



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 debt management performance assessments.

In this Newsletter, there are articles covering:

- Publishing an Information Memorandum that can be used as a marketing tool targeted at foreign and domestic investors.
- Government Cash Management Working Paper written by Mike Williams and published by Oxford Policy Management.
- Protecting public debt data through effective back-ups and disaster recovery plans.
- Central Banking Publications annual 4-day training course on Govern-

ment Debt Management: New Trends and Challenges at Clare College Cambridge from 1-4 September 2009.

We have noted that many governments around the world are facing significantly higher funding requirements and debt managers are becoming more active in marketing their debt issuance programs. With considerable uncertainty and volatility in international markets, the borrowing focus has been on domestic markets but there are indications that some sovereigns plan to access international markets when conditions are favourable.

It is certainly interesting and challenging times for debt managers and an increasing work program for debt management advisers.

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Special points of interest:

UNCTAD's Seventh Debt Management Conference will take place in Geneva from 9 to 11 November 2009, followed by the 7th DMFAS Advisory Group from 12 to 13 November 2009. The Conference agenda can be downloaded from:

<http://r0.unctad.org/dmfas/dmconf2009.html>

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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—which included a study tour to New Zealand and Australia.
- continued to assist the World Bank in implementing the debt management performance assessment

(DeMPA) tool across low-income countries.

- contracted to World Wide Project Management Services in Adelaide to assist the Government of Samoa, funded by AusAID/NZAID.
- contracted to the International Monetary Fund (IMF) for an East-AFRITAC mission to progress cash management reforms in Ethiopia and to provide a 3-day workshop on debt and cash management.



Publishing an Information Memorandum

As many governments around the world are facing significantly higher funding requirements, the debt managers are beginning to develop more active investor relations programs to market their domestic debt and potentially external debt issuance. Publication of an information memorandum may become a necessity.

If issuance involves selling securities into the US domestic market, it will be necessary to register with the Securities and Exchange Commission (SEC) and file Form 18-K each year. This is equivalent to an information memorandum in a format required by the SEC.

Unfortunately, this format does not appeal as a marketing tool to attract international investors. The New Zealand Debt Management Office (NZDMO) has overcome this and reached agreement with the SEC to publish it in a glossy format with spelling, punctuation and metrification conforming to usage in New Zealand. NZDMO has published the Economic and Financial Overview annually since 1997 which is filed each year for the annual SEC shelf registration.

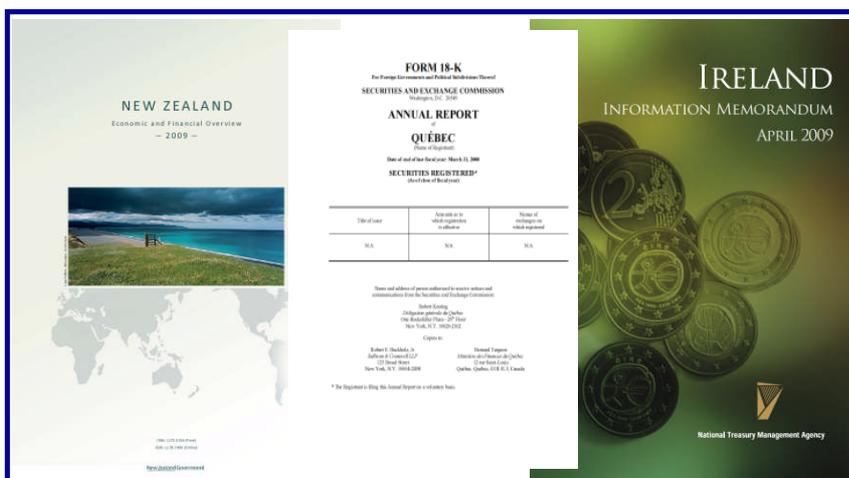
For countries that do not sell securities into the US domestic market, publishing an information memorandum can be a useful

marketing tool, as demonstrated by the Irish National Treasury Management Agency (NTMA). The Ireland Information Memorandum has been published in a glossy format each year since 2000 by the NTMA.

NZDMO and the Irish NTMA have set a benchmark with these publications that are posted annually to their respective websites. They are a valuable marketing tool for both domestic and international investors. The most recent version can be downloaded from:

www.nzdmo.govt.nz/publications/nzefo/2009

www.ntma.ie/Publications/irelandInformationMemorandu.php



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Government Cash Management Working Paper

Oxford Policy Management (OPM) has published a working paper on their website by Mike Williams on "Government Cash Management: International Practice."

This paper reviews against the background of practice in more developed countries how emerging market and developing countries can strengthen their cash

management arrangements. The paper outlines four steps in the development of a cash management function: (1) creation of a Treasury Single Account (TSA); (2) improvements in cash flow forecasting; (3) rough tuning cash flows; and finally, (4) fine tuning cash flows.

The paper provides a definition of cash management and sets out

best practice in cash management, organisational arrangements for cash management, the challenges for emerging market and developing countries, and development of an effective cash management function.

A copy can be downloaded from the OPM website:

www.opml.co.uk/publications/working_papers/government_cash.html



Protecting Public Debt Data

What the Debt Management Performance Assessment (DeMPA) missions are highlighting is the lack of effective business continuity and disaster recovery plans and inadequate back-up of public debt data. This presents a significant operational risk to the debt management office or unit.

While the debt database is vitally important, other files and information stored electronically also need to be protected as many of the IT systems in low and middle income countries are at risk of

hardware failure, virus attacks, and accidental damage or loss.

Often, the debt managers believe that the IT centre is making back-ups but they have never checked to see how, when and where the back-ups are stored. In many cases, back-ups are stored on-site alongside the systems and files, thereby running the risk of losing everything in the event of a fire or building damage.

With current storage technology and broadband services, it

should be very simple to back-up all public debt data and files on portable storage devices on a daily basis and ensure that these are stored off-site. **A policy for using portable storage devices should be implemented.**

Sending a copy of the database and key files electronically to another location should also be feasible. **It is also very important to check the back-up procedures and test that debt systems and files can be recovered should the need arise.**

Central Bank Publications Training Course

Central Banking Publications (CBP) will hold their annual 4-day training course on *Government Debt Management: New Trends and Challenges* at Clare College Cambridge from 1-4 September.

A key focus of this four-day (three nights) residential course by an experienced panel of experts from across the globe is the fallout from financial turmoil and lessons from the crisis. Speakers include senior officials of the Agence France Trésor, Hungary's Government

Debt Management Agency (ÁKK), New Zealand Debt Management Office, Swedish National Debt Office, UK Debt Management Office, and renowned practitioners in their field.

Specific themes or topics include new strategies for volatile markets, coordination of cash and debt management, the case for an ALM framework, and case studies to demonstrate the lessons learned from the global financial crisis.

Case study sessions will illustrate the key practical lessons for debt managers at a time of heightened uncertainty in financial markets.

Company Director, Ian Storkey, will chair the course for a second year. For course details refer to CBP's website to download the brochure:

www.centralbanking.co.uk

Recent Developments or Announcements

The Bank for International Settlements, European Central Bank, and International Monetary Fund have prepared jointly the "Handbook on Securities Statistics" in response to calls by different international groups, including the Committee on the Global Financial System, the Group of Eight (G8), the Irving Fisher Committee on Central Bank Statistics

and the Working Group on Securities Databases to develop methodological standards for securities statistics.

The Handbook provides a conceptual framework for the compilation and presentation of statistics on different types of debt securities, including those derived from the securitisation of assets, and is consistent with the recently

reviewed international statistical standards. Part I of the Handbook covers debt securities issues. Over time, further parts may be added to the Handbook, for instance to cover issues of other types of securities and holdings of securities. A copy can be downloaded from:

www.imf.org/external/np/sta/wqsd/pdf/051309.pdf

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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, Nigeria, Papua New Guinea, Philippines, Samoa, Solomon Islands, Thailand, The Gambia, Uzbekistan and Vietnam.

Debt Management Unit Publications & Websites

Key publications released by DMUs over the past 3 months:

- **Brazil** Federal Public Debt: Annual Report 2008
- **Brazil** Federal Public Debt: Annual Borrowing Plan 2009
- **Canada** Debt Management Strategy 2009-10
- **Czech Republic** Quarterly Review Mar 2009
- **Finland** Debt Management Annual Review 2008
- **Hungary** Government Securities Report 1st Qtr 2009
- **Hungary** ÁKK Debt Management Report 2007
- **Ireland** Information Memorandum 2009
- **Japan** Japanese Government Bonds Apr 2009
- **Latvia** Report on Central Government Debt Management 2008
- **Latvia** Central Government Debt Management Quarterly Bulletin Q1/2009
- **Netherlands** DSTA Quarterly Outlook Apr 2009
- **New Zealand** Economic and Financial Overview 2009
- **Pakistan** Debt Policy Statement 2008-09
- **Portugal** IGCP Annual Report 2008
- **Sweden** Central Government Borrowing 2009:1
- **Turkey** Public Debt Management Report 2009
- **Turkey** Public Debt Management Reports Feb, Mar, Apr 2009
- **UK** Debt and Reserves Management Report 2009-10
- **UK** DMO Business Plan 2009-10
- **UK** DMO Quarterly Review Jan-Mar 2008
- **Vietnam** External Debt Bulletin No 3

Also Released:

- **Crown Agents** Newsletter Q1 2009
- **DMFAS** Annual Report 2007
- **DRI** Strategies for Financing Development #38

