



T H E M I N I S T R Y O F F I N A N C E

ANNUAL BORROWING PLAN

FY2023/24

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**DEBT MANAGEMENT
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1. GENERAL STATEMENT

The Public Debt Management Act, 2021 (the PDMA), which became effective on July 1, 2021, prescribes the statutory authority for management of the public debt and empowers the Minister of Finance to borrow money up to a maximum amount as approved by Parliament.

The Annual Borrowing Plan (ABP) is a key pillar of the government's debt management arrangements—reinforcing the overarching commitment to fiscal accountability and promoting transparency and borrowing predictability in debt operations. Its preparation derives from section 13 of the PDMA which requires that the Minister of Finance ensures its production within fourteen (14) calendar days after the approval of the annual budget by Parliament. Parliament approved the FY2023/24 budget on June 29, 2023.

As specified in the PDMA, the ABP sets out:

- »the projected borrowing needs of the government, as provided in the annual budget approved by Parliament for the current fiscal year; and
- »the various categories of debt instruments to be issued by the government during the fiscal year and estimated nominal amounts under each category of debt instruments.

The FY2023/24 ABP aligns with the limits approved under the Public Finance Management Act, 2023, the approved FY2023/24 budget, the FY2023/24 – FY2025/26 Medium Term Debt Management Strategy (MTDS), and the government's fiscal policy stance outlined in the FY2023/24 Fiscal Strategy Report (FSR)—both tabled in Parliament during January, 2023.

2. OVERALL BORROWING REQUIREMENTS FOR FY2023/24

The FY2023/24 ABP executes on the government's medium debt management strategy which aims at improving debt and fiscal sustainability. It is anchored on 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.

Table 1: Borrowing Requirements for FY2023/24

DESCRIPTION	B\$M	% OF GDP
Revenue	3,319.0	23.0%
Recurrent Expenditure	(3,085.5)	21.4%
Capital Expenditure	(364.6)	2.5%
Net Financing Needs	(131.1)	-0.9%
Debt Repayment	(2,067.6)	-14.3%
Domestic	(1,195.1)	-8.3%
<i>Bahamian Dollar</i>	(937.2)	-6.5%
<i>Foreign Currency</i>	(257.9)	-1.8%
External	(872.6)	-6.0%
Gross Financing Needs	(2,198.7)	-15.2%

Based on Parliamentary authorization¹, the government's gross financing needs for FY2023/24 are forecast at \$2,198.7 million—comprising \$131.1 million (6.0% of the total) in new borrowings/loan drawings to cover the budget deficit and targeting debt refinancing requirements at \$2,067.6 million (94.0% of the total).

In keeping with the predominant debt management objectives, the government's borrowing strategy seeks to extend the average maturity of the debt through an appropriate portfolio selection, so as to reduce liquidity and refinancing risk, and to contain cost and risk in the debt portfolio by leveraging semi-concessional loans and structured credits involving multilateral lenders and by exploring liability management initiatives. These activities would be organized in a manner that ensures adequate liquidity to meet the government's cash flow requirements.

The ABP is subject to revision to align with changes in credit market conditions and the evolution of the fiscal situation and needs.

¹ See FY2023/24 Budget-- <https://bahamasbudget.gov.bs/budget/>

3. PLANNED FUNDING SOURCES FOR FY2023/24

The FY2023/24 ABP is being prepared against the backdrop of a challenging external environment for emerging markets and development economies, as borrowing costs remain elevated amid the persistence of inflationary pressures and higher global interest rates. Meanwhile, the resilience in domestic economic conditions continues to drive strong gains in liquidity and, as contemplated in the design of the FY2023/24 – FY2025/26 MTDS, present opportunities for increased funding of the government’s financing requirements.

In this context, the ABP targets the following:

» Approximately \$967.3 million (44.4 percent) of the gross borrowing needs will be sourced in Bahamian Dollars; another \$235.5 million in foreign currency domestic debt which represents a roll-over of the promissory note arrangement with the Central Bank of The Bahamas (Central Bank) for the FY2022/23 SDR borrowings; and the balance of \$995.9 million (45.3 percent) in foreign currency from external sources. However, the execution strategy will continue to monitor market conditions, with the possibility of adjustments so as to achieve the government’s borrowing needs at the lowest cost within acceptable levels of risk.

» Foreign currency borrowings anticipate a combination of new policy-linked loan facilities and drawings on existing loans from the International Financial Institutions (IFIs), alongside commercial loans supported by credit enhancements from the IFIs Generally.

» The timing of financing activities will be aligned with the government’s cash flow requirements.

Table 2. FY2023/24 Annual Borrowing Plan

DESCRIPTION	B\$M	% OF TOTAL
Gross Financing Needs	2,198.7	100.0%
External debt	995.9	45.3%
Bonds	0.0	0.0%
Loans	995.9	45.3%
<i>Banks</i>	700.0	31.8%
<i>IFIs</i>	295.9	13.5%
Domestic Debt	1,202.8	54.7%
Bahamian Dollar	967.3	44.0%
<i>Bonds/T-bills</i>	967.3	44.0%
Loans	0.0	0.0%
Foreign Currency Loans	235.5	10.7%

3.1 External Financing

a. Bonds

During FY2022/23, the government does not contemplate accessing the international bond market for financing, due to the current market fundamentals. However, pending market conditions, the government intends to explore opportunities for liability management—to optimize cost and risk in the debt portfolio.

b. New Loans

External loan financing includes opportunities for new IFI-related policy loans estimated at US\$210 million, which will help to mitigate the risk in the debt portfolio through their typically longer maturity structures and comparatively lower financing costs relative to commercial

borrowings. The government also intends to pursue policy-linked partial-credit guarantees that will help to secure commercial loan facilities in larger quantum and at a reduced cost. The government is in active discussions with IFIs and commercial banks regarding these transactions.

c. Loan Disbursements

The financing gap will also be bridged by an additional \$85.9 million in drawings on existing multilateral loan facilities, which are linked to various investment and budgetary support projects. This comprises \$65.9 million (76.7 percent) in IDB-related project financing and a further \$20.0 million associated with projects underway with the Caribbean Development Bank.

3.2 Domestic Financing

a. Bond Maturities and New Issuances

Of the total \$2,067.6 million in maturing obligations, \$802.2 million (38.8 percent) represents domestic bond redemptions which the government intends to refinance with new issuances. Based on the persistence of strong excess liquidity conditions, the ABP also anticipates securing an additional \$120.0 million in domestic bonds, for a total issuance of \$922.2 million (see Table 3 for indicative issuances calendar).

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

- » Observe market conditions and adjust, as required, to achieve convergence with the projected issuance amount.

- » Monitor market absorption metrics for each tenor (3, 5, 7, 10, 20 and 30 years) to gauge demand and adjust, as required.
- » Employ a grow/shrink strategy across maturity buckets to maintain flexibility in allocations—commensurate with investor demand along the yield curve. During the course of the opening quarter of the year, the government will formulate and publish rules for applying the shrink/grow option on issuances.
- » 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.



- » Seek to reduce exposure to interest rate risk by replacing floating rate with fixed rate bonds.
- » 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.
- » Operational transparency will also be enhanced by publication of auction details (minimum, maximum, and average prices) immediately after finalizing the auction decision. This will include the release of summary details on the various investor categories purchasing government securities, so as to enhance awareness of the breadth of the market appetite across the various maturity buckets.
- » The list of benchmark bonds will continue to be published on the official website of the Central Bank, quarterly, 10 days before each quarter.
- » The introduction of competitive bidding for bonds in October will provide for more efficient pricing of these securities.
- » The launch of the governments savings bond during the second quarter of FY2023/24 will aid in broadening the participation of small investors.

Table 3: Indicative Bahamian Dollar FY2023/24 Bond Issuance Calendar (Refinance and New)

	Jul-23	Sep-23	Oct-23	Nov-23
Offering Type	IPO	Reopening	IPO	IPO
Amount (B\$M)	\$60.00	\$53.58	\$167.11	\$64.46
Tenors	3Y, 5Y, 7Y, 10Y, 20Y & 30Y	TBD	1Y, 2Y & 3Y	3Y, 5Y, 7Y, 10Y, 20Y & 30Y
Coupon Type	Fixed	Fixed	Fixed	Fixed
Opening Date	17-Jul-23	6-Sep-23	23-Oct-23	9-Nov-23
Closing Date	19-Jul-23	8-Sep-23	25-Oct-23	11-Nov-23
Settlement Date	21-Jul-23	13-Sep-23	31-Oct-23	16-Nov-23
	Dec-23	Jan-24	Feb-24	Mar-24
Offering Type	IPO	IPO	Reopening	IPO
Amount (B\$M)	\$67.26	\$51.00	\$50.93	\$83.99
Tenors	1Y & 2Y	3Y, 5Y, 7Y, 10Y, 20Y & 30Y	TDB	1Y & 2Y
Coupon Type	Fixed	Fixed	Fixed	Fixed
Opening Date	6-Dec-23	15-Jan-24	7-Feb-24	20-Mar-24
Closing Date	8-Dec-23	17-Jan-24	9-Feb-24	22-Mar-24
Settlement Date	13-Dec-23	22-Jan-24	14-Feb-24	27-Mar-24
	Apr-24	May-24	May-24	Jun-24
Offering Type	IPO	Reopening	IPO	IPO
Amount (B\$M)	\$56.00	\$42.70	\$65.35	\$159.83
Tenors	3Y, 5Y, 7Y, 10Y, 20Y & 30Y	TBD	1Y & 2Y	1Y, 2Y & 3Y
Coupon Type	Fixed	Fixed	Fixed	Fixed
Opening Date	17-Apr-24	8-May-24	22-May-24	24-Jun-24
Closing Date	19-Apr-24	10-May-24	24-May-24	26-Jun-24
Settlement Date	24-Apr-24	15-May-24	29-May-24	28-Jun-24

b. Loans

Although the government has loan maturities of \$135 million in FY2023/24, the ABP makes no provision for raising new Bahamian Dollar loans—instead, focusing on incrementing the issuance of bonds and T-bills.

4. TREASURY BILL TENDERS AND TREASURY NOTE ROLLOVERS

Treasury bill tenders will remain a key component of the ABP funding strategy, with the outstanding aggregating \$908.8 million at end-June, 2023. The government will continue to roll-over the 91-day and the 182-day issues, and will roll the fixed rate Treasury Notes which aggregated \$97.5 million at end-June 2023. Based on the matu-

rity profiles, the combined volume of roll-overs for Treasuries will approximate \$3,561.3 million for the fiscal year (see Table 4). The government also plans to increase the level of outstanding T-bills by a net of \$45.0 million, and utilize T-bill issuances intra-year to smooth out short-term cash flow requirements.

Table 4: FY2022/2023 Indicative Auction Schedule for Treasury Bill and Note Maturities²

Programme A			Programme B				(B\$M)
Date	91-Day	182-Day	Date	30-Day	90-Day	180-Day	Grand Total
20-Jul-23	226.7	67.6	12-Jul-23	2.3	25.1	7.8	329.5
15-Aug-23	215.8	44.7	11-Aug-23	2.3	0.1	3.3	266.2
27-Sep-23	203.9	28.0	10-Sep-23	2.3	52.2	0.0	286.4
19-Oct-23	226.7	87.3	10-Oct-23	2.3	25.2	2.2	343.7
14-Nov-23	215.8	17.0	9-Nov-23	2.3	0.1	0.3	235.5
27-Dec-23	213.9	28.5	9-Dec-23	2.3	52.5	3.7	300.9
18-Jan-24	226.7	67.6	8-Jan-24	2.3	25.4	7.9	329.9
13-Feb-24	215.8	44.7	7-Feb-24	2.3	0.1	3.4	266.3
28-Mar-24	223.9	28.0	8-Mar-24	2.3	52.7	0.0	306.9
19-Apr-24	226.7	87.3	7-Apr-24	2.3	25.5	2.3	344.1
16-May-24	220.8	17.0	7-May-24	2.3	0.1	0.3	240.5
27-Jun-24	223.9	28.5	6-Jun-24	2.4	53.0	3.8	311.6
Total	2,640.4	546.2	Total	27.7	312.0	35.0	3,561.3

In keeping with transparency obligations, the government will continue the following communication strategy.

» Issuance calendars for Treasury bills will be published quarterly on the Central Bank's website—announcing the tenor and auction and settlement dates.

» Instructions for participation in Treasury bill tenders will be released by the Central Bank one week prior to each tender, and will be made available on the Central Bank's website.

² 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.

5. INVESTOR RELATIONS

The government remains committed to debt transparency through timely and accurate disclosure of public debt and borrowing activities. These outputs will continue to be supported by an investor relations strategy aimed at broadening, deepening and increasing investor participation in the government debt market. Engagement will be through investor and market participation in conference calls, investor presentations with meetings focused on market developments, financing plans and macro-economic performance. The government also remains committed to provide investors with timely updates on the execution of the ABP.

The government will work together with market players and investors to better understand domestic market development practices and design approaches that will promote efficiency and transparency in these operations and simultaneously

obtain feedback for improving the design of the medium term debt management strategy.

To enhance these activities, the Ministry of Finance has engaged a leading cloud-based investor relations and debt management platform to develop an investor relations website for The Bahamas. The goal is to create a well-organized, easy to navigate site that contains all fiscal and financial reporting of the government as well as any other important macroeconomic data and external reports that will help investors make informed investment decisions. The website will also facilitate the production and distribution of virtual roadshows and provide a point of contact for visitors to submit questions/requests.

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