



## National Workshop on Innovative Financing Instruments and Developing Debt Optimization Strategies

Muscat, Oman, 9-10 December 2024

### INFORMATION NOTE

#### I. BACKGROUND

In recent years, various innovative financing instruments have emerged, emphasizing environmental, social, and governance (ESG) principles to advance development outcomes and promote long-term prosperity. Among these instruments are the green, social and sustainability and sustainability-linked (GSSS) bonds and sovereign climate/SDGs debt swaps. These financing instruments serve to bridge the gap between capital markets and sustainability needs.

Such instruments are gaining traction in the Arab region, specifically in the GCC countries. The share of outstanding GSSS bonds from total outstanding bonds for Arab countries stood at 0.4 per cent in 2023.<sup>1</sup> Several countries, including the GCC countries, have developed green and sustainable financing frameworks in preparation for GSSS bonds issuances. Qatar issued its debut green bond and the Emirate of Sharjah issued its sustainability bond in 2024. Oman and Saudi Arabia have developed their sustainable and green financing frameworks, respectively, as well. At the global level, there are also new sustainable financing instruments emerging such as sustainability-linked bonds.

Issuance of these instruments is an undertaking that involves coordination among different ministries. Countries should also have a robust monitoring and reporting framework so as to constantly track progress. This requires establishing data collection processes, setting reporting frequency standards, and ensuring the accuracy and transparency of disclosures. The frameworks developed by countries are not limited to a single issuance; they are the basis for repeat issuances as well as for different instruments as highlighted in the framework. As such, operationalizing the frameworks and fulfilling the capacity and coordination requirements effectively sets the foundation for future issuances. The United Nations Economic and Social Commission for Western Asia (ESCWA) is supporting member states in developing programme-based instruments with effective inter-ministerial coordination and robust key performance indicator frameworks for monitoring and evaluation.

In 2023, ESCWA in cooperation with the Debt Management Office (DMO) of Ministry of Finance of Oman, and UNCTAD, conducted the first national workshop on developing debt optimization strategies. With participation of officials from the Ministry of Finance and the Central Bank, the meeting focused on discussing debt management issues and challenges; options and preparedness to access innovative instruments, including GSSS bonds in the context of designing a sustainable financing framework; the different factors that impact risks and costs of debt and debt service, and different options for debt optimization strategy to improve fiscal space in the context of Oman.

Following the fruitful discussions and feedbacks from the first meeting, ESCWA has undertaken revision of the analysis of debt and debt optimization options, which is being finalized as a substantive paper with policy recommendations on debt optimization strategies toward supporting sustainable financing. In addition, ESCWA is currently finalizing a web-based debt optimization tool that helps easy navigation of debt and debt service data and presents a dashboard on debt optimization simulation.

In this background, ESCWA, in cooperation with the DMO of the Ministry of Finance of Oman, is organizing the second national workshop<sup>2</sup> on 9-10 December 2024 to discuss the challenges, country preparedness and

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<sup>1</sup> Refinitiv market data, 2024.

<sup>2</sup> This workshop is part of the Development Account project on developing debt optimization strategies to enhance fiscal space and provide financing for the SDGs in Arab States.

opportunities for issuance of innovative financing instruments while developing debt optimization strategies to enhance fiscal space and fiscal sustainability.

The workshop's agenda is structured to facilitate discussion on innovative financing instruments and debt optimization strategies with focus on Oman and insights from GCC experiences. During the first day, with the participation of GCC countries, the workshop will showcase global experiences of issuances of innovative financing instruments including GSSS bonds and climate/SDGs debt swaps. It will discuss country preparedness to access these instruments and their monitoring frameworks as countries progress on operationalizing their green and/or sustainable financing frameworks. The deliberations will allow for a collective exploration of perspectives and experiences between participating countries. In addition, the workshop will present ESCWA's Debt Optimization Platform that assists countries to develop debt optimization strategies, with a pilot of Oman in GCC, presenting the findings and recommendations of the paper on debt optimization strategies in Oman.

On the second day, the workshop will transition to a focused discussion with inter-ministerial representatives in Oman, providing an opportunity for detailed analysis and dialogue tailored to its specific context and priorities for operationalizing the sustainable finance framework, toward developing programme-based and ESG relevant key performance indicators (KPI) frameworks to support issuance and monitoring of GSSS instruments.

## **II. OBJECTIVES OF THE WORKSHOP**

The main objectives of this workshop are to:

- Discuss challenges, opportunities, and country preparedness for issuance of innovative financing instruments while developing debt optimization strategies
- Present mechanisms for improving preparedness for issuance of innovative instruments such as GSSS bonds
- Advance peer exchange and knowledge sharing on global experiences in issuances and monitoring frameworks of innovative financing instruments, including programme-based and KPI-linked approaches
- Present ESCWA's Debt Optimization Platform that assists countries to develop debt optimization strategies, with a pilot of Oman in GCC, presenting the findings and recommendations of the paper on debt optimization strategies in Oman toward supporting the operationalization of its sustainable finance framework
- Initiate discussion with the inter-ministerial representatives on sustainable finance framework toward developing programme-based and ESG relevant key performance indicators (KPI) frameworks to support issuance and monitoring of GSSS instruments

## **III. PARTICIPANTS**

Participants are expected to include representatives from Ministries of Finance of GCC member states. Participants from Oman are expected to include representatives from the Ministry of Finance, Central Bank, and other relevant national authorities.

Participants from the United Nations will include UN ESCWA. UNRCO in Oman will be invited to nominate a representative to participate in this workshop.

ESCWA will invite selected globally reputed debt experts in the field of sustainable financing to participate and contribute to the workshop.

## **IV. ORGANIZATION OF THE MEETING**

This workshop will be held on 9-10 December 2024 in Muscat, Oman. The language of the workshop is English.

## **V. CORRESPONDENCE**

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