THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

THE ANNUAL BORROWING PLAN (2022/23)

July, 2022

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1. INTRODUCTION

1. According to Section 25.1(a) of the Government Loans, Guarantees, and Grants Act, Cap. 134, the Government through the Ministry of Finance and Planning is required to prepare an Annual Borrowing Plans (ABP) and Medium-Term Debt Management Strategy (MTDS) in line with the overall fiscal framework. The ABP outlines how the Government plans to borrow and manage its debt to achieve a portfolio mix congruent to preferred costs and risks in a bid to meet financing needs as per the MTDS.

2. In furtherance of its legal mandate to mobilize requisite financing, the Government has prepared ABP to apprise relevant stakeholders of the means by which it intends to secure the necessary financing to execute the 2022/23 Budget. The configuration of this ABP is premised on the Government's overarching debt management objective, as outlined in Regulation 4 of the Government Loans, Guarantees, and Grants Act, Cap. 134, which is "to ensure the financing needs of the Government are met and to minimize borrowing costs for the Government". This primary objective for borrowing is supported by secondary objectives of developing domestic financial markets, ensure sustainability of debt burden, and minimize debt related risks at an acceptable level.

3. The preparation and publication of this ABP exemplifies the Government's commitment to fiscal accountability, improved transparency, and the fostering of greater predictability in debt operations, with a view to aiding financial market participants in their respective financial planning processes. Specifically, this ABP details the Government's projected borrowing needs, as provided for in the Annual Budget of 2022/23, along with the various categories of debt instruments to be issued during the fiscal year and estimated nominal amounts under each category of debt instrument.

4. To adequately finance Budget 2022/23 (**Table.1**), the Government is projected to mobilize a total of TZS 13,462.72 billion from domestic and external sources. Of this sum, it is anticipated that TZS 7,682.57 billion, or 57.07 percent of the total financing requirement would be met by external partners (TZS 6,581.08 billion from external loans and TZS 1,101.50 billion from grants), while the remaining TZS 5,780.14 billion, or 42.93 percent of the required financing would be secured from the domestic market. Both external and domestic financing endeavors were approached with the goal of securing the most concessional financing terms possible for

Tanzania; that is, financing terms characterized by low, fixed interest rates, and long maturity periods. The preference for, and prioritization of concessional financing align with the cost minimization and risk mitigation ideals inherent in 2022 MTDS.

Table 1: Budget Frame 2022/23 *(billions of shillings)*

	Revenue	
A	**Domestic Revenue**	**28,017.87**
	(i) TRA Revenue (Tax and Non-Tax)	*23,652.76*
	(ii) Non-Tax Revenue (MDAs and TR)	*3,352.82*
	(iii) LGAs own source	*1,012.29*
B	**External Grants and Concessional Loans**	**4,648.56**
	(i) General Budget Support	*1,949.48*
	(ii) Projects Loans and Grants	*2,576.96*
	(iii) Basket Loans and Grants	*122.12*
C	**Domestic & External Non-Concessional Loans**	**8,814.15**
	(i) External Non-Concessional Borrowing	*3,034.00*
	(ii) Domestic Non-Concessional Borrowing	*2,480.15*
	(iii) Domestic Non-Concessional Borrowing (Rollover)	*3,300.00*
	TOTAL REVENUE (A+B+C)	**41,480.58**
	Expenditure	
D	Recurrent Expenditure	**26,474.58**
E	Development Expenditure	**15,006.00**
	(i) Domestic Financing	*12,306.92*
	(ii) Foreign Financing	*2,699.08*
	TOTAL EXPENDITURE (D+E)	**41,480.58**

2. Borrowing Requirements for the Fiscal Year 2022/23

5. The Annual Borrowing Plan for the fiscal year 2022/23 presents the Government's strategy for debt operations to support financing of the budget and sound fiscal management.

6. The financing requirement of the Government approved by the Parliament for the year 2022/23, is estimated at TZS 12,361.22 billion. Of this sum, TZS 6,581.08 billion would be sourced externally and the remaining TZS 5,780.14 billion would be sourced domestically (**Table.2**).

Table 2: Borrowing Requirements (Fiscal Year 2022/23

Instruments	Sno	Government Borrowing	Currency Composition	Financing (*Billions of Shillings*)
External Borrowing				
Concessional	1	**Concessional Borrowing**	100 Percent Foreign, Currency - USD, Eur, Yen, Yuan, SDRs	**3,547.07**
		Budget Support Loans		*1,893.95*
		Projects Loans		*1,653.12*
	2	**Non-Concessional borrowing**		**3,034.00**
Commercial		Budget Financing		*1,183.37*
ECAs + Commercial		Project Financing		*1,850.63*
Domestic Borrowing				
Domestic Market	3	**Net Domestic Financing**	100 Percent Local Currency - TZS	**2,480.14**
		Bank (net)		*2,275.61*
		Non-Bank Financing		*204.53*
	4	**Domestic Borrowing (Rollover)**		**3,300.00**
Gross Financing Needs				**12,361.22**

3. GOVERNMENT EXTERNAL BORROWING REQUIREMENTS

7. In consistent with the estimates of Government revenue and expenditure, in 2022/23, the Government plans to borrow from external sources a total of TZS 6,581.08 billion. Out of the planned amount, TZS 3,547.07 billion will be sourced from Multilateral and Bilateral creditors and TZS 3,034.00 billion from Commercial and Export Credit Agencies (ECAs). The allocation is in line with 2022 MTDS which aims to maximize financing from semi-concessional loans (ECAs), where necessary, limited commercial loans to projects with high impact on economic growth and that promote exports. Detailed allocation of the amount with respective instruments is in **Table.3**.

Table 3: External Debt Disbursements by Main Creditors (TZS Billion)

Main Creditors	Loan Currency	Total
MULTILATERALS		**2730.55**
IMF_RCF_ECF	SDR	*698.06*
IDA	SDR	*608.11*
IDA - blend	USD	*534.47*
ADB/AGTF	USD	*536.25*
ADF	USD	*4.59*
OPEC	USD	*185.90*
BADEA	USD	*111.05*
OTHERS (IFAD - EIB-NDF)	USD	*52.11*
BILATERALS		**816.52**
Paris Club		***426.36***
JIBC	YEN	*3.20*
JICA	YEN	*44.52*
AFD	EUR	*125.76*
Korea EXIM	USD	*233.51*
OTHERS (Aus, Spain, Denmark, Belgium)	USD	*19.35*
Non-Paris Club		***390.16***
China EXIM	RMB	*162.67*
India EXIM	USD	*185.90*
KUWAIT & SAUDI FUND	USD	*32.59*
OTHERS_UAE	USD	*9.00*
COMMERCIALS		**3034.00**
Standard Chartered Bank	USD	*282.49*
DEUTSCHE	USD	*591.49*
OTHERS (CITI_DEUTSCHE_SG)	EUR	*592.45*
COM5 (ECA OTHERS)	USD	*1,567.57*
Total External Borrowing		**6,581.08**

8. Risk associated with exchange rate exposure improved as debt denominated in foreign currency decreased to 65.2 percent of total debt in June 2022 percent from 69.6 June 2021 with large proportion denominated in USD. To contain the risks, the government is continued with the strategy of diversifying the portfolio to different foreign currencies.

4. GOVERNMENT DOMESTIC BORROWING REQUIREMENTS

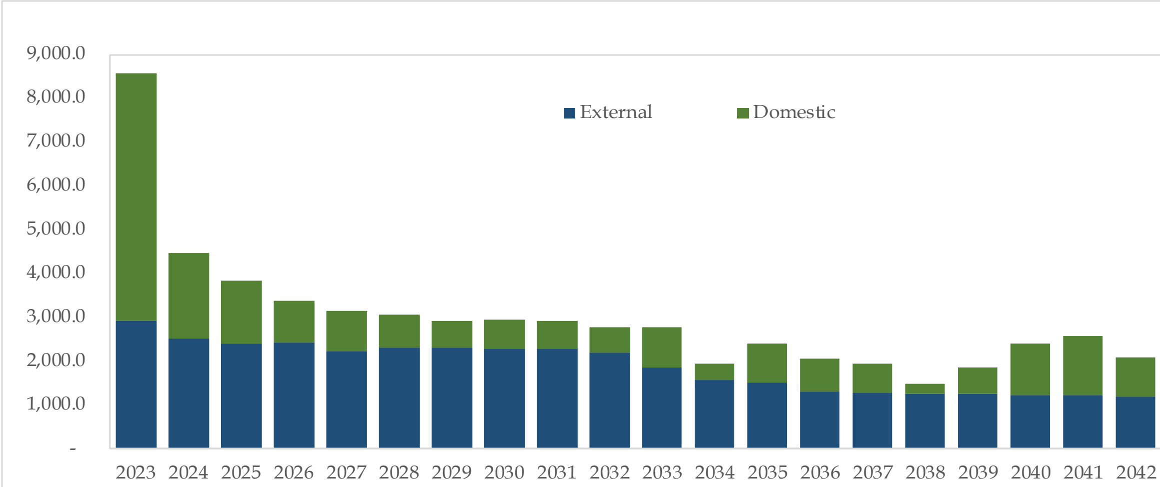
9. In the domestic market, the Government plans to borrow a total of TZS 5,780.15 billion in cost value through Treasury bills and bonds. Out of the planned amount, TZS 2,480.14 billion will cater for new financing and TZS 3,300.00 billion is for repayment of maturing obligations for URT, while TZS 115.00 billion is for financing the budget of Revolutionary Government of Zanzibar (RGoZ) making a total of domestic financing needs equivalents to TZS 5,895.15 billion as per the 2022/23 Issuance Plan. The detailed allocation of the amount with respective instruments is in **Table.3**.

Table 4: Domestic Borrowing Requirements

Sno	Instruments	Amount (TZS Billion)
1.	2 Year	514.03
2.	5 Year	379.82
3.	7 Year	380.38
4.	10 Year	523.75
5.	15 Year	696.32
7.	20 Year	879.66
8.	25 Year	1,046.11
9.	**Sub- Total**	**4,420.07**
10.	364 DAY	1,475.08
11.	**Grand Total**	**5,895.15**

10. The redemption profile of the total portfolio indicates a significant portion of domestic debt matures in 2022 reflecting sizeable amount of treasury bills (**Chart 1**).

Chart 1: Redemption profile as at end June 2022 (TZS Millions)



5. DEBT MANAGEMENT STRATEGIES AND STRATEGIC BENCHMARKS

11. The Government of Tanzania has quantified debt portfolio benchmark targets, which are mainly based on the entire debt portfolio model which takes into account the optimal tradeoff between costs and risks. The following are the benchmark targets for government debt management in the year 2022/23:

    i. **Implied Interest rate (percent):** Global tightening financing conditions have raised slightly the debt cost indicators with the weighted average interest rate increased from 4.7 percent June 2021 to 4.9 percent June 2022 but on average the cost of servicing debt is not expected to raise above the target of 7 percent in the planning period;

    ii. **Debt maturing in 12 months (percent of total):** As of June 2021, refinancing risks slightly increased from 10.9 percent of debt maturing in one year as compared with 11.7 percent in June 2022. However, it is expected to reduce the proportion of debt maturing in one year to 5.9 percent and remain within the medium target of not less than 15 percent consistent with the 2022 MTDS;

    iii. **Foreign currency debt (percent of total):** In order to mitigate the exchange rate risks, foreign currency obligations should be lower than 75 percent of the total debt portfolio, whereas the 2021 MTDS decreased the proportion from 69.6 percent June 2021 to 65.2 percent June 2022; and

iv. **Average Term to Maturity (ATM):** To reduce the refinancing risk the average term to maturity of debt portfolio should be above 10 years. The current ATM is 11.2 years, consistent with the medium term of lengthening long-term maturities the target is expected to be maintained.

12. In aligning with the 2022 MTDS, the Government will implement the budget for 2022/23 by maximizing the financing from concessional and semi-concessional sources from Export Credit Agencies (ECAs) as it will reduce the weighted average costs and increase the average time to maturity, while all borrowing from commercial sources will be restricted to projects with high impact on economic growth and that promote exports. Nevertheless, Government securities with longer maturities will be assigned more weight to lengthen maturity profile of domestic debt to contain refinancing risks.