

## Implementing Government Debt Management Strategies

Joint Vienna Institute, July 16-20, 2018

### AGENDA

#### MONDAY – IMPLEMENTATION ISSUES

8:30 a.m. **Registration and Administrative Briefing (JVI)**

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

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.

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

9:15 a.m. **Designing a Government Debt Management Strategy: A Summary**

- 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

*Rodrigo Cabral*

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

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.

*Jose Antonio Gragnani*

11:15 a.m. Coffee Break

11:30 a.m. **Implementing a Debt Management Strategy: Issues and Threats – Part 1**

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.

*Jose Antonio Gragnani*

12:30 p.m. Group Photo

01:00 p.m. Lunch ( participants’ own arrangements)

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

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

*Zsolt Bango*

3:00 p.m. **Using IBRD Financial Products to Implement a Debt Management Strategy**

*Luis de la Plaza*

4:00 p.m. Coffee Break

4:15 p.m. **Hands-on Exercise on Developing an Issuance Plan**

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, followed by the class divided into groups
- Small group discussion followed by group presentation
- Overall discussion

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

5:25 p.m. Course Evaluation (5 minutes)

7:00 p.m. Welcome Dinner

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#### TUESDAY – ISSUANCE (CHOICES, PLAN AND IMPLEMENTATION)

8:45 a.m.	<b>Summary of Day 1</b>	
9:00 a.m.	<b>Instrument Choice in the Implementation of the Debt Management Strategy</b>	<i>Zsolt Bango</i>
	<ul style="list-style-type: none"> <li>• Assessing demand opportunities, constraints and risks</li> <li>• Instrument choice</li> <li>• Discount and coupons</li> <li>• Plain vanilla vs. structured</li> <li>• Indexed instruments</li> <li>• Fungibility vs. fragmentation</li> <li>• Benchmark issues</li> <li>• Differences and similarities in the foreign and domestic markets</li> </ul>	
10:00 a.m.	<b>Issuance Mechanisms for Government Securities</b>	<i>Gonzalo Martinez Torres</i>
	<ul style="list-style-type: none"> <li>• 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</li> <li>• Auction theory in brief and practice (What does empirical evidence tells us?)</li> </ul>	
11:00 a.m.	Coffee Break	
11:15 a.m.	<b>Buybacks and Exchanges</b>	<i>Zsolt Bango</i>
	<ul style="list-style-type: none"> <li>• Why DMOs buy-back their paper</li> <li>• Preparing a buy-back operation</li> <li>• Design and execution of debt exchanges</li> </ul>	
12:30 p.m.	Lunch (participants' own arrangements)	
1:30 p.m.	<b>Primary Dealers for Government Securities</b>	<i>Jose Antonio Gragnani</i>
	<ul style="list-style-type: none"> <li>• Primary Dealers Systems</li> </ul>	
3:00 p.m.	Coffee Break	
3:15 p.m.	<b>Hands-on Exercise: Developing an Issuance Plan</b>	<i>Zsolt Bango Jose Antonio Gragnani Gonzalo Martinez Torres</i>
	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.	Course Evaluation	

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**WEDNESDAY – HOT TOPICS (INVESTORS/OPERATIONAL RISK/DERIVATIVES)**

8:45 a.m.	<b>Summary of Day 2</b>	
9:00 a.m.	<b>Investor Base for Government Securities</b>	<i>Gonzalo Martinez Torres</i>
	<ul style="list-style-type: none"> <li>• Domestic investors</li> <li>• Foreign investor participation</li> <li>• Investor base diversification</li> </ul>	
10:15 a.m.	Coffee Break	
10:30 a.m.	<b>Operational Risk Management in the Implementation of Debt Management</b>	<i>Rodrigo Cabral</i>
	<ul style="list-style-type: none"> <li>• Sources of operational risk</li> <li>• Managing operations risk in the bond execution process</li> <li>• Fraud and key person risk</li> </ul>	
11:30 a.m.	<b>Overview of Derivatives and their Use by DMOs</b>	<i>Rodrigo Cabral</i>
	<ul style="list-style-type: none"> <li>• Purpose of derivatives</li> <li>• Over-the-Counter vs. Exchange-Traded derivatives</li> <li>• Forward contracts vs. futures</li> <li>• Focus on Swaps               <ul style="list-style-type: none"> <li>○ Interest rate swap</li> <li>○ Cross currency swap</li> </ul> </li> <li>• Examples of derivatives transactions by DMOs</li> </ul>	
12:45 p.m.	Lunch ( participants' own arrangements)	
1:45 p.m.	<b>Hands-on Exercise: Developing an Issuance Plan (cont'd)</b> This is a 3-day exercise. On this third day, groups will present their final results/implementation strategy. Followed by overall discussion.	<i>Zsolt Bango Jose Antonio Gragnani Gonzalo Martinez Torres</i>
3:00 p.m.	Coffee Break	
3:15 p.m.	<b>Hands-on Exercise on Developing an Issuance Plan (cont'd)</b>	<i>Zsolt Bango Jose Antonio Gragnani Gonzalo Martinez Torres</i>
5:25 p.m.	Course Evaluation	

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**THURSDAY – OPEN DISCUSSION AND CASE STUDY**

8:45 a.m. **Summary of Day 3**

9:00 a.m. **Funding Mechanisms of External Debt and Insights on External Bond**

*Rodrigo Cabral*

- 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. **Open Discussion: Implementing Debt Management Strategies**

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

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

12:30 p.m. Lunch ( participants' own arrangements)

1:30 p.m. **Case Study on the Implementation of a Debt Management Strategy**

Presentation and time to prepare proposals

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

3:30 p.m. Coffee Break

3:45 p.m. **Case Study on the Implementation of a Debt Management Strategy (cont'd)**

Presentation and time to prepare proposals

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

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#### FRIDAY –PROPOSAL PRESENTATION AND WRAP-UP

8:45 a.m. **Summary of Day 4**

9:00 a.m. **Discussion of Proposals for Implementing Debt Management Strategies**

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

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.)**

*Zsolt Bango  
Jose Antonio Gragnani  
Gonzalo Martinez Torres*

12:25 p.m. 5 minutes for course evaluation.

12:30 p.m. **Workshop Wrap-up & Awarding of Certificates**

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#### WORKSHOP FACULTY

**Zsolt Bango** joined the World Bank Finance, Competitiveness and Innovation Global Practice Capital Markets team as Senior Financial Sector Specialist on March 1, 2017. In his current position he has been working in several frontier and emerging market countries to support capital market development. Prior to his current job he worked for the Hungarian Government Debt Management Agency (AKK) from December 2000 and spent more than 16 years there. Between 2003 and 2017 he was the Head of Treasury Department of AKK. His main responsibilities were, among other things, the organization of the primary dealer system, execution of secondary market transactions and hedging activities of the Hungarian debt agency as well as the liquidity management of the Treasury Single Account. He graduated from the University of Economics in Budapest, in 1995.

**Rodrigo Cabral** has over 17 years of experience in sovereign debt management, having worked with more than 30 developing countries across different regions of the world in his capacity as Senior Financial Officer at the World Bank Treasury. Before joining the World Bank, he worked at the Brazilian National Treasury where he was Deputy Head of the Public Debt Strategic Planning Department (middle-office). He was also part of the team that set up the Brazilian middle-office and developed its risk management framework. His areas of expertise include risk management, strategy development, investor relations, international market access, and market development. Mr. Cabral has published several papers in the field of public debt management, co-authored the book "Public Debt: the Brazilian experience" and contributed to publications on sound practices. He holds a Bachelor degree in Physics and a Doctorate in Economics from the University of Brasilia, Brazil.

**Jose Antonio Gragnani** joined the World Bank in 2015 and is currently a Senior Financial Sector Specialist. Prior to joining the World Bank, he was founder and director of Brazilwood Partners S.A., he worked at the Brazilian National Treasury as Deputy Secretary responsible for managing the domestic and external federal public debt. He worked as Director of Votorantim (1992-2002), UBS Pactual (2007-2008) and Concórdia (2008-2009) banks, and at BM&FBOVESPA (2009-2012), the Brazilian Stock Exchange. He also worked at Unibanco (1987-1989), BBA (1989-1992) and Pine (2012-2013). He was Board member of Eletrobras, Fiscal Council member of Eletropaulo and Banco do Brasil DTVM, and Gemloc Advisory Board member of the World Bank. José holds a bachelor's degree in Metallurgical Engineering from Universidade Mackenzie (1986), MBA in Finance from IBMEC (1994) and M. Sc. in Finance (Sloan Fellows Program) from Massachusetts Institute of Technology (2007).

**Gonzalo Martinez Torres** has been working since 2015 as a Financial Sector Specialist in the Long Term Finance team of the World Bank, focused in the areas of capital markets and infrastructure finance. Previously, he worked for 2 years in the World Bank's Budget, Performance Review and Strategic Planning department. Prior to joining the World Bank, he worked as a consultant for four years in the Integration and Trade Sector of the Inter-American Development Bank in Washington, D.C., managing loan operations and technical assistance programs, as well as contributing to strategy and research documents. He has also worked as an investment analyst in the Trade Commission of Spain in Lima (Peru), and in the private sector in Spain (PricewaterhouseCoopers and Iberdrola). He holds a Master's Degree in Business Administration (CECO, Madrid, 2008), and a Master's of Science in Economics (Universite Paris-Dauphine, Universidad Autonoma de Madrid, 2007).

**Luis de la Plaza**, Lead Financial Officer of the Financial Advisory and Banking Department has worked at the WB's Treasury for over 15 years leading the work globally in designing customized financial solutions for clients in infrastructure, energy and other sectors. Prior to joining the World Bank, Luis worked in investment banking for more than 10 years in various positions as Director at ABN AMRO Rothschild, Head of Asian Equity and Derivative Syndication and at J.P. Morgan, Vice President, Equity Capital Markets, Derivatives, Corporate Finance in Madrid, New York, London and Hong Kong. Luis holds a PhD in Financial Economics from Universidad Complutense de Madrid ('12); an MA in International Economics and Emerging Markets, Johns Hopkins' School Advanced International Studies (SAIS) ('01); an MBA from the University of Michigan ('91); and a BA in Economics from Universidad Autonoma de Madrid ('88).