WP/20/204

IMF Working Paper

Sovereign Investor Relations: From Principles to Practice

by James Knight and Bill Northfield

INTERNATIONAL MONETARY FUND

 WP/20/204

IMF Working Paper

Monetary and Capital Markets Department

Sovereign Investor Relations: From Principles to Practice

Prepared by James Knight and Bill Northfield

Authorized for distribution by Peter Breuer

September 2020

Abstract

This paper defines sovereign investor relations (IR) and places it in the context of modern debt management theory. It highlights the role that improvements in IR and debt transparency can play in improving the cost-risk tradeoff in debt management, supporting market access and acting as a first line of defense in times of crisis. It sets out a policy framework and institutional arrangements for effective IR, as well as discussing the various practices, publications and strategies that underpin an IR program.

JEL Classification Numbers: G11, G32, H63

Keywords: Public Debt Management, Investor Relations, Government Securities Markets

Author's E-Mail Address: jknight2@imf.org, bnjrconsulting@gmail.com

Contents Page

I. Introduction

What is Investor Relations (IR) and why is it relevant to debt management?[1] While the modern practice of corporate IR can trace its roots to the 1950s and the decision to create a shareholder communication function at General Electric in 1953 (NIRI, 2019), sovereign IR on a formalized basis is a relatively modern phenomenon. While countries have always, in one form or another, interacted with their potential creditors, in recent decades debt managers have borrowed from the world of finance and investment banking to apply the appropriate parts of corporate IR to a sovereign context. In so doing, they recognize the important role that IR can play in enabling them to meet their debt management objective, as discussed in the Revised Guidelines for Public Debt Management (IMF-World Bank, 2014).

Previous work by the IMF (2004) has highlighted the role that effective IR can play as a first line of defense in times of financial crisis and in support of financial stability, which is consistent with the Stockholm Principles for debt management.[2] Recent high-profile sovereign debt crises, including during the Global Financial Crisis and the Covid-19 pandemic, continue to highlight the disproportionate effect that a global crisis can have on an economy and reinforce the need for mitigating debt-related vulnerabilities. In the context of active preventative measures to reduce the impact and severity of crises, IR can minimize information asymmetries that might lead to negative investor perceptions and potential capital outflows. IR has an important role to play in enabling a sovereign's creditors to undertake an effective assessment of the risks involved in lending. Where a country has been through a crisis, issuers have found that IR has a critical role to play in enabling a country to restore market access.

Sovereign IR sits within the broader context of fiscal transparency. While comprehensive and reliable reporting on the state of public finances is critical for fiscal management and public accountability, fiscal transparency is important for establishing the credibility of a country's fiscal plans and supporting market confidence. The IMF's Fiscal Transparency Code (2019) serves as the international standard for fiscal transparency practices.

Parallels can also be drawn with the literature on central bank transparency. Central bank transparency is a vital component of monetary policy, ensuring the effectiveness, autonomy and accountability of central banks. The move towards greater transparency in central banks has been a significant policy shift in recent decades (see for example, Dincer and Eichengreen, (2011 and 2014)). The broader mandate of central banks following the Global

---

[1] For the purposes of this paper, investor relations addresses the financing of the public sector through the contracting of loans and issuance of debt instruments, rather than the financing of private sector investment through investor promotion agencies (IPAs). See IIF (2019, Appendix B) for a discussion on the differences between IR Offices and IPAs.

[2] The Stockholm Principles on managing sovereign risk and high levels of public debt (IMF, 2010) place a strong emphasis on communication, including ongoing dialogue with investors, to identify vulnerabilities, offer instruments that match investors' needs and mitigate funding disruptions.

Financial Crisis has strengthened the case for further central bank transparency and to that end, the IMF (2019) has proposed a new Central Bank Transparency (CBT) framework.

Within debt management, sovereign IR can be seen as part of an overall approach to debt transparency and good governance. Given its focus on communication, effective IR serves not only creditors, but the broader financial sector and allows more detailed scrutiny of debt management policy and borrowing by legislators, the public and the international community. In that context, it is a critical building block to international efforts to strengthen public debt transparency, as set out in IMF-World Bank (2018).

Work on developing sovereign IR and improving transparency has had significant support from the Institute of International Finance (IIF). With a focus on emerging markets, the IIF has developed and implemented a set of 20 criteria for evaluating IR and 23 criteria for evaluating data dissemination practices (reproduced in Annex I). In addition, the IIF's Investor Relations Best Practices (2005) are a useful starting point for country authorities seeking to initiate an IR strategy, that can be read in conjunction with the practices discussed herein.

Significant progress has been made in the implementation of sovereign IR over the last decade. An increased number of sovereigns have developed and implemented IR programs (IRPs), either in the context of their existing institutional arrangements for debt management, or through specialized investor relations offices (IROs). The IIF (2005) defines an IRO as "a one-stop shop through which authorities can provide investors relevant data and information from the diversity of official sources, and investors can access relevant policymakers and provide policy feedback." Institutional arrangements for sovereign IR vary significantly across issuers depending on the level of development of the market and overall institutional arrangements for debt management. Annex I provides five country examples of sovereign IR in practice, setting out organizational arrangements, objectives and practices in Brazil, Indonesia, Mexico, the Russian Federation and Uruguay.

In contributing to literature, this paper seeks to root sovereign IR firmly within the debt management policy framework and translate that into effective IR practices. It considers the definition of sovereign IR and how it enables a government to meet its debt management objective, by establishing an overall IR framework that takes into account the level of institutional capacity and development of an individual country's economy and financial market. In doing so, it discusses in detail those practices that can contribute to effective IR and are integral to delivering the debt management objective of cost-effective financing subject to risk.

Sound IR principles and practices are relevant for debt managers at all stages of market development, including for those without access to public capital markets. They can be applied equally to those issuers contracting private non-marketable instruments (e.g., loans or bilateral credit facilities) or issuing public marketable securities (e.g., domestic Treasury bills and bonds, or Eurobonds). Regardless of the type of investor, or debt contract negotiated, all categories of creditors can be seen as "investors" in the state. While a government will have to tailor its approach to specific types of investor, the general principles and practices herein have relevance for countries regardless of income level and state of market development. For those countries without market access, maintaining communications with a country's main lenders (including multilateral development banks and bilateral creditors) is as important as doing so with holders of debt securities – ensuring engagement and transparency in normal times and during potential crises.

The paper is organized as follows. Section II develops a framework for sovereign IR, including defining it in the context of the debt management objective. Section III looks at the key counterparties within this framework, while Section IV sets out good practices for sovereign IR undertaken in a debt management office (DMO) in detail.[3] Section V draws conclusions and summarizes challenges facing debt managers seeking to implement IRPs.

II. A Framework for Effective Sovereign IR

In developing a coherent framework for sovereign IR, we need to consider its definition, how it fits with a debt management objective, its key principles and those government stakeholders that facilitate the process. In practice we may see the purpose of sovereign IR as providing key economic, financial, and policy information relative to debt management; facilitating two-way dialogue with investors; obtaining market intelligence relevant to debt management; developing and implementing funding strategies and broader financial sector policy.

A. Defining Investor Relations in a Sovereign Context

In order to be able to situate IR in a sovereign debt management context it is necessary to define formally 'sovereign IR'. A reframing of the US-based National Investor Relations Institute's (NIRI) definition of IR is a useful starting point. NIRI defines IR as "a strategic management responsibility that integrates finance, communication, marketing, and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation." It is relatively straightforward to restate this definition in the context of a sovereign as: "A strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a *sovereign*, the financial community, and

[3] For the purposes of this paper, the debt management entity is referred to as a debt management office (DMO), however organized or located. Recognizing that while there are a variety of institutional arrangements for debt management, from a department in the Ministry of Finance, or Central Bank, to a separate debt management office with varying degrees of autonomy, for simplicity the term DMO, or debt manager, shall be used to refer to the debt management entity in a country.

other constituencies, which ultimately contributes to a *country's debt* securities achieving fair valuation."

Likewise, in the context of corporate investor relations, Guimard (2008) posits 'seven keys to successful IR', which we will demonstrate are equally applicable in a sovereign context. These are: clearly defined goals, commitment of management, organizational efficiency, quality information systems, understanding of and compliance with legal obligations, and an ability to anticipate future changes in financial communications.

In essence, IR seeks to achieve a strong form of the Efficient Market Hypothesis (EMH). As Fama (1970:383) argues, "a market in which prices always 'fully reflect' available information is called 'efficient'." Fama defines varying degrees of efficiency (strong, semi-strong and weak) and the practice of IR seeks to push towards strong-form efficiency where all relevant information is available to all market participants and is incorporated into the price of a security.

Defining sovereign IR in this manner makes IR activities consistent with the standard objective for public debt management. As expressed in the Revised Guidelines for Public Debt Management (IMF-World Bank, 2014), the "main objective of public debt management is to ensure that the government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk." Improving communication, with an end-goal of securing effective pricing for government securities and minimizing any uncertainty premium in government bond yields, clearly establishes IR in the context of the debt management objective and the derived policy principles of predictability, transparency and openness that are aimed at ensuring a sovereign can borrow at the lowest possible cost subject to risk (Wheeler, 2004). Sovereign IR should enable investors to develop a better understanding of the authorities' economic policies, debt management objectives and borrowing activities and in time, allow investors to develop an understanding of their reaction function.

In terms of the quantitative benefits of sovereign IR, the academic literature to date has been focused on the benefits of transparency in the context of reducing borrowing costs and broadening the investor base. For example, Gelos and Wei (2005) find a preference for international funds to invest in more transparent markets, while others such as Bernoth and Wolff (2008) and Kemoe and Zhan (2018) find that improved fiscal transparency leads to lower borrowing costs.

In addition to facilitating cost-effective borrowing, sovereign IR can also deliver benefits to the economy more widely. As investors become more familiar with the macroeconomic picture of an economy through their investment in the sovereign, with increased coverage from credit analysts at investment banks and at rating agencies, the increased transparency can generate positive spillover effects for investment in the real sector. This can manifest itself through greater market access for corporates, as well as through potential foreign direct investment (FDI).

With a focus on two-way communication, market intelligence gathered from IR is invaluable in setting a medium-term debt management strategy. Borrowing is most cost effective when there is an alignment between the supply and demand for government securities. By enabling a two-way dialogue between investors and government, a well-designed and implemented IRP can act as an effective feedback mechanism to enable a sovereign to improve the design of its medium-term debt management strategy and its cost-risk tradeoff in debt management.

B. Core Principles for Effective Sovereign IR

Effective IR requires policymakers to ascribe to a set of core principles. In analyzing sovereign IR, IMF (2004) summarizes these as openness and transparency, availability and accessibility, timeliness, consistency and honesty, and avoidance of surprises. These IR principles have a high degree of equivalence with those underpinning modern sovereign debt management strategy, particularly openness, transparency and consistency (or predictability), which are all part of the debt manager's lexicon.

These principles focus on the provision of information by the government and the way in which it acts. Transparency and openness focus on the publication of information and channels of communication with external parties, while predictability and consistency set out the manner in which a government should act in order for stakeholders to develop an understanding and expectation of future behavior—that is, they can develop an understanding of, and anticipate, the way in which a government might react to external events.

While a government may choose to publish only that information it considers relevant, IR is most effective where there is a general commitment to transparency across government. Operating on a presumption in favor of transparency means the effective publication of all government documents and data; a document is only classified for official use if its disclosure would not be in the public interest.[4] Such an approach supports the sharing of information across government, which is key to delivering effective IR. However, openness extends beyond access to information: it includes access to officials and encouraging an open dialogue between them and external stakeholders.

It is important to recognize that IR is not a sole panacea for addressing corruption through opaque borrowing practices. While IR has an important role in improving transparency in debt management, it is important to note its limitations where concerted efforts are made to undertake and hide borrowing. In this instance, improving governance by strengthening the legal and institutional basis for debt management, including establishing a sole borrowing authority, is critical. In addition, a government should have sufficient legal resources

[4] As allowed by law and subject to relevant exemptions for privacy, confidentiality, and security.

available to be able take appropriate advice when entering into any borrowing transaction, and where possible avoid signing contracts containing non-disclosure agreements (NDAs).

An effective IR strategy is built upon a two-way dialogue between government and external stakeholders. Given its focus on communication, IR emphasizes the importance of a two-way conversation with market participants. A government can be highly transparent and have a well-maintained debt management website, publish its debt management strategy, annual borrowing plan and various bulletins, reports and data, but this is purely passive. To maximize the benefits of IR a government has to be proactive. It can do so by providing further explanation and responding to queries (for example in meetings, conferences, by telephone and email), but more actively through formal and informal consultation. Moving from explanation to consultation enables a government to refine its debt management policies in the light of additional information.

Underpinning transparency and openness are the principles of consistency, predictability and accuracy. When communicating with stakeholders a government needs to be consistent; in responding to market events, predictable; in publishing information, accurate and timely. In general, a government needs to be viewed as a reliable counterparty and to make available accurate information on a timely basis in order for investors to make investment decisions. For the purposes of pricing securities, an investor needs to be able to rely on information that it gathers on an economy in its analysis and forecast of future macroeconomic variables to determine its views on the fair value of government securities.

In repurposing the NIRI definition of IR for sovereigns, we have retained within the definition of sovereign IR the notion of "securities law compliance". This is not uncontroversial, because government debt managers are often not regulated or regulated differently to the rest of the financial market (e.g., self-regulated). However, DMOs operate in regulated financial markets and often issue securities whose documentation has to comply with regulatory requirements: either domestic bonds in the sovereign's own jurisdiction or Eurobonds which are subject to the rules of the markets in which securities are sold.[5]

More generally, a DMO should seek to abide by the financial conduct rules that apply to private investors within its jurisdiction. In the context of IR, information on a government's debt management strategy and issuance plans are material nonpublic information until they are published. Such information should be released in a controlled manner and simultaneously, to ensure that individual market participants are not able to transact ahead of others on the basis of their newly acquired knowledge. In addition to the market conduct and regulatory issues such behavior creates, releasing information to one or more parties ahead of

[5] For example, the European Prospectus Directive ((Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC) for bonds sold to investors in the EU.

others creates uncertainty among market participants, which undermines the price formation process, as investors price in an uncertainty premium to the issuer's detriment.

In the context of being consistent and predictable, an IR strategy should be timely. A challenge for an under-resourced debt manager can be the production of information on a regular basis, such as quarterly debt bulletins and statistical reports. An investor should be able to rely on an issuer's publication schedule, which should be designed in light of available resources and staff capacity, emphasizing the need for adequate resourcing.

In order to ensure that a DMO has credibility with investors, the information it produces must also be accurate. Ensuring accuracy in information and data published is critical for building credibility with stakeholders. To improve accuracy, policies and procedures should be established that guide the production of outputs. These procedures should focus on automating the calculation of data where possible to minimize manual errors, and the use of double entry for debt recording systems. In addition, there should be appropriate quality assurance (QA) and formal sign-off of documents and data prior to publication.

Effective audit is necessary to support ongoing accuracy in information that is recorded and published. A debt manager can put in place policies and practices (including targets) to facilitate the recording and provision of accurate data and information.[6] However, these need to be supported by effective internal and external audit – both to ensure that procedures are being followed and to check the accuracy of the information produced.[7]

We summarize the key principles for sovereign IR as follows:

- **Transparency** – the publication of all information, data and decisions relevant to price formation in a suitable format.

- **Accessibility** – the availability of government and its officials to explain information, data and decisions, and to consult on policy and decisions as appropriate.

- **Predictability** – publishing information on a timely basis and engaging in a consistent pattern of behavior that enables external stakeholders to understand the government's reaction function.

- **Accuracy** – producing data and information that is as accurate and comprehensive as possible, supported by procedures and processes to ensure quality.

Finally, the flow of information should be maintained even when news is negative. The release of data and information that shows that the government is in difficulty (i.e., unusual

---

[6] For example, the U.K. Debt Management Office (2019) has an operational target in its business plan, "to ensure that all published data is materially accurate and that all market sensitive announcements are made in a timely manner."

[7] For more information on the audit of debt management, see Intosai (2018).

or unexpected news) may result in increased volatility in prices of government debt. However, an interruption of communication is likely to have a more detrimental effect on investors' perceptions than clear and precise communication about adverse developments. The detrimental effect of negative news may be lessened if it is accompanied by honest explanation and the announcement of corrective measures. When market conditions deteriorate, those issuers that are proactive will distinguish themselves relative to others: a well-designed and executed IRP can help to mitigate potential financing crises and support market access during difficult periods.

C. Institutional Arrangements for IR

The primary role of an IR function is to establish and maintain active and regular contact with investors, creditors, financial intermediaries, credit rating agencies and credit research analysts. Its purpose is to keep these parties appraised of the status of the government's economic and fiscal management, debt portfolio and future financing plans. It is therefore responsible for collecting and coordinating the publication of relevant macroeconomic and financial information, managing a contacts database for interested parties, drafting and distributing regular debt reports and marketing materials which provide a narrative around the data and information, as well as designing and maintaining an investor-focused website. IR practices are discussed in more detail in the following section.

As with the choice of institutional arrangements for debt management, institutional approaches to IRPs vary. Some issuers have chosen to establish a dedicated IRO to undertake IR activities, while others undertake IR activities using staff drawn from existing parts of the DMO. For advanced economies, IR activities have tended to grow organically out of existing debt management functions (see Dooner and McAlister, 2013), while for emerging economies with active financing programs there has been a trend to create standalone IROs, such as those in Brazil, Mexico and Turkey.

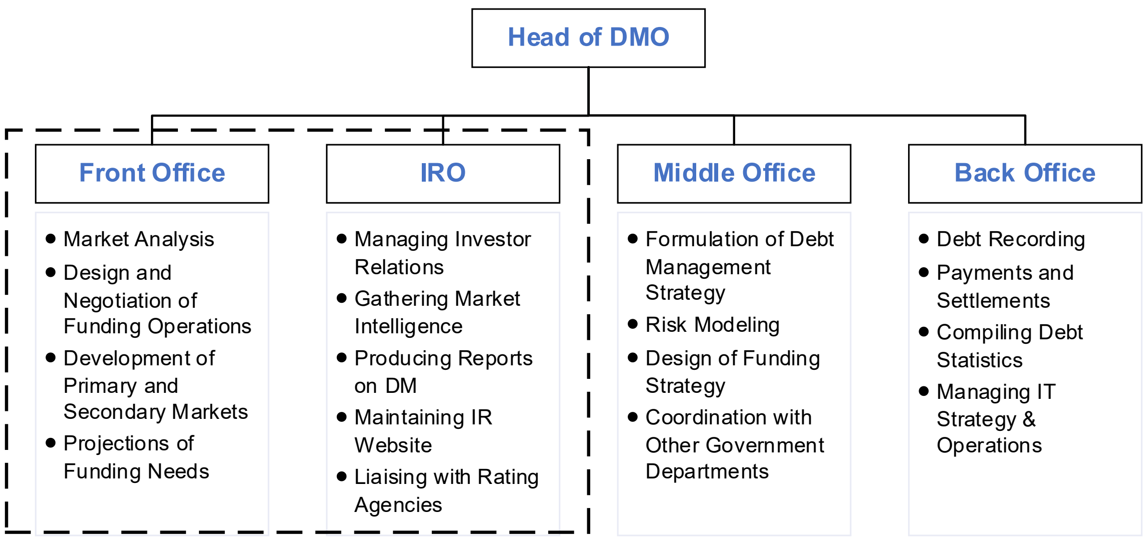
The decision to create a standalone IRO or to develop a more integrated IR function should be determined by the resources available and the anticipated scope of IR activities. The budget of a DMO will be impacted by implementing an IR strategy, subject to the scale and range of activities planned. A standalone IRO may have higher overheads if staff are not fungible with other debt management functions. Box 1 sets out how a standalone IRO might be organized and staffed. Less active and relatively small sovereigns will tend to engage investors less frequently and only at fixed times (for instance prior to issuance) and therefore may not need to establish or maintain a dedicated IRO. As a corollary however, in smaller markets, non-resident banks may not dedicate any resources to covering the government or its markets, and thus responsibility for marketing initiatives rests solely with the DMO. Nevertheless, with marked progress in data dissemination due to the internet, and improved debt reporting, this is not necessarily a pre-condition for a dedicated IRO. In essence, the scale of the IR function should align with the government's debt portfolio and its ambitions to increase or expand its domestic and non-resident investor base.

Box 1. Organizing and Staffing an Investor Relations Office

An IRO should be based within the same department or division as those officials responsible for managing the public debt, regardless of whether debt management is managed within a ministry of finance, central bank or through an independent government agency. Close proximity between the IRO and the rest of the debt management function is necessary to facilitate co-ordination and cooperation between the two, which is essential to sustain accurate, regular and timely communication on the government's debt management activities. The overall number of staff within the IRO is a function of the scale of the government's overall debt portfolio, size of outstanding debt and future borrowing plans.

IROs are often headed by a senior debt manager, who may also be the head of the front office. The senior individual reports to the head of the DMO and oversees the development and implementation of the IR strategy on a daily basis, liaises with senior management contacts across government and manages interaction with external stakeholders. Figure 1 shows how an IRO might fit within a DMO's overall institutional structure – the dashed line highlighting the potential close links and overlap with the front office.

Figure 1. DMO Organogram Including an IRO



Production of bulletins, reports and marketing materials is typically the role of junior IRO staff. Coordination with DMO colleagues and partners across government (e.g., the central bank and national statistics office) will be necessary to gather and frame the required content for the IR publications. These interactions can be managed by junior staff, with final publication and dissemination authorized by the IRO head, after internal approvals and reviews have been conducted. The IRO head should maintain an HR plan for the IRO, to allocate roles and delegate responsibility for performing the work necessary to implement the IR strategy. Job descriptions for IR staff set out IR responsibilities, outlining individual duties within the overall strategy. Supporting cover for key IR roles are identified in advance in the HR plans, to ensure core functions are maintained while individuals are away from the office.

Both senior and junior IR staff should be in regular contact with various partners within government that provide the relevant data, information and statistics the IRO needs for its communications and publications. More active IROs have institutionalized these relationships with regularly scheduled coordination meetings.

The costs of an IRP, whether integrated or delivered through a dedicated IRO, should be a standard line item for inclusion in the DMO's annual budget discussions with central government. Even in circumstances in which an IRP is integrated into the DMO's day-to-day activities, it can substantially increase the workload of the DMO, requiring sufficient budget and staffing to undertake IR activities efficiently. Typical IR-related expenses include staff time dedicated to IR work, initial website design and ongoing management and maintenance, logistical arrangements for international travel for conferences and roadshows, publication and printing costs, and sometimes translation or teleconference services.

In the absence of a formal IRO, implementation and management of an IRP requires integration into the DMO's existing work responsibilities. Job descriptions at the DMO should clearly reflect the location of functional roles across the front, middle and back office, with clear accountability for supporting the IR function. Delivering IR is a year-round process and is often lead by a senior manager in the front office, one of whose responsibilities is to oversee implementation of the IRP. IR functions can be fully integrated into the front office work, with front office team members sharing responsibility for the coordination and production of the IR reports and materials. Implementation of the IR strategy thus becomes a key responsibility for the head of the front office.

In governments with limited needs for active IR strategies, the IRO head may also be the head of the DMO and/or the front office head. Members of the front office teams spend a portion of time on IR matters, with duties being combined for the sake of efficiency. What is important is that the person(s) directly responsible for implementing the IR plan is/are well-positioned and experienced enough to do so. Job descriptions for all staff should reflect their respective assignments within the IR framework. Annual personnel performance assessment reviews should reference staff member's execution of their specific IR duties. The size and scale of the government's debt portfolio and borrowing activity will influence the depth and breadth of resources dedicated specifically to managing the IR strategy.

IR staff need to have the requisite skills to interact professionally with investors and financial intermediaries. Staff responsible for IR delivery will be focused on the dissemination and publication of data, forecasts and information to a range of investors. They must have a variety of skills, including: (i) strong economic and financial expertise; (ii) solid communication skills in English and the domestic language(s); and (iii) appropriate soft skills to interact professionally with a range of counterparts. In particular, IR staff will be expected to develop a personal dialogue with investors, for these discussions provide valuable insights into market sentiment.

The qualifications of staff can be a useful signalling device to market participants. Relations with investors can be supported by IR staff taking and maintaining professional finance qualifications—these can act as a useful signaling tool to external stakeholders regarding their competence. These staff then need to develop an in-depth understanding of the economic position of the country and its economic and financial priorities. Additionally, senior IR staff need to have direct access to policymakers, and an ability to speak with confidence and authority on economic, financial and debt management developments.

A challenge for IR staff is that market participants expect the DMO to communicate on a broad range of topics, several outside its traditional responsibilities. These may range from discussions on central bank monetary operations, conditions in the private financial sector, foreign exchange rate policy or trends in FDI. The DMO will need to act as the central coordinating body for data and managing the narrative on such topics. To do so efficiently, it will be important to obtain senior government approval for IR strategies. This can cement broad government accountability for the transparency and predictability required to deliver IR. Notwithstanding support from the prevailing political party in office, any narrative provided in communications should be apolitical, and enjoy broad support across government.

It is important to highlight the difference between an IR function and a press office. As IIF (2005) notes, a number of countries have considered co-mingling press and IR functions as they involve communicating with external counterparties. However, there is a clear case that the two should be kept separate because they address different audiences, produce different types of content and require different skill sets.

Ensuring the commitment and ongoing support from ministers and senior officials is critical for developing and sustaining an effective IRP. A precursor to the establishment of an IRP is high-level support from ministers and senior officials. Given the number of government agencies and policy makers involved, effective sovereign IR can only be delivered where there is collaboration and data sharing across government.

The three most important counterparts to effective sovereign IR are the Central Bank, the Ministry of Finance and the National Statistics Office. The need to present a comprehensive picture of the economy, the stance of fiscal and monetary policy, relevant statistics, as well as an understanding of the government's debt management policy, requires the involvement of the central bank, the ministry of finance and the statistics office. IR staff need to have access to data and information generated in these institutions, while also having the ability to interact with their senior policymakers.

The provision of information relevant for international financial market participants is facilitated by a country subscribing to the IMF's Special Data Dissemination Standard (SDDS). The SDDS (IMF, 2013) is one of the IMF's Data Dissemination Standards and was established in 1996 to provide guidance for those countries that have, or might seek, access to the international capital markets on how to disseminate key data so that users, particularly financial market participants, have adequate information to assess the economic position of specific countries. For those countries seeking to improve their data quality and statistical systems, the enhanced General Data Dissemination System (e-GDDS) (IMF, 2015) can be a pathway to SDDS subscription. The SDDS Plus, the highest standard of data dissemination, was established in 2012. It builds on the SDDS and aims to include economies that play a leading role in international capital markets and have institutions that are interconnected. The IMF produces Annual Observance Reports of dissemination practices of every SDDS and SDDS Plus country. A number of studies, including Tiffin et. al (2003), Cady (2004), Cady and Pellechio (2006), and Choi and Hashimoto (2017) find that subscribing to the IMF's data standards can reduce issuance spreads for EM sovereigns.

D. The Importance of Good Quality Debt Data

Comprehensive and easily accessible debt data is a precursor to effective IR. Core components of debt management publications are statistics on the country's public debt portfolio. In the absence of well-recorded data, reporting will be inefficient and exhaust staff time that could be dedicated to other activities. To minimize time taken to gather and process information, a debt management recording system should be managed centrally, with DMO staff maintaining debt records in a single database covering all domestic and external debt, and where possible data on contingent liabilities.

In principle, the DMO should endeavor to maintain a complete record of all debt obligations of the general government, but this can be a significant challenge. In practice, most DMOs are responsible for managing central government debt, and do not have a mandate to record or monitor broader general government or public sector debt. In addition, where there is such a mandate, managing the oversight of all of the government's liabilities may not be possible on a timely basis, especially for DMOs with limited capacity. Most demanding can be locating details for liabilities or guarantees contracted by state or local government, state-owned enterprises or contingent liabilities, as traditionally these liabilities would be negotiated by officials outside of the DMO.

When faced with this problem, often what is most reliable is a focus on central government public debt, at least initially. In so doing, the DMO is more likely to ensure it can adhere to a regular calendar of data publications in a timely manner, a factor much valued by investors. If this is the approach taken, the scope of the public debt should be clearly specified, so that the reader will understand the range for which the debt statistics relate, i.e., central government vs. general government debt. The Public Sector Debt Statistics Guide (IMF, 2011) is an invaluable resource for debt managers seeking to record and report on public debt. Credibility of debt data can be improved when the debt manager states publicly that it adheres to international standards in debt recording.

In order to go beyond reporting on central government debt, even greater co-ordination in government, including with state-owned enterprises, is necessary. Where the government engages in on-lending, or provides guarantees, to state-owned entities, it needs to develop effective mechanisms for coordinating and sharing information between the debt manager, SOEs and their parent departments. Expanding the perimeter of public-sector liabilities that are reported can entail a thorough review and analysis of general government operations, extra-budgetary funds, local governments, public agencies, as well as SOEs beyond general government (e.g., public corporations), and the central bank. This will involve engaging with most, if not all, government ministries or departments. Initially, this process is likely be a time-consuming exercise and it could take some time for a DMO to develop the expertise. However, debt reporting is likely to be greatly enhanced if the extent of the government's indebtedness is as comprehensive as possible.[8]

The DMO should consider the accuracy and reliability of data sourced from other parts of the public sector. This should also include the dependability of those partners in delivering data in a timely manner. It may be the case that the DMO is able to produce broader statistics at a lower frequency than those on central government debt given the potential difficulties in obtaining data from other parts of the public sector on a regular basis. Where possible, the integration of data provision through government, including through an Integrated Financial Management Information System (IFMIS) can facilitate the sharing of accurate data.

The ideal end point is for the DMO's debt recording system to include all existing debt instruments and liabilities to ensure accurate and comprehensive debt reporting is available to investors. A debt instrument is defined as a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future. Components of general government debt may include items such as marketable government securities (sold either to domestic or non-resident investors, in either a local or foreign currency), bilateral or concessional loan contracts, social security or state pension programs, government liability for the debts of state and local governments, public corporations or state-owned enterprises, and any accounts payable, guarantees or contingent liabilities agreed within the broader scope of government operations. While securities and loans can be the most straightforward to record, particular care has to be taken to ensure that liabilities arising from other instruments, such as derivatives, are captured accurately in the debt recording system. Where appropriate, advice should be sought from the relevant systems provider to ensure that individual instruments are recorded appropriately.

The debt recording system should be well-suited to debt reporting. Extracting debt data from the system to prepare analytical reports should be straight-forward and not unduly time consuming. Effective debt recording and reporting can be a significant challenge in low and lower-middle countries (as noted in IMF-World Bank, 2018) and this is an area in which governments need to devote greater resources and strengthen capacity with assistance from the IFIs.

[8] Taking such a public sector approach is likely to be beyond the scope of the DMO on its own and should be ideally a broader undertaking of the government. To the extent a government agency is able to do so, it should cover debt and non-debt liabilities (e.g. accrued public sector pensions), as well as government assets, to give a picture of the public sector balance sheet. For further discussion, see IMF (2018).

III. KEY COUNTERPARTIES FOR INVESTOR RELATIONS

Developing and implementing an IRP requires a good understanding of the range of counterparties with whom the DMO should interact on a regular basis, and their underlying motivations and behavior. While a strong relationship with investors underpins IR, the range of stakeholders that an IR function should develop extends beyond domestic and non-resident investors, to include credit ratings agencies, the financial press, a country's legislature, public and the international financial institutions (IFIs). It is important for the DMO to develop a good understanding of each of the different types of counterparty with which it will interact in order to maximize the benefits from its relationship. The DMO should focus on engaging with existing, as well as new counterparties: the role of an IR function is to serve the needs of current investors and other stakeholders, as well as proactively soliciting potential new investors.

A. The Role of Primary Dealers

A Primary Dealer (PD) system can be an important conduit for communication with end-investors. PDs have several roles, one of the most important being to provide intermediation services when government securities are issued, as access to government debt sales is usually restricted if a country has a PD system. In return, the PD has a number of obligations, usually including support for the DMO's IR initiatives, in order to facilitate informed price discovery for sales of the government's debt securities. While performing this function, PDs are well-positioned to gather feedback and market intelligence, which educate the DMO on investor perceptions of the issuer and prevailing risk appetite. PDs should be able to respond to investor requests for information, answering questions about the issuer's fiscal situation and funding plans, directing investors to where information may be obtained and arranging subsequent contact with the DMO where needed. In essence, PDs can extend the reach and visibility of the DMO's IR efforts, potentially increasing the efficiency and productivity of the IR office, enabling staff to focus on the most important concerns raised by investors.

However, a narrow group of dedicated intermediaries, such as Primary Dealers, may undermine the objectivity of intelligence gathered. In less developed markets, banks acting as PDs may also be significant investors in government debt for their own account. Their feedback may be influenced by their own positions. In addition, their role as an intermediary might impair direct access for the government to investor feedback, or DMOs may get complacent by expecting PDs or brokers to be pro-active. The presence of a PD system does not obviate the need for a DMO to engage proactively and directly with end-investors. As bond markets develop, it is important for regulators to ensure proper functional segregation at banks (through the use of Chinese walls) and for DMOs to develop PD systems that create suitable accountability within the system with appropriate privileges and obligations.

PDs nevertheless have a role to play in educating investors about the issuer. DMOs should ask PDs to regularly support their marketing efforts via a range of initiatives, such as hosting one-on-one, or group, investor meetings, arranging roadshows, preparing and distributing an investor presentation, or hosting financial literacy seminars or conference calls. These are explored in greater detail below. A challenge for the DMO is demonstrating even-handedness in sharing opportunities among PDs when there are significant differences in capability among the different institutions.

In managing funding operations, DMOs can benefit greatly from open and ongoing consultations with PDs. DMOs can gather valuable intelligence on investor risk appetite from PDs through feedback provided by investors. This is a key element to help the government make better-informed decisions regarding both market-based financing operations and policy initiatives. PDs perform a critical function in gathering feedback from end-investors and channeling this back to the DMO. By providing a consolidated single point of contact for market intelligence, PDs can help the DMO by condensing and summarizing investors' views and opinions. This increases the efficiency of developing and implementing a debt management strategy by ensuring that it takes into account underlying market conditions.

In smaller markets, without a formal primary dealer framework, more IR work is required of the DMO. This has implications for the efficiency, productivity and budget for the debt management function. In smaller markets, DMOs will need to work harder to develop and sustain relationships with key investors, and actively seek assistance from leading market counterparts in broadening the visibility of the DMO's operations.

B. Domestic versus Non-Resident Investors

Domestic and non-resident investors are traditionally viewed as distinct audiences, but they are not homogenous. While communications with both should be consistent and provide the same information, the frequency, type and scope of contact has to be tailored to each audience. It is important to note that while the terms 'domestic' and 'non-resident' cover two overarching groupings of investors, they are heterogenous: within each set there is a diversity of investors with a variety of investment motives.

The frequency and scale of IR interaction with any part of the investor base should be a function of the government's existing debt stock and its medium-term debt management strategy. If a government is focused on issuing domestically, then resources should be dedicated to developing, strengthening and broadening the domestic investor base. Limited resources should be allocated to international marketing efforts until such time as needed to facilitate entry to international capital markets. However, this does not mean that an issuer's other international counterparts, such as bilateral creditors or concessional finance providers should be ignored. Those relationships must be nurtured and supported with the same level of transparency as provided to the domestic investor base, but dialogue and marketing initiatives may be on a less frequent basis.

Traditionally, domestic investors will focus more on a government's local currency securities issued in the domestic capital market. They will learn about developments in the economy and debt management via local language sources and usually are better informed about the home economy than non-resident investors. With closer proximity to local events, domestic investors may be more experienced in riding out short-term economic or fiscal challenges or political developments.

The banking sector typically dominates the domestic investor base in developing and emerging economies. Banks will usually be the first buyers of government bonds, and will invest for liquidity purposes, including to obtain collateral that can be used with the central bank. As an economy develops, Non-bank Financial Institutions (NBFIs) grow and private pension funds, investment funds and insurance companies (including casualty and life insurance) become potential investors in government securities. Each has its own investment horizon, regulatory requirements and motives for buying and selling government debt. As an IRP develops, it can target each sector of the investor base systematically, and IR staff will have to develop a better understanding of the specific needs and requirements of each.

For a number of developing and emerging countries, non-resident investors are generally likely to focus on an issuer's public foreign currency debt, although some will participate in the domestic bond market.[9] At a high level, these investors are more likely to consume information about the issuer via English-language sources, have greater wariness of headline risk and regional developments, and may be more reluctant about holding investments on a long-term basis. This hesitancy often stems from a less developed understanding of trends in the government or the local or regional economy. In addition to a detailed interest in the macroeconomy, these investors are focused on topics including financial sector stability, central bank foreign exchange reserves, international balance of payments data, or the vulnerability of the domestic economy to external shocks or geo-political trends. Being off-shore, this increases their reliance on online sources and international intermediaries as providers of reliable, objective and timely information on the issuer's economic and fiscal prospects.

The types of non-resident investors participating in the issuer's debt will vary in line with the level of development of the economy and the local currency bond market. A country is likely to first encounter non-resident investors when financing internationally in hard currency. These investors are likely to be large international fund managers with a mandate to invest in developing and emerging markets. Likewise, other types of investment funds, including global macro hedge funds may take an interest in such issuance. As a country's local currency bond market develops, and with it the foreign exchange market and the ability to clear and settle transactions without the need for local counterparties, then the range of international investors is likely to broaden. As with domestic investors, both non-resident banks and NBFIs may seek to invest in the market as well.

---

[9] Defined here as securities issued in local currency and under domestic governing law.

Developing and expanding IR practices to facilitate the sale of securities to non-resident investors can be a valuable strategy for improving the cost and risk trade-off in debt management. Where domestic investment in government bonds is dominated by local banks with short-term investment horizons, diversifying through borrowing from non-resident investors can extend a government's maturity profile, reducing near-term refinancing risk, albeit with greater foreign exchange risk. To facilitate international issuance over the near- to medium-term, a DMO's IR function should reach out to non-resident investors well in advance to lay the groundwork for issuance. In addition, international financial intermediaries will also need to be educated on the credit story developed by the DMO, since they can serve as key partners in raising the visibility of the government's credit story off-shore.

When targeting international investors, authorities should aim to adopt market-based international standards in data transparency. As discussed previously, achieving international debt reporting standards for IR efforts would ensure that non-resident investors receive data and information needed for proper risk assessment, with a comparable level of transparency as found in mature markets. Private sector assessment of debt sustainability requires the availability of considerable data and information. Strengthened data disclosure would be helpful to satisfy prospectus requirements for international bond issuance.

C. The Role of Credit Rating Agencies and International Financial Institutions

A key role for IR staff is actively managing the relationship with Credit Ratings Agencies (CRAs). As an independent third-party opinion and analysis of a sovereign's credit-worthiness, understanding a sovereign's credit rating may be the first step that a non-resident investor takes in evaluating an economy and deciding whether to invest in the government's securities. It is therefore important that IR staff are actively engaged and participate in CRA visits. They should have a good understanding of the processes and procedures that go into the formation of a credit rating and work proactively with CRAs to address their areas of concern, or correct potential misunderstandings that would otherwise feed into their analysis.

The IR function should ensure that the CRA are able to conduct their due diligence as efficiently as possible. IR staff should ensure that the narrative and underlying key economic, fiscal and financial statistics shared with CRAs are consistent with data, information and narrative made public to other stakeholders, such as debt investors. Ensuring consistency and impartial disclosure of information on the country is an important principle for gaining and maintaining credibility. While republishing a CRA's opinions or reports may not be feasible due to copyright, IR staff should have a good understanding of the content of any CRA publication and should be able to respond accurately to related queries from investors.

For those countries without a credit rating, or with minimal coverage by international financial institutions, Article IV consultations undertaken by the IMF can provide valuable information on macroeconomic and debt developments. As part of the range of documents available on a country's economy, investors will look to the Staff Report produced during the consultation, including Debt Sustainability Analysis (DSA) to form a view on the country's economy and whether or not to become a creditor to the government. Authorizing publication of the Staff Report can therefore be an important way to improve understanding of the economy by non-resident investors. As with subscription to data standards such as SDDS, publication of Article IV reports has been shown to be a contribute to lower borrowing costs (e.g. Glennerster and Shin (2003)).

D. Parliament, Public and the Press

An effective IRP can promote fiscal accountability and transparency in debt management. As Awadzi (2015) notes, reporting and public disclosure on debt management should be underpinned by the country's legal framework, with the size of public debt and contingent liabilities reported on and performance of the government's debt strategy monitored and evaluated. [10] While IR is primarily targeted at investors, it can enable and support a government in fulfilling its broader legal requirements around the disclosure of its debt management and borrowing activities to its legislature and the public.

For those countries with retail debt programs, the IRP should also cover the general public. If a retail debt program is the responsibility of the debt manager (and not a separate agency or department), then the IRP should incorporate the development and publication of relevant material for these investors. However, it is important to distinguish between the government's role in providing information on any retail products that it offers to the public and the broader responsibility for financial literacy in the country, which is not the role of the IRO.

As a conduit between the government and the public, the financial and non-specialist press can be a key counterpart for IR professionals, and require them to liaise appropriately with government press officers. IR staff typically deal with investors focused on a country's economic and financial performance and policies, while government press officers usually discuss issues with journalists on political developments or macro policy debates that do not require detailed knowledge of economics or financial markets. However, when government policies are announced that have a potential impact on debt management and financial market issues, IR specialists in the DMO can collaborate with and support the work of the

---

[10] Awazi suggests that such a framework should include: "a. publication of the [medium-term debt management strategy] MTDS on the Government or Ministry of Finance's website, and local newspapers of wide coverage, among others; b. publication of the annual borrowing plan together with the budget; c. periodic public disclosure of the stock and composition of public debt (including loans guaranteed by government) disclosing details such as their currency, maturity profiles and interest rate structure, as well as financial assets of the state in the form of loans made by government; d. maintenance of public debt records including details of all government securities and a schedule of repayment obligations; e. periodic publication of records and accounts of borrowing by other public sector entities (including local government authorities); and f. annual report to Parliament evaluating whether public debt management operations conformed to the MTDS, and the reasons for any variance.

press office in ensuring that any new developments and policies are explained properly to the press to facilitate accurate and factual reporting.

An IRO should also seek to establish and maintain day-to-day relations with information and data vendors. To facilitate the effective dissemination of debt-related announcements and to ensure the accuracy of information on a country's debt instruments, it is useful for an IRO to develop contacts with data vendors (such as Bloomberg and Reuters). While such platforms can capture outright issuance effectively, direct provision of information can ensure that more complicated liability management actions are reflected, including debt buy-backs and switches.

IV. Investor Relations Practices

With an institutional framework in place, putting IR into practice through an IRP requires a formal strategy, suitable channels of communication, and well-designed content for investors. Sovereign IR is founded on a well-developed strategy, with a communications plan that supports a regular schedule of publications, which in turn allows investors to plan their investment strategy effectively. As technology evolves, it should use all means of communications available in order to interact with investors, intermediaries and other relevant stakeholders.

A. A Formal IR Strategy and Communications Plan

An IRP is best undertaken in the context of a formal IR strategy. The objective of the strategy should be to position the DMO's IRP as the government's primary vehicle for the provision of information to investors and other key stakeholders. Developing a strategy should be a collaborative undertaking by the IR function, other parts of the DMO, and relevant government stakeholders (particularly those that will be providing relevant data), taking into account the nature of information valued by investors and external stakeholders. In essence, in preparing the strategy, debt managers should focus on providing relevant data and information to enable investors to make sound investment decisions, price securities effectively and provide reassurance that lending to the sovereign is a safe proposition.

The strategy should be reviewed on a regular basis and can be delivered through a communications plan with a published publication timetable. As a country's underlying macro-economic performance and future policies are constantly evolving, the IR strategy needs to be kept under constant review and revised in the event of major developments. The strategy can be supported by a communications plan which summarizes how the IR function will communicate with investors and the publications and data it will produce, which in turn can be published as a timetable of the publication of information.

B. Managing Contact Information

To enable a DMO to communicate with its investors it needs to have a means and adequate processes to maintain information on investor contacts, which should be updated on a continuous basis. A 'database' of investor contact details serves as a foundation for communication with the market and for the distribution of publications, press releases and reports. Contact details are typically recorded within spreadsheets, although they can be better managed in a suitably designed database. The standard fields for each entry would normally include name, title, company, email and postal address, and telephone number, and ideally one or more additional fields that allows the IR function to record specific information on the contact, such as prior history of investing in the government's securities and the date that the DMO last interacted with an individual or organization.

At a minimum, a contact list should include as much information as is available on current domestic and non-resident investors. The basic coverage of an IR contact list is those domestic and non-resident investors that already participate in the country's debt issuance. In addition, it should also record the details for potential investors met during roadshows, industry conferences or educational seminars. The database may also be used to track and plan pro-active relationship management initiatives, to sustain an investor's understanding of and appreciation for the country's credit. Thereafter the contact list can be expanded to cover those financial institutions with coverage of the country's region or market segment (e.g. EM), as well as relevant contacts in the financial press. The contact list can be supplemented by enabling individuals and companies to add themselves through a suitable electronic form on the relevant debt management website.

A more sophisticated approach to managing contacts would take a Customer Relationship Management (CRM) approach. In the same way in which sovereign IR has been borrowed from corporate finance, the use of CRM theory, processes and software may offer significant benefits, particularly for active borrowers with large outstanding debt portfolios who need to manage relationships with a high number of counterparties. While developing and implementing a CRM software solution may be costly and time consuming, to the extent that it can automate and track contact with individuals and organizations, it may offer significant long-term efficiency benefits.

Underpinning any approach to the storage and management of contacts is compliance with personal data management regulations. Any database that stores personal information must be designed to comply with relevant regulations (e.g., the General Data Protection Regulation (GDPR) in Europe) and staff should be trained to handle personal data in an appropriate manner.

C. Means of Communication and Information Dissemination

An IR strategy should use all means of communication available to convey data and information and conduct dialogue with investors as seamlessly as possible. The advent of the internet and email has made it possible for a DMO to distribute information on a low-cost basis. As such, a debt manager should use email and a dedicated website to share information relevant to debt management. Delivery via email complements the information available on the website, as the electronic delivery of such information involves a pro-active action by the debt managers, rather than waiting for investors to visit the DMO website. Any such publications sent out electronically must also be readily available on the website and accessible at a later date. Given new developments in information technology, consideration should be given to the manner in which a government's investors seek to access relevant information. For example, some DMOs in the Eastern Caribbean Currency Union (ECCU)[11] post debt management updates on the social media pages of the finance ministry, to engage a local audience more reliant on social media for government news and information.

DMOs should also engage directly with investors in person. This can be through bilateral meetings, road shows, conference calls and educational seminars, as well as through participation in industry conferences (as speakers, as well as attendees). These methods of communication are considered in turn. IR staff should be trained appropriately to interact with market participants and assistance from a government's Information Service or Public Relations professionals may provide valuable cross-fertilization of skills and experience.

The Debt Management Website

Market participants see the dissemination of data and information through a website as a fundamental responsibility of a DMO's IR function. A website enhances the availability of data and information, promotes efficiency and fair disclosure, and improves access to retail investors. Website content is one of the most critical components for implementing an IR strategy, since investors expect this platform to provide the single access point for all data, forecasts, presentations, press releases, issuance results and publications related to the government's conduct of debt management and the country's general credit story.

As a debt management website is normally the first point of contact for investors seeking information on the country, due care and attention needs to be placed on managing a website. Data and statistics should be presented in a suitable format (e.g. comma-separated values), to enable investors to download data for analysis, with historical time series data available in an online archive. Current and prior investor presentations, debt bulletins, debt management strategy documents, annual borrowing plans, and issuance results should be available, in addition to voice or video recordings of conference calls with investors and other market participants if possible, and subject to relevant disclaimers. The website should also contain the relevant information and legislation (or suitable links) that set out the legal basis for debt management in the country.

[11] The Eastern Caribbean Currency Union is comprised of the six independent countries of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as the British Overseas Territories of Anguilla and Montserrat.

Box 2. Key Components of an Effective Debt Management Website

Functionality – the website should have a well-organized layout and a clear presentational style. Initial emphasis should be on function over form.

Navigation – easy to navigate and intuitive to use, with clear sign-posting of information to make it easy for users to access a range of information.

Timeliness – information in both English and the country's home language has to be available to all stakeholders simultaneously so as to provide equal access to data, forecasts and information.

Ability to establish contact – a website needs to include a facility to send questions or comments to the debt management team, and to enable viewers to join the mailing list for future publications and press releases. Named IR individuals facilitates contact.

Links to other government entities – it should contain links to websites of other relevant public agencies and contact names.

Access to third-party opinions and analysis – users should be able to find credit rating agency reports and commentary from IFIs, such as the IMF or World Bank.

Comprehensiveness – gaps in the regular delivery and/or visibility of fundamental reports and publications will undermine the website's value and lead to uncertainties about the overall state of the government's commitment to professional debt management.

Where the responsibility for debt management is shared amongst different institutions, information should be aggregated on a single debt management website. The website should be a comprehensive single source of information for those seeking to invest in the government's debt. Information should be aggregated on this website from across government as necessary—otherwise an interested investor has to spend significant time finding all the relevant information they need. The inclusion of relevant links can be an intermediate step, but ideally the website should be as comprehensive as possible in terms of documents and data. A key challenge can be determining which government institution has ownership of the website when debt management functions are undertaken by both the Ministry of Finance and the Central Bank. In this instance it may be more straightforward to establish an independent website to which both parties can contribute.

Consultations and Consultation Meetings

Market consultation is critical to effective debt management. When designing a debt management strategy, or making issuance decisions, a DMO should have a good understanding of the likely demand for its issuance—and it can only do so by consulting proactively with investors. As such, periodic consultations with investors and intermediaries enable debt managers to keep abreast of specific concerns and preferences for issuance. Understanding the nature of the investor base and shifts in investment philosophies enables debt managers to identify potential vulnerabilities and new opportunities, and to offer instruments that better match prevailing investor risk tolerances.

A regular schedule of consultation meetings with end-investors is good practice. Holding regular (e.g., quarterly) consultation meetings with market participants, such as primary dealers, and other investors can be a good disciplining device for the DMO by institutionalizing the process of consultation and providing a framework and regular cycle to which the debt manager has to adhere. For those issuers with lower borrowing requirements, and less frequent issuance, it may be more suitable to meet with investors and intermediaries on a semi-annual or annual basis.

Feedback from market participants can also help to broaden the scope of information that a DMO office provides. Investor queries on specific issues are useful to policy makers to ensure concerns are addressed or that policy decisions are properly understood. Feedback can be channeled back to senior policy makers, and this can create an opportunity for the government to provide better policy explanations and publish further material if necessary.

Debt Management Roadshows and Conference Calls

A roadshow involves senior government officials and debt managers travelling to meet directly with investors and financial intermediaries. This typically happens outside the issuer's home country. The objective of a roadshow is to provide an update on the country's credit outlook and funding strategy. These meetings are 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, investors need to meet with the authorities 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. Participation of senior policy makers during roadshow meetings can be an important means to promote trust between policymakers and investors.

Roadshows typically fall into three categories: (i) deal-related roadshows; (ii) non-deal roadshows; and (iii) reverse roadshows. Deal-related roadshows are undertaken shortly before a specific public benchmark bond issue and provide a detailed updated overview of the borrower and the forthcoming issue in the context of the debt management strategy. Non-deal roadshows are conducted independent of a specific funding operation, providing the audience with an update on the country's economic story and/or key policy development(s) affecting debt management. Both deal-related and non-deal roadshows involve travel to leading financial centers (such as London, New York), where senior debt officials meet investors in group presentations and/or one-on-one meetings coordinated by financial intermediaries or PDs. Such meetings are usually organized by one or a small team of the issuer's banking counterparts and can be conducted over a few days or an entire week. Reverse roadshows provide the same scope for senior officials and debt managers to educate investors on the country, recent developments and future prospects, yet normally, the DMO hosts investors to dedicated presentations in the borrower's home country. Non-resident investors travel to the country, either at the invitation of the government or a financial intermediary, obviating the need for debt management staff to travel.

As with the scale of overall IR activities, the frequency of roadshows is dependent on the scale and scope of IR objectives and the government's funding needs. For less active issuers, an annual roadshow often suffices. However, debt management officials should not wait for a roadshow to actively seek contact with investors. Engaging with investors one-on-one throughout the year (either in person, by telephone, or e-mail) should remain a core strategic objective, complementing roadshow activity. DMOs should proactively request advice from their financial counterparts as to which investors should be targeted for such engagements.

Conference calls (including videoconferencing), conducted by senior members of the debt management team can complement roadshows, or be used as an alternative when travel is limited or infeasible (for example during the Covid-19 pandemic). As with physical roadshows, they enable stakeholders to understand how specific policy and economic developments impact debt management. Such calls should be chaired by senior debt management officials, with senior policy makers attending where relevant. These calls also provide an opportunity for attendees to provide feedback to government officials and further support the DMO's market intelligence gathering.

Conference calls are a useful mechanism for interacting with investors at very short notice, particularly in the event of significant breaking news. While government staff speaking on conference calls need to be well-briefed and prepared in advance, the calls themselves can be organized and executed in a relatively narrow time span, sometimes as short as 48 hours. Timely engagement via conference calls can reassure investors in times of crisis and bolster the reputation of the DMO for delivering proactive, investor-focused, and forward-looking communications in a timely manner.

While less high profile than roadshows, conference calls can be a highly efficient means of communication, although they rely on suitable infrastructure. They have a much smaller time commitment (as typically they last around 60 minutes) than a roadshow. However, high-volume conference calls require suitable telephonic or web conferencing infrastructure (with sufficient bandwidth), and may be coordinated by one of the DMO's financial partners. Relevant information should be provided to investors in advance of any call to facilitate attendance, feedback and questions. Ideally calls should be recorded and uploaded to the DMO's website for replay along with any associated materials presented or discussed.

Conferences and Seminars

Financial sector conferences are a useful means to broaden a government's profile with existing and potential investors. Typically managed by professional conference event coordinators, or major international banks, these conferences usually attract a broad array of participants, including domestic and non-resident debt investors, financial intermediaries, credit research analysts and members of the financial press. Attendance at such events offers debt management professionals opportunities to make numerous new contacts. Attendance can also provide opportunities for staff to meet fellow debt management professionals, offering scope to compare notes on IR strategies and debt management issues. Depending on the type of the conference, there can be scope for an issuer to deliver a keynote address, to participate in a panel discussion, or to have a dedicated session during which the DMO has time to deliver an investor presentation. Attendance at such events provides direct face-to-face access to investors and can help raise the visibility of the DMO's debt management operations considerably. Some conferences facilitate 'speed dating' sessions between governments and investors, where DMO staff can present to a number of investors through a series of relatively short back-to-back bilateral meetings.

In less developed economies, the local investor base may lack sufficient financial literacy to support either the volume of issuance, or the maturity aspirations, of the DMO. For example, domestic retail investors may be more comfortable only investing in short-term bank deposits, in part through the lack of awareness or understanding of investment opportunities in the capital markets. Likewise, institutional investor experience with strategic asset allocation modelling may also be underdeveloped. Raising a country's financial literacy should be a shared concern of the DMO and its partners (such as the banking or brokerage community, securities market regulator, central bank and stock exchange) within a framework of developing the domestic capital markets. The DMO should take the initiative to seek out partners to host seminars for domestic investors, supporting the work of developing the local investor base.

Seminars on debt management can also improve debt management transparency. The DMO can target seminars at members of the legislature, the press and non-financial specialists in government, to improve the awareness of debt management, the government's debt management policies and plans to develop the domestic capital market. Such initiatives can be valuable for increasing awareness of the critical link between the transparency and predictability achievable from an IRP, leading to a fair valuation of the government's securities, and in turn minimizing the cost of borrowing, subject to risk.

D. Debt Management Publications

Debt managers produce a range of publications and reports, and it is important to recognize the value of each for end-investors. Every document or report published is a potential opportunity to market the sovereign to investors. Publications should be organized and presented in a manner that investors will find easy to use and intelligible. Reports should be accompanied by some narrative, for example describing the current level of public debt and discussing cost and risk dynamics within some historical context or providing forward-looking statements on potential changes in the debt portfolio. In general, the IR function should look to move from the standard approach of government reporting, where statistics are reported 'as is' without narrative, to a 'story' created around the countries' developments and prospects, in order to engage with sophisticated investors. Publications should be released in the local language and English simultaneously, so that the domestic investor base does not gain an unfair advantage over non-resident investors.

At a basic level, all publications should be highly reliable, non-partisan and provided on a regular and timely basis. An IR strategy needs to ensure the data and information published is accurate, reliable, up-to-date and presented in an understandable way. Debt bulletins and debt management reports will benefit from providing a brief, objective explanation of the published data, yet (as noted in IMF, 2004) should avoid bland generalities and overoptimistic assessments. The narrative provided has to be factually correct and avoid creating distortions. Many DMOs update debt management reports and investor presentations just after the government's annual budget cycle is approved and published, so that the most-recently agreed economic policies and fiscal plans can achieve broader visibility.

The frequency of publishing various documents and reports varies with the nature of the underlying data and narrative. At a minimum, domestic and non-resident investors expect regular updates on a government's economic, fiscal, and debt management operations. Not all of these topics are covered in debt bulletins published quarterly, and debt management reports published annually. The table below summarizes the core debt management publications and their typical frequency of publication.

Table 1. Key Debt Management Publications

Publication	Frequency
Debt Management Strategy	Annual
Annual Borrowing Plan	Annual
Debt Management Report	Annual
Investor Presentation	Annually/Semi-Annual/Quarterly
Issuance Calendar	Quarterly/Monthly
Debt Statistics Bulletin	Quarterly
Operational Documents	Static - updated as required
Prospectuses	In advance of issuance
Issuance Results	Directly after issuance

In addition to overseeing publications for an external audience, IR staff can facilitate the provision of management information for senior management. The techniques, data and information used to present to external stakeholders can be applied in the development and provision of internal management reports to improve the policy formulation process.

The Debt Management Strategy, Annual Borrowing Plan, and Issuance Calendar

The most critical debt management publication is a country's medium-term debt management strategy. This document sets out how, over the medium term, the government plans to achieve the desired composition of its debt portfolio taking into account its cost and risk preferences and its debt management objective. It is the cornerstone document that the DMO should use to explain its approach to debt management over a three- to five-year horizon. A typical strategy document (IMF-World Bank, 2019) highlights the objective and scope of the debt strategy, the current and expected macroeconomic environment, an analysis of the existing stock of debt, and a discussion of those factors underlying the choice of the government's debt strategy, including key risk factors to be managed in the debt portfolio. It should also include targets for the composition of issuance, or for cost and risk indicators—e.g., setting a target to maintain the average maturity of the debt portfolio at 5 years. The strategy should be revised on an annual basis and may be updated in-year in the event of significantly material shifts in macroeconomic or financial market conditions that invalidate the assumptions made in the strategy. Publication not only increases the accountability of the government debt management function but also aids the financial market by disclosing the criteria used to guide debt management practice, as well as assumptions and trade-offs underlying those criteria.

A debt management strategy should be implemented through a published annual borrowing plan. As discussed in World Bank (2015), it should set in detail how the government plans to implement its strategy in the year ahead. It outlines how the government intends to issue debt over the course of the year, including Treasury bills and bonds, and the timing of issuance in the form of an issuance calendar (which may be firm or indicative). The annual borrowing plan may also include information on other debt management operations that the government may choose to undertake, such as liability management operations in the form of buybacks or debt exchanges. For investors and intermediaries, it is a valuable document as it informs the market of the supply of instruments for the year ahead, potential maturities and timing, which are critical in planning potential investments.

The issuance calendar provides investors with more granular details on forthcoming supply of bonds and bills. While the annual borrowing plan can provide a high-level overview of issuance for the year ahead, an issuance calendar provides specific detail on securities to be issued. As such, issuance calendars tend to be produced much closer to the time at which a government is borrowing – a monthly or quarterly calendar is typical. This document provides the final information necessary for an investor to plan purchases of government securities as it will typically detail the bond or bill to be sold on a specific date, in addition to an expected amount to be sold (or a range).

Investor Presentations, Statistical Bulletins and Annual Debt Reports

Investor presentations are often considered the cornerstone of well-developed IR campaigns. These are presentations that are typically prepared in advance for meetings with investors and should be designed to 'tell a story' about the country. They are expected to bring together, in a single document, a range of data, information, statistics and forecasts for the country's economy and public finances, debt management and funding program. They serve as a written, hard-copy record of the country's economic and financial story and are often a required document for an investor's investment review process.

Investor presentations should be updated at least annually and made available on an issuer's website. Preparations for presenting to CRAs or preparing an annual prospectus can provide IR staff with a library of useful materials from which to craft a narrative for the investor presentation, and also ensures consistency of the information being made public to different stakeholders. A stock presentation on hand makes it straightforward for an issuer to meet with investors and ensures that it delivers a consistent message. For frequent issuers, investors may expect the presentation to be formally updated on a semi-annual or quarterly basis, in response to the pace of borrowings or changes in the underlying macro-economy.

A debt manager should produce a regular statistical bulletin. This bulletin should be relatively short (ideally no more than four pages) and be produced on a quarterly basis. It should provide detailed data on the central (and ideally public) debt stock. In addition, it should include details of the breakdown of the debt portfolio across various dimensions, including by debt type and currency. The report should include a redemption profile and key cost and risk indicators, such as the average maturity of the portfolio and the average cost of debt. Ideally it will incorporate a minimum of two time periods to facilitate comparison, and the data underlying the report should be made available in time series format on the DMO's website.

Every year a DMO should produce an annual report, summarizing its activities. In contrast to the debt strategy, which is generally forward looking, the annual report is a backward-looking document, evaluating the activities of the DMO, including whether borrowing activities were consistent with the strategy, and explaining any divergence. This provides accountability for the debt manager and facilitates investor confidence that the published strategy is being followed.

Operational Documents

Key operational documents should also be published in order for domestic and non-resident investors to understand how the primary and secondary market for government securities functions. The DMO should publish all documents relevant to the functioning of its issuance processes, and how the secondary market works. If another financial infrastructure provider, such as a stock exchange, manages and publishes guidelines and/or operating manuals for primary and secondary market activity, the DMO should ensure that investors are aware of and have access to these documents. This can be achieved by republishing them with permission on the DMO website, or through the use of relevant links.

DMO staff should be sensitive to potential limited investor awareness of how a country's securities markets function, particularly if a DMO is seeking to attract non-resident investors to a domestic capital market. IR staff should incorporate brief outlines on structural issues (e.g., issuance mechanisms and the investment process, arrangements for custody, clearing, payments, taxation and settlement) into other materials published. Raising investor awareness about these factors will increase trust in the integrity and security of trading in a market and ideally broaden a country's investor base.

Broader legal and regulatory information should also be included in publications, and on the debt management website, as appropriate. Information on the legal and regulatory environment should be factored into publications. The presence of securities market regulations that support the integrity of primary market issuance and secondary market liquidity may be taken for granted by the issuer, but domestic and non-resident investors may not be aware of such underpinning factors. Referencing specific laws and regulations by name in core publications, and through links on the DMO's website, will allow investors and intermediaries to access the underlying information and relevant documents quickly.

E. Self-Assessment and IIF Evaluation of Investor Relations Practices

To ensure that the IR strategy is working properly, it should be subject to a periodic evaluation. This can entail benchmarking the IR activities against selected performance criteria—such as the number of new investors participating in debt offerings, the number of new investors met during the time period or the number of requests for data and information—against previous experience and the best practices of other DMOs. Periodic investor surveys requesting feedback on the IR strategy and marketing initiatives can also be useful.

The IIF also undertakes a regular evaluation of sovereign IR and data dissemination practices. A yearly assessment is undertaken, according to 20 criteria for IR (see Annex II) and 23 for data dissemination. The IIF has developed an index framework that allows market participants to better evaluate efforts by authorities to communicate with investors. A weighting system reflects the relative importance of different criteria from an investor perspective. A country's performance is measured against the index, with the summation of the investor relations and data dissemination practices scores on a prioritized basis. A yearly assessment is undertaken, across the two main categories.

The IIF also provides updates to its assessments of investor relations and data transparency and reports innovations in terms of investor relations and data transparency practices in real time through its website. Through periodic updates of its assessments, key borrowing countries are provided a unique opportunity to convey to market participants the efforts that they are making to strengthen their dialogue with investors relative to other countries.

F. The Role of IR in Periods of Distress

IR can offer particular benefits to a government during times of distress. An investor that has a well-established relationship with a government that is open, transparent and communicative, may have a better understanding of its policy reaction function, and be less likely to make knee-jerk investment decisions when a government is faced with difficult economic circumstances, or a financial crisis. To that extent, IR has a role to play in making investors more 'sticky' and help to manage the risk (or slow the flow) of capital outflows in times of crisis. This in turn may help to reduce volatility of funding costs in difficult times and help a government to maintain market access (Box 3 below presents the example of how Indonesia used IR in its response to the Covid-19 pandemic). However, this may not hold when circumstances become particularly difficult, or there is a major crisis, particularly one that results in a major credit rating downgrade of the country from investment to sub-investment grade.[12]

Nevertheless, IR has a critical role to play in helping a government to re-establish market access. When a government has lost access to funding sources, for whatever reason, it has to re-establish relationships with investors in order to begin to finance again. The Euro area crisis demonstrated the significant benefits of IR in re-establishing market access, and case studies of Ireland, Portugal and Cyprus are set out in Annex III drawing on their experiences.

In the event a country has chosen to restructure its debt, IR has a particular role to play. When a country has determined that its debt is no longer sustainable and its only option is to default, the transparency provided by IR is critical in enabling a country's creditors to evaluate the potential impact of the restructuring on their holdings and to facilitate good faith negotiations on a timely basis.

---

[12] Which might trigger investors to automatically re-allocate away from the country due to portfolio investment restrictions.

Box 3. IR as a Crisis Response – Indonesia and Covid-19

As a consequence of the Covid-19 pandemic, which triggered economic and financial uncertainty both domestically and globally, Indonesia increased its IR outreach, proactively engaging with investors and CRAs through conference calls and with the use of videoconferencing applications. These engagements were designed to explain the policies adopted by the authorities in mitigating the impact of the Covid-19 pandemic on public health and the Indonesian economy. The conference calls were led by senior public sector officials, including the Governor of the Central Bank, as well as the Minister of Finance or Vice Minister of Finance.

These investor conference calls were conducted twice weekly during periods of high financial market volatility, thereafter every two weeks as market turmoil reduced. For example, during the period mid-March 2020 to end-July 2020, Indonesia's Investor Relations Unit (IRU) conducted 17 investor conference calls, with numbers ranging from 92‒391 participants from Asia, Europe, and the United States. In comparison, prior to the pandemic, calls were conducted quarterly with 20-50 participants.

The proactive approach helped to reduce information asymmetries, providing transparent and comprehensive explanations from the authorities to investors. The authorities note that these proactive engagements may have indirectly played an important role in easing capital outflow pressures, thereby reducing pressure on the domestic exchange rate during the crisis.

V. Conclusion

While implementing an IRP can be challenging, it can reap dividends. There are a number of significant challenges to implementing an IRP effectively, but if these are overcome and a well-developed strategy is put in place then it can improve the government's ability to borrow cost-effectively, and in particular its ability to access capital markets in times of crisis. In concluding we consider some of the most significant challenges to effective implementation, and how they are best addressed.

It is difficult to deliver effective IR without broad government commitment and cooperation. We have noted the role that various institutions in government play in IR – in the absence of collaboration, it will be difficult for an IRP to aggregate necessary data and present a consolidated picture of the government to investors. To facilitate this cooperation requires ministerial (or higher) support and an institutionalized culture of transparency. However, it can be achieved gradually over time by taking initiatives in specific areas, e.g. improving the collation of information on SOE debt, developing a path towards improved transparency.

IR is not costless, but it can be cost-effective. Delivering an IR program requires financial resources, human capital, IT infrastructure and management time. This will increase the budget required for debt management, and staff will require ongoing training and capacity development. While IR will generate near-term costs, it can be cost-effective if it allows the government to borrow more cheaply (or with lower financing risks) over the long term. However, the relative timing and certainty of costs and potential benefits means that appropriate explanation and analysis of a proposal to create an IRP can be necessary.

Progress in developing and implementing IR may be slow and disheartening for IR staff. Gaining traction with investors takes time and the results may only be visible after a year or two of investing in IRP implementation. DMOs must recognize that this is a long-term commitment, with IR activities becoming a core function of the DMO, integral to the development of government policy through the feedback mechanisms. IR has to be delivered on a structured, rather than ad-hoc basis.

VI. References

Awadzi, E. A., 2015, “Designing Legal Frameworks for Public Debt Management”, IMF Working Paper No. 15/147 (Washington: International Monetary Fund).

Bernoth, K. and B. Wolff, 2008, “Fool the Markets? Creative Accounting, Fiscal Transparency and Sovereign Risk Premia”, *Scottish Journal of Political Economy*, Vol. 55, No. 4, September 2008.

Cady, J., 2004, “Does SDDS Subscription Reduce Borrowing Costs for Emerging Market Economies”, IMF Working Paper 04/58 (Washington: International Monetary Fund).

Cady, J. and A. Pellechio, 2006, “Sovereign Borrowing Cost and the IMF’s Data Standards Initiatives”, IMF Working Paper 06/78 (Washington: International Monetary Fund).

Choi, S. and Y. Hashimoto, 2017, “The Effects of Data Transparency Policy Reforms on Emerging Market Sovereign Bond Spreads”, IMF Working Paper 17/74 (Washington: International Monetary Fund).

Dincer, N. and B. Eichengreen, 2011, “Central Bank Transparency: Causes, Consequences and Updates”, *NBER Working Paper*, No. 14791.

________, 2014, “Central Bank Transparency and Independence: Updates and New Measures”, *International Journal of Central Banking*, Vol. 10(1) (March), pp. 189-259.

Dooner, M. and D. McAlister, 2013, “Investor Relations and Communications: An Overview of Leading Practices in the OECD Area”, *OECD Working Papers on Sovereign Borrowing and Public Debt Management*, No. 6 (Paris: OECD Publishing).

European Stability Mechanism, 2016, “Accessing Sovereign Markets – the Recent Experiences of Ireland, Portugal, Spain and Cyprus”, *Discussion Paper Series*, No. 2 (Luxembourg).

Galos, G. and S.J. Wei, 2005, “Transparency and International Portfolio Holdings”, *Journal of Finance,* Vol. 60 (December), No 6, pp. 2987–3020.

Guimard, A., 2008, *Investor Relations: Principles and International Best Practices of Financial Communications* (London: Palgrave Macmillan).

Institute for International Finance, 2001, *Investor Relations: A Tool for Crisis Prevention* (Washington).

________, 2005, *Strengthened Investor Relations Best Practices* (Washington).

________, 2008, *Investor Relations: An Approach to Effective Communication and Enhanced Transparency. Update of Key Borrowing Countries.* (Washington).

________, 2019, *Principles for Stable Capital Flows and Fair Debt Restructuring* (Washington).

International Monetary Fund, 2004, *Investor Relations Programs – Recent Developments and Issues*, October (Washington: International Monetary Fund).

________, 2010, *Guiding Principles for Managing Sovereign Risk and High Levels of Public Debt*, https://www.imf.org/external/np/mcm/stockholm/principles.htm.

________, 2011, *Public Sector Debt Statistics Guide* (Washington).

________, 2013, *The Special Data Dissemination Standard* (Washington).

________, 2015, *Enhanced General Data Dissemination System – Guide for Participants and Users* (Washington).

________, 2018, Managing Public Wealth. *IMF Fiscal Monitor*, October 2018. (Washington).

________, 2019, Staff Proposal to Update the Monetary and Financial Policies Transparency Code. *IMF Policy Papers*, April 2019. (Washington).

________ and World Bank, 2014, *Revised Guidelines for Public Debt Management* (Washington).

________, 2018, *G20 Note: Improving Public Debt Recording, Monitoring, and Reporting capacity in Low and Lower Middle-income Countries.* (Washington)

________, 2019a, *Developing a Medium-Term Debt Management Strategy Framework (MTDS) – Updated Guidance Note for Country Authorities.* (Washington).

________, 2019b, *Fiscal Transparency Code.* (Washington).

Glennerster, R. and Y. Shin, 2003, “Is Transparency Good for You, and Can the IMF Help?”, IMF Working Paper No. 03/132 (Washington: International Monetary Fund).

Intosai, 2018, *Audit of Public Debt Management: A Handbook for Supreme Audit Institutions*. (Vienna).

Kemoe, L. and Z. Zhan, 2018, “Fiscal Transparency, Borrowing Costs, and Foreign Holdings of Sovereign Debt”, IMF Working Paper No. 18/189 (Washington: International Monetary Fund).

National Investor Relations Institute, 2019, *IR Update,* Spring 2019.

Tiffin, A. J., Mulder, C.B. and Charalambos, C., 2003, "The Link Between Adherence to International Standards of Good Practice, Foreign Exchange Spreads, and Ratings" IMF Working Paper 03/74 (Washington: International Monetary Fund).

UK Debt Management Office, 2019, *Business Plan 2019-20.* (London: UK Debt Management Office).

Wheeler, G., 2004, *Sound Practice in Government Debt Management* (Washington: World Bank).

World Bank, 2015, *Issuance Plan for Government Securities – Guidance Note.* (Washington).

ANNEX I. IR ORGANIZATION AND PRACTICES – COUNTRY EXAMPLES

The IIF evaluates emerging market countries that are active in the international capital markets on the basis of their IR and data transparency practices (as set out in Annex II for IR). We examine five of the countries that had the maximum 'score' according to the IIF's metrics: Brazil, Indonesia, Mexico, the Russian Federation and Uruguay. We look at each of how these countries describe their IR arrangements and practices in turn: while organizational arrangements differ, the approaches and practices of each are similar. [13]

Brazil

Brazil has two institutions responsible for investor relations – the Central Bank and the National Treasury. The Central Bank provides communications on the country's economic and monetary policy, while the Treasury disseminates information about the Federal Public Debt and the Treasury's funding policies. The National Treasury Investor Relations Office (GERIN) was established in 2001 with a focus on maintaining and improving contact with domestic and international investors, with a view to improving transparency and information provision on the management of the public debt, as well as broadening the investor base.

In addition to interfacing with domestic and foreign investors, GERIN communicates with market analysts and rating agencies, with an emphasis on the public debt management and indirectly on fiscal policy. Its main activities are elaborating reports about relevant facts related to the Federal Public Debt and delivering presentations to investors, rating agencies and other players of the domestic and foreign market; maintaining the National Treasury Secretariat website regarding the Federal Public Debt; and organizing periodic meetings and conference calls with main market players.

The financial community also rely on the Investor Relations Group at the Central Bank. The Investor Relations Group was created in April 1999 as part of the monetary policy framework of the new inflation-targeting regime. Its objective is to improve two-way communication between the Central Bank and the private sector (both domestic and foreign), with a special focus on investors, providing information and analysis on various aspects of the Brazilian economy and economic policy.

Indonesia

Indonesia's IRU was formed on the basis of an agreement between the Coordinating Ministry for Economy Affairs, the Ministry of Finance, and Bank Indonesia with an aim to improve the perceptions of investors, rating agencies, creditor countries and international creditor

[13] The material here is a reproduced (in abridged form) from each country's investor relations website, supplemented by additional information provided by the respective countries where available.

institutions on Indonesia's economy. The nature of this agreement has meant that the IRU is able to get adequate support from various government institutions in preparing relevant materials and responding to inquiries in a comprehensive and immediate manner. The IRU is different in its institutional arrangements from a number of others in EM countries because it is not situated in the same department with officials that manage the public debt. However, this arrangement does not hinder its close coordination with Ministry of Finance.

The IRU's objectives are:

- To disseminate the latest economic and financial statistics through regular emails on a subscription basis and through the IRU website. Those registered for the email list online also receive invitations to conference calls and investor presentations;
- To establish direct contact between IRU staff and market participants to address concerns and questions regarding recent economic development and policies; and
- To maintain a website dedicated to providing current macroeconomic statistics and policy information related to fiscal, monetary and debt management policies.

The IRU publishes its investor presentation ("Presentation Book") on its website on a monthly basis, more frequently than a number of other sovereigns. It is one of the IRU's flagship outputs and a regular reference for stakeholders, including investors and CRA analysts. The presentation not only addresses debt management issues but is arranged to cover areas of concern to rating agencies and investors: (i) institutional and governance issues (ii) economic factors; (iii) external factors; (iv) fiscal performance and flexibility; (v) monetary and financial factors; and (vi) infrastructure development. Since June 2020, an additional chapter has been added to update on the authorities' commitment to sustainability and climate change mitigation, in line with the increasing stakeholder concerns about sustainability and climate change.

Investor conference calls are organized on a quarterly basis, open to all investors, with an invitation published online. They are usually held four times per year in February, May, August and November (the same month as the publication of quarterly GDP growth data). Additional conference calls are arranged as necessary to ensure a continuous open dialogue with investors as well as to disseminate Indonesian market updates. Speakers are senior officials from Bank Indonesia and the Ministry of Finance (Fiscal Policy Office and Directorate General of Budget Financing and Risk Management). Calls cover Indonesia's recent economic developments and policy updates (both monetary and fiscal), with a playback recording available online. The call allows investors to convey their concerns, and receive responses directly from senior officials, on economic issues.

Mexico

The Mexican IRO was created within the Mexican Ministry of Finance and Public Credit in 1995 to provide economic and financial information about Mexico to investors. The IRO was created as a result of the perceived increased relevance of enhanced disclosure of economic data, and the needs of investors and analysts to develop a personal and ongoing dialogue with the Mexican financial authorities.

The IRO has the following functions within the Ministry:

- Disclosing information through monthly and quarterly public finance reports;
- Organizing quarterly conference calls to discuss economic perspectives, the situation of public finances and public debt;
- Answers questions from economic analysts and observers (where possible), and facilitating meeting requests from investors;
- Monitoring international and domestic economic and financial variables; and
- Providing daily, weekly and monthly economic and financial information to the Ministry.

The Russian Federation

The IRO of the Ministry of Finance of the Russian Federation is responsible for providing relevant information on the evolution of the Russian fiscal situation, its impact on the economy and sovereign and sub-sovereign debt. In addition a range of data and publications provided via a comprehensive website, the IRO provides the following services:

- Regular meetings of senior officials (Deputy Ministers and Heads of Departments) with portfolio institutional investors (groups and individually);
- Regular meetings of senior officials with portfolio institutional investors on the sidelines of thematic conferences, forums and international events;
- Quarterly meetings with institutional investors;
- Joint (Bank of Russia and Ministry of Finance) ad hoc investor meetings; and
- Answering investor queries and other investors communications via email, phone and other means.

Uruguay

The Debt Management Unit in the Ministry of Economics and Finance is responsible for IR and the communication policy. Beyond the design and execution of the financial plan, the DMU is also responsible for investor relations and the design of communication policies that enhance the credit quality of the Republic and ease the access of investors to information.

Uruguay’s investor relations program promotes a transparent and active engagement and communication between the government and different stakeholders in the financial community (local and foreign investors, banks and other private financial institutions, credit rating agencies, multilateral institutions, market analysts, the media, commercial data providers, think tanks and other countries` debt-management offices). The Ministry of Finance is committed to providing timely, comprehensive, predictable and reliable information and data that can be easily accessed, interpreted and downloaded by the investor community.

In 2007, the Debt Management Unit launched its quarterly Uruguay in Focus Report, aimed at enhancing the investor community's understanding of Uruguay´s macroeconomic and credit profile in a market-friendly format. Two years later, the DMU started publishing the quarterly Sovereign Debt Report, which includes comprehensive statistics on central government debt, risk indicators and updates on the funding program. These reports are circulated to over 4,200 market participants.

More recently, the DMU has further developed its investor relations strategy, taking into account the that fact that investors, credit rating agencies, multilateral institutions and commercial banks are increasingly integrating Environmental, Social and Governance (ESG) factors into their material credit-risk assessments and fixed-income investment strategies. As a consequence, the DMU continues to gather data, insights and knowledge on ESG indicators, to meaningfully engage with the investor community on sustainability issues and impact investing. This includes understanding the approach investors use to assess and manage ESG risks and opportunities in their portfolios, monitoring growth of assets under management from institutions embracing and/or benchmarking ESG investing.

ANNEX II. IIF EVALUATION CRITERIA FOR INVESTOR RELATIONS[14]

1. Presence of institutionalized IR activities

A formal Investor Relations Program (IRP) is characterized by an Investor Relations Office (IRO), designated IR officers, and an IR website. The office may be an independent entity or a department within another financial agency, such as the Ministry of Finance (or Treasury), or Central Bank. Most IROs maintain a separate website; however, in some cases IRO's share a website with another government agency. In some cases a country can have institutionalized IR activities without having a formal IRP. The country must have these functions built into the existing framework of the Central Bank, Ministry of Finance, or government agency responsible for debt management. There must be staff responsible for communication with investors who fulfill these duties and are recognized by investors as reliable and accessible.

2. IR staff identifiable and reachable through website(s)

One or more official websites must contain contact information of at least one individual identified as an IR staff member and available to receive investor questions or comments. The information should be clearly marked and easy to access. The appropriate official may be either a designated IR officer or responsible for investor communications as one of his or her core duties. General information for webmasters or staff listings of those who are not responsible for IR functions does not meet this criterion.

3. Central bank and government agency websites available in English

An IRO website in English is sufficient to meet this criterion. If there is not an IRO website, both the Central Bank and Ministry of Finance (or Treasury) websites must be in English. Ideally, the statistics agency website and other additional government agency websites will be published in English, but it is not a requirement to meet this criterion.

4. Reciprocal links to IRO, Central Bank, and Ministry of Finance websites

Key websites include the IRO, Central Bank, and Ministry of Finance (or Treasury) websites. This criterion is not met if one agency website contains links, but others do not reciprocate. Additional links to government agencies such as the debt management agency or national statistics office are recommended but not required to meet this criterion.

5. Investors able to register for website subscription

Investors can register on the IRO, Central Bank, or Ministry of Finance (or Treasury) website to subscribe to the website and receive relevant information such as data releases, policy information, or notices about roadshows or conference calls on a regular basis via email.

[14] As published in IIF (2019:27-30).

6. Country subscribes to SDDS
The country must subscribe to the IMF's SDDS, which was established by the IMF to guide members that have or that might seek access to international capital markets in the provision of their economic and financial data to the public. The SDDS identifies four dimensions of data dissemination: (1) data coverage, periodicity, and timeliness; (2) access by the public; (3) integrity of the disseminated data; and (4) quality of the disseminated data. For each dimension, the SDDS prescribes two to four monitorable elements—good practices that can be observed, or monitored, by the users of statistics.

7. Effective data transparency of key elements
Country authorities must disseminate key data related to central government operations, central government debt, and external debt in a timely manner. This criterion is directly associated with the performance in the IIF data transparency index. The effectiveness of dissemination has been evaluated on a 3-point scale, with the maximum points awarded to countries with the highest levels of data transparency.

8. Macroeconomic data presented in user-friendly format
To qualify for this criterion, data are presented in a format that can be easily manipulated in Microsoft Excel. Some data should be available in time series. Policy information is provided on one or more websites in a clear, succinct format that delivers the central points that authorities are seeking to convey. Countries must provide data and policy information on one or more websites in English.

9. Historic policy information available
Investors are able to locate recent retrospective policy information for various areas of data per the IMF's SDDS.

10. Forward-looking policy information available
Investors are able to identify the country's economic policy planning through the presentation of comprehensive economic outlook reports for the relevant period. This includes the identification of monetary and fiscal policy objectives, as well as assumptions of the economic variables relevant for the individual country. The presentation of the country's debt management strategy is encouraged but not required to meet this criterion.

11. Structural information available
Information on structural factors (e.g., legal, regulatory, governance frameworks) supported by the data must be available as appropriate.

12. Active investor contact list
Country authorities maintain a list of investors to meet this criterion. Ideally, authorities update and maintain their investor contact lists at least twice annually and the officials from

one or more government agencies should distribute policy and macroeconomic information to the investor list via email at least every two weeks.

13. Web-based communication with investors
Authorities respond to investor queries or concerns via e-mail or via an HTML-based feedback mechanism. To meet this criterion, either a general email box, specific email address or HTML- based form must be provided on the IRO, Central Bank, or Ministry of Finance (or Treasury) websites. Responses should be received within 36 hours to fulfill this criterion.

14. Bilateral meetings with investors
Country authorities conduct bilateral meetings with investors on a regular basis. The meetings may be held domestically or abroad.

15. Non-deal roadshow(s)
Country authorities must conduct one or more non-deal roadshows annually.

16. Investor conference call(s)
Country authorities conduct regular investor conference calls on key economic data and policies at least every quarter. To qualify for this criterion, the call must be public. Investors should be invited via email and/or an announcement on a government agency website. The call should be led by the IRO head and senior department heads, with involvement of senior policymakers such as the Undersecretary of Finance or Deputy Governor of the Central Bank as needed. “Closed” calls, meaning that only a small group of investors is invited and the date and time of the call is not published on the website, do not qualify for this criteria.

17. Archives of investor presentations and/or conference call related materials available on websites
Relevant official websites must contain an archive of materials presented to investors at roadshows, conference calls, or other meetings or seminars. Materials may include conference call replay and associated documents, investor presentations, and transcripts of speeches by key policymakers.

18. Investor feedback reflected in policy decisions
To fulfill this criterion, senior policymakers should have taken market input into account in their policy decisions. This criterion has been assessed on the basis of survey responses by country authorities and does not account for investor perceptions of whether feedback has been reflected in policy decisions.

19. Senior policymakers' participation in IR activities
Participation by senior policymakers (Minister, Central Bank Governor, or one of their deputies) is necessary when appropriate. Increasing involvement of senior policymakers is particularly significant at times of diminishing market confidence. To meet this criterion senior policymakers must be involved in at least two of the following three activities: (1) conference calls, (2) bilateral meetings, and (3) non-deal roadshows.

20. Regular self-assessment of IR activities
Country authorities must conduct regular self-assessments of their IR efforts on an annual basis to identify successes and gaps. The self-assessment may be conducted through a survey distributed to the entire investor base or to a representative sample of the investor base.

ANNEX III. THE ROLE OF INVESTOR RELATIONS IN FACILITATING MARKET ACCESS: THE CASES OF IRELAND, PORTUGAL, AND CYPRUS

During the European sovereign debt crisis (2010–14), three countries that faced particular challenges in financing were Ireland, Portugal, and Cyprus, whose market access was significantly impaired. Each country pro-actively used IR to support its eventual return to the market. The material below is drawn and adapted from country experiences of the crisis as set out in ESM (2016).

Ireland

Ireland withdrew from the financial markets and entered a three-year EU-IMF supported program in 2010. During the period in which it lost market access, the National Treasury Management Agency (NTMA) undertook a range of IR activities which supported Ireland's eventual return to the market.

During its initial preparatory phase for market return, the NTMA undertook to analyze Ireland's potential investor base and identify those investors with a greater risk appetite (i.e. 'credit' and emerging market investors). These investors would be important at the point Ireland initially returned to the market.

Throughout its period of loss of market access, it sought to maintain strong relationships with PDs, which would normally be difficult in a period in which a country was not issuing debt. The NTMA recognized the importance of PD market knowledge, secondary trading role and significant investor connections. By maintaining close relations with them, the PDs remained engaged with the NTMA and were prepared when bond issuance restarted. In addition, Ireland maintained a presence in the Euro Commercial Paper (ECP) market, which enabled the NTMA to raise short term money and to stay in contact with PDs and market participants.

Ireland undertook its first non-deal roadshows in May and June 2011 (despite reservations from some PD), which helped the NTMA to find some new investors that helped the authorities' market recovery. After this point, the NTMA covered each main investor center in North America and Europe twice annually and visited Asia and the Middle East at least once. In addition, the NTMA sought to communicate to market participants in a systematic way through non-deal roadshows and reverse roadshows, conference calls and email updates.

When communicating with the market, Ireland sought to present a consistent and realistic message, and to outline its path to recovery, building on the track record that it developed under the program, taking into account its banking reforms and fiscal consolidation.

Now that it has re-established market access, the NTMA continues with its investor relations program, undertaking regular visits to the U.K., U.S., Asia, and continental Europe.

In summary, its return to the primary debt markets involved a concentrated effort in terms of investor engagement, supplemented by communication with government and internal stakeholders on the needs of market participants, and dialogue through all phases with external investors and rating agencies.

Portugal

Following Greece and Ireland in 2010, Portugal requested economic and financial assistance from EU institutions and the IMF in April 2011, with a 3-year program (including a financing package of €78 billion, which would cover the Portugal's borrowing needs until September 2013).

One of the core pillars of Portugal's exit strategy, to secure stable access to international financial markets at affordable rates, was to maintain close relationships and transparent communications with market participants. To do so, it would seek to provide comprehensive information on the Portuguese economy and debt management strategy, in order to regain the confidence of investors and broaden the overall investor base.

Portugal's exit from its Program was scheduled for Q2 2014, and Portugal started to prepare for regaining full market access. Its investor base had changed significantly as a consequence of its change in credit rating, in particular the fact that it was now no longer rated Investment Grade by the three main CRAs. As a consequence, its more traditional investors, pension funds and insurance companies had exited the market, with new investors, including US hedge funds, now active participants.

During its program, the Portuguese authorities embarked on a number of marketing actions directed at the traditional European investors, but perhaps more interestingly, directed at those in the UK and US. As some of these investors were more familiar with program adjustment processes in other jurisdictions outside the euro area, they were therefore in a better position to assess the success of the Portuguese program.

The effect of the authorities work, in conjunction with its economic story, was to widen its investor base, allowing the authorities to undertake a number of successful transactions, including a 10-year USD issue for USD 4.5 billion (the largest USD issue by a European sovereign at the 10-year maturity point) as well as new syndicated issuance at longer maturities, including a new 15-year benchmark (in September 2014), and a new dual tranche syndicated deal for new 10- and 30-year bonds (in January 2015), the first 30-year issuance since 2006.

An interesting feature of the Portuguese case is that the number of PDs actually increased since the crisis began. During this period, the authorities made several changes to the terms of PD appraisal, including a stronger emphasis on their role in broadening the investor base.

Cyprus

The Republic of Cyprus lost market access in early June 2011 and re-accessed markets with a syndicated issue in June 2014.

Prior to the crisis, Cyprus's IR activities were limited and not based on a continuous objective-based strategy. The crisis prompted a more proactive approach to IR, with a specific strategy put in place, and a continuous effort was made to reach out to the investor community through direct meetings and discussions with investors, as well as through the regular publication of data and information. In particular, Cyprus engaged in a number of non-deal roadshows in order to continuously update investors and to be ready to take advantage of favorable market conditions; non-deal roadshows also became broader in scope, both in terms of geographical coverage and by investor type. In parallel, Cyprus participated in conferences and adopted an open policy of encouraging potential investors to reach out with queries, to which it responded quickly and efficiently.

In order to rebuild market confidence, the authorities made a significant effort to educate investors about the actual economic situation in Cyprus, building a culture of transparency and credibility by providing data on a regular basis, and promoting a culture of delivering results based on commitments under the economic adjustment program. Meeting (and surpassing) targets under its program generated significant goodwill with investors. The first and most important goal was to restore investors' confidence by fulfilling program commitments and by being transparent and reliable: the ability to swiftly implement measures to remedy macroeconomic and fiscal problems is very important for convincing investors to remain active in a sovereign market during a crisis. Above all, this meant taking a path of sustainable economic policies safeguarding long-term fiscal sustainability. As the years progressed, and with the successful exit of Cyprus from its program in March 2016, the authorities shifted their focus from not just assuring investors of good economic performance, but also emphasizing the ongoing commitment of the country to sound fiscal and economic policies.

While the low credit rating of Cyprus during the crisis (non-investment grade) hindered certain investors from investing in Cypriot debt, the authorities found that the most important factor in the context of the credit ratings was the trend in improvement and the prospects reflected in the outlook assigned by CRAs. This placed significant importance on the outlook being positive or stable. A negative outlook assigned to non-investment grade ratings can be a major obstacle in restoring sustainable market access.

Since the crisis, the DMO has formally appointed (solicited) all four CRAs that are utilized by the European Central Bank, and also maintains informal relations (unsolicited) with other agencies. As with investors, there has been an emphasis on maintaining regular contact with the CRAs, including the provision of credible and timely information, acknowledging that credit ratings are a means through which investor confidence can be strengthened. In the same context, the DMO is the liaison between the Government and the CRAs, acting as a coordinator to facilitate the swift flow of information to them.

From a debt management perspective, it was also important for the authorities to adopt a clear, reliable and transparent medium-term debt management strategy to which the government was committed. This strategy set out effective cost and risk targets over the medium term, including the adoption of a mandatory rule for maintaining a cash buffer which is sufficient to meet Cyprus's financing needs for at least the next 12 months on a rolling basis.

The debt management strategy has been supported by increased visibility of government officials and enhanced contact with international stakeholders by engaging in non-deal roadshows, conference calls and other investor-related events, as well as by the production and distribution of information relevant for bond investors and other creditors. This information has been made readily available and easily accessible to investors through the DMO website and via regular emails to a contact list created for this purpose. In addition, the DMO proactively assists investors with any additional information they might require that is not part of its regular publications, as well as facilitates contact with other government officials. Moreover, the appointment of a bank group by the DMO has been a major factor in improving market communication and increasing the visibility of Cyprus's IR efforts.

Looking forward, the authorities' IR policy is geared towards developing further the potential pool of investors by increasing outreach to a larger number of investors, both geographically and by type. Feedback garnered from these interactions enables the DMO to develop and implement an issuance strategy that takes into account the needs of investors and market developments.