11th IMF Consultations on Managing Sovereign Risk and Public Debt

"Legacy of the Crisis: Long Term Implications for Managing Sovereign Risk, Government Balance Sheets, and Debt Management"

June 22–23, 2011

COEX InterContinental Seoul
159, Samsung-dong, Gangnam-gu, Seoul, Republic of Korea

AGENDA

Tuesday, June 21

19:30 **Welcome Reception and Informal Exchange of Views**

DAY 1—Wednesday, June 22

7:45–8:15 **Coffee and Registration**

8:15–8:45 **Welcome Remarks**

Inaugural Address

8:45–10:45 **Session I:** Recent Macroeconomic and Financial Market Developments: Implications for Debt Management and Debt Markets

This session will provide an overview of the recent macroeconomic, fiscal, and debt capital market developments. Despite improvements in the global economy and progress on the financial stability front, several crisis-related factors remain. Sovereign balance sheets are strained, banking systems are still vulnerable, households' debt burdens remain high, and capital flows to emerging economies are putting pressures on some markets, with a potential for triggering asset bubbles. Additional sources of risk are emerging in the form of geopolitical tensions and increasing inflation pressures. The session will examine how policy makers and debt capital markets are addressing these challenges, what remains to be done, and the implications for sovereign issuers and investors.

10:45–11:15	**Coffee break**

11:15–12:45 **Session II:** Lessons from the Euro Area for Sovereign Issuers and Risk Managers

Despite recent policy measures and the provision of official financial support to countries that have lost market access, sovereign risk within the euro area remains elevated, debt capital markets have not been restored to normalcy yet, and the banking sector remains a source of contingent risk for sovereigns. This session will discuss key lessons from the euro area for other sovereign issuers. The session will examine: (i) the implications for the design of sovereign funding and debt management strategies; (ii) whether resolution and recapitalization plans for the banking sector should be aligned with debt management policies; (iii) how credit rating agencies have affected the price dynamics of government bonds and credit default swaps; (iv) the potential consequences from the introduction of CACs in the euro area sovereign debt post 2013; and (v) whether hidden contingent liabilities understate the extent of sovereign indebtedness and off-balance sheet risks are being correctly identified.

12:45–14:00 **Lunch**

14:00–15:30 **Session III:** Emerging Markets: Improving Sovereign Balance Sheets under New Challenges?

The financial crisis has had a different impact on emerging market (EM) sovereign issuers. Several issuers are confronting challenges that could affect sovereign funding operations and contingent liability management. This session will discuss some of the implications of these developments for EM sovereign debt and balance sheet management, in particular: (i) whether EMs have sufficiently reduced the vulnerability of their debt portfolios; (ii) the extent to which currency and rollover risks are appropriately mitigated to cope with increased volatility of capital flows; (iii) the degree to which debt management can help reduce the likelihood of large calls on foreign exchange reserves; (iv) what can debt managers do about the impact of foreign investors on the composition of sovereign debt; and (v) the role of local currency bond markets in managing funding stress.

15:30–16:00 **Coffee break**

16:00–17:30 **Session IV:** Sovereign Debt as a Risky Asset Class: Investors' Perspectives

The crisis has underscored that there are no absolutely safe sovereigns and that credit analysis is as important as interest rate analysis for many *sovereigns, including many advanced market economies (AM's). This session will address: (i) how sovereign credit risk enters investors' asset allocation strategies; (ii) whether there exists one continuous spectrum of sovereign credits rather than distinct AM and EM sovereigns; (iii) whether there are behavioral differences between private sector and public sector investors in sovereign debt; (iv) the implications of capital flows to EMs; (v) the implications for funding and debt strategies in both AMs and EMs; and (vi) whether specific debt instruments should be targeted at particular categories of investors.*

18:30–20:00 **Dinner**

DAY 2—Thursday, June 23

8:15–9:45 **Session V**: New Developments in the International Architecture for Managing Sovereign Risk and Public Debt

The crisis has highlighted the need for strengthening sovereign risk analysis, debt data systems, and improved communication as well as disclosure on sovereign debt portfolios. Some important information gaps have surfaced, including on ownership of government securities, currency composition, and basic features of sovereign portfolios such as redemption profiles/rollover needs and vulnerabilities to various risks. This session will discuss some of the initiatives underway to improve debt sustainability analysis, management and risk assessment of contingent liabilities, and debt as well as sovereign balance sheet data gaps.

9:45–10:45 **Session VI**: Crisis and Supranational Issuers: Are There Lessons for Sovereign Issuers?

The crisis has affected the issuance strategies of emerging and advanced economies in different ways. Multilateral institutions are important issuers in the international capital markets, with the unique profile of being often AAA-rated with strong links to lower-rated borrowers. This session will assess how their issuance strategies and market views have been affected and it will aim to draw important lessons for a wide range of different sovereign issuers.

10:45–11:15 **Coffee Break**

11:15–12:45 ***Session VII:*** Stress Testing of Sovereign Debt Portfolios

The importance of conducting regular stress tests of sovereign debt portfolios was recognized in the Guidelines for Public Debt Management (IMF-World Bank, 2001). The crisis has again highlighted the need for debt managers to *revisit their approach to risk management to encompass a wider set of risk factors, including exposure to financial sector and insurance-type contingent claims. Stress testing provides a flexible and tractable approach, where scenarios are used to assess the sovereign debt portfolio's exposures to an array of risks. This session reviews work done by different Debt Management Offices with the aim of sharing methodological experiences and emphasizing the good principles and practices that should serve as a guide for the risk management of government debt portfolios.*

12:45-13:00 **Wrap-up and next steps**
