

HEAVILY INDEBTED POOR COUNTRIES DEBT STRATEGY
AND ANALYSIS CAPACITY BUILDING PROGRAMME

PUBLIC FINANCE SUSTAINABILITY IN SUBNATIONAL GOVERNMENTS

Jaime Coronado Quintanilla

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This publication series has been launched in response to the requests Debt Relief International (DRI) has received for information on the activities of the Heavily Indebted Poor Countries Debt Strategy and Analysis Capacity Building Programme (HIPC CBP) and on the technical aspects of public debt management and negotiations needed to develop and implement national debt and new financing strategies.

The aim of the HIPC CBP, funded by six OECD governments (Austria, Canada, Ireland, Sweden, Switzerland and the United Kingdom), is to build and strengthen the capacity of HIPC governments to develop and implement their own national debt relief strategy, and a new financing policy consistent with long-term debt sustainability, national development and poverty reduction, without having to rely on international technical assistance. DRI is the HIPC CBP's not-for-profit technical office and the programme is implemented with four regional organisations: BCEAO/BEAC Pôle-Dette for Francophone Africa, CEMLA for Latin America, MEFMI for Eastern and Southern Africa, and WAIFEM for Anglophone West Africa. For more details, see www.development-finance.org.

This series is targeted mainly at senior officials and policymakers in HIPC countries.

By presenting original analysis and methodologies, it is hoped that the series will also be useful for officials of international organisations, donor agencies, regional African, Asian and Latin American organisations, CSOs and academics in developing and developed countries.

It aims to present particular topics in a concise, accessible and practical way for use by HIPC governments. The series should enable them to analyse some of the key issues relating to long-term external and domestic debt sustainability and the financing of their development.

The views expressed in the publications are those of the authors and not necessarily those of the HIPC CBP donors.

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TABLE OF CONTENTS

INTRODUCTION	1
PART ONE	
1 DECENTRALISATION AND SUBNATIONAL GOVERNMENTS	3
1.1 SUSTAINABILITY OF SUBNATIONAL PUBLIC FINANCES AND SERVICE PROVISION	3
2 RATIONALE FOR SUBNATIONAL DEBT SUPERVISION	4
2.1 TYPES OF SUBNATIONAL DEBT SUPERVISION	6
2.1.1 MARKET-BASED APPROACH	6
2.1.2 COOPERATIVE APPROACH	6
2.1.3 REGULATION-BASED APPROACH	6
2.1.4 ADMINISTRATIVE APPROACH	7
3 SELECTED CASES OF SUBNATIONAL DEBT SUPERVISION	7
4 DEBT SUSTAINABILITY AND INDICATORS	8
5 GOVERNMENT-WIDE COORDINATION AND COMMON APPROACH	9
PART TWO	
6 SUBNATIONAL GOVERNMENT CAPACITY BUILDING PROGRAMME	11
6.1 SG-CBP METHODOLOGY ON FISCAL AND FINANCIAL SUSTAINABILITY	12
6.2 CAPACITY EVALUATION	14
7 RESULTS: CASE-STUDY IN THE PILOT PHASE	17
7.1 DEBT SUSTAINABILITY	17
7.1.1 SUBNATIONAL FINANCE IN BOLIVIA: CONTEXT	17
7.1.2 SELECTION OF MUNICIPAL GOVERNMENTS PARTICIPATING IN THE PILOT PHASE	17
7.2 FISCAL AND FINANCIAL MANAGEMENT CAPACITY	22
8 CONCLUSIONS AND RECOMMENDATIONS	29
ANNEX 1	31
SEQUENCE OF A DEBT SUSTAINABILITY ANALYSIS	31
COMPLEMENTARY ANALYSIS	33
ANNEX 2	34
BIBLIOGRAPHY	38

TABLES

TABLE 1 – SELECTED BAILOUT CASES IN SUBNATIONAL GOVERNMENTS IN LATIN AMERICA	5
TABLE 2 – SUBNATIONAL DEBT SUPERVISION	8
TABLE 3 – AREAS AND CRITERIA FOR EVALUATING CAPACITY OF SUBNATIONAL GOVERNMENTS SG-CBP	16

BOXES

BOX 1 – BORROWING LIMITS IN LAW NO. 2042 ON BUDGETARY ADMINISTRATION AND THE BASIC RULES OF THE PUBLIC DEBT SYSTEM IN BOLIVIA	19
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ACRONYMS AND ABBREVIATIONS

CEMLA	Centre for Latin American Monetary Studies
CMG	Camiri Municipal Government
DHT	Direct Hydrocarbon Tax
DSA	Debt Sustainability Analysis
DSA-CBP	Debt Strategy and Analysis Capacity Building Programme
EAMG	El Alto Municipal Government
ECLAC	Economic Commission for Latin America and the Caribbean
IMF	International Monetary Fund
LPMG	La Paz Municipal Government
NG	National or Central Government
PIP	Public Investment Programme
PV	Present Value
SG	Subnational Governments
SG-CBP	Subnational Government Capacity Building Programme
SMG	Sucre Municipal Government
VMG	Viacha Municipal Government
WB	World Bank
WMG	Warnes Municipal Government

In recent decades, democratic development and the increasing attention paid to macroeconomic consolidation facilitated the deepening of decentralisation processes, both in Latin America and throughout the world.

From the fiscal viewpoint, this process manifests itself by assigning various functions to different government levels. Thus, the functions related to macroeconomic stability and wealth redistribution are assigned to the Central and National Government (NG), while resource allocation is usually assigned to Subnational Governments (SGs).

The argument for assigning the allocation function to SGs is that the decentralisation of public expenditure improves its efficiency because they are in a better situation to assess community needs, and therefore can respond accordingly through a better adaptation of their service provision.

Therefore, decentralisation processes imply in the first place the assignment of responsibilities to SGs, as well as the allocation of the resources required for their fulfilment¹. Bearing in mind financial flows, this allocation involves the assignment of spending responsibilities, own revenue, shared revenues, transfers, and borrowing competence.

In the case of significant vertical imbalances (i.e. inability to match responsibilities with revenue generation capacity), the borrowing needs increase and may lead to a severe fiscal imbalance that could even affect macroeconomic stability. In lower middle income countries, the need for the local provision of public goods generally exceeds current revenue generation capacity, and therefore debt monitoring and sustainability assessment become crucial issues.

This study is divided into two parts. The first part addresses the decentralisation and sustainability of service provision in subnational governments and focuses on financial sustainability, i.e. fiscal and debt sustainability. The second part presents the results of the implementation of the Subnational Government Capacity Building Programme in Bolivia. Finally, the document proposes conclusions and recommendations.

¹ This study does not discuss the way in which intergovernmental relations are determined. However, the assignment of greater responsibilities should be accompanied by the allocation of higher resources or the capacity required for their generation.

1 DECENTRALISATION AND SUBNATIONAL GOVERNMENTS

During the last 25 years, decentralisation processes, taking various forms and dimensions, have occurred in several countries throughout the world. In general terms, decentralisation has involved the transfer of responsibilities and resources from the central government to subnational governments. On the other hand, the term *decentralisation* has been used with various connotations that account for three different dimensions: deconcentration, delegation, and the reassignment of competences and responsibilities².

Countries generally establish a distinction between three different government levels: national, regional, and local. According to their political-administrative organisation, subnational governments may be state or municipal governments, as in the case of federal countries, or regional and local governments, as in constitutionally unitary countries³. There are also public utilities (such as water supply and garbage collection), or service-providing institutions (such as public hospitals), which in many cases are also part of subnational governments.

The transferring of responsibilities from national to subnational governments has been restricted to fiscal, political, and administrative instruments, which has ultimately defined the nature of the decentralisation process.

Decentralisation has implied greater expenditure, tax management, and borrowing responsibilities for subnational governments. Maintaining fiscal sustainability has therefore become a key element, as a financially weak subnational government cannot supply the services defined in the legal framework.

1.1 SUSTAINABILITY OF SUBNATIONAL PUBLIC FINANCE AND SERVICE PROVISION

Although subnational and national debt have similar dynamics, the analysis of public finance sustainability in subnational governments shows some differences from that at national level. The economies of subnational governments and their fiscal soundness is, to a great extent, determined by various central government policies. The analysis of subnational public finance sustainability is also complicated by the legal mandates that the central government imposes on subnational governments, as well as existing vertical imbalances. Subnational governments lack the power to issue their own currency, nor can they resort to financing through seigniorage. They cannot adjust their primary fiscal balance due to legal restrictions that stop them increasing their tax revenue, and therefore they may rely heavily on intergovernmental transfers, while their major categories of expenditure, such as wages and pensions, are also defined by the central government⁴.

These considerations may help us to understand that public finance sustainability in subnational governments should be understood as the capacity to generate adequate resources to afford their expenditure on a sustained basis, as well as to honour their debt service, without incurring arrears, debt renegotiation, or a significant fiscal adjustment. The definition includes two dimensions: i) fiscal sustainability, i.e. capacity to generate adequate resources, and ii) debt sustainability, i.e. a level of indebtedness that does not generate payment difficulties.

The concept of fiscal sustainability is generally associated to the inter-temporal balance of public finance, subject to the condition that any current imbalance (deficit) should be outweighed in the future (by a surplus). Nevertheless, in more comprehensive terms and from a social welfare viewpoint, the most important concept for a subnational government has to do with the *Sustainability of Service Provision*⁵, defined as the ability to supply at any time a given set of services to the community in compliance with its legal mandate, in the understanding that such service provision should have an appropriate combination of coverage, quality, and cost⁶.

² See World Bank (1998).

³ See further details on decentralisation and subnational governments in Latin America in ECLAC (1993) and ECLAC (2003).

⁴ See Lanchovichina and Liu (2008).

⁵ Nevertheless, it could also be argued that for a subnational government the most important element is local development, a wider but hardly quantifiable concept, such as, for example, the promotion of citizen participation and democratic practice.

⁶ Sustainable service provision is an area that until now has not been analysed comprehensively, and this is one reason why the many significant efforts and resources allocated to strengthening subnational governments have not had the expected results. The Subnational Government Capacity Building Programme intends to address this issue in its future methodological developments, including, for example, the contribution of subnational governments to the reduction of poverty and to the National Poverty Reduction Strategy.

The concepts of sustainable service provision and public finance sustainability are interrelated, as the unsustainable debt of a subnational government will create pressures which, in the absence of bailouts, will jeopardise service provision in future years⁷. In other words, the subnational government will inevitably face a situation of non-compliance with the minimum service provision defined by its mandate.

2 RATIONALE FOR SUBNATIONAL DEBT SUPERVISION

In most cases, the development of regulatory frameworks for subnational governments has resulted from the crises experienced in the last two decades. Many countries where subnational governments have undergone fiscal and debt crises, have developed mechanisms for fiscal and financial management, as in the cases of Brazil, Colombia, Mexico, and other countries in Latin America and throughout the world. However, there are other countries, such as Bolivia, where a regulatory framework was introduced for the purpose of preventing subnational financial crises.

Subnational government finances can also have a significant impact on national economies. The aggregate demand level may be strongly driven by an increase in expenditure by subnational governments, while also affecting the balance of payments due, for example, to a greater volume of imported capital goods. Even if the general expenditure level of subnational governments is limited by ceilings imposed on their tax collection and borrowing capacity, any change in their expenditure composition – e.g., a more intensive use of items with relatively strong leveraging effects, such as public works or transfers to individuals with a great propensity to consumption, can strongly boost aggregate demand⁸.

The implementation of monetary policy, as well as the interaction and balance between foreign exchange and financial markets, may also rely to a great extent on the financial soundness of subnational governments, particularly those of large cities.

Subnational financial imbalances may become very costly for the national government (e.g. bailouts), and consequently for national welfare. For example, if a significant and recurrent deficit of subnational governments is funded with external resources or domestic bank loans, monetary policy implementation may be hindered and, even if the deficit is not funded through a monetary expansion, it may have a “crowding out” effect on the private sector⁹.

Thus, the establishment of fiscal and financial management regulations, in which debt is undoubtedly a key element, can be better understood from a macroeconomic and social welfare viewpoint.

Table 1 below shows the details of selected cases of subnational government fiscal and debt crises where the intervention of the national government was required through a bailout.

⁷ Obviously, if this situation occurs in several subnational governments, the sustainability of debt, and the fiscal balance at national level, may be threatened.

⁸ See Ter-Minassian T. (1997a).

⁹ Ibid.

TABLE 1 SELECTED BAILOUT CASES IN SUBNATIONAL GOVERNMENTS IN LATIN AMERICA

Country	Characteristics	Cost
COLOMBIA ^{a b}	Performance Agreements (1995) Loans for the financial reorganisation of Subnational Governments (<i>Departamentos</i>), subject to the signing of Performance Agreements.	US\$ 115.7 million 14.5% of the current revenue of <i>Departamentos</i> . Range: 2.7% -70.7%
ARGENTINA ^c	Nationalization of the Provincial Pension System (1994-1996) As a result of the financial contagion caused by the Tequila Effect in 1994 – i.e. financial panic and liquidity crisis, the Federal Government had to take over the provincial pension system in 11 jurisdictions, thus assuming the corresponding fiscal cost.	US\$ 1,523.1 million 48% of the provincial tax revenue. Range: 2.5% -103.2%
	Loans from the Federal Government to the Provinces (1992-1994) Loans to the provinces that experienced fiscal and financial difficulties, in the form of 10-year National Treasury Bonds issued by the National Treasury and guaranteed by the Federal Tax Sharing system.	US\$ 800 million 12.6% of the expenditure of provincial governments. Range: 2.8% -21.5%
	Government of Cordoba (1995-1996) The crisis of the Bank of Cordoba (public institution), resulting from the fragile condition of the Argentine financial system in 1994-1995, had a strong impact on the provincial Government. Consequently, the Federal Government implemented a financial assistance package.	US\$ 240 million 12% of the expenditure in the Province. ^d
BRAZIL ^e	First bailout (1989) As a measure to mitigate the problem of subnational debt in several states, in October 1988 the Federal Government introduced a series of new restrictions on new borrowing and in 1989 it assumed all the medium-term debt of the states.	US\$ 8.8 billion^f 1.4% of state GNP. Range: 0.11%-4.93% US\$ 62 per capita Range: US\$ 2.8 –US\$ 161
	Second bailout (1993) The substantial debt increase in 1991-1993 resulted in a new negotiation round between the states and the Federal Government. Thus, all the debt contracted with the Federal Government was refinanced.	US\$ 32.8 billion^f 7.2% of state GNP. Range: 3.2%-38.7% US\$ 217 per capita Range: US\$ 80 –US\$ 820
	Third bailout (1997) After several negotiation rounds, and as a consequence of debt problems in various states (mostly bonds), the Government introduced a standard mechanism for debt rescheduling contracts. Such contracts, to be signed by the Federal Government and each state, involved the replacement of the state debt, both securitized and with banks, by a debt with the Federal Government.	US\$ 72.5 billion^f 11.6% of state GNP. Range: 0.6%-18.7% US\$ 465 per capita Range: US\$ 18 –US\$ 1,218
MEXICO ^g	State Financial Strengthening Programme (1995-1998) As a consequence of the 1994-1995 crisis, the Federal Government had to bail out almost all the states when the previous high debt level worsened due to the fivefold increase of interest rates during the crisis; it did so through the State Financial Strengthening Programme which provided the states with “extraordinary transfers” to reorganize their finances, subject to the signing of a Performance Agreement.	US\$ 3.7 billion 17% of state federal participation in 1995.

Source: own preparation on the basis of quoted information.

^a Echavarría J. et al. (2002).

^b The IADB document also mentions two additional types of bailouts: i) “Educational Compensation Fund”, introduced in order to fund the deficit faced by the *Situado Fiscal*, which is the main funding source of pre-school, primary, and secondary education, and ii) Funding of the Medellín Subway, a work which, although executed by a subnational government, was actually funded to a great extent by the National Government.

^c Nicolini J. et al. (2002).

^d Total 1996 revenue.

^e Bevilaqua A. (2002).

^f Constant 1998 prices, converted at a exchange rate of 1.2 R/US\$

^g Hernandez F. et al. (2002).

2.1 TYPES OF SUBNATIONAL DEBT SUPERVISION

The approach to be selected by the country in accordance with its particular circumstances is a key factor in determining the characteristics of the legal and institutional framework that will be implemented for subnational debt supervision.

Subnational debt supervision is generally classified in four categories:¹⁰ 1) market-based, 2) cooperation among the various government levels in the design and implementation of debt supervision, 3) legally-based supervision, and 4) administrative supervision.

2.1.1 Market-based approach

According to this approach, subnational debt is regulated or restricted by the financial market. In such cases, the central government does not establish any limits on subnational debt, and therefore subnational governments are free to decide the borrowing amounts, procedure for contracting it, sources and uses.

However, in order to impose an effective discipline on subnational government borrowing, the financial markets need to fulfil a series of conditions:¹¹

- markets should be free and open; in particular, no regulations should exist (such as reserve ratios or rules on portfolio composition) forcing financial agents to grant subnational governments loans under preferential terms;
- lenders should have access to adequate information on the outstanding debt of subnational governments and their repayment capacity;
- no assumption should be made of a possible bailout by the central government;
- the institutional structure of the subnational government should ensure an adequate response to market performance, rather than reaching the point of being unable to contract new loans.

A major drawback of this approach is the condition whereby the central government would not provide any bailout, as well as the strict compliance with the other conditions. Because of this, many developing countries do not see this approach as a viable option.

2.1.2 Cooperative approach

In this category, the subnational debt ceiling is not established by law or by the central government, but is determined through negotiation between the national and subnational governments.

This approach has several advantages. By promoting dialogue among the various government levels it has the potential for ensuring macroeconomic policy coordination and for raising the awareness of subnational governments about the macroeconomic impact of their budgetary policies. Nevertheless, it also has some weaknesses, as its poor implementation may soften the budgetary constraints on municipal governments, promote “bargaining” on intergovernmental transfers, and weaken policy coordination.¹²

2.1.3 Regulation-based approach

This approach involves the establishment of fiscal regulations restricting subnational debt, in compliance with an established national legal framework. Such regulations may include: restrictions on the overall debt amount or debt level; expenditure ceilings; the “golden rule” according to which debt can only be allocated to investment expenditures; regulations relating to the debt burden and the repayment capacity of the subnational institution, or restricting access to some financing sources (e.g. loans from the central bank or from abroad).

¹⁰ See Ter-Minassian T. (1997b).

¹¹ See Lane T. (1993).

¹² See Plekhanov and Singh (2007).

The regulation-based methods have the advantage of being transparent and impartial, as well as avoiding extensive negotiations between central and subnational governments that usually involve a political rather than an economic component. However, regulation-based methods, by their own nature, lack flexibility and ultimately promote evasive behaviour and practices, such as:¹³

- Classifying current expenditure as capital expenditure in order to evade regulations on current and capital fiscal results;
- Creating entities which, even if operating as government-owned enterprises, have extra-budgetary status, so that their debt is not accounted when determining debt ceilings;
- Using enterprises owned by subnational governments in order to obtain loans for purposes that should be funded by the budget of each subnational government;
- Accumulating arrears to suppliers (floating debt), which generally makes it difficult to verify whether they are covered by the public debt ceiling or not.

2.1.4 Administrative approach

Under this approach, the central government retains the power for exercising direct management on subnational government debt by means of annual or semi-annual individual debt ceilings, establishing administrative requirements to authorise borrowing by subnational government, or centralising national debt and transferring resources by means of loans to subnational governments (on-lending).

The direct management of the central government over subnational government debt is obviously more frequent in constitutionally centralised countries than in federal countries.

3 SELECTED CASES OF SUBNATIONAL DEBT SUPERVISION

Empirical evidence on subnational government debt supervision methods¹⁴ and on examples of the bailout of subnational governments by the central government, would indicate that none of the approaches analysed in the previous section appears to be better than others. This fact suggests that the subnational debt supervision approach to be implemented depends largely on the existing institutional arrangements of the country, by the country's progress in decentralisation, and by the financial soundness of the subnational governments.

The information presented in Table 2 overleaf summarises the results of a study carried out in 43 countries where financial bailout has actually taken place, independent of the method adopted by the country for supervising subnational debt.

¹³ See Ter-Minassian T. (1997a).

¹⁴ Plekhanov and Singh (2007).

TABLE 2 SUBNATIONAL DEBT SUPERVISION

Approach	Emerging countries	Developed countries	With bailout background	Without bailout background	Total
Market-based approach	4	8	5	7	12
Regulation-based approach	4	5	4	5	9
Cooperative approach	2	6	2	6	8
Administrative approach	12	2	7	7	14

Source: based on Plekhanov and Singh (2007).

In the case of Latin America, financial bailouts of subnational governments have taken place in Mexico, Argentina, Colombia and Brazil, as well as in Chile and Bolivia. The last two countries, together with Mexico, apply the administrative approach, while Argentina uses the cooperative approach and Colombia the regulation-based approach. Brazil on the other hand applies a combined administrative/regulation-based supervision method.

4 DEBT SUSTAINABILITY AND INDICATORS

According to the IMF, debt is made up of any liability involving the payment of interest and/or principal by a debtor to a creditor at a future date or dates¹⁵. However, a more comprehensive definition is possible, bearing in mind that subnational debt encompasses every obligation contracted or generated by regional and local governments, including any subordinate institutions.

Contracted obligations are usually supported by explicit legal documents (loan agreements or security issuance documents), while *generated obligations* are associated to accruals not paid at maturity.

As per the above categories, the following type of debt instruments should be noted:

- Loan agreements with private domestic or foreign banks.
- Loan agreements with state-owned banks.
- Loan agreements with other public financial entities.
- Loan agreements transferred by the national government (*on-lending*), including resources with either domestic or external origin.
- Security issuance in the domestic market (generally bonds).
- Financing agreements with private contractors.
- Unpaid accruals, usually including arrears to suppliers of any goods and services, including building contractors.
- Obligations resulting from arrears in contributions to pension funds or from a change in the pension system.

As in the case of total public debt and domestic debt, no threshold has been internationally established for assessing the sustainability of subnational government debt. Nevertheless, short, medium, and long term indicators to measure the debt burden have been developed by comparing the stock and flow variables of subnational debt with the reimbursement capacity of the relevant subnational government.

The debt burden (numerator) can be analysed from a solvency viewpoint, i.e. the debt aggregates at a given time in nominal and/or present value, and from the point of view of liquidity through the debt service or its components. The subnational government's revenue is generally used as the denominator because of the availability and timeliness of the information as well as the facility for its calculation and its standardisation. It should include the current and regular revenue, i.e. those resources

¹⁵ See IMF (2001).

which the subnational government could usually count on in order to honour its debt in each maturity period, excluding such temporary or incidental revenue as grants or capital revenue resulting from the sale of assets¹⁶.

Thus, combining the various debt variables with the data on current revenue creates the main indicators, as follows:

Creditworthiness	Liquidity
Debt Stock/Current Revenue (D/R)	Debt Service/Current Revenue (DS/R)
Present Value/Current Revenue (PV/R)	Interest/Current Revenue (I/R)

The above indicators should be interpreted as follows:

- The D/R indicator measures the nominal debt burden compared to the ability of the subnational government to generate its own resources.
- The PV/R indicator measures the present cost of debt service vis-à-vis the ability of the subnational government to generate its own resources.
- The DS/R indicator measures the ability of the subnational government to fund its debt service with its own resources.
- The I/R indicator measures the ability of the subnational government to fund the payment of debt interest with its own resources.

It should be noted, however, that different indicators may be designed according to the nature of the study. For example, in order to know the relationship between existing debt and the different types of expenditures, the analysis could use as the denominator either the current expenditure, capital expenditure, or total expenditure, as appropriate. Similarly, the various fiscal balances can be used as denominators (primary, total, current, operational, etc.) depending on the scope of the analysis.

However, from an analytical viewpoint, it is important to analyse the trends of the relevant indicators as well as the characteristics of the institution in order to determine whether the debt is sustainable or not. Thus, if the projected indicators show high levels of debt from the beginning of the study and an ever-increasing trend in the medium and long term, it may be concluded that the debt is unsustainable¹⁷. The analysis of the indicator path, together with past and projected financial flows (revenue, expenditure, and balances), allow the determination of the soundness of public finance at various moments in time.

5 GOVERNMENT-WIDE COORDINATION AND COMMON APPROACH

Perhaps one of the most relevant factors in terms of monitoring subnational debt is the coordination that should exist between the central government and the various subnational government levels. The implementation of any of the approaches mentioned in Section 2.1 implies the need for establishing a common programming language, in simple and systematic terms, between the central government and subnational governments.

Thus, in terms of subnational public finance sustainability, there is also a *non financial* dimension, relating to the capacity of institutions to plan, organise, and implement subnational policies, both budget and debt-related. Although the measurement of this element may present a greater difficulty, it is important to take it into consideration at the time of assessing the medium and long term perspectives of subnational governments. Therefore, the sustainability of subnational government service provision will ultimately rely on meeting financial and non financial objectives for sustainability.

The consideration of these capacity building needs across the various government levels, in both technical and management terms, led to the design and introduction in 2005 of the CEMLA Subnational Government Capacity Building Programme (SG-CBP), the results and experience of which during its pilot phase will be presented later in this study.

¹⁶ The asset sales might be used for debt prepayment, in which case it would have an impact on debt reduction (numerator), but it would not increase the ability to honour debt in the medium and long term, i.e. it would not increase the capacity to generate resources for an indefinite period of time.

¹⁷ Of course, there has been and there will be intensive debate on the appropriate limits for subnational government debt. In any case, the experience of the Subnational Government Capacity Building Programme shows the impossibility of establishing standard limits for subnational governments.

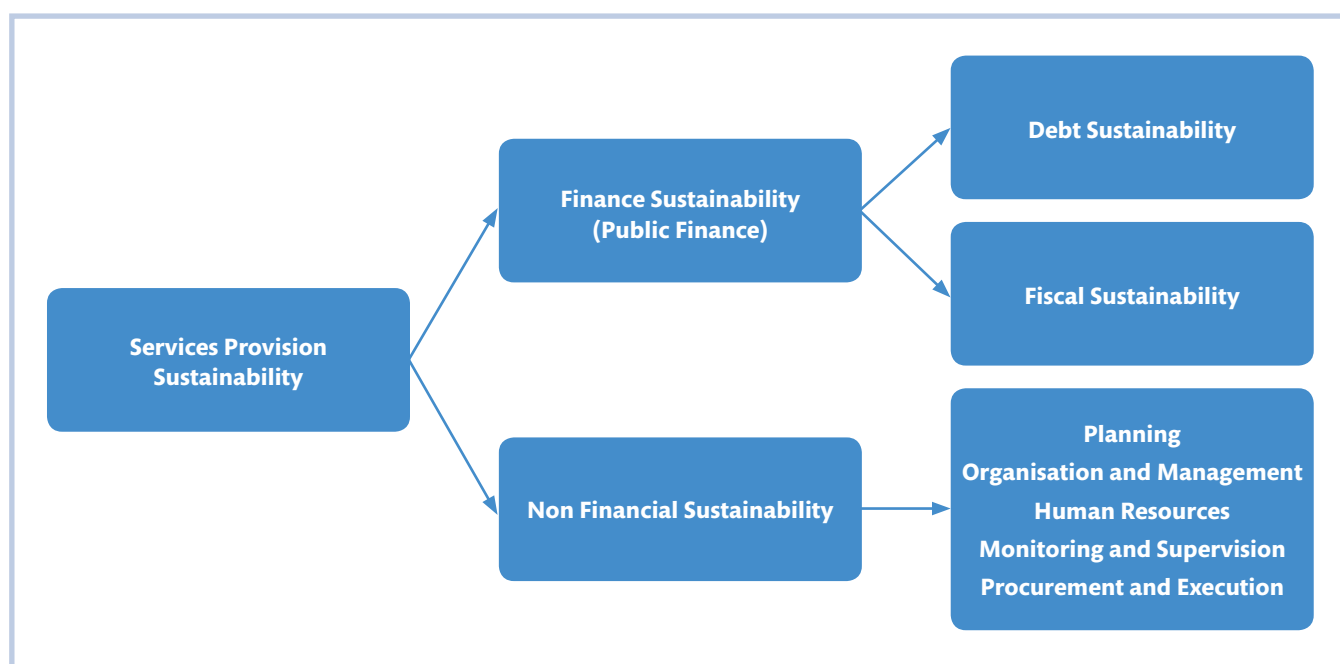
6 SUBNATIONAL GOVERNMENT CAPACITY BUILDING PROGRAMME

As discussed in Part One of this document, the decentralisation processes undertaken in many countries resulted in the creation of subnational governments with various degrees of autonomy and with the responsibility for managing the resources transferred to them by the central government, as well as for generating and using resources of their own including borrowing. In the process, some subnational governments became involved in distress processes and reached debt levels which exceeded their repayment ability.

In a context of decentralisation, overall national debt sustainability is not guaranteed by proper fiscal and debt management at the central government level: this also implies high-quality debt management by subnational governments.

The experience of the Debt Strategy and Analysis Capacity Building Programme (DSA-CBP) has revealed an asymmetry in capacity to manage public finance and debt at the national and subnational levels, with a notable shortfall in the latter group. Thus, capacity building in subnational finance and debt management is of key importance. The Subnational Government Capacity Building Programme (SG-CBP) was designed in response to such a need.

Consequently, and as discussed in Section 5, the SG-CBP is based on the premise that the Services Provision Sustainability, should contemplate two components:



Within this framework, the Programme aims to support subnational governments to improve their financial management capacity, and create their own task forces to conduct regular sustainability analysis and strategy planning, thus minimising the external support that is generally provided by consultants, or other types of assistance that does not always involve a technical capacity transfer to the subnational institutions. For such purposes, the following instruments were introduced:

1. A Fiscal Programming and Financial Analysis methodology for subnational governments¹⁸, combining elements of Fiscal Programming and Debt Sustainability Analysis, that enables the central and subnational governments to design medium-term financial strategies or fiscal adjustment programmes, in a rather straightforward manner but taking into account all key management elements.
2. A methodology for the self-assessment of fiscal management capacity, so that subnational governments will be able to identify their weaknesses and evaluate the progress achieved in the improvement of their public finance management.
3. A training methodology, consisting of a manual that contains specific technical tasks to be applied in workshops on debt and new financing, as well as on the design and analysis of financial flows. These workshops are the main instruments that will enable subnational government officials to design debt and new financing strategies and to prepare fiscal analysis and projections leading to recommendations on fiscal and financial policies.

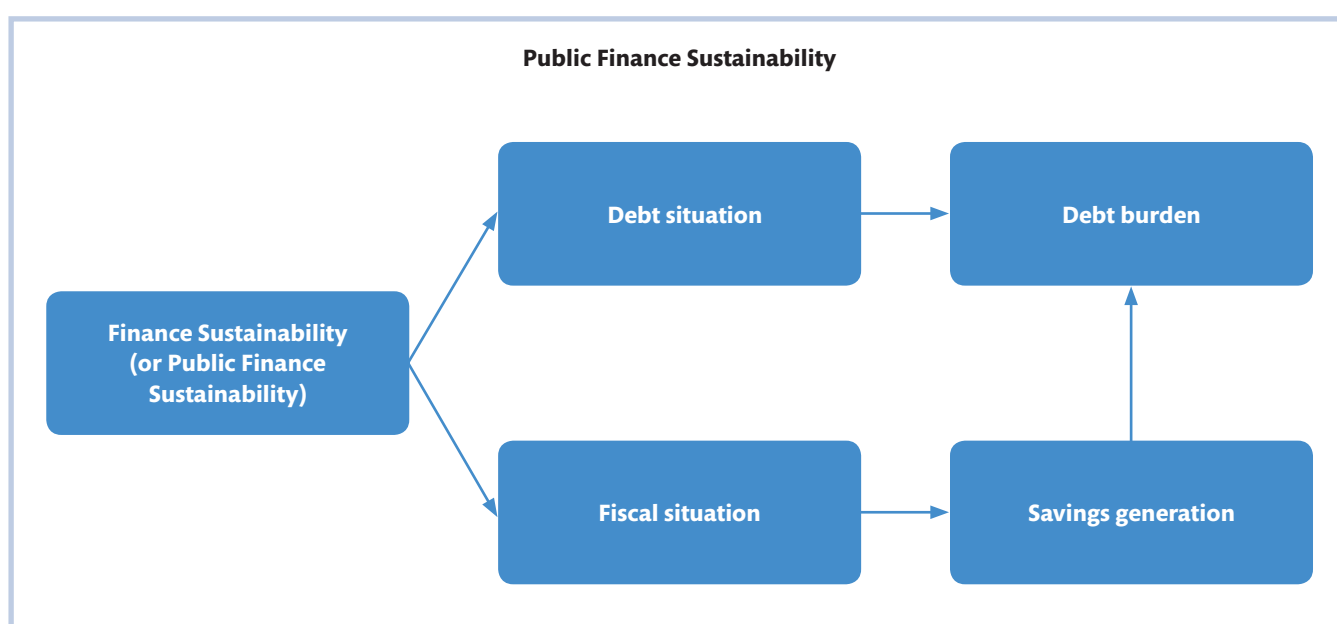
As opposed to methodologies which involve theoretical knowledge transfer, the methodology designed by the SG-CBP is based on the practical training of subnational government officials through the use of “live data”, i.e. using information pertaining to the institution itself in order to conduct relevant analysis reflecting the actual circumstances of the subnational government, which thereby becomes a permanently-used management tool.

Bolivia was selected as the pilot country due to its CEMLA membership, its decentralisation level, and its current experience of the performance of subnational governments. The results presented in Part Two of this document show the experience of five Bolivian subnational governments participating in the Programme.

6.1 SG-CBP METHODOLOGY ON FISCAL AND FINANCIAL SUSTAINABILITY

Public finance sustainability analysis implies looking into two different areas. The first area relates to the current and future debt situation for the purpose of establishing the debt burden through solvency and liquidity indicators. The second area refers to the current and future fiscal situation of the subnational government and aims to determine its ability to generate resources and savings that would allow for sustainable expenditure and enable debt to be honoured in a timely manner.

It is important to note that sustainability analysis is relevant for the treatment of future management issues within the institutions. Therefore, its main time frame covers the medium-and long term, therefore the analysis should project several years into the future.

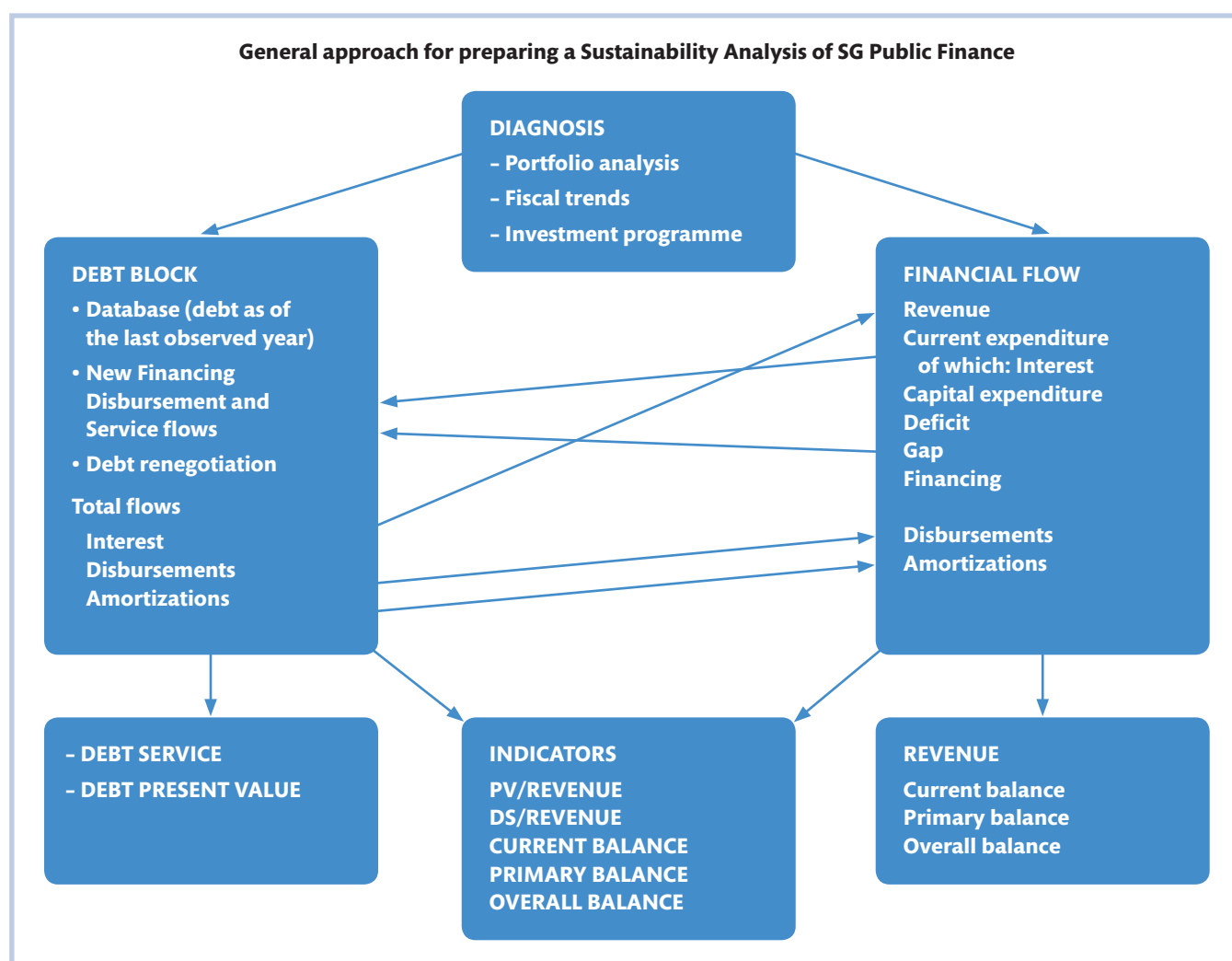


¹⁸ Coronado J. (2000).

The above graph shows the interrelation between the fiscal and the debt components within the public finance sustainability framework. Any improvement in the fiscal situation (e.g. through a greater generation of current resources) would allow an increase in savings and therefore improve the entity's debt repayment capacity. On the contrary, a worsening of the fiscal situation would lead to restrictions in service provision or debt repayment and, in the absence of expenditure cuts, would increase pressure to borrow additionally, which in turn would result in even tighter restrictions in the future.

This interrelationship is also important from the operational point of view, because outstanding debt is an input for determining the financial flows when reviewing the fiscal health of the institution. The financing needs resulting from financial flow projections will, in turn, generate new debt data.

Taking the above issues into consideration, the general approach of a model of public finance sustainability analysis for a subnational government can be summarized as per the following graph.



Two major components can be noted as part of the diagnosis of the recent or existing situation: debt and the fiscal sector. Such diagnosis should include an analysis of the recent debt performance concerning both stock and service payments, i.e. an analysis of the debt portfolio of the subnational government. On the other hand, there is a need to prepare and analyse the financial flows observed in recent years in order to determine the evolution of the institutional fiscal balances. Furthermore, it is necessary to undertake a detailed review of the recent capital expenditure and the Investment Programme's behaviour: it is not

sufficient to analyse capital expenditure as an aggregate variable of the financial flow, because it is essential to know its breakdown in order to identify the programmes and projects being implemented by the institution, their progress, and the investment commitments or needs. This is a very important analysis as investments determine to a great extent the future funding (future debt) needs of the institution.

The diagnosis will provide the elements needed to determine the institution's current policies, concerning both debt and the fiscal sector (revenue, expenditure, financing).

Once the current situation has been defined, the future forecasts of both components should be analysed. The first component of the forecasts relates to the debt of the institution and its future evolution. It allows examination over different periods of the debt burden and the indebtedness indicators (either those provided for in existing regulations or those used as relevant indicators in common practice).

The second component of the forecasts basically refers to the Fiscal Programme of the institution and the performance of its key line-items. It allows analysis of the resource generation capacity of the institution through the measurement of its current revenue generation and the various balances (overall, primary, current) that result from the financial flows and reflect the impact of institutional current practices.

The relationship between the forecasts debt and the fiscal programme is interactive. Thus, for example, the service projections of the existing debt determine the amounts that should be considered within the Fiscal Programme in order to cover interest payments and the available net financing. On the other hand, during the preparation of the Fiscal Programme (financial flows) the funding needs which are not provided for should be established: this implies contracting a new debt that generates an additional service and stock which, once again, impacts on the Fiscal Programme. In order to close the exercise of fiscal and debt forecasts, an iteration process should be conducted until funding needs are fully provided.

The above approach could also be applied to an alternative scenario which includes different fiscal policy measures or a renegotiation of debt. In this case, the effects of such measures are included in the projections of debt and financial flow variables. The comparison of both scenarios (current practices versus measures to be adopted) will show the degree of improvement of the subnational government fiscal situation through the use of fiscal and sustainability indicators.¹⁹

6.2 CAPACITY EVALUATION

The design of the CBP-SG methodology for assessing the non financial sustainability of subnational governments enables officials to conduct a systematic evaluation of the management capacity of their own institutions as far as debt and new financing are concerned, as well as of their ability to analyse the fiscal and financial areas.

The methodology is presented in a self-assessment format where officials clearly and systematically identify the weaknesses and strengths of their subnational government in the various areas, point out the possible causes of the problem, and suggest policies and corrective measures whenever necessary, thus focusing domestic efforts and external support on high priority areas, as noted in the following example.

¹⁹ Annex 1 shows the sequence of a debt sustainability analysis according to the SG-CBP methodology.

EXAMPLE – SELF ASSESSMENT MATRIX

EVALUATION AREA		CURRENT CLASSIFICATION	PRIORITY	GAPS AND CAUSES	SOLUTIONS AND RECOMMENDATIONS	PARTIES INVOLVED/ RESPONSIBLE UNITS
II	Planning and policy framework	3.20				
II.1	Medium and long term development plans in place, citizen participation	5	HIGH	Management development instruments	Awareness of civil society as Plan stakeholder, as well as of the VMG Executive and Operational Staff	PLANNING AND SUPERVISION UNIT and own staff

Self-assessment date: 11/15/2009

The methodology consists of a sequence of three main stages: i) evaluation areas, ii) criteria, and iii) classification system. Eleven evaluation areas have been defined as most relevant for a subnational government to provide an adequate overview of its fiscal and financial management. For this overview to be significant, it should include such complementary areas as, for example, the legal and transparency framework. The eleven areas listed below may be grouped into four components: organisational and legal framework (component 1), debt management (component 2), sustainability and analysis (component 3), and finally, transparency and monitoring (component 4).

Each evaluation area includes five criteria as the most important attributes that will impact on the effectiveness and capacity in that particular area, and represent the most significant benchmarks for the assessment of any change in capacity.

A five-level classification system, from 1 to 5, has been defined for each criterion, where level 5 corresponds to best practices, while level 1 reflects the poorest performance.

The evaluation of each debt management area shows the average score in the five criteria for that particular area. The closer a subnational government is to 5, the closer it will be to the ideal standard.

The CBP experience shows that the regular use of this methodology by a subnational government facilitates the design of an action plan that can be monitored and is extremely useful for improving its fiscal and financial management. Self-assessment questionnaires are very important for the SG-CBP as they help it to define the specific support required by each government.

Table 3 overleaf details the eleven evaluation areas as well as the criteria applicable to each category.

TABLE 3 AREAS AND CRITERIA FOR EVALUATING CAPACITY OF SUBNATIONAL GOVERNMENTS SG-CBP

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Component 1</p>	<p>I. Legal and Organisational Framework</p> <p>I.1 Existence of Financial System Regulations (Budget, Treasury, Accounting, Public Debt and Investments)</p> <p>I.2 Extent and clarity of laws regulating the Debt Unit</p> <p>I.3 Extent and clarity of regulations governing publication and information supply in the Public Credit Unit</p> <p>I.4 Coordination and evaluation mechanisms for Public Debt operations</p> <p>I.5 Information circulars on legislation and implementation, clearly defining contracts, guarantees, and debt service guidelines.</p> <p>II. Planning and policy framework</p> <p>II.1 Medium and long term development plans in place, citizen participation</p> <p>II.2 Quality of the Development Strategy</p> <p>II.3 Fiscal rules and consistency with the fiscal framework</p> <p>II.4 Coordination mechanisms</p> <p>II.5 Level of development strategy implementation</p> <p>III. Administrative and Human Resource Organisation (Public Debt Unit)</p> <p>III.1 Organigram functions, processes, procedures, and information flows</p> <p>III.2 Adequate staff and work allocation</p> <p>III.3 Staff qualification, expertise, and training level for all the functions within the Public Debt Unit</p> <p>III.4 Working environment in the Public Debt Unit</p> <p>III.5 Adequate plans for staff evaluation, development plans, and on-the-job operational capacity</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Component 3</p>	<p>VII. Preparation and analysis of financial flows</p> <p>VII.1 Information availability</p> <p>VII.2 Expertise on and preparation procedures of Financial Flows</p> <p>VII.3 Projection methodology and system for Financial Flows</p> <p>VII.4 Projection quality</p> <p>VIII. Debt Strategy Analysis and New Financing</p> <p>VIII.1 Coordination effectiveness</p> <p>VIII.2 Instruments for strategy design</p> <p>VIII.3 Strategy designing and updating capacity</p> <p>VIII.4 Quality of the strategy document</p> <p>VIII.5 Implementation capacity</p> <p>IX. Fiscal analysis</p> <p>IX.1 Fiscal analysis unit</p> <p>IX.2 Financial flow analysis</p> <p>IX.3 Use and analysis of information from external sources</p> <p>IX.4 Service provision capacity and contribution to poverty reduction</p> <p>IX.5 Capacity for analysing and proposing fiscal policies</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Component 2</p>	<p>IV. Condition of Financial Management Systems</p> <p>IV.1 Budgetary System</p> <p>IV.2 Public Investment System</p> <p>IV.3 Treasury System (revenue)</p> <p>IV.4 Treasury System (expenditure and cashflow)</p> <p>IV.5 Accounting System</p> <p>V. Debt and Risk Management</p> <p>V.1 Recording, statements of accounts and conciliation</p> <p>V.2 Computerised debt management system</p> <p>V.3 Debt programming and service</p> <p>V.4 Portfolio analysis</p> <p>V.5 Portfolio risk analysis</p> <p>VI. New Financing and Renegotiation</p> <p>VI.1 Rules and Procedures</p> <p>VI.2 Annual new financing programme and mid and long term financing requirements</p> <p>VI.3 New financing analysis and management</p> <p>VI.4 New borrowing operational analysis and renegotiation</p> <p>VI.5 Mobilisation</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Component 4</p>	<p>X. Monitoring, evaluation, and supervision of debt management and new financing</p> <p>X.1 Input for monitoring, evaluation, and supervision: quality data and adequate information flows</p> <p>X.2 Coordination of monitoring and evaluation</p> <p>X.3 Analysis of debt management results</p> <p>X.4 Debt management Internal and external audit</p> <p>X.5 Debt management self-assessment</p> <p>XI. Transparency and political support</p> <p>XI.1 External information dissemination, interaction and debate with the community</p> <p>XI.2 Importance of Subnational Government debt management</p> <p>XI.3 Implementation of recommendations on debt strategy and fiscal sustainability</p> <p>XI.4 Implementation of recommendations on capacity building</p> <p>XI.5 Commitment to use the Subnational Government technical capacity</p>

7 RESULTS: CASE-STUDY IN THE PILOT PHASE

The following results are taken from the SG-CBP pilot phase, for which a number of Bolivian subnational governments were selected. These results arise from the application of the methodology in six Municipal Governments (MGs): Sucre (SMG), La Paz (LPMG), Warnes (WMG), Camiri (CMG), El Alto (EAMG), and Viacha (VMG). The selection criteria were the demand and size of the subnational government, so as to include a representative group of such institutions.²⁰

7.1 DEBT SUSTAINABILITY

7.1.1 Subnational finance in Bolivia: Context

In Bolivia, resource allocation among the various government levels is not equitable. There is no standard regulation on tax revenue sharing. Instead, various taxes are collected by *prefecturas* (local governments), and by municipal governments, in addition to what is raised by the central government. MGs are highly dependent on transfers from the central government, as reflected in the vertical fiscal balance indicators presented below. The closer the indicator comes to 1, the more Subnational Government increases its financial dependence on the Central Government.

Vertical balance ratios (VBR)²¹
Capital cities and El Alto

GOBIERNO MUNICIPAL	2005	2006	2007	2008
SANTA CRUZ	0.5	0.6	0.6	0.6
EL ALTO	0.7	0.8	0.8	0.8
LA PAZ	0.4	0.5	0.5	0.5
COCHABAMBA	0.5	0.6	0.6	0.7
SUCRE	0.5	0.7	0.6	0.7
ORURO	0.7	0.7	0.7	0.8
TARIJA	0.4	0.8	0.8	0.8
POTOSI	0.7	0.8	0.8	0.7
TRINIDAD	0.7	0.8	0.8	0.8
COBIJA	0.8	0.9	0.8	0.8

Source: based on data from the Ministry of Economy and Finance of Bolivia

Among the key developments that affected Bolivian subnational finance in recent years, is the new Law No. 3058 on Hydrocarbons enacted in 2005. This Law increased shared resources for subnational governments, greatly improving their finances. However, because they were not given greater spending responsibilities which could have absorbed the revenues, this has led to a build-up of reserves or improvement in fiscal balances in subnational governments. This issue needs to be thoroughly considered in the sustainability analysis of subnational governments due to the volatile nature of the hydrocarbon revenues and the impact it may have on subnational new financing strategies.

7.1.2 Selection of Municipal Governments participating in the pilot phase

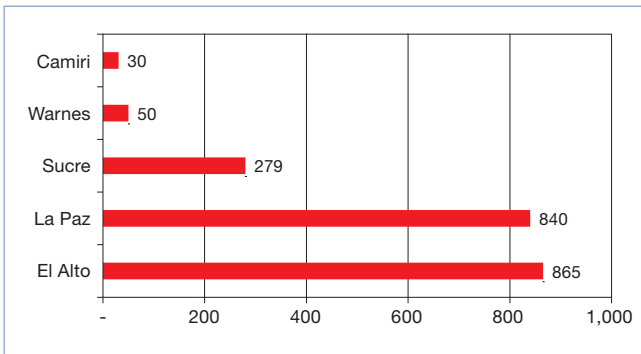
Although there are more than 300 municipal governments in Bolivia, the pilot phase may be considered as representative of the financial and management situation of municipal governments, as shown below. Additionally, it was possible to verify that the SG-CBP methodology can be applied to different contexts and sizes of subnational governments.

²⁰ At present, the Programme also includes the municipal governments of Viacha, Padilla, and Villa Vaca Guzmán, but workshops were held with these municipalities only when this study was about to be released.

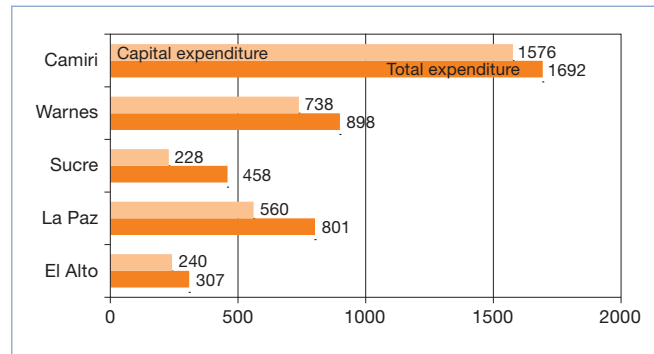
²¹ **VBR** = (Tax Sharing Revenue + Direct Hydrocarbon Tax Revenue (DHTR) + HIPC II Transfers + Other Capital Transfers from the Central Government)/ Total Revenue.

Selected indicators

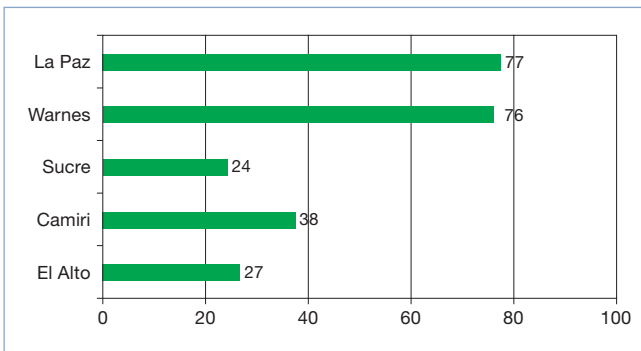
Population, in thousands



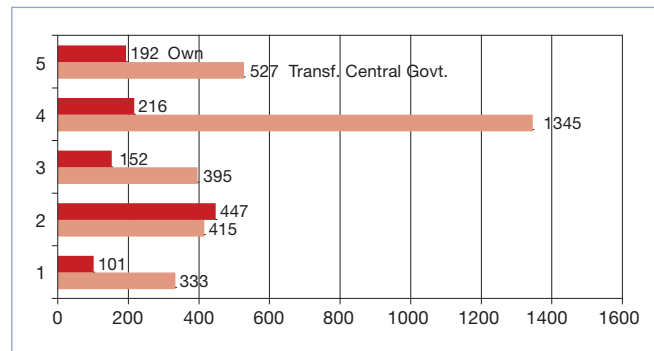
Expenditure per capita, 2006 (in Bs.)



Subnational debt per capita, 2006 (in US\$)



Revenue per capita, 2006 (in Bs.)



The experience in the use of the CBP-SG methodology for capacity building on fiscal and financial analysis, focused on the debt sustainability of Bolivian municipal governments, was very positive. However, even though officials showed great interest in the various topics analysed, one of the challenges remains the absence of regular analysis of this type²².

The results of the debt sustainability analysis shown below are based on the specific legislation in force (see Box 1), where borrowing limits are established according to solvency and liquidity indicators.

²² See further details in the next section on the results of the fiscal and financial management capacity self-assessment.

BOX 1**Borrowing limits in Law No. 2042 on Budgetary Administration and the Basic Rules of the Public Debt System in Bolivia**

Article 35 in Law No. 2042 of December 18, 1999 on Budgetary Administration, states that decentralised, autonomous, and self-sufficient public institutions must comply with borrowing limits. Similarly, Article 31 in the Basic Rules of the Public Debt System states that, among the requirements for a public debt operation, applying institutions should comply with certain borrowing limits. Such limits or critical levels, measured as ratios, are shown below.

Debt Present Value/Current Recurrent Revenue: This is a *solvency* indicator that measures the current cost of debt service as compared to the payment capacity of the institution, taking into account the regular current revenue in a previous period. This revenue does not include incidental revenue corresponding to exceptional measures or policies applied in a given period, the repetition or continuous occurrence of which in the future cannot be foreseen.

Critical level: $PV/CRR_{t-1} \leq 200\%$

Debt Service/Regular Current Revenue: This is a *liquidity* indicator measuring the capacity of the institution for paying its debt service, taking into account its regular current revenue in a previous period. The debt service includes the payment of interest, amortisations, and fees (if any).

Critical level: $DS/CRR_{t-1} \leq 20\%$

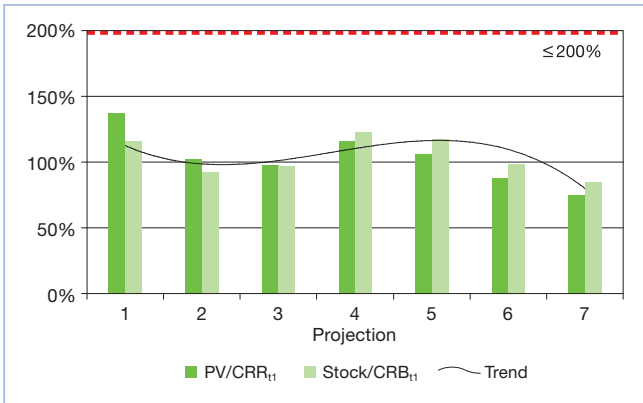
Debt sustainability analysis is carried out using a combination of assumptions on budgetary policy, new financing projections, and debt rescheduling simulations (if applicable), that are implemented through detailed medium-term projections. For such purpose, each MG made a 5 year projection of these variables in accordance with the Programme Training Manual. Every MG worked on three scenarios: baseline, optimistic, and pessimistic. The comparative results in terms of debt indicators for the baseline scenario (maintaining current practices) are shown below.

Overall, the analysis shows that the debt sustainability of participating MGs would not be compromised from the viewpoint of solvency indicators assuming that the scenario assumptions are correct in the medium term. In no case did the debt burden – either historical or projected – exceed the limits established by the Bolivian legislation (200%).

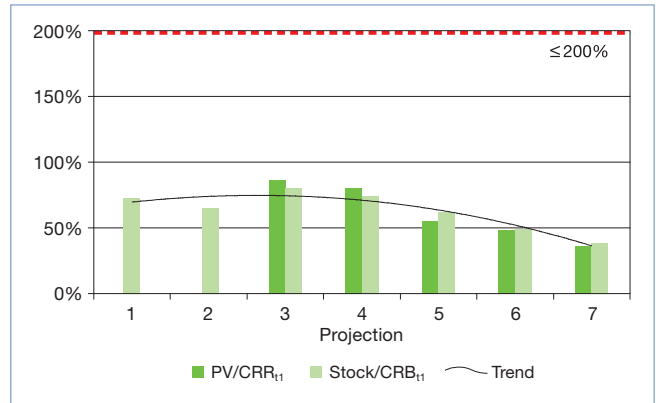
The difference between the indicators of the debt present value (PV) and the nominal value (Stock), reflects the inclusion of market-based loans in the assumptions when the PV indicator is greater than the Stock indicator, or the inclusion of loans with some grant element (for example, soft loans channelled through the central government) when it is lower.

Solvency indicators

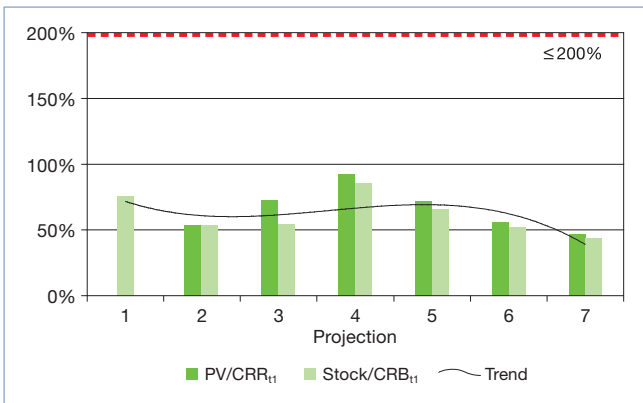
LA PAZ MG



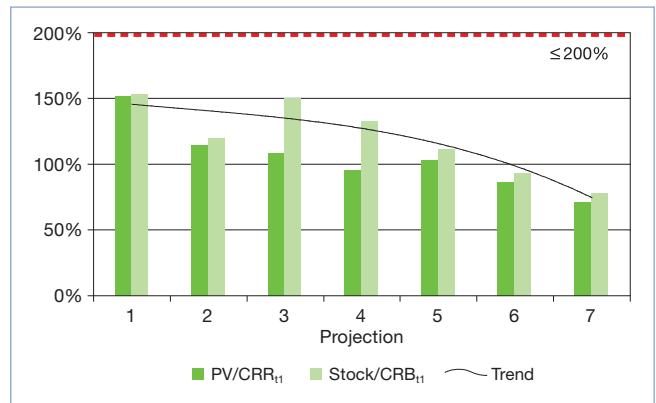
EL ALTO MG



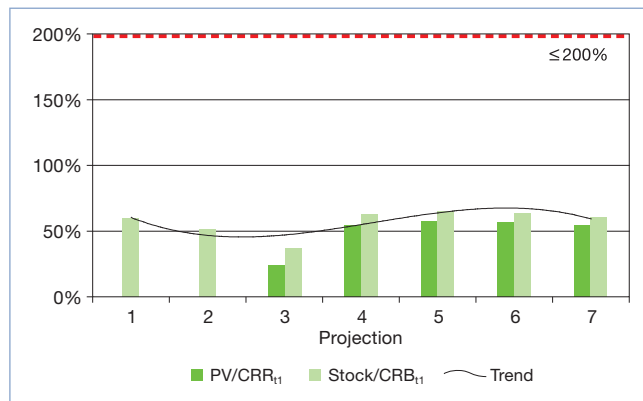
SUCRE MG



WARNES MG



CAMIRI MG

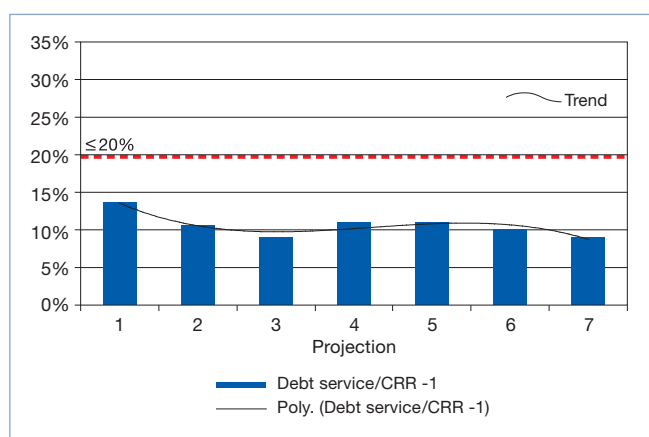


On the other hand, the debt sustainability results show that there are some liquidity risks. Four out of five MGs projected that the DS/CRR indicator in the baseline scenario would exceed the limits provided for in the legislation (20%). These results are mitigated by the following factors: i) the indicator only takes into consideration 50 percent of the revenue from the Direct Hydrocarbon Tax (DHT) as part of the current revenue, as a way of mitigating the volatile nature of such revenue, and ii) in many cases, the debt service burden reflects the accumulation of arrears that could be rescheduled.

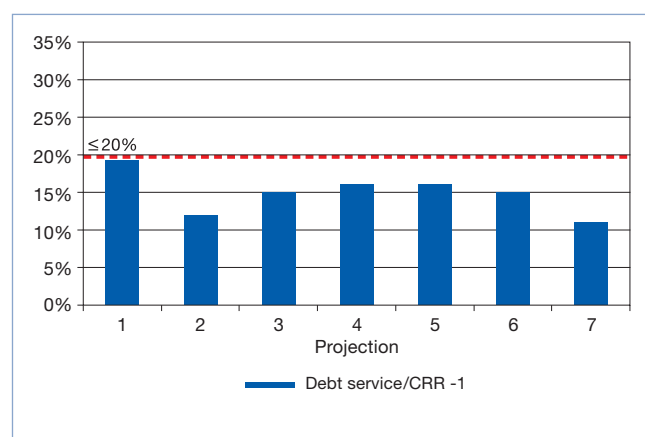
Nevertheless, the initial results showed the potential problems faced by the MGs if they continue to apply current budgetary, debt, and new financing policies, providing an efficient warning system for potential financial difficulties, which is an undeniable advantage of a debt sustainability analysis. Thus, for MGs the most important value-added of a debt sustainability analysis is the availability of a simple and systematic methodology guiding their medium-term planning process, that takes into account their decisions, actions, and consequences of quantifiable specific policies for debt sustainability, and ultimately service provision.

LIQUIDITY INDICATORS DS/CRR_{t-1}

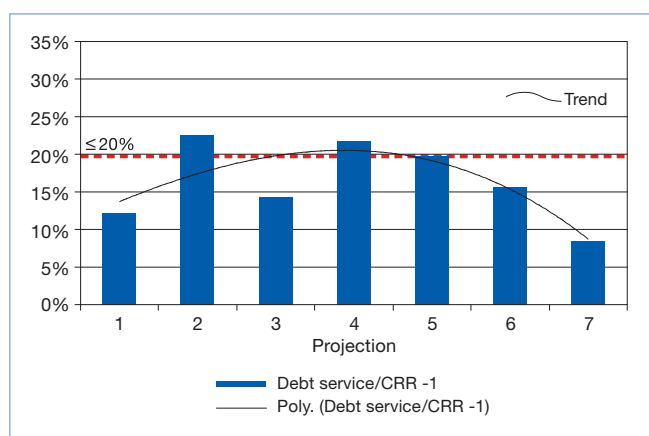
LA PAZ GM



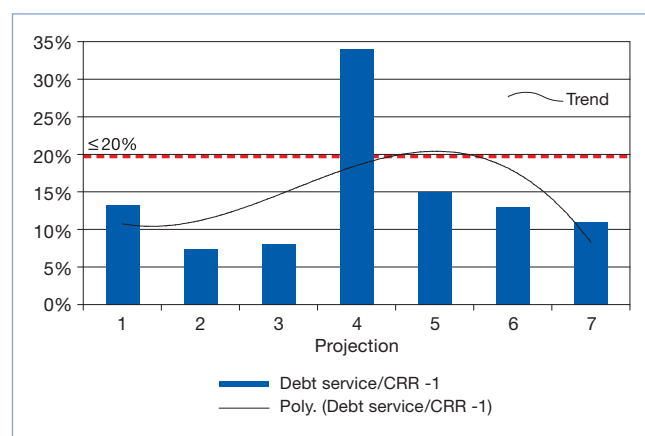
EL ALTO GM



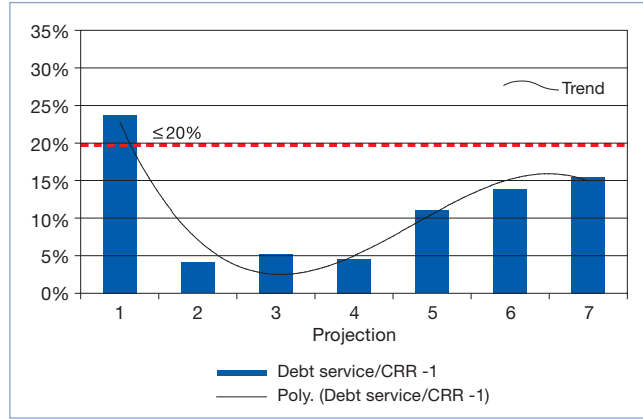
SUCRE GM



WARNES GM



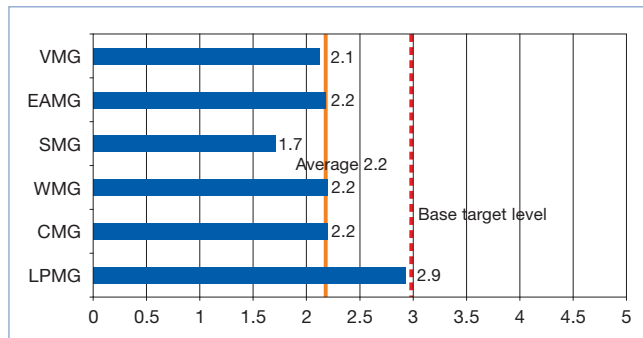
CAMIRI GM



7.2 FISCAL AND FINANCIAL MANAGEMENT CAPACITY

The results of the “Self-assessment on Fiscal and Financial Management” in the municipal governments participating in the Pilot Phase in Bolivia, on the basis of the SG-CBP methodology, are presented below²³. The graph shows that, when the methodology was applied for the first time, the general average was 2.23 as a reflection of weaknesses in fiscal and financial management, compared to a reasonable base target level of 3.

SG Fiscal and Financial Management Self-assessment: General average



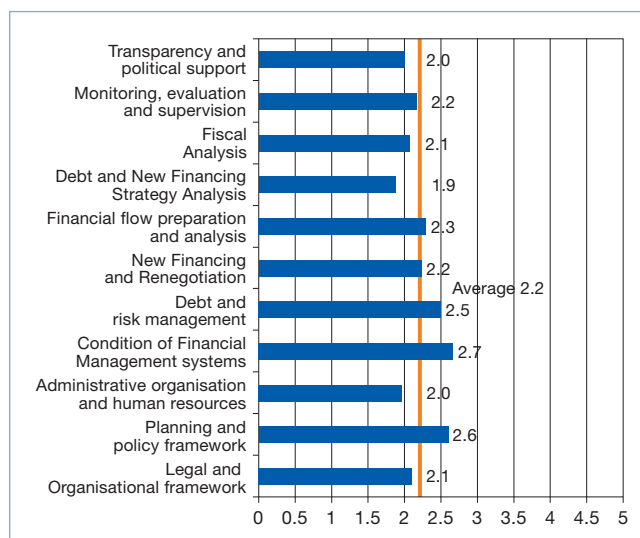
Source: CBP-SG

The Municipal Government with the highest score was La Paz (2.93), reflecting the efforts made by the institution to face past insolvency problems and the need to obtain financing for public works.

The rest of the Municipal Governments showed an average score of about 2, which implies a need for a significant improvement of management in the various areas included in the questionnaire.

²³ Annex 2 contains the detailed results of the evaluations.

SG Fiscal and Financial Management Self-Assessment: General average by evaluation area



Source: SG-CBP

According to the graph, none of the averages reach acceptable standards and all are far from optimal levels. The most serious weakness appears in area VIII, Debt and New Financing Analysis (1.88), because of official's lack of technical expertise on debt sustainability issues, analysis of individual public debt operations, and management of new financing. The weakness in area III, Administrative Organisation and Human Resources (1.97) should also be highlighted, mostly as a result of the absence either of a Public Debt Unit or such a function within the Administration and Finance departments.

The strongest areas were Planning and Policy Framework (II) and Condition of Financial Management Systems (IV). This result can be explained by the Bolivian regulatory framework which, since the middle of the last decade, has had the task of preparing mid-term Municipal Development Plans and implementing the financial and non-financial management systems established by the Central Government, for which Central Government provides subnational governments with the necessary support.

Nevertheless, it should be noted that the approach used for planning and implementing financial systems has been more operational than management-oriented. Thus, the plans of subnational governments are not based on a sound financial framework supporting their implementation. In other words, those plans were designed on the basis of community demands and then inserted within a financial framework which is unfeasible in most cases and does not include fiscal and financial sustainability elements.

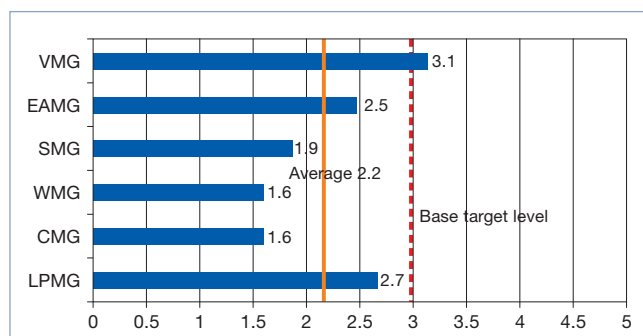
In the case of systems, the budget focused on managing expenditure ceilings, rather than on creating a planning/management instrument expressed in financial terms. With the exception of LPMG, the other Municipal Governments estimate that more than two thirds of the evaluated areas may be considered as deficient or highly deficient.

The results of the evaluations reflect the urgent need for establishing capacity building mechanisms, in order for officials in subnational governments to contribute effectively to improving management in their institutions.

I LEGAL AND ORGANISATIONAL FRAMEWORK

This encompasses those areas relating to the legal and organisational framework, planning and policy framework, administrative organisation and human resources.

SG Fiscal and Financial Management Self-Assessment: Component 1



Source: SG-CBP

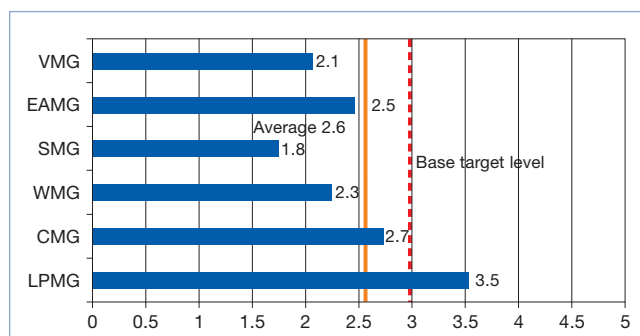
With the exception of VMG and LPMG, where the scores reflect the reasonable implementation of a set of standards as well as a suitable organisation, the remaining municipal governments (MGs) reveal shortcomings resulting from other major factors, as follows:

- Although specific standards are available for all financial areas, they are not fully implemented. Also, evaluations detected shortcomings in the extent and clarity of legal provisions on public credit operations and related information supply. Evaluations also pointed out the lack of circular letters on the establishment and implementation of guidelines for contracting new debt, guarantees, and service, as well as on the maximum limits such as sustainability ratios.
- Coordination is one aspect that apparently all the institutions execute on a regular basis. However, five of the six MGs consider that appropriate coordination mechanisms do not exist or are not formally implemented.
- Although medium and long term development plans are in place, the way in which objectives and goals are stated in most MGs does not allow for measuring and assessing the results, and they are not fully consistent with the capacity and context of the institution. Besides, such objectives and goals do not take account of fiscal regulations or, if they do, they are taken from general regulations but not specifically defined for the institution involved.
- The absence of a Public Debt Unit or a clear definition of such a function in several MGs brought about a lower scoring on organisational issues.
- As far as human resources are concerned, the absence of operational/technical staff assigned to public debt was noted, as well as the informal nature of their selection or hiring methods. The staff working in this area have an average background of less than two years, with little or basic training on public debt issues.
- In many cases, working conditions are inadequate, equipment is inadequate or obsolete, and the personnel lack proper incentives.

II DEBT MANAGEMENT

This sector includes those areas that reflect the status of financial management, debt and risk management, new financing and renegotiation systems.

SG Fiscal and Financial Management Self-Assessment: Component 2



Source: SG-CBP

The average score of this component is 2.6 which implies the need for additional efforts in the various areas, in particular debt and new financing. The main characteristics of the evaluation of this component were:

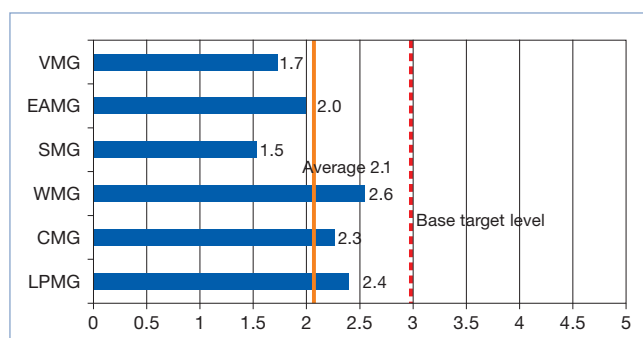
- The best developed system in the evaluated MGs is the Accounting System that generates the necessary records for preparing in a timely fashion all financial statements within three months after operations are concluded. Additionally, the system allows for accounting of ancillary data on capital and interest from some creditors.
- Together with Accounting, the Budget is the most important financial system for MGs. However, it is not considered as a management instrument and its use is restricted to monitoring expenditure limits.
- In five MGs there is an annual Public Investment Programme (PIP) in place that is consistent with the budget, but there are no medium and long-term PIPs. In addition, although financial execution reports are occasionally prepared, they do not include any analysis or evaluation²⁴.
- The Treasury System, including all activities related to tax collection and income and expenditure management in close relationship with other financial management systems, is well developed in two MGs (Camiri and La Paz), but it is rather weak in the other Municipal Governments. The same is true of whether this system is used as an expenditure programming instrument to forecast financing needs and ensure timely fulfilment of institutional obligations.
- In terms of public debt the MGs pointed out that recording, borrowing, and reconciliation processes are better developed than other components, due to the availability of databases that provide information on existing obligations. In the absence of a debt recording system, this information is obtained from basic worksheets. With the exception of one MG, there is no reliable payment schedule in place, as actual execution differs from budget provisions by more than 10%.
- In general, MGs do not perform a portfolio analysis and, if they do, it is only occasionally and out of need to comply with specific requirements set out by the national authorities or external institutions. The portfolio risk analysis shows a similar situation, in spite of its importance in modern day debt management.
- MGs do not have guidelines for conducting debt renegotiation or for determining their short, medium and long term funding needs. Consequently, although some posts are assigned to mobilising financing, the negotiation capacity is limited, there are few working procedures or instruments, and the corresponding follow-up does not take place.
- The individual financial analysis of loans is done partially and it is not conducted prior to the contracting process, but rather as a formality after the loan is contracted. Thus, reports are prepared as part of the documents needed to justify the already contracted loan.

²⁴ WMG does not prepare any PIP, while the one prepared by EAMG is not consistent with the budget and is not accompanied by any report on physical and financial implementation.

III ANALYSIS AND SUSTAINABILITY

This comprises the areas of preparing and analysing financial flows, debt analysis and strategy, and new financing, as well as fiscal analysis. This component has the highest relevance for the “middle-office” work of a public debt unit, as it evaluates the fiscal and financial analysis capacity of the institution.

SG Fiscal and Financial Management Self-Assessment: Component 3



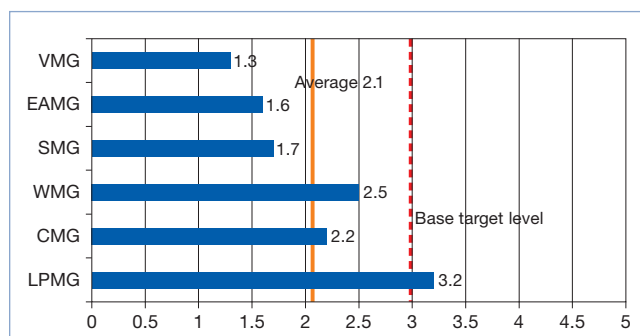
Source: SG-CBP

Planning a strategy for debt and new financing is one of the major challenges faced by the MGs. One of the main detected shortcomings is the absence of a unit specialising in fiscal analysis, with specific functions to conduct an ongoing, periodical, thorough, and comprehensive analysis. This should cover all the activities and offices of the Municipal Government through a joint work across all areas that are empowered to request and access the necessary information. According to the evaluations, the major problems to be solved are:

- Although there are informal coordination mechanisms in place, there is neither the leadership to facilitate teamwork nor a debt strategy tool, and therefore sustainability analyses are made on the basis of external documents and implemented only to fulfil fiscal agreements with the central government, with poor results due to lack of coordination.
- With the exception of one MG, officials considered that their work was defective when designing a debt and new financing strategy and when conducting fiscal sustainability assessments (using financial information, expected fiscal policies and data projections), which allow them to simulate the expected funding needed for maintenance expenditure, as well as reaching reasonable investment levels to meet the needs of society.
- There is neither a clear methodology nor a computerized package in place for identifying the impact of implementing the various MG policies, although short and long term financial flow projections are prepared occasionally and on an ad hoc basis.
- Policies are ambiguously defined, without a clear medium and long term statement by policymakers. They do not include concrete measures and variable assumptions, apply fiscal standards, or measure results: therefore, they are not useful for projections. There is also poor coordination in some areas and while financial flow information is used at the technical level to review some aspects of finance in certain areas, it is not used at a management level.
- In general, MGs agreed that they have reliable and comprehensive information provided by an information system on budgetary execution, although it is not processed in a regular manner and in some cases it does not include thorough supporting information.

IV TRANSPARENCY AND MONITORING

This includes the monitoring, evaluation and supervision of debt management and new financing, as well as the transparency and political support from the authorities to debt management.

SG Fiscal and Financial Management Self-Assessment: Component 4

Source: SG-CBP

In general, MG officials graded their institutions as weak as far as transparency and monitoring are concerned.

- Although information is available, it is neither comprehensive nor clear enough, and it is only provided on a timely basis when formally requested in special circumstances. Information supply is compulsory but how it should flow has not been formally established.
- Coordination is ineffective, in which units participate sometimes, there are no clearly established coordination mechanisms in place, and therefore debt management results are analysed sporadically and in general terms.
- Annual internal and external audits take place in a few MGs, debt management self-assessment is sporadic and based on questionnaires and reports, and no recommendations are made on their implementation.

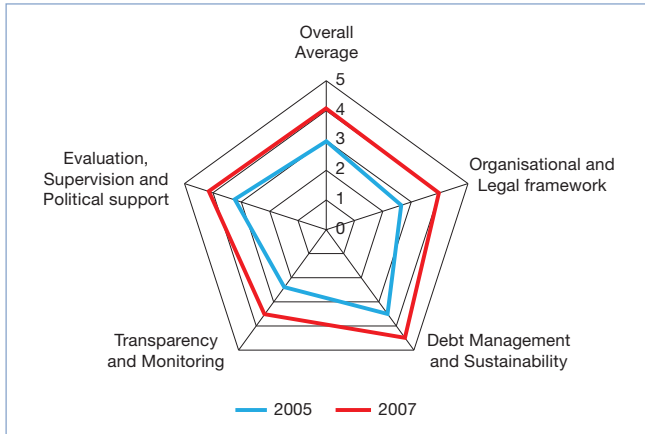
With respect to the *Transparency and Political Support of the Authorities to Public Debt Management*, it was noted that, as far as human and material resources are concerned, there is some limited support. However, discussions among policymakers do not focus on public debt issues, and recommendations on debt strategy, fiscal sustainability, and capacity building are seldom implemented.

V COMPARISON AND EVALUATION: SELECTED CASES

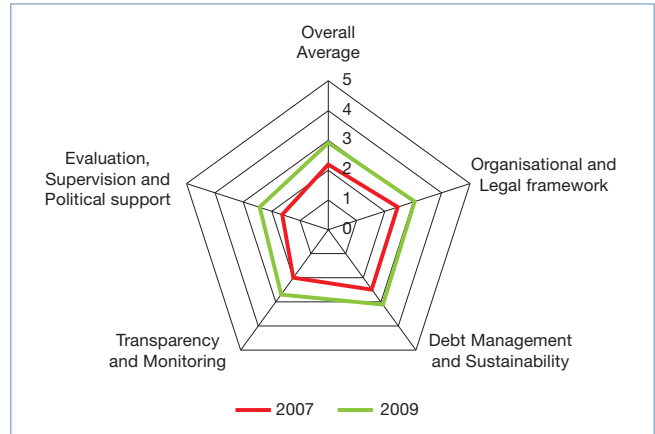
The SG-CBP pilot phase conducted in some Bolivian municipal governments shows encouraging results. The progress observed in the short term undoubtedly sets a benchmark for monitoring the management capacities of subnational governments, and therefore for designing plans to reinforce and build capacity, with the purpose of ensuring that service provision by subnational governments is sustainable.

The graphs below show the evolution of management indicators in the La Paz and El Alto Municipal Governments during the pilot programme. In general, and considering initial conditions, both MGs show a significant improvement in all the self-assessment components.

**La Paz Municipal Government:
Self-assessment scoring evolution**



**El Alto Municipal Government:
Self-assessment scoring evolution**



In LPMG significant improvements were observed in the areas of *debt management and sustainability*, due to the interest of the Government in these areas where soundness is crucial for mobilising new funding for large-scale public works projects as well as for issuing own domestic debt instruments.

With regards to EAMG, although significant progress was observed in all areas, significant weaknesses remain in the following areas: i) new financing and renegotiation; ii) debt and new financing strategy analysis, and, iii) fiscal analysis.

The results of the MG self evaluations show that there is still room for improvement. Furthermore, the high share of Subnational Governments expenditure within the public sector highlights the extreme importance of capacity building activities at a local level where support from donors is crucial.

8 CONCLUSIONS AND RECOMMENDATIONS

In analysing the financial sustainability of a subnational government, the most important element consists of ensuring sustainable service provision in accordance with its mandate. Service Provision Sustainability and Debt Sustainability are interrelated, as the unsustainable debt of a subnational government will raise pressures that, in the absence of bailouts, will necessarily put its capacity to provide services at risk for one or more years.

There are no internationally established thresholds to assess the debt sustainability of subnational governments. However, analysing the various trends of indicators relating debt burden to payment capacity, together with the financial flow analysis (revenue, expenditure, and balances), allow subnational governments to determine the soundness of public finance at different moments in time.

Internally, countries should establish a clear regulatory framework for debt management in subnational governments, that would ensure a reasonable balance between revenue and debt service payments. This implies the creation of fiscal regulations restricting borrowing, preferably using the ratio between the projected debt service and the payment capacity of the subnational government.

In the light of available information and the problems faced by subnational governments, the best solution is to focus on simple indicators that use nominal debt variables, and to establish current and regular revenue as measurement of their payment capacity. Although there are more significant measures that can involve both the numerator (e.g. the present value of debt) and the denominator (e.g. operational savings), the difficulties calculating and accounting for them in each subnational government make their standardisation and monitoring too complex.

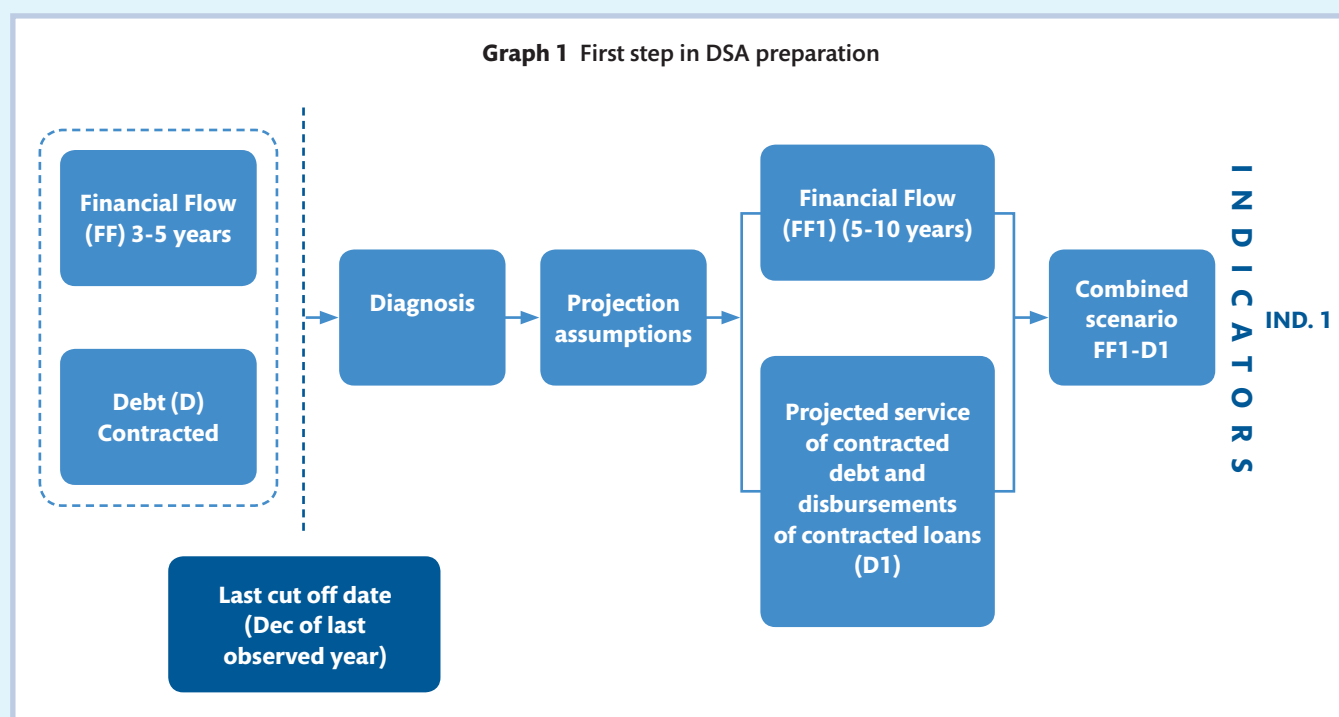
It is important that the donor community pay greater attention to fiscal, financial, and debt sustainability management in subnational governments, because:

- subnational governments are responsible for a significant percentage of government expenditure, and any expenditure on investment has a strong impact on communities;
- establishing a systematic and simple framework for fiscal and financial analysis in subnational governments (small and large), carried out at their own initiative and on a regular basis, is extremely useful for their relationship and coordination with the central government (by developing a common language on public finance).
- these actions should be accompanied by lobbying efforts to raise awareness among the authorities of subnational governments on the need to implement the policy recommendations arising from such analysis, conducted by the technicians of subnational governments themselves with the support of the SG-CBP.

Finally, the results of the implementation of the SG-CBP pilot phase (as measured by management capacity self-assessments) confirm that governments urgently need to implement (and donors to fund) capacity building activities related to debt management and strategy in subnational governments. Among other things, this implies the improvement of institutional structures, the quality of human resources, the capacity to conduct debt sustainability analysis, the design of debt strategies, and the ability to project fiscal variables and results.

SEQUENCE OF A DEBT SUSTAINABILITY ANALYSIS²⁵

The sequence for implementing a sustainability analysis and designing a strategy contributing to the sustainable management of subnational public finance can be summarised in two steps as follows:



Initially, historical information should be compiled for both debt and the fiscal area. Ideally information obtained over the last five years is recommended, however should this not be possible, three year historical information will suffice. The diagnosis mentioned in the previous section will be prepared on the basis of such information, and will also serve to determine projection criteria or assumptions consistently with the policies usually applied by the SG.

In general, the data used in the diagnosis do not have a high level of detail. However, in order to prepare the sustainability analysis it is necessary to have disaggregated debt information. Therefore, the stock of each debt at cut-off date should be determined (initial situation). According to the financial terms in the contracts, or to the information available, the service of each debt should be projected until reaching a zero stock, taking into account the contracts and debt renegotiations underway. Debt service should be disaggregated between interest and amortisation payments.

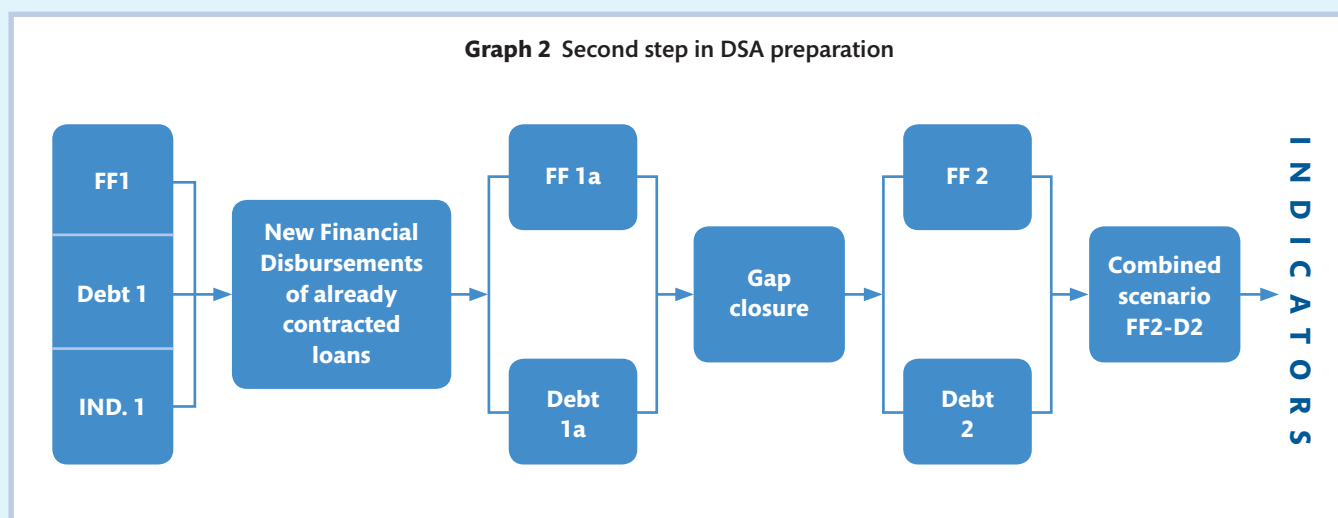
Additionally, the debt service resulting from the new and *already contracted financing* should be included, based on agreed disbursement schedules, and therefore on their service.

Next, debt service projections resulting from new disbursements assumptions should be combined with the existing debt service, thus generating new debt data that will become part of financial flow 1. In the fiscal component, the historical information is analysed and the baseline is determined for the variables included in financial flows, according to the most recent or consistent information available. Once the baseline is determined and refinements or adjustments introduced as per the characteristics of each SG, the projection assumptions (excluding policy measures) should be calculated to show future financing needs for the next 10 years, or whatever period is deemed suitable.

²⁵ Coronado J. (2000)

Once the financial and debt service flows are determined as previously described, it is possible to calculate the fiscal and indebtedness indicators, including the present value at the cut-off date or in subsequent years. These indicators are used as a reference, as they include neither the new financing that the SG intends to obtain in order to implement its investment programme, nor the new debt that would result from covering the fiscal gaps that might exist in the financial flow projection.

This scenario is often, intuitively and erroneously, seen as a sustainability analysis, i.e. the situation including only the existing debt, without taking into account the new future debt. Nevertheless, this scenario is important because it sets the basis for comparing the indicators of different scenarios, thus identifying the impact of generating new debt.



The second step is far simpler and it is used for a better analysis of the impact of the future borrowing plans of the institution and the resources that are missing for the total funding of the SG financial flow.

Thus, all new financing assumptions that the institution needs to fund its Investment Programme or other type of expenditure, are added to the results of Step 1. The previously prepared diagnosis of debt evolution and financial flow projections have served to identify the new financing needs and sources and their possible terms, so as to establish the related disbursement schedule and debt service.

The disbursements and debt service are included in the projections prepared in the first step for both debt and financial flows. The fiscal figures are then analysed on a year-by-year basis in order to determine whether they match, i.e. whether funding available is equal to the need. If this funding is lower than the financing need, positive financial gaps will be generated implying a financing deficit²⁶. In these cases, it is assumed that the government will contract new loans in amounts equal to the financing gap for each of the years under the study. Then, the effects resulting from the new debt service are included in fiscal accounts; this exercise is repeated until gaps no longer exist in any projection year.

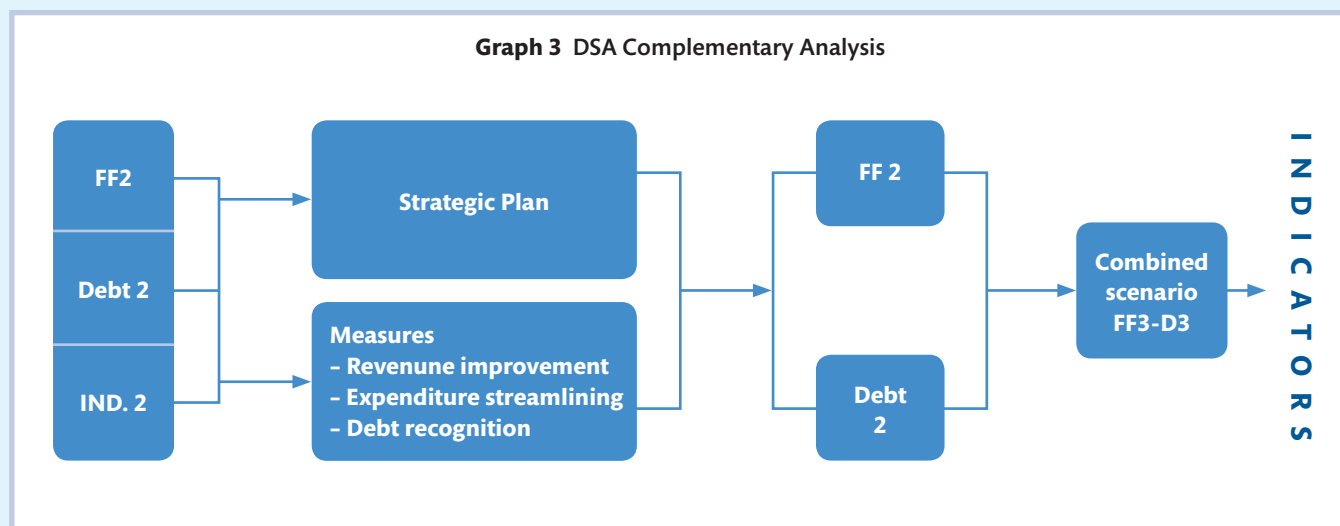
Once the above exercise is completed, the closed Financial Flows (FF2) and final debt data should be obtained. The information contained in both blocks is the basis for determining the debt sustainability indicators and other indicators that the SG may consider relevant.

Briefly, through Step 2 the current situation is determined in both the fiscal and debt areas, as well as the future situation of the institution, in both cases consistently with policies in force.

²⁶ A negative gap (excess financing) would mean that the institution has additional resources for investment or debt prepayment.

COMPLEMENTARY ANALYSIS

The complementary analysis builds on the analysis of the institutional Strategic Plan and the identification of those measures that could be implemented in order to enhance its financial situation. The sequence to enter such input is summarized in the graph below.



The initial debt sustainability analysis provides a sound analysis of the current and future fiscal and financial performance of the institution, which, together with the Strategic Plan (the Municipal Development Plan in the case of Municipal Governments), determine the measures to be implemented by the institution to improve its fiscal and debt sustainability situation.

The quantification of such measures will provide the elements needed to prepare new financial flow and debt service projections, as financing needs could be less than those identified up to the previous stage.

Gap analysis and closure follow the same process as in the previous step, until the data on closed financial flows and the new debt situation are obtained. These data allow for preparing projections that will determine the fiscal and debt sustainability indicators, including the impact of measures to be adopted.

The comparison of the two outcomes, between the initial debt sustainability analysis and the complementary analysis, will reveal the degree of improvement of the SG in fiscal balance, debt sustainability, or service provision.

FISCAL AND FINANCIAL MANAGEMENT SELF-ASSESSMENT MATRIX: INITIAL EVALUATIONS

EVALUATION AREA	LPMG 2005		CMG		WMG		SMG 2005		EAMG 2007		VMG 2009	
	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*
I. Legal and Organisational Framework												
I.1 Existence of Financial System Regulations (Budget, Treasury, Accounting, Public Debt and Investments)	2.2	1.4	3	H	1	H	1.4	2	2.8	4	3.6	5
I.2 Extent and clarity of laws regulating the Debt Unit	2	1	1	H	1	H	2	H	3	M	4	MEDIUM
I.3 Extent and clarity of regulations governing publication and information supply in the Public Credit Unit	2	1	1	H	1	H	1	H	3	M	4	MEDIUM
I.4 Coordination and evaluation mechanisms for Public debt operations	2	1	1	H	2	H	1	M	2	H	4	MEDIUM
I.5 Information circulars on legislation and implementation clearly defining contracts, guarantees and debt service guidelines	1	1	1	H	1	H	1	M	2	H	1	HIGH
II. Planning and policy framework												
II.1 Medium and long term development plans in place, citizen participation	2.6	2.4	4	M	3	L	2.4	3	2.6	4	3.2	5
II.2 Quality of the Development Strategy	3	2	2	H	3	L	3	M	3	H	4	HIGH
II.3 Fiscal rules and consistency with the fiscal framework	1	2	2	M	1	H	2	H	2	H	2	HIGH
II.4 Coordination mechanisms	3	2	2	H	2	H	2	M	2	M	2	HIGH
II.5 Level of development strategy implementation	2	2	2	H	3	L	2	M	2	H	3	HIGH
III. Administrative organisation and Human Resources (Public Debt Unit)												
III.1 Organigram functions, processes, procedures, and information flows	3.2	1	1	H	1.2	H	1.8	2	2	M	2.6	3
III.2 Adequate staff and work allocation	2	1	1	H	2	M	2	M	2	H	3	HIGH
III.3 Staff qualifications, expertise, and training level for all the functions within the Public Debt Unit	4	1	1	H	1	H	3	H	2	H	1	HIGH
III.4 Working environment in the Public Debt Unit	4	1	1	H	1	H	1	M	2	M	3	MEDIUM
III.5 Adequate plans on staff evaluation, development plans, and on-the-job operational capacity	3	1	1	H	1	M	1	M	1	H	3	MEDIUM
IV. Condition of Financial Management Systems												
IV.1 Budgetary system	4.2	3.6	5	L	1	H	2.2	3	2.4	4	2.6	4
IV.2 Public Investment system	3	3	3	M	1	H	3	M	2	H	3	HIGH
IV.3 Treasury system (revenue)	5	4	4	M	1	H	1	H	2	H	1	MEDIUM
IV.4 Treasury system (for expenditure and cash flow)	4	2	2	L	1	H	1	H	1	H	1	MEDIUM
IV.5 Accounting system	4	4	4	L	1	H	3	L	3	M	4	MEDIUM
V. Debt and Risk management												
V.1 Recording, statements of accounts, and reconciliation	3.4	2.8	4	L	2.75	L	1.25	2.8	2	L	2	MEDIUM
V.2 Computerised debt management system	3	3	3	H	4	L	1	H	2	H	1	MEDIUM
V.3 Debt scheduled and service	5	3	3	M	1	H	2	M	3	M	3	MEDIUM
V.4 Portfolio analysis	3	2	2	H	1	H	1	M	3	M	2	MEDIUM
V.5 Portfolio risk analysis	2	2	2	H	1	H	2	M	2	H	2	MEDIUM
VI. New Financing and Renegotiation												
VI.1 Rules and Procedures	3	1.8	4	H	3	H	1.8	2	2.2	H	1.6	2
VI.2 Annual new financing programme and medium and long term financing requirements	4	1	1	H	1	H	1	L	1	H	1	MEDIUM
	4	1	1	H	3	M	2	H	3	M	1	MEDIUM

EVALUATION AREA	LPMG 2005		CMG		WMG		SMG 2005		EAMG 2007		VMG 2009	
	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*	CLASSIF.	PRIOR*
VI.3 New financing analysis and management	2		2	H	4	L	2	M	2	H	2	MEDIUM
VI.4 New borrowing operational analysis and renegotiation	3		3	H	3	M	2	M	3	M	2	MEDIUM
VI.5 Mobilisation	2		2	H	4	L	2	M	2	L	2	MEDIUM
VII. Financial Flow preparation and analysis	2		2.8		3		1.8		2.4		1.8	
VII.1 Information availability	3		4	L	5	L	1	L	4	L	3	MEDIUM
VII.2 Knowledge on Financial Flows and preparation procedures	4		5	L	5	L	2	H	2	H	2	MEDIUM
VII.3 Financial Flow projection methodology and system	1		2	H	1	H	2	M	2	H	1	MEDIUM
VII.4 Projection quality	1		2	H	1	H	2	M	2	H	1	MEDIUM
VII.5 Coordination and use	1		1	H	3	L	2	M	2	H	2	MEDIUM
VIII. Debt Strategy and New Financing Analysis	2.8		1.6		2.25		1.4		1.8		1.4	
VIII.1 Coordination effectiveness	1		2	H	4	L	2	H	2	H	3	MEDIUM
VIII.2 Strategy designing instruments	3		1	H	1	H	1	H	2	H	1	MEDIUM
VIII.3 Strategy designing and updating capacity	3		1	H	3	M	1	H	3	M	1	MEDIUM
VIII.4 Strategy document quality	3		2	H	1	H	2	H	1	H	1	MEDIUM
VIII.5 Implementation capacity	4		2	H	2	H	1	H	1	H	1	MEDIUM
IX Fiscal Analysis	2.4		2.4		2.4		1.4		1.8		2	
IX.1 Fiscal Analysis Unit	1		1	H	1	H	1	H	1	H	2	MEDIUM
IX.2 Financial Flow analysis	2		2	H	3	M	1	H	2	H	2	MEDIUM
IX.3 Use and analysis of information from external sources	2		2	H	4	L	1	H	3	H	1	HIGH
IX.4 Service provision capacity and contribution to poverty reduction	3		4	M	1	H	2	L	1	H	3	MEDIUM
IX.5 Capacity for analysing and proposing fiscal policies	4		3	H	3	M	2	H	2	H	2	MEDIUM
X. Debt management and new financing monitoring, evaluation and supervision	3.4		2.2		2.8		1.6		1.6		1.4	
X.1 Input for monitoring, evaluation, and supervision quality information and adequate information flows	4		2	H	3	M	1	H	3	H	2	MEDIUM
X.2 Monitoring and evaluation coordination	4		2	H	3	M	2	H	1	H	2	MEDIUM
X.3 Analysis of debt management results	2		2	H	3	M	2	H	1	M	1	MEDIUM
X.4 Debt management internal and external audit	4		4	M	1	H	1	H	1	M	1	MEDIUM
X.5 Debt management self-assessment	3		1	H	4	M	2	L	2	M	1	LOW
XI. Transparency and political support from the authorities to debt management	3		2.2		2.2		1.8		1.6		1.2	
XI.1 External dissemination of information, interaction and debate with the community	2		4	M	3	L	2	L	2	H	1	MEDIUM
XI.2 Importance of Subnational Government debt management	2		2	H	2	H	2	L	2	M	1	LOW
XI.3 Implementation of recommendations on debt strategy and fiscal sustainability	4		1	H	1	H	1	H	1	H	1	MEDIUM
XI.4 Implementation of recommendations on capacity building	3		1	H	2	H	2	H	1	H	1	MEDIUM
XI.5 Commitment to use the Subnational Government technical capacity	4		3	H	3	L	2	H	2	H	2	MEDIUM
General average	2.93		2.20		2.20		1.71		2.18		2.13	

Source: Self-assessments performed at Subnational Workshops within the CBP-SG framework.
Notes: * Priorities: Low (L); Medium (M); High (H).

FISCAL AND FINANCIAL MANAGEMENT SELF-ASSESSMENT MATRIX EVOLUTION OF TWO SELECTED CASES

	EVALUATION AREA	LPMG 2005	LPMG 2007	EAMG 2007	LPMG 2009
		CLASSIF.	CLASSIF.	CLASSIF.	CLASSIF.
I.	Legal and Organisational Framework				
I.1	Financial System regulations in place (Budget, Treasury, Accounting, Public Credit and Investments)	2.2	3.8	2.8	3.6
I.2	Extent and clarity of regulations in the Public Credit Unit	4	5	4	4
I.3	Extent and quality of legal provisions on information disclosure and availability in the Public Credit Unit	2	5	3	4
I.4	Coordination and evaluation mechanisms in Public Credit operations	2	4	3	4
I.5	Information circulars on legislation and implementation clearly defining contracts, guarantees and debt service guidelines	2	2	2	3
II.	Planning and policy framework				
II.1	Medium and long term development plans in place, citizen participation	1	3	2	3
II.2	Quality of the Strategic Development Plan	2.6	4.2	2.6	3.2
II.3	Fiscal regulations and consistency with the fiscal framework	4	5	4	4
II.4	Coordination mechanisms	3	5	3	3
II.5	Level of development plan implementation	2	3	2	3
III.	Administrative organisation and Human Resources (Public Credit Unit)				
III.1	Organigram, functions, processes, procedures, and information flows	3.2	4.0	2.0	2.4
III.2	Adequate staff and function assignment	3	4	3	2
III.3	Staff qualifications, expertise, and training level for all the Public Credit Unit functions	2	3	2	1
III.4	Working environment in the Public Credit Unit	4	4	2	3
III.5	Adequate plans on staff evaluation, development plans, and on-the-job operational capacity	4	5	2	4
IV.	Condition of Financial Management Systems				
IV.1	Budgetary system	3	4	1	2
IV.2	Public Investment system	4.2	4.6	2.4	3.6
IV.3	Treasury system (revenue)	5	5	4	4
IV.4	Treasury system (for expenditure and cash flow)	3	3	2	4
IV.5	Accounting system	5	5	1	4
V.	Debt and Risk management				
V.1	Recording, statements of accounts, and conciliation	4	4.4	2.8	3.2
V.2	Computerised debt management system	3	3	2	3
V.3	Debt scheduling and service	5	5	3	3
V.4	Portfolio analysis	3	5	3	3
V.5	Portfolio risk analysis	2	5	2	3
VI.	New Financing and Renegotiation				
VI.1	Rules and Procedures	3.0	4.6	2.2	2.6
VI.2	Annual new financing programme and mid and long term financing requirements	4	4	1	2
		4	4	3	3

	EVALUATION AREA	LPMG 2005	LPMG 2007	EAMG 2007	LPMG 2009
		CLASSIF.	CLASSIF.	CLASSIF.	CLASSIF.
VI.3	New financing analysis and management	2	5	2	3
VI.4	New borrowing operational analysis and renegotiation	3	5	3	3
VI.5	Mobilisation	2	5	2	2
VII.	Financial Flow preparation and analysis	2.0	2.4	2.4	3.8
VII.1	Information availability	3	3	4	4
VII.2	Knowledge on Financial Flows and preparation procedures	4	5	2	4
VII.3	Financial Flow projection methodology and system	1	2	2	4
VII.4	Projection quality	1	1	2	3
VII.5	Coordination and use	1	1	2	4
VIII.	Debt Strategy and New Financing Analysis	2.8	3.4	1.8	2.4
VIII.1	Coordination effectiveness	1	2	2	2
VIII.2	Strategy designing instruments	3	2	2	2
VIII.3	Strategy designing and updating capacity	3	3	3	3
VIII.4	Strategy document quality	3	5	1	3
VIII.5	Implementation capacity	4	5	1	2
IX	Fiscal Analysis	2.4	4.8	1.8	2.0
IX.1	Fiscal Analysis Unit	1	5	1	1
IX.2	Financial Flow analysis	2	4	2	2
IX.3	Use and analysis of information from external sources	2	5	3	3
IX.4	Service provision capacity and contribution to poverty reduction	3	5	1	1
IX.5	Capacity for analysis and fiscal policy proposal	4	5	2	3
X.	Debt management and new financing monitoring, evaluation, and supervision	3.4	4.0	1.6	2.6
X.1	Input for monitoring, evaluation, and supervision: quality information and adequate information flows	4	4	3	3
X.2	Monitoring and evaluation coordination	4	3	1	4
X.3	Analysis of debt management results	2	5	1	2
X.4	Debt management internal and external audit	4	3	1	2
X.5	Debt management self-assessment	3	5	2	2
XI.	Transparency and political support from the authorities to debt management	3.0	4.2	1.6	2.2
XI.1	External dissemination of information, interaction and debate with the community	2	5	2	2
XI.2	Debt management import into the Subnational Government	2	4	2	3
XI.3	Implementation of recommendations on debt strategy and fiscal sustainability	4	4	1	2
XI.4	Implementation of recommendations on capacity building	3	3	1	2
XI.5	Commitment to use the Subnational Government technical capacity	4	5	2	2
	General average	2.93	4.04	2.18	2.87

Source: Self-assessments performed at Subnational Workshops within the CBP-SG framework.

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