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BRIEF

Government Bond Market Development Program

December 14, 2015

 (mailto:?body=http%3A%2F%2Fwww.worldbank.org%2Fen%2Ftopic%2Ffinancialsector%2Fbrief%2Fgovernment-bond-markets%3Fcid%3D%3FEXT_vfBEMainShare_EXT&)

The World Bank Group's **Government Bond Market Development Program** supports the development of local currency bond markets (LCBMs) to increase developing countries' attractiveness for domestic and foreign investment. Government bond markets are the cornerstone of efficient fixed income markets, which are important to support economic growth and reduce poverty. Smooth functioning fixed income markets help governments sustain policy initiatives, better match savers and investment opportunities based on risk-return preferences, facilitate capital market financing of enterprises and critical infrastructure projects, and reduce reliance on foreign currency borrowing and bank financing. Developing efficient fixed income markets is vital for developing countries to make efficient use of scarce capital for productive investments and thus promote jobs and prosperity.

The team works with debt management offices in Ministries of Finance and Central Banks, and with securities regulators, to design targeted or comprehensive solutions based on clients' needs, and to actively support the implementation of such plans.

The team focuses on three types of developing economies:

- Advanced emerging markets, enhancing the efficiency of LCBMs
- Middle-income countries, implementing comprehensive development reforms
- Low-income countries, facing small scale and capacity challenges

Client Needs

ENSURING STABLE DEMAND FOR GOVERNMENT DEBT

Products and Services:

- Instrument choice
- Placement mechanisms and auction practices
- Primary dealer systems
- Investor base diversification

IMPROVING SECONDARY MARKET LIQUIDITY AND SUPPORTING YIELD CURVE DEVELOPMENT

Products and Services:

- Benchmark building strategy and issuance plan
- Trading platforms and market-making arrangements
- Alternate price discovery methods
- Clearing and settlement infrastructure
- Repo markets and securities lending programs

REDUCING PORTFOLIO RISK AND SUPPORTING CRISIS RESPONSE

Products and Services:

- Liability management operations
- Cash management
- Crisis response

IMPROVING CAPACITY FOR DEBT MANAGEMENT AND MARKET DEVELOPMENT

Products and Services:

- Peer-to-peer learning
 - Training and conference
 - Handbooks, toolkits, and surveys
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Delivering Solutions

COUNTRY-SPECIFIC PROGRAMS

Tailored assistance for reform implementation

- Targeted assistance to address specific bottlenecks, e.g. linking local infrastructure to international clearing and settlement
- Comprehensive assistance to address broader objectives, e.g. strategies and instruments to build reliable interest rate benchmarks

INNOVATIVE GLOBAL PRODUCTS

Catalyzing development in a specific area

- Issuer-Driven Exchange Traded Fund model to improve liquidity in and demand for government securities; pilot in Brazil
- Treasury Mobile Direct model to facilitate retail distribution of government securities through mobile technology; pilot in Kenya

CROSS COUNTRY DIALOGUE

Forum for in-depth exchange of ideas, experiences

- Peer group dialogue offers a cost-effective way to discuss challenges and policy actions on a virtual platform
- South-South collaboration promotes in-depth engagement by multi-country authorities and WBG experts to tackle common reform priorities

KNOWLEDGE PRODUCTS

Tackling knowledge gaps

- Resources on debt market development topics, international experience and best practices (e.g. handbooks, toolkits, surveys)
- Learning events on technical and policy issues, e.g. training workshops, master classes, conferences

Project Highlights

Morocco Reform Implementation

- A comprehensive program to build reliable interest rate benchmarks.
- Activities included revising the primary dealer agreement to better enforce price quoting obligations, establishing an electronic trading platform to improve price transparency and appraise primary dealer activity, instituting a securities lending facility to support primary dealers' performance; and developing a benchmark building program to improve the potential for liquidity and reliable price discovery.

Brazil-Turkey South-South Collaboration

- A tripartite collaboration between Brazilian and Turkish policymakers and WBG experts for the harmonized development of long-term financing.
- The project takes advantage of synergies between government and corporate bond markets, and more efficiently coordinates policy measures.
- A comprehensive diagnostic was completed, and implementation on technical topics is under way. The project will facilitate continued peer-to-peer collaboration even after project completion.

Global Issuer-Driven Exchange Traded Fund (I-D ETF)

- An innovative ETF model supported by the issuer, to address market liquidity constraints and to help broaden the investor base.
- The model is currently being piloted in Brazil, to consolidate local currency government bond indices, where the project has catalyzed broader reforms in the regulatory and tax environment, benefiting the entire market.

- The I-D ETFs' launch is in line with the government debt strategy to reduce indexation to floating-rate debt and promote investor participation in certain segments of the government yield curve.

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RELATED

EVENT

2017 Government Bond Market Conference (</en/events/2017/04/26/2017-government-bond-market-conference>)
Apr 26, 2017

RESEARCH

Government Bond Markets - Documents and Publications (</en/topic/financialsector/brief/government-bond-market-documents-and-publications>)

EVENT SERIES

Government Bond Market Peer Group Dialogues (</en/topic/financialsector/brief/government-bond-market-peer-group-dialogues>)

PAST EVENTS

4th Annual Government Bond Market Conference and Technical Workshop (</en/events/2014/03/12/4th-government-bond-market-conference>)
June 12, 2014 - Bucharest

Implementing Debt Management Strategies Workshop (</en/events/2012/06/18/implementing-debt-management-strategies-workshop>)
June 18-22, 2012 - Vienna

3rd Annual Gemloc Investor-Country Conference and Advisory Services Workshop (</en/events/2012/06/13/3rd-gemloc-investor-country-conference>)
June 13-15, 2012 - Istanbul

2nd Annual Gemloc Advisory Services Investor-Country Conference and Workshop (</en/events/2011/06/01/2nd-gemloc-investor-country-conference>)
June 1-3, 2011 - Rabat

First Annual Gemloc Advisory Services Investor-Country Conference and Workshop (</en/events/2010/03/25/first-annual-gemloc-conference-and-workshop>)
March 25-27, 2010 - Cairo

2008 Gemloc Advisory Services Roundtable Conference and Workshop Launch (</en/events/2008/05/29/2008-gemloc-advisory-services-workshop-launch>)
May 29-30, 2008 - Washington, D.C.

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