MEF Dipartimento del Tesoro
OECD BETTER POLICIES FOR BETTER LIVES
WORLD BANK GROUP
PDM NETWORK

PDM NETWORK *Newsletter*

Click the links below for more info:

>> PDM Network

>> Emerging Markets Weekly Newsletter

>> Bimonthly Newsletter

Number 5/ September - October 2018
ISSN 2239-2033

This bimonthly 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 grey background.

The PDM Network Newsletter is published on January, March, May, July, September and November.

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

Documents 2
Reports 29
News...35
Events and Courses 36
PDM Network in Figures................... 38
Our Subscribers 39

Special Focus

How Do Countries Use an Asset and Liability Management Approach ? A Survey on Sovereign Balance Sheet Management
M. Coskun Cangoz, Sebastien Boitreaud, Christopher Dychala - World Bank Treasury
This paper summarizes and discusses the results of a survey on country practices in the management of sovereign assets and liabilities. Twenty-eight countries, mostly high-income economies, responded to the questionnaire. The survey responses provide detailed information about various approaches to the sovereign asset and liability management framework in terms of balance sheet production as well as objectives, priority areas, and challenges associated with integrated management. In addition to the survey results, where possible and relevant, this paper provides insight through prominent country examples. Read more **TAGS:** Sovereign ALM; Contingent Liabilities; Best Practices; World Bank

Sovereign Debt: A Guide for Economists and Practitioners
IMF

This conference was hosted by the International Monetary Fund at its headquarters in Washington DC on September 13-14, 2018. The conference was designed to showcase and support the development of a new book - Sovereign Debt: A Guide for Economists and Practitioners – edited by S. Ali Abbas (IMF), Alex Pienkowski (IMF) and Kenneth Rogoff (Harvard University). The forthcoming book from Oxford University Press and the IMF is designed to connect the multiple aspects of sovereign debt policy into one coherent text. It will be accessible to policymakers and practitioners and will combine economic theory and analysis with real world examples of how this relates to actual events and policies. The editors have gathered together some of the leading experts in the field of sovereign debt as chapter authors and conference participants. **Read more** **TAGS:** **Debt Policy**; **Primary market**; **Debt sustainability**; **Sovereign defaults**; **Debt Restructuring**

Azerbaijan: Just-in-time support for the economy
World Bank
The sharp decline in global oil prices exposed Azerbaijan's economy to severe shocks with negative spillovers to the financial system. Declining export revenues wiped off current account surplus and drove fiscal balance to deficit necessitating exchange rate devaluations, fiscal consolidation and bold steps to tackle implicit liabilities of the banking sector. Azerbaijan ministry of finance collaborated with World Bank Group to help develop a public finance strategy for the medium term, providing policy guidance for sustainable and sound public debt management for all stakeholders. In August 2018, Azerbaijan published for the first time a "Medium to long term debt management strategy for Azerbaijan Republic's public debt" to further strengthen the country's financial sustainability, meet the financial needs of the government by reducing costs but also managing risks and upgrade oversight mechanisms. **Read more** **TAGS:** **Debt Policy**; **Cost and Risk**; **Debt sustainability**; **Financial stability**; **World Bank**

Documents

Debt Policy

Sovereign debt maturity structure and its costs **(2018)**
Flavia Corneli - Bank of Italy
Recent empirical contributions show that emerging markets tend to issue mainly short-term debt, even if this increases the country's exposure to liquidity crises. This paper proposes a theoretical model to explain under which conditions issuing short-term debt can be the best choice for a country and its international lenders. Sovereign crisis management tools are then discussed to determine whether they can modify the optimal debt maturity structure. The optimal debt contract between a country and its lenders imposes a limit on the amount of long-term debt, which derives from the impossibility of the country to guarantee in advance that it will not dilute these obligations. Any change in the debt contract to include the possibility of sovereign debt restructuring and/or the intervention of an international institution has an impact on the cost of the issued debt; however, these crisis management tools are unable to loosen the constraint on long-term debt issuance. **TAGS:** **Cost and Risk**; **Debt Policy**; **Debt composition**

Public Debt through the Ages **(2018)**
Barry Eichengreen, Asmaa El-Ganainy, Rui Pedro Esteves and Kris James Mitchener -

University of California-Berkeley, IMF, Graduate Institute of International and Development Studies-Geneva, Santa Clara University

This introductory chapter focuses on the first era of Globalization (1880-1913) and the Twentieth Century. It covers the broad trends in the level and composition of debt, with case studies of major global events such as the world wars, the Great Depression and the Great Recession. A discussion of developing market debt crises, including the Latin American Debt Crisis and the HIPC Initiative, along with their resolution, conclude the chapter.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text.

For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: Debt Policy; **Cost and Risk**; **Debt Statistics**; **Debt and fiscal/monetary policies**; **Debt crisis**

The Motives to Borrow **(2018)**

Antonio Fatas, Rex Ghosh, Ugo Panizza, Andrea Presbitero - INSEAD, IMF, The Graduate Institute Geneva

Governments issue debt for good and bad reasons. While the good reasons—intertemporal tax smoothing, fiscal stimulus, and asset management—can explain some of the increases in public debt observed in recent years, they cannot account for all of the observed changes. Bad reasons for borrowing are driven by political failures associated with intergenerational transfers, strategic manipulation, and common pool problems. These political failures are a major cause of overborrowing and budgetary institutions and fiscal rules can play a role in mitigating the tendency to overborrow. While it is difficult to establish a clear causal link from high public debt to low growth, it is likely that some countries might be paying a price in terms of lower growth and greater output volatility because of excessive debt accumulation.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: Debt Policy; **Debt and fiscal/monetary policies**; **Debt and growth;** **Debt sustainability**

Cost and Risk

A cost-risk analysis of sovereign debt composition in CESEE **(2018)**

Sebastian Beer - Oesterreichische Nationalbank (OeNB)

Drawing on a newly compiled structural debt database, this article examines sovereign interest rate exposure in ten countries in Central, Eastern and Southeastern Europe (CESEE). The average maturity of sovereign debt has lengthened over time and converged across CESEE, indicating that the likelihood of sudden changes in interest rate has decreased since 2009. Using a simple theoretical model, this article identifies the drivers of this development, highlighting the role of debt managers' risk preferences. **TAGS: Financial Analysis**; **Cost and Risk**; **Debt composition**; **Debt sustainability**; **Sovereign risk premia**; **Sovereign bonds yields**

Rare disasters, financial development, and sovereign debt **(2018)**

Sergio Rebelo, Neng Wang, Jinqiang Yang - Northwestern University Columbia Business

School Shanghai University of Finance and Economics

The authors study the implications of the interaction between rare disasters and financial development for sovereign debt markets. In their model, countries vary in their financial development, by which they mean the extent to which shocks can be hedged in international capital markets. The model predicts that low levels of financial development generate a key feature of sovereign debt in emerging economies known as "debt intolerance": high credit spreads associated with lower debt -output ratios than those of developed countries. **TAGS:** **Cost and Risk**; **Financial Analysis**; **Sovereign risk premia**

Debt Management (2018)

Thordur Jonasson, Michael Papaioannou, Mike Williams - IMF, Independent consultant

The chapter begins with the primary objective of debt management, i.e. the minimization of cost of debt, subject to an acceptable level of risk; but then cover bigger picture motives, such as the allocation of risk between the public and private sector, especially in the context of an economy-wide shock (such as the Global Financial Crisis). It also discusses how the composition of sovereign debt can have important macroeconomic implications, such as via the monetary policy transmission mechanism. The chapter details the risks from maturity, currency and residency, including the 'original sin' problem faced by some countries. It concludes with a discussion of the role of benchmark instruments in furthering financial deepening.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: **Cost and Risk**; **Debt Policy**; **Debt composition**; **Debt sustainability**

Primary Markets

A review on ESBies - The senior tranche of sovereign bond-backed securities (2018)

CPB Netherlands Bureau for Economic Policy Analysis

The goals of a euro-wide safe asset are to increase the supply of safe assets and to weaken the bank-sovereign nexus. Both goals help enhance the financial stability in the euro area. To achieve these goals, economists have made different proposals to create a new safe finance instrument without joint liabilities among member states. This background document provides a review on the proposals of European Safe Bonds (ESBies) from Brunnermeier et al. (2011, 2017), which have recently been extensively reviewed by a High-Level Task Force of the European Systemic Risk Board (ESRB 2018). Authors' review on ESBies suggests that they might increase financial stability in the euro area. ESBies can achieve the goals of increasing the supply of safe assets and weakening the sovereign-bank nexus. [...]**TAGS:** **Primary market**; **Sovereign debt market**; **Financial stability**; **Sovereign debt exposure; Bond market development**

Sovereign bond-backed securities: risk diversification and reduction (2018)

Angelos Delivorias, Jelena Ulic - EPRS European Parliamentary Research Service

As a part of the European regulatory responses to the financial and sovereign debt crises, the European Commission has proposed a regulation on sovereign bond-backed securities (SBBS), a new class of low-risk securities backed by a diversified pool of

national government bonds. The proposal seeks to provide an enabling framework for a market-led development of SBBS, thus encouraging banks and investors to diversify their holdings of euro area bonds. The proposal is meant to address a weakness that appeared during the aforementioned crises, when banks' high exposure to their sovereigns' own debt, coupled with deteriorating creditworthiness of those sovereigns, led to balance sheet strains for banks. This in turn put pressure on government budgets, thus creating mutual contagion and financial instability. The procedure is currently at the initial stage in the European Parliament and the Council. **TAGS:** **Primary market**; **Financial stability** **Bond market development**; **Sovereign risk premia; Sovereign debt exposure**

The Current Landscape (2018)

Serkan Arslanalp, Wolfgang Bergthaler, Phil Stokoe and Alexander Tieman - IMF

Comparisons of public debt across countries and across time are hindered by the significant heterogeneity in definition and coverage. Public debt in France in 1830 bears very little resemblance to that of Brazil in 2016. This chapter considers what constitutes a debt contract and onion-like layers of the sovereign entity. The chapter uses this taxonomy to show the varied landscape of debt today, in particular - who are the major creditors and debtors; what is the legal basis of the debt issued, what are the main financing instruments; and what are the terms of the bond.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: **Primary market**; **Debt Statistics**; **Debt composition**

Secondary Markets

Beyond spreads: measuring sovereign market stress in the euro area (2018)

Carlos Garcia-de-Andoain, Manfred Kremer - European Central Bank

In this paper the authors propose a composite indicator that measures multidimensional sovereign bond market stress in the euro area as a whole and in individual euro area member states. It integrates measures of credit risk, volatility and liquidity at short-term and long-term bond maturities into a broad measure of sovereign market stress. The statistical framework builds on that of the ECB's Composite Indicator of Systemic Stress (CISS) developed by Hollo, Kremer and Lo Duca (2012), so that the authors call their metric the Composite Indicator of Systemic Sovereign Stress or \SovCISS". The authors implement the SovCISS for eleven euro area member states and also present four options of a SovCISS for the entire monetary union. In addition, they suggest a linear decomposition of the SovCISS, singling out contributions of the different components and of the time-varying correlations across these components. Comparing develoments in the SovCISS and the CISS over the crisis period clearly illustrates the usefulness of the latter for the real-time monitoring of systemic instabilities in the financial system as a whole. Finally, an application of the country-specific SovCISS indicators to the VAR-based spillover literature suggests that stress mainly originates from a few euro area countries, and that spillover patterns vary over time. **TAGS:** **Sovereign debt market**; **Market Liquidity**; **Financial stability**

Liquidity or Volatility? Disentangling the Sources of Spillovers in Euro Area Sovereign Bond Markets (2018)

Giang Nguyen - Pennsylvania State University

This paper examines the propagation of volatility and liquidity shocks across major sovereign bond markets during the euro area sovereign debt crisis. Spillovers are measured via a forecast error variance decomposition of a vector autoregressive model, which captures jointly the dynamics of liquidity and volatility in the government bond markets of Belgium, France, Germany, Italy, the Netherlands, and Spain. The model controls for common trends in sovereign credit risk, financial sector credit risk, funding conditions, aggregate default risk, and proxies for regional and global risk aversion. The authors show that liquidity is generally the more important source of shocks transmitted across borders, and this transmission largely originates from Italy and around the Italian crisis. Authors' findings highlight the importance of considering jointly liquidity and volatility dynamics in an analysis of spillovers beyond a traditional volatility spillover framework. **TAGS:** Market Liquidity; Sovereign debt market

---

Cointegration between the European union and the selected global markets following sovereign debt crisis (2018)

Anna Golab, Ferry Jie, Robert J. Powell, Anna Zamojska - Edith Cowan University

The purpose of this paper is to provide an analytical analysis of cointegration between Europe and the other significant trading partners, namely US, China, Japan and Australia, for the period from January 1, 2010 to December 30, 2016. This captures the impact of the sovereign European debt crisis and the Greek crisis. A range of parametric techniques were adopted including Johansen cointegration analysis, Vector Error Correction Model and Granger causality. The results of the crisis Granger causality test during the European sovereign crisis implies the highest influence to be that of the US and Japanese stock market over the other four markets. Overall, found that the Asia-Pacific region plus the US stay closely related to each other, while European countries influence all the studied markets except each other. For the post-crisis sub-period, the Granger causality is slightly different. It is observable that the UK and Germany are influencing all the markets. This is probably due to the recent Brexit referendum outcome and potential consequences not only for the EU, but also for the rest of the world too. Overall, the Granger outcome shows the dependence between Europe and other global markets, but there is no European interdependence during the sovereign debt crisis period. It may be concluded that there is a separation of Asian markets from the European markets and even though cointegration exists, the relationship is rather weak. **TAGS:** Financial Analysis; Debt crisis; Sovereign debt market

---

Liquidity in fixed income markets' risk indicators and EU evidence (2018)

Tania De Renzis, Claudia Guagliano, Giuseppe Loiacono - ESMA

Over the last few years, market analysts have pointed at an overall reduction of liquidity in fixed income markets. Market liquidity is important to ensure the efficient functioning of financial markets. Poor liquidity is likely to impose significant costs on investors and hence, ultimately on savers and the real economy. This paper provides a broad overview on different dimensions of liquidity in EU government bond markets and in EU corporate bond markets, covering the period from July 2006 to December 2016. Authors' findings show that, having deteriorated during the financial and sovereign debt crises, sovereign bond market liquidity has increased since then, potentially also due to

the effects of supportive monetary policy in recent years. However, the authors find evidence of several episodes signaling deteriorating secondary market liquidity for corporate bonds, especially between 2014 and 2016. In the sovereign segment, market liquidity seems to be more abundant for bonds that have a benchmark status and issued in larger dimensions. In the corporate segment larger outstanding amounts are related to lower market illiquidity. In both segments, increased stress in financial markets is correlated with deterioration in market liquidity. **TAGS:** **Market Liquidity**; **Sovereign debt market**

Subnational Debt

Growth And Debt In Angola At Provincial Level (2018)

César Fernando Reis, Jelson Serafim - Mandume Ya Ndemufayo University

This paper analyses GDP growth and public debt at the provincial level in Angola from 2004-2015, using a spatial model. First a SAC -Spatial autocorrelation model panel is estimated. Later, a robust test is adopted estimating the Hans-Philips linear spatial dynamic model. Finally, a spatial 3sls model is estimated taking into account the possibility endogeneity of regional spatial autocorrelation. The three models give similar results revealing that in Angola public expenditure increase GDP growth but debt decrease it. **TAGS:** **Subnational debt**; **Debt and growth**

Institutional and Economic Determinants of Regional Public debt in Spain (2018))

Mar Delgado-Téllez, Javier J. Pérez - The Bank of Spain

In this paper the authors analyze from an empirical point of view the evolution and determinants of Spanish regional public debt. Spain offers an interesting case study because of its high level of fiscal decentralization, implemented gradually during the past four decades, the parallel entry into force of a number of national fiscal rules in that period, and the heterogeneity of its regions, both in terms of economic fundamentals and some institutional features. Authors' main findings are the following: i) regional governments' fiscal policies reacted to public debt increases, on average, over the sample of study; ii) fiscal rules played a limited role in controlling debt surges, being only marginally effective in some instances, like high debt situations; iii) a higher degree of regional fiscal co-responsibility tends to be linked to more subdued debt dynamics; iv) market-disciple indicators have encouraged some discipline at the regional level, and v) regional non-standard (commercial) debt surges present explanatory power on the standard measure of public debt. **TAGS:** **Subnational debt**; **Debt and fiscal/monetary policies**

China's Local Government Bond Market (2018)

W. Raphael Lam, Jingsen Wang - International Monetary Fund, Ministry of Finance, China

Local governments play a significant role in China's public finance and fiscal operations. The size of local government debt has grown rapidly over the past years, exceeding the stock of sovereign debt in China. How does this development compare to other countries and what policies can foster the sound development of the bond markets? This paper finds that despite its rapid growth, the local government bond market is still underdeveloped. Severe impediments—low liquidity, weak credit discipline, structural fiscal deficit in local governments—have become more visible. Reforms to develop a sound local

government bond market should harmonize tax and regulations, build liquidity, and advance fiscal reforms to tighten off-budget borrowing and address intergovernmental imbalances. **TAGS: Subnational debt**; **Debt sustainability**

Financial Analysis

Bank to sovereign risk spillovers across borders: evidence from the ECB's Comprehensive Assessment (2018)

Johannes Breckenfelder, Bernd Schwaab - European Central Bank

In this paper the authors study spillovers from bank to sovereign risk in the euro area using difference specifications around the European Central Bank's release of stress test results for 130 significant banks on October 26, 2014. The authors document that following this information release bank equity prices in stressed countries declined. Surprisingly, bank risk in stressed countries was not absorbed by their sovereigns but spilled over to non-stressed euro area sovereigns. As a result, in non-stressed countries, the co-movement between sovereign and bank risk increased. This suggests that market participants perceived that bank risk is shared within the euro area. **TAGS: Financial Analysis**; **Sovereign debt exposure**

Managing the sovereign-bank nexus (2018)

Giovanni Dell'Ariccia, Caio Ferreira, Nigel Jenkinson, Luc Laeven, Alberto Martin, Camelia Minoiu, Alexander Popov - International Monetary Fund, European Central Bank

This paper identifies the various channels that give rise to a "sovereign-bank nexus" whereby the financial health of banks and sovereigns is intertwined. The authors find that banks and sovereigns are linked by three interacting channels: banks hold large amounts of sovereign debt; banks are protected by government guarantees; and the health of banks and governments affect and is affected by economic activity. Evidence suggests that all three channels are relevant. The paper concludes with a discussion of the policy implications of these findings. **TAGS: Financial Analysis**; **Sovereign debt exposure**; **Debt and fiscal/monetary policies**

Dynamic Relationship between Sovereign Bond and Sukuk Market Developments in Indonesia (2018)

Reifa Qisthi Mitsaliyandito, Tika Arundina - Department of Economics, Faculty of Economics and Business, University of Indonesia, Depok, West Java, Indonesia

This study assesses the impact of sovereign bond and sukuk market (Islamic bond market) development, as one of Indonesia's financing instruments, on the growth of its economy and vice versa. It uses the 2009-2016 quarterly longitudinal data of outstanding bond and sukuk as a proxy of the size of the bond and sukuk markets, as well as the GDP of Indonesia as a proxy of the size of its economy. The VAR model and granger causality test were used to determine the direction of causality while Impulse Response Function and Variance Decomposition analysis measured the impact of shock on each variable of the economy. The results show that only sovereign ukuk has a positive impact on the Indonesian economy which means it is more productive compared with the conventional sovereign bond. **TAGS: Primary market**; **Sovereign debt market**; **Debt composition**

The Dynamics of Japanese Government Bonds' Nominal Yields (2018)

Tanweer Akram and Huiqing Li - Thrivent Financial, Central University of Finance and Economics

This paper employs a Keynesian perspective to explain why Japanese government bonds' (JGBs) nominal yields have been low for more than two decades. It deploys several vector error correction (VEC) models to estimate long-term government bond yields. It shows that the low short-term interest rate, induced by the Bank of Japan's (BoJ) accommodative monetary policy, is mainly responsible for keeping long-term JGBs' nominal yields exceptionally low for a protracted period. The results also demonstrate that higher government debt and deficit ratios do not exert upward pressure on JGBs' nominal yields. These findings are relevant to ongoing policy debates in Japan and other advanced countries about government bond yields, fiscal sustainability, fiscal policy, functional finance, monetary policy, and financial stability. **TAGS:** **Sovereign bonds yields**; **Debt and fiscal/monetary policies**

Domestic and External Sovereign Debt (2018)

Di Casola Paola, Sichlimiris Spyridon - Central Bank of Sweden, Örebro University

Why do countries tend to repay their domestic and external debt, even though the legal enforcement of the sovereign debt contract is limited? Contrary to conventional wisdom, the authors argue that temporary market exclusion after default is costly. When the domestic financial market is characterized by a scarcity of private saving instruments, a government can partition its debt market into domestic and external segments, by restricting capital flows, to exploit its market power. The government's market power mitigates the problem of limited commitment, by making default a more costly option. Consequently, it extends the government's external debt capacity. The authors replicate the domestic and external sovereign debt for non-advanced economies, by unveiling their link to financial repression.

TAGS: **Financial Analysis**; **Foreign Debt; Sovereign defaults**; **Sovereign immunity**

A research on Eurozone Bond Market and determinants of Sovereign Bond Yields (2018)

Navjeet Gill - Nova School of Business and Economics, Lisbon, Portugal

To summarize, the main factors which affected bond spreads before the crisis, were not the country-specific fundamentals but rather the convergence of bond yields in the euro-zone countries due to and following the launch of the monetary un-ion but during the crisis, increased risk aversion and lack of lender of last resort, shifted the focus to country specific factors and the bond spreads began to diverge according to the determinants highlighted in this study. **TAGS:** **Financial Analysis**; **Debt crisis**; **Sovereign bonds yields; Sovereign risk premia**

A survey of systemic risk indicators (2018)

Antonio Di Cesare and Anna Rogantini Picco - Bank of Italy

The paper provides a survey of the systemic risk indicators used in official publications by international institutions involved in analysing risks for financial stability and in implementing macroprudential policies, with a focus on those produced by the IMF, the ESRB, the ECB, the Bank of England and the Bank of Italy. For each indicator, the paper gives a general description, a technical summary of the methodology underlying the indicator and the estimation process, and an empirical example taken from an official publication. The paper provides a rigorous, though not overly technical introduction to the major systemic risk indicators used at the international level, organizing them in a coherent way and highlighting their strengths and weaknesses. The survey provides researchers, regulators and supervisors with a systematic overview of these indicators.

TAGS: **Financial Analysis**; **International and Macroprudential Regulations; Financial stability**

Bank use of sovereign CDS in the eurozone crisis: hedging and risk incentives (2018)

Viral V. Acharya, Yalin Gündüz, Timothy C. Johnson- Reserve Bank of India, Deutsche Bundesbank University of Illinois, Urbana-Champaign

Using a comprehensive dataset from German banks, the authors document the usage of sovereign credit default swaps (CDS) during the European sovereign debt crisis of 2008-2013. Banks used the sovereign CDS market to extend, rather than hedge, their long exposures to sovereign risk during this period. Lower loan exposure to sovereign risk is associated with greater protection selling in CDS, the effect being weaker when sovereign risk is high. Bank and country risk variables are mostly not associated with protection selling. The findings are driven by the actions of a few non-dealer banks which sold CDS protection aggressively at the onset of the crisis, but started covering their positions at its height while simultaneously shifting their assets towards sovereign bonds and loans. Authors' findings underscore the importance of accounting for derivatives exposure in building a complete picture and understanding fully the economic drivers of the bank-sovereign nexus of risk. Keywords: Credit derivatives, Credit default swaps, Sovereign credit risk, Eurozone, Sovereign debt crisis, Depository Trust and Clearing Corporation (DTCC). **TAGS:** **Financial Analysis Derivatives**; **Sovereign CDS**; **Debt crisis**; **Sovereign debt exposure**; **Institutional Investors**

Benchmarking liquidity proxies: the case of EU sovereign bonds (2018)

Sven Langedijk, George Monokroussos, Evangelia Papanagiotou - International Review of Economics and Finance, European Commission JRC ISPRA

The authors examine effective measures of liquidity in the context of EU sovereign bonds and the Basel III regulatory framework. The authors observe that the empirical correlations between benchmarks and proxies are typically very low and in general become weaker as the frequency over which these relationships are examined becomes higher, and that the relative strength of the various proxies may change with the frequency considered. The main implications of authors' results for the EU sovereign bond market are (i) the use of liquidity proxies may lead to erroneous conclusions; (ii) any liquidity measure needs to be assessed against the relevant timeframe for conversion into cash; and (iii) the end-of-day spread is the best performing proxy across different frequencies. **TAGS:** **Financial Analysis**; **Sovereign bonds yields**; **Sovereign debt market**; **Market Liquidity**

Is the ECB collateral framework compromising the safe-asset status of euro-area sovereign bonds? (2018)

Grégory Claeys, Inês Goncalves Raposo - Bruegel

Central banks' collateral frameworks play an important role in defining what is considered as a safe asset. However, the ECB's framework is unsatisfactory because it is overly reliant on pro-cyclical ratings from credit rating agencies, and because the differences in haircuts between the different ECB credit quality steps are not sufficiently gradual. In this note, the authors propose how the ECB could solve these problems and improve its collateral framework to protect its balance sheet without putting at risk the safe status of sovereign bonds of the euro area. **TAGS:** **Financial Analysis; Financial stability**

Mind the Gap: disentangling credit and liquidity in Risk Spreads (2018)

Krista Schwarz - The Wharton School University of Pennsylvania

Euro-area sovereign bond and interbank interest rate spreads widened sharply in the 2007-2009 Global Financial Crisis and over the subsequent European Debt Crisis, greatly increasing financing costs. Such rate volatility could represent concerns over asset liquidity or issuer solvency. To precisely identify the relative contribution of these two effects in interest rate spreads, this paper uses a model-free measure of euro-area bond market liquidity. Liquidity accounts for 36% of the trough-to-peak sovereign spread widening during the Financial Crisis and 21% in the Debt Crisis, after controlling for default risk. Aggregate bond liquidity also explains a substantial portion of interbank spreads. **TAGS:** **Market Liquidity**; **Financial Analysis**; **Sovereign risk premia**

Price and size discovery in financial markets: evidence from the U.S. Treasury Securities Market (2018)

Michael Fleming, Giang Nguyen - Federal Reserve Bank of New York Staff Reports

Authors study the workup protocol, an important size discovery mechanism in the U.S. Treasury securities market. They find that shocks in workup order flow explain 6-8 percent of the variation of returns on benchmark notes and, across maturities, contribute 10 percent to the variation of the yield curve level factor. Information related to proprietary client order flow is more likely to show up in workup trades, whereas information derived from public announcements is more likely to come through pre-workup (or "lit") trades. Their findings highlight how the nature of information affects the trade-off between speed and execution price as informed traders choose between the lit and workup channels [...]**TAGS:** **Financial analysis**; **Market Liquidity**; **Sovereign bonds yields**

Sovereign risk and corporate cost of borrowing: evidence from a counterfactual study (2018)

EIB

The authors assess the impact of the sovereign risk spillovers onto corporate cost of borrowing in selected euro area countries. The authors utilize a novel nonparametric dependence filtering framework to remove the effects of sovereign risk in the interest rate pass-through context. The main findings confirm the heterogeneity in sovereign risk spillovers. The authors also look at divergence in sovereign risk transmission between core and peripheral Member States during financial and sovereign debt crises. They discover that the standard linear models may underestimate the underlying pass-through distortions, suggesting the existence of nonlinear sovereign risk effects. **TAGS:** **Financial Analysis**; **Cost and Risk**; **Debt crisis**

Could the decrease in Belgian government debt-servicing costs offset increased age-related expenditure? (2017)

Mikkel Barslund, Lars Ludolph - CEPS Economic Policy unit

This paper argues that none of the secular trends that have driven down real interest rates over the past two decades is likely to reverse in the near future. Thus, real rates can be expected to remain low and government debt-servicing costs to decrease further over the coming years. Based on these findings, the authors calculate direct gains accruing to the Belgian government from lower net debt interest payments. The savings on interest payments are then contrasted with the projected future increases in age-related expenditures on pensions, education and long-term care. The

findings indicate that, if savings on interest payments are channelled to cover the increases in age-related expenditures, they will fully offset financing needs in these areas until 2030. The calculations are robust to a moderate increase in interest rates. **TAGS:** **Sovereign bonds yields**; **Financial Analysis**

Financial market implications of Monetary Policy coincidences: evidence from the UK and Euro Area Government-Bond markets **(2017)**

Philip Arestis, and Peter Phelps - Journal of International Financial Markets, Institutions and Money

Relatively little is known about the financial market impact of international monetary surprises arising on the same trading day. This paper estimates a suite of multi-security factor models, which captures international monetary surprise effects on UK and Euro Area government-bond markets over the period 1999-2014. In doing so, the authors shed light on the relative importance of coinciding, non-coinciding monetary surprises and non-monetary surprises across the yield curve. The authors find some support for the enrich-thy-neighbour' hypothesis of international monetary surprises, while authors' findings suggest that monetary policy cooperation during crises produces financial market effects that go above and beyond conventional policy. **TAGS:** **Debt and fiscal/monetary policies**; **Sovereign risk premia**; **Sovereign bonds yields; Debt crisis**

Intraday dynamics and determinants of CCP and bilateral General-Collateral Repos **(2017)**

Alfonso Dufour, Miriam Marra, Ivan Sangiorgi - University of Reading ICMA Centre

The authors study the spread between the intraday general collateral repo rate on Italian Government bonds and the ECB deposit rate, using a novel dataset. They focus on overnight repos, both cleared by central counterparty (CCP) and traded bilaterally. The authors observe that collateral supply, liquidity and duration affect significantly the repo riskiness and spread, but they have a reduced impact after the ECB quantitative easing interventions. **TAGS:** **Repo market**; **Financial Analysis**

Debt Crisis

The European Debt Crisis. An Analysis and Evidence From the Macroeconomic Variables of the EU Members **(2018)**

Michel Guirguis - Independent

This article describes the current sovereign debt crisis of Greece, Ireland, Portugal and Spain, (GIPS). Using data from the International Monetary Fund, IMF, the authors illustrate the degree of the problem since the start of 2009. Macroeconomic indicators such as gross domestic product constant prices as percent change, general government net lending/borrowing as percent of GDP, general government net debt as a percent of GDP, unemployment rate, general government revenue as percent of GDP, general government total expenditure as percent of GDP, current account balance as percent of GDP, inflation end of period consumer prices as percent change, total investment as percent of GDP, gross national savings as percent of GDP, volume of imports of goods and services as percent change, volume of exports of goods and services as percent change would be used to show the violations from the Maastricht Treaty which was signed in 1992. The debt, the deficit and the unemployment rate are the major problems among the EU

countries. **TAGS:** **Debt crisis**; **Debt sustainability**; **Debt Statistics**

The transmission of Quasi-Sovereign Default Risk: evidence from Puerto Rico (2018)

Anusha Chari, Ryan Leary, Toan Phan - University of North Carolina at Chapel Hill, Federal Reserve of Richmond

Puerto Rico's unique characteristics as a U.S. territory allow us to examine the transmission of quasi-sovereign default risk to the real economy. Authors document a negative relationship between increased default probabilities and employment growth in government-demand-dependent industries. The negative relationship strengthens when the government undertakes austerity measures. In addition, fiscal austerity reduces output growth via a local fiscal multiplier effect. Overall, they provide evidence for a novel demand-driven transmission mechanism of sovereign default risk that operates through austerity risk and government demand dependence. **TAGS:** **Debt and recession**; **Debt crisis**; **Sovereign defaults**; **Debt and fiscal/monetary policies**

Always look on the bright side? Central counterparties and interbank markets during the financial crisis (2018)

Massimiliano Affinito and Matteo Piazza - Bank of Italy

Since the crisis of 2008 banks have reduced their funding through the bilateral interbank segment and increased their recourse to central counterparties (CCPs). CCPs are third parties that stand between two banks to mitigate credit risk. The analysis - which uses micro data on the Italian banking system from 2004 to 2013 - looks at whether the use of CCPs has allowed risky banks to escape the bilateral market discipline. The results show that both the greater uncertainty on the state of the international economy and the intensified attention to counterparty risk were decisive factors in the growing use of CCPs. The use of CCPs is linked to the loss of long-standing bilateral relationships only for the riskiest banks. These findings support the ongoing effort by national and international regulators to ensure that CCPs continue to have adequate risk control frameworks. **TAGS:** **Debt crisis**; **Cost and Risk;** **Institutional Investors**; **International and Macroprudential Regulations**

Challenges Ahead (2018)

Hugh Bredenkamp, Ricardo Hausmann, Alex Pienkowski, Carmen Reinhart - IMF, Harvard University

Since the global financial crisis, sovereign debt ratios in advanced and emerging economies have grown to near record highs; while in low-income countries, debt levels have been gradually building since the debt relief of the early 2000s. As global monetary conditions tighten, the burden of debt will grow and rollover risks will increase. And with a more fragmented creditor base, timely and orderly restructurings may become harder to achieve. This panel discussion explores these risks and consider which policies might enhance crisis prevention and strengthen crisis resolution. It also considers the extent to which these objectives can be pursued by individual countries or whether multilateral action is required to improve the international architecture.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: **Debt crisis**; **Debt sustainability**; **Debt Forecasts**

Debt, Default, and two liberal theories of justice (2018)

Oisin Suttle - University of Sheffield

There is a fundamental disconnect between the public discourse about sovereign and external debt in comparison to private domestic debt. The latter is predominantly viewed through a Humean lens, which sees economic morality in terms of contingent social institutions, justified by the valuable goods they realize; while sovereign and external debt is viewed through a Lockean lens, which sees property, contract, and debt as possessing an intrinsic moral quality, independent of social context or consequences. This Article examines whether this Lockean perspective on sovereign and external debt is compatible with the dominance of Humean approaches to the domestic economy. It considers and rejects the most plausible argument for reconciling these views, which emphasizes the different qualities of cooperation in the international and domestic economies. It further argues that many standard objections to a Humean approach to sovereign debt suggest, not the Lockean approach, but rather a Hobbesian international moral skepticism. Concluding that the Lockean approach is unmotivated, this Article instead advances a Humean account of sovereign debt and default. It shows how taking seriously the demand for institutional justification and the idea of persons and peoples as free and equal provides an account of the duties of states—whether creditors, debtors or third parties—in sovereign debt crises. It further examines the implications of each approach for democratic choice about sovereign default. **TAGS:** Debt crisis; Sovereign defaults

---

Sovereign Default (2018)

Julianne Ams, Reza Baqir, Anna Gelpern, Christoph Trebesch - IMF, Georgetown Law and Peterson Institute for International Economics, Kiel Institute for the World Economy

This chapter begins by conceptualizing sovereign default and debt distress and by untangling the various forms of default. It briefly discusses the determinants of default, focusing on domestic, legal and external variables. Much of the chapter then explores the various costs of sovereign default, and the factors that that influence this. It also looks at ways to reduce the costs of default and distress as well as the weaknesses and distortions within the existing framework of crisis prevention and resolution. This includes the role of official sector lending policies, domestic politics, creditor identity and the character of the debt. **TAGS:** Debt crisis; Sovereign defaults; Multilateral financing

---

Institutional and Organisational Framework

Sovereign credit spreads under good/bad governance (2018)

Alexandre Jeanneret - HEC Montréal

This paper explores how sovereign credit spreads vary with the level of governance. An analysis of 74 countries over the 2001–2016 period shows that sovereign credit default swap (CDS) spreads decrease with government effectiveness, particularly in countries exhibiting severe default risk, high indebtedness, and poor economic conditions. The authors formulate a theoretical explanation for these findings using a structural model in which governments adjust default and debt policies based on their abilities to collect and use fiscal revenues. The theory posits that more effective governments have less incentive to default and thus benefit from narrower credit spreads, although they may choose higher indebtedness levels. **TAGS:** Sovereign risk premia; Sovereign CDS; Sovereign defaults

Do the IMF and World Bank promote autonomous Sovereign Debt Management? (2018)

Tal Sadeh, Eyal Rubinson - Tel Aviv University Hebrew University of Jerusalem

As global financial markets develop, sovereign debt management requires an increasing degree of expertise and professionalism. The World Bank and the IMF have encouraged the professionalization of such management, but never explicitly advocated greater autonomy for Debt Management Offices (DMOs) from political decision-makers. This is surprising because autonomy is an important element of debt management professionalism, and because it is a credibility mechanism. This paper explores whether these institutions may be indirectly promoting DMO autonomy since 2000. The authors assembled a new country-year dataset of national debt management legislation for 75 democratic countries in the period 1950-2013. The dependent variable codes DMO autonomy from political decision-makers based on three ordered categories. Authors' main independent variable is World Bank and IMF potential for influence over countries. […]**TAGS:** Debt Policy; Best Practices; World Bank; Multilateral financing

International and Macroprudential Regulations

Maduro Bonds (2018)

G. Mitu Gulati, Ugo Panizza - Duke University School of Law, Graduate Institute of International and Development Studies (IHEID)

For multiple decades, activists have sought to institute an international legal regime that limits the ability of despotic governments to borrow money and then shift those obligations onto more democratic successor governments. Authors' goal in this article is to raise the possibility of an alternate legal path to raising the costs of borrowing for despotic regimes. All countries have systems of domestic laws that regulate agency relationships and try to deter corruption; otherwise the domestic economy would not function. Despotic governments, the authors conjecture, are especially likely to engage in transactions that are legally problematic. The reason being that despotic governments, by definition, lack the support of the populace; meaning that there is a high likelihood that actions that they take on behalf of the populace can be challenged as unrepresentative and contrary to the interests of the true principals. The foregoing conditions, if one translates them into the context of an ordinary principal-agent relationship, would constitute a voidable transaction in most modern legal systems. That means that if opposition parties in countries with despotic governments today were to monitor and make public the potential problems with debt issuances by their despotic rulers under their own local laws, it would raise the cost of capital for those despots. To support their argument, the authors use both the concrete example of the debt issuance shenanigans of the Maduro government in Venezuela and a more general analysis of the relationship between corruption, democracy and a nation's borrowing costs. **TAGS:** Debt Policy; International and Macroprudential Regulations

Debt in Just Societies: A General Framework for Regulating Credit (2018)

John Linarelli - Durham University

Debt presents a dilemma to societies: successful societies benefit from a substantial infrastructure of consumer, commercial, corporate, and sovereign debt

but debt can cause substantial private and social harm. Pre- and post-crisis solutions have seesawed between subsidizing and restricting debt, between leveraging and deleveraging. A consensus exists among governments and international financial institutions that financial stability is the fundamental normative principle underlying financial regulation. Financial stability, however, is insensitive to equality concerns and can produce morally impermissible aggregations in which the least advantaged in a society are made worse off. Solutions based only on financial stability can restrict debt without accounting for the risk of harm to persons least able to bear the risk, worsen pre-existing inequalities, destroy or impair the net worth of households, and impose unfavorable distributive consequences. This article offers a new approach to assist policymakers in developing and evaluating regulation to take criteria in addition to financial stability into account, but which do not undermine the aim of financial stability. It calls for a luck egalitarian approach, offering policymakers options to take the debtor's choices into account while still accounting for cognitive mistakes people often make in debt decision making. It offers a general framework for the underlying principles for the regulation of debt: its focus is not on any particular forms of debt or its regulation but in structuring debt regulation more generally. It offers a set of recommendations on how regulators can take concerns about luck and equality into account in regulatory design. **TAGS:** **International and Macroprudential Regulations**; **Financial stability**

Debt Restructuring

The right to restructure Sovereign Debt (2017)

Vassilis Paliouras - Queen Mary University of London

This article attempts to delineate the scope of a state right to restructure sovereign debt. It begins by tracing the origin of such a right to state sovereignty and then evaluates the limitations imposed upon it through participation in the International Monetary Fund (IMF). Beyond analyzing the legal position with respect to a state right to restructure sovereign debt, the article stresses the potential tensions between the IMF's policies relating to sovereign debt restructuring and a normative concept of sovereignty. The article concludes by presenting reform proposals able to alleviate these tensions. **TAGS:** **Debt Restructuring; Multilateral financing**

A Framework for Sovereign Debt Restructuring in the Euro Area (2018)

Sebastian Grund, Mikael Stenstrom - European Central Bank

This paper discusses the legal framework for sovereign debt restructuring in the Euro area – both de lege lata and de lege ferenda. Sovereign debt restructurings remain exceptional events that come with profound implications for financial stability and monetary policy transmission. However, they may be necessary as part of a financial assistance program to a euro area Member State, as was the case for Greece in 2012. This paper seeks to contribute to the ongoing discussion on how to enhance the functioning of the Economic and Monetary Union (EMU) by exploring the legal aspects of sovereign debt restructuring in the euro area. This includes an analysis on whether and how the procedures for sovereign debt restructuring in the euro area can be made more orderly, fair, and predictable by establishing a European Sovereign Debt Restructuring Framework (ESDRF). Drawing upon international standards for sovereign bond documentation, one may consider the inclusion of enhanced

Collective Action Clauses (CACs) as well as certain technical amendment clauses. In addition, two options for a sovereign debt dispute resolution mechanism are discussed: (i) a separate chamber at the Court of Justice of the European Union (CJEU) and (ii) a sovereign debt arbitration mechanism. The paper makes no judgement on the economic or political feasibility and necessity for such changes, but seeks to shed some light on the legal aspects to be taken into account in the context of reforming the euro area's framework for sovereign debt restructuring. **TAGS:** Debt Restructuring; International and Macroprudential Regulations

---

The seniority structure of Sovereign Debt (2018)

Mark Wright - Federal Reserve Bank of Minneapolis

The authors study the implicit seniority structure of sovereign debt, using new data on missed payments (arrears) towards six types of external creditors. The data reveal a clear pecking order of sovereign debt repayment and default. As expected, at the top are multilateral social creditors such as the IMF and the World Bank, who are least likely to be defaulted upon. Surprisingly, bilateral social creditors are junior to sovereign bondholders, especially in the period after 1990. Most junior are commercial banks and trade creditors. This pecking order is confirmed after controlling for a country's debt structure, economic fundamentals, and time and country effects. The seniority structure also holds when studying the outcome of sovereign debt restructurings, by comparing creditor losses (haircuts) on private and social external debt: On average, private creditors face significantly lower haircuts than social creditors. Authors' results pose a challenge for the theoretical literature on sovereign debt. **TAGS:** Sovereign immunity; Debt Restructuring; Sovereign defaults

---

Deconstructing Delays in Sovereign Debt Restructuring (2018)

Benjamin David, Wright Mark L. J. - State University of New York Buffalo, Federal Reserve Bank of Minneapolis

Negotiations to restructure sovereign debt are time consuming, taking almost a decade on average to resolve. In this paper, the authors analyze a class of widely used complete information models of delays in sovereign debt restructuring and show that, despite superficial similarities, there are major differences across models in the driving force for equilibrium delay, the circumstances in which delay occurs, and the efficiency of the debt restructuring process. The authors focus on three key assumptions. First, if delay has a permanent effect on economic activity in the defaulting country, equilibrium delay often occurs; this delay can sometimes be socially efficient. Second, prohibiting debt issuance as part of a settlement makes delay less likely to occur in equilibrium. Third, when debt issuance is not fully state contingent, delay can arise because of the risk that the sovereign will default on any debt issued as part of the settlement. **TAGS:** Debt restructuring; Sovereign defaults; Sovereign debt litigation

---

Bond of war: Russian geo-economics in Ukraine's Sovereign Debt restructuring (2018)

Maximilian Hess - Political Risk Analysis and Consulting at AKE International in London

Russia and Ukraine have spent the last four years locked in a conflict with many fronts, from the battlefields of Donbas to the servers of Ukrainian businesses. This paper examines one under-studied front: the dispute between Russia and Ukraine over a contested $3 billion Eurobond sold by Ukraine's government and purchased by

Russia's National Wealth Fund in December 2013. The paper first outlines the sale of the bond and then examines a number of specific contractual terms that have proven controversial. The paper next explains how the dispute led from the halls of the International Monetary Fund (IMF) to a British courtroom. It then looks to identify Russia's geo-economic strategy in the loan and subsequent legal dispute. Next, the paper positions this strategy within global developments in geo-economic policymaking, sovereign bond markets, and Russian foreign policy. Finally, it concludes by examining the dispute's implications for Russian geo-economic policy and sovereign debt markets. […]**TAGS:** **Debt restructuring**; **Debt crisis**; **Sovereign defaults**; **Sovereign debt litigation**

Managing sovereign debt restructurings in the euro zone. A note on old and current debates **(2018)**

Marco Committeri and Pietro Tommasino - Bank of Italy

Recent proposals have been put forward to reform the European economic governance, including new arrangements for the management and resolution of possible sovereign debt crises. This note purports to: (a) critically review earlier debates on the reform of the international financial architecture, identifying those elements that could still be relevant for Europe today; (b) discuss recent proposals to establish a restructuring scheme in the euro area. A formal framework for restructuring sovereign debts in Europe could be counterproductive, especially if it unduly restricts the room for maneuver available to crisis management authorities. In any event, such mechanisms could only be adopted once the existing legacy problems are solved, namely when countries' debt-to-GDP ratios are brought down to sufficiently low levels. **TAGS:** **Debt Restructuring**; **Debt crisis**; **Sovereign defaults**

Official Debt restructurings and development **(2018)**

Gong Cheng, Javier Díaz-Cassou, Aitor Erce - ESM Inter-American Development Bank ESM

Despite the frequency of official debt restructurings, little systematic evidence has been produced on their characteristics and implications. Using a dataset covering more than 400 Paris Club agreements, this paper fills that gap. It provides a comprehensive description of the evolving characteristics of these operations and studies their impact on debtors. The progressive introduction of new terms of treatment gradually turned the Paris Club from an institution primarily concerned with preserving creditors' claims into an instrument to foster development in the world's poorer nations, among other objectives. Authors' study finds that more generous restructuring conditions involving nominal relief are associated with an acceleration of per capita GDP growth, a reduction of poverty and inequality, and an increase in public health budgets. The authors also find that countries receiving nominal relief tend to receive lower aid flows subsequently, the opposite being the case for countries receiving high reductions in the net present value of their obligations, but no nominal haircuts. […]**TAGS:** **Debt Restructuring;** **Debt relief**

The Restructuring Process **(2018)**

Lee Buchheit, Chanda DeLong, Guillaume Chabert, Jeromin Zettelmeyer - Cleary Gottlieb, IMF, France Trésor, Peterson Institute

This Chapter discusses the process of restructuring a sovereign's debt once the decision has been made that this step is inevitable, and the various factors that come

into play in determining the scope, strategy, and resolution of the restructuring.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners

TAGS: **Debt Restructuring**

Accounting, Statistics, Reporting and Auditing

Republic of Moldova : Technical Assistance Report-Public Sector Debt Statistics (2018)

Mike Seiferling - International Monetary Fund

In response to a request from the European Department, a Public-Sector Debt Statistics (PSDS) technical assistance (TA) mission was conducted in Chisinau during April 2–6, 2018. With the objective of improving Moldovan public sector debt statistics, the mission conducted an evaluation of data comprehensiveness in terms of: (i) institutional coverage; (ii) instrument coverage, including maturity structures; (iii) valuation of debt liabilities; and; (iv) additional fiscal risks resulting from contingent liabilities (on-lending and guarantees). Like the recent article IV mission and Public Finance Management (PFM) assessment, the mission found that Moldova continues to improve their recording, compilation and dissemination of public sector debt statistics reflecting potential fiscal risks, but faces five main statistical challenges going forward. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Foreign Debt**; **Debt Statistics**

Macroeconomic Analysis

History Remembered: Optimal Sovereign Default on Domestic and External Debt (2018)

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

Infrequent but turbulent overt sovereign defaults on domestic creditors are a “forgotten history" in Macroeconomics. The authors propose a heterogeneous-agents model in which the government chooses optimal debt and default on domestic and foreign creditors by balancing distributional incentives v. the social value of debt for self-insurance, liquidity, and risk-sharing. A rich feedback mechanism links debt issuance, the distribution of debt holdings, the default decision, and risk premia. Calibrated to Eurozone data, the model is consistent with key long-run and debt-crisis statistics. Defaults are rare (1.2 percent frequency), and preceded by surging debt and spreads. Debt sells at the risk-free price most of the time, but the government's lack of commitment reduces sustainable debt sharply. **TAGS:** **Sovereign defaults**; **Financial stability**

International Reserves Management in a Model of Partial Sovereign Default (2018)

Ricardo Sabbadini - University of São Paulo

Despite the cost imposed by the interest rate spread between sovereign debt and international reserves, emerging countries’ governments maintain stocks of both. I investigate the optimality of this joint accumulation of assets and liabilities using a quantitative model of sovereign debt, in which: i) international reserves only function to smooth consumption, before or after a default; ii) the sovereign’s decision to repudiate debt determine the spread; iii) lenders are risk-averse; and iv) default is partial. Simulated statistics from the

benchmark model match their observed counterparts for average debt and spread, consumption volatility, and the main correlations among the relevant variables. Due to the presence of partial default and risk-averse lenders, the model also produces a mean reserve level of 7.7% of GDP, indicating that the optimal policy is to hold positive amounts of reserves. **TAGS:** **Sovereign defaults;** **Financial stability**

Macroeconomic determinants of the correlation between stocks and bonds **(2018)**

Marcello Pericoli - Bank of Italy

In the main advanced economies the correlation between returns on stocks and government bonds was positive until the end of the 1990s, but became negative afterwards; the stock/bond correlation is relevant because it allows investors to diversify their portfolios and wipe out the corresponding aggregate risks. This work analyzes the determinants of the stock/bond correlation in Germany and the US. The authors use a theoretical model, borrowed from the macro-finance literature, where returns on bonds are determined by the real interest rate and inflation while returns on stocks are determined by the real interest rate, inflation and the dividend yield. The correlation between stocks and bonds is determined primarily by the variability of inflation and by the returns on stocks compared with those on bonds. Until the end of the 1990s, a positive value of the stock/bond correlation reflected the prevalence of supply shocks, largely due to increases in oil prices, which led to a countercyclical inflation trend: during recessions, as stock markets decrease, inflation rises inducing a decrease in government bond prices. From the early 2000s onwards, the stock/bond correlation has changed sign, becoming negative owing to the prevalence of procyclical inflation. During the last ten years, unconventional monetary policy measures have weakened the negative value of the correlation both in the US (in 2009-13) and Germany (in 2014-17). **TAGS:** **Financial Analysis;** **Sovereign bonds yields**

Debt and Growth **(2018)**

Ramón López, Edward B. Barbier - University of Maryland, Colorado State University

In this paper the authors generalize endogenous growth models, which often assume a closed-economy, to allow for international borrowing and lending. They incorporate a prominent feature of global financial markets, that the marginal cost of borrowing facing a small open economy is dependent on the "country risk" as perceived by international lenders. This interest rate premium is determined by the ratio between debts and country assets that can be used for debt collateral. Consequently, the cost of credit is jointly influenced by international financial parameters and by endogenous country policies and growth patterns. To highlight the implications of integrating international financial considerations into an otherwise real growth model, the authors first use the simplest (and arguably, the most popular) one-factor growth model, the AK one, and assume that all real factors of production can be used as collateral. The model yields long-run conditions under which the country becomes a borrower in international markets, remains closed or accumulates financial wealth. The model highlights the special conditions corresponding to the solution to an AK growth model, but the outcomes of the model are richer and perhaps more realistic than conventional endogenous growth solutions. However, extending the model to include another reproducible, non-collateral asset allows for transitional dynamics but does not change the basic insights derived using the simple

one-factor model. **TAGS:** **Debt and growth; Sovereign risk premia**

Inflation, Debt, and Default (2018)

Sewon Hur, Illenin Kondo, Fabrizio Perri - Federal Reserve Bank of Cleveland, Board of Governors of the Federal Reserve System, Bocconi University

In this paper the authors study how the co-movement of inflation and economic activity affects real interest rates and the likelihood of debt crises. First, they show that for advanced economies, periods with pro-cyclical inflation are associated with lower real interest rates. Pro-cyclical inflation implies that nominal bonds pay out more in bad times, making them a good hedge against aggregate risk. However, such pro-cyclicality also increases sovereign default risk when the economy deteriorates, since the government needs to make larger (real) payments. In order to evaluate both effects, the authors develop a model of sovereign default on domestic nominal debt with exogenous inflation risk and domestic risk-averse lenders. Countercyclical inflation is a substitute with default, while pro-cyclical inflation is a complement with it, by increasing default incentives. In good times, when default is unlikely, pro-cyclical inflation yields lower real rates. In bad times, as default becomes more material, pro-cyclical inflation can magnify default risk and trigger an increase in real rates. **TAGS:** **Debt crisis; Sovereign defaults**

Caribbean development report. A perusal of public debt in the Caribbean and its impact on economic growth (2018)

Sheldon McLean, Don Charles - UN ECLAC Subregional Headquarter for the Caribbean

This paper examines the genesis and evolution of debt and debt overhang in the Caribbean with individual case studies, to extract lessons and make broad recommendations with regard to appropriate mechanisms and policy measures that can be implemented to reduce the debt burden of the subregion. The econometric model utilized in the paper has shown that a one percent increase on debt to GDP ratio causes a 0.015 decline in real GDP growth for the countries in the Caribbean panel, suggesting that debt has a pernicious effect on growth on Caribbean economies. What is even more worrisome was that Caribbean economies did not demonstrate the traditional non-linear (bell-shaped) effect of debt on growth, where there is a range in which a positive relation between debt and growth exists. Traditionally, as debt increases, so does economic growth, up to a point. After this maximum point is passed, the relationship turns negative, where increases in debt cause a decrease in economic growth. In contrast, using the Caribbean countries selected in the panel over the period 2000-2015, it was empirically found that, at all levels, increases in debt resulted in a decline in economic growth for Caribbean economies. It was also shown that the financial crisis negatively affected growth in the Caribbean, lending credence to the view that Caribbean economies are exceedingly vulnerable to exogenous economic shocks. […] **TAGS:** **Debt and fiscal/monetary policies; Debt and growth; Debt Restructuring; Debt relief**

Does public debt crowd out corporate investment? International evidence (2018)

Yi Huang, Ugo Panizza, Richard Varghese - The Graduate Institute Geneva

Using data for advanced and emerging economies, the authors show that there is a negative correlation between public debt and corporate investment. Industry-level regressions show that high levels of government debt are particularly damaging for industries that need more external

financial resources. Firm-level regressions show that government debt increases the sensitivity of corporate investment to cash flow. These results indicate that the relationship between public debt and investment is likely to be causal and that public debt crowds out corporate investment by tightening credit constraints. **TAGS:** **Financial stability; Debt and recession**

Financial Stability with Sovereign Debt **(2018)**

Ryuichiro Izumi - Ph.D. Candidate in Economics, Rutgers University

Are government guarantees or financial regulation a more effective way to prevent banking crises? The author studies this question in the presence of a negative feedback loop between the fiscal position of the government and the health of the banking sector. He constructs a model of financial intermediation in which the government issues, and may default on, debt. Banks hold some of this debt, which ties their health to that of the government. The government's tax revenue, in turn, depends on the quantity of investment that banks are able to finance. The author compares the effectiveness of government guarantees, liquidity regulation, and a combination of these policies in preventing self-fulfilling bank runs. In some cases, a combination of the two policies is needed to prevent a run. In other cases, liquidity regulation alone is effective and adding guarantees would make the financial system fragile. **TAGS:** **Financial stability; Institutional Investors; International and Macroprudential Regulation**

Limits to government debt sustainability in middle-income countries **(2018)**

Jean-Marc Fournier, Manuel Bétin - OECD

This paper investigates the effect of structural characteristics on debt limits of middle income countries. Two equations relate the probability of default to the interest rate. First, the probability of default is estimated with a logit model. Second, the assumption of non-arbitrage opportunity on the sovereign bond market relates the interest rate, the probability of default and the recovery rate. This model leads to three situations: a single and stable solution at low debt, multiple equilibria with stable and unstable solutions at intermediate debt, and a single solution with dissuasively high risk-premium beyond a debt threshold: this defines the debt limit. It reflects the empirical evidence on default determinants: it increases with perceived government effectiveness, the export to GDP ratio and the expected recovery rate and decreases with the commodity export to GDP ratio, the size of growth shocks, the share of defaults in neighbouring countries, the risk-free rate and investors' risk aversion. Debt limits are highly sensitive to the expected recovery rate, reflecting the importance of credibility. The multiple equilibria case illustrates the risk of self-fulfilling crises: interest rate shocks can trigger the default below the debt limit. **TAGS:** **Debt sustainability; Sovereign defaults; Debt crisis**

Macroeconomic imbalances in the euro area: where do we stand? **(2018)**

Beatrice Pierluigi, David Sondermann - ECB

This occasional paper reviews the macroeconomic developments in the euro area countries over the past 20 years. It analyses the accumulation of macroeconomic imbalances in the first decade of the EMU and their unwinding during the second decade. It shows that while flow imbalances have been corrected to a large extent, stock imbalances persist. The presence of large stock imbalances implies that the adjustment process needs

to continue in the years to come. Accordingly, this paper reviews the national responses so far and the importance of well-functioning national economic structures for facilitating the adjustment process within the EMU. It shows that national structural policies are able to stimulate the supply side of the economy, increase adjustment capacity and mitigate the adverse growth effects of high debt and deleveraging. Finally, it gives an overview of the European response to address macroeconomic imbalances, i.e. the establishment of the Macroeconomic Imbalance Procedure (MIP). The MIP has contributed to increasing the general attention given to macroeconomic imbalances in the euro area and to the critical role that structural reforms play in facilitating their adjustment. Looking forward, further steps would appear to be warranted in order to move from greater awareness towards stronger ownership and implementation of reforms. **TAGS: Structural policies; Debt crisis; Debt sustainability; Debt and growth**

Public Debt Sustainability (2018)

Xavier Debrun, Jonathan Ostry, Tim Willems, Charles Wyplosz - IMF, Graduate Institute, Geneva

Why can Japan sustain debts above 200 percent of GDP, while Ukraine defaulted on its debt when it was 30 percent of GDP? This chapter investigates what factors increase the likelihood of a country defaulting; equivalently, how to assess the sustainability of sovereign debt. It provides a comprehensive overview of the knowns and unknowns of debt sustainability, including the range of tools available to understand vulnerabilities and inform what will always remain a difficult judgment call. These include the IMF's DSA framework, and market information and indicators (bond and CDS spreads and sovereign ratings). As the risk of default is not zero, the chapter also reviews models of debt limits explaining why a government may find itself to be either unable or unwilling to face its obligations when debt exceeds certain levels.

This document is an excerpt of the forthcoming book from Oxford University Press and the IMF that is designed to connect the multiple aspects of sovereign debt policy into one coherent text. For further information please go to the focus: Sovereign Debt: A Guide for Economists and Practitioners. **TAGS: Debt sustainability; Sovereign defaults**

Risks in China's financial system (2018)

Zheng (Michael) Song and Wei Xiong - Chinese University of Hong Kong Princeton University

Motivated by growing concerns about the risks and instability of China's financial system, this article reviews several commonly perceived financial risks and discusses their roots in China's political-economic institutions. The authors emphasize the need to evaluate these risks within China's unique economic and financial systems, in which the state and non-state sectors coexist and the financial system serves as a key tool of the government to fund its economic policies. Overall, they argue that: (1) financial crisis is unlikely to happen in the near future, and (2) the ultimate risk lies with China's economic growth, as a vicious circle of distortions in the financial system lowers the efficiency of capital allocation and economic growth and will eventually exacerbate financial risks in the long run. **TAGS: Financial Analysis; Debt crisis; Debt sustainability; Financial stability**

The optimal supply of Public and Private Liquidity (2018)

Marina Azzimonti and Pierre Yaredz - Stony Brook University and NBER Columbia University and NBER

The authors develop a theory of optimal government debt in which publicly-issued and privately-issued safe assets are substitutes. While government bonds are backed by future tax revenues, privately-issued safe assets are backed by the future repayment of pools of defaultable private loans. They find that a higher supply of public debt crowds out privately-issued safe assets less than one for one and reduces the interest spread between borrowing and deposit rates. Authors' main result is that the optimal level of public debt does not fully crowd out private lending and maintains a positive interest spread. Moreover, the optimal level of public debt is higher the more severe are financial frictions. **TAGS:** **Market Liquidity; Financial Analysis; Debt sustainability; Debt and growth**

Economic Policies

Fiscal Sustainability in the EU After the Global Crisis: Is there any Progress? (2018)

Maciej Wysocki, Cezary Wójcik - Warsaw School of Economics

In response to the global crisis a number of new institutional measures have been introduced in the fiscal framework, both on the UE and on the member states' level, and the question is: have these measures provided better fiscal sustainability outcomes? The authors approach this question by looking at the evolution of fiscal sustainability in Poland, which is an interesting case of a member state that without significant market pressure (the only EU country without recession during the crisis) actively promoted several changes in the EU fiscal framework (e.g. 6-pack) and effectively internalized some of these key changes in its domestic fiscal policy, including a domestic expenditure fiscal rule. Their analysis reveals that the fiscal sustainability in Poland has significantly improved in the post-crisis period of 2009-2017: they detect both improvement of the fiscal sustainability parameters and structural breaks in the fiscal outcomes after the crisis. Namely, in comparison to the whole sample of 2004-2017 the strength of reaction of the primary deficit to a change of the public debt increased in the post-crisis time by nearly 50%. Importantly, these results are robust with respect to the pension fund reform which led to a one-off redemption of T-bonds in amount of 8.5% of GDP. The analysis also reveals a cycle of structural breaks of 2-and 4 years lags: for the output gap in 2008 Q4, for the primary deficit in 2010 Q4 and for the public debt in 2014 Q1. The case of Poland seems to suggest that the post-crisis EU fiscal measures can be effectively used to increase fiscal sustainability, if properly approached and internalized into the domestic fiscal framework. More research should be devoted to understanding the political and economic conditions under which such positive outcomes were possible. **TAGS:** **Debt and fiscal/monetary policies; Debt crisis**

Which Role for a European Minister of Economy and Finance in a European Fiscal Union? (2018)

Zareh Asatryan, Xavier Debrun, Annika Havlik, Friedrich Heinemann, Martin Kocher, Roberto Tamborini - Europe Econpol European Network for Economic and Fiscal Policy Research

The European Commission has proposed to inaugurate a European Minister of Economy and Finance with the broad purpose of streamlining the complex and fragmented decision-making processes within the European Monetary Union. The Minister

would jointly serve as Vice-President of the Commission and President of the Eurogroup, and have the tasks of coordinating budgetary instruments and structural reforms, designing and implementing adequate fiscal policies for the euro area, coordinating the enforcement of the Stability and Growth Pact, among others. This policy report discusses the potential role the Minister could play in the development of the European Fiscal Union. The report lays out the main challenges along the current institutional solutions facing several dimensions of the Fiscal Union, in particular related to fiscal sustainability, macroeconomic shocks, incentives of structural reforms, and the optimum provision of European public goods. The report then discusses whether and to what degree the new European Minister of Economy and Finance can provide appropriate solutions to these challenges for the Fiscal Union. **TAGS:** **Debt and fiscal/monetary policies; Debt sustainability; Financial stability**

Modern financial repression in the euro area crisis: making high public debt sustainable? (2018)

Ad van Riet - SUERF The European money and finance forum

The sharp rise in public debt-to-GDP ratios in the aftermath of the financial crisis of 2008 posed serious challenges for fiscal policy in the euro area countries and culminated for some member states in a sovereign debt crisis. This note examines the public policy responses to the euro area crisis through the lens of financial repression with a particular focus on how they contributed to easing government budget constraints. Financial repression is defined in this context as the government's strategy – supported by monetary and financial policies – to gain privileged access to capital markets at preferential credit conditions and divert resources to the state with the aim to secure and, if necessary, enforce public debt sustainability. Following a narrative approach, this note finds that public debt management and resolution, European financial legislation, EMU crisis support and ECB monetary policy have significantly contributed to relieving sovereign liquidity and solvency stress and generated fiscal space through non-standard means. The respective authorities have in fact applied the tools of financial repression to restore stability after the euro area crisis. **TAGS:** **Debt and fiscal/monetary policies; Debt sustainability; Debt crisis**

(Un)conventional policy and the effective lower bound (2018)

Fiorella De Fiore, Oreste Tristani - ECB

The authors study the optimal combination of conventional (interest rates) and unconventional (credit easing) monetary policy in a model where agency costs generate a spread between deposit and lending rates. They show that unconventional measures can be a powerful substitute for interest rate policy in the face of certain financial shocks. Such measures help shield the real economy from the deterioration in financial conditions and warrant smaller reductions in interest rates. They therefore lower the likelihood of hitting the lower bound constraint. The alternative option to cut interest rates more deeply and avoid deploying unconventional measures is sub-optimal, as it would induce unnecessarily large changes in savers' intertemporal consumption patterns. **TAGS:** **Debt and fiscal/monetary policies**; **Financial stability**; **Sovereign bonds yields**

Counterproductive proposals on Euro area reform by French and German economists (2018)

Marcello Messori and Stefano Micossi - LUISS School of European Political Economy

In their CEPR Policy Insight No. 91, Bénassy-Quéré et al. (2018) offer a comprehensive and sophisticated attempt to bridge the gap separating French and German policy-makers on European Economic and Monetary Union by completing Banking Union and establishing a credible system to enforce budgetary discipline and bring down sovereign debt-to-GDP ratios. The authors' comparison between Bénassy-Quéré et al. and Schäuble's October 2017 non-paper – which they have taken as the unmitigated expression of the German ordoliberal view – indicates a quasi-complete coincidence of policy recommendations. Prior sovereign debt restructuring is at the centre of the proposed new governance arrangements, a sure harbinger of renewed instability. The understandable concern to establish a harder budget constraint on national fiscal policies has in authors' view been pushed too far. Even more worrisome, in their quest to uproot moral hazard, Bénassy-Quéré et al. propose to eliminate from the euro-area governance arrangements all room for meeting shocks with liquidity instruments. They want banks to be "structurally" excluded from purchasing own national sovereigns in situations of distress. And they want to all but remove the financial stability exceptions for the activation of bail-in in the Bank Recovery and Resolution Directive (BRRD) and the related provisions for state aid to the banks. They would thus create an environment in which any idiosyncratic shock hitting a highly-indebted country would push it into the arms of the European Stability Mechanism (ESM), where its sovereign debt would be mercilessly restructured before any financial assistance could be considered. Investors would no doubt take notice and flee well in advance. Their proposed new lending window at the ESM does not address this issue since the new facility is limited to member states that are not at risk of losing market access. Thus, far from succeeding in their stated goal of making the euro area more stable, these proposals heighten the risks of financial instability and weaken euro area defences against financial shocks. Therefore, in authors' view they do not offer a basis for a viable compromise on the future governance of the euro area between France, Germany and the other member states of the euro area. **TAGS:** **Debt and fiscal/monetary policies**; **Institutional Investors**; **Sovereign debt exposure**; **Financial Stability**

Examining the Debt implications of the Belt and Road initiative from a policy perspective (2018)

John Hurley, Scott Morris, Gailyn Portelance - Center for Global Development

China's Belt and Road Initiative (BRI) hopes to deliver trillions of dollars in infrastructure financing to Asia, Europe, and Africa. If the initiative follows Chinese practices to date for infrastructure financing, which often entail lending to sovereign borrowers, then BRI raises the risk of debt distress in some borrower countries. This paper assesses the likelihood of debt problems in the 68 countries identified as potential BRI borrowers. The authors conclude that eight countries are at particular risk of debt distress based on an identified pipeline of project lending associated with BRI. Because this indebtedness also suggests a higher concentration in debt owed to official and quasi-official Chinese creditors, the authors examine Chinese policies and practices related to sustainable financing and the management of debt problems in borrower countries. Based on this evidence, they offer recommendations to improve Chinese policy in these areas. The recommendations are offered to Chinese policymakers directly, as well as to BRI's bilateral and multilateral partners, including the IMF and World Bank. **TAGS:** **Structural policies**; **Debt sustainability**; **Financial stability**; **Multilateral financing**

Impact of corruption on Public Debt: evidence from Sub-Saharan African Countries (2018)

Njangang Ndieupa Henri - The Dschang School of Economics, University of Dschang, Cameroon

This paper investigates the impact of corruption on public debt on a panel of 29 Sub Saharan African countries for the period 2000 – 2015 using the system generalized method-of-moment (GMM) estimator. Whereas a large literature agrees on the damaging nature of corruption for any economy, few quantitative studies have explicitly test the effect of corruption on public debt. This study aims to address this gap in the literature by providing an empirical study on how corruption affect public debt in Sub-Saharan African countries. Results show that corruption has a positive effect on public debt in the sample countries. In policy terms, Sub-Saharan African countries must intensify the fight against corruption in order to make their public spending more efficient and especially to reduce the sovereign debt. **TAGS: Debt and fiscal/monetary policies; Debt sustainability; Transparency**

National debts and government deficits within European Monetary Union: Statistical evidence of economic issues (2018)

Mario Coccia - CNR & Arizona State University

This study analyzes public debts and deficits between European countries. The statistical evidence here seems in general to reveal that sovereign debts and government deficits of countries within European Monetary Unification-in average- are getting worse than countries outside European Monetary Unification, in particular after the introduction of Euro currency. This socioeconomic issue might be due to Maastricht Treaty, the Stability and Growth Pact, the new Fiscal Compact, strict Balanced-Budget Rules, etc. In fact, this economic policy of European Union, in phases of economic recession, may generate delay and rigidity in the application of prompt counter-cycle (or acyclical) interventions to stimulate the economy when it is in a downturn within countries. Some implications of economic policy are discussed. **TAGS: Debt Statistics; Debt and fiscal/monetary policies; Debt and growth**

Reducing Debt Short of Default (2018)

Tom Best, Oliver Bush, Luc Eyraud, Belen Sbrancia - IMF

If debt is too high, what policies are available to governments to reduce it? This chapter goes through all options, short of default. It begins by introducing the standard debt accumulation equation, noting the key relationships, such as the growth-interest rate differential; and inter-temporal dynamics. Once this is established, the more conventional strategies for reducing debt – promoting growth and fiscal consolidation – are explored. The chapter then moves on to more unconventional policies, such as using the central bank's balance sheet and the role of financial repression. There will also, inevitably, need to be a discussion of how these various options come together in a strategy, learning from history, especially the post-WW2 debt consolidations. **TAGS: Sovereign defaults; Debt and fiscal/monetary policies**

The taxation of savings: the Italian system and international comparison (2018)

Nicola Branzoli, Giovanna Messina, Elena Pisano, Giacomo Ricotti and Ernesto Zangari - Bank of Italy

After a brief review of the economic literature, the paper offers a comparative

PDM NETWORK

analysis of the main features of capital income taxation in Italy, the EU and the US. The paper also analyses the recent evolution of capital taxation and portfolio allocation in Italy. The findings point to high heterogeneity in the choice of the type of tax system, taxation level and forms of preferential taxation, suggesting no convergence towards a single model of taxation among countries. However, a common feature of most systems is that capital income is taxed more lightly than labour income. The heterogeneity in the tax treatment of households' savings is likely to persist in the future; recent developments at international level concerning the transparency of taxation are expected to increase governments' degrees of freedom in choosing their preferred tax system. Empirical evidence for Italy suggests that the tax burden on financial assets has increased in recent years but the evolution of financial assets over time is not particularly sensitive to tax changes. **TAGS:** **Debt and fiscal/monetary policies**

Public Debt: an illusion of Democratic Political Economy **(2017)**

Giuseppe Eusepi, Richard E. Wagner, Karl-Friedrich Israel - Sapienza University of Rome, George Mason University, University of Angers

This is a book review by Karl-Friedrich Israel of "Public Debt: An Illusion of Democratic Political Economy" written by Professors Giuseppe Eusepi of Sapienza University of Rome in Italy and Richard E. Wagner of George Mason University. The authors added another book to the already extensive list of literature on the political economy of public debt. The purpose of their book is to correct two major flaws in the existing literature. First, they argue that it is "pure illusion to treat a democratic regime as being indebted." Second, they try to show that it is "pure mythology to treat so-called fiscal policy as the means by which governments manipulate public debt to promote systemic stability". […] **TAGS:** **Debt and fiscal/monetary policies**; **Financial stability**; **Structural policies**

Multilateral Financing

Debt Sustainability and the Terms of Official Support **(2018)**

Giancarlo Corsetti, Aitor Erce, Timothy Uy - University of Cambridge, Europen Stability Mechanism

In this paper the authors study theoretically and quantitatively how official lending regimes affect a government's decision to raise saving as opposed to defaulting, and its implication for sovereign bond pricing by investors. They reconsider debt sustainability in the face of both output and rollover risk under two types of institutional bailouts: one based on long-maturity, low-spread loans similar to the ones offered by the euro area official lenders; the other, on shorter maturity and high-spread loans, close to the International Monetary Fund standards. The authors show that official lending regimes raise the stock of safe debt and facilitate consumption smoothing through debt reduction. However, to the extent that bailouts translates into higher future debt stocks and countercyclical deficits in persistent recessions, they also have countervailing effects on sustainability. As a result, the effect of official loans is nonlinear in their size. As the threshold for safe debt rises, the maximum debt level the country finds it optimal to sustain when markets price rollover risk falls. This result unveils a fundamental trade-off in the provision of official loans, in turn rooted in a basic form of moral hazard. Quantitatively, the model is able to replicate Portuguese debt and spread dynamics in the years of the bailout after 2011. The authors show that, depending on the composition of debt by

maturity and official lending, sustainable debt levels can vary between 50% of GDP and 180% of GDP depending on the state of the economy and the conditions for market access. Longer maturities have a stronger effect on sustainability than lower spreads. **TAGS:** Multilateral financing; Debt sustainability

---

Curse or Blessing? Has the impact of debt relief lived up to expectations? A review of the effects of the multilateral debt relief initiatives for low-income countries **(2018)**
Marin Ferry, Marc Raffinot - Université Paris Nanterre, Université Paris-Dauphine
As the multilateral debt relief initiatives draw to a close, this article reviews the impacts of debt relief to low-income countries (LICs) building on both the theoretical and empirical literature of past decades. The authors show that, while the pioneering studies of the early 2000s are inconclusive, the most recent analyses overcome certain methodological impediments to highlight significant multilateral debt relief initiative effects. These analyses hence suggest that these large-scale programmes may well have met expectations, at least in part. **TAGS:** Multilateral financing; Debt relief

Reports

European Economic Forecast. Autumn 2018
European Commission
Growth in the euro area is forecast to ease from a 10-year high of 2.4% in 2017 to 2.1% in 2018 before moderating further to 1.9% in 2019 and 1.7% in 2020. The same pattern is expected for the EU27, with growth forecast at 2.1% in 2018, 2.0% in 2019 and 1.9% in 2020. **TAGS:** Economic Forecasts

---

Visualizing global debt
McKinsey Global Institute
In the latest in its series of reports on debt and deleveraging, the McKinsey Global Institute (MGI) has created a Tableau data visualization that shows the evolution of different types of debt across 51 countries, including the debt of households, nonfinancial corporations, and governments. This data visualization enables users to see the amount of debt outstanding expressed in either US dollar terms or as a percent of national GDP since 2000. **TAGS:** Financial stability; Debt sustainability; Debt Statistics

---

European Repo Market Survey - 2018
Richard Comotto - Senior Visiting Fellow, ICMA Centre at Reading University
The European Repo and Collateral Council (ERCC) of the International Capital Market Association (ICMA) released the results of its 35th semi-annual survey of the European repo market. The survey, which calculates the amount of repo business outstanding on 6 June 2018, from the returns of 62 offices of 59 financial groups, sets the baseline figure for European market size at EUR 7,351 billion up from EUR 7,250 billion in the December 2017 survey. Year on year this represents an increase of 13.9% since the June 2017 survey. **TAGS:** Financial Analysis; Repo market

---

Ten years after the crisis - risks, rules and supervision

Sabine Lautenschläger - ECB

Ten years have passed since the financial crisis erupted – an entire decade. But it is still very present in our minds, and no one wants to go through it all again. So, the key question is: how can we prevent such crises in the future? To answer that question, we need an intimate knowledge of the things that led to the crisis in the first place. As you are probably only too familiar with these things, I will spare you the long version of events. The short version is that risks were too high, rules were too soft, and supervision was too lax. Ten years on, this has changed – or has it? Are banks now better regulated and supervised? Are risks under control? Let's take a look at whether we have really succeeded in making the banking sector a safer place.[…] **TAGS:** **Debt crisis;** **International and Macroprudential Regulations;** **Financial stability**

Eurozone Debt Crisis

Kimberly Amadeo - The Balance

The eurozone debt crisis was the world's greatest threat in 2011. That's according to the Organization for Economic Cooperation and Development. Things only got worse in 2012. The crisis started in 2009 when the world first realized Greece could default on its debt. In three years, it escalated into the potential for sovereign debt defaults from Portugal, Italy, Ireland, and Spain. The European Union, led by Germany and France, struggled to support these members. They initiated bailouts from the European Central Bank and the International Monetary Fund. These measures didn't keep many from questioning the viability of the euro itself. […]**TAGS:** **Debt crisis;** **Debt sustainability;** **Financial stability**

Africa's foreign Debt burden. Is this a modern-day slavery

Livingstone Bumbe - Deputy Director, Debt Management The National Treasury, Kenya

Africa is burdened with an unmanageable debt, hampering economic growth. Concern on Africa's debt stems from extremely high ratios; debt service to exports, debt to exports and debt to GDP. Total debt to export earnings having been rising more rapidly than those of other regions. Despite incurring the highest growth rates of borrowing, African economies have grown slower than in other developing countries. **TAGS:** **Debt crisis;** **Debt sustainability;** **Debt and recession;** **Debt and growth**

2018 Biennial report of the Commonwealth Secretary-General

The Commonwealth

The Commonwealth Secretariat is working closely with small and vulnerable states in the areas of resilience, climate change and debt management. Heads agreed that, in advancing the SDGs, the Commonwealth should provide continued assistance to member countries in attaining long-term debt sustainability, by means of technical advice on institutional strengthening, debt financing, debt strategy formulation and debt restructuring. Since May 2016, the use of the Commonwealth Secretariat's comprehensive suite of eLearning tools has increased significantly. […]**TAGS:** **Multilateral financing;** **Debt Policy;** **Debt sustainability;** **Debt Restructuring**

Asia Bond Monitor - September 2018

Asian Development Bank

Local currency bond markets in emerging East Asia grew 3.2% from the first quarter of 2018, with government bonds expanded 4.0% and corporate bonds rose 1.8%. Local currency (LCY) bond yields in emerging East Asia diverged due to disparate monetary policy stances across the region and global economic uncertainties. In the People's Republic of China (PRC), yields fell as the central bank reduced the reserve requirement ratios for some banks, while yields rose in Indonesia in response to

its central bank's monetary tightening and in the Philippines where the central bank raised policy rates in May and June. […]**TAGS: Sovereign debt market**; **Financial stability**; **Sovereign bonds yields**; **Sovereign risk premia**

BIS Annual Economic Report 2018

BIS

It is now 10 years since the Great Financial Crisis (GFC) engulfed the world. At the time, following an unparalleled build-up of leverage among households and financial institutions, the world's financial system was on the brink of collapse. Thanks to central banks' concerted efforts and their accommodative stance, a repeat of the Great Depression was avoided. […]**TAGS: Debt crisis; Debt and growth; Debt sustainability; Financial stability**

BIS Quarterly Review - International banking and financial market developments - September 2018

BIS

Sentiment turned sharply in financial markets as 2018 moved into its second half. A renewed US dollar rally and escalating trade tensions resulted in an uneven tightening of global financial conditions. The Federal Reserve continued the gradual and predictable removal of monetary accommodation as the US economy gathered speed again, in part boosted by last year's fiscal stimulus. Yet financial conditions in the United States, if anything, eased further. Conditions tightened somewhat in the credit markets of some advanced economies (AEs). In contrast, financing tightened sharply in emerging market economies (EMEs), which saw their currencies depreciate and their access to borrowing wane, amid signs of market disarray in the most vulnerable economies.[…]
TAGS: Sovereign debt market; Market Liquidity; Sovereign bonds yields; Sovereign risk premia; Financial Analysis

---

China Green Bond Market Mid-Year Report 2018

Initiative Climate Bonds

Global green bond issuance picked up pace in Q2, and total aligned issuance worldwide reached USD76.9bn for H1 2018. With USD9.3bn worth of green bonds aligned with international green bond definitions, China represents 12% of the global market over this period. Total issuance from China was USD13bn, but USD3.7bn is not aligned. The H1 2018 green bond volume from Chinese issuers shows a 14% increase year on year, primarily driven by strong momentum from the private sector. **TAGS: Primary market; Bond market development**

Do Foreign Funds matter for Emerging Market Bond Liquidity?

Jens H.E. Christensen, Eric Fischer, Patrick Shultz - FRBSF Economic

Many investors have turned to emerging market bonds seeking higher returns in the current low interest rate environment. This raises a natural question about the potential for financial instability if investors choose to sell off those bonds quickly. Studying how changes in foreign holdings of Mexican government bonds known as bonos affected their liquidity premiums provides an assessment of the risks and benefits from foreign investment in an emerging economy.[…] **TAGS: Financial Analysis; Market Liquidity**

Extraordinary Measures and the debt limit

Grant A. Driessen, Joseph S.Hughes - The Congressional Research Service

Following a period of suspension, the statutory debt limit was reinstated on December 9, 2017, at a level that precisely accommodated the federal borrowing undertaken to that date. On December 11

and 12, 2017, Secretary Mnuchin announced that the Treasury would implement "extraordinary measures" that delay when the debt limit will bind. Additionally, the Bureau of the Fiscal Service suspended sales of certain Treasury securities to extend the Treasury's ability to meet statutory spending requirements without defaulting on its debt obligations.[…] **TAGS:** **Debt sustainability; Financial stability**

Global Economic Prospects. The turning of the tide?

The World Bank

After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies (EMDEs) is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018.[…] **TAGS:** **Economic Forecasts; Debt Forecasts; World Bank**

Global Financial Stability Report October 2018 - Chapter 2: Regulatory Reform 10 Years after the Global Financial Crisis: Looking Back, Looking Forward

IMF

Chapter 2 takes stock of global regulatory reform 10 years after the global financial crisis. It reviews the main precrisis failings in financial sector oversight and assesses the progress in implementation of the reform agenda designed to address them. It also looks at whether shifts in market structure and risks in the global financial system since the crisis have been in the direction the new regulatory agenda intended, that is, toward greater safety. **TAGS:** **International and Macroprudential Regulations; Debt crisis; Financial stability**

Green Bond Proceeds Management and Reporting

World Bank

Green bond is a financial instrument that taps the capital markets to support investments addressing environmental challenges, including climate change. The growth of the green bond market has sparked interest from decision-makers in treasury departments in many countries. Issuance in 2017 reached USD 165 billion and by June 2018 there were about USD 335 billion in outstanding green bonds.[…] **TAGS:** **Debt Policy; Primary market; Bond market development; World Bank**

Green bonds and integrated landscape management

IUCN NL (IUCN National Committee of The Netherlands)

The Netherlands Enterprise Agency and the Ministry of Economic Affairs commissioned IUCN NL to research how innovative financial instruments such as green bonds can help scaling up Integrated Landscape Management (ILM) initiatives in the Netherlands. Green bonds are fixed-income instruments that enable capital-raising and investment for new and existing projects with environmental benefits. Compared to regular bonds, green bonds have the potential to deliver a range of additional benefits such as green impact (for example, reduction in carbon emissions or water used), clear fit within ESG (Environment, Social and Governance) mandates, and regulatory support. […]**TAGS:** **Primary market; Bond market development**

Green Bonds policy: highlights from Q1-Q2 2018

Climate Bonds Initiative

Sovereign Green Bond Growth Sovereign green bonds offer a tool for governments to raise capital to finance assets and expenditure that are aligned with the climate commitments made under the 2015 Paris Agreement and the Sustainable Development Goals […]**TAGS: Primary market; Sovereign debt market**

Impact of international and local conditions on sovereign bond spreads: international evidence

Selma Izadi, M.Kabir Hassan - College of Business, Loyoal University of New Orleans Department of Economics and Finance, University of New Orleans

This paper examines the effect of international and domestic factors on the sovereign bond spreads for 22 developed countries. In North America, Europe and Pacific regions. For all the regions the impact of global Factors on the sovereign bond spreads is more intense than regional factors. Second, the findings confirm that for the bond spreads of each region over its domestic government bonds, the countries' local fundamentals are better determinants of the spreads compared to the spread over US government bonds as safe haven. […]**TAGS: Sovereign bonds yields; Sovereign debt market**

Irish Sovereign Green Bond

Sustainalytics Sustainable Finance Solutions

Ireland has developed the Irish Sovereign Green Bond Framework (the "framework") under which it intends to issue one or more green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that promote Ireland's transition to a low-carbon, climate-resilient and environmentally sustainable economy. The framework defines eligibility criteria in six areas[…] **TAGS: Primary market; Debt composition; Cost and Risk; Bond market development**

Life after default: Private versus official sovereign debt restructurings

Silvia Merler - Bruegel

Euro area governments have just negotiated a debt relief agreement for Greece, but without face-value debt reduction. This column argues that specific characteristics of sovereign debt renegotiations have significant economic implications. When debt relief operations involve write-offs, the defaulting country benefits strongly in term of growth up to ten years after the restructuring. **TAGS: Debt Restructuring; Debt relief; Debt and growth**

North Africa Economic Outlook 2018

African Development Bank Group

This North Africa Economic Outlook (covering Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia) examines the macroeconomic performance of the region and the outlook for 2018 and 2019 and explores the relationship between food security and rural poverty. Part I looks at the key drivers of regional GDP growth and its sectoral decomposition, price movements, fiscal and current account balance, domestic resource mobilization, and debt dynamics. […] **TAGS: Debt and fiscal/monetary policies; Debt and growth; Debt sustainability**

OECD Blockchain Primer

OECD

This Primer provides an introduction to blockchain technology, outlines some of the potential benefits it can bring, and considers the risks and challenges it poses. While not comprehensive, it is an overview of the key concepts and terms intended to help people better understand this emerging technology and its growing impact. **TAGS: Trading platforms; Transparency; OECD**

Periphery public debt: sustainable in the long term?

Joan Daniel Pina - European Unit, Research Department, "la Caixa"

Over the last few months, doubts regarding the health of the periphery countries' public accounts have diminished. The progress made in European governance, the correction of the main imbalances in these countries and the incipient recovery in activity in the euro area as a whole have contributed to this improvement.[…] **TAGS: Debt sustainability; Debt and fiscal/monetary policies; Debt and growth; Debt Forecasts**

Relevant factors influencing Public Debt Developments in Italy

MEF Ministry of Economy and Finance

Italy's public finances continued to improve in 2017, as the general government deficit declined to 1.9 percent of GDP (excluding banking sector support measures), from 2.5 percent in 2016. The deficit is projected to further decline to 1.6 percent of GDP this year and, under existing legislation, to 0.8 percent in 2019 and zero in 2020, turning into a 0.2 percent-of-GDP surplus in 2021.[…] **TAGS: Debt sustainability; Financial stability; Sovereign bonds yields; Sovereign debt market; Sovereign risk premia**

Repo, bonds & derivatives

Richard Comotto - ICMA Centre University of Reading

Structure and operation of the repo market, with description of the role of repo, cash flows, repo and bonds, market making, hedging, pricing, settlement, collateral, interest rate swaps. **TAGS: Repo market; Derivatives**

SEC adopts rules to enhance Transparency and oversight of alternative Trading Systems

U.S. Securities and Exchange Commission

The Securities and Exchange Commission today announced it has voted to adopt amendments to Regulation ATS to enhance operational transparency and regulatory oversight of alternative trading systems (ATSs) that trade stocks listed on a national securities exchange. "I applaud the staff's retrospective review of our regulation of ATSs. I agree that promoting greater transparency in order interaction, matching, and execution will help empower investors and their intermediaries to find those trading venues that best meet their trading and investing objectives," said SEC Chairman Jay Clayton. **TAGS: International and Macroprudential Regulations; Transparency; Trading platforms**

Sovereign green bond market on course for critical mass, but challenges remain

Moody's

Sovereign green bond issuance will accelerate in the coming years as governments seek to raise capital for climate mitigation and adaptation activities. A diverse deployment of green bond proceeds will attract investors, but sovereigns face challenges in terms of their ability to provide granular impact reporting and effective proceeds management. Ultimately, the scaling up of sovereign green finance will require sustained political support. **TAGS: Primary market; Sovereign debt market; Bond market development; Sovereign Credit Ratings**

The debate on euro-area reform

Silvia Merler - Bruegel

A group of 14 French and German economists proposes six reforms which, if delivered as a package, would improve the euro area's financial stability, political cohesion, and potential for delivering

prosperity to its citizens – all while addressing the priorities and concerns of participating countries. **TAGS:** **Debt and fiscal/monetary policies; Financial stability; Debt sustainability**

The Debt Web

Mark De Broeck, Era Dabla - Norris, Nicolas End, Marina Marinkov - IMF

Authors' study of the interwar period shows how external sovereign debts can play an aggravating role in global financial cycles, especially when they represent the nodes of a complex financial web. As with the global crisis of 2008 and the euro area crisis of 2010, loss of investor confidence, sovereign debt market disruptions led by liquidity drought, and government intervention in the financial sector added to the external debt burden. Thus, the interwar period offers a telling lens not only for understanding the 2008 crisis, but also for identifying and interpreting present-day vulnerabilities.[…] **TAGS:** **Debt crisis; Financial stability; Debt sustainability**

The ECB is compromising the attractiveness of euro-area sovereign bonds

Grégory Claeys, Inês Goncalves Raposo - Bruegel

The ECB should refine its collateral framework in order to continue protecting its balance sheet without putting at risk the safe-asset status of sovereign bonds of the euro area. Currently, eligibility and haircuts applied by the ECB in its refinancing operations depend on four elements: the type of asset, the type of issuer, the residual maturity of the asset, and the rating of the issuer of the asset. This means that the current approach relies heavily on the ratings made by private credit rating agencies. […]**TAGS:** **Debt and fiscal/monetary policies; Sovereign Credit Ratings**

Uzbekistan: improving Portfolio and Debt Management System

Asian Development Bank

In recent years Uzbekistan's portfolio has been gradually increasing and it has become one of the largest recipients of the external assistance in the region. ADB has also significantly expanded its operations in the country. To ensure timely delivery of results under the up-scaled operations, greater efforts were required to improve project monitoring and portfolio management. Though the government had a portfolio monitoring system in place, serious concerns were remaining on quality of implementation of foreign-assisted projects. […] **TAGS:** **Multilateral financing; Debt sustainability; Best Practices**

World Bank Annual Report 2018

World Bank

As developing countries face ever-more complex challenges, the World Bank is ready to provide the support and sustainable solutions needed to end extreme poverty, boost shared prosperity, and realize a world with opportunities for all. Providing critical resources. This year, the World Bank has pursued this mission with a continuing focus on providing the financing, knowledge, and expertise to tackle the biggest challenges facing developing countries. The Bank assists countries in making the critical investments to grow their economies inclusively and sustainably; to build the human capital needed to help people seize opportunity; and to ensure that countries remain resilient in the face of global shocks or threats that could undermine progress in eliminating poverty.[…] **TAGS:** **Multilateral financing; Debt sustainability; World Bank**

News

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

Events and Courses

As you can read, **the list below contains past and future events in chronological order**.
The reason for listing new and expired events is to show our readers an at-a-glance collection of new entries published on our website after the release of the previous Bimonthly Newsletter.
To stay updated in advance about new future events you could, besides reading this list, much better going directly to the "**Events**" section of our website, since the Secretariat adds regularly new events in advance to their dates and deadlines.

17 October 2018, Bloomberg L.P., 3 Queen Victoria Street London EC4N 4TQ
ICMA European Repo and Collateral Council General Meeting

25 – 26 October 2018; Central Banking Publication's, Cape Town, South Africa
National Asset-Liability Management Africa 2018

25 – 26 October 2018; Bond Dealers of America, The Four Seasons Hotel, Washington, DC, USA
10th Annual National Fixed Income Conference

31 October 2018; EMT Berlin: European School of Management and Technology, ESMT Berlin Schlossplatz 1, 10178 Berlin
Financial Stability Conference 2018

1 November 2018; ECO-ENA: Economics & ECO-Engineering Associate, Inc., Canada, Chestnut Conference Center, Toronto University
The Fourth Annual Conference of Islamic Economics & Islamic Finance

1 – 2 November 2018; Malta Block Chain Summit, Intercontinental Malta
Malta Blockchain Summit

5 November 2018; City & Financial Global, Grange City Hotel, London, UK
The 3rd UK financial services BREXIT and beyond Summit

5 – 16 November 2018; Vrije Universiteit Brussels, Brussels - Belgium
Public Finance Management Training course

6 November 2018; ICMA, Webinair
ICMA Webinar: introduction to green and social bond markets

12 – 16 November 2018; World Bank, Sasana Kijang, Kuala Lumpur, Malaysia
Short course: impact evaluation methods

14 – 16 November 2018; Barcelona Graduate School of Economics Barcelona
Systemic Risk and Prudential Policy

20 - 22 November 2018; EUI Florence, Florence, Italy
FinTech - Technology, Economics and Regulation

22 November 2018; EuroMoney (sponsored by Standard Chartered), Webinair
Webinar - Securities Services and Fintech: embracing disruption

23 – 24 November 2018; Lisboa School of Economics and Management (ISEG), University of Lisbon, University of Lisbon, Lisbon
The 2018 Lisbon Meeting on Economics and Political Science

26 November 2018; Vienna University of Economics and Business and Agenda Austria, Vienna, Austria
Workshop "Macroeconomic policy in the Eurozone"

27 - 28 November 2018; OECD, Incheon, Korea
6th OECD World Forum on Statistics, Knowledge and Policy

27 – 29 November 2018; Central Banking, Kuala Lumpur*
Business Resilience: BCP and Crisis Management in Central Banking

27 – 29 November 2018; Central Banking, Kuala Lumpur
Cyber Risk and Resilience: Strategies, Policies and Frameworks for Central Banks

28 – 29 November 2018; Blockchain Expo North America, Santa Clara Convention Center, CA, USA
The World's largest Blockchain conference and exhibition

28 – 29 November 2018; EBA, London UK, EBA premises
Reaping the benefits of an integrated EU banking market

29 November 2018; AFME, Meliá Berlin
6th Annual Covered Bonds Market Conference

29 – 30 November 2018; Office of Financial Research, Washington, D.C.
2018 Financial Stability Conference - Markets and Spillovers

4 December 2018; Bond Radar (Supported by the International Capital Markets Association), 1 Moorgate Place, London, EC2R 6EA, UK
Second annual: assessing the impact of regulation and technology on Primary Bond Markets

3 – 4 December 2018; Moody's, New York
Analysis of Sovereign and Country Risk learning solution

3 - 4 December 2018; Central Bank of Ireland (in partnership with IBEFA), Dublin, Ireland
2nd Central Bank of Ireland (in partnership with IBEFA) Workshop on Banking, Credit and Macroprudential policy: What Can We Learn from Micro Data?

4 December 2018; FinanceMalta Series in collaboration with the Malta Blockchain, Corinthia Palace Hotel, Attard
BlockFinance: opportunities in clearing

4 – 6 December 2018; Center of Excellence in Finance (CEF), Ljubljana, Slovenia
Debt Reduction Strategies and Risk Management

6 December 2018; Bocconi Event, Milano Italy
Economic Constitutions Between Nationalism and Globalization

7 - 8 December 2018; Central Bank of Turkey, Adalia, Turkey
Changing global economic landscape and policy implications for Emerging Economies

8 – 9 December 2018; Business For Africa Forum, Sharm El-Sheikh, Egypt
Africa 2018 Forum - Bold leadership and collective commitment

11 December 2018; ICMA, Hotel New Otani Tokyo
Annual ICMA and JSDA Joint Conference: Developments in Green and Social Bond Markets – The Asian Perspective

18 – 20 February 2019; Florence school of Banking and Finance, European University Institute EUI Premises, Florence Italy
Securitisation: regulation and practice

12 – 13 March 2019; Center for Financial Professionals, London, Tower Guoman Hotel
5th Annual New Generation Operational Risk: Europe 2019

13 - 14 March 2019; Bonds & Loans the voice of Emerging Market Credit, Cape Town International Convention Centre, South Africa
Bonds, Loans & Sukuk Africa

18 – 19 March 2019; Bond UK, London
Bond Annual Conference

21 March 2019; National Bank of Poland, Warsaw
Understanding the monetary transmission mechanism

26 March 2019; LatinFinance, Beijing, China
The 9th Latin America China Investors Forum

26 - 27 March 2019; Bonds & Loans the voice of Emerging Market Credit, Intercontinental Festival City, Dubai
Bonds, Loans & Sukuk Middle East

31 March - 3 April 2019; Bank for International Settlements, Hotel Schweizerhof, Lenzerheide, Switzerland
12th Swiss winter conference on financial intermediation

1 - 3 April 2019; Bank of Italy, Rome
Audit activities in a central bank

11 – 12 April 2019; Georgetown's Institute of International Economic Law Washington, D.C.
Third Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon3)

12 – 14 April 2019; IMF, Washington, D.C.
2019 Spring meetings of the World Bank Group and the International Monetary Fund

23 – 24 April 2019; Florence school of Banking and Finance, European University Institute Premises, Florence Italy
Sovereign Debt Risks

23 - 24 April 2019; OECD, OECD Headquarters, Paris
26th OECD Global Forum on Public Debt Management

24 – 26 April 2019; National Association of Bond Lawyers, The Westin Chicago USA
2019 Fundamentals of Municipal Bond Law Seminar

14 – 15 May 2019; Center for Financial Professionals, New York
8th Annual Risk Americas 2019

1 June 2019; Center for Financial Professionals, London
8th Annual Liquidity Risk Management Europe

3 – 5 June 2019; EUI Florence, Florence, Italy
Liquidity, Price Discovery, and Market Design

11 - 12 June 2019; Center for Financial Professionals, London
8th Annual Risk EMEA 2019

13 June 2019; ICMA, Palmengarten Gesellschaftshaus, Frankfurt
2019 Green and Social Bond principles annual General Meeting and conference

17 – 19 June 2019; EUI Premises, Florence, Florence, Italy
MiFID II/MiFIR: Evolution and Revolution

PDM Network in Figures

At 23rd November 2018, total documents and reports available on the PDM Network website were 7,125. Events and News uploaded on the website since January 2018 were respectively 203 and 4,226. This newsletter is sent to 748 Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to Banu Turhan Kayaalp (World Bank), Fatos Koc (OECD), Peter Claeys (Professor at Vrije Universiteit Brussel), Ryuichiro Izumi (Ph.D. Candidate in Economics, Rutgers University),

Tanweer Akram (Director of Thrivent Financial), Yan Liu (IFAD), for information on new documents and reports.

Our Subscribers

Please note that subscription is intended for individuals only and does not entail any support to PDM Network activities by the Institutions the Subscribers work for. Individuals who subscribed to the PDM Network belong to a worldwide range of Institutions, including the following:

Asian Development Bank, African Development Bank, African Forum and Network on Debt and Development, Association of International Wealth Management of India, Association of Finance Officers (AFO), Aix-Marseille School of Economics, AKK Government Debt Management Agency, Albanian MoF, Angolan Mof, Argentine MoF, Argentinian Ministry of Economy of the Province of Buenos Aires, Asian Development Bank, Association for Financial Markets in Europe, Athens University of Economics & Business, Austrian Central Bank, Austrian DMA, Autonomous Sinking Fund of Cameroon, Azerbaijan Ministry of Finance, Bangladeshi Ministry of Finance, Bank For International Settlements, Bank of Italy, Bank Of Korea, Bank Of Zambia, Barclays Capital, BE Berlin Economics GmbH, Belgian Central Bank, Belgian DMA, Belgrade Banking Academy, Bosnia and Herzegovina - Federal Ministry of Finance, Brazilian Court of Audit, Brazilian MoF, Bukar Abba Ibrahim University, Bulgarian MoF, Burkina Faso MoF, Ca' Foscari University, Cameroonian Ministry of Finance, Canadian Government, Capitad, Cardiff Business School, Cass Business School, Cbonds Group, Center for Natural Resource Studies, Central Bank of Guinea, Central Bank of Kenya, Central Bank of Nepal, Central Bank of Sudan, Centre Virtuel de la Connaissance sur l'Europe, CfC Stanbic Kenya Bank, CNRS, Centre national de la recherche scientifique, Colombian MHCP, Columbia Business School, Commonwealth Secretariat, Community Investors Development Agency, Congolese Ministry of Finance, Budget and Public Portfolio, Crown Agents, Cypriot Central Bank, Cypriot MoF, Czech Central Bank, Czech MoF, Danish Central Bank, Danish Mof, Debt Relief International, Deloitte, Dubai International Financial Centre, Dominican MOF, Dubai Government, Dubai MoF, Dutch Central Bank, Dutch DMA, Dutch Mof, Eastern Caribbean Central Bank, Econviews, Egyptian Mof, Embassy Of Turkey, Office Of Economic Affairs, Esthonian MoF, Ethiopian Mof, Euromoney, EBRD, European Central Bank, European Commission, Exchange Data International Limited, Ernst & Young, Federal Department of Foreign Affairs, Federal Reserve Bank of Chicago, Fiji Mof, Finnish MoF, Fiscal Council of Romania, French Central Bank, French DMA, French MoF, FTI, GEFIN - State Finance Managers Group, Georgean Mof, German Central Bank, German Finance Agency, German Institute for Economic Research, German Jubilee Campaign, Ghanaian Central Bank, Ghanaian Mof, Global Action for Africa's Development, Governance Commission For Government-Owned & Controlled Corporations, Government of Antigua and Barbuda, Government of Saint Lucia, Government of Sindh, Graduate School of International Development (Nagoya University), Greek Central Bank, Greek DMA, Greek MoF, Grenada Ministry of Finance, Guyana Ministry of Finance, Harvard University, Hong Kong Monetary Authority, HSBC, Hungarian DMA, Hungarian National Bank, Inter-American Development Bank, Icelandic Central Bank, Icelandic DMA, International Finance Corporation, Illinois Institute of Technology, IMF-International Monetary Fund, Indian NIPF, Indian Reserve Bank, Indonesian Central Bank, Indonesian MoF, Innovative Development Strategies Pvt. Ltd., Instituto superior de economia e gestao, Intesa Sanpaolo S.p.A., INTOSAI, Irish NTMA, International Social-Economic Development for Africa, Israeli Central Bank, Israeli Ministry of Finance, Italian MoF, Italian Senate, CRIEP, ITAM, Japan Bank for International Cooperation, Japanese MoF, JCVP Consulting, Jordanian Central bank, Jordanian MoF, Johannesburg Stock Exchange Limited, Jubilee Germany, Kenyan Central Bank, Kenyan MoF, Korea Bond Pricing, Latvian DMO, Lebanese MoF, Lesotho Central Bank, Linus Capital, Lisbon School of Economics & Management, Lithuanian MoF, Lithuanian National Audit Office, London Business School, Luxembourg MoF, MAK Azerbaijan Ltd, Malawian Reserve Bank; Maldives MoF, Maltese Central Bank, Maltese Treasury, Mauritius Ministry of Finance and Economic Development, MEFMI, Mexican MoF, Michele Robinson Consult, Ministry of Economy and Finance of Peru, Ministry of Economy and Public Finance of Bolivia, Ministry of Finance and Corporate Governance of Antigua, Ministry of Finance and Economic Development of Zimbabwe, Ministry Of Finance of Benin, Ministry Of Finance of Comores, Ministry of Finance of Saint Lucia, Ministry of Finance of St. Vincent and the Grenadines, Ministry Of Finance of Surimame, Ministry of Finance of the Russian Federation, Ministry Of Finance Trinidad and Tobago, Ministry of Foreign Affairs of Egypt, Ministry Of Public Finance of Guatemala, Moldovan Mof, Moody's Investors Service, Moroccan MoF, Mozambique Ministry of finance, Namibian MoF, National Bank of Abu Dhabi, National Chengchi University, New South Wales Treasury Corporation, Nicaraguans Ministry of Finance and Public Credit, Nigerian DMO, Central Bank of Norway, Norwegian MoF, OECD, NS&I Government Payment Services, Oliver Wyman, One2five advisory, Oxford Policy Management, Pakistani MoF, Papua NG Treasury, Paraguayan Ministry of Finance, Philippine Bureau of the Treasury, Philippines Ministry of Finance, Polish MoF, Portuguese Central Bank, Province of British Columbia, Republic of Macedonia MoF, Reykjavik Academy, Romanian Court of Accounts, Romanian MoF, Rothschild Group,

Rwandan Mof, Sain Kitts & Nevis MoF, San Diego State University, The Superior Audit Office of Mexico, SCMHRD-MBA Symbiosis, Senegalese Mof, Serbian Mof, Setif University , Slovak DMA, Slovenian MoF, Solomon Island Central Bank, South African National Treasury, South Korean MoF, Southern African Development Bank, Sovereign Analytics llc, Spanish Central Bank, Spanish MoF, Sri Lanka Central Bank, Stanford University, Storkey & Co Limited, Sudan Central bank, Sun Yat-sen University , Suriname Debt Management Office, Swaziland's MoF, Swedish DMO, Tandem Global Partners, Tanzanian MoF, Tribunal de Contas da Uniao, Thai MOF, The American College of Greece, The Audit Board of The Republic of Indonesia, The Economist Intelligence Unit, The George Washington University, The Government of Anguilla, The Gulf Bond and Sukuk Association, GBSA, The Milken Institute, The Ministry of Finance Grenada, The ONE Campaign, The People's Bank of China, The Pragma Corporation, The World Bank, Thrivent Financial, Timor-Leste MOF, Tudor Investment Corporation, Turkish Treasury, UK Central Bank, UK DMO, UN Department for Economic and Social Affairs, United Nations Conference on Trade and Development, Union Bank Of Nigeria, Universidad de los Andes, Universidad EAFIT, University "Dunarea de Jos" Galati, University of Antwerp, University of Bologna, University of Brussels, University of Campinas, University of Catania - Department of Economics and Business, University of Glasgow, University of London, Birkbeck, University of Maryland, University of Milan, University of Molise, University of Naples Federico II, University of Navarra, University of Piraeus, University of Rome "Roma Tre", University of Rome La Sapienza, University of Rome Tor Vergata, University of Sussex, University of Tokyo, University of Trieste, University of Tuzla, University of Varna, University of Vienna, University of Viterbo "La Tuscia", University of Zagreb, University of Zimbabwe, University of Zurich, Uruguayan MoF, US Treasury, Versed Professional Services, Vietnamese Mof, Walton College of Business, West African Monetary Union, World Bank Treasury, Wrightson ICAP, Zambia Revenue Authority, Zhongnan University of Economics and Law.