

REPUBLIC OF SURINAME



Update to Creditors



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I The Republic has achieved a significant milestone in restoring macroeconomic stability through the approval of the IMF program by the Executive Board

In December 2021, the IMF Board approved a 36-month Extended Fund Facility (“EFF”)

This decision unlocked an immediate disbursement equivalent to SDR 39.4 million



Objectives and size

✓ Objectives:

- Support Suriname’s authorities’ homegrown economic plan aiming to **restore fiscal sustainability while protecting the vulnerable** by expanding social safety net programs
- Help **bring public debt down** to sustainable levels
- **Upgrade the monetary and exchange rate policy framework**, stabilize the financial system
- **Strengthen institutional capacity and improve governance**

✓ Size: SDR 472.8m (366.8 percent of quota)



Review process

✓ **11 quarterly reviews** are scheduled between **March 2022** and **September 2024**

Board approval process has concluded after obtaining official creditors' financing assurances, following the IMF Staff-Level Agreement (April 2021)

Key reforms and policy actions

- **The Authorities have delivered on key commitments**, including:
 - 1 The adoption by the National Assembly of a **2021 budget** consistent with the program parameters, and **key fiscal measures** (increase of sales tax, VAT implementation, raising the royalty rate on small gold miners, limiting the nominal wage and benefit increase, instituting a timeline to phase out electricity subsidy)
 - 2 The **unification of the official and parallel exchange rates**
 - 3 The conclusion of a MoU between the Central Bank of Suriname ("CBvS") and the Ministry of Finance and Planning ("MoFP") to **end new CBvS financing of the Government**

Update of the Macro-Framework

- **The macro fiscal framework has improved, reflecting the early policy actions of the government** (fiscal consolidation, unification of the exchange rate) **and exogenous developments** (update of the GDP deflator, SDR allocation, post-pandemic recovery)

Engagement with creditors

- **Following the Staff-Level Agreement, the Republic of Suriname ("RoS") presented the principles and preliminary elements of its restructuring plan (2 June 2021)**
- **The RoS has maintained regular interactions with its creditors, notably to:**
 - 1 **Gather their feedback on the latest developments:** the Authorities outreached to all its creditors and have shared relevant information with all the ones who responded to the outreach
 - 2 **Obtain the financing assurances from official creditors:**
 - i. The Authorities have obtained formal financing assurances from Paris Club creditors in September 2021
 - ii. India and China have provided assurances - although less specific than those provided by the Paris Club creditors - that they intend to work with Suriname towards a debt restructuring that will restore sustainability. China and India have consented to Fund financing notwithstanding arrears due to them

The macro fiscal framework has improved since the Staff Agreement

The macro fiscal framework has been improved on the back of early policy actions of the authorities (fiscal consolidation, unification of the exchange rate) and exogenous developments (update of the deflator, SDR allocation, post-pandemic recovery). Program projections do not take into account recent oil findings since, according to the IMF, available information so far does not include assurances about the economic viability of these reserves (especially in the absence of clear private sector investment plans to extract these resources)

	Unit	2021e ²	2022f ³	2023f	2024f	2025f	2026f	Beyond 2026
Real Economy								
Nominal GDP	<i>SRDm</i>	56,280	77,978	96,647	111,746	124,972	138,883	-
Real GDP Growth	<i>% change</i>	(3.5)	1.8	2.1	2.7	3.0	3.0	<i>Steady growth at 3% over the long term</i>
GDP Deflator	<i>% change</i>	52.1	36.1	21.3	12.6	8.6	7.9	<i>Inflation expected to gradually decrease to 5% in the long run</i>
CPI (Avg)	<i>% change</i>	58.6	37.9	22.2	14.1	10.0	7.9	
Fiscal Sector								
Primary Balance	<i>% of GDP</i>	(1.3)	1.7	3.5	4.5	4.0	3.5	<i>Primary balance projected to converge to 3.5 % of GDP and remain at this level</i>
External Sector								
REER ¹	<i>% change</i>	4.1						<i>Mild REER appreciation</i>

The strong conditionality of the program and its conservative underlying assumptions should provide support for the market value of RoS debt once the restructuring is achieved



II The IMF program entails strong commitments from the Republic, but will also catalyze support from the international financial community

The program entails significant commitments from the Republic – *Ambitious fiscal consolidation while protecting the most vulnerable*

Key features of the fiscal adjustment plan

- Increase in the central government primary balance by 14% of GDP by 2024, of which:
 - 10 percentage points of discretionary fiscal consolidation
 - remaining adjustment achieved by the expected recovery of the economy and the impact of real depreciation on the fiscal accounts
- The social safety net will be expanded to better protect the vulnerable from the burden of this policy adjustment

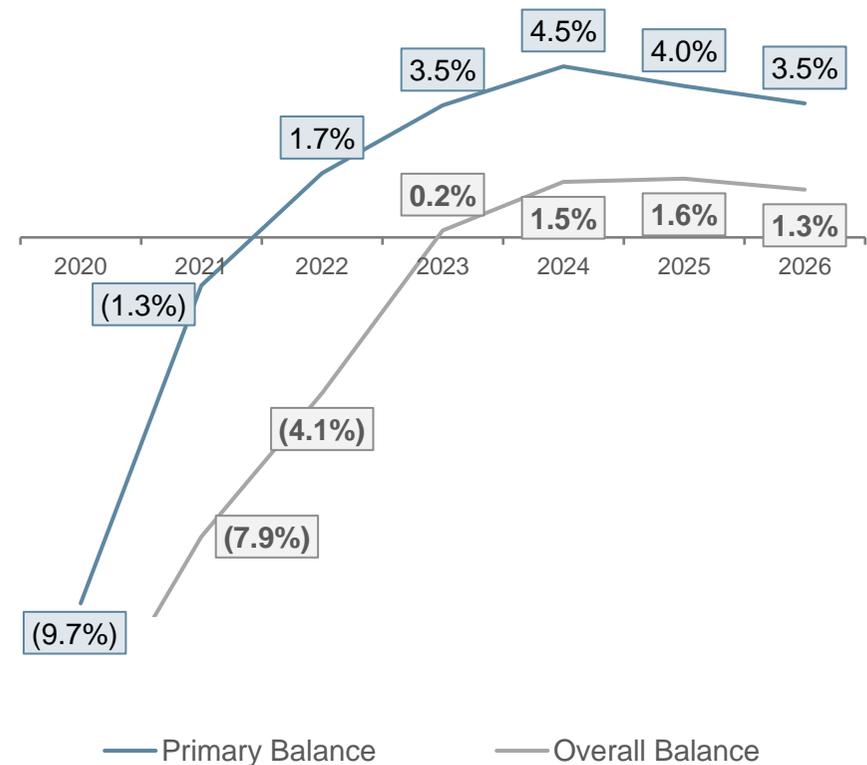
Key fiscal consolidation policies in the next twelve months



Source: Republic of Suriname, IMF

Primary and overall balance trajectory

Primary and overall fiscal balances, in % of GDP



The program entails significant commitments from the Republic – *Upgrade of the monetary and exchange rate frameworks, and stabilization of the financial system*

<p>Upgrade of the monetary policy framework</p>	<ul style="list-style-type: none"> • The RoS has already concluded a Memorandum of Understanding between the CBvS and Ministry of Finance to end new, gross central bank financing of the government • Since July 2021, the CBvS has been operating monetary policy based on a reserve money anchor, which aim to reduce inflation to 12% by the end of the program
<p>Upgrade of the exchange rate framework</p>	<ul style="list-style-type: none"> • On 7 June 2021, the CBvS unified the official and parallel exchange rates and allowed the exchange rate to be fully market-determined • The shift to a flexible exchange rate, limited CBvS FX sales, and financing inflows from IFIs will allow foreign reserves to be rebuilt over the course of the program
<p>Stabilization of the financial system</p>	<ul style="list-style-type: none"> • The Republic is committed to recapitalize the CBvS and the local Banking Sector according to program guidelines • Work is under way to undertake a comprehensive audit of the CBvS and asset quality reviews of the commercial banks. This will confirm the exact size of the recapitalization needs for the CBvS and local banks <div data-bbox="555 911 2114 1369" style="text-align: center;"> </div>

The program provides a strong anchor for macroeconomic stabilization – *Focus on financial and technical assistance from International Financial Institutions (IFIs)*

The IMF program will have a catalytic role in the mobilization of financial and technical support of international development partners

Budget and project support from IFIs



- **Financial support from IFIs include:**

- USD 500m of budget support to be disbursed over the course of the program
- An additional financing envelope dedicated to project support

Technical assistance



- **The Republic of Suriname will benefit from major development partners' expertise in a wide range of areas that include:**

- Developing feasible options for raising applicable taxes and fees on large-scale gold exporters
- Reviewing the expenditure control process
- Developing a medium-term fiscal strategy
- Improving capacity for liquidity forecasting, debt management, cash planning, arrear monitoring and commitment control

As part of the program, the Republic committed to bring its debt on a sustainable path and to enhance the availability of debt data

The Republic commits to restore debt sustainability in line with program parameters, and will proceed with reforms to improve the frequency, timeliness and quality of debt information

DEBT SUSTAINABILITY

- The IMF program seeks to restore debt sustainability through the macroeconomic framework and a debt restructuring. Board approval manifests the support of the international official community for this approach
- To restore debt sustainability, the Republic commits to achieving the following debt targets, as defined in the IMF program:
 - Reducing public debt¹ to 120% of GDP by 2024 and 60% of GDP by 2035
 - Reducing Gross Funding Needs to an average of 9 % of GDP over 2023-2035, while remaining below the 12% upper limit in any given year

DEBT TRANSPARENCY

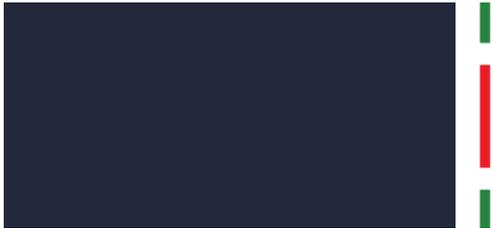
- The Republic commits to improve the frequency timeliness, and quality of debt information
- To that effect, the Republic will notably (i) expand the legal mandate of the Suriname Debt Management Office (“SDMO”) to include the whole nonfinancial public sector, including all suppliers’ arrears, guarantees, and contingent liabilities (by end-June 2022) and (ii) appoint external experts to conduct an audit of domestic supplier arrears (audit to commence by April 2022)
- The SDMO will publish central government debt information from January to December 2021 (by end-January 2022)
- The SDMO will publish on a monthly basis, on the SDMO’s website, the following information:
 - Central government obligations with a lag of no more than four weeks after the closing of a month (starting in January 2022)
 - Full scope of public sector obligations (by June 2022)

REPUBLIC OF SURINAME



Source: Republic of Suriname, IMF

1) For the purpose of the DSA underpinning the IMF program; “Public debt” refers to Suriname’s central government debt including IMF loans to the CBvS



III Principles of restructuring and next steps

Reminder of the key principles of our creditor engagement strategy

- The Republic intends to pursue discussions with its creditors on the basis of the below principles, that have guided its actions since the beginning of the ongoing process, aiming at restoring the country's economic situation

1

Transparency

2

**Good faith efforts
for a collaborative
process to restore
debt sustainability**

3

**Fair treatment
across creditors**

4

**Consistency with
IMF debt
sustainability
analysis (“DSA”)
targets**

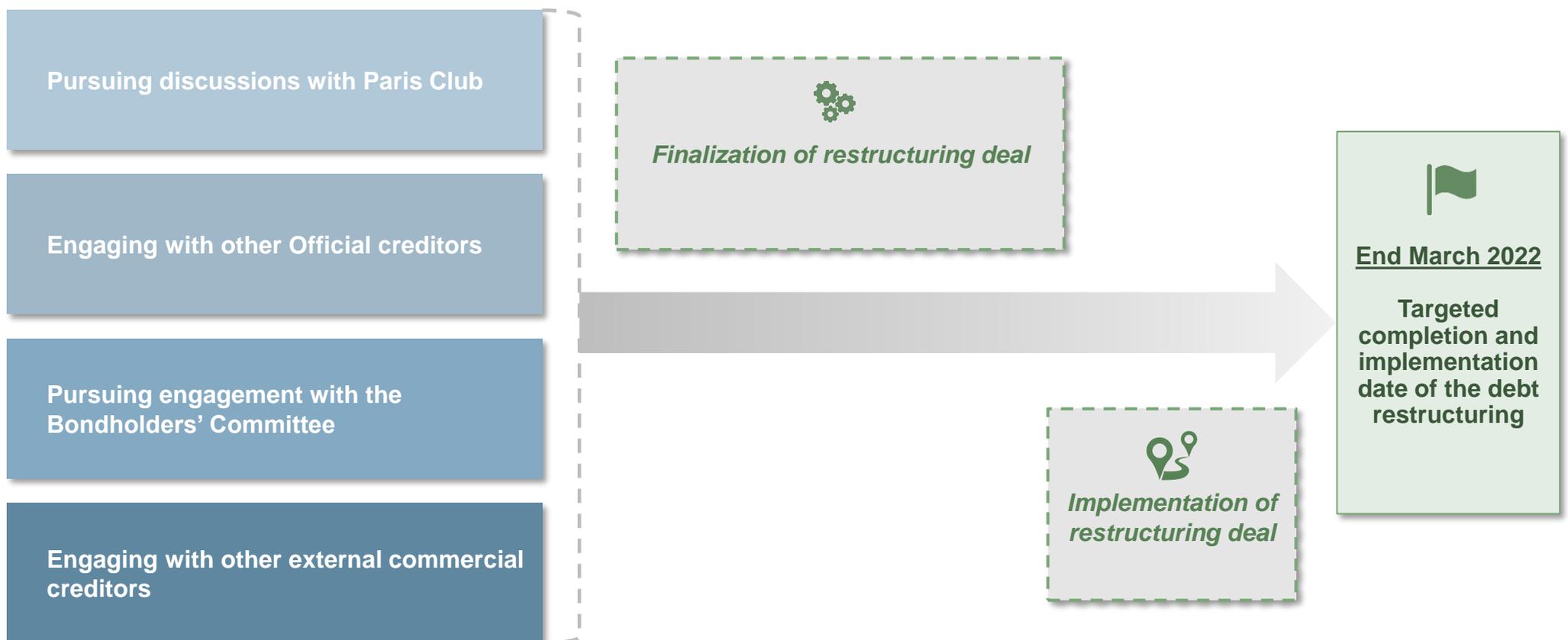
Considerations on debt restructuring

- **The Republic is committed to repay its debt obligations as much as its economic and social situation allows**
- **The Republic and its advisors are preparing a restructuring proposal for its various categories of creditors that will be compatible with DSA targets**
- **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 IMF program 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”) in addition to a base recovery fixed income instrument**
- **These VRMs will have to be designed to follow the below basic key principles:**
 - ① **The VRM design will aim to compensate creditors for nominal losses as applicable**
 - ② **For reasons of political acceptability and fairness, such VRM will be capped in dollar terms and creditors will be compensated after some “first oil” goes to the population of Suriname**
 - ③ **The VRM should be viewed as a means to reach a fair and mutually beneficial solution for Suriname and its creditors**

Overview of next steps of restructuring negotiations

The Republic is in the process of reaching out to its external creditors, on the basis of the restructuring assumptions embedded in the program, in order to start negotiations

Key workstreams



Organizational details

For any question or other enquiries on this presentation, please contact Suriname's Financial Advisor Lazard and Legal Advisor White & Case at the following email address sr.investors@lazard.com

This presentation is available on the website of the Ministry of Finance and Planning of the Republic of Suriname <http://finance.gov.sr/>.