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**ROLE AND ORGANIZATION
OF A DEBT OFFICE**

by

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1. Introduction

The debt crisis contributed heavily to the social and economic crisis in most developing countries in the 1980s, and its impact on the poorer developing countries continued through the 1990s, affecting their macroeconomic stability and international creditworthiness. The debt overhang stunted investment, growth and world trade, and debt payments crowded out public expenditure on education, health and other social needs. An important contributing factor to the debt crisis was the neglect by many countries of the basic elements of debt management.

Active management of public debt is a relatively recent phenomenon in most countries. Before the debt crisis of the 1980s it hardly existed. In the early 1980s, UNCTAD's Debt Management and Financial Analysis System (DMFAS) started its technical cooperation activities in this field, and this paper attempts to present the experiences of the Programme over the years.

The paper examines various models for the role, organization and location of a public debt office; the regulatory framework and institutional memory of debt management, involving the creation of procedure manuals for the inter- and intra-institutional tasks and information flows; and the degree of autonomy that a debt office can and should have.

The negative impact of neglecting debt management has been widely recognized by now. As a result of this, many countries have sought to improve their basic infrastructure and analytical capacity for debt management, starting with implementation of the best possible organizational set-up for a national debt office.

2. The role of the debt office

The role of a debt office depends on its debt management functions, such as the duties that laws and regulations assign to it, on

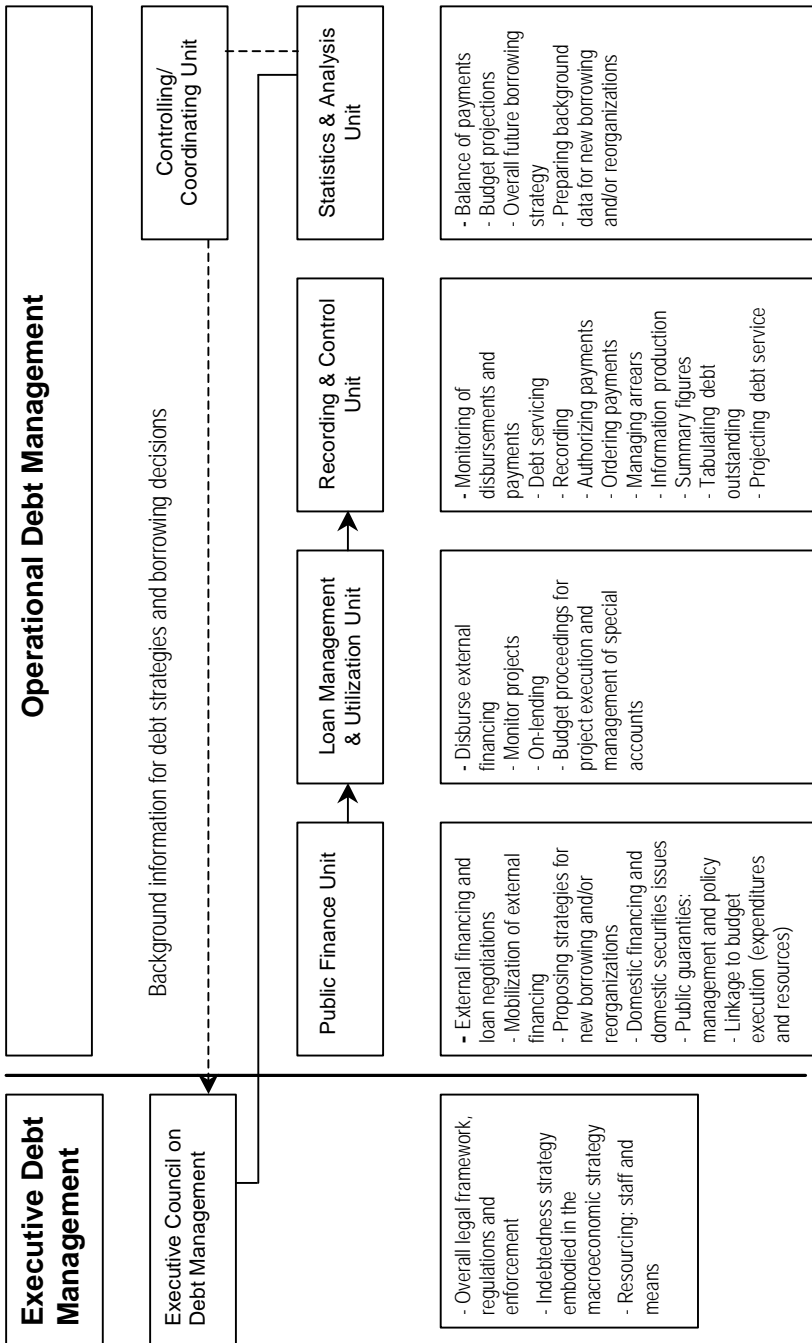
the strategy it chooses to adopt and on the means placed at its disposal to achieve its goals. This section deals with these aspects.

2.1 Debt management functions

The execution of the different functions involved in debt management at the national level is shown in figure 1 (see page 9). A separate organizational unit represents each function, although in reality the same unit may be responsible for several functions. The figure also attempts to organize the functions by categorizing them as executive or operational functions of effective debt management,¹ while at the same time following the loan through its different phases within the sequential framework.

¹ See UNCTAD (2000).

Figure 1



In the figure, the arrows from the Public Finance Unit to the Loan Management and Utilization Unit and to the Recording and Control Unit represent the historical path of the loan from negotiation through to full repayment; they show which units are responsible for the different phases of operational debt management. The National Debt Office will normally be directly responsible for the functions on the Operational Debt Management side and will provide substantial feedback to the executive functions in order to enable adjustment of the strategy and/or the legal framework in response to ongoing developments. In figure 1, the Recording and Control Unit, together with the Loan Management and Utilization Unit, constitute the “back office”; the Statistical and Analysis Unit, the “middle office”, and the Public Finance Unit and the Controlling/Coordinating Unit, the “front office”.

The institutional responsibilities of public debt management are allocated to the appropriate units, giving them the mandate and resources to accomplish their mission and coordinate their activities. The debt office could be an integrated office for all aspects of active – and passive – debt management² or it could be a coordinating body for all agencies involved in debt management.

2.1.1 Executive debt management

Executive debt management might be viewed as the establishment of the “rules of the game” by the highest levels of government, represented in figure 1 as the Executive Council on Debt Management³. This level gives direction and organization to the whole through its policy, regulatory and resourcing functions.

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