FY 2025

Annual Borrowing Plan

MINISTRY OF FINANCE, NATIONAL PLANNING AND TRADE

DEBT MANAGEMENT DIVISION

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Introduction

The 2025 Annual Borrowing Plan (ABP) is prepared in accordance to the Public Debt Management Act section 29, which requires the Debt Management Division of the Ministry of Finance to prepare and publish an ABP. The ABP describes how the annual financing needs will be met during the 2025 budget year. It has been developed in accordance with the targets and benchmark indicators of the 2025-27 Medium-Term Debt Management Strategy (MTDS) and is based on the macroeconomic and fiscal frameworks presented in the 2025 Budget. The MTDS determines the proportions of different instruments to be used during the implementation of the strategy and the ABP turns these, in line with the annual financing needs, into nominal values, keeping into account the short-term macroeconomic outlook and market dynamics.

As the Government entered with the IMF on a supported reform program, it was important to revisit its Annual Borrowing Plan and update it with the aim of being more informative and to promote transparency and predictability of debt management operations. This facilitates sharing of information with other stakeholders (monetary policy, budget execution, cash management) for macroeconomic management, and enables investors to better plan their investments.

By publishing the ABP, the Debt Management Division ensures that the Government's financing needs are met on a timely basis, borrowing is done at the lowest possible cost with prudent degree of risk and additionally, enhance predictability of Government borrowing and helps promote the development of the domestic market.

The plan will be complemented by the quarterly issuance calendar for Government securities, which provides indication of the domestic borrowing operations of the Government over the fiscal year, the instruments to be issued and indicative timing of such borrowings.

It is crucial to note that the ABP has been prepared in consideration of the forecasted financing needs of the Government using the best information available at the time of publication. The estimates are based on a range of economic and other parameters hence there may be the need to revise the ABP.

Economic Outlook

In 2025, GDP growth is anticipated to reach 4.3%, primarily driven by increases in tourism-related sectors such as 'Accommodation and food service' and 'Administrative and support service,' which are expected to grow by 5.0% and 3.0% respectively. This boost in the tourism sector is linked to a projected 3.5% increase in visitor arrivals. The increase in visitors and significant public events will also enhance growth in the beverages manufacturing industry and the wholesale and retail sectors. Additionally, a robust 10% growth in ICT activity is being forecasted, driven by the rising tourism and the country’s push for greater digitalization. The concrete and rock materials sector is also expected to start recovering, contributing to an estimated 6% growth in the construction sector. In the medium term, real GDP growth is projected to average around 3.5%, supported by a steady increase in visitor arrivals and ongoing advancements in various sectors, particularly tourism and ICT.

Current account deficit for 2025 is projected at minus 9.8% of GDP based on the forecasted earnings from tourism activities. The foreign exchange reserves are projected to increase to about USD 851m, equivalent to 3.8 months of import cover. This represents a 5.6% growth compared to the forecasted 2024 position. The expected growth in economic activity is likely to lead to a rise in imports of goods and services. Given the forecasted increase in global food and oil prices, demand for foreign exchange is expected to grow, which could result in a year-on-year depreciation of the rupee in 2025. This may result in an increase in the domestic prices of goods and services and remains subject to several external risks prevailing. Recent development has shown a decrease in the global market interest rates. This may influence the yield on the domestic market moving forward.

For 2025, total revenue including grants, is expected to grow by 11.1% to reach SR 12.1bn. Current expenditure is forecasted to increase by SR 1.19bn or 5.6% compared to 2024. With a robust GDP growth aforementioned, the Government remains committed to maintaining a resilient fiscal consolidation and is targeting to achieve a primary surplus of SR 380m or 1.1% of GDP, similarly with the 2024 target. This will help to ensure that debt remain on a downward trajectory and reach 50% of GDP before 2030. Despite the favorable outlook, uncertainties in the external environment such as the rising geopolitical tensions in the Middle East still pose a risk to the Seychelles’ economy.

The table below provides a snap shot of the economic outlook for 2025.

Table 1: Selected Economic Indicators

Description	2023	2024 Est.	2025 Est.
National income and prices			
Nominal GDP (millions of Seychelles rupees)	30,016	31,044	33,033
Real GDP growth	14.02	14.57	15.07
CPI (annual average)	-1.04	0.54	2.32
Government Budget (% GDP)			
Total revenue, including grants	32.4	35.1	36.8
Expenditure and net lending	33.6	37.0	38.4
Overall balance	-2.8	-1.9	-1.5
Primary balance (accrual basis), including grants	0.0	1.1	1.1
External sector (USD'm, unless otherwise indicated)			
Current account balance including official transfers	-155	-229	-219
Gross official reserves (USD'm)	682	806	851
In months of imports, c.i.f.	3.3	3.7	3.8
Total debt outstanding (% of GDP)[1]	**58.2**	**61.5**	**60.8**
Total debt outstanding (SR'm)	17,469	19,092	20,084
Domestic debt (% of GDP)	27.6	28.8	25.8
External debt (% of GDP)	30.6	32.6	35.1

Source: MoFNPT, Macroeconomic Working Group.

[1] The numbers include the SDR allocation provided by IMF

Borrowing Requirements

Gross and net financing needs are the basis of the ABP: Net Financing Needs (NFN) contain only the primary balance (deficit) and the interest payments; Gross Financing Needs (GFN) also take account of the maturing public debt, which needs refinancing in the given year.[2]

According to the latest projections, the Gross Financing Needs (GFN) for 2025 are anticipated to be SCR 3,173m, equivalent to 9.6% of GDP. This represents a decrease of SCR 538m, or 14.5% compared to the GFN projected for the end of 2024. The decline in GFN for 2025 is primarily attributed to a lower forecasted amortization schedule. The amortization is expected to be SCR 451m lower in total compared to 2024, both on the domestic side and external side. The former is lower mainly on account of lower T-bills stock maturing in 2025, while on the external side lower repayment is expected given that some loans were fully repaid in 2024. Additionally, the decline in GFN is attributed to an improvement in the Net Financing Needs (NFN) as Government continues to enforce fiscal discipline and revenue collections remain buoyant. With strict fiscal consolidation, the primary surplus remains consistent at 1.1% of GDP for both years, reinforcing fiscal stability. **Table 2** below summarizes the financing requirements for 2025 in comparison with 2024. To address its financing needs, the government plans to explore funding options from both foreign and domestic sources.

Table 2: Financing requirements (2024 vs 2025)

Description	SCR' M		% of GDP	
	2024 EOY	2025 Est.	2024 EOY	2025 Est.
Primary balance	**357**	**380**	**1.1**	**1.1**
Interest payments	**-955**	**-892**	**-3.1**	**-2.7**
o/w Domestic	-464	-418	-1.5	-1.3
External	-491	-473	-1.6	-1.4
Net Financing Needs	**-599**	**-512**	**-1.9**	**-1.5**
Amortization	**-3,112**	**-2,661**	**-10.0**	**-8.1**
o/w Domestic	-2,125	-1,921	-6.8	-5.8
External	-988	-741	-3.2	-2.2
Gross Financing Needs	**-3,711**	**-3,173**	**-12.0**	**-9.6**

Source: MoFNPT, Debt Management Division

[2] Changes in the TSA cash buffer or other "below the items" like privatization receipts may impact the size of the net financing and GFN.

The Government's financing plan for 2025 reflects a strategic approach to debt management, emphasizing the use of concessional multilateral financing to minimize borrowing costs as stipulated in the Debt Management Strategy 2025-2027. This strategy also aims to balance the issuance of domestic securities, specifically Treasury bonds (T-bonds) and Treasury bills (T-bills), with T-bonds focused on fostering domestic market development.

As detailed in **Table 2**, gross redemptions for 2025 are projected to total SCR 2.7 bn, primarily driven by the redemption of T-bills and T-bonds. An optimal stock of T-bills in circulation is crucial for the overall effectiveness of the Government's financing strategy. This approach not only aims to reduce rollover risks but also seeks to sustain a vibrant market for short-term securities.

Financing Plan

The borrowing plan for 2025 outlines various sources of financing and instruments aligned with the adopted Medium-Term Debt Strategy, which prioritizes concessional financing. In net terms, the total financing requirement for 2025 is projected at SCR 512m, equivalent to 1.5% of GDP. To address these needs, external financing will play a pivotal role, amounting to SCR 1,033m, or 3.1% of GDP. This will stem primarily through concessional budget support loans from multilateral creditors as previously stated. The figure represents a reduction of SCR 142m, or 12.1%, compared to the 2024 end of year given more favorable forecasted fiscal positon. On the domestic front, net domestic financing is expected to be negative, at SCR 522m, or 1.6% of GDP. This indicates that the government plans to repay more domestic debt than it issues, thereby reducing the overall domestic debt stock.

Table 3 below illustrates the composition of Overall Net Financing for 2025 compared to the end-of-year figures for 2024, providing insights into the government's strategic adjustments in financing sources and the anticipated impact on its debt profile, which is further analyzed under the Debt composition section.

Table 3: Overall Net financing (2024 vs 2025)

Description	SCR' M		% of GDP	
	2024 EOY	2025 Est.	2024 EOY	2025 Est.
Total Financing (overall budget deficit)	**599**	**512**	**1.9**	**1.5**
Foreign financing, net	1,175	1,033	3.8	3.1
Domestic financing, net	-577	-522	-1.9	-1.6

Source: MoFNPT, Debt Management Division

External

The Government is expected to increase its foreign debt by SCR 1,033m- equivalent to USD 67.7m or 3.1% of GDP, for the year 2025. Gross external borrowing will amount to SCR 1,774m, or 5.4% of GDP whilst amortization amounts to SCR 741m, or 2.2% of GDP. The new debt that will be incurred in fulfilling the borrowing requirements will be used to finance existing projects and budget support facilities. **Table 4** below provides a detailed breakdown of external financing. The majority of borrowings will come from further disbursements under existing and new Budget support loans from multilateral creditors.

Table 4: Foreign Financing in 2025

Description	SCR' M	USD' M	% of GDP
Net Foreign Financing	**1,033**	**67.7**	**3.1**
Total Borrowings	**1,774**	**118.5**	**5.4**
Multilateral	**1,432**	**95**	**4.3**
IMF- EFF[3]	247	16.4	0.7
IMF-RSF[4]	363	24.1	1.1
IBRD- Budget Support	226	15.0	0.7
IBRD- P4R[5]	219	14.5	0.7
AfDB	377	25	1.1
Bilateral	**0**	**0.0**	0.0
Project Loans	**342**	**23**	**1.0**
Total Amortization	**-741**	**-50.8**	**-2.2**

Source: MoFNPT, Debt Management Division

Loans

For the 2025 Budget, the Government is not foreseeing any new external loans. All disbursements will be done under ***existing loans or existing budget support facilities***.[6] As illustrated in the table above, approximately 80% of the total borrowing will be from multilateral creditors under existing facilities and new budget support programs. The main disbursements are expected from the IMF under the EFF and RSF facilities, amounting to SCR 610m or 1.8% of GDP. Approximately SCR 445m is expected to be disbursed by the World Bank- IBRD and the African Development Bank (AfDB) is expected to disburse SCR 377m, equivalent to 26% of the multilateral financing.

[3] Extended Fund Facility
[4] Resilience and Sustainability Facility
[5] Program for Strengthening Quality of the Social Protection System
[6] Note that the two new loans from Saudi Fund for Housing project and reconstruction of La Digue School were already contracted in 2023. However, first disbursement will only materialized in 2025.

Project Loans

The below table provides a breakdown of the forecasted disbursement on existing project loans for 2025 compared to 2024. The major disbursement is expected under the PUC Neptune project with EIB and AFD at SCR 98m followed by the social housing project by MLUH amounting to SCR 78.7m. Additionally, a significant allocation of SCR 77.2m is earmarked for the new hospital project. This strategic focus on healthcare not only addresses immediate needs but also lays the groundwork for long-term health improvements.

Table 5: Forecasted Project Loans (2024 vs 2025) – (SCR' M)

Description	2024	2025
Indian Line of Credit		25.4
*Blue Bond – Swiofish	6.9	
PUC:33KV South Mahe	18.7	7.3
PUC La Gogue raising of Dam	8.6	
PUC: EIB/AFD- Neptune	103.9	98
Reconstruction of La Digue School- Saudi Arabia		37.7
Social Housing Project- MLUH	25.5	78.7
Seychelles Solid Waste Management Project	3.6	17.9
New Hospital		77.2
Total Project Loans	**167**	**342**

Source: MoFNPT, Debt Management Division

New Guarantees

In regards to external guarantees, USD 17.5m is being anticipated to be disbursed for the Land reclamation project to MLUH from the Government. Additionally, provision has been made for a total of EUR 28.5m to be disbursed to SPA as part of the Port Victoria Rehabilitation & Extension project.[7] Note that both facilities were already guaranteed by the Government.

Table 6: External Debt Stock Guarantee forecast (2024 vs 2025) – (SCR' M)

Instrument	2024	2025
Opening Stock	**117**	**190**
Disbursements	77	732
Amortization	-4	-7
Stock of Guarantees	**190**	**915**

Source: MoFNPT, Debt Management Division

[7] Note that this is a prudent disbursement forecast and depends on progression of the project thus may not fully materialize in 2025.

Domestic

As illustrated in the table below, the total retirement of outstanding domestic debt in 2025 is anticipated to amount to SCR 1.9bn, equivalent to 5.8% of GDP, while gross issuance is estimated at SCR 1.4bn, or 4.2% of GDP. This will lead to a net domestic issuance of minus SCR 522m, minus 1.6% of GDP. This suggests that the Government will be repaying its domestic debt more than it will be issuing, thus lowering the domestic debt stock.[8]

Table 7: Domestic Net financing (2024 vs 2025)

Description	SCR' M		% of GDP	
	2024 EOY	2025 Est.	2024 EOY	2025 Est.
Gross Issuance	**1,548**	**1,399**	**5.0**	**4.2**
Gross Retirements	**-2,125**	**-1,921**	**-6.8**	**-5.8**
**T-Bills*	-1,260	-653	-4.1	-2.0
T-Bonds	-775	-1,178	-2.5	-3.6
Loans from Commercial Banks	-89	-91	-0.3	-0.3
Net Domestic Issuance	**-577**	**-522**	**-1.9**	**-1.6**

Source: MoFNPT, Debt Management Division

** Based on the methodology recommended by the OECD for short-term debt, Gross issuance and redemption data on T-bills during a financial year takes redemptions of T-bills only once into account (based on the stock of opening balance) to avoid multiple counting.*

Financing within the domestic market will be carried out via two primary instruments, namely T-bills and T-bonds, which will be allocated in a roughly 60:40 ratio in line with the debt management strategy. As banks represent a significant portion of the investor base, the capacity to absorb may lean towards the shorter end of the yield curve. The distribution of financing between T-bills and T-bonds will be dependent upon the market's demand for each instrument.

Table 8: Domestic Financing Instruments – (SCR' M)

Instrument	Amortization	Issuance	Net Issuance
T-bonds	-1,178	560	-618
T-bills	-653	840	187
Loans	-91	0	-91
Total:	**-1,921**	**1,400**	**-522**

Source: MoFNPT, Debt Management Division

[8] Note that for the purpose of the ABP, the amortization and issuance of T-bills issued to the CBS is not considered as part of the amortization and new issuance as this will be rolled over.

Treasury Bills

T-bills tenders will continue to remain an essential element of the ABP in the year 2025. The Government will pay off a total amount of SCR 653m worth of T-bills compared to the total amount to be issued at SCR 840m, resulting in a net issuance valued at SCR 187m. T-bills will be issued according to the need to maintain an adequate supply, and will be allocated accordingly amongst the 91, 182 and 365 days tenors.

Treasury Bonds

As part of its continuous effort to lengthen the maturity of the domestic debt profile in the medium-term, the Government will continue to issue bonds on a quarterly basis, through the auction mechanism similar to the T-bills and supported by a quarterly issuance plan for bonds. Similarly to 2024, the tenors on offer in 2025 will be mixed between 3-, 5- , 7-, 10-years.

T-bonds issuance will be supported by improving their liquidity by initiating trading reforms in Government securities. With the aim of developing a secondary market of Government securities, the Government in collaboration with the CBS will develop a draft operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buyback facility for the trading of government securities through commercial banks by the end of 2025.

Continuous effort is being undertaken by the Government and the Central Bank to develop the domestic market. These measures will promote efficiency and transparency and will also deepen the market, facilitate development of appropriate market infrastructure and evolve the domestic market with recent international market developments. In keeping with transparency obligations, the Government will pursue the following communication strategy.

- Issuance calendars for T-bills and T-bonds will be published quarterly on the Ministry of Finance and Central Bank’s website announcing the tenor and auction and settlement dates.
- Instructions for participation in T-bonds tenders will be released by the Central Bank one week prior to each tender, and will be made available on the Central Bank’s website.

Loans

For 2025, the Government does not anticipate undertaking new domestic loans to meet its financing needs. It is committed to fulfilling its debt obligations throughout the year, with a total payment of SCR 91m as scheduled.

New Guarantees

Table 9 below provides a summary of the stock of domestic guaranteed debt. A disbursement worth SCR 200m has been provisioned for a guarantee to DBS which will be used to fund its ongoing operations in terms of its lending activities. Furthermore, it is anticipated that SCR 30m will be allocated to HFC based on a previously issued guarantee.

Table 9: Domestic Debt Stock Guarantee forecast (2024 vs 2025) – (SCR' M)

Instrument	2024	2025
Opening Stock	**624**	**669**
Disbursements	230	230
Amortization	-185	-119
Stock of Guarantees	**669**	**780**

Source: MoFNPT, Debt Management Division

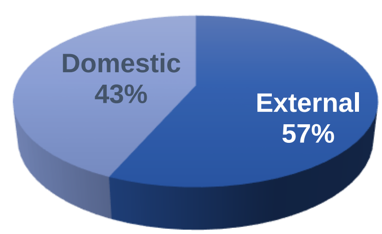
Debt stock composition

Table 10 and **Figure 1** below presents the projected composition of the debt stock for the years 2024 and 2025. As shown, the total debt stock relative to GDP is expected to increase by SCR 1,017m in nominal terms. This is reflecting the net financing needs and new guarantee previously stated.[9] Provision has also been made for the T-bills that will be issued in the fourth quarter of 2024 and will mature in 2025. The decline in the debt-to-GDP ratio is reflective of the buoyant economic performance and strong fiscal consolidation. According to the proposed borrowing strategy, the external stock of debt is projected to account for 57% of the total debt portfolio by the end of 2025. This is due to additional disbursements from existing and new budget supports, as well as loans from ongoing projects and the new guaranteed loans forecasted.

Table 10: Debt stock Breakdown

Description	SCR' M		% GDP	
	2024 EOY	2025 Est.	2024 EOY	2025 Est.
External	9,770	11,528	31.5	34.9
Domestic	9,263	8,523	29.8	25.8
Total Debt	19,034	20,051	61.3	60.7

Figure 1: Debt stock composition-2025



Source: MoFNPT, Debt Management Division

The total debt stock primarily consists of four key currencies: Seychelles Rupees (SCR), United States Dollars (USD), Special Drawing Rights (SDR), and Euros (EUR). In 2024, there is an approximately equal share of local and foreign currency debt, indicating moderate exposure to exchange rate risks. However, for 2025 the foreign exchange components of the stock will increase in line with the new external borrowing plan resulting in a slight increase in the foreign currency risks. However, the overall risks remains moderate.

A more detailed breakdown of the debt stock composition is given in **Table 11** and **Table 12** for external and domestic debt respectively. On the external side, debt with multilateral creditors will remain as the main component of the stock- accounting for almost 86.8% of the stock. These loans are from three main sources- IMF, World Bank and AfDB. The Bilateral loans and Private loans[10] will account for 9.4% and 2.9% respectively of the external portfolio. For 2025, debt from Private creditors and commercial banks are

[9] The numbers exclude funds the SDR allocation from the IMF
[10] Private loans comprises of Euro Bond

anticipated to decline significantly by 43.1% and 35.7% respectively. In absolute value, this represents a decrease of SCR 255m and SCR 56m respectively and the decrease in stock reflects ongoing repayments.

Table 11: External Debt stock Breakdown – (SCR' M)

Description	2024 EOY	2025 Est.	% Diff
Multilateral	8,146	10,010	22.9
Bilateral	878	1,081	23.1
Commercial Banks	156	100	-35.7
Private	591	336	-43.1
Total	**9,770**	**11,528**	**18.0**

Source: MoFNPT, Debt Management Division

On the domestic side, Government securities remains the main component of the stock, accounting for about 90%, similarly to 2024. Securities stock will be dominated by T-bonds at 64% whilst T-bills will account for around one quarter of the total stock. Loans with commercial banks, including guarantees, will account for 6% and other debt liabilities will account for only 0.5% of the stock. As at the end of 2025, the stock of domestic debt in nominal value is forecasted to decrease by SCR 741m, or 8.0% compared to the end of 2024.[11]

Table 12: Domestic Debt stock Breakdown – (SCR' M)

Description	2024 EOY	2025 Est.	% Diff
Loans	**820**	**841**	**2.5**
Securities *of which;*	**8,397**	**7,636**	**-9.1**
Treasury Bills	2,263	*2,120*	**-6.3**
Treasury Bonds	6,089	*5,471*	**-10.1**
Deposits	45	*45*	**0.0**
Other Debt Liabilities	**46**	**46**	**-1.0**
Total Debt	**9,263**	**8,523**	**-8.0**

Source: MoFNPT, Debt Management Division

Based on the debt composition, the Average Time to Maturity (ATM) of the debt portfolio is estimated at 7.8 years and 2.2 years in 2024 for the external and domestic debt portfolio respectively. The ATM for the total portfolio is estimated at 5.7 years. It is important to note also that about 41.5% of domestic debt in the portfolio will mature within a year, attributed to the stock of T-bills in the portfolio.

[11] This include new guarantees and also new securities that will be issued between September and December 2024 and will mature in 2025.

Conclusion

It must be emphasized that while sources of external financing for budgetary purposes (except for certain bilateral loans) can be drawn with high certainty, the domestic market may offer several variations for the issuance of T-bills and T-bonds based on appetite for the respective instruments. The issuance of T-bills may be more aligned with the cash flow forecast also taking into consideration the needs of the banking sector for liquid short-term instruments, and the benefits of reducing somewhat the volatility of cash flows over the Treasury account.

The effectiveness of the proposed bond issuance program largely hinges on the demand for medium- and long-term Government securities. Given the limited domestic investor base and the current low-interest rate environment—which may change—it is challenging to determine the depth and sustainability of demand for longer-term securities. Additionally, a rise in demand for private sector credit could lessen banks' interest in Government bonds. As a result, the issuance of domestic securities will be closely monitored and adjusted as necessary.

The sustainability of the borrowing program in the medium run will require the development of other segments of the domestic capital market. With the aim of developing a secondary market of Government securities, the Government in collaboration with the CBS will develop a draft operational framework and launch a 6-month pilot retail investor-oriented purchase window as a prelude to a full-scale buyback facility for the trading of government securities through commercial banks by the end of 2025.

Given the uncertainty prevailing in the economic environment, for internal monitoring, the ABP will be broken down into quarterly borrowing plans that will be presented and approved by the Debt committees to ensure transparency and accountability. This will enable the Government to monitor the implementation and, if needed, to make the necessary adjustment in the issuance plan.