

R. Strengthening capacity for effective asset and liability management in national debt management offices

UNCTAD (\$663,400)

Background

92. The traditional role of a country's debt management office is to minimize funding costs while maintaining a debt structure that limits the possibility of a debt crisis. Many developing countries still face serious difficulties in this area.
93. A given level of debt can generate different levels of vulnerabilities depending on how the debt structure matches a country's assets. Debt management offices in developed countries are moving from an approach based on managing the country's liabilities to an asset liability management approach. Developing countries are also moving in this direction; however, their national capacity in this area is weak.
94. In moving to an asset liability management approach, countries need to be able to collect data on their main financial and non-financial assets and liabilities (i.e., all types of debt: external public debt and domestic debt¹) and build models for analysing and reducing mismatches under different types of shocks.
95. Improving capacity to effectively manage its debt will contribute to reducing the risks of a debt crisis (consistent with target 3 of Millennium Development Goal 8) and also liberate fiscal resources that can be used for poverty reduction activities and social expenditure in health and education (Millennium Development Goals 1, 4 and 5). The two geographic regions targeted by the project are Africa and Latin America and the Caribbean, in which UNCTAD has a significant presence through the debt management financial and analysis system programme.
96. The project builds upon the considerable experience of UNCTAD in assisting debt management offices in both their data collection and reporting role (the programme is active in 100 institutions in 57 countries, including the beneficiary countries of the project) and risk analysis capacities. It will also build upon the strategic partnerships between UNCTAD and other bodies, including the World Bank, the International Monetary Fund and the Macroeconomic and Financial Management Institute of Eastern and Southern Africa.

¹ General Assembly resolution 62/186, para. 17.

Objective of the Organization: To strengthen the capacity of developing countries to manage their public debt through integrated asset and liability management.	Summary budget (Thousands of United States dollars)	
Relationship to the strategic framework for the period 2010-2011 and the Millennium Development Goals: UNCTAD subprogramme 1 (Globalization, interdependence and development); and Millennium Development Goals 1, 4, 5 and 8.	General temporary assistance	8.0
	Consultants	187.0
	Travel	113.0
	Contractual services	63.4
	Study tours	110.0
	Workshops	<u>182.0</u>
	Total	663.4

Expected accomplishments of the Secretariat	Indicators of achievement
(a) Increased ability to collect and report data on the level and structure of public debt (both external and domestic) and on external private debt	(a) Increased number of national reports on the structure of total public debt (both domestic and external) and of external private debt
(b) Evaluation of the resources required for collecting data on the country's public assets and development of a preliminary framework for collecting such data	(b) Increased number of evaluations of the feasibility and desirability of building a framework for recording the country's public assets and the analysis of the flow of funds deriving from these assets
(c) Decision on whether the country should move to an asset liability management framework and, if this is the case, preparation of a detailed workplan for implementing such a framework	(c) Increased number of national decisions to move to an asset liability management approach and building a framework for collecting and analysing the data necessary to implement such a framework

Main activities

97. The main activities of the project will include:
- (a) Preparation of three studies. The first study will discuss whether the lessons learned from applying asset liability management in the developed countries are applicable to developing countries. The second study will discuss the analytical challenges to conducting risk analysis in the uncertain environment that characterizes most developing countries. The third study will outline whether asset liability management can be applied to issues that are specific to low-income countries (such as foreign aid);
 - (b) Conducting studies of and provide technical assistance to six debt management offices (Ethiopia, Uganda, Zambia, Argentina, Bolivia, and Nicaragua). The studies will identify the main needs of debt management offices in terms of data collection and reporting and analyse whether an asset liability management approach can be implemented in the country. Technical assistance will be provided according to the needs identified by these studies;
 - (c) Organizing two regional training workshops in which the lessons learned in activities (a) and (b) are disseminated to other debt management offices in the region. Participants from 10 to 15 countries will be invited to each workshop. The workshops will allow the dissemination of the outcome of the project to other countries in the two regions and thus increase the leverage of the project;

- (d) Organizing two intraregional study tours for selected staff of debt management offices;
- (e) Preparing a compendium that summarizes the main finding and research activities of the project (the compendium may be published only in electronic format);
- (f) Developing an e-learning module that will provide examples of procedures necessary for implementing such an asset liability management framework. The steps will guide debt managers to the implementation of an asset liability management framework in a fictitious debt management office that faces the constraints of a typical developing country-based debt management office.

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Implementing entities: UNCTAD		Duration: 2010 – 2013
Objective: To strengthen the capacity of developing countries to manage their public debt through integrated Asset and Liability Management.		
Summary budget <i>thousands of US dollar</i>	Detailed budget (US dollars)	
	General Temporary Assistance 1 work month to perform the tasks of administrative work linked to participants' travel, venue organization (in support of activities (b) to (e))	8 000
GTA	8.0	
Consultants	187.0	
Travel	113.0	
Contractual services	63.4	
Study tours	110.0	
Workshops	<u>182.0</u>	
Total	663.4	
	Consultants <u>International consultants</u> 6 work months x \$8,000 to provide capacity building technical assistance (in support of activity (b)) and travel (6 x \$8,000)	96 000
	To prepare the papers (in support of activity (a)) and holding workshop (in support of activities (d) and (f)). (\$10,000 for each paper x 3 papers) plus travel (\$5,000 x 2)	40 000
	International/regional expert to undertake external evaluation.	15 000
	<u>National consultants</u> To prepare the studies (in support of activity (b)). (\$6,000 per paper x 6 papers)	36 000
	Travel To organize, coordinate and participate in the 2 regional training workshops (3 staff members per workshop) (\$6,000 per person x 3 staff member x 2 workshops)	36 000
	To visit DMOs to define and organize activities described under (b) and (c) (2 staff members for each DMO) (\$6,000 per person x 12 person)	72 000
	1 mission to Washington to coordinate activities with IMF/World Bank staff members	5 000
	Contractual services Publication of the compendium (in support of activity (g))	20 000
	E-learning module (in support of activity (h))	20 000
	Contractual Services in support of all activities (\$23,400)	23 400
	Study Tours <u>Regional study tour</u> 22 study tours (in support of activity (f)) (\$5000 per study tour).	110 000
	Seminars and Workshops 2 regional workshops (in support of activity (e)). (28 regional participants x \$2,000 per participants per workshop and 7 non-regional participants x \$5,000 per participant per workshop)	182 000