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PDM NETWORK *Newsletter*

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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 on 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

Special Focus

International Debt Management Conference, thirteenth session
UNCTAD
The Conference provides a regular biennial forum for sharing experiences and exchanging views between Governments, international organizations, academia and civil society on current developments in the debt landscape in developing countries and on debt management issues in this broader macroeconomic context. It brings together senior-level national debt managers from around the world to discuss some of the most pertinent topics in the field today. Around 350 participants from over 100 countries, as well as senior representatives of international, regional and other institutions, participated in the last conference held in November 2019. Read more Debt relief Debt Restructuring Debt crisis COVID-19 Debt sustainability Transparency

Sovereign Green, Social, and Sustainability Bonds: Unlocking the potential for Emerging Markets
The World Bank
The Emerging market sovereigns more than tripled the amount of their thematic (green, social, and sustainability or sustainability-linked) bond issuances between 2020 and 2021. Almost half the sovereigns, from Benin to Uzbekistan, that issued thematic bonds since 2016 were emerging markets. In this report, the World Bank focuses on what drives emerging sovereigns to issue thematic bonds, the challenges they face, and how to overcome the knowledge gap for credible thematic bond issuances by emerging markets. **Read more** **TAGS:** **Debt Policy**; **Debt sustainability**; **Climate change**; **Sovereign debt market**; **Bond market development**; **Green bonds**; **World Bank**

Climate and Debt - 25th Geneva Report on the World Economy
Patrick Bolton, Lee Buchheit, Mitu Gulati, Ugo Panizza, Beatrice Weder di Mauro, Jeromin Zettelmeyer - Imperial College London and CEPR, University of Edinburgh, University of Virginia, Geneva Graduate Institute and CEPR, Bruegel and CEPR
Even in a one-country world, the link between climate and debt leads to complicated questions. However, the planet consists of many countries, each with its own interests and resource limitations. This creates an additional challenge related to aligning individual country interests with the global interest of limiting temperature rises. This report discusses these challenges by focusing attention on how climate mitigation and adaptation is paid for, and who pays for it. **Read more** **TAGS:** **Climate change**; **Debt Policy**; **Debt sustainability**; **Green bonds**; **Debt relief**; **Debt Restructuring**; **Debt and fiscal/monetary policies**

Documents

Debt Policy

Debt Management: Can the Government's Debt-Reduction Strategies Help to Improve People's Quality of Life? **(2022)**
Anjaly Priya, Sumit Kumar - Chandigarh University
India's public debt management has obviously progressed from a passive to a market-driven process, with developed institutions, instruments, a large number of investors, market-making intermediaries and an efficient market infrastructure. The goal is to guarantee that the money freed up by debt relief is utilized for long-term development, so that countries do not confront unmanageable debts again and their citizens may escape terrible poverty. Overall, the findings support the importance of competent public debt management and making well-informed strategic decisions when weighing the costs and risks associated with the public debt portfolio. **TAGS:** **Debt Policy**; **Cost and Risk**

Sovereigns and Sustainable Bonds: Challenges and New Options **(2022)**
Gong Cheng, Frank Packer – BIS
The sustainable bond market, comprising green, social and sustainability (GSS) bonds, continues to develop rapidly. Until recently, sovereign issuers played only a minor role, due in part to tensions between the use-of-proceeds earmarking of GSS bonds and the fungibility requirements for many sovereigns. That said, sovereign GSS bond frameworks rely on stringent reporting and verification standards, thus setting goalposts for private issuers to aim for. Sustainability-linked bonds

allow an unrestricted use of proceeds and – if based on contractual terms that sufficiently align issuers' incentives with sustainability objectives – can provide sovereigns with new options to make progress towards carbon emission reduction targets. **TAGS:** **Best Practices**; **Climate change**; **Transparency**; **Primary market**; **Sovereign debt market**; **Contract standards**; **Debt Statistics**

Ensuring Public Debt Sustainability in the Pacific Small Island Developing States **(2022)**

Vatcharin Sirimaneetham, Alberto Isgut, Hamza Ali Malik, Denton Rarawa – ESCAP

The risk of public debt distress in the Pacific small island developing States (PSIDS) had been high even before the COVID-19 pandemic. The pandemic has further pushed up public debt levels and the trend is likely to continue in the coming years, thus putting debt sustainability at a greater risk. To ensure public debt sustainability, PSIDS can consider various policy options. Improving tax administration, introducing social/green taxes, and enhancing public spending efficiency will help address fiscal deficit, and thus debt, concerns. Development of domestic capital markets can also be explored, at least in larger economies such as Fiji and Papua New Guinea, to take advantage of innovative financing instruments and modalities for deficit financing over the long term. Prudent and effective public debt management would promote policy credibility and reduce financing costs. Finally, greater use of risk-sharing disaster financing mechanisms would help PSIDS avoid fiscal shocks and a sudden rise in debt sustainability risks. Major creditor countries and multilateral development partners can do more to support debt sustainability in PSIDS. Among others, they can (a) offer generous debt relief; (b) make the global debt resolution architecture work better and simpler for debtors; (c) fulfil their commitments on development assistance; (d) consider and support debt for climate swaps; and (d) integrate debtor countries' vulnerability to shocks into concessional loan decisions and debt risk assessments. While this issue paper highlights various good practices on fiscal and debt policies adopted by PSIDS, more support on strengthening technical capacity and institutional quality is needed. **TAGS:** **Debt sustainability**; **Debt Policy**; **Primary market**; **Debt relief**; **Multilateral financing**; **Best Practices**

Secondary Markets

Flash Crashes on Sovereign Bond Markets - EU Evidence **(2022)**

Antoine Bouveret, Martin Haferkorn, Gaetano Marseglia and Onofrio Panzarino - ESMA, Bank of Italy

The development of electronic and automated trading in sovereign bond markets has been accompanied by a more frequent occurrence of flash crashes, i.e., episodes of sudden and abrupt price changes that are to a large extent reversed shortly afterwards. The paper focuses the analysis on two flash events in the German and Italian bond markets and shows how liquidity vanished ahead of the crashes, resulting in trades having a large price impact on prices. It documents that, during the flash event of 29 May 2018, activity on Italian bonds futures and cash markets diverged: trading activity in futures surged, while it plummeted on the cash market. In addition, the paper shows that the effects of flash events on the liquidity in the affected markets can last up to several weeks. The findings call for increased monitoring of electronic trading markets, taking into account the pace of financial innovation, and for pursuing more integrated approaches in the presence of highly interlinked markets. **TAGS:** **Trading platforms**; **Sovereign debt market**; **Secondary Markets**; **Market Liquidity**; **Derivatives**

Subnational Debt

What Triggered China's Urban Debt Risk? Snowball Effect Under the Growth Target Constraint (2022)

Wenfeng Mao, Jun Lu, Siyuan Cai, Haotian Yang - Peking University

The root causes and governance of subnational debt are intensely discussed in regional and policy research. This study contributes to literature by using the growth target constraints as a lens to investigate the boom of urban debt under political incentives. Using the urban construction investment bonds data of 270 prefecture-level cities from 2007 to 2015, the paper finds that the competition for growth of subnational governments is the endogenous root of the boom of urban debt. The growth target constraint triggers subnational governments to carry out irrational debt financing through the leverage amplification effect of land leasing and mortgage, and to invest a large amount of financing in infrastructure construction. Unfortunately, these impulsive investments have low returns in terms of efficiency, which ultimately affects debt repayment. Accordingly, urban debt has shown considerable growth in this debt-stimulated model, which the paper attributes as the "snowball effect" of urban debt risk. **TAGS:** **Subnational debt**; **Debt sustainability**; **Debt and growth**

Financial Analysis

It's Not Time to Make a Change: Sovereign Fragility and the Corporate Credit Risk (2022)

Fabio Fornari, Andrea Zaghin - European Central Bank, Bank of Italy

Relying on a perspective borrowed from monetary policy announcements and introducing an econometric twist in the traditional event study analysis, the paper documents the existence of an 'event risk transfer', namely a significant credit risk transmission from the sovereign to the corporate sector after a sovereign rating downgrade. The paper finds that after the delivery of the downgrade, corporate CDS spreads rise by 36% per annum and there is a widespread contagion across countries, in particular among those which were most exposed to the sovereign debt crisis. This effect exists on top of the standard relation between sovereign and corporate credit risk. **TAGS:** **Financial Analysis**; **Sovereign CDS**; **Sovereign Credit Ratings**

Sovereign Default and International Trade **(2022)**

Charles Serfaty - Bank of France

Evidence suggests that sovereign defaults disrupt international trade. As a consequence, countries that are more open have more to lose from a sovereign default and are less inclined to renege on their debt. In turn, lenders should trust more open countries and charge them with lower interest rate. In most cases, the country should also borrow more debt as it gets more open. This paper formalizes this idea in a sovereign debt model à la Eaton and Gersovitz (1981), proves these theoretical relations, and quantifies them into a calibration model. It also provides evidence suggesting a causal relationship between trade and debt or CDS spreads, using gravitational instrumental variables from Frankel and Romer (1999) and Feyrer (2019) as a source for exogenous variation in trade openness. **TAGS:** **Financial Analysis**; **Sovereign defaults**; **Sovereign CDS**

Dynamic Connectedness between Credit and Liquidity Risks in EMU Sovereign Debt Markets (2022)

Marta Gómez-Puig, Mary Pieterse-Bloem, Simon Sosvilla-Rivero - University of Barcelona, Erasmus Research Institute of Management, UCM Institute for Economic Analysis

This paper examines the dynamic interconnection between sovereign credit and liquidity risks in ten Euro area countries at the five year maturity with high-frequency data from MTS between January 2008 and December 2018 using the extension of the TVP-VAR connectedness approach of Antonakakis et al. (2020). The results indicate that for most periods net connectedness is from credit risk to liquidity risk. This indicator is time-dependent, detecting some episodes where it goes from liquidity risk to credit risk. Through an event study the paper finds that the latter episodes can be related to several ECB unconventional monetary policy measures. Through a Probit model, the paper examines the drivers of the connectedness indicator. The results suggest that monetary policy shocks and economic policy uncertainty increase the probability of transmission from liquidity risk to credit risk, while global funding liquidity, tensions in financial markets and surprises in inflation and GDP reduce such probability. **TAGS:** **Financial Analysis**; **Market Liquidity**; **Secondary Markets**

New Financial Indices for the History of Developed and Emerging Markets (2022)

Bryan Taylor - Global Financial Data

New indices for developed and emerging markets are analyzed for stocks, bonds and bills over the past 300 years. Indices for commodity markets covering 1000 years and indices for real estate covering over 100 years are also provided. Bull and bear markets for fixed income are studied going back over 200 years, and a history of bull and bear equity markets is provided since 1601. Analysis is also given for the nine different eras in financial markets during the past 400 years as well as ten geographic regions that global markets can be broken into. **TAGS:** **Secondary Markets**; **Sovereign bonds yields**; **Financial Analysis**

Treasury Auctions During a Crisis (2022)

Seher Gupta, Rohit Lamba - New York University, Pennsylvania State University

Treasuries all over the world sell sovereign bonds through an auction which is typically conducted by the central bank. When volatility in financial markets is high, auctions may fail to elicit the true price of the bond. To study the impact of increased uncertainty on bidder behavior in treasury auctions, we introduce (a) risk averse preferences and (b) common uncertainty in the valuation of the underlying security. Using detailed bid-level data on the Indian Treasury Bill market around the (in)famous episode called taper tantrum, this paper estimates bidders' valuations in a model of multi-unit discriminatory price auction. It finds that average bid shading increases substantially during this period leading to a big loss to the exchequer. A large part of the increase in bid shade is explained by the rise in uncertainty as measured by activity in the secondary market. The paper also uncovers systematic heterogeneity across bidders. While some bidders bid at low prices because their valuations are low, others bid less as a strategic response to the increased uncertainty. The paper evaluates two alternative selling mechanisms – uniform price auction and a fixed price tender. It finds that switching the pricing rule to uniform does not reduce bidder surplus. A fixed price mechanism, on the other hand, can help stabilize the market without affecting revenue much. **TAGS:** **Financial Analysis**; **Public debt auctions**; **Sovereign debt market**; **Primary market**

A Preferred Habitat View of Yield Curve control (2022)

Junko Koeda, Yoichi Ueno - Waseda University, Bank of Japan

The paper extends the canonical preferred habitat term structure model of Vayanos and Vila (2021) to analyze yield curve control (YCC) by treating the central bank as a preferred habitat investor allowing the price elasticity of government bond demand to depend on its targeted yield. The price elasticity captures the strictness of YCC implemented by the central bank. The paper calibrates the model for Japan and find that sufficiently strict YCC requires limited additional bond purchases to keep the targeted yield within the targeted range, and attenuates the impact of short-rate changes in the yield curve. In the absence of YCC, the effect of bond demand and supply on bond yields increases once again as the influence of the effective lower bound on nominal interest rates weakens. **TAGS:** **Financial Analysis**; **Sovereign bonds yields**

Quantitative Analysis of Haircuts: Evidence from the Japanese Repo and Securities Lending Markets **(2022)**

Kazuya Suzuki, Kana Sasamoto - Bank of Japan

Given the absence of comprehensive studies on market structure and haircuts for repo and securities lending transactions, this study provides a quantitative analysis of the subject using government bonds and equities transaction data covering most of the Japanese market. Specifically, it conducted a panel data regression analysis of government bond repo transactions, controlling for factors such as transaction entities and transaction types, and provided a detailed analysis of the haircut-setting mechanism. Accordingly, the paper determined that explanatory variables affecting credit risk, market risk, and liquidity risk, such as the credit quality of government bonds, the residual maturity of government bonds, and the presence of foreign exchange risk, significantly impact haircut setting. Furthermore, financial institutions closer to the center of the network, which engage in transactions with additional financial institutions, tend to set lower haircut rates through more efficient matching of borrowing and lending needs for cash and securities. Thus, the credit quality of government bonds transacted, exchange rate stability, and the presence of intermediaries important to the trading network significantly impact the degree of market functioning. The results were robust, paving the way for further discussions on trends and risk management of securities financing transactions, which are essential to financial markets. **TAGS:** **Financial Analysis**; **Repo market**; **Secondary Markets**; **Sovereign debt market**

Ukraine: War and Debt Crisis

Jürgen Kaiser - erlassjahr.de

At this moment (September 2022), this focus paper is intended to accomplish two things: first, Ukraine's current debt situation is analysed. Second, options are presented for a possible debt settlement after the end of fighting and under the condition of a continuing independent Ukrainian state. To this end, the initial situation before the onset of the aggression is first considered to then take a closer look at the differing types of financing received by the Ukrainian state for its self-defence. Finally, there is a discussion on the question of how the foreseeably unsustainable debt can be reduced once the war ends so that the Ukrainian state has a chance of self-determined reconstruction.

TAGS: **Financial Analysis**; **Debt crisis**; **Debt sustainability**; **Multilateral financing**

The Dynamics of Monthly Changes in US Swap Yields: a Keynesian perspective **(2022)**

Tanweer Akram, Khawaja Mamun - Citibank, Sacred Heart University

John Maynard Keynes (1930) asserted that the central bank sways the long-term interest rate through the influence of its policy rate on the short-term interest rate. Recent empirical research shows that Keynes's conjecture holds for long-term Treasury yields in the United States. This paper investigates whether Keynes's conjecture also holds for the monthly changes in US long term swap yields by econometrically modeling its dynamics using an autoregressive distributed lag (ARDL) approach. The econometric modeling reveals that there is statistically significant effect on the monthly changes in the Treasury bill rate on the monthly changes in swap yields of different maturity tenors after controlling for a host of macroeconomic and financial control variables. The findings from the econometric models that are estimated render a perspicacious Keynesian perspective on key policy questions and contemporary debates in macroeconomics and finance. **TAGS:** **Sovereign bonds yields**; **Financial Analysis**; **Sovereign risk premia**

Did Public Debt Assets improve the Resilience of Money Market Funds during the COVID-19 Crisis? **(2022)**

Peter G. Dunne, Raffaele Giuliana - Ireland Central Bank

This paper aims to inform the debate about the reform of MMF regulation, which is currently a central theme for several prominent policy institutions. Some types of MMFs experienced challenging outflows in March 2020. This, and evidence suggesting that flows are linked with proximity to liquidity thresholds, has led to a reassessment of the adequacy of the post-GFC regulatory architecture. A suggested alternative to mandating the use of ever more complex liquidity management tools, is to require funds to hold assets that remain liquid and valuable during a crisis. Using supervisory data on Irish-domiciled non-public debt MMFs, the paper provides robust graphical and econometric evidence indicating that MMFs voluntarily holding more Public-Debt Assets than required by MMF regulations, experienced lower outflows during the COVID-19 crisis. There is also evidence of resilience effects associated with having deposit buffers above requirements. **TAGS:** **International and Macroprudential Regulations**; **Financial Analysis**; **Institutional Investors**; **Market Liquidity**

Debt Crisis

Addressing the Debt Crisis in the Global South: Debt Relief for Sustainable Recoveries **(2022)**

Ulrich Volz, Kathrin Berensmann. Sara Burke, Kevin Gallagher, Stephany Griffith-Jone, Martin Kessler, Irene Monasterolo - University of London, German Development Institute, Boston University, Columbia University, Finance for Development Lab, EDHEC Business School

A debt crisis is looming in the Global South. High levels of public debt service and insufficient fiscal and monetary space are threating recoveries and impeding much-needed investments in climate resilience and the Agenda 2030. This policy brief makes seven recommendations for the G7 to address the debt crisis in the Global South and provide all countries with the opportunity to invest in sustainable recoveries: (1) Reinforce efforts to increase transparency of public and private sovereign debt. (2) Push a reform of the International Monetary Fund (IMF) and World Bank's Debt Sustainability Analysis (DSA) to fully include climate and sustainability risks and investment needs. (3) Encourage the IMF to create an option for all sovereign debtors to request an updated DSA as a basis for negotiations with its public and private creditors. (4) Create legal safeguards for debt restructurings and limiting opportunities for holdouts to derail negotiation processes and outcomes. (5) Increase incentives for private creditor participation in debt reprofiling and restructuring, respecting the principle of comparable treatment of creditors. (6) Initiate a dialogue with sovereign debtor groups representing climate-vulnerable nations. (7) Assure policy coherence by fostering the alignment of new debt issuance with the climate and sustainability targets. **TAGS:** **Debt crisis**; **Debt sustainability**; **Debt Restructuring**; **Climate change**

Debt Restructuring

Sovereign Debt Restructuring and Credit Recovery (2022)

Violeta A. Gutkowski - Federal Reserve Bank of St. Louis

This paper focuses on the significant growth of domestic credit once the debt is restructured and shows that is not correlated with the size of the haircut. Second, it performs an event study around Ecuador's sovereign default and restructuring of 2008-2009 to study changes in bank lending behavior. After debt restructuring, private lending increased the most for banks highly exposed to public debt. Finally, it provides a simple model were uncertainty about the return on government bonds during default creates dispersion in beliefs across domestic banks, which leads to a misallocation of credit. Debt restructuring eliminates belief heterogeneity by making the return on bonds observable to everyone. This simple framing is not only consistent with the substantial growth in domestic credit upon debt restructuring but also with its independence from the haircut size observed in the data. **TAGS:** **Debt Restructuring**; **Sovereign defaults**; **Transparency**

Enforcing Comparable Treatment in Sovereign Debt Workouts (2022)

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

Sovereign borrowers needing debt relief in the 21st century must face three sets of creditors — commercial lenders (usually bondholders), traditional Paris Club government creditors and non-Paris Club bilateral creditors like China. Each of these groups will secretly hope to extract preferential restructuring terms from the sovereign debtor when the negotiations begin but each will publicly insist on receiving a treatment that is no worse than that given to the other groups when the negotiations end. And until they are satisfied that no other creditors are getting or will get better terms, they will refuse to conclude a restructuring of their own claims. In recent sovereign debt workouts, this atmosphere of mutual suspicion among the three major creditor groups has given the debt restructuring process an arthritic, bordering on paralytic, appearance. The resulting delays can stymie the sovereign borrower's hope of a speedy recovery from the crisis. [...] **TAGS:** **Debt Restructuring**; **Debt relief**; **Contract standards**

Policy Proposals for External Debt Management and Sustainability in Developing and Low-Income Countries **(2022)**

Fernando Lorenzo, Luis Miguel Galindo, Ramiro Albrieu, Dionisio Borda, Paul Lakuma, Mma Amara Ekeruche, Alemayehu Geda, Arjan de Haan - Centro de Investigaciones Económicas, Universidad Nacional Autónoma de México, Centro de Estudios de Estado y Sociedad, Centro de Análisis y Difusión de la Economía Paraguaya, Economic Policy Research Centre, Center for the Study of the Economies of Africa, Addis Ababa University, International Development Research Centre

The pandemic has taken a heavy toll on the global economy. The sources of economic growth and productivity gains have been constrained, and poverty and inequality have risen sharply. In addition, fiscal space has been severely reduced and public debt levels have risen at an unprecedented speed. To accelerate the recovery from COVID-19 and make it more sustainable, it is urgent to reconsider debt-restructuring strategies. This policy brief describes the pitfalls in current approaches to debt restructuring for assessing sustainability in low and lower-middle income countries, proposes a reframing of debt sustainability analysis to take into account social and environmental sustainability and provides concrete examples of initiatives based on the experiences and challenges of the developing world. **TAGS:** **Debt Restructuring**; **Debt Policy**; **Best Practices**; **Debt sustainability**

Accounting, Statistics, Reporting and Auditing

Green Budgeting: a Way Forward (2022)
Andrew Blazey, Margaux Lelong - OECD
Green budgeting refers to the integration of climate and environmental perspectives into a government's budgetary processes. Based on the resources of the OECD's Paris Collaborative on Green Budgeting and experiences in OECD countries from implementing green budgeting, this paper identifies seven key areas to support the development of green budgeting practices in making progress toward climate and environmental goals. The key areas consider the institutional frameworks, budgetary tools, transparency and accountability arrangements and the enabling environment for budgeting in the public sector. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Debt Statistics**; **Climate change**; **Transparency**; **Best Practices**; **OECD**

Green Budgeting Practices in the EU: a First Review (2022)
Elsa Tova - European Commission
This paper presents an overview of green budgeting practices in selected Member States. As many Member States are moving towards a greening of their economy, this work investigates whether their budgetary practices are shaped in a way that supports the green transition. Based on a review of budgetary documents across the EU countries, this study presents green budgeting experiences in selected Member States. After discussing concepts related to green budgeting, expenditure and revenue, this paper reviews and compares the coverage, the methodology and the governance of the selected green budgeting practices. It also provides information on the transparency and accountability arrangements of these practices. Overall, the study shows an incipient development of green budgeting and large heterogeneity of practices across countries. It shows that this heterogeneity is partly explained by different underlying concepts and definitions regarding the environmental objectives and budgets' contribution towards them. **TAGS:** **Accounting, statistics, Reporting and Auditing**; **Debt Statistics**; **Debt and fiscal/monetary policies**; **Climate change**; **Transparency**; **Best Practices**

Historical Monetary and Financial Statistics for Policymakers: Towards a Unified Framework (2022)
Claudio Borio, Øyvind Eitrheim, Marc Flandreau, Clemens Jobst, Jan F Qvigstad, Ryland Thomas – BIS
In recent years, many central banks have engaged in data projects aimed at the collection and documentation of historical monetary and financial statistics (HMFS) for their respective countries. Long runs of data for key macroeconomic time series are increasingly being used in policy-oriented research. Information from these historical databases is used to draw parallels between current developments and historical events to shed light on today's policy issues in the areas of monetary and financial stability. The aim of the Bank for International Settlements (BIS) HMFS project is to establish a network between interested central banks that have already invested in local national HMFS databases, using the BIS as a hub. **TAGS:** **Accounting standards**; **Financial stability**; **Accounting, statistics, Reporting and Auditing**

Macroeconomic Analysis

Running Primary Deficits Forever in a Dynamically Efficient Economy: Feasibility and Optimality (2022)

Andrew B. Abel, Stavros Panageas - University of Pennsylvania, University of California

Government debt can be rolled over forever without primary surpluses in some stochastic economies, including some economies that are dynamically efficient. In an overlapping-generations model with constant growth rate, g, of labor-augmenting productivity, and with shocks to the durability of capital, the paper shows that along a balanced growth path, the maximum sustainable ratio of bonds to capital is attained when the riskfree interest rate, r_f, equals g. Furthermore, this maximal ratio maximizes utility per capita along a balanced growth path and ensures that the economy is dynamically efficient. **TAGS:** **Debt sustainability**; **Debt and growth**; **Sovereign bonds yields**

Assessing the Impact of Country-Specific Sovereign Risk on Financial and Banking System in EMU: the Role of Italy (2022)

Capasso Salvatore, D'Uva Marcella, Fiorelli Cristiana, Napolitano Oreste - University of Naples Parthenope

This work investigates the bank-sovereign risk transmission across EMU countries, assessing how sovereign risk in Italian government bonds can affect the sovereign and credit risk of non-stressed countries. it employs a GVAR technique and measure spatial proximity by using the cross-country "distance" in debt-to-GDP ratio. The results confirm the hypothesis of a sovereign-bank loop: a shock in Credit Default Swaps spread of one country propagates to other CDS and bank indices. The effects are stronger in more fragile financial systems. Overall, the findings highlight the importance of spillover effects and suggest a monetary policy tailored on "back-door" propagation of shocks. **TAGS:** **Sovereign CDS**; **Sovereign debt exposure**; **Debt and fiscal/monetary policies**

Construction of an Index Tracker for Debt Sustainability Assessment in the Philippines **(2022)**

Armin Paul D. Allado, Lance Nicklaus S. Lim, Nerie Angelie T. Tulauan, Marvin Kyle M. Abreu, Patricia Louise M. Agabin, Joaquin Charles D. Regio - Bureau of the Treasury of Philippines

With economies around the world facing more dire challenges as an immediate result of the COVID-19 pandemic, the need for national governments to borrow funds has grown. The abrupt increase in debt level highlights the importance of implementing suitable models to project emerging debt scenarios and assessing debt sustainability. Given that sustainable debt levels vary from country to country, this study applied the IMF's Debt Sustainability Analysis to assess the Philippines' debt burden over time to be used as an input in the construction of a debt index tracker that incorporates other relevant fiscal and economic indicators. The index tracker serves as an aggregate barometer on whether debt levels have breached the sustainable threshold level. Furthermore, the study utilizes the debt tracker to show the implicit debt ceiling and the available fiscal policy room that can respond to the next potential shock. **TAGS:** **Debt sustainability**; **Financial Analysis**

Appetite for Treasuries, Debt Cycles, and Fiscal Inflation (2022)

Fei Tan - Saint Louis University

Despite accelerating debt levels, the real yield on U.S. Treasuries remains low due to investors' desire for their extreme safety and liquidity services. Economic theory makes clear that the fiscal surplus as a proportion of the outstanding debt must average out to the real interest rate over time. Exploring these equilibrium relations in a change-point vector autoregression model, this study estimates the state-dependent properties of U.S. inflation and its stance of fiscal policy that characterize long-term debt cycles. An archetypal debt cycle consists of alternating phases of persistent deficits and surpluses in tandem with alternating patterns of inflation and fiscal stance. In line with these key properties found in the data, the paper presents a simple analytical model based on the fiscal theory of the price level where the household has a preference for holding government bonds. Determinacy admits a standard passive monetary policy coupled with a broad range of active fiscal policy. When the real interest rate falls below the economy's growth rate, permanent fiscal deficits can be sustained in the long run. The model explains why fiscal inflation has largely remained benign over the past two decades. **TAGS:** Debt and fiscal/monetary policies; Sovereign bonds yields; Debt and growth; Debt sustainability

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The Sustainability of Maltese Government Debt (2022)

John Farrugia - Central Bank of Malta

This article assesses the sustainability of Maltese general government debt over different time horizons and evaluates risks stemming from macro-financial linkages. It updates previous debt sustainability analyses published by the Bank. The term 'sustainability' as used throughout this analysis is in line with the IMF's definition that 'sovereign debt is sustainable if the country is able to finance its policy objectives and service the resulting debt, without resorting to unduly large adjustments which could otherwise compromise its stability'. **TAGS:** Debt Policy; Debt and fiscal/monetary policies; Debt sustainability: Financial stability

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Economic Policies

The Effects of Climate Change on the Natural Rate of Interest: a Critical Survey (2022)

Francesco Paolo Mongelli, Wolfgang Pointner, Jan Willem van den End - European Central Bank, Oesterreichische Nationalbank, De Nederlandsche Bank

This survey reviews the literature about the impact of climate change on the natural rate of interest (r*), an important yardstick for monetary policy. Economic and financial developments can lower r* in scenarios with increasing climate-related damages and uncertainty that reduce productivity growth and raise precautionary savings. Instead, in scenarios that assume innovations and investments induced by transition policies, r* could be affected positively. Orderly climate policies have a pivotal role by facilitating the transition to a carbon-neutral economy and supporting a steady investment flow. The paper discusses the main models used to simulate the effects of climate change on r* and summarize the outcomes. The downward effects of climate change on r* can be substantial, even taking into account the high degree of uncertainty about the outcomes. Moreover, the downward pressure on r* will further challenge monetary policy in the long run, by limiting its policy space. **TAGS:** Debt and fiscal/monetary policies; Climate change; Sovereign bonds yields; Financial Analysis

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Who Is Afraid of Eurobonds? (2022)

Francesco Bianchi, Leonardo Melosi, Anna Rogantini Picco - Duke University, Federal Reserve Bank of Chicago, Sveriges Riksbank

The growing asymmetry in the size of fiscal imbalances poses a serious challenge to the macroeconomic stability of the Euro Area (EA). The authors show that following a contractionary shock, the current monetary and fiscal framework weakens economic growth even in low-debt countries because of the zero lower bound (ZLB) constraint. At the same time, the current framework also exposes the EA to the risk of fiscal stagflation if one country were to refuse to implement the necessary fiscal consolidations. The paper studies a new framework that allows EA policymakers to separate the need for short-run macroeconomic stabilization from the issue of long-run fiscal sustainability. Following a contractionary shock, the central bank tolerates the increase in inflation needed to stabilize the amount of Eurobonds issued in response to a large EA recession. National governments remain responsible to back their country-level debt by fiscal adjustments. The policy acts as an automatic stabilizer that benefits both high-debt and low-debt countries, generating a moderate increase in inflation that mitigates the recession and allows the central bank to move away from the ZLB. At the same time, the proposed policy lowers the risk of fiscal stagflation because it endows EA countries with effective stabilization policies. **TAGS:** **Debt Policy**; **Eurobonds**; **Debt and fiscal/monetary policies**

COVID-19: Fiscal Implications and Financial Stability in Developing Countries **(2022)**

Praew Grittayaphong, Paulina Restrepo-Echavarria - Federal Reserve Banks - Federal Reserve Bank of St. Louis

The COVID-19 pandemic is unlike any other crisis that we have experienced in that it hit all economies in the world at the same time, compromising the risk sharing ability of nations. At the onset of the pandemic, the World Bank (WB) and the International Monetary Fund (IMF) jointly pledged 1.16 trillion dollars to help emerging economies deal with COVID-19. Would this amount have been enough to preserve financial stability in a worst case scenario? What were the fiscal implications of the pandemic? This paper aims to answer these questions by documenting the size of the fiscal measures implemented by different countries, the aid they received from the IMF and the WB to finance those fiscal measures, the resulting changes in gross debt, debt composition and maturity, and fiscal deficits. Findings are that given the amount of debt that was maturing in Asia and Latin America in 2020 and 2021, if there had been a rollover crisis due to lack of demand for their newly issued debt, then what was pledge by the WB and IMF at the onset of the pandemic would not have been enough to preserve financial stability. However, there was no rollover crisis, and although fiscal deficits got considerable worse in 2020, they improved in 2021, albeit, leaving gross debt at higher levels than those observed pre-pandemic. **TAGS:** **Debt and fiscal/monetary policies**; **COVID-19**; **Debt Policy**

The COVID-19 and Public Finances in Developing Nations: a Case of South Africa **(2022)**

David Mhlanga - University of Johanneburg

The Covid-19 pandemic came with serious economic implications for all the sectors of the global economies, affecting private and public-owned companies and affecting the overall health of the economies including public finances. It is against this background that the study sought to investigate the impact of the COVID-19 crisis on public finances with a specific focus on South Africa. A deep analysis of tax revenue collection, employment, gross domestic product, public expenditure, and the national debt was conducted. Using content analysis, the study discovered that the Covid-19 pandemic seriously affected public finances in South Africa. For instance, the study discovered that tax revenue collections were seriously affected in South Africa to an extent that the 2021 budget policy statement projected a revenue shortfall of approximately 213.2 billion rand. Therefore, the study recommends that the government should encourage growth and investment, emphasizing quality of governance through increasing transparency, adopting effective compliance systems and technology and opening the economy to citizen participation among other initiatives that can bring back the health of the economy. **TAGS:** **COVID-19**; **Debt and fiscal/monetary policies**

The Economic Impact of COVID-19 around the World **(2022)**

Fernando M. Martin, Juan M. Sánchez, Olivia Wilkinson - Federal Reserve Banks - Federal Reserve Bank of St. Louis

For over two years, the world has been battling the health and economic consequences of the COVID-19 pandemic. This paper provides an account of the worldwide economic impact of the COVID-19 shock, measured by GDP growth, employment, government spending, monetary policy, and trade. The paper finds that the COVID-19 shock severely impacted output growth and employment in 2020, particularly in middle-income countries. The government response, mainly consisting of increased expenditure, implied a rise in debt levels. Advanced countries, having easier access to credit markets, experienced the highest increase in indebtedness. All regions also relied on monetary policy to support the fiscal expansion. The specific circumstances surrounding the COVID-19 shock implied that the expansionary fiscal and monetary policies did not put upward pressure on prices until 2021. The paper also finds that the adverse effects of the COVID-19 shock on output and prices have been significant and persistent, especially in emerging and developing countries. **TAGS:** **Debt and fiscal/monetary policies**; **COVID-19**; **Debt sustainability**

Fiscal Rules and Fiscal Councils: Recent Trends and Performance during the COVID-19 Pandemic **(2022)**

Hamid R Davoodi, Paul Elger, Alexandra Fotiou, Daniel Garcia-Macia, Xuehui Han, Andresa Lagerborg, Waikei R Lam, Paulo A Medas – IMF

Adoption of fiscal rules and fiscal councils continued to increase globally over the last decades based on two new global datasets. During the pandemic, fiscal frameworks were put to test. The widespread use of escape clauses was one of the novelties in this crisis, which helped provide policy room to respond to the health crisis. But the unprecedented fiscal actions have led to large and widespread deviations from deficit and debt limits. The evidence shows that fiscal rules, in general, have been flexible during crises but have not prevented a large and persistent buildup of debt over time. Experience shows that deviations from debt limits are very difficult to reverse. The paper also presents evidence on the benefits of a good track record in abiding by the rules. All these highlight the difficult policy choices ahead and need to further improve rules-based fiscal frameworks. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**; **COVID-19**

The Conditional Path of Central Bank Asset Purchases **(2022)**

Blot Christophe, Bozou Caroline, Creel Jérôme, Hubert Paul - Bank of France

The authors investigate the financial market effects of central bank asset purchases by exploiting the unique setting provided by ECB's PSPP and PEPP policies. These programs consist in purchases of identical assets. The PSPP aimed to reduce deflationary risks, while the PEPP was announced to alleviate sovereign risks. They assess the effects of both policies on these two intermediate objectives. They find that the PSPP positively affects inflation swaps whereas the PEPP negatively impacts sovereign spreads. The authors explore the reasons for these differentiated effects. Making the rationale of a policy clear and credible influences its transmission to asset prices. **TAGS:** **Sovereign bonds yields**; **Debt and fiscal/monetary policies**; **Sovereign risk premia**

Perceptions about Monetary Policy **(2022)**

Michael Bauer, Carolin Pflueger, Adi Sunderam - Universität Hamburg, University of Chicago, PHD at Harvard University

This study estimates perceptions about the Fed's monetary policy rule from micro data on professional forecasters. The perceived rule varies significantly over time, with important consequences for monetary policy and bond markets. Over the monetary policy cycle, easings are perceived to be quick and surprising, while tightenings are perceived to be gradual and data-dependent. Consistent with the idea that forecasters learn about the policy rule from policy decisions, the perceived monetary policy rule responds to high-frequency monetary policy surprises. Variation in the perceived rule impacts financial markets, explaining changes in the sensitivity of interest rates to macroeconomic announcements and affecting risk premia on long-term Treasury bonds. It also helps explain forecast errors for the future federal funds rate. The authors interprets these findings through the lens of a model with forecaster heterogeneity and learning from observed policy decisions. **TAGS:** **Debt and fiscal/monetary policies**; **Economic Forecasts**; **Sovereign risk premia**; **Sovereign bonds yields**

Reports

Sovereign Green, Social and Sustainability Bonds: Mobilizing Private Sector Capital for Emerging Markets

Farah Imrana Hussain, Helena Dill, Banu Turhan Kayaalp - The World Bank

In Benin, close to a million schoolchildren will have access to food via school canteens by the end of 2022, funded by the proceeds of the Benin Social Development Goal (SDG) Eurobond. Benin's SDG bond is a sustainability bond, one of the types of thematic bonds that earmark proceeds for projects and activities with positive environmental and social returns sought by investors. UNCTAD estimates that emerging markets and developing countries need trillions of dollars to meet net-zero targets while continuing to grow and prosper. The USD 3.5 trillion thematic bond market (as of September 2022), which was initiated by the World Bank's first labeled green bond in 2008, demonstrates a significant opportunity to mobilize private sector capital from the capital markets – and emerging markets are increasingly tapping this market. […] **TAGS:** **Debt Policy**; **Debt sustainability**; **Climate change**; **Sovereign debt market**; **Bond market development**; **Green bonds**; **World Bank**

2022 Annual Report of the European Fiscal Board

European Commission

On 26 October, the European Fiscal Board (EFB) published its sixth annual report. The report assesses the fiscal policy conducted during the recovery of the economy after the Covid-19 pandemic and updates the EFB's proposals for a reform of the EU fiscal framework. The EU economy experienced a strong rebound after the Covid-19 crisis. Real GDP grew by more than 5% and the general government deficit improved by around two percentage points in both the EU and the euro area. […] **TAGS:** **Debt and fiscal/monetary policies**; **Debt and growth**; **Debt sustainability**

[Triennial Central Bank Survey of foreign exchange and Over-the-counter (OTC) derivatives markets in 2022](#)

Patrick McGuire – BIS

Patrick McGuire, Head of International Banking and Financial Statistics, discusses the main findings of the 2022 Triennial Central Bank Survey. The results of the 2022 Triennial Survey are summarised in commentaries about foreign exchange turnover and interest rate turnover. Detailed analyses will be published in the December 2022 issue of the BIS Quarterly Review. **TAGS: Derivatives; Secondary Markets**

Future of Capital Market 2022

OMFIF

Public sector borrowers have always been at the forefront of developments in the bond market. The burgeoning digitalisation process is no exception. OMFIF surveyed 21 of the top public sector borrowers around the world. Debt management offices at sovereigns, supranationals and government agencies were asked for their views on the digitalisation of their marketplace. Are they working on it themselves or do they plan to? What will the market look like? What will the technology be and who will develop it? Who will pay for the development? Who will set the rules? […] **TAGS: Primary market; Secondary Markets; Trading platforms; Cost and Risk; Green bonds; Climate Change**

BoC-BoE Sovereign Default Database: What's New in 2022?

David Beers, Elliot Jones, Karim McDaniels, Zacharie Quiviger - Bank of Canada

Since 2014, the Bank of Canada (BoC) has maintained a comprehensive database of sovereign defaults to systematically measure and aggregate the nominal value of the different types of sovereign government debt in default. The database draws on published datasets compiled by various public and private sector sources. It combines elements of these with new information to develop comprehensive estimates of stocks of government obligations in default. These include bonds and other marketable securities as well as bank loans and official loans, valued in US dollars, for the years 1960 to 2021 on both a country-by-country and a global basis. […] **TAGS: Sovereign defaults; Debt Statistics**

Working for a Positive Outcome on Euro Clearing

Scott O'Malia – ISDA

ISDA Chief Executive Officer Scott O'Malia offers informal comments on important OTC derivatives issues in derivatiViews, reflecting ISDA's long-held commitment to making the market safer and more efficient. The European Commission (EC) is determined to increase the allure of clearing in the EU as it looks to reduce what it sees as an over-reliance on systemically important third-country central counterparties (CCPs). Making EU clearing more attractive is a principle we support, but it will require a multi-faceted strategy to achieve this – one we've set out in a new whitepaper published earlier this week. […] **TAGS: Derivatives; International and Macroprudential Regulations**

Role of Parliaments in Oversight of Public Debt Management

Geoff Dubrow - Nexus PFM Consulting Inc.

Given the importance of public debt to the overall economic health of a country, it is imperative that parliaments exercise their oversight roles over public debt and public debt management. This policy brief covers parliament's role in oversight of public debt, including: Debt transparency; What oversight looks like through the stages of the budget cycle; Identifying key players in supporting parliamentary oversight; and an overview of the roles played by the executive branch to provide context for the work of parliament. [...] **TAGS:** Transparency; Debt Policy

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IIF Best Practices for Investor Relations, 2022 Update

IIF

The IIF Best Practices for Investor Relations are voluntary guidelines for country authorities seeking to enhance their investor relations and data dissemination practices, in conjunction with the Principles for Stable Capital Flows and Fair Debt Restructuring. The IIF regularly reviews the adherence of emerging market borrowers to these best practices and discloses key findings in the Implementation Report of the Principles that the Principles Consultative Group publishes annually. [...] **TAGS:** Institutional Investors; Transparency; Best Practices

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Exceptional Times and Old Habits: EU Fiscal Policies in 2021

Martin Larch, Janis Malzubris - European Fiscal Board

Launching major fiscal expansions in the wake of severe economic recessions is easy but reversing them as the economy improves is more difficult. This risks leaving some countries severely exposed in the wake of new shocks and challenges. This column argues that the economic recession caused by the Covid-19 pandemic and the subsequent rebound are clear cases in point. They are the most recent manifestation of long-standing issues in EU fiscal surveillance: (1) risk assessments are typically skewed to the downside, including during recoveries and (2) expenditure targets are not the anchor they ought to be. [...] **TAGS:** Debt and fiscal/monetary policies; COVID-19; Financial stability

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Policy Guidance on Market Practices to Strengthen ESG Investing and Finance a Climate Transition

OECD

While sustainable finance approaches are increasingly used by financial market participants, a number of challenges still undermine and hinder the efficient mobilisation of capital to support environmental, social and governance (ESG), and climate-related objectives. These challenges include limited transparency and comparability of climate transition and ESG methodologies and metrics. This document provides guidance for policy makers and market participants seeking to strengthen ESG investing and finance a climate transition through the use of quality metrics, ratings, targets and frameworks. **TAGS:** Climate change; Green bonds; Best Practices; Transparency; Contract standards

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OECD Economic Outlook, Interim Report September 2022: Paying the Price of War

OECD

The global economy has been hit by Russia's invasion of Ukraine. Global economic growth stalled in the second quarter of 2022, and indicators in many economies now point to an extended period of subdued growth. The war has pushed up energy and food prices substantially, aggravating inflationary pressures at a time when the cost of living was already rising rapidly around the world. Global growth is projected to slow from 3% in 2022 to 2¼ per cent in 2023, well below the pace foreseen prior to the war. In 2023, real global incomes could be around USD 2.8 trillion lower than expected a year ago (a shortfall of just over 2% of GDP in PPP terms). [...] **TAGS:** Economic Forecasts; Debt Forecasts; Debt Statistics; Debt and fiscal/monetary policies; Sovereign bonds yields

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Systemic Risk Survey Results - 2022 H2

Bank of England

The Bank of England's financial stability objective is to protect and enhance the stability of the financial system of the United Kingdom. The Systemic Risk Survey contributes to this objective by quantifying and tracking, on a biannual basis, market participants' views of risks to, and their confidence in, the stability of the UK financial system. **TAGS:** **Financial stability**

Dangerous Global Debt Burden Requires Decisive Cooperation

Vitor Gaspar, Ceyla Pazarbasioglu – IMF

With elevated risks to sovereign debt, a global cooperative approach is necessary to reach an orderly resolution of debt problems and prevent defaults. We live in dangerous times. The world faces renewed uncertainty, as war comes on top of an ever-changing and persistent pandemic, now in its third year. Moreover, problems that predated COVID-19 have not gone away. When policymakers return to Washington in the coming days for the Spring Meetings of the IMF and World Bank, one of the central topics will be growing debt vulnerabilities in the world. **TAGS:** **Multilateral financing**; **Financial stability**; **Structural policies**

The 2022 IMF-World Bank Group Annual Meetings: Unity in a Time of Crises

John Mackedon - World Bank

The impacts of the ongoing economic crisis continue to bear down on nearly all facets of the global economy - pushing more people into poverty and impacting lives and incomes around the world. The pandemic has forced roughly 70 million more people into extreme poverty and global median incomes declined for the first time since measurements began in 1990. **TAGS:** **Multilateral financing**; **Financial stability**; **Structural policies**

In Defence of Borrowing for Climate Action

John Springford - Centre for European Reform

Even though interest rates are rising globally, European governments should still borrow large sums to finance green projects. In some cases, the EU should help. The European Commission is mulling exemptions from the EU's fiscal rules for green investment (when rules are reapplied – they are currently suspended). **TAGS:** **Climate change**; **Green bonds**; **Debt and fiscal/monetary policies**; **Structural policies**

Fiscal Monitor October 2022 - Helping People Bounce Back

IMF

Governments face increasingly difficult trade-offs in tackling the spikes in food and energy prices when policy buffers are largely exhausted after two years of pandemic. They should prioritize protecting vulnerable groups through targeted support while keeping a tight fiscal stance to help reduce inflation. Building fiscal buffers in normal times would allow governments to respond swiftly and flexibly during adversities. Several fiscal tools, such as job-retention schemes, have proven useful to preserve jobs and income for workers. Social safety nets should be made more readily scalable and better targeted, leveraging digital technologies. […] **TAGS:** **Debt and fiscal/monetary policies**; **Cost and Risk**; **Debt Statistics**; **Debt Forecasts**

Riders on the Storm - How Debt and Climate Change are Threatening the Future of Small Island Developing States

Iolanda Fresnillo, Ilaria Crotti – Eurodad

The oceans are scattered with small islands, dots on the world map that have too often been ignored. Yet they are home to 65 million people. Small Island Developing States (SIDS) are among the countries that are under the greatest threat from the multiple crises that the world is facing today, particularly the climate emergency and the wave of debt in which many countries in the Global South are drowning. The sustainable development of SIDS is constantly jeopardised by their structural weaknesses, including their small size, remoteness, reduced resource base, exposure to adverse climate events and limited diversification of the economy. […] **TAGS:** **Debt sustainability**; **Climate change**; **Structural polices**

The ABCs of Sovereign Debt Relief

Rakan Aboneaaj, Jocilyn Estes, Clemence Landers - CGDEV Center for Global Development

We are living in a time when many countries face heightened debt vulnerabilities. Already high before the pandemic, debt levels reached a 50-year peak following the growth in government spending to combat COVID-19. Debt is not inherently bad; borrowing can allow countries to finance vital government investment. But unsustainable levels of debt can have devastating consequences for a country's population, crowding out government spending on even basic necessities including food, medicine, and fuel imports. […] **TAGS:** **Debt relief**; **Debt crisis**; **Financial stability**; **Debt sustainability**

Keynote address - Global Islamic Finance Forum 2022

Ms Nor Shamsiah Mohd Yunus - Central Bank of Malaysia

Against a backdrop of these global challenges, the Islamic financial sector has continued to advance. Value-based intermediation has become more entrenched in the corporate value intent and business strategies of Islamic financial institutions. According to AIBIM"s VBI report which will be launched later today, RM146.6 billion in financing, investments and deposits were intermediated by Islamic banks in VBI-related or VBI-aligned initiatives between 2020 and 2021. Tools such as the VBIAF Sectoral Guides, implementation roadmaps and reporting frameworks are now widely used by the industry to drive positive value and impact on the economy, society and environment. […] **TAGS:** **Bond market development**; **Contract standards**

Why Developing Countries are Facing a Renewed Debt Crisis

Kathrin Berensmann - German Development Institute

The International Monetary Fund (IMF) and the World Bank (WB) have again branded almost half of low-income countries as heavily indebted - despite the extensive debt relief received by most low-income countries between 2000 and 2012 under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). High foreign debt hampers the development of these countries because the money has to be used for interest and principal payments and is not, therefore, available for key investments, such as infrastructure or social spending. […] **TAGS:** **Debt crisis**; **Debt and fiscal/monetary policies**; **Foreign Debt**; **Debt Policy**

How Effective has the Pandemic Emergency Purchase Programme been in Ensuring Debt Sustainability?

Enrique Alberola-Ila, Gong Cheng, Andrea Consiglio, Stavros Zenios - BIS, Univerisy of Palermo, Bruegel Foundation

During the pandemic, euro-area sovereign debt surpassed the peak of 95% of GDP seen during the sovereign debt crisis that started in 2009. The average debt ratio in highly-indebted Italy, Spain and Portugal reached slightly above 130% in 2020 – a 25 percentage-points of GDP surge relative to 2019. The deep recession caused by the pandemic together with strong fiscal response contributed to the debt surge. **TAGS:** **Debt and fiscal/monetary policy**; **Financial stability**; **Sovereign debt market**; **COVID-19**

The Social Imprint of Sovereign Defaults

Juan P. Farah Yacoub, Clemens Graf von Luckner, Rita Ramalho, Carmen Reinhart - Harvard Law School, World Bank Group, Harvard Kennedy School

Concerns over sovereign debt sustainability have grown since the Russian invasion of Ukraine and the pivot towards policy tightening by many central banks. But while the aggregate economic consequences of debt distress have been widely examined in the literature, the broader societal dislocations have received less attention. This column traces out the paths on a variety of measures of poverty and performance in the aftermath of 131 defaults since 1900. The findings point to the potential existence of vicious cycles, as the human costs of default are in turn likely to make a country more vulnerable to political and social unrest and future financial crises. **TAGS:** **Sovereign defaults**; **Debt sustainability**; **Debt crisis**

How Rate Increases Could Impact Debt Ratios in the Euro Area's Most-Indebted Countries

Grégory Claeys, Lionel Guetta-Jeanrenaud – Bruegel

Debt-to-GDP ratios should continue to fall in euro-area countries despite rising interest rates, post 2023 the situation might vary across countries. Spreads versus German yields for the euro-area countries with the highest debt-to-GDP ratios have increased significantly since September 2021. Even if spreads are not yet at the worrying levels of previous stress episodes (and have decreased since the European Central Bank's 15 June announcement that it is finally working on a new fragmentation tool), this increase could still represent a risk at a time when growth is slowing quickly because of the energy crisis caused by Russia's invasion of Ukraine, and when many countries have historically high levels of debt after the highly expansive fiscal policy put in place during the COVID-19 crisis. **TAGS:** **Debt Forecast**; **Debt and fiscal/monetary policies**; **Debt sustainability**; **Sovereign bonds yields**

The ECLAC Debt for Climate Adaptation Swap and Caribbean Resilience Fund

ELAC Debt for Climate Adaptation Initiative

The ECLAC Debt for Climate Adaptation Initiative is an ongoing Caribbean-wide subregional initiative, which seeks to substantively address the high and unsustainable level of debt of many Caribbean economies, which has compromised the growth trajectory of the subregion. The Initiative actively promotes consideration of a strategy to address the high debt-low growth dilemma of the Caribbean in a sustainable manner while fostering investment in climate adaptation and resilience building. […] **TAGS:** **Climate change**; **Debt sustainability**; **Debt Restructuring**

Adjusting Ambitions: the EU's Short 'Romance' with the Debt Reduction Rule

Martin Larch, Janis Malzubris - European Fiscal Board

The notion that fiscal rules are necessary to safeguard fiscal responsibility is a widely accepted tenet of fiscal policy. However, experience with the implementation of EU fiscal rules has been mixed, driving a wedge between initial ambitions and outcomes. This column uses the latest update of the compliance tracker of the European Fiscal Board secretariat to shed some light on the debate. In particular, it points out that if consistently followed over time, all numerical rules are equally demanding. **TAGS:** **Debt Policy**; **Debt sustainability**; **Debt and fiscal/monetary**

Managing Sovereign Debts Held by the Eurosystem: Operational and Legal Constraints

Stefano Micossi - Assonime, Honorary Professor at College Of Europe, UniCredit

There have been various proposals for how to manage the sovereign debt portfolio accumulated by the Eurosystem in its efforts to raise inflation and provide emergency support in response to the pandemic. This column argues that the euro area needs a new mechanism to free the Eurosystem of the encumbrance of its sovereign portfolio. Such a mechanism cannot be provided by the Eurosystem itself, since this would eventually be inconsistent with its mandate. Instead, the European Stability Mechanism could perform that task while respecting all relevant European law. **TAGS:** **International and Macroprudential Regulations**; **Financial stability**

From Stagflation to Debt Crises
Jongrim Ha, M. Ayhan Kose , Franziska Ohnsorge - The World Bank
The global economy is experiencing a toxic mix of slowing growth and rising inflation, bringing echoes of the stagflation of the 1970s. This column discusses how the resolution of that episode required steep increases in interest rates that marked the beginning of a decade of debt crises in emerging market and developing economies. If current stagflationary pressures intensify, some of these economies would likely face severe challenges again in rolling over their debt due to elevated financial vulnerabilities and weakening growth fundamentals. **TAGS:** **Economic Forecasts**; **Debt crisis**; **Debt and fiscal/monetary policies**; **Debt and growth**

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***. 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. The calls for papers are evidenced in red characters.
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.

2022

DECEMBER

1 – 2 December 2022; Department of Management of the University of Rome "La Sapienza", Rome, Italy
Social Impact Investments International Conference

Until 1 December 2022; ICBMECONF, Oxford, United Kingdom
Call for papers 7th International Conference on Business, Management and Economics

Until 1 December 2022; GRETA, Carroll School of Management, Boston College
Call for papers 9th International Conference on Sovereign Bond Markets

5 – 6 December 2022; International Society for the Advancement of Financial Economics (ISAFE), and others, Ho Chi Minh City (Vietnam)
2022 International Society for the Advancement of Financial Economics

5 – 6 December 2022; The Bank of Albania, Tirana, Albania

16th South-Eastern European Economic Research Workshop

5 – 7 December 2022; UNCTAD, Palais des Nations, Geneva, Switzerland
International Debt Management Conference, thirteenth session

5 – 16 December 2022; IMF, Singapore
Fiscal Policy Analysis (FPA)

5 – 6 December 2022; International Society for the Advancement of Financial Economics (ISAFE), and others, Ho Chi Minh City (Vietnam)
2022 International Society for the Advancement of Financial Economics

5 – 6 December 2022; The Bank of Albania, Tirana, Albania
16th South-Eastern European Economic Research Workshop

8 – 9 December 2022; UNCTAD, Palais des Nations, Geneva, Switzerland
Debt Management and Financial Analysis System (DMFAS) Programme Advisory Group Meeting

8 – 9 December 2022; The Auckland Centre for Financial Research at the Faculty of Business, Economics and Law, Auckland University of Technology, Auckland, New Zealand
2022 New Zealand Finance Meeting

12 December 2022; Banque de France, Paris, France
New challenges: Crossing perspectives from Law, Economics and Finance

12 – 13 December 2022; The Korean Institute for International Economic Policy (KIEP) and the Center for Economic Policy Research (CEPR), Online
The Return of Inflation

12 – 13 December 2022; The Centre for Advanced Financial Research and Learning (CAFRAL), Mumbai, India
CAFRAL Annual Conference Financial System and Macroeconomy in Emerging Economies

13 – 14 December 2022; NBER, Australia-Japan Research Centre, Center for Advanced Research in Finance, and the Center on Japanese Economy and Business, Tokyo
NBER Japan Project Meeting 2022

14 December 2022; OECD and TCX, IEA building, Paris, France
Resilience of Borrowers on the way to Net Zero: How can development lenders better protect low-income countries from unsustainable debt levels?

14 – 16 December 2022; Institute of Global Finance and the School of Banking and Finance, UNSW Business School, Sydney Australia
Australasian Finance & Banking Conference

Until 15 December 2022; The Geneva Graduate Institute, The School of Public and International Affairs (SPIA), Princeton University
Call for papers The 6th Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon6)

Until 15 December 2022; Federal Reserve Bank of New York and the Salomon Center of New York University's Leonard N. Stern School of Business, Federal Reserve Bank of New York
Call for papers The Sixteenth New York Fed / NYU Stern Conference on Financial Intermediation

15 – 16 December 2022; East Asia Research; Singapore
2022 Asia-Pacific Conference on Economics and Finance

15 – 16 December 2022; The National Institute of Securities Markets (NISM) along with the

Systemic Risk Centre (SRC) at the London School of Economics (LSE), Mumbai
The Third Annual International Capital Markets Conference 2022

16 – 18 December 2022; The School of Banking and Finance (SBF) at the University of International Business and Economics (UIBE), and others, Beijing, China
The 4th China International Forum on Finance and Policy

16 – 18 December 2022; ICBMECONF, Oxford, United Kingdom
7th International Conference on Business, Management and Economics

20 December 2022; Dutch Central Bank (DNB), Amsterdam, NL
1st Amsterdam Macroeconomic Workshop

Until 31 December 2022; The Asian Development Bank, online
Call for Papers: ADB-IEA Innovative Policy Research Award 2023

2023

JANUARY

Until 15 January 2023; Cesifo, Munich, Germany
Call for papers CESifo Area Conference on Global Economy 2023

23 January – 3 February 2023; IMF – JVI, JVI in Wien and/or virtually
National Accounts Statistics - advanced

Until 31 January 2023; Cesifo, San Servolo, Venice, Italy
Call for papers Venice Summer Institute 2023: The '70s are Back: Determinants and Implications of High Inflation

FEBRUARY

8 – 10 February 2023; FIA-SIFMA, Dana Point, Canada
Asset Management Derivatives Forum 2023

20/02/2023
End Date:
24 February 2023; IMF – JVI, JVI Vienna and/or virtually
Nowcasting

24 – 26 February 2023; British Columbia's Sauder School of Business, Fairmont Chateau Whistler Resort in Whistler, British Columbia, Canada
UBC Winter Finance Conference 2023

27 February – 3 March 2023; IMF – JVI, JVI Wien and/or virtually
Debt Sustainability Framework for Low-Income Countries

27 February – 3 March 2023; IMF – JVI, JVI in Wien and/or virtually
Understanding, Assessing and Managing Fiscal Risks

MARCH

Until 1 March 2023; World Finance Conference, Kristiansand, Norway
Call for papers World Finance Conference

6 – 17 March 2023; IMF – JVI, JVI Wien and/or virtually
Structural Reforms

19 – 22 March 2023; The Department of Banking and Finance at the University of Zurich and the Department of Finance, Accounting and Statistics at WU Vienna, Zurs, Austria
European Winter Finance Summit

20 – 31 March 2023; IMF- JVI, JVC Vienna and/or virtually

External Debt Statistics

29 March – 1 April 2023; The International Association for Research in Income and Wealth (IARIW), in partnership with the Bank of Italy
IARIW-Bank of Italy Conference on "Central Banks, Financial Markets and Inequality"

30 March – 1 April 2023; CESifo, Munich, Germany
CESifo Area Conference on Public Economics 2023

Until 31 March 2023; ECO-ENA: Economics & ECO-Engineering Associate, Inc., Canada, Chestnut Conference Centre; The Armoury Room; Toronto University, Canada
Call for papers The Fifth Annual Conference of Islamic Economics & Islamic Finance

APRIL

3 – 14 April 2023; IMF – JVI, JVC Vienna and/or online
Macroeconometric Forecasting and Analysis

24 – 28 April 2023; IMF – JVI, JVC Vienna and/or online
Assessing and Managing Debt-related Fiscal Risks: A Focus on Government Guarantees

24 April – 5 May 2023; IMF JVI, JVC Vienna
Fiscal Frameworks

27 – 29 April 2023; Georgetown Law IIEL and the Sovereign Debt Forum, Princeton University's School of Public and International Affairs (SPIA)
Sovereign Debt Forum

27 – 28 April 2023; GRETA, Carroll School of Management, Boston College
9th International Conference on Sovereign Bond Markets

27 – 29 April 2023; The Geneva Graduate Institute, The School of Public and International Affairs (SPIA), Princeton University
The 6th Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon6)

MAY

3 May 2023; ECO-ENA: Economics & ECO-Engineering Associate, Inc., Canada, Chestnut Conference Centre; The Armoury Room; Toronto University, Canada
The Fifth Annual Conference of Islamic Economics & Islamic Finance

5 – 6 May 2023; CESIFO, Munich, Germany
CESifo Area Conference on Global Economy 2023

21 – 22 May 2023; The Rothschild Caesarea Foundation, Reichman University (IDC Herzliya) Israel
The 18th Annual Conference in Financial Economics Research

22 – 26 May 2023; IMF – JVI, JVC Vienna and/or online
Public Governance and Structural Reforms

AUGUST

2 – 4 August 2023; World Finance Conference, Kristiansand, Norway
World Finance Conference

SEPTEMBER

Until 15 September 2023; Financial Accountability & Management, online
Call for papers Public financial management for Sustainable Development Goals: Challenges, experiences and perspectives

PDM Network in Figures

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Special Thanks

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NEW - LINKS page

Take note of the links of worldwide websites of Sovereign issuers / DMOs and other institutions specialized, among other matters, in sovereign debt management here.

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Central Bank, European Commission, Exchange Data International Limited, Ernst & Young, Federal Department of Foreign Affairs, Federal Reserve Bank of Chicago, Fiji Mof, Finnish MoF, Fiscal Council of Romania, French Central Bank, French DMA, French MoF, FTI, GEFIN - State Finance Managers Group, Georgean Mof, German Central Bank, German Finance Agency, German Institute for Economic Research, German Jubilee Campaign, Ghanaian Central Bank, Ghanaian Mof, Global Action for Africa's Development, Governance Commission For Government-Owned & Controlled Corporations, Government of Antigua and Barbuda, Government of Saint Lucia, Government of Sindh, Graduate School of International Development (Nagoya University), Greek Central Bank, Greek DMA, Greek MoF, Grenada Ministry of Finance, Guyana Ministry of Finance, Harvard University, Hong Kong Monetary Authority, HSBC, Hungarian DMA, Hungarian National Bank, Inter-American Development Bank, Icelandic Central Bank, Icelandic DMA, International Finance Corporation, Illinois Institute of Technology, IMF-International Monetary Fund, Indian NIPF, Indian Reserve Bank, Indonesian Central Bank, Indonesian MoF, Innovative Development Strategies Pvt. Ltd., Instituto superior de economia e gestao, Intesa Sanpaolo S.p.A., INTOSAI, Irish NTMA, International Social-Economic Development for Africa, Israeli Central Bank, Israeli Ministry of Finance, Italian MoF, Italian Senate, CRIEP, ITAM, Japan Bank for International Cooperation, Japanese MoF, JCVP Consulting, Jordanian Central bank, Jordanian MoF, Johannesburg Stock Exchange Limited, Jubilee Germany, Kenyan Central Bank, Kenyan MoF, Korea Bond Pricing, Latvian DMO, Lebanese MoF, Lesotho Central Bank, Linus Capital, Lisbon School of Economics & Management, Lithuanian MoF, Lithuanian National Audit Office, London Business School, Luxembourg MoF, MAK Azerbaijan Ltd, Malawian Reserve Bank; Maldives MoF, Maltese Central Bank, Maltese Treasury, Mauritius Ministry of Finance and Economic Development, MEFMI, Mexican MoF, Michele Robinson Consult, Ministry of Economy and Finance of Peru, Ministry of Economy and Public Finance of Bolivia, Ministry of Finance and Corporate Governance of Antigua, Ministry of Finance and Economic Development of Zimbabwe, Ministry Of Finance of Benin, Ministry Of Finance of Comores, Ministry of Finance of Saint Lucia, Ministry of Finance of St. Vincent and the Grenadines, Ministry Of Finance of Surimame, Ministry Of Finance 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.