Fiji Sovereign Green Bond

Good Practice Database
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Presenter: Vineil Narayan
Organisation: Ministry of Economy – Government of Fiji
Email: vineil.narayan@economy.gov.fj
Climate Change in Fiji

Climate change is no longer only a moral and ethical issue. It is now an economic imperative as well.

Fiji is amongst the most climate vulnerable small island developing state in the world despite being amongst the lowest contributors to greenhouse gas emissions.

Naturally, adaptation is a national priority – development finance is climate finance for Fiji.
Costed Climate Finance Needs

**US $4.6 billion**

**Adaptation**

Required to fortify Fiji’s development aspirations outlined in the 5-Year and 20-Year National Development Plan. Calculated using climate modeling of climate and disaster risks on 10, 50 and 100 year scenario.

**Mitigation**

Required to deliver on Fiji’s NDC commitments with a strategic focus on energy generation and transmission, energy demand side management and energy efficiency in transportation.

**US $2.97 billion**
Major Climate Finance Flows (2010-2018)

Environment and Climate Adaptation Levy
US $77.8 million
Consortium of taxes on plastic bags, fuel intensive personal vehicles, super yachts, highest tier of income earning and luxury goods & services.

Green Climate Fund
US $31 million
Grant funding for Urban Water Supply and Wastewater Management Project expected to benefit approximately 300,000 people in the most populous region in Fiji.

Global Environment Facility
US $9.3 million
Grant funding for various renewable energy, capacity building and ecosystem conservation initiatives.

Adaptation Fund
US $4.2 million
Grant funding for a 5-year project targeted towards increasing the disaster and climate resilience of informal urban settlements in Fiji. The project is being implemented by UN-Habitat.
Functioning Mechanisms of Fiji’s Green Bond

- Green Bond Steering Committee established
- Green Bond Framework developed
  - Sets out strategic focus areas for national green bond focus
- Green Bond prospectus developed
  - Three main caveats
    - See page 8 of Fiji Green Bond Impact Report for details:
  - Establish adequate coupon rates
  - Sets up financial modalities for handling GB investor money
    - Establish a ring fenced account with money already deposited – fungibility of money
  - Establish fiduciary obligations – audit and periodic reporting
Fiji Green Bond Timeline

2017

- Jul 2017: 2017-2018 Budget Announcement
- Jul 2017: GB Steering Committee Established
- Aug 2017: Fiji GB Framework Developed
- Aug 2017: 2017-2018 National Budget Mined
- Sep 2017: Fiji GB Prospectus Developed
- Nov 2017: 2nd Opinion Sought from Sustainalytics

2018

- Apr 2018: GB Listed on London Stock Exchange
- Jun 2018: GB Tranche 1 Issued (FJ $40 million)
- Jul 2018: GB Tranche 2 Issued (FJ $20 million)
- Jul 2018: GB Tranche 4 Issued (FJ $13.8 million)
- Oct 2018: GB Third Party Audit Conducted
- Nov 2018: First GB Impact Report Released

First GB Impact Report Released

2017-2018
## Fiji Green Bond
### Projects Financed

<table>
<thead>
<tr>
<th>ID</th>
<th>Project Name</th>
<th>Utilisation to Date</th>
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<tbody>
<tr>
<td></td>
<td>Fiji Water Authority of Fiji</td>
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<tr>
<td>P1</td>
<td>Rural Water Supply Programme</td>
<td>6,311,789</td>
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<td>P2</td>
<td>Rainwater Harvesting System</td>
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<td>Ministry of Economy</td>
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<td>Ongoing Rehabilitation and Construction of Schools Damaged by Cyclone Winston</td>
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<td>Fiji Roads Authority</td>
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<td>Emergency Works</td>
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<td>Department of Energy</td>
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<td>P5</td>
<td>SHS New Installations (Under Rural Electrification Programme)</td>
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<td>Ministry of Forestry</td>
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<td>Reducing Emissions from Deforestation and Forest Degradation (REDD plus)</td>
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<td>Ministry of Waterways and Environment</td>
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<td>P7</td>
<td>Construction of Naboro Landfill - Stage 2</td>
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<td>TOTAL</td>
<td>100,000,000</td>
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<td>Fiji Green Bond Issue No.</td>
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Key Success Points

- Strong political momentum
- Unprecedented investments in climate change and environmental conservation projects
- Clear message to the private sector and the world that Fiji is serious about going green
- Phased approach to Green Bond issuances
- Strong stakeholder engagement
- Excellent technical support from IFC
Key Success Points

Population Benefiting
129,300 Fijians

CO₂ Emissions Reduction
1,919 Tonnes per Annum

Enhanced Access To Treated Water
20,000 Litres/Day

School Buildings Rebuilt
1,283 Buildings

Annual Renewable Energy Generation
1.39 Million Kilowatts Hours

Trees Planted (Carbon Sinks Created)
2,001 Trees

Bridges Rehabilitated
176 Bridges

School Students Benefiting
33,209 Students
Main Challenges

**Creating a Business Case**
Investors compare coupon returns between normal bonds, term deposits and share investments. A green bond must offer competitive returns to generate market interest.

**Reducing Cost of Accessing Finance**
Being a SIDS, Fiji must be cognisant of how a bond, which is ultimately a debt instrument, will affect its national debt structure. While coupon rates must be competitive, it must not create unsustainable debt service costs.

**Overcoming market unfamiliarity**
Green bonds are unprecedented monetary mechanism which support unorthodox projects. This makes investors very risk averse and reluctant to invest in a market mechanisms that their investment mantra is not familiar to.

**Establishing Robust M&E Capability**
The Pacific, like many SIDS, are limited by M&E capabilities which hinder the quality of report back to investors. Green Bonds require high level of reporting on technical climate change indicators which are difficult to adhere to due to inherent institutional and technical capacity limitations.
Future Opportunities

- Confidence to enter into more innovative climate bond solutions
  - Blue Bonds
  - Catastrophe Bonds
  - Resilience Bonds

- Private bond issuances
  - State owned electricity provider going green: World Bank - Thailand example.
Concluding Points

1. Sufficient investment-grade green assets already in operation or planned with positive cash flows

2. Supply of willing issuers

3. Sufficient demand from large and diverse pool of investors (banks, insurance companies, institutional investors, pension funds, etc.)

4. Awareness of benefits and applicable guidelines and standards

5. Experienced pool of verifies and assurance providers

Source: ADB
Thank You