TOPIC: HIGH DEBT SERVICE COST CROWDING OUT PRIORITY SPENDING

PRESENTED BY: Team Melting Pot, The Gambia
10th - 13th December, 2018
Radisson Blu Hotel
Dakar, Senegal
<table>
<thead>
<tr>
<th>TEAM MELTING POT MEMBERS</th>
<th>ROLES</th>
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<tbody>
<tr>
<td>LAMIN FATTY (DEPUTY DIRECTOR)</td>
<td>BUDGET EXPERT</td>
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<tr>
<td>ALAYE BARRA (PRINCIPAL FISCAL OFFICER)</td>
<td>PRESENTER</td>
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<tr>
<td>OUMIE JOOF (SENIOR PLANNER)</td>
<td>PRESENTER</td>
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<tr>
<td>LAMIN TRAWALLY (SENIOR FINANCIAL RISK ANALYST)</td>
<td>DATA ANALYST</td>
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<tr>
<td>ABDOLIE S. BAH (ECONOMIST)</td>
<td>FOLLOW –UP LIAISON</td>
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<td>FATIMA BARRY (FISCAL OFFICER)</td>
<td>MEETING CONVENER&amp;ASSIGNMENT</td>
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<tr>
<td>RENE ANTHONY GOMEZ (PLANNER)</td>
<td>DATA ANALYST SUPPORT/SCRIBE</td>
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OUTLINE

- Problem Statement, Fishbone and Entry Points
- Key Activities
- Parties engaged, when & why
- Key Outputs
- Lessons Learned
- Key Challenges
- Next Steps
Problem Statement

Problem:

* High Debt service Cost crowding out priority spending.

Why?

* Debt Service as a % of Domestic Revenue increased from 52.27% in 2016 to 54.97% in 2017.
❖ What’s your problem and why does it matter?
❖ Debt Servicing crowding out Spending on Priority areas:

**April Exp. Outturn**

- Debt Service: 1,400,000,000
- MoBSE: 1,200,000,000
- MoFA: 1,000,000,000
- MoHSW: 800,000,000
- MOD: 600,000,000
- MOI: 400,000,000
- MOA: 200,000,000
- Centralised Services: 100,000,000
Fishbone and Entry Points

- **Initial Fishbone in May:**

  - Weak performance M&E System
  - Inadequate qualified human capacity
  - Inadequate data from MDAs
  - Call on guarantees
  - Absence of an M&E internalization policy
  - Contingent liabilities
  - Inadequate M & E support facilities
  - Poor performance of M&E processes
  - Poor structured debts
  - High interest rates
  - High debt level
  - High debt service cost crowding out other priority spending
  - Weak policy coordination
  - Poor alignment of budget to the NDP
  - Poor coordination between M&Es
  - Cost of Monetary policy
  - Weak accountability & enforcement (MDAs)
  - Unrealistic revenue projections
  - Unreliable budgeting
  - Inadequate M&E processes
  - Unplanned
  - Virements
  - Budget execution
  - Budget planning
  - Institutional arrangements
  - Poor adherence to strategic planning
  - Political interference
  - Weak negotiation skills
  - Political interference
  - Institutional arrangements
### Key Activities- Entry Point 1-Debt Restructuring

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Timeline</th>
<th>Status</th>
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<tbody>
<tr>
<td>i. Ensure high level representation at the T-bills meeting</td>
<td>July – 2018</td>
<td>Executed</td>
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<tr>
<td>ii. Create awareness on debt contraction process</td>
<td>Aug – 2018</td>
<td>Executed</td>
</tr>
<tr>
<td>iii. Review and update the MoU on the institutional arrangement of domestic debt management</td>
<td>Aug – Sept 2018</td>
<td>Executed</td>
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<td>iv. Sensitize market players on Government’s policy direction on domestic debt management</td>
<td>Sept – Oct 2018</td>
<td>Executed</td>
</tr>
<tr>
<td>v. Data analysis on key deviations affecting the reliability of expenditure projection</td>
<td>Oct – 2018</td>
<td>Executed</td>
</tr>
<tr>
<td>vi. Operationalize the National MTDS</td>
<td>Oct – 2018</td>
<td>Executed</td>
</tr>
<tr>
<td>vii. Revitalize the bond committee</td>
<td>Oct – Dec 2018 7</td>
<td>In Progress</td>
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A Memorandum of Understanding detailing out the inter alia, a framework for cooperation between MoFEA and CBG in the domain of domestic debt management has been signed by both parties for implementation.

A memo was signed by the Permanent Secretary urging all relevant directors to regularly attend the T-Bills meeting at the CBG so as to have influence in governments domestic borrowing.

Market players were updated on government’s current policy direction on domestic debt management i.e. the need to subscribe to government long-dated instruments.

We were able to establish key challenges affecting the full subscriptions to Government bonds;

* Lack of a vibrant secondary market to induce effective trading within market players
* Narrow investor base for long-dated Government debt instruments
## Key Activities- Entry Point 2-M&E

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<th>Timeline</th>
<th>Status</th>
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<tr>
<td>i. Designing of the M&amp;E framework</td>
<td>May – June 2018</td>
<td>Completed</td>
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<tr>
<td>ii. Sector bilaterals on the M&amp;E framework</td>
<td>June – 2018</td>
<td>Completed</td>
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<tr>
<td>iii. Analysis of the M&amp;E submissions (identification of weaknesses)</td>
<td>June 2018</td>
<td>Completed</td>
</tr>
<tr>
<td>iv. Study tour to Ghana on budget Monitoring &amp; Evaluation</td>
<td>Sept – 2018</td>
<td>Completed</td>
</tr>
<tr>
<td>v. Establishment of a steering committee on strategic planning and monitoring</td>
<td>Oct – 2018</td>
<td>Completed</td>
</tr>
<tr>
<td>vi. Workshop on the operationalization of PBB &amp; alignment of indicators to NDP M&amp;E framework</td>
<td>Nov – 2018</td>
<td>Completed</td>
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An M&E Framework was designed and rolled out to MDAs.

Received M&E Quarterly reports from Sectors.

Assessment of reports and provision of feedback on how to improve the reports going forward.

A steering committee is established to operationalize PBB & the M&E Tool

Alignment of program indicators to NDP and M&E indicators.
Parties engaged, when & why?

- MoFEA Management (PSs, Minister and Directors) were informed about the team’s problem statement right from the start to get their support and buy-in
- MDAs were engaged at the budget bilateral workshop with a presentation on the debt contraction process: this is to avoid unsolicited loan agreements from MDAs
- Market players in October to inform them on government’s current direction on domestic debt management
- Meetings with MDAs and Key sectors have been held. This is to ensure they align their resources according to the NDP priority areas
- Regular engagement with the Directorate of Loans and Debt Management to help with the team’s iteration process
Data analysis to develop a convincing narrative to gain the attention of policy makers.

Continuous engagement with the authorities and relevant stakeholders
Lessons Learnt

Problem
- Complex/Dynamic
- Long-term problem
- Inadequate understanding of gravity and nature of problem
- Political will

Team
- Complexity in diversity
- Constant Communication
- Timely Co-ordination and implementation
- Self motivation and commitment
Lessons Learnt

Stakeholders
- Extremely important
- Need to involve in iteration process

Authorizing Environment
- Constant engagement
- Highest level engagement
- Strategy to get buy-in
- Openness and Willingness to support team
Busy work schedules of team members made it a challenge for all members to meet regularly.

The presence of senior officials like PSes, MDs and CBG Governors attend workshop organize on operationalizing the MTDs was a challenge.

MDAs inadequate knowledge on the impact of high debt and their contribution to incurring high debt
Continuous engagement with MoFEA and CBG management on the implementation of the MOU.

Ensure the steering committee meets regularly with MDAs in order to align their PBB to the NDP and use the M&E tool to keep track of progress and challenges in the implementation of their outlined activities on their PBB.

The team will prepare a detailed report and present it to the MoFEA management upon completion of the peer review workshop to ensure recommendations provided on the teams problem statement are implemented.

Improve forecasting on government expenditure to avoid unnecessary borrowing.

Engage relevant stakeholders on how to control contingent liabilities.