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This bimonthly newsletter lists all papers, reports, courses and other events about public debt management recently uploaded by the PDM Network Secretariat in the website **www.publicdebtnet.org**.
The documents considered as most interesting by the PDM Network Secretariat are highlighted with a light grey background. The PDM Network bimonthly Newsletter is published on January, March, May, July, September and November. The PDM Network Secretariat welcomes cooperation on information published on the website. Thus, please feel free to **suggest any documents, news and events** relevant to public debt management issues by contacting the Secretariat at the following email: **publicdebtnet.dt@tesoro.it**.

Contents

Special Focus

Debt Management Facility: 10 Year Retrospective 2008-2018
World Bank
The Debt Management Facility has been a game-changer in strengthening the debt-management capabilities of low- and middle-income countries. The DMF was launched by the World Bank in 2008 and has been administered jointly with the IMF since 2014. Today, 86 countries benefit from the DMF, which provides cutting-edge technical advice and training for local-debt management officials. The DMF has also played a pivotal role in debt-management reforms: more than 70 percent of the reforms adopted by DMF countries regarding the development of debt-management strategies grew out of the work of the DMF, according to country debt managers. The new report takes stock of this progress and identifies key lessons learned that can be useful for providers of technical assistance. Read more **TAGS:** Debt Policy; Primary market; Secondary Markets; World Bank

Sovereign Investor Relations: From Principles to Practice
James Knight and Bill Northfield - IMF
This paper defines sovereign investor relations (IR) and places it in the context of modern debt management theory. It highlights the role that improvements in IR and debt transparency can play in improving the cost-risk tradeoff in debt management, supporting market access and acting as a first line of defense in times of crisis. It sets out a policy framework and institutional arrangements for effective IR, as well as discussing the various practices, publications and strategies that underpin an IR program. Read more **TAGS:** Debt Policy; Sovereign debt market; Institutional Investors; Best Practices

Documents

Debt Policy

Promoting debt sustainability to facilitate financing sustainable development in selected Caribbean countries (2020)
Sheldon McLean, Hidenobu Tokuda, Nyasha Skerrette, Machel Pantin - ECLAC - UN Subregional headquarters for the Caribbean
In light of the high debt burden impacting Caribbean economies, ECLAC has been pursuing an initiative designed to reduce the debt burden and advance sustainable development. The strategy has evolved over time and there is now agreement on an approach designed to bring financial resources to the Caribbean for resilience building while still emphasizing the importance of debt reduction. To address resilience and development financing, ECLAC proposes the establishment of a Caribbean Resilience Facility to be housed at a reputable financial institution. Such a facility would be capitalised by donors, including the GCF, wishing to assist in financing climate projects and other forms of resilience-building activities within the Caribbean. [...] **TAGS:** Debt sustainability; Multilateral financing; Debt relief

Primary Markets

Green certificates: a better version of green bonds (2020)
Dion Bongaerts, Dirk Schoenma – Bruegel
The current design of green bonds means they aren't fulfilling their potential. The authors propose an alternative: issuance of regular bonds with attached green certificates that ensure earmarking for green purposes. The new design would reduce financing costs and in turn would provide incentives to start a greater number of environmentally-friendly projects. [...] **TAGS:** Primary market; Contract standards; Transparency; Best Practices

Secondary Markets

Equity tail risk in the Treasury bond market (2020)
Dario Ruzzi and Mirco Rubin - Bank of Italy
This study adds to the empirical literature on the identification and estimation of the risk factors that affect and can predict future trends in the Treasury bond market. In particular, the authors examine the short-term impact of the risk associated with large negative price jumps in the stock market on the prices of and demand for Treasuries. The risk of large negative price jumps in the stock market leads to an instantaneous significant increase in Treasury bond prices, with the

effect persisting even in the following month. These relationships are observed not only in the US markets but also in some major European markets. Consistent with the observed effect on prices, funds flow from equities into bonds when the risk of stock price jumps is higher. **TAGS: Secondary Markets; Sovereign debt market; Financial Analysis**

Financial Analysis

Public Debt Dynamics and Intra-Year Exchange Rate Fluctuations (2020)

Santiago Acosta-Ormaechea - International Monetary Fund

The public sector, in carrying out its operations, often incurs foreign currency denominated liabilities and, as such, is exposed to exchange rate fluctuations that could affect the value of public debt to GDP ratios over time. This paper shows that converting foreign currency denominated flows and stocks into local currency using the average and the end-of-period exchange rates, respectively, as envisaged in public finance manuals, gives rise to an identifiable stock-flow adjustment term—due to intra-year exchange rate fluctuations—that affects public debt accumulation. Importantly, the inclusion of this often-ignored stock-flow adjustment term is critical to accurately project public debt levels and any related indicator that could in turn inform about the risk of debt distress. Using a novel dataset covering 82 countries during 2008–19, the paper shows that this stock flow adjustment term is sizable in countries experiencing large exchange rate depreciations, namely above the 99th percentile of the full sample, reaching 1.2 percent of GDP. Interestingly, the measurement of policy-related concepts such as interest rate-growth differentials and debt stabilizing primary balances are also affected by intra-year exchange rate fluctuations, and in non-negligible ways. **TAGS: Financial Analysis; Debt Statistics**

On the origin of systemic risk (2020)

Mattia Montagna, Gabriele Torri, Giovanni Covi – ECB

Systemic risk in the banking sector is usually associated with long periods of economic downturn and very large social costs. On one hand, shocks coming from correlated exposures towards the real economy may induce correlation in banks' default probabilities thereby increasing the likelihood for systemic-tail events like the 2008 Great Financial Crisis. On the other hand, financial contagion also plays an important role in generating large-scale market failures, amplifying the initial shocks coming from the real economy. To study the sources of these rare phenomena, the authors propose a new definition of systemic risk (i.e. the probability of a large number of banks going into distress simultaneously) and thus the authors develop a multilayer microstructural model to study empirically the determinants of systemic risk. The model is then calibrated on the most comprehensive granular dataset for the euro area banking sector, capturing roughly 96% or EUR 23.2 trillion of euro area banks' total assets over the period 2014-2018. The output of the model decompose and quantify the sources of systemic risk showing that correlated economic shocks, financial contagion mechanisms, and their interaction are the main sources of systemic events. The results obtained with the simulation engine resemble common market-based systemic risk indicators and empirically corroborate findings from existing literature. This framework gives regulators and central bankers a tool to study systemic risk and its developments, pointing out that systemic events and banks' idiosyncratic defaults have different drivers, hence implying different policy responses. **TAGS: Financial Analysis**; **Financial stability**; **Institutional Investors**

An event study of Covid-19 central bank quantitative easing in advanced and emerging economies (2020)

Jonathan S. Hartley, Alessandro Rebucci – NBER

Amid the COVID-19 outbreak and related expected economic downturn, many developed and emerging market central banks around the world engaged in new long-term asset purchase programs, or so-called quantitative easing (QE) interventions. This paper conducts an event-study analysis of 24 COVID-19 QE announcements made by 21 global central banks on their local 10- year government bond yields. The authors find that the average developed market QE announcement had a statistically significant -0.14%1-day impact, which is slightly smaller than past interventions during the Great Recession era. In contrast, the average impact of emerging market QE announcements was significantly larger, averaging -0.28%and -0.43% over 1-day and 3-day windows, respectively. **TAGS: Financial Analysis**; **Debt and fiscal/monetary policies**; **COVID-19**; **Sovereign bonds yields**

Compressing over-the counter markets (2020)

Marco D'Errico, Tarik Roukny – CEPS

Over-the-counter markets are at the centre of the global reform of the financial system. The authors of this paper show how the size and structure of these markets can undergo rapid and extensive changes when participants engage in portfolio compression, which is an optimisation technology that exploits multilateral netting opportunities. They find that tightly knit and concentrated trading structures, as featured by many large over-the-counter markets, are especially susceptible to reductions of notional amounts and network reconfiguration resulting from compression activities. Using a unique transaction-level dataset on credit-default-swaps markets, they estimate reduction levels suggesting that the adoption of this technology can account for a large share of the historical development observed in these markets since the Global Financial Crisis. Finally, the authors test the effect of a mandate to centrally clear over the counter markets in terms of size and structure. When participants engage in both central clearing and portfolio compression with the clearinghouse, results show large netting failures if clearinghouses proliferate. Allowing for compression across clearinghouses by-and-large offsets this adverse effect. **TAGS: Sovereign debt market**; **Financial Analysis**; **Financial stability**; **Trading platforms**

The insurance properties of common debt issuance (2020)

Daniel Gros - CEPS

In a federation of sovereign states, common debt can provide insurance against idiosyncratic shocks even without any intended, ex ante transfers. This insurance property arises automatically when the common debt service is financed by a levy on members that is proportional to national income. This is the case in the EU. It implies that if the economy of a member state is hit by a negative shock, i.e., if it grows less than the Union average, its contribution to the service of the common debt is correspondingly reduced. By contrast, the service of national debt, which is typically fixed in nominal terms, becomes more difficult in the case of a negative idiosyncratic shock. Ceteris paribus, common debt issuance is thus akin to linking debt service to GDP growth. Uncertainty about growth increases with the time horizon. The insurance property of common debt thus increases with its maturity. **TAGS: Financial**

Analysis; **Debt and growth**; **Debt and fiscal/monetary policies**; **Financial stability** **Debt sustainability**

Contract Standards

Sovereign Debt Standstills **(2020)**

Juan Carlos Hatchondo, Leonardo Martinez, César Sosa-Padilla - Western University, International Monetary Fund, University of Notre Dame

As a response to economic crises triggered by COVID-19, sovereign debt standstill proposals emphasize debt payment suspensions without haircuts on the face value of debt obligations. The authors quantify the effects of standstills using a standard default model. They find that a one-year standstill generates welfare gains for the sovereign equivalent to a permanent consumption increase of between 0.1% and 0.3%, depending on the initial shock. However, except when it avoids a default, the standstill also implies capital losses for creditors of between 9% and 27%, which is consistent with their reluctance to participate in these operations and indicates that this reluctance would persist even without a free-riding or holdout problem. Standstills also generate a form of "debt overhang" and thus the opportunity for a "voluntary debt exchange": complementing the standstill with haircuts could reduce creditors' losses and simultaneously increase welfare gains. Their results cast doubts on the emphasis on standstills without haircuts. **TAGS:** **Contract standards**; **Sovereign defaults**; **Debt Restructuring**; **COVID-19**

Debt Restructuring

Sovereign debt relief in the global pandemic: Lessons from the 1980s **(2020)**

Edwin M. Truman - Peterson Institute for International Economics

The coronavirus pandemic and an unprecedented global recession have triggered fears of a debt crisis requiring massive intervention by international financial institutions as well as debt restructuring by private and official creditors. Truman draws two lessons for the current crisis, based on his ring-side experience during the debt crises of the 1980s. First, the initiation of debt relief will require a broad consensus among four groups: the borrowing countries, their foreign creditors, the authorities of the countries in which those creditors are located, and international institutions. Reaching consensus takes time. Second, implementation of the consensus framework will be case by case, because of differences in the political and economic circumstances of each country, which will militate against simple replication for different countries and against implementation all at the same time. Any framework will not be self-implementing. While the call for rapid action is understandable, applying a one-size-fits-all approach will not be possible. **TAGS:** **Debt Restructuring**; **Debt relief**; **COVID-19**

Sovereign Debt Overhang, Expenditure Composition and Debt Restructurings **(2020)**

Tamon Asonuma, Hyungseok Joo - International Monetary Fund, Wayne State University

Sovereigns' public capital influences sovereign debt crises and resolution. The authors compile a dataset on public expenditure composition around restructurings with private external creditors. The authors show that during restructurings, public investment (i) experiences severe decline and slow recovery, (ii) differs from public consumption and transfers, (iii) reduces share in public expenditure, and (iv) relates with restructuring delays. The authors develop a theoretical model of defaultable debt that embeds endogenous public capital accumulation, expenditure composition, production and multi-round debt renegotiations. The model quantitatively shows severe decline and slow recovery in public investment, i.e., "sovereign debt overhang" delay debt settlement. Data support these theoretical predictions. **TAGS:** **Debt Restructuring**; **Debt sustainability**; **Sovereign defaults**

Debt Relief with Chinese Characteristics **(2020)**

Kevin Acker, Deborah Bräutigam, Yufan Huang - Johns Hopkins University

As China is poised to become the world's largest creditor, concerns about debt sustainability have grown. Yet considerable confusion exists over what is likely to happen when a government runs into trouble repaying its Chinese loans. In this working paper, the authors draw on data from the China Africa Research Initiative (CARI) to review evidence on China's debt cancellation and restructuring in Africa, in comparative and historical perspective. Cases from Sri Lanka, Iraq, Zimbabwe, Ethiopia, Angola, and the Republic of Congo, among others, point to debt relief patterns with distinctly Chinese characteristics. In nearly all cases, China has only offered debt write-offs for zero-interest loans. Their study found that between 2000 and 2019, China has cancelled at least US$ 3.4 billion of debt in Africa. There is no "China, Inc.": for interest-bearing loans, treatment for inter-governmental debt and Chinese company loans are negotiated separately, and often loan-by-loan rather than for the entire portfolio. While rescheduling by increasing the repayment period is common, changes in interest rates, reductions in principal ("haircuts"), or refinancing are not. The authors found that China has restructured or refinanced approximately US$ 15 billion of debt in Africa between 2000 and 2019. The authors found no "asset seizures" and despite contract clauses requiring arbitration, no evidence of the use of courts to enforce payments, or application of penalty interest rates. Although Chinese lenders have applied Paris Club terms to some rescheduling, on the borrower's request, Chinese lenders prefer to address restructuring quietly, on a bilateral basis, tailoring programs to each situation. Yet the lack of transparency fuels suspicion about Chinese intentions. These patterns are likely to play out as Chinese lenders and African borrowers grapple with the impact of COVID-19. **TAGS:** **Debt Restructuring**; **Debt relief**; **Debt sustainability**; **COVID-19**

COVID-19 Debt Relief **(2020)**

Leonardo Becchetti, Pasquale Scaramozzino - University of Rome Tor Vergata, University of Rome II

The COVID-19 pandemic has been a global shock with dramatic consequences on debts of governments called to alleviate the economic and social impact of the crisis on firms and households. The authors explore conditions for the feasibility of (COVID-19 generated) government debt relief, justified in principle by the exogenous characteristics of the shock. The authors outline several technically and economically feasible ways (involving debt 'freezing', debt rescheduling or outright debt cancellation) for achieving this goal and discuss their consequences on moral hazard and the Central Bank balance sheets, as well as their potential impact on CB's independence, reputation and, ultimately, on inflation and exchange rates. The authors also discuss the distributive concerns which arise when a CB (as in the Eurozone) operates in a Union with several sovereign member states. **TAGS:** **Debt Restructuring**; **Debt relief**; **COVID-19**

Towards a More Robust Sovereign Debt Restructuring Architecture: Innovations from Ecuador and Argentina **(2020)**

Ian Clark, Dimitrios Lyratzakis - White & Case LLP

The Collective Action Clauses published by the International Capital Markets Association in 2014/2015 aim to facilitate orderly and consensual sovereign debt restructurings. The clauses were designed to give sovereigns flexibility in structuring and consummating a transaction that would be capable of attracting broad creditor support, while safeguarding the integrity of the process and the rights of creditor minorities. The recent restructurings of Argentina and Ecuador presented the first opportunities for the ICMA CACs to be tested in practice, but the "re-designation" and "PAC-man" strategies first seen in the Argentine restructuring revealed shortcomings in the ICMA contractual architecture.

Argentina's and Ecuador's creditors responded by negotiating tailored refinements to the standard CACs that would mitigate the risk that a sovereign could compel a restructuring that is not supported by the requisite creditor supermajorities. The qualified restrictions on "re-designation" and "PAC-man" adopted by Ecuador and Argentina enhance the ICMA architecture and provide strong incentives for a sovereign to engage constructively with its private creditors in a consensus-building process that results in a restructuring proposal capable of achieving supermajority support. **TAGS:** **Debt Restructuring**; **Contract standards**

Borrowing Costs after Debt Relief **(2020)**

Valentin Lang, David Mihalyi, Andrea Presbitero - University of Zurich, CEU, Johns Hopkins University

Can debt moratoria help countries weather negative shocks? The authors study the bond market effects of an NPV-neutral debt service suspension endorsed by the international community during the Covid-19 pandemic. Using daily data on sovereign bond spreads and synthetic control methods, the authors show that countries eligible for official debt relief experience a larger decline in borrowing costs compared to similar, ineligible countries. This decline is stronger for countries that receive a larger relief, suggesting that the effect works through liquidity provision. By contrast, their results do not support the concern that debt relief could generate stigma. **TAGS:** **Debt relief**; **Sovereign risk premia**

The Argentine Collective Action Clause Controversy **(2020)**

Lee C. Buchheit, G. Mitu Gulati - Center for Contract and Economic Organization, Duke University School of Law

Argentina is once again seeking to restructure its external debt. To facilitate this process, the country is proposing to use the state-of-the-art collective action clause that was included in the bonds Argentina started issuing in the Spring of 2016. When it uncloaked its restructuring offer to creditors in April of this year, however, Argentina sought the consent of bondholders to amend those clauses in ways that have sparked an outcry from certain of those holders. At stake in this controversy is the question of which version of a collective action clause will be incorporated in future bonds issued by sovereign borrowers. **TAGS:** **Debt Restructuring**; **Contract standards**; **Sovereign debt litigation**

Macroeconomic Analysis

Primary Balance: Sustainability Analysis under Uncertainty **(2020)**

Valerie Lankester Campos, Kerry Loaiza Marín, Carlos Monge Badilla - Central Bank of Costa Rica

This paper analyzes the sustainability of Costa Rican sovereign debt within the intertemporal budget constraint framework, which is complemented with the estimation of the fiscal reaction function and a risk assessment under the fan chart methodology using annual data from 1974 until 2018. Results show that fiscal behavior has been unsustainable for specific episodes in the long run, and in the short run there have been few instances of debt sustainability since the economic crisis of the early 1980s. Given that a major fiscal reform was approved at the end of 2018, an evaluation of its impact on the path of adjustment of primary balance, considering uncertainty, is included. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**

An Apocalypse Foretold: Climate Shocks and Sovereign Defaults **(2020)**

Serhan Cevik, João Tovar Jalles - International Monetary Fund, University of Lisbon

Climate change poses an existential threat to the global economy. While there is a growing body of literature on the economic consequences of climate change, research on the link between climate change and sovereign default risk is nonexistent. The authors aim to fill this gap in the literature by estimating the impact of climate change vulnerability and resilience on the probability of sovereign debt default. Using a sample of 116 countries over the period 1995–2017, the authors find that climate change vulnerability and resilience have significant effects on the probability of sovereign debt default, especially among low-income countries. That is, countries with greater vulnerability to climate change face a higher likelihood of debt default compared to more climate resilient countries. These findings remain robust to a battery of sensitivity checks, including alternative measures of sovereign debt default, model specifications, and estimation methodologies. **TAGS:** **Debt and fiscal/monetary policies**; **Sovereign defaults**; **Structural policies**

Assessing Dutch Fiscal and Debt Sustainability **(2020)**

Benjamin Carton, Armand Fouejieu - International Monetary Fund

Although the Netherlands entered the so-called Great Lockdown with a strong fiscal position, the Dutch fiscal balance is projected to deteriorate by an unprecedented magnitude, largely as a result of necessary fiscal measures deployed to weather the economic impact of the COVID-19 pandemic. This paper performs a stochastic analysis of risks to Dutch fiscal and debt sustainability over the next decade, taking into account alternative recovery scenarios and associated fiscal consolidation paths and also a range of macroeconomic shocks drawn from the historical experience of the Netherlands. The simulations show that even under significant downturn scenarios and assuming an initially less favorable fiscal position due to persistent economic effects of the pandemic, risks to the Dutch fiscal and debt sustainability would remain contained. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **COVID-19**

Interest rate-growth differentials on government debt: an empirical investigation for the euro area **(2020)**

Cristina Checherita-Westphal, João Domingues Semeano - European Central Bank

The interest rate-growth differential (ii-gg) is an important determinant of government debt dynamics and sovereign sustainability analysis. A persistently negative differential could in principle enable lowering debt ratios even in the absence of primary surpluses. Many advanced economies, including in the euro area, had recently - before the COVID 19-crisis hit - exhibited a strong negative inertia in their ii-gg. But to which extent can this be sustained? The focus of their analysis is on the mature euro area economies over the EMU period and the decades before, when the differential was mostly positive on average. The authors use panel econometric techniques to identify the determinants of ii-gg across euro area countries and then employ a panel BVAR model to forecast ii-gg, while providing various sensitivity analyses. The authors conclude that the differential is likely to remain negative after the COVID 19-crisis and well below its long-term average for most euro area countries, but several factors will likely push it up. This would warrant caution in the conduct of fiscal policy over the medium term for the high debt countries, where ii-gg is higher on average and the probability of positive values over the medium term is non-negligible. Finally, the on-going crisis, whose duration and economic effects are hard to predict, brings an unprecedented level of uncertainty for both the short and long-run dynamics of the differential. **TAGS:** **Debt and growth**; **Debt and fiscal/monetary policies**; **Debt sustainability**; **COVID-19**

Rising Debt burdens, the impact on Public Spending, and the Coronavirus Crisis **(2020)**

Tim Jones - Center for Global Development

Even before the coronavirus crisis, since 2011 debt payments have grown rapidly for lower income countries. In this paper the authors analyse debt payments for 63 countries with figures available from the IMF and World Bank. The author finds that average public external debt service has increased from a low of 5.5% of government revenue in 2011 to 12.4% in 2019, an increase of 125%. Based on IMF and World Bank projections, the authors estimate that payments would have increased to between 12.8% and 17.4% of government revenue by 2022 before the impact of the COVID crisis. The coronavirus crisis has dramatically worsened the debt situation for many countries. **TAGS:** **Debt Forecasts**; **Economic Forecasts**; **Sovereign bonds yields**; **Debt sustainability**; **Debt and fiscal/monetary policies**; **Debt Statistics**; **COVID-19**

This Time is different: the PEPP might not work in a sectoral recession **(2020)**

Angela Capolongo, Daniel Gros - European Parliament

The COVID-19 recession is different from previous downturns because it originates in demand and supply disturbances which are highly specific to certain sectors (contact-intensive services). This sectoral nature renders aggregate demand policies, including monetary policy, much less effective. The PEPP was essential to prevent a financial crisis in the Spring of 2020; but there is no need to increase its size. In a sectoral recession, one should not expect much impact from central bank bond buying on inflation. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and recession**; **COVID-19**; **Sovereign bonds yields**

Zambia - Joint World Bank-IMF Debt Sustainability Analysis **(2019)**

IMF – IDA

An updated debt sustainability analysis (DSA) is prepared using the revised Low-income Countries Debt Sustainability Framework (LIC DSF) to assess Zambia's current debt situation. Debt burden indicators have deteriorated considerably since the October 2017 DSA mainly on account of large fiscal deficits as the authorities made use of available financing to boost infrastructure spending, weaker growth and exchange rate, and a worsened external environment (terms of trade and financial conditions). Rising debt service costs (both externally and domestically) and a large pipeline of contracted and to-be-disbursed loans place Zambia's public debt on an unsustainable path under current policies while budget expenditure arrears have risen. **TAGS:** **Debt**

sustainability; **Sovereign bonds yields**; **Debt and fiscal/monetary policies**

Public debt sustainability and debt dynamics. The case of Tanzania **(2019)**

Maureen Were, Lekinyi Mollel - United Nations University World Institute for Development Economic Research

Rising public debt in sub-Saharan Africa remains a matter of concern. The authors provide an analysis of public debt and debt sustainability in Tanzania, focusing on external debt. Though current and previous analyses using the IMF-World Bank debt sustainability framework indicate low risk of public external debt distress, these analyses are sensitive to exchange rate volatility and export shocks and are predicated on strong assumptions of robust future economic growth and reduced government borrowing. Moreover, empirical evidence of debt sustainability based on the fiscal reaction function approach is weak. The challenge lies in ensuring debt remains sustainable, given the need to scale up development expenditure to address infrastructure gaps amid dwindling donor financing and vulnerability to exogenous shocks, particularly in light of the COVID-19 pandemic. Rapid debt accumulation—particularly commercial debt—could expose Tanzania to external risks. Leveraging on concessional borrowing, efficient public investment, enhanced debt management, and domestic resource mobilization are critical. **TAGS:** **Debt sustainability**; **Foreign Debt**; **Debt and growth**; **Multilateral financing**; **Debt relief**; **Debt and fiscal/monetary policies**; **Debt composition**; **COVID-19**

Economic Policies

Non-Linearities in Fiscal Policy: The Role of Debt **(2020)**

Alexandra Fotiou - International Monetary Fund

Empirical evidence shows that fiscal multipliers depend on the state of the cycle, the nature of fiscal policy and the level of debt. In other words, evidence points to non-linearities in the effects of fiscal policy. This paper provides a framework to examine the role of the level of government debt in the assessment of consolidation policies across the business cycle, allowing for the consolidation multiplier to depend on the level of debt at the time of consolidation. The empirical analysis, which uses a panel of 13 countries between 1980 and 2014, finds that when debt is high, fiscal consolidations based on tax increases are in general self-defeating, in that they result in an increase of the debt-to-GDP ratio. Instead, cutting public expenditure has a less pronounced effect on economic activity and can stabilize debt. The initial level of debt in an economy, when a fiscal consolidation is implemented, appears to work as a channel in explaining evidence of state-dependence of the different consolidation instruments. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and growth**

Individual Treatment Effects of Budget Balance Rules **(2020)**

Francesca Caselli, Daniel Stoehlker, Philippe Wingender - International Monetary Fund, ifo Institute

This paper investigates the heterogenous effects of budget balance rules on fiscal policy in a large sample of countries. To derive country-specific treatment effects of fiscal rules and conduct inference, the authors use a Synthetic Difference-in-Differences Method. Their results indicate that countries with a budget balance rule improve their fiscal balance on average by around 3 percent after its introduction. However, their results also illustrate the importance of going beyond the average treatment effect, as it masks significant heterogeneity in the country-specific impact of the rule. The authors find that countries that would have had large deficits in the absence of the fiscal rule exhibit positive treatment effects, thus reducing their budget deficits. On the other hand, countries with budget surpluses respond to fiscal rules by reducing their budget surplus and moving closer to the numerical target of the rule. Their results also suggest that rules' design matters: a small overall number of fiscal rules, and the presence of a monitoring process outside the government, especially at the supra-national level, improve significantly the effectiveness of the rules. **TAGS:** Debt and fiscal/monetary policies; Debt sustainability

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Spending Reviews: Some Insights from Practitioners (2020)

Elva Bova, Riccardo Ercoli, Xavier Vanden Bosch - European Commission

Spending reviews have been on the rise in the European Union Member States. However, readily accessible tips and guidance for governments embarking in a spending review are missing. This publication explains the why and how related to designing and conducting a spending review, using a practitioner's lenses. Targeted to policy makers and government officials, the various chapters featured in this publication combine views of both policy makers and practitioners in national and international institutions with direct experience in the field. This work also presents some country-specific experiences with a focus on implementation risks and possible bottlenecks that can come up along the 'journey'. **TAGS:** Accounting, statistics, Reporting and Auditing

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Mean Reverting Debt/GDP Dynamics in a General Equilibrium Model (2020)

Rosella Levaggi, Francesco Menoncin - University of Brescia

The choice of financing public expenditure with taxes or debt (or both) have been widely investigated by the literature, without finding an ultimate solution. In this article, the authors take a different point of view and compute the dynamics of the optimal debt/GDP ratio to study under which conditions it converges towards a finite equilibrium that is endogenous to the model. The authors show that the convergence exists if the capital growth rate is higher than the (constant) interest rate paid on the public debt. When the interest rate is allowed to depend on the debt itself, the convergence exists if the deficit/GDP is sufficiently small. Thus, a policy of deficit control/reduction is needed in order to prevent the debt from exploding and this justify some super-national policies implemented, for instance, at the EU level. **TAGS:** Debt sustainability; Debt and fiscal/monetary policies; Sovereign bonds yields

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Direct and Indirect Taxes Effects on Public Budget Deficit in Jordan from 2008 to 2018 (2020)

Waleed K. Alzoubi - Al-Balqa Applied University

Theoretically, direct and indirect taxes have a great importance as a tool for public expenditure finance and achieving governments' goals. The aim of this study is to investigate effects of direct and indirect taxes on public budget deficit in Jordan. It is based on analyzing financial data issued by Ministry of Finance in their annual and monthly finance bulletins for the period (2008- 2018). In order to test the hypotheses and analyze data of the study, the authors calculated financial rates and used the linear regression. The results show that taxes (direct and indirect) have no significant impact on public budget deficit in Jordan. The researcher attributed this finding for the increase in current expenditures, especially for independent agencies and public debt interests, and for tax evasion. This study recommends minimizing public current expenditures and increasing levels of taxation management in order to reduce tax evasion. **TAGS:** **Debt and fiscal/monetary policies**

Can Pakistan Raise More External Debt? A Fiscal Reaction Approach **(2020)**

Sadia Mansoor, Mirza Aqeel Baig, Irfan Lal - Institute of Business Management

This study has assessed the role of existing policies in determining the state of debt sustainability for the Pakistan economy (1980- June 2019) through fiscal reaction function. This study adds to the literature in two aspects. First, a policy index has been constructed to formulate a debt-policy interactive term that implies whether or not existing macroeconomic policies contribute in making external debt sustainable in Pakistan. Second, this study has gauged the potential sustainable external debt through the in-sample forecast method. The estimated results obtained by the ARDL method show that Pakistan has just entered into a phase of unsustainable debt burden in the long run as fiscal reaction analysis exhibits the weak significant negative relationship between primary balance and external debt to GDP ratio. Moreover, existing macroeconomic policies also show a negative association with the primary balance that implies the ineffectiveness of policies in making external debt sustainable for Pakistan. This study suggests that an increase in foreign inflows through remittances or export earnings may improve the debt sustainability state in Pakistan. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Foreign Debt**

Manufacturing Risk-free Government Debt **(2020)**

Zhengyang Jiang, Hanno N. Lustig, Stijn Van Nieuwerburgh, Mindy Z. Xiaolan - Kellogg School of Management, Stanford Graduate School of Business, Columbia University, University of Texas

Governments face a trade-off between insuring bondholders and taxpayers. If the government fully insures bondholders by manufacturing risk-free debt, then it cannot also insure taxpayers against permanent macro-economic shocks over long horizons. Instead, taxpayers will pay more in taxes in bad times. Conversely, if the government fully insures taxpayers against adverse macro shocks, then the debt becomes risky; at least as risky as un-levered equity claim. Governments can only escape this trade-off if they enjoy a large and counter-cyclical convenience yield on their debt. **TAGS:** **Debt and fiscal/monetary policies**; **Debt Policy**; **Sovereign bond yields**

The COVID-19 shock and a fiscal-monetary policy mix in a monetary union **(2020)**

Anna Bartocci, Alessandro Notarpietro and Massimiliano Pisani - Bank of Italy

The authors evaluate the effectiveness of a fiscal-monetary policy mix in the euro area, in response to the Covid-19 shock. It is assumed that the monetary union is made up of two symmetric regions. A fraction of households is subject to liquidity constraints and consumes all its available income in every period (another fraction has full access to financial markets and can smooth consumption in response to income fluctuations). The authors consider expansionary fiscal measures and non-standard monetary policy measures (asset purchases). A fiscal expansion based on an increase in public consumption and transfers to liquidity-constrained households mitigates the recessionary effects of the Covid-19 shock, with positive spillovers across regions. Non-standard monetary policy amplifies the effectiveness of fiscal measures, by reducing long-term interest rates. The issuance by a supranational fiscal authority of a safe bond can avoid the insurgence of financial tensions, thus preserving the effectiveness of fiscal policy in the whole area. **TAGS:** Debt and fiscal/monetary policies; Debt Policy; Sovereign bonds yields; COVID-19

Theory, Evidence, and Risks of the ECB's Asset Purchase Programme (2020)

Pierpaolo Benigno, Paolo Canofari, Giovanni Di Bartolomeo, Marcello Messori – LUISS

In response to the COVID-19 crisis, the ECB has relaunched a massive asset purchase programme within its combined-arms monetary strategy. This paper presents and discusses the theory and the evidence of the central bank's asset purchases, mainly in the euro area. It analyses the role of asset purchase programmes in the ECB's toolkit and the potential associated risks, focusing specifically on the problems of the programmes' unwinding. Finally, the paper offers some possible alternatives to the asset purchase programmes. […]**TAGS:** Debt and fiscal/monetary policies; Financial stability; Debt sustainability; Sovereign risk premia; Sovereign bonds yields

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Monetary policy cooperation/coordination and global financial crises in historical perspective (2020)

Michael D. Bordo - National Bureau of Economic Research

The COVID-19 pandemic spawned a global liquidity crisis in March 2020. The global liquidity crisis was alleviated by the Federal Reserve and other advanced country central banks cooperating by extending the swap lines they developed in the Global Financial Crisis 2007-2008. Central bank cooperation in 2020 evolved from a two-century history across several monetary regimes that is surveyed in this paper. The author finds that in monetary regimes which are rulesbased cooperation was most successful. International currency swaps developed to manage exchange rates during the Bretton Woods era have evolved into the leading tool to manage international liquidity crises. The swap network can be viewed as a step in the direction of a global financial safety net. **TAGS:** COVID-19; Debt and fiscal/monetary policies; Debt crisis; Market Liquidity

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Reports

2020

Retail investors in government debt: Can fintech bring about cheaper, more inclusive programs?

Sébastien Boitreaud and Leandro Puccini Secunho - World Bank

Last summer, amid the high market volatility induced by COVID-19, analysts noted a striking source of activity in the US stock market: retail investors accounted for up to a quarter of the trading volume, up from less than 10 percent one year ago. Retail investors are individuals and families who directly invest small amounts of money for themselves rather than through financial firms. […] **TAGS:** Primary market; Sovereign debt market; Trading platforms

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2020 Year in Review: The impact of COVID-19 in 12 charts

Paul Blake and Divyanshi Wadhwa - World Bank

This time last year, concepts such as "lockdowns," "mask mandates" and "social distancing" were unknown to most of us. Today they are part of our everyday language as the COVID-19 pandemic continues to impact all aspects of our lives. Through the following 12 charts and graphics, the authors try to quantify and provide an overview of our colleagues' research in the face of a truly unprecedented crisis. **TAGS:** **Economic Forecasts**; **Debt Forecasts**; **Debt relief**; **COVID-19**

The long shadow of monetary policy

Phurichai Rungcharoenkitkul, Claudio Borio, Piti Disyatat – BIS

In recent years, a key challenge for central banks has been the shrinking room for policy manoeuvre as interest rates have declined to historical lows in many countries. The Covid-19 pandemic has inevitably exacerbated the problem. Once the worst is over, rebuilding policy space will be critical. This column presents a theoretical model in which the impact of monetary policy on financial vulnerabilities can complicate that challenge by constraining policy choices down the road. […]**TAGS:** **Debt and fiscal/monetary policies**; **Financial stability**; **COVID-19**

European Economic Forecast. Autumn 2020

European Commission

The COVID-19 pandemic caused an economic crisis unique in its severity. Following the disruptions in the first half of 2020, the initial phase of the economic recovery, helped by unprecedented policy support, was quick to materialise when containment measures were eased across Europe. In recent weeks, however, the resurgence in infections has led to the re-introduction of containment measures in many Member States. These are expected to weigh on economic activity and sentiment in the short run, with negative effects on consumption and investment, though to a lesser extent than in the spring, as the approach so far has been more targeted. Accordingly, after what appears to have been an exceptionally strong rebound in the third quarter, EU GDP growth looks set to stall in the fourth quarter of 2020. […] **TAGS:** **Economic Forecasts**; **Debt Forecasts**; **COVID-19**

Budget System in Poland: Challenges and Ongoing Reforms

Bartłomiej Wiczewski - European Commission

In recent years, amid solid economic growth and measures to increase tax collection, Poland significantly reduced its fiscal deficit and public debt. Simultaneously, the country implemented several policies that are likely to weigh on public finances in the future. In the medium and long term, Poland will face challenges resulting from the Covid-19 pandemic and high expenditure related to population ageing, switching its growth engine to more knowledge-based activities and tackling climate challenges. […] **TAGS:** **Debt and fiscal/monetary policies**; **Accounting, statistics, Reporting and Auditing**

Federal Budget for 2021-2023: Development Targets Prevail Over Fiscal Balance

Ilya Sokolov - Gaidar Institute for Economic Policy

The draft of the federal budget for the coming three years has clear features of the budget for development: it is aimed both at ongoing financing of anti-crisis measures and at the implementation of long-term national projects. Proactive fiscal policy amidst the decrease in tax and non-tax revenues forces implementation of fiscal consolidation measures coupled with slightly raising tax burden on certain sectors of the economy and the wealthy as well improving the 'unprotected' expenditure items. It will not be enough to ensure fiscal balance with only these measures and the budget will be in deficit. […] **TAGS:** **Economic Forecasts**; **Debt Forecasts**

What traders should know about seasonal adjustment

Ralphe Sueppel - Systemic Risk and Systemic Value

The purpose of seasonal adjustment is to remove seasonal and calendar effects from economic time series. It is a common procedure but also a complex one, with side effects. Seasonal adjustment has two essential stages. The first accounts for deterministic effects by means of regression and selects a general time series model. […] **TAGS: Trading platforms**; **Financial Analysis**; **Debt Forecasts**

'Leaning against the wind' and the risk of financial crises

Moritz Schularick, Lucas ter Steege, Felix Ward - University of Bonn, Deutsche Bundesbank, Erasmus University Rotterdam

The question of whether monetary policymakers can defuse rising financial stability risks by 'leaning against the wind' and increasing interest rates has sparked considerable disagreement among economists. This column contributes to the debate by studying the state-dependent effects of monetary policy on financial stability, based on the 'near-universe' of advanced economy financial cycles since the 19th century. […] **TAGS: Debt crisis**; **Financial stability**; **Debt and fiscal/monetary policies**

Uruguay Sovereign Debt Report – October 2020

Debt Management Unit (DMU) of the Ministry of Economy and Finance

Summary: - The Budget Law submitted to Congress includes a new legal framework for Central Government indebtedness and lays out the medium-term debt management strategy. - Strong rally of Uruguay's sovereign bond prices during 2020Q3; global dollar bonds post highest total return within JPM's Emerging Market Bond Index, year-to-date. […] **TAGS: Debt Policy**; **Debt Statistics**

Sovereign Outlook 2021: global growth recovers amid high debt

Scope Ratings

The global economy will rebound by around 5.4% next year after the sharpest contraction of the post-war era in 2020 when output will have fallen by about 4.0%, but the recovery will prove uneven amid an overhang of global debt, says Scope Ratings. **TAGS: Economic Forecasts**; **Debt Forecasts**

JGB Newsletter December 2020

Ministry of Finance, Japan

The Cabinet approved the draft third supplementary budget for FY 2020 and the draft budget for FY 2021 on December 15 and 21, respectively. Corresponding to these draft budgets, we revised and drafted the JGB Issuance Plans. Below are the links of draft JGB Issuance Plans. For more information, please see the upcoming Newsletter.[…] **TAGS: Debt Statistics**; **Debt Policy**; **Primary market**; **Secondary Markets**

November Monthly Debt Report – Brazil

Ministry of Finance – Brazil

The Monthly Debt Report presents statistics and relevant data on Federal Public Debt – DPF. The publication disclosure data on issuances, redemptions, outstanding debt evolution, average maturity, maturity profile, average cost and others for both domestic and external debt from Brazilian National Treasury responsibility. Besides that, it brings information about the Treasury Direct Program – a public securities retail sales program – and a periodic Annual Borrowing Plan assessment. **TAGS: Debt Statistics**; **Debt Policy**; **Primary market**

Principles for stable capital flows and fair debt restructuring
IIF
The impact of COVID-19 pandemic on global debt markets has been unprecedented. In early 2020 the COVID-19 shock prompted a sharp sudden stop in portfolio debt flows to emerging markets, with Q1 recording the largest quarterly EM outflows on record—exceeding the worst seen during the global financial crisis. As social distancing became the norm around the world, the global economy plunged into recession with significant adverse implications on global trade and international investment flows. […]**TAGS:** **Debt Restructuring**; **Debt relief**; **Multilateral financing**; **Transparency**; **COVID-19**

Global Sovereign Debt Monitor 2020
Misereor
The global debt crisis is gripping more and more countries in the Global South. It is threatening the livelihoods of millions of people. At the same time, many over-indebted countries are suffering massively from the impacts of climate change. Bone crushing debt servicing is hampering urgently needed adaptation measures. **TAGS:** **Debt Statistics**; **Debt sustainability**; **Debt crisis**; **Sovereign defaults**

A proposal for an auction-based sovereign debt restructuring mechanism
Tim Williems – IMF
The COVID-induced surge in public debt has raised concerns about its sustainability, further increasing the need to improve the debt-restructuring process. This column proposes an auction-based strategy to restructure sovereign debt that tailors the shape of the restructured debt stock optimally to creditor preferences, subject to debt being sustainable post-restructuring. Any debt relief provided to the country gets optimally distributed over its creditors, thus minimising the pain inflicted upon them. […] **TAGS:** **Debt relief**; **Debt Restructuring**; **Debt sustainability**; **Public debt auctions**

Government borrowing, debt and debt interest: statistics
Matthew Keep - UK Parliament Office
The charts below show public sector net borrowing, public sector net debt and debt interest payments. Outturn figures from the Office for National Statistics (ONS) and the latest Office for Budget Responsibility (OBR) forecasts are shown. […]**TAGS:** **Debt Statistics**; **Debt Forecasts**

Financial market development, monetary policy and financial stability in emerging market economies
BIS
The papers in this volume were prepared for a meeting of senior officials from central banks held at the Bank for International Settlements. Financial markets are an important component in the transmission of monetary policy and play a key role in fostering financial stability. Financial market development (FMD) aims at enhancing the capacity of the financial system to pool domestic savings and foreign capital in funding investment and consumption, and at enabling efficient risk-sharing. […]**TAGS:** **Debt and fiscal/monetary policies**; **Financial stability**; **Financial Analysis**; **Market Liquidity**; **Transparency**

What is quantitative easing?
Bank of England

We can purchase assets to stimulate the economy. This is often known as quantitative easing. Quantitative easing is a tool that central banks, like us, can use to inject money directly into the economy. Money is either physical, like banknotes, or digital, like the money in your bank account. Quantitative easing involves us creating digital money. We then use it to buy things like government debt in the form of bonds. […] **TAGS:** **Sovereign bonds yields**; **Structural policies**; **Transparency**; **Debt and fiscal/monetary policies**

The pandemic crisis response is a long-term marathon: Some key principles to drive the G20 economic policy response in 2021

Elena Flores, Lucia Granelli - European Commission

In April 2020, G20 Finance Ministers and Central Bank Governors endorsed the 'G20 Action Plan Supporting the Global Economy Through the COVID-19 Pandemic', setting out the key principles guiding the global response to the crisis and commitments to specific actions for driving forward international economic cooperation. The G20 agenda in 2021 – under the Italian Presidency – will be closely linked to the Action Plan. This column develops a few principles to support the G20's work in 2021. **TAGS:** **Debt and fiscal/monetary policies**; **COVID-19**; **Debt Forecasts**; **Economic Forecasts**; **Sovereign bonds yields**

Rates Outlook 2021. Money for nothing

Padhraic Garvey, Benjamin Schroeder, Antoine Bouvet - ING Think

Our outlook for rates in 2021 is relatively optimistic. That said, there are numerous drags that will contain market rates. A large debt overhang is one. Pushing in the other direction is re-pricing from heavy supply and a potentially jumpy inflation dynamic. Our base forecasts are below followed by a closer look at the many drivers in play […]**TAGS:** **Economic Forecasts**; **Financial Analysis**; **Sovereign bonds yields**

2021 Outlook – Trends in the Capital Markets

SIFMA

SIFMA has released its 2021 Outlook, reviewing major themes of the past year -- including how well markets, firms and regulators have adapted to disruptions caused by the coronavirus pandemic -- and laying out priorities and challenges for the coming year. **TAGS:** **Debt Forecasts**; **Subnational debt**; **Debt and fiscal/monetary policies**; **International and Macroprudential Regulations**; **COVID-19**

Paying for the pandemic and a just transition

Ben Tippet - Transnational Institute

Ten proposals could raise $9.4 trillion a year – enough to pay for the pandemic, the Sustainable Development Goals, a climate transition and reparations for slavery. Whether it's rehousing millions of displaced people in Bangladesh, or injecting trillions into the global economy to keep things afloat during the pandemic, the costs of these crises will continue to mount. As the debts rise, many will be asking, "Who is going to pay for all this?"[…] **TAGS:** **Debt and fiscal/monetary policies**; **Financial stability**

The Future Impact of UMR

LCH

As the last phases of the uncleared margin rules (UMR) play out, the derivatives industry enters a new era of opportunity. The decade-long regulatory journey is now revealing a more transparent and democratic industry, with opportunities for more efficient and effective management of systemic risk. For the individual firms involved, which are now required to collateralise uncleared trades, it has been a costly and burdensome exercise. […] **TAGS:** Derivatives; Trading platforms; Bond market development

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Defusing Debt - Creating Comprehensive Solutions

World Bank

What is needed most to help countries break the cycle of debt distress? A key topic raised at the Defusing Debt event is that developing countries will need a long-term solution to debt reduction or resolution in the face of COVID-19. Greater transparency around how much governments borrow, for what reasons and from whom is critical to getting to effective solutions. […] **TAGS:** Debt relief; Transparency; Debt sustainability; COVID-19

ESMA sets out its final view on the derivatives trading obligation (DTO)

ESMA

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has released a public statement that clarifies the application of the European Union's (EU) trading obligation for derivatives (DTO) following the end of the UK's transition from the EU on 31 December 2020. **TAGS:** Derivatives; International and Macroprudential Regulations

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The Budget for 2021 in five minutes

Government of Sweden

On 21 September 2020, the Government presented its budget proposal for 2021 to the Riksdag. Indicators suggest that the Swedish economy bottomed out in the spring; it is expected to recover in the second half of 2020, just like the global economy in general. The Government assesses, however, that it will be several years before the recession is over. But Sweden is in a good position to manage the recession, as its level of public debt is among the lowest in Europe.[…] **TAGS:** Debt Forecasts; Debt Statistics; Economic Forecasts; Debt and fiscal/monetary policies

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Economic projections for Belgium

National Bank of Belgium

The National Bank of Belgium publishes economic projections for Belgium twice a year. This year, economic activity in Belgium is down by 9 % as a result of the containment measures imposed to prevent the spread of the Covid-19 pandemic. As the restrictions are eased, the economy should gradually pick up and grow by 6.4 % in 2021 and 2.3 % in 2022. The economy's recovery will be supported mainly by household consumption, as a result of pent-up demand but also thanks to rising purchasing power.[…] **TAGS:** Debt Forecasts; Debt Statistics; Economic Forecasts

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BIS Quarterly Review, December 2020

BIS

This Quarterly Review shows markets rebounded in November, but concerns about the daylight between valuations and the economic outlook persisted. Government bond yields stayed unusually low, supported by monetary accommodation, sustaining the search for yield. The relative performance of EME currencies partly reflected structural features of domestic economies. **TAGS:** Sovereign debt market; Financial Analysis; Debt and fiscal/monetary policies; Financial stability; Sovereign bonds yields

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Evolution of the external debt of Developing Countries between 2000 and 2018

Eric Toussaint, Milan Rivié – CATDM

At the end of the 1990s and in the early years of the new millennium, Developing Countries (DC) were emerging from an unprecedented debt crisis, the "lost decades of development", which had started in 1982 with Mexico defaulting. Between 1980 and 1999 there had been at least 280 debt restructuring operations. […] **TAGS:** **Foreign Debt**; **Debt sustainability**; **Debt Statistics**

Italy: how to avoid falling into a looming Debt trap

Nicola Nobile, Maddalena Martini - Oxford Economics

The combination of the government's emergency policies and the plunge in economic activity means Italy's fiscal health will see a massive blow. As analyzed in the most recent briefing, in our baseline we assume that the fiscal deficit will increase to around 10% of GDP and the government debt will see a level shift to around 155% of GDP. […] **TAGS:** **Debt sustainability**; **Debt and fiscal/monetary policies**; **Debt and growth**; **Debt Forecasts**; **COVID-19**

Developing country external debt: From growing sustainability concerns to potential crisis in the time of COVID-19

SDG Pulse – UNCTAD

External indebtedness poses important challenges for developing countries, particularly in a context of floating exchange rate systems, open capital accounts and fast integration into international financial markets. The historical position of developing countries as debtors in foreign currency has been a recurrent source of vulnerability to external shocks, for example during a commodity price slump. […] **TAGS:** **Foreign Debt**; **Debt sustainability**; **Debt Statistics**; **Sovereign bonds yields**; **COVID-19**

BIS global liquidity indicators at end-June 2020

BIS

US dollar credit to non-bank borrowers residing outside the United States grew by 6% year-on-year, to reach $12.7 trillion at end-June 2020. In each of the three major currencies (USD, EUR, JPY), credit to non-residents grew more slowly than credit to residents of the respective currency areas in Q2. Dollar credit to emerging market and developing economies (EMDEs) expanded by 7% year-on-year, passing the $4 trillion mark. Issuance of debt securities remained the main driver of growth. **TAGS:** **Market Liquidity**; **Debt Statistics**; **Secondary Markets**

Monetary policy response in emerging market economies: why was it different this time?

BIS

During the Covid-19-induced financial stress in March 2020, central banks in emerging market economies (EMEs) departed from their monetary policy playbook by cutting rates even in the face of sharp currency depreciations and massive capital outflows. Two factors were at play. First, the cyclical position of EMEs gave more room for easing of monetary policy, while structural changes improved the anchoring of inflation expectations and kept a lid on exchange rate pass-through. […] **TAGS:** **Debt and fiscal/monetary policies**; **Financial Analysis**

GDRM Webinar - Colombian Experience: Issuing the first 30-year bond through domestic syndication

World Bank

In this GDRM Program webinar, Cesar Arias, Director of Public Credit and National Treasury, shares Colombia's experience in successfully issuing their first 30-year government security in the domestic market through syndication. **TAGS:** **Debt Policy**; **Primary market**; **Sovereign debt market**; **GDRM Program**; **World Bank**

Fourth Annual Workshop: ESCB Research Cluster 2 - Proceedings of the online event, on 23-24 November 2020

Bank of Italy and Bundesbank

The fourth annual workshop of the European System of Central Banks - ESCB Research Cluster 2 on 'International Macroeconomics, Fiscal Policy, Labour Economics, Competitiveness and EMU Governance' took place online on November 23-24, 2020. The research clusters bring together ESCB researchers to present their work within the ESCB research community, exchange ideas and foster open discussions. This year the workshop addresses issues related to the Covid crisis, trade, fiscal policy, productivity and labour markets. **TAGS:** **Debt and fiscal/monetary policies**; **Structural policies**; **COVID-19**

Key Trends in the size and composition of OTC Derivatives Markets in the First Half of 2020

ISDA

OTC derivatives notional outstanding at mid-year 2020 fell by 5.2% compared with the same period in 2019 and increased by 8.6% versus year-end 2019. The gross market value of OTC derivatives contracts at mid-year 2020 was 28.4% higher compared with mid-year 2019 and 33.5% higher versus year-end 2019. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Derivatives**; **Financial stability**

EU securities markets. ESMA Annual Statistical Report 2020

ESMA

With this edition, the European Securities and Markets Authority presents its first statistical report on European securities markets, to be published in the future on an annual basis. This report uses new regulatory data sources to provide for the first time a comprehensive overview of the European markets, including the number, characteristics and volumes traded of the instruments offered to trade by European trading venues […] **TAGS:** **Debt Statistics**; **Sovereign debt market**; **Trading platforms**

News

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

Please note that the following list contains only events yet to be held at the date of the newsletter, in chronological order. Due to current coronavirus pandemic, many events have been cancelled or postponed, therefore we decided to maintain in the website only confirmed events, according to information contained in their original pages. We have employed maximum care to update this information, but we apologise in advance if some mistakes still remain.
We suggest to regularly visit the "**Events**" section of our website, since the Secretariat adds regularly new events in advance to their dates and deadlines.

28 - 29 January 2021; Waset, Istanbul, Turkey
ICFSS 2021: 15. International Conference on Financial Stability Studies

28 – 29 January 2021; Waset, Sydney, Australia
ICPF 2021: 15. International Conference on Public Finance

28 January 2021; ASIFMA, Webinar via Zoom
Asia financial markets explained

8 – 19 February 2021; IMF, Virtual
Financial Programming and Policies

1 - 12 February 2021; IMF, Online
Monetary Policy

12 February 2021; CEPR, Rotterdam, the Netherlands
CEPR Conference: The Politics of Regulation and Central Banking

15 – 26 February 2021; Cef, Online
Managing Compliance Risks after the Covid-19 Pandemic

18 – 19 February 2021; Central Bank of Ireland, Virtual
Central Bank of Ireland Workshop: Borrower Finances, Financial Stability Assessment and Macroprudential Policies

18 February 2021; IIF, online
2021 U.S. Climate Finance Summit

22 – 26 February 2021; JVI Joint Vienna Institute, Online
Financial Markets and Instruments

24 February 2021; gfcmediagroup, Shangri-La Bosphorus, Istanbul
Bonds, Loans & Sukuk Turkey

24 – 25 February 2021; afme, Virtual
12th Annual Spanish Capital Markets Virtual Conference, in collaboration with AEB

26 February 2021; European Commission, Brussels
High Debt, Low Rates and Tail Events: Rules-Based Fiscal Frameworks under Stress

2 – 3 March 2021; Banque de France, Paris
Operational risk management in a central bank

4 March 2021; Politico.org, Online
Politico's finance summit

15 – 18 March 2021; IMF, Virtual
Monetary and Financial Statistics - Introductory

15 March 2021; Crown Agents, Dubai, United Arab Emirates
Public Debt Management: Issues and Solutions

19 March 2021; IMF, Online
Monetary and Financial Statistics - Introductory - Virtual

22 – 23 March 2021; ECB, Frankfurt am Main, Germany
ECB-RFS Macro-Finance Conference

29 March – 30 April 2021; UNITAR, Web Based
Ethics in Public Finance (2020)

29 March – 30 April 2021; UNITAR, Web Based
Principles of Central Bank Reserve Management (2020)

29 March - 9 April 2021; IMF, Online
Macroeconometric Forecasting and Analysis

11 April – 20 May 2021; UNITAR, Web based
Basic Course on Public Debt Management

12 – 21 April 2021; IMF, Online
Systemic Macro Financial Risk Analysis

19 – 23 April 2021; The World Federation of Exchanges, Virtual
WFE's Clearing and Derivatives Conference 2021

19 - 23 April 2021; EBRD, Online
Assessing and Managing Credit Risk from Contingent Liabilities: a Focus on Government Guarantees

19 - 23 April 2021; IMF, Online
Legal Aspects of International Financial Institutions

20 – 21 April 2021; Research Task Force of the Basel Committee on Banking Supervision, and Others, Frankfurt, Germany
Evaluating financial regulation: (un)intended effects and new risks)

26 April - 7 May 2021; IMF, Online
Monetary Policy

3 – 4 May 2021; Waset, online
ICPFM 2021: 15. International Conference on Public Finance and Management

17 – 28 May 2021: International Law Institute, Live Online Course
2021 International Borrowing and Debt Management - applications & recent developments

17 – 18 May 2021; King's Business School, Bush House, Strand Campus, London
QCGBF Annual Conference 2021 - Challenges facing Central Banks in the 2020s

24 May – 4 June 2021; IMF, Online
Monetary and Fiscal Policy Analysis with DSGE Models

30 May – 1 June 2021; Florence School of Banking and Finance, Italy
Liquidity, crisis and public policies: a model-based approach

1st June 2021; gfcmediagroup.com, Fairmont Hotel, Riyadh
Bonds, Loans & Sukuk Saudi Arabia

14 – 18 June 2021; IMF, Virtual
Debt and Cash Management (DCM)

21 – 25 June 2021; IMF, Virtual
Local Currency Bond Market Development

22 – 23 June 2021; Euromoney Conferences, United Kingdom
The Global Borrowers & Bond Investors Forum 2021

23 – 25 June 2021; Monash Business School, Crete, Greece
6th Symposium on Quantitative Finance and Risk Analysis

24 - 25 June 2021; The World Bank, Washington, DC
[Annual Bank Conference on Development Economics 2020: Global Unrest]

1 – 2 July 2021; Bank of Finland, Helsinki – Finland
[2021 RiskLab/BoF/ESRB Conference on Systemic Risk Analytics]

3 – 4 July 2021; University PBC School of Finance and Tsinghua University National Institute of Financial Research, Beijing, China
[2021 China Financial Research Conference]

14 – 16 July 2021; FIA and SIFMA, the Ritz Carlton Laguna Nigel in Dana Point, CA.
[Asset Management Derivatives Forum 2021]

19 – 20 July 2021; Waset, Helsinki, Finland
[ICEM 2021: 15. International Conference on Emerging Markets]

3 – 6 August 2021; University of Agder, Kristiansand, Norway
[World Finance Conference 2021]

9 – 10 August 2021; Bank of Seoul, SEOUL
[The Macroeconomic Consequences of COVID-19 - Annual International Journal of Central Banking Research Conference]

6 September 2021; Crownagents, London, United Kingdom
[Public Debt Management: Issues and Solutions]

4 – 8 October 2021; IMF, Online
[Debt Management, Debt Reporting, and Investor Relations]

7 – 8 October 2021; Waset, New York, USA
[ICMEMP 2021: 15. International Conference on Monetary Economics and Monetary Policy]

11 – 15 October 2021; Bank of France, Paris (France)
[Using DSGE models for policy analysis (level 2)]

25 October – 5 November 2021; IMF, Online
[Financial Sector Policies]

PDM Network in Figures

As of 22nd January 2021, total documents and reports available on the PDM Network website were 8,739. Events and News uploaded on the website since January 2020 were respectively 180 and 7,730. This newsletter is sent to 856 Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to Sébastien Boitreaud and Leandro Puccini Secunho (World Bank), Tanweer Akram (General Motors), and various DMOs for information on new documents and reports.

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