Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

Report on Implementation by the Principles Consultative Group

With Comprehensive Update on Investor Relations Programs and Data Transparency

October 2009

Transparency Cooperation Good Faith Fair Treatment

Report of the Principles Consultative Group (PCG) on Implementation of the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

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The cut-off date for the data used in this report was September 10, 2009.

I. Overview

The past year has been the most difficult period for emerging market (EM) borrowers since the establishment of the Principles in 2004. Cross-border financing flows have been disrupted by the global financial crisis, while emerging markets' export earnings—especially from commodities, but also from other goods and services—have plummeted in the deep worldwide recession. Strains were already emerging by late 2007, but financing conditions worsened dramatically in the fourth quarter of 2008, when the slowing of capital inflows from private creditors was transformed almost overnight into a generalized aversion toward assets with any perceived risk—including claims on emerging markets.

Risk aversion was increased sharply by developments in mature markets, notably the disorderly failure of Lehman Brothers, which was followed by forced merger or government recapitalization of several other large institutions, after losses on sub-prime mortgages and structured products. For emerging markets, the consequence was a shift from inflows of private capital averaging over $400 billion a year in 2006–07, to a significant net outflow between September 2008 and March 2009.

The Principles Consultative Group (PCG)—which includes senior officials from emerging economies, as well as senior bankers and investors—held a number of special meetings aimed at monitoring global capital market developments during the crisis; assessing the impacts on emerging markets; providing them with feedback on policies, prospects, and adjustment needs; and proposing measures to help these countries to weather the storm. The PCG advocated a major augmentation of IMF resources and increased lending by the World Bank and other multilateral development banks, to help support emerging market sovereign and corporate borrowers and enhance market confidence. It also urged that the IMF adopt a new, flexible credit facility to provide temporary liquidity support, on a precautionary basis, to countries with strong policies that had been buffeted by the global financial crisis. Initiatives along these lines were subsequently endorsed by the Group of 20 and implemented by the international financial institutions.

More recently, global bond markets have reopened to some sovereign and high-grade corporate borrowers. In part this appears to reflect the relatively strong performance of emerging market economies, along with the search for profitable lending opportunities to creditworthy borrowers. Since early 2009 growth performance and prospects have been favorable for large emerging economies in Asia and, to a lesser extent, Latin America. With global merchandise and services trade still depressed, the upturn is being led by domestic demand, and fueled to some extent by monetary easing, fiscal stimulus, and easy credit conditions. Nevertheless, there is more differentiation in lending terms than in previous years, reflecting divergences in economic policies and performance among countries and regions.

During the global financial crisis, the PCG has proved to be one of the few fora bringing together debtors and creditors from both mature and emerging markets, with active participation from the international financial institutions, for frank and open policy discussion. Especially with the adoption of monthly discussions at the height of the crisis, this provided a unique opportunity for brainstorming on options to help emerging markets deal with the crisis, and to enhance the stability of the international financial system.

The challenging environment of the past year has underscored the importance of effective implementation of the Principles for safeguarding emerging market access to external financing flows from the private sector and enhancing the stability of the global financial system. The Principles constitute a voluntary approach to debtor–creditor relations, designed to promote stable capital flows to emerging market economies through enhanced transparency, dialogue, good faith negotiations, and equal treatment. They recognize the particular value of investor relations programs, which are used by a growing number of sovereign borrowers as a framework for implementing the Principles and bolstering investor confidence (**Box 1**). Countries with strong policy performance and active investor relations programs have benefited during recent periods of market turbulence.

In cases involving debt restructuring, dialogue and good faith negotiation have helped a number of emerging market borrowers in the past to achieve good outcomes. Some more recent experiences also demonstrate the value of good faith negotiations in achieving a successful debt reduction under the enhanced HIPC Initiative. Unfortunately, during the past year unilateral actions have been taken in a few cases that risk eroding further the institutional basis for revival of cross-border capital flows. Support from official bilateral and multilateral creditors for the principle of transparent, good faith dealings between sovereign issuers and private sector creditors will be essential for the maintenance of stable international capital flows.

In contrast with the previous three annual reports on the implementation of the Principles, this report focuses mainly on an overall assessment of the effects of implementation of the Principles under present circumstances, including the special work program of the PCG in response to the financial crisis, rather than country cases. It also adds comprehensive coverage of emerging market practices regarding two key elements of the Principles—investor relations practices and data transparency.

Box 1. Benefits of Implementing the Principles

The Principles' overriding strength is that they incorporate voluntary, market-based, flexible guidelines for the behaviors and actions of debtors and creditors that have been developed by all concerned parties. The main benefit for the system as a whole is their proactive and growth-oriented focus, given that the Principles are operative not only after a crisis has occurred but mainly during times of diminished market access and early stages of crisis containment.

The Principles also yield substantial shared benefits for emerging market issuers and creditors. They can reduce emerging market country vulnerabilities to economic or financial crises, as well as the frequency and severity of crises, by promoting:

- Information sharing and close consultations between debtors and their creditors to provide incentives for sound policy action in order to build market confidence, thus ensuring stable capital flows to these countries and preserving financial stability.
- Enhanced creditor–debtor communication by encouraging debtors to strengthen investor relations activity based on market best practices and encouraging investors to provide feedback. Investor relations practices help enable policymakers to make market-informed policy decisions.
- Early corrective action through sound policymaking stimulated in some cases by intensified investor relations or based on direct consultations between the debtor and its creditors.
- Cooperative behavior between debtors and creditors toward an orderly restructuring based on engagement and good faith negotiations toward a fair resolution of debt-servicing difficulties. Such actions could accelerate a country's restoration of economic growth and market access.

Through these cooperative actions, the Principles have underpinned a sustainable and healthy flow of private capital to emerging market economies, facilitating needed investment for long-term growth.

In addition, cooperative action and enhanced creditor–debtor communication is consistent with the implementation of debt relief programs supported by multilateral organizations and public sector creditors, in particular the Highly Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative, as early communication enables a more accurate calculation of a common reduction factor that provides the basis for the amount of debt relief needed to bring the country back to a sustainable level.

New sovereign issuers in particular stand to benefit from the proactive implementation of enhanced data transparency and investor relations practices as recommended by the Principles. New issuers can attract investment, through strengthened communication with creditors.

II. The Framework for Implementation of the Principles

The Principles set forth a voluntary approach to debtor–creditor relations, designed to promote stable capital flows to emerging market economies through enhanced transparency, dialogue, good faith negotiations, and equal treatment. The implementation of the Principles is based on the cooperation and partnership between issuers and investors that was evident during the discussion that led to their creation. The implementation process has six broad objectives:

- Monitoring and evaluating how the Principles are being adhered to by issuers and investors;
- Facilitating the development of a continuous effort by issuers and investors to keep each other abreast of developments in emerging markets and encourage sound policies and investor support;
- Providing guidance in cases where early course correction can promote better conditions for stable capital flows;
- Providing recommendations to authorities with respect to better investor relations practices and enhanced transparency, including the format and frequency of data being disseminated to the market;
- Offering guidance for the restructuring process in appropriate cases; and
- Helping to ensure the continued relevance of the Principles in light of changing characteristics of international capital and credit markets.

The framework for implementation is centered on the PCG, which receives technical support from **a secretariat based in the Institute of International Finance (IIF)**. The **Group of Trustees for the Principles**, composed of senior leaders in global finance, provides overall guidance for the implementation of the Principles and lends credibility and objectivity to this process. Annex I contains the full text of the Principles, Annex II provides a list of the members of the PCG, and Annex III lists the Group of Trustees.

The PCG has 25 members, including finance and central bank officials from a diverse group of emerging markets and senior representatives of the private financial community, many of whom were instrumental in the formulation of the Principles. The membership of the group has slightly increased since its first meeting in 2005, to represent more adequately the evolution of global finance in emerging markets. The PCG maintains an appropriate balance between private and public sector members, as well as membership balanced in geographical scope.

The purposes of the PCG are to:

- Consider specific country circumstances with a view toward providing suggestions to authorities and creditors as to how to better align their policies and actions with the Principles;
- Evaluate a wide range of country cases, including those where significant progress has been made as well as others that are facing market difficulties;
- Consider the implications of developments in global capital markets for emerging markets and possible measures to address any systemic difficulties that may arise; and
- Review market trends and the changing characteristics of capital and credit markets in order to ascertain if the Principles remain relevant or require amendment. Such reviews will be generally completed ahead of the annual meetings of the Group of Trustees.

PCG meetings are held regularly to discuss implementation issues, country cases, and the implications of developments in global capital markets. Members enrich PCG discussions with diverse experiences and perspectives. In late 2008 and early 2009, the PCG also held a number of special meetings to monitor developments during the global financial crisis, assess the impacts on emerging markets, and consider measures to help them to weather the storm.

IMF staff (from the Strategy, Policy and Review Department, and the Monetary and Capital Markets Department) and a representative from the Federal Reserve Bank of New York **have joined PCG discussions for some time as observers**. During the past year, additional observers have been invited from the World Bank, the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), the European Bank for Reconstruction and Development (EBRD), the Bank of International Settlements (BIS), and the European Central Bank (ECB). The active and positive involvement of the representatives from international financial institutions provided further evidence of broad support for the Principles implementation process.

The IIF secretariat consults with members of the PCG as well as other market participants as to which countries should be included in PCG discussions. It also prepares background material on international capital market developments, country issues, and other topics on the agenda.

The Group of Trustees for the Principles is composed of current and former leaders in global finance with exceptional experience and credibility. The Group is co-chaired by Mr. Jean-Claude Trichet, President of the European Central Bank, Mr. Henrique de Campos Meirelles, Governor of the Central Bank of Brazil, and Mr. Toshihiko Fukui, President of the Canon Institute for Global Studies and Former Governor of the Bank of Japan. Mr. Toshihiko Fukui took over the role of co-chair of the Group of Trustees in October 2008, replacing Mr. Toyoo Gyohten, President of the Institute for International Monetary Affairs, former Vice Minister of Finance of Japan, and former Chairman of Bank of Tokyo, following three years of active involvement as co-chair of the PCG. The Trustees meet once a year at the time of the IMF/World Bank and IIF Annual Meetings. The Group's mandate includes:

- Reviewing the evolution of the international financial system as it relates to emerging markets;
- Reviewing the development of the Principles, including their implementation; and
- Making proposals for modification of the Principles, if needed.

III. The PCG Response to the Global Financial Crisis

In October 2008 members of the Group of Trustees met in Washington, DC, to review progress in the implementation of the Principles. They welcomed the efforts of the PCG to help build a robust framework for debtor–creditor relations, focused on enhanced transparency, dialogue, and bolstering investor confidence through best practices for sovereign investor relations.

In the circumstances of significant stress in mature financial markets and the expectation of a marked slowdown in global economic growth, the Trustees underscored the need to preserve the hard-won gains achieved by many emerging market countries in recent years. They emphasized the need for participants in emerging market finance to consider the scope for further deepening and broadening the application of the Principles, in light of the rising challenges in the global financial system. The Trustees expressed their firm commitment to utilizing the PCG effectively during this unprecedented period of market turbulence in mature markets. The Trustees called upon the PCG to work with the IMF and other international financial institutions to expedite the availability of resources in support of emerging market economies and to consider all means of stabilizing the environment for emerging markets. They asked the PCG to hold a special meeting and report to the Trustees on its findings and recommendations.

Special Conference Calls

In response the PCG agreed to increase the frequency of its conference calls to review the changing environment for emerging markets, and discuss the role of the various actors in international finance. The discussions centered on the global financial crisis and its implications for emerging markets. During conference calls, frank and open discussion between leaders in emerging market finance, from both mature and emerging markets and both the public and private sectors, provided a rich perspective on how to best coordinate policy actions and improve their effectiveness.

- In the **October 2008** PCG conference call, the PCG underscored the need for a full, cooperative, and transparent partnership between the private and official sectors given the severe risks to the health and vitality of emerging market economies under the extreme market conditions. The PCG agreed that only with unequivocal, meaningful, and multilateral support for emerging markets could the worst of the collateral damage to their economies be avoided. It advocated the creation of a new IMF credit facility to provide temporary liquidity support, on a precautionary basis, to countries with strong policies that were buffeted by the global financial crisis.

- In **November 2008,** a special conference call reviewed the difficult liquidity conditions facing the banking and corporate sectors in key emerging markets and assessed the impact of the Fed swap lines with Brazil, Mexico, Singapore, and Korea, as well as the new IMF Short-Term Liquidity Facility. Slowing global growth, declining remittances, and falling commodity prices had weakened current account balances in many emerging economies, while financing conditions had become extremely difficult. Where adjustment leads to depreciation of the domestic currency, this would significantly weaken the balance sheets of local companies and households that had borrowed in foreign currencies. The PCG called for mature market banks to avoid abrupt retrenchment in lending to emerging markets, while at the same time recognizing that the process of deleveraging would inevitably affect the operations of global banks in these countries. At the same time, the PCG noted that credit risk of EM borrowers rose as currencies depreciated and that global trade volumes declined.

- In the special conference call of **December 2008**, the PCG noted a sharp deterioration in the economic outlook for emerging markets. In addition to problems facing sovereign borrowers, banks and nonfinancial firms in emerging markets faced liquidity problems owing to the difficulty of rolling over short-term obligations, especially in foreign currency but also in domestic currency. Support from the international community was considered essential, including through an expansion of IMF resources and increased lending by multilateral development banks. The discussion benefited in particular from the insights of observers from the ECB, the World Bank, the IADB, and the EBRD. The swap lines put in place between the Fed and Brazil, Mexico, Singapore, and Korea, as well as the ECB repo arrangements with Hungary and Poland (and the SNBs with Poland), were considered very helpful for the countries in question and, more generally, for the system.

- In **February 2009**, the PCG discussed recent changes in the environment for emerging markets—some favorable but most negative—including the sharp decline in economic activity and capital flows to emerging markets. The disruption of international capital flows and the synchronized downturn in economic activity were seen as posing systemic threats. Nevertheless, participants agreed that the environment for sovereign and quasi-sovereign issuance had improved, although such conditions for these borrowers have not extended to emerging market corporate borrowers or SMEs, which continued to face a harsh environment.

After the series of special conference calls, the PCG resumed its normal quarterly calls. These continued to provide an opportunity to monitor developments in international capital markets and their impact on emerging market economies, as well as specific country circumstances.

Discussions with IMF/World Bank Management

In February 2009, following up the PCG's deliberations, the Managing Director of the IIF invited the Managing Director of the IMF and the President of the World Bank to meet and discuss key issues including mobilizing liquidity for emerging markets and making preparations for the upcoming summit of Group of 20 leaders. There was agreement on looking for ways to expand co-financing, along the lines of the existing model used by the IFC and major private sector financial institutions, in particular to assist emerging markets with bank capitalization and the financing of infrastructure investment. Such private public sector cooperation was seen as valuable in mobilizing additional resources for emerging markets, both directly and through effects on confidence. There was also consideration of the scope for further innovation in IMF lending facilities. Subsequently, the IMF established its new Flexible Credit Facility in April 2009.

International Capital Markets and Emerging Markets Roundtable

The IIF Secretariat organized the International Capital Markets and Emerging Markets Roundtable in support of the Principles, under the auspices of the Group of Trustees, on April 26, 2009, in Washington DC. Senior officials from leading EM countries and the G7, as well as leaders from the private creditor and investor community, participated in the discussion. Attendees included a diverse group of market participants from investment banks, hedge funds, pension funds, and other institutional investors.

Participants were joined by Trustees and PCG members attending the Roundtable and discussed the progress achieved by emerging market economies in the two decades since the launch of the Brady Plan in 1989. The main focus of the meeting, however, was on the mobilization of liquidity for emerging markets and on supporting those markets during the current period of extraordinary global stress.

IV. PCG Discussions on Country Circumstances

The PCG also continued its traditional work of reviewing issues arising in individual countries and providing feedback to the authorities on the implementation of the Principles, policy options, and adjustment needs. While virtually all emerging markets were adversely affected by the global financial crisis and recession over the past year, many benefited from a track record of strong policy performance and good investor relations.

A wide range of countries have seen significant structural improvement in their economies over the past several years, helped by sound and credible monetary and fiscal policies and bolstered by growth in foreign exchange reserves. An increasing number of emerging markets active in international capital markets have also benefited from the crisis prevention recommendations advocated in the Principles, by complementing sound foreign exchange reserve and debt management practices with formal investor relations programs and enhanced data transparency. In addition, some of the smaller emerging markets were less severely affected by the financial crisis, owing to weak financial linkages with the global economy.

Nevertheless, as noted earlier in this report, the PCG stressed that there was an urgent need for enhanced liquidity support from the international community, so that well-performing countries would not become the "innocent victims" of the crisis.

Crisis Prevention and Resolution Cases

Out of the country cases discussed during the year by the PCG, those of **Indonesia** and **Turkey** are highlighted in this report as examples of the ways in which observance of the Principles can enhance resilience at times of stress in the global economy. **Box 2** reports on Indonesia's policy response to

Box 2. Benefits of the Principles in Times of Global Turbulence: Indonesia

Through the active involvement and participation of Bank Indonesia (BI) in the Principles Consultative Group (PCG), authorities remain committed to the implementation of the Principles. Indonesia continues to improve its investor relations program, enhancing transparency and proactively reaching out to investors.

In February 2009, the PCG discussed the implementation of the Principles by Indonesia, noting that the global financial crisis had adversely affected the Indonesian economy. Authorities in Indonesia put in place appropriate macroeconomic policies to weather the global downturn, including fiscal stimulus and relaxation of monetary policy. The government is moving to shore up balance of payments and financing of the budget deficit both through stepped-up external borrowing from the World Bank, the Asian Development Bank (ADB), and official bilateral creditors. It is also planning to issue $4 billion in global medium-term notes and tap the Samurai bond market. The Republic of Indonesia global medium-term notes were later issued on March 4, 2009, amounting to $3 billion, and the Republic of Indonesia Samurai bond was issued on July 29, 2009, amounting to ¥35 billion (equals $374 million). Contingent bilateral currency swap arrangements between BI and the Bank of Japan, Bank of Korea, and the People's Bank of China provided short-term liquidity for the stabilization of financial markets.

On February 23, 2009, Indonesia issued its first Islamic bond sold to retail investors. Indonesia's Finance Ministry reported that Rp5,556 billion was raised in the rupiah sukuk—compared with a target of Rp1,700 billion. On April 17, 2009, Indonesia successfully sold a $650 million Islamic bond—its first global sukuk—indicating repeat sales that would provide a wider investor base for Indonesian debt. The transaction revived the international dollar-sukuk market, inactive for over a year due to the global credit crunch. The Principles' call for communication and transparency were reflected in the issuance of global notes, as the authorities made intensive use of the formal investor relations program to communicate with investors.

The PCG was pleased by Indonesia's proactive actions in formalizing an investor relations program at BI and making productive use of it. Investor relations practices have served the Indonesian authorities well in current market conditions, as investors have been able to better understand the Indonesian authorities' policy responses.

the external shock, its strong investor relations program, and the successful mobilization of support from multilateral developments banks and international capital markets—including the Islamic bond market. **Box 3** notes that Turkey benefited during the crisis from its strong investor relations practices and its previous track record of macroeconomic management, and underscores the importance of continued, strong policy performance in the future. More generally, in its communications with the authorities in these and other emerging markets during the period of market stress, the PCG conveyed its views on policy options and ways to strengthen investor relations and data transparency.

A number of countries that faced more severe difficulties as a result of global shocks benefited from the expansion of IMF resources and multilateral bank lending. For countries in which the underlying situation was relatively strong prior to the crisis, a good track record of observance of the Principles, including its recommendations regarding data transparency, was helpful in enabling them to become eligible for assistance under the IMF's new facility for short-term liquidity support, the Flexible Credit Line. By end-August 2009, arrangements were in place under the Flexible Credit Line for three emerging market borrowers—Colombia, Mexico, and Poland. In some other cases the PCG encouraged authorities to consider seeking support from the IMF for adjustment programs to address domestic and external imbalances.

Restructuring Cases

It was encouraging that, despite the strains faced by emerging markets, there were relatively few instances of debt restructuring involving sovereign issuers over the past year. Most of the activity that took place went smoothly, through transparent, good faith negotiations in which the mutual interest of debtors and creditors in an orderly resolution was recognized and acted upon. The PCG plans to continue its dialogue with country authorities and other international organizations on issues raised by restructurings involving state-owned banks and corporations, particularly as this is an area in which strains may persist in the period ahead.

Of greater concern was an instance in which a sovereign issuer initiated a restructuring of outstanding bonds, following default, in a unilateral and non-transparent manner. The authorities were not willing in this case to engage in dialogue or good faith negotiations with a creditor committee.
To help safeguard prospects for the revival of cross-border capital flows and future global financial stability, we would urge that bilateral creditors and

Box 3. Operation of the Principles in Turkey

The Principles' implementation process has benefited from the permanent and active support in the PCG by the Turkish Treasury. Mr. Ibrahim Çanakci, Undersecretary of the Turkish Treasury and a PCG member, discussed extensively in PCG conference calls during late 2008–early 2009 the experience of Turkish authorities in dealing with challenging external conditions, including the tightening of credit conditions and diminished prospects for world growth as a result of the turbulence in financial markets.

Following the sharp disruption in global financial markets in October–November 2008, the PCG noted in the February 11, 2009, conference call that financial markets in Turkey had stabilized to some extent. However, economic activity was suffering from a significant contraction in external demand; the "silver lining" was perhaps the decline in energy and commodity prices, which had alleviated pressure on inflation and the current account and provided room for a more accommodative monetary policy. The currency was supported by a sizable shift of household deposits toward domestic and away from foreign currency. The government succeeded in obtaining financing both in domestic and external debt markets—of note, a $1 billion global bond was launched successfully in January 2009. PCG members applauded its outstanding record in data dissemination and investor relations practices, demonstrating strong support for the Principles. They noted the benefits that had stemmed from Turkey's adherence to prudent macroeconomic management in the past, and underscored the importance of continued, strong performance in the future.

international financial institutions actively support the principles of dialogue and good faith negotiation between debtors and creditors, and to discourage unilateral actions by sovereign borrowers. The IMF's lending into arrears strategy provides a good example of an approach that recognizes and supports these principles.

Debt Relief Cases (for Low-Income Countries)

Transparency, dialogue, and good faith negotiations have also proved useful for countries that are beneficiaries of official development assistance and debt relief. Proceeding in this manner has proved difficult for countries that have experienced long periods of conflict. But as conflict ends and political and economic circumstances begin to normalize, debtor nations and external creditors have a mutual interest in reaching out once again to establish constructive relations.

Box 4 summarizes the outcome of such a constructive approach in the case of Liberia. During more than two decades of conflict, most of Liberia's

Box 4. The Experience of Liberia in Its Quest for Debt Relief and Sustainability

The importance of alternative market-based approaches to address debt-service problems found in the Principles is exemplified in the recent buyback operation of outstanding claims by Liberia with its private creditors. In mid-April 2009, Liberia took a big step toward restoring relations with the international community by reaching an agreement in which its commercial creditors agreed to accept about three cents on the dollar, paying off $1.2 billion in foreign debt, including principal and interest arrears. A large portion of the debt was held by distressed debt funds. Cooperation by all parties yielded a participation rate in the buyback operation of over 97 percent.

The country has made significant progress in a gradual normalization of relations with the international community, including private sector creditors. By late-June 2007, Liberia's external debt was estimated at $4.7 billion, above 800 percent of estimated GDP and over 3,000 percent of exports of goods and services. Bilateral and multilateral creditors held 65.9 percent of Liberia's external claims whereas commercial creditors held 33.3 percent.

Restructuring Process

Long-standing arrears to the World Bank and African Development Bank were cleared in December 2007 and to the IMF in March 2008. In April 2008, the authorities also agreed on a comprehensive rescheduling of outstanding obligations to Paris Club creditors with the cancellation of $254 million of Liberia's debt under Cologne terms. The stock of debt owed to Paris Club creditors as of 1 January 2008 was estimated to be more than $1.5 billion in nominal terms, of which more than 97 percent consisted of arrears and late interest.

After a difficult start, Liberia engaged in good faith negotiations with commercial creditors. Outreach efforts to private creditors proved successful when Liberia achieved a high participation rate in its ambitious debt relief strategy, meeting the expectations by the enhanced HIPC Initiative. The reduction of Liberia's NPV of debt-to-exports ratio to 150 percent implied a common reduction factor (CRF) of 90.5 percent, one of the largest CRFs thus far under the HIPC Initiative.

In addition to providing exceptional debt relief, the debt buyback operation will limit future confrontation with commercial creditors. Some of these creditors had taken legal action against Liberia in order to be protected against the statute of limitation. Moreover, the deal with commercial creditors settles most of the outstanding judgments, contributing to the country's ambitious goal to achieve debt sustainability.

The country's remaining debt of $1.7 billion is owed mainly to official creditors, expected to be forgiven once the country reaches a completion point under the HIPC Initiative, anticipated in late-2009/early-2010. The country's debt burden has been reduced by more than $3 billion since the new government took office in January 2006. In June 2009, the IMF concluded a positive second review of the country's Poverty Reduction and Growth Facility (PRGF).

Liberia's debt experience evidenced the need for a swift and comprehensive reconciliation of debt with commercial creditors as a necessary step to enter into a debt relief program with multilateral institutions; in particular it would facilitate calculating the CRF, which provides the basis for an HIPC program. In this regard, the PCG encouraged the authorities and the private sector to enter into a meaningful dialogue as the reconciliation process of commercial debt took place.

external obligations went into arrears, with no realistic prospects for resolution. To preserve their legal rights in the face of statutes of limitations and other procedural requirements, a number of Liberia's external private creditors initiated litigation, and in due course received court judgments in their favor. Of course, the collection of these amounts remained problematic owing to the country's lack of financial resources. Following the end of the conflict, as Liberia became eligible for debt relief under the enhanced HIPC Initiative, private creditors—including those who had received earlier court awards—entered into constructive discussions for debt relief. The eventual outcome was a debt buyback operation on terms vastly more favorable to Liberia, of about three cents on the dollar.

V. Investor Relations and Data Transparency

Since the establishment of the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets in 2004, a growing number of sovereign borrowers have recognized the importance of active investor relations programs and strong data dissemination practices as ways to enhance the confidence of domestic and foreign investors. Adherence to these aspects of the Principles has proved beneficial during the global financial crisis and recession, both through its effects on investor confidence and because of the importance of data transparency for countries' eligibility for assistance under the IMF's new Flexible Credit Line.

In addition to its role in serving as secretariat for the PCG, the IIF provides services to its members in strengthening investor relations practices. This section of the Implementation Report updates material published over the past four years by the IIF in its reports on *Investor Relations: An Approach to Effective Communication and Enhanced Transparency.* It provides detailed analysis of investor relations and data transparency practices by the most active emerging market borrowers. By reporting advances in sovereign investor relations practices, the document aims to make such information widely available to investors and other borrowing countries, and to help authorities identify aspects of their investor relations and data transparency practices that could benefit from strengthening. It offers investors a comprehensive comparative evaluation of communication and data dissemination practices for the countries that were assessed. The IIF's investor relations and data practice assessments support the implementation of the Principles, as well as other initiatives on crisis prevention and resolution.

Many countries are increasing resources devoted to investor relations, and sovereigns with institutionally strong investor relations programs have been able to make active use of these resources to meet investor needs (**Table 1**). However, some countries do not appear to have exploited fully

Table 1. Active Investor Relations Programs

Country	Date of launch of IRP	Location
Mexico	1995	Ministry of Finance and Public Credit
Brazil Central Bank Brazil Treasury	April 1999 2001	Banco Central do Brasil The National Treasury
The Philippines	July 2001	Bangko Sentral ng Pilipinas
Chile	Unknown, Revised 2009	Ministry of Finance
Korea	2004	Ministry of Strategy and Finance
Turkey	August 2005	Prime Ministry Undersecretariat of Treasury
Indonesia	February 2006	Bank Indonesia
Peru	April 2006	Ministry of Economy and Finance
Morocco	December 2007	Ministry of Economy and Finance
Dominican Republic	September 2009	Public Debt Office (PDO), Ministry of Finance, Dominican Republic
South Africa	Expected Fall 2009	National Treasury, Ministry of Finance
Colombia	Expected Spring 2010	Investor Relations Colombia (IRC), Directorate of Public Credit, Ministry of Finance

the potential of their investor relations program infrastructure in the current systemic downturn. For instance, the investor relations program launched by Morocco in December 2007 continues to focus mainly on data dissemination; whereas Korea, which has one of the strongest investor relations programs in the world by most measures, has not held any public investor conference calls so far during 2009. In addition, there appear to be deficiencies in visibility as some countries actively engaging in consultations with their investor base do not fully utilize their websites to ensure all market players have access to the same information.

As of September 2009, there were ten countries with formal investor relations programs. The Dominican Republic formally launched their investor relations program in September 2009. In addition, while they do not have formal programs in place, Colombia, Hungary, and South Africa perform institutionalized investor relations activities. South Africa is expected to launch a formal investor relations program in the fall of 2009. Colombia has placed an investor relations website online and is progressively enhancing its content, ahead of the expected formal launch of its program in 2010.

The IIF provides updates to its assessments of investor relations and data transparency and reports innovations in investor relations and data transparency practices in real time through its website (www.iif.com/emp/ir). The IIF website also includes links to the sovereign websites and contact information for persons responsible for communication with investors for each country. Through periodic updates, key borrowing countries are provided a unique opportunity to convey to market participants the efforts they are making to strengthen dialogue with investors. At the same time, investors are better equipped to assess whether a country's practices meet their expectations and needs.

The full scoring of each country in the IIF investor relations and data transparency index is observed in **Tables 2 and 3.** The best practices for investor relations used in this report have been endorsed by the IIF Working Group on Crisis Prevention. These best practices can be used by emerging market economies to design country-specific investor relations programs. In addition, the index allows market participants to better evaluate efforts by authorities to communicate with investors. The index is the summation of the investor relations and data release practices scores on a prioritized basis. A detailed explanation of each criterion is provided in Appendix A beginning on page 21.

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Table 2. Overall Assessment of Investor Relations and Data Transparency Practices (Prioritized)

Investor Relations Practices Criteria		Investor Relations Office/Staff		Investor Relations Website			Dissemination of Macroeconomic Data and Policy Information						Investor Relations Contact List	Feedback and Communication Channels							Regular Self-Assessment	
		Presence of institutionalized investor relations activities	Investor relations staff identifiable and reachable through website(s)	Central bank and government agency website(s) available in English	Reciprocal links to Central Bank, Ministry of Finance, and other government agency websites	Investors able to register for website subscription	Country subscribes to SDDS	Effective data transparency of market-relevant data	Macroeconomic data presented in market-friendly format	Historical policy information available	Forward-looking policy information available	Structural (legal, regulatory) information available	Active investor contact list	Web-based communication with investors	Bilateral meetings with investors	Non-deal roadshow(s)	Investor conference call(s)	Archives of investor presentations and conference call materials available on website(s)	Investor feedback reflected in policy decisions, per country	Senior policymakers accessible to investors	Regular self-assessment of investor relations activities	
	Weight	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	
Country	Score																					Country
Belize	7	0	0	3	0	0	0	1	0	0	0	2	0	0	1	0	0	0	0	0	0	Belize
Brazil*	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil*
Brazil (Gerin)	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil (Gerin)
Brazil (Treasury)	38	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	1	1	3	2	1	Brazil (Treas.)
Bulgaria	18	0	0	3	1	0	1	3	2	2	3	2	0	0	1	0	0	0	0	0	0	Bulgaria
Chile	36	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	0	0	3	2	1	Chile
China	3	0	0	0	0	0	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	China
Colombia	22	2	3	3	0	0	1	2	0	0	0	0	3	0	1	1	0	0	3	2	1	Colombia
Costa Rica	11	0	0	0	0	1	1	1	0	0	0	0	0	0	1	1	0	0	3	2	1	Costa Rica
Croatia	11	0	0	3	1	0	1	3	0	0	0	2	0	0	1	0	0	0	0	0	0	Croatia
Dominican Republic	29	2	3	3	1	1	0	2	2	0	0	2	3	2	1	0	0	1	3	2	1	Dom. Rep.
Egypt	13	0	0	3	0	0	1	2	0	2	0	2	0	0	1	0	0	0	0	2	0	Egypt
Gabon	2	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	Gabon
Ghana	10	0	0	3	0	0	0	0	2	2	0	2	0	0	1	0	0	0	0	0	0	Ghana
Hungary	29	2	3	3	0	1	1	3	2	2	3	2	0	0	1	1	0	0	3	2	0	Hungary
Indonesia	33	2	3	3	1	1	1	1	0	2	3	2	3	2	1	1	0	1	3	2	1	Indonesia
Kenya	10	0	0	3	1	0	0	1	0	2	0	2	0	0	1	0	0	0	0	0	0	Kenya
Korea	34	2	3	3	1	1	1	2	2	2	3	2	3	0	1	1	0	1	3	2	1	Korea
Lebanon	20	0	0	3	1	1	0	1	2	2	0	0	3	0	1	1	0	0	3	2	0	Lebanon
Malaysia	17	0	0	3	1	0	1	2	2	2	0	0	0	0	1	0	0	0	3	2	0	Malaysia
Mexico	34	2	3	3	0	1	1	3	2	2	3	0	3	2	1	0	1	1	3	2	1	Mexico
Morocco	13	2	3	3	0	0	1	1	2	0	0	0	0	0	1	0	0	0	0	0	0	Morocco
Nigeria	6	0	0	3	0	0	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	Nigeria
Pakistan	21	0	0	3	1	1	0	2	0	2	0	2	3	0	1	1	0	0	3	2	0	Pakistan
Peru	32	2	3	3	1	1	1	3	2	2	0	2	3	2	1	1	0	0	3	2	0	Peru
Philippines	34	2	3	3	1	1	1	2	0	2	3	2	3	2	1	1	0	1	3	2	1	Philippines
Poland	23	0	0	3	0	0	1	2	2	2	3	0	3	0	1	1	0	0	3	2	0	Poland
Romania	16	0	0	3	0	0	1	1	0	2	0	2	3	0	1	0	0	0	3	0	0	Romania
Russia	8	0	0	3	0	0	1	3	0	0	0	0	0	0	1	0	0	0	0	0	0	Russia
South Africa	31	2	0	3	0	1	1	3	2	2	3	2	3	2	1	1	0	0	3	2	0	South Africa
Tanzania	4	0	0	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	Tanzania
Thailand	21	0	0	3	1	1	1	2	0	2	0	2	3	0	1	0	0	0	3	2	0	Thailand
Tunisia	6	0	0	0	0	0	1	2	0	0	0	2	0	0	1	0	0	0	0	0	0	Tunisia
Turkey	37	2	3	3	1	1	1	3	2	2	3	2	3	2	1	1	0	1	3	2	1	Turkey
Ukraine	11	0	0	0	0	0	1	1	0	0	0	2	3	0	1	0	0	0	3	0	0	Ukraine
Uruguay	12	0	0	0	0	0	1	3	0	0	0	2	0	0	1	0	0	0	3	2	0	Uruguay
Venezuela	10	0	0	0	1	1	0	2	0	0	0	0	3	2	1	0	0	0	0	0	0	Venezuela
Vietnam	9	0	0	0	0	0	0	0	0	0	0	2	3	0	1	0	0	0	3	0	0	Vietnam
Zambia	4	0	0	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	Zambia

*Reflects a combined score of the Gerin office at the Banco Central do Brasil and the IRU office at the National Treasury.

Table 3. Assessment of Data Dissemination Practices (Prioritized)

Elements in Data Practices		Central Government Operations (CGO) **							Central Government Debt (CGD) ***				
		SDDS subscriber*	CGO periodicity	CGO timeliness	Time series availability	Domestic and external financing availability	MGFS 1986 (cash accounting)	GFSM 2001 or transition toward GFSM 2001 (accrual accounting)	CGD timeliness	CGD debt periodicity	Time series availability	Domestic and external debt breakdown availability	Contingent liabilities availability
	Weight	2	1	2	3	1	1	3	2	1	3	1	2
Country	Score												
Belize	16	1	1	0	3	0	0	0	0	1	3	1	0
Brazil	39	2	1	2	3	1	1	0	2	1	3	1	2
Bulgaria	35	2	1	2	3	1	1	3	2	1	3	1	2
Chile	41	2	1	2	3	1	1	3	2	1	3	1	2
China	8	1	1	2	0	0	0	3	0	0	0	1	0
Colombia	32	2	1	2	3	1	1	0	2	1	3	1	2
Costa Rica	26	2	1	2	0	1	1	0	2	1	3	1	2
Croatia	37	2	1	0	3	1	1	3	2	1	3	1	2
Dom. Rep.	35	1	1	2	3	1	1	0	2	1	3	1	1
Egypt	35	2	1	2	0	1	1	3	2	1	3	1	2
Gabon	15	1	1	0	0	1	0	0	2	1	0	1	0
Ghana	7	1	1	0	0	1	1	0	0	1	0	0	0
Hungary	37	2	1	2	3	1	1	3	2	1	3	1	2
Indonesia	24	2	1	2	0	1	1	3	2	1	0	1	2
Kenya	18	1	1	0	0	1	1	0	2	1	0	1	2
Korea	30	2	1	2	3	1	1	0	2	1	3	1	2
Lebanon	22	1	1	2	3	0	1	0	2	1	3	1	0
Malaysia	26	2	1	2	3	1	1	0	2	1	3	1	2
Mexico	37	2	1	2	3	1	1	0	2	1	3	1	2
Morocco	32	2	1	2	0	1	1	0	2	1	3	1	2
Nigeria	13	1	1	2	0	1	1	0	2	1	0	0	0
Pakistan	27	1	1	0	3	1	1	3	2	1	3	1	2
Peru	36	2	1	2	3	1	1	3	2	1	3	1	0
Philippines	28	2	1	2	3	1	0	0	2	1	0	1	2
Poland	34	2	1	2	3	1	1	0	2	1	3	1	2
Romania	22	2	1	2	3	0	0	0	2	1	3	1	2
Russia	36	2	1	2	3	1	1	3	2	1	3	1	0
South Africa	39	2	1	2	0	1	1	3	2	1	3	1	2
Tanzania	11	1	1	2	0	1	1	0	0	1	0	1	0
Thailand	33	2	1	2	3	1	0	3	2	1	3	1	2
Tunisia	27	2	1	2	3	1	1	0	2	1	3	1	2
Turkey	37	2	1	2	3	1	1	0	2	1	3	1	2
Ukraine	22	2	1	2	0	1	1	0	2	1	3	1	2
Uruguay	39	2	1	2	3	1	1	0	2	1	3	1	2
Venezuela	31	1	1	0	3	1	1	0	2	0	3	1	2
Vietnam	4	1	0	0	0	0	0	0	0	0	0	0	0
Zambia	9	1	1	0	0	1	1	0	2	1	0	1	0

* Countries subscribing to the IMF Special Data Dissemination Standard (SDDS).

** Central Government Operations (CGO).
Timeliness: 1 month after the end of the reference period
Periodicity: Monthly
MGFS 1986: Identifies countries that use classification of fiscal statistics according to the IMF's *A Manual of Government Finance Statistics, 1986* (MGFS 1986).
GFSM 2001: Identifies if government accounting follows the definition and classification of the IMF's *Government Finance Statistics Manual, 2001* (GFSM 2001).

*** Central Government Debt (CGD).
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly
Amortization Schedule for CGD.
Preferably, dissemination of government debt service presented at least annually for a period of at least five years from the effective date of the debt data.
Annual data should be supplemented with quarterly data at least for the year immediately ahead.

Central Government Debt (CGD) ***			External Debt****								
Term break-down done by original maturity	Amortization schedule dis-seminated at least every 3 months	Amortization schedule presents contingent liabilities	External debt timeliness	External debt periodicity	Time series availability	Resident holdings of public debt issued internationally	Non-resident holdings of public debt issued domestically	Non-resident holdings of private debt issued domestically	Amortization schedule disseminated at least every 6 months	Amortization schedule presents private and public sector separation	
1	3	2	2	1	3	1	1	1	3	2	
											Country
0	0	0	2	1	3	0	0	0	0	0	Belize
1	3	2	2	1	3	1	1	1	3	2	Brazil
1	3	0	2	1	3	1	1	1	0	0	Bulgaria
1	3	2	2	1	3	1	0	1	3	2	Chile
0	0	0	0	0	0	0	0	0	0	0	China
1	3	0	2	1	3	1	1	1	0	0	Colombia
1	0	2	2	1	3	1	0	0	0	0	Costa Rica
1	3	0	2	1	3	0	1	1	3	2	Croatia
1	3	2	2	1	3	1	1	1	3	0	Dom. Rep.
1	3	0	2	1	3	1	0	0	3	2	Egypt
1	3	0	2	1	0	0	0	1	0	0	Gabon
1	0	0	0	1	0	0	0	0	0	0	Ghana
1	3	0	2	1	3	1	1	1	2	0	Hungary
1	0	0	2	1	3	0	1	0	0	0	Indonesia
0	0	0	0	1	3	1	0	1	0	2	Kenya
1	3	0	2	1	3	0	1	0	0	0	Korea
1	0	0	2	1	3	0	0	0	0	0	Lebanon
1	0	0	2	1	3	0	0	0	0	0	Malaysia
1	3	0	2	1	3	1	1	1	3	2	Mexico
1	3	2	2	1	3	0	1	0	3	0	Morocco
1	0	0	2	1	0	0	0	0	0	0	Nigeria
1	0	0	2	1	3	0	0	1	0	0	Pakistan
1	3	0	2	1	3	1	1	1	3	0	Peru
1	3	0	2	1	3	1	1	1	0	0	Philippines
1	3	0	2	1	3	1	1	1	0	2	Poland
1	0	0	2	1	0	0	0	1	0	0	Romania
1	3	0	2	1	3	0	1	0	3	2	Russia
1	3	2	2	1	3	1	1	1	3	2	South Africa
0	0	0	2	1	0	0	0	0	0	0	Tanzania
1	0	0	2	1	3	0	0	0	3	2	Thailand
1	0	0	2	1	3	0	1	0	0	0	Tunisia
1	3	0	2	1	3	1	1	1	3	2	Turkey
1	0	0	2	1	0	0	1	1	0	0	Ukraine
1	3	2	2	1	3	1	1	1	3	2	Uruguay
1	3	0	2	1	3	1	1	1	3	0	Venezuela
0	0	0	2	1	0	0	0	0	0	0	Vietnam
0	0	0	0	0	0	0	1	0	0	0	Zambia

Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly

**** External Debt.
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly

Amortization Schedule for External Debt.
It is important that data cover both public and private sector debt.
Preferably, amortization payments presented at least annually for a period of at least five years from the effective date of the debt data.
Annual data should be supplemented with quarterly data at least for the year immediately ahead.
Timeliness: 1 quarter after the end of the reference period
Periodicity: Quarterly

VI. Country Innovations in Investor Relations and Data Transparency

Chilean Ministry of Finance Revamps Website

The Chilean Ministry of Finance launched its newly designed website in June 2009. Information relevant to investors is found under the headings "Investor Relations Office" and "Public Debt Office." The Investor Relations Office includes the mandate of an investor relations office as well as that of an investment promotion authority. The website provides some information relevant for fixed-income investors and some information only relevant to equity investors. Contact information for staff is provided (+2) and structural information is available (+2).

The addition of an RSS feed is notable. RSS (most commonly translated as "Really Simple Syndication" but sometimes "Rich Site Summary") is a family of web feed formats used to publish frequently updated works—such as blog entries, news headlines, audio, and video—in a standardized format. The RSS feed capability allows investors to quickly identify new content added to the website, follow more closely the information available, and stay easily informed by retrieving the latest content from the site. Investors save time by not needing to visit the site unless new content has been added.

Investor Relations Program under Development in Colombia

A team of professionals has been assembled by the Directorate of Public Credit at the Ministry of Finance and Public Credit (MHCP) in Colombia to develop an Investor Relations Program. The Investor Relations Program will be called Investor Relations Colombia (IRC) and is in the developmental stage. Colombia has gained points for the presence of institutionalized investor relations activities (+2).

An IRC website in English is currently available, and its content is being enhanced progressively. Elements to facilitate communication with investors are expected. Significant improvements are planned to coincide with the formal launch of this investor relations program, expected in 2010. Colombia has gained points for Central Bank and government agency websites available in English (+3) and investor relations staff identifiable and reachable through websites (+3).

IRC is in the process of constructing an investor contact list. Regular dissemination of data and announcements to the investor contact list is expected in the coming months. To be added to the list, please send an e-mail to Ms. Lina Maria Contreras Mora at lcontrer@minhacienda.gov.co.

Institutionalization of Investor Relations Efforts in South Africa

The Treasury of South Africa has long been respected as a leader in communication with investors. The Treasury is currently taking steps to improve its website and institute the web-based communication channels desired by investors. The Investor Relations Website is expected to launch in the fall of 2009.

Mexico Increases Frequency of Conference Calls

Mexico has held eight conference calls with investors in 2009. Audio of each conference call is archived on the IRO web page of the Ministry of Finance and Public Credit website. On April 3, 2009, the Ministry of Finance and Public Credit and Banco de México hosted a conference call to present the "Program for Financial Strengthening: The Request for the Flexible Credit Line (FCL)." The Executive Board of the IMF had approved Mexico's access to the Flexible Credit Line on March 24, 2009, and the conference call was held only 10 days later. It is noteworthy that the IMF has included "data transparency and integrity" as one of the qualification criteria that determine a sovereign's eligibility for access to the credit line.

Brazil Releases Report on Banking System Soundness and a Book on Public Debt

The mix of information desired by investors has shifted due to the banking crisis. In August 2009 the Brazilian National Treasury released a report entitled "The Soundness of the Brazilian Banking System."

The report was sent to the Treasury's investor contact list via e-mail and is also available on its website.

The Brazilian National Treasury, in partnership with the World Bank Group, published on August 17, 2009, the book *Public Debt: The Brazilian Experience*. The book provides a comprehensive analysis of Brazilian public debt, including technical aspects related to the management of the public debt and the functioning of the government securities market. The publication aims to foster a broader understanding of the topic, through presentations by professionals with firsthand experience on debt management, mainly National Treasury staff, as well as authors from the World Bank, other Brazilian federal government institutions, and academia. The lessons learned and described in this book should be helpful for other countries attempting to build solid public debt management practices and develop a securities market. The full text is currently available in Portuguese on the Brazilian National Treasury website; an English release is expected in the near future.

The National Treasury has planned for 2010 a set of measures to enhance data dissemination and transparency, including reformulation of the website and creation of an "Investors' Portal" directed to the wholesale investor base.

Russian Federation Improves Data Transparency

The Russian Federation has improved data dissemination practices and the statistical database available to market participants. The Russian Federation has gained 11 points in the area of data release practices, increasing their score from 25 points to 36 points by providing time series for central government debt (+3) and external debt statistics (+3). Furthermore, availability of an amortization schedule for central government debt at least every three months (+3) and the external debt amortization schedule presenting the private and public sectors separately (+2) has enhanced the availability of data appreciated by investors.

The Russian Federation has also gained points on the investor relations index. The website of the Ministry of Finance of the Russian Federation is now available in English (+3). An increase in the availability of time series data and user-friendly formats such as Excel is observed, although it remains heterogeneous across agencies.

Bank Indonesia Places Representatives in Major Financial Centers

Bank Indonesia (BI) has started a program to place BI representative offices in four major financial centers—New York, London, Singapore, and Tokyo—to support BI's international outreach efforts, including investor relations. Representatives are expected to strengthen relationships with investors by living in closer proximity and increasing the frequency of communication, expanding Indonesia's current investor base. Each representative office will also initiate contact with the rating agencies' analysts and investors within its jurisdiction.

BI representatives will work closely with the IRU Head Office. The initiative began operation in 2009 and will be fully implemented by 2010. Representatives are selected among the senior analysts within BI and will hold their post for approximately three years.

Current BI Representatives

1. **New York:** Budi Hanoto, Economist
   Phone: 212-732-1958/59
   E-mail: budihanoto@bi.go.id
2. **London:** Gusti Eka Riza, Economist
   Phone: 44-20-76382408
   E-mail: gusti@bi.go.id
3. **Singapore:** Amril, Economist
   Phone: 65-62232701
   E-mail: amrilakt@bi.go.id
4. **Tokyo:** Arief Hartawan, Economist
   Phone: 03-32713416
   E-mail: ahartawan@bi.go.id

Morocco Publishes MEF Website in English and Improves Data Availability

The Ministry of Economy and Finance now publishes its website in English (+3). The new website will allow a broader base of international investors to access data and policy information online. In an effort to enhance accessibility, all data on both the Ministry and Bank Maghreb websites are downloadable to Excel, fulfilling the criteria that macroeconomic data be presented in a market-friendly format (+2).

The Ministry also made improvements with respect to the availability of data relevant to investors. For central government debt, time series are now available (+3), and the amortization schedule presents contingent liabilities (+ 2). For external debt, time series are now available (+3).

Korea Revises Conference Call Practices

Previously the Korean Ministry of Strategy and Finance (MOSF) held public investor conference calls and posted audio archives on its website. In 2009 the MOSF stands ready to hold private conference calls with select investors if necessary. In addition, since March 2009 the Financial Services Commission has held bimonthly private conference calls with a select group of investors. Archives are not posted to the FSC website and the FSC conference calls are not mentioned on the MOSF website.

Improvements to the Website of the Dominican Republic Ministry of Finance

The Public Debt Office at the Ministry of Finance initiated its investor relations program in September 2009 (+2). The Public Debt Office launched its new web page in April 2009, and substantial improvements were made through September 2009, expanding the information available to investors on their website. The latest set of improvements comes approximately one and a half years after the Ministry of Finance website was first published in English in March 2008. At that time, the Dominican Republic gained 14 points in the IIF Investor Relations and Data Transparency Index and improved 20 points in the IIF Data Dissemination Index.

The IIF commends the Dominican Republic for the recent improvements that will encourage even greater accessibility to data and policy information by investors. The Dominican Republic will now add an additional 13 points to their ranking in the IIF Investor Relations and Data Transparency Index.

The contact information of public debt officers is now published online (+3). Investors are able to register for a website subscription (+1), and the investor contact list is now active (+3). Legal and regulatory information have been translated into English (+2). Archives of investor presentations are now posted online (+1). In addition, the authorities now engage in regular self-assessment of their investor relations activities (+1). Investors will also find an Excel file of “Public Sector External Bond Issues” including issue date, maturity date, and outstanding amount, as well as non-financial public sector external bonds debt service projections for 2009–2012.

The Philippines Exemplifies Interagency Cooperation

A key ingredient of a successful IRO is the ability to encourage interagency cooperation and present a unified message to investors. The IRO conducted the Year-End Philippine Economic Briefing in Manila in February 2009. The economic team, composed of the Secretaries of the Department of Finance (DOF), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), Department of Trade and Industry (DTI), Department of Energy (DOE), and Department of Agriculture (DA), and the Governor of the Bangko Sentral ng Pilipinas (BSP), presented the recent economic/sectoral developments, challenges, and prospects for their respective sectors and the government’s policy thrusts and initiatives to mitigate the impact of the crisis. An open forum followed the presentations by the principals. An expanded series of briefings was also provided in other key cities throughout the Philippines.

The IRO is currently taking steps to enhance the IRO website to make it more interactive and user-friendly to website visitors and is slated to include a comprehensive guide to investing in the Philippines. The revised website is expected to launch by the end of 2009. In addition, the Philippine IRO has designated more resources to investor relations by growing its staff from seven to eleven persons.

Appendix A. Evaluation Criteria for Investor Relations Progrms

Described in this section are the 20 criteria that have been used to assess investor relations practices in this report, as well as the three key categories of data dissemination.

INVESTOR RELATIONS PRACTICES

Presence of institutionalized investor relations 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 IROs share a website with another government agency. In some cases a country can have institutionalized investor relations 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.

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.

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.

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.

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 e-mail.

Country subscribes to SDDS

The country must subscribe to the IMF's Special Data Dissemination Standards (SDDS), which were 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.

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. (See related section on data transparency for further detail.) Countries that meet this criterion score 15 or more out of a total of 42 points with respect to timeliness and periodicity criteria for these three areas of data.

In addition, 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.

Macroeconomic data presented in market-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.

Historical policy information available

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

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.

Structural information available

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

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 e-mail at least every 2 weeks.

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, a general e-mail box, specific e-mail 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.

Bilateral meetings with investors

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

Non-deal roadshows

Country authorities must conduct one or more *non-deal* roadshows annually.

Investor conference calls

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 e-mail 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 criterion.

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.

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.

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: conference calls, bilateral meetings, and non-deal roadshows.

Regular self-assessment of IRP

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.

DATA DISSEMINATION PRACTICES

We have assessed countries on the basis of 24 elements of data transparency. In addition to a country's subscription to the SDDS or GDDS, these elements capture six categories in the area of central government operations, eight categories in the area of central government debt, and eight categories in the external debt area. One critical area not covered in this report is financial sector information. Despite much progress—especially by the IMF and the World Bank—to assess financial sector vulnerabilities through Financial Sector Assessment Programs (FSAPs), few emerging markets have reporting systems in place that would allow regular dissemination of key financial sector indicators to the marketplace. At the same time, investors have expressed concern about the cross-country comparability of data, for example, due to a lack of uniform definition of key data. Therefore, we have not attempted to capture data release in this important area.

Central government operations

Elements of timeliness and periodicity have been evaluated against the prescribed and encouraged elements set by the SDDS and IIF standards for central government operations. Special emphasis has been placed on compliance with encouraged data provision in this area.

With the introduction of the IMF's *Government Finance Statistics Manual* in 2001 (GFSM 2001), countries have gradually incorporated an accrual-based reporting system for the presentation of central government operations data. However, this methodology is significantly more time consuming, and progress has been modest. Moreover, the statistical expertise varies across countries. In our assessments, we have documented the progress toward the adoption of the GFSM 2001 standards. We also have identified countries that have adopted a formal process toward implementation.

Central government debt

Individual assessments describe the current practices for the release of central government debt data assessed against the prescribed and encouraged elements of the SDDS and IIF standards for central government debt. In addition, we have placed special emphasis on data dissemination practices for government debt service projections. The IMF and IIF standards encourage quarterly reporting of interest and amortization on medium- and long-term debt for the next four quarters and then annually thereafter. Similarly, reporting of data on short-term debt falling due on a quarterly basis is encouraged.

We have identified instances in which amortization schedules are presented in a timely fashion, either as part of a particular report or in a section of the fiscal authority's website. Whenever the information is not presented in periodic publications available to the public, we have benefited from direct consultation with agencies involved in the compilation of fiscal statistics. Indeed, several countries are ready to provide the calendar of future debt payments upon request.

External debt

Disclosure of external debt data can be evaluated based on the criteria established by the IMF's SDDS and IIF data standards. Most countries covered in this exercise follow the template set by the DSBB with three levels of disaggregation: (1) by institutional sector, (2) by short-term and long-term maturities on an original maturity basis, and (3) by instrument. We also have reviewed the dissemination practices for the provision of more comprehensive and timely information in areas that are not prescribed by those standards, including the availability of debt amortization schedules, the relevant breakdowns by institutional sector, and the timely availability of those schedules.

In the case of external debt amortization schedules, our assessment of dissemination practices shows that Central Banks usually prepare and release this information. However, provision of central government debt data varies considerably across countries; in some cases, analysts will search hard to locate the schedule. Also, countries rarely meet the IIF's encouraged element of providing quarterly data for at least the immediate 12-month period. Some data categories, which are neither prescribed nor encouraged by the IMF's SDDS, are nevertheless provided on an ad hoc basis. For example, rating agencies often use external debt ratios as indicators of debt sustainability. We have identified cases in which countries disclose this information on an ad hoc basis outside of the DSBB framework.

Additional aspects explored in the individual country assessments include the identification of resident holdings of public debt issued internationally, the non-resident holdings of public debt issued domestically, and the non-resident holdings of private debt issued domestically.

Appendix B. Differences between Sovereign Investor Relations Offices and Investment Promotion Agencies

Investment Promotion Agencies (IPAs) and Investor Relations Offices (IROs) share many elements, but are unique in purpose. Proactive investor relations practices by an IRO support investment in the public sector through the management of sovereign debt instruments while IPAs promote private sector investment. One can not be viewed as a substitute for the other; due to their unique approach and goals, it is recommended that IROs and IPAs function separately. While they are both government agencies designed to provide information to investors, the information they provide and the investors they target are quite different. Both convey targeted information to prospective investors via websites and in response to investment inquiries.

IPAs help to facilitate foreign direct investment (FDI) by advertising investment opportunities to multinational corporations interested in making overseas investments. IPAs help match foreign private companies and local private companies. Operationally, IPAs utilize traditional marketing and advertising techniques such as slogans and branding.

In contrast, IROs are defined by their straightforward approach. IROs can be located within the Ministry of Finance or the Central Bank. If a country does not have an institutionalized IRO, the function of communicating with investors is typically carried out by the debt management office or the government agency responsible for sovereign debt management. IROs are designed to be an institutionalized communication channel between sovereign debt issuers and investors. It is important that the information conveyed to investors be delivered directly by government officials as opposed to third-party analysts. The purpose is to establish open two-way communication that promotes trust between the policymakers and investors.

On a day-to-day basis, IROs facilitate the communication between investors and country authorities. In addition, IROs play a broader role in increasing the stability of the financial system. The financial crises that have occurred over the past decade have galvanized actions by the international financial community to limit the severity and frequency of such crises, as well as to bolster the financial system more broadly. IROs have proven to be important pillars for helping avoid crises and are also crucial building blocks for a more effective approach to managing them.

An increasing number of emerging market authorities and market participants agree that IR programs are proven vehicles for advancing dialogue with investors, building on the delivery of data on key economic variables, and improving financial policies and performance. Regular, proactive strategies of IR programs enable country authorities to understand and communicate more effectively with their investor base, address concerns or questions, and shape market-informed policies. Regular interaction with key officials regarding economic data, financial policies, and economic performance enables investors to make sound lending and investment decisions and provide feedback to country authorities. Such programs can also help authorities navigate through turbulent periods of market sentiment. When market conditions deteriorate, IROs allow policymakers to distinguish themselves within their asset class. Conversely, IROs strengthen the ability of investors to assess and manage risks.

Press and IR

The press office and IRO need to coordinate their activities because the message of both of these offices has to be consistent. A press office and an IRO can benefit from working closely together, as a press release from the press office may also be circulated by the IRO. A press release issued by the press office is not a substitute for investor relations. Sophisticated investors require a more detailed explanation of recent developments and policies. Following a press release, it is important for the IRO to be prepared to provide more detailed information on request.

Several authorities have explored co-mingling press and IR functions. Press and IR should be kept separate as the job of the IRO is to establish a two-way communication with investors. Press officers only deliver information in one direction and do not need to be tuned into the market. The scope of a press office is far-reaching while the focus of an IRO is specific to debt investors.

Annex I. Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

PREFACE

Since the mid-1990s, sovereign debtors and their private sector creditors have generally sought to put in place policies and procedures likely to promote and maintain sustained market access.

Most issuers have recognized the importance of implementing sound economic and financial policies (including monetary, exchange rate, and debt management policies), as well as developing domestic public support for those policies. Equally important are policies that preserve the rule of law and, in particular, maintain the sanctity of contracts, as well as other measures needed to advance an open investment environment. In maintaining sound policies, debtors have been guided by internationally accepted standards and codes to strengthen financial stability and to enhance transparency by providing timely economic and financial data.

For their part, most creditors make investment and lending decisions on their own merit, accept full responsibility for these decisions, and do not expect official sector bailouts. As part of this process, creditors have sought to implement good practices in risk management, including thorough analysis of a borrowing country's implementation of sound economic and financial policies, as well as adherence to key standards and codes.

More recently, in a significant step toward strengthening the resilience of the system, most debtors and their creditors have opted for the voluntary inclusion of collective action clauses (CACs) in international bond terms and conditions. These bonds have provided for amending payment terms through supermajority voting and for limiting precipitous legal actions through higher acceleration hurdles; a few bonds have also included provisions for debtor–creditor engagement.

In a growing number of cases, both issuers and creditors have pursued effective, two-way communication through robust investor relations programs (IRPs). This communication includes information and data on the issuer's key economic and financial policies and performance, with creditors providing feedback.

These Principles outline actions and behavior of private sector creditors and emerging market sovereign debtors to promote and maintain stable private capital flows to emerging market economies in the context of growth and financial stability. They are based on extensive and broadly based discussions among private creditors and sovereign emerging market issuers. Because individual cases will invariably involve different circumstances, the Principles should be applied flexibly on a case-by-case basis, and are strictly voluntary. Accordingly, no party is legally bound by any of the provisions of these Principles, whether as a matter of contract, comity, or otherwise. Moreover, nothing in these Principles (or in any party's endorsement thereof) shall be deemed to constitute a waiver of any such party's legal rights.

The Principles build on the progress since the mid-1990s to identify effective measures in order to shore up crisis prevention and encourage their continued implementation. The Principles promote early crisis containment through information disclosure, debtor–creditor consultations, and course correction before problems become unmanageable. They also support creditor actions that can help to minimize market contagion. In cases in which the debtor can no longer fulfill its payment obligations, the Principles outline a process for market-based restructuring based on negotiations between the borrowing country and its creditors that involve shared information, are conducted in good faith, and seek to achieve a fair outcome for all parties. Such a process maximizes the likelihood that market access will be restored as soon as possible under sustainable macroeconomic conditions.

PRINCIPLES

1. Transparency and Timely Flow of Information

General disclosure practice. Issuers should ensure through disclosure of relevant information that creditors are in a position to make informed assessments of their economic and financial situation, including overall levels of indebtedness. Such disclosure is important in order to establish a common understanding of the country's balance of payments outlook and to allow creditors to make informed and prudent risk management and investment decisions.

Specific disclosure practice. In the context of a restructuring, the debtor should disclose to all affected creditors maturity and interest rate structures of all external financial sovereign obligations, including the proposed treatment of such obligations, and the central aspects, including assumptions, of its economic policies and programs. The debtor should inform creditors regarding agreements reached with other creditors, the IMF, and the Paris Club, as appropriate. Confidentiality of material non-public information must be ensured.

2. Close Debtor–Creditor Dialogue and Cooperation to Avoid Restructuring

Regular dialogue. Debtors and creditors should engage in a regular dialogue regarding information and data on key economic and financial policies and performance. IRPs have emerged as a proven vehicle, and countries should implement such programs.

Best practices for investor relations. Communication techniques should include creating an investor relations office with a qualified core staff; disseminating accurate and timely data/information through e-mail or investor relations websites; establishing formal channels of communication between policymakers and investors through bilateral meetings, investor teleconferences, and videoconferences; and maintaining a comprehensive list of contact information for relevant market participants. Investors are encouraged to participate in IRPs and provide feedback on such information and data. Debtors and investors should collaborate to refine these techniques over time.

Policy action and feedback. Borrowing countries should implement economic and financial policies, including structural measures, so as to ensure macroeconomic stability, promote sustainable economic growth, and thereby bolster market confidence. It is vital that political support for these measures be developed. Countries should closely monitor the effectiveness of policies, strengthen them as necessary, and seek investor feedback as warranted.

Consultations. Building on IRPs, debtors should consult with creditors to explore alternative market-based approaches to address debt-service problems before default occurs. The goal of such consultations is to avoid misunderstanding about policy directions, build market confidence on the strength of policy measures, and support continuous market access. Consultations will not focus on specific financial transactions, and their precise format will depend on existing circumstances. In any event, participants must not take advantage of such consultations to gain a commercial benefit for trading purposes. Applicable legal restrictions regarding material non-public information must be observed.

Creditors' support of debtor reform efforts. As efforts to consult with investors and to upgrade policies take hold, the creditor community should consider, to the extent consistent with their business objectives and legal obligations, appropriate requests for the voluntary, temporary maintenance of trade and interbank advances, and/or the rollover of short-term maturities on public and private sector obligations, if necessary, to support a borrowing country's efforts to avoid a broad debt restructuring. The prospects of a favorable response to such requests will be enhanced by the commitment to a strong adjustment program, but will also depend in part on continued interest payments on interbank advances and continued service of other debt.

3. Good Faith Actions

Voluntary, good faith process. When a restructuring becomes inevitable, debtors and creditors should engage in a restructuring process that is voluntary and based on good faith. Such a process is based on sound policies that seek to establish conditions for renewed market access on a timely basis, viable macroeconomic growth, and balance of payments sustainability in the medium term. Debtors and creditors agree that timely good faith negotiations are the preferred course of action toward these goals, potentially limiting litigation risk. They should cooperate in order to identify the best means for placing the country on a sustainable balance of payments path, while also preserving and protecting asset values during the restructuring process. In this context, debtors and creditors strongly encourage the IMF to implement fully its policies for lending into arrears to private creditors where IMF programs are in place, including the criteria for good faith negotiations.

Sanctity of contracts. Subject to their voluntary amendment, contractual rights must remain fully enforceable to ensure the integrity of the negotiating and restructuring process. In cases in which program negotiations with the IMF are under way or a program is in place, debtors and creditors rely upon the IMF in its traditional role as guardian of the system to support the debtor's reasonable efforts to avoid default.

Vehicles for restructurings. The appropriate format and role of negotiation vehicles such as a creditor committee or another representative creditor group (hereafter referred to as a "creditor committee") should be determined flexibly and on a case-by-case basis. Structured, early negotiations with a creditor committee should take place when a default has occurred in order to ensure that the terms for amending existing debt contracts and/or a voluntary debt exchange are consistent with market realities and the restoration of growth and market access and take into account existing CAC provisions. If a creditor committee is formed, both creditors and the debtor should cooperate in its establishment.

Creditor committee policies and practices. If a creditor committee is formed, it should adopt rules and practices, including appropriate mechanisms to protect material non-public information; coordinate across affected instruments and with other affected creditor classes with a view to forming a single committee; be a forum for the debtor to present its economic program and financing proposals; collect and analyze economic data; gather, evaluate, and disseminate creditor input on financing proposals; and generally act as a communication link between the debtor and the creditor community. Past experience also demonstrates that, when a creditor committee has been formed, debtors have borne the reasonable costs of a single creditor committee. Creditors and debtors agree jointly what constitute reasonable costs based on generally accepted practices.

Debtor and creditor actions during restructuring. Debtors should resume, to the extent feasible, partial debt service as a sign of good faith and resume full payment of principal and interest as conditions allow. Debtors and creditors recognize in that context that typically during a restructuring, trade lines are fully serviced and maintained. Debtors should avoid additional exchange controls on outflows, except for temporary periods in exceptional circumstances. Regardless of the specific restructuring mechanics and procedures used (i.e., amendment of existing instruments or exchange for new ones; pre-default consultations or post-default committee negotiations), restructuring terms should be subject to a constructive dialogue focused on achieving a critical mass of market support before final terms are announced. Debtors should retain legal and/or financial advisors.

4. Fair Treatment

Avoiding unfair discrimination among affected creditors. The borrowing country should avoid unfair discrimination among affected creditors. This includes seeking rescheduling from all official bilateral creditors. In line with general practice, such credits as short-term trade-related facilities and interbank advances should be excluded from the restructuring agreement and treated separately if needed.

Fairness of voting. Bonds, loans, and other financial instruments owned or controlled by the sovereign should not influence the outcome of a vote among creditors on a restructuring.

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