FY 2024

Annual Borrowing Plan

MINISTRY OF FINANCE, NATIONAL PLANNING AND TRADE

DEBT MANAGEMENT DIVISION

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Introduction

The 2024 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 2024 budget year. It has been developed in accordance with the targets and benchmark indicators of the 2024-26 Medium-Term Debt Management Strategy (MTDS) and is based on the macroeconomic and fiscal frameworks presented in the 2024 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

Seychelles' economic recovery continues on a positive trajectory as tourism flows stabilizes and economic activities rebound to the pre-pandemic levels. The tourism sector remains resilient and continues to drive economic growth. Real GDP growth is forecasted at 4.0% in 2024. Additionally, with the push for digitalization as part of the Government's reform agenda, activities in the 'Information and Communication' will contribute towards the positive economic performance. The 'Transportation and Storage' sector also remains buoyant thus contributing positively to the overall growth. Seychelles is expected to continue along its recovery path with average real GDP growth projections of about 3.9% over the medium term

Current account deficit for 2024 is projected at minus 7.1% of GDP based on the forecasted earnings from tourism activities. The foreign exchange reserves are projected to increase to about USD 761m, equivalent to 3.6 months of import cover. This represents a 7.9% growth compared to the forecasted 2023 position. Domestic price dynamics will predominantly be influenced by developments in international commodity prices. Food prices, is expected to be moderate in the fourth quarter of 2023 and going into 2024, due to the increased production and stock. However, the projected real GDP growth is expected to lead to an increase in imports of goods and services and when combined with the anticipation of higher oil prices in international markets, it is likely that the demand for foreign exchange will increase thus leading to an increase in inflation rate. Global food production remains vulnerable to shocks from extreme weather events, geopolitical tensions, policy changes, and developments in other markets - thus impacting prices. In line with the accommodative stance, market interest rates have remained stable in 2023. However, the rise in global interest rate may influenced the yield on the domestic market moving forward.

Through Government's continuous fiscal consolidation back up by robust government revenues, a primary surplus of 1.1% of GDP, equivalent to SCR 332m is anticipated for 2024. This will narrow down the overall balance deficit by about SCR 416m thus contributing positively in reducing debt vulnerability. Debt to GDP is forecasted to reach 65.6%, as the country access more budget support and funds project loans are disbursed. Additionally, provisions are made for Government to provide guarantees to State Owned Enterprises as the need for project development increases. With the gradual improvement in economic activities and through prudent fiscal disciplinary measures, Government is committed to achieve its pre-COVID objective before 2030. Despite the favorable outlook, uncertainties in the external environment such as the rising geopolitical tensions between Russia/ Ukraine and Palestine/Israel, may impact the outlook.

Table 1: Selected Economic Indicators

Description	2022	2023 Est.	2024 Est.
National income and prices			
Nominal GDP (millions of Seychelles rupees)	28,221	29,094	30,317
Real GDP growth	8.9	3.8	4.0
CPI (annual average)	2.6	-0.8	0.3
Government Budget (% GDP)			
Total revenue, including grants	33.2	34.2	35.8
Expenditure and net lending	36.5	37.0	37.2
Overall balance	-3.3	-2.8	-1.3
Primary balance (accrual basis), including grants	-1.1	-0.0	1.1
External sector (USD'm, unless otherwise indicated)			
Current account balance including official transfers	-137	-118	-175
Gross official reserves (USD'm)	639	705	761
In months of imports, c.i.f.	3.4	3.5	3.6
Total debt outstanding (% of GDP)[1]	**63.6**	**64.4**	**65.6**
Total debt outstanding (SR'm)	17,955.8	18,729.5	19,881.1
Domestic debt (% of GDP)	31.6	28.5	27.0
External debt (% of GDP)	34.0	35.8	34.2

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 GFN for the year 2024 is expected to be SCR 2,526m, which is equivalent to 8.3% of GDP. This is lower than the GFN for 2023, which amounted to SCR 3,463m or 11.9% of GDP. The reason for the lower GFN in 2024 is due to robust Government revenues and strong fiscal consolidation, resulting in a primary surplus of 1.1% of GDP. Additionally, for 2024 there is a lower domestic amortization resulting from the continuous reduction of T-bills stock in 2023. When considering the amortization over the period, this translates to a lower NFN of only SCR 407m, or 1.3% of GDP in 2024, compared to SCR 823m, or 2.8% of GDP as the end of year forecast for 2023. **Table 2** below summarizes the financing requirements for 2024 in comparison with 2023. In order to meet its financing needs, the Government intends to seek funds from both foreign and domestic sources.

Table 2: Financing requirements (2023 vs 2024)

Description	SCR' M		% of GDP	
	2023 EOY	2024 Est.	2023 EOY	2024 Est.
Primary balance	**-2.5**	**332**	**0.0**	**1.1**
Interest payments	**-821**	**-739**	**-2.8**	**-2.4**
o/w Domestic	-563	-449	-1.9	-1.5
External	-257	-290	-0.9	-1.0
Net Financing Needs	**-823**	**-407**	**-2.8**	**-1.3**
Amortization	**-2,640**	**-2,119**	**-9.1**	**-7.0**
o/w Domestic	-1,873	-1,145	-6.4	-3.8
External	-766	-974	-2.6	-3.2
Gross Financing Needs	**-3,463**	**-2,526**	**-11.9**	**-8.3**

Source: MoFNPT, Debt Management Division

The Government's financing plan for 2024 is reflective of the debt management strategy adopted with greater focus on concessional multilateral financing to minimize cost of borrowings and domestic securities issuance ensuring the proper balanced between T-bonds and T-bills, with the former geared towards domestic market development. As illustrated on **Table 2** above, gross redemptions in 2024 amounts to SCR 2.1bn, which is dominated by T-bills redemptions. The optimal stock of T-bills in circulation is an

[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.

important consideration for the ABP while aiming to continue reducing rollover risks and at the same time maintaining the market for short-term securities.

Financing Plan

In what follows, the borrowing plan is broken down into the different sources of financing and different instruments that will be used respectively in line with the Medium Term Debt Strategy adopted which envisages relatively more concessional financing. In net terms, a total of SCR 407m, or 2.8% of GDP will be required to meet the financing needs. This will be met principally through external financing via budget support loans from concessional multilateral creditors, at SCR 574m, or 1.9% of GDP. This represents a decrease of SCR 221m, or 27.7% compared to 2023. Net external financing on domestic debt is forecasted at minus SCR 168m, or 1.6%. This implies that on the domestic side, more debt will be repaid compared to new issuances hence reducing the domestic debt stock. **Table 3** below indicates the composition of Overall Net Financing for 2024 in comparison to 2023.

Table 3: Overall Net financing (2023 vs 2024)

Description	SCR' M		% of GDP	
	2023 EOY	2024 Est.	2023 EOY	2024 Est.
Total Financing (overall budget deficit)	**823**	**407**	**2.8**	**1.3**
Foreign financing, net	795	574	2.7	1.9
Domestic financing, net	28	-168	0.1	-0.6

Source: MoFNPT, Debt Management Division

External

The Government is expected to increase its foreign debt by SCR 574m- equivalent to USD 39.6m or 1.9% of GDP, for the year 2024. Gross external borrowing will amount to SCR 1,549m, or 5.1% of GDP whilst amortization amounts to SCR 974m, or 3.2% 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 be from further disbursements under existing and new Budget support loans from multilateral creditors.

Table 4: Foreign Financing in 2024

Description	SCR' M	USD' M	% of GDP
Net Foreign Financing	**574**	**39.6**	**1.9**
Total Borrowings	**1,549**	**106.6**	**5.1**
Multilateral	**1,245**	**85.7**	**4.1**
IMF- EFF[3]	238	16.4	0.8
IMF-RSF[4]	122	8.4	0.4
IBRD- Budget Support	218	15.0	0.7
IBRD- P4R[5]	232	16.0	0.8
OFID	291	20.0	1.0
ADB	145	10.0	0.5
Bilateral	-	-	-
Project Loans	**303**	**20.9**	**1.0**
Total Amortization	**-974**	**-67.1**	**-3.2**

Source: MoFNPT, Debt Management Division

Loans

For the 2023 Budget, with the exception of the loan from OFID, 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 four-fifths of the external disbursements will be from multilateral creditors under **existing loans** or new Budget support facilities. This comprises of approximately SCR 450m by the World Bank. A total disbursements of SCR 360m is expected from the IMF under the EFF and RSF facilities with the fund. OFID and the African Development Bank are expected to disburse SCR 291m and SCR 145m respectively.

[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 2024.

Apart from the anticipated external financing, the Government will also have access to the Special Drawing Rights (SDR) allocation available with the CBS, which can be used as an emergency fund in case of unexpected financial needs. At present, the facility amounts to USD 28m. The required amendment will be incorporated into the CBS Act revision-scheduled for December this year- allowing the Government to use the fund as needed.

Project Loans

The table below provides a breakdown of the forecasted disbursement on existing project loans for 2024. The major disbursement is under Indian Line of credit at SCR 112m followed by the social housing project by MLUH amounting to SCR 84.5m and SCR 72.3m for the reconstruction of La Digue School.

Table 5: Forecasted Project Loans (2023 vs 2024) – (SCR' M)

Description	2023	2024
Indian reschedule Loan of USD 4 million: Health Information system	22.4	
Indian Line of Credit	123.4	111.9
*Blue Bond – DBS	30.1	-
*Blue Bond – SEYCCAT	7.5	-
Swiofish3 (IBRD)	20.3	9.0
PUC:33KV South Mahe	24.2	18.5
PUC La Gogue raising of Dam	19.0	6.9
Reconstruction of La Digue School- Saudi Arabia	28.4	72.3
Social Housing Project- MLUH	39.3	84.5
Total Project Loans	**314.6**	**303.1**

Source: MoFNPT, Debt Management Division

New Guarantees

In regards to external guarantees, USD 5m is being anticipated to be disbursed to DBS from the European Investment Bank. Additionally, provision has been made for a total of EUR 30m to be disbursed to SPA as part of Phase II 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 (2023 vs 2024) – (SCR' M)

Instrument	**2023**	**2024**
Opening Stock	**122**	**91**
Disbursements	-	537
Amortization	-31	-34
Stock of Guarantees	**91**	**595**

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 materialized in 2024

Domestic

As depicted in **Table 7** below, the Gross retirement on outstanding domestic debt is expected to amount SCR 1.1bn, or 3.9% of GDP in 2024, whilst gross issuance is projected at SCR 977m, or 3.2% of GDP. This will result in a net domestic issuance of minus SCR 168m, or minus 0.6% of GDP, which implies that Government will be retiring more of its domestic debt as opposed to what will be issued hence decreasing the domestic debt stock.[8]

Table 7: Domestic Net financing (2023 vs 2024)

Description	SCR' M		% of GDP	
	2023 EOY	2024 Est.	2023 EOY	2024 Est.
Gross Issuance	**1,901**	**977**	**6.5**	**3.2**
Gross Retirements	**-1,873**	**-1,145**	**-6.4**	**-3.8**
**T-Bills*	-1,294	-287[9]	-4.4	-0.9
T-Bonds	-500	-762	-1.7	-2.5
Loans from Commercial Banks	-79	-96	-0.3	-0.3
Net Domestic Issuance	**28**	**-168**	**0.1**	**-0.6**

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 on the domestic side will be done through the two main instruments, i.e. T-bills and T-bonds, which will approximately be split into a 65:35 ratio respectively as being adopted per debt management strategy. Since the investor base is dominated by banks, absorption capacity may be tilted towards the relatively shorter-end of the yield curve. The split will depend on market appetite for the respective instruments.

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

Instrument	Amortization	Issuance	Net Issuance
T-bonds	-762	342	-420
T-bills	-287	635	349
Loans	-96	-	-96
Total:	**1,145**	**977**	**- 168**

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.
[9] This figure does not take into account maturity on new T-bills that will be issued

Treasury Bills

T-bills tenders will remain a key component of the ABP. During 2024, Government will be paying off about SCR 287m of T-bills compared SCR 635m new issuances, resulting in SCR 349m net issuance. Issuance of T-bills will be guided by the need to maintain an adequate supply, which will be allocated amongst the three tenors (91,182 and 365 Days) based on market demand[10].

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. The tenors on offer will be in 3-, 5- , 7- and 10-year. To note, two 10- years T-bond were offered to the market in 2023 and investors showed great interest in longer tenor bond whereby both bonds were over-subscribed. Based on the observations and feedback, the same 10-year tenor will also be made available in 2024.

T-bonds issuance will be supported by improving their liquidity by initiating trading reforms in Government securities. With the support of Technical Assistance from the IMF, Government intends to set up a buy-back facility that will be operated by interested commercial banks. The moderate issuance of bonds will ensure avoidance of any potential absorption capacity of bonds by banks due to maturity considerations.

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.

[10] The legacy holdings of T-bills issued off-market amounting to SCR 1.2bn by the central bank will be maintained through rollover at prevailing market prices resulting in no new net financing.

Loans

Government does not foresee any new domestic loans for its financing needs in 2024. It will continue to fulfill its debt obligations on its existing domestic loans throughout the year. About SCR 96m will be repaid during 2024.

New Guarantees

For the 2024 fiscal year, provision has been made for another SCR 200m guarantee to DBS. The fund will be used for DBS' operations as it resumes lending activities. With the aim of diversifying the economy, financing will target specific activities/sectors. Furthermore, a provision of SCR 50m is projected to be disbursed to HFC under a previously issued guarantee. The table below summarizes the stock of domestic guaranteed debt.

Table 9: Domestic Debt Stock Guarantee forecast (2023 vs 2024) – (SCR' M)

Instrument	2023	2024
Opening Stock	**734**	**814**
Disbursements	200	250
Amortization	-120	-77
Stock of Guarantees	**814**	**987**

Source: MoFNPT, Debt Management Division

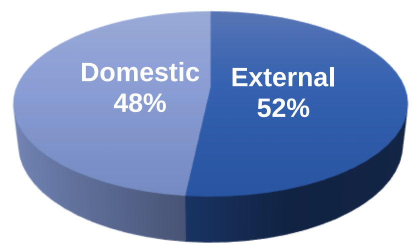
Debt stock composition

Table 10 and **Figure 1** below shows the forecasted breakdown of the debt stock for 2023 and 2024. As illustrated, the total debt stock as a percentage of GDP is forecasted to increase by SCR 1,087m in nominal terms, or by 110 basis point as a percentage of GDP. This is reflecting of the net financing needs and new guarantee previously stated.[11] Based on the proposed borrowing strategy, the total stock will comprise of slightly more external debt, at 52% by the end of 2024. This is a shift from the past two years' observation whereby almost 55% of the debt the stock was in the form of domestic debt and it aligns with Government proposed debt management strategy.

Table 10: Debt stock Breakdown

Description	SCR' M		% GDP	
	2023 EOY	2024 Est.	2023 EOY	2024 Est.
External	9,041	10,120	31.1	33.4
Domestic	9,448	9,453	32.5	31.2
Total Debt	18,489	19,573	63.5	64.6

Figure 1: Debt stock composition-2024



Source: MoFNPT, Debt Management Division

The total debt stock is mostly made up of four main currencies, which are the Seychelles Rupee (SCR), United States Dollars (USD), Special Drawing Rights (SDR) and Euros (EUR). The currency composition provides an overall indication of the exposure to exchange rate risks to the portfolio. For 2023, there is more or less an equal balance between the stock of debt in the local currency and that in foreign currency. This indicates moderate risks to the portfolio. A similar composition is being foreseen for 2024 with a slight increase in foreign currency dominated debt based in line with the new external borrowings.

A more detailed breakdown of the debt stock composition is given in **Table 11** and **Table 12** overleaf for external and domestic debt respectively. On the external side, debt with multilateral creditors will remain the main component of the stock- accounting for almost 76% of the stock. These loans are from three main sources- IMF, World Bank and the African Development Bank. The Bilateral loans and Private loans[12] will account for 17% and 6% respectively of the external portfolio. For 2024, debt from Private creditors and commercial banks are anticipated to decline significantly by 53.3% and 30.2% respectively. In absolute value, this represents a decrease of SCR 150m and SCR 245m respectively. On the other hand, debt

[11] The numbers exclude funds the SDR allocation form the IMF

[12] Private loans comprises of Euro Bond

owed to multilateral and bilateral creditors will increase resulting from additional disbursements under current and new Budget supports, the loans under ongoing project and guaranteed loans.

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

Description	2023 EOY	2024 Est.	% Diff
Multilateral	6,831	7,689	12.6
Bilateral	1,118	1,734	55.1
Commercial Banks	282	131	-53.3
Private	811	566	-30.2
Total	**9,041**	**10,120**	**11.9**

Source: MoFNPT, Debt Management Division

On the domestic side, Government securities remains the main component of the stock, accounting for about 86% of the domestic debt. Securities stock will be dominated by T-bonds at 63.7% whilst T-bills will account for 22.0% of the stock. Loans with commercial banks accounts for 9.6% and other debt liabilities accounts for only 4.1%. As at the end of 2024, the stock of domestic debt in nominal value is forecasted to remain at the same level as at the end of 2023 with a minor increase of SCR 5m.

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

Description	2023 EOY	2024 Est.	% Diff
Loans	**908**	**812**	**-10.6**
Securities *of which;*	**8,148**	**7,868**	**-3.4**
Treasury Bills	*2,082*	*2,144*	**3.0**
Treasury Bonds	*6,021*	*5,679*	**-5.7**
Deposits	*45*	*45*	**-**
Other Debt Liabilities	**392**	**773**	**97.3**
Total Debt	**9,448**	**9,453**	**0.1**

Source: MoFNPT, Debt Management Division

Based on the debt composition, the Average Time to Maturity (ATM) of the debt portfolio is estimated at 6.7 years and 2.8 years in 2023 for the external and domestic debt portfolio respectively. The ATM for the total portfolio is estimated at 4.8 years. It is important to note also that about 34% of the debt in the domestic portfolio will mature within a year, attributed to the stock of T-bills in the portfolio.

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 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 success of implementation of the proposed bond issuance program is largely dependent on the size of demand for medium- and long-term Government securities. In view of the limited domestic investor base and current low-interest rate environment, which is transitory, it is difficult to ascertain how deep and sustainable is the demand for longer-term securities. Also, an increase in the demand for private sector credit could reduce the banks' appetite for Government bonds. Therefore, issuances of domestic securities will be carefully monitored and adjusted if needed.

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, as a first step Government will be implementing a buy-back window with a two-way quote on a risk-taking basis by interested commercial banks. Technical Assistance will be provided by the IMF to help set up such framework.

Given the uncertainty prevailing in the economic environment, for internal monitoring, the ABP will be broken down into quarterly borrowing plans. This will enable the Government to monitor the implementation and, if needed, to make the necessary adjustment in the issuance plan.