debt statistics to stakeholders. The TA creates in-country capacity to develop Public Debt Bulletin using CS-DRMS. It presupposes availability of a comprehensive good quality debt database in CS-DRMS. The objective of the TA is to improve transparency and accountability of the government on public debt.

(d) In-country and regional training to debt managers on the use of CS-DRMS for debt in debt data coverage, quality and dissemination of debt statistics.
There is significant demand for advisory services in public debt management by member countries, especially in the area of domestic debt management and contingent liabilities, and requests are primarily demand driven. Usually the request is discussed informally with the Debt Management Unit prior to a formal request to the Deputy Secretary General. The request will outline the areas of technical assistance required and provides an indication of the timeframe that the member country is available to work with COMSEC to deliver the requisite strengthening of debt management capacity.

**UNCTAD TA**

The UNCTAD’s DMFAS Programme offers countries a set of proven solutions for improving capacity to handle the management of public liabilities and the production of reliable debt data for policymaking purposes. The DMFAS Programme is one of the principal providers of downstream activities, which include the maintenance of debt databases, debt-data validation, day-to-day debt transactions, reporting, debt statistics, operational risk management and basic debt analysis.

It offers a specialized debt-management software—the DMFAS software—which covers a large range of debt instruments whether this be short-, medium- or long-term debt, including loans (bilateral, multilateral, private) and debt securities (bills, bonds with fixed or variable coupons, promissory notes, etc.). A separate module is dedicated for the recording and management of sukuk. Additional modules also allow for the recording and management of grants, on-lent loans, private non-guaranteed external debt and short-term external debt. The classification of instruments in DMFAS reflects the current international standards.

The DMFAS software contains powerful reporting tools for producing a wide range of reports (standard reports and user-defined reports) for internal and international purposes in line with best practices. Finally, it provides tools for basic analysis, including debt ratios, financial indicators and sensitivity analysis. Data can also be extracted in Excel to perform more advanced analysis.

The DMFAS software can be interfaced with other integrated financial management systems using web services. This has been already done in 21 countries. The software is currently available in 4 languages (English, French, Spanish and Russian) and can be easily customized in other languages. In addition, the DMFAS Programme delivers its support and training in 6 languages.

The capacity-building that DMFAS provides as part of UNCTAD’s TA are as follows:

- **Provision of the DMFAS software**: this include technical training in the installation, database administration and maintenance of the system as well as comprehensive functional training (recording, reporting and analysis functionalities).
• **Capacity-building in data validation** aiming at strengthening the capacity of the national debt office to adopt organizational arrangements, including internal procedures, that would guarantee the quality and reliability of debt data on a long-term basis.

• **Capacity-building in debt statistics** aiming at strengthening knowledge on the main debt statistics concepts and promoting the latest international standards with a view to developing a draft debt statistical bulletin.

• **Capacity-building in debt portfolio analysis** aiming at improving the capacity of public debt managers to assess structure, dynamics and risks of sovereign debt portfolios.

• **Capacity-building in operational risk management** (procedures manual) aiming at strengthening the staff capacity to draft and maintain procedures debt recording and related operations.

• **Availability of e-learning and self-learning material** related to debt such as on basics of government securities market and financial calculations, basic debt concepts; debt reorganization, etc. aiming at supporting debt officers to learn about basic debt concepts and strengthening their skills.

• **Advisory services on interfacing DMFAS database to IFMIS** aiming at supporting local IT experts in the design and development of links between DMFAS and local financial system.

**In general, TA is provided through the following methods:**

• Country-specific projects formalized through TA project document;
• Field missions to country debt management offices for needs assessment, installation, advice and training;
• Provision of remote support through a Helpdesk;
• Provision of online manuals, tutorials and training materials through the DMFAS Website;
• Regional workshops, normally in cooperation with partners.
REFERENCES


