



Storkey & Co Limited

WN/1111791

## What's New

The focus of this Newsletter is on global trends in sovereign debt management. This was the theme of Ian Storkey's presentation at the FTA Finance and Treasury Management Conference in Canberra in May 2003.

Also, there are articles covering:

- Evolution Phases in Sovereign Debt Management.
- Local Government Treasury Policies in New Zealand.
- Essential Reading for Sovereign Debt Managers.
- An Assessment of the FTA Finance and Treasury Management Conference in Canberra.

## Storkey & Co Update

Over the past 3 months, we have:

- continued the ADB consulting assignment for the Ministry of Finance in India (with AF Ferguson & Co) including the management of a study visit to Australia and New Zealand by Indian Government officials in late May and early June.
- continued to assist ACIL Australia

The article on "Government Cash and Treasury Management Reform" referred to in the last Newsletter was published in the Asian Development Bank June Edition of the "The Governance Brief", which is a quarterly newsletter responding to inquiries and demands for short, easy-to-read references on specific governance related issues.

We have hard copies available if there is any interest from readers. A copy will be posted to the ADB's governance web site within the next 2 months, where previous issues can also be accessed:

<http://www.adb.org/governance>

lia with the AusAID Indonesian Debt Management Project in Jakarta.

- contracted to SAGRIC International Advisory Support Facility to undertake a debt management project for the Government of Papua New Guinea funded by AusAID—this project commences at the end of July.

Volume 3, Issue 2

July 2003

### Special points of interest:

- *Changes planned for issuance of JGBs include a plan to introduce a system of primary dealers to replace the current underwriting syndicate and plans to diversify the field of potential investors for government bonds.*
- *The article on "Government Cash and Treasury Management Reform" was published in the June Edition of ADB "The Governance Brief".*

### Inside this issue:

<i>Evolution Phases in Sovereign Debt Management</i>	2
<i>Local Government Treasury Policies in NZ</i>	2
<i>Essential Reading for Sovereign Debt Managers</i>	3
<i>Assessment of FTA Public Sector Conference</i>	3
<i>Recent Publications</i>	3
<i>Storkey &amp; Co Limited—Company Profile</i>	4
<i>Sovereign Debt Management Websites</i>	4



## Evolution Phases in Sovereign Debt Management

We have found through our experiences that we can use four categories to characterise the different levels of development and sophistication in sovereign debt management, with the following key characteristics under each category:

### Debt Issuance & Recording

- Focus on developing domestic debt markets
- Fragmentation and problems in coordinating debt management with monetary policy
- Problems in analysing and

controlling the impact of debt servicing on the budget

- Problems controlling contingent liabilities

### Liability/Cash Management

- Reducing or eliminating foreign currency debt
- Integration of debt management and aggregate government cashflows
- Risk management around budget debt service cost with techniques such as BaR and CaR

### Asset-Liability Management

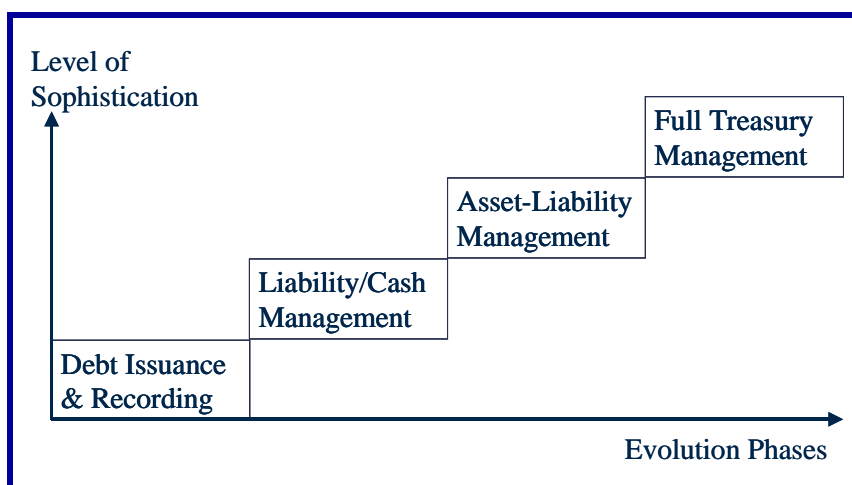
- Full integration of assets and

liabilities

- Full identification of contingent obligations
- Risk management based on market values with techniques such as VaR
- Benchmark portfolios and RAPM

### Full Treasury Management

- Client servicing
- Asset-liability management framework
- Risk management based on market values with techniques such as VaR
- Benchmark portfolios and RAPM



*Four categories that characterise the different levels of development and sophistication in sovereign debt management.*

## Local Government Treasury Policies in NZ

The Local Government Act 2002 permits local authorities to borrow in New Zealand dollars, with the debt raised not guaranteed by the Government of New Zealand.

However, the Act requires the Local Authority to have in place amongst others:

- a revenue and financing policy
- a liability management policy
- an investment policy

Therefore, each local authority has developed a comprehensive treasury management policy, which is fully disclosed

during the planning process. For example, details are on their respective websites.

This transparent approach and level of disclosure and reporting has received positive comments from a number of sources and we consider this to be international best practice.



## Essential Reading for Sovereign Debt Managers

We have often been asked the question "what should we read to get an understanding of sovereign debt management?" We recommend the following publications:

- IMF/World Bank Guidelines for Public Debt Management and the Accompanying Document (2001/2002)
- IMF and World Bank Developing Government Bond Markets: A Handbook (2001)
- Institutional Arrangements for Public Debt Management, World Bank Policy Working Paper 3021 (2003)
- OECD Debt Management and Government Securities Markets in the 21st Century (2002)
- OECD Public Debt Markets: Trends and Recent Structural Changes (2002)
- Kari Nars ed., Excellence in Debt Management: The Strategies of Leading International Borrowers (1997)

In addition, The Second Sovereign Debt Management Forum Compilation of Presentations from a Conference held at the World Bank in Washington D.C., on November 1-3, 1999 is highly recommended.

## Assessment of FTA Public Sector Conference

The second Finance and Treasury Association of Australia Public Sector Finance and Treasury Management Conference in May was well attended and very successful.

There were a number of excellent presentations from debt offices:

- "Review of the Commonwealth Government Securities Market" by Blair Comley, AOFM.
- "Liquidity Risk Management and the Role of ALCO in Central Financing Authorities" by Fiona McNabb, TCV.
- "Offshore Markets and What They Are Delivering for TCorp" by Wayne Jarman, NSW TCorp.
- "Applying an Asset-Liability Management Framework to Sovereign Debt Management" by Philip Combes and Greg Horman, NZDMO.

The Conference had a very useful one-day workshop on "The Government Loan Guarantee Fee Regimes: Towards achieving a funding level playing field".

*"The second FTA Public Sector Finance and Treasury Management Conference on 26-28 May 2003 was attended by around 120 delegates"*

A significant focus of the Conference was on Public-Private Partnerships (PPP) with a number of excellent presentations including one on the London Underground (an example of the largest PPP in the world).

## Recent Publications

Publications released by Sovereign Debt Management Offices over the past 3 months:

- **Belgium** Annual Report 2002
- **Germany** July 2003 Newsletter
- **Greece** Public Debt Management Bulletin No.29, March 2003
- **Iceland** Annual Report 2002
- **Ireland** Annual Report 2002
- **Japan** JGB Quarterly Newsletter April 2003
- **New Zealand** Economic and Financial Overview 2003
- **Portugal** Annual Report 2002
- **Spain** Annual Report 2002
- **UK** DMO Review 2002-03
- **UK** DMO Annual Report 2003

Other relevant publications released over the past 3 months:

- **ADB** Annual Report 2002
- **DMFAS** DMFAS Programme Annual Report 2002



# Storkey & Co Limited

WN/1111791

Ian Storkey

Director

90 Larsen Crescent

PO Box 51096

Tawa

Wellington, NZ

Phone: +64 (04) 232-4594

Fax: +64 (04) 232-9465

Mobile: +64 (021) 414-510

Email: [info@storkeyandco.com](mailto:info@storkeyandco.com)

Web: [www.storkeyandco.com](http://www.storkeyandco.com)



Storkey & Co Limited is an international management consultancy providing independent specialist advice on debt and risk management to central governments, state/regional and local governments, government enterprises, and corporate treasuries.

The company employs or works in partnership with recognised experts who have considerable international experience in the finance markets and in public sector debt 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 Asian Development Bank, AusAID, International Monetary Fund and World Bank technical assistance projects internationally.

Since the company was established in early 2001, assignments have been undertaken in Australia, Fiji, India, Indonesia, Lithuania, Mauritius, New Zealand, Papua New Guinea, Solomon Islands and Thailand.

## Sovereign Debt Management Websites

The Sovereign Debt Management Office websites include:

**Argentina:** [www.mecon.gov.ar/finanzas](http://www.mecon.gov.ar/finanzas)

**Australia:** [www.aofm.gov.au](http://www.aofm.gov.au)

**Austria:** [www.oebfa.co.at](http://www.oebfa.co.at)

**Belgium:** [www.treasury.fgov.be/interdette](http://www.treasury.fgov.be/interdette)

**Brazil:** [www.tesouro.fazenda.gov.br](http://www.tesouro.fazenda.gov.br)

**Canada:** [www.fin.gc.ca](http://www.fin.gc.ca)

**Colombia:** [www.minhacienda.gov.co](http://www.minhacienda.gov.co)

**Denmark:** [www.nationalbanken.dk](http://www.nationalbanken.dk)

**Finland:** [www.valtiokonttori.fi](http://www.valtiokonttori.fi)

**France:** [www.francetresor.gouv.fr](http://www.francetresor.gouv.fr)

**Germany:** [www.deutsche-finanzagentur.de](http://www.deutsche-finanzagentur.de)

**Greece:** [www.mof-glk.gr](http://www.mof-glk.gr)

**Hungary:** [www.allampapir.hu](http://www.allampapir.hu)

**Iceland:** [www.lanasysla.is](http://www.lanasysla.is)

**India:** [www.finmin.nic.in/caaa](http://www.finmin.nic.in/caaa)

**Indonesia:** [www.dmo.or.id](http://www.dmo.or.id)

**Ireland:** [www.ntma.ie](http://www.ntma.ie)

**Israel:** [www.mof.gov.il/debt](http://www.mof.gov.il/debt)

**Italy:** [www.tesoro.it](http://www.tesoro.it)

**Jamaica:** [www.mof.gov.jm/dmu](http://www.mof.gov.jm/dmu)

**Japan:** [www.mof.go.jp/english](http://www.mof.go.jp/english)

**Lithuania:** [www.finmin.lt/fmhomeen.htm](http://www.finmin.lt/fmhomeen.htm)

**Luxembourg:** [www.etat.lu/TS](http://www.etat.lu/TS)

**Mexico:** [www.shcp.gob.mx](http://www.shcp.gob.mx)

**Morocco:** [www.finances.gov.ma](http://www.finances.gov.ma)

**Netherlands:** [www.dutchstate.nl](http://www.dutchstate.nl)

**New Zealand:** [www.nzdmo.govt.nz](http://www.nzdmo.govt.nz)

**Nigeria:** [www.dmonigeria.com](http://www.dmonigeria.com)

**Peru:** [www.mef.gob.pe/DGCP/index.htm](http://www.mef.gob.pe/DGCP/index.htm)

**Philippines:** [www.dof.gov.ph](http://www.dof.gov.ph)

**Poland:** [www.mofnet.gov.pl](http://www.mofnet.gov.pl)

**Portugal:** [www.igcp.pt](http://www.igcp.pt)

**Slovenia:** [www.gov.si/mf/angl](http://www.gov.si/mf/angl)

**South Africa:** [www.finance.gov.za](http://www.finance.gov.za)

**Spain:** [www.mineco.es/tesoro](http://www.mineco.es/tesoro)

**Sweden:** [www.rgk.se](http://www.rgk.se)

**Switzerland:** [www.efv.admin.ch](http://www.efv.admin.ch)

**Thailand:** [www.pdmo.gov.go.th](http://www.pdmo.gov.go.th)

**Turkey:** [www.treasury.gov.tr/indexe.htm](http://www.treasury.gov.tr/indexe.htm)

**United Kingdom:** [www.dmo.gov.uk](http://www.dmo.gov.uk)

**United States:** [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)

