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MANAGEMENT AND BOND MARKETS**

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3rd Forum on African Debt Management and Bond Markets

**BRIEF OVERVIEW OF WORK PROGRAM ON
AFRICAN DEBT MANAGEMENT AND BOND MARKETS**

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This document is circulated as a background paper to Session No. 3 for the 3rd Forum on African Debt Management and Bond Markets, to be held on December 4-5 2008. Questions concerning this document can be addressed to Hans J. Blommestein, Project Manager (hans.blommestein@oecd.org).

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OECD's Strategy & Support for Developing African Domestic Bond Markets

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**3rd Forum African Public Debt
Management, 4-5 December 2008**

Outline of presentation

- **Key insights from policy discussions at OECD in the past decade**
- **OECD's Response to G8 Survey**
- **OECD Working Methods**
- **OECD Working Methods in Africa**
- **OECD Forum announcement and background studies**

Key insights from policy discussions at OECD

- **Liquid local bond markets are crucial for emerging markets to attain:**
 - **Robust fixed-income markets (and financial stability)**
 - **More efficient financial intermediation, including lowest public borrowing costs**
 - **More successful participation in global financial landscape**
- **Modern public debt management and developing liquid domestic bond markets are mutually reinforcing strategies**
- **Government bond markets support development of corporate bond and other markets**



OECD's Response to G8 Survey (1)

- G8 Action Topic; Strengthening market infrastructure and public debt management in Africa
- The *2007 OECD Forum on African Public Debt Management* and the *2007 Regional Workshop on African Debt Management and Bond Markets* discussed: developing primary and secondary African bond markets; negative impact non-market funding on developing the local-currency bond market. Policy reports with recommendations were agreed-upon.
- The *2008 Regional Workshop on Bond Markets and Public Debt Management* focused on technical aspects of the liquidity debate including market-making obligations, and the architecture and the (future) role of electronic trading platforms. A detailed policy report with recommendations on these technical aspects is under preparation.

OECD's Response to G8 Survey (2)

- G8 Action Topic: Broadening and diversifying the investor base
- OECD launched in 2007 a database project for collection data on African central government debt. Objective: reliable statistical data that can be used for comparative analysis and policy recommendations.
- The new OECD database will give a *comprehensive and detailed* view of African public debt based on the methodology of OECD's "*Central Government Debt: Statistical Yearbook*."



OECD's Response to G8 Survey (3)

- G8 Action Topic: Developing bond markets in less developed countries, particular Sub-Saharan African countries
- In 2007 and 2008, the OECD made further progress in developing local bond markets in Africa within the framework of *The Annual Regional Workshop on African Debt Management and Bond Markets*.
- The agenda for each workshop meeting is being prepared in consultation with a Steering Group of African Debt Managers. The emphasis is on developing *the infrastructure of African bond markets*. Important feature of regional workshop is the use of special break-out sessions (to facilitate the formulation of concrete policy conclusions). Detailed policy reports about technical market infrastructure issues are key output of these OECD-led policy dialogue meetings.

OECD Working Methods (1)

- The OECD-led policy dialogue brings together practitioners from OECD countries and their counter-parts from emerging market economies.
- Effective way of disseminating OECD best practices.
- OECD best practices often function as the global standard
- In practice this dialogue functions often as a peer pressure forum.

OECD Working Methods (2)

- **First, the OECD is well-placed to contribute to the *strategic dimension* of public debt management and bond market development, thereby providing a unifying strategic framework to many TA programmes. Second, African debt managers and policymakers are given efficient and well-structured access to the OECD-led knowledge network of debt managers (notably its Working Party on Debt Management), in particular the leading OECD practices that function de facto as global standards.**

OECD Working Methods (3)

- **Third, OECD has a comparative advantage in collecting structural statistics with a sophisticated methodology to facilitate cross-country comparisons.**
- **Cross-country studies often the source of international best or leading practices**



OECD Working Methods in Africa (1)

- The project has three principal pillars. Pillar 1 (OECD Forums on African Public Debt Management) addresses strategic policy issues with both OECD and African public debt managers. In addition, Forum meetings, organised under the aegis of the OECD Working Party on Debt Management, also function as an efficient clearing house to share and exchange information on the activities by the various international and regional players involved in different aspects of African debt management, including the IMF, World Bank, African Development Bank, NEPAD, MEFMI, WAIFEM and BCEAO/BEAC.



OECD Working Methods in Africa (2)

- Pillar 2 (regional workshops) deals with operational and technical aspects of interacting with and developing *the infrastructure of African bond markets*.
- Both pillars seek to improve the capacity of African policy makers to develop local-currency bond markets, while also bringing African debt managers and policy makers into an efficient and well structured worldwide network of OECD policymakers.



OECD Working Methods in Africa (3)

- A third pillar of the OECD project is a *database project as well as related cross-country studies on public debt management and bond markets in Africa*. There is great demand from in- and outside Africa for reliable information on outstanding government debt as well as more general information on debt management policies and the development of African bond markets. For example, our colleagues from the African Development Bank expressed great interest in this database. The database project will follow the existing OECD methodology of the Statistical Yearbook on Central Government Debt.

OECD background material

- H.J. Blommestein and J. Santiso, “New Strategies for Emerging Domestic Bond Markets in the Global Financial Landscape”, *OECD Development Centre Working Paper 260*, April 2007
- H.J. Blommestein (2005), ed., *Advances in Risk Management of Government Debt*, Paris, OECD
- H.J. Blommestein, G. Greubel and P. Hadebe *Public Debt Management and Bond Markets in Africa*, OECD-National Treasury-BESA (forthcoming)