Welcome to all the participants at this workshop with a special thanks to all speakers. We tried to convene at this workshop a large variety of competencies in the hope of triggering a candid and in depth discussion. In this spirit, I will limit my introductory remarks.

However, I must take a few minutes to point out how much this issue is topical. Indeed, Camillo von Müller from the German MOF could have done a great part of this job, explaining the G20 interest and German G20 Presidency aims on state contingent debt instruments, with a special focus on GDP-linked bonds. Unfortunately, he will not be able to do it, but his presentation is available.

GDP linked bonds are not a new idea, as it emerged in the 80s. The first experiments were in the 90’s, in the larger framework of Brady Bonds. While state contingent debt instruments and in particular GDP linked bonds have enjoyed significant interest from academia (notably Shiller, Barro) or policy makers since then, issuance has remained experimental for GDP-linked bonds, only as an outcome of sovereign debt restructuring as in the cases of Argentina, Greece and most recently Ukraine. Plain vanilla GDP-indexed bonds as a way like other state contingent debt instrument to improve ex ante debt sustainability and resilience have never been issued.

It is easy to understand why, despite this mitigated operational success, this idea is currently quite topical. To say it in a nutshell, the difficulties of most countries to get out of sovereign debt overhung in the aftermath of the Great Financial Crisis are pointing to state contingent debt instruments and especially to GDP-linked bonds. In addition to individual countries potential benefits in terms of debt sustainability and resilience, there is a collective interest in terms of financial stability and resilience. It is the reason why the international community has a renewed interest in the idea. Discussions are ongoing in the IMF and Alli Abbas will develop that point. Discussions are also ongoing among G20 members (slide BMF).

Some Central Banks are keen on the idea. Your host, naturally, the Bundesbank (J. Weidman, who hailed the merits of GDP-indexed bonds, which, “if designed cleverly, could play a part in reducing the risk of sovereign default”) and last but not least the Bank of England which is working on a term sheet, James Bendford will develop this point. But we are not only keen on the idea; we want to make it happen and this is the essence of this workshop.