Peer-to-Peer Learning in Bond Market Development

Peer-to-peer learning has received increasing attention in advisory services programs and is in high demand by more and more client countries who want to share experiences and lessons learned. But these South-South exchanges can be costly to facilitate and so may not be used to their fullest potential. The World Bank Gemloc Advisory Services Program, which helps develop government bond markets in emerging market countries, has created a virtual peer learning mechanism—the Gemloc Peer Group Dialogue—that has been valuable both for the program and for its emerging market participants. This SmartLesson shares some strategic and practical lessons that could be useful for other advisory services programs that work with counterpart institutions across different countries.

Background

The Global Emerging Markets Local Currency Bond Program (Gemloc) is a World Bank Group (WBG) initiative that supports development of local currency bond markets in emerging market countries to increase their investability and attract new domestic and international investment. Gemloc combines the comparative advantage of the WBG and the private sector and consists of three separate but complementary parts: i) a private investment manager, PIMCO, that develops and manages investment strategies to promote institutional investment in emerging market local currency bonds; ii) a bond index,
GEMX, that weights emerging market countries based on their market size and investability; and iii) advisory services provided by the World Bank to strengthen local bond markets in emerging economies to help enhance their investability and attract new investments.

The Gemloc Advisory Services program consists of three main parts:

• **Country-specific programs** provide advisory services to emerging market countries to develop and implement debt market reforms. They address a full range of market development needs, tailor-made for individual countries, including market policies and regulations, trading, clearing and settlement, and investor base.

• **Applied research** focuses on generating knowledge and disseminating appropriate best practices about a variety of debt market development topics through books, papers, toolkits, and workshops.

• **Peer Group Dialogue (PGD)** brings together emerging market economies (EMEs) with similar market development challenges in a virtual (conference call and Web-based) roundtable discussion on a variety of debt market topics. To date, the Gemloc team has engaged 19 EMEs by facilitating six PGD meetings among two groups of EMEs: a pilot peer group composed of top-10 EMEs by bond market size, and a second peer group open to all other Gemloc-eligible EMEs. The meetings covered topics that ranked high on the countries’ agenda and included areas such as policy actions needed in light of the financial crisis, and ways to increase liquidity in the primary and secondary markets through improvements in primary dealer systems. Participants are typically representatives of debt management offices of member EMEs (see Figure 1).

**Overview of PGD**

A peer-to-peer learning mechanism, if well designed, can enhance EMEs’ ability to share knowledge and lessons learned, and can support overall delivery of WBG advisory services—all at a relatively low cost.

The Gemloc PGD has greatly facilitated and enhanced peer-to-peer learning, because it is virtual. Unlike the more expensive face-to-face peer learning, PGD takes place via a conference call and a free Web-based meeting tool. All the participants need is a phone and an Internet connection. The only costs involved are those incurred by the Gemloc team for conference-call charges, which are significantly lower than costs associated with face-to-face meetings.

Moreover, because the PGD does not involve any travel, meetings can be planned with just a few weeks’ notice, allowing countries to interact on a relatively frequent basis. For example, the Gemloc pilot peer group meets three or four times a year, with a goal of increasing the regularity and frequency of meetings even further.

1 These countries meet the following criteria: defined as an emerging market by the World Bank; bond market larger than $3 billion equivalent and have at least five eligible bonds with outstanding amounts of at least $100 million.

**Box 1: PGD Benefits Summary**

For the countries:

• Provides an easy, cost-effective means of exchanging knowledge and lessons on specialized topics related directly to their reform agendas.
• Provides the ability to reach a greater number and broader profile of participants within each country and institution
• Facilitates the creation of a global network of counterparts from other countries, who may reach out to each other separately, if need be.

For the WBG:

• Helps promote Gemloc Advisory Services and generate new business.
• Enhances our knowledge of a particular topic and country cases, and sharpens our technical assistance.
• Allows us to reach a greater number of countries than is possible through country-specific advisory services operations.

Another PGD value added is the ability to reach a larger number and broader profile of participants within each country, ranging from senior-level to technical staff, whereas conferences typically bring together only one or two participants per country, and they are mostly senior level and do not always have the time and resources to pass the benefits down to the rest of their organization. With PGD calls, countries can have several colleagues in the room, including more junior-level staff.

Thus, not only does the PGD facilitate knowledge dissemination across peer countries, but it also allows the knowledge to reach deeper within each participating institution. In addition, the focused nature of PGD calls allows participants to discuss more technical topics and at a deeper level than is usually possible at large conferences.

Countries participating in the PGD develop a sense of belonging to a global network of counterparts that they can tap at their own initiative, to answer questions or to get an outside perspective. The Gemloc team is exploring the possibility of facilitating an online discussion forum among peer group members to enhance this sense of network.

In addition, the PGD benefits the Gemloc Advisory Services Program. First, it promotes the program among the participating countries and helps generate new business. For example, several countries have requested Gemloc’s assistance in introducing or improving a particular feature of the debt market following a PGD meeting that held a detailed discussion of this area. Second, it enhances our knowledge of a particular topic and country cases, sharpening the technical assistance we provide to client countries.

Finally, it allows us to reach a greater number of countries than we could possibly reach through country-specific operations that require significantly more resources. (See Box 1.)
Lessons Learned

1) For successful implementation of peer-group learning, design the groups effectively and select appropriate topics.

We adopted peer-to-peer learning into the Gemloc Advisory Services program after detecting high demand for this type of technical assistance in a survey of 34 Gemloc-eligible EMEs. As the team designed the PGD initiative, the core issue was how to group countries and select topics to ensure that our response to the demand would be effective and appropriate.

Given the large pool of countries, it was important to identify those with common interests that could be part of the same peer group. The EME survey helped the team map debt market development topics that were of particular interest to different countries. Based on this information, as well as on different levels of market development, we decided to group countries into the two peer groups described above.

In general, it is best to let the member countries suggest topics for the meetings, to create a sense of ownership. However, in the beginning, and at times, it may be necessary to propose suggestions to get the ball rolling. For example, the Gemloc team used the information from the survey about countries’ different interests as a starting point for PGD meetings. In selecting country-suggested topics, it is best to aim for a regional diversity in the countries whose topics are selected, so that one country or region is not dominant.

2) Get the logistics right: Use the technology to encourage maximum participation and enable the greatest interaction.

With virtual meetings, the key is to ensure that all means of communication are adequate and functioning properly. The PGD relies on two main tools: a conference call for the audio communication, and an e-meeting tool to show presentations and send instant messages.

For the conference call, we provide both dial-in and dial-out options for the countries, given that dialing in can be expensive for some countries and can discourage or prevent participation. Typically about half of the participants request the dial-out option.

The Gemloc team has determined that 1.5 hours is the optimal length of the call, given the participants’ busy schedules and the fact that countries dialing in are incurring international toll charges. Also, 1.5 hours is long enough to allow for meaningful discussion and Q&A. (See Box 2.)

As for the time of the call, it is important to be sensitive to participants’ different time zones and to offer a dial-out option to home numbers for countries participating outside their normal business hours.

To generate a good discussion, it is best to have a relatively small number of participating countries (for example, 10 or fewer). Having too many can also complicate logistics and delay the start of the meeting. Inviting more is fine, since not everyone will show up; but, as more countries begin to find the meetings valuable, participation tends to increase.

The PGD also uses a free Web-based meeting tool, called GoToMeeting, that allows participants to show and view presentations and to communicate via instant messages. Having a chat option is useful, because some country participants may be too shy to ask questions orally and may feel more comfortable doing so via an instant message.

Finally, the Gemloc team has created a PGD Web site where it posts all materials related to PGD meetings, such as minutes, lists of participants, presentations, and background and follow-up materials. Member countries can use the site to quickly access information on past meetings—especially useful if they were unable to participate in a meeting.

3) Include follow-up activities and materials to enhance understanding of the topic and continue the conversation.

Because the discussions taking place during the meetings are not exhaustive and may not touch upon all aspects of the topic, the Gemloc team complements the meetings with follow-up activities that provide additional information on the topic and, in a sense, continue the discussion following the meetings.

For example, following a PGD meeting on primary dealer practices and noncompetitive subscription (NCS), we carried out an e-mail survey on NCS practices for government debt issuance in each of the member countries of the pilot peer group. We compiled the survey results in an analytical note and posted it on the PGD Web site. The note allows each country to see how it compares against its peers, and what lessons it could glean from others’ experiences.

We are now in the process of carrying out a second similar survey on key elements of electronic trading platforms for...
government debt securities, following a PGD meeting on this topic. Other examples of follow-up materials could include frequently asked questions, primers, or other background documents.

**Conclusion**

Introducing a virtual peer-to-peer learning mechanism, such as the Gemloc Peer Group Dialogue, can be useful for other WBG global or regional programs whose clients include counterpart institutions from different countries. If replicating the PGD, it is important to keep in mind that the initial push has to come from the WBG to jump-start the initiative, including identifying peer groups, organizing meetings, and suggesting topics for discussion. As countries begin to see value in the interactions, they can take more ownership in setting the agenda while continuing to leverage the WBG’s knowledge and resources, including its convening power.

The Gemloc team is now looking to transition to this next stage with the pilot peer group that has had the most meetings and active participants. Specifically, we are considering formalizing the peer group network by creating a country-led governance structure (steering committee) and exploring ways to allow more dynamic interactions among member countries through an online discussion forum.