GOVERNMENT OF SEYCHELLES
Debt Management Strategy:

For the years 2018 - 2020

Ministry of Finance, Trade & Economic Planning
Republic of Seychelles
October 2017

TABLE OF CONTENTS

INTRODUCTION

The Government of Seychelles's Debt Management Strategy provides details of the Government's plans for managing government and government guaranteed debt over the medium term. It is prepared in compliance with international best practices in debt management and the requirements of the Public Debt Management Act of 2008 (amended in 2009 and 2012).

The aim of the Debt Management Strategy (DMS) is to determine the most effective debt management strategies for achieving the desired future debt structure based on cost and risk implications. The design of the DMS takes into consideration macroeconomic objectives and policies such as fiscal and monetary policies. This strategy document is broken down into the three parts listed below;

Part I covers the objectives, scope and the legal framework for the DMS. It also describes the role of debt management in the macro economic framework and provides a historical overview of the debt structure. This section also outlines the evolution of the debt and the goals for the 2018-2020 period.

Part II gives an overview of the current debt profile. It provides an analysis of possible risks to the portfolio, the volatility of the risk factors and the exposure to these risks. This will provide clues as to whether the existing cost and risk structures are satisfactory or what needs to be changed. It will also help to identify which of the risks are more pertinent.

Part III looks at the environment for debt management, followed by the debt management framework and strategy. Part III will conclude with the borrowing plan for 2018, taking into account the fiscal balances.

PART I

1.1 Debt Management Objective

The government's primary debt management objective is founded on international best practice for debt management. As recommended by the International Monetary Fund (IMF), World Bank and other international institutions, the government's primary debt management objective is defined as follows;

> ***"To ensure that the Government's financing needs and payment obligations are met on a timely basis, and at the lowest possible cost, consistent with a prudent degree of risk."***

1.2 The Goals for Debt Management

To help achieve the primary debt management objective, the government will pursue the following goals over the medium term;

i. Ensure that the fiscal and monetary authorities are aware of the impact of government's financing requirements and monetary policies on the levels and the rate of growth of public debt.

ii. Work towards an optimum structure for public debt that minimizes cost and risks, including currency mismatch, adverse movement in interest rates, refinancing and operational risks.

iii. Assist the government in achieving its objective of limiting public borrowing to an amount that is consistent with the country's medium-term payment capacity assessed from both a fiscal and balance-of-payments perspective.

iv. Assist towards the development of the domestic financial market and the lengthening of the debt maturity profile.

1.3 Scope of the DMS

The DMS will examine the total public debt for years 2018 to 2020, where the total public debt is defined as the total government and government guaranteed liabilities that require payment of principal and/or interest to external and domestic creditors. External and domestic classification are based on the residency of the creditors.

The debt stock figures for the years 2008-2016 are as at calendar year end. The 2017 figures are as at 31stAugust 2017.

1.4 Legal and Institutional Framework

The primary responsibility of debt management lies with the Debt Management Division of the Ministry of Finance, Trade & Economic Planning. This Division is responsible for managing government and government guaranteed debt as well as monitoring all non-guaranteed public enterprise debt. Public debt management in Seychelles is regulated by the Public Debt Management Act of 2008 (amended in 2009 and 2012).

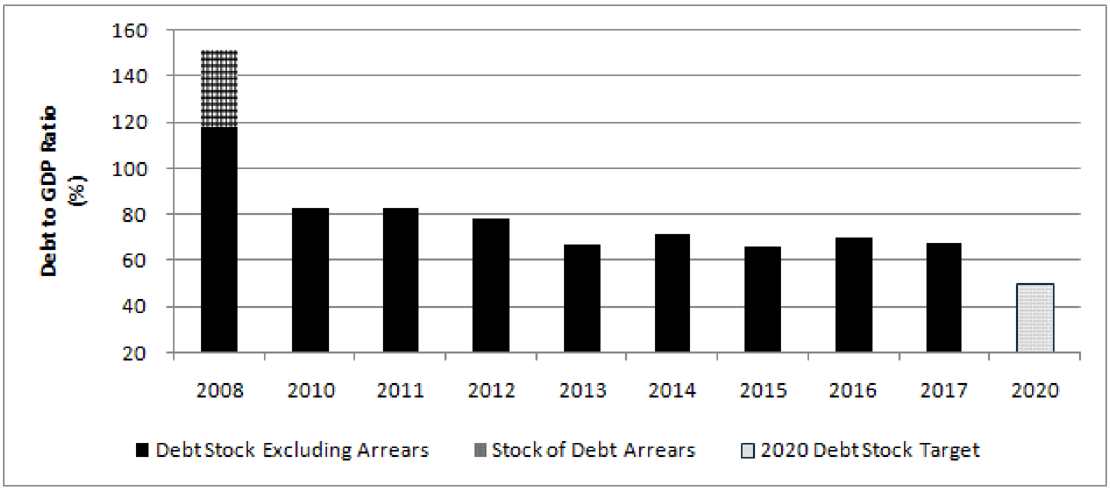
1.5 Evolution of debt

Over the past nine years, the government has made significant progress in reducing the level of public debt. As illustrated by Fig. 1, the total public debt has more than halved its level in 2008 by falling from over 150% of GDP to reach 67% of GDP in August 2017. Another notable change is the elimination of the stock of debt arrears which accounted for about 34% of GDP in 2008.

This remarkable achievement was mostly attributed to the 2008 debt restructuring program whereby some Paris Club creditors including Malaysia and South Africa agreed to write off 45% of the debts outstanding. The remaining bilateral creditors, commercial banks and private creditors agreed to provide comparable debt service relief which has helped to alleviate the repayment burden over the subsequent years, enabling the government to service its debts without accumulating payment arrears.

In spite of these achievements, factors such as the issuance of treasury bills for monetary purposes since 2014 and loosening of the fiscal policy in 2016 have recently slowed down the rate at which the public debt level was falling. Nevertheless, the government remains committed to keep its debts on a sustainable path and to pursue sound debt management practices. The government's fiscal target is to achieve a debt to GDP ratio of 50% by the end of 2020.

FIG.1: DEBT TO GDP RATIO FOR SELECTED YEARS



Source: Ministry of Finance, Trade & Economic Planning

PART II

2. OVERVIEW OF THE EXISTING DEBT

The total stock of government and government guaranteed debt amounted to SCR 13,499.53 million or 67.4% of GDP at the end of August 2017. Central government domestic debt is the largest component of the total debt stock at 53.2% as can be seen in Fig 2. About 79% of the central government domestic debt are in the form of treasury bills.

Central government debt accounts for 93.8% of the total debt stock whilst guarantees account for 6.2% as shown by Fig 3. All of the guarantees were given to public sector entities. The Development Bank of Seychelles (DBS) and the Housing Finance Company (HFC) holds the largest share of government guaranteed debt at 70.6% and 18.2% respectively.

FIG.2: TOTAL DEBT BY RESIDENCY OF CREDITORS

	2017 *(In Millions SCR)*	***%***
DOMESTIC ***of which***	**7,934.4**	**58.8**
Government	7,175.2	53.2
Guarantees	759.2	5.6
EXTERNAL ***of which***	**5,565.1**	**41.2**
Central Government	5,489.4	40.7
Guarantees	75.8	0.6
Total Debt	**13,499.5**	**100.0**

Source: Ministry of Finance, Trade & Economic Planning

FIG. 3: TOTAL DEBT BY GUARANTEE STATUS

	2017 *(In Millions SCR)*	***%***
Government	12,664.6	93.8
Guarantees	834.9	6.2
Total Debt	**13,499.5**	**100.0**

Source: Ministry of Finance, Trade & Economic Planning

2.1 External Debt Profile

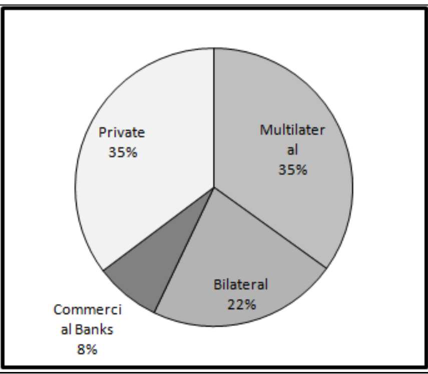
The external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

The amount of new external debt that is contracted or guaranteed each year is determined by the debt ceiling targets agreed with the International Monetary Fund (IMF). The total stock of external debt as at 31st August 2017 amounted to SR 5,565 million or 27.8% of GDP. This indicates a 0.9% fall from the December 2016 level.

The composition of the external debt by creditor category is shown in Fig.4. Private and Multilateral creditors each accounts for 35% of the total external debt. Bilateral creditors are the third largest creditor group at 22% whilst Commercial creditors accounts for the smallest group at 8% of external debt. The increase in the share of multilateral debt and consequent decrease in the share of commercial debt in the portfolio reflects the government's debt strategy for contracting new loans at concessional rates whenever possible.

FIG.4: EXTERNAL DEBT BY CREDITOR CATEGORY

	2017 External Debt Stock (in Millions SR)
Multilateral	1,945.5
Bilateral *of which;*	1,231.3
Paris Club	*664.4*
Non-Paris Club	*566.9*
Commercial Banks	425.0
Private	1,963.3
TOTAL	**5,565.1**



Source: Ministry of Finance, Trade and Economic Planning

The external debt portfolio is mostly made up of loans at 63% (see Fig 5). The remaining components are securities at 36% and 0.3% is project preparation advance on a World Bank loan.

FIG.5: EXTERNAL DEBT BY INSTRUMENT TYPE

	2017 *(In Millions SCR)*	***%***
Loans	3,522.6	63.3
Securities	2,026.0	36.4
Advances	16.6	0.3
Total Debt	**5,565.1**	**100.0**

Source: Ministry of Finance, Trade and Economic Planning

Domestic Debt Profile

The stock of domestic debt comprises of all the debt liabilities owed to residents of Seychelles economy. As at the end of August 2017, the total domestic debt amounted to SR 7,934.4 million. As can be seen in Fig. 6, securities accounted for the largest share of the domestic debt stock at 82.8%. This was mostly attributed to the high stock of treasury bills which accounted for about 72% of the total domestic debt. Loans from commercial banks are the second largest component of the domestic debt stock at 16%. Other debt liabilities, primarily related to payments of compensations for land acquisitions, accounted for 1.2% of the total domestic debt.

FIG. 6: DOMESTIC DEBT BY INSTRUMENT TYPE

	2017 *(In Millions SR)*	**%**
Loans	1,273.2	16.0
Securities *of which;*	6,566.9	82.8
Treasury Bills	*5,682.9*	*71.6*
Treasury Bonds	*498.9*	*6.3*
DBS Bonds	*278.2*	*3.5*
Deposits	*37.3*	*0.5*
Notes	*69.6*	*0.9*
Other Debt Liabilities	94.3	1.2
Total Debt	**7,934.4**	**100.0**

Source: Ministry of Finance, Trade & Economic Planning

3.RISK INDICATORS

Sound risk management, debt and organisational structures are important elements in reducing exposures to risks such as interest risks, currency risks, liquidity risks and operational risks.

3.1 REFINANCING RISKS

Refinancing risk refers to the risk that the existing debt will have to be refinanced at an unusually high cost or in extreme circumstances cannot be refinanced at all. Important measures of the exposure to refinancing risks include the Average Time to Maturity (ATM), the debt redemption profile of the outstanding debt stock and the percentage of debt maturing in one year. Two indicators of refinancing risks are shown in Fig 7 below.

FIG. 7: KEY REFINANCING RISKS INDICATORS AS AT THE END OF 2017

Refinancing Risks	External Debt	Domestic Debt	Total Debt
ATM (years)	6.6	3.3	5.2
Debt maturing in 1yr (% of total)	8.2	57.8	29.9

3.1.1 Average Time to Maturity

The Average Time to Maturity (ATM) measures the weighted average length of time the debt will mature on the portfolio. The average life of the total debt portfolio is about 5 years indicating moderate risks. The ATM is about 7 years for the external debt and 3 years for the domestic debt. In order to minimize the exposure to the risks associated with the low ATM on the domestic debt, the government will continue with its efforts to lengthen maturities of the domestic debt, by issuing longer term instrument.

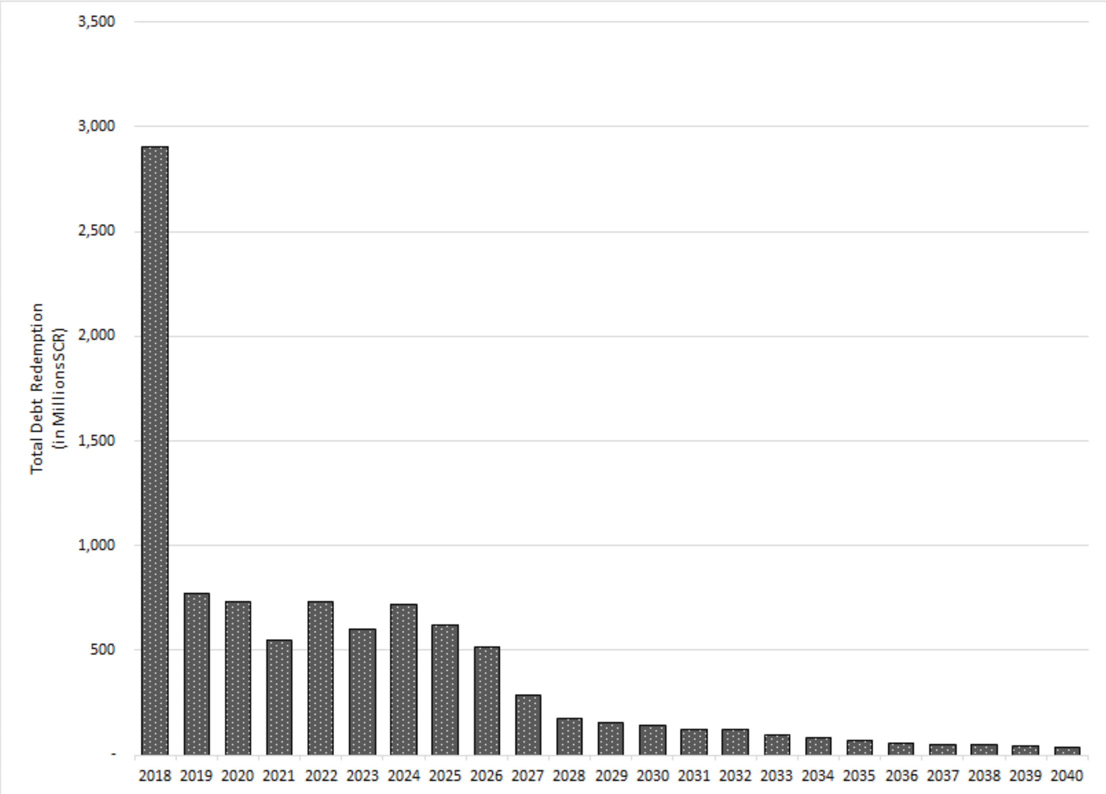
3.1.2 Share of Debt Maturing within in one year

The share of debt maturing in one year is another indicator of refinancing risks. Within one year from December 2017 about 30% of the total debt stock will mature indicating moderate risks. About 58% of the domestic debt will mature within one year compared to only 8% of the external debt. Lengthening the maturity of the domestic debt portfolio will help to reduce the share of debt maturing within one year and exposures to refinancing risks.

3.1.3 The Redemption Profile

The debt maturity/ redemption profile shows the total principal payments falling due each year over the life of the portfolio. The refinancing risks to the total portfolio (see Fig. 8) can be seen by the high volume (30%) of the total debt that is expected to mature in 2018. As previously stated, this is attributed to the high share of short term instruments in the form treasury bills within the debt portfolio. Total repayments are expected to be stable from 2019-2024 despite some drops in 2021 and 2023. The total repayments are expected to gradually fall from 2024 to 2028. From 2028 onwards the total repayments are expected to reduce at a steady rate.

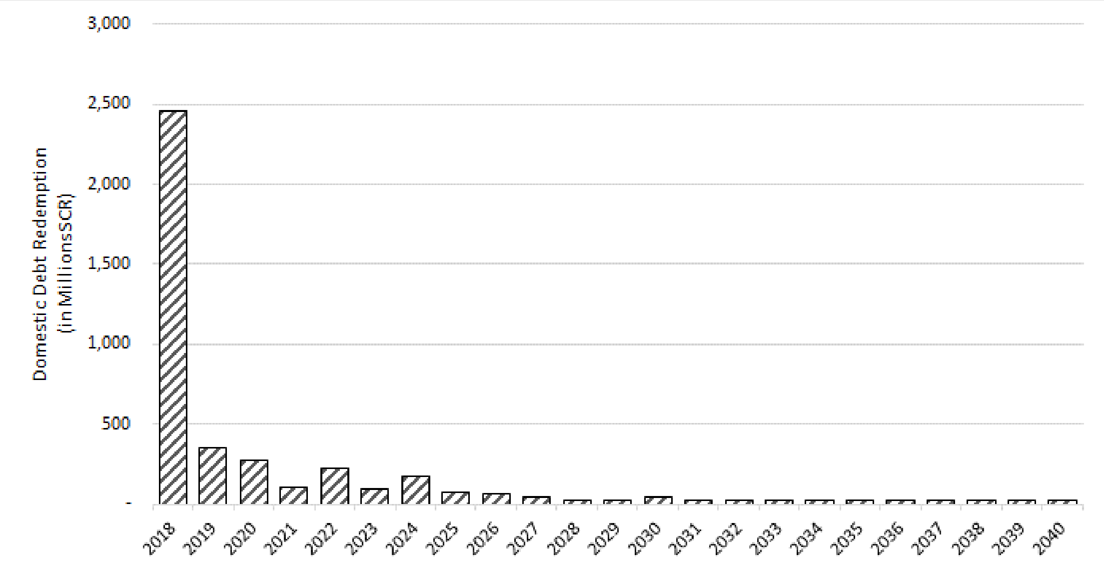
FIG. 8: TOTAL DEBT REDEMPTION PROFILE



Source: Ministry of Finance, Trade & Economic Planning

The domestic debt profile in Fig 9, shows that about 58% of the total domestic debt stock is expected to mature in 2018. This is an indication of a relatively high roll-over/refinancing risks. However given the current stable macroeconomic conditions, most of these debts are expected to be rolled over. In order to mitigate some of the possible exposure to refinancing risks, the government issued three new bonds in 2017 with a total face value of SR350m in an effort to lengthen the maturity of the domestic debt portfolio. However, the key difficulty being experienced is the lack of appetite in the domestic market for longer term instruments. The maturity of the new and existing bonds are responsible for the increase in repayments in 2019, 2020, 2022 and 2024.

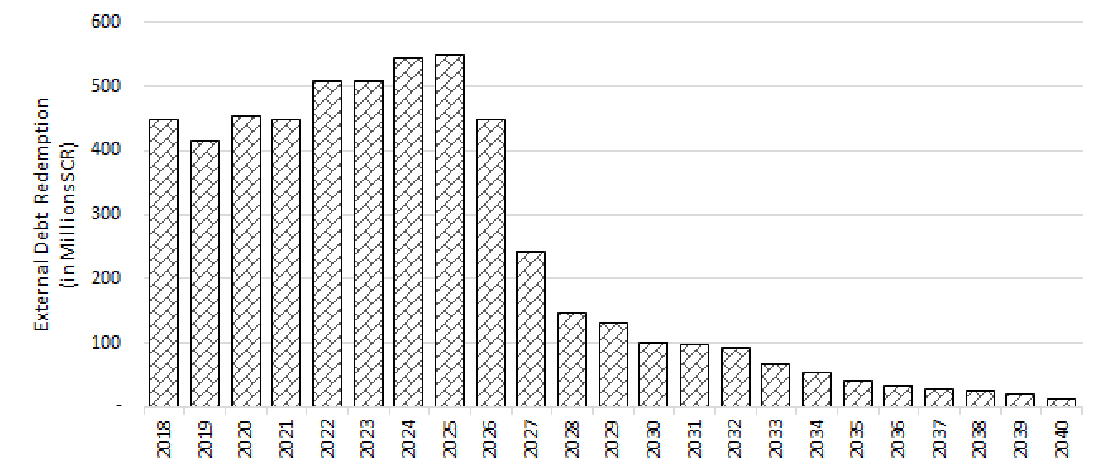
FIG. 9: DOMESTIC DEBT REDEMPTION PROFILE



Source: Ministry of Finance, Trade & Economic Planning

The external debt profile in Fig 10 shows that about 8% of the total external debt is expected to mature in 2018 indicating low refinancing risks. There is also expected to be a general increase in principal repayment from 2018 to reach a peak in 2025 before falling through to 2040.The increase in repayment from 2022-2025 reflects the percentage increase in the repayments on the debts owed to Paris Club creditors. From 2026 onwards the total external debt repayments are expected to gradually decline through to 2040.

FIG. 10: EXTERNAL DEBT REDEMPTION PROFILE



Source: Ministry of Finance, Trade & Economic Planning

3.2 INTEREST RATE RISKS

Interest rate risks refers to the risk of increases in the cost of the debt arising from changes in interest rates. This risk can occur when variable rates on floating debt are reset and/or fixed rate debt needs to be refinanced. Indicators of Interest rate risks shown in Fig. 11 include the Average Time to Re-Fixing (ATR), the share of debt subject to interest reset within the next year and the share of fixed interest rate debt within the portfolio.

FIG. 11: INTEREST RATE RISKS INDICATORS AT THE END OF 2017

Interest Rate Risk	External Debt	Domestic Debt	Total Debt
Average Time to Re-fixing (ATR) (years)	3.9	1.8	3.0
Debt re-fixing in 1yr (% of total)	37.8	71.2	52.4
Fixed rate debt (% of total)	68.3	86.1	76.1

3.2.1 Average Time to Re-fixing

The Average Time to Re-fixing (ATR) is a measure of weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate. The Average Time to Re-fixing is about 4 years for the external debt, 2 years for the domestic debt and 3 years for the overall debt. This implies moderate risks for the external and total debt but high risk on the domestic side given the size of the domestic debt portfolio.

3.2.2 Percentage of Debt Re-fixing within 1 year

The percentage of debt that needs to be rolled-over (either because they are maturing or they are variable rate debt) within one year out of the total debt is another indicator of interest rate risks. About 38% of the external debt, 71% of the domestic debt and 52% of the total debt will be subject to a new interest rate within one year. This indicates moderate risks to the external and total debt portfolio but relatively high risks to the domestic portfolio.

3.2.3 Fixed Rate Debt as a share of the total debt

The share of fixed rate debt within the portfolio is an indicator of interest risks, the higher the share of fixed rate debt the lower the exposure to interest rate risks. Fixed rate debt accounts for 68% of the external debt portfolio, 86% of the domestic debt portfolio and 76% of the total debt portfolio. This indicates low risks to each of these portfolio.

3.3 EXCHANGE RATE RISKS

Exchange rate risks relates to the risk of increases in the cost of the debt arising from changes in exchange rates. Measures of exchange rate risk include the share of foreign currency denominated debt in the total debt and the ratio of short term external debt to international reserves.

FIG. 12: FOREIGN EXCHANGE RATE RISKS INDICATORS

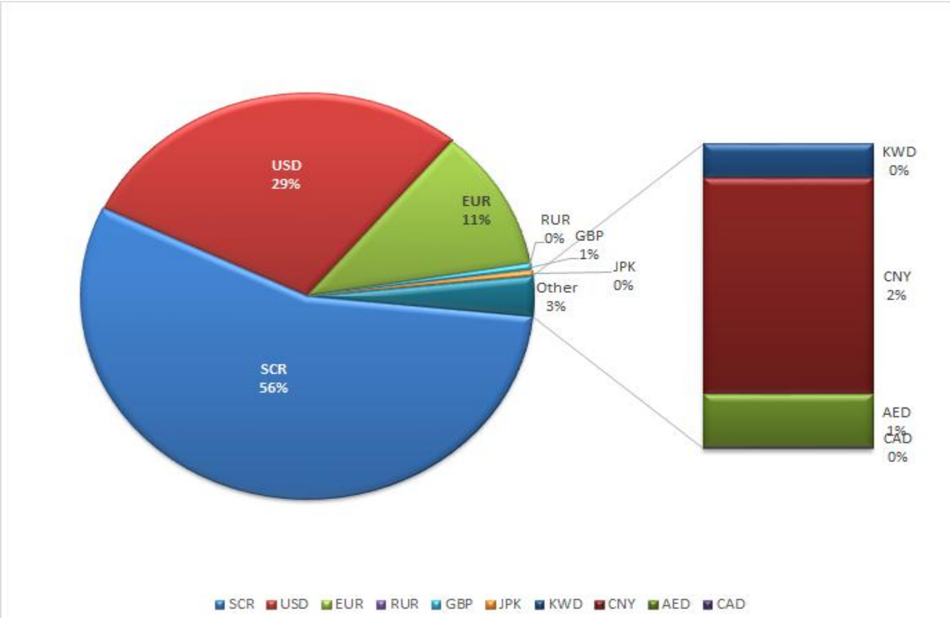
Risk Indicators	Total debt
FX debt (% of total debt)	44.4
ST FX debt (% of reserves)	1.1

Fig. 12 shows that foreign denominated debt accounts for 44.4% of the total debt which indicates moderate exchange rate risks. Short term foreign denominated debt accounts for only 1% of reserves indicating low risks.

3.3.1 The currency composition

The currency composition provides an overall indication of the exposure to exchange rate risks to the portfolios. The total debt stock is mostly made up of three main currencies the Seychelles Rupee (SCR), United States Dollars USD and Euros (EUR). About 56% of the total debt sock is local currency, indicating moderate risks. 29% of the total debt stock is USD, and 11% is Euros. Seven other currencies; the British Pound (GBP), Chinese Renminbi (CNY), Kuwaiti Dinar (KWD), UAE Dirham (AED), Japanese Yen (JPK), Russian Ruble (RUR) and the Canadian Dollar (CAD) together accounts for only about 4% of the debt stock.

FIG. 13: CURRENCY COMPOSITION



Source: Ministry of Finance, Trade & Economic Planning

3.4 OPERATIONAL RISKS

Operational risks relates to various types of risks including transaction errors in the various stages of executing and recording transactions; inadequacies or failures in internal controls, or in systems and services; reputation risk; legal risk; security breaches; or natural disasters that affect the debt management's ability to pursue activities required to meet debt management objectives. Two of the main operational risks identified are as follows;

3.4.1 Paper Based Documentations

Most of the debt management documentation such as loan agreements, especially for loans that are older than 5 years, bank statements and transactions confirmations are being held in paper format. Constraints relating to storage facilities expose these documents to risks of being misplaced or difficulty to locate. Other risks of paper based documentation include the risks of physical deterioration, risk of total destruction in the event of a fire or natural disaster. To mitigate these risks various longer term solutions such as digitalization needs to be considered.

3.4.2 Debt Management System Support IT Personnel

The debt management system is currently being managed by only one staff of the Department of Information Technology (DICT). Other IT personnel should also receive the necessary training to ensure business continuity in the event that the current staff is on leave or resigns.

3.5 COST OF DEBT

The average interest rate gives an indication of the cost of debt on the portfolio. As shown by Fig. 14, at year end of 2017 the minimum expected interest rate payable on the existing stock of external debt is 4%, 5.7% on the existing stock of domestic debt and 4.8% for the total existing debt stock.

FIG. 14: COST OF DEBT AS AT END 2017

Cost of Debt Indicators	External debt	Domestic debt	Total debt
Average IR (%)	4.0	5.7	4.8

4. RECENT DEVELOPMENTS

New Domestic Bonds Issuance

In an effort to lengthen the maturity of the domestic debt profile, the government issued three new bonds with a total face value of SR 350 million in the 3rd quarter of 2017. The maturity of the bonds ranged from three to seven years. Also in the 3rd quarter the government issued a guarantee to the Development Bank of Seychelles for a SR 150 million bond with a maturity of 3 years at an interest rate of 6%.

The Blue Bond

The blue bonds concept is an innovative strategy aimed at making use of impact investors to finance ocean-related environmental projects and programmes. The Government is planning to issue a Blue Bond amounting to US$ 15 million with the assistance from the World Bank. The blue bond will also be guaranteed by the World Bank with the support of the Global Environment Facility resources to secure attractive terms. 80% of the proceeds from the Blue Bond will be used to provide loans for projects consistent with the provisions of the fisheries management plans. These loans will be administered by the Development Bank of Seychelles (DBS) through a Blue Investment Fund. The remaining 20% of the bond proceeds will be transferred to Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) to establish a Blue Grants Fund for grants to be made available to the public and private entities on a project proposal basis.

Risk & Cost Management

In order to take advantage of the favourable conditions in the market for Euro denominated debt, the government is also exploring the possibilities of undertaking a currency swap from US Dollars to Euros for the external bond due 2026. The amounts outstanding on the bond at the end of August 2017 was USD143.56 million. The swap is expected to reduce the interest cost of the bond. The exchange rate risk is also expected to be minimized by aligning the debt closer to the country’s earnings, which are mostly in Euros.

PART III

1. THE ENVIRONMENT FOR DEBT MANAGEMENT

1.1 The Fiscal Sector

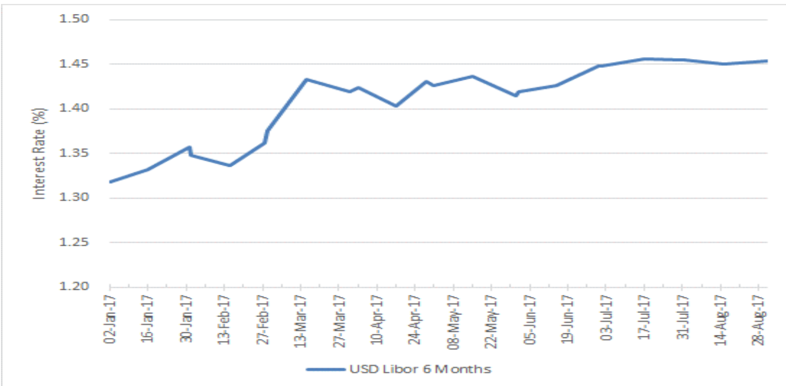
The government’s primary budget surplus target has been revised downwards from 3% of GDP in 2017 to 2.5% of GDP in 2018. The revision was mainly due to the expansionary expenditure measures taken in early 2016, when current expenditure was boosted by the decision to raise the minimum wage, and various benefits for the unemployed, disabled and elderly in order to reduce poverty, based on the household budget survey report in December 2015. This follows the loosening of Government's fiscal policy in 2016 to accommodate new social programmes aimed at addressing income inequalities and poverty alleviation.

1.2 Monetary Sector

Interest Rate

The interest rate on the USD Libor 6 months has continued on its general upward trend increasing from 1.32% at the beginning of January 2017 to 1.45% at the end of August 2017 (see Fig. 15). The main peaks in the rates were 1.36% in January, 1.43% in March and 1.46% in July. These increases implies an increase in the cost of servicing debts subject to this interest rate.

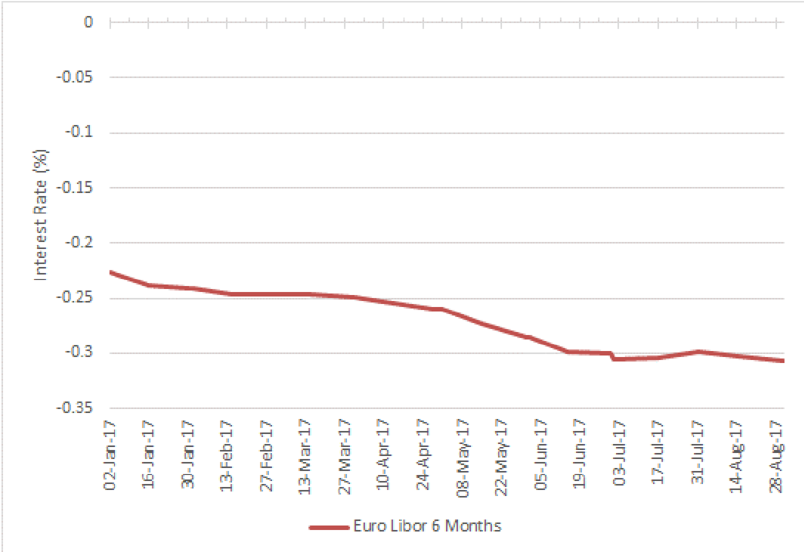
FIG. 15: USD LIBOR INTEREST RATE



Source: The Wall Street Journal

On the other hand, the Euro Libor 6 months rate continues to fall, falling from -0.23% at the beginning of January 2017 to -0.31% at the end of August 2017 (see Fig. 16). This negative interest rate implies a decrease in the cost of servicing debt subject to Euro Libor rates. As such the government is exploring various liability management options to take advantage of this favourable interest rate.

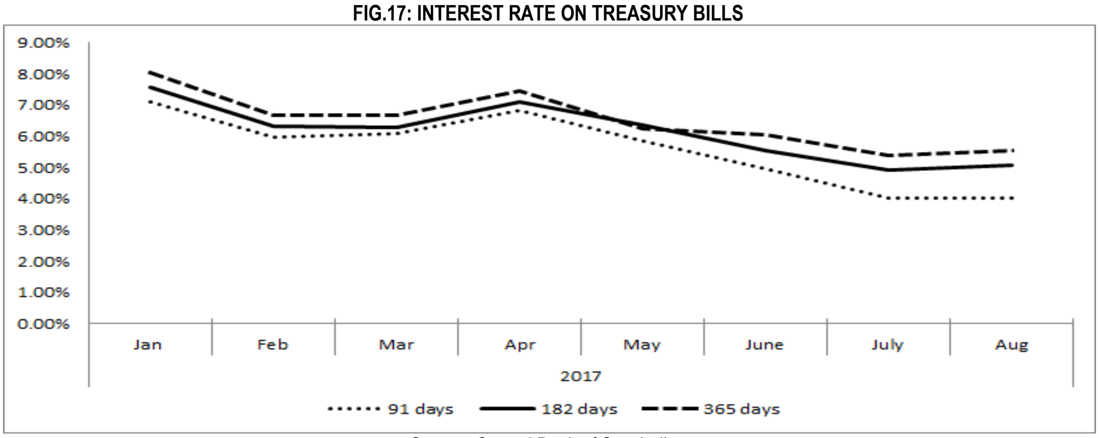
FIG. 16: EURO LIBOR INTEREST RATE



Source: The Wall Street Journal

In terms of the domestic market as can be seen in Fig 17, interest rate on Treasury Bills has been on a downward trend. The rates on the 365 day bills has fallen from 8.04% in January to 5.55% in August 2017. The rates on the 182 day bills fell from 7.56% to 5.08% whilst the rate on the 91 day bills fell from 7.10% in January to 4.03% in August. The effect is a reduction in the short term cost of domestic borrowing.

FIG.17: INTEREST RATE ON TREASURY BILLS

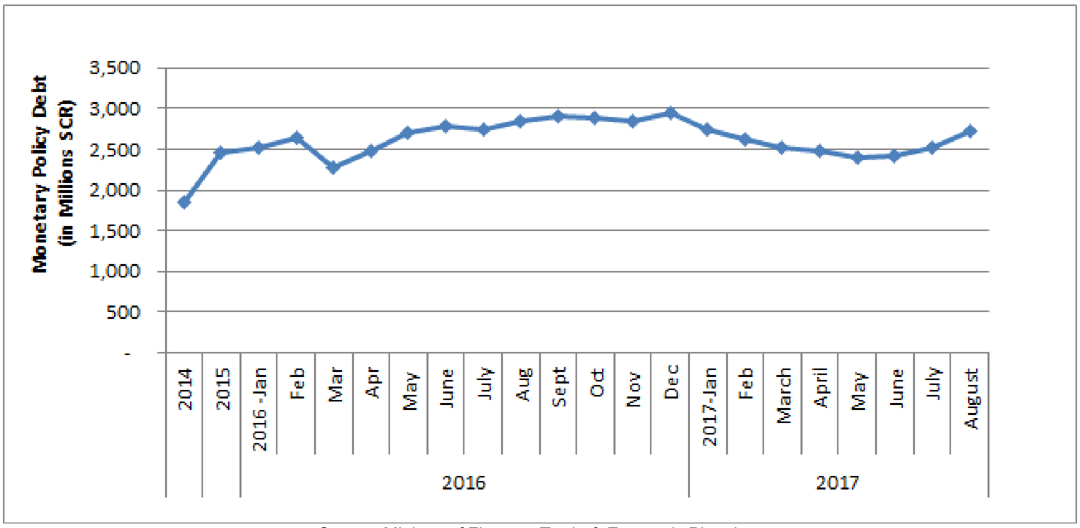


Source: Central Bank of Seychelles

Debt for Monetary Policy

The use of securities by the Central Bank as an instrument used to mop up excess liquidity in the monetary system has led to a general increase in the domestic and total debt stock since 2014. Fig. 18 shows an upward trend in the issuance for monetary purposes despite a fall in the first half of 2017. Excluding debt for monetary purposes, the total public debt to GDP ratio is 53%, hence already near the target of 50% debt to GDP by 2020.

FIG.18: DEBT FOR MONETARY POLICY

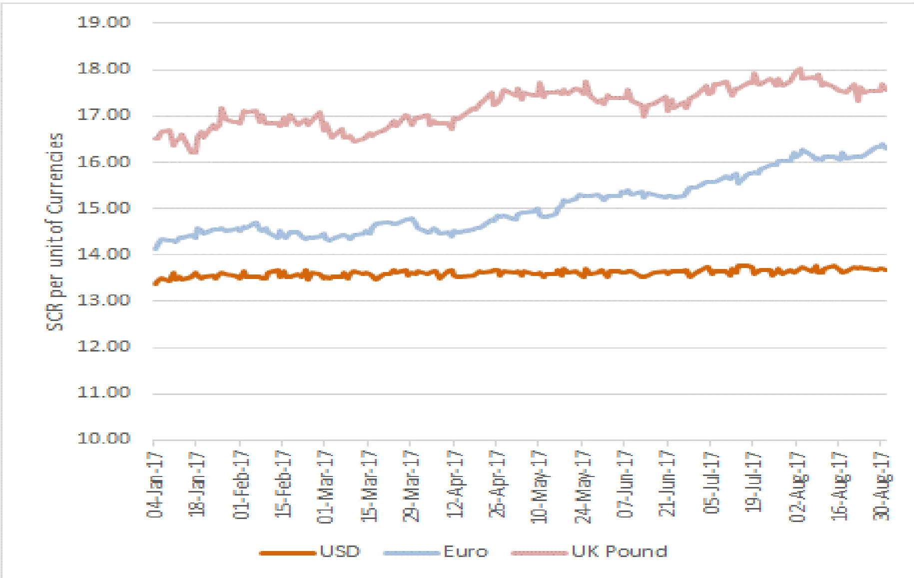


Source: Ministry of Finance, Trade & Economic Planning

1.3 The External Sector

Since January 2017, the Seychelles Rupee has been relatively stable at an average of about SR13.61 to a dollar. On the other hand the rupee has been depreciating in relation to the euro and the pound sterling. The rate has increased from SR14.13 to the euro and SR16.52 to the pound sterling at the beginning of January to SR16.30 to the euro and SR17.56 to the pound sterling respectively at the end of August. This implies an increasing cost of servicing debt denominated in euros and pounds.

FIG.19: FOREIGN EXCHANGE RATES



Source: Central Bank of Seychelles

1.4 The Real Sector

The Gross Domestic Product (GDP) is a very important contributor in achieving the government's debt reduction target of 50% of GDP by 2020. The real GDP growth is expected to reach about 4% for 2017 and then slightly reduce to about 3% in 2018. This expected slowdown in GDP can adversely affect the rate at which the debt reduction target is achieved.

1. THE DMS FRAMEWORK

The Debt Management Strategies for the Seychelles debt portfolio has been guided by the following choices;

- Concessional / semi-concessional / commercial
- Currency composition
- Short- and long term maturities
- Variable and fixed rate debt

1.1 DMS 2018-2020

1.1.1 Alternative Strategies

Strategy 1

This strategy assumes an extreme scenario where we are forced to borrow only from multilateral creditors for external debt due to high interest costs for commercial and private debt as well as lack of financing from bilateral creditors. It also assumes a higher percentage of fixed interest rates than variable rates. In the case of domestic debt the strategy assumes that the stock of debt is high and there is limited demand in the market coupled with high cost of domestic interest rates, hence domestic borrowing are not being considered.

Strategy 2

For this mixed strategy, the assumption is that we are able to borrow both domestic and external, with a slightly higher percentage of external debt over domestic debt. For domestic borrowings, it will be mostly fixed interest rates whereby the aim will be to lock up fixed rates at longer term maturities. Multilateral, bilateral and commercial borrowings will be made in the case of external loans, with the majority being multilateral variable rates.

Strategy 3

For this third strategy the scenario will be an equal percentage of borrowings for external and domestic. In this case the domestic borrowings will be mostly variable interest rates for short term borrowings which are reset every 3 and 6 months. The external borrowing assumes equal percentage of borrowings for fixed and variable rates but excludes borrowings at high interest rates from commercial creditors.

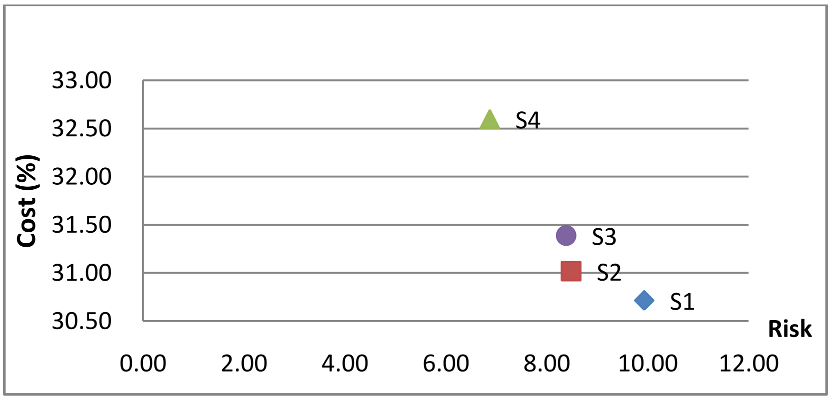
<u>Strategy 4</u>

Finally, this last strategy is another extreme strategy where external financing is not available and Seychelles can only borrow domestically. All domestic borrowings will be at non-concessional market rate.

1.1.2 Analysis of the Alternative Strategies

The debt portfolio is forecasted to reach below 50% in 2020 as a result of the GDP growth forecast and positive fiscal performance. The four proposals for strategies as shown by Fig. 20 for the debt portfolio indicates that strategy 2 (S2) and strategy 3 (S3) are more favourable when the cost and risks are analysed. Both strategies indicate a more adequate level of costs and risks to the debt portfolio as opposed to the other 2 strategies. For strategy 1 (S1), although the cost of borrowing is lower as the loans will be mostly from multilateral creditors, the risks posed are higher due to the foreign exchange risk of relying on external borrowings only. In the case of strategy 4 (S4), the risk is lower as in the case of domestic debt borrowing there is no foreign exchange risk. However it will be costly as the interest rates are all variable and subject to reset on a short term basis. With the current economic environment in Seychelles, it will be better to have a mixed borrowing strategy whereby we can make use of concessional borrowings at affordable interest rates and limit borrowings in cases where refinancing, interest, and foreign exchange risks very high.

Fig. 20 Debt to GDP as at end 2022



2018 BORROWING PLAN

Overall Financing Plan

According to the latest projections, an overall balance of SR171 million (US$12 million) is forecasted on a cash basis in 2018. Concessional and semi concessional external debt being raised for projects will result in a net increase of external debt of SR500 million. Privatisation will provide SR150 million in financing. The Government will repay domestic debt of SR 479 million in net terms.

Fig. 21: Overall Financing

	US$ million	SR million
Total Financing (overall budget deficit)	**-12**	**-171**
Foreign financing, net	36	500
Domestic financing, net	-35	-479
Privatisation	11	150

External Debt

Requirements

The gross external borrowing requirement is forecasted to be approximately US$68.8 million in 2018, to be used primarily for project loans.

Sources

The borrowing requirement will be filled with long-term financing from multilateral and bilateral development institutional sources. Specifically Arab Bank for Economic Development in Africa (BADEA), Opec Fund for International Development (OFID), Kuwait Fund, India, Agence Française de Développement (AFD) and European Investment Bank (EIB) will provide disbursement for project loans while the blue bond issuance will provide financing for the blue economy. Net foreign financing is expected to be SR500 million, with scheduled foreign debt repayments of SR454 million (US$32.7 million) compensated for by disbursements of loans of SR954.6 million (US$68.8 million).

Fig.22: Foreign Financing

	US$ m	SRm
Foreign Financing	**36.1**	**500.4**
Total Borrowings	**68.8**	**954.6**
Perseverance Social Service (Ofid)	1.0	14.5
Perseverance Infrastructure (Badea/Ofid)	2.1	29.1
PUC La Gogue Dam	6.6	91.5
Agriculture Development (IFAD)	1.3	17.7
Health Information system (India)	3.0	42.1
Line of credit (India)	3.3	45.1
Blue Bond Swiofish3	15.0	208.1
La Rosiere School (Kuwait Fund)	2.4	33.7
PUC Projects (EIB/AFD)	10.0	138.7
PUC 33kv (Badea/Saudi Fund)	17.0	235.8
PUC Sewerage South East Coast	5.0	69.4
Blue Bond DBS	0.5	6.9
Blue Bond SEYCCAT	0.3	4.2
Swiofish3 (World Bank)	0.2	2.8
Total Amortisation	**32.7**	**454.2**

Domestic Debt

Requirements

Under the current expectations for the overall balance, foreign financing, and privatisation, total domestic public debt would be reduced by approximately SR479 million in net terms in 2018.

Sources

Gross domestic debt issued would total approximately SR5.30 billion, mostly in the form of Treasury Bills and Treasury Bonds sold at auction. The Government would retire approximately SR5.78 billion of domestic debt as it matures, as follows:

Fig. 23 : Domestic Net Financing

Domestic Debt Financing Table

	SR million
Gross Issuance	**5,302.2**
Gross Retirements	**-5,781.3**
**T-Bills Stock*	-5,682.9
91 day bills	-613.7
182 day bills	-1,101.8
365 day bills	-3,967.4
Loans from Commercial Banks	-98.4
Net Domestic Issuance	**-479.1**

**Outstanding stocks are as at August 2017*
.Note: CBS is expected to issue additional Treasury Bills for monetary purposes.