

Publication N° 10

**ASSESSING DEBT MANAGEMENT CAPACITY:
THE HIPC CBP METHODOLOGY**

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Debt Relief International Ltd
April 2005

ISBN 1-903971-33-0

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Published by

Debt Relief International Ltd

4th Floor, Lector Court, 151-153 Farringdon Road

Londres EC1R 3AF, United Kingdom

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Designed and printed in the United Kingdom by

Andrew Thornhill, London

FOREWORD

This publication series has been launched in response to the requests Debt Relief International (DRI) has received for information on the activities of the Heavily Indebted Poor Countries Debt Strategy and Analysis Capacity Building Programme (HIPC CBP) and on the technical aspects of public debt management and negotiations needed to develop and implement national debt and new financing strategies. The aim of the HIPC CBP, funded by seven OECD governments (Austria, Canada, Denmark, Ireland, Sweden, Switzerland and the United Kingdom), is to build and strengthen the capacity of HIPC governments to develop and implement their own national debt relief strategy, and a new financing policy consistent with long-term debt sustainability and development financing (poverty reduction), without having to rely on international assistance. DRI is the HIPC CBP's not-for-profit technical office and the programme is implemented with four regional organisations: BCEAO/BEAC Pôle-Dette for Francophone Africa especially franc zone members States, CEMLA for Latin America, MEFMI for Eastern and Southern Africa, and WAIFEM for Anglophone West Africa.

This series is targeted mainly at senior officials and policymakers in HIPC countries. It will also be useful for officials of regional African, Asian and Latin American organisations, NGOs and academics in developing and developed countries.

The aim of the series is to present particular topics in a concise, accessible and practical way for use and implementation by HIPC governments. The series should enable senior officials and policymakers to focus on some of the key issues relating to long-term external and domestic debt sustainability, external new financing, macroeconomic forecasting and its interrelation with poverty reduction and development financing in HIPCs. Each publication is intended to be reasonably self-contained.

The views expressed in the publications are those of the authors and not necessarily those of the HIPC CBP donors.

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ABBREVIATIONS AND ACRONYMS

| | |
|-------------------|---|
| BCEAO | <i>Banque centrale des États de l'Afrique de l'Ouest</i> (Central Bank of West African States) |
| BEAC | <i>Banque des États de l'Afrique centrale</i> (Bank of Central African States) |
| BWIs | Bretton Woods Institutions |
| CaR | Cost at risk |
| CBP | Capacity building programme |
| CEMLA | <i>Centro de Estudios Monetarios Latinoamericanos</i> (Centre for Latin American Monetary Studies) |
| DRI | Debt Relief International |
| GDP | Gross domestic product |
| HIPC | Heavily indebted poor country |
| HIPC CBP | Heavily indebted poor countries debt strategy and analysis capacity building programme |
| IDA | International Development Institution (World Bank) |
| IFI | International financial institution |
| IMF | International Monetary Fund |
| IPGEF | <i>Instituto PALOP de Gestão Económica e Financeira</i> (Portuguese-speaking Institute for Economic and Financial Management) |
| MDG | Millennium development goal |
| MEFMI | Macroeconomic and Financial Institute for Eastern and Southern Africa |
| MTEF | Medium-term expenditure framework |
| NGO | Non-governmental organisation |
| OECD | Organisation for Economic Co-operation and Development |
| PALOP | <i>Países africanos de língua oficial portuguesa</i> (African countries using Portuguese as an official language) |
| Pôle-Dette | BCEAO/BEAC Regional Debt Management Training Unit for Central and Western Africa |
| PRSP | Poverty reduction strategy paper |
| PV | Present value |
| TA | Technical assistance |

| | |
|---------------|--|
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Programme for Development |
| VaR | Value at risk |
| WAIFEM | West African Institute for Financial and Economic Management |

ABSTRACT

This publication has three aims: i) to review briefly the literature on the nature of capacity building programmes and how capacity building is defined and measured; ii) to describe the HIPC CBP methodology and how it is applied in practice; and iii) to illustrate how the outcomes of this methodology are used to identify priority actions for HIPCs to improve their own capacity, to ensure the HIPC CBP is responsive to HIPC governments' changing capacity needs over time, and to assess the progress of the HIPC CBP. Section II discusses the nature of capacity building and the key components in designing and implementing a successful capacity building programme. Section III looks at how the HIPC CBP tries to adopt these best practices. Section IV goes on to relate the HIPC CBP methodology with best international practices in capacity building programmes, it looks at the 14 areas in which the self-assessment questionnaire submitted by the countries is divided. Additionally it explains how the scoring system for the questionnaire was developed and how the questionnaire is used as one of the bases for prioritising capacity needs and to develop the most appropriate solutions. Section V presents the outcomes of the HIPC CBP self-assessment by HIPC governments and discusses how these are used to: i) monitor CBP progress against logframe targets, ii) design HIPC CBP strategic plans and work programmes, and iii) monitor HIPCs' capacities in all areas of debt management. The last section provides some brief conclusions on areas for improvement. The appendix provides the detailed HIPC CBP criteria and the self-assessment questionnaire.

1. INTRODUCTION

Around 20% of aid to developing countries is provided in the form of ‘technical assistance’ – supposedly to help improve the technical skills of developing countries. During the 1990s, many actors in the international community have moved away from providing ‘traditional technical assistance’ to countries to help them execute economic policy, towards ‘capacity building’ that reinforces national governments’ capacity to formulate an economic policy for themselves. At the same time, the donor community has published a lot of research on defining what capacity building means, and how to measure whether capacity is being built. The consensus from this literature is that capacity building is very difficult to define and measure, because it is a permanent process and the needs and challenges for countries are constantly changing.

In this context, this publication presents one methodology used to define and measure capacity building, in the area of national debt management, which is used by the Heavily Indebted Poor Countries Debt Strategy and Analysis Capacity Building Programme (HIPC CBP)¹ to monitor and evaluate the effects of the programme on national debt management capacity.

This publication has three aims:

- to review briefly the literature on the nature of capacity building programmes and on how capacity building is defined and measured;
- to describe the HIPC CBP methodology and how it is applied in practice;
- to illustrate how the outcomes of this methodology are used to identify priority actions for HIPCs to improve their own capacity, to ensure the HIPC CBP is responsive to HIPC governments’ changing capacity needs over time, and to assess the progress of the HIPC CBP.

Section 2 discusses the nature of capacity building and the key components in designing and implementing a successful capacity building programme. Section 3 looks at how the HIPC CBP tries to adopt these best practices, and Section 4 describes the HIPC CBP self-assessment methodology. Section 5 presents the outcomes of the HIPC CBP self-assessments by HIPC governments and discusses how these are used to identify changing capacity needs and responses by the programme. Section 6 provides some brief conclusions on areas for improvement.

¹ The HIPC CBP aims to allow HIPC governments to develop the full independent capacity to design and execute their own national debt management strategies, and to maintain a high level of debt management during and beyond the Enhanced HIPC Initiative. The programme, established in 1997, is financed by the governments of Austria, Canada, Denmark, Ireland, Sweden, Switzerland and the United Kingdom, and is currently assisting 34 countries.

2. DEFINING AND MEASURING CAPACITY BUILDING

2.1 THE TRADITIONAL APPROACH: TECHNICAL ASSISTANCE AND TRAINING

The traditional ‘technical assistance’ (TA) and ‘training’ approaches to building capacity were the mainstay for almost all donors until the 1990s, and remain the most important avenues of assistance for a considerable number of donors in 2005.

The ‘TA’ approach involves the provision of expatriate advisors to fill gaps in expertise, to solve a specific technical problem or to train government officials. The ‘training’ approach involves the financing of government officials to participate in international or regional training courses, or more academic university-based courses such as diplomas or masters degrees.

Within TA, there are two common modes of delivery:

- *Short-term consultancies.* These aim to meet a specific skills gap or train government officials. In theory, they can avoid creating dependency on technical assistance, because they are short-term and one-off. However, achieving this requires the consultant’s efforts to be focussed on training and on transferring skills and responsibility, rather than filling the skills gap themselves; in all too many cases, the consultants end up doing the job themselves, with little participation of national staff, resulting in the consultancy being extended because the skills gaps remain.
- *Longer-term resident advisors.* These are to work in situ with national officials, usually for several years, because of a larger perceived skills gap or need for more fundamental reforms of policies and/or working methods in the government. In theory, such longer-term TA could have more impact than short-term consultancies, because it can take more account of national political and institutional constraints, and adapt its work to changing national needs. However, once again, the advisor’s efforts need to be focussed on training and on transferring skills and responsibility. Often, the developing country government is expected to nominate a national counterpart who is to be trained to take over when the resident advisor leaves. However, many counterparts are selected too late, with the wrong skills or career path to take over from the advisor; or the advisor is not interested in (or has no training in) skills transfer and treats the counterpart as their subordinate. As a result, the advisor has virtually no impact on national capacity building and either the contract ends unsuccessfully or it is renewed again.

Most important, technical assistance and training are usually provided at the suggestion of the donor countries or institutions, rather than in response to the demands or the needs of the developing countries. Such ‘supply side’ programmes have a number of serious drawbacks:

- *Lack of ownership of the process by the developing country,* because it has not been consulted on whether the TA or training is needed or how it should be provided. This can result in resources and interventions being directed towards sectors or activities that are not a priority for the government, and thus being wasted or underused.

- *Failure to provide a lasting transfer of skills*, because training and utilisation of existing national skills are given virtually no priority in the design of the TA, or because the design of courses and technical training is not sufficiently adapted to national problems or relevant to the needs of national staff.
- *Reliance on expatriate consultants*, with little or no acknowledgement or use of national or regional expertise, thereby demoralising and demotivating national staff.
- *Creation of parallel project management units and funding mechanisms*, which undermine existing national capacity by fragmenting management and distorting salary scales.
- *Failure to consider the institutional and organisational setting*, and the working environment for national officials, or institutional and regulatory recommendations which take no account of staff skills, especially in the context of civil service reform programmes, leading to rapid dissipation of the skills or staff turnover.
- *Failure to consider the political commitment to using any skills created*, resulting in a perpetuation of political-level dependence on foreign technical advisors and consultants.
- *Very high costs* of overseas training courses and of (especially resident) expatriate advisors, compared to costs of using existing regional and national capacity to build further capacity.
- *Tying of technical cooperation* to experts or courses from the donor country, which increases the costs and reduces the relevance, competence or value-for-money of the assistance.

Because of these faults, widespread dissatisfaction with ‘technical co-operation’² led to a switch to a ‘capacity building approach’ by many donors in the early 1990s.

2.2 WHAT IS CAPACITY BUILDING?

A broader, more encompassing ‘capacity building’ approach to technical cooperation, is now generally accepted as a major advance over the former ‘technical assistance’ model (see Hodges, 2002).

However, as a result, virtually every technical cooperation programme is now labelled as ‘capacity building’ by its sponsors, therefore covering a wide range of different interventions. Indeed many aspects of traditional technical assistance have been called capacity building, even when they involve only marginal (or no) changes from previous practice. For example, short-term consultants may have more focus on training in their terms of reference (which may nevertheless get crowded out in practice by a need to complete certain technical tasks), resident advisor programmes may require the nomination of a national counterpart before the advisor arrives, or training programmes may be more focussed on subjects which are perceived by a donor to be more relevant to the policy needs of the developing country. On a broader level, the developing country government may play a more important role in designing the assistance and drawing up detailed terms of reference, or the donor may agree to untie TA provision and make its selection more competitive. Nevertheless, the fundamental approach often remains one of TA, with little sustainable building of national capacity.

² For example, see Berg (1993), Cohen (1993) and Hildebrand and Grindle (1994).

In this context, it is vital to define what capacity building means, and to identify the key factors underlying a successful capacity building programme.³ Three early seminal analyses exist:

- Hildebrand and Grindle (1994) define capacity as ‘the ability to perform appropriate tasks effectively, efficiently and sustainably’. They suggest that capacity building is a long-term, indeed never-ending, dynamic process of developing skills to carry out specific activities. It also implies that building capacity is more than just developing human resources, embodying the notion of ensuring that the resources created are used institutionally and organisationally. Finally, for capacity building to be sustainable, it must relate to the changing overall environment within which institutions function.
- Cohen (1993) defines public sector capacity building in a narrower, operational way, as seeking ‘to strengthen targeted human resources (managerial, professional, and technical) in particular institutions and to provide those institutions with the means whereby these resources can be marshalled and sustained effectively to perform planning, policy formulation, and implementation tasks throughout government on any priority topic’. This distinguishes different levels of recipients with different needs, and focuses on the ultimate objectives of the capacity building – planning, formulation and implementation of policy.
- Berg (1993) sees capacity building as consisting of three main activities: ‘skills upgrading (both general and job-specific), procedural improvements, and organisational strengthening’. Skills upgrading includes ‘general education, on-the-job-training and professional deepening in crosscutting skills such as accounting, policy analysis and information technology’; procedural improvements include ‘functional changes and/or systems reforms’; and organisational strengthening means ‘the process of institutional development’. In other words, capacity building needs to go beyond training, to improving the procedural and institutional framework.

Based on these analyses, more recent studies (Fukuda-Parr et al, 2002; and UNDP, 1998) have suggested that capacity building needs to take place at three distinct levels:⁴

- *Individual capacities.* At this level, the capacity building programme is focused on a particular set of individuals, providing technical training and improving skills.
- *Institutional capacities.* Because capacity building does not take place in a vacuum, this second level focuses on the institutions and analyses how to improve interaction among individuals, as well as how the different institutions are organised, and how they interact.
- *Enabling environment or system-level capacities.* Institutions also function within a broader framework. For the public sector, this includes availability of budget finance, the political context in which staff work, and opportunities available in the public or private sectors.

Undertaking simultaneous actions at these three levels will allow capacity building programmes to take into account both the institutional and political context of their interventions.

³ For a discussion of additional definitions of capacity building, see also <http://www.worldbank.org/capacity>, and Lusthaus et al 1999.

⁴ Hildebrand and Grindle (1994) refer to five levels and Bolger (2000) talks of four: individual, institutional, network/sector and enabling environment.

2.3 PARTNERSHIPS BETWEEN DEVELOPING COUNTRY GOVERNMENTS AND DONORS

A key prerequisite for a successful capacity building programme is the establishment of a partnership between the developing country government and the donor institution, in which each side commits to certain undertakings and the programme is jointly governed. The developing country government needs to demonstrate political commitment to capacity building and to reducing dependence on external technical assistance, by executing related institutional reforms, and by establishing processes that will use the capacity created.

In contrast to technical assistance, a capacity building programme requires developing country governments to lead and own the identification of their capacity needs, and all aspects of programme implementation. In many instances, the recipient government's capacity to take such an active role will be the basis on which donors will agree to establish capacity building programmes for a country. In particular, donors tend to support governments undertaking institutional and structural reform programmes because it is through capacity building that these institutional reforms can best be designed and implemented, and strengthening institutional frameworks puts countries in a better position to implement capacity building programmes.

As successful capacity building needs to work at three levels, government needs to ensure that the overall environment is also conducive to the use and retention of the capacity created, rather than focusing on narrow training of individuals. This often means reinforcing co-ordination among different government agencies, to ensure that all interested parties are involved in reforming structures, and to avoid duplication of activities. Government also needs to develop systems to support dialogue at all levels of government, as well as with civil society stakeholders.

In addition, the recipient government has to be more accountable for the programme, since it is taking a lead role in its design and implementation. With technical assistance, the donor mainly accounted for impact and finances. With capacity building, the government leads here as well, including ideally providing a considerable contribution to financing the assistance.

Donors also have a different set of responsibilities under a capacity building approach, notably giving up some of their 'control' over the process. In particular, they have to ensure their priorities align behind those of the recipient government, and accept that government capacity needs (rather than donor supply of assistance) will drive the process. Donors need to move away from a project-specific fragmented approach to capacity building assistance, to one where the government coordinates all donors in sector or economy-wide programmes. They need to move away from parallel units and funding mechanisms to pooled funding mechanisms that encourage capacity retention by coordinating management and improving salary levels across the public service.

Donors must also reduce reliance on expatriate experts and make greater use of regional and national experts, and end tying of assistance to experts from their own countries, so that developing countries can choose the most cost-effective assistance on a value-for-money basis. One key way to achieve this is to ensure agencies managing the assistance are

regionally based, and owned and run by the developing country governments, because such organisations are in strong position to identify regional expertise. Above all, donors need to make sure programmes are implemented in ways that provide ‘real’ transfer of skills (by adapting training and other interventions to country and individual staff needs), and to ensure sustainable reforms in institutions and systems.

2.4 CAPACITY ASSESSMENT, PROGRAMME DESIGN AND FUNDING

The first step in designing a sound capacity building programme is a comprehensive needs assessment. This is most effectively done through a self-assessment process, whereby the government leads in identifying its key problems and capacity building needs, by comparing its current capacities to best practices in the relevant technical areas. The assessment can be conducted in meetings or by circulating questionnaires to relevant officials, or both.

Once the government has identified its institutional and technical needs the next step is to discuss them with donors, to design the appropriate capacity building programme and secure funding. This dialogue should preferably occur with multiple donors in consultative group or round table meetings, rather than through bilateral discussions, in order to maximise co-ordination.

Thereafter it is vital that the programme should contain a variety of types of intervention, to respond to country needs. For less advanced countries, these might involve consultancy missions to recommend institutional reforms and provide intensive training in technical areas. At the other end of the spectrum, more advanced countries might rather require information sharing on the latest developments in best practices through multi-country workshops and information products, and specialised training to develop national training skills, but might be able to apply the lessons of best practices without external assistance. It is also vital to tailor interventions to the different levels of stakeholders – policy-making, managerial and technical – to ensure that all levels are committed to and see the benefits of the programme.

2.5 MEASURING THE PROGRESS OF CAPACITY BUILDING

To ensure a capacity building programme is fulfilling its objectives and meeting the needs identified by the recipient government, it needs a way to monitor and measure its progress. Progress can be measured in three ways: by programme execution, by the level of skills created, and by the degree to which the capacity it builds is used to improve policy formulation and execution. The last is by far the most fundamental: a capacity building programme is not about the number of people being trained, i.e. throughput, nor about the capacity of the trained staff to do a specific task, but about its impact on government policy. Nevertheless, many capacity building programmes have limited their monitoring to throughput or skills creation rather than actual outputs or a final outcome. This is because many exogenous political, systematic and institutional factors may affect the ability of the programme to achieve its goals, and because measurable indicators of policy outcome are more difficult to design. They may need to be qualitative (which some may see as more vague) as well as quantitative. In addition, as capacity building is a process, indicators have to be monitored over time, and adapted when necessary to take account of changing government needs.

Successful monitoring requires the developing country government, the implementing agency and the donor to determine from the outset the expected impact of the capacity building programme as a whole and in each targeted policy, managerial or technical area, in relation to a set of clearly defined best practices. They also need to agree how (and how frequently) progress is to be measured, using an agreed set of objectives and indicators – often using a logical framework for management by results. It is also important to agree how changing needs identified during the process will feed back into changes in interventions for future capacity development.

It is essential that the developing country government take the lead in monitoring the progress of building capacity, by conducting its own self-assessment. This serves three purposes:

- highlighting its political commitment to improving its own capacity;
- helping the government to identify institutional or system-wide barriers to capacity building (as well as faults in the design of the programme), and
- designing and prioritising ways to overcome such problems, and ensuring that its priorities are predominant in defining the future actions of the programme.

BOX 1: CAPACITY INDICATORS

A recent report by the World Bank Institute (Mizrahi, 2004) points out that, in comparison to traditional projects, it can be difficult to measure capacity enhancement because it is a process, rather than a particular output, and it can be difficult to assess the progress of a process. It is difficult to use performance indicators to measure progress in building capacity because:

- Performance is not a good indicator to show what aspects of capacity building are good and what aspects are bad. The report explains that 'while performance may be a good indicator of adequate or good capacity, it does not yield insights into which aspects of capacity is particularly good or which might be weakening', and 'indicators do not reveal what aspects of capacity are responsible for a better or failed performance'.
- Partial success, a common element of capacity building, is difficult to recognise if the criteria for evaluating the programme are based only on performance outputs. The reports suggest developing benchmarks and measuring progress as a way for allowing the analyst to identify partial and incomplete results.
- The report suggests that while any institution or organisation can improve its indicators, that alone does not mean that this improvement can be maintained over a long period. It is difficult to measure the sustainability of capacity. Sustainability indicators should provide information about how much institutionalised are the reforms introduced to enhance capacity.
- Lastly, the author points out that the relation between capacity enhancement and performance is not linear. Government's, civil society's and other organisations' capacities are affected by many different factors, of which capacity enhancement is just one component.

The report points out the need for indicators to assess progress at the level of individuals, institutions, and systems or enabling environments, and the need to evaluate government's political commitment to (or ownership of) the capacity building process. It also concludes that indicators need to be specific to each individual capacity building programme, in order to reflect its objectives, and suggests this can be done by asking the questions: capacity for what? Whose capacity?

It is also important for the donor and/or the implementing agency to conduct their own assessments, in addition to self-assessment monitoring by the developing country, to ensure that the self-assessment is accurate.

Donors and implementing agencies also need to develop systems to assess their own overall policies and practices, to ensure they are giving maximum emphasis to capacity building.⁵

The information gathered from self-assessments by the developing country, evaluations by the implementing agencies and donors, should be shared in regular consultative meetings to discuss programme implementation, to ensure co-ordination and harmonisation of views and (in programmes involving many countries) learning from cross-country comparisons.

3. THE HIPC CBP CAPACITY BUILDING METHODOLOGY

The HIPC CBP has made deliberate efforts to apply the best practices described above, in building capacity for debt strategy and analysis, and for wider debt management, since 1997.

3.1 CAPACITY BUILDING DEFINITION

The HIPC CBP defines capacity building as:

A process designed to allow HIPC governments to develop the full independent capacity to design, own and lead their national debt strategies; and to demonstrate to the international community and civil society their commitment to a high level of debt management during and beyond the Enhanced HIPC Initiative.

This definition refers to capacity building as a dynamic process, rather than a static activity, because it needs constantly to be changing to respond to the new capacity needs of HIPC governments. Because such needs change over time, the HIPC CBP recognises the importance of continually rethinking and updating the delivery of its capacity building programme through the development of new methodologies and types of interventions (see also 3.3 below).

The HIPC CBP's definition also operates at three levels because it explicitly recognises that for a government to be able to conduct debt analysis and formulate and execute a national debt strategy independently, it needs not only to have well trained staff, but also to have high-quality procedures, institutional and legal arrangements and co-ordination among government agencies, and for staff to be working in an environment which recognises politically the importance of sovereign debt management capacity, by politically endorsing and executing the national debt management strategy, by providing budget funds to support the building of capacity, and by improving staff opportunities and motivations to stay in the public sector. This is why the system for monitoring progress spreads beyond technical skills and their resulting outputs, to monitor institutional, legal and procedural frameworks, human resources development, and political and financial commitment.

3.2 GOVERNMENT-DONOR PARTNERSHIP

The HIPC CBP functions based on partnership between HIPC governments, its donors and the five implementing partners.⁶ All are active participants on the HIPC CBP Steering

⁵ The five implementing partners are the BCEAO/BEAC Regional Debt Management Training Unit for Central and Western Africa, (Pôle-Dette); the Centre for Latin American Monetary Studies (CEMLA); the Technical Office: Debt Relief International (DRI); the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI); and the West African Institute for Financial and Economic Management (WAIFEM). For more details of these institutions, see www.hipc-cbp.org.

Committee that meets semi-annually to review the progress of capacity building in debt strategy and analysis in HIPCs, and programme implementation, and to decide on future programme developments and priorities. HIPCs are monitored for their political commitment to building capacity on debt strategy, to executing related institutional reforms, and to using capacity by executing national debt strategy.

Furthermore the HIPC CBP methodology for implementing capacity building (see sections 3.3 and 4 below) requires that HIPC governments take the lead in and ownership of identifying their capacity needs, and all aspects of implementing programmes to develop debt strategy and analysis capacity. HIPC governments identify and prioritise their capacity building needs through demand assessment or institutional missions, at workshops, and in regular semi-annual self-assessments of progress. The HIPC CBP puts particular emphasis on institutional reforms where these are needed, and on improving the overall environment by increasing inter-agency co-ordination, and supporting priority for dialogue on these issues within government. However, while encouraging the involvement of civil society in discussions, and measuring government transparency, this has not until now been a top priority.

HIPCs have been encouraged to lead in defining their capacity building needs, as discussed in sections 3.3 and 4 below. They have also been encouraged to make a higher financial commitment to the running of the programme, in one of two ways. The first is by contributing a higher proportion to the funding of the regional implementing partners' budgets in new phases of their activities: this has occurred during phase 3 in three of the four implementing partner organisations. The second is by providing contributions in kind to the financing of national events (such as reducing costs by replacing international or regional with national expert trainers, training rooms, computing equipment, transport, and local administrative support). Such contributions have been estimated to range between 10% and 30% of the costs of events during phase 3. However, in light of the different financial situations of countries, especially the lack of financing available in post-conflict HIPCs, no formal requirement for a fixed percentage of financing has been set as a prerequisite for support.

The seven programme donors have also changed their behaviour considerably under the programme. They have agreed to pool their funding for a co-ordinated programme rather than conducting individual donor projects. There have been some problems with wider co-ordination between the HIPC CBP and other debt management assistance programmes (even some which are funded by the HIPC CBP's own donors) but the HIPC CBP donors encourage maximum dialogue with other providers of assistance. This takes place through an annual consultative group that provides a forum for annual consultations with international organisations (the Commonwealth Secretariat, International Monetary Fund, United Nations Conference for Trade and Development, United Nations Development Programme, United Nations Institute for Training and Research and the World Bank), as well as regular discussions between HIPC CBP implementing partners and these institutions. At national level, countries are encouraged to co-ordinate different interventions closely in co-operation with HIPC CBP implementing partner agencies. This has resulted in joint interventions between the HIPC CBP and international organisations. Donors have also given up some of their control by having a joint decision-making

structure. Nevertheless, donors still have the final say in programme decisions, even where these disagree with HIPC priorities. They have specified that the HIPC CBP work programme is tailored to HIPC demands, based on the reporting of these priorities in demand assessment missions, workshops and self-assessments, and on implementing agencies' strategic plans designed to fulfil these priorities. Donors insist that there should be no parallel project units (e.g. national counterparts) or funding mechanisms in the HIPC CBP. Donors have also untied their assistance, and donors and implementing partners have placed a major emphasis from the beginning of the HIPC CBP on making greater use of regional and national experts. In the first two phases of the HIPC CBP, there were explicit targets for expanding the number of HIPC officials employed by the programme, and this has resulted overtime in the utilisation of more than 100 HIPC officials to train their colleagues. This was taken further in the third phase, with the introduction of a target for each country to have available at least two national officials as competent trainers in each of the programme technical area by the end of the phase, though this target has been met in only around a third of programme countries.

Donors and DRI also agreed at the beginning of the HIPC CBP that the implementation of the programme should be decentralised as fast as possible to regional partner organisations owned and run by HIPCs. In phase 1, this was limited to MEFMI – which now covers seven Eastern and Southern African HIPCs.⁷ In phase 2, the HIPC CBP played a major role in co-financing and technically supporting the establishment of the BCEAO/BEAC Regional Debt Management Training Unit for Central and Western Africa (Pôle-Dette) to cover 12 Francophone African HIPCs;⁸ in expanding the mandate of WAIFEM from a training into a capacity building institution in Anglophone West Africa,⁹ and in deepening the mandate of CEMLA to intervene on debt strategy and analysis issues in Latin America.¹⁰ During phase 3, the HIPC CBP has helped to design and co-finance the establishment of a Portuguese-speaking Institute for Economic and Financial Management (IPGEF) to assist the four African countries of which official language is Portuguese (PALOP). A recent review of the programme (NEI/ECORYS, 2004) has concluded that decentralisation has been relatively successful during phase 3, though it requires further acceleration in the future phase 4 of the HIPC CBP.

Donors and implementing partners have also made sure to implement the HIPC CBP using materials that are adapted fully to country and individual staff training needs. National workshops use training materials constructed in modules, which can be included or excluded according to country circumstances, and participants are divided into technical groups to ensure that their individual needs are met. Distance learning training programmes provide pathways tailored to individual staff skills needs and career prospects. Missions focus on the key topical institutional or technical issues identified by the government, and focus above all on sustainable institutional and systems reforms. The review of the third phase of the HIPC CBP (NEI/ECORYS, 2004) was particularly positive about the adaptation and relevance of HIPC CBP interventions to country needs.

⁷ MEFMI HIPC member states are Angola, Kenya, Malawi, Mozambique, Tanzania, Uganda and Zambia.

⁸ The 12 HIPC member states of the CFA Franc area (members of the Zone franc) are: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Rep., Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. In its capacity as a Zone franc member state, Comoros – previously considered as a non-Ro country and managed by DRI – joined the Pôle-Dette in December 2004.

⁹ WAIFEM HIPC member states are The Gambia, Ghana, Liberia and Sierra Leone.

¹⁰ CEMLA HIPC member states are Bolivia, Guyana, Honduras and Nicaragua.

3.3 DEMAND ASSESSMENT AND INTERVENTION TOOLS

The HIPC CBP is executed through a wide variety of intervention tools, which are described in box 2, designed to tackle political, institutional and technical skills issues, and to target policymakers, managers and technical staff. However, the focus in the first two phases of the programme was mainly on technical skills development, and assistance on institutional issues was confined to a few countries, which were receiving more intensive assistance. In phase 3, institutional issues were given a much higher profile through institutional missions, and intensive assistance was provided to twice as many countries. On the other hand, ministerial meetings have moved away from capacity building to focus largely on policy issues, missing an opportunity to transmit to policymakers the vital need for building national capacity. The review of phase 3 concluded that phase 4 should give much more focus to institutional issues and to sensitising policymakers on capacity building issues.

BOX 2: HIPC CBP INTERVENTION TOOLS

A The HIPC CBP assists governments in the following ways:

- **Demand assessment missions** to assess the need and demand for capacity building assistance on institutional and legal reform and operational external and domestic debt management and renegotiations.
- **National debt strategy workshops** in which teams of national officials prepare a national debt strategy report, and a capacity building plan, for presentation to senior policymakers, civil society and the international donor community at **national sensitisation seminars**.
- **Training trainers' workshops** to develop regional and national expertise and training skills in all aspects of debt strategy analysis.
- **Regional and inter-regional subject-specific workshops** on best practices and new developments in debt strategy analysis, debt renegotiations, domestic debt and new financing strategies.
- **Follow-up missions** to provide intensive in-country assistance and training on specific aspects of debt strategy formulation and implementation.
- **Institutional missions** to provide support to strengthen legal and institutional frameworks.
- **Intensive assistance** through teams of country-specific advisors, who make recommendations to build institutional capacity and political commitment, and provide intensive training in technical areas.
- **Distance learning programme** to enable HIPC government officials to upgrade their expertise in specific aspects of debt strategy analysis through in-country studies.
- **Fellows' programmes** to provide individual specialists with advanced one to 2-year study programmes in a specific area that develops the HIPC CBP methodology.
- **Ad hoc support** on specific debt strategy issues, including such as best debt renegotiation terms available and preparation for Paris Club or bilateral creditor negotiations.
- **Ministerial meetings** to allow an exchange on policy issues among Finance ministers, and to express HIPC views on policy and capacity building issues to the international community.
- **Information products** (newsletter, publications and website) to provide latest information on policy and capacity building and institutional developments and best practices, and on-line technical training tools.

In terms of needs assessment, the first step for a HIPC government working with the HIPC CBP, is a demand assessment mission to assess all aspects of the country's initial institutional and technical capacities to conduct debt strategy analysis, and in particular to ascertain the government's priorities for capacity building and its 'effective demand' for assistance – i.e. its willingness to commit to making its own institutional and systems reforms to support the process of building capacity. This assessment and the resulting capacity building plan are based on the key criteria of the HIPC CBP self-assessment methodology (see section 4 below). The findings of this mission provide a baseline for monitoring progress in capacity building and deciding on HIPC CBP interventions.

Such assessments are later updated in three ways:

- *Institutional missions* to assess institutional issues and technical capacity in more detail.
- *Capacity assessments* in every workshop and seminar. Participants assess their abilities to perform the specific analytical tasks conducted in the workshop and identify additional skills needs, as well as identifying underlying political and institutional constraints to building capacity. In national workshops, participants present an updated capacity building plan to senior government policymakers and officials at a closing sensitisation seminar. In regional and inter-regional workshops, they share best practices with other countries; and in policymakers fora they communicate these best practices to policymakers.
- Semiannual self-assessments of capacity building needs, which cover political, institutional and systems issues as well as technical skills development (see section 4 below).

However, as the review of phase 3 of the HIPC CBP indicated, it is not clear that country assessments and institutional mission results automatically feed back into design of HIPC CBP interventions in all regions. The introduction in 2003 of country strategic plans, where interventions are targeted to resolve problems and increase country ratings in key areas, has ensured this feedback in many cases – but not all, because implementing partners do not always discuss plans with HIPCs.

As the review of phase 3 also pointed out, partly because the self-assessment process did not exist until phase 3, it was not obvious that the design of phase 3 was fully led by the HIPCs themselves, rather than the preoccupations of donors and implementing partners.

4. THE HIPC CBP CAPACITY ASSESSMENT METHODOLOGY

4.1 COMPATIBILITY WITH BEST PRACTICES

For its first two phases (1997-2002), the HIPC CBP developed a methodology to assess HIPC debt strategy and analysis technical capacity (rather than wider debt management capacity), political commitment and especially outcomes in the form of adoption and execution of a national debt strategy. The assessment was conducted by the HIPC CBP implementing partners, and did not involve HIPCs, though results were discussed with them in national events. It provided a useful tool to define and prioritise HIPC CBP support to HIPCs, as well as to monitor progress under the HIPC CBP (for details, see Aguilar Perales and Martin, 2001).

For the third phase (2002-2005), the HIPC CBP assessment methodology was extended, at the request of implementing partners and HIPCs, to monitor and evaluate overall debt management capacity, not just areas relating to debt strategy. This occurred because it was acknowledged that debt strategy capacity depended on wider debt management skills and institutional and systems issues. As a result, the methodology was revised to include broader areas, such as institutional and legal frameworks, human resources, management, supervision and working environments, and transparency, as well as technical issues such as debt recording and servicing, new financing policy, disbursements, renegotiation, and portfolio and risk analysis.

Additionally, the methodology was changed to semiannual self-assessment questionnaires, enabling HIPC governments to evaluate their own progress in building national debt strategy and management capacity, in a process quality-controlled by implementing partner agencies.

The main characteristics of the HIPC CBP self-assessment process fulfil best practices in that:

- *HIPC governments lead in identifying and prioritising national capacity needs*, enabling them to highlight fast and slow progress, explain any institutional or system-wide problems with capacity building (as well as faults in HIPC CBP design), and suggest solutions. This fosters HIPC government ownership of, and political commitment to, national capacity building.
- *Progress is monitored over time*, as the assessment is conducted semi-annually, allowing it to evaluate capacity at a particular time, and to track changes in capacity over time. The outcomes of the self-assessment also form a dynamic basis for redesigning the HIPC CBP work programme in order to meet HIPCs' changing needs.
- *The assessment focuses on outcomes* – the results of policy and operational functions, implementation of institutional reforms and results produced by political commitment. It has proved relatively easy for HIPCs to design simple, transparent and objectively quantifiable outcome indicators – although many exogenous political, system and institutional factors affect the HIPC CBP's ability to attain them. Only a secondary focus is placed on development of debt strategy, analysis and management skills. The

throughput (activities executed) and direct outputs (numbers of officials trained) are monitored separately and less of a priority.

- *The assessment is related to best international practices* in debt strategy analysis and debt management, drawn from international documents such as the BWIs' debt management guidelines¹¹. The revised methodology was designed in an extensive process of consultation led by HIPCs, among Steering Committee members (HIPCs, implementing partners and donors) as well as with international organisations. It draws extensively on earlier systems used by MEFMI, UNCTAD and the Bretton Woods Institutions, as well as the scoring system used in the HIPC CBP earlier methodology.

In addition to best practices, the self-assessment system includes the following:

- *All achievements are judged net of external technical assistance.* For example, if external assistance is being provided on debt renegotiation, with national officials limited to supplying data and information on past negotiations, then this is regarded as low national capacity, regardless of the degree of success in the negotiations.
- *The self-assessment takes care to get inputs from all government institutions* involved in debt strategy analysis and debt management. In almost all cases, a country team is responsible for completing the evaluation – preferably through a technical working group or committee on debt strategy that covers all relevant agencies.
- *The assessment is consistent across countries*, enabling cross-country comparison over time. This facilitates consistent evaluation by different parties, so that countries, regional organisations, the HIPC CBP and international organisations can use the methodology to evaluate capacity and arrive at the same conclusions.

4.2 AREAS OF ASSESSMENT

To analyse debt management comprehensively, the HIPC CBP methodology defines 14 areas of assessment, which build on functional areas defined earlier by MEFMI and UNCTAD. These are:

- Legal and institutional framework,
- Human resources,
- Management, supervision and working environment,
- New financing policy,
- Disbursement,
- Recording,
- Servicing,
- Renegotiation,
- Macroeconomic projections,
- Poverty reduction programming and forecasting,

¹¹ IMF and World Bank (2001, amended in 2003). Available from the following URL:
<http://www.imf.org/external/np/mae/pdebt/2000/eng/>
<http://treasury.worldbank.org/Services/Public+Debt+Management/Guidelines/>

- Portfolio and risk analysis,
- Debt strategy analysis,
- Political priority and leadership,
- Transparency, evaluation and control.

4.3 THE CRITERIA

In each area of assessment, five criteria are established. These criteria are the key attributes that will assess institutional structures, technical capacities and outcomes in this area. Changes in these criteria therefore comprehensively reflect capacity building outcomes. In each case, the final fifth criterion assesses the policy outcome.

For example, the main criteria for **area 8 – Renegotiation** are:

- Effectiveness of political and technical co-ordination structures for renegotiation;
- Respect for procedures for renegotiating debts and signing agreements;
- Quality of analysis of renegotiation proposals;
- Use of international and national information and documentation to support negotiations;
- Outcome: best available terms obtained as based on international comparison.

The first four criteria assess the main factors affecting the outcome: for example, poor analysis of the renegotiation proposal could result in the best terms not being achieved.

4.4 THE SCORING SYSTEM

For each criterion, a five-level scoring system exists, from 1 to 5, with five being the highest (reaching ideal international standards) and one being the lowest. For example, for the criterion *Quality of analysis of renegotiation proposals* under **area 8 – Renegotiation**, the following scoring system is defined:

No analysis of renegotiation proposals made.

Very poor analysis made; no calculation of present value (PV) impact; consideration of wider debt portfolio or overall debt sustainability.

Reasonable analysis of renegotiation proposals, including present value impact but not looking at wider debt portfolio or sustainability.

Good analysis of renegotiation proposals, including PV impact; impact on existing debt portfolio and debt sustainability.

Excellent and comprehensive analysis – including PV, portfolio and sustainability impact, risk analysis, timing of relief and payment dates; impact of potential delays in agreement; and conformity with the poverty reduction strategy paper (PRSP) and development strategy financing needs.

Countries calculate an average of scores for the five criteria in each area, to determine the

score for each area. The closer to five the result, the closer the country is to the ideal international standard.

For example, the scores for **area 8 – Renegotiation** can be as follows:

| | |
|--|------------|
| Renegotiation | 3.2 |
| Effectiveness of political and technical coordinating bodies for renegotiation | 4 |
| Respect for procedures for renegotiating debts and signing agreements | 4 |
| Quality of analysis of renegotiation proposals | 3 |
| Use of national and/or international information and documentation to support negotiations | 2 |
| Outcome: obtaining best terms available to the country | 3 |

The descriptions of the different levels of scoring for each criterion are written in such a way as to allow countries to complete the evaluations with extremely realistic objective assessments of their capacity. This is vital, as too optimistic an assessment of capacity may mean that the international community sees no need to provide them with more support in a particular area, and too pessimistic an assessment may mean that the international community sees no improvement as a result of past efforts and therefore believes that no further expenditure is justified.

Once individual scores have been established for each area, HIPCs calculate an average of scores in the 14 areas, to assess their overall capacity in managing debt. For example,

| Overall ranking of debt management capacity | 2.6 |
|--|------------|
| Legal and institutional framework | 3 |
| Human resources | 2 |
| Management, supervision and working environment | 2 |
| New financing policy | 3 |
| Disbursement | 2 |
| Recording | 4 |
| Servicing | 4 |
| Renegotiation | 3 |
| Macroeconomic projections | 3 |
| Poverty reduction programming and forecasting | 3 |
| Portfolio and risk analysis | 1 |
| Debt strategy analysis | 2 |
| Political priority and leadership | 3 |
| Transparency, evaluation and control | 2 |

The scoring system for each of the 14 areas is set out in detail in the appendix to this paper.

4.5 PRIORITISING CAPACITY NEEDS AND SOLUTIONS

The self-assessment system can also be used to prioritise capacity needs, define capacity gaps and their causes, and identify the steps necessary to achieve a higher level of capacity.

Priority

The HIPC assigns to each criterion and each area a priority ranging from low (L) to medium (M) to high (H), based on the priority for action depending on the scale of problems in this area and the benefits expected from acting to improve capacity. Those areas and criteria identified as high priority are expected to be the first addressed under the HIPC CBP for enhancement of capacity.

Gaps and causes

When assessing current capacity in each area, HIPCs define the gaps in capacity and their causes. For example, if under the area of LEGAL AND INSTITUTIONAL FRAMEWORK the score is 1 for the criterion *Clear Institutional and Departmental Responsibilities*, this means ‘the responsibilities and functions of the various agencies are not supported by legal instruments

or regulations/decrees for implementation and are not clear.’ The gap could therefore be that no law or implementing decree exists; the cause could be that low political priority given to debt management.

Recommended solutions

Once the gaps and causes have been defined, HIPCs identify solutions, partly by comparing the current score with the ideal situation (5). Continuing the example given above, score 5 means that ‘the responsibilities and functions of all agencies are supported by legal instruments and regulations/decrees that cover all functions while minimising duplication, and which are flexible and practical (rather than bureaucratic) in order to adapt to new circumstances.’ The activities required achieving the ideal ranking, given the gaps and causes identified would therefore include:

- Revision/establishment of laws to define responsibilities and functions of different institutions.
- Elaboration of implementation circulars detailing each institution's responsibilities and duties.

These can be translated into activities that are more detailed. For example, revision of the law could involve drafting a new version of the law, submitting the draft for approval and presentation to Parliament.

4.6 THE PROCESS OF THE EVALUATIONS

As already indicated, HIPCs themselves lead the self-assessment. Even in a centralised system, different institutions, departments or units undertake the activities relating to debt strategy analysis and management (for example, debt data compilation, new finance mobilisation, macro forecasting or poverty reduction programming). The HIPC CBP therefore always recommends that a country team be responsible for completing the assessment. Where such a structure already exists, this could be a technical working group or committee on debt strategy, which would generally include senior officials from all relevant institutions and departments. Where such structures do not exist, HIPCs organise a one to 2-hour meeting of the appropriate senior officials to complete the evaluation. The results of the evaluation are then usually submitted to nominated policymakers such as the minister of Finance, the governor of the Central Bank or the permanent secretary of the ministry of Finance, for their formal approval, before submission to the HIPC CBP implementing partners. However, the independent review of phase 3 of the HIPC CBP found that, in a few countries, self-assessments are not conducted in a way which involves all relevant units, nor quality-controlled by policymakers.

Once countries submit self-assessments, the five implementing partners are responsible for:

- Independently quality-controlling the submissions by their member states;
- Basing their future work programme of capacity building interventions on the results;
- Monitoring the progress of capacity building within their region and (a task led by Pôle-Dette and DRI) the progress across regions of the overall HIPC CBP.

The independent review of phase 3 of the HIPC CBP found that the self-assessment

methodology and criteria were of very high quality. However, it indicated a need for more activism by some implementing partners in ensuring that self-assessments were conducted by all relevant units in HIPCs, in quality-controlling the submissions of their member states, and in basing their future work programmes on the needs HIPCs identify in the self-assessments.

5. THE OUTCOMES OF THE HIPC CBP SELF-ASSESSMENT

This self-assessment methodology is designed to enable the following outcomes:

- *For HIPC governments* to measure their capacities in all areas of debt strategy analysis and debt management in relation to international best practices, to prioritise their capacity needs and suggest solutions to resolve their capacity problems.
- *For the HIPC CBP Steering Committee to monitor the progress* of the programme and to evaluate this against the programme objectives and targets as set out in the logframe.¹²
- *For the HIPC CBP Steering Committee to assess capacity building progress* and identify future needs in each of the key political, institutional and technical areas of debt strategy analysis and debt management, and use this as the basis to design the HIPC CBP's future work programme, detailed in a strategic plan for each country.
- *For the international community* to identify key capacity constraints in debt strategy analysis and debt management in HIPCs and to make cross-country comparisons of progress.

5.1 FOR HIPCS TO RESOLVE THEIR OWN CAPACITY PROBLEMS

As the self-assessment criteria highlight the best practices in each of the technical areas, countries are using the methodology not only to analyse their own capacities in relation to best practices but also as a way of finding solutions to their own capacity problems. For example, some countries, where lack of co-ordination among the different institutions involved in debt management is problematic, realise that a Debt Management Committee would help them improve co-ordination and therefore have created their own committees.

Some countries have understood the need to improve transparency in the design of debt strategies in order to successfully implement them, and therefore have taken a very active role in inviting senior policymakers, opposition leaders, members of Parliament, non-governmental organisations (NGOs) and civil society to debt strategy sensitisation seminars at the end of national workshops in order to improve interactions with them.

Domestic debt is another example of countries using the self-assessment methodology to improve their debt management capacity on their own. The Gambia, Sierra Leone and Mozambique have asked for domestic debt strategy training to be included in the intensive assistance programmes so that the national strategy includes all public debt as suggested by best practice, highlighted in the HIPC CBP methodology.

¹² For the HIPC CBP project document, programme objectives and logframe, see <http://www.hipc-cbp.org> or <http://www.dri.org.uk>.

5.2 FOR MONITORING THE HIPC CBP PROGRESS AGAINST LOGFRAME TARGETS

The HIPC CBP Steering Committee has agreed criteria to monitor the programme progress. Although the self-assessment covers 14 areas of debt management, the HIPC CBP does not have a mandate to act in all of them, and is not the main provider of assistance in others. As the HIPC CBP is the main provider only in area 12 (DEBT STRATEGY ANALYSIS), this is used to measure the programme progress. Area 12 covers:

- Effective coordinating bodies responsible for debt strategy analysis;
- A formal team in place to update debt strategy and to train others in the country;
- A strategy which covers all aspects of debt and is of high quality with accurate results;
- The ability to run all applications of a computerised debt strategy tool; and
- Σ Effective strategy implementation outcomes, so that debt sustainability lives up to the strategy.

The score for area 12, by which the HIPC CBP is evaluated, is the average of the five sub-scores for this area. These are then compared with the HIPC CBP logframe targets, which are described in box 3.

BOX 3: HIPC CBP LOGFRAME TARGETS

To assess overall HIPC CBP progress, HIPCs' capacity in DEBT STRATEGY ANALYSIS (area 12) is split into three bands. Countries with scores higher than 3.5 are classified as band A, those with scores between 2.5 and 3.49 are classified in band B, and countries with scores below 2.5 fall into band C.

The HIPC CBP logframe targets for the third phase were the following:

- 50% of band A countries must improve their average score;
- 50% of countries receiving significant assistance from the HIPC CBP must reach band A;
- 0- 50% of remaining countries (i.e. band B and C) must improve their average score.

With regard to the second and third targets, significant assistance is considered to mean that the country would have held a national workshop during phase 3 of the HIPC CBP.

Table 1 overleaf shows the benchmark scores for area 12 in May 2003 (the first assessment carried out in phase 3) and November 2004. The benchmark scores were agreed upon during the Steering Committee meeting held in La Paz in November 2003. These scores were agreed with the regional organisations, HIPCs representatives, and donors to serve as basis to evaluate progress under phase 3 of the HIPC CBP. They are based on the scores countries achieved under the previous two assessments. This process was necessary in order to make up for some procedural difficulties encountered while implementing the self-assessment methodology for the first time in November 2002.

**TABLE 1 – PROGRESS IN HIPCS' DEBT STRATEGY
CAPACITY AND HIPC CBP LOGFRAME**

| May-03 | | | Nov-04 | | | Change |
|--------------------------|-------|------|--------------------------|-------|------|--------|
| Country | Score | Band | Country | Score | Band | |
| Burkina Faso | 3.8 | A | Tanzania | 4.6 | A | 0.8 |
| Nicaragua | 3.8 | A | Uganda | 4.6 | A | 1.6 |
| Tanzania | 3.8 | A | Burkina Faso | 4 | A | 0.2 |
| Honduras | 3.8 | A | Bolivia | 3.8 | A | 0.2 |
| Sierra Leone | 3.6 | A | Cameroon | 3.8 | A | 0.8 |
| Bolivia | 3.6 | A | Ghana | 3.8 | A | 0.4 |
| Ghana | 3.4 | B | Nicaragua | 3.8 | A | = |
| Malawi | 3.2 | B | Rwanda | 3.8 | A | 0.8 |
| Cameroon | 3 | B | Benin | 3.5 | A | 1.1 |
| Congo, Rep. | 3 | B | Mali | 3.5 | A | 1.9 |
| Guyana | 3 | B | Senegal | 3.4 | B | 0.6 |
| Rwanda | 3 | B | Zambia | 3.4 | B | 0.8 |
| Uganda | 3 | B | Chad | 3.3 | B | 1.1 |
| The Gambia | 2.8 | B | Ethiopia | 3.2 | B | 0.6 |
| Senegal | 2.8 | B | Guyana | 3.2 | B | 0.2 |
| Guinea-Bissau | 2.6 | B | Honduras | 3.2 | B | -0.4 |
| Ethiopia | 2.6 | B | Mauritania | 3.2 | B | 0.8 |
| Niger | 2.6 | B | São Tomé & Príncipe | 3.2 | B | 0.6 |
| São Tomé & Príncipe | 2.6 | B | Mozambique | 3.2 | B | 1.4 |
| Zambia | 2.6 | B | Malawi | 3 | B | -0.2 |
| Benin | 2.4 | C | Congo, Rep. | 3 | B | = |
| Mauritania | 2.4 | C | Sierra Leone | 2.8 | B | -0.8 |
| Central African Republic | 2.2 | C | The Gambia | 2.8 | B | = |
| Chad | 2.2 | C | Niger | 2.8 | B | 0.2 |
| DR Congo | 2.2 | C | Central African Republic | 2.6 | B | 0.4 |
| Guinea | 1.8 | C | Burundi | 2.4 | C | 0.8 |
| Mozambique | 1.8 | C | Guinea | 2.2 | C | 0.4 |
| Angola | 1.6 | C | <i>Guinea-Bissau*</i> | 2.2 | C | -0.4 |
| Burundi | 1.6 | C | Angola | 2 | C | 0.4 |
| Mali | 1.6 | C | <i>Sudan*</i> | 2 | C | n. a. |
| Togo | 1.2 | C | <i>Comoros*</i> | 1.8 | C | 0.8 |
| Comoros | 1 | C | <i>DR Congo*</i> | 1.8 | C | -0.4 |
| Côte d'Ivoire | 1 | C | <i>Togo*</i> | 1.2 | C | = |
| | | | <i>Côte d'Ivoire*</i> | 1 | C | = |

* Countries in italics have not received significant assistance from phase 3 of the HIPC CBP by November 2004.

n. a.: not applicable

The benchmark scores agreed at the beginning of phase 3 included six countries in band A, 14 in band B and 13 in band C. By November 2004, there were 10 band-A, 15 band-B and 9 band-C (including Sudan, which joined the programme in phase 3) countries. This analysis shows that 23 countries have improved their national capacity to conduct debt strategy analysis, while only five have seen their capacity decline.

In terms of meeting its log-frame targets, the programme has achieved the following:

- *Six countries began phase 3 within band A.* Of these countries, 50% (Bolivia, Burkina Faso and Tanzania) have improved their scores, one country's score has remained unchanged (Nicaragua) and two countries (Honduras and Sierra Leone) have reduced their scores.
- *By November 2004, there were 10 countries in band A.* The additional countries reaching band A are Uganda, Cameroon, Ghana, Rwanda, Benin and Mali. This logframe target is not currently being met, as at least 14 countries should be in band A, out of the 28 that have received significant assistance from phase 3 of the HIPC CBP, to fulfil the target.
- *Finally, 19 of the non-band A countries have improved their scores under phase 3.* The HIPC CBP is therefore meeting the logframe target in this area.

5.3 FOR DESIGNING HIPC CBP STRATEGIC PLANS AND WORK PROGRAMMES

As noted above, the outcomes of the self-assessment also form the basis for designing strategic plans for each HIPC, which determine the HIPC CBP's semiannual work programme. A strategic plan focuses on the HIPC CBP interventions each country needs, to raise its capacity scores and to help the HIPC CBP achieve its logframe targets. Both the work programme and the strategic plan focus on area 12, taking into account the HIPC's own priorities, gaps and solutions for building national capacity.

The following provides an example of how the HIPC CBP self-assessment methodology is used to build a strategic plan and the HIPC CBP work programme. Table 2 shows the self-assessment score for Country X, which has received little assistance from the HIPC CBP and has a low score of 1.4, as well as the interventions planned under the strategic plan.

In this case, the HIPC CBP would propose to conduct a programme of intensive assistance. This would include two institutional and training missions. In line with government priorities, the first of these missions would prepare job descriptions and staff training plans for the creation of a national debt strategy formulation and execution team. It would also provide basic training in debt concepts and analytical skills for new staff, as well as installing Debt-Pro¹³ and training staff in its use. The second institutional mission would review the institutional and legal framework, and recommend the improvement of co-ordination through the establishment of a debt committee.

Thereafter, the HIPC CBP would organise a national debt strategy workshop, which would provide further training and produce a high-quality debt strategy document. This would be followed by a national debt strategy sensitisation seminar at which policymakers

would be informed about the national debt strategy, before later approving it at Cabinet level. Country X would also participate in a regional ‘training for trainers’ event to improve staff skills further and assure the creation of a national training team.

This kind of analysis is done on a regular basis, and the projected interventions change as HIPC capacities and needs, and the wider system context, evolve over time. For example, in the case of the Country X example above, there is the risk that the government may be slow in recruiting new staff due to budget constraints, which may lead to delays in the implementation of the HIPC CBP strategic plan and subsequent work programme. Alternatively, the government may move very quickly by transferring staff from other departments to the debt unit and therefore the HIPC CBP may be requested to speed up its interventions. After each HIPC CBP intervention, the results are reviewed to ensure that the projected work programme is appropriate, and then a revised strategic plan is presented to the next meeting of the HIPC CBP Steering Committee.

**TABLE 2 – COUNTRY X SELF-ASSESSMENT OF AREA 12
(DEBT STRATEGY ANALYSIS)**

| Area of assessment | Score | Priority | Gaps/Causes | Recommended solutions | HIPC CBP strategic plan |
|---|-------|----------|---|---|---|
| XII. Debt strategy analysis (average) | 1.4 | | | | |
| XII.1. Effectiveness of coordinating bodies | 2 | M | No clear mandate. | Institutional assistance to set up a national debt strategy committee | Institutional mission to review institutional/legal framework and improve co-ordination through establishment of debt committee. |
| XII.2. Ability to run computerised debt strategy tool | 1 | H | No software available. | Installation of Debt-Pro® and training in its use | Install Debt-Pro® and train staff in its use. |
| XII.3. Team in place to update debt strategy and to train | 2 | H | No formal team, some job vacancies exist. | Recruit and train new staff, prepare training plans for all staff. | Institutional mission to work with government to prepare job descriptions and staff training plans. Basic training in debt concepts and analytical skills for new staff, to be followed by further training at national workshop and training of trainers, for best national workshop participants. |
| XII.4. Strategy document quality | 1 | M | Not yet prepared. | Prepare debt strategy analysis and report at national workshop. | National workshop to design and produce a national debt strategy. |
| XII.5. Outcome: strategy implementation (renegotiation and new financing based on strategy) | 1 | M | Has not been prepared. | Hold a national strategy workshop and sensitisation seminar. Strategy to be validated by Cabinet. | National debt strategy to be presented to policymakers at sensitisation seminar, for adoption by Cabinet thereafter. |

5.4 FOR MONITORING HIPCs' NEEDS IN ALL AREAS OF DEBT MANAGEMENT

The results of the self-assessments can also be used to indicate the technical areas where capacities are improving across the range of HIPCs, and those where further improvements are still required, as shown in table 3 below. For example, under phase 3 of the HIPC CBP, there has been progress in 11 areas, but a decline in three other areas, namely new financing policy, disbursements and servicing.

The lowest score is in the area of PORTFOLIO AND RISK ANALYSIS because i) this area is not included in the HIPC CBP methodology and ii) HIPCs are mostly limited to securing new loans in IDA terms (although a few HIPCs also have access to commercial borrowing). The highest score is in DEBT RECORDING. The high score in this area is a result of the data reconciliation process that HIPCs need to carry out before they are eligible to the HIPC Initiative at decision point. The most significant score during phase 3 has been in the area of DEBT STRATEGY ANALYSIS as this is the area in which the HIPC CBP focuses all its activities.

The score for POLITICAL PRIORITY rose, reaching 2.73 in the last assessment. This performance is the result of a more visible impact of seminars and some events to sensitise the countries' decision-makers about effective debt management.

The area of INSTITUTIONAL AND LEGAL FRAMEWORK include whether countries have: i) clear institutional and departmental responsibilities, ii) comprehensive and quality laws and regulations to provide for a sound framework where debt management can be implemented, iii) legal provisions on internal and external evaluations, and iv) co-ordination mechanisms among the different agencies that have a role in debt management. The average rating in this area rose to 2.69, reflecting the fact that countries are undertaking institutional reforms and setting up co-ordinating bodies.

TABLE 3 – PROGRESS IN HIPC CAPACITIES BY AREA OF DEBT MANAGEMENT

| By technical area | May-03 | Nov-04 | Change |
|--|-------------|----------|-------------|
| 1 – Institutional and legal framework | 2.57 | 2.69 | 0.12 |
| 2 – Human resources | 3.1 | 3.16 | 0.06 |
| 3 – Management, supervision, working environment | 2.88 | 3.01 | 0.13 |
| 4 – New financing policy | 2.91 | 2.82 | -0.9 |
| 5 – Disbursement | 3.19 | 3.18 | -0.01 |
| 6 – Recording | 3.5 | 3.57 | 0.07 |
| 7 – Servicing | 3.61 | 3.55 | -0.06 |
| 8 – Renegotiations | 3.24 | 3.28 | 0.04 |
| 9 – Macroeconomic projections | 2.86 | 3.02 | 0.16 |
| 10 – Poverty reduction programming | 3.12 | 3.15 | 0.03 |
| 11 – Portfolio and risk analysis | 2.18 | 2.19 | 0.01 |
| 12 – Debt strategy analysis | 2.67 | 3 | 0.33 |
| 13 – Political priority given to debt management | 2.62 | 2.73 | 0.11 |
| 14 – Transparency, evaluation and control | 2.62 | 2.71 | 0.09 |
| Overall average | 2.93 | 3 | 0.07 |

This type of analysis should be useful for both the HIPC CBP and other regional and international institutions providing capacity building in areas related to debt management, in assessing the priorities for their future work programmes, as well as providing results for researchers to use as an indicator of HIPCs' capacities.

Researchers have taken these results into account: for example, the IMF has used the capacity assessments as a factor in analysing debt management sustainability for post-completion point countries, concluding that HIPC completion point countries generally enjoy better policy and institutional frameworks and stronger debt management capacity (Sun, 2004).

There is also some evidence that the results of the analysis have been used by other international organisations to assess their priorities for future work, notably by those organisations that work closely with the HIPC CBP (such as the Commonwealth Secretariat).¹⁴ However, some providers of assistance continue to take little notice of countries' own assessments of their needs. This reflects two factors: the lack of detailed discussion of the results of the HIPC CBP self-assessments with other providers of assistance, and the fact that most providers use their own (not necessarily country-led) assessments of needs to determine their work programmes. It is a top priority for future action to ensure that providers of assistance respond to country self-assessments of their needs, rather than designing their work programmes based on their own institutional needs.

¹⁴ See the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) website: <http://www.csdrms.org/home.ih.html>.

6. CONCLUSION

This publication has provided an overview of the HIPC CBP's methodology for enabling HIPCs to assess themselves their capacity in all areas of debt strategy analysis and debt management, and to identify and prioritise their own capacity building needs.

The HIPC CBP's methodology of assisting countries is at the forefront of capacity building, rather than relying on old-fashioned technical assistance. In addition, its methodology for assessing country needs conforms to international best practices as defined by the literature.

As a result, the HIPC CBP is able to adapt its work programme to meet the changing needs of HIPCs, and therefore to provide sustainable capacity building support over time. In addition, the outcomes of the capacity self-assessments by HIPCs are also being used by HIPCs themselves to improve their institutional structures, and by the HIPC CBP to assess its overall progress in meeting its objectives and fulfilling its logframe targets. The results are also used to determine the HIPC CBP's future work programme, through a process of strategic planning, and by other regional and international institutions to identify country-specific and technical areas where further capacity building efforts are required.

Nevertheless, the current methodology has several faults, which need to be rectified in phase 4:

- Though the methodology of HIPC CBP interventions changes in reaction to the country self-assessments of their needs, the self-assessments are not detailed enough to reflect fully country needs in new external financing and domestic debt management, as opposed to external debt management. The HIPC CBP needs to design more detailed self-assessment tools for external new finance and domestic debt management, for use in phase 4.
- Though the HIPC CBP routinely assesses the training needs of individual staff, during missions and workshops, these are not always aggregated so that they can be taken into account in the design of country strategic plans. Each country should be assessed for individual staff training needs to ensure that these are being fulfilled in phase 4.
- The HIPC CBP does not require up front any degree of political commitment or institutional reform by the participating countries. In phase 4, it would be desirable for countries to commit to policymaker-level adoption and execution of national debt strategies, as a prerequisite for HIPC CBP assistance. It would also be desirable for countries to commit to establishing national debt management committees and debt strategy analysis teams, to ensure that analysis is available.
- In addition, the HIPC CBP has paid too little attention to the transparency of debt strategies. In phase 4, much more priority should be given to participatory formulation of national financing strategies, preferably by transparent discussion in national parliaments, and with civil societies in PRSP working groups.
- The HIPC CBP has also not requested any fixed level of financial contribution by participating countries. In phase 4, all countries should be asked to demonstrate their

belief in the importance of the HIPC CBP by providing financial contributions (including the supply of training rooms, computers, transport, and local administrative support). However, such contributions should be tailored to the financial position of each country and not fixed arbitrarily.

- HIPC CBP Steering Committee members should make much more effort to co-ordinate with other providers of debt management-related assistance to HIPC, in order to ensure that they are responding to HIPC needs as expressed in self-assessments, rather than their own agendas.
- HIPC CBP donors should also establish a genuine partnership with HIPC in phase 4 of the programme. HIPC should be given a voting share in the governance of the HIPC CBP which is equal to that of donors, and play a much more prominent role in decisions on the HIPC CBP's future.
- All HIPC CBP stakeholders should monitor much more closely any system-wide developments, such as public service reform programmes, for their impact on debt management. They should attempt to intervene more strongly in the design and implementation of such programmes, by co-ordinating better with national capacity building programmes.
- Even more stress should be placed on establishing national training capacity in phase 4, with a goal to ensure that in each country, two trainers are available in each HIPC CBP technical area, by the end of the phase.
- There should be even more focus in phase 4 on institutional missions, to ensure that the HIPC CBP takes into account and overcomes system-wide and institutional barriers to debt management capacity building. Much more use should be made of intensive country assistance to ensure the implementation of institutional mission recommendations, rather than one-off missions.
- All national workshops should require as a prerequisite the organisation of a national debt strategy sensitisation seminar and a commitment by policymakers to adopt a national strategy.
- Ministerial meetings and executive fora should focus much more on capacity building issues, to ensure that policymakers are fully sensitised to best practices on capacity building.
- All country assessments of capacity building needs should be even more closely linked to the design of HIPC CBP strategic plans. To ensure that this is the case, HIPC CBP strategic plans should be shared with and approved by HIPC before HIPC CBP Steering Committee meetings.
- Assessment of the HIPC CBP progress should be based even more closely on whether countries adopt and execute national debt and new financing strategies of the type recommended by the programme. Though such assessments should take into account the key issues preoccupying HIPC (e.g. domestic debt and new financing for post-completion point HIPC), wider debt management issues should continue to be seen as an underlying context for this core criterion.

- Implementing partner agencies should ensure a full quality control of country self-assessments, as well as basing their future work programmes on these assessments (not only in debt strategy but in wider debt management issues). If necessary, quality control could be supported by independent review of country self-assessments to ensure that they are realistic.
- HIPC CBP donors should take more account of the fact that capacity building is a permanent process requiring continual financing, and not foresee an arbitrary end to their support at the end of phase 4.
- The HIPC CBP has come a long way in adopting international best practices to assess its progress in developing HIPC's capacity for debt strategy and analysis. As such, it is far ahead of most of the international programmes designed to build debt management capacity in developing countries. However, for it to create sustainable capacity in HIPC's for debt strategy and analysis, it will need to enhance its assessment efforts, and their impact on HIPC CBP work programmes, in phase 4.

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APPENDIX 1 – DETAILED HIPC CBP CRITERIA

I. LEGAL AND INSTITUTIONAL FRAMEWORK

Experience across many countries indicates that there is no a priori superior institutional structure for debt management. In some countries, it has been possible to centralise all core debt management functions in one agency, but most countries spread them among different agencies (e.g. private sector debt monitoring by the Central Bank or negotiation of new borrowing by the Planning Ministry). In addition, analysis of the macroeconomic sustainability of debt, and how to spend debt savings on poverty reduction, requires more units to be involved in debt management, so it becomes impossible to separate debt management into one institution.

Whatever the division of labour, an efficient institutional structure should meet five key criteria:

1. Clear institutional and departmental responsibilities that are defined by law, are comprehensive and up to date in covering all executive, management and technical functions, minimize duplication among agencies, and are supported by clear implementing regulations.
2. Comprehensive and high-quality legal provisions (and implementing regulations) requiring the supply of information to the public on all major aspects of debt management and analysis and comprehensive, clear and detailed regulations requiring information flow among agencies.
3. Comprehensive and high-quality legal provisions (and implementing regulations) requiring regular internal and external evaluation and audit of debt management units.
4. Clear co-ordinating mechanisms at political and technical levels, supported by procedures to ensure recommendations are transmitted between them, and flexible mechanisms to deal with issues in more detail.
5. Legislation and implementation circulars clearly defining the parameters for debt contraction, guarantees and servicing, including authority to raise loans, methods of raising loans, debt service and guarantees and maximum amounts and key ratios such as debt service to budget revenue, debt to gross domestic product, and balance of payments ratios.

The country evaluation is therefore based on the following rankings:

1. Clear institutional and departmental responsibilities

- 1 = The responsibilities and functions of the various agencies are not supported by legal instruments or regulations/decrees for implementation and are not clear.
- 2 = There are laws specifying the functions of some but not most agencies; these are not comprehensive or up to date, do not avoid duplication among agencies, AND are not supported by appropriate regulations/decrees.
- 3 = The responsibilities and functions of the main agencies are supported by legal instruments but some elements are either not comprehensive, not up to date, or

minimizing duplication. Appropriate regulations/decrees exist for some agencies but have the same faults.

- 4 = There are clear, comprehensive and up to date legal instruments for the institutional and departmental responsibilities of all agencies, but the appropriate regulations/decrees are not always in place or are faulty.
- 5 = The responsibilities and functions of all agencies are supported by legal instruments and regulations/decrees which cover all functions while minimizing duplication, and which are flexible and practical (rather than bureaucratic) in order to adapt to new circumstances.

2. Comprehensiveness and quality of laws and regulations/decrees on publication and provision of public information on debt management and of information flow among agencies.

- 1 = There are no legal provisions defining requirements for public information and information flow among agencies.
- 2 = There are legal provisions defining requirements for public information, but these lack comprehensiveness/clarity/are not up to date/have no appropriate regulations, and there are regulations for information flow among agencies, but these are not comprehensive, not clear or sufficiently detailed, and not up to date.
- 3 = There are clear legal provisions defining requirements for public information that lack somewhat in comprehensiveness/do not all have appropriate regulations and the regulations for information flow among agencies lack two of the characteristics indicated above.
- 4 = There are clear legal provisions defining requirements for public information on all aspects of debt management, but regulations are not all clear/comprehensive and the regulations for information flow among agencies lack one of the characteristics indicated above.
- 5 = There are high-quality laws defining requirements for public information on all aspects of debt management, supported by high-quality regulations and the regulations for information flow among agencies are comprehensive, clear/detailed, and up to date.

3. Comprehensiveness and quality of law/legal provision on internal and external evaluation and control of debt management units

- 1 = There are no laws for evaluation and audit of debt management units.
- 2 = There are no laws for evaluation and audit of debt management units, though ad hoc technical regulations may exist.
- 3 = The laws on evaluation and audit of debt management units are not comprehensive, and not supported by decrees/regulations for implementation.
- 4 = The laws on evaluation and audit are clear and comprehensive but the decrees/regulations are not.

- 5 = There are comprehensive and clear laws and regulations on evaluation and audit.

4. Co-ordination mechanisms among agencies

- 1 = There are no co-ordinating mechanisms for debt management.
- 2 = There are co-ordinating mechanisms for debt management, but responsibilities are not clearly defined, some units are not included, some aspects of debt management are not covered, and supporting regulations do not exist.
- 3 = There are clear co-ordinating mechanisms that include all the necessary agencies but some aspects of debt management are not covered, and the supporting regulations are not entirely appropriate.
- 4 = There are clear co-ordinating mechanisms at either the political or the technical level, which cover all aspects of debt management and are supported by clear regulations on the role of each member. However, mechanisms do not exist to ensure that necessary actions are always transmitted to policy-makers or technicians.
- 5 = There are clear co-co-ordinating mechanisms at both political and technical levels, with working groups to deal with issues that need more detailed vertical or horizontal liaison. Each mechanism has a head and a secretary, to ensure that all necessary actions are recommended to other policy-makers/technicians.

5. Legislation and implementation circulars clearly defining the parameters for debt contraction, guarantees and servicing

- 1 = No legislation and implementation circulars clearly defining the parameters for objectives of debt management, debt contraction, guarantees and servicing and maximum amounts and ratios.
- 2 = Law/s defining some of the parameters for debt contraction, guarantees and servicing, but out of date and not supported by implementation circulars.
- 3 = Legislation and implementation circulars defining some of the parameters for debt contraction, guarantees and servicing, including authority to raise loans, methods of raising loans, debt service and guarantees and maximum amounts and key ratios such as debt service to budget revenue, debt to gross domestic product, and balance of payments ratios.
- 4 = Comprehensive laws and regulations defining most of the parameters for debt contraction, guarantees and servicing, including authority to raise loans, methods of raising loans, debt service and guarantees and maximum amounts and key ratios such as debt service to budget revenue, debt to gross domestic product, and balance of payments ratios.
- 5 = Comprehensive and up-to-date legislation and implementation circulars clearly defining all the parameters for debt contraction, guarantees and servicing, including authority to raise loans, methods of raising loans, debt service and guarantees and maximum amounts and key ration such as debt service to

budget revenue, debt to gross domestic product, and balance of payments ratios.

II. HUMAN RESOURCES

Any debt management unit needs adequate staffing levels to fulfil all functions, with sufficient motivation, well-designed job descriptions. In addition, in any reorganisation of structures, it is vital to ensure that existing capacity and experienced personnel are retained, and that their skills are transferred to any new location by a well-designed comprehensive transfer plan.

Therefore, an efficient human resource management may meet the following criteria:

1. Adequacy of staff numbers compared to workload, appropriate structure in terms of seniority and allocation among different functions, adequate procedures for recruiting/replacing staff;
2. Qualifications/experience/training of staff adequate for all debt management functions;
3. Motivation and compensation of staff which encourages staff retention
4. Appropriate job descriptions which cover all necessary aspects of debt management
5. Appropriate staff assessment and development plans, and operational practical training.

The issues taken into account in the evaluation are therefore:

1. Staff numbers and allocation

- 1 = Far too few staff in the debt unit for the workload, too many/too few senior staff, poor distribution among the different functions of debt management, extremely cumbersome procedures for recruiting/replacing staff.
- 2 = One of the standards is met but the other three are not.
- 3 = Two of the standards are met but two are not.
- 4 = Three of the standards are met but one is not.
- 5 = All the standards are met: staffing numbers are appropriate for the workload, well distributed across the functions of the debt unit, the unit has an adequate structure, and recruitment procedures are efficient.

2. Qualifications/experience/training of staff for jobs

- 1 = Average length of experience under 1 year, with poor qualifications and no training.
- 2 = Average length of experience under 2 years, insufficient training or qualifications for most staff to carry out even basic debt management functions.
- 3 = Average staff experience less than 3 years, not enough training or qualifications for all basic debt management functions to be successfully performed, virtually no analytical training.

- 4 = Average staff experience less than 5 years, adequate training and qualifications to carry out all basic debt management functions and basic debt analysis.
- 5 = Average staff experience over 5 years, sufficient training to carry out all debt management functions including advanced analysis.

3. Motivation and compensation of staff

- 1 = The staff salary scale in the debt unit is lower than the salary level in the overall civil service, with no additional compensation.
- 2 = The staff salary scale in the debt unit is lower than the salary level in the overall civil service, but the personnel enjoy some benefits.
- 3 = The staff salary scale in the debt unit is the same as in the overall civil service.
- 4 = The staff salary scale in the debt unit is higher than the salary level in the overall civil service, but lower than the private sector.
- 5 = The staff salary scale in the debt unit is higher than the salary level in the overall civil service with many other benefits, and comparable to that in the private sector.

4. Job descriptions

- 1 = There are no job descriptions.
- 2 = There are job descriptions only for some minor tasks and some staff.
- 3 = The job descriptions do not cover all tasks or staff AND are not clear/detailed.
- 4 = The job descriptions EITHER do cover all tasks or staff OR are not clear/detailed.
- 5 = The job descriptions cover all major tasks and staff and are clear and detailed.

5. Staff assessment and development plans/operational practical training

- 1 = There are no staff assessment and development plans, and no training provided.
- 2 = There is ad hoc training, but no staff assessment and no development plans.
- 3 = There are staff assessment and development plans, but these are not updated regularly or comprehensive, and training is provided on a case-by-case basis.
- 4 = There are staff assessment and development plans that are up-dated regularly and comprehensive, but regular training is not always practical or operational.
- 5 = There are comprehensive staff plans based on a capacity building plan for debt management, which are regularly updated and supported by targeted regular operational/practical training.

III. MANAGEMENT, SUPERVISION AND WORKING ENVIRONMENT

In addition, any debt unit needs good working conditions and procedures, supported by continual capacity building in order to overcome staff changes and to upgrade skills in line with the latest technology. Therefore, the following must be achieved:

1. Approved, recorded, transparent and operational procedures manuals
2. Constant work planning and monitoring
3. Capacity building plans which are systematically updated and fully implemented
4. Regular meetings of work units and excellent information flows within and among units
5. Excellent working conditions: equipment, office space, supplies and electricity.

The issues taken into account in the evaluation are:

1. Work unit systems and procedures

- 1 = There are no manuals of procedures.
- 2 = The majority of work units do not have manuals of procedures.
- 3 = Most work units have procedures manuals, but these are not always fully approved or recorded, and are rarely transparent or operational.
- 4 = All work units have approved and recorded procedures manuals, but these are not always fully transparent or operational.
- 5 = There are approved, recorded, transparent and operational procedures manuals for all the work units.

2. Work planning and monitoring

- 1 = There is no work planning.
- 2 = Work planning is not updated and there is no mechanism for monitoring compliance.
- 3 = Work planning is updated occasionally, but with no monitoring mechanism.
- 4 = Work planning is updated regularly, but the monitoring mechanism is inadequate.
- 5 = Work planning is updated regularly and the monitoring mechanism works well.

3. Capacity building plans

- 1 = There is no capacity building plan.
- 2 = There are capacity building plans in place that are not updated and not implemented.
- 3 = Capacity building plans are updated and implemented on an ad hoc basis.

- 4 = Capacity building plans are systematically updated or implemented (not both).
- 5 = Capacity building plans are systematically updated and fully implemented.

4. Effectiveness of co-ordination/adequacy of information flows within and among the debt work units

- 1 = Work units never meet. Information does not flow at all.
- 2 = Work units meet less than quarterly. The flow of information is very poor.
- 3 = Work units meet less than once a month. Adequate flow of information within units, insufficient among units.
- 4 = Work units meet monthly to co-ordinate their actions. Information flows correctly among and within units, but not always on time and comprehensively.
- 5 = Work units meet monthly or more often and conclusions are implemented. Information flows smoothly among and within units, on time and comprehensively.

5. Adequacy of working environment

- 1 = Very poor working conditions: virtually no computers and other equipment; overcrowded office space; supplies, stationery and electricity almost nonexistent.
- 2 = Working conditions inadequate: equipment and computers insufficient and/or out of date; insufficient and/or inappropriate office space, frequent shortage of supplies and/or energy.
- 3 = Adequate working conditions: equipment sufficient but needs upgrading; office space adequate but poorly furnished and/or configured; supplies sometimes short.
- 4 = Good working conditions: equipment updated but not optimally configured; office space adequate but not optimally configured; occasional short supplies.
- 5 = Excellent working conditions: equipment and office space fully fitted to the need of the users; full availability of supplies and electricity.

IV. NEW FINANCING POLICY

A well-managed new financing policy is essential to avoiding a recurrence of debt problems in the medium term. It involves ensuring:

- 1. Effective political and technical co-ordination, flow of information for new financing policy and project approval, with regular meeting of all agencies and action on recommendations.
- 2. Quality of/ respect for procedures for negotiating and signing new financing agreements (grants/loans), and for matching appropriate finance with projects and programmes.
- 3. Quality of analysis of prospective new financing, both quantitative (grant element, profile, impact on debt portfolio, risk, sustainability) and qualitative (macroeconomic effects, disbursement and procedural issues, value for money, compliance with poverty

strategy reduction paper [PRSP] and medium-term expenditure framework [MTEF]), and of resulting guidelines.

4. Use of international and national information and documentation to support negotiations – preferably regular updating of a national compendium of donor/creditor practices based on proactive exchange of information with similar countries.
5. Outcome: application of national guidelines that are appropriate to country circumstances.

Evaluation is therefore based on the following broad rankings:

1. Effectiveness of political and technical co-ordination

- 1 = No co-ordination, poor flow of information, especially to/from line ministries and other beneficiaries of financing.
- 2 = Weak co-ordination, meetings less than quarterly, poor flow of information, line ministries and other beneficiaries rarely invited.
- 3 = Adequate co-ordination, meetings less than monthly, beneficiaries invited ad hoc, but actions are not implemented by each unit and not transmitted to policymakers, flow of information to be improved.
- 4 = Monthly meetings with beneficiaries generally invited, but actions are not always implemented by each unit or recommended to policymakers. Good flow of information among agencies.
- 5 = Monthly or more frequent meetings, with beneficiaries always invited. All actions implemented by each unit and recommended to policymakers. Excellent flow of information among agencies.

2. Procedures for contracting finance and matching with high-quality projects

- 1 = No clear procedures for negotiating or signing grants/loans or matching them with projects or programmes. Each agency contracts own finance/using ad hoc procedures.
- 2 = Multiple procedures for negotiating/signing new financing and matching it with spending, with more than 3 ministries or agencies involved and procedures frequently bypassed.
- 3 = A few (2-3) agencies share clear responsibilities for negotiations and signature of new financing, and for matching it with spending; procedures sometimes bypassed
- 4 = Clear centralized procedures for negotiation and signature of new financing, and for matching it with spending; procedures very occasionally bypassed.
- 5 = Clear procedures for all stages (e.g. composition of negotiation team, steps to be followed in the negotiation process, fully centralised approval and signature, central project design quality control and matching of finance). Procedures always respected.

3. Quality of analysis of prospective new financing and new financing policy guidelines

- 1 = No analysis of impact of prospective new financing. No limits on non-concessional borrowing or guidelines for mobilizing high-quality financing.
- 2 = Ad hoc evaluation of individual new financing proposals based only on grant element and ceiling agreed with IMF. No analysis of effect on overall financing portfolio, other quantitative or qualitative aspects. Ad hoc limits placed on concessionality of borrowing, but no wider guidelines on quantitative or qualitative issues.
- 3 = All new financing proposals evaluated for grant element based on IMF methodology. Strict limits on concessionality or term of borrowing, but not covering all public sector agencies. No other quantitative/qualitative analysis or guidelines.
- 4 = All financing evaluated for concessionality, term, disbursement, risk and other quantitative issues, taking into account the effect on the overall portfolio. Strict limits on concessionality and other quantitative aspects. Little qualitative evaluation beyond compliance with PRSP and MTEF.
- 5 = Each financing proposal evaluated comprehensively for quantitative and qualitative (tying, project quality, priority within MTEF/PRSP, macroeconomic effects), in an annually updated comprehensive external financing strategy.

4. Use of international and national information/documentation to support negotiations

- 1 = Very little information used and documentation very poor, negotiations based mainly on staff experience.
- 2 = Only national information regarding past negotiations is used, and considerable gaps in/poor organisation of documentation.
- 3 = Some international information used, including published information on international trends in creditor practices, global economy and exchange/interest rates, and country ratings. Documentation reasonably comprehensive but not well organised/user-friendly.
- 4 = All published international information used, including information on latest financing terms and qualitative issues for similar countries. Comprehensive and well organised documentation.
- 5 = Proactive seeking of all relevant information, including exchange of information with similar countries. Preparation of regular briefings on changes in international policies and their application to the country's programmes.

5. Outcome: closeness to guidelines and best financing available to the country

- 1 = No clear guidelines on concessionality, quantitative or qualitative issues.
- 2 = Guidelines inadequate/inappropriate for country; financing far from optimal.

- 3 = Guidelines appropriate but frequent exceptions: financing not optimal.
- 4 = Guidelines appropriate and comprehensive across range of concessionality, quantitative and qualitative issues. Occasional exceptions. Close to optimal.
- 5 = Guidelines appropriate and comprehensive. No exceptions to concessionality ceilings, other quantitative guidelines, no non-priority or low quality funds accepted. Financing optimal.

V. DISBURSEMENT

A disbursement policy is essential in order to avoid delays in commencing disbursement, and in implementing projects/programmes. It can be appreciated through the following criteria:

- 1. Quality of government structures and procedures for processing disbursements;
- 2. Compliance with procedures for preparing, submitting and monitoring disbursement claims;
- 3. Identification, reporting and follow-up of non-disbursing loans and grants;
- 4. Documentation on disbursements/circulation of information among all agencies;
- 5. Outcome: average delay in first disbursement/accuracy of disbursement forecasts

The issues taken into account in the evaluation are therefore:

1. Clear institutional structures and procedures for ensuring compliance with and monitoring of donor/creditor conditions and procedures for loan/grant effectiveness and timely processing of disbursement/reimbursement claims

- 1 = No clear structures and procedures for ensuring compliance with and monitoring of donor/creditor conditions and procedures.
- 2 = Clear structures and procedures exist but poor compliance with and monitoring of donor/creditor conditions and procedures.
- 3 = Clear structures and procedures exist and adequate compliance with and monitoring of conditions and procedures of major multilateral and bilateral donors/creditors only.
- 4 = Clear structures and procedures exist and good compliance with and monitoring of conditions and procedures for most multilateral and bilateral donors and creditors.
- 5 = Clear structures and procedures exist and staff are pro-active in ensuring compliance with and monitoring of donor/creditor conditions and procedures or all donors and creditors as quickly as possible.

2. Preparing, submitting and monitoring of disbursement and reimbursement claims

- 1 = Disbursement and reimbursement claims are prepared and submitted only when all information has been provided and there is no follow-up of time taken to process claims by donors/creditors.

- 2 = On average delays of 3-6 months in preparing and submitting disbursement/ reimbursement claims and minimal follow-up with donors/creditors.
- 3 = On average delays of 1-3 months in preparing and submitting disbursement/ reimbursement claims and follow-up for major donors/creditors.
- 4 = On average delays of 1 month or less in preparing and submitting disbursement/ reimbursement claims and follow-up for most multilateral and bilateral donors/creditors.
- 5 = Disbursement/reimbursement claims are prepared and submitted as quickly as possible and donors/creditors are actively followed-up to ensure processing is as fast as possible.

3. Identification, reporting on and follow-up of non-disbursing loans and grants

- 1 = No monitoring, reporting or follow-up of non-disbursing loans and grants.
- 2 = Ad hoc monitoring, reporting and follow-up of non-disbursing loans of major creditors but no monitoring, reporting or follow-up of non-disbursing grants.
- 3 = Annual monitoring, reporting or follow-up of non-disbursing loans but only ad hoc monitoring, reporting and follow-up of non-disbursing grants.
- 4 = Semi-annual or quarterly monitoring, reporting or follow-up of non-disbursing loans but only ad hoc monitoring, reporting and follow-up of non-disbursing grants.
- 5 = Regular quarterly monitoring, reporting or follow-up of non-disbursing loans and grants.

4. Documentation on disbursements/circulation of information among all agencies

- 1 = No documentation and circulation of information between national agencies; debt unit gets no statements directly from creditors.
- 2 = Minimal and ill-organised documentation, poor flow of information between national agencies, debt unit gets very few statements for some transactions of disbursements directly from creditors.
- 3 = Documentation adequate, but poor flow of information between national agencies, debt unit gets some statements of disbursements directly from creditors.
- 4 = Documentation well organized but not comprehensive, adequate flow of information among agencies, but with some delays. Debt unit gets most statements from creditors.
- 5 = Well-organised and comprehensive documentation, very smooth and timely flow of information among agencies, and all statements direct from creditors to debt unit.

5. Outcome: average delay in first disbursement/accuracy of disbursement forecasts

- 1 = Considerable and very frequent delays on disbursements (more than 1 year on average) and very poor disbursement forecasts (error more than 30%).
- 2 = Long and quite frequent delays in commencing disbursements (more than 6 months on average) and poor disbursement forecasts (more than 20% error).
- 3 = Some delays in commencing disbursements (less than 3 months on average) and not very accurate disbursement forecasts (more than 10% error).
- 4 = Disbursements broadly on schedule (less than 1 month behind on average) and forecasts generally accurate (between 5% and 10% error).
- 5 = No delay in commencing disbursements and forecasts very accurate (under 5%).

VI. RECORDING

In order to ensure a good basis for strategy formulation, countries need a reasonable debt recording and management database. This involves:

1. Existence/quality of computerised tool;
2. Ability to run all applications of the tool;
3. Completeness/comprehensiveness of the database;
4. Accuracy, consistency and information sharing;
5. Outcome: Accuracy and timeliness of reporting.

The issues taken into account in the evaluation are therefore:

1. Existence /quality of computerised tool

- 1 = No computerized tool for debt recording; manual recording.
- 2 = Basic spreadsheet system with no analytical capacity and/or just beginning to install CS-DRMS or DMFAS.
- 3 = Spreadsheet validated and some analytical tools, CS-DRMS or DMFAS installed; recorded but not used effectively (or only an old version).
- 4 = Latest version of CS-DRMS or DMFAS (or sophisticated home-built system which can perform most CS-DRMS or DMFAS functions) used for all basic debt management functions, but not installed in all necessary sites (or no network).
- 5 = Latest version of CS-DRMS or DMFAS (or sophisticated home-built system which can perform all CS-DRMS or DMFAS functions) installed in all necessary sites in a network.

2. Ability to run the tool

- 1 = The tool is not used at all, staff needs basic training.
- 2 = The tool is used mainly for data input and basic reports, need more training.

- 3 = Knowledge of some advanced features and reports, but need advanced training.
- 4 = Ability to run most advanced features, but need training in report customisation.
- 5 = Knowledge of all relevant advanced features and able to conduct all customisation.

3. Completeness/comprehensiveness/timeliness of database

- 1 = Only some long-term government direct external debts are monitored; overall database very rarely updated (less than semi-annually) and many transactions omitted.
- 2 = All long-term government direct external debts are monitored, overall database updated only semi-annually and some transactions omitted.
- 3 = All long-term government direct debts and government guaranteed external debts are monitored; database updated only quarterly and occasional transactions omitted.
- 4 = All long-term public and publicly guaranteed external debts (including public enterprises direct debts) are monitored, database updated monthly and only a very few complex transactions (e.g. HIPC multilateral debt reduction) omitted.
- 5 = All public and publicly guaranteed external debts (including short-term) are monitored. All transactions included in monthly updates.

4. Accuracy, consistency and information sharing

- 1 = Very low quality of data, no reconciliation with creditors, no exchange of information with other agencies.
- 2 = Low quality of data, minimal reconciliation and exchange of information.
- 3 = Reasonable quality of data, reconciliation and exchange of information but not on a regular basis, considerable discrepancies (>10%) with creditors/within government.
- 4 = Good quality of data, regular reconciliation procedures, regular information exchange, occasional or smaller (<10%) discrepancies.
- 5 = Excellent quality of data, close statistical proximity (<5% discrepancies) of stock and transactions to creditor records (records of different government agencies agree), frequent and regular reconciliation procedures and information exchange.

5. Outcome: accurate and timely reporting to all interested stakeholders

- 1 = No reporting on debt portfolio.
- 2 = Occasional ad hoc and basic reporting on some elements of debt portfolio, generally within individual government agencies or shared among very few.
- 3 = Detailed occasional portfolio analysis, transmitted to some routine users within government and international organisations.

- 4 = Detailed regular reporting with clear procedures on all aspects of debt, degree of disaggregation and frequency not always adequate, most routine government, civil society and international community users of debt reports supplied and satisfied.
- 5 = Systematic and comprehensive reporting on all aspects of debt, all routine users of debt reports satisfied, rapid and open response to requests for ad hoc reports.

VII. SERVICING

Debt servicing is an important part of good debt management. It implies accurate debt service forecasting, payment on due date, good information flow, and measures to monitor, overcome and avoid arrears. Therefore, the following elements are taken into account:

1. Accuracy of debt service forecasting and budget provision;
2. Accuracy of debt service payments and checks in place;
3. Timeliness of payment processing by various institutions;
4. Monitoring of, and measures to overcome/avoid, all arrears;
5. Outcome: percentage of payment amounts subject to arrears/total payments.

The issues taken into account in the evaluation are therefore:

1. Accuracy of debt service forecasting and budget provision, in line with debt strategy

- 1 = Scheduled debt services of which current policy stipulates are not to be paid are included in budget and budget forecasts not accurate at all (>20% error), requiring major revisions each year.
- 2 = Some scheduled debt service payments which current policy stipulates are not to be paid are included in budget and budget forecasts not very accurate (>10% error), requiring frequent revisions.
- 3 = Very few scheduled debt service payments which current policy stipulates are not to be paid are included in budget and budget forecasts quite accurate (5-10% error) most of the time, requiring some revisions.
- 4 = Budget forecasts accurate (<5% error), requiring only occasional revisions.
- 5 = Very accurate (<2% error), almost no revisions required.

2. Accuracy of debt service payments and checks in place

- 1 = Some payments not reconciled with creditors leading to frequent errors in payment.
- 2 = Some payments not reconciled with creditors, leading to occasional errors in payment.
- 3 = Payment generally reconciled with most creditors; no errors in payment.

- 4 = Payments fully reconciled with creditors, except for a very few which relate to loans which are disbursed or in the process of validation; no errors in payment.
- 5 = All payments fully reconciled with creditors, no errors in payment.

3. Timeliness of payment processing, and follow-up by various institutions

- 1 = Frequent penalties charged due to frequent very long (>30 days) delays of the payment process, resulting from very poor documentation availability and/or complex procedures/lack of payment planning. No confirmation of creditor receipt of funds.
- 2 = Occasional penalties charged due to long (>15 days) delays of payments resulting from poor information flow/cumbersome payment procedures/poor payment planning. Occasional confirmation of creditor receipt of funds.
- 3 = Few penalties charged due to short (<15 days) delays of payments resulting from to information flow/payment procedures/payment planning not fully adequate. Confirmation of creditor receipt of funds with some creditors only.
- 4 = Rare penalties charged due to few (<5 days) delays of payment. Confirmation of creditor receipt of funds with most creditors only.
- 5 = No penalties charged as there are no delays of payment due to full, planning of all payments and good implementation/ excellent flow of information/ effective payment procedures. Confirmation of creditor receipt of funds with most creditors only.

4. Monitoring of and measures to avoid arrears

- 1 = No mechanism in place to monitor or avoid arrears/frequent payments made on amounts to be placed in arrears.
- 2 = Very poor monitoring mechanism and ad hoc measures to avoid arrears/some payments made on amounts to be placed in arrears.
- 3 = Monitoring mechanism in place but not functioning well, ad hoc measures to avoid arrears/very few payments made on amounts to be placed in arrears.
- 4 = Systematic monitoring mechanism and avoidance measures in place, but not always working adequately/no payments made on amounts to be placed in arrears.
- 5 = Full and efficient mechanism in place to monitor, and avoid arrears/no payments made on amounts to be placed in arrears

5. Outcome: all debt service payments made, or arrears created, in line with debt strategy, payments reconciled with creditor statements, payment made on a timely basis with minimum penalties, and appropriate checks and balances and validation mechanisms in system

- 1 = None of above.
- 2 = One-two of above met.

- 3 = Three of above met.
- 4 = Four of above met.
- 5 = All of above met.

VIII. RENEGOTIATION

Beyond basic debt management, HIPCs need to have developed for their own capacity to renegotiate their debt and achieve the maximum debt relief. This implies that responsibilities for renegotiating with each type of creditor (multilateral, bilateral, and commercial) should be clearly defined. Again, it is not necessary to centralise this function, but it is essential to minimise duplication and maximise co-ordination by agreeing policy guidelines among all agencies. Historically, many HIPCs have relied on external technical assistance to conduct debt negotiations (for example, preparing Paris Club memoranda, commercial debt buyback operations or multilateral debt funds). Ideally they will dispense with such assistance over time. Four key components of such independence are: the maintenance of a dossier of information on all previous negotiations, the regular exchange of information with other countries on the results of their negotiations, the establishment of efficient channels for receiving all new international information, and the training of a wide number of staff on these issues. Finally, in the environment of the HIPC Initiative, all HIPCs need to base renegotiations on a 'debt strategy' which will ensure the macroeconomic sustainability of the debt, and which is designed by national technical officials rather than external advisers.

The following are required:

1. Effectiveness of political and technical co-ordination for renegotiation;
2. Respect for procedures for renegotiating debts and signing agreements;
3. Quality of analysis of renegotiation proposals;
4. Use of international and national information and documentation to support negotiations;
5. Outcome: best available terms obtained as based on international comparison.

Evaluations therefore adopt the following hierarchy:

1. Effectiveness of political and technical coordinating bodies for renegotiation

- 1 = No co-ordination for renegotiation.
- 2 = Poor working relationship with scope for major improvements; poor preparation, many agencies not involved, inadequate flow of information.
- 3 = Formal co-ordination, adequate working relations.
- 4 = Good working relationship with some scope for improvement in efficiency, frequent meetings.
- 5 = Well-co-ordinated and efficient exchange of information, with all agencies involved, smooth flow of information, well prepared team.

2. Respect for procedures for renegotiating debts and signing agreements

- 1 = No procedures for renegotiating debts and signing agreements.
- 2 = Procedures exist, but incomplete and no respect for procedures for renegotiating debts and signing agreements.
- 3 = Fairly comprehensive procedures exist, but ad hoc/little respect for procedures.
- 4 = Comprehensive procedures exist and broad respect for procedures for renegotiating and signing agreements.
- 5 = Comprehensive procedures exist. Full respect for procedures for renegotiating debts and signing agreements.

3. Quality of analysis of renegotiation proposals

- 1 = No analysis of renegotiation proposals made
- 2 = Very poor analysis made, no calculation of present value impact, consideration of wider debt portfolio or overall debt sustainability.
- 3 = Reasonable analysis of renegotiation proposals, including present value impact but not looking at wider debt portfolio or sustainability.
- 4 = Good analysis of renegotiation proposals, including PV impact, impact on existing debt portfolio and debt sustainability.
- 5 = Excellent and comprehensive analysis, including PV, portfolio and sustainability impact, risk analysis, timing of relief and payment dates, impact of potential delays in agreement, and conformity with PRSP/development strategy financing needs.

4. Use of national/international information and documentation to support negotiations

- 1 = Very little information used and documentation very poor, negotiations based mainly on staff experience.
- 2 = Only national information regarding past negotiations is used, and considerable gaps in/poor organisation of documentation.
- 3 = Some international information used, including published information on international trends in creditor practices and exchange/interest rates. Documentation reasonably comprehensive but not well-organised nor user-friendly.
- 4 = All published international information used, including information on latest financing terms and qualitative issues for similar countries. Comprehensive and well-organised documentation.
- 5 = Proactive seeking of all relevant information, including exchange of information with similar countries. Preparation of regular briefings on changes in international policies and their application to the country's debt renegotiation.

5. Outcome: obtaining best terms available to the country

- 1 = Minimum debt relief provided, best terms not achieved in any case.
- 2 = Best terms achieved in a few cases.
- 3 = Best terms often achieved.
- 4 = Best terms achieved in vast majority of cases.
- 5 = Best terms available achieved in all cases where political relations allow, country even establishing some new precedents with creditors.

IX. MACROECONOMIC PROJECTIONS

In order to assess long-term debt sustainability, HIPCs need to conduct macroeconomic projections over a 20-year period for different sectors (balance of payments, budget, real, financial). These should be reconciled through an economy-wide model. Ideally countries should tailor models to their national circumstances, but would also fully understand generic models such as the World Bank revised minimum standard model (RMSM) or the IMF financial programming framework, and be capable of explaining and reconciling any differences in assumptions. They would also simulate many different scenarios, including testing the impact of potential external or internal shocks. As a result, co-ordination between macroeconomic and debt management units (and among multiple macroeconomic units) is essential to an effective debt strategy.

Issues to consider are therefore:

1. Effectiveness of political and technical co-ordination for macroeconomic forecasting (preparation, involvement of all agencies, flows of information, division of responsibilities among agencies);
2. Quality of underlying economic data;
3. Availability/quality of modelling tools (credibility, ability to use, adaptation to national needs, length of modelling period);
4. Use of best international practices and all information available to support forecasts;
5. Outcome: accuracy, quality and length of forecasts (up to 20 years, comprehensiveness across sectors, detail in each sector, consistency checks across sectors, testing of hypotheses based on past trends and volatility, integration of potential shocks in sensitivity analysis with impact based on past experience).

Macroeconomic projection capacities are assessed as follows:

1. Effectiveness of political and technical co-ordination

- 1 = No co-ordination among macroeconomic agencies.
- 2 = Ad hoc co-ordination among macro agencies.
- 3 = Formal co-ordination among macro agencies but using different models and assumptions.

- 4 = Regular reconciliation of assumptions and modelling techniques by different agencies.
- 5 = All units co-ordinated behind assumptions and one model.

2. Quality of economic data

- 1 = Most data are not available or not reliable.
- 2 = Poor economic data, available after long delays, problems of reliability and disaggregation.
- 3 = Most data available after brief delays (less than 3 months), but not always reliable and disaggregated.
- 4 = Data available on time and reliable, but disaggregation problems.
- 5 = Data available on time, reliable and sufficiently disaggregated.

3. Availability/quality of modelling tools

- 1 = No model, or model not functioning.
- 2 = Basic understanding of Bretton Woods Institutions' (BWIs) modelling tools, national model barely functioning.
- 3 = Simple national model, ad hoc use of BWIs' modelling tools.
- 4 = Developed and frequently used national model, and/or full command and intense use of BWIs' modelling tools.
- 5 = Comprehensive national model, appropriate and efficient with reliable results and used for forecasting.

4. Use of information/best international practices

- 1 = Best international practices unknown and no access to information.
- 2 = Poor information on best international practices and world economic outlook, some international documentation available, but not tailored to national needs.
- 3 = Most information and documents on best international practices and world economic outlook available but not detailed and comprehensive, not often used to support projections.
- 4 = Information and documents available, detailed enough and tailored to national needs, ad hoc use to support projections.
- 5 = Proactive research of latest practices and information, and systematically used to support projections.

5. Outcome: accuracy, quality and length of macroeconomic forecasts

- 1 = No projections beyond the current year.
- 2 = Projections over 1 or 2 years, limited to few sectors, not detailed and not accurate. No sensitivity tests, no inter-sectoral coherence tests.

- 3 = Projections over three years, including most sectors, more detailed and many inter-sectoral coherence tests. Ad hoc sensitivity tests, not very accurate forecasts.
- 4 = 10-year projections covering all sectors, with a maximum of details and necessary coherence tests, ad hoc sensitivity tests. Projections reasonably accurate.
- 5 = 20-year projections covering all sectors, with a maximum of details and necessary coherence tests, comprehensive sensitivity tests. Very accurate projections.

X. POVERTY REDUCTION PROGRAMMING AND FORECASTING

In order to verify whether the national debt strategy is sustainable in the long term, it is essential to check whether debt relief and expected new financing will cover the country's poverty reduction strategy financing needs. These needs should be ideally formulated within a PRSP, itself integrated in a MTEF, with poverty reduction spending easy to monitor. Governments should ensure that these needs are comprehensive (covering all sectors and poverty reduction benchmarks), and forecast over 20 years, compatible with the Millennium Development Goals (MDGs) and national goals, and will be compatible with poverty reduction macroeconomic projections. Therefore, the evaluation will include the following:

1. Effectiveness of political and technical co-ordination for poverty reduction programming (preparation, involving all agencies, information flows, division of labour among agencies);
2. Quality of underlying poverty indicators data and analysis (monetary and non-monetary, quantitative and qualitative) - timeliness, comprehensiveness, reliability and disaggregation;
3. Quality of poverty reduction spending data and analysis – accurate and timely historical and current data and tracking of impact, unit cost analysis and reduction, ability to forecast and analyse spending needs across all sectors based on MTEFs and programme budgets;
4. Ability to forecast poverty reduction trends and attainment of MDGs and national poverty reduction goals – existence of appropriate national poverty reduction forecasting tools fit to country need and data (credibility, ability to use, adaptation to national objectives, length of forecasting over 20 years, integration of monetary and non-monetary trends and spending, impact of shocks on poverty, assumptions based on national analysis instead of multi-country analysis) and integration of poverty and social impact analysis (PSIA) of all macroeconomic and sectoral policies.
5. Outcome: accuracy of forecasts (including shocks and impact of policies).

Assessments are based on the following elements:

1. Effectiveness of political and technical co-ordination

- 1 = No co-ordination among relevant agencies.
- 2 = Ad hoc co-ordination.
- 3 = Formal co-ordination among units, but using different assumptions.
- 4 = Regular reconciliation of assumptions and agreement on PRSP elaboration.
- 5 = Co-ordination at political level, use of the same tool and methodology, assumptions and results done together.

2. Quality of underlying poverty indicators data and analysis

- 1 = Most data is not available or not reliable; no analysis.
- 2 = Poor poverty data, available after long delays, problems of reliability and disaggregation; virtually no analysis.
- 3 = Most data available within 3 months of reference period, but not always reliable and disaggregated; analysis done every 4 or 5 years.
- 4 = Data available on time and reliable, but disaggregation problems; analysis done every 2 or 3 years.
- 5 = Data available on time, comprehensive, reliable and disaggregate; and at least annual analysis.

3. Quality of poverty reduction spending data and analysis

- 1 = Impossible to identify poverty reduction spending; no analysis.
- 2 = Major difficulties identifying poverty reduction spending; some analysis of historic trends or absorptive capacities; almost no impact analysis; no centralised unit costs; no expenditure forecasting; no MTEF or programme budgets.
- 3 = Poverty reduction spending data identifiable; sufficient analysis of historic trends and absorptive capacities; some impact analysis; unit costs estimation; HIPC-related expenditure forecast and sectoral programmes based on sectoral programme budgets.
- 4 = Poverty reduction spending identifiable; comprehensive analysis of historic trends and absorptive capacities; sufficient impact analysis; reliable data on unit costs (need more local disaggregation); 3-year MTEF including all sectors, programme budgets.
- 5 = Poverty reduction spending data easily identifiable; comprehensive analysis of historic trends, absorptive capacities; impact of expenditure and disaggregated unit costs; 20-year MTEF including all sectors, programme budgets with multiple scenarios depending on the financing source.

4. Ability to forecast poverty reduction trends and attainment of poverty reduction goals

- 1 = No forecasting of poverty reduction or attainment of MDGs.
- 2 = Poverty reduction forecasting based on past trends without analytical basis.
- 3 = Use of simple elasticity or econometric relationships to forecast/adjust the trend of some indicators (mostly monetary) depending on GDP growth rate for example.
- 4 = Use of tools and/or macroeconomic forecasting models, somewhat adequate to the country needs, including most of monetary and non monetary goals and the results of most of sectoral and macro policies. Some shocks analysis.
- 5 = Use of tools and/or macroeconomic forecasting models completely adapted to the country needs and reliable, ability to forecast attainment of MDGs and national monetary and non-monetary goals over 20 years, including PSIA of all macroeconomic and sectoral policies.

5. Outcome: accuracy of poverty reduction forecasting

- 1 = No forecasts.
- 2 = Very poor forecasts.
- 3 = Reasonable forecasts.
- 4 = Forecasts generally accurate, but with a tendency to deviate from the actual figures over time and due to shocks.
- 5 = Very accurate forecasts over the medium term, even with considerable shocks.

XI. PORTFOLIO AND RISK ANALYSIS

Portfolio and risk analyses are essential for modern debt management, particularly in countries where the portfolio composition can be modified (interest, currency, creditors) and countries that have variable interest rates or where there is a devaluation risk. Portfolio analyses are also an essential basis for debt sustainability analysis as well as for debt restructuring and new financing. They imply routine economic reporting, loan-by-loan analysis, identification and review of specific loans and creditors, aggregated portfolio review, and sensitivity tests. The main elements are therefore:

1. Effectiveness of co-ordination at political and technical level in generating portfolio and risk analysis (preparation, involvement of all agencies, flows of information, division of responsibilities among agencies);
2. Quality of loan-by-loan analysis – of loans already contracted – identification of loans or creditors for restructuring to achieve more sustainable debt profile – timeliness and comprehensiveness of analysis, concessionality and financing risks;
3. Quality of overall portfolio review – fulfilling end-user needs, timeliness and frequency,

comprehensiveness (historical trends, current situation, composition analysis by creditor and debtor, currency/interest/maturity analysis, servicing and disbursement forecasts, end-use and sectoral composition, poverty reduction orientation), identification of problem areas for action;

4. Quality of risk analysis – basic, currency, interest and maturity risks (external vs. domestic debt) with sensitivity analysis and forecasts over 20 years; more complex risk analysis including cost at risk and value at risk techniques (CaR/VaR);
5. Outcome: restructuring loans and aggregate portfolio, and anticipating and preventing against risks.

Assessments are based on the following elements:

1. Effectiveness of co-ordination

- 1 = No co-ordination among agencies for portfolio and risk analysis.
- 2 = Ad hoc co-ordination among agencies.
- 3 = Formal co-ordination among agencies but no common methodology.
- 4 = Regular reconciliation of assumptions and techniques by different agencies.
- 5 = All units co-ordinated, assumptions and results done together.

2. Quality of loan by loan analysis

- 1 = No analysis.
- 2 = Ad hoc analysis of concessionality and risk for some loans, no policy conclusions drawn.
- 3 = Systematic analysis of concessionality, no risk analysis, ad hoc conclusions on policies.
- 4 = Annual analysis of concessionality/of risks including implications for policies.
- 5 = Quarterly and comprehensive analysis, with identification of creditors or loans to be restructured and a comprehensive analysis of implication for policy.

3. Quality of overall portfolio review

- 1 = No overall portfolio review.
- 2 = Ad hoc overall portfolio review, only external government debt, not user friendly, not comprehensive/not timely, no analysis of policy implications.
- 3 = Systematic portfolio analysis but not frequently, all external and domestic government debt, not sufficiently tailored to user needs, long delays, not comprehensive and detailed enough, little analysis of policy implications.
- 4 = Annual portfolio analysis, all external government and private sector debt, domestic debt and contingent liabilities, tailored to user needs, with a feedback mechanism, very short notice, comprehensive and detailed, reasonable but not comprehensive analysis of policy implications.

- 5 = Semi-annual/quarterly analysis, comprehensive annual analysis, all debt covered, with a comprehensive explanation of the implications for the debt strategy.

4. Quality of Risk Analysis

- 1 = No risk analysis.
- 2 = Very basic risk analysis (percentage of variable rate in the portfolio, currency composition, maturity), no/very few conclusions on implications for policy.
- 3 = Basic analysis of past volatility of risk – currency and interest rates, with a brief indication of policy implications and benchmark portfolio defined.
- 4 = Volatility analysis with sensitivity analysis and forecasts over 20 years with policy implications, and benchmark portfolio defined.
- 5 = Complex risk analysis including CaR/VaR techniques with policy implications, and benchmark portfolio defined.

5. Outcome: restructuring loans and portfolio, anticipating and preventing risks

- 1 = No clear policy.
- 2 = Poor success in term of restructuring loans and risk prevention.
- 3 = Some results achieved, particularly in debt restructuring, but not in risk prevention.
- 4 = Many successes in debt restructuring, but a few in risk prevention.
- 5 = All actions in term of loan restructuring and risk prevention successfully implemented.

XII. DEBT STRATEGY ANALYSIS

Capacity in debt strategy analysis represents the capacity of the country to put together all the above elements – debt data and portfolio review, scenarios for debt relief and new borrowing, risks analysis, forecast of the macroeconomy and poverty-focused spending – into a computerised simulation of results in order to assess the macroeconomic sustainability of debt, the prospects for additional spending on poverty reduction, and the optimal strategy options for debt reduction and new financing. It is also important to include in the strategies all necessary capacity building needs, in order to maintain existing capacities. Debt strategy goes far beyond external debt sustainability analysis in the HIPC Initiative framework, because it includes analysis of domestic and private sector debt, non-debt new financing prospects such as grants and foreign direct investment (FDI), disbursements and qualitative aspects of financing, risk analysis, and forecast of the macroeconomy and MDGs over 20 years. A large number of officials need to be trained and to meet regularly in a debt strategy formulation national team.

Countries therefore need:

1. Effective co-ordinating bodies in generating debt strategy analysis (DSA);

2. Ability to run all applications of the computerised debt strategy tool;
3. A formal team in place to update debt strategy and to train others in the country;
4. Strategy covering all aspects of debt (domestic, parastatal and private), including portfolio and risk analysis, 20-years macroeconomic and poverty reduction forecasts, capacity building needs, implications for government policy, prepared and presented annually to policymakers;
5. Outcome: strategy implementation (debt renegotiation and new financing based on the strategy).

Therefore ranking are based on the following components:

1. Effectiveness of coordinating bodies

- 1 = No co-ordination among debt, macroeconomic and poverty reduction to prepare a strategy.
- 2 = Ad hoc co-ordination among agencies.
- 3 = Formal co-ordination among agencies, but without a clear mandate and meetings infrequent.
- 4 = Regular meeting to reconcile and agree on strategy analysis assumptions.
- 5 = Full co-ordination at technical and political level, results and recommendations implemented.

2. Ability to run computerised debt strategy tool

- 1 = No debt strategy computerised tool available.
- 2 = Tool available on some computers, old version, weak ability to run it, need more training.
- 3 = Latest version installed on many computers, use of basic features, still need some advanced training.
- 4 = Latest version installed on all necessary computers or in a network, ability to run all features, need training to adapt to national needs.
- 5 = Full command of debt strategy tool, with capacity to adapt to national needs.

3. Team in place to update debt strategy and to train

- 1 = No experience of strategy analysis, no team established.
- 2 = Basic training in strategy, ad hoc team, needs more training.
- 3 = Formal team, trained more than once on debt strategy, able to elaborate basic debt strategy, need advanced training.
- 4 = Formal team in place fully trained and able to formulate analysis with a minimum of external assistance, and to train nationals on basic elements.
- 5 = Formal team regularly updating the debt strategy analysis, training nationals and neighbouring countries.

4. Strategy document quality

- 1 = No strategy document available.
- 2 = Very general document, DSA coming from BWIs analysis.
- 3 = Basic DSA document not including domestic debt, no multiple macro scenarios, no poverty reduction expenditure forecasts, no risk analysis, few recommendations on capacity building and policies, not presented to policymakers.
- 4 = Good quality strategy document on domestic and external public debts, but new financing analysis limited to loans concessionality/amounts, little risk analysis, insufficient recommendations in term of capacity building and policies, not presented regularly to policymakers.
- 5 = High quality DSA, including all debt types and new financing sources, portfolio and risk analysis, 20-years macroeconomic and poverty reduction forecasts, comprehensive capacity building and policies recommendations, presented annually to policymakers.

5. Outcome: strategy implementation (renegotiation and new financing based on strategy)

- 1 = No strategy; strategy not implemented.
- 2 = Used in very general terms – for the implementation of HIPC initiative and concessionality ceiling agreed upon with BWIs, with poor results.
- 3 = Ad hoc use to comment on BWIs DSA and to prepare some debt negotiations or renegotiations, partial results.
- 4 = Systematic use to prepare tripartite DSA and for most debt renegotiations and on new financing (domestic and external debt), successful implementation in general.
- 5 = Successfully used as the basis for every negotiation for external and domestic financing.

XIII. POLITICAL PRIORITY AND LEADERSHIP

The crucial element in effective debt and macroeconomic management, and poverty reduction, is political commitment in implementing this strategy. The key points are therefore:

- 1. Profile of debt management in government Cabinet discussions, frequency;
- 2. Implementation of capacity building recommendations – commitment to legal and institutional change, staff reinforcement, etc (sections I to III above) and co-ordinating bodies;

3. Implementation of recommended strategy policy changes;
4. Transmission of debt strategy policy conclusions to key national and international meetings;
5. Commitment to use national capacity rather than technical assistance (judge by presence or refusal of technical assistance [TA] in areas that countries can conduct for themselves).

The CBP ranks countries on the following basis:

1. Profile of debt management in government discussions

- 1 = No debt discussion in Cabinet meeting.
- 2 = Ad hoc discussion of international decisions (HIPC/Paris Club for example) and of negotiations after being concluded.
- 3 = Regular discussions of debt strategy and negotiations before they start.
- 4 = Discussion and formal adoption of an annual debt strategy, negotiation strategies, institutional reform plans/capacity building.
- 5 = Semi-annual (or more frequently) discussion on the debt strategy implementation and strategy reformulation needs.

2. Implementation of capacity building recommendations

- 1 = Not implemented.
- 2 = Poor implementation – informal task force without a clear mandate, or partial staff reinforcement, after long delays.
- 3 = Adequate implementation – commitment to make task force function, more reinforcement of staff.
- 4 = High implementation – formal institutional and legal changes, ad hoc follow up of results, general reinforcement of staff
- 5 = Very high implementation – regular follow-up of changes and results

3. Implementation of debt strategy recommendations

- 1 = Not implemented.
- 2 = Poor implementation – ad hoc selection and implementation of the most urgent recommendations, after long delays.
- 3 = Adequate implementation – quite balanced but informal implementation of the various recommendations.
- 4 = Good implementation – formal adoption of recommendations as government policy and regular follow-up.
- 5 = Very high implementation – follow-up of new policy results with regular updates of strategy.

4. Transmission of debt strategy policy conclusions to national and international meetings

- 1 = No strategy, so no transmission.
- 2 = Irregular and selective ad hoc transmission of results.
- 3 = Regular transmission of summary strategy results with limited discussion.
- 4 = Discussion in every high level national or international meeting of conclusions.
- 5 = Proactive organisation of meetings on conclusions at national and international levels, mobilisation of partners and NGOs to support conclusions, continuing debate until change of policies/opinions.

5. Commitment to use national capacity

- 1 = Very low – almost all work done by technical assistance or international missions.
- 2 = Low – most work done by technical assistance or international missions.
- 3 = Adequate – ad hoc use of nationals for essential tasks but some reliance on technical assistance.
- 4 = High – systematic use of nationals, technical assistance limited to specific urgent cases or to relatively low national capacity areas.
- 5 = Very high – proactive action to replace technical assistance by nationals, by implementing capacity building plans.

XIV. TRANSPARENCY, EVALUATION AND CONTROL

Debt management needs transparency and control through financial audits, and self-assessment of progress. Therefore, the following are necessary:

- 1. Interaction/discussion with civil society on debt strategy;
- 2. Interaction/discussion with political structures (Parliament, parastatal and decentralised structures);
- 3. Interaction/discussion with international community, donors and creditors;
- 4. Internal and external audit of debt management units;
- 5. Self-evaluation of debt management capacity (frequency, realism, comprehensiveness).

The HIPC CBP ranks countries on the following basis:

1. Interaction/discussion with civil society on strategy

- 1 = No discussion or interaction.
- 2 = Passive interaction – response to media questions.
- 3 = Ad hoc active interaction – infrequent meeting and restricted participation.

- 4 = Systematic interaction – representative annual conferences.
- 5 = Inclusion of civil society in the process of strategy formulation.

2. Interaction/discussion with political structures

- 1 = No discussion or interaction.
- 2 = Rare and passive discussion in Parliament – response to media questions.
- 3 = Ad hoc active interaction – presentation of HIPC results, Paris Club or other negotiations.
- 4 = Annual discussion in Parliament on debt management and strategy.
- 5 = Approval by Parliament of all prospective new loans, discussion at decentralised structure level and during PRSP participatory process.

3. Interaction/discussion with international community

- 1 = No discussion.
- 2 = Ad hoc discussion with a few donors during formal negotiations such as Paris Club and/or HIPC Initiative.
- 3 = Active discussions with many donors – during BWIs/donors missions.
- 4 = Regular and formal discussion on every formal occasion – consultative groups, round tables, negotiations with BWIs.
- 5 = Creation at national level of specific donor and creditor co-ordinating structures (task force with donors) with regular quarterly meetings.

4. Internal and external audit of debt management units

- 1 = No audit at all.
- 2 = Internal audit from time to time; no implementation of recommendations.
- 3 = Regular internal and external audit; but only partial, low implementation of the recommendations.
- 4 = Comprehensive annual audits; reasonable implementation of the recommendations.
- 5 = Comprehensive annual audits with rapid and comprehensive implementation of the recommendations.

5. Self-assessment of debt management capacities

- 1 = No self-assessment.
- 2 = Informal and/or partial self-assessment.
- 3 = Ad hoc self-assessment – such as questionnaires completed at the end of HIPC CBP workshops and chapter of debt strategy report on capacity building.
- 4 = Comprehensive self-assessment – like this exercise – but not implemented.
- 5 = Comprehensive and implemented self-assessment.

APPENDIX 2 – SAMPLE OF SELF-ASSESSMENT QUESTIONNAIRE: DEFINING RANK, PRIORITY, GAPS AND RECOMMENDED SOLUTIONS

| Area of Assessment | Current Rank* | Priority** | Gaps & Causes | Recommended Solutions | Responsible Party/ies |
|---|---------------|------------|---------------|-----------------------|-----------------------|
| <i>I. Legal and Institutional Framework</i> | | | | | |
| I.1 Clear institutional & departmental responsibilities | | | | | |
| I.2 Comprehensiveness and quality of laws and regulations/decrees on publication and provision of public information on debt management and of information flow among agencies. | | | | | |
| I.3 Comprehensiveness and quality of law/legal provision on internal and external evaluation and control of debt management units | | | | | |
| I.4 Coordination mechanisms among agencies | | | | | |
| I.5 Legislation and implementation circulars clearly defining the parameters for debt contraction, guarantees and servicing | | | | | |
| <i>II. Human Resources</i> | | | | | |
| II.1 Staff numbers and allocation | | | | | |
| II.2 Qualifications/experience/training of staff for jobs | | | | | |
| II.3 Motivation and compensation of staff | | | | | |
| II.4 Job descriptions | | | | | |
| II.5 Staff assessment and development plans/operational practical training | | | | | |
| <i>III. Management, Supervision and Working Environment</i> | | | | | |
| III.1 Work unit systems and procedures | | | | | |
| III.2 Work planning and monitoring | | | | | |

| Area of Assessment | Current Rank ^e | Priority** | Gaps & Causes | Recommended Solutions | Responsible Party/ies |
|--|---------------------------|------------|---------------|-----------------------|-----------------------|
| III.3 Capacity-building plans | | | | | |
| III.4 Effectiveness of coordination/adequacy of information flows within and among the debt work units | | | | | |
| III.5 Adequacy of working environment | | | | | |
| IV. New Financing Policy | | | | | |
| IV.1 Effectiveness of political and technical coordination | | | | | |
| IV.2 Procedures for contracting finance and matching with high-quality projects | | | | | |
| IV.3 Quality of analysis of prospective new financing and new financing policy guidelines | | | | | |
| IV.4 Use of international and national information/documentation to support negotiations | | | | | |
| IV.5 Outcome: closeness to guidelines and best financing available to the country | | | | | |
| V. Disbursement | | | | | |
| V.1 Quality of government/donor procedures and conditions | | | | | |
| V.2 Compliance with government/donor procedures and conditions | | | | | |
| V.3 Identification, reporting and follow-up of non-disbursement loans | | | | | |
| V.4 Documentation on disbursements/circulation of information among all agencies | | | | | |
| V.5 Outcome: average delay in first disbursement/accuracy of disbursement forecasts | | | | | |

| Area of Assessment | Current Rank* | Priority** | Gaps & Causes | Recommended Solutions | Responsible Party/ies |
|--|---------------|------------|---------------|-----------------------|-----------------------|
| VI. Recording | | | | | |
| VI.1 Existence/quality of computerized tool | | | | | |
| VI.2 Ability to run the tool | | | | | |
| VI.3 Completeness/comprehensiveness/timeliness of database | | | | | |
| VI.4 Accuracy, consistency and information sharing | | | | | |
| VI.5 Outcome: accurate and timely reporting to all interested stakeholders | | | | | |
| VII. Servicing | | | | | |
| VII.1 Accuracy of debt service forecasting and budget provision, in line with debt strategy | | | | | |
| VII.2 Accuracy of debt service payments and checks in place | | | | | |
| VII.3 Timeliness of payment processing, and follow-up by various institutions | | | | | |
| VII.4 Monitoring of and measures to avoid all arrears | | | | | |
| VII.5 All debt service payments made, or arrears created, in line with debt strategy, payments reconciled with creditor statements, payment made on a timely basis with minimum penalties, and appropriate checks and balances and validation mechanisms in system | | | | | |
| VIII. Renegotiation | | | | | |
| VIII.1 Effectiveness of political and technical coordinating bodies for renegotiation | | | | | |
| VIII.2 Respect for procedures for renegotiating debts and signing agreements | | | | | |
| VIII.3 Quality of analysis of renegotiation proposals | | | | | |

| Area of Assessment | Current Rank* | Priority** | Gaps & Causes | Recommended Solutions | Responsible Party/ies |
|---|---------------|------------|---------------|-----------------------|-----------------------|
| VIII.4 Use of national/international information and documentation to support negotiations | | | | | |
| VIII.5 Outcome: obtaining best terms available to the country | | | | | |
| IX. Macroeconomic Projections | | | | | |
| IX.1 Effectiveness of political and technical co-ordination | | | | | |
| IX.2 Quality of economic data | | | | | |
| IX.3 Availability/quality of modelling tools | | | | | |
| IX.4 Use of information/best international practices | | | | | |
| IX.5 Outcome: accuracy, quality and length of macroeconomic forecasts | | | | | |
| X. Poverty Reduction Programming and Forecasting | | | | | |
| X.1. Effectiveness of political and technical co-ordination | | | | | |
| X.2. Quality of underlying poverty indicators data and analysis | | | | | |
| X.3. Quality of poverty reduction spending data and analysis | | | | | |
| X.4. Ability to forecast poverty reduction trends and attainment of poverty reduction goals | | | | | |
| X.5. Outcome: accuracy of poverty reduction forecasting | | | | | |
| XI. Portfolio and Risk Analysis | | | | | |
| XI.1 Effectiveness of coordination | | | | | |
| XI.2 Quality of loan by loan analysis | | | | | |
| XI.3 Quality of overall portfolio review | | | | | |
| XI.4 Quality of risk analysis | | | | | |
| XI.5 Outcome: restructuring loans and portfolio, anticipating and preventing risks | | | | | |

| Area of Assessment | Current Rank* | Priority** | Gaps & Causes | Recommended Solutions | Responsible Party/ies |
|--|---------------|------------|---------------|-----------------------|-----------------------|
| <i>XII. Debt Strategy Analysis</i> | | | | | |
| XII.1 Effectiveness of coordinating bodies | | | | | |
| XII.2 Ability to run computerised debt strategy tool | | | | | |
| XII.3 Team in place to update debt strategy and to train | | | | | |
| XII.4 Strategy document quality | | | | | |
| XII.5 Outcome: strategy implementation (renegotiation and new financing based on strategy) | | | | | |
| XIII. Political Priority and Leadership | | | | | |
| XIII.1 Profile of debt management in government discussions | | | | | |
| XIII.2 Implementation of capacity building recommendations | | | | | |
| XIII.3 Implementation of debt strategy recommendations | | | | | |
| XIII.4 Transmission of debt strategy policy conclusions to national and international meetings | | | | | |
| XIII.5 Commitment to use national capacity | | | | | |
| XIV. Transparency, Evaluation and Control | | | | | |
| XIV.1 Interaction/discussion with civil society on strategy | | | | | |
| XIV.2 Interaction/discussion with political structures | | | | | |
| XIV.3 Interaction/discussion with international community | | | | | |
| XIV.4 Internal and external audit of debt management units | | | | | |
| XIV.5 Self-evaluation of debt management capacities | | | | | |

Notes: * For 'Current Rank', enter 1 to 5 depending on your current assessment. ** Insert H (high), M (medium), L (low) for the priority you assign to improving this criteria

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