



BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office

Quarterly debt report

3th quarter of 2022

Development of the Central government Debt

December 7, 2022

Introduction

In 2013, the Suriname Debt Management Office (SDMO) started publishing the quarterly report on the development of the central government debt. Starting from 2022, this report will be enhanced by presenting more relevant analyses, tables and charts of debt and other economic indicators.

Efforts are made to place this report on the SDMO's website within 3 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: +597 552644 or 552645.

Summary

- The effective government debt at the end of September 2022 compared to the end of December 2021 has decreased in USD terms by USD 94 million, 3.2 percent to USD 3.1 billion, while the debt in SRD terms has increased by 23.3 percent to SRD 82.5 billion. This is due to the international and national exchange rate depreciation of the Euro, CNY, SDR and SRD against the USD.
- The Ministry of Finance & Planning and the Suriname Debt Management Office have set out policy to address treasury bill arrears in the last quarter of 2022. The policy entails that approximately 14 percent of arrears on this instrument will be settled, while the remaining 86 percent will be rolled-over.
- Restructuring of the debt to the CBvS with arrears of SRD 3.1 billion has already been worked out at a technical level and must be further finalized. In 2023 and 2024 USD 130 million and USD 42 million have been reserved in the IMF EFF program for repayments on CBvS debt.
- Good progress of the IMF program is very important for the continuation and completion of the restructuring process. Paris Club is looking forward to a good progress made in and with the IMF-EFF program. The Bondholders had asked for an IMF program as a condition for restructuring. China and India are also looking at how the program is progressing and the recovery of the Surinamese economy.

Debt position and Debt to GDP ratios at the end of September 2022

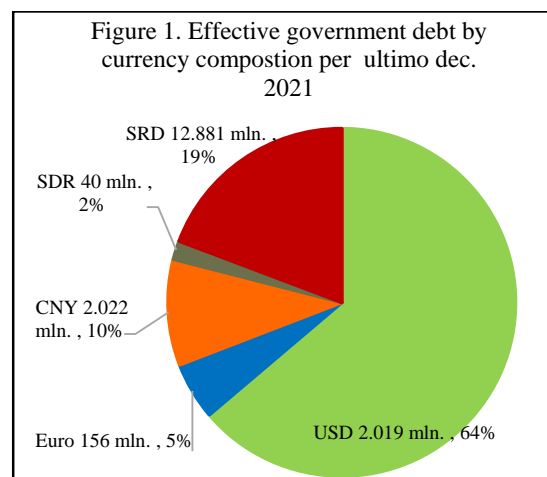
The total effective government debt at the end of September 2022 was USD 3.1 billion. In local currency, the debt was SRD 82.5 billion. According to the national definition the debt-to-GDP ratio was 116 percent at the end of the third quarter.

Table 1 shows that the total government debt expressed in USD at the end of September 2022 compared to the end of 2021 has decreased by 3.2 percent, while the debt expressed in SRD has increased by 23.3 percent.

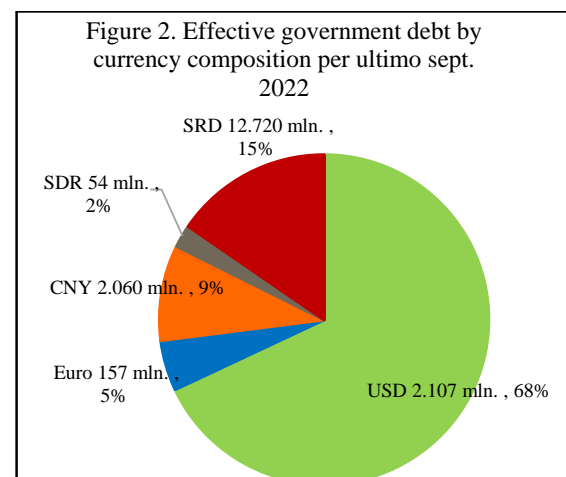
Table 1. Government Debt on cash base and Debt to GDP ratio's				
Debt according to the Law	2021-Q4	2022-Q1	2022-Q2	2022-Q3
External debt (billion SRD)	46,4	47,4	48,3	48,0
Domestic debt (billion SRD)	<u>20,5</u>	<u>20,6</u>	<u>20,0</u>	<u>20,0</u>
Total debt	66,9	68,0	68,3	68,0
External Debt to GDP ratio	79,0	80,6	82,2	81,8
Domestic Debt to GDP ratio	<u>34,8</u>	<u>35,1</u>	<u>34,0</u>	<u>33,9</u>
Total Debt to GDP ratio	113,8	115,7	116,2	115,7
Effective Debt (billion SRD)	66,9	69,2	73,0	82,5
Effective Debt (billion USD)	3,2	3,2	3,2	3,1
Memo items				
GDP current prices in 2021 (billion SRD)	58,8	58,8	58,8	58,8
Exchange rate SRD/USD end 2021	21,1	21,1	21,1	21,1
Exchange rate SRD/USD (e.o.p)	21,1	21,6	22,9	26,7

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

The decrease/increase of the Central Government debt is related to the composition of the debt by currency and the international and national exchange rate developments in 2022.



Source: SDMO



Source: SDMO

At the end of the third quarter of 2022 total disbursements plus accrued arrears exceeded the debt principal payments. On balance, debt in USD should have increased.

Due to the depreciation in this period of the Euro, CNY, SDR and SRD against the USD by 11.6 percent, 9.3 percent, 9.4 percent and 26.4 percent respectively, the debt in USD terms decreased but in SRD terms increased. Figures 1 and 2 show the share of debt in the various currencies at these two points in time.

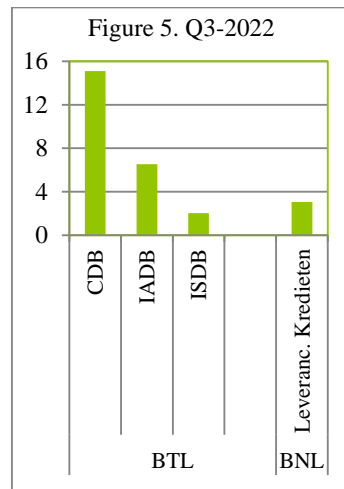
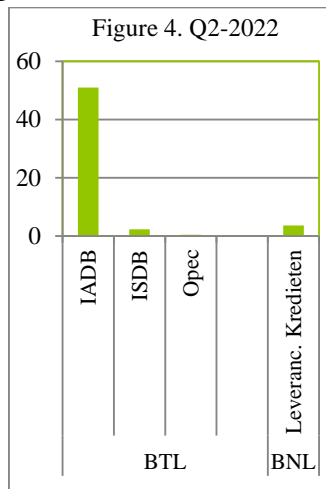
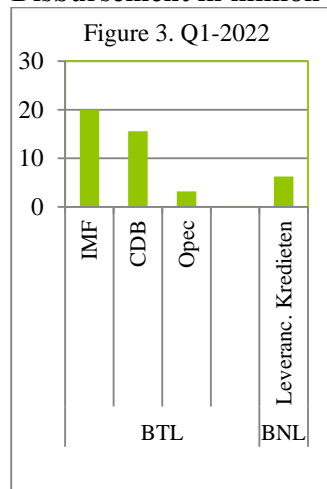
The strong US-dollar in 2022 is due to concerns about global growth, high inflation in the world and rising interest rates due to the war between Ukraine and Russia. This has also had an impact on the local exchange rates of the USD and the Euro against the SRD.

Disbursement and debt service payment

Total disbursements on the debt in the third quarter were USD 24.4 million, with the majority (97 percent) related to foreign (multilateral) debt from the Caribbean Development Bank (CDB) for the upgrade and expansion of sections of EBS's energy system, the Inter-American Development Bank (IDB) and the Islamic Development Bank (IsDB).

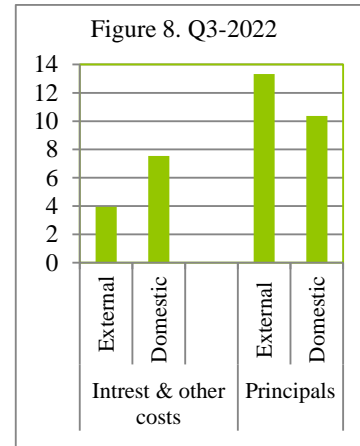
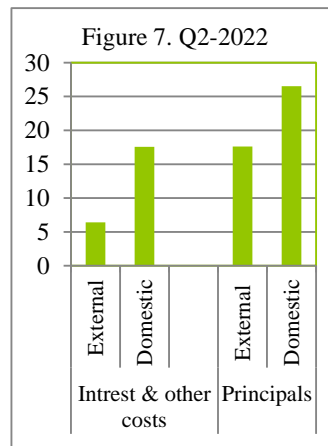
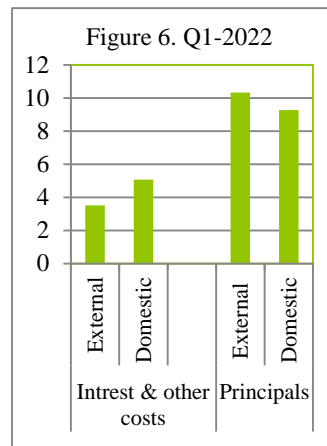
On the domestic side USD 3.1 million was disbursed on infrastructure supplier credits for current public works.

Disbursement in million USD



Source: SDMO BTL = External debt BNL= Domestic debt

Debt service in million USD



Source: SDMO

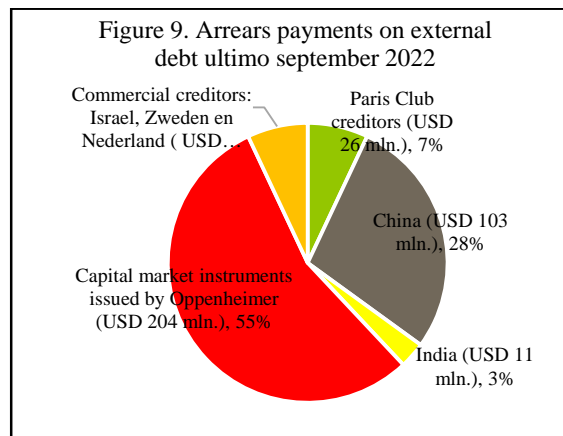
The total debt service in the third quarter of 2022 amounted to USD 35.1 million, of which USD 17.9 million related to domestic debt and USD 17.2 million to external debt. Total principal repayments this quarter were USD 23.7 million. Due to the slightly higher disbursements than principal repayments, the national debt would have increased minimally in this quarter. Due to the exchange rate effect, the debt in USD decreased compared to the second quarter.

In September, a loan from Trustbank Amanah, with an original amount of SRD 8.1 million for government budget support, was fully settled. This debt was contracted in August 2020 and for a period of 2 years at an interest rate of 12 percent.

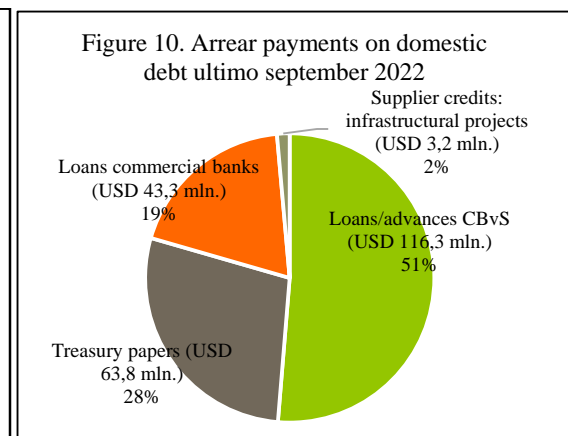
Arrear payments

Arrear payments on both external and domestic debt increased to USD 368.6 million and USD 226.6 million respectively in the third quarter.

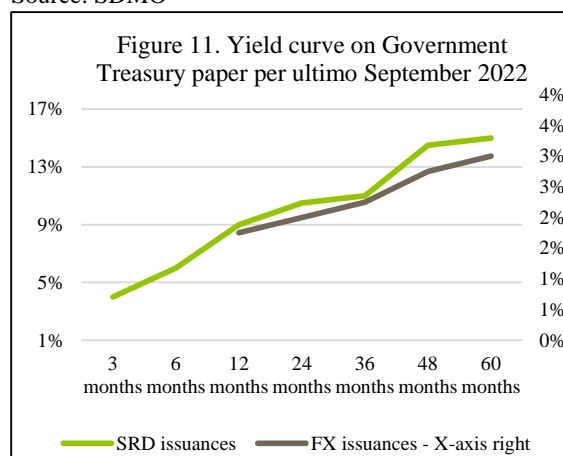
With regard to the external debt, the multilateral creditors are paid on time, while the debt to other creditors are being restructured and the debt burden on those loans will be paid after restructuring. The largest external debt arrears are on the international capital market instruments issued through Oppenheimer in 2016 and 2019. The arrears amounted to USD 204.3 million at the end of September (figure 9). Arrears on bilateral creditors had reached USD 139.9 million, while those on commercial debt amounted to USD 24.4 million. With regard to bilateral debts, the loans under the Paris Club have already been restructured.



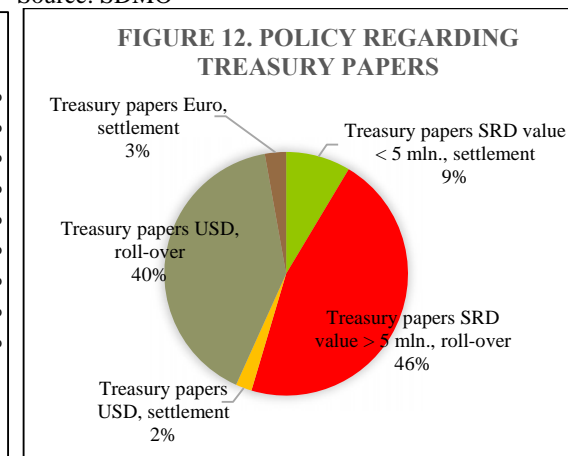
Source: SDMO



Source: SDMO



Source: SDMO



Source: SDMO

With regard to domestic debt, the largest arrears are on debts to the CBvS (51%) and on treasury bills (28%). In the last quarter of 2022, policy has been formulated by the Ministry of Finance & Planning and the Suriname Debt Management Office to settle the arrears on treasury bills this year. Arrears on treasury bills up to the issuance price of SRD 5 million, will be fully settled this year, while overdue interest will be paid on the other securities and subsequently rolled-over. For treasury bills in USD and Euro, some securities will also be fully settled this year and the rest will also be rolled-over. Interest payments in arrears will be settled as much as possible this year.

Figure 11 shows the prevailing interest rates for the various maturities of Treasury bills. Figure 12 shows how the policy with regard to treasury bills is set out, namely approximately 86 percent of treasury bills will be rolled-over and approximately 14 percent will be settled. The roll-over T-bills relate to the following creditors: Pension fund Suriname, Pension fund CBvS, Hakrinbank, Suriname Natural Stone, EBS, VCB, DSB, Century Natural Stone, NOB and Chotelal.

New debt in the third quarter of 2022

No new loans were contracted in the third quarter. Loan negotiations with regard to two loans with the Inter-American Development Bank (IDB) have taken place, one for budget support namely “Fiscal sustainability program for economic development” for USD 150 million and one for project financing, that should benefit labor market development, namely “Labor Market Alignment with New Industries” for USD 10 million.

Restructuring trajectory

The restructuring process within the **IMF Extended Fund Facility** program is very important. The parameters of restructuring with regard to **foreign creditors** are in broad terms as follows:

- ***Bondholders of the securities issued through Oppenheimer*** worth USD 675 million and the arrears as of December 31, 2021 are USD 153.4 million. The restructuring of this instrument is based on: a haircut (debt reduction), a lower interest rate on the remaining debt (including arrears) and a longer maturity. During the negotiations, the government also offered to reimburse the haircut in the form of a Value Recovery Mechanism (VRM) with an interest rate from future offshore oil revenues.
The status of these negotiations is as follows:
 - ✓ In the period July 11-13, a delegation of the Oppenheimer bond holders was in Suriname for further debt negotiations.
 - ✓ Final haircut offer from both parties was as follows: bondholders’ 20 percent vs. Suriname 33 percent.
 - ✓ Interest and maturity on remaining debt: bondholders’ 8.75 percent and 8 years vs. Suriname 6 percent and 7 years.
 - ✓ Negotiations are ongoing.
- After debt restructuring with the bondholders has taken place, the remaining ***commercial debts to Israel Discount Bank, Credit Suisse and ABN-AMRO bank*** of an amount of Euro 15.4 million and with arrears of Euro 19.2 million at the end of December 2021, will be rescheduled. The parameters of the debt restructuring of the bondholders will serve as a guideline for this restructuring.

- Bilateral rearrangement within the **Paris Club**¹. This regards a debt of Euro 69.5 million and with arrears at the end of December 2021 of Euro 18.8 million.
The restructuring proposal is based on a reduction in the interest rate and a longer maturity.
The status of these negotiations is as follows:
 - ✓ Broadly speaking, debt payments for 2022-2024 and arrears through December 2021 have been rescheduled.
 - ✓ The bilateral agreements with the individual countries will be settled in the last quarter of 2022.
 - ✓ In 2024 there are negotiations on debt rescheduling of debt payments after 2024.

- Bilateral restructuring with **India**. This concerns a debt of USD 30.8 million and with arrears at the end of December 2021 of USD 7.2 million.
The restructuring proposal is based on a reduction in the interest rate and a longer maturity.
The status of these negotiations is as follows:
 - ✓ Discussions have been done on a technical level. As of now the government is lobbying at the political level, to speed up the process.

- Bilateral restructuring with **China**. This concerns a debt of USD 486.3 million and with arrears at the end of December 2021 of USD 69.3 million.
The restructuring proposal is based on a reduction in the interest rate and a longer maturity.
The status of these negotiations is as follows:
 - ✓ Discussions have been done on a technical level. As of now the government is lobbying at the political level, to speed up the process.

The following restructurings will take place for **domestic creditors**:

- **Central Bank of Suriname (CBvS)- debts:**
 - ✓ The total debt at the end of September amounts to SRD 11.2 billion, of which advances SRD 1.7 billion and consolidated debt SRD 9.5 billion.
 - ✓ USD 130 million and USD 42 million have been allocated in 2023 and 2024 respectively, for principal payment on CBvS debt, from the resources of the various International Financial Institutions that finance the EFF program. This will give the central bank a substantial capital injection.
 - ✓ This creditor is asked to reduce the interest rate from 9 percent to 6 percent during the EFF program.
 - ✓ Arrear interest payments up to and including 2021 will be waived.

- Arrears on **treasury papers** are being settled and a large amount of the debt will be rolled-over this year.

¹ Under the Paris Club, government debt and commercial debt with a government guarantee from the Netherlands, Sweden, Israel, Spain and Sweden have been rescheduled.

- Arrears on loans from a few commercial banks at the end of September amounting to USD 105.7 million, of which USD 44.3 million in arrears, are being reviewed and restructured by extending the maturity with several years.

A good progress of the implementation of the IMF program is very important for the restructuring process for the following reasons:

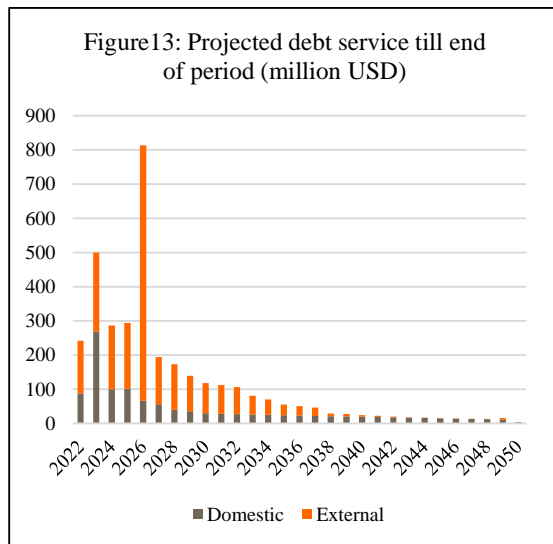
- Paris Club is looking forward to good progress made in and with the IMF-EFF program. The course of the program may affect discussions in 2024.
- The bondholders had requested the IMF program as a condition for restructuring.
- China and India are also monitoring how the program is progressing, in particular the regular “staff-level” evaluation and “board approval”.

Within the IMF EFF program, the government is currently discussing with the IMF how the program can be adjusted during the remaining period of 2023-2024. Adjustment of the program is necessary in order to better respond to the needs of the country, which has also been hit hard by the difficult international developments of increased import inflation.

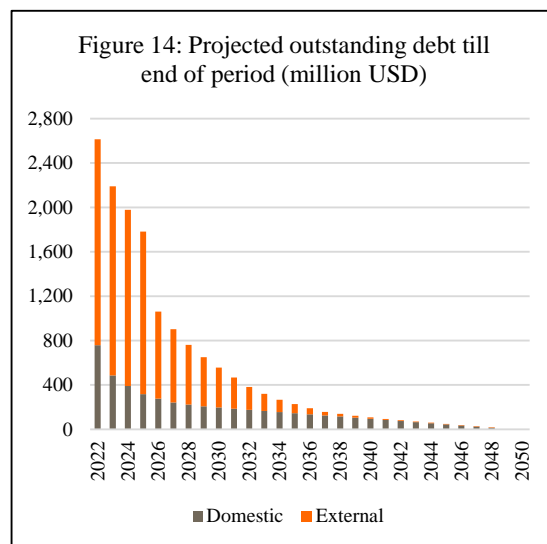
The third quarter review of the program at staff level has not yet taken place. The intention is to have the board approval for the further implementation of the program, based on the review of the second, third and fourth quarters of 2022 to take place in the first quarter of 2023. This will happen after the staff-level review of these quarters has taken place and an agreement has been reached between the government and the IMF on how to adjust the program for the remaining two years.

Debt and Debt service projections 2022 -2050

The debt burden and outstanding debt projections for the period 2022-2050 are shown in the figures 9 and 10. This is based on the outstanding debt as of June 2022. The policy with regard to treasury bills in the last quarter of 2022 is also included in these projections.



Source: SDMO



Source: SDMO

DEBT INDICATORS

Structure of the Effective Government Debt

In%	2021-4	2022-1	2022-2	2022-3
External Debt	69	70	72	74
Domestic Debt	31	30	28	26
Short term	16	17	19	19
Long term	84	83	81	81
Fixed interest rate	73	72	71	70
Variable interest rate	27	28	29	30
Local currency	19	19	17	15
Foreign currency	81	81	83	85
External loans	44	45	46	46
External credit Lines	0	1	1	1
External capital market instruments	25	24	25	26
Domestic advances CBvS	2	2	2	2
Domestic long-term debt CBvS	14	14	13	12
Domestic long-term debt Commercial Banks	4	4	3	3
Domestic treasury bills	6	5	5	5
Domestic supplier credit for infrastructural public works	5	5	5	5
Multilateral external creditors	22	23	24	24
Bilateral external creditors	18	18	18	18
Commercial external creditors	30	29	30	30
CBvS	17	16	15	15
Commercial domestic creditors: Commercial banks	7	7	6	6
Commercial domestic creditors: Non-banking private sector	7	7	7	7

Source: SDMO

Debt to GDP ratios of selected countries in the Caribbean					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022-est.</u>
Bahamas	61,7	59,7	75,0	103,3	90,7
Barbados	126,0	123,2	147,0	135,4	117,9
Guyana	47,0	43,6	51,1	42,9	22,8
Jamaica	94,4	94,3	108,1	92,3	86,2
Suriname	66,1	85,2	146,1	125,7	134,0
Trinidad & Tobago	41,8	45,4	59,3	60,6	54,7

Source: IMF World Economic Outlook, Database October 2022

Total outstanding external debt including arrears by creditor on cash base in million USD								
Creditor	2021-IV		2022-I		2022-II		2022-III	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Multilateral Creditors:	691,9	0,0	726,0	1,3	760,2	5,9	767,3	0,0
EIB	1,2	0,0	1,2	0,0	1,0	0,0	0,9	0,0
IADB	506,7	0,0	503,4	0,0	545,2	5,9	542,4	0,0
ISDB	28,4	0,0	28,2	0,0	26,7	0,0	26,3	0,0
CDB	68,4	0,0	82,0	0,0	80,3	0,0	93,6	0,0
OPEC	27,5	0,0	31,1	1,3	29,7	0,0	29,5	0,0
World Bank	4,6	0,0	5,7	0,0	5,7	0,0	5,7	0,0
IMF	55,1	0,0	74,5	0,0	71,6	0,0	69,0	0,0
Bilateral creditors:	628,9	84,5	642,1	101,5	623,9	103,6	610,9	124,7
France	35,3	8,0	36,2	10,2	33,9	9,6	32,2	10,9
China	555,6	69,3	567,7	82,6	551,6	84,5	540,1	102,7
India	38	7,2	38,2	8,7	38,4	9,6	38,6	11,1
Commercial creditors:	876,8	188,5	879,2	191,7	906,3	245,0	900,6	244,5
Capital market instruments issued by Oppenheimer	776,7	153,4	776,7	153,4	809,8	204,3	809,8	204,3
ING Bank N.V.	13,3	4,2	13,7	5,7	12,7	5,3	12,0	6,2
Israel Discount Bank	18,6	4,6	19,1	5,5	18,0	5,5	17,0	5,8
Banca Monte dei Paschi di Siena	35,4	7,3	36,2	7,5	34,2	9,2	32,1	8,7
ABN-AMRO Bank N.V.	20,5	18,1	20,8	18,4	19,7	19,7	18,4	18,4
Credit Suisse	12,3	0,9	12,7	1,1	11,9	1,0	11,3	1,1
Total outstanding amount	2.197,6	273,1	2.247,3	294,5	2.290,4	354,6	2.278,8	369,2

Source: SDMO

Total outstanding domestic debt including arrears by debt instrument on cash base in million SRD								
Debt instrument	2021-IV		2022-I		2022-II		2022-III	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Treasury bills	1.163,5	742,9	1.129,7	802,1	1.155,8	908,5	1.229,9	1.166,6
Treasury notes	2.558,4	222,8	2.501,0	276,3	2.499,2	322,9	2.688,4	698,6
CBvS advances & short-term debts	1.665,7	1.415,7	1.665,7	1.415,7	1.688,2	1.688,2	1.688,2	1.688,2
Loans:								
CBvS consolidated debt	9.386,9	1.058,4	9.573,7	1.318,8	9.452,0	1.270,5	9.525,6	1.417,6
Short-term loans of commercial banks	4,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Long-term loans of commercial banks	2.699,1	824,9	2.738,0	887,5	2.484,0	983,2	2.822,4	1.182,6
Supplier credit for infrastructural public works	3.024,7	35,2	3.178,8	81,8	3.335,8	57,4	3.879,8	85,2
Called guarantee	0,3	0,0	0,3	0,3	0,3	0,3	0,4	0,4
Total outstanding amount	20.503,2	4.299,9	20.787,2	4.782,5	20.615,3	5.231,0	21.834,7	6.239,2

Source: SDMO