Breakout Session 6 - The second step in debt management IT systems: from debt registering to supporting the design and monitoring of a debt management strategy

According to the Guidelines for Public Debt Management ("Guidelines"), debt management activities should be supported by an accurate and comprehensive management information system (MIS) with proper safeguards. The Guidelines outline two main stages in the evolution of a MIS: Stage 1 countries have basic debt recording, servicing and budgeting functions; Stage 2 countries have developed capabilities for risk analysis that supports the formulation of medium term debt management strategies.

For countries starting the process of building capacity in government debt management, priority should be given to developing accurate debt recording and reporting systems. This helps countries meet the basic objective of ensuring timely payment of debt service while supporting the production of reliable debt data and improving the quality of budgetary reporting as well as the transparency of government financial accounts. Ideally, the management information system should capture all relevant cash flows, and should be fully integrated into the government’s accounting system. In the second stage, the MIS should incorporate tools that allow the processing of debt servicing flows in order to conduct scenario analysis. The ease and reliability with which the basic debt data can be transferred from the recording system to the analytical tools impacts the ability of debt managers to analyze the debt portfolio, assess financial risks and quantify the cost-risk tradeoffs used as important inputs in the formulation of debt management strategies.

While MIS are essential for debt management and risk analysis, their introduction often poses major challenges for debt managers in terms of expense and management staff time. As a result, the costs and complexities of the system should be compatible with the organization’s needs. This Forum session focused on how to develop and adapt an IT system to support the design of a debt management strategy, as well as risk management and the monitoring of the strategy.

The debt management office of Peru opted for developing its own system in 2001, incorporating it into the public financial system (SIAF). This allows for sharing all debt data needed for cash management, payment, accounting, and budgeting. In 2004, a quantitative tool was added to evaluate the impact of liability management operations and to support the risk analysis needed for the formulation of a debt management strategy. The tool is a simulation model that provides deterministic or stochastic simulations of debt servicing flows under selected market scenarios.

The Debt Management Office of Nigeria (DMO) uses CS-DRMS as a debt recording system, but has not integrated the CS-DRMS in the public financial system. Beginning in 2008, the DMO began preparing a debt management strategy that is revised on an annual basis. The strategy is
supported by quantitative analysis done in a MTDS model that is fed by Data Export Link from the debt recording system. Data aggregation and risk management reports are generated by Middle Office staff, on customized excel sheets and fed into the MTDS template.

Guatemala records external debt in DMFAS and domestic debt in SITVAL and both are linked to the national accounting system since 2010 (Sinade). Sinade generates disbursement arrangements and payment of debt service, multiannual debt projections, reports on stocks and public debt flows, risk indicators and sensitivity analysis. In 2012, the DMO started work on the preparation of a debt management strategy. An application to help extract the data from the system into a spreadsheet is under development. This will allow the Middle Office to integrate debt service projections of domestic and external debt and aggregate them into the MTDS analytical tool.