Debt Management Performance Assessment (DeMPA) - World Bank

Objective and features

1. Objective

DeMPA is a benchmarking tool for assessing government debt management performance to form the basis for a sequenced capacity-building plan.

2. Institutional coverage

National and subnational governments (a subnational DeMPA is available).

3. Technical coverage

DeMPA deals with debt management and closely related functions such as issuance of loan guarantees, on-lending, and cash flow forecasting and cash balance management. There are 14 debt management performance indicators (DPIs) and 33 sub-indicators (dimensions) spread across five areas:

1. Governance and strategy development
2. Coordination with macroeconomic policies
3. Borrowing and related financing activities
4. Cash flow forecasting and cash balance management
5. Debt recording and operational risk management.

While DeMPA does not assess the ability to manage the wider public debt, including debts of state-owned enterprises that are not guaranteed by the central government, these liabilities are included as they relate to debt sustainability analysis.

4. Application method

Self- assessment and custodian.

Methodology

5. Methodology

A detailed background information and rationale is provided for each indicator in the user guide. The user guide presents the dimension(s) to be assessed, the scoring criteria for each dimension, and a list of supporting documents/ other evidence and indicative questions to be asked. The DeMPA report neither contains specific recommendations nor makes assumptions as to the potential effect of ongoing reforms on government debt management performance.

A separate subnational DeMPA (SN DeMPA) is also available. While many indicators of the sovereign DeMPA can be applied to the SN DeMPA evaluation, sovereign and SN DeMPA differ in critical areas such as the intergovernmental fiscal framework laid by the central government, the autonomy of subnational governments (SNGs) to raise debt (borrowing frameworks), and the role of the central bank in managing liquidity at subnational level. Importantly, the SN DeMPA methodology is to be applied to individual SNG entities and not to the entire SNG sector. It applies to SNGs with the capacity to incur debt, or that plan to do so in the short term and have an outstanding debt. As such, DPI-6 (Coordination with Fiscal Policy) will not be applicable to SNGs and hence not part of SN DeMPA.

6. Benchmarking system

DeMPA follows a scoring system. Assessments are made by scoring each dimension on a 4-point scale representing stages in development. Each dimension is assigned a score of A, B, C, or D. The A score denotes sound practice, B lies between the minimum requirements and sound practice for that aspect, C indicates that the minimum requirement is met, and D indicates that the minimum requirement is not met signaling a deficiency in performance, normally requiring priority corrective action. The methodology accommodates situations in which it is not possible to assign a score.

The framework does not encourage aggregation of either indicator or dimension scores, which are alphabetical rather than numerical. However, it would be possible to aggregate using simple algorithms and associating scalars to the ratings.

7. Linkage to PEFA framework

DeMPA's assessment approach was designed to mirror the PEFA framework. In its 2016 upgrade, the PEFA framework aligned debt management (PI-13) with the updated DeMPA criteria. DeMPA explored PEFA debt management (PI-13) in further detail: recording and reporting of debt and guarantees (PI-13.1) to debt records (DPI-14), approval of debt and guarantees (PI-13.2) to borrowing and guarantees (DPIs 8 to 10), and debt management strategy (PI-13.3 to DPI-3).

8. Complementarity with PEFA framework

A DeMPA assessment can provide an important input to PEFA debt management (PI-13) assessment; it can also deliver a more detailed analysis of the underlying issues where weaknesses have been identified in a PEFA assessment or in other broad PFM assessments.

Development and use

9. Development and coordination

Launched in 2007, DeMPA was developed in consultation with international and regional agencies involved in debt management capacity building, as well as with government agencies during country-level field testing. DeMPA was developed with inputs from the IMF, Macroeconomics and Financial Management Institute of Eastern and Southern Africa (MEFMI), West African Institute for Financial and Economic Management (WAIFEM), Center for Latin American Monetary Studies (CEMLA), United Nations Conference on Trade and Development (UNCTAD), Debt Management Financial Analysis System (DMFAS) program, Debt Management Facility, Public Expenditure and Financial Accountability Program (PEFA) Secretariat, and bilateral debt experts during the team missions and training activities.

DeMPA was revised in December 2009, reflecting changes in the scoring methodology and in a small number of indicators. DeMPA was further revised in 2015, to reflect the revisions to IMF's Guidelines for Public Debt Management, 2014 discontinuing the debt reporting indicator and incorporating the debt recording dimensions into DPI-4. Debt records dimension has been clubbed with operational risk management dimensions. The updated DeMPA was published in 2021. A DeMPA for SNG was issued in 2016.

DeMPA findings are used by UNCTAD, Commonwealth Secretariat, OECD, and IMF. DeMPA findings can lead to reforms in the overall PFM landscape such as cash management, tax administration, governance, and policy coordination, indicating possibilities of donor coordination in utilization of assessment findings.

10. Assessment management

Assessment is demand-driven and managed by the WB. The countries reach out to the WB (directly to the Debt team or through the country directors and country economists). Countries need not justify the need for a DeMPA assessment. Data gathering involves interactions with government officials, national experts, and external consultants. Findings are discussed with government officials. In addition, the WB supports the government in drawing the reform action plan.

Custodian quality assurance procedures apply. Draft reports are independently peer reviewed by two debt management experts who, among other things, check the scores are justified by qualitative evidence. In addition, there is a consistency check to ensure uniformity of coverage and reporting.

11. Uses by the government and members of the PFM community

DeMPA is used (1) as an input to debt management performance, (2) as an input to the design of action plans to develop capacity and institutions for debt management, and (3) to facilitate monitoring of efforts toward achieving government debt management objectives. The tool is designed to promote donor harmonization through a common understanding of priorities. The tool is also used as a baseline to set targets under the Sustainable Development Financing Policy (International Development Association, IDA-19).

12. Sequencing with other tools

A DeMPA assessment can be conducted in parallel with the PEFA assessment to evaluate the debt management performance in a country. DeMPA can be used to undertake a detailed assessment of the underlying factors leading to poor PEFA ratings in debt management. Alternatively, if the DeMPA exercise precedes a PEFA assessment, the latter can use the DeMPA results to inform its assessment of the relevant indicators.

13. PFM capacity building

Regional training events have been conducted for client country debt managers and central bank staff dealing with debt management, which has encouraged sharing of cross-country experiences, dissemination of sound practices, and peer networking.

Although DeMPA does not specify recommendations for reforms or capacity- and institution-building needs, the performance indicators do stipulate a minimum level that should be met under all conditions. Consequently, an assessment showing that the DeMPA minimum requirements are not met clearly indicates an area requiring reform or capacity building or both. DeMPA assessment findings may form an input for WB's technical assistance programs.

14. Tracking of changes and frequency of assessments

Since the methodology was revised in 2009 and again in 2015, comparison of reports across these timelines is facilitated by a section in the report on the reform measures implemented leading to improvement (or any deterioration) in government debt management performance.

The frequency of assessment is agreed by country stakeholders but aimed no sooner than after a period of three years.

15. Resource requirements

About US$80,000 per mission. Field missions typically last for seven to ten days. Final report is submitted within four to five weeks. Assessments are carried out by three or four team members, comprising two WB experts partnered with other debt experts such as independent external consultants or a regional/international technical assistance provider.

Transparency

16. Access to methodology

The 2015 methodology, the updated 2021 methodology, and the SN DeMPA are available.

17. Access to assessment results

Disclosure of final reports is at the discretion of the government. Published reports are available.