



Sovereign Debt Management Newsletter

Storkey & Co Limited
WN/1111791

What's New

The main focus of activity over the past three months has been on debt management capacity building consulting assignments in the Asian region. Much of the focus has been on the legal and institutional framework for effective debt management in each country.

In this Newsletter, there are articles covering:

- Debt management performance assessment (DeMPA) tool.
- The concept of odious debt which has been documented by a discussion paper released recently by staff in PRMED of the World Bank.
- Review of "Manual on Effective Debt Management" published in late 2006 by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

- UNCTAD's 6th Debt Management Conference to be held in Geneva, Switzerland from 19-21 November 2007 followed by the DMFAS Advisory Group Meeting from 22-23 November.

The DeMPA tool was developed over the past year by the World Bank with assistance from Company Director, Ian Storkey, and in consultation with a number of stakeholders and overseen by a technical working group. The tool was tested in 5 low-income countries (LICs)—Ian participated in 4 field tests.

The first workshop to introduce the tool and show how to undertake a country assessment was held in Washington DC on November 7-8, which was attended by around 25 World Bank staff and 12 others from CEMLA, ComSec, DRI, UNCTAD, and WAIFEM.

Volume 7, Issue 3
October 2007

Special points of interest:

The World Bank Banking and Debt Management Department has published two policy research working papers:

- *Choosing the Currency Structure for Sovereign Debt: A Review of Current Approaches* by Martin Malecky (wps4246)
- *Coordinating Public Debt Management with Fiscal and Monetary Policies: An Analytical Framework* by Eriko Togo (wps4369)

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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 for the Ministry of Finance in Vietnam.
- resumed assistance to the World Bank with a training workshop for the performance assessment tool to assess debt management capacity in developing countries.
- continued to assist the Asian Development Bank with the enhancement of debt management in the Ministry of Economy and Finance under the Cambodia Support to the Public Financial Management Reform Program.
- began assisting the Ministry of Finance in Mongolia to strengthen public debt management under the IDA Governance Assistance Project (GAP).



Debt Management Performance Assessment Tool

The World Bank is developing a program to improve debt management in developing countries in collaboration with other partners. The objective of the program is to help strengthen capacity and institutions in developing countries to manage government debt in an effective and sustainable manner in the medium- to long-term.

A cornerstone of the program is the Debt Management Performance Assessment Tool (DeMPA), a methodology for assessing performance through a comprehensive set of performance indicators spanning the full range of gov-

ernment debt management (DeM) functions. The intention is that the indicator set will be an internationally recognised standard in the government debt management field and may be applied in all developing countries. DeMPA is modelled after the Public Expenditure and Financial Accountability (PEFA) indicators.

The scope of DeMPA is central government debt management activities and closely related functions such as issuance of loan guarantees, on-lending, derivative transactions, and cash flow forecasting and cash balance management.

A set of 14 performance indicators, each with 1-4 individual dimensions, aim to measure government DeM performance and capture the elements recognised as being indispensable to achieving sound debt management practices—each sets a minimum requirement for effective performance under the particular dimension being measured. DeMPA is accompanied by a Guide and can be downloaded from the World Bank website:

<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1184253591417/GDM-PMF.pdf>

Governance and Strategy Development	
DPI-1	Legal Framework
DPI-2	Managerial Structure
DPI-3	Debt Management Strategy
DPI-4	Evaluation of Debt Management Operations
DPI-5	Audit
Coordination with Macroeconomic Policies	
DPI-6	Coordination with Macroeconomic Policies
Borrowing and Related Financing Activities	
DPI-7	Domestic Borrowing
DPI-8	External Borrowing
DPI-9	Loan Guarantees, On-lending and Derivatives
Cash Flow Forecasting and Cash Balance Management	
DPI-10	Cash Flow Forecasting and Cash Balance Management
Operational Risk Management	
DPI-11	Debt Administration and Data Security
DPI-12	Segregation of Duties, Staff Capacity and Business Continuity
Debt Records and Reporting	
DPI-13	Debt Records
DPI-14	Debt Reporting

A set of 14 performance indicators (DPIs) aim to measure government debt management performance and capture the elements recognised as being indispensable to achieving sound debt management practices.

The Concept of Odious Debt

A discussion paper "The Concept of Odious Debt: Some Considerations" prepared by the Economic Policy and Debt Department of the World Bank (PRMED) with inputs from the Legal Department was released in September 2007.

The paper looks at the concept of odious debt and some of the history behind such debts. Three

categories of odious debts are covered, namely:

- "regime debts" when a despotic regime "contracts a debt, not for the needs and in the interest of the state, but to strengthen its own despotic regime"
- "subjugation debts" when the government "contracts debts to subjugate the population of part of its territory or to colonise it by members of the dominant nationality"

- "war debts" when the government of a state contracts debts "with a view to waging war against another state"

The paper also expands the concept to include criminal, unfair and ineffective debts under the broad heading of illegitimate debt. To download, go to:

<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/OdiousPaper07.pdf>



Manual on Effective Debt Management

A "Manual on Effective Debt Management" has been published by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). This is an output from the project "Capacity Building for External Debt Management in the Era of Rapid Globalization".

The Manual gives an in-depth overview and analysis of key areas of debt management including risk management, debt sustainability analysis and debt restructuring.

The Manual is a collective effort of UNESCAP and prominent consultants in debt management. It is comprised of ten chapters:

- Public debt management: main issues
- Debt management functions
- Institutional and operational framework
- Legislative and regulatory framework
- Monitoring external debt and contingent liabilities
- Monitoring private non-guaranteed and short-term external debt

- Risk management
- Use of debt indicators for debt sustainability analysis
- Debt restructuring
- Recommendations and best practices for debt managers

The Manual, which was released in late 2006, is a useful addition to the debt management library. It can be downloaded from the UNESCAP website:

www.unescap.org/pdd/Debt/docs/Manual_debt.pdf

UNCTAD Debt Management Conference

The 6th UNCTAD Debt Management Conference and DMFAS Advisory Group Meeting is to be held in Geneva from 19-23 November 2007. Past conferences have attracted over 250 participants from around 80-90 countries.

The agenda for the conference is extensive and there will be many prominent speakers and panelists. Some of the topics to be covered during the 3 days include:

- Odious debt

- Concessional lending—practice of the past
- Vulture funds
- The case for further relief
- Restructuring of sovereign debt
- Contingent liabilities—the next debt crisis
- Formulation of strategies for entering domestic and international capital markets

The Advisory Group Meeting will be valuable as plans for the re-

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lease of DMFAS version 6 should be elaborated along with other new initiatives.

For Conference and Advisory Group Meeting details refer:

www.unctad.org/dmfas

Recent Developments or Announcements

The Icelandic Minister of Finance decided to assign issuance of domestic marketable securities, previously handled by the **National Debt Management Agency** (NDMA), to the Central Bank of Iceland, which already was managing the Treasury's foreign borrowing. From 1 October 2007, NDMA ceased operations and its activities moved to the Interna-

tional and Market Department of the Central Bank—where the unit's name will be "Government Debt Management" or "Lánamálaríkisins".

The External Finance Department of the **Ministry of Finance of Vietnam** published the first Bulletin on External Debt statistics in June 2007 covering the period 2002-06. The Bulletin reports the Govern-

ment and Government guaranteed external debt. It will be produced on a semi-annual basis with time lag of 6 months. In future, it is expected that the frequency of the Bulletin will increase to quarterly reporting. A copy can be downloaded from the Ministry of Finance website:

www.mof.gov.vn/DefaultE.aspx?tabid=5591&ItemID=46332

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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, Ethiopia, Fiji, 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:

- **Armenia** Public Debt Report 2006
- **Australia** AOFM Annual Report for 2006-07
- **Canada** Annual Financial Report 2006-07
- **Croatia** Annual Debt Report and Public Debt Management Strategy 2007
- **Czech Republic** Quarterly Review June 2007
- **Finland** Debt Management Annual Review 2006
- **Greece** Public Debt Bulletin June 2007
- **Japan** JGBs Newsletter October 2007
- **New Zealand** Crown Financial Statements 2006-07
- **New Zealand** Treasury (including NZDMO) Annual Report 2006-07
- **Netherlands** DSTA Quarterly Outlook October 2007
- **Nigeria** DMO Annual Report 2006
- **Poland** Debt Management Strategy in the years 2008-10
- **Slovenia** Bulletin of Public Finance September & October 2007
- **Sweden** SNDO Proposed Guidelines 2008-10
- **Sweden** Central Government Borrowing 2007:3
- **Tanzania** Quarterly Public Debt Report June 2007
- **Turkey** Public Debt Management Reports August, September, October 2007
- **UK** DMO Quarterly Review July-September
- **UK** DMO Information Memorandum: Issue, Stripping and Reconstitution of British Government Stock

Also Released:

- **DRI** strategies for Financing Development #31 & #32
- **MEFMI** Updates Jul-Aug 2007

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

