

REPUBLIC OF SURINAME



# Debt Restructuring: Principles and Preliminary Elements



Please note that written questions can be submitted during the webcast

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## Introductory remarks



*“Suriname is engaged in a systemic transformation of its economy. This government is asking sacrifices to the population to help put the country back on track. We are confident that all of these efforts will yield positive results in the next few months”*

**Honorable Albert Ramdin**

*Minister of Foreign Affairs, International Business and International Cooperation*



*“To find a path of balanced and inclusive growth, public debt sustainability needs to be restored. We are committed to this as part of the IMF-supported program”*

**Honorable Armand Achaibersing**

*Minister of Finance & Planning*

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# I Overview of key parameters of the IMF-supported program

## Where do we stand?

- **Faced with an unprecedented crisis, the newly-elected government of the Republic of Suriname (the “Republic”) embarked in 2020 on an ambitious program of reforms and requested an IMF-supported program**
- **Concurrently, the Republic organized payment suspension with its external commercial and bilateral creditors from October 2020 to generate short-term foreign currency liquidity relief while finalizing discussions with the IMF**
  - In that context, the Republic sought and received on two occasions (December 2020 and April 2021) consent from holders of the 2023 and 2026 Eurobonds to suspend payments on the two Eurobonds
  - Throughout that process, the Republic has engaged with the bondholders’ committee and its advisors, and shared relevant historical data and forecasts about the macro-fiscal framework and policy commitments underpinning the IMF-supported program
- **On 29 April 2021, a Staff-Level Agreement (“SLA”) was reached with the IMF on a USD 690m, 36-months program under the Extended Fund Facility (“EFF”). The program entails an envelope of approx. USD 632m of project and budget support from International Financial Institutions to be disbursed over the program years**
  - The SLA entails very significant commitments from the Republic in terms of fiscal, monetary and external adjustments
  - As per the SLA, the Republic also committed to reduce its public debt and to lower its gross financing needs

On the basis of the macro-fiscal framework and policy commitments underpinning the IMF-supported program, as agreed in the SLA, the Republic wishes to publicly come forward with principles and preliminary elements for its restructuring plan, with a view to set an equitable ground for discussion with all of its external creditors

# What progress has been made by the Republic on economic reforms?

The Republic is making progress on key economic reforms and has made important commitments as part of the IMF-supported program

	Progress on key economic reforms	Commitments of the Republic as part of the program
Fiscal	<ul style="list-style-type: none"> <li>Devise a 2021 budget that is consistent with the parameters of the program - <i>Ongoing</i></li> </ul>	<ul style="list-style-type: none"> <li>Achieve primary balance surplus of 4.5% by 2024</li> <li>Maintain social spending at levels not lower than 5.3% of GDP in any year</li> </ul>
Monetary	<ul style="list-style-type: none"> <li>Devise CBvS regulation / communication to describe how the CBvS will calculate the rate, to establish a daily fixing, and how the CBvS will discontinue the OTC sales of FX rate - <i>Ongoing</i></li> <li>Conclude a MOU between the CBvS and MOF to end new gross central bank financing of the government – <i>Ongoing</i></li> <li>Conduct special audits of program monetary data (net international reserves and net domestic assets of the CBvS) to verify the opening stocks of data used as performance criteria - <i>Ongoing (finalization of ToR for appointment of auditors in progress)</i></li> </ul>	<ul style="list-style-type: none"> <li>Permanently prohibit monetary financing</li> <li>Achieve 100% usable reserve adequacy by 2024</li> <li>Maintain a unified and market-determined exchange rate</li> </ul>
Debt	<ul style="list-style-type: none"> <li>Clear arrears to International Financial Institutions ("IFIs") that are financing the program - <i>Completed</i></li> <li>Work with other IFIs to agree on arrear clearance timetable. Ensure zero new accrual of arrears going forward - <i>Completed</i></li> <li>Work with domestic creditors to agree on arrear clearance timetable in line with program parameters. Ensure zero new accrual of arrears going forward - <i>Ongoing</i></li> </ul>	<ul style="list-style-type: none"> <li>Reduce debt-to-GDP ratio and lower GFNs to specific targets</li> <li>No increase in central government guaranteed debt</li> <li>No new external debt collateralizing natural resource revenues to be contracted by the central government and/or SOEs, for natural resources included in the macro-fiscal framework<sup>1</sup></li> </ul>

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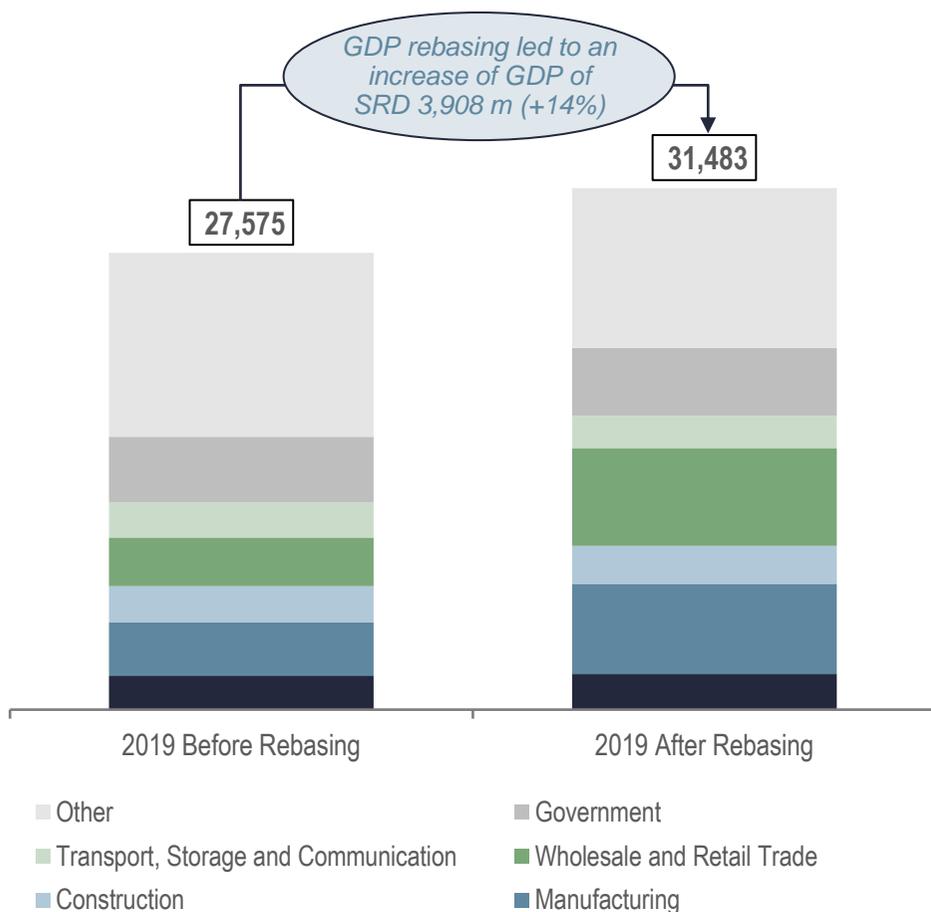


Note: (1) All schemes based on natural resource revenues not included in the macro fiscal framework will follow best international practices of transparency and accountability

## As part of technical discussions with the IMF-Staff, the Republic has incorporated the rebasing of GDP into the framework

### The rebasing had a significant impact on the nominal GDP

- GDP breakdown before and after rebasing (in SRDm)



### Snapshot of the 2019 GDP – breakdown by main categories

Detailed 2019 GDP breakdown after rebasing	in SRDm	in % of GDP
Agriculture, Forestry and Fishing	2,727.7	8.7%
Mining and Quarrying	2,165.0	6.9%
Manufacturing (inclusive mining and refining)	5,429.8	17.2%
Electricity, Gas, Steam and air conditioning supply	539.7	1.7%
Water supply; sewerage, waste management and remediation activities	70.0	0.2%
Construction	2,296.7	7.3%
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,895.3	18.7%
Transportation and storage	743.6	2.4%
Accommodation and food service activities	1,702.5	5.4%
Information and communication	1,204.9	3.8%
Financial and insurance activities	1,980.0	6.3%
Real estate activities	1,079.0	3.4%
Professional, scientific and technical activities	436.2	1.4%
Public administration and defense, compulsory social security	2,204.5	7.0%
Education	1,039.1	3.3%
Human health and social work activities	849.0	2.7%
Other service activities	438.3	1.4%
<b>Gross Value Added basic prices</b>	<b>30,801.4</b>	<b>97.8%</b>
<i>Taxes less Subsidies on Products</i>	<i>681.1</i>	<i>2.2%</i>
<b>Total</b>	<b>31,482.5</b>	<b>100.0%</b>

## What are the underlying macro-fiscal assumptions of the IMF-supported program?

The macro-fiscal framework incorporates a strong fiscal adjustment, equivalent to c.15% of GDP over 2020-2024. Recovery will start gradually from 2022, as inflation - albeit on a downward trajectory - is expected to remain high during the program period

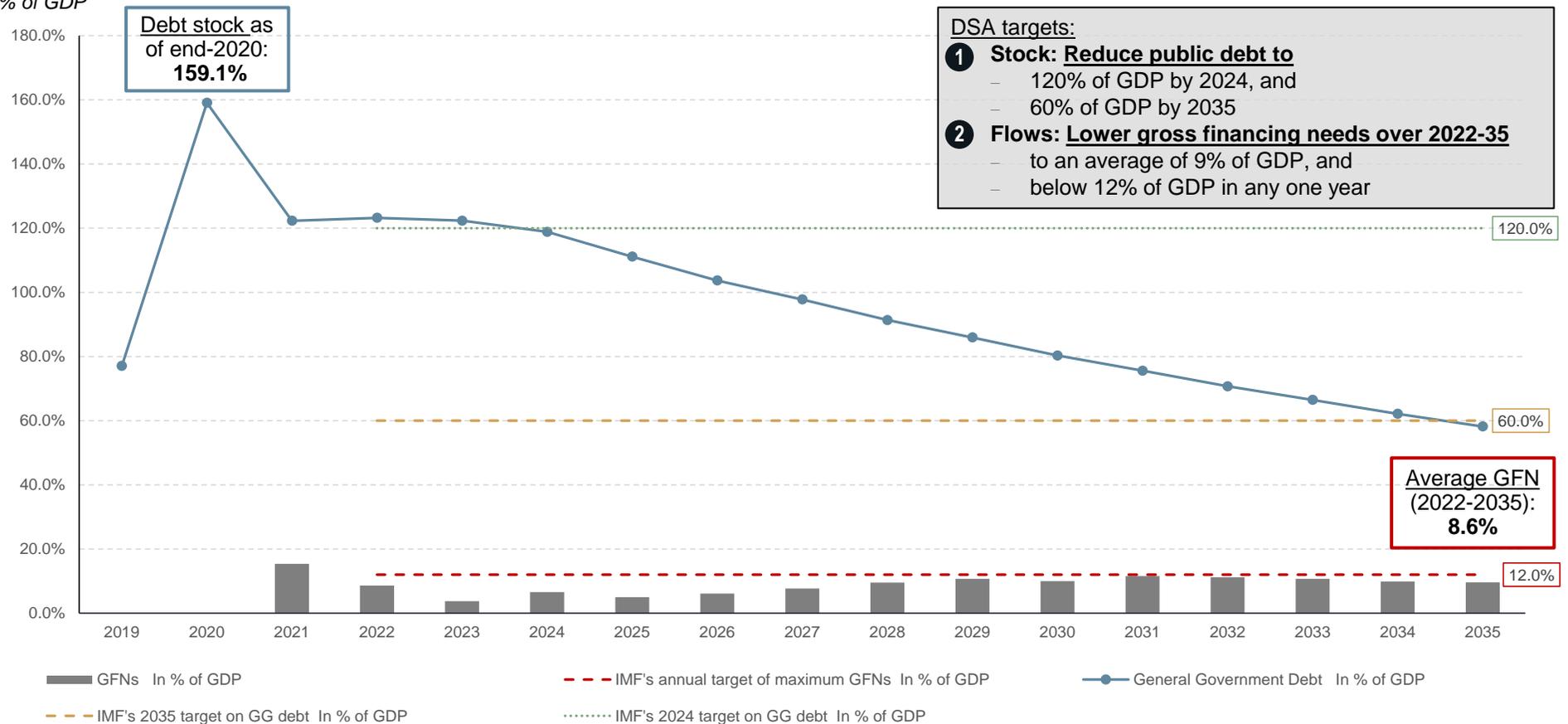
		2019e	2020f	2021f	2022f	2023f	2024f	2025 – 2035
<i>Real Economy</i>								
<b>Nominal GDP</b>	<i>SRDbn</i>	31.5	35.7	50.0	61.2	70.8	79.1	
<b>Real GDP Growth</b>	<i>% change</i>	1.1%	(13.5%)	(3.0%)	1.3%	2.1%	2.7%	<i>Approx. 3% on average</i>
<b>GDP Deflator</b>	<i>% change</i>	4.4%	31.2%	44.2%	21.0%	13.3%	8.8%	<i>Single-digit</i>
<b>CPI (Avg)</b>	<i>% change</i>	4.4%	34.9%	44.9%	22.0%	14.5%	10.2%	
<i>Fiscal Sector</i>								
<b>Primary Balance</b>	<i>% of GDP</i>	(19.0%)	(10.2%)	(1.8%)	1.7%	3.5%	4.5%	<i>Approx. 3% on average</i>
<i>External Sector</i>								
<b>Weighted avg. FX rate (EoP)</b>	<i>USD/SRD</i>	8.3	17.3	<i>As per the IMF SLA, the RoS has committed to unify the foreign exchange market rates and to allow flexible, market-determined exchange rate</i>				
<b>Official FX rate (Avg)</b>	<i>USD/SRD</i>	7.5	9.3					
<b>REER</b>	<i>% change</i>	0.0	(19.2)					

# Complying with the DSA targets underpinning the IMF-supported Program

The below debt trajectory reflects the restructuring parameters outlined hereafter. It also reflects more detailed macro-fiscal and refinancing assumptions that cannot be shared publicly at this stage, but that can be discussed with creditors on a confidential basis

**General Government<sup>1</sup> Debt Sustainability Analysis, taking into account the restructuring parameters outlined further in this presentation**

• In % of GDP



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Sources: RoS

Note: (1) Includes Central Government debt, arrears and outstanding debt to IMF

## Mapping Suriname's public debt burden

### TOTAL GENERAL GOVERNMENT DEBT OF SURINAME AS OF DECEMBER 2020: USD 3,280M (c. 159.1% of GDP)

USD/SRD Exchange Rate: 17.3

**Total debt<sup>1</sup>**  
(USDm / % of GG debt)    **Total debt**  
(% of GDP)

FL: Foreign Law / LL: Local Law  
FC: Foreign Currency / LC: Local Currency

**Total Market debt**    **1,325 (40.4%)**    **64.3%**

	Debt stock (USDm)	Arrears (USDm)	Total debt <sup>1</sup> (USDm)	Total debt (% of GDP)
<b>FL FC Market debt</b>	<b>702</b>	<b>11</b>	<b>713</b>	<b>34.6%</b>
Eurobonds	675	-	675	32.7%
Commercial loans <sup>2</sup>	27	11	38	1.8%

	Debt stock (USDm)	Arrears (USDm)	Total debt <sup>1</sup> (USDm)	Total debt (% of GDP)
<b>LL FC Market debt</b>	<b>282</b>	<b>41</b>	<b>323</b>	<b>15.6%</b>
T-bills / T-bonds	175	13	188	9.1%
Commercial loans	107	28	135	6.6%
<b>LL LC Market debt</b>	<b>164</b>	<b>125</b>	<b>289</b>	<b>14.0%</b>
T-bills / T-bonds	68	5	73	3.5%
Commercial loans <sup>3</sup>	96	120	216	10.5%

**Total Debt**  
(USDm / % of GG debt)    **Total debt**  
(% of GDP)

**Foreign law debt**    **2,101 (64.1%)**    **101.9%**

**Total debt**  
(USDm / % of GG debt)    **Total debt**  
(% of GDP)

**Local law debt**    **1,178 (35.9%)**    **57.2%**

	Debt stock (USDm)	Arrears (USDm)	Total debt <sup>1</sup> (USDm)	Total debt (% of GDP)
<b>FL FC Non-market debt</b>	<b>1,332</b>	<b>56</b>	<b>1,388</b>	<b>67.3%</b>
Official <sup>4</sup>	667	42	708	34.4%
<i>Concessional</i>	447	21	468	22.7%
<i>Non-concessional</i>	219	21	240	11.7%
Multilateral	666	14 <sup>5</sup>	680	33.0%

	Debt stock (USDm)	Arrears (USDm)	Total debt <sup>1</sup> (USDm)	Total debt (% of GDP)
<b>LL FC Non-market debt</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>
<b>LL LC Non-market debt</b>	<b>567</b>	<b>-</b>	<b>567</b>	<b>27.5%</b>
Central Bank	567	-	567	27.5%

**Total debt<sup>1</sup>**  
(USDm / % of GG debt)    **Total debt**  
(% of GDP)

**Total Non-market debt**    **1,955 (59.6%)**    **94.8%**

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Source: SDMO

Notes: (1) Total debt = Debt stock + arrears, (2) Excludes ECA-backed facilities; (3) Includes suppliers arrears, (4) Official debt includes bilateral debt (concessional debt) and ECA-backed facilities (non-concessional debt), (5) As per IMF-supported program commitments, all arrears on loans from multilateral creditors have been cleared

## II Proposed debt restructuring parameters



## A Fixed income

## Overview of debt restructuring parameters for external commercial creditors

	Eurobonds		FC FL commercial creditors (excl. ECA-backed facilities) <sup>2,3</sup>
	<i>Eurobond 2023</i>	<i>Eurobond 2026</i>	
<b>Existing features</b>			
Out. Amt. as of end-2020	USD 125.0 m	USD 550.0 m	USD 26.8 m
Accrued interest or arrears	Approx. USD 15.2 m <sup>1</sup>	USD 57.5 m <sup>1</sup>	USD 11.3 m <sup>4</sup>
Interest	12.875%	9.250%	Non-disclosed
<b>Restructuring parameters</b>			
Nominal Amount	70.0% nominal haircut <sup>5</sup> New instrument amount: approx. USD 236 m		
Principal Repayment	Sinkable : 5 equal annual repayments First payment date : 01-Jun-25		
Maturity	Final maturity: 01-Jun-29 Average maturity: 6.0 years		
Coupon schedule	<ul style="list-style-type: none"> <li>• First coupon payment date: 01-Dec-2021</li> <li>• Coupon payments dates: 01-Dec &amp; 01-Jun               <ul style="list-style-type: none"> <li>• Until 01-Jun-25: 4.0%</li> </ul> </li> <li>• From 01-Jun-25 until 01-Jun-28: 5.0%</li> <li>• From 01-Jun-28 until maturity: 6.0%</li> </ul>		

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Sources: RoS

Note: (1) As of 1 June 2021 - Accrual date used for indicative purposes. The indicative amounts include (i) interest accrued since the previous coupon payment date (30 June 2020 and 26 April 2020 for the 2023 and 2026 Eurobonds respectively) and (ii) the interest accrued on deferred coupons ; (2) FC FL commercial creditors could be offered either bonds or loans; (3) ECA-backed facilities have been excluded from the FC FL commercial creditors' debt perimeter as guarantees have been or are expected to be called (4) Arrears as of end-2020 ; (5) Haircut on the outstanding amount, accrued interests and arrears

## Debt restructuring guidelines for official creditors

### Official creditors (inc. ECA-backed facilities)

#### Commercial ECA-Backed creditors

#### Bilateral creditors

Existing features		
Out. Amt. as of end-2020	USD 219.3 m	USD 447.3m
Arrears as of end-2020	USD 21.2 m	USD 20.6m
Average interest	3.6%	2.1%
Broad indications of restructuring parameters		
Nominal Amount	Approx. 30 % average nominal haircut <sup>1</sup>	
Principal repayment	Amortizing between 01-Jun-26 and 01-Jun-46	
Maturity	Final maturity: from 01-Jun-36 to 01-Jun-46 Average maturity: 15.7 years	
Average coupon	1.2%	

### Key considerations

- Out of confidentiality considerations, more precise restructuring parameters for official creditors cannot be disclosed at this stage
- While the debt treatment may differ across the different types of creditors, the Authorities remain committed to applying restructuring parameters that follow principles of inter-creditor equity
- The Government is in contact with the Paris Club to define the way forward regarding the treatment of claims that fall within its perimeter

## Focus on domestic debt

### Key considerations on the Government's plan for domestic debt

- The Republic is in talks with its domestic commercial creditors in order to devise the appropriate liability management operations, in order to rationalize the local debt burden, in a way that (i) is compatible with the commitments of the IMF-supported program and (ii) preserves the stability of the local financial sector
- The Government reiterates its commitment to a healthy and adequately-capitalized banking system
- In that regard, a key policy objective within the IMF-supported program contemplates the recapitalization of the financial system and the improvement of banks oversight
- The Republic is also committed to addressing the vulnerabilities of the Central Bank. In this context, the MoF and the CBvS will develop jointly a recapitalization plan in the coming months. The Government will also take steps to strengthen the CBvS' mandate, governance, and financial autonomy

### Stock of domestic debt as of end-2020 represents 36% of total public debt

	Debt stock (SRDm)	Arrears (SRDm)	Total debt (SRDm)	Total debt (% of GDP)
<b>Central bank</b>	<b>9,823</b>	<b>-</b>	<b>9,823</b>	<b>27.5%</b>
<b>Commercial banks</b>	<b>5,449</b>	<b>627</b>	<b>6,076</b>	<b>17.0%</b>
LC Commercial Loans	846	12	858	2.4%
LC T-bonds	78	37	115	0.3%
LC T-bills	450	10	460	1.3%
FC Commercial Loans	1,169	348	1,517	4.2%
FC T-bonds	2,554	169	2,722	7.6%
FC T-bills	351	53	404	1.1%
<b>Private sector</b>	<b>2,273</b>	<b>2,254</b>	<b>4,526</b>	<b>12.7%</b>
LC Commercial Loans	23	7	31	0.1%
LC T-bonds	537	-	537	1.5%
LC T-bills	106	48	154	0.4%
FC Commercial Loans	1,482	424	1,906	5.3%
FC LL T-bills Private sector	124	-	124	0.3%
Suppliers arrears	-	1,774	1,774	5.0%



## B Value recovery mechanisms

## Considerations on potential value recovery mechanisms (1/2)

- **The Republic is committed to repay its debt obligations as much as its economic and social situation allows**
- **There have been significant oil discoveries in Suriname. While they have a transformative potential for the country, they remain uncertain and have consequently not been incorporated in the macro-fiscal framework**
- **Accordingly, the Republic believes that the best way to take into consideration the potentially transformative impact of oil discoveries in Suriname for the repayment of its debt, is through contingent value recovery mechanisms (“VRMs”)**
- **These VRMs will have to be designed to follow the below basic key principles:**
  - ① **Given the sacrifices made by the Surinamese people in the context of the fiscal adjustment program, the VRM parameters must ensure that a certain level of revenues derived from offshore oil discoveries are allocated to improve the livelihood of the Surinamese people**
  - ② **The VRM design will only aim to compensate creditors for their losses**
  - ③ **The VRM should be viewed as a means to reach a fair and mutually beneficial solution for Suriname and its creditors**

## Considerations on potential value recovery mechanisms (2/2)

- The Republic is inviting its creditors to engage into restricted discussions in order to define appropriate mechanisms that are compatible with the DSA
- Possible avenues are as follows:
  - 1 Mechanisms granting cash payments representing a share of oil-based tax revenues. The revenue perimeter could include the Republic's share in profit oil, royalties and income tax. Payments would be driven by the following elements:
    - Annual Nominal Floor above which payments would start
    - VRM Tenor
    - Nominal Cumulative Cap on total payments
    - Allocation Ratio between the Republic and the holders
  - 2 Debt reinstatement mechanisms tied to the evolution of Debt-to-GDP ratio
  - 3 Any other appropriate mechanisms that creditors of the Republic may suggest for consideration
- The Republic is also contemplating the possibility to include in the above mechanisms ESG-related features, such as debt for climate or nature swaps, and poverty reduction initiatives



### III Concluding remarks

## Key principles of our creditor engagement strategy

- The Republic intends to actively engage with its creditors, including official creditors, on the basis of the below principles
- In parallel, the Republic will be actively working towards IMF Board approval of an arrangement under the EFF

1

Transparency

2

Good faith efforts  
for a collaborative  
process to restore  
debt sustainability

3

Fair treatment  
across creditors

4

Consistency with  
IMF DSA targets

## Organizational details

If bondholders or international creditors are interested in obtaining more information and engaging in discussions with the Government, please contact Suriname's Financial Advisor Lazard and Legal Advisor White & Case at the following email address [sr.investors@lazard.com](mailto:sr.investors@lazard.com) for any request or other inquiry

This webcast will be available on replay until Monday 14 June 11:00am Paramaribo time, at the following URL: <https://webcast.openbriefing.com/suriname-jun21/>

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