FIJIAN GOVERNMENT

MEDIUM TERM DEBT MANAGEMENT STRATEGY

FISCAL YEARS 2021 - 2023

MINISTRY OF ECONOMY

SUVA

FIJI

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ABBREVIATIONS AND DEFINITIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ATM	Average Time to Maturity
ATR	Average Time for Re-fixing
AUD	Australian dollar, the currency of Australia
BOP	Balance of Payments
CNY	Chinese Renminbi Yuan, the currency of the People's Republic of China
EIB	European Investment Bank
EUR	Euro, the currency of the Eurozone nations
EURIBOR	European Interbank Offered Rate
EXIM China	The Export-Import Bank of the People's Republic of China
FMA	Financial Management Act 2004
FJD or $	Fijian Dollars, the currency of the Republic of Fiji
FNPF	Fiji National Provident Fund
FX	Foreign Exchange
FY	Fiscal Year of the Government of the Republic of Fiji
FY2021	Fiscal year commencing from August 2020 to July 2021
FY2022	Fiscal year commencing from August 2021 to July 2022
FY2023	Fiscal year commencing from August 2022 to July 2023
GDP	Gross Domestic Product of Fiji for a fiscal year
IMF	International Monetary Fund
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
JICA	Japan International Cooperation Agency
JPY	Japanese Yen, the currency of Japan
LIBOR	London Interbank Offered Rate
MDB	Multilateral Development Banks
MOE	Ministry of Economy, Government of the Republic of Fiji
MTDS	Medium Term Debt Management Strategy
NZD	New Zealand dollar, the currency of New Zealand
RBF	Reserve Bank of Fiji
PPP	Purchasing Power Parity
TC	Tropical Cyclone
T-bills	Treasury Bills
USD	United States Dollars, the currency of the United States of America
VA	Visitor Arrival
WAIR	Weighted Average Interest Rate
WBG	World Bank Group
WEO	World Economic Outlook

FOREWORD

The Medium-Term Debt Management Strategy **(‘MTDS’)** articulates the Government’s debt objectives and outlines the framework for formulation and implementation of a prudent borrowing program for fiscal years 2021-2023. It expresses Government’s intention to source financing needs and payment obligations at the lowest possible cost, balanced with acceptable levels of risk.

Government’s borrowing will be guided by the MTDS, the medium term fiscal strategy, and the principles of responsible financial management to ensure that Government debt remains within sustainable levels. The MTDS is also guided by Government debt policies outlined in the 2020-2021 National Budget such as the refinancing of the global bond with more concessional facilities, consistent domestic market operations, clear investor guidance and market signaling, an optimal cost and maturity structure, the development of the bond market and a downward trajectory for the debt to GDP ratio in the medium term.

Government is the primary provider of strategic investments in the education and infrastructure sectors in the interest of ensuring the availability of essential services. That role demands a central focus on climate adaptation, facilitating resilient economic development, and stimulating business activity. In the wake of the novel coronavirus (**‘COVID-19’**) pandemic, countries around the world, including Fiji, have substantially increased borrowing in light of a significant decline in government revenues to sustain critical expenditures, stabilise the economy, and address the health and social impacts of the pandemic.

As a Small Island Developing State, Fiji is exceptionally vulnerable to the dual health and economic crises brought on by the COVID-19 pandemic. The Fijian economy is largely service-driven with the services sector making up almost 70 percent of our gross domestic product (**‘GDP’**). This sector has been significantly impacted by the virtual closure of our international border. Tourism in particular, as a major contributor to foreign exchange and employment, is the main driver of economic growth. In addition, economic slowdowns in our major trade and

investment markets, including Australia and New Zealand, have had a devastating ripple effect on Fijian businesses, livelihoods and business confidence.

While we contend with the overwhelming impact of the pandemic, it remains critical that Government pursues prudent government debt management. Government is mindful of the costs and risks associated with the government debt portfolio and its role in the development of a well-functioning domestic market for debt securities, which is incorporated in the strategies outlined in the MTDS.

I wish to commend the World Bank for providing technical assistance and support in the formulation of the MTDS. Government will continue to strengthen public financial management and the capacity of debt management stakeholders to ensure the successful implementation of this MTDS.

Hon. Aiyaz Sayed-Khaiyum

Attorney-General and Minister for Economy, Civil Service and Communications

INTRODUCTION

Section 59 of the Financial Management Act 2004 (**'FMA'**) provides the legal framework for the Minister for Economy (Minister responsible for finance) to borrow money on behalf of Government. In addition, section 5 of the FMA stipulates the principles of responsible financial management, which includes managing revenue and expenditure in a manner that achieves prudent levels of debt.

The key debt policies for 2020-2021 as outlined in the Government Budget Supplement are:

- to lower the cost of debt through concessional financing from multilateral and bilateral partners including the refinancing of the global bond that was due in October 2020;
- to ensure consistent domestic market operations, clear investor guidance and market signaling for market development;
- to maintain an optimal cost and maturity structure for the debt portfolio to ensure prudent liability management;
- development of the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanisms and investor diversification; and
- to reset the debt to GDP ratio to a downward trajectory in the medium term.

The above policies have been incorporated in the formulation of the MTDS for fiscal years 2021 - 2023 which aims to achieve the following debt management objectives:

i. to minimise the medium to long-term cost of government debt within prudent levels of risk; and
ii. to support the development of a well-functioning domestic market for debt securities.

The MTDS will focus on the Central Government debt portfolio which is managed by the Ministry of Economy (**'MOE'**). It will encompass the current debt portfolio as at 31 July 2020 and consider the utilisation of securities and financing instruments that are available to Government within fiscal years 2021-2023.

In designing the MTDS, certain benchmarks have been established for cost and market risk indicators to ensure that the medium-term debt-management strategy helps achieve the Government's debt management objectives. Some of the costs and risks to be managed include: (i) foreign currency (FX) risk; (ii) interest rate risk; and (iii) refinancing risk.

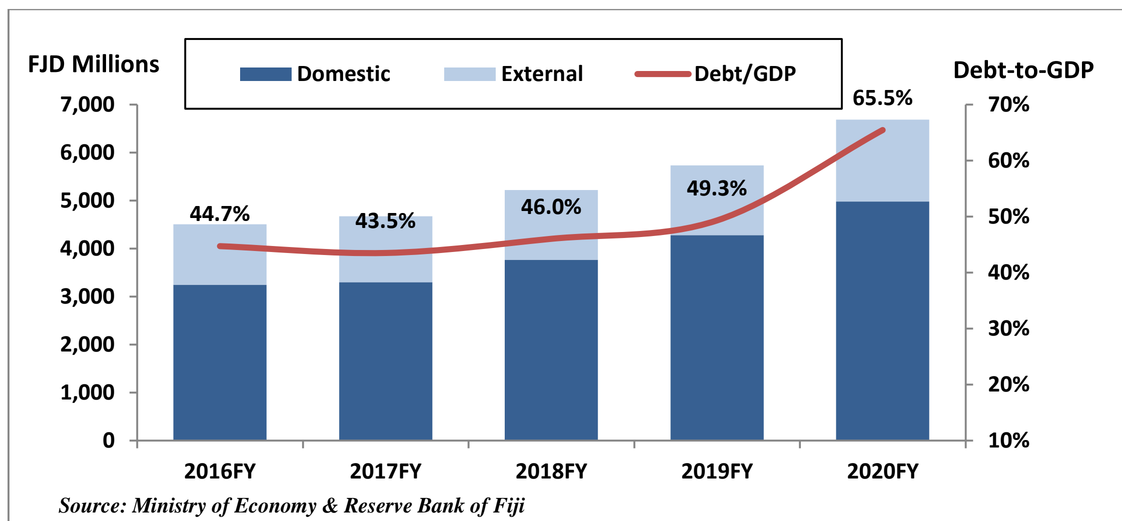
The debt management strategy document will guide Government borrowing decisions in FY2021-FY2023 to support Government's capital infrastructure projects and programs while being cognizant of the cost of debt and minimising risks embedded in the current debt portfolio.

EXISTING DEBT PORTFOLIO

Historically, the financing of the fiscal deficit has been met almost entirely through domestic issuances. Over time, the debt portfolio has diversified due to Fiji's ability to access financing in international capital markets and from multilateral lenders such as ADB, WB, EIB and recently the AIIB.

At the end of July 2020, total Government debt stood at $6.7 billion, increasing from $5.7 billion a year earlier. This is equivalent to 65.5 percent of GDP[1] as compared to 49.3 percent at the end of July 2019. Debt to GDP has recorded a significant increase as at 31 July 2020 largely attributed to the massive contraction in nominal GDP brought about by the COVID-19 pandemic and an increase in Government borrowing to offset the significant reduction in revenue as outlined in the COVID-19 Response Budget.

Figure 1: Trends for the past five years (2016-2020)



Source: Ministry of Economy & Reserve Bank of Fiji

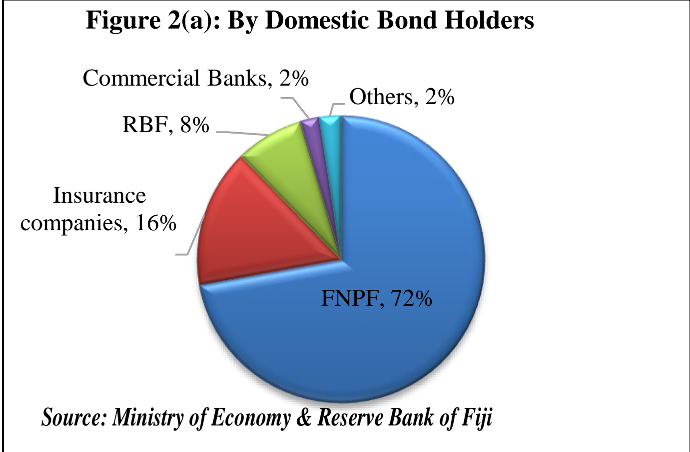
Debt Composition

By Creditor

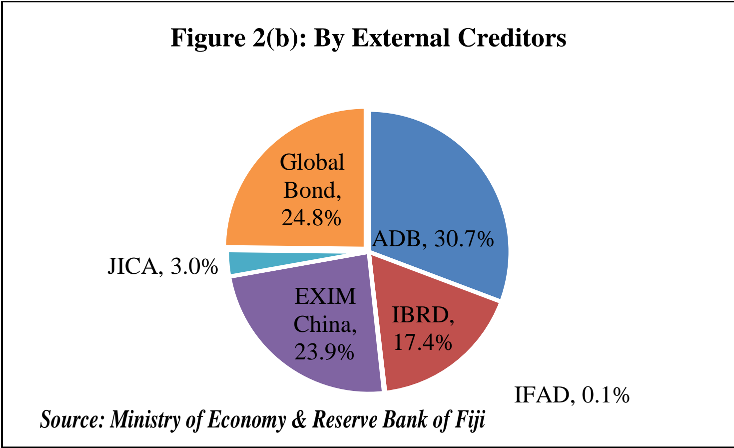
The issuance of bonds in the domestic market has historically been the primary source of financing for Government and participation is dominated by institutional investors, namely the Fiji National Provident Fund (**'FNPF'**) and insurance companies. On the other hand, commercial

[1] Source: 2020/2021 Budget Supplement: Fiscal Year Nominal GDP, Page 141

banks are the dominant participants in the treasury bills (**'T-bills'**) market due to the shorter tenors. (Refer Figure 2(a))



Fiji is classified as an upper middle-income country and the majority of its external financing has resulted from its ability to access the international market. In terms of external debt holders, ADB is the largest external creditor (30.7 percent), followed by the global bond (24.8 percent), EXIM China (23.9 percent), IBRD (17.4 percent), JICA (3 percent) and IFAD (0.1 percent). (Refer Figure 2(b))



By Currency Type

Domestic currency debt continues to dominate the composition of Government debt at 74.4 percent while 25.6 percent is held through external borrowings. Thus, in terms of currency composition, the FJD dominates the total debt portfolio, followed by the USD (18.7 percent) and CNY (6.1 percent), with JPY and the EURO holding less than 1.0 percent.

By Interest Rate Type

As a percentage of total debt, fixed rate debt comprises 88.6 percent, which mostly relates to domestic bonds, the global bond and bilateral external loans. The remaining 11.4 percent are subject to variable 6 months LIBOR[2] and EURIBOR interest rates and attributed to loans from multilateral lenders.

Cost and Risk Indicators as of 31 July 2020

The weighted average interest rate (**'WAIR'**) of the total existing portfolio is 5.6 percent, with domestic debt having an average interest rate of 6.7 percent compared to external debt cost of 2.3 percent. This largely reflects the presence of low interest rates associated with external borrowing, mainly floating rates (LIBOR and EURIBOR). The ATM of the total debt portfolio is 8.7 years and the ATR is 7.5 years which reflects a preference for issuing longer-term domestic bonds in addition to long-dated concessional loans.

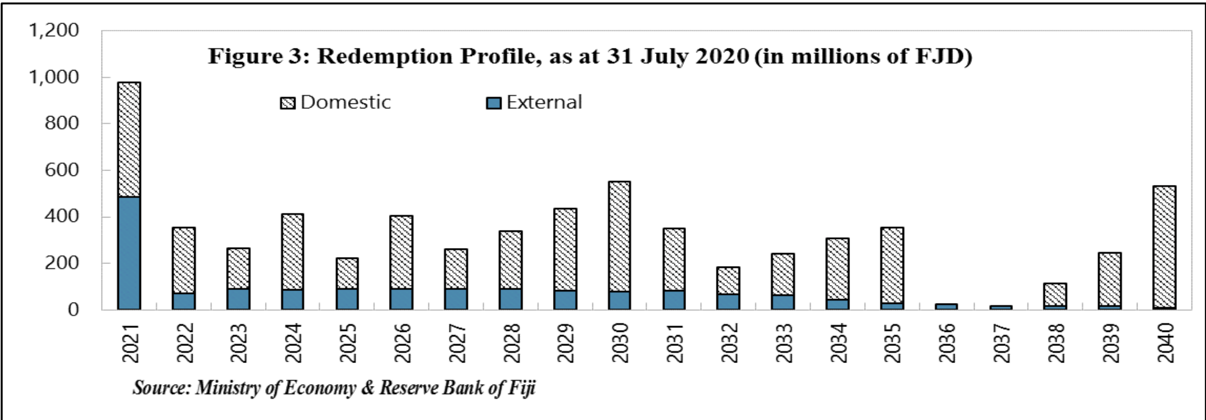
Table 1: Cost and Risk Indicators as of 31 July 2020

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of FJD)		1,710	4,976	6,686
Cost of debt	Weighted Av. IR (percent)	2.3	6.7	5.6
Refinancing risk	ATM (years)	7.2	9.3	8.7
	Debt maturing in 1yr (percent of total)	28.3	9.9	14.6
Interest rate risk	ATR (years)	2.4	9.3	7.5
	Debt refixing in 1yr (percent of total)	75.6	9.9	26.9
FX risk	FX debt (percent of total debt)			25.6

The current structure does not impose any imminent interest rate risk. At present, the total debt portfolio is made up of 74.4 percent domestic borrowing for which the interest rate is fixed in nature. The remaining 25.6 percent is made up of external borrowings which have a mixture of fixed/floating rate debt. In terms of refinancing risk, the ATM is above 8 years thus allowing Government ample time to plan out its refinancing requirements. On a cost comparison basis, the cost of borrowing domestically is currently more expensive (WAIR of 6.7 percent) compared to external borrowing (WAIR of 2.3 percent) at the end of FY2020. The MTDS can help identify and address key challenges in this area.

[2] LIBOR is expected to phase out at the end of December 2021 and a similar phase-out may be expected with respect to EURIBOR in the future. Government is working closely with ADB and WBG to ensure a smooth transition into the new indicative reference rate for affected loans.

Furthermore, the maturity structure for external and domestic debt is evenly distributed except for FY2021 – this is when the global bond is due for repayment and for FY2030 and FY2040, where majority of the long-term domestic bonds will mature. (Refer Figure 3)



ENVIRONMENT FOR DEBT MANAGEMENT

Macroeconomic Environment

The Fijian economy had nine years of consecutive growth from 2010 – 2018 with average growth of 3.7 percent, and around 4.3 percent on average from 2014-2018. The economy contracted in 2019 amid the global slowdown, weak domestic demand and a planned Government-scale back in expenditures due to a programme of fiscal consolidation following the substantial reconstruction spending post Tropical Cyclone (**'TC'**) Winston and several other severe cyclones.

In 2020, the COVID-19 pandemic resulted in one of the deepest global recessions in decades. It has had severe ramifications on the domestic economy, which is projected to contract by 19.0 percent this year due to a drastic drop in visitor arrivals and tourism earnings resulting from the virtual closure of international borders. Additionally, it has disrupted global supply chains, subdued trade flows and weakened demand, causing a major slowdown in business activity. This has increased unemployment and devastatingly impacted public finances. (Refer Table 2(a))

Table 2(a): Real GDP growth % (2016 - 2020)[3]

	2016	2017	2018	2019	2020 projection
GDP growth	2.4	5.4	3.8	-0.4	-19.0

(Source: Ministry of Economy)

In the medium term, Fiji's economic recovery is dependent on the resumption of international travel and a rebound in tourism activity. However, the uncertainty surrounding the economic outlook and the timely availability of a COVID-19 vaccine makes it difficult to ascertain the true level of growth expected. In this regard, taking into consideration the carrying possibilities of the re-opening of the borders in 2021, economic growth is anticipated to range between 1.6 percent and 8.0 percent for 2021.

The growth forecast for 2022 and 2023 ranges from 3.6 percent to 8.7 percent and is largely dependent on the reopening of borders and an increase in tourism arrivals (Refer Table 2(b)).

[3] Refers to calendar year.

Inflation is expected at around -2.6 percent this year and -1.1 percent for next year. Exchange rates are expected to remain stable.

Table 2(b): Real GDP growth % (2021 - 2023)[4]

Scenarios	2021	2022*	2023
A - Borders open with expected visitor arrival (VA) at around 300,000	5.0	6.8	4.6
B - Borders open with expected VA at 150,000	1.6	8.7	3.6
C - Borders open with expected VA at 447,000	8.0	5.2	4.2

For 2022, VA of around 600,000 is projected for all scenarios, but growth rate differs due to base effects. (Source: Ministry of Economy**)*

Exchange Rate and Balance of Payment

Fiji has a fixed exchange rate regime, where the value of the Fiji dollar is fixed to a basket of currencies, namely the Australian (AUD), New Zealand (NZD) and United States Dollars (USD), the Euro (EUR) and the Japanese Yen (JPY).

Government's foreign borrowing has increased this year, stimulating economic activity and safeguarding our balance of payment position. However, in the medium term the high debt trajectory needs to be reversed through adjustments to Government expenditures and policies to raise domestic growth. The exchange rate policy, and expected evolution of the balance of payments (**'BOP'**) and consequent developments in the real exchange rate are most likely to influence the MTDS, thus the importance of its consideration in the preparation of this analysis.

In terms of BOP projections, for 2020, the current account deficit (excluding aircraft) is projected to rise to 16.4 percent of GDP, the balance in the capital & financial account (excluding reserves) is expected at 8.9 percent of GDP resulting in an overall BOP deficit and a decline in reserve assets.

Policy and Budget Environment

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[4] The macroeconomic policy committee had produced 3 scenarios for the medium term, largely depending on visitor arrivals. Scenario A assumes a 33 percent visitor arrivals (VA) levels compared to 2019 (VA around 298,000), scenario B assumes 150,000 and scenario C assumes a 50 percent recovery (VA of around 447,000). Under these scenarios, real growth is 5.0 percent, 1.6 percent and 8.0 percent respectively for 2021.

Over the years, Government has adopted a prudent fiscal strategy by implementing policies that promote growth whilst maintaining fiscal and macroeconomic stability. Given the current slow economic conditions, the fiscal policy environment has become more challenging, as diminished revenues and high expenditures require substantial amount of borrowing. Ensuring the long-term sustainability of government debt is a key focus of the Government in the coming years. Given the medium-term revenue forecasts, large expenditure categories like public sector wages, grants to Government entities, non-strategic capital projects and other operational expenditures may need to be scaled back or deferred in the medium term to ensure the targeted deficits are met.

In regards to monetary policy, the Reserve Bank of Fiji (**'RBF'**) has continued to maintain an accommodative monetary policy stance, providing the necessary stimulus to the domestic economy to protect against any possible domestic or external risk conditions.

Infrastructure and Policy Challenges

Fiji's debt securities market remains underdeveloped with activity concentrated in the primary market and an inactive secondary market. The bond market is fragmented, with the presence of only a few large investors, such as FNPF and insurance companies, which are traditionally "hold-to-maturity" investors which prefer long tenors. This is one of the main areas of concerns in the development of the bond market. This will be addressed in the medium term with the introduction of a Central Securities Depository.

MEDIUM TERM DEBT MANAGEMENT STRATEGY 2021-2023: ANALYSIS AND STRATEGY

Description of Analysis

In formulating the MTDS, the MOE assessed the costs and risks of a number of candidate debt management strategies covering the fiscal years 2021 to 2023 both under baseline economic projections and shocks to the baseline. These include increasing/reducing the tenor of the domestic securities and increasing/reducing the proportion of external debt in the portfolio. In addition to cost and risk, other factors were considered in assessing candidate strategies such as its impact on the development of the domestic debt market and on foreign reserves. From this analysis, a preferred strategy was then selected.

Key Assumptions and Forecasts

The MTDS for fiscal years 2021-2023 was developed in accordance with Government's medium-term fiscal framework with financing needs determined by the net deficit plus principal payments. Various borrowing strategies were analysed under the baseline macroeconomic and financing assumptions and alternative shocks to interest and exchange rates. The MTDS analytical tool allows the definition of four risk scenarios: two shocks to interest rates; an FX rate shock; and a combined interest rate and FX rate shock.

Baseline Projections of market variables

In this MTDS, the baseline projections of market variables are based on the exchange rate trends and the interest rate movements in both the domestic and international market. The baseline projections are as follows:

- Baseline exchange rates are estimated based on Purchasing Power Parity (**'PPP'**) approach. The PPP approach states that the FX rates between countries offset inflation differential[5].
- Baseline interest rates:
    - for floating rate external debt instruments, LIBOR and EURIBOR forward rates were used as published on the Bloomberg portal.

[5] Inflation data is derived from IMF World Economic Outlook (WEO). Thus we estimated by how much FX rate would adjust (depreciate or appreciate) to keep real FX constant over time.

- fixed rate external debt instruments (which are loans from multilateral and bilateral official creditors) are determined by the lending policies of those institutions and are treated as fixed despite changes in market conditions. The rates remain constant through FY2023.
- for domestic debt instruments the forward yields were estimated based on indicative T-bill and bond prices published by the RBF[6].

The key characteristics of the strategies are summarised in Table 3 below.

Table 3: Key Characteristics of the Strategies and its Feasibility

	Key Characteristics	Other considerations
Strategy 1 (S1)	• Maximise budget support financing from bilateral and multilateral lenders. • Change the maturity profile through gradual reduction in T-bills and issuances of short & medium-term bonds (2 – 5 year tenors) from FY2022. • Continued issuances of long-dated bonds (10 - 20 year tenors). • Refinance the global bond with floating rate policy-based loans. • Consider bond buybacks and bond switches in this period.	This strategy supports the development of the domestic capital market by building the yield curve. Also, this incentivises commercial banks to invest in bonds as the tenors match their investment horizon.
Strategy 2 (S2)	• Extend maturity profile for domestic bonds and reduce issue of T-bills. • Maximise budget support financing from bilateral and multilateral lenders.	This option will meet demand for longer-term securities by the pension and insurance industry.
Strategy 3 (S3)	• Increase domestic funding to achieve a debt composition of 80:20 (+/-5%) domestic to external, including re-opening of short to medium tenor bonds.	Level of liquidity will determine success of borrowing and the movement in interest rates.
Strategy 4 (S4)	• Increase external funding to achieve a debt composition of 60:40 (+/-5%) domestic to external.	Takes advantage of cheaper external financing but involves increased foreign currency risks.

[6] https://www.rbf.gov.fj/bond-pricelist-and-yield-curve-2020/.

Shocks

The shocks to the baseline scenarios were determined based on the risks to the economy determined by an analysis in the latest IMF World Economic Outlook report. Historical statistics were also considered when considering the shocks that were most likely to impact the domestic economy.

The shocks to the baseline projections are detailed below:

- FX rate shocks – the report estimates 10 percent (moderate) and 20 percent (extreme) shocks based on RBF data over the last 20 years to assess volatility in FX rates against USD, EUR, CNY and JPY, and estimates one and two standard deviations in the rates for moderate and extreme FX shocks respectively.
- Interest rate shocks – the report relies on a standard deviation of the rates in the last 2-3 years, resulting in shocks that range from 100 basis points to 470 basis points, for external and domestic debt.

Outcome of the Shocks

A summary of the cost/risk trade-off for the four strategies is illustrated in Figure 4 below. The charts show the cost under the baseline, as measured by the level of debt at the end of the analysis period (FY2023), on the vertical axis. The horizontal axes on both charts shows the deviation of the debt levels from the baseline under the four shocks, with average shock ranging from 1.4 percent to 1.8 percent, and maximum shock ranging from 4.1 percent to 5.4 percent.

Figure 4: Cost with average and maximum deviation – as at end of 2023

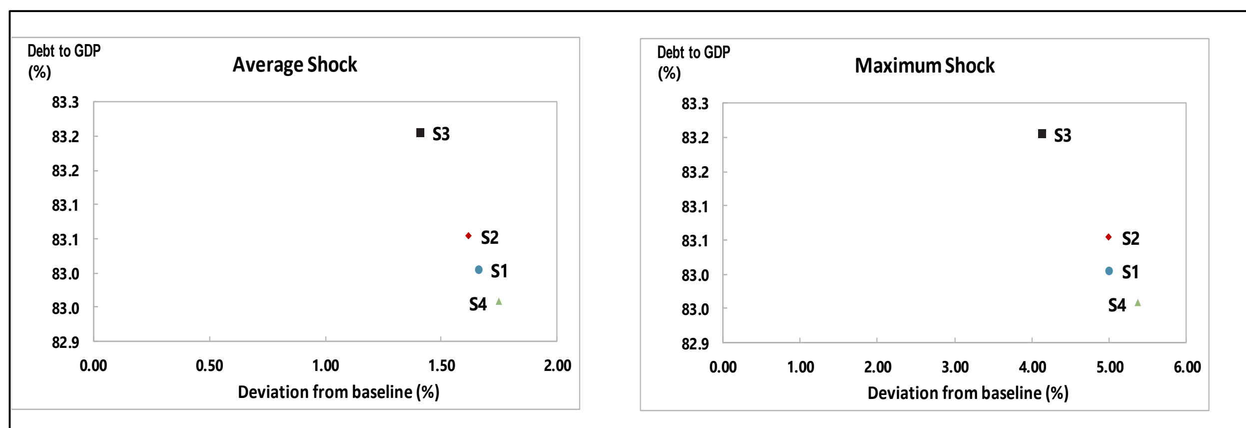

Table 4 below summarises the key risk indicators for the four strategies at the end of the analysis period (FY2023). The key risk indicators will dictate the degree of risks associated with the various strategies and the result of these strategies when introduced to shocks.

Table 4: Cost and Risk Indicators as of 31 July 2023

Risk Indicators		2020	As at end 2023			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		65.5	83.0	83.1	83.2	83.0
Implied interest rate (percent)		5.6	4.7	4.8	5.0	4.5
Refinancing risk[1]	Debt maturing in 1yr (percent of total)	14.6	6.5	5.3	6.6	5.4
	ATM Total Portfolio (years)	8.7	9.9	10.4	10.5	10.0
Interest rate risk[1]	ATR (years)	7.5	8.0	8.5	9.1	7.7
	Debt refixing in 1yr (percent of total)	26.9	30.0	28.8	23.8	33.5
	Fixed rate debt incl T-bills (percent of total)	88.6	76.0	76.0	82.3	71.4
	T-bills (percent of total)	4.0	1.6	1.1	1.6	1.2
FX risk	FX debt as % of total	25.6	32.2	32.2	24.6	36.8

1.Cost-Risk indicators that use projected cash flows such as weighted average interest rate, refinancing and interest rate risks use projected exchange rate assumptions.(Source: Ministry of Economy)

The outcomes of the different strategies can be summarised as follows:

- Issuing of short and medium-term domestic bonds through gradual reduction in T-bills as per S1 is expected to lower costs compared to the current strategy, S2 and S3. However, it may result in a slightly higher debt re-fixing ratio, but within acceptable levels as overall ATR is 8.0 years and ATM is 9.9 years.

- Extending the maturity profile of domestic bonds in S2 is expected to increase costs compared to S1 and S4, however it has a lower refinancing risk. This strategy does not have a favorable cost-risk trade-off compared to the other strategies (Refer Figure 4).

- Increasing domestic funding as per S3 is expected to have the highest cost compared to the other strategies while it has the lowest foreign currency risk. Also, it has the lowest refinancing risk as financing is largely concentrated on longer tenor bonds and also, has the lowest interest rate risk due to increased funding via fixed rate domestic bonds. The depth of the domestic market may deem this strategy impractical.

- Increasing the external debt composition to approximately 37 percent of the total debt portfolio as per S4 is expected to have the lowest cost; however, this comes with the highest foreign currency and interest rate risks.

Nominated Strategy and Target Indicators

Government intends to pursue Strategy 1 (Refer Table 3) as it best reflects Government's intent to ensure adequate foreign reserves and liquidity in the banking sector while also maintaining the objective to develop the domestic bond market and ensure that financing needs are met at minimal cost, subject to prudent levels of risk. Strategy 1 targets an appropriate mix between domestic (67.8%) and foreign (32.2%) borrowing by end of FY2023.

In relation to external borrowings, Government intends to maximise budget support financing from bilateral and multilateral lenders, such as the World Bank Group (IBRD & IDA), ADB, AIIB and JICA[7]. For FY2021, Government plans to source US$185 million from the WBG, US$250 million from ADB, US$50 million from AIIB and approximately US$100 million from JICA. Existing loan-funded capital projects will continue to be disbursed as projects progress, reaching an expected total of US$49 million in 2021. In addition, Government has successfully refinanced the global bond via more favorable loan facilities from multilateral lenders in October 2020.

To support the development of a well-functioning domestic market for debt securities, Government will change the existing maturity profile through gradual reduction in T-bills and issuances of short and medium-term bonds[8] (i.e. 2 - 5 year tenors) from FY2022. This should support the development of the yield curve, reduce refinancing risk and diversify the investor base for Government bonds. Government will also continue issuances of long-term bonds with maturities of 10-year to 20-year tenors and will consider bond buybacks and bond switches during this period.

The preferred strategy is expected to entail a cost and risk structure as summarised in Table 5 below.

[7] This includes concessional funding from the World Bank IDA facility and Japanese Stand-by loan facility which entail 40 year loan terms, inclusive of 10 year grace periods and near zero interest rates. Loans through the ADB and AIIB are at low interest rates linked to LIBOR with 15 year and 12.5 year repayment terms, inclusive of a 3-year grace period.

[8] Government had stopped issuing short-term bonds since it introduced its benchmark bonds (Fiji Infrastructure bonds) of 10, 15 and 20 year terms in FY2017. This was done in order to minimise refinancing and interest rate risks as it prepares to redeem the US$200 million global bond upon its maturity in October 2020 (FY2021). The global bond has been successfully refinanced by more favorable financing facilities from multilateral lenders in October 2020, resulting in a more improved cost and risk profile for the existing debt portfolio.

Table 5: Target Cost and Risk Indicators for fiscal years 2021-2023

Goal	Indicator	Target
Manage FX risk	FX debt (as % of MTDS debt)	≤ 30% (+/-5)
Manage refinancing risk	ATM (years)	≥ 8 years
Manage interest rate risk	Fixed rate debt (as % of MTDS debt)	≥ 70% (+/-5%)

The debt management targets are summarised below:

i. Foreign Currency Risk Benchmark

The currency and interest rate composition of debt as well as its maturity structure are important determinants of debt vulnerability. Therefore, **external (FX) debt will be maintained at 30 percent (+/-5%) of total debt.** Foreign currency borrowings are targeted at financing Government's capital expenditures, refinancing the global bond and achieving policy action reforms designed to promote private sector-led growth, improve the policy, legal, and institutional framework for state-owned entities and public–private partnerships, improve fiscal management, improve the business and investment climate and resilience to climate change, including emergency and disaster response.

ii. Interest Rate Risk Benchmark

The MTDS places emphasis on stabilising debt service costs by maintaining a **fixed rate debt of greater than or equal to 70 percent (+/-5%).**

iii. Re-Financing Risk Benchmark

The MTDS would lay emphasis on ensuring a stable and affordable maturity structure to reduce any refinancing risk exposure by maintaining an **ATM of greater than or equal to 8 years**. Total debt maturing in 1 year is expected to be below 14 percent of the total debt portfolio. The share of T-bills in total debt stock is expected to be below 4 percent for prudent debt management purposes.

Government, through MOE, will implement an annual borrowing plan consistent with the MTDS and integrate it into the medium term fiscal strategy. MOE will publish the information on the cost and risk indicators in the Quarterly Debt Bulletin to track progress on the implementation of the MTDS.

The MTDS will be reviewed annually in light of changing economic and market conditions.

For Further Enquiries, please contact:
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