

5th OECD Forum on African Debt Management and Bond Markets

&

Launch of Centre for African Debt Management and Bond Markets

Local host: National Treasury of South Africa

Venue: Development Bank of Southern Africa

Vulindlela Conference Centre

Midrand, South Africa

29 June-1 July 2011

PROGRAMME



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



Objectives

This high level meeting will initiate dialogue on key debt management policy issues, taking into account public debt management and bond market development needs and objectives from an African perspective. It will identify priority areas for data gathering, analysis and capacity building with a view to generating practical policy solutions that governments can put into action.

Events

Day 1 (29 June 2011)

Database group meeting: “Next steps and suggested improvements of the OECD database on African public debt and government securities” meeting will identify the key challenges and conditions for debt managers in collecting and processing data on marketable debt instruments in African countries. The database group will discuss ways of: strengthening links between data collectors, debt managers and other financial officers involved in public debt management and government securities markets in both sub-Saharan Africa and North Africa; and how best to improve ways of providing comprehensive information on African central debt instruments.

Reception hosted by Development Bank of Southern Africa (DBSA)

Day 2 & Day 3 (30 June – 1 July 2011)

The 5th OECD Forum on African Public Debt Management will bring together high-level representatives of debt management offices across Africa and OECD countries, as well as regional financial institutions. The discussions will aim to share best-practices and will include the following topics:

- Practical issues in assuring durable market access for new and infrequent issuers
- The impact of capital inflows on local bond markets (and policies to address them)
- Roundtable on challenges for African exchanges
- Medium term benchmarks for roll-over risk
- Sovereign risk and debt sustainability and their implications for borrowing strategies

Launch of the Centre for African Public Debt Management and Bond Markets

Day 2 (30 June 2011)

Launch Dinner at 19.00

The launch dinner will be held back-to-back with the **Fifth OECD Forum on African Public Debt Management and Bond Markets**. The underlying MOU was signed by the South African Minister of Finance and the OECD Secretarial General during the OECD Ministerial on 25 May 2011.

The Centre, to be housed at the Development Bank of Southern Africa, in Midrand, is an initiative from African debt managers, building directly on the excellent and strong co-operation in the context of the activities of the OECD project on Public Debt Management and Bond Markets in Africa since its beginning in 2006. The creation of this centre raises the profile of the OECD Project in Africa and anchors it firmly and visibly in the region.

The launch of the Centre for African Public Debt Management and Bond Markets is a landmark in the history of the OECD.

FIFTH OECD FORUM ON AFRICAN PUBLIC DEBT MANAGEMENT AND BOND MARKETS

AGENDA

DAY 1: WEDNESDAY 29 JUNE 2011

15:00 – 16:00 PARTICIPANT REGISTRATION

16:00 – 17:30 DATABASE MEETING

OECD DATABASE ON AFRICAN PUBLIC DEBT AND GOVERNMENT SECURITIES: NEXT STEPS?

Building on the experience of the publication of the first and second issues of the *OECD Statistical Yearbook on African Central Government Debt*, the database group will discuss with **Mr. Thor SAARI**, Senior Advisor and **Mr. Hafsteinn HAFSTEINSSON**, OECD External Consultant, the document “Next steps and suggested improvements in the OECD database on African public debt and government securities”.

18:00 – 20:00 RECEPTION HOSTED BY DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA) at the DBSA Vulindlela Conference Centre

WELCOMING SPEECH MR. LUNGISA FUZILE, DIRECTOR GENERAL, NATIONAL TREASURY OF SOUTH AFRICA; and DR. HANS BLOMMESTEIN, HEAD OF PUBLIC DEBT MANAGEMENT AND BOND MARKETS UNIT, OECD

DAY 2: THURSDAY 30 JUNE 2011

CO-CHAIRING: **Mr. Thuto SHOMANG**, Deputy Director General: Asset and Liability Management Division, National Treasury of South Africa
Dr. Hans BLOMMESTEIN, Head of Public Debt Management and Bond Markets Unit, OECD

08:00 – 08:30 PARTICIPANT REGISTRATION

08:30 – 09:15 WELCOME TO THE 5th OECD FORUM ON AFRICAN DEBT MANAGEMENT AND BOND MARKETS

- **Mr. Paul BALOYI**, CEO & Managing Director Development Bank of Southern Africa
- **Mr. Thuto SHOMANG**, Deputy Director General: Asset and Liability Management Division, National Treasury of South Africa
- **Mr. Russell LOUBSER**, CEO, Johannesburg Stock Exchange

OVERVIEW OF PROGRAMME

- **Dr. Hans BLOMMESTEIN**, Head of Public Debt Management and Bond Markets Unit, OECD

09:15 – 09:30 Group Photo

SESSION 1 (09:30 –13:00): PRACTICAL ISSUES IN ASSURING DURABLE MARKET ACCESS FOR NEW AND INFREQUENT ISSUERS

This session will address operational issues related to assuring durable market access for new and infrequent issuers from frontier markets. Despite the improvement in market conditions, challenges for first time or irregular issuers remain, including whether issuers have determined the appropriate size and structure of the instrument, taking into account the overall debt management strategy. Moreover, there may be a general absence of in-house technical expertise as this is difficult to maintain in the absence of activity. Similarly, in the absence of activity, investment bank research coverage may be very limited (or completely lacking), so they will face some of the same challenges in establishing name recognition with key investors.

It is crucial for African countries to have good access to domestic (local currency) markets, but also access to foreign capital markets can be beneficial. Benefits include diversification and supplement domestic savings, allowing the maturity structure of the debt to be lengthened (particularly with underdeveloped domestic markets), providing a pricing benchmark (facilitating the private sectors' access). But there are also potential downsides such as refinancing risk (especially where countries are vulnerable to sharp shifts in terms of trade or exchange rate shocks and /or where the size of the bond is large relative to export revenues).

Against this backdrop the session will address the key operational issues related to assuring durable domestic and foreign market access for new and infrequent issuers from frontier markets.

MODERATOR: **Mr. Anthony JULIES**, Chief Director: Strategic and Risk Management, National Treasury of South Africa

09:30 –10:35 PRESENTATIONS

- **Dr. Hans BLOMMESTEIN**, Head of Public Debt Management and Bond Markets Unit, OECD: **How to secure international market access for new issuers from frontier markets?**
- **Mr. Ben HLATSHWAYO**, Director Foreign Debt Management / **Mr. Johan KRYNAUW**, Director Debt Operations, National Treasury of South Africa
- **Mr. Graham SMALE**, Director Interest Rate Products, Johannesburg Stock Exchange

10:35 – 11:15 PANEL DISCUSSION:

1. **Mr. Charles KAIRU**, Senior Economist, Debt Management Department, Ministry of Finance, Kenya
2. **Mr. Bruno IBOKLENE**, Director-Debt Operations, CCA, Caisse Autonome d'Amortissement, Cameroon
3. **Mr. Pa Abdoulie MANNEH**, Deputy Director, Ministry of Finance and Economic Affairs, Gambia
4. **Mr. Wasswa KAJUBI**, Director Foreign Private, Bank of Uganda
5. **Mr. Alick Brian LUNGU**, Manager Securities Trading, Bank of Zambia

11:15 – 11:35 COFFEE BREAK

11:35 – 13:00 GENERAL DISCUSSION

13:00 – 14.15 LUNCH

WORKING LUNCH (13:00-14:15) MEETING OF THE STEERING COMMITTEE FOR THE OECD PROJECT ON AFRICAN PUBLIC DEBT MANAGEMENT

Annual meeting of the Steering Committee for the OECD project on African public debt management and bond markets, for members only; co-chairs National Treasury of South Africa and OECD.

SESSION 2 (14:15 – 18:00): ROUNDTABLE ON CHALLENGES FOR EXCHANGES

Understanding the role of key building blocks for more efficient and liquid government bond markets is of great importance for government issuers. For all countries, an important policy objective is the deepening of bond markets and developing a yield curve in African Bond markets. A key question is how to make these domestic markets more attractive for non-resident investors and how the new *Centre for African Public Debt Management and Bond Markets*, in co-operation with African exchanges, can help these countries to fulfil prerequisites such as: (a) sound macroeconomic fundamentals ; (b) liquid and modern domestic government securities market ; (c) transparent and predictable issuance strategies; (d) efficient market Infrastructure (electronic auction system, settlement system, repo market, price dissemination, etc.); (e) hedging products (forward market, swap market); (f) attractive yields; (g) open capital account; (h) appropriate tax policy; etc.

Against this backdrop it is suggested to focus on two recent policy topics involving the role of (bond) exchanges.

(1) The role of (bond) exchanges in (a) encouraging the free cross-border flow of capital and (b) managing large foreign inflows into local debt markets. From a developmental point-of-view, open markets that allow the free cross-border flow of capital are very important for the liquidity and broadening of local debt markets. On the other hand, in several emerging and frontier markets, strong capital inflows are posing complications for monetary policy and/or financial stability. (OECD studies show that large capital inflows are associated with a higher risk of credit booms, financial crises and sudden stops.) Some countries have resorted to the use of capital controls, even though their efficiency is not entirely clear (while they create distortions if maintained indefinitely). In any case, such controls are best seen as a last resort and as a temporary solution. The Roundtable will address the tensions between market development objective on the one hand, and addressing the possible adverse impact of large capital inflows on the other, including policy recommendations. Also the (potential) role of exchanges in market development and in enforcing capital controls will be examined.

(2) The role of exchanges in (developing) regional markets. Some of the smaller frontier markets cannot be expected to develop into efficient and liquid markets due to the relatively small volume of transactions that will make it difficult or impossible to introduce a modern financial infrastructure. These considerations make the creation of regional markets of possible (even great) interest for African countries. The Roundtable will address the various practical implications of the creation of regional markets. What are the key priorities? How important is this policy issue for sovereign issuers, in particular in view of the fact that very few African markets have listed government bonds. The Roundtable will also discuss the wider (policy) implications of the choice between listed government bonds versus OTC markets.

MODERATOR: Ms. Maureen DHLAMINI: Executive Director: African Desk, Johannesburg Stock Exchange

14:15 – 15:15 **PANEL 1: THE ROLE OF (BOND) EXCHANGES in (a) encouraging the free cross-border flow of capital and (b) managing large foreign flows into local debt markets**

1. **Mr. Sturla PALSSON**, Director of International and Market Department, Central Bank, Iceland
2. **Mr Ozgur KASAPOGLU**, Senior Expert, Open Market Operations Division Central Bank, Turkey
3. **Mr. Callie HUGO**, Deputy Head: Market Operations Unit, Financial Market Division, Reserve Bank, South Africa
4. **Mr. Thapelo TSHEOLE**, Product Development Manager, Botswana Stock Exchange
5. **Mr. Symon MSEFULA**, Chief Executive Officer, Malawi Stock Exchange
6. **Mr. Nhlanhla MTHETHWA**, Senior Dealer, Domestic Debt, Central Bank of Swaziland
7. **Mr Jeffrey MUSEKIWA**, Johannesburg Stock Exchange

15:15 – 16:00 **GENERAL DISCUSSION**

16:00 – 16:15 **COFFEE BREAK**

16:15 – 17:15 **PANEL 2: THE ROLE OF (BOND) EXCHANGES in (developing) regional markets**

1. **Mr. Thapelo TSHEOLE**, Product Development Manager, Botswana Stock Exchange
2. **Mr. Symon MSEFULA**, Chief Executive Officer, Malawi Stock Exchange
3. **Mr. Nhlanhla MTHETHWA**, Senior Dealer, Domestic Debt, Central Bank of Swaziland
4. **Mr. Tseliso NTESO**, Director, Ministry of Finance, Lesotho
5. **Mr. Titus NDOVE**, Deputy Director Financial Markets, Bank of Namibia
6. **Mr. Dieudonné EVOU MEKOU**, Director General, Caisse Autonome d'Amortissement (CAA), Cameroon
7. **Mr. Jeffrey MUSEKIWA**, Johannesburg Stock Exchange

17:15 – 18:00 **GENERAL DISCUSSION**

19:00 LAUNCH DINNER

OPENING OF THE CENTRE FOR AFRICAN PUBLIC DEBT MANAGEMENT AND BOND MARKETS

Venue: Development Bank of Southern Africa (DBSA)

Dinner hosted by Johannesburg Stock Exchange (JSE)

OPENING AND WELCOME: **Mr. Graham SMALE**, Director Interest Rate Products, Johannesburg Stock Exchange

Road to the Centre: **Dr. Hans BLOMMESTEIN**, Head of Public Debt Management and Bond Markets Unit , OECD

KEYNOTE SPEECH: **Mr. Nhlanhla Musa NENE**, Deputy Minister of Finance, South Africa
 Mr. Mario AMANO, Deputy Secretary General, OECD

DAY 3: FRIDAY 1 JULY 2011

SESSION 3 (09:00 – 13:00): BREAK-OUT DISCUSSIONS OF KEY POLICY ISSUES A and B

Workshop participants will have the opportunity to discuss key policy topic A (medium term benchmarks for roll-over risk), and topic B (sovereign risk and debt sustainability and their implications for borrowing strategies) in break-out groups of around 10-15 people.

This year discussions in the break-out groups will be of a more technical nature and more structured than in previous years. Before the break-out group sessions convene, the two leading facilitators will give plenary introductions. The technical discussions in the break-out groups complement the more general discussions during plenary sessions. In particular, the break-out groups will identify what they see as challenges, priorities, and recommended next steps in the context of enhancing debt management capacity and developing bond markets in Africa, and report their country perspectives via rapporteurs to the plenary meeting. The groups will also make recommendations about future capacity-building activities (including training) by the new *Centre for African Public Debt Management and Bond Markets*.

The two leading facilitators will give plenary introductions. The break-out groups will be composed so as to reflect a diversity of countries, as well as public and private sector perspectives. The break-out groups will have facilitators (to assist them in discussing the key issues) and rapporteurs (to draft and present priorities and recommended next steps in the plenary session).

MODERATOR: OVERALL COORDINATOR BREAK-OUT GROUPS

Mr. Johan KRYNAUW, Director, Domestic Debt Operations, National Treasury of South Africa

09:00 – 10:00 PLENARY INTRODUCTION BY LEADING FACILITATORS OF TOPICS A and B:

TOPIC A: MEDIUM TERM BENCHMARKS FOR ROLL-OVER RISK

- **Ms. Fatos KOC**, Head of Market Risk Management Department, Turkish Treasury, Leading facilitator
- **Mr. Livhuwani TSHIKUNDE**, Senior Financial Analyst: Asset and Liability Management, National Treasury of South Africa, Lead rapporteur
- **Mr. Hafsteinn HAFSTEINSSON**, OECD External Consultant, Rapporteur

TOPIC B: SOVEREIGN RISK AND DEBT SUSTAINABILITY AND THEIR IMPLICATIONS FOR BORROWING STRATEGIES

- **Mr. Sturla PALSSON**, Director of International and Market Department, Central Bank, Iceland, Leading facilitator
- **Mr. Hakan TOKAC**, Deputy General Director of Public Finance, Turkish Treasury, Lead rapporteur,
- **Ms Bulelwa BOQWANA**, Director: Country Risk, National Treasury of South Africa, Rapporteur

10:00 – 13:00 PRESENTATIONS AND DISCUSSION IN BREAK OUT GROUPS

10:30 – 11:00 MORNING BREAK

13:00 – 14:15 LUNCH

SESSION 4 (14:15 – 16:45): PLENARY DISCUSSION OF TOPICS A and B

MODERATOR: Dr. Hans **BLOMMESTEIN**, Head of Public Debt Management and Bond Markets Unit, OECD

14:15 – 14:45 SUGGESTED CONCLUSIONS *TOPIC A* by leading rapporteur

14:45 – 15:30 QUESTION & ANSWER

15:30 – 16:00 SUGGESTED CONCLUSIONS *TOPIC B* by leading rapporteur

16:00 – 16:45 QUESTION & ANSWER

SESSION 5 (16:45 – 17:45): FUTURE WORK

MODERATOR: Mr. Thuto **SHOMANG**, Deputy Director General: Asset and Liability Management Division, National Treasury of South Africa and Dr. Hans **BLOMMESTEIN**, Head of Public Debt Management and Bond Markets Unit, OECD

- (a) The Centre for African Public Debt Management and Bond Markets: future operations and formulation of programme of work;
- (b) Future work on the data base on African public debt;
- (c) Closing Remarks (National Treasury of South Africa and OECD)

ANNOTATIONS

The *OECD Forum on African Public Debt Management and Bond Markets* is a key pillar of the OECD policy dialogue with African countries on public debt management and government securities markets. The Forum meetings focus on strategic policy issues related to public debt management and bond market developments as well as on operational and technical aspects of debt management operations as well as market infrastructure. These two perspectives form an integrated and mutually re-enforcing strategic approach to the design and execution of public debt management policies as well as related policies on bond market development. Another important pillar of the project concerns the 'African Central Government Debt – Statistical Yearbook' and the parallel OECD publication on 'Annual Overview of African public debt management and bond markets policies'. Both pillars are part of the work programme of the new *Centre on African Public Debt Management and Bond Markets*.

The topics for the agenda of the Forum are determined in close consultation with African debt managers, in particular with the members of the *Steering Committee of on African Public Debt Management and Bond Markets* ('Steering Committee' for short). **Chairpersons: Lungisa Fuzile (National Treasury of South Africa) and Hans Blommestein (OECD).**

In addition to the main sessions, an important, operational feature of the workshop is the use of syndicate or break-out groups to motivate discussion and enhance the networking opportunities for participants. Participants will be formed into smaller discussion groups of around 10-15 people, reflecting a diversity of countries and public and private sector perspectives. This year it is envisaged to have more technical discussions in the break-out groups. They complement the general discussion in the plenary sessions. Break-out members will identify what they see as challenges, priorities, and recommended next steps for developing debt management and bond markets in Africa with a view on enhancing debt management capacity and developing bond markets from their country perspective. Recommendations on capacity building (including training) will be part of the proposed work programme of the new *Centre on African Public Debt Management and Bond Markets*. The break-out groups will have facilitators (to assist them in discussing the key issues) and a rapporteur (to present priorities and recommended next steps in the plenary session). **Overall Coordinator: Johan Krynauw, National Treasury of South Africa.**

THIS MEETING IS SPONSORED BY:



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A central objective of the Fifth OECD Forum on African Public Debt Management is to arrive at tangible conclusions, policy priorities, and recommendations regarding the subject of each session. Panellists will address specific topics relevant to each session. Moderators will offer their own perspective on these topics, as well as cross-country examples. In that way, they will assist panellists and workshop participants as a whole, in drawing cross-country linkages and identifying emerging conclusions, priorities, and next steps.

FOR FURTHER INFORMATION

Requests for further information concerning the agenda, including details on how to participate in the Steering Committee can be addressed to the OECD Secretariat.

Questions regarding the local organisation can be addressed to the National Treasury of South Africa.

OECD

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