



BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office

Quarterly Debt Report

4th quarter 2022

Development of the Central government Debt

March 17, 2023

Introduction

The Suriname Debt Management Office (SDMO) started in 2013 with the publication of the quarterly report on the development of the National Debt. This report has been improved from 2022 by presenting more relevant analyses, tables, and graphs of debt and other economic indicators.

Effort will be made to place this report on the website of SDMO 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 Mouth BSc. at the email address: somouth@sdmo.org or by phone at 552644 or 552645.

Summary

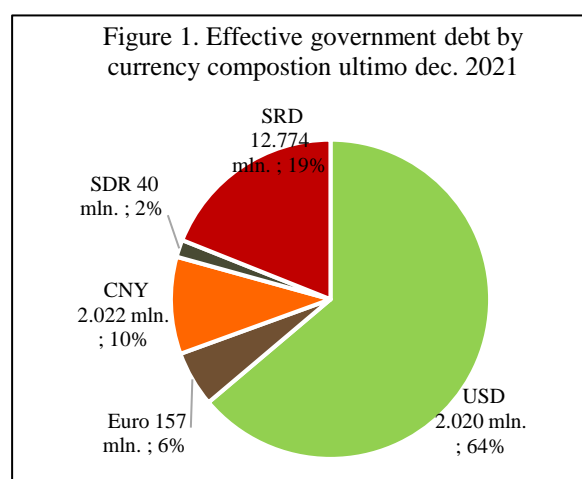
- The total effective debt amounted to USD 3.2 billion at the end of December 2022 and the equivalent of this debt in the local currency was SRD 101.1 billion, an increase of 51 percent compared to 2021. The net drawdowns minus repayments, rising arrears and the depreciation of international and national exchange rates against the USD have increased government debt.
- The price of the Eurobond of USD 550 million was stable in 2022 at around 72 percent of the value.
- Utilization of the debt at the end of 2022 to sector was as follows: 53 percent budget support, 20 percent infrastructure works, 11 percent utilities, 2 percent education & healthcare, 4 percent housing and 2 percent on directly productive sectors.
- Total arrear on debt at the end of 2022 was USD 179.6 million. In the last two months of 2022, the Paris Club creditors were paid Euro 11.6 million which was 60 percent of the 2021 arrears to these creditors.
- In 2022 the domestic and external debt in arrears have increased by approximately 12 percent to USD 523.5 million. The settlement of arrears on treasury paper in the last quarter of 2022, did not proceed, due to reduced government revenues in this period and not reaching an agreement with the IMF on the revision of the program.
- The cost and risk indicators on the debt portfolio at the end of 2022 indicated a large exchange rate risk of 88 percent, a refinancing risk of approximately 12.3 percent of debt that must be settled within 1 year, and an interest rate risk on debt with a variable interest rate of 37 percent. The average interest rate on the debt portfolio excluding arrears is 5.4 percent.
- In 2022, 8 new loans worth USD 349.5 million have been contracted, of which USD 260.2 million has already been disbursed.
- Based on the projected debt service, the average interest and principal payments for the period 2023-2026 are approximately USD 125 million and USD 365 million, respectively.

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

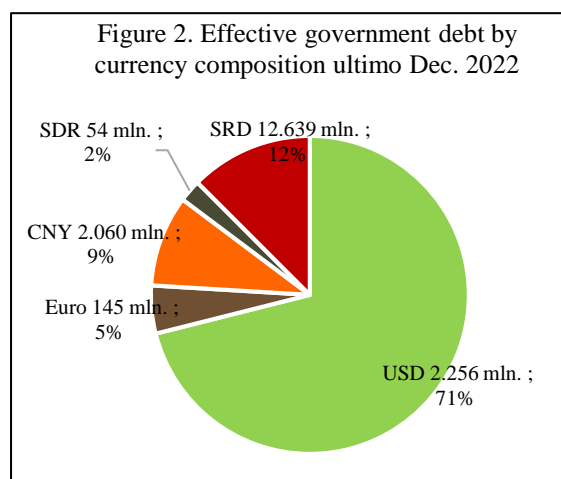
At the end of 2022, the total effective government debt amounted to USD 3.2 billion, the equivalent in local currency was SRD 101.1 billion. The central government debt according to the National Debt Act on the other hand, amounted to SRD 71.8 billion. Table 1 shows the total central government debt according to the National Debt Act expressed in SRD, increased by approximately 7 percent at the end of 2022 compared to end 2021. While the effective debt expressed in SRD at the end of 2022, increased by more than 51 percent compared to end 2021.

Table 1. Government Debt on cash base and Debt to GDP ratio's					
Debt according to the law	2021-IV	2022-I	2022-II	2022-III	2022-IV
External debt (billion SRD)	46,8	47,9	48,8	48,5	52,0
Domestic debt (billion SRD)	20,5	20,6	20,0	19,9	19,8
Total debt	67,3	68,4	68,7	68,5	71,8
External Debt to GDP ratio	79,6	81,4	83,0	82,5	88,5
Domestic Debt to GDP ratio	34,8	35,0	34,0	33,9	33,7
Total Debt to GDP ratio	114,4	116,4	116,9	116,4	122,2
Effective debt (billion USD)	3,2	3,2	3,2	3,1	3,2
Effective debt (billion SRD)	66,9	69,2	73,0	82,6	101,1
Total effective debt-to-GDP ratio	113,8	80,0	84,4	95,5	116,9
Memorandum items					
Exchange rate SRD/USD end 2021	21,3	21,3	21,3	21,3	21,3
Exchange rate SRD/USD end 2021	21,3	21,6	22,9	26,7	31,9
GDP current prices in 2021 (billion SRD)	58,8	58,8	58,8	58,8	58,8
GDP (2022 IMF estimates) (Billion SRD)	58,8	86,5	86,5	86,5	86,5

Source: Suriname Debt Management Office, CBvS, ABS, IMF e.o.p.= end of period
Effective debt is debt made up based on international norms and standards.



Source: SDMO



Source: SDMO

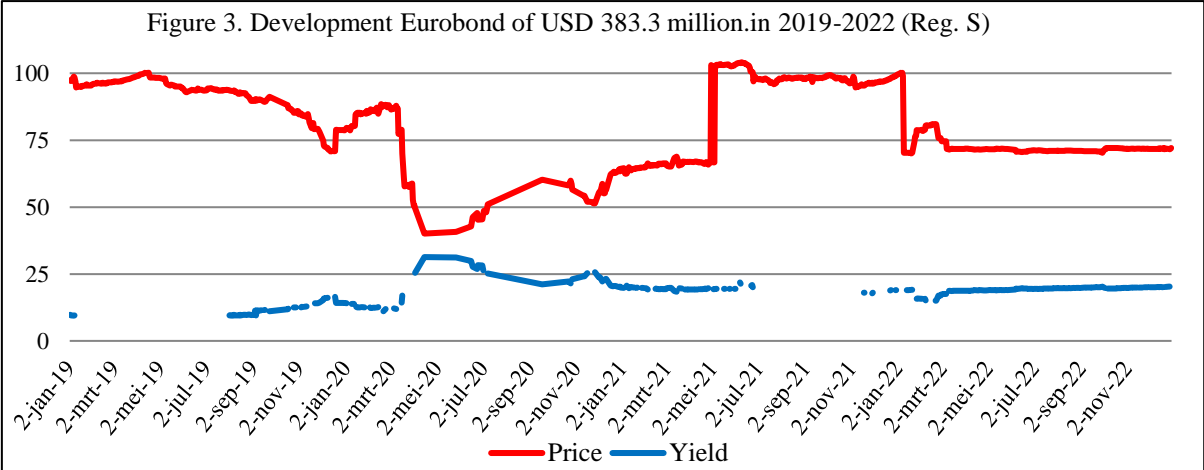
The increase in the effective debt in 2022 with 51 percent in SRD is due to the following reasons:

- Total disbursements minus principal payments was (USD 316.5 million – USD 134.5 million) USD 182.0 million;
- Arrears on the total debt portfolio increased with 12 percent to USD 523.5 million;
- Exchange rate depreciation of the SRD against the USD amounted to 33 percent in 2022. In addition, there had also been an exchange rate depreciation of the Euro, CNY, and SDR against the USD of respectively 6 percent, 10 percent, and 5 percent in the last year. The foreign exchange risk on the government debt with a share of 88 percent (figure 2) is very high in an environment of unstable exchange rates.

Development of the Euro bond in 2022

Through Oppenheimer there were 2 debt instruments issued on the international capital market that are ongoing, namely:

- Eurobond of USD 550 million issued in 2016, with a maturity of 10 years and an interest rate of 9.25 percent.
- USD 125 million Eurobond issued in 2019, with a maturity of 4 years and an interest rate of 9.875 percent.



Source: Luxembourg stock exchange, processing SDMO

Both bonds were issued under two rules. The USD 550 million Eurobond was issued for USD 383.3 million under the Regulation S. (Reg. S) and USD 166.7 million under Rule 144A¹. The USD 125 million Eurobond was also issued under the aforementioned rules, namely: USD 24.5 million under Rule 144A and USD 100.5 million under Reg. S.

Chart 3 shows the development of USD 383.3 million part of the USD 550 million Eurobond for the period 2019-2022. There is no time series data available for the other part of the bond for this period, but both components of the bond have developed in the same way.

¹The Rule 144A refers to legal provisions regarding changes to restrictions on the buying and selling of privately placed securities between qualified institutions without going through the security and exchange commission. With Regulation S, there are legal provisions that allow US and international non-US companies to raise capital in a secondary way in and outside the United States of America.

The price of the Eurobond of USD 550 million fluctuates strongly over the period 2019 and the first quarter of 2021. After this period, the price of this instrument rises and then falls at the beginning of 2022. During 2022 the price stabilized at about 72 percent. The inverse relationship between price and yield of the instrument is clearly visible in the chart. High-risk instruments have a higher yield, but a lower price.

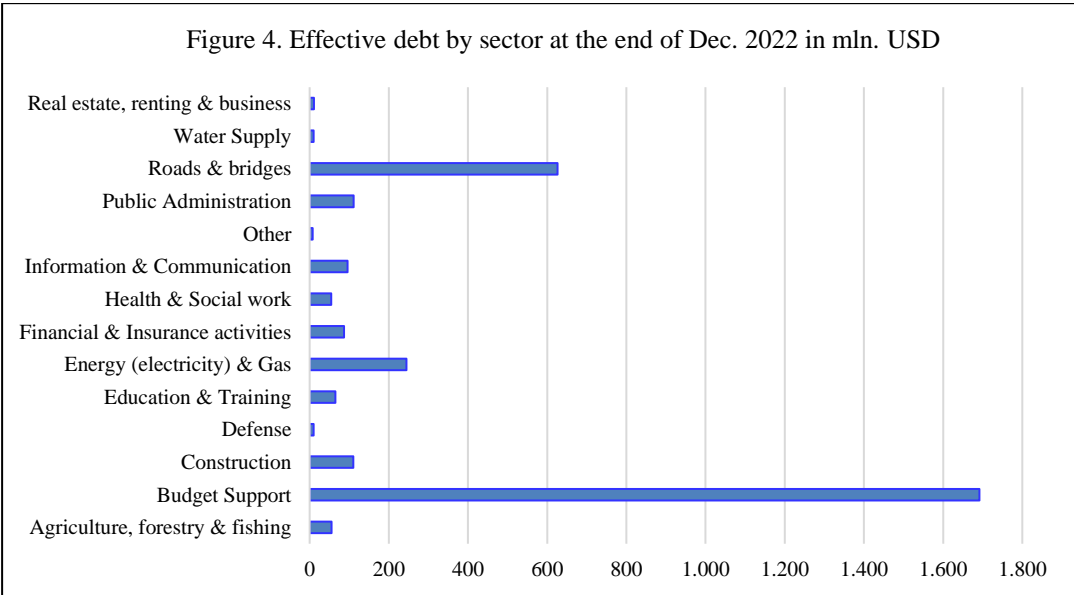
For the USD 125 million bond there is no time series data available. The last price presented on the Luxembourg Stock exchange website is dated at April 7, 2020, with a price of 55 percent and the yield of 31.1 percent.

Suriname's deteriorating credit ratings in recent years have had a negative influence on the prices of the bonds. The high financing government deficits in the years until 2020 increased investor concerns and caused the bond prices to deteriorate. When the government was unable to pay the second interest payment in 2020, a request was submitted to the bondholders on November 13, 2020, for a deferment of payment. On December 5, more than 75 percent of bond investors agreed with the request. From this period onwards, the government has been engaged in restructuring negotiations with the bondholders. The ongoing negotiations and the development of oil and gas in Suriname have had a positive effect on the price over the past two years.

At the end of December 2020, arrears on the bonds accumulated to \$230 million which has brought the total debt of these creditors to \$818 million.

Utilization of loans by Sector

Figure 3 classifies the utilization of the total outstanding debt at the end of December 2022 by economic sector. Approximately 53 percent (USD 1.7 billion) of the total debt portfolio has been contracted to finance (current) expenditures of the government budget; the so-called budget support loans.



Source: SDMO

Capital market instruments issued through Oppenheimer of USD 818 million (26 percent) are the largest source of budget support from external borrowing. The other external loans used for budget support are from the IDB and the IMF.

With regard to domestic debt, budget support comes from the CBvS for USD 356 million (7 percent) and from the issuance of treasury bills of USD 130 million (4 percent). As for the CBvS debt, USD 31 million has been contracted to set up the COVID-19 Fund based on the implementation of the “Wet Uitzonderingstoestand COVID-19”.

In addition to budget support, most loans were contracted for infrastructure (20 percent) and energy (8 percent). The share of debt for Utility projects (energy, information and communications & water) is 11 percent.

The infrastructure projects that are financed with government external and domestic loans are implemented nationwide. Expenditure for the energy sector are for projects related to institutional and operational strengthening, capacity expansion but also for arrear payments on petroleum products for the EBS.

Only 2 percent of the government debt is contracted for directly productive sectors of agriculture, forestry and fisheries. While 2 percent was for education and health care and 4 percent for housing projects (construction).

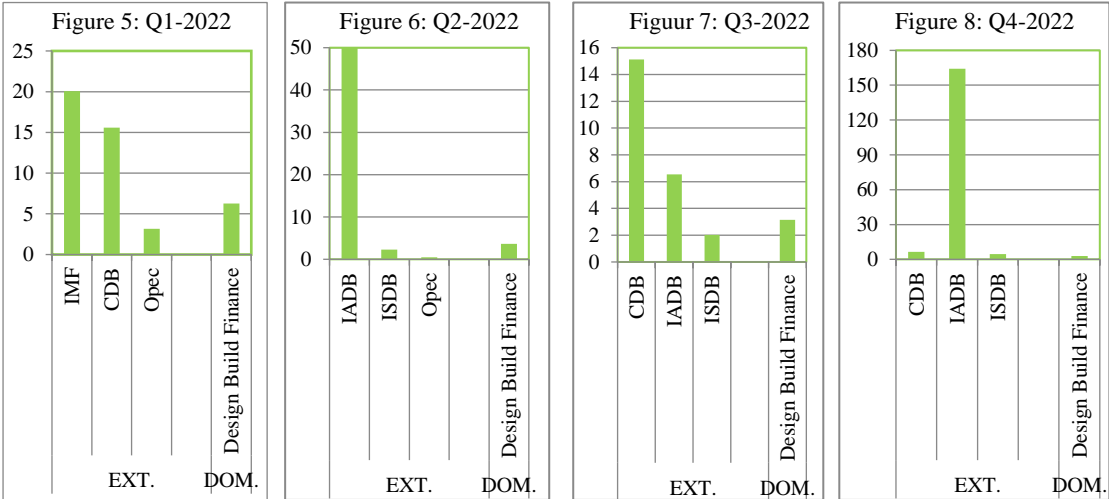
Disbursement and debt service payment

In 2022 disbursements were mostly in the fourth quarter for USD 176.2 million. These were mainly on multilateral loans.

Total disbursements on external and domestic debt in 2022 were respectively USD 298.6 million and USD 17.9 million.

Disbursements on domestic debt were exclusively on loans for infrastructure projects. On the external debt the disbursements were from the IMF and IDB for budget support. In December 2022, the total loan contracted with the IDB for USD 150 million was fully disbursed, in addition to smaller disbursements on other multilateral loans.

Disbursement in million USD



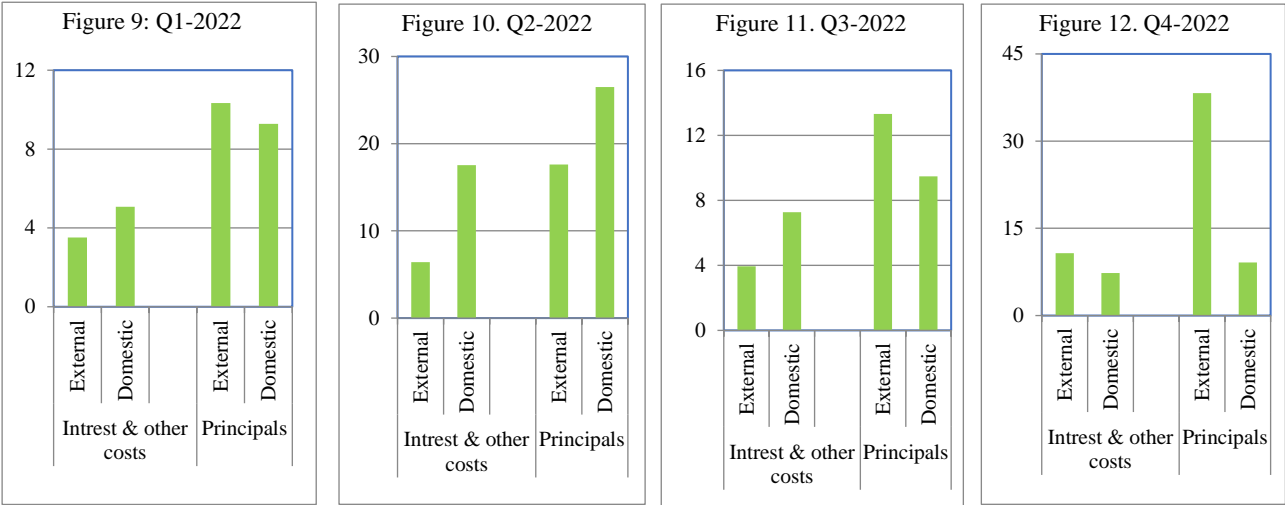
Source: SDMO EXT. = External debt DOM. = Domestic debt

In 2022, total debt payments were USD 179.6 million, of which USD 124.9 million principal and USD 54.7 million interest payments. Most of the debt service payments (58 percent) were for external debt owed to multilateral creditors.

In November-December payments were made again, after two years, to Paris Club creditors namely France, the Netherlands, Israel, Italy and Sweden. This involved a total debt payment of Euro 11.6 million. The payments are related to 60 percent of the arrears at the end of 2021

on the bilateral and state-guaranteed debts to these countries, which had been restructured based on the Paris Club umbrella agreement of June 22, 2022.

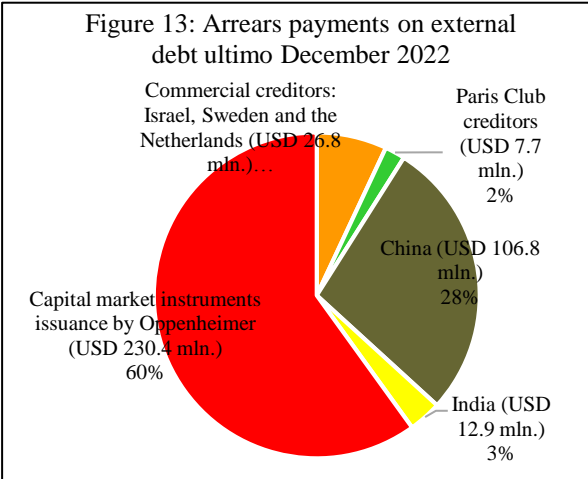
Disbursement in million USD



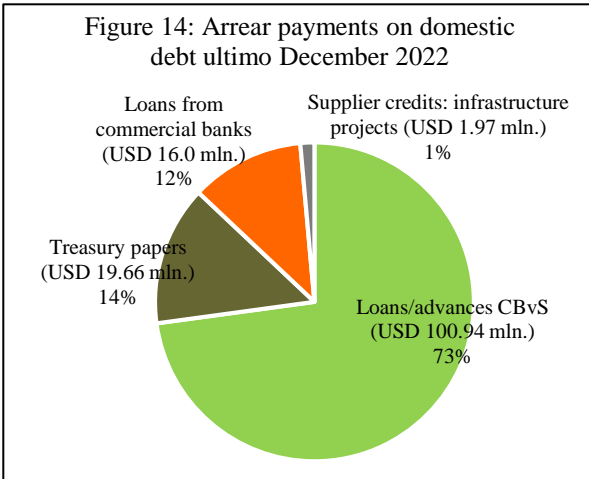
Source: SDMO

Arrear payments

At the end of December 2022, arrears increased to USD 523.5 million, of which USD 138.6 million domestic debt (Figure 14) and USD 384.9 million external debt (Figure 13). The capital market instruments issued through Oppenheimer and the debt contracted from the CBvS counts for 60 percent of the external and 73 percent of the domestic debt, the largest components of the arrears.



Source: SDMO



Source: SDMO

The settlement of arrears on T-bills in the last quarter of 2022 did not proceed due to reduced government revenues in this period and not reaching an agreement with the IMF on the revision of the program. When the revision is agreed and the evaluation of the program is approved by the Board, budget support funds can again be received.

Cost and risk indicators on the debt portfolio year-end 2022

In the last quarter of 2022, SDMO, in collaboration with the World Bank, had sessions to work with the Medium-Term Debt Management Strategy (MTDS) framework. The costs and risk indicators at the end of 2022 were calculated using the framework. These indicators are presented in table 2.

At the end of 2020, effective debt was USD 3.2 billion and the debt-to-GDP ratio was 117 percent. However, it must be taken into account that domestic debt components such as supplier arrears are not fully identified and included in the debt portfolio of the government. The share of foreign and domestic debts is 77 percent and 23 percent respectively.

A major risk on the total debt portfolio is the exchange rate risk, approximately 88 percent, which puts heavy pressure on debt payments given the current situation of exchange rate fluctuations.

Table 2. Costs and risk indicators for the debt portfolio at year-end 2022

Risk indicators		Ultimo 2022
Nominal debt as percentage of GDP		116.9
Interest payment as percent of GDP		2.0
Implied interest rate (percent)		5.4
Refinancing risk	Debt maturing in 1 yr. (percent of total)	12.3
	Debt maturing in 1 yr. (percent of GDP)	13.7
	ATM external portfolio (years)	5.7
	ATM domestic portfolio (years)	8.1
	ATM total portfolio (years)	6.0
Interest rate risk	ATR (years)	3.3
	Debt refixing in 1 yr. (percent of total debt)	47.1
	Fix rate debt incl. T-bills (percent of total debt)	63.1
	T-bills (percent of total debt)	4.1
Foreign Currency risk	Foreign currency debt as percent of total debt	87.5
	Foreign currency debt as percent of Reserve	232.7

Source: SDMO

The debt portfolio excluding arrears amounts to USD 2.7 billion. The cost and risk indicators here are as follows:

- The average interest rate is 5.4 percent.
- A major refinancing risk is that approximately 12.3 percent of the debt must be settled within 1 year. If the debt cannot be settled, there is a high probability that an increased interest rate will have to be paid if the maturity is extended.
- The Average Time to Maturity (ATM) is only 6 years, whereby the ATM on domestic debt is longer than on external debt.
- Approximately 37 percent of the debt portfolio is subjected to a variable interest rate, on which there is an interest rate risk.

Given the huge debt, the large arrears, the financial position of the government, the pressure of the debt on GDP and the risk indicators, it is understandable that we are now involved in a restructuring process.

New debt in the fourth quarter of 2022

In the fourth quarter of 2022, three new loans were signed and registered with the Supreme Audit Institution of Suriname, two of them with the multilateral creditor Inter-American Development Bank (IDB) and one with the commercial creditor KBC Group NV. These loan agreements are discussed in more detail in the table below.

The loan agreement with the IDB for the benefit of the labor market aims to improve the labor market and to stimulate the emergence of new industries.

Founded in 1998 and based in Belgium, the KBC Group is a merger of three Belgian financial institutions and is the acronym for Kredietbank ABB Verzekeringen CERA Bank.

The loan signed with the KBC group is for the purification of the water system in the interior of Suriname, which will finance; minimum 8 and maximum 10 water installation projects and 3 hydroelectricity turbines including maintenance work. With this, the government wants to improve access to quality drinking water and sustainable electricity supply in the interior. The implementation of this loan falls under the Ministry of Natural Resources.

Table 3. New loans Q4-2022				
Creditor & name	Agreement date & Maturity	Contracted amount	General objective	Interest
IDB - Labor market Alignment with new Industries	11/11/22 25 Years	USD 10 million	Contribute to the financing & execution of the labor market alignment	SOFR- interest
IDB - Fiscal Sustainability Program for economic development	11/11/22 20 Years	USD 150 million	Economic development – budget support	SOFR interest + spread of 0.08 percent
KBC - Credit Agreement	16/12/22 5 Years	Euro 3,2 million	Installation water purification systems	Euribor + spread of 2,1 percent

Source: SDMO

In 2022, 8 new loans of an amount of USD 349.5 million were contracted. These are external loans with multilateral institutions and one with the commercial institution; KBC. On these new loans USD 260.2 million is already disbursed.

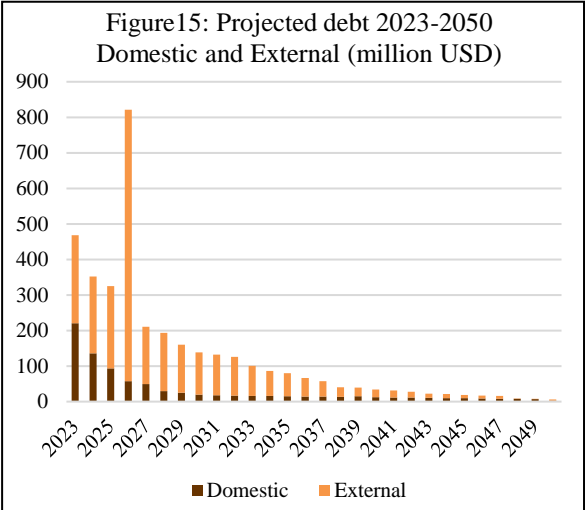
Restructuring trajectory

In the last quarter of 2022, there were no significant developments regarding the domestic and external debt restructuring process.

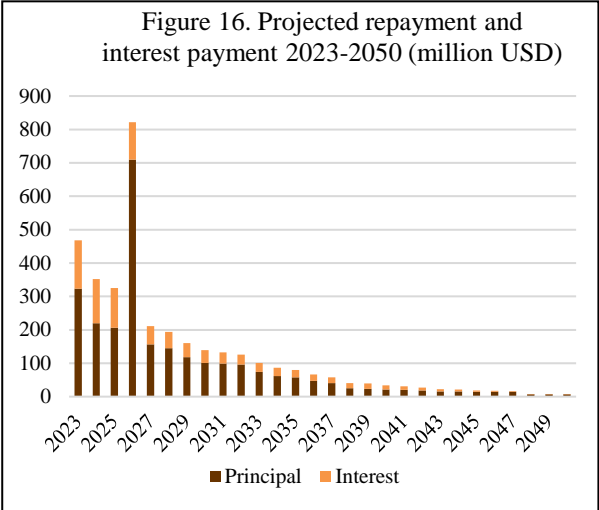
Debt and Debt service projections 2023 -2050

Figures 15, 16 and 17 present the debt service and outstanding debt for the period 2023-2050, based on the outstanding debt at the end of December 2022. These projections include payments of loans that have already been restructured. The arrears at the end of December 2022 have not been taken into account. These will be projected after restructuring according to the new financial terms.

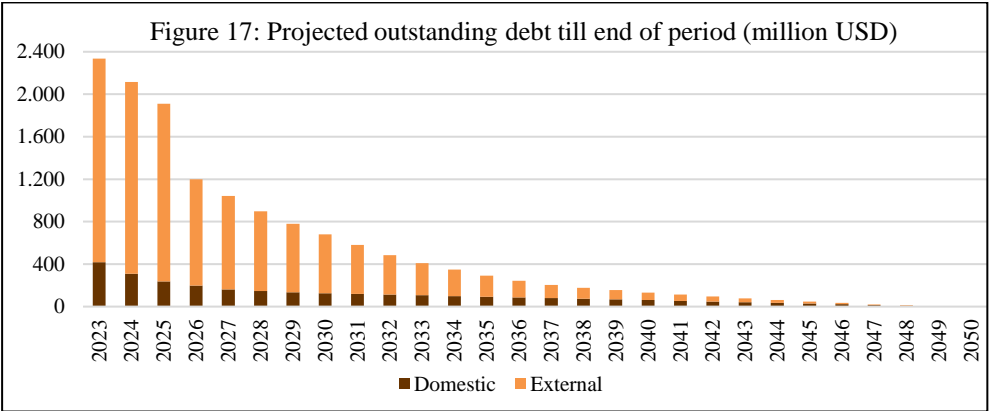
The debt service projections peak in 2023 and 2026 due to the Eurobonds that have to be settled for the amounts of USD 125 million in 2023 and USD 550 million in 2026. Apart from these peaks, both the debt service and the outstanding debt shows a gradual decrease in the government debt portfolio. Based on these projections, the average interest and principal payments for 2023-2026 are approximately USD 125 million and USD 365 million.



Source: SDMO



Source: SDMO



Source: SDMO

APPENDIX: DEBT INDICATORS AND STATISTICS

Table 1. Structure of the effective Central Government Debt

In percent	2021-4	2022-1	2022-2	2022-3	2022-4
External debt	69	70	72	74	77
Domestic debt	31	30	28	26	23
Short term	16	17	19	19	18
Long term	84	83	81	81	82
Fixed interest rate	73	72	71	70	68
Variable interest rate	27	28	29	30	32
Local currency	19	19	17	15	12
Foreign currency	81	81	83	85	88
External loan	44	45	46	46	50
External Credit Lines	0	1	1	1	1
External capital market instruments	25	24	25	26	26
Domestic advances CBvS	2	2	2	2	2
Domestic long-term debt CBvS	14	14	13	12	9
Domestic long-term debt Commercial Banks	4	4	3	3	3
Domestic treasury bills	6	5	5	5	4
Domestic supplier credits	5	5	5	5	5
Multilateral external creditors	22	23	24	24	29
Bilateral external creditors	18	18	18	18	17
Commercial external creditors	30	29	30	31	31
CBvS	17	16	15	14	11
Commercial domestic creditors: Commercial Banks	7	7	6	6	6
Commercial domestic creditors: Non-banking private sector	7	7	7	7	6

Source: SDMO

Table 2. Debt/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

Table 3. Effective debt by currency in million units				
2021			2022	
	Interior	Abroad	Interior	Abroad
USD	325,4	1.694,5	304,6	1.954,5
Euro	31,2	125,6	29,7	115,8
CNY	0,0	2.022,3	0,0	2.059,7
SDR	0,0	39,4	0,0	53,9
SRD	12.773,7	0,0	12.630,3	0,0

Source: SDMO

Table 4. Total outstanding external debt including arrears by creditor on a cash base in million USD								
Creditor	2022-I		2022-II		2022-III		2022-IV	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Multilateral Creditors:	726,2	1,3	760,5	5,9	767,6	0,0	919,0	0,6
EIB	1,2	0,0	1,0	0,0	0,9	0,0	0,9	0,0
IADB	503,4	0,0	545,2	5,9	542,4	0,0	691,3	0,0
ISDB	28,4	0,0	26,9	0,0	26,5	0,0	26,8	0,6
CDB	82,0	0,0	80,3	0,0	93,6	0,0	92,4	0,0
OPEC	31,0	1,3	29,8	0,0	29,6	0,0	30,2	0,0
World Bank	5,7	0,0	5,7	0,0	5,7	0,0	5,7	0,0
IMF	74,5	0,0	71,6	0,0	69,0	0,0	71,7	0,0
Bilateral Creditors:	642,2	101,5	623,9	103,6	610,9	124,7	614,7	119,4
France	36,2	10,2	33,9	9,6	32,1	10,9	30,4	0,0
China	567,7	82,6	551,6	84,5	540,1	102,7	545,4	106,8
India	38,2	8,7	38,4	9,6	38,6	11,1	38,9	12,6
Commercial Creditors:	879,3	191,7	906,4	245,0	900,7	244,5	909,7	264,9
Capital market instrument issued through Oppenheimer	776,8	153,4	809,8	204,3	809,8	204,3	818,0	230,4
ING Bank N.V.	13,6	5,7	12,8	5,3	12,0	6,2	10,7	0,0
Israel Discount Bank	19,1	5,5	18,0	5,5	16,9	5,8	18,3	6,4
Bank Monte dei Paschi di Siena	36,2	7,5	34,2	9,2	32,1	8,7	31,0	7,4
ABN-AMRO Bank N.V.	20,9	18,4	19,7	19,7	18,4	18,4	20,1	20,1
Swiss credit	12,7	1,1	11,9	1,0	11,3	1,1	11,7	0,6
Total outstanding debt	2.247,7	294,5	2.290,7	354,6	2.279,2	369,2	2.443,5	384,9

Source: SDMO

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

debt instrument	2022-I		2022-II		2022-III		2022-IV	
	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear	Total debt	Of which arrear
Treasury bills	991,7	664,1	1.017,6	770,4	1.086,5	1.023,2	861,9	408,9
Treasury notes	2.497,3	273,0	2.493,7	317,8	2.681,5	692,1	3.266,9	217,4
CBvS Advances & short-term debts	1.665,7	1.415,7	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2	1.688,2
Loans:								
CBvS Consolidated debt	9.573,7	1.318,8	9.452,0	1.270,5	9.525,6	1.417,6	9.561,6	1.527,1
Long-term loans of commercial banks	2.470,6	863,1	2.489,1	959,5	2.831,0	1.157,2	3.253,7	509,5
Supplier credit for infrastructural public works	3.178,8	81,8	3.336,2	57,4	3.880,2	85,2	4.645,2	62,8
Called guarantee	0,3	0,3	0,3	0,3	0,4	0,4	0,0	0,0
Total outstanding debt	20.648,1	4.616,8	20.477,2	5.064,2	21.693,4	6.063,9	23.277,5	4.413,9

Source: SDMO

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

Sector	External	Domestic
Agriculture, forestry & fishing	55,2	0,0
Budget Support	1.143,6	543,4
<i>o.w. CBvS</i>	<i>0,0</i>	<i>353,2</i>
<i>o.w. Treasury bills</i>	<i>0,0</i>	<i>126,6</i>
Construction	110,0	0,0
Defense	10,3	0,0
Education & Training	64,7	0,0
Energy (electricity) & Gas	211,2	33,2
Financial & Insurance activities	59,0	27,4
Health & Social work	51,8	3,1
Information & Communication	96,1	0,0
Other	7,8	0,0
Public Administration	111,2	0,0
Roads & bridges	512,2	112,6
Water Supply	10,3	0,0
Real estate, renting & business	0,0	11,1
Total	2.443,5	730,8

Source: SDMO