

Recipients	Problems	Task	Implementation
G7 Finance Deputies, IMF, World Bank		Report on Implementation at October 2007 meeting	Report in October 2007
IMF, World Bank, relevant international institutions	Regular Assessment of Local Currency Bond Markets is missing.	Regular Report on progress of implementation	Reports should be presented to the G8 at yearly intervals; Ministers, IMF and World Bank Boards discuss the reports; IMF and the World Bank publish them. The reports cover steps taken and plans made IMF and the World Bank, other relevant international institutions, the G8 and possibly other countries and market participants. The IMF and the World Bank organize international conferences on local capital market development.
IMF, World Bank, OECD	Cooperation between OECD, IMF and World Bank needed.		The IMF and the World Bank cooperates with EMEs through workshops and seminars: <ul style="list-style-type: none"> <li>- World Bank's Sovereign Debt Conference,</li> <li>- Joint OECD/World Bank/IMF Global Bond Forum</li> <li>- IMF's Debt Managers' Forum</li> </ul>
<b>General</b>			
CGFS	Shift in the composition of debt from external foreign currency bonds to domestic local currency bonds may be associated with increased exposures to interest rate and refinancing risks (from typically shorter maturities of domestic bonds) and increased debt servicing costs (from typically higher interest rates on domestic bonds).		Committee on the Global Financial System (CGFS) study on local currency bond markets identified three policy challenges posed by nascent local currency bond markets: providing liquidity, fostering local currency debt issuance by the private sector, and effectively managing risk concentrations. The report also highlighted some data issues, together with the need for further analysis on risk exposures, in particular through derivatives markets.
G8, EMEs, IMF, World Bank	More cooperation with emerging market economies and developing countries is needed.	The G8 strongly encourage the IMF, the World Bank and other international institutions involved in taking this approach to collaborate closely with these countries. The public and private sector in emerging market and developing countries should be involved in every stage of implementation, so as to make ongoing and further measures more effective.	Discussions with IFIs were taken into account when developing the Action Plan. The G8 have discussed these issues with emerging market economies and developing countries, particularly during a high-level workshop in Frankfurt in May 2007.
Private Sector, IMF, World Bank	More cooperation with private sector is needed.	Encourage private sector involvement, particularly in promoting technical expertise and better understanding market dynamics	
EMEs	Lack of institutional foreign investors	Promote foreign investment and capital flows, promoting efficient and transparent markets, implementing international standards and practices (including documentation)	The World Bank GEMLOC project hopes to attract foreign institutional investors.
EMEs	Weak risk management practices in financial intermediaries and weaknesses in legal frameworks for mutual funds	Develop sound regulatory and supervisory framework and risk-based prudential regulation	Through the IOSCO principles assessments carried out under the IMF and the World Bank's Financial Sector Assessment Program (FSAP), and as part of individual country and regional TA and advisory programs, reform priorities have been identified in various countries and technical assistance is already being provided.
EMEs	Non-prudential barriers to entry and investment	Removal of capital and exchange controls, elimination of transaction taxes, elimination of withholding taxes on interest and capital gains earned by foreign investors	
EMEs	Lack of enforcement of existing rules due to a shortage of resources and skills in the regulator	Improving the human capital of both local market participants and regulators	
EMEs	Lack of independence of the regulator and of supervision by regulators		
EMEs	Weaknesses in governance of securities settlement systems	Install self-regulatory organisations, improve regulatory certainty and clarity	
IMF, World Bank		Technical Assistance	
<b>Market Infrastructure</b>			

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<b>Securitization Markets</b>	IOSCO	Lack of implementation of IOSCO Principles of securities regulation		
	IOSCO/CPSS	Lack of Implementation of Recommendations for Securities Settlement System	Develop standard communication protocol for securities settlement system, such as the EU-Gioannini Protocol.	
	G30	Action Plan on Interoperability of Settlement System only for developed markets	Develop Similar Action Plan for all markets, including EME Capital Markets	
	IMF, World Bank	Weaknesses in securities settlement systems in EMEs	Technical assistance	The World Bank has extensive operations to support individual securitization transactions and assist countries in building domestic securitization markets by providing technical assistance on legal and operating frameworks.
	IMF, World Bank, EMEs	<b>(New in Implementation Report)</b> Risk-dispersion through Asset-backed securities (ABS) markets can improve access to long-term funding for housing and infrastructure investment, and provide pension funds and insurance companies long-term instruments for asset-liability management, but can also amplify volatility.	Ensure that financial innovations are carried out with adequate safeguards and risk management capacities.	The IMF has initiated a major project in this area (a paper titled "ABS in Emerging Markets: Recent Trends and Policy Implications for Capital Markets" to be published in the 1st quarter of 2008).
<b>Public Debt Management</b>	EMEs	Government bonds are needed for benchmarking purposes.	Creation of a liquid local currency government bonds market.	OECD Working Party on Debt Management organises the OECD Global Forum on Debt Management and Emerging Government Securities Markets, an annual meeting for emerging market economies and low-income countries OECD held a second forum on African Debt Management in 2007. The IMF / World Bank conducts seminars and workshops, such as IMF Debt Managers' Forum and World Bank's Sovereign Debt Conference.
	EME	Lack of liquidity in government bond markets	Improve institutional arrangements by establishing a primary dealer system	The OECD-Italian Treasury Network for Public Debt Management in emerging markets aims to provide, among others, an electronic platform for continuous information exchange with interactive features that support an intensive and comprehensive electronic policy dialogue.
	IFIs	Local Currency Bonds issued by IFIs can crowd out private domestic bonds, but are needed to improve benchmark curve.	Issuance of Local currency bonds without crowding out private domestic issuers	The IMF and the World Bank have ongoing program of country assistance in debt management and debt market development. These programs are coordinated across both institutions. A stronger focus is being placed on assisting countries to develop effective debt management strategies that take account of debt market development needs.
<b>Broadening and diversifying the investor base</b>	IFIS	Weak domestic investor base in local currency bond markets	Support EMEs in expanding domestic institutional investor base	The GEMLOC project will help diversify the investor base in emerging market countries.
	EMEs	Underdeveloped institutional investors in EMEs	Reforms of private pension systems, mutual funds and insurance markets. Establishing a level playing field for all investors to make local currency bond markets more attractive to long-term institutional investors	The World Bank Group provides TA, makes investments to promote the pension and insurance industries, increases efforts to develop bond products that attract more institutional investment and is building a new database on pension funds.
	IMF, World Bank	Lack of coherent assessment of reforms of institutional investor base.	Examine best practice regarding the development of the domestic institutional investor base	Drawing lessons from the experiences of mature market and emerging market countries, the IMF is working on a set of good practices for developing the domestic institutional investor base (including enabling reforms such as pension fund reforms) and for improving regulation and consistency of treatment of institutional, foreign, and other investors.
	IMF	Market Access through investment and capital restrictions	Evaluate to what extent a further easing of the impediments for institutional investors in EME can contribute to more efficient diversification of funds and the development of local domestic bond markets.	The IMF is working as part of the Capital Markets Consultative Group (CMCG) on a study to explore factors driving the changes in investor behaviour in emerging markets, key impediments to development of emerging capital markets and local and foreign institutional investors therein, and remedial measures.
	EMEs		Market access reforms, avoiding investment and other restrictions.	

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EMEs	Derivative markets remain underdeveloped, particularly those for interest rate derivatives	Improve regulatory, legal and market infrastructures, once the markets have reached the appropriate stage of development and liquidity	The IMF, in collaboration with the World Bank, hosts regional workshops with participation from regulators and policymakers.
EMEs	Appropriate infrastructure and regulatory framework needed, consistent with the conditions of the local financial system and long-term economic development	Upgrade accounting standards. Provide Technical Assistance	The IMF has been working with several emerging market countries on a major project on derivatives markets in emerging markets (a paper titled "Derivatives in Emerging Markets: Recent Trends and Policy Implications for Capital Markets" was published in the 1st quarter of 2008).
EMEs			The World Bank Group offers derivatives to clients as part of its risk management services and is outlining a strategy for assisting countries in strengthening domestic derivatives markets, particularly tied to government bond market operations.
IMF, World Bank	Transmission of a financial crisis through derivatives from developed markets to developing markets	Recommendations for developing securities and derivatives markets in emerging market economies should be appropriate for each country's stage of economic development. IMF and the World Bank should look into economic transmission mechanisms in EMEs and study the possible impact that the development of local bond markets might already have had in the current turmoil of financial markets.	
World Bank	Limited aggregated data on EME bond markets, particularly on currency composition and maturity and coverage of corporate bond markets hampers the analysis of the local currency bond markets.	Creation of indicators for bond market development. Initiatives to improve the quality, comparability, and consistency of local currency bond market data, especially on aggregate institutional investors' capital flows, and currency and maturity structures, including debt structures and composition of capital flows, to identify underlying weaknesses and risks in individual EME bond markets	World Bank created a bond market indicator GEMX
IFI		Undertake a stock-take of currently available data on local debt markets and identify any gaps, with a view to consolidating the information.	An international conference held in January 2008 organized by Deutsche Bundesbank in cooperation with the German Federal Ministry of Finance discussed broadening the database. An international conference focusing on improving the global comparison of securities statistics was held by Irving Fisher Committee on Central Bank Statistics and IMF in March 2008.
IMF, World Bank, OECD and BIS			The IMF, ECB, BIS, and the World Bank have reconvened the Working Group on Securities Databases (WGSD) to evaluate and implement the recommendation to broaden the database. At a meeting in Washington D.C. on 27/28 September 2007, the WGSD agreed on a sequence of goals to improve data on securities, including the development of a handbook on bond securities.
Working Group on Securities Databases <sup>8</sup>	A comprehensive approach addressing statistical requirements and transparency is needed.	Expand the mandate of the WGSD to including stock taking the existing data of bond markets in such countries with the possible aim of integrating it into one data base.	An international conference held in January 2008 organized by Deutsche Bundesbank in cooperation with the German Federal Ministry of Finance discussed transparency issues.
FSF		Report on Implementation of the recommendations for data requirements of the FSF Working Group on Capital Flows (April 2000)	
EMEs outside of Asia	ABMI by ASEAN +3 has done great progress in diversification of bond issuers and instruments because of strong political commitment and appropriate involvement of the Asian Development Bank.	Enhance regional cooperation to develop local currency bond markets.	The IMF and the World Bank are increasing efforts to identify how regionalization can best be designed and implemented to bring greater efficiency, scale, and market access for small capital markets.
IMF and World Bank			The World Bank is currently studying existing examples which have been successful in this regard to find relevant lessons to be learnt from past experience. A study is being launched concerning regionalization of East African Securities.
Bigger EMEs	Integration into regional bond markets is costly for smaller EMEs	Joint efforts for investments in infrastructure such as trading platforms, valuation services, clearing, settlement and custody services, and accredited regional rating agencies so that costs for smaller EME are reduced.	
<b>Developing of derivative and swap markets</b>			
<b>Broadening the Database</b>			
<b>Promoting regional initiatives</b>			

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Sub-Saharan Africa	Different debt structures and level of market infrastructure	Adopt the guidelines and recommendations (best practices) outlined in this action plan. Implement the necessary macroeconomic and banking system reforms, which are preconditions for the sustainable development of capital markets. Take full account of debt sustainability considerations when undertaking any new bond issuance, in particular ensuring consistency with the IMF/World Bank Debt Sustainability Framework.	A joint initiative of the IMF and the World Bank has recently been launched that is aimed at helping Low Income Countries, including those in sub-Saharan Africa, develop effective medium term debt management strategies (MTDS) that are consistent with the goal of maintaining debt sustainability by focusing on the cost and risk characteristics of the debt portfolio. The MTDS will also take account of market development factors and will facilitate a more structured and systematic approach to developing local government debt markets.
IMF/World Bank		Provide, in close cooperation with the multilateral development banks and major bilateral providers of TA, policy advice and TA to build and strengthen regional and/or local bond markets.	The World Bank Group's program ESMID, funded by Sweden, helps to build bond markets in selected African countries, with an initial focus on improving bond financing for housing and infrastructure development.
IFIs	Overlap of technical assistance	Improve TA and its coordination to avoid duplication and overlap International reorganisation of TA	The IMF and the World Bank see further scope in coordination with other IFIs, to speed up the reform agendas.
WADMO, Latin-American Countries Debt Group		intensified and regular exchange of knowledge and experience between debt managers, regulators, investors, representatives of clearing and settlement systems and international market associations in G8 countries and EME	
G8		Bilateral TA	

**Sources:** The two main sources for this overview are:

- G8 Finance (2007a). G8 Action Plan for Developing Local Bond Markets in Emerging Market Economies and Developing Countries. May 19<sup>th</sup> 2007
- G8 Finance (2007b). Implementation Report on the G8 Action Plan for Developing Local Bond Markets in Emerging Market Economies and Developing Countries

**Other G8 documents** in which the G8 Action Plan is mentioned:

- G8 Finance (2007c). G8 Action Plan for Good Financial Governance in Africa, Potsdam, Germany, May 19<sup>th</sup> 2007
- G8 Finance (2008a). Statement of the G-8 Finance Ministers Meeting, Osaka Japan, June 14th, 2008
- G8 Finance (2008b). G8 Action Plan for Private Sector Led Growth in Africa: Improving the Investment Climate and Strengthening the Financial Sector, Osaka, Japan, June 14th 2008

**Press Releases** mentioning the G8 Action Plan:

- World Bank (2007). Bank Group Moves Markets. Press Release, November 19, 2007

**Scientific Articles** mentioning the G8 Action Plan

- CGFS (2007). Financial stability and local currency bond markets. Report submitted by a Working Group established by the Committee on the Global Financial System. CGFS Papers No 28, June 2007
  - Gelpern, Anna (2008). Domestic Bonds, Credit Derivatives and the next transformation of sovereign debt. Chicago-Kent Law Review, Vol. 83, 2008 Online at: <http://ssrn.com/abstract=1011715>
  - Wenzlaff, Karsten (2008). The G8 and Local Currency Bond Markets (upcoming)
- Conference Documents* that make reference to the G8 Action Plan:
- *High Level Workshop 2007* Developing Bond Markets in Emerging Market Economies, Frankfurt, May 10, 2007
  - Remsperger, Hermann (2007). Developing Bond Markets in Emerging Market Economies: Conclusions and Political Recommendations.
  - *G8 Conference on Bond Markets* in Emerging Economies and Developing Countries, Frankfurt, 31 January 2008
  - Braasch, Bernd (2008). Financial globalisation, vulnerabilities and data needs. Slides from Bundesbank, BMF (2008)
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  - OECD (2007). Summary Record
  - *World Bank Debt Management Stakeholder's Conference*, Oslo Norway, March 5-6 2008
  - World Bank (2008). Terms of Reference – A study of Sovereign Debt Management Programmes and Initiatives. Report for Debt Management Stakeholder's Conference, Oslo Norway, March 5-6, 2008, Online at <http://go.worldbank.org/8WNDZCYX0>