



SASD

Special Advisory Services Division

The Special Advisory Services Division (SASD) delivers high quality advisory services to member countries of the Commonwealth. We work in four main areas: debt management, economic and legal services, enterprise and agriculture, and export competitiveness and trade development.

Our staff are high calibre professionals from a range of specialist backgrounds. We endeavour to provide a rapid response to requests for technical assistance, while ensuring that the specific needs of the client are met. In delivering our services we place emphasis on institutional capacity building and transfer of skills. We continually review and evaluate our systems and procedures as well as our programme support and implementation mechanisms in order to better serve member countries.

We are funded by the Commonwealth Fund for Technical Cooperation, which is our principal source of funding for providing technical assistance to Commonwealth countries. Established in 1971, this is a voluntary fund to which members contribute resources according to their ability and from which they draw support according to their needs.



Debt Management

SASD's integrated programme of assistance on debt management uses its own, highly regarded software: the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). The CS-DRMS enables governments to manage various types of debt more effectively and to evaluate the impact of new borrowings and projection of market variables on the sovereign debt. SASD also offers training and advisory services in debt that are aimed at building institutional capacity.

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Debt Management Section

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Debt Management

Our key objective is to promote prudent debt management practice in member countries. We do so by providing advisory support in developing sound debt management policies, strategies and operations in line with best practice.

CHALLENGE #1:

Countries lack adequate management information systems to record and manage their debts

Developing countries often require a robust debt management system with adequate functionality to record and monitor all categories of debt.

The SASD solution:

Our in-house developed software – CS-DRMS – comes as a key tool for countries to manage their debt liabilities. We provide support on developing databases for various categories of debt, such as domestic debt, public and publically guaranteed external debt and private sector external debt.

In **Sierra Leone**, we are supporting the Government's initiative to integrate the debt management system (CS-DRMS) with the national financial management information systems

States in **India** are facing higher levels of debt due to increased borrowing to meet rapid increases in expenditure on salaries, retirement benefits and pensions, as well as on developmental needs. Following consultation, a pilot project was drawn up that successfully assisted four states to better record and manage their debt liabilities using CS-DRMS and develop local skills and expertise. The project was then extended to six more states, and the Government is developing an institutional framework to extend it to the rest of the states. Similar work is being undertaken in a number of states in Nigeria through the use of CS-DRMS which is supported by Crown Agents.

We have also established biennial **regional user group meetings** to increase the level of interaction between the Secretariat and the CS-DRMS user community. The main objective is to bring together seasoned users to brainstorm on the global usage of the system and map out the criteria for future enhancements. The meetings elect a steering committee to liaise with SASD in CS-DRMS development and activities in order to ensure that targets are met and the system remains relevant.



CHALLENGE #2:

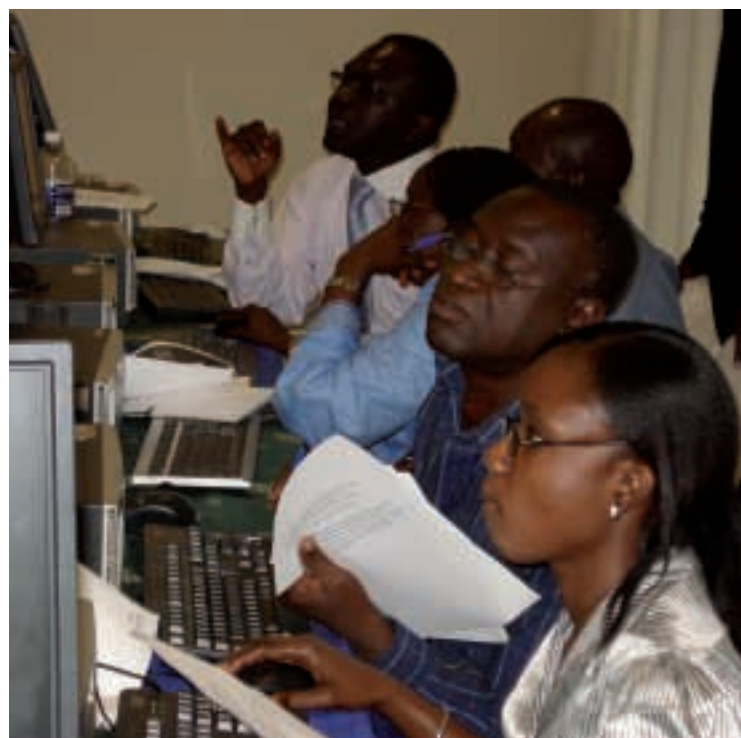
Despite recent debt relief initiatives, debt sustainability remains a concern for many developing countries. Moreover, small state countries are also faced with significant debt burdens.

Countries need to ensure sustainable and prudent borrowings, as the high debt burden and risks embedded in their public debt portfolio can pose a significant threat to their financial stability.

The SASD solution:

We help countries assess debt sustainability and formulate debt strategies

A debt sustainability assessment (DSA) by the International Monetary Fund (IMF) and the World Bank in 2007 placed **The Gambia** in the severe debt distress category. On country's request, SASD conducted an independent DSA and made recommendations prior to an upcoming third review of its negotiations with the IMF. Hands-on training on the DSA was provided to officials in the Ministry of Finance and Central Bank to help this process become nationally owned and to ensure sustainable debt levels. SASD is now assisting The Gambia to formulate a medium term debt management strategy that would focus on cost and risk considerations in the medium term horizon.

**CHALLENGE #3:**

Many countries lack a clear governance and institutional structure to manage their public debt

To coordinate debt management, all national borrowings should be made through one governmental agency, preferably a debt management office or through an integrated PDM framework. This calls for a governance structure that ensures smooth coordination among the various agencies involved.

The SASD solution:

We help countries implement institutional reforms aimed at optimal consolidation of debt management functions to ensure efficient and effective public debt management

An external debt management project in **Sri Lanka** reviewed the legislation, regulations and administrative procedures in place to cover government borrowings and on-lending operations and recommended changes to achieve the objectives of the Public Debt Management Office (PDMO). It also identified the actions needed to improve the quality of the loan databases and to develop the domestic debt market. In addition, the project made specific proposals for training of staff engaged in debt management activities. The recommendations and findings were subsequently incorporated in the national plan of action for debt management.

Following a request from Maldives for providing comprehensive assistance on public debt management, a comprehensive diagnostic report was prepared by SASD for strengthening public debt management capacity in the country. The diagnostic report particularly focused on improvements that can be made on institutional and legal aspects and debt management strategy.

CHALLENGE #4:

Capacity in debt management is weak in some countries

Capacity building issues underpin many of the difficulties in undertaking debt operations based on sound principles of debt management.

The SASD solution:

We provide capacity building assistance, through training workshops and regional advisors. We offer a range of courses aimed at providing hands-on training on all aspects of debt management, from debt data compilation and statistics, use of CS-DRMS and debt reporting and analysis for policy and strategy formulation. An e-learning programme in debt management is currently under development.

The Commonwealth Fund for Technical Cooperation through the SASD is providing technical assistance to the Government of **Mozambique** in building capacity in debt management. The objective is to formulate and implement a post-HIPC debt management strategy that would allow maintenance of a sustainable level of debt while securing enough funding to finance the Poverty Reduction Strategy Paper (PRSP), Debt Data: Seychelles, Mauritius, Ghana, Samoa and Cook Islands; Debt Analysis: Belize, Maldives, The Gambia; Debt Management Policy and Strategy, and Capacity Building through a regional workshop in India.

To ensure a rapid response to requests for technical assistance on debt management, SASD and the Secretariat's Governance and Institutional Development Division (GIDD) jointly deployed four **regional debt advisers** in the Caribbean, Eastern and Southern Africa, West Africa and the South Pacific during 2005–2008 in partnership with regional organisations. These experts helped to strengthen countries' debt management capacity, including training support for CS-DRMS. The regional advisor project will be re-launched shortly with a greater focus on support for debt management policies and strategies in member countries.

We also offer a range of courses on various aspects of debt management and the use and support of CS-DRMS. These workshops are organised either in-country, regionally or in London. Three upcoming **regional workshops** (Africa, the Caribbean, and Asia and the Pacific) will train a cadre of debt analysts to be more effective in addressing the challenges presented by the fast-growing domestic debt portfolio. In association with the Commonwealth of Learning, an e-learning programme on debt management and CS-DRMS is being launched. While improving the flexibility and convenience of training delivery, this programme will also help to address the constant need for re-training due to staff turnover.

CHALLENGE #5:

Debt data need to be disseminated on a timely basis to policy-makers and financial markets

Comprehensive, timely and reliable data on debt could help to mitigate financial crises, as they provide early warning signals of distress and thus facilitate appropriate policy responses.

The SASD solution:

We contribute to the dissemination of debt statistics based on existing debt data standards.

The Secretariat is a member of the Inter-Agency Task Force on Finance Statistics, led by the IMF. Two of its key objectives are to develop guidelines on the compilation and use of external debt statistics through the *External Debt Statistics: Guide for Compilers and Users* and to increase their availability through a host of dissemination initiatives such as the General Data Dissemination Standards (GDSDS), Special Data Dissemination Standards (SDSDS) and Quarterly External Debt Statistics (QEDS). As part of the TFFS, the Secretariat has also contributed to the *Handbook of Debt Securities Statistics*. We are currently assisting a host of countries to subscribe to the GDSDS-QEDS database of the World Bank, which will enable them to provide quarterly external debt statistics on their public debt and significantly improve the availability of these statistics. A sensitisation workshop organised by SASD with the participation of IMF, World Bank and 30 countries resulted in as many as 14 countries to voluntarily subscribe to QEDS.

CHALLENGE #6:**No single agency can effectively address all the issues involved in effective debt management**

Countries find it difficult to coordinate assistance from a large number of service providers in debt management.

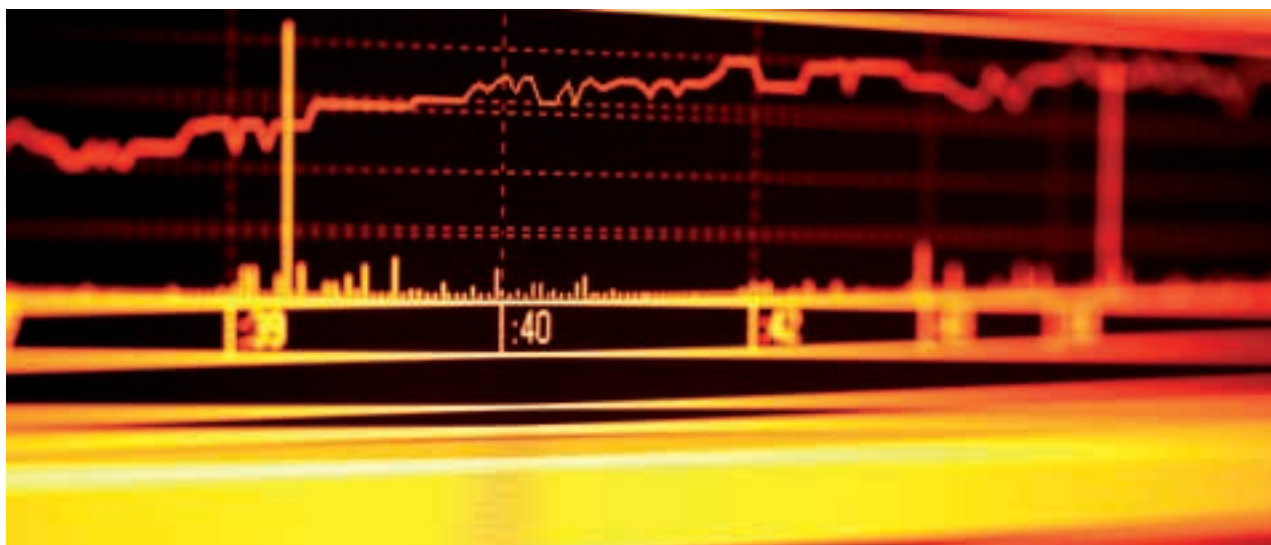
The SASD solution:**We add value through strategic partnerships that build on collective strength and comparative advantages of institutions involved**

Our collaboration with regional and international partners enables us not only to draw on a wider range of expertise and resources but also to contribute a Commonwealth perspective to the work of other organisations.

In recent years, we have collaborated with the IMF and the World Bank as indicated above, and through workshops/conferences that have benefited participants from member countries by making such events more holistic and focussed. This collaboration is expected to increase with the deployment of the Debt Management Performance Assessment Tool (DeMPA), the Medium Term Debt Management Strategy (MTDS) tools developed by these two organisations and the Debt Management Facility initiated by the World Bank for which the Secretariat will act as an implementary partner. We have also partnered with the Asian Development Bank and the Inter-American Development Bank to assist member countries through the conduct of regional workshops and conferences.

Other regional organisations like the Eastern Caribbean Central Bank (ECCB), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the West African Institute for Financial and Economic Management (WAIFEM) have been important partners in the delivery of our capacity-building activities. Each institution until recently hosted a CS-DRMS Regional Adviser. The Crown Agents acts as the official distributor of CS-DRMS in non-member countries like China and Thailand. In addition, the French version of the software was produced through a collaborative arrangement with L'Organisation Intergouvernementale de La Francophonie (OIF).

At a bilateral level, recent partnerships have been forged with the Ministry of Finance in India to enhance the business process in the CS-DRMS external debt module; and with the South African National Treasury to assist in our capacity-building initiatives related to training on debt management policies and strategies.



Dealing with debt using CS-DRMS

The Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS) helps countries record, analyse and manage their external and domestic debt in an integrated manner. It can also be used at the sub-national level.

Now in use for over 20 years, the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS) enables countries to record and manage different types of debt liabilities, grants, government on-lent loans and guaranteed debt and thus manage their debt more efficiently. Available in English and French, the system is used by Ministries of Finance, Treasuries, Accountant General's Offices and Central Banks in some 59 countries, including 15 outside the Commonwealth (as of June 2009).

Once the key terms and conditions of various debt instruments, whether external or domestic, are captured in CS-DRMS, a comprehensive debt database can be built. User countries are then able to determine with a high level of precision exactly how much they owe and can accurately project how much they need to pay on a daily, monthly, quarterly, annual or financial year basis. CS-DRMS can also be used to record and assess the financial and economic impact of any debt restructuring. In addition, the software allows debt managers to undertake 'what if' analysis on the likely effect on the debt portfolio of key variables such as changes in exchange or interest rates.

One of the strengths of CS-DRMS is its flexibility in producing reports. These can be in any currency and viewed, printed, displayed graphically or exported in various formats such as Excel, Word or Adobe PDF. Of prime importance is the ability of the software to meet the international reporting requirements of multilateral organisations such as the World Bank and the International Monetary Fund at the click of a mouse. Debt data can also be downloaded to other specialised analytical tools like the Debt Sustainability Framework and Medium-term Debt Strategy.

Over the years the software has been upgraded to reflect the evolving nature of international finance, technology and user needs. The most recent innovation was the development of a Securities Auction System in Version 1.3 that allows users to efficiently conduct auctions for domestic securities (T-Bills and Bonds) and seamlessly transfer data to CS-DRMS. Analytical tools for domestic debt are also planned that would allow an integrated public debt analysis to deal with debt sustainability, risk and domestic debt market development considerations. The Secretariat is looking at the possibility of linking CS-DRMS to Integrated Financial Management Systems, which is used by various governments.

Over the next few years the Secretariat will be improving delivery and support of the debt management programme by using the web technology more proactively. Users can already download patches and service packs from www.csdrms.org, which acts as an e-forum. The CS-DRMS support team can also connect to user sites through the internet for the purpose of technical intervention. Future possibilities include on-line conferences and email broadcasts. The feasibility of web-enabling CS-DRMS is already being discussed.

The success of CS-DRMS is due not only to the strength of the software and support for users but also to its delivery as an integral part of the Secretariat's programme of advice and training. It is more than computer software; it is a model of best practice in debt management.

CS-DRMS is one of the jewels in the Commonwealth's crown — a world-leading and transforming product.

Kamalesh Sharma,
Commonwealth Secretary-General

CS-DRMS is an excellent analytical package and I enjoy recording my country's obligations in the system.

Macuisela Naqesa Lumelume,
Ministry of Finance, Fiji Islands

The system is certainly a technological innovation that will help a country manage its debt in an efficient and effective manner.

Cyril Teboua,
Treasury, Solomon Islands

The Debt Management Section (DMS)

This is a list of services offered as part of the Debt Management Programme

Services offered by DMS

Institutional Aspects:

- We undertake reviews of institutional set up for debt management.
- We make recommendations and support the re-organisation of debt offices to comply with sound practices for example establishment of Front, Middle and Back offices, adoption of appropriate legal frameworks, institution arrangements and governance procedures and, organisation of debt management operations and development of procedures manuals to mitigate against key person risk.

Debt Policy and Strategies:

- We assist countries develop debt management policies and strategies
- We help build in-country capacity to undertake Debt Sustainability Analysis (DSA) and for developing Medium Term Debt management Strategies (MTDS) independently and jointly with other international and regional providers such as the World Bank, IMF, MEFMI etc.

Debt Management analysis:

- We undertake debt analysis using various tools such as the CS-DRMS Management Tools, IMF-WB tools on DSA and MTDS
- We conduct regional workshops on general public debt management focusing on debt management concepts, portfolio analysis, debt sustainability analysis, risk analysis, securities pricing and valuation and portfolio valuation.

Debt data computerisation:

- We develop and maintain
 - (a) our proprietary Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) for the recording, reporting and analysis of public debt, and
 - (b) the Commonwealth Secretariat Securities Auction System (CS-SAS) for the management of auctioning of government securities.
- We provide assistance on the installation and use of CS-DRMS and CS-SAS
- We offer hotline support for the software via email and telephone. On demand, we can also remotely and securely connect to user systems via Internet for technical support.
- We ensure that our software remains current to evolving debt management practices by constantly updating the application.

Debt data recording and quality:

- We assist countries build debt databases for both external (including private sector non-guaranteed debt) and domestic debt in line with recommended sound practice
- We review debt databases for accuracy, timeliness, coverage using the IMF Data Quality Assessment Framework (DQAF) and participate in joint missions with other organisations such as the World Bank to review debt databases
- We participate in World Bank Debt Management Performance (DeMPA) assessment missions to CS-DRMS countries, which serves as one of the basis for our intervention in CS-DRMS countries to help them establish sound practices for debt management.
- We are part of the IMF led Task Force for Financial Statistics for setting international standards on debt data compilation and dissemination.

Debt data dissemination:

- We assist countries comply with and report to the World bank Debt Reporting System (DRS) and IMF SDDS, GDDS and QEDS.
- We assist countries disseminate debt data through the production of Statistical Bulletins and Annual Debt Management Reports

Needs Assessment Missions:

- We undertake needs assessment missions to CS-DRMS countries to identify areas of weaknesses in debt management and recommend measures to address them e.g. review of primary and secondary legislation, institutional set up and responsibilities, coverage of debt data, including recording of government guarantees, grants and on-lending.
- We identify institutional and technical capacity gaps in the existing arrangements for debt management and assist in bridging them while working with debt office staff at the work place or through workshops.
- We support work on networking debt management institutions to enable online sharing of information on debt and interfacing the CS-DRMS with IFMIS.

Training Workshop:

- We conduct regular in-country and regional workshops independently or jointly with MEFMI and WAIFEM on debt recording and analysis using the CS-DRMS, securities auctioning using the Commonwealth Secretariat Securities Auctioning System (CS-SAS), debt data quality and management
- We conduct regular in-country training independently or jointly with the World Bank or IMF on Debt Sustainability Analysis, Medium Term Debt Management Strategies and debt data quality and management.
- We conduct Pan-Commonwealth training on administration of CS-DRMS and development of country specific reports using the report writing tool available within the software.

Enhancement of the CS-DRMS and CS-SAS:

- We continually enhance CS-DRMS/CS-SAS to make them compliant with current developments in ICT, debt management and user requirements

Other areas of Support:

- We facilitate sharing of knowledge on debt management by arranging attachment of staff to other countries using CS-DRMS
- We organise bi-annual Pan-Commonwealth Debt Management Forum and Regional CS-DRMS User Group Forum to provide a platform for debt managers to interact with debt management experts, and practitioners thus facilitating sharing of experiences.
- When required, we place debt management/CS-DRMS experts in member countries to address specific debt management issues.

This is an indicative but not exhaustive list of our services. For more information please contact us.