



STORKEY & Co
MANAGEMENT CONSULTANTS

Meeting the Market's Needs

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Government Debt Management:
New Trends and Challenges
Kings College, Cambridge University
4th September 2007

Outline of Session

1. Role government debt managers play in domestic financial markets
 - What choices does the debt manager have?
 - What markets need from the debt managers?
 - How can the impact on markets be incorporated in a debt strategy?
2. Some key factors influencing domestic markets and market development

Legal Mandate

NZ Public Finance Amendment Act 2004



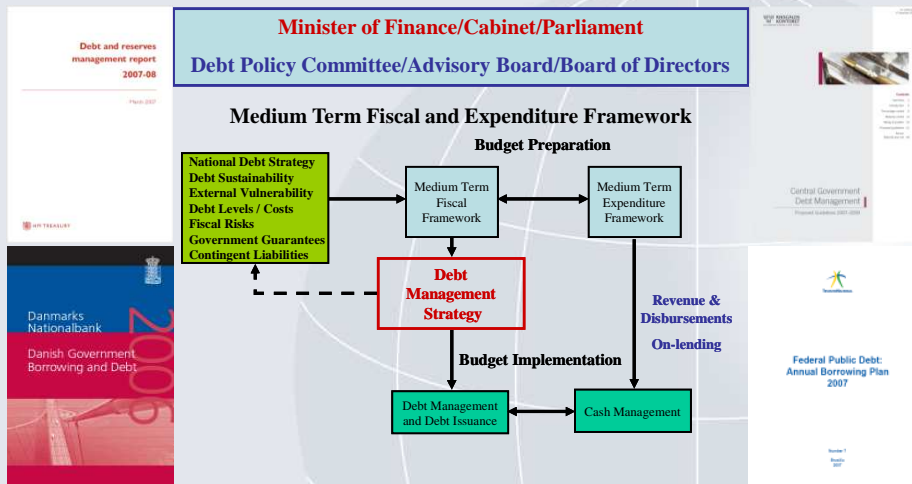
Brazilian Fiscal Responsibility Law 2000



Danish Agency Agreement MOF & Nationalbank



Debt Policy or Strategy



Phase of Development

Level of Sophistication



Phases of Development

Performance & Market Reporting

DMO Annual Report

Market/Debt Report





Outlook 2007

Monthly/Quarterly Report

QUARTERLY Review

Debt portfolio summary statistics	30 March 2007	30 June 2007
Outstanding debt (£ billion)	1,016,324	1,046,050
• Government gilt (100 percent gilt)	782,017	782,712
• Government gilt (not 100 percent gilt)	212,029	212,924
• Other gilts	2,278	2,414
• Non-gilt	10,000	10,000
• Government debt (100 percent gilt)	994,046	995,636
• Government debt (not 100 percent gilt)	201,752	204,538
• Non-gilt	2,278	2,414
• Other	10,000	10,000
Average weighted maturity	7.29 years	7.34 years
• Government gilt (100 percent gilt)	7.26 years	7.32 years
• Government debt (not 100 percent gilt)	7.32 years	7.36 years
• Other	8.10 years	8.13 years
• Non-gilt	3.11 years	3.11 years
• Other	3.11 years	3.11 years
• Other	3.11 years	3.11 years
Average yield on conventional gilts	4.60%	5.17%
Average yield on conventional gilts (including non-gilts)	4.60%	5.17%
Average yield on government debt (including non-gilts)	4.57%	5.14%
Gilt portfolio maturity split (includes Treasury Inflation Protected Securities)		
100% = 100%		
2007		

Case Study: Papua New Guinea

Debt Strategy	Information Memorandum	Auction Calendar	Auction/Switch Results																																																																														
 <p>MEDIUM TERM DEBT STRATEGY 2005 – 2009</p> <p>David Christian (Ed)</p>	 <p>Government of Papua New Guinea</p> <p>Information Memorandum</p> <p>INSCRIBED STOCKS</p>	 <p>DEPARTMENT OF TREASURY Financial Administration Division</p> <p>2007 Annual Invoice Plan for Inscribed Stock and Treasury Bills of the Independent State of Papua New Guinea</p> <p>Monday 27 November 2006</p> <p>The Government of the Independent State of Papua New Guinea announced on Tuesday 27 November 2006 its 2007 Auction calendar for the Inscribed Stocks and Treasury Bills. The 2007 Auction calendar is set out in the attached document.</p> <ol style="list-style-type: none"> 1. Issuing Government Debt to fund the 2007 budget deficit. 2. Reducing the overall level of the debt portfolio by: <ul style="list-style-type: none"> • reducing the amount of debt issued, including the Treasury Bills; and • reducing the amount of debt issued, including the Treasury Bills; and • reducing the amount of debt issued, including the Treasury Bills; and • reducing the amount of debt issued, including the Treasury Bills; and • reducing the amount of debt issued, including the Treasury Bills; and 	 <p>DEPARTMENT OF TREASURY Financial Administration Division</p> <p>Results of the July 2007 Auction of the Inscribed Stock</p> <p>The Department of the Independent State of Papua New Guinea announces, through the Department of Treasury, the results of the Inscribed Stock Auction of 44 values of the Inscribed Stock issued on Tuesday 16 July 2007.</p> <table border="1"> <thead> <tr> <th>Inscribed Stock</th> <th>Bid Received</th> <th>Amount Offered</th> <th>Amount Issued</th> <th>Bid Received</th> <th>Bid Received</th> </tr> </thead> <tbody> <tr> <td>16 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>17 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>18 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>19 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>20 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>21 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>22 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>23 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>24 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>25 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>26 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> <tr> <td>27 July 2007</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> <td>1,000,000,000</td> </tr> </tbody> </table>	Inscribed Stock	Bid Received	Amount Offered	Amount Issued	Bid Received	Bid Received	16 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	17 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	18 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	19 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	20 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	21 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	22 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	23 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	24 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	25 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	26 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	27 July 2007	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
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Key Factors Influencing Markets

IMF Conditionality on LICs	Foreign Direct Investment Flows	Plight of Small Island Nations
Market Dominated by Banks & NPF	Borrowing Requirement and Fiscal Surpluses	Government On-lending and Fiscal Risks

IMF Conditionality

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Foreign Direct Investment

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Small Island Nations

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Banks and National Provident Fund

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Fiscal Surpluses

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On-lending and Fiscal Risks

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