

# 2021 ANNUAL BORROWING PLAN

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## 1. General description

The 2021 Annual Borrowing Plan has been developed in accordance with the targets and benchmark indicators of the 2021-2023 Medium-Term Government Debt Management Strategy and is based on the macroeconomic and fiscal frameworks applied for the preparation of the 2021 State Budget of the Republic of Armenia.

The main indicators of 2021 State Budget of RA

<i>Indicators</i>	<i>2021</i>
GDP, AMD billion	6,395.3
Real growth, %	3.2
GDP deflator, %	2.0
State Budget revenues, AMD billion	1,509.5
State Budget expenditures, AMD billion	1,850.9
State Budget deficit, AMD billion	(341.4)
State Budget deficit/GDP, %	(5.3)
USD / AMD exchange rate	493.76

2021-2023 Medium-Term Government Debt Management Strategy adopted on July 10, 2020 was based on quite different macroeconomic and fiscal frameworks.

## 2. Deficit financing sources

The deficit of the 2021 State Budget is projected to AMD 341.4 billion, and it is planned that AMD 138.7 billion will be financed from domestic sources, and AMD 202.7 billion from external sources.

2021 state budget deficit financing sources are the following:

	<i>AMD billion</i>
<b>Total deficit</b>	<b>341.4</b>
including:	
<b>Domestic sources</b>	<b>138.7</b>
of which:	
<b>Net borrowings</b>	<b>209.9</b>
Proceeds from allocation of treasury bonds	369.6
Treasury bonds redemption/buyback	(159.6)
Redemption of promissory notes	(0.1)
<b>Net financial assets</b>	<b>(71.2)</b>
Provision of loans and borrowings (net)	(45.2)
Use of the stabilization deposit account	(26.0)
<b>External sources</b>	<b>202.7</b>
of which:	
<b>Net borrowings</b>	<b>268.1</b>
Receipt of loans and borrowings	152.2
Redemption of the received loans and borrowings	(126.1)
Proceeds from allocation of Eurobond	241.9
Eurobond redemption/buyback	-
<b>Net financial assets</b>	<b>(65.3)</b>
Provision of loans and borrowings (net)	(63.9)
Acquisition of stocks and other participation in equity	(1.4)

## 3. Debt instruments for deficit financing

In 2021, it is planned to finance the State Budget deficit through net borrowings in the amount of AMD 478.1 billion, of which AMD 210.0 billion through Treasury bonds, AMD 26.1 billion through external loans and AMD 241.9 billion through Eurobonds.

### 3.1. Deficit financing by Treasury bonds

The budget deficit financing by Treasury bonds will be done through short-term (3, 6, 9 and 12 months), medium-term (3 and 5 years), long-term (10 and 30 years) and savings bonds.

Auctions of T-Bills with tenor of 52, 39, 26 and 13 weeks will be organized at least once in every two months. The possibility of setting T-Bills with tenor of 6 months as a benchmark will be analysed through increasing their volumes.

New T-Notes with tenor of 3 and 5 years will be issued on 29 April, 2021.

T-Bonds due to 29 October 2031 (issued on 29 October 2020) and T-Bonds due to 29 October 2050 (issued on 29 October 2019) will be allocated during 2021 year.

### Treasury bonds auctions calendar

January 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
1					1	2	3
2	4	5	6	7	8	9	10
3	11	12	13	14	15	16	17
4	18	19	20	21	22	23	24
5	25	26	27	28	29	30	31

February 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
6	1	2	3	4	5	6	7
7	8	9	10	11	12	13	14
8	15	16	17	18	19	20	21
9	22	23	24	25	26	27	28

March 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
10	1	2	3	4	5	6	7
11	8	9	10	11	12	13	14
12	15	16	17	18	19	20	21
13	22	23	24	25	26	27	28
14	29	30	31				

April 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
14				1	2	3	4
15	5	6	7	8	9	10	11
16	12	13	14	15	16	17	18
17	19	20	21	22	23	24	25
18	26	27	28	29	30		

May 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
18						1	2
19	3	4	5	6	7	8	9
20	10	11	12	13	14	15	16
21	17	18	19	20	21	22	23
22	24	25	26	27	28	29	30
23	31						

June 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
23		1	2	3	4	5	6
24	7	8	9	10	11	12	13
25	14	15	16	17	18	19	20
26	21	22	23	24	25	26	27
27	28	29	30				

July 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
27				1	2	3	4
28	5	6	7	8	9	10	11
29	12	13	14	15	16	17	18
30	19	20	21	22	23	24	25
31	26	27	28	29	30	31	

August 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
31							1
32	2	3	4	5	6	7	8
33	9	10	11	12	13	14	15
34	16	17	18	19	20	21	22
35	23	24	25	26	27	28	29
36	30	31					

September 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
36			1	2	3	4	5
37	6	7	8	9	10	11	12
38	13	14	15	16	17	18	19
39	20	21	22	23	24	25	26
40	27	28	29	30			

October 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
40					1	2	3
41	4	5	6	7	8	9	10
42	11	12	13	14	15	16	17
43	18	19	20	21	22	23	24
44	25	26	27	28	29	30	31


  

November 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
45	1	2	3	4	5	6	7
46	8	9	10	11	12	13	14
47	15	16	17	18	19	20	21
48	22	23	24	25	26	27	28
49	29	30					

December 2021							
Week	MON	TUE	WED	THU	FRI	SAT	SUN
49			1	2	3	4	5
50	6	7	8	9	10	11	12
51	13	14	15	16	17	18	19
52	20	21	22	23	24	25	26
53	27	28	29	30	31		



- Short-term
- Medium-term
- Long-term

The information about the indicative volume and tenor of the auctions will be published quarterly.

The information about the volume (range) and tenor of bonds subject to allocation will be published prior to each auction, after the discussion with Primary Dealers.

Due to market conditions the Ministry of Finance can change current auctions calendar or cancel the dates of auctions, after the discussion with Primary Dealers.

Additional T-Bills issuances can be done as well; moreover, issuances with maturity period of up to 3 weeks can be done for cash flow management purposes, whereas issuances with maturity period of 3-12 months can be done in frames of coordination of the fiscal and monetary policies.

April 29 and October 29 are reserve auction dates (interest payments and redemption of coupon bonds are consolidated on these dates).

The Ministry can announce additional auction dates due to borrowing needs and market trends.

Treasury bonds buybacks are also planned during 2021. In 2021, the 70-80% of the buybacks is planned for smoothening the redemption profile, and 20-30% - for enhancing the liquidity. As a rule, treasury bonds buybacks will be carried out on mid-term and long-term treasury bonds auction dates. During the placement period of each issue, the Ministry of Finance does not implement buyback of those bonds (on-the-run).

The list of benchmark bonds is published quarterly, 10 days before each quarter on the official website of the Ministry of Finance ([www.minfin.am](http://www.minfin.am)).

### **3.2. Deficit financing by external loans**

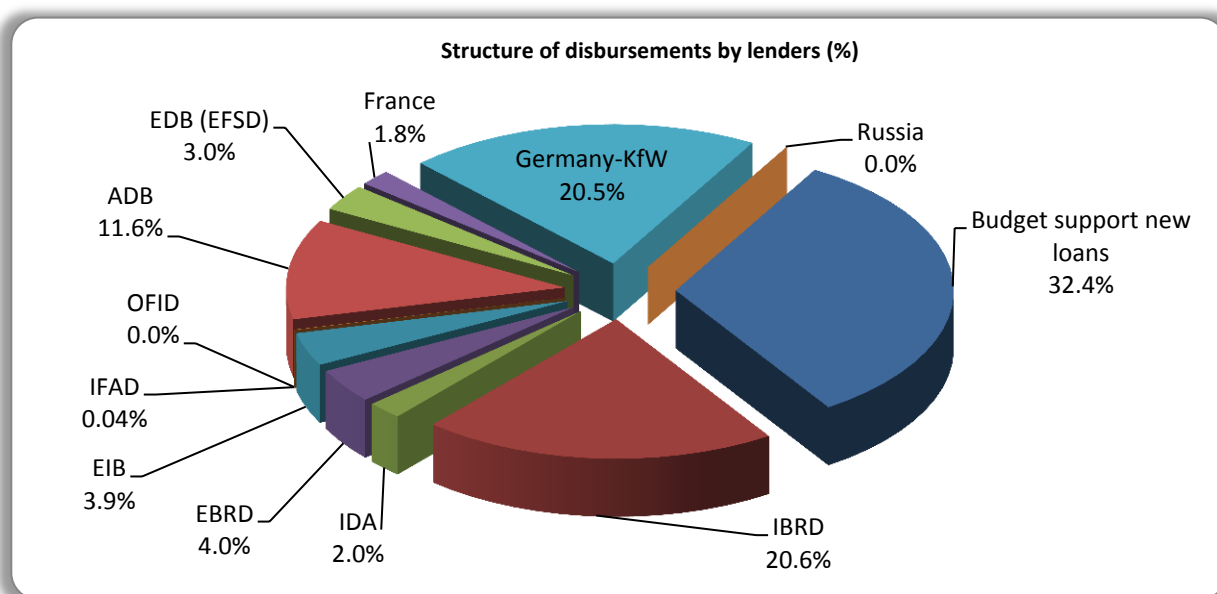
For financing the State Budget deficit in 2021, it is planned to disburse AMD 152.2 billion (USD 308.2 million) from external loans<sup>1</sup>. Moreover, disbursements from project loans will be AMD 102.8 billion (USD 208.2 million) and disbursements from budget support loans will amount to AMD 49.4 billion (USD 100.0 million).

32.4% of 2021 disbursements will be made from new budget support loans, 22.6% from World Bank (IBRD and IDA) loans, 20.5% from German KfW loans and 11.6% disbursements will be made from Asian Development Bank loans.

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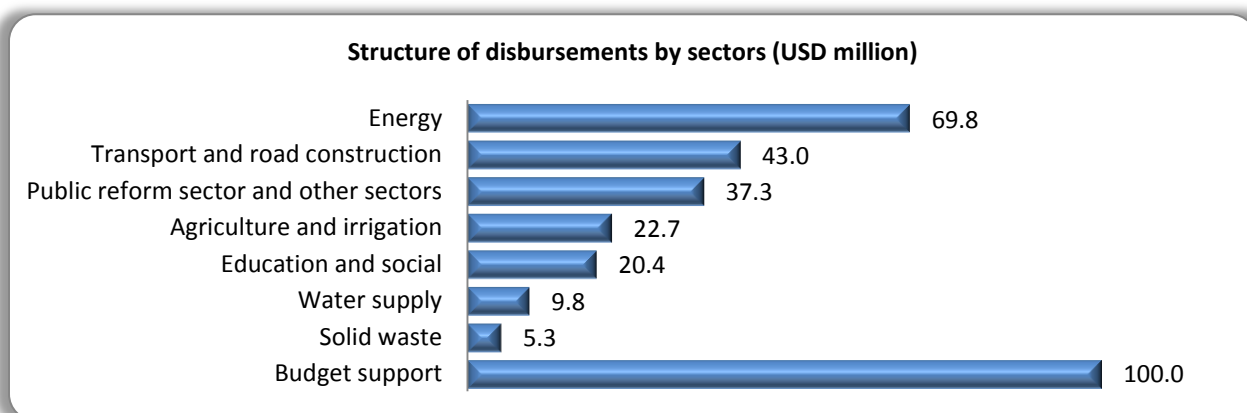
<sup>1</sup> The difference between the deficit financing from external loans and the disbursements from external loans is caused by the residual cash available on the special accounts opened in frames of the corresponding loan programs.

The structure of disbursements by lenders is as follows:

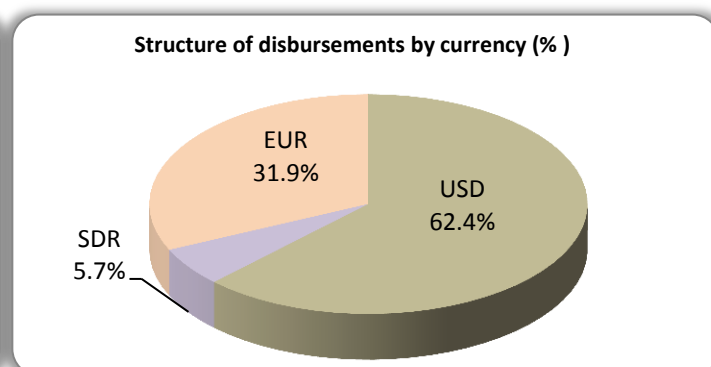
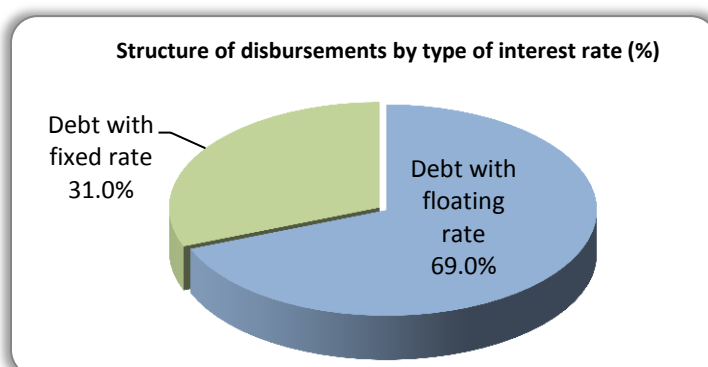


In 2021 the largest volume of disbursements from project loans is planned from KfW Caucasus Transmission Network Project (USD 48.1 million).

The structure of disbursements by sectors is as follows:



In 2021, the largest share of disbursements (62.4%) will be made from the loans provided in USD.



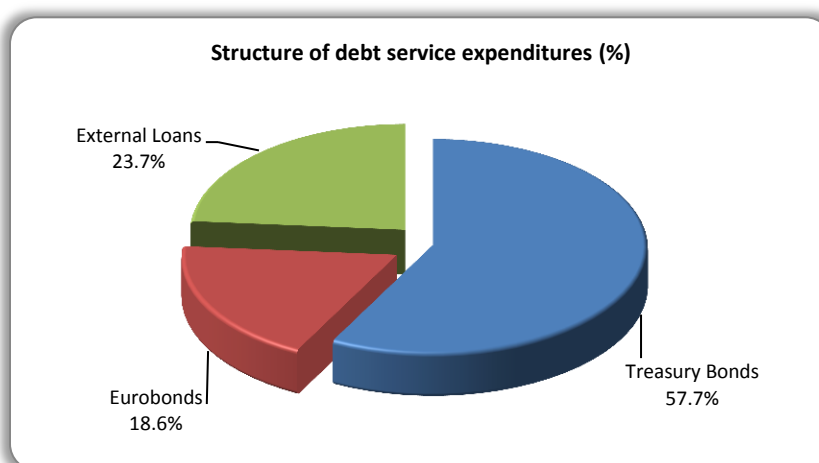
### 3.3. Deficit financing by Eurobonds

In 2021 it is planned to borrow USD 500.0 million from international capital markets, the proceeds of which are projected to AMD 241.9 billion.

## 4. Redemption and servicing of Government debt

In 2021, AMD 480.4 billion is required for the redemption and servicing of the government debt, of which the redemptions of the debt will constitute AMD 285.7 billion, and the interest payments - AMD 194.7 billion.

<i>AMD billion</i>	<i>Redemption</i>	<i>Interest payment</i>	<i>Total</i>
Treasury bonds	159.6 <sup>2</sup>	112.3	271.9
Eurobonds	-	36.3	36.3
External loans	126.1	46.2	172.3
<b>Total</b>	<b>285.7</b>	<b>194.7</b>	<b>480.4</b>



Interest and redemption expenditures for Government foreign currency denominated debt are calculated based on FX market average exchange rates as of November 2, 2020 (applying adjustment indicator, as actual payments will be conducted based on CBA sell exchange rate for transaction date, and planned on the assumptions that 6-month USD Libor rate will be in average 1.0%, 6-month Euribor rate will not exceed zero level and SDR rate will be 1.2%).

AMD 28.0 billion of total redemption amount of the Treasury bonds (AMD 159.6 billion) is planned for buybacks of bonds.

<sup>2</sup> The figure includes AMD 28bln amount planned for buybacks.

It is planned to pay AMD 172.2 billion (USD 348.8 million) for the redemption and servicing of external loans. The structure of the planned payments by lenders is as follows:

USD million	Interest payment	Redemption	Total
International Bank for Reconstruction and Development	19.9	13.1	3.0
International Development Association	10.5	76.7	87.2
European Bank for Reconstruction and Development	0.6	4.0	4.6
European Investment Bank	2.2	4.8	7.1
International Fund for Agricultural Development	0.7	4.1	4.8
OPEC Fund for International Development	2.1	5.3	7.4
Asian Development Bank	16.8	45.6	62.4
European Union	2.7	-	2.7
International Monetary Fund	6.3	19.6	25.9
Eurasian Development Bank	7.3	0.1	7.4
Germany (KfW)	6.5	22.1	28.6
Russian Federation	11.6	40.0	51.6
France	1.9	1.6	3.5
USA	0.3	1.9	2.1
Japan	2.0	11.6	13.6
Abu Dhabi Fund for Development	0.1	0.7	0.8
Export-Import Bank of China	0.5	1.7	2.1
KBC Bank (Belgium)	0.0	0.6	0.6
Raiffeisen Bank (Austria)	0.1	1.1	1.1
Erste Bank (Austria)	0.1	0.8	0.9
Budget support new loans	1.4	-	1.4
<b>Total</b>	<b>93.5</b>	<b>255.3</b>	<b>348.8</b>

The 2021 expenditures for Eurobond service will amount to USD 73.4 million, planned for outstanding bonds' coupon payments.

## 5. Government debt at the end of 2021

Due to 2021 State Budget projections, the Government debt of Armenia will constitute AMD 4,222 billion or 66.0% of the GDP at the end of 2021, which will decrease by 4.5 pp. against 2020 Debt/GDP ratio. Debt/GDP projections differ from the figures of 2021-2023 Medium-Term Government Debt

Management Strategy mainly due to the differences in macroeconomic and fiscal frameworks, exchange rate projections, as well as liability management operations executed by the Government.

	As of 31.12.2019	As of 31.12.2020	As of 31.12.2021
Government debt, AMD billion	3 277	3 739	4 222
Government debt, USD million	6 832	7 572	8 551
Government debt, % to GDP	49.9	61.5	66.0

Government debt benchmark indicators set in 2021-2023 Medium-Term Government Debt Management Strategy will be the following at the end of 2021.

	Benchmark	2021 (projection)
<b>Refinancing risk</b>		
Average time to maturity	<b>8 – 11 years</b>	8.4 years
Share of the Treasury bonds maturing in 1 year in the outstanding Treasury bonds (at the end of the year)	<b>max 20%</b>	10.3%
<b>Interest rate risk</b>		
Share of Fixed Rate Debt in total debt	<b>min 80%</b>	80.7%
<b>Exchange rate risk</b>		
Share of domestic debt in total debt	<b>min 25%</b>	29.5%
Share of AMD denominated debt in total debt	<b>min 25%</b>	27.9%

In 2021 it is planned to increase the share of Treasury Bonds in Government debt structure, which is projected to be 27.9%.

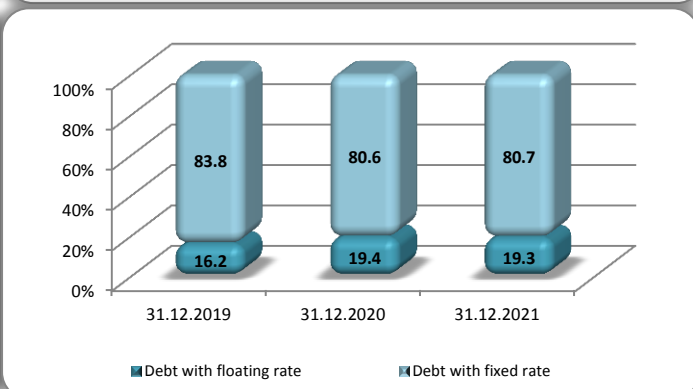
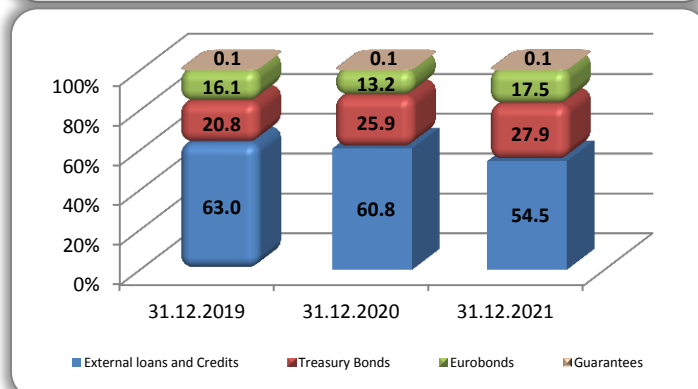
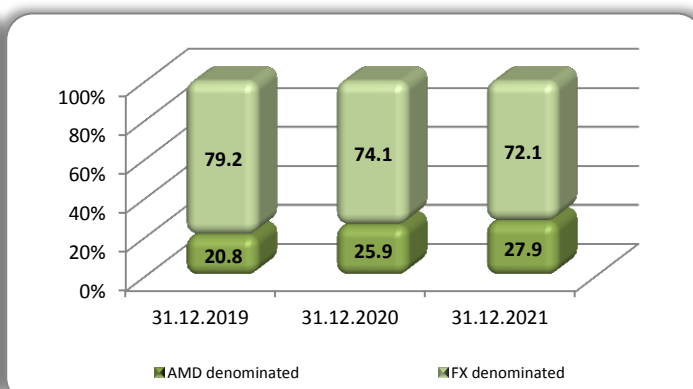
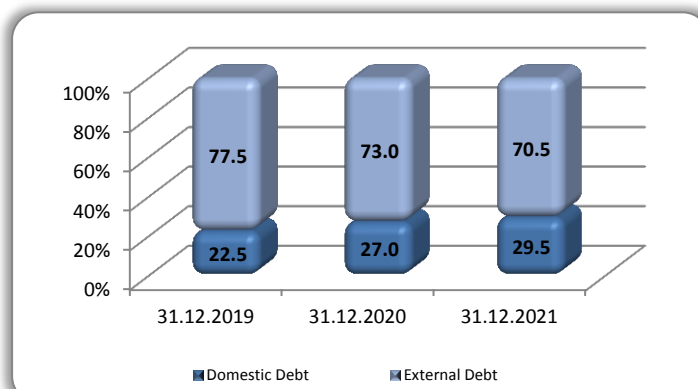
The Government debt will have the following structure:

	As of 31.12.2019	As of 31.12.2020	As of 31.12.2021
<b>Structure by residency, AMD billion*</b>			
Domestic Debt	737	1 011	1 243
External Debt	2 540	2 728	2 978
<b>Structure by type of instruments, AMD billion</b>			
External loans and Credits	2 066	2 273	2 299
Treasury Bonds	681	968	1 178
Eurobonds	527	494	741
External Guarantees	4	4	4
Domestic Guarantees	-	-	-
<b>Structure by currency, AMD billion</b>			
AMD denominated	681	968	1 178
FX denominated	2 596	2 771	3 044

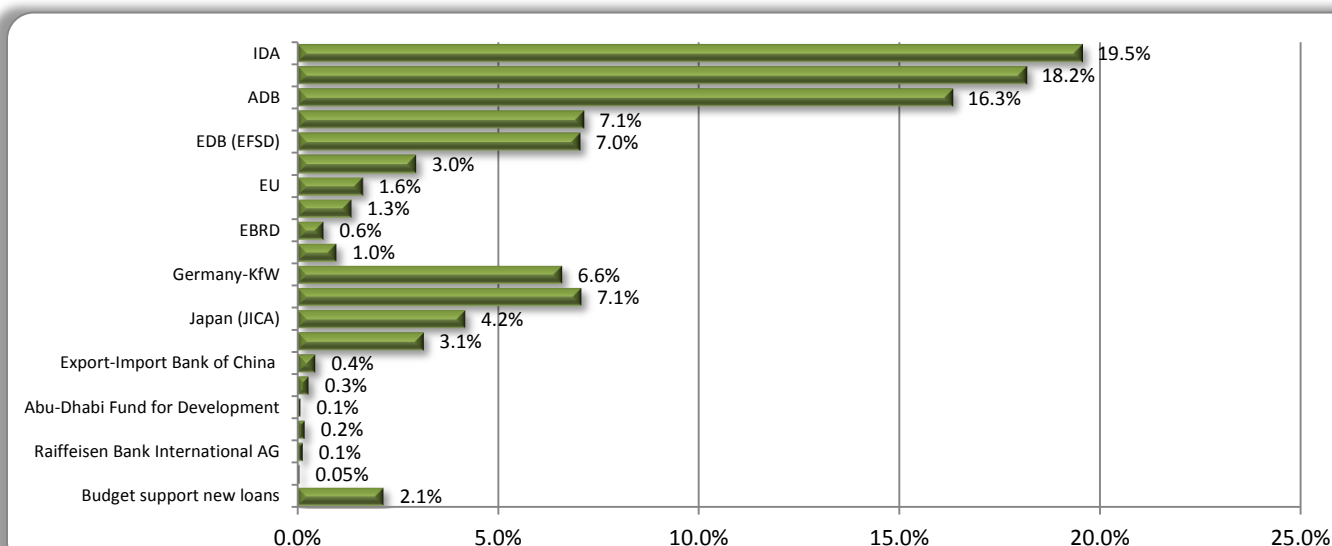


	As of 31.12.2019	As of 31.12.2020	As of 31.12.2021
<b>Structure by type of interest rate, AMD billion</b>			
Floating	530	727	814
Fixed	2 747	3 012	3 407

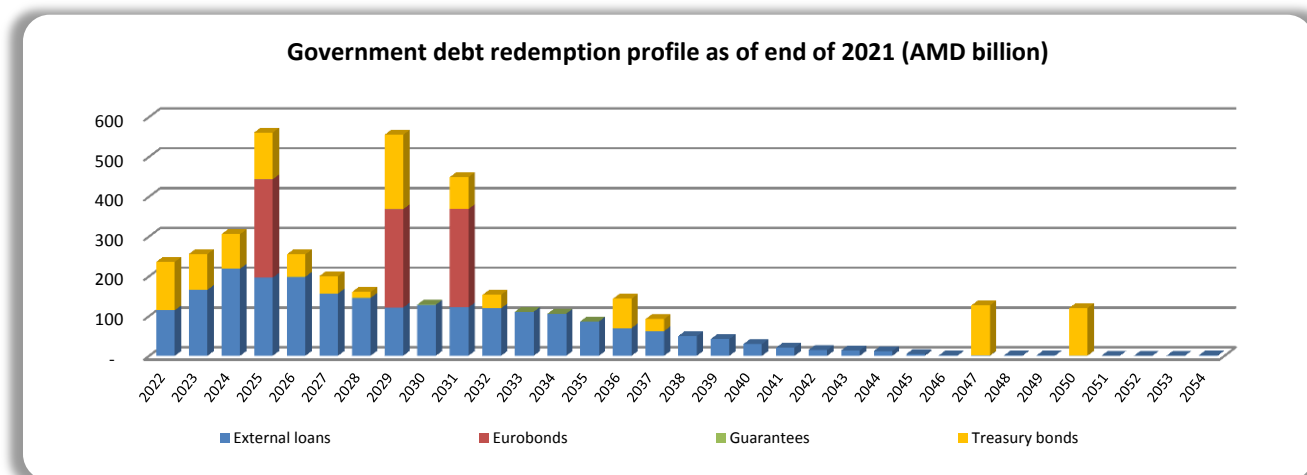
\* 2020 and 2021 figures of Treasury Bonds and Eurobonds are based on actual shares by residency as of October 31, 2020.



The World Bank's (IBRD and IDA) share in external loans of Government outstanding debt will be 37.7% at the end of 2021. Government external loans structure by lenders will be the following:



As of the end of 2021 the Government debt redemption profile will be scattered until 2054.



In 2021, the weighted average interest rate of Government debt will be 4.7%. The Government debt servicing expenditures will be 3.0% of GDP.

	2019	2020	2021
<b>Government Debt Service (Interest Payments), AMD billion</b>	157.5	166.7	194.7
% of GDP	2.4	2.7	3.0
<b>Weighted average interest rate of Government debt, %</b>	4.8	4.9	4.7