



MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

ANNUAL BORROWING PLAN 2023/2024

Prepared by the Debt and Aid Management Division

In fulfilment of the Requirements of Section 72 of the Public Finance
Management Act, 2022

APRIL 2023

CONTENTS

ACRONYMS AND ABBREVIATIONS	iii
I.INTRODUCTION	1
II. FINANCING NEEDS.....	2
III.BORROWING PLAN	3
IV.STRATEGIC IMPLICATIONS	4
V.EXTERNAL FINANCING INSTRUMENTS	5
VI.DOMESTIC FINANCING SCHEDULE	8

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AfDB	African Development Bank
ATM	Average time to Maturity
ATR	Average time to Re-fixing
DAD	Debt and Aid Management Division
EIB	European Investment Bank
EUR	Euro, official currency of European Union member states
FX	Foreign Exchange, currencies other than the Malawi Kwacha
FY	Financial Year of Malawi
GDP	Gross Domestic Product
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IR	Interest Rate
MWK	Malawi Kwacha
MoFEA	Ministry of Finance and Economic Affairs
MTDS	Medium-Term Debt Management Strategy
PV	Present Value
PFMA	Public Finance Management Act
RBM	Reserve Bank of Malawi
TN	Treasury Note
USD	United States Dollar

I.INTRODUCTION

The 2023/2024 Financial Year (FY) Annual Borrowing Plan (ABP) has been prepared in accordance with section 72 of the Public Finance Management Act (PFMA), 2022 which mandates the Minister of Finance to submit an ABP to Cabinet for approval not later than the 30th of April.

This ABP has also been prepared in accordance with the Medium-Term Debt Strategy (MTDS, 2022-2026). The MTDS aims to maximise concessional external borrowing and increase the proportion of relatively longer-term domestic debt instruments to reduce refinancing risk. This will facilitate financing of Government projects and programmes at a relatively lower cost whilst ensuring a moderate refinancing risk. In addition, the Strategy seeks to promote the development of the domestic debt market.

The ABP will outline how the aggregate borrowing requirements of the Government are to be met and include details on planned borrowing operations over the year, borrowing instruments to be used and, under domestic debt, the indicative timing of the borrowings. It will also include information on preferred tenors of domestic instruments and projected disbursements of external financing.

This ABP will be monitored throughout the year and performance against the initial plan will be reviewed on a quarterly basis. An updated ABP will be published once every six months in keeping with the PFMA.

II. FINANCING NEEDS

In 2023/24FY, Government's gross financing requirements are estimated at MWK2.88 trillion. Table 1 sets out details on the financing requirements.

Table 1: Financing Requirements for the 2023/24 Financial Year

Category	Amount (MWK billions)
Primary deficit ¹	451.62
Domestic refinancing on Committed Debt ²	1,879.65
Maturities within the FY ³	255.81
Arrears from previous FY	138.94
Foreign amortisation	157.32
Gross financing requirements	2,883.33

Source: MoFEA calculations based on 2023/2024FY Approved Budget and domestic debt maturities.

Note: Currently, the annual budget framework does not include figures on domestic debt amortization. Figures are presented on a net basis. Going forward, the budget framework will include the same so that the entire picture of Government financing is presented.

¹ This refers to Revenues minus Expenditures excluding interest payments.

² Committed debt contracted before 2023/24FY.

³ Domestic debt issued and maturing within 2023/24 FY.

III. BORROWING PLAN

The total financing need will be met using debt instruments as displayed in Table 2. External financing will be equivalent of MWK288.78 billion and will consist of disbursements from new and existing loans. The foreign borrowing maximises the concessional financing in line with the MTDS. Domestic borrowing will be through the issuances of Treasury Bills and Treasury Notes whose proportions are guided by the MTDS.

Short-term needs are bridged using the Ways and Means facility from the Reserve Bank of Malawi. In accordance with the Reserve Bank of Malawi Act (2018), the total outstanding amount at any time in FY2023/24 will not exceed MWK163.28 billion and will be repaid before the end of the financial year. This leads to zero net aggregate financing through Ways and Means in the financial year.

Table 2: Baseline Aggregate Financing Instruments

Instrument	Amount (MK billions)	Share of total
Net external financing	288.78	10%
Treasury Bills	965.09	33%
2-Year Treasury Notes	458.91	16%
3-Year Treasury Notes	447.02	16%
5-Year Treasury Notes	349.18	12%
7-Year Treasury Notes	244.62	8%
10-Year Treasury Notes	129.73	4%
Total	2,883.33	100%

Source: MoFEA calculations based on Medium-Term Debt Management Strategy (2022) and FY2023/24 Approved Budget.

IV. STRATEGIC IMPLICATIONS

Since this is Malawi's first Annual Borrowing Plan and given that the MTDS was approved in December 2022, evaluation of how the ABP aligns with the MTDS will be done at mid-year. Assessment will include analysis of performance of the strategic targets and evaluation on any deviations on debt issuances.

V.EXTERNAL FINANCING INSTRUMENTS

Tables 4 and 5 set out the details of projected disbursements from specific loans and creditors, respectively.

Table 4: 2023/24FY external disbursements, by Project/Loan

Loan/ Project	Creditor	Signing Date	Grace Period	Repayment Period	Interest	Grant element	Original amount (million)	Disbursement in FY2023/24 (MWK)
Shire Valley Transformation Project - Phase 1	IDA	2/2/2018	6	32	0.75	53	XDR113.3	61,723,378,337
Shire Valley Transformation Project - Phase 2	IDA	8/1/2022	6	32	0.75	53	XDR99.7	39,664,638,893
Malawi Resilience and Disaster Risk Management Project	IDA	5/22/2020	6	32	0.75	53	XDR43.6	7,339,720,511
Equity with Quality and Learning at Secondary Malawi Education Reform Project	IDA	7/25/2019	6	32	0.75	53	XDR64.8	21,373,050,000
Malawi Financial Inclusion and Scaling Project	IDA	12/15/2021	6	32	0.75	53	XDR13.2	4,484,670,828
Southern Africa Trade and Transport Facilitation Project	IDA	11/20/2020	6	32	0.75	53	XDR62.7	7,021,178,100
Southern Africa Trade and Transport Facilitation Project - Additional Financing	IDA	11/25/2015	6	32	0.75	53	XDR49.1	20,319,463,984
Digital Malawi Project	IDA	12/15/2021	6	32	0.75	53	XDR7.8	2,972,775,913
Southern Africa Trade and Transport Connectivity Project	IDA	7/9/2018	6	32	0.75	53	XDR53.4	13,482,809,927
Agriculture Commercialisation	IDA	7/15/2021	6	32	0.75	53	XDR52.2	14,857,381,362
	IDA	2/2/2018	6	32	0.75	53	XDR70.1	11,079,982,258

Loan/ Project	Creditor	Signing Date	Grace Period	Repayment Period	Interest	Grant element	Original amount (million)	Disbursement in FY2023/24 (MWK)
Development of Mpatamanga Hydropower Plant (PPF)	IDA	1/20/2021					USD6	2,286,306,000
Agriculture Infrastructure and Youth in Agribusiness Project	AfDB	12/13/2016	10	30	0.75	51	UA16	10,422,236,695
Shire Valley Transformation Project - Phase 1	AfDB	2/6/2019	10	30	0.75	51	UA20	18,966,855,728
Shire Valley Transformation Project - Phase 2	OFID	4/12/2019	5	15	2		USD15	
Shire Valley Transformation Project - Phase 2	AfDB		10	30	0.75	51		10,392,300,000
Nacala Corridor Project Phase V	AfDB	11/25/2019	10	30	0.75	51	UA26.6	2,672,165,366
Sustainable Fisheries, Aquaculture Development and Watershed Management	AfDB	11/25/2019	10	30	0.75	51	UA6.51	581,891,924
Programme for Rural Irrigation Development	IFAD	12/20/2016	10	30	0.75	51	XDR19.3	1,764,597,617
Sustainable Agricultural Production Programme (SAPP)	IFAD	10/29/2020	10	30	0.75	51	XDR7.3	1,044,865,536
Transforming Agriculture Through Diversification and Entrepreneurship (TRADE) Programme	IFAD	12/20/2019	10	30	0.75	51	XDR37.05	29,574,711,408
Lilongwe Water Resource Efficiency Programme (LWREP)	EIB	6/12/2015	5	15	1.45		Euro28.8	6,754,995,000
Total								288,779,975,387

Table 5: 2023/24FY external disbursements, by Creditor

Creditor	Grace Period (years)	Repayment Period (years)	Interest (%)	Grant element (%)	Disbursements in FY2023/24 (MK' million)	USD Equivalent
World Bank/ IDA	6	32	0.75	53	206.61	198.81
African Development Bank (AfDB)	10	30	0.75	51	43.04	41.41
European Investment Bank (EIB)	5	15	1.45		6.75	6.50
International Fund for Agricultural Development (IFAD)	10	30	0.75	51	32.38	31.16
Total					288.78	277.88

VI. DOMESTIC FINANCING SCHEDULE

Table 5 provides an indicative issuance schedule for domestic debt in 2023/2024FY. Indicative amounts per instrument per auction will be provided through the quarterly issuance calendars.

Table 5: Domestic Financing Schedule

Month	Instruments	Amounts (MWK millions)
April	Treasury Bills	221,758.63
	03-Year TN	88,423.98
	07-Year TN	60,410.66
May	Treasury Bills	21,158.11
	05-Year TN	64,039.97
	03-Year TN	68,423.98
	10-Year TN	38,013.32
June	Treasury Bills	45,573.86
	02-Year TN	92,053.29
	07-Year TN	60,410.66
July	Treasury Bills	69,741.74
	02-Year TN	51,464.02
	05-Year TN	38,598.01
	10-Year TN	25,732.01
August	Treasury Bills	48,294.94
	03-Year TN	52,635.24
	07-Year TN	28,231.22
September	Treasury Bills	109,880.99
	02-Year TN	51,464.02
	05-Year TN	38,598.01
October	Treasury Bills	32,579.96
	03-Year TN	61,123.00
	02-Year TN	67,914.45
	07-Year TN	27,165.78
November	Treasury Bills	133,034.02
	05-Year TN	101,871.67
	02-Year TN	67,914.45
	10-Year TN	33,957.22
December	Treasury Bills	65,295.14
	03-Year TN	61,123.00
	07-Year TN	27,165.78
January	Treasury Bills	10,400.38
	02-Year TN	64,050.27
	05-Year TN	48,037.70
	10-Year TN	32,025.14

Month	Instruments	Amounts (MWK millions)
February	Treasury Bills	24,277.59
	03-Year TN	115,290.49
	07-Year TN	51,240.22
March	Treasury Bills	183,092.95
	02-Year TN	64,050.27
	05-Year TN	48,037.70
Total		2,594,553.81