



REPUBLIC OF ZAMBIA

2024

# ANNUAL BORROWING PLAN



MINISTRY OF FINANCE AND  
NATIONAL PLANNING



**Republic of Zambia**  
**2024 Annual Borrowing Plan**

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## GENERAL STATEMENT

The 2024 Annual Borrowing Plan (ABP) outlines Government's plan to mobilise resources required to finance the deficit in the 2024 National Budget which is meant to implement various development programmes and priorities in line with the Eighth National Development Plan (8NDP). The ABP has been developed in accordance with the Public Debt Management Act, 2022 and reflects Government's commitment to prudent and sustainable borrowing for strategic national development. Approval of the ABP by the National Assembly implies approval of the loans contained therein for the 2024 financial year.

The development of the 2024 ABP is underpinned by the 2023-2025 Medium-Term Debt Management Strategy (MTDS) and the constraints identified in the 2023 Debt Sustainability Analysis (DSA). These factors guided decisions regarding the optimal balance between external and domestic debt, taking into consideration the costs and risks associated with each debt type.

The 2024 ABP also considers Zambia's commitments under the International Monetary Fund (IMF) Program and the ongoing debt restructuring process. Therefore, all borrowing activities for the financial year will adhere to requirements under the IMF Program, which include limiting external financing to concessional loans. Despite the reforms being undertaken to restore debt sustainability, Government acknowledges the need to continue providing essential public goods and services for economic transformation and job creation, and the overall well-being of the Zambian citizens. Therefore, the 2024 ABP addresses the requirement for the Government to bridge the financing gap in the 2024 National Budget.

In addition, publication of the ABP demonstrates Government's commitment to enhance transparency and accountability in the contraction of public debt.

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## ACRONYMS

<b>8NDP</b>	Eighth National Development Plan
<b>ABP</b>	Annual Borrowing Plan
<b>DSA</b>	Debt Sustainability Analysis
<b>ECF</b>	Extended Credit Facility
<b>IMF</b>	International Monetary Fund
<b>MDB</b>	Multilateral Development Bank
<b>MTDS</b>	Medium Term Debt Management Strategy

## DEFINITIONS

**Concessional loans** are loans that are extended on terms substantially more generous than commercial loans. They are generally characterised by lower interest rates, long grace periods and long repayment periods.

**Debt refinancing** is when a borrower applies for a new loan or debt instrument that has better or more favourable terms and can be used to repay the existing/previous loan obligation.

**Debt service** refers to payments made to meet a debt obligation and it includes interest payments and principal repayments.

**Debt stock** is the total amount of debt outstanding at a particular point in time.

**Disbursements/Drawdowns** are agreed amounts of money under a loan contract paid from the lender's account to the borrower's account. Once received by the borrower, disbursements/drawdowns on a loan become part of the debt stock.

**Government securities** are debt instruments used by the Government to raise financing for budget support. They constitute Treasury bills, which mature within a year and Government bonds, which have a maturity period of more than one year.

**Maturities** refer to the principal repayment on a loan due at a particular point in time.

**Net Domestic Financing (NDF)** refers to the total domestic borrowing less maturities on Government securities falling due during the period under consideration, available to finance the budget.

**T+4 (Treasury Bills)** refers to the date of the auction (T) which is usually on a Thursday plus 4 days from the date of the Auction which is usually on a Monday when settlement takes place.

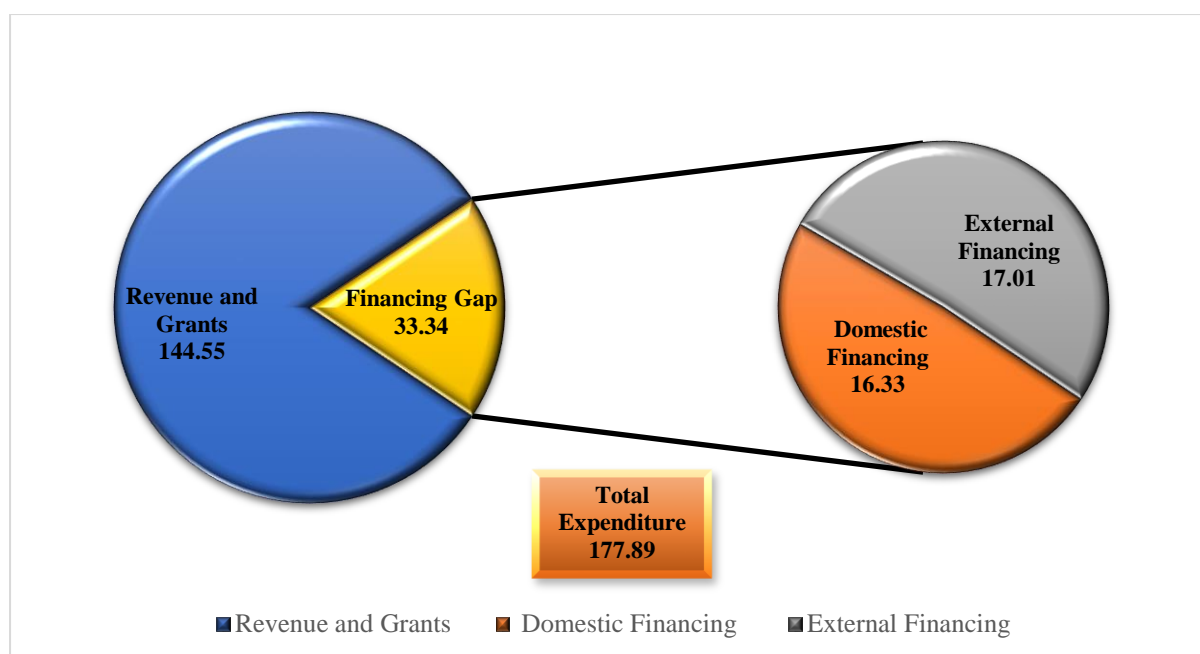
**T + 3 (Bonds)** is the date of the auction (T) which is usually on a Friday plus 3 days from the date of the Auction which is usually on a Monday when settlement takes place.

## 1 TOTAL BORROWING NEEDS FOR THE 2024 FINANCIAL YEAR

In 2024, Government intends to spend **K177.89 billion** to be financed through tax and non-tax revenue, grants and debt. The financing from tax and non-tax revenue, and grants is projected at **K144.55 billion**, leaving a deficit of **K33.34 billion**. The **K33.34 billion** will be financed through domestic and external borrowing of **K16.33 billion** and **K17.01 billion**, respectively (see Figure 1). The **K17.01 billion** external borrowing comprises disbursements of **K3.79 billion** from new loans to be contracted in 2024, **K3.50 billion** from the IMF Extended Credit Facility (ECF) and **K9.72 billion** from already contracted project loans.

External borrowing will be limited to concessional financing in line with Government's commitment to ensure that public debt is restored to sustainable levels. The borrowing will be conducted in line with the Medium-Term Debt Strategy which entails a gradual increase in domestic financing, and a reduction in external financing.

Figure 1: 2024 Resource Requirement (K' billion)



### 1.1 New Loans to be Contracted In 2024

In 2024, Government intends to contract Net Domestic Financing (NDF) of **K16.33 billion** and external financing of **US \$416.33 million** as outlined in Table 1. Out of the **US \$416.33 million**, **US \$203.97 million** will be disbursed in 2024 while the balance will be disbursed in subsequent years in line with implementation milestones for each project.



Table 1: New Loans to be contracted in 2024

Description	Loan Amount (Face Value)	Amount to be disbursed in 2024	Purpose of the Borrowing
1. Net Domestic Financing [ZMW]	16,328,755,585	16,328,755,585	Budget Support
2. External Financing [US \$]	416,333,333.00	203,965,000.00	
O/w Programme Loans	150,000,000.00	150,000,000.00	Budget Support
O/w Project Loans	266,333,333.00	53,965,000.00	Project Implementation
Improving Access and Strengthening Innovations for Water, Sanitation, and Hygiene	13,333,333.00	4,865,000.00	To improve the delivery of water supply, sanitation and hygiene services
Zambia Education Enhancement Project Phase II	53,000,000.00	20,000,000.00	To improve the quality of teaching and learning in targeted schools
Zambia Agribusiness and Trade Project Phase II	170,000,000.00	16,000,000.00	To develop the agricultural sector by making investments at critical points in the agribusiness supply chain
SADC Regional Statistics	30,000,000.00	13,100,000.00	To strengthen the institutional capacity of SADC and participating countries to produce, disseminate, and use quality statistics

The details of the proposed domestic and external borrowing strategy for the year 2024 are outlined in the sections below:

## 2 DOMESTIC DEBT

Gross Domestic Financing for the financial year 2024 is projected at **K83.2 billion**, out of which **K16.33 billion** will be Net Domestic Financing to finance the 2024 National Budget, with the remainder being used to refinance maturities falling due during the course of the year.

### 2.1 Methods of Raising Domestic Financing

In 2024, domestic financing will be raised through the issuance of Government securities in public auctions. The auctions will continue to be conducted by the Bank of Zambia in its capacity as Government's fiscal agent.

To meet the 2024 Gross Domestic Financing, the tender size for Treasury bill auctions will be maintained at **K2.00 billion**, and for Government bonds auctions at **K2.60 billion**. The

auction frequency will also be maintained on a monthly basis for Government bonds and fortnightly for Treasury bills.

The Government bonds and Treasury bills will continue to be issued in local currency at market yield rates. The Government securities will be issued through competitive and non-competitive bidding at single price allotment.

## **2.2 Domestic Debt Borrowing Instruments**

Government bonds will constitute both medium and long-term domestic debt instruments to be issued during the year. The tenors on offer will be 2-years, 3-years, 5-years, 7-years, 10-years and 15-years to be issued monthly with T+3 being the settlement date.

Treasury bills will constitute short-term instruments with a maturity period of up to one year. Instruments on offer will include the 91-days, 180-days, 273-days and 364-days tenors to be issued fortnightly with settlement date being T+4.

## **2.3 2024 Issuance Calendar**

The 2024 ABP will be complemented by the publication of quarterly issuance calendars for both Treasury bills and Government bonds. The calendar will spell out the indicative timing for domestic borrowing operations during the course of the year.

The issuance calendar will be published on the Bank of Zambia website and in daily newspapers circulated in Zambia. The calendar will provide details on auction size, tenor of instruments to be issued, amounts on offer per instrument, issue number and indicative dates for the auctions.

## **2.4 Broad Terms of Borrowing**

Yield rates on Government securities will be market driven. Government will, however, ensure that movements in the yield rates are in line with Government's objective of borrowing at least cost and ensuring prudent degree of risk.

## **2.5 Maximum Limit on new Net Domestic Financing**

The maximum limit on new Net Domestic Financing projected for the 2024 financial year is **K16,328,755,585**.

## **3 EXTERNAL DEBT**

The projected external financing for 2024 is **US \$914.75 million (K17.01 billion)**, broken down as follows:

- i. **US \$203.97 million** in projected disbursements from new loans to be contracted in 2024;
- ii. **US \$522.83 million** in projected disbursements from already contracted loans; and
- iii. **US \$187.96 million** in projected disbursements under the IMF Extended Credit Facility (ECF).

### 3.1 New External Loans

The new external loans to be contracted in 2024 amount to **US \$416.33 million**, out of which **US \$203.97 million** will be disbursed in 2024, broken down as **US \$150.00 million** for budget support and **US \$53.97 million** on project loans. The new borrowing for 2024 will be concessional loans from multilateral sources.

**Table 2: New Loans to be Contracted in 2024**

Description	Loan Amount (US \$)	Amount to be Disbursed in 2024 (US \$)	Purpose of Borrowing
<b>1. Programme Loans</b>	<b>150,000,000.00</b>	<b>150,000,000.00</b>	<b>General Budget Support</b>
<b>2. Project Loans</b>			
<b>2. Project Loans</b>	<b>266,333,333.00</b>	<b>53,965,000.00</b>	<b>Project Implementation</b>
Improving Access and Strengthening Innovations for Water, Sanitation, and Hygiene	13,333,333.00	4,865,000.00	To improve the delivery of water supply, sanitation and hygiene services
Zambia Education Enhancement Project Phase II	53,000,000.00	20,000,000.00	To increase access to education
Zambia Agribusiness and Trade Project Phase II	170,000,000.00	16,000,000.00	To develop the agricultural sector by making investments at critical points in the agribusiness supply chain
SADC Regional Statistics	30,000,000.00	13,100,000.00	To strengthen the country's institutional capacity to produce, disseminate, and use quality statistics
<b>A. Sub-Total</b>	<b>416,333,333.00</b>	<b>203,965,000.00</b>	

### 3.2 Projected Disbursements on Existing Loans

Government projects to drawdown **US \$710.78 million** on already contracted external loans and IMF ECF (Table 3). These funds will be utilised for general budget support and continued implementation of ongoing projects in various sectors of the economy including education, health, energy, agriculture, tourism, roads and water and sanitation.

Implementation of these projects is key to achieving economic transformation as set out in the 8NDP.

**Table 3: Projected Disbursements on the IMF ECF and other Existing External Loans**

Description	2024 Projected Disbursements (US\$)	Financing Type
IMF Extended Credit Facility (Budget support)	187,955,612.78	Expected drawdown on the IMF Extended Credit Facility
Drawdown on already contracted loans	522,826,042.48	Projected disbursements on existing external loans, largely from multilaterals
<b>B. Sub-Total</b>	<b>710,781,655.26</b>	
<b>Total Projected Disbursements (A+B)</b>	<b>914,746,655.26</b>	

*Note: Refer to Annex 2 for breakdown of projected disbursements on already contracted loans.*

### 3.3 Debt Instruments and Borrowing Terms

External loan contraction in 2024 will be restricted to concessional sources, with the majority being financed by Multilateral Development Banks (MDBs) such as the World Bank and African Development Bank (AfDB). This is in line with Government’s current policy to limit external debt contraction to concessional borrowing. Table 4 shows the indicative terms of the external loans to be contracted in 2024.

**Table 4: Indicative Terms for External Loans to be Contracted in 2024**

S/N	Description	Terms
1	Total amount to be contracted	US \$416,333,333.00
2	Maturity	Minimum of 12 years
3	Grace Period	Minimum of 5 years
4	Interest Rate	Between 0 and 2.75 percent per annum

### 3.4 Indicative Timing of the Borrowing

All the loans are expected to be contracted by the first quarter of 2024 to ensure timely implementation of the 2024 Budget. In terms of disbursements, programme loans are expected to disburse within the first half of the year while disbursements on project loans will be throughout the year in line with project implementation milestones.

### 3.5 Maximum Limit on New External Borrowing

The maximum limit on new external loans to be contracted in 2024 is **US \$416,333,333.00**.

#### 4 NET CHANGE IN PUBLIC DEBT

Assuming full subscriptions on Government securities auctions, total issuances in 2024 are projected at **K83.20 billion**, with maturities on domestic debt projected at **K66.87 billion**, resulting in a net increase in domestic debt stock of **K16.33 billion**.

Disbursements on external loans are projected at **US \$914.75 million** while principal loan repayments are projected at **US \$135.75 million**<sup>1</sup>, resulting in a net increase in external debt stock of **US \$779.00 million**.

The total projected net increase of the borrowing operations of Central Government in 2024 (domestic and external) is, therefore, an increase of **US \$1.66 billion**<sup>2</sup> in the stock of public debt at end December 2023<sup>3</sup>.

The net increase takes into account the projected drawdowns from already contracted loans; new borrowing expected to be approved by the National Assembly for 2024; and projected debt service payments for 2024.

#### 5 RISK MANAGEMENT

The borrowing operations for the 2024 financial year will be conducted in a manner that ensures that Government financing needs are met at minimal cost, with a prudent degree of risk.

##### 5.1 Domestic Financing

Under domestic financing, the main risks relate to:

- i. **Underperformance of Auctions:** Undersubscription in Government bond and Treasury bill auctions arise due to the unpredictability of investor demand.
- ii. **Refinancing Risk:** While coupon rates are fixed, yield rates pose a challenge in refinancing or rolling over of existing domestic debt.

To mitigate these risks, the following strategies will be implemented to encourage investor participation in the auctions as well as to smoothen the maturity profile of Government securities:

- i. **Increasing the investor base:** This will involve countrywide sensitisations, promotion, and marketing of Government securities using various platforms, including social media, radio and television programmes. The target audience will mainly be the non-bank public and retail investors; and
- ii. **Investor engagements:** There will be regular engagements with major market players in the Government securities market to have more insights into their perceptions and investment strategies.

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<sup>1</sup> Subject to change due to ongoing debt restructuring discussions

<sup>2</sup> The domestic debt is converted at an exchange rate of K18.6/US\$

<sup>3</sup> For the public debt stock as at end June 2023, refer to Annex 1.

## 5.2 External Financing

Under external financing, the main risks relate to:

- i. **Exchange rate risk:** exchange rate fluctuations may result in a possible mismatch in expenditures on debt service and/or funds to be raised from external sources in Kwacha terms; and
- ii. **Operational risk:** Delays in finalising the contraction processes for the expected **US\$416.33 million** to be borrowed from external sources in 2024 can negatively impact the timely implementation of programmes and projects in the 2024 Budget.

To mitigate against operational risk, Government will proactively engage with its creditors to facilitate timely negotiations and execution of financing agreements.

## ANNEX 1: PUBLIC DEBT POSITION AS AT END JUNE 2023

Zambia's total Public and Publicly Guaranteed debt as at end June 2023 was **US \$27.69 billion**, of which Central Government external debt was **US \$14.07 billion**, while guaranteed external loans to State Owned Enterprises amounted to **US \$1.43 billion**. Domestic debt amounted to **ZMW213.88 billion** equivalent to **USD12.19 billion**. See Table 6 below for breakdown of Public and Publicly Guaranteed debt stock.

Table 5: Public Debt Position as at end June 2023

Description	Amount ( <i>USD million</i> )
Central Government External Debt	14.07 billion
Publicly Guaranteed External Debt	1.43 billion
Domestic Debt (Government Securities)	12.19 billion
<b>Total</b>	<b>27.69 billion</b>

## ANNEX 2: BREAKDOWN OF PROJECTED DISBURSEMENTS ON EXISTING LOANS

Table 6: Breakdown of Disbursements on Already Contracted Loans

S/N	LOAN NAME	PROJECTED DISBURSEMENT IN 2024	IMPLEMENTING MINISTRY
1	Chinsali - Nakonde Road Rehabilitation Project	24,572,000.00	Ministry of Infrastructure Housing and Urban Development
2	Small Towns Water Sanitation	13,405,780.97	Ministry of Water Development and Sanitation
3	Aqua Culture Enterprise Development Project	2,453,448.63	Ministry of Fisheries and Livestock
4	Lake Tanganyika Development Project Phase II	1,500,000.00	Ministry of Fisheries and Livestock
5	Lusaka Sanitation Programme	27,780,391.12	Ministry of Water Development and Sanitation
6	Rural Water Sanitation Project Phase II	2,029,000.00	Ministry of Water Development and Sanitation
7	Skills Development and Entrepreneurship Project	4,131,650.05	Ministry of Small and Medium Enterprises
8	Chiansi Small Holder Outgrower Support Project	2,000,000.00	Ministry of Agriculture
9	Itezhi-Tezhi Hydro Transmission Line	1,350,000.00	Ministry of Energy
10	Kariba Dam Rehabilitation Project	36,100,000.00	Ministry of Energy (Zambezi River Authority)
11	Kazungula Bridge Project	2,000,000.00	Ministry of Infrastructure Housing and Urban Development
12	Livestock Management (SLIMP)	1,330,000.00	Ministry of Fisheries and Livestock
13	Nacala Road Corridor Development Project Phase IV	500,283.91	Ministry of Infrastructure Housing and Urban Development
14	Nacala Road Corridor Development Project	3,000,597.16	Ministry of Infrastructure Housing and Urban Development
15	Programme for Integrated Development and Adaptation to Climate Change in the Zambezi River Basin	3,452,000.00	Ministry of Agriculture
16	Zambia Emergency Food Production Project	2,137,817.53	Ministry of Agriculture



17	Africa CDC Regional Investment	22,000,000.00	Ministry of Health
18	Agribusiness and Trade Project	620,000.00	Ministry of Commerce, Trade and Industry
19	Devolution Support Programme	35,000,000.00	Ministry of Local Government and Rural Development
20	Eastern-Southern Higher Education Project	2,787,456.59	Ministry of Education
21	Zambia Education Enhancement Project I	20,000,000.00	Ministry of Education
22	Electricity Service Access Project	4,407,535.50	Ministry of Energy
23	Emergency Health Services	2,053,615.51	Ministry of Health
24	Girls Education and Women Empowerment and Livelihoods Phase II	10,700,000.00	Ministry of Community Development and Social Services, and Ministry of Education
25	Irrigation Development & Support Project Phase II	12,500,000.00	Ministry of Agriculture
26	Mining Environment Improvement Project	20,000,000.00	Ministry of Mines and Minerals Development
27	Scaling-Up Shock Responsive Social Protection	54,300,000.00	Ministry of Community Development and Social Services
28	Transforming Landscapes for Resilience and Development in Zambia	17,000,000.00	Ministry of Green Economy and Environment
29	Zambia Education Enhancement Project	10,000,000.00	Ministry of Education
30	Zambia Growth Opportunities	74,500,000.00	Ministry of Agriculture
31	Zambia Improved Rural Connectivity Programme	39,200,000.00	Ministry of Infrastructure Housing and Urban Development
32	Zambia Integrated Landscape	4,035,899.92	Ministry of Green Economy and Environment
33	IMF Extended Credit Facility (Budget Support)	187,955,612.78	Ministry of Finance and National Planning
34	Cancer Treatment Centers Project	4,240,032.70	Ministry of Health
35	Great East Road Rehabilitation Project	4,000,000.00	Ministry of Infrastructure Housing and Urban Development
36	Kafue - Livingstone Transmission Line	5,000,000.00	Ministry of Energy
37	Lusaka Power Transmission ZESCO	10,000,000.00	Ministry of Energy

38	Great North Road (T2) Upgrade	10,000,000.00	Ministry of Infrastructure Housing and Urban Development
39	Prefabricated Health Posts	3,096,415.44	Ministry of Health
40	National Rural Water and Sanitation Project	1,509,800.00	Ministry of Water Development and Sanitation
41	Modernization of UTH Lusaka Project	3,747,026.70	Ministry of Health
42	King Salman Hospital Project	24,385,290.75	Ministry of Health
	<b>Total</b>	<b>710,781,655.25</b>	