EVALUATION SERIES No. 86

EVALUATION OF COMMONWEALTH SECRETARIAT DEBT MANAGEMENT PROGRAMME 2003/04 – 2008/09

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June 2010

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Acknowledgements

The authors of this report would like to express our thanks to the wide range of stakeholders who have participated in this evaluation. It is not possible to list here all those who have contributed to the study. However, particular thanks are given to Yogesh Bhatt and Tyson Mason of SPED, Jose Maurel, Arindam Roy and Sanjay Lollbeharree of SASD, the remaining staff of DMS and those officials from other sections of ComSec, external stakeholders and member countries who made time to meet with the evaluation team and respond to the questionnaire.

An evaluation of this kind is only as good as the information it is provided with and we are particularly grateful for the frank and open views expressed by so many of the participants in this evaluation.

Executive Summary

The Debt Management Section (DMS) of the Commonwealth Secretariat (ComSec) provides advice and capacity building to Commonwealth countries, particularly through the provision of the CS-DRMS debt recording software. The Strategic Planning and Evaluation Division (SPED) of ComSec have asked Oxford Policy Management to evaluate the debt management programme implemented by DMS since 2003, including the provision of recommendations on the future scope of activities under the programme.

The evaluation has drawn upon extensive consultation with different divisions of ComSec, with selected external stakeholders and with the Commonwealth countries themselves. Four sources of evidence were used for the evaluation. Documentation related to the programme, including the programme budget, was reviewed. Interviews were conducted with DMS, with four other divisions in ComSec and with thirteen external stakeholders, who have had direct experience of working with ComSec since 2003. A questionnaire was developed and submitted to all Commonwealth countries. Finally, visits were made to nine Commonwealth countries to meet with selected debt management officials and other stakeholders.

The results of the evaluation were very positive. The debt management programme is highly regarded by its client countries and has clearly achieved a lasting impact in improving debt management in the Commonwealth. Based on the OECD DAC criteria, the programme scores highly for relevance, effectiveness, efficiency and sustainability.

The relevance of the programme is assured by two means. The software itself is focused on providing the essential functions for debt management (e.g. recording and reporting), which ensures that it is relevant to countries' needs. Other services provided by DMS, including training and advisory work, are delivered at a country's request. This demand driven nature of the programme ensures its continued relevance to member countries.

The programme has been very effective in supporting debt management in member countries. CS-DRMS is currently installed across 59 countries and is increasingly being used at sub-national level as well. The software is powerful and meets most countries' needs, but there remain a number of challenges and critical developments are required to ensure that it remains a relevant and effective tool in the future.

Training on CS-DRMS has also been very effective. Many country officials are trained to a high standard on the software, though knowledge of more specialised aspects (e.g. Management Tools) is less widespread. Training courses on issues other than CS-DRMS were rated highly by countries, as well as the CS-DRMS user group meetings, which draw together country officials for regional or international conferences.

DMS has provided advisory services across a wide range of issues, ranging from institutional arrangements for debt management to recording aid flows. The results of such services have been mixed, with a high degree of success in some countries included in the evaluation (e.g. Kenya, India) and less success in others (e.g. Sri Lanka). The regional advisor programme, which placed four long term advisors in four geographic regions to provide debt management assistance, has been highly appreciated by member countries.

The quality of the service provided by DMS, its cost-free nature and the changing debt management needs of member countries have resulted in countries making more requests for assistance than DMS can meet from its current budget. There is a continued need for development of the CS-DRMS software, including a potentially high cost switch in its platform from Delphi to Microsoft. At the same time, countries are increasingly making requests for training and advisory services in new areas of expertise, particularly with regard to analytical functions.

Identifying how to respond to these requests will be critical to the success of the programme going forward. A substantial increase in the budget, whether from the CFTC or from donor funds, would allow DMS to both make essential improvements to the software and meet the additional demand from countries. However, in the absence of additional resources, difficult choices need to be made about prioritizing activities going forward.

Three factors should determine the priorities going forward; countries' debt management needs, the services offered by other providers of debt management assistance and the current and potential competences of DMS. Based on an assessment of these factors, this evaluation has concluded that first priority should be given to software development. As the sole provider of CS-DRMS, it is essential that DMS ensures the software continues to keep pace with countries' needs.

Second priority should be given to training activities. Training on CS-DRMS should remain a core part of the debt management programme. Given the high importance attached to it by countries, DMS should also conduct training on analytical functions, such as debt sustainability analysis and debt strategy. However, it will be important to retain careful coordination with other stakeholders to ensure that training is complementary to that offered by other providers of debt management assistance.

Finally, advisory services should continue. However, the extent to which DMS can respond to requests for assistance will be limited by the size of the budget remaining after meeting the software development and training activities described above. Where requests can be met by other providers of debt management assistance, DMS should develop a system for referring countries to the appropriate institution. In the cases where DMS does have the budget to provide advisory work, it is important that DMS ensures beforehand that the conditions are in place for the country to implement any recommendations.

In addition to prioritizing the scope of future activities, a key decision is also required on the extent of outsourcing of future software development. This evaluation has found that UNCTAD has benefited significantly from outsourcing and it is recommended that DMS pursue the same route. A decision on which software development and maintenance activities should be outsourced and how that process should be managed requires specialist IT knowledge and is beyond the scope of this study. It is therefore recommended that a study be commissioned on this specific issue. Once the budget, the scope of activities and the extent of outsourcing have been agreed, the optimal staffing structure of DMS can be determined.

A full list of the recommendations provided by this evaluation is set out below. It should be emphasised that these recommendations in no way undermine the success of the programme to date. The recommendations represent a process of fine-tuning the programme to ensure that it achieves the maximum impact going forward. It is also important that the recommendations are read in the context of the accompanying discussion in Section 7, which provides further details and the rationale for each recommendation.

Finally, the evaluation team would like to thank all those who have supported the study. Particular thanks are due to Yogesh Bhatt and Tyson Mason of SPED, Jose Maurel, Arindam Roy and Sanjay Lollbeharree of SASD for their cooperation and inputs into the evaluation.

Summary of Recommendations

Strategic Planning

1. Develop a brief statement of long-term objectives for DMS, including an overview of the types of activities that will be used to achieve these objectives.

2. Develop a mechanism for referring countries to other providers of debt management assistance when countries' requests fall outside of DMS' core areas of expertise.

3. Discuss with SPED how to improve the evaluation of DMS projects to better examine the outcome and impact of its work.

4. Introduce timesheets for DMS staff to provide a more detailed breakdown of the cost of different activities, particularly regarding IT development.

Funding

5. Increase the CFTC allocation to DMS to support a period of critical software development. Also seek funding for this process from the donor community.

6. Explore informally with countries the possibility of obtaining revenue directly from member countries, e.g. though a CS-DRMS licence fee or sharing travel costs for training.

Scope of Activities

7. Development of CS-DRMS should be top priority among DMS' activities. Outstanding problems should be resolved and the time required to release significant functional improvements should be reduced.

8. Second priority should be given to training activities. Particular emphasis should be put on CS-DRMS training and data quality, but training should also cover analytical topics, such as debt strategy and debt sustainability analysis.

9. Advisory services should continue, but the extent to which DMS can respond to requests for assistance will be limited by the size of the remaining budget.

Geographic Focus

10. Greater emphasis should be placed on regional activities, particularly regional training courses and the regional adviser programme.

Software Development

11. Development of CS-DRMS should be focused on a few improvements that will benefit the majority of Commonwealth countries.

12. Conduct a detailed analysis of countries' needs to identify a small number of major improvements to CS-DRMS that can be developed and released quickly.

Training and Conferences

13. Develop a training pack for use by countries to deliver their own national workshops.

14. Continue plans to enhance training coverage via e-learning. Subject to success with the first training module, and coordination with UNITAR's existing modules, the e-learning programme should be extended to other areas.

15. Continue to provide training in CS-DRMS, including systems administration.

16. Provide training in debt strategy, in coordination with other service providers, to countries where the MTDS is not an appropriate tool for debt strategy development.

17. Provide training in debt sustainability analysis to countries that request a more independent, capacity building approach to that offered by the World Bank and IMF.

18. Limit introductory or sensitisation seminars on newly emerging issues. Such issues could be restricted to a session during CS-DRMS user group meetings.

Advisory Services

19. Identify priority areas in which to provide advisory services, based on countries' needs, services provided by other institutions and DMS' existing competences.

20. Advisory services should not replace capacity building activities and should be closely coordinated with other providers of assistance.

21. Advisory services should be limited to circumstances in which there is a clearly defined structure for implementing the recommendations.

22. Reintroduce the long-term regional advisor programme, after careful examination of the conclusions of the evaluation of that programme. The programme should be expanded to include debt analysis and debt statistics and should include a strong capacity building element.

Other Issues

23. Gender issues should be better integrated into the debt management programme. DMS should meet with ComSec's Gender Section to discuss how this can be done.

24. Improve cooperation and coordination between DMS and other divisions within the Commonwealth Secretariat. Particular attention should be given to how the Commonwealth Ministerial Debt Sustainability Forum can assist in meeting the objectives of the debt management programme.

25. A specialist study is required on which software development and maintenance activities should be outsourced and how that process should be managed.

26. The staffing levels and skills in DMS should be reviewed in light of the decisions on the extent of outsourcing, the scope of activities and the programme budget.

List of Tables and Figures

Abbreviations

CFTC	Commonwealth Fund for Technical Cooperation
CMDSF	Commonwealth Ministerial Debt Sustainability Forum
ComSec	Commonwealth Secretariat
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DeMPA	Debt Management Performance Assessment
DAC	Development Assistance Committee
DMF	Debt Management Facility
DMFAS	Debt Management and Financial Analysis Software
DMS	Debt Management Section
EAD	Economic Affairs Division
ECCB	Eastern Caribbean Central Bank
GIDD	Governance and Institutional Development Division
HIPC	Heavily Indebted Poor Countries
IFMIS	Integrated Financial Management Information System
LCAD	Legal and Constitutional Affairs Division
LIC	Low Income Country
MEFMI	Macro Economic and Financial Management Institute
MTDS	Medium Term Debt Strategy
OIF	L'Organisation Intergouvernementale de la Francophonie
OPM	Oxford Policy Management
PD-AT	Public Debt Analytical Tool
SAS	Securities Auction System
SASD	Special Advisory Services Division
SPED	Strategic Planning and Evaluation Division
UNCTAD	United Nations Conference on Trade and Development
WAIFEM	Western Africa Institute for Financial and Economic Management

1 Objectives of the Evaluation

Since the mid-1980s, the Commonwealth Secretariat (ComSec), through the Debt Management Section (DMS) of the Special Advisory Services Division (SASD), has been implementing a debt management programme to assist its member governments in analysing and managing their debt portfolios.

An evaluation was carried out in 2000 of the services provided by ComSec in the area of debt management, but the context for these services has evolved since that period; both in terms of the external environment, where there have been changes both in user demand and in the international institutions providing services in this area, but also in terms of the structure and objectives of ComSec itself.

The 2004/5 – 2007/8 Strategic Plan of the Secretariat addressed the organisation's role in debt management in Programme 7, Finance and Debt. This was one of nine programmes under the overall goal of Pro-Poor Growth and Sustainable Development, and was framed within the context of the Monterrey consensus and the achievement of the MDGs. The overall objective of the programme was to improve the ability of members to mobilise financial resources and use them more effectively. Within the overall programme, in the debt management area, ComSec was committed to advocacy to achieve faster and deeper debt relief for Commonwealth HIPC countries and technical assistance to contribute to more effective debt management in HIPC countries. In addition ComSec assisted, in selected countries, in the development of policies, structures and systems to manage borrowings and debt in a sustainable manner[1].

The Strategic Plan for 2008/9 – 2011/12 maintains the two overall goals of the previous plan but reduces to four the number of distinct programmes under Goal 2, Pro-Poor Growth and Sustainable Development. Debt management comes under the economic development pillar. Prudent debt management is seen as an important tool in ensuring economic growth and development. One of the results identified under this pillar is *"countries more effective in managing debt (public and private)"* and the relevant indicators are *"quality of policy advice and support for an enabling environment for growth and stability"* and *"debt levels do not constrain countries in overall financial management"*.[2]

DMS has addressed these goals through a number of activities, in particular the provision and installation of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). DMS has also provided training, conferences and seminars and advisory services. A full description of the services provided by the debt management programme is given in Section 5.

Within the context of the above, this evaluation has been asked to *"assess the efficiency and effectiveness of the debt management programme, to define the focus and form such assistance should take and to recommend potential strategic or operational changes that may be required by the Secretariat to better deliver its mandate."*[3]

[1] Strategic Plan 2004/5 -2007/8, p. 27.

[2] Strategic Plan 2008/9 -2011/12, p. 31-32.

[3] Terms of Reference, p. 2.

2 Context of the Evaluation

2.1 Scope of the Evaluation

The evaluation covers the activities of ComSec's debt management programme, as implemented by DMS, over the period 2003/4 to 2008/9.

Other sections of ComSec, outside of DMS, undertake activities which pertain to debt management, particularly the Economic Affairs Division (EAD), the Legal and Constitutional Affairs Division (LCAD) and the Governance and Institutional Development Division (GIDD). The evaluation examined the nature of the collaboration between DMS and these other divisions within ComSec as an important aspect of evaluating the effectiveness of DMS. However, the evaluation only examined the activities undertaken by DMS directly and did not include an evaluation of the debt management related activities of other divisions in ComSec.

Similarly, DMS works in close collaboration with a number of external stakeholders, including multilateral organisations (both global and regional), bilateral organisations and the private sector. Section 4 provides a list of the main stakeholder organisations. The nature of the collaboration between DMS and these organisations was also examined in the evaluation.

2.2 Components of the Evaluation

The evaluation included both a summative and a formative element; it looks backwards at how well DMS has performed in terms of addressing its own direct objectives and contributing to the strategic goals of ComSec, and it looks forward at the implications of these findings for the future direction of DMS and the debt management programme.

The forward looking component of the evaluation is particularly relevant as the external environment for the debt management programme has evolved since the programme began. There are now a wider range of institutions involved in supporting debt management in developing countries. The World Bank in particular has put more emphasis on debt management in recent years.

Equally, the requirements of Commonwealth countries have changed. Historically, requests for assistance have focused on basic recording and reporting of public debt (particularly external debt). As progress has been made on these issues, client countries are now looking to increase their analytical abilities, in particular developing effective debt management strategies, as well as seeking new sources of finance through domestic market development and international bond issues.

Over the past few years, DMS has increasingly been receiving requests for assistance beyond their budgetary means to respond and outside of their traditional core areas of activity. The evaluation examined the implications of these developments for the nature and balance of services that DMS can offer its clients in the future.

3 Methodology

The evaluation made use of four sources of evidence:

- A review of relevant documents provided by ComSec;
- Visits to selected member countries;
- Interviews with key stakeholders; and
- A questionnaire sent to all member countries.

In this section, our approach to each of these sources of evidence is described in more detail.

3.1 Evaluation Matrix

Before considering each source of information, it is important to establish a structure for the evaluation. The Issues Paper provided by SPED raised numerous questions covering a wide range of issues. In order to answer these in a coherent manner, an evaluation matrix was developed, which grouped the questions under five headings. The evaluation matrix is included at Annex B.

The evaluation matrix contains all the questions included in the Issues Paper and Terms of Reference, as well as other questions that were felt to be necessary to address the OECD DAC Criteria for Evaluating Development Assistance. The five headings in the evaluation matrix are:

- **Relevance.** To what extent is the debt management programme aligned with countries' needs and ComSec's own Strategic Plan?

- **Effectiveness.** To what extent has the debt management programme achieved the objectives it has set for itself?

- **Efficiency.** To what extent has the debt management programme achieved its objectives in an efficient manner and adopted cost efficient modes of delivery?

- **Sustainability.** To what extent is the debt management programme achieving a lasting impact in the recipient countries?

- **Forward looking analysis.** To what extent should the direction and modality of the debt management programme be changed in the future?

The evaluation matrix identifies which of the four sources of evidence was used to address each question.

3.2 Document Review

The evaluation made use of as much existing research as possible. The following provides the broad categories of information that were relevant to the assignment.

- **Existing country needs assessments**, including previous questionnaires and surveys by ComSec.

- **Project documents**, including project proposals, terms of reference, logframes and project completion reports.

- **Evaluation documents**, including the previous evaluation of the debt management programme, ComSec evaluation guidelines and other ex-post evaluation of projects (e.g. workshop feedback forms).

- **Strategic documents**, including ComSec's Strategic Plan, Annual Divisional Workplans and Annual Performance Reports.

- **Financial data**, including the budget for DMS and analysis of any other sources of revenue.

- **Market research for debt recording software**, including assessments of future software development requirements and any research into countries' needs with respect to CS-DRMS.

- **Documentation on other providers of debt management assistance**, such as promotional materials or existing studies (e.g. Norwegian study of Sovereign Debt Management Programmes and Initiatives).

- **Documentation on anticipated debt management requirements of recipient countries**, such as IMF or World Bank reports (e.g. Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward, IMF/World Bank, March 2007).

3.3 Country Visits

After discussions with ComSec, it was agreed that the evaluation team would conduct five field trips, which would cover the following countries:

- **South Asia:** India, Sri Lanka

- **Pacific:** Papua New Guinea

- **Caribbean:** Jamaica, St. Kitts & Nevis

- **West Africa:** Ghana, Nigeria

- **East and Southern Africa:** Kenya, Malawi

The countries were chosen based on the following criteria:

- A wide geographic spread that covers all of the main regions within the Commonwealth.

- A range of countries with different levels of complexity in their debt management operations (approximately correlated with population size and GDP per capita).

- Inclusion of several countries which have received specific project assistance from ComSec during the evaluation period (Kenya, India and Sri Lanka).

- Inclusion of regional organisations, which have cooperated with ComSec to provide debt management assistance to countries.[4]

As in indication of the spread of countries visited, Table 3.1 provides the population and GDP per capita for the countries listed above. The population ranges from 52,000 to over one billion, whilst GDP per capita ranges from US$255 to US$10,755. It is believed that these countries represent an accurate sample of ComSec's recipient countries.

Table 3.1 Country Visits: Population and GDP per capita

Country	GDP per capita (US$)	Population
India	1,042	1,165,380,000
Nigeria	1,120	154,729,000
Kenya	786	39,802,000
Malawi	255	39,802,000
Ghana	650	23,837,000
Sri Lanka	1,622	20,238,000
Papua New Guinea	990	6,732,000
Jamaica	4,012	2,719,000
St. Kitts & Nevis	10,755	52,000

Interviews were conducted with the relevant officials in each country and a checklist of questions was used to ensure a consistent approach to all countries. These officials included:

- Head of the Debt Management Department/Office/Section;
- Staff within the Debt Management Department/Office/Section, particularly those who use CS-DRMS regularly and those who have attended ComSec events/training courses;
- Staff of the central bank, particularly those who use CS-DRMS regularly and those who have attended ComSec events/training courses; and
- Other staff of the Ministry of Finance, Accountant General's department or other institutions that have had interaction with ComSec since 2003.

3.4 Stakeholder Interviews

A stakeholder mapping exercise was undertaken and a list of key stakeholders was developed. This is discussed further in Section 4. In certain cases it was possible to conduct meetings in person with the relevant stakeholders; where this was not the case, telephone interviews were conducted. These interviews focused on the institutional stakeholders rather than the recipient countries, whose views were elicited through the country visits and the questionnaire.

[4] In the event, it was only possible to meet the ECCB in person. Telephone interviews were conducted with WAIFEM, MEFMI and Pole Dette.

Again, a checklist of questions was developed to ensure consistency in the interviews. However, given the different nature of the stakeholders, interviews were semi-structured to ensure a balance between achieving both flexibility and complete coverage. Interviewers used their discretion to allow the stakeholders the chance to express their views freely.

3.5 Questionnaire

A questionnaire was developed and countries were invited to submit their responses through an online portal. The questionnaire included both qualitative and quantitative questions. The questionnaire was designed to induce clear and concise answers so that information could be quickly aggregated to produce an overall picture across all countries. At the same time, there was scope for countries to offer their own suggestions and feedback in a less structured manner.

The questionnaire was sent by email to all Commonwealth countries. In some countries, there is more than one institution using CS-DRMS and/or involved in ComSec activities (e.g. Ministry of Finance, Central Bank and Debt Management Office). In these cases, more than one institution was requested to answer the questionnaire.

The questionnaire obtained 21 responses from 17 different countries. As some of the countries visited during the evaluation also responded to the questionnaire, when two sources are combined gives a total sample size of 20 countries. This represents over one third of all CS-DRMS user countries, which is a sufficient level of response to provide an indication of the views of ComSec's client countries. The questionnaire also obtained a representative spread from countries across the four main geographic regions. However, the response level is not high enough to draw specific results that are statistically significant (e.g. that one region values a particular service more than another).[5]

[5] The questionnaire results included responses from two different countries where, in both cases, two different people from the same institution had answered the questionnaire. There was no facility in the questionnaire software to correct for this error, by weighting these responses so that only one submission is counted for each institution. All the responses were therefore included in the questionnaire results. As there are not enough responses to provide statistically significant results and the responses are therefore indicative only, there should be no problem from the small distortion that these anomalies create.

4 Stakeholder Mapping

A stakeholder mapping exercise was conducted to identify all those institutions with an interest in the debt management programme. A list of stakeholders was produced and approved by ComSec. The stakeholders were divided into three groups; recipient countries, internal stakeholders (i.e. divisions/sections of ComSec) and external stakeholders (i.e. institutions outside of ComSec).

4.1 Recipient Countries

The Commonwealth countries are the primary stakeholders of ComSec's debt management programme. However, not all Commonwealth countries use CS-DRMS, though they remain eligible for other debt management services provided by DMS. In addition, through an agreement with Crown Agents, CS-DRMS has been sold to countries outside of the Commonwealth. These countries may use the software and attend occasional events, but do not receive the other debt management service offered by DMS.

In this case, recipient countries are defined as those that have received CS-DRMS or some other debt management services provided by ComSec. The recipient countries can be divided into three groups as follows:

- Commonwealth countries both using CS-DRMS and receiving other debt management services from DMS;
- Commonwealth countries not using CS-DRMS but receiving other debt management services from DMS; and
- Non-Commonwealth countries using CS-DRMS but not eligible for other debt management services from DMS.

4.2 Internal Stakeholders

The vast majority of ComSec's activities in debt management are conducted by DMS. However, there are a number of other internal stakeholders in the debt management programme and this evaluation. The following internal stakeholders were identified:

- Strategic Planning and Evaluation Division (SPED), which commissioned the evaluation and coordinated the study;
- Special Advisory Services Division (SASD), which includes DMS and conducts the majority of ComSec's work in debt management;
- Governance and Institutional Development Division (GIDD), which jointly implemented a project to place debt management advisers with certain regional organisations;
- Economic Affairs Division (EAD), which has been conducting advocacy and policy work through its facilitation of the annual Commonwealth Ministerial Debt Sustainability Forum (CMDSF).

- Legal and Constitutional Affairs Division (LCAD), which established a One Stop Legal Referral Service (HIPC Legal Clinic) to assist countries on the legal implications surrounding debt management and lawsuits from commercial creditors.

4.3 External Stakeholders

A wide range of external stakeholders were identified with an involvement in debt management. To facilitate the process, a group of key stakeholders were identified based on their direct participation in ComSec's debt management programme. These are listed below.

- Crown Agents Limited
- Debt Relief International (DRI)
- Western Africa Institute for Financial and Economic Management (WAIFEM)
- Macro Economic and Financial Management Institute (MEFMI)
- Eastern Caribbean Central Bank (ECCB)
- Debt Management Training Unit in Central and West Africa (Pole-Dette)
- World Bank – Economic Policy and Debt Department (PRMED)
- World Bank – Banking and Debt Management (BDM) Department
- World Bank – Development Data Group
- IMF – Strategy, Policy and Review (SPR) Department
- IMF – Monetary and Capital Markets (MCM) Department
- IMF – Statistics Department
- L'Organisation Intergouvernementale de la Francophonie (OIF)
- US Treasury
- United Nations Conference on Trade and Development (UNCTAD)

Whilst the above provides a list of stakeholders with whom ComSec has a direct relationship, there are a number of other stakeholders listed below that are currently or potentially involved in debt management issues. Unfortunately, due to time and resource constraints, it was not possible to include these stakeholders in the interviews.

- The regional IMF technical assistance centres (CARTAC, AFRITAC, PFTAC)
- United Nations Institute for Training and Research (UNITAR)
- The regional development banks (IADB, CBD, AFDB, ADB)
- Bilateral donors (e.g. DFID, USAID, AusAID, CIDA, SIDA, DANIDA).

5 Role and Activities of the DMS

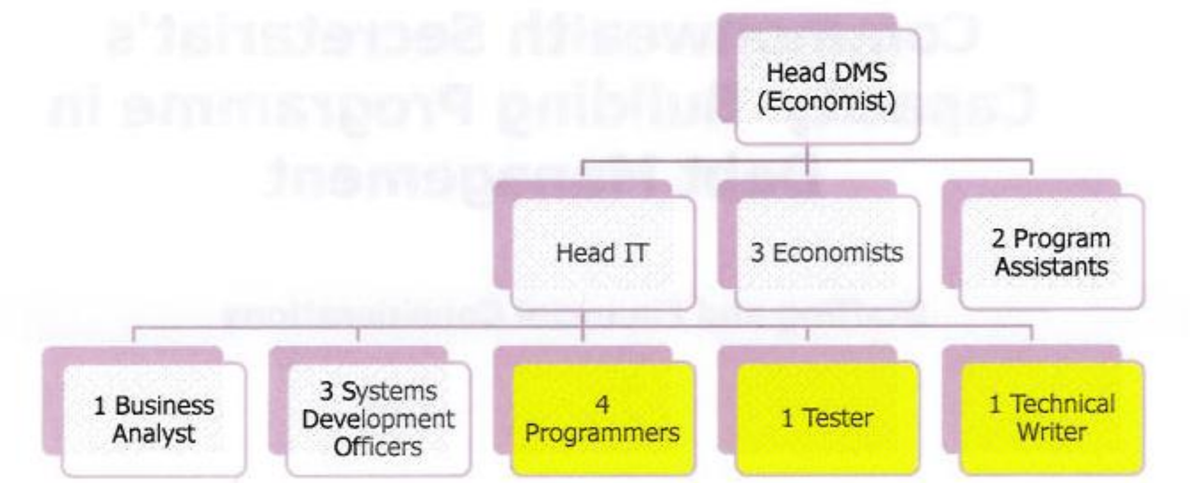
The evaluation has focused on the debt management programme as implemented by DMS. This section provides a short summary of the component activities of the debt management programme.

5.1 CS-DRMS Software

The central pillar of the debt management programme is the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), a software to assist countries in recording both external and domestic debt. CS-DRMS was first developed in 1985 and is currently installed across 59 countries. The current version of the software is CS-DRMS 2000+ Version 1.3.

The software is supported by a website, including a section providing answers to frequently asked questions by CS-DRMS users. DMS also operate a CS-DRMS helpdesk where users are able to send queries about the software to IT staff in DMS. Of the seventeen staff working in DMS (including those on temporary contracts), eleven work on IT issues including maintenance of the software, response to the helpdesk and development of new functionalities in the system. Figure 5.1 shows the current staffing structure with the temporary two-year posts shown in yellow (see Section 6.3.1 for more details).

Figure 5.1 Staffing Structure in DMS



5.2 Training

DMS provides a significant amount of training to government officials from the Commonwealth. The training is primarily focused on use of CS-DRMS and its different components. Those attending the courses are typically debt management officials in Ministries of Finance and Central Banks, though occasionally courses may be extended to IT officials, who administer the software. Training courses are often conducted in collaboration with a regional organisation.

ComSec has also provided training to countries in other areas such as debt sustainability analysis. This training has typically been in response to a specific request from a country. ComSec is increasingly receiving requests to provide training in areas other than CS-DRMS, including debt sustainability analysis and debt strategy.

5.3 Conferences

In additional to hands-on training courses, ComSec also organises a number of conferences and seminars. Whereas training courses are usually focused on a detailed technical issue, conferences are aimed at providing an overview of recent developments in debt management, sharing best practice and covering topics of interest to participants. One such example is the Commonwealth Secretariat Debt Management Forum held in London in 2008, which was attended by approximately 100 participants from member countries and collaborating partners.

In addition, ComSec has also organised user group meetings for officials from member countries. The first user group meeting was held in London in 2006 and subsequently four regional user group meetings have been held. The purpose of the user group meetings is to enable communication between member countries and DMS to assist in the design of upgrades to CS-DRMS and the debt management programme as a whole.

5.4 Advisory Services

DMS also respond to requests from individual countries for advisory services. There is no single definition of advisory services. For the purposes of this report, advisory services refer to the provision of technical assistance to individual countries to assist in developing debt management policy and operations. Advisory services typically involve the provision of professional advice, in the form of a report, to inform a country how to address a particular problem (e.g. develop the local debt market, rearrange the institutional structure).

Advisory services are distinct from training activities, though training may often follow as a subsequent activity to support the implementation of any recommendations provided through advisory services. Advisory services are also distinct from a capacity building approach, where countries develop solutions for themselves (albeit with external support) as opposed to solutions being developed by externals consultants/advisors.

Advisory services provided by DMS have included support to countries on institutional arrangements for debt management, recording private sector external debt, legal framework for debt management, developing a debt management strategy, domestic market development, conducting a debt portfolio analysis and aid management.

5.5 Regional Advisor Programme

Specific mention should be made of the regional advisor programme, which was a joint GIDD and SASD initiative. This project placed four debt management advisers in regional organisations based in the Caribbean, Eastern and Southern Africa, West Africa and the Pacific. The regional advisers provided advisory services to countries in their region, with a particular focus on technical assistance on CS-DRMS.

5.6 Other Services

Finally, there are several other modes of delivery used by ComSec in its debt management programme. For example, countries have the option of attaching debt management officials to ComSec's offices in London to increase their exposure to debt management issues.

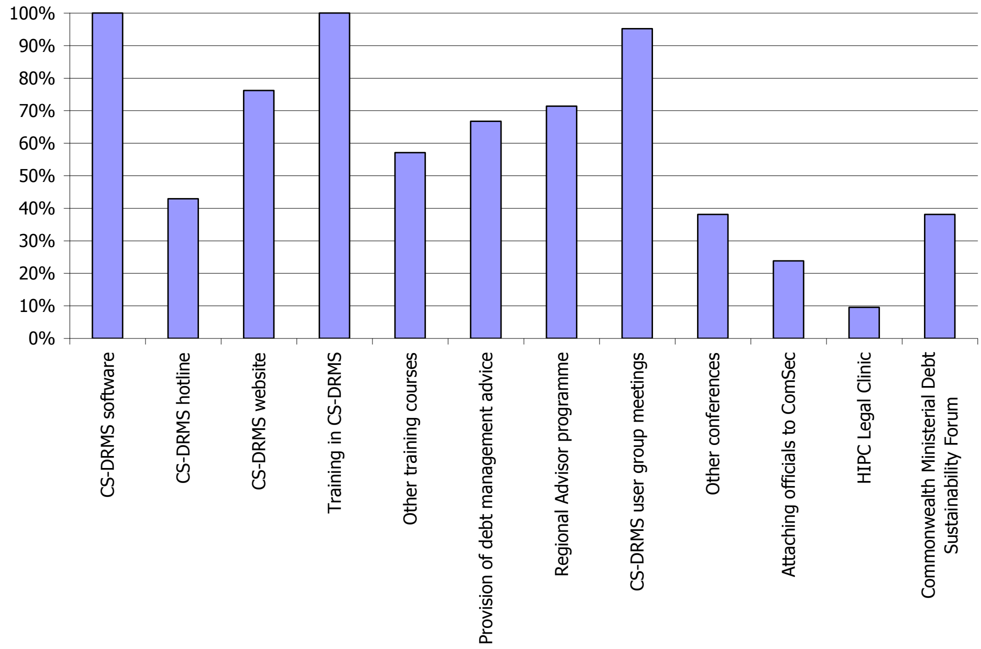
LCAD has also been providing a HIPC Legal Clinic to member countries, which is specifically designed to help member countries in litigation with creditors. The scope of the Legal Clinic subsequently expanded into capacity building on legal issues in debt management. EAD is also involved in debt management through its annual Commonwealth Ministerial Debt Sustainability Forum, which is attended by Ministers of Finance from member countries.

DMS is also involved in collaboration with a number of other international organisations. A recent initiative is the World Bank administered Debt Management Facility (DMF). The DMF is supporting the roll out of the Debt Management Performance Assessment (DeMPA) tool, an external assessment of a country's debt management capacity, and the Medium Term Debt Strategy (MTDS), an Excel based tool aimed at providing cost and risk analysis to countries in developing a debt strategy.

Under an agreement with the World Bank, DMS has agreed to provide an economist to participate in six missions a year, either to conduct a DeMPA assessment of a country's debt management operations or to implement the MTDS tool to assist countries in developing a debt strategy. In return, DMS receives a management fee from the DMF. DMS intends to apply the management fee to cover a portion of the costs of hiring a new economist, who will conduct the six missions for the World Bank, amongst other responsibilities.

Figure 5.2 Questionnaire Results: Assistance provided since 2003

Please indicate which of the following types of assistance from ComSec have been used by your country since 2003:



Source: Evaluation Questionnaire

As an indication of the relative uptake of the different services described above, Figure 5.2 shows the services accessed since 2003 by those who responded to the questionnaire. The distribution of services is broadly similar to that across the countries that were visited in person.

Box 1: Achievements of the Debt Management Programme since 2003

Annex C provides a full list of projects implemented by the debt management programme since 2003. The following provides a selection of projects to illustrate the nature of the work undertaken by DMS:

- **Collaboration between ComSec and L'Organisation Intergouvernementale de la Francophonie (OIF) -** Provide governments with an updated French language version of CS-DRMS.
- **Regional Workshop on Domestic Debt Management for Caribbean Region -** Demonstrate use of analytical tools for domestic debt for effective debt management operations and strategy.
- **CS-DRMS User Group Meeting -** Increase the level of interaction between the user community and DMS by setting up a permanent CS-DRMS User Group.
- **Sri Lanka, Assistance for the establishment of a Public Debt Management Office -** Assist in the establishment of a Public Debt Management Office (PDMO) and implement CS-DRMS 2000+ for domestic debt recording and management.
- **Commonwealth Secretariat Debt Management Forum -** Improve delivery of advisory support services and enhance CS-DRMS to meet the requirements of member countries.
- **CS-DRMS 2000+ Software Documentation -** Improve user and technical documentation of the CS-DRMS 2000+ Software.
- **Implementation of CS-DRMS at the State Level in India -** Strengthening debt management capacity in the states in India through the use of CS-DRMS for comprehensive monitoring and reporting of their debt liabilities.
- **CS-DRMS 2000+ Implementation Monitoring and Assistance Missions -** Undertake implementation assistance missions to CS-DRMS user countries to assist them to implement the software, migrate their databases from the old CS-DRMS 7.2 software.
- **CS-DRMS Regional Advisers -** Help governments and central banks in updating and maintaining databases, implementing effective debt strategies and building capacity of staff to maintain an optimum debt profile.
- **Strengthen Debt Management and Debt Markets in Kenya -** Assist Kenya to set up a strong Back Office; install and upgrade the CS-DRMS software; and train staff in the use of CS-DRMS and best practices in public debt management.
- **Development of Analytical Tools, Debt Standards Compliance & Financial System Integration -** Develop versions 1.2 and 1.3 of CS-DRMS 2000+ featuring functional enhancements required by countries and support users in their use of Version 1.1.
- **DMS Collaboration with MEFMI -** Capacity to use CS-DRMS 2000+ strengthened in the MEFMI region.
- **Debt Data Methodology and Standards -** Dissemination of international best practices on compilation and reporting of debt statistics by member countries.

6 Evaluation Results

This section sets out the results of the evaluation, based on the findings of the document review, stakeholder interviews, country visits and questionnaire. This section does not seek to provide recommendations on the future direction of the debt management programme, which are provided in Section 7. The results are divided according to the headings included in the evaluation matrix. The only exception to this is the forward looking analysis, which is covered by the recommendations in Section 7.

6.1 Relevance

6.1.1 Relevance against Strategic Objectives

The broad nature of ComSec's Strategic Plan provides considerable flexibility to DMS in setting its objectives. The Strategic Plan for 2008/9 to 2011/12 seeks the result *"countries more effective in managing debt (public and private)",* which effectively provides a mandate to DMS to operate in any area of debt management it wishes.

Within this context, the Annual Divisional Workplan for SASD for 2008/9 set the following results for DMS:[6]

- *"Significant enhancement of CS-DRMS particularly on analytical and reporting facilities to better assist countries for undertaking effective debt management.*
- *Enhance the debt data quality in countries. In this respect, a primary area of focus will be to assist countries for building up a database on their domestic debt and deepening the use of CS-DRMS for domestic debt management in countries.*
- *Improve the dissemination of debt statistics in member countries.*
- *Sensitise senior policy makers on the sound practices for debt management.*
- *Broaden the base and deepen capacity building in member countries for undertaking debt analysis that would support prudent debt management.*
- *Assist countries for formulation of sound debt management policies and strategies based on DSA, debt strategies and institutional reforms."*

The broad nature of the objective specified in the Strategic Plan and the annual updating of the more detailed objectives for DMS make it difficult to evaluate the activities of DMS against ComSec's strategic objectives. Ideally, objectives would be specified over a long time frame and in a more strategic nature than those in the Annual Divisional Workplan, whilst at the same time providing more detail than that currently included in the Strategic Plan.

Nevertheless, it is certainly the case that the activities of DMS are relevant to the overall objective of Commonwealth countries being more effective in managing their debt. Equally, the activities of DMS have also been relevant to the results it sets itself in the SASD Annual Divisional Workplan.

[6] SASD Annual Divisional Workplan 2008/9, p. 10.

6.1.2 Relevance against Countries' Needs

More importantly, the activities of DMS are also relevant to the needs of the Commonwealth countries. A consistent and very clear message across all country visits and many stakeholder interviews was that DMS' activities are highly relevant to the needs of the countries it supports. Effective debt recording is crucial to all other aspects of debt management and the support DMS provides for this function, primarily through the CS-DRMS software and training, has therefore been highly relevant. The demand-led nature of many of DMS' activities (initiated through formal requests by countries to the Deputy Secretary General) also ensures a high degree of relevance.

The relevance of the debt management programme is also reflected in the questionnaire results. All of those responding to the questionnaire had made use of the CS-DRMS software and training in CS-DRMS. A high proportion of respondents had also made use of the CS-DRMS user group meetings (95%), the CS-DRMS website (76%), the regional advisor programme (71%) and debt management advisory services (68%). These activities represent the vast majority of the debt management programme.

6.1.3 Relevance of CS-DRMS Functions

Whilst the above provides an overview of the programme's relevance, it is important to recognise the disparate nature of the countries within the Commonwealth. The focus on CS-DRMS, including its development, maintenance and training, means that the majority of DMS' assistance is provided on a pan-Commonwealth basis (80% by value between 2003/4 and 2007/8). DMS therefore faces a considerable challenge in ensuring that its product is relevant to the needs of all 50 Commonwealth countries in which CS-DRMS is currently installed.

The debt management needs of each country will be different and yet DMS cannot tailor the software to meet each individual country's needs. Inevitably this will involve the software falling short of the needs of some Commonwealth countries. However, with one exception discussed below, it would appear that DMS has focused on providing software that meets the basic needs of as many Commonwealth countries as possible.

The development process also appears to have been driven by the needs of Commonwealth countries and not those of potential clients in non-Commonwealth countries. This is the correct approach and should remain in the future. Recommendations on which countries DMS should be targeting, which software improvements should be prioritised and the implications of this for DMS are presented in Section 7.

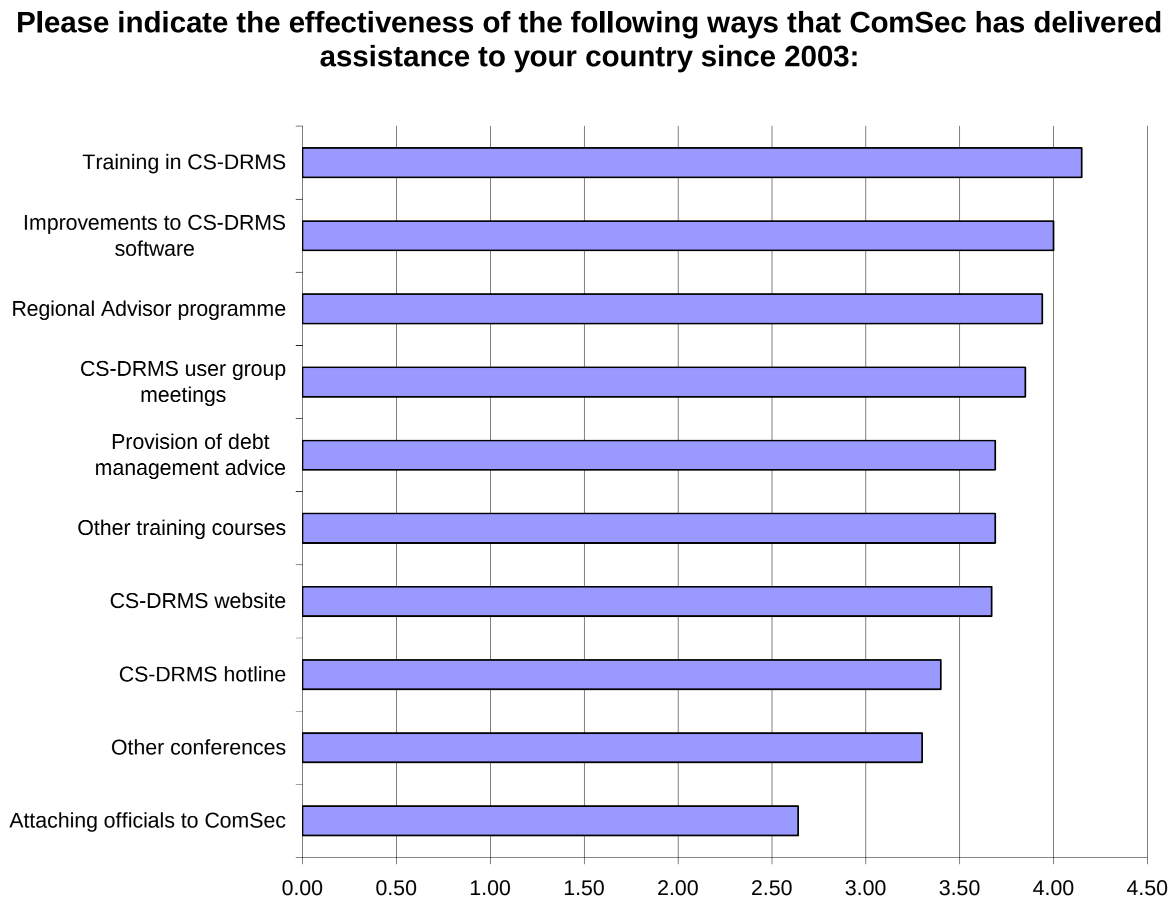
The one exception mentioned above is the development of the Securities Auction System (SAS) in CS-DRMS. The SAS was developed to meet the needs of a small section of CS-DRMS users. However, by the time the SAS was released, many countries had developed their own solutions and no longer required the SAS. As a consequence, the SAS is currently only installed and in use in a small number of countries. Therefore, whilst it was relevant at the start of the project, by the completion of the SAS it was no longer relevant to countries needs.

6.2 Effectiveness

6.2.1 Impact of the Debt Management Programme

Respondents to the questionnaire, the country visits and the stakeholder interviews have rated the effectiveness of ComSec's debt management programme very highly. Figure 6.1 shows the effectiveness of the different components of the programme as rated by those responding to the questionnaire (out of a maximum of 5). Training in CS-DRMS, improvements in CS-DRMS software, the regional adviser programme and the CS-DRMS user group meetings all rate very high, with a collective average of 4 out of 5. These represent the majority of DMS' activities over the evaluation period. The results of the survey are supported by similar comments received during the country visits.

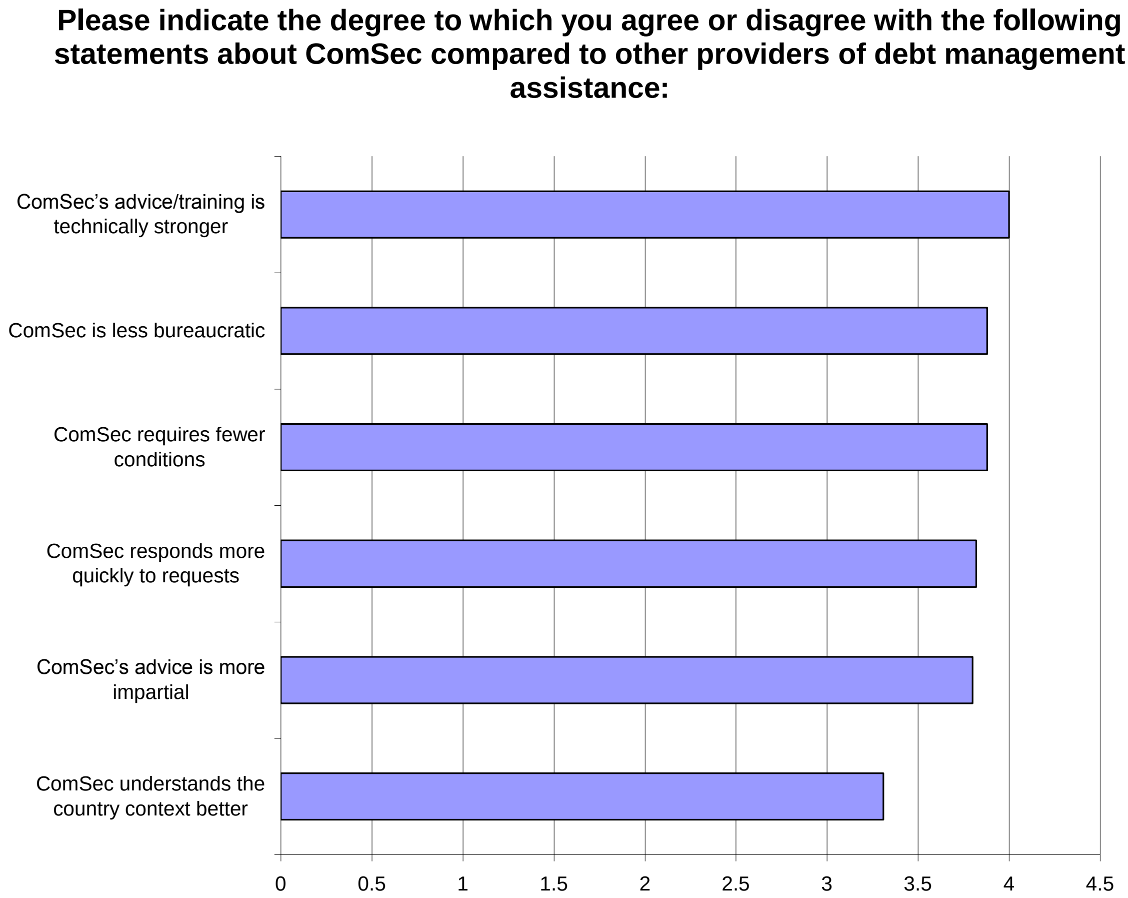
Figure 6.1 Questionnaire Results: Effectiveness of Assistance since 2003



Source: Evaluation Questionnaire

Each of the above is discussed in more detail below. However, before proceeding, it is worth considering the wider question of the comparative advantage of DMS over other providers of debt management assistance. In some countries, particularly those in the Pacific and the Caribbean, ComSec is seen as the first port-of-call for debt management assistance. Figure 6.2 indicates some of the reasons why this might be the case.

Figure 6.2 Questionnaire Results: The Comparative Advantage of DMS



Source: Evaluation Questionnaire

However, a number of clarifications to the above should be provided, based on evidence from the country visits. First, countries emphasized that ComSec's assistance was provided free of charge, which was an important factor in choosing whom to approach for advice. Second, some countries, particularly those outside of Africa, have a limited number of options regarding whom they can approach for support in this area.

Third, the comment that ComSec's advice is technically stronger advice is contingent on two things; that the advice is centred around CS-DRMS, in which DMS obviously has an advantage, or that DMS acquires the technical skills it needs through external consultants. Whilst DMS has a number of highly skilled staff, some countries felt that on certain non-CS-DRMS technical issues, they could obtain stronger technical advice elsewhere.

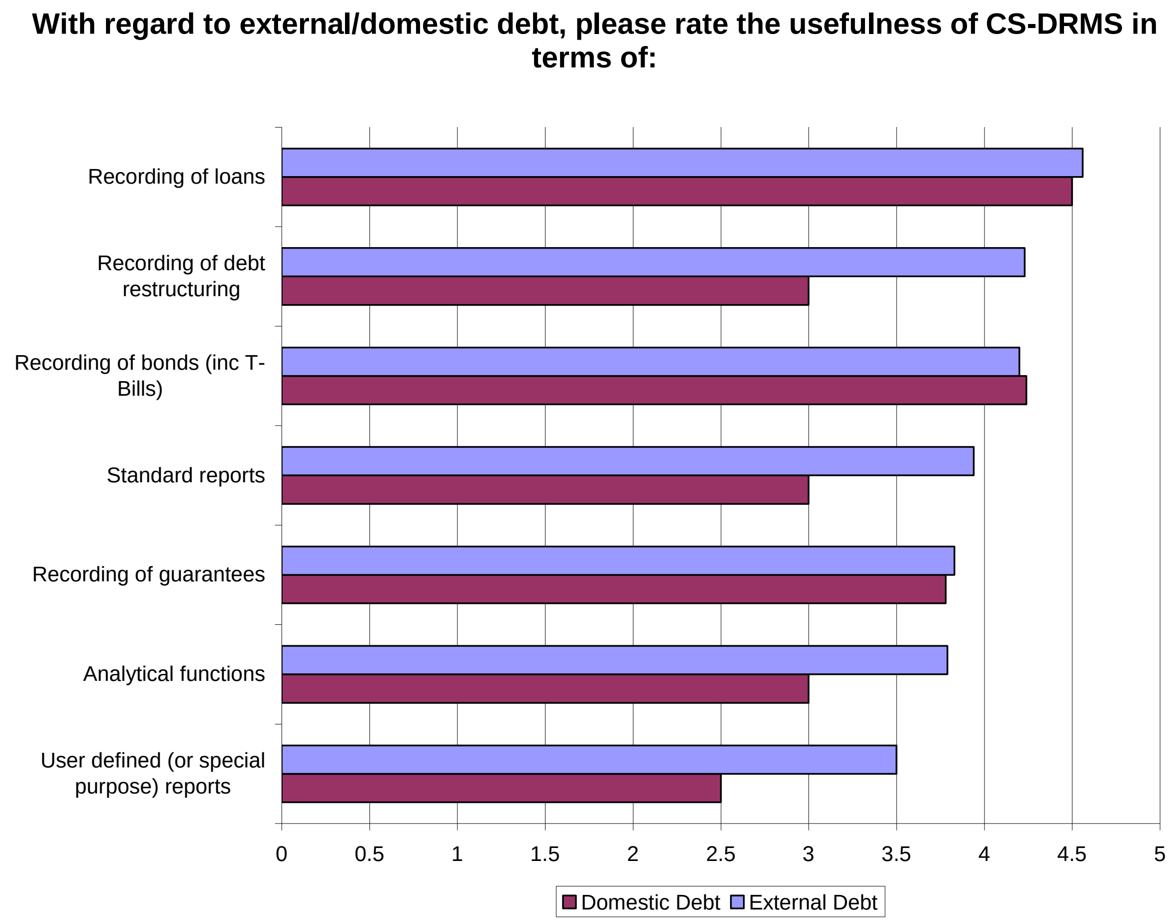
The stakeholder interviews also reinforced the view that ComSec's comparative advantage is in debt recording and reporting through CS-DRMS and some expressed concern about DMS expanding into other technical areas such as debt strategy or debt sustainability analysis. However, this may be expected from institutions whose primacy in these areas could be affected by DMS expanding its range of services. The need for these services and the strategy DMS should apply in meeting that need is explored further in Section 7.

CS-DRMS Software

CS-DRMS has been extremely effective in terms of increasing the capacity of debt management institutions to record and report their debt. It has become an invaluable tool to many countries, greatly increasing the efficiency of their work and the accuracy of their debt data. In many cases, CS-DRMS has also assisted in improving the analytical output of the institution, either directly through the use of the Management Tools module or indirectly by providing data for debt sustainability analysis etc.

It is also possible to distinguish the effectiveness of different functions of the software. Figure 6.3 shows the usefulness of different functions. The system obtains a very high rating for the recording of both external and domestic loans. It also obtains a high rating for recording of external and domestic bonds and guarantees. Debt restructuring and standard reports are rated highly for external debt, but much lower for domestic debt. Analytical functions and user defined reports are lowest for external debt and even lower for domestic debt.

Figure 6.3 Questionnaire Results: The Effectiveness of CS-DRMS



Source: Evaluation Questionnaire

Similar ratings were provided through the country visits. Overall, there is a clear message that, whilst the system is highly regarded and key to countries' debt management functions, there remain a number of issues that need to be resolved in order for it to be fully effective. Particular comments have included the lack of user friendliness in special user-defined reports (which currently require the help of an IT administrator), problems with domestic debt reporting, a problem with Management Tools which prevents its use with domestic debt and a lack of training on Management Tools. Several countries said that whilst the system met 95% of their requirements, they frequently had to convert the data into Excel to make manual adjustments to specific problems before creating official reports.

It is also worth noting that many countries have expressed frustration regarding the time taken to develop new functions in the software and release new versions. There is a danger that in some cases the software could be left behind as countries needs develop faster than the improvements are rolled out. The future development of CS-DRMS is discussed in Section 7.

CS-DRMS Helpdesk and Website

DMS provides support to users of CS-DRMS through its helpdesk function and website. Many countries have expressed widespread satisfaction with the helpdesk function with the majority of queries being dealt with effectively within 48 hours.

Only two comments were raised regarding the helpdesk. Users in the Pacific raised some concerns about the fact that the time difference means that it is not possible to speak to anyone in ComSec within normal working hours. Also, occasionally questions which require more detailed investigation have been directed to the helpdesk, which in some cases take many months to resolve. These longer term improvements to CS-DRMS are mentioned above and discussed in Section 7.

DMS maintains a website to provide information and answer frequently asked questions on CS-DRMS. Whilst not all countries make use of the website, it is rated reasonably highly. Finally, DMS also provides extensive documentation on CS-DRMS; 90% of respondents rated the documentation as good or excellent.

CS-DRMS User Group Meetings

The CS-DRMS user group meetings were widely appreciated by country officials. They appear to provide an excellent conduit of information from DMS to the member countries. More importantly, they provide DMS with valuable feedback on the software and the wider needs of Commonwealth countries. Through the user group meetings and other means, such as a 2007 customer satisfaction survey, DMS would appear to have a clear understanding of its clients' needs.

There was a mixed response to the question regarding whether the recommendations of the user group meetings had been adopted. Overall, countries felt that DMS had responded well to the issues raised at the user group meetings, but that some of the issues required reforms which were long term in nature and therefore could not be dealt with quickly.

Countries also expressed the view that user group meetings and other conferences provided an excellent opportunity to exchange views with other countries and learn from the experience of others. Countries tended to prefer regional meetings, where country circumstances are likely to be similar, but recognised the need for occasional pan-Commonwealth events as well.

Training and Conferences

Training on CS-DRMS is rated highest out of all of DMS' activities. Many of those spoken to during the country visits also rated the training very high and stated that they used the skills they had learned in their day-to-day work after completing the training. DMS always distributes feedback forms after any training course and the results that the evaluation team have seen appear very favourable.

Training on issues other than CS-DRMS was rated lower (3.7 compared to 4.2 for CS-DRMS training). Similar comments were also expressed during the country visits, where interviewees said that they were less likely to put this form of training into practise. It is possible that this is because some of the training on these issues (such as MTDS) has taken the form of sensitisation rather than a hands-on practical application to the country's own data. The issues covered are also more technical than use of CS-DRMS and therefore it is harder to ensure that training is sustainable.

Finally, conferences other than CS-DRMS user group meetings were rated the lowest of all DMS activities (3.3 out of 5).[7] However, there have only been a few such events since 2003, the largest being the Debt Management Forum held in London in 2008.

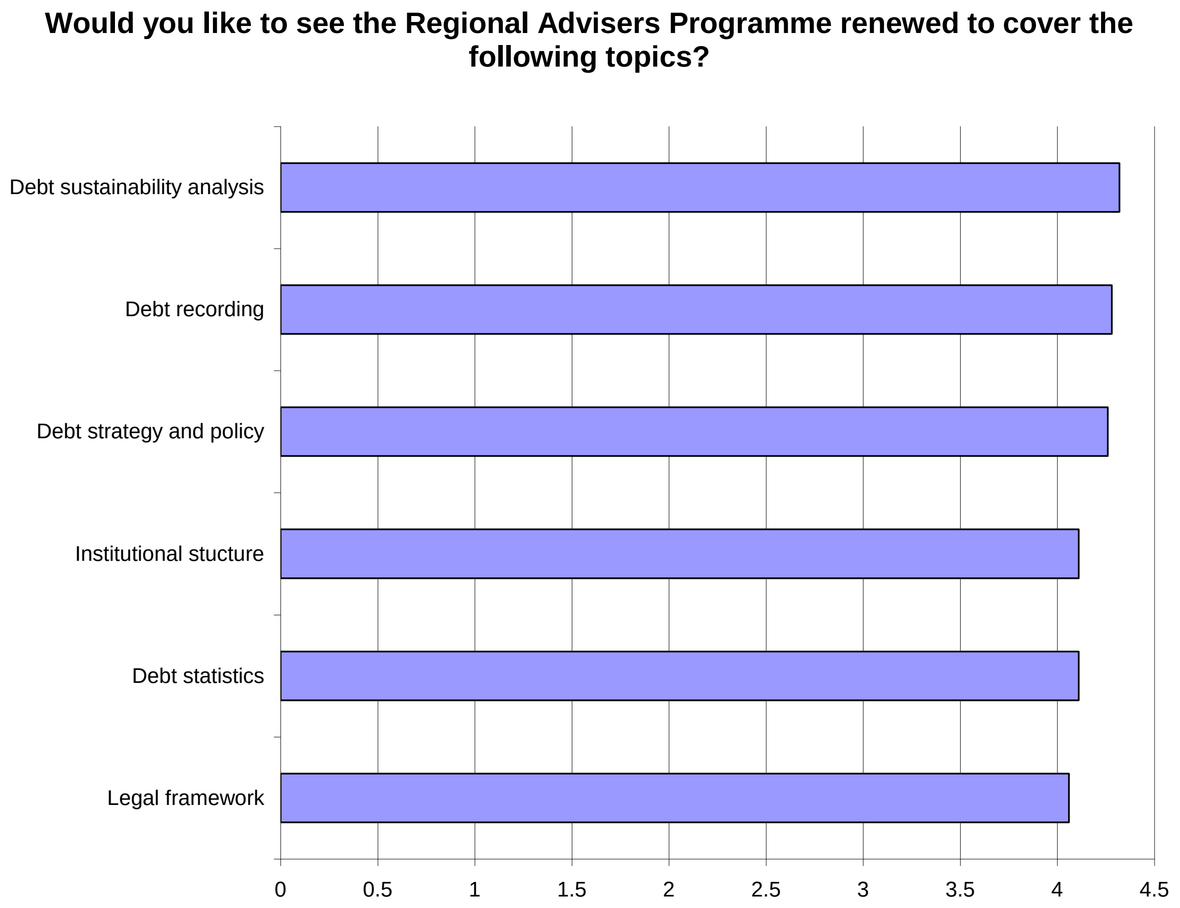
Regional Advisor Programme

The regional advisor programme has been the subject of a separate evaluation and therefore will not be dealt with in detail in this study. However, it is clear that countries are very supportive of the programme and would like to see it restarted as soon as possible. For obvious reasons, the Pacific region in particular supported more regional activities, including the regional advisor programme.

Countries would also like to see the mandate of the programme expanded to cover other issues, as illustrated in Figure 6.4. The preference would appear to be for the programme to continue work on debt recording but also expand into analytical areas such as debt sustainability analysis and debt strategy. However, several countries stated that the first priority should be given to support on CS-DRMS.

[7] With the exception of attaching country officials to DMS. However, this form of assistance is rarely used.

Figure 6.4 Questionnaire Results: The Scope of the Regional Advisor Programme



Source: Evaluation Questionnaire

Several countries felt that the regional advisors had become too tied to the countries in which they were placed and did not sufficiently move around the region. There have also been a number of managerial issues with the regional advisor programme that have been highlighted in the evaluation of that programme.

Advisory Services

DMS has provided advisory services across a wide range of issues since 2003, which makes a detailed evaluation of these activities difficult. In the countries visited, Sri Lanka, India and Kenya have received advisory services from DMS. In Sri Lanka, DMS worked with the Sri Lankan authorities in setting up a quasi-independent debt office. After cooperating with the government and preparing a proposed institutional structure, subsequent events meant that the structure was not implemented and, as yet, the establishment of the proposed Debt Management Office has not taken place.

In India, DMS is participating on an ongoing sub-national debt programme, where it is assisting with the installation of CS-DRMS in 6 states. The early results are mixed as some states like Karnataka are making marked progress while some others have made slower progress. In Kenya, DMS has been cooperating with the debt department in the Ministry of Finance and with an ongoing World Bank project, in assisting in preparing a Terms of

Reference for a Front-Middle-Back office structure for the debt department. This is regarded as having been a successful cooperative venture both with the government and the World Bank.

6.2.2 Impact on Gender Equality

Incorporating gender into debt management issues is challenging. However, gender issues have not featured significantly in the activities of DMS. None of the questionnaire respondents felt that the debt management programme had had a large impact on gender equality in their country and 41% thought it had had no impact. Many of the country visits found the same conclusions.

Table 6.1 Impact of DMS Activities on Gender Equality

What impact has ComSec's assistance in debt management had on improving gender equality in your country?

No impact	41.2%
Small impact	23.5%
Moderate impact	35.3%
Large impact	0.0%

Source: Evaluation Questionnaire

The main contributions to gender equality by the debt management programme have been the publication of a book, *Mainstreaming Gender in Debt and Development Resource Management*,[8] the inclusion of a "gender element" option in recording new loans in CS-DRMS, and limited discussion of gender issues as part of country visits or training courses.

It is important to recognise, however, that debt management is a highly technical issue and only includes limited scope for policy work of the type required to properly mainstream gender issues. In the context of debt management, there are two possible conduits for mainstreaming gender issues; improving the recruitment and human resource policies of the debt management institution itself and encouraging the incorporation of gender issues into the appraisal and negotiation of new loans.

Whilst DMS may be able to influence the gender equality of the human resource policies of the debt management institution, it can do little to influence appraisal and negotiation of new loans. The design, negotiation and contracting of these loans typically takes place outside of the debt management institutions that DMS works with (often in Ministries of Planning, other parts of the Ministry of Finance or the line ministries themselves). Nevertheless, DMS has not systematically included gender equality into its programme and improvements could be made in the future.

[8] Published by ComSec (2005).

6.2.3 Coordination with Internal Stakeholders

DMS has cooperated with three internal stakeholders over the period of the evaluation; GIDD, EAD and LCAD. The extent of the cooperation and the effectiveness of the relationship has varied considerably.

Cooperation with GIDD was limited to the joint project to support four regional advisers on a long-term basis in the Caribbean, West Africa, East and Southern Africa and the Pacific. The project made use of the long-term nature of GIDD's assistance coupled with the technical knowledge of DMS. Cooperation was relatively straight forward with GIDD providing funds to the project and DMS implementing the project. It was not possible to interview a representative of GIDD but the cooperation appears to have worked effectively.

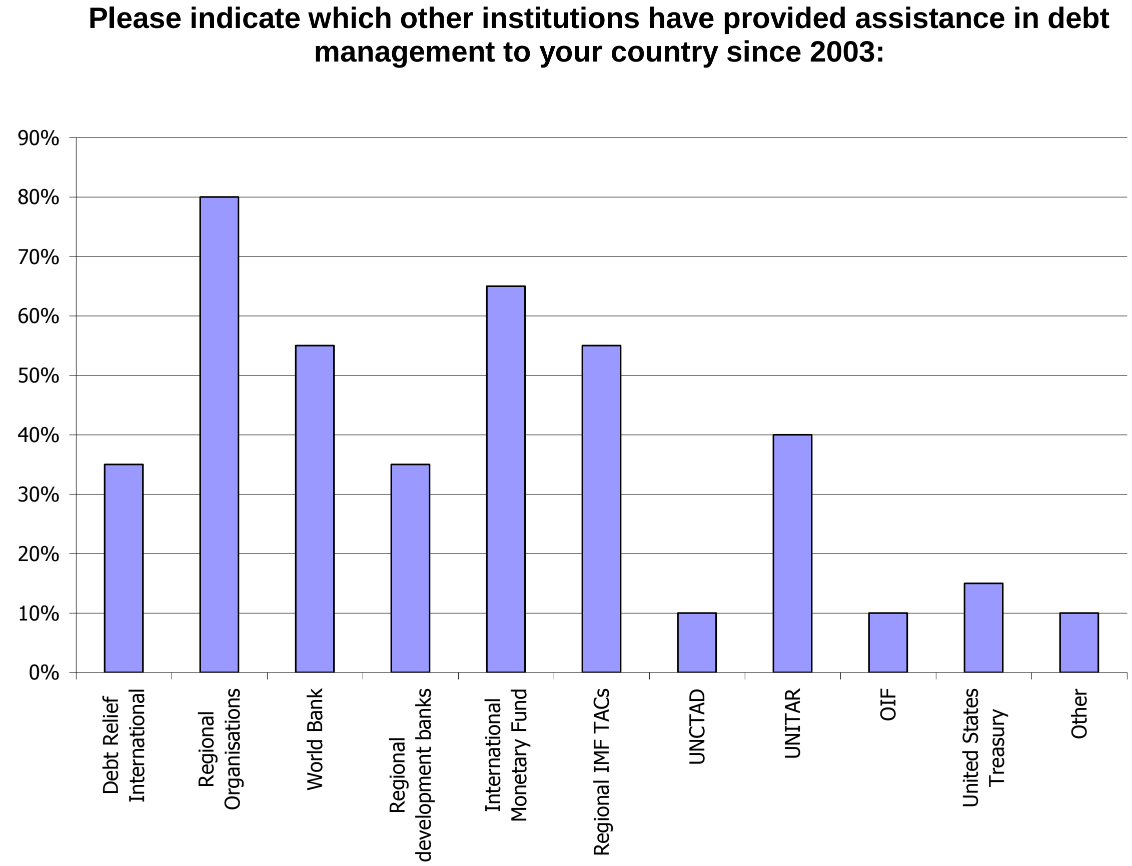
Cooperation with EAD has focused on the participation of DMS staff in the annual Commonwealth Ministerial Debt Sustainability Forum organised by EAD. EAD has responsibility for the forum based on its work in policy and advocacy, as opposed to the technical nature of the work in SASD. There is a certain level of cooperation with DMS presenting at the forum, though DMS has not participated in every forum. However, there is scope for closer cooperation in future. In particular, it would be useful for DMS to use the forum to convey messages to the key policy makers (Ministers of Finance, Finance Secretaries) in support of its work with the technical debt management staff in these institutions.

Cooperation with LCAD relates to the HIPC Legal Clinic administered by LCAD. The HIPC Clinic has recently completed its term and is currently under review. It should be noted that for its duration there has been almost no cooperation between LCAD and DMS. There would have been clear benefits to cooperation, including increased exposure for the HIPC Clinic and the contribution of a lawyer's perspective to some debt management activities of DMS (e.g. legal framework for debt management, appraisal of loan agreements). The reason for the lack of cooperation is not clear. Nevertheless, it is important that this is not repeated should the HIPC Clinic be reopened or a similar project be started in the future.

6.2.4 Coordination with External Stakeholders

Coordination between development partners is particularly strong in debt management and DMS has contributed actively to this situation. The wide range of development partners is illustrated in Figure 6.5, which shows the proportion of countries to have received assistance from different providers. The key stakeholders are the regional organisations (ECCB, WAIFEM, MEFMI and Pole-Dette), the World Bank, the IMF and the IMF Technical Assistance Centres (TACs). Countries in Africa typically have a higher number of donors and other institutions available to assist them in debt management.

Figure 6.5 Questionnaire Results: Other Providers of Debt Management Assistance



Source: Evaluation Questionnaire

DMS has coordinated closely with many of these institutions. In terms of the regional organisations, DMS has implemented joint projects with each of the regional organisations. The regional adviser programme was also conducted in cooperation with these organisations and the adviser placed in their offices. In terms of the World Bank and the IMF, DMS has conducted several joint missions and recently entered into an agreement with the Debt Management Facility, discussed at Section 5.

DMS has therefore proved to be very effective in terms of its cooperation with external stakeholders. There remain only a few partners with whom it could further develop relationships (e.g. UNITAR and the regional IMF TACs). These are discussed further in Section 7. Finally, Crown Agents is also an external stakeholder through its agreement with ComSec to distribute CS-DRMS in non-Commonwealth countries. The effectiveness of this relationship is discussed in Annex F.

6.3 Efficiency

Assessing the efficiency of an organisation is challenging due to the lack of a clear comparator. Based on anecdotal evidence, it would appear that DMS operates with a high degree of efficiency. However, a number of specific observations can be made on the cost structure of the section.

6.3.1 Staffing Costs

The DMS team includes eleven full time staff and six temporary posts. The six temporary posts include four programmers, one tester and one technical writer and are contracted for a period of two years. The temporary posts are paid from DMS' allocation of the Commonwealth Fund for Technical Cooperation (CFTC).

The present arrangement has arisen out of a change in recruitment policy in 2008. Prior to that date, the temporary IT posts were renewed every 6 months and contracted on an hourly basis through London based IT contracting companies. The number of temporary IT posts of this kind fluctuated between 4 and 8, depending on the level of software development activity at the time. However, despite these fluctuations, it became apparent that there was a permanent need for a minimum number (4-5) of IT contractors to support the maintenance and development of the software.

Consequently, a new policy was developed and the temporary IT posts were recruited and contracted on a two-yearly basis. This switch from short term to long term contracting led to a reduction in the average daily cost of the temporary IT posts, such that DMS was able to increase the number of temporary IT posts to six whilst still obtaining annual savings in the region of £90,000.

DMS is to be congratulated for these efficiency savings. However, it is possible that further savings can be made, either through the conversion of the temporary posts to full time staff positions or through the use of outsourcing to develop the software. The appropriate team structure will depend on the choices the DMS makes on the wider strategic issues about its future direction. These strategic issues, the appropriate team structure and the use of outsourcing are discussed in more detail in Section 7.

The evaluation team also considered the appropriate salary grades for individuals within DMS. Without an examination of the experience and qualifications required for each position and an analysis of the wider job market for these skills, it is not possible to provide any firm conclusions. However, useful indicators that salaries are too low include the inability to recruit qualified personnel into a position or the frequent turnover of staff in a position. There has been no evidence of either of these occurring with regard to the positions concerned.

6.3.2 Other Costs

Whilst the evaluation team has not been provided with an exact breakdown of costs by their components, the other significant costs incurred by DMS are consultants' fees and costs associated with international travel.

In terms of consultants' fees, DMS uses a wide range of consultants to support its projects and activities. However, the use of consultants does not appear to be excessive and only comprises a relatively small proportion of the overall budget. Equally, consultants provide DMS with flexibility and a wider range of skills and experience than currently exist in house. The daily fee rates paid by DMS for consultants are typically lower than those paid by other debt management assistance institutions (e.g. IMF, World Bank), suggesting that there is no problem with inefficiency. If anything, there is a problem in attracting suitably qualified consultants.

Travel costs represent a significant component of the budget and include costs of travel for staff (typically in business class), consultants (typically in economy class) and country officials participating at conferences and workshops (typically in economy class). Daily subsistence allowance is paid based on standard UN rates. There is no evidence that staff and consultants are travelling more frequently or any longer than is necessary. The discrepancy between economy and business class flights for consultants and staff does create efficiency savings, but may also deter some consultants from working for ComSec (particularly in certain long-haul countries).

Unlike some other institutions, ComSec pays in full the travel costs for participants at its workshops and conferences. It is possible that efficiency savings could be made by asking countries to fund, either in full or in part, the travel costs of any officials attending the workshops. However, during the country visits, several countries cited the fact that ComSec courses are free as a key advantage over other courses, where they might have difficulty in attending due to lack of funds. This is discussed further in Section 7.2.

Finally, ComSec regularly makes use of contributions from other organisations, including resource persons from the regional organisations, international organisations and the countries themselves, which is a cost-effective means of delivering support. The proposed e-learning debt management course is also a cost effective means of delivering support. 90% of respondents said they would make use of the e-leaning programme, with 30% saying that between 75% and 100% of their staff would use it. This was echoed by responses to the country visits, though countries emphasised that it would depend on what subject matter the courses covered.

The use of regional workshops also reduces travel costs and maximises the number of officials that can attend the training. However, one country suggested that conferences and workshops held in London could be better coordinated (e.g. holding two 2-day conferences in the same week) to reduce travel costs and the time required from the participants.

6.4 Sustainability

DMS' activities have clearly had a sustainable impact on the debt management capacities of Commonwealth countries. This was confirmed across many of the country visits and in several of the stakeholder interviews.

At the most basic level, the introduction of an accurate, up-to-date and backed-up debt recording system helps to ensure the sustainability of debt management capacity in recipient countries. CS-DRMS is now installed across 59 countries and continues to grow with the addition of more countries and more sites (particularly at the state level in India). This is to be compared to the situation in 1985, the year that CS-DRMS was established, when very few countries had an established debt recording function, let alone a specialist software package.

In every country visited or responding to the questionnaire, CS-DRMS is the primary and frequently the only software used for recording external debt. For domestic debt, the picture is more mixed with only 30% of those responding to the questionnaire using CS-DRMS as the primary software to record domestic debt, though in many cases domestic debt is often recorded in CS-DRMS as well as in the primary software.[9] The software is also being actively used, with 90% of respondents entering external debt transactions in the system within one

[9] A wide range of software are used by countries to record domestic debt. In many countries, the software has been developed specifically for the government by a software design company. The main reason why CS-DRMS is not used as the primary software for domestic debt is that it cannot perform a registry and settlement function.

month[10] and 100% entering domestic debt transactions within one month (60% within one week), where appropriate.

There are two threats to the sustainability of the impact achieved by the debt management programme, both of which are being actively addressed by ComSec. First, there is the possibility that the software may become outdated. DMS is continually working to improve the functionality of CS-DRMS. It has introduced a system to allow software patches to be applied automatically. It has also launched a number of new versions, most recently Version 1.3, which represent significant improvement on previous versions.

Nevertheless, the software needs of countries are continually evolving. There has been increased focus on domestic debt in recent years as countries have adopted a much greater range of domestic debt instruments. Some countries have also developed particular requirements, such as swaps, buybacks, on-lending, guarantees and other contingent liabilities. There is an increasing need for the software to be integrated with other systems, including data export and import functions to other debt management systems (e.g. domestic debt registry and settlement software) and integrated financial management information systems (IFMIS). Finally, there is a need to switch the platform on which CS-DRMS operates from Delphi to Microsoft. Recommendations on how DMS should respond to these needs are included in Section 7.

Second, there is a continued risk to the long term improvement in capacity due to staff turnover amongst debt management officials. Whilst there is little that DMS can do to directly influence the turnover of staff, which is primarily due to pay and human resource policies in the debt management institutions, ComSec is responding by continuing to provide basic training courses in CS-DRMS that can be accessed by new staff. Training has also been provided, though on a less regular basis, to IT administrators responsible for CS-DRMS. Recommendations on how DMS can expand and improve on these activities are included in Section 7.

6.5 Response to the Previous Evaluation

The Issues Paper provided by SPED specifically asked the evaluation team to examine the extent to which the recommendations of the previous evaluation have been implemented by DMS. The previous evaluation was published in September 2000. Given the time that has elapsed, a number of staff involved in the evaluation and the implementation of its recommendations have since left ComSec.

Nevertheless, sufficient staff remain in SASD and SPED to respond to questions about the implementation of the evaluation and minutes were also provided of meetings held to discuss the previous evaluation. At the outset, it should be noted that the minutes imply that a concerted and well organised process was carried out to discuss the evaluation within ComSec and implement the majority of its recommendations.

Annex D provides the full list of recommendations provided by the previous evaluation. The evaluation scored the debt management programme highly on most criteria (typically scoring

[10] As CS-DRMS uses a “system cut-off date” to process transactions, one month is effectively the minimum time that can reasonably be expected for the delay between a transaction taking place and it being entered in the system. This is a sufficient situation for most countries, though the use of real-time processing is something DMS may wish to consider in the future, particularly as it improves the domestic debt function of CS-DRMS.

4 out of 5) and recommended that the programme be retained in the future. It also provided a number of recommendations as to how the programme could be improved going forward.

Arguably the most substantive recommendation in the evaluation was the establishment of DMS itself. This has clearly been fully implemented and has proved a highly successful arrangement. Other recommendations included the speeding up of software development, which ultimately resulted in the release of CS-DRMS 2000+, increasing the frequency of training, particularly on debt sustainability analysis, and encouraging dialogue amongst stakeholders, which has resulted in the CMDSF implemented by EAD. In general, the majority of the recommendations in the evaluation have been implemented by ComSec.

However, there are two areas where progress has not been as substantial as elsewhere. The previous evaluation scored just 2 out of 5 for the integration of gender issues into debt management and recommended that ComSec should *"clarify the link between gender equality and debt management as well as create an awareness of gender issues at country level."* Despite some effort at addressing gender issues, there has been no substantive effort to incorporate gender issues into the debt management programme.

The evaluation also suggested a number of options for ComSec to set the *"entire software component of the CS-DRMS programme on a course of full cost recovery."* A small licence fee was introduced by ComSec (see Section 7.2) but its collection was not enforced, in part due to quality control issues arising at the time of the launch of CS-DRMS 2000+. It is arguable that the previous evaluation over-estimated the ability to recover the cost of CS-DRMS, particularly from sales to the private sector. Nevertheless, obtaining funding either from member countries or other sources remains a key challenge for DMS and a number of recommendations on this issue are made in this report.

Finally, it is noteworthy that many of the results and conclusions reached in the earlier evaluation have also been reflected in the current study. Given that any evaluation is limited by the time and information available, it is promising to see that similar conclusions have been reached in the past. As in the previous evaluation, the results show a programme that is performing well against most criteria and the overriding recommendation should be that the programme continues in the future.

7 Recommendations

At the initial meeting with ComSec, the forward looking nature of the evaluation was emphasised to the evaluation team. The evaluation is expected to guide DMS on how it should proceed over the next five years in terms of the scope and modality of its activities. In particular, DMS will need to respond to the changing needs of its member countries as their debt management functions become increasingly sophisticated. At the same time, there are more institutions providing debt management assistance, requiring strong coordination and a renewed focus on DMS' comparative advantage.

The following section therefore provides recommendations to DMS, based on the results set out above, for the future direction of the debt management programme. The number or nature of the recommendations provided below should not undermine the very positive results of the evaluation that have been discussed above. It should also be acknowledged that DMS staff are aware of many of these issues and in several cases have already begun taking action to resolve them. Therefore, these recommendations should be seen more as a matter of fine-tuning, than of a major readjustment to the existing programme.

7.1 Strategic Planning

As noted in Section 6.1.1, a gap exists between the very broad long-term objective in the Strategic Plan and the detailed 1-year action plan in the Annual Divisional Workplan. It would be helpful to the strategic direction of the DMS to establish a longer term view of its objectives and activities, whilst providing more detail than is currently included in the Strategic Plan. This strategic document, which need only be a few pages long, will identify the core competences of DMS, set out its objectives for support to member countries and provide an overview of the types of activities that will be used to achieve these objectives.

This exercise should help to provide a longer term vision to the activity planning process in DMS. It will also assist DMS in choosing between the different requests for assistance that are received from countries. It should help DMS identify which requests and activities fall under its areas of expertise and which should be passed to other providers of debt management assistance. This process is discussed further below.

Recommendation1: *Develop a brief statement of long-term objectives for DMS, including an overview of the types of activities that will be used to achieve these objectives.*

In recent years, DMS has been receiving an increased number of requests for training and advisory services. At the same time, there remains an urgent need to develop the software to improve functionality and ensure it remains relevant to countries' needs. It is clear that within the existing budget, it is a challenge to meet all requests for assistance in a sufficiently timely fashion (in terms of both software development and provision of other services).

The problem is exacerbated by the feeling amongst DMS and ComSec more generally, that once a country has made a formal request to ComSec it should be met. This not only puts a strain on DMS' resources, but can also lead to "mission creep" in DMS' activities away from its core functions, as activities become dictated by country requests rather than the section's core competence and objectives.

This kind of demand driven approach is very effective at ensuring relevance but can also affect the overall focus of the programme. This problem can be resolved by the identification of certain core activities and objectives for DMS, through the strategic process mentioned above (see Recommendation 1) and the prioritisation of activities described below (see Section 7.3 and Section 7.7). Once these core activities and objectives are identified, it is recommended that DMS adopt a process for referring countries to other institutions when requests fall outside of DMS' chosen area.

This process will ensure the most effective use of DMS resources, whilst obtaining maximum assistance for member countries. DMS may still choose to cooperate in the resulting work, but their role would be smaller, leaving a greater share of the budget to be focused on other activities. Indeed, it is recommended that DMS stay engaged with the process, so as to provide reassurance to the client, who may be unfamiliar with the new provider.[11]

Recommendation 2: *Develop a formal mechanism for referring countries to other providers of debt management assistance when countries' requests fall outside of DMS' core areas of expertise.*

DMS uses good project management techniques for its activities, including the use of project logframes to set objectives and monitor progress. However, more effort could be spent on project evaluation. There currently appears to be only a modest amount of ex-post evaluation to assess the degree to which projects have met their intended goals.

In particular, it is recommended that projects be evaluated not just at their completion but also one or two years later to determine whether the project has achieved a lasting impact. This is especially the case for projects centred on advisory services, where recommendations may not be implemented after DMS' involvement has finished. It is preferable that the evaluation be conducted by an independent source (e.g. SPED or an external consultant).[12]

Recommendation 3: *Discuss with SPED how to improve the evaluation of DMS projects to better examine the outcome and impact of its work.*

DMS also faces a challenge in identifying the "true" cost of its activities, in particular the projects related to software development. The project documents record the contribution from CFTC, but do not include any estimate of the staff time involved in their implementation. Furthermore, it is difficult to identify the start and end of certain software development activities. As a result, projects in DMS' portfolio range from a value of £1.8 million (Enhancement of CS-DRMS functionalities) to just £15,000 (Training on debt reorganisation).

The introduction of timesheets in DMS could overcome this problem by providing a more detailed breakdown of how staff are spending their time.[13] By combining the contribution from CFTC with the cost of staff time, the true cost of different activities will be known. As different

[11] It is understood that this type of approach is adopted by UNCTAD, where countries are referred on to other debt management assistance providers but UNCTAD stays engaged with the process, potentially joining any country visits.

[12] Project evaluation of this kind has also been raised as part of the recent CFTC review.

[13] It is important to note that the recommendation regarding timesheets is based solely on the need for financial data. It is not meant as a motivational tool for staff, whose performance is already monitored through annual work plans. The progress on software development is also monitored though a quarterly report.

activities require different levels of staff time, the analysis will allow management to better identify which activities ensure the best return and prioritise for the future.[14]

For institutional reasons, it may be difficult for DMS to introduce timesheets in isolation and approval from higher levels of ComSec may be required. However, it is noteworthy that timesheets have been used in the past within ComSec and there are currently initiatives within ComSec to improve the costing of staff time. There is therefore precedent for this recommendation. In addition, a simple Excel based system can be used until the usefulness of this system has been proved.

Recommendation 4: *Introduce timesheets for DMS staff to provide a more detailed breakdown of the cost of different activities, particularly regarding IT development.*

7.2 Funding

There is significant demand for DMS activities, both in terms of the volume of requests for assistance received by DMS and the need for urgent upgrades to the software itself. This evaluation has shown that the debt management programme is functioning well in terms of its relevance, effectiveness, efficiency and sustainability. Subject to a careful prioritisation of how they would be used, it is clear that providing DMS with greater funds would be a beneficial use of resources.

Recommendations on the prioritisation of DMS' activities are provided below, but one key area requiring additional resources is the development of CS-DRMS. There is an urgent need for improved functionality in CS-DRMS. Many countries expressed a desire for a reduction in the time between a need being identified and the software being upgraded. The cost of such software development is not easily estimated, as it depends on the extent of the additional functionality, the speed with which it is implemented and the process by which it is developed (outsourced or in-house). However, in order for the software development to "catch-up" with countries' needs, it is clear that a significant increase in the budget for software development is required.

In addition, there is a critical issue involving the conversion of the platform for CS-DRMS from Delphi to Microsoft. Delphi is becoming an increasingly obsolete platform and in order for there to be a sufficient pool of programmers to support the system, the conversion from Delphi to Microsoft will need to take place over the next couple of years. Whilst this is an excellent opportunity to overhaul the system and fix a number of inherent problems, it is also an extremely expensive process. It is estimated to cost in the region of £2.5m. This is to be compared to DMS' total annual allocation from the CFTC of £1m.

The most readily available source of funding is the CFTC. However, in the current financial climate, it may be difficult to obtain additional resources from CFTC. It is therefore recommended that DMS also approach appropriate bilateral donors to secure the funding. There is precedent for donors funding activities of this kind. Bilateral donors have supported the DMFAS programme implemented by UNCTAD[15] and the HIPC-CBP programme

[14] Timesheets are also required in order to determine the exact cost of supporting CS-DRMS in non-Commonwealth countries. This information is essential for ensuring that the price charged for the software to non-Commonwealth countries is at least covering the marginal costs incurred by DMS in providing and servicing the software in these countries.

[15] It is understood that France, Germany, Ireland, Italy and Norway have contributed to the DMFAS programme.

implemented by DRI and the regional organisations.[16] Bilateral donors have also contributed to the DMF administered by the World Bank.[17]

Approaching donors that have already contributed to debt management institutions/programmes would provide DMS with the best chances of success. It is felt that a specific project, such as upgrading the software, would appeal to potential donors, given the positive benefit the software currently brings, the clear objectives of the project and an identifiable “end point”, beyond which donor assistance would not be required. If a fund were to be established for the development of CS-DRMS, it will require Management Committee approval within ComSec.

A further funding need results from the changing focus of the assistance provided by the Organisation Intergouvernementale de la Francophonie (OIF). OIF have been supporting the maintenance of the French version of CS-DRMS, which is currently in use in six countries. Due to the changing objectives of OIF, it is likely that this arrangement will come to an end and DMS will be required to assume responsibility for meeting the costs of the French version of CS-DRMS. Approaching donors with significant French-speaking populations may provide the best chance of success in replacing the funding from OIF. In particular, it is noteworthy that the French Government is among the contributors to the DMFAS programme.

Recommendation 5: *Increase the CFTC allocation to DMS to support a period of critical software development. Also seek funding for this process from the donor community.*

An additional option for increasing funding is to require countries to pay for annual licences for CS-DRMS. This model of fundraising is adopted by UNCTAD. Ultimately, this is a decision for senior management at ComSec. A decision would also be required on whether the fee should reflect the size and GDP of the country, among other factors. Previously a two-tier pricing structure has been used by DMS.

There is a concern that Commonwealth countries are unwilling to pay for a service they are already contributing to through the CTFC. However, if a fee were to be introduced, it seems likely that few countries would switch from CS-DRMS to other systems. The alternative would be for a country to use the DMFAS system provided by UNCATD or commercially available software. In both cases the switching costs are high. Moreover, countries using the DMFAS system are required to pay an installation fee and annual maintenance fee, estimated to be US$50,000 and US$10,000 respectively. Fees for commercially available software are considerably higher. This suggests there is scope to increase revenue without countries switching to other systems.

However, the greatest challenge to charging for CS-DRMS is determining what action to take in the case of non-payment. In theory, since 1999, countries have been required to pay a fee of £1,000-1,500 per annum for maintenance of CS-DRMS, but very few countries actually pay the fee and no effort is made to chase countries which do not make the payment. If DMS

[16] It is understood that Austria, Canada, Ireland, Sweden, Switzerland and the United Kingdom have contributed to DRI.

[17] It is understood that Austria, Belgium, Canada, Netherlands, Norway and Switzerland have contributed to the DMF.

wishes to obtain funding from this source, an official decision is required at a more senior within ComSec as to what punitive action will be taken against a country for non-payment.[18]

A further option for obtaining funding is to ask countries to contribute to the cost of training. If DMS asked countries to pay for some or all of their participants' travel costs, significant savings could be made. However, again, it would depend on countries' willingness to pay and countries have stated that cost is a factor in determining which training courses to attend. Nevertheless, a small contribution to travel costs (e.g. paying the participant's DSA) may be acceptable without significantly reducing attendance at training and conferences.

There is precedent for this arrangement as GIDD has recently introduced a system for cost-sharing with countries attending their workshops. The extent to which attendance at GIDD workshops is affected by the change can be used to inform the decision on whether to proceed with a similar arrangement in DMS. There are also plans to harmonise the approach to cost-sharing across ComSec, though this does not preclude action by DMS in advance of that process.

Recommendation 6: *Explore informally with countries the possibility of obtaining revenue directly from member countries, e.g. though a CS-DRMS licence fee or sharing travel costs for training.*

7.3 Scope of Activities

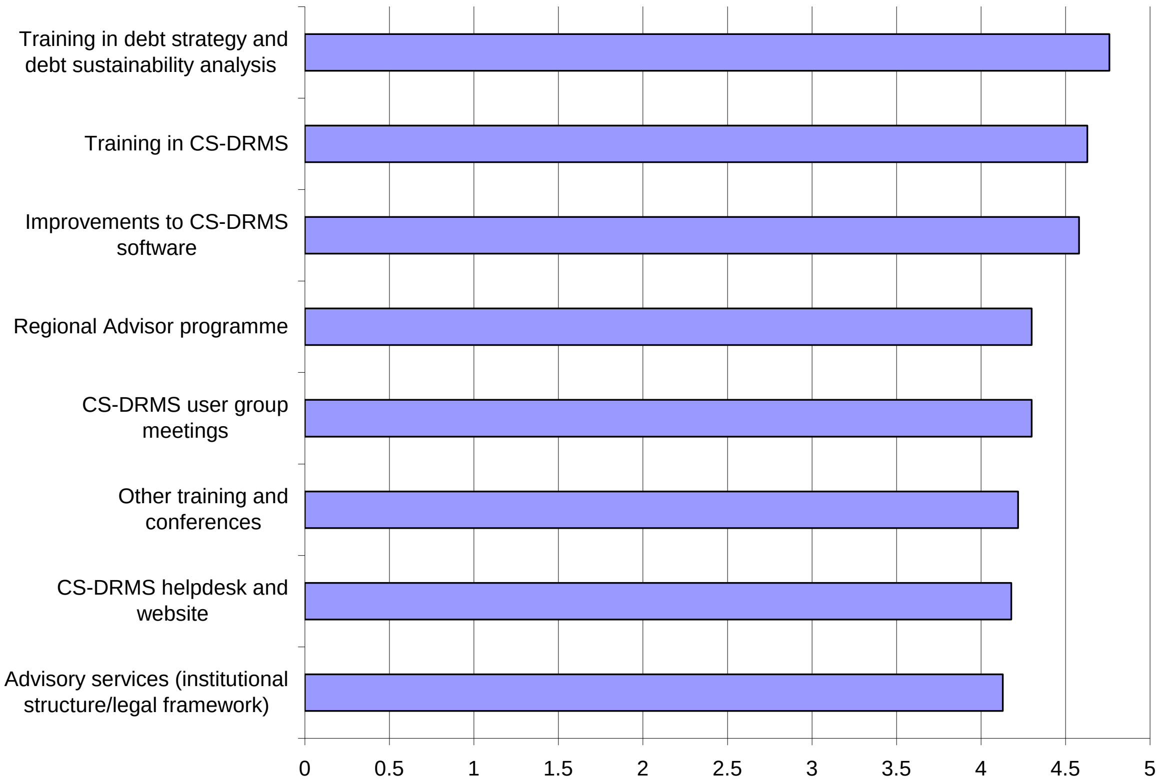
With a limited budget and a high demand for its services, DMS must make difficult choices about how to prioritise its work. Traditionally, this has primarily been a choice between focusing on development of the software, providing training and providing advisory services. This section makes recommendations on the overall balance of DMS' activities. Subsequent sections make recommendations on the specific content and modalities of particular DMS' activities.

Figure 7.1 shows the how countries responding to the questionnaire chose to prioritise the different services offered by DMS. The fact that all services scored highly shows the challenge faced by DMS in allocating its resources. However, some services are preferred to others and these results were echoed by the country visits. The country visits emphasised the need to focus on software development. As discussed above, most countries expressed frustration over the speed with which new versions of the system are released. Whilst countries also desired training in analytical tools, such as debt sustainability analysis and debt strategy, they saw CS-DRMS as the core function for ComSec.

[18] An official decision would also be required that any fees raised by channelled directly into the software development budget available to DMS. At present, fees obtained from the arrangement with Crown Agents are paid into the CFTC and shared across ComSec as a whole.

Figure 7.1 Questionnaire Results: Prioritising Future Activities

To help ComSec prioritise its work, please indicate the usefulness of each of the following current and potential services in the future, as provided by ComSec:



Source: Consolidated results from Evaluation Questionnaire.[19]

Almost all countries use the external debt module of CS-DRMS as their primary source of debt data. Many countries have adopted other systems for recording, managing and settling domestic debt, though CS-DRMS is frequently additionally used to consolidate the total public debt in one database. Making the system error-free, user-friendly and with improved functionality should be accorded a high priority by DMS, as this activity cannot be carried out by any other provider of debt management assistance. The specific improvements required to the system are discussed in Section 7.5.

Recommendation 7: *Development of CS-DRMS should be top priority among DMS' activities. Outstanding problems should be resolved and the time required to release significant functional improvements should be reduced.*

Training is also a high priority. Figure 7.1 shows training in CS-DRMS and training in debt sustainability analysis and debt strategy as the two highest priorities. Training by DMS on CS-DRMS was found to have been highly effective and can only be provided by a few

[19] "Attaching officials to ComSec" scored 4.65, but has been removed as this contradicts the answer to Question 18 which showed "Attaching officials to ComSec" to be ranked the least effective form of assistance since 2003.

institutions, of which ComSec is seen as the best quality. Therefore, CS-DRMS training should be a key function of DMS' activities.

Training in debt sustainability analysis and debt strategy can be provided by other international institutions, but DMS can offer a more country-centred capacity building approach. This is discussed further in Section 7.6.

Recommendation 8: *Second priority should be given to training activities. Particular emphasis should be put on CS-DRMS training and data quality, but training should also cover analytical topics, such as debt strategy and debt sustainability analysis.*

Finally, there is a limited role for DMS in providing advisory services to countries. ComSec has certain advantages over other providers of technical assistance that countries wish to take advantage of, but the budget constraint and the need to prioritise software development and training suggest that advisory services should be limited. The areas in which DMS should provide advisory service should be carefully chosen so that the advice is effective, provided at a low cost and crucially has a sustained impact. This is discussed further in Section 7.7.

Recommendation 9: *Advisory services should continue, but the extent to which DMS can respond to requests for assistance will be limited by the size of the remaining budget.*

7.4 Geographic Focus

Regarding the geographic focus of DMS' activities, the size and level of development vary markedly among member countries. When allocating resources and providing assistance, DMS is currently mindful of regional disparities and this approach should continue. As noted above, some countries in particular regions have access to a wider range of technical assistance partners, while others have less access to such assistance. This should also be taken into account when choosing which requests to respond to.

Figure 7.2 Geographic Distribution of DMS Projects 2003/4 – 2008/9

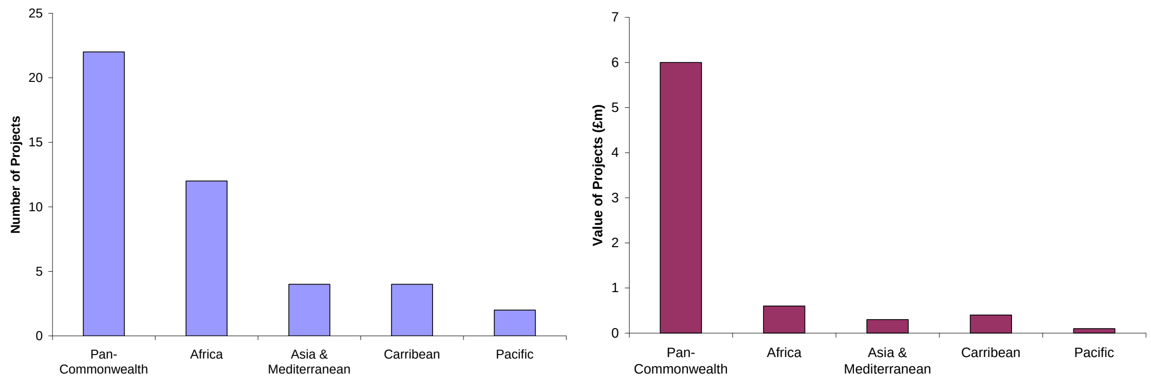


Figure 7.2 shows the geographic distribution of DMS projects by number and value during the evaluation period. The figures are distorted by the inclusion of projects related to improvement of CS-DRMS, which are classified as pan-Commonwealth. This has a particularly distorting effect on the distribution by value. Nevertheless, there remain a high number of pan-Commonwealth projects.

The country visits revealed a strong preference for more regional activities, particularly amongst countries in the Pacific. Ideally countries would like national activities, but recognising the budget constraints, regional activities are the next best option. Regional activities are likely to be more relevant to countries' circumstances and more cost efficient, in terms of ensuring a greater number of attendees for a given budget. The two most appropriate sources of regional assistance are the regional advisor programme and regional training courses.

Recommendation 10: *Greater emphasis should be placed on regional activities, particularly regional training courses and the regional adviser programme.*

7.5 Software Development

A frequent comment during the country visits, which is further corroborated by the results of the questionnaire, is that countries place the development of CS-DRMS at their top of the list of priorities.

The objective is to develop, at a minimum, a comprehensive, error-free system that is able to record and report total public debt. Whilst it has not been possible to explore in detail specific complaints about the system, several countries referred to problems in the basic functioning of the system.[20] It should be emphasised that these are only small problems relative to the overall functioning of the system and that some problems may be associated with country specific factors. Nevertheless, countries expressed frustration with these minor problems and efforts should be made to resolve these problems to improve country satisfaction.

There has also been frustration amongst countries at the speed with which new versions are released. This has subsequently been addressed to some extent by the introduction in October 2009 of service packs, which address bugs, urgent fixes and minor enhancements (e.g. a new set of reports, automatic links to MTDS). It is intended that service packs will be released on a six monthly basis in the period between the launch of new versions of CS-DRMS. The service packs are an excellent means of addressing small problems in the system, but the challenge remains to deliver significant improvements in functionality in a timely manner.

As suggested in Section 6, it will be difficult to develop a system that fulfils every country's needs in all aspects of debt management. DMS should therefore aim to provide a system that is usable by the majority of Commonwealth countries. Whilst such a product will also have useful and relevant applications to many non-Commonwealth countries, DMS should focus its attention and development effort solely on the needs of Commonwealth countries.

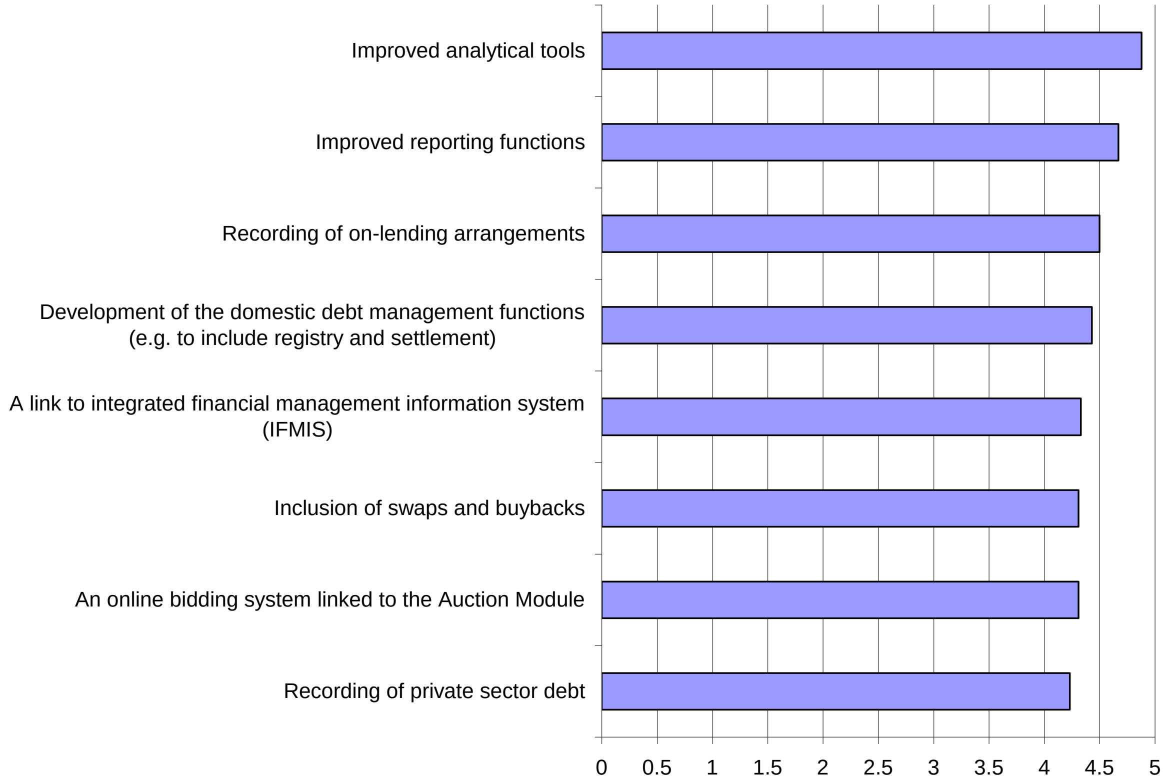
Recommendation 11: *Development of CS-DRMS should be focused on a few improvements that will benefit the majority of Commonwealth countries.*

Figure 7.3 shows the result of the questionnaire with regard to the key improvements to functionality required by member countries. The country interviews also showed similar results with improved analytical tools and improved debt reporting frequently featuring in the top three requirements. The third most common requirement was either a link to IFMIS or a link to the country's independent software for domestic debt management.

[20] For example, converting Deutsch Mark components of AfDB loans into Euros or correctly forecasting payments on domestic bonds.

Figure 7.3 Questionnaire Results: Prioritising Future Development of CS-DRMS

Please indicate the usefulness to your country of each of the following potential improvements to CS-DRMS:



Source: Evaluation Questionnaire[21]

Other functionalities listed in Figure 7.3 provoked a more mixed response. Whilst the improvements mentioned above were requested by most countries, the remaining improvements were seen as key in some countries, but not required at all in other countries. This included improved on-lending functions, better recording of private sector external debt and inclusion of swaps and buybacks. The rating given to the online bidding system for the Auction Module in Figure 7.3 is difficult to explain, given that none of the respondents used the module and only one of the countries visited expressed an intention of using it in the future (even without an online bidding system).

There are clear lessons to be learnt from the development of the Securities Auction System, which should be applied here. Careful market research should be carried out before undertaking major developments. Such research should take account of the time required to develop and release the improvements and the likely changes to countries' needs and circumstances during that period.

[21] "Improved manuals and documentation" scored 4.63, but has been removed as this contradicts the answer to Question 27 which showed that 90% of respondents ranked the usefulness of the current manuals and documentation as either good or excellent.

As such, the research conducted as part of this evaluation is insufficient to provide complete guidance on which developments should be chosen. Nevertheless, it is clear that DMS would benefit from focusing its software efforts on a small number of major improvements. By releasing these developments at a faster pace, DMS can close the gap with the majority of countries needs.

Recommendation 12*: Conduct a detailed analysis of countries' needs to identify a small number of major improvements to CS-DRMS that can be developed and released quickly.*

Whilst further research is required before definite conclusions can be drawn, the indication from the questionnaire is that DMS should focus on improved analytical functions, debt reporting, and linkages to other software (e.g. IFMIS, domestic debt registry). DMS is already working on these issues, in particular the development of a Public Debt Analytical Tool (PD-AT) module in CS-DRMS.

With regard to debt reporting, this was mentioned frequently during the country visits. DMS faces a challenge in meeting the specific requirements of member countries whilst also encouraging the adoption of international standards. Two specific comments arose with regard to debt reporting. First, the user-friendliness of the standard reports can be improved. Second, the user-defined reporting function needs to be significantly upgraded so that it can be used by debt management officials rather than IT staff. If possible, a functionality and user-friendliness similar to that of Pivot Tables in Excel should be achieved.

Interfaces with other software (e.g. IFMIS) can be developed within a cooperative arrangement with partner agencies. This may create the potential to transfer some of the development costs onto other agencies. Crown Agents has made significant progress linking CS-DRMS to IFMIS and DMS should draw on that knowledge. Countries themselves can contribute, through the development of interfaces from their own domestic debt software into CS-DRMS.

Few countries indicated the desire for ComSec to develop registry and settlement functions as part of CS-DRMS, but instead they preferred to have a link into CS-DRMS from their own registry and settlement software. Many countries have their own integrated systems to manage their domestic debt operations (i.e. auction, settlement, registry, transfer, payments) and will continue to use these systems. DMS should therefore focus on enhancing the quality of consolidated total public debt data in CS-DRMS by facilitating the import of domestic debt data from other systems.

Box 2: Potential Areas for Development of CS-DRMS

- Public Debt Analytical Tool (PDAT) – An integrated function in CS-DRMS to allow the user to perform increased analytical functions on the debt portfolio.
- New Loan Products – Enhancement of the system to also record and process additional products/transactions such as SWAPs.
- Private Sector External Debt – Development of a facility to capture private sector external data in aggregate format.
- Integrated Financial Management Information Systems (IFMIS) – Interfacing CS-DRMS with other financial systems for sharing of data.

- Onlending – Development of a facility for recording and processing lending and onlending by governments to the private sector and parastatal bodies.
- Business Days – Enhancement of the system to take into account business days with regard to servicing of loans.
- Reports – Review of the existing reports of CS-DRMS to improve their relevance, presentation and use.
- Data Capture Wizards – Addition of wizards to ease capture of loan terms and conditions into the system.
- Disbursement and Debt Service Monitoring – Enhancement of the system for more effective monitoring of disbursement and debt servicing.
- Securities Registry – Enhancement of the software to record transactions of securities in the secondary market.
- Data Bridge – Development of export facility to generate data according to the requirements of Debt Sustainability Analysis/Debt Sustainability Framework (DSA/DSF).
- SDMX Compliance – Making the debt software compliant with the Statistical Data and Metadata Exchange (SDMX) standards.
- External Debt Guide and Handbook of Securities – Review of specific functionalities of the software to maintain its compliance with the standards set in the revised external guide on external debt statistics and new handbook of securities.
- Compatibility – Making the software compatible with the latest versions of Windows, Oracle and Microsoft SQL Server databases.

7.6 Training and Conferences

7.6.1 Training Modalities

DMS currently provides a large amount of training, including national training courses, regional training courses, pan-Commonwealth training courses and e-learning and distance learning. The training is carried out solely by DMS or in collaboration with other partners, often the regional organisations. Training provided by DMS has been shown to be very effective. However, there are a number of ways in which the effectiveness and efficiency could be improved, which are discussed below. For example, as noted in Section 7.4, there is a strong preference for regional training courses and DMS should respond to this demand.

DMS also has the opportunity to scale up the number of national training workshops. Several countries have used their own staff to deliver CS-DRMS training to new staff in debt management offices. DMS can facilitate this process to maximise national-level training without using a significant portion of the budget. For example, DMS could offer countries a standard training pack on introduction to CS-DRMS, which would provide countries with all the resources necessary to deliver their own training using their own staff as the resource persons.[22] DMS might provide advice and support to the training from London to encourage countries in their use of the pack, but would not need to provide resource persons. This approach would be cost effective to DMS and also enable ownership and recognise local expertise.

If successful, packs covering additional functions in CS-DRMS could be developed. DRI have extensive experience in supporting this kind of national training and DMS could seek their advice, amongst others, in this matter. Using country officials as resources person is a very effective way of delivering training at low cost down. For example, DMS could expand it trainer's training programmes to build competent regional capacity (as has been requested by several regional organisations).

Recommendation 13*: Develop a training pack for use by countries to deliver their own national workshops.*

DMS have been developing an e-learning programme for debt management. This is another means of delivering training to the widest possible number of participants, whilst keeping costs to a minimum. The questionnaire suggested a high demand for the e-learning programme, though its uptake will depend on the topics covered. DMS should also ensure careful coordination with UNITAR to avoid any overlap with the existing debt management e-learning courses.[23]

Recommendation 14*: Continue plans to enhance training coverage via e-learning. Subject to success with the first training module, and coordination with UNITAR's existing modules, the e-learning programme should be extended to other areas.*

7.6.2 Training on CS-DRMS

In previous years, training has been largely focused on CS-DRMS. This will remain an essential component of DMS' training in the future. Such activities should cover all aspects of the use of the system including the various modules, basic debt analysis, generation of reports, data quality and system administration. Continuous training on CS-DRMS is essential in overcoming the setbacks to capacity that result from staff turnover in member countries. In addition, further development of CS-DRMS functions (such as the analytical tool, PD-AT) will require a comprehensive training package to coincide with new releases.

Recommendation 15: *Continue to provide training in CS-DRMS, including systems administration.*

7.6.3 Training on Other Issues

Training on other issues should only be adopted where there is a clearly defined gap in the services provided by other institutions. In terms of debt analysis, where many countries requested training, the World Bank and IMF currently provide training in both debt sustainability analysis and debt strategy, through the MTDS toolkit. However, some countries feel that the World Bank and IMF training does not have enough focus on capacity building, in that it does not allow countries to apply the techniques for themselves to data from their

[22] It is understood that DMS has recently started work on generic templates to support national level training.

[23] UNITAR courses do not cover CS-DRMS. However, there is potential for overlap should DMS introduce modules on more general debt management topics.

own countries. It is also felt that there is an insufficient amount of training from these institutions to meet all countries' needs.

DMS can fill this gap. Where appropriate, DMS can cooperate with these institutions in supporting the training on MTDS. In other cases, DMS can provide its own training in debt strategy, in particular in those countries where the MTDS is not the appropriate tool for debt strategy (i.e. those countries with simple debt structures and limited borrowing options). In this regard, the Public Debt Analytical Tool should be a complementary module to the MTDS. This is an area were coordination with the IMF, World Bank and the regional organisations is essential to avoiding overlap.

Recommendation 16: *Provide training in debt strategy, in coordination with other service providers, to countries where the MTDS is not an appropriate tool for debt strategy development.*

Though carrying out a debt sustainability analysis (DSA) is not entirely a function of the debt management office, the current situation in many developing countries would demand a large input from the debt staff. Again, the IMF and World Bank provide training on DSA, but as noted above there is a feeling amongst countries that the amount of training is limited and it is not sufficiently capacity building oriented. Countries also prefer an independent source of training on DSA, which will allow them to be adequately prepared for discussions with the IMF during Article 4 missions.

Recommendation 17: *Provide training in debt sustainability analysis to countries that request a more independent, capacity building approach to that offered by the World Bank and IMF.*

There was strong demand from the countries for the user group meetings, which they saw as a valuable opportunity to learn from their peers. In recent years, the user group meetings were replaced by the Debt Management Forum held in London in 2008. Whilst further research may be required before making a final decision, the countries responding to the evaluation appear to prefer regional user group meetings to pan-Commonwealth conferences. However, some respondents noted that not all the recommendations arising from the user group meetings were implemented and this would need to be addressed in the design of the user group meetings going forward.

The information gathered through the user group meetings has been complemented in the past by other market research conducted by DMS. In particular, in 2007, DMS conducted a customer satisfaction survey. It is recommended that such surveys continue in the future. DMS may wish to modify the questions on each occasion to provide information on issues relevant at the time. However, DMS may also wish to retain certain questions in each survey to track performance over time. Surveys could be conducted every two years to provide a regular picture of country needs and customer satisfaction.

DMS has also provided sensitisation to officials on more general and emerging issues in debt management. This is frequently achieved through international or regional level seminars and conferences. However, whilst the seminars have achieved some impact,[24] the evaluation results suggest this is not an effective or efficient means of delivering assistance. Consideration should be given to whether the same impact could be achieved in another

[24] For example, a seminar on External Debt Statistics Reporting resulted in 14 countries subscribing to the IMF-World Bank GDDS-QEDS standard for debt statistics.

manner, for example by including sensitization sessions as part of another training course or user group meeting.

Recommendation 18: *Limit introductory or sensitisation seminars on newly emerging issues. Such issues could be restricted to a session during CS-DRMS user group meetings.*

7.7 Advisory Services

7.7.1 Scope for Advisory Services

Many countries consider ComSec's advice as independent and offered without any potential conditionalities. ComSec is regarded as an unbiased, independent organisation that can, with the appropriate consultancy support, provide advisory services equivalent to the Bretton Woods institutions. Together with the changing debt management needs of Commonwealth countries, this has resulted in an increase in requests for advisory services.

There are no formal measures of the number of requests for advisory services that DMS receives and responds to. Requests are often raised and discussed informally before a formal approach is made to ComSec through the Deputy Secretary General. Even if DMS is currently able to meet all the requests it receives, there are still questions about how quickly those requests are met and whether requests for advisory services are being met at the expense of other services (e.g. few training courses, slower software development).

Potentially, with sufficient resources, DMS could offer advisory services across the full spectrum of debt management activities. However, in reality, the areas in which advisory services should be provided will be determined by three factors:

- *Countries' priorities for debt management assistance.* Client countries have clear preferences for the areas in which they want assistance. For example, whilst assistance is still needed for debt recording and reporting, increasingly countries want assistance with analytical functions.

- *Services provided by other institutions.* DMS should avoid overlap with the services provided by other debt management institutions. Some countries have stated their preference for assistance from ComSec over certain other providers; in particular countries often want a more independent provider than the IMF. However, in circumstances of limited resources, it may not be reasonable for countries to expect ComSec to provide a service that is already provided elsewhere. Indeed, other reasons for preferring ComSec are its free cost and the convenience of working with an established partner, neither of which are sufficient justification.

- *DMS' ability to deliver services.* Crucially, the advisory services provided by DMS will be limited by the available budget. DMS should first seek to meet the demand for improved software and training, before using resources for advisory services. The ability to provide advisory services in different technical areas will also depend on the existing competences of staff. Whilst some additional areas might be covered by contracting external consultants, DMS will still require the necessary skills in-house to ensure the quality of the consultants' work.

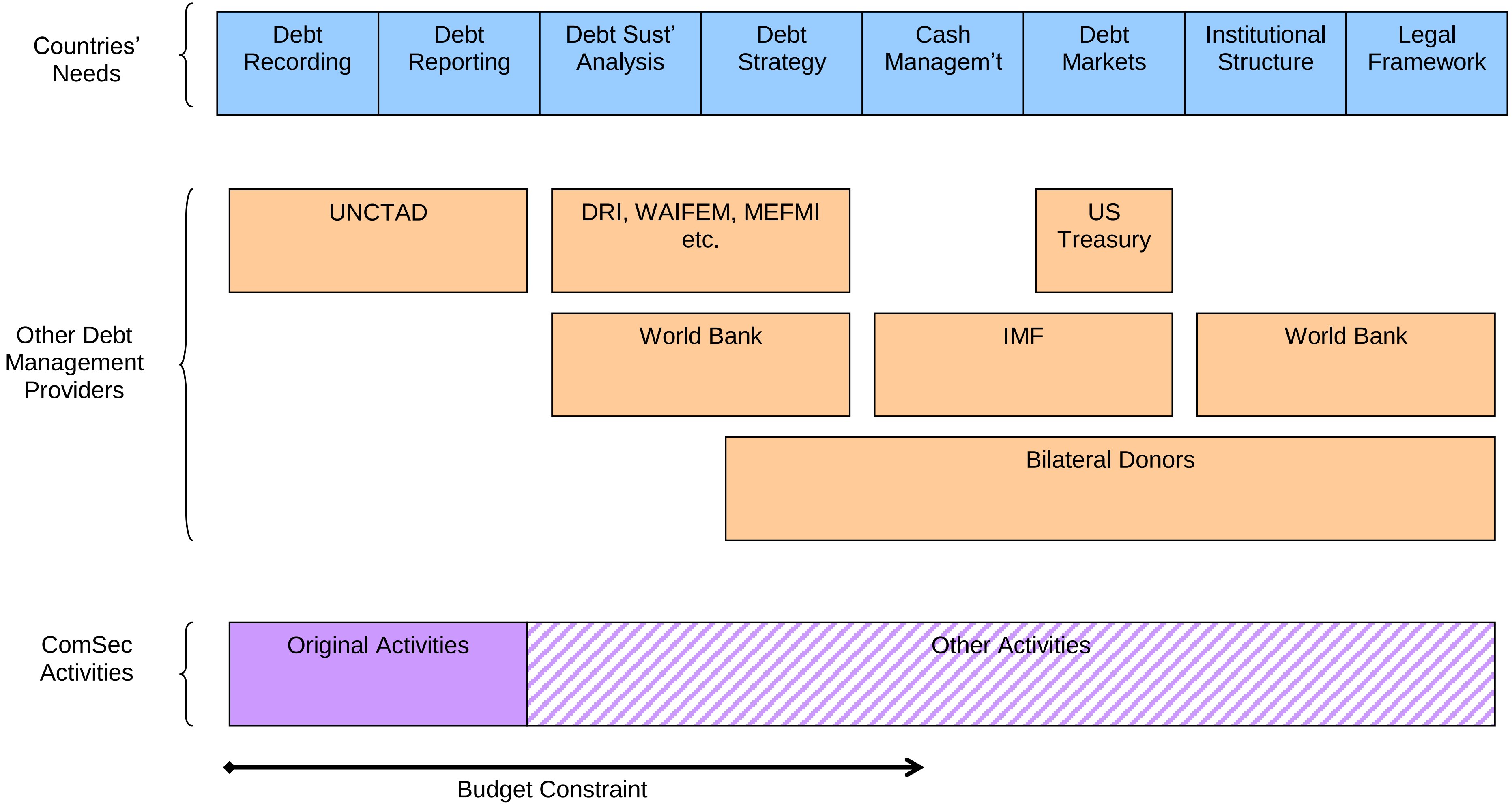
Figure 7.4 provides an illustration of this approach. It is not possible to produce an exact representation of the situation as the needs and available assistance will be different for each country. Equally, the types of assistance provided by different institutions are not directly comparable (e.g. the debt strategy assistance provided by the World Bank is very different to that provided by DRI and the regional institutions). The diagram also does not distinguish between long term support (e.g. US Treasury) and short term assistance (e.g. IMF).

At the top of Figure 7.4, the countries' needs are represented. In this case, a selection of different debt management technical areas are listed, though the full list would be much longer. Different countries will have different priorities across these areas. The second section of Figure 7.4 plots the existing support from other institutions against the countries needs. For example, UNCTAD provides assistance in debt recording and reporting and the US Treasury provide assistance in domestic market development.

Finally, the bottom section describes the assistance provided by ComSec. The "traditional" areas of activity for DMS – debt recording and debt reporting – are shown. The additional areas in which DMS should provide assistance will depend upon matching the countries' priorities across the different areas with the assistance available elsewhere and, most importantly, with DMS' budget constraint. The budget constraint is shown by an arrow at the bottom. The arrow is open ended as the budget is not yet defined; with additional resources, DMS can provide assistance across additional areas.

The purpose of Figure 7.4 is to provide a framework for making decisions about the scope of advisory services in the future. In the absence of additional funding, difficult choices need to be made about the areas in which DMS can provide assistance. This evaluation has already determined that priority should be given to software development and training. To the extent that resources remain after meeting those priorities, further decisions are required about which technical areas to prioritise for advisory services.

Figure 7.4 Mapping Future Services Against Needs, Resources and Other Providers



Once the budget has been determined (see Section 7.2) and the cost of meeting the two priorities of software development and training have been calculated, DMS should undertake an exercise to prioritise in the technical areas it will assist through advisory services. Using the framework above, DMS should identify priority areas on which to focus its advisory services. These areas would form part of the statement of long-term objectives discussed in Section 7.1.

Recommendation 19: *Identify priority areas in which to provide advisory services, based on countries' needs, services provided by other institutions and DMS' existing competences.*

7.7.2 Modality for Advisory Services

In addition to this prioritization process, DMS should also consider requests for advisory services on a case-by-case basis. The needs of different countries will vary, as will the extent to which they can seek debt management assistance from other providers. To ensure the best returns from DMS' limited budget, DMS needs to ensure that certain circumstances are in place before agreeing to provide advisory services. Where these circumstances are not met, DMS can refer the country to other providers of assistance (see Section 7.1).

First, DMS must determine whether there is a risk of overlapping with other providers of debt management assistance. For example, the World Bank is currently implementing the DeMPA assessment, which is available to any Low Income Country (LIC) that requests it. Following the DeMPA report, countries can also ask the World Bank for help with developing a reform plan. Figure 6.5 has already shown the wide range of providers of assistance operating in Commonwealth countries.

As noted above, some countries have expressed a preference for working with ComSec, as opposed to certain other providers. In many countries, ComSec has become the first port-of-call for debt management assistance. This reflects well on the service provided by DMS, but does not necessarily mean that DMS should meet every request that it receives. In particular, the fact that DMS' assistance is free, more convenient, less bureaucratic or delivered faster than other institutions are not necessarily sufficient reasons to justify DMS providing a service that a country can receive elsewhere. DMS should therefore focus on advisory services in selected areas which do not overlap with the activities of other providers.

In addition, it is important that advisory services do not replace capacity building activities. For example, it is preferable for a country to develop a debt strategy for itself (by a participative training course) than for DMS to provide advisory services and draft a strategy on the country's behalf. DMS has a good track record in capacity building and it is important that this is retained going forward.

Recommendation 20: *Advisory services should not replace capacity building activities and should be closely coordinated with other providers of assistance.*

If advisory services are to have an impact, the recommendations they produce must be implemented. This is particularly the case with DMS, where the advice is limited to short-term technical assistance. Before answering a request for assistance, DMS must be satisfied that the conditions are in place for the advice to be implemented. If these conditions are not satisfied, then DMS should not respond to the request.

For example, DMS can play a role in assisting countries in developing recommendations for a new institutional structure for debt management and designing an appropriate reform plan to achieve that structure. However, DMS does not engage in the long-term reform itself. The reform itself is likely to be highly intensive, both in terms of financial resources and staff time, and is at risk of being derailed by changes in personnel and government priorities, amongst other factors.

In such a situation, DMS should only provide the initial assistance if the reform is expected to overcome these risks. Only in these circumstances will the advisory services yield any benefits. The required conditions might include (i) funding from donors to obtain appropriate long-term consultancy services to assist with the implementation of the major policy and institutional reform[25]; or (ii) a strong civil service and sufficient "buy-in" at the political level for the country to implement the reform themselves.

Recommendation 21: *Advisory services should be limited to circumstances in which there is a clearly defined structure for implementing the recommendations.*

7.7.3 Regional Advisor Programme

Given the strong demand from countries, DMS should consider reintroducing the fixed-term regional advisor programme. This will require careful consideration of the recommendations included in the regional advisor evaluation report. However, based on the questionnaire to this evaluation, it would appear there is scope to expand the services provided by the regional advisor to include debt analysis and debt statistics.[26]

As there is also demand for continued work on CS-DRMS by the regional advisor, it may be necessary to have two separate advisors in each region, in order to provide the appropriate range of skills. DMS will need to consider the relative cost of providing two regional advisors in each region, against the alternative of one regional advisor and a series of regional training workshops on debt analysis.

Any support from the regional advisor should include a strong capacity building element. The ultimate objective of the regional advisor should be to make themselves redundant, with the countries able to conduct the tasks for themselves.

Recommendation 22: *Reintroduce the fixed-term regional advisor programme, after careful examination of the conclusions of the evaluation of that programme. The programme should be expanded to include debt analysis and debt statistics and should include a strong capacity building element.*

7.8 Others Issues

7.8.1 Gender

As stated in Section 6, gender issues have not been effectively mainstreamed into the debt management programme. This is supported by the results of the questionnaire and country

[25] For example, DFID have been supporting the Debt Management Office in Nigeria to implement a wide ranging long-term reform plan. The project has been implemented over three phases, each lasting several years and costing several million pounds.

[26] The questionnaire also showed support for the regional advisor to cover institutional arrangements and legal framework. However, as discussed above, it may not be appropriate for ComSec to address these issues. Instead, the regional advisor could support the country in finding assistance in these issues from other providers.

visits which show that approximately 65% of respondents felt that the debt management programme had small or no impact on gender issues.

There is a comprehensive change required if gender issues are to be effectively included in the debt management programme. Gender issues need to be incorporated into project design at the early stages. DMS will require assistance from ComSec's Gender Section to develop a plan for integrating gender issues into the debt management programme.

Recommendation 23: *Gender issues should be better integrated into the debt management programme. DMS should meet with ComSec's Gender Section to discuss how this can be done.*

7.8.2 Improved Coordination within ComSec

As stated in Section 6, the effectiveness of coordination between DMS and other sections in ComSec has been varied. EAD is currently considering the future direction and viability of the Commonwealth Ministerial Debt Sustainability Forum. DMS should contribute to these discussions to see how the CMDSF can support the objectives of the debt management programme. Subject to discussions with EAD, DMS may wish to assume the running of the CMDSF going forward.

The HIPC Legal Clinic has completed its term and it is currently under review as to whether it will be renewed. If it is renewed, much greater effort is required to improve coordination between the Clinic and DMS. It is recommended that regular meetings be established between the Clinic and DMS.

Recommendation 24: *Improve cooperation and coordination between DMS and other divisions within the Commonwealth Secretariat. Particular attention should be given to how the Commonwealth Ministerial Debt Sustainability Forum can assist in meeting the objectives of the debt management programme.*

7.8.3 Staffing Structure

There are two key factors that will determine the staffing structure of DMS going forward. First, a decision is required on which software development and maintenance activities should be outsourced and how that process should be managed. Second, a decision is required on the scope of DMS' activities going forward, particularly as regards advisory services. The former will affect the staffing structure of the IT team, the latter will affect the economists within DMS.

With regard to outsourcing, there is already consensus that some degree of outsourcing is required for CS-DRMS. The question is therefore the extent to which CS-DRMS should be outsourced. Options include the outsourcing of (i) major software development only; (ii) all software development activities but retaining software maintenance in-house; or (iii) all software development and maintenance activities. The decision on outsourcing is also linked to the decision on which areas to prioritise for software development (see Section 7.5).

There is already a strong precedent for outsourcing. UNCTAD have had considerable success in the outsourcing the development of their latest version, DMFAS 6. UNCTAD describe their experience of outsourcing as very positive, both in terms of cost efficiency and also in significantly reducing the time to release new versions of the software.[27] Outsourcing needs to be carefully managed, but there is already considerable literature on best practices. UNCTAD have not experienced any loss of control of the software as a result of outsourcing.

It is clear that outsourcing is likely to allow DMS to do more with the resources available to it. The decision on the extent to which outsourcing should be implemented and the process by which outsourcing should be managed is beyond the scope of this evaluation. Given the potential consequences for the debt management programme, this decision requires careful research by a qualified IT expert. Ideally, this study should be conducted by an independent consultant with strong experience in software development and outsourcing.

Recommendation 25: *A specialist study is required on which software development and maintenance activities should be outsourced and how that process should be managed.*

The decision on outsourcing will inform the staffing structure of DMS. The extent to which software development and maintenance are outsourced will determine the skills that are required in-house. Even in the situation where all software development and maintenance are outsourced, it will still be necessary to retain some IT skills in-house to manage the process. However, until the decision on outsourcing has been taken, it is not possible to prescribe the appropriate structure for DMS.

In particular, it is recommended that no decision be taken on whether to convert the six temporary positions to full time staff positions until the outsourcing study is complete, as the skill profile required from these roles is likely to change. The proposed outsourcing study should include recommendations on the appropriate staff structure required to support each outsourcing option, including recommendations on the future of the six temporary IT positions.[28]

A further area for consideration is the use of domain experts. It has been a challenge for DMS in the past to find suitable debt management experts who can specify the desired functionality in CS-DRMS in a way that can be converted into clear instructions for software development. Economist staff in DMS have contributed to this process, but their time is limited and their experience is not always relevant to the issue at hand. Short term consultancies and seminars of expert practitioners from developing and emerging market countries have also been used.

Given the temporary and changing needs of the domain experts it is not recommended that a full time staff member be recruited for this purpose. However, consideration could be given to using funds for short or long term consultancy positions to fulfil this role. DMS may also be able to find suitable domain experts amongst client countries, who might be available for attachment to DMS for short periods of time. It is recommended that the skills required from a domain expert be specified in the outsourcing study and a range of options for obtaining these skills be developed.

Regarding the number of economist staff in DMS, a decision is first required on the scope of DMS' activities going forward. As noted in Section 7.7, the extent to which DMS can engage

[27] For example, despite the extensive changes in DMFAS 6, UNCTAD have been able to undertake a major development of the software without any increase in staff numbers. Normally a development of this kind would involve a doubling of staff numbers for the period of development.

[28] It is not known whether UNCTAD has adjusted its staffing structure as a result of outsourcing the recent development of DMFAS 6. It is recommended that the team for the outsourcing study visit Geneva to obtain further details of the implications of outsourcing for UNCTAD's staffing.

in advisory services and the technical areas in which they provide advice will be determined by the size of the programme budget. If no additional funds are available, or the additional funds are only sufficient to meet the urgent need for software development, then no additional advisory services should be provided. In such circumstances, there is no need for an additional full time economist.

Ultimately, only once these decisions have been taken, can DMS determine the skills and staff numbers it will require to meet countries' needs. This process will then determine which of the current posts should remain, which new skills are required and how best to obtain those skills (i.e. new staff positions, short-term or long-term consultants). At present, it is not possible to definitively answer these questions without clear decision on the extent of outsourcing, the size of the budget and the scope of activities for the debt management programme in the future.

Recommendation 26: *The staffing levels and skills in DMS should be reviewed in light of the decision on the extent of outsourcing, the scope of activities and the programme budget.*

8 Conclusions

This evaluation has made use of a wide range of evidence, including stakeholder interviews, documentation, country visits and a questionnaire. Within the time available, the evaluation has cast the widest possible net to capture the views of as many countries and stakeholders as possible. Nevertheless, it is recommended that DMS supplement this evaluation with its own research, both formally and informally. This is particularly the case with regard to the functionalities in CS-DRMS it chooses to develop and the modality (in-house or outsourcing) it uses to do this.

The messages from those that participated in the evaluation have been broadly consistent. They have shown a debt management programme that is highly regarded by member countries and which has achieved considerable success in building capacity in debt management across the Commonwealth, particularly in the field of debt recording and reporting. These functions are the cornerstone of debt management activities, without which it would not be possible to effectively service government debt, progress to more analytical functions or indeed obtain the debt relief that has been granted through the HIPC and MDRI initiatives.

As the needs of member countries have changed and new institutions have started to provide debt management assistance, DMS finds itself with difficult decisions to make regarding the scope and modality of its future programme. Based on the results of this evaluation, a number of recommendations have been developed to help with this decision making process. Ultimately, however, it is for ComSec itself to decide on this future direction to ensure that whatever route is taken, it has the backing and “buy-in” of all those who will implement it.

Since the early 1980s, ComSec has been providing assistance to member countries through its debt management programme. Over the years, the debt management programme has had to continuously adapt to new opportunities and challenges. This evaluation provides an excellent opportunity to once again reshape the programme and ensure it remains relevant, effective, efficient and sustainable for the future.

Annex A Terms of Reference

TERMS OF REFERENCE

Evaluation of Commonwealth Secretariat

Debt Management Programme

(2003/04 – 2007/08)

1. Background

In the aftermath of the global debt crisis of the early eighties, the Commonwealth Secretariat was given a special mandate by the Commonwealth Finance Ministers to promote prudent debt management in member countries. As a result, the Secretariat launched a capacity building programme in debt management to provide advisory and capacity building services to member states. As part of the programme, the Secretariat has also been developing and maintaining a specialized debt management software, known as the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), which is installed in 59 countries, of which 43 are Commonwealth member countries.

The debt management programme is implemented by the Debt Management Section (DMS) of the Special Advisory Services Division (SASD) and the areas of focus cover the following:

- Provision of the CS-DRMS software;
- Assistance in data compilation;
- Dissemination in debt data methodology standards;
- Software maintenance and support;
- Training in debt management;
- Policy advice on debt strategies and institutional structure for debt management.

In building capacity in debt management, the Secretariat has adopted a mix of service delivery mechanisms based on the need for such assistance. The principal vehicles of DMS delivery of capacity building comprise the following:

- Organizing training/workshops at a country level, regional or global basis.
- Undertaking country assessment missions;
- Providing Hotline support on the use of CS-DRMS;
- Providing debt experts on long-term or short-term assignment in countries;
- Tapping local resource persons for software trouble shooting;
- Attaching debt officials in DMS on a selective basis;
- Availing consultancy services of debt experts and experienced CS-DRMS users for training and other specific assistance;
- Raising awareness on debt management issues through the publication of articles in the debt management series and conducting stakeholder meetings.

Over the period being evaluated, 2003/04 – 2007/08, a total of forty-four projects/activities have been implemented by SASD at a total cost of about £7 million. SASD has collaborated on some of these projects with the IMF, the World Bank, the Crown Agents, L'Organisation Internationale de la Francophonie (OIF), Pole-Dette, the US Treasury, Debt Relief International and regional organisations such as the Macro Economic and Financial Management Institute (MEFMI), the West African Institute for Economic Management (WAIFEM) and the Eastern Caribbean Central Bank (ECCB).

Within the Secretariat, the services of SASD have been complemented by the Governance and Institutional Division (GIDD), which has provided resident advisers to assist governments in implementing some debt management projects. Other Secretariat divisions which complement the work of SASD in the area of debt management include the Economic Affairs Division (EAD) (which since 1996, has been building consensus and undertaking empirical work as part of the Heavily–Indebted Poor Countries (HIPC) initiative and the Legal and Constitutional Affairs Division (LCAD) {which established in 2007 a One Stop Legal Referral Service (HIPC Clinic) to assist HIPCs on the legal implications surrounding debt management and lawsuits from commercial creditors}.

2. Rationale for the Evaluation

Since SASD's initial involvement, the debt management assistance needs of member countries have evolved in tune with global developments related to debt management. Currently, SASD's assistance on debt management includes provision of CS-DRMS to support debt management in member countries, provision of capacity building in the area of debt data compilation and reporting, debt analysis and advisory support on debt management policies and institutional framework. SASD needs to determine the performance of the debt management assistance it has been delivering in terms of relevance, effectiveness and impact, and also in which areas it enjoys a comparative advantage vis- a-vis other providers. SASD also wishes to ascertain whether, beyond the above areas, there are other areas it should be focusing on. The evaluation study will therefore examine current trends and future requirements for debt management-related assistance from Commonwealth member countries and advise on how the Secretariat should respond to these requirements, taking into account strategic and resourcing considerations.

Value added from this evaluation is expected to be achieved through identifying lessons, strategic guidance on the direction, scope and delivery of the debt programme, recommendations on more efficient and effective allocation of human and financial resources and potential for engaging into strategic partnerships to meet overall objectives for debt management assistance.

3. Scope and Focus

The objective of the study is to assess the efficiency and effectiveness of the debt management programme, to define the focus and form such assistance should take and to recommend potential strategic or operational changes that may be required by the Secretariat to better deliver its mandate.

The evaluation will examine issues relating to:

i) Quality and performance:

- Assess the efficiency of delivery of the activities under the debt management programme, particularly in relation to the allocation of resources to the programme;

- Assess the effectiveness of the assistance provided to member governments in meeting their requirements for advice and support in debt management matters and the degree to which projects have delivered on planned outputs and contributed to the objectives of the Finance and Debt (FAD) Programme in the Secretariat's Strategic Plan;
- Conduct an analysis of the issues that support or hinder the Secretariat in delivering an effective debt management programme;
- Examine the relevance of gender issues to the effectiveness of the programme and assess how well gender equality issues were addressed.

ii) The ongoing relevance of the programme to member governments:

- Review the demand for debt management over the evaluation period and assess the areas of likely demand over the coming years to inform recommendations on the forward directions of the programme;
- In the light of this, the evaluation should recommend whether the current debt management programme should be re-focused or broadened in any way to support more efficient delivery and effective outcomes. This may include recommending changes in the mode of delivery or a shift in the balance of expertise between in-house specialists and external consultants.
- Examine the costs and benefits of any recommended strategic and operational approaches in terms of resources, delivery method and focus.

4. Evaluation Process

The evaluation study will involve the following stages for information collection, analysis and feedback.

i. Preliminary Meetings and File Review:

- This stage will be conducted at the Secretariat headquarters in London. Meetings will be scheduled with Division officers and others working on the Secretariat's Finance and Debt programme.

ii. Field Visits:

- The evaluation will use country visits to review the programme and to consult with the Secretariat's partners on projects where there have been collaborations.

iii. Interim Report and Seminar:

- Within two weeks of completing the fieldwork the draft final Evaluation Report should be submitted to SPED and a seminar to present and discuss its contents will be arranged at the Secretariat.
- The report should set out clear findings, lessons learned and recommendations in response to the TOR.

iv. Final Evaluation Report:

- Within two weeks of receiving feedback from the Secretariat the evaluation team is to submit the final Evaluation Report to SPED. The report should have take on board all feedback and other comments and incorporate any necessary alterations or clarifications received on the draft report.

5. Methodology and Workplan

The first task of the evaluation team will be to prepare a workplan setting out the approach and methodology for the conduct of the study. It will describe how the evaluation will be carried out bringing specificity to the investigation and analysis of the issues outlined above and should include details of how the team will approach the evaluation process, particularly the conduct of any field evaluation and data analysis. The workplan is to contain a schedule for fieldwork and an outline of the final Evaluation Report for discussion with SPED.

6. Deliverables, Timing and Resources

The evaluation study will provide the following deliverables to the Secretariat:

1. Evaluation workplan and methodology;
2. Revised workplan incorporating country field missions and related data collection;
3. First draft of the evaluation report;
4. A seminar/presentation of the findings and recommendations;
5. Final evaluation report, incorporating feedback comments.

The deliverables must be submitted to SPED electronically as a Microsoft Word document. The draft Evaluation Report is to be submitted within two weeks of completion of the fieldwork. Following the presentation of the evaluation findings at a seminar at the Secretariat and receipt of feedback comments from the Secretariat and other stakeholders on the draft report, the evaluator is expected to submit a revised final Evaluation Report. The draft (and final) evaluation report must be no more than 50 pages, excluding annexes.

7. Schedule and Level of Effort

The study is planned to commence in May 2009. It is estimated that up to 66 consultant days will be appropriate to complete the study, including agreed fieldwork visits, which should be planned for the June/July 2009 period. This schedule will enable a final report to be prepared by November 2009.

The evaluation study will be conducted by a consultant or consultancy team with wide experience in the evaluation of international development assistance, with specific expertise in public debt management covering both external and domestic debt management. The consultant or consultancy team should possess good knowledge of recent developments in public debt management. Experience of work in debt management organisations and knowledge of implementation of Management Information Systems (MIS) for public financial management is highly desirable.

An Issues Paper has been prepared by SPED based on a review of the project documents and preliminary consultations with relevant Secretariat staff. The Issues Paper will be made available to the evaluation team.

Annex B Evaluation Matrix

Evaluation Criteria	Questions	Information sources
Relevance	What are the objectives of the debt management programme, as implemented by DMS? Are the services/activities provided by ComSec relevant to the needs of their country clients?	Strategy documents Country visits
	Has ComSec been targeting the most appropriate group of economies? Should ComSec now redesign the software to target a different group of economies? Which market segments should ComSec address and which software functionalities would need to be emphasized? What would be the budgetary implications for DMS in view of such repositioning of CS-DRMS?	Stakeholder interviews Country visits Market Analysis Analysis of DMS budget
	What is the demand from countries for advisory services from ComSec? Are other agencies providing similar services adequate enough to cover member countries? In which areas does the Secretariat have a comparative advantage?	Stakeholder interviews Country visits Questionnaire
Effectiveness	How effective has the debt management programme (as implemented by DMS) been in meeting the challenge of delivering services, within a Pan-Commonwealth programme, which meet individual country needs?	Country visits
	How well has DMS collaborated with partner agencies? Are there other possible collaborations which it should consider?	Stakeholder analysis Stakeholder interviews
	To what extent were the findings of the previous evaluation study implemented?	Document analysis, including evaluation and APRs
	How well has DMS been able to identify software functionality needs, and formulate appropriate software specifications? If there is a gap, are there alternative ways of addressing it?	Key stakeholder interviews Country visits Questionnaire
	How effective is the arrangement between Crown Agents and DMS for the distribution of CS-DRMS beyond Commonwealth countries? Should other distributors be used?	Stakeholder interviews Interview with Crown Agents.
	How effective has the relationship between DMS and EAD, GIDD and LCAD in delivery of FAD programme results?	Interviews within ComSec Analysis of ComSec documents
	How effective has the debt management programme, as implemented by DMS, been in articulating its gender objectives? Have the activities of programme been effective in impacting the gender balance in recipient countries?	Document analysis, including gender/debt booklet Stakeholder interviews and questionnaire
	How effective has the CS-DRMS user group been as an information conduit? Has it met its objectives?	CS-DRMS user group mandate, minutes Key stakeholder interviews, country visits

Evaluation Criteria	Questions	Information sources
Efficiency	How efficient has the debt management programme (as implemented by DMS) been in meeting the challenge of delivering services, within a Pan-Commonwealth programme, which meet individual country needs?	Country visits Portfolio and project reviews
	Are the current staffing arrangements for DMS (both number and profile) suitable for delivering the current and future activities of the programme?	Analysis of budget Management interviews
	How efficient has been the use of temporary staff and should this approach be continued?	Analysis of budget Management interviews
	Should DMS be considering outsourcing its software development needs?	Budget analysis Management interviews
Sustainability	How sustainable is the short-term impact of current activities of the debt management programme (as implemented by DMS)?	Country visits Training evaluation reports, follow-up activities
	What are the ongoing commitments from DMS' existing activities?	Analysis of projects and programme activities
	What is the ability of the DMS to respond to new initiatives, particularly in domestic debt management? Can the recording system respond to this?	Management interviews Capacity assessment
	If the DMS is retargeted, what are the budgetary implications?	Budgetary analysis Management interviews
Forward looking analysis	In future, what should be the focus of the debt management programme (as implemented by DMS)? How should DMS divide its time and resources between development of CS-DRMS, training in CS-DRMS and other advisory services?	Recommendations based on analysis of "relevance" issues
	Should DMS expand its work in advisory support on debt management? What areas of advisory work should DMS focus on?	Questionnaire, country visits, documents Budget analysis, management interviews
	How should DMS expand the assistance it provides to countries through CS-DRMS? Should some countries be allowed to "graduate" from CS-DRMS to commercial systems?	Questionnaire, country visits, documents Budget analysis, management interviews
	Will the proposed E-Learning programme assist in meeting the increase in demand for provision of training?	Questionnaire, country visits Stakeholder interviews
	Can the Secretariat develop its own in-house expertise in the area of debt management, including by hiring additional economists and researchers?	Management interviews Budget analysis
	Should the Regional Advisers Programme be reviewed and redesigned to cover support in debt analysis and formulation of debt management policies and strategies in member countries, in addition to the traditional support on data compilation etc?	Questionnaire Country visits Stakeholder interviews

Annex C List of Projects Implemented since 2003/4

- **Collaboration between ComSec and L'Organisation Intergouvernementale de la Francophonie (OIF)** - Provide governments with an updated French language version of CS-DRMS that is better suited to contemporary debt management practices, user requirements and underlying new technology.
- **Regional Workshop on Domestic Debt Management for Africa and Mediterranean Regions -** The workshop is designed to demonstrate use of analytical tools for domestic debt for effective domestic debt management operations and strategy.
- **DMS Collaboration with MEFMI -** Capacity to use CS-DRMS 2000+ strengthened in the MEFMI region.
- **Strengthening Debt Management in Asia -** Better debt data monitoring capability through enhanced use of CS-DRMS and developing robust debt databases of member countries.
- **Botswana, Recording of Private External Debt in CS-DRMS -** External debt statistics in Botswana improved by including private sector debt liabilities thereby facilitating effective monitoring and prudent management of external debt.
- **Debt Management Assistance to Cameroon -** Capacity of CAA's staff increased to use the French version of CS-DRMS 2000+ efficiently.
- **Regional Workshop on Domestic Debt Management for Caribbean Region -** Demonstrate use of analytical tools for domestic debt for effective domestic debt management operations and strategy.
- **CS-DRMS 2000+ Database Schema and Report Writing Workshop -** Build capacity of local CS-DRMS IT support staff in user countries to develop custom reports, share CS-DRMS 2000+ databases and integrate CS-DRMS into IFMIS.
- **CS-DRMS User Group Meeting -** Increase the level of interaction between the user community and DMS by setting up a permanent CS-DRMS User Group.
- **CS-DRMS 2000+ Enhancements of Functionalities -** A new tool embracing latest technologies which countries can use to better manage sovereign debt and address emerging debt management challenges.
- **Commonwealth Secretariat Debt Management Forum –** Improve delivery of advisory support services and enhance CS-DRMS to meet the requirements of member countries.
- **CS-DRMS 2000+ Software – Functional Enhancement and Web-Enablement -** The proposed 2-year project is intended to develop version 2 of CS-DRMS 2000+.
- **CS-DRMS 2000+ Software – Support and Maintenance -** Provide effective and timely hotline support to CS-DRMS user countries.
- **CS-DRMS 2000+ Software Documentation -** Improve user and technical documentation of the CS-DRMS 2000+ Software.
- **CS-DRMS 2000+ Implementation Monitoring and Assistance Missions -** Undertake implementation assistance missions to CS-DRMS user countries to assist them to implement the software, migrate their databases from the old CS-DRMS 7.2 software.
- **CS-DRMS 2000+ IT Administrators' Training Workshop -** Build capacity of local IT Support Staff in user countries to manage the operation, security, custom reporting, database and system integration needs of users.

- **Collaboration with WAIFEM – Second Phase -** Strengthen the capacity of Debt Offices/Units to use CS-DRMS 2000+ in the WAIFEM region.
- **Development of Analytical Tools, Debt Standards Compliance & Financial System Integration -** Develop versions 1.2 and 1.3 of CS-DRMS 2000+ featuring functional enhancements required by countries and support users in their use of Version 1.1.
- **CS-DRMS Regional Advisers: A joint GIDD/SASD Project -** Help governments and central banks in updating and maintaining databases, implementing effective debt strategies and building capacity of staff to maintain an optimum debt profile.
- **Seminar on requirements for the Domestic Debt Management Tools Module -** Define requirements for domestic debt management tools module of the CS-DRMS 2000+ software.
- **Debt Data Methodology and Standards -** Dissemination of international best practices on compilation and reporting of debt statistics by member countries.
- **Integrating CS-DRMS 2000+ with National Financial Management Information Systems -** Develop a technical specification document and a road map towards establishing a platform for integrating CS-DRMS with IFMIS in user countries.
- **Compilation of a Debt Agreements Repository -** Build a compendium of country loan and other debt agreements and related documents.
- **Seminar on On-Lending –** Plan for improving the on-lending functionality in CS-DRMS and advising member countries on best practices.
- **DMS Pan-Commonwealth Workshop on the Issuance of Government Securities and the Auctioning Module –** Launch a government securities auctioning module to enable countries to embrace best practices in the issuance of government securities and to support initiatives to develop the domestic securities market.
- **CS-DRMS 2000+ IT Administrators' Training Workshop -** Build capacity of CS-DRMS IT Administrators in user countries to develop custom reports and administer the system.
- **DMS Regional Workshop on Debt Management Policies and Strategy –** Improve debt management and broaden government securities market in member countries.
- **Improving Debt Data Compilation, Quality and Dissemination -** Ensure improvements in debt data quality and dissemination.
- **Collaboration with ECCB -** Collaborate with the ECCB to strengthen the debt management capacity in 8 countries.
- **Training Workshop on Debt Reorganization using CS-DRMS 2000+ -** Provide advanced training in debt reorganisation, the complex debt instruments and Management Tools to debt managers and officers from OECS states and the ECCB.
- **Strengthening Debt Management Capacity in the Caribbean Region -** Enhance analytical capacity on debt management and consolidate the use of CS-DRMS in the region.
- **Debt Management Assistance to The Gambia -** Expand the overall debt data coverage in The Gambia, formulate a national domestic debt strategy, establish a fully functional debt recording system and develop capacity for debt management.
- **Implementation of CS-DRMS at the State Level in India -** Strengthening debt management capacity in the states in India through the use of CS-DRMS for comprehensive monitoring and reporting of their debt liabilities.

- **Strengthen Debt Management and Debt Markets in Kenya -** Assist Kenya set up a strong Back Office within the Debt Management Office; install and upgrade the CS-DRMS software at sites in the Ministry of Finance and Central Bank; and train staff in the use of CS-DRMS and best practices in public debt management
- **Malta, Setting up of Debt Management Office and Implementation of CS-DRMS -** To advise on the setting up of the Debt Management Office (DMO) and to implement CS-DRMS 2000+, including training of DMO staff.
- **Post-HIPC Assistance in Mozambique -** Accuracy, timeliness and coverage of the debt databases maintained by MOF and BOM reviewed.
- **Mauritius, Capacity Building in Debt Management -** Building capacity in Debt Management and the use of CS-DRMS, extend the use of CS-DRMS in capturing domestic debt, auctioning of government securities and monitoring project disbursements, provide inputs into a debt sustainability analysis.
- **Regional Workshop on Domestic Debt for Pacific & Asia -** Designed to demonstrate use of analytical tools for domestic debt for effective domestic debt management operations and strategy.
- **Debt Management Assistance to the South Pacific Region -** Strengthen debt management capacity through training in debt data quality and standards, debt restructuring and analysis, domestic debt management, portfolio review and strategy formulation, risk management and institutional arrangements for debt management.
- **Seychelles, Debt Recording and Management System -** Provide the Seychelles with CS-DRMS 2000+and train users to support, maintain and effectively use the software.
- **Aid Recording and Management System -** Provide users from the four sites in Sierra Leone with the necessary skills for installing and configuring CS-DRMS 2000+ for the effective utilisation of CS-DRMS 2000+ for aid and debt management.
- **Sierra Leone, Capacity Building in Domestic Debt -** Support Government of Sierra Leone by extending advisory services on institutional arrangements, development of a national debt management strategy, build technical capacity to facilitate the contribution of debt management practices to national economic development.
- **Sri Lanka, Assistance for the establishment of a Public Debt Management Office -** Assist in the establishment of a Public Debt Management Office (PDMO) and implement CS-DRMS 2000+ for domestic debt recording and management.

Annex D Recommendations of the Previous Evaluation

Area of Recommendation	Recommendation
I. Debt Management Programming	• The Secretariat should maintain a programme of assistance in debt management for the foreseeable future. • Given the needs of developing member countries for debt management support differ from one country to another, this situation must be factored into a new COMSEC debt management programme • The two major components of the current debt management programme, that is the CS-DRMS software and the debt advisory services, should be retained; however, the focus of some elements of the programme and the modalities for delivery should be changed. • The Secretariat should maintain the ownership and control of the CS-DRMS software to ensure quality of the product and service. • ELASD must speed up the modernization of the new software (CS-DRMS 2000+), proceed with testing the product, ensure its prompt installation in existing user sites, and provide training on its use. A Users' Manual must be prepared prior to the release of the new software. • The development costs for the software should be separated from ongoing software related costs (such as maintenance) so as to facilitate the implementation of cost sharing features for future software development and ancillary services. • The COMSEC must continue to work closely with country officials to ensure that a coherent process is in place to manage debt properly thus allowing member countries to achieve long-term debt sustainability (rigorous application of debt indicators, adequate legal and institutional arrangements, development of awareness on pitfalls of unnecessary debt). • ELASD must accelerate the frequency of training courses on the use of the CS-DRMS, particularly for Highly Indebted Poor Countries (HIPC). • The COMSEC must continue to play a leading role in fostering dialogue among stakeholders on debt management and in creating an awareness of debt issues. The COMSEC (EAD) must also continue to provide support to achieve consensus building in the international community on the issue of debt relief for the HIPC, through solid empirical research and lobbying for the speedier implementation of the initiative. • The ELASD should increase the frequency of seminars/workshops on debt management policy issues in the regions. The training of trainers should be an important objective of the new training programmes. Training on more complex debt issues should be done jointly with other public and private organisations that have debt management programmes and expertise. • The proposal to establish Centres of Excellence on debt management

Area of Recommendation	Recommendation
	in each region should be encouraged and supported by the COMSEC. • The fielding of short-term policy experts to assist users with debt sustainability analyses, risk management, non-debt creating flows, and contingent liabilities should be considered, on a selective basis (through GTASD). It is also recommended that the services of an expert debt management consultant (one per region) be retained on the basis of say 180 days a year to carry out specific short term assignments (say 1 week to 3 months) on complex debt policy issues in various countries in the region where such services might be required. • ELASD must continue to take into account the special characteristics of small states in its programming and work through regional organisations. • The COMSEC must clarify the link between gender equality and debt management as well as create an awareness of gender issues at country level.
II. Funding Requirements	• In line with the agreed COMSEC policy to "earn fees on a cost-recovery basis" (CFTC: A Rethink report) and with the efforts already being done by ELASD to recover costs, it is recommended that the COMSEC (ELASD) consider setting the entire software component of the CS-DRMS programme on a course of full cost recovery. This could be achieved on a gradual basis with a partial cost recovery by the end of the first year after the policy is adopted and on a full cost recovery basis, by the end of the third year. • In order to realise this cost recovery objective, the following are some of the actions which will need to be taken: o ELASD should prepare a comprehensive policy on the commercialisation of the entire CS-DRMS programme software component and ancillary services. The policy should set out clearly the guidelines for the sale of the software to non-Commonwealth countries and to the private sector, the licensing fees to be charged, the selection of outside agents, the arrangements for developing software upgrades and major modernizations of the software package, the responsibility for maintenance and providing hotline services. There are no doubt other parameters that will need to be addressed. It will also be important to set out the criteria for a two-tier differentiated user fee for partial recovery of software maintenance costs (if these have not already been developed). o Before going ahead full steam with the implementation of the cost recovery policy for the software component of the debt management programme, it may be appropriate to seek the endorsement of the Committee of Management and Board of Representatives of the CFTC. o If the proposals are endorsed, it will be necessary to amend the CFTC financial regulations to allow part or all of the revenues generated through the sale of the software and ancillary services to revert back to the ELASD so as to achieve the financial self-sustainability objectives for future software development and

Area of Recommendation	Recommendation
	ancillary services. • There may be other avenues for ELASD to explore in order to raise additional funds. For example, personnel could seek out new service contract arrangements such as that entered into with l'Agence Intergouvernementale de la Francophonie to manage the CS-DRMS programme in three Francophone countries. They could also bid, given the right opportunity, on consultancy contracts in debt management funded by other organisations. The ELASD was successful in winning such contracts in the past, e.g., developing a strategy for a country to access capital markets. However, such assignments should not detract personnel from their regular duties within ELASD and therefore, such assignments should be accepted circumspectly.
III. Organisation and Staffing for Debt Management	• The new Debt Management Unit, as a minimum, should be headed by a Project Manager of international stature in the debt management field, supported by a Debt Specialist, a Systems Manager, a Systems Analyst and an Administrative Secretary. • The Unit would essentially maintain its current role as outlined in Section 4.3 (page 17). However, given the more complex nature of debt policy advisory services and the limited capacity in ELASD to meet the needs of all users in this area, countries may need to seek such expertise elsewhere. In such cases, the ELASD personnel could assist countries in finding the right type of expertise. Perhaps short-term consultancies under GTASD could be arranged for this purpose. • Given the need for continuity in the delivery of the debt management programme, it will be important for the COMSEC to maintain maximum flexibility in the implementation of the staff rotation policy. • If it is decided that the Secretariat should retain ownership and control of the software development (Recommendation 7.1, fourth bullet), the Systems personnel working on debt management will have to supervise the work of the software consultant(s) selected to do this work (after defining the new requirements) and subsequently provide maintenance support to users.
IV. Public Relations	• To increase the visibility of the COMSEC work in the area of debt management, the Information and Public Affairs Division, in concert with ELASD or the new entity responsible for the debt management programme, should prepare a Public Relations Plan for the coming year, particularly in view of the impending release of the new CS-DRMS software.

Annex E Persons Met

<u>India</u>

Ministry of Finance;

Mr Anil Bisen, External Debt Management Unit
Mrs Balbir Kaur, Officer on Special Duty, External Debt Management Unit
Mr Sunil Saran, Add. Economic Advisor, External Debt Management Unit
Mr Krisan Kumar, External Debt Management Unit
Mr S D Sharma, Joint Controller, Aid Accounts and Audit Division, Dept of Economic Affairs
Mr J Singh, Deputy Controller, Aid Accounts and Audit Division, Dept of Economic Affairs
Mr J P Singh, Junior Accounts Officer, Aid Accounts and Audit Division, Dept of Economic Affairs
Ms A Balaram, Director, Department of Expenditure

Reserve Bank of India

Mr B Singh, Advisor, Department of Statistical Analysis and Computer Services
Mr A P Gaur, Director, Department of Statistical Analysis and Computer Services
Mr M. Parameshwaran, Assistant Adviser, Department of Statistical Analysis and Computer Services
Mr S. Bordoloi, Assistant Adviser, Department of Statistical Analysis and Computer Services
Mr V Kumar, Research Officer, Department of Statistical Analysis and Computer Services
Mr R Kavediya, Research Officer, Department of Statistical Analysis and Computer Services
Mrs J Roy, Research Officer, Department of Statistical Analysis and Computer Services
Ms S. Subrahmanian, Research Officer, Department of Statistical Analysis and Computer Services

<u>Sri Lanka</u>

Ministry Of Finance

Mr J H J Jayamaha, Director General
Mr S.M. Piyatissa, Director
Mrs S Galhena, System Controller
Mr P M K T Palanasooriya, Research Assistant
Mr P U A Jayawardena, Research Assistant
Mrs M A K D Gamage, Research Assistant
Mrs S G A R S M Alahakoon, Research Assistant

Central Bank of Sri Lanka

Mr C J P Siriwardena, Superintendent of Public Debt
Mr C N Wijayasekera, Additional Superintendent of Public Debt
Mrs M S M P Fernando, Senior Manager
Mr L R C Pathberiya, Manager
Mrs P L A S Abeysingha, Manager

Papua New Guinea

Bank of Papua New Guinea

Mr David Sali, Head, Economics Department
Mr Gaona Gwaibo, Manager, Balance of Payments Unit, Economics Department
Mr Otto Salmang, Manager, Information Technology Department
Mr Naime Kilamanu, Information Technology Department
Mr Elim Kiang, Acting Manager, International Transaction Monitoring Unit

Department of Treasury

Mr Aloysius Hamou, First Assistant Secretary, Financial Evaluation Division
Mr Gibson Gotaha, CS-DRMS Unit, Financial Evaluation Division
Ms Ruth George, CS-DRMS Unit, Financial Evaluation Division

Jamaica

Ministry of Finance

Ms Pamella McLaren, Acting Senior Director, Debt Management Unit
Ms Dian Black, Director, Securities Management Section, Debt Management Unit
Mr Ian M. Scarlett, Senior Economist, Domestic Debt Section, Debt Management Unit
Mr Greg Wheller, Domestic Debt Section, Debt Management Unit
Mr Andre Foster, Domestic Debt Section, Debt Management Unit
Ms Audrey Duncan, Domestic Debt Section, Debt Management Unit
Ms Annette Johnson, External Debt Section, Debt Management Unit
Ms Janet Wallace, External Debt Section, Debt Management Unit
Mr Yannick Bell, Electronic Data Processing Section, Debt Management Unit
Miss Carline Williams, Acting Senior Secretary

St. Kitts & Nevis

Accountant General's Department

Mr Levi A. Bradshaw, Accountant General
Mr Sean Lawrence, Debt Officer

Ghana

Ministry of Finance

Mr A Y Tetteh, Deputy Director, Aid and Debt Management Dept
Mr S Nortey, Senior Economist, Aid and Debt Management Dept
Ms Y Asantewaa, Economics Officer, Aid and Debt Management Dept
Mr E E Mensah, Budget Analyst, Aid and Debt Management Dept

Central Bank of Ghana

Mr FK Andoh, Director, Treasury Department
Mr C Kedze, Research Department

Nigeria

Debt Management Office

Ms F Ilamah, Director, Debt Recording and Settlements Dept
Dr M B Mahmoud, Director, Policy Strategy and Risk Management Dept
Ms H Suleiman, Assistant Director, Debt Recording and Settlements Dept
Ms A Anukposi, Assistant .Director, Debt recording and Settlements Dept
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Ms J Jiya Assistant Director, Policy Strategy and Risk Management Dept
Mr J Ugoala, Assistant Director, Policy Strategy and Risk Management Dept

Kenya

Ministry Of Finance

Mr J Murugu, Director, Debt Management Department
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Ms F Kivisi, Under-Secretary, Debt Management Department
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Mr L Bumbe, Assistant Secretary, Debt Management Department
Mr J Kiarie, Accountant, DGIPE

Central Bank of Kenya

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Mr T M Murithi, Manager, Monetary Operations & Debt Management

Malawi

Reserve Bank of Malawi

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Dr Naomi Ngwira, Director, Debt and Aid Management Division
Mr Stan Nkhata, Deputy Director, Debt and Aid Management Division

Commonwealth Secretariat

Mr Stephen Cutts, Director, Strategic Planning and Evaluation Division
Mr Yogesh Bhatt, Head, Evaluation Section, Strategic Planning and Evaluation Division
Mr Tyson Mason, Evaluation Officer, Strategic Planning and Evaluation Division
Mr Jose Maurel, Director, Special Advisory Services Division
Mr Arindam Roy, Adviser & Head (Debt Management), Special Advisory Services Division
Mr Sanjay Lollbeharree, Adviser & Team Leader (IT Systems), Special Advisory Services Division

Mr Carilus Odumbe, Adviser (Debt Management), Special Advisory Services Division
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Mr Alain Fofeh, System Development Officer, Special Advisory Services Division
Mr Vikas Pandey, System Development Officer, Special Advisory Services Division
Mr Andy Hargreaves, Programmer, Special Advisory Services Division
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Mr Jonathan Ockenden, Head, Finance Section, Economic Affairs Division
Ms Devi Sookun, Resident Legal Adviser, Legal and Constitutional Affairs Division

Crown Agents Limited

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Debt Relief International (DRI)

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Eastern Caribbean Central Bank (ECCB)

Ms Laurel Bain, Senior Director, Statistics Department
Miss Juletta Jeffers, Senior Economic Statistician, Statistics Department
Ms Acklyn Blaize, Administrative Officer, Statistics Department
Mrs Cindy Parris-Gilbert, Management Information Systems Department
Mr Elliot Williams, Management Information Systems Department

World Bank

Ms Abha Prasad, Economic Policy and Debt Department, Poverty Reduction and Economic Management Network
Ms Dorte Doemeland, Economic Policy and Debt Department, Poverty Reduction and Economic Management Network
Mr Tomas Magnusson, Lead Financial Officer, Banking and Debt Management Department
Mr Ibrahim Levent, Financial Data Team, DECDG

US Treasury

Mr Barry Gray, Senior Government Debt Issuance & Management Advisor, International Affairs Office of Technical Assistance

United Nations Conference on Trade and Development (UNCTAD)

Mr Gerry Teeling, Chief, DMFAS Programme, Debt & Development Finance Branch, Division on Globalization & Development Strategies

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Mr H Joly, Division Chief, Official Financing Operations Division, Policy Development and Review Department
Mr U Das, Division Chief, Sovereign Asset and Liability Management Division Monetary and Capital Markets Department

Mr J Galand, Debt Statistics Division

Macro Economic and Financial Management Institute

Mr R Otieno, Director Debt Management

Western Africa Institute for Financial and Economic Management

Mr Baba Musa, Head, Debt Management

L'Organisation Intergouvernementale de la Francophonie

Ms L Arnould

Debt Management Training Unit in Central and West Africa (Pole-Dette)

Mr Georges Diffo Nigtiopop, Responsable du Pôle Régional de Formation en Gestion de la Dette en Afrique du Centre et de l'Ouest (Pôle-Dette)

Annex F Arrangement for the Sale of CS-DRMS in Non-Commonwealth Countries

ComSec has an agreement with Crown Agents to distribute CS-DRMS outside of the Commonwealth. The Terms of Reference for the evaluation requested that this relationship be examined.

At the outset, it should be recognised that there is a limited market for debt recording software. Given the time and costs involved in establishing and training staff on a new debt recording system, countries are unlikely to switch from one system to another. As a result, the market is restricted to those countries in which there is currently no debt management system or where the existing system has fallen into disuse (hence lowering the transaction cost of switching to a new system).

Since 2003, Crown Agents has sold CS-DRMS to Afghanistan, Macedonia and China, amongst others. There is no fixed price for the system, but ComSec has agreed an acceptable price band which Crown Agents must adhere to. The revenue sharing agreement gives ComSec a fixed proportion of the sales price of the software, but no other revenue from any resulting contract with the client government.

There are two options for potentially increasing the revenue from the sale of CS-DRMS; expanding the number of distributors of CS-DRMS and changing the terms of the existing arrangement with Crown Agents.

Expanding the Number of Distributors of CS-DRMS

With no comparator, it is not possible to gauge the effectiveness of Crown Agents as a distributor of CS-DRMS and therefore whether there would be any benefit in expanding the number of distributors. The sale of CS-DRMS to the countries listed above suggests a certain degree of success, but it cannot be determined whether Crown Agents has obtained the maximum benefit, either in terms of identifying contracts that it could have won but did not or contracts that it did win but could still have won at a higher price.

However, the major challenge in expanding the number of distributors is the limited number of companies that might take this role on. Crown Agents has at least three staff members with extensive experience of working with CS-DRMS. Whilst there are individual consultants with sufficient CS-DRMS experience, these skills are not found in the staff of any other company. Obtaining these skills either through training existing staff or through the contracting of external consultants represents a significant cost to any firm that might consider becoming a distributor.

A further issue is the need for ComSec to retain control over the distribution. With more than one distributor, there could be a situation where two firms are competing to sell CS-DRMS to the same country. ComSec would need to develop a mechanism to prevent such a situation arising.

For these reasons, it would seem unlikely that expanding the number of distributors would increase the benefits that ComSec obtains from selling CS-DRMS outside of the Commonwealth. Nevertheless, it would seem prudent to remain open to this option and consider on a case by case basis any company that approaches ComSec requesting to distribute the software.

Changing the Terms of the Arrangement with Crown Agents

The competitive process used when each country considers purchasing CS-DRMS will be different. For example, some procurement processes will be more formal than others, some purchases will be made with donor funds whilst others will be paid directly by the government. Nevertheless, it is often the case that the software is only one part of the overall package. The client is also likely to pay for installation and training, amongst other services.

When evaluating proposals from different debt recording systems, countries may choose to focus on the cost of the software itself, rather than on the cost of the complete package of software, installation and training.[29] As such, the market can be compared to that of printers for home use, where consumers pay attention to the cost of the printer but do not consider the cost of the associated replacement ink cartridges over the lifetime of the printer. In such a market, the aim is to sell the printer (or in this case the software) for a competitive low price and compensate for this by charging a higher price for the ink cartridges (in this case installation and training costs).

The current structure agreed with Crown Agents prohibits this kind of pricing arrangement. In fact, there is an incentive for Crown Agents to price the software as low as possible in order to win the bid, as Crown Agents can compensate for this by retaining the profit on any associated installation and training fees. ComSec does not obtain anything from the installation and training fees and therefore risks losing revenue in this arrangement.

A better proposal would be to give Crown Agents the flexibility to sell CS-DRMS at any price it wishes, but in return for ComSec retaining a percentage of the revenue across all components of the project (software, installation, training, etc.).[30] This will correctly align Crown Agents' incentives with those of ComSec. It also devolves the decision of how to price the software to those closest to the bid, who will be most aware of the potential competition and the client's willingness to pay.

In order to implement this, there would need to be an agreement with Crown Agents about what percentage would be provided to ComSec and how this can be effectively monitored. The percentage would be smaller than is currently applied to the software, as it would apply to all of the project revenue. There would also need to be clear criteria for what constitutes the project (e.g. what happens if the client asks for follow-on training in the subsequent year).

For ComSec to obtain the maximum percentage of the project revenue, this process could be put out to tender with the winning firm being awarded the exclusive rights to distribute CS-DRMS outside of the Commonwealth. Whilst Crown Agents' experience and current staff would give them an advantage over other bidders, the threat of competition should create the incentive to offer ComSec a higher percentage than would otherwise be the case.

Conclusion

Although there is potential to increase the revenue that ComSec gains from the sale of CS-DRMS, it should be recalled that the market size is limited and this will always remain only a

[29] For example, installation and training costs may not always be transparent (e.g. where the cost per day for installation and training is provided, but it's not clear how many days would be required). Countries may also request follow-on training that is not included in the original budget.

[30] This option was developed subsequent to the meeting with Crown Agents. It is recommended that consideration be given to these issues within DMS before raising the issue directly with Crown Agents.

small revenue stream. It should also be pointed out that the time allocated for this study has not afforded a detailed examination of the exact circumstances (i.e. what combination of prices for software, installation and training) in which this new arrangement would yield more income for ComSec than the current arrangement. This analysis should be carried out before proceeding with any changes.

Nevertheless, it would seem that there is at least scope to better align the incentives of Crown Agents towards increasing the returns to ComSec. Even if ComSec does not wish to change the arrangement it has with Crown Agents, it is recommended that ComSec conduct a detailed analysis of recent sales (and failed bids) to determine what is an appropriate price for the software. This study should also take account of the recent launch of the competing system, DMFAS 6, which will intensify competition going forward.

IMPORTANT

This evaluation is conducted by Oxford Policy Management, a private consultancy firm operating in the same market as Crown Agents. As such, there is a potential for conflict of interest in any recommendations made on the arrangement between ComSec and Crown Agents. ComSec was made aware of this issue in the first meeting between OPM and ComSec at the start of the evaluation. Nevertheless, ComSec asked OPM to proceed with this section of the evaluation and the above therefore represents the impartial view of the evaluation team with regard to the arrangement for the sale of CS-DRMS outside of the Commonwealth.