



BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office

Quarterly Debt Report

2nd quarter of 2023

Development of the Central Government Debt

August 29, 2023

Introduction

In 2023, Suriname Debt Management Office (SDMO) started publishing the quarterly report on the development of the national debt. Starting from 2022, this report is enhanced by representing more relevant analysis, tables, charts of debt, and other economic indicators. Efforts are made to place this report on the SDMO its website within 4 weeks, after the publication of the quarterly statistics.

If you have any questions after reading the report, please contact the Middle Office Manager Ms. Sarajane Omouth BSc. at the email address; somouth@sdmo.org or telephone at +597 552644 or 552645.

Summary

- The total debt amounted to USD 3.2 billion at the end of June 2023, which is SRD 119.4 billion. This is an increase of approximately 5 percent compared to the debt at the end of March 2023. Several factors contribute to this increase like the depreciation of the exchange rate SRD/USD, the growth of arrears, as well as disbursements such as the tranche from the IMF.
- The price of the Eurobond is on the rise since May 2023 reaching approximately 64 cents on the dollar by the end of June 2023. This positive development is a result of the in-principle agreement reached between Suriname and the Eurobond creditor committee.
- In this quarter debt service payments have been made on external debt, specifically to multilateral creditors and on the domestic debt namely to the private sector for infrastructure projects.
- Some arrears payments have been settled through interest payments made on domestic debt to the Central Bank of Suriname (CBvS) of approximately SRD 259 million.
- In June 2023, the IMF board approved the continuation of the Extended Fund Facility program for 36 months. As a result, the second tranche of SDR 25.6 million was received.
- Regarding the restructuring process, in May an in-principle agreement with the Euro bondholders was reached, while in June, the debt to India and Italy were fully restructured.
- The current and future debt burden continues to exert significant pressure on the financial resources of the government, due to the high proportion of foreign currency debt (90 percent) in the total debt portfolio.

Debt definitions and debt statistics coverage

The government debt that is managed by the Suriname Debt Management Office relates to the Central Government debt, including government guarantees given on third-party debt. Currently, the statistics are presented on a cash basis. Outstanding payments to suppliers of goods and services provided to the government, also known as “suppliers arrears”, have not yet been included in the statistics.

The definition of gross government debt is formulated as follows in the National Debt Act: “ the total of legally established debt obligations outstanding against the State, including outstanding current debt, as well as arrears on interest and costs, both those that impose a repayment obligation on the State and those that constitute a called guarantee obligation of the State (article 1 paragraph i) ”.

In the past, the amount of debt expressed in SRD differed from the international standard definition (effective debt). This was due to article 3, paragraph 3, which stated: “ the equivalent value in Surinamese currency of amounts expressed in foreign currency shall be calculated at the exchange rates according to the quotation of the Central Bank of Suriname on the last banking day of the calendar year to which the nominal Gross Domestic Products (GDP) refers.”

The GDP figure from the ABS (General Bureau of Statistics) for the previous year is typically available in the third quarter of the current year. Consequently, the exchange rates used for converting foreign currency debt may vary significantly from those related to the debt in the current year.

By amending Article 3, paragraph 3, it is determined that the exchange rate to be used when calculating foreign debts denominated in Surinamese currency should be *the exchange rate on the reporting date of the debt*, rather than the year-end exchange rate to which the most recent GDP figure from ABS refers. As a result, the amount has been aligned with international standards and the debt figures according to the National Debt Act now match the effective debt figure.

The statistics are compiled using information received from various sources for example the Central Bank of Suriname, the Ministry of Finance & Planning, and GDP figures from General Bureau of Statistics and International Monetary Fund are used to determine deviations from the debt ceiling and to assess the pressure of the current debt on the economy.

In Article 3, the debt ceiling is based on the debt-to-GDP ratio, with the ceiling for the total debt is set at 60 percent. This ratio must be calculated based on the most recent GDP figure published by the General Bureau of Statistics.

In Article 28, paragraph 2 of the amended National Debt Act of March 16, 2023, it is indicated that the government has 13 years to bring back the ratio to 60 percent. To assess the pressure of the current debt on the overall economy, the effective debt to GDP ratio is calculated with the estimated GDP figures of the year to which the debt relates to.

Debt position and Debt to GDP ratios at the end of June 2023

At the end of June 2023, both the total debt calculated according to the definition of the National Debt Act and the total effective debt amounted to USD 3.2 billion. This was the result of the amendment to the National Debt Act (S.B. 2023 No. 51) on March 16, 2023. The value expressed in the domestic currency was SRD 119.4 billion.

Table 1 reveals that the total debt expressed in SRD at the end of June 2023 had increased by 5 percent (SRD 5.9 billion) compared to March 2023.

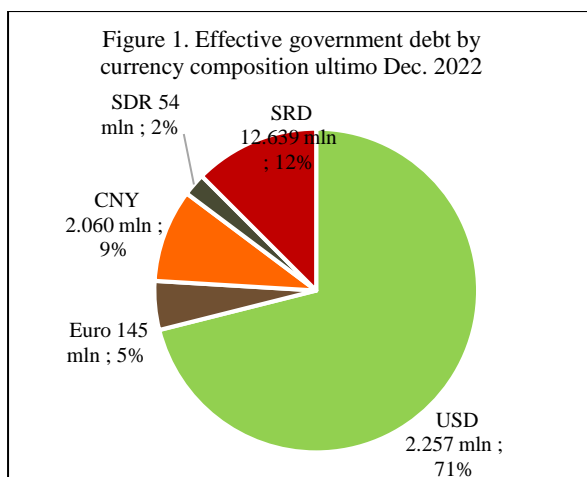
Table 1. Government Debt on cash base and Debt to GDP ratio's					
Debt according to the law	2022-II	2022-III	2022-IV	2023-I	2023-II
External debt (billion SRD)	48,8	48,5	52,0	88,5	94,5
Domestic debt (billion SRD)	20,0	19,9	19,9	25,0	24,9
Total debt	68,8	68,5	72,0	113,5	119,4
External Debt to GDP ratio	83,0	82,5	88,5	150,5	160,7
Domestic Debt to GDP ratio	34,0	33,9	33,9	42,6	42,3
Total Debt to GDP ratio	116,9	116,4	122,4	193,1	203,0
Effective debt (billion USD)	3,2	3,1	3,2	3,1	3,2
Effective debt (billion SRD)	73,0	82,6	101,2	113,5	119,4
Total effective debt-to-GDP ratio	84,4	95,5	117,0	94,7	99,5
Memorandum items					
Exchange rate SRD/USD end 2021	21,3	21,3	21,3	36,1	37,6
Exchange rate SRD/USD (e.o.p)	22,9	26,7	31,9	36,1	37,6
GDP 2021 current prices (billion SRD)	58,8	58,8	58,8	58,8	58,8
GDP 2023 (IMF estimates) (billion SRD)	86,5	86,5	86,5	119,9	119,9

Sources: SDMO, CBvS, ABS, IMF e.o.p.= end of period

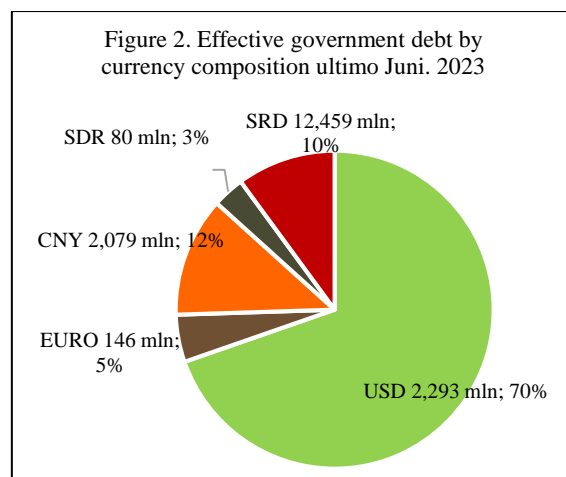
The increase in the outstanding debt as of ultimo June 2023 is a result of:

- The depreciation of the SRD against the USD during this quarter amounted to 4 percent. The total debt primarily comprises foreign currency debt, accounting for about 90 percent. As a result, the outstanding debt, when converted into SRD, shows a significant increase.
- The increase in arrears, primarily on the external debt. The arrears on the total debt have risen by 8 percent during this quarter and amounted to USD 599.7 million.

Figures 1 and 2 show that the majority of the total debt at both the end of December 2022 and the end of June 2023 consists of foreign currency debts, mainly USD. The total outstanding debt increased by approximately 7 percent in 2022 and increased by more than 9 percent at the end of June 2023 compared to December 2022.



Source: SDMO

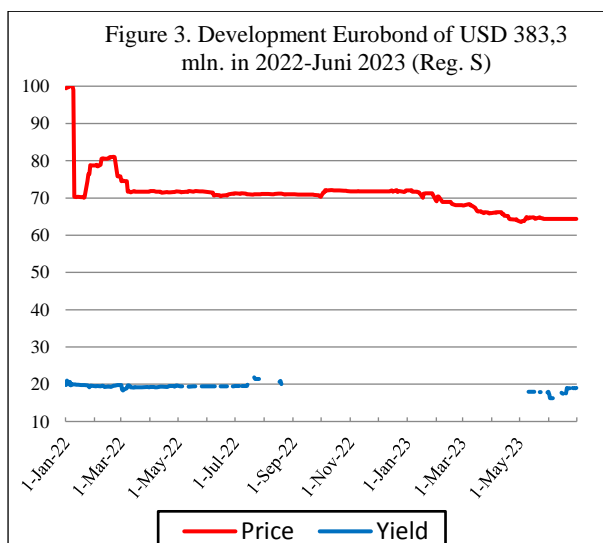


Source: SDMO

Of the total outstanding debt at the end of 2022 and June 2023, respectively 33 percent and 34 percent were contracted at variable interest rates. Variable interest rates are primarily on external debt, as the domestic debt is entirely attracted with fixed interest rates. As of June, the composition of the various variable interest rates on the external debt portfolio is as follow: USD Libor (70 percent), SOFR (14 percent), and Euribor (16 percent).

Development of the Euro bond in 2023

The two bonds that Suriname currently has on the international capital market, with values of USD 550 million and USD 125 million, were issued base on two separate arrangements¹.



Source: Luxembourg stock exchange, with some editing by SDMO

Figure 3 presents the development of a portion of the US \$ 550 million bond from 2022 through the end of June 2023. The trend closely mirrors that of the total debt on the international capital market.

Starting from May 2023, it is evident that the price of the bond has been on the rise, reaching approximately 64 cents on the dollar by the end of June. The in-principle agreement reached with these creditors in May of 2023, has contributed to the positive development of the bond price in recent months.

¹Both bonds were issued partially under two regulations, Rule 144A and Regulation S. The bond loan of USD 550 million is divided as follows: USD 383.3 million under Reg S and USD 166.7 million under Rule 144A, while the USD 125 million Notes are divided into USD 24.5 million under Reg S and USD 100.5 million under Rule 144A. Rule 144A refers to legal provisions related to changes in restrictions on the buying and selling of privately placed securities among qualified institutions without the involvement of the Securities and Exchange Commission. Under Regulation S, there are legal provisions that allow U.S. and non-U.S. companies to raise capital in a secondary manner both within and outside the United States of America.

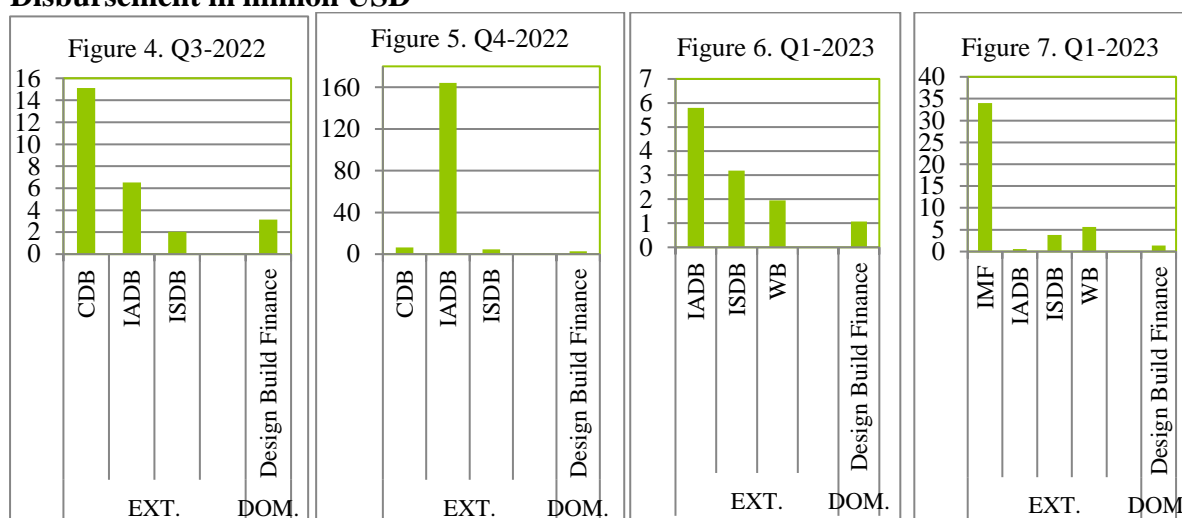
Debt-to-GDP ratio and Debt Ceiling

At the end of the first half of 2023, the debt-to-GDP ratio based on the National Debt Act was 203 percent. As of June 2023, the pressure that the total government debt exerts on total production (income) of the economy in 2023, is estimated to be around 100 percent.

Disbursement and debt service payment

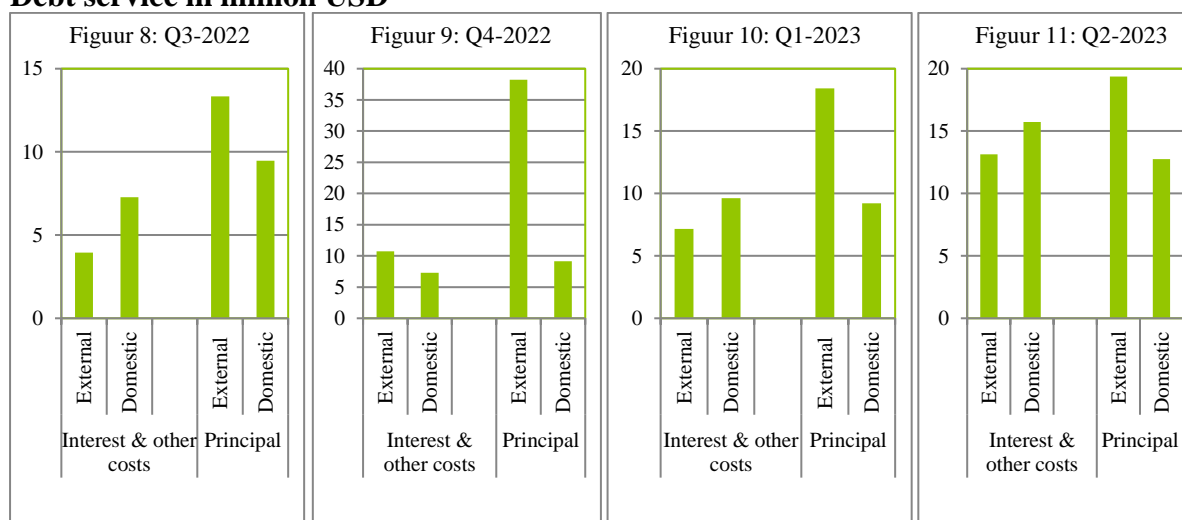
The total disbursements in the second quarter of 2023 amounted to USD 51.1 million. Of which, 89 percent was on external multilateral loans, notably from the IMF, which provided USD 34 million. Domestic disbursements of about USD 1.4 million. are exclusively on loans/debt for infrastructure projects:-

Disbursement in million USD



Source: SDMO EXT = External debt DOM= Domestic debt

Debt service in million USD

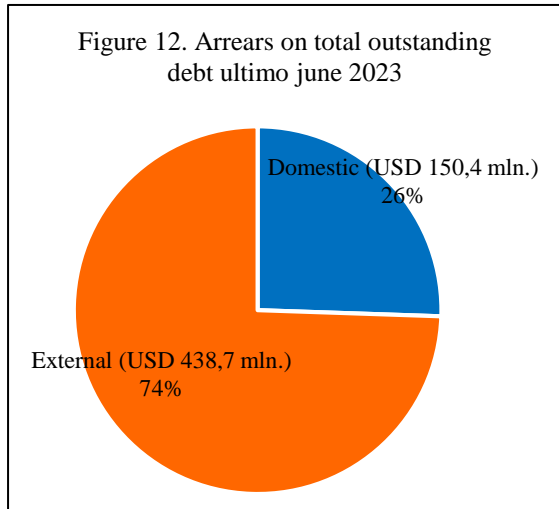


Source: SDMO

In the second quarter of 2023, the total debt service amounted to approximately USD 61 million, with 53 percent on external debt and 47 percent on domestic debt. The external debt payments often relate to multilateral creditors, in particular IaDB, and with regards to the domestic debt to the private sector for infrastructure works.

In May, SRD 259.4 million arrear interest payments on the consolidated debt with the CBvS were paid off. The total repayments in this quarter amounted to USD 32.0 million and USD 28.7 million was paid for interest and other costs.

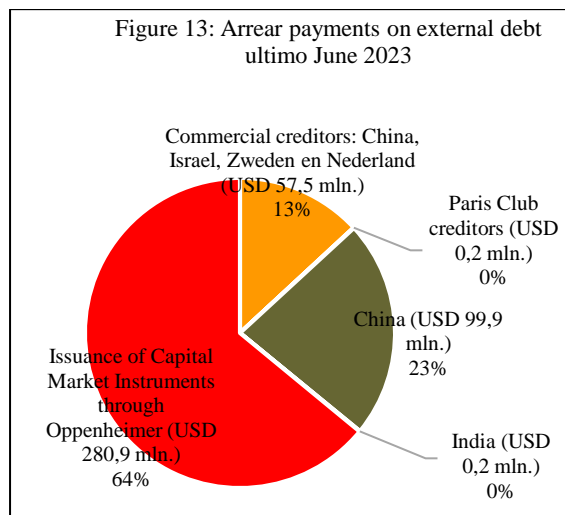
Arrear payments



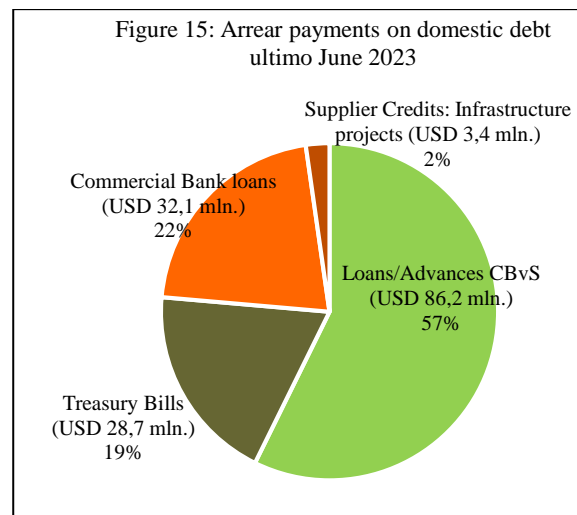
In the second quarter of 2023, total arrears amounted to USD 589.1 million (figure 12). Of this total, 74 percent was attributed to external debt, while 26 percent was domestic debt.

Source: SDMO

The largest arrears on external debt are on the Euro bonds, amounting to USD 280.9 million (64 percent), and on debt to China, totaling USD 99.9 million (23 percent). Negotiations for debt restructuring with China are ongoing, while an in-principle agreement has been reached with bondholders, which is yet to be finalized.



Source: SDMO



Source: SDMO

With regard to domestic debt, 79 percent of the arrears are with the banks. With the CBvS; 57 percent equivalent to SRD 3.2 billion and with the Commercial banks (excluding treasury bills) 22 percent for SRD 1.2 billion. The arrears on treasury bills issued to both commercial banks and the private sector amounts to a total of SRD 1.1 billion, equal to 19 percent of the total domestic arrears.

Restructuring process

In the second quarter of 2023, no new financing agreements were signed; however, ongoing discussions took place with various creditors regarding the debt restructuring.

Status of restructuring process as of August 2023.

- Debt restructuring with Eurobond holders

With the committee of Eurobond creditors, an agreement in-principle was reached on May 3rd, 2023, regarding the restructuring of the international bond issued by Oppenheimer. The cut-off date was May 15th, 2023 at which point the debt had accumulated to USD 880 million. There is a 25 percent haircut on the debt, including penalty interest of a total amount of USD 230 million. Creditors will be compensated through a Value Recovery Instrument (VRI) from future oil royalties from Block 58. The restructured bond of USD 650 million with an interest rate of 7.95 percent and a repayment period of ten years along with the VRI are further prepared for a new issuance and finalization of this restructuring process. In the years 2024 and 2025, a 4.95 percent interest will be paid, with the difference in interest rate for these years being added to the principal amount.
- Debt restructuring with India

On June 2nd, a restructuring agreement was signed with India for the last two loans (buyer's credit) from the Exim Bank of India. The total restructured value of this debt is USD 24.7 million, including arrears. Moreover, 60 percent of the arrears must be paid in 2023, while the remaining 40 percent will be settled in 2024. A semi-annual interest rate of 0.95 percent is paid on the principal until 2024, and then it increases to 1.20 percent. The final payment on this debt will take place in 2036.
- Debt restructuring with Italy

On June 22nd, the government signed a restructuring agreement with the Italian government. This agreement is related to EUR 10.8 million outstanding debt and EUR 6.7 million arrears. The terms of this agreement are as follows:

 - Payment of 60 percent of the arrears calculated at the end December 31, 2021, was done on November 30, 2022, and 40 percent will be done on November 30, 2024.
 - Arrears accrued from January 1, 2022 - December 31, 2024 will be paid in 2030 to 2036, each time on November 30. The interest rate is 1.95 percent.
 - The debt accrued from October 10, 2023 - December 31, 2024 will be repaid annually from 2030 to 2036, each time on November 30 at a maximum interest rate of 3.041 percent.
- Debt restructuring with the Central Bank of Suriname

On July 14, 2023, a restructuring agreement was signed with the Central Bank of Suriname regarding the consolidated debt, and an agreement for the settlement of the advances including interest arrears of a total amount of SRD 1.9 billion. The principal amount of the consolidated debt was set at SRD 8.4 billion with a 30-year term. The interest rate is 9 percent per year and is paid annually until April 28, 2025; all outstanding interest payments must be fully paid by December 2024. Interest for the years 2023 through April 2025 will be paid on a quarterly basis. From May 28,

2025, to April 28, 2050, the debt will be settled monthly (including both interest and principal repayment).

New Debt in the second quarter of 2023

From May 7 to 16, the IMF conducted a mission with the Surinamese authorities to evaluate the policy measures to be taken. An agreement was reached at staff level on May 17, while the IMF board approved the continuation of the program for 36 months on June 14. This was the second evaluation of the program. With this approval, the government once again received SDR 39.4 million (USD 53 million) from the program on June 16, of which SDR 25.6 million is available for budget support.

Creditor	Date of Agreement	Amount	Purpose	Interest	Term
IMF – Promissory note	06/21/23	SDR 25.6 million	Stimulating the economy- budget support	SDR interest + marge	10 years

Source: SDMO

From August 7 to 14, an IMF mission visited Suriname again for the third evaluation of the program. Approval of this evaluation at staff level has yet to be given.

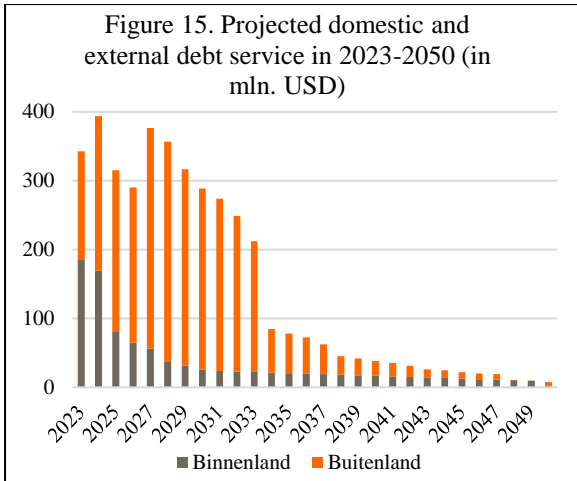
Debt and debt service projections 2023-2050

The figures below show the projections for debt payments and outstanding debt for the period 2023-2050.

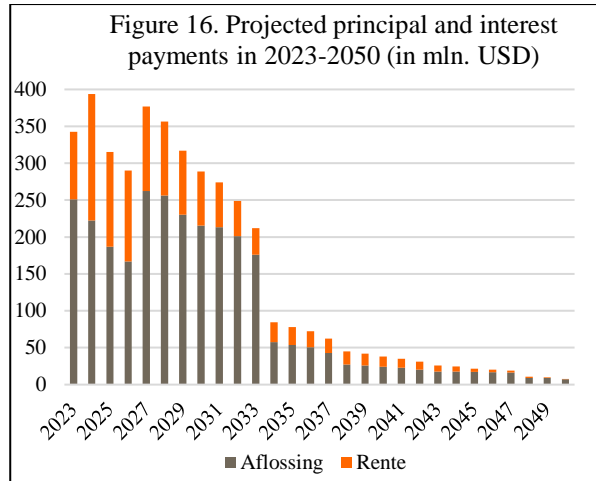
These projections include the debt restructuring of the Paris Club creditors, India, the in-principle agreement with the euro bondholders and the debts to the CBvS.

The arrears as of December 2022, which have not yet been settled, and disbursements on existing debts are not included in these projections.

Due to the restructuring of the bonds, the pressure on the debt service has been enormously reduced. The projected debt service is still high in the period 2023-2033, due to the fact that the bond will be repaid in that period. As a result, the debt service will decrease significantly by 60 percent by 2034 (figure 15 & 16).

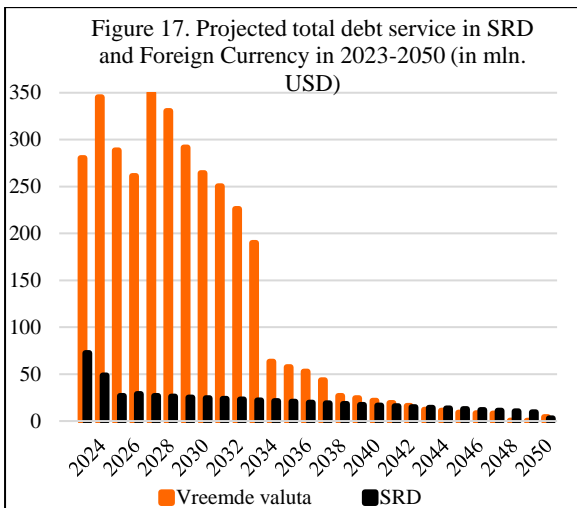


Source: SDMO

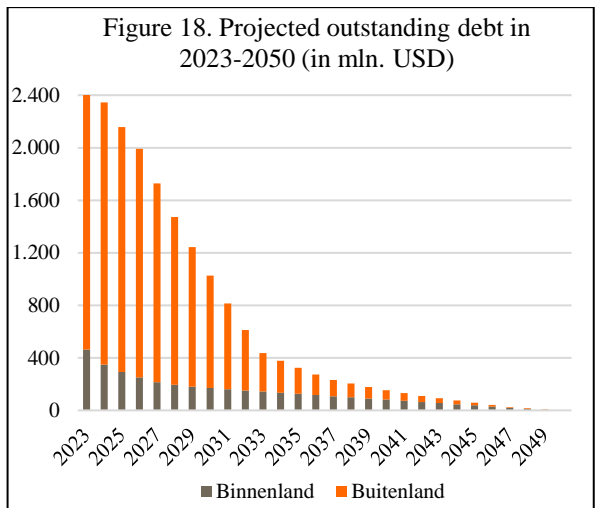


Source: SDMO

Due to the high share of foreign currency debt (90 percent at the end of June 2023) in the total debt, the debt service in foreign currency is high over the entire projection period, especially in the first 10 years (figure 17). The outstanding debt is relatively high, mainly up to and including 2026 (figure 18). Assuming these projections, no new disbursements and loans, the total debt-GDP ratio at the end of 2027 will be below the national debt level according to the law. At the end of that year, the total debt-GDP ratio will be 54 percent.



Source: SDMO



Source: SDMO

APPENDIX: DEBT INDICATORS AND STATISTICS

Table 1. Structure of the Central Government Debt

In percent	2022-2	2022-3	2022-4	2023-1	2023-2
External debt	72	74	77	78	79
Domestic debt	28	26	23	22	21
Short term	19	19	19	19	19
Long term	81	81	81	81	81
Fixed interest rate	71	70	67	66	66
Variable interest rate	29	30	33	34	34
Local currency	17	15	12	11	10
Foreign currency	83	85	88	89	90
External loan	45	47	51	52	52
External Credit Lines	1	1	1	0	0
External capital markets instruments	25	26	26	26	27
Domestic advances CBvS	2	2	1	1	1
Domestic long-term debt CBvS	13	11	9	8	8
Domestic long-term debt Commercial Banks	4	3	3	3	3
Domestic treasury bills	5	5	4	4	3
Domestic supplier credits	4	4	4	4	4
Domestic long-term debt private sector	1	1	1	2	2
Multilateral external creditors	24	24	29	29	30
Bilateral external creditors	18	18	18	18	17
Commercial external creditors	30	31	31	31	32
CBvS	15	14	11	10	9
Commercial domestic creditors: Commercial Banks	6	6	5	5	5
Commercial domestic creditors: Non-banking private sector	7	7	6	7	7

Source: SDMO

This concerns the effective debt based on the international definition of debt

Table 2. Debt/GDP ratios of selected countries in the Caribbean

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022-schat.</u>	<u>2023-proj.</u>
Bahama's	59,7	75,0	103,3	89,4	83,9
Barbados	123,0	139,8	135,4	120,8	113,5
Guyana	43,6	51,1	43,2	27,8	29,8
Jamaica	94,3	109,7	94,2	84,1	77,9
Suriname	70,9	120,9	114,4	122,1	112,2
Trinidad & Tobago	45,3	60,0	59,9	53,8	53,9

Source: IMF World Economic Outlook, Database April 2023 & SDMO data for Suriname

Table 3. Effective debt by currency in million units				
2022			June 2023	
	Domestic debt	External debt	Domestic debt	External debt
USD	303,1	1.953,9	299,9	1.993,8
Euro	29,7	116,0	27,5	118,1
CNY	0,0	2.059,7	0,0	2.079,0
SDR	0,0	53,9	0,0	79,5
SRD	12.593,0	0,0	12.459,3	0,0

Source: SDMO

This concerns the effective debt based on the international definition of debt

Table 4. Total outstanding external debt including arrears by creditor on a cash base in million USD								
Creditor	2022-III		2022-IV		2023-I		2023-II	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Multilateral Creditors	767,6	0,0	919,0	0,6	922,5	0,0	947,9	1,4
EIB	0,9	0,0	0,9	0,0	0,9	0,0	0,9	0,2
IADB	542,4	0,0	691,3	0,0	692,6	0,0	677,2	0,0
ISDB	26,5	0,0	26,8	0,6	27,3	0,0	31,2	1,2
CDB	93,6	0,0	92,4	0,0	90,6	0,0	88,5	0,0
OPEC	29,6	0,0	30,2	0,0	31,0	0,0	31,2	0,0
World Bank	5,7	0,0	5,7	0,0	7,6	0,0	13,2	0,0
IMF	69,0	0,0	71,7	0,0	72,5	0,0	105,7	0,0
Bilateral Creditors:	610,9	124,7	614,8	119,4	615,6	127,9	601,5	127,6
France	32,1	10,9	30,4	0,0	31,2	0,0	31,0	0,0
China	540,1	102,7	545,5	106,8	549,9	125,7	535,7	127,4
India	38,6	11,1	38,9	12,6	34,5	2,2	34,8	0,2
Commercial Creditors:	900,7	244,5	909,9	264,9	912,9	267,8	964,8	310,9
Capital market instrument issued through Oppenheimer	809,8	204,3	818,0	230,4	818,0	230,4	868,5	280,9
ING Bank N.V.	12,0	6,2	10,8	0,0	11,1	0,0	11,1	0,0
Israel Discount Bank	16,9	5,8	18,3	6,4	19,4	7,3	19,4	7,5
Banca Monte dei Paschi di Siena	32,1	8,7	31,0	7,4	31,8	7,6	32,6	0,0
ABN-AMRO Bank N.V.	18,4	18,4	20,1	20,1	20,6	20,6	20,6	20,6
Credit Suisse	11,3	1,1	11,7	0,6	12,0	1,9	12,1	1,9
KBC bank							0,5	0,0
Total outstanding debt	2.279,2	369,2	2.443,7	384,9	2.451,0	395,7	2.514,2	439,9

Source: SDMO

Table 5. Total outstanding domestic debt inclusive arrears by debt instrument on cash base in million SRD

Debt instrument	2022-III		2022-IV		2023-I		2023-II	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Treasury bills	1.086,9	1.023,6	1.197,1	1.019,7	1.393,2	1.035,7	839,4	481,5
Treasury notes	2.678,9	689,1	2.885,9	532,3	2.885,3	424,8	3.272,0	598,4
CBvS Advances & short-term debts	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2
Loans:								
CBvS Consolidated debt	9.525,6	1.417,6	9.561,6	1.527,1	9.520,5	1.559,5	9.439,6	1.552,1
Long-term loans of commercial banks	2.831,0	1.157,2	2.240,9	509,5	2.497,5	618,7	2.429,7	622,3
Short-term loans of commercial banks			1.012,9	0,0	1.159,8	298,6	1.183,1	585,4
Supplier credit for infrastructural public works	2.992,1	85,2	3.609,9	62,9	4.120,7	129,8	4.180,5	128,0
Long-term loans of Private sector	888,1	0,0	1.059,2	0,0	1.772,7	0,0	1.824,9	0,0
Called guarantee	0,4	0,4	0,0	0,0	0,0	0,0	0,0	0,0
Total outstanding debt	21.691,2	6.061,3	23.255,7	5.339,7	25.037,9	5.755,3	24.857,4	5.655,9

Source: SDMO

Table 6. Total external and domestic debt by economic sector in million USD

Sector	External	Domestic	Total Debt
Agriculture, forestry & fishing	53,0	0,0	53,0
Budget Support	1.223,4	479,0	1.702,4
<i>o.w. CBvS</i>	0,0	296,1	296,1
<i>o.q. Treasury bills</i>	0,0	106,6	106,6
Construction	113,1	0,0	113,1
Defense	5,2	0,0	5,2
Education & Training	72,5	0,0	72,5
Energy (electricity) & Gas	202,3	33,2	235,5
Financial & Insurance activities	56,0	25,1	81,1
Health & Social work	52,1	2,7	54,8
Information & Communication	90,1	0,0	90,1
Other	20,8	0,0	20,8
Public Administration	108,1	0,0	108,1
Roads & bridges	507,2	111,2	618,4
Water Supply	10,4	0,0	10,4
Real estate, renting & business	0,0	10,1	10,1
Total	2.514,2	661,3	3.175,5

Source: SDMO