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PROJECT FACTSHEET

Bosnia and Herzegovina   January 2017

DEBT MANAGEMENT FACILITY (DMF)

RATIONALE

Debt management plays a central role for sound public finances and macroeconomic stability. While it does not prevent a government from becoming insolvent, prudent debt management can reduce the costs and risks of borrowing and increase the resilience against shocks.

Developing countries face significant challenges in meeting their vast development needs, while maintaining a sustainable debt position. Over the past decade there has been some progress towards reducing debtrelated vulnerabilities through improved policies and capacity building. Many developing countries also received significant debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), which has reduced debt burdens and created new borrowing space. However, capacity constraints remain acute in low-income countries and ensuring long-term debt sustainability remains a challenge. Debt management is also becoming more complex, as countries gain access to new external and domestic sources of funding and become more exposed to international capital markets.

The Debt Management Facility (DMF) was launched in 2008 to scale up the work program of the World Bank to respond to the evolving needs and new challenges of post-HIPC client countries. DMF complements other debt management initiatives (such as DMFAS) through focusing on upstream assistance. Under its second programme phase, the initiative is jointly being implemented by the World Bank and the IMF.

OBJECTIVES AND ACTIVITIES

The overall objective of DMF is to contribute to sustainable public finances and debt sustainability through strengthening debt management capacity and institutions, in particular in low-income countries.

The initiative has the following specific objectives: (1) systematic assessment of debt management performance with the Debt Management Performance Assessment (DeMPA) tool[1], (2) design of debt management reform plans, (3) technical assistance in developing Medium-Term Debt Management Strategies (MTDS), (4) training of regional debt management providers and country authorities in the use of the DeMPA and MTDS tools and the application of the Debt Sustainability Analysis, (5) strengthen subnational debt management, (6) develop domestic debt markets, (7) advice on issuance in international capital markets, (8) strengthen risk management capacities and (9) promote knowledge sharing and peer learning among debt management practitioners.

GOVERNANCE STRUCTURE

DMF is a grant facility financed through a multi-donor trust fund and administered by the World Bank. It is guided by a Steering Committee comprising the bilateral donors, the World Bank, the European Union and the IMF. The Steering Committee is supported by a Panel of Experts whose role is to ensure the quality and relevance of DMF activities. DMF activities are carried out either by the WB, the IMF or jointly both institutions, in collaboration with implementing partners, including CEMLA, Commonwealth Secretariat, DRI, DMFAS, MEFMI, and WAIFEM. The initiative is managed by a programme secretariat.

RESULTS SO FAR

Since its inception in 2008 and until June 2015, the DMF has conducted missions to 77 countries which include 83 DeMPA, 57 MTDS and 43 Reform plan missions. The program has trained over 800 client practitioners. The DMF has thereby made a significant contributed to strengthen debt management capacities at the individual and institutional level.

HOW TO GET INVOLVED

DMF follows a demand-driven approach. It is open to all low-income countries (as classified by the World Bank and the IMF). To qualify for support, country requests must be submitted directly to the DMF Secretariat.

COUNTRY / REGION: Global (low-income countries)
PARTNER: World Bank, IMF
DONORS: AfDB, Austria, Belgium, Canada, EC, Germany, Netherlands, Norway, Switzerland
DURATION: 2013 to 2019
TOTAL BUDGET: USD 40 million (anticipated funding needs)
SECO CONTRIBUTION: USD 6.5 million

1) The DeMPA is a standardized benchmarking tool to assess debt management performance through a comprehensive set of indicators that cover the full range of government debt management operations. It represents a drill down of the PEFA methodology.

FURTHER INFORMATION AND CONTACT DETAILS

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