

IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
Collaborative Partnership of the Treasury and the Finance and Markets Global Practice

July 18-22, 2016

Joint Vienna Institute (JVI)

Agenda

HDAY 1 - MONDAY, July 18

8:30 a.m. **REGISTRATION AND ADMINISTRATIVE BRIEFING (JVI)**

8:45 a.m. **Opening Session on Implementation Issues in Participant Countries**

*Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG*

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. **Designing a Government Debt Management Strategy: A Summary**

*Rodrigo Cabral, Senior Financial Officer
Financial Advisory and Banking, 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

10:00 a.m. **Implementing a Debt Management Strategy: Issues and Threats – Part 1**

*Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG*

This session will cover the main topics and concept involved in the implementation of a debt strategy. It is intended to cover “the broad picture” of tactical decisions and specific issues entailed in the implementation of a debt strategy. It will also provide useful concepts to be applied during the hands-on sessions later in the course.

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

IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
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Agenda

11:30 a.m. **Implementing a Debt Management Strategy: Issues and Threats – Part 2**

*Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG*

This session will cover the main topics and concept involved in the implementation of a debt strategy. It is intended to cover “the broad picture” of tactical decisions and specific issues entailed in the implementation of a debt strategy. It will also provide useful concepts to be applied during the hands-on sessions later in the course.

12:30 p.m. **GROUP PHOTO**

1:00 p.m. **LUNCH** (participants’ own arrangements)

2:00 p.m. **Implementing a Debt Management Strategy: Case of Romania**

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

3:00 p.m. **Hands-on Exercise on Developing an Issuance Plan**

*Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG*

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

IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
Collaborative Partnership of the Treasury and the Finance and Markets Global Practice

July 18-22, 2016

Joint Vienna Institute (JVI)

Agenda

- Small group discussion
- Small group presentation
- Overall discussion

3:45 p.m. COFFEE BREAK

4:00 P.M. **Using IBRD Financial Products to Implement a Debt Management Strategy**
John Balafoutis, Lead Financial Officer
Financial Advisory and Banking, World Bank Treasury

5:00 p.m. **Hands-on Exercise on Developing an Issuance Plan (cont'd)**
Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG

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

5:25 p.m. **5 minutes for course evaluation**

7:15 p.m. WELCOME DINNER

IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
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July 18-22, 2016
Joint Vienna Institute (JVI)
Agenda

DAY 2 - TUESDAY, JULY 19

- 8:45 a.m. **Summary of Day 1**
- 9:00 a.m. **Instrument Choice in the Implementation of the Debt Management Strategy**
Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG
- 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
- 10:00 a.m. **Issuance Mechanisms for Government Securities**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- 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
 - Auction theory in brief and practice (What does empirical evidence tells us?)
- 11:00 a.m. COFFEE BREAK
- 11:15 a.m. **Primary Dealers for Government Securities**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- Primary dealer systems
- 12:30 p.m. LUNCH (participants’ own arrangements)

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Joint Vienna Institute (JVI)

Agenda

1:45 p.m.

Investor Base for Government Securities

*Indhu Raghavan, Securities Market Specialist
Finance and Markets Global Practice, WBG*

- Domestic investors
- Foreign investor participation
- Investor base diversification

3:00 p.m.

COFFEE BREAK

3:15 p.m.

Hands-on Exercise on Developing an Issuance Plan (cont'd)

*Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG*

This is a 3-day exercise. On this second day, participants will be provided with additional information to continue the exercise. Preparation of funding plan and liability management transactions to meet goals established in the first day of the exercise.

5:55 p.m.

5 minutes for course evaluation

IMPLEMENTING GOVERNMENT DEBT MANAGEMENT STRATEGIES
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July 18-22, 2016
Joint Vienna Institute (JVI)
Agenda

DAY 3 - WEDNESDAY, JULY 20

- 8:45 a.m. **Summary of Day 2**
- 9:00 a.m. **Buybacks and Exchanges**
Indhu Raghavan, Securities Market Specialist
Finance and Markets Global Practice, WBG
- Why DMOs buy-back their paper
 - Preparing a buy-back operation
 - Design and execution of debt exchanges
- 10:15 a.m. COFFEE BREAK
- 10:30 a.m. **Execution Issues in the Domestic Market**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- Issuance frequency
 - Execution risks (wrong timing and investor base, collusion, lack of motivation of market participants)
 - Promoting transparency (auction calendar, reports and investor relations)
- 11:30 a.m. **Overview of Derivatives and their Use by DMOs**
Rodrigo Cabral, Senior Financial Officer
Financial Advisory and Banking, World Bank Treasury
- Purpose of derivatives
 - Over-the-Counter vs. Exchange-Traded derivatives
 - Forward contracts vs. futures
 - Focus on Swaps
 - Interest rate swap
 - Cross currency swap
 - Examples of derivatives transactions by DMOs

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Collaborative Partnership of the Treasury and the Finance and Markets Global Practice

July 18-22, 2016

Joint Vienna Institute (JVI)

Agenda

- 12:45 p.m. LUNCH (participants' own arrangements)
- 1:45 p.m. **Hands-on Exercise on Developing an Issuance Plan (cont'd)**
Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG
- This is a 3-day exercise. On this third day, groups will present their final results/implementation strategy. Followed by overall discussion.
- 3:00 p.m. COFFEE BREAK
- 3:15 p.m. **Hands-on Exercise on Developing an Issuance Plan (cont'd)**
Jose Antonio Gragnani, Senior Securities Market Specialist
Finance and Markets Global Practice, WBG
- This is a 3-day exercise. On this third day, groups will present their final results/implementation strategy. Followed by overall discussion.
- 4:15 p.m. **Open Discussion: Implementation in the Domestic Market**
Government Bond Market Advisory Team
Finance and Markets Global Practice, WBG
- This facilitated discussion will review participating countries' experiences with topics covered thus far.
- 5:25 p.m. 5 minutes for course evaluation

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July 18-22, 2016

Joint Vienna Institute (JVI)

Agenda

DAY 4 - THURSDAY, JULY 21

- 8:45 a.m. **Summary of Day 3**
- 9:00 a.m. **Funding Mechanisms of External Debt and Insights on External Bond Issuance**
Turkish 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
 - Choosing lead bank
 - Book building
 - Deciding the right volume
 - Price vs. secondary market performance
 - Promoting transparency in execution
 - Targeting investors (marketing)
- 10:45 a.m. **COFFEE BREAK**
- 11:00 a.m. **Operational Risk Issues in the Implementation of Debt Management Strategies**
Rodrigo Cabral, Senior Financial Officer
Financial Advisory and Banking, World Bank Treasury
- Sources of operational risk
 - Managing operations risk in the bond execution process
 - Fraud and key person risk
- 12:00 p.m. LUNCH (participants' own arrangements)
- 1:00 p.m. **Open Discussion: Implementing Debt Management Strategies**
Government Bond Market Advisory Team
Finance and Markets Global Practice, WBG
This facilitated discussion will review participating countries' experiences with topics covered thus far.

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July 18-22, 2016

Joint Vienna Institute (JVI)

Agenda

- 2:00 p.m. **Case Study on the Implementation of a Debt Management Strategy**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- Presentation and time to prepare proposals
- 3:30 p.m. COFFEE BREAK
- 3:45 p.m. **Case Study on the Implementation of a Debt Management Strategy (cont'd)**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- Presentation and time to prepare proposals

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July 18-22, 2016
Joint Vienna Institute (JVI)
Agenda

DAY 5 - FRIDAY, JULY 22

- 8:45 a.m. **Summary of Day 3**
- 9:00 a.m. **Discussion of Proposals for Implementing Debt Management Strategies**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- 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
- 10:15 a.m. COFFEE BREAK
- 10: 30 a.m. **Discussion of Proposals for Implementing Debt Management Strategies (cont'd)**
Anderson Caputo Silva, Lead Securities Market Specialist
Finance and Markets Global Practice, WBG
- 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
- 12:25 p.m. 5 minutes for course evaluation.
- 12:30 p.m. **Workshop Wrap-up & Awarding of Certificates**