



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 very much "international" with many opportunities to meet with fellow debt management practitioners and debt managers from both developed and developing country debt offices/units.

In this Newsletter, there are articles covering:

- Ensuring quality with public debt data.
- The publication in January 2005 of "Public Debt Management: Concepts and Experiences" by ICAFI University Press.
- The recent publication of "Government Debt Management: New Trends and Challenges" 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.
- continued to assist the UNCTAD DMFAS team with the preparation of a user requirements definition to enhance the functionality of domestic and short-term debt.

- Sovereign Debt Management Forum hosted by the World Bank Treasury in Washington, D.C. from 23-25 October 2006.

Our involvement in assisting the World Bank to develop a diagnostic tool to assess debt management capacity in low income countries is very exciting. There are a number of stakeholders involved in the tool's development including international and regional agencies as well as the development banks and other specialised agencies. While our focus is more on the back-office, the tool will be fully integrated with a similar diagnostic tool covering the front- and middle-office. While the tool will be used primarily to assess capacity building requirements, it may ultimately be a useful assessment tool for both countries and agencies.

- begun assisting the World Bank in the preparation of a diagnostic tool to assess debt management capacity in Low Income Countries.
- begun assisting AusAID with a debt review for the Government of Nauru.

In addition, Company Director Ian Storkey presented the topic "Sound Practice in Debt Management" at a Central Banking Publications Course in Cambridge, UK in early September.

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Special points of interest:

- *There have been a number of debt for development swaps agreed recently. The Government of Norway has cancelled US\$20m of debt to Pakistan in return for an equivalent amount of local currency mobilisation for development by the Government of Pakistan. Spain has recently concluded similar debt conversion arrangements with a number of Latin American nations and Italy with €44m for Kenya.*

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Ensuring Quality with Public Debt Data

One of the main tasks for any debt management office is to produce accurate and timely reporting of public debt. The codes and manuals published by the IMF and Inter-Agency Task Force on Finance Statistics should be used as the basis for compiling debt data and reporting.

For external debt reporting, the standards are outlined in the IMF's Special Data Dissemination Standard (**SDDS**), General Data Dissemination System (**GDDS**), Balance of Payments Manual, 5th edition (**BPM5**), and Data Quality Assessment Framework for External Debt Statistics (**DQAF**), and

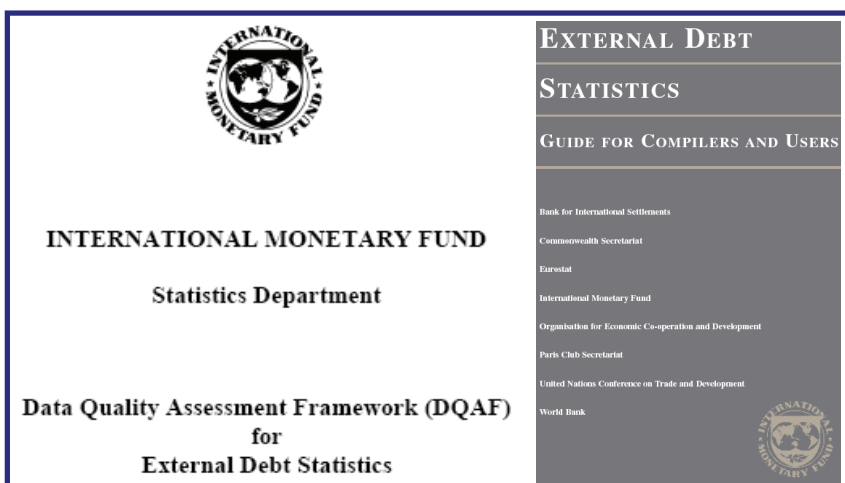
the Inter-Agency Task Force on Finance Statistics External Debt Statistics: Guide for Compilers and Users (the **Guide**).

Reporting on an accounting basis should adhere to international public sector accounting standards (IPSAS), financial accounting standards (FAS) or international financial reporting standards (IFRS) incorporating international accounting standards (IAS) and interpretations.

For example, reporting public debt should be in accordance with IPSAS 15, *financial instruments, disclosure and presenta-*

tion, which also requires disclosure of risk management policies including accounting policies for each class of financial liability and how fair value is determined. Reporting of contingent liabilities should be in accordance with IPSAS 19, *provisions, contingent liabilities and contingent assets*.

Many DMOs have been reporting their derivatives according to FAS 133, *accounting for derivative instruments and hedging activities*, and are now reporting public debt on a fair value basis according to IAS 39, *financial instruments: recognition and measurement*.



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ICFAI Publication on Public Debt Management

It has just come to our notice the publication in January 2005 by ICFAI University Press in India of *"Public Debt Management: Concepts and Experiences"*, a compilation of articles from previously published sources.

Most notably are the chapters on "Sovereign Debt Management" by Ian Storkey (reprint of the article published in Finance and

Treasury Professional in May 2001) and "Institutional Framework for Public Sector Borrowing" by Nihal Kappagoda (reprint of Document 17 published by UNITAR in October 2002).

The first section of the book discusses the concept of public debt management, trends in debt management, and sovereign debt and risk management.

The second section discusses the experiences of various countries such as India, Russia, Mexico, Brazil, Argentina and the United States in managing their public debt.

Details of the book, which is edited by V R P Kashyap, can be obtained from the website:

www.icfaipress.org/books



New Trends and Challenges in Debt Management

Central Banking Publications has released "Government Debt Management: New Trends and Challenges" providing a compilation of practical guidance and advice for public debt managers, written by practitioners and experts from around the world.

The book is edited by Mike Williams, independent debt management consultant and former CEO of the UK DMO and includes a foreword by Graeme Wheeler, Managing Director of Operations at the World Bank.

The authors for each chapter under the four sections are:

I Strategy and Risk Management

Fred Jensen, Hans Blommestein, Richard Batley & Moyeen Islam, Lisabeth Stausholm Zacho

II Governance and Organisation

Ian Storkey, Phillip Anderson, Mike Williams, Colin Seelig, Mike Goddard

III Policy Challenges

Greg Horman, Elizabeth Currie & Jorge Cardona, Brian Olden, Robert Gray & Andrew Yianni

IV Financial Market Interaction

Alison Holland, Adrian Bell & Henrieta Podd, Euan Harkness, Valerie Jeal

Details on the contents of the publication along with a copy of the introduction and information on the authors are provided on the Central Banking Publications website. The cost of the publication is £145 (UK) or £155/\$279/€248 (Rest of the World). A copy of the publication can be ordered from the website:

www.centralbanking.co.uk

Sovereign Debt Management Forum

The World Bank Treasury hosted the 2006 Sovereign Debt Management Forum in Washington, D.C. from 23-24 October 2006, with over 120 participants from around 50 countries.

It was noticeable that many of the presentations were made by representatives from developing or emerging market debt offices/units—this contrasted with the previous 1999 Forum where the presenters were predominantly from DMOs in developed countries.

The presentations highlighted the significant progress in debt management across many developing/emerging market countries, most noticeably Brazil, Czech Republic, Hungary, Indonesia, Mexico, Nigeria, and Poland.

The Forum combined four plenary sessions with two sets of 4 concurrent workshops that were repeated, so that participants could attend any two of these workshops. The Forum proved to be excellent for networking.

"The [Forum] presentations highlighted the significant progress in debt management across many developing/emerging market countries."

As with the 1999 Forum, the World Bank can be expected to post a copy of the Forum presentations on their website in due course.

Recent Developments or Announcements

We have recently discovered an online guide and directory to web sites for US State, County, Local Governments and other Municipal related topics. The "MuniNetGuide" website gives a comprehensive overview of debt management related information for all US sub-national State Government Financing Authorities. Of most importance is the list of web

links to state treasury and debt administration departments for 50 of the 52 US States.

The list of departments and organisations includes state comptrollers, state treasurers, debt management offices, finance departments, treasury's, bond divisions, fiscal divisions, taxation departments and finance authorities.

The MuniNet Guide website can be found at:

www.muninetguide.com

We have updated the "Subnational DMUs" page in the Links section of our website to incorporate all debt management related links across the 50 States. Refer to:

www.storkeyandco.com/Links/links.html

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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, Nauru, New Zealand, Papua New Guinea, Philippines, Solomon Islands, Thailand, and Vietnam.

Debt Management Unit Publications & Websites

As noted on page 3, we have updated the website to incorporate the additional US State Funding Authorities.

Key publications released by DMUs over the past 3 months:

- **Australia** AOFM Annual Report for 2005-06
- **Armenia** Public Debt Annual Report 2004
- **Canada** Annual Financial Report 2005-06
- **Czech Republic** Quarterly Review Sep 2006
- **Greece** Public Debt Bulletin Jul 2006
- **Latvia** Debt Management Report 2005
- **New Zealand** Crown Financial Statements 2005-06
- **New Zealand** Treasury (including NZDMO) Annual Report 2005-06
- **Nigeria** DMO Annual Report 2005
- **Poland** Debt Management Strategy 2007-09
- **Slovenia** Bulletin of Public Finance Sep 2006
- **South Africa** Treasury (including ALM Branch) Annual Report 2005-06
- **Spain** Annual Report 2005
- **Sweden** SNDO Proposed Guidelines 2007-09
- **UK** DMO Gilts Quarterly Review Jul-Sep 2006
- **UK** DMO Annual Review 2005-06

Also released:

- **Australia** State Treasury Corporations Annual Reports for 2005-06
- **Canada** Provincial Government Financing Authorities Annual Reports for 2005-06
- **UNCTAD** DMFAS Annual Report 2005

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

www.storkeyandco.com/Links/links.html

