
THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE



THE ANNUAL BORROWING PLAN (2023/24)

July 2023

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1.0 INTRODUCTION

- 1.1 In accordance with Section 25.1(a) of the Government Loans, Guarantees, and Grants Act, Cap. 134, the Government through the Ministry of Finance 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 consistent to preferred costs and risks in a bid to meet financing needs as per the MTDS.
- 1.2 In alignment with legal obligation to mobilize essential financing, the Government has formulated an Annual Borrowing Plan (ABP) to inform relevant stakeholders about its strategies for securing the requisite funding to execute the 2023/24 Budget. This ABP is structured in accordance with the Government's overarching debt management objective, articulated in Regulation 4 of the Government Loans, Guarantees, and Grants Act, Cap. 134, which aims 'to meet the Government's financing needs while minimizing borrowing costs.' This primary goal is complemented by secondary objectives aimed at fostering the development of domestic financial markets, ensuring the sustainability of the debt burden, and mitigating debt-related risks to an acceptable extent.
- 1.3 The drafting and dissemination of this Annual Borrowing Plan (ABP) underscore the Government's dedication to fiscal responsibility, enhanced transparency, and the promotion of increased predictability in debt operations. These efforts aim to assist financial market participants in their respective financial planning endeavors. This ABP describes the Government's anticipated borrowing requirements, as stipulated in the 2023/24 Annual Budget, outlining the different types of debt instruments slated for issuance throughout the fiscal year, along with their respective estimated nominal amounts.
- 1.4 To finance Budget 2023/24 (**Table.1**), the Government is projected to mobilize a total of TZS 13,007.06 billion from domestic and external sources. Of this sum, it is anticipated that TZS 7,566.68 billion, or 58.17 percent of the total financing requirement would be met by external partners (TZS 6,455.36 billion from external loans and TZS 1,111.32 billion from grants), while the remaining TZS 5,440.38 billion, or 41.83 percent of the required financing would be secured from the domestic market. Both external and domestic financing strategies were pursued with the aim of obtaining the most concessional financing terms feasible for Tanzania.

Table 1 Budget Frame 2023/24 (billions of shillings)

	Revenue	
A	Domestic Revenue	30,237.128
	(i) TRA Revenue (Tax and Non-Tax)	26,725.409
	(ii) Non-Tax Revenue (MDAs and TR)	3,511.719
	(iii) LGAs own source	1,143.883
B	External Grants and Concessional Loans	5,466.215
	(i) General Budget Support	2,184.134
	(ii) Projects Loans and Grants	3,151.958
	(iii) Basket Loans and Grants	130.123
C	Domestic & External Non-Concessional Loans	7,540.840
	(i) External Non-Concessional Borrowing	2,100.464
	(ii) Domestic Non-Concessional Borrowing	1,898.316
	(iii) Domestic Non-Concessional Borrowing (Rollover)	3,542.061
	TOTAL REVENUE (A+B+C)	44,388.067
	Expenditure	
D	Recurrent Expenditure	30,310.847
E	Development Expenditure	14,077.220
	(i) Domestic Financing	10,795.139
	(ii) Foreign Financing	3,282.081
	TOTAL EXPENDITURE (D+E)	44,388.067

2.0 BORROWING REQUIREMENTS FOR THE FISCAL YEAR 2023/24

- 2.1 The Annual Borrowing Plan for the fiscal year 2023/24 presents the Government's strategy for debt operations to support financing of the budget and sound fiscal management.
- 2.2 The financing requirement of the Government approved by the Parliament for the year 2023/24, is estimated at TZS 11,895.74 billion. Of this sum, TZS 6,455.36 billion would be sourced externally and the remaining TZS 5,440.38 billion would be sourced domestically (**Table.2**).

Table 2 Borrowing Requirements (Fiscal Year 2023/24)

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	4,354.89
		Budget Support Loans		2,127.77
		Projects Loans		2,227.12
	2	Non-Concessional borrowing		2,100.46
Domestic Borrowing				
Domestic Market	3	Net Domestic Financing	100 Percent	1,898.32
	4	Domestic Borrowing (Rollover)	Local Currency - TZS	3,542.06
Gross Financing Needs				11,895.74

3.0 GOVERNMENT EXTERNAL BORROWING REQUIREMENTS

- 3.1 In consistent with the estimates of Government revenue and expenditure, in 2023/24, the Government plans to borrow from external sources a total of TZS 6,455.36 billion. Out of the planned amount, TZS 3,7587.51 billion will be sourced from Multilateral, TZS 597.38 billion from Bilateral creditors and TZS 2,100,46 billion from Commercial and Export Credit Agencies (ECAs). The allocation is in line with 2023 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 Creditor Category	Total
Multilaterals	3,757.51

Bilateral	597.39
Paris Club	341.24
Non-Paris Club	256.15
Commercials	2,100.46
Total External Borrowing	6,455.36

- 3.2 Risk associated with exchange rate exposure improved as debt denominated in foreign currency decreased to 63.7 percent of total debt in June 2023 percent from 65.2 June 2022 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.

4.0 GOVERNMENT DOMESTIC BORROWING REQUIREMENTS

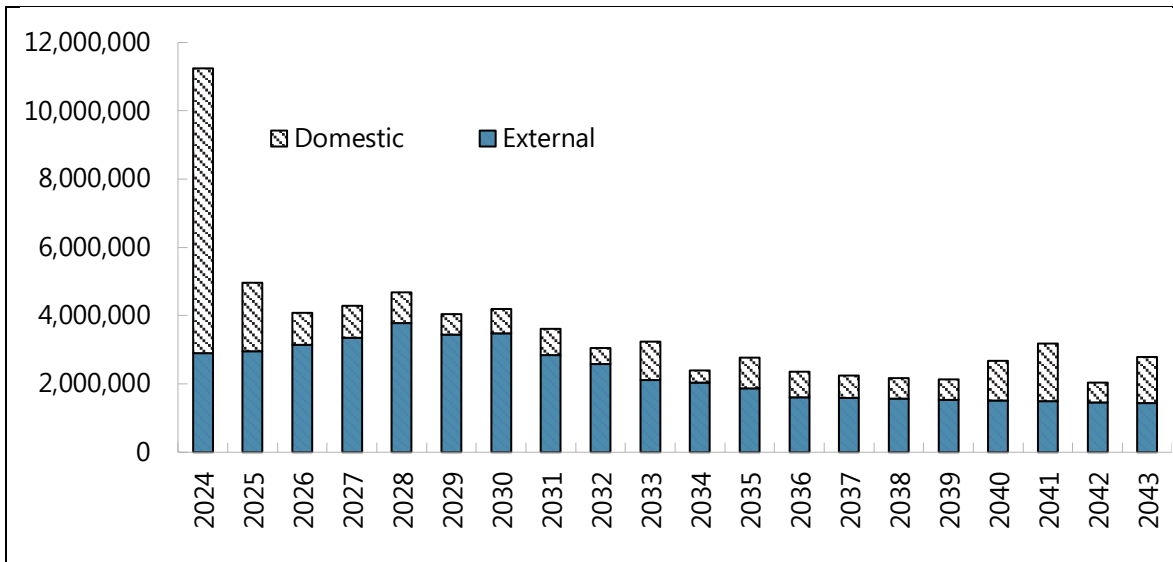
- 4.1 In the domestic market, the Government plans to borrow a total of TZS 5,440.38 billion in cost value through Treasury bills and bonds. Out of the planned amount, TZS 1,898.32 billion will cater for new financing and TZS 3,542.06 billion is for repayment of maturing obligations for URT. The detailed allocation of the amount with respective instruments is in **Table.3**.

Table 4 Domestic Borrowing Requirements

Sno	Instruments	Amount (TZS Billion)
1.	2 Year	644.13
2.	5 Year	644.13
3.	7 Year	-
4.	10 Year	673.33
5.	15 Year	673.33
7.	20 Year	595.90
8.	25 Year	595.90
9.	Sub- Total	3,826.71
10.	364 DAY	1613.65
11.	Grand Total	5,440.36

4.2 The redemption profile of the total portfolio indicates a significant portion of domestic debt matures in 2023 reflecting sizeable amount of treasury bills (**Chart 1**).

Chart 1 Redemption profile as at end June 2023 (TZS Millions)



5.0 DEBT MANAGEMENT STRATEGIES AND STRATEGIC BENCHMARKS

5.1 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 2023/24:

- i. **Implied Interest rate (percent):** Global tightening financing conditions have raised slightly the debt cost indicators with the weighted average interest rate increased from 4.9 percent June 2022 to 5.8 percent June 2023 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 2023, refinancing risks slightly increased to 12.7 percent of debt maturing in one year as compared with 11.8 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 2023 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 2023 MTDS decreased the proportion from 65.2 percent June 2022 to 63.7 percent June 2023; 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 11.1 years, consistent with the medium term of lengthening long-term maturities the target is expected to be maintained.
- 5.2 In alignment with the 2023 MTDS, the Government is committed to implementing the 2023/24 budget with a strategic focus on maximizing financing from concessional and semi-concessional sources. This approach aims to reduce weighted average costs and extend the average time to maturity, ensuring financial stability. Commercial borrowing will be restricted to projects with high impact on economic growth and export promotion. Moreover, to mitigate refinancing risks, Government securities with longer maturities will be prioritized, thereby lengthening the maturity profile of domestic debt. This comprehensive strategy underscores our dedication to prudent fiscal management and sustainable economic development.
- 5.3 Therefore, this Annual Borrowing Plan support the implementation of the MTDS which aims at reducing financing cost and provides adequate resources needed to implement various development projects. It's worth noting that in the course of implementation, the ABP will be adjusted basing on the financing requirement of the Government approved by the Parliament for the 2023/24.