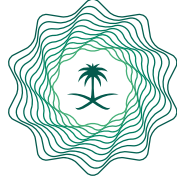


وزارة المالية

Ministry of Finance

المركز الوطني لإدارة الدين

National Debt Management Center



# Annual Borrowing Plan Highlights

2021



## Introduction

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This annual borrowing plan has been prepared by NDMC as a general statement of its financial policy. It contains information in summary form only. It may also contain forecasts, including statements regarding NDMC's opinions or intentions. Such information, forecasts and statements may be subject to material change in the light of domestic and international market conditions. Neither the Ministry of Finance nor the NDMC accepts any responsibility for, or obligation to publish any revisions to, the information, forecasts or statements in this plan to reflect changing market conditions after the date of publication. This material does not constitute investment advice and we hereby inform you that this communication should not be considered as a solicitation or offer to sell or purchase any securities, deal in any product or enter into any transaction.

# Table of Contents

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<b>04</b>		<b>1</b>	<b>Financing Policy</b>
<b>04</b>		1.1	NDMC Role and Objectives
<b>05</b>		1.2	National Debt Management Center Guidelines
<b>06</b>		<b>2</b>	<b>2020 Main Highlights</b>
<b>06</b>		2.1	Debt Portfolio
<b>06</b>		2.2	Market Developments and Initiatives
<b>08</b>		<b>3</b>	<b>Risk Management</b>
<b>09</b>		<b>4</b>	<b>2021 Annual Borrowing Plan</b>
<b>09</b>		4.1	Summary Highlights
<b>10</b>		4.2	2021 Debt Raising Guidelines
<b>10</b>		4.3	Investor Relations Strategy in 2021
<b>11</b>		4.4	2021 Calendar of Domestic Sukuk Issuances

# 1 FINANCING POLICY

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## 1.1 NDMC Role and Objectives

As per the Council of Ministers' Resolution number (139) dated 16/ 2 /1441H (corresponding to 15 October 2019G), the Debt Management Office (DMO) was transformed into the National Debt Management Center (NDMC) with the role of securing the Kingdom's financing needs at a fair cost and with acceptable levels of risk, in compliance with its financial policies.

The NDMC's main objectives include:

- Contributing to setting and developing the Kingdom's public debt policy, and securing the Kingdom's financing needs in the short, medium and long term.
- Ensuring the Kingdom's sustainable access to various debt markets to issue sovereign debt instruments at a fair price with prudent risk.
- Coordination of the sovereign credit rating affairs of the Kingdom in cooperation with the relevant government agencies.
- Providing advisory services and proposing executive plans to government bodies, government-related entities, state owned companies with government ownership of 50% or more.

## 1.2 National Debt Management Center Guidelines

In line with the 2021 budget, the financing needs for the Kingdom of Saudi Arabia will be met in a balanced way, with a mix of direct and indirect borrowing through:(i) debt issuances, (ii) Financial Institutions, (iii) government alternative financing including Export Credit Agencies Financing, Project Financing, and Infra Financing (domestic or external, in local currency or foreign currencies) and (iv) reserve drawdowns.

- The mix between domestic and external debt will remain largely unchanged in 2021 compared with 2020, which will further enhance the Kingdom's access to capital in both local and international markets. The outstanding debt mix policy of the NDMC remains unchanged with a target of 55-75% domestic debt / 25-45% external debt.
- The Kingdom will seek to increase the diversification of its financier and investor base by expanding its investor outreach both locally and internationally, with new geographies and business segments.

## 2 2020 MAIN HIGHLIGHTS

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### 2.1 Debt Portfolio

The debt portfolio has increased during 2020 by SAR 176 billion, or 26%, represented by gross borrowings of SAR 220 billion distributed between SAR 174 billion borrowed from the domestic market and SAR 46 billion borrowed internationally. The borrowing activities in 2020 were in line with the government's communication with regard to the extraordinary funding required due to COVID19 pandemic. As a result, borrowing requirements were increased to SAR 220 billion.

### 2.2 Market Developments and Initiatives

As part of the NDMC's commitment toward developing the domestic market infrastructure, in coordination with the relative stakeholders, along with enhancing the KSA's positioning in the international market, the below summarizes the NDMC's main achievements during 2020:

- The continued commitment toward the Primary Dealers (PDs) initiative in the domestic market, with five PDs arranging and participating in primary auctions on behalf of local issuance investors and providing daily liquidity in the secondary market.
- The increase in domestic secondary market turnover represented by more than SAR 70 billion worth of trades in 2020, as compared to SAR 10 billion in 2019, or an increase of over 600% year-on-year. This has been achieved following a number of initiatives to enhance the domestic market infrastructure including the reduction of transaction fees in coordination with the Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul).

- The execution of the first phase of the domestic government bonds buyback programme, against issuing Saudi Riyal denominated Sukuk with a value of more than SAR 34 billion, in an effort to unify government issuances under the Sukuk program, in addition to allowing qualified domestic investors to benefit from Zakat reimbursement under this program.
- The CMA announcement to allow residents and non-resident foreigners to invest directly in listed and non-listed debt instruments.
- The enhancement of the domestic trading technology infrastructure by allowing the Primary Dealers price streaming automation on Tadawul platform.
- Enhancement on the domestic primary market settlement by allowing DVP settlements for the Primary Dealers, in coordination with CMA and Tadawul.
- FTSE Russell announcement to launch local currency Saudi Arabian Government Bond Index.
- The launching of 20 debt-related indices for government and corporate issuances. (For more information: [Click here](#) )
- Internationally, The Government accessed the international debt capital markets twice in 2020. In January, the government achieved its lowest yield of issuance ever, while the April issuance secured the highest demand in Emerging Markets with a coverage ratio of 7.7 times.
- Extending the KSA curve in the international market by introducing 35 years and 40 years bonds for the first time.
- Increased the international investor base by 12.4% in 2020.
- NDMC's Bloomberg page: DMSA

### 3 RISK MANAGEMENT

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Managing sovereign debt risk is a central element of the NDMC's borrowing plan for the next fiscal year. It will balance debt-raising decisions against the five other risk considerations for the NDMC: liquidity, refinancing, interest rates, foreign exchange and credit rating.

- **Liquidity:** the NDMC will ensure that the domestic debt market is deep enough to absorb contemplated issuance volumes to preserve the strong liquidity of the domestic market.
- **Refinancing:** in 2021, SAR 40 billion is due to mature both local and foreign currencies. The NDMC will carefully calibrate new securities to preserve the average target maturity of the KSA's debt and minimize refinancing risk. The debt portfolio ATM has increased in 2020 to reach c. 9.4 years, as compared to 8.7 years in 2019.
- **Interest rates:** at year-end 2020, the debt portfolio split is 82% fixed rate and 18% floating rate, with all floating rate debt maturing by 2027. The NDMC will emphasize fixed over floating rates for 2021 to reduce the government's outstanding debt portfolio's exposure to interest rate risk.
- **Foreign exchange:** the current and projected portfolio of external debt carries limited foreign exchange risk given the Kingdom's large foreign currency reserve and asset positions and the stable currency peg regime. Debt issued in EUR currency stands at less than 1.5% of the overall debt portfolio as of end 2020. The NDMC, based on market conditions, may explore non-USD international borrowings.
- **Credit rating:** The NDMC will coordinate the sovereign credit rating affairs of the Kingdom in cooperation with the relevant government agencies.



## 4 2021 ANNUAL BORROWING PLAN

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### 4.1 Summary Highlights

This section contains summary highlights of the government's annual borrowing plan, which outlines the government's net borrowing requirements in 2021.

**At year-end 2020, the Kingdom of Saudi Arabia had approximately SAR 854 billion of government debt outstanding**, consisting of 59% SAR-denominated and 41% in foreign currency.

**As per the 2021 KSA budget, the deficit funding requirement in 2021 is estimated to be SAR 141 billion.** To fund this deficit, the Ministry of Finance plans to:

- Approximate gross debt raising around SAR 124 billion.
- Debt raising split between domestic and external debt will be largely unchanged from 2020.
- The form of funding will be a mix of conventional bonds, Sukuk, and government alternative financing.
- The remaining expected deficit will be financed through government reserves.

Based on the 2021 budget statement, **the year-end 2021 target portfolio is expected to reach approximately SAR 937 billion**, which translates into an approximate of 32.7% debt to GDP ratio<sup>1</sup>, and a 75-85% fixed / 15-25% floating interest rate split. This is in line with the government's public debt management objectives.

The NDMC will continue to weigh sovereign debt risk against the 2021 borrowing plan and actively manage liquidity, refinancing, interest rate, foreign exchange and credit rating risks.

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<sup>1</sup> Based on the Ministry of Finance estimates for 2021 budget

## 4.2 Debt Raising Guidelines in 2021

- External funding will be positioned in a way to secure most of the requirements in H1, subject to market conditions, to reduce funding risk, and for other general government and public sector entities to select the appropriate windows during the year.
- Further develop the domestic capital market to diversify investor base and deepening the market.
- Maturities to be selected based on maturity cap guidelines, to minimize future refinancing risks.
- Emphasize fixed over floating rates for 2021 to reduce the government's exposure to interest rate risk.
- Continue to diversify funding pools and investor base via exploring new markets and new financing methodologies through government alternative financing, via project finance, infra finance and export credit agencies.

## 4.3 Investor Relations Strategy in 2021

The NDMC will continue its strategy of engaging with its investors in both non-deal roadshows abroad and reverse investor roadshows in the Kingdom of Saudi Arabia. Continued focus on further investor diversification is a key target for 2021.

## 4.4 2021 Calendar of Domestic Sukuk Issuances<sup>2</sup>

As part of the NDMC's initiatives to enhance the domestic market conditions and in line with the best market practice, the NDMC has reviewed its domestic issuances calendar to cater for international market working days regarding issuance announcements and settlement dates.

### NDMC 2021 local issuances calendar



## 2021 Calendar of Local Sukuk Issuances

January							February							March						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
27	28	29	30	31	1	2	31	1	2	3	4	5	6	28	1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28							28	29	30	31			

April							May							June						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
			31	1	2	3						1			1	2	3	4	5	
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

July							August							September							
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	
					1	2	3	1	2	3	4	5	6	7				1	2	3	4
4	5	6	7	8	9	10	8	9	10	11	12	13	14	5	6	7	8	9	10	11	
11	12	13	14	15	16	17	15	16	17	18	19	20	21	12	13	14	15	16	17	18	
18	19	20	21	22	23	24	22	23	24	25	26	27	28	19	20	21	22	23	24	25	
25	26	27	28	29	30	31	29	30	31					26	27	28	29	30			

October							November							December						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
					1	2	1	2	3	4	5	6				1	2	3	4	
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	
31																				

Weekends	Offer Day	Settlement Day	Eid Holidays*	National Day
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\* Tentative Holiday  
Calendar is subject to change due to official holidays

<sup>2</sup> 2021 Calendar was prepared taking into consideration holidays of the Saudi Arabian Riyal Interbank Express system (SARIE) and Payment Administrator feedback. Calendar doesn't necessarily reflect future changes to official holidays.



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Deputyship for Communication and Media Center