

INTERNATIONAL MONETARY FUND

Investor Relations Programs—Recent Developments and Issues

Prepared by the International Capital Markets Department¹

In Consultation with Other Departments

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I. INTRODUCTION

1. Both the official and private sectors recognize that prevention is the first line of defense against a financial crisis.² As prevention is a critical element to minimize the incidence and intensity of a financial crisis, it requires countries to put in place sound macroeconomic policies, address structural and balance sheet vulnerabilities, and promote transparency. In this context, prevention aims at enhancing the incentives for investors to make sound investment and lending decisions both in times of normalcy and market volatility. To achieve this, investors have to be able to assess and manage risks, which is possible only if creditors have the necessary information to form judgments and to take actions if and when necessary.
2. Significant progress has been made in promoting transparency in recent years. An investor relations program for investors of sovereign debt instruments (IRP) is an essential tool in this respect. An IRP can help a sovereign address the lack of familiarity among investors of its economic objectives and policies, borrowing plans, and public debt management. An IRP can also provide a sovereign with a forum to conduct a dialogue with investors that offers an opportunity for an exchange of information and views during relatively normal periods, while facilitating communication and understanding when the sovereign is addressing emerging pressures. This dialogue may help reduce a sovereign's vulnerability to adverse shifts in market sentiment, facilitate the sovereign's re-entry into capital markets following a loss of market access, and allow state and municipal governments and public and private domestic enterprises to access capital markets. Such a dialogue can also strengthen the investors' ability to assess and manage risks.
3. In the discussion of "Involving the Private Sector in the Resolution of Financial Crises—Status Report and Standstills: Preliminary Considerations" (EBM/00/127, 9/5/00), Executive Directors emphasized the value to countries that borrow from international capital markets of establishing regular procedures for a dialogue with their private creditors. They called upon Fund staff to follow up on this matter, and to report on progress in this area. A high-level seminar entitled "Investor Relations: A Tool for Crisis Prevention," sponsored by the IMF and the Institute for International Finance (IIF), was held in Washington in November 2001. The seminar aimed at introducing investor relations concepts to officials of Fund member countries. In this context, Fund staff has been encouraging member countries to enhance their dialogue with private creditors.
4. Both member countries and private creditors have also taken steps to improve investor relations. A taskforce of representatives of many central banks and the Centre for Latin American Monetary Studies (CEMLA) compiled the experience of central banks in communication, and established common guidelines for the communications of central

² See International Monetary Fund (2000), and Eichengreen (2002).

banks.³ The IIF has called for a strengthening of investor relations by emerging market countries to facilitate their market access, and has put in place a technical advisory service that for a fee assists countries in their efforts to improve their investor relations.⁴ In the Principles for Stable Capital Flows to Emerging Markets and Fair Restructuring Process now under preparation, a number of countries and private sector representatives have agreed that, because IRPs have emerged as a proven vehicle, emerging market countries should put in place such programs as best practice.

5. Against this background, this paper summarizes recent developments in the establishment of IRPs. It also provides some practical steps in the establishment of such programs that are to serve as the basis of the Fund's technical assistance on IRPs, drawing from the experience of the IRPs of member countries—particularly those of Brazil and Mexico that are widely considered to be among the best—and those of the corporate sector, where investor relations for listed companies are highly developed. The paper relies on a survey of investors, and conversations with market participants in Brazil, France, Germany, Italy, Mexico, the United Kingdom, and the United States.⁵ In discussing these practical steps, the paper also builds on insights from the academic literature and a report of a working group of the Capital Markets Consultative Group (CMCG) that discusses the benefits of establishing an IRP to both countries and investors, and provides guidelines for Fund staff to advise emerging market countries in creating and strengthening their communication strategy with private investors.⁶

6. The paper is organized as follows. Section II summarizes recent developments in the establishment of IRPs. Section III discusses the results of a survey of market participants that use the services of the IRPs of Brazil and Mexico. Section IV focuses on the practical steps for the establishment of an IRP. Specifically, in this context, the IRP's objectives, operational principles, means of communications, and use of investor relations offices are discussed.

³ See CEMLA (2003).

⁴ See IIF (2004).

⁵ Fund staff met with representatives of Ashmore, Banca Intesa, Barclays, BAREP Asset Management (Sogen), BBVA Bancomer, Caboto (Intesa-BCI), Citigroup, Commerzbank, Dekabank, Deutsche Bank, Discovery Capital, DIT (Allianz-PIMCO), Dresdner Bank, DWS, Goldman Sachs, HSBC, IIF, JP Morgan (Mexico), Lazard Freres, Merrill Lynch, Natexis, UBM-Unicredito, and UBS. Fund staff also met with staff of the Bank of England, Bank of Mexico, the Central Bank of Brazil, HM Treasury, the Secretariat of Finance of Mexico, and the World Bank.

⁶ See International Monetary Fund (2001).

II. RECENT DEVELOPMENTS IN THE ESTABLISHMENT OF INVESTOR RELATIONS PROGRAMS

7. **In recent years, countries have become keenly aware of the need to maintain effective relations with investors of sovereign debt instruments.** In this context, both countries and investors agree that an IRP includes a number of elements, which may differ from country to country.⁷ These elements, among others, include:

- dissemination through a website or e-mail of data and information on recent economic performance and policy initiatives;
- establishment of channels (either formal or informal) to answer the questions of investors, and to obtain feedback of their concerns;
- contacts of senior policymakers with investors through meetings, teleconferences and roadshows to discuss issues of mutual interest; and
- coordination among the different government entities in providing information to reduce the lack of familiarity among investors of the economic situation facing a country, while fostering a two-way dialogue.

8. **In this context, countries that access capital markets have taken significant steps to improve their relations with investors of sovereign debt instruments.**⁸ Countries have made substantial strides to disseminate ever more encompassing data, including through their websites—most of which have improved noticeably—and e-mail distribution. In the period marked by an increased focus on investor relations—from early 2001 to mid 2004—countries have made substantial progress in improving their data dissemination and quality standards (Table 1).⁹ In particular,

- The number of countries subscribing to the Special Data Dissemination Standard (SDDS) increased from 47 to 57 countries. All these subscribers now meet the SDDS specifications for the coverage, periodicity and timeliness of the data, and for the dissemination of advance release calendars.

⁷ IIF (2002).

⁸ In an effort to attract foreign direct investment (FDI), many countries—particularly in Eastern Europe and the former Soviet Union, in Africa, and more recently Turkey—have also established other channels for information flow and dialogue. In Ghana, Tanzania and Senegal, for example, these channels include (i) business sector committees; (ii) internationally staffed investor councils; and (iii) the organization of Private Investors for Africa. See World Bank (2002).

⁹ For more information on the IMF's dissemination standards, see <http://dsbb.imf.org>.

- The number of countries participating in the General Data Dissemination System (GDDS) and posting their metadata on the Fund's Dissemination Standards Bulletin Board (DSBB) increased from 20 to 74 countries.
- By August 2004, 38 countries had published the data module of the Reports on the Observance of Standards and Codes (ROSC).

In this context, 21 countries out of the 32 countries included in the JP Morgan's Emerging Markets Global Bond Index (EMBI Global) subscribe to the SDSS, and 7 of the remaining countries in the EMBI Global participate in the GDDS. Of the countries that have published the data modules of the ROSC, 14 are included in the EMBI Global.

9. **Confirming the general trend towards increased transparency, an increasing number of member countries have allowed the publication of their IMF staff reports.** As of July 2004, the publication rate of the country staff reports had reached 76 percent. Among the staff reports published were those of 24 countries included in the EMBI Global.

10. **Many countries have made significant efforts to improve their dialogue with investors.** These countries have demonstrated a clear willingness to meet with investors to discuss issues of mutual interest, and to participate in teleconferences, debt conferences, and roadshows. Market participants note that emerging market countries that have made efforts to improve their dialogue with creditors include Brazil, Czech Republic, Hungary, Indonesia, Korea, Mexico, Romania, South Africa, Turkey, Uruguay, and Venezuela. In addition to some of these countries, other countries considering a new bond issue, including for the first time, have participated actively in roadshows or sought to consult creditors on the possible characteristics of the instruments they are about to issue.¹⁰

11. **Many countries have made considerable efforts to improve their relations with creditors through the establishment of a formal IRP, including in some cases an investor relations office (IRO).** In this context, some countries have put in place a formal IRP based on most of the recommendations of the CMCG report. Among these countries are Korea and Turkey. In Korea, the finance ministry's website provides comprehensive economic and financial data and publications, and reports the sovereign's debt management operations. The finance ministry also makes presentations to investors, ensuring a high participation in these presentations through announcements in the foreign press and press releases. Other countries have established a formal IRP that includes an IRO. The Philippines has joined, among others, Argentina, Brazil, Chile and Mexico as countries that have an IRO.

12. **The number of countries that have opened an IRO, however, remains small.** This may reflect the apparent success of countries' efforts to improve relations with investors through both the dissemination of data and information and engagement of investors, without

¹⁰ International Monetary Fund (2003a, 2003b).

the establishment of a formal office. Market participants note that the substantial progress in data dissemination and quality standards and favorable circumstances in international capital markets in recent years appears to have led both countries and investors to conclude that it is not necessary to establish an IRO. This situation, however, may change over time, as both countries and investors look beyond the initial success of the efforts to improve relations with investors, and if the circumstances in international capital markets become less favorable. Efforts to improve investor relations through the technical assistance of the Fund may also lead to the establishment of additional IROs.

III. SURVEY OF INVESTORS' VIEWS

13. **To get a sense of investors' views on IRPs, Fund staff conducted two surveys of investors that use the services of the IRPs of Brazil and Mexico.** As the IRPs of these countries include the critical elements of IRPs, these surveys offered an opportunity to understand at least to some degree investors' view on the IRPs' overall objectives and their elements. To this end, the Central Bank of Brazil and the Secretariat of Finance of Mexico kindly agreed to let Fund staff conduct these surveys. While Fund staff distributed and processed the survey of market participants that use the services of Brazil's IRP, the Secretariat of Finance of Mexico distributed the survey of market participants who use the services of Mexico's IRP and Fund staff processed the results of the survey. The survey of market participants that use the services of Mexico's IRP took place between March 26 and April 7, 2004, and the survey of market participants that rely on the services of Brazil's IRP took place between March 29 and April 14, 2004.¹¹

14. **The surveys show that investors generally agree that the IRPs of Brazil and Mexico communicate their policy objectives clearly** (Attachments 1 and 2). Investors concur that the IRPs of Brazil and Mexico are a good source of information about macroeconomic policies. They note that Brazil's IRP effectively informs investors of the calendar for the release of macroeconomic and public debt data and the central bank's monetary policy announcements. Investors concur that Mexico's IRP serves as an effective vehicle to make investors aware of the government's debt auctions, debt-service payments, and macroeconomic data releases.

¹¹ Out of the 1550 investors using the services of Mexico's IRP, 80 replied (a response rate of 5.1 percent), and out of the 4068 investors using the services of Brazil's IRP, 256 replied (a response rate of 6.3 percent). The vast majority of respondents in both surveys were institutional investors. In the survey on Mexico's IRP, over half of the respondents were foreign investors, while in the survey on Brazil's IRP, the majority of the respondents were domestic investors. As the questionnaires were submitted to the known universe of investors of securities issued by Mexico and Brazil, the investors that responded may represent the general population of investors (see Cassel (1977), and Barnett (1999)).

15. **Investors in the two surveys agree that:**

- the information provided by the IRPs is generally adequate and timely;
- the statistical publications on main macroeconomic variables at times of stress in international capital markets are either very or extremely relevant;
- the reports, including on economic developments and policy announcements, are generally good or very good; and
- details of the economic program explaining the sequencing of policies under both normal and stressful market circumstances are either very or extremely relevant.

16. **Investors use often the IRPs' websites, and feel comfortable in contacting the IRPs.** They tend to agree that the topics posted in the websites are very useful, and the information they need is easy to find. Investors tend to view positively the availability of the IRPs' staff to answer questions or to provide guidance.

IV. PRACTICAL STEPS IN THE ESTABLISHMENT OF INVESTOR RELATIONS PROGRAMS

A. Objectives

17. **An IRP's objectives, among others, are to:**

- provide key economic and financial information, including objectives, performance, and policies being pursued or under consideration;
- inform the country authorities about the views of investors;
- facilitate a candid and constructive dialogue between the country authorities and investors, and be a trusted and reliable participant in the two-way communication process between the sovereign and investors; and
- seek market feedback on policy stance and proposed policy measures, and, if possible, actively shape market sentiment.

18. **In this context, an IRP aims at establishing the conditions for common knowledge of the data and information on public sector activities that are critical to investors' decisions, while gathering information that is essential for the public sector's operations.**¹² These conditions reduce, if not altogether eliminate, the possibility that some investors may benefit unfairly from possessing information that other investors may not have. Undoubtedly, not all investors are likely to take advantage of these conditions, as some

¹² For a discussion of common knowledge, see Fudenberg and Tirole (1991), Chapter 14.

investors may not have the interest or time to do so, or simply may rely on the views of other market participants. The efforts to establish these conditions, when accompanied by two-way dialogue, help the authorities become aware of investors' views, including the need to take corrective actions if and when the circumstances so require.

19. **Common knowledge of the data and information of the public sector activities may reduce information risk.** Both theory and empirical evidence in the corporate sector show that information risk—a situation where some investors have more information than other investors—gives rise to uncertainty, which in turn leads investors to demand a premium to compensate for this risk.¹³ When investors are in a position to obtain the same information on the financial situation and prospects of corporates, it may be possible to reduce, at times significantly, information risk. This requires a continuous effort to inform the market as new data and information become publicly available.

20. **The IRPs of both Brazil and Mexico demonstrate the practical application of the objectives of an investor relations program.** These IRPs aim at strengthening the relationship of both Brazil and Mexico with investors (both domestic and foreign) so as to promote investment in these countries. The IRPs aim to be the main vehicle for providing information to investors. In light of their direct contacts with public institutions, the IRPs are in a unique situation to provide first-hand information about their countries' economies, including the public sector finances and monetary policy stance. The IRPs also serve as a source of information for both Brazil and Mexico through the feedback provided by investors on issues of concern, which is a critical element to help the authorities make better-informed decisions regarding both market financing operations and policy initiatives. In the case of Mexico, efforts to improve investor relations appear to have had positive results. According to the IIF, this country's investor relations efforts appear to have played a significant role in the relative immunity from contagion enjoyed by Mexico during the Asian crisis in 1997, the Russian crisis in 1998, the Brazilian crisis in 1999, and the Argentine crisis in 2001-02.¹⁴ The IIF notes that market participants report that Mexico has clearly differentiated itself among major emerging market countries.

21. **In line with the results of the surveys, market participants agree that an IRP is beneficial for a country.** In particular, they concur that the data and information disseminated by the IRP are essential to reduce the lack of information about a country, and an IRP is an important vehicle to improve the two-way dialogue between the authorities and investors.

¹³ See Easley, Hvidkjaer, and O'Hara (2002), and O'Hara (2003).

¹⁴ See IIF (2002).

B. Operational Principles

22. **Developing and maintaining a constructive dialogue both in good and bad times can lead to sound relations between the authorities and investors.** To this end, a constructive dialogue relies on principles that require the support, commitment, and active involvement of high-level policymakers.¹⁵ These principles include the following:

- **Openness and transparency.** An IRP's openness and transparency serve a sovereign well in both good and bad times. Openness and transparency allow investors to learn about the factors that drive sovereign risk, while giving countries the opportunity to learn about investors' concerns. They also create goodwill that, in bad times, can result in tolerance and leniency, particularly if accompanied with the adoption of corrective policies.
- **Availability and accessibility.** An IRP needs to make available data and information to all investors simultaneously, while ensuring that its staff is accessible to address investors' inquiries. Availability of key data and information and accessibility of an IRP's officers are a source of comfort to investors, particularly in times of stress.
- **Timeliness.** A timely release of key data and information is essential to help investors assess their investment decisions. This also demonstrates that the authorities are efficient and have clear control over the collection and processing of information. In addition, the faster the release of data and information, the less likely that leaks or rumors occur.
- **Consistency and honesty.** To build and maintain credibility and investor trust, an IRP needs to be consistent in reporting data and information and facilitating a two-way dialogue between a country and investors. An IRP needs to provide information about both positive and negative events, while engaging investors through meetings and other means. An IRP has to avoid altering or hiding data and information that are unfavorable as experience shows that it is difficult to hide negative events for long.
- **Avoidance of surprises.** Investors tend to dislike surprises, particularly when they foreshadow future poor performance. In this context, an IRP can help the sovereign manage market expectations. This may require providing investors with explanations, and even more data and information than usual in times of stress, while indicating the willingness of the sovereign to take corrective action if and when necessary. However, it is likely to be difficult to eliminate the effects on the markets arising from adverse developments.

¹⁵ The principles of an IRP listed herein are based on the guidelines for a corporate-sector IRP prepared by the Amsterdam Institute of Finance (2003).

- **Coordination.** An IRP requires a coordinated effort among different government entities to reduce the lack of familiarity of the country's economic situation, to update investors on recent economic and political developments, and to facilitate a dialogue between country authorities and investors. To ensure that this effort is effective, an IRP may benefit from being supervised by a senior policymaker, who has the authority to coordinate this effort and to oversee communications with investors.

23. **Market participants agree that these are laudable principles.** In particular, they note that an IRP has to:

- Clarify where investors can obtain information that is reliable, non-partisan, and timely. To be most effective, an IRP needs to provide forward-looking information.
- Reassure investors in a rapid and timely manner that lending to them is a safe proposition.
- Signal what factors could affect the investment decisions of investors.

24. **In this context, market participants stress that an IRP needs to make available data and information that gives clarity and comfort as they make their investment decisions.** They note that an IRP needs to ensure that the data and information are published in accordance with a calendar of data releases, and are reliable and up-to-date and presented in an understandable way. They indicate that the IRP may, in some cases, benefit from providing a brief, objective explanation of the published data, while emphasizing that it needs to avoid bland generalities and overoptimistic assessments. The information provided by an IRP has to avoid creating distortions, and needs to change as the circumstances facing the country change.¹⁶

25. **Market participants agree that it is necessary to maintain the flow of information even when news is negative.** There is a recognition that the release of data and information that shows that the sovereign is in difficulty (i.e., unusual or negative news), or pressure in international capital markets, may result in jumps in sovereign debt prices that lead to an increase in volatility.¹⁷ However, most participants agree that an interruption of communication is likely to have a much more detrimental effect on investors' perceptions than clear and precise communication about adverse developments. Most market participants stress that the detrimental effect of news that is negative may be lessened if it is accompanied

¹⁶ Steers (1984) explains ways of how communications may give rise to distortions.

¹⁷ This is consistent with theory and evidence as discussed in Erakker, Johannes, and Polson (2003), Johannes (2004), and Maheu and McCurdy (2004). However, the opposite effect is also conceivable, particularly for countries that are non-transparent, as noted by Gelos and Wei (2002).

by the announcement of corrective measures. Some market participants note the substance of the communication needs to appear as having come from direct contacts with policymakers, but not reflect political objectives, which may give rise to questions about the reliability of the information.

26. **Some market participants note that an IRP needs to have a strategy to address rumors.** Rumors about a sovereign are bound to appear in the course of everyday developments in capital markets. When rumors reflect false data and information and give rise to information risk, an IRP may want to take steps to address these rumors. A possible strategy to address rumors that has yielded positive results for some IRPs is to clarify the issues directly with the market participant responsible for propagating the rumors. An IRP may, alternatively, want to dispel rumors through a public statement, and be prepared to field further questions from key market participants with a view to dispelling these rumors. Some market participants are of the view that an active strategy to deal with rumors may backfire if and when an IRP is not in a position to dispel certain rumors, such as the possible change of a high-level official. In this context, they note that it may be worthwhile for an IRP to have clear guidelines to address rumors.

C. Means of Communication

27. **An IRP has a variety of means to communicate with investors,¹⁸ including:**

- E-mails (and faxes, if and when necessary).
- Websites.
- Responding to individual inquires.
- A one-on-one meeting with a sovereign analyst, asset trader, salesperson, portfolio manager, or group meetings with market participants.
- Roadshows (both nondeal and deal).
- Participation in investors' conferences, for example, those organized by Euroweek.

28. **An IRP needs to take advantage of technological developments to convey data and information, and to conduct a dialogue with investors.** The use of technology provides a means to ensure that no investor is favored in receiving key data and information.¹⁹ To this end, an IRP needs to make use of e-mails and its website to distribute,

¹⁸ See Marcus and Wallace (1997) for a comprehensive list to communicate with investors.

¹⁹ The SEC Regulation FD is very pertinent in this respect. Regulation FD provides that when an issuer discloses material nonpublic information to certain individuals or entities, including securities market professionals that may well trade on the basis of the information,
(continued)

among others, (i) monthly, quarterly, and annual reports of economic and financial information; (ii) economic program both for the year and the medium term; and (iii) the budget. The use of e-mails also provides a way to conduct a dialogue with investors. To be effective, the use of e-mails requires an IRP to maintain as complete a list of investors as possible, which, in light of the relatively high turnover in the financial industry, needs to be updated continuously. To this end, an IRP may want to request investors to update their e-mail address through the internet.

29. **Market participants see the dissemination of data and information through a website as a fundamental responsibility of an IRP.** A website enhances the availability of data and information, promotes efficiency and fair disclosure, and improves access to retail investors.²⁰ An IRP can use a website for a variety of objectives, including:

- A prime means of communication.
- A way to provide equal access to all data and information.
- A means to educate investors about the sovereign, including its economic objectives and the policies put in place to achieve these objectives.
- A source of historical data and policy initiatives, and speeches of the authorities or policy papers on issues that may be of interest to investors.

30. **With respect to its website, an IRP needs to take steps to ensure:**

- **Awareness.** Investors need to be aware of the existence and objectives of the website. An easily recognizable website address is a key consideration in this respect.
- **Usability.** To increase its effectiveness, a website needs to have a well-organized layout and a clear presentational style, while minimizing the wait time. Audio and video web casts need to be used to increase the effectiveness of the website.
- **Navigation.** A website has to be easy to navigate and intuitive to use.
- **Timeliness.** As noted above, information has to be available to all investors simultaneously so as to provide equal access to data and information.
- **Possibility of further contacts.** A website needs to include connections to websites of key public agencies and contact names.

the issuer must make public disclosure of that information. In this way, this regulation aims at promoting full and fair disclosure.

²⁰ See www.irbp.org.

31. **Market participants view meetings between investors and authorities and roadshows as essential to foster two-way communication.** Meetings are also useful as they give investors the chance to see and question policymakers in person, while providing an opportunity for policymakers to learn about investors' concerns. In this context, market participants note that, in making their investment decisions, investors need to meet with the authorities ("look in the eyes") at critical times to make an assessment of their sincerity and credibility, particularly when a country is facing difficulties or is taking corrective measures to address problems. They note that roadshows are an effective means to communicate with investors, particularly at the time of a new bond issue. Communication with the investor base through regular conference calls and monthly updates is viewed as highly desirable.

32. **The IRPs of both Brazil and Mexico aim at providing information through many distribution channels.** In particular, these IRPs rely to different degrees on (i) e-mails; (ii) website; (iii) meetings; (iv) conference calls; and (vi) roadshows. These IRPs send through their e-mails or post in their websites a variety of reports, including on these countries' economic programs, public finances and debt, debt issuance and data releases, in Spanish (in Mexico), Portuguese (in Brazil) and English. Presentations given by senior officials are also found in these IRPs' websites. Statistics on government securities and economic and financial data, including links to the websites of the statistics institutes and other public agencies, are also located on these websites.

D. Investor Relations Offices

33. **An IRO can serve as a vehicle to strengthen an investor relations program.** An IRO can complement a sovereign's efforts to address the lack of familiarity of investors about its particular economic situation by providing a first, formal point of contact for investors. In particular, an IRO can:

- provide an explanation or interpretation of both data and information releases, and answer questions about these releases and other issues;
- facilitate a systematic, two-way dialogue between the authorities and investors, thereby establishing the conditions for a better mutual understanding;
- help raise the authorities' awareness of market concerns; and
- coordinate the many services of the IRP, including by interacting with other government entities such as the press office and investor councils.

34. **Market participants believe that an IRO is a useful vehicle to strengthen relations with investors.** In line with the results of the investor surveys, they praise the IROs of both Brazil and Mexico. However, some market participants note that a less well-known, small sovereign issuer needs to engage investors directly and only at times (for instance, just before issuance) and, therefore, does not need to have in place an IRO. A few market participants see only a limited role for an IRO because major financial institutions have ready

access to government officials, and are able to obtain easily data and information that these institutions disseminate widely. However, other market participants note rightly that this access may allow these institutions to obtain (“private”) data and information that other investors may not have. In addition, investment banks do not cover many small sovereign issuers, which makes it essential for these issuers to provide comprehensive data and information.

Institutional setup

35. **An IRO benefits from being located close to the public debt management office either in the ministry of finance or central bank.** Regardless of where it is located, to convey the official view effectively, the staff of the IRO needs to have access to data and information generated in both the ministry of finance and central bank, while having the ability to interact with senior policymakers in both of these entities. This in no way diminishes the need for an IRO to interact with other government institutions, such as the statistics institute, to obtain data and information that are critical for investors. By way of example, while the IRO in Brazil is in the Department of Economic Policy of the Central Bank (Figure 1), the IRO in Mexico is in the General Directorate of Financial Planning in the Secretariat of Finance (Figure 2).²¹

36. **An IRO may benefit from having a representative office in major financial markets.** A representative office may allow the IRO (i) to monitor developments in international capital markets; (ii) to gauge market sentiment before the placement of an issue in these markets; (iii) to learn about the latest financial innovations; and (iv) to establish close contacts with international investors. To act as an effective liaison between an IRO and international investors, a representative office needs to coordinate carefully its activities with the IRO to ensure consistency in the services provided, including in the dialogue between the country authorities and investors.

37. **In some cases, there is a close but yet distinct relationship between the press relations office (PR) and an IRO.** The PR and IRO need to coordinate their activities because the message of both of these offices has to be consistent. In this context, the PR and IRO benefit from issuing the same press releases. Specialized media tend to cover the international capital markets and have similar needs as investors, who typically prefer a technical evaluation of recent developments and policies. Nevertheless, it is not unusual for an IRO to stand ready to provide more detailed information on request. The relationship of the PR and IRO in Mexico provides a practical example of this type of relationship. While the PR reports all information first, the IRO issues the same information in English for

²¹ In Brazil, the Finance Ministry is setting up its own IRO, as the responsibility for the placement of international sovereign bonds shifted from the central bank to the finance ministry.

international investors shortly thereafter. The IRO then stands ready to provide a technical evaluation of the contents of the press release.

38. **An IRO needs to coordinate its activities with other initiatives put in place to attract FDI, while recognizing that participants in the market for sovereign debt instruments often have a short horizon.** An IRO needs to ensure consistency of message with these initiatives. As investors of sovereign debt instruments tend to have a short, if not day-to-day, horizon because of the effects of changes in sovereign debt prices on their portfolios, an IRO has to focus on providing both data and information frequently and engaging investors regularly. The initiatives put in place to attract FDI need to concentrate on promoting a dialogue between the country authorities and local and international executives on ways to improve the climate for FDI, as well as to work on particular transactions. As the improvement of this climate centers on the identification of the obstacles to FDI and the adoption of structural measures to overcome these obstacles, including in the legal and regulatory framework, the activities of these initiatives have a medium to long horizon, often with little implications for investors of sovereign debt instruments in the short term.

Staffing and budget

39. **The staff of an IRO needs to have a variety of skills.** Principally among these skills are: (i) a thorough knowledge of the sovereign's economic situation; (ii) strong economic or financial expertise; (iii) solid communication skills; and (iv) availability and responsiveness. Market participants agree that the staff of an IRO needs to have a thorough understanding of finance and macroeconomics, direct access to policymakers, and an ability to provide a view of economic, financial and political developments with authority.

40. **The number of staff in an IRO may vary.** Brazil's IRO includes 12 staff, who work in this office full time. Mexico's IRO comprises three staff, who are trained economists with financial market experience. They generally work in the IRO only on a part-time basis, assisting in the formulation of economic policy the rest of the time. The involvement of the IRO's staff in the activities of the Secretariat of Finance facilitates their answers to investors' questions about the authorities' economic program, and the fact that investors are aware of these activities adds credibility to the information provided. During busy periods, the IRO pools staff from other areas of the secretariat.

41. **The cost of running an IRO may not be high.** The main expenses of Brazil's IRO are the compensation of staff, travel, and the cost of the office equipment. In addition to the compensation of the three staff, the main expenses of Mexico's IRO are the costs of telephone calls and approximately five teleconference calls a year, and the maintenance of the website. This IRO does not have a separate budget.

Feedback and evaluation

42. **An effective IRO has to monitor market participants' views to communicate these views to policymakers.** In Brazil, the IRO monitors the views of investors, including on inflation, interest rates and the exchange rate, through weekly investors surveys whose

results are distributed to senior officials and published on its website on Monday mornings. This IRO also undertakes surveys on particular issues ahead of the meetings of the monetary policy committee (“COPOM”). The head of the IRO presents market participants’ views in the meetings of this committee. In Mexico, the IRO tracks the investors’ perceptions of the Mexican economy through a daily report prepared for senior policymakers that summarizes investment bank reports, telephone conversations and e-mail exchanges. The IRO may, at times, prepare notes focusing on specific issues raised by the international financial community. It also organizes meetings between the authorities and market participants. In addition, it undertakes occasional market surveys via its website on what policies or reforms investors see as most important.

43. **To ensure that it is providing adequate services to investors and policymakers, an IRO needs to be subject to an evaluation process.** This can, most importantly, entail benchmarking the activities of the IRO—releases of data and information and efforts to enhance two-way dialogue between the authorities and investors—against the best practices of corporate IROs. Surveys of investors regarding what they think about the IRO’s effectiveness could also be useful. In Mexico, the Secretariat of Finance does not have in place a formal evaluation for the IRO. Nevertheless, it evaluates the IRO on a continuous and informal basis through an assessment of compliance with the IRO’s objectives, and efforts to keep track of investor feedback and suggestions.

Figure 1. Brazil: Institutional Organization of the Investor Relations Office

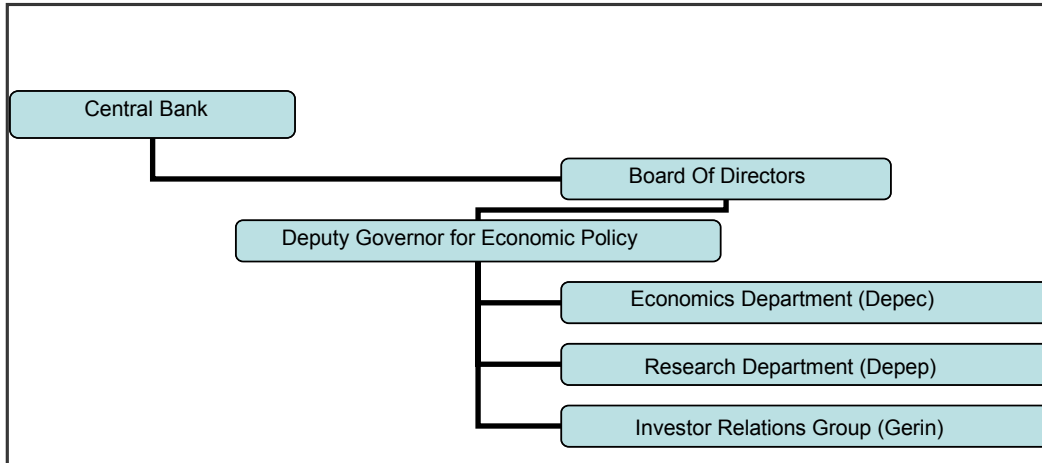
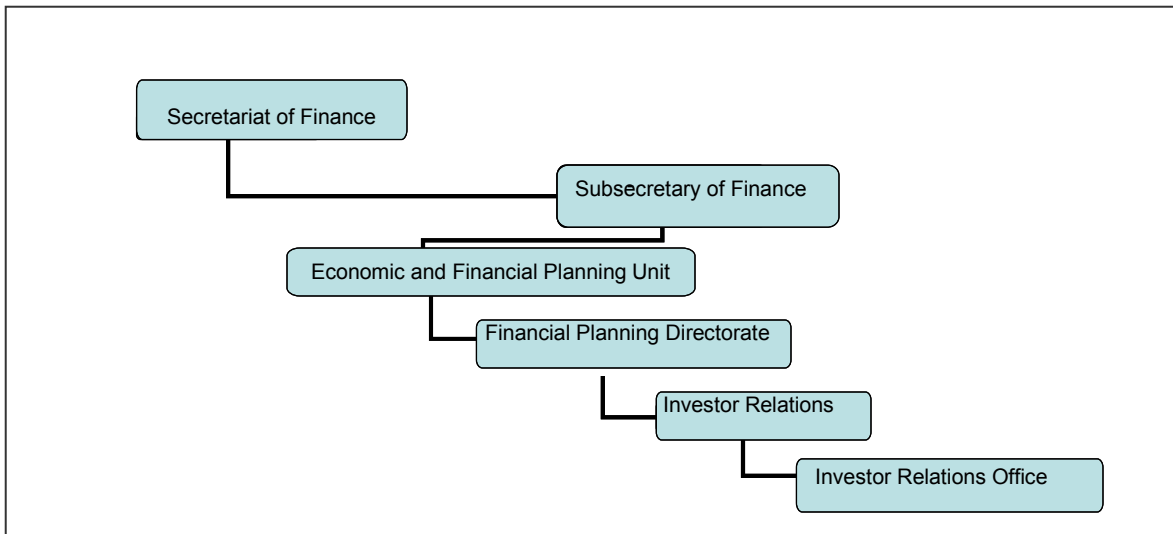


Figure 2. Mexico: Institutional Organization of the Investor Relations Office



**Table 1. Disclosure by EMBI Global Countries
(As of August, 2004)**

Country	SDDS		GDDS	ROSC	Published Staff Report ²²
	Subscription Date	Specifications Date	Date Metadata Posted on the DSBB	Data Module Publication Date	
1) Argentina	Aug. 16, 1996	Nov. 1, 1999			X
2) Brazil	Mar. 14, 2001	Mar. 14, 2001			
3) Bulgaria	Dec. 1, 2003	Dec. 1, 2003		Dec. 2003	X
4) Chile	May 17, 1996	Mar. 30, 2000		July 2001	X
5) China			Apr. 19, 2002		
6) Colombia	May 31, 1996	May 9, 2000			X
7) Cote d'Ivoire			May 22, 2000		X
8) Croatia	May 20, 1996	Mar. 30, 2001			X
9) Dominican Republic					
10) Ecuador	Mar. 27, 1998	July 14, 2000		Mar. 2003	X
11) Egypt					
12) El Salvador	June 5, 1998	Oct. 12, 1999			
13) Hungary	May 24, 1996	Jan. 24, 2000		May, 2001	X
14) Korea	Sept. 20, 1996	Nov. 1, 1999		May 2003	X
15) Lebanon			Jan. 16, 2003		
16) Malaysia	Aug. 21, 1996	Sept. 1, 2000			
17) Mexico	Aug. 13, 1996	June 29, 2000		June 2003	X
18) Morocco				April 2003	X
19) Nigeria			Apr. 29, 2003		X
20) Pakistan			Nov. 17, 2003		X
21) Panama			Dec. 28, 2000		X
22) Peru	Aug. 7, 1996	July 15, 1999		Oct. 2003	X
23) Poland	Apr. 17, 1996	Mar. 2, 2000		Oct. 2003	X
24) Russia				May 2004	X
25) South Africa	Aug. 2, 1996	Sept. 18, 2000		Oct. 2001	X
26) Thailand	Aug. 9, 1996	May 16, 2000			X
27) Philippines	Aug. 5, 1996	Jan. 17, 2001			X
28) Tunisia	June 20, 2001	June 20, 2001			X
29) Turkey	Aug. 8, 1996	July 20, 2001		Mar. 2002	X
30) Ukraine	Jan. 10, 2003	Jan. 10, 2003		Aug. 2003	X
31) Uruguay	Feb. 12, 2004	Feb. 12, 2004		Oct. 2001	X
32) Venezuela			Mar. 29, 2001		

²² Includes countries having published at least one staff report as of July 31, 2004.

Brazil- Survey on Investor Relations Program (IRP)

Please mark the appropriate response with an X or the corresponding number

A. Views on the IRP

	yes	no	Don't Know
1. The Central Bank clearly communicates its policy objectives	203	34	19
2. The investor relations office (IRO) is a good source of information on Central Bank policies	228	9	19
3. Are you aware of regular calendars for			
Macroeconomic and Public Debt Data?	182	57	17
Central Bank's operation announcements?	156	69	31

B. Information Provided through the Investor Relations Office

1. During last year, in 2003, did you consult the authorities' website, even one time?	<input type="checkbox"/>	9	no	<input type="checkbox"/>	237	yes
if YES in 2003, how many times did you consult the website?	71.3	times				
in 2003, how many times did you consult	2.6	times				
the Market Readout Reports?	25.9	times				
the Open Market Operations Weekly Report?	20.4	times				
the Inflation Report?	10.0	times				
the Financial Stability Report?	6.9	times				
the Macroeconomic and Public Debt Data?	21.4	times				
	Very Poor	Poor	Good	Very Good	Excellent	Don't Know
1. In your view, how timely is the information provided?	0	4	87	112	40	13
2. How do you find the disclosure on central bank's policy?	2	19	99	90	29	17
3. How good is the information provided by the IRO	0	0	26	28	7	195
in the Market Readout Reports?	0	7	79	102	47	21
in the Open Market Operations Weekly Report?	0	6	78	94	27	51
in the Inflation Report?	0	8	71	95	52	30
in the Financial Stability Report?	0	10	61	67	23	95
in the Macroeconomic and Public Debt Data?	0	7	64	103	41	41
4. Overall opinion about the press releases?	2	10	103	96	21	24
5. How adequate is the information provided by the IRO?	0	3	101	106	29	17
6. How useful do you find the IRO during						
normal market conditions?	1	4	93	103	42	13
stressful market conditions?	1	39	91	72	29	24
7. For a country seeking to issue a new bond among difficult circumstances in international financial markets, how relevant do you view the following elements?						
	Not at all	Somewhat	Moderately	Very	Extremely	Don't Know
(i) Timely statistical publications on main macroeconomic variables	1	4	25	100	109	17
(ii) A detailed economic program explaining the sequencing of policies	1	2	29	86	123	15
(iii) Projections on gross financing requirement for the year ahead	0	6	23	87	124	16
(iv) Detailed debt issuance plan	1	10	27	84	117	17
8. Suggestions for improvement:						

C. Websites

1. During 2004, have you visited the IRO website?	<input type="checkbox"/>	45	no	<input type="checkbox"/>	191	yes
	Very Poor	Poor	Good	Very Good	Excellent	Don't Know
	1	2	3	4	5	
If Yes, how useful did you find the topics posted?	0	2	64	100	26	64
how easily do you find the information posted?	0	16	81	73	19	67
3. Suggestions for improvement:						

D. Availability of the Investor Relations Office (IRO)

1. Have you ever contacted the IRO, even one time?		158	no	89	yes		
2. During last year, in 2003, how many times did you contact the IRO?		3.3	times				
3. How do you value the availability of the IRO		Very Poor	Poor	Good	Very Good	Excellent	Don't Know
To answer questions?	0	8	39	29	0	180	
To give guidance?	0	12	37	26	0	181	
4. Suggestions for improvement:						
						
						

Name (optional)		
	yes	no
1. Are you part of an institution?	198	58
Or are you a private retail investor?	39	217
2. Are you located in Brasil?	205	51
If not, are you in the U.S.A.?	21	235
In Europe?	17	239

Mexico- Survey on Investor Relations Program (IRP)

Please mark the appropriate response with an X or the corresponding number

A. Views on the IRP

	Yes	No	Don't know
1. The government clearly communicates its policy objectives	62	12	6
2. The Investor relations office (IRO) is a good source of information on the Ministry's policies	74	2	4
3. Are you aware of regular calendars for			
government debt auctions?	64	9	7
government debt service payments?	50	24	6
macroeconomic data releases?	71	6	3
Central Bank operation announcements?	57	14	9

B. Information Provided through the Investor Relations Office

1. During last year, in 2003, did you consult the authorities' website, even one time?		9	no	71	yes		
if YES in 2003, how many times did you consult the website?	43					times	
in 2003, how many times did you consult the							
Monthly Report on Public Finances and Public Debt?	10					times	
Quarterly Report on Public Finances and Public Debt?	6					times	
Annual Economic Program?	5					times	
Macroeconomic and Public Debt Data?	13					times	
		Very Poor	Poor	Good	Very Good	Excellent	Don't Know
1. In your view, how timely is the information provided?	0	0	25	33	19	3	
2. How do you find the disclosure on government's economic policy?	1	6	29	27	15	2	
3. How good is the information provided by the authorities							
in the Monthly Report on Public Finances and Public Debt?	0	2	28	34	8	8	
in the Quarterly Report on Public Finances and Public Debt?	0	2	19	41	12	6	
in the Annual Economic Programs?	0	5	29	31	8	7	
in the Macroeconomic and Public Debt Data?	0	5	25	33	11	6	
4. Overall opinion about the press releases?	0	5	23	37	10	5	
5. How adequate is the information provided by the authorities?	0	2	33	35	5	5	
6. How useful do you find the IRO during							
normal market conditions?	0	2	25	34	15	4	
stressful market conditions?	0	3	27	31	13	6	
7. For a country seeking to issue a new bond among difficult circumstances in international financial markets, how relevant do you view the following elements?							
	Not at all	Somewhat	Moderately	Very	Extremely	Don't Know	
(i) Timely statistical publications on main macroeconomic variables	0	1	4	22	49	4	
(ii) A detailed economic program explaining the sequencing of policies	0	2	2	23	47	6	
(iii) Projections on gross financing requirement for the year ahead	0	0	3	24	49	4	
(iv) Detailed debt issuance plan	0	0	6	22	47	5	
8. Suggestions for improvement:						
						
						

C. Teleconferences and Websites

1. During 2004, have you participated in any of the teleconferences?	<input type="text" value="45"/>	no	<input type="text" value="35"/>	yes		
	Very Poor	Poor	Good	Very Good	Excellent	Don't Know
If Yes, how relevant did you find the topics discussed?	0	5	13	19	2	41
how open are the authorities to answer questions?	0	4	15	15	4	42
2. During 2004, have you visited the IRO website?	<input type="text" value="40"/>	no	<input type="text" value="40"/>	yes		
If Yes, how relevant did you find the topics posted?	0	2	17	24	0	37
how easily do you find the information posted?	1	2	21	17	3	36
3. Suggestions for improvement:						
.....						
.....						

D. Availability of the Investor Relations Office (IRO)

1. Have you ever contacted the IRO, even one time?	<input type="text" value="37"/>	no	<input type="text" value="43"/>	yes		
2. During last year, in 2003, how many times did you contact the IRO?	<input type="text" value="2.2"/>	times				
	Very Poor	Poor	Good	Very Good	Excellent	Don't Know
3. How do you value the availability of the IRO						
To answer questions?	0	1	6	19	15	39
To give guidance?	0	1	6	15	14	44
4. Suggestions for improvement:						
.....						
.....						

Name (optional)		
	yes	no
1. Are you part of an institution?	71	9
Or are you a private retail investor?	1	79
2. Are you located in Mexico?	35	45
If not, are you in the U.S.A.?	30	50
In Europe?	6	74
In another country?	7	73

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