



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 in providing assistance to both the Commonwealth Secretariat (CS-DRMS) and UNCTAD (DMFAS) with training and developing an understanding of the requirements of domestic debt management.

In this Newsletter, there are articles covering:

- Publishing a debt strategy and borrowing plan.
- Recording of government liabilities.
- Storkey & Co network of consultants.
- Sovereign Debt Management Forum to be hosted by the World Bank Treasury in Washington, D.C. from 23-25 October 2006 (the first Forum since November 1999).

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.
- assisted the Commonwealth Secretariat with delivery of training during a Domestic Debt Management Workshop for African nations, held in Mauritius from 3 to 11 July,

Over the next three months, there are two important events that Company Director, Ian Storkey, will attend. First, he will be presenting the topic "Sound Practice in Debt Management" at the Central Banking Publications Training Course on "How to Deliver Efficient Public Debt Management" to be held in Cambridge, UK from 12-15 September. Second, he will be attending the Sovereign Debt Management Forum in Washington D.C. from 23-25 October (refer to page 3 for Forum details).

These two events will provide many opportunities to meet up with officials from debt offices as well as debt management practitioners and to learn about new developments and current practices in sovereign debt management across both developed and developing/emerging market countries.

which was followed by a 2-day debt management forum for the Government of Mauritius.

- begun assisting the UNCTAD DMFAS team with the preparation of a user requirements definition to enhance the functionality of domestic and short-term debt.

In addition, we have been formalising a network of debt management consultants—refer to the article on page three for more details.

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Special points of interest:

- *Given the large number of debt offices and central banks that are using the TremaSuite treasury system, Warburg Pincus (a US-based private equity investor firm) has acquired Wall Street Systems and Trema with the combined organisation to operate under the name of Wall Street Systems.*

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Publishing a Debt Strategy and Borrowing Plan

Increasingly, government debt offices and agencies are publishing an annual debt strategy and borrowing plan, normally prior to the commencement of the fiscal year. The format and means of publication vary across countries.

The majority of countries that publish a stand-alone independent strategy include Brazil, Hungary, Iceland, Japan, Latvia, Netherlands, Slovakia, Sweden and United Kingdom. The last two have special significance:

- **Sweden**, where the strategy is published as the Guidelines for Central Government Debt

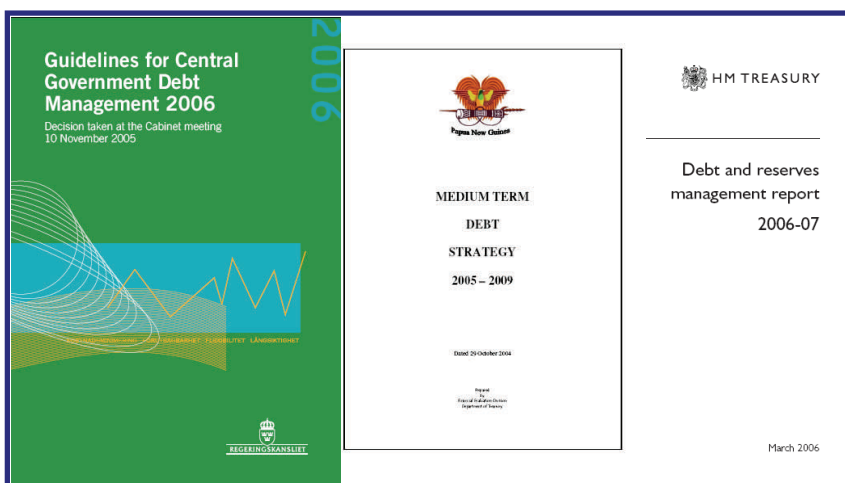
Management which is approved by Parliament each year

- **United Kingdom**, where the Treasury sets out the strategy in the Debt and Reserves Management Report with financing and cash management remits for the UK DMO

There are a few countries that prefer to have the strategy published in the Budget documents, such as Papua New Guinea (Chapter 8) and South Africa (Chapter 5). In the case of New Zealand, it is a 2-3 page press release issued by NZDMO.

All these demonstrate the drive for greater transparency and accountability in government debt management. As the IMF/World Bank Guidelines state, "debt management should be clearly defined and publicly disclosed" and that "debt management operations in the primary market should be transparent and predictable".

The countries that are publishing a debt strategy and borrowing plan have set a benchmark for the remaining countries to follow. The structure and format of these documents can be very useful templates for other debt offices.



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Recording of Government Liabilities

At the fifth meeting of the Task Force on Harmonization of Public Sector Accounting, chaired by the IMF and hosted by the OECD in Paris, France from March 8-10, 2006, Richard Shepherd, Senior Economist in the Statistics Department at the IMF presented a paper on "Recording of Government Liabilities". The paper summarises how government liabilities

are recorded in economic and financial statistics, drawing together explanatory material from the "System of National Accounts 1993", "Government Finance Statistics Manual 2001" and "External Debt Statistics: Guide for Compilers and Users".

It also includes the view of the International Public Sector Accounting Standards (IPSAS) in re-

spect of the definition of liabilities, when they are recognised, and how they are valued. Finally, it discusses other classifications that may be useful for analytical purposes.

A copy of the paper can be downloaded from:

www.imf.org/external/np/sta/fthpsa/2006/03/pdf/shephe.pdf



Storkey & Co Network of Consultants

The Company has recently formed a network of consultants with considerable international experience in financial markets and public sector debt and cash management. The network will be managed by Company Director, Ian Storkey, and associates, Mike Williams and Sanga Sanga-rabalan, and will work together on assignments either as individuals or a team, or sub-contracted under Storkey & Co Limited.

The network has developed extensive relationships with govern-

ment debt offices and agencies involved in government debt management as well as individuals with public debt management experience. These relationships will be used to:

- identify resources to complement the network where needed, particularly in areas requiring hands-on practical experience in the establishment, operations and functions of a debt office
- keep up-to-date with new developments and sound practices in government debt and cash management
- assist with the provision of training

- organise short-term study visits that are comprehensive and ensure access to officials at the right level
- discuss practical aspects of public debt and cash management

All consultants have been carefully selected and approved, with more to be added subject to the approval of all three managers. The overall objective is to ensure that sound principles and practices are used on debt management assignments in a framework that aims for excellence in government debt management.

Sovereign Debt Management Forum

The World Bank Treasury is hosting the 2006 Sovereign Debt Management Forum in Washington, D.C. from 23-25 October 2006. The purpose of the Forum is to review recent trends and developments in sovereign debt management among developing and emerging market borrowers with market access. It will also bring into focus issues associated with the implementation of sound practices. The final day of the Forum will be a half-day workshop on IBRD Banking Products.

The Forum will bring together senior officials responsible for managing public debt in developing and emerging market countries, as well as members of the international community involved in sovereign debt management capacity building and advisory services. It will address issues across a range of areas, including debt management strategies, accessing markets and building capacity. It will consist of presentations, panel discussions and workshops led by

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debt managers, the financial community and World Bank officials. Email enquiries on the Forum can be sent to:

debtmgmforum@worldbank.org.

Recent Developments or Announcements

Following the release of the Central Banking Publications "Directory of Government Debt Offices", we have updated our website to include the large number of additional debt offices that are listed in the directory. As there is not sufficient space in the newsletter to list all the new websites, refer to our website:

www.storkeyandco.com/links/links.html

Recently, the Bank of England (BOE) and the Reserve Bank of New Zealand (RBNZ) announced changes to their money market operations.

On 18 May, the BOE switched to a system where banks hold voluntary reserves, which are remunerated at the BOE policy rate. This means the banks can implicitly deposit and borrow at the policy

rate. BOE plans to build up a gilt (£12bn) and foreign bond portfolio over the next 3 years (refer www.bankofengland.co.uk).

On 3 July, the RBNZ began a process of discontinuing the daily auto reverse repo and replacing this with a significant increase in the level of settlement cash balances, to be remunerated at the OCR (refer www.rbnz.govt.nz).

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

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 ADB, AusAID, ComSec, DCI, DFID, IMF, NZAID, UNCTAD, 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

Key publications released by DMUs over the past 3 months:

- **Belgium** Annual Report 2005
- **Belgium** Borrowing Plan and Funding Requirements 2006
- **Brazil** Annual Public Debt Report 2005
- **France** Annual Report 2005-06
- **Germany** Newsletter Jul 2006
- **Greece** Public Debt Bulletin Mar 2006
- **Hungary** Debt Management Outlook 2006
- **Ireland** NTMA Annual Report 2005
- **Italy** Guidelines for Public Debt 2006
- **Japan** Guide to Japanese Government Bonds 2006
- **Japan** JGB Newsletter Jul 2006

- **Jordan** Quarterly Bulletin Apr 2006
- **Kyrgyz Republic** State Debt Strategy for 2005-2007
- **Latvia** Debt Management Strategy 2006
- **Lithuania** Central Government Debt 2005
- **Lithuania** Annual Securities Report 2005
- **New Zealand** DMO Domestic Debt Programme 2006-07
- **Portugal** IGCP Annual Report 2005
- **Slovenia** Bulletin of Public Finance Jun 2006
- **South Africa** 2006 Budget—Chapter 5
- **Sweden** Central Government Borrowing 2006:2
- **UK** DMO Business Plan 2006-2007
- **UK** DMO Report & Accounts 2005-2006

- **UK** DMO Quarterly Review Apr-Jun 2006

- **UK** DMO Guide to Gilts (Fourth Edition)

Also released:

- **DRI** Strategies for Financing Development #27

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

www.storkeyandco.com/Links/links.html

