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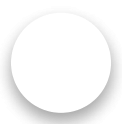
Public Money & Management

For a Special Issue on

The credit rating of public sector entities: state of the art and paths forward

Manuscript deadline

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Public Money & Management

Integrating Theory and Practice
in Public Finance and Management

IN THIS ISSUE:

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DIFFERENTIAL REPORTING IN THE PUBLIC SECTOR

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The credit rating of public sector entities: state of the art and paths forward

This *Public Money & Management* (PMM) theme aims to provide a home for studies that explore the role of credit ratings in the context of public sector entities (PSEs).

Research on credit ratings has experienced considerable growth in the last two decades—over 160 papers were published in 2023, compared to 18 in 2003 (these results are from a query on Scopus—keyword: ‘credit rating’; subject area: ‘business, management and accounting’; document type: ‘article’, ‘book chapter’, ‘review’). Unsurprisingly, research took off after the years 2008–2010 in conjunction with the financial and sovereign debt crisis that many observers attribute, *inter alia*, to the complacency of the credit rating agencies (CRAs). However, accounting research on credit ratings has largely focused on corporate ratings, with only a handful of studies dedicated to the credit ratings of PSEs

This call for papers invites articles that expand our knowledge of the role that CRAs—and the credit ratings they produce—have in the context of PSEs. Given that this project is the first of its kind, a broad definition of PSEs is adopted for this PMM theme in order to keep the scope open. PSEs are to be understood broadly as all the entities falling within the ‘public sector’ as defined in the System of National Accounts (SNA), including, therefore, any of the following entities:

- Any public-law body—whether located at the federal, central, state or local level—for example the central government.
- Any private-law entity controlled, directly or indirectly, by a public-law body (e.g., state-owned or municipal corporations).

Within the domain of PSEs, several important unknowns seem to deserve attention.

First, it seems important to understand how many PSEs are ‘rated PSEs’ (RPSEs), and why. This would help to understand, and—if possible—quantify, the importance of CRAs as important *stakeholders* of PSEs in different jurisdictions, and whether their influence has increased or decreased over time. As ratings are typically assigned to issuers of debt instruments, studies on this topic would help clarify the form of *oversight* activity that CRAs conduct over the management of public finance. As diversity is to be expected across the globe, studies focusing on non-OECD countries and comparative analyses

would be especially welcomed. Relatedly, it would be useful to know if the number of RPSEs has increased or decreased following the financial and sovereign debt crisis, and if these trends differ across the world.

Second, it would be important to understand whether, and to what extent, the ratings of RPSEs differ from the rating assigned to the sovereign government. If a discrepancy exists, it will add value to quantify it and, crucially, to understand its logic. For example, building on well-established results from the private sector literature, it would be important to know whether the sovereign rating provides an upper *ceiling* to the rating of other RPSEs. According to private sector literature, such ceiling exists and is often made explicit in the CRAs' methodologies. However, we know little about the exact functioning of the rating ceiling in the public sector. Does the ceiling reflect sovereign guarantees for RPSE debt? Is the guarantee explicitly reflected in the rating? Is the volume of guarantees measured in the rating methodologies that CRAs publish? If so, how do CRAs estimate the volume of guarantees and, potentially, the conditions that trigger their call?

Third, studies could look *inside* RPSEs to examine whether, and to what extent, credit ratings affect the financial management choices. Do RPSE managers actively solicit a credit rating, and why? If managers decide not to solicit a rating, does the RPSE receive an unsolicited rating and, if so, how does it manage its relationship with the analysts working at the CRAs? How frequent are the discussions between the RPSE issuer and the CRA, and how do they take place (face-to-face or remotely), and have these dynamics changed over past years? Are there discussions regarding the rating methodologies, and how frequent are appeals made after the CRAs' rating committee has decided on a rating? How open is the RPSE in sharing data with the CRAs? Here, too, studies that explore jurisdictions other than OECD countries would be especially valuable, as would be longitudinal case studies that document the beginning, development and, if relevant, end of a RPSE-CRA relationship.

Lastly, articles may explore the *use* and the *impact* of RPSEs' credit ratings. These ratings are used by private actors such as investors and commercial banks, as well as by public entities like development banks and central banks. Possible research questions in this category include: do internal scoring models for RPSEs in private banks differ from the rating models used by the main CRAs, and on which analytical dimensions? What is the market response to a RPSE's rating change? What is the effect of a rating change on the scoring models of traditional banks? Do privately-produced credit ratings influence the lending strategies of public lending institutions? And, notably, how do central banks use credit ratings to determine the eligibility of an asset for use as collateral in their market operations? These questions aim to explore the *ripple* effects that ratings from major CRAs have on individual entities and, more broadly, on the economy.

Of course, the list of suggested topics is only indicative. Any submission of articles exploring one facet of the credit rating of RPSEs is welcome.

PMM has a taste for articles that are of value to both researchers and practitioners—in the context of RPSEs, this will include politicians and public sector managers, but also credit rating analysts and oversight institutions, such as the European Securities and Market Authority (ESMA) and the Securities and Exchange Commission (SEC). Authors are invited to consider their dual audience when writing their articles for this PMM theme.

The guest editors have prepared a list of prior literature on the topic which may be helpful to those interested in responding to this call for papers; email them for a copy of this reading list (see their addresses below). The articles in their reading list have been selected to provide a broad and interdisciplinary overview of the various ways in which the topic has been approached in the international literature.

Submission Instructions

The theme will include research articles (up to 8000 words, excluding references), debate articles (up to 1000 words) and new development articles (up to 3500 words). The guest editors will review the debate contributions; new development articles will be reviewed by one or two reviewers; and research articles will be reviewed by at least two reviewers. See the journal's instructions for authors: <https://www.tandfonline.com/journals/rpmm20>

Interested researchers are invited to submit contributions for consideration via PMM's online submission portal: <https://mc.manuscriptcentral.com/rpmm>. Articles submitted to PMM for review must not be under consideration by any other publication outlet.

Accepted articles will be published online on acceptance. Contact either of the guest editors for questions about the theme (claudio.columbano@uniroma3.it; m.boisseau-sierra@jbs.cam.ac.uk). **The deadline for submission of research articles via the PMM online platform is 30 June 2025.** The deadline for submission of debate and new development articles is 31 August 2025.

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