28th OECD Global Forum on Public Debt Management

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

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DRAFT AGENDA

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12:00-15:00 CEST

Via Webex

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12:00-12:10	**Welcome and overview of the program**
	Mr.Teppo Koivisto, Director of Finance, StateTreasury, Finland, and Chair of the OECD Working Party on Public Debt Management
12:10-13:00	**Session 1: The impact of the pandemic on sovereign borrowing outlook**
12:10-12:20	**Introduction and overview of main issues:** Fatos Koc, Head of Public Debt Management Unit, OECD
12:20-12:50	**Panel speakers: Japan, Indonesia and the United States**
12:50-13:00	**General discussion**
13:00-14:00	**Session 2: Rolling over the debt in a period of high uncertainty**
13:00 -13:10	**Introduction and background information:** Gil Cohen, Head of Finance, Debt and Credit Division at the Israeli Ministry of Finance
13:10-13:45	**Panel speakers: India, Italy and Mexico**
13:45-13:55	**General discussion**
	5-minute break
14:00-15:00	**Session 3: Benefits and challenges of issuing a sovereign green bond**
14:00-14:10	**Introduction and background information:** Elvira Eurlings, Agent of Dutch State Treasury
14:10-14:45	**Panel speakers: Germany, Thailand and Chile**
14:45-15:00	**General discussion and conclusions**

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 OECD Working Party on Public Debt Management (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 (PublicDebt@oecd.org).

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:Public debt management - OECD.

Specific annotations

Session 1: The impact of the pandemic on sovereign borrowing outlook

Government funding needs and debts surged dramatically in 2020 as fiscal deficits increased and economies contracted in the wake COVID-19 crisis. OECD governments borrowed around USD 18 trillion from the markets in 2020, equal to almost 30% of GDP (chapter 1 of the 2021 Sovereign Borrowing Outlook). Borrowing needs in 2021 are expected remain high in many countries, and are subject to a high degree of uncertainty.

Despite the upsurge in borrowing amounts in 2020, financing costs of government budget deficits fell in the OECD area, thanks to robust investor demand. Major central banks' large-scale asset buying programmes and commitments to keep near-zero repo rates have supported the smooth functioning of financial markets and facilitated the absorption of increased debt issuance. In recent months, prospects for an eventual path out of the crisis have improved markedly, helped by the gradual deployment of effective vaccines and announcements of additional fiscal support in some countries. The OECD estimates that the world economy will expand 5.6 per cent this year, following the last year's sharp contraction. At the same time, the improved prospects for a sustained global recovery have been reflected in rising expectations of future inflation, particularly in financial markets.

Against this background, this session will discuss the impact of the pandemic on sovereign borrowing outlook, with a particular focus on the following issues:

- Main features of sovereign borrowing (e.g. cost and maturity of borrowing)
- Key risks to financing conditions (e.g. increase in inflationary expectations, nominal interest rates and market liquidity risk)
- Potential implications for both foreign and domestic investors' demands for different government securities including inflation-linked bonds, short and long-dated bonds.

Session 2: Rolling over the debt in a period of high uncertainty

The upsurge in debt issuance in the wake of the COVID-19 crisis has mechanically increased the absolute amount of debt to be repaid or rolled over in the future. Moreover, the bulk of the additional cash needs of governments due to the COVID-19 shock has been financed through short-term debt issuance in many countries. As a result, the average maturity of the sovereign borrowing in many countries has somewhat shortened. In the OECD area, for example, governments will need to refinance around 25% of their outstanding marketable debt within 12 months and 45% in the next 3 years. Hence, overall sensitivity of sovereign debt to refinancing risk has increased relatively, despite the current favourable funding conditions (chapter 2 of the 2021 Sovereign Borrowing Outlook).

In general, rollover risk is more pronounced when the refinancing needs are high, maturity profile of debt is short and/or is concentrated on or around a particular period. While maturity-related indicators provide important insights into the assessment of the rollover risk, there are other important factors such as holders of debt, access to liquid markets, and perceived safety of debt. In fact, countries with limited demand or constrained market access are often more vulnerable to changes in market conditions than for mature market countries. In the wake of the COVID-19 shock, for example, many emerging market issuers faced a surge in borrowing needs due to economic collapse and increased government spending on health and social needs at a time when financing conditions have turned sour. Some countries continue to have access to market funding to rollover their debt, while market access has completely dried up for other countries. Lacking the resources and borrowing capacity of advanced economies, the countries with heavy debt burdens have benefited from international efforts to avoid a liquidity crisis (i.e. financial support from IMF and World Banks, and G20 Debt Service Suspension Initiative).

This session will discuss how to identify, measure and mitigate refinancing risk in view of the following discussion points:

- Ways of managing rising rollover ratios
- Role of maturity structure of debt issuance
- Role of market liquidity, market access and credibility

Session 3: Benefits and challenges of issuing a sovereign green bond

Sovereign green bond issuance by governments has reached almost USD 100 billion since Poland and France kicked-off five years ago. Increased borrowing in the wake of the COVID-19 crisis has created scope for green bond issuance. Hence, around 40% of the outstanding sovereign green bonds has been raised in 2020, with debut issuance by Germany, Hungary and Sweden. Looking forward, the governments of Canada, Iceland, Spain and the United Kingdom are planning to issue green bonds in 2021.

From a debt management perspective, the main motivation for issuing a green bond is often to align with government's sustainability policy, as green bond issuance is assessed as a tool for governments to display moral leadership on climate change and sustainability. In addition, sovereign green bonds feature broader benefits to the financial market by promoting the development of a domestic market for green bonds, and enabling market participants with different investment horizons to find a green, transparent, high quality investment opportunity at their disposal. On the other hand, issuing a green bond may require additional operational costs and create a fragmentation in sovereign issuance structures and increase funding costs due to illiquidity premium.

Against this background, this session will discuss benefits and challenges of issuing a sovereign green bond in light of country experiences.