



**Ashok Parameswaran**  
**Emerging Markets Investors Alliance**  
**[ashok@eminvestorsalliance.org](mailto:ashok@eminvestorsalliance.org)**

# Main Points

- (1) Develop a market that is easy for investors to enter and exit
- (2) Develop a good reform story
- (3) Communicate your reform story effectively

# Develop a market that is easy for investors to enter and exit

- Regulatory/Policy Environment
- Market Infrastructure
- Secondary Market
- Liquidity

# Regulatory/Policy Environment

- Quick & easy to set up and trade
- No capital controls (e.g., minimum holding period)

# Market Infrastructure

- Capacity to trade, settle, and custody
- Capacity to make timely debt payments
- Active repo market to short-sell (typically only in more developed emerging markets)

# Secondary Market

- Secondary market market-makers
  - Should include banks with foreign clients to attract foreign investors
- Transparent auction calendar
- Transparent secondary market pricing

# Liquidity (moderate bid-ask spread)

- Many market participants
- Benchmark bonds
- No tax on financial transactions, no prescribed assets

# Main Points

- (1) Develop a market that is easy for investors to enter and exit
- (2) Develop a good reform story
- (3) Communicate your reform story effectively



# Why develop a good reform story?

- Investors will buy anything at the right price
- But must believe they will make money
  - currency appreciation
  - capital appreciation / falling interest rates
  - interest income (if high enough to offset anticipated currency depreciation)

Note: Some investors are restricted to sovereigns with higher credit ratings

# Components of a good reform story

- Structural reform
  - Improvement in Doing Business Index, Worldwide Governance Indicators, etc. (stronger currency)
  - Sectoral reforms (stronger currency)
  - Pension, banking reforms (increase demand for bonds)
  - Market-determined prices
- Fiscal reform
  - Fiscal responsibility law, multi-year budgeting framework (falling rates)
  - Single Treasury Account, Open Contracting Data Standard, Extractive Industries Transparency Initiative, Open Budget Index (stronger currency, lower rates)
- Monetary reform
  - Inflation targeting (lower rates)

# Components of a good reform story

- Macro policy mix that is sustainable
  - Debt sustainability analysis
  - Impossible trinity
- Data availability (fiscal, monetary, GDP)
  - IMF SDDS
  - Investors don't like hidden liabilities
    - State-owned enterprise debt and guarantees
    - Pension liabilities
    - Non-performing loans / support to financial sector
    - Arrears

# Main Points

- (1) Develop a market that is easy for investors to enter and exit
- (2) Develop a good reform story
- (3) Communicate your reform story effectively

# Why communicate with investors?

- Investors will be reliant on other sources of information
- Investors are used to being spoon-fed information
- Investors make investment decisions quickly

# How to communicate with investors

- Emails from investor relations office (part of debt management office)
- Non-deal roadshows
- Investor trips
- Conference calls

How are we doing on time?

# Main Points

- (1) Develop a market that is easy for investors to enter and exit
- (2) Develop a good reform story
- (3) Communicate your reform story effectively
- (4) Innovative reforms



# Typical ways to signal reform momentum

- Improving credit ratings
- Worldwide Governance Indicators
- World Bank's Doing Business Index
- Transparency International's Corruptions Perceptions Index
- Reforms typically cited in IMF Article IV

# Innovative ways to signal reform momentum

- Open Budget Index
- Extractive Industries Transparency Initiative
- Open Contracting Data Standard

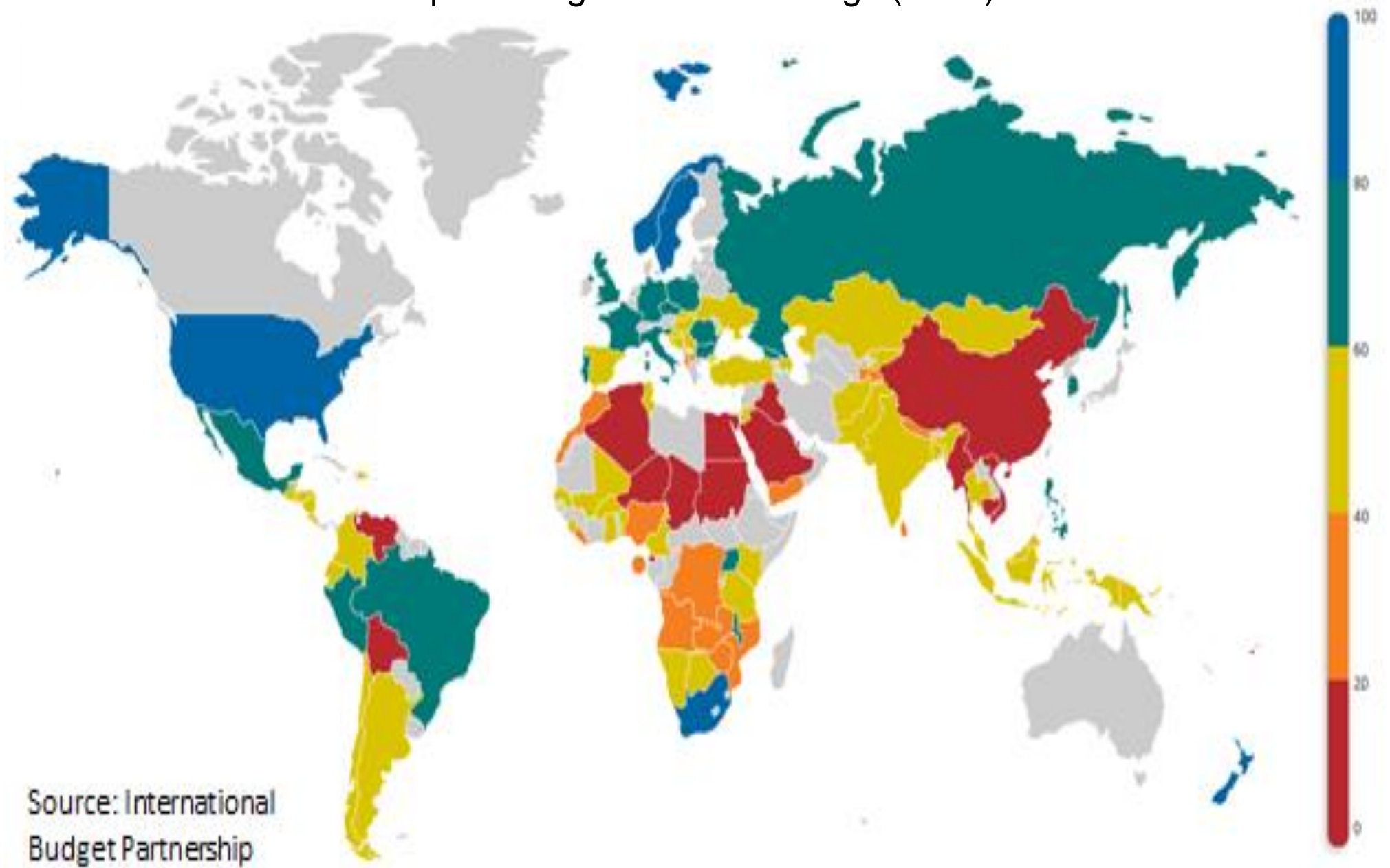
*The Emerging Markets Investors Alliance is educating investors about these initiatives.*

# 3 Pillars of Open Budget Survey

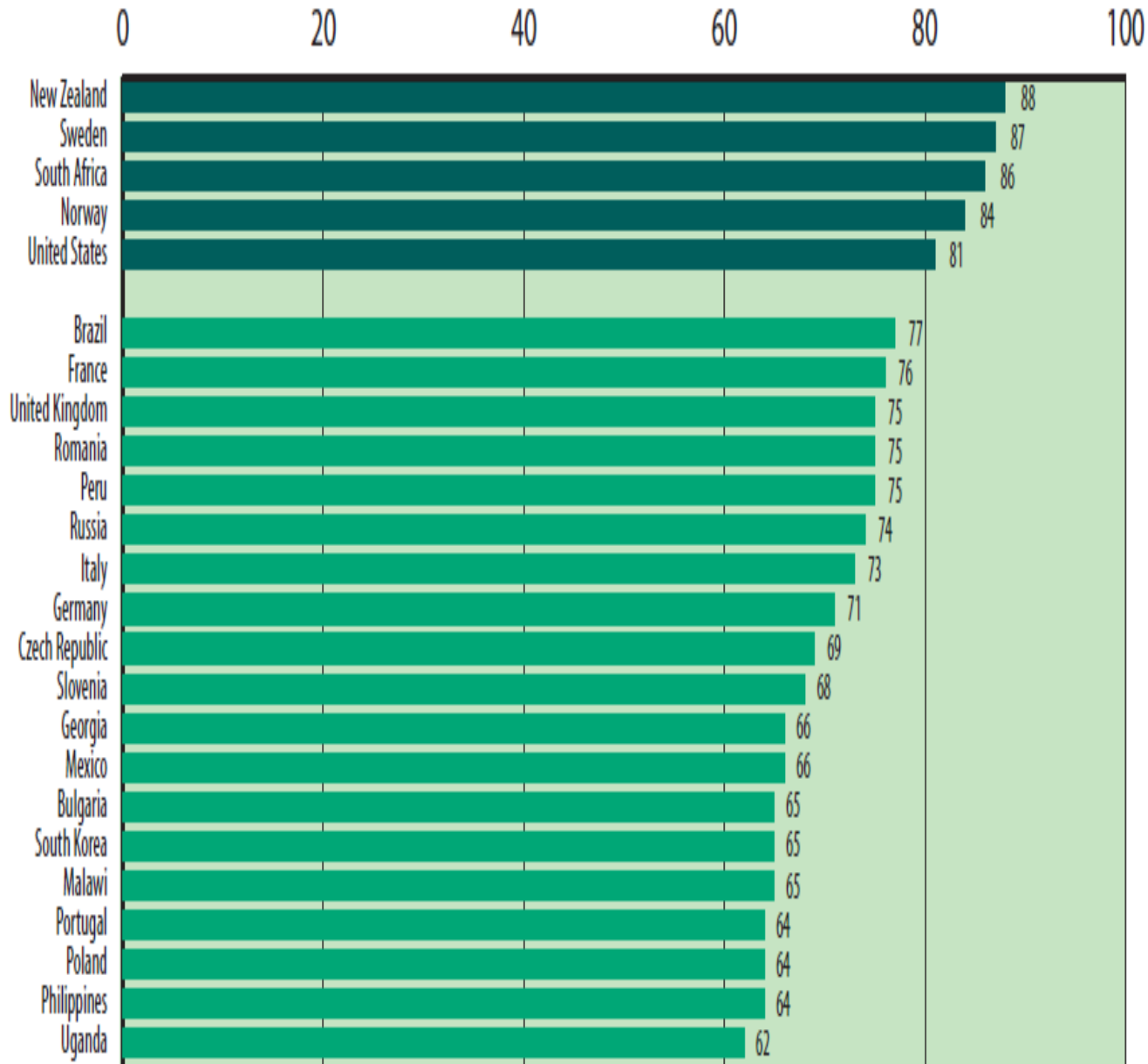
- Budget transparency
- Public participation in budget process
- Oversight by formal government institutions

# INNOVATIVE REFORMS

## Open Budget Index Rankings (2015)



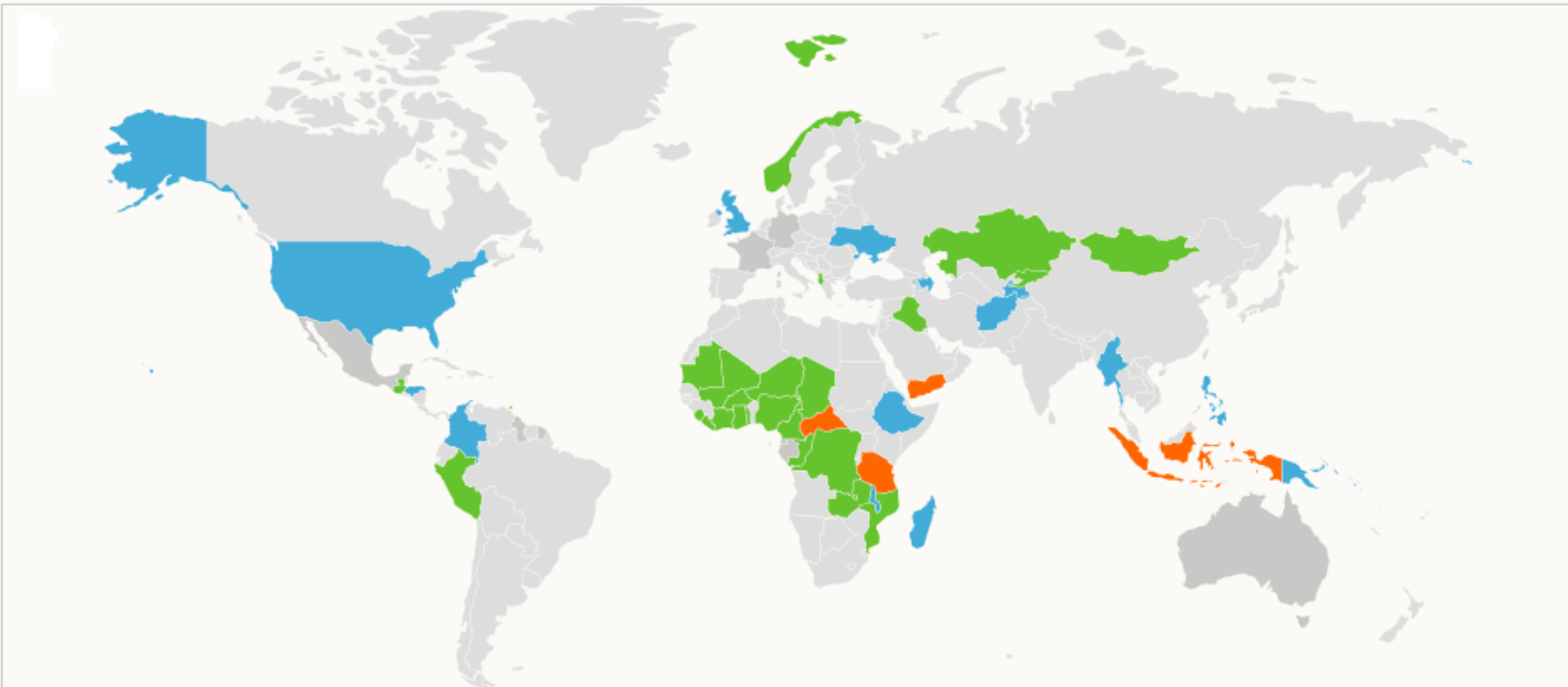
## Open Budget Index Rankings (2015)



- **Most countries have failed to incorporate all three pillars.**
- **New Zealand, Sweden, South Africa, Norway and US are top five scoring countries**
- **Significant gaps still exist in terms of public participation and oversight**

## Extractive Industries Transparency Initiative

### EITI Countries



**EITI Candidate Country** - implementing EITI, not yet compliant

**EITI Compliant Country** - confirmed to have met all EITI requirements

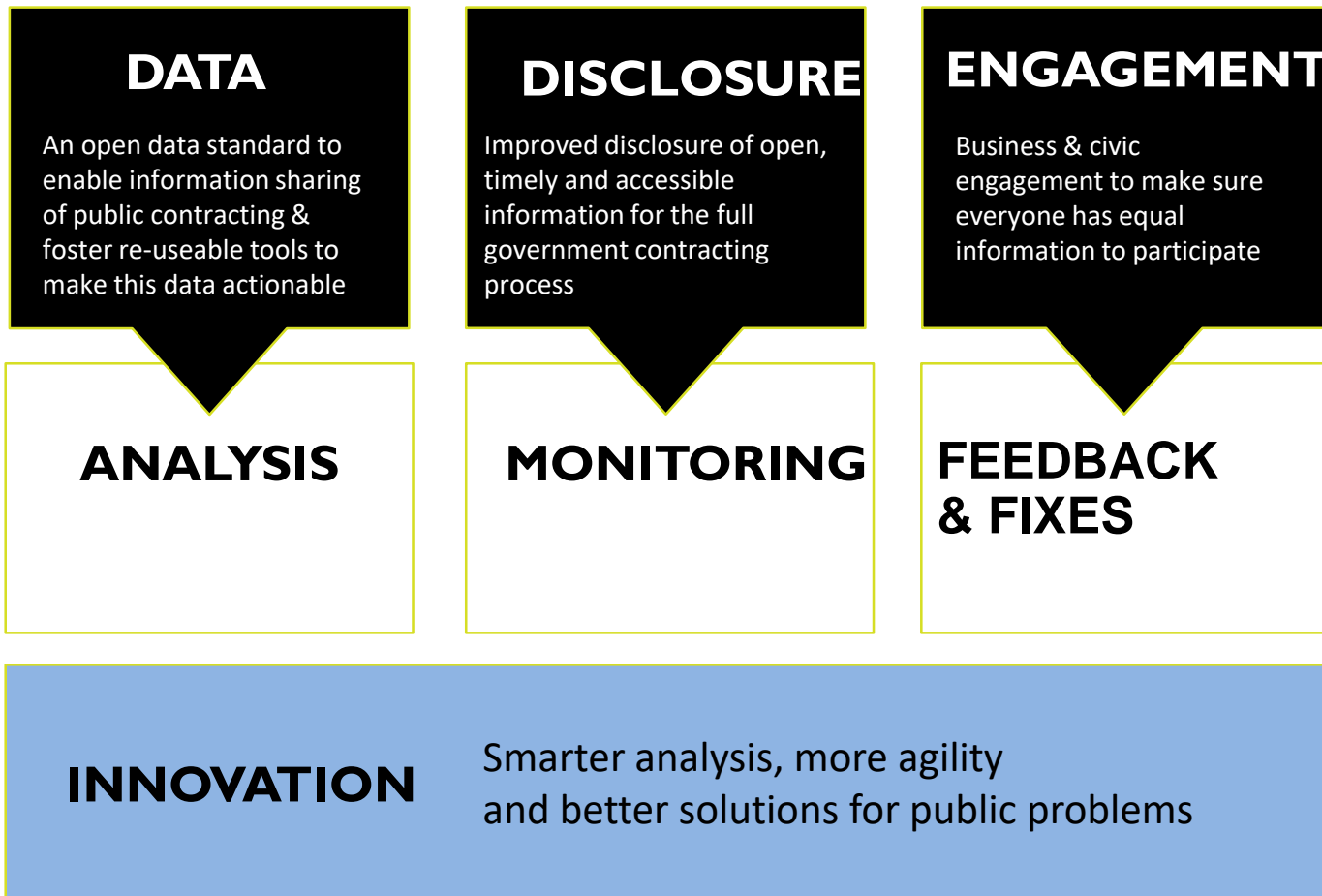
**Other**

**Suspended** - Compliant/Candidate status is temporarily suspended

**Global Government Contract Spending**

**\$9,500,000,000**

## Open Contracting Partnership





*Tender documents  
in the hallways of  
the Government  
of Georgia's  
Procurement  
Agency in 2010*



## Open Contracting Partnership

Planning    Tender    Award    Contract    Implementation    Contract Record



### Impact on Ukraine

- **Savings of 14% to the government**
- **50% increase of bidders by tender process**

# Benefits to government of open contracting

- More control over state-owned enterprises
- Less risk of a scandal
- Improved revenues, smaller budget deficits, less pressure to borrow, lower yields

**THANK YOU**

**Ashok Parameswaran**  
**Emerging Markets Investors Alliance**  
**[ashok@eminvestorsalliance.org](mailto:ashok@eminvestorsalliance.org)**