ZIMBABWE

MEDIUM TERM DEBT MANAGEMENT STRATEGY

2017-2021

Ministry of Finance and Economic Development
Zimbabwe Public Debt Management Office

November 2017

GOVERNMENT OF ZIMBABWE

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

MEDIUM TERM DEBT MANAGEMENT STRATEGY

2017 - 2021

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Disclaimer

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FOREWORD

1. Public Debt is a very important tool for economic development which can contribute significantly to the financing of growth enhancing infrastructure projects and social programmes.

2. Public debt, however, needs to be managed prudently. Excessive public debt accumulation can impose a heavy debt burden on the economy and precipitate financial crises, hence the development of the 2017-2021 Medium Term Debt Management Strategy (MTDS).

3. This MTDS is premised on the successful clearance of arrears and containment of domestic borrowing. Zimbabwe, therefore, needs urgent resolution of this challenge in order to allow the country to move forward with its economic development agenda, which focuses on inclusive growth, poverty eradication and job creation.

4. The resolution of debt will improve the country's credit rating and unlock financing for critical infrastructure projects and economic recovery programmes that will significantly improve the quality of life of the ordinary Zimbabwean.

5. Based on the existing fiscal framework, this MTDS recognizes the cost and risk trade-offs in setting sustainable borrowing limits and ensures that debt is serviced, notwithstanding a wide range of shocks and without risk of default.

6. Government is committed to fully implement the Strategy for effective debt management and prudent borrowing.

7. Zimbabwe's MTDS will be reviewed annually.

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02 November 2017

Executive Summary

1. This publication marks the first Medium-Term Debt Management Strategy (MTDS) for Zimbabwe. The *MTDS* is a public debt management tool linked to the medium term fiscal framework. It recognizes the cost and risk trade-offs in setting sustainable borrowing limits and ensures that debt is serviced under a wide range of shocks without risk of default.

2. This MTDS is premised on the assumption of successful arrears clearance for multilateral creditors under the LIMA Strategy by December 2018, followed by an IMF Program from 2019 to 2021. For bilateral creditors, this MTDs assumes continuous accumulation of arrears. It recommends that Government implement a concessional external borrowing strategy for viable projects in productive sectors, while introducing an auction system for domestic debt securities in 2018 for domestic resource mobilisation and explore the possibility of lengthening the maturity structure of domestic debt.

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INTRODUCTION

The Medium Term Debt Management Strategy (MTDS) 2017-2021, is the first debt strategy for Zimbabwe. The MTDS is a public debt management process developed on the back of the country's macroeconomic framework that includes the medium term fiscal framework. It recognizes the cost and risk trade-offs in setting sustainable borrowing limits and ensures that debt service occurs under a wide range of shocks without risk of default.

The MTDS is in line with the provisions of the Public Debt Management (PDM) Act which was promulgated in September 2015, in line with the Constitution of Zimbabwe, particularly section 300, to guide public debt management operations in the country. The Act provides for the following aspects:

- Strengthening public debt management in Zimbabwe;
- Centralisation of borrowing and issuances of guarantees; and
- Development of a Medium Term Debt Management Strategy.

The process for developing an MTDS involves the following eight steps:

i. definition of objectives and scope;
ii. review of the existing debt management strategy and the cost-risk characteristics of the existing debt portfolio;
iii. identification of the potential sources of financing;
iv. review of the macroeconomic framework and medium-term projections and risks;
v. identification of structural factors;
vi. analysis of the cost and risks of alternative debt management strategies;
vii. review of preferred strategies to ensure policy consistency; and
viii. approval and dissemination of the debt management strategy.

BACKGROUND TO MEDIUM TERM DEBT MANAGEMENT STRATEGY

The performance of the economy

Zimbabwe's economy is facing difficulties. A severe drought and slow reform momentum have led to high expenditure levels despite subdued revenues. With limited access to external financing, the ensuing fiscal imbalances have become unsustainable, and are being financed by rising domestic borrowing. An overvalued real exchange rate is hurting external competitiveness. On the financial side, credit to the private sector remains subdued, and some domestic banks face increasing risks emanating from fiscal imbalances. Some progress on advancing structural reforms, notably to improve the business climate, has been made.

Broadly, the foreseen economic growth in the medium term will be anchored by the following assumptions:

- Value addition initiatives;
- Continued implementation of the doing business reforms;
- Sustained performance of the agriculture sector anchored by the on-going supportive initiatives to the sector;
- Successful implementation of the Special Economic Zones framework which will attract foreign direct investment and enhance the economy's capacity to produce goods and services competitively;
- Tourism;
- Successful completion of the re-engagement process which will unlock vital external lines of credit; and
- Sustained implementation of fiscal reform measures including re-orientation of fiscal resources towards necessary developmental programmes.

Public debt situation

Zimbabwe is in debt distress, and its total public and external debt is unsustainable. With longstanding external arrears, foreign financing has been scarce, and large fiscal deficits are lately being financed through domestic borrowing. Domestic debt, which was negligible five years ago, has increased sharply to more than 25 per cent of GDP, and is on an unsustainable trajectory.

Zimbabwe's total Public and Publicly Guaranteed (PPG) debt is estimated at US$11.3 billion (80 per cent of GDP), as at end 2016. External Debt accounts for 64 per cent of the total debt, while 36 per cent is domestic debt. However, government has been engaging the multilateral creditors for arrears clearance, while developing borrowing plans on domestic borrowing.

Debt Sustainability Analysis Implications

The recent Debt Sustainability Analysis shows that Zimbabwe is in debt distress arising from continued accumulation of arrears under the baseline scenario, with all indicators (PV of Debt to GDP, PV of Debt to Exports and PV of Debt to Revenue) above the thresholds. However, under the alternative scenario, clearance of arrears and debt relief would result in a complete reversal of debt indicators towards sustainable debt position for Zimbabwe in the long term.

Objectives of Debt Management in Zimbabwe

The objectives of the MTDs are as follows:

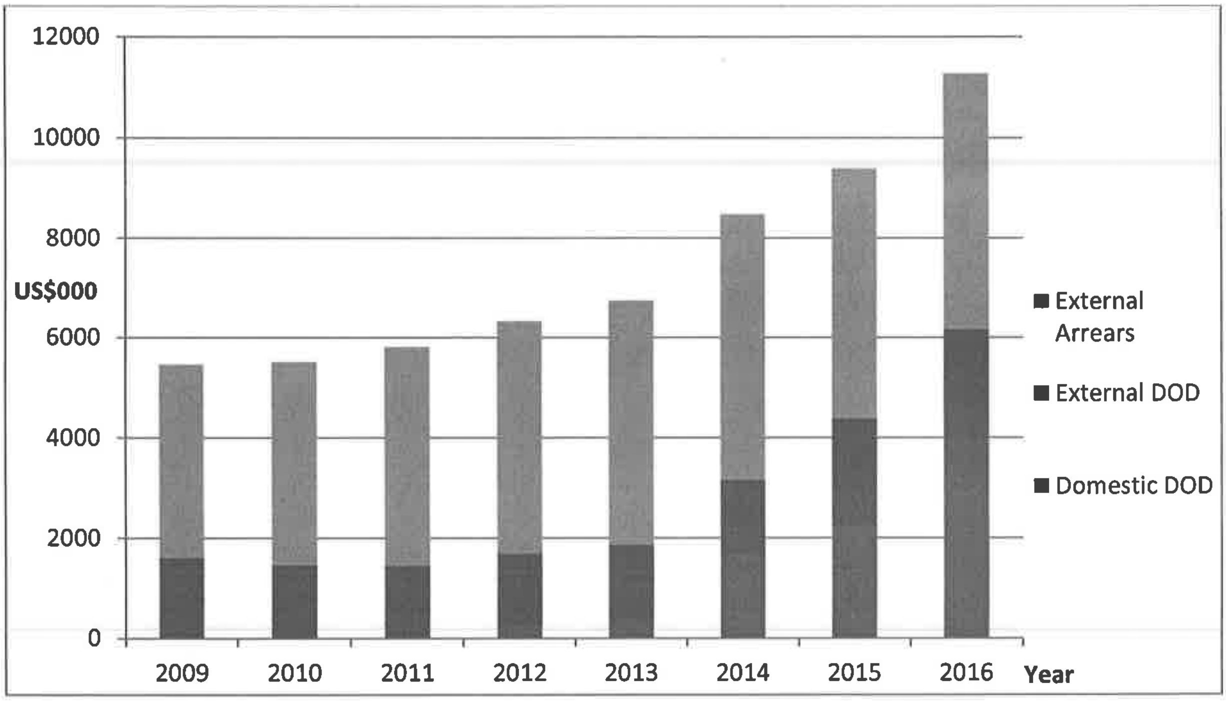
> *"to ensure that Government's needs and payment obligations are met at the lowest possible cost over the medium to long term, with a prudent level of risk, and to promote development of the domestic debt market."*

Scope of the MTDS

The MTDS focuses on central government debt, both domestic and external. In addition, it includes guaranteed external debt which government is currently servicing (including those that are accumulating arrears). The MTDS will cover the period from 2017 to 2021.

DEBT PORTFOLIO REVIEW

Zimbabwe's total Public and Publicly Guaranteed (PPG) debt is estimated at US$11.3 billion (80 per cent of GDP), as at end 2016. External Debt accounts for 64 per cent of the total debt, while 36 per cent is domestic debt.



Source: Ministry of Finance & Economic Development

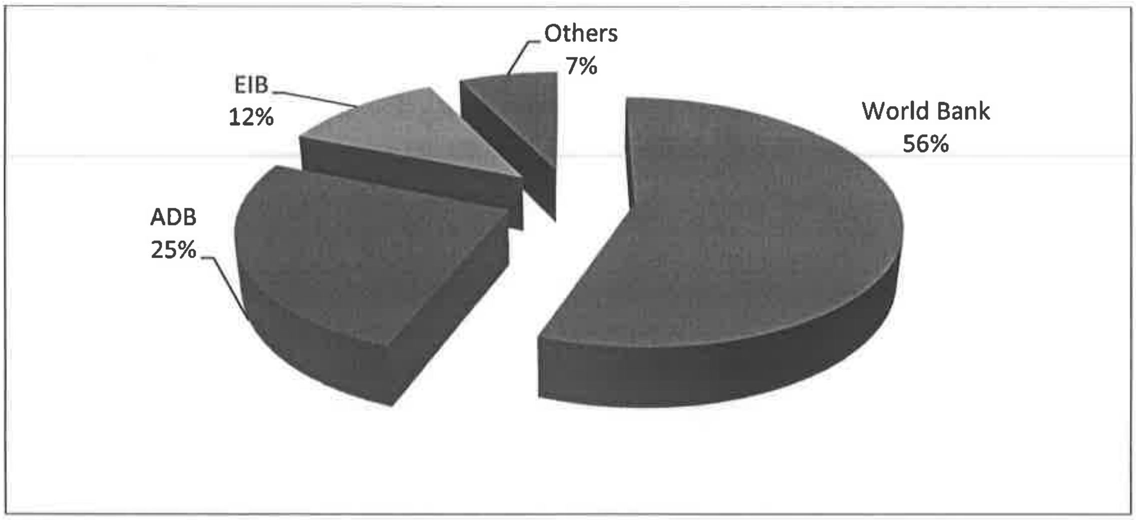
External Debt

Total external PPG stood at US$7,264 million as at 31 December 2016. The continuous accumulation of arrears, which amounted to US$5,114 million representing 70 per cent of total external PPG debt, remains a serious concern.

Bilateral debt stood at US$4,750 million, about 65.4 per cent of the total PPG external debt while multilateral debt accounted for the remaining 34.6 per cent (US$2,514 million). In addition, Government assumed the RBZ external debt (bilateral and commercial) amounting to US$530 million (11.5 pis in arrears.

Multilateral Debt

Of the US$2.514 million multilateral debt, 82.3 per cent is in arrears (US$2.069 million). The arrears to the World Bank Group's International Bank for Reconstruction and Development (IBRD) amounted to US$906 million, while International Development Assistance (IDA) stood at US$243 million. The arrears to African Development Bank (AfDB) Group's ADB amounted to US$586 million while ADF arrears stood at US$19 million. The government has started the process of arrears clearance to the multilateral institutions as part of the reengagement process. Already government has cleared arrears to the IMF amounting to US$107.8 million in October 2016. The following chart shows the multilateral creditors:



Source: Ministry of Finance & Economic Development

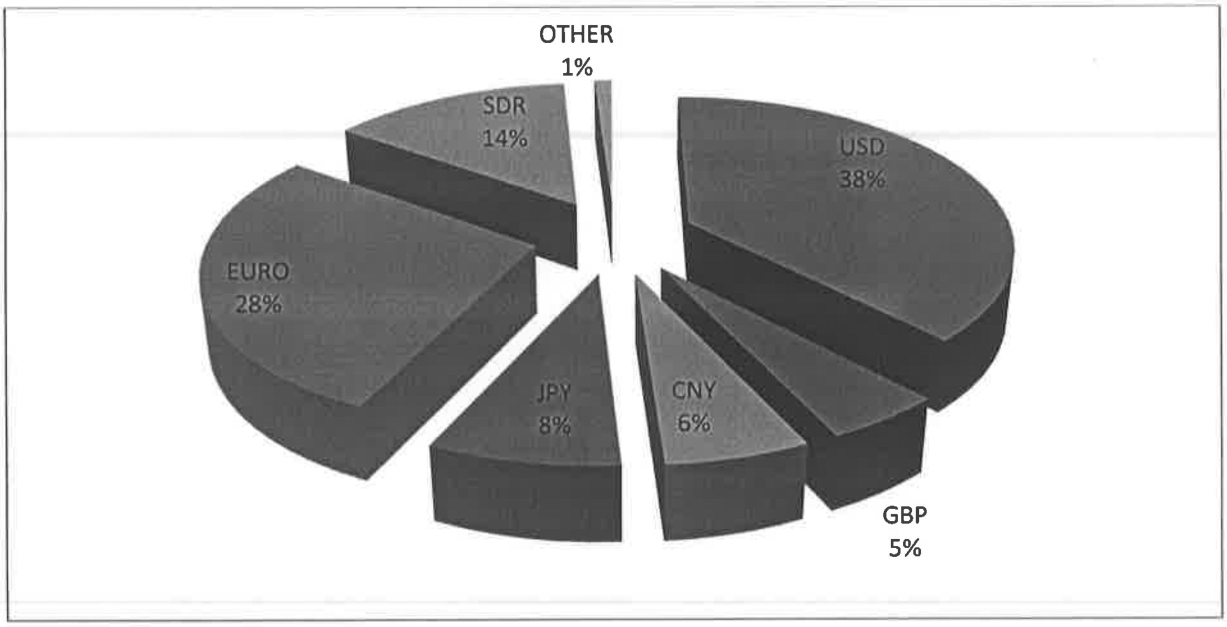
Bilateral Debt

The total bilateral debt stood at US$4.75 million of which Paris Club debt stood at US$3,038 million while the non-Paris Club debt was at US$1,182 million. In addition, US$530 million is for RBZ Debt Assumption.

Currency Composition

The composition of debt by currency highlights the extent to which the country's debt portfolio is exposed to the exchange rate risk. The chart below shows the currency composition of external debt portfolio as at end 2016:

Figure 5: PPG Debt by Currency Composition: End 2016



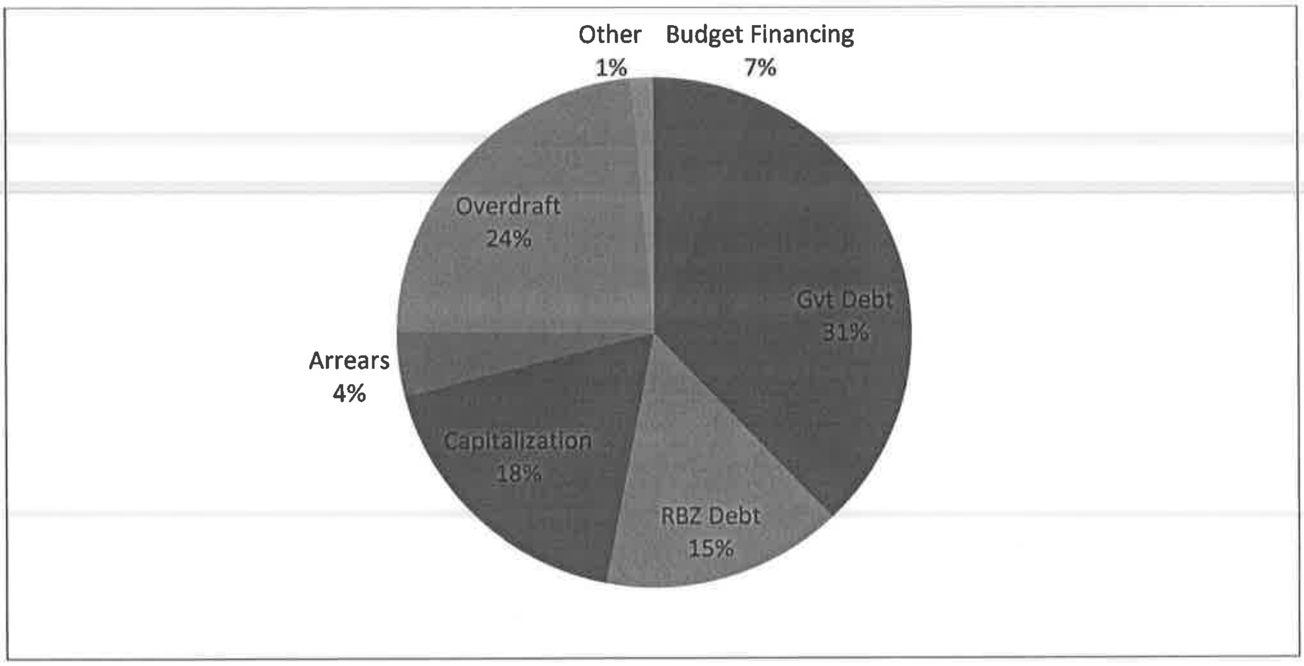
Source: Ministry of Finance & Economic Development

Domestic Debt

Domestic debt stock is broadly divided into budget financing, overdraft, government debt, capitalization, RBZ debt takeover and domestic arrears as shown in table below:

The composition of domestic debt is as shown in the figure below.

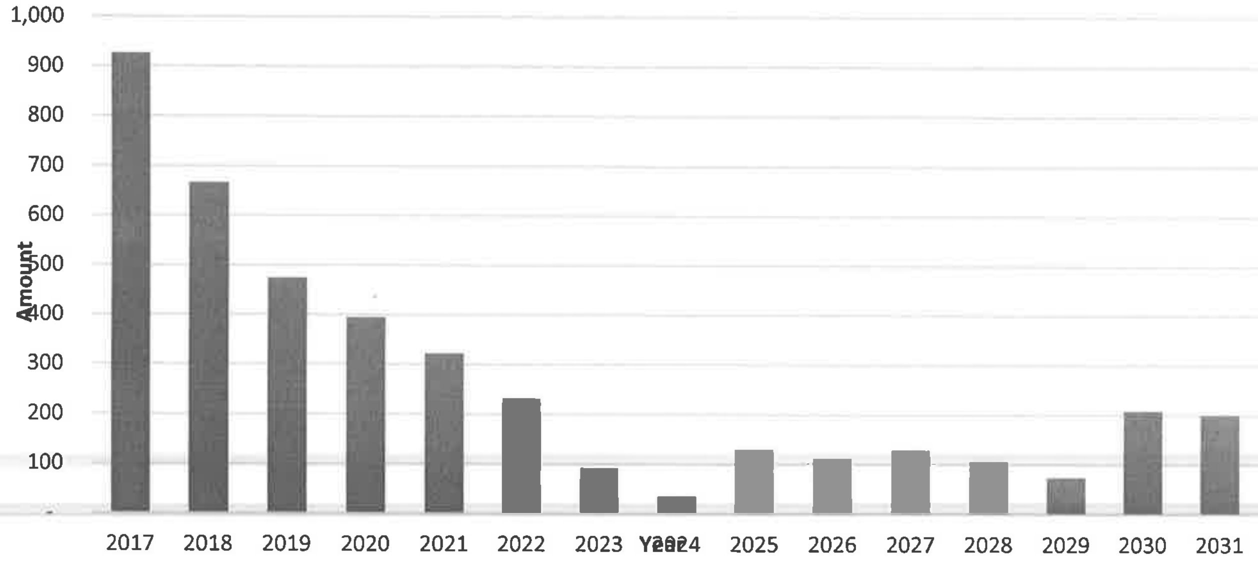
Domestic Debt Structure as at 31 December 2016



Source: Ministry of Finance and Economic Development

Although short term debt accounts for a small proportion of domestic debt, the maturity structure of Government securities shows bunching up of maturity in 2017 which poses a refinancing risk as shown in the figure below.

Figure 5: Redemption Profile Government Securities



Cost and Risk of Existing Debt

The cost and risk indicators for external debt has been negatively affected by the accumulation of arrears. The weighted average interest rate, Average Time to Maturity (ATM) and Average Time to Refixing (ATR), are very low while, the external debt maturing in 1 year and debt refixing in 1 year is relatively higher, which is not expected for external debt. The external borrowing does not reflect concessional financing availability, but continuous accumulation of arrears.

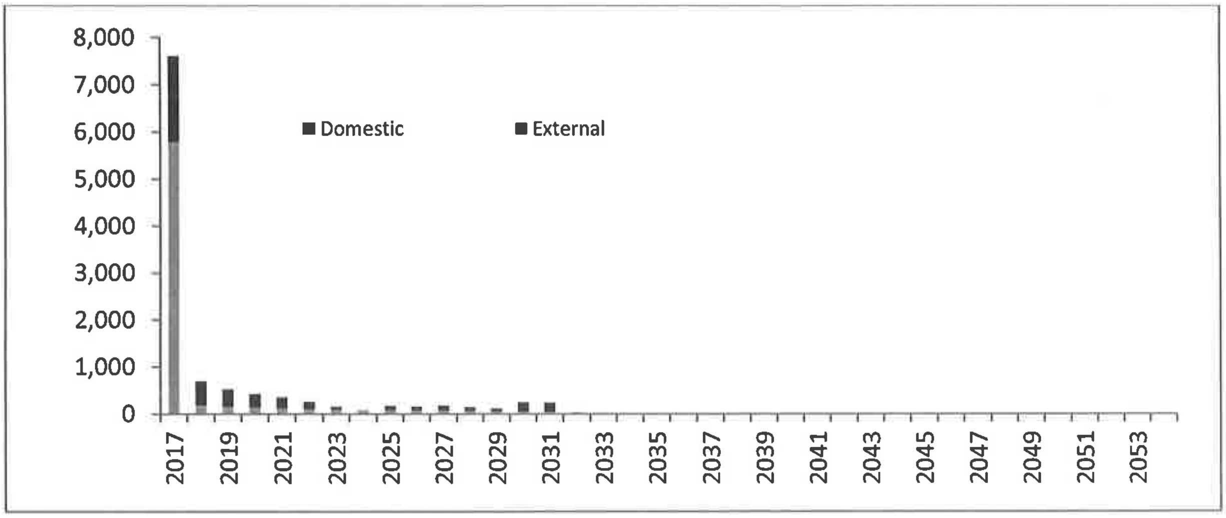
The domestic market remains the most active source of financing given the limited external financing. The domestic debt is costly as indicated by the weighted average interest rate of 4.3% which is 7 times higher than external debt. In addition, domestic debt maturing in one year as a percentage of total debt is high at 43% due to prevalence of short term instruments.

The existing portfolio's cost and risk indicators are shown on the table below:

Cost and Risk Indicators for Existing Debt as at end 2016				
Risk Indicators		**External debt**	**Domestic debt**	**Total debt**
Amount (in millions of ZWD)		7,217.0	4,067.2	11,284.2
Amount (in millions of USD)		7,217.0	4,067.2	11,284.2
Nominal debt as % GDP		44.1	24.9	69.0
PV as % of GDP		41.4	24.9	66.2
Cost of debt	Interest payment as % GDP	0.2	1.1	1.3
	Weighted Av. IR (%)	0.6	4.3	1.9
Refinancing risk	ATM (years)	1.8	3.6	2.5
	Debt maturing in 1yr (% of total)	80.2	43.0	66.5
	Debt maturing in 1yr (% of GDP)	35.4	11.1	46.5
Interest rate risk	ATR (years)	1.8	3.6	2.5
	Debt refixing in 1yr (% of total)	81.0	43.0	67.0
	Fixed rate debt (% of total)	99.0	100.0	99.4
FX risk	FX debt (% of total debt)			63.0
	ST FX debt (% of reserves)			1867.9

The redemption profile below captures the refinancing risk as shown by the spike in 2017. The sharp spike in 2017 reflects the external payment arrears accumulated since 2000. The debt service (including arrears) for 2017 is unsustainable hence the need for debt restructuring to smoothen the redemption profile.

Redemption Profile as at end 2016

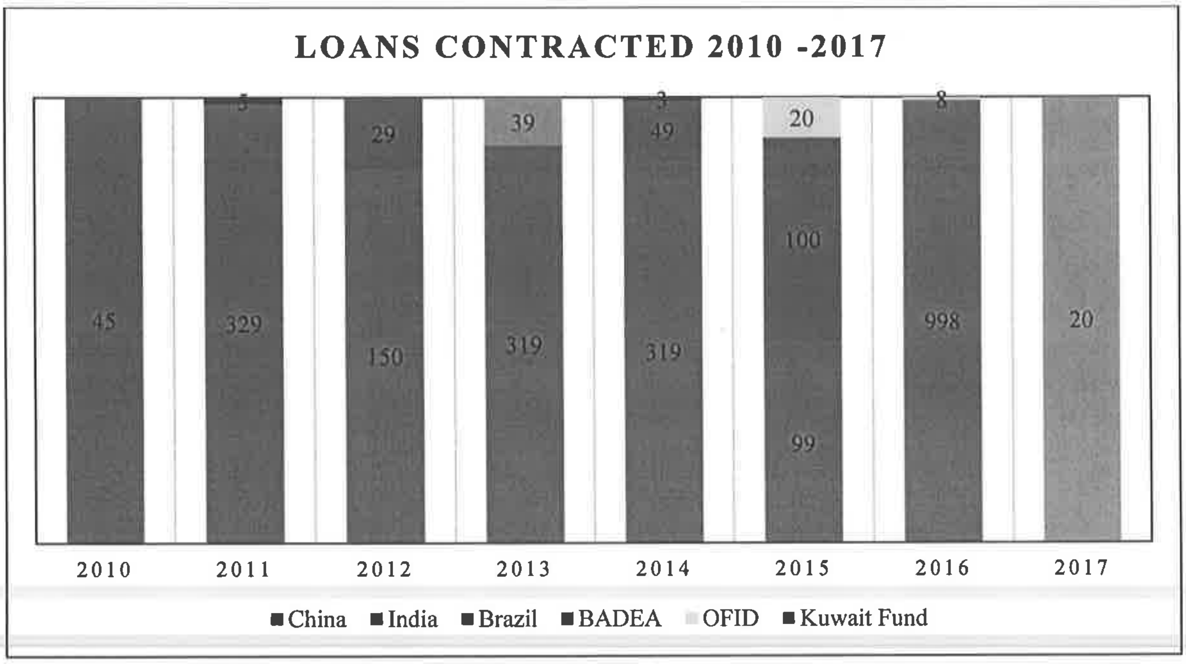


POTENTIAL SOURCES OF FINANCE

External Financing Sources

The country's financing options are limited due to the continued accumulation of arrears to traditional creditors. Currently, the country is accessing external financing from non-traditional bilateral creditors, which include Brazil, China and India. On average, these new loans are secured at 2% interest, 5 years grace period and 20 years maturity from China while India lend at variable rate, with 3 years grace period and maturity of 10 years.

Furthermore, the country is also exploring other creditors which include the Arab Bank for Economic Development in Africa (BADEA), the Kuwait Fund for Arab Economic Development, as well as, the OPEC Fund for International Development (OFID).



In the medium to long-term, priority shall be given to concessional financing as a preferred means of external financing. However, considering the country's current situation where international financing options are limited, semi and non-concessional borrowing from the current external financing sources will continue to be considered.

In order to secure cheaper long term financing from traditional creditors, a successful reengagement strategy is required to clear arrears. The clearance of external payment arrears will not only reduce the country's risk, but will also help to diversify sources of external financing.

Financing Options from Domestic Sources

Government is currently issuing securities in the domestic market through private placements. The private placement system is not conjunctive for domestic market development and distorts the pricing of instruments due to lack of competitive bidding from investors. Plans are, however, in place to re-introduce the auction-based system before the end of 2017 as indicated in the 2017 National Budget Statement. This will encourage transparency, broaden investor base, improve confidence and could lead to cost minimization through competition.

Domestic borrowing is dominated by short-term instruments, which has resulted in a low ATM. In the medium to long term, there is need to lengthen the maturity profile of new domestic instruments. This can be feasible given that there is a higher demand of Government securities from pension funds and insurance companies, partly because of the prescribed asset requirement.

MACROECONOMIC DEVELOPMENTS AND MEDIUM TERM OUTLOOK

Recent Developments

The economy is projected to grow by 3.7% in 2017 compared to 0.7% of 2016. The growth is underpinned by agriculture (21.3%), mining (5.1%) and electricity and water (2.5%). Interventions by Government particularly in agriculture are the major drivers of recent growth.

The Government interventions in the economy coupled with high commitments from the Public Service Wage Bill against modest revenue performance are giving rise to growing fiscal imbalances. Consequently, overall fiscal deficit is estimated at US$892 million in 2017. The deficit is financed through borrowing from the domestic market.

Domestic financing of fiscal deficit has resulted in domestic bank net claims on central government to grow by 40.2% during the first quarter of 2017. Consequently, annual broad money supply grew by 20.0% as of March 2017.

Inflationary pressures gained traction in 2017, easing the three year deflationary forces. Major drivers of inflation are; shortage of foreign currency, multiple pricing systems and spill-over effects of widening fiscal deficit.

With regards to external sector, the current account balance is narrowing on account of import substitution measures, coupled with low uptake of intermediate imports due to foreign currency shortage.

Medium Term Outlook

Macroeconomic Framework: 2017-2022

Indicator	2017	2018	2019	2020	2021
Real GDP at market prices (million US$)	14,619	15,163	15,885	16,595	17,259
Nominal GDP at market prices (Million US$)	17,302	18,844	21,122	23,721	26,520
Real GDP Growth (%)	3.7	3.8	4.7	4.5	4.0
Inflation (Annual Average) %	2.0	5.0	7.0	7.5	7.5
Revenues & Grants (Millions US$)	3,700	4,051	4,541	5,100	5,702
% of GDP	21.4	21.5	21.5	21.5	21.5
Expenditures & Net Lending (million US$)	4,783.0	5,276.3	5,795.9	6,411.4	7,060.4
% of GDP	27.6	28.0	27.4	27.0	26.6
Budget Balance (million US$)	(1,083)	(1,225)	(1,255)	(1,311)	(1,358)
% of GDP	(6.3)	(6.5)	(5.9)	(5.5)	(5.1)
Primary Balance	(892.0)	(1,000)	(923)	(938)	(944)
% of GDP	(5.2)	(5.3)	(4.4)	(4.0)	(3.6)
Exports (million US$)	4,333	4,618	4,836	5,071	5,100
Imports (million US$)	6,674	7,000	7,470	7,684	7,927
Current Account Balance (million US$)	(2,502)	(2,522)	(2,769)	(2,738)	(3,039)
Broad Money (Million US$)	5,581	6,079	6,814	7,652	8,555
International Reserves	319	330	341	352	364

2017 MTDS KEY ASSUMPTIONS

Baseline Macroeconomic Assumptions

Under current policies and sectorial developments growth in the medium term 2018-2021 is expected to average 4.2%. The growth will be underpinned by moderate weather patterns, reasonably high international commodity prices, and structural reforms in areas of easy of doing business, operationalization of special economic zones, and implementation of value addition and beneficiation programmes and projects. Completion of major infrastructure projects is expected to add impetus to the growth of the economy. Inflation is expected to gradually rise from the projected 2% in 2017 to reach the peak of 7.5% by 2020 and then level off.

On the fiscal side, revenues are expected to rise in line with inflation, real economic growth and increased administrative efficiency. Expenditure pressures are projected to remain elevated in 2018 due to the impact of elections and later slowdown as a percentage of GDP in 2019 and beyond.

Growth in money supply is projected to grow in line with nominal GDP. The current account deficit is projected to narrow as a percentage of GDP and slight growth in international reserves is anticipated. The table below show a summary of the 2017-2021 Macroeconomic Framework.

Risks to the Baseline Macroeconomic Assumptions

The macroeconomic assumptions under the baseline are exposed to the following risks:

- The overvaluation of the real exchange rate adversely affects the stability of the multi-currency regime, which affects the cost of production and competitiveness of the economy;
- Expenditure pressures are to remain elevated due to the impact of elections in 2018 and as well as huge employment cost and agriculture support;
- Gross international reserves are less than one month of imports which exposes the economy to external shocks; and
- Downward commodity prices trend may seriously impact export receipts.

Arrears Clearance Assumptions

This MTDS is highly underpinned on the following assumptions on Arrears Clearance.

a) Clearance of arrears to IFIs (AfDB, World Bank and EIB) under the Lima Strategy by end 2018.

- A loan of US$1.14 billion to clear the World Bank Group arrears, of which IBRD is US$906 million and IDA is US$243 million.
- The loan is assumed to have a maturity of 10 years including 3 years grace period, with an average interest rate of 8%.
- Arrears to AfDB amounting to US$605 million of which ADB window US$586 million and ADF US$19 million using grants (Pillar II resources);
- A loan of US$272 million to clear EIB arrears by end 2018, assumed to have a maturity of 10 years including 3 years grace period, with an average interest rate of 8%.

b) Continuous accumulation of arrears to bilateral creditors under the horizon period. However, government intends to engage with the Paris Club creditors for arrears clearance under the Naples terms after successful implementation of the IMF Financed Program (2019-2021);

In the short to medium term, the country will continue borrowing from the non-Paris Club that is China and India. However, the country will access concessional funding and grants from the multilateral institutions after clearing arrears to the same institutions. In the long term, the country will access semi-concessional funding from multilateral and non-Paris Club bilateral creditors.

Description of the Strategies

In light of debt management objectives, market constraints and financing options available, the following strategies are proposed for this MTDS.

- **Strategy 1 - continuation of the status quo (S1);**

  This strategy entails maintaining the current situation, where gross financing is funded entirely from domestic borrowing (0% external, 100% domestic). The external financing from non-traditional creditors (China, India, etc) have been for project financing, which have not been included in the fiscal framework. However, the domestic instruments issued are of short term nature. (T-Bills)

- **Strategy 2 – Balanced financing (S2);**

  This strategy assumes external and domestic sources for budget financing, where gross financing is equally funded from domestic and external borrowing (50% external, 50% domestic). The external financing will be accessed from traditional multilateral creditors after arrears clearance as well as non-concessional creditors like Afreximbank. The strategy also assumes a shift from short term to medium-long-term instruments on domestic debt.

- **Strategy 3 - Domestic Market Development (S3);**

  This strategy's main thrust is on the development of the domestic debt market. It assumes a mixture of external and domestic sources for budget financing in the ration 60:40. The external borrowing will be from creditors explained in S2. Domestic debt instrument will move from short term to long term instruments.

- **Strategy 4- External Concessional (S4).**

  This strategy's assumes concessional financing accessibility. The mixture will be 60:40, where external debt will be purely concessional from the traditional multilateral creditors after the clearance of arrears. Domestic debt will remain short to medium term instruments.

COST- RISK ANALYSIS OF ALTERANTIVE DEBT MANAGEMENT STRATEGIES

Analysis of the Four Strategies

Strategy 1- Status Quo

This strategy entails maintaining the current borrowing strategy of 0% external, 100% domestic. The strategy has high refinancing risk as indicated by very short ATM of both domestic (3.2 years) and total debt portfolio (3.7 years). Under the strategy the debt maturing in one year as a proportion of total debt is high at 36.6%. The ATR is very short at 3.7 years which exposes the portfolio to interest rate risk. Therefore, this strategy is exposed to both rollover risk and interest rate risk.

Strategy 2- Balanced Financing

The strategy assumes balanced borrowing from both external and domestic sources for budget financing (50-50). The external debt will comprise of concessional financing from multilaterals after arrears clearance as well as the existing current active creditors. Domestic debt will be skewed towards medium to long-term maturities. Under this strategy, cost and risk indicators show an improvement from the Status Quo due to new external concessional financing and lengthening of maturities on domestic debt.

Strategy 3- Domestic Market Development

This strategy assumes medium to long term instruments and development of the yield curve. The major objective of this strategy is to develop the domestic market. It assumes 60% external and 40% domestic borrowing. This strategy has low refinancing risk as indicated by 10.8 per cent of debt maturing in one year as a ratio on total debt. The refinancing risk is comparatively lower than that of S1 and S2 at 36.6 and 12.9 per cent, respectively.

Strategy 4- External Concessional Financing

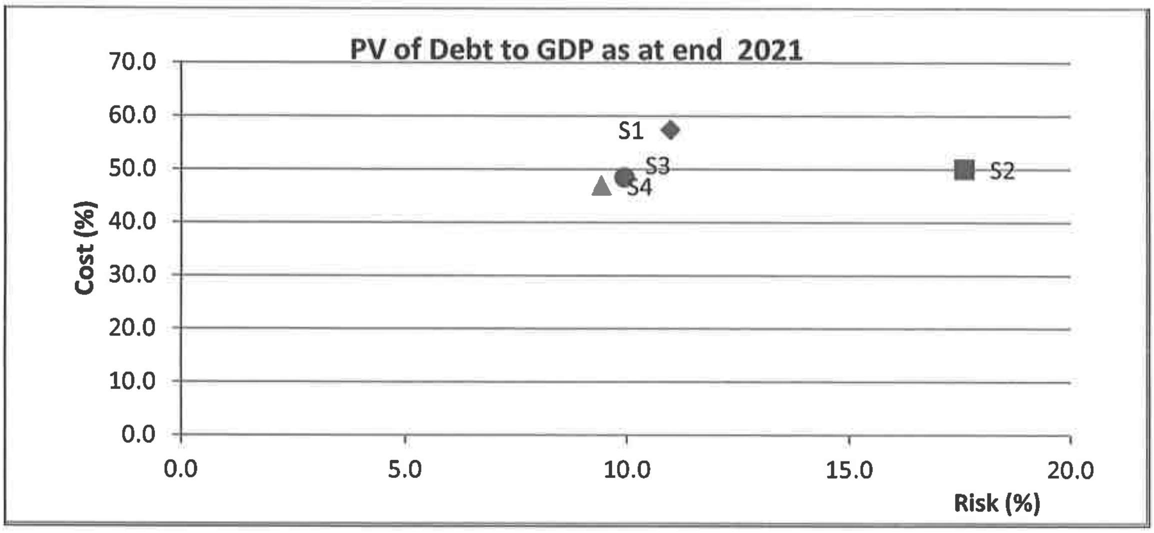
The strategy focuses on financing government needs through external concessional borrowing. The cost and risk indicators of this strategy are favourable compared to the other three strategies. The ATM of total debt portfolio of 8.6 years is long and ideal. The strategy also has the lowest PV of debt to GDP of 46.9 per cent.

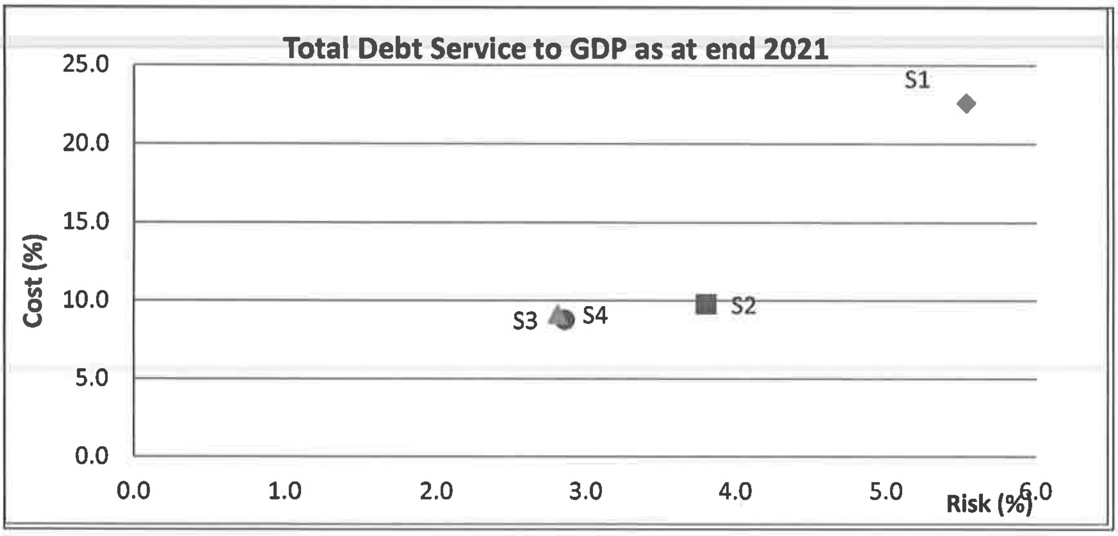
Cost and Risk Indicators for the strategies

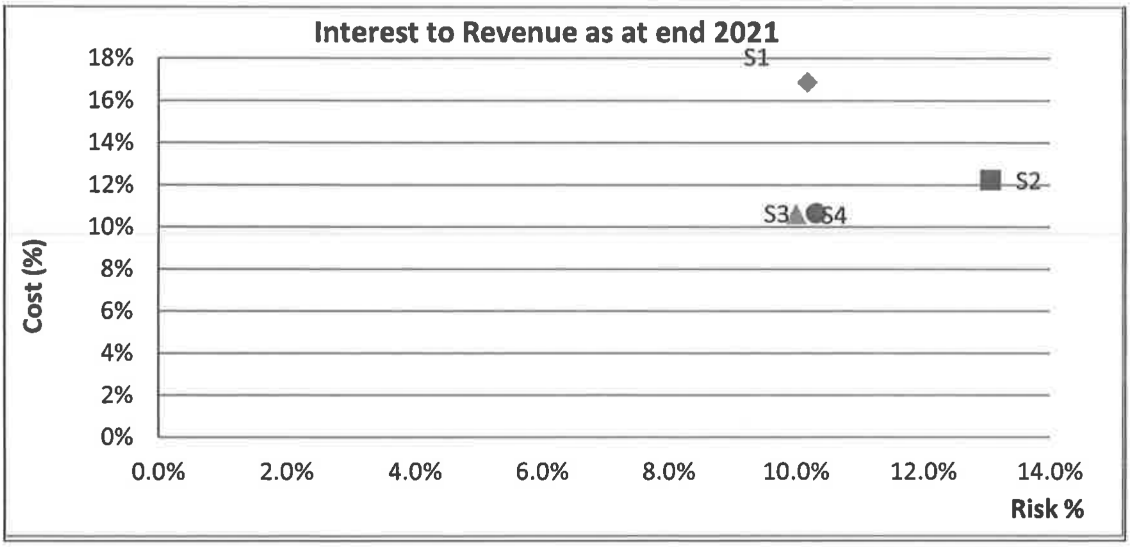
Risk Indicators		2016	As at end 2021			
		Current	S1	S2	S3	S4
Nominal debt as % of GDP		69.0	58.0	56.1	55.3	55.4
Present value debt as % of GDP		66.2	57.5	50.1	48.5	46.9
Interest payment as % of GDP		1.3	3.6	2.6	2.3	2.3
Implied interest rate (%)		1.9	7.1	5.3	4.6	4.6
Refinancing risk	Debt maturing in 1yr (% of total)	66.5	36.6	12.9	10.8	10.7
	Debt maturing in 1yr (% of GDP)	46.5	21.3	7.2	5.9	5.9
	ATM External Portfolio (years)	1.8	7.1	9.8	8.3	10.2
	ATM Domestic Portfolio (years)	3.6	3.2	3.9	5.4	5.4
	ATM Total Portfolio (years)	2.5	3.7	7.5	7.3	8.6
Interest rate risk	ATR (years)	2.5	3.7	7.5	7.3	8.6
	Debt refixing in 1yr (% of total)	67.0	36.6	12.9	10.8	10.7
	Fixed rate debt (% of total)	99.4	100.0	100.0	100.0	100.0
FX risk	FX debt as % of total	63.0	11.4	61.3	68.1	66.8
	ST FX debt as % of reserves	1869.9	45.2	84.3	192.4	179.0

Selection of the Appropriate Strategy

The graphs show that cost and risk attributes for all the four (4) strategies under consideration. As anticipated, S4 which assumes largest amount of concessional borrowing is the most beneficial in terms of cost and risk. However, given the potential challenges in achieving this strategy in practice where concessional financing is scarce globally, S3 (second best) will be appropriate and feasible to implement.


PV of Debt to GDP as at end 2021
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
Cost (%)
S1
S2
S3
S4
0.0
5.0
10.0
15.0
20.0
Risk (%)


Total Debt Service to GDP as at end 2021
25.0
20.0
15.0
10.0
5.0
0.0
Cost (%)
S1
S2
S3
S4
0.0
1.0
2.0
3.0
4.0
5.0
6.0
Risk (%)


Interest to Revenue as at end 2021
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Cost (%)
S1
S2
S3
S4
0.0%
2.0%
4.0%
6.0%
8.0%
10.0%
12.0%
14.0%
Risk %

Based on the analysis of the cost and risk indicators for all the strategies proposed in this MTDS, Strategy 3 is recommended as the optimal and realistic Strategy for implementation in Zimbabwe. The selection of the strategy is based on minimum cost and prudent level of risk given the country's situation. The strategy is also in line with the debt management's objective of developing the domestic market by issuing medium to long term instruments. Strategy 4 have the most favourable cost and risk indicators, however, it might be difficult to implement given the country's inability to attract external new cheap financing.

Subsequently, taking into account both risk and cost trade-offs, the need to clear IFI arrears, the need to develop the domestic debt market and ability to implement the strategy, the 2017 MTDS proposes Strategy 3 (S3) as the most optimal strategy.

IMPLEMENTATION OF THE 2017 MTDS

The successful implementation of the optimal strategy is premised on the success of the country's arrears clearance strategy to unlock new cheaper external financing from the traditional creditors. The country will significantly reduce its cost of borrowing by maximising concessional external borrowing and borrowing the residual from the domestic market. The domestic debt issuances should be complemented by the development of the domestic debt market with a view to lengthen its maturities.

Refinancing and interest rate risks are further mitigated through prioritising fixed-rate, long-term financing from both external sources (concessional loans) and domestic sources (long-term bonds). Risk exposure is therefore mainly on account of refinancing risk and interest rate risk.

Realisation of these goals, requires the following specific actions

- Accelerated implementation of the arrears clearance strategy
- Prioritise external concessional financing
- Limit non-concessional borrowing to economically viable projects

- Introduction of the Auction-Based System for domestic securities issuances
- Domestic Financing informed by an Issuance calendar
- Develop the secondary market to improve on liquidity and encourage investment in long-term bonds

The government will prepare a borrowing plan to accompany the 2017-2021 MTDs (Strategy 3) and meet financing requirements for the second half of 2017.

CONCLUSION

The findings of this Medium Term Debt Management Strategy demonstrate the urgent need to finalise and implement the external debt resolution strategy to IFIs. Going forward, the country should maximise on domestic long-term securities and external concessional funding. To mitigate fiscal vulnerabilities from the domestic market, borrowing must be informed by an issuance calendar and conducted through the Auction System.