



Sovereign Debt Management Newsletter

Storkey & Co Limited
WN/1111791

What's New

The main focus of activity over the past three months has been on-going consulting assignments in Cambodia and China.

In this Newsletter, there are articles covering:

- The structure of public debt legislation.
- Two recent World Bank publications on Crisis Preparedness and Debt Management Low income Countries and Public Debt Management in Emerging Market Economies.
- Publication by the National Treasury of Public Debt: The Brazilian Experience.
- Sovereign Debt Management Forum to be held in Washington DC from 25 to 27 October 2010.

Storkey & Co Update

Over the past 3 months, we have:

- continued to assist the World Bank with the Public Financial Management Reform Project for the Ministry of Finance in Vietnam.
- continued to assist the World Bank in implementing the DeMPA tool.
- continued to assist the People's Republic of China with Local Government Treasury Cash Management under an ADB TA.

The publishing of this newsletter has been delayed primarily due to the heavy consulting schedule and increasing commitments in the field of government debt and cash management. While the number of government debt management consulting assignments has increased, there is also considerable developmental work being undertaken in terms of establishing sound practices and developing or implementing diagnostic and other tools.

For example the Debt Management Performance Assessment (DeMPA) tool is being extended to sub-national governments and the results of DeMPA from country missions is leading to an increasing number of debt management reform plans being prepared and implemented.

- continued to assist the Ministry of Economy and Finance in Cambodia as the IMF peripatetic adviser on cash management.
- continued to assist the Ministry of Economy and Finance in Cambodia to strengthen public debt management under an ADB TA.
- contracted with PDP Australia to assist the Ministry of Finance in the United Arab Emirates to develop the capacity of the PDMO.

Volume 10, Issue 2
July 2010

Special points of interest:

The IMF published in June 2010 "Treasury Single Account: Concept, Design, and Implementation Issues" written by Sailendra Patanayak and Israel Fainboim (IMF Working Paper WP/10/143). Refer:

<http://www.imf.org/external/pubs/ft/wp/2010/wp10143.pdf>

Inside this issue:

<i>Public Debt Legislation</i>	2
<i>Recent World Bank Publications</i>	2
<i>Public Debt: The Brazilian Experience</i>	3
<i>Sovereign Debt Management Forum</i>	3
<i>Recent Developments or Announcements</i>	3
<i>Storkey & Co Limited—Company Profile</i>	4
<i>Debt Management Unit Publications & Websites</i>	4



Public Debt Legislation

Increasingly, updating the legal framework requires the introduction of new laws and regulations related to public debt. This has to some extent reflected the requirements of the Debt Management Performance Assessment (DeMPA) tool.

In a number of consulting assignments, we have been required to either draft legislation or advise on the legislation that is required for sound practice public debt management. A key issue is at what level is this legislation required as each country has a different legislative and regulatory framework.

The legal framework for public debt internationally comprises both primary legislation (laws enacted with approval of parliament or national assembly) and secondary or delegated legislation (executive orders, decrees, sub-decrees, regulations, ordinances, etc.) determined by the executive branch of government.

The requirement to include certain key provisions in primary legislation is guided by constitutional principles, by the desired role of parliament/national assembly in public debt management, and by the mere fact that including provisions in primary legislation

gives those provisions particular prominence and prevents ad hoc and frequent changes.

For practical reasons, however, it is common that the executive delegates the borrowing power to implementing entities which contract on behalf of the government. This delegation is found in secondary legislation. Guidelines and circulars can be used for setting policies for debt management operations.

Commonwealth Secretariat will be publishing shortly a Guidance Note on the Legal Framework prepared by Mike Williams.

Laws
Budget, Public Finance, Fiscal Responsibility, Securities, Central Bank, and Public Debt
Financial Regulations
Regulations for Borrowing, Government Securities, Sovereign Bonds, Onlending, Guarantees, Financial & Market Conduct, Investor Protection, Debt Accounting & Reporting, Risk Management
Guidelines/Circulars
Policies, Procedures, Methodologies, Limits and Controls for Public Debt Management

The legal framework for public debt internationally comprises both primary legislation (laws enacted with approval of parliament or national assembly) and secondary or delegated legislation.

Recent World Bank Publications

The World Bank has recently published two policy research papers related to public debt management during the crisis.

The first is "Crisis Preparedness and Debt Management in Low Income Countries: Strengthening Institutions and Policy Frameworks" by Dana Weist, Eriko Togo, Abha Prasad and William Boyle (WPS5372). The paper looks at the

results of the application of the DeMPA and MTDS tools from 2007 to 2009. For a copy, refer to:

<http://go.worldbank.org/8UJ83TUL60>

The second is "Public Debt Management in Emerging Market Economies: Has This Time Been Different" by Phillip R.D. Anderson, Anderson Caputo Silva and Antonio Velandia-Rubiano (WPS5399). The paper reviews the

improvements in macroeconomic fundamentals and the composition of public debt portfolios in emerging market countries prior to the crisis and concludes that the policies and strategies pursued by governments provided them with a buffer when the crisis hit. For a copy, refer to:

<http://go.worldbank.org/HBE0FMICY0>



Public Debt: The Brazilian Experience

The Brazilian National Treasury, in partnership with the World Bank Group, has published the English version of "Public Debt: the Brazilian experience" which provides an in-depth view of Brazil's experience in managing its public debt. It was written by mainly National Treasury staff, with first-hand experience on debt management, and authors from the World Bank, Federal government institutions and the academy.

The book provides a clear understanding of the problems and

limitations related to public debt management in Brazil, which are covered under three parts with 16 chapters plus annexes:

- Part 1: Understanding the Brazilian Public Debt
- Part 2: Brazilian Public Debt Management
- Part 3: The Public Debt Market in Brazil

The book covers the history of public debt in Brazil, the mechanisms used for managing existing

government debts and the major advances achieved in institutional structures and organisation of debt markets in Brazil. It also describes the strategic planning, risk management (including optimal debt structures and probabilistic risk management models), budget, control, and audit mechanisms as well as information on primary and secondary market operations. A copy can be obtained from the website:

http://www.tesouro.fazenda.gov.br/english/public_debt/book_divida.asp

Sovereign Debt Management Forum

The fifth biennial Sovereign Debt Management Forum will be hosted by the World Bank Treasury from October 25-27, 2010, in Washington, DC. This event brings together public debt managers as well as members of the international community involved in sovereign debt management capacity building and advisory services.

The Forum builds on the considerable developments that took place in public debt management in developing and emerging

market countries in recent years. The 2010 Forum will examine the impact of these developments on developed countries' ability to deal with the financial and fiscal crises of 2008.

The format of the Forum includes presentations, panel discussions, and workshops led by representatives from developing and developed countries, investment banks, other financial industry participants and the World Bank. The Forum which is by invitation

The fifth biennial Sovereign Debt Management Forum will be hosted by the World Bank Treasury from October 25-27, 2010

only also provides participants with the opportunity to network with a broad range of peers and gain insights to support ongoing efforts to improve policy and practice.

Recent Developments or Announcements

The IMF published in July 2010 "Government Cash Management; Its Interaction with Other Financial Policies" written by Mike Williams for the Fiscal Affairs Department under the Technical Notes and Manuals series.

The note offers guidance on policy, institutional and practical issues for governments looking to develop a more sophisticated

cash management function, specifically to move towards more active cash management. A copy can be downloaded from:

<http://www.imf.org/external/pubs/ft/tnm/2010/tnm1013.pdf>

The National Bureau of Economic Research (NBER) published in March 2010 two papers on the debt and the financial crisis:

- "From Financial Crash to Debt Crisis" by Carmen Reinhart and Kenneth Rogoff (Working Paper 15795) www.nber.org/papers/w15795
- "This Time is Different Chart-book: Country Histories on Debt, Default, and Financial Crises" by Carmen Reinhart (Working Paper 15815) www.nber.org/papers/w15815

Storkey & Co Limited

WN/1111791

Ian Storkey
Director
90 Larsen Crescent
PO Box 51096
Tawa
Wellington 5249, New Zealand
Phone: +64 (04) 232-4594
Fax: +64 (04) 232-9465
Mobile: +64 (021) 414-510
Email: contactus@storkeyandco.com
Web: www.storkeyandco.com



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, Brazil, Canada, Cambodia, China, Ethiopia, Fiji, Ghana, Guyana, Hungary, Kenya, India, Indonesia, Laos, Lithuania, Malaysia, Malawi, Mauritius, Mexico, Mongolia, Nauru, New Zealand, Nicaragua, Nigeria, Papua New Guinea, Peru, Philippines, Samoa, Solomon Islands, Thailand, The Gambia, UAE, Uzbekistan and Vietnam.

Debt Management Unit Publications & Websites

Key publications released by DMUs over the past 3 months:

- **Belgium** Federal Government Debt Annual Report 2009
- **Canada** Debt Management Strategy 2010-11
- **Czech Republic** Quarterly Review Jun 2010
- **Ethiopia** Debt Statistical Bulletin No4
- **France** AFT Annual Report 2009
- **Ireland** NTMA Annual Report 2009
- **Israel** Quarterly Report Q2-2010
- **Japan** Japanese Government Bonds Jul 2010
- **Jordan** Public Debt Bulletin Jun 2010
- **Latvia** Quarterly Bulletin Q2 2010

- **Netherlands** DSTA Quarterly Outlook Jun 2010
- **New Zealand** Economic and Financial Overview 2010
- **Nigeria** DSA Report 2010
- **Pakistan** Debt Policy Statement 2009-10
- **Poland** Debt Management Strategy 2010-2012
- **Portugal** IGCP Annual Report 2009
- **Slovakia** Monthly Reports May, Jun, Jul 2010
- **Spain** Annual Report 2009
- **Sri Lanka** Public Debt Management Report 2009 and Strategies for 2010
- **Sweden** Central Government Borrowing 2010-2
- **Turkey** Public Debt Management Reports May, Jun, Jul 2010

- **UK DMO** Quarterly Review Apr-Jun 2010
- **UK DMO** Business Plan 2010-11
- **UK DMO** Annual Report 2009-10
- **Vietnam** External Debt Bulletin #5

Also Released:

- **Crown Agents** Newsletter Q2 2010
- **PDM Network** Monthly Newsletters May, Jun, Jul 2010

