Debt Management Facility (DMF)

Supporting sustainable public debt management in Low-Income Countries

Debt management plays a central role for sound public finances and macroeconomic stability. While it does not prevent a government from becoming insolvent, prudent debt management can reduce the costs and risks of borrowing and increase the resilience against shocks. Against this background, the DMF provides Low-Income Countries with expert advice to strengthening debt management capacity and institutions through a number of tools that help countries assess and plan their debt. SECO is supporting the DMF since its inception in 2008.

Rationale

Starting in the mid-1990s, many of the world’s poorest countries received debt-reliefs, first in the context of the Heavily Indebted Poor Countries (HIPC) Initiative and later the Multilateral Debt Relief Initiative (MDRI). These initiatives have brought down public debt levels and created new borrowing space. To respond to the post-HIPC technical assistance needs in Low-Income Countries, the Debt Management Facility (DMF) was launched in 2008. However, despite some marked improvements, capacity constraints remain acute in many low-income countries, and ensuring long-term debt sustainability is an increasing challenge. Debt management is also becoming more complex, as countries gain access to new external and domestic sources of funding and become more exposed to international capital markets.

Objective

The overall objective of the DMF is to strengthen debt management capacity and institutions particular in low-income countries, with the goal to enable governments to finance their public sector borrowing prudently with an appropriate cost-risk mix; thereby contributing to macro-economic stability and to ensuring sustainable debt levels over the long term.

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

The DMF is a grant facility financed through a multi-donor trust fund and administered by the World Bank. It is guided by a Steering Committee comprising the donors, the World Bank, and the IMF. The Steering Committee is supported by a Panel of Experts whose role is to ensure the quality and relevance of DMF activities. DMF activities are carried out either by the WB, the IMF or jointly both institutions, in collaboration with Implementing Partners, including ADB, Agence UMOA-Titres, CEMLA, Commonwealth Secretariat, DRI, JICA, MEFMI, WAIFEM, and UNCTAD/DMFAS. The implementing partners form an Implementation Coordination Group (ICG). The initiative is managed by a program secretariat.

Results so far

Since its inception in 2008 and until February 2017, the DMF has conducted missions to 77 countries, resulting in 96 Debt management Performance Assessments (DeMPA), 83 Medium-Term Debt Management Strategies (MTDS) and 50 Reform plan missions. The program has conducted more than 60 training events with participation of over 800 client practitioners. The DMF has thereby made a significant global contribution to strengthen debt management capacities at the individual and institutional level.

How to get involved

DMF follows a demand-driven approach. It is open to low income countries (84 IDA-eligible and PRGT countries) as classified by the World Bank and the IMF). To qualify for support, country requests must be submitted directly to the DMF Secretariat.

Further information and contact details

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