

Sinking Fund .. & Promote Development

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It is created mainly for the purpose of paying debts, so the account owner (countries or companies) allocates a certain amount of money regularly and uses it only for a specific purpose, and this is what distinguishes it from saving- the second can be used for various purposes. This type of fund may be used to compensate for the loss of capital assets or for local development operations as a guarantor for the loans financed by them in the case of sovereign Sinking funds. Often times, it is used by companies to buy back the issued bonds or parts of the bonds before the maturity date and it is a way to attract investors because the fund helps to convince them that the issuer will not default on its payments and thus reduce the credit risk. Some bonds may be issued with an attached feature Sinking fund, and here the bond redemption date will be determined at an early date using sinking funds. One of its most important advantages is also to attract investors, that countries or companies have a large amount of debt have a high risk rate, but the presence of sinking funds provides a kind of guarantee to investors in case of default Payment or bankruptcy, as well as enabling the country or companies to redeem the bonds at the time of maturity for a lesser amount than if it defaulted due to the absence of coverage from the Fund. As well as the possibility of reducing interest rates, countries or companies that suffer from poor financing and indebtedness find it difficult to obtain loans unless they offer attractive interest rates to lenders, and this is a high cost and burden. Therefore, finding this type of fund will attract investors and it is possible to borrow at low interest rates, and this represents creditworthiness. Finally, it is considered a means of financial stability, as countries or companies may be exposed to situations or shocks that may shake the confidence of investors in them, but the presence of sinking funds gives them reassurance and confidence in the financial position of the

country or company and its ability to buy back debts, and this results in a good credit situation and confident investors. In summary, the establishment of sinking funds is a means of guaranteeing development and its continuity, decision makers in Iraq should look at the issue seriously and strengthen sovereign funds submerged from oil revenues, as it is a way - if not to obtain financing for development - to benefit from it in paying off external debt in the event that Iraq is exposed to the shock of oil prices, which finances most of those debts.