MINISTRY OF FINANCE OF THE REPUBLIC OF ARMENIA

2023 ANNUAL

BORROWING PLAN

December 22, 2022

Contents

1. General description

The 2023 annual borrowing plan presents the structure and the volumes of 2023 State budget deficit financing, the description of Government debt redemption and servicing, as well as the projection of Government debt as of the end of 2023 and its indicators.

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The 2023 annual borrowing plan has been developed in accordance with the targets and benchmark indicators of 2023-2025 Government Debt Management Strategy and 2022-2026 Government Debt Reduction Updated Program, and is based on the macroeconomic and fiscal frameworks applied for the drafting of the 2023 State Budget.

The main indicators of 2023 State Budget of RA:

Indicators	2023 (State Budget)
GDP, AMD billion	9,317.9
Real growth, %	7.0
GDP deflator, %	5.0
State Budget revenues, AMD billion	2,302.0
State Budget revenues/GDP, %	24.7
State Budget expenditures, AMD billion	2,591.0
State Budget expenditures/GDP, %	27.8
State Budget deficit, AMD billion	(288.9)
State Budget deficit/GDP, %	(3.1)
USD/AMD exchange rate	395.2

2. Gross financing needs and deficit financing sources

According to general indicators of 2023 State Budget, the gross financing needs will be AMD 745.2 billion.
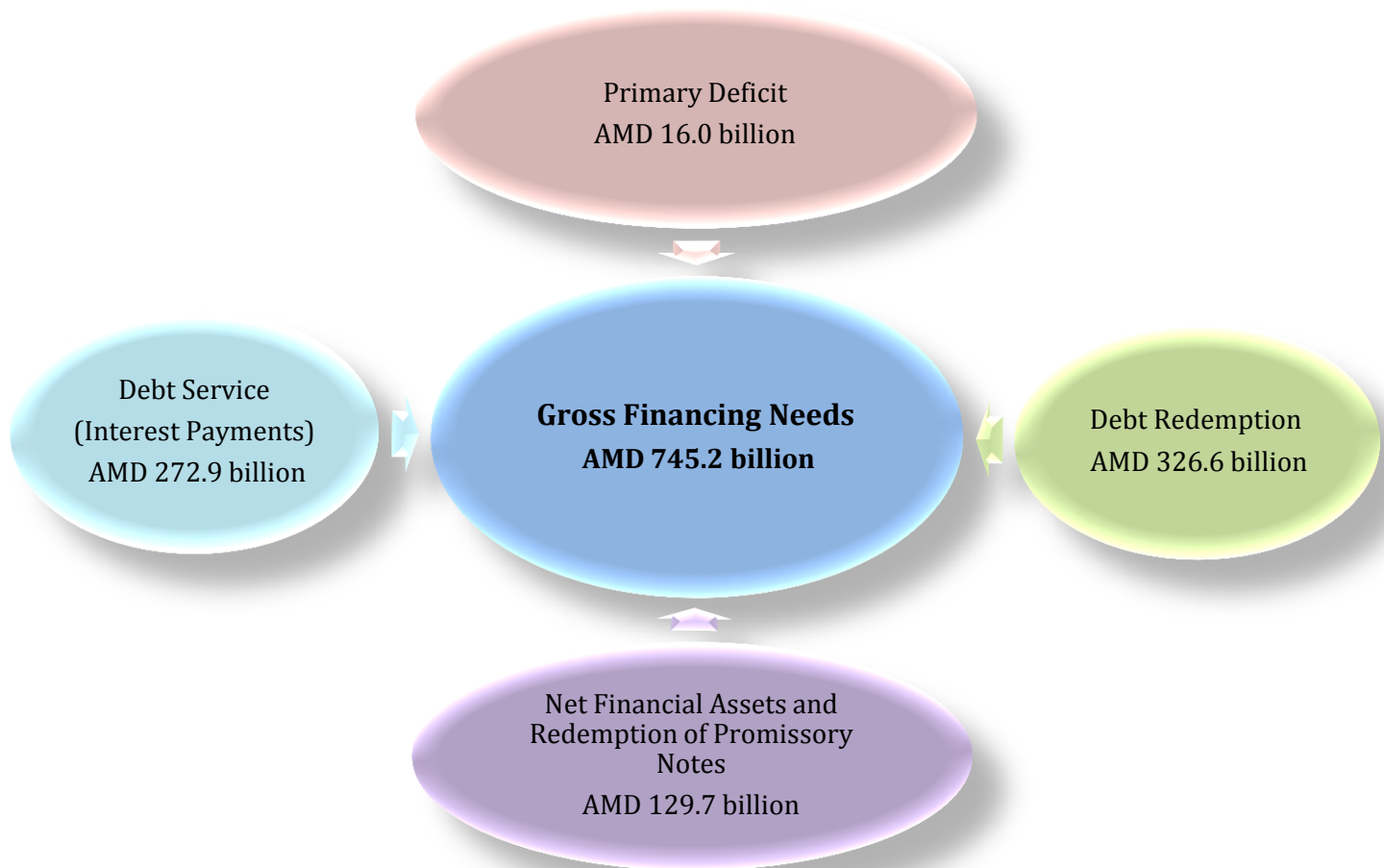
It is planned to finance 65.2% of gross financial needs through the domestic borrowings, and 34.8% through the external borrowings. The proceeds from Treasury Bonds placements are projected to AMD 485.8 billion, and the disbursements from external loans will be AMD 259.4 billion.

The deficit of the 2023 State Budget is projected to AMD 288.9 billion, and it is planned that AMD 302.8 billion will be financed from domestic sources, and AMD (13.9) billion from external sources.

2023 State Budget deficit financing sources are the following:

Financing sources, AMD billion	2023 (State Budget)
Total deficit	**288.9**
including:	
Domestic sources	**302.8**
of which:	
Net borrowings	**295.2**
Proceeds from allocation of treasury bonds	485.8
Treasury bonds redemption/buyback	(190.6)
Redemption of promissory notes	(0.007)
Net financial assets	**7.6**
Provision of loans and borrowings (net)	(8.1)
Free residue of 2022 State Budget at the beginning of the year	19.7
Use of the stabilization deposit account	(4.0)
Other	**(13.9)**
External sources	
of which:	
Net borrowings	**123.4**
Receipt of loans and borrowings	259.4
project loans	121.4
budget support loans	137.9
Redemption of the received loans and borrowings	(136.0)
Proceeds from allocation of Eurobond	-
Eurobond redemption/buyback	-
Net financial assets	**(137.3)**
Provision of loans and borrowings (net)	(135.6)
Acquisition of stocks and other participation in equity	(1.6)

3. Debt instruments for deficit financing

In 2023, it is planned to finance the state budget deficit through net borrowings in amount of AMD 418.6 billion, of which AMD 295.2 billion through government treasury securities, AMD 123.4 billion through external loans (considering the difference between the disbursements and the principal repayments). Deficit financing through Eurobond issuance is not planned.

3.1. Deficit financing by Treasury bonds (main principles of issuance, placement and buyback and 2023 auction calendar)

The budget deficit financing by Treasury bonds will be done through the reopening of short-term (1 year), medium-term (3 and 5 years), long-term (10 and 30 years) bonds and saving bonds (6 months, 1, 2 and 3 years).

Auctions of T-Bills with tenor of 52, 39, 26 and 13 weeks will be organized at least once in every two months. For setting 6 month T-Bills as a benchmark the allocated volume of T-Bills to be redeemed during 2024 will be at least AMD 5 billion.

New Treasury Notes with the maturity of 3 and 5 years will be issued on 29 April 2023.

10y T-Bonds due to 29 October 2033 and 30y T-Bonds due to 29 October 2052 will be allocated during 2023 (issuance dates are 29th of April and 29th of October).

As a rule, the minimum auction size of 3y and 5y T-notes is AMD 25 billion, the minimum auction size of 10y T-Bonds is AMD 40 billion, and the maximum auction size of 30y T-Bonds is AMD 20 billion.

Treasury bonds auction calendar

January 2023

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

February 2023

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

March 2023

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

April 2023

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

May 2023

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

June 2023

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

July 2023

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

August 2023

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

September 2023

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

October 2023

Week	MON	TUE	WED	THU	FRI	SAT	SUN
40							1
41	2	3	4	5	6	7	8
42	9	10	11	12	13	14	15
43	16	17	18	19	20	21	22
44	23	24	25	26	27	28	29
45	30	31					

November 2023

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

December 2023

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

Legend:
- Short-term
- Medium-term
- Long-term

The official holidays and memorial days

January 1-2	New Year	April 24	Genocide Victims' Commemoration day	May 28	The Republic day
January 6	Christmas day	May 1	Labour day	July 5	Constitution day
January 28	Army day	May 9	Victory and Peace day	September 21	Independence day
March 8	Women's day				

The information about the indicative volumes of the auctions will be published quarterly, 10 days before each quarter. The information about the volume (range) and tenor of bonds subject to allocation will be published within the last ten days of previous month before the auction date, after the discussion with Primary Dealers.

Additional T-Bills issuances may be implemented, 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). April 29 and October 29 of 2023 are not working dates, therefore in 2023 the reserve auction dates will be May 2 and October 30.

In exceptional cases, the Ministry of Finance may cancel or announce additional auction dates due to borrowing needs and market trends.

As needed, Treasury bonds buybacks will be implemented during 2023. In 2023, 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).

A meeting with Primary Dealers will be arranged on the penultimate Thursday of each month. A meeting with other institutional participants of Government bonds market will be arranged on second Thursday of third month of each quarter.
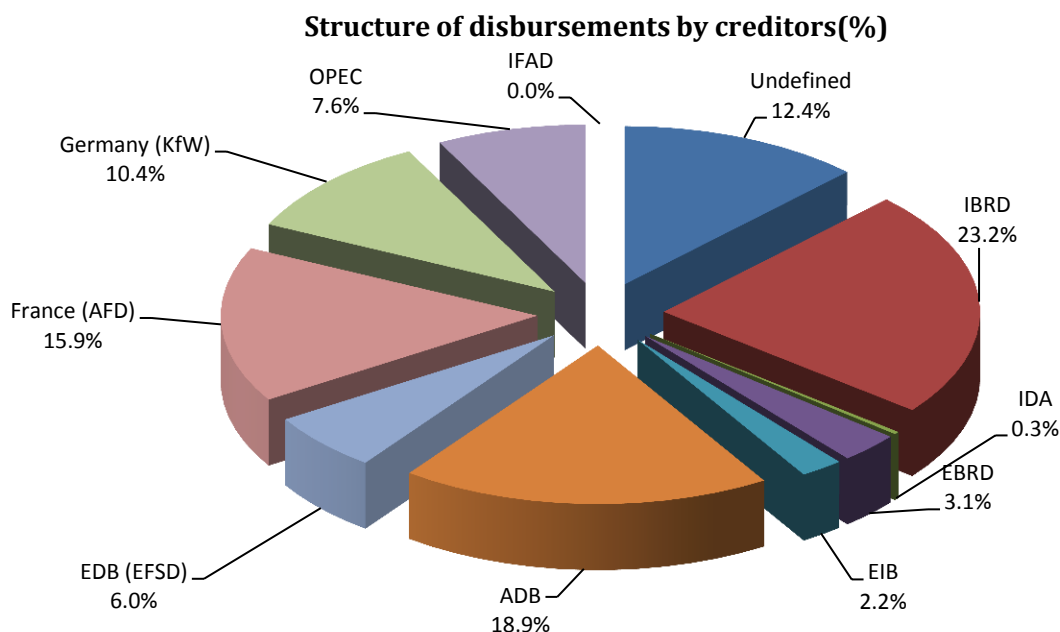
3.2. Deficit financing by external loans (disbursement plan)

For financing the State budget deficit in 2023 it is planned to disburse AMD 259.4 billion (USD 656.3 million) from external loans. Moreover, disbursements from project loans will be AMD 121.4 billion (USD 307.2 million) and disbursements from budget support loans will amount to AMD 137.9 billion (USD 349.1 million).

In 2023 it is planned to borrow budget support loans from International Bank for Reconstruction and Development (USD100 mln), OPEC Fund (50 mln Euro), French Development Agency (100 mln Euro), Asian Development Bank (USD 50 mln) and other sources (USD 50.1 mln).
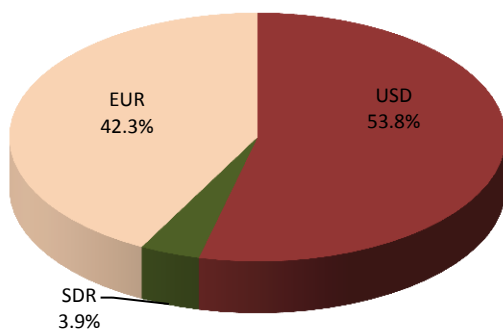
The structure of disbursements by lenders is as follows:

Structure of disbursements by creditors(%)

- IFAD 0.0%
- Undefined 12.4%
- OPEC 7.6%
- Germany (KfW) 10.4%
- France (AFD) 15.9%
- EDB (EFSD) 6.0%
- ADB 18.9%
- EIB 2.2%
- EBRD 3.1%
- IDA 0.3%
- IBRD 23.2%

In 2023, 53.8% of disbursements will be made from the loans provided in USD and 42.3% of disbursements will be made from the loans provided in Euro.

59% of 2023 disbursements will be done from the loans with floating interest rate.

Structure of disbursements by currency (%)

- EUR 42.3%
- USD 53.8%
- SDR 3.9%

Structure of disbursements by type of interest rate(%)

- Fixed interest rate 28.6%
- Undefined 12.4%
- Floating interest rete 59.0%
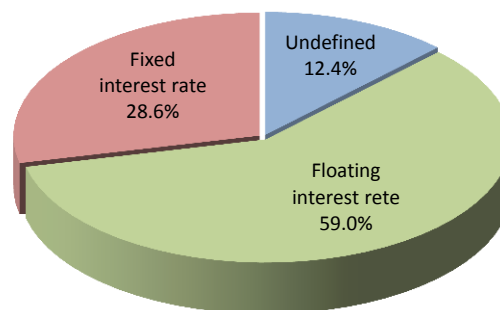
## 3.3 Deficit financing from international capital markets

The Government of Armenia is not planning new Eurobond issuance or buyback in 2023.

4. Redemption and servicing of Government debt

In 2023, AMD 595.5 billion is required for the redemption and servicing of the Government debt, of which the debt redemptions will constitute AMD 326.6 billion, and the interest payments - AMD 272.9 billion.

AMD billion	Redemption	Interest payment	**Total**
Treasury bonds	190.6[1]	164.5	355.1
Eurobonds	-	35.9	35.9
External loans	136.0	72.6	208.6
Total	**326.6**	**272.9**	**599.5**

Structure of debt service expenditures (%)
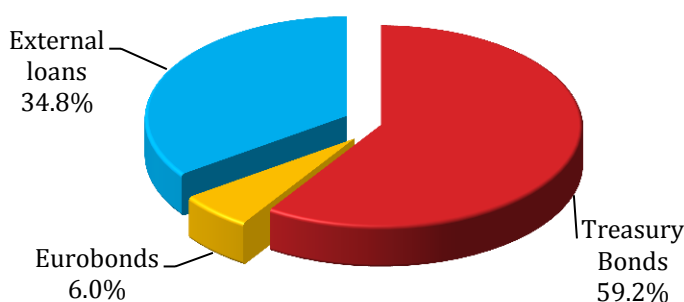
Interest and redemption expenditures for Government foreign currency denominated debt are calculated based on USD/AMD exchange rate as of November 1, 2022 (applying the appropriate adjustment coefficient, as the actual payments will be made at the exchange rates set by the Central Bank of Armenia as of the transaction date), and planned on the assumption that in 2023 the average SOFR rate will be 5.0%, 6-month Euribor will be 3.0% and SDR will be 4.0%.

Weighted average interest rate of the Government debt in 2023 will be 6.6%. Government debt service (interest payments) will constitute 2.9% of GDP.

	2021	2022	2023
Government Debt Service (interest payments), AMD billion	180.8	202.1	272.9
% to GDP	2.6	2.4	2.9
Government Debt Weighted Average Interest Rate, %	4.7	4.8	6.6

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[1] The figure includes AMD 30 billion for the repurchase of government treasury bonds.

It is planned to pay AMD 208.6 billion (USD 527.8 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	60.4	24.6	85.0
International Development Association	19.9	72.7	92.6
European Bank for Reconstruction and Development	2.2	5.3	7.5
European Investment Bank	3.1	6.1	9.2
International Fund for Agricultural Development	0.5	3.8	4.4
OPEC Fund for International Development	4.4	5.4	9.8
Asian Development Bank	41.5	54.2	95.7
European Union	2.4	-	2.4
International Monetary Fund	15.6	72.7	88.3
Eurasian Development Bank	8.3	1.5	9.9
Germany (KfW)	6.8	29.7	36.5
Russian Federation	10.2	44.1	54.3
France	5.6	9.4	15.0
USA	0.2	1.9	2.1
Japan	1.3	8.4	9.7
Abu Dhabi Fund for Development	0.1	0.7	0.8
Export–Import Bank of China	0.4	1.6	2.0
KBC Bank (Belgium)	0.0	0.5	0.5
Raiffeisen Bank (Austria)	0.0	0.9	1.0
Erste Bank (Austria)	0.1	0.7	0.8
Subject to clarification	0.5	-	0.5
Total	**183.7**	**344.0**	**527.8**

The 2023 expenditures for Eurobond servicing will amount to USD 90.8 million, planned for outstanding bonds' coupon payments.

5. Government debt projection as of the end of 2023

Due to 2023 State budget projections, the Government debt of Armenia will constitute AMD 4,645 billion or 49.8% of the GDP at the end of 2023, 0.3% lower than 2022 Debt/GDP ratio. Debt/GDP projections differ from the figures of 2023-2025 Medium-Term Government Debt Management Strategy mainly due to the differences in macroeconomic and fiscal frameworks, exchange rate projections, as well as actual debt operations executed by the Government.

	as of 31.12.2021	as of 31.12.2022	as of 31.12.2023
Government debt, AMD billion	4,210	4,158	4,645
Government debt, % to GDP	60.3	50.1	49.8

It is planned to increase the share of AMD denominated Treasury bonds in the Government debt structure during 2022-2023, respectively by 7.4% and 3.1%.

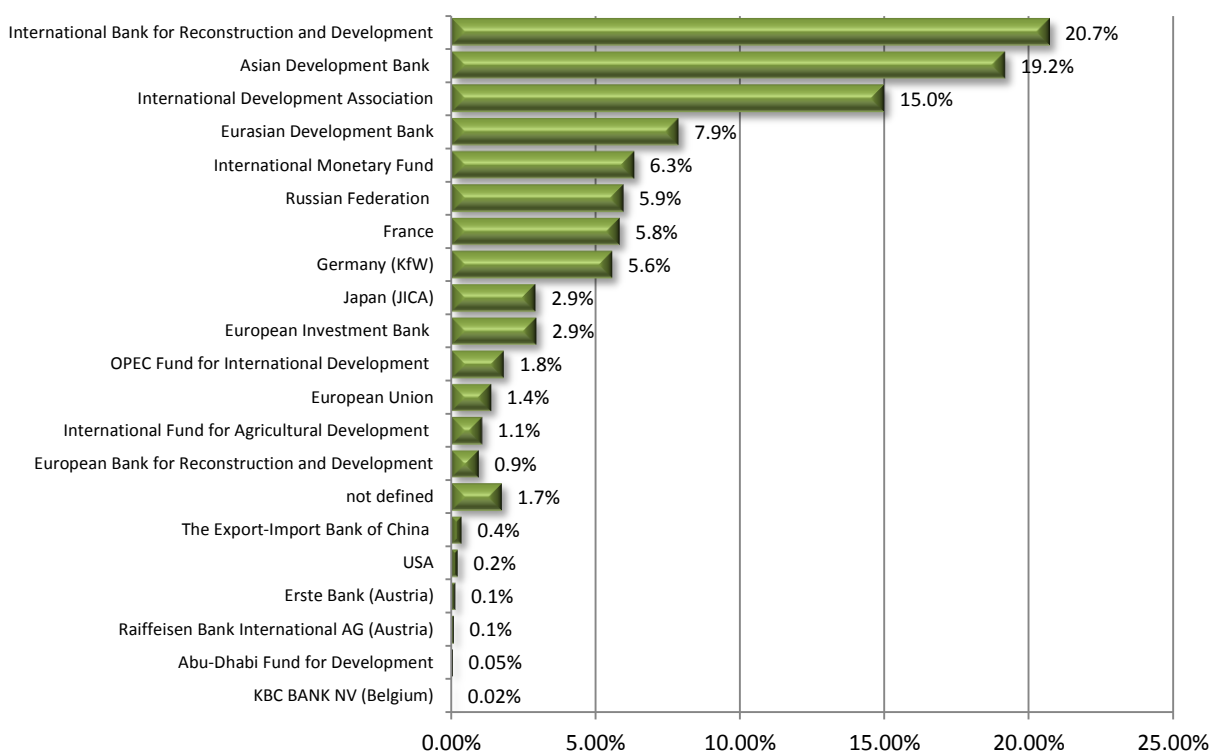The Government debt will have the following structure:
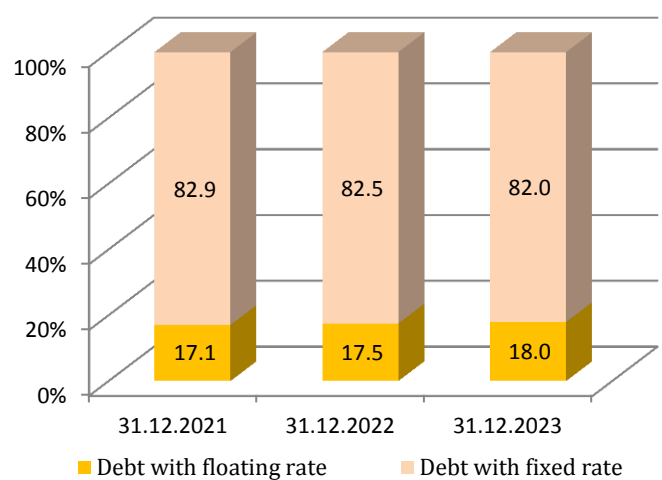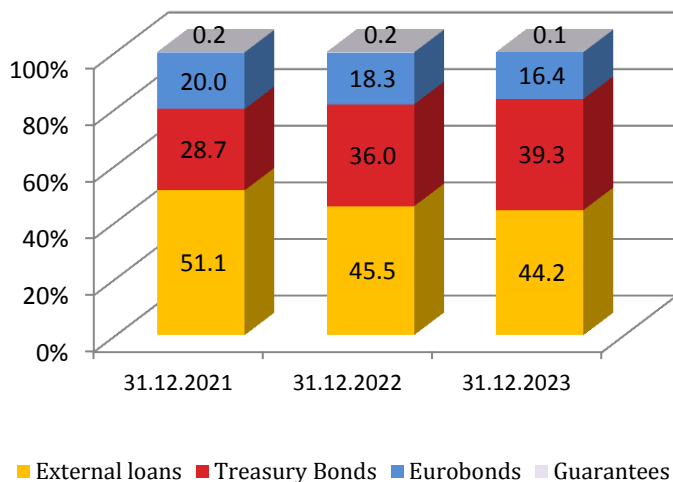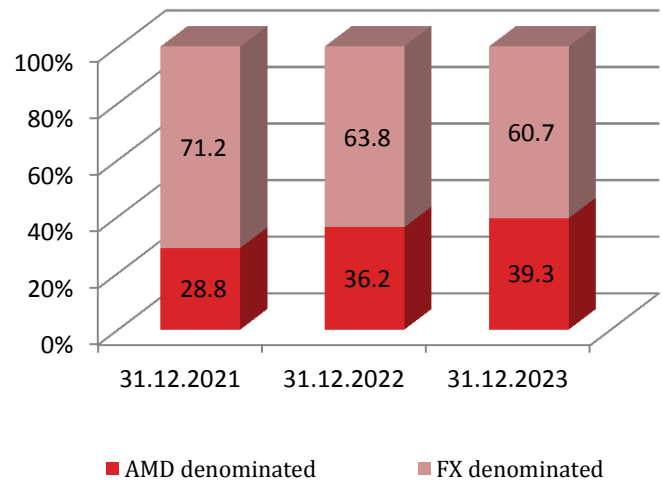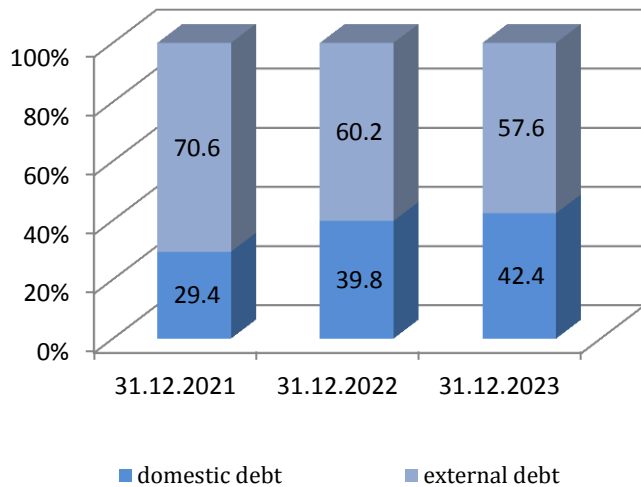
	as of 31.12.2021	as of 31.12.2022	as of 31.12.2023
Structure by residency, AMD billion *			
Domestic Debt	1,237	1,655	1,970
External Debt	2,972	2,503	2,675
Structure by type of instruments, AMD billon			
External loans and Credits	2,152	1,891	2,051
Treasury Bonds	1,209	1,496	1,824
Eurobonds	840	760	764
External Guarantees	4	3	3
Domestic Guarantees	5	7	3
Structure by currency, AMD billion			
AMD denominated	1,214	1,503	1,827
FX denominated	2,996	2,655	2,818
Structure by type of interest rate, AMD billion			
Floating	718	727	834
Fixed	3,492	3,430	3,811

* 2022 and 2023 figures of Treasury Bonds and Eurobonds are based on actual shares by residency as of October 31, 2022.

Taking into account the forecasts and projected debt operations planned in 2023 State budget, the benchmark indicators set in 2023-2025 Medium-Term Government Debt Management Strategy will be the following.

	Benchmark	2021	2022 (forecast)	2023 (forecast)
Refinancing risk				
Average time to maturity	7-10 years	8.4 years	7.6 years	7.4 years
The share of up to 1-year maturity Treasury bonds in the total Treasury bonds (at the end of the year)	max 20%	12.2%	12.3%	10.1%
Interest rate risk				
The share of fixed rate debt in the total debt	min 80%	82.9%	82.5%	82.0%
Exchange rate risk				
The share of domestic debt in the total debt	min 30%	29.4%	39.8%	42.4%
The share of AMD denominated debt in the total debt	min 30%	28.8%	36.2%	39.3%

The World Bank's (IBRD and IDA) share in external loans of Government outstanding debt will be 35.7% at the end of 2023. Government external loans structure by lenders will be the following:

Lender	Share
International Bank for Reconstruction and Development	20.7%
Asian Development Bank	19.2%
International Development Association	15.0%
Eurasian Development Bank	7.9%
International Monetary Fund	6.3%
Russian Federation	5.9%
France	5.8%
Germany (KfW)	5.6%
Japan (JICA)	2.9%
European Investment Bank	2.9%
OPEC Fund for International Development	1.8%
European Union	1.4%
International Fund for Agricultural Development	1.1%
European Bank for Reconstruction and Development	0.9%
not defined	1.7%
The Export-Import Bank of China	0.4%
USA	0.2%
Erste Bank (Austria)	0.1%
Raiffeisen Bank International AG (Austria)	0.1%
Abu-Dhabi Fund for Development	0.05%
KBC BANK NV (Belgium)	0.02%

As of the end of 2023 the Government debt redemption profile will be scattered until 2054.

Government debt redemption profile as of end of 2023 (AMD billion)

Legend: External loans, Eurobonds, Guarantees, Treasury Bonds