



IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
Collaborative Partnership of the Treasury and the Financial Private Sector VP
JUNE 7-11, 2010
JOINT VIENNA INSTITUTE

AGENDA

DAY 1 - MONDAY, JUNE 7

07:15a.m. **BREAKFAST**

8:15 a.m. **REGISTRATION AND ADMINISTRATIVE BRIEFING (JVI)**

8:45 a.m. **OPENING SESSION ON IMPLEMENTATION ISSUES IN PARTICIPANT COUNTRIES**
Anderson Silva, Senior Debt Specialist, Security Markets Group, Global Capital Markets, World Bank - IFC

This is the ice-breaker session where all participants introduce themselves and briefly (3 min. max) present the main issues of concern in strategy implementation and the current problems in debt management.

9:15 a.m. **OPENING REMARKS**

9:45 a.m. **DESIGNING A GOVERNMENT DEBT MANAGEMENT STRATEGY: A SUMMARY**
Elizabeth Currie, Lead Financial Officer, World Bank Treasury

- Why is it important to have a debt management strategy?
- Review of the process for strategy design
- Cost and risk trade-offs
- Macroeconomic considerations
- Market development issues
- Trade-offs made in the formulation of a strategy
- Governance arrangements

10:30 a.m. **COFFEE BREAK**



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11:00 a.m.

**IMPLEMENTING A DEBT MANAGEMENT STRATEGY:
ISSUES AND THREATS**

**Anderson Silva, Senior Debt Specialist, Security Markets Group,
Global Capital Markets, World Bank - IFC**

- Background
- Roadmap of the seminar: what is included, sequence and what has been left out
- Country examples to illustrate the cases
- Rationale for the division between external and domestic debt providing the “big picture” of the sessions

12:00 p.m.

LUNCH

1:00 p.m.

**IMPLEMENTING A DEBT MANAGEMENT STRATEGY:
THE CASE OF BELGIUM**

Baudouin Richard, Consultant

- Background
- Front Office structure
- Designing the funding plan
- Execution: auctions, buybacks, exchanges and swaps
- Operational risk
- Performance evaluation
- Conclusions



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2:00 p.m. **IMPLEMENTING A DEBT MANAGEMENT STRATEGY
THE CASE OF HUNGARY**
**Andras Rez, Head of the Planning, Research and Risk Management
Department of the Hungarian Government Debt Management Agency**

- Background
- Front Office structure
- Designing the funding plan
- Execution: auctions, buybacks, exchanges and swaps
- Operational risk
- Performance evaluation
- Conclusions

3:00 p.m. **COFFEE BREAK**

3:15 p.m. **HANDS-ON EXERCISE ON LIABILITY MANAGEMENT**

This is a 3-day exercise. On this first day, participants are given the government funding requirements spread over the year, estimates of the market absorptive capacity, the previous year funding plan and broad guidelines on the objectives of the issuance program. On this basis, participants are requested to present a funding plan for the year. This implies deciding the timing, size and instrument type of issuance.

- Explanation of the exercise and the mechanics
- Class divided in groups
- Small group discussion
- Small group presentation
- Overall discussion

5:30 p.m. **WELCOME RECEPTION**



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DAY 2 - TUESDAY, JUNE 8

8:00 a.m. **BREAKFAST**

8:45 a.m. **SUMMARY OF DAY 1**

9:00 a.m. **INSTRUMENT CHOICE IN THE IMPLEMENTATION OF THE
DEBT MANAGEMENT STRATEGY**
Anderson Silva and Baudouin Richard

- Assessing demand opportunities, constraints and risks
- Instrument choice
- Discount and coupons
- Plain vanilla vs. structured
- Indexed instruments
- Fungibility vs. fragmentation
- Benchmark issues
- Differences and similarities in the foreign and domestic markets

10:15 a.m. **COFFEE BREAK**

10:30 a.m. **ISSUING MECHANISMS FOR GOVERNMENT SECURITIES**
Anderson Silva and Baudouin Richard

- Selling techniques: auctions, fixed-price, private placements, syndication
 - retail distribution through conventional channels (commercial banks/central banks/post offices), direct sales using “new” technology, and tap sales
- The role of primary dealers
- Auction theory in brief
- Auctions in practice (What does empirical evidence tells us?)



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- 12:00 p.m. **EXECUTION ISSUES IN THE DOMESTIC MARKET**
Baudouin Richard, Consultant
- Issuance frequency
 - Execution risks (wrong timing and investor base, collusion, lack of motivation of market participants)
 - Promoting transparency (auction calendar, reports and investor relations)
- 1:00 p.m. **LUNCH**
- 2:00 p.m. **DEBT PLACEMENT WITH PUBLIC SECTOR**
Anderson Silva, Senior Debt Specialist, Security Markets Group,
Global Capital Markets, World Bank - IFC
- Participation of public institutions in the debt market
 - Private placements
 - Market basis
 - Non market basis
 - Implications for market development
 - Alternative ways to channel surpluses of the public sector
- 3:00 p.m. **COFFEE BREAK**
- 3:15 p.m. **HANDS-ON EXERCISE ON LIABILITY MANAGEMENT**
- This is a 3-day exercise. On this second day, participants are given the government funding requirements spread over the year, estimates of the market absorptive capacity, the previous year funding plan and broad guidelines on the objectives of the issuance program. On this basis, participants are requested to present a funding plan for the year; this implies deciding the timing, size and instrument type of issuance.
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DAY 3 - WEDNESDAY, JUNE 9

8:00 a.m. **BREAKFAST**

8:45 a.m. **SUMMARY OF DAY 2**

9:00 a.m. **FUNDING MECHANISMS OF EXTERNAL DEBT**
Andrea Dore, Lead Financial Officer, World Bank Treasury

- Funding sources: IFIs, banks, international capital markets
- Marketable vs. non-marketable debt
- Assessing demand opportunities, constraints and risks
- Issuing mechanism: auction, direct placement, underwriting

10:15 a.m. **COFFEE BREAK**

10:30 a.m. **INSIGHTS OF EXTERNAL BOND ISSUANCE**
Andrea Dore, Lead Financial Officer, World Bank Treasury

- Choosing lead bank
- Book building
- Deciding the right volume
- Price vs. secondary market performance
- Promoting transparency in execution
- Targeting investors (marketing)



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11:45 a.m.

LIABILITY MANAGEMENT OPERATIONS
Baudouin Richard, Consultant

- Why DMOs buy-back their paper
- Preparing a buy-back operation
- Design and execution of debt exchanges
- Execution issues in external versus the domestic markets

1:00 p.m.

LUNCH

2:00 p.m.

ROUND TABLE AND OPEN DISCUSSION AMONG PARTICIPANTS

This facilitated discussion will review participating countries' experiences with topics covered thus far.

3:00 p.m.

COFFEE BREAK

3:15 p.m.

HANDS-ON EXERCISE ON LIABILITY MANAGEMENT

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DAY 4 - THURSDAY, JUNE 10

8:00 a.m. **BREAKFAST**

8:45 a.m. **SUMMARY OF DAY 3**

9:00 a.m. **OPERATIONAL RISK ISSUES IN THE IMPLEMENTATION OF DEBT MANAGEMENT STRATEGIES**
Andrea Dore, Lead Financial Officer, World Bank Treasury

- Sources of operational risk
- Managing operations risk in the bond execution process
- Fraud and key person risk

10:00 a.m. **OVERVIEW OF DERIVATIVES**
Donald Sinclair, Senior Financial Officer, World Bank Treasury

- General overview of derivatives
- Purpose of derivatives
- Over-the-Counter vs. Exchange-Traded derivatives
- Forward contracts vs. futures
- Focus on Swaps
 - Interest rate swap
 - Cross currency swap

11:15 a.m. **COFFEE BREAK**



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- 11:30 a.m. **EXECUTING SWAPS AND RISKS IN DERIVATIVES**
Donald Sinclair, Senior Financial Officer, World Bank Treasury
- Swaps in major currencies
 - Basis swap
 - Where do intermediaries make money
 - Swaps in emerging markets
 - Complications
 - Splitting up the f/x and the interest rate pieces
 - Some dos and don'ts
- 12:30 p.m. **LUNCH**
- Speaker:**
- 1:30 p.m. **COUNTRY CASE PRESENTATION AND FREE TIME TO PREPARE
THE PROPOSALS FOR THE IMPLEMENTATION OF DEBT
MANAGEMENT STRATEGIES**
- 3:00 p.m. **COFFEE BREAK**
- 3:15 p.m. **COUNTRY CASE PRESENTATION AND FREE TIME TO PREPARE
THE PROPOSALS FOR THE IMPLEMENTATION OF DEBT
MANAGEMENT STRATEGIES (Continue)**
- 06:30 p.m. **FAREWELL DINNER**



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DAY 5 - FRIDAY, JUNE 11

- 8:00 a.m. **BREAKFAST**
- 8:45 a.m. **SUMMARY OF DAY 4**
- 9:00 a.m. **USING IBRD FINANCIAL PRODUCTS TO IMPLEMENT A DEBT
MANAGEMENT STRATEGY**
John Balafoutis, Lead Financial Officer, World Bank Treasury
- 10:15 a.m. **COFFEE BREAK**
- 10:30 a.m. **DISCUSSION OF PROPOSALS FOR IMPLEMENTING DEBT
MANAGEMENT STRATEGIES**
- Summary of the debt management strategy: implications for funding and liability management operations
 - Brief description of execution capacity: staffing and infrastructure
 - Issues on implementation
 - Preliminary plan to improve the capacity for execution
- 12:30 p.m. **FEEDBACK AND WORKSHOP WRAP-UP**
- 1:00 p.m. **LUNCH**