



STORKEY & Co
MANAGEMENT CONSULTANTS

Sound Practice in Debt Management

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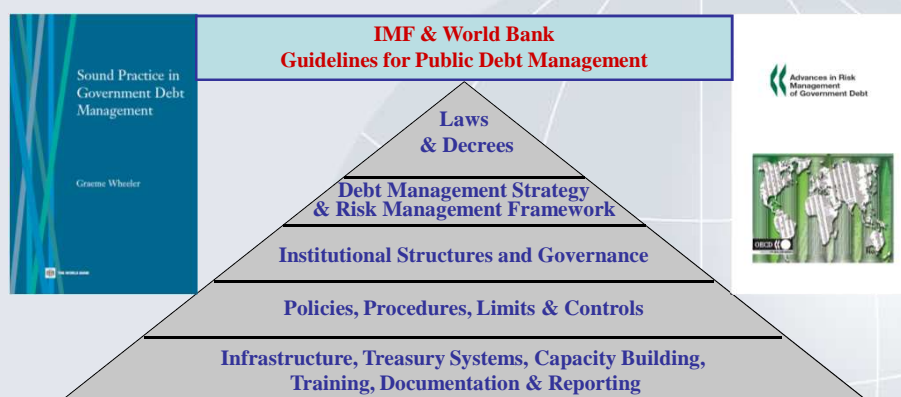


How to Deliver Efficient Public Debt Management
Kings College, Cambridge University
12th September 2006

Outline of Session

1. Defining best practice
What constitutes international best practice?
2. Evolution of debt management
How have international practices evolved and what are the phases of evolution?
3. Sound practice
What is sound practice and how can the concept be applied in the context of public debt management?

Defining Best Practice— Guidelines



Defining Best Practice—Debt Offices

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
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 Direktorat Pengelolaan Surat Utang Negara (DPSUN) – January 2001
Agency French 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 Dluha a Likvidity (ARDAL) – February 2003
Suriname Debt Management Office (SDMO) – February 2004	Malta Debt Management Office – 2006

Evolution of Debt Management

**Level of
Sophistication**



Non Market-Based
Debt Issuance and
Recording/Serviceing

Market Based-Debt
Issuance & Liability/
Cash Management

Asset-Liability
Management including
Integration of
Contingent Liabilities

Asset-Liability
Management and
Provision of Treasury
Services

Evolution Phases

Key Characteristics of Sound Practice

Mandate and Delegated Authorities	Governance and Debt Policy Setting	Organisational Structures
Integrated Balance Sheet Risk Management	Accountability and Reporting	Treasury Systems

Mandate and Delegated Authorities

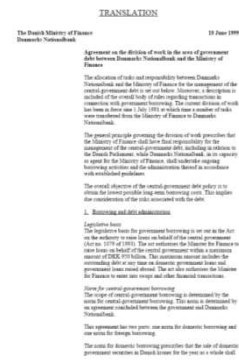
New Zealand Public Finance Act 2004



Brazilian Fiscal Responsibility Law 2000



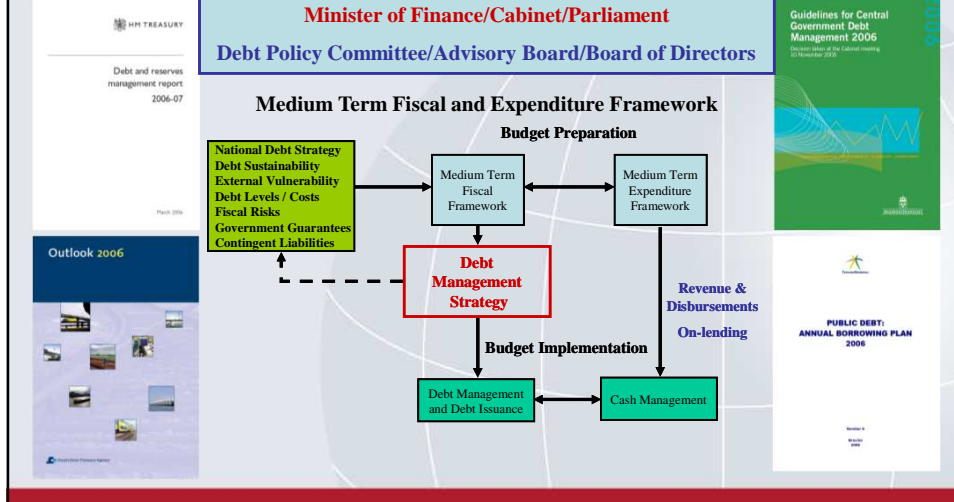
Danish Agency Agreement MOF & Nationalbank



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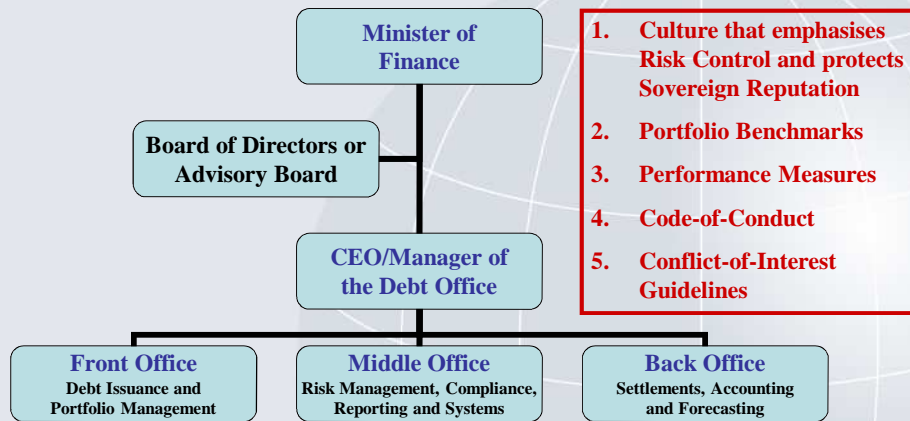
Governance and Debt Policy Setting



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Organisational Structures



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Integrated Balance Sheet Risk Management

Assets

- Present value of income flows
- Foreign exchange reserves
- Marketable securities and government on-lending
- Investments in SOEs
- Investment in property, infrastructure, and other fixed assets

Liabilities

- Present value of expenditure obligations
- Fair value of sovereign debt
- Present value of contingent obligations
- Equity (net worth of government estate)

Integrated risk management framework across the whole of government and strong risk management culture – follow the proclamations of the Basel Committee on Banking Supervision

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Accountability and Reporting

International Public Sector Accounting Standards
IPSAS 15 & 19

Financial Accounting Standards
FAS 133

International Accounting Standards
IAS 39

International Financial Reporting Standards



IMF Government Finance Statistics Manual 2001

IMF Special Data Dissemination Standard

IMF General Data Dissemination Systems

IMF Balance of Payments Manual 5th Edition

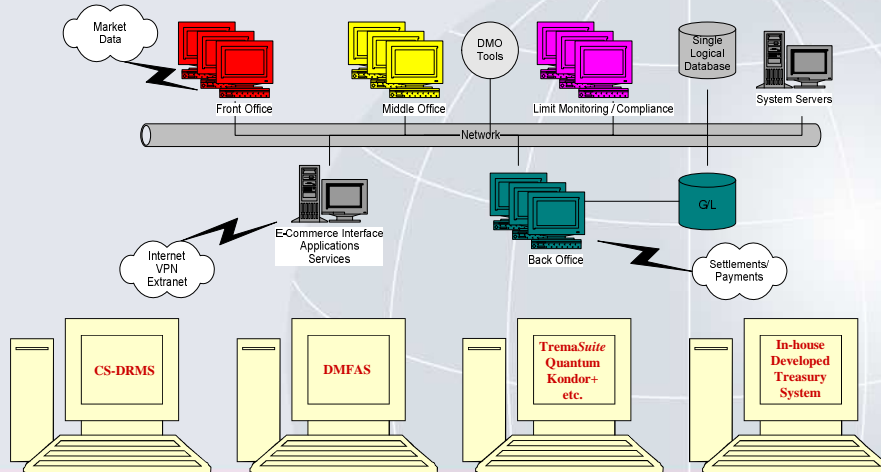
IMF Fiscal Transparency Code and Manual on Fiscal Transparency

OECD Best Practices for Budget Transparency

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Treasury Systems



My Conclusion

Concept of best practice is not entirely relevant!



Better to consider the principles of sound practice as documented in the IMF and World Bank "*Guidelines for Public Debt Management*"

Each country decides on specific policies and principles based on their phase of development and the environment under which they operate

Ensure that policies and principles accord with international accounting, reporting and other standards

Three Questions for You to Consider

1. Which sound practices are most relevant in your own country and/or debt office context?
2. Which sound practices are not relevant or cannot be applied, and why not?
3. What would be your overall assessment relative to international sound practice?