THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

MEDIUM TERM DEBT MANAGEMENT STRATEGY

(2022/23-2024/25)

December 2022

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FOREWORD

According to Section 25.1(a) of the Government Loans, Guarantees, and Grants Act, Cap. 134, the Government through the Ministry of Finance and Planning is required to prepare a Medium-Term Debt Management Strategy (MTDS) and Annual Borrowing Plans in line with the overall fiscal framework. The MTDS outlines how the Government plans to borrow and manage its debt to achieve a portfolio mix congruent to preferred costs and risks in a bid to meet financing needs.

The 2022 MTDS was prepared in consideration of the financing needs to implement development projects outlined in the Five-Year Development Plan (FYDP) III amid the economic slowdown primarily attributable to the spillover effects of COVID-19 pandemic and Russia-Ukraine war. Specifically, the 2022 MTDS outlines potential financing options in the medium term (2022/23 to 2024/25) consistent with the debt management objective of minimizing financing costs and prudent degree of risk as well as supporting domestic debt market development.

Four alternative strategies were assessed based on quantitative outcomes under shock scenarios grounded on fundamental macroeconomic hypotheses. The evaluation guided selection criteria of the optimal strategy with strong quantitative results that is aligned to the country's debt management objectives. The optimal debt strategy selected for implementation in the medium term is characterized by significant financing from semi -concessional sources, specifically Export Credit Agencies (ECA) to finance development projects and domestic borrowing aligned to reducing refinancing risk by allocating more weight on long-term maturities, which conforms to the recent market preferences.

The Ministry of Finance and Planning will work towards successful implementation of the chosen financing strategies. It is worth noting that, MTDS is not a static document, thus will be reviewed annually to check if the chosen strategies are still relevant based on the prevailing macro-fiscal situation in the country and global economic environment at large.

Hon. Dr. Mwigulu L. Nchemba (MP),
Minister of Finance and Planning.

1. INTRODUCTION

1. The Ministry of Finance and Planning has been preparing the Medium-Term Debt Management Strategy (MTDS) in accordance with the requirements of Section 25.1(a) of the Government Loans, Guarantees and Grants Act, CAP. 134. The 2022 MTDS covers three years, starting from 2022/23 to 2024/25 and Central Government debt using data of 2021/22 as base year and 2022/23 as first year of projection.

2. Consistent with the debt management objective of financing government budget deficit at minimum possible cost and prudent degree of risk, the objective of the 2022 MTDS is to reduce financing cost and mitigate refinancing and interest rate risks. Particularly, the Government will, in the medium term, maximize financing from semi-concessional loans, that is, from Export Credit Agencies (ECAs), and long-term treasury bonds. Where necessary, limited commercial loans will be considered for projects with high impact on economic growth and that promote exports.

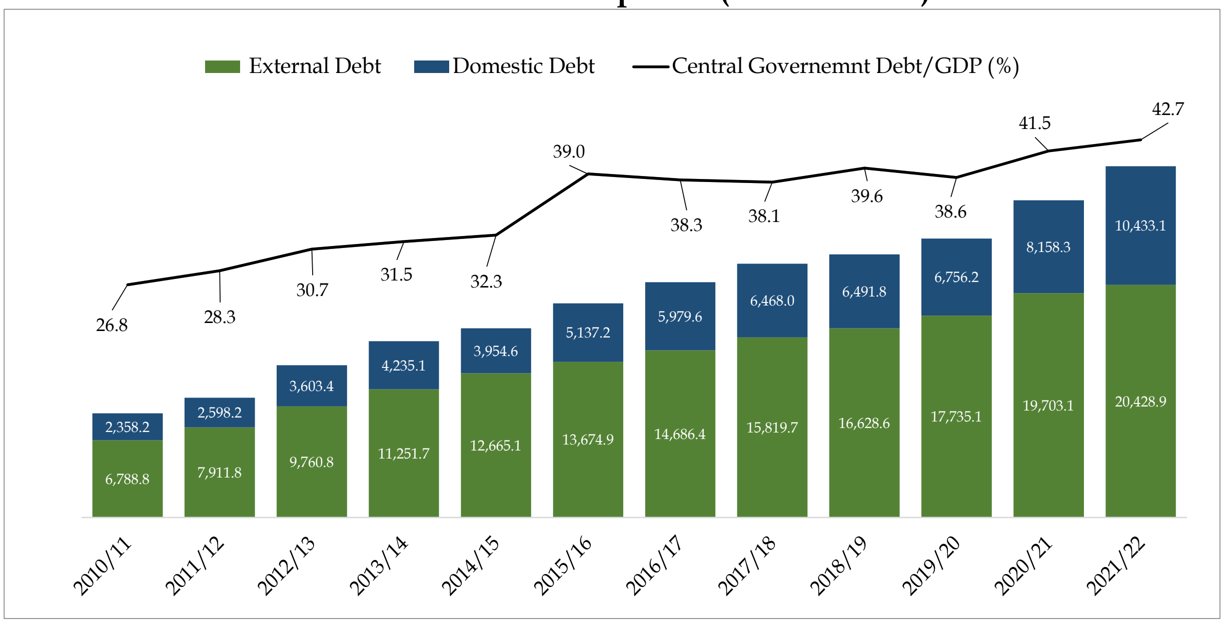
3. The 2022 MTDS considered the need to accomplish implementation of the ongoing mega projects, particularly in energy generation and distribution, standard gauge railway network and bridges.

4. The choice of the medium term strategy is guided by quantitative outcomes of the considered alternative financing strategies at end of the third year, evaluated using the MTDS Analytical Tool developed by the World Bank (WB) and International Monetary Fund (IMF).

2. DEBT PORTFOLIO REVIEW

5. The central government debt stock increased to USD 30,862.0 million (42.7 percent of GDP in nominal terms) as at end June 2022 from USD 27,861.29 million (41.5 percent of GDP) recorded at end of June 2021. The increase was attributable to disbursements of external loans, issuance of government securities and securitization of Pension Funds' obligations in arrears. Out of central government debt stock, external debt was USD 20,428.9[1] million and domestic debt was USD 10,433.1 million (**Chart 1**).

Chart 1: Central Government Debt Development (USD Million)



Source: Ministry of Finance and Planning, and Bank of Tanzania

6. Notwithstanding, the recent developments in financing landscape, the proportion of external debt owed to multilateral institutions remained dominant at end June 2022, accounting for 60.7 percent of the external debt. Debt from commercial and ECAs creditors accounting for 28.2 percent, while bilateral creditors were 11.1 percent as at end June 2022 (**Table 1**). Financing landscape is dominated by multilateral institutions implies that, external debt portfolio is relatively on favorable financing terms.

Table 1: External Central Government Debt by Creditor Categories (USD Million)

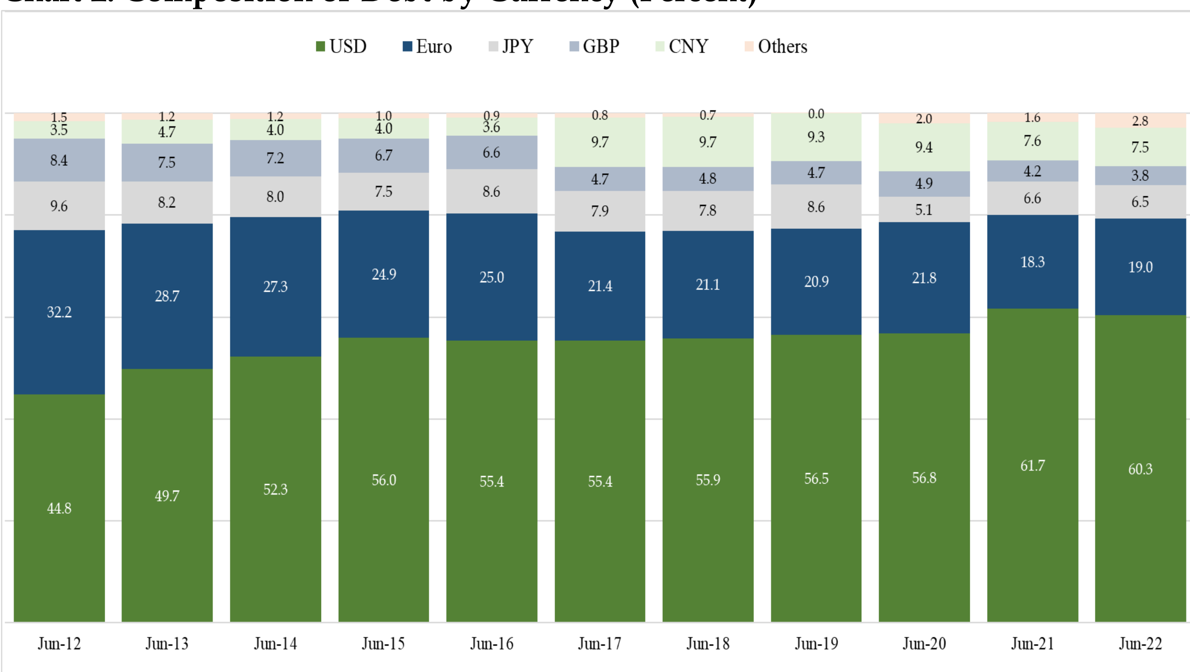
[1] Stock of external central government debt includes bilateral technical interest arrears around USD 1,098.2 million.

External Central Government Debt by Creditor categories	2017/18		2018/19		2019/20		2020/21		2021/22	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Multilateral	9,080.5	57.4	9,616.9	57.8	10,461.4	59.0	11,451.5	58.1	12,399.7	60.7
Bilateral	1,822.6	11.5	1,958.1	11.8	2,085.7	11.8	2,231.0	11.3	2,265.7	11.1
Commercial Bank/Export Credit	4,916.5	31.1	5,052.0	30.4	5,188.0	29.3	6,020.6	30.6	5,763.5	28.2
External debt stock	**15,819.7**	**100.0**	**16,627.0**	**100.0**	**17,735.1**	**100.0**	**19,703.1**	**100.0**	**20,428.9**	**100.0**

Source: Ministry of Finance and Planning, and Bank of Tanzania

7. The proportion of debt denominated in USD has continued to account for the largest share of external debt accounting for 60.3 percent, followed by Euro and Chinese Yuan at 19.0 percent and 7.5 percent, respectively (**Chart 2**). Given that a significant proportion of the debt portfolio is denominated in USD, it is worth noting that, the on-going tightening monetary policy in US and transition from USD London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR)[2] would continue to pose potential fiscal risk to Government.

Chart 2: Composition of Debt by Currency (Percent)



Source: Ministry of Finance and Planning, and Bank of Tanzania

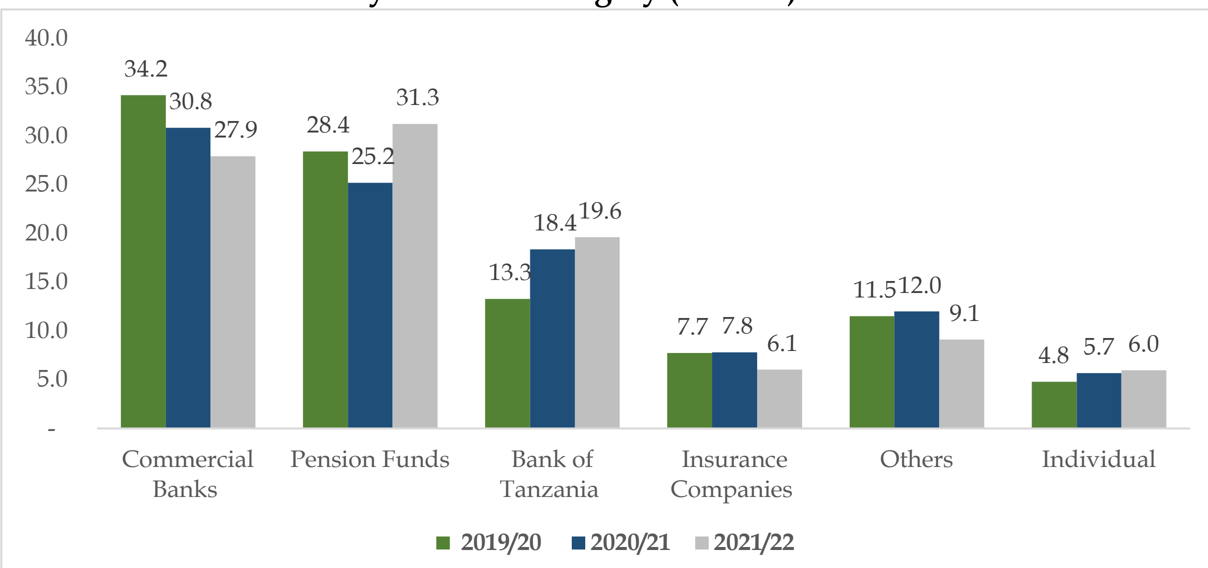
8. The profile of domestic debt by instrument shows that, Treasury bond continue to dominate portfolio, accounting for 79.8 percent while Treasury bills accounted for 20.2

[2] Transition from USD LIBOR to SOFR will only include USD denominated loans which are on floating rate basis. As of October 2022, USD floating loans amounted to USD 3,827.7 million which was 19 percent of total external debt portfolio.

as at end June 2022. The composition is in line with government strategy of borrowing from medium and long-term instruments to mitigate the refinancing risk while responding to the market preferences.

9. Domestic debt by holder category shows that, pension funds dominated the portfolio accounting for 31.3 percent followed by commercial banks and Bank of Tanzania at 27.9 percent and 19.6 percent, respectively (**Chart 3)**. The share of commercial banks continues to decline, partly due to recovery of economic activities in the real sector and diversification of the investor base in response to the awareness campaigns.

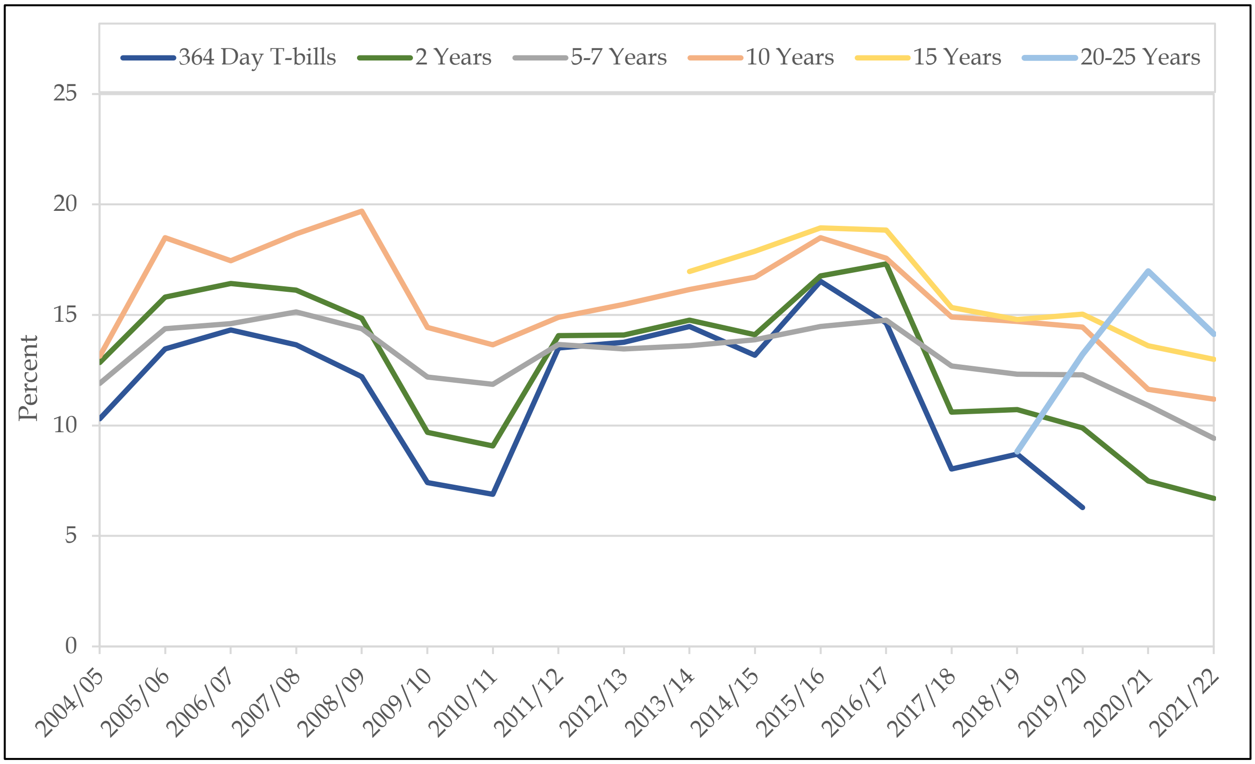
Chart 3: Domestic Debt by Holder's Category (Percent)



Source: Ministry of Finance and Planning, and Bank of Tanzania

10. Yields on government securities continued to record a downward trend, particularly in the last three years, except for the 20- and 25-years maturities (**Chart 4**), whose yields picked up in the in 2019/20 and 2020/21 before declining in 2021/22. The decrease is attributable to implementation of prudent monetary and fiscal policies, increased competition, and active trading of treasury bonds in the secondary market.

Chart 4: Yields Trend (in Percent)



Source: Ministry of Finance and Planning and Bank of Tanzania.

3. REVIEW OF IMPLEMENTATION OF THE 2021 MTDS

11. The 2021 MTDS sought to maximize funding from semi-concessional sources, primarily from Export Credit Agencies (ECAs), while minimizing financing costs associated with long-term treasury bonds. Reduction in cost of financing was implemented through allocation of more weight to the medium-term instruments, specifically 2–15-year instruments while reducing weights from longer maturities. **Table 2** provides cost and risk of central government debt portfolio as of June 2022.

Table 2: Cost and Risk indicators for existing debt as at end June 2022

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of TZS)		44,541,798.9	24,039,949.1	68,581,748.0
Amount (in millions of USD)		19,330.7	10,433.1	29,763.8
Nominal debt as percent of GDP		26.8	14.3	41.1
PV as percent of GDP		18.6	14.3	32.8
Cost of debt	Interest payment as percent of GDP	0.6	1.4	2.0
	Weighted Av. IR (percent)	2.2	9.9	4.9
Refinancing risk	ATM (years)	12.4	8.7	11.2
	Debt maturing in 1yr (percent of total)	6.0	23.5	11.7
	Debt maturing in 1yr (percent of GDP)	1.7	3.4	5.1
Interest rate risk	ATR (years)	11.6	8.7	10.6
	Debt refixing in 1yr (percent of total)	22.1	23.5	22.5
	Fixed rate debt incl T-bills (percent of total)	80.5	100.0	86.9
	T-bills (percent of total)	0.0	15.9	5.2
FX risk	FX debt (percent of total debt)			65.2
	ST FX debt (percent of reserves)			24.4

Source: Ministry of Finance and Planning

12. The first year of implementing the strategy has worsened some of risk indicators. As of June 2022, the proportion of domestic debt re-fixing in one year and domestic debt maturing in one year as percent of total worsened to 23.5 percent relative to the projection of 19.7 percent. Domestic interest payment as percent of GDP was 1.4 percent, higher than the projection of 1.2 percent, owing to increased use of long-term instruments for financing in response to investors' preferences during the year.

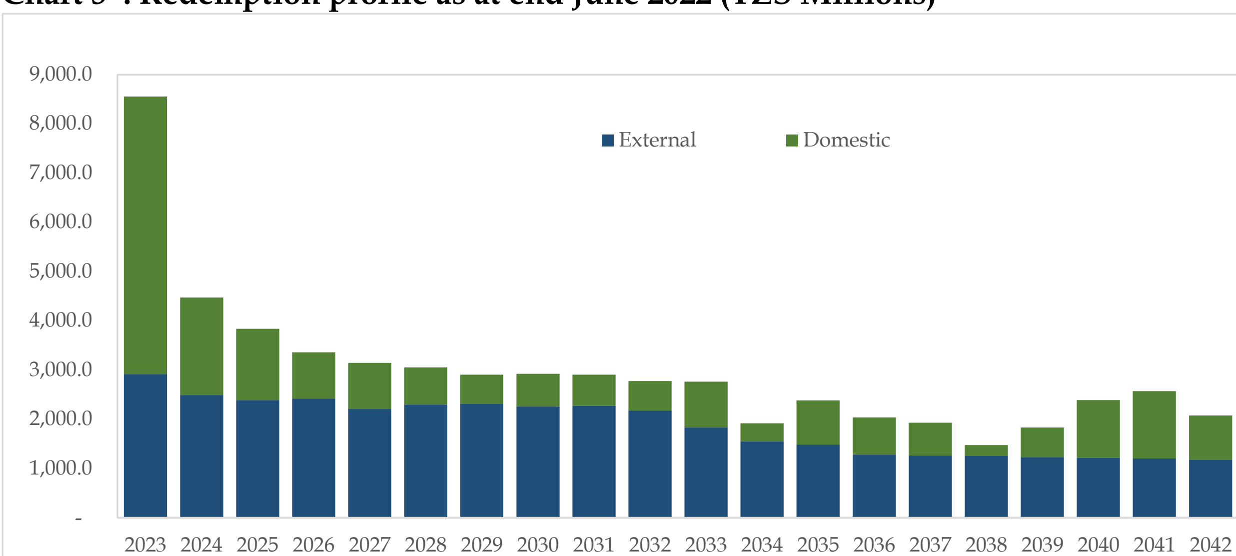
13. Likewise, the risk indicators of the external debt worsened, as the proportion maturing in year as percent of total debt recorded 6.0 percent as at June 2022 relative

to the projection of 5.3 percent. In addition, the global tightening financing conditions have raised slightly the debt cost indicators relative to the projections. Consequently, external interest payment as percent of GDP was 0.6 percent in June 2022 compared to the projection of 0.5 percent as of June 2021.

14. Generally, the 2021 MTDS has improved portfolio exposure to refinancing and interest rate risks whereby debt maturing in one year and average time to re-fixing improved to 11.7 percent and 11.6 years as of June 2022 from 12.5 percent and 10.7 years as of June 2021, respectively. However, 2021 MTDS raised cost in terms of Weighted Average Interest Rate of debt portfolio from 4.7 percent in June 2021 to 4.9 percent in 2022. The increase in cost attributed by the market dynamics in both local and international financial markets.

15. The redemption profile of the total portfolio indicates a significant portion of domestic debt matures in 2022 reflecting sizeable amount of treasury bills (**Chart 5**). Risk associated to exchange rate exposure also improved as debt denominated in foreign currency decreased to 65.2 percent of total debt from 69.6 end of the preceding year with large proportion denominated in USD.

Chart 5 : Redemption profile as at end June 2022 (TZS Millions)



Source: Ministry of Finance and Planning, and Bank of Tanzania

16. The cost and risk analysis of the debt portfolio shows that, cost and risk indicators of the portfolio remain within the country's debt management strategic benchmarks as at end of 2021/22 (**Table 3)**. **Appendix 1** shows detailed Cost and Risk Indicators from June 2018 to June 2022 under baseline scenario.

Table 3: Evolution of Risk Indicators against Strategic Benchmarks (2022/23-2024/25)

Indicator	Jun-20	Jun-21	Jun-22	Benchmark
Implied Interest rate (percent)	4.3	4.7	4.9	<7.0
Debt maturing in 12 months (percent of total)	10	10.9	11.7	<15
Debt maturing in 12 months (percent of GDP)	4.1	5.4	5.1	<7.5
ATM of total debt (years)	11.7	11.7	11.2	>10
Fixed rate debt (percent of total)	87.6	86.2	86.9	>75
T-bills (percent of total)	4.9	5.2	5.2	<10
Foreign Currency debt (percent of total)	72	69.6	65.2	<75
Short-term foreign currency debt (percent of official reserves)	17.8	22.8	24.4	<75

Source: Ministry of Finance and Planning

17. As outlined above, 2021 MTDS has worsened some of risk indicators for both domestic and external debt, hence worsened some of risk indicators for total debt portfolio on the first year of implementation. However, 2021 MTDS raised a borrowing cost for both domestic and external debt portfolios. Since, the Government intends to implement strategy with an objective of minimizing financing cost and mitigate refinancing and interest rate risks, reviewing 2021 MTDS is necessary so as to determine an appropriate mix of external and domestic borrowing that will minimize financing cost and still mitigate some of risk indicators in the medium term.

4. AN OVERVIEW OF MACROECONOMIC PERFORMANCE AND ASSUMPTIONS

4.1. Recent Economic Development

18. In the first half of 2022, the economy grew by an average of 5.2 percent compared to 4.4 percent recorded in the corresponding period of 2021, mainly driven by agriculture, mining and quarrying, manufacturing, and construction. Headline inflation rose to 4.0 percent in 2021/22 from 3.3 percent in 2020/21, owing to high international oil prices and continued disruptions of global supply chains. In the first five months of 2022/23, the headline inflation rose to 4.9 percent from 4.1 percent recorded in the same period in 2021/22 due to high food, energy and fuel prices. The inflation remained below the EAC and SADC convergence criteria of not above 8.0 percent and between 3.0 percent and 7.0 percent, respectively.

19. The ratio of domestic revenue (including LGAs own source) to GDP was 14.5 percent while government expenditure to GDP was 18.6 percent in 2021/22. Consequently, the overall fiscal deficit was 3.6 percent of GDP in 2021/22, compared to estimated budget deficit of 1.8 percent of GDP for the period. The widened fiscal deficit was attributable to increase in government expenditure including implementation of Tanzania COVID-19 Recovery Programme (TCRP) and provision of subsidies on fuel to contain adverse effects of Russia – Ukraine war.

20. In 2021/22, the overall balance of payments recorded a surplus of USD 65.6 million, below surplus of USD 132.7 million in 2020/21. Nonetheless, current account deficit widened to USD 3,386.3 million (4.6 percent of GDP) from USD 1,825.6 million (2.6 percent of GDP) recorded in 2020/21, driven by higher imports of goods. During the same period, the value of the shilling remained stable whereby in the wholesale market the shilling traded at an average rate of TZS 2,313.96 per US dollar compared with TZS 2,310.18 per US dollar in the preceding year, equivalent to a depreciation of 0.16 percent.

21. Gross official reserves were USD 5,110.3 million, sufficient to cover 4.6 months of projected imports of goods and services as at end of June 2022. The import cover was above the country benchmark of at least 4 months and the EAC convergence criteria of 4.5 months.

4.2. Baseline Macroeconomic Projections and Assumptions

22. In 2022, real GDP growth is projected to slow down to 4.7 percent compared with 4.9 percent recorded in 2021. The downward revision of the projected growth was due to adverse effects of Russian-Ukraine war, which raised global commodity and oil prices. GDP growth is projected to pick up to an average growth of 5.9 percent over the medium-term (2022 -2026). The assumption is in line with implementation of FYDP III that seeks to promote policy stability and favorable performance in the key macroeconomic variables.

23. In the medium-term, inflation is projected to remain within the EAC and SADC convergence criteria of not above 8.0 percent and between 3.0 percent and 7.0 percent, respectively. The assumption is anchored on low cost of production because of reliable and affordable power supply emanating from an increase in gas and hydroelectric power generation and distribution, prudent fiscal and monetary policies, and sufficient food supply in domestic and regional markets. However, upward risk on inflation remains, attributed by further food supply shocks as a result unfavorable weather condition and possibility of prolonged Russia-Ukraine war beyond the next six months which will raise both energy and food prices.

24. Domestic revenue including grants is projected to increase to 15.5 percent of GDP in 2022/23 and averaging at 15.3 percent in the medium term. Some of the measures the Government intends to implement includes continued strengthening of administration of tax laws to address tax evasion and avoidance; and adoption of ICT systems to increase domestic revenue collections. Similarly, expenditure is projected to increase to 18.8 percent of GDP in 2022/23 and slightly decline to an average of 17.8 percent of GDP in the medium term. Consequently, fiscal deficit (including grants) is projected

to average at 2.5 percent in the medium term, which is in line with the EAC convergence criteria of not more than 3.0 percent of GDP.

25. Gross official reserves are projected at USD 5,946.1 million in 2022/23 in response to expected increase in foreign financial inflows and recovery of tourism sector. The amount is adequate to cover 4.7 months of projected imports of goods and services, excluding foreign direct investment related imports. The level is consistent with the country benchmark of a minimum of 4.0 months EAC benchmark of at least 4.5 months of import of goods and service.

4.3. Downside risks to medium term outlook

26. Despite the continuous recovery of the economy from the spillover effects of COVID – 19, there is still uncertainty on resurgence of new variants and prolonged Russia-Ukraine that may disrupt the global economy and threatens the recovery of both global and domestic economy. The impact of which would lead to the disruption of business and global supply chains, decline in Foreign Direct Investments (FDIs) and adverse effects on the most vulnerable sectors. Thus, negative shock to any of the macroeconomic variables will affect sustainability of fiscal and monetary policies and consequently implementation of the MTDS. Nonetheless, the Government will continue to implement prudent monetary and fiscal policies in order to minimize the downside risks.

27. The Government is cognizant of effects of the on-going tightening monetary policy to tame inflation pressure in advanced economies, which will continue to hike interest rates, and ultimately increase cost of financing and servicing external variable rate debt. In response, the Government will continue to monitor the performance of the global financial markets and implement policies that mitigates market risks associated with interest rate and exchange rate movements.

5. DEBT MANAGEMENT STRATEGY

5.1. Potential Financing Sources

28. In the medium term, the Government will continue to finance the budget deficit from both domestic and external sources. On the external side, a mix of concessional and semi-concessional loans remains the potential sources to implement strategic projects under the Third Five-Year Development Plan (FYDP III). Where necessary, the Government will access commercial sources to implement projects with higher economic returns and those that boost export.

29. On the domestic side, the Government will continue to raise funds through government securities. In the medium term, the Government will optimize cost and risk of financing through appropriate mix of long term and short-term instruments.

5.2. Alternative Financing Strategies

30. In the course of financing the budget at lowest possible cost and minimal degree of risks, four alternative borrowing strategies namely: status quo, maximize domestic financing, maximize external semi-concessional and more commercial; were evaluated with a view to identifying an optimal medium term financing strategy. The strategies involve varying the proportions between domestic and external sources, as well as the mix of financing within domestic and external potential sources. The potential financing options varied in terms of currency (local and foreign), maturity and grace periods, interest type (fixed and variable), interest rates and margins.

5.2.1. Strategy 1 (S1): Status quo

31. The strategy is based on the approved budget and likely outturn of 2022/23 whereas gross external financing (GEF) accounts for 53.2 percent to total gross financing and remains the same throughout the strategy period while gross domestic financing (GDF) is maintained at 46.8 percent. Semi-concessional sources will contribute 57.39 percent of GEF and 20-25 years T-bonds account for 31.1 percent of the GDF throughout the medium term. The rationale behind the strategy is to continue implementing approved 2021 MTDS which minimized a number of risk indicators on

the first year of implementation. Nevertheless, the strategy raised borrowing cost on both domestic and external debt.

5.2.2. Strategy 2 (S2): Maximize Domestic Financing

32. Broadly, strategy (S2) assumes a gradual increase in the share of gross domestic borrowing from 46.8 percent to 57.0 percent in 2024/25. Financing through long-term debt securities is projected to increase from 41.8 percent of GDF in 2022/23 to 44.0 percent by 2024/25. A gradual decrease in the proportion of medium-term instruments of domestic financing from 32.7 percent in 2022/23 to about 24.0 percent by 2024/25 is assumed. The rationale for the strategy is to develop domestic market as well as minimize exposure to refinancing risk by opting for long-term domestic instrument, which are preferred by the market. The strategy is expected to raise cost borrowing from domestic market.

5.2.3. Strategy 3 (S3): Maximize Semi-concessional loans

33. The strategy assumes an increase in the share of semi-concessional floating debt in the total external financing from 39.38 percent in 2022/23 to 47.00 percent in 2024/25 and proportionate decline of commercial borrowing from 16.23 percent to 15.0 percent at the end of strategy period. The strategy aims at reducing financing cost and provides adequate resources needed to implement the strategic projects. The lending governments increasingly preferring financing through ECAs. Implementation of the strategy is vulnerable to effects global economic performance, including the lingering economic recession.

5.2.4. Strategy 4 (S4): Access More Commercial

34. The strategy assumes an increase in the share of commercial borrowing in GEF from 16.23 percent in 2022/23 to 50.00 percent in 2024/25 and proportionate decline of semi – concessional borrowing from 53.23 percent to 30.0 percent at the end of strategy period. The strategy assumes the worst-case scenario of inability to raise financing from concessional and semi-concessional loans amid the commitment to accomplish

the ongoing development. Though commercial financing remains feasible, it is associated with high cost.

5.3. Cost-Risk Analysis of the Alternative Financing Strategies

35. The resultant cost and refinancing risk indicators, at end of the third year of the alternative financing strategies under the baseline assumptions, favors financing through semi-concessional sources (S3). Interest rate risk indicators favors maximization of domestic financing (S2). Table **4** and **5** summarizes cost and risk indicators, and interpretation, respectively. **Appendix 2** presents graphically the indicators under shock scenarios.

Table 4:Cost and Risk of Alternative Financing Strategies under baseline scenario

Risk Indicators		2022	As at end 2025			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		41.1	37.15	37.15	37.129	37.17
Present value debt as percent of GDP		32.8	30.64	30.66	30.534	30.72
Interest payment as percent of GDP		2.0	2.00	2.00	1.976	2.02
Implied interest rate (percent)		4.9	5.9	5.9	5.727	6.01
Refinancing risk2	Debt maturing in 1yr (percent of total)	11.8	6.38	6.97	5.952	5.96
	Debt maturing in 1yr (% of GDP)	5.1	2.37	2.59	2.210	2.215
	ATM External Portfolio (years)	12.4	12.6	12.5	12.720	12.09
	ATM Domestic Portfolio (years)	8.7	10.56	10.681	10.58	10.57
	ATM Total Portfolio (years)	11.2	11.90	11.92	12.061	11.63
Interest rate risk2	ATR (years)	10.7	10.59	10.632	10.45	10.27
	Debt refixing in 1yr (percent of total)	22.5	21.514	21.9	23.3	23.42
	Fixed rate debt incl T-bills (percent of total)	87.0	83.5	83.672	81.3	81.13
	T-bills (percent of total)	5.3	1.53	2.12	1.103	1.11
FX risk	FX debt as % of total	65.2	65.7	65.273	67.99	67.98
	ST FX debt as % of reserves	24.4	18.24	18.24	18.24	18.24

Source: Ministry of Finance and Planning

Table 5: Interpretation of the Alternative Strategies Indicators

Strategy	Rationale	Strength at end of 2025
S1-Status quo	Continuation of the existing debt market (domestic and external) conditions in the medium term.	Lowest proportion of debt re-fixing in 1 year (21.5 percent)
S2-Domestic financing	Enhance development of domestic market especially long-term borrowing.	i. Longest ATM Domestic Portfolio (10.68 years); ii. Longest ATR of total debt (10.63 years); iii. Highest fixed rate debt including Treasury bills (83.67 percent); and iv. Lowest proportion of foreign exchange debt (65.27 percent).
S3- To maximize Semi-concessional loans	Reducing financing cost and risk in the medium term with the assumption that the ECA's will provide adequate resources needed to implement the strategic projects.	i. Lowest nominal debt to GDP (37.13 percent); ii. Lowest present value debt (30.53 percent); iii. Lowest interest payment to GDP and implied interest rate of 1.98 percent and 5.73 percent, respectively; iv. Low proportion of debt maturing in 1 year (5.95 percent)- of total; v. Low proportion of debt maturing in 1 year (2.2 percent); vi. Longest Average time to Maturity (ATM) of total and external portfolio of 12.06 years and 12.72 years respectively; and vii. Lowest proportion of Treasury bills (1.10 percent) of total.
S4- Access more commercial loans	To ensure financing for development projects are acquired regardless of the uncertainties in the world economic outlook.	Has no strength since all risk indicators are high when compared with other strategies

Source: Ministry of Finance and Planning

5.4. Favorable Strategy for Implementation

36. Results from the quantitative analysis of cost and risk trades-off for the alternative strategies indicates that, Strategy 3 is more favorable in terms of cost and risk indicators. Strategy 2 is also favorable in to lengthening maturing profile of domestic debt. A combination of Strategies 2 and 3 is appropriate and viable for execution whereas detailed targets of the costs and risks in each year over the strategies period are in **Appendix 3** and **4** while Cost-Risk Indicators for Baseline and Shock Scenarios are in **Appendix 5**.

5.5. Strategy Implementation Guidelines

37. In the course of implementing the strategy in **5.4**, the Government plans to implement the following:

i. Maximizing finance from concessional and semi-concessional sources, mainly from ECAs. All borrowing from commercial sources will be restricted to projects with high impact on economic growth and that promote exports; and

ii. Government securities with longer maturities will be assigned more weight to lengthen maturity profile of domestic debt in accordance with Strategy 2.

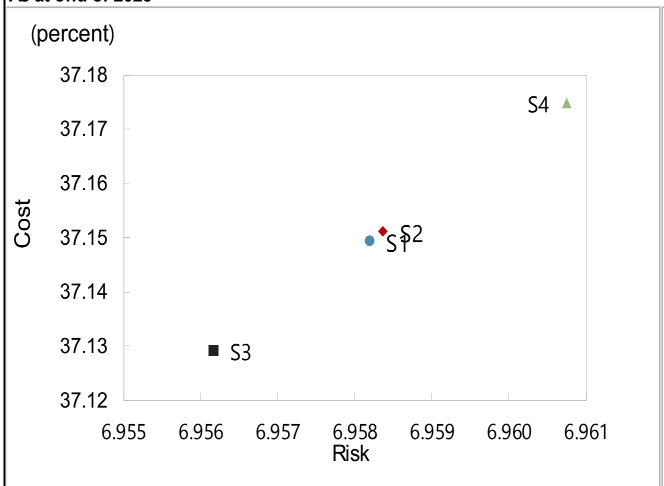
Appendix 1: Cost and Risk Indicators from June 2018 to June 2022 under baseline scenario

Risk Indicator		Jun - 18			Jun - 19			Jun - 20			Jun - 21			Jun - 22		
		Ext[3]	Dom	Total	Ext	Dom	Total	Ext	Dom	Total	Ext	Dom	Total	Ext	Dom	Total
Nominal Debt (% GDP)		27.9	11.8	39.7	27.4	11	38.4	27.5	10.7	38.3	28	12.2	41.5	26.8	14.3	41.1
PV Debt (% GDP)		18	11.8	29.8	17.9	11	28.9	18.2	10.7	28.9	19	12.2	31.2	18.6	14.3	32.8
Cost of debt	Interest (% GDP)	0.6	1.2	1.8	0.6	1.1	1.7	0.5	1.1	1.6	0.6	1.3	1.9	0.6	1.4	2.0
	Weighted Av.IR (%)	2.1	9.8	4.4	2	10.4	4.4	1.8	10.7	4.3	2.1	10.8	4.7	2.2	9.9	4.9
Refinancing risk	ATM (years)	14.2	5	11.5	13.6	4.7	11	13.5	6.4	11.7	12.8	7	11.2	12.4	8.7	11.2
	Maturing in 1yr (% Total)	4.5	25.4	10.7	7.5	35.7	15.6	4.9	24.6	10	5.9	29.1	12.5	6.0	23.5	11.8
	Maturing in 1yr (% GDP)	1.3	3	4.3	2.1	3.9	6	1.5	2.6	4.1	1.8	3.6	5.4	1.7	3.4	5.1
Interest rate risk	ATR (years)	13.9	5	11.2	13.2	4.7	10.8	13.1	6.4	11.3	12.1	7	10.7	11.7	8.7	10.7
	Refixing in 1yr (% Total)	18.2	25.4	20.3	20	35.7	24.5	18.1	24.6	19.8	21.8	29.1	23.9	22.0	23.5	22.5
	Fixed rate debt (% Total)	82.8	100	87.9	83.2	100	88	83.2	100	87.6	80.4	100	86	80.6	100.0	87.0
FX risk	FX debt (% Total)			70.4			71.4			72			69.6			65.2
	ST FX (% reserves)			12.5			27			17.8			22.8			24.4

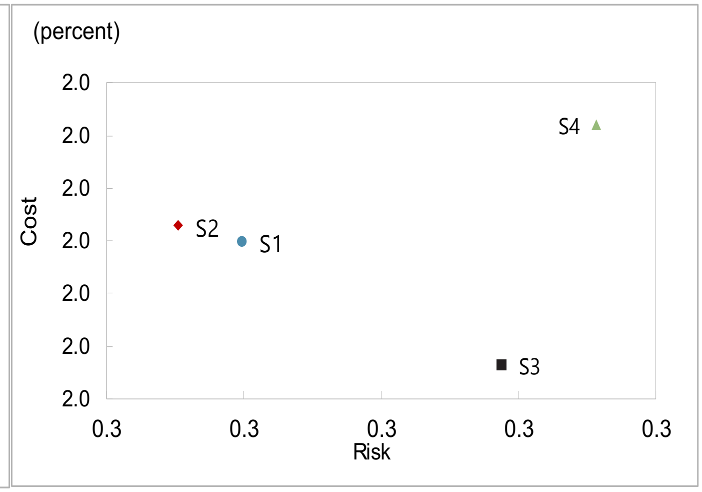
[3] Ext is an abbreviation for External debt and Dom is an abbreviation for Domestic debt

Appendix 2: Cost and Risk Trade-off of financing Strategies under the shock scenarios

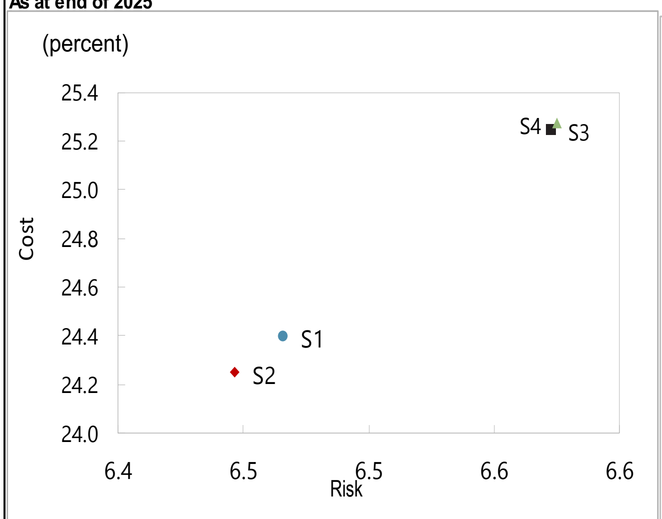
Debt to GDP
As at end of 2025



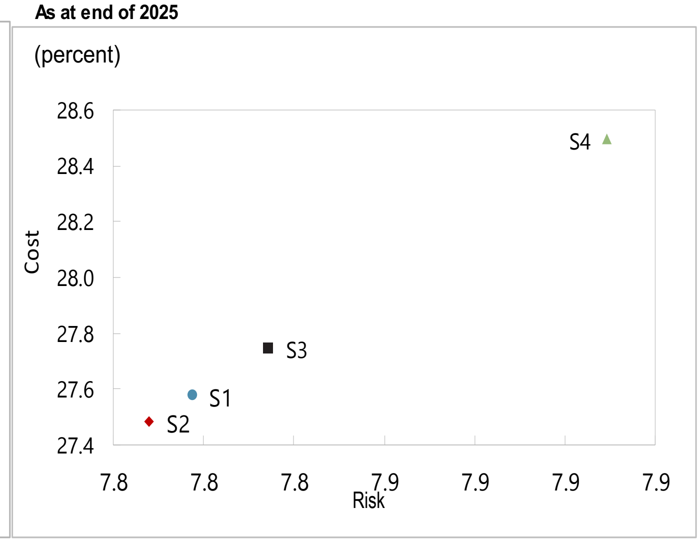
Interest to GDP
As at end of 2025



External Debt to GDP
As at end of 2025



External Debt Service to Internatioal Reserves
As at end of 2025



Appendix 3: detailed targets for strategy 2 in each year over the strategies period

Strategy 2				
DEBT RATIOS	**2022**	**2023**	**2024**	**2025**
External Present Value of Debt as percent of GDP	18.56	19.11	18.67	17.76
Domestic Present Value of Debt as percent of GDP	14.29	13.52	13.22	12.90
Total Present Value of Debt as percent of GDP	**32.85**	**32.63**	**31.89**	**30.66**
COST OF DEBT				
External Implied Interest Rate (in percent)	2.18	2.67	2.81	2.82
Domestic Implied Interest Rate (in percent)	9.86	10.94	11.36	11.65
Total Implied Interest Rate (in percent)	**4.85**	**5.44**	**5.71**	**5.89**
REFINANCING RISK				
External Debt Maturing in 1 YR (percent of total)	6.01	4.93	4.43	4.59
Domestic Debt Maturing in 1 YR (percent of total)	23.54	14.91	12.22	11.43
Total Debt Maturing in 1 YR (percent of total)	**11.81**	**8.27**	**7.07**	**6.97**
External Debt Maturing in 1 YR (percent of GDP)	1.74	1.33	1.14	1.11
Domestic Debt Maturing in 1 YR (percent of GDP)	3.36	2.02	1.62	1.47
Total Debt Maturing in 1 YR (percent of GDP)	**5.10**	**3.34**	**2.76**	**2.59**
External ATM (years)	12.44			12.54
Domestic ATM (years)	8.66			10.68
Total ATM (years)	**11.19**			**11.92**
INTEREST RATE RISK				
External ATR (year)	11.68			10.61
Domestic ATR (year)	8.66			10.68
Total ATR (year)	**10.68**			**10.63**
External Debt Refixing in 1 YR (in percent)	21.99	24.85	26.64	27.45
Domestic Debt Refixing in 1 YR (in percent)	23.54	14.91	12.22	11.43
Total Debt Refixing in 1 YR (in percent)	**22.50**	**21.53**	**21.76**	**21.89**
Fixed Rate Debt Portfolio (including T-bills) (in percent)				
External Fixed Rate Debt Portfolio (including T-bills)	80.58	77.50	75.64	74.99
Domestic Fixed Rate Debt Portfolio (including T-bills)	100.00	100.00	100.00	100.00
Total Fixed Rate Debt Portfolio (including T-bills)	87.00	85.03	83.90	83.67
EXCHANGE RATE RISK				
FX debt as percent of total	65.23	66.55	66.10	65.27
ST FX debt as percent of reserves	24.41	17.93	17.56	18.24

Appendix 4: detailed targets for strategy 3 in each year over the strategies period

Strategy 3				
DEBT RATIOS				
External Nominal Debt Outstanding as percent of GDP	26.81	26.90	26.27	25.24
Domestic Nominal Debt Outstanding as percent of GDP	14.29	13.52	12.73	11.88
Total Nominal Debt Outstanding as percent of GDP	41.10	40.42	39.00	37.13
External Present Value of Debt as percent of GDP	18.56	19.11	19.06	18.65
Domestic Present Value of Debt as percent of GDP	14.29	13.52	12.73	11.88
Total Present Value of Debt as percent of GDP	32.85	32.63	31.79	30.53
COST OF DEBT				
External Interest payment as percent of GDP	0.58	0.52	0.65	0.67
Domestic Interest payment as percent of GDP	1.41	1.26	1.33	1.31
Total Interest payment as percent of GDP	**1.99**	**1.78**	**1.97**	**1.98**
External Implied Interest Rate (in percent)	2.18	2.67	2.83	2.91
Domestic Implied Interest Rate (in percent)	9.86	10.94	11.43	11.71
Total Implied Interest Rate (in percent)	**4.85**	**5.44**	**5.63**	**5.73**
REFINANCING RISK				
External Debt Maturing in 1 YR (percent of total)	6.01	4.93	4.35	4.41
Domestic Debt Maturing in 1 YR (percent of total)	23.54	14.91	10.24	9.22
Total Debt Maturing in 1 YR (percent of total)	**11.81**	**8.27**	**6.27**	**5.95**
External Debt Maturing in 1 YR (percent of GDP)	1.74	1.33	1.14	1.11
Domestic Debt Maturing in 1 YR (percent of GDP)	3.36	2.02	1.30	1.10
Total Debt Maturing in 1 YR (percent of GDP)	**5.10**	**3.34**	**2.45**	**2.21**
External ATM (years)	12.44			12.72
Domestic ATM (years)	8.66			10.58
Total ATM (years)	11.19			12.06
INTEREST RATE RISK				
External ATR (year)	11.68			10.40
Domestic ATR (year)	8.66			10.58
Total ATR (year)	**10.68**			**10.45**
External Debt Refixing in 1 YR (in percent)	21.99	24.85	27.28	29.86
Domestic Debt Refixing in 1 YR (in percent)	23.54	14.91	10.24	9.22
Total Debt Refixing in 1 YR (in percent)	**22.50**	**21.53**	**21.72**	**23.25**
Fixed Rate Debt Portfolio (including T-bills) (in percent)				
External Fixed Rate Debt Portfolio (including T-bills)	80.58	77.50	74.97	72.48
Domestic Fixed Rate Debt Portfolio (including T-bills)	100.00	100.00	100.00	100.00
Total Fixed Rate Debt Portfolio (including T-bills)	**87.00**	**85.03**	**83.14**	**81.29**
EXCHANGE RATE RISK				
FX debt as percent of total	65.23	66.55	67.35	67.99
ST FX debt as percent of reserves	24.41	17.93	17.56	18.24

Appendix 5: Cost-Risk Indicators for Baseline and Shock Scenarios

Debt Stock to GDP ratio as at end 2025 (In Percent)				
Scenarios	**S1**	**S2**	**S3**	**S4**
Baseline	37.15	37.15	37.13	37.17
Exchange rate shock (30 percent)	44.11	44.11	44.09	44.14
Interest rate shock 1 (Moderate Shock)	37.32	37.32	37.30	37.35
Interest rate shock 2 (Extreme Shock)	37.49	37.49	37.47	37.52
Combined shock (15 percent depreciation and IR 1)	40.82	40.82	40.80	40.85
Max Risk	6.96	6.96	6.96	6.96

Interest Payments to GDP Ratio as at end 2025 (In Percent)				
Scenarios	**S1**	**S2**	**S3**	**S4**
Baseline	2.00	2.00	1.98	2.02
Exchange rate shock (30 percent)	2.20	2.20	2.17	2.22
Interest rate shock 1 (Moderate Shock)	2.17	2.17	2.15	2.19
Interest rate shock 2 (Extreme Shock)	2.34	2.34	2.32	2.37
Combined shock (15 percent depreciation and IR 1)	2.29	2.29	2.26	2.31
Max Risk	0.34	0.34	0.34	0.34

PV of Debt to GDP Ratio as at end 2025 (In Percent)				
Scenarios	**S1**	**S2**	**S3**	**S4**
Baseline	30.64	30.66	30.53	30.72
Exchange rate shock (30 percent)	35.80	35.83	35.69	35.89
Interest rate shock 1 (Moderate Shock)	30.87	30.89	30.79	30.95
Interest rate shock 2 (Extreme Shock)	31.10	31.13	31.04	31.17
Combined shock (15 percent depreciation and IR 1)	33.48	33.51	33.39	33.56
Max Risk	5.17	5.17	5.16	5.18

External Debt to GDP Ratio as at end 2025 (In Percent)				
Scenarios	**S1**	**S2**	**S3**	**S4**
Baseline	24.40	24.25	25.24	25.27
Exchange rate shock (30 percent)	30.87	30.70	31.82	31.85
Interest rate shock 1 (Moderate Shock)	24.48	24.32	25.35	25.37
Interest rate shock 2 (Extreme Shock)	24.55	24.39	25.45	25.48
Combined shock (15 percent depreciation and IR 1)	27.72	27.55	28.65	28.67
Max Risk	6.47	6.45	6.57	6.58

Interest to Revenue as at 2025 (In Percent)	

Scenarios	S1	S2	S3	S4
Baseline	13.22	13.24	13.06	13.36
Exchange rate shock (30 percent)	14.53	14.55	14.36	14.69
Interest rate shock 1 (Moderate Shock)	14.33	14.35	14.19	14.50
Interest rate shock 2 (Extreme Shock)	15.45	15.46	15.32	15.63
Combined shock (15 percent depreciation and IR 1)	15.12	15.14	14.97	15.29
Max Risk	2.23	2.23	2.26	2.27

External Debt Service to International Reserves as at 2025 (In Percent)				
Scenarios	S1	S2	S3	S4
Baseline	27.58	27.49	27.75	28.50
Exchange rate shock (30 percent)	35.40	35.29	35.58	36.40
Interest rate shock 1 (Moderate Shock)	29.94	29.82	30.19	30.95
Interest rate shock 2 (Extreme Shock)	32.30	32.15	32.64	33.41
Combined shock (15 percent depreciation and IR 1)	34.15	34.02	34.41	35.21
Max Risk	7.82	7.81	7.83	7.91