



**Storkey & Co Limited**  
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## What's New

With many of the consulting assignments in developing countries, there is an expectation that study tours will assist with capacity building and training. We have examined the effectiveness of the study tours and set out our thoughts on what value they do provide.

Also, there are articles in this Newsletter covering:

- Recent developments in sovereign debt restructuring.
- Release of the World Bank publication "Sound Practice in Government Debt Management".
- Impact of FAS 133 and IAS 39 on debt offices reporting and information systems.

## Storkey & Co Update

Over the past 3 months, we have:

- continued to assist SAGRIC International under the PNG Advisory Support Facility with the debt management project for the Department of Treasury and Finance.
- continued to be available to assist AusAID on the Budget Stabilisation Program for the Solomon Islands Government.

There are a significant number of annual reports that have been issued by debt offices over the past three months. These include Belgium, France, Hungary, Iceland, Ireland, and Portugal. In addition, the UK DMO has released their Annual Review. These reports set new standards for disclosure and reporting and should be seen as setting the benchmark for other DMOs. While they provide the usual financial information, they often have information to support recent policy initiatives.

The World Bank Treasury has revamped their website, as has the Thai PDMO although the English version is still to be made effective.

- started a 3-year debt management consulting assignment under the Public Financial Management Reform Project in the Ministry of Finance in Vietnam.

Also, our database of publications and finance/treasury systems has been updated. Details can be found on our website under the "Library—Fin/Tsy Systems" and "Library—References" sections.

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### Special points of interest:

- *The inaugural issue of the Journal of Restructuring Finance was published in June 2004—it focuses on Sovereign Debt Restructuring.*
- *The German Government unveiled plans in late June to repackage up to €5 billion in Russian Paris Club debt into new "Aries" Credit Linked Notes.*

### Inside this issue:

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## Study Tours—How Much Value Are They?

We have noted that there is an expectation among the debt managers in developing countries that study tours will assist with capacity building and training. While there is some value in study tours if they are structured correctly, most will not meet debt managers' or the funding agency's expectations.

Most DMOs in developed countries do not have resources available for hosting delegations, they have contractual obligations in terms of their outputs, performance and budget, and these activities are not part of their man-

date and as yet, are not seen as Government policy.

In addition, DMOs will not have time to entertain delegations on the basis expected. For example, most DMOs that we have contacted would turn down study tours over several days as it is too much effort and of little or no value to them directly.

However, DMOs are often willing to see a delegation for 2-4 hours, provided that the study tour is genuine, it has officials from the country that are most relevant to the study tour, and has a well structured and rigorous program.

We have arranged study tours to DMOs and other relevant institutions in Australia and New Zealand with no more than 4 hours at any one institution. By ensuring a full program, well defined terms of reference, and officials at the appropriate level, these study tours have been highly effective.

However, we would question whether the debt managers can usefully benefit from study tours to highly developed DMOs, as they are unlikely to be able to apply much of what they learn, including debt/risk management frameworks and policies, for possibly another 5-7 years.



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## Recent Initiatives in Debt Restructuring

There have been several initiatives in debt restructuring that we have noted recently.

First, the surprise announcement on June 24 by the German Government to repack-age €5 billion of Paris Club debt to new "Aries" Credit-Linked Notes.

Several articles have been written on this restructuring and are listed on the website: [www.emta.org/keyper](http://www.emta.org/keyper)

Second, the inaugural issue (March 2004) of the Journal of Restructuring Finance focuses on "Debt Restructuring: Approaches to the Management of Sovereign and Corporate

Borrowing and Lending." The issue includes ten articles covering academic, policy-making and practitioners' views, together with an industry perspective, and a book review. Details of the contents of the Journal can be found on the website:

[www.worldscinet.com/jrf.html](http://www.worldscinet.com/jrf.html)



## Sound Practice in Government Debt Management

The much awaited World Bank publication by Graeme Wheeler on "Sound Practice in Government Debt Management" has been released. The book has ten chapters covering:

- An Overview of Government Debt Management
- Managing the Interface Between Debt Management Policy and Other Macroeconomic Policies
- Governance Issues in Managing Government Debt
- Managing Government Debt in an Asset-and-Liability Management Framework
- Developing a Risk Management Policy Framework
- Contingent Liabilities in a Government Asset-and-Liability Management Framework
- The Use of Strategic Benchmarks in Government Asset-and-Liability Management
- Investing in Management Information Systems
- The Importance of Developing Domestic Government Bond Markets
- Building Capacity in Government Debt Management

The book adds to the information provided earlier in the "Guidelines for Public Debt Management." Copies can be obtained from World Bank Publications.

## FAS 133 & IAS 39—Implications for Debt Offices

Recent developments that have or will be imposed on financial institutions are FAS 133 (requiring derivative contracts to be marked-to-market and recorded as assets or liabilities on the balance sheet) and IAS 39 (which covers more financial instruments and also imposes a higher requirement for fair value accounting compared to FAS 133).

IAS 39 requires that all derivatives and debt as well as all other financial assets or liabilities held for trading or available for sale be accounted for by fair value. As such, this would effectively ensure that all financial instruments are reported on the balance sheet.

As many debt offices follow International Accounting Standards, IAS 39 will force

*"IAS 39 is the International Accounting Standard that forces derivatives onto the balance sheet and pushes fair value accounting"*

additional reporting requirements and will require system enhancements.

IAS 39 is to be introduced in Australia in 2005 and New Zealand in 2007.

## Recent Publications

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

- **Belgium** Annual Report 2003
- **Finland** Annual Review 2003
- **France** Annual Report 2003-04
- **Germany** Newsletter July 2004
- **Greece** Public Debt Bulletin No 34 June 2004
- **Hungary** Annual Report 2003
- **Iceland** Annual Report 2003
- **Ireland** Annual Report 2003
- **Israel** Prospectus 2003
- **Japan** Guide to Japanese Government Bonds
- **Japan** JGB Quarterly Newsletter July 2004
- **Portugal** Annual Report 2003
- **Slovenia** June 2004 Bulletin
- **UK** Annual Review 2003-04
- **UK** Quarterly Review April—June 2004

Other useful publications include:

- **DRI** Debt Strategies for Financing Development Issues #18 & #19
- **HIPC** Statistical Update March 2004

The World Bank revamped Treasury website including the Public Debt Management Group section is located at:

[www.treasury.worldbank.org](http://www.treasury.worldbank.org)

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Storkey & Co Limited is an international management consultancy providing independent specialist advice on debt and risk management to central, state/regional & local governments, government enterprises, & 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, DFID, International Monetary Fund and World Bank technical assistance projects internationally.

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

## Sovereign Debt Management Websites

The Sovereign Debt Management Office websites include:

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

**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)

**Czech Republic:** [www.mfcr.cz/index\\_en.php](http://www.mfcr.cz/index_en.php)

**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-gl.k.gr](http://www.mof-gl.k.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/finmin](http://www.finmin.lt/finmin)

**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)

**South Korea:** [english.mofe.go.kr/main.php](http://english.mofe.go.kr/main.php)

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

**Suriname:** [www.sdmo.org](http://www.sdmo.org)

**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)

