



Ministry of Economy

Quarterly Debt Bulletin – April 2021

1.0 CENTRAL GOVERNMENT DEBT

Government debt stood at \$7.2 billion or 72.9 percent of GDP¹ at the end of April 2021, recording a 5.1 percent increase from the previous quarter and a 13.6 percent increase when compared to the same period last year. As a component of total debt, domestic debt accounted for 72.2 percent (\$5.2 billion) while external debt accounted for 27.8 percent (\$2.0 billion).

The Fijian Government managed to secure financing facilities from the World Bank Group and the Japan International Cooperation Agency ('JICA') during the quarter. This was made possible after the successful implementation of agreed policy reform actions by the Government that will support Fiji's COVID-19 pandemic efforts while boosting economic, social and climate resilience.

The World Bank's *'Fiji Recovery and Resilience First Development Policy Financing with a Catastrophe Deferred Drawdown Option'* provides total financing of US\$145 million from which US\$120 million² is concessional financing from the International Development Association ('IDA') and US\$25 million is from

the International Bank for Reconstruction and Development ('IBRD').

The 'COVID-19 Crisis Response Emergency Support Loan' from JICA provides total financing of JPY10 billion. It is a budget support facility aimed at providing financial support for economic and fiscal countermeasures to improve public financial management, policy, legal and institutional frameworks and towards the improvement of the business and investment climate in Fiji.

During the quarter, total debt servicing amounted to \$119.7 million, comprising \$36.1 million in principal repayments and \$83.6 million in interest payments.

The Fijian Government participated in the Debt Service Suspension Initiative ('DSSI') rolled out by the G20 member countries and the Paris Club to benefit from the suspension windows of debt servicing owed to bilateral creditors. The two bilateral creditors that are eligible under the DSSI are the Export and Import ('EXIM') Bank of China and JICA.³ As of April 2021, Government had finalised Debt Suspension Agreements with the EXIM Bank of China. This resulted in the

¹ Debt to GDP has recorded a significant increase largely attributed to the massive contraction in nominal GDP (\$9,905.25 billion) brought about by the COVID-19 pandemic and an increase in Government borrowing to offset the significant reduction in revenue.

² US\$10 million from the total IDA financing amount is a Catastrophe Deferred Drawdown Option Facility ('Cat-DDO'). The Cat-DDO is available for immediate access in the event of a catastrophe.

³ The DSSI provides temporary debt service suspension with bilateral creditors only. As an IDA eligible country, Government is eligible for the DSSI. The G20 agreed on a coordinated approach, which is also agreed by the Paris Club, with a common term sheet providing the key features for the DSSI, toward a time-bound suspension of debt service payments. The DSSI April 2020 term sheet requires that eligible countries request the DSSI from all its bilateral creditors and not only a subset of them.

suspension of debt servicing amounting to CNY143.8 million (equivalent to \$45.2 million). The temporary suspension of these amounts has created fiscal space allowing the Government to channel funds into COVID-19 responses, in the form of social, health and economic programs.

1.1 DOMESTIC DEBT

Total domestic debt stood at approximately \$5.2 billion, equivalent to 52.7 percent of GDP and comprised of \$4.9 billion in bonds and \$302.5 million in treasury bills ('T-bills').

The market appetite for longer-term bonds remained subdued through the third quarter while shorter-term T-bills continued to be in demand given the high liquidity levels in the banking system.

Market yields for the short-term T-bills have further dropped from the previous quarter also due to excess liquidity in the banking system which has surged past the \$1.0 billion mark⁴. The shorter end of the yield curve (3-month, 6-month and 12-month) fell by 23, 51 and 58 basis points respectively, while no movement was recorded for yields on long term bonds (10-year, 15-year, and 20-year).

Domestic debt servicing amounted to \$108.6 million during the quarter and comprised \$26.1 million in principal repayments and \$82.6 million in interest payments.

1.2 EXTERNAL DEBT

External debt stood at approximately \$2.0 billion, equivalent to 20.3 percent of GDP at the end of April 2021.

External borrowing during the quarter amounted to \$244.6⁵ million which is attributed to JICA's 'COVID-19 Crisis Response Emergency Support Loan' (\$187.4 million), JICA's Stand-by Loan facility for Disaster Recovery and Rehabilitation (\$55 million) and capital projects financed by the Asian Development Bank (\$1.7 million)⁶ and the World Bank (\$0.5 million)⁷.

In terms of external debt composition by currency, the United States dollar ('USD') continues to dominate the portfolio with 64.2 percent, followed by the Chinese Renminbi Yuan ('CNY') at 21.6 percent, the Japanese Yen ('JPY') by 14.2 percent and 0.03 percent for the Euro ('EURO').

External debt servicing amounted to \$11.0 million comprising of \$10.0 million in loan repayments and \$1.0 million in interest payments.

2.0 COST AND RISK INDICATORS

The Fijian Government has published its first Medium Term Debt Management Strategy ('MTDS') for fiscal years 2021 to 2023 earlier this year. To track the progress of the MTDS, Government will publish the information on the cost and risk indicators in its quarterly debt bulletin in accordance with the World Bank's policy loan requirements.

In designing the MTDS, certain benchmarks were established for cost and risk indicators to ensure that the MTDS will lead to achieving the following debt management objectives of Government:

⁴ As of April 2021, the total banks' demand deposits was recorded at \$1,451.4 million. Source: RBF Economic Review for the month ending April 2021, Vol. 38.

⁵ Includes capitalized interests and fees.

⁶ADB Transport Infrastructure Investment Project and Urban Water Supply Wastewater Management Project.

⁷ World Bank Transport Infrastructure Investment Project

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

Some of the major risk categories to be managed are tabulated in Table 1 below. These include (i) foreign currency (FX) risk; (ii) interest rate risk; and (iii) refinancing risk.

Table 1: Major Risk Categories

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%

Table 2 provides a summary of the MTDS targeted cost and risk indicators for July 2023 compared with the results from FY2020 and April 2021.

Table 2: 2023 Target Indicators vs Results

Cost and Risk Indicators		FY2020	Target	Apr-21
Nominal debt as percent of GDP		65.5	83.0	72.9
Implied interest rate (percent)		5.6	4.7	4.9
Refinancing risk	ATM (years)	8.7	9.9	9.9
	Debt maturing in 1yr (percent of total)	14.6	6.5	6.0
Interest rate risk	ATR (years)	7.5	8.0	8.4
	Debt refixing in 1yr (percent of total)	26.9	30.0	23.4
	Fixed rate debt incl T-bills (percent of total)	88.6	76.0	82.6
	T-bills (percent of total)	4.0	1.6	4.2
FX risk	FX debt (percent of total debt)	25.6	32.2	27.8

⁸These 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,

The MTDS targets were determined by assessing the costs and risks of several candidate debt management strategies covering the fiscal years 2021 to 2023 and incorporating baseline economic projections and shocks to the baseline⁸.

The results of April 2021 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. At the end of April 2021, Government's exposure to foreign currency risk was 27.8 percent. This is within the targeted indicator of 30 percent (+/-5%).

ii. Interest Rate Risk Benchmark

The MTDS places emphasis on stabilising debt service costs by ensuring that greater than or equal to 70 percent of the total debt portfolio has fixed rate debt. The current structure does not impose any imminent interest rate risk. At the end of April 2021, the percentage of fixed-rate debt to total debt stood at 82.6 percent. The **weighted average cost (WAC)** of the overall debt portfolio has also improved from 5.6 percent recorded in the previous financial year (FY2020) to 4.9 percent in April 2021.

iii. Re-Financing Risk Benchmark

The MTDS also emphasizes a stable and affordable maturity structure to reduce any refinancing risk exposure by maintaining an Average Time to Maturity ('ATM') of greater than or equal to 8 years. The ATM has also improved from 8.7 years at the end of FY2020 to

other factors were considered in assessing candidate strategies such as its impact on the development of the domestic debt market and on foreign reserves.

9.9 years in April 2021. This was mainly attributed to increased financing from longer-term domestic bonds and external loans.

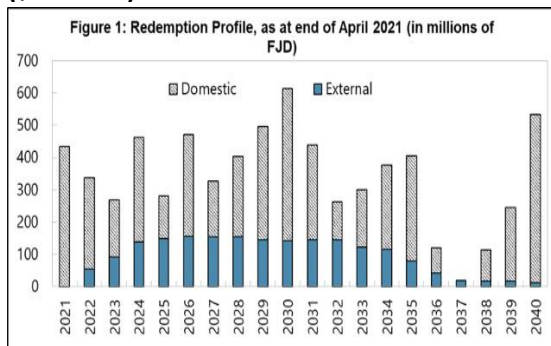
At the end of April 2021, total debt maturing in 1 year stood at 6.0 percent, in line with the targeted indicator of 6.5 percent. Debt maturing in 1 year was approximately 14.6 percent at the end of July 2020 due to the maturing of the US\$200 million global bond in October 2020.

Furthermore, for prudent debt management, Government targets to maintain the share of T-bills in total debt stock at 1.6 percent. At the end of April 2021, T-bills as a share of total debt stood at 4.2 percent. The Ministry will monitor the issuance of T-bills to ensure a gradual reduction over the medium term.

Redemption Profile, as of 30 April 2021

Figure 1 depicts the redemption profile for the total debt portfolio of Government. As can be noted, the maturity structure indicates that FY2030 and FY2040 are higher than other years attributed to the significant proportion of domestic bonds maturing in the respective periods.

Figure 1: Redemption Profile, as of 30 April 2021 (\$millions)



3.0 GOVERNMENT GUARANTEES

At the end of April 2021, Government guaranteed debt stood at approximately \$1.0 billion or 10.4 percent of GDP. This represents a significant increase of 16.7 percent when compared to the previous quarter and a 53.1 percent increase as compared to the same period last year. The increase was mainly attributed to the utilisation of approved guaranteed facilities by the Fiji Development Bank and Fiji Airways.

The Ministry will continue to monitor costs and risks associated with Government borrowings including government guarantees to ensure that fiscal risks are prudently managed.

**Debt Management Unit
Ministry of Economy
May 2021**

Appendix

CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)					
Particulars (<i>Quarterly basis</i>)	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21
<u>DEBT STOCK</u>					
TOTAL GOVERNMENT DEBT TO GDP	62.3%	65.5%	68.9%	69.4%	72.9%
TOTAL GOVERNMENT DEBT (\$M)	6,361.0	6,686.0	6,828.4	6,876.0	7,225.3
DOMESTIC DEBT	4,612.6	4,976.5	4,981.3	5,095.7	5,218.4
BONDS:	4,343.9	4,681.0	4,692.2	4,823.0	4,909.4
FNPF	2,849.1	3,004.6	3,005.5	3,095.0	3,149.0
FNPF Retirement Income Fund	321.4	321.4	321.4	326.4	328.4
FNPF Special Death Benefit Fund	53.4	53.4	53.4	58.4	58.4
Insurance companies	720.4	727.9	735.4	746.7	757.2
Commercial Banks	80.4	98.7	98.7	118.7	133.7
RBF	210.2	360.1	360.3	360.4	361.0
Trust Fund	21.5	20.8	23.7	23.7	23.6
Unit Trust of Fiji	20.3	22.7	18.6	22.6	22.6
Merchant Finance	5.1	5.1	5.1	5.1	5.1
Kontiki Finance Limited	17.0	18.7	18.7	18.7	23.7
Others	45.1	47.5	51.3	47.2	46.6
T-BILLS	268.7	269.7	269.7	259.7	302.5
RBF	42.0	-	-	-	-
Commercial Banks	214.7	269.5	269.4	259.5	302.3
FNPF	10.0	-	-	-	-
Others	2.0	0.2	0.3	0.2	0.2
LOANS					
FNPF	-	25.8	19.4	13.0	6.5
% of Domestic Debt to Total Debt	72.5%	74.4%	72.9%	74.1%	72.2%
% Domestic Debt to GDP	45.2%	48.7%	50.3%	51.4%	52.7%
EXTERNAL DEBT	1,748.4	1,709.5	1,847.1	1,780.3	2,006.8
BONDS (Global Bond)	446.6	424.3	-	-	-
LOANS	1,301.8	1,285.3	1,847.1	1,780.3	2,006.8
Asian Development Bank ('ADB')	552.2	525.4	951.6	909.1	899.3
Asian Infrastructure Investment Bank ('AIIB')	-	-	107.1	102.1	101.8
Export and Import (EXIM) Bank of China ('EBOC')	426.4	409.0	435.4	432.0	433.4
Japan International Cooperation Agency ('JICA')	7.6	50.9	50.2	48.0	284.9
World Bank - International Bank for Reconstruction & Development ('IBRD')	184.1	175.2	176.9	169.0	169.1
World Bank - International Development Association ('IDA')	128.9	122.5	123.6	118.0	117.7
International Fund for Agricultural Development ('IFAD')	2.6	2.3	2.3	2.0	0.7
<i>Note: USD loans include ADB, AIIB, World Bank (IBRD/IDA) & Global bond; CNY loans- EBOC; JPY loans –JICA; EURO loans - IFAD</i>					
% of External Debt to Total Debt	27.5%	25.6%	27.1%	25.9%	27.8%
% of External Debt to GDP	17.1%	16.7%	18.6%	18.0%	20.3%

DEBT SERVICING							
		Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	
TOTAL		156.7	151.1	571.2	123.9	119.7	
Domestic Bonds & Loans		104.6	144.2	116.1	118.3	108.6	
<i>Principal</i>		35.9	57.2	39.0	25.6	26.1	
<i>Interest</i>		68.7	86.9	77.1	92.7	82.6	
External Loans		52.1	6.9	455.1	5.7	11.0	
<i>Principal</i>		29.2	1.6	438.8	1.5	10.0	
<i>Interest</i>		22.9	5.3	16.3	4.1	1.0	
BORROWINGS							
TOTAL		612.9	441.5*	576.1	154.1	350.6	
FIB Bonds/Viti Bonds		324.5	394.3*	43.8	150.0	106.0	
External loans (Includes Cap. Interest)		288.4	47.2	532.3	4.1	244.6	
YIELDS ON GOVERNMENT SECURITIES (%)							
3 months		2.00	1.75	1.50	1.21	0.98	
6 months		2.75	2.28	2.05	1.64	1.13	
12 months		3.40	2.93	2.77	2.25	1.67	
10 year		5.75	5.44	4.60	4.50	4.50	
15 year		6.25	5.85	4.95	4.80	4.80	
20 year		6.75	6.35	5.35	5.25	5.25	
GOVERNMENT GUARANTEES (\$ MILLIONS)							
ENTITIES		Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	
% of Government Guarantees to GDP		6.6%	9.2%	9.0%	8.93%	10.4%	
Total Government Guarantees		674.1	939.0	888.6	884.3	1,032.2	
Fiji Airways		-	279.0	278.0	277.3	391.9	
Fiji Development Bank		302.0 (R)	307.8	305.6	296.7	329.5	
Energy Fiji Limited		51.1	50.2	8.0	-	-	
Fiji Harwood Corporation Limited		1.7	1.7	1.6	1.5	1.2	
Fiji Sugar Corporation		218.5	199.2	197.4	197.9	199.6	
Housing Authority		90.2	90.2	87.2	102.2	102.2	
Fiji Broadcasting Corporation		8.8	8.3	8.0	7.5	6.9	
Pacific Fishing Company Limited		1.8	2.5	2.8	1.2	0.9	
Risk Indicators		QUARTER 2 - FY2020-2021			QUARTER 3 - FY2020-2021		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (in millions of FJD)		1,780.3	5,095.7	6,876.0	2,006.8	5,218.4	7,225.3
Nominal debt as a percent of GDP		18.0	51.4	69.4	20.3	52.7	72.9
Cost of Debt	Weighted Av. IR (percent)	0.8	6.8	5.2	0.2	6.7	4.9
Refinancing risk	ATM (years)	9.2	9.7	9.6	10.0	9.9	9.9
	Debt maturing in 1 year (FY) (percent of total)	1.7	8.2	6.5	0.0	8.3	6.0
Interest rate risk	ATR (years)	3.2	9.7	8.0	4.7	9.9	8.4
	Debt re-fixing in 1 year (FY) (percent of total)	71.2	8.2	24.8	61.6	8.3	23.4
	Fixed-rate debt incl. T-Bills (percent of total)	29.8	100.0	81.5	38.4	100.0	82.6
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	25.9			27.8		

Source: Ministry of Economy and Reserve Bank of Fiji

*** refers to revised figures.