



**FIJIAN GOVERNMENT**

**ANNUAL BORROWING PLAN**

**FISCAL YEAR 2022-2023**

**MINISTRY OF ECONOMY**

**SUVA**

**FIJI**

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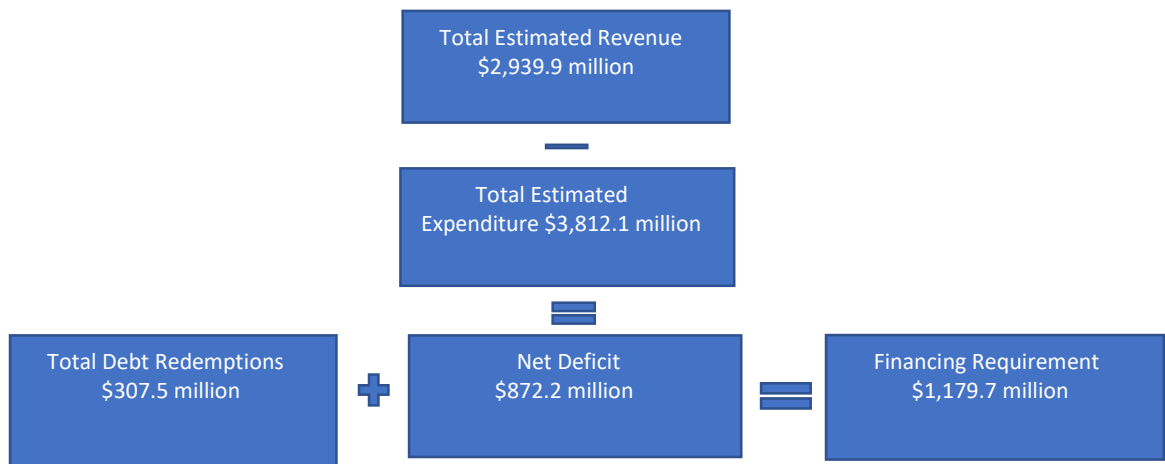
# 1. General Statement

- a. The Government of Fiji, through the Ministry of Economy, holds the legal mandate to borrow funds required to fund the budget deficit and any standing or other appropriations. This mandate is reflected in Section 59 subsection 1 of the Financial Management Act 2004 (FMA).
- b. The Government has prepared this Annual Borrowing Plan (ABP) to apprise relevant stakeholders of the means which will be undertaken to secure the necessary financing to execute the Fiscal Year (FY) 2022-2023 Budget. The development of the ABP is consistent with the Medium Term Debt Management Strategy (MTDS) and the budget estimate for FY2022-2023. It is also consistent with the Medium-Term Fiscal Strategy and the principles of responsible financial management to ensure that Government debt remains within sustainable levels. The MTDS outlines the Government's debt management objectives and a framework for the formulation and implementation of a prudent borrowing program for the above-mentioned time frame.
- c. The impact of the waves of the COVID-19 pandemic, integrated with the ripple effects of the Russia-Ukraine war had grueling consequences on international food, fuel markets and tightening global financial conditions. The domestic economy is poised for a strong rebound this year after three consecutive years of decline which adversely impacted jobs, public finances and socio-economic conditions. The Fijian economy recorded a severe contraction of 17.2 percent in 2020, followed by a further estimated decline of 4.1 percent in 2021.
- d. Although Fiji had massive contractions in the previous two years, the economy is now showing signs of strong recovery. The reopening of international borders and the resumption of tourism have steered the economy towards a projected double-digit growth of 12.4 percent for 2022. This forecast is based on the assumption that tourism visitor arrivals in 2022 will reach close to 55 percent of pre-pandemic arrivals.
- e. The Government through the Ministry of Economy will continue to ensure financing needs are met at minimal costs, subject to prudent levels of risk while maintaining the objective of domestic bond market development. Additionally, through foreign borrowings, Government has been supporting foreign reserve levels and liquidity in the banking sector.

## 2. Government Borrowing Requirements for FY2022-2023

- a. The ABP for FY2022-2023 presents the Government's plans for debt operations to support efficient financing of the budget and sound fiscal management.
- b. On 28 July 2022, Parliament approved the Appropriation Act which entails Government's financing requirements amounting to \$1,179.7 million for FY2022-2023. This comprises funding necessary to cover the estimated net deficit of \$872.2 million and estimated debt redemptions of \$307.5 million to refinance maturing Government debt securities and loans.

**Figure 1: Government Borrowing Requirements for FY2022-2023**



- c. The scheduled debt repayments include \$175.5 million in domestic debt repayments and \$132.0 million in external loan repayments.

## 3. Planned Funding Sources for FY2022-2023

- a. The Fijian Government will continue to pursue a mix of domestic and foreign currency borrowing and ensure that the debt composition is well managed against any exchange rate risks. The total financing need is estimated at \$1,179.7 million. Government may increase its overseas borrowing limit simultaneously reducing its domestic limit and vice versa. This provides flexibility and ensures that Government can fully utilize all financing sources available whilst remaining within the borrowing limit approved by Parliament.
- b. The ABP for the FY2022-2023 anticipates a well-functioning domestic market in which liquidity conditions remain favorable and provide pathways for the Government to refinance or re-open Government securities in the market with lower yields. Government will also continue to pursue foreign currency borrowing opportunities with concessional terms.

### 3.1 Domestic Market

- a. To finance the budget deficit, the planned domestic funding amounts to \$676.7 million which is from the issuance of Fiji Infrastructure Bonds (FIB) and Viti Bonds. Government will also continue to issue Treasury Bills (T-Bills) to roll over the current stock as part of its development objective to build the market yield curve and to finance temporary shortfalls.
- b. Government domestic debt management strategy for this period emphasizes the following objectives:

- **Change maturity profile through a gradual reduction in T-Bill;**

The net issuance of T-Bills has slightly increased in FY 2021-2022 to meet Government short term financial needs due to the pandemic. The maturity profile for T-Bills is less than a year with tenors of 3 months, 6 months and 12 months. Pursuant to section 59 (3) of the FMA, any net increase in T-Bills stock at the end of a fiscal year are to be attributed to the borrowing limit as specified in an Appropriation Act for that financial year.

- **Issuances of short and medium-term bonds (2 – 5 years tenors);**

Government will consider issuing short and medium-term bonds. This will support commercial banks to invest in bonds as the tenors match their investment horizon. Any issuance of the 2 – 5 year bonds will be announced in the market.

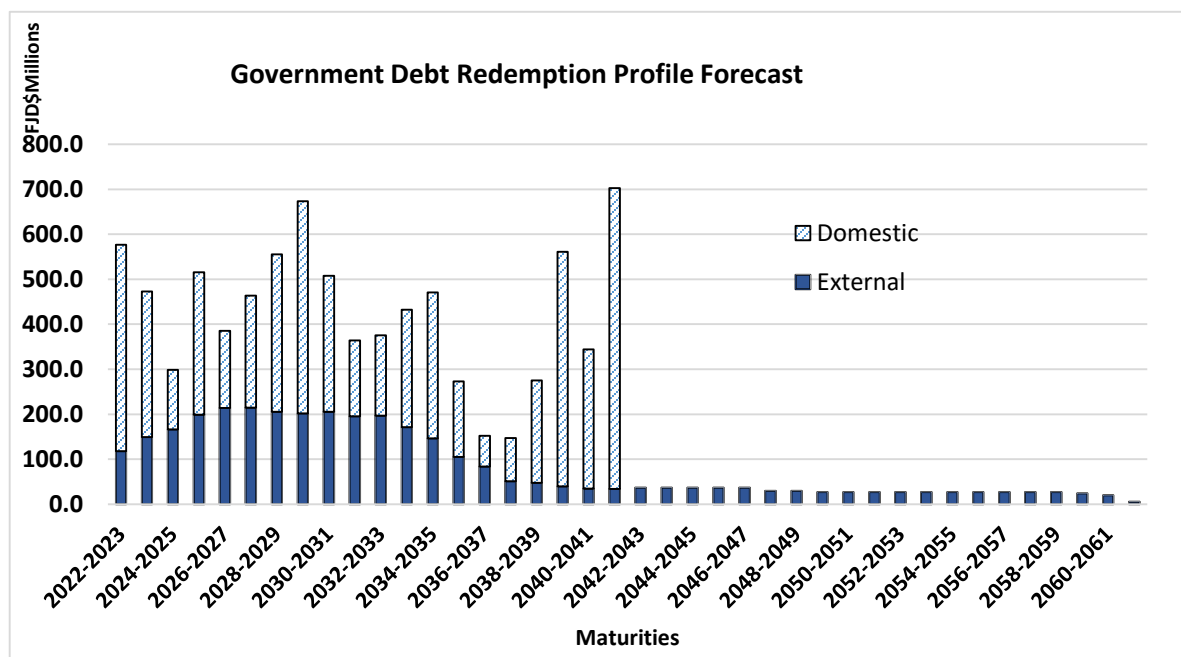
- **Continued issuance of long-dated bonds (10 – 20 years tenors); and**

Government will continue to issue bonds with longer tenors to reduce refinancing risk. This is evident from FY 2019-2020 where we saw increased bids for bonds with 20 year maturities compared to the 10-15 year maturities.

- **Consider bond buybacks and bond switches in this period.**

Exercising the Liability Management Operation (LMO) through call options, bond switches and buyback operations will enhance market liquidity and mitigate refinancing risk. The Fijian Government will continue to explore LMO's in the medium term.

**Figure 2: Government Domestic Securities Redemption profile - end of July 2022**



### 3.1.1 Domestic Borrowing Plan

- a. Government plans to issue a total amount of \$666.7 million in FIB bonds for the FY 2022/2023. A total of 4 new benchmark bonds for the 10, 15, and 20-year maturities will be issued during the fiscal year and re-opening the same maturities within the quarter with set limits of \$200 million for each benchmark.
- b. Table 1 provides a summary of the domestic borrowing issuance plan for Government securities for the fiscal year.

**Table 1: Domestic Borrowing Issuance Plan for the FY2022-2023**

Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Issuance Date	17 <sup>th</sup>	14 <sup>th</sup>	12 <sup>th</sup>	2 <sup>nd</sup>	7 <sup>th</sup>	4 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>	5 <sup>th</sup>	3 <sup>rd</sup>	7 <sup>th</sup>	5 <sup>th</sup>
	31 <sup>st</sup>	28 <sup>th</sup>	26 <sup>th</sup>	16 <sup>th</sup>	21 <sup>st</sup>	18 <sup>th</sup>	15 <sup>th</sup>	15 <sup>th</sup>	19 <sup>th</sup>	17 <sup>th</sup>	21 <sup>st</sup>	19 <sup>th</sup>
<b>Amount (\$million)</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>80</b>	<b>86.7</b>
2-5 year												
10 year	5	5	5	5	5	5	5	5	5	5	5	5
15 year	20	20	20	20	20	20	20	20	20	20	30	30
20 year	25	25	25	25	25	25	25	25	25	25	45	51.7
Re-openings		√	√		√	√		√	√		√	√
Benchmark	√			√			√			√		
Investor Consultations	√			√			√			√		

- c. The Government will float Viti Bonds in FY2022-2023 totaling \$10 million which will be issued on tap and available for investment from the date of signed Prospectus until 12 July 2023.
- d. Prior to any domestic security issuance, Government will consult investors on their preferences. The RBF is notified a week prior to the issuance date of the Notice of Issuance (NOI). The NOI will outline the following:
  - i. Issue type (new benchmark or bond re-opening);
  - ii. International Security Identification Number (ISIN);
  - iii. Tenor;
  - iv. Amount for each term;
  - v. Maturity;
  - vi. Interest Payment Date;
  - vii. Coupon rate;
  - viii. Non-competitive tender details; and
  - ix. Tender form submission and settlement details.

### 3.1.2 Treasury Bills Issuance

- a. The Fijian Government will continue to float T-bills and roll over the existing balances which totaled \$283.5 million at the beginning of the FY2022-2023.
- b. In order to meet cash flow needs, Government may increase the T-bill stock with additional issuances.

**Table 2: FY2022-2023 Treasury Bills Issuance Plan**

<b>Issuance Month</b>	<b>3 month (\$million)</b>	<b>6 month (\$million)</b>	<b>12 month (\$million)</b>	<b>TOTAL (\$million)</b>
Aug 17 <sup>th</sup> , 2022	10.0	27.0	28.1	<b>65.1</b>
Sep 28 <sup>th</sup> , 2022	10.0	20.0	24.0	<b>54.0</b>
Oct 12 <sup>th</sup> , 2022	0.5	0.5	1.0	<b>2.0</b>
Nov 23 <sup>rd</sup> , 2022	10.0	20.0	22.0	<b>52.0</b>
Dec 14 <sup>th</sup> , 2022	5.0	6.0	6.0	<b>17.0</b>
Jan 4 <sup>th</sup> , 2023	0.5	2.0	2.0	<b>4.5</b>
Feb 1 <sup>st</sup> , 2023	3.0	3.0	3.0	<b>9.0</b>
Mar 1 <sup>st</sup> , 2023	9.9	22.0	23.0	<b>54.9</b>
Apr 2023	-	-	-	-
May 18 <sup>th</sup> , 2023	8.0	8.0	9.0	<b>25.0</b>
June 2023	-	-	-	-
July 2023	-	-	-	-

## 3.2 External Debt

### 3.2.1 New Commitments for FY2022-2023

- a. New external financing for this FY2022-2023 is forecast at \$503.0 million which will be sourced from Asian Infrastructure Investment Bank (AIIB) of USD 50 million and bilateral financing amounting to USD 75 million.
- b. Government also anticipates reimbursement of \$9.4 million from the European Investment Bank (EIB) by March 2023.

### 3.2.2 Project Loan Drawdowns

Government budgeted an estimated \$198.4 million as direct payment withdrawals on existing multilateral loans associated with various infrastructure and investment projects.

**Table 3: Sources of External Financing**

<b>Projects</b>	<b>External Financing FY2022-2023 (US\$million)</b>	<b>FY 2022-2023 (FJ\$million)</b>	<b>Drawdown Date</b>
<b>Sustainable and Resilient Recovery Program :</b> <ul style="list-style-type: none"> <li>• Asian Infrastructure Investment Bank (AIIB)</li> </ul>	- 50.0	- 118.1	September 2022
<b>Newly Proposed Bilateral Financing</b>	- 75.0	- 177.1	October 2022 and January 2023
<b>Urban Water Supply and Wastewater Management Investment Program:</b> <ul style="list-style-type: none"> <li>• European Investment Bank (EIB)</li> <li>• Asian Development Bank (ADB) – Direct Payments</li> </ul>	- 4.0 - 5.3	- 9.4 - 12.4	March 2023
<u><b>Direct Payments (Project loans)</b></u> <b>Transport Infrastructure Investment Sector Project:</b> <ul style="list-style-type: none"> <li>• ADB</li> <li>• IBRD</li> </ul> <b>Fiji COVID-19 Emergency Response Project:</b> <ul style="list-style-type: none"> <li>• International Development Association (IDA)</li> </ul>	- 48.1 - 20.6  - 3.7	- 113.8 - 48.8  - 8.7	As and when a request for drawdowns is submitted by the Implementing Agencies (IA's)



<b>Fiji Social Protection COVID-19 Response and System Development Project:</b>			
• IDA	- 2.3	- 5.3	
• IDA – additional financing	- 4.0	- 9.4	
<b>TOTAL</b>	<b>US\$213.0</b>	<b>FJ\$503.0</b>	

#### **4. Investor Consultation and Relations**

- a. The Debt Management Unit of the Ministry of Economy (MOE) will continue to consult regularly with market participants prior to all planned floatations. Quarterly meetings<sup>1</sup> will be arranged with major stakeholders in the domestic market to gauge market sentiments towards recent and upcoming issuances and to obtain updates on the investment environment.
- b. At the beginning of each fiscal year, the ABP will be published on the MOE and the Reserve Bank of Fiji website. The ABP will inform major market investors of the Government financing needs for the fiscal year.
- c. The ABP will be updated during the year should there be a need to revise the document.
- d. For any further enquiries, please contact the Debt Management Unit on email at [dmu@economy.gov.fj](mailto:dmu@economy.gov.fj).

**Debt Management Unit**

**Treasury Division**

**August 2022**

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<sup>1</sup>The Planned consultations month are: August 2022, November 2022, February 2023 and May 2023.