



**FIJIAN GOVERNMENT**

**ANNUAL BORROWING PLAN  
FISCAL YEAR 2021-2022**

**MINISTRY OF ECONOMY**

**SUVA**

**FIJI**

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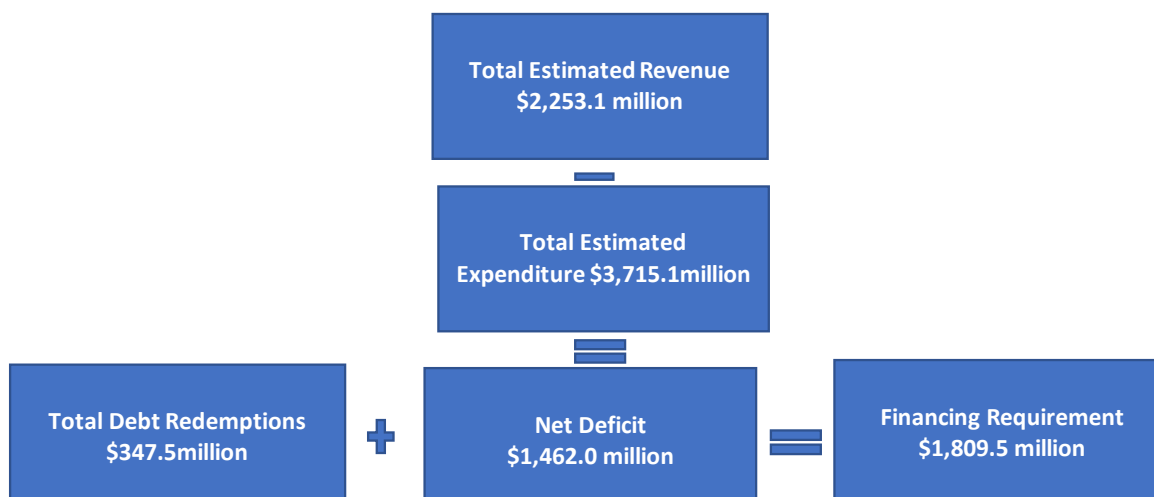
## 1. General Statement

- a. The Government of the Republic of Fiji (Government) published its Medium-Term Debt Management Strategy (MTDS) for fiscal years (FY) 2021 – 2023 in April 2021. 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.
- b. The Annual Borrowing Plan (ABP) specifies the Government’s financing needs and sources for FY2021-2022 and is consistent with the MTDS and the revised budget for FY2021-2022. 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.
- c. During the various waves of the COVID-19 pandemic, Fiji was significantly impacted both on the economic and the health front. Government borrowings ramped up during this period due to Government revenues being halved and the need to sustain expenditure levels to provide necessary public services and fiscal support. The resulting impact was a 17.2 percent economic contraction of the Fijian economy in 2020 followed by an estimated 4.1 percent economic contraction in 2021.
- d. The FY2021-2022 ABP is aligned to the Government’s nominated debt management strategy as outlined in the [MTDS](#). The Fijian Government through the Ministry of Economy will 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 is supporting the maintenance of adequate foreign reserves and liquidity in the banking sector.

## 2. Government Borrowing Requirements for FY2021-2022

- a. Parliament approved the revised Government financing requirements amounting to \$1,809.5 million on 25 March 2022 for the FY2021-2022. This comprises funding necessary to cover the estimated net deficit of \$1,462.0 million and estimated debt redemptions of \$347.5 million to refinance maturing Government debt securities and loans. See Figure 1 and Table 1.

**Figure 1: Government Revised Borrowing Requirements for FY2021-2022**



- b. The scheduled debt repayments include \$282.8 million in domestic securities and \$64.7 million in external loans.

**Table 1: Revised Gross Borrowing Requirements**

<b>FY 2021-2022</b>	<b>(\$million)</b>
<b>BORROWING REQUIREMENTS</b>	
Fiscal deficit	<b>\$1,462.0</b>
Debt Repayments	<b>\$347.5</b>
Domestic – Securities	\$282.8
External – Loans	\$64.7
<b>Gross Deficit</b>	<b>\$1,809.5</b>

### **3. Planned Funding Sources for FY2021-2022**

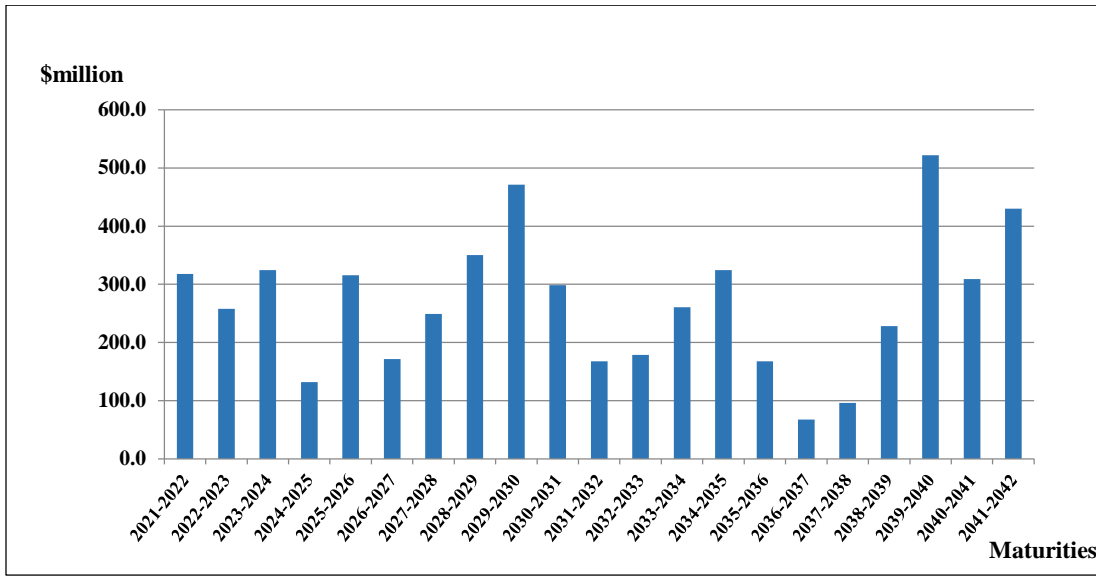
- a. The Fijian Government will continue to pursue a mix of domestic and foreign currency borrowing and ensure that the debt composition is well managed against any exchange rate risks. The total revised financing need is estimated at \$1,809.5 million. Domestic and external borrowing limits within the approved total borrowing limit may be revised to ensure that Government fully utilises all available funding sources.
- b. The current debt composition target is to achieve 70:30 (+/-5%) domestic to external debt. The recent financing from multilateral and bilateral partners is expected to increase the external debt composition tolerance level in terms of exposure to foreign currency risks at the end of FY2021-2022. However, external financing will be reduced over the MTDS period to maintain the debt composition.
- c. The FY2021-2022 ABP envisages a domestic environment with a high level of liquidity in the banking sector and stable opportunities for the Government to refinance and increase long-term Government debt securities in the market and at lower yields. The Government will continue to assess and monitor domestic market conditions and investor responses, which could result in changes to the prospective funding plan.

#### **3.1 Domestic Market**

- a. To finance the budget deficit, the Government planned domestic financing totals \$858.1 million which is from the issuance of Government debt securities mostly Fiji Infrastructure Bonds (FIB). Government will also continue to consistently issue Treasury Bills (T-bills) and roll over the current stock as part of its development objective to build the market yield curve.
- b. Government primarily issues FIB and T-Bills in the domestic market. Going forward, it may consider offering Green Bonds, Blue Bonds, COVID-19 Bonds and other Sustainable Development Bonds as part of the annual borrowing plan.
- c. Government domestic debt management strategy for this period as outlined in the MTDS emphasizes the following objectives:
  - Change maturity profile through a gradual reduction in T-Bills;
  - Issuances of short and medium-term bonds (2 – 5 years tenors);
  - Continued issuance of long-dated bonds (10 – 20 years tenors); and
  - Consider bond buybacks and bond switches in this period.
- d. To promote transparency and certainty of these operations, the Reserve Bank of Fiji (RBF) will publish the Government borrowing schedule on its website at the beginning of a new

financial year, detailing volumes and corresponding floatation dates of Government securities. The ABP will be published on the Ministry of Economy (MOE) website.

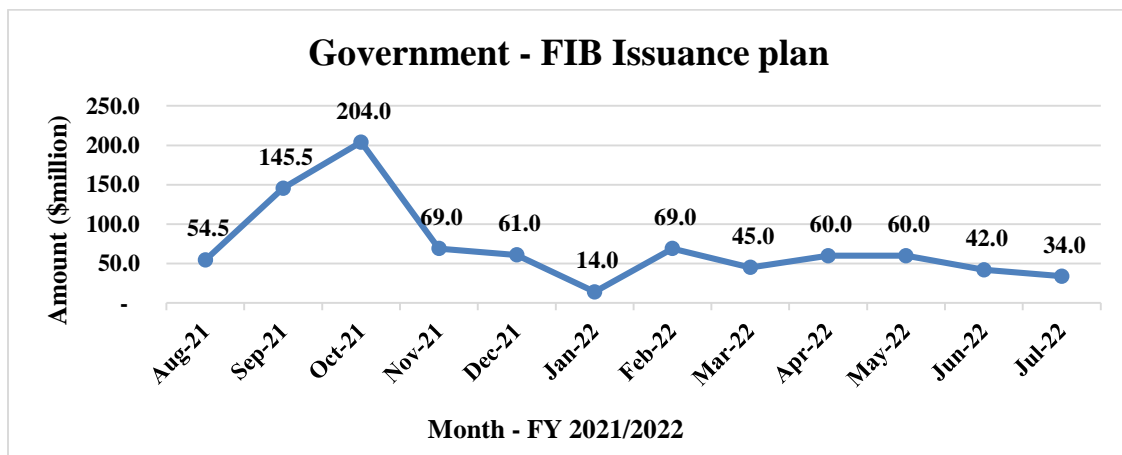
**Figure 2: Government Domestic Securities Redemption profile - end of January 2022**



### 3.1.1 New Benchmark and Bond Issuance

- a. Due to the COVID-19 pandemic, Government provided cash assistance to unemployed individuals in Viti Levu through the introduction of cash transfer programs. This required a significant increase in FIB issuances for the first quarter of FY2021-2022. The two rounds of unemployment support (\$360 payment) for Viti Levu were paid out in August 2021 and November 2021 respectively. The remaining months of the fiscal year reflect low issuances as Government anticipates an inflow of external loan financing during the period.

**Figure 3: FY2021-2022 Prospective Domestic Bond Issuances**



- b. 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 Bonds Re-opening

Reducing Government domestic security lines is a debt management objective that is addressed by re-opening an existing ISIN. During the FY2021-2022, Government plans to re-open the benchmark FIB with set limits.

### 3.1.3 Domestic Borrowing Plan

Table 2 provides a summary of the domestic borrowing issuance plan for Government securities for the fiscal year. Four benchmarks were opened for the 10, 15, and 20-year bonds during the fiscal year.

**Table 2: Domestic Borrowing Issuance Plan for the FY2021-2022**

Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Issuance Date	18th	1 <sup>st</sup> , 22nd	13 <sup>th</sup> 27th	10 <sup>th</sup> 24 <sup>th</sup>	8 <sup>th</sup> 22nd	5 <sup>th</sup>	2 <sup>nd</sup> 16 <sup>th</sup>	2 <sup>nd</sup> 16 <sup>th</sup>	6 <sup>th</sup> 20 <sup>th</sup>	4 <sup>th</sup> 18 <sup>th</sup>	1 <sup>st</sup> 15 <sup>th</sup>	6 <sup>th</sup>
<b>Amount (\$million)</b>	<b>54.5</b>	<b>145.5</b>	<b>204</b>	<b>69.0</b>	<b>61.0</b>	<b>14.0</b>	<b>69.0</b>	<b>45.0</b>	<b>60.0</b>	<b>60.0</b>	<b>42.0</b>	<b>34.0</b>
10 year	5.0	15.0	20.0	7.5	2.0	1.0	1.0	-	2.0	2.0	1.0	1.0
15 year	5.0	22.0	30.0	7.5	2.0	1.0	1.0	-	2.0	2.0	1.0	3.0
20 year	44.5	108.5	154.0	54.0	57.0	12.0	67.0	45.0	56.0	56.0	40.0	30.0
Re-openings		√	√	√	√	√	√	√	√	√	√	√
Benchmark	√			√				√	√			

### 3.1.4 Treasury Bills Issuance

- a. Given the need to develop the domestic market and yield curve, Government will continue to float T-bills and roll over the existing balances which totaled \$273.5 million at the beginning of the FY2021-2022.

- b. Government will tender new T-bills should the need arise to meet cash flow needs. This is planned for the second half of FY2021-2022. Any increase in T-Bills borrowing during the period is part of the approved borrowing limit.

**Table 3: FY2021-2022 Treasury Bills Issuance Plan**

<b>Issuance Date</b>	<b>3 month (\$million)</b>	<b>6 month (\$million)</b>	<b>12 month (\$million)</b>	<b>TOTAL (\$million)</b>
Aug 2021	5.0	10.0	10.0	<b>25.0</b>
Sep 2021	24.0	4.0	28.1	<b>56.1</b>
Oct 2021	1.0	2.0	2.0	<b>5.0</b>
Nov 2021	17.0	17.0	17.0	<b>51.0</b>
Dec 2021	-	17.0	17.0	<b>34.0</b>
Jan 2022	1.0	4.0	4.5	<b>9.5</b>
Feb 2022	18.0	17.0	9.0	<b>44.0</b>
Mar 2022	6.0	5.0	49.9	<b>60.9</b>
Apr 2022	1.0	1.0	1.0	<b>3.0</b>
May 2022	-	26.0	26.0	<b>52.0</b>
June 2022	-	32.5	32.5	<b>65.0</b>
July 2022	1.0	2.0	2.0	<b>5.0</b>

## **3.2 External Debt**

### **3.2.1 New Commitments for FY 2021-2022**

- a. New external financing for this FY2021-2022 is to be sourced from the Japanese International Cooperation Agency (JICA) of JPY10 billion, the World Bank group of USD 150 million, the Asian Development Bank (ADB) of USD 150 million and the European Investment Bank of USD 11.9 million.
- b. Government has drawn down Phase two of the COVID-19 Crisis Response Emergency Support Loan from JICA amounting to JPY10 billion (FJ\$176.8 million) on 18 March 2022. Financing from JICA is set at concessional terms, with a 15-year repayment period inclusive of a 4 - year grace period and a 0.01 percent interest rate. Following this drawdown, JICA is now the largest bilateral lender to Government.
- c. Government also anticipates financing from the ADB and the World Bank Group for a total sum of around US\$300.0 million. Majority of this financing will be subject to the completion of policy reform actions as agreed to with the multilateral partners. The policy reforms broadly aim to promote private sector-led economic recovery, strengthen debt and public financial management, enhance climate, disaster and social resilience, improve public policy for



community resilience, provide an enabling environment for resilient private sector recovery and increase the efficiency and adaptability of Fiji’s social protection systems. These external loans are proposed to be drawn towards the second half of the fiscal year.

- d. At the end of FY2021-2022, ADB is expected to hold the largest component of the external debt portfolio followed by the World Bank Group, JICA and the EXIM Bank of China.

**Table 4: Sources of External Financing**

	<b>External Financing FY2021-2022 (US\$million)</b>	<b>FY 2021-2022 (FJ\$million)</b>	<b>Drawdown Date</b>
<b>World Bank Group</b>	150.0	313.4	June/July 2022
<b>Asian Development Bank (ADB)</b>	150.0	316.1	July 2022
<b>Japan International Cooperation Agency (JICA) – JPY10billion</b>	100.0	176.8	March 2022
<b>European Investment Bank (EIB)</b>	11.9	25.1	April 2022
<b>Direct Payments (Project loans)*</b>	56.9	120.0	
- ADB	- 36.5	- 77.1	
- World Bank group	- 20.4	- 42.9	
<b>TOTAL</b>	<b>US\$468.8</b>	<b>\$951.4</b>	
*Direct payments are drawn depending on the completion of work by implementing agencies			

### 3.2.2 Project Loan Drawdowns

Government budgeted an estimated \$120.0 million as direct payment withdrawals on existing multilateral loans associated with various infrastructure and investment projects (see Table 4).

## 4. Investor Consultation and Relations

- a. The Fijian Government through the Debt Management Unit of MOE will continue to consult market participants prior to all floatations. Quarterly meetings will be arranged with major stakeholders including the Fiji National Provident Fund, Life Insurance Corporation of India and Commercial Banks to gauge market sentiments towards recent and upcoming issuances, provide an update on market activities, share economic outlook and fiscal position and any other recent developments.

- b. Going forward, ABPs will be published at the beginning of each fiscal year and will guide major market participants on the Government financing needs for the fiscal year.

**Debt Management Unit**

**Treasury Division**

**April 2022**