

# DEBT BULLETIN

June 2022, Issue 9



Debt Management Department  
Ministry of Finance  
Republic of Maldives



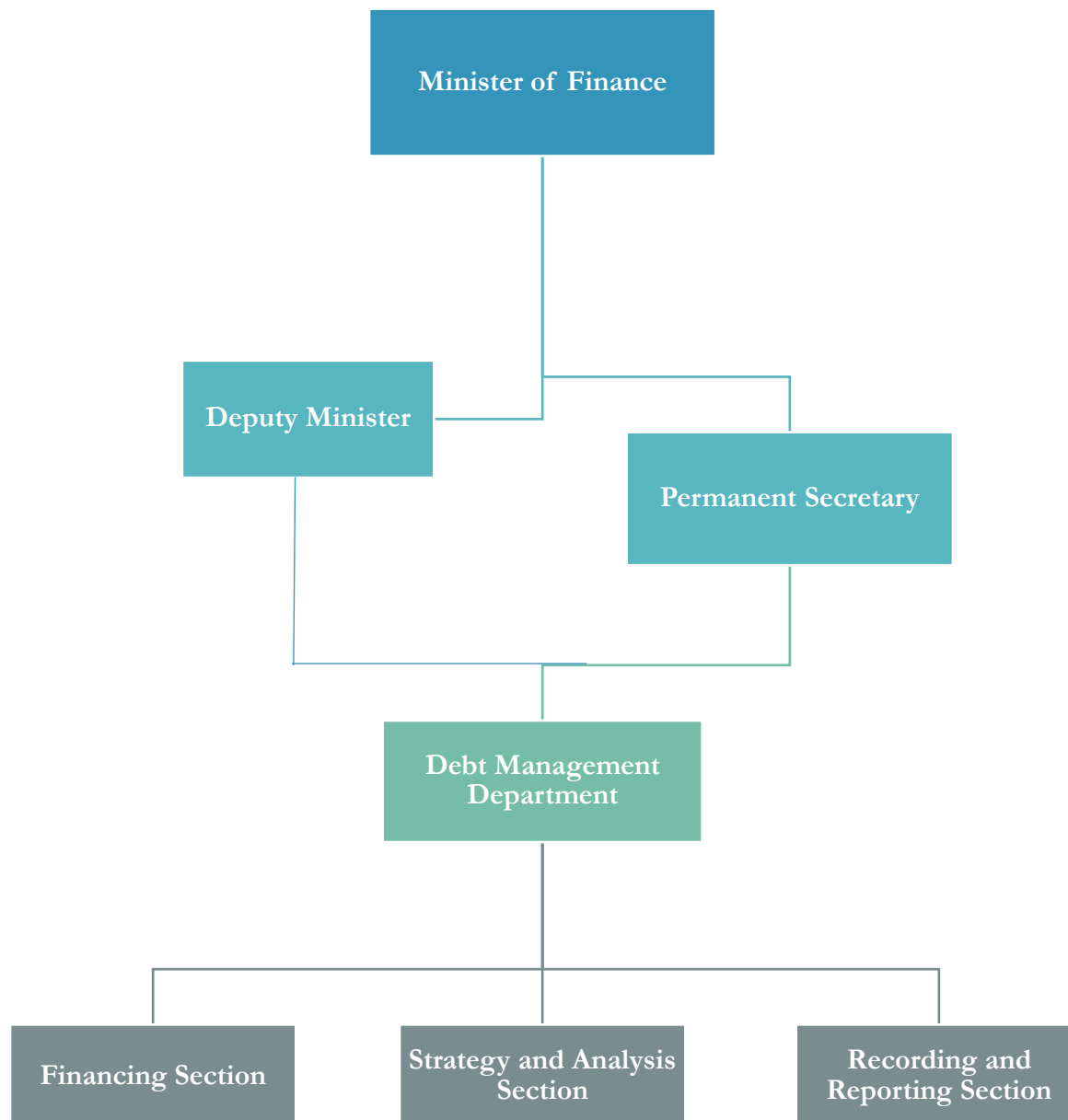
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## 1. Abbreviations

ADB	Asian Development Bank
AED	United Arab Emirates Dirham
AIIB	Asian Infrastructure Investment Bank
ATM	Average Time to Maturity
ATR	Average Time to Refixing
BCG	Budgetary Central Government
CSD	Central Depository System
CNY	Chinese Renminbi
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CUB	Committed Undisbursed Balance
DCM	Debt Capital Market
DeMPA	Debt Management Performance Assessment
DOD	Disbursed Outstanding Debt
DMD	Debt Management Department
DSSI	Debt Service Suspension Initiative
EMBI	Emerging Market Bond Index
EUR	Euro
EXIM China	The Export-Import Bank of China
EXIM India	Export Import Bank of India
FX	Foreign Currency
GBP	Great British Pound
GDP	Gross Domestic Product
GoM	Government of Maldives
ICD	International Corporation for the Development of Private Sector
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ING	International Netherlands Group
IsDB	Islamic Development Bank
IMF	International Monetary Fund
JPY	Japanese Yen
KFAED	Kuwait Fund for Arab Economic Development
KWD	Kuwaiti Dinar
LM	Liability Management
LT	Long Term
MMA	Maldives Monetary Authority
MPAO	Maldives Pension Administration Office
MTDS	Medium Term Debt Management Strategy
MVR	Maldivian Rufiyaa
OFID	OPEC Fund for International Development
PFM	Public Finance Management
PG	Publicly Guaranteed
PPG	Public and Publicly Guaranteed
RDC	Reverse Dual Currency
SAR	Saudi Riyal
SDR	Special Drawing Rights
SFD	Saudi Fund for Development
SLA	Subsidiary Loan Agreement
ST	Short Term
USD	United States Dollar
VIA	Velana International Airport
WAIR	Weighted Average Interest Rate
WB	World Bank

## 2. Organizational Structure



### 3. Introduction

The debt bulletin is prepared semi-annually by the Debt Management Department of the Ministry. It includes the public and publicly guaranteed debt statistics, risks to debt portfolio and recent operational and institutional developments within DMD and any other recent developments related to debt management.

This issue of the public bulletin covers the total debt of the central government as defined in the Fiscal Responsibility Act (FRA). As per the FRA, total central government debt includes all the direct borrowings of the government, sourced externally and domestically. Guaranteed debt outstanding and other key information related to sovereign guarantees are included in a separate section.

Wherever debt outstanding is mentioned in this bulletin, it refers to the disbursed outstanding debt of the central government. When referred to the debt outstanding under contingent liabilities, it will be referred as guaranteed debt. When there is a reference given to a guaranteed debt, it is referring to the debt where a sovereign guarantee has been issued by the government.

#### 4. Overview of Debt Portfolio

Overview of debt outstanding as of June 2022 and debt service and disbursements from January to June 2022

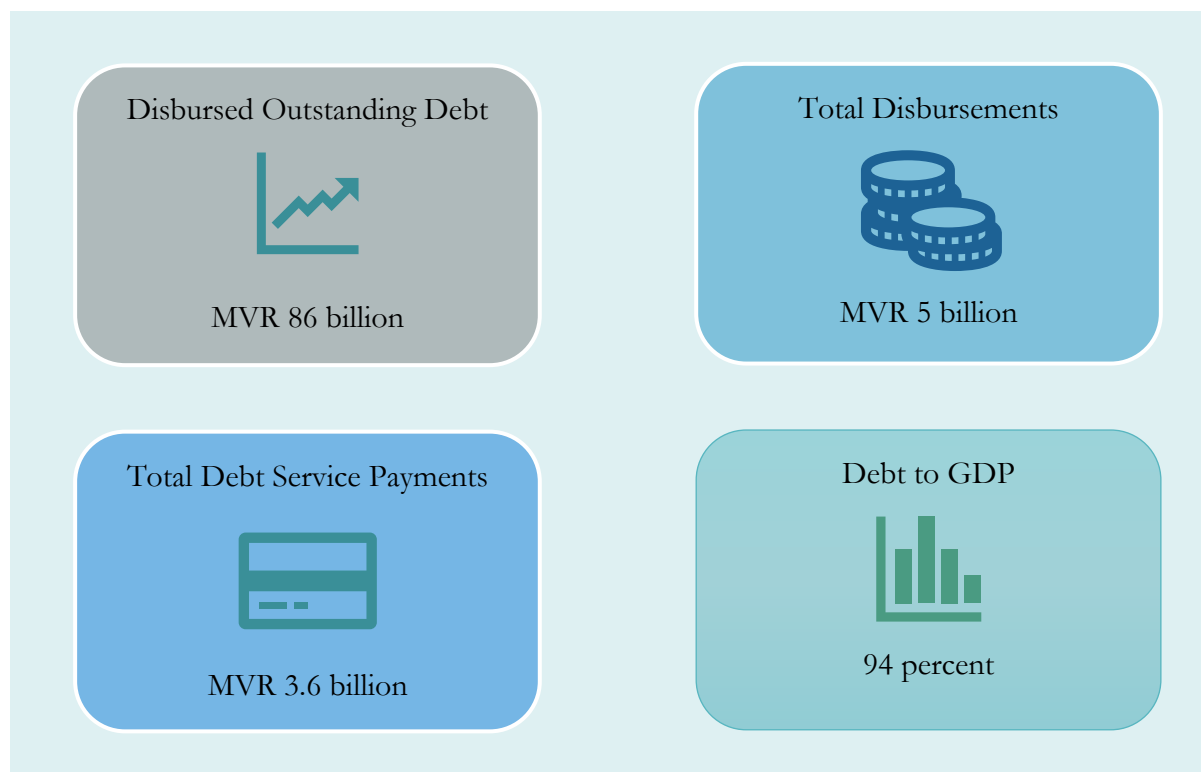
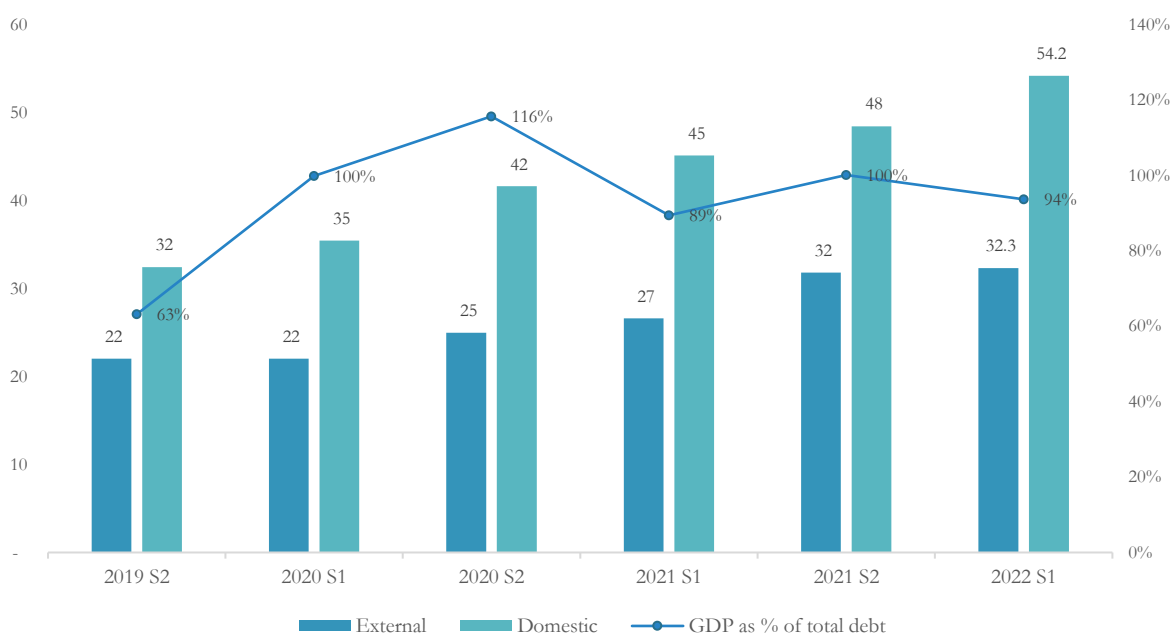


Figure 1 shows the total budgetary central government debt outstanding as a percentage of GDP as of June 2022

Figure 1





# 5. Budgetary Central Government Debt

The total debt outstanding as of June 2022 was MVR 86 billion. The debt to GDP ratio decreased from 100 percent in December 2021 to 94 percent as of June 2022. This is because of the improvement in GDP when compared to debt accumulation for the period.

## 5.1. External debt

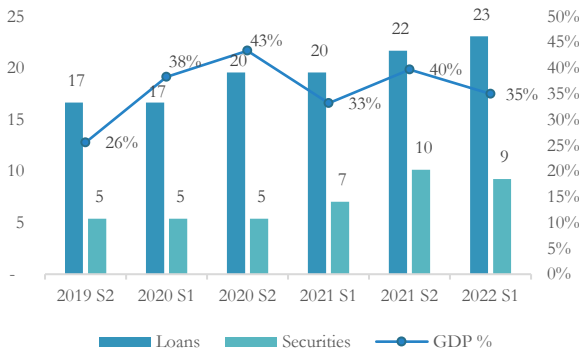
### 5.1.1. External debt outstanding

As of June 2022, the external debt of the government stood at MVR 32.3 billion. This is a 1.5 percent increase compared to December 2022. The increase in external debt is mainly driven by the new budget support loan contracted during the first half of 2022 and also disbursements under previously contracted loans.

There are mainly two types of debt instruments in the external portfolio; which are loans and securities.

Figure 2 shows the change in outstanding debt of external portfolio from Dec 2019 to Jun 2022.

Figure 2

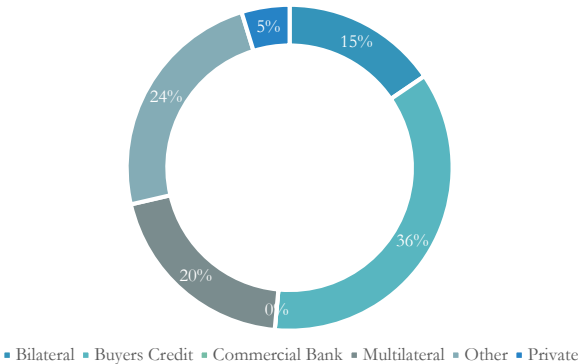


#### 5.1.1.1. External debt outstanding by Creditor Category

Debt outstanding to buyer's credit lenders stood at MVR 11.6 billion as of June 2022, representing 36 percent of the total external debt portfolio. MVR 7.7 billion was outstanding to Bondholders and MVR 6.4 billion to multilateral agencies, holding 24 and 20 percent respectively. The remaining were distributed between bilateral and private creditors, totaling MVR 6.6 billion.

Figure 3 below shows debt outstanding by creditor categories as of June 2022.

Figure 3



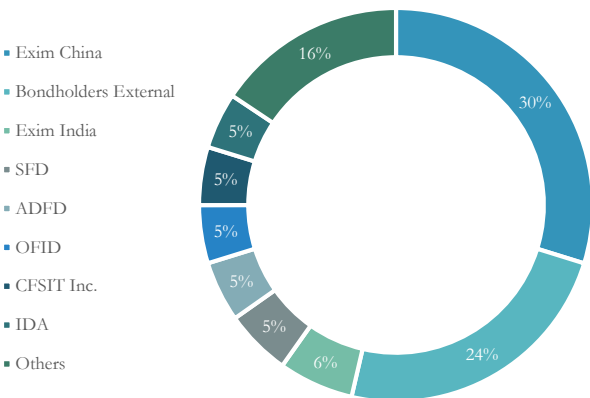
#### 5.1.1.2. External debt outstanding by Creditor

In terms of debt outstanding by creditor as of June 2022, Exim China holds the largest share, with 30 percent of total external debt outstanding. External Bondholders held 24 percent of external debt, followed by Exim India, holding 6 percent of external debt outstanding. SFD, ADFD, IDA, OFID and CFSIT each held 5 percent. It is to note that the USD 100 million private placement bond issued in 2018 is included under ADFD, as it was a private placement done with the Fund.

The remaining creditors held 16 percent in total. They are classified as Others.

Figure 4 below shows the debt outstanding by Creditor as of June 2022.

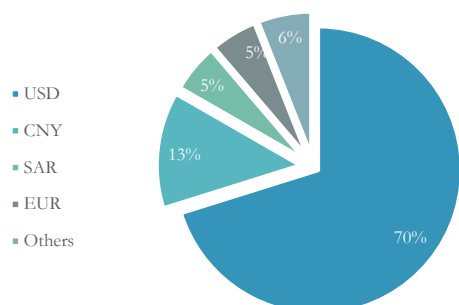
Figure 4



### 5.1.1.3. Currency Composition of External Debt

As of June 2022, 9 percent of external debt was held in SDR. Figure 5 shows the debt outstanding by currency when SDR<sup>1</sup> is decomposed to its basket currencies.

Figure 5



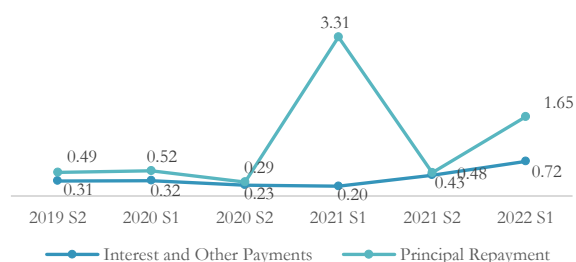
As illustrated in figure 5 above, as of June 2022 the largest share of external debt is in USD, representing 70 percent of the external debt portfolio. The CNY held 13 percent, and EUR and SAR held 5 percent each. The remaining currencies are shown together as Others. These include JPY, KWD, AED and GBP.

### 5.1.2. External Debt Service

During the first half of 2022, MVR 2.4 billion was utilized for the external debt servicing, representing an increase of 158 percent when compared to the second half of 2021. The significant increase in debt service cost during this period is from the settlement of the Sunny Side bond which matured in June 2022, where MVR 0.9 billion was accounted for this repayment.

Figure 6 below shows the debt service cost of external debt from Dec 2019 to Jun 2022 in MVR billions

Figure 6



<sup>1</sup> SDR is a form of international money, created by the International Monetary Fund, and defined as a weighted average of USD, EUR, CNY, JPY and GBP. More on SDR can be found from this link:

### 5.1.2.1. Interest and Other payments of External Debt

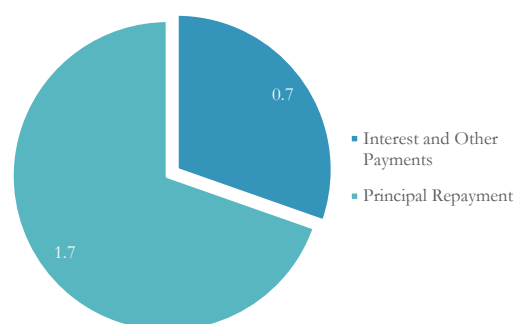
During the first half of 2022, MVR 0.7 billion was utilized on interest and other payments, which is a 66 percent increase when compared to the second half of 2021. This increase is mainly attributed to the increase in external debt outstanding compared to the second half of 2021.

### 5.1.2.2. Principal repayments of External Debt

During the first half of 2022, MVR 1.7 billion was utilized as principal repayments of external debts. This is an increase of 241 percent compared to the second half 2021, mainly from the principal repayment of Sunny Side bond.

Figure 7 below shows the total external debt service cost during the first half of 2022 in MVR billions.

Figure 7



### 5.1.3. Disbursements of External Loan

#### 5.1.3.1. Disbursements of External Loans by Creditor

Total external loan disbursements for the first half of 2022 was MVR 2.7 billion. Looking at the creditor composition of disbursements, the largest share of external loan disbursement is attributed to a budget support loan obtained from CFSIT Inc. This accounts for 58 percent of total external loan disbursements for the period.

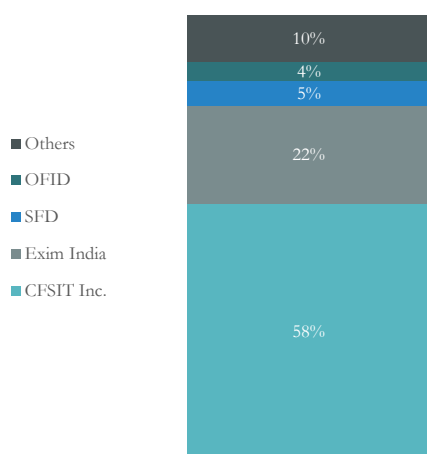
<https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/14/51/Special-Drawing-Right-SDR>



Disbursements under the loans obtained from Exim India contributed to 22 percent of the disbursements of total external loans, followed by SFD and OFID who contributed 5 percent and 4 percent respectively. The remaining creditors account for 10 percent of disbursements of total external loans during the period.

Figure 8 below shows the disbursement of external loans by creditor from Jan to Jun 2022.

Figure 8

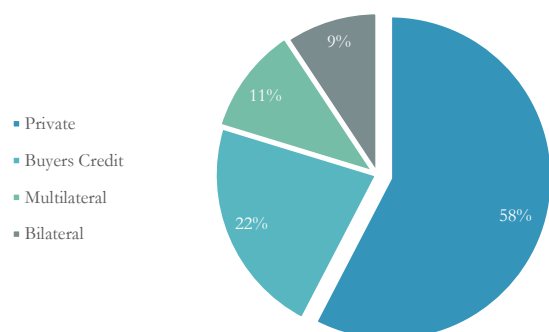


### 5.1.3.2. Disbursements of External Loans by Creditor Category

Disbursements from private creditors accounted for 58 percent of disbursements of total external loans during the first half of 2022. Buyers credit lenders, multilaterals and bilateral partners followed with 22, 11 and 9 percent, respectively.

Figure 9 shows the disbursements of external loans from Jan to Jun 2022 by creditor category.

Figure 9



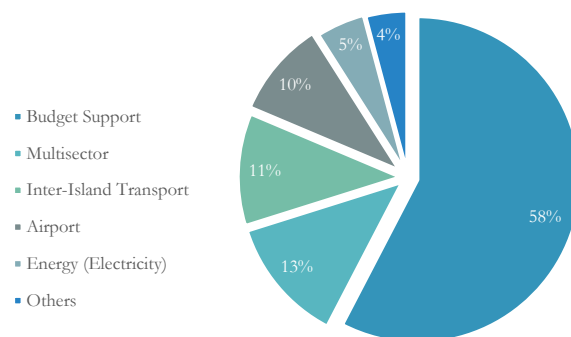
### 5.1.3.3. Disbursements of External Loans by Sector

With regard to disbursements by sector, budget support holds the largest share, with 58 percent of disbursements of external loans during the first half of 2022. Second largest sector for which disbursements of external loans was multisector, which accounted to 13 percent. This category mainly includes disbursements under the USD 800 million line of credit facility with Exim India.

Inter-island transport sector followed in third, with 11 percent, which includes disbursements under the Greater Male' connectivity – Male' to Thilafushi link project. Airport and Energy sectors accounted for 10 percent and 5 percent respectively.

Figure 10 shows the disbursements of external loans by sector.

Figure 10



### 5.1.4. Committed Undisbursed Balance of External Loans

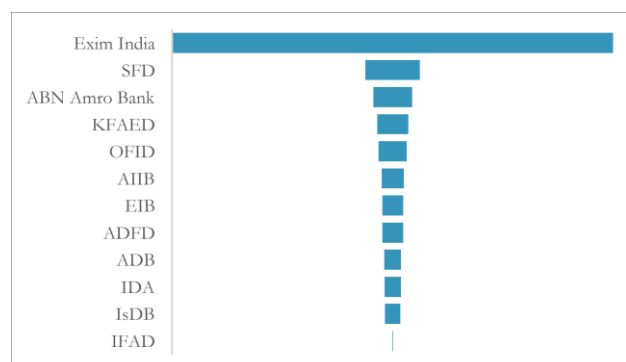
At the end of first half of 2022, MVR 29.5 billion of external loan commitments remained undisbursed.

With MVR 18 billion, Exim India holds the largest share of CUB as of June 2022. Second largest was SFD, with MVR 2.3 billion.

ABN Amro Bank followed with MVR 1.6 billion being undisbursed for a co-financing facility with AKA Aushfuhrkredit-Gesellschaft mbH, ABN AMRO Bank N.V. and ING Bank N.V. to finance the Gulhifalhu reclamation project phase II, which was contracted during June 2022.

Figure 11 shows the CUB by creditor as of June 2022.

Figure 11



## 5.2. Domestic Debt

The domestic debt outstanding was MVR 54.2 billion as of June 2022, which was 59 percent of GDP. The domestic debt outstanding increased by 12 percent during the first half of 2022, when compared to the last second half of 2021. This increase is largely due to the conversion of PBA overdraft to a long-term bond and also issuance of additional treasury bills during the period.

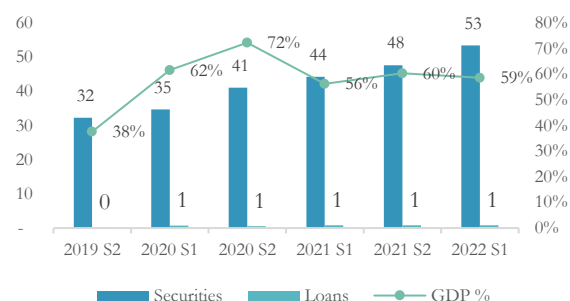
### 5.2.1. Domestic Debt Outstanding

The domestic debt outstanding comprises mainly of short- and long-term securities issued to domestic market and loans obtained from commercial banks. Treasury bills account for 60 percent of the total domestic portfolio as of June 2022.

Domestically issued treasury securities make up 99 percent of the total domestic debt outstanding while the remaining 1 percent are loans.

Figure 12 shows the domestic debt outstanding as a percentage of GDP from Dec 2019 to Jun 2022.

Figure 12

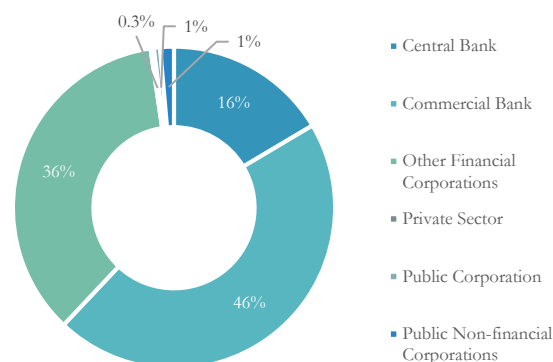


#### 5.2.1.1. Domestic Debt Outstanding by Creditor Category

Commercial banks held 46 percent of the total domestic debt outstanding as of June 2022, representing the largest share. 36 percent was held by other financial corporations and 16 percent by the central bank. The remaining 2 percent were held by public non-financial corporations, public corporations and private sector.

Figure 13 below shows the domestic debt outstanding by creditor category as of Jun 2022.

Figure 13



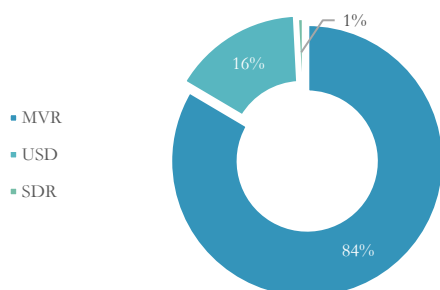
#### 5.2.1.2. Currency Composition of Domestic Debt

Majority of the domestic debt instruments are denominated in MVR, which was 84 percent of the total domestic debt outstanding as of June 2022. 16 percent of domestic debt was denominated in USD and the

remaining 1 percent is attributed to a loan obtained from MMA via IMF<sup>2</sup>, which is denominated in SDR.

Figure 14 below shows the currency composition of domestic debt as of Jun 2022.

Figure 14



### 5.2.2. Debt Service of Domestic Debt

Total Debt service cost of domestic instruments was MVR 1.2 billion for the first half of 2022. Principal repayments accounted for 38 percent while the remaining 62 percent represents interest and other payments during the period.

Figure 15 shows the domestic debt service cost from Dec 2019 to Jun 2022.

Figure 15



## 6. Publicly Guaranteed Debt

As of June 2022, publicly guaranteed debt outstanding stood at MVR 13.9 billion, which was 15 percent of GDP.

Publicly guaranteed external debt outstanding stood at MVR 13.4 billion at the end of June 2022, which was 15 percent of GDP. Domestic guaranteed debt stood at MVR 0.5 billion for this period.

Figure 16 below shows the publicly guaranteed debt outstanding from Dec 2019 to Jun 2022.

Figure 16



## 7. Risks to Debt Portfolio

The government's debt portfolio is primarily vulnerable to risks associated with refinancing, interest rates, exchange rates, operations, and contingent liabilities. Amongst these, the most notable risks in the debt portfolio currently are, exchange rate risk, refinancing risk, and interest rate risk.

In addition, the government is constantly monitoring the operational risk, and risks arising from contingent liabilities.

### 7.1. Refinancing Risk

The maturity structure of the debt portfolio is one of the main underlying factors defining the level of risk associated with refinancing. Average Time to Maturity (ATM) and debt maturing within 12 months are the two main indicators of this risk.

These indicators show the presence of particularly high peaks in the redemption profile. As of June 2022, 46.3 percent of the total debt outstanding had a maturity of one-year or less. This is an increase of 4 percent when compared to December 2021. This increase is mainly because of new issuances of treasury bills and maturity

<sup>2</sup> This includes the Rapid Credit Facility (RCF), which was approved by the Board of IMF in April 2020, to help cover balance of payments and fiscal needs, stemming from the COVID-19 pandemic. The loan

is considered as an on-lending from MMA to GoM, hence shown under the domestic debt figures.

of the remaining outstanding balance of the Sunny Side bond, which had a remaining maturity of less than one year, at the time of reporting.

For the purpose of calculating the refinancing risk, the principal repayments of debt maturing within one-year are considered. This consists of short-term instruments including treasury bills, amortization of the USD 58 million of the Sunny Side bond and loans from both domestic and external sources. Short-term refinancing risk was substantially reduced with the settlement of Sunny Side bond at maturity in June 2022.

One of the targets of MTDS for 2023-2025 is to reduce refinancing risk by prolonging the maturity profile of the debt portfolio. As such, it is anticipated that domestic treasury bills will be rolled over during the 3-year horizon. This is in line with the MTDS 2023-2025, where one of the targets is to convert the maturing treasury bills stock to long-term instruments, while gradually reducing the reliance on short-term treasury bills.

The introduction of new Islamic treasury instruments in March 2022 is also a positive step towards achieving the targets established in the MTDS for 2023–2025. This will diversify the portfolio which will help to lower the risk associated in refinancing.

## 7.2. Exchange Rate Risk

At the end of June 2022, almost 50 percent of the debt portfolio was denominated in foreign currencies. As depicted in section 5.1.1.3, these include USD, CNY, SAR, AED, EUR and JPY.

Out of the 50 percent of foreign currency denominated debt, 35 percent was in USD. As of June 2022, the foreign currency debt as a percentage of total debt decreased by 5 percent when compared to December 2021. This reduction is mainly from the redemption of the remaining balance of Sunny Side bond in June 2022.

Exposure to USD remains the biggest exchange rate risk as of June 2022, but, it is worth noting that this risk remains minimal since the USD-MVR has a fixed peg in the current exchange regime.

## 7.3. Interest Rate Risk

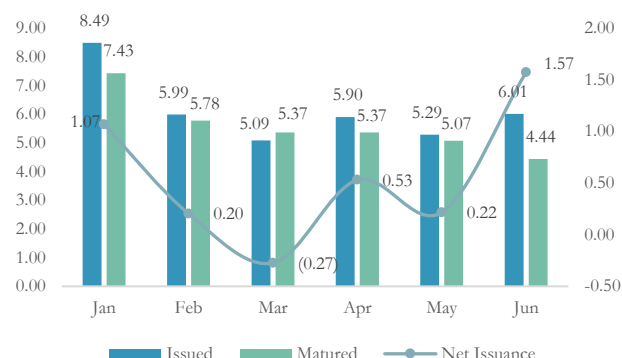
Nearly 97.8 percent of the debt portfolio is dominated with fixed rate debt. Remaining 2.2 percent are denominated in variable rates.

37 percent of the total debt outstanding as of June 2022 are held in treasury bills. Debt portfolio is nevertheless vulnerable to interest rate re-fixing, as treasury bills are short-term instruments. However, interest rate risk arising from treasury bills is relatively low, due to the existing tap system, which allows GoM to issue treasury bills at a fixed rate.

Issuance of treasury bills increased by 58.1 percent in the first half of 2022. This increase is a testament that the demand and confidence from domestic investors towards government securities remain strong and is increasing, hence the interest rate risk arising from government securities operations remains low.

Figure 17 shows the domestic securities issuance from Jan to Jun 2022.

Figure 17



## 7.4. Contingent Liability Risk

Contingent liabilities can be classified as either implicit or explicit. Sovereign guarantees are mainly issued by the government to State Owned Enterprises (SOEs), exposing the government to an explicit contingent liability risk.

Publicly guaranteed debt decreased by 7 percent when compared to second half of 2021. Despite the decline in guaranteed debt, the government faces fiscal risks due to the unpredictability of future events, such as a decline in the financial well-being of beneficiaries of sovereign guarantees that may result in the crystallization of a contingent liability. In order to mitigate this risk, government has been regularly monitoring the debt repayment capacity and financial stability of the sovereign guaranteed beneficiaries.

To further improve monitoring of sovereign guarantees, the Ministry has enhanced the credit risk assessment with the technical assistance from World Bank, where a credit

risk monitoring tool was designed to capture the performance of sovereign guaranteed beneficiaries.

## 8. Recent Developments in Debt Management

### 8.1. Development of Islamic Securities Market

As part of the ongoing measures to develop the domestic securities market, a new short-term, Shariah compliant treasury instrument was introduced in March 2022. As such, the first certificate of Wakalah Bi Al-Isthithmar was issued on 8<sup>th</sup> March 2022.

This has provided an avenue for the Shariah compliant investors to park their access liquidity and at the same time an opportunity to diversify the portfolios of both the government and investors.

### 8.2. Implementation of Meridian

The upgrading of the Commonwealth Secretariat's debt recording and management system to the latest version, Meridian, is ongoing.

Migration of debt database was conducted in March 2022. Validation of the migrated database is currently underway.

### 8.3. Strengthening the Legal Framework

With the assistance from IMF, a new Public Debt Law has been drafted. Finalizing the policy decisions and translation of the law is currently ongoing.

### 8.4. Digitalization

The one thing that pandemic has taught us is the importance of digitalization. DMD has started automating the daily work processes and working towards a paperless office.

As such, in January 2022, DMD has started the Bi-weekly MVR and RDC treasury bill issuance process through the e-Debt Management Portal (eDM).

## 8.5. Capacity Building

Training on MTDS & Bloomberg with the assistance under WB's PFM project

Initial training of the newly developed CSD took place where basic operations and functions of the system was covered.

A team from COMSEC visited Maldives during March 2022 and conducted training on the new debt recording and management system, Meridian.

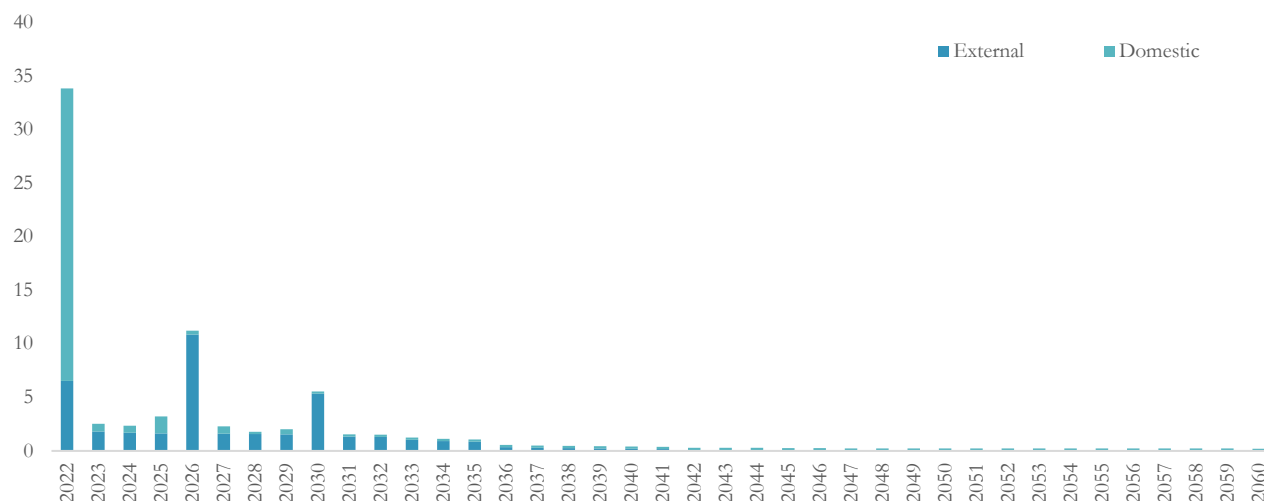
DMD staff participated in the second Public Debt Management Conference, which was held in Rome, Italy from May 26-27, 2022.

An online training was conducted by Bursa Malaysia to build knowledge of their trading platform which is used in issuance of Wakalah Bi Al-Isthithmar

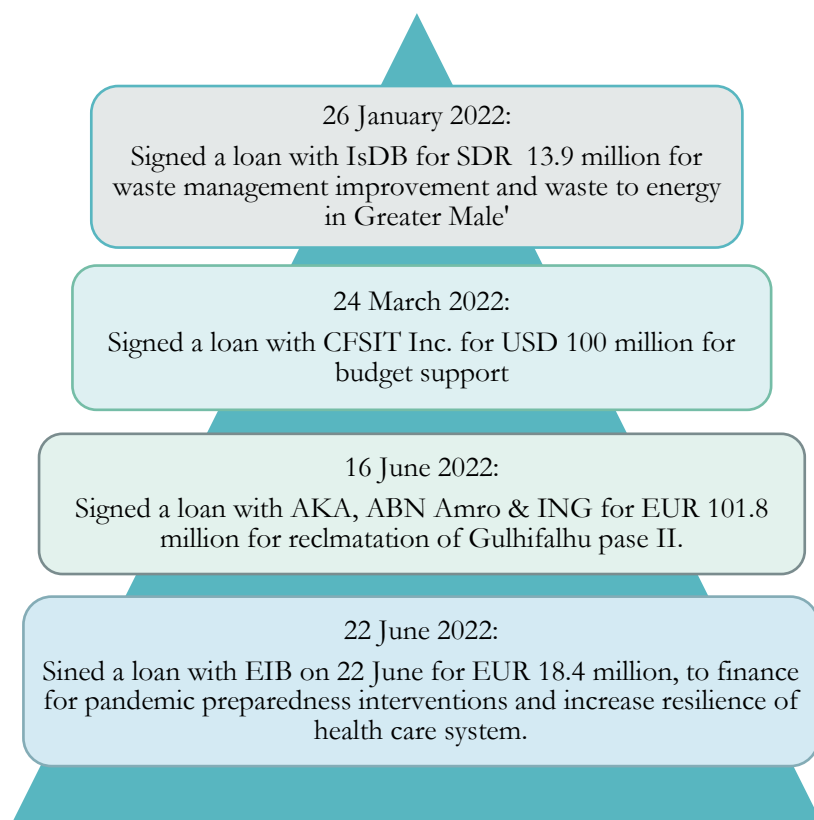
## 9. Annexes

### 9.1. Redemption Profile

(in billions of MVR)



### 9.2. New loans signed from Jan to Jun 2022





### 9.3. Summary table

Domestic and External debt outstanding as of June 2022 in MVR billions

	2019 S2	2020 S1	2020 S2	2021 S1	2021 S2	2022 S1
<b>Total Outstanding</b>	<b>54.5</b>	<b>57.5</b>	<b>66.6</b>	<b>71.7</b>	<b>80.3</b>	<b>86.5</b>
Domestic	32.4	35.5	41.6	45.1	48.5	54.2
External	22.1	22.0	25.0	26.6	31.8	32.3
<b>External Debt by Creditor</b>	<b>22.0</b>	<b>22.0</b>	<b>25.0</b>	<b>26.6</b>	<b>31.8</b>	<b>32.3</b>
The Export-Import Bank of China	8.9	8.8	9.4	9.4	10.2	9.6
Bondholders External	3.9	3.9	3.9	5.5	8.6	7.7
Export-Import Bank of India	0.1	0.1	0.1	0.2	1.4	2.0
Saudi Fund for Development	1.1	1.3	1.4	1.5	1.7	1.8
Abu Dhabi Fund for Development	1.7	1.7	1.7	1.6	1.6	1.6
CFSIT Inc.	-	-	-	-	-	1.5
The OPEC Fund for International Develop.	1.0	1.0	1.4	1.4	1.5	1.5
International Development Association	1.4	1.5	1.6	1.6	1.6	1.5
Other Bilateral	1.4	1.3	2.2	2.0	1.8	1.6
Other Buyers Credit	0.1	0.1	0.0	0.0	-	-
Other Multilateral	2.5	2.4	3.4	3.2	3.5	3.4
<b>External Debt by Currency</b>	<b>22.0</b>	<b>22.0</b>	<b>25.0</b>	<b>26.6</b>	<b>31.8</b>	<b>32.3</b>
AED	0.1	0.1	0.1	0.1	0.1	0.1
CNY	3.9	3.8	4.1	4.2	4.3	3.9
EUR	0.7	0.6	0.9	0.9	0.8	0.8
JPY	0.3	0.3	1.1	1.0	1.0	0.8
KWD	0.4	0.4	0.6	0.6	0.6	0.6
SAR	1.1	1.3	1.4	1.5	1.7	1.8
USD	12.2	12.2	13.3	15.0	20.2	21.4
SDR	3.3	3.3	3.5	3.3	3.2	3.0
<b>Domestic Debt by Instrument Category</b>	<b>32.5</b>	<b>35.5</b>	<b>41.6</b>	<b>45.1</b>	<b>48.5</b>	<b>54.2</b>
Treasury Bills	18.6	21.2	23.7	26.4	29.7	32.5
Islamic Instruments	0.6	0.4	0.4	0.7	0.7	1.3
Loans	0.2	0.8	0.5	0.9	0.9	0.8
Treasury Bonds	13.1	13.1	17.0	17.2	17.2	19.7
<b>Government Guaranteed Debt</b>	<b>13.7</b>	<b>16.6</b>	<b>20.0</b>	<b>18.0</b>	<b>14.1</b>	<b>13.9</b>
<b>Gross Domestic Product</b>	<b>86.3</b>	<b>57.6</b>	<b>57.6</b>	<b>80.2</b>	<b>80.2</b>	<b>92.3</b>
Total Debt to GDP	63%	100%	116%	89%	100%	94%