



GOVERNMENT OF FIJI

ANNUAL BORROWING PLAN

FISCAL YEAR 2024-2025

**MINISTRY OF FINANCE, STRATEGIC
PLANNING, NATIONAL DEVELOPMENT
AND STATISTICS**

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1. General Statement

- a. The Government of the Republic of Fiji (Government) published its Medium-Term Debt Management Strategy (MTDS) for the three fiscal years (FY) 2023/2024 to FY 2025/2026 in February 2024. The MTDS articulates the Government's debt management objectives and outlines the framework for the formulation and implementation of a prudent borrowing program in the medium term.
- b. The Annual Borrowing Plan (ABP) has been developed to guide relevant stakeholders of the means which will be undertaken to secure the necessary financing to execute the Fiscal Year (FY) 2024-2025 Budget. It is consistent with the Medium-Term Fiscal Strategy, the MTDS, the budget estimate for FY2024-2025 and the principles of responsible financial management to ensure that Government debt remains within sustainable levels.
- c. On the fiscal performance, the global economic and financial conditions have been tight together with ongoing geopolitical tensions. While global growth is anticipated at 3.2 percent. For the domestic economy, the 2024 growth forecast has been downgraded to 2.8 percent from an earlier projection of 3.4 percent with the medium-term growth projected at around 3.0 percent. As highlighted in the national budget, the slow growth projection is attributed to slowdown in Fiji's major trading partners and tourism markets especially Australia and New Zealand. Domestically, the weak performance in resource-based sectors within the first five months of the year coupled with slow implementation of key projects due to capacity constraints and loss of skilled workers and its impacts on consumptions and spending.
- d. The ABP is geared to fulfill the debt management objectives as outlined in the MTDS by (i) minimising the medium to long term cost of debt for Government within a prudent level of risk and (ii) to support the development of a well-functioning domestic market for Government debt securities.

2. Government Financing Requirement

- a. Parliament on 12 July 2024, approved the Appropriation Act which entails Government's financing requirements amounting to \$984.6 million for FY2024-2025. This comprises of the funding necessary to cover the estimated net deficit of \$635.5 million and estimated debt redemptions of \$349.1 million to refinance maturing Government debt securities and loans.

Figure 1: Government Financing Requirement for FY2024-2025

	F\$ (Million)
A Revenue	
Total Estimated Revenue	3,916.7
B Expenditure	
Total Estimated Expenditures	4,552.2
C Estimated Net Deficit (A-B)	635.5
D Total Debt Repayments	349.1
E Financing Requirements (C+D)	984.6

- b. The scheduled debt repayments include \$156.8 million in domestic debt and \$192.3 million in external loans.

3. Planned Funding Sources

- a. Government will continue to pursue a mix of domestic and external currency borrowing and ensure that the debt composition is well managed against market risks. The total financing need is estimated at \$984.6 million of which \$298.3 million is expected to be raised from external sources while the remaining \$686.3 million from domestic sources. Government may increase its overseas borrowing limit simultaneously reducing its domestic limit and vice versa. This ensures that Government can fully utilise all financing sources available whilst remaining within the borrowing limit approved by Parliament.
- b. Government will also continue to pursue external currency borrowing opportunities with concessional terms.

3.1 Domestic Market

- a. The amount of \$686.3 million is the planned domestic borrowing limit which is from the issuance of Fiji Infrastructure Bonds (FIB) and Viti Bonds. Thematic bonds will be issued should the need arise and requirements to issue are satisfied provided domestic borrowings are within the approved Parliamentary limit. Government will continue to issue Treasury Bills (T-Bills) to roll over the existing stock as part of its development objective to build the market yield curve and to finance temporary shortfalls.

- b. Government domestic debt management strategy will emphasise the following objectives:

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

The tenors for T-Bills are 3 months, 6 months and 12 months. Market yields on T-Bills for FY 2022-2023 were below the Reserve Bank of Fiji (RBF)'s overnight policy rate of 0.25 percent. Towards the end of FY 2023-2024 the market yields have somehow changed and is anticipated to increase in FY 2024-2025 for all tenors, attributed to the banks liquidity system. Pursuant to section 59 (3) of the FMA, any net increase in T-Bills stock at the end of a fiscal year must be within the annual borrowing limit appropriated for that financial year. Government anticipates to maintain the current T-Bills balance at the end of FY2024-2025.

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

Government will continue to issue short and medium term bonds in FY2024-2025. This will support commercial banks to invest in bonds as the tenors match their investment horizon.

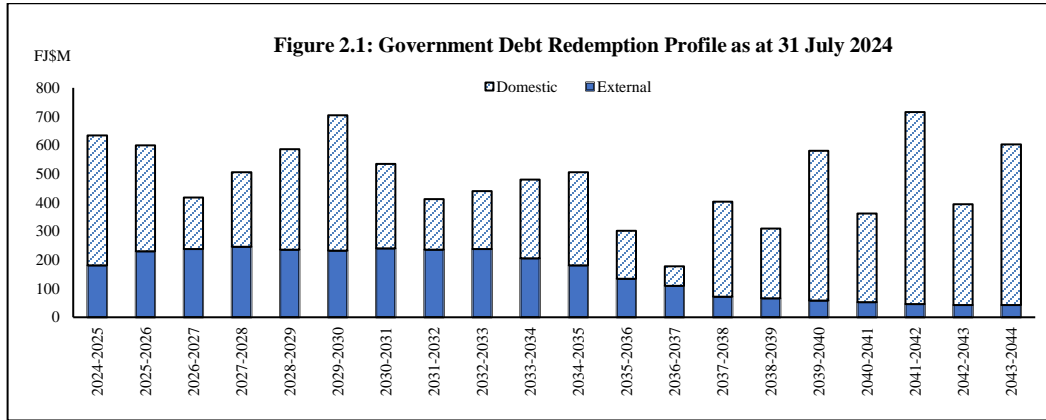
- **Continued issuance of long-dated bonds (10 – 20 years tenors);**

Government will continue to issue bonds with longer tenors to reduce refinancing risk. Issuance of bonds above 20 years will be aligned to the MTDS and should any such issuance occur during the fiscal year, the domestic market will be notified accordingly.

- **Implement bond buybacks and bond switches.**

Exercising the Liability Management Operation (LMO) through call options, bond switches and buyback operations will enhance market liquidity and mitigate refinancing risk. The Ministry plans to re-engage IMF PFTAC to provide technical assistance in this activity during the year.

Figure 2: Government Domestic Securities Redemption profile – forecast as at end of July 2024



(Source: Ministry of Finance)

3.1.1 Domestic Borrowing Plan

- Government plans to issue a total amount of \$676.3 million in FIB. A total of 4 benchmark bonds for the 2 – 5, 10, 15, and 20-year maturities will be issued during the fiscal year and re-opening of the same maturities within the quarter with set limits of close to \$150 million for each benchmark.
- A summary of the domestic borrowing issuance plan for Government securities for the fiscal year is in Table 1.

Table 1: Domestic Borrowing Issuance Plan for the FY2024-2025

Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Issuance Date	7 th	4 th	2 nd	13 th	18 th	8 th	12 th	12 th	9 th	7 th	4 th	-
	21 st	18 th	23 rd	27 th	-	22 nd	26 th	26 th	23 rd	21 st	-	-
Amount (\$m)	100	50	50	40	40	50	60	70	70	80	66.3	-
2-5 year	10	5	5	5	5	5	5	5	5	5	5	-
10 year	10	5	5	5	5	5	5	5	5	-	-	-
15 year	30	10	10	5	5	5	5	10	10	15	10	-
20 year	50	30	30	25	25	35	35	50	50	60	51.3	-
25 year					-							-
Re-openings		√	√		√	√		√	√		√	√
Benchmark	√			√			√			√		
Consultations			√			√			√			√

- c. The Government will float Viti Bonds with a total limit of \$10.0 million which will be issued on tap and available for investment from the 05 August 2024 until 11 July 2025.
- d. Government will consult investors prior to any domestic security issuance. The RBF will be 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.
- e. Trading of Government securities will be done on the Central Securities Depository (CSD) system. The non-CSD participants are to email their bids to tender-markets@rbf.gov.fj together with evidence of full payments through FIJICLEAR and lodgment of tenders will be published in the Notice of Issuances.

3.1.2 Treasury Bills Issuance

- a. Government will continue to float T-bills and roll over the existing balances which totaled \$279.0 million at the end of FY 2023-2024.
- b. Subject to maturities (within 3-6 months terms) and cash flow needs, Government may or may not increase the T-bill stock with additional or reduced issuances. A total of \$279.0 million is proposed to be allotted in FY2025 based on the current outstanding as outlined in Table 2.

Table 2 FY2024-2025 Treasury Bills Issuance Plan

Issuance Month	3 month (\$million)	6 month (\$million)	12 month (\$million)	TOTAL (\$million)
Aug 7 th , 2024	30.0	50.0	54.0	134.0
Oct 23 rd , 2024	10.0	10.0	10.0	30.0
Nov 13 th , 2024	10.0	10.0	10.0	30.0
Dec 15 th , 2024	5.0	5.0	5.0	15.0
Jan 22 nd , 2025	0.0	0.0	11.0	11.0
Feb 12 th , 2025	5.0	5.0	14.0	24.0
Mar 26 th , 2025	0.0	0.0	5.0	5.0
May 7 th , 2025	10.0	10.0	10.0	30.0
June 2025	-	-	-	-
July 2025	-	-	-	-

*TBills issuance plan is subject to change given the 3 – 6 months maturity that will be issued during the year.

3.2 External Debt

3.2.1 New Commitments for FY 2024-2025

New external financing is forecasted at \$231.6 million which will be sourced from multilateral financing amounting to approximately \$158.6 million and bilateral financing of \$73.0 million. Government also anticipates reimbursement of \$2.1 million from the European Investment Bank (EIB) and \$9.5 million from the Australian Infrastructure Financing Facility for the Pacific (AIFFP).

3.2.2 Project Loan Drawdowns

Total amount of \$55.0 million estimated to be disbursed under the direct payments method for existing multilateral loans associated with key Government infrastructure and investment projects.

Table 3: Sources of External Financing

Projects	External Financing FY2024-2025	Drawdown Date
Newly Proposed Multilateral and Bilateral Financing :	158.6 73.0	August 2024 and As and when (upon meeting criteria for disbursement)
Urban Water Supply and Wastewater Management Investment Program: <ul style="list-style-type: none"> European Investment Bank (EIB) Asian Development Bank (ADB) – Direct Payments 	2.1 2.3	As and when a request for drawdown is submitted by the Implementing Agencies (IA's)
<u>Direct Payments (Project loans)</u> Transport Infrastructure Investment Sector Project: <ul style="list-style-type: none"> ADB IBRD AIFFP Fiji Social Protection COVID-19 Response and System Development Project: <ul style="list-style-type: none"> IDA IDA – additional financing <u>Fiji Tourism Development Project – Vanualevu</u> <ul style="list-style-type: none"> IDA 7369 	12.8 14.2 9.6 3.0 9.0 13.7	As and when a request for drawdown is submitted by the Implementing Agencies (IA's)
TOTAL	298.3	

4. Investor Relations

- a. The Debt Management Unit engages with investors either directly or indirectly:
 - i.) Directly:
 - continued consultations with market participants on a fortnightly basis prior to any floatation;
 - Correspondence via email and phone;
 - One to one - quarterly meetings will be arranged with key stakeholders in the domestic market to gauge market sentiments towards recent and upcoming issuances and to obtain updates on the investment environment.
 - ii.) Indirectly:
 - The ABP will be published on the MFSPNDS and the Reserve Bank of Fiji website by 1 August 2024. The ABP will inform major market investors of the Government financing needs for the fiscal year.
- b. The ABP will be reviewed and updated during the year as and when the need arises.
- c. For any further enquiries, please contact the Debt Management Unit on email at dmu@govnet.gov.fj.

Debt Management Unit

Treasury Division

July 2024