



FY2020/21 BORROWING STRATEGY SUMMARY

The Funding Strategy serves to outline the optimal approach to meeting the Government's financing requirements, as illustrated in the national budget. The budget deficit increased exponentially during FY2020/21 owing to the COVID-19 pandemic and the ensuing economic shocks from the instituted containment measures. Total expenditure increased by 7.1 percent from the previous year while revenue is projected to fall some 11.8 percent. Consequently, the budget deficit more than doubled from an estimated N\$9.7 billion in FY2019/20 to a record N\$21.4 billion in the current financial year. Similarly, as a ratio of GDP, the deficit increased 2.5 times from 4.9 percent to 12.5 percent. The stock of public debt is projected to increase from 50.7 percent of GDP to 68.7 percent in FY2020/21. This is close to double the self-imposed debt threshold of 35 percent.

The borrowing requirement for the FY2020/21 stands at N\$21.4 billion (Table 1). Of this amount, N\$10.4 billion will be sourced from the domestic market, while the remainder will be funded from cash reserves and borrowing from Multilateral institutions.

Table 1: Borrowing Requirements FY2020/21 (N\$ million)

N\$ million	FY2020/21
Total Revenue	51,397
Total Expenditure	-72,772
Budget deficit	-21,375
Net Borrowing Requirement	-21,375

Domestic Market Instruments

1.1. Treasury Bills

The FY2019/20 borrowing plan has allocated **N\$3.1 billion to Treasury Bills, representing 30 percent of the domestic borrowing requirement.** The allocations amongst the Treasury bills have been carried out in accordance with the market's input, amidst the cognisance of the elevated roll-over risk. Finally, the existing balances on Treasury bills will be rolled over on a continuous basis. Table 2 illustrates the TB allocations across the different tenors.

Table 2: Treasury Bills allocation (N\$ million)

	FY2020/21
GT-91	200
GT-182	350
GT-273	610
GT-365	1,980
Total	3,140

1.2. Inflation Linked Bonds

Given prevailing benign inflation environment, only N\$360.0 million of the total domestic be sourced from inflation-linked bonds. Given the large outstanding amounts on the GI22 and GI25 and concentration of debt that falls due in the period between period 2020-2025, these bonds will remain off the run and will not be offered at the primary auctions. Linkers auctions will commence during August 2020 as per revised issuance calendar.

Table 2: Inflation-Linked Bond issuance (N\$ million)

ILB's	FY2020/21
GI29	120
GI33	120
GI36	120
Total	360

1.3. Fixed-rate Bonds

The remaining balance of N\$7.1 billion was allocated between the fixed-rate bonds. The GC27 will be off-the-run from this current fiscal year and will be issued for the last time on 22 July 2020. In addition, investors will be given the opportunity to invest in the GC22, GC24 and GC25

which are currently off the run will be reopened during the Jul bond auction. The FY2020/21 borrowing plan introduces a new fixed-rate bond, the GC26, which will be first issued on 22 July 2020 and will mature on the 15 April 2026 (see attached bond details). The ten (10) active plain-vanilla bonds, coupled with the 3 (three) inflation-linked bonds and Treasury bills, are deemed enough to sustain the funding activities in the primary domestic market, while providing investors with diverse investment instruments.

Switch auctions for the GC21 and GC22 will commence during FY2020/21. The next switch auction for the GC21 is scheduled 05 August 2020, GC22 switch will start during the second half of the fiscal year. The GC21 falls due on 15 October 2021, while the GC22 matures on 15 January 2022. The outstanding balances on the GC21 and GC22 are N\$934.2 million and N\$2.8 billion, respectively.

Table 3: Fixed-Rate Bond issuance (N\$ million)

	FY2020/21
GC22	150
GC23	1,090
GC24	150
GC25	150
GC26	630
GC27	250
GC30	650
GC32	686
GC35	650
GC37	553
GC40	519
GC43	575
GC45	495
GC50	565
Total	7,113

In summary the FY2020/21 budget deficit will be funded as follows;

- Treasury bills worth N\$3.1 billion
- Fixed-rate bonds worth N\$7.1 billion
- Inflation-linked bonds worth N\$360.0 billion on
- Switch auctions for the GC21 and GC22
- Introduction of three new bond GC26

Borrowing Plan 2020/21 (N\$ million)

Net Issues	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
GT-91	0	12	50	50	38	0	50	0	0	0	0	0	200
GT-182	0	0	0	100	50	50	100	50	0	0	0	0	350
GT-273	0	100	50	50	40	100	50	70	50	100	0	0	610
GT-364	0	590	550	50	550	0	0	90	50	100	0	0	1,980
Net Issuance of T-Bills	0	702	650	250	678	150	200	210	100	200	0	0	3,140
Fixed-rate Bonds	1013	415	465	1500	465	465	465	465	465	465	465	465	7,113
GC20	0	0	0	0	0	0	0	0	0	0	0	0	0
GC21	0	0	0	0	0	0	0	0	0	0	0	0	0
GC22	0	0	0	150	0	0	0	0	0	0	0	0	150
GC23	500	60	50	80	50	50	50	50	50	50	50	50	1090
GC24	0	0	0	150	0	0	0	0	0	0	0	0	150
GC25	0	0	0	150	0	0	0	0	0	0	0	0	150
GC26	0	0	0	150	60	60	60	60	60	60	60	60	630
GC27	0	50	50	150	0	0	0	0	0	0	0	0	250
GC30	100	45	45	100	45	45	45	45	45	45	45	45	650
GC32	106	40	50	90	50	50	50	50	50	50	50	50	686
GC35	80	40	50	80	50	50	50	50	50	50	50	50	650
GC37	63	40	50	80	40	40	40	40	40	40	40	40	553
GC40	39	40	40	80	40	40	40	40	40	40	40	40	519
GC43	50	40	45	80	45	45	45	45	45	45	45	45	575
GC45	25	30	40	80	40	40	40	40	40	40	40	40	495
GC50	50	30	45	80	45	45	45	45	45	45	45	45	565
Inflation-linked Bonds	0	0	0	0	45	45	45	45	45	45	45	45	360
GI22	0	0	0	0	0	0	0	0	0	0	0	0	0
GI25	0	0	0	0	0	0	0	0	0	0	0	0	0
GI29	0	0	0	0	15	15	15	15	15	15	15	15	120
GI33	0	0	0	0	15	15	15	15	15	15	15	15	120
GI36	0	0	0	0	15	15	15	15	15	15	15	15	120
Net Issuance of Bonds	1,013	415	465	1,500	510	510	510	510	510	510	510	510	7,473
TOTAL	1,013	1,117	1,115	1,750	1,188	660	710	720	610	710	510	510	10,613

End of Month balances	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year-End
T-91	2,300	2,312	2,362	2,412	2,450	2,450	2,500	2,500	2,500	2,500	2,500	2,500	2,500
T-182	4,270	4,270	4,270	4,370	4,420	4,470	4,570	4,620	4,620	4,620	4,620	4,620	4,620
T-273	7,890	7,990	8,040	8,090	8,130	8,230	8,280	8,350	8,400	8,500	8,500	8,500	8,500
T-365	10,090	10,680	11,230	11,280	11,830	11,830	11,830	11,920	11,970	12,070	12,070	12,070	12,070
T-Bills	24,550	25,252	25,902	26,152	26,830	26,980	27,180	27,390	27,490	27,690	27,690	27,690	27,690
GC21	934	934	934	934	934	934	934	934	934	934	934	934	934
GC22	2,830	2,830	2,830	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980
GC23	2,611	2,671	2,721	2,801	2,851	2,901	2,951	3,001	3,051	3,101	3,151	3,201	3,201
GC24	3,524	3,524	3,524	3,674	3,674	3,674	3,674	3,674	3,674	3,674	3,674	3,674	3,674
GC25	3,396	3,396	3,396	3,546	3,546	3,546	3,546	3,546	3,546	3,546	3,546	3,546	3,546
GC26	-	-	-	150	210	270	330	390	450	510	570	630	630
GC27	3,955	4,005	4,055	4,205	4,205	4,205	4,205	4,205	4,205	4,205	4,205	4,205	4,205
GC30	3,521	3,566	3,611	3,711	3,756	3,801	3,846	3,891	3,936	3,981	4,026	4,071	4,071
GC32	2,861	2,901	2,951	3,041	3,091	3,141	3,191	3,241	3,291	3,341	3,391	3,441	3,441
GC35	2,487	2,527	2,577	2,657	2,707	2,757	2,807	2,857	2,907	2,957	3,007	3,057	3,057
GC37	2,140	2,180	2,230	2,310	2,350	2,390	2,430	2,470	2,510	2,550	2,590	2,630	2,630
GC40	2,292	2,332	2,372	2,452	2,492	2,532	2,572	2,612	2,652	2,692	2,732	2,772	2,772
GC43	478	518	563	643	688	733	778	823	868	913	958	1,003	1,003
GC45	1,984	2,014	2,054	2,134	2,174	2,214	2,254	2,294	2,334	2,374	2,414	2,454	2,454
GC50	488	518	563	643	688	733	778	823	868	913	958	1,003	1,003
Bonds	33,503	33,918	34,383	35,883	36,348	36,813	37,278	37,743	38,208	38,673	39,138	39,603	39,603
GI22	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
GI25	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963	1,963
GI29	871	871	871	871	886	901	916	931	946	961	976	991	991
GI33	519	519	519	519	534	549	564	579	594	609	624	639	639
GI36	249	249	249	249	264	279	294	309	324	339	354	369	369
Inflation-linked bonds	5,902	5,902	5,902	5,902	5,947	5,992	6,037	6,082	6,127	6,172	6,217	6,262	6,262
TOTAL	63,955	65,072	66,187	67,937	69,125	69,785	70,495	71,215	71,825	72,535	73,045	73,555	73,555