ANNUAL BORROWING PLAN FY2024/25

MINISTRY OF FINANCE – PUBLIC DEBT MANAGEMENT UNIT 2024

Introduction

The 2024/25 Annual Borrowing Plan (ABP) is prepared and published in fulfilment of Public Finance Management Act, 2017 (PFM Act) and its regulations. The Act requires the Ministry of Finance to prepare and publish an ABP consistent with the approved debt strategy.

The ABP outlines how the projected annual financing needs of the Government will be met during the fiscal year. It promotes transparency and enhances the predictability of Government borrowing. The Plan is complemented by a quarterly rolling Issuance Calendar which spells out the domestic borrowing operations of the Government consistent with the cash flow projections for the fiscal year.

The ABP fulfils the following debt management objectives:

- ensure the financing needs of the Government are met on a timely basis;
- borrow at a low cost over the medium to long term and consistent with prudent degree of risk; and
- promote the development of the domestic debt market.

The estimated 2024/25 primary deficit of SZL E1,871 million is expected to be financed from both domestic and external sources as follows:

- External: concessional, semi-concessional, commercial sources and international bonds;
- Domestic: treasury bills, bonds and central bank advance.

Gross Financing Needs

In 2024/25, the Government intends to spend E29,522 million to be financed through tax and non-tax revenues, grants and debt. Revenue and grants are projected at E27,651 million leaving a primary deficit of E1,871 million. This will be financed through domestic and external sources.

Summary of the 2025-2027 Medium Term Debt Management Strategy

Eswatini’s 2025-2025 Debt Management Strategy (DMS) provides a systematic approach to decision-making on the appropriate composition of external and domestic borrowing to finance the Government’s fiscal deficit. The strategy focuses on the appropriate financing mix from both domestic and external sources to mitigate the costs and risks embedded in the public debt portfolio. In line with the MTDS 2025-2027 the annual borrowing plan is operationalising the strategic objectives of the MTDS.

Borrowing Strategies

a) Domestic borrowing

Gross Domestic Financing for the financial year 2024/25 is projected at E15,480 million, out of which E3,636 million will be net domestic financing to finance the 2024/25 budget, with the remainder being used to refinance maturities falling due in the year.

The domestic financing will be raised through the issuance of Government securities in public auctions. The auctions will continue to be conducted by the Central Bank of Eswatini in its capacity as Government's fiscal agent. The CBE will publish the issuance calendar for Government securities in the year. The calendar will spell out the indicative timing and tender sizes for domestic borrowing operations during the course of the year. The issuance calendar will be published on the CBE website and in daily newspapers circulated in Eswatini.

Table 1: Auction Calendar 2024/25

Auction Calendar FY2024/25	Q1	Q2	Q3	Q4
T-bills 3m	437	144	240	240
T-bills 6m	117	381	180	280
T-bills 9m	295	471	360	360
T-bills 12m	314	530	700	450
CBE Advance	1,401	1,701	1,401	3,001
3 Year	103	50	378	270
5 Year	110	575	50	200
7 Year	117	50	50	150
10 Year	124	50	50	150

Source: Ministry of Finance and Central Bank of Eswatini

Yield rates on Government securities will be market driven. The Government will, however, the auction committee will be monitoring movements in the yield rates in line with Government's objective of borrowing at least cost and ensuring a prudent degree of risk.

b) External borrowing

The Government projects to borrow E5,011 million from external sources through loans and issuance of bonds on the JSE (see Table 2). These funds will be utilised for the continued implementation of ongoing projects in various sectors of the economy, as well as general budget support.

Table2: Annual Borrowing Plan 2024/25

Annual Borrowing Plan FY2024/25													
SZL millions	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**	**Nov-24**	**Dec-24**	**Jan-25**	**Feb-25**	**Mar-25**	**Apr-25**	**Total**
Gross External Financing													
Sub-Total	**68**	**1,271**	**96**	**19**	**0**	**180**	**240**	**748**	**160**	**188**	**167**	**1,875**	**5,006**
Concessional	11	8	0	0	0	20	25	15	10	0	19	0	109
Semi-Concessional	50	0	93	19	0	160	100	33	150	138	147	1,855	2,745
FX Commercial Loan	6	862	4	0	0	0	115	50	0	50	0	20	1,107
International Bond	0	400	0	0	0	0	0	650	0	0	0	0	1,050
FX Security	0	0	0	0	0	0	0	0	0	0	0	0	0
FX Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	**973**	**1,028**	**1,017**	**1,197**	**1,654**	**1,102**	**1,261**	**1,077**	**1,071**	**1,577**	**1,377**	**2,147**	**15,480**
T-bills	506	384	273	430	687	410	560	410	510	410	510	410	5,500
Bonds	0	177	277	0	500	225	234	200	94	300	50	420	2,476
DX Commercial Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
Central Bank	467	467	467	767	467	467	467	467	467	867	817	1,317	7,504
DX Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**1,041**	**2,299**	**1,113**	**1,216**	**1,654**	**1,282**	**1,501**	**1,825**	**1,231**	**1,765**	**1,544**	**4,022**	**20,486**

Source: Ministry of Finance and Central Bank of Eswatini

Note: MTFF used is as at March 2024 and GDP figures used are before rebasing.

Net Change in Public Debt

Full implementation of the ABP is expected to result in an increase of E6,863 million in the stock of Government debt in 2024/25. Assuming full subscriptions on Government securities auctions, total issuances in 2024/25 are projected to raise E15,480 million, with maturities on domestic debt projected at E11,844 million, resulting in a net increase in domestic debt stock of E3,636 million. Disbursements on external loans and issuance on JSE are projected at E5,011 million while principal repayments are projected at E1,784 million**,** resulting in a net increase in external debt stock of E3,227 million.

Projected Cost-and-Risk Indicators

Implementing the ABP is expected to produce mixed results. While most interest rate risk indicators improve, refinancing risk indicators will deteriorate. The ATM slightly improve from 4.5 years in 2023/24 to 5 years at the end of the ABP implementation period. However, debt maturing in one-year as a ratio of total outstanding debt and GDP deteriorates from 23.6 percent and 9.6 percent to 27.7 percent and 13.8 percent respectively. The deterioration in refinancing risk indicators reflect the use of T-bills to cover short-term debt repayments. Most interest rate risk indicators improved, with the ATR, debt refixing in one-year (as percentage of total debt), and fixed rate debt (as percentage of total debt) improving from 2.1 years, 65.1 percent, and 59.7 percent to 2.3 years, 59.1 percent, and 62.8 percent respectively.

Table 3: Monitoring Cost and Risk

Cost - Risk Indicators	Actual for End-2023/24	Projected Outturns for end-2025/26	Projected for the end of strategy period 2026/27
Debt to GDP Ratio (%)	39.5	49.7	43.3
Interest Payment to GDP (%)	2.6	2.7	2.9
Interest Payment to Revenue (%)	8.2	9.2	9.2
Refinancing Risk			
ATM (Years)	4.5	5.0	6.9
Debt Maturing in 1 Yr. (% total)	23.6	27.7	17.8
Debt Maturing in 1 Yr. (% GDP)	9.6	13.8	7.7
Interest Rate Risk			
ATR (Years)	2.1	2.3	2.8
Debt Refixing in 1 Yr. (% total)	65.1	59.1	61.0
Fix Rate Debt (incl T-bills, % total)	59.7	62.8	53.5
T-bills (% of total domestic debt)	16.3	18.6	8.3

Source: Ministry of Finance and Central Bank of Eswatini

Risk to the Implementation of the ABP

While borrowing operations for the 2024/25 financial year will be conducted in a manner that ensures that Government financing needs are met at minimal cost, subject to a prudent degree of risk, there are implementation risks.

Under domestic financing, the main risks relate to underperformance of auctions and refinancing risks. Auction undersubscriptions may arise due to tight liquidity conditions in the market, fluctuations in investor demand and skewed preference for certain tenors by investors. As domestic debt maturities are largely refinanced from new issuances, this poses higher refinancing risks for the Government if the maturities are rolled over at higher interest rates than the maturing debt.

Key risks under external financing relate to exchange rate fluctuations and delays in project implementation. Exchange rate fluctuations may result in a possible mismatch in planned expenditures on debt service and/or funds to be raised from external sources in Emalangeni terms. Delays in meeting project implementation milestones may delay disbursements on contracted loans.