



OECD Working Papers on Sovereign Borrowing and Public
Debt Management No. 6

Investor Relations
and Communications: An
Overview of Leading
Practices in the OECD Area

**Mark Dooner,
David McAlister**

<https://dx.doi.org/10.1787/5k4dhnwftq6-en>

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Investor Relations and Communications:

An Overview of Leading Practices in the OECD Area

**by Mark Dooner (Bank of Canada) and
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“Without promotion something terrible happens...Nothing!”

P.T. Barnum, master salesman and promoter

Abstract

Abstract: This paper summarizes and discusses results from a survey conducted by the Department of Finance Canada and the Bank of Canada in July 2012 regarding an overview of investor relations (IR) and communications practices of members of the OECD Working Party on Debt Management (WPDM). The survey contained both quantitative and qualitative questions pertaining to IR, grouped into three themes: Definition and Development; Communications Strategy and Relationship Management; and Governance and Sustainability. Survey responses from 26 countries were collected and analyzed under these themes. While the extent of formalization and governance varies, all respondents with outstanding debt indicated that they perform IR activities; comments received suggest a general expansion of IR activities as the function evolves, both as a best practice and for directed, strategic purposes. Responses were collected regarding the most useful IR activities and communication methods conducted by countries, key stakeholder relationships relative to the IR function, and key challenges that include the difficulty in measuring the value of IR, particularly under changing circumstances. Despite the challenges, on-going IR is viewed as an important and effective component of the overall debt management function.

JEL Classification: G23, H6, M30

Keywords: *Investor Relations; Sovereign Debt Management*

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Investor Relations and Communications:

An Overview of Leading Practices in the OECD Area

1. Introduction

At the January 2012 Steering Group Meeting of the OECD Working Party on Debt Management (WPDM), the Canadian delegation committed to organizing a survey and panel debate/discussion on the investor relations (IR) and communications practices used by OECD WPDM members.

An online survey, which was distributed to WPDM member countries in mid-July 2012, was completed by 26 countries. The design of the survey was informed by existing IR research and literature, including IR best practices and developments presented over the past decade by the Institute of International Finance (IIF),¹ the International Monetary Fund (IMF),² and the World Bank.³ See Appendix I for a short summary of the IIF's "Investor Relations and Data Transparency Index", a useful reference in the design of this survey.

The survey contained both quantitative and qualitative questions pertaining to investor relations, grouped into three themes: Definition and Development; Communications Strategy and Relationship Management; and Governance and Sustainability.

This report organizes and discusses the responses by survey theme, highlighting the aggregate results and presenting comments from survey respondents. Survey responses not discussed as part of the body of this report can be found in Appendix II.

¹ <http://www.iif.com/emp/ir/>

² <http://www.imf.org/external/np/cm/cg/2001/eng/061501.HTM>; <http://www.imf.org/external/np/icm/2004/102604.pdf>

³ http://treasury.worldbank.org/web/Day_2_WS_8_MikisHadjimichael_InverstorRelation.pdf

2. Summary of Survey Findings

Theme 1: Definition and Development

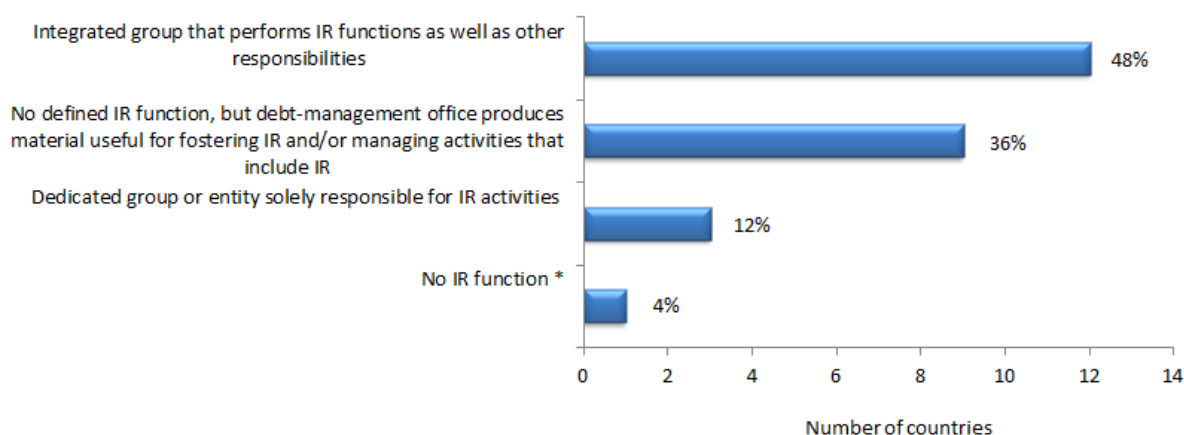
Responses to the 11 questions under this theme are useful for understanding how member countries perceive the role of IR for their given circumstances and requirements, and how their IR function has evolved to meet these requirements.

Defining the IR Function

All respondents have some type of IR function, ranging from a dedicated group to a general communications function under which IR is considered a component. It is apparent that IR does not need to be formalized in order for countries to consider the concept important or effective.

In fact, the majority of countries surveyed do not have a discrete group dedicated to IR. They integrate IR functions with other areas of the business or consider broader communications as serving an adequate and relevant IR role (for example, a funding and debt management strategy, planning materials and discussions with primary dealers).

Chart 1: Question 1: “Which of the following statements best describes your investor relations function?”



*One country surveyed does not have government bonds outstanding and, as such, does not have an IR function.

Several countries acknowledged the natural fit of having the IR function integrated within the debt management office, which may indicate that IR could be more efficient as an integrated function.

- “Lack of critical mass...DMO senior officials [are] best positioned to fulfil this function.”
- “Had started to operate as a small organization and investor relation[s] operations were done by different staff members. No need has [arisen] to set up a dedicated group later.”
- “IR integrated [as] part of capital markets team.”
- “The investor relations function has been created in the middle office and covers certain communications functions, trading obligations, monitoring, and product development.”

- “Our existing published material and informal investor relations activities (including consultations with our primary dealers) [have] been considered adequate for promotion of our wholesale debt program.”
- “Investor relations...also involves other government units more specialized in the main topics of interest for investors, such as macro-analysis, budget and economic policy units.”

While only three countries mentioned having a dedicated IR function, it is interesting to note that the IR activities carried out by these countries do not differ greatly from IR activities in countries with an integrated IR function (these activities will be discussed later in this report). The internal perception of IR may differ, depending on the internal structure, but not the activities implemented to accomplish successful IR.

These results contrast with results reported in the IIF’s “Sovereign Investor Relations Programs: 2011 Update of Key Borrowing Countries,” which provides a broad overview of the IR and data-dissemination practices of the most active emerging-market borrowers. Among the 38 emerging-market borrowers surveyed, 15 countries have a formal IR program (increased from five in 2004).⁴

Mission Statements

As can be expected, the extent of the formalization of IR activities also varies among countries. For example, seven countries noted that their IR function has a formalized IR mission statement.

One noteworthy observation is that some countries with no dedicated IR function stated that they have developed formalized IR mission statements. One possible explanation is that the mission statement serves as an anchor for IR-related activities in the absence of a formalized IR function or when the IR function is integrated with other activities.

IR mission statements also provide sovereigns with an opportunity to demonstrate or frame their commitment to debt management objectives such as sharing adequate information and maintaining relationships with stakeholders. For example, the creation of Mexico’s IR office was discussed in a 2001 report on IR programs by the IMF’s Capital Markets Consultative Group Working Group on Creditor-Debtor Relations. This report described the key function of Mexico’s new IR office as “maintain(ing) active and regular contact with investors, creditors, security analysts, and ratings agencies in order to keep them apprised of developments in sovereign debt and the government’s financing plans.”⁵ This key function was then communicated through the Mexican IR office mission statement.

Several comments from respondents echoed this use of an IR mission statement to demonstrate a commitment to objectives and principles:

- “Like our bonds and issuance technique: transparency, reliability, predictability.”
- “To provide information to the general public.”
- “[The] Public Debt Management Agency...organizes presentations to banks and other financial institutions, investors, rating agents, produces announcements and presentations to the public in co-operation with the Ministry of Finance and the [central bank].”

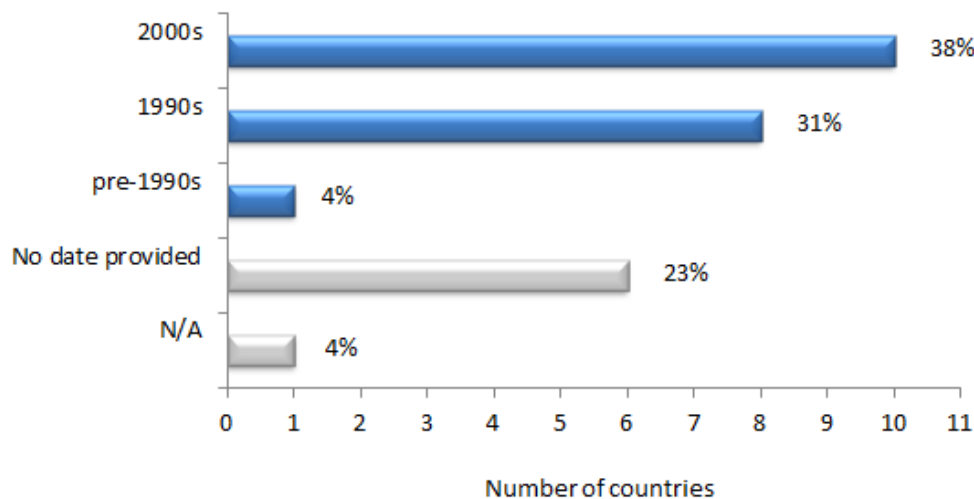
⁴ As of September 2011: <http://www.iif.com/emp/ir/>

⁵ <http://www.imf.org/external/np/cm/cg/2001/eng/061501.HTM>

IR Creation: Timing and Rationale

IR has continued to evolve for the countries surveyed. Chart 2 highlights the general time frames during which countries either first implemented an IR function or IR activities, or began focusing more directly on the strategic importance of the IR function.

Chart 2: Question 4: “What year did you implement your investor relations program/function?”



Some countries take a holistic view of the timing, commenting that such a function has always been part of the debt management function.

- “[IR] evolved gradually over time in line with the issuance activity. [Has existed] since we [began to] issue bonds.”
- “No official start date; evolved organically.”
- “Since the creation of [our] debt management agency.”
- “[Since 2000]...IR was identified as a must for a debt management office.... IR was implemented right from the beginning.”

These last two comments illustrate the importance of IR when establishing a separate entity responsible for debt management.

Other countries cited increased IR efforts occurring largely over the past decade for a variety of reasons, ranging from the need to ensure demand as funding requirements or circumstances change to the need for diversification of the investor base.

- “IR division office [was] created in 2009 due to increased need for on-going co-operation with domestic and international investors.”
- “More proactive [since 2009]. Actively seeking participation in issuer/investor conferences and...arranging road shows.”
- “[IR was] implemented in 2009] due to the substantial increase in funding program...consistent and increased size of supply.”

- “Since 2005..., investor relations meetings [have been] held in order to promote holdings and to diversify the investor base.”
- “In 1998 ahead of the introduction of the euro...implying a loss of [domestic] ‘captive’ investor base.”
- “Activity in the present form started in early 1990s due to increasing funding requirements.”
- “Presentations to investors [were] mandated...within founding law since 1998 as part of [the] main function, which is the financing of the Public Sector.”

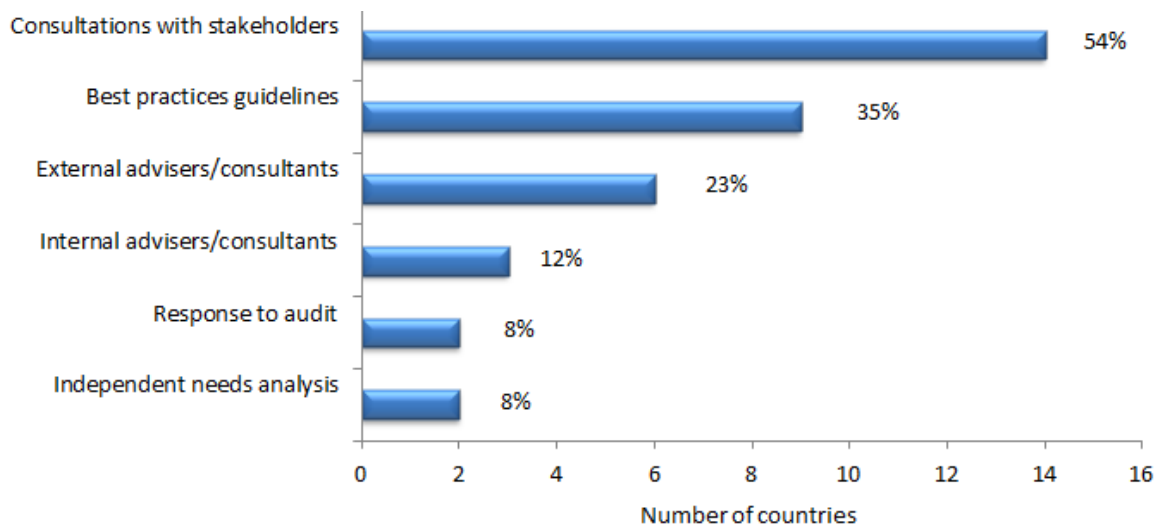
These comments demonstrate a balance between the recognition of IR as a general best practice and the use of IR as a strategic approach to dealing with specific events or changes in circumstances.

Canada noted that a formal IR function had been created in the early 1990s “to ensure that Canada continued to enjoy the status of a preferred investment location in a period of growing capital market internationalization. By 1997, with the Canadian economy back on track and the government heading into surplus, the formal IR program was wound down.”

Design and Implementation

Once a decision to pursue IR is taken, the IR function itself must be designed and implemented, which requires various tools and resources. The majority of countries indicated that they used at least two key tools and resources in the development of their IR activities. The two most common responses were “consultations with stakeholders” followed by “best practices guidelines.” International Institute of Finance guidelines were mentioned as an example of “best practices guidelines.”

Chart 3: Question 5: “In designing and implementing your investor relations function, which of the following tools/resources did you use?”



Not surprisingly, primary dealers were consistently mentioned as a key stakeholder with whom sovereigns consulted when developing their IR function.

- “Discussion mainly with primary dealers and investors.”
- “The result of our primary dealer recommendations.”
- “[We establish our] road show program on the basis of recommendations of primary dealers.”
- “[We] maintain a continuous dialogue with market participants (primary dealers and investors) and the nature of IR activities is informed by that dialogue.”
- “We rely notably on primary dealers.”
- “Frequent and regular consultations with primary dealers and financial institutions.”

These responses demonstrate the value that member countries place on the feedback of those close to their debt management programs as IR activities are developed. They also show the awareness that member countries have regarding the importance of established practices that help to ensure a well-designed IR program.

Evolution of IR

Once an IR function is designed and implemented, it may evolve as circumstances change. These modifications to activities can be divided broadly into the following two categories:

- (i) **Incremental improvement:** Improving upon existing IR activities and practices.
- (ii) **Strategic improvement:** Creating new activities and practices based on feedback and/or specific changes in circumstances.

The table below provides summary comments based on country responses, grouped using the two aforementioned categories.

Table 1: Summary of Responses to Question #6, “How has your investor relations function evolved over time?”

Incremental improvement	Strategic improvement
More information/details (“extended scale and scope”)	Moving from focus on increasing demand to focus on diversifying investor base
Broadening of communication channels	Updates focusing on context, current circumstances (e.g., fiscal issues)
More advertising activities	Move from deal-related road shows to non-deal-related road shows
More visits with stakeholders (including participation at international conferences)	Reverse road shows “where investors are travelling themselves and want to visit you”
Improved service	Greater adaptation to actual market needs (“geared toward a global investor base”)
Aligned with public sector accounting standards	Targeting/tailoring approach (including outreach programs, increased promotion through bilateral meetings)
Increased and more systematic follow-up with stakeholders	
More resources	

The comments received suggest a general expansion of IR activities as the function evolves, which may be a result of circumstances in financial markets over the past several years, as well as the increasing acknowledgement of the important role of transparency and communication for a country's debt program.

IR Activities Being Explored

One key aspect of the IR function that several countries are looking to improve is **information gathering**.

- “We want to make more use of our database to identify new initiatives.”
- “Better understanding of holdings.”
- “We have introduced [an] MIS system.”

Another recurrent theme was **improved communications**.

- “E-mail service with information for investors.”
- “We are thinking of establishing a platform to communicate with investors directly.”
- “We are continuously looking to improve communication and transparency.”
- “One discussion we [are having] is whether or not to publish a version of our investor presentation on [our] website. [It is currently available] to primary dealers and investors upon request.”
- “We are looking to rebuild and improve [our website], [which we are using] more and more as a tool for delivering IR information.”
- “More investor relations-related information/documents published on [our] website to make it easier for analysts, [as] investors are relying less on ratings agencies and doing more frequently their own due diligence.”

Other general comments were related to pursuing additional general IR activities as the IR function expands. Increasing the number of meetings and discussions with investors, and road shows beyond those with primary dealers were some of the common answers given. One interesting response was the possibility of having virtual road shows via video conferencing or Bloomberg.

Finally, Canada noted that more attention and resources are being directed toward its IR activities.

- “We are investigating the creation of a more systematic investor relations function in response to a recent recommendation from an external audit by the Office of the Auditor General.”

Theme 2: Communications Strategy and Relationship Management

Responses to the 14 questions under this theme indicate how member countries effectively interact with stakeholders and communicate the value of their sovereign debt programs through an IR function.

Active and Passive IR

The perception as to what is an “active” or “passive” communications approach is subjective. One-third considered themselves to be either active, passive or a mix of both. However, the activities provided in comments are illustrative of the different communications approaches. Those focusing primarily on information dissemination tended to report themselves as “passive,” while those making a concerted effort to engage parties tended to report themselves as “active.” Countries reporting an active approach were also asked whether they were moderately or very active; responses to that question were also evenly divided.

Comments pertaining to active approaches are provided in Table 2.

Table 2: Comments for Question 12: “If you have an active (IR) approach, would you describe the approach as very active or moderately active?”

Moderately active approach	Very active approach
“We organize investor meetings where we find it useful.”	“Very active in terms of the amount of contact we have with investors but is more moderate in how we update them and deliver our message....We are very keen to hear their feedback and provide them information on our market.”
“Moderately active due to budgetary and staffing constraints.”	“It is imperative for [us] to maintain strong, supportive relationships with holders of [our] debt and to identify and develop relationships with prospective investors.”
“Number of road shows is relatively limited...concentrated around initial issuance of new bonds.”	“Overseas investor relations tours...direct dialogue with foreign investors...participating in seminars [with current and potential investors].”
“Mainly focusing on the European market [but] now [expanding to] include more active efforts in...other markets.”	

Countries citing a mixed approach performed many, if not all, of the same activities as those indicating an active approach. Countries reporting a mixed approach to communications noted the use of primary dealer committees, reverse road shows, and senior management devoting more time to attending conferences and meetings with investors. It was noted by one respondent that frequent road shows and bilateral meetings are held in order to obtain a complete picture of the market and to help broaden the investor base. Examples of passive approaches mentioned by countries include general publications and dissemination of information, as well as information posted on a country’s website.

Most Useful IR Activities

Twenty-four countries indicated specific active and passive activities they have found to be the most useful in elaborating their IR function. The responses fit into five general categories with the order of the categories reflecting the prevalence of responses.

(i) Primary dealer co-operation, feedback, consultations

Nineteen respondents mentioned interaction with primary dealers as one of their most useful activities related to communicating debt management information and for receiving input into the decision-making process. Responses ranged from meetings with primary dealers to formal consultations. Some interesting comments included:

- “The quarterly consultation meetings with investors and primary dealers play a vital role in shaping [our] calendar.”
- “We find primary dealer committee meetings very effective in receiving input into our decision-making processes.”
- “[We] communicate daily with [our] primary dealers in relation to all aspects of the fixed-income market.”

In contrast, one country mentioned that it found primary dealer meetings “less useful in IR activities.”

It is clear that primary dealers play a very important role in the investor relations function, likely due to their relationship as a market-maker and agent that assists in the dissemination of a country’s IR messages through promotional activities, advice and research.

(ii) Road shows

Sixteen countries specifically mentioned road shows as a useful activity, with four of them specifying the value of one-on-one meetings with investors.

- “Individual meetings with primary dealers and road shows with one-on-one meetings with investors give the most feedback to our decision-making process.”
- “Road shows are very useful to fuel the decision-making process.”
- ”Road shows particularly 1-1 meetings - have proven best.”

Despite road shows being used by many sovereigns and deemed a valuable IR activity, it was noted by two sovereigns that they are “time consuming and relatively expensive.” The relative cost effectiveness of road shows is complicated by the fact that the funding situation of individual countries is not homogeneous. If a sovereign requires funding and performing road shows maintains a strong and stable investor base, then the cost of a road show may be well worth it. Conversely, if a country does not have difficulty raising funds, the benefits of a road show may not be as apparent.

(iii) Publication/distribution of information, including press releases

Half of the respondents mentioned publications as one of their most useful IR activities. The comments shared by countries illustrate the diversity of the publications used.

- “The website is important as a tool for investors to get information on an on-going basis.”
- “Monthly bulletins on [our] issuance agenda.”
- “[We] provide written articles to financial magazines or occasionally advertise.”
- “Monthly updated investor presentation published online.”
- “Publication of Debt Management Report and Debt Management Strategy, *Fiscal Monitor*.”

(iv) Meetings with investors/potential investors

Almost half of the respondents said that internal and external meetings with investors and potential investors were useful, which was a lower response rate than for interaction with primary dealers. It is worth considering the balance of influence between primary dealers and investors in relation to the IR function.

- “[We] facilitate meetings with investors at [our] offices and have conducted over 100 such meetings since 2010.”
- “Our focus from the start was to meet, hear from and know our investors and potential investors. The best way to do that is via face-to-face meetings and most often we have done that with the CEO attending. Although our message or information can be delivered as easily by the Head of IR or another senior executive, having the CEO attend and directly present the message and in turn hear from investors works effectively for us.”
- “An annual meeting...provides an opportunity for market participants to provide views on the structure of the following year’s financing [program].”

(v) Attendance at conferences/round tables

Conferences and round tables were cited by five countries as a useful approach.

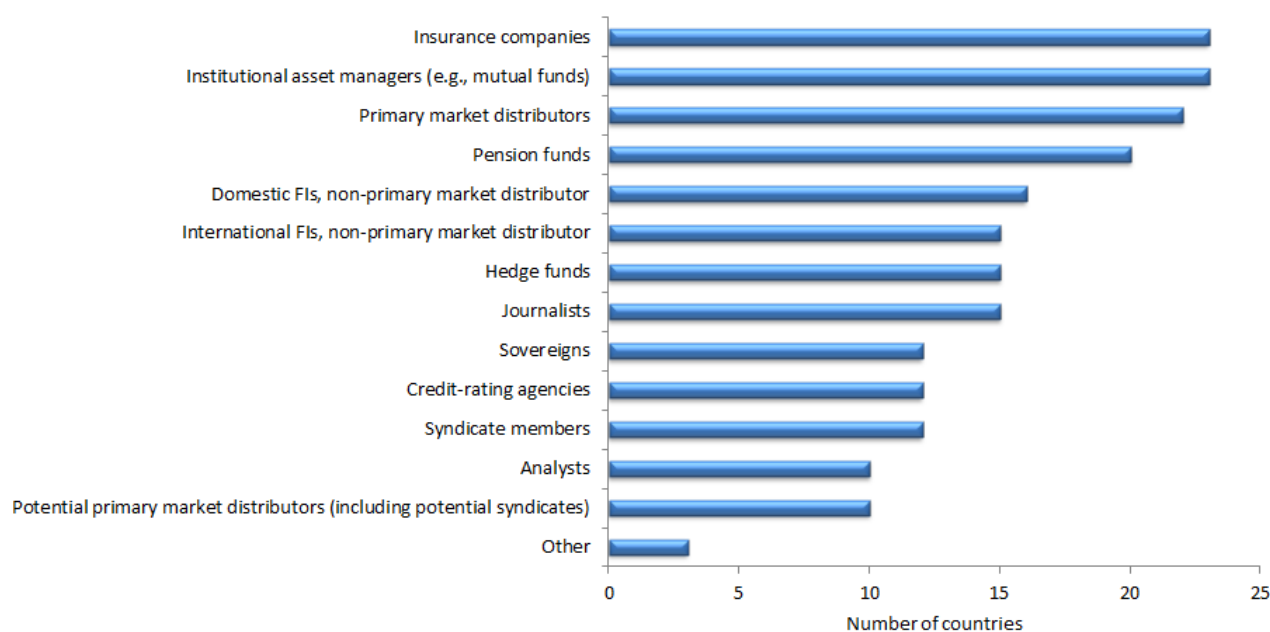
- “We...attend and speak (often keynote addresses) at conferences, attend round table discussions....”
- “Speed-dating at investor/issuer conferences gives you less feedback due to shortage of time and because investors are less likely to give feedback when they are in a group with other investors. On the other hand, investor/issuer conferences are less time-consuming and [are] inexpensive and it gives you easier access to a broad range of investors.”
- “Panels and conferences are useful as well to get [a] more general feedback on market developments.”

From the responses provided, it is clear that the most useful activities tend to be predominantly active in nature, requiring individuals to make acquaintances, talk, listen and exchange ideas.

IR Strategy: Stakeholder Relationships

Almost all countries acknowledged that the key stakeholders they target as part of their IR strategy are insurance companies, institutional asset managers, primary market distributors and pension funds. Other stakeholders, such as non-primary market distributor financial institutions, hedge funds and journalists, were noted as targets by half of the respondents. Countries targeting domestic financial institutions also targeted international financial institutions.

Chart 4: Question 14: “Which of the following stakeholders do you include/target as part of your investor relations strategy?”



When providing information to stakeholders, approximately half indicated that they adapt information based on the stakeholder and tailor presentations depending on how well-informed the stakeholder is. One of the respondents answering “other” described how the message is adapted to the needs of each stakeholder.

- “In principle, we are preparing the same document because we cannot differentiate for each type of investor during a road show. However, we always try to highlight items which we consider particularly useful for a specific investor, e.g., pension system for a pension fund. The more you know an investor, the more specific you can be. The more an investor knows you (e.g., in a neighbouring country or when a long-term relationship exists), the more specific you have to be. But even then, staff turnover may require [you] to explain again [the] more general features of the country or your debt management.”

Seventeen countries indicated that they work with their securities distributors and lead managers on IR activities, with all but three mentioning road shows and meetings. Some countries have adopted a less formal approach to road shows, while others are more formal about the process. For example:

- “Proposing and organizing road shows [is] part of the primary dealers’ obligations and we are evaluating their performance on the basis of several criteria (organization, targeted investors, new ones, own contributions, minutes etc).”

A collaborative approach was mentioned by a number of countries that work with their securities distributors or lead managers to leverage organizational assistance and market intelligence.

- “We have relied highly on the [financial institutions] originally to provide suggestions on who, where and why to visit investors based on our needs.”
- “We consult occasionally with dealers to ascertain [the] most active players.”

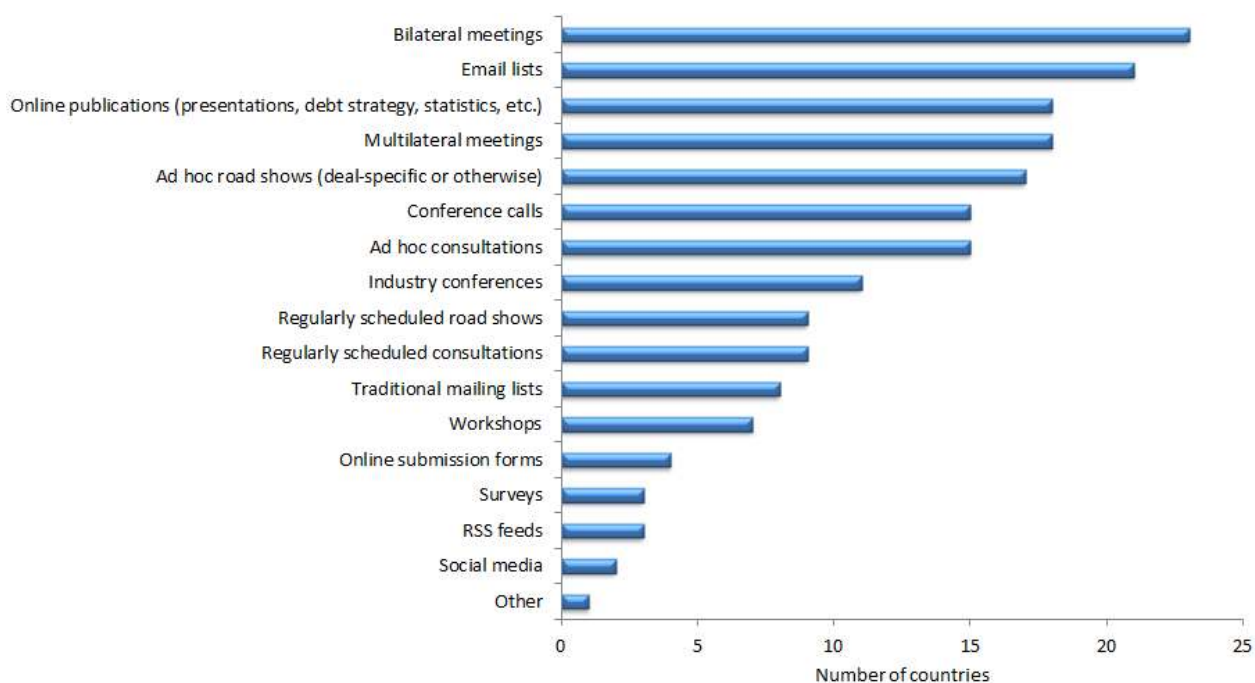
Two countries indicated that securities distributors contribute to the funding of certain IR initiatives and one country noted that deal-related road show expenses are covered by the lead managers of the transaction.

Based on 15 comments, the most frequently cited key external and internal relationships established as part of IR activities were with primary dealers and the central bank respectively. One country included its embassies and Foreign Affairs Department as key internal relationships, while another mentioned chief investment officers and treasurers as key external relationships.

IR Communications Methods

Bilateral meetings and email lists were the most common communications methods cited by all but a few countries. Online publications, multilateral meetings, ad hoc road shows and consultations, and conference calls were mentioned by at least half of the respondents (Chart 5). The relatively limited use of more recent communication methods is notable, with few countries using social media and surveys or RSS feeds.

Chart 5: Question 19: “Which of the following communications methods does your investor relations function use?”



Not surprisingly, telephone and email were cited by all but a few as the primary means of contacting the IR function. Traditional mail was mentioned by half of the respondents. One country noted that it was looking into the usefulness of social media, while another commented that, “The use of social media has not been accepted for reasons linked to their effectiveness and to technical problems.”

IR Service Levels

Approximately half of the respondent countries do not have defined service levels for IR, while one-third indicated that they have general service levels for information requests. Only two countries reported having discrete IR service levels. Several comments mentioned the existence of informal service levels.

- “Although we have no specific service levels for responding to clients, an investor request is viewed [as being of] primary importance and we endeavour to respond ASAP.”
- “We try to respond to questions that are asked through our website within 2 working days.”
- “[We] respond quickly to most data requests (generally within 1–2 days) unless a request is received via the [Freedom of Information Act] route, where more formal rules for responding apply.”

IR Publications: Type and Frequency

Generally, few countries are legislatively required to produce publications. Most documents are produced for general information purposes and, to a slightly lesser extent, for IR. Debt management reports, debt management strategies, auction calendars, and fiscal and economic updates were reported most frequently for general information. Specifically for IR, auction calendars were cited most frequently followed by debt management reports and debt management strategies.

Seven countries reported having to produce a debt management report and five countries reported that they produce a debt management strategy as a result of legislation. Of those, four countries are required by law to produce both. Twenty-four countries indicated that they produce a debt management report and a debt management strategy, and 22 countries reported publishing an auction calendar. Ten countries noted that they published the summaries of consultations and meetings.

Debt management reports and debt management strategies are typically produced on an annual basis, while auction calendars are typically issued on a quarterly or annual basis. Fiscal and economic updates, fact sheets, and current initiatives are most often published on an ad hoc basis.

See Appendix II for charts reporting the results related to the publication of information based on the reporting function and the frequency of publication, as discussed above.

Theme 3: Governance and Sustainability

Responses to the 12 questions under this theme provide an understanding of how member countries measure and are building out their IR function, and the level of formality that the IR function has attained with respect to budgeting, organizational integration and governance.

IR Governance

Seventeen countries noted that IR activities are considered within a relatively formal governance structure. Thirteen countries described an IR function in which governance is contained within the debt management office (including debt agency, debt department and treasury). Some countries mentioned other departments under which investor relations are governed including: capital markets; planning, research and risk management; cash management, issuance and trading; and a non-specified integrated group or groups. One country noted that governance falls under the purview of its head of investor relations.

There is also a wide range of approaches in terms of hierarchy. The front office, middle office and senior management were all cited as levels within the organization where responsibility for IR activities resides. One country noted that investor relations are segmented in the organization; foreign investor IR rests with the debt management function, while domestic financial institution IR is part of the market finance division.

In addition to having an IR governance structure, several countries provided additional information regarding formal governance specific to investor relations.

- "An annual IR strategy is presented to the management board."
- "Investor relations functions are formalized by ordinance of the Ministry of Finance."
- "[The] IR function is described as part of the [debt management's] functions in its founding law."

The majority of countries noted, however, that there are no specific published IR governance documents, although activities relevant to IR are part of other published reports.

- "[IR activities are] contained in the Public Finance Sector Debt Management Strategy."
- "The Financial Administration Act requires that a Debt Management Report and a Debt Management Strategy be tabled in Parliament annually."
- "The DMO is responsible for issuing publications about government debt, maintaining the DMO's website and on-going contact with rating agencies, primary dealers and investors."
- "[IR activities are] contained in the Public Finance Sector Debt Management Strategy."

IR Budgeting

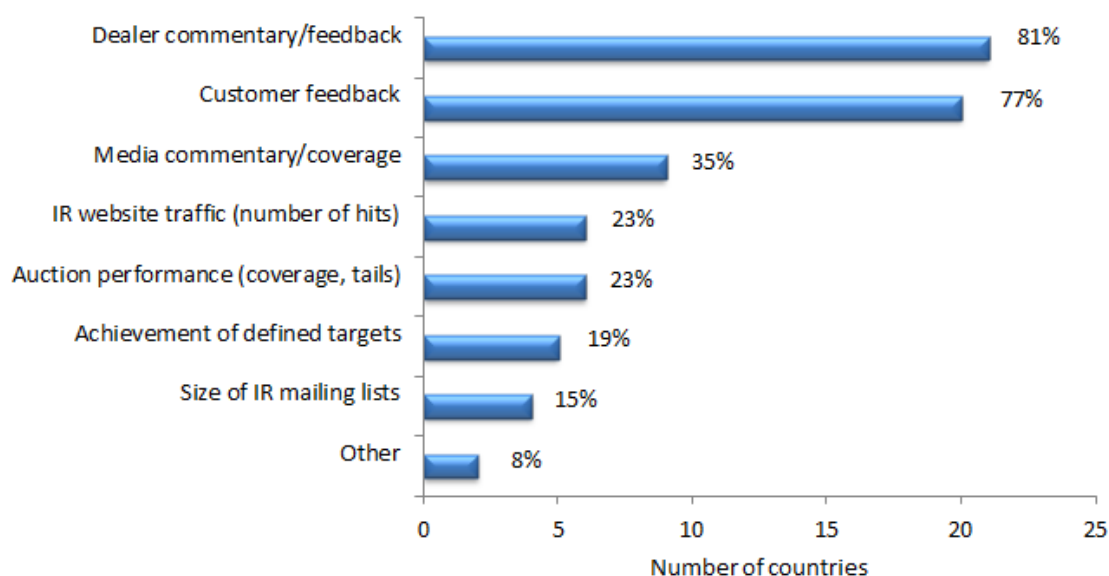
The overwhelming majority of countries, 21 of 26, indicated that costs for IR activities are managed as part of a larger budget framework not tied specifically to IR. Four countries noted that IR activities have a discrete annual budget allocation.

Not surprisingly, two of the four countries with a discrete annual budget allocation for IR noted having a dedicated IR function within their organization; the remaining two countries have an integrated IR function, as described in the first question of *Theme 1*.

IR Measurement

Dealer commentary/feedback and customer feedback were the two most common criteria used to measure the value/benefits of IR activities.

Chart 6: Survey Question 29: “How do you measure the value/benefit of your investor relations program/function?”



Under the “Achievement of defined targets” and “Other” categories, the following criteria were noted:

- “Follow-up on investor participation on primary issuance.”
- “Customer activity post our recent interaction.”
- “Information about bond purchases by our primary dealers.”

Interestingly, the top two responses are qualitative and difficult to measure. Concrete criteria, such as website traffic and the size of IR mailing lists, are not used nearly as often, possibly because the qualitative aspects of IR can contain much richer and more targeted information.

Under the “Other” category, one country provided insightful comments regarding the difficulty of measuring the value of IR activities. The entire comment is provided here:

- “In general, validating the success of IR activities is not easy, especially with quantitative indicators. However, indications for success include participation of investors met in transactions. There is also an annual investor relations report including number of requests/number of investor meetings/number of investors seen/number of primary dealer meetings/number of press clippings. Quality, accuracy and timeliness are important as well.”

Another comment concurred that validating IR activities is not easy, noting two key reasons. First, with consolidated reporting, it is difficult to ascertain who is transacting in the secondary market post-syndication, and what their motives for transacting are. Second, many factors influence investment decisions, and it is therefore difficult to attribute any specific behaviour on the part of investors and stakeholders to specific IR activities.

- “As a result of this fundamental measurement problem, we tend to adopt a broader view and...look where our products seem to be underperforming and why this is the case.”

IR Objectives

Slightly more than half of the respondents indicated that no specific objectives or targets are in place for their IR function. This is not overly surprising, given the qualitative criteria used to measure benefits, as described above. Six countries noted that they use IR targets.

Specific targets mentioned include:

- “Coverage of as many key investors as possible bi-annually”
- “Number of road shows”
- “Target number for one-on-one meetings”
- “Increasing the breadth of who we see at our consultations”

Other comments included:

- “Soon to apply new specific targets”
- “The DMO strives to engage its market stakeholders on a continuous basis to understand their prevailing concerns/interests.”

Since obtaining quantitative measures of IR activities may not be feasible or appropriate, or may be difficult to interpret, the majority of countries rely on qualitative measures. Comments received regarding qualitative measures can be broadly categorized as “Feedback” measures and “Observational” measures.

Feedback measures

- “Feedback from investors and primary dealers is important.”
- “We rate highly investors’ feedback, interaction and responses.”
- “Feedback from participants is in these cases most important to judge the success.”
- “Informal meetings with selected large institutional investors [are held] on a yearly basis to discuss general topics, such as issuance activity and investment needs.”
- “We send questionnaires about the effect of investor relations activities to the security firms.”

- “Annual poll [is conducted] to assess the quality of debt-distribution channels, and, more generally, investors' view[s] on debt management.”

Observational measures

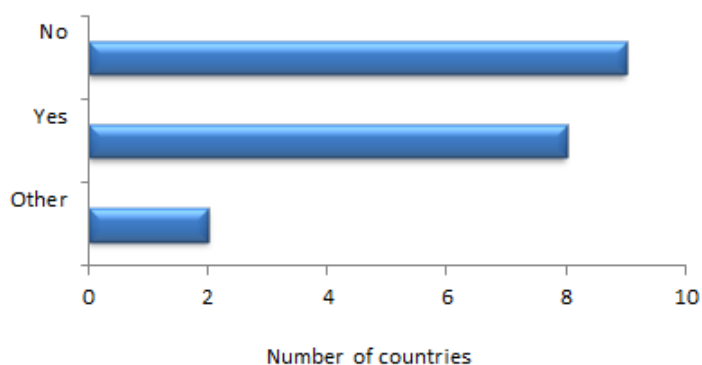
- “If we see or hear of [certain categories of] investors changing their investment pattern soon after a meeting or communications, we may view this as positive feedback.”
- “One example might be the participation for the first time in a syndicated offer by a particular investor [with whom we had previously been in contact].”
- “The results of our tenders; WAYs, Coverage Ratios, etc., also reflect at a secondary level how our IR activities may [be] assisting.”
- “Dispersion of investors by type-location.”
- “How well top holders are covered.”

The difficulty in measuring the value of IR may have implications for budgeting, as well as the internal perception of the value of IR activities. In this regard, investor relations are not dissimilar to the traditional challenges found in advertising, expressed by Wanamaker’s Rule that about 50 per cent of advertising efforts are effective and 50 per cent are not—but no one knows which 50 per cent are effective!

IR Review

Nineteen countries provided responses about the review of the IR function, with results being fairly evenly divided. These results indicate that approximately one-third of all surveyed countries have a process in place to review their IR function.

Chart 7: Question 32: “Do you have a process in place to review your investor relations function?”



There was some overlap in the responses regarding the qualitative and quantitative measures used to gauge the effectiveness of IR activities and the process in place to review the IR function. Comments regarding the characteristics of the IR review included:

- “Written summaries of investor meetings. We review how our resources are best used. On this basis, we prioritize our activities.”
- ”The website is reviewed every year.”

- “The annual program, and the evaluation of the previous one, [are] assessed every year (+ update every six months) by the executive and strategic committees.”
- “[We review the] quality of information given in charts, investor feedback, activities of investors (post-contact) if data [are] identifiable.”
- “The effectiveness of data, the need for new data sets.”
- “Feedback from market participants...forms part of annual personnel reviews.”
- “All factors [are] seen in relation to total resources devoted to IR. Therefore, [the] most efficient use of scarce resources [is] important—including [a] targeted number of days on the road with board-level member participation.”
- “The scope of each review is not the same. Parameters are set before each review. However, over a longer period, there is a repetitive pattern of areas that are reviewed.”

The two countries that selected “Other” both mentioned that a process is in place to review government functions that include IR activities, although the process is not tied specifically to IR.

- “Not specifically but IR’s activities are reviewed and presented as a part of [our] whole activities before quarterly presentations to [our] advisory board. IR activities are regularly discussed and focus honed through dialogue between [the] CEO and [the] Head [of] IR and at executive group meetings.”
- “We have a process in place to review government functions including [the] management of interest-bearing debt. Investor relations was a subject that came up in a recent audit on interest-bearing debt.”

IR Challenges

The most common response among countries regarding the challenges of maintaining a sustainable and relevant IR program was **resource constraints**, particularly budget and workload capacity. Road shows, for example, were mentioned as a useful, yet time-consuming and costly, initiative, as mentioned earlier.

Balancing resources between operational requirements and promotional IR activities was also cited as a challenge. In addition, the need to “spread” limited resources across a wider audience was noted as an issue that required the prioritization of potential IR activities.

Training was also mentioned as a challenge resulting from resource constraints—the need to develop and maintain a suitable skill set for sovereign IR activities (including communication skills when dealing with analysis, investors and journalists).

Stakeholder relationships were cited by several countries as a key challenge, predominantly related to investment dealers.

- “The main challenges [include the] proliferation of parallel initiatives by dealers (such as central bank meetings), balancing the dealers’ and the DMO’s interests (which entails refusing initiatives) and choosing the right dealers without giving them too big an advantage in certain areas.”

- “Operating through primary dealers unavoidably limits the direct issuer/investor contact.”

Challenges related to stakeholder relationships can also be internal to the organization. The following comment highlights the differing opinions within an organization as to the value of IR activities.

- “We see IR as an important part of a debt management function; our shareholder (Ministry of Finance) doesn't see IR as [being] so important.”

As mentioned earlier, the difficulty in measuring or articulating the value of IR activities may have implications regarding its perception (both internal and external) and, consequently, its budget allocation.

Changing circumstances were also cited as a key challenge. IR messaging and activities must be flexible enough to adapt to changing fiscal requirements. One country noted that several years ago, bond supply was plentiful and demand was a concern. This funding dynamic changed over time, and while the supply has declined, demand remains. The IR messaging must thus adapt to changes in the fiscal position in order to prepare stakeholders for these changes and to alleviate any concerns stakeholders may have regarding the implications of the changes.

Canada adapted its IR strategy under changing circumstances as well, as described earlier. Canada's IR function was established in the 1990s in part to broadcast changes that were being made to reduce debt to more sustainable levels. Several years later, with a surplus budget position and a decreasing debt-to-GDP ratio, Canada's formal IR program was phased out.

The final key challenge noted was **information management**. Obtaining relevant data and packaging information appropriately (including common messaging with other government departments, and according to stakeholder needs) were mentioned within this theme.

Keeping Informed

Keeping informed about IR practices and developments in the field of IR can be achieved in numerous ways. Eighteen countries' responses can be broadly placed into two categories: “Information sharing” and “Best practices.”

Information sharing

- global forums (including IMF, World Bank, OECD)
- regular contact with other debt management offices, peers
- primary dealers, investors
- government authorities (internal stakeholders)
- social media (“There is a special social network on LinkedIn gathering specialists in the area.”)

Primary dealers in particular were cited as a key relationship for keeping informed about IR best practices, given their breadth and depth of knowledge regarding capital markets and their close involvement with the distribution of sovereign debt.

- “We maintain an active dialogue with [primary dealers] who, as major financial institutions, conduct active IR programs on their own part and from time to time include us.”

Best practices

- publications by organizations such as the Institute of International Finance
- national investor relations body
- practices of other sovereigns, private sector
- primary dealer IR programs

3. Conclusion

The 26 countries that responded to this survey find IR to be an important, effective function, regardless of how that function is formalized, governed and integrated into other governmental functions and activities.

Over the past decade, IR has evolved for the countries surveyed. The comments suggest a general expansion of IR activities as the IR function has evolved, which may be a result of circumstances in financial markets, more globalized financial markets, and the increasing acknowledgement of the important role of transparency and communication for a country's debt program.

Not surprisingly, primary dealers were consistently mentioned as key external stakeholders with whom sovereigns interact, and road shows and bilateral meetings were cited most frequently as useful activities. More recent communications methods such as social media, surveys and RSS feeds are, for the most part, not used. Almost all countries indicated that their IR activities target their key investor base (i.e., insurance companies, institutional asset managers, primary market distributors and pension funds).

For most countries, the cost of IR activities is managed as part of a larger budget. Validating the usefulness and effectiveness of IR activities is challenging, since quantitative measures of IR activities may not be feasible or appropriate. As a result, the majority of countries have qualitative measures in place to evaluate IR activities. Dealer and customer feedback are the two most common criteria for measuring the benefits of IR activities. Website statistics, despite being quantitative, are used infrequently.

The difficulty in measuring the value of IR may have implications for budgeting and the internal perception of the value of IR activities. Resource constraints, particularly budget and workload capacity, are common challenges when attempting to maintain a sustainable and relevant IR program. Balancing resources between operational requirements and promotional IR activities was also cited as a challenge.

Finally, sovereigns rely on primary dealers and organizations such as the OECD to keep abreast of developments in IR. However, countries perform very similar IR activities regardless of the manner in which their IR function has been designed and operates. It is perhaps ironic then that sovereigns are competing for investors' money in globally integrated financial markets using many of the same primary dealers, and sovereigns, for their own benefit, could in fact seek to distinguish themselves through IR activities.

APPENDIX I - THE INSTITUTE OF INTERNATIONAL FINANCE INVESTOR RELATIONS AND DATA TRANSPARENCY INDEX

Since December 2005, the Institute of International Finance (IIF) has been evaluating emerging market countries using the IIF Investor Relations (IR) and Data Transparency Index. The index was designed in consultation with market participants and is based on minimum guidelines and best practices. The IIF considers it to be a blueprint for any sovereign issuer seeking to enhance communication and dialogue with market participants. The index consists of 20 IR best practices and 24 data transparency criteria; an IIF evaluation results in a score for both the IR and data transparency.

The IIF considers that there are three key pillars of IR best practices:

- (i) an institutionalized/official IR office;
- (ii) the dissemination of macroeconomic data and policy information; and
- (iii) feedback channels.

First, an institutionalized IR office implies having a designated IR officer and staff capable of responding to inquiries within 36 hours, and an active website that provides frequent updates to data and policy information. Second, in disseminating macroeconomic data and policy information, best practice requires that market-relevant data be provided in a friendly format and that information on policy and structural issues is included. Lastly, countries should utilize several feedback channels, including non-deal road shows, web-based communications with investors and quarterly conference calls that include senior officials.

On data transparency, the IIF criteria go beyond those set out in the International Monetary Fund's Special Data Dissemination Standard (SDDS), established in 1996. The criteria cover central government operations, central government debt and external debt. They focus on the periodicity and timeliness of data, the availability of time-series data, segregating domestic and external funding, providing amortization schedules, and breaking down the holdings of debt.

According to the IIF, the benefits to sovereigns of implementing these best practices include avoiding policy missteps, coordination that leads to consistent policy messages, the ability to distinguish one's self from one's peers, and the creation of a link between the investment community and policy-makers. For external creditors and investors, the benefits include a more realistic assessment of risks, better access to information and data, and the ability to develop a relationship with the country.

APPENDIX II - SUMMARY OF ADDITIONAL SURVEY QUESTIONS AND CHARTS

Theme 1: Definition and Development

Question 8: “Do you have a retail investor relations function?”

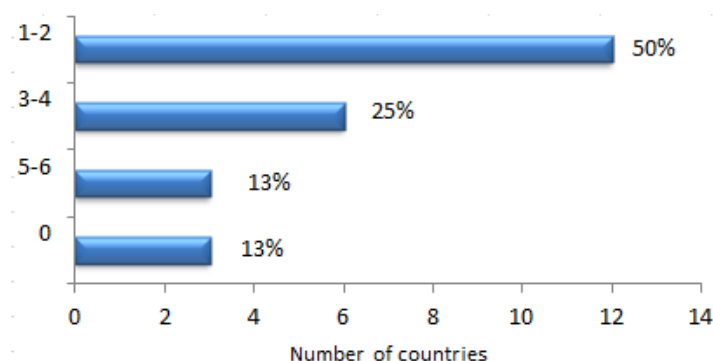
Do you have a retail investor relations function?	Number of countries
No	14
Yes; discrete IR function	6
Other	4
Yes; integrated with wholesale IR function	2

- “Service [is] delivered by the Retail Instruments Market Division and distribution sales agent.”
- “[The] Retail Debt Investors relations function is conducted via [our] post office network.”
- “[This function is] integrated with [the] wholesale IR function. Since 2002, [we have] retail online savings products including a dedicated service centre.”
- “Another department [sells] non-marketable government debt instruments to the public.”
- “[The] promotion of financial relationships with retail customers is mainly pursued through our official website.”

Comments from Canada:

“We meet annually with our authorized sales agents, who have basic advertising responsibilities as part of their agent role. We also run a payroll program where we recruit and support campaign directors who promote the program within their organization to our payroll channel contributors (supported with material we provide). Direct communication with our retail investors is largely focused on providing information [regarding their account], although we do conduct surveys that feed into improvements to the customer experience, and we conduct some market research as part of general brand/program management that feeds into a national advertising program. Retail debt represents less than 2 per cent of all public debt.”

Question 9: “How many dedicated full-time employees (or equivalent) are involved in your IR duties and activities?”



Countries that responded had an average of about two full-time equivalent resources dedicated to the function. Note that several countries provided what they consider to be a rough approximation/range of the effort of multiple employees who perform other functions beyond IR.

Question 10: “Please list the languages in which your investor relations information is available.”

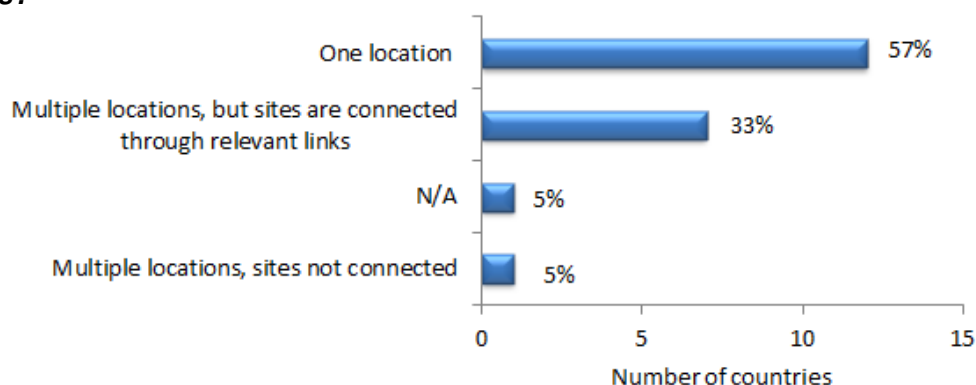
Of the 24 countries that answered this question, 20 publish IR-related information in a language other than their official language (19 include English; one English-speaking country translates IR presentations into Mandarin and Japanese). One country publishes its annual report and website in a number of languages, including French, English, Spanish, Arabic, Japanese, Russian, Italian and Chinese.

Question 11: “Does your country subscribe to the International Monetary Fund’s Special Data Dissemination Standard (SDDS)?”

All 26 countries answered this question; 16 noted that they subscribe to SDDS, while 10 do not.

Theme 2: Governance and Sustainability

Question 18: “Is your online debt management information found in one location or multiple locations?”

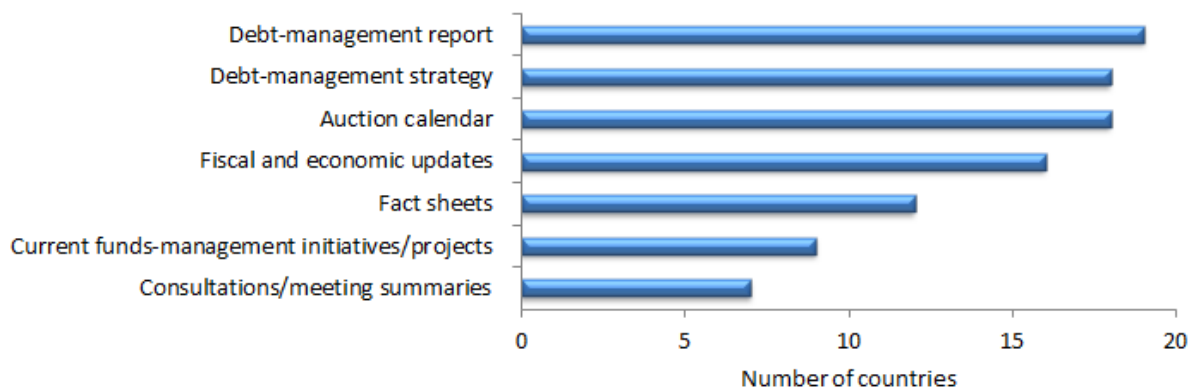


The majority of countries that host information at one location said that they do so through their debt management office site.

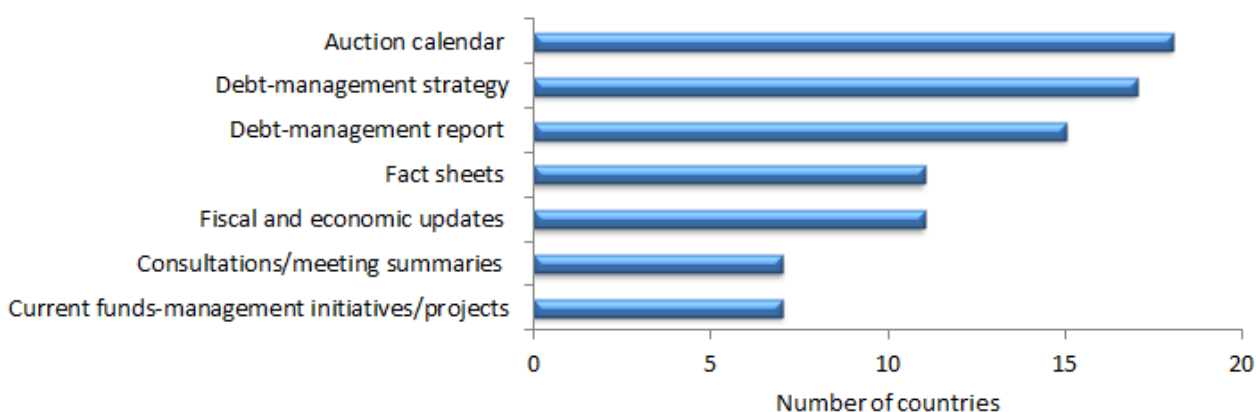
Two countries provided comments regarding their use of multiple locations to host debt management information. One country noted that one site exists for wholesale information and another for retail information. Another country noted that, while the DMO “is a one-stop-shop for analysts concerning data on the...sovereign,” information is also found on the website of the Ministry of Finance.

Questions 22 and 23: “Please indicate under which function the following information is published, and how often the information is updated (if applicable.)”

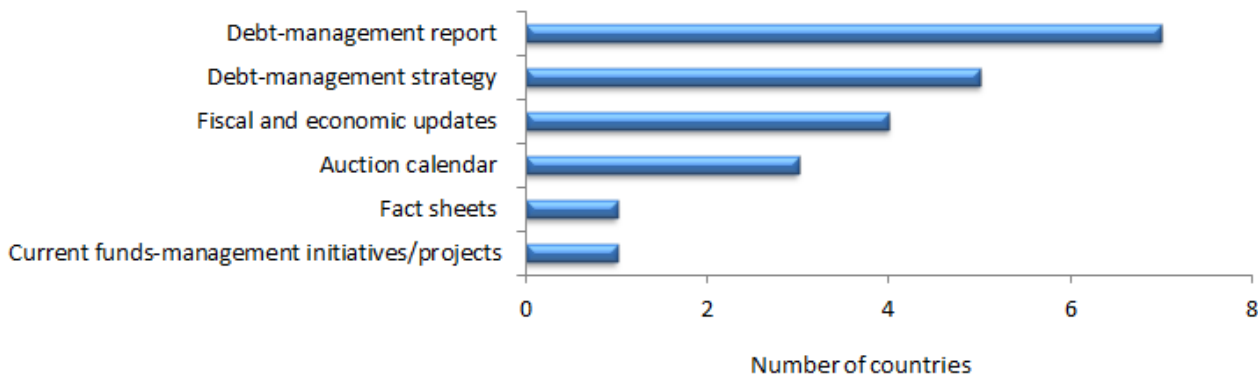
General Information

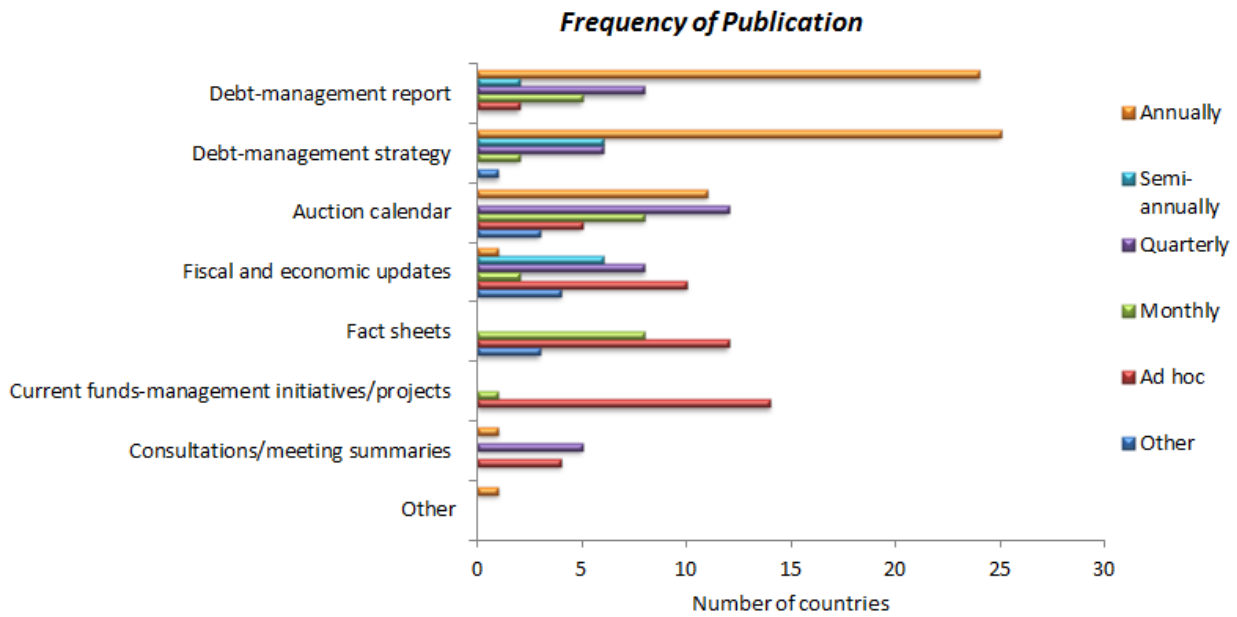


Investor Relations

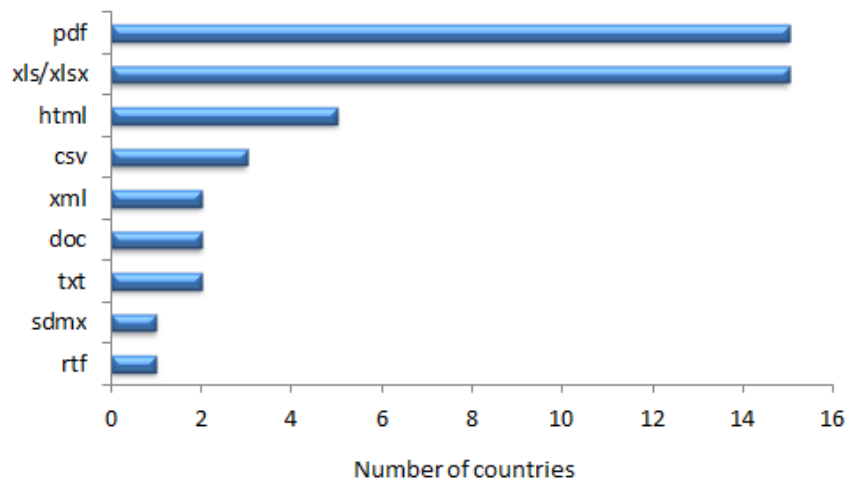


Legislative Requirement





Question 25: “For data that are available for download, what formats do you provide (e.g., pdf, txt, html, xls, csv, etc...)?”



Three-quarters of countries provide raw data for download, with PDF and XLS being the file formats used most often.

Theme 3: Governance and Sustainability

Question 33: “Is the review of your investor relations function internal or external?”

Is the review of your investor relations function internal or external?	Number of countries
External	0
Internal and external	2
Internal	10
n/a	14

Two countries mentioned the role of an audit agency, whose review would cover activities related to IR.

- “All activities of the debt agency, including its investor relations activity [are] subject to review from [the audit function] acting on behalf of Parliament.”
- “Internal [review] by Office of the Auditor General and Internal Audit, external [review] is done by a third party that is engaged by [request for proposal] as part of the Treasury Evaluation Program.”

Question 35: “How frequently do you review your investor relations function?”

The most common responses were “Ad hoc” and “Annual.” Note that some countries chose more than one answer (specified in the comments field). This partially explains why there are more entries for this question than for the question regarding how many countries have a review process.

How frequently do you review your investor relations function?	Number of countries
n/a	12
Ad hoc	8
Annually	4
Semi-annually	2
Other	1

Under “Ad hoc,” one country mentioned that market developments are taken into account. Another “Ad hoc” comment noted that internal reviews are periodic and are part of a revolving review of government departments.