



General Government Debt Management Strategy 2023-2026

Ministry of Finance of Georgia

January 2023



Outline

- Government Debt Portfolio Description
- Strategic Directions of General Government Debt Management
- Target Indicators

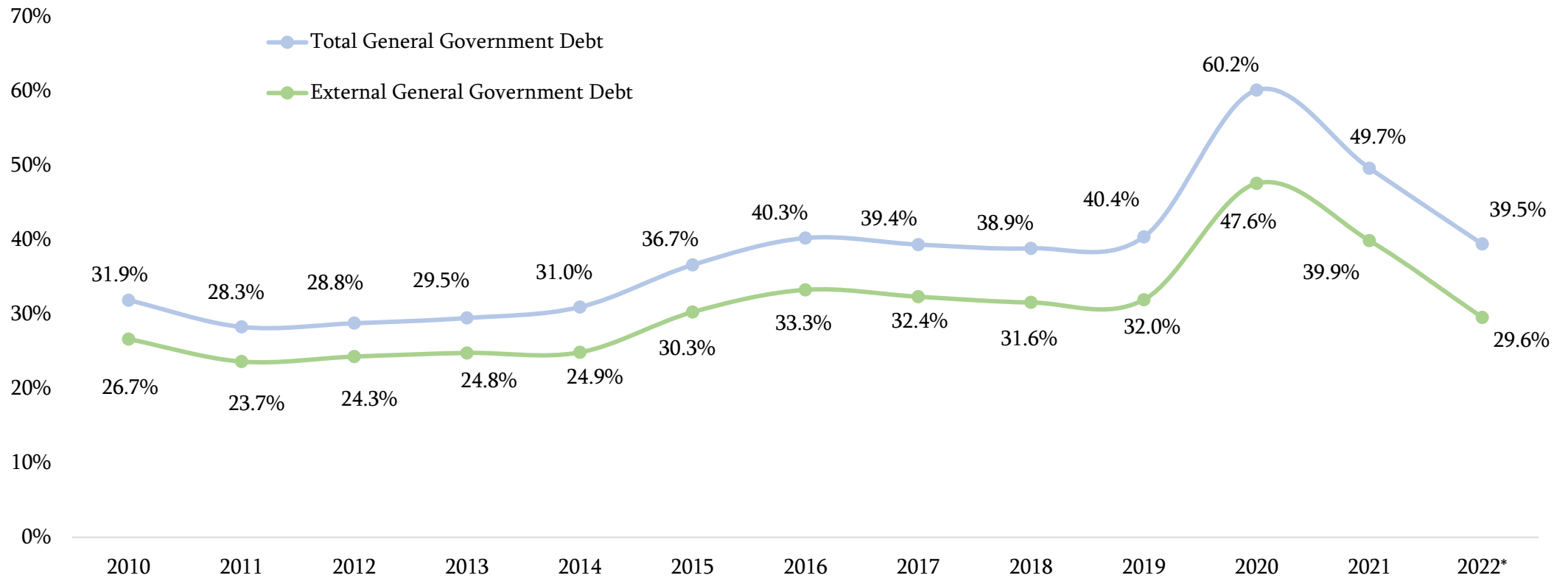


Government Debt Portfolio Description



Government Debt Portfolio Description

General Government Debt Dynamics (% of GDP) for 2010-2022

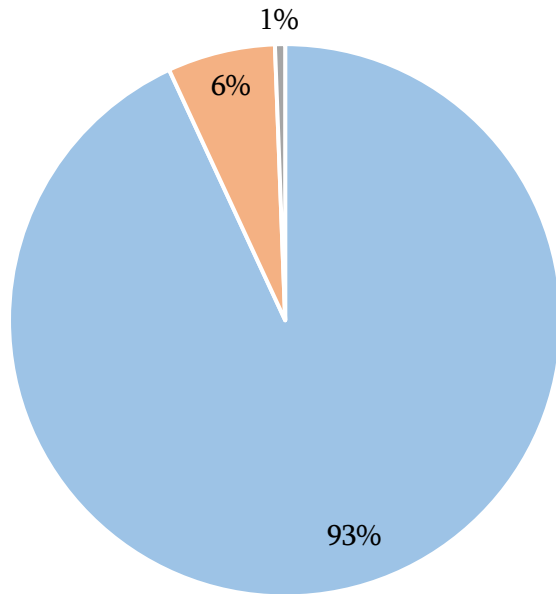




Government Debt Portfolio Description

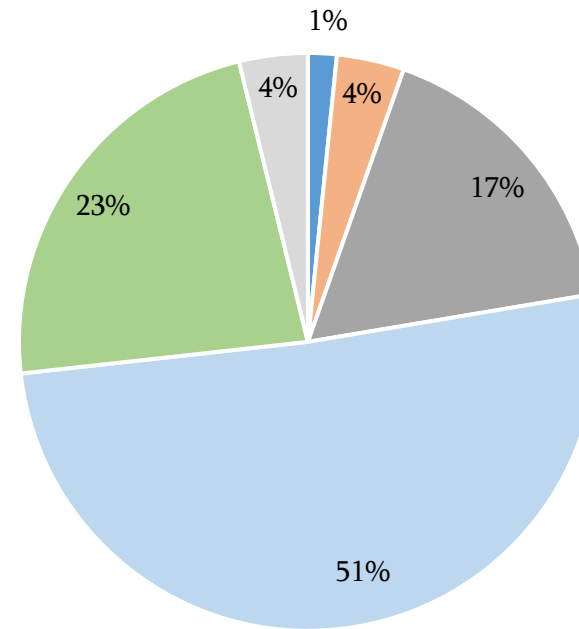
External and Domestic Debt portfolio by types of Instruments as of 2022

External Debt (75%)



■ Donor Financing ■ Eurobond ■ Legacy Debt

Domestic Debt (25%)

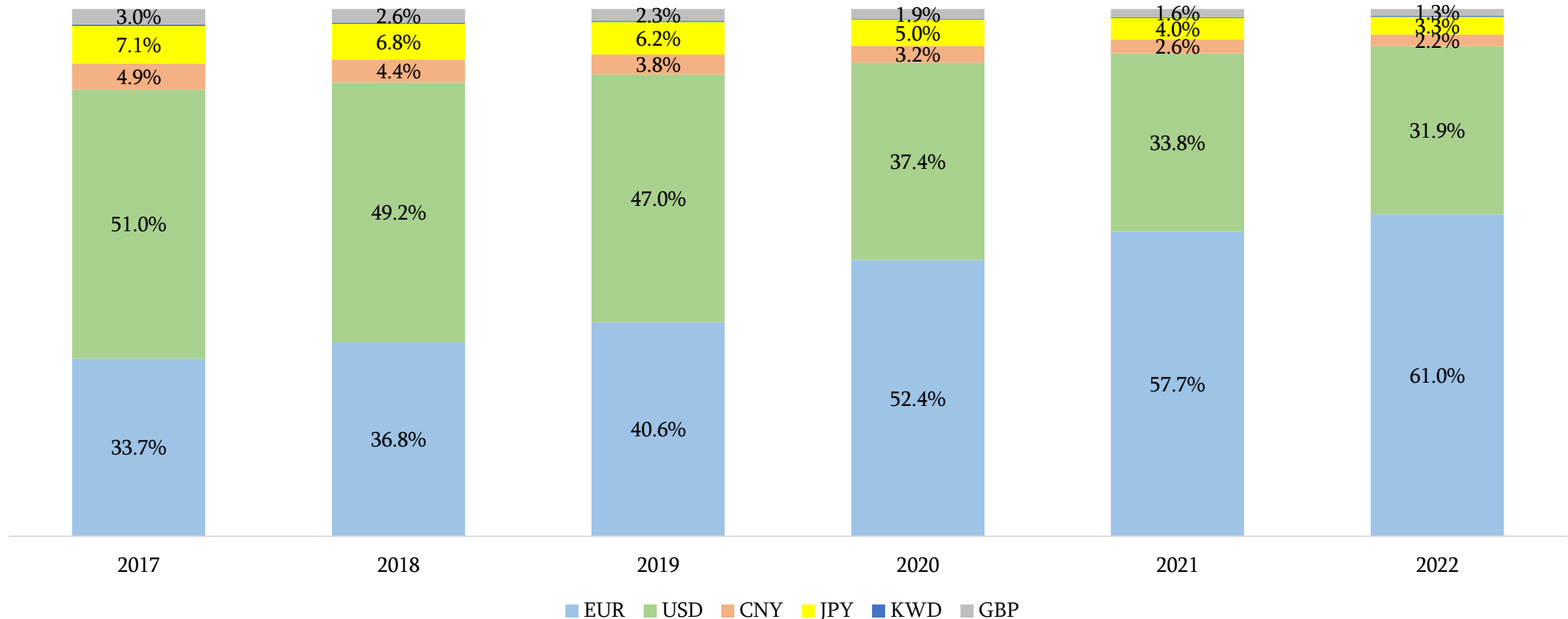


■ 6M ■ 12M ■ 2Y ■ 5Y ■ 10Y ■ Government Bonds



Government Debt Portfolio Description

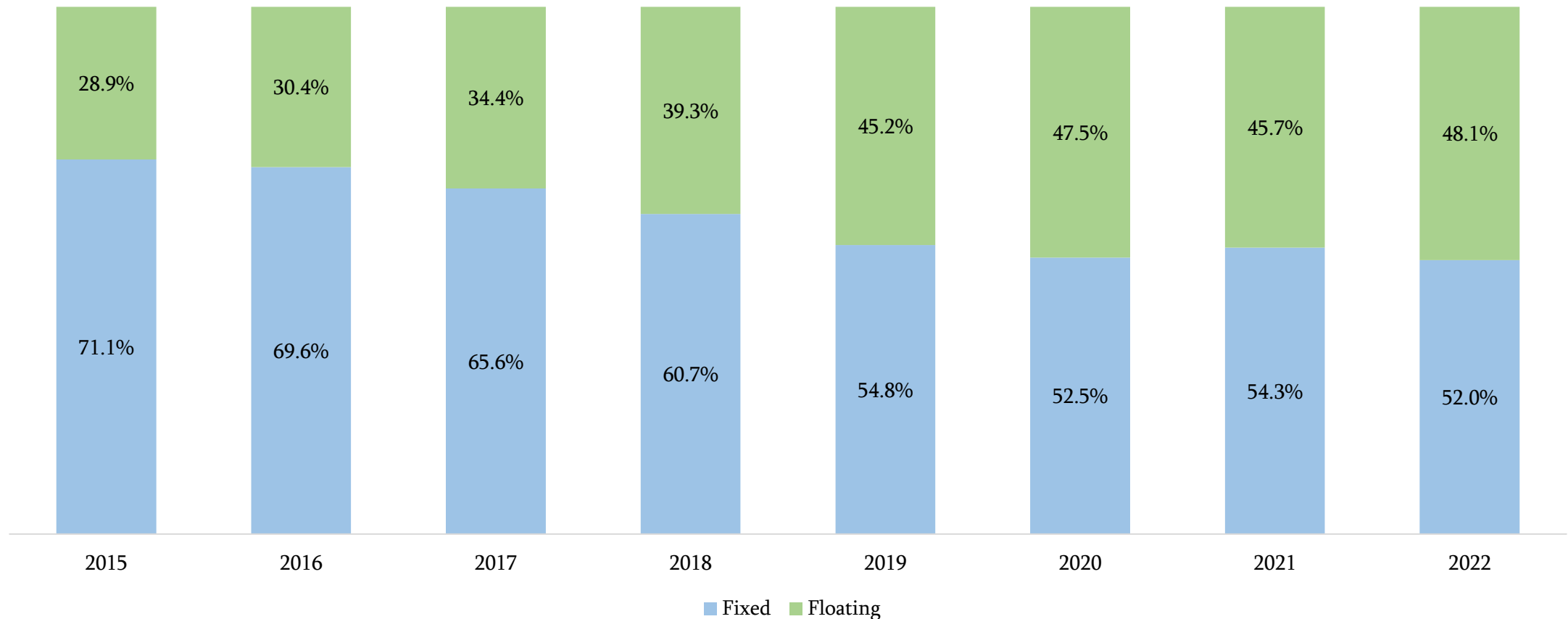
Currency Composition of the External Debt Portfolio for 2017-2022





Government Debt Portfolio Description

External Debt Portfolio Structure by Interest Rate Type for 2015-2022





Strategic Directions of General Government Debt Management

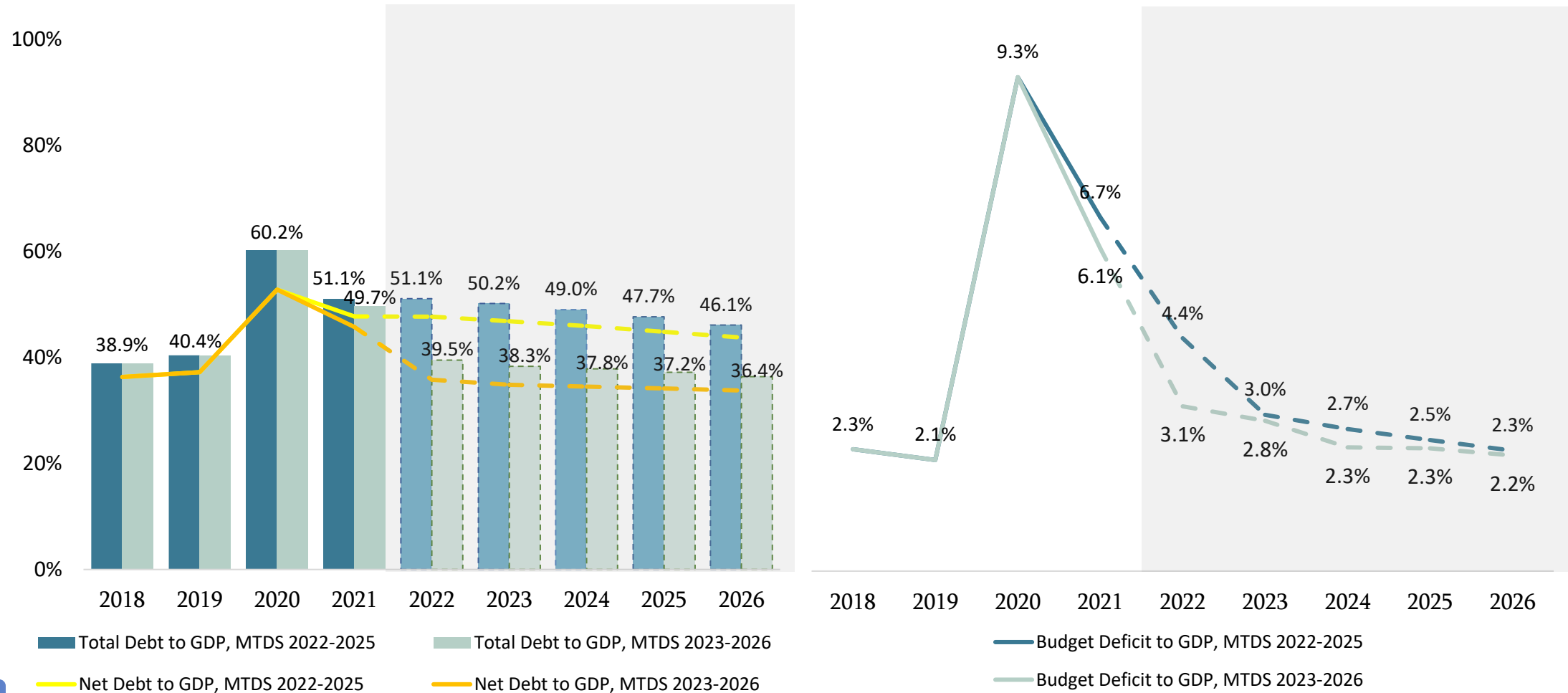


Strategic Directions of General Government Debt Management

1. Maintaining the government net debt to GDP ratio at the safe level;
2. Increasing GEL-denominated debt share in the government debt portfolio;
3. Increasing the focus on the development-oriented external loans;
4. Cost and risk optimization of the government total debt portfolio;
5. Treasury securities' market development.

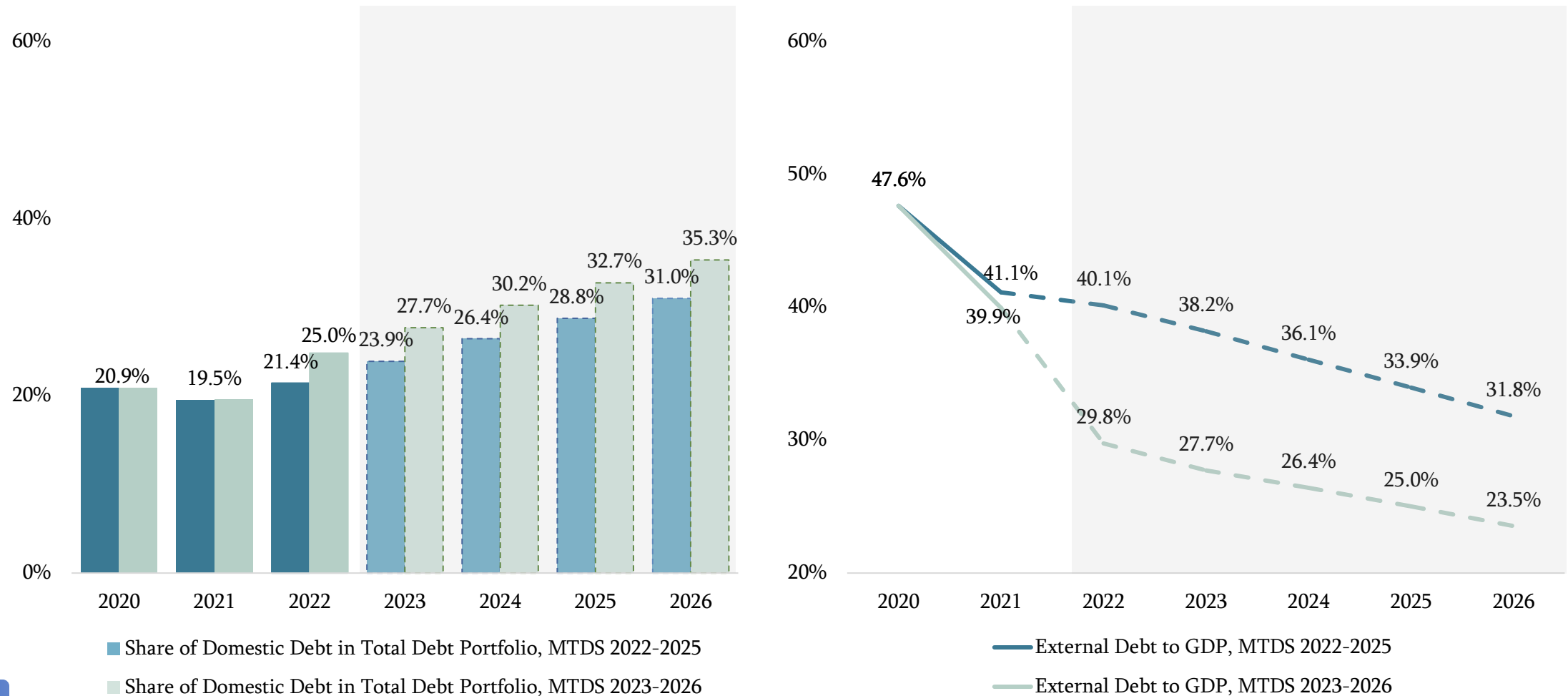


1. Maintaining the Government Net Debt to GDP Ratio at the Safe Level





2. Increasing GEL-denominated Debt Share in the Government Debt Portfolio





3. Increasing the Focus on the Development-oriented External Loans

Principles for investment loans:

- Large and complex projects;
- PIM Methodology;
- State-owned enterprises' reform :
 - On-lending takes place only in case when state-owned enterprise implements corporate governance practices;
 - For fully corporatized enterprises, the government will stop on-lending practices.

Principles for program loans:

- Significant transformational reforms;
- For the program loans an annual limit of \$ 250 million is set from 2022.



4. Cost and Risk Optimization of the Government Total Debt Portfolio

To manage refinancing risk, it is important that:

- The average time to maturity (ATM):
 - The government total debt portfolio should not fall below 5.5 years;
 - The domestic debt portfolio should be maintained above 3 years.
- The share of the debt maturing within 1 year should not exceed 15.0% of the total debt portfolio.

Key parameters considered while taking a new loan are:

- Grant element;
- Loan currency;
- Type of interest rate.



5. Government Securities' Market Development

- Increase the market liquidity;
 - Concentrate the portfolio on various strong benchmarks;
 - Meet international index inclusion requirements (FTSE Frontier Emerging Markets Government Bond Index, JP Morgan GBI-EM).
- Diversify investor base.



Target Indicators



Target Indicators

Types of Risk	Indicators	2021 (Actual)	2022 (Preliminary)	2026 (Target)
Refinancing Risk	Debt maturing within 1 year (% of total) for total government debt	9.2%	7.4%	Max. 15.0%
	ATM for total government debt	7.9	7.5	Min. 5.5
	ATM for government domestic debt	3.0	2.8	Min. 3.0
Interest Rate Risk	Share of fixed-interest external debt in government external debt	54.3%	52.0%	Min. 50.0%
Exchange Rate Risk	Share of government domestic debt into total government debt	19.6%	24.8%	Min. 30.0%
Solvency Risk	Government net debt to GDP ratio	45.7%	35.8%	Max. 40.0%



Target Indicators

Indicators	2021 (Actual)	2022 (Preliminary)	2026 (Target)
Limit on External Program Loans	-	277 mln USD	250 mln USD
Conversion of on-lent resources into market instruments	-	-	900 mln GEL
PIM-based investment loans	-	100%	100%
Program loans approved by the Fiscal Board of the Ministry of Finance	-	100%	100%
Non-resident investors participation in the local market	9.6%	4.2%	25%
Compliance with JP Morgan GBI-EM index inclusion requirements	42.8%	52.4%	100%

Thank You!