



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 the ongoing involvement in the project to assist the World Bank to develop a performance measurement framework (PMF) to assess debt management capacity in low and middle income countries (LICs and MICs). This has involved field testing the draft set of performance indicators covering all aspects of government debt management in five LICs (Malawi, The Gambia, Albania, Guyana and Nicaragua).

In this Newsletter, there are articles covering:

- Key observation from the three regional workshops on domestic debt management held in Mauritius, Grenada and Singapore by the Commonwealth Secretariat over the past nine months.

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 for the Ministry of Finance in Vietnam.
- continued to assist the World Bank in the preparation of a performance measurement framework to assess debt management capacity in low income countries—this

- NZDMO award for Sovereign Risk Manager of the Year from Risk magazine's 2007 Risk Awards.
- Release by the IMF of the Manual on Fiscal Transparency (2007) including a revised Code of Good Practices on Fiscal Transparency.
- Challenges of consulting with recent experience on a World Bank mission to Guyana and Nicaragua.

We have noted that there are many LICs that are approaching the closing point for HIPC and MDRI debt relief. The reduction in debt will create a significant increase in borrowing space. It will be critical for these countries to put in place and adhere to debt management strategies that ensure they manage debt prudently and do not return to excessive debt levels.

involved field testing in Malawi, The Gambia, Guyana and Nicaragua.

- continued assisting AusAID with a debt review for the Government of Nauru.
- assisted the Commonwealth Secretariat with delivery of training during a Domestic Debt Management Workshop for Asia-Pacific nations, held in Singapore from 26 March to 3 April.

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Special points of interest:

- *The paper prepared by Dr Sanga Sangarabalan and Per-Olof Jönsson on Modelling Cost as Risk that was featured in the January 2007 Newsletter has now been finalised and posted to the website. A copy can be downloaded from: www.storkeyandco.com/Library/S_C_Documents/s_c_documents.html*

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Commonwealth Secretariat Regional Workshops

As has been noted in previous Newsletters, the Commonwealth Secretariat (ComSec) Debt Management Section (DMS) held three regional workshops on domestic debt management in Mauritius for the African region (3-11 July 2006), Grenada for the Caribbean region (15-24 November 2006) and Singapore for the Asia-Pacific region (26 March-3 April 2007).

The DMS should be complimented on this initiative as feedback from participants not only testified to the success of each workshop but also the pressing need for capacity building and

training in domestic debt management. For many participants, this was their first exposure to domestic debt concepts and highlighted the significant differences from managing external debt.

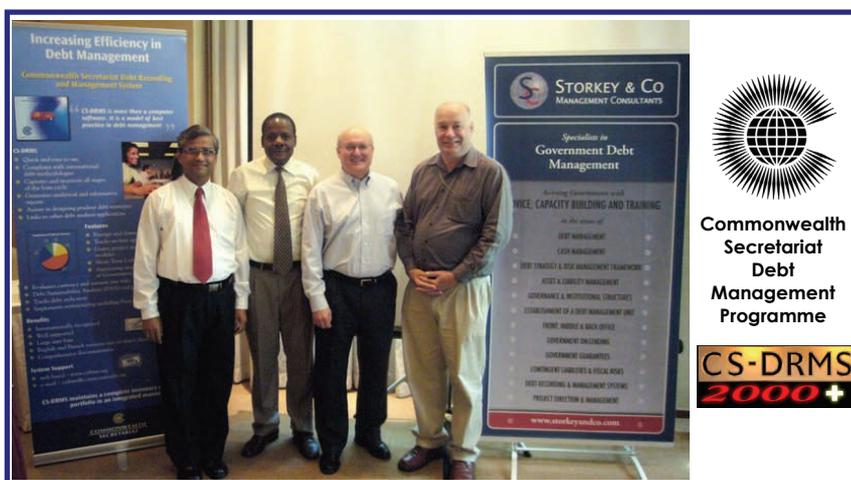
A key observation from the workshops was that small island nations are not receiving the level of training, technical assistance and capacity building programmes in debt management compared to the larger nations, particularly in Africa and South America. Moreover, these nations have not received the same level of focus on debt relief or provided with equivalent debt relief opportuni-

ties. Many of the countries represented at the workshops felt that they were missing out on global initiatives to assist heavily indebted poor countries or countries in debt distress.

Participant have identified further training needs, with a requirement for more technical and hands-on training rather than theory. The challenge now is to determine how to deliver such training and to find specialists with practical hands-on training skills.

For more details on the workshops, refer to:

<http://www.csdrms.org>



Singapore Workshop (left to right), Dr H K Pradhan (ComSec), Carilus Odumbe (ComSec), Barry Gray (US Treasury Office of Technical Assistance), and Ian Storkey (Storkey & Co Limited).

NZDMO Sovereign Risk Manager of the Year

The New Zealand Debt Management Office (NZDMO) was named Sovereign Risk Manager of the Year in *Risk* magazine's 2007 Risk Awards, announced in its January 2007 issue.

The press release by The Treasury states that "over the last three years the Debt Management Office has almost doubled its volume of transactions and use of

derivatives to better manage risk and add value to the Government's portfolio, while its key risk measures have reduced by half in the same period."

Risk magazine also acknowledged "NZDMO's role in providing foreign exchange services for the New Zealand Superannuation Fund, and in hedging the foreign currency risk associated with the

Government's contribution to the 2011 Rugby World Cup, Ministry of Defence helicopter purchases, and similar transactions for a number of public sector entities."

NZDMO has also just released the 2007 Economic and Financial Overview. A copy of this and the press release can be obtained from: <http://www.nzdm.govt.nz>



IMF Manual on Fiscal Transparency

In April, the IMF released the *Manual on Fiscal Transparency (2007)* including a revised *Code of Good Practices on Fiscal Transparency (2007)* to update the earlier version published in 2001.

The Manual seeks to expand and explain the pillars and principles of the Code and to provide richer and more in-depth coverage of each good practice. The revised Code (2007) is an updated version of the 2001 Code and denotes good practices that are potentially achievable by

countries at all levels of economic development.

The four pillars of the Code remain unchanged, the only difference is the order in which they are presented:

- Clarity of Roles and Responsibilities
- Open Budget Process
- Public Availability of Information
- Assurances of Integrity

All of these are extremely relevant in government debt management and were in fact underlying principles used for the IMF and World Bank *Guidelines for Public Debt Management*.

The Manual includes a comprehensive set of references and a list of relevant website references. A copy of the Manual can be downloaded from the IMF website:

<http://www.imf.org/external/np/pp/2007/eng/o51507m.pdf>

Challenges of Consulting

How many of us in the consulting business find that our checked luggage does not always arrive at our destination when we do!! Normally, it arrives a day or two later and causes minor inconvenience. When the luggage does not turn up at all during a 3-week two-country mission, additional challenges need to be overcome. This was the situation that Ian Storkey, found himself in on his recent World Bank mission to Guyana and Nicaragua. This is his story.

I arrived in Georgetown, Guyana with no luggage. At least my carry-on luggage had 3 changes of clothes. It was rather embarrassing to turn up in jeans at the first meeting on Monday with the Minister of Finance. A brief shopping trip provided slacks and a tie to see me through the rest of the mission. Regular use of the bathroom as a laundry in Guyana and laundry service in Nicaragua became part of the daily routine.

The need to remain focused when many items that were not available to make the mission more comfortable was a major challenge. Also, having to fly to a second location with carry-on restrictions added another challenge. I even offered to check in a deodorant aerosol can as

In adversity, you need a draw of patience, which has to be regularly replenished, and a sense of humour—both were definitely required to get through the ordeal.

check-in luggage given these restrictions. However, by focusing on the humorous side, drawing on a lot of patience and support from my two mission team members, I survived 8 days in Georgetown, 1 day in Miami and 9 days in Managua. I have found the ultimate solution to traveling light!!

Recent Developments or Announcements

The IMF and World Bank have published a "Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework for Low-Income Countries". It is a very useful reference document for anyone involved in DSA for LICs. A copy can be downloaded from:

<http://www.imf.org/external/np/pp/2007/eng/041607.pdf>

In a recent Debt Watch e-newsletter, Eurodad provides a summary of progress with the Multilateral Debt Relief Initiative (MDRI). Details are available at:

<http://www.eurodad.org/whatsnew/reports.aspx?id=1234>

Central Banking Publications (CBP), the publisher of *Government Debt Management: New*

Trends and Challenges, has been acquired by Incisive Media, the publisher of *Risk* magazine. CBP's business will be fully integrated in to the Risk Management Division of Incisive Media and staff will move to the second floor of Haymarket House in early July. Robert Pringle will continue to serve as Managing Director of the company.

Storkey & Co Limited

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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: info@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 ADB, AusAID, ComSec, DCI, DFID, EU, IMF, NZAID, UNCTAD, UNDP, USAID & World Bank technical assistance projects internationally.

Since the company was established in early 2001, assignments have been undertaken in Australia, Canada, Ethiopia, Fiji, Guyana, India, Indonesia, Lithuania, Malawi, Mauritius, 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:

- **Belgium** Borrowing Requirements and Funding Plan 2007
- **Brazil** Annual Public Debt Report 2006
- **Bulgaria** Debt Management Strategy 2006-2008
- **Canada** Government Securities April 2007
- **Denmark** Danish Government Borrowing and Debt 2006
- **Finland** Debt Management Annual Report 2006
- **Israel** Government Debt Management Unit Annual Report 2005
- **Jamaica** Debt Management Strategy FY2007/08
- **Japan** JGBs Newsletter Apr 2007
- **Latvia** Report on Central Government Debt Management 2006
- **Lithuania** Government Securities Annual Report 2006
- **Macedonia** Public Debt Management Strategy for the period 2007—2009
- **Malawi** Annual Debt and Aid Report (July 2005—June 2006)
- **Slovakia** Government Debt Management Strategy for the Years 2007 to 2010
- **Slovenia** Bulletin of Public Finance Jan and Apr 2007
- **South Africa** 2007 Budget Chapter 5
- **Sweden** SNDO Annual Report 2006
- **Turkey** Public Debt Management Report Jan, Feb, Mar & Apr 2007
- **UK** Debt and Reserves Management Report 2006-2007
- **UK** DMO Business Plan 2007-08

Also Released:

- **DRI** strategies for Financing Development #29
- **MEFMI** Update Feb-Mar 2007

The full list of DMO/DMU websites is on our website.

