26th OECD Global Forum on Public Debt Management

Under the aegis of the OECD Working Party on Public Debt Management

Sponsored by the Government of Japan

DRAFT AGENDA

23-24 April 2019

Room CC15, OECD Conference Centre, Paris

For further information please contact:
Ms. Fatos Koc, Head of Public Debt Management
[Tel: +33(0)1 45 24 91 10; Email: Fatos.Koc@oecd.org] or
Ms. Caroline Lam, Assistant
[Tel: +33(0)1 45 24 82 50; Email: Caroline.Lam@oecd.org / PublicDebt@oecd.org]

Day 1
Tuesday 23 April 2019

13:30 – 13:45	**Welcome and overview of the program** *Chair: Mr. Teppo Koivisto, Director of Finance, State Treasury, Finland, and Chair of the OECD Working Party on Public Debt Management (WPDM)*
13:45 – 14:00	**Opening Speech** OECD Deputy Secretary General Mr. Masamichi KONO
14:00 – 15:30	**Session 1: Impact of monetary policy developments on government securities markets** *Moderator: Mr. Teppo Koivisto, Director of Finance, State Treasury, Finland and Chair of the OECD WPDM*
14:00– 14:15	**Introduction and overview of main issues:** Mr. Yasuto Watanabe, Deputy Director of AMRO Mr Charles Cohen, Deputy Division Chief, IMF
14:15 – 15:15	**Comments by selected countries:** Germany, Japan, South Africa, Thailand and the United Kingdom
15:15 – 15:30	**General discussion and conclusions**
15:30 – 15:45	Coffee break
15:45 – 17:15	**Session 2: Importance of investor base for a sustained market access** *Moderator: Mr. Johannes Schluetz, Head of Investor Relations, German Debt Management Office*
15:45 – 16:30	**Comments by panel:** Iceland, Indonesia, Italy and the World Bank
16:30 – 17:15	**General discussion and conclusions**
17:30 – 18:30	**Launch of the 2019 OECD Sovereign Borrowing Outlook** (Room Roger Ockrent)
18:30 – 20:00	**Cocktail reception** (Room Georges Marshall)

Day 2
Wednesday 24 April 2019

09:00 – 12:30	**Session 3: Role of stress tests and scenario analyses in debt management** *Moderator: Mr. Mats Filipsson, Senior Financial Officer, World Bank Treasury*
09:00 – 09:15	**Introduction and overview of main issues:** Mr. Mats Filipsson, Senior Financial Officer, World Bank Treasury
09:15 – 10:00	**Panel discussion on methodological approaches:** Brazil, Hungary, Indonesia and the European Commission
10:00 – 10:45	**General discussion**
10:45 – 11:00	Coffee break
11:00 – 11:45	**Panel discussion on policy relevance:** France, Israel, Malaysia and Portugal
11:45 – 12:30	**General discussion and conclusions**
12:30 – 14:00	Lunch break
14:00 – 16:00	**Session 4. Perspectives on green and sustainable finance** *Moderator: Mr. Teppo Koivisto, Director of Finance, State Treasury, Finland and Chair of the OECD WPDM*
14:00 – 14:45	**Comments by panel:** Belgium, France, Kenya and the World Bank
14:45 – 15:00	Coffee break
15:00 – 16:00	**General discussion and conclusions**
16:00 – 16:15	Closing of the forum

ANNOTATIONS

GENERAL ANNOTATIONS

In order to assure timely circulation of the materials to the Forum Delegates, documents (including country notes) must be made available **10 days prior to the meeting**. All documents will be uploaded on O.N.E. Community site of the Global Forum ahead of the meeting and selected presentations will be available on the OECD website after the meeting.

The current policy of the WPDM is to treat all information provided by Delegates (via surveys and otherwise) as confidential initially. Authors of room documents will be consulted prior to putting these documents on O.N.E. Community site of the Global Forum or when documents are made public to a wider audience via websites (such as the OECD-Italian Treasury-WB PDM Network) or OECD publications. Meanwhile, Delegates are requested not to circulate (room) documents outside the OECD Global Forum without prior permission. Requests can be sent to the OECD.

Topics will in principle be discussed on the basis of the meeting schedule. Delegates are kindly requested to plan their attendance accordingly.

Recent information on OECD activities in the areas of public debt management and bond markets is available on the following page: www.oecd.org/daf/publicdebtmanagement.

SESSION ANNOTATIONS

Session 1: Impact of monetary policy developments on government securities markets

Global financing conditions, are loose overall, but tightened considerably in 2018, as monetary policy in some regions has been gradually reversing course from a very accommodative policy stance. The European Central Bank (ECB) ended its vast asset-purchasing programme in December 2018. The ECB committed to reinvest the proceeds of maturing bonds that it already owns for an extended period of time, and kept benchmark interest rates on hold in its latest statement. Meanwhile, the Bank of Japan is continuing its asset purchases to maintain 10-year government bond yields around 0% and has not communicated any plan for reducing stimulus. After gradually increasing the fed funds rates since the end of 2016, the Federal Reserve adopted a 'patient' stance and kept the target range for the fed funds rate on hold since January 2019. In terms of balance sheet normalisation, the Fed announced to slow down the pace of its balance sheet reduction programme starting from May and end it in September 2019. These monetary policy developments cushioned the impact of heightened uncertainty on financial markets (e.g. ongoing negotiations over trade restrictions as well as Brexit) and partially reversed the significant repricing of risk in financial markets observed last year (OECD Interim Economic Outlook, 2019).

The outstanding central government marketable debt for the OECD area as a whole doubled in nominal terms between 2007 and 2018 (OECD Sovereign Borrowing Outlook, 2019*)* and reached USD 45.2 trillion in 2018. At the same time, favourable funding conditions eased debt sustainability concerns and enabled public debt managers to enhance the resilience of public finances to shocks both in advanced and emerging countries. Looking forward, OECD sovereigns need to refinance 40% of their existing debt in the coming 3 years. In addition to public debt, outstanding corporate bonds issued by non-financial companies globally has hit record levels, reaching almost USD 13 trillion at the end of 2018, of which 32% is due within the next 3 years, according to a new OECD study (OECD Corporate Bond Market in a Time of Unconventional Monetary Policy, 2019).

While major central banks have modified their policy strategies recently, the future direction of monetary policy will continue to affect the dynamics in government debt securities markets. With that in mind, this session discusses the implications of monetary policy developments as well as political uncertainties for government debt securities markets, with a particular focus on the following issues:

- the key risks on the horizon (e.g. re-pricing risk, liquidity risk, political uncertainty or a sharper-than-expected slowdown in growth)
- impact of ongoing monetary policy and elevated political uncertainty to primary markets of government securities (e.g. funding costs and maturity, market liquidity and investor base changes)
- observations on portfolio flows to emerging market economies
- investors' demand for various government bonds (fixed vs inflation linked debt, short- vs long-dated securities) in emerging and advanced countries
- factors affecting the impact of interest rate changes on the cost of sovereign debt (e.g. average maturity of existing debt, structure of investor base)

Session 2: Importance of investor base for a sustained market access

Investor groups (e.g. retail investors and institutional investors including banks, pension funds, insurance companies, mutual funds and sovereign wealth funds) have different objectives and investment strategies which affect the choice of financial instrument. Sovereign debt managers, aim for a diversified investor base in order to enhance market liquidity, and to limit market fluctuations, attach significant importance to closely monitoring investor profile and preferences. This is critical to enable debt managers to draw up more informed issuance strategies and to adjust investor relations and communication practice (OECD SBO, 2019).

In this session, the speakers will elaborate on the importance of the investor base for sustained market access. To this end, following key issues will be addressed:

- behaviour/preferences of different types of investors (e.g. buy-and-hold/real-money investors vs hedge funds)
- does "home-bias" argument still hold?
- challenges with attracting real money investors (e.g. negative interest rates in some advanced economies, credit rating issues in emerging market economies)
- adjusting issuance strategies and/or debt instruments to attract a specific investor group
- role of investor relations and communication practices.

Session 3. Role of stress tests and scenario analyses in debt management

Sovereign debt managers conduct stress tests of the debt portfolio in order to capture impact of potential economic and financial shocks on debt servicing costs and debt trajectories. The first part of the session aims to discuss methodological approaches to stress tests and scenario analyses in debt management. The delegates of Brazil, Indonesia, Turkey and the European Commission will present their experiences and insights regarding:

- what type of risk scenarios to consider (e.g. market risk, political risk and materialisation of contingent liabilities, tail risks)
- how to determine size of shocks (e.g. historical averages, forward looking scenarios)
- costs and benefits of different methodological approaches (e.g. simple scenario-based models vs simulation techniques)
- how often to perform such tests (i.e. regular and/or ad hoc basis).

In the second part of the session, policy relevance of stress testing and scenario analyses in debt management will be discussed with a particular focus on the following key issues:

- the use of stress test results (e.g. budget projections for interest expenses, debt-to-GDP trajectories under different scenarios, illustrate cost/risks associated with different debt management strategies
- discussions at technical level vs policy level meetings
- communication of test results with policy makers, investors and public.

Session 4. Perspectives on green and sustainable finance

Green bonds are the most developed form of green finance, issued first by multi-lateral investment institutions in 2007, followed by corporates in 2013 and the first sovereign green bond in 2016. Increased investor demand for green bonds, including by large sovereign wealth funds and pension funds committed to responsible investment and integration of environmental, social and governance (ESG) factors, has encouraged potential issuers and supported the growth of this market in general.

In the OECD area, total issuance of sovereign green bonds by five countries (i.e. Belgium, France, Ireland, Lithuania and Poland) exceeded EUR 24 billion as of December 2018. In addition to OECD countries, Fiji, Indonesia and Nigeria are among countries that issued sovereign green bonds. This is a way for governments to demonstrate their commitment to the transition towards a more environmentally-friendly economy. On the other hand, issuing a green bond may create a fragmentation in sovereign issuance structures and increase funding costs due to illiquidity premium, although their cash flows are similar to those of conventional bonds (OECD SBO, 2019).

To this end, this session will discuss the following issues:

- role of green and sustainable finance both in emerging and advanced economies
- to what extent institutional investors are applying ESG framework
- impact of ESG related activities on rating assessments
- roles of private sector and public sector in mobilizing resources and facilitating green and sustainable finance
- potential benefits and challenges of a green bond issuance
- means of promoting ESG issues (e.g. issuing green bonds, adhering transparency, adjusting investor relations programmes).