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THE DMFAS PROGRAMME



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1. INTRODUCTION

The necessity of debt management assistance was recently highlighted in the Monterrey Consensus. Adopted by heads of State and Government at the International Conference on Financing for Development (18–22 March 2002), the consensus states that *"Sustainable debt financing is an important element for mobilizing resources for public and private investment. National comprehensive strategies to monitor and manage external liabilities, embedded in the domestic preconditions for debt sustainability, including sound macroeconomic policies and public resource management, are a key element in reducing national vulnerabilities. Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations. Technical assistance for external debt management and debt tracking can play an important role and should be strengthened"*.¹

In this context, the United Nations has been asked to provide sustained follow-up within the UN system on those agreements and commitments reached in the Consensus and to ensure effective secretarial support.

Having provided assistance in debt management for over 20 years, UNCTAD's Debt Management and Financial Analysis System (DMFAS) technical cooperation programme is the world's major provider of technical assistance and advisory services in debt management. At the end of 2000, more than 34 per cent of outstanding public and publicly guaranteed long-term debt (LDOD) for all developing countries and economies in transition – totalling \$514 billion² – was managed using DMFAS. At the end of December 2001, the programme was collaborating with more than 60 countries, including 76 institutions.

For the DMFAS programme to carry out its mandate, however, it has been necessary to reassess its financial sustainability. For that purpose, a DMFAS Advisory Group composed of technical representatives of interested member States, including existing and potential donors and beneficiaries, as well as the UNCTAD secretariat, was established at the end of 2000. At its second meeting in June 2001, a decision was taken to create a multi-donor, multi-year DMFAS Trust Fund, which will be replenishable, upfront by bilateral donors, and will include formal and standard cost sharing, by beneficiary countries. It is expected that this decision will enable the DMFAS programme to continue its activities well into the future and to achieve greater financial sustainability in the medium term.

The present report reviews the activities undertaken by the DMFAS programme in the area of debt management during 2001.

¹ Paragraph 47 of the draft outcome of the International Conference on Financing for Development, Monterrey, (18–22 March 2002 (A/AC.257/1013)).

² *Global Development Finance*, World Bank, 2002.

DMFAS programme

The DMFAS programme aims to strengthen the debt management capacity of countries by providing software, which is designed, and consistently maintained and updated to strengthen the technical capacity of countries to record, monitor, manage and analyse their external and domestic public debt.

Installation of and training in DMFAS are carried out within the framework of technical cooperation projects, which involve a wide range of activities geared towards the effective use of the system and the building of the database, including the establishment of adequate information flows, advisory services related to institutional and organizational matters, and the procurement of computer equipment. Other services include assistance in the development of effective debt management strategies and assistance to Governments in improving their capacity for training and retaining personnel through the organization of national workshops, seminars and on-the-job training. DMFAS also promotes and participates in regional or subregional projects in support of its country activities and seeks collaboration and partnerships with existing regional organizations wishing to support the efforts of their member countries in the area of debt management.

One of the most important features of the current version of the DMFAS software is its link with the World Bank's Debt Sustainability Model Plus (DSM+). The purpose of DSM+ is to assist countries in formulating a debt strategy that is both cost-effective and sustainable, and consistent with longer-term macroeconomic policies. The programme, in its country project activities, is increasingly taking on an advisory role in debt analysis and strategy using DSM+, as well as in debt rescheduling and conversion, for example assistance in the Paris Club.

2. DMFAS COUNTRY ACTIVITIES

Growing number of user countries and institutions

During 2001, the programme enjoyed a steady growth in demand for its system and related services. It now collaborates with more than 60 countries and its system is installed in 58 of these, including 76 institutions. It is expected that the number of countries will increase by approximately three countries per year, and by an even greater number in terms of user institutions.

An overview of the status of country projects and their implementation is provided in table 1. During 2001, new country projects were started in six countries (Colombia, Gabon, Madagascar, Mongolia, Syrian Arab Republic and Turkmenistan). In many countries, the system is set up in both the Ministry of Finance and the Central Bank. The number of institutions in which the system is installed currently stands at 76, and the trend whereby the latter two institutions are linked electronically through DMFAS (on a wide area network) is expected to grow.

Negotiations and project preparations are also under way to start new country projects and to install the system in five new countries – Algeria, Chile, Congo, Kyrgyzstan and Suriname.

Furthermore, the programme is receiving requests from non-traditional clients, such as parastatals and local governments (such as provinces and municipalities). In Argentina, the central Government has already implemented the system in a number of provinces and has directly provided training and support under the guidance of the DMFAS programme.

Operational status of DMFAS implementation

Overall, 70 institutions in 55 of the 58 countries now use the 5.0, 5.1 or 5.2 DMFAS version. Three of these still use version 4.1 Plus, but are expected to convert to 5.2 in the near future. Forty-four countries use the latest version of the system, version 5.2. During 2001, this latest version was installed in nine countries, and three other countries still using the older version 4.1 Plus (Burundi, Egypt and Togo) made the conversion.

Table 2 provides an overview of the operational status of DMFAS in the countries concerned. At the end of 2001, the system was operational in 50 countries. Of those countries where it is non-operational, two have decided to develop and implement their own system and six are experiencing difficulties (due to institutional, personnel and/or technical problems).

Follow-up projects have been finalized or are being prepared for DMFAS countries so that further activities related to the implementation of DMFAS and capacity building for debt management can be undertaken.

Scope of country projects

Country projects cover a wide scope of activities beyond the installation and training of the DMFAS software. Most projects also assist Governments in the development of appropriate legal, administrative, technical and organizational environments in which the system operates. Other topics can include the building of a database, training and retaining staff, defining external borrowing strategies, communication and information flows, financing techniques and analysis of credit, and debt renegotiation. The programme also organizes workshops, study tours and participation in regional and training seminars.

In the framework of the country projects, the installation and implementation (e.g. establishment of a debt database) of DMFAS, as well as training in its use, are carried out by consultants and/or central staff during missions (50 in 2001). In certain projects, advisers are fielded for longer periods to provide continued on-site support (see table 3).

An important activity, taking place mostly in Latin America, is the integration of DMFAS with the national financial administration systems. DMFAS user countries building integrated systems are Argentina, Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Venezuela. In these countries, the DMFAS programme focuses mainly on providing advisory services to the national teams in the form of workshops or providing technical assistance in building the relevant link. The latter ensures that maintenance capacity is created and maintained within the country and as such ensures future maintenance.

Promotion and collaboration with regional support centres

The DMFAS programme encourages and participates in regional or subregional projects, and seeks collaboration and partnership agreements with those regional organizations involved in helping their member countries in the area of debt management. Examples of such organizations are the Macro-economic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and Pôle Dette, a regional initiative launched in West Africa by the Banque des Etats d'Afrique Centrale (BEAC) and the Banque Centrale des Etats d'Afrique de l'Ouest (BCEAO).

Four of the nine regional countries belonging to MEFMI³ are DMFAS user countries (Angola, Uganda, Zambia and Zimbabwe). In June 2001, at MEFMI's request, the DMFAS programme co-arranged and participated in a one-day seminar on integrated financial management systems for the governors of the central banks of MEFMI countries at the annual meeting of the Bank for International Settlements (BIS) in Basel.

In September 2001, MEFMI reinforced cooperation between the two organizations by initiating an updated cooperation agreement to be signed in early 2002. As part of the work programme attached to that agreement, UNCTAD has agreed to mentor three MEFMI fellows specializing in debt management in 2002. Furthermore, UNCTAD sent a representative to the joint MEFMI/World Bank workshop on risk management in Mbabane, Swaziland, in November 2001.

Pôle Dette⁴ provides debt management training to its 15 member countries, of which eight (Burkina Faso, Central African Republic, Chad, Cote d'Ivoire, Gabon, Guinea-Bissau, Senegal and Togo) are DMFAS user countries. In 2001, UNCTAD suggested to Pôle Dette that they jointly establish a formal cooperation agreement similar to that concluded with MEFMI in order to deliver joint activities in the area of debt management capacity building. A memorandum of understanding is currently being negotiated. Both institutions have agreed to technical cooperation and to raising funds for their common future country activities. In the meantime, some of these joint activities have already started. For example, UNCTAD sent representatives to the joint Pôle Dette/World Bank workshop on risk management in Libreville, Gabon, in November 2001; and Pôle Dette addressed the UNCTAD's Inter-regional Debt Management Conference in December 2001 (see section 5).

The Inter-Regional Debt Management Conference was also the occasion to restart cooperation negotiations between UNCTAD and the United Nations Economic and Social Commission for Western Asia⁵ (ESCWA) and to get specific ESCWA members directly involved in the design of the cooperation framework.

3. SYSTEM SUPPORT, MAINTENANCE AND DEVELOPMENT

During the year, the DMFAS information technology component concentrated principally on support, maintenance, development and distribution of the current DMFAS version 5.2 to DMFAS user countries. However, it has also started preparations for its future versions 5.2.1 and 6.0, as well as working on strengthening the technical capacity of its users, and on improving its internal operations.

Support, maintenance and distribution of the current version of DMFAS (version 5.2)

Comprehensive maintenance of the current DMFAS version (5.2) was carried out throughout the year in order to adapt and perfect it in response to client needs, and it was distributed to user countries.

³ MEFMI is a regionally owned institute with 10 member countries: Angola, Botswana, Lesotho, Malawi, Namibia, Swaziland, United Republic of Tanzania, Uganda, Zambia and Zimbabwe. Its aim is to improve human and institutional capacities in the critical areas of macroeconomic and financial management.

⁴ Pôle Dette member countries are Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Gabon, Guinea-Bissau, Equatorial Guinea, Mali, Niger, Senegal and Togo.

⁵ ESCWA has as its aim the promotion of economic and social development through regional and subregional cooperation.

Users were assisted in their upgrade to the current version from the earlier DMFAS 5 version, and intensive support involving data conversion was provided to countries migrating from version 4.1 Plus.

The programme's help desk systematically received, recorded and processed all requests for assistance from users; reported problems were solved quickly; and comprehensive support regarding functional and technical matters was given.

DMFAS technical support

In order to strengthen the technical capacity of the support staff in countries using DMFAS, the programme organized, in the context of its country projects, local training activities in the national financial institutions. It also participated in national and regional workshops organized in collaboration with Pôle Dette and MEFMI. Themes covered in IT training included system installation, installation of upgrades, customization, troubleshooting, back-ups, data security and linkages with integrated financial management systems.

Improvements to DMFAS

A number of functional enhancements were made to the current DMFAS version. Of particular importance was the adaptation of the system to facilitate the changeover of national currency units to the euro. This involved both modifying the system in order to respond to user needs in working with the euro, and providing customized software to automatically convert the existing data denominated in national currency units. Other key enhancement areas included the widening of scope for grants monitoring and reporting, improved reporting features for loans, including the addition of new algorithms, and facilities for the automatic generation of operations.

Preparations for the release of future versions also started during the year. Version 5.2.1 will be ready for distribution at the end of 2002, and version 6 in 2004. Both will contain major new specifications and enhancements such as a new bonds module and debt rescheduling facilities for version 5.2.1 and new operations such as options and improved handling of guaranteed loans; version 6 will be web-enabled.

Improvements to internal operations

The core activities of system development and maintenance were evaluated during the year in order to maximize the benefits of progress made in information and communications technology, and to improve client servicing while reducing operational costs. In this connection, it was decided to implement a state-of-the-art software configuration management system (SCMS) in order to ensure overall system coherence and consistency despite evolving or country-specific changes made to the system or subsystem.⁶

⁶ The SCMS satisfies the system's requirements in the areas of change request management (i.e. requested enhancements, bug-reporting, and help desk activities), version management, build management (putting together different finished components into a version), promotion management (controlling the different stages of the development lifecycle), reporting and trending, and distribution management.

4. CAPACITY BUILDING IN DEBT ANALYSIS AND DSM+ ACTIVITIES

Installation and training in the use of the World Bank's Debt Sustainability Model Plus (DSM+), are being integrated as an important component of the capacity building efforts of the DMFAS programme.⁷ Its aim is the improvement of skills relating to debt portfolio evaluation, the conceptual analysis of stocks and flows, and the development of debt strategies.

DSM+ installation and training

By the end of 2001, DSM+ had been installed in most of the countries using DMFAS version 5.2. During the year, development of debt strategy using DSM+ was put into practice in Argentina, Gabon, Guatemala, Pakistan, Paraguay and Yugoslavia.

Training was provided in the form of workshops, in coordination with DMFAS country projects, as well as in coordination with regional training centres (see section 5).

DSM+ training

Through its cooperation with regional institutions such as MEFMI, which provide operational support, DMFAS is able to concentrate more specifically on improving the basic analytical skills of the debt office. Where staff is trained in DMFAS and able to produce statistics on a regular basis, analytical groups in the debt offices can be formed and trained in the use of DSM+. In November 2001, DSM+ was demonstrated during the regional training seminars organized by the World Bank with MEFMI in Swaziland and Pôle Dette in Gabon.

In its DSM+ dissemination strategy, the DMFAS programme plans to "train trainers" – in other words, train debt specialists who can then train others in the use of DSM+. At the end of 2001, four debt specialists had been trained for this purpose and a tentative list of potential consultants with the appropriate background to train has been prepared.

Translation of DSM+ software and supporting documentation into French and Spanish

The screens and reports of DSM+ have been partially translated into French and Spanish, and this translated material is being incorporated as part of the installation software. In documentation support, the DSM+ User Guide has also been translated into French and Spanish, and printing of the manuals, along with the English version, is being arranged. Translation of the DSM+ Training Guide has also been contracted and the latter will be ready in the near future.

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