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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

Primary Market

A Comparative-Advantage Approach to Government Debt Maturity **(2015)**
Greenwood Robin Marc; Hanson Samuel Gregory; Stein Jeremy C.

Abstract: The authors study optimal government debt maturity in a model where investors derive monetary services from holding riskless short-term securities. In a setting where the government is the only issuer of such riskless paper, it trades off the monetary premium associated with short-term debt against the refinancing risk implied by the need to roll over its debt more often. The authors then extend the model to allow private financial intermediaries to compete with the government in the provision of short-term, money-like claims. The authors argue that if there are negative externalities associated with private money creation, the government should tilt its issuance more towards short maturities. The idea is that the government may have a comparative advantage relative to the private sector in bearing refinancing risk and, hence, should aim to partially crowd out the private sector's use of short-term debt.

American Monetary Policy Normalization and its Impacts on the Brazilian Yield Curve (2015)[Downloadable]

da Silva Gian Barbosa - Brazilian National Treasury Secretariat; Pinheiro de Deus Guilherme - Brazilian National Treasury Secretariat; Nogueira Fleury Gustavo Miguel - Brazilian National Treasury Secretariat; Gurgel Leite Lucas - Brazilian National Treasury Secretariat

Abstract: This study examines the impact of a potential normalization of US monetary policy on the Brazilian fixed interest rates yield curve and discusses the available tools that may be used to mitigate this impact on the domestic fixed income securities market. The models used on the analysis include weekly data from the US Treasury, the Brazilian Credit Default Swap (CDS), the Non-Deliverable Forward (NDF) of the Brazilian Real versus the US dollar and Brazilian fixed interest rates. The sample period extends from September 2006 to January 2015. The study creates a single equation model and the expectations hypothesis to identify the increase in the 10 years US Treasury and a Switching Autoregressive Conditional Heteroscedasticity (SWARCH) model to estimate shocks in CDS and NDF. According to the results of these models and based on the Nelson and Siegel model (1987), the study analyses the effects of an increase in the US interest rates on the term structure of the Brazilian fixed interest rates. Particularly, the authors highlight the results obtained for 1, 5 and 10 year securities with estimated shocks of 96, 194 and 188 basis points; respectively. Given these results, the study identifies possible tools that the National Treasury may adopt in order to mitigate the consequences of raising US interest rates on the Brazilian fixed income securities market. A contingency plan considers five main tool possibilities: the adoption of extraordinary auctions; the cancellation of fixed-rate and price-indexed securities auctions; floating-rate securities emissions; short duration fixed-rate securities emission; and the cancellation of new auctions in foreign currency.

Secondary Market

Credit and Liquidity Risk in Sovereign Bonds (2015)

Herrero Álvaro Martín - Bank of Spain; Wyman Oliver - Bank of Spain; Mencía Javier - Bank of Spain

Abstract: The recent financial crisis has shown huge increases in the sovereign yields of some countries. However, it is not clear a priori whether those increases come from fundamental changes in default risk or whether they are due to other determinants. The authors follow Ejsing et al. (2012) and Dubecq et al. (2013) to shed light on the credit and liquidity risk components of sovereign bond yields. The authors obtain sovereign and agency historical bond yields from France, Netherlands, Germany and Spain. Then, the authors consider several state-space models that exploit the differences in the yields between agency and sovereign bonds to identify the credit and liquidity factors. The estimated latent factors capture two distress periods, coinciding with the financial and the sovereign debt crises. In general, the credit effect dominates. The authors also identify a common European credit effect that allows us to distinguish idiosyncratic (credit) patterns.

Market liquidity - Resilient or Fleeting? (2015)

Brandão-Marques Luis – IMF; González-Hermosillo Brenda – IMF; and others

Abstract: This chapter separately examines the factors that influence the level of market liquidity and those that affect its resilience, and finds that cyclical factors, including monetary policy, play an important role. In particular, the chapter finds that only some markets show obvious signs of worsening market liquidity, although dynamics diverge across bond classes. However, the current levels of market liquidity are being sustained by benign cyclical conditions and some structural developments may be eroding its resilience. In addition, spillovers of market liquidity across asset classes, including emerging market assets, have increased. Not enough time has passed for a full evaluation of the impact of recent regulatory changes to be made. Reduced market making seems to have had a detrimental impact on the level of market liquidity, but this decline is likely driven by a variety of factors.[...]

Repo Market

The impact of CCPs' margin policies on Repo markets (2015)

Miglietta Arianna - Bank of Italy; Picillo Cristina - Bank for International Settlements, Basilea; Pietrunti Mario - Bank of Italy

Abstract: This paper quantifies the impact on the cost of funding in repo markets of the initial margins applied by central clearing counterparties (CCPs). The authors have used contract-level data for the general collateral (GC) segment of Italy's MTS Repo market between January 2011 and April 2014. The analysis shows that the initial margins, paid by all participants, had a positive and significant effect on the cost of funding. Such an impact is consistent across different model specifications and data subsamples.

Multilateral Debt

The IMF and Troikas Greek Bailout Programs: an East Asian view (2015)
Shin Hee-Young - Wright State University

This paper examines the current financial and economic crisis in Greece from a perspective of the East Asian Financial Crisis. The paper traces some of the distinctive features of the ongoing economic crisis in Greece, comparing them with those of the financial crisis in East Asia in late 1990s. This comparative analysis of the origin and process of the current Greek crisis shows that the aggravation of the Greek economic situation is primarily due to the IMF and the Troika's misguided bailout conditionality, just as the IMF's bailout programs in East Asia severely damaged many East Asian economies, 17-18 years ago. The paper draws some policy lessons from this comparison and proposes a series of common reform agenda. These include (1) a reversal of myopic financial liberalization and of the relegation of fiscal and monetary authorities to a supranational entity, (2) a need of international extension of the US Chapter 11 bankruptcy provision to sovereign states, (3) a creation of an effective international lender of last resort, and (4) a complete overhaul of the existing austerity-oriented bailout conditionality in favor of inclusive development-oriented criteria.

Legal Issues and Conventions

The Legislation of Argentina on its Sovereign Debt (2015)
Bruno Eugenio A. - Garrido Law Firm

This article examines (i) the Argentine legislation relating to the management of its sovereign debt including the application of such regulatory framework to the default of 2001 and the Debt Exchanges as a background of the legal norms that will be needed in connection with the negotiation and resolution of the debt in default with the holders of the defaulted bonds ("Holdouts") and the regularization of the payment of the bonds issued under the Debt Exchanges; (ii) the intersection between the legal architecture of the 2005 Debt Exchange and the court decisions in the NML v The Republic of Argentina case; and (iii) what specific legislative steps should be taken in order to restructure the Argentine debt in default.

Sovereign Risk and Financial Stability (2014)
Castro Christian - Bank of Spain; Mencía Javier - Bank of Spain

Abstract: The sovereign crisis in the Euro Area (EA) has prompted a debate about how sovereign debt should be treated in banking regulation. Against this background, the authors review the role of sovereign debt in advanced economies and its current regulatory treatment. The authors then assess the empirical support for two competing hypotheses explaining the evolution of banks' holdings of domestic sovereign debt during the recent crisis: i) macroeconomic factors; and ii) the commonly known "carry-trade hypothesis". The authors find that macroeconomic conditions play a more relevant role than "carry-trade" incentives to explain the increase in banks' holdings of domestic sovereign debt in times of stress. Founded on this evidence and considering a set of distinctive characteristics of sovereign risk in the EA the authors assess different policy options. The authors argue that correcting fiscal imbalances and ensuring sound inter-temporal fiscal policy both at the country and EA level is a key precondition to financial stability and thus, a route to consider first. Addressing some of the sovereign risk manifestations is a second route. The authors identify three key building blocks to guide the design of possible regulatory measures on this area. The authors suggest that a macroprudential Pillar 2 approach would be the best suited to manage this special risk.

Accounting, Transparency and Accountability

Trends in Fiscal Transparency : Evidence from a New Database of the Coverage of Fiscal Reporting (2015)
Wang Rachel F – Indipendent; Irwin Timothy - International Monetary Fund; Murara Lewis K - International Monetary Fund

Abstract: Although there are several measures of fiscal transparency, none provides satisfactory information on certain issues of macroeconomic relevance, including whether fiscal data are available for all of general government, whether the government reports a balance sheet, and whether spending and revenue are reported on a cash or accrual basis. Drawing on government finance statistics reported to the IMF, this paper presents a new database of fiscal transparency for 186 countries in 2003–13 and derives from it indices of the overall comprehensiveness of fiscal statistics as well as specific indices of the coverage of public institutions, fiscal flows, and fiscal stocks, respectively. It finds evidence of gradual improvement, most notably in the coverage of institutions, but most countries' reporting remains far from comprehensive.

[Getting the Dog to Bark : Disclosing Fiscal Risks from the Financial Sector] (2015)

Irwin Timothy C. - International Monetary Fund

Abstract: Fiscal reporting is intended to warn of fiscal crises while there is still time to prevent them. The recent crisis thus seems to reveal a failure of fiscal reporting: before the crisis, even reports on fiscal risk typically did not mention banks as a possible source of fiscal problems. One reason for silence was that the risk arose partly from implicit guarantees, and governments may have feared that disclosure would increase moral hazard. The crisis cast doubt, however, on the effectiveness of silence in mitigating risks. This paper discusses how fiscal risks from the financial sector could be discussed in reports on fiscal risk, with a view to encouraging their mitigation.

Coordination with Other Policies and Operations

Financial stability challenges in EU candidate and potential candidate countries (2015)

Ramon-Ballester Francisco - European Central Bank; Savelin Li - European Central Bank

Abstract: This paper reviews financial stability challenges in countries preparing for EU membership, i.e. Albania, Bosnia and Herzegovina, Kosovo*, Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey. The paper has been prepared by an expert group of staff from the European System of Central Banks (ESCB) in which experts from EU candidate and potential candidate country central banks also participated. The paper finds that near-term challenges to financial stability primarily relate to credit risks from the generally weak economic dynamics in combination with already high non-performing loan burdens in many banking systems, especially in the Western Balkans. In the medium-term, challenges to financial stability stem from indirect market risks to banks related to foreign currency lending as well as lingering exposures to funding risks, with Western Balkan economies again appearing as relatively more vulnerable. Looking further ahead, the paper highlights that the magnitude of the challenge to reach a 'new banking normal' for banking systems in these countries appears to remain sizeable, while noting that the establishment of adequate home-host cooperation channels would be important to help maximise the potential benefits to third parties stemming from centralised banking supervision under the Single Supervisory Mechanism (SSM).

Public debt, population ageing and medium-term growth (2015)

Dieppe Alistair - European Central Bank; Guarda Paolo - Banque centrale du Luxembourg

Abstract: This paper analyses the challenges that high public debt and ageing populations pose to medium-term growth. First, macroeconometric model simulations suggest that medium-term growth can benefit from credible fiscal consolidation, partly through reductions in sovereign risk premia. Second, a disaggregated growth accounting exercise suggests that the impact of population ageing on medium-term growth can be mitigated by structural reforms boosting labour force participation. Finally, general equilibrium models suggest that pay-as-you-go public pension systems will require reforms combining lower benefits, a later retirement age and higher social contributions. These findings suggest several policy recommendations: (a) "fiscal space" should be preserved to counter adverse shocks, (b) credible fiscal plans can benefit growth through the sovereign risk channel, (c) the demographic transition increases the need for improved fiscal policy coordination and more flexible labour migration policies, and (d) fiscal consolidation should avoid perverse incentive effects that could lower labour supply and medium-term growth.

From Financial Repression to External Distress: The Case of Venezuela (2015)

Reinhart Carmen M. - Harvard University; Santos Miguel Angel - Harvard University

Abstract: Recent work has supported that there is a connection between the level of domestic debt level and sovereign default on external debt. The authors examine the potential linkages in a case study of Venezuela from 1984 to 2013. This unique example encompasses multiple financial crises, cycles of liberalization and policy reversals, and alternative exchange rate arrangements. This experience reveals a nexus among domestic debt, financial repression, and external vulnerability. Unlike foreign currency-denominated debt, debt in domestic currency may be reduced through financial repression, a tax on bondholders and savers producing negative real interest rates. Using a variety of methodologies, the authors estimate the magnitude of the tax from financial repression. On average, this financial repression tax (as a share of GDP) is similar to those of OECD economies, in spite of the much higher domestic debt-to-GDP ratios in the latter. However, the financial repression "tax rate" is significantly higher in years of exchange controls and legislated interest rate ceilings. In line with earlier literature on capital controls, our comprehensive measures of capital flight document a link between domestic disequilibrium and a weakening of the net foreign

asset position via private capital flight. The authors suggest these findings are not unique to the Venezuelan case.

Monetary Policy

Determinants of global spillovers from US monetary policy (2015)

Georgiadis Georgios - European Central Bank

Abstract: This paper assesses the global spillovers from identified US monetary policy shocks in a global VAR model. US monetary policy generates sizable output spillovers to the rest of the world, which are larger than the domestic effects in the US for many economies. The magnitude of spillovers depends on the receiving country's trade and financial integration, de jure financial openness, exchange rate regime, financial market development, labor market rigidities, industry structure, and participation in global value chains. The role of these country characteristics for the spillovers often differs across advanced and non-advanced economies and also involves non-linearities. Furthermore, economies which experience larger spillovers from conventional US monetary policy also displayed larger downward revisions of their growth forecasts in spring 2013 when the Federal Reserve upset markets by discussing tapering off quantitative easing. The results of this paper suggest that policymakers could mitigate their economies' vulnerability to US monetary policy by fostering trade integration as well as domestic financial market development, increasing the flexibility of exchange rates, and reducing frictions in labor markets. Other policies - such as inhibiting financial integration, industrialisation and participation in global value chains - might mitigate spillovers from US monetary policy, but are likely to reduce long-run growth.

Jagged cliffs and stumbling blocks: interest rate pass-through fragmentation during the euro area crisis (2015)

Holton Sarah - European Central Bank; Rodriguez d'Acri Costanza - European Central Bank

Abstract: The financial crisis has been characterised by fragmentation in the transmission of monetary policy, reflected in high dispersion in the cost of bank finance for euro area firms. Using micro-level bank data across a number of euro area countries, the authors identify individual bank balance sheet characteristics that contributed to this fragmentation. Interest rate pass-through heterogeneity is estimated using an error correction framework, which captures banks' funding constraints and balance sheet structures. Results show incomplete pass-through of changes in money market rates targeted by the central bank to firms' lending rates, with increases in sovereign bond yields affecting the cost of finance for firms, particularly in stressed countries. Individual bank characteristics have an effect on pass-through during the crisis, even after controlling for changes in macroeconomic conditions. The effect is greatest when looking at characteristics that capture bank funding difficulties, suggesting that a recovery in banks' funding capacities is an important element in reducing fragmentation in the transmission of monetary policy.

Portfolio Rebalancing in Japan : Constraints and Implications for Quantitative Easing (2015)

Arslanalp Serkan - International Monetary Fund; Botman Dennis P. J. - International Monetary Fund

Abstract: Portfolio rebalancing is a key transmission channel of quantitative easing in Japan. The authors construct a realistic rebalancing scenario, which suggests that the BoJ may need to taper its JGB purchases in 2017 or 2018, given collateral needs of banks, asset-liability management constraints of insurers, and announced asset allocation targets of major pension funds. Nonetheless, the BoJ could deliver continued monetary stimulus by extending the maturity of its JGB purchases or by scaling up private asset purchases. The authors quantify the impact of rebalancing on capital outflows and discuss JGB market signals that can be indicative of limits being within reach.

Monetary Policy and Financial Spillovers: Losing Traction? (2015)

Disyataty Piti - Executive Director, Puey Ungphakorn Institute for Economic Research, Bank of Thailand; Rungcharoenkitkulz Phurichai - Senior Economist, Bank for International Settlements

Abstract: Has financial globalization compromised central banks' ability to manage domestic financial conditions? This paper tackles this question by studying the dynamics of bond yields encompassing 31 advanced and emerging market economies. To gauge the extent to which external financial conditions complicate the conduct of monetary policy, the authors isolate a contagion" component by focusing on comovements in measures of bond return risk premia that are unrelated to economic fundamentals. Our contagion measure is designed to more accurately capture spillovers driven by exogenous global shifts in risk preference or appetite. The analysis reaches several conclusions that run counter to popular presumptions based on comovements in bond yields. In particular, emerging market economies appear to be much less susceptible to global contagion than advanced economies, and the overall sensitivities to contagion have not increased post-crisis.

Managing the Fed's Liftoff and Transmission of Monetary Policy (2015)

Singh Manmohan - International Monetary Fund

Abstract: In recent years, many money and repo rates in the United States have been between zero and 25 basis points. As Fed's liftoff approaches, the question of the level of these rates (and the markets that determine them) becomes increasingly important. The paper discusses (i) whether the Fed can control short–term rates as it starts to tighten; and (ii) what are the advantages and disadvantages of using asset sales versus a large reverse repo program (RRP). A large RRP by the Fed will deprive the financial system of the money pool (i.e., GSEs and money market funds) as the Fed will directly absorb the money on to its balance sheet. This will rust the financial plumbing that connects the money pool to collateral suppliers. Some asset sales may be preferred to a large RRP as this will result in a market-determined repo rate and will allow the Fed to reach its monetary policy liftoff objectives with minimal footprint on market plumbing. The authors also discuss cost of issuing short tenor T-bills relative to a large RRP in a rising rate environment.

Monetary Policy, Bank Bailouts and the Sovereign-Bank Risk Nexus in the Euro Area (2015)

Fratzscher Marcel - DIW Berlin; Rieth Malte - DIW Berlin

Abstract: The paper analyses the empirical relationship between bank risk and sovereign credit risk in the euro area. Using structural VAR with daily financial markets data for 2003-13, the analysis confirms two way causality between shocks to sovereign risk and bank risk, with the former being overall more important in explaining bank risk, than vice versa. The paper focuses specifically on the impact of non-standard monetary policy measures by the European Central Bank and on the effects of bank bailout policies by national governments. Testing specific hypotheses formulated in the literature, the authors find that bank bailout policies have reduced credit risk in the banking sector, but partly at the expense of raising the credit risk of sovereigns. By contrast, monetary policy was in most, but not all cases effective in lowering credit risk among both sovereigns and banks. Finally, the authors find spillover effects in particular from sovereigns in the euro area periphery to the core countries.

European Puttable Bonds: An Alternative Instrument for Managing the Sovereign Debt Crisis (2015)

Bögli Andrin - University of Zurich; Fattinger Felix - University of Zurich

Abstract: Since its first announcement in mid-2012, the sole existence of the European Central Bank's outright monetary transaction (OMT) program has been generally believed to have calmed down temporarily soaring interest rates for tumbling Eurozone countries. Despite its effectiveness in mitigating the currency union's inherent multiple equilibria problem, there is an ongoing debate about OMT's undesirable potential for weakening fiscal discipline and provoking risk externalization. Following Merton (1977), the authors argue that OMT's apparent insurance mechanism can be modeled as writing a put option on government bonds. The authors propose an alternative instrument for managing the risk of a European sovereign debt crisis that explicitly compensates the insurance guarantor for her risk-sharing activity: European Puttable Bonds (EPBs). EPBs are intended as a temporary and incentive-compatible refinancing instrument, simultaneously facilitating the rollover of sovereign debt, fostering crisis prevention efforts, and reducing the risk of multiple equilibria usually caused by high government debt levels. The paper's theoretical contribution is twofold. First, the authors model a financially distressed government's borrowing decision in the context of EPBs, which is a function of (i) the magnitude of conditional coercive measures and (ii) the presumed exercise boundary of the embedded put option. Second, applying option pricing theory, the authors derive the embedded put option's corresponding strike and equilibrium price. Finally, the authors calibrate our model to Portugal's pre-bailout situation in 2010. Our model suggests that very reasonable conditional consumption restrictions (a reduction of less than 3% of GDP in case sovereign debt exceeds its sustainable limit) are sufficient to decrease expected government indebtedness in return for an insurance premium (put option price) below 2% of the EPBs' notional, i.e., significantly less than the recurring interests paid by Portugal at that time.

Fiscal Policy and Budget Management

Fiscal multipliers and beyond (2015)

Warmedinger Thomas - European Central Bank; Checherita-Westphal Cristina - European Central Bank; Hernández de Cos Pablo - Banco de España

Abstract: This paper seeks to link the debate surrounding short-term fiscal multipliers with the medium and longer-term impact of fiscal consolidation on public debt sustainability. A literature review and empirical findings for state-dependent multipliers confirm that there is considerable uncertainty surrounding the size of the short-term multiplier. Notably, multipliers may be larger in deep recessions or financial crises, but the negative impact of fiscal consolidation is mitigated when public finances are weak. Using a stylised framework and a range of plausible values for the fiscal multiplier, simulations suggest that an increase in the debt ratio following episodes of fiscal consolidation is likely to be short-lived. Even in a macroeconomic context in which multipliers are high, a front-loaded fiscal consolidation reduces the total consolidation effort and implies a faster stabilisation of the debt ratio. In general, back-

loading is subject to higher implementation risks, most notably in the light of political economy considerations. Overall, when determining the fiscal adjustment path, both the short-term costs and the longer-term benefits need to be taken into account. Particular attention should be paid to the composition of consolidation packages, with well-designed adjustments likely to imply a faster stabilisation of the debt ratio.

Public Debt in Macroeconomic Analysis

The Legacy Debt and the Joint Path of Public Deficit and Debt in the Euro Area (2015)

Caruso Alberto - Université Libre de Bruxelles; Reichlin Lucrezia - London Business School; Ricco Giovanni - University of Warwick

Abstract: This paper studies the joint dynamics of public debt and public deficit in the euro area for the period 1981-2013 and computes projections up to 2020. The authors show that, since 2009, public debt and public deficit have been negatively related. On the basis of a counter-factual simulation that conditions on past correlations with a large number of macroeconomic indicators and the observed GDP path since 2008 the authors find that the negative relation is anomalous with respect to previous historical experience. In contrast, private savings and private debt since 2008 have behaved in line with past experience. The authors define and estimate the "legacy debt" of the 2008 crisis and show that, if GDP and inflation will behave according to the International Monetary Fund (IMF) projection, by 2020 it will still account for 15% of total public debt.

A Financial Conditions Index for Greece (2015)

Manning Jonathan - International Monetary Fund; Shamloo Maral - International Monetary Fund

Abstract: In this paper the authors construct a Financial Conditions Index (FCI) for Greece as a surveillance tool to quantify the degree of the stress in the financial sector. The authors use principal component analysis to capture the information content of several financial indicators through a single index. The authors also construct an alternative FCI by purging the business cycle and monetary policy effects on the input variables, and argue that this alternative index is a better indicator of exogenous financial shocks, and thus could be interpreted as a measure of the efficacy of transmission mechanism. The authors replicate the index for the euro area (EA) as a whole and show that although the developments in the EA were qualitatively in line with those in Greece, they were quantitatively much milder. Our results confirm that monetary transmission was less effective in Greece compared to the EA as a whole. Finally, the authors argue that our index can be a potentially useful forecasting tool for credit growth.

Sovereign debt exposure and the bank lending channel: impact on credit supply and the real economy (2015)

Bottero Margherita - Bank of Italy; Lenzu Simone - University of Chicago; Mezzanotti Filippo - Harvard University

Abstract: In this paper the authors study the impact of sovereign market tensions on the real economy through the bank lending channel. Using a large matched bank-firm panel data set that tracks credit relations in Italy over the period 2009-2011, the authors show that the Greek bailout in the spring of 2010 had a negative impact on the riskiness of government securities held in the portfolio of financial intermediaries, which in turn led to a tightening in credit supply to firms. Firms, especially riskier ones, were unable to smooth out the credit shortage. The authors estimate that the shock to sovereign bonds led, via the lending channel, to a drop in aggregate bank lending to corporations of almost 2 percent over the subsequent year which translated in a reduction of investment by smaller firms.

The Perils of Debt Deflation in the Euro Area - A Multi Regime Model (2015)

Semmler Willi - The New School for Social Research, New York; Haider Alexander - The New School for Social Research, New York

Abstract: Academic research and policy makers in the Euro area are currently concerned with the threat of debt deflation and secular stagnation in Europe. Empirical evidence seems to suggest that secular stagnation and debt deflation in the Euro area may be rather slowly developing. Yet what appears as major peril is that debt deflation with a lack of economic growth, rising real interest rates and further rising debt may trigger household defaults, defaults of firms and banks, rise of risk premia, and default risk of certain sectors of the economy or sovereign defaults. It is this rising default and financial risk then that may lead to a regime change to a slowly moving debt crisis with high financial risk and high financial stress. In order to explore those issues, a macro policy model of Svensson type is introduced, exhibiting a regime of low and high financial stress. Then, a four dimensional multi-regime VAR is employed to an Euro area data set to support the theoretical model and the claim that in particular Southern Euro area countries are affected by debt deflation and financial market stress.

Causality between Public Debt and Real Growth in the OECD: A Country-by-Country Analysis (2015)

Donayre Luiggi - University of Minnesota – Duluth; Taivan Ariuna - University of Minnesota – Duluth

Abstract: In this paper the authors analyze the direction of causality between public debt and real economic growth in a sample of 20 OECD countries for a period of 40 years starting in 1970. Given the persistence of real growth rates, the authors estimate canonical cointegrating regressions to allow for the possibility of stochastic cointegrating vectors. The authors then make inferences about the direction of causality by means of both Granger tests and VAR-based tests that do not depend on whether the series are integrated or cointegrated. The authors find that while modern welfare states tend to face low real growth following increases in public debt, more traditional welfare states and those with larger governments typically exhibit either causality from low growth to debt accumulation or bidirectional causality. However, the heterogeneity of the results suggests caution when making general statements about the relationship between these variables. In particular, the causal link is intrinsic to each country and it cannot be inferred that higher debt always leads to lower economic growth.

Distributional Incentives in an Equilibrium Model of Domestic Sovereign Default (2015)

D'Erasmo Pablo - Federal Reserve Bank of Philadelphia; Mendoza Enrique G. - University of Pennsylvania

Abstract: Europe's debt crisis resembles historical episodes of outright default on domestic public debt about which little research exists. This paper proposes a theory of domestic sovereign default based on distributional incentives affecting the welfare of risk-averse debt and no debt holders. A utilitarian government cannot sustain debt if default is costless. If default is costly, debt with default risk is sustainable, and debt falls as the concentration of debt ownership rises. A government favoring bond holders can also sustain debt, with debt rising as ownership becomes more concentrated. These results are robust to adding foreign investors, redistributive taxes, or a second asset.

What is a Sustainable Public Debt? (2015)

D'Erasmo Pablo - Federal Reserve Bank of Philadelphia; Mendoza Enrique G. - University of Pennsylvania; Zhang Jing - Federal Reserve Bank of Chicago

Abstract: The question of what is a sustainable public debt is paramount in the macroeconomic analysis of fiscal policy. This question is usually formulated as asking whether the outstanding public debt and its projected path are consistent with those of the government's revenues and expenditures (i.e. whether fiscal solvency conditions hold). The authors identify critical flaws in the traditional approach to evaluate debt sustainability, and examine three alternative approaches that provide useful econometric and model-simulation tools to analyze debt sustainability. The first approach is Bohn's non-structural empirical framework based on a fiscal reaction function that characterizes the dynamics of sustainable debt and primary balances. The second is a structural approach based on a calibrated dynamic general equilibrium framework with a fully specified fiscal sector, which the authors use to quantify the positive and normative effects of fiscal policies aimed at restoring fiscal solvency in response to changes in debt. The third approach deviates from the others in assuming that governments cannot commit to repay their domestic debt, and can thus optimally decide to default even if debt is sustainable in terms of fiscal solvency. The authors use these three approaches to analyze debt sustainability in the United States and Europe after the recent surge in public debt following the 2008 crisis, and find that all three raise serious questions about the prospects of fiscal adjustment and its consequences in advanced economies.

Short-Run and Long-Run Effects of Public Debt on Economic Performance: Evidence from EMU Countries (2015)

Gómez-Puig Marta - University of Barcelona; Rivero Simón Sosvilla - Complutense University of Madrid

Abstract: This paper contributes to the literature by examining the possible influence of public debt on economic performance, using data from both central and peripheral countries of the European Economic and Monetary Union for the 1960-2012 period. To this end, a simple aggregate production function augmented for public debt is estimated using the ARDL bounds testing approach. Our findings tend to support the view that the level of public debt always has a negative impact on the long-run performance of EMU countries, whilst its short-run effect may be positive in some specific cases.

Banking crises and sovereign defaults in emerging markets: exploring the links (2015)

Balteanu Irina - Banco de España; Erce Aitor - Banco de España

Abstract: This paper provides a set of stylised facts on the mechanisms through which banking and sovereign distress feed into each other, using a large sample of emerging economies over three decades. The authors first define "twin crises" as

events where banking crises and sovereign defaults combine, and further distinguish between those banking crises that end in sovereign debt crises, and vice-versa. The authors then assess what differentiates "single" episodes from "twin" ones. Using an event analysis methodology, the authors study the behaviour around crises of variables describing the balance sheet interconnection between the banking and public sectors, the characteristics of the banking sector, the state of public finances and the macroeconomic context. The authors find that there are systematic differences between "single" and "twin" crises across all these dimensions. Additionally, the authors find that "twin" crises are heterogeneous events: taking into account the proper time sequence of crises within "twin" episodes is important for understanding their drivers, transmission channels and economic consequences. Our results shed light on the mechanisms surrounding feedback loops of sovereign and banking stress.

Indeterminacy in Sovereign Debt Markets: A Quantitative Analysis (2015)

Bocola Luigi - Northwestern University; Dovis Alessandro - Pennsylvania State University and NBER

Abstract: In this paper the authors use a benchmark model of sovereign debt to quantify the importance of non-fundamental risk in driving interest rate spreads during the euro-area sovereign debt crisis. Our model features debt maturity choices, risk averse lenders and rollover crises á la Cole and Kehoe (2000). In this environment, lenders' expectations of a default can be self-fulfilling, and their beliefs contribute to variation in interest rate spreads along with economic fundamentals. The authors show that maturity choices of the government are informative about the prospect of a future self-fulfilling crisis. The government can reduce the occurrence of these inefficient runs by lengthening the maturity of its debt. Hence, when rollover problems are pressing, the authors should observe an increase in debt maturity. After fitting the model to observed maturity choices, the authors find that rollover risk accounts on average for 23% of Italian interest rate spreads during the episode, 14% in 2012:Q2. Our results have implications for the effects of liquidity provisions like the OMT program announced by the European Central Bank during the summer of 2012.

The pitfalls of external dependence: Greece, 1829-2015 (2015)

Reinhart Carmen M. - Harvard University; Trebesch Christoph - University of Munich

Abstract: Two centuries of Greek debt crises highlight the pitfalls of relying on external financing. Since its independence in 1829, the Greek government has defaulted four times on its external creditors, and it was bailed out in each crisis. The authors show that cycles of external crises and dependence are a perennial theme of Greek modern history – with repeating patterns: prior to the default, there is a period of heavy borrowing from foreign private creditors. As repayment difficulties arise, foreign governments step in, help to repay the private creditors, and demand budget cuts and adjustment programs as a condition for the official bailout loans. Political interference from abroad mounts and a prolonged episode of debt overhang and financial autarky follows. At present, there is considerable evidence to suggest that a substantial haircut on external debt is needed to restore the economic viability of the country. Even with that, a policy priority for Greece is to reorient, to the extent possible, towards domestic sources of funding.

Articles in reviews/in books

Legal Issues and Conventions

La dette en partage. Quelques réflexions juridiques sur le traitement de la dette publique en droit de l'Union européenne (2015)

Allemand Frédéric - European Integration Studies

Abstract: The article examines the legal regime of sovereign debt under the EU Law.

The Fourth Pari Passu (2015)

Tirana Pablo - ESADE Business School

Abstract: Throughout the literature (both academic and professional) it is almost impossible to find detailed references, if at all, to the "mandatory law exception" version of the pari passu clause found in sovereign debt contracts. And yet, this clause is extremely prevalent across a vast number of issuers, nationalities, and governing laws. What does the widespread adoption of this type of pari passu say about the meaning of the clause? It seems quite clear that at least a large number of market participants are quite happy giving public

sector borrowers the legal power to treat creditors unequally, not equally. The traditional meaning of pari passu would thus be turned upside down, a positive development that would help avoid nasty situations like the recent Argentinian fiasco.

The Latin American Pari Passu Puzzle (2015)

Tirana Pablo - ESADE Business School

Abstract: Are debt contracts modified following some watershed event in the relevant debt markets? Do creditors or debtors or both push for new, perhaps revolutionary, versions of contractual terms? The author tries to tackle this pertinent issue through the prisms of the evolution of the pari passu clause in sovereign debt contracts. Using substantial empirical evidence, the author finds that the pari passu clause may have gone through a significant redrafting in the wake of the path-breaking Peru litigation case in 2000, but not in the places where one would, in principle, expect it the most. A whole "new" (and quite revolutionary, potentially) version of pari passu showed up in force in the early 2000s, but for the most part not, according to the (perhaps limited) empirical evidence at hand, in Latin American countries. This seems puzzling at first sight. Why didn't LatAm issuers apparently embrace the "mandatory law exception" pari passu, even as the rest of the world was busy doing just that?

Derivatives

CDS Lessons from Argentina (2015)

Triana Pablo - ESADE Business School

Abstract: What are the main credit-default-swaps takeaways from the 2014 forced default imposed on Argentina through the New York courts? In particular, was this at heart an empty creditor strategy, rather than a bond investor one, where the aim is entirely to try to have CDS trigger? If so, this could be the first case of a successful sovereign CDS empty creditor trade (there being plenty of evidence of such behaviour in the corporate debt universe). Those bondholders who litigated against Argentina through the inventive pari passu legal route would have known full well that bond repayment was out of the question and that, therefore, CDS trigger would be an absolute certainty. Is that a bad thing? Maybe the courts decided that CDS payment would be the inevitable way to find redress for defaulted-on investors when a sovereign refuses to pay and in the face of unassailable sovereign immunity that makes it essentially impossible to collect on a monetary judgment.

Public Debt in Macroeconomic Analysis

External Debt and Debt Crises: Growing Vulnerabilities and New Challenges (2015)

United Nation – UNCTAD

Abstract: External debt is not a problem in itself; indeed, debt instruments are an important element of any financing strategy. But it can become a problem when the foreign borrowing is unrelated to productive investment, or when a net debtor country is hit by a severe shock to its key macroeconomic variables. Under these circumstances, the claims on the debtor can quickly exceed its capacity to generate the required resources to service its debts. I f these claims are not matched by new credit inflows (or by higher interest receipts from investments abroad) servicing the external debt amounts to a transfer of resources to the rest of the world, which, if significant, reduces domestic spending and growth, thus further compromising its ability to make payments when they fall due.[...]

Web Resources

Secondary Market

Bond market liquidity, long-term rates and China

BIS

Speech by Mr Guy Debelle, Assistant Governor (Financial Markets) of the Reserve Bank of Australia, at the Actuaries Institute "Banking on Change" Seminar, Sydney, 16 September 2015.

Highlights of global financing flows

BIS

This chapter analyses recent trends in these indicators. It also summarises the latest data for international banking markets, available up to March 2015, and for international debt securities, available up to June 2015. A box provides more detail on domestic and foreign currency positions vis-à-vis China during the first quarter of 2015.[...]

Multilateral Debt

Assessment of Debt Restructuring Operations in Commonwealth Small States

thecommonwealth.org

An increase in external shocks, international terrorism and natural disasters over the past two decades has led to unsustainable debt burdens in small and vulnerable states, resulting in debt restructuring programmes.

Republic of Slovenia: Technical Assistance Report-Establishing a Spending Review Process - Country Report No. 15/265

International Monetary Fund

Slovenia's fragile fiscal situation requires further consolidation to ensure that the upward trajectory of public debt does not threaten long-term fiscal sustainability. Fiscal consolidation measures to date have largely concentrated on one-off measures and across the board spending cuts. [...]

Jamaica: Ninth Review Under the Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Jamaica - Country Report No. 15/270

International Monetary Fund

The Executive Board approved on February 2, 2015 a 12-month Stand-By Arrangement (SBA) and an arrangement under the Standby Credit Facility (SCF), with combined access of SDR 488.52 million (180 percent of quota). [...]

Kenya: First Review Under the Twelve-Month Stand-By Arrangement and the Arrangement Under the Stand-By Credit Facility, [...] - Country Report No. 15/269

International Monetary Fund

The Executive Board approved on February 2, 2015 a 12-month Stand-By Arrangement (SBA) and an arrangement under the Standby Credit Facility (SCF), with combined access of SDR 488.52 million (180 percent of quota). [...]

Malaysia: Technical Assistance Report-Strengthening Outcome Based Budgeting - Country Report No. 15/266

International Monetary Fund

The Government of Malaysia is undertaking several reforms to promote sound fiscal management and fiscal sustainability. These include a Fiscal Policy Committee (FPC), a Medium Term Fiscal Framework (MTFF), accrual accounting, and Outcome Based Budgeting. [...]

Cyprus: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Cyprus - Country Report No. 15/271

International Monetary Fund

Cyprus continues to recover from the crisis, and program performance remains generally strong. Economic activity in the first half of this year turned out better than expected, mainly supported by private consumption.[...]

ESM 2014 Annual Report

Esm.europa.eu

The Annual Report includes the ESM's financial statements for 2014, which were approved by the Board of Governors. The ESM's net result of nearly €444 million was allocated to its Reserve Fund, which serves as a buffer in case of potential losses. The year 2014 confirmed the positive impact of the EFSF/ESM financial assistance programmes. […]

The Paris Club

Enrique Cosio-Pascal

The Emerging of a Multilateral Forum for Debt restructuring. What is the Paris Club? It is an informal forum serviced by the French Treasury; Composed by major developed OECD countries; At which the major creditors agree to take a common approach to restructuring the repayment on debtor country loans owed to each of the member countries; Sometimes they agree to reduce the amount of outstanding debt itself.

Active Debt Management

Accounting, Transparency and Accountability

Quarterly National Accounts, Volume 2015 Issue 1
Oecd
The OECD Quarterly National Accounts contains the accounts most widely used: GDP by expenditure and by industry, gross fixed capital formation by asset, gross fixed capital formation by institutional sector, and components of disposable income.

National Accounts of OECD Countries, Volume 2015 Issue 2
Oecd
The National Accounts of OECD Countries, Detailed Tables includes, in addition to main aggregates, final consumption expenditure of households by purpose, simplified accounts for three main sectors: general government, corporations and households.

Introduction to BIS statistics - BIS Quarterly Review, September 2015
BIS
With this edition of the BIS Quarterly Review, the BIS is expanding its statistical offering. The BIS is releasing enhanced data on international banking, new series on government debt, and estimates of debt service ratios for selected sectors (see the related special features in this issue).[...]

The Little Data Book on Financial Development 2015/2016
World Bank
The Little Data Book on Financial Development 2015/2016 is a pocket edition of the Global Financial Development Database, published as part of the work on the Global Financial Development Report 2015/2016: Long-Term Finance. It contains 39 indicators of financial development in 202 economies, including measures of (1) financial depth, (2) access, (3) efficiency, and (4) stability of financial institutions and markets. Additional variables, historical observations, and links to underlying research are available at www.worldbank.org/financialdevelopment.

DMO's Programmes and Reports

State Treasury Debt monthly newsletter
Polish MoF
At the end of July 2015 State Treasury (ST) debt amounted to PLN 811,439.3 million which meant: • an decrease by PLN 6,361.4m (-0.8%) in July 2015, • an increase by PLN 31,500.9m (+4.0%) in comparison to the end of 2014.[...]

Cyprus Public Debt Bulletin 2nd Quarter 2015
Cypriot Ministry of Finance, Public Debt Management Office
In May a new €1 billion benchmark bond was issued under the Euro Medium Term Note Programme. The 7-year bond marks a new tenor in the country's expanding yield curve and was issued at a coupon of 3,875% and a yield rate of 4,00%. The investors were mainly asset managers (45%) and hedge funds (40%).[...]

Danish Government Borrowing and Debt 2014
Danmarks Nationalbank
The publication describes the Danish government borrowing in 2014 and the debt management policy for 2015.

Japanese Government Bonds Newsletter
Japanese Ministry of Finance
Contents of September 2015 issue: 1. What's New Monthly Topic IR Special Office; 2. JGB Primary Market; 3. The Auctions for Enhanced-Liquidity and JGB Buy-Back; 4. JGB Secondary Market; 5. Investor Trends and JGB Outstanding; 6. Economic and Financial Trends; 7. Information.

Coordination with other Policies and Operations

Global Financial Stability Report 2015: Vulnerabilities, Legacies, and Policy Challenges Risks Rotating to Emerging Markets
International Monetary Fund
Financial stability has improved in advanced economies since April, but risks continue to rotate toward emerging markets. The global financial outlook is clouded by a triad of policy challenges: emerging market vulnerabilities, legacy issues from the crisis in advanced economies, and weak systemic market liquidity. [...]

Monetary Policy

Euro area economic outlook, the ECBs monetary policy and current policy challenges
ECB
Statement by Mario Draghi, President of the ECB, at the thirty-second meeting of the International Monetary and Financial Committee, Lima, 9 October 2015.

Public Debt in Macroeconomic Analysis

Fiscal Sustainability and Debt in Small Open Economies - An Application to the Caribbean
The Caribbean Centre for Money and Finance
This study aims to provide reliable information to financial markets about the objective limits to Caribbean Governments' ability to service their debt.[...]

St. Kitts and Nevis: 2015 Article IV Consultation-First Post-Program Monitoring Program Monitoring Discussions-Press Release; and Staff Report - Country Report No. 15/248
International Monetary Fund
Macroeconomic conditions continued to improve, with the economy recording a second year of strong growth of about 6 percent, significantly higher than envisaged in the 9th Review. The fiscal balance has also been exceptionally strong, reflecting both robust tax revenues and continued strong growth of CBI budgetary fees, while the debt-to-GDP ratio has fallen more rapidly than projected, to 79 percent of GDP. [...]

Norway: 2015 Article IV Consultation - Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Norway - Country Report No. 15/249
International Monetary Fund
The Norwegian economy grew steadily in 2014 despite the sharp fall in oil prices. Nevertheless, the near term outlook has weakened, and the medium and longer term present challenges related to shifting away from a growth model dependent on oil- and gas-related demand.

OECD Economic Surveys: Ireland 2015
Oecd
This 2015 OECD Economic Survey of Ireland examines recent economic developments, policies and prospects. The special chapter covers inclusive growth.

OECD Economic Surveys: Iceland 2015
Oecd
This 2015 OECD Economic Survey of Iceland examines recent economic developments, policies and prospects. The special chapters cover: Promoting stability and resilience; supporting long-run growth.

Former Yugoslav Republic of Macedonia : 2015 Article IV Consultation - Press Release; Staff Report; and Statement by the Executive Director for Former Yugoslav Republic of Macedonia - Country Report No. 15/242
International Monetary Fund
The broad-based GDP growth supported by public investment, improved credit and labor market conditions, and robust exports is expected to moderate in the near term. Domestic political uncertainties and the crisis in Greece constitute significant downside risks. Fiscal policy space built up in pre-crisis years has largely been depleted. Rebuilding policy space and buffers to preserve macroeconomic and financial stability is a priority now. [...]

Philippines: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Philippines - Country Report No. 15/246
International Monetary Fund
The Philippine economy is expected to grow in line with potential, at around 6½ percent per annum. Inflation is projected to remain within the BSP's target band (3±1 percent). The external position is strong and fiscal policy is prudent, with a declining public debt ratio. Its small, bank-centric financial system has strong buffers, and risks associated with bank-corporate-real estate linkages are currently contained. Poor infrastructure has constrained private investment and job creation. [...]

Republic of Kazakhstan: 2015 Article IV Consultation-Press Release; Staff Report for the Republic of Kazakhstan - Country Report No. 15/241
International Monetary Fund
Over the past two decades, Kazakhstan has successfully harnessed its oil resources to bolster economic growth, increase buffers, and reduce poverty. [...]

Republic of Congo: 2015 Article IV Consultation-Press Release; and Staff Report - Country Report No. 15/263

International Monetary Fund

The Republic of Congo has been hit hard by the oil price shock. Fiscal and current account balances deteriorated in 2014 reflecting increased government spending and lower oil prices. Corrective measures are now being taken. Private sector activity is held back by infrastructure gaps, a difficult business climate, and a shallow financial system. Growth and spending have yet to translate into significant reductions in poverty and progress in this area lags peers. Persistent inequality could be a source of instability.

Republic of Equatorial Guinea: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Republic of Equatorial Guinea - Country Report No. 15/260

International Monetary Fund

A decade–long hydrocarbon boom has led to a fast rise of average incomes and spurred a large scaling up of investment spending on infrastructure, although progress on social indicators has been slow. With hydrocarbon extraction shifting into a trend decline in the context of weak oil prices outlook and still high capital spending, the fiscal position has weakened and fiscal buffers diminished.

World Economic Outlook Report 2015

International Monetary Fund

A Survey by the IMF staff usually published twice a year. It presents IMF staff economists' analyses of global economic developments during the near and medium term. Chapters give an overview as well as more detailed analysis of the world economy; consider issues affecting industrial countries, developing countries, and economies in transition to market; and address topics of pressing current interest.[...]

The Gambia: 2015 Article IV Consultation-Press release; Staff Report; and Statement by the Executive Director for the Gambia - Country Report No. 15/272

International Monetary Fund

The Fund supported The Gambia with an RCF disbursement in early April 2015 to meet the urgent balance of payments needs arising from these shocks. [...]

Saudi Arabia: 2015 Article IV Consultation - Press Release; Staff Report; and Informational Annexl - Country Report No. 15/251

International Monetary Fund

The global oil market environment has changed substantially over the past year with oil prices dropping by close to 50 percent. Based on historical experience, the large oil price decline is expected to affect the macroeconomy and the financial sector. Meanwhile, demographic pressures to provide jobs and housing for a rapidly growing and young population continue.

St. Vincent and the Grenadines: 2014 Article IV Consultation-Staff Report - Country Report No. 15/259

International Monetary Fund

Economic outlook: St. Vincent and the Grenadines' economic recovery from the global economic crisis has been curbed by a series of significant natural disasters, while rehabilitation and reconstruction costs have pushed current account and fiscal deficits higher. After an estimated 1.1 percent growth rate in 2014, growth is projected to pick up modestly to 2.1 percent in 2015 on a pickup in tourism, agriculture and enhanced implementation of much-needed rehabilitation and reconstruction projects. [...]

Israel: Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Israel - Country Report No. 15/261

International Monetary Fund

Israel came through the crisis relatively well, and unemployment has continued to fall to multi-decade lows. But policy makers are confronted with several challenges. The fiscal deficit remains stubbornly high, leaving limited buffers to respond to shocks. Inflation is negative—well below the Bank of Israel's (BOI) target—but housing prices continue to rise, posing financial sector risks. Labor productivity is low and the gap relative to the US is widening. And income inequality is among the highest across all advanced countries.

Myanmar: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Myanmar -Country Report No. 15/267

International Monetary Fund

Myanmar is undergoing a historical political transition, with its first general elections since the start of reforms scheduled on November 8, 2015. Meanwhile, negotiations with armed ethnic groups to reach a final ceasefire agreement are continuing against a tight deadline before the elections. Favorable outcomes on these two fronts would pave the way for greater political and social stability and underpin continued economic transition.

[Challenges for the global economy: A narrowing road? Presentation by Claudio Borio]
BIS
Drawing on the latest BIS Annual Report, the presentation assesses the challenges the global economy is facing and possible policy responses. The lens used to elaborate the diagnosis and identify possible remedies focuses on financial, medium-term and global factors, whereas the prevailing perspective focuses more on real, short-term and domestic factors.[...]

[Debt and (not much) deleveraging]
McKinsey.com
Seven years after the bursting of a global credit bubble resulted in the worst financial crisis since the Great Depression, debt continues to grow. In fact, rather than reducing indebtedness, or deleveraging, all major economies today have higher levels of borrowing relative to GDP than they did in 2007. Global debt in these years has grown by $57 trillion, raising the ratio of debt to GDP by 17 percentage points (Exhibit 1). That poses new risks to financial stability and may undermine global economic growth.[...]

[Managing the Transition to a Healthier Global Economy]
IMF
Address by Christine Lagarde, Managing Director, IMF At "A Conversation with Christine Lagarde". An event hosted by Council of the Americas. Washington, D.C., September 30, 2015.

[As volatile financial markets create rumblings in developing countries, UNCTAD report calls for fresh policy thinking]
Trade Law Centre (TRALAC)
For most developing economies, integration into global financial markets has up to now had only weak linkages to their long-term development goals, the UNCTAD Trade and Development Report, 2015 says. [...]

[Fixing the global financial safety net: Lessons from central banking]
Vox
We need a strong and resilient global financial safety net to reduce the systemic implications of sovereign crises and allow nations to cope with shocks in order to reap the economic rewards of an integrated system of trade and finance. This column argues that the current arrangements are suboptimal – resembling more of a patchwork than a safety net. Drawing on the experience of central banks during the financial crisis, it offers preliminary policy proposals to enhance the effectiveness of the global financial safety net.

[Revisiting debt sustainability in Africa]
UNCTAD
On average, Africa’s external debt levels are below 23 per cent of gross domestic product (GDP), which should be sustainable for most countries. Global investors attracted to emerging sovereign debt markets have enabled many African countries to tap international bond markets. [...]

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* (20.383 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

05 October 2015 - Luxembourg
Eurogroup

12 October 2015 - web-based
Legal Aspects of Public Debt Management (2015)

19 October 2015 - web-based
Advanced Risk Management (2015)

26 October – 20 November 2015; Online
Global Financial Governance (2015)

27 October 2015 - Montevideo, Uruguay
Course on Financial Stability, Systemic Risk and Macroprudential Policies

29 October 2015 - Johannesburg
National Asset-Liability Management Africa 2015

29 – 30 October 2015; Dakar, Senegal
Public Financial Management: Financial Reporting for Results

17 November 2015 - Mexico City
Monetary Policy after the Crisis

19 November 2015; Hotel Marriott Champs-Élysées, Paris
OECD/Euromoney Conference on Long-term Investment Financing

01 December 2015 - Kuala Lumpur,Malaysia
Basel III: Implementing the New Global Regulatory Framework

01 December 2015 - Kuala Lumpur ,Malaysia
Business Continuity Planning and Operational Risk Management for Central Banks

Previously signaled

27 October 2015 - Danske Bank Markets, Kuppelsalen, Laksegade 10 - DK - 1063 Copenhagen k

ICMA Conference: The impact of MiFID II and related regulations on the Nordic secondary bonds and derivatives market

04 November 2015 - London, UK
Financial Markets Foundation Course (FMFC)

09 November 2015 - Dubai, UAE
Macroeconomic Analysis and Forecasting in MENA Economies

16 November 2015 - United Kingdom
CS-DRMS Masterclass: Optimising Debt Management Operations

18 November 2015 - London UK
4th Annual EBA Research Workshop: Financial regulation and the real economy: a micro-prudential perspective **[Call for Papers]**

23 November 2015 - Geneva, Switzerland
10th UNCTAD International Debt Management Conference

23 November 2015 - Geneva, Switzerland
2015 UNCTAD Debt Management Conference

01 March 2016 - London ,UK
Central Banking Awards 2016

Communication Corner

At the link below, Partners can find details on the *Philippines* 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 26th October 2015, the number of total resources of the PDM Network website is 27.075 (of which 20.383 news, 2.932 papers and articles in reviews and books, and 2.560 webresources). Registered Members are 807, coming from 117 countries. 439 Partners belong to sovereign debt management institutions of emerging and advanced countries. This newsletter is sent to 601 Partners.

Special thanks

The PDM Secretariat is grateful to Frédéric Allemand (Centre Virtuel de la Connaissance sur l'Europe), Ioanna Markidou (Cypriot MoF) and Mauricio Leister (Brazilian National Treasury Secretariat) for document contribution.

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).