



COMMONWEALTH OF
THE BAHAMAS

Annual Borrowing Plan

FY2022/23

MINISTRY OF FINANCE | DEBT MANAGEMENT OFFICE

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I. GENERAL STATEMENT

Since July 1, 2021, the statutory authority to manage the public debt is derived from the Public Debt Management Act, 2021 (the PDMA), which allows the Minister of Finance to borrow money up to a maximum amount as approved by Parliament.

In accordance with section 13 of the PDMA, the Minister of Finance is responsible for ensuring the preparation of the Annual Borrowing Plan (ABP) within fourteen (14) calendar days after the approval of the annual budget by Parliament. As Parliament approved the FY2022/23 budget on June 23, 2022, the deadline for production/publication of the FY2022/23 ABP is July 7, 2022.

The ABP constitutes a key deliverable within the government's debt management arrangements—reinforcing its commitment to fiscal accountability and promoting transparency and borrowing predictability in debt operations. The PDMA requires that the ABP be consistent with the limits approved under the Fiscal Responsibility Act, 2018 and the annual budget, and that it outlines:

» the projected borrowing needs of the government, as provided in the annual budget approved by

Parliament for the current financial year; and

» the various categories of debt instruments to be issued by the government during the financial year and estimated nominal amounts under each category of debt instruments.

The ABP, which is an operational tool, is aligned to the government's approved FY2022/23 Budget, as well as the FY2022/23 - FY2024/25 Medium Term Debt Management Strategy which was tabled in Parliament in December 2021. The ABP is also consistent with the government's fiscal policy stance as set out in the 2021 Fiscal Strategy Report.

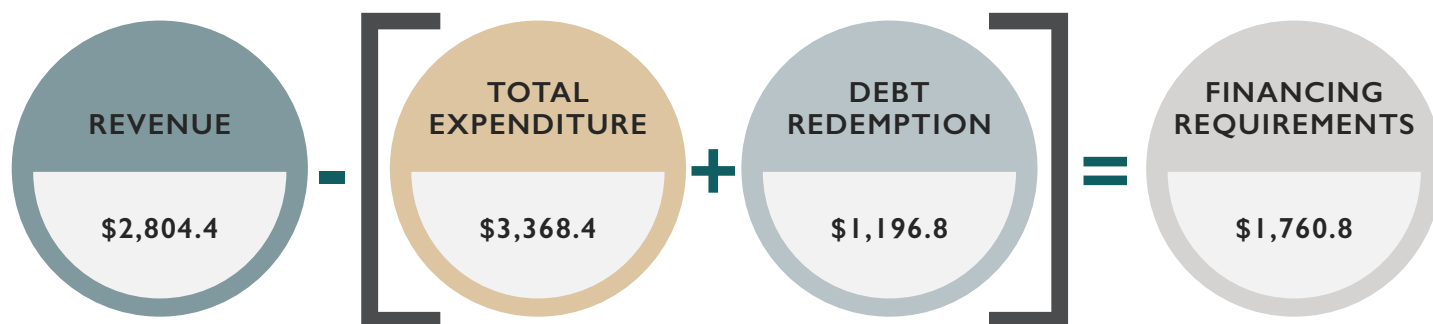
Consistent with the provisions of the PDMA, the Debt Management Office (DMO) has overall responsibility for the management of the government's debt. However, the Central Bank of The Bahamas (the Central Bank) continues to provide transitional assistance with various back office activities and, in its capacity as the government's fiscal agent, conducts all domestic debt operations on behalf of the government. These activities include, with input from the DMO, issuances, buybacks, switches and redemption of domestic bonds and Treasury bills, and publication of outcomes.

2. OVERALL BORROWING REQUIREMENTS FOR FY2022/23

The FY2022/23 ABP operationalizes the government's annual strategy for debt operations to support sound fiscal management. It is framed within the context of the public debt management objectives, i.e., providing the government's borrowing needs at the lowest cost, while maintaining prudent levels of risk, and contributing to a well-functioning government domestic securities market.

The FY2022/23 approved budget established the gross financing needs of the government at \$1,760.8 million (see Figure 1)—as incorporated in the Borrowing Resolution dated June 16, 2022. This includes fund raising to close the budgetary gap of \$564.0 million—and by which the government's outstanding debt obligations is to increase, and to refinance an estimated \$1,196.8 million in maturing debt securities and loans.

Figure 1: Borrowing Requirements for FY2022/23 (B\$M)



A key point to note is that the budgeted fiscal outcome excludes the prospective sale of the Lucayan Resort properties, at an estimated price of \$100 million, which would positively impact the government's cashflow position and correspondingly reduce borrowing requirements.

The government will seek to pursue a prudent mix of domestic and foreign currency borrowings that would secure progress towards the optimal debt strategy selected for

the FY2022/23 – FY2024/25 Medium Term Debt Strategy (MTDS). Key objectives are to extend the average time to maturity, elevate the share of domestic borrowings and incorporate strategic liability management operations while balancing cost. Fund raising activities will be arranged to ensure the adequacy of the government's cash flow to meet liabilities in a timely manner. Any changes in the underlying strategy for the FY2022/23 ABP will be made during the preparation of the MTDS in October 2022.



3. PLANNED FUNDING SOURCES FOR FY2022/23

The FY2022/23 ABP envisages a domestic environment in which liquidity conditions remain favourable and support opportunities for the government to obtain the bulk of its funding requirements through a combination of domestic short- and long-term security issuances and loans. This scenario will allow the government to progressively reduce its reliance on foreign currency borrowings, as designed in the FY2022/23 - FY2024/25 MTDS.

In this context, the government's funding strategy for FY2022/23 contemplates the following activities (see **Table I**).

- » Of the \$1,760.8 million in gross financing requirements, approximately \$996.1 million (56.6 percent) is to be sourced in Bahamian Dollars and the remaining \$764.7 million (43.4 percent) in foreign currency. However, the government will continue to monitor domestic market conditions and investor sentiment, to capitalize on opportunities for achieving a greater proportion of the financing from domestic sources.
- » Prospective recourse to foreign currency borrowings will leverage policy-linked loan facilities from the International Financial Institutions (IFIs) and, to a lesser extent, commercial loans.
- » Generally, timing of financing activities will be aligned with the government's cash flow requirements.

Table I. FY2022/23 Gross Borrowing Needs and Financing

BORROWING REQUIREMENTS	(B\$M)	% OF TOTAL
Fiscal deficit	(564.0)	32.0%
Debt redemption	(1,196.8)	68.0%
External	(456.0)	25.9%
Loans	(456.0)	25.9%
Securities	0.0	0.0%
Domestic	(740.8)	42.1%
Loans	(134.7)	7.6%
Securities	(606.1)	34.4%
TOTAL	(1,780.8)	100.0%
FINANCING	(B\$M)	% OF TOTAL
External debt	764.7	43.4%
Bonds	0.0	0.0%
Loans	764.7	43.4%
Banks	280.0	15.9%
IFIs	484.7	27.5%
Domestic debt	996.1	56.6%
Bonds/Tbills	776.1	44.1%
Loans	220.0	12.5%
TOTAL	1,760.8	100.0%

Source: Ministry of Finance

Note: Data excludes rollovers of short-term Treasury Bills/Notes, which are presented in Section 4.

3.1 External Debt

a. **Bonds**

During FY2022/23, the government does not contemplate accessing the international bond market for financing. However, pending market conditions, the government intends to explore opportunities for liability management—in line with the overarching debt management strategy of reducing cost and managing risks.

b. **New Loans**

Foreign currency loan financing is to be predominantly sourced from proposed new IFI related policy loans totaling US\$372.5 million—of which \$160.0 million is expected to be accessed by December 2022. This approach is aligned with the broader debt management strategy objective of lengthening the maturity structure of the debt

and containing costs. The remaining \$280 million in commercial loans include a pipeline US\$100.0 million facility scheduled for drawdown in July, 2022 and drawings on a prospective IFI-guaranteed facility for health infrastructure.

c. **Loan Disbursements**

The government budgeted an estimated \$112.2 million in installment disbursements on existing multilateral loans associated with investment projects and budgetary support initiatives. Of this total, approximately \$84.9 million (75.7 percent) represents IDB-related projects, \$21.8 million (19.4 percent) are Caribbean Development financed projects and the remaining \$5.5 million (4.9 percent) are associated with a European Union facility.

3.2 Domestic Debt

a. **Bond Refinance and New Issuances**

Bond redemptions in FY2022/23 of \$606.1 million will be refinanced in the domestic market with new issuances. The government also proposes the issuance of an additional \$125 million in domestic bonds, bringing the total issuance to \$731.1 million (see Figure 2).

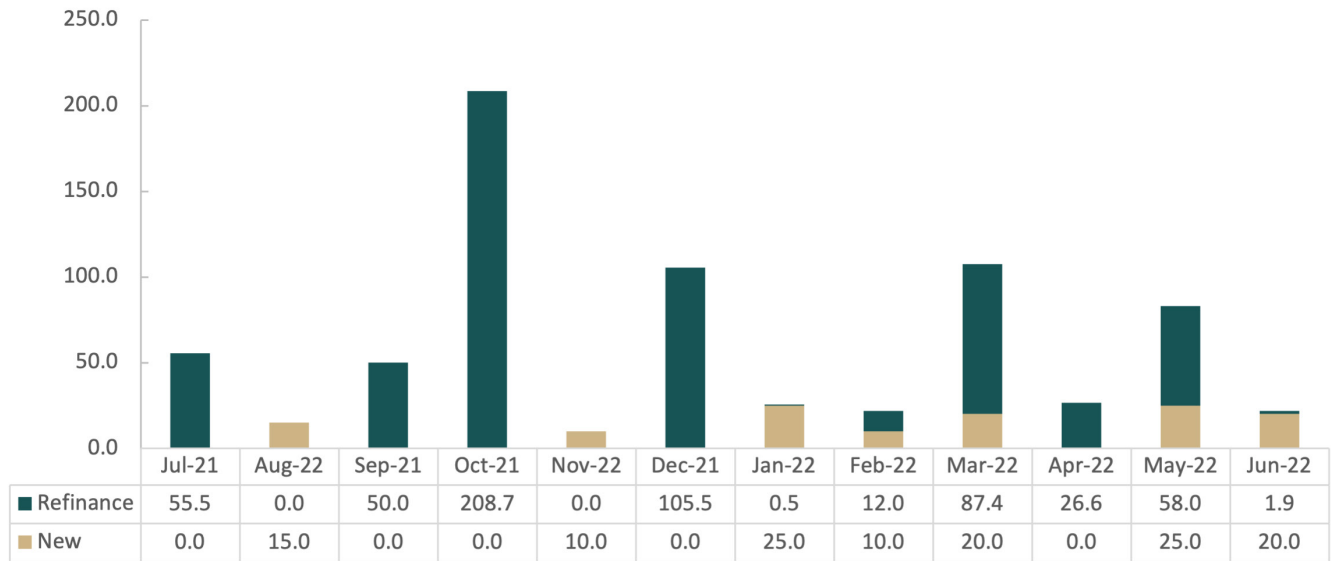
The government's issuance strategy will continue to emphasize the following approaches and objectives.

- » Monitor market absorption metrics for each benchmark tenor (3, 5, 7, 10, 20 and 30 years) to gauge demand.

- » Employ a grow/shrink strategy across maturity buckets to maintain flexibility in allocations in line with investor demand along the yield curve.
- » Seek to achieve a gradual lengthening of the maturity structure of the bonds, to minimize refinancing risk and promote a sustainable debt path over the medium to long term.



Figure 2: FY2022/23 Indicative Domestic Bond Issuances (B\$M)



- To promote transparency and predictability of these operations, the Central Bank, as fiscal agent for the government, will publish, 15 days before the beginning of each quarter, the bond issuance schedule on its website—detailing indicative volumes and tenor of issues and corresponding dates of the upcoming offerings.
 - Based on the existing schedule for bond refinancing, the government intends to take advantage of months where there are no or low bond maturities. Flexibility will be maintained to effectively address unexpected changes in the timing of cash flow requirements, and prevailing market conditions.
- The list of benchmark bonds is to be published quarterly, 10 days before each quarter on the official website of the Central Bank.



Table 2: FY2022/23 Indicative Bahamian Dollar Bond Issuance Calendar (Refinance and New)

	Jul-22	Aug-22	Sep-22	Oct-22
Offering Type	Reopening	IPO	IPO	Reopening
Amount	\$55.5M	\$15M	\$50M	\$77.5M
Tenors	Benchmark	Benchmark	Benchmark	Benchmark
Opening Date	06-Jul-22	10-Aug-22	07-Sep-22	5-Oct-22
Closing Date	08-Jul-22	12-Aug-22	09-Sep-22	7-Oct-22
Settlement Date	13-Jul-22	17-Sep-22	14-Sep-22	12-Oct-22
	Oct-22	Nov-22	Dec-22	Dec-22
Offering Type	IPO	IPO	IPO	IPO
Amount	\$131.22M	\$10M	\$20M	\$85.48M
Tenors	Benchmark	Benchmark	Benchmark	1Y
Opening Date	24-Oct-22	09-Nov-22	07-Dec-22	07-Dec-22
Closing Date	26-Oct-22	11-Nov-22	09-Dec-22	09-Dec-22
Settlement Date	31-Oct-22	16-Nov-22	14-Dec-22	14-Dec-22
	Jan-23	Feb-23	Mar-23	Mar-23
Offering Type	Reopening	Reopening	IPO	IPO
Amount	\$25.5M	\$22M	\$20M	\$87.41M
Tenors	Benchmark	Benchmark	Benchmark	1Y
Opening Date	11-Jan-23	8-Feb-22	08-Mar-23	22-Mar-23
Closing Date	13-Jan-23	10-Feb-22	10-Mar-23	24-Mar-23
Settlement Date	18-Jan-23	15-Feb-22	15-Mar-23	30-Mar-23
	Apr-23	May-23	May-23	Jun-23
Offering Type	IPO	Reopening	IPO	Reopening
Amount	\$26.6M	\$25M	\$58M	\$21.86M
Tenors	Benchmark	Benchmark	1Y	Benchmark
Opening Date	5-Apr-23	10-May-23	1-May-23	7-Jun-23
Closing Date	7-Apr-23	12-May-23	3-May-23	9-Jun-23
Settlement Date	12-Apr-23	17-May-23	5-May-23	14-Jun-23

Note: Benchmark tenors are 3, 5, 7, 10, 20 and 30 year bonds.

b. Loans

The government intends to raise a total of \$200.0 million in Bahamian Dollar loan facilities—representing 12.5 percent of the total domestic funding target. This compares with \$134.7 million in maturities for the year.



4. TREASURY BILL TENDERS AND TREASURY NOTE ROLLOVERS

The government will continue to conduct Treasury Bill tenders, to roll-over the 91-day and the 182-day issues, which totaled \$883.4 million at end-June 2022; and will roll the fixed rate Treasury Notes which aggregated \$100.5 million at end-June 2022. Based on the maturity profiles, the combined volume of roll-overs for Treasuries will approximate \$3,427.5 million for the fiscal year (see **Table 3**). The government also plans to increment the level of outstanding Treasury Bills by \$45.0 million.

To help manage debt rollover risk, the government will continue to explore opportunities for conversions of Treasury bills to bonds. Ultimately, changes in outstanding levels will depend on market conditions, investor participation, and the need for securing short-term funding.

Table 3: FY2022/2023 Indicative Auction Schedule for Treasury Bills and Notes Maturities¹

Programme A			Programme B				(B\$M)
Date	91-day	182-day	Date	30-day	90-day	180-day	Grand Total
21-Jul-22	293.3	55.0	17-Jul-22	2.3	24.6	7.6	382.8
16-Aug-22	134.6	62.7	16-Aug-22	2.3	0.1	8.2	207.9
27-Sep-22	198.9	38.0	15-Sep-22	2.3	51.2	0.0	290.3
20-Oct-22	293.3	58.2	15-Oct-22	2.3	24.8	2.2	380.8
15-Nov-22	134.6	37.5	14-Nov-22	2.3	0.1	0.3	174.7
27-Dec-22	198.9	20.0	14-Dec-22	2.3	51.4	3.7	276.2
19-Jan-23	293.3	55.0	13-Jan-23	2.3	24.9	7.7	383.2
14-Feb-23	134.6	62.7	12-Feb-23	2.3	0.1	8.3	208.0
28-Mar-23	198.9	38.0	14-Mar-23	2.3	51.7	0.0	290.9
20-Apr-23	293.3	58.2	13-Apr-23	2.3	25.0	2.2	381.0
16-May-23	134.6	37.5	13-May-23	2.3	0.1	0.3	174.8
27-Jun-23	198.9	20.0	12-Jun-23	2.3	51.9	3.7	276.8
Total	2,507.4	542.9	Total	27.5	305.7	44.0	3,427.5

Note: Programme A issued by under fiscal agency arrangement with the Central Bank of The Bahamas and Programme B issued under fiscal agency agreement with Royal Fidelity.

¹ Programme A is issued under fiscal agency arrangement with the Central Bank of The Bahamas and via a tender exercise; and Programme B is issued under a fiscal agency agreement with RF Bank & Trust (Bahamas) Limited and on a fixed rate basis.



The government's communication strategy will include the following initiatives.

- » Issuance calendars for Treasury bills will be published quarterly on the Central Bank's website—announcing the tenor and auction and settlement dates.
- » Treasury bill tender instructions for participation will be released by the Central Bank one week prior to each tender, and may be viewed on the Central Bank's website.

5. INVESTOR RELATIONS

As part of its overall approach to fiscal transparency, the government will continue to engage regularly with investors, to promote a better understanding of the government's policies, debt management objectives and borrowing activities and simultaneously obtain feedback for improving the design of the medium term debt management strategy.

This engagement will include quarterly market intelligence briefings hosted jointly by the Central Bank and the DMU with the major stakeholders in the domestic market to

gauge market sentiment towards recent and upcoming security offerings and to obtain updates on the investment environment. Meetings and non-deal road show presentations will be arranged with international investors, and the government will actively manage relationships with the credit rating agencies. These activities are supported by other transparency initiatives, including timely dissemination on the government's website of data on the domestic macro-fiscal and debt situation, and provision of enhanced access to data and statistics in a suitable format to support investors' analytical needs.

FY2022/23

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