

Long Term Finance Highlights



February 2013

Volume 1

Contents

Russia G20 Foreword:
Marc Uzan, Chandima Mendis

Institutional investors &
long-term investment:
Juan Yermo

Local bond market
development & missing
markets:
Bernd Braasch

Local bond market
development & new
reserve currencies:
RBWC

Contact details:

Address:
RBWC
8 rue de Bièvre,
Paris 75005
France

T : + 33 982 292 781
Email : info@rbwf.org

FOREWORD:

LONG-TERM FINANCE AS A NEW PILLAR FOR THE GLOBAL FINANCIAL ARCHITECTURE

By Marc Uzan and Chandima Mendis

RBWC, Paris

At their meeting in November 2012 in Mexico City, the G20 Finance Ministers and Central Bank Governors acknowledged the importance of long term financing, particularly for infrastructure investment. "Recognizing that work on this subject will foster an environment more conducive to long-term investment, effectively helping to boost jobs and growth. We ask that the World Bank, IMF, OECD, FSB, UN and relevant IOs undertake further diagnostic work to assess factors affecting long-term investment financing including its availability. We look forward to receiving this work in early 2013 to provide a sound basis for any future G20 work." – *G20 Communiqué*

The G20 working Group on international financial architecture set into motion a work program to understanding the evolution of the international monetary and financial system in recent years and how it may have affected the demand for and supply of long term investment financing. It is in this context that Russia set long term finance as a G20 priority for 2013. In cooperation with the G20 and other central banks around the world we at Reinventing Bretton Woods Committee continue to play our role as a convener and bring different stakeholders around the table together. Some of the questions we tackled during previous years under the French Presidency include management of capital flows (Peru 2011) global liquidity (Brazil 2011) or the development of local bond and currencies markets (EBRD Astana 2011) that contributed to constructing a road map for the new global financial framework.

Following the series of financial crises in the US and Europe, various policy measures have been devised to counter sharp contractions in output and seizure of financial markets. These were all short term measures such as improving liquidity and bailing financial institutions. The post crisis agenda has subsequently shifted from fire-fighting to strengthening the long term stability of the global economy aimed at reinvigorating growth. We dedicate this highlight to long term financing which is a crucial part of this new architecture. While making long term financing and investment a key driver involves many caveats, local bond markets have been identified as a major conduit to realize these objectives. Development of local bond markets not only would open up financing for longer term projects such as infrastructure development and capital investment, it would channel the savings and investment needs of economies through the introduction of new of institutional investors through currency diversification. Indeed the development and deepening of local bond markets would help alleviate the problem of certain "missing markets," broadening financing intermediation, investment and growth.