# PDM NETWORK *Monthly Newsletter*

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Dear Subscriber, this newsletter lists all papers, reports, courses and other events concerning public debt management recently uploaded by the PDM Network Secretariat in the site **www.publicdebtnet.org**. The documents which the PDM Network Secretariat have found most interesting are highlighted with a gray background.

***Please note that you will receive the last monthly edition of the newsletter next month, July 2016***, and the newsletter - as usual - will not be released in August. ***From September 2016 onwards, the PDM Network Monthly Newsletter will be published on a bimonthly basis every odd month*** (September, November, January, March, May, July, and so on). This change is aimed at improving the quality of the service offered. We are also working on updating the organization of the material and the user interface of the website.

The PDM Network Secretariat welcomes cooperation on information published on the website. Please feel free to **suggest any documents, news and events** that you think are relevant to the management of public debt at the following email address: **publicdebtnet.dt@tesoro.it**.

## Contents



# New Documents

## Papers, Articles & Books

### Primary Market

**Purchases of sovereign debt securities by Italian banks during the crisis: the role of balance-sheet conditions** (2016)
Massimiliano Affinito, Giorgio Albareto , Raffaele Santioni - Bank of Italy

**Abstract:** This paper analyses the main microeconomic determinants of Italian banks' purchases of sovereign debt securities from 2007 to 2013, with special reference to their balance-sheet conditions. The analysis distinguishes two phases of the crisis – the period following the Lehman Brothers collapse

and the sovereign debt crisis – and different types of banks (large and small). Results show that banks' specific characteristics and balance-sheet features do matter and that banks use government securities purchases to support their financial and economic conditions. The influence of the balance-sheet conditions differs according to the phase of the crisis and the type of bank.

**Sovereign Debt Issuance under Fiscal Budget Uncertainty and Market Frictions (2016)**

Alexander Eisl Christian Ochs Stefan Pichler - WU (Vienna University of Economics and Business), Department of Finance, Accounting and Statistics

**Abstract:** The paper presents a multi-period bond issuance model of a sovereign debt management office. Sovereign liquidity needs are assumed to be only predictable with error. In a framework of costly prediction errors, stochastic variation in the term structure of debt expenses and transaction costs, the authors comment on the optimal auction frequency determined by maturity allocation and issuance volume. The model is consistent with an economic discussion on welfare of debt and contributes to finance literature by presenting the minimum cost-of-debt issuance strategy with respect to market frictions. Thus, the authors fill existing gap between macroeconomic welfare maximization and cost minimization driven by accounting considerations.

## Secondary Market

**Eurozone Network Connectedness During Calm and Crisis: Evidence from the MTS Platform for Interdealer Trading of European Sovereign Debt (2016)**

Youwei Li, James Waterworth - Queen's University Belfast

**Abstract:** This paper examines the connectedness of the Eurozone sovereign debt market over the period 2005-2011. By employing measures built from the variance decompositions of approximating models the authors are able to define weighted, directed networks that enable a deeper understanding of the relationships between the Eurozone countries. The authors find that connectedness in the Eurozone was very high during the calm market conditions preceding the global financial crisis but decreased dramatically when the crisis took hold, and worsened as the Eurozone sovereign debt crisis emerged. The drop in connectedness was especially prevalent in the case of the peripheral countries with some of the most peripheral countries deteriorating into isolation. The authors' results have implications for both market participants and regulators.

**How do Experts Forecast Sovereign Spreads? (2016)**

Jacopo Cimadomo ; Peter Claeys ; Marcos Poplawski-Ribeiro - European Central Bank; Vrije Universiteit Brussel; International Monetary Fund

**Abstract:** This paper assesses how forecasting experts form their expectations about future government bond spreads. Using monthly survey forecasts for France, Italy and the United Kingdom between January 1993 and October 2014, the authors test whether respondents consider the expected evolution of the fiscal balance—and other economic fundamentals—to be significant drivers of the expected bond yield differential over a benchmark German 10-year bond. The authors' main result is that a projected improvement of the fiscal outlook significantly reduces expected sovereign spreads. This suggests that credible fiscal plans affect market experts' expectations and reduce the pressure on sovereign bond markets. In addition, the authors show that expected fundamentals generally play a more important role in explaining forecasted spreads compared to realized spreads.

## Repo Market

**Collateral scarcity premia in EU repo markets (2016)**

M. Ferrari, C. Guagliano, J. Mazzacurati - EFMA European Financial Management Association

**Abstract:** Collateral plays a very important role in financial markets. Without easy access to high-quality collateral, dealers and market participants would find it more costly to trade, with a negative impact on market liquidity and the real economy through increased financing costs. This role has become increasingly significant since the global financial crisis, partly due to regulatory reforms. Using data from both repo and securities lending markets, this paper studies the drivers of the cost of obtaining high-quality collateral, i.e. the collateral scarcity premium, proxied by the degree of specialness of government bond repos. Authors find that the cost of obtaining high-quality collateral increases with demand pressures in the cash market (short-selling activities), even in calm financial market conditions. In bear market conditions - when good collateral is needed the most - this may lead to tensions in some asset market segments. They introduce a novel measure of collateral reuse and find that collateral reuse may alleviate some of these tensions by reducing the collateral scarcity premium under certain conditions. Yet, it requires transparency and monitoring due to the financial stability risks

associated. Lastly, they find that the ECB Public Sector Purchase Programme has a statistically significant, albeit marginal, impact on sovereign collateral scarcity premia that is offset by the beginning of the ECB securities lending programme.

## Multilateral Debt

**Debt and debt sustainability (2016)**

United Nations Department of Economic and Social Affairs

**Abstract:** Borrowing, both by governments and private entities, is an important tool for financing investment critical to achieving sustainable development, as well as for covering short-term imbalances between revenues and expenditures. Government borrowing can also allow fiscal policy to play a countercyclical role over economic cycles. However, high debt burdens can impede growth and sustainable development. Debt has to be well managed in both public and private spheres. Developing countries made considerable progress in reducing their external debt in the early part of the century, assisted especially in the case of the heavily indebted poor countries (HIPCs) by the support of the international community.
Managing sovereign debt and addressing debt crises when they do occur has been on the agenda of Financing for Development (FfD) since the Monterrey Consensus, and is addressed in section II.E of the Addis Agenda and in this chapter in the Task Force report. Mitigating the danger of private debt build-ups is also addressed in the discussion of financial regulation in chapter II.F on systemic issues, while promoting long-term finance and the development of local capital markets is discussed in chapter II.B on the private sector.

**To Default or Not? The Aftermath of Sovereign Defaults and IMF Austerity Programs During Economic Crises (2016)**

Tuomas Malinen, Olli Tapani Ropponen - HECER, University of Helsinki, Government of the Republic of Finland

**Abstract:** Economic crises are an agonizing feature of modern economies leading to dramatic falls in the real GDP per capita. A crisis can exhaust country's resources forcing it to either apply for an IMF program or to default on its foreign or domestic liabilities. Do these drastic measures aid countries in crisis? In this study, the authors aim to answer this question using a large dataset on economic crises after the Second World War. Results show that, in terms of the real economy, developing countries should avoid defaults during crises and that domestic default is the most disruptive form of default. The economic outcomes of sovereign defaults are in general unequivocal and depend, e.g., on the level of external debt. IMF programs are found to provide the most lenient crisis outcome.

**What Does Aid Do to Fiscal Policy? New Evidence (2016)**

Jean-Louis Combes ; Rasmané Ouedraogo ; Sampawende J.-A. Tapsoba - Université d'Auvergne; World Bank; International Monetary Fund

**Abstract:** Foreign aid is a sizable source of government financing for several developing countries and its allocation matters for the conduct of fiscal policy. This paper revisits fiscal effects of shifts in aid dependency in 59 developing countries from 1960 to 2010. It identifies structural shifts in aid dependency: upward shifts (structural increases in aid inflows) and downward shifts (structural decreases in aid inflows). These shifts are treated as shocks in aid dependency and treatment effect methods are used to assess the fiscal effects of aid. It finds that shifts in aid dependency are frequent and have significant fiscal effects. In addition to traditional evidence of tax displacement and "aid illusion," the authors show that upward shifts and downward shifts in aid dependency have asymmetric effects on the fiscal accounts. Large aid inflows undermine tax capacity and public investment while large reductions in aid inflows tend to keep recipients' tax and expenditure ratios unchanged. Moreover, the tax displacement effects tend to be temporary while the impact on expenditure items are persistent. Finally, the authors find that the undesirable fiscal effects of aid are more pronounced in countries with low governance scores and low absorptive capacity, as well as those with IMF-supported programs.

**The Future of Multilateralism Time for Renewal (2016)**

Enrique Garcia - President of CAF - Development Bank of Latin America

**Abstract:** Emerging and developing economies have increased their share of global GDP from 40 percent in 1990, to 58 percent in 2015. These economies today represent more than 68 percent of the world's GDP growth. However, the gap between industrialized and developing countries is still substantial. There is no doubt that—on the whole—multilateral development banks have been, are, and will continue to be, important instruments in the future, insofar as they have the capacity to adapt themselves to continuously changing economic, social, and geopolitical circumstances. Indeed, beyond the original model of the World Bank as a global development bank, different initiatives and institutional models have emerged over the

years at the regional, sub-regional, and national levels in response to new geopolitical and socio-economic realities.

## Legal Issues and Conventions

**Evaluating the Euro CAC Experiment of 2013 (2016)**

Elena Carletti, Paolo Colla, G. Mitu Gulati - Bocconi University, Duke University School of Law

**Abstract:** On January 1, 2013, it became mandatory that every new sovereign bond issued by a member of the European Monetary Union include a new contract clause called a Collective Action Clause or CAC. This, the authors believe, constituted the biggest one-time change to the terms of sovereign debt contracts in history, impacting a market of many trillions of euros. And it was not just that the change was big in terms of the size of the market it impacted; it was big in terms of its impact on the documentation of each individual Euro area sovereign bond contract. To illustrate, prior to January 1, 2013, all of the terms of a local-law Irish sovereign bond fitted on about a page and a half; the full document was about three pages long. After January 1, 2013, the document was twenty pages long; almost all of that space taken by the new CAC term. In terms of words on the page, it was a big change. But did it do anything meaningful? And, more importantly, did it do what it was intended to do?

**Sovereign Reputation and Yield Spreads: A Case Study on Retroactive Legislation (2016)**

Otto Randl, Josef Zechner - Vienna University of Economics and Business

**Abstract:** This paper uses recent legislation in Austria to establish a link between sovereign reputation and yield spreads. In 2009, Hypo Alpe Adria International, a bank previously co-owned by the regional government of Carinthia, had been nationalized by Austria's central government in order to avoid a default triggering multi-billion Euro local government guarantees. In 2015, special legislation retroactively introduced collective action clauses allowing a haircut on both the bonds and the guarantees while avoiding formal default. The authors document that legislative and administrative action designed to partly abrogate the guarantees resulted in a loss of reputation, leading to higher yield spreads for sovereign debt. The authors' analysis of covered bonds uncovers an increase in yield spreads on the secondary market and a deterioration of primary market conditions.

**Comparison of US and EU Regulation of the Swaps Market (2014)**

Paul M.Architzel and Petal P. Walker - Futures and Derivatives Practice Group of WilmerHale

**Abstract:** In both the US and EU, the Swap Market drafting and implementation of regulations is well advanced. Although the regulatory efforts in the US and the EU grew out of the same G-20 commitments and share many similarities, there are also important distinctions between the two. A comparison of how these two jurisdictions address the areas highlighted at the Pittsburgh G-20 – clearing, trading, reporting, and risk mitigation for uncleared swaps – follows. The report also discusses their differing approaches to the extraterritorial scope of their regulation, a critical issue not addressed by the G-20 accords.

## Risk Management Models

**A Matlab Simulator for Debt and Interest Payment Dynamics (2016)**

Enrique M. Quilis - Macroeconomic Research Department. Independent Authority for Fiscal Responsibility

**Abstract:** In this paper the authors present a MATLAB simulator designed to estimate the future path of debt and interest payments. The code represents in a compact way the joint dynamics of debt liabilities and interest payments as a function of five elements: the initial outstanding debt, the primary funding, the yield surface and the issuance strategy. The procedure is illustrated using a detailed application.

**Modeling interest payments for macroeconomic assessment (2016)**

Celestino Girón, Marta Morano, Enrique M. Quilis, Daniel Santabárbara,Carlos Torregrosa - Spanish Independent Authority for Fiscal Responsibility

**Abstract:** In this paper the authors present a methodology designed to estimate the future path of interest payments by the Government. The basic idea is to represent in a compact way the joint dynamics of debt liabilities and interest payments as a function of five elements: the initial outstanding amounts of debt, the expected primary funding needs, the expected yield curves and the expected issuance strategy to be followed by the government. The procedure is amenable to scenario-based simulation and produces a detailed representation of the debt term structure. The authors provide results for the period 2015-2025.

## Coordination with Other Policies and Operations

**Global Risks and the Challenges for G20 Coordination. A Growth Agenda for China's 2016 Presidency (2016)**

Stephen Pickford - The Royal Institute of International Affairs Chatham House

**Abstract:** China has assumed the rotating presidency of the G20 at a time when the outlook for global growth has weakened and some emerging markets face serious difficulties. This presents policy challenges for China, but also provides opportunities for the country to show leadership on global economic issues. The world economy grew by just over 3 per cent last year, its slowest rate since the depths of the crisis in 2009. Possible explanations for the slowdown include 'secular stagnation', post-crisis deleveraging, and the effects of emerging markets transitioning from export- and manufacturing-led growth. Low growth could become the 'new normal' for the world economy. In response, policies need to be more supportive of growth. G20 ministers and central bank governors have pledged to use all tools of economic policy – structural reforms, monetary expansion and fiscal stimulus – to boost growth. But so far there has been little action. [...]

**Is the unthinkable becoming routine? (2015)**

BIS 85th Annual Report - Bank for International Settlements

**Abstract:** Interest rates have never been so low for so long. They are low in nominal and real (inflation-adjusted) terms and low against any benchmark. Between December 2014 and end-May 2015, on average around $2 trillion in global long-term sovereign debt, much of it issued by euro area sovereigns, was trading at negative yields. At their trough, French, German and Swiss sovereign yields were negative out to a respective five, nine and 15 years. Such yields are unprecedented. Policy rates are even lower than at the peak of the Great Financial Crisis in both nominal and real terms. And in real terms they have now been negative for even longer than during the Great Inflation of the 1970s. Yet, exceptional as this situation may be, many expect it to continue.[...]

**The Economic Consequences of Brexit (2016)**

Rafal Kierzenkowski, Nigel Pain, Elena Rusticelli, Sanne Zwart – OECD

**Abstract:** Membership of the European Union has contributed to the economic prosperity of the United Kingdom. Uncertainty about the outcome of the referendum has already started to weaken growth in the United Kingdom. A UK exit (Brexit) would be a major negative shock to the UK economy, with economic fallout in the rest of the OECD, particularly other European countries. In some respects, Brexit would be akin to a tax on GDP, imposing a persistent and rising cost on the economy that would not be incurred if the UK remained in the EU. The shock would be transmitted through several channels that would change depending on the time horizon. In the near term, the UK economy would be hit by tighter financial conditions and weaker confidence and, after formal exit from the European Union, higher trade barriers and an early impact of restrictions on labour mobility. By 2020, GDP would be over 3% smaller than otherwise (with continued EU membership), equivalent to a cost per household of GBP 2200 (in today's prices). In the longer term, structural impacts would take hold through the channels of capital, immigration and lower technical progress. In particular, labour productivity would be held back by a drop in foreign direct investment and a smaller pool of skills. The extent of foregone GDP would increase over time. By 2030, in a central scenario GDP would be over 5% lower than otherwise – with the cost of Brexit equivalent to GBP 3200 per household (in today's prices). The effects would be larger in a more pessimistic scenario and remain negative even in the optimistic scenario. Brexit would also hold back GDP in other European economies, particularly in the near term resulting from heightened uncertainty would create about the future of Europe. In contrast, continued UK membership in the European Union and further reforms of the Single Market would enhance living standards on both sides of the Channel.

**The Greek Public Debt Problem (2016)**

Michalis Nikiforos, Dimitri B. Papadimitriou, Gennaro Zezza - Bard College, University of Cassino

**Abstract:** This paper examines the issue of the Greek public debt from different perspectives. The authors provide a historical discussion of the accumulation of Greece's public debt since the 1960s and the role of public debt in the recent crisis. The authors show that the austerity imposed since 2010 has been unsuccessful in stabilizing the debt while at the same time taking a heavy toll on the Greek economy and society. The experience of the last six years shows that the country's public debt is clearly unsustainable, and therefore a bold restructuring is needed. An insistence on the current policies is not justifiable either on pragmatic or on moral or any other grounds. The experience of Germany in the early post–

World War II period provides some useful hints for the way forward. A solution to the Greek public debt problem is a necessary but not sufficient condition for the solution of the Greek and wider European crisis. A broader agenda that deals with the malaises of the Greek economy and the structural imbalances of the eurozone is of vital importance.

**When the financial becomes real (2015)**

BIS 85th Annual Report - Bank for International Settlements

**Abstract:** Plummeting oil prices and a surging US dollar shaped global activity in the year under review. These large changes in key markets caught economies at different stages of their business and financial cycles. The business cycle upswing in the advanced economies continued and growth returned to several of the crisis-hit economies in the euro area. At the same time, financial downswings are bottoming out in some of the economies hardest-hit by the Great Financial Crisis. But the resource misallocations stemming from the pre-crisis financial boom continue to hold back productivity growth. Other countries, less affected by the crisis, notably many EMEs, are experiencing different challenges. The shift in global conditions has coincided with slowing output growth and peaks in domestic financial cycles. There is the danger that slowing growth in EMEs could expose financial vulnerabilities. Better macroeconomic management and more robust financial structures, including longer debt maturities and reduced exposure to currency risk, have increased resilience. But the overall amount of debt has increased and the shift from banks to capital market funding could raise new risks.

## Monetary Policy

**Another year of monetary policy accommodation (2015)**

BIS 85th Annual Report - Bank for International Settlements

**Abstract:** Monetary policy continued to be exceptionally accommodative, with many authorities easing or delaying tightening. For some central banks, the ultra-low policy rate environment was reinforced with large-scale asset purchase programs. In the major advanced economies, central banks pursued significantly divergent policy trajectories, but all remained concerned about the dangers of inflation running well below inflation objectives. In most other economies, inflation rates deviated from targets, being surprisingly low for some and high for others. The deviation of inflation from expected levels and questions surrounding the sources of price changes underscore an incomplete understanding of the inflation process, especially regarding its medium- and long-term drivers. At the same time, signs of growing financial imbalances around the globe highlight the risks of accommodative monetary policies. The persistence of those policies since the crisis casts doubt on the suitability of current monetary policy frameworks and suggests that resolving the tension between price stability and financial stability is the key challenge. This puts a premium on accounting for financial stability concerns much more systematically in monetary policy frameworks.

## Subnational Bond Markets

**Subnational Debt of China: The Politics-Finance Nexus (2016)**

Haoyu Gao, Hong Ru, Dragon Yongjun Tang - City University of Hong Kong & Chinese Academy of Sciences, Nanyang Technological University, The University of Hong Kong

**Abstract:** Using unique proprietary loan-level data, the authors provide the first comprehensive study on China's local government debt, which was off-balance sheet. Policy and commercial banks, both of which are state-owned, are the main financiers of local governments. The authors find that notwithstanding their prevalent nonprofit goal of raising social welfare, policy loans perform remarkably better than commercial loans. Distressed local governments would choose to default on commercial bank loans but avoid default on policy bank loans, which are strategically more important for local politicians' promotions. The authors' findings suggest that career concerns of politicians can serve as a discipline on government borrowers.

## Contingent Liabilities

**Contingent Claims Analysis of Sovereign Debt Sustainability in Asian Emerging Markets (2016)**

Marie Brière, Benno Ferrarini, Arief Ramayandi - Asian Development Bank

**Abstract:** Contingent claims analysis applied to Indonesia, Malaysia, the Philippines, the Republic of Korea, and Thailand shows no particular vulnerability to sovereign debt distress during recent years. However, the highly volatile "distance to distress" measure suggests that any of these countries may fall victim to a sudden loss in market confidence. For example, the value of Indonesia's sovereign assets dropped to just two standard deviations above its repayment obligations during the 2013 United States Federal Reserve taper tantrum, causing capital outflows and currency depreciation. Generally, the authors find that contingent claims analysis and market-based

risk measures well complement conventional debt sustainability analysis for Asia.

## Public Debt in Macroeconomic Analysis

**Debt, Recovery Rates and the Greek Dilemma (2016)**

Charles Goodhart, Udara Peiris, Dimitrios P. Tsomocos - London School of Economics & Political Science (LSE),National Research University Higher School of Economics (Moscow),University of Oxford

**Abstract:** Most discussions of the Greek debt overhang have focused on the implications for Greece. The authors show that when additional funds released to the debtor (Greece), via debt restructuring, are used efficiently in pursuit of a practicable business plan, then both debtor and creditor can benefit. The authors examine a dynamic two country model calibrated to Greek and German economies and support two-steady states, one with endogenous default and one without, depending on creditors expectations. In the default steady state, debt forgiveness lowers the volatility of both German and Greek consumption whereas demanding higher recovery rates has the opposite effect.

**Government Debt and the Returns to Innovation (2016)**

Mariano Massimiliano Croce, Thien Tung Nguyen, Steve McGregor Raymond, Lukas Schmid - University of North Carolina, Ohio State University (OSU), Duke University

**Abstract:** Elevated levels of government debt raise concerns about their effects on long-term growth prospects. This study shows that (i) high-R&D firms are more exposed to government debt and pay higher expected returns than low-R&D firms; and (ii) higher levels of the debt-to-GDP ratio predict higher risk premia for high-R&D firms. Furthermore, rises in the cost of capital for innovation-intensive firms are associated with declines in subsequent R&D activity and economic growth. The authors study these findings in a production-based asset pricing model with endogenous innovation. By accounting for fiscal and political risk, The authors' model reproduces several aspects of the empirical evidence.

**Fiscal Buffers, Private Debt, and Stagnation (2016)**

Nicoletta Batini ; Giovanni Melina ; Stefania Villa - International Monetary Fund; Università degli Studi di Foggia

**Abstract:** In this paper the authors revisit the empirical relationship between private/public debt and output, and build a model that reproduces it. In the model, the government provides financial assistance to credit-constrained agents to mitigate deleveraging. As the authors observe in the data, surges in private debt are potentially more damaging for the economy than surges in public debt. The model suggests two policy implications. First, capping leverage leads to milder recessions, but also implies more muted expansions. Second, with fiscal buffers, financial assistance to credit-constrained agents helps avoid stagnation. The growth returns from intervention decline as the government approaches the fiscal limit.

**Investing in Electricity, Growth, and Debt Sustainability : The Case of Lesotho (2016)**

Michele Andreolli ; Aidar Abdychev - International Monetary Fund

**Abstract:** This paper analyses a large public investment in a construction of a hydropower plant in Lesotho and its implications on the growth and debt sustainability. The paper employs an open economy dynamic general equilibrium model to assess the benefits of a large public investment through growth-enhancing increase in domestic energy supply and receipts from selling electricity abroad to ease the fiscal burden, which is often associated with big investment projects. During the transition (construction stage), various financing options are explored: increase in the public debt, increase in domestic revenue (fiscal adjustment), and combination. The calibration matches Lesotho's data and it captures the project's main challenges regarding the project costs. Moreover, the key remaining issue is the agreement with South Africa to purchase sufficient amount of electricity to allow the potential plant to run at a high capacity. The authors find that, the project can lead to sizable macroeconomic benefits as long as costs are relatively low and demand from South Africa is sufficiently high. However, the risks for the viability of the project are high, if these assumptions are violated.

# Web Resources

## Post Trading

**ESMA publishes results of EU central counterparties stress test**
ESMA European Securities and Markets Authority
The European Securities and Markets Authority ESMA) published the results of its first EU-wide stress test exercise regarding Central counterparties (CCPs). The exercise is aimed at assessing the resilience and safety of the European CCP sector as well as to identify possible vulnerabilities. The results of the test shows that the system of EU CCPs can overall be assessed as resilient to the stress scenarios used to model extreme but plausible market developments. […]

## Multilateral Debt

**World Bank Group Launches Groundbreaking Financing Facility to Protect Poorest Countries against Pandemics**
The World Bank
The World Bank Group launched the Pandemic Emergency Financing Facility (PEF), an innovative, fast-disbursing global financing mechanism designed to protect the world against deadly pandemics, which will create the first-ever insurance market for pandemic risk. Japan, which holds the G7 Presidency, committed the first $50 million in funding toward the new initiative.

**Debt restructuring, vulture funds and human rights**
United Nations Human Rights Office of the high commissioner
On 10 September 2015the General Assembly adopted resolution 69/319 declaring that sovereign debt restructuring processes should be guided by nine Basic Principles, including the right to sovereign debt restructuring, good faith, transparency, equitable treatment, sovereign immunity, legitimacy, sustainability and the principle of majority restructuring. The General Assembly emphasized that sustainability implies that sovereign debt restructuring workouts are completed in a timely and efficient manner and lead to a stable debt situation in the debtor State, preserving at the outset creditors' rights while promoting sustained and inclusive economic growth and sustainable development, minimizing economic and social costs, warranting the stability of the international financial system and respecting human rights.

**ECLAC Presents a Debt Alleviation Strategy Based on a Debt Swap Proposal at High-level Meeting in Saint Kitts**
Alicia Bárcena - UN ECLAC Economic Commission for Latin America and the Caribbean
ECLAC has made a call for the creation of a Caribbean Resilience Fund as part of a debt alleviation strategy based on a climate change swap proposal. "The swap will involve the use of pledged climate funds to write down the public debt of Caribbean countries and create the financing necessary to fund climate change adaptation and mitigation initiatives and investment in green economies, which in turn will be administered through a Caribbean Resilience Fund". This proposal stems from the recognition that Caribbean countries are among the most highly indebted countries in the world. The subregion's high debt dilemma was linked to external shocks, compounded by the inherent structural weaknesses and vulnerabilities confronting Caribbean SIDS with limited capacity to respond. Many Caribbean countries belong to the middle income category, which constraints their access to concessionary funding.

**Side-Event Report: Systemic issues and debt in trying times: How can the FFD process help?**
Matti Kohonen - CSOs for Financing for Development FfD Group
Financing conditions for most developing countries were favorable for several years due to high export earnings and easy access to credit. This has changed rapidly in the past year, as commodity prices have collapsed and capital flows have dried up. Recessionary or subdued growth expectations are taking hold everywhere, not just in developing countries, reflecting deep uncertainties. The debt sustainability indicators of many countries have deteriorated fast, and outlooks are for further deterioration. The Addis Ababa Action Agenda recommitted countries to addressing systemic issues, debt sustainability and the development financing agenda coming out of preceding conferences in Monterrey (2002) and Doha (2008), while promoting an emphasis on sustainable development. Against a challenging outlook for the global economy, the pursuit of a comprehensive reform agenda in this area is becoming increasingly urgent. The UN's Financing for Development follow up process holds promise as a venue to build consensus and advance policy proposals to address these challenges.

**Albania : Staff Report for the 2016 Article IV Consultation, Seventh Review Under the Extended Arrangement, and Request for Waiver of Applicability and Modification of Performance Criteria-Press Release; […] - Country Report No. 16/142**
International Monetary Fund
Over the past few years, Albania has successfully maintained macroeconomic stability amidst a turbulent external environment. However, growth remains sluggish due to a weak Euro Area recovery and risk-averse banks. The current account deficit is expected to remain elevated as import-intensive FDI picks up. Headline inflation will likely remain subdued, due to imported disinflation and domestic slack. The medium-term outlook remains favorable, provided the reform momentum is maintained.

**Mexico : Arrangement Under the Flexible Credit Line and Cancellation of Current Arrangement-Press release and Staff Report - Country Report No. 16/137**
International Monetary Fund
Mexico continues to grow at a moderate pace. Inflation remains close to the target and medium-term inflation expectations are well anchored. The authorities have taken a number of policy measures to contain the effect of external shocks and remain committed to maintaining prudent policies. Nevertheless, Mexico is susceptible to changes in investor sentiment given its high integration with the global economy.

**Senegal : Second Review Under the Policy Support Instrument and Request for Modification of an Assessment Criterion-Press Release; and Staff Report - Country Report No. 16/144**
International Monetary Fund
Macroeconomic performance during 2015 was strong but sustaining the momentum requires steadfast implementation of reforms to create space for SMEs and FDI aimed at globally competitive production. Economic growth of 6.5 percent is the highest in 12 years and is projected at 6.6 percent in 2016. Inflation is expected to stay within the 1–2 percent range over the medium term. Better exports and lower oil prices helped the current account narrow by 1.3 percentage points to 7.6 percent of GDP. A further improvement is projected in 2016.

**Suriname : Request for Stand-By Arrangement-Press Release; Staff Report; and Statement by the Executive Director for Suriname - Country Report No. 16/141**
International Monetary Fund
Foreign reserves have fallen perilously low, reflecting the drop in commodity export prices, the closure of alumina production, fiscal and external current account deficits, and central bank intervention. The authorities began adjusting to the shock in the second half of 2015 with fiscal consolidation and, in November, a 21 percent devaluation. They floated the currency in March 2016, which has resulted in a further depreciation of about 60 percent. The authorities have requested a Stand-By Arrangement (SBA) with the Fund to smooth the ongoing adjustment, restore confidence, and pave the way to economic recovery.

## Developing Domestic Bond Markets

**The Government Debt and Risk Management Program**
The World Bank
The Government Debt and Risk Management Program provides assistance to middle-income countries to improve macroeconomic and fiscal management by reducing vulnerability to financial and other shocks.

**Q2 2016 Portfolio Discussion: Emerging markets debt**
J.P. Morgan for Asset Management
J.P. Morgan Asset Management Emergency Market (EM) Sovereign Debt Investing Opportunities Report, focused on 2016 Q2.

**Iran issues debut ijara sukuk**
GFC Media Group
In an effort to diversify its sources of funding and relieve the pressure on the local banking system, the Iranian government has launched a sukuk, a positive step forward for the global sukuk markets. The Iranian Ministry of Finance has issued IRR5tn (US$145mn) worth of lease-based Islamic bonds. The sukuk is the first issued by the sovereign to have an ijara format.

**Islamic Bond Sukuk in Africa: Opportunities and Challenges**
EsQ Legal Practice
Africa is for the first time embracing large-scale Islamic financing as countries seek to tap cash-rich Middle Eastern investors to fund their large infrastructure programs. The latest wave of finance to reach African corporations and governments is primarily coming from the Middle East, with an increasingly significant Sharia-compliant component. The economies that comprise the Gulf Cooperation Council are enjoying a period of strong economic performance at the moment, and they want to invest their money. Sukuk is the Arabic name for financial certificates, but commonly refers to the Islamic equivalent of bonds. Since fixed income, interest bearing bonds are not permissible in Islam, sukuk securities are structured to comply with the Islamic law and its investment principles, which prohibits the charging, or paying of interest.

## Cash Management

**Workshop on Cash Management During a Crisis**
Mazars in Russia

On March 5, 2015 the Franco-Russian Chamber of Commerce (CCI France Russie) held a workshop on finance: Cash Management During a Crisis: Legal Guarantees, Debt Collection, Banking Instruments, where Eugene Korotkikh, Tax & Legal Department Manager of Mazars in Russia, participated as a speaker.

## Retail Debt

**Is the game over for retail debt programs or restarting with mobile technology?**

The World Bank

Public debt management has been attracting growing interest over the past decade for a variety of reasons from the success of the HIPC initiative to the ballooning of government debt outstanding in high income countries in the aftermath of the 2008-2009 crisis. However, retail debt programs, one of the long-established channels for government borrowing (e.g. 1861 in the case of the United Kingdom) have received far less attention.[…]

## Legal Issues and Conventions

**Sovereign Debt Restructuring - Call for Papers**

The Centre for International Governance Innovation (CIGI) & University of Glasgow

The Centre for International Governance Innovation (CIGI) and the University of Glasgow will co-host a conference on Sovereign Debt Restructuring on the 29th and 30th of August, 2016 in Glasgow, UK. The aim of the conference will be to examine sovereign debt restructuring from a broader approach, focusing on market failures associated with the functioning of sovereign debt markets and with emphasis on second best solutions as the relevant benchmark for policy interventions. The Editors of Oxford Economic Papers have agreed to consider some of the papers selected for the conference for a Special Issue of the journal to be published in 2017-18.

## Derivatives

**Derivatives Market - 2015 Year in Review: A Summary**

Latham & Watkins LLP

The CFTC (Commodity Futures Trading Commission) has carried a large load in the implementation of market reforms, and has continued to be aggressive in its enforcement of such regulatory regime. Further, in the spirit of the Dodd-Frank Act and its commitment to the reduction of systemic risk, the Commodity Futures Trading Commission ("CFTC") has begun to address new areas of trading risk resulting from technology and innovation. The Report sets forth a high-level summary of the significant progress made with respect to the finalization and implementation across the US derivatives regulatory regime, as well as a bird's eye view of the state of the EU derivatives regulatory market reforms, and the remaining challenges faced by the industry.

## Accounting, Transparency and Accountability

**Main Economic Indicators, Volume 2016 Issue 6**

OECD - Organisation for Economic Co-operation and Development

The monthly Main Economic Indicators (MEI) presents comparative statistics that provide an overview of recent international economic developments for the 34 OECD countries, the euro area and a number of non-member economies.

**OECD Institutional Investors Statistics 2015**

OECD - Organisation for Economic Co-operation and Development

This publication provides a unique set of statistics that reflect the level and structure of the financial assets and liabilities of institutional investors in the OECD countries (with the exception of Australia and Slovak Republic), and in Latvia and the Russian Federation.

**Quarterly National Accounts, Volume 2015 Issue 4**

OECD - Organisation for Economic Co-operation and Development

The OECD's Quarterly National Accounts contains a selection of the accounts most widely used by economic analysts: GDP by expenditure and by industry, gross fixed capital formation by asset, gross fixed capital formation by institutional sector, and components of disposable income are all shown at both current and constant prices. Saving and Net lending and GDP by income at current prices are also provided as well as population and employment data (national concept) and employment by industry (domestic concept).

**Accountability. Now. We Must Enhance Government Accountability and Transparency**

Andreas Bergmann - International Public Sector Accounting Standards Board

In the public sector, the lack of transparency and accountability presents a major risk to the efficiency of capital markets, global financial stability, and long term sustainability. We need to create greater public awareness among all levels of society. If we want to build a society that is sustainable and stable in the long-term, we must be prepared to take responsibility for the changes that will be required to more effectively manage public sector resources. The International Federation of Accountants (IFAC) recently launched the Accountability. Now initiative, which is designed to raise awareness of the need for greater transparency and accountability in public sector financial management. At the core of this initiative is the drive for governments and public sector entities to implement robust and effective accrual-based financial reporting systems, such as those based on International Public Sector Accounting Standards (IPSASs), developed by the International Public Sector Accounting Standards Board (IPSASB).

**Supplements to the Statistical Bulletin - Monetary and Financial Indicators - Financial Accounts, No. 28 – 2016**

Bank of Italy

These are quarterly statistics on stocks and flows of Italy's financial assets and liabilities classified by institutional sector (firms, households, general government, financial corporations, and rest of the world) and by financial instrument, in order of liquidity based on the original maturity and negotiability (from cash to deposits and insurance and pension instruments).

**Supplements to the Statistical Bulletin - Monetary and Financial Indicators - Public Finance Statistics in the European Union, No. 30 - 2016**

Bank of Italy

This twice-yearly publication contains annual statistics on general government net borrowing, debt and main profit and loss account items of the EU countries and remaining G7 countries (United States, Japan and Canada).

## Coordination with Other Policies and Operations

**Convergence Report 2016**

European Commission

Convergence Reports examine whether Member States satisfy the conditions for adopting the single currency. The 2016 Convergence Report, adopted on 7 June 2016, is a regular biennial report and examines progress with convergence in seven Member States with a derogation - Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden. The report concludes that none of the countries examined fulfils all conditions for adopting the euro at this stage.

**Monetary/fiscal policy mix has implications for debt and financial stability**

Bank of Canada Governor Stephen S. Poloz

The mix of monetary and fiscal policies in an economy has important implications for debt levels and financial stability over the medium term, according to Bank of Canada Governor Stephen S. Poloz's speech. There should be a degree of coordination between the monetary and fiscal authorities that allows both to be adequately informed of each other's policies and consider their implications on debt levels over the medium term.

**OECD Business and Finance Outlook 2016**

Directorate for Financial and Enterprise Affairs - Organisation for Economic Co-operation and Development

It is seven years since the global crisis and despite easy monetary policy, financial regulatory reform, and G20 resolutions favouring structural measures, the world economy is not making a lot of progress. Indeed, the responses to the crisis seem mainly to have stopped the banks from failing and then pushed the many faces of the crisis around between regions—currently taking the form of excess capacity in emerging markets. Productivity growth raises income per head, allows companies to pay better wages and it raises demand to help to eliminate excess capacity and improve employment. However, this element is missing in the global corporate sector. The theme of this year's Business and Finance Outlook is fragmentation: the inconsistent structures, policies, rules, laws and industry practices that appear to be blocking business efficiency and productivity growth.

**OECD Economic Outlook, Volume 2016 Issue 1**

OECD - Organisation for Economic Co-operation and Development

The OECD Economic Outlook is the OECD's twice-yearly analysis of the major economic trends and prospects for the next two years. The Outlook puts forward a consistent set of projections for output, employment, prices, fiscal and current account balances. Coverage is provided for all OECD member countries as well as for selected non-member countries. This issue includes a general assessment, a special chapter on promoting productivity and equality, a chapter summarising developments and providing projections for each individual country and a statistical annex.

**OECD Economic Surveys: Euro Area 2016**

OECD - Organisation for Economic Co-operation and Development

This 2016 OECD Economic Survey of the Euro Area examines recent economic developments, policies and prospects. The special chapter cover: Making public finances more growth and equity-friendly.

**OECD Economic Surveys: Hungary 2016**
OECD - Organisation for Economic Co-operation and Development
This 2016 OECD Economic Survey of the Hungary examines recent economic developments, policies and prospects. The special chapters cover: Bolstering business investment and Enhancing skills for the labour market.

**OECD Economic Surveys: Korea 2016**
OECD - Organisation for Economic Co-operation and Development
This 2016 OECD Economic Survey of the Korea examines recent economic developments, policies and prospects. The special chapters cover: Raising productivity and Labour market reform.

**OECD Economic Surveys: Czech Republic 2016**
OECD - Organisation for Economic Co-operation and Development
This 2016 OECD Economic Survey of the Czech Republic examines recent economic developments, policies and prospects. The special chapters cover: Fostering productivity for sustainable convergence; Public sector effectiveness.

**OECD Economic Surveys: Denmark 2016**
OECD - Organisation for Economic Co-operation and Development
This 2016 OECD Economic Survey of the Denmark examines recent economic developments, policies and prospects. The special chapters cover: Macroeconomic and financial risk; Ageing and wellbeing.

**OECD Economic Surveys: European Union 2016**
OECD - Organisation for Economic Co-operation and Development
This 2016 OECD Economic Survey of the European Union examines recent economic developments, policies and prospects. The special chapter cover: Priorities for completing the Single Market.

## Monetary Policy

**Redeeming an unforgiving world**
Speech given by Mark Carney, Governor of the Bank of England
The global economy risks becoming trapped in a low growth, low inflation, low interest rate equilibrium. For the past seven years, growth has serially disappointed—sometimes spectacularly, as in the depths of the global financial and euro crises; more often than not grindingly as past debts weigh on activity [...]

**Addressing the causes of low interest rates**
Speech by Mario Draghi, President of the European Central Bank
The mandate of each central bank is phrased in strictly domestic terms. But in an open and integrated international economy, the challenges we face are often fairly similar across jurisdictions. Over the past few years, one particular challenge has arisen across a large part of the world. That is the extremely low level of nominal interest rates. [...]

**Monetary Policy Report no 1 March 2016**
Bank of Russia - The Central Bank of the Russian Federation
Bank of Russia's monetary policy may remain moderately tight over a longer period of time than expected. Besides, the key rate level will be determined given the influence of decreasing structural liquidity deficit and possible transition to a structural liquidity surplus as a result of massive Reserve fund expenditures in order to cover the budget deficit. In view of the expected continuation of sanctions against Russia in 2016-2018, the Bank of Russia will provide credit organisations with the possibility of prolongation of their indebtedness on FX refinancing instruments during the forecast period. However, the demand for these operations may be less than projected.

## Fiscal Policy and Budget Management

**Public finances in the economic and monetary union**
European Commission
The economic and financial crisis badly weakened public finances in EU countries. Significant efforts in recent years and an improved economic outlook are bearing fruit and Member States have succeeded in reducing deficits and stabilizing debt levels. According to EU Commission, it's important that governments secure long-term control over deficit and debt levels. Current situation is set forth all over this EU official web-page and its links.

**Which fiscal union?**

Guido Tabellini - Bocconi University and CEPR Research Fellow

In order to preserve financial integration and stability, the Eurozone needs to build elements of a common fiscal policy. This column, first posted 12 February 2016, discusses how this could be done. It proposes the creation of a European Fiscal Institute, modelled on principles similar to those used for the ECB. Such an establishment would require treaty and constitutional reforms in member states, which would not be politically feasible in the short term.

## DMO's Programmes and Reports

**Annual Review 2015**

Republic of Austria Debt Management

The Austrian government follows a long-term, stability-oriented fiscal and economic policy, thereby attaining sustainable economic output with a high level of employment. Its primary goal at the moment is to proceed with structural fiscal consolidation and support potential growth in Austria. The most important areas for structural reforms are public administration, financial equalization, subsidies, education, pensions, and the labor market. By setting up this work program and by making decisions for a durable fiscal consolidation, the federal government is taking important steps towards preserving employment, welfare, and social stability.[…]

**Brazilian Federal Public Debt Monthly Debt Report**

Brazil Federal Public Debt Management

Since 2003, The Brazilian Monthly Debt Report has been presenting statistics and relevant data on Federal Public Debt – DPF. The publication disclosures data on issuances, redemptions, outstanding debt evolution, average maturity, maturity profile, average cost and others for both domestic and external debt from Brazilian National Treasury responsibility. Besides that, it brings information about the Treasury Direct Program – a public securities retail sales program – and a periodic Annual Borrowing Plan assessment.

## Contingent Liabilities

**Contingent Liabilities Statistics and Data Collection**

EUROSTAT

In order to assist EU Member States in the implementation of the new statistical requirements of the Directive, Eurostat conducted a Task Force in co-operation with EU Member States and DG ECFIN. Its final report provides, inter alia, a set of templates and related notes indicating the methodology, the scope of compulsory information, the periodicity and the timeliness for national and Eurostat publication of data on contingent liabilities.

## Public Debt in Macroeconomic Analysis

**Managing Debt in an Overleveraged World**

Michael Spence - Professor of Economics at NYU's Stern School of Business.Chair of the World Economic Forum Global Agenda Council on New Growth Models

What ever happened to deleveraging? In the years since the 2008 global financial crisis, austerity and balance-sheet repair have been the watchwords of the global economy. And yet today, more than ever, debt is fueling concern about growth prospects worldwide. A global economy that is levering up, while unable to generate enough aggregate demand to achieve potential growth, is on a risky path. But to assess how risky, several factors must be considered. The report analyzes them.

**Economic Bulletin - Issue 3 / 2016**

European Central Bank

The financial market turbulence of early 2016 has subsided and global economic activity is showing signs of stabilisation. World trade has been resilient at the start of the year, although its growth rate is expected to remain moderate.[...]

**ESMA Risk Dashboard 1Q16**

ESMA European Securities and Markets Authority

ESMA's 1Q16 risk assessment remains unchanged from 4Q15. Systemic stress was at an elevated level, as uncertainty lingered around EU economic developments also reflecting the materialisation of key macro-financial risks at the global level. The low interest rate environment persisted in the EU, commodity prices remained at low levels and price volatility was high across assets with financial institutions in particular subject to significant price pressures at the beginning of 1Q16.

**Explore. Create. Share: Development Data**

The World Bank IBRD IDA

DataBank is an analysis and visualisation tool that contains collections of time series data on a variety of topics. You can create your own queries; generate tables, charts, and maps; and easily save, embed, and share them.

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**Is Greek public debt unsustainable?**

Zsolt Darvas Pia Hüttl – Bruegel.org

Greek public debt does not look sustainable if the country has to return to market borrowing at the end of the third bail-out programme, but could be sustainable if preferential ESM funding continues in the long-term. Our advice is to offer hope for Greece in the form of delayed fiscal adjustment toward a target of 2.5% of GDP primary balance and adopt various measures to ease the debt burden, for the benefit of both Greece and its official lenders.

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**Italy: Staff Concluding Statement of the 2016 Article IV Mission**

IMF - International Monetary Fund

Focusing on Republic of Italy, the report shows : (a) The economy continues to recover from a deep and protracted recession (b) The recovery is likely to strengthen but remain modest in the coming years (c) Cognizant of Italy's complex challenges, the government has been pursuing a range of important reforms (d) It is imperative that these efforts are expanded and completed (e) Building on the recent reform progress, further steps in three priority areas could help lift growth (f) Several important steps have been taken recently toward fostering the stability and viability of the banking system (g) Fiscal policy faces a difficult balancing act of reducing the high public debt and supporting growth (h) Taking advantage of the low interest rate environment, fiscal policy should remain anchored to an ambitious medium-term consolidation path, supported by pro-growth policies, to secure public debt on a firmer downward path.

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**OECD - Italy - Economic Forecast**

The Organisation for Economic Co-operation and Development (OECD)

OECD Italy forecast showed GDP growth is expected to reach 1% in 2016 and 1.4% in 2017. Private consumption continues to be the main driver of the recovery. Employment growth has temporarily slowed but real income gains and pent-up demand are supporting household spending. Investment is turning around, providing some support to domestic demand, but constraints on the availability of bank credit still impede a faster investment recovery. The government has reiterated its commitment to fiscal consolidation, but at a gradual pace, and to the structural reform programme. […]

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**Annual Report for 2015**

Bank of Italy

In 2015 global economic activity fell short of expectations, as it had in the previous year. Growth slowed overall to 3.1 per cent, compared with 3.4 per cent in 2014. [...]

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**The most important charts for the Canadian economy in 2016**

Jason Kirby – Macleans

From employment and trade to energy and deficits, here are 50 charts picked by Canada's brightest minds to help you understand the economy in the year ahead.

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**Algeria: 2016 Article IV Consultation-Press Release and Staff Report - Country Report No. 16/127**

International Monetary Fund

The oil price shock has hit Algeria's economy hard and exposed the longstanding vulnerabilities of a growth model dependent on hydrocarbon and public spending. The fiscal position—already weakened by a ramp-up in spending in the wake of the Arab Spring—has deteriorated further as oil revenues plummeted. [...]

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**Canada: 2016 Article IV Consultation-Press Release; and Staff Report - Country Report No. 16/146**

International Monetary Fund

After several years of solid growth, real GDP growth decelerated to 1.2 percent in 2015, as energy companies slashed investment spending in response to the decline in oil prices. Growth is expected to rebound in 2016, supported by exchange rate depreciation and accommodative monetary and fiscal policies, but uncertainty about oil prices, challenges in sustaining the global recovery, and elevated domestic vulnerabilities suggest risks to the outlook are tilted to the downside. A new government, led by Prime Minister Trudeau, took office in late 2015.

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**Colombia: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Colombia - Country Report No. 16/129**

International Monetary Fund

A strong policy framework has allowed Colombia to begin to adjust smoothly to the large decline in oil prices since mid-2014. The current account deficit, relative to GDP, widened to historical highs with the steep drop in oil exports. In 2015, macroeconomic policies were tightened to curb the growth in domestic demand and contain inflationary pressures arising from the sharp currency depreciation. A sound financial system and resilient corporate and household balance sheets have also contributed to the smooth adjustment. [...]

**[Costa Rica: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Costa Rica - Country Report No. 16/131]**

International Monetary Fund

Growth moderated to below trend in 2013–15. In 2015, the output gap widened notwithstanding the modest pick-up in growth to 3¾ percent. GDP is expected to return to potential over the medium-term. Inflation dove into negative territory following the sharp decline in imported oil prices, but is projected to return to the 2- 4 percent target range by end-2016. The exchange rate (XR) remained stable despite the removal of the band, and reserve accumulation resumed strongly. Risks to the outlook are tilted to the downside, notably from large fiscal deficits and high dollarization.

**[Côte d'Ivoire: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Côte d'Ivoire - Country Report No. 16/147]**

International Monetary Fund

Economic performance has been impressive over the past 4 years, but challenges remain. Political normalization, together with supportive fiscal policy and structural reforms to improve the business climate enabled a strong pickup in economic activity. Growth has been accompanied by a modest decline in poverty, but other human development indicators have been slow to improve.[...]

**[Greece: Preliminary Debt Sustainability Analysis-Updated Estimates and Further Considerations - Country Report No. 16/130]**

International Monetary Fund

Greece continues to face a daunting fiscal consolidation challenge. After seven years of recession and a structural adjustment of 16 percent of GDP, Greece has only managed to achieve a small primary surplus in 2015, and this due to sizeable one-off factors. This is still far away from its ambitious medium-term primary surplus target of 3½ percent of GDP. Reaching this target still requires measures of some 4½ percent of GDP. Low-hanging fruit have been exhausted, and the scope for new significant measures is limited.

**[Islamic Republic of Mauritania: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Mauritania - Country Report No. 16/115]**

International Monetary Fund

This paper discusses the impact of the global economic slump on the Mauritanian economy, which faces a significant negative terms-of-trade shock that is more persistent than initially envisaged. The impact of the international shock is compounded by a narrow production base, structural weaknesses, and limited policy space related to elevated public debt and pressures on external buffers. The outlook sees a recovery in economic activity to 4.1 percent in 2016, but risks to the outlook are tilted to the downside. The present economic uncertainty has prompted Mauritania to call for an ambitious policy adjustment to diversify the economy and promote inclusive growth for a determined reform agenda.

**[Maldives: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Maldives - Country Report No. 16/135]**

International Monetary Fund

Maldives living standards have risen to middle income levels over the past two decades driven by tourism development. The country's geography—with a widely dispersed population across small far flung islands—creates fiscal challenges and the economy has faced persistent fiscal deficits over the past decade. The economy is highly exposed to climate change which further adds to fiscal costs.

**[Paraguay: 2016 Article IV Consultation-Press Release; and Staff Report - Country Report No. 16/116]**

International Monetary Fund

This paper discusses the recent economic developments of Paraguay. Against the backdrop of a regional slowdown, Paraguay's economy remains relatively resilient. The economy experienced some loss of momentum over the past year due to unfavorable external shocks. Inflation pressures remain contained despite significant depreciation of the guaraní against the U.S. dollar.

**[Republic of Lithuania: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Republic of Lithuania - Country Report No. 16/125]**

International Monetary Fund

Thanks to sound macroeconomic management and an overall favorable business climate, income convergence with Western Europe is advancing. In 2015, sharply contracting exports to Russia temporarily dragged down growth. Ensuring good economic progress over the medium term requires continued productivity improvements, safeguarding competitiveness in a tightening labor market, and beginning to address high income inequality.

**Romania: 2016 Article IV Consultation-Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Romania - Country Report No. 16/113**

International Monetary Fund

Romania made important progress in addressing economic imbalances in recent years. Prudent policies, partly in the context of successive Fund-supported programs, reduced vulnerabilities, and the fiscal and current account deficits improved markedly. However, economic policies have weakened recently and hard-won gains are at risk. Fiscal policy is pro-cyclical and the fiscal deficit is projected to increase substantially in 2016 and remain high in 2017, putting public debt on a gradually rising trajectory. Progress on structural reforms has slowed. Some recently passed measures, and others under consideration in parliament, could threaten property rights and damage the financial sector. [...]

**Somalia: Staff -Monitored Program-Press Release; and Staff Report - Country Report No. 16/136**

International Monetary Fund

This paper discusses key issues related to the economy of Somalia. Since 2012, Somalia has been recovering slowly from nearly 25 years of civil war. Weak institutional capacity, complex clan politics, and a challenging security situation have complicated economic reconstruction. As a result, social and economic conditions remain dire. To help Somalia's economic reconstruction efforts and establish a policy implementation track record as an important step toward an eventual fund arrangement, the authorities have requested an IMF staff-monitored program. It focuses on strengthening macroeconomic policy management and reforms to strengthen economic governance and institutional capacity and keep up the pace of restoring key economic and financial institutions.

**Thailand : 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Thailand - Country Report No. 16/139**

International Monetary Fund

GDP growth is projected to pickup up slightly to 3.0 percent in 2016 and 3.2 percent in 2017, below most other ASEAN economies and Thailand's own historical record. Weak domestic and external demand, coupled with volatile global financial conditions, will remain headwinds, while structural bottlenecks weigh on potential growth. Inflation is expected to remain low in the foreseeable future.

# Network News

The **What's new on the website** section of the PDM Network site proposes ***a daily selection of Network News on public debt management*** from online newspapers and info providers, as well as the most recent documents and web resources uploaded on the website. Subscribers also receive weekly ***Emerging Sovereign Debt Markets News*** selected by the PDM Secretariat from the ***Thomson Reuters*** **©** information services.

# Annual Reports & Guidelines

go to the "*Information Corner*" on www.publicdebtnet.org

# Events and Courses

## Newly uploaded

**1 January – 31 December 2016; Several regional sites and online courses**
IMF International Monetary Fund Institute for Capacity Development 2016 Training Catalog

**16 – 20 May 2016; CABRI's offices in Centurion, South Africa.**
CABRI launches programme on public debt management with an in conversation workshop on cash management

**28 June 2016; conference call**
Transparency and Communication in Public Debt Management

**28 – 30 June 2016; San Salvador, El Salvador**
Workshop on Risk Management and Oversight of Payments and Market Infrastructures

**5 July 2016; Bruegel, Rue de la Charité 33, 1210 Brussels, BE**
Sovereign and banking risks: what policies?

**12 July 2016; Bruegel, Rue de la Charité 33, 1210 Brussels, BE**
Does the euro area need a sovereign insolvency mechanism?

**29 – 30 August 2016; Glasgow, UK**
Sovereign Debt Restructuring. Call for Papers

## Previously signaled

**13 – 14 July 2016; Singapore**
National Asset-Liability Management Asia

**18 – 22 July 2016; The Joint Vienna Institute (JVI)**
Implementing Government Debt Management Strategies

**8 – 12 August 2016; Vienna**
Government Debt Management Performance Assessment Tool DEMPA

**27 September 2016; TBC London**
ICMA European Repo and Collateral Council (ERCC) General Meeting

**19 – 20 October 2016; Washington, DC**
2016 Sovereign Debt Management Forum: Sovereign debt management in emerging markets: is the party over?

**7 – 8 November 2016; World Bank, Washington DC - Usa**
Sixth Joint BIS-ECB-World Bank Public Investors Conference

# Communication Corner

Since 2002, the Italian Treasury - Public Debt Office has been organizing study visits and meetings for foreign delegations coming from emerging and less developed countries, aimed at sharing the Italian experience in sovereign debt management. For further info, please contact **Publicdebtnet.dt@dt.tesoro.it**.

**REMINDER…**

**e-LEARNING COURSE MATERIALS**

The PDM network website hosts materials from the e-learning course "**ADVANCED RISK MANAGEMENT**" organized by UNITAR thanks to the authorization of the author, Mr. Enrique Cosio-Pascal.
***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

**As at 22nd June 2016, the number of total resources of the PDM Network website is 29,912 (of which 22,920 news, 3,300 documents and 2,840 web resources). This newsletter is sent to 604 Subscribers from emerging and advanced countries.**