



Sovereign Debt Management Newsletter

Storkey & Co Limited
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What's New

The focus of activity over the past three months has been on continuing our assistance to the Government of Vietnam including a new innovation with a 1-day seminar on public debt management for Members of the National Assembly.

In this Newsletter, there are articles covering:

- Recent developments in Debt Sustainability Analysis (DSA) indicators for domestic debt.
- The launch of the Joint External Debt Hub (JEDH) by BIS, IMF, OECD and the World Bank.
- "Directory of Government Debt Offices" published by Central Banking Publications.

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.
- completed the cash management review and training for government officials under the Ethiopia Decentralization Support Activity Project, managed by the John F.

- Educating the Members of the National Assembly and Senior Officials in Vietnam in public debt management.

There have been a number of initiatives recently in connection with domestic debt given the increasing focus of governments in developing the domestic market for government securities and a policy to switch the focus away from foreign currency debt to domestic debt. This has highlighted some deficiencies such as domestic debt sustainability indicators, recording of domestic government liabilities, and domestic debt analysis and systems, that have become the focus of international attention and initiatives that are being planned by international agencies to address these deficiencies.

Kennedy School of Government at Harvard University and funded by USAID, DCI and the Netherlands Government.

- provided a 1-day seminar on debt management in Hanoi for Members of the National Assembly and senior officials from the Government of Vietnam under UNDP project VIE/02/008—a follow up seminar is planned for August 2006 given the interest it generated.

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Special points of interest:

- *The major topics of discussion we have noted on the debtmet facility operated by UNCTAD (DMFAS) have been on "Domestic Debt Portfolio Analysis" and "Obtaining a Sovereign Rating" — both these have generated significant discussion and provided valuable references for our e-library.*

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DSA Indicators for Domestic Debt

Much has been written about external debt portfolio analysis and debt sustainability with well established methodologies and debt indicators. Very little has been written about domestic debt sustainability and indicators.

DRI released a paper by Alison Johnson in 2001 "Key Issues for Analysing Domestic Debt Sustainability" which included preliminary benchmarks for domestic debt sustainability:

- Debt/GDP: 20-25%
- Debt/revenue: 92-167%
- PV debt/revenue: 88-127%

- Debt service/revenue: 28-63%
- Interest/revenue: 4.6-6.8%

MEFMI released a paper by Cornillious Deredza in 2005 "Domestic Debt Sustainability: Issues, Definitions, Measurement Approaches and the Way Forward" which provides a summary of different approaches that have been put forward by authors and sets out some simple debt indicators:

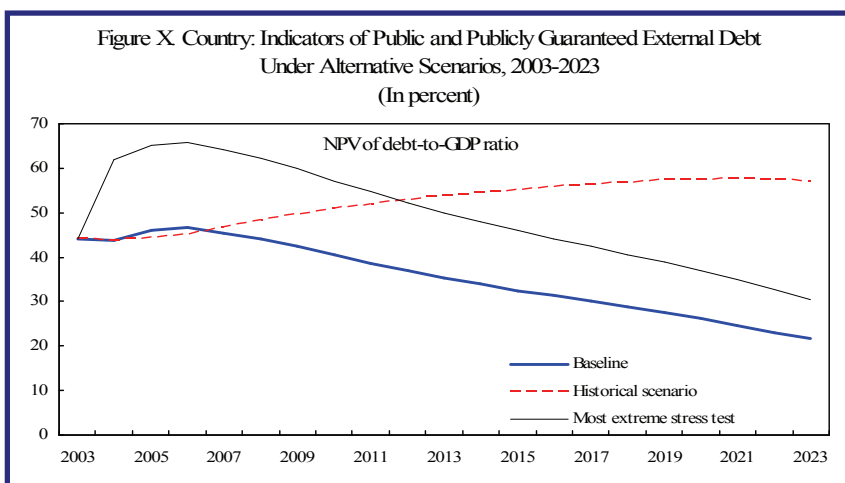
Debt Overhang/Solvency Indicators:

- Nominal & PV debt/domestic budget revenue
- Nominal & PV debt/GDP

Liquidity Indicators:

- Domestic debt service & interest/domestic budget revenue & government expenditure

The paper also touches on other factors that we believe are more important than simple debt indicators. These include the state of the domestic market for government securities covering the breadth of the investor base, auction cover, secondary market liquidity and spreads, and issuance predictability and transparency. Many governments have very high levels of domestic debt that can be considered sustainable due to these factors.



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Joint External Debt Hub

On 30 March 2006, the Inter-Agency Task Force on Finance Statistics (TFFS) launched the Joint External Debt Hub (JEDH) at www.jedh.org. This joint launch is by the Bank for International Settlements (BIS), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and the World Bank and represents

efforts to synergize international advances in the area of external debt statistics.

The JEDH brings comprehensive creditor/market and national data and metadata together in one central location. The JEDH includes a revised Joint Debt Statistics (JDS) table as well as national external debt data from the World Bank's Quarterly Exter-

nal Debt Statistics (QEDS) database. The range of countries covered in the revised JDS is expanded to include industrial countries.

The JEDH replaces the existing creditor-sourced JDS table available at www.oecd.org/statistics/jointdebt, which will be discontinued in due course.



Directory of Government Debt Offices

Central Banking Publications has released a "Directory of Government Debt Offices" providing details of government debt offices in 110 countries around the world including all OECD countries and major emerging markets.

The information provided for each country include:

- Organisation and structure
- Responsibilities and mandate
- Senior staff
- Outstanding debt

- Recent issuance
- Market structure
- Technology
- Current activities

There is also an introductory chapter giving a summary of the latest trends in the techniques, instruments and organisations of leading debt management agencies around the world.

The cost of the Directory is £100 (UK) or £100/\$198/€176 (Rest of the World). A copy of the Direc-

tory can be ordered from the website:

www.centralbanking.co.uk

Central Banking Publications (CBP) is also planning to release a book on "Issues and Trends in Public Debt Management" in mid-2006. The book is the result of contributions from a wide range of experts from the public sector, private sector and academia and edited by Paul Brione (CBP) and Mike Williams (former Chief Executive of the UK DMO).

Educating the Policymakers

Most of the technical assistance provided under the international agencies debt management reform programs is primarily directed at the officials responsible for day-to-day debt management activities. This has led to the issue of "how to explain to the policymakers in government, whether at political or senior management level, the reasons for debt management policies and objectives and associated transactions that they need to authorise or approve."

It was in this context that our Company Director, Ian Storkey, was contracted by the UNDP to deliver a 1-day seminar to Members of the National Assembly and senior officials in Hanoi, Vietnam in February 2006.

The seminar covered debt definitions, debt of Vietnam, fundamentals of debt management, concepts of risk management and the role of National Assembly in debt management. The objective was to outline current

"How to explain to the policymakers in government the reasons for debt management policies and objectives and associated transactions."

and planned reforms for public debt management and the legislative implications. A follow-up seminar is planned to further the education of Members and senior officials.

Recent Developments or Announcements

UNITAR has released Best Practices Series 11 "On the Involvement of Legal Practitioners in Government Services During the Negotiation of International Loan Agreements—A perspective for Developing Countries".

A copy which has been written by Alexander Troller, a Swiss legal partner from LALIVE and UNITAR Senior Special Fellow can be ob-

tained from the website: www.unitar.org/dfm/.

We have prepared a brochure that summarises the Vietnam In-Country Training Courses delivered in Hanoi in late 2005. A copy of the brochure (1.06Mb pdf file), which includes details of the curriculum, participants, and some of the associated activities can be downloaded at:

www.storkeyandco.com/Events/Vietnam-In-Country-Training.pdf

A paper presented at the meeting of the Task Force on Harmonization of Public Sector Accounting chaired by IMF and hosted by OECD in Paris on 8-10 March 2006 "Recording of Government Liabilities" can be downloaded from: <http://www.imf.org/external/np/sta/tfhpas/2006/03/pdf/shephe.pdf>

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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 and cash 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 ADB, AusAID, ComSec, DCI, DFID, IMF, NZAID, UNDP, USAID and World Bank technical assistance projects internationally.

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

Debt Management Unit Publications & Websites

Several new websites for DMU's within the Ministry of Finance were located over the past 3 months:

Armenia: <http://www.mfe.am>

Bangladesh: <http://www.mof.gov.bd>

Macedonia: <http://www.finance.gov.mk>

Malaysia: <http://www.treasury.gov.my>

Romania: <http://www.mfinante.ro>

Taiwan: <http://www.ttc.gov.tw>

Tanzania: <http://www.mof.go.tz>

Key publications released by DMUs over the past 3 months:

- **Canada** Debt Management Strategy 2006-2007
- **Canada** Government Securities April 2006

- **Czech Republic** Quarterly Review March 2006
- **Denmark** Borrowing and Debt 2005
- **Ireland** Information Memorandum 2006
- **Israel** Annual Report 2004
- **Japan** JGB Newsletter April 2006
- **New Zealand** Economic and Financial Overview 2006
- **Slovenia** Bulletin of Public Finance February 2006
- **Sweden** Annual Report 2005
- **Sweden** Central Government Borrowing 2006:1
- **Turkey** Public Debt Management Report 2006
- **UK** Debt and Reserves Management Report 2006-2007

Also Released:

- **DRI** strategies for Financing Development #26
- **MEFMI** Update Feb-Mar 2006
- **UNITAR** Best Practices Series Volume 11

The full list of DMO/DMU websites is on our website at:

www.storkeyandco.com/Links/links.html

