

## PDM NETWORK *Monthly Newsletter*

N.1/JANUARY 2010

Dear Partner, this *Newsletter* contains a list of the **latest uploaded resources** both in the documentation and in the event areas of the PDM Network website ([www.publicdebt.net.org](http://www.publicdebt.net.org)). The PDM Network has its main objective in the joint cooperation among its participants regarding the quantity and quality of information available on the website. So far, it is very appreciated a stronger collaboration in this field, **signalling to the Network Secretariat** any documents, news and events of interest at [publicdebt.net.dt@tesoro.it](mailto:publicdebt.net.dt@tesoro.it).

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### New Documents

#### Papers

##### **Information Percolation in Segmented Markets (2010)**

Malamud Semyon, Manso Gustavo, Duffie Darrell

**Abstract:** The authors calculate equilibria of dynamic double-auction markets in which agents are distinguished by their preferences and information. Over time, agents are privately informed by bids and offers. Investors are segmented into groups that differ with respect to characteristics determining information quality, including initial information precision as well as market "connectivity," the expected frequency of their trading opportunities. Investors with superior information sources attain higher expected profits, provided their counterparties are unable to observe the quality of those sources. If, however, the quality of bidders' information sources are commonly observable, then, under conditions,

investors with superior information sources have lower expected profits.

##### **Developing Asian local currency bond markets: why and how? (2009)**

Spiegel Mark M. - Federal Reserve Bank of San Francisco

**Abstract:** This paper examines the motivation for, and the success of, regional efforts in Asia to promote local currency bond markets. The analysis demonstrates that Asian local currency bond markets made substantial gains as a region going into the current global financial crisis. However, we argue that the current financial crisis requires a reassessment of the merits of promoting local currency bond markets and the gains that have been made to date. While most of the initial motivations for encouraging the development of domestic local currency bond markets appear to

remain valid, there are some exceptions. However, the degree to which success in the development of these markets will be sustained remains unknown until global financial markets regain tranquility and official interventions into these markets are removed.

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### **Crises, Private Capital Flows and Financial Instability in Emerging Asia (2009)**

Ramkishen S. Rajan (George Mason University - GMU)

**Abstract:** Asia was faced with a sudden and sharp crisis in 2008-2009, the proximate cause of which was reversals in foreign capital flows, not unlike the regional crisis a decade ago. How different has this boom and bust cycle of international capital flows been from the previous one? The paper examines the balance of payments dynamics in emerging Asia to understand the magnitude and types of private capital flows to and from the region between 1990 and 2008. Attention is paid to both the crises periods of 1997-1998 as well as 2007-2008 along with the patterns of capital flows pre and post Asian crisis. While the region's capital reversals in 1997-1998 were due to "other investments," i.e. short-term bank lending, those in 2008-2009 were largely due to portfolio flows.

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### **Are Financial Crises Alike? (2010)**

Dungey Mardi - University of Tasmania, Fry Renee - Australian National University, González-Hermosillo Brenda - IMF, Martin Vance - University of Melbourne, Tang Chrismin - La Trobe University, Australia

**Abstract:** This paper investigates whether financial crises are alike by considering whether a single modeling framework can fit multiple distinct crises in which contagion effects link markets across national borders and asset classes. The crises considered are Russia and LTCM in the second half of 1998, Brazil in early 1999, dot-com in 2000, Argentina in 2001-2005, and the recent U.S. subprime mortgage and credit crisis in 2007. Using daily stock and bond returns on emerging and developed markets from 1998 to 2007, the empirical results show that financial crises are indeed alike, as all linkages are statistically important across all crises. However, the strength of these linkages does vary across crises. Contagion channels are widespread during the Russian/LTCM crisis, are less important during subsequent crises until the subprime crisis, where again the transmission of contagion becomes rampant.

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### **The Outlook for Financing Japan's Public Debt (2010)**

Tokuoka Kiichi - IMF

**Abstract:** Despite the rapid rise in public debt and large fiscal deficits, Japanese Government Bond

(JGB) yields have remained fairly stable. Possible factors include: Japan's sizeable pool of household savings, presence of large and stable institutional investors, and strong home bias. These factors are likely to persist for some time, but going forward, the market's capacity to absorb debt is likely to diminish, as population aging reduces savings inflows and financial reforms enhance risk appetite. This could in turn strengthen the link between JGB yields and the stock of public debt. In light of these structural changes in the market, fiscal consolidation will be key for maintaining market stability.

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### **Public Investment Under Fiscal Constraints (2009)**

Missale Alessandro, Borghi Elisa, Bacchiocchi Emanuele - Università degli Studi di Milano

**Abstract:** EU New Member States must comply with the Stability and Growth Pact (SGP) and the investment requirements implied by the Lisbon Agenda. However, the SGP rules may result in underinvestment or distortions in the allocation of public expenditure. This paper provides new evidence on the effects of debt sustainability and SGP fiscal constraints on government expenditure in fixed capital, education and health in OECD countries by estimating government expenditure reaction functions to public debt and cyclical conditions. We find that, at high levels of debt, government capital expenditure and education expenditure are significantly reduced as the debt ratio increases in all OECD countries independently of EMU (or EU) membership. By contrast neither capital expenditure nor education expenditure is affected by the debt ratio in low debt countries. These findings are robust to the inclusion of the government deficit in the estimated reaction functions. Hence, it appears that EU countries have been constrained in their investment decisions more by the need to ensure debt sustainability than by the rules of the SGP. In low debt NMS countries public investment even increases with the debt ratio, a finding that is reassuring for their growth prospects. However, a less optimistic picture emerges when we focus on expenditures in public health and education, as it appears that NMS governments cut such expenditures -even at low levels of debt - as the deficit increases. Problems in controlling total expenditure together with the preventive arm of the SGP may have penalized investment in human capital in NMSs while having fixed capital investment unaffected.

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### **Two Hundred Years of Financial Integration: Latin America since Independence (2009)**

Kaminsky Graciela Laura - George Washington University

**Abstract:** The author collects a new database on Latin America's international issuance from 1820 to 1931 in the major financial centers of that time:

London, Paris, Berlin, Frankfurt, and New York. This database includes individual sovereign bonds and loans as well as bonds, loans, and equities issued by private corporations. The database is used to examine the boom-bust pattern in access to international capital markets by Latin American countries in the 19th and 20th and the beginning of the 21st centuries. The paper also very briefly examines the role of external shocks on these financial cycles. In particular, I examine shocks to monetary policy in the financial centers, fluctuations in commodity prices, global imbalances, financial innovations and new technologies.

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### **What Level of Public Debt Could India Target? (2010)**

Topalova Petia, Nyberg Dan

**Abstract:** This paper discusses possible medium-term public debt targets for India, based on evidence from the economic literature on prudent levels of public debt and the feasibility for the country to meet a particular target over the next 5-6 years. While recognizing the challenges in determining an appropriate debt target, cross-country analysis and simulations suggest that a debt ratio in the range of 60-65 percent of GDP by 2015/16 might be suitable for India. Such a debt ceiling, while still above the average debt level for emerging markets, is within the range of debt ratios that would provide room for countercyclical fiscal policy and contingent liabilities. It would also send a strong signal of the government's commitment to fiscal consolidation by making a clear break with the past.

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### **Public Debt Sustainability and Management in a Compound Option Framework (2010)**

Chan-Lau Jorge A., Santos André O.

**Abstract:** This paper introduces the Asset and Liability Management (ALM) compound option model. The model builds on the observation that the public sector net worth in a multi-period setting corresponds to the value of an option on an option on total government assets. Hence, the ALM compound option model is better suited for analyzing and evaluating the risk profile of public debt than existing one-period models, and is especially useful for analyzing the soundness of exit strategies from the large fiscal expansions undertaken by G-20 countries in the wake of the recent financial crisis. As an illustration, the model is used to analyze the risk profile and sustainability of Australia's public debt under different policies.

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### **The Impact of the Financial Crisis on Emerging Asia (2009)**

Goldstein Morris - Peterson Institute for International Economics

Xie Daniel - Peterson Institute for International

Economics

**Abstract:** This paper analyzes how the global financial crisis has affected emerging Asia and identifies key characteristics that have made these economies more or less vulnerable to a transmission of crises from the advanced economies. After reviewing how economic outcomes in emerging Asia have evolved since the crisis began in the summer of 2007, we review several studies of the effect of financial stress and/or growth slowdown in advanced economies on emerging Asia. We then discuss how emerging Asia is "different" in ways that matter for the contagion of crises, with the emphasis on currency and maturity mismatches, the nature of the region's foreign trade links (product composition, the geographic pattern of trade, and the degree of net export-led growth), financial market integration with the advanced economies, and the scope for implementing countercyclical monetary and fiscal stimulus.

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### **Local Bond Markets as a Cornerstone of Development Strategy (2009)**

Saidi Nasser, Scacciavillani Fabio, Prasad Aathira - DIFC

**Abstract:** Debt markets represent the leading channel of liquidity for governments, public companies, agencies and financial institutions in many advanced and emerging economies. Developing a local currency fixed income market brings multiple benefits: stable access to capital, diversification of monetary policy instruments, creation of a yield curve for pricing financial assets and tailoring risk management tools. In most countries, the debt market is born out of the need to finance government expenditures. With time, the yield curve on public debt becomes a reference for private entities such as banks, public utilities and corporations, which are then able to tap the market to fund their investments. The development of local bond markets requires a strong commitment from governments to implement a proactive debt management programme as well as ensure a large and diversified issuers base.

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### **Responding to the Crisis: Changes in OECD Primary Market Procedures and Portfolio Risk Management (2009)**

Blommestein Hans J. - Head of the Bond Market and Public Debt Management Unit, OECD

**Abstract:** Before the crisis, increased integration of global financial markets had led to a situation where OECD issuance policies and procedures were broadly similar with a high degree of transparency and predictability. However, tougher issuance conditions related to the surge in government borrowing needs are the reasons why existing issuance arrangements and procedures have not always been working as efficiently as before the crisis. The crisis also had an impact on the use of

indicators or guidelines relating to the key risks of the maturity structure of issuance or outstanding debt. These considerations, in turn, have put the spotlight on the adequacy of existing issuance policies, procedures and portfolio management strategies. The review in this paper shows that in response to the crisis, DMOs have implemented changes in existing issuance procedures and policies that may have led to a somewhat greater diversity of primary market arrangements and portfolio management procedures.[...]

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### **Growth in a Time of Debt (2010)**

Reinhart Carmen M., Harvard University

**Abstract:** We study economic growth and inflation at different levels of government and external debt. Our analysis is based on new data on forty-four countries spanning about two hundred years. The dataset incorporates over 3,700 annual observations covering a wide range of political systems, institutions, exchange rate arrangements, and historic circumstances. Our main findings are: First, the relationship between government debt and real GDP growth is weak for debt/GDP ratios below a threshold of 90 percent of GDP. Above 90 percent, median growth rates fall by one percent, and average growth falls considerably more. We find that the threshold for public debt is similar in advanced and emerging economies. Second, emerging markets face lower thresholds for external debt (public and private)—which is usually denominated in a foreign currency. When external debt reaches 60 percent of GDP, annual growth declines by about two percent; for higher levels, growth rates are roughly cut in half. Third, there is no apparent contemporaneous link between inflation and public debt levels for the advanced countries as a group (some countries, such as the United States, have experienced higher inflation when debt/GDP is high.) The story is entirely different for emerging markets, where inflation rises sharply as debt increases.

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### **Institutionalized Bailouts and Fiscal Policy: The Consequences of Soft Budget Constraints (2009)**

Fink Alexander , Stratmann Thomas - George Mason University

**Abstract:** States have soft budget constraints when they can expect a bailout by the federal government in the event of a financial crisis. This gives rise to incentives for unsound state fiscal policy. We test whether states with softer budget constraints have higher debts and deficits, receive more bailout funds, spend funds less efficiently, and are more likely to allocate funds to programs benefiting special interests. Exogenous variation in soft budget constraints across states and over time allows the identification of the effect of budget constraint softness on state fiscal policy. We take advantage of the fact that in Germany states' political influence is exogenous because voting

weights differ in the upper chamber of the German parliament. The stronger the political influence of states, the softer their budget constraints. We show that states with softer budget constraint have higher deficits and debts, and receive more bailout funds. Further, overrepresented states are less efficient in spending public funds and are more prone to respond to rent seeking by interest groups.

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### **The Surge in Borrowing Needs of OECD Governments: Revised Estimates for 2009 and 2010 Outlook (2009)**

Blommestein Hans J. - OECD, Gok Arzu - Turkish Treasury

**Abstract:** OECD governments are facing ongoing, unprecedented challenges in raising smoothly large volumes of funds at lowest possible cost, while balancing refinancing, repricing and interest rate risks. Amidst continued uncertainty about the pace of recovery as well as the timing and sequencing of the steps of the exit strategy, gross borrowing needs of OECD governments are expected to reach almost USD 16 trillion in 2009, up from an earlier estimate of around USD 12 trillion. The tentative outlook for 2010 shows a stabilising borrowing picture at around the level of USD 16 trillion. A looming additional challenge is the risk that when the recovery gains traction, yields will start to rise. Although there are signs that issuance conditions are becoming tougher, most OECD debt managers have been successful in financing the surge in funding needs. Less successful auctions can therefore best be interpreted as "single market events" and not as unambiguous evidence of systemic market absorption problems. The future could become more challenging though, given that rising issuance is occurring in tandem with increasing overall debt levels and debt service costs. In response, sovereign debt managers, with the essential support of the fiscal authorities, need to implement a timely and credible medium-term exit strategy to avoid future "crowding out" and systemic issuance problems, while reducing government borrowing costs.

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### **Policy Framework for Effective and Efficient Financial Regulation General Guidance and High-Level Checklist (2009)**

OECD CMF - IPPC

**Abstract:** The structure and operation of the financial system have undergone marked changes in the past couple of decades, driven by dramatic improvements in technology, rapid product innovation, integration of financial systems, competition in financial services, and policy, regulatory, and trade reforms. These developments have led to a dynamic, sophisticated, and global financial services arena which fostered economic growth. Yet, the financial and economic crisis has brought to the fore many inappropriate or ill-

adapted elements of our approach to financial regulation.

The crisis has forced us to think hard about the financial system: how it works, the objectives it should fulfill, and the tools and policies to help shape it. The Policy Framework for Effective and Efficient Financial Regulation, supported by General Guidance and a High-Level Checklist, is a tool that can support ongoing efforts by policymakers, regulators, and supervisors to achieve a stronger, more resilient financial system. It is not meant to substitute for the more focused, micro-prudential principles and guidelines of international standard-setting bodies. But it can guide our strategic thinking and promote governmental leadership and action so that the financial system can play its vital role in the functioning of the economy, both domestically as well as globally. The Policy Framework, including the General Guidance and High-Level Checklist, is the product of work by the Committee on Financial Markets and the Insurance and Private Pensions Committee, and was the subject of a broad public consultation. The Policy Framework challenges policy makers to think about the fundamentals of financial regulation in a globalised financial system. It also invites them to improve their understanding of the financial system and work in close cooperation with other countries to develop proper tools and instruments so that public policy objectives are met. I hope that policymakers will use the Policy Framework in setting national policy and in working with international partners.

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### **Structural Developments in the Financial Systems of OECD Enhanced Engagement Countries (2009)**

Thompson John K.

**Abstract:** This paper discusses the financial systems of OECD Enhanced Engagement Countries (EE5: Brazil, China, India, Indonesia, and South Africa). Rather than providing a comprehensive

survey of each financial system, it is designed to highlight some of the salient features of EE5 financial systems, emphasising those aspects of the system that these countries have in common and those that are different from those in OECD countries. While there are significant differences among EE5 countries, this group shares some distinctive characteristics. EE5 have relatively lower financial assets/GDP ratios and their financial intermediation remains relatively bank dominated and less international. Equity markets have reached proportions comparable to those of OECD countries, but fixed income markets (especially private debt markets) remain relatively backward. At the same time, the financial systems of EE5 countries have been developing rapidly supported by steady reforms. Going forward, many institutions outside OECD countries are likely to become bigger players in financial markets, and the emergence of large asset holdings, rising shares of world equity and bond markets and the emergence of powerful financial institutions in new regions of the world are likely to influence the contours of the world financial system in years to come.

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### **The Philippines on Debt Row (2009)**

Beja, Jr., - Edsel L.

**Summary:** Heavy indebtedness and debt service payments, indicated by debt magnitudes and shares to national budgets, revenues, or outputs, mean that spending for public infrastructure and basic services is crowded out, even as they entail more borrowings in order to timely meet debt obligations. The failure to reduce indebtedness, improve national revenues, and raise incomes has contributed to the economic decrepitude of the Philippines. Debt relief is necessary to pull the country out of such a state of affairs.

## **Books**

### **The First Global Financial Crisis of the 21st Century**

Felton Andrew, Reinhart Carmen M.

**Summary:** Global financial markets are showing strains on a scale and scope not witnessed in the past three-quarters of a century. What started with elevated losses on US subprime mortgages has spread beyond the borders of the United States and the confines of the mortgage market. Risk spreads have ballooned, liquidity in some market segments has dried up and large complex financial institutions have admitted significant losses. Bank runs are no longer the subject exclusively of history. These events have challenged policy-makers, and the responses have varied across regions. The ECB has injected reserves in unprecedented volumes. The

Bank of England participated in the bailout and, ultimately, the nationalization of a depository, Northern Rock. The US Federal Reserve has introduced a variety of new facilities and extended its support beyond the depository sector. These events have also challenged economists to explain why the crisis developed, how it is unfolding, and what can be done. This volume compiles contributions by leading economists in VoxEU over the past year that attempt to answer these questions.

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### **Bond Markets in Latin America - On the Verge of a Big Bang?**

Borensztein Eduardo

**Summary:** Developing local bond markets is high

on the policy agenda of Latin America. Bond markets are an essential component of a well-functioning financial market. Facilitating the efforts of public and private borrowers to issue domestic-currency-denominated, long-term, fixed-rate bonds insulates them from the rollover and balance sheet risks that have been central elements in past financial crises. In addition, a robust bond market is a way for nonfinancial firms to retain their capacity to borrow when the banking system grows reluctant to lend. Latin American bond markets are growing, and may even approach a "big bang"-like surge, although significant challenges remain. This first comprehensive examination of the importance of local bond market development in Latin America provides conceptual and comparative assessments, case studies of six countries, surveys of firms and investors, and a cross-country economic analysis of the determinants of bond market development.

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### **Monetary Policy Strategy**

Mishkin Frederic S.

**Summary:** Each main part of the book—part I, "Fundamental Issues in the Conduct of Monetary Policy"; part II, "Monetary Policy Strategy in Advanced Economies"; part III, "Monetary Policy Strategy in Emerging Market and Transition Economies"; and part IV, "What Have We Learned?"—opens with a short introduction that provides a brief summary of each chapter in that part, describing how these came to be written and how they fit together. The final part of the book contains a concluding chapter that tries to put it all together by summarizing what we have learned about monetary policy during the past twenty-five to thirty years.

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### **Public Administration, Ngo's and Public Debt: Issues and Perspectives**

Kratochvil Marcel, Pokorny Valentin

**Summary:** Public administration can be broadly described as the development, implementation and study of branches of government policy. The pursuit of the public good by enhancing civil society, ensuring a well-run, fair and effective public service are some of the goals of the field. Furthermore, government debt (also known as public debt or national debt) is money owed by any level of government, either central government, federal government, municipal government or local government. As the government draws its income from society as a whole, public debt can be seen as an indirect debt of the taxpayers. Conversely, non-governmental organization (NGO) is a term that has become widely accepted for referring to a legally constituted, non-governmental organization created by natural or legal persons with no participation or representation of any government. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status, thereby excluding government representatives from membership in the organization. This new book gathers the latest research from around the globe in the discussion of these fields and related issues.

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### **Public Debt and Economic Growth**

Fincke Bettina, Greiner Alfred

**Summary:** Starting point of this book is the observation that an increase in public debt must be accompanied by a rise in the primary surplus of the government to guarantee sustainability of public debt. The book first elaborates on that principle from a theoretical point of view and then tests whether empirical evidence for that rule can be found. Additional tests are implemented to gain further evidence on sustainability of public debt. In order to allow for time varying coefficients penalized spline estimations are performed. The theoretical chapters present endogenous growth models and assume that the primary surplus rises as public debt increases so that sustainability of public debt is given. Implications of public deficits and debt are studied assuming full employment and for unemployment. The conclusion summarizes the findings and compares the results of the different models. Finally, policy implications are given showing how governments should deal with high public debt to GDP ratios.

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### **Money, Crises, and Transition Essays in Honor of Guillermo A. Calvo**

Reinhart Carmen M., Végh Carlos A., Velasco Andrés

**Summary:** Guillermo Calvo, one of the most influential macroeconomists of the last thirty years, has made pathbreaking contributions in such areas as time-inconsistency, lack of credibility, stabilization, transition economies, debt maturity, capital flows, and financial crises. His work on macroeconomic issues relevant for developing countries has set the tone for much of the research in this area and greatly influenced practitioners' thinking in Latin America, Eastern Europe, Asia, and elsewhere. In *Money, Crises, and Transition*, leading specialists in Calvo's main areas of expertise explore the themes behind this impressive body of work.

The essays take on the issues that have fascinated Calvo most as an academic, a senior advisor at the International Monetary Fund, and as the chief economist at the Inter-American Development Bank: monetary and exchange rate policy (both in theory and practice); financial crises; debt, taxation, and reform; and transition and growth. A final section provides a behind-the-scenes look at Calvo's career and intellectual journey and includes an interview with Calvo himself.

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### **The Marginal Cost of Public Funds – Theory and Applications**

Dahlby Bev

**Summary:** The marginal cost of public funds (MCF) measures the loss incurred by society in raising additional revenues to finance government spending. The MCF has emerged as one of the most important concepts in public economics; it is a key component in evaluations of tax reforms, public expenditure programs, and other public policies.

The Marginal Cost of Public Funds provides a unified treatment of the MCF, carefully developing its theoretical foundations in a variety of contexts and describing its application to a wide range of policies—from excise taxes in Thailand to public sector borrowing in Canada and the United States.

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### **The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century**

Birdal Murat

**Summary:** In the midst of political decline and burgeoning financial problems in the late nineteenth century, the Ottoman Empire became embroiled in a borrowing frenzy, which eventually resulted in the financial collapse of the empire. Under political pressure and with the growing need for external funds, the Ottoman court compromised its fiscal sovereignty by ceding the most liquid revenue sources to a financial administration controlled by European creditors. In this book, Murat Birdal sheds light on the handling of the external debt crisis, one of the most controversial periods of Ottoman economic history. Based on extensive archival research in foreign archives, he explores the pivotal role of the Ottoman Public Debt Administration (OPDA) in the peripheralization of the Ottoman economy. This book will be invaluable to scholars of Ottoman, Middle East and economic history.

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### **Public Expenditure Management Handbook**

The World Bank

**Summary:** (from the Foreword) This handbook provides a broad framework for thinking about public expenditure management and how it affects budgetary outcomes. In addition, useful practical insights will reward the diligent reader. Those associated with the production of this handbook would acknowledge that this is not the final word on this subject. More empirical and theoretical work is needed. There is a particular need to understand the lessons from reforming OECD countries for Bank member countries. There is also the need to document the experience of developing countries and economies in transition if we are to have a fuller understanding of what works and what does not.

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### **Sustainability of Public Debt**

Neck Reinhard, Sturm Jan-Egbert

**Summary:** In recent decades, governments have built up substantial public debt, which is often accompanied by a growing public sector and fiscal policies that neglect long-term considerations. The

contributors to this CESifo volume consider whether the development of public debt in the United States and six EU countries is sustainable—that is, whether fiscal policies in these countries can be continued without creating the potential for government bankruptcy.

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### **Debt Defaults and Lessons from a Decade of Crises**

Sturzenegger Federico, Zettelmeyer Jeromin

The debt crises in emerging market countries over the past decade have given rise to renewed debate about crisis prevention and resolution. In *Debt Defaults and Lessons from a Decade of Crises*, Federico Sturzenegger and Jeromin Zettelmeyer examine the facts, the economic theory, and the policy implications of sovereign debt crises. They present detailed case histories of the default and debt crises in seven emerging market countries between 1998 and 2005: Russia, Ukraine, Pakistan, Ecuador, Argentina, Moldova, and Uruguay. These accounts are framed with a comprehensive overview of the history, economics, and legal issues involved and a discussion from both domestic and international perspectives of the policy lessons that can be derived from these experiences.

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### **African Economic Outlook 2009 Overview**

AfDB OECD

The international financial crisis increases the relevance of this annual publication jointly published by the African Development Bank, the OECD Development Centre and the United Nations Economic Commission for Africa (UNECA). Decision makers in African and OECD countries, such as aid agencies, investors, NGOs and government officials of aid-recipient countries, will all find the analysis critical to their activities.

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### **Africa Economic Outlook 2009 - Country Notes**

AfDB OECD

After half a decade of strong growth, the global economic downturn is threatening Africa's economic, political and social outlook. Using a cross-country, macro-economic framework, the 2009 African Economic Outlook provides the basis for an in-depth understanding of African economies during the crisis and beyond. This edition gives special attention to innovative uses of information and communication technologies in Africa as drivers of economic growth.

## **Other Web Resources**

**IMF Warns on Japan's Rising Debt**  
The Wall Street Journal-February 4 ,2010

An International Monetary Fund working paper warned that the market's ability to absorb Japanese public bonds will likely diminish in years ahead as the country's population grows older, in a view that could add to market concern about whether Japan's massive debt is sustainable.

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### **Japan's Kamei: Japan Post should diversify investment-FT**

[Reuters US- February 4,2010](#)

Japan's banking minister Shizuka Kamei said the government-owned financial conglomerate Japan Post should buy more corporate bonds and U.S. Treasuries, rather than Japanese government bonds, the Financial Times reported on Tuesday.

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### **Haiti: Grants to Repay an Odious Debt?**

[International Debt Observatory - January 18, 2010](#)

There is a great risk that one of the largest relief operations in history will be similar in nature to the tsunami relief efforts in 2004, unless a radically different approach to a reconstruction model is adopted. Haiti was partially destroyed by an earthquake measuring 7 on the Richter scale.

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### **Greece unveils austerity programme to cut deficit**

[BBC News - February 3, 2010](#)

Greek Prime Minister George Papandreou has announced tough austerity measures aimed at cutting his country's soaring public debt.

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### **IMF, EU To Unfreeze Romania's 20 Bln Euro Bailout Loan**

[SeeNews](#)

BUCHAREST (Romania), January 27 (SeeNews) – The International Monetary Fund (IMF) and the European Commission will unfreeze the next tranches of a 20 billion euro (\$28.1 billion) bailout loan for Romania, local news agency Mediafax reported on Wednesday.[...]

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### **Ministry of Finance to implement new debt issuance strategy**

[Ministry of Finance - Arab Republic of Egypt](#)

A major element of the ongoing Public Debt Management strategy is to support and enhance the development of an effective Government securities market in order to reduce, to a minimum, "Illiquidity Premium", "Refinancing Risk" and finally provide reference-prices for other non-Government issuers.[...]

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### **Danish Government Debt Management Policy Strategy 2010**

[Danmarks Nationalbank](#)

After witnessing more than ten years of central-government surpluses and falling debt the development changed in 2009. Central-government debt increased in 2009 mainly owing to government measures related to the financial crisis. The debt is by end-2009 expected to amount to DKK 334 billion (EUR 44.9 billion), equivalent to 20 per cent of GDP. The favourable starting point for central-government debt implies that the debt level remains low in an international context.

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### **Debt crisis fears overblown, economists say**

[MarketWatch-January 29,2010](#)

A focus on rising deficits in the United States and some other developed countries could prove misplaced as policymakers attempt to avoid a double dip, according to some economists attending the annual gathering of business leaders and politicians in the Swiss mountains.

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### **Mature Debt Markets Can Bring Stable Access to Capital for MENA Governments and Corporates, Says DIFC Economic Note**

[Eyeofdubai.com](#)

The development of debt markets can enhance the ability of governments and corporates in the Middle East and North Africa (MENA) region to raise funds efficiently and cost-effectively for infrastructure and development needs, according to the latest Economic Note issued by the Dubai International Financial Centre's (DIFC) Economics Unit.[...]

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### **Greece plans more costly bonds while markets keen**

[Reuters UK- January 26 ,2010](#)

Greece said on Tuesday it will sell more bonds in February, emboldened after its first debt issue of the year was heavily oversubscribed, but the high price will raise pressure for unpopular

spending cuts.

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## **Mature Debt Markets Can Bring Stable Access to Capital for MENA Governments and Corporates, Says DIFC Economic Note (Arabic language)**

[Al Ittihad.ae](#)

عام من الأولى إلى التسعة أشهر خلال الخلدجي التعاون مجلس دول في وال صدكوك ال سندتات من الإصدارات حجم ب لغ الخلدجية الجهود توحيد ضرورة إلى دعت العالمى المالى دبي لمركز دراسة بحسب ، دولار مليار 60.8 نحو 2009 مشروعات تمويل متطلبات لتلبية المنطقة حكومات قدرة ل تعزيز ل لسندتات خلدجي دين سوق تطوير بهدف دولار تريليون 2.3 بنحو تكل فتهات قدر مستتق بلية تنموية

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## **Grecia progetta bond sindacato 10 anni da 3-5 mld a febbraio**

[Reuters Italia](#)

ATENE, 26 gennaio (Reuters) - La Grecia intende emettere un bond decennale attraverso un'operazione sindacata a febbraio per raccogliere 3-5 miliardi di euro. Lo ha detto il numero uno dell'agenzia del debito del paese.[...]

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## **S&P cuts outlook on Japanese bonds, cites heavy debt**

[REUTERS.COM](#)

Standard and Poor's ratings agency cut its outlook for Japanese government debt on Tuesday, citing reduced wiggle room on fiscal policy and voicing disappointment with the new government's budget consolidation plans.

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## **Not what they meant**

[The Economist - February 4th ,2010](#)

Barack Obama's new plan for the banks is unlikely to achieve his stated aim that "Never again will the American taxpayer be held hostage by a bank that is too big to fail." But whether or not the proposed measures fall short of that ambitious goal, one thing is sure. If the plan is implemented, it will have unintended consequences. That has been the history of previous financial reforms.

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## **We can make you behave**

[guardian.co.uk- February 4,2010](#)

What have we learned from the financial crisis? That's the question on everyone's lips here at the World Economic Forum meeting in Davos, where we are taking part in a panel discussion with some of the world's leading behavioural thinkers, including Professor Anil Gaba of INSEAD, Richard Nisbett of the University of Michigan and Professor Claude Steele of Columbia University.

## **Network News**

- ▶ [Belgian Debt Agency. Review 2009 - 2010 Outlook](#)
- ▶ [France - DÉTAIL DU PROGRAMME DE FINANCEMENT POUR 2010](#)
- ▶ [Crown Agents - Capital Markets Weekly](#)
- ▶ [Australian Office of Financial Management - Annual Report 2008-09](#)
- ▶ [Hungary - The Financing of the Central Government and the Public Debt in 2010](#)
- ▶ [Portugal - 2010 Funding Programme – Guidelines for Q1](#)
- ▶ [Uruguay in focus. A quarterly bulletin issued by the Debt Management Unit January 2010](#)

- ▶ [Bulgaria - Government Debt Management Strategy 2009-2011](#)
- ▶ [Annual Financial Report of the Government of Canada Fiscal Year 2008-2009](#)
- ▶ [Brazil - Annual Public Debt Report 2009. Annual Borrowing Plan 2010](#)
- ▶ [Slovenia - Catalog and Calendar Workshops and Seminars 09/10](#)

## Annual Reports & Guidelines

please go to the "Information Corner" on [www.publicdebtnet.org](http://www.publicdebtnet.org)

## Events and Courses

### Upcoming

#### New

4 February 2010 – Brussel

***Regionalism and Reform of the Global Monetary & Financial System - What Role for the European Union and East Asia?***

9 February 2010 – New York

***Counterparty Credit Risk Seminar***

8-18 February 2010 - Abuja, Nigeria

***WAIFEM/World Bank Medium Term Debt Strategy Workshop for Nigeria***

11 February 2010 - Basseterre, St. Kitts

***Meeting of the ECCU Regional Debt Coordinating Committee***

15-26 February 2010 - London

***Training of Trainers Workshop in CS-DRMS***

2-4 March 2010 - London

***Round Table on Public Debt Analytical Tool***

19-23 March 2010 - Cancún, Mexico

***IDB IIC 2010 Annual Meeting***

24 - 25 April 2010 - Washington

***Annual Spring meetings of the International Monetary Fund and the World Bank Group***

25-26 May 2010 - Brussel

***Brussels Economic Forum 2010 - Strategies for a post-crisis world: enhancing European growth***

3-4 September 2010 - EUROPAHAUS InWEnt, Berlin

***Global Financial Governance – Challenges and Regional Responses***

#### Previously signalled

3 February 2010 - London

***AFME European Market Liquidity Conference 2010***

8 February 2010 - 18 March 2010 Online

***Course-Advance Risk Management (UNITAR / PFT Online Course)***

15 February 2010 - 17 February 2010; Ljubljana, Slovenia

***Course: Financial Stability Reports***

22 March 2010 - 26 March 2010; Ljubljana, Slovenia

***Course: Central Banking - Instruments and Goals***

24 March 2010 - 26 March 2010; Montego Bay, Jamaica  
***Caribbean Bank Insolvency Conference***

19 – 30 April 2010 - Crown Agents, UK

***Loan Evaluation & Negotiation***

3 May 2010 - 17 June 2010; Online

***Course-'Millennium Development Goals And***

***Debt Management' (UNITAR / PFT Online Course)***

10 May – 21 May - Crown Agents - UK

***Introduction to CS- DRMS***

28 May 2010; Ljubljana, Slovenia  
**Course: Integration of Cash and Debt Management**

26 July – 6 August 2010 Crown Agents -UK  
**Best Practice in Public Debt Management**

7 September 2010 - 22 October 2010; Online  
**Debt Rescheduling with the Paris Club (UNITAR / PFT Online Course)**

4-15 October 2010 – London  
**Advanced CS-DRMS User Training**

29 Nov- 10 Dec. 2010 - Crown Agents - UK  
**Domestic Debt Management: Challenges & Techniques**

### **Past events documentation**

3-4 September 2009 - Berlin  
**Global Financial Governance-Challenges and Regional Responses (new presentation from Braasch Bernd - Deutsche Bundesbank: "Local Currency Bond Markets and Financial Crisis")**

2-4 December 2009 - Rome  
**XVIII International Tor Vergata Conference on Money, Banking, and Finance (new documentation)**

1 October 2009 - Riga  
**Return to Sustainable Economic Growth and Stability in Latvia (new documentation)**

## **Communication Corner**

The PDM Network Secretariat is pleased to announce you that **the newly-redesigned website [www.publicdebtnet.org](http://www.publicdebtnet.org) is on-line**, with an overall public and private area enhancement which allows users easier access to any information or document, in particular to the new Forum Area. When accessing the new PDM Network website, **the partners will have several simple interactive functions available**, including forums for discussion of issues related to debt management policies. The forums will also be open to aspiring partners and other Internet users through basic registration in the public area.

In addition, **the new website includes changes in the documentary area**: an overall reorganisation of the information available to the public and that available to partners only, thereby allowing users easy access to any information or document with just a few basic commands; greater availability of documents in the public area and the complete list of weekly newsletters about emerging markets; and specific areas dedicated to books, various technical-assistance and training initiatives, and events and courses in process or to be offered which are organised in a functional calendar.

Finally, **a specific area is shown for the "Academic Circle"**, an initiative designed to gather the scientific contributions of professors and researchers from Italy and other countries, with a particular focus on issues regarding the markets for public securities and the various problems related to the planning and implementation of efficient public debt management policies.

## **Participating Institutions in the PDM Network**

**OECD:** Australian OFM, Austrian DMA, Belgian DMA, Belgian Central Bank, Canadian Foreign Affairs and International Trade, Czech Central Bank, Czech MoF, Danish DMO, Danish Central Bank, Dutch Central Bank, Dutch DMA, Dutch MoF, Finnish Treasury, Finnish MoF, French Central Bank, French DMA, French MoF, German Central Bank, German MoF, German FA, Greek DMA, Greek MoF, Greek Central Bank, Hungarian DMA, Hungarian MoF, Icelandic DMA, Irish NTMA, Irish MoF, Italian Central Bank, Italian MoF, Japanese MoF, Japanese Central Bank, Luxembourg MoF, Mexican MoF, New Zealander DMO, Norwegian MoF, Polish MoF, Polish Central Bank, Portuguese Central Bank, Portuguese DMA, Slovak MoF, Slovak DMA, Spanish Central Bank, Spanish MoF, Swedish DMO, Swedish MoF, Swiss State Secretary for Economic Affairs SECO, Turkish Treasury, US GAO, UK Central Bank, UK DMO, UK Treasury.

**Non OECD:** Albanian MoF, Angolan National Bank, Brazilian MoF, Brazilian Central Bank, Bulgarian MoF, Chilean Central Bank, Chinese MoF, Colombian MHCP, Cyprian Central Bank, Cyprian MoF, Dubai DMO, Dubai Government, Egyptian MoF, Estonian MoF, Ethiopian MoF, Ghanaian Central Bank, Ghanaian MoF, Hong Kong Monetary Auth., Indian Reserve Bank, Indian NIPF, Israeli MoF, Israeli Central Bank, Kenyan MoF, Latvian DMO, Lebanese MoF, Lesotho MoF, Lithuanian MoF, Macedonian MoF, Malawian Reserve Bank, Maltese Treasury, Maltese Central Bank, Moldovan MoF, Moroccan MoF, Nigerian

DMO, Pakistani MoF, Papua New Guinean Treasury, Romanian MoF, Romanian Central Bank, Rwandan MoF, Singaporean MoF, Slovenian MoF, Solomon Islands MoF, South African National Treasury, Sri Lanka Central Bank, Thai MoF, Ugandan Central Bank, Uruguayan MoF.

**Multilateral Institutions:** OECD, European Commission, ADB, African Development Bank Group, Asian Development Bank Institute, Commonwealth Secretariat, Debt Relief International, European Central Bank, European Bank EBRD, Inter-American Development Bank, IFC, International Monetary Fund, MEFMI, WAIFEM, World Bank, UNCTAD.

**Universities:** Columbia University, George Washington University, Harvard University, London Business School, Stanford University, University of Bologna, University of Brussels, University of Cambridge, University of California, University of Milan, University of Molise, University of Padua, University of Rome "La Sapienza", CRIEP (Italy), University of Rome "Tor Vergata".

**Others :** Barclays Capital, Center of Excellence in Finance, Centre for Planning and Economic Research, Devfin Advisers AB, Finance for Development-FMO, ICMA, ISEDA, KFW Bankengruppe, Japan Bank for International Cooperation, McKinsey & Company, Inc. International, Michele Robinson Consult, Oxford Policy Management, Pragma Corporation, Public Debt Finance, Reykjavik Academy, Sifma-Epda, Storkey & Co. Ltd.

## Some Figures

**On 4<sup>th</sup> February 2010, the number of documents of the PDM Network website is 997. The number of total enabled users is 368. Among them, Partners are 335, of which 128 are sovereign debt managers coming from emerging and advanced countries.**

### Special thanks

**The PDM Secretariat is grateful to Bernd Braasch (Deutsche Bundesbank), Nasser Saidi and Fabio Scacciavillani (DIFC - Dubai International Financial Centre) for their resource contribution.**