



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 again been our continuing involvement in debt management capacity building consulting assignments in the Asian region, together with a contribution to the ongoing development of sound debt management practices internationally.

In this Newsletter, there are articles covering:

- The Pan-Commonwealth Workshop on the issuance of Government Securities and CS-SAS held in Pretoria, South Africa from 7 to 11 April 2008.
- Recent decision by NZDMO to assume responsibility for the auction of government securities that were previously undertaken by the RBNZ.
- The increasing role of debt managers with guarantees and PPPs.

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.
- continued to assist the World Bank in implementing the debt management performance assessment (DeMPA) tool across low-income countries.

- The Debt Management Stakeholders' Conference in Oslo, Norway on 5 and 6 March 2008.

In March, we provided training to the State Audit Office of Vietnam. The 4-day training course covering financial and performance audits highlights the need to develop skills and capacity of auditors to undertake the role of auditing government/public debt. We will examine how this could be developed further and discuss with INTOSAI.

Company Director, Ian Storkey, has been invited by Central Banking Publications to chair the *Government Debt Management: New Trends and Challenges Training Course* in Cambridge, UK from 2-5 September 2008. Details on the Course will be provided in the July Newsletter and posted to the CBP website: www.centralbanking.co.uk

- continued to assist the Ministry of Finance in Mongolia to strengthen public debt management under the IDA Governance Assistance Project (GAP).
- provided training on the Audit of Government Debt for the State Audit Office of Vietnam under the UNDP project for Strengthening the capacities of the National Assembly and the People's Councils in Vietnam (VIE/02/008).

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Special points of interest:

The IMF has published two working papers:

- Financial Instruments to Hedge Commodity Price Risk for Developing Countries (WP/08/06)
- Debt Sustainability under Catastrophic Risk: The Case for Government Budget Insurance (WP/08/44)

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Pan-Commonwealth Workshop on Domestic Debt

It was very pleasing to note the progress that many countries have made in the management of domestic debt from participants at the Pan-Commonwealth Workshop held in Pretoria from 7 to 11 April 2008. The Conference was organised by the Commonwealth Secretariat Debt Management Section (DMS) of the Special Advisory Services Division (SASD) and attended by 24 participants from 16 countries, including 3 participants from the host country, South Africa.

Three days were allocated to sessions on domestic market development and financial calcula-

tions delivered by Ian Storkey and Dr Sanga Sangarabalan together with presentations from each country participating. Two days were allocated for the DMS to present the Commonwealth Secretariat Securities Auction System (CS-SAS).

The countries represented showed that:

- all but one are issuing Treasury bills and over half are issuing Treasury bonds with maturities, in some countries, out to 30 years
- over half have developed a repo market
- all but one are using auctions to issue securities

- nearly half have a primary dealer system
- nearly all have an information memorandum or prospectus for Treasury bills and bonds
- most publish the auction results on their website(s)
- most publish an issuance calendar
- half meet with investors at least on an annual basis

This shows significant progress since 2006 when a similar workshop was held in Mauritius. While this is encouraging, participants still indicated many impediments to market development including economic & political constraints.



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← Photo of Participants

NZDMO—Domestic Debt Issuance

The New Zealand Debt Management Office (NZDMO) has now assumed responsibility for the tendering of New Zealand Government Bonds and Treasury Bills from the Reserve Bank of New Zealand (RBNZ). The transfer was a staged process that took place during March and April. This follows many years of the RBNZ acting as an agent for the NZDMO.

To inform the market of the change, the NZDMO published new or updated versions of:

- Operating Rules and Guidelines—Government Securities Tenders
- Application for Registration—Bidding Counterparty—Government Securities Tenders
- Information Memorandum for Government Bonds

- Information Memorandum for Treasury Bills

This follows a decision several years ago to move the registry services from RBNZ to NZDMO, which is contracted to the global company Computershare.

Full details are available on NZDMO's website:

www.nzdm.govt.nz



Government Guarantees and PPPs

The use of guarantees to encourage private firms to finance new infrastructure and the increasing use of Public-Private Partnerships (PPPs) are presenting fiscal risks to governments as they seek to finance the infrastructure investment needed to maintain growth and other development targets.

Increasingly, debt managers are required to participate in project evaluation and contracting phases as well as measuring and monitoring the fiscal risk of these contingent liabilities. In the case

of Ireland, the National Development Finance Agency (NDFA), established in January 2003 as part of the National Treasury Management Agency (NTMA), advises on the optimal means of financing public investment projects, including projects procured via Public Private Partnerships.

Capacity building is required to develop the skills needed by debt and fiscal managers. There are many publications on these subjects which can be drawn on to develop the necessary skills.

Two publications of note are:

- **Public-Private Partnerships, Government Guarantees and Fiscal Risk** by a Staff Team Led by Richard Hemming and published by the IMF
- **Government Guarantees: Allocating and Valuing Risk in Privately Financed Infrastructure Projects** by Timothy C Irwin and published by the World Bank

These books, which provide many other useful references on guarantees and PPPs particularly in soft-copy form, can be purchased from the IMF and World Bank bookshops respectively.

Debt Management Stakeholders' Conference

The Debt Management Stakeholders' Conference, organised by the World Bank in cooperation with the Norwegian Ministry of Foreign Affairs was held in Oslo on 5 and 6 March 2008. A broad array of stakeholders involved in public debt management capacity building attended.

Proceedings covered IMF/World Bank Debt Sustainability Framework (DSF), Medium-Term Debt Strategy (MTDS) Toolkit, Debt Management Performance Assess-

ment (DeMPA) tool, and a Debt Management Facility for Low-Income Countries (DeMF LIC).

There was broad support for the World Bank's proposed focus on global public goods, standard-setting, toolkit development, information-sharing, and plans to design capacity-building action plans. Further consultations involving donors and other TA providers were urged in order to determine the optimal design for the proposed multi-donor trust

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fund facility. The Conference agenda, presentations, and summary of proceedings are available on the World Bank website:

<http://go.worldbank.org/8WNDZYCYX0>

Recent Developments or Announcements

We have recently added Oxford Policy Management (OPM) to our debt management network. Their debt management team has extensive experience of providing technical assistance and training in debt and cash management to governments worldwide—refer to OPM's website:

www.opml.co.uk/policy_areas/debt_management/index.html

The 4-day training course for the State Audit Office of Vietnam held in Hanoi from 17 to 20 March 2008 covered:

- Public debt definitions/concepts and legal/institutional frameworks
- Audit of external public debt
- Audit of domestic public debt
- Conducting a performance audit of public debt management

We have noted that the World Association of Debt Management Offices (WADMO) including their website is no longer functional. This follows the termination of the DebtNet facility in February 2007 that was organised and managed by the UNCTAD DMFAS team. Both were providing a forum for debt managers to discuss and share experiences.

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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 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, Ethiopia, Fiji, Ghana, Guyana, India, Indonesia, Lithuania, Malawi, Mauritius, Mongolia, 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:

- **Brazil** Federal Public Debt: Annual Report 2007
- **Brazil** Federal Public Debt: Annual Borrowing Plan 2008
- **Czech Republic** Quarterly Review Mar 2008
- **Denmark** Danish Government Borrowing and Debt 2007
- **Finland** Quarterly Review Mar 2008
- **Hungary** Debt Management Outlook 2008
- **India** External Debt Dec 2007
- **Ireland** Information Memorandum 2008
- **Japan** Debt Management Report 2007

- **Japan** Japanese Government Bonds Jan and Apr 2008
- **Latvia** Report on Central Government Debt Management 2007
- **Latvia** Central Government Debt Management Quarterly Bulletin Q1/2008
- **Lithuania** Government Securities Annual Report 2007
- **Mexico** Annual Borrowing Program 2008
- **Pakistan** Debt Policy Statement 2007-08
- **Slovakia** Ardal Annual Report 2005-06
- **Sweden** Central Government Borrowing 2008:1
- **Turkey** Public Debt Management Reports Feb, Mar and Apr 2008
- **UK** Debt and Reserves Management Report 2008-09

- **UK DMO** Quarterly Review Jan-Mar 2008

Also Released:

- **DMFAS** Annual Report 2006
- **DMFAS** Info No 18, 2007
- **DRI** Strategies for Financing Development #34
- **MEFMI** Update November 2007

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

