

WORKSHOP  
**SOVEREIGN ASSET & LIABILITY MANAGEMENT**

December 8-12, 2019 | Manama, Bahrain

## Agenda

### DAY 1 – SUNDAY – INTRODUCTION

8:00 a.m. **Welcome Remarks**  
*H.E. Sami Mohamed Humaid*, Acting Assistant Undersecretary for Financial Relations and Cooperation, Ministry of Finance and National Economy  
*Issam A. Abousleiman*, Regional Director, World Bank

8:30 a.m. *Group Photo*

8:45 a.m. **Opening and Introductions** **Coskun Cangoz**

- Objectives of the training and presentation of the agenda
- Introduction of the faculty and participants
- Announcement of groups
- Expectations and road map for the week

9:45 a.m. *Coffee Break*

10:00 a.m. **Introduction to sovereign asset and liability management (SALM)** **Antonio Velandia**

Understanding the concept of SALM

- What is ALM and extension to a sovereign
- Applications of an ALM framework
- A balance sheet for a sovereign: The case of Finland
- SALM scope for the workshop

11:30 a.m. **Presentations from participating countries** **Coskun Cangoz**

- Presentation by participating countries on identification of balance sheet risks and discussion of how these risks are being managed
- Summing up of the findings in the country cases and the connections with the workshop

1:00 p.m. *Lunch*

2:00 p.m. **Introduction to the case study** **Rodrigo Cabral**

- Introduction of the fictitious country (Costaguana) to be used throughout the week

3:15 p.m. **Wrap up and main takeaways**

- Two participants share two main takeaways each

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### DAY 2 – MONDAY – THE SOVEREIGN BALANCE SHEET

8:00 a.m. **Introduction to day 2**

8:15 a.m. **Group work 1: Governance structure and financial flows** **Coskun Cangoz**

- Identify main institutions that manage assets and liabilities
- Governance arrangements and potential impact on SALM
- Identify financial links across the public sector
- Consideration of government revenues and expenditures

9:45 a.m. *Coffee Break*

10:00 a.m. **Introduction to sovereign balance sheet risk management:** **Rodrigo Cabral**

- Understanding the government's balance sheet
- Main risks in a sovereign balance sheet
  - Key financial risks (FX, interest rate, liquidity and credit risk)
  - Other financial and non-financial risks (macroeconomic, commodity, disaster risk)
- Why an overarching approach is needed?
- Country examples

11:15 a.m. **Group work 2: Consolidation; identifying and prioritizing balance sheet risks** **Coskun Cangoz**

- Groups produce a consolidated public sector balance sheet
- Consideration of data issues; insights from the balance sheet
- Identifying risk in the "comprehensive" balance sheet

12:15 p.m. *Lunch*

1:15 p.m. **Group work 2: Consolidation; identifying and prioritizing balance sheet risks (continued)** **Coskun Cangoz**

2:30 p.m. **Wrap up and main takeaways**

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### DAY 3 – TUESDAY – BALANCE SHEET FINANCIAL RISKS

8:00 a.m. **Introduction to day 3**

8:15 a.m. **Understanding and managing foreign currency risk** **Antonio Velandia**

- Identifying, assessing, measuring and monitoring foreign currency risks
- Understanding challenges in managing foreign currency balance sheets risks
- Natural hedging: Foreign currency debt and international reserves
- FX derivatives
- Country examples

9:45 a.m. **Group work 3: Managing currency risk** **Rodrigo Cabral**

- Analyze the currency risk across financial assets and debt
- Potential limits to the analysis and institutional issues
- Develop solutions to better manage currency risk for entities and the overall public sector
- Revenues in foreign currencies

10:15 a.m. *Coffee Break*

10:30 a.m. **Group work 3: Managing currency risk (continued)** **Rodrigo Cabral**

11:30 a.m. **SALM beyond B-Risks: Implementation of monetary policy** **Antonio Velandia**

- Links between debt management and monetary policy
- Independence of debt management and monetary policies in advanced economies
- Issues emerging from the consolidation of CB and MoF balance sheets in emerging economies
- Choosing instruments for monetary policy operations

12:45 p.m. *Lunch*

2:00 p.m. **Financial institution experience: the World Bank** (via Webex) **Don Sinclair**

- Understanding ALM implementation in a financial institution
- World Bank's ALM framework

3:15 p.m. **Wrap up and main takeaways**  
Two participants share two main takeaways each

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### DAY 4 – WEDNESDAY – BALANCE SHEET FINANCIAL RISKS

8:00 a.m. **Introduction to day 4**

8:15 a.m. **Understanding and managing interest rate risk** **Coskun Cangoz**

- Identifying, assessing, measuring and monitoring interest rate risks

9:30 a.m. **Group work 4: Managing interest rate risk** **Antonio Velandia**

- Develop a consolidated profile of exposure to changes in interest rates
- Impact of netting out transactions within the public sector
- Taking account of financial assets
- Develop solutions; consider institutional issues

11:00 a.m. *Coffee Break*

11:15 a.m. **Understanding and managing liquidity risk** **Coskun Cangoz**

- Identifying, assessing, measuring and monitoring liquidity risks
- Analyzing the balance sheet liabilities to understand the need for liquidity
- Instruments, T-Bills vs CB-Bills
- Measures to manage liquidity risks under the ALM framework

12:30 p.m. **Group work 5: Assessing and managing liquidity risk** **Rodrigo Cabral**

- Assess the liquidity risk management practices in the case study
- Suggest improvements

2:00 p.m. *Lunch (Hosted by the Ministry of Finance and National Economy)*

3:20 p.m. *City Tour to the National Museum of Bahrain*

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### DAY 5 – THURSDAY – NON-FINANCIAL RISKS AND WRAP-UP

8:00 a.m. **Introduction to day 5**

8:05 a.m. **Understanding and managing credit risk** **Rodrigo Cabral**

- Identifying, assessing, measuring and monitoring credit risks
- Sources of credit risk
- Measures to manage credit risk

9:35 a.m. **Group work 6: Identifying and managing the credit risk** **Coskun Cangoz**

- Identify the sources of credit risk in the balance sheet
- Assess the management of this credit risk in the case study
- Institutional issues

11:00 a.m. *Coffee Break*

11:15 a.m. **Country experience** (via Webex) **Philip Anderson**  
**Antonio Velandia**

- New Zealand

12:15 p.m. *Lunch*

1:15 p.m. **Managing macroeconomic and other non-financial risks** **Rodrigo Cabral**

- Macroeconomic risk
- Commodity risk
- Introduction to non-financial risks
- Disaster risk
  - Disaster risk financing: transfer and retention
  - Market-mitigation tools
- Other risks
  - Demographic, operational etc.
- Country examples

2:15 p.m. **Wrap up of the workshop** **GDRM team**

- Assessment of how the objectives discussed on day 1 were achieved during the training

3:00 p.m. **Closing remarks and awarding of certificates** **GDRM team**