

International Debt Management Conference

14th session

Innovative and resilient debt management: managing risks and navigating crises

17-19 March 2025, Geneva

Panel 4: Governance, Accountability and Transparency in a World of Fiscal Constraints

Public debt accountability is vital during both prosperous and challenging times. Regular and transparent debt data dissemination, along with robust parliamentary oversight and comprehensive audits, are essential components of good governance in debt management. Accountability in the fiscal realm is key to ensure effective management of public finances as well as long term debt sustainability. This panel will explore how governments have adopted measures to strengthen public debt governance and accountability through transparent reporting, parliamentary oversight, comprehensive audits, and well-designed fiscal rules.



Jayant Sinha

Deputy Comptroller and Auditor General

Supreme Audit Institution of India

Mr. Jayant Sinha currently serves as Deputy Comptroller and Auditor General in the Supreme Audit Institution of India. He has served in various positions within the SAI at Federal and State level. He has also worked in the Government of India in the Ministries of Finance, Defence and Information and Broadcasting.



Justice Abubaker Hussein Omar Alsaggaf

President of the Central Organization for Control and Auditing

Government of the Republic of Yemen

H.E. Justice Abubaker Hussein Omar Alsaggaf is a Yemeni National born in 1965 was appointed by the President of the Republic of Yemen as President of the Central Organization for Control and Auditing, COCA in 2013. He has been in office since then. In this position, he has the duties and responsibilities as the Auditor General of the Republic of Yemen. By law, he has a rank of state minister. And in financially and administratively managing COCA, he has the power of two ministers: Minister of Finance and Minister of Civil Services. As COCA, the Supreme Audit Institution of Yemen, is an autonomous body. Justice Abubaker has the profession of a judge in the Courts of law. He obtained his Bachelor Degree in Law from Aden University, Republic of Yemen in 1989. Immediately after that, he assumed his duties as a Judge in the courts of law, progressed through, up to Chief of appeal court during the period: 1989-2009. In 2009, he was selected by the President of the Republic to be a Board Member of High Authority for Tender Control: during the period: August 2009 -May 2013; That was all in recognition of his outstanding work in the courts of law and the ability to demonstrate high competency and high level of integrity.



Peter Schwendener

Deputy Director

Federal Finance Administration of Switzerland

Peter Schwendener has been Deputy Director of the Swiss Federal Finance Administration (FFA) within the Federal Department of Finance since 2019. Since 2015, he has been leading the Fiscal Policy, Fiscal Equalisation, Financial Statistics Division. Under his supervision, the division prepares the budgeting and financial planning for the federal government. Importantly, the division bears responsibility for all matters pertaining to the federal debt brake. In addition, Peter Schwendener and his team are responsible for implementing and assessing national fiscal equalisation, and for compiling the financial statistics for all levels of government. Besides ensuring a reliable basis for fiscal-policy decisions,

he has played an important role in various economic policy reforms. Prior to joining the FFA, he was Head of the Statistical Office and Head of the Finance Administration of the Canton of Basel-Stadt. He obtained his doctorate in Economics from the University of Basel in 1990.



David Rebelo Athayde

Undersecretary for Fiscal Policy Strategic Planning

Ministry of Finance of Brazil

Mr. David Rebelo Athayde has been Undersecretary for Fiscal Policy Strategic Planning at the National Treasury Secretariat, Ministry of Finance of Brazil since September 2021. Prior to that he was Head of Investor Relations Office and Undersecretary for Law and Economics in Economic Policy Secretariat; and National Treasury civil servant since 2005, with experiences in the IT and Federal Government Debt Management departments. David graduated in Electrical Engineering at the Universidade de Brasilia, with master's degree in public Sector Economics at the same university. M.Sc. in International, Money and Banking at the University of Birmingham (UK).



Niranjana Sarangi

Leader, Shared Economic Prosperity Cluster

United Nations Economic and Social Commission for Western Asia (ESCWA)

Mr. Niranjana Sarangi is the Leader of the Shared Economic Prosperity Cluster of the United Nations Economic and Social Commission for Western Asia (ESCWA). He previously served as Senior Economic Affairs Officer and Lead Economist on Debt and Fiscal Policy at ESCWA, spearheading transformative initiatives to address critical economic challenges in the Arab region. His work in global and regional economic policy has made a significant contribution to the United Nations' strategies on debt solutions and sustainable financing for developing countries. Mr. Sarangi's leadership extends to the production of flagship reports, research on public finance and the Sustainable Development Goals, and the implementation of projects and data-driven insights tailored to policymakers' needs. Mr. Sarangi also served as an economist at the United Nations Development Programme Asia-Pacific Regional Centre from 2007 to 2012. Before joining the United Nations, he had a robust career in research and the private sector (2002-2007). Mr. Sarangi is of Indian nationality. He holds a PhD in Development Economics from Jawaharlal Nehru University in Delhi, India.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

14th Debt Management Conference

17-19 March 2025, Geneva

Panel 4

Governance, Accountability and Transparency in a World of Fiscal Constraints: Challenges and Transformations in Yemen

Abubaker Hussein Omar Al-Saggaf

The views expressed are those of the author and do not
necessarily reflect the views of UNCTAD

**Governance, Accountability and Transparency in a
World of Financial Constraints: Challenges and
Transformations in Yemen**

**Procedures followed by the Central Organization for
Control and Auditing**

**In the Republic of Yemen in the review of the public
debt,**

**Speech of His Excellency Judge/ Abubaker Hussein Al-Saqqaf,
President of the Central Organization for Control and Auditing
in the Republic of Yemen**

Excellencies.

Representatives of governmental bodies and international
organizations.

Ladies and gentlemen.

May Allah bless your times with all the best.

At the outset, I would like to thank the Conference on Trade and Development (UNCTAD) for organizing the Fourteenth Session of the International Conference on Public Debt Management, for preparing the documents and providing us with the opportunity to talk about debt management in my country, Yemen and the role of accountability and transparency in controlling it, especially in light of the difficult economic and financial conditions that our country is going through. As you know, public debt, whether internal or external, is one of the financial tools that governments resort to in order to finance the budget deficit and implement

development projects, while its mismanagement and the absence of good governance may turn it into a heavy burden that hinders development and financial stability.

With that in mind, I would like to note that my presentation consists of the following:

- Governance, accountability and transparency challenges in Yemen.
- The role of the Central Organization for Control and Auditing in auditing public debt.

❖ Firstly: Governance, Accountability and Transparency Challenges in Yemen:

Governance, accountability and transparency are essential elements for effective management of public finances as they play a crucial role in ensuring the long-term sustainability of public debt, and Yemen faces many challenges regarding these elements in managing public debt, which includes internal and external debt, and these challenges have been exacerbated since the outbreak of conflict in our country in 2014. The Central Bank of Yemen in Aden suspended the payment of domestic and external debt obligations for some time, negatively affecting liquidity and the ability to meet financial obligations.

The crisis of public debt, both internal and external, is one of the issues of great importance not only at the level of Yemen but at the global level. And as it is known that the public debt arises as a result of the need to finance the deficit of the state's general budget. That would include (units of the administrative apparatus of the state, whether units of the central, local governments, or other government authorities). Apparently, this is due to the increase in the volume of public spending over

actual public resources. For that, borrowing is made from the internal banking system. Also, borrowing is made from external parties in foreign currencies to finance the establishment of public investment projects or to meet the deficit in foreign exchange reserves. In this context, both fiscal policy and monetary policy are working through the institutional measures they undertake by using their tools to address this deficit, which requires the need for coordination and sustainable cooperation between them to confront internal and external public debt.

It is worth noting that the existing conflicts that have cast a shadow on the capabilities of the legitimate authority of the state since 2014 until now, negatively affected various economic, social, financial and monetary conditions, which resulted in the government resorting, to a large degree, to financing the state's budget deficit from inflationary sources: through overdrafts (borrowing from the Central Bank of Yemen). The stock of the internal public debt at the end of 2023 amounted to about (11) trillion Yemeni riyals, equivalent to about (9) billion US dollars (50%) of this balance accounted for the pre-2016 period, and the balance of external public debt during the same period amounted to about five billion US dollars.

Ladies and gentlemen:

These figures clearly show the significant financial challenges facing our country, Yemen, which requires intensive efforts to restructure public debt and enhance financial sustainability.

- ❖ **For a matter of clarification, I would like to refer here to the government units and ministries directly involved in the management of public debt, the most important of which are: the Ministry of Finance, the Ministry of Planning and**

International Cooperation, the Central Bank of Yemen and the Parliament.

- ❖ **I would also like to point out that Yemen has legislation related to public debt and its management includes, in part, regulatory procedures, in addition to the law of the Central Organization for Control and Auditing which includes provisions that emphasize a set of auditing practices over public debt, grants and foreign aid.**

- ❖ **Secondly: The role of the Central Organization for Control and Auditing in auditing public debt: It includes the following;**
 1. Verifying the validity and accuracy of the balances constituting the government public debt position, such as balances of treasury bonds, central bank bonds, treasury bills, Islamic sukuk, as well as credit facilities granted by the Central Bank or other banks.
 2. Verifying the Central Bank's compliance with the legal limits established regarding its financing to the government (Ministry of Finance) to cover the cash deficit in the government's accounts with the Central Bank (government debit balance).
 3. Verifying the correctness of the changes that took place during each fiscal year on the balances of the public debt position in terms of increase or decrease, their impact on those balances, and the resulting burdens.
 4. Conducting studies and comparisons between the bonds issued in terms of duration, rate of return, issuance commissions, bank expenses, etc. To determine the efficiency and effectiveness of the borrowing strategy, and to make recommendations.

5. Identify the terms of protocols and agreements concluded on external loans, especially with regard to the rate of return, the duration and commission of the loan, the number of installments, the commission of engagement, and any other bank commissions or expenses and the accuracy of compliance with them on their due dates.
6. Study the impact of changes and developments in foreign exchange rates against the local currency on the total balance of external public debt, which is valued in local currency.
7. Identify the extent of real benefit from these loans, especially those related to the establishment of government investment projects, and identify the obstacles and problems that prevent the benefit of these loans, and the implementation of these projects.
8. Monitor the burdens resulting from internal or external loans such as installments, commissions, etc., and verify the validity and accuracy of their calculation in accordance with the conditions specified for this.
9. Review and reconcile the books and records designated to follow up on those expenses for each loan separately.
10. Obtaining approvals and statements of accounts of the Central Bank to verify the validity and eligibility of the additions or deductions contained therein during the fiscal year and the validity of the balances at the end of each fiscal year, and matching this with what is recorded with the Ministry of Finance (Central Accounts).
11. Follow-up of outstanding arrears of obligations due for those loans from the re-lending parties from the Ministry of Finance and the accumulated delay commissioners resulting from the period of late payment.

12. Analyze the statement of the public debt position to reach its impact on economic performance and its impact on the state's general budget by studying the following:

- Evolution of the public debt stock and its ratio to GDP.
- The structure of the internal public debt and the financial burdens resulting from it.
- The burden of public debt interest on sovereign revenues.
- Analysis of internal debt indicators and its impact on economic performance.

In preparing the annual report and the auditor declaration statement submitted to the Parliament, our organization, Yemen SAI relies on:

- the final accounts received from the Ministry of Finance for both the general budget of the State, the budgets of the state-owned economic units and partially-state owned units, the budgets of specialized funds, the budgets attached to them and independent of them,
- the statements issued by the Central Bank of Yemen, and
- the Ministry of Planning and International Cooperation.

13. Analysis of external indebtedness (installments and interest) and what the Yemeni economy bears to meet the obligations arising from it through the following:

- Analysis of the structure of external indebtedness and study of its various distributions.

- Measuring the burden of servicing external debt and the net cash flows resulting therefrom.
 - Measuring the impact of both external indebtedness and its burdens on economic performance using some economic indicators in order to analyze the relative weights of the elements of indebtedness according to its type, maturity, borrowing currencies, creditor countries and organizations.
 - Analysis of the level of external indebtedness in accordance with the credit rating and safety standards set by international financial organizations.
14. Studying the phenomenon of failure in the implementation of projects financed by external loans as a result of delaying the readiness of these projects in terms of:
- The preparedness of the sites allocated to these projects and the absence of problems around them.
 - Accuracy and integrity of feasibility studies and designs.
 - Integrity of tender procedures and timely implementation. And finally,
 - Integrity of the procedures for qualifying consulting and contracting companies.

Thank you““““““

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

14th Debt Management Conference

17-19 March 2025, Geneva

Panel 4

Fiscal rules for sound and sustainable fiscal policies Empirical evidence and Swiss experience

Peter Schwendener

The views expressed are those of the author and do not
necessarily reflect the views of UNCTAD



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Swiss Federal Department of Finance FDF
Federal Finance Administration FFA
Economic and Monetary Policy

Fiscal rules for sound and sustainable fiscal policies

Empirical evidence and Swiss experience

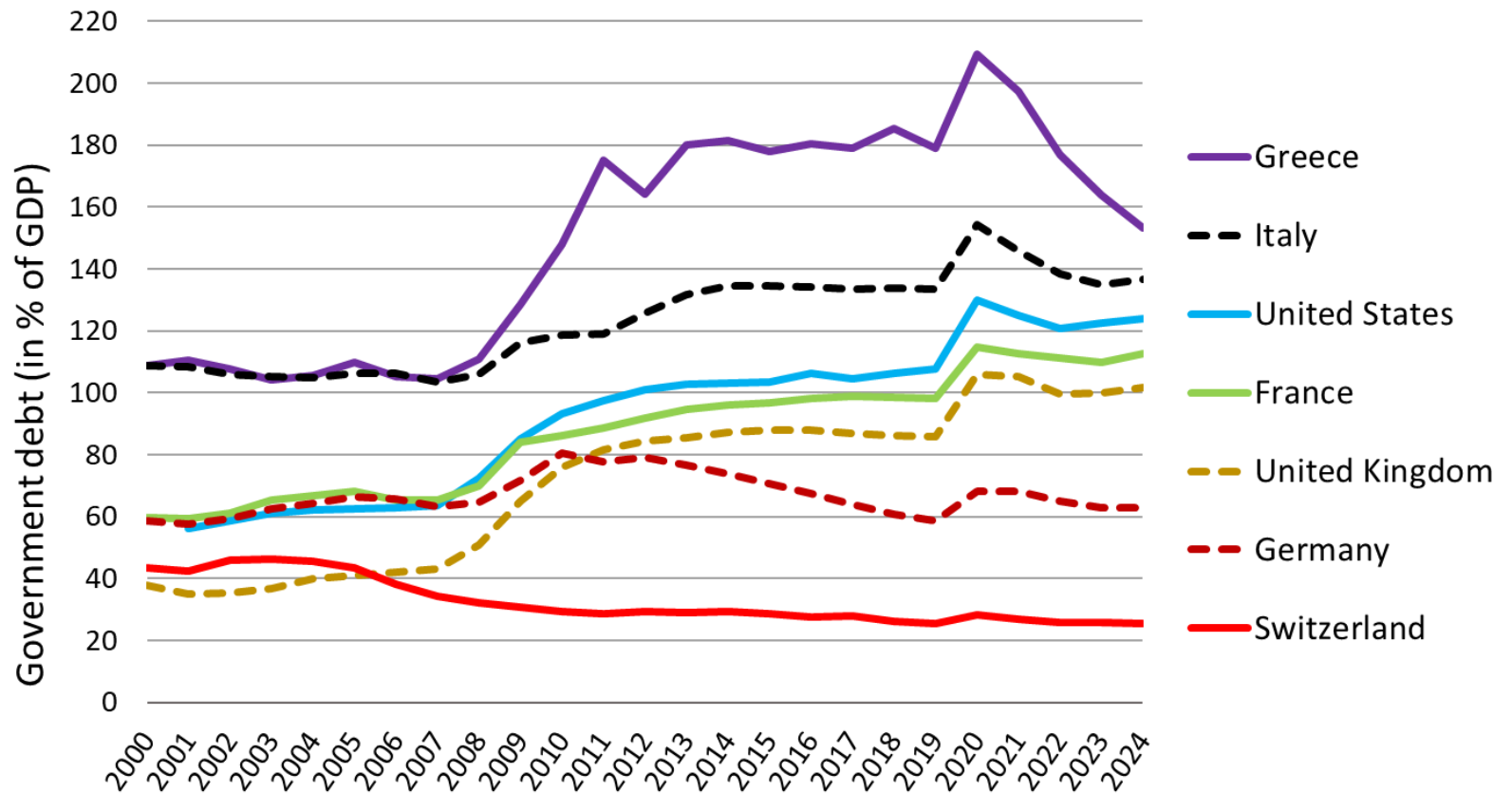
14th International Debt Management Conference
17-19 March 2025, Geneva

Peter Schwendener

Deputy Director, Swiss Federal Finance Administration



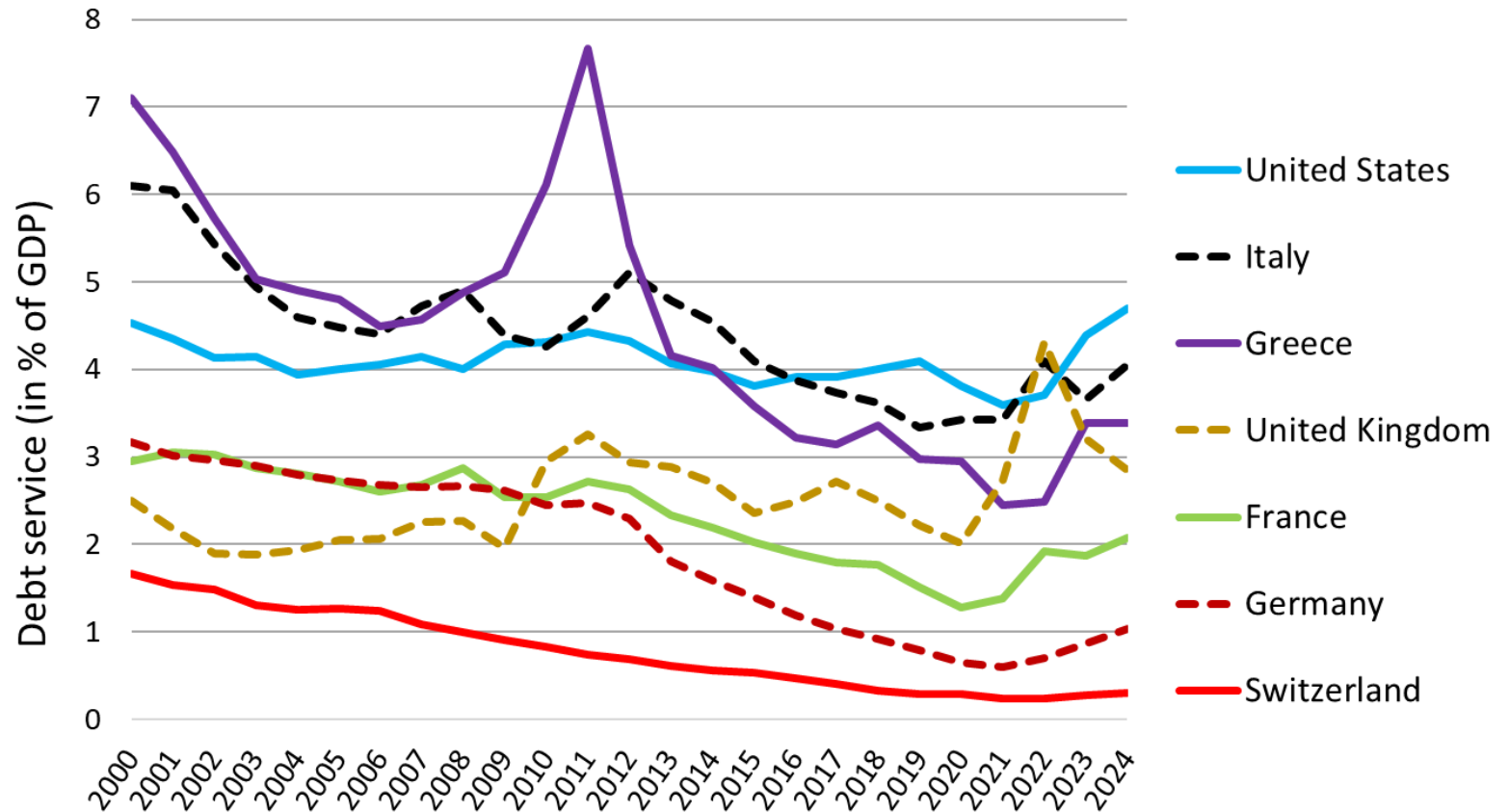
Government debt



Source: OECD



Government debt service

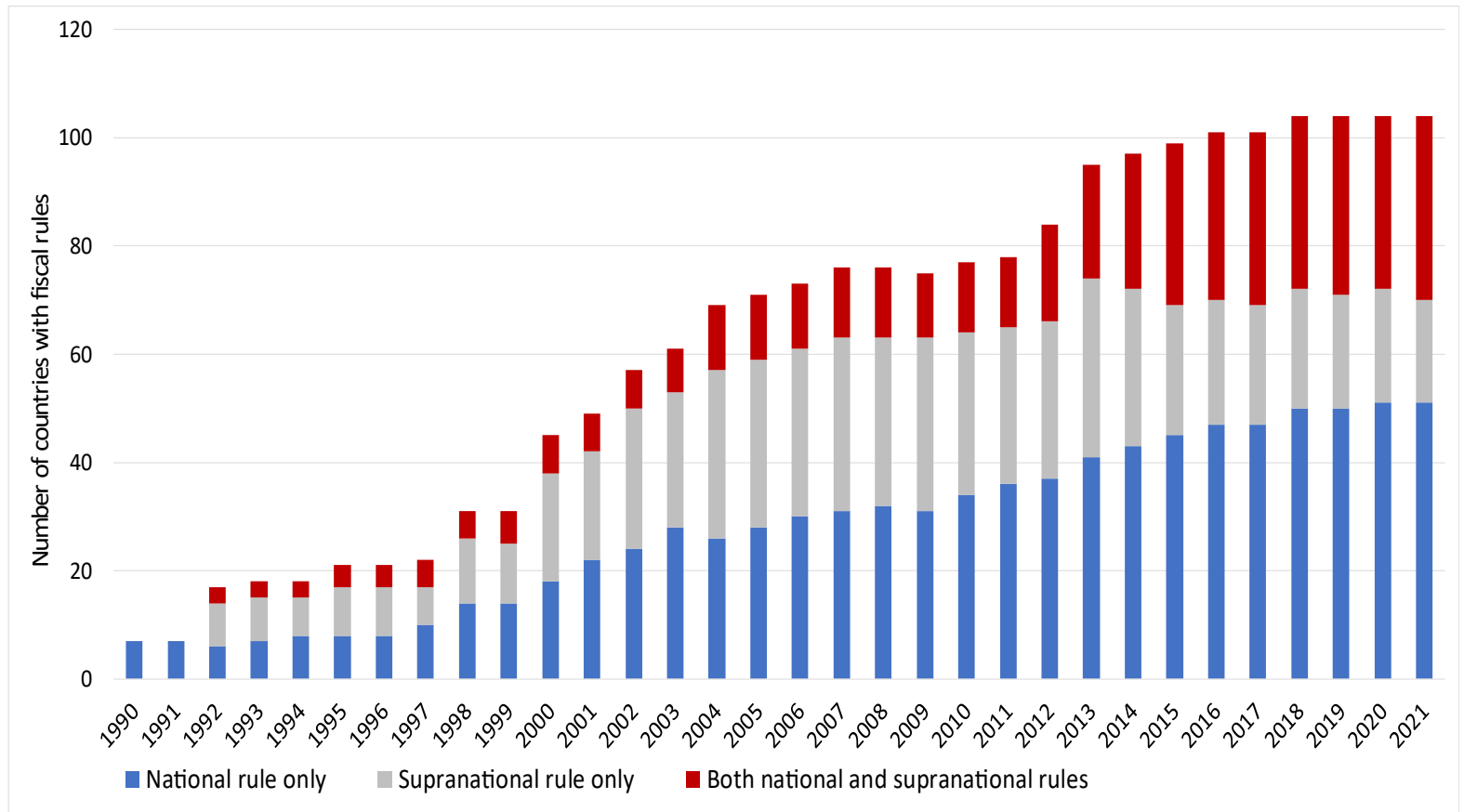


Source: OECD



Fiscal rules around the world

Adoption of fiscal rules since 1990



Source: IMF, Fiscal Rules Dataset



Pros and cons of fiscal rules

Fiscal rules improve incentives via

- disciplining decision makers & reinforcing the role of the finance minister
- setting a framework for annual budget negotiations
- setting spending priorities & strengthen medium-term planning

In a more macroeconomic jargon, fiscal rules

- contribute to sustainable fiscal policies and to macro stability
- strengthen credibility for investors, companies and private persons
- create fiscal space for future challenges and crises

Rigid fiscal rules can be counterproductive by

- crowding-out public investment
- intensifying pro-cyclical tendency of fiscal policy
- providing incentives for «creative accounting»



How do fiscal rules impact fiscal performance?

Key insights from international empirical evidence*

- Fiscal rules are associated with improved fiscal performance (budget balances, public spending volatility, public debt)
- Stronger impact from budget balance rules and expenditure rules compared to debt rules
- Anchoring fiscal rules at constitutional level is related to lower public debt and lower probability of sovereign debt crisis

See Brändle and Elsener (2024), [Do fiscal rules matter? A survey of recent evidence | Swiss Journal of Economics and Statistics | Full Text](#)



Further channels of fiscal rules' impact?

International empirical evidence shows that fiscal rules

- contribute to more accurate budget forecasts
- lead to favourable sovereign bond ratings
- do not undermine public investment, if well designed
- may have counter-cyclical effects and contribute to successful fiscal adjustments if well designed



Design and institutional context matter

Design features key to effectiveness

- Strong legal anchoring (constitutional level)
- Flexibility (defined ex ante)
 - taking into account cyclicalities
 - arrangements for exceptional conditions (exogenous shocks)
 - measures to protect public investment
- Provisions for binding implementation and enforcement
- Simplicity: easy to understand and to communicate

Institutional context: Government effectiveness (e.g. efficiency of administration, fiscal transparency) enhances fiscal rules' impact



Swiss debt brake

- **Objective:** Balanced federal budget over the business cycle (nominal debt stabilisation)
- **Fiscal rule type:** balanced budget rule operationalised by expenditure rule related to cyclically adjusted revenues and anchored in the constitution
- **Application:** Federal budget, expenditure must not exceed cyclically adjusted revenue
- **Extraordinary spending** possible if unforeseeable events → ex-ante defined flexibility under conditionality



Experiences with the Swiss debt brake

- **Top-down perspective** in budgeting is essential to streamline budget negotiations within the administration
- **Binding expenditure ceiling** is important as a budgetary constraint that fosters priority setting
- **Asymmetric design** (i.e. nominal debt stabilisation target) can be beneficial in the medium term, especially in uncertain times with shocks
- **Ex-ante defined escape clause** is key for exceptional situations, e.g., it allowed substantial additional spending during COVID



Concluding remarks

- Empirical literature shows that well-designed fiscal rules improve fiscal performance via several channels
- Design of fiscal rules matters
 - Design implies trade-offs and must be tailored to national decision-making structures and to underlying economy
- Overall: (well-designed) fiscal rules contribute to sound fiscal policy & increase public finance resilience



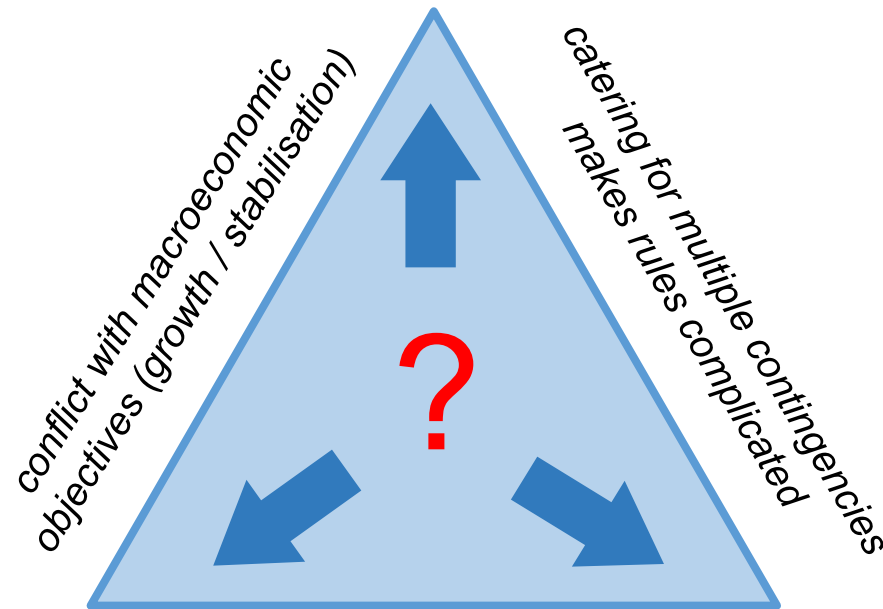
Annexe



Designing fiscal rules: a trilemma?

Enforcement / binding constraint

Credibility, commitment and compliance



Simplicity

Transparency of fiscal framework (voters, markets)

Overly flexible or too simple/rigid rules are difficult to enforce

Flexibility

Achieve macroeconomic objectives

Of 3 desirable properties, only 2 can be simultaneously achieved

Source: Taken from Debrun and Jonung, 2019 / Kopits and Symansky, 1998

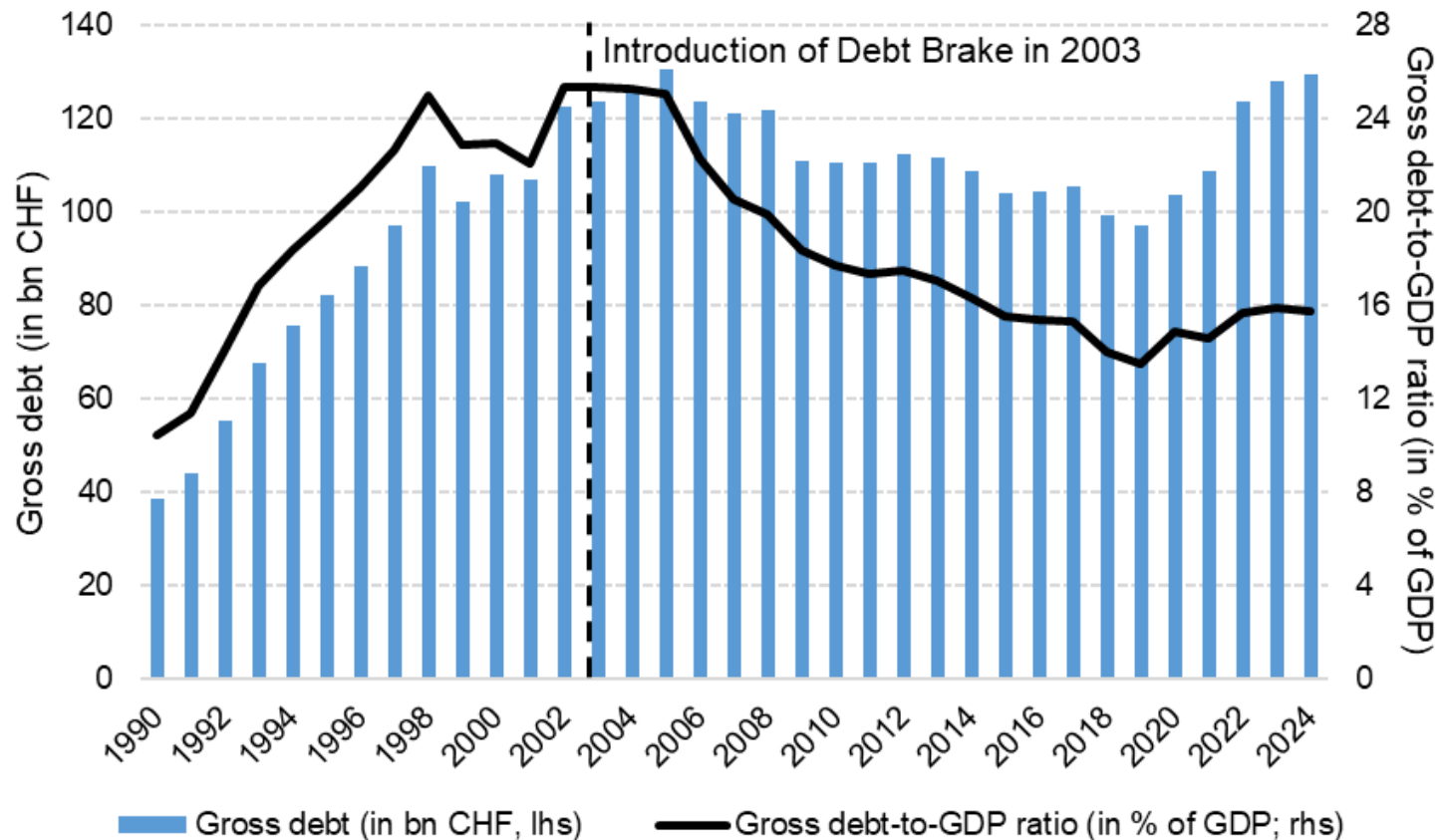
Federal Department of Finance, FDF

Federal Finance Administration, FFA



Development of federal debt

Federal debt in Switzerland, 1990 – 2024



Source: FFA



Fiscal rules strengthen medium and long-term perspective

- Incentivise to extend planning horizon (set spending priorities, detect and prepare fiscal consolidation)
→ e.g. a rolling 4-year integrated task and fiscal plan
- Strengthen fiscal sustainability analysis to anchor fiscal-policy making in the long term and highlight the need for reform
→ e.g. a fiscal sustainability analysis beyond budget & medium-term plan



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

14th Debt Management Conference

17-19 March 2025, Geneva

Panel 4

Fiscal Rules and Debt Sustainability

David Rebelo Athayde

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD



TESOURO NACIONAL

2025

March

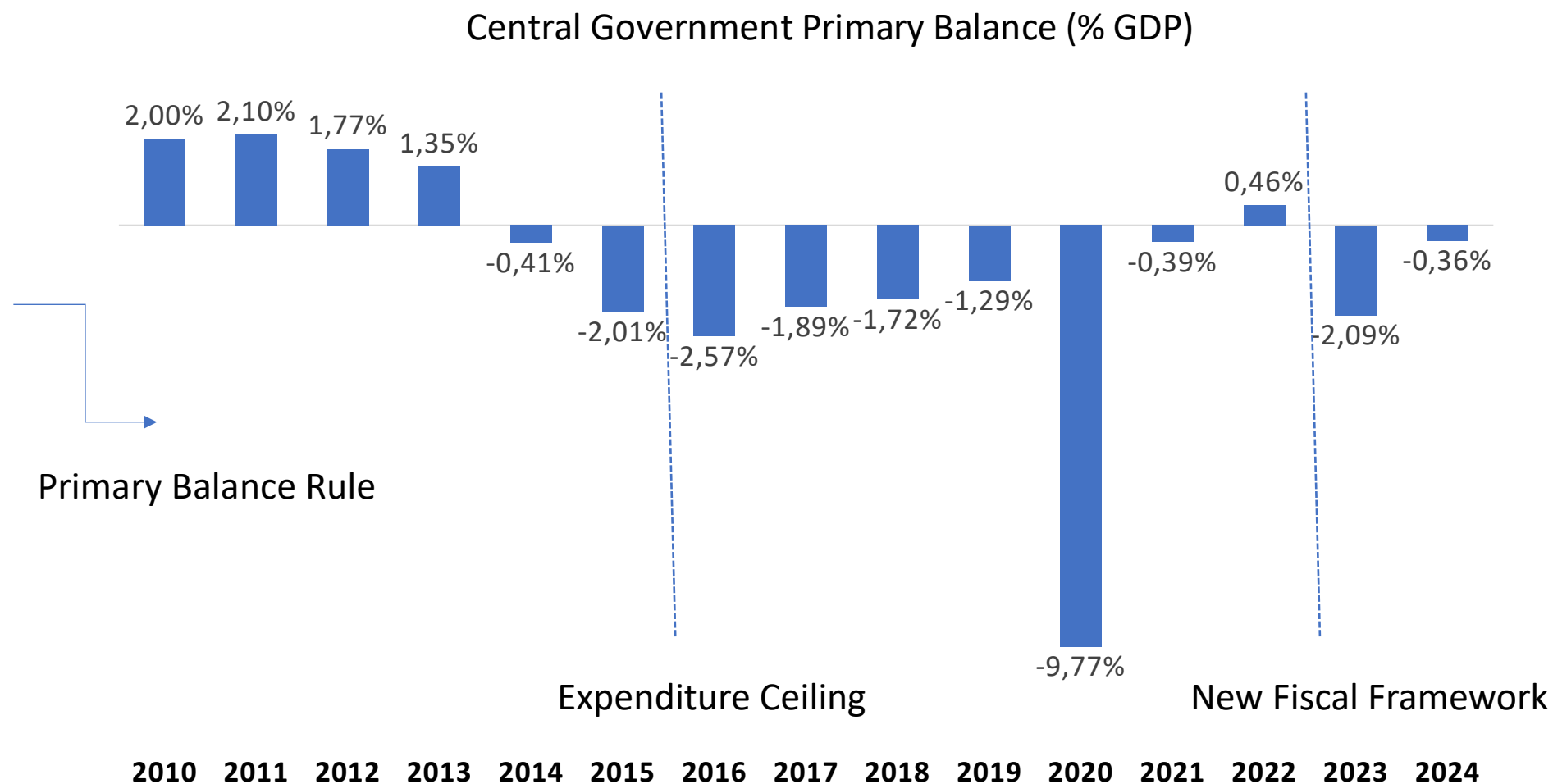
Fiscal Rules and Debt Sustainability



Brazilian Central Government main fiscal rules

- Annual Primary Balance Target:
 - Introduced by the Fiscal Responsibility Law, approved in 2000.
 - **Escape clause:** annual targets are relaxed in events of public calamity recognized by the Parliament (the case of the Covid-19 pandemic).
- Expenditure ceiling rule, approved in 2016 (Primary Balance Rule was maintained)
 - Aimed at curbing the expansion of Federal Government spending in a context of lower economic growth and revenue collection (sequence of primary balance deficits).
 - Annual spending growth limited to inflation variation (no real growth allowed).
 - **Escape clause:** urgent and unpredictable expenditures (like the ones related to public response to national calamities) are exempted from the ceiling.

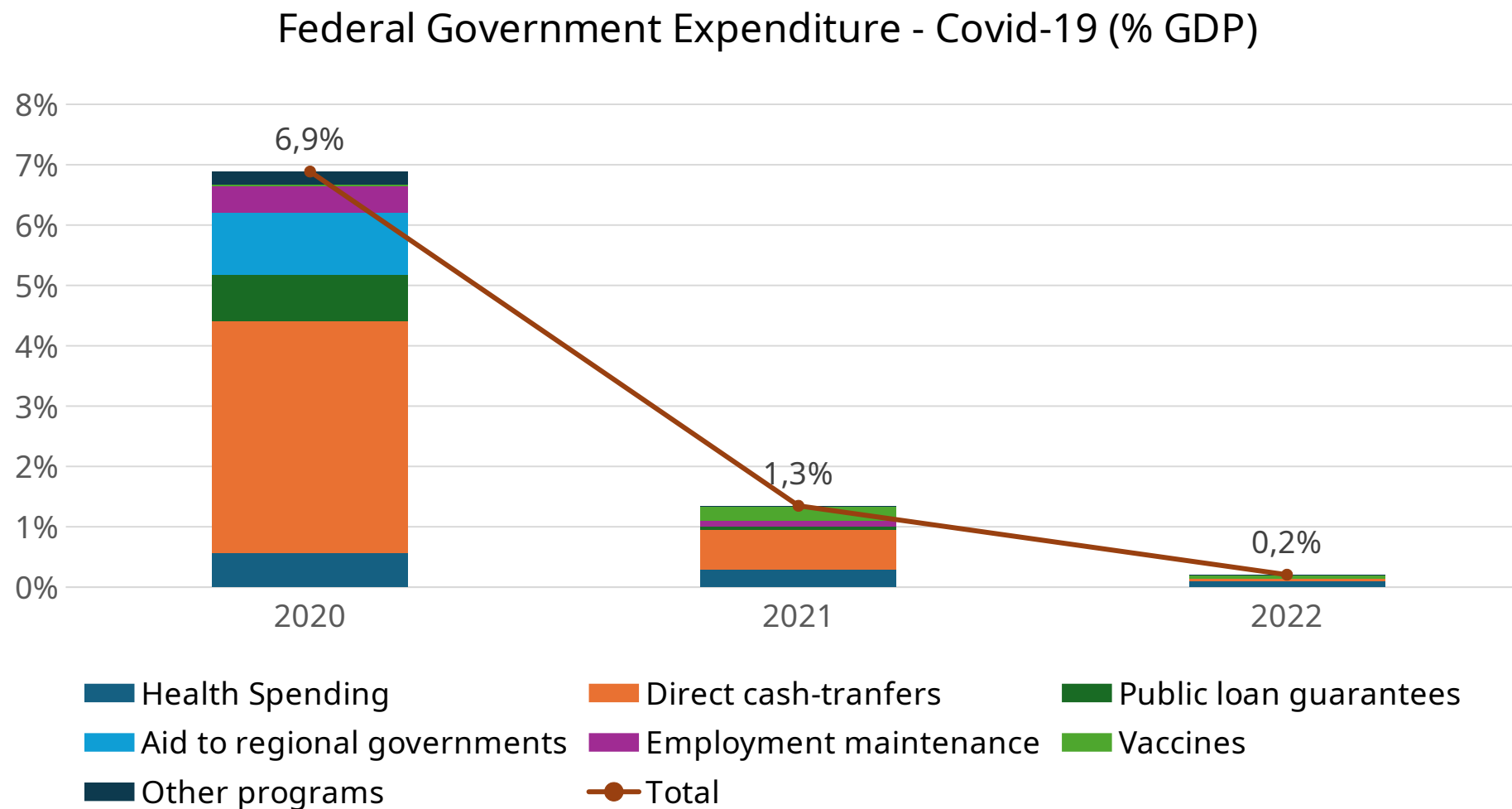
Brazilian Central Government main fiscal rules



The case of the pandemic

- The main fiscal rules were not changed as both of them had escape clauses that could be activated when the public calamity situation was officially recognized.
- However, some legal adjustments were necessary to improve public response to the pandemic by:
 - Allowing for a more expeditious public procurement procedures (services, goods, temporary personnel);
 - Relaxing some legal requirements for the creation of new public policies (direct or tax expenditures);
 - Supporting financial institutions (not used);
 - Supporting regional governments (cash transfers, credit operations and guarantees).
- ✓ **All that flexibility applying only to temporary policies aimed at dealing with the pandemic consequences.**
- ✓ **The Parliament recognition act defines the term of the public calamity and which tax expenditures and direct expenditures can be excluded from the rules during this period.**

The case of the pandemic

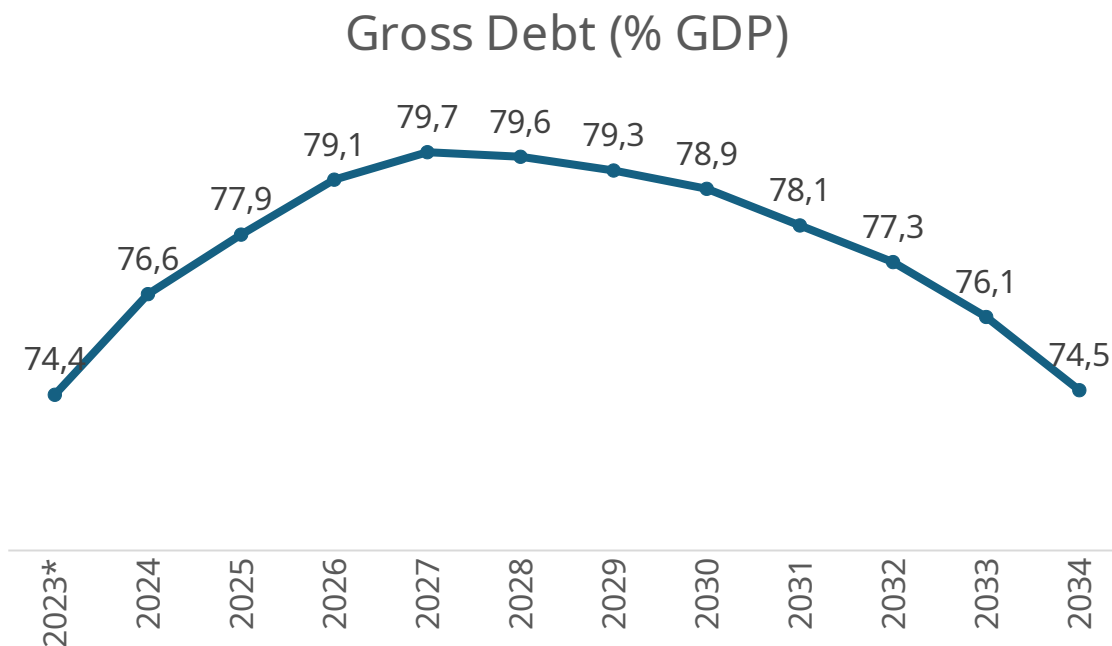
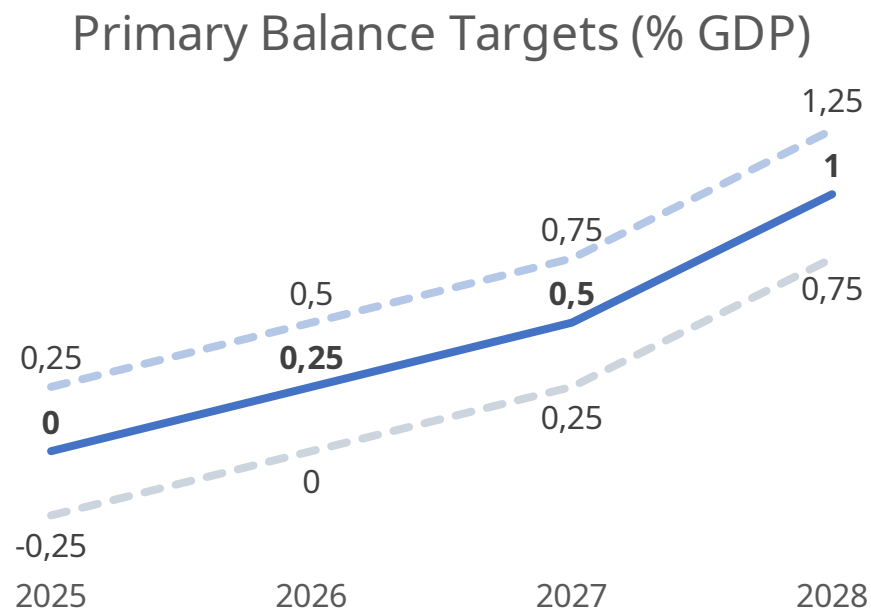


Source: Brazilian National Treasury.

New fiscal framework

- Former expenditure ceiling rule proved to be very restrictive once age-related benefits (like pensions) have been growing above inflation.
- The new legislation approved in 2023 turned the former expenditure ceiling rule into a spending corridor:
 - Real spending growth now has a floor of 0.6 percent and a ceiling of 2.5 percent. Between these two limits, spending growth rate is contingent on revenue collection and the distance to the primary balance targets.
- The Primary Balance Rule now has a tolerance limit of 0.25% of GDP.
- **The escape clauses were maintained.**
- Every year Federal Government must present its medium-term fiscal framework, setting targets for a 4-year period compatible with debt sustainability.

Fiscal scenario



Source: Ministry of Planning and Budget. *Realized data.

- Official scenario presented in the Budgetary Guidelines Law sent to the Congress in 2024 with the targets and guidelines for 2025 Budget Law preparation.

Regional Governments

- Federal Government has some capacity to control fiscal performance of regional governments;
- In general, they have no good credit score and are not allowed to issue bonds so that they depend on the Federal Government guarantees to access affordable contractual credit lines;
 - The concession of guarantees depends on three criteria: debt level, current expenditure to current revenue ratio and liquidity conditions. Only well rated regional governments can access federal government guarantees;
- Federal Government also limits the annual amount of new credit lines regional governments can access (with or without FG guarantees).
 - Their primary balance is basically the net balance of cash inflows and outflows related to credit operations:
 - New credit -> better cash position -> higher spending -> lower primary balance
 - Debt service -> need to save -> lower spending -> higher primary balance
- Our medium-term forecasts for Primary Balance and Gross Debt to GDP ratio usually do not expect relevant contribution from regional governments (the same applies to state-owned companies).



TESOURO NACIONAL

Thank you!

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

14th Debt Management Conference

17-19 March 2025, Geneva

Panel 4

**Improving fiscal space and debt sustainability
in the Arab region through better resource mobilization
and debt optimization**

Niranjan Sarangi

The views expressed are those of the author and do not
necessarily reflect the views of UNCTAD

International Debt Management Conference 14th session

**Improving fiscal space and debt sustainability in the Arab region through
better resource mobilization and debt optimization.**

18 March 2025



Shared Prosperity **Dignified Life**



Niranjan Sarangi

Cluster Leader, Shared Economic Prosperity
Cluster, ESCWA

Debt Optimization Platform

Enhancing fiscal space, reducing costs and risks



Overview

The ESCWA Debt Optimization Platform is a dynamic interface to help policymakers in the Arab region assess debt optimization strategies, drawing on global debt data and employing machine learning approaches to analyze the costs and risks of debt portfolios. The Platform provides a user-friendly navigation experience to decision-makers, enabling them to visualize debt trends and simulate actionable strategies for their countries vis-à-vis their global peers. This helps to inform the issuance of market debt instruments, manage risks, and explore innovative financing instruments to enhance finance for the Sustainable Development Goals (SDGs).

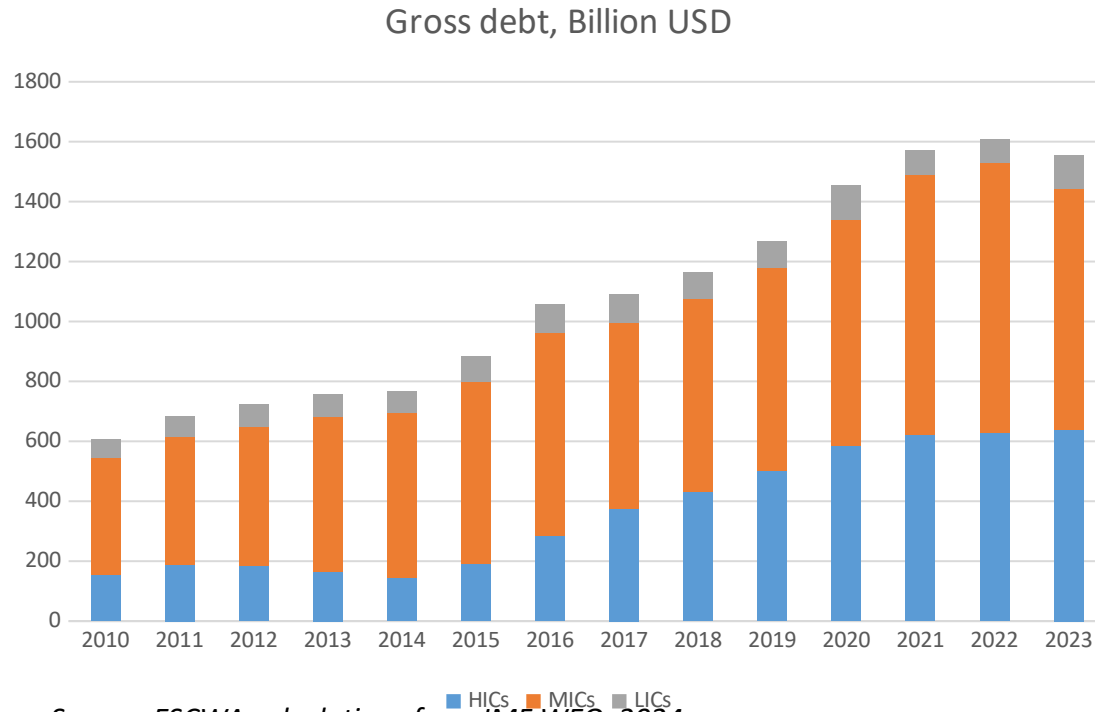
[Read more](#)

Select country to get started

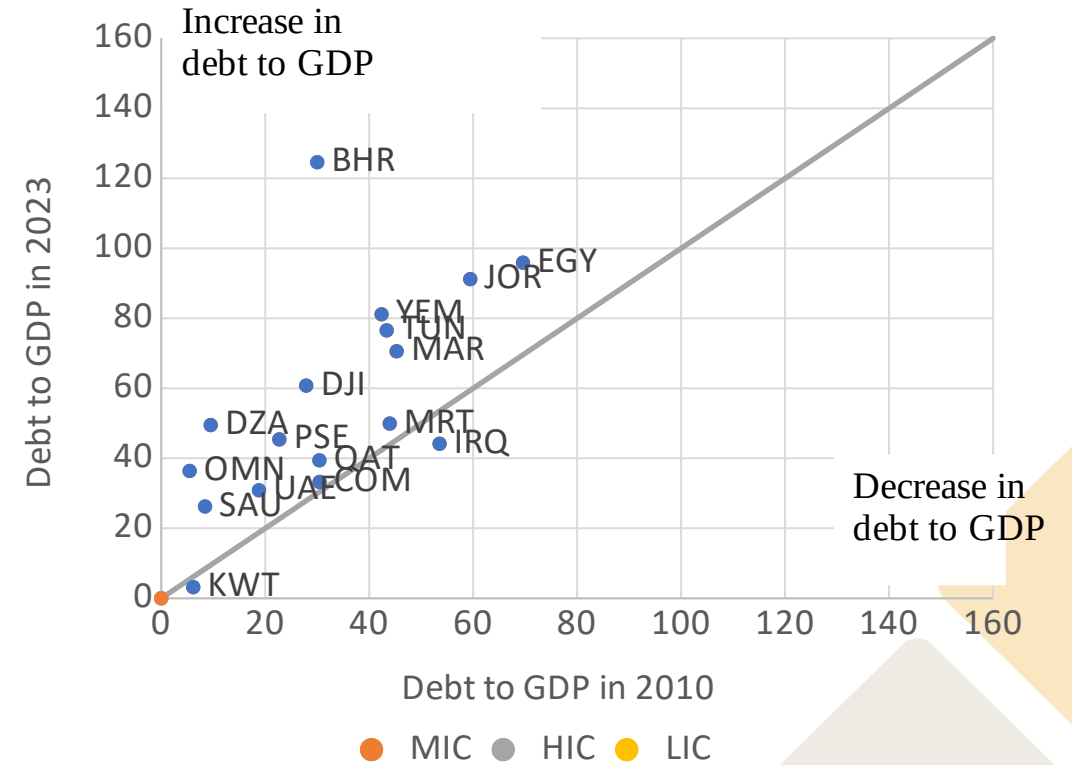
- | | | | | | | | | | | |
|--|--|---|---|---|--|---|---|--|---|---|
| 
Algeria | 
Bahrain | 
Comoros | 
Djibouti | 
Egypt | 
Iraq | 
Jordan | 
Kuwait | 
Lebanon | 
Libya | 
Mauritania |
| 
Morocco | 
Oman | 
State of Palestine | 
Qatar | 
Saudi Arabia | 
Somalia | 
Sudan | 
Syria | 
Tunisia | 
United Arab Emirates | 
Yemen |

The scale of debt is concerning in developing regions, including in the Arab region

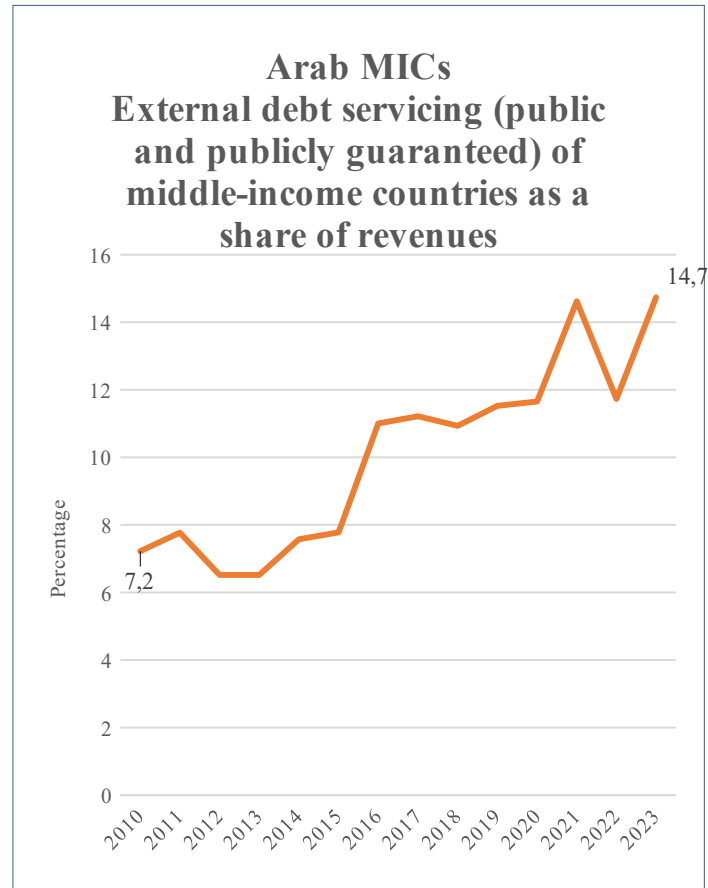
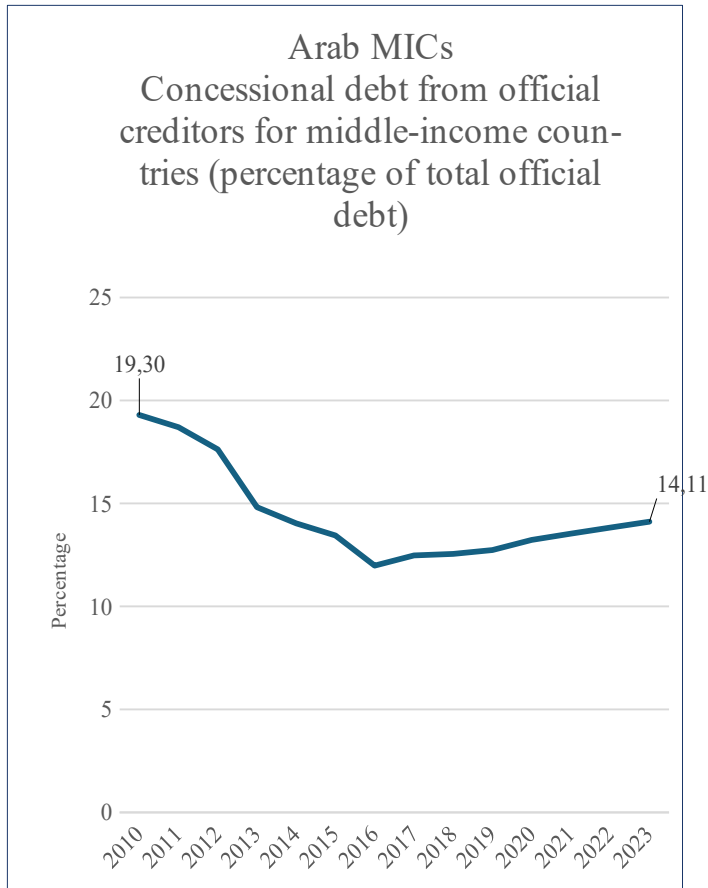
In the region, government debt climbed to an estimated \$1.55 trillion in 2023, with middle- and low-income countries bearing the brunt of this burden. Debt ratios exceeded 90 per cent of GDP in several cases, posing significant risks to fiscal sustainability.



Source: ESCWA calculations from IMF WEO, 2024

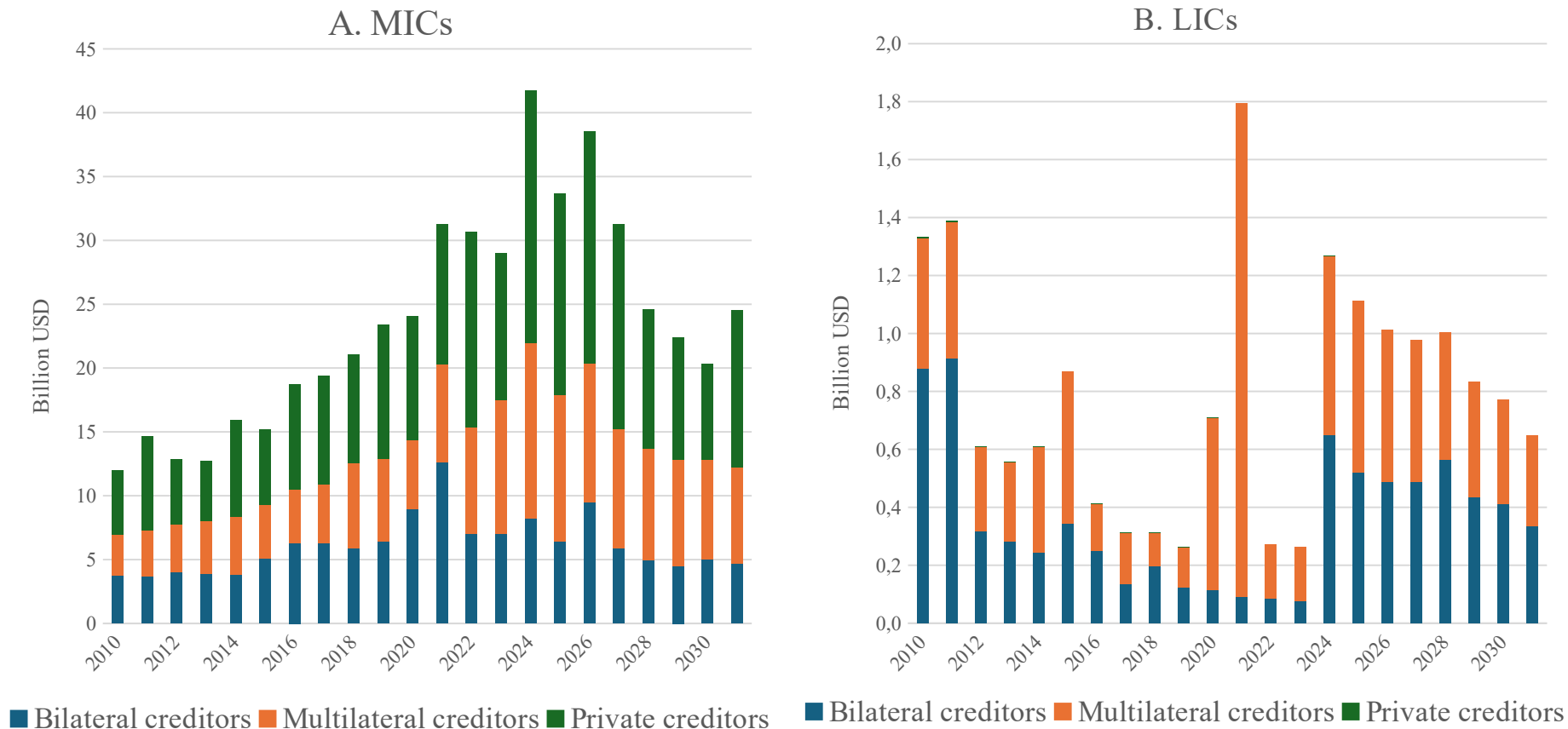


Concessional debt from official creditors is waning for low- and middle-income countries in the region; the composition of debt has shifted towards the market, making it costlier



- **For MICs:** Concessional share of debt from official creditors declined from 19 per cent in 2010 to 14 per cent in 2023
- **For MICs:** External debt servicing absorbed around 15 per cent of revenues in 2023, up from 7 per cent in 2010.

External debt servicing to official and private creditors is high and likely to remain so in the coming years

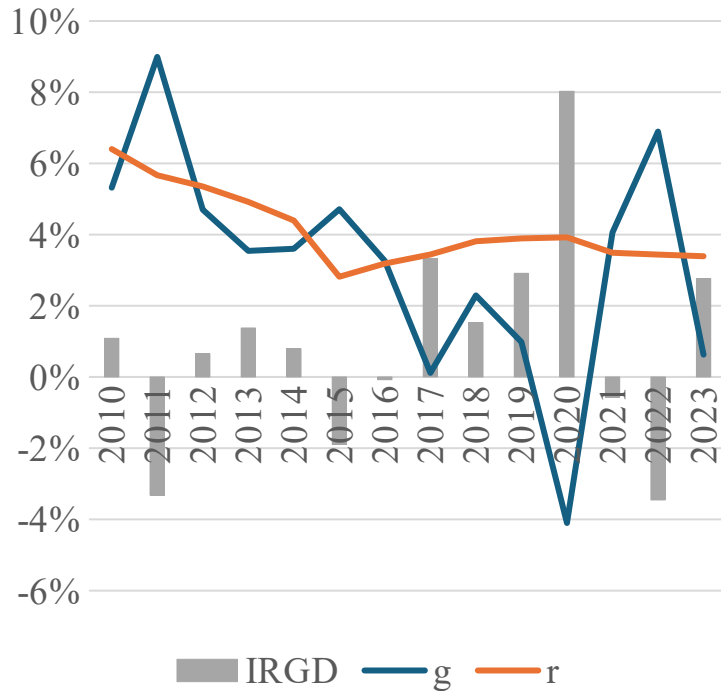


- External debt servicing will likely remain elevated during 2025–2027.
- The bulge in debt servicing both limits fiscal space for financing essential services and threatens debt sustainability.

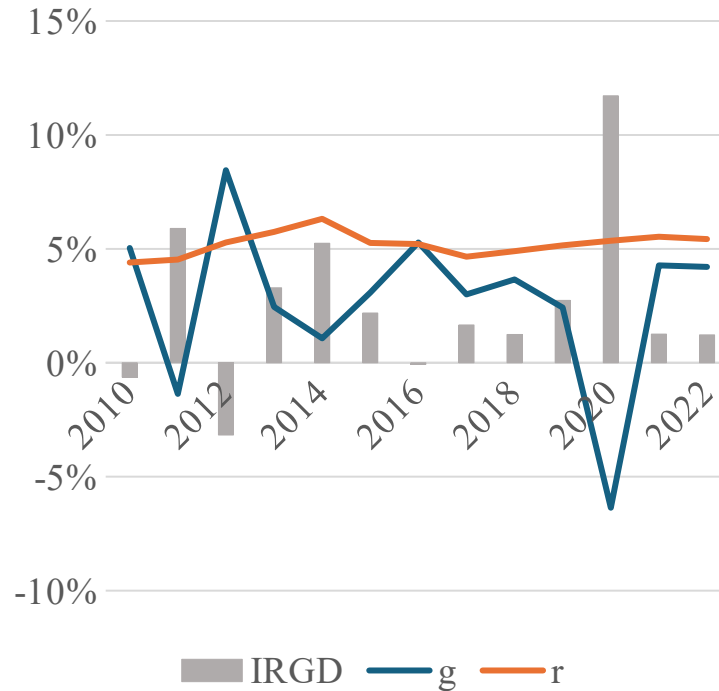
Risks: growth volatility

Crisis of economic growth pressures debt sustainability and widens the interest rate growth differential, leading to build-up of debt stocks across the region

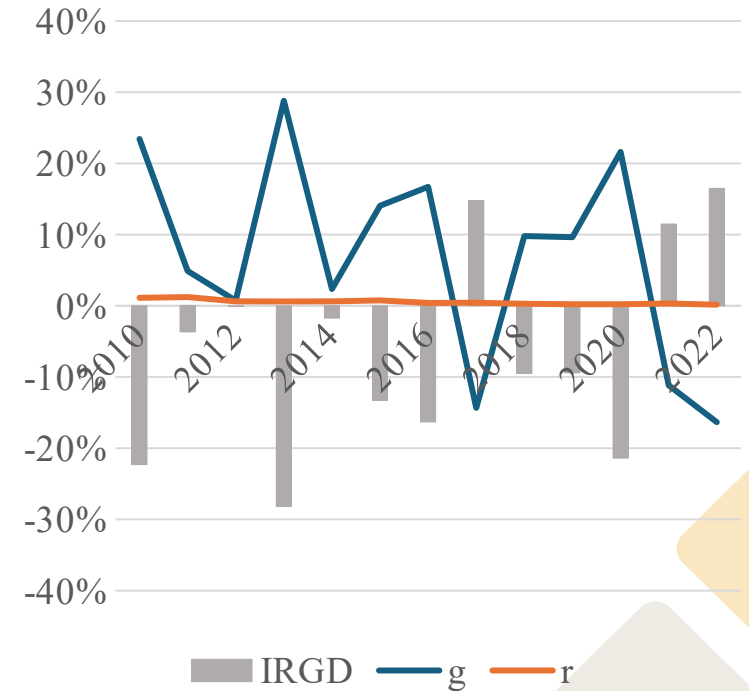
A. High-income countries



B. Middle-income countries



C. Low-income countries

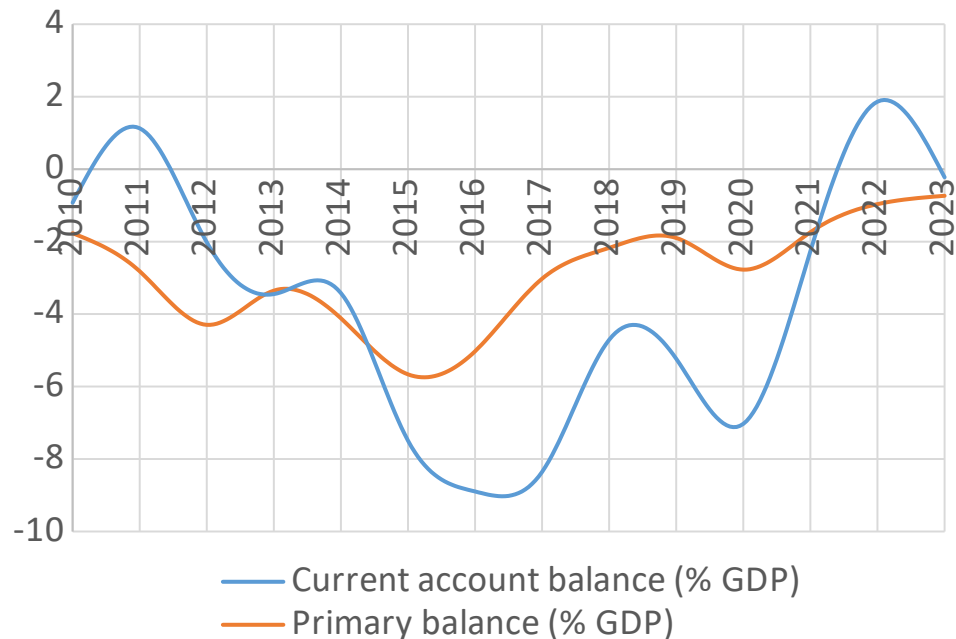


Risks: External constraints and primary deficits

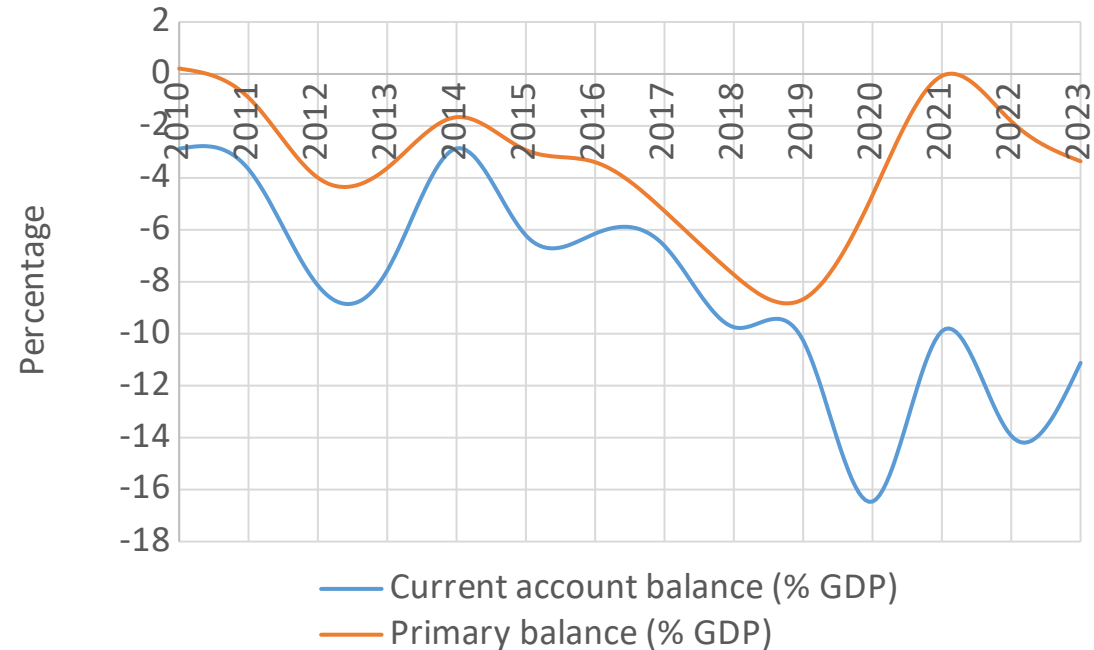
Deficits have driven expenditure reforms and market borrowing

Both fiscal and current account balances show worsening trends

A. Middle-income countries



B. Low-income countries



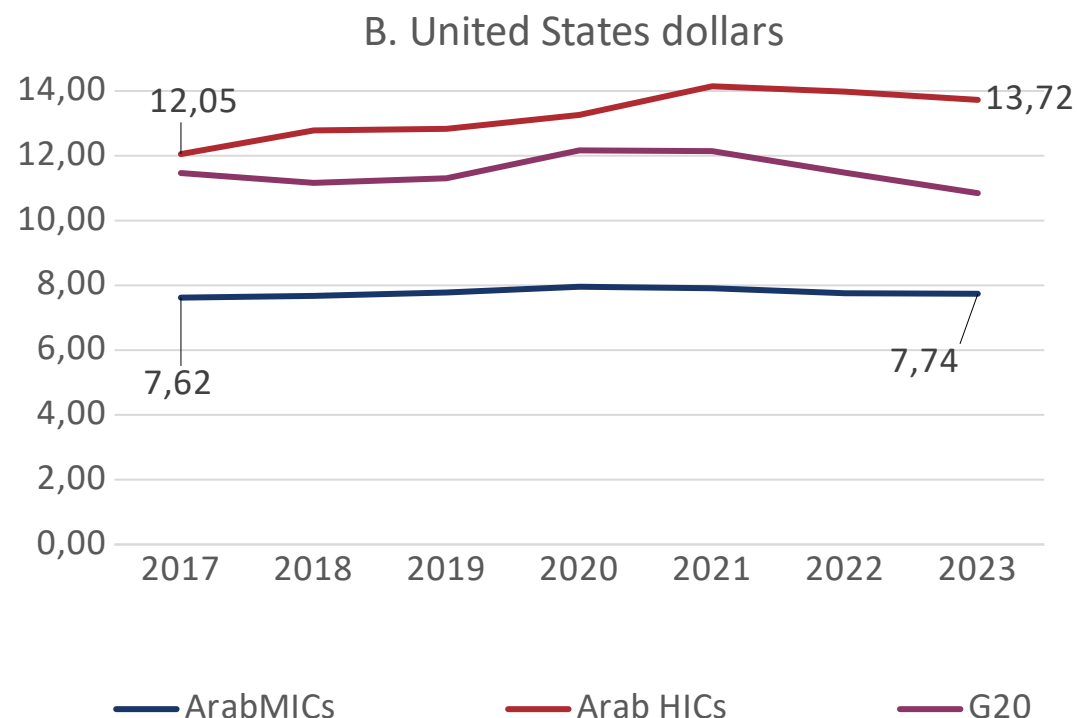
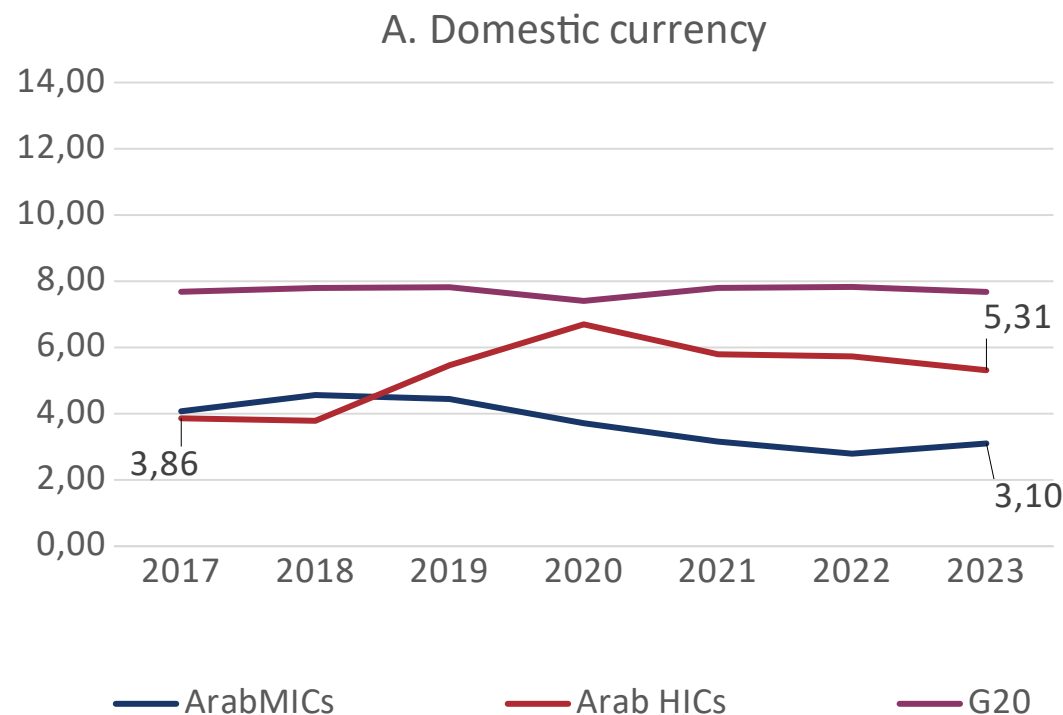
Source: ESCWA 2024. Debt and Fiscal Outlook Report for the Arab Region

Risks: Refinancing needs

Managing risk calls for extending terms in debt portfolios

Average maturity is below average – that elevates the refinancing risks in market debt

Average outstanding time to maturity (years)

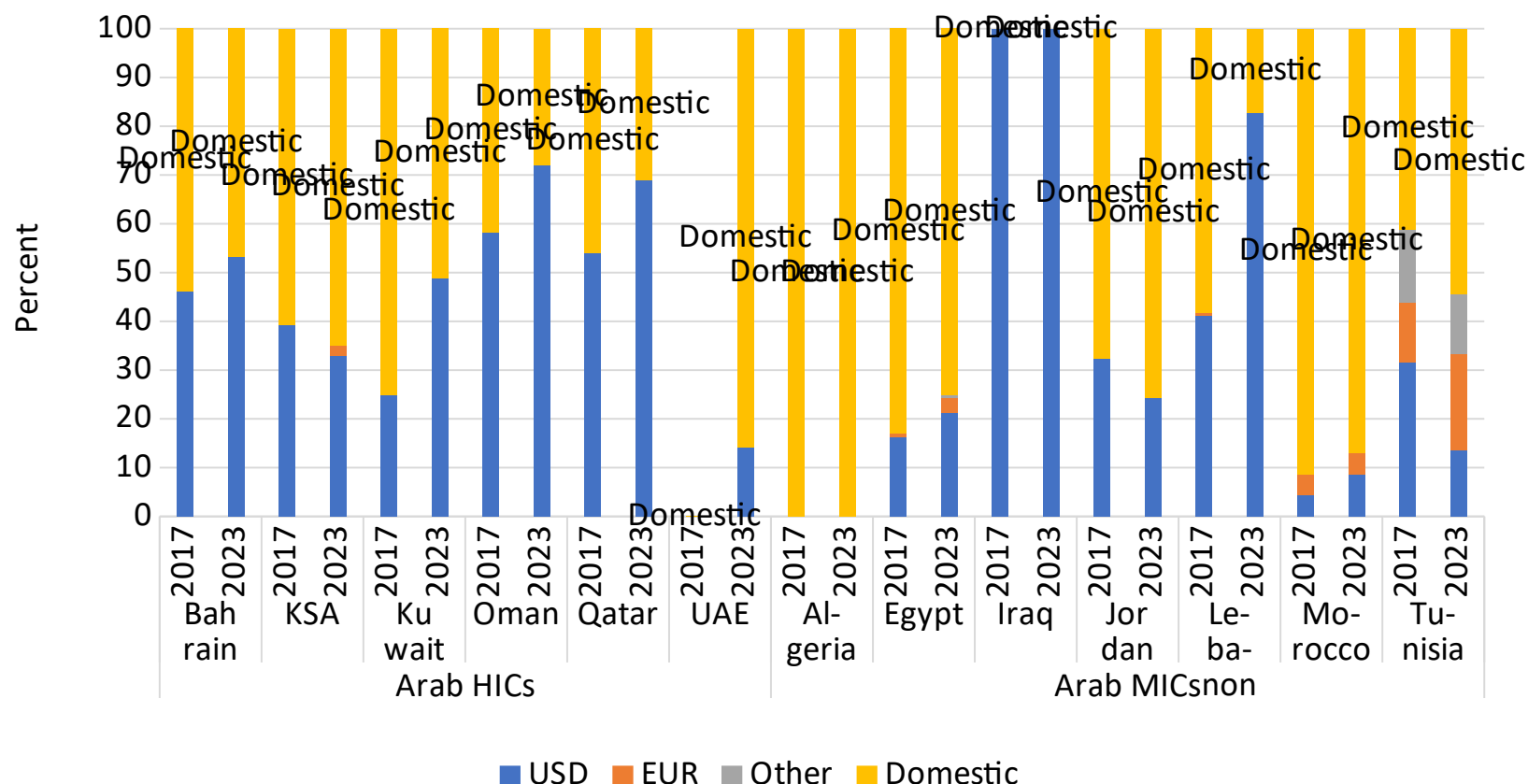


Source: ESCWA 2024. Debt and Fiscal Outlook Report for the Arab Region

Risks: Exchange rate volatility

Managing risk calls for diversifying currencies in debt portfolios

Currency composition of the debt in some Arab MICs yields elevated exchange rate risk

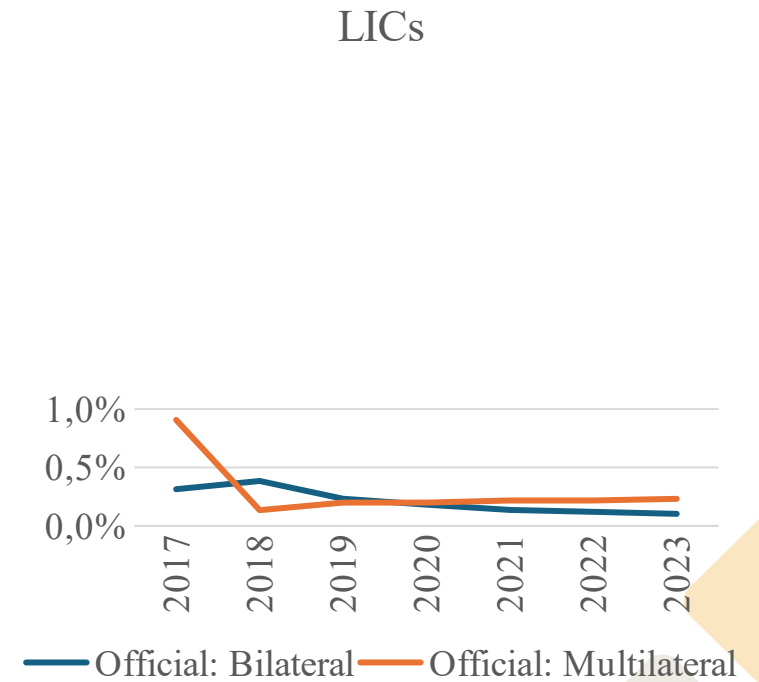
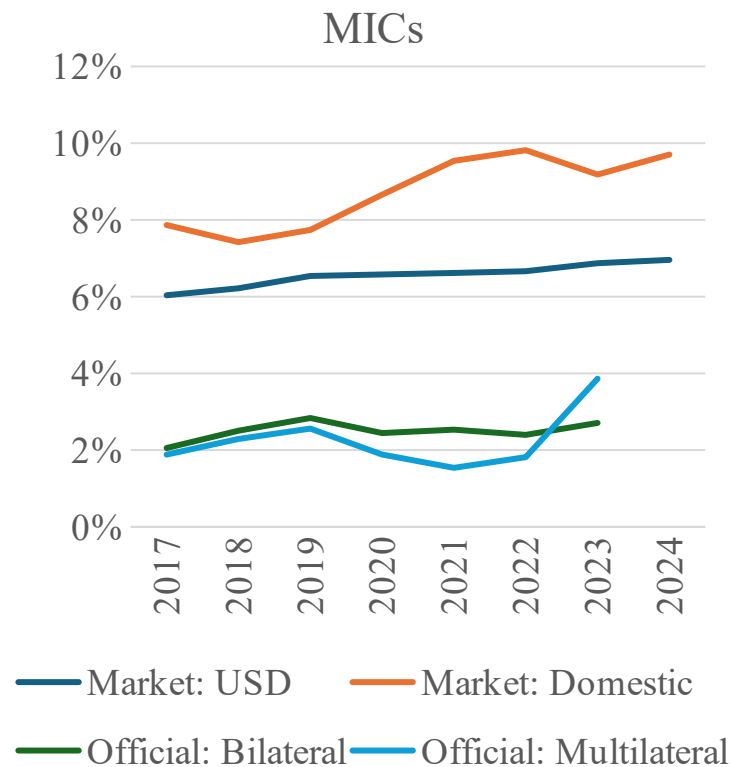
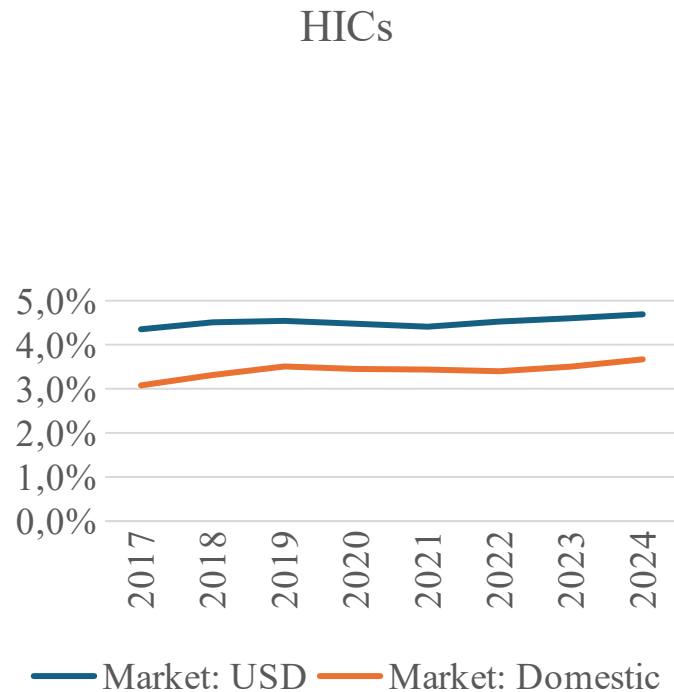


The current structure shows dominance of USD in the total debt outstanding. Few countries show increasing diversification of currencies in their debt portfolio

Source: ESCWA 2024. Debt and Fiscal Outlook Report for the Arab Region

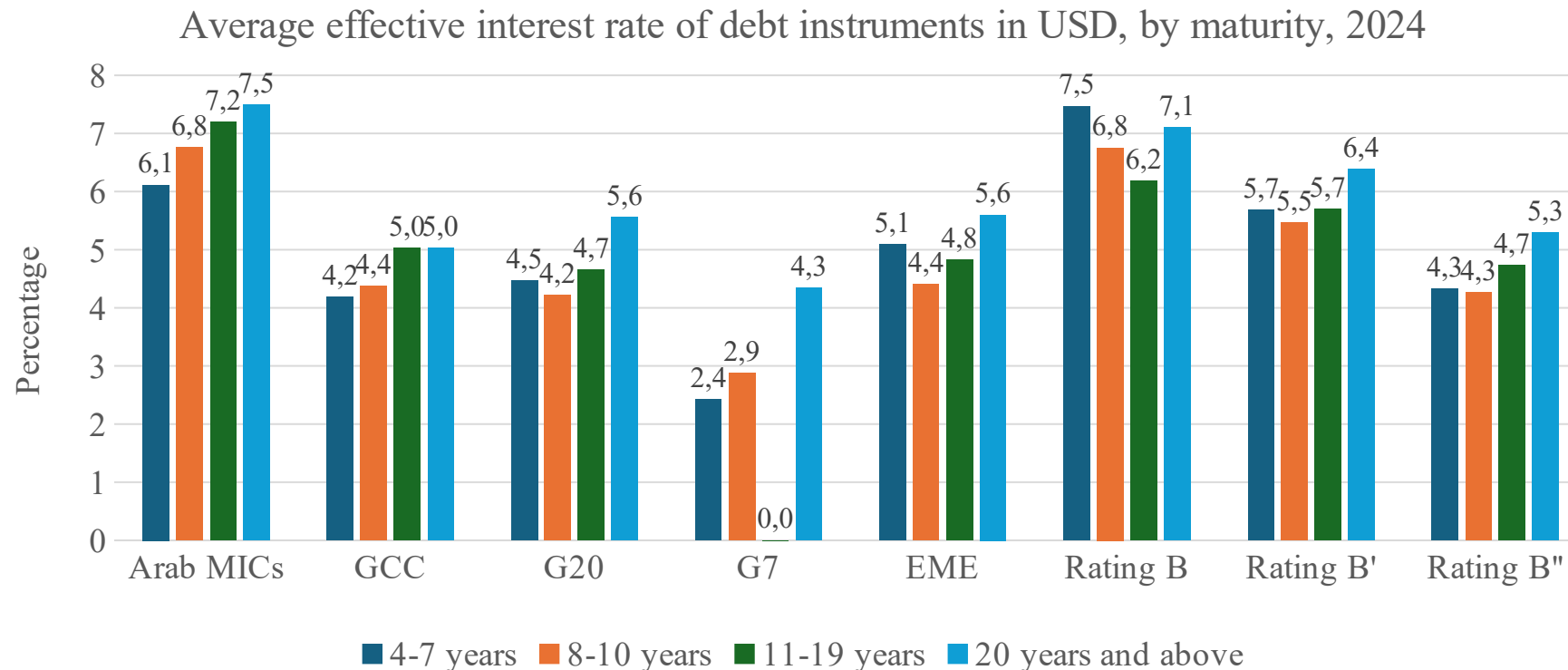
Inequal access to International financial system add to the risks on interest rate

Middle-income countries in the region are charged more to borrow from the market as well as from official creditors



Sovereign rating risks play a major role in increasing interest burden

Globally, the bond price market is highly inequal. The market overcharges the Arab MICs, despite no default rates. Mostly, this is associated with unfavourable credit ratings.

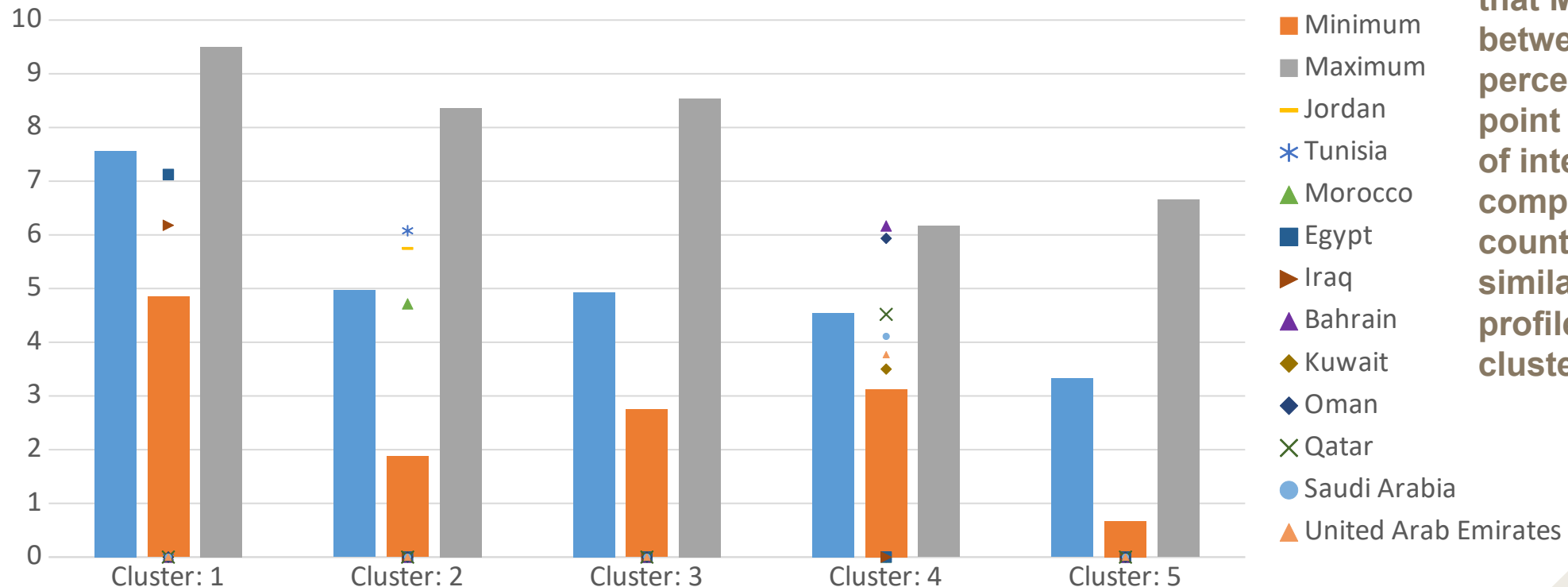


Note: Ratings grouping is based on Moody's Long-Term rating for sovereign bonds. Countries with rating Baa1, Baa2, Baa3 are grouped as B'', those with Ba1, Ba2, Ba3 are grouped as B', and those with B1, B2, B3 rating are grouped as B.

Machine learning approach indicates high inequality in cost of capital

[Peers within cluster of countries based on macro, social and governance indicators]

Average, Minimum and Maximum effective interest rates for USD bonds (any maturity)
by cluster



Results indicate that MICs pay between 2-5 percentage point higher rate of interest compared to countries with similar risk profiles in their cluster.

Charting policy paths: developing strategies to optimize debt portfolios



Assess debt portfolios to lower interest rates



Manage refinancing risks and exchange rate risks by extending terms and diversifying currencies in debt portfolios



Manage solvency risks by employing evidence-based modelling scenarios



Explore innovative financing instruments to enhance development investments



Develop debt swap programmes to further national and global sustainable development objectives

The ESCWA Debt Optimization Platform, powered by a machine learning approach, provides insights to inform debt optimization strategies.

The network of Arab Debt Management Group encourages member states to engage and deliberate on critical debt optimization strategies.

Charting policy paths: international financial system support measures



Increase shares
of concessional
lending



Ensure equity in
lending terms in
the credit market



Reform debt
Sustainability Assess-
ment frameworks to sup-
port inclusive and
sustainable growth



Increase liquidity
measures



Make international
financial
architecture more
efficient

In the context of the upcoming FfD4 conference, ESCWA calls for reforming international financial systems, revisiting credit rating methodologies, and debt sustainability analysis frameworks to promote a fairer access to international finance to bridge SDG, climate and crisis recovery gaps.



Shared Prosperity **Dignified Life**



Thank you😊

Share your comments at: sarangi@un.org