

Debt Sustainability: What can small countries learn from the debt crisis and the importance of keeping government debt under control?

Work Plan:

Step 1:

What is sustainable debt?

Students will be presented with an introduction to debt financing and its main role in economic growth. This introduction will be provided by the university professors in a two hour lecture. Next, students will be divided into three groups of countries, each group representing a European country that recently dealt with public debt issues. The three countries are Italy, Greece and Portugal. Students will be asked to analyze how the debt issuance and debt financing developed in their assigned country and define 5 keywords related to debt that led to the current problems. The keywords will be written clearly on a A2 page and students will explain what each keyword represents to the debt problem of the country. Finally, they will be asked to find common keywords with other groups and analyze these keywords as common problems (mistakes) that the other country has faced in terms of debt. The main research question of this task will be: what did the countries do wrong?

Step 2:

Is Kosovo's debt sustainable?

Now, students will visit main institutions that are involved in Kosovo's debt issuance and record keeping such as Central Bank of Kosovo, Ministry of Finance and the Agency of Statistics. They will be introduced with the process of debt auctions, bidding and purchasing and will discuss with government officials on how the decision is made to issue new debt. Students will understand the steps by which the government decides to issue new debt (based on budget planning and forecasting) and roll-over the existing debts based on liquidity needs. From these presentations, students will understand how the country decides to finance expenditures, makes decisions on how to allocate funds in the most useful and efficient way, and finally borrowing funds is conducted technically.

Step 3:

How are stakeholders involved in reviewing the sustainability of debt?

In this phase students will meet with research NGOs that assess and report on debt sustainability. Officials from KOSID, a civil society consortium, will introduce students to the research tools and methods that are used to analyse and evaluate different government decisions, and in this particular case, the public debt issuance and management. Students will be presented with research methods that are used to assess government actions, and will be asked to participate actively in the tasks assigned to them by KOSID officials.

Step 4:

Can we learn from the mistakes? Can we become (debt) sustainable?

Finally, students will come back to the university facilities and prepare a presentation on the entire process of Kosovo's debt planning, issuance and management. Each group will review this process by comparing it to their target country Italy, Greece and Portugal, while trying to emphasize the common "wrong doings". The main question of this assignment will be: are Kosovo's mistake similar to one of the benchmark countries? The report should emphasise the fact that small counties should learn from countries with bad debt management so as to avoid collapse or default in the future. A debt insolvent county is unsustainable and poses serious risks to the overall national welfare.