Swiss World Bank Partnership on Fiscal Risk Management

The objective of the partnership is support selected middle-income countries to better manage their fiscal risks, and thus strengthen their resilience against crises. It will deliver tailor-made technical assistance and capacity building with a focus on two major aspects of fiscal risk management: public debt management and sovereign disaster risk financing. Activities under the debt management component span all dimensions required to improve public debt management and will be implemented by the World Bank Treasury.

Efficient Securities Market Institutional Development Initiative (ESMID)

ESMID aims to strengthen non-government bond markets. It does so through providing assistance on the legal and regulatory framework for issuing and investing in non-government bonds, combined with transaction support for selected bond transactions with demonstration effect. Switzerland is partnering with the World Bank and the IFC to implement the ESMID program in Peru and Colombia.

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Less Debt
More Money for Development

Switzerland's program in debt relief and debt management

■ The Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) is responsible for Switzerland's economic and trade policy measures in developing and transition countries with the objectives of supporting their integration into the global economy and promoting sustainable economic growth. SECO is concentrating its operations in four areas of intervention: macroeconomic support, private sector development, trade promotion and infrastructure financing.

■ Debt relief and debt management has been a priority for SECO for two decades. Switzerland launched a comprehensive debt relief program in 1991 in the context of the 700th anniversary of the Swiss Confederation, becoming a pioneer in this area. It committed significant resources for bilateral debt relief, arrears clearance and commercial debt buy-backs operations, helped to launch the Heavily Indebted Poor Countries (HIPC) Initiative[1] and supports the Multilateral Debt Relief Initiative (MDRI)[2]. These initiatives have helped to free up resources for pro-poor expenditures, such as infrastructure or education and private sector development.

Swiss debt relief 1991–2011

	Amounts in million Swiss Francs	Number of operations
Cumulative bilateral debt relief	1,419.00	27
Contributions to commercial debt buy backs[3]	387.71	15
Contributions to multilateral debt relief[4]	339.61	21

Source: SECO, Economic Cooperation and Development

1. The HIPC Initiative was launched in 1991 to cut debts of the poorest and most indebted countries to sustainable levels.
2. MDRI was launched in 2005 to deepen debt relief and provide addiitonal funds for attaining the Millenium Development Goals.
3. Pro rated share of cancelled debt
4. Direct financing costs, including contributions to World Bank Debt Relief Trust Fund, excluding MDRI

■ Switzerland has recognized early on that debt reduction alone would not ensure long term debt sustainability, but that strengthening capacity of countries to manage their debt in a prudent manner is just as important.

"Debt management plays a central role for sound public finances and macroeconomic stability. While it does not prevent a government from becoming insolvent, prudent debt management can reduce the costs and risks of borrowing and increase the resilience against shocks.»[5]

■ Better debt management and deeper domestic debt markets contribute to macroeconomic stability and sound public finances. This in turn improves the framework conditions for economic development, private sector growth, and, ultimately, supports poverty reduction.

■ Over recent years many countries have reduced their debt burden and strengthened their debt management capacities. But debt management remains a priority, because of new borrowing opportunities created through past debt relief and new challenges arising from the global financial crisis.

■ Against his background, SECO has scaled up support to debt management and debt market development. Support follows a comprehensive approach that emphasizes the links between debt management, public finance management and financial sector reforms. Assistance is provided through global and regional initiatives and country projects in priority countries. Partners include the World Bank, the IMF, UNCTAD, among others.

5. Managing public debt: from diagnostics to Reform implementation, World Bank, 2007

Debt Management Facility (DMF)

■ DMF is a multi-donor grant facility administered by the World Bank. The objective of DMF is to strengthen debt management capacity and institutions in low-income countries. DMF provides support in assessing debt management performance, designing detailed reform plans and developing medium term debt management strategies with the IMF. DMF also offers training and promotes knowledge sharing.

UNCTAD Debt Mangement and Financial Analysis System (DMFAS)

■ The objective of DMFAS is to strengthen the technical capacity for debt recording and reporting. In particular, it develops and distributes a specialized debt management software and provides capacity building on building debt databases, debt reporting and debt portfolio analysis.

Capacity Building Program in Public Debt Management in Latin America

■ The objective of this program is to strengthen debt management capacity and institutions in low and lower-middle income countries in Latin America and to contribute to sustainable public finances and to debt sustainability. This program will be implemented by the regional organization CEMLA (Centro de Estudios Monetarios Latinoamericanos). Activities consist of national and regional workshops and peer and distance learning.