



**The Republic of Fiji represented by the Attorney-General and Minister for Economy,
Public Enterprises, Civil Service and Communications**

Green Bond Framework

OCTOBER 2017

This Green Bond Framework (Framework) has been created in the interest of transparency, disclosure, integrity and quality to demonstrate how the Republic of Fiji (Fiji) will issue Green Bonds. The Fiji Green Bond Framework is in alignment with the Green Bond Principles 2017 (GBP).¹

Introduction

Fiji sees the issuance of Green Bonds as an important tool to finance the transition to a low carbon and climate resilient economy and plans to issue Green Bonds to fund new financing or the re-financing of projects with economic, environmental and societal benefits, with a particular emphasis on the climate and natural environment.

Fiji has retained Sustainalytics to provide a Second Party Opinion to confirm the validity of the Framework. Sustainalytics² has reviewed Fiji's Green Bond Framework for its sustainable and green qualities as well as its alignment with the GBP. The objective of the Second Party Opinion is to provide investors with an independent assessment. The Second Party Opinion, as well as the Framework, will be published on the Reserve Bank of Fiji website.

Background

Climate change and climate-induced natural disaster risks constitute two of the greatest barriers to sustainable development as the impacts are widespread and cross-sectoral. Fiji is exposed to large natural risks, especially from floods and tropical cyclones. In the period between 1969 and 2016, the country experienced 63 tropical cyclones and 146 notable floods between 1969 and 2009. In February 2016, a category 5 tropical storm, the strongest ever in the Southern hemisphere, made landfall in Fiji. Approximately 540,400 people equivalent to 62% of the country's total population were affected and the country sustained damage amounting to almost a third of its Gross Domestic Product (GDP). Fiji is also at the forefront of large and uncertain long-term threats from climate change, especially from sea level rise and increased intensity of extreme weather events. For example, a coastal community – Vunidogoloa Village - in the Cakaudrove Province in Vanua Levu was relocated due to sea level rise. There are some 42

¹ *The Green Bond Principles 2017, Voluntary Process Guidelines for Issuing Green Bonds*. ICMA. 2 June 2017.

² www.sustainalytics.com

communities identified for relocation including a school. Rising sea levels coupled with warmer temperatures and stronger El Niño patterns increase Fiji’s susceptibility to deadly food- and water-borne diseases. Across Fiji’s two main islands, the number of cool nights has decreased and warmer days has increased since 1942. Tropical cyclones are predicted to decrease in frequency and increase in intensity. These changing weather patterns have worsened Fiji’s susceptibility to viral disease outbreaks. Fiji recorded a drought-induced outbreak of diarrheal disease in 2011, combatted a post-flood leptospirosis outbreak in 2012 and quelled a dengue outbreak in 2013.

Changing weather extremes threaten the livelihoods of the Fijian people—implicating Fiji’s ecosystems, on land and at sea. Saltwater intrusion from coastal flooding destroys farmland, disrupting the supply of staples in the Fijian economy and forcing communities to migrate to safer ground. The average asset losses due to tropical cyclones and floods are estimated at more than \$500 million per year, representing more than 5% of Fiji’s GDP. Ocean acidification—or carbon pollution that increases the ocean’s acidity—will continue in Fiji, impacting the health of Fiji’s coral reef systems.

Countering the crisis will require collective action from the Fijian Government, the nation’s private sector and the world’s industrialised nations. Fiji remains at the frontline in advocating international policies to counter climate change. But internally, the nation requires technical expertise, human resources and financial capacity to fully implement protective measures. The private sector, other governments and international financial institutions can play key roles in helping Fiji mobilise financing to implement integral climate adaptation measures, as the country relies heavily on its natural resources for economic development, with fisheries, forestry and agriculture its primary industries.

Domestic Policy Levers

In 2014, Fiji developed a Green Growth Framework³ as part of its efforts to accelerate integrated and inclusive sustainable development to inspire action at all levels, to strengthen environmental resilience, drive social improvement and reduce poverty, enhance economic growth, and build capacity to withstand and manage the anticipated adverse effects of climate change. The Green Growth Framework as well as Fiji’s 5-Year and 20-Year National Development Plan – Transforming Fiji (2017) build on Fiji’s National Climate Change Policy (2012), which describes its commitments under the United Nations Framework Convention on Climate Change (UNFCCC), which it ratified in 1993.

The significant challenges associated with climate change are highlighted in the Mauritius Strategy 2005-2015 and the Barbados Plan of Action 1994, which attempt to address the problems of Small Island Developing States (SIDS). Fiji will continue to contribute to the implementation of the Post 2015 SAMOA Pathway through the implementation of its guiding documents, the National Climate Change Policy and the Green Growth Framework.

³ *A Green Growth Framework for Fiji: Restoring the Balance in Development that is Sustainable for Our Future.* Ministry of Strategic Planning, National Development and Statistics. August 2014.

Policies have been developed in the areas of agriculture, land use, forestry, fisheries and water. These policies focus on the sustainable management of Fiji's natural resources and the establishment of appropriate institutional arrangements for effective implementation and monitoring. A major component is the incorporation of environmental management in order to address issues that emanate from natural hazards and unsustainable resource management and utilisation. These policies play an important role in supporting efforts to reduce adverse impacts of climate change on Fiji's economic and social development.⁴

Fiji's International Commitments

At the global level, Fiji has made commitments under the Paris Agreement (2016) to combat climate change. Fiji's target is for the renewable energy share in electricity generation to approach 100% by 2030 from around 60% in 2013. In addition, an indicative reduction of 10% carbon dioxide (CO₂) emissions for energy efficiency improvements economy wide will be sought. These measures will reduce CO₂ emissions in the energy sector by around 30% from BAU by 2030.⁵

Fiji is demonstrating its commitment by taking a global leadership role through its COP23 Presidency commencing in November 2017. Fiji intends to uphold and advance the Paris Agreement and preserve multilateral consensus for decisive action to address the underlying causes of climate change while respecting climate science. Fiji's focus will include building resilience for vulnerable nations to the impacts of climate change, and to enable greater access to climate adaptation finance.⁶

In line with global and national aspirations, Fiji's Green Bond Framework targets key areas including climate change mitigation and adaptation, sustainable land use and biodiversity protection. Aspects of the Sustainable Development Goals are incorporated into the Framework including: (i) clean water and sanitation; (ii) affordable and clean energy; (iii) industry, innovation and infrastructure; (iv) sustainable cities and communities; (v) responsible consumption and production; (vi) climate action; (vii) life below water; and, (viii) life on land.

The Fijian Government as an Issuer of Bonds

The Fijian Government intends to issue sovereign Green Bonds pursuant to this Framework. The following information provides background and context to Fiji as an issuer of bonds.

In 1970, Fiji was granted independence from the United Kingdom by the Fiji Independence Order of 1970 (the "1970 Constitution") and became a Republic in 1987, with the President as the Head of State. The country has a well-educated and mobile population of approximately

⁴ *Fiji's Intended Nationally Determined Contribution*, submitted 5 November 2015.

⁵ *Fiji's Intended Nationally Determined Contribution*, submitted 5 November 2015.

⁶ Source: <https://cop23.com.fj/fijis-vision-cop23/>, <http://www.fiji.gov.fj/Media-Center/Press-Releases/FIJIAN-ATTORNEY-GENERAL-CALLS-FOR-FOCUS-ON-CLIMATE.aspx>

870,000 people, strategically positioned as a key business and services hub for the broader Pacific economy, with that role supported by key shipping lanes and telecommunications cables passing via the country. Fiji's key economy driver continues to be tourism, agriculture, manufacturing, financial and insurance activities and fishery and mining.

The Fijian economy continues to have strong economic growth potential with growth being broad based for the last 5 years. In 2016, it is anticipated the economy will expand by 2.0% with 7 years of consecutive growth between 2010 and 2016. In 2017, the GDP growth rate is anticipated at 4.0%.

Fiji has a strong sovereign rating with a September 2017 upgrade by Moody's to Ba3 from B1 on Fiji's local and foreign currency issuer ratings, and a change in the outlook to stable from positive. In relative terms, Fiji's level of external debt is low in comparison to other countries. Approximately 70% of Government debt is denominated in Fijian Dollars, placed into local portfolios in tenors of up to 20 years, significantly limiting the country's balance sheet exposure to foreign currency volatility as well as aiding in the development of the domestic capital market.

Fiji has an unblemished record for debt repayment and the country has no history of default or restructure since its creation as an independent sovereign nation in 1970.

Application of Green Bond Principles

The Green Bond Principles 2017 (GBP), published by International Capital Markets Association (ICMA) are voluntary process guidelines for best practices when issuing Green Bonds. Fiji's Framework is aligned with the four core components of the GBP: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting.

1. Use of Proceeds

Fiji Green Bonds (Green Bonds) will raise funds for a pool of eligible green projects (Eligible Projects), including new and existing projects, which should have clear environmental benefits and promote the transition to low carbon and climate resilient growth.

Eligible Sectors provide a broad outline of categories of eligibility for Eligible Projects to address key areas of concern. The Green Bond Framework aims to promote environmentally sustainable actions now and in the future. Eligible Projects fall within the following Eligible Sectors:

- Renewable Energy and Energy Efficiency;
- Resilience to Climate Change for Highly Vulnerable Areas and Sectors;
- Clean and Resilient Transport;
- Reducing Pollution and Greenhouse Gas Emissions;
- Water Efficiency and Wastewater Management;
- Sustainable Management of Natural Resources; and
- Eco-efficiency.

Eligible Expenditures are expenditures on Eligible Projects from the proceeds of a Green Bond, including (but not limited to) investment expenditures, operational expenditures, tax exemptions and tax credits, guarantee schemes, and subsidies. Eligible Expenditures may finance or re-finance an Eligible Project; however, to avoid double counting, they may not finance any portion of a project that already has a dedicated revenue source funding the project. An Environment and Climate Adaptation Levy (ECAL) is set at 10% and is also be applicable to individual taxpayers earning \$270,000 and above or those that pay the Social Responsibility Tax. From 1 August 2017, the Fijian Government imposed a 10-cent levy on plastic bags at retail outlets that have point-of-sale registers. All the revenue collected from the ECAL is paid into a trust fund that is used specifically to: (i) promote conservation of the forests, flora, fauna, wildlife, ecosystems and biodiversity of Fiji; (ii) provide funding to assist programmes, projects and activities associated with climate change, including climate change mitigation and adaptation activities; and, (iii) engage in any environment or climate change related activity approved by the Minister responsible for finance. Those funds will be separately accounted for if they are co-funded by proceeds of the sovereign Green Bond. If all or a proportion of the proceeds are or may be used for re-financing, the issuer will provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which Eligible Projects may be re-financed, allowing for a look-back period of two years for re-financed Eligible Projects. Eligible Expenditures can: (i) finance all or part of an Eligible Project; (ii) be directed to Government departments, state agencies, local authorities, civil society organisations, businesses and households; and, (iii) relate to tangible assets such as land, power plants and other infrastructure, as well as supporting related expenditures such as research and innovation.

2. Process for Project Evaluation and Selection

Fiji has established a Green Bond Steering Committee, consisting of regulators and representation from the Ministry of Economy, the Office of the Attorney-General and includes environment experts, to oversee the Green Bond implementation and allocation process as per the adopted Framework.

The project identification process is managed by the Director of Climate Change, Ministry of Economy, who is responsible for coordinating with the Chief Accountant, Director, Debt Management Unit, Ministry of Economy and the Governor of the Reserve Bank of Fiji, and with all line ministries in identifying potential green expenditures. The Ministry of Economy has ultimate responsibility for determining the list of Eligible Projects, while line ministries must promptly respond to requests for any further information to verify eligibility.

The Director of Climate Change will assess and recommend to the Steering Committee potential Eligible Projects in line with:

- (a) The identified Eligible Sectors defined in this Framework and Fiji's climate change and environment policy;
- (b) The Fijian Government's budget commitments, ensuring they are not double counted;
- (c) The projected timeline of investment and its fit with the Green Bond time horizon; and

(d) Capacity to provide reporting in compliance with this Framework’s requirements.

Line ministries must promptly respond to requests for any further information to verify eligibility. While the Steering Committee will endorse potential Eligible Projects, the Ministry of Economy has ultimate responsibility for determining the list of Eligible Projects.

3. Management of Proceeds

The Ministry of Economy will open a designated ‘ring-fenced’ sub-account to receive proceeds from the Green Bond issuances and will be responsible for tracking Eligible Expenditures. The Green Bond may raise funds in multiple tranches to minimise the debt obligations and match Eligible Expenditure allocations. For any excess cash balances in the sub-account, Fiji may apply its usual liquidity management practices (such as investing in short-term money markets) for any unspent portions of proceeds.

Eligible Expenditures will be prioritised for the budget of the year in which the funds were raised. For example, if a tranche raises FJD 30 million in FY 2018, then those funds will be prioritised towards Eligible Expenditures in the FY 2018 Budget. If there are no remaining Eligible Expenditures in a particular year’s budget, then the funds may be used for future financial year Eligible Expenditures.

At the end of each financial year, the Ministry of Economy will communicate to investors, through its reporting (refer to Section 4), the extent of its expenditures, and the relevant financial year and sector they are related to.

Payments of coupons and the principal repayments to Green Bond investors will be made in accordance with usual government practices, namely out of the Consolidated Fund account. The principal and interest of the Green Bond will not be linked to the return on investment or financial performance of any specific Eligible Projects.

The following table provides guidance on the type of projects that would be considered eligible under the Green Bond Framework. Key sectors for eligible expenditures are highlighted below, and it is noted that projects could be included within more than one category.

Table 1. Examples of Eligible Projects in each Eligible Sector.

Eligible Sector	Eligible Projects
<i>Renewable Energy and Energy Efficiency</i>	To increase the share of energy from renewable resources through: <ul style="list-style-type: none"> • Increasing renewable and alternative energy generation (solar, wind, bioenergy, hydropower, etc.). • Improving energy efficiency in energy production and transmission (grid modernisation and smart grids etc.), and efficiency gains in new and refurbished buildings (such as through the LEED standards etc.). • Research and innovation (including preliminary assessments for renewable energy projects).

Eligible Sector	Eligible Projects
<i>Resilience to Climate Change for Highly Vulnerable Areas and Sectors</i>	<p>To build resilience to the impacts of climate change, for highly vulnerable areas (coastal and riverine) and sectors (agriculture, health and education infrastructure, rural housing and community driven development) through:</p> <ul style="list-style-type: none"> • Research and innovation and/or the acquisition of technologies and information systems to support adaptation and early warning systems (monitoring of climate and weather systems and hydrological systems, etc.). • Flood mitigation (drainage system upgrades, etc.). • Drought management. • Resilient reconstruction (incorporation of disaster risk reduction and resiliency building to enhance the ability of urban-infrastructure to withstand weather related events such as through ‘Build Back Better’ principles etc.), including actions outlined in the Post-Disaster Needs Assessment⁷.
<i>Clean and Resilient Transport</i>	<p>Investments into the transport sector that reduce greenhouse gas emissions:</p> <ul style="list-style-type: none"> • Clean transportation (electric and hybrid vehicles). <p>Investments into the transport sector that provide a network for mass transit:</p> <ul style="list-style-type: none"> • Energy efficient and low emission public transportation systems and technologies etc. <p>Investments into the transport sector that build resilience to climate change:</p> <ul style="list-style-type: none"> • Upgrading of the transportation network to higher climate resilient design standards.
<i>Reducing Pollution and Greenhouse Gas Emissions</i>	<p>The management of land pollution and waste:</p> <ul style="list-style-type: none"> • Waste treatment and decontamination. • Soil remediation. <p>The management of air pollution:</p> <ul style="list-style-type: none"> • The reduction of emissions (methane gas capture for energy generation, etc.).
<i>Water Efficiency and Wastewater Management</i>	<p>For the sustainable management of water systems:</p> <ul style="list-style-type: none"> • Water security management for clean drinking water, etc. • Upgrade of existing irrigation systems, optimisation of water systems, etc. • Watershed management.
<i>Sustainable Management of Natural Resources</i>	<p>The sustainable management of natural resources includes actions taken to reforest degraded areas, protect/conserves land, reduce habitat clearance, protect areas of ecological importance, including terrestrial, freshwater, marine ecosystems:</p> <ul style="list-style-type: none"> • Afforestation and sustainable forest management that substantially avoids or reduces carbon loss/increases carbon sequestration (planting of new forest areas and/or replanting of degraded areas, the use of drought/flood/temperature resistant species). • Habitat and biodiversity conservation (sustainable management of land use change, sustainable management of agriculture/fisheries/forestry, protection of coastal and marine environments, pest management).

⁷ Fiji Post-Disaster Needs Assessment, Tropical Cyclone Winston, February 20, 2016. Government of Fiji. May 2016.

Eligible Sector	Eligible Projects
<i>Eco-efficiency</i>	To promote a circular economy and efficiency through: <ul style="list-style-type: none"> • Resource-efficient packaging and distribution etc. • Heat recovery etc.

Environmental and Social Risks: it is expected that projects will have clear positive environmental and climate benefits; however, it is acknowledged that Green Bond proceeds may be allocated to projects that may also have associated negative environmental and/or social impacts. Such negative impacts may include the disruption of ecosystems due to land use change or development (such as bird strikes from wind turbines or marine dredging), air pollution, and water pollution. However, for each project the positive environmental and climate benefits should outweigh the negative impacts. For example, it is expected that projects would not mainly increase fossil fuel usage and the production of harmful emissions. Investors will be provided with information on the environmental and social risks associated with the project as part of the issuer’s reporting obligations, and in the case where there are negative impacts associated with a project, information on processes to mitigate these risks. To help in assessing impacts, tools such as Environmental and Social Impact Assessments (IA) may be utilised. To avoid adverse effects on the environment and people, all projects should be in full compliance with the laws and regulations of Fiji including, but not limited to, the *Environment Management Act 2005* and regulations made under that Act, administered by the Department of Environment within the Ministry of Environment, the Fiji Code of Environmental Practice (COEP) and the Town Planning Act 1946.

Full and partial eligibility policy: distinguish between the total amount required to finance a project versus that component eligible for green financing (the “signed amount”). Only the portion of the overall financing that is eligible under the Green Bond Program should be reported as eligible⁸.

Allocated amount: this refers to the amount of Green Bond proceeds allocated to eligible disbursements. For a project that is partly eligible, the issuer shall disclose the procedure for attributing the disbursement to the eligible component e.g., green eligible funds are attributed first or pro rata.

4. Reporting

Transparency is particularly important during the reporting process. A formal internal process to monitor the allocation of proceeds linked to lending and investments will be carried out including:

- 1) A list of the projects to which Green Bond proceeds have been allocated;
- 2) The total signed amount; and

⁸ *Green Bonds Working Towards a Harmonized Framework for Impact Reporting*. November 2015.

- 3) The amount of Green Bond proceeds allocated (allocated amount) to such projects.

To enable investors to follow the implementation of the Fiji Green Bond Program, the Reserve Bank of Fiji will establish a page on their website, which will include, among other things:

- 1) Key information about Fiji’s Green Bond Program and Framework, including project selection criteria;
- 2) Progress status reports on the selection and implementation of the projects that are part of the Green Bond portfolio (e.g. information on allocations of funds, including a list of the projects to which Green Bond proceeds have been allocated; remaining balance of unallocated Green Bond proceeds at the reporting period end; brief description of the projects; amounts allocated per project; activities, and impact); and
- 3) Monitoring of compliance with governance, environmental and social aspects as well as any safeguard and risk assessment documentation.

In addition, the Fijian Government in coordination with the Reserve Bank of Fiji will produce an annual online newsletter for investors, which will include a summary of the information under point 2) above as well as the environmental impacts of the projects delivered.

Ensuring Compliance

Monitoring of projects will be ongoing during project preparation and implementation to ensure there is compliance with the Green Bond Framework and any environmental and social risk assessments. In addition, the Green Bond issuances of Fiji will be supported by independent external reviews:

- **Verification** by a third party auditor appointed to provide an annual assurance report, until all the proceeds of the Green Bonds have been allocated, confirming that an amount equal to the net proceeds of the Green Bonds has been allocated in compliance with all material respects of the Eligible Projects criteria and “Use of Proceeds” section set forth in the Framework. The results of which will be included within the annual newsletter.
- **Oversight** of the Green Bond Steering Committee to ensure quality control in documentation provided such as for evaluation reports of implementation status and monitoring results.

Impact Reporting⁹

Green bond issuers are encouraged to report on both the use of green bond proceeds and expected climate and/or environmental impacts of eligible projects at least on an annual basis. The Fijian Government will do so on an annual basis for its sovereign Green Bond.

⁹ *Green Bonds Working Towards a Harmonized Framework for Impact Reporting*. November 2015.

Use of proceeds reporting should provide a list of the projects to which the Green Bond proceeds have been allocated, indicating the total amount signed and the amount of Green Bond proceeds allocated. The Fijian Government will provide such a list for its sovereign Green Bond, but confidentiality considerations may restrict the detail that can be disclosed and the Fijian Government may choose to report on a portfolio level where such considerations apply.

Impact reporting should be based on ex ante estimates of expected annual results for a representative year once a project is completed and operating at normal capacity. The impact report would illustrate the expected climate results that would be made possible as a result of projects to which Green Bond proceeds have been allocated. Furthermore, as the report would include the estimated results of projects that are still in the construction or implementation phase, it is not intended to provide actual results achieved in a specific year or reporting period. The Fijian Government will provide impact reporting on this basis for its sovereign Green Bond.

Issuers should define the period for including projects in an impact report: there are several options for choosing when to add and remove projects from the report. Some of these options are described below. Issuers are encouraged to explain the approach they select for their impact report.

- Projects can be added to the report once the issuer has approved and determined a project as being eligible, or once Green Bond proceeds have been allocated to eligible disbursements.
- Projects can be removed from a report when no allocations are eligible.

The Fijian Government will add projects to their report once a project has been approved and determined as an Eligible Project, or once Green Bond proceeds have been allocated to eligible disbursements.

To assist in the reporting process, indicative outcome and impact metrics have been outlined as a guide; however, these should not be seen as mandatory reporting metrics. The Green Bond Steering Committee will determine the guidelines for impact reporting and assess the quality of the reports.

Table 2. Outline of the reporting process and examples of potential output and impact indicators.

	Proceeds	Output	Impacts
Frequency	Annual – until all bond proceeds have been allocated.	Annual – until all bond proceeds have been allocated.	Frequency to be determined depending on the sector – until the maturity of the bond.
Content	Use of the bond proceeds.	Output reporting based on most up to date performance assessment.	Ex-post impact reporting.

	Proceeds	Output	Impacts
Examples	Allocation of the proceeds including the types of expenditures, assets, sector, etc.	Monitoring of air quality indices, status of waterway network, performance of weather models, etc.	Avoided greenhouse gas emissions, improvements in air quality, recycling efficiency, etc.
Review	Verification by a third party auditor.	Provided in public documentation.	Oversight of the Green Bond Steering Committee.
