



MINISTRY OF FINANCE

Government Securities Issuance Program for 2021

In 2021, the government gross financing needs amount to approx. RON 130.8 billion, the total borrowing volume to be raised by the Ministry of Finance from domestic and external markets is a percent of the projected budget deficit of 7.16% of GDP (approx. RON 80 billion) and the volume of public debt to be refinanced in 2021, in the amount of approx. RON 51 billion. The budget deficit is to be financed from the domestic market (48%) and from the external market (52%), taking into account the objectives to limit the foreign exchange risk and to further develop the government securities market.

The Ministry of Finance will pursue a flexible approach in completing the funding plan in 2021, aiming at preserving predictability and transparency of the government bond supply, in order to react appropriately to any changes in market trends and investors' behaviour.

On the domestic market, Ministry of Finance intends to issue government securities in amount of RON 85-87 billion, with a maturity structure of 15% / 85% (short term / medium and long term), by issuing the following instruments: a) short-term treasury certificates, with maturities up to one year; b) medium and long term benchmark bonds, and c) retail government securities, issued under TEZAUR Program through local network of the State Treasury and postal offices of C.N. Poșta Română S.A., and under FIDELIS Program through the selected syndicate of banks, with an estimated volume of up to 10% of the government securities volume to be issued on the domestic market, of about RON 8-10 billion.

In order to achieve the objectives of consolidating and expanding the yield curve of RON-denominated government securities and to consolidate the liquidity of the government securities market, the Ministry of Finance intends to reopen benchmark issuances up to an equivalent/issuance of EUR 2.5 billion per series while using the liability management operations (buy-back and exchange transactions).

On the domestic market, RON-denominated government securities will be issued as follows:

- a) short-term treasury certificates, with maturities up to 12 months;
- b) previously issued medium and long term benchmark bonds, that will be frequently re-opened according to investors' demand until reaching an appropriate volume to increase their liquidity;
- c) new benchmark bonds with initial maturities of around standard maturities 3, 5, 7, 10, and 15 years, taking into account investors' demand and the objective of consolidating and expanding the yield curve of RON-denominated government securities;
- c) RON and EUR denominated retail government securities with maturities of 1y to 5y, issued monthly under TEZAUR Program and quarterly under FIDELIS Program.

The Ministry of Finance may also consider issues of government securities denominated in euro on the domestic market that can be re-opened periodically subject to demand for such instruments from local investors.

Furthermore, in order to reduce refinancing risk, and subject to the completion of applicable legal framework and the evolution of the market conditions during 2021, the Ministry of Finance intends to use liability management operations. The government securities that may be subject to buybacks or exchanges are those with a residual maturity of up to one year at the time of the transaction, respectively the series maturing in years 2021 and 2022.

The 2021 indicative volume of international markets borrowing of about EUR 8.8 billion (equivalent) is to be completed through issuance of Eurobonds of EUR 7-7.4 billion (equivalent) subject to the developments, conditions and opportunities offered by these markets, and performing buy-back and exchange transactions of existing issuances, through private placements, as well as by drawings under loans contracted from international financial institutions of about EUR 1.4 billions.

Through external loans, the Ministry of Finance aims to reduce refinancing risk by extending the remaining average maturity of the government securities portfolio at the most efficient cost, and to strengthen the foreign currency buffer available to the State Treasury and to diversify the investment base.

The elements announced above may be revised during 2021, subject to changes in government financing needs, financial markets trends, the investment needs of market participants, the budget deficit financing and refinancing of the public debt, as well as subject to the need to maintain and strengthen the foreign currency buffer at the disposal of the State Treasury.

Subject to favourable conditions on financial markets, Ministry of Finance may also consider pre-financing 2022 borrowing needs, taking also into account the objective of maintaining a financial buffer with the State Treasury at an equivalent of up to four months of gross financing needs.

In 2021, the financing that can be raised from the European Commission as part of *The Recovery and Resilience Facility* will only be considered upon approval of the *Plan for Recovery and Resilience* by the Romanian Government and the European Commission.

Also, Ministry of Finance envisages to include green bonds issuances in the external financing plan for 2021, subject to completion of the *General Framework for Sovereign Green Bonds* based on coordinated efforts of the line ministries and subject to identifying eligible expenses/projects that will be financed through this type of bonds.

The indicative volume of government securities issued on the domestic market will be announced quarterly, with the actual volumes and other specific terms announced in the approved prospectuses. For the first quarter of 2021, Ministry of Finance announces an indicative volume of about RON 22 - 24 billions for domestic government securities issued on the interbank market.

Minister of Finance

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