



MINISTRY OF FINANCE
MALE', REPUBLIC OF MALDIVES

ANNUAL BORROWING PLAN

2024

Table of Contents

S T R U C T U R E

03.

INTRODUCTION

04.

MEDIUM TERM DEBT
STRATEGY 2024-2026

06.

SUMMARY OF CENTRAL
GOVERNMENT FINANCING
REQUIREMENT

07.

BORROWING STRATEGIES

09.

SUMMARY OF CENTRAL
GOVERNMENT FINANCING
PLAN 2024

10.

CONTACT INFORMATION

ABBREVIATIONS

ABP

Annual Borrowing Plan

DCM

Debt Capital Market

GDP

Gross Domestic Product

IMF

International Monetary Fund

MTDS

Medium Term Debt
Management Strategy

RDC

Reverse Dual Currency

The **ANNUAL BORROWING PLAN** is geared to fulfill the debt management objectives by:

- ensuring the financing needs of the government are met on a timely basis;
- borrow at lowest possible cost and consistent with a prudent degree of risk;
- improve debt transparency and strengthen investor confidence;
- promoting and development of the domestic debt capital market; and
- pursuing any other actions considered to positively impact the public debt and fiscal stability of the country

As per the approved budget 2024, the deficit is MVR 14.08 billion, and principal repayment of external and domestic debt is MVR 2.23 billion. Hence, the financing requirement of the central government is MVR 16.31 billion, which is planned to be financed from domestic and external sources as follows:

- Domestic Sources: MVR 3.95 billion as Treasury Bills and Treasury Bonds
- External Sources: MVR 12.36 billion as Project loans, Sustainable Finance, Loans and Bonds

According to the IMF's World Economic Outlook October 2023, global economic growth is projected to decelerate to 2.9 percent in 2024, following a growth of 3.0 percent in the preceding year. Furthermore, emerging markets and developing economies are projected to have a modest decline in growth of 4.0 percent in 2024 similar to 2023. Global inflation is forecasted to decline steadily from 6.9 percent in 2023 to 5.8 percent in 2024 as a result of tighter monetary policy aided by lower international commodity prices.

MTDS 2024-2026

The primary goal of the MTDS is to effectively meet the government's financing requirements while minimizing costs and maintaining a prudent level of risk. Simultaneously, it aims to continue the development and diversification of the domestic debt market

In accordance with the Fiscal Responsibility Act (Law Number 7/2013), the government is obligated to present an MTDS Statement to the Public Accounts Committee of the People's Majlis by the end of July each year. This strategy has been prepared in accordance with the requirements stipulated in Article 22. The information includes the following:

- Targets for public debt
- Target for the ratio of total public debt to GDP
- Target ratio of external and domestic debt
- Ongoing and planned measures to mitigate risks associated with public debt
- Specifics regarding the utilization of borrowed funds

The preferred strategy was selected after comparison of strategies and assessing the relative costs and risks scenarios, financing sources, the measure of diversification required and the conditions of the international debt capital market. As such, the risks associated with the current debt portfolio remains unchanged from what was identified in the previous debt strategy for the period 2023-2025. Hence, the two major risks arising from exchange rate risk and refinancing risk from the previous strategy remain unaltered. Nonetheless, the current approach also details ways to mitigate these risks.

In addition, this strategy aims to reduce the share of external debt portfolio year by year. As a result, reducing the external debt and obtaining financing at a minimal cost would enable us to reduce the share of external debt in the medium term. The following section outlines the proposed activities for this strategy.

The proposed strategy is intended to achieve the government's debt management objectives and targets in the medium-term. The medium-term policies, aligned with the government's debt strategy as analyzed in the current MTDS, will play a vital role in the successful execution of this strategy. Therefore, despite existing challenges, the following factors are essential for the successful implementation of the government's MTDS:

- Development and publication of an ABP
- Vigilantly monitoring primary market practices and fostering strong relationships with market participants
- Assessing new financing options in alignment with the MTDS targets
- Conducting annual reviews of the MTDS due to uncertainties in the global economic outlook
- Continue implementation of debt management reform plan and other technical expert
- Advice to enhance the quality of public debt management
- Formulate and implement the Public Debt law

Aligned with the objectives of public debt management, this strategy focuses on reducing exchange rate risk, refinancing risk, minimizing interest costs and their impact on the budget, developing domestic debt market, and expanding investor relations the expected outcomes of the MTDS by the end of the implementation period are as follows:

- Assist in mitigating the refinancing risk associated with the maturity of the USD 500 million Sukuk in 2026
- Development of the domestic capital market
- Enhancing the domestic capital market liquidity thereby improving the government's financing capabilities
- Implementation of debt strategies which would minimize the risks to the debt portfolio
- Diversification of the debt portfolio

SUMMARY OF CENTRAL GOVERNMENT FINANCING REQUIREMENT

The financing requirement of the central government to finance the budget deficit and principal repayments is estimated to be MVR 16.31 billion, which 15.3% of GDP. Table 1 below shows the details of the financing requirement for 2024.

Table 1: Financing Requirement of Central Government for 2024

**MVR
(in millions)**

Expenditure

(A) Expenditure Excluding Principal Repayment and Interest

42,378.67

Revenue and Grants

(B) Revenue

32,270.97

(C) Grants

1,276.05

(D) Primary Balance [B+C-A]

(8,831.64)

(E) Interest Expenditure

5,244.03

(F) Overall Balance

(14,075.68)

(G) Principal Repayments

2,233.12

**(H) Financing Requirements
[D-E-G]**

(16,308.80)

BORROWING STRATEGIES

BORROWING FROM DOMESTIC SOURCES

For 2024, in line with Debt Management Strategy 2024 – 2026, Government envisages to diversify instrument mix to lengthen the maturity profile of the domestic debt portfolio. Below shows the range of instruments of different tenor with their respective issuance percentages with respect to total domestic financing:

80% **SHORT TERM SECURITIES**
28 Days, 98 Days, 182 Days, and 364 Days
Treasury Bills & Islamic Instruments

10% **MEDIUM TERM SECURITIES**
3 - 5 Years
Treasury Bonds and Sukuk

10% **LONG TERM SECURITIES**
7 Years or more
Treasury Bonds and Sukuk

The Government is committed to maintain zero financing from central bank (Maldives Monetary Authority) in accordance with Fiscal Responsibility Law. Government will therefore ensure that proactive cash management measures are implemented to always meet its liquidity requirements.

BORROWING STRATEGIES

BORROWING FROM EXTERNAL RESOURCES

For 2024, in line with Debt Management Strategy 2024 – 2026, Government aims to maximize the utilization of concessional financing from Multilateral & Bilateral partners. Government will also borrow from commercial sources and DCM. Below shows the range of instruments the Government planned to borrow along with their respective percentages with respect to total external financing

38% PROJECT LOANS

56% BUDGET SUPPORT LOANS, BONDS AND
SUKUK

6% GREEN OR BLUE BOND

To diversify the debt portfolio and leverage on various investor groups, the MTDS 2024 – 2026 is formulated to issue Eurobonds, Sustainable bonds, and Sukuks depending on the market conditions.

SUMMARY OF CENTRAL GOVERNMENT FINANCING PLAN 2024

Based on the above, the Government proposes the following financing plan for the 2024 financing requirements

Table 2: Summary of Central Government Financing Plan 2024

**MVR
(in millions)**

Domestic Sources

Treasury Bills, Wakalah Bi Al-Istithmar	3,144.22
Treasury Bonds	800.00

External Sources

Project Loans	4,654.58
Budget Support Loans, Bonds, Sukuk	6,939.00
Green or Blue Bond	771.00

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