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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@mef.gov.it**.

Contents

Highlight

CALL FOR PAPERS - Public Debt Management Conference 2022 - Deadline 29 October 2021
PDM Network, Italian Ministry of Economy and Finance, OECD, World Bank
The Public Debt Management Network, an initiative fostered by the OECD, the Italian Treasury and the World Bank, is pleased to announce the call for papers for the second Public Debt Management Conference which is tentatively scheduled for May 2022.
This conference aims to explore techniques, analyses and proposals to improve the management of public debt, and will bring together debt managers, academics, and a wider set of practitioners to exchange ideas and experiences. **Read more** **TAGS:** **PDM Network**; **OECD**; **World Bank**; **Debt Policy**; **Best Practices**; **Debt sustainability**; **COVID-19**

Special Focus

"Solarizing" Peru — strengthening Peru's fiscal resilience amid COVID-19
World Bank
Following the 2008 global financial crisis, Peru looked for ways to further strengthen its fiscal resilience and reduce debt vulnerability. The Peruvian government partnered with the World Bank's Government Debt and Risk Management (GDRM) Program to build a deep and liquid domestic government-securities market, dominated in soles, the local currency. The "Solarization" strategy served as one of the main drivers to absorb the shock induced by the COVID-19 crisis. **Read more**
TAGS: **Debt Policy**; **Foreign Debt**; **Debt composition**; **Market Liquidity**; **COVID-19**; **World Bank**

OECD Debt Transparency Initiative
OECD
29/03/2021 - The COVID-19 pandemic has prompted a renewed focus on data transparency to better assess and address debt sustainability, particularly for the world's poorest and most vulnerable countries. In addition to the direct impact of the pandemic on the healthcare systems, declining revenues present an ongoing threat to growth in these countries, and to their ability to service their debt. The G20 Debt Service Suspension Initiative (DSSI), which calls on both official and private creditors to offer forbearance to eligible countries that request it, has also underscored the key role of transparency in sovereign debt markets. **Read more** **TAGS:** **Transparency**; **OECD**; **Debt sustainability**; **Debt Restructuring**; **Debt relief**; **COVID-19**

More Transparency, Less Risk: North Macedonia Adopts Credit-Risk Methodology for Sovereign Guarantees
World Bank
In May 2019, the government of North Macedonia introduced new primary legislation to improve transparency, assessment, and management of public finance risks. Secondary legislation, a "Rulebook" to regulate the implementation, followed in August 2020. The new Public Debt Management Law requires credit-risk analysis before the issuance of sovereign guarantees, increasing the resiliency of the government budget. **Read more** **TAGS:** **GDRM Program**; **World Bank**; **Transparency**; **Contingent Liabilities**

Guidance Note For Developing Government Local Currency Bond Markets
International Monetary Fund, World Bank
This guidance note was prepared by International Monetary Fund (IMF) and World Bank Group staff under a project undertaken with the support of grants from the Financial Sector Reform and Strengthening Initiative, (FIRST). The aim of the project was to deliver a report that provides emerging market and developing economies with guidance and a roadmap in developing their local currency bond markets (LCBMs). **Read more** **TAGS:** **Best Practices**; **Debt Policy**; **Bond market development**; **Market Liquidity**; **Structural policies**; **World Bank**; **COVID-19**

European Green Bonds and mechanisms for long-term policy commitment – Online event on Monday, 24 May 2021

European Political Economy Project (EUPEP)

Many governments in Europe and elsewhere have issued "green" bonds tied to expenditures on climate change mitigation projects. The European Union has decided to issue green bonds to finance its coronavirus response program. But issuance of a green bond by an investment-grade government has no effect on its expenditures and may increase funding costs. An alternative, output-based approach is proposed: bonds whose payoff increases when a country's greenhouse gas emission targets are exceeded would be more transparent, cheaper to administer, and more conducive to the long-term policy commitment that is essential to achieving sustainability. **Read more** **TAGS: Debt Policy; Debt composition; Primary market; Sovereign debt market**

Documents

Debt Policy

Public Debt Management in Bangladesh: An Analysis of Debt Portfolio Perspective (2021)

Mohammad Shohedul Hoque Patwary - Bangladesh Ministry of Public Administration

The study has been illustrated to investigate the public debt management in Bangladesh special reference to debt portfolio perspective over the period of 2005 to 2016. Debt portfolio analysis has been constituted in various approaches including source of financing, multiple instruments, interest rate, currency composition and so on. Some figures, tables and facts have been utilized in each case of analysis. According to analysis total debt stock from external sources are decreasing during the study period and in case of domestic sources, banking sector contribution is also decreasing from 60% to 48% whereas National Savings Certificates (NSC) is exhibited to 19% in 2012 and then rose sharply to 27% in 2016. But other domestic sources (Treasury Bonds, Treasury Bills) were more or less remained constant during the study period. It is not fair indication for overall debt financing because of higher interest rate of NSC. However, from 2019-20 financial year, government has taken many pragmatic steps in capping the problem introducing online database for NSC. In contrast, interest rate in both domestic and external cases is around 97% fixed. In the case of currency composition, 60% debt financing is accounted in local currency whereas XDR and USD were around 28% and 8% respectively. After all, total debt in Bangladesh is visualized below around 4% of GDP growth and total debt is about 31% of GDP during the period. From the debt sustainability point of view, it is eventually a good indication that there is no major risk involved for debt financing. **TAGS: Debt Policy; Debt composition; Debt sustainability**

Sovereign Debt Management in the Euro Area as a Common Action Problem (2021)

Stefano Micossi - Italian Joint Stock Companies

This Policy Insight discusses sovereign debt management in the euro area, where the COVID-19 crisis has caused a huge increase in such debts. The author's two main conclusions are that sovereign debt externalities remain important in the euro area, even in the new environment of permanently lowered interest rates, and that these externalities justify common euro area policies to deal with excessive sovereign debt accumulation and the attendant risks to the euro area's financial stability. The author's proposal is that a substantial part of the sovereigns purchased by the European System of Central Banks (ESBC) –

in the order of 20% of euro area GDP – could gradually be transferred to the European Stability Mechanism (ESM), without any transfer of default risks, which would continue to fall on national central banks. **TAGS: Debt Policy**; **Debt and fiscal/monetary policies**; **Financial stability**

The PBO analytical model for public debt sustainability analysis (2021)

Jacopo Bedogni, Keith Fitzgerald - Houses of the Oireachtas Parliamentary Budget Office

Significant borrowing by Government has been required to manage the economic and fiscal impact of the COVID-19 pandemic. In this paper, the authors present a model to facilitate a public debt sustainability analysis. This model enables us to assess the potential implications of the pandemic for medium and long-term debt sustainability, and, more generally, to examine the trajectory of the ratio of Government debt to national income over the next 10 years. The authors' method is novel among standard deterministic debt sustainability models, in that it allows for a more granular approach to modelling the interest rate effect (i.e. the impact of changes to the interest rate on the debt ratio). This approach further enables us to model and approximate annual interest spending. This work is part of a capacity building exercise, and the first of a set of tools to be used by the PBO in debt sustainability analysis.[…] **TAGS: Debt Policy**; **Debt and fiscal/monetary policies**; **Debt sustainability**

Primary Markets

Sustainability-Linked Bonds: The Next Frontier in Sovereign Financing (2021)

Juan Giráldez, Stephanie Fontana - Cleary Gottlieb Steen & Hamilton

Sustainable finance emerged as a key trend in the debt finance markets in recent years. In 2019 and 2020, debtors were issuing so called "green," "social" and "sustainable" (GSS) bonds in unprecedented amounts, and sovereigns were no exception. 2019 also saw the inaugural issuance of a sustainability-linked or key performance indicator (KPI) bond, and this new instrument became a more and more frequent feature of the corporate sustainable debt markets in 2020. As sovereigns look to future sustainable debt offerings, they are well-positioned to issue KPI bonds and take advantage of some of their key benefits. This article describes the main characteristics of GSS bonds and the evolution of the sovereign GSS bond market to date. It then looks at KPI bond issuance trends and describes how this new instrument works. Finally, this article analyzes potential risks and structural considerations for sovereigns tied to KPI bond issuances, including: (i) which indicators to select, (ii) at what level to set the target, and (iii) how to create a framework for a credible and market-accepted verification of their performance. **TAGS: Primary market**; **Sovereign debt market**; **Debt composition**; **Debt sustainability**; **Bond market development**

Information Spillovers in Sovereign Debt Markets (2021)

Harold L. Cole, Daniel Neuhann, Guillermo Ordoñez - University of Pennsylvania, University of Texas at Austin

The authors develop a theory of information spillovers in primary sovereign bond markets where governments raise funds from a common pool of competitive investors who may acquire information about default risk and later trade in secondary markets. Strategic complementarities in information acquisition lead to the co-existence of an informed regime with high yields and high volatility, and a Pareto-dominant uninformed regime with low yields and low volatility. Small shocks to default risk in a single country may trigger information acquisition, retrenchment of capital flows, and sharp yield increases within and across countries. Competitive secondary markets strengthen information acquisition incentives, raise primary market yields, and amplify spillovers. **TAGS: Primary market**; **Secondary Markets**; **Financial Analysis**

Green Bonds: the Sovereign Issuers' Perspective (2021)

Raffaele Doronzo, Vittorio Siracusa, Stefano Antonello - Bank of Italy

After a brief illustration of sovereign green bonds' features, this paper describes the market evolution and identifies the main benefits and costs for sovereign issuers. The financial performance of these securities is then analysed. In the primary market, the yields at issuance of sovereign green bonds are compared with the yields of similar non-green bonds. In the secondary market, the evolution of the yields of the sovereign green bonds issued by France, Belgium, Ireland and the Netherlands is analysed. The results show that the sovereign green bonds' performance is essentially in line with that of conventional bonds. However, this conclusion does not represent a disincentive to enter this market, since the choice of issuing this kind of security does not simply hinge upon economic convenience valuations: green bonds are a valid tool for mitigating environmental risks and coping with the intergenerational trade-offs implied by climate-related policies. **TAGS: Primary market**; **Secondary Markets**; **Bond market development**; **Sovereign debt market**

Sovereign Green, Social, and Sustainability Bond Survey - The ultimate power to transform the market (2021)

Initiative Climate Bonds, HSBC

This paper reflects the results of Climate Bonds Initiative's (Climate Bonds) first Sovereign Green, Social, and Sustainability (GSS) Bond Survey based on conversations with 19 sovereign issuers. Vanilla sovereign bonds represent almost half of outstanding bonds, and the current size of sovereign bonds with at least one year to maturity is USD45tn. Given the budget and resource allocation responsibilities of most central governments – especially for large-scale infrastructure projects – sovereign issuers have the power to scale up GSS investments more than any other asset class. For governments with access to domestic and international capital markets, sovereign GSS bonds can attract the investment needed for sustainable development, as well as help to fulfil the greenhouse gas (GHG) emission reduction objectives included in each country's Nationally Determined Contributions (NDCs) under the 2015 Paris Agreement. **TAGS: Primary market**; **Bond market development**

Secondary Markets

Local Currency Bond Markets, Foreign Investor Participation, and Capital Flow Volatility in Emerging Asia (2021)

John Beirne, Nuobu Renzhi, Ulrich Volz - Asian Development Bank Institute

The authors examine the role of local currency bond markets (LCBMs) and foreign investor participation in these markets in capital flow volatility in emerging Asian economies over the period 1999 to 2020. Using a panel analysis and impulse response functions generated from a panel structural vector autoregression, the authors show that greater development of LCBMs across 10 Asian emerging economies in terms of capitalization helps to mitigate against capital flow volatility, while foreign investor participation has the opposite effect, particularly for less developed LCBMs. Our findings have policy implications from a financial stability perspective, whereby continued efforts to enhance LCBMs while reducing reliance on foreign investors should be encouraged. Strengthening the local investor base and mobilizing domestic resources through LCBMs ought to be a priority for raising long-term capital that will enable the financing of sustainable investment and development. The authors' findings also suggest that greater efforts are needed to enhance foreign exchange hedging arrangements for foreign investors in LCBMs, particularly in times of heightened financial stress. **TAGS:** **Secondary Markets**; **Sovereign debt market**; **Debt sustainability**; **Financial stability**

Sovereign Debt in the 21st Century: Looking Backward, Looking Forward **(2021)**

Kris James Mitchener, Christoph Trebesch - Santa Clara University, Kiel Institute & Kiel University

How will sovereign debt markets evolve in the 21st century? The authors survey how the literature has responded to the Eurozone debt crisis, placing "lessons learned" in historical perspective. The crisis featured: (i) the return of debt problems to advanced economies; (ii) a bank-sovereign "doom-loop" and the propagation of sovereign risk to households and firms; (iii) roll-over problems and self-fulfilling crisis dynamics; (iv) severe debt distress without outright sovereign defaults; (v) large-scale "sovereign bailouts" from abroad; and (vi) creditor threats to litigate and hold out in a debt restructuring. Many of these characteristics were already present in historical debt crises and are likely to remain relevant in the future. Looking forward, the authors' survey points to a growing role of sovereign-bank linkages, legal risks, domestic debt and default, and of official creditors, due to new lenders such as China as well as the increasing dominance of central banks in global debt markets. Questions of debt sustainability and default will remain acute in both developing and advanced economies. **TAGS:** **Secondary Markets**; **Sovereign debt market**; **Institutional Investors**; **Sovereign defaults**; **Debt sustainability**

Financial Analysis

The Core, the Periphery, and the Disaster: Corporate-Sovereign Nexus in COVID-19 Times **(2021)**

Ruggero Jappelli, Loriana Pelizzon, Alberto Plazzi - Goethe University, Swiss Finance Institute

The authors study how the COVID-19 pandemic reshaped the relation between corporate and sovereign credit risk in the cross-section of countries in the European Union. Surprisingly, the outbreak triggered higher elasticity of corporate to sovereign CDS spreads in core countries, which realigned to that of peripheral countries, with lower fiscal capacity, for which the impact of the pandemic on the elasticity was essentially muted. During the pandemic, the authors observe systematic departures of actual CDS from those implied by a standard structural model of default for larger firms in core EU countries with budgetary slackness. The authors interpret this evidence in light of a disaster-risk asset pricing model with bailout guarantees and defaultable public debt. Based on the model and a synthetic control method, the authors show that CDS-implied risk-adjusted bailout guarantees over the medium term were about three times larger in the Core than in the Periphery. **TAGS:** **Financial Analysis**; **Sovereign CDS**; **COVID-19**

What Determines the Government's Funding Costs when r=g? Unpleasant Fiscal Asset Pricing Arithmetic **(2021)**

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

Using MBA textbook finance, the authors look at three simple examples to illustrate why the r-g measure of the fiscal cost of deficits is incomplete. The authors start by considering the case of risky government debt. Second, they consider the case of risk-free debt. Third, they allow for convenience yields. In each of these cases, Blanchard's gap is incomplete at best. Fundamentally, the government's cost of funding is determined by the riskiness of its spending, its tax revenue and, if relevant, the seigniorage revenue. **TAGS:** **Financial Analysis**; **Debt and growth**; **Sovereign bonds yields**

Networking the yield curve: implications for monetary policy **(2021)**

Tatjana Dalhaus, Julia Schaumburg, Tatevik Sekhposyan – ECB

The authors introduce a flexible, time-varying network model to trace the propagation of interest rate surprises across different maturities. First, they develop a novel econometric framework that allows for unknown, potentially asymmetric contemporaneous spillovers across panel units, and establish the finite sample properties of the model via simulations. Second, they employ this innovative framework to jointly model the dynamics of interest rate surprises and to assess how various monetary policy actions, for example, short-term, long-term interest rate targeting and forward guidance, propagate across the yield curve. **TAGS:** **Financial Analysis**; **Sovereign bonds yields**

Uncertainty Premia, Sovereign Default Risk, and State-Contingent Debt **(2021)**

Francisco Roch, Francisco Roldán – IMF

The authors analyze how concerns for model misspecification on the part of international lenders affect the desirability of issuing state-contingent debt instruments in a standard sovereign default model à la Eaton and Gersovitz (1981). The authors show that for the commonly used threshold state-contingent bond structure (e.g., the GDP-linked bond issued by Argentina in 2005), the model with robustness generates ambiguity premia in bond spreads that can explain most of what the literature has labeled as novelty premium. While the government would be better off with this bond when facing rational expectations lenders, this additional source of premia leads to welfare losses when facing robust lenders. **TAGS:** **Financial Analysis**; **Contingent Liabilities**; **Sovereign risk premia**; **Cost and Risk**

Euro area sovereign bond risk premia during the Covid-19 pandemic **(2021)**

Stefano Corradin, Niklas Grimm, Bernd Schwaab – ECB

The authors decompose euro area sovereign bond yields into five distinct components: i) expected future short-term risk-free rates and a term premium, ii) default risk premium, iii) redenomination risk premium, iv) liquidity risk premium, and a v) segmentation premium. Identification is achieved by modeling sovereign bond yields jointly with other rates, including sovereign credit default swap spreads with and without redenomination as a credit event feature. **TAGS:** **Financial Analysis**; **Sovereign risk premia**; **Sovereign bonds yields**; **COVID-19**

US Government Debt valuation puzzle **(2021)**

Zhengyang Jiang, Hanno Lustig, Stijn Van Nieuwerburgh, Mindy Z. Xiaolan - Stanford Business School

The market value of outstanding government debt reflects the expected present discounted value of current and future primary surpluses. When the discount rate is consistent with the term structure of interest rates and equity prices and government spending growth dynamics are estimated from the data, a government risk premium puzzle emerges. Since tax revenues are pro-cyclical while government spending is counter-cyclical, the tax revenue claim has a higher risk premium and a lower value than the spending claim. This makes the value of the surplus claim negative, and implies that the U.S. government should be a creditor rather than a debtor. The authors resolve this puzzle by postulating a small but persistent component in expected spending growth, and infer it from the market value of the outstanding government bond portfolio. This component offsets the pro-cyclical movements in current surpluses, reducing its risk and increasing its value. The resulting model is used to study the optimal maturity structure of government debt, and to quantify deviations of the observed portfolio from the optimal one. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Financial Analysis**

The COVID-19 crisis and banking system resilience (2021)

OECD

This paper outlines the findings of a simulation analysis aimed at assessing the extent of the potential rise in NPLs depending on the severity of the COVID-19 crisis on the global economic environment, and taking into consideration assumptions under extensive monetary and fiscal support versus a scenario without continued support measures in keeping with conditions that prevailed in the past crisis. The paper also investigates the subsequent implications for bank capital and discusses whether policy responses may be needed to clean balance sheets. […] **TAGS:** **Financial Analysis**; **Financial stability**; **Debt and fiscal/monetary policies**; **Contingent Liabilities**; **OECD**; **COVID-19**

Monetary policy surprises and their transmission through term premia and expected interest rates (2021)

Iryna Kaminska, Haroon Mumtaz, Roman Sustek - Bank of England

Monetary policy moves the yield curve. How much is due to expected interest rates versus term premia? And does it matter for macroeconomic outcomes? Using an affine term structure model, the authors shed new light on these questions. Estimation is subject to restrictions addressing estimation bias in expected interest rates obtained by previous studies. High-frequency yield curve decompositions around FOMC announcements into term premia and expected interest rates then provides instruments for a local projection model. The effects of interest rate expectations and term premia are found equally important for the transmission mechanism and broadly consistent with macroeconomic theory. **TAGS:** **Debt and fiscal/monetary policies**; **Financial Analysis**; **Sovereign bonds yields**

Spillover effects of Sovereign Bond purchases in the Euro Area (2021)

Yvo Mudde, Anna Samarina, Robert Vermeulen - De Nederlandsche Bank

This paper investigates cross-border spillover effects from the Eurosystem's Public Sector Purchase Programme (PSPP) on euro area government bond yields. The authors distinguish between the direct effects of domestic bond purchases by national central banks and the indirect effects from bond purchases by national central banks in other euro area countries over the period March 2015 - December 2018. The results reveal substantial spillover effects across the euro area, providing evidence for strong arbitrage within the euro area. These spillover effects are particularly large for long-term bonds and for bonds issued by non-core countries. The larger impact of spillovers in these cases can be explained by investors rebalancing towards higher yielding government bonds. In addition, purchases under PSPP had their largest impact on bond yields in 2015. **TAGS:** **Financial Analysis**; **Debt and fiscal/monetary policies**; **Sovereign bonds yields**; **Secondary Markets**; **Market Liquidity**

Debt Crisis

From Health Crisis to Financial Distress (2021)

Carmen M. Reinhart - The World Bank

The author discusses the multifaceted economic and financial vulnerabilities that have been created or exacerbated by the COVID-19 pandemic on a foundation of already weak economic fundamentals in many countries. Crises often do not travel alone. Banking, sovereign debt, exchange rate crashes, sudden stops, and inflation often intersect to become severe conglomerate crises. Historically, whether of the individual or conglomerate variety, crises influence the shape and speed of economic recovery. As the health crisis morphs into a financial or debt crisis in some countries, the author discusses what may lie ahead in terms of the stages in crisis resolution and a brief reflection on how the resolution process can be expedited. **TAGS:** Debt crisis; COVID-19; Debt and growth; Debt relief

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Code Red: Venezuela's Oil and Debt Crises (2021)

Antoine Halff, Francisco Monaldi, Luisa Palacios, Miguel Santos - Columbia University, Citgo Petroleum Corporation, Harvard University

The economic and humanitarian crisis in Venezuela took a turn for the worse in the second half of 2017. Unofficial GDP and inflation measures — the country has long ceased to provide economic indicators — show a sharp deterioration. Declines in oil production and exports are accelerating. The government has fallen behind in debt payments, past the grace period in several cases. Despite these alarming developments, the regime shows surprising resilience. While hard to gauge, popular support for the government and the ruling party, which President Nicolas Maduro has been purging of potential rivals, has yet to evaporate. Military support for Maduro, meanwhile, seems as strong as ever. The challenges ahead are thus daunting for both the leadership and the fractured opposition, with no clear path out of the crisis. The impact of new US sanctions imposed in August 2017, while a matter of debate, seems limited, at least for the short term. On December 4, 2017, CGEP hosted a roundtable that brought together a diverse group of about 45 experts from the oil and financial industries, academia, think tanks, consultancies, and multilateral organizations. This note is an attempt to sum up some key takeaways from that rich discussion. **TAGS:** Debt crisis; Debt Restructuring; Sovereign defaults

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The COVID-19 Global Debt Crisis: How to Avoid It (2021)

Peterson K Ozili – Independent

This paper analyse the looming COVID-19 global debt crisis. The high debt incurred during the pandemic period by many countries combined with tightening global financial conditions such as increase in interest rate can trigger a global debt crisis for heavily indebted countries. I suggest some actions to be taken by richer countries, heavily indebted countries and multilateral organisations to mitigate the looming COVID-19 global debt crisis. Richer countries who are creditors to poor countries should consider debt forgiveness, interest repayment holidays, debt-for-green swap and other debt relief options. Multilateral organisations should allow their affected members to draw on their contributory fund, they should support the G20 Debt Service Suspension Initiative, and engage in debt forgiveness advocacy. Heavily indebted countries should restructure their debt, rebalance policy priorities, focus on alternatives to borrowing, manage their level of debt, and find better ways to manage shocks and crises. **TAGS:** Debt crisis; Debt Restructuring; COVID-19

Intangible Investment during Sovereign Debt Crisis: Firm-level Evidence (2021)

Minjie Deng, Chang Liu - Simon Fraser University, University of Rochester

This paper measures the cost of sovereign debt crises by focusing on the impact of sovereign risk on firms' intangible investment and TFP. Using Italian firm-level data, the authors find that small firms and high-leverage firms significantly reduce their intangible investment during the Italian sovereign debt crisis. High-leverage firms reallocate their resources from intangible capital to tangible capital to offset the tightening of financial conditions because tangible capital can be used as collateral. The authors analyze these patterns by developing a quantitative model incorporating sovereign default risk, financial intermediations, and firm investment decisions on both tangible and intangible capital. In the model, government default risk deteriorates banks' balance sheets, disrupting banks' ability to finance firms. Since firms depend on external funding to cover a fraction of investment, firms – especially small and high-leverage ones – reduce intangible investment, which hurts their future total factor productivity. The authors estimate the model using Italian data and find that the increase in sovereign risk explains the slow recovery of productivity after the debt crisis through the intangible investment channel. **TAGS:** Debt crisis; Sovereign defaults; Sovereign debt exposure

Documentation, Settlement and bookkeeping

Recording, Monitoring, and Reporting Public Debt - Organizing a Back Office: A Guidance Note (2021)

Andre Proite - World Bank

The objective of this note is to provide guidance for countries on how to organize a public debt management back office most effectively. It describes the core processes that should be performed by that unit that is ultimately responsible for recording, monitoring, and reporting on public debt. It also highlights their involvement in the execution and settlement process. These are the basic functions of a debt management office, and evidence shows that many countries could benefit from improvements in this area. Proper debt recording and monitoring are the essential first step to developing good quality data; these form the basis for quantitative analysis, provide support for debt operations and facilitate effective policy decisions. Focusing on the main debt instruments that are used by low income countries, the note describes each process individually and highlights their interdependence. The main conclusion is that debt managers should organize themselves around the processes not products, and they should gather information to create a dataset to support debt management activities. Sound reporting is important for risk assessment and monitoring of a sovereign, and for the development and execution of debt strategies. **TAGS:** Accounting, statistics, Reporting and Auditing; Debt Policy; Cost and Risk; Best Practices; World Bank

International and Macroprudential Regulations

Redesigning EU fiscal rules: From rules to standards (2021)

Olivier Blanchard, Álvaro Leandro, Jeromin Zettelmeyer - PIIE, Caixa Bank, International Monetary Fund

The European Union's fiscal rules have been suspended until at least the end of 2021. When they are reinstated, they will need to be modified, if only because of the high levels of debt. Proposals have been made—and more are to come—suggesting various changes and simplifications. Blanchard, Leandro, and Zettelmeyer take a step back and discuss how one should think about debt sustainability in the current and likely future EU economic environment. They argue that, given the complexity of the answer, it is an illusion to think that EU fiscal rules can be simple. But it is also an illusion to think that they can ever be complex enough to accommodate most relevant contingencies. Instead, the authors propose abandoning fiscal rules in favor of fiscal standards, i.e., qualitative prescriptions that leave room for judgment together with a process to decide whether the standards are met. Central to this process would be country-specific assessments using stochastic debt sustainability analysis, led by national independent fiscal councils and/or the European Commission. Disputes between member states and the European Commission on application of the standards should preferably be adjudicated by an independent institution, such as the European Court of Justice (or a specialized chamber), rather than by the Council of the European Union. **TAGS:** [Debt and fiscal/monetary policies](); [Debt sustainability]()

Debt Restructuring

[On Selling Sovereigns Held by the ECB to the ESM: Institutional and Economic Policy Implications]() (2021)

Emilios Avgouleas, Stefano Micossi - University of Edinburgh, Italian Joint Stock Companies

A repetition of austerity policies of the early 2010s is not consistent with maintaining adequate growth and sovereign debt sustainability in the post-pandemic environment, argue the authors of this CEPS Policy Insight. Likewise, a debt restructuring process with deep haircuts will just upset the fragile state of the markets and create a run on the debt of the most vulnerable member states, forcing the ECB to buy even more debt. Common policies are thus required to keep the sovereigns acquired by the ECB with its Asset Purchase Programme (APP) and Pandemic Emergency Purchase Programme (PEPP) programmes out of financial markets for an indefinite period. The European Stability Mechanism (ESM) can offer the appropriate instrument by purchasing the ECB-held sovereign debt and issuing own liabilities to fund the purchases. The programme could develop gradually, over several years, to ensure the smooth rollover of expiring securities. As the purchases would be funded by the ESM's own liabilities, backed by the sovereign holdings, ESM debt would become the long- sought-after European safe asset. The authors argue that this ESM action could be conducted without an ESM Treaty change. It would be premised on the legal framework of the revised Article 14 (precautionary financial assistance). The ESM could then gradually evolve into a debt management agency for the euro area. The transfer of much of ECB sovereign holdings to the ESM would restore monetary policy independence and ease any frictions in this field, thereby allowing EU policymakers' focus to shift to the completion of the European Banking Union. This paper follows up on a CEPS Policy Insight of October 2020, in which Stefano Micossi argued that the increase in sovereign indebtedness under way in the euro area should be managed through collective policy actions. **TAGS:** [Debt Restructuring](); [Debt sustainability](); [Financial stability]()

[Transnational Networks of the Sovereign Debt Restructuring Regime]() (2021)

Nicholas Haagensen - University of Copenhagen

Over the last 40 years, there have been a number of sovereign debt restructurings, most notably in the Latin American countries in the 1980s. Legally, sovereign debt restructuring has been highly problematic in terms of triggering drawn-out litigation, which can have serious adverse effects on the economy of the sovereign, let alone the citizens themselves. When it comes to resolving these crises there is no international legal mechanism or framework and, in terms of litigation, it is for national courts to adjudicate as all sovereign bonds indicate a national jurisdiction. Transnationally, there are various policy networks that play a role in shaping how sovereign debt restructurings should be done, especially in their promotion of codes of conduct and contractual clauses for sovereign bonds to make debt restructuring simpler. Thus, legal professionals have played a key role in constructing these clauses and promoting them. By using the 2012 Greek debt restructuring as a case study, the author looks at the role of social networks concerned with sovereign insolvency, in which EU and European actors are embedded, and to what degree policy cohesion is achieved as well as how professionals compete over controlling the issue of sovereign debt restructuring. The findings show that the high degree of contestation over sovereign debt restructuring inhibits policy cohesion, despite the EU being part of key networks on this issue, and further point to the central role of legal professionals in controlling the issue of how sovereign debt restructuring should unfold through their reflexive professional activities. **TAGS:** **Debt Restructuring**; **Sovereign debt litigation**; **Contract standards**

Accounting, Statistics, Reporting and Auditing

Debt Transparency and Data Quality in the Caribbean **(2021)**

Michelle Robinson - Debt Management Consultant

At its core, debt transparency is about providing information about government debt to the public. Of utmost importance, however, is the way it is provided. This effort must satisfy several criteria. Information on public debt must be clear, comprehensive, reliable, frequent and timely. Within this, it must cover not only the debt obligations of central government but also those of state and local governments, where applicable, as well as those of state-owned enterprises. Government's contingent liabilities, especially loan guarantees, must also be fully disclosed. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Transparency**; **Best Practices**; **Financial stability**

Investor Relations and Rating Agencies

The Convergence of Sovereign, Environmental, Social and Governance Ratings **(2021)**

Eric Bouyé, Diane Menville - The World Bank

This paper studies sovereign environmental, social, and governance (ESG) ratings from the qualitative and quantitative angles. First, it introduces the landscape for sovereign ESG ratings. Second, it provides a comparison with the history of credit ratings, factoring in that ESG ratings are in an early development stage. Third, the paper reviews different actors, key issues, including taxonomy, models and data from different providers. The paper provides a qualitative assessment of the convergence of ratings among providers by introducing a factor attribution method that maps all providers' ratings into a common taxonomy defined by the United Nations-supported Principles for Responsible Investment (UNPRI). Then, a quantitative analysis of the convergence is performed by regressing the scores on variables from the World Bank sovereign ESG database. A noticeable contribution to the literature is a high level of explanatory power of these variables across all rating methodologies, with a R2 ranging between 0.78 and 0.98. An analysis of the importance of variables using a lasso regression exhibits the preponderance of the governance factor and the limited role of demographic shifts for all providers. **TAGS:** **Sovereign Credit Ratings**; **World Bank**

Rising temperatures, falling ratings: The effect of climate change on sovereign creditworthiness (2021)

Patrycja Klusak, Matthew Agarwala, Matt Burke, Moritz Kraemer, Kamiar Mohaddes - University of East Anglia, Bennett Institute for Public Policy, Centre for Sustainable Finance, Judge Business School & King's College

Enthusiasm for 'greening the financial system' is welcome, but a fundamental challenge remains: financial decision makers lack the necessary information. It is not enough to know that climate change is bad. Markets need credible, digestible information on how climate change translates into material risks. To bridge the gap between climate science and real-world financial indicators, the authors simulate the effect of climate change on sovereign credit ratings for 108 countries, creating the world's first climate-adjusted sovereign credit rating. Under various warming scenarios, the authors find evidence of climate-induced sovereign downgrades as early as 2030, increasing in intensity and across more countries over the century. They find strong evidence that stringent climate policy consistent with limiting warming to below 2°C, honouring the Paris Climate Agreement, and following RCP 2.6 could nearly eliminate the effect of climate change on ratings. In contrast, under higher emissions scenarios (i.e., RCP 8.5), 63 sovereigns experience climate-induced downgrades by 2030, with an average reduction of 1.02 notches, rising to 80 sovereigns facing an average downgrade of 2.48 notches by 2100. The authors calculate the effect of climate-induced sovereign downgrades on the cost of corporate and sovereign debt. Across the sample, climate change could increase the annual interest payments on sovereign debt by US$ 22–33 billion under RCP 2.6, rising to US$ 137–205 billion under RCP 8.5. The additional cost to corporates is US$ 7.2–12.6 billion under RCP 2.6, and US$ 35.8–62.6 billion under RCP 8.5. **TAGS: Sovereign Credit Ratings**

Macroeconomic Analysis

Natural Capital and Sovereign Bonds (2021)

Dieter Wang - The World Bank

Natural capital is related to government bonds through the macro economy and credit risks. This paper estimates this relationship from the long-term, between-country view and the short-term, within-country view. The paper cautions against the former, as it is dominated by income differences. These are de facto ingrained, as they cannot be overcome by short-term policy efforts. The within-country view is unaffected by the ingrained income bias and leaves room for recent natural capital changes to affect bond yields. The paper finds that non-renewables (fossil fuels and mineral assets) raise bond yields, possibly due to the resource curse. Renewables (forests and agricultural wealth) lower borrowing costs because they are economically worthwhile investments. Protected areas are more likely to be luxury investments. **TAGS: Sovereign bonds yields**; **Debt composition**; **World Bank**

Sovereign Debt Ratchets and Welfare Destruction (2021)

Peter M. DeMarzo, Zhiguo He, Fabrice Tourre - Stanford University, University of Chicago, Copenhagen Business School

An impatient and risk-neutral government can sell bonds at any time to a more patient group of competitive lenders. The key problem: the government cannot commit to either a particular financing strategy, or a default strategy. Despite risk-neutrality, in equilibrium debt adjusts slowly towards a target debt-to-income level, exacerbating booms and busts. Most strikingly, for any debt maturity structure, the gains from trade are entirely dissipated when trading opportunities are continuous, as lenders compete with each other and the government competes with itself. Moreover, citizens who are more patient than their government are strictly harmed by the unrestricted borrowing. The authors fully characterize debt dynamics, ergodics, and comparative statics when income follows a geometric Brownian motion, and analyze several commitment devices that allow the sovereign to recapture some gains from trade: self-imposed restrictions on debt issuances and levels, as well as "market-imposed" discipline. **TAGS:** **Debt Policy**; **Debt composition**; **Debt sustainability**; **Debt and growth**

Public Debt Increase Challenge Under COVID-19 Pandemic Economic Crisis in the Caucasian Countries **(2021)**

Vakhtang Charaia, Vladimer Papava - Ivane Javakhishvili Tbilisi State University

Paper provides an analysis of public debt problem in the Caucasian countries of Armenia, Azerbaijan, Georgia, Iran, Russia and Turkey during the economic crisis under the COVID-19 pandemic. It also discussed some closely related issues, such as inflation, economic growth, employment, international rankings and etc. The paper analyzes the different realities and perspectives of current and future developments of COVID-19 pandemic on selected countries economy. While recognizing that public debt increase was unavoidable during the global pandemic challenge, paper concludes that its effectiveness is hugely depended on when global economy can finally overcome the fact of being a hostage of COVID-19. **TAGS:** **Debt sustainability**; **Debt and fiscal/monetary policies**; **COVID-19**

Do Financial Markets Reward Government Spending Efficiency? **(2021)**

António Afonso, João Tovar Jalles, Ana Venâncio - University of Lisbon, International Monetary Fund

The authors link governments' spending efficiency scores, to sovereign debt assessments made by financial markets´, more specifically by three rating agencies (Standard & Poors, Moody´s and Fitch). Public efficiency scores are computed via data envelopment analysis. Then, the authors rely notably on ordered response models to estimate the response of sovereign ratings to changes in efficiency scores. Covering 34 OECD countries over the period 2007-2018, the authors find that increased public spending efficiency is rewarded by financial markets via higher sovereign debt ratings. In addition, higher inflation and government indebtedness lead to sovereign rating downgrades, while higher foreign reserves contribute to rating upgrades. **TAGS:** **Debt and fiscal/monetary policies**; **Sovereign Credit Ratings**

Is slow economic growth originating from the total external debt stock in the Democratic Republic of Congo? **(2021)**

Mupenda, Olivier Munene - O.M. Omega Consulting Ltd

Unsustainable debt reduces productivity of a country. Ten years following its "1960 independence", the Democratic Republic of Congo adopted policies of resorting to external financing while the world was at the peak of the petro-dollar crisis in the 1970's. A decade later, in the 1980's, with the fall in price of raw materials, the Democratic Republic of Congo was trapped in an unsustainable debt burden cycle that saw its economy stagnating with the majority of its population living in extreme poverty with less than US$1.90 a day according to the World Bank. The rise of active armed conflicts in the 1990's and political unrest during the 2000's added pressures to seek further financial support from creditors, which facilitated corruption and poverty in the process. A country's inability to service its debt has consequences on its population. With empirical evidence, the authors' analysis will be looking at the Congolese standard of living from its independence in 1960 to the historical democratic transfers of power in late 2018 to understand the effects of external debts in the Congolese economic growth. **TAGS: Debt and growth; Debt relief; Financial stability; Debt sustainability; Multilateral financing; Foreign Debt**

External debt sustainability in West African countries (2021)

Douglason Omotor - Delta State University, Nigeria and West African Institute for Financial and Economic Management

This paper aims to apply the debt sustainability framework using various ratios to review the current state of sovereign debt of Economic Community of West African States (ECOWAS) member countries. Debt sustainability framework using various ratios (which include the present value approach, Country Policy and Institutional Assessment debt policy assessment ranking and solvency ratio of external debt) for the period 2010 and 2017 were used for the analysis to determine external debt sustainability and solvency of ECOWAS members. The findings indicate that most ECOWAS countries are already turning at the unsustainable debt path and may renege in their debt obligations, thus creating a vicious cycle of external borrowing that could lead to capital flight. This paper offers the empirical evidence to identify which of the ECOWAS countries are already at the threshold of external debt stress, and in the likelihood to renege on their debt obligations. **TAGS: Debt sustainability; Foreign Debt; Cost and Risk; Sovereign bonds yields**

On the robust drivers of public debt in Africa: Fresh evidence from Bayesian model averaging approach (2021)

Nagou Madow, Bayale Nimonka, Kouassi Brigitte Kanga - University of Lomè, UNECA, Universitat Jaume I

While economic theory suggests a wide range of potential drivers of public debt, there is little consensus regarding the most relevant ones. This paper analyzes the determinants of the public debt in Africa. This is done by adopting a Bayesian Model Averaging (BMA) approach applied to data of 51 African countries, spanning the period 1990–2018. The authors' results suggest that, among the set of twenty-seven (27) regressors considered, those reflecting international financial and institutional conditions as well as internal economic prospects tend to receive high posterior inclusion probabilities. Then, the study explores the effect of these regressors on public debt by employing the fixed effects (FE) and the system Generalized Method of Moments (GMM) estimator [...] **TAGS: Debt and fiscal/monetary policies; Debt sustainability; Financial stability**

Public Debt dynamics under ambiguity by means of iterated function systems on density functions (2021)

La Torre Davide, Marsiglio Simone, Mendivil, Franklin, Privileggi, Fabio - Skema Business School, University of Pisa, Acadia University, University of Turin

The authors analyze a purely dynamic model of public debt stabilization under ambiguity. They assume that the debt to GDP ratio is described by a random variable, and thus it can be characterized by investigating the evolution of its density function through iteration function systems on mappings. Ambiguity is associated with parameter uncertainty which requires policymakers to respond to such an additional layer of uncertainty according to their ambiguity attitude. The authors describe ambiguity attitude through a simple heuristic rule in which policymakers adjust the available vague information (captured by the empirical distribution of the debt ratio) with a measure of their ignorance (captured by the uniform distribution). They show that such a model generates fractal-type objects that can be characterized as fixed-point solutions of iterated function systems on mappings. Ambiguity is a source of unpredictability in the long run outcome since it introduces some singularity features in the steady state distribution of the debt ratio. However, the presence of some ambiguity aversion removes such unpredictability by smoothing out the singularities in the steady state distribution. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Financial Analysis**

Economic Policies

Does the new fiscal consensus in advanced economies travel to emerging markets? (2021)

Olivier Blanchard, Josh Felman, Arvind Subramanian - PIIE, JH Consulting

A new consensus on fiscal policy has emerged in advanced economies, that stimulus is both needed and feasible. At first blush, the scope for stimulus seems even greater in emerging markets, since their primary deficits are smaller and interest-growth differentials more favorable, suggesting that they can sustain much higher levels of debt. But more careful analysis suggests that this is not the case. The authors point out that what matters for debt sustainability are not current conditions but rather the range of possible future outcomes. And prospects for interest rates and growth are more uncertain in emerging markets, while primary balances are more difficult to adjust. As a result, debt limits are in fact tighter than advanced economies. Taking India as a case study, the authors argue that what is needed in the current situation is responsible, slow fiscal adjustment. More generally, one should be careful about importing wholesale the new fiscal consensus into emerging markets. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Debt Forecasts**

Fiscal Rule and Public Investment in Chile (2021)

J. Rodrigo Fuentes, Klaus Schmidt-Hebbel, Raimundo Soto - Pontificia Universidad Católica de Chile, CIES Universidad del Desarrollo

This paper reviews the design and operation of the Chilean fiscal rule in the past 30 years. Using different empirical approaches, the authors assess its impact on fiscal procyclicality, public debt, and public investment. While there has been substantial progress in building a modern institutional framework for fiscal policy, the authors find that the rule is incomplete in two dimensions: it lacks an escape clause, and it needs to supplement the budget balance rule with a debt rule. The former is seen in the pervasive inability of the authorities to steer fiscal accounts back to their long-term sustainable path after the rule was breached the rule in 2009. The latter issue is illustrated by the speedy build-up of the public debt as a result of the need to finance fiscal deficits. The authors do not find, nevertheless, a negative impact of the rule on public investment. They propose reforms to improve on transparency and accountability, as well as to supplement the rule with escape clauses and a debt anchor. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**

Fiscal Policy Challenges for Latin America during the Next Stages of the Pandemic: The Need for a Fiscal Pact (2021)

Mauricio Cardenas, Luca Antonio Ricci, Jorge Roldos, Alejandro Werner - Universidad de Columbia, International Monetary Fund

The fiscal policy response to the COVID-19 shock in most LAC countries was much larger than during the GFC, suggesting fiscal space was not as tight as expected. The authors argue that it is feasible and desirable, though not without risks, to embark in a more gradual consolidation path than currently envisaged by several countries in the region. Avoiding an early withdrawal of support in 2021 and 2022 is important given that countries are still facing high rates of contagion and deaths, vaccination will take place very slowly, the economic recovery is partial, uncertain and not strong enough to help those most affected by the twin public health and economic crisis. At the center of this discussion is the authors' conviction that fiscal space is not set in stone and it is endogenous to the medium-term targets and commitments undertaken by governments and congresses throughout the region. Also, revisions to fiscal responsibility frameworks should help anchor fiscal sustainability, as well as improve their effectiveness and flexibility. In this context, low-for-long interest rates and easy market access is generating a situation that, in spite of higher debt levels, interest cost on public debt will remain contained in the foreseeable future. Especially if, as argued in this paper, a more gradual fiscal consolidation path is accompanied with stronger commitments and institutional frameworks that ensure debt is put on a credible downward trajectory once the pandemic is under control. Catalyzing these changes, as well as initiating the debate to design other fiscal reforms to strengthen social protection and increase the progressivity of public finances, would require a broad social consensus and political cohesion around several crucial dimensions of public finances: a fiscal pact. On the other hand, if this agenda is neglected the continuation of low growth, social discontent, and political polarization could drive Latin America towards a very dangerous path of institutional and economic decay. **TAGS: Debt and fiscal/monetary policies**; **Debt and growth**; **Structural policies**; **COVID-19**

Public Expenditure and Inclusive Growth - A Survey **(2021)**

Younes Zouhar, Jon Jellema, Nora Lustig, Mohamed Trabelsi - International Monetary Fund, CEQ Institute, Tulane University

This paper explores the role of public expenditure in fostering inclusive growth. It starts with a presentation of salient features of public expenditure. Then, it lays out an analytical framework that describes the channels through which public expenditure affects inequality and poverty in the short and long term. Based on a review of the empirical literature, it discusses the policy options. Finally, the paper assesses the role of key factors such as the initial conditions, and the institutions, in shaping the inclusive spending policies. **TAGS: Debt and fiscal/monetary policies**; **Debt and growth**; **Structural policies**

On Federal Deficits and Debt, Monetary and Fiscal Policy **(2021)**

Edward Lane - University at Albany

President Biden signed a $1.9 trillion COVID relief package (the "American Rescue Plan") on March 11, 2021. Without a corresponding increase in taxes, this plan has set off alarm bells for those concerned about the expansion of government deficits and debt. Mainstream economists have raised issues of excessive inflation, "crowding out" of private sector investment, and an unacceptable repayment burden on the young and future generations. The purpose of this paper is to demonstrate that these concerns are based on a misunderstanding of the role played by the deficit, debt, and taxes in the U.S. economy, even a misunderstanding of how certain parts of the U.S. financial system actually work. The paper explores the beginnings of paper (fiat) currency and government bonds in the U.S. and demonstrates that without federal deficit spending, the private sector would lose steam and face a recession. Without federal bonds, the government would lose a lever to control interest rates and inflation, not to mention the private sector's loss of a risk-free, interest-bearing alternative to cash. This is not to say all deficits (or all government expenditures, for that matter) are good. Some actually do cause excessive inflation, exacerbate wealth disparity or have other harmful effects. These are serious problems and they need to be addressed effectively. […] **TAGS:** **Debt and fiscal/monetary policies**

Fiscal Sustainability and Fiscal Risk in the EU: Forecasts and Challenges in Terms of COVID-19 **(2021)**

Andrey Zahariev, Aneliya Radulova, Aleksandrina Aleksandrova, Mariana Petrova - D. A. Tsenov Academy of Economics, St.Cyril and St.Methodius University of Veliko Tarnovo

This study focuses on examining the relationship between fiscal and debt sustainability indicators in EU Member States, based on the multidimensional approach to estimating and forecasting different time horizons applied by the European Commission. The relationship between fiscal sustainability and the numerical fiscal rules applied at national and supranational level in the context of the Stability and Growth Pact has been established. The dynamics of medium-term risks in the Member States of the European Union for the period 2015 - 2019 is traced. The main challenges to fiscal sustainability in the European space in the context of the COVID-19 pandemic are outlined. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Debt Forecasts**; **COVID-19**

Budget Deficit for Full-Employment Under Growth and Inflation by Excessive Deficit in an Olg Model With Bequest Motive **(2021)**

Yasuhito Tanaka - Doshisha University

The authors will show, by using a simple two-periods overlapping generations (OLG) model with bequest motive in which goods are produced solely by labor in a monopolistically competitive industry, that a continuous budget deficit is necessary to maintain full-employment under economic growth driven by technological progress. Since the budget deficit to maintain full-employment must be continuous, it should be financed by seigniorage not by public debt. Budget deficit is necessary under growth because of deficiency of the consumptions of the older generation. This budget deficit is not debt and does not need to be redeemed. If the budget deficit is excessive, inflation will be triggered. About this excessive budget deficit that has caused inflation, only the excess portion should be reduced, and there is no need to make up for past excesses by creating surpluses or reducing deficits. The authors also show that insufficient government expenditure causes involuntary unemployment. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and growth**

Public Debt and the Political Economy of Reforms **(2021)**

Pierre C. Boyer, Christoph Esslinger, Brian Roberson - Institut Polytechnique de Paris, VUI.agency, Krannert School

The authors develop a two-period model of redistributive politics in which two politicians compete in an election in each period. In the first period, the politicians propose both whether to experiment with an efficient reform with uncertain benefits and choose the amount of public debt. Politicians also allocate pork-barrel spending to voters in each period. The authors show that allowing politicians to raise debt ensures that the reform is always implemented when the reform's ratio of private good to public good gains exceeds a threshold, i.e. the reform generates enough private good benefits. This is not the case when the reform's ratio of private good to public good gains is below this threshold. The authors also examine hard and a soft debt limits, and find that both limits reduce the political success of the reform. However, at moderate debt levels soft limits dominate hard limits with respect to equilibrium efficiency of reform provision. **TAGS:** [Debt and fiscal/monetary policies]()

[More or less public debt in France?]() (2021)

Xavier Ragot – Ofce

The purpose of this Policy brief is to present an estimate of the fiscal space for a new stimulus plan in France that takes fully into account the impact of the low interest rate environment. Negative rates should lead to a different way to measure the public debt, a method that complements the Maastricht measurement. An alternative measure of the cost of the debt should take stock of the low interest rates and the repurchase of public debt by the central banks. The public debate is marked by some harmful confusion about the redistributive effects of public debt. First of all, it involves redistribution within each generation. An increase in public debt does not constitute a debt to future generations. **TAGS:** [Debt and fiscal/monetary policies](); [Debt and growth](); [Debt sustainability](); [Sovereign bonds yields]()

[Making waves - Fed spillovers are stronger and more encompassing than the ECB's]() (2021)

Michele Ca' Zorzi, Luca Dedola, Georgios Georgiadis, Marek Jarociński, Livio Stracca, Georg Strasser – ECB

This article argues that European Central Bank (ECB) and Federal Reserve System (Fed) monetary policy spill over to other countries asymmetrically. At the bilateral level, the Fed's impact on the euro area is material to firms' financial conditions and economic activity. Conversely, the impact of the ECB's actions on the US economy is minimal. On a global scale, both central banks' monetary policies matter for other countries, but the Fed's monetary policy has a more sizeable impact, particularly on foreign financial variables, such as corporate bond spreads. [...] **TAGS:** [Debt and fiscal/monetary policies](); [Financial Analysis](); [Financial stability]()

[A global database on central banks' monetary responses to Covid-19]() (2021)

Carlos Cantú, Paolo Cavallino, Fiorella De Fiore, James Yetman – BIS

The Covid-19 pandemic has been a global shock of unprecedented size that has hit most countries around the world. Central banks have responded quickly, on a massive scale. The authors present a novel database that provides information on central banks' responses to Covid-19 in 39 economies, including both advanced and emerging market economies. Monetary policy announcements are listed and classified under five types of tools: interest rate measures, reserve policies, lending operations, asset purchase programmes and foreign exchange operations. Within each category, the database provides additional information such as maturity, eligible counterparties, types of assets and the availability of fiscal backup. It also indicates whether the policy tool was newly introduced or had been previously deployed. The database has a companion dashboard to visualise the data graphically. **TAGS:** [Debt and fiscal/monetary policies](); [Debt Statistics](); [COVID-19]()

[Monetary policy and the value of Public Debt]()

(2021)

Gerald Holtham - Hodge Foundation – CLEC

This article makes three points: I - Current government debt is not a fixed amount; much of it is a contingent liability whose size depends on future developments. II - One of the factors influencing the size of the debt is the way that monetary policy is conducted. III - Current methods of monetary control are likely to be Unnecessary expensive, partly owing to a highly defensive interpretation of central bank independence. **TAGS:** [Contingent Liabilities]; [Debt sustainability]; [Financial stability]; [Debt and fiscal/monetary policies]

Multilateral Financing

The catalytic role of IMF programs (2021)

Claudia Maurini, Alessandro Schiavone - Bank of Italy

This paper investigates the impact of IMF programs on private capital flows in the assisted countries, taking into account the main characteristics of the programs and distinguishing between domestic and foreign investors. In order to assess the impact of IMF programs the authors compare capital movements from and to the assisted countries against those of a synthetic counterfactual obtained from other countries having similar characteristics. **TAGS:** Multilateral financing; Foreign Debt; Sovereign defaults; Debt sustainability

Unsustainable Debt Burden and Poverty in Pakistan (2021)

Tilat Anwar – UN

The financing of Pakistan's substantial current account deficits within the framework of IMF and the World Bank structural adjustment programmes—about 6 per cent of GDP in the early 1990s led to a debt crisis in the late 1990s. IMF considered this level of current account deficit quite feasible in order to allow import liberalization, while the country needed both internal as well as the external adjustment. IMF also frequently demanded devaluation of the rupee against the US dollar to enhance exports. While exports remained stagnant, the devaluation has directly added to the rupee value of foreign debt resulting in a dramatic increase in debt service burden leading to debt crisis, lower economic growth and higher poverty level in 1998. While devaluation was supposed to boost exports and stimulate economic growth, it seems to have had a recessionary impact on the economy by raising the cost of imported intermediate inputs. Thus, devaluation as an instrument for export promotion involves substantial costs while its benefits are uncertain. Pakistan's external debt as per cent of GNP is now higher than all but the heavily indebted poor countries (HIPCs); its total debt service as per cent of exports is considerably higher than all the countries, including the HIPCs, a reflection of the country's grave debt crisis. Although Pakistan qualifies for assistance under the enhanced HIPC Initiative as per criterion of NPV of debt to exports, it has to strive to meet other eligibility criteria. This criteria should be revised to broaden the debt relief to countries whose debt problems are much severe than the HIPC countries. Countries like Pakistan with poverty reduction strategies should be entitled to immediate debt relief. For effective debt management, fiscal consolidation, including tax reform to strengthen the fiscal payments capacity, is essential in achieving debt sustainability. Attention should be given to eliminating the dependence on a very narrow production and export base. **TAGS:** Multilateral financing; Debt sustainability; Foreign Debt; Financial stability

Reports

2021

Partial Maturity Currency Conversions: How a Client Was Protected Against Fourfold Currency Depreciation

World Bank Treasury

The World Bank helped a Turkish state-owned bank save USD 3.48 million on a USD 5 million loan by using the Partial Maturity Currency Conversion feature of IBRD Flexible Loans. **TAGS: Multilateral financing**; **Foreign Debt**; **Cost and Risk**; **Derivatives**; **World Bank**

Organizing a Back Office to Better Record, Monitor, and Report Government Debt

World Bank

The seminar discusses how countries can best organize a debt management back office to ensure sound recording, monitoring and reporting of government debt. It describes the core processes that should be performed by the back office and highlights the unit's involvement in the execution and settlement process. Focusing on the main debt instruments that are used by low income countries, the note describes each process individually and highlights their interdependence. The guidance note concludes that debt managers should organize themselves around processes not products. This webinar also provides an overview of back office operations. **TAGS: Accounting, statistics, Reporting and Auditing**; **Debt Policy**; **Cost and Risk**; **Best Practices**; **World Bank**

ADB Annual Report 2020

ADB

This Annual Report sets out the bank's operational and financial results for 2020 as it supported its developing member countries (DMCs) during a year of extraordinary challenges arising from the coronavirus disease (COVID-19) pandemic. Responding to COVID-19 has placed severe strain on many DMC governments' budget and their ability to deliver adequate public services. To effectively respond to the pandemic, ADB assessed the public finance capabilities of DMCs for each CPRO project, and designed measures to ensure the proper use of emergency funds. […] **TAGS: Multilateral financing**; **Debt sustainability**; **COVID-19**

Euro area money markets over the past 15 years: changes, driving factors and implications for monetary policy

Stefano Corradin, Marie Hoerova, Glenn Schepens – ECB

Many central bank measures implemented in past years – most recently the additional longer-term refinancing operations launched by the Eurosystem at the onset of the COVID-19 pandemic – aimed inter alia at safeguarding money market conditions. This is because smoothly functioning money markets are key for the transmission of monetary policy to credit conditions in the economy. In this article the authors look at money market conditions in the euro area over the past 15 years and discuss the interactions between money markets, central bank policies and new Basel III regulations. **TAGS: Debt and fiscal/monetary policies**; **Financial Analysis**

Launch of the repurchase agreements (Repo) activity - A new instrument for managing Treasury cash liquidity

Italy's Ministry of Economy and Finance

The launch of the Repo project represents an important goal: it will facilitate the MEF in managing the Treasury's liquidity and it will enrich and complete the instruments already in use in the cash management activity. The Treasury can borrow or lend temporary liquidity in exchange of Italian government bonds used as collateral. Through the Repo operations, the MEF may also intervene to manage the consequences deriving from any situations of scarcity on the secondary market of specific securities, if this goal is in line with the primary one, i. e. that of cash management.[…] **TAGS:** **Cash Management**; **Repo market**; **Market Liquidity**

Liquidity Indicators in the JGB Markets - 30 march 2021

Financial Markets Department - Bank of Japan

Japanese government bonds (JGBs) have a range of uses in broad market trading. To ensure that market transactions involving JGBs operate smoothly, sufficient liquidity in JGB markets is an important condition. There are a number of concepts for evaluating liquidity in JGB markets, and the indicators corresponding to them are accordingly diverse. In assessing liquidity in JGB markets, it is important to monitor indicators as broadly as possible and grasp market liquidity comprehensively. **TAGS:** **Market Liquidity**; **Financial stability**; **Sovereign bond market**

˜Dash for cash" versus ˜dash for collateral": Market liquidity of European sovereign bonds during the Covid-19 crisis

Emanuel Moench, Loriana Pelizzon, Michael Schneider - Goethe University Frankfurt and Deutsche Bundesbank

In March 2020, a 'dash for cash' driven by the Covid-19 crisis affected the liquidity of the US Treasury bonds market as well as numerous other financial markets around the globe. This column investigates how euro area sovereign bond markets fared during the same period. While deteriorations in sovereign debt market liquidity are evident, these appear to be driven by a 'dash for collateral' in euro-denominated safe assets. This suggests some differences from the US experience, as well as variations across European countries. **TAGS:** **Market Liquidity**; **Financial stability**; **Sovereign bond market**; **COVID-19**

Green & Sustainable bonds: a label is not enough

Generali Insurance Asset Management S.p.A

The authors expect a significant growth of green bond supply, dominated by issuance in Euro and US Dollar. Corporates, financials and utilities used to comprise the main issuers of green bonds, but more sectors are now joining the party, e.g. car makers. Demand is outpacing supply, leading to a mismatch and, potentially, a larger greenium. As climate risks rise, regulatory interventions may further distort markets. **TAGS:** **Primary market**; **Bond market development**; **Best Practices**

Eurofi regulatory update - April 2021

EuroFi

Is the EU response to the Covid-19 economic crisis fit for purpose? What is the right macro-policy mix for a sustainable economic recovery? Reflexion on the appropriate stance of Monetary Policy Lessons from Covid regarding the EU fund sector's resilience. **TAGS:** **International and Macroprudential Regulations**; **Structural policies**; **Debt and fiscal/monetary policies**; **Financial stability**; **COVID-19**; **Economic Forecasts**; **Best Practices**

Presentation of the Economic Survey of Turkey 2021

OECD

Boosting the recovery. A review by the OECD of the economic and financial situation and prospects of Turkey. **TAGS:** **Economic Forecasts**; **Debt Statistics**; **Financial stability**; **Debt sustainability**

African Economic Outlook 2021. From Debt resolution to growth: the road ahead for Africa
African Development Bank
The continent is projected to grow by 3.4 per cent in 2021. Yet the pandemic shock and ensuing economic crisis have had direct implications for budgetary balances and debt burdens: the average debt-to-GDP ratio for Africa is expected to climb by 10 to 15 percentage points in the short to medium term. That means serious debt challenges might be looming, and disorderly defaults and lengthy resolutions could become a major obstacle to Africa's progress toward prosperity. **TAGS: Economic Forecasts**; **Debt Forecasts**; **Debt Statistics**; **Financial stability**; **Debt sustainability**

Liquidity and Debt Solutions to Invest in the SDGs: the time to act is now
UN
The purpose of this policy brief is to take stock of the global policy response since April 2020, assess remaining gaps and challenges for their implementation, and propose updates to the original recommendations in light of developments over the last year. […] **TAGS: Debt relief**; **Debt sustainability**; **Debt crisis**; **Financial stability**

Improving capacity and resiliency in US Treasury Markets
Peter Ryan, Robert Toomey – SIFMA
In Part I of this two-part blog series, the authors provide an overview of the critical role of the U.S. Treasury markets in our financial system and provide a brief history of recent events that have called into question the resiliency of those markets. In Part II, the authors discuss emerging policy proposals for reforming the markets in light of these market disruptions. **TAGS: Financial Analysis**; **Primary market**; **Secondary Markets**; **Market Liquidity**; **Financial stability**; **Structural policies**

SIFMA Research US Repo Fact Sheet -2021
SIFMA
This report provides a detailed description of the U.S. repurchase agreement (repo) markets, including discussing: product types, participants and regulations. It also provides outstanding and collateral statistics for repo and reverse repo securities in the bilateral, general collateral finance (GCF) and tri-party repo markets. **TAGS: Repo market**; **Market Liquidity**

The voice of monetary policy
Yuriy Gorodnichenko, Tho Pham, Oleksandr Talavera - University of California – Berkele, University of Reading, University of Birmingham
While the effectiveness of central bank's verbal communication is well documented, little is known about the effectiveness of communication via non-verbal channels. This column discusses vocal features of Federal Open Market Committee communication and examines the impacts on financial markets. The results suggest that tone of voice can contain distinct information not captured in the texts of press conferences. A positive voice tone can lead to higher share prices and decreases in volatility, highlighting the importance of voice control for central bank communication. […] **TAGS: Transparency**; **Debt and fiscal/monetary policies**

What fiscal policies beyond monetary policy support?
François Villeroy de Galhau - Bank of France
Speech by Mr François Villeroy de Galhau, Governor of the Bank of France, at the Eurofi High Level Seminar, Lisbon, 16 April 2021. Ladies and Gentlemen, I am very happy to join you today. I would like to extend my warmest thanks to Didier Cahen and David Wright for fostering the fruitful European

spirit that we all cherish, despite the difficulties of the moment. As you know, the ECB silent period has already started, so I won't say a word on monetary policy. However, this will give me the opportunity to tackle a core issue of our incomplete Economic Union besides our successful Monetary Union: fiscal policy. […] **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **Financial stability**

Global Securities financing data collection and aggregation: frequently asked questions

FSB

Securities financing transactions (SFTs) such as securities lending and repurchase agreements (repos) play a crucial role in supporting price discovery and secondary market liquidity for a wide variety of securities. However, such transactions can also be used to take on leverage and can lead to maturity and liquidity mismatched exposures. They therefore can pose risks to financial stability. […] **TAGS:** **Best Practices**; **Repo Market**; **Market Liquidity**

28th OECD Global Forum on Public Debt Management - Draft Agenda

OECD

The main theme of the 28th Global Forum on Public Debt Management will be the impact of the COVID-19 pandemic on public debt management and government securities markets. Discussions will focus on the following topics: •Impact of the COVID-19 crisis on sovereign borrowing outlook; •Rolling over the debt in a period of high uncertainty; •Benefits and challenges of issuing a sovereign green bond. **TAGS:** **COVID-19**; **Debt Forecasts**; **Debt Policy**; **Primary market**; **OECD**; **Best Practices**

Questions and Answers on Sovereign Debt Issues

IMF

FAQs on the following topics: Recent debt developments; The G20 Debt Service Suspension Initiative (DSSI); The G20 Common Framework for Debt Treatments beyond the DSSI; Debt relief by the IMF; Sovereign Debt Restructuring. **TAGS:** **FAQ**; **Debt relief**; **Debt Restructuring**; **Multilateral financing**; **COVID-19**

Global Debt Monitor - COVID Drives Debt Surge - Stabilization ahead?

Emre Tiftik, Khadija Mahmood, Sonja Gibbs – IIF

Global debt soared to a new record high of $281 trillion in 2020: Coupled with a sharp pandemic-driven decline in government and corporate revenues, total private and public debt for the 61 countries in our sample rose by $24 trillion last year, making up over a quarter of the $88 trillion rise over the past decade (Chart 1). Debt outside the financial sector hit $214 trillion, up from $194 trillion in 2019 (Table 1). **TAGS:** **COVID-19**; **Debt sustainability**; **Financial stability**

A Future with High Public Debt: Low-for-Long is not low forever

Marcos Chamon, Jonathan D. Ostry – IMF

Many countries are experiencing a combination of high public debt and low interest rates. This was already the case in advanced economies even prior to the pandemic but has become even starker in its aftermath. A growing number of emerging market and developing economies are likewise enjoying a period of negative real rates—the interest rate minus inflation—on government debt. The IMF has called on countries to spend as much as they can to protect the vulnerable and limit long-lasting damage to economies, stressing the need for spending to be well targeted. […] **TAGS:** **Debt sustainability**; **Sovereign bonds yields**

Japan: Green Finance State of the Market 2020

Climate Bonds Initiative

Climate Bonds continues its collaboration with Japan's Green Bond Issuance Promotion Platform, with the release of the third edition of the Japan Green Finance State of the Market report. The report provides an in-depth overview of the Japanese green bond market and the broader labelled universe, while highlighting opportunities to boost green finance with unlabelled climate-aligned bonds and new policy developments. **TAGS:** **Primary market**; **Bond market development**; **Subnational debt**

Drivers of green bond issuance and new evidence on the 'greenium'

Kristin Ulrike Löffler, Aleksandar Petreski, Andreas Stephan - Jönköping University

This paper examines whether a premium for green bonds, called "greenium", found in previous studies, exists in primary and secondary bond markets. Using a universe of about 2000 green and 180,000 non-green bonds from 650 international issuers, the authors apply both propensity score matching and coarsened exact matching to determine a sample of conventional bonds that is most similar to the sample of green bonds. The authors find that green bonds have larger issue sizes and lower rated issuers, on average, compared to conventional bonds. The estimates show that the yield for green bonds is, on average, 15–20 basis points lower than that of conventional bonds, both on primary and secondary markets, thus a "greenium" exists. **TAGS:** **Primary market**; **Secondary Markets**; **Bond market development**; **Sovereign bonds yields**

The budget deficit: a short guide

UK Parliament

What is the budget deficit and how big is it? When the government spends more than it receives in tax and other revenues it borrows to cover the difference. This borrowing is known as 'public sector net borrowing' but is often referred to as the deficit. In 2019/20, government revenue – from taxes and other receipts – was £828 billion while government spending was £885 billion. The deficit was therefore £57 billion, equivalent to 2.6% of GDP. [...] **TAGS:** **Debt Statistics**; **Debt and fiscal/monetary policies**; **Transparency**

Fiscal Outlook of the Czech Republic (January 2021)

Ministry of Finance of the Czech Republic

The Czech economy did not escape the economic downturn either. We expect gross domestic product to decline by 6.1% in 2020. Except for public expenditure, the decline was seen in all its components. The recovery in 2021 should be gradual. The development of the economy, the solution of the epidemic and the package of stimulus measures significantly affected the performance of public finances in the Czech Republic. The general government balance probably ended with a deficit of −5.8% of GDP and the debt rose to 38.3% of GDP at the end of 2020 […] **TAGS:** **COVID-19**; **Economic Forecasts**; **Debt Forecasts**; **Debt and fiscal/monetary policies**

ECB staff macroeconomic projections for the euro area, March 2021

ECB

Euro area debt is projected to peak in 2021 at 98% of GDP, declining slightly thereafter. The decline over 2022-23 is due mainly to favourable interest-growth differentials, which more than offset the continuing, albeit decreasing, primary deficits […] **TAGS:** **Economic Forecasts**; **Debt Forecasts**; **Debt and fiscal/monetary policies**

ECB Annual Report for 2020

European Central Bank

The euro area economy was struck by the extraordinary and severe coronavirus (COVID-19) pandemic shock in 2020. Economic activity contracted sharply during the first half of the year as a consequence of lockdown measures and heightened risk aversion. The strong and coordinated monetary and fiscal policy reaction, combined with positive news on vaccines, helped stabilise activity in the second half of the year. […] **TAGS:** **Financial stability**; **Debt and fiscal/monetary policies**; **Accounting, statistics, Reporting and Auditing**; **COVID-19**

Use of RMB-denominated Chinese Government Bonds as Margin for Derivatives Transactions

ISDA

A large number of financial institutions in Asia-Pacific are expected to be brought into scope of phases five and six of the initial margin (IM) requirements for non-cleared derivatives in September 2021 and September 2022. As part of their preparations, market participants will need to know which high-quality liquid assets they can post as IM and understand any regulatory or legal impediments that may affect their choice. **TAGS:** **Derivatives**; **Financial stability**

Rebuilding better, but better for whom?

Maria Jose Romero, Kate Bayliss – EuroDad

In March 2020 the World Bank Group pledged to provide US$ 160bn to client countries in the 15 months to June 2021. In this briefing the authors analyse the Bank's response and ask, given private finance's central role, who is truly benefitting from their Covid-19 response package? **TAGS:** **Multilateral financing**; **COVID-19**

Quantitative easing in emerging market economies: Benefits, risks, and limitations

Yasin Mimir, Enes Sunel - Norges Bank, OECD

Central banks in emerging economies deployed asset purchases for the first time to respond to the Covid-19 shock. Initial studies have found quantitative easing reduced long-term bond yields in these economies without creating bouts of currency depreciation. This column argues that asset purchases ease financial conditions in emerging economies by curbing capital outflows enabled by stronger bank balance sheets upon the asset intermediation by the central bank. […] **TAGS:** **Debt and fiscal/monetary policies**; **Market Liquidity**; **Sovereign bond market**; **COVID-19**

Central bank swaps in the age of Covid-19

Joshua Aizenman, Hiro Ito, Gurnain Kaur Pasricha - NBER, Portland State University, IMF

Facing acute strains in the offshore dollar funding markets during Covid-19, the Federal Reserve implemented measures to provide US dollar liquidity. This column examines how the Fed reinforced swap arrangements and established a 'financial institutions and monetary authorities' repo facility in response to the crisis. Closer pre-existing ties with the US helped economies access the liquidity arrangements. Further, the announcements of the liquidity expansion facilities led to appreciation of partner currencies against the dollar, as did US dollar auctions by foreign central banks. […] **TAGS:** **Repo market**; **Debt and fiscal/monetary policies**; **Market Liquidity**; **COVID-19**

Three steps to stop the health crisis turning into the biggest emerging market debt crisis

Avinash Persaud - Gresham College

The servicing and rolling over of the public and private debt of middle-income countries is a major point of COVID-19-induced stress in the global economy. The G20's Debt Service Suspension Initiative is a worthy initiative, but it does not address this issue. This column outlines three related steps that may help avoid a crisis. The centre-piece is recycling new and unused Special Drawing Rights for debt reduction through the repayment or repurchase of debt. Moral hazard can be addressed by reducing only those debts held by official creditors and up to an amount equal to fiscal expenditures relating to natural disasters – COVID-19 and climate change, principal amongst them. **TAGS: Multilateral financing**; **Debt relief**; **Debt sustainability**; **COVID-19**

Treasury-Federal Reserve cooperation and the importance of central bank independence

Christopher J Waller – BIS

As a result of the COVID-19 crisis, tremendous monetary and fiscal measures have been taken to provide economic relief to American households and businesses. The Federal Reserve took a host of actions, including lowering its policy rate to zero and purchasing securities to support market functioning and provide monetary accommodation. The Congress enacted several packages that funded the health response to the pandemic, expanded unemployment insurance, and provided economic assistance payments to households and businesses.[…] **TAGS: Debt and fiscal/monetary policies**; **Financial stability**; **COVID-19**

Rethinking Debt: Financing the Future Amid Crisis

World Bank

On April 7th, the World Bank invited several leading experts to explore perspectives on a new global financial architecture for debt. Speakers discussed lessons from past restructuring efforts, the private sector's role, and the increased need for debt transparency. Zainab Haruna of Nigeria began the conversation by explaining how government debt can affect the lives of everyday people. […] **TAGS: Debt sustainability**; **Transparency**; **COVID-19**; **Debt and fiscal/monetary policies**

Keeping it Local: A Secure and Stable Way to Access Financing

Tobias Adrian, Thor Jonasson, Ayhan Kose, and Anderson Silva - IMF and World Bank

Paychecks for teachers, new hospital equipment, social assistance programs, and other public expenditures. All depend to large extent on governments' ability to fund them. When governments—particularly those in emerging and developing economies—need money to pay these and other goods and services, they often turn to bond markets, where they interact with investors seeking to buy government bonds.[…] **TAGS: Best Practices**; **Debt Policy**; **Bond market development**; **Market Liquidity**; **Structural policies**; **World Bank**; **COVID-19**

The Social Sustainability of Public Debt in the framework of MENA Countries: Egypt, Lebanon, Morocco, Tunisia, and Turkey

Wissem Ajili Ben Youssef, Hassan Henri Ayoub - Eslsca Paris Business School, Lebanese University

The objective of the article is to analyze the social sustainability of the external public debt of some MENA countries (Egypt, Lebanon, Turkey, Tunisia, and Morocco) between 1990 and 2019. The study carries out a dual statistical and econometric analysis to determine the impact of external public debt on the social welfare of the population. The first analysis aims to examine the evolution of the social sustainability indicators and the second analysis uses the ARDL panel data estimation technique.[…] **TAGS: Debt and fiscal/monetary policies**; **Structural policies**; **Financial stability**; **Foreign Debt**; **Multilateral financing**; **Debt sustainability**

EM Sovereigns: Debt sustainability remains a concern but will only become acute for some

Trieu Pham – ING

With fiscal deficits set to remain high, the aggregate debt/GDP ratio for emerging markets governments is set to rise further, from around 60% in 2020 towards 70% of GDP in the medium term based on IMF projections. Therein lies the biggest risk for emerging markets, one that will be ever present in the coming decade. The authors explore further and assess the risks. **TAGS: Debt sustainability**; **Foreign Debt**; **Cost and Risk**; **Sovereign bonds yields**

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

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: Debt sustainability**; **Foreign Debt**; **Cost and Risk**; **Sovereign bonds yields**; **COVID-19**

High debt, low rates, and tail events: Rules-based fiscal frameworks under stress

Niels Thygesen, Roel Beetsma, Massimo Bordignon, Xavier Debrun, Mateusz Szczurek, Martin Larch, Matthias Busse, Mateja Gabrijelcic, Laszlo Jankovics, Stefano Santacroce - University of Copenhagen, University of Amsterdam, Catholic University of Milan, National Bank of Belgium, Minister of Finance, Republic of Poland, European Fiscal Board

National governments and EU institutions enacted unprecedented budgetary measures to mitigate the economic and social impact of the Covid pandemic, a truly exogenous shock. While everyone agrees that a forceful response was needed, the pandemic magnified a number of pre-existing challenges and vulnerabilities in public finances, which need to be addressed in the coming years. This column discusses this year's conference of the European Fiscal Board on 26 February, at which a prominent line-up of speakers had an open and inspiring exchange on the future of the EU fiscal framework. **TAGS: Debt and fiscal/monetary policies**; **Financial stability**; **Debt sustainability**; **COVID-19**

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.

JUNE

8 – 9 June 2021; SIFMA, Virtual
Asset Management Derivatives Forum 2021

9 – 10 June 2021; ISDA, Online
Benchmark Strategies Forum Japan

14 – 18 June 2021; EBRD, Online
Assessing and Managing Credit Risk from Contingent Liabilities: a Focus on Government Guarantees

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

14 – 18 June 2021; JVI Joint Vienna Institute, Virtual
Climate Change and Green Finance

14 June – 2 July 2021; EUI Florence school of banking and finance, Online
MIFID II/MIFIR: Evolution and Revolution

15 June 2021; 10times, Kuala Lumpur, Malaysia
IFN Asia Forum

15 June 2021; AFME/OMFIF, Virtual
European Financial Integration Conference

Until 17 June 2021; East Asia Research, Singapore
Call for Papers 2021 Asia-Pacific Conference on Economics and Finance 'LIVE'

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

22 June 2021; bondsloans, online
Bonds & Loans Brazil 2021

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

24 June 2021; ICMA, Virtual
ICMA Annual Conference 2021

21 - 25 June 2021; World Bank, Washington, DC
Annual Bank Conference on Development Economics 2020: Global Unrest

28 June – 2 July 2021; JVI Joint Vienna Institute, Virtual
Designing Government Debt Management Strategies

29 – 30 June 2021; Euromoney, Online
The China Debt Capital Markets Summit

JULY

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

Until 1st July 2021; International Monetary Fund, Washington DC
Call for Papers 22nd Jacques Polak Annual Research Conference: Toward an Inclusive and Resilient Recovery

5 – 16 July 2021; codevformation.com, Tunis
Training Public debt management

5 – 9 July 2021; JVI Joint Vienna Institute, Virtual
Implementing Government Debt Management Strategies

12 – 14 July 2021; ICAAF, Montreal
2021 International Conference on Accounting, Auditing and Finance

12 – 13 July 2021; Moneco, online
Green Bonds

Until 15 July 2021; AEC, UNDP and ECA, Cabo Verde
Call for Papers African Economic Conference

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

19 – 30 July 2021; Joint Vienna Institute, online
Fiscal Sustainability

AUGUST

2 – 6 August 2021; Joint Vienna Institute, Virtual
Developing an Annual Borrowing Plan in line with the Debt Management Strategy

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

16 – 27 August 2021; CODEV International, Tunis
Public Financial Management: Audit and Compliance

16 – 20 August 2021; Joint Vienna Institute, virtual
Government Debt Management Performance Assessment Tool

Until 20 August 2021; icmef, Zurich, Switzerland
Call for Papers 4th International Conference on Management, Economics and Finance

25 – 27 August 2021; Bocconi University, European Finance Association
European Finance Association 2021 - Annual Meeting

SEPTEMBER

6 – 15 September 2021; Crownagents, London, United Kingdom
Public Debt Management: Issues and Solutions

6 September – 8 October 2021; Unitar, Web Based
Global Financial Governance (2021)

7 – 8 September 2021; Euromoney, virtual
The GlobalCapital Sustainable and Responsible Capital Markets Forum 2021

10 – 12 September 2021; Icmef, Zurich, Switzerland
4th International Conference on Management, Economics and Finance

16 September 2021; Euromoney/ECBC, Barcelona, Spain

[The Euromoney/ECBC Covered Bond Congress]

20 – 27 September 2021; GFOA, Virtual
[Debt Management Best Practices]

22 – 24 September 2021; AFME, Virtual
[3rd Annual European Capital Markets Technology and Innovation Conference]

23 – 24 September 2021; GRETA Associati, and Others, Palazzo Franchetti, Venezia - Italy
[Compound Risk: Climate, Disaster, Finance, Pandemic]

23 – 24 September 2021; The Canadian Derivatives Institute, Montreal
[CDI Tenth Conference on Derivatives]

27 – 29 September 2021; GFOA, Virtual
[Treasury Management Best Practices]

OCTOBER

4 – 8 October 2021; JVI Joint Vienna Institute, Online
[Debt Management, Debt Reporting, and Investor Relations]

7 – 8 October 2021; International Research Conference, 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)]

18 - 29 October 2021; Crownagents, Washington D.C., United States of America
[Public Financial Management: Issues and Solutions]

25 October – 5 November 2021; Joint Vienna Institute, Online
[Financial Sector Policies]

29 October 2021; PDM Network, Italian Ministry of Economy and Finance, OECD, World Bank, Venue To be decided
[Call for Papers - Public Debt Management Conference 2022 - Deadline 29 October 2021]

NOVEMBER

4 – 5 November 2021; The International Monetary Fund, Washington DC
[22nd Jacques Polak Annual Research Conference: "Toward an Inclusive and Resilient Recovery"]

8 - 19 November 2021; Crownagents, London, United Kingdom
[Treasury Management]

17 November 2021; AFME, Virtual
[16th Annual European Government Bond Conference]

22 – 24 November 2021; UNCTAD, Palais des Nations Geneva, Switzerland
[International Debt Management Conference, thirteenth session]

DECEMBER

2 – 4 December 2021; UNDP, AfDB and ECA, Cabo Verde
[African Economic Conference]

16 – 17 December 2021; East Asia Research, Singapore
[2021 Asia-Pacific Conference on Economics and Finance 'LIVE']

PDM Network in Figures

As of 14th May 2021, total documents and reports available on the PDM Network website were 8,137. Events and News uploaded on the website since January 2021 were respectively 260 and 4,110. This newsletter is sent to 897 Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to Fatos Koc (OECD), Banu Turhan (World Bank), André Proite (World Bank), and various DMOs for information on new documents and reports.

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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, Saint 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.