



General Government Debt Management Strategy 2024-2027

Ministry of Finance of Georgia

December 2023



Outline

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

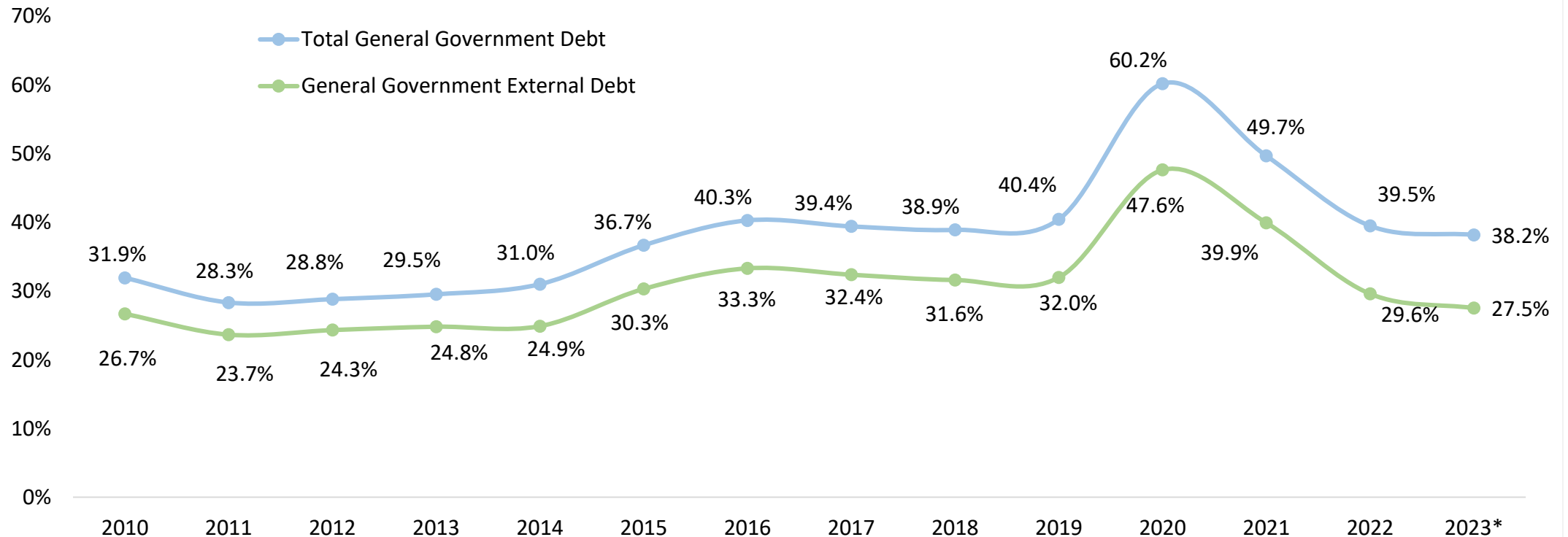


Government Debt Portfolio Description



Government Debt Portfolio Description

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



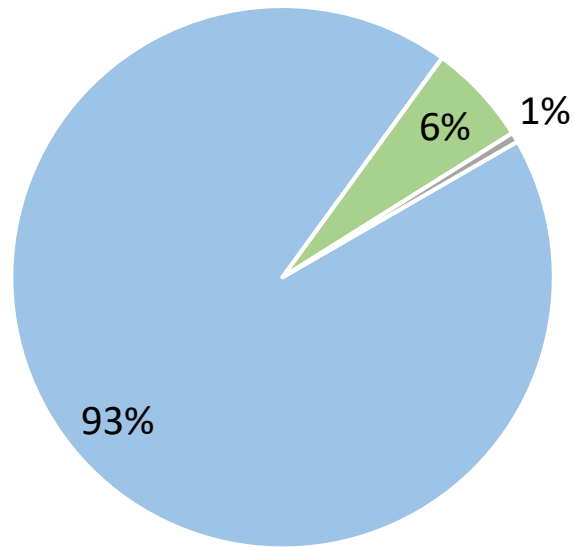
The general government debt to GDP ratio, including the PPP liabilities, amounted to 38.3% by the end of 2023



Government Debt Portfolio Description

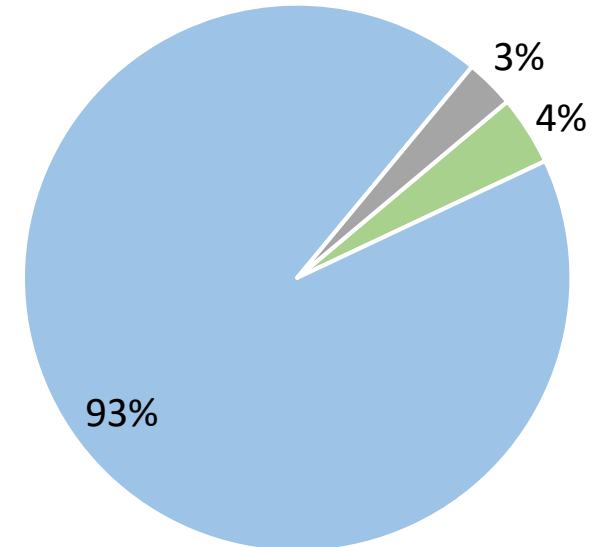
External and Domestic Debt portfolio by types of Instruments as of 2023

External Debt (72%)



■ Donor Financing ■ Eurobond ■ Legacy Debt

Domestic Debt (28%)

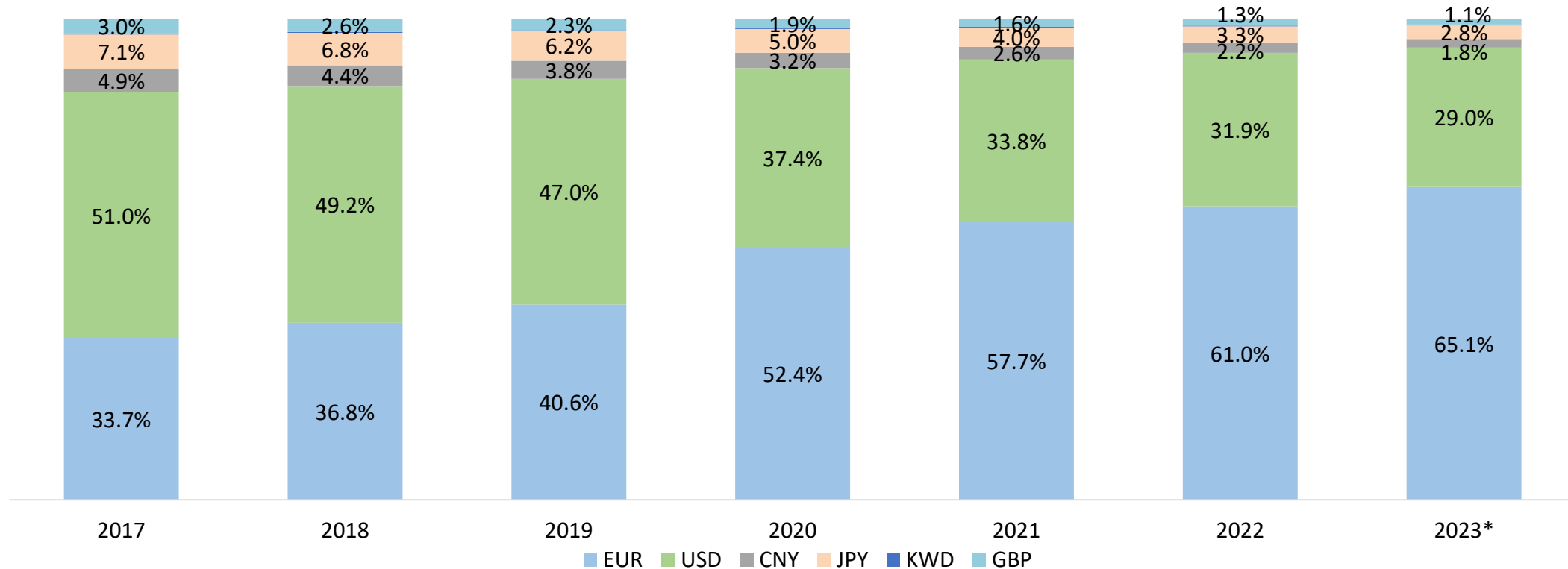


■ T-Bills ■ T-Bonds ■ Government Bond



Government Debt Portfolio Description

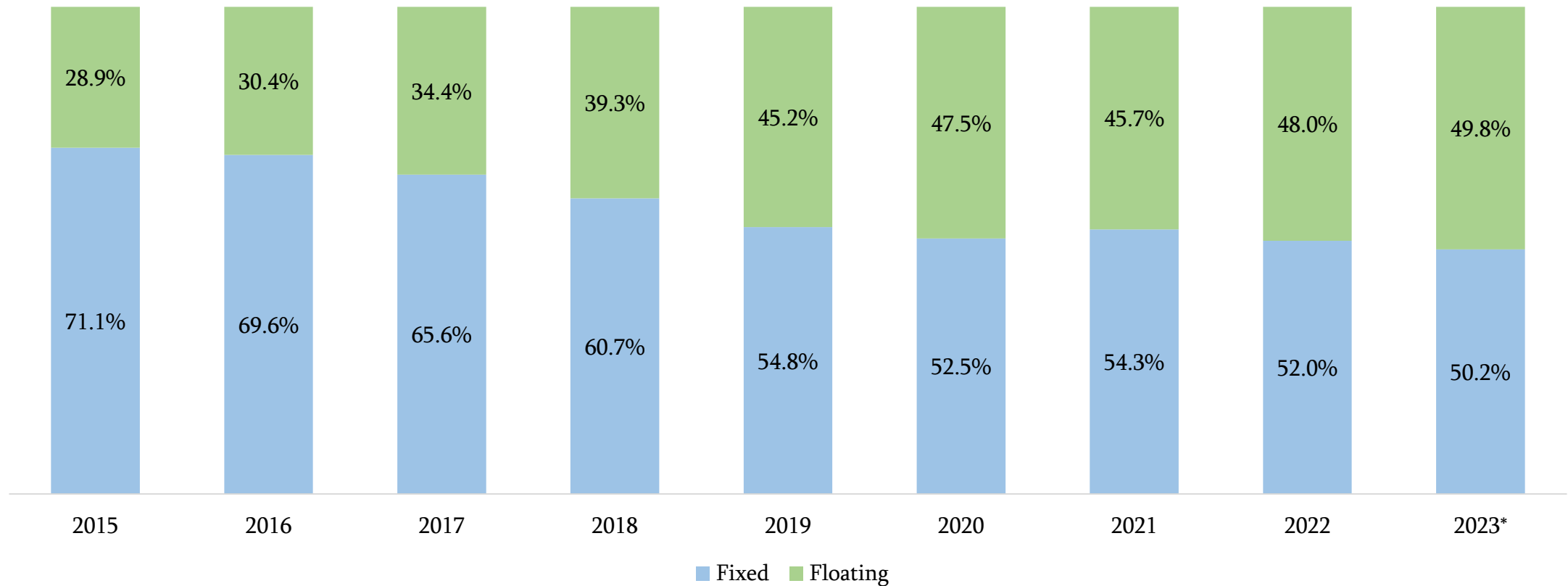
Currency Composition of the External Debt Portfolio for 2017-2023





Government Debt Portfolio Description

External Debt Portfolio Structure by Interest Rate Type for 2015-2023





Strategic Directions of General Government Debt Management

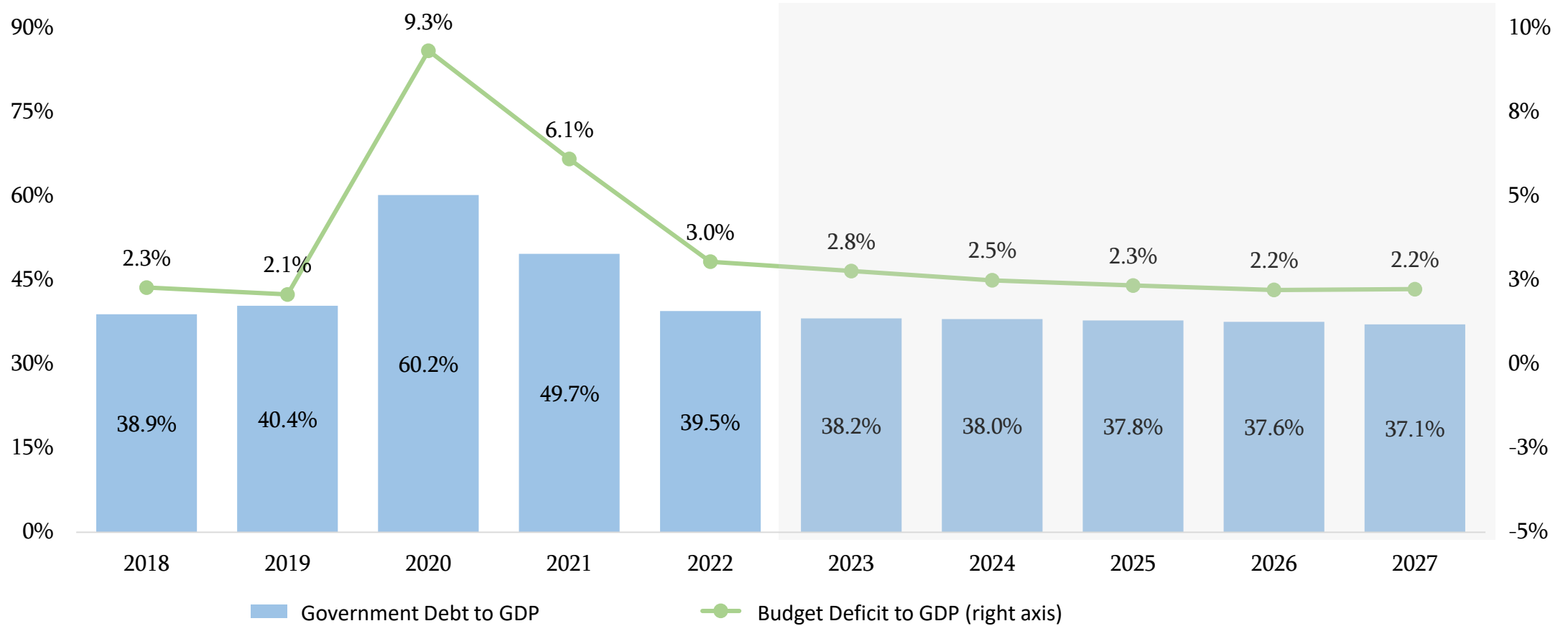


Strategic Directions of General Government Debt Management

1. Maintaining the government 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.

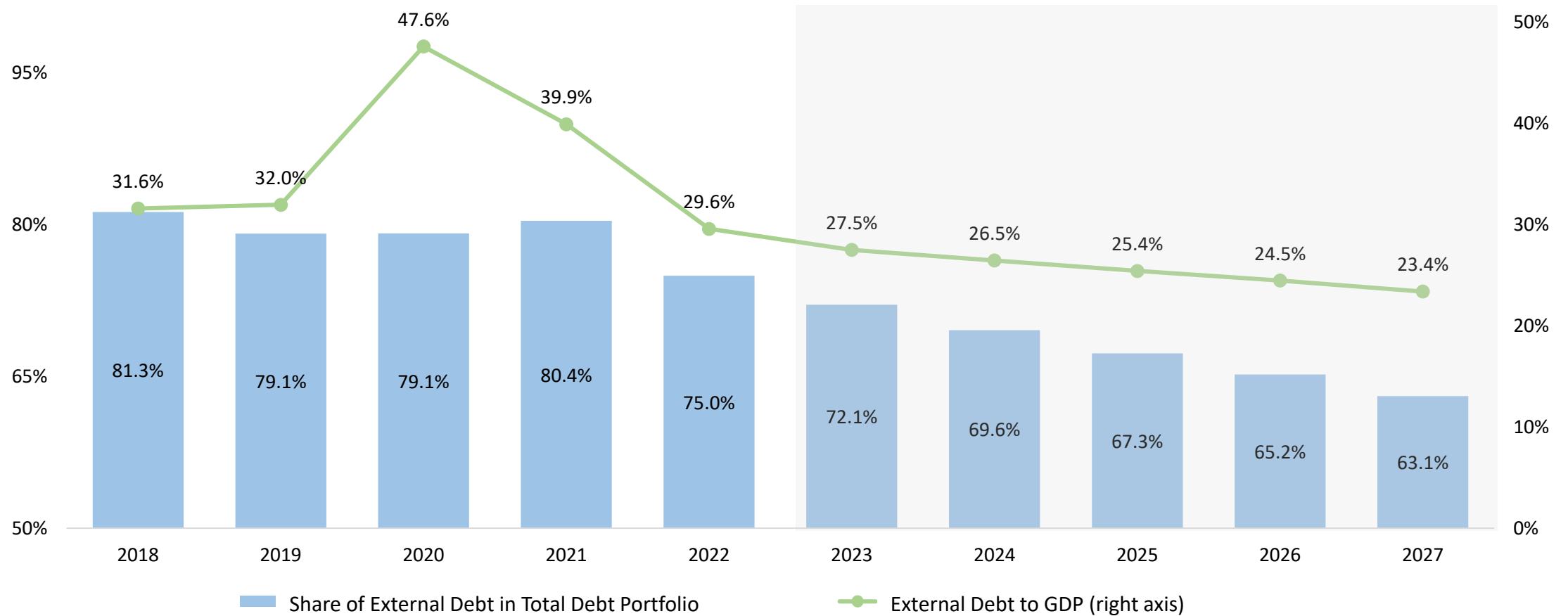


1. Maintaining the Government Debt to GDP Ratio at the Safe Level





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;
- Strengthening of the analytical measures.



5. Government Securities' Market Development

- Increase the market liquidity;
 - Concentrate the portfolio on several strong benchmarks;
 - Meet international index inclusion requirements (FTSE Frontier Emerging Markets Government Bond Index, JP Morgan GBI-EM);
 - Active usage of Liability Management Operations (Buy-back, Switch).
- Diversify investor base.
 - Investor relation strategy;
 - Development of the retail securities market.



Target Indicators



Target Indicators

Types of Risk	Indicators	2022 (Actual)	2023 (Preliminary)	2027 (Target)
Refinancing Risk	Debt maturing within 1 year (% of total) for total government debt	9.2%	9.9%	Max. 15.0%
	ATM for total government debt	7.4	7.0	Min. 5.5
	ATM for government domestic debt	2.8	2.9	Min. 3.0
Interest Rate Risk	Share of fixed-interest external debt in government external debt	52.0%	50.2%	Min. 50.0%
Exchange Rate Risk	Share of government domestic debt into total government debt	25.0%	27.9%	Min. 35.0%
Solvency Risk	Government debt to GDP ratio	39.5%	38.2%	Max. 40.0%



Target Indicators

Indicators	2022 (Actual)	2023 (Preliminary)	2027 (Target)
Limit on External Program Loans*	239 mln USD	111 mln USD	250 mln USD
Conversion of on-lent resources into market instruments	-	-	900 mln GEL
PIM-based investment loans*	100%	100%	100%
Program loans approved by the Fiscal Board of the Ministry of Finance	100%	100%	100%
Participation of non-resident investors in the local market	4.1%	2.9%	25%
Compliance with international index inclusion requirements	24.9%	52.3%	100%

*-Indicators are based on the operations carried out within a year

Thank You!