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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

The **PDM Webinar Series** is a new PDM Network initiative. In line with the informative and inclusive spirit of the PDM Network, this initiative 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.

**PDM WEBINAR SERIES #2 - Protecting against Climate-Risks and Disasters: Tools for Ministries of Finance - October 2, 2023 – 9-10 a.m. EDT | 3-4 p.m. CEST**
PDM Network
The second webinar of the PDM Webinar Series is entitled **Protecting Against Climate-Risks and Disasters: Tools for Ministries of Finance** and will be held on **October 2 at 9-10 a.m. EDT | 3-4 p.m. CEST**. The event will feature as speaker **James Seward**, Senior Financial Officer, Capital Markets and Investments team, World Bank Treasury and **Timothy Bishop**, Senior Policy Analyst, Insurance, Directorate for Financial and Enterprise Affairs, OECD, will moderate the event. **Read more** **TAGS: PDM Webinar Series**; **PDM Network**; **World Bank**; **OECD**; **Climate finance**; **Disaster risk**

## Highlight

**CALL FOR PAPERS - 3rd PDM Conference I October 3-4, 2024, Washington, DC**
PDM Network
Following the success of the previous editions (2019 in Paris, France, and 2022 in Rome, Italy), the Public Debt Management Network, an initiative jointly fostered by the OECD, the Italian Treasury and the World Bank, is pleased to announce the call for papers for the 3rd edition of the biennial Public Debt Management Conference, which will be held in Washington DC, United States, on October 3-4, 2024. **Submission deadline: March 30, 2024.** **Read more** **TAGS: PDM Network**; **World Bank**; **OECD**

## Special Focus

**Making Public Debt Public - Ongoing Initiatives and Reform Options**
IMF
The paper develops and assesses options to improve public debt transparency. It first makes the case, both conceptually and empirically, for greater public debt transparency. To guide the development and assessment of options, it examines the factors hindering transparency, including capacity and governance gaps, and borrower and creditor incentives. **Read more** **TAGS: Debt Policy**; **Transparency**; **Best Practices**; **Debt sustainability**; **Financial stability**

**The Debt Games. Is There a Way Out of the Maze?**
Iolanda Fresnillo, Ilaria Crotti - EuroDad European Network on Debt and Development
Since states are not protected by bankruptcy or insolvency laws in national or international law, when a country's sovereign debt becomes unsustainable and it can no longer repay its public debts it cannot simply declare bankruptcy as a private entity would do. **Read more** **TAGS:** **Debt Policy**; **Structural Policy** **Debt sustainability**; **Financial stability**; **Debt crisis**; **Debt Restructuring**

**(Re)orienting Sovereign Debt to Support Nature and the SDGs: Instruments and their Application in Asia-Pacific Developing Economies**
UNDP
Many Asia-Pacific low- and middle-income countries face the dual challenges of sovereign debt distress and climate and biodiversity breakdowns, while lagging on the SDGs. The report proposes means to manage sovereign debt and environmental distress, including how debt-for-nature swaps have been successfully deployed in debt-reorganization packages. […] **Read more** **TAGS:** **Climate finance**; **Climate Change**; **Sovereign debt market**

**The Economics of Sovereign Debt, Bailouts, and the Eurozone Crisis**
Pierre-Olivier Gourinchas, Philippe Martin, Todd Messer - IMF, Science Po, Federal Reserve Board
Despite a formal 'no-bailout clause,' the authors estimate significant net present value transfers from the European Union to Cyprus, Greece, Ireland, Portugal, and Spain, ranging from roughly 0.5% (Ireland) to a whopping 43% (Greece) of 2010 output during the Eurozone crisis. The authors propose a model to analyze and understand bailouts in a monetary union, and the large observed differences across countries. […] **Read more** **TAGS:** **Sovereign debt market**; **Debt and fiscal/monetary policies**; **Debt crisis**

# Documents

## Debt Policy

**European Union Debt Financing: Leeway and Barriers from a Legal Perspective**
**(2023)**
Sebastian Grund, Armin Steinbach - IMF, Max Planck Institute
The authors explore legal leeway for two approaches to debt-financing European Union spending: creation of extra budgetary, one-off and temporary EU funds to finance European public goods (similarly to NextGenerationEU), and debt-financing the EU's regular budget, hence creating an on-budget, permanent borrowing capacity at EU level. […]
**TAGS:** **Debt Policy**; **International and; Macroprudential Regulation**; **Cost and Risk**; **Bond market development**; **Primary market**

**Korea has Increased its Lending to Emerging Market and Developing Economies but Faces Risks if their Debt Problems Grow**
**(2023)**
Julieta Contreras, Adnan Mazare - Peterson Institute for International Economics
Over the last few decades, South Korea has transitioned from an aid beneficiary to a provider of financial aid to emerging-market and developing economies (EMDEs). This

Policy Brief examines Korea's role as a creditor to EMDEs and how EMDE debt problems affect it as a creditor. For now, Korea's direct exposure to EMDEs is not large. In 2021, the latest year with comprehensive data, the stock of Korea's claims on EMDEs amounted to almost $11 billion, about 0.6 percent of its GDP. Although this share is larger than those of some countries with similar GDP per capita, such as Italy and Spain, it is well below the shares of others, such as China and Japan. The immediate risks from Korea's lending are limited, but it is vulnerable to risks from a systemic EMDE debt crisis in other ways, particularly through trade. It is therefore in Korea's interest to continue to play a constructive role in ongoing international efforts, especially through the G20, to establish more effective debt restructuring frameworks. **TAGS:** **Debt policy**; **Debt Restructuring**; **Debt Statistics**; **Debt crisis**

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## Brazil Launches Sovereign Sustainable Bond Framework

**(2023)**

gov.br - Ministério da Fazenda, Brazil

The Federal Government launchedon September 5th, 2023, Brazil's Sovereign Sustainable Bond Framework, a reference document for the issuance of sovereign debt securities using resources backed by budgetary expenses that directly contribute to promoting the country's sustainable development. This initiative reaffirms Brazil's commitment to sustainable policies, aligning itself with the growing interest of non-resident investors and the expansion of thematic bond markets worldwide. The Framework was developed by the Sovereign Sustainable Finance Committee (CFSS), involving collaborative efforts from various federal government agencies that comprise it. The development of the Framework also received support from the Inter-American Development Bank (IDB) and the World Bank. [...] **TAGS:** **Green bonds**; **Climate finance**

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## The Legal Foundations of the African Public Debt

**(2023)**

Lyla Latif - University of Nairobi

Public debt in African economies poses a range of challenges and opportunities that necessitate a comprehensive examination. This research paper aims to address a key question: What are the challenges and opportunities associated with public debt in African economies, and how can they be addressed through a comprehensive understanding of the historical emergence, legal foundations, theoretical dimensions, creation processes, rights and liabilities, and transparency mechanisms related to public debt? To shed light on this inquiry, the paper delves into the complex and multi-layered issue of public debt in African economies, aiming to provide an in-depth examination. It traces the historical emergence of public debt, positioning it as a product of colonial constructs and contract law. Furthermore, the paper elaborates on the legal foundations of public debt, which are grounded in both national and international law. The study navigates through the theoretical backdrop of public debt, casting light on its economic, legal, and human rights dimensions. It further delineates the intersections of these theories in the realm of public debt mitigation. By exploring these aspects, the paper seeks to contribute to a deeper understanding of the challenges and opportunities associated with public debt in African economies. Continuing the analysis, the research scrutinises the genesis of public debt and the associated legal instruments in detail. It describes the process of debt procurement, key actors involved, and contractual provisions. Moreover, it explores various debt instruments, including bonds, treasury bills, notes, and sovereign loans. The rights and liabilities arising from these debt instruments are also discussed, with a keen focus on the key considerations for efficient and effective public debt management. […] **TAGS:** **Sovereign debt market**

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**India's Debt Dilemma**

**(2023)**

Barry Eichengreen, Poonam Gupta, Ayesha Ahmed - University of California, Berkeley, National Council of Applied Economic Research

India was an outlier on fiscal outcomes pre-pandemic, before drifting further in the high debt direction during COVID. Its debt-to-GDP ratio is not likely to fall anytime soon. Current high levels of debt limit the resources available for other priorities such as health, education and climate change abatement. At the same time, there is no immediate crisis of debt sustainability: institutional factors limit rollover risk, and interest rates have not risen with additional debt issuance. But financial stability and sustainability risks may arise in the future, and lack of resources to meet pressing needs is a drag on growth. Consolidation would require lower primary deficits achieved through greater tax revenue generation and privatization, all while protecting and prospectively increasing capital spending. Contingent liabilities have posed risks to the public finances of the States and should be minimized by fiscal-management reforms. As their debt manager, the RBI should ensure that States face the market interest rates warranted by their current and projected debt levels. Fiscal Commissions should provide stronger incentives for prudence. **TAGS:** **Debt sustainability**; **Debt and growth**; **Debt and fiscal/monetary policies**

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**The Climate Change Challenge and Fiscal Instruments and Policies in the EU**

**(2023)**

Aris Avgousti et al. - European Central Bank

Fiscal policy plays a prominent role in climate change mitigation and adaptation. An optimal combination of revenue policies, in particular taxes, and expenditure policies, such as subsidies and investment, is essential in order to achieve greenhouse gas emissions targets. This paper analyses the main fiscal instruments in place in European Union Member States, focusing on specific issues, such as the fiscal impact of extreme weather events, the interaction between debt sustainability and climate change, the green investment gap and the distributional impact of climate policies. The paper aims to provide an overview of existing fiscal policies and of the main fiscal challenges for a comprehensive European climate change strategy. **TAGS:** **Debt sustainability**; **Debt and fiscal/monetary policies**; **Climate change**; **Climate finance**

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**Calibrating Fiscal Rules: a Consideration of Natural Disaster Risks**

**(2023)**

Olusegun Ayodele Akanbi, William Gbohoui, Waikei R Lam - IMF

This technical note assesses how large shocks from natural disasters are key source of vulnerabilities for public finances. It extends the IMF Fiscal Affairs Department calibration toolkit by developing a methodology to calibrate fiscal rules in the event of natural disaster shocks and the possibility of implementing climate adaptation and mitigation measures. The features incorporated in this technical note would allow the calibration of a prudent medium-term fiscal anchor as well as annual budgetary limits that ensure the sustainability of public finances. The note is accompanied by a set of toolkits that provides instructions on calibrating a medium-term debt anchor and corresponding operational rules in the presence of natural disaster risks, accounting for climate investment and other mitigation mechanisms. **TAGS:** **Climate finance**; **Disaster risk**

**Inflating away the Debt: The Debt-Inflation Channel of German Hyperinflation**
**(2023)**
Markus Brunnermeier et al. - VoxEU
The recent rise in price pressures around the world has reignited interest in understanding how inflation transmits to the real economy. This column exploits a newly digitised firm-level database to offer new insights from one of the key events in monetary history: the Great German Inflation of 1919-23. The findings provide empirical evidence supporting the relevance of the debt-inflation channel in the transmission of unexpected inflation to the real economy. […] **TAGS:** **Debt crisis**; **Debt and fiscal/monetary policies**; **Debt sustainability**

**Policies for Liquid and Well Functioning Sovereign Debt Markets**
**(2023)**
Alessandro Tombini - BIS
Speech by Mr Alexandre Tombini, Chief Representative for the Americas, Bank for International Settlements, at the Panel on Sovereign debt: liquidity and consequences, Central Bank Research Association (CEBRA) Annual Meeting, hosted by the Federal Reserve Bank of New York, 5 July 2023. **TAGS:** **Debt Policy**; **Debt and fiscal/monetary policies**; **Cost and Risk**; **Financial stability**

**Striving for Effective Debt Policy and Management: Benin's Journey**
**(2023)**
Wilfried A. Kouame, H. Hakan Yavuz - World Bank
Amidst the diverse landscape of debt policy and management in Sub-Saharan Africa (SSA), Benin has emerged as a country demonstrating strong progress in its approach to financial governance. In this blog, the authors will explore the factors contributing to Benin's success, highlighting the steps taken by the government to promote balanced and transparent debt management. With a score of 4.5 in the 2022 Country Policy and Institutional Assessment, Benin has surpassed the SSA IDA average of 3.1, showcasing its commitment to responsible fiscal practices. The country's economic performance has been supported by a strong legal framework, ongoing reforms, and effective coordination between debt management and macroeconomic policies. In 2018, the country improved its debt management capacity by introducing a public debt management procedures manual and a system to monitor the debt of state-owned enterprises (SOEs) and their contingent liabilities. The Beninese Debt Management Agency (CAA) updates its debt strategy annually and submits it to Parliament together with the Budget Law. The CAA also regularly updates its Medium-Term Debt Strategy (MTDS) to ensure smooth and effective debt management. Additionally, the CAA has established a mechanism for more timely and effective disbursement of external loans by appointing portfolio officers in close contact with investment project coordinators. […] **TAGS:** **Blog**; **Debt Policy**; **Financial Analysis**; **Best Practices**

**[Caribbean Climate Crisis Demands Urgent Action by Governments and Investors](#)**
**(2023)**
Alejandro Guerson, James Morsink, Sònia Muñoz - IMF
The region has received minimal private climate financing despite being highly vulnerable to climate disasters and having the greatest need. The Caribbean is the most exposed region to climate-related natural disasters, with estimated adaptation investment needs of more than $100 billion, equal to about one-third of its annual economic output. Moreover, with electricity largely generated using fossil fuels, energy prices in the Caribbean are among the highest in the world, highlighting the need for investment in lower-cost and lower-carbon energy production. […] **TAGS: Blog; Climate finance; Debt Restructuring; Debt relief; Debt sustainability; Multilateral financing; Contingent Liabilities**

**Weak Global Economy, High Inflation, and Rising Fragmentation Demand Strong G20 Action**
**(2023)**
Kristalina Georgieva - IMF
When the G20 finance ministers and central bank governors meet in Gandhinagar next week, the world will be looking for joint action to address rising economic fragmentation, slowing growth, and high inflation. Agile multilateral support is vital to tackle common challenges posed by debt vulnerabilities, climate change, and limited concessional financing—especially for countries hit by shocks not of their making. In April, the IMF projected global growth at 2.8 percent in 2023, down from 3.4 percent in 2022. The bulk of it–over 70 percent–is expected to come from the Asia-Pacific region. Yet, recent high frequency indicators paint a mixed picture: weakness in manufacturing contrasts with resilience in services across the G20 countries and strong labor markets in advanced economies. At the same time, financial fragilities uncovered by tight monetary policy require careful management—particularly as restoring price stability remains a priority. Global headline inflation seems to have peaked, and core inflation has eased somewhat, particularly in India. But in most G20 countries—especially advanced economies—inflation remains well above central banks' targets. […] **TAGS: Blog; Debt sustainability; Debt crisis; Debt Restructuring; Climate change**

## Cost and Risk

**Charting a Course Through Rough Seas: How Emerging Markets Can Navigate Tougher External Conditions**
**(2023)**
Gita Gopinath - IMF
Keynote Address by First Deputy Managing Director Gita Gopinath at the South African Reserve Bank Biennial Conference: "Today, I will focus on emerging markets (EMs) like South Africa and discuss three important ways in which the external conditions they face have changed since before the pandemic. First, global financial conditions are tougher. Second, geoeconomic fragmentation is rising. Third, climate change is inflicting growing costs. Together, these changes are transforming the economic landscape and making the world more volatile and uncertain" […] **TAGS: Speech; Foreign Debt; Debt sustainability; Financial stability; Debt and fiscal/monetary policies**

## Secondary Markets

**Examining US Monetary Spillover to Indonesian Local Currency Government Bonds in Volatile Periods**

**(2023)**

Muhammad Fajar Nugraha - Ministry of Finance Indonesia

This study analyzes the magnitude of the US monetary policy spillover on the Indonesian local currency government bond yield, particularly when the Federal Reserve (Fed) implemented the quantitative easing (QE), tapering off, Fed fund rate (FFR) normalization, and quantitative tightening over the past decades. Understanding the global economic dynamics, such as changes in US monetary policy, can be a critical policy input to mitigate risks in the Indonesian economy, particularly in anticipating the monetary normalization policy amidst COVID-19 uncertainty. Changes in US monetary policy in the form of tapering off, increasing the FFR, and quantitative tightening as an external phenomenon that can affect the yield of Indonesian local currency government bonds. [...] **TAGS:** **Subnational Debt**; **Financial Analysis**; **Foreign Debt**; **Sovereign bonds yields**; **Debt sustainability**; **Financial stability**

## Subnational Debt

**The "Privatization" of Municipal Debt**

**(2023)**

Ivan Ivanov, Tom Zimmermann - Federal Reserve Bank of Chicago, University of Cologne

The authors study the determinants of local governments' reliance on bank loans using granular data from the Federal Reserve. Governments that are larger, rely on stable revenue sources, or have higher spending relative to revenues are more likely to borrow from banks. About a third of governments in the top revenue quintile have obtained bank loans since 2011, typically accounting for a fifth of their total debt. Declines in revenues, reductions in bond market access, agency rating downgrades, and relationships with financial advisers and underwriters all strongly predict higher bank loan reliance. While resemblance between bank loans and bonds is limited, loans afford governments significant financial flexibility not otherwise available in the municipal bond market. The frequent loan renegotiation and credit line use are both highly responsive to changes in credit quality, thereby tailoring debt contracts to changes in government fundamentals. **TAGS:** **Subnational debt**; **Debt and fiscal/monetary policies**

**Local Government Debt and Corporate Labor Decisions: Evidence from China**

**(2023)**

Kam C. Chan, Qi Lin, Guanglong Zhang - Western Kentucky University, Shanghai Business School, Fudan University

The authors examine whether the debt pressure of local governments prompts them to transfer part of their social responsibilities to local firms, through the lens of corporate employment in China. First, the authors find that when local government debt (LGD) is higher, local firms are less likely to cut down labor costs when their sales decrease, indicating greater labor cost stickiness. Second, the authors demonstrate that this is due to the "responsibility-transferring" effect, i.e., when confronted with heavier debt burdens, local governments are likely to transfer part of social responsibilities to local firms by restricting their worker layoffs. Consistent with this argument, the authors find that the effect of LGD on labor cost stickiness is more pronounced for state-owned enterprises and politically connected firms, in regions with lower marketization levels and higher government fiscal deficits, as well as when regional unemployment rates, macroeconomic uncertainty, and political risk are higher. Third, the authors show that this "responsibility-transferring" effect leads to reduced social expenditures by local governments, easing their pressure amidst high LGD levels. However, such government intervention may not necessarily align with the optimal interests of firms, as those with stickier labor costs have lower productivity and market value in the subsequent year, even though local governments reciprocate them with some subsidies. Our study suggests that LGD not only adversely impacts private sector financing through the "crowding-out" effect but also directly influences firm operating efficiency through the "responsibility-transferring" effect. **TAGS:** **Subnational debt**

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**Subnational Public Debt Sustainability in Mexico: Is the New Fiscal Rule Working?**
**(2023)**

Rene Cabral, Ernesto del Castillo - Tecnológico de Monterrey - EGADE Business School

In 1997, after a costly bailout, the central government of Mexico passed legislation intending to improve subnational finances through fiscal decentralization. As a result, many states began to accumulate debt during the following decade rapidly. Subnational public debt grew threefold between 1996 and 2006. The global financial crisis only aggravated the debt accumulation problem, which increased by 320% between 2006 and 2016. In response, a new law with a set of fiscal rules for subnational governments was enacted in 2016, namely, the Law of Fiscal Discipline (LDF) for states and municipalities. This study evaluates the impact of the fiscal rule alert system on the levels of debt accumulation across Mexican states. Using a quarterly panel dataset comprising the period 2013–2020 and employing difference-in-differences techniques, the authors observe a significant reduction of 4% in public debt between treated and untreated states and 5.8% in debt per capita. Moreover, the authors document that even after the first wave of the COVID-19 pandemic, the new fiscal rule effectively reduced the pace of subnational public debt in Mexico. **TAGS:** **Debt sustainability**; **Sovereign debt market**; **Debt and growth**; **Debt and fiscal/monetary policies**

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**The Pricing of Local Government Bonds in China**
**(2023)**

Xi Qu, Zhiwei Xu, Jinxiang Yu - Shanghai Jiao Tong University (SJTU), School of Economics, Fudan University

This paper examines the pricing mechanism of Chinese local government bonds and estimates the impact of the reform policy implemented in May 2018. Our findings indicate that before the reform policy, the bond spread was significantly depressed by the intervention of local governments. However, this pattern diminished after the implementation of the reform policy. After the reform, the pricing of local government bonds exhibited a stronger correlation with market liquidity and policy uncertainty while remaining insensitive to the debt burden of the local government. Furthermore, compared with general bonds, the pricing of special bonds shows less association with risk factors. **TAGS:** **Sovereign debt market**; **Sovereign spreads**

## Financial Analysis

**Don't Blame the Government!? An Assessment of Debt Forecast Errors with a View to the Economic Governance Review**
**(2023)**
Alena Bachleitner, Doris Prammer - Office of the Fiscal Advisory Council, Austrian National Bank
In view of the increased importance of debt developments in the EU governance framework, this paper investigates the accuracy and the main causes of forecast errors in (government) debt projections. The authors find a positive average debt forecast error for European Union member states, which increases with the projection horizon. Underestimation of debt growth is particularly relevant for countries with high government debt. The main drivers of the debt forecast errors seem to be partly outside direct government control: Wrongly projected overall GDP developments and stock flow adjustments - a factor which has not been considered in the literature so far. Moreover, the high uncertainty in debt forecasts is also inherent in the European Commission's benchmark forecasts: only their now-cast remains unbiased. **TAGS:** **Debt Forecasts**; **Sovereign debt exposure**; **Debt Policy**

**Convenient but Risky Government Bonds**
**(2023)**
Matthias Kaldorf, Joost Röttger - Deutsche Bundesbank
How does convenience yield interact with sovereign risk and the supply of government bonds? The authors propose a model of sovereign debt and default in which convenience yield arises because investors are able to pledge government bonds as collateral on financial markets. Convenience yield is dependent on the valuation of collateral, which is negatively dependent on the supply of government bonds, and haircuts that increase with sovereign risk. Calibrated to Italian data, convenience yield contributes substantially to the public debt-to-GDP ratio and can rationalise prolonged periods of negative bond spreads, even in the presence of default risk. The authors show that the debt elasticity of convenience yield is the most important driver of our results. Decomposing it into the debt elasticity of a collateral valuation and a haircut component, the authors find that, under empirically relevant conditions, a higher debt elasticity of haircuts can reduce fiscal discipline. **TAGS:** **Sovereign defaults**; **Sovereign risk**; **Sovereign bond market**

**Innovative Climate Financing for a Just Transition in Africa**
**(2023)**
Seoni Han - Korea Institute for International Economic Policy
Addressing climate change is a global challenge that demands innovative solutions and financing mechanisms to ensure a just transition in Africa. Africa is the world's smallest contributor to global greenhouse gas emissions, but it is the most vulnerable to climate change. While promoting green growth is of utmost importance, building climate resilience in Africa comes at a high cost. Due to the significant climate financing gap in the region, mobilizing resources for investing in climate solutions requires innovation in financing structures. African countries that are low-income, highly indebted, or with insufficient fiscal capacity can benefit from innovative solutions such as green bonds, debt-for-climate swap, and reallocation of Special Drawing Rights. Furthermore, private sector needs to scale up its investment to supplement limited public resources. Blended finance can be used as a catalyst to attract private investments for

climate-related projects. Additionally, natural capital accounting, valuating the economic worth of natural assets and ecosystems, is increasingly being used in decision-making processes for countries and businesses to comprehend the environmental impacts of their activities and reduce risks. The rapidly expanding African population and abundant renewable energy and mineral resources make sustainable development essential for the continent's interests. Hence, it is crucial for the international community to strongly support African countries' efforts in this regard by introducing innovative financing schemes for a just transition for Africa, reconciling the continent's development needs and climate obligations. **TAGS:** **Debt sustainability**; **Climate finance**

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**Recession Risks Are Falling, ut a Toxic Trio Still Threatens the Global Economy**

**(2023)**

Indermit Gill, M. Ayhan Kose - World Bank

A collective sigh of relief is going up in some of the wealthiest economies. They have proved to be remarkably resilient in the face of the steepest rise in interest rates in decades. In the U.S., inflation has been whittled down, so far without much harm to growth or employment. Growth in some developing economies, including India and a few others in East Asia, has also been strong. Don't break out the champagne yet. The near-term risk of global recession may have receded, but the world economy remains fragile. Even in the economies showing resilience, the recent upbeat mood could vanish as the slow-acting effects of high interest rates sink in. A toxic trio remains firmly in place, threatening the global economy: elevated debt levels, tighter financial conditions, and weaker growth prospects. For many developing economies, these are often the ingredients of a financial crisis. […] **TAGS:** **Blog**; **Debt and fiscal/monetary policies**

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**A Model for Bond Risk Premia and the Macroeconomy**

**(2023)**

Ralph Sueppel - MacroSynergy

An empirical analysis of the U.S. bond market since the 1960s emphasizes occasional abrupt regime changes, as defined by yield levels, curve slopes, and related volatility metrics. An arbitrage-free bond pricing model illustrates that bond risk premia can be decomposed into two types. One is related to continuous risk factors, traditionally summarized as the level, slope, and curvature of the yield term structure. The other type is related to regime-switching risk. Accounting for regime shift risk adds significant explanatory power to the model. Moreover, risk premia associated with regime shifts are related to the macroeconomic environment, particularly inflation and economic activity. The market price of regime shifts is strongly pro-cyclical and largely explained by these economic indicators. Investors apply a higher regime-related discount to bond values when the economy is booming. […] **TAGS:** **Financial Analysis**

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**Lifting the Lid on a Liquidity Crisis**

**(2023)**

Lydia Henning et al. - Bank Underground

Autumn 2022 saw some of the largest intraday moves in gilt yields in history. It was then that jargon normally confined to financial stability papers entered into mainstream commentary – 'LDI', 'doom loop', 'deleveraging'. And it was then that the Bank of England engaged in an unprecedented financial stability motivated government bond market intervention. What happened and why has been set out in detail in official Bank communications. This article instead hovers a magnifying glass over transaction-level regulatory data on derivative, repurchase agreements (repo) and bond markets to quantify liability-driven investment (LDI) and pension fund behaviour and enrich our understanding of these exceptional few weeks of stress. […] **TAGS:** **Blog**; **Financial Analysis**; **Market Liquidity**; **Sovereign bonds yields**

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**The Impact of the Social Mood on the Italian Sovereign Debt Market: A Twitter Perspective**
**(2023)**
Giovanni Carnazza - Italian Economic Journal
By analysing the relationship between a new experimental daily index based on Twitter data (the Istat's Social Mood on Economy Index—SMoEI) and the structure of Italian (and Spanish) sovereign interest rates, our work sheds new light on the great significance of the interconnections between economic sentiment and the Italian sovereign bond market. A placebo test performed on Spain introduces a possible extension of this linkage to the European market, highlighting the deep integration of financial markets within the European Monetary Union. Within a VAR and VECM framework with daily frequency data (2016–2022), the authors show that public shaping mechanisms play a role in the cost of debt financing. Our analysis emphasises the importance of economic sentiment when it comes to financial markets, putting the role of macroeconomic fundamentals in a different light […] **TAGS:** **Sovereign bonds yields**; **Cost and Risk**

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**Strengthening Monetary Policy Frameworks in the Caucasus and Central Asia**
**(2023)**
Tigran Poghosyan et al. - IMF
Amidst a global backdrop of persistent post-COVID inflation and spillovers from Russia's war in Ukraine, the countries of the Caucasus and Central Asia (CCA) region have faced strong price pressures in recent years. Inflation is estimated to have peaked in early 2023, but still exceeds central bank targets. In particular, core inflation remains stubbornly high reflecting a combination of second-round effects, surges in global energy and food prices, and domestic demand pressures. More broadly, uncertainty and downside risks also weigh on the economic outlook, including due to regional tensions, financial turmoil related to international monetary policy normalization, and a growth slowdown in key trading partners. In this context, CCA countries' ability to contain inflationary pressures and anchor inflation expectations hinges on the credibility and effectiveness of their monetary policy frameworks. Since gaining independence in the 1990s, countries in the CCA region have made considerable progress in modernizing their monetary policy frameworks. CCA central banks have strengthened their legal frameworks and established broad de-jure independence. Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, and Uzbekistan are transitioning to inflation targeting regimes, while the central banks of Azerbaijan, Tajikistan, and Turkmenistan rely on the exchange rate as an operational target. However, the post-COVID surge in inflation has highlighted the limitations of current frameworks and triggered a fresh policy debate on the need to strengthen monetary policy effectiveness in the CCA. This paper reviews the CCA region's monetary policy landscape, highlights challenges in monetary policy design and implementation, and identifies areas that warrant strengthening. It draws on original surveys of country authorities, IMF country teams, and the work by Unsal and others (2022). It uses novel empirical work to analyze monetary policy transmission, the link between foreign exchange interventions and

exchange rate dynamics, the drivers of financial de-dollarization, and the effects of central bank communication in the CCA. **TAGS:** **Debt and fiscal/monetary policies**

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**Collateral Damage**
**(2023)**
Claudio Borio et al. - VoxEU
The use of collateral has deepened and broadened financial markets, notably by expanding hedging possibilities. But as this column argues, it comes with side effects that raise financial stability risks of their own. Collateral does protect individual creditors from idiosyncratic defaults in the small – a plus when they are themselves systemic. But by reducing incentives to screen and monitor borrowers, when widely used, it can also increase aggregate leverage and hence the incidence of defaults in the large. And by shifting the loss absorption function to markets, it heightens liquidity risk, which can trigger or amplify system-wide disruptions. Of particular concern today, an adverse shock to the value of government paper used as collateral could trigger destabilising dynamics, including a temporary loss of its safe haven status. […] **TAGS:** **Derivatives**; **Financial stability**; **Cost and Risk**; **Market Liquidity**

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**Should We Bother with Sovereign Sustainability Bonds?**
**(2023)**
Daniel C. Hardy - The Vienna Institute for International Economic Studies
Special government bonds to fund the transition to sustainability have proliferated. It is argued here that use-of-proceeds sovereign green bonds issued by an investment-grade country have no environmental impact, and fail to achieve other policy objectives. Performance-linked bonds contribute to policy commitment and accountability, but are hard to price and calibrate. Implementing effective environmental policies is the best way to mobilize sustainability financing. Many governments, especially in Europe, have issued sustainability bonds, with the general aim of contributing to the financing of the transition to a sustainable economy. Much is claimed for them, and the sums involved are large. Now that evidence from diverse country experience has accumulated, it is worth assessing how well these instruments in fact achieve policy objectives, and thinking again about their optimal design. […] **TAGS:** **Green bonds**; **Climate finance**; **Debt Transparency**

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**Original Sin Redux: Role of Duration Risk**
**(2023)**
Carol Bertaut, Valentina Bruno, Hyun Song Shin - Federal Reserve Board, American University, BIS
Emerging market economies (EMEs) have been able to tap global capital markets by issuing government bonds in domestic currency. The "low-for-long" period of monetary policy globally has encouraged the issuance of longer-maturity bonds. The paper shows the mutually reinforcing nature of currency risk and duration risk. The disruptive impact of tightening global financial conditions is much larger when the EME government bonds have long maturities. The study makes use of a detailed and comprehensive data set of US investors' holdings of EME sovereign bonds. It examines the sensitivity of each investor sector's holdings to shifting financial conditions as proxied by the fluctuations in the broad dollar index. The "low-for-long" period of accommodative monetary policy has been accompanied by the lengthening of the maturity of bond issuance and outstanding stocks. While longer-maturity borrowing provides resilience against rollover risk, it

increases duration risk for the investor, leading to portfolio outflows and associated tightening of financial conditions in the borrowing country. […] **TAGS:** **Financial Analysis**; **Sovereign debt market**; **Cost and Risk**; **Foreign Debt**

public institutions. The results show that the excess premium estimated for SSA countries vanishes when these structural factors are accounted for in the regressions. **TAGS:** **Sovereign debt market**; **Sovereign bonds yields**; **Sovereign spread**

**Sub-Saharan Africa's Risk Perception Premium: In the Search of Missing Factors**
**(2023)**
William Gbohoui, Rasmané Ouedraogo, Yirbehogre Modeste Some - IMF

Policymakers from the sub-Saharan Africa (SSA) region often flag a mispricing of their sovereign debt presumably originating from a perception risk by international investors that lead to "unjustifiably" high borrowing costs. Against this background, this paper explores the extent to which a potential SSA premium exists in the financial markets following a broader two-fold approach. Firstly, using a sample of 1592 international primary sovereign fixed coupon bonds issued between 2003-2021 from Bond Radar by 89 countries, the authors find that SSA countries pay significantly higher coupon at issuance compared to their peers from other regions. Secondly, the authors assess whether there is any bias against SSA countries in the secondary market that would result in higher refinancing cost. Based on an unbalanced panel of quarterly data covering 107 countries over 1990 – 2022, the authors find that SSA countries pay higher refinancing costs in the secondary market. The paper further explores whether there are other factors overlooked by the literature that matter for the risk pricing by international investors. In that respect, the authors explore the sensitivity of spreads to some structural dimensions where SSA countries face acute challenges—the transparency of budget process, the importance of the informal sector, the level of financial development, and the quality of

**How Do Inflation Shocks Affect Public Debt Dynamics?**
**(2023)**
Oscar Valencia, Juliana Gamboa-Arbeláez, Gustavo Sánchez - Inter-American Development Bank, University of Minnesota

The COVID-19 pandemic had a very large impact on government finances. As governments saw their revenues reduced and their expenditures increased to cope with the health and social emergencies, the public debt rapidly mounted. By the end of 2020, the debt-to-GDP ratios had increased by 10 percentage points (pp) compared to pre pandemic levels in the average emerging economies. The large surges in indebtedness increased pressures for governments to reduce their debt-to-GDP ratios to lower the risks of fiscal unsustainability. Governments have several policy options to achieve these goals. Some of these options include: (i) austere fiscal policy, which reduces the need for new borrowing, (ii) more rapid economic growth, which help reducing the relative burden of the debt, and (iii) defaulting, following a restructuring process. […] **TAGS:** **Blog**; **Sovereign debt market**; **Cost and Risk**; **Financial Analysis**; **Debt and fiscal/monetary policies**

## Debt Crisis

### Debt Clouds over the Middle East

**(2023)**

Adnan Mazarei – IMF

There is a debt storm brewing in parts of the Middle East and North Africa (MENA). Debt across the region has been climbing, reaching very high levels in several countries (Chart 1). Egypt, Jordan, and Tunisia are in a precarious situation, their economic stability teetering as they grapple with the prospects of a debt crisis. Lebanon, already reeling from one of the worst economic crises in the world, is a cautionary tale. Its plunge into default has thrown a harsh spotlight on these countries' acute debt-related challenges and their broader ramifications. The rising tide of debt, coupled with tough global economic prospects, is stirring up a perfect storm (Chart 2). This crisis has been fueled by scarcer low-interest financing and the affluent MENA oil producers' reluctance to continue the unconditional financial support of the past. Exacerbating this complex equation are the difficult social conditions these countries face, leaving little room for significant fiscal consolidation. Consequently, maintaining debt sustainability is a colossal challenge for these countries, and it is growing ever more daunting. […] **TAGS:** Debt crisis; Sovereign debt market

### Sovereign Debt Restructuring: The Need for a New Approach

**(2023)**

Anna Gelpern, Andrew Powell - Peterson Institute for International Economics and Georgetown Law, Inter-American Development Bank

High debt levels after the pandemic raised concerns about a wave of sovereign defaults. A focus has been on low-income countries, but several middle-income nations also face high debt burdens and recent restructurings in Latin America and the Caribbean revealed both unresolved problems and new concerns. In this paper, the authors document how LAC has been at the center of restructuring innovations and discuss the predicaments of countries with increasingly diverse creditors and instruments. The authors argue for a regional hub and spoke institutional arrangement to complement existing global initiatives to harness regional knowledge and to speed progress to improve restructuring processes. **TAGS:** Debt Restructuring; Sovereign defaults

### The World Is Going Bust: What Is the Sovereign Debt Crisis and Can We Solve It?

**(2023)**

Andrew Thurston - Boston University

BU's Global Development Policy Center has released a plan to save nations from what a UN secretary-general has called one of "the biggest threats to global peace". Whenever a new American debt emergency rolls around, it tends to be predictable: doomsaying politicians trade barbs and brinksmanship until they find a way to kick the problem down the road. The debt ceiling gets raised, some spending gets added or subtracted, the nation continues paying its loan interest, and life goes on. But these periodic moments of borrower's remorse have nothing on the peril posed by the global sovereign debt crisis. According to the International Monetary Fund (IMF), 70 countries are at risk of debt distress—meaning they might default on their loans. That's more than a third of all countries in the world. Some nations have already tumbled into trouble: Lebanon, Russia, Sri Lanka, Suriname, and Zambia have all defaulted. When Sri Lanka skipped payments, its economy crashed, protesters stormed the presidential palace, and the country's leader was forced from power. Rebeca Grynspan, the secretary-general of the United Nations Conference on Trade and Development, has called the debt crisis one of “the biggest threats to global peace and security.” **TAGS:** **Structural policies**; **Debt Policy**; **Debt crisis**; **Debt sustainability**; **Debt Restructuring**; **Debt relief**; **Financial stability**

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**IDA in the Debt Crisis: Exploring Feasible Deals Through Comparability of Treatments and New Loans**

**(2023)**

Ishac Diwan, Brendan Harnoys-Vannier, Martin Kessler - Finance for Development Lab

Several low-income and lower-middle income countries with access to concessional World Bank financing are now negotiating a debt restructuring program, which entails the sharing of losses by the different creditors. The goal of this note is to estimate the size of losses, at the current juncture of the debt crisis, and how they can be distributed among the different types of creditors. The authors also consider how the MDB system can play a more prominent role in this context. There have been suggestions to put MDB’s preferred creditor status in question. In this paper, which focuses on the role of IDA, the authors propose instead to view its participation as providing new loans and estimate a possible envelope. The authors start by identifying countries that require debt restructuring and estimate the amount of debt reduction needed to bring them back to a sustainable path. In a second step, the authors distribute financial contributions across creditors. One contribution of this paper is to propose alternative approaches to Comparability of Treatment: not only as proportional reduction in present value claims, but by requesting a higher contribution from non-concessional lenders. […]

**TAGS:** **Debt crisis**; **Debt Restructuring**; **Debt sustainability**; **Multilateral financing**

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**Debt Crisis not yet Bad Enough - How Creditors Downplay the Need to Act**

**(2023)**

Kristina Rehbein, Jürgen Kaiser - erlassjahr.de

136 out of 152 countries in the Global South are at least slightly critically indebted, 40 of them very critically. Without urgently needed reforms of the international debt architecture, the latest wave of debt crises in the Global South cannot be solved. The leaders of the World Bank and the International Monetary Fund (IMF) have also repeatedly called for this. Recently, however, the staff of the institutions has been cautiously moving away from the alarmist discourse of the leaderships and adopting more reassuring tones. This also applies to other actors in global debt crisis management such as the Paris Club, the World Bank or individual governments, including the German government. In April 2023, (current and former) IMF staff have now attempted to support this discourse through a more detailed study. In the study, they demonstrate that the situation of low-income countries today is still a long way from the dramatic levels of over-indebtedness of the last global debt crisis in the 1990s. The implicit message of this study is that comparably dramatic changes in dealing with debt crises, such as the far-reaching debt relief through the Heavily Indebted Poor Countries Initiative (HIPC) at the turn of the millennium, are not (yet) necessary. The study comes at a time when criticism of the G20's Common Framework and the lack of debt relief is growing louder. […] **TAGS:** **Debt crisis**; **Debt relief**; **Debt Restructuring**; **Multilateral financing**

## Institutional and Organizational Framework

### [Money and the Public Debt: Treasury Market Liquidity as a Legal et Liquidity as a Legal Phenomenon]

**(2023)**

Lev Menand, Joshua Younger - Columbia Law School, Federal Reserve Bank of New York

The market for U.S. government debt (Treasuries) forms the bedrock of the global financial system. The ability of investors to sell Treasuries quickly, cheaply, and at scale has led to an assumption, in many places enshrined in law, that Treasuries are nearly equivalent to cash. Yet in recent years Treasury market liquidity has evaporated on several occasions and, in 2020, the markets near collapse led to the most aggressive central bank intervention in history. This Article pieces together what went wrong and offers a new account of the relationship between money issue and debt issue as mechanisms of public finance. It argues that a high degree of convertibility between Treasuries and cash generally requires intermediaries that can augment the money supply, absorbing sales by expanding their balance sheets on both sides. The historical depth of the Treasury market was in large part the result of a concerted effort by policymakers to nurture and support such balance sheet capacity at a collection of nonbank broker-dealers. In 2008, the ability of these intermediaries to augment the money supply became impaired as investors lost confidence in their money-like liabilities (known as repos). Subsequent changes to market structure pushed substantial Treasury dealing further beyond the bank regulatory perimeter, leaving public finance increasingly dependent on high-frequency traders and hedge funds— "shadow dealers." The near money issued by these intermediaries proved highly unstable in 2020. Policy makers are now focused on reforming Treasury market structure so that Treasuries remain the world's most liquid asset class. Successful reform likely requires a legal framework that, among other things, supports elastic intermediation capacity through balance sheets that can expand, and contract as needed to meet market needs. **TAGS:** Financial Analysis; Secondary Markets; Debt and fiscal/monetary policies

### Unveiling the Nexus between Article 122(II) of the Treaty on the Functioning of the European Union and State Debt Crises: Legal, Economic, and Socio-Political Dimensions in the European Context

**(2023)**

Benjamin Koch - Harvard University

In an era marked by intricate economic interdependencies and heightened global financial integration, the European continent has been a focal point of substantial scholarly attention due to its intricate network of sovereign states and their interactions within the complex framework of the European Union (EU). This academic scrutiny is particularly pronounced in the context of sovereign debt crises that have periodically reverberated across the European landscape, casting a spotlight on legal and institutional mechanisms designed to mitigate and address such challenging fiscal circumstances. One pivotal provision that has garnered considerable scholarly interest is Article 122(II) of the Treaty on the Functioning of the European Union (TFEU), which delineates a cooperative framework for addressing exceptional financial distress among EU member states. This article embarks on a comprehensive exploration of the multifaceted significance of Article 122(II) TFEU within the context of state debt crises in

Europe, encompassing both historical precedents and contemporary manifestations. Through a synthesis of legal analysis, economic insights, and nuanced socio-political perspectives, this study elucidates the evolving role of Article 122(II) TFEU as a potential instrument for fostering financial stability and solidarity across the EU member states in the face of sovereign debt challenges, thereby contributing to a deeper understanding of the intricate tapestry of European economic governance and cooperation. **TAGS:** Debt crisis

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### The 2012 Greek Retrofit and Borrowing Costs in the European Periphery

**(2023)**

Patrick Bolton et al. - Imperial College London, University College London, University of Virginia School of Law, Graduate Institute of International and Development Studies

This article examines the impact of Greece retroactively, via legislation, changing the terms in hundreds of billions of euros worth of Greek government bonds governed by domestic Greek law. As the abrogation of gold clauses in US government bonds by the US Congress in 1933 had been, the Greek action was decried as violative of the rule of law and sure to negatively impact the future ability of Euro area sovereigns to borrow. The authors test whether the Greek action had negative spillovers on European government debt markets. The authors find no evidence of increased borrowing for even the most peripheral European economies from the Greek action. **TAGS:** Sovereign bond market; Debt Restructuring

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## Debt Restructuring

### Frequently Asked Questions on Domestic Debt Restructuring

**(2023)**

Ahilan Kadirgamar et al. – CATDM

Sri Lanka is one of over 70 countries in debt distress in the Global South, and should not meekly follow the IMF and serve the interests of global finance capital. Rather, Sri Lanka should work with other countries to demand adequate laws and forums for restructuring external debt and new avenues for development finance, and thus contribute towards framing a new global financial architecture. […] **TAGS:** Debt Restructuring; Debt sustainability; Financial stability; Debt and fiscal/monetary policies

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### The Cautionary Tale of Zambia's Domestic Debt

**(2023)**

Theo Maret - Sovdebt Oddities

The architecture for sovereign debt restructurings tends to be shaped by landmark cases. In that view, the deal reached in June by Zambia with its Official Creditor Committee is an important milestone. One aspect that ought to get more attention however is the story of Zambia's domestic debt since the country's external default in November 2020. Domestic debt has long been a missing piece in the international financial architecture, and Zambia has been a case in point. IMF support was withheld for almost two years absent financing assurances from official creditors, leading Zambia to rely heavily on its domestic debt market. This coincided with massive foreign inflows over the summer of 2021, supported by various factors (SDR allocation, election). The inclusion of these nonresident holdings in the IMF's external DSA then created pressures from other creditors to try and sweep them into the restructuring perimeter. Fears of a potential domestic debt restructuring in turn led to cracks appearing in the local market, until official creditors stated publicly that they would leave domestic debt untouched as part of their restructuring deal. […] **TAGS:** **Blog**; **Sovereign debt market**; **Financial Analysis**; **Debt Restructuring**

**Addressing the Looming Sovereign Debt Crisis in the Developing World: It Is Time to Consider a 'Brady Plan'**

**(2023)**

Dr. Brahima S. Coulibaly, Wafa Abedin - Global Economy and Development Program; Brookings Institution

Among the challenges facing developing countries, none is arguably more crucial than the significantly deteriorated fiscal situation that threatens to erase several years of progress on development agendas. According to some estimates, almost 60 percent of the poorest countries are either in or at high risk of debt distress, nearly doubling since 2015 (Figure 1; World Bank 2022a). Total debt service payments on public and publicly guaranteed (PPG) external debt of the poorest countries rose to over $50 billions in 2021, with repayments now representing 11.3 percent of government revenue in the poorest countries, up from 5.1 percent in 2010 (Figure 2). In most developing countries, the cost of servicing external debt now exceeds expenditures on health, education, and social protection combined (UNICEF, 2021). The current global environment characterized by higher global interest rates and exchange rate depreciations against major currencies is adding to the fiscal challenge by raising the cost of external financing and debt service […] **TAGS:** **Debt crisis**; **Debt Restructuring**; **Debt Statistics**; **Debt and fiscal/monetary policies**

## Accounting, Statistics, Reporting and Auditing

**Supporting Debt Transparency Through the Debtor Reporting System (DRS) and Sustainable Development Finance Policy (SDFP): A Mission to Mozambique**

**(2023)**

Parul Agarwal, Albert Pijuan, Salafiseha Haile Gebregziabher - World Bank

Much has been written about the looming debt crisis in low- and middle-income countries. A series of global shocks and a worsening climate crisis have created an unprecedented challenge for many of these countries and the global community. In 2021, countries that receive support from the World Bank's International Development Association (IDA) owed nearly $1 trillion, with 61 percent of them either in debt distress or at high risk of debt distress. While the World Bank is committed to helping countries strengthen their debt management and providing financial assistance, effectively delivering that support requires accurate data and greater debt transparency. Since 1951, the Bank has required borrowing countries to provide detailed information on long-term external debt owed by a public agency or private agency with a public guarantee (at a loan-by-loan level) and long-term external debt owed by the private sector with no public guarantee (in aggregate). Countries are required to undertake comprehensive debt reporting via the World Bank's Debtor Reporting System (DRS). DRS data is essential to the World Bank's analytical and operational work. Today, the World Bank's Sustainable Development Finance Policy (SDFP) incentivizes this requirement. […] **TAGS:** **Debt sustainability**; **Debt Policy**; **Debt Transparency**; **Reporting and Auditing**; **World Bank**

## Macroeconomic Analysis

**Local Government Debt and its Impact on Corporate Underinvestment and ESG Performance: Empirical evidence from China**
**(2023)**

Mingyao Cao, Key Duan, Haslidar Ibrahim - Universiti Sains Malaysia, National University of Singapore, University of North Carolina

ESG ratings are closely linked to corporate resource allocation and overarching macroeconomic constituents. Nevertheless, there is a noticeable lack in the literature investigating the interconnected relationship between the growth of local government debt, corporate underinvestment, and ESG ratings. This study aims to investigate the impact of local government debt on corporate underinvestment and its subsequent effects on corporate ESG performance. To achieve this goal, this study utilizes special bond data from Chinese provinces spanning the period between 2015 and 2021. The findings suggest that as local government debt swells, it imposes financing constraints on local companies, leading to underinvestment, particularly for listed companies with a high proportion of fixed assets and non-state-owned enterprises. A key effect is a "crowding-out effect" in which local government debt absorbs resources that could otherwise be allocated to private corporations and non-investment sectors. […]
**TAGS:** Debt and growth; Financial stability Subnational debt

**Impact of Climate Change on Inflation in 26 Selected Countries**
**(2023)**

Cunpu Li, Xuetong Zhang, Jing He - School of Economics and Finance, Xi'an International Studies University, Management School, Xi'an University of Architecture and Technology

In the era of persistent globalization, climate governance has emerged as a prominent concern within both the theoretical community and government departments of diverse nations. Of particular interest in academic research is the adverse effect of climate shocks on the global economy. This paper employs average temperature as a surrogate indicator for climate shocks and examines the influence of temperature fluctuations on inflation levels using a balanced panel dataset from 1995 to 2021. The findings indicate a positive association between temperature change and inflation within the country, which remains consistent even after subjecting the analysis to multiple robustness tests […] **TAGS:** Climate Change; Debt and fiscal/monetary policies; Financial stability

**Government Debt Forecast Errors and the Net Expenditure Rule in EU Countries**
**(2023)**

David Cronin, Kieran McQuinn - ESRI (Economic & Social Research Institute)

Against a backdrop of debt ratio targets being central to recent proposed changes to the EU fiscal rules, the authors examine errors in official forecasts of the General Government debt ratios and their determinants in 26 member states from 2012 to 2019 when the "six pack" rules applied. The authors find debt ratio outturns exceeding projected values with forecast errors increasing over a four-year horizon. Larger errors arise where the initial debt ratio exceeds the Maastricht Treaty threshold of 60 per cent. In modelling the forecast errors of the debt ratio, the authors find that most of the variation is explained by forecast errors in the output growth rate and in the structural budget balance, as well as previous errors in projecting the debt ratio. During the sample period, member states who had not met their medium-term objective of a balanced structural budget were expected to adhere to a net expenditure rule. For countries subject to this requirement, the authors find undue optimism arising in forecasting the deficit ratio, a determinant of the debt ratio. […] **TAGS:** **Debt Forecasts**; **Debt Statistics**; **Economic Forecasts**; **Accounting standards**

**Integrated Monetary and Financial Policies for Small Open Economies**

**(2023)**

Suman S Basu et al. - IMF

The authors develop a tractable small-open-economy framework to characterize the constrained efficient use of the policy rate, foreign exchange (FX) intervention, capital controls, and domestic macroprudential measures. The model features dominant currency pricing, shallow FX markets, and occasionally-binding external and domestic borrowing constraints. The authors characterize the conditions for the "traditional prescription"—relying on the policy rate and exchange rate flexibility—to be sufficient, even if externalities persist. The conditions are satisfied for world interest rate shocks if FX markets are deep. By contrast, the authors show that to manage non-fundamental inflow surges and taper tantrums related to local currency debt, capital inflow taxes and FX intervention should be used instead of the policy rate and exchange rate flexibility. In the realistic case where countries face both shallow FX markets and external borrowing constraints, the authors establish that some kinds of FX mismatch regulations may reduce the external debt limit friction but worsen FX market depth. Finally, the authors show that capital controls and domestic macroprudential measures cease to be perfect substitutes if there is a risk that the domestic borrowing constraint binds as a result of the transmission of the global financial cycle. **TAGS:** **Debt and fiscal/monetary policies**; **Debt Forecasts**; **Financial Analysis**

**Global Economy on Track but not yet Out of the Woods**

**(2023)**

Pierre-Olivier Gourinchas - IMF

The global economy continues to gradually recover from the pandemic and Russia's invasion of Ukraine. In the near term, the signs of progress are undeniable. The COVID-19 health crisis is officially over, and supply-chain disruptions have returned to pre-pandemic levels. Economic activity in the first quarter of the year proved resilient, despite the challenging environment, amid surprisingly strong labor markets. Energy and food prices have come down sharply from their war-induced peaks, allowing global inflation pressures to ease faster than expected. And financial instability following the March banking turmoil remains contained thanks to forceful action by the US and Swiss authorities. Yet many challenges still cloud the horizon, and it is too early to celebrate. Under our baseline forecast growth will slow from last year's 3.5 percent to 3 percent this year and next, a 0.2 percentage points upgrade for 2023 from our April projections. Global inflation is projected to decline from 8.7 percent last year to 6.8 percent this year, a 0.2 percentage point downward revision, and 5.2 percent in 2024. […] **TAGS:** **Blog;** **Economic Forecasts**; **Debt and growth**

**High Debt Levels Can Hinder the Fight Against Inflation**

**(2023)**

Luis Brandao-Marques et al. - VoxEU

The COVID-19 crisis propelled sovereign debt levels around the world to new heights. At the same time, central banks are grappling with challenges posed by inflationary pressures. This column explores whether high government debt levels pose a challenge to containing inflation, focusing on the impact of government debt surprises on inflation expectations. Evidence indicates that debt surprises raise long-term inflation expectations in emerging market economies in a persistent way, but not in advanced economies. The COVID-19 crisis triggered an unprecedented surge in sovereign debt levels across the globe, posing new questions about the implications for monetary policy. Advanced economies witnessed their debt levels climb from 104% to 113% of GDP between 2019 and 2022, with emerging markets also experiencing a significant increase from 55% to 65% of GDP over the same period. For emerging market economies, this came on the heels of increased borrowing following the global financial crisis, which had already brought debt to record levels. With the IMF projecting these levels to remain high, alongside substantial pressures on public spending and rising interest burdens, a compelling question arises: Could these soaring government debt levels complicate monetary policy at a moment of persistent inflationary pressures? […] **TAGS:** **Sovereign debt market; Debt sustainability; Debt and fiscal/monetary policies**

**Shared Problem, Shared Solution: Benefits from Fiscal-Monetary Interactions in the Euro Area**

**(2023)**

Robert C. M. Beyer et al. - IMF

This paper employs two established macroeconomic models to show that fiscal policy in the euro area can help monetary policy in reducing inflation. Specifically, a fiscal consolidation of 1 percent of GDP for two years and 0.5 percent in the third year across the euro area would ease the policy interest rate by 30-50 basis points relative to the baseline scenario, while lowering inflation. It would also put the public debt-to-GDP ratio on a downward path, with the output costs reversing after the second year. Additionally, a stronger fiscal contribution to the policy mix could mitigate financial fragmentation risks. In the current context of elevated inflation in all euro area economies, the findings suggest two key takeaways: first, synchronized fiscal and monetary policies offer gains even when monetary policy is unconstrained and, second, sharing the burden of lowering inflation through fiscal consolidation among euro area members is beneficial for union-wide inflation reduction, improving debt sustainability and inducing a lower policy rate path. **TAGS:** **Debt sustainability**; **Debt crisis**; **Debt and fiscal/monetary policies**

## Economic Policies

**Monetary Policy Surprises Shocks under Different Fiscal Regimes: A Panel Analysis of the Euro Area**

**(2023)**

António Afonso, José Alves, Serena Ionta- Universidade de Lisboa, Roma Tre University

The authors study the effect of monetary policy surprise shocks on real output and the price level, conditioned on different fiscal stances in the period 2001Q4-2021Q4 for a panel of the 19 countries of the Euro Area. Applying local projection methodology, the authors find that the effect of monetary shocks depends on each country's fiscal stance, specifically, if for output response the debt is more important in the effect of monetary policy, for prices, the "Ricardian" nature of fiscal policy appears to be far more crucial. However, regarding inflation targeting, monetary policy is most effective in the low debt regime and in the high fiscal sustainability one. Our results are robust to different specifications and models and have important policy implications notably for monetary policy, which should consider different fiscal stances when pursuing specific monetary policy objectives. **TAGS:** **Debt and fiscal/monetary policies**

**Fiscal Policy and the Government Balance Sheet in China**
**(2023)**
W. Raphael Lam, Marialuz Moreno-Badia - IMF
In this paper, the authors present the most comprehensive estimates of China's government balance sheet to date. Based on these estimates, the authors show how major shifts in fiscal policy over the last two decades have shaped the health of the public sector prior to the Covid-19 pandemic. The authors find that, at US$12.5 trillion, China has the largest stock of financial assets in the world. However, its net financial worth as a percent of GDP—though still higher than the large majority of countries—has declined over the last decade. This trend can be traced back to the turn of the century when China undertook a major restructuring of its state-owned enterprises but left important shortcomings in the intergovernmental fiscal system unaddressed. Compounding these risks, reform momentum stalled in the aftermath of the global financial crisis leading to high leverage and falling profitability among state-owned enterprises. **TAGS:** **Debt and fiscal/monetary policies**

**A Fiscal Straitjacket is Stifling Health Spending in Developing Countries**
**(2023)**
Benedict Clements, Sanjeev Gupta, Saida Khamidova - CGD Center for Global Development
The COVID-19 pandemic had a severe impact on all countries—advanced, emerging, and low-income alike. To mitigate its consequences and protect lives and livelihoods, countries increased public spending on healthcare and implemented programs to support their economies and unemployed populations in 2020. This increase in health spending was significant for emerging market economies (EMEs) and low-income developing countries (LIDCs), as their domestic health spending had been relatively low prior to the pandemic. Nevertheless, spending in many countries remains far short of what is needed to provide universal health care and meet the Sustainable Development Goals (SDGs). Considering the prevailing fiscal outlook, it remains uncertain whether even maintaining (let alone increasing) health outlays can be sustained in the long term. The future of such spending in countries currently experiencing or at high risk of debt distress is particularly troubling […] **TAGS:** **Blog**; **COVID-19**; **Structural policies**; **Debt sustainability**; **Financial stability**; **Debt and fiscal/monetary policies**

**The Intersection of Debt and Climate Change in Emerging Market and Developing Countries: Roundtable Report**
**(2023)**
Gautam Jain, Luisa Palacios, Harry Verhoeven - Center on Global Energy Policy, Columbia SIPA
To gain a better understanding of the complex intersections between sovereign debt and climatic upheaval, on June 12, 2023, the

Center on Global Energy Policy, Columbia University SIPA convened a workshop on the topic that brought together current and former government officials from EMDEs, officials from multilateral development banks (MDBs), private sector investors and bondholders, representatives from nongovernmental organizations (NGOs), and academics. The discussion addressed the following broad questions: What are the advantages and disadvantages of integrating climate mitigation and adaptation commitments into sovereign borrowing—specifically thematic bonds such as green bonds and sustainability-linked bonds (SLBs)? How is the role of MDBs evolving and what are the emerging forms of financial assistance aimed at dealing with the twin challenges of debt and climate? What role can debt-for-climate swaps play in EMDEs' debt-liability and -restructuring operations, and are they scalable? This roundtable report summarizes the discussion that took place and the key insights that emerged from it. […] **TAGS:** **Climate change**; **Structural policies**; **Cost and Risk**; **Buyback and Exchanges**; **Financial stability**

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**Does COVID-19-Related Debt Affect Government Expenditure on Education?**
**(2023)**
Élisé Wendlassida Miningou - World Bank
The COVID-19 pandemic has had far-reaching effects on economies worldwide, with many countries experiencing negative GDP growth in 2020 and downgraded growth forecasts for 2021 and 2022. To mitigate the economic setbacks caused by the pandemic, developing countries sought financial assistance from international partners, which contributed to higher external debt levels. For example, between 2019 and 2020, the total volume of concessional loans increased by $ 22.2 billion (or 45.2 percent). As a result, global external debt as a share of GDP reached 114% in 2020, one of the highest levels since 1990. High public debt could lead to fiscal consolidation, which could have implications for government expenditure, including education spending. Governments have several tools at their disposal to address a debt crisis, including inflation targeting, financial repression, debt default, or restructuring. However, reducing debt through fiscal consolidation remains one of the most common tools used by governments to curb fiscal imbalances. Fiscal consolidation refers to the government's policy intended to reduce the fiscal deficit and the accumulation of debt. While there is no consensus on the most effective route to fiscal consolidation, empirical evidence from several countries suggests that fiscal consolidation based on expenditure reduction tends to be more effective than tax-based consolidations. […] **TAGS:** **Blog**; **COVID 19**; **Debt crisis**; **Sovereign debt market**; **Debt and growth**; **Foreign Debt**

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## Multilateral Financing

**Now is not the Time to Increase Funding to the IMF's RST**
**(2023)**
Bernat Camps Adrogué, Mark Plant - CGDEV
The IMF's new Resilience and Sustainability Trust (RST) has gotten a lot of support from donors wanting to recycle their IMF special drawing rights (SDRs). As of June 8, total pledges for the RST amount to $40.6 billion, falling $3 billion short of the initial fundraising target. With few recycling alternatives readily available to donors, the IMF raised its ambition for the RST during the recent Paris Summit, with the Managing Director calling for a 50 percent increase in RST funding—an additional $20 billion. [….] **TAGS:** **Blog**; **Multilateral financing**; **Structural policies**

[**Key Takeaways from the Paris Declaration on Multilateral Development Banks**]
**(2023)**
Karen Mathiasen - CGDEV
On June 26, France released an outcome document from the Summit for a New Global Financing Pact, which brought together governments, multilateral develop banks (MDBs) and other stakeholders to consider reforms to the global financial system. Titled "the multilateral development banks vision statement," the document was signed by 50 countries including the G7, with China notably absent. Together, the signatories commit to "a new global financial compact to address the challenges of today and tomorrow in a spirit of cooperation and solidarity." So just what are the elements of this new global compact? […] **TAGS:** **Blog**; **Structural policies**; **Multilateral Financing**

## Reports

### 2023

**A Handbook on Public Debt Transparency**
Commonwealth Secretariat's Debt Management Unit
A Handbook on Public Debt Transparency, produced by the Commonwealth Secretariat's Debt Management Unit, provides a practical blueprint to assist debt managers and stakeholders to improve transparency in debt management operations through the implementation of a wide range of activities. The Handbook provides information on key debt transparency issues relevant to both developing and advanced economies based on the Commonwealth Secretariat's long history of providing technical assistance and capacity-building to debt managers, senior officials and policy-makers in member countries and for stakeholders. The Commonwealth Secretariat's debt management programme strives to promote sound practices in debt management, including the provisioning of a debt management system since 1983. The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), an integrated tool for recording, analysing and reporting public sector debt, has evolved into the flagship Commonwealth Meridian, a comprehensive solution that promotes effective and proactive debt management. […] **TAGS:** **Debt Transparency**

**Mobilizing Resources Through Municipal Bonds: Experiences from Developed and Developing Countries**
Manoj Sharma, Junkyu Lee, William Streeter - Asian Development Bank
This report recommends some strategies to promote greater issuance and acceptance of municipal bonds in four Developing Member Countries across Asia: India, Viet Nam, the Philippines, and Indonesia. All four countries have a significant number of large population centers with sizable infrastructure needs, an adequate legal and regulatory framework for issuing and servicing municipal bonds (referred to herein as the internal ecosystem for municipal bonds), and a developing bond market infrastructure, including regulatory frameworks for bond issuance, financial disclosure, public debt ratings, as well as stock exchanges for the listing and trading of bonds (referred to herein as the external ecosystem for municipal bonds). **TAGS:** **Subnational debt**; **Debt and fiscal/monetary policies**

**Asian Development Outlook (ADO) July 2023: Robust Growth with Moderating Inflation**

Asian Development Bank

Exports from developing Asia weakened in the first quarter of 2023 as global demand slowed. However, consumption and investment are forecast to boost aggregate regional growth to 4.8% in 2023, as earlier forecast, with the projection for 2024 revised down only marginally to 4.7%. **TAGS:** **Economic Forecasts**; **Debt Forecasts**

**Margins, Debt Capacity, and Systemic Risk**

Sirio Aramonte, Andreas Schrimpf, Hyun Song Shin - BIS

The authors lay out a stylised accounting framework for system-wide debt capacity, when debt serves both as an obligation of the borrower, and also as the collateral pledged by the lender to secure additional funding. Our focus is on fluctuations in margins and leverage. Changes in margin (and the corresponding fluctuations in leverage) are reflected in the fluctuations in the balance sheet size of market participants and in the financial system's broader risk-taking capacity. A sharp increase in margins, especially after a protracted period of thin margins, will tighten financial conditions for the whole system. The authors use our framework to provide a perspective on the liquidity imbalances that rocked financial markets in March 2020, amid the uncertainty of the Covid-19 pandemic. […] **TAGS:** **Best Practices**; **Derivatives**; **Financial stability**

**How is The Positive Equity-Bond Correlation Impacting Asset Allocation?**

Christian Mayes - Porftolio Adviser

The low equity-government bond correlation seen since the turn of the century has formed the bedrock of the 60/40 multi-asset portfolio model. However, the correlation has grown increasingly positive in recent times – FTSE Russell analysis shows the correlation coefficient between the FTSE Global All-World equity index and the FTSE World Government Bond Index reached a 10-year peak of 0.86 at the end of March, while the mean coefficient for the decade since 2013 stands at 0.26. So what does this upwards trend mean for multi-asset portfolios? Generally speaking, the stock-bond correlation turns more positive during periods where markets are more concerned over inflation than growth. […] **TAGS:** **Financial Analysis**

**A Potential Path for Alleviating Currency Risk in Emerging Markets Green Bonds**

Gautam Jain - Columbia SIPA Center on Global Energy Policy

A large gap exists between the financing needed for the energy transition and what is being invested. Green bonds are flourishing as one of the main sources to close this financing gap, with over $2.5 trillion issued globally thus far. However, emerging market and developing economies (EMDEs) haven't fully capitalized on the growth of this asset class: the share of EMDE (excluding China) green bonds denominated in local currencies within the total green bond universe remains minuscule. While some EMDE issuers can sell a bond denominated in dollars and hedge by swapping the dollar exposure into the local currency of the underlying projects, the cost of doing so is usually prohibitive. This report, part of the Financing the Energy Transition initiative at the Center on Global Energy Policy at Columbia University SIPA, adds to ongoing discussions of how to encourage a greater flow of green financing from international investors to emerging economies. […] **TAGS:** **Primary Market**; **Bond market development**; **Best Practices**

**Revitalizing the Global Architecture for Sovereign-Debt Restructuring: The New York State Legislature Steps In**

Dr. Brahima S. Coulibaly, Wafa Abedin - Global Economy and Development Program, Brookings Institution

Unsustainable sovereign-debt levels in the developing world threaten to erase several decades of hard-fought progress on development agendas. According to the International Monetary Fund (IMF), an estimated 50 percent of developing countries are in active debt distress or at high risk of debt distress. The costs of debt service now exceed outlays on education and health in several countries. The COVID-19 pandemic and Russia-Ukraine war are the latest in a series of shocks that have contributed to the recent buildup of debt since developing countries benefited from debt forgiveness under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI). The world's deteriorated fiscal situation and unsustainable-debt outlook were top of mind as heads of state and finance leaders gathered in June 2023 in Paris for the Summit for a New Global Financing Pact to rethink the global financial system. [...] **TAGS:** **Debt crisis**; **Debt Restructuring**

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**Green, Social, Sustainability, and Sustainability-Linked (GSSS) Bonds Market Update – July 2023**

World Bank

This document presents recent trends in the GSSS bond market with a special focus on emerging market sovereign and sub-sovereign issuances. The cumulative amount of green, social, sustainability, and sustainability-linked bonds issued reached USD 4.4 trillion up to June 2023. Green bonds represent 64% and emerging market issuances 16% of the total amount. [...] **TAGS:** **Green bonds**; **Debt sustainability**; **World Bank**

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**World Economic Outlook Update, July 2023 - Near-Term Resilience, Persistent Challenges**

IMF

Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward. [...] **TAGS:** **Debt and growth**; **Sovereign debt market**

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**Challenges and Opportunities of Green Bonds for Infrastructure Financing - T20 Policy Brief, July 2023**

Cledwyn Fernandez - Indian Council for Research on International Economic Relation

Green financing is a structural financial activity that seeks to improve environmental outcomes of projects. It can be in the form of loans, debt mechanisms or investments that are channelled to those projects which limit carbon emissions into the economy (mitigation) or minimise the negative impacts of existing projects (adaptation). One such emerging green financing tool is 'green bonds.' Green bonds represent, by far, the largest and most mature segment of the sustainable debt market. This Policy Brief provides a summary of the global green bonds market, and discusses the role that G20 economies can play in improving it. It suggests measures to mitigate the risks associated with green financing and scale up the green bonds market across the G20 economies. **TAGS:** **Green bonds**; **Climate finance**

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**The Debt-for-Nature Opportunity in Lao PDR – Design, Feasibility, Strategy**

David Boland - UNDP

Protected areas are critical economic assets providing valuable ecosystem services. They have important revenue-generating potential. Faced with economic impacts of the COVID-19 Pandemic, the Government of Lao PDR has been exploring financing options to sustain the management of National Protected Areas. This involved the scoping of debt for nature potential in Lao PDR, with support from UNDP. The report argues that Lao PDR has high potential for a nature-linked thematic debt restructure given the country's endowment of natural resources and the debt burden it faces due to the impacts of the COVID-19 pandemic. The report highlights three scenarios for which a debt for nature transaction could apply in the context of Lao PDR. This includes (1) engagement with multilateral debt relief initiatives, (2) a waiver of principal or interest reduction with a bilateral creditor and (3) the issuance of new debt instruments for conversion of existing debt obligations. The report further discusses the design options that would constitute a debt for nature transaction including the mechanism for restructuring or reducing debt obligations, the target for use of the proceeds, the mechanism for delivery of funding, the scale of the agreement, the target creditors, the target debt (loans or projects) subject to a restructuring agreement and the options of engaging third parties or other partners to an agreement. **TAGS:** **Climate finance**; **Debt and growth**

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**External Debt of Ukraine: How and When to Give It Back?**

Anna Fratsyvir - SVIDOMI

Since the beginning of a full-scale invasion of Russia, international partners have actively started to support Ukraine financially with soft loans and grants. Numerous organizations, such as the World Bank and the International Monetary Fund, provided emergency financial assistance packages. The assistance continues to be provided, but how, when, and what exactly should Ukraine give back after the end of the war — read in the material. […] **TAGS:** **Foreign Debt**; **Debt sustainability**; **Financial stability**; **Cost and Risk**

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**The Human Cost of Inaction: Poverty, Social Protection and Debt Servicing, 2020–2023**

Salome Ecker et al. - UNDP

Twenty-five developing economies, the highest number since 2000, spent over 20 percent of their government revenues in 2022 on total external debt servicing. The average low-income country spends about 2.3 times more on interest payments than on social assistance. Due to the economic shocks during 2020-2023, the authors project that 165 million people fell into poverty using the $3.65-a-day poverty line —the entirety of those living in low- and lower-middle-income economies. A pause in debt payments would allow developing economies weighed down by debt to mitigate some social effects of these shocks, using resources earmarked for debt servicing. This policy brief presents simulations that show that the annual cost of mitigating the additional 165 million poor would reach US$14.24 billion, or 0.009 percent of global GDP and a little less than 4 percent of total public external debt service in 2022 —if the income losses among the already poor prior to the shocks are also included, the mitigation cost would reach US$107.11 billion, or 0.065 percent of the world's GDP and around a fourth of total external public debt service. **TAGS:** **Debt policy; Debt relief; Debt and growth**

[Investor Relations and Debt Transparency Report – 2023]()

Mauricio Cardenas Gonzalez et al. - Institute of International Finance

With growing concern about sovereign debt vulnerabilities, higher borrowing costs and persistent geopolitical tensions that impact both borrower creditworthiness and their relationships with creditors, strengthening investor relations has proved to be crucial to promote sovereign debt and policy transparency, and attracting international investors. Our annual assessment of Investor Relations and Debt Transparency practices reveals that Indonesia, Türkiye, Philippines, Colombia, and Brazil emerged as the best performing countries while Gabon, Ethiopia, Vietnam, China and El Salvador recorded the lowest scores. From a regional perspective, Latin America achieved the highest scores, while the Sub-Saharan region recorded the lowest scores. Our recommendations to improve Investor Relations and Debt Transparency practices include ensuring the availability of documents in English, engaging directly with investors through regular calls and meetings, and enhancing efforts to improve ESG data and policy dissemination. It is strongly encouraged to publicly disclose transaction-level information on external loans and maintain a publicly accessible database of domestic and external bond prospectuses. […] **TAGS:** **Debt Transparency**; **Sovereign debt market**; **Debt Policy**

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**A World of Debt - A Growing Burden to Global Prosperity**

UN Global Crisis Response Group, the five UN Regional Commissions, ECA, ECE, ECLAC, ESCAP, ESCWA

Public debt can be vital for development. Governments use it to finance their expenditures, to protect and invest in their people, and to pave their way to a better future. However, it can also be a heavy burden, when public debt grows too much or too fast. This is what is happening today across the developing world. Public debt has reached colossal levels, largely due to two factors. Financing needs soared with countries' efforts to fend off the impact of cascading crises on development. These include the COVID-19 pandemic, the cost-of-living crisis, and climate change. An inequal international financial architecture makes developing countries' access to financing inadequate and expensive. The weight of debt drags down development. Debt has been translating into a substantial burden for developing countries due to limited access to financing, rising borrowing costs, currency devaluations and sluggish growth. These factors compromise their ability to react to emergencies, tackle climate change and invest in their people and their future. […] **TAGS:** **Debt sustainability**; **Debt and growth**; **Debt relief**; **Debt crisis**

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**Special report 16/2023: NGEU Debt Management at the Commission – An Encouraging Start, but Further Alignment with Best Practice Needed**

European Court of Auditors

The NextGenerationEU programme provides grants and loans to member states to support their economic recovery following the COVID-19 pandemic. The Commission will fund the programme by issuing up to €807 billion in EU bonds on the capital markets. The authors analysed whether the Commission had developed effective systems to manage the debt raised to finance NextGenerationEU. The authors found that the Commission had established the funding strategy and the organisational arrangements quickly, which had allowed the required funds to be made available in a timely manner. However, the rapidly built debt management capacities need adjustment to be in line with established best practice. The Commission did not concentrate enough on setting strategic objectives and measuring and reporting on performance in debt management. The authors make various recommendations to address these issues. **TAGS:** Financial Analysis; Debt and growth; Green Bonds; Reporting and Auditing

## 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 market and developing economies. The news has been selected by the PDM Network Secretariat from the ©Thomson Reuters Eikon 2023 and © LSEG 2023 information services.

## Events and Courses

### SEPTEMBER

**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 October 2023: PDM Network - Italian Treasury – OECD – World Bank, online**
**Webinar Protecting Against Climate-Risks and Disasters: Tools for Ministries of Finance**

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

**2 – 3 October 2023: OECD, Paris**
**10th Forum on Green Finance and Investment**

**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)**

**14 October 2023: ICMA, Marrakech, Morocco**
**ICMA Breakfast roundtable: African domestic financial market resilience (as ICMA events at the World Bank & IMF Annual Meetings)**

**14 October 2023: OMFIF, Morocco - Economic and Monetary Policy Institute**
**Navigating global economic and geopolitical uncertainty**

**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**

**26 – 27 October 2023: Bank of England, CfM and CEPR, Bank of England, United Kingdom**
**The International Macroeconomics and Finance Programme Annual Meeting 2023**

## NOVEMBER

**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**

**6 – 7 November 2023: SIFMA, Washington DC, USA**
**SIFMA Annual Meeting. The Intersection of Public Policy and 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 November 2023: Environmental Finance, Singapore**
**ESG in Fixed Income Asia 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: Centre for Monetary and Financial Studies (CEMFI) and CEPR, Madrid**
**The 2023 Annual Meeting of the CEPR Macroeconomics and Growth Programme**

**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

**1 December 2023: International Network for Economic Research (INFER) and University of Strasbourg, BETA, ERMEES, Strasbourg (France)**
[Fifth ERMEES Macroeconomics Workshop 2023 The EU in the Age of Permacrisis]

**1 December 2023: Center for European Studies (CefES-DEMS), Center for Macroeconomics, London School of Economics**
[Macroeconomic Regime Changes: Theory, Evidence, and Policy Challenges Ahead]

**4 – 5 December 2023: Société Universitaire Européenne de Recherches Financières, Hybrid Event**
[17th South-Eastern European Economic Research Workshop]

**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)]

**8 - 10 December 2023: The Journal of Environmental Economics and Management (JEEM), University of Hong Kong**
[Second JEEM Conference in Environmental and Resource Economics]

**11 – 12 December 2023: The Centre for Advanced Financial Research and Learning (CAFRAL), Thiruvananthapuram (Trivandrum), Kerala, India**
[CAFRAL Annual Conference Financial System and Macroeconomy in Emerging Economies]

**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 University of 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]

**18 – 19 December 2023: The DNB, the Tinbergen Institute and the Economics Departments of University of Amsterdam, the Free University of Amsterdam and the Erasmus University Rotterdam, Dutch Central Bank (DNB) Amsterdam**
[2nd XAmsterdam Macroeconomic Workshop]

## 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]

### MARCH

**17 – 20 March 2024: The Department of Banking and Finance at the University of Zurich and the Department of Finance,Accounting and Statistics at WU Vienna, Sunstar Hotel, Davos, Switzerland**
[19th European Winter Finance Summit]

### APRIL

**4 – 5 April 2024: The Bank of Italy, Baffi Centre (Bocconi University) and the Centre for Economic and Policy Research (CEPR), The headquarters of the Bank of Italy in Rome**
[4th Bank of Italy, Bocconi University and CEPR Conference on Financial Stability and Regulation]

### MAY

**16 – 17 May 2024: NBER and the Smith Richardson Foundation, Cambridge, MA**
[Inflation in the COVID Era and Beyond]

**29 – 31 May 2024: The Finance for Development Lab and the Paris School of Economics, Paris, France**
[DebtCon7]

### OCTOBER

**3 – 4 October 2024: Public Debt Management Network, Washington DC, United States**
[3rd PDM Conference]

## Call for papers

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

**DL 2 October 2023: Société Universitaire Européenne de Recherches Financières, Hybrid Event**
[Call for papers 17th South-Eastern European Economic Research Workshop]

**DL 15 October 2023: The Bank of Italy, Baffi Centre (Bocconi University) and the Centre for Economic and Policy Research (CEPR), The headquarters of the Bank of Italy in Rome**
[Call for papers 4th Bank of Italy, Bocconi University and CEPR Conference on Financial Stability and Regulation]

**DL 19 October 2023: The Department of Banking and Finance at the University of Zurich and the Department of Finance,Accounting and Statistics at WU Vienna, Sunstar Hotel, Davos, Switzerland**
[Call for papers 19th European Winter Finance Summit]

**DL 20 October 2023: Center for European Studies (CefES-DEMS), Center for Macroeconomics, London School of Economics**
[Call for papers Macroeconomic Regime Changes: Theory, Evidence, and Policy Challenges Ahead]

**DL 10 December 2023:** The Finance for Development Lab and the Paris School of Economics, Paris, France
[Call for papers DebtCon7]

**DL 31 December 2023:** Financial Innovation, Online
[Call for Papers: Special Issue on Climate-induced financial innovation: instruments and institutions]

**DL 30 March 2024:** Public Debt Management Network Washington DC, United States
[Call for papers 3rd PDM Conference]

**DL 30 April 2024:** [Call for papers Climate Change and Environmental Sustainability in Emerging Market Banking and Finance]

## 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.

## Relevant links

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

## PDM Network facts and figures

As of 25th September 2023, total documents and reports available on the PDM Network website were 9,021. The News uploaded on the website were 21,019 and the Events since January 2023 were 232. This newsletter is sent to about 1,020 PDM Network Subscribers from EMDEs and AEs.

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