ANNUAL PUBLIC DEBT

MANAGEMENT STATISTICAL BULLETIN

FY2023/24

MINISTRY OF FINANCE – PUBLIC DEBT MANAGEMENT UNIT 2024

Contents

LIST OF ABREVIATIONS

AfDB	African Development Bank
CBE	Central Bank of Eswatini
FCCL	Fiscal Commitments and Contingent Liabilities
FY	Financial year
GDP	Gross Domestic Product
GoE	Government of the Kingdom of Eswatini
IDA	International Development Association
IMF	International Monetary Fund
NBFI	Non-Bank Financial Institution
PDMD	Public Debt Management Department
PFMA	Public Finance Management Act
PPP	Public Private Partnership
SZL	Emalangeni
TEDS	Total External Debt Service
UK	United Kingdom
USA	United States of America
USD	United States Dollar

EXECUTIVE SUMMARY

The Eswatini economy reflected signs of resilience, with a projected growth of 4.8 percent in 2023. This comes after three years of consecutive shocks. On average, between 2018 and 2022 (a 5-year average) domestic economic activity is estimated to have grown by a tepid 2.9 percent at the back of supply chain disruptions caused by the Coronavirus disease 2019 (COVID-19) and hikes in commodity prices due to geopolitical tensions which prompted restrictive monetary policy cycle by the Central Bank. The medium-term outlook remains positive, with growth projected to average 3.9 percent (2024-2026), underpinned by both demand and supply factors. On the demand side, the sustained improved fiscal position will promote spending on both public consumption and investment, which will benefit sectors such as wholesale and retail (W&R), tourism-related activities, and construction. On the supply side, capacity expansions in manufacturing, particularly beverages manufacturing and textile manufacturing, as well as agriculture (LUSIP II extension), will drive growth in the medium term.

Total public debt stock has been on an upward trajectory over the past five years, increasing from E22.68 billion which is equivalent to 36.00 percent of GDP in March 2021 to E34.18 billion which is equivalent to 39.50 percent of GDP by the end of March 2024. The current debt stock indicates that external debt constitute 49 percent whilst domestic debt constitute 51 percent of the total debt as of 31st March 2024. The public debt ratio has been on an upward trend, increasing from 31.4 percent of Gross Domestic Product (GDP) in 2019/20 to 39.5 percent of GDP in 2023/24. Overall public debt is projected to peak at 43.9 percent of GDP by 2025/26 before receding to around 43 percent of GDP by the end of the strategy period. This reflects government's efforts to clear suppliers' arrears in line with the 2020 Arrear Clearance Strategy. Government will continue with efforts to diversify external financing sources to reduce pressure on the domestic market and manage refinancing risk. To this end, the government will continue tapping the Johannesburg Stock Exchange (JSE) while other external financing sources are explored. The credit ratings by the sovereign rating agency in December 2023, Moody's placed the Kingdom of Eswatini at B3 with a positive outlook with a possible upgrade in the next assessment.

CHAPTER ONE

LEGAL AND OPERATIONAL FRAMEWORK

The legal framework for Public Debt Management is contained in the Public Finance Management (PFM) Act (2017) which stipulates that the Ministry will report on the country's debt overview to Parliament on an annual basis. In general, this framework entrenches and promotes prudent and sound debt management practices for both the central Government with the aim to enhance efficiency, transparency and accountability on debt issues.

The primary objective of Eswatini's debt management is to ensure that the financing needs and payment obligations of Government are met at the lowest possible cost consistent with a prudent management, measured risk, and coordinated fiscal policy. The secondary objective of the debt management is to support the development of the domestic market, enhancing liquidity and supply of high quality instruments in the domestic market; thus, development of the domestic financial system. These objectives guide Government in responding to the need to finance budget deficits.

The legal and institutional arrangement for public debt management continues to be strengthened. The scope and coverage of this report reflects the Ministry's commitment to both transparency in reporting and accountability in the management of public debt. This is annual commitment by the Ministry to provide information on public debt to the public at large.

CHAPTER TWO

DOMESTIC DEBT

This chapter analyses the Government of the Kingdom of Eswatini domestic debt in details. Domestic debt is composed of stock of Government securities (Treasury Bills and Bonds), domestic loans and the Central Bank of Eswatini (CBE) advance to the Government.

a) Domestic Debt Stock

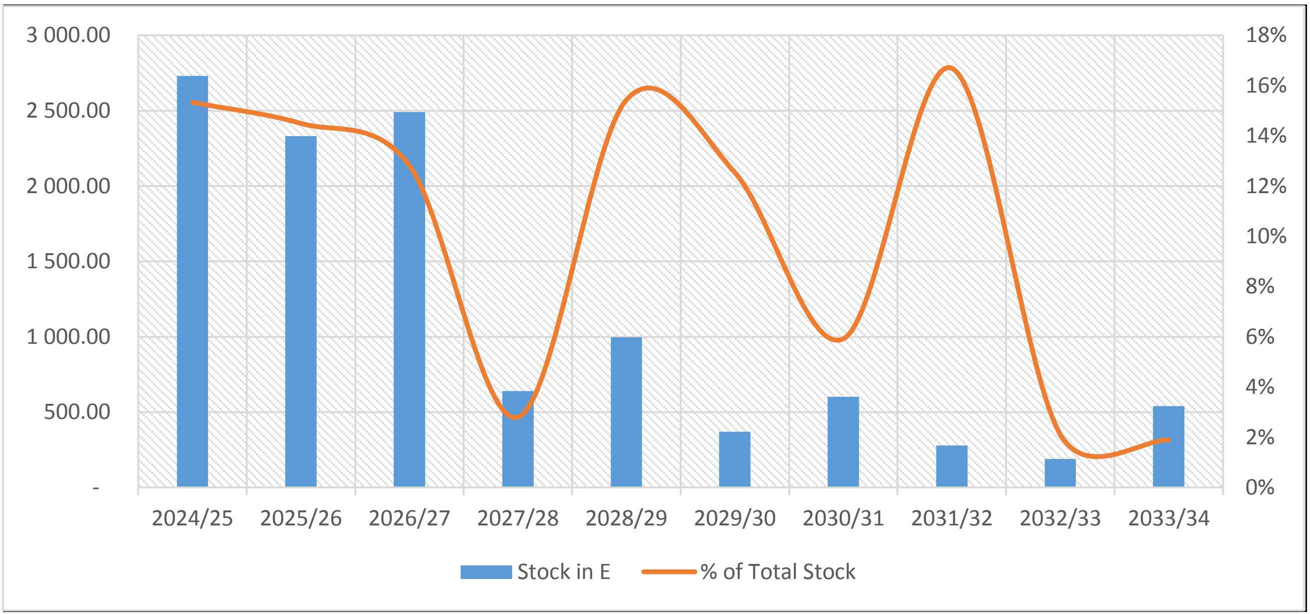
The stock of domestic debt at the end of March 2024 stood at E18.82 billion which is an increase from E17.75 billion in March 2023 (Table 1). The increase in the stock can be attributed to an increase in outstanding government Bonds and T-Bills as well as the continued disbursements in the domestic loans. T-Bills outstanding increased from E3.24 billion to E3.70 billion and Bonds also increased from E10.97 billion in March 2023 to E11.17 billion in the period under review. The government advance was also increased from E1.79 billion to SZE2.09 billion while promissory notes have been fully repaid.

Table 1: Outstanding Domestic Debt (SZL Million)

	Mar-17		Mar-18		Mar-19		Mar-20		Mar-21		Mar-22		Mar-23		Mar-24	
Instrument	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock	E' Million	% of Stock
Total Stock of Domestic Debt	6 035	100	7 704	100	11 975	100	14 060	100	15 489	100	16 740	100	17 746	100	18 816	100
T-Bills	1 657	27	2 364	31	2 588	22	3 064	22	3 947	25	3 687	22	3 238	18	3 701	20
Bonds	3 093	52	3 696	48	6 180	52	7 396	53	8 674	56	9 892	59	10 971	62	11 172	59
Advance	1 100	18	1 293	17	1 660	14	1 660	12	1 500	10	1 689	10	1 789	10	2 089	11
Promissory Notes	185	3	352	5	110	1	154	1	116	1	77	0	39	0	0	0
Domestic Loans	0	0	0	0	1 437	12	1 785	13	1 252	8	1 395	8	1 709	10	1 854	10

Source: Central Bank of Eswatini.

Figure 1: Domestic Debt Stock



Source: Central Bank of Eswatini.

b) Domestic Debt Stock by Holder

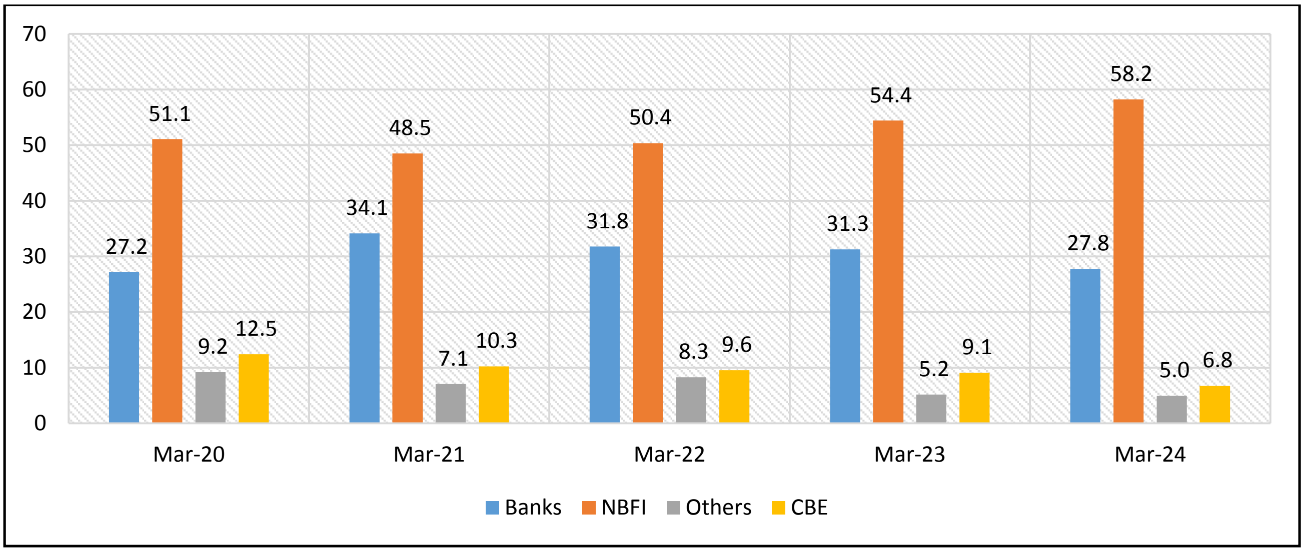
Commercial banks holdings decreased to 27.80 percent of the total domestic debt as at end March 2024 compared to 31.31 percent in March 2023 and in nominal terms, it decreased from E4.45 billion to E4.13 billion. The share held by non-bank financial institutions significantly increased from 54.42 percent held in March 2023 to 58.24 percent in March 2024. Their actual holdings increased from E7.73 billion to E8.66 billion in the period under review. Central Bank share to total debt outstanding decreased from 9.11 percent to 6.77 percent in March 2024 and their actual holdings also slightly decreased from E1.29 billion to SZE1.01 billion. The proportion of other investors' holdings decreased from 5.17 percent recorded in March 2023 to 4.97 percent in March 2024 whilst their actual holdings also decreased by from E739.42 million to E734.16 million. (Table 2).

Table 2: Domestic Debt by Holder

Holder	Mar-20		Mar-21		Mar-22		Mar-23		Mar-24	
	E' Million	% of Tota	E' Million	% of Tota	E' Million	% of Tota	E' Million	% of Tota	E' Million	% of Total
Banks	2 846.08	27.21	4 308.39	34.14	4 316.08	31.79	4 448.25	31.29	4 134.27	27.81
NBFI	5 344.41	51.09	6 121.05	48.50	6 841.84	50.39	7 732.27	54.40	8 662.47	58.26
Others	967.04	9.24	896.14	7.10	1 123.91	8.28	739.42	5.20	734.16	4.94
CBE	1 303.15	12.46	1 295.79	10.27	1 297.03	9.55	1 294.34	9.11	1 006.86	6.77
Total	10 460.68	100.00	12 621.37	100.00	13 578.85	100.00	14 214.27	100.00	14 868.11	100.00

Source: Central Bank of Eswatini

Figure 2: Domestic Debt by Holder (% of Total)

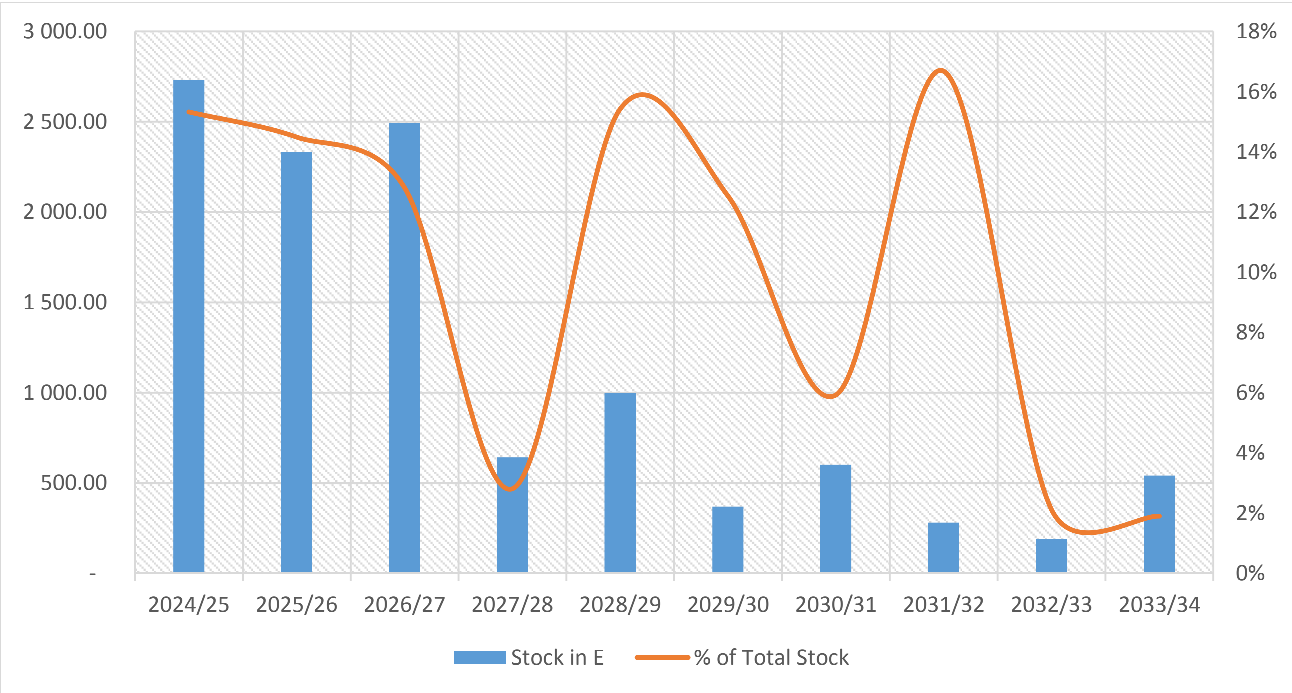


***Source: Central Bank of Eswatini*.**

c) *Treasury Bonds Maturity Profile*

As shown in Table 9 above, the outstanding treasury bonds amounted to E2.73 billion at the end of March 2024.

Figure 8: Bonds Maturity Profile



***Source: Central Bank of Eswatini*.**

CHAPTER THREE

EXTERNAL DEBT

a) Total Central Government External Debt

Central government external debt stock was recorded at SZL15.5 billion in March 2024 from SZL15.2 billion in March 2023, denoting a minor 2 percent increase (Table 12). The increase is attributed to the depreciation of the local currency over the period and an increase in Dollar denominated debt.

Table 12: External Debt by Creditor Type (SZL Million)

Creditor Type	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Multilateral	4,382	6,423	6,497	10,719	11,057
Bilateral	4,602	4,080	3,706	4,336	4,304
Private Creditors	194	189	183	178	171
Total External Debt Stock	9,179	10,693	10,386	15,233	15,532

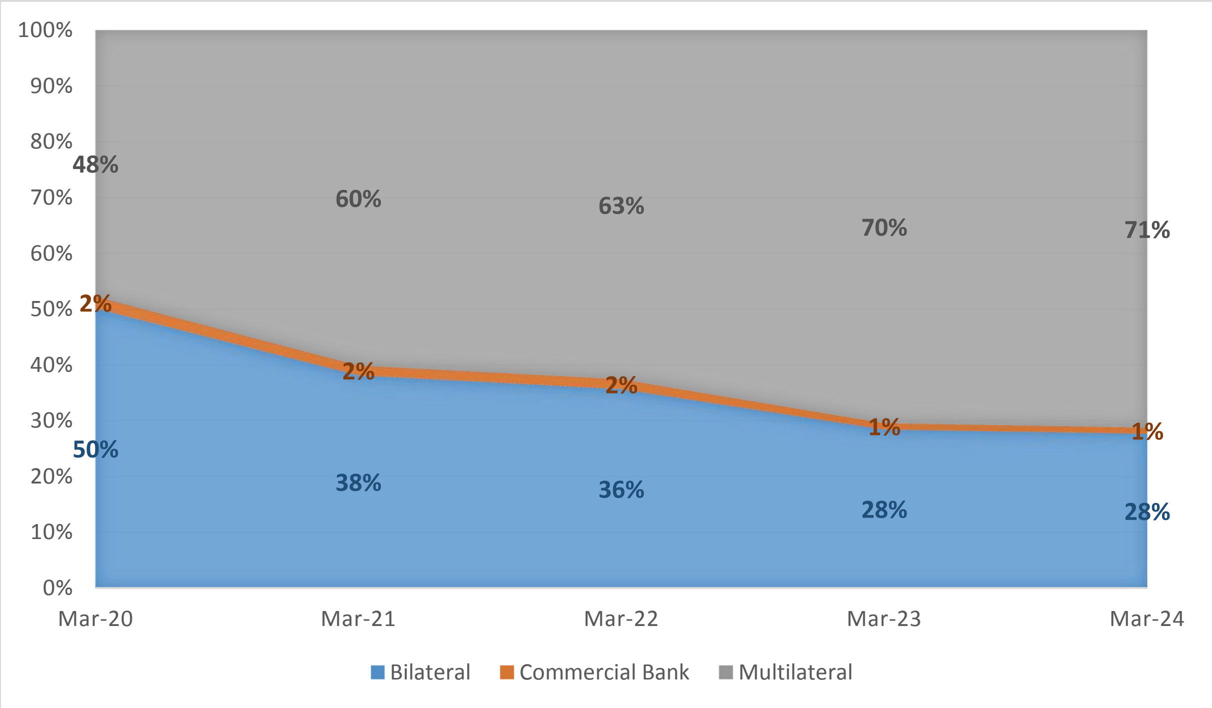
Source: Ministry of Finance.

b) Structure of Central Government External Debt

i. Classification by Creditor Category

As at end of March 2024, multilateral institutions account for the biggest share of the external debt portfolio at 71 percent, African Development Bank and World Bank being the two major creditors in this category. Bilateral creditors hold 28 percent and the least being held by private creditors/commercial banks at 1 percent.

Figure 11: Central Government External debt by Creditor Category



Source: Ministry of Finance & Central Bank of Eswatini

c) External Debt Disbursements

Total public external debt disbursements for the financial year 2023/24 amounted to SZL 1.2 billion, compared to SZL 3.1 billion recorded in the previous financial year 2022/23. The peak in 2022/23 is attributed to the once off disbursement of budget support loans contracted in the year. The drawdowns can be attributed to the on-going which stand as follows:

1. Various financiers (AfDB, EIB, and BADEA on Lower Usuthu Smallholder Irrigation Project II)
2. AfDB Manzini Water Supply and Sanitation Project
3. AfDB Ezulwini Water Supply and Sanitation Project
4. AfDB Manzini – Mbadlane Highway Projects (Lot 1)
5. AfDB Manzini Golf Course Interchange Project
6. AfDB Mkhondvo-Ngwavuma Water Augmentation Project
7. IFAD Small Holder Market Led Project

8. IFAD FINCLUDE Project
9. EXIM India Construction of National Disaster Recovery Site
10. EXIM India Construction of Parliament Building
11. World Bank Health System Strengthening for Human Capital Project
12. World Bank Shiselweni Region Network Reinforcement and Access Project; and
13. World Bank Additional Financing for COVID-19 Emergency Response Project.

Table 13: External Loans Disbursements (SZL 'Million)

Creditor Type	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Multilateral	463	3,266	706	3,078	1,045
Bilateral	498	545	0	18	110
Private Creditors	0	0	0	0	0
Total External Disbursements	961	3,811	706	3,096	1,155

Source: Ministry of Finance.

CHAPTER FOUR

FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

Recognizing Potential Fiscal Risks

The Kingdom of Eswatini is aware of increased accumulation of debt as a result of the desire to fund major infrastructure development projects as a catalyst to foster economic growth. To minimize exposure and risks associated with debt accumulation Government has embraced the Public Private Partnership's concept and approach. In addition to that contingent liabilities, Government has issued the following guarantees and on-lent funding to the following Public Enterprises:

Table 14: Outstanding Government guarantees (SZL Millions)

PE Name	Financier	Outstanding Amount as at 31 March 2024
Eswatini Housing Board	Eswatini National Provident Fund	76.22
	Public Service Pension Fund	411.61
Eswatini Electricity Company	World Bank	495.27
FINCORP	African Development Bank	132.62
Eswatini Revenue Service	Public Service Pension Fund	403.32
TOTAL		**1, 519.04**

Source: Ministry of Finance.

CHAPTER FIVE

OUTLOOK FOR THE MEDIUM TERM

In the medium term the main focus for the Ministry will be lowering the risk exposures, particularly the risks associated with the domestic debt portfolio and the foreign currency risk. Reducing risk exposure in the debt portfolio will contribute to reducing risk premiums, thereby lowering the cost of debt servicing. Additionally, the development of the government securities market will reduce risk premiums that currently stem from the low liquidity of government securities, will also help to keep debt cost under control. Government will also put in place an investor relations strategy to promote diversification of the investor base in the government securities market. Some of the identified risks and the measures to be taken are highlighted below:

Table 3: Risk Management Measures

Identified Risk	Measures
Refinancing risk	• Increasing the share of medium and long-term securities in the domestic debt portfolio, through gradual reduction of financing through short-term securities (T-bills) in line with the opportunities offered by the domestic market; and • Smoothening the maturity profile, by assessing the possibility of using liability management operations (bond buybacks and exchanges).
Exchange rate risk	• Monitor and maintain the foreign currency debt to total government debt ratio at acceptable levels; • Concentrate the foreign currency borrowing into Emalangeni and ZAR currencies; • Increase the foreign currency debt stock (nominal stock / in the medium term) in line

	with the increase of exports and foreign exchange reserves; and • Assess the potential use of financial derivatives to control this risk if required.
Operational risk	• Develop a well-defined functions in the debt management unit; • Standardization and formalization of procedures in debt management activities; and • Increase human resources stability in accordance with the approved structure and improve management capacity.