INTOSAI WGPD
Working Group on Public Debt

COMPENDIUM OF CASE STUDIES

IMPACT OF RECENT HEALTH AND OTHER CRISES TO PUBLIC DEBT AND PUBLIC DEBT MANAGEMENT

2024

INTOSAI
Goal Chairs
Collaboration
PSC - CBC - KSC

Quality Assurance Certificate of the
Chair of the INTOSAI Working Group on Public Debt (WGPD)

This is to certify that the *Compendium of Case Studies: Impact of Recent Health and Other Crises to Public Debt and Public Debt Management,* which is placed at level 3 of Quality Assurance as defined in the paper on "Quality Assurance on Public goods developed outside Due Process" approved by the INTOSAI Governing Board in November 2017, has been developed by following the Quality Assurance processes as detailed below:

(i) The project was carried out as per the procedures of Quality Assurance Level 3 for the INTOSAI products developed outside the due process. As per the procedure, the WGPD Chair is the approving authority for all stages of the project, i.e. Project Proposal, Exposure Draft and Endorsement Version of the related document;

(ii) The project proposal was developed by the Project Team, composed of WGPD member- SAIs, namely Argentina, Brazil, Bulgaria, Chile, India, Russia, and led by the United States of America, and was approved by the WGPD Chair in March 2022;

(iii) The Project Team thereafter commenced development of the Exposure Draft (ED); and the ED was approved by the WGPD Chair on 22 September 2023 for its public exposure;

(iv) Following the 30-day exposure period for this product placed at QA level 3, the ED was posted at the INTOSAI KSC Community Portal for public exposure for the period 22 September 2023 until 22 October 2023; and

(v) This Endorsement Version is the outcome of the revised ED in consideration of the comments received during the exposure period, analysis by the Project Team, and review by the WGPD Chair.

The product developed is consistent with the relevant INTOSAI Principles and Standards. The structure of the product is in line with the drafting convention of non-IFPP documents.

Given the nature of the impact of COVID-19 pandemic to public debt and public debt management, updating of the product is not required in the future. The product is valid until further notice and will remain to be a public good of INTOSAI developed outside the Due Process.

GAMALIEL A. CORDOBA
Chairperson
INTOSAI KSC Working Group on Public Debt

INTOSAI

Goal Chairs Collaboration

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Quality Assurance Certificate of the Goal Chair

Based on the assurance provided by the **INTOSAI Working group on Public Debt (WGPD)** and the assessment by the Goal Chair, it is certified that the ***"Compendium of Case Studies: Impact of Recent Health and Other Crises to Public Debt and Public Debt Management",*** which is placed at ***level 3 (three)*** of Quality Assurance as defined in the paper on "Quality Assurance on Public goods developed outside Due Process" approved by the INTOSAI Governing Board in November 2017, has been developed by following the Quality Assurance processes as detailed in the Quality Assurance Certificate given by the Working Group Chair.

The expiration date of the Compendium has not been set. The Compendium can be reviewed and updated by the decision of the Working Group, if necessary.

Girish Chandra Murmu
Chair of INTOSAI Knowledge Sharing and Knowledge Services Committee

COMPENDIUM OF CASE STUDIES: IMPACT OF RECENT HEALTH AND OTHER CRISES TO PUBLIC DEBT AND PUBLIC DEBT MANAGEMENT

Overview: Recent Health and Other Crises

The Coronavirus Disease 2019 (COVID-19) pandemic, which began in 2020, has resulted in catastrophic loss of life and substantial damage to the global economy. As of 22 January 2023, over 664 million confirmed cases and over 6.7 million deaths globally had been reported to the World Health Organization (WHO). Most economies experienced a negative rate of growth in 2020 as part of the COVID-19–related global economic recession, according to the International Monetary Fund (IMF). Overall, global economic growth contracted by an annualized rate of around -3.1 percent that year. The emergence of new COVID-19 variants in subsequent years further prolonged the health emergency and economic disruptions.

In response to the COVID-19 pandemic, countries around the world have taken significant action to protect human life and support their economies. While responsive to the emergency, pandemic responses have implications for countries' public debt and fiscal sustainability. To assess the effects of the most recent global health crisis on public debt and public debt management, the INTOSAI Working Group on Public Debt asked members to complete case studies of their respective countries. These case studies describe:

- The effects of recent health crises on public debt, including on key fiscal metrics, such as public debt as a share of gross domestic product (GDP);
- Public debt management actions and any key challenges and risks; and
- The scope and methodology of audit work performed by Supreme Audit Institutions (SAIs) and any key reports.

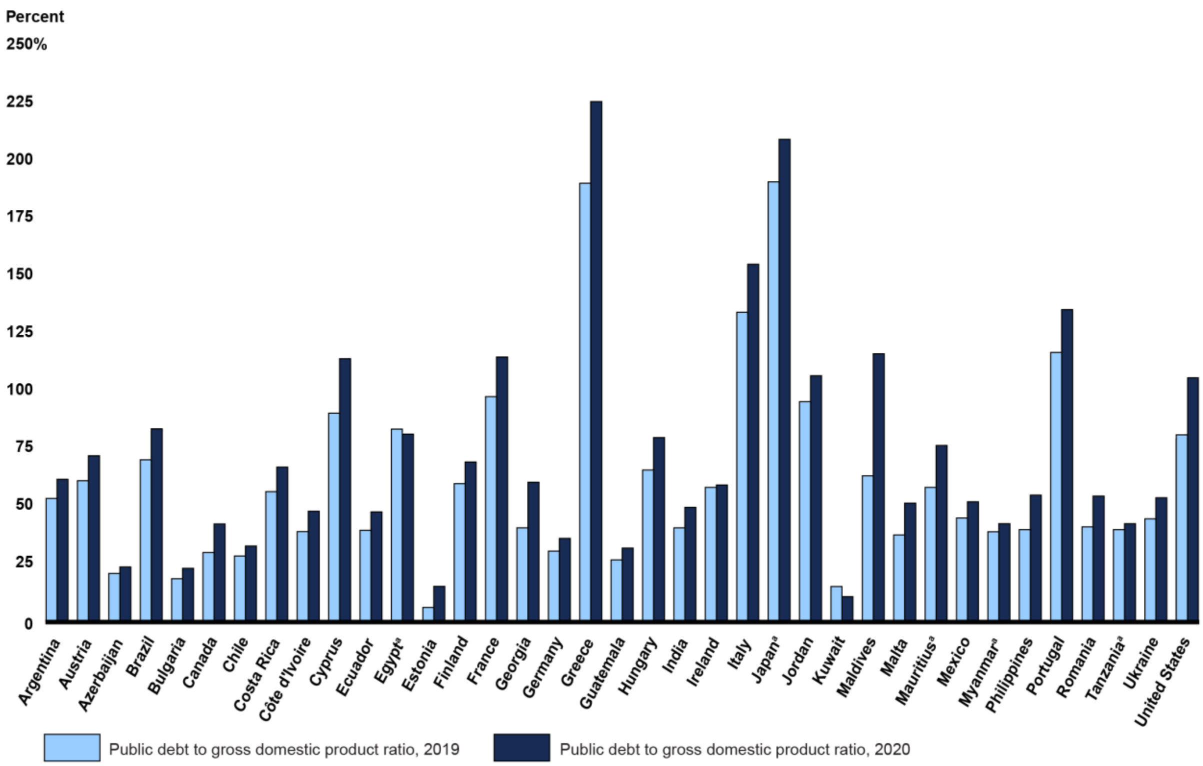
Overall, 37 SAIs completed case studies for their countries between April 2022 and February 2023. These case studies, compiled in this report, represent a range of different economic circumstances and challenges both before and following the onset of the pandemic. This compilation can serve as a reference tool to help auditors identify and assess debt sustainability and risk factors in the audit of public debt and public debt management during crises.

SAIs reported that governments took a broad range of actions in response to the COVID-19 pandemic to protect human life and support the economy. The actions include providing increased funding for health care to directly address COVID-19, for example, through the purchase of medical supplies, vaccines, and additional remuneration for health care workers. Actions also include providing financial support for business and workers, in some instances targeted to sectors, such as tourism or aviation that were particularly hard hit by the pandemic; providing tax benefits, such as rate reductions, moratoriums, or temporary delays in required tax payments; and extending loans and loan guarantees to affected businesses and individuals.

Effect on Public Debt

Increased government borrowing to help fund these actions, coupled with weak or negative economic growth in many countries, resulted in nearly all SAIs reporting higher ratios of debt to gross domestic product (GDP) in 2020, the year the pandemic began.[1] As shown in figure 1, in 2020, 35 of 37 SAIs reported an increase in their country's debt-to-GDP ratio compared to 2019, with a median increase of about 11 percentage points.[2]

Figure 1: Change in Public Debt as a Percentage of Gross Domestic Product in Select Countries, 2019 and 2020



(a) SAIs Egypt, Mauritius, and Tanzania reported data for July 1 to June 30 of each year. SAI Myanmar reported data for October 1 to September 30 of each year. SAI Japan reported data from April 1 to March 31 of each year.

Source: Working Group on Public Debt analysis of fiscal indicators submitted by Supreme Audit Institutions (SAI).

The increase in borrowing occurred in countries with both low and high levels of public debt prior to the pandemic. For example, SAI Estonia reported that the country had relatively low levels of debt to GDP—5.8 percent—prior to the pandemic, but that the COVID-19 pandemic led to a large increase in government borrowing and a return to international capital markets for the first time since 2002. This contributed to higher debt-to-GDP ratios of 15 percent in 2020 and 2021. Meanwhile, SAI Japan reported that government spending measures in response to COVID-19 added to already-high debt levels. SAI Japan reported a debt-to-GDP ratio of 209.2 percent in 2020, up from 190.7 percent in 2019. SAI Japan also noted that in June 2020, the government

[1]The WHO declared COVID-19 a global pandemic on 11 March 2020.

[2]A total of 37 SAIs submitted case studies for this project. The number of SAIs represented in each analysis vary by indicator, depending on which SAIs provided data for a given indicator, and how complete their reporting was.

issued Treasury financing bills for the first time in five years to meet supplementary budget expenditures, which included COVID-19 recovery spending.

In 2021, many SAIs reported that their government's debt-to-GDP ratio declined compared to 2020. However, the 2021 ratios reported by nearly all SAIs were still above their 2019 pre-pandemic levels. Only five of 37 SAIs reported that their debt-to-GDP ratio in 2021 was lower than it was in 2019 (Argentina, Azerbaijan, Ireland, Kuwait, and Ukraine).

Relatedly, most SAIs (33 of 36) reported that their central governments ran budget deficits in 2020, as shown in table 1.[3] In many cases, these deficits were deeper compared to recent years, or marked a shift into deficits from balanced budgets or surpluses.

Table 1: Change in Budget Surplus or Deficit as a Percentage of Gross Domestic Product in Select Countries, 2019 and 2020

Country	2019	2020	Change	Country	2019	2020	Change
Argentina	-4.0	-3.7	↑	Hungary	-2.1	-7.8	↓
Austria	0.5	-7.2	↓	India	-4.3	-8.0	↓
Azerbaijan	0.3	2.4	↑	Ireland	0.3	-5.0	↓
Brazil	-1.2	-10.0	↓	Italy	-1.5	-9.5	↓
Bulgaria	2.1	-3.4	↓	Japan[a,b]	-2.4	-14.9	↓
Canada	-0.4	-10.2	↓	Jordan	-3.3	-7.0	↓
Chile	-2.9	-7.3	↓	Kuwait	-9.5	-10.0	↓
Costa Rica	-2.7	-3.2	↓	Maldives	-6.6	-23.5	↓
Côte d'Ivoire	-3.0	-5.6	↓	Malta	-2.2	-7.1	↓
Cyprus	-1.6	9.6	↑	Mauritius[a]	-3.2	-13.6	↓
Egypt[a]	8.1	7.9	↓	Mexico	-2.3	-4.4	↓
Estonia	-0.1	-3.6	↓	Myanmar[a]	-4.5	-5.7	↓
Finland	-0.9	-5.5	↓	Philippines	-3.4	-7.6	↓
France	-2.1	-8.9	↓	Portugal	-1.6	-6.8	↓
Georgia	-3.0	-8.7	↓	Romania	-4.5	-10.0	↓
Germany	0.4	-3.9	↓	Tanzania[a]	-3.2	-1.9	↑
Greece	-0.1	-13.7	↓	Ukraine	-2.0	-5.1	↓
Guatemala	-2.2	-4.9	↓	United States	-4.8	-16.0	↓

[a] SAIs Egypt, Mauritius, and Tanzania reported data for July 1 to June 30 of each year. SAI Myanmar reported data for October 1 to September 30 of each year. SAI Japan reported data for April 1 to March 31 of each year.

[b] SAI Japan reported their government's primary budget balance, which excludes interest payments on consolidated government liabilities.

↓ Decreased surplus or increased deficit ↑ Increased surplus or decreased deficit

Source: Working Group on Public Debt analysis of fiscal indicators submitted by Supreme Audit Institutions (SAI).

In 2021, most SAIs that reported a budget deficit in 2020 reported running a smaller deficit in 2021.[4] Out of 33 SAIs that reported a deficit in 2021, 25 reported that the deficit shrunk in 2021. However, eight other SAIs reported that their governments ran larger deficits in 2021 compared to 2020.

[3]SAI Ecuador did not report budget data and was excluded from this analysis.

[4]No SAIs that reported a budget deficit in 2020 subsequently reported a surplus in 2021.

For example, SAI Finland reported that weak economic conditions in Finland and fiscal measures taken by the government in response to COVID-19 contributed to a budget deficit equal to 5.5 percent of GDP in 2020, compared to smaller deficits of 0.9 percent reported in both 2018 and 2019. In 2021, SAI Finland reported that the deficit shrunk to 2.6 percent of GDP. In another case, SAI Chile reported that large government expenditures to support the health sector, individuals, and businesses, combined with lower tax revenues, contributed to a budget deficit of 7.3 percent of GDP in 2020, followed by a slightly larger deficit of 7.6 percent of GDP in 2021. These are compared to deficits of 2.9 percent and 1.7 percent in 2019 and 2018, respectively.

Debt Management Actions

SAIs reported that central governments took a number of debt management actions to promote liquidity, finance necessary spending, and manage risks associated with rising levels of debt. These actions include extending the maturity of public debt to help take advantage of lower interest rates and manage refinancing risk—the risk of having to refinance debt at higher interest rates. In general, debt managers regularly need to weigh the costs, benefits, and risks associated with debt securities of different maturities. Longer-term securities typically carry higher interest rates but offer the government the ability to lock in fixed interest payments over a longer period and reduce the amount of debt that governments need to refinance in the short term. In contrast, shorter-term securities generally typically carry lower interest rates. They may also be more liquid and therefore play a role in promoting liquidity in broader financial markets.

Overall, many SAIs reported that the average maturity of their country's outstanding debt portfolios lengthened following the onset of the pandemic. Specifically, 19 of 26 SAIs reported the average maturity of their country's debt portfolios lengthened in 2021 compared to 2018.[5] For example, SAI Austria reported that the low interest rate environment allowed the Austrian government to increase average maturity of debt outstanding from 9.9 years in 2019 to 10.6 years in 2021. SAI Tanzania reported that the government's strategy to lengthen the maturities of debt instruments reduced the debt that was maturing within the next few years to provide the government time to invest the borrowed money on strategic investments, which they believe will generate enough revenue to repay the loans.

Challenges and Risks

Nevertheless, SAIs reported that increases in public debt and deficits resulting from the pandemic contributed to a wide range of challenges and risks. For some countries, the COVID-19 pandemic expanded or worsened many ongoing debt challenges and risks that these countries were already experiencing. For example, Argentina faced a nation-wide economic crisis prior to the pandemic. Due to limited access to international credit markets, in 2018, the Argentinian government received assistance from the IMF to help the government rebound economically and restore market confidence. After the WHO declared COVID-19 as a global pandemic, the Argentinian government implemented several economic measures to address the public health emergency. As a result, the government had to renegotiate a major part of the public debt. After several months of negotiations, in August 2020, Argentina reached an agreement with most of the private Argentinian bonds holders to restructure the country's debt. Similarly, the Argentinian government

[5] Eleven SAIs did not report average maturity data for either, or both, 2018 and 2021, and were excluded from this analysis. The case studies did not include information on the extent to which asset purchase programs conducted by central banks may have affected the maturity profile of outstanding debt on secondary markets. For example, a country's central bank could purchase long-term securities from investors in exchange for shorter-term instruments affecting the maturity profile of outstanding debt on secondary markets.

had to negotiate with IMF to restructure its 2018 Stand By Agreement, which called for two considerable repayments in 2022 and 2023.

SAIs also reported that the COVID-19 pandemic led to new challenges and risks for governments, such as increasing foreign currency risk and the need to support subnational governments and private sector entities. For example, SAI Maldives reported 65 percent of the debt incurred by the Maldivian government near the end of 2020 was in foreign currency. The government suspended the activities of its tourism sector during the pandemic, which reduced the government's revenue and, in turn, the financial resources available to repay debt in foreign currencies. Debts denominated in foreign currencies may become more expensive for Maldives to repay if those currencies appreciate and become stronger compared to Maldives' own currency, the rufiyaa. SAI Brazil reported the government of Brazil faced growing debt concerns as a result of both debt it undertook in order to implement measures to address effects of the pandemic as well as loss of income for the Brazilian Treasury due to state bankruptcies. Specifically, due to poor fiscal conditions, four Brazilian states declared bankruptcy, which legally exempts them from having to repay their debt to the Treasury.

According to SAIs, the pandemic forced some countries to deviate from their standard fiscal rules and debt management strategies, which are designed to help promote fiscal sustainability. For example, SAI Georgia reported that, as budget expenditures in the country increased in 2020 and 2021, to mitigate the effects of COVID-19, the government broke from its fiscal rule of maintaining budget deficits below 3 percent of GDP. In 2020 and 2021, Georgia ran budget deficits equal to 8.7 percent of GDP and 6.3 percent of GDP, respectively, as it took measures to support the economy, the social welfare system, and the health care system. In contrast, in 2018 and 2019, Georgia's central government ran smaller deficits of 1.7 percent of GDP and 3.0 percent of GDP, respectively. In another example, SAI Malta reported that prior to the pandemic the Maltese government adopted borrowing strategies focused on domestic borrowing. However, the pandemic created a level of national public debt that may be too large for the domestic capital market to absorb.

Despite rising debt-to-GDP ratios, SAIs reported that one measure of debt servicing costs—the ratio of interest payments on public debt to government revenue—improved in many countries. Two-thirds of SAIs (22 of 33) reported that the ratio of interest payments to government revenue in 2021 was lower than in 2018, as shown in table 2.[6] For example, SAI Canada reported that the government's debt servicing costs fell in 2020 compared to 2019, and fell further in 2021. The average interest rate on its debt dropped from 3.6 percent in 2018 to 2.1 percent in 2021, as the Bank of Canada cut overnight interest rates to a historic low of 0.25 percent. Similarly, SAI Ireland reported that despite the increase in gross debt, the Irish government's annual interest payments as a share of revenue dropped from 7.2 percent in 2018 to 3.8 percent in 2021. However, some countries expressed concern regarding the need to refinance the public debt that accumulated during the pandemic at higher rates in the future, particularly as central banks begin to tighten monetary policy to restrain inflation.

[6]SAIs Ecuador, Egypt, France, and Kuwait did not report interest payment data for either, or both, 2018 and 2021, and were excluded from this analysis. The ratio between interest payments on public debt and government revenue can be influenced by changes in both the interest rate and government revenues.

Table 2: Interest Payments as a Percentage of Government Revenue in Select Countries, 2018 and 2021

Country	2018	2021	Change
Argentina	21.8	8.9	▽
Austria	8.2	6.1	▽
Azerbaijan	2.6	2.4	▽
Brazil	25.2	25.8	▲
Bulgaria	2.4	1.6	▽
Canada	7.2	6.3	▽
Chile	3.8	3.6	▽
Costa Rica	24.8	30.1	▲
Côte d'Ivoire	9.6	13.3	▲
Cyprus	6.0	4.3	▽
Estonia	0.12	0.08	▽
Finland	3.3	1.8	▽
Georgia	4.8	6.2	▲
Germany	4.7	0.7	▽
Greece	10.7	8.9	▽
Guatemala	13.4	13.9	▲
Hungary	5.3	5.7	▲
India	34.8	34.7	▽
Ireland	7.2	3.8	▽
Italy	7.9	7.3	▽
Japan[a]	9.2	7.7	▽
Jordan	12.8	17.3	▲
Maldives	11.0	38.0	▲
Malta	4.4	3.7	▽
Mauritius[a]	8.4	4.3	▽
Mexico	13.4	13.5	▲
Myanmar[a]	7.5	13.6	▲
Philippines	12.3	14.3	▲
Portugal	11.8	8.2	▽
Romania	11.0	10.0	▽
Tanzania[a]	30.6	24.8	▽
Ukraine	12.4	11.6	▽
United States	10.9	9.3	▽

[a] SAIs Mauritius and Tanzania reported data for July 1 to June 30 of each year. SAI Myanmar reported data for October 1 to September 30 of each year. SAI Japan reported data for April 1 to March 31 of each year.

▲ Higher ratio of interest payments to government revenue ▽ Lower ratio of interest payments to government revenue

Source: Working Group on Public Debt analysis of fiscal indicators submitted by Supreme Audit Institutions (SAI).

Understanding the Data in the Case Studies

To assess the effects of the most recent global health crisis on public debt and public debt management, the INTOSAI Working Group on Public Debt asked members to complete case studies of their respective countries using a standard reporting template. The template asked SAIs to provide quantitative information on a set of common fiscal indicators as well as country-specific information on a set of key topics, such as Effects on Public Debt, Debt Management Actions, and Challenges and Risks. In some instances, SAIs were unable to report on a fiscal indicator or provide information on a key topic due to the availability and access to information or other factors. In these instances, there is an asterisk (*) where the fiscal indicator would have appeared or the key topic area has been removed for reporting purposes. Below is additional information on the methodology used to compile the case studies:

- SAIs reported fiscal indicators for calendar years 2018, 2019, 2020, and 2021. However, some SAIs used different start and end dates for each year, which they noted in their case studies.[7] The WHO declared COVID-19 a global pandemic on 11 March 2020. In general, we refer to calendar years 2018 and 2019 as "before the COVID-19 crisis" and calendar years 2020 and 2021 as "during the COVID-19 crisis".

- Some fiscal indicators cover the entire calendar year, whereas others are reported as a point in time indicator, such as at the end of a year. In general, two indicators—(1) the government budget surplus or deficit as a percent of GDP and (2) annual interest

[7]SAIs Egypt, Mauritius, and Tanzania reported data for 1 July to 30 June of each year. SAI Myanmar reported data for 1 October to 30 September of each year. SAI Japan reported data from 1 April to 31 March of each year.

payments as a percentage of government revenue—reflect budget activity covering the entire preceding calendar year (e.g., 1 January to 31 December). Other indicators including (1) total public debt, (2) public debt as a percentage of GDP, (3) average interest rate on debt outstanding, (4) percentage of debt maturing in 12 months or less, and (5) average maturity of debt outstanding, are reported as of the end of the calendar year (e.g., December 31).

- In general, SAIs reported total public debt held by their central or federal government. SAIs were not asked to include public debt held by state, provincial, municipal, regional, or local entities. However, some SAIs optionally provided selected debt statistics that covered other government sectors, which they noted in their case studies.

- Total public debt reported by SAIs is not adjusted for inflation. In addition, the convention used to calculate and report public debt, such as par value or market value, may differ by SAI. SAIs were asked to note which convention they used in their case study.

- Most SAIs reported the amounts of domestic and external debt that make up the government's total public debt. Unless otherwise noted, domestic debt refers to debt held by residents of the SAI's country, whereas external debt refers to debt held by non-residents of the SAI's country. In some cases, where debt is held may not reflect who owns it. For example, if a resident holds debt in an offshore account, it may appear as external debt for reporting purposes.

- SAIs generally reported their government's total public debt in their local currency. However, some SAIs reported public debt amounts in a foreign currency. In addition, it is possible that SAIs converted foreign-currency debt obligations back into their local currencies for reporting purposes. See table 3 for a list of the reporting currencies used in SAIs' case studies.

Table 3: Reporting Currencies of Responding Supreme Audit Institutions (SAI)

Reporting SAI	Currency abbreviation	Currency name
(Various)	USD	U.S. Dollar
(Various)	EUR	Euro
Bulgaria	BGN	Bulgarian Lev
Brazil	BRL	Brazilian Real
Canada	CAD	Canadian Dollar
Costa Rica	CRC	Costa Rican Colón
Côte D'Ivoire	XOF	West African CFA Franc
Egypt	EGP	Egyptian Pound
Georgia	GEL	Lari
Guatemala	GTQ	Quetzal
Hungary	HUF	Forint
India	INR	Indian Rupee
Japan	JPY	Yen
Jordan	JOD	Jordanian Dinar
Kuwait	KWD	Kuwaiti Dinar
Myanmar	MMK	Kyat
Mauritius	MUR	Mauritius Rupee
Maldives	MVR	Rufiyaa
Mexico	MXN	Mexican Peso
Philippines	PHP	Philippine Peso
Romania	RON	Romanian Leu
Tanzania	TZS	Tanzanian Shilling
Ukraine	UAH	Hyrvnia

Source: Working Group on Public Debt analysis of information submitted by SAIs and International Organization of Standardization (ISO) 4217 currency codes .

SAI case study submissions were edited to ensure consistent format and presentation, but all information that appears in the case study is attributable to the SAI that submitted the case study.

CASE STUDIES

Participating SAIs

1. Argentina
2. Austria
3. Azerbaijan
4. Brazil
5. Bulgaria
6. Canada
7. Chile
8. Costa Rica
9. Côte d'Ivoire
10. Cyrpus
11. Ecuador
12. Egypt
13. Estonia
14. Finland
15. France
16. Georgia
17. Germany
18. Greece
19. Guatemala
20. Hungary
21. India
22. Ireland
23. Italy
24. Japan
25. Jordan
26. Kuwait
27. Maldives
28. Malta
29. Mauritius
30. Mexico
31. Myanmar
32. Philippines
33. Portugal
34. Romania
35. Tanzania
36. Ukraine
37. United States of America

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Working Group on Public Debt

ARGENTINA

Overview

Before the World Health Organization (WHO) declared COVID-19 a global pandemic, Argentina faced a debt crisis, recession, high inflation, and unemployment. Its government addressed social needs to mitigate global and local recession without normal access to debt markets. Meanwhile, Argentina has restructured its public debt, reducing its weight over GDP and the interest rate.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	203,198.38 million USD	191,551.41 million USD	198,741.76 million USD	202,936.31 million USD
Domestic	42,017.95 million USD	35,679.69 million USD	46,618.81 million USD	58,471.09 million USD
External:	161,180.43 million USD	155,871.72 million USD	152,122.95 million USD	144,465.21 million USD
Public debt as a share of gross domestic product (GDP)	52.1%	53.2%	61.5%	45.1%
Central government annual budget surplus/ (deficit) as a share of GDP	(5.52)%	(3.97)%	(3.71)%	(4.49)%
Average interest rate on debt outstanding	8.08%	6.84%	2.28%	2.75%
Annual interest payments as a share of central government revenue	21.81%	23.81%	10.45%	8.89%
Public debt maturing in the next 12 months	19.1%	10.1%	11.4%	17.2%
Average maturity of debt outstanding	88 months	83 months	80 months	74 months
Total external debt[b]	277,932 million USD	278,489 million USD	271,443 million USD	266,740 million USD

Sources: Auditoría General de la Nación analysis of Deuda Pública | Argentina.gob.ar; INDEC: Instituto Nacional de Estadística y Censos de la República Argentina; and Banco Central de la República Argentina | Inicio (bcra.gob.ar).

Currency conversion from ARS to USD corresponds to that reported by the Central Bank of the Argentine Republic at the end of the period. https://www.bcra.gob.ar/Pdfs/PublicacionesEstadisticas/com3500.xls

Table endnotes are listed at the end of this document.

Since 2018, an economic crisis has plagued Argentina. The National Institute of Statistics and Censuses (INDEC) reported the GDP fell 2.6 percent in 2018 and 2 percent in 2019—lower than the 2011 GDP considering constant prices. Inflation fluctuated around 50 percent both years. Unemployment rose 9 percent for those years. The gap between the increase in wages and inflation rose higher than 10 percent. This increase rapidly eroded the purchase power of workers and retired people.

Due to the partial closure of international markets for Argentina, in June 2018, the government asked the International Monetary Fund (IMF) for the largest Stand By Agreement in the history of this institution (44 billion USD disbursed). This agreement included a compromise to reduce the stock of Central Bank debt notes with a 35-day maturity. This debt was equivalent to more than 10 percent of GDP in 2017 and 2018, representing an important vulnerability.

In August 2019, government debt payments (both in domestic and foreign currency) were postponed up to 6 months, considering the diminished exports possibilities and the lack of incoming capital flows. This also diminished access to debt market drastically.

At the end of 2019, the National Congress passed a bill (that may be translated as law of social solidarity and productive reactivation in the framework of the public emergency) declaring a public emergency in economic, financial, fiscal, managerial, retirement pensions, tariffs, energy, health, and social matters.

After WHO declared COVID-19 as a global pandemic, the Argentinian government implemented several economic measures to counter mobility restrictions, including:

- Special increase on pension retirements and other social programs
- Creation of emergency social programs
- Delay or reduction of labor-related taxes for enterprises
- Complementary wage for private sector via national state efforts
- Credits for the self-employed with 0 percent interest
- Special bonus for essential workers and tax reductions for health related enterprises

- The 2020 expenditure in some of the measures described in the previous section total more than 6 billion USD—more than 1.8 percent of that year's GDP.
- When COVID-19 started spreading in our country, international markets became closed to Argentina. Nevertheless, Central Bank profits from the previous year (partially as a result of the significant depreciation of the peso) contributed to government income. This, in turn, allowed Argentina to confront the health emergency.
- Since December 2019, the new debt was taken mostly with domestic creditors. As the economy began to recover, the weight of the debt over GDP fell.

Since prior to COVID-19 Argentina was already facing a debt crisis, the government had to renegotiate a major part of the public debt.

After several months of negotiations, on August 2020, our country reached an agreement with most of the private Argentinian bonds holders to restructure our debt.

At the same time, negotiations took place with IMF to restructure the 2018 Stand By Agreement that called for two considerable repayments on 2022 and 2023.

Meanwhile, new debt issuances also changed debt structure, interest rates, currency, and duration.

At the beginning of COVID-19, almost half of public debt had to pay fixed rate interest. Meantime, 38 percent had to pay variable rate interest while the rest had zero interest. Within the last 2 years, the government did not increase the variable rate interest debt in absolute numbers. So, it lost participation in the debt structure.

Total weighted average rate fell from 6.8 percent in December 2019 to 4.8 percent prior to the private creditor's agreement in August 2020. Immediately after this accord, this rate fell to 2.6 percent. It has since maintained this number.

Since the end of 2019, the portion of debt nominated in foreign currency dropped from 77.8 percent to 70.3 percent as of the end of 2021. This is mainly due to reducing debt in Euros with private holders (recall the August 2020 agreement) and Special Drawing Rights. The counterpart was an increase in debt in Argentinian pesos attached to inflation.

The duration of the debt has been slightly reduced from 6.9 years in 2019 to 6.1 years in 2021.

As explained before, regaining access to international credit markets was a priority during this period. A profound debt renegotiation was key for debt sustainability.

Since the proportion of foreign currency debt increased significantly during the previous years of the COVID-19—combined with an Argentinian balance of payments structural problems—there was a considerable foreign currency risk. During the pandemic, this risk has been reduced by lowering the weight of debt in foreign currency.

Average interest rate has also been reduced. Combined with a lower weight of the variable rate debt, the service of the debt has reduced its weight on the budget.

The SAI has completed three audits related to public debt in which the audited periods were from before and after the pandemic:

- **International Monetary Fund Indebtedness.** This is a specialized audit on a public debt agreement with the IMF that assessed the impact on solvency and sustainability (audited period 2018) .
- **World Bank Loan** for the "Emergency Project on the Prevention and Management of COVID-19 in the Argentine Republic", financed by the International Banks for Reconstruction and Development Loan No. 9083-AR. (audited period 2020)
- **Investment account 2018. Public Debt Chapter.** It is assessed by a Financial and Compliance Audit on Debt Control Public, namely, Investment Account - Chapter Public Debt - Fiscal Year 2018 aimed at controlling the development of indebtedness in 2018.

The methodology used to prepare these audit reports is the one recommended by INTOSAI. In the case of the IMF report, the approach used is a mix of performance and legal compliance audits.

In the case of the World Bank report, a financial audit approach with internal control aspects concerning the legality and compliance of the loan agreement was carried out together with the related international credit agency.

In relation to the Investment Account - Public Debt Chapter - Fiscal Year 2018, a combined financial and compliance audit was carried out on the accountability of national accounts in relation to indebtedness and verification of public debt records managed during 2018.

The sources of information used were both official and public, and are mentioned in the table above. With regards to reported debt balances, as set out in endnote (a), this is the total government debt of the central administration held by the private sector and multinationals. For additional information on external debt, refer to endnote (b).

Finally, the Auditoría General de la Nación has a specialized area on public debt control where almost 100 professionals specialize in the field work.

In the next section, we include the web link of the reports mentioned above.

ORTS

> Semiannual audit report on the execution of public spending authorized by 2020 budget law.

https://www.agn.gob.ar/informes/examen-especial-sobre-el-analisis-de-la-ejecucion-de-los-creditos-presupuestarios-0

> Semmianual audit report on the execution of public spending authorized by 2021 budget law.

https://www.agn.gob.ar/informes/informe-de-examen-especial-sobre-el-analisis-de-la-ejecucion-de-los-creditos-0

> Specialized Audit Report on Public Debt Agreement with IMF. Impact on solvency and sustainability:
a. INTOSAI WGPD website:
https://wgpd.intosaicommunity.net/wp-content/uploads/2023/06/English-Version-Resumen_Ejec_FMI_WGPD.pdf
b. SAI Argentina website:
https://www.agn.gob.ar/informes/Informe-063-2023
Audited body: MINISTRY OF ECONOMY
Audited body: CENTRAL BANK OF THE REPUBLIC OF ARGENTINA (BCRA)
Resolution number: 63
Year: 2023
Audited period:01-01-2018 - 12-31-2019
Type of control: Special report
Number of action:294/2020

>Audit Report referred to the financial statements for semester 07/01/2021 and 12/31/2021, related to the "Emergency Project for the Prevention and Management of COVID-19 in the Argentine Republic", financed by the International Bank for Reconstruction and Development Loan No. 9083-AR.
https://www.agn.gob.ar/informes/Informe-130-2023
Audited body: MINISTRY OF HEALTH
Resolution number: 130
Year: 2023
Audited period: 07-01-2021 - 12-31-2021
Type of control: Financial statements
Number of action:192/2022

>Financial and Compliance Audit of Public Debt Control called Investment Account - Chapter Public Debt-Exercise 2018
https://www.agn.gob.ar/informes/2023-026-Informe
Audited body: MINISTRY OF ECONOMY
Resolution number: 26
Year: 2023
Audited period: 01-01-2018 - 12-31-2018
Type of control: Investment account
Number of action: 449/2019

[a]Total public debt (central government). Consists only of stock of public debt at the end of the year held by the private sector (external and internal) and multilateral organizations (International Monetary Fund (IMF); Inter-American Development Bank (IDB); World Bank (WB) and others like the Development Bank of Latin America and the Caribbean (CAF)).

[b]Refers to all external debt (generated by public or private sector) with creditors residing outside Argentina. Note: private sector includes firms, private banks and others.

Auditoría General de la Nación

The Auditoría General de la Nación is created by the National Constitution to control legality, management, and the audits of all public management activities. It assists the National Congress in public control to improve the efficiency and effectiveness of the State for the benefit of society.

AUSTRIA

Overview

In the year 2020, public debt levels in Austria massively increased compared to pre-pandemic levels. The reason can be found in a bold reaction with many different instruments implemented by government to combat the COVID-19 impact. In 2021 and 2022, the Austrian Court of Audit (ACA) focused its audit activities on these programs, in addition to its annual audit of the financial statements.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	246.149 billion EUR	241.863 billion EUR	273.216 billion EUR	288.828 billion EUR
Domestic	34.2%	33.2%	35.9%	37.2%[c]
External:	65.8%	66.8%	64.1%	62.8%[c]
Public debt as a share of gross domestic product (GDP) [b]	63.9%	60.9%	71.7%	71.1%
Central government annual budget surplus/ (deficit) as a share of GDP[b]	(0.13)%	0.45%	(7.19)%	(5.41)%
Average interest rate on debt outstanding[d]	2.2%	2.0%	1.5%	1.2%
Annual interest payments as a share of central government revenue[e]	8.2%	7.4%	7.7%	6.1%
Public debt maturing in the next 12 months[f]	13.8%	12.4%	15.3%	17.1%
Average maturity of debt outstanding[g]	9.8 years	9.9 years	10.1 years	10.6 years

Source: See detailed table endnotes.

Table endnotes are listed at the end of this document.

Especially, key indicators deficit and debt deteriorated massively in the year 2020, both on an absolute and relative basis (as nominal GDP also declined in 2020). The reason were huge borrowings and spendings (see following bullet point) to combat the COVID-19-crisis. In 2020, public consumption was the only component of aggregate demand that made a positive contribution to the GDP growth rate (decline in GDP: -6.7 percent). It also dampened the effect on the labor market (unemployment rate 2019: 4.5 percent, 2020: 5.4 percent). In 2021, we saw a stabilization of these metrics (deficit and debt). Average interest rate on debt outstanding and interest payments as a share of central government revenue continued their downward trends, respectively, during the period of question (2018–2021). The crisis did not affect credit markets as a result of European Central Bank (ECB)-interventions in the EUR-area in general. Average maturity of debt outstanding increased further, as the Austrian government tried to take advantage of the low interest rate environment.

The federal government of Austria used many different instruments to combat the COVID–19:

- Short-time work: Since the beginning of the COVID-19 crisis, 9.6 billion EUR short-time work subsidies have been paid out up to 31 March 2022. This proven instrument for cushioning the impact of the crisis on the labor market has so far helped more than 1.3 million employees in more than 120,000 companies.
- COFAG (COVID-19 Finanzierungsagentur des Bundes GmbH) grant instruments: Until 31 March 2022, 12.2 billion EUR have been paid out, e.g.:
  4.5 billion EUR for loss bonus
  3.4 billion EUR for lockdown replacements
  3.3 billion EUR for fixed cost subsidies
- Federal Ministry of Social Affairs, Health, Care and Consumer Protection: Until 31 March 2022, 5.1 billion EUR have been paid out, e.g.:
  1.4 billion EUR for testing and screening
  1.6 billion EUR for protective equipment and vaccination sites
  1.1 billon EUR for cost reimbursements for health insurers
- WKO (Austrian Federal Economic Chamber) hardship fund: As of 31 March 2022, 238,830 people have been supported with an average of 9,811 EUR. The total funding amount of the Wirtschaftskammer Österreich (WKO) Hardship Fund as of 31 March 2022 was 2.3 billion EUR.
- Other key COVID-19 measures: A total of 6.4 billion EUR has been spent on health measures through the end of 31 March 2022, e.g.:
  2.6 billion EUR other payments (not specific to a program)
  0.9 billion EUR grants to municipalities
  0.7 billion EUR Non-Profit-Organizations (NPO) Support Fund
  0.4 billion EUR unemployment benefits
- COVID-19 guarantees: The total outstanding guarantee amount was 5.5 billion EUR as of 31 March 2022.
- Tax deferrals: outstanding amount as of 31 March 2022 is 1.6 billion EUR

In response to the COVID-19 pandemic, the federal government of Austria appropriated 42.7 billion EUR (including guarantees and tax deferrals) in emergency assistance for people, businesses, the health care system, and state and local governments by the end of March 2022.

In the year 2019, Austria's total public debt (central government) decreased from 63.9 percent to 60.8 percent of GDP. It decreased, both, on a relative basis (as a result of robust nominal GDP growth) and an absolute basis from 249.149 billion EUR to 241.868 billion EUR. This was mainly due to the ongoing reduction of debt by Austria's bad banks. Conversely, public debt as a share of GDP increased steadily in the years after the financial crisis until 2016. This was largely attributable to the (partial) nationalization of KA Finanz AG, Hypo Alpe-Adria-Bank Inter- national AG (HETA Asset Resolution AG) and Österreichische Volksbanken AG (immigon portfolioabbau AG i.A.), the so called "bad banks", and the associated debt assumption by the federal government. In the years 2020 and 2021, public debt skyrocketed due to massive support measures implemented by government (see previous bullet point).
In the *Fiscal Sustainability Report 2021*, published in April 2022, the European Commission assessed the sustainability risk for Austria as "low" in the short term. In the medium and long term, however, there are "medium" risks according to the European Commission. In the long term, the aging population is expected to increase pressure on the federal budget.

Average interest rate on debt outstanding continued its downward trend during the period of question (2018–2021). Demand for Austrian bonds remained robust, as investors sought for safe-haven investments.

Government liquidity was robust during that time and it was not of a problem for the Austrian treasury to raise capital through money/capital markets.

The Austrian government (via the Austrian Treasury) was forced to massively increase liquidity levels (via short-time instruments such as Austrian Treasury Bills (ATBs)/Austrian Commercial Papers (ACPs) (see below) to finance support measures initiated. Moreover, it was necessary to hold a certain amount of capital on hand in order to be able to have room to maneuver resulting from unforeseen events stemming from the COVID-19 crisis. Nevertheless, this policy was favored by an unusually low interest rate environment. Issuance of short-time public debt instruments (due within the following year) increased from 27 percent (or 7.2 billion EUR) in 2019 to 36 percent (or 20.7 billion EUR) in 2020. In 2021, this percentage remained high at 34 percent (or 18.8 billion EUR) of short-time debt due within the following year.
Conversely, the government also took advantage of the favorable interest rate environment to issue very long maturities (e.g., bonds with a 100-year maturity) as investors sought safe-haven investments with investment-grade ratings.

No changes were made to interest rates to attract investors.

Financing instruments of the Republic of Austria are:

- Republic of Austria Government Bonds (RAGB) – green issuance possible
- Debt issuance programme (DIP 144A) – green issuance possible
- EMTN-Programme (EUR Medium Term Notes) – green issuance possible
- Australian Dollar MTN-Programme – “Kangaroo Programme”
- Loans and “Schuldschein“-Format
- Austrian Treasury Bills (ATB-Programme) – green issuance possible (governing law: Austrian law since 2021, before English law)
- Austrian Commercial Paper (ACP-Programme) – green issuance possible (introduced 2021; English law)

Green issuance is possible since 2022.

No challenges for the access to credit market as a strong decrease in debt-ratio until 2019 has created ample fiscal capacity for COVID-19 support measures. The debt-to-GDP ratio remains below the EUR-area average. The credit rating has been stable at a very high level.

One of the cornerstones of the funding strategy of the Austrian Treasury is to have a low debt rollover ratio.

No challenges as 97 percent of public debt is issued in EUR. The remainder is currency hedged. That means that there is no currency risk.

Government guarantees (central government) according to Six Pack[1]	12/31/2021	12/31/2020	12/31/2019	12/31/2018
	bn. EUR			
Total	**52,029**	**54,237**	**44,926**	**44,461**
of which: COVID-19-related guarantees	**6,128**	**5,983**	**–**	**–**
Guarantees assumed by the Federal Minister of Finance on behalf of the Federal Government for third parties	50,965	53,240	44,695	
of which: COVID-19-related guarantees	5,550	5,303	–	–
Guarantees assumed by extrabudgetary units of the Federation on behalf of third parties	1,063	0,996	0,231	
of which: COVID-19-related guarantees (COFAG)	0,579	0,680	–	–

1 Liability level determined in accordance with Art. 4 HOG Agreement using the economic approach pursuant to Council Directive 2011/85/EU of November 8, 2011

Source: Statistics Austria, ACA

According to EU-specific Six-Pack methodology, 52.029 billion EUR are guaranteed by the federal government (sector S.1311), as of 31 December 2021. Around 11.7 percent refer to COVID-19-related guarantees. In 2020, we saw a steep increase in guarantees assumed mainly due to a first-time assumption of COVID-19 guarantees and an increase in guarantees related to export funding.

The Russian invasion of Ukraine results in huge uncertainties to the Austrian economy (80 percent of needed gas is supplied by Russia through state-owned companies). Energy price shocks and/or repeated disruptions of supply chains are the main reasons for elevated inflation rates. The federal government has already fixed aid measures to combat inflation and relieve the burden on companies and private households (e.g., energy cost compensation). It further plans to invest in energy independence and public transport, and in the acquisition of a national strategic gas reserve. All these measures mean an additional burden to public budgets and affect public debt levels.

ACA prepares and audits the federal annual report. According to the Austrian Court of Audit Act 1948 (par. 6), in the federal annual report, the Court of Audit shall annually submit to the National Council evidence of the amount of federal debt and the liabilities assumed by the Federation. According to the Austrian Federal Constitutional Law, Article 121 (par. 3), all vouchers about financial debts of the Federation shall be countersigned by the President of the Court of Auditors or, should he be impeded, by his deputy. The countersignature guarantees the legality of the borrowing and the correct registration in the ledger of the national debt.

ACA has direct access to balance sheet–and profit and loss accounts (and of the relevant vouchers) of the Ministries to enable monitoring. Furthermore, ACA maintains a close cooperation with the Austrian Treasury. The Austrian Treasury serves as the debt management office of the Republic of Austria. It acts in the name of and for the account of the sovereign (supervised by the Ministry of Finance). The Treasury’s responsibilities include issuing Austrian government debt and managing the federal government debt portfolio.

Key findings/recommendations by ACA, among others, from its report, *“Pandemic Management of the Health Authorities in the First Year of the COVID-19 Pandemic,”* were:

The report lays out which lessons are to be drawn for a more efficient and effective pandemic management.

The Federal Government failed to provide for the necessary organizational structures and personnel prerequisites. As the supreme authority in health sector, the Federal Minister of Health is responsible for pandemic management. However, the allocation of responsibilities between the Federal Government and the provinces often remained unclear. Moreover, uncoordinated action was also taken at the federal level.

The challenges of crisis management during the COVID-19 pandemic remained unresolved. The experiences made since the outbreak of the pandemic have not been sufficiently harnessed to further develop the crisis management based on the lessons learned.

ACA recommended safeguarding public health in a uniform manner across the country. To this end, the Federal Minister of Health should actively exercise his role and lead, manage, and coordinate the measures of the provincial health authorities necessary for the pandemic management (such as vaccinations, tests, or officially imposed restrictions) more intensively. Should the measures prove to be lacking effectiveness, the Federal Minister of Health should intervene and take countermeasures.

Key findings/recommendations by ACA, among others, from its report, *“COVID-19 short-time work: no concept for a targeted detection of misuse,”* were:

The COVID-19 short-time work scheme has safeguarded jobs and mitigated the rise in unemployment during the pandemic. However, ACA sees room for improvement in detecting possible misuse. For example, the checks applied were hardly found to be suitable for verifying lost hours.

In the audited period, the COVID-19 short-time work scheme was the most cost-intensive tool devised to cope with the implications of the COVID-19 pandemic. Federal funds were largely used to combat the pandemic. The total cost exceeded what was budgeted for the former short-time work scheme in place during the height of the financial and economic crisis in 2008-2009. By the end of 2021, 9.2 billion EUR had been paid out.

The COVID-19 short-time work scheme provides much more generous compensations than the previously existing scheme. Companies were fully compensated for the costs of hours lost. Workers were guaranteed comparatively high replacement rates of their net salary and a significantly higher income than in unemployment. While these elements increase the attractiveness of short-time work, they also increase the risk of deadweight effects. Additionally, they reduce the pressure on companies and workers to reorient themselves.

ACA recommended to the Federal Ministry of Labor and the Austrian Public Employment Service to include—even under time pressure—the labor market and funding experts of the competent bodies into the design of funding plans. This would be especially valuable for planning with a financial and technical implementation component, as was the case with the COVID-19 short-time work. Further, ACA in coordination with the Federal Ministry of Finance recommended establishing a control concept with risk-oriented assessment criteria to cover the unlawful receipt of allowances not covered by the automated checks.

Key findings/recommendations by ACA, among others, from its report, *"Hardship Fund – Funding Administration,"* were:

The Hardship Fund was created to mitigate the negative economic effects of the COVID-19 pandemic on one-person and family businesses. ACA evaluated the funding administration as well as the legal framework conditions, which were created under considerable time pressure. The auditors revealed the manifold problems in the design of the funding disbursed via the Hardship Fund—in particular as regards the definition of the funding criteria and the calculation of the funding amount. The goal to provide broad financial support across all sectors was met to a large extent.

ACA recommended avoiding multiple amendments to funding regulations in close chronological succession and their retroactive application as far as possible. In this context, the auditors point to the related efforts with regard to the processing as well as to the need to ensure transparency and legal certainty.

At ACA, audits performed are mainly "performance audits"(i.e., assessment of administrative actions).

Publications in 2021

1. Der Bundesrechnungsabschluss (federal annual report), https://www.rechnungshof.gv.at/rh/home/was-wir-tun/was-wir-tun_3/Einzahlungen_und_Auszahlungen_des_Bundes.html, https://www.rechnungshof.gv.at/rh/home/home_1/home_9/BRA_2020_Textteil_Band_4_Vorpruefung_gema_ss_9_RHG.pdf
2. COVID-19 – Structure and Scope of the Financial Aid Measures, https://www.rechnungshof.gv.at/rh/home/news/COVID-19_Hilfsmassnahmen1.html
3. Hardship Fund – Funding Administration, https://www.rechnungshof.gv.at/rh/home/news/Haertefallfonds_Komplexes_und_schwer_verstaendliches_Berech.html
4. Health data on pandemic response in the first year of the COVID-19 pandemic, https://www.rechnungshof.gv.at/rh/home/news/news/news_2/Gesundheitsdaten_zur_Pandemiebewaeltigung-_Lehren_fuer_di.html
5. Federal transportation infrastructure - strategy, planning, funding; follow-up review and COVID-19 impact, https://www.rechnungshof.gv.at/rh/home/home/home_7/Verkehrsinfrastruktur.pdf

Publications in 2022:

1. COVID-19 short-time work: No concept for a targeted detection of misuse, https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/COVID-19-Kurzarbeit-_Konzept_zur_gezielten_Aufdeckung_von.html
2. COVID-19 – Structure and Scope of the Financial Aid Measures: Data Update, https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/COVID-19-Hilfsmassnahmen-_Rechnungshof_veroeffentlicht_ak1.html
3. Pandemic Management of the Health Authorities in the First Year of the COVID-19 Pandemic, https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/COVID-19-Pandemie-_Herausforderungen_des_Krisenmanagement.html
4. Selected Services in Tourism and Health Care Related to COVID-19, https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Leistungen_im_Zusammenhang_mit_COVID-19_im_Tourismus-_und.html
5. COVID-19 Measures for Artists, Cultural Workers and Art Mediators; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Rechnungshof_pruefte_COVID-19-Massnahmen_im_Bereich_Kunst1.html

Publications in 2023:

1. COVID-19 | the.ACA's.added.value: key findings in COVID-19 audit reports, https://www.rechnungshof.gv.at/rh/home/news/news/news_3/Rechnungshof_veroeffentlicht_Handlungsempfehlungen_aus_de.html
2. COVID-19 vaccine procurement, https://www.rechnungshof.gv.at/rh/home/news/news/news_3/COVID-19-Impfstoffbeschaffung-_Rechnungshof_veroeffentlic.html
3. COVID- 19 Funding Granted by the Agrarmarkt Austria (AMA), https://www.rechnungshof.gv.at/rh/home/news/news/news_3/COVID-19-Hilfen_fuer_Landwirtschaft_und_Privatzimmervermi.html
4. Interactive graph: COVID-19 – Structure and Scope of the Financial Aid Measures, https://www.rechnungshof.gv.at/rh/home/fragen-medien/fragen-medien_3/Interaktive_Grafik-_COVID-19_-_Struktur_und_Umfang_der_fi.html
5. Report on the Federal Financial Statement 2022, https://www.rechnungshof.gv.at/rh/home/news/news/news_3/Bundesrechnungsabschluss_2022-_Starker_Anstieg_der_Finanz.html

[a]Not adjusted for inflation. These figures stem from National Statistical Institute (NSI) of Austria as NSI calculates the Maastricht indicators deficit and debt and the relevant ratios; https://www.statistik.at/en/statistics/national-economy-and-public-finance/public-finance/maastricht-edp-indicators/government-debt website NSI; The figures include public debt of the core unit of the central government (BUND) and its extrabudgetary units classified in sector S.1311 (central government). On a stand alone basis, for the core unit of the central government (BUND) the figures would be as follows:

Core unit (BUND)	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Financial debt (public debt)	211.655 bn EUR	208.768 bn EUR	237.972 bn EUR	253.566 bn EUR

Figures taken from the Federal Financial Statements of the year 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, table 5.2-1)

(1) Government debt is measured in nominal values.

(2) Composition of public debt: For the year 2021 around 88% of public debt comprise of government bonds issued by the Austrian Treasury (debt management office of the Republic of Austria); Figures taken from the Federal Financial Statements of the year 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, table 5.2-2 for the years 2018 to 2021 respectively); The figures only refer to the core unit of the central government (BUND).

[b]These figures stem from National Statistical Institute (NSI) of Austria as NSI calculates the Maastricht indicators deficit and debt and the relevant ratios; https://www.statistik.at/en/statistics/national-economy-and-public-finance/public-finance/maastricht-edp-indicators/government-debt; website NSI for government debt; https://www.statistik.at/en/statistics/national-economy-and-public-finance/public-finance/maastricht-edp-indicators/government-deficit/government-surplus website NSI for government deficit; On a stand-alone basis, for the core unit of the central government (BUND) the numbers would be as follows:

Core unit (BUND)	As of December 31, 2018	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021
Public debt as a share of gross domestic product (GDP)	54.9%	52.5%	62.7%	62.9%
Central government annual budget surplus/ (deficit) as a share of GDP	(0.07)%	0.53%	(6.34)%	(4.87)%

Numbers taken from the Federal Financial Statements of the year 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, Table 5.2-1 and Table 6.1-3 for the years 2021 and 2020 respectively)

[c]Ratio as per the end of June 2021. These figures stem from the latest Public finance report 2020-2025 (of December 2021) from the "Fiskalrat Austria"; https://www.fiskalrat.at/en/publications/reports/public-finance-report.html website; The figures taken comprise the creditor structure of public debt of general government (central-, state- and local government plus social security funds). Nevertheless, these figures provide a good proxy for central government as it is a matter of fact that in Austria public debt is mainly concentrated at the level of central government (around 86% of all public debt).

[d]Figures taken from the Federal Financial Statements of the year 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, Table 5.4-1 for the years 2018 to 2021 respectively); The figures only refer to the core unit of the central government (BUND).

[e]Figures taken from the Federal Financial Statements of the years 2019 to 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, Table 2.1-2 for the years 2021 and 2020 respectively); The figures only refer to the core unit of the central government (BUND).

[f]Figures taken from the Federal Financial Statements of the years 2018 to 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, Table 5.5-1 for the year 2021); The figures only refer to the core unit of the central government (BUND).

[g]Figures taken from the Federal Financial Statements of the year 2021; https://www.rechnungshof.gv.at/rh/home/news/news/aktuelles/Bundesrechnungsabschluss_2021.html website ACA (Textteil Band 1 Bund, Table 5.2-2 for the years 2018 to 2021 respectively); The figures only refer to the core unit of the central government (BUND).

Austrian Court of Audit

Audit Unit: Federal Budget, Audit of Financial Statements

AZERBAIJAN

Overview

Azerbaijan's total public debt remained fairly stable prior to and after the COVID-19 pandemic. A slight increase in public debt was experienced after the pandemic was declared, however data reflects that the total public debt did not continue to increase after calendar year 2020.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	9703.7 Million USD	9923.7 Million USD	9964 Million USD	9940.6 Million USD
Domestic:	776.6 Million USD	832.7 Million USD	1142.5 Million USD	1804.9 Million USD
External:	8927.1 Million USD	909.1 Million USD	8821.5 Million USD	8135.7 Million USD
Public debt as a share of gross domestic product (GDP)	20.7%	20.6%	23.4%	18.2%
Central government annual budget surplus/(deficit) as a share of GDP	.28%	.25%	2.39%	1.11%
Average interest rate on debt outstanding[b]	*	*	*	*
Annual interest payments as a share of central government revenue	2.64%	1.66%	2.39%	2.37%
Public debt maturing in the next 12 months[c]	*	*	*	*
Average maturity of debt outstanding[c]	*	*	*	*
Total public debt/GDP	20.7%	20.6%	23.4%	18.2%
Expenditures related to public debt service/State budget revenues	9.9%	6.3%	7%	8.3%

Source: Azerbaijan Ministry of Finance.
Table endnotes are listed at the end of this document.

[a]Not adjusted for inflation. The Central Bank of Azerbaijan (MB) official exchange rate was used to calculate the dollar figures at the end of each calendar year.

[b]It is not possible to provide the accurate information as the main part of the debt is raised at a variable interest rate.

[c]No exact information available.

SAI Azerbaijan

The Chamber of Accounts of the Republic of Azerbaijan is the permanent supreme audit institution of the state conducting external state financial control established by the Parliament of the Republic of Azerbaijan and reporting to the Parliament according to the Constitution of the Republic of Azerbaijan.

BRAZIL - REPÚBLICA FEDERATIVA DO BRASIL

Overview

Fiscal and monetary policies were conducted to help people, business, States, and Cities to mitigate the social and economic effects of the COVID-19 pandemic.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	4,962.6 billion BRL	5,172.4 billion BRL	6,230.3 billion BRL	6,568.1 billion BRL
Domestic	4,423.0 billion BRL	4,609.1 billion BRL	5,575.9 billion BRL	5,772.2 billion BRL
External:	539.5 billion BRL	563.3 billion BRL	654.4 billion BRL	795.9 billion BRL
Public debt as a share of gross domestic product (GDP)	70.9%	70.0%	83.4%	75.7%
Central government annual budget surplus/ (deficit) as a share of GDP	(1.7)%	(1.2)%	(10.0)%	(0.4)%
Average interest rate on debt outstanding	9.83%	8.69%	8.37%	8.91%
Annual interest payments as a share of central government revenue	25.2%	23.0%	22.1%	25.8%
Public debt maturing in the next 12 months	32.8%	31.2%	40.0%	31.3%
Average maturity of debt outstanding	47.7 months	45.9 months	40.7 months	43.8 months
Liquidity cushion	811.0 billion BRL	835.9 billion BRL	881.3 billion BRL	1,185.9 billion BRL

Source: Central Bank of Brazil and National Treasury of Brazil.

Table endnotes are listed at the end of this document.

The COVID-19 pandemic brought about a decline of 4.1 percent in Gross Domestic Product (GDP) and an unemployment rate increase to 13.5 percent in 2020. Consequently, there was a disruption in the credit market, a decline in public revenue in the National, State and City levels, altogether with a reduction of salaries due to unemployment.

Measures were taken on three fronts: social, fiscal (Treasury Department), and monetary (Central Bank). To fight the economic and social effects of the COVID-19 pandemic, the federal government established a series of measures.

- These social measures were related to the establishment of new expenses (emergency aid, acquisition of respirators, etc.), concession of tax benefits (rate reductions and postponement of tax payments), and financial and credit benefits (loans at a lower interest rate).
- The fiscal expenses resulted in a government budgetary deficit of 10.0% of GDP in calendar year 2020.
- The monetary measures were related to capital and liquidity: a potential increase of 1,307 billion BRL in the National Financial System`s (NFS) liquidity (17.5 percent of the GDP in 2020) and a potential increase of 1,382 billion BRL of capital in NFS (18.5 percent of the GDP).
- There was an increase of the ratio of public debt over GDP from 70 percent to 83.4 percent from 2019 to 2020 and a reduction in 2021 to 75.7 percent. During this crisis, the government budgetary deficit went from -1.2 percent of the GDP in 2019 to -10 percent in 2020, and then to -0.4 percent in 2021. Despite this abrupt change, the public debt remained sustainable.
- The Central Bank fund rate was 4.3 percent in 2019, 1.9 percent in 2020, and 9.15 percent in 2021. The percentage change from 2019 to 2020 was caused by the quantitative easing due to the pandemic. The percentage change from 2020 to 2021 represents a reaction of the monetary authorities to the rise of inflation from 2020 to 2021. From May to August of 2020, the demand for government securities was insufficient to repay the maturing debt. Even though the government increased the accepted rates and diminished the term maturity of the securities in the auctions, the demand remained insufficient. To fix this shortage of demand for securities, the monetary authority was allowed to transfer 350 billion BRL to the Treasury.
- From 2018 to 2021, the average interest rate on debt outstanding remained steady—despite the COVID-19 crisis—due to the coordination between monetary and debt policies.
- The liquidity government buffer was 16.3 percent of the debt (811 billion of R$) and 16.2 percent (835.9 billion of R$) in 2019. It, declined to 14.1 percent (881.3 billion of R$) in 2020 and rose to 18.1 percent (1,185.9 billion of R$) in 2021.
- The demand for public debt was affected, even though the Treasury has been increasing the risk premium to refinance the public debt.

  Inflation, measured by the Brazilian consumer price index (Índice de Preços ao Consumidor Amplo do Instituto Brasileiro de Geografia e Estatística – IPCA/IBGE), remained steady in relation to Brazilian standards in 2019 and 2020: 4.31 percent and 4.52 percent per year, respectively. However, the effects of social, fiscal, and monetary policies increased the yearly inflation of 2021 to 10.06 percent.
- The Treasury increased the rates and reduced the term maturity accepted in the auctions (auctioned bills with shorter maturity and auctioned Treasury-protected inflation security).
- Repurchase agreements were competing against the Treasury bills as their rates and term maturity were close. To fix this problem, the Treasury and the monetary authority coordinated to reduce the rates and term maturities of the repurchase agreement to replenish the demand for treasury bills.

There are three fundamental risks for the short-term financing of gross borrowing requirements: the interplay between monetary policy and debt cost, the 2022 elections, and some States not redeeming their debt to the Treasury.

- The rise of inflation will require, as a response, a rise of the federal funds rate by the monetary authority to achieve the inflation target. Consequently, the cost of debt will increase until the monetary effects contain inflation and allow for the reduction of federal funds rate.
- Four States' poor fiscal condition allowed them to adhere to a bankrupt law. In this condition, legally, they are exempted from paying their debt to the Treasury.
- The 2022 elections might pose a risk because its results could cause the increase of the premium risk required by the economic agents/dealers in the auctions of securities.
- The trade balance has been positive, and the current account balance has been stable, avoiding currency risk. Also, international reserves are plenty (close to 1,916 [billions of R$), corresponding to 29.1 percent of the debt outstanding). In addition, only 12.1 percent of the debt was held by nonresidents at the end of 2021 (795.9 billion of R$).
- The Government Guarantees amount increased from 277.9 billion BRL at the end of 2018 to 279.5 billion BRL (2019), 333 billion BRL (2020), and 337.6 billion BRL (2021).

All values and percentages are from the end of their respective years.

Central Government Gross Debt correspond to the data described on the International Monetary Fund's Dissemination Standards Bulletin Board.

External public debt was measured as the amount detained by nonresidents. The interest payments include unpaid accrued interests.

The average interest rate on debt outstanding was measured by the average cost of the last 12 months of the federal public debt.

The average maturity of debt outstanding excluded the external debt outstanding (as measured by foreign currency).

016.873-2020-3 – BD – 8 Covid Budget Monitoring Cycle.

040.300-2019-6 – BD – Follow-up RGF 2019-3Q.

005.182-2021-2 – WAR – Follow-up RGF 2020-3Q.

044.656-2021-1 – AC – Follow-up RGF 2021-3Q.

[a]Total public debt includes debt securities and loans. It is calculated as the PDV (Present Discounted Value) of future interest and principal payments at the security's contractual interest rate(s), and generally differs from face value. Not adjusted for inflation.

[b]The World Health Organization declared the novel coronavirus (COVID-19) a global pandemic on March 11, 2020.

Federal Court of Accounts – Brazil (Tribunal de Contas da União)

The Federal Court of Accounts audits the accounts of administrators and other persons responsible for federal public funds, assets, and other moneys, as well as the accounts of any person that causes loss, misapplication, or other irregularities that result in losses to the public treasury. Such administrative and judicative authority, among others, is provided for in article 71 of the Brazilian Constitution to apply external control, which is the responsibility of Congress.

INTOSAI

Working Group on Public Debt

BULGARIA

Overview

The health crisis caused by COVID-19 significantly affected Bulgaria's macroeconomic indicators, such as unemployment, economic activity, and increased public spending. In support of measures to minimize the effects of the spread of COVID-19 and the European Union investment initiative in response to the coronavirus pandemic, a significant part of the funds to support the health and private sector in Bulgaria are provided by the European Structural and Investment Funds.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	22,065.8 mil BGN/ 11,282.1 mil EUR[b]	23,023.0 mil BGN / 11,260.2 mil EUR	28,504.8 mil BGN / 14,063.0 mil EUR	31,218.0 mil BGN / 15,961.5 mil EUR
Domestic	5,454.1 mil BGN / 2,788.6 mil EUR	5,479.5 mil BGN / 2,801.6mil EUR	5,643.6 mil BGN / 2,885.5mil EUR	8,637.1 mil BGN / 4,416.1 mil EUR
External:	16,611.6 mil BGN/ 8,493.4 mil EUR	16,543.5 mil BGN/ 8,458.6 mil EUR	21,861.1 mil BGN / 11,177.4 mil EUR	22,580.9 mil BGN / 11,545.4 mil EUR
Public debt as a share of gross domestic product (GDP)[c]	20.1%	18.3%	22.8%	22.5%
Central government annual budget surplus/ (deficit) as a share of GDP[c]	2.0%	2.1%	(3.4)%	(3.0)%
Average interest rate on debt outstanding	2.6 %	2.7 %	2.2 %	1.8 %
Annual interest payments as a share of central government revenue	2,4%	2,0%	1,9%	1,6%
Public debt maturing in the next 12 months	4.3%	5.0%	3.0%	8.9%
Average maturity of debt outstanding	85 months	84 months	108 months	98 months

Source: See scope and methodology.

Table endnotes are listed at the end of this document.

- COVID-19's spread since the beginning of 2020 and the measures introduced to curb it have resulted in a significant decline in economic activity. GDP dropped 4.4 percent in 2020 and grew just 4.5 percent in the last quarter of 2021.
- In response to the crisis, the government has taken a number of measures. These measures include additional remuneration for health workers, financial compensation to businesses, and increased funding for health care. Currently, information on the funds spent is not summarized, including a classification of which funds should be considered spent as a direct and immediate consequence of the pandemic (i.e., the increased monthly salaries of healthcare workers and the salaries of temporary workers). The total amount of expenditures for measures in response to the pandemic in 2020 is 4.8 billion BGN / 2.34 billion EUR.
- As a result of the crisis, the state budget of Bulgaria experienced a deficit for the first time since 2016.
- There is a decreased interest of investors in government securities at auctions organized by the central bank.
- Seven auctions for government securities were conducted in 2020 and 11 in 2021. There is an increase in the average annual return - in an attempt to attract investors.
- No negative changes are expected in the risk profile of Bulgaria's government debt, as the expected amount of repayments in 2022 and 2023 is in the range of 3.0 billion BGN per year.
- The share of government debt with a residual maturity of up to 1 year in the total amount of government debt in circulation in the last 4 years is in the range 3.0% - 8.9 %.
- Data sources: Central Government Debt and Guarantees Monthly Bulletin of the Ministry of Finance; Debt Management Strategies; Information bulletins for the implementation of the state budget and the basic indicators of the consolidated fiscal program of the Ministry of Finance; and information on the conducted auctions for government securities, published by the Ministry of Finance.
- Published reports:
    - Performance audit on the effective and transparent use of public funds to address the effects of the COVID-19 pandemic on **social support and employment measures** (audit period 1 February 2020 to 31 March 2021)
    - Performance audit on the effective and transparent use of public funds to address the effects of the COVID-19 pandemic on **measures to support farmers** (audit period 1 February 2020 to 31 March 2021).
- An audit report of a performance audit on the effective and transparent use of public funds to address the effects of the COVID-19 pandemic on **tourism support measures** (audited period 1 February 2020 to 31 March 2021) is to be published.
- The BNAO's annual audit program for 2022 includes a performance audit with an audit task as follows: "Ensuring continuity and quality of education in the system of preschool and school education in the conditions of COVID-19" (audited period 1 February 2020 to 30 June 2022).

[a]Not adjusted for inflation.

[b]Fixed exchange rate 1 BGN = 1.95583 EUR.

[c]GDP from NSI publications for: 2018 – BGN 109,964.4 mln, 2019 – BGN 120,396.0 mln, 2020 – BGN 120,553.4 mln, 2021 – BGN 139,012.3 mln.

Bulgarian National Audit Office

The Bulgarian National Audit Office's (BNAO) mission is to control the implementation of the budget and management of other public funds and activities, carrying out effective, efficient, and cost-effective audit work to help improve the management and accountability of public resources.

CANADA

Overview

Canada entered the COVID-19 crisis with a balanced budget. However, Canada's federal budget deficit surged in 2020 and 2021 from more than $250 billion in COVID-19 expenditures and, to a lesser extent, a loss in revenues. Canada's debt servicing costs fell during the crisis as the interest rate on its debt dropped from 3.6 percent to just 2.1 percent when the Bank of Canada cut overnight interest rates to a historic low of 0.25 percent. Canada's in a favorable position compared to other Group of Seven (G7) countries as its debt-to-GDP ratio remains a modest 43 percent—far below the level that prompted significant spending cuts by the Canadian government in the 1990s. OAG did not comment on fiscal stability or debt management directly. The Parliamentary Budget Office (PBO), like OAG, reports directly to parliament. PBO publishes annual reports on fiscal sustainability nationally and subnationally.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	669,381 CAD	697,454 CAD	973,923 CAD	1,119,271 CAD
Domestic	69.8%	71.8%	73.8%	76.9%
External:	31.2%	28.2%	26.2%	23.1%
Public debt as a share of gross domestic product (GDP)	29.93%	29.72%	42.08%	43.09%
Central government annual budget surplus/ (deficit) as a share of GDP	0.45%	(0.42)%	(10.19)%	(4.26)%
Average interest rate on debt outstanding	3.61%	3.62%	2.30%	2.15%
Annual interest payments as a share of central government revenue	7.18%	7.40%	6.74%	6.30%
Public debt maturing in the next 12 months[b]	28.1%	29.2%	33%	29.1%
Average maturity of debt outstanding[b]	77 months	76 months	68 months	77 months

Source: Data on Canada's public debt, revenues, and interest payments are from Statistics Canada Table 10-10-0002-01 (formerly CANSIM 191-0002). Nominal GDP (income based) used for calculations is from Statistics Canada 36-10-0103-01 (formerly CANSIM 380-0063). Domestic and External debt shares are from Department of Finance Canada Debt Management Strategy 2021-2022 and CEIC data, Canada Federal Government Debt: Gross: Interest-Bearing: UD: Non-Residents. Bank of Canada - Government of Canada Treasury Bills and Bonds Outstanding (August 2022). Data on average maturity of debt are from Bank of Canada - Government of Canada direct securities and loans: Classified by remaining term to maturity and type of asset (formerly G6), series V37346.

Table endnotes are listed at the end of this document.

- During the COVID-19 crisis, Canada's economy shrank rapidly as a result of widespread business shutdowns. Canada's unemployment rate soared to 13.4 percent at its peak from a historic low of 5.6 percent in January 2020. Despite the beginning of the recovery in late 2020, Canada's real GDP dropped 5.2 percent in 2020 compared to 2019.

- Over the crisis, Canada's balance sheet deteriorated as the Federal government implemented massive emergency spending programs totaling $258 billion, including the Canada Emergency Response Benefit (CERB) and Canada Employment Wage Subsidy (CEWS).

- The economy broadly recovered in early 2022. As of April 2022, Canada's unemployment rate is at a new historic low of 5.2 percent and real GDP is above its 2019 level. The Bank of Canada has raised rates twice in 2022 (75 basis points total) in response to the recovery and to stem rising inflation. Inflation rose higher than 6.7 percent in March 2022.

- Entering into the crisis, Canada had the lowest net debt-to-GDP ratio among G7 countries. Overall, Canada's debt-to-GDP ratio had been steadily declining from the late 1990s to the 2008 financial crisis before stabilizing to just higher than 30 percent of GDP.

- Canada's debt servicing costs fell steadily as well, from a peak of over 40 percent of total revenues in 1997 to just 7.4 percent before the crisis.

- Although the debt-to-GDP ratio rose significantly from 30 percent to 43 percent during the COVID-19 health crisis, Canada's interest payments on debt declined from 7.2 percent of revenues to 6.3 percent as a result of lower interest rates on its debt.

- Canada's debt rating remains highly favourable. Standard and Poor's, Moody's, and DBRS have all maintained Canada's prime debt rating since 2002. Only Fitch Ratings downgraded Canada from AAA to AA+ during the COVID-19 crisis in 2020.

- According to PBO, Canada's federal government has a small positive fiscal buffer of $18 billion or 0.8 percent of GDP. Because COVID-19 spending was temporary, it had a limited effect on the long-term fiscal sustainability of Canada's federal government.

- Canada's foreign debt share fell over the pandemic as the Bank of Canada raised its holdings of Federal government debt by over $300 billion during the COVID-19 pandemic.

- At the subnational level, PBO reports that rising health care costs due to population aging drive the deterioration in subnational government finances over the long term, more so than the recent health crisis.

- Canada's gross debt issuance reached $593 billion in 2021 and is expected to remain elevated at $523 billion in 2022.

- Initially, the Federal government issued more short-term debt in 2020 and the average length to maturity fell from 77 months to 68 months in 2020. However, by 2021, average term length and the average time to maturity returned to precrisis levels, reflecting little overall change in the structure of Canada's federal public debt.

- The Government of Canada continues to pursue a policy of long-term maturity on public debt to lower future annual refinancing and provide predictability.

- High inflation and record-low unemployment have prompted the Bank of Canada to raise its policy interest rate. The Bank of Canada has already increased its policy interest rate 75 basis points with more hikes expected. As a result, Canada's debt charges and the cost of its debt relative to GDP will rise over the coming years, although they are expected to be well below historical levels. PBO has noted that higher interest rates than expected would reduce the Federal fiscal buffer from 0.8 percent of GDP to 0.5 percent.

- The Federal government provides direct transfers to the provinces and territories for programs. However, provincial, territorial, and local government debts are not currently sustainable, based on PBO analysis. The COVID-19 crisis has increased the likelihood that the federal government could enact measures to stabilize subnational debt.

- Canada has a relatively long term to maturity and issues bonds in almost exclusively its own currency. So, rollover and foreign currency risks are muted.

OAG made nine independent audits of targeted COVID-19 programs, including the two biggest spending programs from the COVID-19 crisis—CERB and CEWS—to contribute to accountability of federal support to Canadians during the COVID-19 pandemic and beyond.

Based on the OAG findings, the CEWS program:

- The Department of Finance Canada performed a partial analysis of the initial design of the CEWS program. It subsequently performed a sound and complete analysis to inform the changes to the program.

- Although the Canada Revenue Agency delivered the subsidy payments rapidly, it chose not to establish tighter controls, and it lacked the subannual and up-to-date earnings and tax information it needed to efficiently assess applications.

The main findings of the CERB program are:

- The federal organizations considered and analyzed key areas in the initial design and ongoing adjustment of the Canada Emergency Response Benefit (CERB).
- Despite challenging circumstances, an emergency benefit to support workers who lost income due to the COVID-19 pandemic was designed quickly.
- Employment and Social Development Canada and Canada Revenue Agency (CRA) took the approach of relying on personal attestations and automated prepayment controls so that the CERB would be issued quickly to eligible workers who lost income because of the COVID-19 pandemic.
- Given the information available to CRA, it could have introduced a control related to suspicious applications at the launch of the benefit.

OAG provides full reports and "At a Glance" summaries online for all COVID-19 audits, including the findings, recommendations, objectives and audit criteria. Links for all nine reports are available below.

OAG also provided its opinion on Canada's financial accounts during the crisis. In the *Commentary on the 2020-21 Financial Audits*, it reported on the Government of Canada's COVID-19 spending in 2021 and how that spending affected government finances.

As part of its audit of the government's consolidated financial statements, and to respond at the time to the April 2020 motion from Parliament, OAG performed the following work:

- It examined the list of measures related to part 3 of the COVID-19 Emergency Response Act (included in appendix A) to determine whether the act's requirements were met before public funds were spent. Specifically, concurrence must be obtained from relevant federal ministers to approve spending. The concurrence records were critical because they were the key control for the authorization of spending of public funds, which is typically provided by Parliament.
- It audited the spending on the measures related to part 3 of the COVID-19 Emergency Response Act, on a sample basis, to determine whether the amounts were recorded accurately and completely in the financial statements.
- It verified, as applicable, whether actions taken by the government had complied with the sections of the Financial Administration Act and Borrowing Authority Act that were enacted by part 8 of the COVID-19 Emergency Response Act, including requirements to report to Parliament on the government's borrowings.
- It also conducted performance audits of the Canada Emergency Response Benefit and other COVID-19 measures (links for all nine reports are below).

On the basis of its audit work, OAG found that the government's spending, in all material respects, was authorized and reported accurately and completely in the financial statements and complied, in all material respects, with the legislation.

OAG found that the overall impact of these COVID-19 measures on the Government of Canada's consolidated financial statements was approximately a:

- $24-billion decrease in revenue (due to the Bank of Canada's purchase of federal government bonds and the enhanced goods and services tax/harmonized sales tax credit to individuals);
- $233-billion increase in expenses;
- $341-billion increase in liabilities;
- $29-billion increase in financial assets (mainly due to loans advanced under the Canada Emergency Business Account program and to other transactions relating to Crown corporations) and a $5-billion increase in nonfinancial assets; and
- a net $258-billion increase in the annual deficit.

PBO supports Parliament by providing analysis—including that of macroeconomic and fiscal policy—to raise the quality of parliamentary debate and promote greater budget transparency and accountability.

OAG has released ten reports on federal COVID-19 programs:

- Specific COVID-19 Benefits
- Canada Emergency Response Benefit
- Pandemic Preparedness and Response
- Canada Emergency Wage Subsidy
- Health Resources for Indigenous Communities
- Securing Personal Protective Equipment and Medical Devices
- Support for Businesses—Regional Relief and Recovery Fund
- Canada's Food System
- Temporary Foreign Farm Workers
- Enforcement of Quarantine and COVID-19 Testing Orders

In addition, OAG also provided its *Commentary on the 2020-21 Financial Audits* with a review of the impact of the COVID-19 crisis on financial accounts.

[a]Department of Finance Canada calculations. Accumulated deficit includes outstanding accounts payable, interest bearing debt, and pension liabilities. Not adjusted for inflation.

[b]Public debt maturing in the next 12 months calculated from Bank of Canada data on outstanding government debt for December of that year. Average interest rate is the ratio of

interest payments over the nominal public debt based on annual Department of Finance Canada data.

Office of the Auditor General

The Office of the Auditor General of Canada (OAG) serves Parliament by providing it with objective, fact-based information and expert advice on government programs and activities gathered through audits. Parliamentarians use OAG reports to oversee government activities and hold the federal government to account for its handling of public funds.

We call this work legislative auditing. OAG is an Officer of Parliament who carries out work on behalf of Parliament, and who is accountable to Parliament. Parliament is Canada's federal legislature.

INTOSAI

Working Group on Public Debt

CHILE

Overview

The Chilean public debt has been growing since 2009, and the health crisis exacerbated this trend. In 2020 the increase in public debt was associated with less fiscal income and assistance to people and businesses. In contrast, in 2021 there was an increase in fiscal revenues but also massive transfers of resources to broad segments of the population, whose impacts are associated with a budget deficit above 7% for 2020 and 2021. Nevertheless, the interest rates remained relatively low, and the average maturity of the debt is above 144 months.

Key Fiscal Indicators

	As of 31 December 2018	As of 31[b] December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government) [a]	70,247.5 million USD	74,391.2 million USD	91,625.1 million USD	102,631.9 million USD[g]
Domestic	55,703.2 million USD	58,575.6 million USD	70,417.1 million USD	66,524.5 million USD
External:	14,544.3 million USD	15,815.6 million USD	21,208.0 million USD	36.107.4 million USD
Public debt as a share of gross domestic product (GDP)	25.6%	28.2%	32.5%	36.3%
Central government annual budget surplus/ (deficit) as a share of GDP [c]	(1.7)%	(2.9)%	(7.3)%	(7.6)%
Average interest rate on debt outstanding [d]	3.7%	4.1%	3.6%	4.8%
Annual interest payments as a share of central government revenue [c]	3.8%	4.3%	4.8%	3.6%
Public debt maturing in the next 12 months	1.0%	0.0%	7.2%	3.5%
Average maturity of debt outstanding [f]	N/A	N/A	132 months	144 months
Annual interest payments as a share of GDP [c]	0.8%	0.9%	1.0%	0.9%
Assistance for people and businesses - COVID-19 [g]	*	*	5.901 million USD	27.593 million USD
Public health as share of GDP	5.52%	5.66%	5.88%	6.40%

Table sources and endnotes are listed at the end of this document.

- As a result of the pandemic, the GDP suffered a decline of 5.8 percent in 2020 followed by an increase of 11.7 percent in 2021. It should be noticed that in the previous 10 years, the GDP fluctuated between 0.9 percent and 6.1 percent.

- In terms of the employment rate, as a consequence of COVID-19 lockdowns and other restrictions, the unemployment rate increased 7.8 percent in February 2020 to 13.1 percent in July 2020. The rate then recovered to 7.5 percent in December 2021.

- To face the health crisis, the government proceeded to reassign and increase resources dedicated the health sector. It implemented economic assistance for people and businesses in the form of transfers and a program to help medium and small businesses in the form State guaranteed loans.

- The aforementioned measures supposed an accumulated expenditure equivalent to 3.73 percent of GDP in 2020 and 10.39 percent of GPD in 2021.

  It is also important to mention that Congress approved three 10-percent withdrawals of pension funds from the individual capitalization accounts for an amount equivalent to 19.5 percent of GDP.

- Public debt in Chile grew from 17.4 percent of GDP in 2015 to 28.7 percent of GDP in 2019 to 36.3 percent of GDP in December 2021. In addition, the net public debt arises from (0.1) percent of GDP in 2015 to 36.3 percent in 2021.

- In regard of the fiscal deficit, it was 2.9 percent of GDP for 2019, 7.3 percent of GDP in 2020, and 7.6 percent of GDP in 2021.

- The previous numbers reflect the increase in health and social expenditure and the decrease in tax incomes.

- The maturating distribution of debt has remained relatively stable between 2018 and 2021, as shown below:

	< 1 year	1 year <, <10 years	> 10 years
2018	1.0%	53.5%	45.5%
2019	0.0%	48.6%	51.4%
2020	7.2%	51.6%	41.1%
2021	3.5%	54.0%	42.5%

- In response to the recent crisis, the government has enhanced its policy of bonds issuing. In this regard, Congress approved an overall indebtedness of $29 million USD.

- The government also sold a portion of its financial assets. The stock decreased from 16.7 percent of GDP in December 2019 to 15.7 percent of GDP in December 2020 to 12.1 percent of GDP in December 2021.

- As an action to monitor the effects of the pandemic in the public finances, included the public debt, Contraloría General has issued a periodic COVID-19 bulletin.

- Other source of resources to face the pandemic came from budget relocations for a total of 1.5 percent of GDP in 2020.

- The principal challenge arises from the constant increase in net public debt in Chile, and the subsequent concern of higher interest expenses. On the subject, the Government is implementing a plan to contain the public debt.

- There is a foreign currency risk because 21.7 percent of public debt is denominated in U.S. dollars, with the exchange rate dependent to national and international shocks. As small open economy volatility of exchange rate is a factor that pressure inflation.

- The government implemented a plan of guarantees for medium and small businesses. These guarantees constitute a maximum exposure equivalent to 0.41 percent of GDP.

- The withdrawals of pension funds also create a challenge of how to finance pensions in future years, with subsequent pressure for public resources. Additionally, this liquidity shocks impact Chilean pesos devaluation.

The Office of the Comptroller General of the Republic carried out an audit of the direct public debt, both internal and external, of the Central Government presented by the General Treasury of the Republic of Chile, as of 31 December 2017, 2019, and 2020. The objective was to verify its due registration and control, in accordance with the provisions of Title IV of Decree Law No. 1,263, of 1975, analysing if there is any financial obligation not included or erroneously incorporated in the accounts of public debt. In addition, its purpose was to check the consistency with the information contained in the *Public Debt Statistics Report* issued by the Ministry of Finance.

The scope of the audit included all entities of the public sector allowed to engage debt and included in the national budget.

The examination was carried out in accordance with the provisions of resolutions No. 20, of 2015. These provisions establish the Rules that Regulate the Audits Conducted by the Office of the Comptroller General of the Republic. The audit also complied with the control procedures approved through the exempt resolution No. 1,485, of 1996. on this regard, it was also taken into consideration the assessment of internal control in order to determine the necessary audit tests.

The information considered corresponds to reports of the years under analysis, contrasted with the Financial Statements reported by the Public Treasury and other entities in the same periods (i.e., the Public Debt Statistics Report, Quarterly Debt Report of Gross Debt of the Central Government, Indicator Reports of the Cyclically Adjusted Balance, and Evaluation of the Financial Management of the Central Government issued by the Budget Directorate).

Also, the audit included the *Historical Series of Debt* from Ministry of Finance, the *Financial Management Report of the State* from Office of the Comptroller General of the Republic, as well as information required from public services such as internal and external debt stock reports of the General Treasury of the Republic and the monthly Balances of Accounts.

Although the audit determined various shortcomings in control and in the correspondence of the recorded accounts, it is not possible to provide additional detail at this time because the final report has yet to be issued or published.

- COVID-19 infographic, several issues. https://www.contraloria.cl/web/cgr/estudios-destacados

Sources: Sources (all in Spanish):
• https://www.hacienda.cl/areas-de-trabajo/finanzas-internacionales/oficina-de-la-deuda-publica/estadisticas/evolucion-de-la-deuda
• Informe de Estadísticas de la Deuda Pública al 31 de Diciembre de 2021 https://www.hacienda.cl/areas-de-trabajo/finanzas-internacionales/oficina-de-la-deuda-publica/estadisticas
• Deuda del Gobierno Central - Informe a Diciembre de 2021 https://www.dipres.gob.cl/598/w3-propertyvalue-15500.html#recuadros_articulo_4779_group_pvid_25771
• Estado de Operaciones del Gobierno Central 1990 – 2021 https://www.dipres.gob.cl/598/w3-propertyvalue-15494.html

Endnotes:
[a]Public debt is measured at par value, not adjusted for inflation. Millions of USD as of expressed in sources.
[b]The World Health Organization declared the novel coronavirus (COVID-19) a global pandemic on March 11, 2020.
[c]Source: the statement of operations of Central Government based on budget information.

[d]Weighted average yield at placement date for outstanding bonds. The yield for bonds indexed to inflation was estimated based on the inflation index of the placement year.

[e]This indicator shows the expenditure during health emergency as a proportion of the country public debt, for year 2020 and 2021. Not applicable for years 2018 and 2019.

[f]See "EFFECT OF ON PUBLIC DEBT" for visualization of maturing distribution of public debt.

[g]At the end of 2022, 98% of public debt consists in bonds and 2% consists in loans.

Office of the General Comptroller of the Republic

The Office of the General Comptroller of the Republic is in charge of overseeing the responsible use of public resources.

INTOSAI

Working Group on Public Debt

COSTA RICA

Overview

The Health crisis the country faced as a result of the COVID-19 pandemic had social, economic, and fiscal implications. To face these challenges, the Government had to implement a series of actions in order to reduce the effects of the pandemic.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021[b]
Total public debt (central government)[a]	18,577,940,947,143 CRC	21,217,056,825,014	24,282,549,984,532 CRC	27,271,988,399,789 CRC
Domestic	14,831,813,152,678 CRC	16,581,137,964,136	18,521,054,219,446 CRC	20,493,129,264,719 CRC
External:	3,746,127,794,466 CRC	4,635,918,860,877	5,761,495,765,086 CRC	6,778,859,135,070 CRC
Public debt as a share of gross domestic product (GDP)	51.6%	56.1%	66.8%	68.2%
Central government annual budget surplus/ (deficit) as a share of GDP	(2.3)%	(2.7)%	(3.2)%	(0.3)%
Average interest rate on debt outstanding[c]	10.2%	8.3%	8.3%	9.2%
Annual interest payments as a share of central government revenue	24.8%	28.3%	35.2%	30.1%
Public debt maturing in the next 12 months[d]	13%	7.7%	9.9%	8.9%
Average maturity of debt outstanding[e]	7.6 years	8.0 years	8.0 years	7.1 years

Source: Ministry of Finance for information about public debt, revenues and expenses, and Central Bank about Costa Rica for information of GDP.[f]

Table endnotes are listed at the end of this document.

- The country experienced a strong economic contraction due to the social, economic, and fiscal crisis caused by the COVID-19 pandemic (a 4-percent drop in real and nominal GDP in 2020 in both cases). The increase in spending by the government to deal with the pandemic accompanied by a sharp drop in government income increased the primary deficit. Also, the sanitary containment actions, restrictions on international travel, and a stoppage of the flow of tourism affected the rate of open unemployment and underemployment—reaching 24 percent and 20.5 percent in the second quarter of 2020, respectively.
- In response to the health crisis, the country allocated an extraordinary budget for health care. This was reflected in an expense of 0.5 percent of GDP in 2020 for spending related with COVID-19.
- In order to face these expenses, the government was financed with external credit resources, mainly 259,367 million CRC from the International Monetary Fund (IMF). This credit was subscribed through the IMF´s Rapid Financing Instrument, as well as surpluses of public institutions.
- In the health area, spending increased in the Social Security Institution (CCSS) to purchase materials, medical supplies, and vaccines.
- In the area of social protection, the "Bono Proteger" program was created. This program was designed to provide financial support to people whose income was affected by the pandemic. According to the Ministry of Labor (MTSS), during 2020, 256,343 million CRC were allocated.
- In tax issues, the government granted a tax moratorium on taxpayers' main government tax payments for 3 months in order to alleviate the burden on companies that were being affected by the pandemic.
- In 2020, the country was affected by a reduction in its risk rating. This placed Costa Rica at a highly speculative level, accentuating the country's vulnerable situation in the face of foreign investment and debt placement.

- Budget support loans by international institutions with concessional characteristics; especially lower interest rates compared to those that can be found in the local market.
- Medium-Term Debt Strategy and Debt Plan.
- IMF Extended Arrangement under the Extended Fund Facility, which includes commitments about debt.

- Higher exposure to foreign exchange and interest rate risk that affects fiscal sustainability. This is accentuated by the current unstable conditions of exchange rate and rise in interest rates that the country and the rest of the globe are facing.
- The government's fiscal imbalance. This situation has repeatedly generated primary deficits for more than a decade. Costa Rica is working to resolve this through the agreement with IMF. The agreement includes commitments to support Costa Rica's fiscal sustainability.
- Challenge of having robust and transversal frameworks for the operation of best practices in the entire public sector and an appropriate liquidity and financial management.
- Fulfillment of fiscal discipline instruments, such as the fiscal rule, which implies containment of spending by the institutions under its scope.

- An increase of around 11 percentage points in the debt-to-GDP ratio from 2019 to 2020 (from 56.1 percent in 2019 to 66.8 percent in 2020).
- The effective real interest rate reached 7.8 percent in 2020, in contrast to a 2018-2019 average of 5.4 percent for this same indicator.
- External credits and short-term debt led to greater vulnerability in the composition of the portfolio.

- Opinion and Suggestion Report: *Costo inicial y lecciones del COVID-19: hacia una nueva Hacienda Pública,* published in 2021, analyzes the impact of the health crisis and the main challenges.
- Opinion and Suggestion Report: *Urgente Retorno a la Sostenibilidad: desafíos del endeudamiento en contextos de vulnerabilidad fiscal,* published in 2021, analyses the challenges of public debt management.

- Website: Transparencia de la gestión pública ante la emergencia COVID-19, analyzes possible budgetary and financial impacts, as well as future transformations needed.
- Auditoría de carácter especial sobre la adaptabilidad, accesibilidad y seguimiento del servicio de educación primaria ante la emergencia sanitaria.
- Auditoría de carácter especial sobre las acciones desarrolladas para procurar la disponibilidad de la vacuna contra el COVID-19.
- Auditoría de carácter especial en la Caja Costarricense de Seguro Social sobre la gestión de riesgos financieros y su actualización ante la pandemia del COVID-19.
- Auditoría de carácter especial acerca de la prevención en procesos de contratación de recurso humano para la atención de la emergencia por el COVID-19 por parte de la CNE.
- Auditoría de carácter especial sobre las contrataciones realizadas por la CCSS ante la emergencia sanitaria del COVID-19.
- Auditoría de carácter especial sobre la información de contagios y órdenes sanitarias por COVID-19.
- Auditoría de carácter especial sobre el diseño e implementación de la Estrategia Regresar del Ministerio de Educación Pública.
- Conjunto de Auditorías relacionadas con el Bono Proteger del MTSS-IMAS.
- Auditoría de carácter especial acerca de la prevención de riesgos asociados a los procesos de la CNE para la atención de la emergencia ocasionada por el COVID-19.
- Auditoría de carácter especial sobre las acciones y controles realizados por los actores involucrados en la distribución de víveres en 15 cantones.
- Auditoría de carácter especial en el Ministerio de Hacienda sobre el Control Tributario para la recaudación ante la emergencia nacional.
- Auditoría de carácter especial sobre las compras del Instituto Nacional de Seguros e INS Red de Servicios de Salud, S.A. ante la emergencia sanitaria.
- Auditoría de carácter especial sobre el Informe relacionado con la ejecución de recursos financiados con el préstamo de la CAF y el BID-AFD.

[a]Not adjusted for inflation. Total public debt was calculated using par value method. Types of liabilities that are included are mainly sovereign bonds and external credits (loans). Does not include pension guarantees. On 31 December 2021, the composition of public debt is as follows: 1.by type of debt instrument: 70 percent fixed rate debt, 25 percent variable rate debt and 5 percent inflation-linked debt; 2.by type of currency: 60 percent in national currency (CRC), 37 percent in US dollars and 3 percent in other currencies; 3.by type of maturity: 52 percent in maturity of more than five years, 39 percent in maturity between of more than one year and less than 5 years and 9 percent in maturity of less than one years.

[b]Starting from 2021, the indicators incorporate deconcentrated public agencies (Organos Desconcentrados) as a result of Law No. 9524.

[c]It is calculated in US dollars, for which the rates of sovereign bonds and loans denominated other than in US dollars are dollarized using the interannual devaluation. Estimated by the Ministry of Finance.

[d]Corresponds to debt whose maturity is at most one year.

[e]It is a weighted average calculation. This indicator represents the average time in which a sovereign bond or loan matures (expires), with respect to the total debt, considering a certain cut-off date. The first step in calculating is to obtain what the sovereign bond or loan has yet to mature, which is obtained from the difference between the cut-off date minus the maturity date. Then, the face value or gross traded value of the zero coupon bonds is multiplied by the days that remain to mature (expire) and is divided by total debt.

[f]The gross domestic product (GDP) values considered for the respective calculations are the following: 2018 36,014,718,708,004 CRC, 2019 37,832,149,784,088 CRC, 2020 36,356,271,448,320 CRC and 2021 39,993,109,653,008 CRC.

Contraloría General de la República de Costa Rica

The General Comptroller's Office is a fundamental constitutional body of the State, arm of the Legislative Assembly in the control of the use of public funds. It has complete functional and administrative independence.

INTOSAI

Working Group on Public Debt

COTE D'IVOIRE

Overview

The COVID-19 pandemic is leading to an increase in public spending in the face of a decline in government resources caused by the slowdown of economic activity. The expected rebound of activity in 2022 should mitigate the effects of this health crisis. Ivorian debt statistics show an upward trend (debt ratio rising from 36 percent in 2018 to 51.7 percent in 2021).

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	20,907.6 million XOF	11,607.8 million XOF	22,701.0 million XOF	13,300.2 million XOF
Domestic	7,194.6 million XOF	3,994.4 million XOF	7,565.9 million XOF	4,432.7 million XOF
External:	13,713.0 million XOF	7,613.4 million XOF	15,135.2 million XOF	8,867.5 million XOF
Public debt as a share of gross domestic product (GDP)	36%	38.8%	47.6%	51.7%
Central government annual budget surplus/ (deficit) as a share of GDP	(4.0)%	(3.0)%	(5.6)%	(5.6)%
Average interest rate on debt outstanding	4.2%	4.3%	3.8%	4.1%
Annual interest payments as a share of central government revenue	9.6%	10.7%	13%	13.3%
Public debt maturing in the next 12 months	*	3.1%	7.7%	*
Average maturity of debt outstanding	8.2	8.3	7.6	7.5

Source: Debt Statistical Bulletins (MEF/DGTCP).[b]

Table endnotes are listed at the end of this document.

The crisis has led to a decline in GDP growth. In the period before the pandemic, the annual growth rate from 2018 to 2019 dropped from 6.44 percent to 1.8 percent in 2020.

The government has initiated programs to support the economy and humanitarian relief, a health response plan, and a program to support the agricultural sector for a total cost of 1.7 billion XOF (West African CFA francs) (5 percent of GDP).

These resources were mobilized through the Debt Service Suspension Initiative (DSSI) set up by the World Bank and the International Monetary Fund. Admitted countries benefit from a temporary suspension of service payments for debt contracted from bilateral public creditors. The suspension period ran from 1 May 2020, to 31 December 2020, and extended until June 2021.

Potential savings from DSSI for the period from May 2020 to December 2020 are 150.3 million USD, approximately 91.7 billion XOF (West African CFA francs). [1]

Debt growth of 26 percent in 2020 and 21 percent in 2021, compared to an average growth of 15 percent in 2018.

According to World Bank estimates, public spending will peak at 19.8 percent of GDP in 2020 due to social and economic support measures. [2] This, in turn, will widen the deficit to 5.3 percent of GDP. The increase in the public deficit due to the crisis has had a mechanical effect of increasing the public debt.

We have not noted any changes in debt instruments, interest rates, or in the terms and conditions of debt.

Significant debt repayments are expected starting from 2023. They will increase to a peak of 700 billion XOF (West African CFA francs) in 2025. This situation is likely to increase the risk of debt refinancing on financial markets in a context of economic uncertainty fueled by the health crisis.

Occurrence of new risks: interest rate risk due to an increasing proportion of variable-rate debt. Exchange rate risk due to growing debt denominated in currencies with variable exchange rates. These risks are increased by the war in Ukraine. This war exacerbates the uncertainties on international financial markets.

The objectives of the audit were to analyze the evolution of the external public debt since reaching the Heavily Indebted Poor Countries Initiative completion point in 2012, examine the debt policy, and assess sustainability of the debt. The scope of the audit is the external debt, analyzed from statistics produced by the public debt manager and statistics of technical and financial partners over the period from 2012 to 2020. The results of the study present a rapidly growing debt, [but] which remains sustainable. However, the debt is vulnerable to economic and social shocks. Although most indicators conform to community norms, some are deteriorating toward a critical trend. The ratio of external public debt service for exports reached 15.2 percent in 2020. This exceeded the threshold set at 10 percent.

The main recommendations are:

- the use of debt denominated in euros—a currency with fixed parity to the West African CFA franc,
- the strengthening of the collection of domestic resources, better control of tax exemptions that tend to grow,
- the implementation of a strategy allowing to obtain a better debt rating in order to reduce the risk component of the interest rate, and
- the controlling of public expenditures, notably those connected to civil servants and equivalent salaries.

- Report on Côte d'Ivoire's external debt
- Report on the management of COVID-19 funds

[a]Not adjusted for inflation.

[b]https://finances.gouv.ci//index.php/fr/component/content/article/54-pages-generales/120-direction-de-la-dette-publique.html and https://www.tresor.gouv.ci/tres/bulletin-statistique-de-la-dette-publique-au-31-decembre-2021/.

SAI Cote d'Ivoire

No description provided.

[1]https://www.banquemondiale.org/fr/topic/debt/brief/covid-19-debt-service-suspension-initiative#:~:text=La%20p%C3%A9riode%20de%20suspension%2C%20dont,prolong%C3%A9e%20jusqu'%C3%A0%20juin%202021.

[2]https://openknowledge.worldbank.org/bitstream/handle/10986/34559/Taking-Stock-and-Looking-Ahead-Cote-d-Ivoire-and-the-COVID-19-Pandemic-FR.pdf?sequence=11&isAllowed=y.

INTOSAI

Working Group on Public Debt

CYPRUS

Overview

Fiscal policy has adapted to the new needs and realities of the pandemic crisis. In 2020 and 2021, the State supported the economy and workers with emergency budgetary measures of about 3.5 percent of GDP per year. As a result, the deficit for 2020 rose to 5.7 percent of GDP, then fell to 1.7 percent of GDP for 2021.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	21,058.5 million EUR	20,754.9 million EUR	24,631.4 million EUR	24,018.5 million EUR
Domestic	4,812.5 million EUR	3,982.3 million EUR	4,314.4 million EUR	2,338.3 million EUR
External:	16,246 million EUR	16,772.6 million EUR	20,317 million EUR	21,680.2 million EUR
Public debt as a share of gross domestic product (GDP)	97.44%	90.2%	113.94%	102.85%
Central government annual budget surplus/ (deficit) as a share of GDP	13.55%	(1.56)%	9.64%	(6.63)%
Average interest rate on debt outstanding	2.3%	2.2%	1.8%	1.7%
Annual interest payments as a share of central government revenue	6.01%,	5.6%	5.41%	4.3%
Public debt maturing in the next 12 months	10.8%	8.3%	9.7%	9.3%
Weighted Average maturity of debt outstanding[c]	70.8 months	88.8 months	94.8 months	91.2 months

Sources: Public Debt Management Office Annual Reports for the years 2018 – 2021; Government Financial Reports for the years 2018-2021; Central Bank of Cyprus publication of “Annual Financial Indicators”; and data provided by the Statistical Service – Ministry of Finance.

Table endnotes are listed at the end of this document.

After a period of strong economic growth during 2015- 2019, economic activity recorded a significant shrinkage in 2020 of about 5.2 percent due to the COVID-19 pandemic, which caused economic downturn.

- As a result of the recession and fiscal policy measures taken by the government in order to mitigate the impact on the economy, the fiscal position of the General Government showed an estimated deficit of 5.6 percent of GDP in 2020 compared to a 2.5 percent, surplus in 2019. However, in 2021, GDP increased to around 8.4 percent, as compared to 2020.

  The unemployment rate decreased during the pandemic (2018: 8.4 percent, 2021: 6.4 percent) due to the measures taken by the government to tackle unemployment (i.e., wage subsidies). This totaled 42.3 million EUR in 2020.

  The tourism sector showed a significant decrease by 84.1 percent due to the pandemic in 2020, as compared to 2019.

- Public spending increased by 14.1 percent in 2020, mostly because of the various measures taken by the government to support:
  - the health system
  - vulnerable groups of the population
  - the income from employment and retention of jobs
  - businesses and the self-employed affected by this crisis.

  The government increased its liquidity stimulating consumption. This helped support specific sectors that had been particularly affected.

- The measures taken by the government led to an increase in foreign public debt in 2020 of around 16 percent, compared to 2019. However, in 2021, public debt as a percentage of the GDP recorded a significant decrease due to real GDP growth of 5.5 percent and the utilization of a significant amount of cash reserves for debt repayment.
- As a consequence of both the negative impact on the rate of GDP in 2020—as well as the cost of the measures adopted by the government aimed at protecting its citizens, business, and employment from the effects of the COVID-19 pandemic—a deficit in General Government accounts occurred in 2020 after 5 consecutive years of budget surpluses. More specifically, the fiscal balance of the General Government showed a deficit of 5.7 percent of GDP compared to a surplus 1.5 percent of GDP in 2019. It is noted that the effect of the package of measures on fiscal balance in 2020 is estimated at -3.6 percent of GDP.

The international market remained as the main source of funding of the Republic of Cyprus. In 2020, the European Commission set up the "Next Generation EU" fund to help repair the immediate economic and social damage caused by the COVID-19 pandemic. “Next Generation EU” aims to mitigate the economic and social impact of the COVID-19 pandemic and make European economies and societies more sustainable, resilient, and better prepared for the challenges and opportunities of the green and digital transitions. The *Recovery and Resilience Facility* is the key instrument at the heart of Next Generation EU. The Recovery and Resilience Plan (SAP) of the Republic of Cyprus amounted to 1.206 million EUR. SAP will be financed through grants amounting to 1.006 million EUR and additional financing of approximately 200 million EUR in the form of loans for the period 2021-2026. An amount of approximately 26 million EUR (out of the 200 million EUR) was withdrawn in 2021.

- Cyprus’ positive sovereign credit ratings allows it to access credit markets at relatively low rates efficiently.
- The government has guaranteed loans to companies, public entities, citizens, and other factions. It has a balance of 1.721,4 million EUR as of 31 December, 2021.

- Our office conducted a compliance and performance audit on the activities of the Public Debt Management Office (PDMO) during May-December 2021. Compliance was audited in relation to the Public Debt Management Laws of 2012 to 2016 (N.195(I)/2012) (henceforth “the Law”). The performance audit aimed at assessing the effectiveness of public debt management in meeting the financial needs of the Republic in a timely manner and in the most economical, efficient, and effective way. It also looked to do this at the lowest possible borrowing costs, given the prevailing circumstances, within an acceptable level of risk. This, in turn, will ensure, as much as possible, the sustainability of public debt and the achievement of its medium-term strategy’s objectives.
- Methodology was based on International Standards on Auditing issued by the International Federation of Accountants and the International Standards of Supreme Audit Institutions issued by INTOSAI.
- The audit was based on data and information submitted by PDMO; PDMO documents, reports, and correspondence; meetings with PDMO staff, and the results that emerged through the responses our Office received by the Supreme Audit Institutions of European Union Member States to a questionnaire our Office prepared.

The audit was also based on the analysis of data with modern tools (mathematical models) of risk assessment and public debt sustainability.

For the purposes of our audit, we used the following as principles, manuals, and rules:

a. Public Debt Management Law (Law 195(I)/2012).

b. Medium-Term Debt Management Strategy 2021-2023.

c. Annual Financing Program for the years 2020 and 2021.

d. Internal Manual of Procedures – PDMO.

e. GUID520 «Guidance on the Audit of Public Debt» - INTOSAI.

f. Revised Guidelines for Public Debt Management – IMF.

g. Debt Management Performance Assessment Methodology – World Bank.

h. «Audit of Public Debt Management» - INTOSAI.

i. Zenios, S.A., A. Consiglio, M. Athanasopoulou, E. Moshammer, A. Gavilan and A. Erce (2021), "Risk management for sustainable sovereign debt financing," Federal Reserve Bank of Dallas working paper 367 and Operations Research 69(3): 755-773.

j. International best practices on public debt management.

k. Responses received by the Supreme Audit Institutions of the European Union on the questionnaire sent.

- The most important findings of the audit are summarized below:

1. Our Office acknowledges that public borrowing is mainly a political decision, and therefore it is reasonable that the relevant legislation vests these powers to the executive rather than to the administrative function of the state. On the other hand, public debt management relies heavily on technocratic analysis.

   We suggested that, given the significance of sovereign debt management in public finances, two distinct safeguards should be in place. (a) The minister's political decisions should become more transparent and be subjected to scrutiny, with greater involvement (either in the form of reporting or by obtaining approval, depending on the matter in hand) of the Council of Ministers and, in some cases, the House of Representatives. Such safeguards should be especially adopted in cases where the minister's decisions are not in line with PDO suggestions. (b) To safeguard PDMO's independence—and especially of its head— to minimize the risk that the suggestions provided by PDMO to the minister are influenced by political pressures.

2. The amendment of the Law (N.195(I)/2012) brought about inconsistencies with the Fiscal Responsibility and Budget Systems Law (N. 20 (I) / 2014) in relation to the assessment of the risks stemming from the guarantees provided by the state to third parties.

   We suggested the amendment of N. 20 (I) / 2014 to eliminate contradictory provisions with the Law.

3. Due to the small number of staff employed in PDMO, segregation of duties is not strictly applied. In addition, PDMO lacks appropriate quality control procedures ("four eyes principle").

   We suggested that a study on the staffing of PDMO is carried out and the creation of procedures that ensure the segregation of duties and the quality of the work.

4. The information provided by PDMO to the Council of Ministers, in the context of the approval of the Medium-Term Public Debt Management Strategy (MTDS), has to be enriched—especially in relation to the risks involved when deciding between short-, medium-, and long-term borrowing.

   We suggested that the MTDS submitted to the Council of Ministers and the House of Representatives should be accompanied by a summary report prepared by the Cyprus Fiscal Council. The report would include a description of the possible risks of the suggested borrowing.

5. Although the current pubic debt includes floating-rate borrowing, which results in interest rate risks arising from interest rate fluctuations, PDMO does not use financial instruments (e.g., derivatives) to minimize this risk and/or foreign exchange risk in case of new borrowing in foreign currency.

   We suggested the establishment of procedures for evaluating appropriate financial instruments so that PDMO will be prepared to utilize the benefits of these tools when needed.

   The following conclusions emerged from the analysis we conducted in examining the sustainability of the public debt of Cyprus and the current practices followed by PDMO:

1. While the current ultra-low interest rates in the eurozone can support the Cyprus debt, its high levels are a reason for concern since debt dynamics can be derailed from potential shocks. Cyprus debt can be considered sustainable with high confidence.

   We suggested that PDMO promote actions for the gradual reduction of public debt to prevent the derailment of its debt dynamics from possible shocks.

2. We document a potential hot spot around 2028 when significant amounts of debt must be refinanced. PDMO needs to address this challenge. This highlights the need for MTDS to keep its forward-looking focus, and for PDMO to strengthen its capabilities to identify hot spots and optimize financing strategies.

   We suggested that PDMO ensures that its debt-financing strategy will spread the financing needs around the point of increased risk without deviating significantly from the current risk/cost strategy that is in line with international best practices.

3. It seems that, in the recent past, the PDMO has been following a debt-management strategy that is intermediate between low cost and low risk. This aligns with international best practices and should be applauded. However, historically, there have been significant deviations of the debt-financing strategy pursued by the Republic during the 10-year period of our audit. Following PDMO's operation in 2013, the situation has stabilized significantly. Such variability must be approved at the highest level of government, as it implies risk tolerance. The risk tolerance of the sovereign requires technocratic expertise, but ultimately must be legitimatized politically. Changes in the debt financing strategy should be communicated early and clearly to potential investors. While Treasuries in general enjoy flexibility in pursuing a financing strategy, they tend to precommit to annual issuance plans and avoid surprising the markets.

   PDMO should ensure that significant changes in the public debt financing strategy and consequently in the risk tolerance of the state are avoided. However, if this is necessary, then a mechanism of communicating such changes to the House of Representatives should be established.

4. The debt financing strategies followed during 2011-2012 and 2018 do not appear to be consistent with the goal of securing debt financing at the lowest possible costs within acceptable risk levels. The former deviations predate PDMO's establishment. The latter relates to the government bond issued to a private bank in the context of the acquisition of a state-owned bank.

5. Fixing a weighted average maturity to an acceptable value is insufficient to control risks. There are several alternative ways to issue debt. Some of them can deviate from the efficient frontier. This has been observed with the 2021 issuance that deviates somewhat from the efficient frontier. This highlights the importance of selecting the debt-financing portfolio instead of just its weighted average maturity at issuance.

   We suggested that PDMO further advance its risk-management capabilities to design efficient debt financing strategies, taking into account the uncertainty surrounding all aspects of public debt and the future challenges, which relate to periods extending beyond the period covered by MTDS.

6. The debt issuance portfolio of 2021 reveals a slight shift towards lower cost but higher risks, which is not aligned with the overall reduction of interest rates prevailing due to the recent ECB policies.

   PDMO should ensure that immediate, appropriate actions, based on the prevailing circumstances, are taken to reduce the cost of the public debt portfolio.

7. The Republic has accumulated significant cash reserves during the last 2 years. This represents about 150 percent of the needs to finance short-term debt, mostly due to the uncertainty caused by the COVID-19 pandemic. Using part of these reserves to pay debt—which is what PDMO is currently doing—can significantly improve the cost and risk of debt.

   Although PDMO has strictly abided by the relevant procedure for determining cash reserves levels, and has carefully substantiated its reasoning, we suggested that due consideration be given to the implications of such decisions in the future—they are ineffective at securing the lowest cost within an acceptable level of risk.

8. Cyprus sovereign debt is sustainable under a wide range of reasonable assumptions on public finance, economic growth, and interest rates. However, the high level of debt is a reason for concern. In addition, stress tests reveal that public debt dynamics can be derailed from potential external shocks. A combination of such events could be caused by external shocks. PDMO needs to be aware of these risks. Stress tests confirm that high levels of debt lead to a fragile situation.

   PDMO must ensure that possible external shocks are closely monitored. It must also be prepared for immediate corrective actions, which also promote the reduction of the public debt levels.

9. Climate stress tests confirm that high public debt levels create a situation that becomes more fragile due to the effects of climate change on the economy.

We suggested that PDMO, in collaboration with the Cyprus Fiscal Council, integrate climate risk analysis into public finances.

Report "Audit of Cyprus Pubic Debt Management," (http://www.audit.gov.cy/audit/audit.nsf/FF0BFF673DFB0C56C225880F00448D51/$file/Audit%20of%20Cyprus%20Public%20Debt%20Management%202022.pdf)

Auditing Public Debt using a Risk Management Model

(https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4126959)

[a]Total public debt is defined as the total consolidated gross debt at face value in the following categories of government liabilities (as defined in ESA 2010): currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4). Not adjusted for inflation.

Audit Office of the Republic of Cyprus

The Audit Office is a constitutional office with the responsibility for an objective and reliable assessment of public financial management and for the consolidation of public confidence towards the State.

ECUADOR

Overview

- The economic crisis caused by the COVID-19 pandemic in 2020 for Ecuador had an impact on the elimination of jobs, reduction of income, decrease in GDP and percentage increase in poverty at the national level.
- In the context of the health crisis, Ecuador has carried out the reprofiling of its Public Debt and has resorted to credit lines with multilaterals.
- The Office of the Comptroller General of Ecuador has not planned the execution of control actions related to the effect of health crises on public debt or fiscal sustainability; however, it has conducted special examinations at the Ministry of Economy and Finance concerning public debt.

Key fiscal indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	38,726.99 USD	42,480.59 USD	46,698.7 USD	N/A
Domestic:	1,016.4 USD	1,004.38 USD	1,329.79 USD	N/A
External:	37,710.59 USD	41,476.22 USD	45,368.91 USD	N/A
Public debt as a percentage of gross domestic product (GDP)	36%	39.29%	47.26%	59%
Central government annual budget surplus/ (deficit) as a share of GDP	*	*	*	*
Average interest rate on debt outstanding	*	*	*	*
Annual interest payments as a share of central government revenue	*	*	*	*
Public debt maturing in the next 12 months	*	*	*	*
Average maturity of debt outstanding	*	*	*	*

Source: Internal and External Public Debt Bulletins of 2018, 2019, 2020 and 2021 published by the Ministry of Economy and Finance.

The notes at the end of the table are listed at the end of this document.

Effects of the health crisis:

- The economic crisis caused by the COVID-19 pandemic in Ecuador eliminated 532,359 jobs and reduced revenues by 16,382 million dollars between March and December 2020. Total losses accounted for 16.6 percent of GDP in 2020.
- In 2020, an overall deficit of $5,937.1 million was recorded. This deficit occurred mainly due to the significant reduction in oil and fiscal revenues associated with the pandemic. Another contributing factor was isolation measures that affected the crude oil market (prices and production volume) and the country's economic activity.
- GDP declined by 7.8 percent in 2020, the biggest drop during the health crisis period.
- Poverty nationwide increased from 25 percent in December 2019 to 32.4 percent and 27.7 percent in the months of December 2020 and 2021, respectively.

The factors that affected public debt are:

- Unlike 2019, where the highest concentration of public debt was in banks and bonds (44.6 percent), in 2020 the majority participation in the stock of public debt is composed of multilateral organizations (42 percent), followed by the issuance of sovereign bonds with 39.5 percent.
- As of December 2021, international organizations constitute the country's main external creditor with 45 percent of the total external debt. Bonds issued on international markets account for 39 per cent of the debt issued. The International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) are the main multilateral creditors of external debt (34 per cent and 32 per cent). CAF has a 20 percent stake.

The measures adopted by the Ecuadorian government are as follows:

- Contracting of credit lines with multilaterals, including those granted by the International Monetary Fund (IMF), as a Rapid Financing Instrument (**RFI**) for USD 643 million and Extended Fund Facility (**EFF)** for 6,500 million dollars, approved on 2 May and 30 September 2020, respectively.
- Reprofiling of the country's Public Debt, which contemplated an exchange of global bonds for 7,000 million dollars for three new bonds. This reduced the capital by $1.54 billion.

Establishment of humanitarian support measures to face and mitigate the consequences and adverse effects of the health crisis through the issuance of the ORGANIC LAW OF HUMANITARIAN SUPPORT TO COMBAT THE HEALTH CRISIS DERIVED FROM COVID-19. This law focused on promoting the economic and productive reactivation of Ecuador, with emphasis on people; the containment and reactivation of family, business, popular and solidarity economies; and the maintenance of conditions of employment.

The Ministry of Economy and Finance is the governing body of public finances, responsible for providing fiscal policy guidelines for the execution of expenditures and the management of financing, including indebtedness. The Office of the Comptroller General of the Republic of Ecuador has not independently identified the challenges or risks facing the ministry for Ecuador's fiscal sustainability.

The Office of the Comptroller General of Ecuador has not planned the execution of control actions related to the effect of health crises on public debt or fiscal sustainability, because, for such analysis, it is necessary to have a specialist technician to evaluate financial conditions, such as interest rates in national and international markets. analyze macroeconomic indices, such as country risk, to determine whether the operations carried out by the Ministry of Economy were the best alternative for the country.

The Office of the Comptroller General of Ecuador, through the National Directorate of Public Debt and Finance, has carried out the following control actions:

- Special Review of the Extended Financing Facility processes with the International Monetary Fund of 11 March 2019, for Special Drawing Rights (SDR) of $3.035 billion and 30 September 2020, for SDR4. 615 million; contracting of financial advisory services and investment banking for the restructuring of public debt in global bonds; Request for consent from Ecuadorian global bondholders and Petroamazonas EP bondholders; and Restructuring of public debt in Global Bonds of Ecuador in the MINISTRY OF ECONOMY AND FINANCE and related entities for the period between 1 January 2019 and 31 October 2020.

  https://www.contraloria.gob.ec/WFDescarga.aspx?id=66104&tipo=inf

  - Special Review of the processes of preparation, approval, contracting, execution, use of resources, registration, payment and settlement of the following public and financial debt operations: Line V with the CBD of the China Development Bank for USD675 million subscribed on 12 December 2018; Credit Agreement with the Latin American Reserve Fund FLAR signed on 30 June 2018, for USD 368.8 million; Repo operation with Goldman Sachs for USD500 million subscribed on 28 August

2018; $500 million repo transaction with Credit Suisse completed on 29 October 2018; Loan Agreement with Credit Suisse G New York Branch for 100 million Swiss francs entered into on 26 September 2018; $500 million loan agreement with Goldman Sachs International signed on 11 October 2017; and, of the financial operation carried out between the Central Bank of Ecuador, Goldman Sachs International and The Bank of New York Mellon, London Branch, on 11 October 2017, in which it signed the instruments called Gold Confirmation, Bond Confirmation and Security Agreement, in the Ministry of Finance currently MINISTRY OF ECONOMY AND FINANCE, CENTRAL BANK OF ECUADOR and related entities, for the period from 1 January 2014 to 30 September 2020.

https://www.contraloria.gob.ec/WFDescarga.aspx?id=66029&tipo=inf

- Special examination of the registration and payment of 2020 sovereign bonds in the Ministry of Economy and Finance and related entities for the period from 1 March 2015 to 13 April 2020.

https://www.contraloria.gob.ec/WFDescarga.aspx?id=63251&tipo=inf

[a]Based on total consolidated government debt. Not adjusted for inflation.

Office of the Comptroller General of Ecuador
Article 211 of the Constitution of the Republic of Ecuador defines the institution as a technical body responsible for controlling the use of State resources and legal persons under private law that have public resources at their disposal.

EGYPT

Overview

The GDP and unemployment rate were affected by the pandemic during 2019/2020 compared to the previous year. The government supported some sectors affected by the pandemic.

Key Fiscal Indicators

	As of 30 June 2018	As of 30 June 2019	As of 30 June 2020	As of 30 June 2021
Total public debt (central government)[a]	3,974.972 billion EGP	4,435.641 billion EGP	4,751.120 billion EGP	5,547.454 billion EGP
Domestic	3,130.468 billion EGP	3,490.045 billion EGP	3,646.596 billion EGP	4,279.817 billion EGP
External:	844.504 billion EGP	945.596 billion EGP	1,104.524 billion EGP	1,267.637 billion EGP
Public debt as a share of gross domestic product (GDP)	89.6%	83.3%	81.1%	87.1%
Central government annual budget surplus/ (deficit) as a share of GDP	9.7%	8.1%	7.9%	7.4%
Average interest rate on debt outstanding				
Domestic	18.5%	18.7%	14.8%	13.3%
External:	6.1%	6.7%	6.9%	5.8%
Public debt maturing in the next 12 months	*	*	*	*
Average maturity of debt outstanding	*	*	*	*
US Dollar Bonds[b]	*	*	*	*
Government Bonds[c]	*	*	*	*
Treasury Bills in Egyptian Pounds[c]	*	*	*	*

Source: Internal Public Debt from the Finance Ministry; External Public Debt is from the Central Bank of Egypt.

Table endnotes are listed at the end of this document.

- GDP increased for the fiscal year 2018/2019 by 5.1 % compared to the previous year, while GDP increased for the fiscal year 2019 / 2020 by 3.6% compared to the previous year. The unemployment rate increased from 7.5% in the last quarter April – June 2018/2019 to 9.6% in the last quarter April – June 2019/2020. The net direct foreign investments decreased from $1.712 million for the last quarter April – June 2018/ 2019 to $1.524 million in the last quarter April – June 2019/2020.
- Government decided to pay a monthly grant for casual employees in business sectors affected and increased allocations for social security programs. Government also supported both the aviation and tourism sectors, and increased spending on public health.

- Public debt increased from 4751.120 Billion L.E. on 30 June 2020 to 5547.454 Billion L.E. on 30/6/ 2021.
- Average interest rates on domestic debt decreased from 14.8% on 30 June 2020 to 13.3% on 30 June 2021, while average interest rates on foreign debt decreased from 6.9% to 5.8% for the same periods.
- Net international reserves decreased from $ 45.5 billion EGP on February 2020 to $36 billion EGP on May 2020.

The public debt management strategy includes:

- Describing the market risks that are managed (currency, interest rate, refinancing or loan renewal risk), and the historical context of a debt portfolio.
- Describe the future environment for debt management, including, fiscal and debt projections, assumptions about interest and exchange rates, and restrictions on portfolio selection, including constraints related to market development and monetary policy implementation.
- Evaluating the performance of the debt management strategy in Egypt, the evaluation process takes place for all borrowing operations within the limits set in the strategy, such as:
- Ratio of foreign currency debt to internal debt.
- The type of currencies that make up debt in local and foreign currencies.
- Average maturity period of public debt
- The maximum percentage of debt that can be payable during the one-year or biennial budget.
- The maximum ratio of short-term debt (year and less), medium-term debt (1-10 years) and long-term debt (over 10 years), as a percentage of total public debt.
- The maximum ratio of variable rate debt to fixed rate debt ratio.
- Domestic and external borrowing interest rate limits.
- The ratio of public debt to total tax revenues.

The public debt management strategy has faced many difficulties such as:

- The economic reforms that include the liberalization of the pound's exchange rate and the resulting budget deficit.
- The need to bridge the financing gap which is expected to decrease gradually on the medium term with the possibility of increasing its funding by attracting more foreign investments and reducing the external borrowing on the medium term.
- The increase in the total consumption (private and public) of the expense of the domestic savings as a percentage of the gross domestic product (GDP) due to the high population growth rates, which amounts to four times the average global population growth.

- Debt management should include the financial obligations that fall under government control. These obligations usually include the adjustable and non-market debt, i.e. (concessional financing) that can be obtained from the official bilateral and multilateral sources.
- The expansion of the scope of the debt management operations in a number of countries in the recent years. However, the public sector's debt, which falls within government's competencies related to the debt management or what is excluded from it which varies from one country to another depending on the nature of the political and institutional frameworks.
- Currently, there is a coherence between the domestic and foreign exchange borrowing. Moreover, the debt management often includes supervision on the financial assets' liquidity and the potential loans as a result of the off-balance sheet government's guarantees, including the contingent liabilities such as the state guarantees.
- developing and implementing a strategy for managing the central government's debts to achieve the cost, risk, and any other debt management objectives that require the central government to follow up and review the potential requirements that may arise from the guarantee of the debt of state-owned enterprises, and if possible, to be familiar with the general financial status of the public and private sectors' borrowers.

- An annual report on following-up and evaluating the loans and grants' agreements signed with Arab and foreign governments until June 30th, 2021,
- An annual report on following-up and evaluating the loan and grants' agreements signed with the international and regional Finance organizations until June 30th, 2021.
- The foreign debt report until June 30th, 2021.

– The domestic debt report until June 30th, 2021.

[a]The total public debt was calculated using the par value. The composition of the public debt:

- The domestic debt includes the following:
  - Government debt (treasury bonds – treasury bills - credit facilities)
  - Indebtedness of the National Investment Bank
  - Indebtedness of economic entities
- The external debt includes the following:
  - Rescheduled bilateral loans
  - Other bilateral loans
  - Bonds
  - Long term deposits.

[b]Ranges from 5-30 years.
[c]Ranging from 5-20 years.
[d]Ranging from 266 – 271 days.

Accountability State Authority

The Accountability State Authority (ASA) is the Supreme Audit Institution (SAI of Egypt) established in 1942. The ASA is an independent institution with public legal entity subordinated to the President of the Arab Republic of Egypt.Its main aim is to achieve effective control over state funds,public figures, and other persons stated in its law. It also helps Parliament (House of Representatives) in carrying out its functions in this control.

Working Group on Public Debt

ESTONIA

Overview

Historically, the government financial reserves have exceeded the Ministry of Finance's (MoF) outstanding debt obligations. The COVID-19 pandemic led to a significant increase in borrowing in 2020. MoF's debt portfolio increased by 2.5 billion EUR (9 percent of GDP).In 2021, new borrowing reduced significantly, while financial reserves fell slightly from 2.2 billion EUR (8.2 percent of GDP) to 2.1 billion EUR (6.9 percent of GDP).

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	2.417 million EUR	2.715 million EUR	5.053 million EUR	5.563 million EUR
Domestic	1.318 million EUR	1.371 million EUR	1.842 million EUR	1.987 million EUR
External:	1.099 million EUR	1.344 million EUR	3.211 million EUR	3.576 million EUR
Central government public debt as a share of gross domestic product (GDP)[b]	5.5%	5.8%	15%	15%
Central government annual budget surplus/ (deficit) as a share of GDP	(1.0)%	(0.1)%	(3.6)%	(2.4)%
Average interest rate on debt outstanding	0.01%	-0.03 %	0.05%	0.03%
Annual interest payments as a share of central government revenue	0.12%	0.11%	0.11%	0.08%
Public debt maturing in the next 12 months	10%	14%	13%	12%
Average maturity of debt outstanding	38 months	49 months	88 months	89 months

Sources:

Statistics Estonia. Government finance. https://www.stat.ee/en/find-statistics/statistics-theme/finance/government-finance. Contact details: stat@stat.ee.

Ministry of Finance. State treasury. Financial reserves and liabilities. https://www.fin.ee/en/public-finances-and-taxes/state-treasury/financial-reserves-and-liabilities. Contact details: treasury@fin.ee C. Estonian Government Borrowing and Debt in 2021; Ministry of Finance (please find attached). D. Eurostat general government gross debt annual data https://ec.europa.eu/eurostat/databrowser/view/teina225/default/table?lang=en.

Table endnotes are listed at the end of this document.

- At the end of 2019, the government financial reserves (the Liquidity Reserve and the Stabilisation Reserve Fund) were two times larger than the amount of MoF's outstanding debt obligations, which comprised of two loans from the European Investment Bank (EIB) and one outstanding Treasury bill issue.

- The initial budgeted funding need for 2020 was 414 million EUR. This was planned to be met by reducing the Liquidity Reserve and increasing T-bill issuance. However, due to the outbreak of the COVID-19 pandemic in March 2020, the government took steps to tackle the spread of the virus and develop measures to support the economy going forward. It introduced the 2020 Supplementary Budget in April 2020.

- The 2020 Supplementary Budget included measures totaling 2.8 billion EUR (10.3 percent of GDP).This was intended: (1) to cover direct expenditures for the health care system and other areas stemming from COVID-19; (2) to preserve income for citizens; (3) to support small and medium enterprises (SMEs and large businesses; and (4) to provide an economic stimulus.

- The updated funding requirement for 2020 pursuant to the 2020 Supplementary Budget was estimated to be 3.8 billion EUR. The general government deficit for 2020 was predicted to be 2.6 billion EUR (around 10 percent of GDP). However, the actual budget outturn was better than the April 2020 forecast with the general government budget deficit for 2020 being 1.3 billion EUR (5 percent of GDP).

- Historically, MoF has mainly borrowed from International Financial Institutions (IFI) (e.g., EIB) due to its limited borrowing needs. IFI loans typically have flexible and favorable terms and conditions. The MoF established its T-bill program in April 2019 for managing short-term funding gaps due to the seasonality of budgetary cash flows. However, the start of the coronavirus pandemic in March 2020 led to a large increase in borrowing.

- In June 2020, the government of Estonia returned to international capital markets for the first time since 2002. It issued Eurobonds in an amount of 1.5 billion EUR due in 2030 with the yield to maturity of 0.235 percent. In 2021, the debt portfolio increased with MoF primarily borrowing from international financial institutions (IFIs).

- In 2020, MoF's debt obligations increased by 2.5 billion EUR (9 percent of GDP) as follows: (1) Net issuance of T-bills of 325 million EUR; (2) 750 million EUR 15-year loan from the Nordic Investment Bank signed in March 2020; and (3) 1,500 million EUR Eurobond issue due June 2030 issued in June 2020 (ESTONI). In addition, MoF signed a 200 million EUR loan agreement with the Council of Europe Development Bank in May 2020.

- According to MoF's financial risk management policy for managing refinancing risk: (1) outstanding short-term debt (maturity under 1 year) cannot exceed 25 percent of the State's budgeted expenditures (total of costs and investments); and (2)_the repayments of long-term debt obligations (final maturity greater than 1 year) in a year should be spread out so that the annual repayments of debt are not more than 5 percent of the forecasted GDP each year.

- The interest rate risk of the outstanding debt is measured using the average interest rate refixing period method. Two separate limits are in place: (1) the average interest refixing period of all outstanding debt up to a total of 600 million EUR cannot exceed 0.5 years; and (2) the average interest refixing period of total outstanding debt higher than600 million EUR must exceed 3 years, with the maximum interest refixing period set periodically by the Minister of Finance based on the government's long-term risk-bearing capacity. As of end-2021, the weighted average interest refixing period of the total debt portfolio was 4.7 years (2020: 4.6 years).

- There is no currency risk related to MoF's debt obligations since all obligations are denominated in euros.

The five lessons learned from the COVID-19 crisis: https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/1341/amid/557/language/en-US/Default.aspx

[a]Not adjusted for inflation.

[b]General government debt numbers including central government, local governments and social funds according to Eurostat: 8.2% (2018); 8.5% (2019); 18.5% (2020); 17.6% (2021).

National Audit Office of Estonia

The National Audit Office is an independent institution acting in the interests of the Estonian taxpayers. Its function is to investigate and report how the government has spent the taxpayer's money.

FINLAND

Overview

The exceptional circumstances caused by the COVID-19 outbreak has affected general government finances through both general economic development and direct fiscal policy measures. NAOF has monitored the effect of COVID-19 (and other crises) closely and performed targeted audits to measures taken during the pandemic. In addition, NAOF's fiscal policy monitoring has been assessing the measures taken by the government during the pandemic. Under fiscal policy legislation, NAOF assesses and monitors compliance with national and EU fiscal rules, the contents of the General Government Fiscal Plan, and the reliability of the forecasts on which fiscal policy is based.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	104.9 billion EUR	106.4 billion EUR	124.8 billion EUR	128.7 billion EUR
Domestic:[b]	n/a	n/a	n/a	n/a
External:[b]	n/a	n/a	n/a	n/a
Public debt as a share of gross domestic product (GDP)	59.8%	59.6%	69%	65.8%
Central government annual budget surplus/ (deficit) as a share of GDP	(0.9)%	(0.9)%	(5.5)%	(2.6)%
Average interest rate on debt outstanding[c]	1.13%	0.87%	0.57%	0.41%
Annual interest payments as a share of central government revenue	3.3%	3.1%	2.6%	1.8%
Public debt maturing in the next 12 months	12.88%	19.62%	19.17%	16.96%
Average maturity of debt outstanding	6.455 years	6.325 years	6.544 years	7.399 years

Source: NAOF analysis of Statistics Finland (https://www.tilastokeskus.fi/tup/suoluk/suoluk_yritykset_en.html) and Treasury Finland provided data (https://www.treasuryfinland.fi/).

Table endnotes are listed at the end of this document.

Factors related to the recent crisis that affected public debt:

- The deficit of general government finances grew substantially in 2020 because of the weak economic conditions and the support measures taken by the government in response to the COVID-19 pandemic.

- Finland's export volumes decreased approximately by 10.4 percent in 2020. Also, domestic demand decreased as both private consumption and private investment declined. The pandemic especially affected the consumption of services. In contrast, public consumption and investment increased. The unemployment rate increased to 7.8 percent and the employment rate declined to 71.5 percent in 2020. Inflation in Finland remained subdued at 0.3 percent.

- The activities set out in the original budget plan for year 2020 were unable to provide the budget funding required by the financial crisis resulting from COVID-19. The State managed to obtain the necessary funding through supplementary budgets and by modifying the funding plan. Especially in the first stage of the crisis, government funding was channeled into preparedness and purchases. In the second stage, the focus shifted to supporting citizens, companies, and municipalities. In the third stage, the government started to stimulate the economy. Most of the cost of the support measures launched in response to the pandemic was borne by the central government.

- The effect of the prolonged COVID-19 pandemic spilled over into 2021, however much less than expected. As Finland's economy grew relatively rapidly in 2021 (3.4 percent according to the Ministry of Finance's December forecast*), the public debt ratio declined. At the end of 2021, central government debt totaled 128.7 billion EUR (51.8 percent of GDP).

- The general government deficit decreased significantly in 2021 compared to the deficit seen in the previous year. According to the forecast of the Ministry of Finance, general government deficit in 2021 was 2.8 percent in relation to GDP. This represented a modest decline from the previous year. The estimate for the central government debt in 2021 was 51.8 percent in relation to GDP while the deficit accounted for 3.3 percent. According to the ministry's forecast, inflation in 2021 increased to 2.2 percent and the current account showed a small surplus. The unemployment rate was 7.6 percent in 2021.

- General government debt increased substantially during 2020. By the end of the year, the public debt ratio was almost 10 percentage points higher when compared to the situation a year earlier. In addition, the general government debt ratio was 69 percent in relation to GDP. The central government debt in the end of 2020 was clearly smaller at 53.1 percent.

- Due to the costs caused by the COVID-19 crisis and the economic stimulus measures, the amount of central government debt increased exceptionally in 2020—19 billion EUR. Gross borrowing amounted to 39.3 billion EUR. Net borrowing had been budgeted at 2 billion EUR, while gross borrowing had been budgeted at 23.2 billion EUR.

- In 2020, the State had to build up its cash reserves to secure liquidity in the uncertain circumstances. The State's cash reserves amounted to 7.6 billion EUR at the end of the year. The cash reserves varied during the year: they were at their lowest—4.9 billion EUR—at the beginning of the year and at their highest—17.6 billion EUR—in May.

- Despite the increase in debt, interest expenses have been declining for the past 10 years. Interest expenses totaled 1.9 billion EUR in 2011 and around 0.9 billion EUR in 2020.

- The pandemic also affected Finland's debt management operations. This was especially true in the early stages of the crisis when there were widespread disruptions in the financial markets (interest rates on long-term government bonds increased momentarily; market liquidity deteriorated).

- The activities set out in the original budget plan for year 2020 were unable to provide the budget funding required by the financial crisis resulting from COVID-19. The state managed to obtain the necessary funding through supplementary budgets and by modifying the funding plan. The range of instruments included in the funding strategy was not changed, but as the amounts of funding increased in the budget and market uncertainty grew, conventional syndications and auctions were supplemented with bilateral tap issues (i.e., private placements). In March 2020, the State also prepared for crisis management by increasing its cash reserves to a considerably higher level than normal.

- The State Treasury responded quickly to the disruptions in financial markets crisis and decided not to take some of the planned debt management measures. Instead, Treasury began to carry out bilateral taps on benchmark bonds. Funding was raised through bilateral negotiations with several primary dealer banks. The State Treasury made 46 taps during spring 2020. This allowed it to take on 7.35 billion EUR of new long-term debt for the State. In the end, 34 percent of long-term funding was implemented through private placement taps.

- The Ministry of Finance also authorized the State Treasury to temporarily exceed the interest rate risk limits according to the debt management provision (i.e., the limits within which debt management should normally remain). This enabled the State Treasury to raise funding appropriately.

- Finland's debt management strategy has proved to be effective, even in times of crisis. However, it has not been possible to act in accordance with the strategy in all circumstances. The regulation applied to debt management and the flexibility of steering have enabled rapid adjustment to sudden shocks. It has always been possible to safeguard the funding for central government measures.

- The effects of the COVID-19 crisis will continue to be seen as a higher borrowing need even in the next few years. Risk of further pandemic waves of COVID-19 with new viral mutations have been adding to the mix of uncertainty in economic signals, and thus rates).

- Changes in monetary policy are unlikely to affect the Republic of Finland's bond issuance or demand significantly. Finland has a good credit rating—the central government of Finland has solicited credit ratings from two credit rating agencies: Fitch Ratings and S&P Global Ratings. For long-term debt, they are AA+ with stable outlook from both credit agencies.

- The challenge of balancing public finances is compounded by population aging. This aging is driving up pension expenditure as well as health care and long-term care costs. This is one of the main reasons why general government finances will still remain in deficit.

- Central government contingent liabilities have shown strong growth over a long period. At the beginning of last decade, the government's guarantee liabilities totaled about 23 billion EUR, or about 12 percent of GDP. At the end of 2020, liabilities amounted to 62 billion EUR. This brought the liabilities-to-GDP ratio to more than 26 percent. Significant growth in liabilities over a long period, combined with moderate long-term growth prospects, raises concerns about the central government's risk-bearing capacity.

- Risks associated with central government guarantee liabilities are increased by the fact that these liabilities are highly concentrated in certain industries and enterprises. The risks involved in this have become visible in the context of the COVID-19 pandemic. The cruise industry is among the industries that have been hit hardest by COVID-19, with the pandemic in practice fully suspending cruise operations for a while. The cruise industry accounts for a significant share of Finnvera's (State-owned specialized financing company) export financing liabilities.

- The overall risk position of central government is also affected by implicit liabilities. While these are not legally binding on central government, due to political and societal factors, central government is nevertheless expected to bear ultimate responsibility for them. One of the key implicit liabilities pertains to the banking sector. The history of banking crises has shown that the societal costs of the most severe ones are, or considered to be, so high that states have been forced to take support measures to ensure the continuity of financial services.

- Another key implicit liability of central government is related to local government. Finnish municipalities have broad autonomy and are responsible for their own financial liabilities. Municipalities are, however, part of general government finances. This is why any extensive problems in local government finances might be reflected in central government finances, too.

- As a whole, the changes in the amount of central government liabilities have been significant. This is problematic concerning central government risk-bearing capacity, especially as, at the same time, the longer-term outlook for economic growth is rather moderate. The growth outlook is weakened by well-known factors, namely the shrinking of the labour force and weak productivity development.

- Russia's invasion of Ukraine, which began February 24, has significantly altered the outlook for Finland's GDP growth in the near term. The outbreak of the war in Ukraine has brought great uncertainty to the economy, with the situation constantly evolving. The economic effects will depend on the war's extent and duration, which of course are not known at this stage. It is also hard to quantify the direct and indirect effects of the economic sanctions and counter-sanctions. (Bank of Finland´s estimate).

- NAOF´s audit work is described in the key reports list below.

Fiscal policy monitoring report 2021 - National Audit Office of Finland (vtv.fi)

Fiscal policy monitoring assessment on the management of general government finances, spring 2021 - National Audit Office of Finland (vtv.fi)

Central government debt management - National Audit Office of Finland (vtv.fi)

Security of supply and safeguarding it during the Covid-19 pandemic - National Audit Office of Finland (vtv.fi)

Direct business subsidies granted in response to the Covid-19 epidemic – Allocation and management of the subsidies in the early stages of the epidemic - National Audit Office of Finland (vtv.fi)

Economic impacts of the coronavirus pandemic - National Audit Office of Finland (vtv.fi)

Has Covid-19 also become a part of the state budget? - National Audit Office of Finland (vtv.fi)

[a]The table represents Central Government Debt (State), which is debt generated by on-budget entities, off-budget funds and unincorporated state enterprises. *General government debt* is a wider concept. General government debt is debt owed by general government. General government comprises central government, municipalities, joint municipal authorities, the Provincial

Government of Åland, statutory pension insurance companies and institutions, other social security funds and employment pension funds. General government debt is general government sector consolidated gross debt valued at nominal value, and it is also known as Excessive Deficit Procedure (EDP) debt. It comprises bonds, short-term securities, short-term and long-term loans and deposits received by general government from other sectors of the national economy or from the rest of the world. The EDP debt concept used in reporting according to the European Union's Growth and Stability Pact differs from that of ESA 2010 with regard to valuation and coverage. Financial assets and liabilities are valued at market value in ESA 2010-compliant financial accounts, whereas general government EDP debt is valued at nominal value. Of the financial claims in ESA 2010, for example, derivatives, trade credits and advances are not included in the loan stock.

[b]Disaggregated data on domestic and foreign debt are not available, because Finland does not track ownership of debt in secondary market.

[c]Interest rates shown are nominal.

National Audit Office of Finland

The National Audit Office of Finland (NAOF) audits central government finances, monitors fiscal policy, and oversees political party and election campaign funding. The Constitution of Finland defines NAOF’s role and duties.

NAOF´s activities cover the entire central government finances, and it has extensive access to information under the Constitution of Finland. NAOF also contributes to ensuring that the principles of the rule of law, democracy, and a sustainable economy are adhered to in the financial management of the European Union (EU), as well as in other international cooperation.

Working Group on Public Debt

FRANCE

Overview

In France, the health crisis has resulted in a further increase in an already excessive public debt. The financing of this debt has remained easy until now, but the rise in interest rates poses a threat in the long term in a context of differentiated developments in deficits and debt levels within the Euro zone.

Key fiscal indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	2,311 Billion EUR	2,375 Billion EUR	2,648 Billion EUR	2,813 Billion EUR
Domestic	*	*	*	*
External:	*	*	*	*
Public debt as a share of gross domestic product (GDP)	97.8%	97.4%	114.6	112.9
Central government annual budget surplus/ (deficit) as a share of GDP	(2.3)%	(2.1)%	(8.9)%	(6.5)%
Average interest rate on debt outstanding	*	*	*	*
Annual interest payments as a share of central government revenue	*	*	*	*
Public debt maturing in the next 12 months	*	*	*	*
Average maturity of debt outstanding	98 months	98 months	98 months	101 months

Sources: INSEE (debt, budget deficit), FIPECO (interest payments as a share of central government revenue), APE (average maturity of debt outstanding).

Table endnotes are listed at the end of this document.

There were four main impacts of the crisis that affected public debt:

- A decrease in revenues in 2020 ((62) billion EUR = lower corporation taxes on companies affected by the crises, lower consumption then lower value added tax (VAT), etc.) followed by a recovery of high magnitude in 2021 (102 billion EUR), mainly due to a high elasticity of the taxes to the activity and in spite of several tax abolitions.
- Many expenses to support business for the sectors affected by the crisis: solidarity fund (15.9 billion EUR in 2020 and 23.9 billion EUR in 2021), partial unemployment (25.8 billion EUR in 2020 and 8.5 billion EUR in 2021), payment of social charges (5.8 billion EUR in 2020 and 2.9 billion EUR in 2021), guaranteed loans (no measured impact yet)
- A hike in health expenses versus 2019 (14 billion EUR in 2020 and 18 billion EUR in 2021)
- Strong recovery plans (2.5 billion EUR in 2020 and 22.9 billion EUR in 2021)

Cour des comptes estimates that the support expenses linked to the crisis and included in the public deficit amounted to 3.1 percent of GDP in 2020 and 3.4 percent of GDP in 2021.

Before the health crisis, deficits and public debt were not decreasing at a sufficient pace in spite of a robust growth. This was the consequence of several tax decreases and violent social demonstrations ("yellow vest" movement). This, in turn, led to increases in social expenses in 2019.

The effect of the crisis was very strong on the debt level (with collapsing revenues and skyrocketing expenses). In the same period, the interest rates continued to decrease, thanks to the accommodating European central bank policy. In addition, the Central government did not have a liquidity issue.

There were no particular actions taken by the Central government to manage debt in response to the health crises, as the interest rates remained very low until recently. In addition, the liquidity was always sufficient due to the quality of the French government signature.

The only actions taken were to ensure that the other public bodies remained capable to finance increasing expenses in spite of limited borrowing capacities (i.e., law to take over 123 billion EUR of social security debt in August 2020, of which 20 Billion EUR in 2020, 40 Billion EUR in 2021, 40 Billion EUR in 2022 and 23 Billion EUR in 2023)

There are no short-term risks on fiscal sustainability in the case of France. The issue is in the long run, as the Central government does not put high priority on the reduction of the deficits: during the crisis, the government reduced taxes and increased structural expenses (health agent salaries, etc.). The move continues with energy rise countermeasures.

The risk might come from the fact that within the European Union, France's debt level and deficits are diverging from the benchmarks (Germany, Netherlands). This could affect its relative interest rate.

Cour des comptes provides yearly reports on the public finance outlook and on government resources, expenses, deficit, and debt.

It made a specific report on how health crises affected public resources and expenses. Cour des comptes also reported on the public finance strategy after the health crisis with detailed recommendations, per a government request.

The conclusions were to develop structural reforms to make long-term savings in expenses (i.e., retirement policies, health system and education reforms, and removal of tax niches) so as to regain control on the level of the deficits and of the public debt reduction.

French government finances as of 31 December 2021:https://www.ccomptes.fr/fr/publications/la-situation-financiere-de-letat-au-31-decembre-2021

Situation and outlook for French public finances in 2022 https://www.ccomptes.fr/fr/publications/la-situation-et-les-perspectives-des-finances-publiques-13

The French government budget in 2021, results and management https://www.ccomptes.fr/fr/publications?f%5B0%5D=daterange%3A2020&f%5B1%5D=daterange%3A2021&f%5B2%5D=daterange%3A2022&f%5B3%5D=institution%3A98&f%5B4%5D=publications_type_de_document%3A318

Public expenditure during the health crisis and operational assessment of its use https://www.ccomptes.fr/fr/publications/les-depenses-publiques-pendant-la-crise-et-le-bilan-operationnel-de-leur-utilisation

A public finance strategy to exit the crisis https://www.ccomptes.fr/fr/publications/une-strategie-de-finances-publiques-pour-la-sortie-de-crise

[a]Maastricht definition. Not adjusted for inflation.

COUR DES COMPTES

Cour des comptes is an independent and respected audit jurisdiction. It defines its fields of evaluation and investigation and makes public recommendations to the government and administrations so that they improve their performance and accountability.

INTOSAI

Working Group on Public Debt

GEORGIA

Overview

COVID-19 pandemic resulted in a sharp rise in the public debt of Georgia due to the fiscal stimulus in response to the emerging crisis. In 2020, Debt Rule – one of the fiscal rules defined as a sum of Government debt and discounted liabilities coming from Public-Private Partnership (PPP) projects divided by GDP—reached 61 percent and exceeded the statutory level of 60 percent.[a] Budget balance rule, the second fiscal rule defined as a general government fiscal balance divided by GDP, was also increased dramatically and reached 9 percent (statutory level is 3 percent). However, in 2021, the Georgian economy partially regained losses brought by the COVID-19 crisis with a real GDP growth rate of 10.4 percent. As a result, the Debt Rule ratio shrunk to 50.1 percent. Also, while the budget balance rule ratio reverted to 6.2 percent, it remained higher than the statutory level. Total public debt also increased in 2020, reaching 60.2 percent of GDP. This number fell to 49.5 percent in 2021.

Key Fiscal Indicators

		As of 31 December 2018[b]	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[c]		17.3 Billion GEL	19.9 Billion GEL	29.7 Billion GEL	29.8 Billion GEL
Domestic[d]		3.3 Billion GEL	4.2 Billion GEL	6.2 Billion GEL	5.8 Billion GEL
External[e]		14.1 Billion GEL	15.7 Billion GEL	23.5 Billion GEL	24.0 Billion GEL
Public debt as a share of gross domestic product (GDP)		38.9%	40.4%	60.2%	49.5%
Government annual budget surplus/(deficit) as a share of GDP	Central Gov.	(1.7)%	(3.0)%	(8.7)%	(6.3)%
	General Gov.	(0.7)%	(2.6)%	(9.0)%	(6.2)%
Weighted average interest rate on debt outstanding[f]	Domestic	8.3%	8.6%	7.6%	8.7%
	External	1.5%	0.9%	0.7%	0.8%
	Eurobond	6.9%	6.9%	6.9%	2.8%
Annual interest payments as a share of central government revenue		4.8%	5.7%	7.3%	6.2%
Public debt maturing in the next 12 months		2.3 Billion GEL	2.5 Billion GEL	4.4 Billion GEL	2.6[g] Billion GEL
Average maturity of debt outstanding (ATM)[h]		7.2 years	7.2 years	7.5 years	7.9 years
External debt in total public debt		81.3%	79.1%	79.1%	80.4%

Source: Ministry Of Finance of Georgia Reports on the Annual Execution of the State Budget for 2018-2021 FYs; Ministry Of Finance of Georgia General Government Debt Management Strategy for 2022-2025.

Table endnotes are listed at the end of this document.

The COVID-19 pandemic significantly affected the Georgian economy. Annual real GDP growth rate averaged 4.9 percent during the 2018–2019 period. The figure reverted dramatically in 2020 to -6.8 percent. In response to COVID-19's spread, Georgian authorities enacted several preventive measures that slowed economic activity significantly. COVID-19 shock sharply increased inflation and the current account deficit. In addition, nominal and real effective exchange rates of local currency (GEL) depreciated by 5.6 percent and 7.4 percent, respectively. The depreciation of GEL in 2020 played a significant role in increasing the government debt figures because of the high share of external currency denominated debt in total government debt. Due to the severe economic downturn, authorities increased budget expenditures. This resulted in an increased budget balance deficit and government debt.

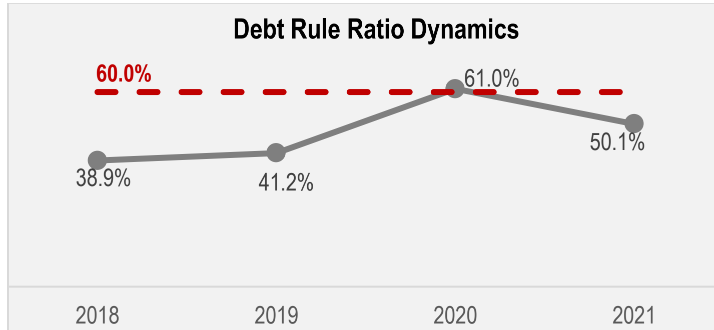
In 2021, the Georgian economy started recovering. The real GDP growth rate reached 10.4 percent. The inflation rate also rose from its target 3-percent level. As a result, the Debt Rule ratio declined by 10.7 percent to 49.5 percent. However, Budget Balance rule and inflation remains higher than the threshold levels in 2022.

	2018	2019	2020	2021
Real GDP Growth	4.8%	5%	-6.8%	10.4%
Inflation	2.6%	4.9%	5.2%	9.6%
Current account balance to GDP	-6.8%	-5.5%	-12.4%	-9.8%

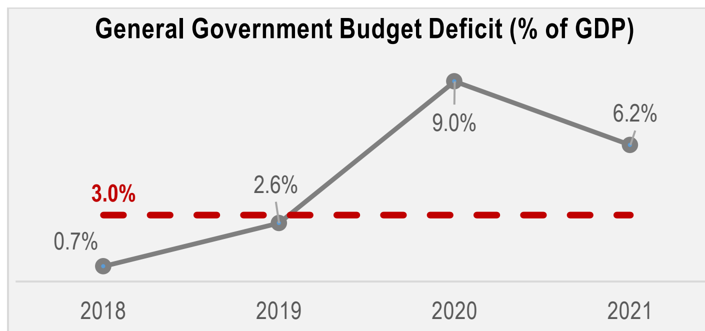
To minimize the impacts of the COVID-19 pandemic, the Georgian government designed the Anti-Crisis Economic Plan. To finance the planned activities, 4.7 billion GEL was borrowed (26 percent of the State Budget Revenue). Of that, 82 percent came from external credit resources. Government utilized 3.5 billion GEL (20 percent of total State Budget Expenditures) for managing the crisis: (1) 53 percent for supporting the economy and entrepreneurs, (2) 28 percent for supporting social care system, (3) 16 percent for the health care system, and (4) 3 percent for other expenses. The part of the borrowed resources were used as a fiscal buffer to insure financial needs of potential future unforeseen events coming from uncertainty.

In 2021, COVID-19 pandemic-related expenditures increased compared to 2020. For financing healthcare activities and mitigating crisis effects, the government of Georgia borrowed additional 1.9 billion GEL in 2021. About 4.1 billion GEL (21 percent of State Budget Expenditures) was spent to alleviate the pandemic's negative effects. Similar to the previous year, in 2021, the largest share of pandemic-related expenditures went to support business and economic activities.

During the COVID-19 pandemic, declining revenues and increased expenditure resulted in a sharp rise in public debt and budget deficit. In 2020, public debt increased by 19.8 percent of GDP and reached 60.2 percent of GDP. The Debt Rule ratio reached 61 percent of GDP and exceeded the limit (60 percent) set by the Organic Law of Georgia on economic freedom.



The law also sets the limit for the general government budget deficit at the 3-percent level. The pandemic led to an increase in the general government deficit to 9 percent in 2020. The deficit remained high (6.2 percent) in 2021. The deficit in 2020-2021 was mostly financed by donor organizations.



In addition, as mentioned above, part of the borrowed resources in 2020 were used as a fiscal buffer to insure financial needs of potential future unforeseen activates coming from uncertainty. As a result, the central government fiscal buffer increased to 2.3 billion GEL (22 percent of the State Budget Revenue). The most part of the buffer (1.4 billion GEL) was used in 2021 to finance the budget expenses.

In 2020, the Ministry of Finance of Georgia, on behalf of the government, issued 10-year treasury obligations with nominal value of 594 million GEL. It then used the mobilized recourses to purchase 10-year certificates of deposit with nominal value of GEL 594 million from the commercial banks to provide the economy with long-term credit resources.

In April 2021, the government of Georgia successfully refinanced 500 USD million 10 sovereign Eurobond issued in 2011 with new 5-year Eurobonds. The coupon rate of the new issue was 2.75 percent compared to 6.875 percent for previous 10 years bond.

During the pandemic, the government of Georgia reduced the borrowing for capital projects and increased budget support loans to finance pandemic-related expenditures.

The government securities market faced liquidity challenges even before COVID-19. The small volume of the primary market and the underdeveloped secondary market lead to the one of the main strategic goals for the government debt management to develop the securities market. The government of Georgia aims for gradual increases to the amount of treasury securities to support the development of capital market. The government also aims to further strengthen the primary dealer system that was launched in 2019 in a pilot program and the secondary market. This is designed to encourage foreign investors' participation in domestic market.

Georgia had to refinance 500 million USD Eurobond in 2021. This raised the probability of rollover risk realization. However, the government of Georgia successfully refinanced the Eurobond with new one. The coupon rate of the new issue was 2.75 percent compared to 6.875 percent for previous 10-year bond).

Foreign exchange fluctuation is one of the main sources of risk for public debt of Georgia due to the high share of external currency denominated debt in total public debt. By the end of 2021, 80.4 percent of the total public debt was denominated in foreign currency. In 2020, due to the depreciation of the GEL, public debt increased by about 4 billion of GEL. In 2021, public debt shrunk by 2.7 billion of GEL as a result of appreciation of GEL.

In 2020-2021, the state audit office of Georgia analyzed the effects of the COVID-19 pandemic on macroeconomic indicators, budget revenues and expenditures, fiscal rules, and public debt in its government report, *On the Annual Execution of the State Budget*. The assessment also focused on revenues and expenditures related to the COVID-19 pandemic. The findings and recommendations were integrated into the reports. Some separate audits regarding COVID-19-related expenditures and the efficiency of these expenditures remains ongoing.

The annual execution of 2021 state budget, SAO, 2022

The annual execution of 2020 state budget, SAO, 2021

[a]Two main laws related specifically to public debt issues exists in Georgia:

1. The "Law of Georgia on State Debt";
2. The "Organic Law of Georgia on Economic Freedom"

The former defines State debt and its components while the latter sets fiscal rules, including the limit for debt to GDP ratio.

By the "law of Georgia on State debt", state debt of Georgia is the total unpaid stock of domestic (denominated in GEL) and external (denominated in foreign currency) borrowings, borrowed by government or other parties under the government's guarantee, including the debt of National Bank of Georgia (NBG) to the International Monetary Fund (IMF). For the purpose of fiscal rules, The "Organic Law of Georgia on Economic Freedom" additionally defines government debt, which is state debt, defined by the "Law of Georgia on State Debt" excluding debt of NBG to IMF and including the debt of the budget organizations (the last component is historically immaterial). In this report debt figures, defined by the "Organic Law of Georgia on Economic Freedom" is used as a public debt figure as all important statistics regarding the debt is produced for this figure.

[b]2018 public debt excludes the debt contracted by budget organizations.

[c]Not adjusted for inflation. Debt from government securities (bonds) is accounted as a market price at issuance moment (premium or discount on the securities is used for adjusting the amount of service costs and is not classified as part of principal). As for the debt, coming from loans, they are accounted at their principal amount after deduction of principal repayments.

[d]The classification between domestic and foreign debt is set by the "Law of Georgia on State Debt" and is defined by the currency of debt denomination.

The most part of domestic public debt comprises government securities denominated in the national currency (regardless the residency of the security holder). A Minor part of domestic debt is debt of the budget organizations.

[e]External public debt is denominated in foreign convertible currency and includes multilateral debt, bilateral debt, state guarantees and government securities denominated in foreign currency (Eurobond). By the end of 2021 EUR, USD and SDR denominated debt totaled 98% of total external public debt, from which 49% is denominated in EURO)

[f]Explicitly, none of these particular interest rate has the most significant effect on debt service. Interest rate on external debt is lower than that on domestic debt because external debt is mostly comprised of concessional loans. However, high share of external debt in total debt (about 80% as of the end of 2021) and currency fluctuation make external debt service more vulnerable. Besides, in 2021 old Eurobond was refinanced by the new one (part of external debt) which was issued at a significantly lower rate and decreased interest expenses on this specific security from 6.9% of par value to the 2.8%.

[g]Forecast.

[h]The indicator shows weighted average maturity.

State Audit Office of Georgia

The State Audit Office of Georgia is the supreme audit institution. The main objectives of the State Audit Office are to promote legal, efficient, and effective spending of public funds and other assets of material value, as well as to contribute to the protection of the national wealth and the property of the autonomous republics and local self-government units, and to the improvement of public financial management.

Working Group on Public Debt

FEDERAL REPUBLIC OF GERMANY

Overview

The federal government has reacted to the COVID-19 pandemic with comprehensive measures. With more than 500 billion EUR, it secured the economy, stabilized the labor market, and financed health costs caused by the pandemic. The high creditworthiness of the Federal Republic of Germany made it possible to finance the measures taken at almost universally negative interest rates.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020[c]	As of 31 December 2021[f]
Total public debt (central government)[a, b]	1,070.2 billion EUR	1,053.3 billion EUR	1,204.0 billion EUR	1,348.0 billion EUR
Public debt as a share of gross domestic product (GDP)	31.8%	30.3%	35.8%	37.8%
Central government annual budget surplus/ (deficit) as a share of GDP	0.3%	0.4%	(3.9)%	(6.0)%
Average interest rate on debt outstanding	1.67%	1.45%	1.03%	0.94%
Annual interest payments as a share of central government revenue	4.7%	3.3%	1.4%	0.7%
Public debt maturing in the next 12 months	164.0 billion EUR	179.5 billion EUR	242.4 billion EUR	285.8 billion EUR
Average maturity of debt outstanding[e]	82 months 6 days	82 months 28 days	82 months 3 days	82 months 25 days
Total public debt[a, d]	2,071.5 billion EUR	2,065.3 billion EUR	2,337.5 billion EUR	2,457.1 billion EUR
Public debt[d] as a share of gross domestic product (GDP)	61.5%	59.5%	69.4%	68.9%

Sources:

Statistisches Bundesamt (Federal Office of Statistics) – Fachserie 14 Reihe 5, Nr. 2.1
Statistisches Bundesamt (Federal Office of Statistics) – Fachserie 14 Reihe 5.2, Nr. 2
Bundesministerium für Wirtschaft und Klimaschutz (Federal Ministry of Economics and Climate Protection) – Jahresprojektion vom 26.01.2022, Tabelle 4, BIP nominal
Bundesministerium der Finanzen (Federal Ministry of Finance) – Kreditaufnahmebericht 2021, Anhang 4.7
Haushaltsrechnung (budget accounts) – Einzelplan 32, Kapitel 3205, Schuldendienst

Table endnotes are listed at the end of this document.

Nominal gross domestic product (GDP) fell by 3 percent in the first COVID-19 year 2020 to the level of 2018. In the second COVID-19 year 2021, the GDP increased more than in the last few years before COVID-19 and was in nominal terms slightly higher than the 2019 level. The unemployment rate increased from 5 percent in 2019 to 5.9 percent in 2020. It then slightly decreased to 5.7 percent in 2021.

The Federal Government has provided the following services to protect health:

- Compensation payments to hospitals to make beds available for those suffering from COVID-19. Total amount 2020 and 2021: 13.9 billion EUR.

- Federal subsidy to the health fund for burdens caused by COVID-19 such as vaccination centers and assumption of costs for COVID-19 tests. Total amount 2020 and 2021: 22.5 billion EUR.

- Federal payments to the compensation fund of the long-term care insurance for burdens caused by COVID-19. Total amount 2020 and 2021: 2.8 billion EUR.

- Subsidies to combat the outbreak of COVID-19 (i.e., procurement of personal protective equipment, development of the COVID-19 warning app, prevention campaigns, and support of the health authorities by "containment scouts" for contact tracing). Total amount 2020 and 2021: 10.2 billion EUR.

- Grants for the central procurement of vaccines against SARS-CoV-2. Total amount 2020 and 2021: 8.9 billion EUR.

- Other expenses (Public Health Service Pact, investment grants to support domestic development and production of vaccines, and costs of introducing a digital entry registration). Total amount 2020 and 2021: 0.3 billion EUR.

The Federal Government has taken the following measures to prevent the economic and social consequences of the COVID-19 pandemic:

- Economic stimulus and crisis management package (bridging aid to secure the existence of small- and medium-sized companies, professional sports clubs, facilities for the disabled, inclusion companies, and nonprofit organizations for child and youth welfare; strengthening the financial power of federal states and municipalities; prioritizing investment projects, program “art and culture”; allocating to energy and climate funds; and allocating to the “digital infrastructure,” “expansion of childcare,” and “all-day schools” special funds). Total amount 2020 and 2021: 139.2 billion EUR.

- Package for the future (nonuniversity research, increase in the equity of Deutsche Bahn AG, future investment program for vehicle manufacturers and the supplier industry, artificial intelligence, quantum technology, foreign trade hydrogen strategy, future program for hospitals, production of medical products, vaccine development, establishment of national reserves). Total amount 2020 and 2021: 18.2 billion EUR.

- Federal Economic Stabilization Fund (acquisition of capital instruments and participations, refinancing of the on-lending business of the Kreditanstalt für Wiederaufbau). Total amount 2020 and 2021: 200.0 billion EUR.

- Special regulations for short-time work benefits (higher benefit rates, longer entitlement period, and full reimbursement of social security contributions). Total amount 2020 and 2021: 35.9 billion EUR.

- Guarantees and sureties. Total amount for 2020 and 2021: 756.5 billion EUR (only a small amount affecting payments).

- Tax measures (refund and adjustment of tax advance payments, deferral of tax payments, tax exemptions from increases in short-time work benefits, suspension of enforcement measures, expansion of tax loss carryback). Reduced tax receipts in 2020 and 2021: 81.8 billion EUR.

- Other social benefits (social service provider deployment law, subsidy to job seekers for pandemic-related additional expenses, child leisure bonus, and easier access to social security). Total amount for 2020 and 2021: 0.9 billion EUR and other additional costs that cannot be quantified.

To finance the measures and support services as well as the reduced tax revenue, the federal government took out loans of 130.5 billion EUR in 2020 and 239.0 billion EUR in 2021.

In the years 2014 to 2019, the German economy was characterized by above-average economic growth and historically low interest rates. As a result, the Federal Government could refrain from taking on new debt. So, only the follow-up financing of maturing federal securities had to be implemented.

The situation changed significantly in March 2020. With the outbreak of the COVID-19 pandemic, government measures were introduced to contain the pandemic. However, these measures resulted in a dramatic economic downturn. As a result, the tax revenues of the Federal Government declined. In addition, extensive fiscal measures were introduced within a very short time to support sectors of the economy and society.

The Federal Government's new borrowing had to be adjusted significantly in 2020. In total, the net borrowing of the federal budget amounted to 130.5 billion EUR. In addition, there was the financing of almost 42 billion EUR in new borrowing for the special funds with its own borrowing authorization. In 2021, to combat the economic consequences of the pandemic, the Federal Government and its special funds with its own borrowing authority realized an even higher net borrowing of almost 239 billion EUR.

Due to the positive economic development with high tax revenues for the state in the years before the outbreak of the pandemic and the elastic demand for German federal securities, state activities could be financed very quickly and on a large scale from March 2020. This did not affect the sustainability of public finances in Germany. The excellent creditworthiness of the federal government was preserved. This high creditworthiness was also reflected in the yields of German Federal securities, which were almost consistently negative in 2020 and 2021. Overall, the financing conditions of the Federal Government were excellent despite the significant increase in debt.

Overall, various overlapping factors influenced the market for German Federal securities during this period. The announcement of the significantly increased financing requirements and the associated expectation of a strong increase in the volume of issues had a yield-increasing effect. In contrast, the increased investors' risk perception had a yield-decreasing effect on German Federal securities as a safe haven for investments. Furthermore, an additional purchase programme of the Eurosystem ("PEPP"), announced in March led to a general decline in yields for government bond issuers.

To further support its financing flexibility, the Federal Government increased the volume of outstanding German Federal securities directly in its own accounts by 142 billion EUR in April 2020. With its own holdings, the Federal Government can react very flexibly to short-term changes in financing needs by either selling these securities on the secondary market or using them as collateral for repo transactions. The Federal Government does not plan to add any further cash buffer. However, temporarily high-cash surpluses of the Federal Government can arise within its daily liquidity management.

As described above, the COVID-19 pandemic led to a significant increase in the financing needs of the Federal Government and its special funds from 2020 onwards. To cover these needs in a sensible manner without impairing the market for German Federal securities, the Federal Government adjusted its financing activities and introduced additional measures to cover the needs. The main focus was on the following four measures:

1. Introduction of new maturity segments for Federal securities

   The Federal Government expanded its set of maturities for capital market instruments by two new maturity segments. In addition to the previously issued standard instruments with 2-, 5-, 10-, and 30-year maturities, the Federal Government also issued Federal bonds with maturities of 7 and 15 years from May 2020 onwards. Regular issuance activities in these new maturity segments continued in 2021. In 2022, according to current planning, the Federal Government does not issue 7-year bonds, whereas the 15-year maturity segment is being continued.

2. Expansion of activities in Treasury discount papers ("Bubills")

   The issuance volume of Bubills was increased during 2020 from 62 billion EUR to 181 billion EUR. This corresponds to almost a tripling of the volumes originally planned for 2020. In addition, adjustments were made to the maturities and the issuance frequency. Since mid-2020, new Bubills are issued with a maturity of 12 months (previously 6 months) and are subsequently tapped with remaining maturities of 11, 9, 6, 5, and 3 months respectively. In 2021, the issue volume of Bubills was increased again compared to the previous year. The Federal Government issued Bubills with a volume of 238 billion EUR.

3. More frequent use of syndicates

   In contrast to the previous years, since 2020, the Federal Government used syndicated transactions for the issuance of large volumes of selected funding instruments. Syndicates are used to sell securities directly to investors via a small group of banks. Until 2020, the Federal Government had used syndicates only sporadically, in particular when new market segments were introduced.

4. Building up own holdings for sales in the secondary market and repo transactions

   On 1 April 2020, the Federal Government increased 21 outstanding German Federal securities by 2 billion EUR each directly into its own holdings. In a second round, the own holdings of 40 German Federal securities were increased again by 2.5 billion EUR each on 16 April 2020. These two measures increased the Federal Government's own portfolio by a total of 142 billion EUR. The Federal Government can use these stocks very flexibly to procure liquidity through repo transactions or sales on the secondary market.

As the European benchmark issuer, the Federal Government had, overall, no problems with respect to market access and market liquidity as a result of the outbreak of the COVID-19 pandemic. Even a doubling of the funding needs in 2020 compared to previous years could be financed without any problems. In addition to covering liquidity requirements at all times, maintaining the European benchmark status and securing the excellent financing conditions became central tasks within the framework of the Federal Government's debt management against the backdrop of the COVID-19 pandemic.

In our assessment, the greatest challenges in connection with access to the credit markets, market liquidity, and rollover risks are currently posed by:

1. In case of very high funding needs and/or funding needs characterized by a high degree of uncertainty, refinancing activities must be implemented in such a way so that they do not affect the European benchmark status of German Federal securities. Furthermore, issuing activities always have to take investment needs of market participants into account.

2. In times of high uncertainty with regard to financing needs, additional instruments are needed which allow for a high degree of flexibility. An oversupply in individual financing instruments should be avoided.

3. The Federal Government aims at addressing a very broad investor base, both by investor type and by region. Consequently, German Federal securities are acquired and traded by a large range of investors and for a variety of reasons. The Federal Government can

rely on investors continuing to buy Federal securities even in the event of serious crises (such as the COVID-19 pandemic or the Russia-Ukraine war). A constellation with one-sided selling activities is therefore highly unlikely.

4. Market liquidity is an important cornerstone for the benchmark status of German Federal securities. A well-functioning repo market is a central prerequisite for comprehensive trading activities in cash markets. Because German Federal securities are available on a highly liquid and reliable repo market, market participants can easily build up positions through short sales of bonds. This strengthens liquidity in the cash market. Against this background, a well-functioning banking sector is essential for a resilient government bond market. A further tightening of the regulatory requirements for the banking sector could lead to banks possibly decreasing their activities on the primary and secondary markets for government bonds—as they did about 10 years ago. Thus, such a move would require a thorough examination and reliable arguments.

The task of the Federal Audit Office is legally standardized in Article 114 Paragraph 2 of the Basic Law for the Federal Republic of Germany and in the Federal Budget Code. The implementation of these standards in the audits is governed by the audit regulations of the Federal Court of Audit.

One of our core tasks is to check all activities of the federal administration with regard to economic efficiency and compliance. We report the results of our audits to parliament and the government. This also includes advising parliament and the government. The aim of our audits is always to improve the efficiency of the administration, avoid undesirable developments, and ensure long-term government structures capable of acting legally secure and oriented towards the common good.

One area of our work deals with the federal budget and debt. This topic is divided into

- Reports on the financial development,
- Examination of budget and property accounts, and
- Analysis of the individual plans of the federal budget.

The publications on the subject of the federal debts are available at https://www.bundesrechnungshof.de/SiteGlobals/Forms/Suche/Berichtssuche/Berichtssuche_Formular.html.
Please enter "Bundesschulden" in the search field.

Audits related to the COVID-19 pandemic can be found at https://www.bundesrechnungshof.de/SiteGlobals/Forms/Suche/Berichtssuche/Berichtssuche_Formular.html.
Please enter "Corona" in the search field.

In our audits, we use official documents from the federal administration, the federal government, and Parliament. We base our ratings on our expertise. If necessary, publications by scientific institutes and, in legal matters, judgments of the federal courts are also used.

With regard to the results of our audits, we refer to the publications on our website (see above). We note that due to government regulations, audit results on the debt management are not published. In addition, all audit reports submitted to Parliament are only published after they have been dealt with in Parliament.

No new audit work was carried out to complete this template. For the rest, see the answer above.

1. Budgetary measures to combat the effects of COVID-19/key data for the 2020 supplementary budget, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2020/auswirkungen-der-corona-pandemie-eckdaten-nachtragshaushalt-2020-volltext.html
2. Measures to deal with corona in the healthcare system, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2020/entwicklung-einzelplan-15-bundeshaushalt-2021-volltext.html.
3. Audit of the central procurement of personal protective equipment for the healthcare sector, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2021/corona-schutzmasken-volltext.html.
4. Findings on the financial development of the federal government—a long way out of the crisis, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2020/finanzwirtschaftliche-entwicklung-volltext.html.
5. Audit of selected COVID-19-related expenditure items of the department plan No. 15 and the health fund, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2022/corona-gesundheitsfonds-buergertestungen-volltext.html.
6. Effects of the COVID-19 pandemic on statutory health insurance, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2020/finanzen-der-gkv-volltext.html.
7. Distribution of the flat-rate compensation for reduced trade tax revenue to the municipalities, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2021/ausgleich-von-gewerbesteuermindereinnahmen-volltext.html.
8. Financial development of the statutory pension insurance—effects of the COVID-19 pandemic, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2020/grv-bei-corona-pandemie-volltext.html.

For more publications, see https://www.bundesrechnungshof.de.

[a]Indication of the nominal value. Not adjusted for inflation. A division into domestic and external creditors is not possible. Federal debt is 99 percent federal securities. Federal securities are bearer bonds that are traded daily and can therefore change hands at any time. As the holders of the papers are not registered by name, detailed information about the holder structure is unavailable.

[b]Federal bonds, federal notes, federal treasury notes, promissory note loans, other loans and book debts

[c]The World Health Organization declared COVID-19 a global pandemic on 11 March 2020.

[d]For information: The Bundesrechnungshof is not responsible for the budgets of the federal states and local authorities. Total public debt (central government, federal states, local authorities, social security institutions).

[e]Weighted average.

[f]Due to the change of government, final figures are unavailable.

Bundesrechnungshof (Federal Court of Audit)

Supreme federal authority; judicially independent; examines the federal administration; advises and reports to parliament and government; helps to improve administrative efficiency.

GREECE

Overview

The Greek Government strengthened the State Budget to deal with the consequences of the COVID-19 pandemic. Economic activity recovered quickly during 2021 after a significant recession in 2020 (9 percent) as a result of the pandemic and the social-distancing measures imposed to limit its spread. The debt-to-GDP ratio is expected to decrease to 217.5 percent in 2021 (from 225.6 percent in 2020). Greece remains strongly committed to fiscal discipline. Because of the inclusion of Greek government bonds in the European Central Bank's (ECB) pandemic emergency purchase programme (PEPP), Greece benefits from a favorable debt structure and a liquid yield curve. In December 2021, ECB decided to continue purchasing Greek government bonds from March 2022 until the end of the reinvestment period in late 2024. This is expected to maintain favorable financial conditions and low borrowing costs for both the public and private sectors.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	359.31 billion EUR	356.31 billion EUR	374.11 billion EUR	388.46 billion EUR
Domestic:[b]	357.55 billion EUR	351.14 billion EUR	368.16 billion EUR	377.81 billion EUR
External:[c]	1.76 billion EUR	5.16 billion EUR	5.94 billion EUR	10.64 billion EUR
Public debt as a share of gross domestic product (GDP)	194.33%	190.08%	225.6%	212.47%
Central government annual budget surplus/(deficit) as a share of GDP	(2.66)%	(0.07)%	(13.73)%	(7.93)%
Average interest rate on debt outstanding	1.61%	1.68%	1.72%	1.57%
Annual interest payments as a share of central government revenue[d]	10.7%	9.47%	10.07%	8.87%
Public debt maturing in the next 12 months	4.34%	1.66%	1.37%	2.07%
Average maturity of debt outstanding	218.4 months	246.36 months	233.16 months	224.4 months
Central government annual budget surplus/(deficit) as a share of GDP, including financial transactions[e]	14.15%	(1.87)%	(3.2)%	1.14%

Source: Annual report on the State's Annual Financial Statements of the Hellenic Court of Audit for financial years 2018 to 2021.

Table endnotes are listed at the end of this document.

The Greek Government strengthened the State Budget to deal with the consequences of the COVID-19 pandemic. Economic activity recovered quickly during 2021 after a significant recession in 2020 (9 percent) as a result of the pandemic and the social-distancing measures imposed to limit its spread. The debt-to-GDP ratio is expected to decrease to 217.5 percent in 2021 (from 225.6 percent in 2020) mainly because of the difference between the indirect lending interest rate and the nominal GDP rate of change, and to a lesser extent due to other adjustments such privatization revenues. Greece remains strongly committed to fiscal discipline. It targets a reduction in the fiscal primary balance to –1.2 percent of GDP in 2022 from –5.8 percent of GDP estimated in 2021 and -13.8 percent in 2020. The investment climate in the Greek sovereign and corporate bond market was very positive. In addition, because of the inclusion of Greek government bonds in the European Central Bank's (ECB) pandemic emergency purchase programme (PEPP), Greece benefits from a favourable debt structure and a liquid yield curve. On December 16, 2021, ECB decided to continue purchasing Greek government bonds from March 2022 until the end of the reinvestment period in late 2024 over and above rollovers of redemptions of bonds it purchased under PEPP. This is expected to maintain favourable financial conditions and low borrowing costs for both the public and private sectors. Low annual gross financing needs led to low funding activity, which does not allow the sovereign to provide additional supply by issuing more government securities. In turn, this increases the outstanding amount of tradable debt and the secondary market's liquidity and efficiency.

Greece is monitored under the European Semester for economic policy coordination and the enhanced surveillance framework according to Articles 2 and 3 of Regulation (EU) No 472/2013. The fiscal policy setting planned for 2022 takes into account the continued application of the general escape clause in 2022. The General Escape Clause allows for a temporary departure from the budgetary requirements, including Greece's fiscal targets monitored under enhanced surveillance, if this does not endanger fiscal sustainability in the medium term. Economic activity recovered at a quick pace during 2021 after a significant recession in 2020 (9 percent) as a result of the pandemic and the social-distancing measures imposed to limit its spread. The growth rate of real GDP came to 8.3 percent year to year. Inflation has returned to positive territory since June 2021. Economic activity recovered and inflationary pressures emerged, mainly due to disruptions in supply chains and significant increases in international energy prices. Inflation, based on the Harmonised Index of Consumer Prices rose to 0.6 percent in 2021. In 2022, it is expected to increase by 5.2 percent based on the baseline scenario. While employment continued to decline in the first months of 2021, the pandemic's effect on the labor market was limited. Measures implemented by the Greek government to support income and employment proved effective. This development was mainly driven by a dynamic recovery of private consumption (+7.2 percent) supported by higher disposable income, due to the social distancing, an unwinding of pent-up demand, and increased exports of goods and services. Meanwhile, higher business investment spending and public consumption (+3.9 percent) also supported domestic demand. Conversely, higher imports of goods and services had a negative contribution to growth (+16.4 percent). On the supply side, a noteworthy recovery was seen in services (driven mainly by tourism), industry, and construction. The recovery of economic activity and the start of the tourist season led to an increase in the number of persons employed and a further decline in the unemployment rate from the second quarter of the year. The unemployment rate dropped from 16.3 percent to 14.7 percent in 2020. The high growth rates expected for 2021-2023 on the back of the implementation of the National Recovery and Resilience Plan will help increase employment and further reduce unemployment.

The Greek government strengthened the State Budget to deal with the consequences of the COVID-19 pandemic. The increase in expenditures amounts to 43.3 billion EUR for the period 2020-2022. The final budget cost amounts to 31.1 billion EUR and is broken down to 12 billion EUR for 2020, 15.8 billion EUR for 2021, and 3.3 billion EUR for 2022. The main ministries involved in the implementation of the pandemic measures are:

- The Ministry of Health Aid in the form of strengthening Public Hospitals and the Primary National Health Net by purchasing personal protective equipment, payment of salaries of auxiliary staff, "on-call" expenses, compensation of private doctors and private clinics, and vaccines purchases.

- The Ministry of Finance in the form of repayable advance payment to businesses financially affected by the outbreak and spread of COVID-19, the repayment of business loans for borrowers compensation for the support of companies, and the self-employed.

In 2021, Greece successfully performed seven international debt market transactions: three new bond series (issuance of new 2031, 2052, and 2026 Greek Government Bonds (GGB)), three taps of the newly issued 2031, 2052, and 2026 GGBs, and a combined tap of four existing GGBs in the context of a private sector involvement PSI leftovers exchange offer.[3] This came to a total of €15.8bn issued and an aggregated order book of c. €125bn. According to preliminary data, public debt of the Central Administration is expected to increase in nominal terms in 2021 due to the implementation of an expansionary fiscal policy and the loans received from the Recovery and Resilience Facility (RRF). However, the debt-to-GDP ratio is expected to decrease to 217.5 percent in 2021 (from 225.6 percent in 2020) mainly because of the difference between the indirect lending interest rate and the nominal GDP rate of change, and to a lesser extent due to other adjustments such privatization revenues. Greece remains strongly committed to fiscal discipline. It targets a reduction in the fiscal primary balance to –1.2 percent of GDP in 2022 from –5.8 percent of GDP estimated in 2021 and -13.8 percent in 2020. The above improvement is mainly due to the increase of revenue accounts (taxes and transfers under RRF). In view of the significant increase in Greece's public debt, ensuring its sustainability becomes a primary objective of fiscal policy. Thus, after the economy fully opens up, a main concern for economic policy will be to

[3]In March 2023, a PSI was agreed to alleviate debt burden by restructuring sovereign bonds held by private investors.

safeguard fiscal sustainability through the achievement of primary surpluses. The growth effects of the European recovery instrument facilitate the fiscal adjustment needed to ensure (or improve) public debt sustainability. The review of existing EU fiscal rules, postpandemic, needs to focus on the counter-cyclicality of fiscal policy to safeguard economic growth and a sustainable downward path of public debt, taking into account the particular macroeconomic circumstances of each country.

During 2021, the investment climate in the Greek sovereign and corporate bond market was very positive. This is attributed to the inclusion of GGBs in the ECB's PEPP, a favourable international monetary and financial environment, and stronger-than-expected economic growth. Other positive contributing factors were the expected return of the debt-to-GDP ratio to a downward path as from 2021, the prospect of investment funding and reforms under the European Recovery Instrument NextGenerationEU, and the reduction of the stock of nonperforming loans. Thus, GGB yields across all maturities have fallen to historic lows. This makes it easier for the Greek State to issue new bonds at a low cost, while also keeping the weighted average maturity of new borrowing relatively long. This, in turn, presents important benefits in terms of supporting the real economy during the pandemic and improving the structural characteristics of public debt that serve to reduce debt sustainability risks. However, towards the end of the third quarter and during the fourth quarter of the year, in line with expectations of a gradual monetary policy tightening in the U.S., there was an upward trend in government bond yields worldwide, as well as in Greek bond yield spreads over German Bunds.

The Greek government has further contained refinancing risks through the stabilization of the stock of T-Bills at 11.8 billion EUR and of the level of the cash reserves at 31.6 billion EUR, as well as the prepayment of 1.1 billion EUR of debt in net terms in the context of the PSI exchange offer. The above cash reserves cover more than 3 years of gross financing need of the Republic. This provides a significant buffer against refinancing and interest rates over the medium term.

Greece benefits from a favorable debt structure and a liquid yield curve. Funding costs remained below their early 2020 level by 59 basis points (bps) on average over the 10-Year (Y) benchmark. Greece's cost of funding reached an historical low at 0.02 percent on September's 5Y-bond reopening—the lowest yield ever achieved on a Greek sovereign bond issuance. December's PSI leftovers exchange offer further enhanced Greece's market debt liquidity by removing 2.9 billion EUR of highly illiquid PSI bonds and issuing an additional 1.8 billion EUR of benchmark GGBs.

Market presence became further enhanced, despite a context of persistent market uncertainty. At present, Greece's sovereign credit rating is BB by DBRS, Fitch and Standard and Poor's and Ba3 (corresponding to BB-) by Moody's. Continuing and accelerating the efforts for structural reforms is evidently very important for the goal of the upgrade of Greece's sovereign credit rating to the investment grade. On 16 December 2021, ECB continued to purchase GGBs after March 2022 and until the end of the reinvestment period in late 2024, over and above rollovers of redemptions of bonds it under the PEPP. In turn, it is expected to maintain favorable financial conditions and low borrowing costs for both the public and private sectors. In this sense, the ECB decision provides a "window of opportunity" which Greece must not miss to obtain investment grade.

There are many challenges regarding GGBs' secondary market's operation that mainly have to do with the lack of liquidity and supply. These happen due to the following reasons:

1. The relatively small amount of Greek tradable debt. In the pre PSI era the outstanding amount of Greek tradable debt was 265 billion EUR (excl. T-bills). At that point, of time, the secondary market's daily turnover was on average circa 1.5 billion EUR. Due to the imposition of PSI and the absence of Greece from the capital markets for more than a decade, the overall tradable debt deteriorated to approximately 40 billion EUR (excl. T-bills) as of end 2017 and the daily turnover dropped to less than 50 million EUR.

2. The favorable structure of the Greek public debt portfolio (ultra-long weighted average maturity (WAM), low and fixed annual interest payments, etc.) and the implementation of numerous structural reforms that led Greece to fiscal consolidation with annual primary surpluses and reduced Greece's annual gross financing needs at very low levels (i.e., circa 50 percent of the European average). Low annual gross financing needs led to low funding activity. This prevents the sovereign from providing additional supply by issuing more government securities. In turn, this increases the outstanding amount of tradable debt and the therefore secondary market's liquidity and efficiency.

3. Nevertheless, Public Debt Management Agency (PDMA) used this time to implement an extensive funding strategy. This doubled the size of tradable debt—the outstanding amount of which as of end 2021 was more than 80 billion EUR. However, due to PEPP (the contribution of which was extremely valuable for Greece) and the aggressive buying of GGBs by ECB (especially of those that were issued due to the Liability Management Exercise (LME) that took place in 2017—the main bondholders of which are "buy and hold to maturity investors"), the nowadays free float of Greek tradable is estimated to less than10 billion EUR.

All the above mentioned are the main reasons for the lack of liquidity of GGBs and therefore the secondary market's distortions. Distortions that lead to a widening of GGB secondary market's bid offer spreads. This makes them more expensive and, in turn, less attractive to investors.

Since December 2017, PDMA, based on its existing legal framework, has implemented a funding and portfolio management strategy, to face this problem. More precisely, the following activity has taken place:

1. The LME in 2017. Twenty series of PSI GGBs (with an aggregated issued amount of circa 27 billion EUR) were exchanged with five GGB issuances. This transaction led to a spread reduction of circa 150 bps (liquidity premium).

2. The last 3 years extensive funding activity, the rebuilding of the GGB curve, and the extension of its maturity up to 32 years—via new GGBs issuances with issued amounts more than 3 billion EUR each—led to a further bid/offer spread tightening.

3. The 5y and 30y GGB dual tranche reopening in September 2021, the new LME in December 2021, the reopening of the GGB 2 percent maturing in April 2027, in April 2022, and the recent GGB auctions are transactions done mainly to provide additional supply and liquidity to reduce the secondary market's distortions, improving its efficiency.

Additional necessary measures should be taken to face challenges related to market liquidity. More precisely:

1. Greek systemic banks should be more active in both the primary and secondary GGB markets playing their natural role as primary dealers and market makers. For this to be achieved, their supervisory authorities should allow them to take more risks regarding their credit exposure to the Hellenic Republic. Greece is not the country it was in 2010. There is a potential upside for Greece in the upcoming years, as it is clearly depicted in all recent positive reviews of the Official Sector and the Rating Agencies. There is a potential convergence play in Greece and GGBs. It would be pity for Greek banks to lose this unique opportunity to improve their profitability.

2. There is a necessity for a Securities Lending Facility for GGBs to be established as soon as possible. For this target, the role of BoG could be crucial, since, due to PEPP, BoG holds close to 50 percent of the overall Greek tradable public debt.

3. PDMA should continue providing additional supply to those maturity points of Greek yield curve that suffer due to lack of liquidity. Therefore, reopenings via auctions or syndications should take place. In addition, new maturity points should be introduced with liquid benchmark bond issuances across the maturity spectrum of the GGB curve.

4. The introduction and ratification by the Greek Parliament of the new law concerning the operation and PDMA's new structure. According to the draft document, PDMA will be modernized, put it in a position to act following the international standards and good practices. This, in turn, will facilitate both the primary and secondary GGB markets' efficiency even further.

As of 31 March 2022, the Greek public debt (in general government terms and after derivatives) has the following main characteristics:

1. Outstanding amount: 357.6 billion EUR

2. Fixed debt to total debt: 98.2 percent

3. FX exposure: 0.5 percent

4. Inflation risk: 0 percent5. Weighted average life: 20.11 years

6. Time to net refixing: 18.5 years

7. Annual servicing cost: 1.5 percent

On top of the aforementioned:

1. Cash reserves: circa 40 billion EUR

2. Annual gross financing needs (as a percentage of GDP): circa 10 percent

All the above mentioned provide confidence that the Hellenic Republic:

1. Will meet its debt obligations, in any case.

2. Will not be significantly affected by an increasing interest rate environment as other Eurozone peers. This is mainly due to the favourable structure of public debt portfolio and the high level of cash reserves that provides a lot of flexibility and shields Greece form market risks.

Significant percentage of bilateral loans and government bonds with floatable interest rates and foreign currencies are hedged with interest rate and currency swaps. This reduces the FX and interest rate exposure of the Greek debt as much as possible. The mark-to-market valuation of derivative products of the Greek Central Administration, as recorded in the balance sheet of 31 December 2020, was 8.9 billion EURs.

The stock of NPLs of Greek banks fell to 18.4 billion EUR at the end of December 2021. This is a drop of 28.8 billion from the end of December 2020 and of 90.3 billion EUR from its March 2016 peak. This reduction in NPL stock in 2021 was achieved mainly through loan sales amounting to 26.2 billion EUR. The participation of the Greek government was achieved though government guarantees and more specifically through the Hellenic Asset Protection Scheme, according to Law 4649/2019, covering loans with senior rating that amount to 18.56 billion EUR (preliminary data 31 December 2021). The reduction of NPLs was also supported, to a lesser extent, through active NPL management (i.e., loan restructurings/forbearance, collection of arrears, collateral liquidation, etc.) and the lifting of the moratoria on loan repayments by easing repayment terms given by banks to facilitate their customers.

Furthermore, 695 billion EUR government guarantees were granted in the context of the SURE Program (job protection scheme) as well as the Greek Investment bank (1.76 billion EUR) for enterprise funding purposes affected by the outbreak and spread of COVID-19 (preliminary data December 31, 2021). Government guarantees granted for entrepreneurship loans (EIB loans to Greek banks) amount to 1.6 billion EUR.

Finally, government guarantees have been granted to entities within the General Government and amount to 2.51 billion EUR. Guarantees granted to entities not classified in general government amount to 5.5 billion EUR.

The magnitude of the fallout from the pandemic, which cannot yet be quantified, is expected to manifest itself with some lag (i.e., after the support measures have been fully lifted). Therefore, a careful phasing-out of the support measures by the Eurosystem, EU, the governments, and the banks with early warning systems and prudent actions is crucial.

Bank of Greece: The central bank of Greece is an independent authority exercising a public function: it pursues price stability (i.e., control over inflation (the rate of increase in prices)) and the stability and smooth operation of the financial system (banks, insurance companies, etc.). While remaining institutionally and operationally independent, it is subject to democratic control by Parliament. The Bank of Greece is an integral part of the Eurosystem.

Public Debt Management Agency: It is a legal entity under public law—established according to the Law N. 2628/6.7.1998—to undertake the financing of the needs of the State, the improvement of the cost of funding, and the achievement of the best possible structure (composition and maturity) of the public debt according to the needs of the Hellenic State and the prevailing international economic conditions. The general manager of the Hellenic competent Authority, Public Debt Management Agency PDMA, answered a relevant questionnaire providing us with information and evidence.

Hellenic Fiscal Council: Assesses the macroeconomic forecasts upon which the Medium Term Fiscal Strategy (MTFS), evaluates the implementation of fiscal rules, and monitors compliance with numerical fiscal rules as determined in the national fiscal management framework.

Hellenic Court of Audit: Statement of Assurance on the State's Budget Execution Report and Financial Statements (the Statement of Assurance) produced by the Hellenic Court of Audit

Hellenic Republic - Ministry of Finance: State Budget and State Budget Execution Reports, State Account-Annual Balance and other Financial Reports

1. Public Procurement pertaining to the Response to the Pandemic: Conclusions from the H.C.A's precontractual audit, https://www.elsyn.gr/sites/default/files/SUMMARY_6.pdf. https://www.elsyn.gr/sites/default/files/%CE%95%CE%9A%CE%98%CE%95%CE%A3%CE%97%20%CE%95%CE%9B%CE%95%CE%93%CE%A7%CE%9F%CE%A5%206%20%CE%A0%CE%A1%CE%9F%CE%A3%CE%A5%CE%9C%CE%92%CE%91%CE%A4%CE%99%CE%9A%CE%9F%CE%A3%20%CE%95%CE%9B%CE%95%CE%93%CE%A7%CE%9F%CE%A3.pdf.

2. COVID-19: One-off financial assistance to the long-term unemployed, https://www.elsyn.gr/sites/default/files/%CE%95%CE%9A%CE%98%CE%95%CE%A3%CE%97%20%CE%95%CE%9B%CE%95%CE%93%CE%A7%CE%9F%CE%A5%2010%20COVID-19_%CE%91%CE%9D%CE%95%CE%A1%CE%93%CE%99%CE%91.pdf.

3. Statement of Assurance on the State's Budget Execution Report and Financial Statements (the Statement of Assurance) 2020, https://www.elsyn.gr/sites/default/files/Diadilosi2020.pdf.

[a]Calculated using par value. The data concerning total public debt (central government) refer to the Central Administration, according to Law. 4270/2014. Budgetary Central Government Debt differs from General Government Debt (Maastricht definition) by the amount of intra-sectorial debt holdings and other ESA adjustments. Guarantees are monitored as off-balance sheet obligations and are presented in the notes of the financial statements as contingent liabilities

[b]Refers to debt held in EUR

[c]Refers to debt held in currencies other than EUR

[d]The data concerning annual interest payments as a share of Central Administration revenue for the financial year 2021 do not include interest paid for derivatives according to P.D. 54/2018 and the implementation of the accounting policy.

[e]Financial transaction include transactions concerning equity instruments (equity shares, financial instruments e.g., Government bonds, bilateral loans, etc.) and fixed assets, such as privatizations and acquisitions.

Hellenic Court of Audit

The Hellenic Court of Audit (HCA) audits expenditure and monitors the revenue of the State, as well as that of Local Government Agencies or of other Legal Entities. HCA is also required to submit to Parliament both an Annual Report on the State's Annual Financial Statements and a Balance Sheet. Furthermore, HCA adjudicates on cases concerning the audit of the accounts, pension grants, and the civil liability of public servants. In addition, it provides an expert opinion on laws regulating pensions, as well as on any other issue defined by law.

Working Group on Public Debt

GUATEMALA

Overview

Guatemala, like the rest of the countries of the world, was affected by the COVID-19 pandemic. It declared a State of Public Calamity to mitigate the pandemic's effects of COVID-19 on 5 March 2020, through Government Decree No. 5-2020. The Congress of the Republic ratified it in Legislative Decree No. 8-2020. This declaration gave powers to the Presidency of the Republic to address the health emergency arising from the spread of the virus. The following describes the main actions developed in the management and implementation of projects financed with public debt (external loans) from International Financial Organizations and/or Friendly Nations. The following information on the Public Debt in Guatemala was prepared with the valuable collaboration of the Public Credit Directorate of the Ministry of Public Finance.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	146,020.6 GTQ	157,325.85 GTQ	189,187.55 GTQ	204,666 GTQ
Domestic:	82,386.92 GTQ	87,221.66 GTQ	107,743.93 GTQ	119,005.74 GTQ
External:	63,633.68 GTQ	70,104.19 GTQ	81,443.62 GTQ	85,660.26 GTQ
Public debt as a share of gross domestic product (GDP)[c,d]	26.5%	26.5%	31.6%	30.8%
Central government annual budget surplus/ (deficit) as a share of GDP[b,e]	(1.9)%	(-2.2)%	(-4.9)%	(-1.2)%
Average interest rate on debt outstanding[c,f]				
Domestic:	7.51%	7.41%	7%	6.96%
External:	4.6%	4.76%	4.52%	4.48%
Annual interest payments as a share of central government revenue[b,g]	13.37%	14.34%	15.86%	13.85%
Public debt maturing in the next 12 months[c,h]	*	*	*	6.16%
Average maturity of debt outstanding[c,i]	8.6	9.3	10.3	10.7

Source: Public Credit Directorate, Ministry of Public Finance.

Table endnotes are listed at the end of this document.

The spread of the COVID-19 pandemic has threatened to slow down the country's progress towards improving the health and nutrition status of the population and towards meeting the Sustainable Development Goals by 2030.

Regarding loans, the Congress of the Republic of Guatemala approved seven programs that are being financed by different Multilateral Financial Organizations. Two of these programs were intended to support the Central Government in dealing with the emergency caused by COVID-19, considering that its financing modality was to support the State Budget: (1) Second Loan with the World Bank for Development Policies on Disaster Risk Management with a Catastrophe Deferred Disbursement Option (CAT DDO)/No. 8962-GT, and (2) IDB Loan 3786/OC-GU Tax Administration and Transparency Program (PBL). See appendix 1.

Additionally, through Decree No. 13-2020, Law for the Economic Rescue of Families due to the Effects Caused by COVID-19, the Congress of the Republic of Guatemala approved the issuance of Treasury Bonds of the Republic of Guatemala for 11,000.0 million GTQ. In accordance with this law, the corresponding resources from this figure were destined to alleviate the economic crisis derived from the pandemic, favoring individuals and families with lower incomes, in addition to protecting employment and working capital financing for companies. As of 31 December 2020, Treasury Bonds were delivered to the central Bank of Guatemala so that the Government of Guatemala received an amount of 10,645.0 million GTQ from that regulation.[4]

The prudent macroeconomic management for which Guatemala is internationally recognized and the low precrisis levels of public debt made it possible to activate countercyclical fiscal and monetary policies. The figures provided by the economic authorities and international financial organizations on the effect of COVID-19 on the economy indicated that the Gross Domestic Product reached a decrease in 2020 of -1.8 percent, as opposed to the predictions made by the International Monetary Fund (IMF) of - 4.5 percent this fall, was not as strong as expected. This is attributed to the resilience of the Guatemalan economy in terms of economic activity in general, the exchange rate, the value of the currency, the level of international monetary reserves, the remittances sent by fellow citizens living abroad, and the country's moderate level of debt. As of 31 December 2020, the debt was 31.6 percent.[5]

During the pandemic, it is important to point out that the monetary policy of the main countries had an expansive nature in the amount of money in circulation. This policy favored obtaining resources with relatively low interest rates in the international financial market. In 2020, Guatemala issued 12- and 30-year Treasury Bonds in the foreign market with coupon rates of 5.375 percent and 6.125 percent, respectively.

Additionally, in 2020, a relaxation of monetary policy was also observed in the domestic market, which favored the State of Guatemala to obtain relatively low placement rates for Treasury Bonds, with a weighted average of 5.3916 percent.

Regarding the behavior of the debt market, during the COVID-19 crisis, the country had no limitations to access it. This is because, as part of the closure of borders, each country managed to take advantage of the capacities and potential of its domestic market for financing.

At the end of 2019, the Debt/GDP indicator stood at 26.5 percent. Derived from the measures to mitigate the crisis caused by COVID-19, at the end of 2020 and 2021, the Debt/GDP indicator reached 31.6 percent and 30.8 percent, respectively. The decrease in the Debt/GDP indicator for the year 2021 is explained by the growth in GDP, which reached 8 percent. See appendix 2.

In general terms, in relation to the impact of the health crisis and its relationship with fiscal sustainability, we can indicate that most countries were affected by the pandemic and the confinement of their inhabitants. Thus, the economic activity in most countries contracted. However, in the case of Guatemala, this contraction reached an indicator of -1.8 percent of GDP, making it one of the least affected countries in Central and Latin America. In turn, the fiscal accounts in tax matters decreased with respect to the foreseen goals. The fiscal deficit reached 4.9 percent.

The Federal Reserve of the United States of America initiated a process of increasing interest rates to stabilize the world economy. This came in response to the affectation of the interest rate, derived from inflationary pressures, the consequences of the COVID-19 pandemic, the affectation of the price of oil and the supply chain, the crisis of maritime and cargo transport, and the Russia-Ukraine conflict. This move is designed to increase in the interest rate of the public debt.

Regarding public demand, countries may be limited in access to debt markets. This would mainly affect those countries that are highly indebted because of the costs and conditions of access to credit.

The Congress of the Republic of Guatemala approved seven programs that are being financed by different Multilateral Financial Organizations. Two of these programs were intended to support the Central Government in dealing with the emergency caused by COVID-19, considering that its financing modality was provided to support to the State Budget: (1) Second Loan with the World Bank for Development Policies on Disaster Risk Management with a Catastrophe Deferred Disbursement Option (CAT

[4]Decree 20-2020 approved the placement of Treasury Bonds for 4,840.3 million GTQ, whose resources served to partially finance health expenses to address the effects of the COVID-19 pandemic.

[5]Public Credit Operations Report consulted on May 19, 2022, at www.minfin.gob.gt.

DDO)/No. 8962-GT, and (2) IDB Loan 3786/OC-GU Tax Administration and Transparency Program (PBL).

Likewise, in relation to the bonded debt, in 2020, the Government of the Republic of Guatemala used a constitutional exception (Article 133 of the Political Constitution of the Republic of Guatemala). This gave Guatemala the resources to face the pandemic. It also allowed the direct obtaining of financial resources from the Central Bank in exchange for the delivery of Treasury Bonds of the Republic of Guatemala—with a term of 20 years and an interest rate equivalent to the average passive rate of the banking system.

Finally, the Ministry of Public Finance introduced initiatives below as part of the efforts to support the mitigation of the effect of the COVID-19 pandemic. It presented them through the Presidency of the Republic. On 17 November 2020, the Congress of the Republic approved the initiatives as a national emergency. They did not take effect and, according to Decree No. 19-2020, were sent to the archive of the Legislative Directorate:

- Rapid Financing Instrument with IMF for up to SDR 428.6 million; and
- Guatemala Response Project to COVID-19/IBRD 91.56-GT with the World Bank for up to US$20 million.

A risk that affects the management of public credit operations is the loss of financing due to the nonapproval of loans by the Congress of the Republic.

The challenge is to take advantage of the financial resources offered by International Financial Institutions (IFI), considering that the financial conditions are more concessional than other sources of financing. In addition, as an additional advantage, IFIs offer support and guidance in the design and implementation of the projects financed.

The risk of an increase in the interest rate due to inflationary pressures, the consequences of the COVID-19 pandemic, the effect on the price of oil and the supply chain, the crisis in maritime and cargo transport, and the conflict Russia-Ukraine.

Regarding the foreign currency risk, it is important to indicate that the country has been decreasing the indicator of indebtedness in foreign currency. For 2019, that number stood at 48.6 percent. In 2021, it decreased and currently stands at 44.6 percent. Risk Rating Agencies that evaluate Guatemala consider this figure an important element in managing the portfolio against external shocks.

The challenge is to make use of public debt resources under the best favorable conditions. It is important to note that Guatemala has the lowest Debt/GDP indicator in Latin America. This is an attractive credit for investors.

For public credit operations to advance in their execution, the institutional capacity of the Executing Entities to execute the financed projects and deliver the infrastructure works and/or goods and services to the beneficiary population is important.

The above information on the Public Debt in Guatemala was prepared with the support from the Public Credit Directorate of the Ministry of Public Finance. It, in turn, has informed on how recent health crises have affected public debt and fiscal sustainability.

SAI Guatemala annually audits the Directorate of Public Credit of the Ministry of Public Finance. Its primary objective is to evaluate the operations, records, and supporting documentation of the budget execution of income and expenses related to loans, donations, and Treasury Bonds executed by this directorate and its internal control.

This work is carried out through combined audits: financial and compliance. Sometimes the work of a systems expert is used to evaluate the reliability of the computer systems used for the control and statistical registration of donations, loans, and securities.

The criteria used in the audit focus on the general and specific laws relating to the entity and its operations.

Reports that SAI Guatemala has issued related to the recent health crises mainly focus on the proper use of resources allocated for economic and social programs approved by the Congress of the Republic. These resources are created or strengthened to protect the most vulnerable population, strengthen the response of the public health system, and minimize the negative effect on economic activity derived from the COVID-19 pandemic in Guatemala. Below are some relevant reports:

- "Special Audit Examination of Civil Society, Social Development Fund -FODES-, Executing Unit Attached to the Ministry of Social Development," link: Descargar (contraloria.gob.gt) or https://www.contraloria.gob.gt/
- "Special Compliance Audit Examination with Limited Assurance Level, Ministry of Economy," link: Descargar (contraloria.gob.gt) or https://www.contraloria.gob.gt/
- "Special Audit Examination, Ministry of Public Health and Social Assistance," link: Descargar (contraloria.gob.gt) or https://www.contraloria.gob.gt/

[a]Not adjusted for inflation.

[b]The World Health Organization declared COVID-19 a global pandemic on 11 March 2020.

[c]Data for the financial year 2021 are not yet audited and are considered preliminary.

[d]Source: Public Credit Operations Report as of 31 December 2021. Indebtedness of external loans and bonds vs. GDP per year.

[e]Source: SITFIN, https://www.minfin.gob.gt/images/daf/documentos/doc2.pdf.

[f]Source: Public Credit Operations Report as of 31 December 2021. Weighted average interest rate.

[g]Source: Public Credit Operations Report as of 31 December 2021. Annual interest payments on public debt as a percentage of total income.

[h]Source: Public Credit Operations Report. Public debt service close to maturity with balances as of 31 December 2021.

[i]ATM years.

Contraloría General de Cuentas

The Office of the Comptroller General of Accounts is the technical institution that oversees public resources and government control that, within a framework of probity, transparency, and accountability, seeks to improve the effectiveness of the quality of public spending that promotes an impact on the well-being of Guatemalan people.

HUNGARY

Overview

In Hungary, macroeconomic and fiscal developments improved steadily between 2010 and 2019. This allowed the March 2020 COVID-19 outbreak to hamper a national economy with strong and stable fundamentals and a sustainable growth path. Following the emergence of the COVID-19 pandemic, fiscal policy has strengthened the resilience of the national economy through conscious fiscal policy choices, investment stimulus, and targeted support measures to improve labor market processes. In spring 2020, monetary policy increased the flow of money into the economy through credit institutions. That policy introduced liquidity-providing instruments to support the financing of firms by maintaining lending activity. Consequently, the stimulus measures strengthened the resilience of the national economy. This, in turn, reduced the public debt-to-GDP ratio from 65.5 percent in 2019 to 79.6 percent at the end of 2020 and 76.8 percent at the end of 2021.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	29,970.7 million HUF	30,960.1 million HUF	37,606 million HUF	42, 414.2 million HUF
Domestic	23.023 million HUF	24,571.1 million HUF	29.145 million HUF	32.830 million HUF
External:	6.948 million HUF	6.389 million HUF	8.461 million HUF	9.584 million HUF
Public debt as a share of gross domestic product (GDP)	69.1%	65.5%	79.6%	76.8%
Central government annual budget surplus/ (deficit) as a share of GDP	(2.1)%	(2.1)%	(7.8)%	(6.8)%
Average interest rate on debt outstanding[b]	3.5%	3.6%	3.3%	3.4 %
Annual interest payments as a share of central government revenue[b]	5.3%	5.1%	5.4%	5.7%
Public debt maturing in the next 12 months[b]	26.8%	21%	14.8%	10.4%
Average maturity of debt outstanding[b]	45.6 months	51.6 months	64.8 months	73.2 months

Source: State Audit Office of Hungary analysis.

Table endnotes are listed at the end of this document.

In Hungary, macroeconomic and fiscal developments improved steadily between 2010 and 2019. This allowed the March 2020 COVID-19 outbreak to hamper a national economy with strong and stable fundamentals and a sustainable growth path. Following the emergence of the COVID-19 pandemic, fiscal policy has strengthened the resilience of the national economy through conscious fiscal policy choices, investment stimulus, and targeted support measures to improve labor market processes. In spring 2020, monetary policy increased the flow of money into the economy through credit institutions. That policy introduced liquidity-providing instruments to support the financing of firms by maintaining lending activity. Consequently, the stimulus measures strengthened the resilience of the national economy. This, in turn, reduced the public debt-to-GDP ratio from 65.5 percent in 2019 to 79.6 percent at the end of 2020 and 76.8 percent at the end of 2021.

Real GDP fell 5 percent in 2020 compared to the previous year due to the economic shock of the COVID-19 pandemic. As a result of economic policy measures to support the economic recovery in 2021, real GDP grew 7.1 percent in 2021 compared to the previous year.

In 2020 and 2021, the Government of Hungary has supported the fight against the coronavirus pandemic, the containment of the economic downturn, and the restart of the economy with an amount of 10,000 billion HUF.

Before the COVID-19 pandemic, Hungary had favorable fiscal developments. The public debt-to-GDP ratio fell from 80.4 percent in 2011 to 65.5 percent in 2019. During the crisis caused by the COVID-19 pandemic in 2020, Hungary saw a strong push for active state involvement, seeking to cooperate with and encourage economic actors. Resilient fiscal policy was most needed to build the resilience of society, health, and the economy to the negative effects of the pandemic. At the same time, the stimulative public measures have strengthened the resilience of the national economy. The public debt-to-GDP ratio rose from 65.5 percent in 2019 to 79.6 percent at the end of 2020.

The coronavirus pandemic caused financial market turbulence in March 2020, doubling the level of long-term (5-, 10-, 15- and 20-year) government bond benchmark yields. However, by the end of 2020, the level of yields will have fallen back to the levels prevailing before the outbreak of the COVID-19 pandemic, thanks to monetary policy measures taken in 2020. However, the level of long-term (5-, 10-, 15-, and 20-year) benchmark government bond yields roughly doubled by the end of 2021 compared to end-2019 levels, following monetary measures taken to curb inflation from the second half of 2021.

The economic downturn caused by the pandemic that began in 2020 and the introduction of the emergency gave the government the authority to derogate from the debt rule. In 2021, the economy expanded compared to the previous year. Thus, the exemption from the debt rule in 2021 became unenforceable.

The consolidated gross debt of the general government sector at the end of 2021 was estimated at 42,414.2 billion HUF. This brought the Maastricht debt-to-GDP ratio to 76.8 percent—a reduction of 2.8 percentage points compared to 79.6 percent in 2020.

Over the period, the main objectives of public debt management have been to increase the average maturity of the overall debt portfolio and to diversify the investor base (i.e., to provide more funding). As a result, the share of forint (HUF) debt in public debt decreased from 82.1 percent to 78.9 percent between 31 December 2019, and 31 December 2021. Meantime, the share of foreign currency debt increased from 17.3 percent to 20.6 percent over the same period. However, simultaneously, the average residual maturity of forint debt increased from 4.2 years to 5.1 years, while the average residual maturity of foreign currency debt increased from 4.8 years to 9.8 years. Overall, the average residual maturity of total government debt increased from 4.3 years to 6.1 years between the end of 2019 and the end of 2021.

The COVID-19 pandemic caused financial market turbulence in March 2020, doubling the level of long-term (5-, 10-, 15- and 20-year) government bond benchmark yields. However, by the end of 2020, the level of yields will have fallen back to the levels prevailing before the outbreak of the COVID-19 pandemic, thanks to monetary policy measures taken in 2020. However, the level of long-term (5-, 10-, 15-, and 20-year) benchmark government bond yields roughly doubled by the end of 2021 compared to year-end 2019 levels, following monetary measures taken to curb inflation from the second half of 2021.

In 2020, fiscal and monetary policy launched loan and guarantee programs that provided adequate support to businesses to continue their economic activities and strengthen their willingness to invest. Government interest rate and guarantee-subsidized loans and the NHP Go! launched by the central bank provided businesses with predictable working capital and investment loan facilities at favorable interest rates. In turn, these businesses could use the rates for their operational and long-term operations and development.

The crisis of confidence and financial market turbulence caused by the COVID-19 pandemic has challenged monetary policy to maintain the momentum of lending to both households and corporates.

The measures put in place to control the spread of the COVID-19 pandemic and protect human lives have protected people's health. However, these measures have also hurt the economy’s supply and demand. The pandemic decreased production and led to a fall in the use of services. This triggered negative trends in the sectors most affected (tourism, catering, and programs requiring personal presence in the arts, entertainment and leisure sector), which later spread to the whole economy. Liquidity problems developed in the economy. This hurt the labor market and reduced the willingness of economic operators to invest.

The risk of having to refinance maturing public debt at higher interest rates declined during the COVID-19 pandemic (2020-2021). The ratio of maturing public debt fell from 26.8 percent at the end of 2018 to 14.8 percent at the end of 2020, and to 10.4 percent at the end of 2021.

No currency risks have been identified. We have not identified any other specific situations and circumstances that could affect the evolution of public debt.

Pursuant to Section 5 (13) of Act LXVI of 2011 on the State Audit Office of Hungary (SAO Act), the State Audit Office of Hungary (SAO) prepares analyses and studies to assist the Fiscal Council in the performance of its duties.

SAO has continuously assessed the effect of the pandemic on macroeconomic and budgetary processes, including the public debt, since the outbreak of the COVID-19 pandemic. It has incorporated its assessment into its analytical framework. Thus, since May 2020, SAO has assessed, among other things, the effect of the pandemic on public finances, the labor market, transport development, tourism, and fiscal policy. SAO monitors and assesses macroeconomic and fiscal developments on an ongoing basis to underpin its advisory role under the SAO Act.

SAO's analyses on the subject have reviewed the macroeconomic forecasts published by major international organizations, publicly available analyses and data from the Government, the Central Bank of Hungary, the State Debt Management Centre, the Hungarian State Treasury, and the Hungarian Central Statistical Office. The analyses reviewed and assessed the economic and fiscal forecasts and projections available for 2021-2024, and the economic and fiscal facts published for 2020-2022.

The summary of SAO's analyses supporting the work of the Fiscal Council includes inter alia, the analyses prepared by SAO for 2020 and 2021 on the COVID-19 pandemic's effect on public debt or fiscal sustainability. The analysis is available here:

https://www.asz.hu/storage/files/files/elemzesek/2022/Osszefoglalo_KT_elemzesek.pdf?ctid=1310

The 2020 and 2021 analyses included in the summary analysis referenced in the previous section, and the data sources referenced in those analyses.

ANALYSIS - Reducing vulnerability to public debt (December 2020), https://www.asz.hu/storage/files/files/elemzesek/2020/serulekenyseg_merseklese_allamadossag_20201217.pdf?ctid=1296.

ANALYSIS - Financial vulnerability of the population (May 2020), https://www.asz.hu/storage/files/files/elemzesek/2020/lakossag_penzugyi_serulekenysegerol_20200520.pdf?ctid=1296.

ANALYSIS - State size, centralization rate, redistribution rate, impact of tax policy on competitiveness and counter-cyclical economic policy (November 2020), https://www.asz.hu/storage/files/files/elemzesek/2020/allam_merete_20201209.pdf?ctid=1296.

ANALYSIS - Economic recovery following the COVID-19 pandemic: Public finance implications (June 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/korona_kozpenzugyi_hatasok.pdf?ctid=1307.

ANALYSIS - Second half of the 2020 budget process (May 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/koltsegvetes_2020_2_felev.pdf?ctid=1307.

ANALYSIS - The macroeconomic context and of the budgetary processes in 2020 in connection with the audit of the final accounts (October 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/E2125_2020_ktv_makrogazd_osszefugg.pdf?ctid=1307.

ANALYSIS - Fiscal policy developments during the COVID-19 pandemic with special reference to VAT and PAYE tax policy (August 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/E2110.pdf?ctid=1307.

ANALYSIS - Fiscal risks of monetary policy (June 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/E2102_monet__ris_politika_osszefuzott_KKO.pdf?ctid=1307.

ANALYSIS - Factors affecting household savings and their eligibility for public debt financing (October 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/E3213_Lak_megtak_ET_vegl_ism2___sszef__z__tt_SKO.pdf?ctid=1307.

ANALYSIS - Competition aspects of the market for protection instruments during the COVID-19 pandemic (May 2021), https://www.asz.hu/storage/files/files/elemzesek/2021/COVID_0521.pdf?ctid=1307.

ANALYSIS - Summary of SAO's analyses in support of the work of the Budget Council (March 2022), https://www.asz.hu/storage/files/files/elemzesek/2022/Osszefoglalo_KT_elemzesek.pdf?ctid=1310.

ANALYSIS - The effect of the pandemic on transport infrastructure development, in particular rail infrastructure (March 2022), https://www.asz.hu/storage/files/files/elemzesek/2022/E2126_Jarvany_kozl.pdf?ctid=1310.

ANALYSIS - Impact of the COVID-19 pandemic on the development and uptake of e-Health services (March 2022), https://www.asz.hu/storage/files/files/elemzesek/2022/Elemzes_COVID_19_egeszsegugyi_e_szolg.pdf?ctid=1310.

ANALYSIS - The Fiscal Council on the second half of 2021 (April 2022), https://www.asz.hu/storage/files/files/elemzesek/2022/E2221_2021_II_feleves_folyamatokrol.pdf?ctid=1310.

ANALYSIS - The impact of monetary policy and fiscal policy on the economy in crisis management (April 2022),

https://www.asz.hu/storage/files/files/elemzesek/2022/E2209_Mon_fisk_pol.pdf?ctid=1310.

ANALYSIS - The link between medium-term budgetary frameworks and annual budgets (May 2022), https://www.asz.hu/storage/files/files/elemzesek/2022/E2123_Kozeptavu_ktsgv_keretszamok.pdf?ctid=1310.

All the analyses produced by the State Audit Office of Hungary are available here: https://www.asz.hu/hu/publikaciok/osszes-elemzes.

[a]Not adjusted for inflation.

[b]Data for the financial year 2021 are not yet audited and are considered preliminary.

SAI Hungary

No description provided.

INDIA

Overview

There is an increase of 18 trillion (1803466 lakh crore rupees) in public borrowings post-COVID-19 (Dec. 2020) as compared to the pre-COVID-19 (Dec. 2019) borrowings. The public debt as a share of GDP has risen to 49.28 percent after COVID-19 as compared to pre-COVID-19 (40.37 percent). The annual Central Government Budget deficit has increased from 4.31 percent to 8.03 percent after COVID-19. The average interest rate on debt outstanding has dropped from 9.66 percent to 8.65 percent. The interest payments as a share of total annual Central Government revenue has increased from 34.94 to 38.84 after COVID-19. The public debt maturing in the next 12 months fell from 3.34 percent to 2.75 percent due to long-term borrowings and reinvestments of securities. Average maturity of debt outstanding is 240 months (20 years), compared to 180 months (15 years) in pre-COVID-19.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of31 December 2021[b]
Total public debt (central government)[a]	71.7 trillion INR (7171518)[c]	80.7 trillion INR (8076031)	98.0 trillion INR (9803446)	39.4 trillion INR (3943939)
Internal:[d]	69.1 trillion INR	77.8 trillion INR	94.4 trillion INR	38.4 trillion INR
External:[e]	2.6 trillion INR	2. 9 trillion INR	3.7 trillion INR	1.1 trillion INR
Public debt as a share of gross domestic product (GDP)	38.87%	40.37%	49.28%	45.03%
Central government annual budget surplus/ (deficit) as a share of GDP	(3.44)%	(4.31)%	(8.03)%	(13.86)%
Average interest rate on debt outstanding	10.07%	9.66%	8.65%	8.29%
Annual interest payments as a share of central government revenue	34.77%	34.94%	38.84%	34.73%
Public debt maturing in the next 12 months	2.9%	3.34%	2.75%	9.66%
Average maturity of debt outstanding		180 months (15 years)		240 months (20 years)

Source: Public debt: Ministry of Finance, Government of India. GDP: Ministry of Statistics and Programme Implementation (MOSPI), Government of India.

Table endnotes are listed at the end of this document.

[a]Total Public debt is calculated using current market value and includes Internal Debt and External Debt. Not adjusted for inflation.

[b]Data for the financial year 2021 are not yet audited and are considered preliminary.

[c]Lakh crore rupees.

[d]nternal Debt comprises loans raised in the open market, compensation and other bonds, etc. It also includes borrowings through treasury bills, including treasury bills issued to State Governments, Commercial Banks, and other Investors, as well as non-negotiable, non-interest-bearing rupee securities issued to International Financial Institutions.

[e]External debt includes loans from multilateral, Bilateral, IMF, commercial borrowings, NRI deposits, Rupee debt, and short-term debt (including short-term trade credit).

Note: SAI India prepares financial statements (annual finance accounts) for the period from 1 April to 31 March. With a view to compare the “effect of recent health crises (COVID-19) on public debt” with other countries like the U.S. which prepare the Annual Financial Statements for the calendar year commencing from 1 January to 31 December, the SAI INDIA has taken the data for the period from 1 January to 31 March (3 months’ data of previous financial year) and from 1 April to 31 December (9 months’ data of current financial year). The data are prepared in accordance with the template provided by the U.S. Government Accountability Office.

SAI India

No description provided.

IRELAND

Overview

Public debt increased significantly during the 2 years of the pandemic. At the end of last year, it stood at 237 billion EUR. The economic shock triggered by the COVID-19 pandemic—and the associated fiscal support to soften its blow—increased public indebtedness in Ireland over the last 2 years. This policy choice became necessary to minimize income losses in the private sector and limit the "scarring"—or economic "long-COVID-19" —effects of the pandemic.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	205,275 million EUR	206,730 million EUR	219,482 million EUR	237,177 million EUR
Domestic	158,089 million EUR	161,140 million EUR	171,126 million EUR	189,627 million EUR
External:	47,186 million EUR	45,590 million EUR	48,356 million EUR	47,550 million EUR
Public debt as a share of gross domestic product (GDP)	63%	58%	59%	56%
Central government annual budget surplus/ (deficit) as a share of GDP[b]	0.0%	0.3%	(5.0)%	(1.7)%
Average interest rate on debt outstanding	2.6%	2.24%	1.74%	1.5%
Annual interest payments as a share of central government revenue	7.18%	5.92%	5.53%	3.79%
Public debt maturing in the next 12 months	14.32%	18.23%	13.02%	14.03%
Average maturity of debt outstanding	126 months	128 months	136 months	131 months

Source: National Debt of Ireland Financial Statements 2018 - 2021, Central Statistics Office, Department of Finance Annual Report on Public Debt in Ireland 2021.

Table endnotes are listed at the end of this document.

Department of Finance, Ireland, considered allowing debt to increase the most appropriate way to limit the economic disruption from the pandemic. As well as cushioning household incomes and firm revenues in the short term, the debt issued to finance increased expenditure and tax reductions helped to minimize economic “long-COVID-19” (i.e., to limit “scarring” effects on the economy).

As a share of national income, this is an estimated 106 percent, up from 95 percent just before the pandemic. This is equivalent to around 47,250 EUR for every person in the country, a figure that is amongst the highest in the world.

Several structural aspects help to mitigate the accumulation of gross public indebtedness

- A balance sheet approach—which takes account of financial assets as well as liabilities—shows a somewhat better position. The general government sector had assets of the order 18 % of national income at the end of 2021.
- The balance sheet position is further strengthened by the fact that some of the debt issued in recent years has been purchased by the Central Bank of Ireland as part of the eurosystem’s Pandemic Emergency Purchase Programme.
- Notwithstanding the increase in gross indebtedness, the debt service burden has continued to fall, reflecting exceptionally low sovereign borrowing costs.
- Favorable financing conditions have also enabled the National Treasury Management Agency to issue longer dated bonds to help maintain the long average life of the debt.

The Department of Finance, Ireland, has stated that:

- While the increase in public debt can be absorbed, the public finances remain exposed to a fall in the corporation tax yield. An adverse shock to the economy—one that puts the debt-income ratio on a rising trajectory—is an additional risk.
- While deficit-financed expenditure is sometimes appropriate in a downturn, the economy is now rebounding strongly following the elimination of almost all restrictions; countercyclical budgetary policy works in both directions.
- The direction of travel for sovereign borrowing costs is clear: as central banks in the euro area look to withdraw their support from sovereign debt markets, the cost of borrowing will rise.
- The population is aging and the planet is warming; financing these scientifically-proven developments involves serious fiscal challenges. A “head-in-the-sand” approach to adverse demographic trends would involve serious intergenerational inequalities.

Audit work completed by SAI related to the impact of the recent health crises on public debt or fiscal sustainability includes:

Report on the Accounts of the Public Services, 2020.

- Chapter 1 Exchequer financial outturn for 2020
- Chapter 2 Overview of the cost of responding to COVID-19 – March 2020 to February 2021
- Chapter 6 Restart grant schemes
- Chapter 11 Controls over the COVID-19 pandemic employment payment
- Chapter 12 Controls over the temporary wage subsidy scheme

See above.

[a]The total amount of principal borrowed by Ireland not repaid at the end of the year. Debt balances are recorded at their redeemable par value. Debt is mainly composed of Irish Government Bonds, EU Bilateral Loans, Short Term Paper, Ministerial Fund Borrowings and State Savings Schemes liabilities.

[b]Gross Domestic Product (GDP) at current market price.

Office of the Comptroller and Auditor General, Ireland

The Comptroller and Auditor General oversees the audit of accounts across a wide range of State activities, which include Central Government, funds administered by government departments, State revenue collection, noncommercial state sponsored bodies, universities, third-level educational institutions, health bodies and agencies, and educational training boards.

ITALY

Overview

The Italian public debt has been strongly affected by the economic and financial consequences stemming from the pandemic. The debt-to-GDP ratio has remarkably expanded by over 21 percentage points in 2020, with a partial recovery of 4.4 points in 2021. The increase has been caused by the GDP fall coupled with higher deficit levels due to the extraordinary public support to businesses and households. Against this background the average interest rate on the outstanding debt has decreased, thanks to the favorable monetary policy stance and thanks to the public debt management strategy, implemented by the Treasury that has progressively increased the average maturity, thus limiting the refinancing risk.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt* (general government)[a]	2,381,509 million EUR	2,410,004 million EUR	2,572,727 million EUR	2,677,910 million EUR
Domestic:	1,690,842 million EUR (71%)	1,640,662 million EUR (68%)	1,803,459 million EUR (70%)	1,897,754 million EUR (71%)
External:	690,667 million (EUR 29%)	769,341.7 million EUR (32%)	769,268 million EUR (30%)	780,156 million EUR (29%)
Public debt in foreign currency	3,179.8 million EUR	3,247.2 million EUR	2,985.2 million EUR	3,203 million EUR
Public debt as a share of gross domestic product (GDP)**	134.4%	134.1%	154.9%	150.3%
General government annual budget surplus/ (deficit) as a share of GDP[b,]**	(2.2)%	(1.5)%	(9.5)%	(7.2)%
Average interest rate on debt outstanding[c,*]**	n/a	2.6%	2.4%	2.4%
Annual interest payments as a share of general government revenue	7.9%	7.2%	7.3%	7.3%
Public debt maturing in the next 12 months[b]	23.4%	23%	22.7%	21.6%
Average maturity of debt outstanding[b,*]	7.2 years	7.3 years	7.4 years	7.6 years
Total Public Debt (consolidated central government)	2.293.364 EUR million	2.324.876 EUR million	2.487.977 EUR million	2.590.344 EUR million
Public debt (consolidated central government) as a share of gross domestic product (GDP)	129.5%	129.4%	150.2%	145.9%

Source: *Bank of Italy, Public finance statistics. The debt aggregate is calculated according to the definition adopted in the Excessive Deficit Procedure of the European Union (Council Regulation (EC) No. 479/2009), as the sum of General government financial liabilities in the following categories: currency and deposits, debt securities, and loans; liabilities are valued at face value. Debt is alto consolidated, thus excluding liabilities of which the corresponding financial assets are held by the sector of general government. The list of institutional units included in General government is updated and published every year by Istat.

**Istat, The Italian National Institute of Statistics, Notification of general government deficit and debt according to the excessive deficit procedure - years 2018-2021, October 2022.

***Court of auditors, Report on the State financial statements 2019, 2020 and 2021.

Table endnotes are listed at the end of this document.

In the past 2 years, the Italian public debt trend has been massively affected by the pandemic. In 2020, the GDP suffered an exceptional fall by 9.0 percent in connection with the outbreak of the pandemic. The General government net borrowing raised to 9.6 percent and the public debt-to-GDP ratio reached its peak of 155.3 percent. In 2021, Italy achieved strong recovery in GDP and significant improvements in public finances. Gross domestic product grew by 6.6 percent in real terms, while General government net borrowing fell to 7.2 percent of GDP. Thanks to sustained output growth in nominal terms (7.2 percent), the public debt-to-GDP ratio at the end of 2021 fell to 150.8 percent, from its peak of 155.3 percent in 2020.

The recovery of economic activity in 2021 led to a relatively limited increase in the number of people employed and a more marked rise in the number of hours worked, which in 2020 had absorbed most of the decrease in labor demand. At the end of the year, however, hours worked per capita were still below pre-pandemic levels, also owing to the still intense use of wage supplementation schemes. In early 2022, employment grew at a slightly faster rate, but recourse to wage supplementation remained high.

In 2021, consumer prices in Italy returned to growth, driven - especially in the second half of the year - by the rise in energy prices. Core inflation remained at more moderate levels; only part of the higher production costs stemming from rising commodity prices passed through to selling prices.

As world trade staged a strong recovery, Italy's exports of goods rose sharply in 2021, despite the emergence of bottlenecks in global supply chains. Exports of services, while expanding significantly thanks to the recovery in tourism receipts, are instead still below pre-pandemic levels. Imports rose too, both for goods and services, driven by the improvements in domestic demand and in foreign sales. The current account surplus narrowed to 2.4 per cent of GDP, mainly owing to the larger energy balance deficit.

Foreign portfolio investments were high, reflecting both the need for risk diversification and the favorable developments in the international financial markets. Foreign investors showed an appetite for Italian non-bank private sector bonds. Italy's net international investment position - which became positive again in 2020 - strengthened further, reaching 7.4 per cent of GDP, benefiting from price adjustments and exchange rate variations, in addition to the current account surplus.

In the two year 2020-2021, the Italian Government has taken immediate action in response to the health crisis which resulted in an increase of public debt. In more details, in 2020 the budgetary variances approved by Parliament for 2020 amount to around €108 billion (equal to 6.5 percentage points of GDP). Based on the official ex ante evaluations of the decree laws that utilized the funds made available as a result, around half of the resources are estimated to have been allocated to measures in favor of firms and one third to direct support for households and workers; transfers to local authorities, the health system, education and security, account for the remainder. Among the measures for firms, the most important in financial terms were the non-repayable grants to VAT holders and to specific sectors hit by the emergency (€14.4 billion), the deferral of some tax payments (€14.9 billion) and the extension of public guarantees (approximately €8 billion). Much of the support for workers came in the form of wage supplementation for both the self-employed and employees (€27.8 billion).

In 2021, the Parliament authorized new measures to face the consequences of the pandemic, increasing the deficit by €71.4 billion. Around €52 billion were aimed at supporting firms and other economic operators; more than €11 billion were directed to support households and workers. €8 billion were used for the health system to face the emergency and the remaining (€5.9 billion) for transfers to local authorities, education and R&D. Altogether these measures determined an increase in net borrowing of 4.0 percent in proportion to GDP in 2021, and almost 0.3 percent, in terms of yearly average, in the following 3 years.

Following the pandemic crisis and the budgetary measures taken to mitigate its impact, the debt-to-GDP ratio reached 155.3 percent at the end of 2020, increasing by almost 21 percentage points, because of the peak in the primary deficit and because of the snow ball effect. The latter has weighed for almost 15 percentage points on the increase in the debt-to-GDP ratio, due to interest expenditure which remained stable at 3.5 percent of GDP and the nominal GDP significant decrease in 2020.

In 2021, the debt-to-GDP ratio fell by about 4.4 percentage points, reaching 150.8 percent from its peak of 155.3 percent in 2020. The improvement was driven by the economic recovery, which increased nominal GDP by 7.2 percent, while the implicit interest rate on debt remained stable at 2.4 percent. As a result, the snow-ball effect, which quantifies the automatic impact of the difference between interest expenditure and nominal GDP growth on the dynamics of the debt-to-GDP ratio, returned to contribute to the reduction of the debt-to-GDP ratio by about 6.8 percentage points.

The significant downward impulse from the snow-ball effect more than offsets the opposite impulse from the primary deficit, which amounted to about 3.7 percentage points. The performance of the stock-flow adjustment component also contributed to a fall of about -1.3 percentage points of the debt-to-GDP ratio in 2021. The lower impact on cash requirements deriving from the legislative measures adopted in 2021, with respect to the impact on the net borrowing, together with the effect deriving from negative issue discounts due to the phase of slight decline in interest rates in the first eight months of the year, more than offset the increase of approximately 0.3 percentage points of GDP in Treasury liquidity holdings at the Bank of Italy.

The reduction in the debt-to-GDP ratio is expected to continue in the current and the next three years. The economic growth expected in the coming years, together with the inflationary boost linked to energy prices, which has started to intensify since the end of 2021, will continue to support the contribution of the snow-ball component to the decline in the debt-to-GDP ratio, more than offsetting the interest expenditure component. In fact, a rise in government bonds yields is expected, as a result of the ECB's monetary policy announcements and decisions in response to the above-mentioned inflationary pressures, and the increased volatility of financial markets induced both by the same ECB's decisions and by the recent international geopolitical events.

In the Government forecasts, the downward trend of the debt-to-GDP ratio will mainly benefit from the expansionary impulse on GDP deriving from the budget maneuver for 2022-24, and from the implementation of the investment and reform programme of the National Recovery and Resilience Plan. However, the forecast scenario is characterized by high uncertainty due to both the war in Ukraine and the possible persistence of inflationary pressures, which are also affecting non-energy goods.

In 2022, according to the Government forecasts, the debt-to-GDP ratio target is revised downward to 147.0 percent. The expected reduction will come from a decrease in public sector borrowing requirement (about -1.4 percentage points with respect to 2021) and nominal GDP growth (6.3 percent). In 2023, the debt-to-GDP ratio is forecast to further decline to 145.2 percent. The pace of decline will be slower than in the previous year, due to lower nominal GDP growth of 4.6 percent and to broadly stable public sector requirement.

In 2024, the reduction of the net borrowing in the policy scenario to a level of -3.3 percent will allow the debt-to-GDP ratio to fall to 143.4 percent. Finally, the debt-to-GDP ratio target for 2025 is set at 141.4 percent, with an annual decrease of 2.0 percentage points.

Also contributing to this overall reduction of the ratio is the forecast of a gradual, but progressive, reduction of the Treasury's liquidity holdings, which at the end of 2025 are expected to return to a level slightly higher than that at the end of 2019, i.e., to values prior to the start of the pandemic crisis. Net of Italy's share of loans to EMU Member States, bilaterally or through the EFSF, and of the contribution to the capital of the ESM, the 2021 final estimate of the debt-to-GDP ratio is 147.6 percent, while the forecast stands at 138.8 percent in 2025.

In 2021, the composition of the debt securities portfolio has remained unchanged. 97.9 percent of the bonds are domestic, while only 2.1 percent has been issued abroad, in euro or foreign currencies. 76.9 percent of the bonds is issued at fixed interest rate, 12 percent at floating rate and 11.1 percent are inflation indexed.

In 2021, interest expenditure has increased as a consequence of the impact of the raising prices on inflation-indexed bonds.

In 2021-2022, issuance strategies implemented by the Treasury and debt management actions have resulted in the reduction of the exposure to refinancing risk and interest rate risk.

By issuing long and extra long-term bonds, the average maturity of the outstanding debt, at the end of 2021, increased to 7.11 years (6.95 percent in 2020), thus reducing refinancing risks. Coherently, the average refixing period index has gone up, from 6.02 years in 2020 to 6.19 years in 2021. On the contrary, the duration of the bonds has reduced from 6.26 to 6.13 years, due to the raising interest rates during the year.

According to the Government estimates, a shock of 100 basis points in the yield curve would result in an increase on interest expenditure of 0.13 percent of GDP on the first year, 0.31 percent in the second, 0.45 percent in the third and 0.58 from the fourth year on. Therefore, the impact of the shock would not compromise the stability of public finances since it would be well diluted over time.

In order to assess the challenges and risks to debt sustainability, in the 2022 medium term budgetary framework the Government has analyzed two different shock scenarios: the first one covers the impact on the debt-to-GDP ratio of gas shortages; the second one refers to the worsening of financial conditions (i.e. an increase in the BTP-Bund spread of 100 basis points starting from 2023 and a consequent impact on economic growth). Given the intensity of the shocks considered, the downward trend of the debt-to-GDP ratio is mitigated in both sensitivity scenarios. In the “gas-shortage risk” scenario, after a halt in the downward trend in the two-year period 2022-2023, the debt-to-GDP ratio falls again as growth conditions prior to the economic shock are reinstated; in the “financial risk” scenario, the different assumption on the yield curve, characterized by a prolonged upward trend on the long side, produces an increasing adverse effect on the dynamics of the debt-to-GDP ratio.

According to stochastic simulations of debt dynamics formulated by the Treasury, both under high-volatility and limited-volatility shock scenarios the downward trend in the debt-to-GDP ratio over the next few years would be facilitated by a context of renewed stability. In the event of prolonged instability, the decline in the debt-to-GDP ratio could come to a temporary halt and policies would have to react appropriately.

Other risk factors affecting public debt can be identified in liabilities that are not included in the definition of public debt pursuant to the European rules. These include a portion of the commercial debts (which at the end of 2021 were estimated at €42 billion, 2.3 percent of GDP, compared with €45 billion in 2020, 2.7 percent of GDP) and some liabilities in derivatives whose market value is estimated at €19.9 billion (1.1 percent of GDP).

Finally, the public debt excludes contingent liabilities related to guarantees issued in favor of non-general government entities. The stock of these guarantees almost tripled in 2020, rising from 4.8 to 13.1 per cent of GDP (from €86 billion to €216 billion). In 2021, such guarantees further increased to €282 billion (15.9 percent of GDP). Pandemic-related State guarantees are mainly due to liquidity support schemes for SMEs. Their actual impact on the debt – which could eventually be significant, though spread over several financial years – will depend on default rates; in the two years 2012-13 the latter were close to 10 per cent.

The Italian SAI did not carry out any specific audit on the impact of the recent health crises on public debt or fiscal sustainability. However, Corte dei conti has drafted several reports examining the effects of the pandemic on the public debt level and its sustainability in the present and in the future. The topic is covered in the following yearly documents and reports concerning public finance issues:

- In the 2021 Public Finance Coordination Report a specific focus has been dedicated to the impact of the health crisis on the debt-to-GDP ratio.
- Opinions for the parliamentary budget and finance commissions concerning the main public finance planning documents (such as the medium-term budgetary document, its update and the draft budget law) also cover the issue of public debt sustainability.
- All these documents assess the current level of the debt-to-GDP ratio and the reliability of its future trend as projected in the forecasts formulated by the Government. The assessment is based on the figures and data provided by the Government and the Italian National Institute of Statistics.

2021 Public Finance Coordination Report, https://www.corteconti.it/Download?id=867011ba-87e4-4e6b-8338-dd4874ff0b39

Opinion on the 2022 Medium-term budgetary framework: Dettaglio documenti (corteconti.it)

[a]Not adjusted for inflation.

[b]Data for the financial year 2021 are not yet audited and are considered preliminary.

Corte dei conti

Corte dei conti: the Italian Supreme Audit Institution with both audit and jurisdictional functions. Pursuant to the Italian Constitution, Corte dei conti exercises preventive control over the legitimacy of Government measures, and also ex-post auditing on the execution of the State Budget. It participates, in the cases and ways established by law, in auditing the financial management of the entities receiving regular budgetary support from the State. It reports directly to the Parliament on the results of audits performed. The law ensures the independence from the Government of the Audit Institution and of its members. Moreover, Corte dei conti has jurisdiction in matters of public accounts and in other matters laid down by law.

INTOSAI

Working Group on Public Debt

JAPAN

Overview

The COVID-19 pandemic forced real GDP to sharply contract in Japan. Also, it increased the total amount of outstanding government debts from 1,173.2 trillion yen for FY2019 to 1,279.6 trillion yen for FY2020.

Key Fiscal Indicators

	As of 31 March 2019	As of 31 March 2020	As of 31 March 2021	As of 31 March 2022
Total public debt (central government)[a]	1,162,217,085,249 thousand JPY	1,173,230,341,967 thousand JPY	1,279,660,407,676 thousand JPY	1,301,692,279,899 thousand yen
Domestic	976,861,646,986 thousand JPY	987,648,992,798 thousand JPY	1,074,220,450,495 thousand JPY	1,104,746,397,914 thousand yen
External:	84,199 thousand JPY	84,525 thousand JPY	82,588 thousand JPY	80,976 thousand yen
Public debt as a share of gross domestic product (GDP)	192.2%	190.7%	209.2%	215.8%
Central government annual budget surplus/ (deficit) as a share of GDP	*	*	*	*
Average interest rate on debt outstanding[b]	0.91%	0.87%	0.83%	0.78 %
Annual interest payments as a share of central government revenue	9.2%	8.7%	6.7%	7.7%
Public debt maturing in the next 12 months[b]	13.1 %	13.4 %	16.7 %	16.3%
Average maturity of debt outstanding[b]	108 months	110 months	107 months	108 months
[*Optional – Ratio of Primary Balance to GDP*]	(1.9)%	(2.4)%	(14.9)%	(5.7)%

Source: Board of Audit of Japan Audit report (FY2018, 2019, 2020) (in Japanese only); Ministry of Finance, Japan (https://www.mof.go.jp/english/index.htm); and Debt Management Report FY2022 (by Ministry of Finance, https://www.mof.go.jp/english/policy/jgbs/publication/debt_management_report/2022/index.html).

Table endnotes are listed at the end of this document.

The COVID-19 pandemic forced real GDP to sharply contract in Japan in the April-June quarter (2020). The GDP contraction was steeper and more rapid than under the global financial crisis. Particularly, a remarkable decrease was seen in private consumption that was artificially suppressed by voluntary restraints and business shutdown. Exports posted a substantial decline close to a plunge seen at the time of the global financial crisis as an external shock.

(Cabinet Office, Government of Japan, https://www5.cao.go.jp/keizai3/whitepaper-e/1syo-hyoushi2020.pdf)

A significant part of the budget was spent for the following 5 measures related to COVID 19, which were decided in FY2019 and FY2020.

FY2019 (Amounts indicated in the decision by the Novel Coronavirus Response Control Headquarters, including a reserve fund.)

1. Emergency Response Measures against COVID-19 (Emergency Response Package 1st) Govt. decision on 31 February 2020 15,300 million yen

2. Emergency Response Measures against COVID-19 (Emergency Response Package 2nd) Govt. decision on 10 March 2020 430,800 million yen

3. Emergency Measures to Respond to Life Concerns (Emergency Measures) Govt. decision on 18 March 2020 10,400 million yen

－FY2020 (supplementary budgets in the General Account , including reserve funds, and new countermeasures projects calculated as additional expenses after the decision by the Cabin et for the Emergency Economic Measures)

4. Emergency Economic Measures to Cope with COVID-19 (Emergency Economic Measures) 7 April 2020 (partially revised on 20 April) Cabinet decision

1st supplementary budget: 25,565,400 million yen 2nd supplementary budget: 31,817,000 million yen (including the new countermeasures projects)

5. Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope (FY2020 Comprehensive Economic Measures) Cabinet decision on 8 December 2020, 3rd supplementary budget 19,176,100 million yen

The total amount of outstanding government debts continued to grow every year due to expanding social security expenses, among other things, and reached 1,173.2 trillion yen at the end of FY2019. The figure further increased to 1,279.6 trillion yen at the end of FY2020 due to the COVID-19 pandemic.

For the first time in five years, since its issuance in 2015, Treasury Financing Bills were issued in June 2020 to meet supplementary budget expenditures.

As for the fiscal position of the Japanese government, the outstanding debt has been ever more increasing due to frequent issuance of public bonds including those for COVID-19 countermeasures. The amount of outstanding debt imposes a major challenge for achieving a sound fiscal position.

The Board of Audit is to conduct audits in terms of accuracy, regularity, economy, efficiency, effectiveness, and from other perspectives necessary for auditing. In detail, please refer to the URL below for a summary of the audit report.

Outline of Selected Audit Findings (FY2020 Audit Report)

1. Execution status of budget, etc. regarding measures for COVID-19

2. Financing support for SMEs, etc. in measures related to COVID 19 control

3. Implementation of fabric mask distribution project

4. Provision of employment adjustment subsidies, etc.

5. Project to stimulate consumption in the service industry (Go To Campaign project)

6. Implementation of the sustainability subsidy project

7. Implementation of a support policy package for airlines and airport related companies and the status regarding revenue of airport improvement account and the income of three airport companies (Report on specific matters)

8. Method of managing funds for overseas Supply Chain (SC) contributions, etc.

9. Development and maintenance of COVID-19 Contact Confirming Application (COCOA)

17. Government debts

(https://www.jbaudit.go.jp/english/report/pdf/fy2020report_3.pdf)

[a]Not adjusted for inflation. "Domestic" represents the amount of domestic bonds. "External" represents foreign bonds. The values of two aggregates

and “Total public debt” do not match because “Total public debt” includes other national debt such as financing bills and borrowings.

[b]Data for the financial year 2021 are not yet audited and are considered preliminary.

Note: Since the Japanese fiscal year runs from 1 April to 31 March of the following year, the data as of the end of March are shown above. For example, the figures for the column originally labelled “As of 31 December 2018” were provided with data as of March 2019.

Board of Audit of Japan

As a constitutional organization that is independent of the Cabinet and belongs to neither the Diet nor the Courts, the Board of Audit of Japan audits State accounts as well as those of public organizations and other bodies as provided by law, and also supervises financial management to ensure its adequacy.

Working Group on Public Debt

JORDAN

Overview

Jordan's economic contraction for 2020 was around **1**.6 percent against economic growth of about 2 percent in 2019, as affected by the COVID-19 pandemic. The unemployment rate in Jordan increased to 23.2 percent even in 2021, the government continued to seek to mitigate the pandemic's effects on the economic sectors, taking a series of government measures at a cost of 448 million JOD. These reflected on an increase in public debt balance to reach 32.54 billion JOD by expanding the borrowing from domestic and external markets.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021[a]
Total public debt (central government)[b]	28,308 million JOD	30,076 million JOD	33,032 million JOD	35,767 million JOD
Domestic:	16,221 million JOD	17,738 million JOD	18,934 million JOD	20,260 million JOD
External:	12,087 million JOD	12,338 million JOD	14,098 million JOD	15,507 million JOD
Public debt as a share of gross domestic product (GDP)	92.9%	95.2%	106.5%	111.3%
Central government annual budget surplus/ (deficit) as a share of GDP	(2.4)%	(3.3)%	(7.0)%	(5.4)%
Average interest rate on debt outstanding	4.14%	4.7%	4.39%	3.99%
Annual interest payments as a share of central government revenue	12.8%	14.4%	17.7%	17.3%
Public debt maturing in the next 12 months	18.5%	15.3%	14.1%	17.1%
Average maturity of debt outstanding	*	*	*	*

Source: Jordan Quarterly Debt Reports, General Government Finance – Monthly Bulletins.
Table endnotes are listed at the end of this document.

The GDP at constant market prices recorded a growth of 2 percent during the first three quarters of 2021, compared to a contraction of 1.5 percent during the same period in 2020, while the growth rate of GDP at current prices reached 3.1 percent during the third quarters of 2021 compared to a contraction of about 1.6 percent during the same period in 2020. The unemployment rate in Jordan also recorded an increase of 23.2 percent in 2021 compared to the unemployment rate in 2018 and 2019 of 19.1 percent and 22.7 percent, respectively.

The total value of external loans (budget and guaranteed) contracted during 2021 was approximately 3,848.2 million USD where the World Bank loans constituted the largest proportion of external loans with the exception of local bonds and bills.

Most of the loans were placed to support the budget and to cope with the effects of the COVID-19 pandemic, which accounted for the largest proportion of the total.

In 2019, the public debt was (26,935) million JOD, and the debt increased in 2020 and 2021 to become (29,993) and (32,540) million JOD after the COVID-19 Pandemic.

The interest rate on debt to actual revenues in 2019 before the Corona was 14.4 percent, and after the Corona it increased to 17.7 percent in 2020 and fell to 17.3 percent in 2021.

In continuation of the government's endeavor to mitigate the effects of the COVID-19 pandemic on the most affected economic sectors, push the wheel of economic growth, and continue to spend what is necessary on health care, a set of government measures have been taken at a cost of 448 million JOD, with the government's contribution to it amounting to 423 million JOD.

The total value of External loans (budgeted and guaranteed) contracted during 2021 amounted to about 3,848.2 million USD, or the equivalent of 2,728.4 million JOD, as the loans to support the budget and to face the effects of the COVID-19 pandemic constituted the largest proportion of the total of these loans, in contrast the total signed loans amounted to In 2020, about (6,480.2) million USD, or the equivalent of (4,594.5) million JOD, where the loans contracted in 2021 were distributed among different sectors, where the World Bank loans constituted the largest proportion of external loans with the exception of local bonds and bills.

The measures and policies adopted by the government and the Central Bank of Jordan helped reduce the severity of these repercussions and maintain financial and monetary stability, as the Central Bank of Jordan took some precautionary measures with the aim of containing the negative repercussions of the coronavirus on the performance of the local economy, Some of these measures included:

1. Postponing the installments due on the affected sectors and retail customers (without commission or delay interest).

2. Reducing interest rates on monetary policy tools at the Central Bank by a total of 1.7 percent during the month of March.

3. Reducing the mandatory reserve ratio on deposits, which led to the provision of additional liquidity to banks, amounting to 110 million JOD

4. Reducing the costs of financing the Central Bank's program to finance and support the economic development sectors.

5. Supporting small and medium-sized companies with an amount of 100 million JOD through a soft financing program.

6. Supporting the Jordan Loan Guarantee Corporation's procedures with guarantees and low interest rates

As the public debt grew gradually, the debt service (instalments and interest) will increase in future, that will make more pressures on fiscal sustainability and will increase the deficit.

In 2021, a report was prepared on the development of public debt and the most important variables that contributed to increasing its balance. The report analyzed the most important indicators of public debt, including financial indicators and vulnerability indicators. The main recommendations were:

1 - Adopting financial and economic policies that contribute to economic growth and debt sustainability.

2- Controlling and rationalization of public spending to reduce the budget deficit.

3- Not expanding internal borrowing, which led to crowding out the private sector for liquidity in the banking system.

[a]Data for the financial year 2021 are not yet audited and are considered preliminary.

[b]Calculated using par value. Includes guaranteed debt.

Audit Bureau - Jordan

Audit Bureau of Jordan (AB) is a constitutional Entity established according to Jordan Constitution in 1952, the bureau is responsible for: auditing state's revenues, expenditures, the ways of expenditure, trusts accounts, advances grants, loans, settlements and warehouses. The AB audits public funds to insure the soundness of spending in a legal and effective way. Verify that the decisions and administrative procedures in the entities under the AB auditing authority were conducted in accordance with active legislations.

Working Group on Public Debt

KUWAIT

Overview

Kuwait's total public debt amounted to 3,241.26 million KWD at the end of 2021, a decrease of 150 million KWD compared to the end of 2020, which resulted from the maturity of local debt instruments from the total public debt on June 30, 2021. An amount of 250 million KWD was paid, which also led to a decrease in the balance of domestic debt instruments to 800.05 million KWD. As for external public debt balances, there was no change due to the lack of maturities of the external bonds, which were issued with terms of five years and ten years at the end of March 2017.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)	5,983.5 million KWD	4,513.5 million KWD	3,491.25 million KWD	3,241.26 million KWD
Domestic	2,441.2 million KWD	2,072.3 million KWD	1,050.05 million KWD	800.05 million KWD
External:	3,542.3 million KWD	2,441.2 million KWD	2,441.2 million KWD	2,441.1 million KWD
Public debt as a share of gross domestic product (GDP)	17.8%	14.9%	10.5%	8.9%
Central government annual budget surplus/ (deficit) as a share of GDP	(12.3)%	(9.5)%	(9.98)%	(27.3)%
Average interest rate on debt outstanding	3.12%	3.12%	3.12%	3.12%
Annual interest payments as a share of central government revenue[a]	*	*	*	*
Public debt maturing in the next 12 months[b]	0%	0%	0%	9.5%
Average maturity of debt outstanding[c]	29.24 months	58.48 months	87.72 months	116.96 months

Source: Issuing government bonds to pay off the state's budget deficit reports by the State Audit Bureau.

Table endnotes are listed at the end of this document.

The COVID-19 pandemic affected the GDP and credit rating and government funding, according to the following:

- Kuwait's economic outlook was negative even before the COVID-19 pandemic. In addition, the growth horizon was low—especially with the continued, gradual decline in economic growth since 2014—without addressing the severe government deficit.
- The negative economic effect of Kuwait was very similar to other nonoil exporting countries, which witnessed a decline in GDP. This indicated that when comparing Kuwait and its Gulf neighbors, the expectations for GDP growth rank Kuwait in fifth place in terms of the worst low for 2020.

In response to the COVID-19 pandemic, the Kuwaiti government appropriated 1,106.65 million KWD in emergency assistance for people, businesses, the health care system, and state and local governments

The impact of the health crises affect public debt by the following:

- Increasing government public debt issuances to cover COVID-19 pandemic obligations.
- Increasing government public debt issuances to counter the economic stimulus of governments.
- Financial issues caused by the COVID-19 pandemic such as low interest rates, increased inflation, and unemployment.

Actions taken by the government to manage debt in response to the recent health crises:

- The government amended a law regarding the reserve for future generations by repealing the annual deduction of 10 percent from the general reserve to the reserve of future generations. This move came in response to the presence of deficits in the state's general budget.
- The absence of financial and economic reforms and the existence of budget imbalances, which resulted in the loss of assets in the general reserve.
- The government did not implement radical solutions and continued to follow temporary solutions to finance the government budget.
- Credit rating agencies such as Moody's and Standard & Poor's downgraded Kuwaiti bonds and the credit rating as well. It stated that the Kuwaiti government "has not yet developed a comprehensive financing strategy for this deficit."
- The continuing of reduction in the classification of Kuwaiti bonds and the credit rating would get the government to face high repercussions and risks in renewing the public debt. This includes the loss of opportunities to obtain new debt at differential rates.
- Failure to achieve financial sustainability capable of implementing Kuwait's ambitious vision, 2020-2035.
- Recording actual deficit in the upcoming fiscal years if the government did not implement a radical solution to finance the government budget.

The objective behind the State Audit Bureau's (SAB) establishment was to achieve effective control over public funds and recommend solutions and ways for financial sustainability

- SAB had issued a report regarding "emergency cases of government contracts to face the repercussions of COVID-19 pandemic."
- SAB had issued a report regarding"Issuing government bonds to pay off the state's budget deficit." It recommended that government should develop the state's general reserve, avoid the depletion of its financial resources, find a solution to the downgrade of the credit rating of the State of Kuwait, diversify sources of income, and not rely on oil alone.

Reports that has been issued during the COVID-19 pandemic:

1. "Emergency cases of government contracts to face the repercussions of COVID-19 pandemic." Issued in June 2020.
2. "Issuing government bonds to pay off the state's budget deficit." issued in October 2021.
3. "Citizen's report: managing a crisis by the will of a nation" issued in 2021.

[a]Annual interest payment as a share of central government revenue do not apply.

[b]Public debt maturing in the next 12 months only applies to domestic debt. This is due to the non-entitlement of any of the external debt instruments.

[c]Average maturity of debt outstanding is for external debt per month.

State Audit Bureau of Kuwait

The objective behind the State Audit Bureau of Kuwait's (SAB) establishment was to achieve effective control over public funds to protect them and guarantee their use in the most appropriate way leading to the realization of strategies and delivery of goals. This objective is accomplished through the application of the provisions stipulated in SAB's establishment decree No. 30 for the year 1964 and its amendments. Through this law, SAB oversees the collection of state revenues and the settlement of its expenses within the limits of budget allocations. It also sustains the adequacy of the followed systems and procedures used to safeguard public funds and prevent any misuse.

Working Group on Public Debt

MALDIVES

Overview

COVID-19 has severely damaged the Maldivian economy. Due to the travel restrictions imposed by countries and health emergency declared by the Maldivian government, the activities of the tourism sector were suspended. This, in turn, drastically reduced the revenue received by the government. With an ease in restrictions in 2021, the tourism sector along with other economic activities have been on a path to recovery. The gap created due to lack of revenue and increased spending on the health and social sector was mainly financed with debt facilities. This increased the overall public and publicly guaranteed debt.

Key Fiscal Indicators

	As of December 31, 2018	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021
Total public debt (central government)[a,b]	48,212 million MVR	54,277 million MVR	66,590 million MVR	79,974 million MVR
Domestic	27,664 million MVR	32,227 million MVR	41,628 million MVR	48,460 million MVR
External:	20,548 million MVR	22,050 million MVR	24,962 million MVR	31,514 million MVR
Public debt as a share of gross domestic product (GDP)	59%	63%	116%	104%
Central government annual budget surplus/ (deficit) as a share of GDP	(5.2)%	(6.6)%	(23.5)%	(16.6)%
Average interest rate on debt outstanding	*	*	*	*
Annual interest payments as a share of central government revenue[c]	11%	12.1%	21%	38%
Public debt maturing in the next 12 months	*	*	*	*
Average maturity of debt outstanding	*	*	*	*
Total guaranteed debt	11,647 million MVR	13,709 million MVR	19,948 million MVR	14,123 million MVR
Domestic	1,690 million MVR	980 million MVR	870 million MVR	636 million MVR
External	9,957 million MVR	12,728 million MVR	19,079 million MVR	13,487 million MVR

Source: Ministry of Finance.

Table endnotes are listed at the end of this document.

- Due to the COVID-19 pandemic, a health emergency was first declared in Maldives on March 12, 2020. With this, the government imposed strict restrictions on movement and travel. The government also closed the border for a period of time.

- Key economic contributing industries, such as tourism, entered a state of suspension without any occupancy during the period. A number of employees were either laid off or had their wages cut.

- The government receive a large percentage of its income from the tourism sector in the form of tax and rent. In 2020, tourist arrivals declined to 555,494 from 1.7 million in 2019.

- By the end of 2020, with the successful vaccination program implemented by the government, the border opened with some restrictions. The tourism sector has since been on a recovery path. It is expected, per Ministry of Finance estimates, that this sector will return to pre-COVID-19 levels by the end of 2023.

- The total revenue and grant received to the government declined from MVR 23.2 billion in 2019 to MVR 15.2 billion in 2020. In 2021, the total revenue and grant received to the government was at MVR 21.9 billion.

- The GDP pre-COVID-19 period at the end of 2019 had a growth rate of 6.9 percent and was at MVR 86.8 billion. However, during the first year of COVID-19 in 2020, when the economy was hardest hit, GDP growth declined drastically by 33.5 percent and was at MVR 57.9 billion. In 2021, when the restrictions imposed with the health emergency were eased, combined with the recovery of economic activities, the GDP recovered to MVR 77 billion.

- With the economic contractions experienced, and the increase in demand for the health sector, the government spending on the health and social sector increased to MVR 2.2 billion by the end of 2021. Also, economic recovery packages were introduced to assist local business by providing loan facilities. In addition, income support allowance was granted to those employees severely affected during the crisis. The total spending on the economic recovery package at the end of 2021 was at MVR 1.79 billion.

- Maldives had experienced budget deficits in the past years. However, in 2020, the budget deficit amounted to MVR 13.5 billion compared to MVR 5.7 billion in 2019. The budget deficit reported in 2021 was MVR 12.8 billion. These increases in budget deficit was largely financed with debt instruments.

- With the increase in demand to finance the budget, several restrictions on public debt levied via the Fiscal Responsibility Act (July 2013) was suspend by Parliament at the request of the Ministry of Finance. These mainly include:
  - Limitation on the drawing of funds from the Central Bank
  - Limitation of the purpose of borrowing

- The total public and publicly guaranteed debt amounted to MVR 67.9 billion in 2019. However, due to lack of revenue and increased spending, the overall public and publicly guaranteed debt increased to MVR 86.5 billion in 2020. As a percentage of GDP, the public and publicly guaranteed debt increase from 78 percent in 2019 to 150 percent in 2020. In 2021, total public and publicly guaranteed debt increased to MVR 94 billion.

	2019 (MVR millions)	2020 (MVR millions)	2021 (MVR millions)
Total Guaranteed Debt	13,709	19,948	14,123
External	12,728	19,079	13,487
Domestic	980	870	636

- Compared with the amounts reported in 2019, the total external debt including guarantees increased by MVR 10.2 billion in 2021. The total domestic debt including guarantees increased by MVR 15.9 billion. This is an increase of MVR 26.1 billion in total public debt 2021 compared to 2019.

- The key reason for the increase in debt was how the lockdown imposed during the health crisis and the travel restrictions imposed worldwide negatively affected the economy. The increase in demand for health care facilities and the necessary economic relief packages needed for economic recovery created challenges for the government to cut down the expenditure levels and the low revenue turnout resulted in high fiscal deficit, which in turn was financed with debt instruments.

- In 2020, debt payments incurred from bilateral creditors were deferred under the Debt Service Suspension Initiative (DSSI) approved by the G-20 countries. Under DSSI, approximately MVR 370 million was deferred from the debt service payments due between May to December 2020.
- As a measure to address the refinance risk, relating to a USD 250 million eurobond maturing in 2022, the government carried out a Liability Management Exercise through any-and-all tender offer where 76.76 percent of the euro bond was tendered and settled with a 5-year Sukuk Issuance Program in 2021.
- The Medium Term Debt Management Strategy was revised in 2021 to address the key risks facing to overall debt management. Measures and policies to mitigate the risks to debt management are incorporated into the strategy.
- One of the major current refinancing risks related to the debt portfolio is the refinancing of a USD 250 million bond maturing in 2022. Part of this bond (76.76 percent) was tendered during 2021. The remainder is to be settled during 2022. In the medium term, a USD 100 million bond and a USD 500 million sukuk needs to be refinanced. In terms of revenue earned in 2021, this would sum up to more than 42 percent of the government revenue of 2021.
- By the end of 2020, around 65 percent of the total debt was denominated in foreign currency. Although the debt portfolio comprises of several currencies, the predominant exposure is towards USD. Given the uncertainty over the recovery of the tourism industry due to COVID-19 and the war, the foreign currency risk can be assumed as the most critical risk facing the country over the medium term.
- The suspension of restrictions on public debt in the Fiscal Responsibility Act (July 2013) further creates risks on overall debt management. Due to this, at the end of 2021, the Public Bank Account was overdrawn by MVR 3.69 billion.

- The Auditor General's Office (AGO) of Maldives is currently conducting the financial audit of the Statement of Public Debt and Government Guarantees for the year 2021. The purpose of this audit is to ensure the disclosures made on the Statement of Public Debt and Guarantees are presented fairly, free from material misstatements, and compliant to relevant laws and regulations. Also, as part of this audit, On-Lending activities of the government is checked. Further, a limited review of Public Debt indicators will also be carried out in the audit process.
- The data for the audit are provided by the Debt Management Division of the Ministry of Finance. Also, where relevant, confirmation from third parties is obtained for further verifications.
- Previous years audit reports relating to Public Debt are available on our website https://www.audit.gov.mv/.
- Audits on the expenditures related to the pandemic and public debt were completed and published by AGO in its website. Some of the reports include;
    - Audit Report on the Statement of Public Debt 2020 (https://www.audit.gov.mv/AR1904)
    - Audit Report on the Statement of Government Guaranteed 2020 (https://www.audit.gov.mv/AR1905)
    - Emergency Response to Covid-19 Pandemic in Maldives Project Audit Report Financial Period 21 May 2020 to 30 June 2021 (https://www.audit.gov.mv/AR1911)
    - COVID-19 Emergency Response And Health System Preparedness Project Audit Report Financial Year 2020 (https://www.audit.gov.mv/AR1770)
    - Compliance Audit on Transparency, Accountability and Inclusiveness of Covid-19 Vaccine Rollout in the Maldives (https://www.audit.gov.mv/AR2031)

[a]Excludes guaranteed debt.

[b]The values of Public Debt and Guaranteed Debt are disclosed in nominal values. Public Debt included instruments such as (1) Debt securities (T-bills, bonds, sukuk, etc), (2) Loans, and (3) Credit facilities.

[c]Ratio includes total debt service for Government of Maldives (interest + principal payments)

Auditor General's Office

The Auditor General's Office (AGO) enables the Auditor General (AG) to discharge his legal mandate. The AG reports directly to Parliament. As the external auditor of the state, the AG's main objective is to serve the people of the Republic of Maldives by holding public officials and institutions accountable for their use of public resources through the conduct of independent audits of all the offices, departments, and institutions operating under the legislative, executive, and judicial powers of the State.

MALTA

Overview

The government's funding needs surged in 2020 and 2021. Fiscal deficits increased substantially and the economy contracted significantly in the wake of the COVID-19 crisis. At the end of 2020 and 2021, total public debt increased by 27 percent and 20 percent over the prior year, respectively. An increasing outstanding level of debt means increases in the amount of debt to be refinanced. This debt will most likely be refinanced at higher rates given the move by the European Central Bank towards the tightening of monetary policies in response to rising inflation.

Key Fiscal Indicators

	As of 31 December 2018	As of 31December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a,b]	5,234,553,890 EUR	5,239,024,089 EUR	6,674,873,833 EUR	8,003,932,032 EUR
Domestic	5,233,469,477 EUR	5,238,057,224 EUR	6,554,035,162 EUR	7,583,214,208 EUR
External:	1,084,413 EUR	966,865 EUR	120,838,671 EUR	420,717,824 EUR
Public debt as a share of gross domestic product (GDP)[b]	40.4%	37.31%	51.11%	55.07%
Central government annual budget surplus/ (deficit) as a share of GDP	(4.03)%	(2.16)%	(7.07)%	(5.21)%
Average interest rate on debt outstanding	3.63%	3.4%	2.64%	2.12%
Annual interest payments as a share of central government revenue[c]	4.4%	3.79%	3.87%	3.68%
Public debt maturing in the next 12 months	13.6%	14.21%	16.3%	13.15%
Average maturity of debt outstanding	101.28 months	96.12 months	90.36 months	102.84 months

Source: National Statistics Office News Releases numbers 058/2021, 037/2022 and 053/2022; 2018, 2019 and 2020 Financial Reports issued by Treasury; 2021 Financial Estimates issued by the Ministry of Finance; and the Debt Management Directorate within Treasury.

Table endnotes are listed at the end of this document.

In 2018 and 2019, Malta reported an 8-percent increase in its GDP over the previous year. In 2020, following the start of the pandemic, Malta reported a 7 percent decrease over the prior year. However, in 2021, Malta reported an 11 percent increase in GDP over the prior year.

The COVID-19 pandemic brought a slowdown in the economy. This resulted in a contraction of the Gross Value Added and an increase in unemployment. The mitigating fiscal measures introduced by the government—with the European Commission's approval—cushioned and regenerated the economy from the effects of the pandemic.

The government took several actions in response to the recent health crisis that affected public debt. These mainly included increased spending on public health and in support of businesses and its employees, including tax deferrals and guarantees. In fact, the Maltese government appropriated 1,510,192,000 EUR in emergency assistance for people, businesses, and the health care system during 2020 and 2021.

The government's funding needs surged in 2020 and 2021 as fiscal deficits increased substantially and the economy contracted significantly in the wake of the COVID-19 crisis. Specifically, the pandemic was originally expected to cause a four-fold increase in Public Sector Borrowing Requirement (PSBR), from 500 million EUR in 2018 to 2019 to more than 2 billion EUR in 2020 to 2022. The actual outcome turned out to be somewhat less negative than estimated. Actual average annual medium- to long-term borrowing during the 5 years preceding the onset of COVID-19 increased from 426 million EUR annually to 1.55 billion EUR and 1.86 billion EUR in 2020 and 2021 respectively.

Before the health crisis, total public debt in 2018 decreased 1.11 percent over the previous year. In 2019, it increased slightly by 0.09 percent over the prior year. At end 2020, following the start of the pandemic, total public debt increased 27.41 percent over the previous year-end. In 2021, total public debt again increased, this time by 19.91 percent over the prior year.

In response to the COVID-19 crisis, the Maltese government has supported the economy through several fiscal measures, especially in 2020 and 2021. These include the wage supplement scheme—partly financed by European Union (EU) funds from the Support to Mitigate Unemployment Risk in an Emergency (SURE) instrument—additional spending on medical supplies and equipment; corporate sector guarantees; and support to the tourism and agricultural sector, property market, and consumers to stabilize demand. According to the Economic Planning Department, the fiscal effect of these measures is estimated at 5.3 percent of GDP in 2020 and 4.7 percent of GDP in 2021. Measures expected to spill over this year are estimated at 1.5 percent of GDP. In addition, the crisis has negatively affected economic activity. This has triggered the automatic stabilizers in the budget.

Government support to the economy prevented a more substantial economic contraction. This risked a more persistent or permanent effect on Malta's potential growth, which, in turn, would have negatively affected fiscal sustainability even more. Estimates by the Economic Policy Department produced for the post-COVID-19 strategy suggest that, in the absence of government support, economic activity would have dropped by around 16 percent of GDP compared to the counterfactual scenario without the COVID-19 pandemic. At the time the strategy was launched, the fiscal measures were estimated to have at least provided direct economic stabilization amounting to at least 4.2 percent of GDP. The economic effect is less than the fiscal cost due to leakages. These leakages typically reduce fiscal multipliers of support measures. As the effect of the pandemic is subsiding, its economic effects are expected to be temporary. In 2021, the Maltese economy has substantially recovered, recording a notable growth rate of 9.4 percent. Although some sectors, such as tourism, have not completely recovered, in both nominal and real terms, GDP has already exceeded 2019 levels in 2021, clearly demonstrating the resilience of the Maltese economy. This suggests that the fiscal support measures helped mitigate any permanent economic effects, promoted a faster-than-expected recovery, and consequently supported fiscal sustainability.

A marginal increase in the short term (5 to 7 years) and medium term (9 to 11 years) yields was observed in the first half of the year 2020 immediately following the outbreak of COVID-19. This increase was mostly reversed. Yields in these maturity segments settled around 0.3 percent and 0.6 percent respectively by end 2021. The Malta Government Stocks (MGS) yields in the long end of the curve (20 to 25 years) obtained in the auctions during the pandemic fell between 1.27 percent and 1.41 percent. This is up from the 0.92 percent obtained in the February 2020 auction just before the onset of COVID-19. The weighted average yield on MGS issuances between 2018 and 2021 follow:

- Weighted-Average Yield (WAY) for 2018 MGS issues: 0.69 percent
- WAY 2019 MGS issues: 0.19 percent
- WAY 2020 MGS issues: 0.34 percent
- WAY 2021 MGS issues: 0.70 percent

The Weighted-Average Coupon of total debt portfolio continued to decline during the pandemic. It dropped from 3.63 percent on December 31, 2018, to 2.12 percent as at of December 31, 2021. All Treasury bills issued during the same period were allotted at negative interest rates.

The Weighted Average Bid-to-Cover ratio for MGS issuances between the years 2018 to 2021 below shows that the Bid-to-Cover ratio during the pandemic decreased marginally but on much higher volumes of issues.

- Year 2018: 2.37x (1 MGS issuance)
- Year 2019: 4.11x (4 MGS issuances)
- Year 2020: 2.93x (6 MGS issuances)
- Year 2021: 2.01x (6 MGS issuances)

During the pandemic, the Debt Management Directorate's assessment of liquidity needs was not limited to an intra week liquidity requirement but considered a broader time horizon of the cash flow projections. The sharp increase in expenditure brought about by the onset of COVID-19 necessitated increased Treasury bill take-ups that fed into higher levels of cash buffers as necessary. This has also helped keep bond issuance plans stable and predictable

The Treasury's policy and strategy for meeting its financing needs continued to be that of relying almost exclusively on issuing euro-denominated debt instruments in the domestic capital market. The debt issuance strategy for 2020-2021 was a continuation of previous debt issuance policies. In this case, around 92 percent of the amount of debt issued was raised from the domestic market, mainly through the competitive issuance (auctions) of MGS. Except for 194 million EUR raised via the 62+ Malta Government Savings Bond over 2020-2021, all the debt instruments sold by government in the domestic market were marketable. Similar to past years, the conventional fixed-rate MGS remained the primary instrument through which the Treasury financed the central government borrowing requirements for 2020-2021.

The Treasury bill instrument and cash buffers acted as a shock absorber for the unexpected, sudden, and substantial increase in financing needs during 2020-2021. They also helped keep government funding costs suppressed (all Treasury bills issued were allotted at negative interest rates).

During 2020-2021, Treasury raised 420 million EUR through a bilateral loan granted to Malta on favorable terms by the European Commission in respect of financial support given by EU to member states under SURE.

There were no changes in the terms and conditions of the marketable debt instruments issued in 2020 and 2021 in the domestic capital market where most of the funds were sourced.

Moreover, as a small country of which the central government debt was almost entirely owned by domestic investors, this outcome acted as a line of defense against external market volatility especially during the onset of the financial crisis.

Over the years, successive Maltese governments adopted borrowing strategies focused on domestic borrowing of euro-denominated bonds in the domestic capital market. The outcome of this strategy resulted in government debt being mainly owned by domestic investors and its acting as a line of defense against external market volatility. It also brought about market stability during times of uncertainties and market volatilities which typically led to higher funding costs. Yet sourcing all the borrowing needs from the domestic market may have to be reassessed in the light of higher levels of debt that need to be refinanced in the medium term, combined with still high levels of borrowing needs projected for the near term. The size of the domestic capital market may be too small to absorb such scales of borrowing for a prolonged period of time. On the other hand, the revival of the once-supportive retail investors market may bring new funding opportunities for government, especially on the back of more attractive interest rates.

The relatively small size of MGS issues, the dependence on a relatively small number of domestic capital market participants—and the prevalence of buy-to-hold investors in the investors' base—very often force the concession of a small liquidity premium which feeds into higher funding costs.

An increasing outstanding level of debt means increases in the amount of debt to be refinanced. High levels of outstanding debt accumulated during the pandemic (2020-2021), as well as still-high projections of PSBR for the medium term, will most likely be refinanced at higher rates given the move by the European Central Bank towards the tightening of monetary policies in response to rising inflation. The termination of the Quantitative Easing programs and the future advent of Quantitative Tightening combined with still-high PSBR means that part of future borrowing needs that previously used to be absorbed by Central Banks through the Quantitative Easing operations will now have to be absorbed by other investors who may demand higher yields.

Analysis of Public Debt as of December 31, 2020, as part of the Analysis of the Financial Report 2020, published in the Report by the Auditor General on the Public Accounts 2020, December 2021

Prepared and sent queries to the local Debt Management Directorate within the Treasury of Malta, and the Economic Policy Department. A number of discussions with them were also held.

Reports published by NAO related to health crises:

Preliminary review: NAO's role in reviewing government's measures relating to the COVID-19 pandemic, published in May 2021 (link: https://nao.gov.mt/en/recent-publications).

Report by the Auditor General on the Public Accounts 2020 - Malta Investment Management Company Limited – Expenditure – Government Voucher Scheme, published in December 2021 (link: https://nao.gov.mt/en/recent-publications).

[a]Total public debt was mainly made up of Malta government stocks (which accounted for 76 percent of total public debt), Treasury bills, Malta government retail savings bonds, the euro coins issued in the name of the Treasury, as well as foreign loans. Total public debt was calculated at par.

[b]Debt position is for consolidated central government. The debt position of the consolidated central government included the actual debt held by the government. On the other hand, any investments made by the government in its own funds are excluded from the total debt.

[c]Expressed as a share of recurrent revenue. Recurring revenue referred to the income that will persist in the coming years and excluded capital revenue. It included direct and indirect taxation, departmental receipts,

dividends, and profits, as well as grants. It excluded proceeds from loans that were classified as capital revenue.

National Audit Office

The Constitution of Malta, and the Auditor General and National Audit Office Act of 1997 empower the Auditor General to audit the accounts of all departments and offices of the Government of Malta, and of such public authorities or other bodies administering, holding, or using funds belonging directly or indirectly to the Government of Malta. The Auditor General and Audit Office Act extends this mandate further to include the performance audit of central government departments and offices and other public sector entities, as well as the audit of the operations of companies or other entities in which the Maltese government holds majority stake interests.

Working Group on Public Debt

MAURITIUS

Overview

Not available.

Key Fiscal Indicators

	As of 30 June 2018	As of 30 June 2019	As of 30 June 2020	As of 30 June 2021
Total public debt (central government)	270,413,222,870 MUR	285,059,207,790 MUR	348,694,351,095 MUR	392,800,465,194 MUR
Domestic	225,806,951,050 MUR	244,755,201,050 MUR	304,980,058,012 MUR	307,694,361,638 MUR
External:	44,606,271,820 MUR	40,304,006,740 MUR	43,714,293,083 MUR	85,106,103,556 MUR
Public debt as a share of gross domestic product (GDP)	57.6%	58%	76.2%	90.2%
Central government annual budget surplus/ (deficit) as a share of GDP	(3.2)%	(3.2)%	(13.6)%	(5.6)%
Average interest rate on debt outstanding	4.3%	4.3%	4.2%	3.5%
Annual interest payments as a share of central government revenue	8.4%	9.3%	7.5%	4.3%
Public debt maturing in the next 12 months	23.1%	22.3%	24.7%	22.9%
Average maturity of debt outstanding	59 months	58 months	59 months	68 months

Source: Treasury Annual Report Statement, Estimates from Medium-Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy.

MEXICO

Overview

Debt management in Mexico is linked to the *National Development Plan 2019-2024*. This plan is designed to encourage a stable macroeconomic environment and sustainable public finances for promoting private and public investment. In this sense, it is sought that public debt shows a stable and sustainable path, and that the debt's structure will diminish the effect of adverse movements in economic variables on public finances. Despite the shocks from the health emergency caused by the COVID-19, in 2021, the political strategy on public debt contributed to keep adequate debt levels with a stable path. Unlike other global economies which experienced an increase of their debt levels to solve the effects of the crisis derived from COVID-19, Mexico adopted a prudent management of public debt. This kept liability levels stable, improved the federal government's profile of debt maturity, and preserved liquidity and orderly functioning in the debt markets.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December2021
Total public debt (central government)	10,550,416.9 million MXN	10,872,269.3 million MXN	12,082,788.6 million MXN	13,114,784.1 million MXN
Domestic	6,693,826.1 million MXN	7,141,618.9 million MXN	7,761,403.2 million MXN	8,706,679.5 million MXN
External:	3,856,530.8 million MXN	3,730,650.4 million MXN	4,321,385.4 million MXN	4,408,104.6 million MXN
Public debt as a share of gross domestic product (GDP)	44.8%	44.7%	51.7%	50.1%
Central government annual budget surplus/ (deficit) as a share of GDP	(2.1)%	(2.3)%	(4.4)%	(3.8)%
Average interest rate on debt outstanding	8%	8%	8%	8%
Annual interest payments as a share of central government revenue	13.4%	13.6%	13.7%	13.5%
Public debt maturing in the next 12 months	12.5%	13%	12.7%	13.2%
Average maturity of debt outstanding	13.95 years	13.35 years	13. 6 years	14.15 years

The impact of the pandemic on the economic activity in Mexico has been very significant. The magnitude and characteristics of such impact may be identified in three different phases or stages. First, it had a primary effect at the end of the first quarter of 2020 arising from the closure of many countries and its corresponding flight cancellations across the globe. This represented a massive negative shock in March to those entities and regions intended for tourist activities such as Quintana Roo and Baja California Sur. The beginning of lockdowns in Asian and European countries was also reflected on the first major disruptions in production processes related to global chains of value in manufacture.

Secondly, the economic activity in the country slowed down significantly as a result of the suspension of all those activities considered as nonessential ("National journey of healthy distancing"). Inevitably, this decision affected many manufacturers and services which had to close temporarily in order to guarantee social distancing. While this occurred mainly in April and May, for many sectors, these closures extended into June and, for others, remain in effect. Also, at the end of May, some nonessential sectors as mining, construction, the car industry, and aerospace became essential. The reopening of such sectors began in June. However, the openings were limited to make adjustments and logistic arrangements to guarantee proper health conditions in work centres.

The third and current phase started in July. It is defined by a reopening process which will be slower and more gradual than what it was expected. This is due to the virus spread remaining at mildly high levels and continuing fears of new virus outbreaks. This implies that the new normal will be one in which many economic activities will remain affected and unable to return to their previous conditions without a definite solution to the pandemic issue. In this sense, this third phase will be longer than the others, and will have an uncertain duration.

Measures implemented by the Mexican government.

Bank of Mexico (Central Bank).

In March and April, the Central Institute made monetary policy decisions with measures designed to promote the orderly functioning of national financial markets and provide liquidity. This addressed the major effects on financial markets, less liquidity, impairment in operation conditions of the exchange market, and fixed-income. These measures include operations which are permitted under the *Ley del Banco de México* (Bank of Mexico Law). Likewise, and in compliance with Exchange Commission decision, the Central Institute implemented measures that allow for the best operation of the exchange market. As a whole, 15 measures were taken, which can be grouped in four axis.

The first is to provide liquidity and restore operation conditions in money markets. This is designed to diminish the monetary regulation deposit (DRM in Spanish) that the banking and development institutions must keep in the Central Bank. This amounts to 50 billion pesos (equal to a lesser reserve requirement). After this announcement, the amount of DRM reached nearly reached 320 billion pesos. The Bank of Mexico will compensate the monetary effect with this measure. With such action, resources will be released to support banking and development institutions. This will improve their liquidity and capacity to grant credits and keep or extend credit lines.

The second measure is to reduce the interest rate of the Ordinary Additional Liquidity Facilities (FLAO in Spanish). FLAO offers liquidity to banking institutions through guaranteed credits and swaps. Previously, their cost ranged between 2 and 2.2 times the objective for the Interbank Interest Rate in 1 day. This number fell to 1.1. Thus, banks have more funding and the necessary liquidity for their adequate operation.

The third measure is to increase liquidity during operation schedules to enable the best functioning of financial markets and payment systems. By encouraging the excess of liquidity in the operational schedules of financial markets, the Bank of Mexico avoids unnecessary pressures on its operational monetary policy aims and the overnight interbank funding rate.

The fourth measure is the extension of qualifying instruments for FLAO's operations of exchange coverage and credit in dollars. This is designed to provide liquidity to trading securities. Trading securities have seen a decrease in their operations and liquidity in the secondary market and avoid segmenting the debt market. This measure enhances the obtention of liquid resources to be streamed to credit granting without weakening the liquid position of credit institutions.

The fifth involves the extension of qualified counterparties for FLAO. Specifically, this extends access to development banking institutions. Thus, the institutions can obtain liquidity through guaranteed credits or swaps.

Measure six involves the opening of a temporary warranty exchange window. This window intends to provide liquidity to trading securities. Because of uncertain and volatile conditions, trading securities have seen a decrease in their operations and liquidity in the secondary markets. The program reaches up to 100 billion pesos.

To promote the orderly functioning of the governmental stock markets and corporate securities, officials created the Strengthening the *Programa de Formadores de Mercado* (Market Trainers Programme) of government debt in collaboration with the Secretariat of the Treasury and Public Credit. The Market Trainers Programme allows participant financial institutions to contribute to the development of the governmental debt market, participate in debt placement, provide liquidity, and enhance the price discovery process in the market. In this regard, the Bank of Mexico acts as financial agent of the federal government. In coordination with the Secretariat of the Treasury and Public Credit, the Bank of Mexico modified the program so that institutions increase their participation in the debt market and thus contribute to its healthy development.

Particularly, two modifications were made: (1) the execution of swaps of governmental securities for market trainers to allow them to better manage their security holdings, and (2) the modification to the right-to-call option of market trainer's governmental securities so that this option can be performed the second working day after the execution of the primary auction.

Before this measure, the exercise period was 1 working day.

Opening a forward swap of governmental securities window is designed to provide liquidity to financial institutions in governmental debt. This measure will particularly allow these institutions to obtain liquidity without the need of disposing of their titles in volatility conditions of financial markets. The program reaches up to 100 billion pesos.

Transactions of governmental securities become important to encourage the proper functioning of the governmental debt market. With that, the Bank of Mexico, through these operations, will receive long-term government bonds (starting from 10 years) and will deliver others with maturity up to 3 years. The program reaches up to 100 billion pesos.

The opening of *Facilidad de Reporto de Títulos Corporativos* (Corporate Securities Repurchase Ease) (FRTC) will provide liquidity to short-term corporate security bonds (certificados bursátiles) and long-term corporate debt. The latter, which has risen from uncertainty and volatility conditions, has seen a decrease in operability and liquidity in secondary markets. This program reaches up to 100 billion pesos.

Strengthening credit channels includes a provision of resources to banking institutions to channel credit to micro, small, and medium enterprises and individuals affected by the pandemic. So, the Central Institute will release resources related to DRM, or, if necessary, will provide forward funding of 18 to 24 months to banking and development institutions. The program reaches up to 250 billion pesos.

Another step is the opening of guaranteed finance facilities to baking institutions with corporate credits to finance micro, small, and medium enterprises. This finances banking institutions which have seen their liquidity fall as enterprises of the corporate sector have used the lines provided by the banking. Meanwhile, the finance provided by this facility would be channelled to micro, small, and medium enterprises. The program reaches up to 100 billion pesos.

To promote the orderly functioning of exchange markets in compliance with the Exchange Commissions, measures will consider the Extension of Exchange coverage program in dollars settled in national currency from $20 billion to $30 billion. Under this scheme, the Bank of Mexico, instructed by the Exchange Commission, performed two auctions of $2 billion each, with a total demand of $1.991 million in both auctions.

To perform credit auctions in American dollars, with the purpose of increasing finance availability in American dollars, the Bank of Mexico, by the instruction of the Exchange Commission, will auction credit in dollars among credit institutions. This facility will be financed by the temporary mechanism of trading of currencies established by the U.S. Federal Reserve amounting to $60 billion. To date, it has been offered a total of $10 billion in two sessions and assigned a total of $6.590 million.

Coberturas cambiarias liquidables por diferencia (exchange coverage settled by difference in U.S. dollars) with counterparties outside of the country to operate when national markets are closed. This measure is intended to encourage orderly operation conditions in the peso-dollar market, specifically during the Asia and Europe sessions, when the Exchange Commission so determines. As a whole, the actions described in national currency support the functioning of the financial system up to 800 billion pesos, or 3.3 percent of GDP.

Fiscal Measures

The fiscal measures to minimize the health and economic effects of the COVID-19 pandemic announced by the federal government are grouped in three mainstreams:

A. Prevention and assistance to the health contingency. It includes the measures established by the public health system to assist those infected by COVID-19, as well as the tasks undertaken by the armed forces to mitigate the disease spread among the civilians. The following actions were taken to particularly prevent and assist the health contingency:

1. Resources of up to 40 billion pesos for the health sector, which will be used to hire 45,000 doctors and nurses in the next 9 months.

2. Budgetary extension by 4.5 billion of pesos to the National Defense and Marine secretariats for the activation of DN-III (Strategic-military plan to help the civilian population) and Marine Plans, respectively.

B. Support to Mexican homes and enterprises, emphasizing in those most vulnerable. It creates measures intended to specifically protect those facing difficulties in accessing the financial system. To reach these objectives, in the 2021 Pre- General Criteria of Economic Policies, the federal government announced:

3. Governmental credits by 50 billion pesos for microenterprises with a limited access to the financial system. This measure grants 2 million of credits of 25,000 pesos each to enterprises of the formal and informal sector. Credits are directed to enterprises registered before the Mexican Institute of Social Security (IMSS) which did not reduce its workforce in the year's first quarter, as well as to those family businesses registered in the welfare census of the federal government.

4. Payment advances of elderly retirement pension bimonthly May-June.

5. Granting of facilities by the Infonavit for the payment of credits of beneficiaries who lose their employment relationship during the COVID-19 contingency, whose amount reach around 20 billion pesos.

Similarly, in the *Programa Emergente para el Bienestar y el Empleo* (Emerging Programme for Welfare and Employment), it was announced:

6. The provision of The Institute of Social Security and Services for the Workers of the State (ISSSTE) fund by 35 billion pesos for the granting of personal credits to right-holders workers.

Lastly, the following measures were mentioned in the Bulletin on Economic Situation, Public Finances and Public Debt as at first quarter 2020:

7. A total of 25 billion pesos for extending the welfare programs focused on improving liquidity of the most vulnerable population.

8. A total of 25 billion pesos for the construction of social infrastructure (potable water, pavement, and housing) in marginalized areas.

C. Support for the states and municipalities. It refers to the actions to provide better opportunities for subnational governments of financial resources to face the health contingency. Specifically, the federal government announced:

9. The advancement of transfer to states in April-May for health expenses.

The deadline for performing the annual declaration of individuals was extended from April 30, 2022, to June 30, 2020, to support the contributors. Also, other fiscal measures in support to enterprises are highlighted. These measures include the streaming of tax returns and the chance to obtain an extension on a proportion of the payment of employer's contributions to IMSS. It is worth noting that the federal government has already announced these measures. In this regard, in accordance with the declaration of health emergency due to force majeure, IMSS suspended any act of authority (proceedings, formalities, audiences, notifications, or requirements) until the government cancels the emergency.

In addition, the governments of some federation entities have announced their own measurement sets to deal with the pandemic's effects on the economy. This includes (1) discounts on payroll taxes, (2) microcredits to support self-employment at zero rate, and (3) supports to micro and small enterprises, as well as to farmers.

Financial Measures and Credit Enhancements.

The National Banking and Securities Commission Government Board, to which the Bank of Mexico belongs, issued special temporary accounting criteria applicable to credit institutions and the Multiple Purpose Financial Society. This concerns regulated consumer, housing, and commercial loans whose payment source has been affected by the contingency. It enables support program implementation by the bank to those credited. Thus, renewed or restructured credit under these programs will not be considered past-due portfolio. These supports are applicable to current loans as of 28 February 2020. They consist of the partial or total deferral of capital and/or interest of up to 4 months, with a chance of extension for 2 additional months. In this respect, the Association of Banks of Mexico announced on 20 May that, as of that date, 7.9 million of bank credits had adhered to the program. Among the beneficiaries are 3.2 million of credits granted to micro, small, and medium enterprises and persons with business activities, 2.7 million credit card clients, 962,000 payroll credits, 606,000 personal credits, 219,000 car credits, and 281,000 house credits.

The aforementioned accounting criteria became extensive to credits granted up to 28 February 2020, by Funding Entities and General Bonded Warehouses, and to current credits as of 31 March of this year provided by the *Sociedades Cooperativas de Ahorro y Préstamo* (savings and credit cooperative societies), *Sociedades Financieras Populares* (popular financial societies), and credit unions.

In this sense, the Bank of Mexico issued provisional measures to prevent financial entities charging the minimum payment of credit cards from April to September of the current year. Likewise, these entities will be prevented from charging commissions for noncompliance with minimum payments or default interest related to such noncompliance. However, they will be able to charge ordinary interests.

On the other hand, the National Insurance and Bonding Commission announced facilities that allow insurance institutions to extend deadlines for the payment of current insurance premiums up to a maximum of 60 days without punishment or cancellation.

As the COVID-19 pandemic upended the economic and financial environment, fiscal, monetary, and financial authorities responded with a set of measures intended to preserve financial markets as well as support enterprises and homes particularly affected by the pandemic. The federal government announced a set of fiscal measures of 1 percent of GDP to counter the pandemic's effects to support the most vulnerable homes with the advancement of direct subsidy payments, the extension of social programmes, and the construction of social infrastructure in marginalized areas. The fiscal measures also focused on supporting formal workers with personal credits in the case of ISSSTE and with payment facilities in the case of Infonavit. With this access to credits, formal and informal enterprises have a larger liquidity than which they would have in the absence of such measures. Meantime, federal entities are receiving anticipated resources to fulfil their health necessities.

Similarly, credit support programs announced by the development bank amounted nearly 0.3 percent of GDP. Meantime, Bank of Mexico measures intended for the healthy development of financial and credit markets of the country reached the 3.3 percent of GDP. Such measures seek to reduce the possibility of credit institutions taking actions that could decrease economic activity. In other words, the measures seek to avoid a procyclical conduct on behalf of these institutions. In the same way, they seek to create conditions that enable financial intermediaries to fund the economy, particularly homes and micro, small, and medium enterprises whose income has been affected by the pandemic. The goal is to protect enterprises' production capacity and workers' employment status.

To fund the federal government, Mexico prefers domestic borrowing with optimal market conditions to maintain a debt structure with a predominance of liabilities denominated in long-term domestic currency and at a fixed rate. For example:

- Being a recurring grantor by using external credit strategically and complimentarily when conditions in international markets are favorable and allow for the opening of new markets for sovereign bonds in foreign currency, thus diversifying markets and extending investors basis.

- Executing coverage strategies of liabilities in foreign currency that allow entities to take advantage of favorable conditions in international markets, without increasing exposure and volatility of debt portfolio.

- Performing liability management operations that improve the debt expiry profile and/or the cost or deadline of portfolio.

• Developing references and performance curves for internal and external markets to diversify due and cut-off dates of coupons of new references.

• Take strategic and complementary advantage of Financing Focused on Development through the International Financial Entities and Bilateral Entities.

• Continuing with a transparent communication policy on the public debt management that allows investors, qualifying agencies, and the general public to know the objectives and lines of action of the federal government as debt grantor.

• ASG = ESG Continuing with ESG (Environmental, social and Governance) funding to extend ESG investor basis by accessing funds committed to the sustainable economic development. The orderly creation of a robust ecosystem for these instruments is encouraged

• Exercising a net internal borrowing for the federal government of up to 700 billion pesos. Also, when appropriate, contracting additional internal borrowing to the one authorized, only when net external borrowing is less than the one established by Article 2 of Income Law of the Federation for Fiscal Exercise 2021, for an amount equivalent to such additional obligations.

Reaching an amount of net external borrowing for the public sector (federal government and Development Bank) of up to $5.2 million. Also, when appropriate, contracting liabilities of additional external borrowing to the one authorized, only when the net internal borrowing is lesser than the one established, for an amount equivalent to such additional obligations.

Starting in 2015, Mexican Petroleum (PEMEX) and Federal Electricity Commission (CFE) both had their own debt ceilings. For PEMEX, Congress authorized a net internal debt ceiling of up to 22 billion pesos and a net external debt of up to $1 billion. Congress authorized CFE a net internal debt of up to 10,813 million pesos and a net external debt of $500 million.

The pandemic has had multiple economic effects in Mexico.

In summary, we can say that GDP in Mexico may incur a shrinkage ranging from 8.5 percent to 10.5 percent in 2020. This downfall has been defined mostly by the long confining period of the second quarter and the mildly slow recovery which is foreseen for the second semester of the year. The downfall in the economic activity reached its bottom in May. Recovery began the following month with the reopening of some additional economic markets.

Expenditure through debit and credit cards shrank rapidly when confining started, although it has been recovering gradually. The expenditure's decrease during the second quarter of the year had a magnitude similar to the product. This suggests that a part of the recovery may be driven by potentially increased consumption. The first figure of expenditure during July suggests that this process may be already occurring. Paradoxically, this has not been reflected in a significant increase of unemployment rates. This may suggest that most of the work market adjustment has been perceived as transitional and that most of those who have lost their jobs are waiting to return sooner or later to their occupations.

In this sense, is likely that the existence of a large informal sector in the Mexican work market may be able to absorb the economical crash. In any case, the final effect on the work market is to be defined. It will crucially depend on the pandemic's evolution and the economic capacity to avoid a transitional crisis that could become more permanent.

Lastly, increasing and extreme poverty rates in Mexico is feared. According to different estimates, around 9 million Mexicans may come to be considered poor. In addition, a similar number may fall into extreme poverty. This may lead Mexico to its highest poverty rates of the century. In the long term, this will probably be the longest and most painful effect of this crisis and one which will require the most immediate attention.

https://www.asf.gob.mx/uploads/55_Informes_de_auditoria/IGE_2020_PROTEGIDO.pdf.

Auditoria Superior de la Federacion (ASF)

ASF is the specialized technical body of the Chamber of Deputies endowed with technical and managerial autonomy. It oversees the use of federal public resources of the three Powers of the Union (Executive, Legislative, and Judiciary); autonomous constitutional bodies; states and municipalities; and in general, any entity, morale or physical person, public or private body which has received, collected, administered, managed, or exercised federal public resources. The final outcome of the work of ASF are the Individual Audit Reports and the Executive General Report on Results of the Superior Audit of the Public Accounts.

Working Group on Public Debt

MYANMAR

Overview

In Myanmar, the COVID-19 outbreak started in March 2020 and the government formed a national level central committee for prevention, control, and treatment of COVID-19. Due to the pandemic, revenue declined and the government increased spending because it was urgently needed to support the intended policy measures, including social spending targeted to the most vulnerable groups.

Key Fiscal Indicators

	As of 30 September 2018[a]	As of 30 September 2019	As of 30 September 2020	As of 30 September 2021
Total public debt (central government)[b]	35,550 billion MMK	40,750 billion MMK	47,637 billion MMK	58,256 billion MMK
Domestic	22,287 billion MMK	25,244 billion MMK	30,597 billion MMK	39,889 billion MMK
External:	13,263 billion MMK	15,506 billion MMK	17,040 billion MMK	18,367 billion MMK
Public debt as a share of gross domestic product (GDP)[c]	37.71%	38.71%	42.24%	53.83%
Central government annual budget surplus/ (deficit) as a share of GDP	(6.15)%	(4.5)%	(5.65)%	(5.29)%
Average interest rate on debt outstanding[d]	0.75% to 10.2%	0.75% to 10.10%	0.75% to 9.75%	7.5%
Annual interest payments as a share of central government revenue	7.49%	6.89%	7.21%	13.64%
Public debt maturing in the next 12 months	*	*	*	*
Average maturity of debt outstanding	*	*	*	*

Source: Government's Annual Public Debt Reports.

Table endnotes are listed at the end of this document.

Reduced revenues and increased expenditure resulted in a greater deficit than the period before pandemic. The percent of Ministry of Health's total spending in Union Expenditure was 3.67% in 2019-2020 and 4.19% in 2020-2021. Therefore, Myanmar government has borrowed concessional loans from international organizations such as IMF, JICA, and ADB to address its fiscal deficit and decrease in GDP.

To fulfill the fiscal deficit, government has borrowed concessional loans from international organizations and has issued the government bills and bonds. Therefore, the government's external and internal debt increased during the pandemic.

To keep the reasonable level of financial risks, the government took the following debt management actions: enacting the public debt law, implementing a debt management strategy, agreeing to the Debt Service Suspension Initiative (DSSI) with the lenders, and issuing a public debt report annually.

During the pandemic, we could not conduct audits as per our annual audit plan. We communicated with the audited entities by email, fax, phone, and virtual discussion. We faced difficulties communicating with the audited entities and could not conduct physical examination on Loan Projects in some locations due to the current situation.

We examined whether government entities apply the public debt in implementing their projects efficiently and effectively as per our audit objective. We examined the loan balances, interest payment, and repayments of government entities in accordance with loan agreement, repayment schedules, and other related documents. We conducted this examination by analyzing, recalculating, confirming, and physically examining project sites. We recommended that government entities need to implement the foreign and domestic loan projects effectively to be successful projects, to set up a plan for reducing the risks due to foreign and domestic loans, and to encourage the development of a domestic security market.

[a]Myanmar financial year is from 1 October to 30 September.

[b]Total Debt includes Government Treasury Bills, Government Treasury Bonds and Loans. Loans are valued at exchange rates from the IMF's website on the closing dates.

[c]According to the provisional actual in respective financial year and citizen's budget;

- Total interest was 685.271 billion MMK, total revenue was 9,153.143 billion MMK and GDP was 32,873.202 billion MMK for the year ended of 30 September 2018.
- Total interest was 1,483.980 billion MMK, total revenue was 21,549.042 billion MMK and GDP was 106,096 billion MMK for the year ended of 30 September 2019.
- Total interest was 1,800.992 billion MMK, total revenue was 24,976.329 billion MMK and GDP was 119,023.405 billion MMK for the year ended of 30 September 2020.

[d]Average interest rate on public debt is presented as a range because Ministry of Finance and planning does not report a weighted average interest rate.

SAI Myanmar

No description provided.

Working Group on Public Debt

PHILIPPINES

Overview

In 2019, alongside modest growth in outstanding debt, the National Government (NG) was able to bring its debt-to-GDP ratio to a historic low of 39.6 percent from 42.7 percent at the start of 2015. However, the pandemic reversed the trend due to the higher spending for the COVID-19 pandemic response and the drop in revenues due to limited economic activity, causing the debt-to-GDP ratio to rise to 54.6 percent in 2020 and subsequently to 60.5 percent in 2021, even as economic recovery began to take hold.

Despite the rise in the debt-to-GDP ratio, debt sustainability remains intact. Prudent management and a strategic approach to debt issuance allows the debt stock to absorb short-term shocks without compromising fiscal stability over the medium-term. The debt ratio is expected to settle within prudent thresholds and improve as the government unwinds fiscal support implemented during the pandemic and as economic recovery gets under way.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[1,a]	7.29 trillion PHP	7.73 trillion PHP	9.80 trillion PHP	11.73 trillion PHP
Domestic	4.78 trillion PHP	5.13 trillion PHP	6.69 trillion PHP	8.17 trillion PHP
External:	2.52 trillion PHP	2.60 trillion PHP	3.10 trillion PHP	3.56 trillion PHP
Public debt as a share of gross domestic product (GDP)[1]	39.9%	39.6%	54.6%	60.4%
Central government annual budget surplus/ (deficit) as a share of GDP[2]	(3.2)%	(3.4)%	(7.6)%	(8.6)%
Average interest rate on debt outstanding[3]	5.1%	5.0%	4.2%	3.9%
Annual interest payments as a share of central government revenue[1]	12.3%	11.5%	13.3%	14.3%
Public debt maturing in the next 12 months[1]	6.8%	6.4%	9.8%	6.8%
Average maturity of debt outstanding[4,b]	10.38	8.59	7.57	7.47

Sources:

[1]NG Debt Indicators 1986-2021, Bureau of Treasury (BTr), https://www.treasury.gov.ph/wp-content/uploads/2022/09/DEBT-INDICATOR-ANNUAL-1986-2021.pdf

[2]National Government Fiscal Program, Budget of Expenditures and Sources of Financing (BESF) for Fiscal Years 2020, 2021, and 2022, https://www.dbm.gov.ph/index.php/dbm-publications/budget-of-expenditures-and-sources-of-financing-besf and BESF for Fiscal Year 2023, https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2023/A2.pdf

[3]Recovery in Motion: The Road to Fiscal Sustainability and Resilience, 2021 Department of Finance (DOF) Report, https://www.dof.gov.ph/wp-content/uploads/2022/05/DOF-AR-2021-May-5-hires.pdf

[4]Fiscal Risks Statement for 2020 and 2021, Development Budget Coordination Committee (DBCC), https://www.dbm.gov.ph/index.php/dbcc-matters/dbcc-publication/fiscal-risk-statement

Table endnotes are listed at the end of this document.

Spending accelerated pursuant to the implementation of Bayanihan to Heal as One Act

Republic Act No. 11469, or the Bayanihan to Heal as One Act, was enacted in March 2020 to grant President Duterte additional authority to combat the COVID-19 pandemic in the country. The implementation of the Bayanihan to Heal as One Act has allowed the National Government (NG) to strengthen the healthcare system by expanding the medical resources to fight COVID-19 and to execute social protection programs and services provided to affected individuals, especially from the vulnerable sectors. The PHP205-billion Social Amelioration Program (SAP) is the largest social protection program in the country's history, for 18 million low-income, informal sector workers. While the PHP51-billion Small Business Wage Subsidy (SBWS) Program, complementary program for formal workers, provides salary subsidies for 3.4 million employees of small businesses whose operations have been disrupted because of the enhanced community quarantine (ECQ).

The level of expenditures as of April 2020 amounted to PHP1, 307 billion, 31 percent higher than last year's level. Spending was realigned in accordance with the Four-Pillar socio-economic strategy to combat the effects of the COVID-19 crisis. The NG has released funds for the implementation of the first tranche of the SAP and the SBWS Program, Bayanihan grants to provinces, cities, and municipalities, and other recovery and rehabilitation measures of the NG under the Bayanihan to Heal as One Act. In total, the Department of Budget and Management (DBM) has allotted PHP375 billion for the government's COVID-19 response programs.

The four-pillar strategy to shield the Filipino people against the adverse impact of the pandemic is as follows:

a. Pillar I or emergency support for vulnerable groups and individuals
b. Pillar II or expanded medical resources to fight COVID-19 and ensure the safety of frontliners
c. Pillar III or monetary actions for liquidity infusions
d. Pillar IV or an economic recovery plan to create jobs and sustain growth

The Philippine economy continued its strong growth momentum at 6.0 percent in 2019. However, the unraveling of the COVID-19 pandemic and the need to impose quarantine measures to control the outbreak unsurprisingly weighed down on economic activities, leading to a 9.0 percent first-half contraction. Domestic demand and major sectors on the supply side slumped from curtailed economic activities and limited mobility due to the initial imposition of the Luzon-wide ECQ in response to the COVID-19 pandemic. The country is expected to make a rebound in growth as the economy, propped up by stimulus measures, gradually reopens.

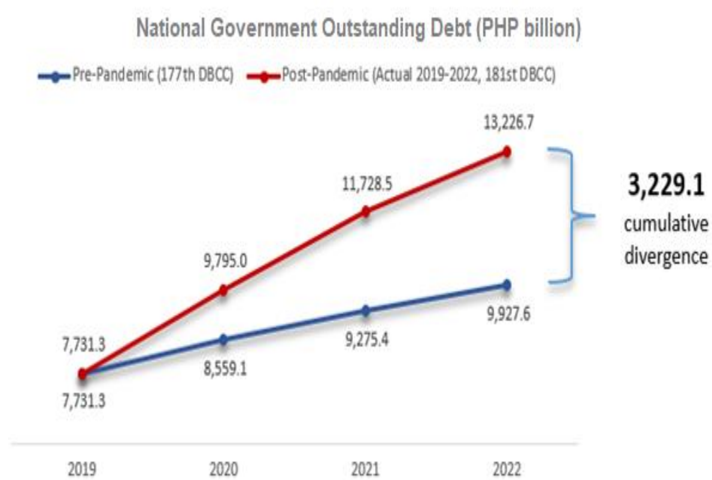
Before the pandemic, end-of-2022 debt was projected to reach PHP9.928 trillion (or 38.3 percent of GDP) based on the 177th Development Budget Coordination Committee (DBCC) program approved in December 2019. However, the (1) pandemic-induced revenue shortfall and (2) additional expenditures for COVID-related response and recovery measures necessitated the government to expand the fiscal deficit at 7.6 percent of GDP in 2020, which resulted in a sizable climb in debt levels.

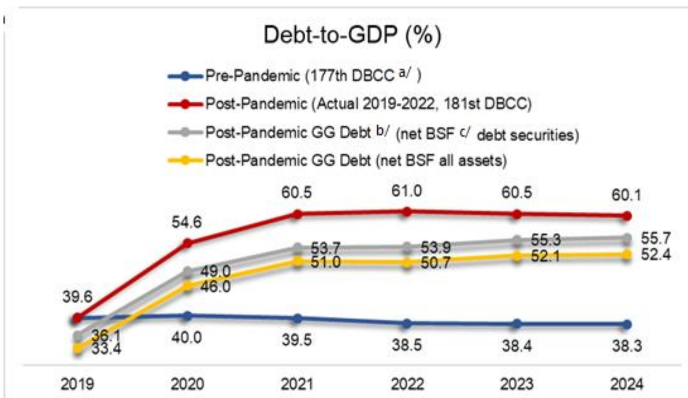
Fortunately, coming from a relatively low public debt of 39.6 percent of GDP in 2019, the government had leeway for adopting an elevated but declining budget deficit program at 8.6 percent in 2021, 7.6 percent in 2022, 6.1 percent in 2023, and 5.1 percent in 2024. This medium-term budget envelope carefully balances the continued support of the government to facilitate the country's economic recovery and the government's commitment of keeping the country's debt-to-GDP ratio in the median among similarly credit rated peers.

Prudent liability management and strong economic growth supported resiliency in the country's debt portfolio amidst unexpected shocks

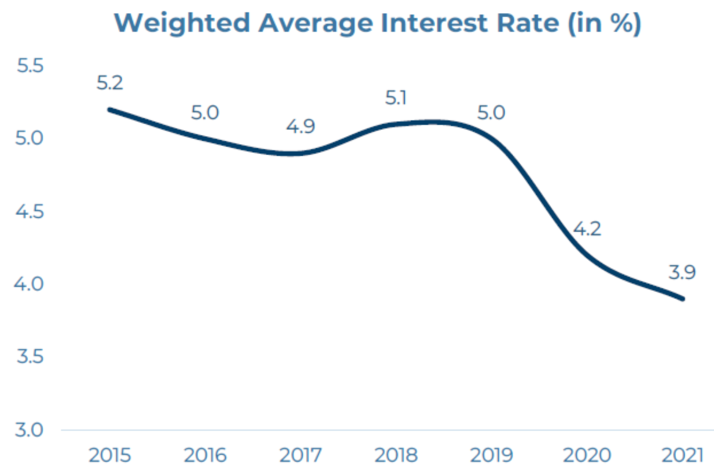
The pandemic reversed the trend due to the higher spending for the COVID-19 response and the drop in revenues due to limited economic activity, causing the debt-to-GDP ratio to rise to 54.6 percent in 2020 and subsequently to 60.5 percent in 2021, even as economic recovery began to take hold. Nonetheless, the end-2021 level is still in line with prudent bounds of fiscal viability and the experience of the Philippines' rating peers.

Our debt-to-GDP ratio of 60.5 percent in 2021 remains comfortable and sustainable within the internationally acceptable threshold of 70 percent. Moving forward, our debt burden is expected to remain stable and will eventually follow a downward trajectory as we pursue fiscal consolidation and sustain strong GDP growth rates.





a/ Development Budget Coordination Committee
b/ General/National Government Debt
c/ Bond Sinking Fund



Crisis affecting interest rates and/or demand for public debt

After the initial market reaction to the pandemic, risk-off sentiment drove market interest toward the safety accorded by government securities. Prudent cash provisioning and a strategic borrowing program also helped manage borrowing costs despite the heightened market uncertainty and the elevated financing requirements. The weighted average interest rate (WAIR) for domestic issuances subsequently declined, particularly for short tenors (Treasury Bills), as market preference turned to shorter duration.

Weighted Average Interest Rate
Domestic Issuances

	2019	2020	2021
Total	5.2	2.7	2.9
T-Bills	5.0	2.2	1.4
T-Bonds	5.4	3.1	3.6

Reduced Borrowing Costs

The implementation of the borrowing strategy alongside robust market support has led to the reduction in borrowing costs in terms of the weighted average interest of 3.9 percent as of December 2021 from 5.2 percent in 2015. This has created fiscal space for more productive spending while retaining a disciplined fiscal stance.

Crisis affecting government liquidity buffers or cushions

To meet the initial spending on emergency measures to mitigate the COVID-19 health crisis, the government utilized all available channels and funding sources to augment its cash liquidity buffers.

• Cash-sweep of idle cash balances and early remittance of dividends and other incomes from state-owned corporations in line with the implementation of Bayanihan to Heal as One Act.

• The Bureau of the Treasury (BTr) offered the 35 day Cash Management Bills (CMBs) twice a month from April to August 2020 as an interim measure to address market volatilities spawned by the imposition of community quarantines.

• At the start of the ECQ, the BTr entered a repurchase agreement with the Bangko Sentral ng Pilipinas (BSP) to access P300 billion worth of short-term borrowings. Furthermore, to enable the NG to have a comfortable cash buffer amidst uncertainty on the depth and breadth of the pandemic throughout 2020-2021, the BSP continued to extend a series of PHP40 billion short-term provisional advances at zero interest to the NG. The BSP also opened a one-hour window for buying peso-denominated government securities to reassure bond investors of secondary market liquidity.

• The easing of the monetary policy settings of the BSP through the reduction of the overnight reverse repurchase (RRP) rate and reserve requirement ratio (RRR) have also provided broad monetary stimulus and liquidity into the financial system.

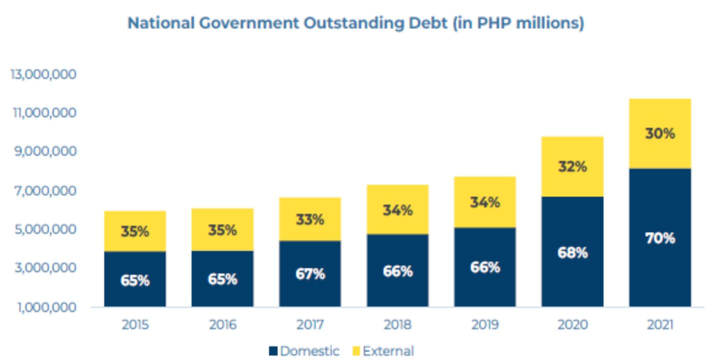
The country's external sector remains manageable with adequate liquidity buffers, which can help cushion the domestic economy against external shocks. Following the steeper decline in goods imports than in goods exports, the current account for the FY 2020 recorded a surplus of almost US$13 billion, a marked reversal from the US$3 billion deficit posted in 2019.

The country's banking sector is in a strong financial condition, has manageable exposure, and is supported by sufficient liquidity and capital buffers going into the crisis brought about by the COVID-19 global pandemic.

In 2021, the country maintained all its high credit ratings amidst a sea of downgrades among its peers globally due to the economic crisis brought about by the pandemic. Japan Credit Rating Agency (JCRA) upgraded the country's rating from BBB+ to A- in 2020. In 2021, Standard and Poor's Global Ratings (S&P) and JCRA affirmed NG's investment credit ratings at BBB+ and A-, respectively. Fitch Ratings also affirmed NG's investment grade rating of BBB. This meant that the NG had the headroom to contract new debt at lower interest rates and costs.

Continued Redenomination of NG Debt

The currency composition has been reoriented to 70 percent domestic versus 30 percent foreign as of end-December 2021. Compared to the mix of 65 percent domestic to 35 percent foreign in 2015, this reflects reduced volatility caused by foreign exchange.



Changes in the types of debt instruments that the government issued

The NG continued to primarily borrow from the domestic capital market through the issuance of Treasury Bills and Bonds. Tenors were mostly dictated by market preference which turned to shorter maturities in light of market uncertainties. Aside from its usual offerings, the Treasury increased the issuance of medium-tenor Retail Treasury Bonds (RTBs) to take advantage of excess market liquidity and strong investor demand. The RTB program raised a total of PHP1.54 trillion, net of exchange, for the period 2020-2021. The NG was also successful in its maiden offering of Retail Onshore Dollar Bonds (RDB) in October 2021 which raised PHP80.84 billion.

In the international capital markets, the NG was able to maintain its foothold in key markets and even successfully returned to the Samurai and Euro market to widen and diversify the investor base. The NG also maximized the availment of concessional loans from bilateral and multilateral organizations such as Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), and the World Bank (WB) to take advantage of the low rates and long repayment schedule.

Changes in government loans such as the changes in terms and conditions

There were no changes in the terms and conditions in the offering of our government securities. Instead, there were innovations in the modality of our offerings, most especially in tapping the country's retail sector which has been a strong and reliable pillar of our funding operations. The government further expanded the retail investor base by harnessing financial technology to digitalize the distribution of our retail bonds. The BTr introduced the Bonds.PH mobile app, the first Distributed Lender Technology-powered app for distributing retail government bonds in Asia, and the Overseas Filipino Bank mobile banking application which made it easier for overseas Filipinos to set up a virtual bank account in the Philippines required in investing in government securities. Both mobile apps have enhanced the reach of our bond offerings to more Filipinos inside and outside the country, promoting financial literacy and inclusivity.

Financed the Funding Requirement of the NG

The Department of Finance (DOF), through the BTr, ensured the manageability of the resulting debt obligations of NG due to elevated financing requirements for 2020 and 2021.

The NG increased borrowings in 2020 and 2021 to fund subsidies, vaccines, and other government programs amid a decline in revenues due to the COVID-19 pandemic.

For 2021, the NG raised a total of PHP2.4 trillion in financing. Of the total, 77 percent was sourced from the domestic capital markets, while only 23 percent came from international sources. The government has consistently preferred domestic financing to mitigate foreign exchange risk.

Domestically-oriented borrowing also facilitated the broadening of the domestic bond market and enabled the issuance of benchmark-sized bonds at key tenor points, improving corporate borrowing with efficient pricing benchmarks for their own financing operations.

The NG took advantage of strong market support to issue mid- and long-tenor securities to lengthen maturity and abate refinancing risks while managing borrowing costs as reflected in the 3.9 percent weighted average interest rate as of December 2021.

External debt provided adequate headroom for disbursements needed for COVID-19 response, including vaccine financing

Out of the external debt secured for calendar year 2021, the DOF has mobilized a total of US$22.7 billion in budgetary support financing in the light of COVID-19 response from various partners (ADB, JICA, WB, Asian Infrastructure Investment Bank, Agence Française de Développement, etc.) and foreign currency-denominated global bonds. In addition, grant and loan financing has been contracted in support of various projects to be implemented by agencies involved in COVID-19 responses, including loans for vaccine procurement amounting to US$2.0 billion.

Enhanced Public Debt Transparency

To promote greater transparency and heightened accountability, the DOF published in its website various agreements that the government entered into with its development partners, particularly financing secured for the implementation of COVID-19 response, among others. The financing agreements may be accessed at the DOF website through this link: https://www.dof.gov.ph/data/fin-agreements.

Challenges related to access to credit markets

The high-risk environment generally favored the issuance of government securities and even caused rates to go down. A particular challenge was in the term structure of issuances as markets focused on relatively short- and mid-tenor instruments.

Challenges related to market liquidity

The bid-to-cover ratio reflects the demand for government securities as the ratio between bid volume and the programmed offering. In 2019, the bid-to-cover ratio for domestic securities was at 2.6. The market remained liquid despite the pandemic due to accommodative monetary policy by the BSP which included cuts in the reserve requirement and policy rate. Aside from the slight reduction in the ratio from 2020-2021, it should also be noted how investor demand shifted to heavily favor short-term T-Bills.

Bid-to-Cover Ratio
Domestic Issuances

	2019	2020	2021
Total	2.6	2.4	2.1
T-Bills	2.8	3.5	3.4
T-Bonds	2.5	1.5	1.5

Changes in rollover risks- risks that it may have to refinance maturing debt at higher interest rates

Issuance of medium- and long-term debt has maintained portfolio maturity. For as of the end of calendar year 2021, medium- and long-term securities managed to increase their share to 26.6 percent and 66.6 percent, respectively, from 23.0 percent and 67.3 percent as of end-2020, consequently reducing the share of short-term debt to 6.8 percent. This resulted from the issuance of longer tenor bonds as the market preference for such eventually started to improve, helping mitigate short-term refinancing risks.

National Government Outstanding Debt
By Maturity
In Billion PHP

	Dec-18		Dec-19		Dec-20		Dec-21		Jun-22	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
Long Term	5,819	79.78	5,867	75.88	6,587	67.25	7,808	66.58	8,563	66.94
Medium Term	980	13.45	1,374	17.77	2,252	22.99	3,124	26.63	3,685	28.81
Short Term	494	6.77	491	6.35	956	9.76	796	6.79	544	4.25
Total	7,293	100.00	7,732	100.00	9,795	100.00	11,728	100.00	12,792	100.00
USD/PHP	52.563		50.802		48.021		50.974		54.970	

Foreign currency risks

As of end-2021, domestic borrowing preference has driven the share of domestic currency debt to 69.7 percent equivalent to PHP8.17 trillion while the remaining 30.3 percent or PHP3.56 trillion were foreign currency denominated. This shows improvement from the 66.3 percent and 33.7 percent share of local and foreign currency debts as of end-2019, respectively, which helps mitigate exposure to foreign exchange rate swings.

National Government Outstanding Debt
By Type of Creditor
In Billion PHP

	Dec-18		Dec-19		Dec-20		Dec-21		Jun-22	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
Domestic	4,777	65.50	5,128	66.32	6,695	68.35	8,170	69.66	8,767	68.54
External	2,516	34.50	2,604	33.68	3,100	31.65	3,558	30.34	4,025	31.46
Total	7,293	100.00	7,732	100.00	9,795	100.00	11,728	100.00	12,792	100.00
USD/PHP	52.563		50.802		48.021		50.974		54.970	

Fiscal Risk Statement 2022

The Debt Sustainability Analysis (DSA) indicates that the country's Debt-to-GDP ratio will further moderately increase in the medium-term but will remain broadly manageable. The baseline scenario using the latest DBCC medium-term assumptions projects the fiscal deficit to increase up to 9.4 percent in 2021 to facilitate the economy's recovery before gradually declining thereafter as the NG assumes fiscal consolidation and slowly withdraws fiscal stimulus deployed to address the COVID-19 health emergency. The NG debt trend follows a stable path, rising from 54.6 percent in 2020 and breaching 60 percent at its peak for 2022-2023, where after it would slowly return to a downward trajectory as GDP growth and the fiscal deficit return to their pre-2020 long-run averages beginning in 2025.

Continued relatively higher primary deficit mainly contributes to the projected moderate increase in the debt-to-GDP ratio over the medium term. As the COVID-19 pandemic adverse-impact persists, the NG will continue to provide fiscal support to the economy until broad recovery sets in. Based on the DSA results, a primary balance of 2.2 percent of GDP or less is needed to stabilize debt-to-GDP ratio towards a declining path.

Debt-driven projects

The critical lesson from this crisis is that debt-fueled growth requires adroit debt management especially with respect to external debt. The debt-driven projects did not lead to productivity gains and thus failed to contribute to significant structural change in the economy. This would have mitigated the exposure of the economy to commodity price shocks that subsequently helped trigger a balance of payments crisis.

The audits conducted related to COVID-19 are generally on the utilization of government agencies' regular budgets/funds specifically released for COVID-19 -related expenditures. There are no specific audits on the impact of the recent health crisis or COVID-19 on public debt, public debt management, or fiscal sustainability.

Consolidated Report on the Audit of the Corona Virus Disease 2019 (COVID-19) Funds for the Year Ended December 31, 2022

https://www.coa.gov.ph/wp-admin/admin-ajax.php?juwpfisadmin=false&action=wpfd&task=file.download&wpfd_category_id=93&wpfd_file_id=80208&token=f786a2e47f5b1e93ee06b53696433164&preview=1

RECOVERY IN MOTION: The Road to Fiscal Sustainability and Resilience, Department of Finance
https://www.dof.gov.ph/

Department of Finance-Bureau of Treasury 2021 Annual Report, https://www.treasury.gov.ph/?page_id=6368

BSP Unbound: Central Banking and the COVID-19 Pandemic in the Philippines,
https://www.bsp.gov.ph/Media_And_Research/Publications/BSP_Unbound.pdf

Fiscal Risk Statement 2020-2022, DBCC, https://www.dbm.gov.ph/index.php/dbcc-matters/dbcc-publication/fiscal-risk-statement

[a]Total public debt includes domestic and external loans (outstanding balance) and debt securities (at face value) contracted/issued by the central/national government, and domestic and external guaranteed and assumed liabilities of GOCCs/GFIs. External debt is converted from their original currencies to the USD and then to PHP using the exchange rate at the 1st banking date ensuing the report date.

[b]Average maturity of debt outstanding is computed using the weighted average method. Residual maturity includes actual obligations of the National Government Direct and Assumed loans.

COMMISSION ON AUDIT
In keeping with its Constitutional mandate, the Commission on Audit has the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis.

PORTUGAL

Overview

In 2020, GDP contracted by 7.6%, from a growth of 2.2% in 2019. The public debt-to-GDP ratio, which was already far from the reference value (60% of GDP), increased from 116.6% in 2019 to 135.2% in 2020. The COVID-19 pandemic had a profound impact on the 2020 budget execution, as more resources had to be allocated to mitigate its effects.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)	255,750 million EUR	256,209 million EUR	278,231 million EUR	278,722 million EUR
Domestic	136,002 million EUR	133,876 million EUR	150,551 million EUR	160,906 million EUR
External:	119,748 million EUR	122,333 million EUR	127,680 million EUR	117,816 million EUR
Public debt as a share of gross domestic product (GDP)	121.5%	116.6%	135.2%	127.4%
Central government annual budget surplus/ (deficit) as a share of GDP	(1.6)%	(1.6)%	(6.8)%	(3.7)%
Average interest rate on debt outstanding	2.8%	2.5%	2.2%	1.9%
Annual interest payments as a share of central government revenue	11.8%	10.5%	10.2%	8.2%
Public debt maturing in the next 12 months	8.5%	8.7%	6.8%	8.8%
Average maturity of debt outstanding	94 months	90 months	89 months	92 months
General government debt (Maastricht debt)[a]	249,260 million EUR	249,977 million EUR	270,481 million EUR	269,232 million EUR

Source: Report of Government Deficits and Debt levels in accordance with European Union Regulations, April 2021; IGCP, the Agência de Gestão da Tesouraria e da Dívida Pública, the unit responsible for the integrated management of cash, funding and the direct debt of the central Government.

Table endnotes are listed at the end of this document.

- In 2020 as a whole, GDP contracted by 7.6 percent in volume (2.2 percent growth in 2019).[6]

- The COVID-19 pandemic had a profound impact on the 2020 budget execution, interrupting a trajectory of reducing budget deficits.[7] The State's response to the pandemic involved the intervention of a large number of all 18 ministries and more than 100 public and private entities, with emphasis on the National Health Service and the support provided by Social Security. The government adopted extraordinary measures to support the liquidity of individuals and companies. The impact of measures to combat the pandemic on the budget balance of Central Government and Social Security totaled 4,260 million EUR, as a result of the decrease in actual revenue (1,473 million EUR) and of the increase in actual expenditure (2,787 million EUR). In addition, the COVID-19 pandemic had an impact on contingent liabilities for guarantees granted by central government, in the amount of 7,028 million EUR, related to guaranteed bank credit lines.

  Regarding the Euro area, of which Portugal is a member, the European Commission (EC) activated in March 2020 the general derogation clause of the Stability and Growth Pact (SGP) which allows a temporary deviation from the path, provided that this does not endanger fiscal sustainability in the medium term, in order to allow Member States (MS) to take additional fiscal measures to address such a situation. Initiatives were also launched to strengthen funding for economic recovery and reduce the risk of fragmentation in the EU, through, notably, grants and loans. Portugal had access to a support of 5,900 million EUR under the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) instrument and, under the Recovery and Resilience Mechanism, a non-repayable financial contribution of 13,907 million EUR and a loan of up to 2,699 million EUR.

- The public debt-to-GDP ratio, which was already far from the reference value (60% of GDP), increased from 116.6% in 2019 to 135.2% in 2020.

- Although essential in economic and social terms, the European support is associated with a further upward trajectory of public debt, particularly relevant in the Portuguese case.

- Considering the return to the SGP's fiscal rules after the lifting of the derogation clause (which is assumed will occur in calendar year 2023), the adjustment path of the Portuguese public debt will resume, however, from a clearly unfavourable ranking, since its ratio as a percentage of GDP is among the highest in the EU, which increases the level of uncertainty in the accomplishment of the fiscal targets.

- The COVID-19 pandemic motivated the increase in funding needs compared to those anticipated at the beginning of 2020. The adjustments in the funding program were expressed in the 2020 supplementary budget and pointed to:
  - net financing needs - 20,262 Million EUR (112 percent above the initial State Budget);
  - net financing by recourse to debt, 22,152 million EUR (134 percent above the initial State Budget).

  The financing took place through the issuance of medium- and long-term debt (securities and loans), mainly by net issuance of treasury bonds (19,431 million EUR) and the disbursement of the SURE loan (3,045 million EUR).

- Several European Union countries have benefited from the sovereign public debt purchase programs carried out by the European Central Bank (ECB). In 2020, the ECB purchased Portuguese public debt securities in the amount corresponding to 52.2percent of the year's funding needs.

- The acquisition of assets by the Eurosystem has been essential for Portugal to ensure (re)financing. However, given the high value of debt, any rise in interest rates will lead to worsening financing conditions and, therefore, Portugal is highly sensitive to any change in interest rate policies that may be adopted in the EU.

- Another aspect to be noted, in terms of the impact on debt and consequent sustainability of Portuguese public finances, results from the potential negative impact of the pandemic budgetary response measures to support corporate and household liquidity. These measures were in the form of contingent liabilities, namely public guarantees, in addition to other forms of support, such as capital injections, loans, asset purchases or debt assumptions, which may also have associated budgetary risks.

- Among the reports produced by the Portuguese Court of Auditors in the context of COVID-19 (see “Key Reports” list), two (under item 2. and 8.) focus on budget execution. These reports' objectives were to highlight strengths and weaknesses of the budget report concerning COVID-19 measures, to promote transparency in the reporting of public interventions, to allow effective monitoring of public interventions, and to assess the

[6]Estimate as 02/02/2021.
[7]General government deficit/surplus (2018: -716 million EUR; -0.3 percent of GDP; 2019: +247 million EUR; 0.1 percent of GDP; 2020: -11,684 million Euro; -5.8 percent of GDP). GDP (2018: 205,184 million EUR; 2019: 214,375 million EUR; 2020: 200,008 million EUR)

rationale for public policy decisions, mainly in the context of this pandemic but also in future emergency situations.

- The first report, published in July 2020, covering the first three months of the pandemic (March to May), gave an overview of: i) the measures and the form of governance adopted in that period; ii) information on the budgetary execution of these measures, as well as the procedures put in place; and iii) the values reported in the central government and social security information systems and their comparison with the information released by the Ministry of Finance.

- The second report examined the information released by the Ministry of Finance through the third quarter of 2020, with the aim of assessing the extent to which the information is based on recorded budget execution and whether the reporting of measures and their effects are complete, in order to allow effective monitoring. In addition, it includes an analysis of the effect on the State's direct public debt and contingent liabilities arising from guarantees. It showed that the reporting on the initiatives taken in the scope of the pandemic, published in the September Budget Outturn, was improved compared to the report from May, although it was still not exhaustive and the information systems did not provide a sufficiently robust level of support. The improvements were:

  - better specification of expenses; and

  - inclusion of estimates on the loss of Social Security revenue due to exemptions from contributions and inclusion of data on the amount to be collected, as a result of legal delay.

The analysis concluded also that the information remained incomplete as some details were missing and there were also weaknesses in the information.

This second report, focused also on the existence of other impacts:

- the budget statements of revenue and expenditure did not reflect the changes introduced by Parliament to the proposed supplementary budget law;
- the Budget Outturn estimates for the loss of revenue due to payment exemption of social contributions did not match the data presented by the services, making it difficult to verify.

This second report, focused also on the existence of other impacts:

- the level and evolution of the Portuguese public debt;
- the existing contingent liabilities; and
- the new contingent-liabilities entered into as part of COVID-19 response and their potential impact on future cash and debt liabilities.

Several recommendations were issued, namely to the Minister of Finance and the Minister of Labour and Social Security, to make possible:

i) the quantification of the impact of all initiatives taken in the context of the pandemic in a disaggregated way;

ii) the report in the appropriate dedicated budgetary lines of the impacts translated into financial flows of the measures taken;

iii) the issuing of instructions that ensure consistency in the use of dedicated budgetary lines related to COVID-19;

iv) the disclosure of complete information, including financial and physical data and also outcome indicators;

v) the register of subventions financed by European funds in extra-budgetary transactions;

vi) the dissemination of aggregated information on the volume of funds obtained from the European Union and its application.

As a result of these recommendations and recognizing weaknesses in reporting and information systems for budget execution, the Ministry of Finance issued new instructions, on February 2021, to adjust the processes for gathering information on budget execution associated with the COVID-19 pandemic and the economic and social recovery initiatives.

- Reports produced by the Portuguese Court of Auditors in the context of COVID-19 theme:

  1. Identification of risks arising from the use of public resources during emergencies (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/relatorios-oac/Documents/2020/relatorio-oac-2020-01.pdf)
  2. COVID-19 – Budget monitoring, debt, measures and procedures (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/RelatoriosAcompanhamentoExecucaoOrcamental/Documents/2020/aeo-dgtc-rel01-2020-2s.pdf)
  3. Collection and processing of information and evidence on contracts carried out within the scope of COVID-19 and consideration of the same in planned audits (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/relatorios-oac/Documents/2020/relatorio-oac-2020-03.pdf)
  4. Performance audit on the global response to the COVID-19 pandemic by the health public authorities (executive summary in English); (https://erario.tcontas.pt/en-us/content/activity/report-oac005-2020_executive-summary.pdf)
  5. Collection and processing of information and evidence on contracts carried out within the scope of COVID-19 and consideration of the same in planned audits (full-text in Portuguese); (https://www.tcontas.pt/pt-

pt/ProdutosTC/Relatorios/relatorios-oac/Documents/2020/relatorio-oac-2020-06.pdf)

6. Study on the financial impact of the COVID-19 measures on local government (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/relatorios-oac/Documents/2020/relatorio-oac-2020-07.pdf)
7. Implementing the “simplified” lay off during the COVID-19 Pandemic (executive summary in English); (https://erario.tcontas.pt/en-us/content/activity/report-oac001-2021_executive-summary.pdf)
8. COVID-19 – Budget monitoring, debt, measures and procedures (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/RelatoriosAcompanhamentoExecucaoOrcamental/Documents/2021/aeo-dgtc-rel001-2021-2s.pdf)
9. Collection and processing of information and evidence on contracts carried out within the scope of COVID-19 and consideration of the same in planned audits (full-text in Portuguese); (https://www.tcontas.pt/pt-pt/ProdutosTC/Relatorios/relatorios-oac/Documents/2021/relatorio-oac004-2021.pdf)

[a]Maastricht debt includes the liabilities in currency and deposits, debt securities and loans, according to the 2010 European System of National Accounts definitions; is compiled by the Portuguese Central Bank (Banco de Portugal).

Tribunal de Contas /Court of Auditors

Portuguese Court of Auditors is a jurisdictional Supreme Audit Institution (Court model).
In accordance with the Constitution and the Law, the Tribunal de Contas de Portugal (TCP):

- audits the legality and regularity of public revenue and expenditure and public debt;
- issues an opinion on the General State Account and the Autonomous Regions Accounts and will certify the General State Accounts from 2023 onwards;
- assesses public financial management; and
- enforces financial liabilities.

INTOSAI

Working Group on Public Debt

ROMANIA

Overview

In response to the COVID-19 pandemic, the Government of Romania adopted budgetary measures to combat the virus and support economically and socially affected citizens and companies. These fiscal measures, combined with the economic shock of the pandemic, have led, as in the most countries, to increased budget deficits in 2020 and 2021. To meet financing needs, Romania has issued a substantial amount of government bonds. In raising these funds, the Romanian government has taken several debt management actions to promote sustainability, such as financing mainly in the national currency and pursuing a balanced repayment schedule. Romania has a series of challenges in the future: the consolidation of multiannual programming, considering the operation of the investment programs of the credit authorities, the implementation of European funds, the operationalization of which requires stable and predictable financing, the reorientation of the public budget to priorities.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	384,964.9 million RON	432,480.7 million RON	573,986.6 million RON	679.135,6 million RON
Domestic	233,120.3 million RON	266,752.2 million RON	342,818.4 million RON	406.994,1 million RON
External:	151,844.9 million RON	165,728.5 million RON	231,168.2 million RON	272.141,5 million RON
Public debt as a share of gross domestic product (GDP)	40.4%	40.8%	54.2%	57.4%
Central government annual budget surplus/ (deficit) as a share of GDP[b,c]	(3.2)%	(4.5)%	(10.0)%	(7.6)%
Average interest rate on debt outstanding[d,e]	3.5%	3.0%	3.2%	3.0%
Annual interest payments as a share of central government revenue	11.0%	8.0%	9.0%	10.0%
Public debt maturing in the next 12 months[f]	12.4%	10.9%	9.5%	11.7%
Average maturity of debt outstanding[g]	6.3 years	6.7 years	7.3 years	7.5 years
Share of total debt denominated in the national currency[h]	48.6%	49.8%	47.9%	47.7%

Source: Ministry of Finance, Medium-Term Government Debt Management Strategy.

Table endnotes are listed at the end of this document.

The year 2020 was strongly marked by the shock wave caused by the COVID-19 pandemic. The uncertainty associated with the evolution of the pandemic and the restrictions implemented by the authorities to limit the spread of the virus have substantially affected both supply and demand.

The economic environment imprinted by the pandemic shock imposed a strongly anticyclical conduct of fiscal policy in 2020, which led to a large increase in the consolidated general budget deficit, which reached 9.2 percent of GDP. Thus, the contraction by 10 percent in annual terms of economic activity in the second quarter was followed by a strong recovery, so that for the whole of 2020, the decline in real GDP was only 3.9 percent.

- Investments registered a favorable course, the increase of 6.8 percent being supported by the dynamism of construction works, and public investments reached the level of 5.0 percent of GDP (compared to 4.1 percent in 2019)
- Exports recorded a severe contraction between April and June 2020, with the main contribution coming from the automotive sector.

Regarding the consumer price index, Romania ended 2020 with an average annual inflation rate of 2.6 percent. At the end of 2020, the unemployment rate was 3.4 percent, about 0.5 percent higher than at the end of 2019 (2.9 percent).

In response to the COVID-19 pandemic and in a coordinated approach at Union level, Romania has adopted budgetary measures focusing on two fundamental levels:

- preventing and combating the virus, and
- supporting economically and socially affected citizens and companies.

The total cost of support measures related to COVID-19 in 2020 was 4.85 percent of GDP. Some of these measures continued in 2021, thus generating an estimated cost of 3.81 percent of GDP.

The impact of the measures to prevent and combat the COVID-19 pandemic on the consolidated general budget was 3.65 percent of GDP, of which 0.4 percentage points (pp) are financed by EU funds, of which 0.2 pp were reimbursed in 2020, the rest to be reimbursed in 2021.
For 2021 is estimated at 1.29 percent of GDP, of which 0.35 percentage points are estimated to be reimbursed from EU funds.

In order to combat the negative economic effects generated by the COVID-19 pandemic, a series of government support programs have been approved to support the activity of small and medium enterprises (SMEs), large companies, and small and medium enterprises with a turnover of over 20 million RON through state guarantees:

- in 2020, guarantees amounting to 12.48 billion RON (1.20 percent of GDP) were granted, and

in 2021, guarantees amounting to 28.10 billion RON (2.52 percent of GDP) are estimated.

Although the onset of the health crisis in March 2020 led to a reduction in demand for government bonds, in addition to seasonal pressures on government bond yields, starting next month as a result of central bank action, the yields stabilized and demand gradually increased, which allowed the allocation of a monthly volume higher than the previously announced volume of government securities that were to be issued, in order to meet the growing financing needs.

The COVID-19 pandemic was a major economic shock, the biggest lockdown in modern history, leading to an unprecedented decline in activity since World War II, both in the EU and worldwide, with consequences for consumption, industrial production, trade investment, capital flows and supply chains.

This shock was distinguished from the financial crisis of 2009 by a series of distinct features:

The COVID-19 crisis is a symmetrical shock affecting all Member States, with a high degree of simultaneity and similarity, at least in the case of EU countries, due to their strong economic interconnection. The economic recovery of each Member State depends not only on the evolution of the pandemic in that country, but also on the structure of the economy, such as the specific economic exposures.

The crisis was not triggered by the markets. Its cause stems from a public health imperative that led to the deliberate closure of economic activity, without the involvement of the standard triggers of a crisis, namely a weakness of the financial sector or debt sustainability issues. Over the course of 2020, a predictable and flexible emissions policy tailored to the requirements of the investment environment has been maintained, especially in the light of increasing financing needs in the context of the pandemic and the evolution of rapidly fluctuating domestic market conditions.

In 2020, government bonds were issued on the domestic market totaling 91.4 billion RON equivalents—including government bonds denominated in EUR amounting to 2.3 billion EUR—and government bonds to the population amounting to 6.5 billion RON—representing 61.8 percent of the gross financing needs of the central public administration.

The yield curve showed a downward trend in the first two months of 2020, but at the beginning of the COVID-19 pandemic, it was severely affected with strong yield increases for all maturities. Starting with the end of March, there was a stabilizing trend, and then the downward trend continued until the end of the year, positively influenced by market liquidity, by the intervention measures of the National Bank of Romania, and by successively reducing the monetary policy interest rate—in March at 2 percent, in June at 1.75 percent, in August at 1.50 percent, and in January 2021 at 1.25 percent—as well as repo operations and the purchase of government securities in RON on the secondary market.

The actions taken to manage debt in response to recent health crises were based on principles of action aimed at:

- Financing mainly in national currency, which further facilitates the development of the internal market of government securities and at the same time supports the reduction of exposure to foreign exchange risk while taking into account the absorption capacity of the internal market, and in general the demand for debt in RON, as well as the needs of diversifying the investor base in government securities.
- Achieving as uniform a profile of debt repayment as possible, avoiding as much as possible the concentration of short-term repayments of principal installments or refinancing government securities, including by carrying out liability management operations (early redemptions or exchanges of government securities).
- Mitigating refinancing risk and liquidity risk by maintaining a foreign exchange reserve at a comfortable level and possibly by other instruments depending on their conditions and terms.
- Debt contracting mainly in EUR and "opportunistic" access to international capital markets in USD or other currencies, given the extension of the average maturity of the government debt portfolio, as well as its associated cost/risk ratio and diversification of the investment base, under the conditions of use of financial derivatives (currency swap) after the conclusion of the specific documentation with eligible counterparties.
- Implementing a financing plan for the introduction of green bond issues, through coordinated efforts at the level of line ministries and identification of expenditures or projects that will be financed by these bonds.
- Keeping the interest rate risk exposure under control by limiting the share of debt that changes its interest rate in one year and the average period until the next change in the interest rate for the entire debt portfolio.
- Using financing instruments offered by international financial institutions, including those established at the level of the European Union, taking into account the advantageous terms and conditions offered by them.
- Continuing programs for placing government securities TEZAUR and FIDELIS by selling government securities through territorial treasury units and post offices, respectively to banks and participating financial services and investment companies and listing them on the Bucharest Stock Exchange.

Romania faces a number of challenges in the future:

- strengthening multiannual programming (given the functioning of authorizing officers' investment programs),
- implementing European funds (the operation of which requires stable and predictable financing),
- the reorientation of the public budget towards the priorities of the European Ecological Pact that supports the green and digital transition,
- supporting the necessary structural reforms,
- sufficient fiscal space in case of economic difficulties and / or contagion,
- labor mobility, goods and services,
- stimulating a positive attitude towards wage growth based on increased labor productivity,
- challenges that, once achieved, create the preconditions for sustainable economic growth.

Romania also faces a number of risks in the future:

- Deviations from macroeconomic projections, which could lead to volatility affecting the investment appetite for issued financial assets.
- Uncertainties related to international trade.
- Geopolitical tensions and risk appetite adjustment of investors.
- Climate change as well as other external events (expansion of COVID-19 with adverse effects on global demand as well as increased volatility of foreign exchange markets).
- Increasing macroeconomic imbalances.
- Structural deterioration of public finances as well as the international investment position.

In conclusion, the main associated risks show that, in view of the anticipated or estimated monetary policy decisions both internally and externally, it is anticipated to maintain a vulnerable and volatile market context.

The Court of Auditors' audit work on the impact of recent health crises on public debt or fiscal sustainability consisted of:

- The Ministry of Finance:
  - Report on government public debt December 31, 2020 - General Directorate of Treasury and Public Debt
  - General Directorate of Treasury and Public Debt - Middle Office Department - Monthly Reports 2020 - 2021

- Romanian Court of Accounts:
  - The public report of the Court of Accounts for 2020, which included the results of the actions carried out by the Court of Accounts of Romania, according to the Activity Programs, included the compliance and financial audits respectively:

  Compliance audit:
  - Verification of compliance with the legal provisions on the forming, highlighting, tracking, and collecting revenues of the General Consolidated Budget, administered by the National Agency for Fiscal Administration
  - Control of the management of public resources for 2020
  - Control of the legality of the use and repayment of directly contracted, sub-borrowed or state-guaranteed loans to beneficiary entities

  Financial audit:

- Financial audit on the annual account of the execution of the state budget, which involves the verification of the main, secondary, and tertiary authorizing officers - users of public funds
- Financial audit on the Budget Execution Account of the Single National Health Insurance Fund

Regarding the criteria used, the provisions of the Practical Guide for Supreme Audit Institutions - Audit of transparency, accountability and inclusion of the use of emergency funding for COVID-19 (TAI Audits, INTOSAI International Development Initiative) were taken into account where appropriate.

The reports issued by SAI Romania:

- https://www.curteadeconturi.ro/uploads/2e007fe0/89dac3a0/f1db6e16/d1ed1e93/28623d97/f0d438de/e814cf2f/2ad01c32/R.A._2020__EN__FINAL__website.pdf (EN)
- https://www.curteadeconturi.ro/uploads/5022f9a8/af848690/b985c3d2/fefc541d/3f49607e/f9fbac54/f6fc8e02/aa896e34/Raportul_Public_al_Curtii_de_Conturi_pe_anul_2020.pdf (RO)

[a]The total public debt (central government) represents the government debt calculated according to the national legislation (OG no. 64/2007).

The indicator was calculated at the redemption value (face value) and includes the debt contracted directly and the debt guaranteed by the Government through the Ministry of Finance. The composition of direct public debt governmental includes government securities issued on the domestic interbank market, government securities launched on international markets, loans from international financial institutions, bilateral loans and from commercial banks, cash management instruments, loans from the availability of the general account of the State Treasury and guaranteed debt includes government guarantee programs as well as individual guarantees. The public debt data as of 31 December 2021 have been updated according to the General Public Debt Execution Account for 2021.

[b]The annual budget deficit of the central government represents the state budget deficit. The source of the data is the Ministry of Finance, the information can be found at the address:

https://mfinante.gov.ro/ro/domenii/budetul-de-stat/informatii-executie-bugetara

[c]GDP according to CNSP summer forecast from July 2022

[d]Average interest rate on outstanding debts: The indicator represents the average interest rate of the government debt balance at the end of the reporting period (outstanding).

[e]Calculated as the ratio between interest payments for total government public debt for current year and the existing debt balance at the end of the prior year.

[f]Calculated as a percentage of the total government public debt.

[g]Represents the average maturity remaining for the government debt balance at the end of the reporting period (outstanding) and is expressed in years according to the Medium-Term Government Debt Management Strategy.

[h]Calculated as the share of national currency denominated debt from total government public debt.

According to the Medium-term Government Debt Management Strategy for the period 2022-2024 published on the website of the Ministry of Finance: https://mfinante.gov.ro/static/10/Mfp/buget/sitebuget/SFB2024-2026_15dec.pdf

ROMANIAN COURT OF ACCOUNTS

Exercises control over the formation, administration and use of state and public sector financial resources

TANZANIA

Overview

Tanzania's Gross Domestic Product (GDP) at market prices has maintained an upward movement pre- and post-COVID-19 pandemic, although the rate of increase in GDP decreased during the COVID-19 pandemic. The overall public debt has maintained an upward trend; however, the debt has remained sustainable despite a year-on-year increase. The Debt Sustainability Analysis—undertaken in November 2021—indicates that all debt burden indicators remained below the threshold with an improvement of annual interest payments as a share of Central Government revenues during 2021 as a result of post-COVID-19 initiatives, such as Debt Service Suspension Initiatives (DSSI). The health crisis had no significant impact on interest rates on public debt because a large portion (86.2 percent) of the total government debt portfolio is fixed-rate debt, reducing the effect of fluctuations in the global market.

Key Fiscal Indicators

	As of 30 June 2018	As of 30 June 2019	As of 30 June 2020	As of 30 June 2021
Total public debt (central government)	22,287.70 million USD	23,119.80 million USD	24,491.30 million USD	27,861.30 million USD
Domestic	6,468.00 million USD	6,491.80 million USD	6,756.20 million USD	8,158.20 million USD
External:	15,819.70 million USD	16,628.00 million USD	17,735.10 million USD	19,703.10 million USD
Public debt as a share of gross domestic product (GDP)	38.10%	39.60%	42.20%	41.50%
Central government annual budget surplus/ (deficit) as a share of GDP	(1.90)%	(3.20)%	(1.90)%	(3.90)%
Average interest rate on debt outstanding	4.40%	4.40%	4.30%	4.70%
Annual interest payments as a share of central government revenue	30.56%	26.59%	25.44%	24.80%
Public debt maturing in the next 12 months	*	*	*	12.5%
Average maturity of debt outstanding	*	*	*	*

Source: Ministry of Finance and Planning and the National Bureau of Statistics.

The Tanzania's Gross Domestic Product (GDP) at market prices has maintained an upward movement pre- and post-COVID-19 pandemic gradually increasing from 115,141,329 (Million TZS) in 2018 to 135,517,813 (Million TZS) during 2021.[8]

Year	2018	2019	2020	2021
GDP at market prices (Million TZS)	115,141,329	123,196,736	129,130,182	135,517,813

The economy has performed well on reducing unemployment rate from 9.7 percent in 2018 to 9.0 percent in 2021.[9]

Year	2018	2019	2020	2021
Unemployment rate	9.7%	9.6%	9.5%	9.0%

The Government of Tanzania received a concessional loan from the International Monetary Fund through the Rapid Credit Facility window worth 1,310.6 billion shillings (567.3 million USD) to address the impact of the COVID-19 pandemic on the economic and social sectors.

The government entered into the agreement of DSSI with Paris Club countries. The DSSI entails rescheduling debt service (principal and interest) payments falling due during the period 1 May–31 December 2020 (DSSI I), 1 January–30 June 2021 (DSSI II), and 1 July–31 December 2021. The DSSI was intended to create fiscal space for the government to increase social, health, or economic spending in response to the COVID-19 crisis.

The public debt maintains an upward trend as seen in line #1 of the key indicators above. Despite a year-on-year increase, the debt has remained sustainable. The debt sustainability analysis undertaken in November 2021 indicated that all the debt burden indicators remained below the threshold. The results showed the present value of the public debt to GDP ratio is 31 percent compared to the threshold of 55 percent.

The health crisis had no significant impact on interest rates on public debt, because a large portion (86.2 percent) of the total government debt portfolio is fixed-rate debt, thus reducing the effect of fluctuations in the global market.

The health crisis has had some effect on the government, especially in the domestic revenue collection, resulting from the decline of the performance of some economic activities, particularly the tourism sector. In spite of this, the government has continued to fulfill its recurrent and development expenditure obligations.

In March 2022, the coupon rates of treasury bonds were revised downward to set a proper benchmark for the commercial banks to provide loans to the individuals at lower rates.

The Bank of Tanzania has employed a number of measures to increase market liquidity, which was needed because of the impact of the COVID-19 pandemic. The measures include:

- reduction of statutory minimum reserve from 7 to 6 percent, and
- introduction of special loans amounting to TZS 1.0 trillion to banks and other financial institutions for overnight lending to the private sector.

In recent years, there has been delays of disbursement from non-concessional loans contracted for the purpose of executing the government budget. These delays was attributed to the severe effect of the COVID-19 pandemic on global capital markets that has increased access to relatively cheaper commercial loans with less stringent conditions.

The government has reduced refinancing risk by using a strategy of lengthening maturities of debt instruments. This strategy reduces the risk of debts maturing within the next few years in order to provide time for the government to invest the borrowed money on the strategic investments, which will then generate enough revenue to repay the loans.

The amount of government guarantees as of December 2021 is estimated at around 3.2 percent of the GDP. Out of which, 99.13 percent is related to guarantees for mega equipment and machinery being used for construction of the Julius Nyerere Hydropower Station which is expected to be completed by 2024. Furthermore, although the coverage of debt in our debt sustainability analysis is limited to central government debt, the effect of state-owned enterprises debt (guaranteed and non-guaranteed debt) is captured through the contingent liability stress test available in the same.

Indicator	2018–2019	2019–2020	2020–2021
Foreign exchange debt as % of total debt	71.4	72	69.6
Foreign exchange debt as % of the reserve	27	17.8	22.88

[8]National Bureau of Statistics, "*Tanzania Mainland GDP 1966 – 2020*"
[9]National Bureau of Statistics, "Hali ya Uchumi wa Taifa 2020 and 2021"

The public debt is exposed to the following risks:

- exchange rate risk,
- refinancing risk (the risk of borrowing at higher cost for repayment of maturing debt obligations), and
- interest rate risk (for variable rate loans).

It is also worth noting that not every change in market-driven variables such as exchange and interest rates result in a negative effect (risk). In some cases, a change in these variables may lead to a positive effect on debt (debt burden reduction).

The information described above was obtained from the Ministry of Finance and Planning and the National Bureau of Statistics.

In addition, NAOT has published audit work related to the impact of the recent health crisis on public debt or fiscal sustainability that informed the responses above. NAOT has published audit reports on the utilization of funds issued under Catastrophe Containment and Relief Trust Facility from June 2020 to April 2022, and the implementation of Tanzania's COVID-19 socioeconomic response and recovery plan (listed in Key Reports below).

Published Report (January 2023)
Implementation of Tanzania COVID-19 Socioeconomic Response and Recovery Plan (TCRP).

Published Report (June 2022)
1st Report: Report on the Audit of Utilization of Funds Issued Under the Catastrophe Containment and Relief Trust Facility from June 2020 to April 2022.

National Audit Office of Tanzania

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution of the United Republic of Tanzania headed by the Controller and Auditor General (CAG). Its mandate is enshrined under Article 143 of the Constitution of the United Republic of Tanzania. Powers and mandate of the CAG are stipulated in Sections 11 and 12 of Public Audit Act Cap.418, and the Public Audit Regulations GN. 47 of 2009. These laws have provided powers, functions and responsibilities of the CAG. The laws gave mandate to the CAG to examine, inquire into and audit the accounts of all accounting officers and receivers of revenue on behalf of the National Assembly of the United Republic of Tanzania.

Working Group on Public Debt

UKRAINE

Overview

Measures taken by the government to neutralize the negative consequences of the COVID-19 pandemic and to support the economic activity caused an increase of the state budget deficit and its level relative to gross domestic product (GDP) from 2.0 percent in 2019 to 5.1 percent in 2020 and 3.6 percent in 2021.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	1860.5 billion UAH [67.2 billion USD]	1761.4 billion UAH [74.4 billion USD]	2259.2 billion UAH [79.9 billion USD]	2362.7 billion UAH [86.6 billion USD]
Domestic	761.1 billion UAH [27.5 billion USD]	722.9 billion UAH [30.5 billion USD]	862.9 billion UAH [30.5 billion USD]	944.2 billion UAH [34.6 billion USD]
External:	109.4 billion UAH [39.7 billion USD]	1038.5 billion UAH [43.9 billion USD]	1396.3 billion UAH [49.4 billion USD]	1418.5 billion UAH [52.0 billion USD]
Public debt as a share of gross domestic product (GDP)	52.3%	44.3%	53.5%	43.3%
Central government annual budget surplus/ (deficit) as a share of GDP	(1.7)%	(2.0)%	(5.1)%	(3.6)%
Average interest rate on debt outstanding	*	*	*	*
Annual interest payments as a share of central government revenue	12.4%	11.9%	11.1%	11.6%
Public debt maturing in the next 12 months	18.6%	21.9%	19.5%	16.6%
Average maturity of debt outstanding	*	*	*	*
Total public and state-guaranteed debt as a share of GDP[b]	60.9%	50.2%	60.4%	48.9%

Source: Accounting Chamber of Ukraine analysis of Annual Reports of Cabinet Ministers of Ukraine, Ministry of Finance data, Reports of State Treasury of Ukraine, and State Statistics Service of Ukraine data.

Table endnotes are listed at the end of this document.

- Real GDP fell by 3.8 percent in 2020, after growing by 3.2 percent in 2019. In 2021, the recovery of the Ukrainian economy took place—the increase in real GDP was 3.4 percent.

  The net inflow of foreign direct investment in 2019, according to the National Bank of Ukraine, amounted to 5.2 billion USD. In 2020, a net outflow of direct foreign investment was recorded in the amount of 58 million USD, which is related to the withdrawal of reinvested income of enterprises with foreign investments.

  In 2021, due to the increase in the share of income of direct foreign investors in the retained earnings of enterprises, the net inflow of direct foreign investment amounted to 6.7 billion USD.

  The unemployment rate of the population aged 15-70—using the methodology of the International Labor Organization—was 8.2 percent in 2019, 9.5 percent in 2020, and 9.9 percent in 2021, according to the State Statistics Service of Ukraine.

- In April 2020, to provide financial measures to combat the spread of the pandemic, the government created the Fund to respond the COVID-19 pandemic as part of the state budget and increased expenditures to support institutions and activities in the health care system. In 2020, a total of 82.5 billion UAH was used for measures to combat COVID-19, and in 2021, 46.4 billion UAH, in particular, the funds were used for the following:

  - health care system support (payment of medical care services provided to patients with COVID-19, provision of hospitals with oxygen, diagnostic equipment, express tests and consumables for testing, supplementary payments to salaries of medical workers, purchase of vaccines against COVID-19): 35.1 billion UAH (2020) and 37.7 billion UAH (2021);

  - business support (road repair): 25.7 billion UAH (2020);

  - social support (unemployment benefits, support of the population in quarantine conditions): 15.6 billion UAH (2020), 7.7 billion UAH (2021);

  - public order support: 4.5 billion UAH (2020);

  - support of cultural, physical culture and sports, education institutions: 1.1 billion UAH (2020), 0.9 billion UAH (2021); and

  - others: 0.5 billion UAH (2020), 0.1 billion UAH (2021).

- In 2020, compared to 2019, the State Budget deficit increased 2.7 times, becoming the largest in the last ten years both in terms of volume (217.6 UAH billion) and in relation to GDP (5.1 percent), exceeding the acceptable level (3.0 percent). To cover the deficit of the state budget, loans were raised both on the domestic and foreign markets. In 2020, income from borrowings was 50.3 percent higher than in 2019.

- The total volume of public and state-guaranteed debt increased by 27.7 percent in 2020. The level of debt to GDP has been decreasing for three years (from 80.9 percent in 2016 to 50.2 percent in 2019. As a result of measures taken by the government in response to the COVID-19 pandemic, the level of debt in 2020 increased to 60.4 percent.

- In March and April 2020, due to the decrease in demand for government securities on the domestic market, five planned auctions for their sale were not held. This led to an increase in interest rates and shortening the period of funds attraction

- In 2020, the international rating agency Moody's Investors Service raised the sovereign credit rating of Ukraine—from Caa1 to B3, and the Japanese rating agency Rating and Investment Information also raised the Ukraine's credit rating— from B to B+.

- In order to ensure the attraction of the necessary resources, interest rates on borrowing on the domestic market were increased from 9.8 percent in February to 11.2 percent in April 2020.

- The term of attracting funds has been reduced—in 2020, short-term domestic borrowings accounted for 50.8 percent of borrowings on the domestic market (37.9 percent in 2019). This required higher costs for their repayment than anticipated.

The risks of increasing the debt and expenses for its repayment and maintenance are:

- high share of debt denominated in foreign currency (65.0 percent in 2020);
- increase in interest rates on loans on the domestic market;
- high share of short-term loans in the domestic market;
- deficit of the state budget and significant expenses for the repayment of the public debt, which are covered by new state borrowings.

The Accounting Chamber used the following sources to prepare this submission.

- Report on the results of the analysis of the use of funds in 2020 aimed at combating the acute respiratory disease COVID-19 caused by the SARS-COV-2 coronavirus and its consequences (https://rp.gov.ua/upload-files/Activity/Collegium/2021/33-1_2021/Zvit_33-1_2021.pdf);
- Conclusions on the results of the analysis of the annual report on the implementation of the Law of Ukraine "On the State Budget

of Ukraine for 2020" (https://rp.gov.ua/upload-files/Activity/Collegium/2021/7-1_2021/Vysn_7-1_2021.pdf).

- Report of the State Treasury Service of Ukraine on the implementation of the state budget of Ukraine in January - December 2021 was also analysed.

Report on the results of the analysis of the use of funds in 2020 aimed at combating the acute respiratory disease COVID-19 caused by the SARS-COV-2 coronavirus and its consequences (https://rp.gov.ua/upload-files/Activity/Collegium/2021/33-1_2021/Zvit_33-1_2021.pdf).

[a]Total public debt is calculated at nominal value. Total public debt includes debt securities issued by the Government and loans granted to the Government.

[b]Total public and state-guaranteed debt includes debt securities issued by the Government, loans granted to the Government and debts guaranteed by the Government.

Accounting Chamber

The Accounting Chamber on behalf of the Verkhovna Rada of Ukraine shall exercise the control over the revenues of the State Budget of Ukraine and the use thereof, is accountable to the Verkhovna Rada of Ukraine and regularly informs it about the results of its work.

Working Group on Public Debt

UNITED STATES OF AMERICA

Overview

The COVID-19 pandemic caused significant disruptions to the U.S. economy, measured by a broad range of macroeconomic indicators. The U.S. Congress appropriated funds to address the challenges resulting from the COVID-19 pandemic. The federal government's extensive fiscal response accelerated growth in federal debt. However, even prior to the pandemic, the U.S. faced an unsustainable fiscal outlook.

Key Fiscal Indicators

	As of 31 December 2018	As of 31 December 2019	As 31 December 2020	As of 31 December 2021
Total public debt (central government)[a]	16.1 trillion USD	17.2 trillion USD	21.6 trillion USD	23.1 trillion USD
Domestic	9.8 trillion USD	10.4 trillion USD	14.5 trillion USD	15.4 trillion USD
External:	6.3 trillion USD	6.8 trillion USD	7.1 trillion USD	7.7 trillion USD
Public debt as a share of gross domestic product (GDP)	78%	80%	104%	101%
Central government annual budget surplus/ (deficit) as a share of GDP[b]	(4.3)%	(4.8)%	(16.0)%	(11.2)%
Average interest rate on debt outstanding[c]	2.45%	2.36%	1.55%	1.43%
Annual interest payments as a share of central government revenue[b]	10.9%	11.5%	10.4%	9.3%
Public debt maturing in the next 12 months[c]	28%	27%	35%	29%
Average maturity of debt outstanding[c]	69 months	70 months	65 months	72 months

Source: GAO analysis of U.S. Department of the Treasury and U.S. Bureau of Economic Analysis data.

Table endnotes are listed at the end of this document.

As a result of the COVID-19 pandemic, the U.S. experienced a dramatic increase in unemployment. For example, in April 2020 the employment-to-population ratio dropped to 51.3 percent from a pre-pandemic level of 61.1 percent in February 2020. As of March 2022, the employment-to-population ratio had improved to 60.1 percent. However, employment in specific industries has continued to reflect overall declines since February 2020, including large declines in hospitality, state government, and local government employment. Additionally, the U.S. has experienced rising U.S. consumer prices amid global supply chain disruptions.

In response to these and other challenges from the pandemic, the U.S. Congress passed six COVID-19 relief laws providing about $4.6 trillion for pandemic response and recovery. As of 31 January 2023, the most recent date for which government-wide information was available at the time of our analysis, the federal government had obligated a total of $4.5 trillion and expended $4.2 trillion, or 98 and 90 percent, respectively, of these relief funds, as reported by federal agencies.

The U.S. government's large fiscal response to public health and economic disruptions caused by COVID-19 dramatically increased the size of the government's borrowing needs. In 2020, the U.S. budget deficit was 16 percent of GDP, compared to a deficit of 4.8 percent of GDP in 2019.[10] In 2021, the deficit declined to 11.2 percent of GDP as revenues increased, but still remained high compared to recent years.

Increased government borrowing contributed to U.S. debt held by the public rising from $17.2 trillion at the end of 2019 (80 percent of GDP) to $23.1 trillion at the end of 2021 (101 percent of GDP). The growth in federal debt during COVID-19 pushed the debt-to-GDP ratio closer to its historical high of 106 percent, which it reached shortly after World War II.

Despite the increase in public debt, average interest rates on marketable U.S. Treasury securities remained historically low and moved lower during 2020 and 2021. This, in turn, contributed to declines in the government's interest expense as a share of total revenue during the same period.

Nevertheless, as GAO and others have reported, even prior to the COVID-19 pandemic, the U.S. faced unsustainable growth in its federal debt. GAO has recommended that Congress develop a plan to address the government's fiscal outlook and promote fiscal sustainability.

To meet the government's large borrowing needs during the COVID-19 pandemic, the U.S. Department of the Treasury raised $4.3 trillion in 2020 by issuing marketable Treasury securities to investors, compared to $1.0 trillion in 2019. Treasury raised a further $1.5 trillion in 2021.

The Treasury initially financed borrowing during the COVID-19 pandemic by significantly increasing its issuance of Treasury bills (short-term securities with maturities of up to 1 year). This contributed to the share of debt maturing in the next 12 months rising to 35 percent in 2020, compared to 27 percent in 2019. Treasury uses these bills to meet unexpected borrowing needs in part because they are usually in high demand during times of stress. However, because these bills have relatively short maturities, Treasury must re-finance or "rollover" this debt more frequently at prevailing interest rates, which could lead to increased borrowing costs if interest rates rise as projected by the Treasury and others.

To help issue large amounts of bills, Treasury added regular auctions of cash management bills (CMBs) to its normal bill auction schedule in spring 2020. Typically, Treasury maintains a regular and predictable auction schedule for its Treasury bills and only issues CMBs, which have varying maturities and are announced on short notice, as financing needs require. However, when faced with increased borrowing needs during the COVID-19 pandemic, Treasury adjusted its Treasury bill auction schedule to include additional, weekly auctions of CMBs with set maturities. GAO found that investor demand for CMBs was strong and that Treasury did not pay higher interest costs on CMBs compared to similar Treasury bills, in contrast to prior periods where investors demanded higher yields to hold CMBs.

Beginning in May 2020, Treasury starting taking gradual actions to manage the maturity profile of public debt, including increasing auction sizes for Treasury securities with longer maturities and gradually reducing the amount of bills as a percentage of debt outstanding. As a result, the weighted average maturity of marketable debt outstanding rose to 72 months by the end of 2021, compared to 65 months at the end of 2020.

Treasury also re-introduced the 20-year bond in May 2020. While this decision had previously been announced in January 2020, prior to COVID-19 being declared a global pandemic, Treasury officials said the rollout of the 20-year bond highlighted the importance of having options to expand financing if needed.

GAO and others have warned that the U.S. is on an unsustainable fiscal path. Absent policy changes to government revenue and spending, federal debt will grow at a faster rate than the economy in the intermediate and longer term.

The government's fiscal response to the COVID-19 pandemic accelerated growth in federal debt and highlighted several important pre-existing risks that will continue to pose challenges for U.S. fiscal sustainability and debt management:

- **Rising interest rates**. Higher future interest rates would increase government borrowing costs and accelerate growth in federal debt.
- **Treasury market disruptions.** The Treasury market has experienced several recent disruptions in liquidity and market functioning. These disruptions have been triggered by extreme situations, such as when the economic shock of the COVID-19

[10]All data are for calendar years, unless otherwise noted.

pandemic led to large investor sales of long-term Treasury securities, which temporarily strained liquidity and sent yields higher. However, these disruptions have also occurred during stable economic environments. GAO has found that various factors may have contributed to these episodes, including substantial increases in the amount of Treasury securities outstanding. Any sustained deterioration in Treasury market liquidity, depth, and safety could negatively affect investor demand for Treasury securities and raise the U.S. government's borrowing costs.

- **Debt limit impasses**. The U.S. Congress sets a legal limit on the total amount of federal debt that can be outstanding at one time, which policymakers refer to as the debt limit. Since the debt limit became law, Congress has passed legislation to increase the debt limit numerous times to allow Treasury to issue additional debt to fund government operations and repay investors. However, recent delays in raising the U.S. debt limit have negatively affected investors' confidence in U.S. Treasury securities, even when action has been taken in time to pay investors. A U.S. default on its legal debt obligations as a result of a delay in raising the debt limit would have severe consequences for financial markets, the U.S. and global economies, and the public. GAO has recommended that the U.S. Congress consider alternative approaches to the current debt limit to avoid seriously disrupting the Treasury market.
- **Fiscal exposures**. The U.S. faces important fiscal exposures, such as the possibility of future public health emergencies, extreme weather events, and global or regional military conflicts that, if they occurred, could require further U.S. government spending and accelerate growth in federal debt.
- **Uncertainties.** The ultimate cost of the government's actions and any future actions in response to the pandemic and their impact on the government's financial condition will not be fully known for some time.

GAO uses several qualitative and quantitative methodologies to evaluate U.S. debt management and fiscal sustainability, including:

- analyzing data on Treasury securities reported by federal agencies, such as Treasury and the Federal Reserve Board of Governors, and by private market data firms, such as Bloomberg;
- analyzing federal budget and economic data from agencies such as Treasury, the Congressional Budget Office, and the Office of Management and Budget;
- performing annual financial audits of the U.S. schedules of federal debt, which are financial statements prepared by Treasury that report information on federal debt.
- developing simulations of future government revenue, spending, and debt; and,
- interviewing officials from federal agencies and private Treasury market participants, such as broker-dealers and asset managers.

These data sources contain ample information about the government's budget, the U.S. economy, trends in federal debt, and detailed information about Treasury securities, such as auction results, interest rates, and ownership by investor type. GAO found these data were sufficiently reliable for the purposes of the audits at the time. In addition, GAO's most recent financial audit of the schedules of federal debt found that they are fairly presented in all material respects.

GAO uses various criteria as the basis for its audit findings and recommendations, including:

- Standards for Internal Control in the Federal Government;[11]
- World Bank and International Monetary Fund Guidelines for Public Debt Management, and;[12]
- Treasury's strategic plan, which includes debt management objectives.

GAO has made recommendations to both Congress and executive agencies to address challenges and mitigate risks associated with fiscal sustainability and federal debt management. On fiscal sustainability, GAO has repeatedly called for Congress to develop a plan to put the government on a sustainable long-term fiscal path. As part of this, GAO has identified tools Congress could use to develop a plan, such as fiscal rules and targets, proposed strategies to manage key risks like the debt limit, and identified actions that executive agencies could take to contribute toward a sustainable fiscal future, such as reducing improper payments. To improve federal debt management, GAO has made recommendations to Treasury to help achieve its strategic debt management goal of financing government borrowing at the lowest cost over time, such as by strengthening internal policies and improving communication with Treasury market participants.

To complete this specific document, GAO reviewed prior work (key reports listed below) and analyzed recently published data from Treasury and the Bureau of Economic Analysis to describe trends during the period 1 January 2018 to 31 December 2021.

[11] *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 10, 2014)

[12] World Bank-International Monetary Fund, *Revised Guidelines for Public Debt Management* (April 2014)

Financial Audit: Bureau of the Fiscal Service's FY 2023 and FY 2022 Schedules of Federal Debt, GAO-24-106340 (Washington, D.C.: 9 Nov 2023).

COVID-19: GAO Recommendations Can Help Federal Agencies Better Prepare for Future Public Health Emergencies, *GAO-23-106554* (Washington, D.C.: 11 July 2023).[13]

The Nation's Fiscal Health: Road Map Needed to Address Projected Unsustainable Debt Levels, *GAO-23-106201* *(Washington, D.C.: 8 May 2023).*

The Nation's Fiscal Health: Federal Action Critical in Pivot toward Fiscal Sustainability, GAO-22-105376 (Washington, D.C.: 5 May 2022).

Federal Debt Management: Treasury Quickly Financed Historic Government Response to the Pandemic and is Assessing Risks to Market Functioning, GAO-21-606 (Washington, D.C.: 17 August 2021).

The Nation's Fiscal Health: Effective Use of Fiscal Rules and Targets, GAO-20-561 (Washington, D.C.: 23 September 2020).

Federal Debt Management: Treasury Should Strengthen Policies for Market Outreach and Analysis to Maintain Broad-Based Demand for Securities, GAO-20-131 (Washington, D.C.: 5 December 2019).

[a]Shows the value of debt held by the public. The U.S. also has intragovernmental debt, which is federal debt owed by Treasury to other federal government accounts, such as federal trust funds. U.S. intragovernmental debt holdings were $6.5 trillion at the end of 2021. Treasury usually borrows from the public to finance redemptions of intragovernmental debt, which adds to total debt held by the public.

[b]All annual data indicators are shown for the calendar year, unless otherwise specified.

[c]Shown for marketable government securities only. Marketable securities are negotiable and transferable and may be sold on the secondary market. As of 31 December 2021, marketable Treasury securities represented 98 percent of U.S. debt held by the public. The U.S. Treasury also issues a smaller amount of non-marketable securities, which are non-transferable.

U.S. Government Accountability Office

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people.

[13]This is the most recent of GAO's recurring oversight reports on the U.S. government's response to the COVID-19 pandemic and related spending. For all reports on this subject, see https://www.gao.gov/coronavirus.