



BUREAU VOOR DE STAATSSCHULD

Suriname Debt Management Office

Quarterly Debt report

2nd quarter of 2022

Development of the Central Government Debt September 16, 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

- At the end of June 2022, the central government debt according to the National Debt Act was SRD 68.3 billion and the debt to GDP ratio was 116 percent. The effective debt, as of that date, was USD 3.2 billion. Total disbursement in the second quarter was USD 58 million, while the total debt service was USD 70 million.
- Total arrears payments on both external and domestic debt, at the end of the first half of 2022, amounted to approximately USD 590 million.
- On June 22, 2022, the Government of Suriname reached an agreement with the bilateral creditors of the Paris Club, namely France, Italy, the Netherlands, Israel and Sweden. This concerns a debt of approximately USD 95.1 million. The debt was restructured with an extension of repayment period, while the average interest rate on the debts has been reduced.
- In the second quarter of 2022, a USD 50 million multilateral loan was signed with the Inter-American Development Bank (IDB). The loan can be characterized as government budget support and is for the purpose of the economic and social development of Suriname.

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

On August 30, 2022, the General Bureau of the Statistics (ABS) released the GDP figure for 2021. The preliminary GDP figure at current market prices for 2021 is set at SRD 58.8 billion, with the real growth of the economy at -2.7 percent. Because a new GDP figure has been compiled, the central government debt figures according to the National Debt Act¹ for 2021 and 2022 has been adjusted. At the end of June 2022, this amounted to SRD 68.3 billion.

The total effective central government debt (according to the international definition) at the end of the second quarter amounted to USD 3.2 billion (SRD 73.1 billion). Total effective external and domestic debt was respectively, USD 2.3 billion and USD 0.9 billion.

Based on the estimated GDP figure by the IMF for 2022 of approximately SRD 77.8 billion, the debt to GDP ratio is approximately 94 percent.

However various domestic debt components have yet to be fully identified and captured in the debt figures, of which arrears on goods & services from suppliers to the government, the so-called “suppliers’ arrears”, is the largest component. When this item has been fully identified, it will be captured on a monthly base and will be part of the domestic debt figures. This will significantly increase the domestic debt and thus the effective debt to GDP ratio.

Government Debt on cash base and -Debt to GDP-ratio's			
	<u>2021-Q4</u>	<u>2022-Q1</u>	<u>2022-Q2</u>
Debt according to the Law			
External debt (billion SRD)	46,4	47,4	48,3
Domestic debt (billion SRD)	<u>20,5</u>	<u>20,6</u>	<u>20,0</u>
Total Debt	66,9	68,1	68,3
External Debt to GDP ratio	79,0	80,6	82,2
Domestic Debt to GDP ratio	<u>34,8</u>	<u>35,1</u>	<u>34,0</u>
Total Debt to GDP ratio	113,7	115,7	116,2
Effective Debt (billion USD)	3,17	3,20	3,18
Memo items			
GDP current prices in 2021 (billion SRD)	58,8	58,8	58,8
Exchange rate SRD/USD end 2021	21,1	21,1	21,1
Exchange rate SRD/USD (e.o.p)	21,1	21,6	22,9

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

Disbursement and debt service payment

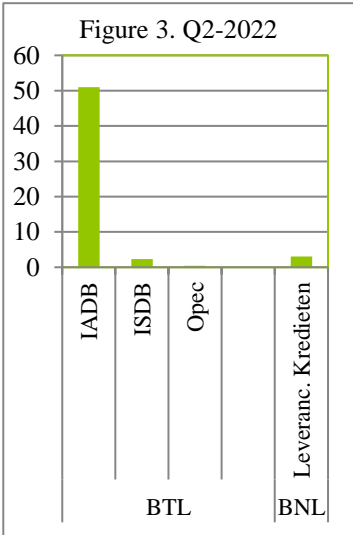
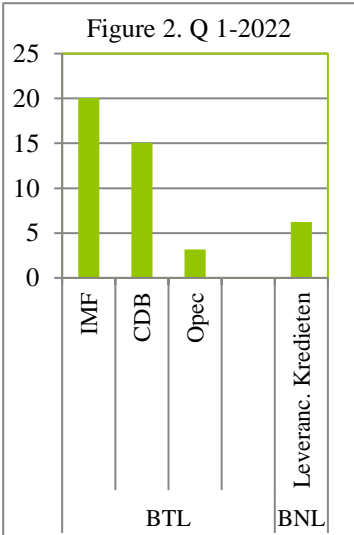
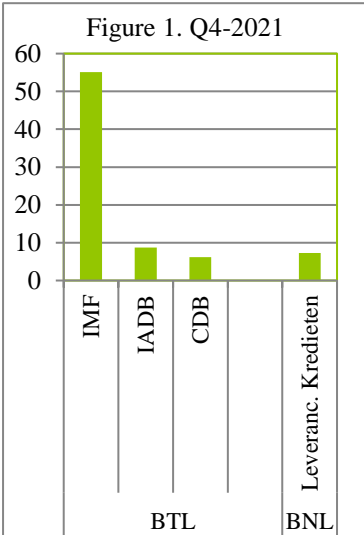
Total disbursements on the central government debt in the second quarter amounted to approximately USD 57.7 million of which USD 54.0 million on external debt and USD 3.7 million on domestic debt. Regarding the external debt, USD 51.0 million was disbursed on a new IDB loan which was signed in April, while domestic debt disbursements are related to the

¹ When compiling central government debt according to the National Debt Act, foreign currency debt must be converted by the year-end exchange rate of the year to which the last GDP published by the ABS relates, into SRD. The difference between the effective and central government debt according to the National Debt Act is the exchange rate used to convert foreign currency debt into SRD. The effective debt calculation, based on the international debt definition, uses the exchange rate of the time to which the debt relates to.

supplier’s credit for the execution of infrastructure works namely the rehabilitation of various roads.

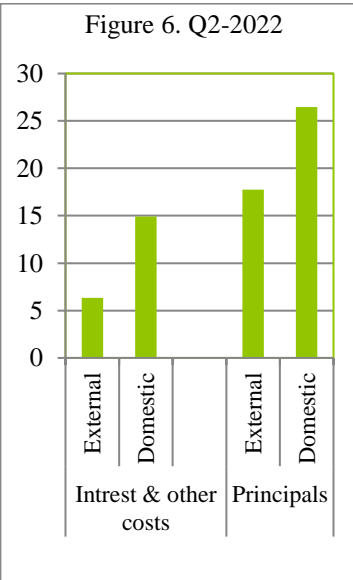
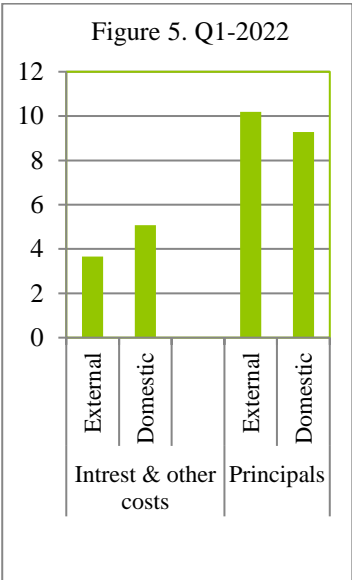
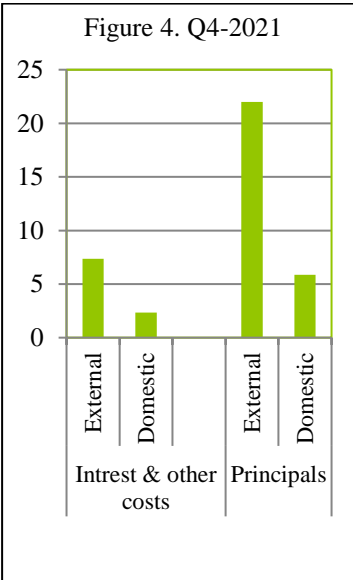
The total debt service in the second quarter was approximately USD 70 million, while the debt service in the first quarter was approximately USD 28 million. The external debt service payments in this quarter were USD 24.1 million of which USD 17.7 million principals and USD 6.4 million in interest payments. The payments related only to the multilateral debts.

Disbursement in million USD



Source: SDMO
 BTL = External debt
 BNL= Domestic debt

Debt service in million USD



Source: SDMO

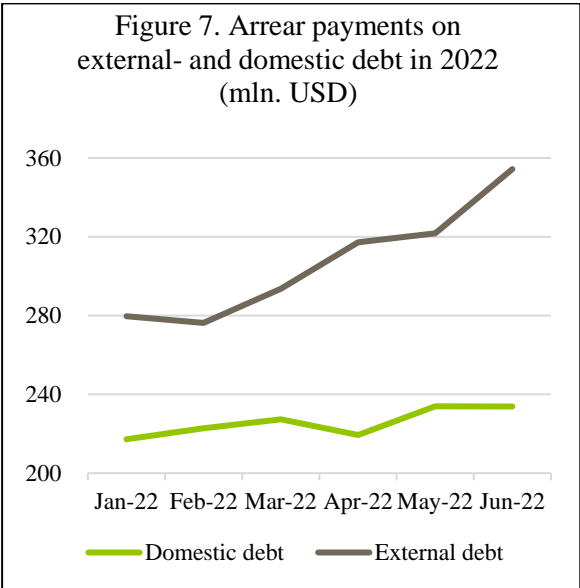
In the second quarter the total debt service on domestic debt amounted to approximately USD 45 million (SRD 945 million). The debt service payments here are related to the supplier’s credit of the infrastructure projects that are paid on a monthly base. In addition, some large payments have been made to the Central Bank of Suriname (CBvS) and commercial banks.

For example, payments have been made on arrears of interest on the CBvS consolidated debt to the amount of SRD 307 million, while in April-May the syndicated loan to a number of banks with the principal amount of SRD 340 million had been fully settled.

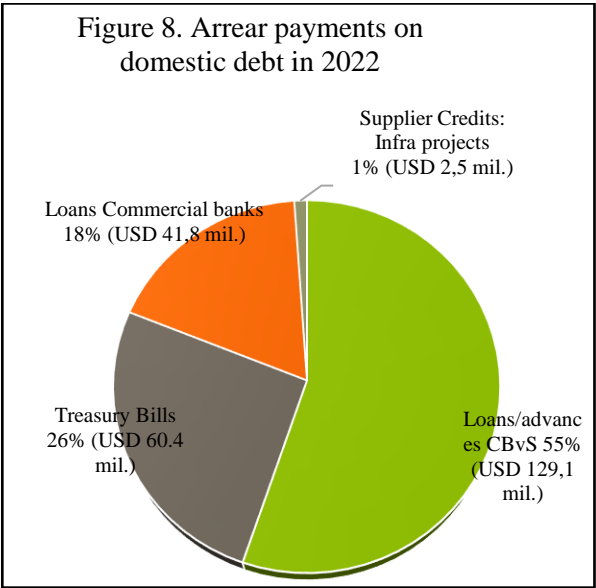
Arrear payments

Because the government is unable to pay its debt on time, it is currently restructuring the debt. With regards to external debt, multilateral loans which have been contracted on concessional terms, are paid off as much as possible on time, while bilateral and commercial debt are not being paid, because they have not yet been restructured.

Figure 7 presents the external and domestic arrears payments in the first half year of 2022. The chart shows that external arrear payments are rising and amounted to approximately USD 355 million at the end of June.



Source: SDMO



Source: SDMO

With regard to domestic debt, the arrears have increased slightly from May on. Total arrears at the end of the first half amounted to approximately USD 234 million. The largest arrears are on the debt to the Central Bank of Suriname, while the arrears are the lowest on suppliers’ credit for infrastructural works. These debts are regularly paid with an average delay of approximately one month. There are a lot of arrear payments on treasury bills.

Currently, policy is being formulated by Suriname Debt Management Office in collaboration with the Ministry of Finance & Planning for the settlement of arrears that can be paid immediately and to roll-over the rest of the instruments.

Due to government financial-economic problems, there has also been a delay in the payments of debt to the commercial banks.

New debt in the second quarter of 2022

In the second quarter, only a new loan was contracted on April 22 with the Inter-American Development Bank (IDB) for USD 50 million. This loan, which can be characterized as budget support, has been contracted to restore fiscal sustainability, strengthen monetary stability and independence, support financial stability to reduce vulnerability to corruption.

The term of the loan is 7 years, with a grace period of 3 years. The interest is based on the SOFR interest rate² plus 1.15%.

No new domestic debt was incurred in 2022, which means no new treasury bills were issued or no new loans were attracted from commercial banks and the CBvS to finance government deficits. With regard to the domestic debt, only on the suppliers' credit for the infrastructure projects that are currently being carried out, there were some disbursements.

Restructuring trajectory

On June 22, 2022, an agreement was reached between the Government of Suriname and the members of the Paris Club on the restructuring of bilateral loans and loans with government guarantees from France, the Netherlands, Israel, Italy and Sweden.

This concerns a total debt of USD 95.1 million at the end of December 2021, of which:

- France (AFD): USD 35.3 million
- Netherlands (ING Bank): USD 13.4 million
- Israel (Israel Discount Bank): USD 9.5 million
- Italy (Banca Monte dei Pascha di Siena): USD 35.2 million
- Sweden (Credit Suisse): USD 1.7 million.

The following has been agreed:

- The arrears payments as of December 31, 2021 will be paid 60% by November 30, 2022 and 40% by November 30, 2024.
- Outstanding commercial debt with government guarantees as of December 31, 2021, including the calculated interest for 2022-2024, will be made in 7 equal annual installments; the first on November 30, 2030 and the last on November 30, 2036.
- Outstanding bilateral government debt as of December 31, 2021, including the calculated interest for 2022-2024, will be made in 13 equal annual installments; the first on November 30, 2029 and the last on November 30, 2041.

An important part of the agreement is that no better terms for the creditor may be agreed with the other bilateral creditors to guarantee the “comparability of treatment”. The Paris Club also looks forward to the successful progress of the IMF program in Suriname.

Further discussions were also held with the other bilateral creditors India and China and the commercial creditors, namely the bondholders. At the end of this quarter, discussions had progressed further but no agreement had yet been reached.

There are also discussions going on to restructure the debt to the CBvS, in order to take care of the problem of the arrears to this creditor and to offer the government more fiscal space to bring order within its financial household.

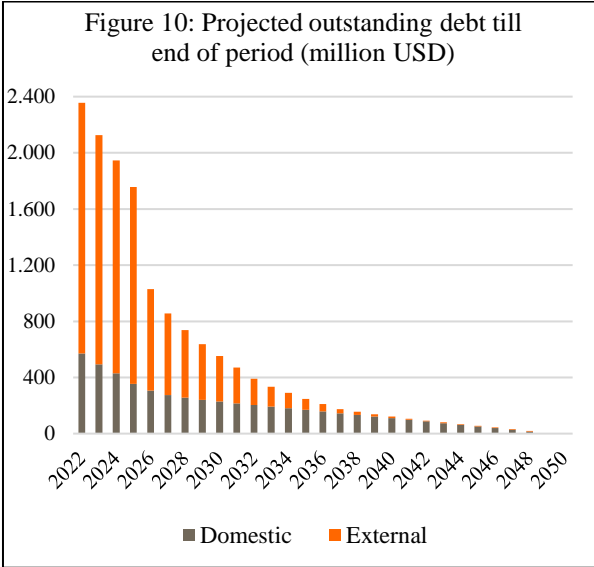
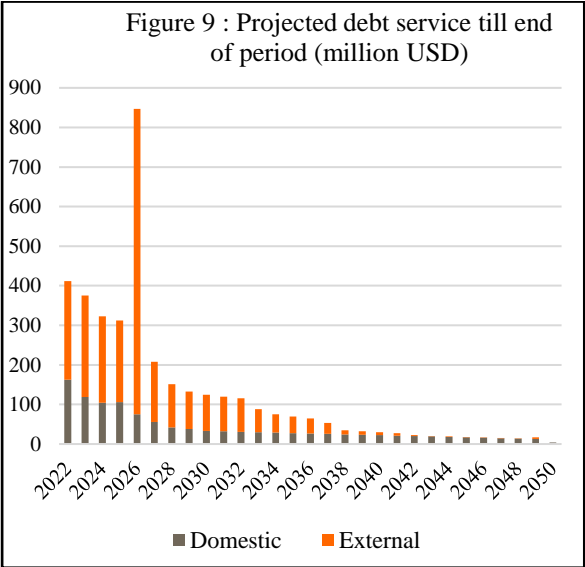
² The SOFR (Secured Overnight Financing Rate) interest rate is a USD reference interest rate to replace the Libor. Unlike the Libor, the SOFR is based on actual costs of market transactions, so that it is characterized as less risky. This interest has a “backward-looking” structure, which means that the interest rates are determined daily based on market transactions of the previous day. SOFR is calculated and published daily and for different terms namely: 1, 3 & 6 months. As of June 2022, the average SOFR interest rates for 1, 3 and 6 months were 1.1%, 0.7% and 0.4% respectively.

Within the IMF Extended Fund Facility with Suriname, the debt-restructuring process is an important part of the program. The first review of the program, which took place in March, had resulted in the transfer of a second tranche of funds for both balance of payments and budget support to the value of SDR 39.4 million (USD 54.5 million).

The second review, which was scheduled for the end of the second quarter did not take place. At the staff level the program was further evaluated in May, indicating that Suriname's economic program is on track, despite the external and internal challenges. However, it was also noted that delays in important tax reforms, the implementation of important legislation such as the VAT Taxation Act and debt restructuring could undermine the progress of this program. It has been decided that the “Board approval” for the second and third quarter evaluation will be done at the same time.

Debt and Debt service projections 2022 -2050

The figures 9 and 10 present the debt and debt service projections from the end 2021, taking into account the restructured debt of the creditors within the Paris Club. The projections exclude arrears payments on domestic and external debt.



Source: SDMO

Total debt service payment is the highest in the period 2022 – 2026, with a peak in 2026 due to the USD 550 million bond that needs to be repaid with a bullet payment in that year.

DEBT INDICATORS

Structure of the Effective Government Debt

In%	2021-3	2021-4	2022-1	2022-2
External Debt	71	69	70	72
Domestic Debt	29	31	30	28
Short term	12	16	17	19
Long term	88	84	83	
Fixed interest rate	74	73	72	71
Variable interest rate	25	27	28	29
Local currency	18	19	19	17
Foreign currency	82	81	81	83
External loans	45	44	45	46
External Credit Lines	1	0	1	0
External capital market instruments	25	25	24	25
Domestic advances CBvS	2	2	2	2
Domestic long-term debt CBvS	13	14	14	13
Domestic long-term debt Commercial Banks	4	4	4	4
Domestic treasury bills	5	6	5	5
Domestic supplier credits	5	5	5	5
Multilateral external creditors	21	22	23	24
Bilateral external creditors	19	18	18	18
Commercial external creditors	31	30	29	30
CBvS	15	17	16	15
Commercial domestic creditors: Commercial banks	9	7	7	6
Commercial domestic creditors: Non-banking private sector	6	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	59,6	75,1	102,8	91,3
Barbados	126,0	123,2	146,7	135,8	121,0
Guyana	47,0	43,6	51,1	43,7	25,3
Jamaica	94,4	94,3	108,1	91,5	83,7
Suriname	66,1	85,2	147,7	125,3	132,8
Trinidad & Tobago	41,8	45,4	59,3	66,1	62,6

Source: IMF World Economic Outlook, Database April 2022