



Sovereign Debt Management Newsletter

Storkey & Co Limited
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What's New

The main focus of activity over the past three months has been our participation in a number of international events including the role of chair at the Central Banking Publications 4-day training course on "Government Debt Management: New Trends and Challenges" at King's College Cambridge, participation in the Commonwealth Secretariat 2-day workshop on "Domestic Debt Reporting" in London, and attendance at the World Bank "Sovereign Debt Management Forum" and "Debt Relief and Beyond: A World Bank Conference on Debt and Development" in Washington DC.

In this Newsletter, there are articles covering:

- The key to successfully establishing a debt management office.

Storkey & Co Update

Over the past 3 months, we have:

- continued to assist with the Debt Management and Fiscal Risk component of the World Bank and DFID Public Financial Management Reform Project (PFMRP) for the Ministry of Finance in Vietnam.
- continued to assist the World Bank in implementing the debt management performance assessment (DeMPA) tool across low-income countries.

- Publication of a World Bank database of training providers.
- Summary of the World Bank Sovereign Debt Management Forum.
- Launch of the multi-donor Debt Management Facility.

The international credit crisis and announcement of major government fiscal programs will change the focus for government debt managers. Many OECD countries will need to borrow to finance these programs and with ever increasing fiscal deficits, it may signal a return to international markets in some cases. This will also make it more difficult for most low and middle income countries to access international markets, particularly as credit spreads have widened significantly and investors will be more risk adverse.

- continued to assist the Government of Nauru through World Wide Project Management Services in Adelaide, SA under an AusAID funded project.
- participated in a Commonwealth Secretariat 2-day workshop on domestic debt reporting.
- chaired the Central Banking Publications government debt management training course at King's College, Cambridge.

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Special points of interest:

Our attention has been drawn to two research papers published earlier by Agence France Trésor (AFT):

- Analytical model of French State debt strategies, by Jean-Paul Renne and Nicolas Sagnes (2006)
- What are the consequences of active management of average debt maturity in terms of cost and risk? by Jean-Paul Renne (2007)

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Establishing a Debt Management Office

One of the key issues that a government faces in seeking to improve debt management is whether to establish a debt management office (DMO). There are often difficult public policy issues to resolve and institutional resistance to change. Also, it can be a long and winding road to establish a DMO with many barriers to overcome along the way.

Most of the modern day DMOs were established from 1988 to 2003 (refer to the list below). There are signs that some of the emerging market countries are considering or making progress with the establishment of a DMO.

From our knowledge and experience in setting up a DMO, we have identified two key factors that can ensure success, regardless of the location of the DMO.

First, there is the need for 2 or 3 senior officials within government that have the drive and commitment to overcome the barriers and effect change. This requires obtaining high-level approvals up to ministerial or government level to not only establish the DMO but also to clearly define the roles and responsibilities of the DMO and other agencies of government involved in debt management policies and operations.

Second, it is important to establish the culture and ethos of the DMO and ultimately its credibility and reputation as effective government debt managers as soon as possible. This will provide reassurance to the government, central bank, ministry of finance and other stakeholders that the DMO is a professional and highly capable organisation to manage the responsibilities assigned.

Most of the DMOs that have been established have developed excellent reputations and developed policies that define excellence in sound practice government debt management.

Swedish National Debt Office (SNDO) – 1789 (change in governance 1998)	Dutch State Treasury Agency (DSTA) – March 1841
United States Bureau of Public Debt (BPD) – 1940	New Zealand Debt Management Office (NZDMO) – July 1988
Iceland National Debt Management Agency (NDMA) – May 1990	Irish National Treasury Management Agency (NTMA) – December 1990
Dansmark Nationalbank Government Debt Management (GDM) – July 1991	Austrian Federal Financing Agency (ÖBFA) – December 1992
Hungarian Government Debt Management Agency (ÁKK) – May 1995	Portuguese Instituto de Gestão do Crédito Público (IGCP) – December 1996
UK Debt Management Office (UK DMO) – April 1998	Belgian Debt Agency (BDA) – October 1998
Australian Office of Financial Management (AOFM) – July 1999	Thailand Public Debt Management Office (PDMO) – December 1999
Greek Public Debt Management Agency (PDMA) – 1999	Nigerian Debt Management Office (DMO) – October 2000
Indonesian Directorate General of Debt Management (DGDM) – January 2001	Agency France Trésor (AFT) – February 2001
Federal Republic of Germany Finance Agency GmbH – June 2001	Israeli Government Debt Management Unit (GDMU) – January 2002
Slovakian Agentúra Pre Riadenie Dlhú a Likvidity (ARDAL) – February 2003	Czech Republic Debt and Financial Assets Management Department – October 2003
Suriname Debt Management Office (SDMO) – February 2004	Malta Debt Management Office – December 2006

Most of the DMOs that have been established have developed excellent reputations for sound practice government debt management.

World Bank Database of Training Providers

The Banking and Debt Management of the World Bank Treasury has announced that the World Bank Database of Providers of Training on Public Debt Management has been published on the World Bank Treasury website. This database centralises information on leading providers of training and related services that will be helpful for public debt managers

seeking training in specialised areas of public debt management.

The content will be updated on a semi-annual basis and is based on public information provided by the entities listed. Clearly this will require cooperation in order to provide accurate information about each organisation and the work that they are conducting and training that they provide.

Storkey & Co Limited is listed as one of the training providers. The MS Excel database provides information on the training topics and objectives by debt management function for each provider along with details of the region, income group, and target countries.

The database is available at: <http://treasury.worldbank.org/> under box "New!".



Sovereign Debt Management Forum

The Sovereign Debt Management Forum was hosted by the World Bank Treasury on October 27-29, in Washington DC. The Forum was the fourth event of its kind sponsored by the World Bank Treasury. The 2008 Forum built on the considerable developments that have taken place in public debt management in developing and emerging market countries in recent years. The event brought together public debt managers from these countries, as well as members of the international

community involved in sovereign debt management capacity building and advisory services, to discuss recent trends and developments, to network with a broad range of peers and to gain insights to support ongoing efforts to improve policy and practices.

The conference attracted around 165 participants from 63 countries and covered a wide range of topics including:

- Borrowing strategies
- Accessing markets

- Sub-national borrowing
- Contingent liabilities arising from Public-Private Partnerships
- Commodity price risk management
- Managing operational risk
- Asset-liability management

The Forum provided a useful platform to develop a shared understanding of the issues facing public debt managers, particularly at this difficult time.

Debt Management Facility

At the Debt Relief and Beyond Conference held at the World Bank in Washington DC from October 30-31, Carlos Braga, Director for Economic Policy and Debt announced the launch of the Debt Management Facility (DMF) to help developing countries prevent future debt problems.

The facility will increase and accelerate the implementation of the World Bank's debt management program in partnership with several leading suppliers of debt

management technical assistance, including the IMF, with the objective of strengthening debt management capacity and institutions in developing countries.

The DMF will focus its technical assistance on low income countries. It is being funded through the support of the governments of Austria, Belgium, Canada, The Netherlands, Norway, and Switzerland, which have made initial commitments to the Facility for up to US\$12 million.

The World Bank has launched the Debt Management Facility (DMF) to help developing countries prevent future debt problems.

DMF will focus on the medium term debt management strategy (MTDS), debt management performance assessment (DeMPA) tool and design of debt management reform programs. Refer to:

www.worldbank.org/debt

Recent Developments or Announcements

The Central Banking Publications training course on *Government Debt Management: New Trends and Challenges* at King's College Cambridge in September was attended by 13 participants. The dates for the 2009 course have been set for September 15-18 at Clare College, Cambridge.

UNITAR is introducing two new e-learning courses with Enrique Co-

sio-Pascal as course director covering (i) audit of public debt, and (ii) advance risk management.

There are now courses covering the fundamentals of the money markets, bond market, foreign exchange market, derivatives, and risk management. For online courses for 2009, refer to:

www2.unitar.org/dfm/dfmelearning/Index.htm

The IMF and World Bank have developed a very comprehensive spreadsheet model and guidance note for developing a medium term debt management strategy (MTDS) which was demonstrated at the recent Sovereign Debt Management Forum in Washington DC. For more details on MTDS, refer to:

<http://go.worldbank.org/K92D4DFV70>

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Storkey & Co Limited is an international management consultancy providing independent specialist advice on government debt management to central and sub-national governments.

The company employs or works in partnership with recognised experts who have considerable international experience in the finance markets and in public sector debt, cash and risk management. With their extensive project and change management expertise, they have developed an international reputation for delivering the highest quality practical solutions.

These experts have gained practical experience from working in a government debt office and on technical assistance projects internationally for all the major donor agencies.

Since the company was established in early 2001, assignments have been undertaken in Australia, Canada, Cambodia, China, Ethiopia, Fiji, Ghana, Guyana, India, Indonesia, Laos, Lithuania, Malawi, Mauritius, Mongolia, Nauru, New Zealand, Nicaragua, Papua New Guinea, Philippines, Solomon Islands, Thailand, The Gambia and Vietnam.

Debt Management Unit Publications & Websites

Key publications released by DMUs over the past 3 months:

- **Armenia** Annual Report of Public Debt 2007
- **Australia** AOFM Annual Report 2007-08
- **Czech Republic** Quarterly Review Sep 2008
- **Finland** Debt Management Annual Review 2007
- **France** AFT Annual Report 2007
- **Greece** Public Debt Bulletin No 50 & 51
- **Hungary** ÁKK Government Securities Market Quarterly Report Q2/2008
- **Israel** GDMU Quarterly Report Jun & Sep 2008
- **Israel** GDMU Annual Report 2006-07
- **Japan** Japanese Government Bonds Oct 2008
- **Jordan** Public Debt Bulletin Jun & Sep 2008
- **Latvia** Central Government Debt Management Quarterly Bulletin Q3/2008
- **Macedonia** Public Debt Management Strategy for the period 2008-10
- **Mauritius** Debt Management Strategy Jul 2008
- **Mexico** Report on Public Finances and Public Debt Q2 & Q3/2008
- **Netherlands** DSTA Quarterly Outlook Jul & Oct 2008
- **New Zealand** Crown Financial Statements 2007-08
- **New Zealand** Treasury (including NZDMO) Annual Report 2007-08
- **Nigeria** DMO Annual Report 2007
- **Sweden** SNDO Guidelines for 2009
- **Turkey** Public Debt Management Report Aug, Sep and Oct 2008
- **UK** DMO Quarterly Review Jul-Sep 2008
- **UK** DMO Annual Review 2007-08
- **USA** Bureau of Public Debt Strategic Plan 2009-14

Also Released:

- **DRI** Strategies for Financing Development #35 & #36

A full list of DMO/DMU websites is on our website under the section "Links".

