THE WORLD BANK
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2018 Sovereign Debt Management Forum

Is There Life After Debt?

October 24-25, 2018

The World Bank Headquarters
1818 H Street NW, Washington, DC, 20433

Agenda

Registration – Front Lobby (Main Level)
Plenary Sessions – Preston Auditorium (Main Level)
Breakout Sessions – MC 2-800 & MC 13-121
Luncheon – Atrium (Center Lobby, Main Level)
Welcome Reception – Front Lobby (Main Level)
Group Photo – Atrium (Center Lobby, Main Level)

Wednesday, October 24, 2018

7:30 a.m. **REGISTRATION AND BREAKFAST**
Venue: Front Lobby (Main Level)

8:45 a.m. **OPENING REMARKS**
Venue: Preston Auditorium (Main Level)

Speaker:
Joaquim Levy, Managing Director and WBG Chief Financial Officer, World Bank Group

9:00 a.m. **KEYNOTE ADDRESS**
Venue: Preston Auditorium (Main Level)

Introduction:
Marcelo Giugale, Director, Financial Advisory and Banking, World Bank Treasury

Keynote Speaker:
Kenneth Rogoff, Thomas D. Cabot Professor, Harvard University

9:45 a.m. **PLENARY SESSION 1: What are the major risks to the global economy and how can they affect debt managers around the world?**
Venue: Preston Auditorium (Main Level)

The expansion of the global economy is entering its 9th year, driven by strong growth in both advanced and developing economies which is projected to continue over the next couple of years. However, the good news is not without uncertainties. The current economic upswing in advanced economies is accompanied by monetary policy normalization and rising interest rates at a time when both public and private debt reach record heights in most regions. It is certainly not the best environment for debt managers in emerging markets that need to cover their increasing funding needs competing with their colleagues in heavily indebted advanced nations. This session focuses on the headwinds that could slow down or revert the current economic cycle making debt managers' life more difficult. Panelists will discuss topics such as political and security risks, a major correction of the stock market, the potential overheating of the US economy, potential trade wars and other risks to emerging economies.

Moderator:
Marcelo Giugale, Director, Financial Advisory and Banking, World Bank Treasury

Panelists:
Herman Kamil, Director, Debt Management, Ministry of Economy and Finance, Uruguay
Fred Pietrangeli, Director, Office of Debt Management, United States Treasury
Blerina Uruçi, Director, US Economics, Barclays

11:00 a.m. COFFEE BREAK
Venues: MC 2-800 (Level 2) and MC 13-121 (Level 13)

11:30 a.m. PARALLEL BREAKOUT SESSIONS 1 AND 2

BREAKOUT SESSION 1: Foreign currency selection: three ways to solve the puzzle
Venue: MC 2-800 (Level 2)

Most developing countries try to maximize the funding in local currency to reduce the portfolio exposure to volatile exchange rates. In doing so, debt managers monitor the growth of banks and institutional investors balance sheets and their capacity to accommodate a growing flow of government securities. A somewhat more difficult challenge is deciding which currencies should compose the portfolio of foreign currency debt. This session will review the cases of three countries that have different approaches to this selection.

Moderator:
Thordur Jonasson, Deputy Division Chief, International Monetary Fund

Speakers:
Marjan Divjak, Director General, Treasury Directorate, Ministry of Finance, Slovenia
Jeppe Ladekarl, Partner, First Quadrant
Patricio Sépulveda, Head of Public Debt Office, Ministry of Finance, Chile

BREAKOUT SESSION 2: How to address the accumulation of risks in subnational debt management through capacity building and stronger coordination?
Venue: MC 13-121 (Level 13)

In many countries, the legal framework devolves fiscal authority and responsibilities to subnational governments. This often includes subnational governments' ability to borrow. Even in the absence of explicit guarantee mechanism, subnational borrowing can create contingent liabilities for central governments. Hence, central governments have the interest to ensure borrowing processes and decisions are sound. Subnational authorities on their side have an incentive to borrow at the lowest cost while keeping risks under control. This breakout session will focus on how debt management capacity can be built in subnational governments, starting from the institutional setup, capacity and skills, sound debt recording, and reporting on debt portfolios. It will also cover the coordination framework between the central and subnational levels.

Moderator:
Otaviano Canuto, Executive Director, World Bank Group

Speakers:
Ulf Bengtsson, Director, Kommuninvest
Judy Nkosi, Director, Local Government Finance Policy, National Treasury, South Africa
Kebing Wang, Deputy Director General, Budget Department, Ministry of Finance, China

1:00 p.m. **LUNCHEON**
Venue: Atrium (Center Lobby, Main Level)

2:30 p.m. **PARALLEL BREAKOUT SESSIONS 3 AND 4**

BREAKOUT SESSION 3: Risks for developing countries
Venue: MC 13-121 (Level 13)

In May 2018 Standard & Poor's reported that Africa nations' debt costs now are at levels last seen before the debt write-offs. For many countries, the possibility to borrow in the commercial markets have increased following the global financial crisis as investors were seeking high yields. However, these commercial loans come at higher cost and shorter maturities than concessional loans, and are issued in foreign currency, exposing countries to risk if market conditions and sentiments changes. Increased debt levels and risk exposures lead to pending debt problems in former HIPC countries and possible debt sustainability concerns. How can sound debt management contribute to alleviating the pressure on the fiscal position and manage the risks with rising debt levels? This session discusses debt managers role and responsibility in countries resorting to increased commercial borrowing, considering possible limited institutional capacity.

Moderator:
Lars Jessen, Lead Debt Specialist, Macroeconomics, Trade and Investment, World Bank Group

Speakers:
Jacob Mkandawire, Director, Investment and Debt Management, Ministry of Finance, Zambia
Stella Rusine Nteziryayo, Head, Public Debt Management Office, Ministry of Finance and Economic Planning, Rwanda
Lisa Schineller, Managing Director, S&P Global Ratings
Alemu Abebe Tesfaye, Director, Debt Management Directorate, Ministry of Finance and Economic Cooperation, Ethiopia

BREAKOUT SESSION 4: What is the role of inflation-linked bonds for the sovereigns?
Venue: MC 2-800 (Level 2)

The issuance of inflation-linked bonds (linkers) by sovereigns has expanded more than ten times over the last 15 years. The United States and the United Kingdom have become the largest issuers – in absolute terms - of linkers in the world, but linkers have also become an important financing instrument in other developed countries such as France, Sweden, Germany, and Canada. A similar trend was observed in the Emerging Markets, particularly in Brazil, Turkey, South Africa and Mexico. From the investors' point of view, linkers offer a direct hedge against inflation and provide diversification for their portfolios. Long-term real money investors – such as pension funds – became natural buyers of linkers given their ALM considerations. For the issuers, in addition to a specific demand for these bonds, linkers also make sense from an ALM perspective as they correlate with nominal GDP and government revenues and a mix of nominal (fixed rate) and real interest rate (linkers) bonds can reduce debt service fluctuation. This session will explore the rationale of issuing linkers both in the emerging and developed markets, provide an overview of the current status of the market for inflation-linked securities and discuss how linkers fit in the current inflation outlook.

Moderator:
Rodrigo Cabral, Senior Financial Officer, Financial Advisory and Banking, World Bank Treasury

Speakers:

Lior David-Pur, Head of Government Debt Management Unit, Ministry of Finance, Israel
Jim Matsemela, Head of Middle Office, Asset & Liability Management Division, National Treasury, South Africa
Robert Stheeman, Chief Executive, United Kingdom Debt Management Office, United Kingdom

4:00 p.m. COFFEE BREAK

Venues: MC 2-800 (Level 2) and MC 13-121 (Level 13)

4:30 p.m. PARALLEL BREAKOUT SESSIONS 5 AND 6

BREAKOUT SESSION 5: Thematic bonds: Blossoms of the bond market?

Venue: MC 2-800 (Level 2)

For reasons such as simplicity and development of benchmark bonds to deepen secondary markets, governments rely on a limited set of debt market instruments to cover their borrowing needs. Some issuers have broadened the list of debt instruments to thematic bonds such as green, blue and social bonds to meet the needs of specific categories of investors or to reach new ones. In addition to the objectives of diversifying the investor base and possible cost reduction, meeting environmental, social and governance (ESG) standards is also an important aspect to be considered. Financial innovations to reduce countries' exposure to high cost events such as natural disasters are another area of increasing interest, namely the catastrophe bonds. This breakout session will discuss the use of such instruments from the debt managers' perspective. We will focus on how to ensure consistency with other objectives (predictability, liquidity, simplicity) and how they fit into the debt management strategy.

Moderator:

Farah Hussain, Senior Financial Officer, Financial Advisory and Banking, World Bank Treasury

Speakers:

Christopher Kaminker, Head of Cross-Asset Sustainable Finance Research, Skandinaviska Enskilda Banken (SEB)
José Andrés Olivares Canchari, Director, Directorate of Financial Markets Management, General Directorate of Debt and Public Treasury, Ministry of Economy and Finance, Peru
Robert Zima, Director, Public Debt Department, Ministry of Finance, Poland

BREAKOUT SESSION 6: Mind the gap: Seeking public and private sector collaboration for improved debt transparency

Venue: MC 13-121 (Level 13)

Transparency in debt management has increased over the last two decades. Many sovereigns have been disclosing data on their debt positions; publicizing auction calendars, publishing debt management strategies and periodic reports. It is widely accepted that transparency in debt management operations allows investors to make informed investment decisions and banks to make better lending decisions, ultimately resulting in lower borrowing costs for the borrower due to increased predictability and accountability. Furthermore, disclosing debt data provides information for official sector monitoring efforts and contribute to the general public's understanding on government's fiscal position. However, information gaps remain due to insufficient disclosure around private sector and official bilateral lending to public sector borrowers, including lending to state-owned enterprises and other entities benefiting from sovereign guarantees. This undisclosed debt data could have negative implications not just on the borrowing costs, but also for financial stability. A recent global effort promotes developing a set of voluntary principles by the private sector to contribute to transparency in sovereign debt markets to fill the gap. This session will discuss various aspects of improved debt transparency, such as policy considerations, scope of disclosure, possible practical difficulties, confidentiality, and the role of debt managers.

Moderator:

Sebastien Boitreaud, Lead Financial Officer, Financial Advisory and Banking, World Bank Treasury

Speakers:

Andy Baukol, Deputy Assistant Secretary for International Monetary Policy, United States Treasury
Andras Rez, Deputy CEO, Hungarian Government Debt Management Agency Pte Ltd (ÁKK), Hungary
Lisa Schineller, Managing Director, S&P Global Ratings
Hung Q. Tran, Executive Managing Director, Institute of International Finance

6:00 p.m. WELCOME RECEPTION

Venue: Front Lobby (Main Level)

Thursday, October 25, 2018

8:00 a.m. **BREAKFAST**
Venue: Front Lobby (Main Level)

9:00 a.m. **KEYNOTE ADDRESS**
Venue: Preston Auditorium (Main Level)

Introduction:
Marcelo Giugale, Director, Financial Advisory and Banking, World Bank Treasury

Keynote Speaker:
Graeme Wheeler, Former Reserve Bank Governor, Reserve Bank of New Zealand

9:45 a.m. **PLENARY SESSION 2: Next generation of domestic bond markets and how to boost resilience**
Venue: Preston Auditorium (Main Level)

In light of the signs of global liquidity drying up, emerging markets have to again rely on their domestic market to raise funding. Liquid and resilient domestic government bond markets help reduce governments' borrowing costs, facilitate monetary policy transmission, and provide an anchor for pricing and the development of other financial assets. Therefore, both Ministries of Finance and Central Banks have strong interest in enhancing resilience of government bond markets against shocks and in stimulating secondary market trading. This session will discuss different trends (e.g. changes in investor base, market infrastructure, trading patterns) affecting the development of government bond markets and promote a debate on policy options to boost resilience and liquidity in these markets.

Moderator:
Anderson Caputo Silva, Practice Manager, Long Term Finance Global Solutions, Finance, Competitiveness and Innovation Global Practice, World Bank Group

Speakers:
José Franco de Morais, Under-Secretary of Public Debt, National Treasury, Brazil
Carlos Fernandez-Aller, Head of the FICC Latin America Trading, Goldman Sachs
Rita Granger, Head of Markets and Portfolio Management, Portuguese Treasury and Debt Management Agency, Portugal

11:15 a.m. **COFFEE BREAK**
Venues: MC 2-800 (Level 2) and MC 13-121 (Level 13)

11:45 a.m. **PARALLEL BREAKOUT SESSIONS 7 AND 8**

BREAKOUT SESSION 7: Don't derail – keep your guarantees and lending on track
Venue: MC 13-121 (Level 13)

Experiences show that guarantees and lending can pose a significant fiscal risk to the government. For example, granting guarantees can suddenly, and sometimes unexpectedly, increase borrowing needs and debt levels. Especially in a stressed macroeconomic and fiscal situation, it can have a severe adverse effect on the country's fiscal position. Therefore, in recent years many governments have realized the importance to improve the management of guarantees and lending. Many countries have set up a comprehensive framework for management of these contingent liabilities, including issuance policy, governance arrangements, an institutional setup as well as a risk management strategy. A sound legal framework, however, is often a prerequisite for such development and a natural starting point to reduce the risks of contingent liabilities. This breakout session will focus on how governments can implement a legal framework to reduce the government's vulnerability associated with guarantees and lending, making risk preferences explicit, creating clear roles and responsibilities, institute guidelines to be followed when considering underwriting new commitments, and how to mitigate, monitor and report risks in existing commitments.

Moderator:
Mats Filipsson, Senior Financial Officer, Financial Advisory and Banking, World Bank Treasury

Speakers:
Eva Cassel, Head of Guarantee and Financing, Swedish National Debt Office, Sweden
Rosalia V. De Leon, Treasurer of the Philippines, Bureau of the Treasury, Philippines
Mike Williams, Economic Consultant

BREAKOUT SESSION 8: Being active on the day after: the liability management operations
Venue: MC 2-800 (Level 2)

Managing refinancing risk is a bigger challenge when interest rates worldwide start moving up and inflows to emerging markets subside. Floating rate, foreign currency and short-term debt can pose risks for refinancing debt as cost gets higher. Moreover, the expected volatility associated with the increasing interest rates should make the timing of accessing international markets more critical. Liability management operations have been widely used by debt managers to reduce rollover and market risk, and achieve a smoother debt redemption profile. Some countries have also relied on innovative structures to reduce the execution risk of international market issuances. Others have been supporting their risk management through derivatives to hedge their foreign currency and interest rate exposures. This breakout session will not only discuss the objectives of liability management operations, the trends and in which context they should be used, but also the costs associated with extensive reliance on them. The hampering of the secondary market liquidity and high premiums to be paid, for instance, are key factors to be considered.

Moderator:
Leandro Secunho, Senior Financial Officer, Financial Advisory and Banking, World Bank Treasury

Speakers:
José Franco de Morais, Under-Secretary of Public Debt, National Treasury, Brazil
Marjan Divjak, Director General, Treasury Directorate, Ministry of Finance, Slovenia
Miguel Angel Gomez, Deputy Director of Funding and Investor Relations, Ministry of Finance and Public Credit, Colombia

1:00 p.m. GROUP PHOTO
Venue: Atrium (Center Lobby, Main Level)

1:15 p.m. LUNCHEON
Venue: Atrium (Center Lobby, Main Level)

2:45 p.m. PLENARY SESSION 3: A different conceptual approach to asset and liability management
Venue: Preston Auditorium (Main Level)

Although there is consensus on potential benefits of implementing an asset and liability management (ALM) approach for governments, countries face multiple challenges on trying to implement such a framework. Implementation of ALM for a sovereign is not straightforward as it is in the case of a financial institution. Important assets and liabilities – such as international reserves and public debt – are typically managed by different institutions – central banks and ministries of finance – each with their own policy objectives, institutional arrangements, and accounting standards. Nevertheless, countries have been increasingly realizing the benefits (or fallbacks) of having (or not) a more comprehensive risk management approach by looking into both sides of the balance sheet. Such approach could help policymakers in identifying financial risks that could potentially be hedged by investment or borrowing choices or the use of financial derivatives. A complete approach should also consider contingent risks coming from the realization of contingent liabilities. This session will discuss recent approaches in designing and implementing an ALM framework.

Moderator:
M. Coskun Cangoz, Head of Debt and Risk Management, Financial Advisory and Banking, World Bank Treasury

Speakers:
Richard Hughes, Director of Fiscal Policy, HM Treasury, United Kingdom
Fatos Koc, Head of Public Debt Management Unit, Directorate for Financial and Enterprise Affairs, Organization for Economic Cooperation and Development (OECD)
Rob Nicholl, Chief Executive Officer, Australian Office of Financial Management, Australia

4:00 p.m. CLOSING REMARKS
Venue: Preston Auditorium (Main Level)

Speaker:
Marcelo Giugale, Director, Financial Advisory and Banking, World Bank Treasury