

INTRODUCTORY COMMENTS

Jeffrey Goldstein, Managing Director, The World Bank

Good morning. On behalf of the World Bank, I welcome you to the Sovereign Debt Management Forum. I welcome you because this is an incredibly important subject and you have traveled great distances to come here and you have taken a substantial amount of time to participate and for that we are most grateful. There is a very full agenda, so I have been instructed to say my words in a very short period of time, so I will be as brief as possible.

I will be brief, but I would also like to emphasize one critical point. There is an exceptional collection of talent at this Forum and I would urge you, both in formal sessions and informal sessions, for all participants to teach one another and to learn from one another.

The focus of this Forum will be on sovereign risk management. As you know, this topic is critical for several reasons. First, sovereign debt portfolios are often the largest liability portfolios in the economy. They have often complex debt structures and impose considerable risks to a government's balance sheet. Good debt management makes countries less susceptible to contagion and financial crises. There is clear evidence that a number of countries, with what appeared to be sound macroeconomic policies, were susceptible to financial crisis. When the crisis came, many sovereign debt managers had substantially higher debt to manage because of capital losses from a highly risky sovereign debt portfolio, and because of losses on contingent liabilities.

Sovereign debt managers can have a major influence on a government's reputation in financial markets. The authorities to borrow and to invest funds and to enter into derivative transactions on behalf of a government are often delegated by the Ministry of Finance to the sovereign debt manager. Sovereign debt managers are required to manage financial risk on a government's behalf and they are frequently called on to make finely balanced public policy decisions on a broad range of financing transactions. High quality sovereign debt management can lower borrowing costs for the government and for other local borrowers. It can help to improve the sovereign credit rating which acts as a ceiling for all other entities in the economy. So the task before you is great and I hope this is as productive for you as I am sure it will be for us at the World Bank.

We have a large number of plenaries and workshops with excellent speakers who bring a broad range of thoughtful counsel and practical experience. Let me again repeat my very warm welcome and say that I hope to have the chance to meet many of you at the reception this evening. Thank you for being here.