PDM NETWORK *Monthly Newsletter*

n. 2/February 2014

ISSN 2239-2033

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.publicdebtnet.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, **signaling to the Network Secretariat** any documents, news and events of interest at **publicdebtnet.dt@tesoro.it**.

Contents

New Documents

Papers

Secondary Market

Foreign Investor Flows and Sovereign Bond Yields in Advanced Economies (2014)

Arslanalp Serkan - International Monetary Fund; Poghosyan Tigran - International Monetary Fund

Abstract: Asset allocation decisions of international investors are at the core of capital flows. This paper explores the impact of these decisions on long-term government bond yields, using a quarterly investor base dataset for 22 advanced economies over 2004-2012. The authors find that a one percentage point increase in the share of government debt held by foreign investors can explain a 6-10 basis point reduction in long-term sovereign bond yields over the sample period. Accordingly, international flows to core advanced economy bond markets over 2008-12 are estimated to have reduced 10-year government bond yields by 40-65 basis points in Germany, 20-30 basis points in the U.K., and 35-60 basis points in the U.S. In contrast, foreign outflows

are estimated to have raised 10-year government bond yields by 40-70 basis points in Italy and 110-180 basis points in Spain during the same period. Our results suggest that the divergence in long-term bond yields between core and periphery economies in the euro area may continue unless the "normalization" of macroeconomic determinants of bond yields is accompanied by a similar "normalization" of the foreign investor base.

Developing Domestic Bond Market

Emerging Market Local Currency Bond Yields and Foreign Holdings in the Post-Lehman Period - a Fortune or Misfortune? (2014)

Ebeke Christian - International Monetary Fund; Lu Yinqiu - International Monetary Fund

Abstract: The paper shows that foreign holdings of local currency government bonds in emerging market countries (EMs) have reduced bond yields but have somewhat increased yield volatility in the post-Lehman period. Econometric analyses conducted from a sample of 12 EMs demonstrate that these results are robust and causal. The authors use an identification strategy exploiting the geography-based measure of EMs financial remoteness vis-à-vis major offshore financial centers as an instrumental variable for the foreign holdings variable. The results also show that, in countries with weak fiscal and external positions, foreign holdings are greatly associated with increased yield volatility. A case study using Poland data elaborates on the cross country findings.

Legal Issues and Conventions

Sovereign Bonds and National Relativism: Can New York Law Contracts Safely Cross the Atlantic? (2014)

Audit Mathias - University of Paris Ouest Nanterre La Defense

Abstract: In a sovereign bonds issuance contract, choosing New York as both the governing law and the forum in case of litigation aims to avoid divergent interpretation of the same contract provision. As an illustration, the Argentine bonds held by NML, grounding their long-standing and well-known litigation, were stipulating a choice-of-court clause favoring New York courts and a choice-of-law designating New York law. But this article aims to show that choosing New York will not necessarily ensure a uniform application of contract terms. As shown by the NML vs Argentina European cases, it appears that some European countries' rules might interfere with this goal of uniformity. This phenomenon can be particularly illustrated in the context of two clauses: the waiver of immunity from attachment and execution and the pari passu clause.

Boilerplate Shock (2014)

Shill Gregory H. - University of Denver

Abstract: No nation was spared in the recent global downturn, but several Eurozone countries arguably took the hardest punch, and they are still down. Doubts about the solvency of Greece, Spain, and some of their neighbors are making it more likely that the euro will break up. Observers fear a single departure and sovereign debt default might set off a "bank run" on the common European currency, with devastating regional and global consequences. What mechanisms are available to address — or ideally, to prevent — such a disaster? One unlikely candidate is boilerplate language in the contracts that govern sovereign bonds. As suggested by the term "boilerplate," these are provisions that have not been given a great deal of thought. And yet they have the potential to be a powerful tool in confronting the threat of a global economic conflagration — or in fanning the flames. Scholars currently believe that a country departing the Eurozone could convert its debt obligations to a new currency, thereby rendering its debt burden manageable and staving off default. However, this Article argues that these boilerplate terms — specifically, clauses specifying the law that governs the bond and the currency in which it will be paid — would likely prevent such a result. Instead, the courts most likely to interpret these terms would probably declare a departing country's effort to repay a sovereign bond in its new currency a default. [...]

Executive Deference, Sovereign Immunity, and NML Capital v. Argentina: A Constitutional Analysis of Sovereign Immunity Litigation (2014)

Pereyra Victor Abel - University of Illinois College of Law

Abstract: NML Capital v. Argentina is a prime example of how the current sovereign immunity litigation regime is devoid of constitutional analysis. This Paper attempts to trace out the historic constitutional analysis underlying sovereign immunity claims in the context of sovereign debt defaults and apply them to the current litigation. The history of the sovereign debt market and constitutional challenges to those changes as well as the evolution of constitutional analysis of sovereign debt litigation indicate a longstanding constitutional framework. This paper explores how the Argentina litigation fits within the broader framework of historical sovereign immunity litigation — and suggests that the Supreme Court can reestablish the traditional constitutional deference to the executive in this litigation.

[The Use of 'Derivatives' by Italian Local Authorities in Public Finance Management. Still an Issue](#) (2014)

Capriglione Francesco - Università degli Studi Guglielmo Marconi

Abstract: The 2008 financial crisis and its aftermath have prompted academics and policy makers to question issues related to the public finance management and, more specifically, to the usage of financial derivatives by local authorities. This paper can be placed within the debate on whether derivatives may or not contribute to a healthy allocation of public resources. It meets the need to investigate the extent to which those derivatives transactions entered into by the Italian local authorities before being prohibited by the regulator in 2008, have been executed in conformity with their related disciplining provisions; a still actual issue if one consider the wide number of legal disputes in subiecta materia. In Italy, the need to prevent local administrations from postponing forward in time the financial burden of debt has driven the regulator to establish strict guidelines that could not be disregarded by intermediaries involved in the aforementioned transactions. Firstly, the scope of derivative transactions has been limited only to debt restructuring and, secondly, it was required to avoid both complex contractual forms, with the contextual request of a plain vanilla structure, and payment flows present values with an increasing profile. Thus, it is deemed necessary to analyse the remedies to challenge derivatives non-compliant with the ad hoc regulation: from the declaration of voidness (under Article 1418 of the Italian Civil Code) to the local authorities' self-repealing authority (potere di autotutela) and to the possibility to settle the dispute. This work reaches the conclusion that the interpretative approach adopted by the Italian Corte dei Conti leaves no doubt about how to use derivatives in the public finance management.

Rogue Trends in Sovereign Debt: Argentina, Vulture Funds, and Pari Passu Under New York Law (2014)

Samples Tim R - University of Georgia

Abstract: Coined the "trial of the century" in sovereign debt litigation, NML v. Argentina involves a radical departure from the traditional unenforceability of sovereign debt in favor of the opposite extreme: potent injunctive remedies applicable to third parties. Problems with the NML precedent extend far beyond Argentina's immediate situation. NML is a landmark case in a trend that threatens destabilizing consequences for sovereign debt restructuring — a major concern for sovereigns as well as their creditors — and creates serious uncertainties for financial institutions. Argentina's default in 2001 led to the most exceptional sovereign debt situation in modern history. Although the Second Circuit partially recognized Argentina's outlier status as a "recalcitrant" debtor, Argentina's exceptionalism extends to virtually all phases of sovereign debt. Accordingly, NML represents an unsuitable point of departure for creating precedent in a critical area of law. This article contents that if the Supreme Court does not overturn the Second Circuit's approach to pari passu, the "equal footing" covenant, other courts should consider the NML precedent narrowly until broader solutions for sovereign insolvency are implemented.

Risk Management Models

A Macroeconomic Framework for Quantifying Systemic Risk (2014)

He Zhiguo - University of Chicago; Krishnamurthy Arvind - Northwestern University

Abstract: Systemic risk arises when shocks lead to states where a disruption in financial intermediation adversely affects the economy and feeds back into further disrupting financial intermediation. The authors present a macroeconomic model with a financial intermediary sector subject to an equity capital constraint. The novel aspect of our analysis is that the model produces a stochastic steady state distribution for the economy, in which only some of the states correspond to systemic risk states. The model allows us to examine the transition from "normal" states to systemic risk states. The authors calibrate our model and use it to match the systemic risk apparent during the 2007/2008 financial crisis. The authors also use the model to compute the conditional probabilities of arriving at a systemic risk state, such as 2007/2008. Finally, the authors show how the model can be used to conduct a macroeconomic "stress test" linking a stress scenario to the probability of systemic risk states.

Debt Crises and Risk Sharing: The Role of Markets versus Sovereigns (2014)

Ozcan Sebnem Kalemli- - University of Maryland; Luttini Emiliano E. - University of Houston; Sørensen Bent - University of Houston

Abstract: Using a variance decomposition of shocks to GDP, the authors quantify the role of international factor income, international transfers, and saving in achieving risk sharing during the recent European crisis. The authors focus on the sub-periods 1990-2007, 2008-2009, and 2010 and consider separately the European countries hit by the sovereign debt crisis in 2010. The authors decompose risk sharing from saving into contributions from government and private saving and show that fiscal austerity programs played an important role in hindering risk sharing during the sovereign debt crisis.

Derivatives

[Empty Creditors and Sovereign Debt: What Now?] **(2014)**

Yadav Yesha - Vanderbilt University

Abstract: This Article outlines a possible cure to the "empty creditor" problem in sovereign debt markets: a market for sovereign creditor control. Scholars and policymakers have long lamented the troubling influence of credit derivatives on sovereign debt. Lenders that use instruments like credit default swaps (CDS) to hedge their risks are widely regarded as posing serious risks for sovereign debtors looking to restructure their debts. According to the "empty creditor" hypothesis, lenders that purchase CDS protection against the risk of a sovereign's default have strong incentives to disrupt restructuring proceedings. Not only are they safe from the consequences of such a default, but they should actually wish to hasten such an event in order to trigger repayment under their CDS. [...]

Institutional Arrangements for Debt Management

[Is It Too Late to Bail Out the Troubled Countries in the Eurozone?]

Conesa Juan Carlos - University of New York-Stony; Kehoe Timothy J. - University of Minnesota

Abstract: In January 1995, U.S. President Bill Clinton organized a bailout for Mexico that imposed penalty interest rates and induced the Mexican government to reduce its debt, ending the debt crisis. Can the Troika (European Commission, European Central Bank, and International Monetary Fund) organize similar bailouts for the troubled countries in the Eurozone? Our analysis suggests that debt levels are so high that bailouts with penalty interest rates could induce the Eurozone governments to default rather than reduce their debt. A resumption of economic growth is one of the few ways that the Eurozone crises can end.

Coordination with other Policies and Operations

[Monetary and Fiscal Policy Interactions in an Emerging Open Economy: A Non-Ricardian DSGE Approach] **(2012)**

Algozhina Aliya - Charles University in Prague - CERGE-EI

Abstract: The monetary and fiscal policy interactions have gained a new research interest after the 2008 crisis due to the global increase of fiscal debt. This paper constructs a macroeconomic model of joint fiscal and monetary policy for an emerging open economy taking into account its structural uniqueness. In particular, the two instruments of monetary policy, interest rate and foreign exchange intervention, the two instruments of fiscal policy, public consumption and public investment, the two types of households, optimizers and rule-of- thumb individuals, and a foreign debt via collateral constraint are modeled here in a single DSGE framework. The parameters are calibrated for the case of Hungary using data over 1995Q1-2011Q3. The impulse response functions to public investment, public consumption, and interest rate shocks reveal some unconventional findings in favor of the fiscal theory of price level as opposed to the traditional monetarist doctrine.

[The global long-term interest rate, financial risks and policy choices in EMEs] **(2014)**

Turner Philip – BIS

Abstract: The global long-term interest rate now matters much more for the monetary policy choices facing emerging market economies than a decade ago. The low or negative term premium in the yield curve in the advanced economies from mid-2010 has pushed international investors into EM local bond markets: by lowering local long rates, this has considerably eased monetary conditions in the emerging markets. It has also encouraged much increased foreign currency borrowing in international bond markets by emerging market corporations, much of it by affiliates offshore. These developments strengthen the feedback effects between bond and foreign exchange markets. They also have significant implications for local banking systems.

[The role of central banks in macroeconomic and financial stability] **(2014)**

Edited by M S Mohanty – BIS

Abstract: Central banks in Africa are changing as the continent becomes increasingly integrated with the global financial system. In this context, governors from major central banks met in Basel on 11-12 May 2013 to compare notes on their experiences in dealing with the challenges of increased financial integration. Four important challenges were analyzed at this meeting. First, the recent surge in pan-African banking is driving a new wave of financial integration. This has many benefits for the region, but confronts central banks and supervisors with new challenges in monitoring and managing risks. Second, central banks have a key role in developing local debt markets. The development of local currency bond markets is critical to Africa's financial development and resilience to shocks. Third, financial stability frameworks need to be strengthened. Central banks must have a major voice in financial stability policy

which is closely linked with monetary policy. Finally, the prolonged period of higher-than-average commodity prices, often attracting heavy capital inflows, has boosted growth but may also have created its own financial stability risks. In this context, a macro prudential policy perspective that addresses such risks can help to limit systemic threats.

[Intergenerational Risk-Sharing through Funded Pensions and Public Debt]() (2014)

Chen Damiaan H.J. - University of Amsterdam; Beetsma Roel M. W. J. - University of Amsterdam; Ponds Eduard H.M. - Tilburg University; Romp Ward E. - University of Amsterdam

Abstract: In this paper the authors explore the benefits of intergenerational risk-sharing through both private funded pensions and via the public debt. The authors use a multi-period overlapping generations model with a PAYG pension pillar, a funded pension pillar and a government. Shocks are smoothed via the public debt and variations in the indexation of pension entitlements and the pension contribution rate, which both respond to funding ratio of the pension fund. The intensity of these adjustments increases when the funding ratio or the public debt ratio get closer to their boundaries. The best-performing pension arrangement is a hybrid funded scheme in which both contributions and entitlement indexation are deployed as stabilization instruments. The authors find trade-offs between the optimal use of these instruments. The authors also find that entitlement indexation and the response of the tax rate to public debt movements are complements. The authors compare different taxation regimes and conclude that a regime in which pension benefits are taxed, while contributions are paid before taxes, is preferred to a regime in which contributions are paid after taxes, while benefits are untaxed.

Leaning Against the Wind: Macroprudential Policy in Asia (2014)

Zhang Longmei - International Monetary Fund; Zoli Edda - International Monetary Fund

Abstract: In recent years, macro prudential policy has become an increasingly active policy area. Many countries have adopted it as a tool to safeguard financial stability, in particular to deal with the credit and asset price cycles driven by global capital flows. This paper reviews the use of key macro prudential instruments and capital flow measures in 13 Asian economies and 33 economies in other regions since 2000, and constructs various macro prudential policy indices, aggregating sub-indices on key instruments. Asian economies appear to have made greater use of macro prudential tools, especially housing-related measures, than their counterparts in other regions. The effects of macro prudential policy are then assessed through an event study, cross-country macro panel regressions and bank-level micro panel regressions. The analysis suggests that macro prudential policy and capital flow measures have helped curb housing price growth, equity flows, credit growth, and bank leverage. The instruments that have been particularly effective in this regard include loan-to-value ratio caps, housing tax measures, and foreign currency-related measures.

Why Was Asia Resilient? Lessons from the Past and for the Future (2014)

Jeasakul Phakawa - International Monetary Fund; Hoon Lim Cheng - International Monetary Fund; Lundback Erik - International Monetary Fund

Abstract: Asia proved to be remarkably resilient in the face of the global financial crisis, but why was its output performance stronger than that of other regions? The paper shows that better initial conditions—in the form of lower external and financial vulnerabilities—contributed significantly to Asia's resilience. Key pre-crisis factors included moderate credit expansion, reliance on deposit funding, enhanced bank asset quality, reduced external financing, and improved current accounts. These improvements reflected the lessons from the Asian financial crisis in the late 1990s, which helped reshape both public policies and private sector behavior. For example, several countries stepped up their use of macro prudential policies, well before they were recognized as an essential component of the financial stability toolkit. They also overhauled financial regulations and strengthened oversight of financial institutions, which helped reduce risk-taking by households and firms before the global financial crisis. Looking ahead, Asia is in the process of adjusting to more volatile external conditions and higher risk premiums. By drawing the right lessons from its pre-crisis experiences, Asia's economies will be better equipped to address new risks associated with increased cross-border capital flows and greater integration with the rest of the world.

The Impact of Funding Models and Foreign Bank Ownership on Bank Credit Growth: Is Central and Eastern Europe Different? (2014)

Feyen Erik - World Bank; Letelier Raquel - World Bank; Love Inessa - World Bank; Maimbo Samuel Munzele - World Bank; Rocha Roberto - World Bank

Abstract: This paper provides new evidence on the factors affecting protracted credit contraction in the wake of the global financial crisis. The paper applies panel vector autoregressions to a global panel that consists of quarterly data for 41 countries for the period 2000–2011 and documents that domestic private credit growth is highly sensitive to cross-

border funding shocks around the world. This relationship is significantly stronger in Central and Eastern Europe, a region with considerably stronger foreign presence, higher cross-border funding, and elevated loan-to-deposit ratios compared with the rest of the world. The paper shows that high foreign ownership per se does not appear to explain credit response differences to foreign funding shocks. Rather, there is a stronger response in countries that exhibit high loan-to-deposit ratios and a high reliance on foreign funding relative to local deposits. The results suggest that funding model differences were at the heart of the post-crisis credit contraction in several Central and Eastern European countries. These findings have important regulatory and supervisory implications for emerging countries in Central and Eastern Europe as well as for other countries.

Monetary Policy

A high frequency assessment of the ECB securities markets programme (2014)

Ghysels Eric - University of North Carolina; Idier Julien - Bank of France; Manganelli Simone - European Central Bank; Vergote Olivier - European Central Bank

Abstract: Policy impact studies often suffer from endogeneity problems. Consider the case of the ECB Securities Markets Program: If Euro system interventions were triggered by sudden and strong price deteriorations, looking at daily price changes may bias downwards the correlation between yields and the amounts of bonds purchased. Simple regression of daily changes in yields on quantities often give insignificant or even positive coefficients and therefore suggest that SMP interventions have been ineffective, or worse counterproductive. The authors use high frequency data on purchases of the ECB Securities Markets Program and sovereign bond quotes to address the endogeneity issues. The authors propose an econometric model that considers, simultaneously, first and second conditional moments of market price returns at daily and intra daily frequency. The authors find that SMP interventions succeeded in reducing yields and volatility of government bond segments of the countries under the program. Finally, the new econometric model is broadly applicable to market intervention studies.

Monetary and Macroprudential Policies to Manage Capital Flows (2014)

Medina Juan Pablo - International Monetary Fund; Roldós Jorge - International Monetary Fund

Abstract: In this paper the authors study interactions between monetary and macro prudential policies in a model with nominal and financial frictions. The latter derive from a financial sector that provides credit and liquidity services that lead to a financial accelerator-cum-fire-sales amplification mechanism. In response to fluctuations in world interest rates, inflation targeting dominates standard Taylor rules, but leads to increased volatility in credit and asset prices. The use of a countercyclical macro prudential instrument in addition to the policy rate improves welfare and has important implications for the conduct of monetary policy. "Leaning against the wind" or augmenting a standard Taylor rule with an argument on credit growth may not be an effective policy response.

Fiscal Policy and Budget Management

Public Debt and Aggregate Stability with Endogenous Growth and a State-Dependent Consumption Tax (2014)

Greiner Alfred - Bielefeld University; Bondarev Anton A. - Bielefeld University

Abstract: In this paper the authors analyze how different budgetary rules affect the stability of an economy in a basic endogenous growth model with public debt and a state-dependent consumption tax rate. The authors show that a discretionary policy implies that the government violates its inter-temporal budget constraint along a balanced growth path, whereas a balanced budget rule guarantees that the economy is stable. A rule based debt policy gives rise to stability if the reaction of the primary surplus to higher public debt is sufficiently large. Further, in case of a strongly regressive consumption tax rate over a certain range, multiple balanced growth paths may emerge. The main results can be generalized to hold for any endogenous growth model with infinitely lived households.

Government Debt and Aggregate Stability with Endogenous Growth: Some General Results (2014)

Greiner Alfred - Bielefeld University

Abstract: In this paper the authors consider a general class of endogenous growth models with infinitely lived households and analyze how different budgetary rules affect the stability of the economy. The authors show that a discretionary fiscal policy implies that the government always violates its inter-temporal budget constraint along a balanced growth path, whereas a balanced budget rule tends to stabilize the economy. A rule based debt policy makes the economy converge to the balanced growth path provided the reaction of the primary surplus to higher public debt is sufficiently large so that the debt to GDP ratio becomes a mean-reverting process.

Fiscal Unruliness: Checking the Usual Suspects for Jamaica's Debt Buildup (2014)

Schmid Juan Pedro - Inter-American Development Bank

Abstract: Jamaica's fiscal and debt position has long been recognized as a major issue for the country, and the country has made several attempts to resolve this challenge by increasing revenue or reducing expenditures. Despite these adjustments, Jamaica has systematically failed to achieve its budget targets. This analysis shows that the major weakness in the budget planning execution is revenue projection, which influences planned expenditures. In contrast, the limitation in reducing rigid recurrent expenditures -mostly interest and wage salary payments- has led to the introduction of measures aimed at meeting appropriate revenue targets. In addition, capital expenditure has systematically underperformed relative to the budget, possibly to compensate for these weaknesses. However, fiscal targets have still underperformed relative to budget projections. These repeated, lower-than-expected revenues combined with rigid expenditures led to continuous debt buildup, reaching a level that needs deep institutional reforms.

The Relevance of Fiscal Rules for Fiscal and Yield Developments (2014)

Afonso Antonio - Technical University of Lisbon – ISEG; Guimarães Ana Sofia - Technical University of Lisbon – ISEG

Abstract: Numerical fiscal rules mitigate the bias of pro-cyclicality, as an alternative to discretionary measures conducted by policy makers. The authors assess whether fiscal rules impact budget balances and sovereign yields, and the authors perform a simulation exercise to compute debt developments of EU countries, assuming that they had implemented a numerical expenditure rule in 1990. Our panel analysis covers 27 EU countries between 1990 and 2011. The authors find that fiscal rules contribute to the reduction of budget deficits, specifically expenditure rules, which significantly impact primary expenditure and conclude that countries with rules experienced lower sovereign bond yields. The simulations show that when the same rule is applied to different countries, it produces very different results, particularly on account of the initial level of primary expenditure.

Aggregate Stability and Balanced-Budget Rules (2014)

Ghilardi Matteo F. - International Monetary Fund; Rossi Raffaele - Lancaster University

Abstract: It has been shown that under perfect competition and a Cobb-Douglas production function, a basic real business cycle model may exhibit indeterminacy and sunspot fluctuations when income tax rates are determined by a balanced-budget rule. This paper introduces in an otherwise standard real business cycle model a more general and data coherent class of production functions, namely a constant elasticity of substitution production function. The authors show that the degree of substitutability between production factors is a key ingredient to understand the (de)stabilizing properties of a balanced-budget rule. Then the authors calibrate the model consistently with the empirical evidence, i.e. the authors set the elasticity of substitution between labour and capital below unity. The authors show that compared to the Cobb-Douglas case, the likelihood of indeterminacy under a balanced-budget rule is greatly reduced in the United States, the European Union and the United Kingdom.

Flirting with Default: Issues Raised by Debt Confrontations in the United States

The Peterson Institute for International Economics

Abstract: The economic consequences of a default on US debt, or even another congressional confrontation that threatens such a default, are generally believed to be severe. But now a team of noted economists at the Peterson Institute for International Economics has spelled out the true costs of such fiscal irresponsibility to the US economy and just how those self-inflicted wounds erode American global leadership. The research explains how lurching from government breakdown to breakdown has damaged an already fragile US economic recovery and will continue to do more harm. The damage from last year's threat of default includes higher borrowing and mortgage costs ($450 a year increase on average for mortgages*), suppressed investment, and 750,000 people added to the unemployed rolls. Even US Treasury securities, long held as a completely safe asset, may now have up to a 10 basis point risk premium priced in, raising federal debt service costs as well as financial uncertainty.

Subnational Bond Markets

The Structure of Sub-National Public Debt: Liquidity vs Credit Risks (2014)

Perez Javier J. - Bank of Spain; Prieto Rocío - Bank of Spain

Abstract: In this paper the authors analyze the determinants of the structure of public debt in the case of Spain, from a sub-national perspective. The endogenous shift in the composition of debt (among shortvs long-term instruments, and loans vs securities) depends on observable measures of credit and liquidity risks. To discriminate among competing potential determinants, the authors set out empirical models that incorporate financial, economic and institutional variables. The authors estimate the models by GMM and make use of a new quarterly dataset of Spanish regional governments' debt structure for the period 1995Q1-2012Q4. Our results show that the most robust determinants of regional public financial management decisions, as reflected by the structure of debt, are rollover risks and the expectation of central government support (as measured by the dynamics of transfers).

Public Debt in Macroeconomic Analysis

Characterizing very high uncertainty episodes (2014)

Bijsterbosch Martin - European Central Bank; Guérin Pierre - Bank of Canada

Abstract: This paper uses a two-step approach to characterize the evolution of US macroeconomic and financial variables during episodes of very high uncertainty. First, the authors identify episodes of very high uncertainty using a regime-switching model. Second, the authors assess the behavior of macroeconomic and financial variables during these episodes of very high uncertainty. This methodology is analogous to the approach followed by Baele et al. (2013), who study episodes of fights to safety in financial markets. The authors find that very high uncertainty episodes are associated with a weaker growth performance and sharp declines in stock prices. However, the authors find that this relation is non-linear in that uncertainty does not seem to matter during periods characterized by medium or low uncertainty.

Contagion in EU Sovereign Yield Spreads (2014)

Afonso Antonio - Technical University of Lisbon – ISEG; Ramos Félix Ana Catarina - Technical University of Lisbon – ISEG

Abstract: Since the beginning of the sovereign debt crisis in the Euro Area, a main concern for European leaders is the prevention of the possible contagion from distressed countries. In our research, the authors assess if there is a spillover effect from those countries and which determinants can be considered transmission mechanisms of the sovereign debt crisis. The authors use a panel of 13 EU countries (Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Italy, The Netherlands, Portugal, Spain, Sweden and the United Kingdom), covering the period Q1:2000 to Q1:2013 and the authors also analyse each country individually, on the basis of a SUR analysis. The authors find that those countries with worse macro and fiscal fundamentals are more vulnerable to contagion and are more affected by international liquidity and credit risks.

Public Debt and Its Impacts on Output: A Long-Horizon Perspective (2014)

Chen Shiu- Sheng - National Taiwan University

Abstract: This paper uses the long-dated multi country historical data on public debt and per capita real GDP to investigate the link between public debt and real output from a long-horizon perspective. Covering 25 developed and developing countries over two centuries, the authors have found that the debt-to-GDP ratio in 18 out of 25 countries has a significantly negative impact on real output in the long run. The mechanism and transmission channels through which public debt may reduce real output have been further investigated.

Home Country Bias in Sovereign Ratings? (2014)

Doluca Hasan - German Council of Economic Experts

Abstract: This paper analyzes if the so called home country bias exists in sovereign ratings: Home country bias could be due to the fact that a rating agency applies higher ratings to a country with which the country where the rating agency is located has stronger relations. For the analysis of a potential home country preference the authors use a novel approach to the existing financial literature on rating bias: in particular, the authors use variables proxying the interconnection between the country in which the rating agency is headquartered and the rated country. The results of the analysis of home country bias are ambiguous. The interconnection of the US with the rated country proxied by the trade channel does not imply any home country bias; nevertheless, when a different proxy – based on the interconnection between US financial institutions and the respective countries – is used, at first glance the results indicate a bias with respect to the ratings from Moody's only. However, this

finding could not be verified by the robustness check. Thus, the ambiguous results show the need for further research on this issue.

Zero Risk Contagion - Banks' Sovereign Exposure and Sovereign Risk Spillovers (2014)

Korte Josef - Goethe University Frankfurt; Steffen Sascha - ESMT European School of Management and Technology

Abstract: This paper identifies banks' exposures to non-domestic sovereign debt as a transmission channel for sovereign risk spillovers in Europe. The authors construct a new measure - the 'sovereign subsidy' - that quantifies non-domestic sovereign exposures that are not adequately reflected in bank capital due to the application of zero risk weights. A larger sovereign subsidy for the banking sector amplifies the co-movement between its domestic sovereign's CDS spread and a European sovereign CDS market index. This result is robust to controlling for alternative spillover channels and a variety of other tests highlighting the importance to address sovereign risk in bank regulation.

Sovereign Debt Markets in Turbulent Times: Creditor Discrimination and Crowding-Out Effects (2014)

Broner Fernando – CREI;Martin Alberto – CREI; Ventura Jaume – CREI;Erce Aitor - Bank of Spain

Abstract: In 2007, countries in the euro periphery were enjoying stable growth, low deficits and low spreads. Then the financial crisis erupted and pushed them into deep recession, raising their deficits and debt levels. By 2010, they were facing severe debt problems. Spreads increased and, surprisingly, so did the share of the debt held by domestic creditors. Credit was reallocated from the private to the public sector, reducing investment and deepening the recession even further. To account for these facts, the authors propose a simple model of sovereign risk in which debt can be traded in secondary markets. The model has two key ingredients: creditor discrimination and crowding-out effects. Creditor discrimination arises because, in turbulent times, sovereign debt offers a higher expected return to domestic creditors than to foreign ones. This provides incentives for domestic purchases of debt. Crowding-out effects arise because private borrowing is limited by financial frictions. This implies that domestic debt purchases displace productive investment. The model shows that these purchases reduce growth and welfare, and may lead to self-fulfilling crises. It also shows how crowding-out effects can be transmitted to other countries in the euro zone, and how they may be addressed by policies at the European level.

Debt and Growth: Is There a Magic Threshold? (2014)

Pescatori Andrea - International Monetary Fund; Sandri Damiano - International Monetary Fund; Simon John - International Monetary Fund

Abstract: Using a novel empirical approach and an extensive dataset developed by the Fiscal Affairs Department of the IMF, the authors find no evidence of any particular debt threshold above which medium-term growth prospects are dramatically compromised. Furthermore, the authors find the debt trajectory can be as important as the debt level in understanding future growth prospects, since countries with high but declining debt appear to grow equally as fast as countries with lower debt. Notwithstanding this, the authors find some evidence that higher debt is associated with a higher degree of output volatility.

OECD forecasts during and after the financial crisis: a post mortem (2014)

OECD Economics Department

Abstract: This note discusses OECD forecast performance over the period 2007-12. It focuses on the lessons that can be learned from cross-country differences in growth forecast errors and the changes to forecasting models and procedures that have been prompted by the experience of the crisis.[…]

Causality and Contagion in EMU Sovereign Debt Markets (2014)

Marta Gómez-Puig - Universitat de Barcelona and RFA-IREA; Simón Sosvilla-Rivero - Universidad Complutense de Madrid

Abstract: This paper contributes to the literature by applying the Granger-causality approach and endogenous breakpoint test to offer an operational definition of contagion to examine European Economic and Monetary Union (EMU) countries public debt behaviour. A database of yields on 10-year government bonds issued by 11 EMU countries covering fourteen years of monetary union is used. The main results suggest that the 41 new causality patterns, which appeared for the first time in the crisis period, and the intensification of causality recorded in 70% of the cases, provide clear evidence of contagion in the aftermath of the current euro debt crisis.

Measuring the impact of debt-financed public investment (2014)

Cavalcanti Carlos B. - World Bank; Marrero Gustavo A. - University of La Laguna; Minh Le Tuan - World Bank

Abstract: While debt-financed productive public investment raises a country's debt ratios in the short run, it can also generate higher growth, revenues, and exports, leading over time to lower debt ratios. This paper develops a framework to assess whether countries meet the conditions for realizing the net benefits over the costs of public investment debt financing. While it is possible to achieve debt sustainability with an appropriate mix of concessional and non-concessional financing, this is a necessary but not sufficient condition. It is also important to ensure the operational viability of public investment projects by having in place adequate project management: (i) project screening and appraisal, (ii) a clear connection between capital and recurrent expenditures once the projects are launched, and (iii) safeguards for appropriate project implementation and facilities operations. To illustrate the strength of these results, the paper carries out three measurement exercises: (a) a simulation of the degree to which the ratio of optimal public investment responds to changes in key parameters related to project management in a general equilibrium model; (b) application of the public investment management (PIMa) index to benchmark a country's public investment management capacity; and (c) presentation of the results of the Investment, Savings, and Macroeconomic Vulnerabilities tool aimed at tracking country choices in public finance and the impact of public projects on private investments.

Historical Evolution of Debt Management

A Solution to the National Debt - "The Legal Tender Act of 1862" (2014)

Paleveda Nicholas A. - Northeastern University

Abstract: The National Debt may be solved with a combination of Tax and Fiscal Policy using a law drafted in 1862. This paper reflects on the legal and economic solution to the National Debt. The National Debt is currently used as political football to give reason why funds should not be allocated to certain programs. In reality, the debt is primarily funds owed to ourselves. The United States faced a fiscal crisis in 1862 with the advent of the civil war. During this time, there was not enough money to fund a war or enough taxes to pay for an army. Congress invoked legislation to create a currency issued not by the Federal Reserve, but by the U.S. treasury department. This currency invoked a controversy that ended up in the Supreme Court of the United States.

How did the capital market evaluate Germany's prospects for winning World War I? Evidence from the Amsterdam market for government bonds (2014)

Jopp Tobias A. - University of Regensburg

Abstract: This study uses prices for the German 3 percent imperial loan issued in several tranches since 1890 and still traded during World War I to measure capital market players' real-time perceptions of the prospects for Germany as the war proceeded. Price data are gathered from the Amsterdam market for government bonds; the Netherlands remained neutral throughout war. Focusing on the window from August 24th 1915 to August 11th 1919, ten (twelve) turning points are identified in a baseline (extended) model. Each implies a significant adjustment of lenders' confidence in Germany being able, or willing, to service its debts in the future. Two turning points stand out. In early January 1916, the price plummeted by 14.3 percent between the first and eleventh of the month, which was most likely due to the Military Service Act discussed in the British parliament. On September 19th 1918, the price dropped by 17.5 percent compared to the last available price quote from the end of July. This coincides with the Allied Powers' revival on all fronts since the summer, leading to the ultimate collapse of the German lines.

Articles in reviews

Secondary Market

Testing for a break in the persistence in yield spreads of EMU government bonds (2014)

Sibbertsen Philipp – Hannover University; Wegener Christoph - NORD/LB ; Basse Tobias – NORD/LB

Abstract: This study tests for a break in the persistence of EMU government bond yield spreads examining data from France, Italy and Spain and using German interest rates as a kind of benchmark. The results reported here provide evidence for breaks between 2006 and 2008. The persistence of the yield spreads against German government bonds has increased significantly after this period. This could be a sign of higher sovereign credit risk (and

possibly even redenomination risk) caused by the debt crisis in the euro area. The authors find clear indications for non-stationary behavior after the breakpoints and empirical evidence for positive excess kurtosis and GARCH-effects when persistence increases.

Collective action clauses: How do they affect sovereign bond yields? (2014)

Bardozzetti Alfredo – Bank of Italy; Dottori Davide - Bank of Italy

Abstract: The authors study the effects of the adoption of collective action clauses (CACs) on government bond yields by exploiting secondary market data on sovereign bonds quoted in international markets from March 2007 to April 2011. CACs are assessed security by security. Using a panel data approach, the authors find a U-shaped effect of CACs on yields according to the credit rating of the issuer. While the impact is negligible for the highest ratings, a significant yield discount emerges for mid-range ratings, which is smaller for bad ratings and possibly insignificant for the worst ratings. This relationship appears fairly robust across a number of checks. This evidence may reflect the fact that CACs are valuable because they help with orderly restructuring unless the perceived probability of default is too small. Nevertheless, at low ratings, this effect can be weakened by an increasing risk of moral hazard.

Risk Management Models

Interpretation and limits of sustainability tests in public finance

Lamé G.; Lequien M.; Pionnier P.-A

Abstract: Public debt is considered sustainable if discounted net repayments are expected to cover the initial debt issuance, i.e. if the government's inter-temporal budget constraint is expected to hold. With risk-averse lenders and an uncertain economic environment, Bohn (1995) stresses that this constraint relies on a stochastic discount factor which depends on lenders' preferences. To get round the difficulty related to the specification of private agents' preferences in empirical analysis, Bohn (1998) suggests to estimate fiscal reaction functions describing how primary surplus reacts to indebtedness. After having solved the econometric issues arising when primary surplus and debt have a very different persistence (with a nonparametric approach) or are both integrated (with parametric tests), the authors estimate fiscal reaction functions for France and Greece. There remain important limitations and interpretation difficulties that are common to all econometric sustainability tests.

Monetary Policy

Extensions to the models for assessing money and credit (2014)

European Central Bank

Abstract: Any analytical framework intended to provide input to a monetary policy-making process is constantly confronted with an evolving economic and financial landscape, advances in methodologies and techniques, as well as the increased and improved availability of information. This holds for the ECB's monetary analysis framework as much as for any other policy-oriented analytical endeavour. [...]

Fiscal Policy and Budget Management

Sovereign risk premia: The link between fiscal rules and stability culture (2014)

Heinemann Friedrich - University of Heidelberg; Osterloh Steffen – DESTATIS; Kalb Alexander - Bayerische Landesbank

Abstract: There is a growing empirical literature studying whether permanent constraints on fiscal policy, such as fiscal rules, reduce sovereign risk premia. Nevertheless, it remains an open question whether these rules are effective genuinely or just because they mirror fiscal preferences of politicians and voters. In our analysis of European bond spreads before the financial crisis, the authors shed light on this issue by employing several types of stability preference related proxies. These proxies refer to a country's past stability performance, government characteristics and survey results related to general trust. The authors find evidence that these preference indicators affect sovereign bond spreads and dampen the measurable impact of fiscal rules. Yet, the interaction of stability preferences and rules points to a particular potential of fiscal rules to restore market confidence in countries with a historical lack of stability culture.

Public Debt in Macroeconomic Analysis

The public bond offering of Petróleos de Venezuela S.A (2014)

Garay Urbi – IESA University; Molina Carlos A. - IESA University

Abstract: In April 2007, Petróleos de Venezuela S.A. (PDVSA) issued debt for USD 7.5billion, the largest debt offering to date by a Latin American company. The conditions surrounding this issue, which was denominated and tradable in dollars, but payable in bolivars, were quite special, particularly when considering the strict foreign exchange control system put into place by the Venezuelan government in 2003. The fact that the

bond issue attempted to fulfill the dual purpose of offering dollars to local companies and investors in the midst of prevailing exchange rate controls, while helping to finance PDVSA as a company, creates a unique dilemma that is ideal for class discussion. This teaching case provides the information necessary for estimating and proposing a price for PDVSA's bond offer.

[The Demise of U.S. Economic Growth: Restatement, Rebuttal, and Reflections](#)
(2014)
Gordon Robert J. - Northwestern University

Abstract: The United States achieved a 2.0 percent average annual growth rate of real GDP per capita between 1891 and 2007. This paper predicts that growth in the 25 to 40 years after 2007 will be much slower, particularly for the great majority of the population. Future growth will be 1.3 percent per annum for labor productivity in the total economy, 0.9 percent for output per capita, 0.4 percent for real income per capita of the bottom 99 percent of the income distribution, and 0.2 percent for the real disposable income of that group. The primary cause of this growth slowdown is a set of four headwinds, all of them widely recognized and uncontroversial. Demographic shifts will reduce hours worked per capita, due not just to the retirement of the baby boom generation but also as a result of an exit from the labor force both of youth and prime-age adults. Educational attainment, a central driver of growth over the past century, stagnates at a plateau as the U.S. sinks lower in the world league tables of high school and college completion rates. Inequality continues to increase, resulting in real income growth for the bottom 99 percent of the income distribution that is fully half a point per year below the average growth of all incomes. A projected long-term increase in the ratio of debt to GDP at all levels of government will inevitably lead to more rapid growth in tax revenues and/or slower growth in transfer payments at some point within the next several decades.

Books

Coordination with other policies

Problem-Driven Political Economy Analysis:The World Bank's Experience
Fritz Verena - World Bank; Levy Brian - World Bank; Ort Rachel - World Bank

Summary: Problem-driven political economy analysis holds considerable promise to help development practitioners identify what policies and strategies are most likely to succeed in addressing difficult and persistent development challenges. This volume is the result of a systematic effort to take stock of what the World Bank has learned from efforts to mainstream this approach. The eight cases presented here are good practice examples that illustrate and reflect on what the Bank has been able to achieve in this area so far.

Web Resources

Secondary Market

EMTA Bulletin - 1st Quarter 2014
EMTA
EMTA Hosts: Special Seminars on Sovereign Debt.

Foreign investors and crises: There is no safe haven for all seasons
VOX
At the peak of the Global Crisis, the US dollar appreciated and US Treasury yields fell, suggesting that foreign investors were purchasing US assets in general. Actually, they were fleeing only into short-term Treasury bills. This column discusses recent research showing that there are indeed no securities which are consistently a safe

haven across different crisis episodes – not even US assets. However, a peculiarity of the US securities is that foreign investors do not necessarily 'run for the exit', even when a crisis has its epicentre in the US.

Multilateral Debt

Democratic Republic of São Tomé And Príncipe: Poverty Reduction Strategy Paper - IMF Country Report No. 14/9
International Monetary Fund
Poverty Reduction Strategy Papers (PRSPs) are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. […]

Solomon Islands: Staff Report for the 2013 Article IV consultation and Second Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criterion - IMF Country Report No. 14/12
International Monetary Fund
This paper is the for the periodic consultation with the member country […]

Senegal: Sixth Review Under the Policy Support Instrument and Request for Modification of an Assessment Criterion—Staff Report; Informational Annex; Press Release and Executive Director's Statement -IMF Country Report No. 14/4
International Monetary Fund
GDP growth is on track to reach 4 percent in 2013 and is projected to increase to 4.6 percent in 2014. Inflation has been declining, following a good harvest, and should stay below 1 percent in 2013 and below 2 percent in 2014. The cabinet was reshuffled in early September. This change was broadly viewed as a move to accelerate reforms ahead of local elections scheduled for the spring of 2014. [...]

Republic of Poland: Review under the Flexible Credit Line Arrangement - IMF Country Report No. 14/8
International Monetary Fund
The Polish economy has been resilient in the face of substantial shocks, helped by very strong fundamentals, a robust policy framework that supported forceful policy responses, and insurance provided by the FCL arrangement. [...]

Republic of Belarus: Fifth Post-Program Monitoring Discussions - IMF Country Report No. 13/18
International Monetary Fund
This report says substantially scale back foreign exchange market intervention and tighten monetary policy to facilitate exchange rate and balance of payments adjustment; Adopt comprehensive and ambitious structural reforms to raise sustainable growth.

Democratic Republic of São Tomé and Príncipe: 2013 Article IV Consultation […] - IMF Country Report No. 14/2
International Monetary Fund
This paper is the for the periodic consultation with the member country […]

Grenada: Ex Post Assessment of Longer-Term Program Engagement - IMF Country Report No. 14/19
International Monetary Fund
The ex post assessment of longer-term program engagement on Grenada was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country.

St. Kitts and Nevis: Fifth and Sixth Reviews Under the Stand-By Arrangement, Request for Waiver of Nonobservance of Performance Criterion and Request for Waiver of Applicability; Staff Report; Press Release - IMF Country Report No. 14/49
International Monetary Fund
The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on July 24, 2013, following discussions that ended on May 15, 2013, with the officials of St. Kitts and Nevis on economic developments and policies underpinning the IMF arrangement under the Stand-By Arrangement. Based on information available at the time of these discussions, the staff report was completed on July 8, 2013.

Guinea: Third Review Under the Three-Year Arrangement Under the Extended Credit Facility, and Financing Assurances Review-Staff Report and Press Release - IMF Country Report No. 14/63

International Monetary Fund
The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on January 17, 2014, with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on February 3, 2014.

Institutional Arrangements for Debt Management

Debt-for-equity swaps offer Greece a better way
VOX
Greece needs debt reduction. This column argues that instead of offering another lengthening of maturities and reduction in interest rates, Eurozone leaders should seize the occasion and implement debt-for-equity swaps that would encourage foreign investment, speed privatisation and jumpstart the Greek economy.

Accounting, Transparency and Accountability

ASIFMA Asia Credit Report, Fourth Quarter 2013
ASIFMA
Besides being a most eventful year with several ups and downs, 2013 has nonetheless turned out to be yet another record year for Asia ex-Japan G3 bond issuance. With total is-suance this year currently at USD 141.40 billion (bn) (as of December 31, 2013), this figure is ahead of full year (FY) 2012 issuance numbers of USD 134.04bn (inclusive of high grade (HG), high yield (HY), and unrated deals) and a new high in G3 issuance. […]

The Financial Market, No. 9 – 2014
Bank of Italy
Supplement to the Statistical Bulletin: Monetary and Financial Indicators – February 2014

The Public Finances, borrowing requirement and debt, No. 10 – 2014
Bank of Italy
This publication contains figures on the borrowing requirement and debt of general government and its subsectors (central government, local government and social security institutions).

Statistics Pocket Book, February 2014
European Central Bank
Statistics Pocket Book is updated monthly and contains the Area Euro Statistical series.

Calendar of DMFAS Programme missions (March - April 2014)
UNCTAD
Updated list of missions by UNCTAD's Debt Management Financial Analysis System (DMFAS) Programme over the period March - April 2014.

International Debt Statistics 2014
The World Bank
International Debt Statistics (IDS) 2014 is a continuation of the World Bank's publications Global Development Finance, Volume II (1997 through 2009) and the earlier World Debt Tables (1973 through 1996).

Central government finance and debt, January 2014
Denmarks National Bank
Danmarks Nationalbank publishes monthly statistics regarding the central government finance and debt.

DMO's Programmes and Reports

Danish Government borrowing and debt 2013
Denmarks National Bank
Denmark has a low central-government debt by international standards and conducts a robust government-debt policy focusing on ensuring low borrowing costs for the central government, low sensitivity to rising interest rates and modest refinancing risk.

Government Securities Market Quarterly report – Hungary - Fourth Quarter 2013
BIS

Hungarian Government Securities Market Quarterly report - Fourth Quarter 2013.

National Treasury Fiscal Balance - January/2014
Brazilian MoF
The National Treasury Fiscal Balance is a monthly publication of the National Treasury Secretariat. Central Government primary balance was a R$ 13.0 billion surplus in January 2014, compared to a R$ 14.5 billion surplus in December 2013.[…].

Monthly bond issuance plan
Israeli Ministry of Finance Debt Office
The State of Israel's Government Debt Management Unit hereby announces its tradable issuance plan for March 2014: In March 2014 the form of publication of the quarterly tradable issuance plan will be changed as following: 1. The tradable issuance plan will be published according to the calendar quarters (Jan-March, April-June... etc.). 2. The tradable issuance plan for the last quarter of the year (October-December) will be published monthly. […]

UK Debt Management Office Quarterly Review
United Kingdom Debt Management Office
Details of the Gilt and Treasury bill portfolio at 31 December 2013; Conventional gilts; Index-linked gilts; Gilt market flows (£mn); 2012-13 and 2013-14 financing requirements; Index-linked gilt market turnover 2006-2013 […]

The Kingdom of Spain’s Funding plan and Economic Policy Strategy
Spanish Ministry of Finance
Contents: The Treasury’s Funding Programme for 2014; Average cost and life of debt outstanding; Syndicated issuance in 2014: January. New 10-year reference; Recent trends in the non-resident investor base; Prudent debt management; Interest rate volatility has diminished; Market sentiment is improving…[…]]

Agence France Trésor Monthly Bulletin
Agence France Trèsor
The Monthly Bulletin covers the following topics: Debt general data, Primary market, Secondary market, News brief, The French economy, International comparisons, French Government negotiable debt outstanding.

Market Information in February 2014
Iceland National Debt Management Agency
Contents: Benchmark issues, attributes, Central government debt Investors, Securities lending facility, redemption profile and turnover, Auction of Treasury bills, Yield curves, Yield for Treasury bonds, Auctions of Nominal T-Bonds and T-Bills, Auctions of Treasury Bonds, Exchange rate development, State Guarantees.

Coordination with other policies and operations

Republic of the Marshall Islands: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/26
International Monetary Fund
This paper is the for the periodic consultation with the member country […]

Republic of Slovenia: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/11
International Monetary Fund
This paper is the for the periodic consultation with the member country […]

The Bahamas: Tax Reforms for Increased Buoyancy - IMF Country Report No. 14/17
International Monetary Fund
The Bahamas: Tax Reforms for Increased Buoyancy was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country.

Canada: Financial Sector Stability Assessment - IMF Country Report No. 14/29
International Monetary Fund
This financial sector stability assessment on Canada was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country.

Uruguay: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/6
International Monetary Fund

This paper is the for the periodic consultation with the member country [...]

[Canada: 2013 Article IV Consultation - IMF Country Report No. 14/27]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[Cambodia: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/33]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[Bulgaria: Staff Report for the 2013 Article IV Consultation - Country Report No. 14/23]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[Algeria: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/32]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[Peru: Staff Report for the 2013 Article IV Consultation - IMF Country Report No. 14/21]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[From financial crisis to financial stability – a European odyssey]
BIS
Speech by Mr George A Provopoulos, Governor of the Bank of Greece, at the Bank of Poland Biannual EU Presidency Lecture "From Financial Crisis to Financial Stability: A European Odyssey", Warsaw, 12 February 2014.[...]

[India: Staff Report for 2014 Article IV Consultation - IMF Country Report No. 14/57]
International Monetary Fund
This paper is the for the periodic consultation with the member country [...]

[Portugal: Tenth Review Under the Extended Arrangement and Request for Waivers of Applicability of end-December Performance Criteria - IMF Country Report No. 14/56]
International Monetary Fund
The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on February 12, 2014, following discussions that ended on December 16, 2013, with the officials of Portugal on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on January 27, 2014.

[Yugoslav Republic of Macedonia: Second Post-Program Monitoring Discussions - IMF Country Report No. 14/62]
International Monetary Fund
The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on January 29, 2014, following discussions that ended on November 8, 2013, with the officials of the former Yugoslav Republic of Macedonia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 13, 2014.

[Abe Has Good Medicine but Japan Needs a Stronger Dose]
The Peterson Institute for International Economics
Japan's recovery program is showing promising early results. Last autumn the economy enjoyed its fourth successive quarter of growth, its best performance in more than three years. Many observers rightly praise the Bank of Japan's shift to positive inflation targeting for contributing to the country's recovery. Yet monetary policy is only one of the three "arrows" called for in Prime Minister Shinzo Abe's program for the Japanese economy. Also important are fiscal consolidation and structural reform.

[The limits to partial banking unions: A political economy approach]
VOX
Banking union is a vital project for the future of the Eurozone. Under the current proposal, bank supervision will be centralized but national authorities will remain responsible for recapitalizing troubled banks. This leaves the system susceptible to domestic political economy constraints. This column argues that such a system can fail to be welfare improving. The inefficiencies can be mitigated, however, if the banking union is accompanied by greater electoral accountability and fiscal rules that constrain debt accumulation by national governments.

Monetary Policy

[Algeria: Selected Issues - IMF Country Report No. 14/34]
International Monetary Fund
This Selected Issues Paper for Algeria was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country.

[An excerpt from statement by Governor of the National Bank of Ukraine Stepan Kubiv at the press conference held on February 28, 2014]
National Bank of Ukraine
This is an excerpt from statement by Governor of the National Bank of Ukraine Stepan Kubiv at the press conference held on February 28, 2014.

[Monetary policy and financial stability]
BIS
Speech by Mr Daniel K Tarullo, Member of the Board of Governors of the Federal Reserve System, at the 30th Annual National Association for Business Economics Economic Policy Conference, Arlington, Virginia, 25 February 2014.

[All for one and one for all? The roles of microprudential, macroprudential, and monetary policy in safeguarding financial stability]
BIS
Speech by Mr Jens Weidmann, President of the Deutsche Bundesbank, at the Deutsche Bundesbank symposium on financial stability and the role of central banks in Frankfurt, 27 February 2014.

[Minutes of the Monetary Policy Meeting]
Bank of Japan
A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo.[...]

[The First Step on a Long Path Toward Normalization]
The Peterson Institute for International Economics
Over the past five years, the US Federal Reserve has been engaged in an aggressive campaign to provide support to a US economy that was badly damaged by the financial crisis and the accompanying Great Recession. The Fed's efforts have included the massive provision of liquidity to impaired financial markets, the purchase of more than $3 trillion of long-term securities to ease overall financial conditions, and the issuance of forward guidance about the path of future short-term interest rates in order to lower borrowing costs across the yield curve. Although precise estimates of the effectiveness of these measures remain the subject of ongoing research, there can be little doubt that these policies have contributed to the process of repair and recovery of the US economy.

[Is the European Central Bank Failing Its Price Stability Mandate?]
The Peterson Institute for International Economics
Inflation in the euro area is too low, and the European Central Bank (ECB) is at risk of missing its price stability mandate. With the market forecasting average inflation in the euro area over the next five years in the 1.25 to 1.5 percent range, the ECB must prepare to act forcefully to push inflation higher. The ECB should (1) update the definition of price stability as inflation at 2 percent over 2 to 3 years to eliminate the ambiguity over the inflation objective; (2) reduce risk premia in the yield curve via a program of quantitative easing, making clear that this is a monetary policy operation—and thus legal under the Maastricht Treaty; and (3) ease the quantitative credit shortages to small and medium enterprises (SMEs) via a well-designed lending program, offering long-term funds at the policy rate to banks who lend to SMEs. These actions would restore price stability and encourage sustainable growth.

[Has Monetary Cooperation Broken Down?]
The Peterson Institute for International Economics
When Governor Raghuram Rajan of the Reserve Bank of India, an acknowledged international monetary heavyweight, speaks he makes news. Often he delivers a well-deserved wake-up call. Unfortunately, on January 31, speaking to Bloomberg and as reported in the Financial Times, he sounded the wrong alarm in declaring that international monetary cooperation has broken down and implicitly blaming the difficulties facing a number of emerging market countries on that breakdown.

A Disruptive Proposal by the IMF
The Peterson Institute for International Economics
The IMF argues that countries sometimes wait too long to seek its assistance, increasing the amount of money required for a bailout and allowing some private investors to cash out their holdings at public expense. The IMF's first Greek rescue program, for example, allowed investors, including German and French banks, to be paid in full, thus avoiding responsibility for their poor lending decisions. The IMF justified this decision by citing the risk of a systemic meltdown. [...]

If Not Quantitative Easing, What Can the European Central Bank Do?
The Peterson Institute for International Economics
The bond-purchasing monetary strategy known as quantitative easing (QE) is poorly suited for the euro area. The widespread demand that the European Central Bank (ECB) pursue a practice that has worked in the United States has become an unnecessary political distraction for the ECB. What, on the other hand, should the ECB do if the current ultra-low euro area inflation levels persist or even fall further, driven in part by currency turmoil in emerging markets?

Fiscal policy and Budget Management

The European Debt Crisis Has Not Gone Away
Dodwell, MBA, CPA, William J.'s Scholarly Papers
Dangerous levels of European sovereign debt surprised the world in 2009 when exposed by a severe economic recession and the discovery that considerable government liabilities had been surreptitiously unreported. [...]

Public Debt in Macroeconomic Analysis

European Commission - Winter 2014 forecast: Recovery gaining ground
European Commission
The European Commission's winter forecast foresees a continuation of the economic recovery in most Member States and in the EU as a whole. After exiting recession in spring 2013 and three consecutive quarters of subdued recovery, the outlook is for a moderate step-up in economic growth.[...]

OECD Economic Surveys: Norway 2014
OECD
This 2014 OECD Economic Survey of Norway examines recent economic developments, policies and prospects. Special chapters cover real estate markets and financial risk and entrepreneurship.

Paraguay: 2013 Article IV Consultation-Staff Report; Press Release - IMF Country Report No. 14/60
International Monetary Fund
This paper is the for the periodic consultation with the member country […]

Southern Africa Quarterly Review and Analysis – 4th Quarter 2013 - Issue 11
African Development Bank
The Southern Africa region closed the year on an overall positive note, notwithstanding the downward revisions in growth projections seen in nearly half of the countries covered. Early indications show that the average growth rate for 2013 was 4.3 percent, only slightly lower than the 4.4 percent predicted in the third quarter. On a positive note, growth was strong in Mozambique, Zambia and Angola and picked up in Malawi and Swaziland. Mozambique continued on a strong growth path driven by growth in the mining sectors (coal) and in transport and communications.

Africa and Global Economic Trends Quarterly Review - Fourth Quarter 2013
African Development Bank
Global trade growth picked up in 2013 relative to the latter half of 2012, helped by stronger final demand in the major advanced economies. However, key indicators do not point to further acceleration in the near term. Slower growth in the emerging economies is also restraining export growth from developing economies, especially major commodity producers and trading partners linked via global supply chains.

Network News

From January 2011 the "Network News" section is present also in the *Public area* of the Network's website. The Partners can find *daily news* (13.550 items inserted by the Secretariat since January 2011) extracted from best online newspapers and info providers and classified by geographical areas.

Annual Reports & Guidelines go to the "*Information Corner*" on www.publicdebtnet.org

Events and Courses

Newly uploaded

10 March 2014 – Dubai
EMTA Forum in Dubai

13 - 14 March 2014 - London, UK
National Asset-Liability Management Europe

27 March 2014 – Brussels
Solving Sovereign Debt Crises What international financial architecture do we need?

31 March 2014 - United Kingdom
Integrated Financial Management Systems: Strategy & Implementation

31 March - 9 May 2014 - web-based
Numerical Methods for Finance and Capital Markets

31 March - 9 May 2014 - web-based
Legal Aspects of Public Debt Management

1 April 2014 - London, UK
ICMA Capital Market Lecture Series 2014 - David Wright

1 - 2 April 2014 - London, UK
Quant Europe 2014

1 - 4 April 2014 - London, UK
Trading & Investment Risk

7 April - 9 May 2014 - web-based
Fundamentals of the Derivative Markets

7 April -16 May 2014 - web-based
Fundamentals of Business Finance

8 April 2014 - Zurich, CH
ICMA Asset Management and Investors Council (AMIC) Meeting & Seminar

14 April - 9 May 2014 - web-based
Fundamentals of Risk Management

14 April -16 May 2014 - web-based
Financial Globalization

21 April - 22 May 2014 - web-based
Principles of Central Bank Reserve Management

21 April - 30 May 2014 - web-based
Capital Market Development & Regulation - Advanced Course

22 April 2014 - 250 Franklin Street - Boston, Ma
EMTA Investor Forum in Boston

28 April - 7 June 2014 - web-based
Basic Course on Public Debt Management

30 April 2014 - Washington, DC
International Retail Debt Management Symposium

2 - 3 May 2013 - Mövenpick Hotel Berlin, Germany
Fourth Debt Management Facility (DMF) Stakeholders' Forum

6 - 9 May 2014 - Cumberland Lodge, Windsor, UK
Central Bank Governance: the Role of the Board

7 May 2014 - Rosenwood, London, UK
The New Post-Trade World

8 May 2014 - The Langham – Auckland
2014 INFINZ Awards

8 May 2014 - Grand Hyatt Shanghai, Shanghai
OTC Derivatives Clearing Conference

15 May 2014 - Frankfurt am Main, Germany
The ICMA CBIC & The Covered Bond Report Conference

19 May 2014 - 8 Place Saint Augustin, Paris
ICMA Capital Market Lecture Series 2014 - Benoît Cœuré

22 May 2014 - Sandton Convention Centre, Johannesburg
ISDA Legal and Documentation Update

22 May 2014 - InterContinental Sydney, Sydney
Swap Execution Facilities: The Evolution of OTC Trading

22 - 23 May 2014 - Mexico City
National Asset Liability Management Americas Symposium

23 May 2014 - The Sandton Convention Centre, Johannesburg
U.S. and European Swap Regulations

23 May 2014 - InterContinental Sydney, Sydney
Transaction Reporting Conference

8 September - 10 October 2014 - e-learning
Public Funds and their Auditing

27 November 2014 - University of Geneva, Switzerland
2nd Geneva Summit on Sustainable Finance
[Call for Papers]

1 January 2015 - London, UK
The New 2014 ISDA Credit Derivatives Definitions

Previously signaled

26 March 2014 - London, UK
Global Master Agreements for Repo and Securities Lending Workshop

31 March 2014 - United Kingdom
Integrating Public Financial Management Systems: Practical Implementation

31 March 2014 - e-learning
Golden Growth: Restoring the Lustre of the European Economic Model

01 April 2014 - e-learning
Debt Management Performance Assessment (DeMPA) Training

1 – 29 April 2014 - web-based
Debt Management Performance Assessment (DeMPA) Training

08 April 2014 - Munich, Germany
ISDA 29th Annual General Meeting

29 April 2014 - Cumberland Lodge, Windsor, UK
Financial Stability: Designing and Implementing Macroprudential Policy

29 April 2014 - Cumberland Lodge, Windsor, UK

Strategic Planning and Change Management for Central Banks

05 May 2014 - on line
Golden Growth: Restoring the Lustre of the European Economic Model

30 June 2014 - United Kingdom
Strategies in Public Debt Management
14 July 2014 - United Kingdom
Public Financial Management: Issues & Solutions

Presentations

OECD forecasts during and after the financial crisis: a post mortem - Oecd-Bloomberg Event (2014)
Padoan Pier Carlo – OECD

Summary: This presentation contains a detailed statistical evaluation of OECD forecast performance, and information on growth and inflation projection errors in different economies.

Communication Corner

At the link below, Partners can find details on the *Thailand* study visit held on February 2014 at the Italian Ministry of Economy and Finance premises.

http://www.publicdebtnet.org/public/MoreAboutUs/Study/

REMINDER…

e-LEARNING COURSE MATERIALS
The PDM network website hosts materials from e-learning course "**ADVANCED RISK MANAGEMENT**" organized by UNITAR thanks to Enrique Cosio-Pascal contribution.
The four modules course is downloadable from the Reserved Area of the website in the Section "*Learning Area*". This course is oriented toward those economists and financial specialists that would be dealing with financial risk management issues.

Some figures

On 19th March 2014, the number of total resources of the PDM Network website is 18.529 (of which 13.767 news, 2.121 papers and articles in reviews and books, 193 books and 1.728 webresources). The Members are 750, coming from 110 countries. 398 Partners belong to sovereign debt management institutions of emerging and advanced countries. This newsletter is sent to 571 Partners.

Special thanks

The PDM Secretariat is grateful to the Brazilian MoF, the UNCTAD and Jürgen Kaiser (erlassjahr.de) for their resource contributions.

Participating Institutions in the PDM Network

OECD
Australian OFM, Austrian DMA, Belgian DMA, Belgian Central Bank, Canadian Foreign Affairs and International Trade, Canadian Government, Chilean Central Bank, Chilean MOF, Czech Central Bank, Czech Mof, Danish DMO, Danish Central Bank, Danish Mof, Dutch Central Bank, Dutch DMA, Dutch MoF, Finnish Treasury, Finnish MoF, French Central Bank, French DMA, French MoF, German Central Bank, German MoF, German Finance Agency, Greek DMA, Greek MoF, Greek Central Bank, Hungarian DMA, Hungarian MoF, Hungarian National Bank, Icelandic DMA, Irish NTMA, Irish MoF, Israeli MoF, Israeli Central Bank, Italian Development Co-operation Office, Italian Ministry of Foreign Affairs, Italian MoF, Italian Senate, 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, Slovenian MoF, Spanish Central Bank, Spanish MoF, Swedish DMO, Swedish Mof, Swiss State Secretary for Economic Affairs SECO, Turkish Treasury, US GAO, US Treasury, UK Central Bank, UK DMO, UK Treasury.

Non-OECD
Afghan Mof, Albanian Mof, Angolan National Bank, argentine Central Bank, Argentine MoF, Bangladeshi MoF,The Audit Board of The Republic of Indonesia, Autonomous Sinking Fund of Cameroon, Barbados Central Bank, Bosnia and Herzegovina Federal Ministry of Finance, Brazilian Central Bank, Brazilian MoF, Bulgarian MoF, Chinese MoF, Colombian MHCP, Cypriot Central Bank, Cypriot MoF, Dubai Government, Dubai MoF, Eastern Caribbean Central Bank, Egyptian MoF, Estonian MoF, Ethiopian MoF, Fiji MoF, Georgian Mof, Ghanaian Central Bank, Ghanaian MoF, Hong Kong Monetary Auth., Indian Reserve Bank, Indian NIPF, Indonesian Central Bank, Jordanian Central bank, Kenyan Central Bank, Kenyan MoF, , Latvian DMO, Lebanese MoF, Lesotho Central Bank, Lesotho MoF, Lithuanian MoF, Republic of Macedonia MoF, Malawian Reserve Bank, Maldives MoF, Maltese Treasury, Maltese Central Bank, Mauritius Ministry of Finance and Economic Development, Moldovan MoF, Moldovan Court of Accounts, Moroccan MoF, Mozambique Ministry of finance, National Analytical Centre of the Government of Kazakhstan, Nicaraguans Ministry of Finance and Public Credit, Nigerian DMO, State Bank of Pakistan, Pakistani MoF, Papua New Guinean Treasury, Paraguayan Ministry of Finance, Philippine Bureau of the Treasury, Romanian MoF, Romanian Central Bank, Romanian Court of Accounts, Rwandan MoF, Sain Kitts & Nevis MoF, Santa Lucia Ministry of Finance Economic Affairs and National Development, Serbian Mof, Singaporean MoF, Solomon Island Central Bank, Solomon Islands MoF, South African National Treasury, South Korean MoF, Bank Of Korea, Sri Lanka Central Bank, Swaziland's MoF, Tanzanian MoF, Thai Central Bank, Thai Mof, The People's Bank of China, Ugandan Central Bank, United Arab Emirates MoF and Central Bank, Uruguayan MoF, Vietnamese Mof, Zimbabwean DMO.

Multilateral Institutions
ADB-Asian Development Bank, African Development Bank Group, African Forum and Network on Debt and Development (Afrodad), Asian Development Bank Institute, CEF-Center of Excellence in Finance, Commonwealth Secretariat, Debt Relief International, European Bank EBRD, European Central Bank, European Commission, Inter-American Development Bank (IADB), International Monetary Fund (IMF), International Finance Corporation (IFC), International Monetary Fund (IMF),

MEFMI, OECD, West African Institute for Financial and Economic Management (WAIFEM), World Bank, United Nations Conference on Trade and Development (UNCTAD).

Universities
Columbia University, CRIEP (Italy), Duke University's Fuqua School of Business, Harvard University, Harvard Business School, Johns Hopkins University, London Business School, Mays Business School at Texas A&M University, National Chengchi University, National University of Science and Technology, Norwegian School of Economics and Business Administration, Stanford University, The George Washington University, University "Dunarea de Jos" Galati – Romania, University of Bologna, University of Brussels, University of California, University of Chicago, University of Colorado, University of London Birkbeck, University of Maryland, University of Milan, University of Molise, University of Padua, University of Rome "La Sapienza", University of Rome "Tor Vergata", University of Tokyo, University of Tuzla, University of Vienna, University of Viterbo "La Tuscia".

Other Institutions
Afrifocus Securities; Association for Financial Markets in Europe (AFME), Barclays Capital, BE Berlin Economics GmbH, Belgrade Banking Academy, Business Monitor International Limited, Cass Business School, CCM - Carolina Capital Markets, Centre for Planning and Economic Research, Crown Agents, CfC Stanbic Bank, Colchester Global Investors, Comitè de Inversiones Extranjeras, Concorde Capital, Devfin Advisers AB, DIFC-Dubai International Financial Centre, Digital Bridge Institute, Econviews, Euromoney, Exchange Data International Limited, Finance for Development-FMO, FTI, HSBC, International Capital Market Association (ICMA), International Social-Economic Development for Africa (ISEDA), Institut d'Anàlisi Econòmica (CSIC), Japan Bank for International Cooperation, JCVP Consulting, Johannesburg Stock Exchange Limited (JSE), KFW Bankengruppe, Korea Bond Pricing, Linus Capital, MAK Azerbaijan Ltd, Mckinsey & Company, Inc. International, Michele Robinson Consult, Morgan Stanley, NEDBANK, Newstate Partners LLP, Oxford Policy Management (OPM), Pragma Corporation, Public Debt Finance, Reykjavik Academy, Századvég Economic Research, Sifma-Epda, Storkey & Co. Ltd., The ONE Campaign, Tudor Investment Corporation, United Bank For Africa (UBA) PLC., U.S. Agency for International Development (USAID).