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PDM NETWORK *Newsletter*

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The bimonthly PDM Network Newsletter is a short report including a selected list of recent **papers, reports, blog articles, job vacancies, courses, call for papers and other upcoming events** concerning public debt management worldwide. Such documents have been also published on the PDM Network website during the previous two months. The documents the PDM Network Secretariat deems most interesting are grey-highlighted.
The PDM Network Newsletter is published every two months (January, March, May, July, September, and November).
Please feel free to suggest any **relevant documents, news and events** by contacting the PDM Network Secretariat. We will be happy to share selected resources with our Network.

Contents

PDM Webinar Series initiative

PDM Webinar Series (forthcoming)
PDM Network
The new **PDM Webinar Series initiative**, in line with the informative and inclusive spirit of the PDM Network, intends to serve as a periodical forum for presenting and discussing traditional or innovative,

policy-relevant research/documents/issues on all aspects of sovereign debt management. The **PDM Webinar Series** will convene policymakers, DMOs, experts, researchers, market supervisors and regulators, and practitioners from diverse academic, policy, and market spheres. Stay tuned for additional information. **TAGS: PDM network; PDM Webinars**

Highlight

Save the date: 3rd Public Debt Management Conference – October 3-4, 2024 in Washington DC
Public Debt Management Network
Following the success of the previous editions in Paris (2019) and in Rome (2022), the World Bank will host the 3rd Public Debt Management Conference, organised by the PDM Network, on October 3-4, 2024 in Washington D.C. The PDM Conference is a major international event bringing together academics, policy makers (debt managers, central bankers, regulators) and market practitioners (investors, dealers, market infrastructures' managers) from all over the world to meet and discuss various topics on public debt management. Watch this space for the call for papers and other announcements. **Read more TAGS: PDM network; Public Debt Management Conference; OECD; World Bank**

Special Focus

Get to know the World Bank's Debtor Reporting System (DRS)
Anthony Tin Yu To, Parul Agarwal - World Bank
Since 1951, when the World Bank began lending to member countries for reconstruction and development, borrowing countries have been required to report detailed information on their external liabilities through the World Bank's Debtor Reporting System (DRS). The collected data is essential to the World Bank's operational and analytical work. […] **Read more TAGS: Blog; World Bank; Debt sustainability**

Public Debt and Development Distress in Latin America and the Caribbean
UN ECLAC
The current unfavourable global macrofinancial context has given rise to public debt sustainability concerns in emerging markets and developing economies, including in Latin America and the Caribbean. Weakening global economic activity, lower international trade volumes, high inflation and volatility in financial and commodity markets are increasingly undercutting economic prospects for developing regions, making it more difficult to fulfil the Sustainable Development Goals (SDGs). Restrictive monetary policies among the principal central banks in developed economies, falling capital flows to emerging markets and exchange rate volatility are raising financial costs and threatening to limit access to international financial markets for some countries. **Read more TAGS: Debt and growth; Debt composition; Economic Forecast; Debt Policy; Debt and fiscal/monetary policies**

Basic Concepts in Public Debt Management

IMF

This playlist will help you learn some fundamental concepts of public debt management, including why is public debt management important, what do debt managers do, and in which environments and frameworks do they operate. **Read more** **TAGS:** **Debt and fiscal/monetary policies**; **Debt Transparency**; **Debt Policy**; **Debt and growth**; **Accounting**; **Reporting and Auditing**; **Primary Markets**; **Secondary Markets**

BTP Green Allocation and Impact Report 2023

Italian Ministry of Economy and Finance

The 2023 BTP Green Allocation and Impact Report refers to the proceeds collected in 2022 through the issuances of BTP Green and shows the allocation of such proceeds to several State budget expenditures in line with the criteria spelled out in the Italian Sovereign Green Bond Framework together with the positive environmental impact of the interventions made possible by such expenditures. In addition, the Report presents a detailed analysis of the programmes and projects according to their financial nature (tax expenditures, capital expenditures and current expenditures), their temporal distribution during the 2019-2022 four-year period and to their relative weight to the total amount allocated. **Read more** **TAGS:** **Green bonds**; **Climate change**; **Climate finance**

India Incorporates Green Bonds into its Climate Finance Strategy

Farah Imrana Hussain, Helena Dill - World Bank

In 2023, India experienced the hottest February since 1901, the first year the country's Meteorological Department started its weather records. Extreme weather events like this are becoming frequent and are expected to get worse due to climate change. India is among the countries most affected by the impacts of extreme weather events. As the world's most populous country, with nearly 1.4 billion inhabitants, the carbon intensity of India's economy has a direct impact on global emissions, and thus, on climate change. **Read more** **TAGS:** **Climate finance**; **Green bonds**; **Climate Change**

IMF Public Debt Management Forum Lays Out Issues Facing Debt Managers Amid a Time of Turbulence

IMF

The International Monetary Fund (IMF) and the Spanish Ministry for Economic Affairs and Digital Transformation co-hosted the 19th Public Debt Management Forum in Madrid on June 7th and 8th. The event brought together senior government officials and private sector representatives from 31 advanced and emerging economies to discuss and debate timely issues affecting public debt management. This year's conference, titled "Debt in the Time of Turbulence," addressed the challenges facing debt managers. **Read more** **TAGS:** **Debt Policy**; **Debt and fiscal/monetary policies**; **Market Liquidity**

Documents

Debt Policy

Mexico. Questionable Assumptions for the Stability of Public Debt (2023)
Arnulfo Rodríguez - BBVA Research
For the stability of the broadest public debt (% of GDP) indicator in the following years, the federal government assumes that public sector borrowing requirements will be reduced from 4.1% in 2023 to 2.7% of GDP in 2024-28 and economic growth forecasts of 2.3% for 2023 and 2.0% for 2024-28. […] **TAGS:** Debt Forecast; Debt Forecast; Debt and fiscal/monetary policies; Financial stability; Debt sustainability

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Public Debt, Tax Reform and the Right to Health in Burundi (2023)
Amnesty International
Burundi has, over the years, been beset with civil wars, ethnic violence, poverty, and economic instability. In 2008, Burundi became so indebted that it was included on the World Bank's list of Highly Indebted Poor Countries (HIPC). Its inclusion on the HIPC list qualified it to be admitted to multilateral debt relief initiatives of the International Monetary Fund (IMF). The IMF-led debt cancellation and restructuring programmes have however failed to comprehensively address Burundi's debt problem. […] **TAGS:** Debt Restructuring; Debt sustainability; Multilateral financing; Debt crisis; Debt crisis

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Redesigning Debt Swaps for a More Sustainable Future (2023)
IEED
The recent deal between Cabo Verde and its main creditor Portugal shows that a fresh approach to debt-for-climate-and-nature swaps is possible — and could be key to addressing the 'triple crisis' of unsustainable debt, climate change and biodiversity loss. In this briefing, the authors outline the approach, which was proposed by IIED in 2020, and highlight six practical lessons that emerged from a pilot with Cabo Verde and Senegal. IIED's work on this project is now concluded, but the use of debt swaps for climate and nature has only just begun. The authors hope that, in sharing experiences from the pilot's scoping and design process, this briefing will help to inform and encourage other low-income countries interested in exploring the potential of this innovative tool. **TAGS:** Climate Change; Buybacks & Exchanges; Debt sustainability

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The Debt Limit (2023)
Conor Clarke - Washington University in St. Louis - School of Law
Every couple of years, the debt limit shows up to wreak havoc in American law and public finance. By capping the face value of government securities that can be "outstanding at one time," the statutory limit threatens Treasury's ability to raise the revenue needed to fund required government spending. And yet, despite its importance, much of the conventional wisdom surrounding the limit is wrong. Debt limits—authorities for the Executive Branch to borrow that come with limits attached—have existed since 1790, and

flow naturally from the Constitution's reservation of the borrowing power to Congress. The author provides a corrective account of those early limits and draw on public laws and Treasury borrowing records to provide an overview of the Executive Branch's borrowing authority between 1790 and 1910. That historical excavation has important doctrinal and policy implications for how we think about public finance today and helps clear the myth and confusion surrounding the debt limit. Under current doctrine, the limit is lawful: It is a form of statutory direction and commitment that was common at the ratification of both the Constitution and the Fourteenth Amendment. The limit is binding: When the limit conflicts with spending provisions, longstanding practice suggests that it is spending—and not the limit—that must yield. And, finally, the implications of the modern limit remain woefully misunderstood. There is no good reason to think that a "default" follows from a binding limit: tax revenue is more than sufficient to cover debt service. But there is excellent reason to think that the modern limit has become so divorced from its original appropriations purpose—which was to make spending cheaper, not harder—that the case for reform is ripe. **TAGS:** **Debt Policy**; **Debt and fiscal/monetary policies**; **Debt sustainability**

Ethnic Politics & Sovereign Credit Risk **(2023)**
Kathleen J. Brown, Matthew Di Giuseppe, Patrick Shea - Leiden University, University of Glasgow
How does domestic politics affect sovereign credit risk? To date, scholars have largely focused on how economic interests along class-cleavages influence sovereign default risk and borrowing costs. Ethnic dynamics are another important political factor that explains governments' creditworthiness, yet are understudied. The authors investigate how ethnic politics shape governments' credit access and argue that the fiscal incentives generated by ethnic coalitions influence credit risk differently than those created by class cleavages. Because ethnic coalitions are usually smaller than class coalitions, left governments with ethnic support can commit to lower spending and receive more favorable risk assessments. Right governments that rely on ethnic support, however, will have greater spending demands because of their need to satisfy ethnic groups. The authors test their argument using a new indicator of government ethnic support and four indicators of sovereign credit risk. The authors find that, in emerging markets, the borrowing costs of right governments increase as they become more dependent on ethnic groups for political support. [..] **TAGS:** **Debt Policy**; **Structural policies**; **Debt and fiscal/monetary policies**; **Financial stability**

The Demand for Government Debt **(2023)**
Egemen Eren, Andreas Schrimpf and Dora Xia - BIS
The authors investigate how central bank balance sheet policies affect investor demand for government debt. As central banks embark on quantitative tightening (QT) to shrink their balance sheets, how different sectors will absorb government debt will largely depend on how sensitive their demand is to changes in the yields (or prices) of government bonds. The authors study compositional shifts in the investors that hold government debt in the euro area, Japan, the United Kingdom and the United States, and ask how different investor groups would respond under QT. [...] **TAGS:** **Sovereign debt market**; **Sovereign bonds yields**; **Debt composition**

Cost and Risk

Machine Learning Algorithm for Mid-Term Projection of the EU Member States' Indebtedness (2023)

Silvia Zarkova, Dimitar Kostov, Petko Angelov, Tsvetan Pavlov, Andrey Zahariev - "D. A. Tsenov" Academy of Economics

The main research question addressed in the paper is related to the possibility of medium-term forecasting of the public debts of the EU member states. The analysis focuses on a broad range of indicators (macroeconomic, fiscal, monetary, global, and convergence) that influence the public debt levels of the EU member states. A machine learning prediction model using random forest regression was approbated with the empirical data. The algorithm was applied in two iterations—a primary iteration with 33 indicators and a secondary iteration with the 8 most significant indicators in terms of their influence and forecasting importance regarding the development of public debt across the EU. The research identifies a change in the medium term (2023–2024) in the group of the four most indebted EU member states, viz., that Spain will be replaced by France, which is an even more systemic economy, and will thus increase the group's share of the EU's GDP. The results indicate a logical scenario of rising interest rates with adverse effects for the fiscal imbalances, which will require serious reforms in the public sector of the most indebted EU member states. […] **TAGS: Debt Forecast; Cost and Risk**; **Debt Policy**; **Financial stability**

Political Budget Cycles in Early versus Regular Elections: The Case of Serbia (2023)

Vladan Ivanovic, Endrit Lami, Drini Imam - University of Kragujevac, Martin Luther University , Agricultural University of Tirana

The paper analyses Political Budget Cycles in the context of a young post-communist democracy, Serbia. The authors deploy well-established methodological (time series) approaches to examine the general government budget balance (fiscal deficit) in conjunction with elections. The findings suggest that there is clear evidence of higher fiscal deficit prior to elections—however, this is the case only for regular (scheduled) elections and not so for snap (early called) elections. The paper contributes to the PBC literature by revealing different incumbent behaviour in regular versus early elections, thus highlighting the importance of distinguishing between these types of elections in the domain of PBC research. […] **TAGS: Debt Policy**; **Structural policies**; **Debt and fiscal/monetary policies**; **Financial stability**

Sovereign Risk and Bank Lending: Theory and Evidence from a Natural Disaster (2023)

Yusuf Soner Başkaya, Bryan Hardy, Şebnem Kalemli-Özcan, Vivian Yue – FED of Atlanta

The authors quantify the sovereign-bank doom loop by using the 1999 Marmara earthquake as an exogenous shock leading to an increase in Turkey's default risk. Their theoretical model illustrates that for banks with higher exposure to government securities, a higher sovereign default risk implies lower net worth and tightening financial constraint. Their empirical estimates confirm the model's predictions, showing that the exogenous change in sovereign default risk tightens banks' financial constraints significantly for banks that hold a higher amount of government securities. The resulting tighter bank financial constraints translate into lower credit provision, suggesting that there is a significant balance-sheet channel in transmitting a higher sovereign default risk toward real economic activity […] **TAGS: Financial Analysis**; **Financial stability**; **Climate finance**; **Disaster risk**

[The Potential Impact of Broader Central Clearing on Dealer Balance Sheet Capacity: a Case Study of UK Gilt and Gilt Repo Markets]() (2023)

The Bank of England

More widespread central clearing could enhance dealers' ability to intermediate financial markets by increasing the netting of buy and sell trades, thereby reducing the impact of trading on balance sheets and capital ratios. Drawing on trade-level regulatory data, the authors study the netting benefits for UK dealers if comprehensive central clearing had been introduced to the cash gilt and gilt repo markets ahead of the March 2020 dash for cash (DFC) crisis. For the gilt repo market, the authors estimate that the policy would have reduced the gilt repo exposures on UK dealers' balance sheets by 40% and, hence, boosted their aggregate leverage ratio by 3 basis points. If that policy had been accompanied by standardisation of repo maturity dates, such that they fell on the same day of the week (apart from for overnight repo), the reduction in exposures would have risen to 60% and the increase in the aggregate leverage ratio to 5 basis points [...] **TAGS:** **Repo Market**; **Financial Analysis**; **Institutional Investors**; **Financial stability**

Primary Markets

[The Blue Bond Market: A Catalyst for Ocean and Water financing]() (2023)

Pieter Bosmans, Frederic de Mariz - Columbia University

The blue bond market has emerged as one of the latest additions in the sustainable debt market. Its goal is to channel funding toward sustainable blue economy projects related to the ocean and freshwater. While the protection of hydric resources has gained importance within the problem of climate change, Sustainable Development Goals linked to water remain the most underfunded. Since the issuance of the first blue bond in the Seychelles in 2018, multiple public and private organizations have turned to the blue bond market to raise funds. However, unlike the green bond market, no comprehensive market overview exists, preventing stakeholders from judging whether this label has been effective in protecting water resources and drawing conclusions on its future potential. This paper draws on an extensive review of academic research and complements it with a unique and comprehensive analysis of blue bonds issued to date, providing a contribution to the literature on sustainable finance. [...] **TAGS:** **Primary Market**; **Debt sustainability**; **Climate Change**

[When Fiscal Discipline Meets Macroeconomic Stability: The Euro-Stability Bond]() (2023)

Luciano Greco, Francesco J. Pintus, Davide Raggi - University of Padova and CRIEP, University Ca' Foscari of Venice

The authors describe a new Euro-stability bond that implies sovereign debt mutualization in the Eurozone without any significant short-term redistribution across countries or perverse incentives to fiscal profligacy. In a simple structural model of the economy, the authors theoretically show that the proposed Euro-stability bond is able to reproduce the market fiscal discipline while increasing the social welfare of all countries with respect to real market discipline. Relying on a GVAR model including the Eurozone countries, the U.S., Japan and China, the authors then analyze the future evolution of public debt (and other key macroeconomic variables) over time by comparing the predicted forecast in the baseline scenario and in a counterfactual scenario with the Euro-stability bond. The authors find no significant differences in the future path of interest expenditures and public debt-to-GDP ratios in the two scenarios, but a consistent reduction in the uncertainty of the estimates in the counterfactual scenario (around 68 % on average after 5 years) […] **TAGS:** **Bond market; development**; **Financial stability**; **Debt and growth**; **Primary market**

Active Debt Management

Debt-For-Nature Swaps: the Belize 2021 Deal and the Future of Green Sovereign Finance (2023)

Sebastian Grund, Stephanie Fontana - IMF, Cleary Gottlieb Steen & Hamilton

Belize conducted a debt-for-nature swap operation in 2021 that was heralded as a model for facilitating both debt relief and action on climate change. The country was able to commit an estimated US$107 million for conservation projects at the same time it restructured its unsustainable debt. The transaction relied on two essential, yet intertwined features: first, the backing of the United States' Development Finance Corporation (DFC) and, second, Belize's environmental conservation undertakings with real financial and legal consequences. The legal commitments made in the debt-for-nature swap outstripped the typical commitments made by sovereigns in green, social and sustainable bonds and sustainability-linked bonds. **TAGS:** **Debt Restructuring**; **Green bonds**; **Debt sustainability**; **Climate finance**; **Climate change**

Subnational Debt

Local Government Debt and Bank Credit Allocation: Evidence from China (2023)

Binbin Yu, Qianqian Jiang - Zhejiang Gongshang University

Local government debt, as a government tool to boost economic development, is also a major source of industrial overcapacity. This paper analyzes how local government debt influences the formation of industrial overcapacity. Taking China's cities as the sample and, using both the Spatial Durbin Model (SDM) and the mediating effect model, the paper empirically examines the effect of local government debt on industrial overcapacity and the spatial spillover effect. It finds that local government debt exacerbates industrial overcapacity, with a significant spatial spillover effect. Moreover, the conclusion still holds after a series of robustness tests are conducted. The expansion of local government debt significantly contributes to the industrial overcapacity of the central and western regions, with a strong spatial spillover effect. However, it does not have a significant impact and spatial spillover effect on industrial overcapacity in the eastern region. […] **TAGS:** **Subnational Debt**; **Debt sustainability**

Financial Analysis

Is High Debt Constraining Monetary Policy? Evidence from Inflation Expectations (2023)

Luis Brandao Marques, Marco Casiraghi, R. G Gelos, Olamide Harrison, Gunes Kamber - IMF

This paper examines whether high government debt levels pose a challenge to containing inflation. It does so by assessing the impact of government debt surprises on inflation expectations in advanced- and emerging market economies. It finds that debt surprises raise long-term inflation expectations in emerging market economies in a persistent way, but not in advanced economies. The effects are stronger when initial debt levels are already high, when inflation levels are initially high, and when debt dollarization is significant. By contrast, debt surprises have only modest effects in economies with inflation targeting regimes. Increased debt levels may complicate the fight against inflation in emerging market economies with high and dollarized debt levels, and weaker monetary policy frameworks. **TAGS:** **Debt Policy**; **Debt and fiscal/monetary policies**; **Financial Analysis**

Tracking Sovereign Stress in 112 Countries **(2023)**

Paul Della Guardia - Sovereign Vibe

Introducing a sovereign stress tracker covering 100+ countries, based on the IMF's Debt Sustainability Framework for Market-Access Countries. The model used in this analysis suggests that sovereign debt strains are lower in 2023 than they were in either 2022 or 2020 for this group of countries. MACs comprise all economies that are lower-middle income and above, including many emerging economies and all advanced economies. In 2021, the IMF released its new Debt Sustainability Analysis framework for Market-Access Countries, in line with its differentiation between MACs and low-income countries. The reasons given for distinguishing between these two groups is that MACs generally have significant access to international capital markets, whereas LICs rely on concessional resources to fulfill their external financing needs. […] **TAGS:** **Sovereign debt market**; **Debt sustainability**; **Financial Analysis**; **Debt sustainability analysis**; **Market-access countries**

The US Debt Crisis 2023 and Money Market Funds **(2023)**

Trupti Chaure, Vaibhav Keshav - Citibank Group, The University of Illinois at Urbana-Champagin, BI Norwegian Business School-Oslo

The authors study the fiscal debt crisis in the US during early 2023 on Money Market Funds (MMFs). The authors report a spike in yields by approximately 150 basis points for MMFs investing in federal government securities. In addition, due to the debt crisis, investors started withdrawing money from treasury funds due to a "flight to safety." However, there is no statistically significant asset flow from the government and prime MMFs. Finally, the authors discuss the implications of our results. **TAGS:** **Debt crisis**; **Sovereign bond market**

Public Debt Decompositions in Emerging Economies - Methodology and Introduction of a Public Access Dashboard **(2023)**

Théodore Humann - Finance for Development Lab

In the context of rising public debt ratios and tightening financial conditions and spaces, especially in developing economies, studying the drivers of public debt accumulation is more important than ever. The successive Covid-19 and Russia-Ukraine war have pressured public finances and paved the way for further debt accumulation, thus accelerating a trend initiated in the 2010s. This note investigates the challenges associated with public debt decompositions and proposes a methodology relying on publicly available data from the IMF and World Bank. In particular, it addresses core questions such as stock-flow adjustments generated by nonexpenditure flows, hidden debt and the definition and valuation of external debt. […] **TAGS:** **Financial Analysis**; **Debt Transparency**; **Debt crisis**

Debt Crisis

Sovereign Debt Crises and Sovereign Spreads: A Review of Academic Literature **(2023)**

Ersi Iliana Savvopoulou - Ministry of Finance, Hellenic Republic

This monograph provides an extensive literature review of models of sovereign debt crisis and of the empirical literature on the determinants of sovereign spreads. Separate sections place emphasis on debt sustainability, multiple equilibria, and on models of self-fulfilling debt crises. The last chapter is dedicated to the distinction between fundamentals against market sentiment in the literature on sovereign risk. **TAGS:** **Financial Analysis**; **Sovereign spreads**; **Sovereign risk premia**

Institutional and Organizational Framework

Bank Regulation and Sovereign Risk: A Paradox (2023)

António Afonso, André Teixeira - University of Lisbon

This paper investigates the impact of banking prudential regulation on sovereign risk. The authors show that prudential regulation reduces sovereign risk and induces governments to spend more. As a result, countries with tight prudential regulation have lower primary budget balances and accumulate more government debt over time. The authors find that prudential regulation reduces private debt, while paradoxically increasing government debt. The authors explore several explanations for this paradox. Their results suggest that prudential regulation enables governments to accumulate debt because they improve the nation's credit rating and its borrowing conditions in sovereign bond markets. **TAGS:** **Financial Analysis**

Debt Restructuring

The Global Debt Restructuring Architecture Debate and a Proposal for an Environmental Sovereign Debt Restructuring Mechanism (E-SDRM) (2023)

Ersi Iliana Savvopoulou - Ministry of Finance, Hellenic Republic

This paper provides an overview of the ongoing debate on the international Sovereign Debt Restructuring Mechanism (SDRM) architecture by highlighting two key aspects, the contractual and the statutory approach, while also alluding to alternatives that have been set forth, such as arbitration, state-contingent bonds and the proposal for a European Debt Restructuring Mechanism. A proposal for an Environmental Sovereign Debt Restructuring Mechanism (E-SDRM) is presented, involving the establishment of a new institution and mechanism for sovereign debt restructuring, incorporating progress towards Sustainable Development Goals (SDGs), as well as the application of mediation and arbitration. Voluntary pre-emptive restructurings by Advanced Economies are also permitted. **TAGS:** **Debt Restructuring**; **Debt sustainability**

Macroeconomic Analysis

The Model of Public Debt Management in Germany (2023)

Mariia Mygal - Institute of Analytics and Advocacy

With each passing month of the war, our country is sinking deeper into debt dependence on international financial organizations. According to the Government's forecasts, the maximum amount of public debt in 2023 will reach a record UAH 6.406 trillion and even slightly exceed the country's GDP – 100.1% of GDP. To ensure that the level of public debt does not impede Ukraine's recovery, development, and living standards, an effective debt management strategy needs to be developed. To this end, the authors have studied how public debt is managed in foreign countries and identified the experience that can be adapted to Ukraine. Today, the authors will look at the debt management model in Germany, where Covid-19 has tested the country's economy. […] **TAGS:** **Debt and fiscal/monetary policies**; **Debt Policy**; **Financial stability**

Deficit-Financed Fiscal Policy and Economic Growth **(2023)**

Daisuke Miyashita - Nagoya University

In this paper, the authors develop an endogenous growth model with deficit-financed productive government spending and examine the effect of increasing the income tax rate and cutting productive government spending by proposing a numerical example. The model can be reduced to a simple AK growth model by endogenizing the fiscal stabilizing coefficient. In this model, labor supply equilibrates the economy, which affects the growth rate, the debt-to-GDP ratio, and the degree of fiscal discipline. The authors find that increasing tax rates and cutting productive government spending hinder economic growth and worsen the fiscal situation. The policy implication of this paper is that, if the primary balance is surplus, the government can be compatible with recovering economic growth and achieving fiscal consolidation by conducting active fiscal policy measures. **TAGS:** **Debt Policy**; **Debt and growth**; **Debt and fiscal/monetary policies**

Impact of Public Debt and Debt Servicing on Economic Growth in Nigeria (1980–2019) **(2023)**

Ben Chidubem Chukwu - Independent

This study examined the impact of public debt and debt servicing on economic growth in Nigeria (1980-2019). The main objective of the study is to examine the impact of public debt servicing on economic growth in Nigeria. The study used multiple regressions. The variables under consideration were real gross domestic product as the dependent variable while public debt servicing and exchange rate are the independent variables. The ordinary least square (ols) technique was used in estimating the relationship between the dependent and independent variables. The research result showed that public debt servicing has no significant impact on economic growth in Nigeria and thus insignificant variable in determining economic growth in Nigeria. In addition that public debt servicing has negative relationship with economic growth in Nigeria and finally that there is no causality relationship between public debt servicing and economic growth in Nigeria. Based on the findings of the work, the study recommends that there is a need for the government to seek the diversification of the economy away from oil as this will generate more revenue which will reduce the effect of a downtrend in oil revenue which usually calls for debt. **TAGS:** **Debt and growth**; **Debt and fiscal/monetary policies**; **Debt Policy**

Debt and Deficits: Fiscal Analysis with Stationary Ratios **(2023)**

John Y. Campbell, Can Gao, Ian Martin - Harvard University, University of St.Gallen, London School of Economics & Political Science

The authors study cointegrating relationships among fiscal variables and output and use them to introduce a new measure of the government's fiscal position. In the US since World War II, the authors find that the primary surplus-GDP ratio and the government debt-GDP ratio are nonstationary, which invalidates standard analytical approaches that assume them to be stationary. The tax revenue-debt ratio and the government expenditure-debt ratio are also nonstationary but their difference, the primary surplus-debt ratio, is stationary, as is the tax revenue-GDP ratio. The authors develop a new framework for fiscal analysis that takes account of these facts. Empirically, the authors find that a deterioration in the fiscal position forecasts a decline in government spending over the long run. It does not forecast increases in tax revenue; nor does it forecast low returns for bondholders. Fiscal adjustment to tax and expenditure shocks occurs primarily through mean-reversion in tax and expenditure growth, with a negligible contribution from expected and unexpected debt returns. The authors find similar results for postwar UK data. **TAGS:** **Debt and growth**; **Debt and fiscal/monetary policies**; **Debt Policy**

Fiscal Anatomy of Two Crises and an Interlude **(2023)**

Xuehui Han, Paolo Mauro, John Ralyea - IMF

The Global Financial Crisis (GFC) and the COVID-19 pandemic are associated with the largest increases in public debt ratios since World War II. The authors decompose unexpected changes in debt ratios into the role of surprises in economic growth, interest costs, policy measures, and other factors. During both crises, lower-than-expected output contributed the most to higher-than-expected debt ratios. Fiscal policy measures recorded in the public deficit were similar in the two episodes. The authors also analyze the decade-long interlude (2010-19). Rather than declining as foreseen in a normative scenario, debt ratios remained stable on average, as interest rates, policy adjustment and, in some countries, economic growth turned out lower than expected. **TAGS:** **Debt and growth**; **COVID-19**; **Debt crisis**; **Cost and Risk**

Economic Policies

Measuring the Stances of Monetary and Fiscal Policy **(2023)**

Francis Vitek - IMF

The authors derive measures of the stances of monetary and fiscal policy within the framework of an empirically plausible extension of the basic New Keynesian model, and jointly estimate them for the United States using a closed form multivariate linear filter. Their theoretical analysis reveals that the neutral stance of monetary policy — as measured by the real natural rate of interest — depends on the stance of fiscal policy, which in turn depends on the composition and expected timing of structural changes in the fiscal instruments. Their empirical application finds that accounting for fiscal policy significantly alters the estimated stance of monetary policy, and that the so-called fiscal impulse is a poor proxy for the stance of fiscal policy. **TAGS:** **Debt and fiscal/monetary policies**

External Debt, Fiscal Consolidation, and Government Expenditure on Education **(2023)**

Élisé Wendlassida Miningou - World Bank

To face a debt crisis, countries often implement various forms of fiscal consolidation policies aiming at addressing fiscal imbalances. This paper investigates how debt and fiscal consolidation could influence government expenditure on education. It shows that increased external debt is associated with a higher risk of fiscal consolidation, which may contribute to a decline in education expenditure. A 1 percent increase in external debt is associated with a 1.4 percent decline in education spending per school-age child. Given the rising debt levels fueled by the COVID-19 response policies, a decline in education expenditure is to be expected in the post-pandemic era. For instance, in low- and middle-income countries, a 5 percent increase in the external debt could lead to a $12.8 billion decline in the volume of education expenditure, all things being equal. This decline is almost equivalent to the volume of official development assistance to the education sector in 2021. The paper sounds the alarm bell for the potential impact of COVID-19-related debt on education financing. **TAGS:** Debt crisis; Debt and growth; Debt sustainability; Sovereign debt market; Debt and fiscal/monetary policies

How to Make the Management of Public Finances Climate-Sensitive – "Green PFM" **(2022)**

Ozlem Aydin, Bryn Battersby, Fabien Gonguet, Claude Wendling, Jacques Charaoui, Murray Petrie, and Suphachol Suphachalasai - IMF

This How to Note develops the "green public financial management (PFM)" framework briefly outlined in an earlier Staff Climate Note (2021/002, published in August 2021). It illustrates, how climate change and environmental concerns can be mainstreamed into government's institutional arrangements in place to facilitate the implementation of fiscal policies. It provides numerous country examples covering possible entry points for green PFM – phases in the budget cycle (strategic planning and fiscal framework, budget preparation, budget execution and accounting, control, and audit), legal framework or issues that cut across the budget cycle, such as fiscal transparency or coordination with State Owned Enterprises or with subnational governments. This How to Note also summarizes practical guidance for implementation of a green PFM strategy, underscoring the need for a tailored approach adapted to country specificities and for a strong stewardship role of the Ministry of Finance. **TAGS:** Climate change; Climate finance; Debt sustainability

Reports

2023

Managing Sovereign Loans: "A Bottom-up Approach" (Guidance Note)

Andre Proite, Marcelo Vitorino - World Bank

The objective of this note is to provide guidance for countries on how to manage contractual debt. It describes the steps necessary to manage debt after the loan becomes effective (or even during the negotiation's final stages) and until the contract is serviced and closed. These steps include identifying the key components of a debt contract that are needed to accurately service the debt, with a focus on recording and monitoring events that impact cash flows. **TAGS:** Debt Policy; Sovereign debt market; Reporting and Auditing; World Bank

[Measuring Sovereign Bonds' Climate Risks and Opportunities]

Alexander Schober - MSCI

As natural hazards and climate-change risks increasingly materialize, quantifying sovereign bonds' physical and transition risk may help investors determine the climate resiliency of their portfolios. Major fossil-fuel producers largely comprise the bottom quartile of countries for the MSCI Climate Change and Natural Hazards Risk Factor Score due to a combination of physical and transition risks. Investors can use this information to not only identify sovereign-bond issuers with higher climate-related risk but determine where investments may create the most impact. Climate change is a major risk for sovereign credit. Hurricane María, the displacing floods of Pakistan and enormous bushfires in Australia are all examples of natural hazards that have had a significant macroeconomic impact. For that reason, measuring a country's exposure to and management of both the physical and transition risks of climate change is becoming an increasingly important consideration for sovereign-debt investors. […] **TAGS:** **Blog**; **Climate Change**; **Climate finance**; **Disaster Risk**

[Multilateral Lending: Powering Global Economic Resilience amid Uncertainties]

Anthony Tin Yu To, Ogma Dessirama Bale - World Bank

The global pandemic of 2020-2022 had truly unprecedented consequences. Along with other crises, such as the war in Ukraine, it plunged the global economy into a steep slowdown that dealt the biggest setback to global poverty in decades. But global responses to the pandemic were equally unprecedented. During the crisis, countries employed toolkits that combined large fiscal, monetary, and prudential policies such as grants, credit facilities, and relaxed capital requirements. Still, global inflation, food and energy supply disruption, and accumulating debt remind us that the effects of the pandemic linger and will continue to create long-term uncertainties that must be managed. Helping low- and middle-income countries (LMICs) manage such shocks is a critical role for the World Bank, which includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). […] **TAGS:** **Blog**; **Multilateral financing**; **Debt relief**; **Debt Statistics**

[Global Economic Outlook in Five Charts]

Dominik Peschel, Philip Kenworthy - World Bank

The global economy is set to slow substantially in 2023. The lagged and current effects of monetary tightening, as well as more restrictive credit conditions, are expected to weigh on activity in the second half of the year, with weakness persisting into 2024. Excluding China, growth in emerging market and developing economies (EMDEs) is set to decline markedly, with the outlook weakest in countries with elevated fiscal and financial vulnerabilities. The resurgence of recent banking sector turmoil represents a serious risk. Widespread financial stress could have especially severe economic consequences. […] **TAGS:** **Blog**; **Financial Analysis**; **Debt and fiscal/monetary policies**

[Shaping Tomorrow's Debt Restructuring System]

David Malpass - World Bank

As the debt crisis has unfolded in many of the world's poorest countries, much attention has focused on seeking individual debt restructurings through the G20 Common Framework. This remains a priority, but the implementation remains slow and lacks the predictability needed to provide debtors and creditors with confidence. The Global Sovereign Debt Roundtable and the April 26 World Bank debt conference, Breaking the Impasse in Global Debt Restructuring, discussed effective debt restructurings and debt sustainability. The conference also addressed how to avoid excessive debt build-up; and pressing questions regarding the debt sustainability implications of a decline of net international reserves into negative territory as countries draw on debt-like instruments such as swap lines. Following this week's G7 Finance Ministers and Central Bank Governors meeting in Japan, the authors will publish the initial findings from a recent debt reconciliation initiative, which points to many technical challenges in agreeing on the amounts of debt to be treated in a restructuring. […] **TAGS:** **Blog**; **Debt Restructuring**; **Debt sustainability**; **Debt Sustainability Analysis**; **Debt relief**

Hope for the Best, Prepare for the Worst: South Asia's Fiscal Needs in the Era of Climate Shocks

Lazar Milivojevic - World Bank

South Asian countries have come out of the pandemic with eroded fiscal space and record public debt. Global financial tightening is putting additional pressure on government budgets. At the same time, the region's vulnerability to climate risks—with more than 800 million people currently living in communities that are projected to become climate hotspots—demands substantial resources to prepare for future disasters and build climate resilience. These considerations will have strong implications for fiscal management across South Asian countries. First, policymakers must determine how to reduce deficits to rebuild much-needed buffers and regain fiscal space. Second, insurance mechanisms must be put in place to strengthen fiscal capacity. And third, both public and private capital, along with support from the international community, will be necessary for investments in building resilient infrastructure. […] **TAGS:** **Blog**; **Climate change**; **Debt Restructuring**; **Debt and growth**

Big Risks for Big Rewards: How World Bank Guarantees Support Transformative Solutions for Complex Problems

Şebnem Erol Madan - World Bank

No amount of planning could have prepared us for the stark realities we face today. COVID-19, rising temperatures, poverty, food insecurity, Russia's war on Ukraine, energy crisis—these key words are not enough to bring the dire reality into focus. Things are getting worse in real time. Public budgets won't meet the requirements to do right by the planet and to ensure basic services for the millions of households left behind. Mobilizing private sector expertise, innovation, and capital for development projects is more critical than ever. The scale and range of investments needed for the climate transition will require a comprehensive approach, which is why the Evolution Roadmap emphasizes ways to expand the World Bank Group's use of guarantees and make them more fit for purpose under a stronger One World Bank Group approach. Now is the time to deploy our most transformative approaches to meet the immense challenges of our time. […] **TAGS:** **Blog**; **Climate change**; **Climate finance**; **World Bank**

Preliminary Findings from the G-7 and Paris Club Countries Debt Data Sharing Exercise

World Bank

This report sets out the rationale and preliminary findings of the data sharing exercise between G-7 and the World Bank, which has been extended to all Paris Club creditors on a voluntary basis. The exercise was initiated by Japan as an important contribution to furthering the agenda for greater debt transparency particularly regarding the world's poorest countries. The current exercise is the first step in the process of reconciling information reported by debtorsto the World Bank Debtor Reporting System (DRS) with the comparable creditor data. As a second step, this exercise could be institutionalized and extended to other creditors (in particular G20 creditors) in order to improve data reporting in a permanent way. **TAGS:** [Debt Transparency]; [Debt sustainability analysis]

[Economic Bulletin Issue 4, 2023 - Economic, financial and monetary developments]

European Central Bank

Inflation has been coming down but is projected to remain too high for too long. The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. It therefore decided at its meeting on 15 June 2023 to raise the three key ECB interest rates by 25 basis points. The rate increase reflects the Governing Council's updated assessment of the inflation outlook, the dynamics of underlying inflation, and the strength of monetary policy transmission. According to the June 2023 Eurosystem staff macroeconomic projections for the euro area headline inflation is expected to average 5.4% in 2023, 3.0% in 2024 and 2.2% in 2025. […] **TAGS:** **[Financial Analysis]; [Debt and fiscal/monetary policies]**

[The Global Economy's Slow-Motion Reset]

Neil Irwin - Axios

Over the last year, the world's major central banks have tightened their policies more rapidly than has been seen in decades, ending an era of ultra-low interest rates that had become a basic assumption across global commerce and finance. […] **TAGS:** [Debt crisis]; [Debt sustainability]; [Debt and fiscal/monetary policies]; [Financial stability]

[Climate Risk Stress Tests Underestimate Potential Financial Sector Losses]

Henk Jan Reinders, Dirk Schoenmaker, Mathijs Van Dijk - Erasmus University

Central bank concerns about climate change are on the rise, and a plethora of new methods have been developed to assess the impact of climate-related shocks on the financial sector. This column reviews current climate risk stress test methods and identifies six types of climate shocks and four types of modelling approaches. Given the complexity of the link between climate shocks and financial sector outcomes, the authors argue that current methods have several key limitations that may lead to significant underestimation of potential financial sector losses. […]

[Assessing the Costs of Rolling over Government Debt]

Julian Kozlowski, Samuel Jordan-Wood - Federal Reserve of St.Louis

In the span of about one year, the Federal Open Market Committee (FOMC) has raised the federal funds target rate from near zero to around 5%. This has driven up other rates—mortgages, US Treasuries, bank loans, etc. Given the high speed at which rates have risen, there are concerns about the cost of rolling over the existing debt for firms, households, and governments. Specifically, when debt matures, issuers must decide whether to "roll over" their debt—by issuing new debt at the current rate—or find other resources to repay the debt. […] **TAGS:** [Debt and fiscal/monetary policies]; [Financial stability]; [Debt sustainability]

[Addressing Public Debt Challenges to Effectively Pursue the Sustainable Development Goals: Regional Perspectives]

UN

Amid rising government debt levels, higher interest rates, global economic slowdown and heightened geopolitical uncertainty, the risk of public debt distress and debt overhang in developing countries will remain elevated in coming years. At the same time, large financing needs to meet the Sustainable Development Goals (SDGs) and climate ambitions are adding more pressure on fiscal and debt positions. Debt distress in some countries has been further aggravated by existing current account deficits, tight debt redemption schedules, and lack of access to conventional lending markets. How developing countries navigate the difficult balancing act of ensuring post-pandemic socioeconomic recovery and pursuing the SDGs while maintaining public debt sustainability is therefore a key policy consideration. In this pursuit, public debt can be a powerful tool to support sustainable development, if used judiciously and with a long-term horizon. Nevertheless, developing countries will need to continue to explore ways to strengthen fiscal positions and reduce short-term debt distress. This policy brief, jointly prepared by the five Regional Commissions of the United Nations, outlines broad trends in public debt across the globe, discusses policy issues and options, and highlights policy experiences and lessons that governments across regions can learn from each other. […] **TAGS: Debt Policy**; **Best Practices**; **Debt sustainability**; **Debt and fiscal/monetary policies**; **Debt and growth**

Pakistan: Escaping the Sovereign Debt Trap

Samir Tata - International Political Risk Analytics

Pakistan is ensnared in a classic sovereign debt trap: too much foreign currency denominated external debt, too few foreign exchange resources, and too little cash flow denominated in foreign currencies to service contractual periodic interest and principal payments on such debt. The current approach to alleviating the excruciating pain of the debt trap is to seek relief via two routes: (1) taking on more new external debt to finance current required debt service payments, and (2) restructuring existing external debt to lower the debt service burden via a combination of capitalization of accrued interest payments, resetting required principal payments, and extending debt maturities. […] **TAGS: Foreign Debt**; **Debt crisis**; **Debt and fiscal/monetary policies**; **Financial stability**

Debt Securities Statistics (June 2023)

BIS

These statistics cover borrowing activity in debt capital markets. They capture debt instruments designed to be traded in financial markets, such as treasury bills, commercial paper, negotiable certificates of deposit, bonds, debentures and asset-backed securities, and distinguish between debt securities issued in international and domestic markets […] **TAGS: Debt Statistics**

Monetary And Fiscal Policy: Safeguarding Stability and Trust

Claudio Borio - BIS

Monetary and fiscal policy are inextricably intertwined. The notion of the "region of stability" sheds light on their long-term challenges. The region maps constellations of the two policies that foster sustainable macroeconomic and financial stability and that keep tensions between the policies manageable. Even before the Covid crisis struck, the two policies had been approaching the boundaries of the region. Hence the recent unique combination of high inflation and widespread financial vulnerabilities. Looking ahead, longer-term government debt trajectories pose the biggest threat. They have been relentlessly narrowing the region of stability and will continue to do so. Operating firmly within the region calls for adjustments to strategies, institutions and, above all, mindsets. Their objective is to dispel a kind of "growth illusion" – a de facto excessive reliance on monetary and fiscal policy to drive growth. **TAGS: Debt and fiscal/monetary policies**; **Financial stability**; **Debt and growth**

BIS Annual Economic Report 2023

BIS

The global economy has reached a critical and perilous juncture. Policymakers are facing a unique constellation of challenges. Each of them, taken in isolation, is not new; but their combination on a global scale is. On the one hand, central banks have been tightening to bring inflation back under control: prices are rising far too fast. On the other hand, financial vulnerabilities are widespread: debt levels – private and public – are historically high; asset prices, especially those of real estate, are elevated; and risk-taking in financial markets was rife during the phase in which interest rates stayed historically low for unusually long. Indeed, financial stress has already emerged. Each of the two challenges, by itself, would be difficult to tackle; their combination is daunting. […]**TAGS: Financial stability**; **Secondary Markets**; **Financial Analysis**; **Debt and fiscal/monetary policies**; **Debt and growth**

DIGNAD A Toolkit for Macro Policy Assessments of Building Resilience to and Recovery from Natural Disasters in Emerging and Developing Countries

IMF

Climate change manifests itself in part through an increased frequency and severity of extreme weather events and natural disasters. Consequently, building resilient infrastructure capable of withstanding such events is paramount, particularly for the most vulnerable emerging and developing countries. However, the increasing vulnerability to natural disasters exacerbates the challenges policymakers face in funding investments in much-needed climate-resilient infrastructure while keeping debt at sustainable levels. The IMF recently created the Resilience and Sustainability Trust (RST), which helps low-income and vulnerable middle-income countries build resilience to external shocks, such as climate change, and ensure sustainable growth. One of the requirements for the successful deployment of RST funds is the assessment of funding needs to deal with such long-term challenges, including investments in resilience to natural disasters. […] **TAGS: Climate Change**; **Climate finance**; **Debt sustainability**; **Debt and growth**

World Bank Approves First Sustainability-Linked Bond for Rwanda to Boost Private Capital Mobilization

World Bank

The World Bank's Board of Directors approved an additional credit of $100 million in International Development Association* (IDA) financing to support Rwanda in increasing access to finance and supporting businesses' recovery and resilience in the post-pandemic period. The additional finance will scale up investments under the Access to Finance for Recovery and Resilience project by providing financial relief, risk-sharing instruments, and long-term sources of funding to businesses. […] **TAGS: Debt sustainability; Debt and growth; Primary market; World Bank**

Costa Rica: Technical Assistance Report-Sovereign Asset and Liability Management—Scoping Mission

David A. Grigorian, Phillip Anderson and Antonio Juambeltz - IMF

Aided by a 36–month Extended Fund Facility (EFF) in place since March 2021, Costa Rica's reform efforts toward strong, inclusive, and sustainable growth are showing tangible results. On the public debt management side, the authorities' commitment includes reforms of the institutional setup, strategy, and domestic market development. In parallel, efforts are underway to create a framework for a consolidated management of the state's assets and liabilities and to reform the functioning of various building blocks of the consolidated public sector balance sheet, such as state-owned enterprises and banks. **TAGS:** Debt sustainability; Debt and growth; Debt Policy; Sovereign ALM

Reducing Debt During Crises through coordination between Multilateral Groupings
Tanya Keswan - Observer Research Foundation
The ongoing global climate crisis has deepened the inequalities between countries, moving the world farther away from achieving SDG 10 of reduced inequality. The emission of greenhouse gases by high-income, Global North countries results in costly natural disasters around the world; this pushes lower-income, Global South countries into debt distress, with their scarce resources and debt repayments saddled with systemic inequalities that are created or heightened by the climate crisis. The G20 can facilitate collective action in the form of a systematic chain of coordination between multilateral groupings to enhance knowledge-sharing for a holistic understanding of the inequalities that lead to debt distress during times of crisis. **TAGS:** Climate Change; Multilateral financing; Debt crisis

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European Debt Finance Intelligence Report 2023
Neil Campbell, Matt Christmas, Dr Wolfram Distler, Juan Gelabert, Chasco César, Herrero Gemma, Lawrence Sophie Lok, Max Mayer, Richard Normington - DLA Piper
2022 was a relatively challenging market, at least compared to a record-breaking 2021. The financial markets were dislocated throughout much of 2022 because of geo-political events. The high yield debt capital markets / bond markets were mainly shut, and several large-cap leveraged deals were hung in syndication. That lack of liquidity saw a number of the larger direct lending funds fill the gap, in turn leaving a partial vacuum in mid-cap liquidity. Additionally, the lack of lender appetite for some assets (or at least at leverage levels seen in 2021), plus the gap between the value expectations of buyers and sellers, saw a number of sales processes flip into recaps/refinancing. Generally, we saw deals taking longer to commit and/or close, with lenders asking more questions, and taking more time to diligence, potential investment opportunities. Now we are into 2023, it still feels too early to call. […]
TAGS: **Debt Forecasts**; **Economic Forecasts**; **Debt Policy**; **Debt sustainability**; **Financial stability**

Understanding Fixed Income Markets in 2023
SIFMA
Fixed-income markets are the lifeblood of the global economy. Access to credit—in other words, the ability to borrow money—played a major role in society's evolution over the past 500 years and continues to support innovation for economic and social advancement today. Modern fixed-income markets are multifaceted, with lending made available in many forms (i.e., bonds and loans) and via a variety of lenders, from traditional banks to long-term investors to emerging technology companies. While the underpinnings of these markets can feel complex, understanding why they exist, how they have evolved over time and how these markets operate today is crucial to ensure they remain robust and effective going forward. […] **TAGS:** Sovereign bond market; Debt Statistics

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Global Economic Prospects, June 2023
World Bank
Global growth is projected to slow significantly in the second half of this year, with weakness continuing in 2024. Inflation pressures persist, and tight monetary policy is expected to weigh

substantially on activity. The possibility of more widespread bank turmoil and tighter monetary policy could result in even weaker global growth. Rising borrowing costs in advanced economies could lead to financial dislocations in the more vulnerable emerging market and developing economies (EMDEs). In low-income countries, in particular, fiscal positions are increasingly precarious. [...] **TAGS: Debt and growth**; **Economic Forecasts**; **World Bank**

Public Backstops During Crises In 2022-2023

Timo Löyttyniemi - State Pension Fund in Finland

Financial markets experienced several events of severe financial instability during 2022–2023. This column describes how public backstops were frequently used during these events. Governments, central banks, and authorities intervened with the tools at their disposal to prevent the financial instabilities from causing larger turmoil in energy markets, derivatives markets, and banking. A variety of public backstop arrangements were used to prevent further spillovers and instabilities. [...] **TAGS: Financial stability**; **Debt and fiscal/monetary policies**

India Sovereign Green Bond: Financing Climate Action and Resilient Growth

World Bank

The World Bank provided technical assistance to the Government of India to establish its sovereign green bond program and mobilize private capital to fund its ambitious plans for sustainable and resilient growth. As a large, populous, developing economy, India faces enormous challenges in dealing with the consequences of climate change while promoting economic growth in a low-carbon pathway. The country is the seventh most impacted by weather-related loss events.1 In its updated Nationally Determined Contribution (NDC) under the Paris Agreement, the Government of India stated the intention to reach net-zero emissions in 2070, reduce the emission intensity of its economy by 45 percent by 2030 over 2005 levels, achieve 50 percent cumulative electric power installed capacity, and create additional carbon sink of 2.5 to 3 billion tons of CO_2 equivalent through additional forest and tree cover by 2030, among others. [...] **TAGS: Climate finance**; **Green bonds**; **Climate Change**

Financial Stability Review, May 2023

European Central Bank

The Financial Stability Review provides an overview of potential risks to financial stability in the euro area. It aims to promote awareness in the financial industry and among the public of euro area financial stability issues. It is published twice a year, with the next release provisionally set for 22 November 2023. **TAGS: Financial stability**; **Financial Analysis**; **Debt and fiscal/monetary policies**; **Market Liquidity**

OECD Economic Outlook, Volume 2023 Issue 1

OECD

Global economic developments have begun to improve, helped by lower energy prices, improving business and consumer sentiment, and the reopening of China. However, the OECD Economic Outlook highlights that the upturn is fragile and the recovery is set to remain weak by past standards, with the effects of tighter monetary policy increasingly being felt. The Outlook underlines a range of risks, including the possibility that inflation could prove more persistent than projected and that the impact of higher interest rates on financial markets and economic activity could be stronger than expected. Well-calibrated policy measures are required to unwind the impact of the recent sequence of negative shocks to the global economy, restore economic stability, and strengthen prospects for strong, inclusive and sustainable improvements in living standards. […] **TAGS: Economic Forecasts**; **OECD**; **Debt and fiscal/monetary policies**

Uruguay's High Public Debt and Low Credit Risk Puzzle: 'What You Don't See Is What You Get'

Ernesto Talvi, Sofía Harguindeguy - Elcano Royal Institute, Guyer & Regules (Uruguay)

Despite its small size, with a population of only 3.4 million, and its geographical location, sandwiched between two giants such as Brazil and Argentina, Uruguay frequently features in the international press. These regular appearances are generally to highlight positive aspects regarding its solid institutions, its democratic credentials, its economic stability and predictability, its social protection network and its foreign policy, where Uruguay stands out as a good neighbour in the international community. […] **TAGS: Debt and fiscal/monetary policies**; **Debt sustainability**; **Financial stability**

Is the World in Danger of Debt Default?

Kate Bettes - UNSW Sydney

The World Economic Forum named widespread country debt default as one of the global risks for 2023. Are these fears overblown? Among warnings of 'perma-pandemics' and digital threats, rising government debt is officially on the World Economic Forum's watch list for 2023. The 2023 Global Risks report, which was published by the international lobbying group at the beginning of the year, said levels of debt held by countries were accruing and increasing the chance of default. […] **TAGS: Sovereign default**; **Debt crisis; Cost and Risk**; **Debt sustainability**

How To Tackle Soaring Public Debt

Adrian Peralta-Alva, Prachi Mishra - IMF Blog

Timely and appropriate fiscal policy adjustments can reduce debt, but countries in distress will need a more comprehensive approach. Public debt soared to a record during the pandemic, topping global gross domestic product. Now, with government debt still elevated, the rise in interest rates and the strong US dollar are adding to interest costs, in turn weighing on growth and fueling financial stability risks . […]**TAGS: Debt Policy**; **Debt sustainability**; **Debt and fiscal/monetary policies**

Fiscal Policy Can Promote Economic Stability and Address Risks to Public Finances

Francesca Caselli, Vitor Gaspar, Gee Hee Hong, Paulo Medas - IMF Blog

Following exceptional pandemic support, governments should foster disinflation and financial stability while protecting the most vulnerable and safeguarding public finances. Three years since the outbreak of the pandemic, fiscal policy has moved a long way toward normalization. Governments have withdrawn exceptional fiscal support, and public debt and deficits are falling from record levels. That's happening amid high inflation, rising borrowing costs, a weaker growth outlook, and elevated financial risks. Debt sustainability is a cause for concern in many countries. […] **TAGS: Financial stability**; **Multilateral Financing**; **Debt Policy**

Development Finance is Opaque, but Transparency is Improving

George Ingram, Sally Paxton - Brookings, Publish What You Fund

In January 25, 2023, Brookings and Publish What You Fund launched the first global DFI Transparency Index. Publish What You Fund's work was the product of over three years of research, collaboration among a range of stakeholders—including multilateral and bilateral Development Finance Institutions (DFIs)—and painstaking efforts to define transparency in a granular way that is consistent with the complex nature of DFIs. This included understanding their business models and the often-competing nature of their missions and stakeholders' interests. […] **TAGS:** **Transparency**; **Debt and growth**

Debt Mutualisation: the New Norm ?

Charlie Jones - European Student Think Tank

This article seeks to offer a retrospective analysis of the NextGeneration EU package, agreed in principle by the European Council in the summer of 2020 and formally adopted in December of that year. Focusing on NextGen EU's historical novelty and particularly Germany's role as a surprising proponent, this article will also assess the prospects of future debt mutualisation within the EU. NextGen EU amounted to 750 billion euros and was designed to support states during the pandemic as public finances were stretched by increased spending needs as well as strained tax revenues. […] **TAGS:** **Structural policies**; **Debt and growth**; **Financial stability**

Balancing Economic Recovery and Fiscal Survival: Policy Options for African Governments in 2023

Anzetse Were - Fsd Kenya - Blog

The global economy is experiencing a broader and sharper than expected slowdown in growth, and inflation is at the highest it has been in several decades. Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. […] **TAGS:** **Debt Policy**; **Economic Forecasts**; **Debt and fiscal/monetary policies**

Global Sovereign Debt Monitor 2023

Various authors - erlassjahr.de, Misereor

Despite the slight recovery of the global economic situation in 2021 before the beginning of the Ukraine war, the debt situation in the majority of countries in the Global South remains tense. While policy-makers are calling for the improvement of debt relief procedures, the interests of different creditor groups are blocking speedy progress. In 136 out of 152 countries surveyed in the Global South the debt situation is critical. In 40 it is even very critical. Projections show that the situation will further deteriorate as a result of the Ukraine war and the global rise in interest rates. […] **TAGS:** **Debt crisis**; **Debt sustainability**; **Sovereign debt market**; **Financial Analysis**

News

What's New area of the PDM Network website proposes ***a selection of daily news on public debt management*** from online newspapers and info providers, as well as ***the most recent documents and reports***. In addition to the bimonthly Newsletter, subscribers receive the weekly newsletter ***Emerging Sovereign Debt Markets News*** which covers sovereign debt markets of emerging and developing countries. The news has been selected by the PDM Network Secretariat from the ©Thomson Reuters Eikon 2023 and ©Refinitiv 2023 information services.

Events and Courses

AUGUST

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

9 – 12 August 2023: IMF, New Delhi, India
Macroeconomic Issues for Reserve Bank of India Senior Officers

31 August – 1 September 2023: Federal Reserve Bank of Cleveland and European Central Bank, Frankfurt am Main, Germany
Inflation: Drivers and Dynamics 2023 Conference

SEPTEMBER

4 – 8 September 2023: IMF, Ebene, Mauritius
Fiscal Risk Management for Sovereign Guarantees (SFR)

7 September 2023: Faculty Vilnius University of Economics and Business Administration, University of Economics and Business Administration Vilnius, Lithuania
Call for papers World Finance & Banking Symposium

7 – 8 September 2023: The Auckland Centre for Financial Research at the Auckland University of Technology, City Campus, Auckland Central
2023 Derivative Markets Conference

8 – 9 September 2023: Montpellier Business School and the University of Portsmouth School of Accounting, Economics and Finance (UK), Montpellier, France
The 2023 International Conference in Finance, Banking and Accounting (ICFBA)

11– 15 September 2023: IMF, Ebene, Mauritius
Workshop on the Joint IMF WB Debt Sustainability Framework for Low Income Countries

11 – 22 September 2023: IMF, Abu Dhabi, United Arab Emirates
Fiscal Policy Analysis (FPA)

20 – 21 September 2023: The International Centre for Economic Analysis (ICEA), Faculty of Economic Sciences, University of Warsaw, Warsaw, Poland
4th Warsaw Money-Macro-Finance Conference

21 – 22 September 2023: GRETA Associati, CRIF, European Datawarehouse, European Investment Bank, European Investment Fund, Intesa Sanpaolo, Palazzo Franchetti, Venezia, Italy
Social, sovereign and geopolitical risks

21 – 22 September 2023: World Bank/IFS/ODI, Online and in London, UK
5th World Bank/IFS/ODI Tax Conference: The Political Economy of Public Finances

24 – 26 September 2023: Inquire Europe, Cologne, Germany
Innovation in investing for the long term

25 – 29 September 2023: IMF, Vienna, hybrid, or virtual
Debt and Cash Management

27 September 2023: Environmental Finance, New York
ESG in Fixed Income Americas 2023

28 – 29 September 2023: Centre for Economic Policy Research (CEPR), Sveriges Riksbank, Bank for International Settlements (BIS) and European Central Bank (ECB), Stockholm, Sweden
[3rd WE_ARE_IN Macroeconomics and Finance Conference]

OCTOBER

2 – 3 October 2023: Florence School of Banking and Finance
[Climate Risks Academy]

5 – 6 October 2023: The Becker Friedman Institute for Economics, Chicago, Illinois
[Inflation Expectations: Determinants and Consequences]

6 – 7 October 2023: Wharton University of Pennsylvania
[The Ninth Wharton Conference on Liquidity and Financial Fragility]

9 – 13 October 2023: IMF, Vienna, Austria
[Developing Domestic Debt Markets (DDM)]

16 – 20 October 2023: UNCTAD, Abu Dhabi, United Arab Emirates
[8th World Investment Forum]

19 – 20 October 2023: Federal Reserve Bank of Boston, Federal Reserve Bank of Boston and online
[2023 Federal Reserve Stress Testing Research Conference]

20 – 21 October 2023: NACIF, Houston, Texas, USA
[First Annual North American Conference on Islamic Finance]

23 – 27 October 2023: IMF, Singapore
[Public Financial Management Legal Frameworks (LFPFM)]

24 – 25 October 2023: European Stability Mechanism, Luxembourg
[Economic modelling in policy Institutions Workshop]

NOVEMBER

1 November 2023: Environmental Finance, Singapore
[ESG in Fixed Income Asia 2023]

3 – 4 November 2023: The School of Economics and Management of Leibniz University Hannover and the Hannover Center of Finance and Insurance e.V
[Conference on climate and energy finance]
7 – 8 November 2023: The French Ministry for the Economy and Finance, Paris, France
[The sixth edition of the Franco-German Fiscal Policy Seminar]

7 – 8 November 2023: The European Banking Authority (EBA), Eba premises and remote
[“Interest rate and Liquidity Risk Management, Regulation and the Macro-economic environment”.]

9 – 10 November 2023: Corvinus University of Budapest and the Game Theory Research Group, Eötvös Loránd University, Budapest, Ungheria
[The 14th annual financial market liquidity conference]

9 – 10 November 2023: European Central Bank (ECB), Hybrid event: Onsite in Frankfurt am Main and online via WebEx
[ECB Conference on money markets 2023]

14 – 15 November 2023: The Swiss National Bank (SNB), the Bank for International Settlements (BIS), and the Division of International Finance of the Federal Reserve Board (FRB), Zurich, Switzerland
[Third High-Level Conference on Global Risk, Uncertainty, and Volatility . Policy Making Under Uncertainty]

16 – 17 November 2023: The Federal Reserve Bank of Cleveland and the Office of Financial Research, Cleveland, Ohio. Virtual attendance is also available
[2023 Financial Stability Conference]

17 November 2023: OMFIF, Amsterdam NL
[ICMA Secondary Market Forum]

22 November 2023: ICMA, London UK
[ICMA European Primary Market Forum]

25 – 26 November 2023: The University of Birmingham- Sustainable Financial Innovation Research Centre-SFIC, College of Business, Florida Atlantic University, European Financial Management Association and European Financial Management Dubai, United Arab Emirates
[ESG in the Era of Geopolitical and Economic Instability]

DECEMBER

4 – 5 December 2023: The School of Business and Economics of the University of Chile with the support of the Central Bank of Chile, Santiago, Chile
[The Santiago Finance Workshop (SFW)]

4 – 15 December 2023: IMF, New Delhi, India
[Fiscal Sustainability (FS)]

4 – 15 December 2023: IMF, Vienna, Austria
[Macroeconomic Diagnostics (MDS)]

13 – 14 December 2023: Banque de France and the Institut Louis Bachelier, Paris and online
[8th green finance research advances conference]

14–15 December 2023: University of Economics and Business Administration Vilnius, Faculty Vilnius Universityof Economics and Business Administration, Lithuania
[World Finance & Banking Symposium]

18 – 19 December 2023: European Central Bank (ECB), Frankfurt
[Sixth ECB biennial conference on fiscal policy and EMU governance]

2024

FEBRUARY

18–20 February 2024: Emeraldgroup Publishing, Gulf University for Science and Technology, Kuwait
[Accounting, accountability and governance in the Middle East and North African (MENA) region]

Call for papers

DL 31 July 2023: The School of Economics and Management of Leibniz University Hannover and the Hannover Center of Finance and Insurance e.V
[Call for papers Conference on climate and energy finance]

DL 7 September 2023: University of Economics and Business Administration Vilnius
[Call for papers World Finance & Banking Symposium]

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

DL 30 September 2023: Banque de France and the Institut Louis Bachelier, Paris and online
[Call for papers 8th green finance research advances conference]

Job vacancies - PDM Experts

Explore the job vacancies page dedicated to selected job openings from renowned organizations searching for PDM Experts. If your organization is searching for a PDM Expert, please let us know and we will be glad to update our page with a reference to your job advertisement.

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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PDM Network facts and figures

As of 25th July 2023, total documents and reports available on the PDM Network website were 8,948. Events and News uploaded on the website since July 2022 were respectively 358 and 21,188. This newsletter is sent to about 995 Subscribers from EMDEs and AEs.

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