



حكومة الشارقة

Government of Sharjah



المنظمة العربية للتعاون والإدارة
جامعة الدول العربية

Building resilience through diversity and innovation

*Public Debt Management case study from the
Emirate of Sharjah, UAE*





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Background to Sharjah DMO

- Established in 2012
- Small, specialised unit within Sharjah Finance Department
- Response to international and domestic consensus around the need for consolidated, proactive public debt management
- Ambitious government investment plans, requiring access to finance





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Effect of DMO on Sharjah's public finances

- Enabled rapid investment into the society and economy, with a focus on:
 - Infrastructure and economic opportunity across the whole territory
 - Improving public services and amenities
 - More comprehensive support for citizen welfare
- GDP and Revenue growth pump-primed by government investment:
 - Gross debt / GDP increased from minimal levels to 53% in 2024
 - Annual financing c. USD 5bn
- Debt management has become one of the most critical functions of government





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DMO objectives

- Similar to other DMOs worldwide:
 1. Meet the Government's liquidity requirements...
 2. ... at minimum cost over time...
 3. ... while having due regard to relevant risks.
- Also responsible for maintaining credit ratings and oversight of GREs





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Guiding operational principles

- Divergence between larger and smaller DMOs
- Larger / developed DMOs:
 - Create a significant proportion of debt instruments in home currency and economy
 - Currency robust to monetary policy variation
 - Largely domestic currency issuance
 - Emphasis on creating **deep and liquid markets** for government debt instruments
 - **Homogenisation** of instruments
 - Prioritise frictionless primary issuance and secondary market trading





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Guiding operational principles

- Divergence between larger and smaller DMOs
- Smaller / emerging DMOs:
 - Issuance programme small relative to host currency / market – less frequent issuance
 - Focus on funding immediate government budget needs, rather than market development
 - Top priority is **maintaining market access** in changing economic and market conditions
 - Deliberate **diversification** strategies
 - **Agile** response to market dynamics; **opportunistic** trades





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Cyclical resilience through diversification

Market diversification

- Regional banks, global Debt Capital Markets
- Public issuances in USD, EUR, CNY
- Local currency (AED) programme
- Private placements in GCC currencies, JPY, ZAR

Product diversification

- Loans (bilateral, club, syndicated) and comparable Islamic facilities
- Bonds and sukuk
- Short-term paper
- Sustainable bonds





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Local currency sukuk issuance

- Rationale
 - Often ample UAE bank liquidity, and growing number of UAE asset managers
 - Regulatory benefit – zero risk-weighting (USD will attract capital from 2027)
 - Possible longer tenor vs. loans
 - Swift execution at scale vs. loans
 - Islamic format for maximum participation
 - Support UAE market development objectives





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Local currency sukuk issuance

- Execution considerations
 - **5Y tenor** and **AED 1 billion** (USD 272mn) size
 - Existing international programme docs and clearance arrangements
 - Sought to **differentiate** from USD issuances
 - Pricing and allocation through **new auction procedure**
 - Appointed Sole Auction Coordinator: international bank with no investment appetite
 - Auction rule book drafted with legal counsel and distributed to potential investors
 - Opportunities for investor Q&A





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Local currency sukuk issuance

- Auction arrangements
 - Reserve price (“Maximum Profit Rate”) set at c.25bps above USD secondary market yield (bid)
 - Deal fully underwritten by 10x Joint Lead Managers at Maximum Profit Rate
 - Bids received in 5bps increments
 - Yield set at the clearing level – all wider bids rejected
- Outcome
 - AED 4.565bn bids received, ranging from 5.30% to 6.00%
 - 5.50% clearing level – **25bps saving** vs USD curve (equal to USD 3.4mn)





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Sustainable bond issuance

- Rationale
 - Respond to investor demand for ESG assets and visibility over use of proceeds
 - Appeal to specific ESG investors and EU market
 - Showcase social and environmental initiatives in Sharjah





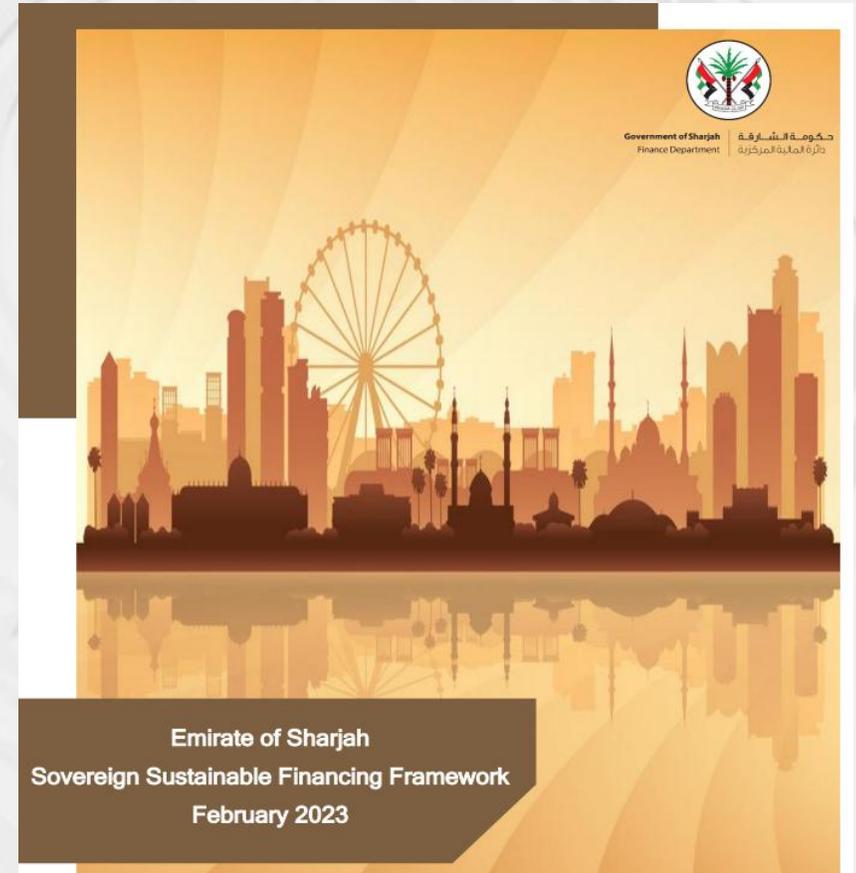
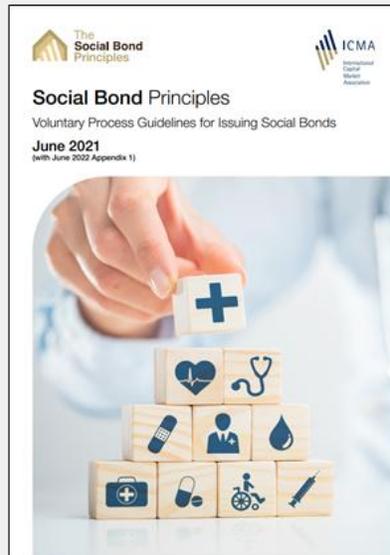
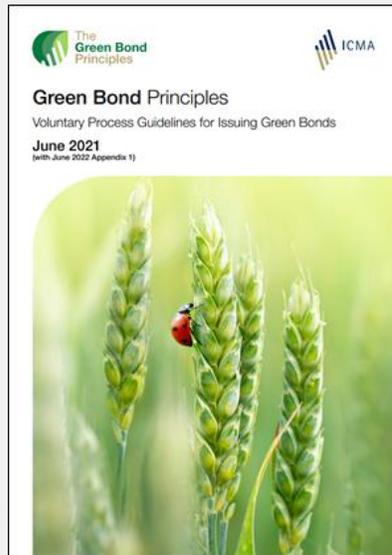
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Sustainable bond issuance

- Sustainable Finance Framework published on Government website, aligned with international standards





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Sustainable bond issuance

- Sustainable Finance Framework components
 1. **Use of Proceeds:** Clearly identified **social** and **environmental** categories of “Eligible Expenditure”
 2. **Project Evaluation and Selection:** Governance under a Sustainable Finance Committee
 3. **Management of Proceeds:** Commingled cash; expenditure recorded in financial system and transferred to Sustainable Finance Register maintained by DMO
 4. **Reporting:** Allocation Reporting with external verification, and Impact Reporting to show effect of expenditure on selected KPIs





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Sustainable bond issuance

- Issuance considerations
 - More extensive roadshow, with some dedicated slots with ESG specialists
 - ESG questionnaires
 - Mixed feedback from investors
- Outcome
 - Possible price benefit up to 5bps
 - Clear improvement in engagement
 - 42% of USD 750mn issuance allocated to ESG-conscious investors





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Summary – resilience and agility in practice

- Sharjah DMO has used a wide range of instruments and accessed a number of markets, in order to (1) **enhance resilience** to cyclical volatility in local and global markets, and (2) exploit **low-cost funding opportunities**
- Evidence of success:
 - **2015-17** – low oil prices constrained GCC liquidity – able to rebalance towards international markets
 - **2020-21** – Covid-19 pandemic disrupted global markets – issued short-term AED paper and executed bilateral bank loans and club transactions
 - **2024 and 2025** – took advantage of cross-currency arbitrage to issue 2 x EUR 500mn, with very large cost saving vs. USD curve

