Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 11-Jun-2020 | Report No: PIDC214780

BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P173553		Low	DMF III - Implementing Partners
Region	**Country**	**Date PID Prepared**	**Estimated Date of Approval**
OTHER	World	11-Jun-2020	
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Debt Management Program of the United Nations Conference on Trade and Development (UNCTAD-DMFAS), Debt Management Section of the Commonwealth Secretariat (COMSEC), Debt Relief International (DRI), West African Institute for Financial and Economic Management (WAIFEM), Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI)	WAIFEM, UNCTAD-DMFAS, COMSEC, DRI, MEFMI	

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	4.00
Total Financing	4.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	4.00
Debt Management Facility for LICs	4.00

B. Introduction and Context

Country Context

The objective of the Debt Management Facility (DMF) is to strengthen debt management to reduce debt-related vulnerabilities and improve debt transparency. This will be achieved through capacity building activities, including design and application of tailored advisory services and technical assistance, applied analytical works, training, webinars and peer-to-peer learning.

The first phase of the DMF (DMF I) was launched in November 2008 with a multi-donor trust fund administered by the Bank to address the need to strengthen public debt management in low income countries (LICs). The second phase of the DMF (DMF II) was supported by two trust funds administered by the Bank and built on the strong partnership that existed between the Bank and the IMF on the delivery of capacity building on debt management and debt sustainability initiatives aimed at debt relief (HIPC, MDRI) and debt management issues (particularly, the application of the medium term debt management strategy framework. DMF II aimed to foster closer collaboration between the Bank and the IMF, both to leverage institutional expertise, and as the designated implementing agencies that provide TA and training for DMF II activities. This arrangement also sought to promote collaboration among a wide range of institutions, including the DMF II implementing partners (IPs), other bilateral agencies and multilateral development banks.

Given the success of the DMF and commitment of donors, a the third phase of the DMF (DMF III) was launched in FY20. DMF III is also a multidonor TF, established for a duration of five years administered by the World Bank in partnership with the IMF. DMF III will have an enhanced focus on debt transparency and fiscal risk management, a stronger focus on programmatic advisory services and a strengthened results framework.

DMF III is conceived as a capacity building facility to help strengthen debt management capacity in eligible countries, which are all IDA-eligible countries, including those that were IDA-eligible countries in 2008 when the DMF I was launched even if they may have graduated and any additional IDA-eligible countries added over time, which at all times includes all of the countries in the IMF’s Poverty Reduction and Growth Trust (PRGT). Any requests for coordinated activities from government authorities in eligible countries will be centralized by and through the Secretariat, including for record-keeping purposes. The expansion of DMF eligible countries could be approved on a case-by case basis by the Steering Committee of the DMF III, but would be limited to countries with weak debt management capacity and institutions and elevated debt vulnerabilities. DMF III activities are (i) activities executed by the Bank; (ii) activities executed by Recipients; or (iii) activities executed by the IMF.

This project is focused on the recipient executed activities with technical assistance providers, which have been Implementing Partners (IPs) under DMF I and DMF II. There are two types of debt management TA providers that will implement this project:

a) IPs that are specialized in debt recording and debt recording systems, including (i) Debt Management Program of the United Nations Conference on Trade and Development (UNCTAD-DMFAS), (ii) Debt Management Section of the Commonwealth Secretariat (COMSEC), and (iii) Debt Relief International (DRI).

b) IPs that are debt management technical assistance providers with regional expertise, including (iv) Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and (v) West African Institute for Financial and Economic Management (WAIFEM).

DMF plays an important role in strengthening coordination among debt management technical assistance providers. The strong coordination enables leveraging knowledge, making efficient use of scarce resources and providing the best possible advice to client countries.

Sectoral and Institutional Context

Public debt is an important source of financing for development. It allows governments to promote growth by investing in productive infrastructure projects and in critical social spending when their capacity to mobilize domestic revenues, grants or private sector financing is limited. Safeguarding debt sustainability and making prudent and efficient use of borrowed resources is critical for achieving the sustainable development goals.

Debt transparency is critical for sound borrowing practices and for preserving debt sustainability. Debt levels and vulnerabilities have increased across Low-Income Developing Countries (LIDCs) and Emerging Markets (EMs), and the composition of public debt shifted towards more market-based debt and new creditors. Comprehensive information on public and publicly guaranteed (PPG) debt and contingent liabilities is therefore necessary for both borrowers and creditors to take informed decisions. Recent cases of negative debt surprises highlight the importance of debt transparency (e.g. Mozambique). Further benefits of enhancing debt transparency may include the reduction of borrowing costs reducing the misuse of funds.

While there have been improvements in debt reporting, important gaps remain. Based on recent Debt Management Performance Assessments (DeMPAs) in 51 LIDCs, only around half of countries had adequate legal frameworks. Only 30 percent of countries complied with the minimum requirements for debt reporting and evaluation, and only 20 percent with the ones for loan guarantees and on-lending.

While debt trajectories are mainly determined by fiscal policy, debt management can play an important role in safeguarding debt sustainability. Debt management is responsible for meeting the government's financing needs in a timely fashion, ensuring low debt servicing costs at an acceptable degree of risk, and supporting the development of domestic securities markets. In addition, debt management can help to identify and monitor fiscal risks from contingent liabilities, such as guarantees or on-lending to SOEs. Sound debt management can improve the efficiency of public spending, support sustainable financial sector development and reduce economic volatility. Ineffective public debt management can generate significant fiscal costs, expose countries to changing market conditions, and propagate a crisis.

Sound debt management can promote good public financial management practices. Debt management is an important component of broader public financial management. Integrated management creates incentives to manage all government financial resources in a portfolio, ensures consistency of financing across government, and consolidate scarce resources by allowing streamlining of information technology systems and back-office facilities. in this context, Debt Management Offices (DMOs), given the relative size of the government debt portfolios, play a critical role. In addition, DMOs have been growing their roles in recent years. For example, in some countries debt management offices have been given the responsibility for cash forecasting and management.

Relationship to CPF

DMF III is uniquely positioned to adapt to emerging debt management challenges, drawing on its expertise, track record, and reputation to strengthen institutions. The DMF differs from other public debt management advisory services because of the by size of its overall program, which can be seen in its country coverage, its strong focus on enhancing coordination among technical assistance providers and country authorities, and its flexible delivery model. DMF have received strong demand from client countries over the years. DMF creates knowledge, leverages best practices and harnesses Bank and Fund expertise, customizing this knowledge to best serve beneficiary countries including those that are low-income and fragile and conflict-affected (FCS). On this basis, DMF III will respond to the evolving need of developing countries.

C. Project Development Objective(s)

Proposed Development Objective(s)

To strengthen the capacity of DMF III eligible countries to manage debt effectively, so as to enable governments to reduce debt-related vulnerabilities and improve debt transparency.

Key Results

The IPs will contribute to selected indicators in the overall DMF III Results Framework. Some of the key results in the DMF III results framework are: i) number of countries with sound managerial structure for central government borrowing and related transactions; ii) number of countries where the debt management strategy is prepared by the debt management entity (or entities); iii) number of countries where a medium-term debt management strategy has been prepared and published at least once over FY21-FY24; iv) number of countries that publish a debt statistical bulletin (on at least central government debt and guarantees) annually with debt data that are not more than six months old at the date of publication.

The indicators will be identified for each IP during negotiations, and will be used to monitor and evaluate progress of project activities.

D. Preliminary Description

Activities/Components

The project will adopt the four components of the DMF III work program established in the concept note and endorsed by the donors:

1. Improving governance and institutions

2. Enhancing strategy and policy

3. Developing debt markets

4. Boosting debt transparency

According to their expertise, IPs will participate in technical assistance related to debt management performance assistance, debt reform plans, medium term debt management strategies (MDTS) or reporting and monitoring, or prepare data on client beneficiaries for MDTS, and debt sustainability assessments. They would also provide logistical support for training provided by the DMF and may work with the World Bank in the development of new debt management training areas.

The project will be implemented by five IPs, which will support the overall outcomes of DMF III. Under this project, individual grant agreements with each IP will be implemented.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant

ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	This project will not intervene in international waters.
Projects in Disputed Areas OP 7.60	No	This project will not intervene in disputed areas.

Summary of Screening of Environmental and Social Risks and Impacts

The potential environmental impacts of this operation are low based on the information available in this stage. The details of the debt management and indirect impacts on the economic demand for greater agriculture products or land use changes is not possible to be made. We just recommend the preparation of SEP to ensure proper communication and stakeholders are informed of the project activities and outcomes, as well as LMP to manage possible labor-related risks.

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