



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 on-going consulting assignments and chairing the Central Banking Publications debt management training course at Cambridge, UK in September 2010.

In this Newsletter, there are articles covering:

- Business continuity planning including disaster recovery.
- Publication of "Government Cash Management: Its Interaction with other Financial Policies" by Mike Williams under the IMF Fiscal Affairs Department series of technical notes and manuals.
- Details and content of the IMF Public Financial Management (PFM) Blog on the IMF website.

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.

- Sovereign Debt Management Forum hosted by the World Bank in Washington DC from October 25-27, 2010.

We have noted that debt management offices and treasury operations are beginning to address operational risk management (ORM) and the need to develop a business continuity and disaster recovery plan (BCP/DRP). The results from using the Debt Management Performance Assessment (DeMPA) tool have highlighted the lack of ORM frameworks and absence of a BCP and/or DRP for most low and middle income countries. Central banks are much more advanced in these areas, primarily due to their important financial activities and the international requirements place on central banks.

- 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.
- continued to assist the Ministry of Finance in the United Arab Emirates to develop the capacity of the PDMO with PDP Australia.

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Special points of interest:
The Chief Executive Officer, Neil Hyden, retired from the AOFM in November 2010, a position he had held since October 2003. He has been replaced by Robert Nicholl, former Deputy Secretary, Economic and Financial Policy Division, Tasmanian Department of Treasury and Finance.

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Business Continuity Planning

In nearly all developing countries, the debt managers do not have comprehensive business continuity or disaster recovery plans. Most see the need for the back-up of computer systems—with this the only component of a disaster recovery plan. In practice, most do not even have a reliable back-up policy.

Ensuring business continuity is an integral part of operational risk and should cover a much broader range of incidents or disruptions. These can be small localised incidents such as system failure, medium impact incidents such as failing to meet statutory

obligations, through to larger regional type disasters such as earthquakes and cyclones.

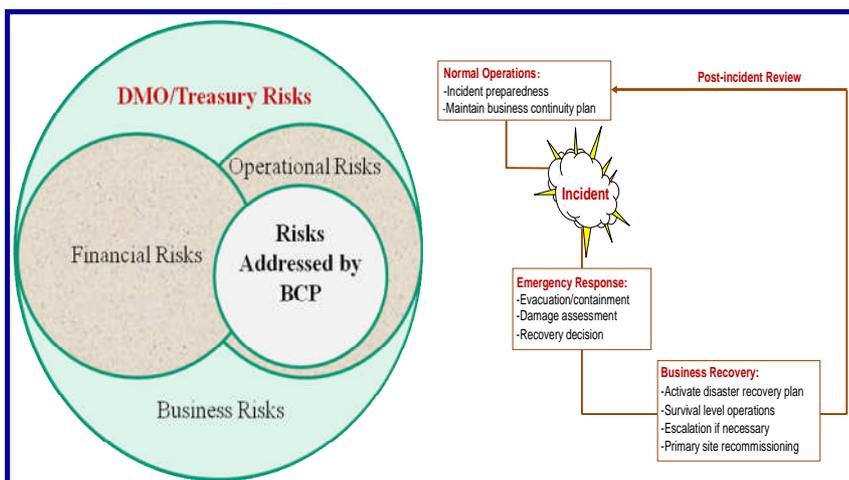
A business impact analysis or risk assessment covering the likelihood of each incident and impact on the business is undertaken—software packages can be used for this assessment. This sets the policies to manage each of the risks identified through:

- mitigation using prevention or avoidance policies
- transference through insurance or passing to a 3rd party
- containment
- acceptance and recovery

The main objective is to preserve the debt management office's (DMO's) reputation, i.e. the management of reputational risk.

A six-step framework for business continuity and disaster recovery planning involves:

1. document business activities and critical processes and systems
2. undertake business impact analysis to assess probability and impact
3. develop business continuity and disaster recovery plan (BCP/DRP)
4. implement or update BCP/DRP
5. train to imbed into the day-to-day operations of the DMO
6. regular (annual) testing and update of the BCP/DRP



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Government Cash Management Publication

The Fiscal Affairs Department of the IMF published in July 2010 *Government Cash Management: Its Interaction with other Financial Policies*, by Mike Williams, under the Technical Notes and Manuals series number 17 (tnm1013).

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.

The note is particularly relevant to emerging market countries where there are already functioning, if not necessarily well-developed, domestic money and bond markets. It is less immediately relevant for low-income countries that are highly dependent on donor fi-

nancing and concessional loans or credits, and who lack even a limited domestic financial market.

The note primarily focuses on the interaction between cash and debt management. For a copy, refer to:

<http://blog-pfm.imf.org/pfmblog/fad-technical-notes-and-manuals-on-public-financial-management.html>



IMF PFM-Blog

The Public Financial Management Blog (PFM blog) is managed by the two Public Financial Management Divisions of the IMF Fiscal Affairs Department.

The PFM blog aims at sharing the IMF staff's vast experience with PFM practitioners in Ministries of Finance and other fiscal agencies, academia, students, non-governmental organizations, as well as with the general public. It will also feature current news, resources and ideas about public financial management systems,

their operation and improvement, and their contribution to economic growth and achieving national objectives, including economic and financial stability.

The PFM blog aims not only to share IMF expertise and experience in public financial management and contribute to understanding and improved PFM outcomes, but also to highlight new Web sites, articles and books that public finance practitioners and other readers might find useful, and provide informed comments

on news and developments in PFM field.

There have been a number of debt/cash management articles and documents published on the PFM blog along with relevant Technical Notes and Manuals.

In addition, you can become a fan of the PFM blog that is set up on Facebook.

The PFM blog can be accessed at the website:

<http://blog-pfm.imf.org>

Sovereign Debt Management Forum

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

The format of the Forum included presentations, panel discussions, and parallel workshops led by moderators and speakers.

Topics covered included:

- Challenges for sovereign debt management in volatile markets
- Sound practice in debt management legislation
- Non-resident participation in domestic securities market
- Portfolio risk modeling
- Managing operational risk
- IT systems for debt managers
- Investor relations and reporting

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- Cash and debt management coordination

All presentations are available for download on the website:

http://treasury.worldbank.org/bdm/hm/Forum_2010.html

Recent Developments or Announcements

As foreshadowed in the July 2010 Newsletter, the Commonwealth Secretariat has recently published *Government Debt Management: A Guidance Note on the Legal Framework* (Authors Arindam Roy and Mike Williams). For a copy, refer to:

<http://www.csdrrms.org/publications.asp>

A number of important debt and treasury management conferences, seminars and other events have been scheduled for 2011:

- Second Latin American Seminar on Public Treasury Management 2011, Mexico City, Mexico, March 16 to 18
- ADB second Asian Regional Public Debt Management Forum, Phuket, Thailand, March 16 to 18

- Commonwealth Secretariat Debt Management Program: Stakeholders' Meeting on Public Debt Management: London, UK March 31 to April 1
- UNCTAD eighth biennial Debt Management Conference and its Advisory Group Meeting, Geneva, Switzerland, November 14 to 18

Further details will be available on their respective websites.

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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, 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:

- **Australia** AOFM Annual Report 2009-10
- **Czech Republic** Quarterly Review Sep 2010
- **Denmark** Debt Management Strategy for 2nd half of 2010
- **Greece** Public Debt Bulletin #58
- **Hong Kong** HKMA Annual Report 2009
- **Israel** Annual Report 2009
- **Israel** Form 18-K December 31, 2009
- **Japan** Debt Management Report 2010
- **Japan** Japanese Government Bonds Oct 2010
- **Jordan** Public Debt Bulletin Sep 2010
- **Latvia** Quarterly Bulletin Q3 2010
- **Macedonia** Public Debt Management Strategy 2010-2012
- **Netherlands** DSTA Quarterly Outlook Sep 2010
- **New Zealand** Crown Financial Statements for year ended 30 June 2010
- **New Zealand** Treasury Annual Report for year ended 30 June 2010
- **Nigeria** DMO Annual Report 2009
- **Singapore** MAS Annual Report 2009-10
- **Slovakia** Monthly Reports Aug, Sep, Oct 2010
- **Spain** Annual Report on Financial Markets and Public Debt 2009
- **Sweden** Proposed Guidelines for Central Government Debt Management for 2011
- **Turkey** Public Debt Management Reports Aug, Sep, Oct 2010
- **UK DMO** Quarterly Review Jul-Sep 2010
- **UK DMO** Annual Review 2009-10

Also Released:

- **Commonwealth Secretariat** DMS Newsletter June 2010
- **Paris Club** Annual Report 2009
- **PDM Network** Monthly Newsletters Aug, Sep, Oct 2010

