

MINISTRY OF FINANCE, REPUBLIC OF MALDIVES

PUBLIC DEBT BULLETIN

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Resource Mobilization and Debt Management Department
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Abbreviations

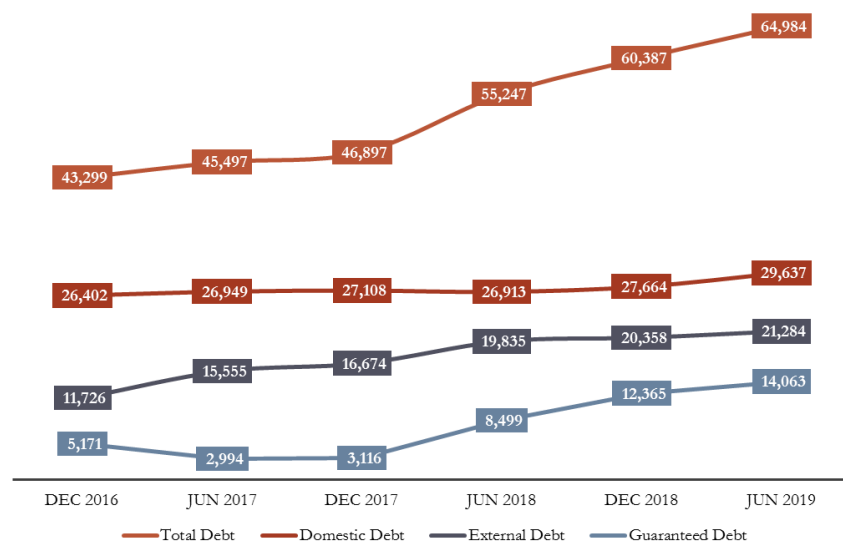
ADB	Asian Development Bank	JPY	Japanese Yen
AED	United Arab Emirates Dirham	KFAED	Kuwait Fund for Arab Economic Development
AIA	Addu International Airport Private Limited	KWD	Kuwaiti Dinar
AIIB	Asian Infrastructure Investment Bank	LT	Long Term
ASH	Ahmed Siyam Holdings Private Limited	MACL	Maldives Airports Company Limited
ATM	Average Time to Maturity	MIFCO	Maldives Industrial Fisheries Company
ATR	Average Time to Refixing	MMA	Maldives Monetary Authority
BML	Bank of Maldives Limited	MPAO	Maldives Pension Administration Office
BOC	Bank of Ceylon	MPL	Maldives Ports Limited
CNY	Chinese Renminbi	MRDC	Maldives Road Development Corporation Limited
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System	MTCC	Maldives Transport and Contracting Company
DeMPA	Debt Management Performance Assessment	MTDS	Medium Term Debt Management Strategy
DFI	The Development Finance International Group	MVR	Maldivian Rufiyaa
DOD	Disbursed Outstanding Debt	OFID	OPEC Fund for International Development
EUR	Euro	PRB	Pension Recognition Bond
EXIM	Export-Import Bank of	RBI	Reserve Bank of India
FENAKA	Fenaka Corporation	RDC	Reverse Dual Currency
FX	Foreign Currency	RMDMD	Resource Mobilization and Debt Management Department
GBP	Great British Pound	SASEC	South Asia Subregional Economic Cooperation
GDP	Gross Domestic Product	SAR	Saudi Riyal
GOM	Government of Maldives	SDR	Special Drawing Rights
HDC	Housing Development Corporation Limited	SFD	Saudi Fund for Development
IASL	Island Aviation Services Limited	SLA	Subsidiary Loan Agreement
ICBC	Industrial and Commercial Bank of China	ST	Short Term
IDA	International Development Association	STELCO	State Electric Company Limited
IFAD	International Fund for Agricultural Development	STO	State Trading Organization
ING	The ING Group	USD	United States Dollar
IsDB	Islamic Development Bank	VIA	Velana International Airport
IMF	International Monetary Fund	WAIR	Weighted Average Interest Rate
ITFC	International Islamic Trade Finance Corporation	WB	World Bank

1. Disbursed Outstanding Debt¹

At the end of June 2019, DOD stood at MVR 64,984 million, an increase of 18% from June 2018, and 8% from December 2018.

Figure 1 shows the trend in DOD from December 2016 to June 2019.

Figure 1: Disbursed Outstanding Debt (MVR millions) Dec 2016 - Jun 2019



In the six months up to June 2019, total debt increased by MVR 4,597 million, with the increase largely coming from guaranteed debt. External debt increased by 5% during the six months, while domestic debt increased by 7% and guaranteed debt increased by 14%.

The increase in external debt is mainly due to disbursements made for the VIA Development Project. While the project progress had stalled due to several proposed contractual changes, the Government was able to resolve the issues and expedite work early in the year, and the project is now expected to move forward at a reasonable pace.

Increase in domestic debt comes from primarily the issuance of treasury bills worth USD 100 million, subscribed to by the State Bank of India, Male' Branch. The arrangement between the Government of India and Maldives with regard to this investment is that all amounts due would be settled by the Indian Government, eliminating any debt burden for Maldives from this investment. A further USD 50 million is scheduled to be issued during the later half of the year, also under the same arrangement.

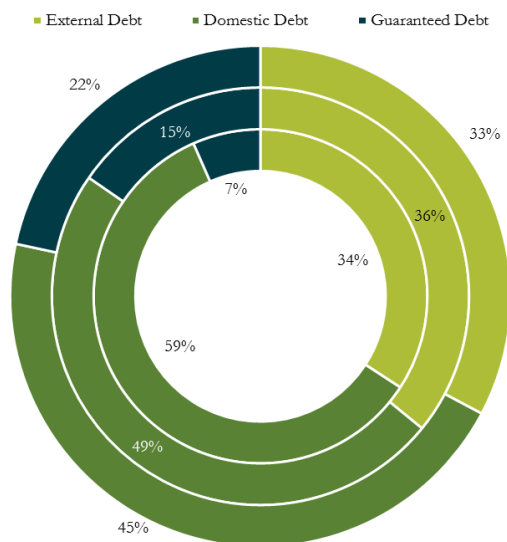
While GOM had issued one new guarantee in the first half of 2019, the increase in government guaranteed debt as at end June 2019 mainly comes from high disbursements made under loans for which government has provided sovereign guarantees in prior years. Many of the projects being implemented with the support of sovereign guarantees are approaching a close within the next year, and guaranteed debt is expected to gradually reduce from 2020 onwards.

Although the share of external debt in total debt has not changed significantly in recent years, the share of domestic debt has reduced from 59% to 45% and the share of guaranteed debt has increased from 7% to 22% when compared June 2017 and June 2019.

¹ This section includes direct borrowing of the budgetary central government and indirect borrowings that are explicitly guaranteed by GOM. Wherever explicitly guaranteed debt is included will be specified throughout this Bulletin.

Figure 2 shows the comparison of the change in shares from June 2017 to June 2019.

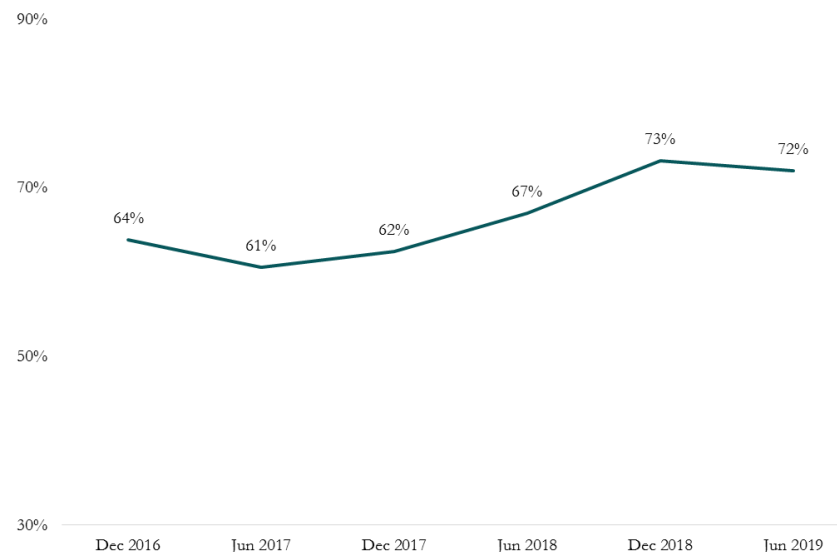
Figure 2: Share of Disbursed Outstanding Debt, Jun 2017, 2018 & 2019
 Inner Ring: Jun 2017; Middle Ring: Jun 2018; Outer Ring: Jun 2019



At the end of June 2019, the total debt to GDP stood at 72%. This is an increase of 5% compared to June 2018, but a decrease of 1% compared to December 2018.

Figure 3 shows the trend in debt as a percentage of GDP from December 2016 to June 2019.

Figure 3: Disbursed Outstanding Debt as a percent of Gross Domestic Product, Dec 2016 - Jun 2019



Given the ambitious development plan of subsequent governments, requiring high levels of investment and expenditure on development projects, attempts to meet the debt targets stated in the Fiscal Responsibility Act (7/2013) has proved unsuccessful thus far. Renewed efforts will be made in coming years to achieve greater compliance to the existing laws and regulations that guide debt contracting and management, as well as to introduce best practices into the existing legal framework, streamlining across different legislations.

Key Activities, Jan – Jun 2019

- ✓ Loan agreement signed with EXIM India - Line of credit
- ✓ Loan and grant agreement signed with ADB - National Single Window Project
- ✓ Loan negotiation with SFD - Affordable Housing and Fisheries Sector Development Project
- ✓ Loan and grant negotiation with WB – Maldives: Enhancing Employability and Resilience of Youth Project
- ✓ Loan Appraisal by OFID - Outer Island Harbors Water Supply and Sewerage Facilities Project
- ✓ SLA signed with MPL - Purchase of buses
- ✓ Mudharabah issued to STO – Oil trade financing
- ✓ Sovereign guarantee issued to ITFC – STO oil trade financing
- ✓ Signed agreement with DFI - CSDRMS software maintenance and support
- ✓ High level visit - WB Vice President and Executive Director and IFC Vice President
- ✓ High level visit - ADB Executive Director
- ✓ IFAD Annual Meeting
- ✓ IsDB Annual Meeting
- ✓ IMF/WB Spring Meeting
- ✓ ADB Annual Meeting
- ✓ SASEC Nodal Officials' Meeting
- ✓ AIIB Board Meeting
- ✓ Maldives Partnership Forum 2019
- ✓ WB mission - DeMPA and Reform Plan
- ✓ IsDB mission - Member Country Partnership Strategy formulation
- ✓ IMF mission - Article IV review
- ✓ ADB mission - Country Programming Mission
- ✓ Updated RMDMD Operations Manual
- ✓ Staff Performance Appraisal

Key Events Planned, Jul – Dec 2019

- ✓ Submit the MTDS 2020-2022 to Peoples' Majlis
- ✓ Preparation of the National Budget 2020
- ✓ Debt audit 2016-2018
- ✓ Loan signing - OFID Outer Island Harbors, Water Supply and Sewerage Facilities Project
- ✓ Loan signing - SFD Affordable Housing and Fisheries Sector Development Project
- ✓ Loan and grant signing - WB Maldives: Enhancing Employability and Resilience of Youth Project
- ✓ Loan and grant signing - WB Development Policy Financing
- ✓ Loan and grant signing - WB Catastrophe Deferred Drawdown Option – Pandemic Emergency Financing
- ✓ Framework agreement with ITFC for support to the Maldives
- ✓ Loan negotiation with ING - Reclamation Project
- ✓ SLA with MTCC - Payment by GOM for redemption of a Mudharabah
- ✓ SLA with MPL - Payment by GOM for redemption of a Murabahah
- ✓ Sovereign guarantee to RBI – MMA swap facility arrangement
- ✓ In-kind assistance from Japan - Economic and Social Development Program 2019
- ✓ High level visit - ADB President
- ✓ High level visit - OFID Director General
- ✓ High level visit - WB Executive Directors' Group
- ✓ AIIB Board and Annual Meetings
- ✓ WB Annual Meeting
- ✓ IsDB Board Meeting
- ✓ Resilient Atoll Nations in Productive Oceans, High Level Dialogue and Knowledge-Sharing Event by ADB
- ✓ Maldives National Development Plan formulation
- ✓ ADB mission – Tripartite portfolio review meeting
- ✓ IsDB mission – Portfolio review
- ✓ Moody's mission - Rating review
- ✓ WB mission – Country portfolio performance review
- ✓ Training on Public Sector Debt Statistics
- ✓ Change of CSDRMS user roles as per DeMPA recommendation
- ✓ Department reorganization as per DeMPA recommendation

2. External Debt

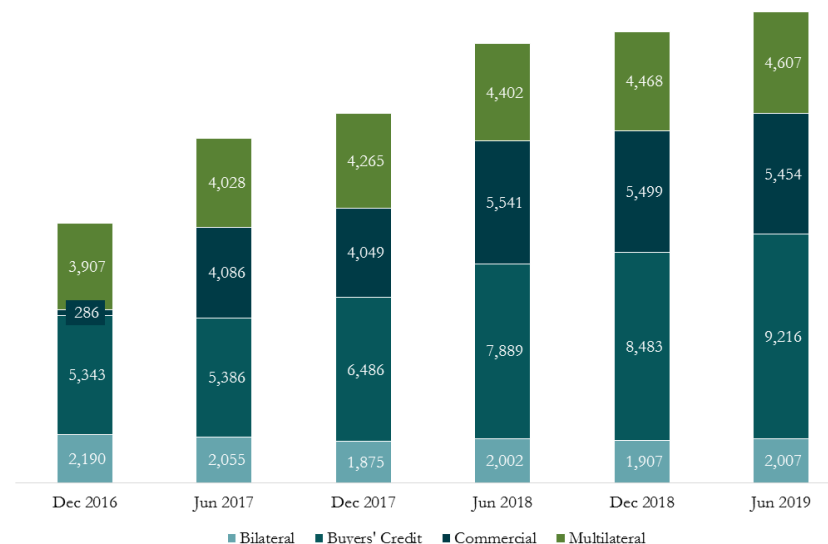
External DOD increased by MVR 927 million during the first half of 2019, to reach MVR 21,284 million, an increase of 5%. Loans disbursed for financing the VIA Development Project accounted for 68% of the increase in external debt during the period. 25% of the external DOD are securities issued by the GOM, and 99% of the external DOD is at fixed interest rates.

2.1 Creditor Breakdown of External Debt

While the Maldives has historically borrowed from multilateral and bilateral lenders in the past, buyers' credit lenders had overtaken as the main creditor category by the end of 2016. By June 2019, buyers' credit lenders held 43% of the external DOD while 26% was held by commercial lenders and 22% by multilaterals. Bilateral creditors held the remaining 9% of the outstanding external debt.

Figure 4 shows the change in the holdings of external DOD by creditor category.

Figure 4: External DOD by Creditor Category (MVR millions) Dec 2016 - Jun 2019



With the exception of a 1% decrease in the holdings of commercial lenders, holdings for all other categories of creditors increased during the first half of 2019, with the biggest change observed for the share of buyers' credit lenders, which increased by 9%. While in December 2018 buyers' credit lenders held MVR 8,483 million, by June 2019 this amount had increased to MVR 9,216 million.

Of multilateral lenders, ADB and WB/IDA held the largest share of external DOD. SFD and KFAED are the largest bilateral creditors, while EXIM China and EXIM India are the largest buyers' credit lenders. EXIM China is the single largest creditor holding Maldives external debt, with 42%. Sovereign bondholders make up the largest share of commercial debt.

Figure 5 gives a breakdown of external DOD holdings by major creditors at the end of June 2019.

Figure 5: Share of External Disbursed Outstanding Debt by Creditor, Jun 2019

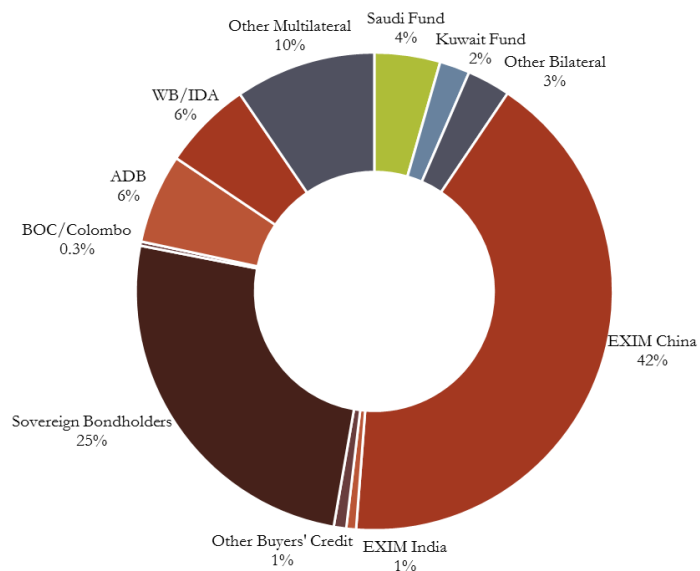
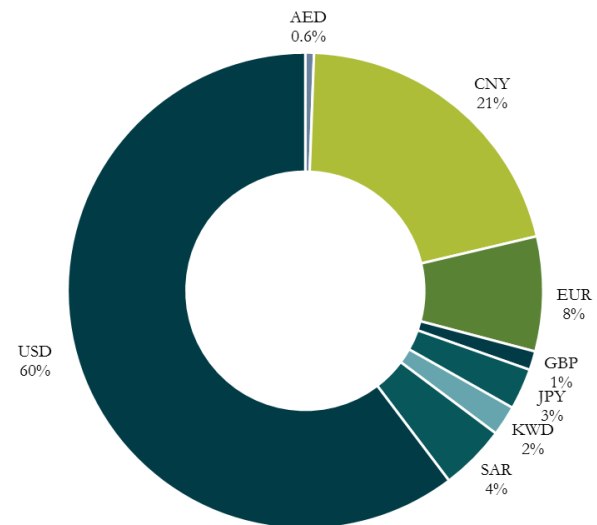


Figure 6 gives the currency composition of external DOD as at the end of June 2019, with the SDR portion decomposed to its basket currencies.

Figure 6: SDR Decomposed Currency Composition of External DOD, Jun 2019



2.2 Currency Composition of External Debt

The currency composition of external debt shows that USD, SDR², and CNY makes up 89% of external DOD. The rest is denominated in AED, EUR, JPY, KWD and SAR.

The currency composition changes slightly when SDR is decomposed into the individual currencies that the basket holds. It increases the share of USD from 54% to 60%, CNY from 19% to 21%, EUR from 3% to 8%, and JPY from 1% to 3%, and introduces GBP into the composition, with a share of 1%.

² SDR is made up of a basket of currencies, namely, the USD, EUR, CNY, GBP, and JPY. The SDR portion shown in Figure 4 also includes loans in Islamic Dinar. Islamic Dinar is a unit of currency that has the same composition and weightage as SDR.

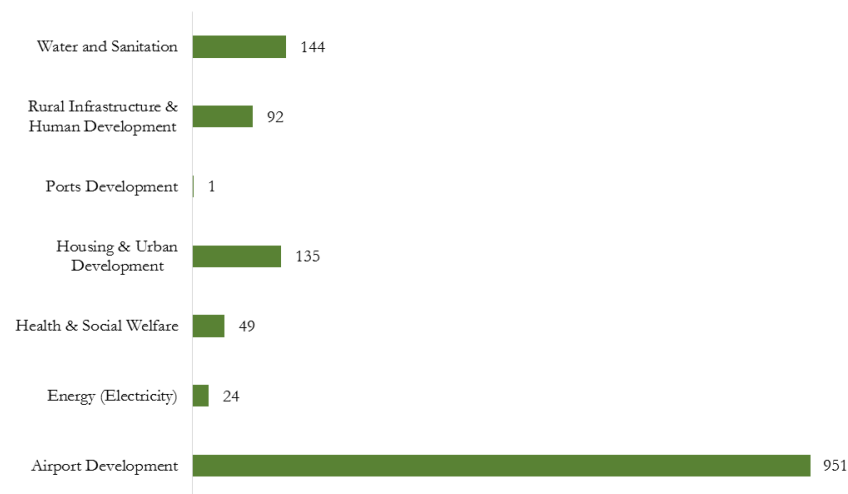
Much of the exchange rate risk inherent in foreign currency denominated debt is mitigated by the fact that 60% of the external DOD is held in USD, to which the Maldivian Rufiyaa is pegged. At present, CNY based debt is the most significant source of foreign exchange risk, and requires close monitoring.

2.3 External Debt Disbursements

MVR 1,397 million of committed external debt was disbursed during the first half of 2019. The largest portion of the year’s disbursement, of 68%, was for the VIA Development Project, while 10% was spent on housing and urban development sector and water and sanitation sector each. The remaining disbursements made are for rural infrastructure and human development, health and social welfare, energy sector, and ports development.

Figure 7 shows the disbursements made for the different economic sectors during the first half of 2019.

Figure 7: Disbursement by Economic Sector (MVR millions), Jan-Jun 2019



As at the end of June 2019, MVR 20,609 million of committed external debt remained undisbursed. This is a significant increase compared to December 2018, since several new loans were signed in 2019 that has yet to be disbursed. Most notable of these is the USD 800 million line of credit committed with EXIM India, which is expected to start disbursing during the later half of the year.

2.4 External Debt Service

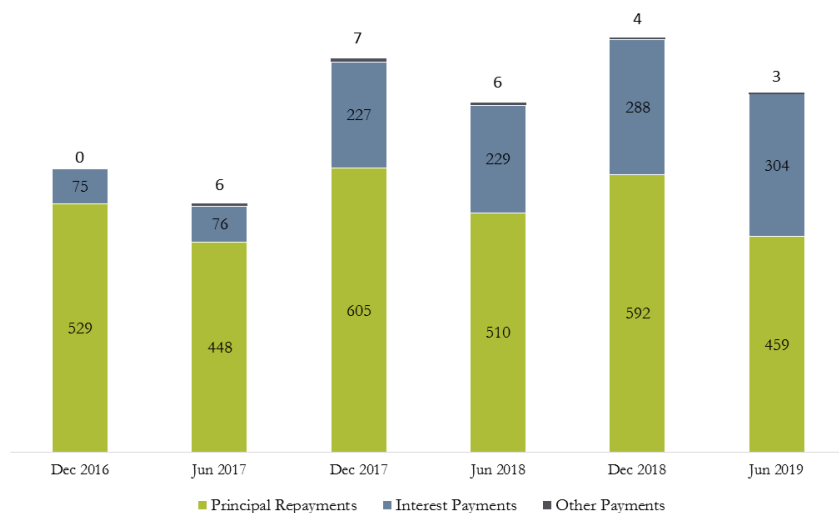
During the first half of 2019, MVR 766 million was spent for the servicing of external debt, representing an increase of 3% when compared to the same half last year. Of this, 60% went towards loan repayments, while the rest was for interest and other payments.

The interest cost of external debt significantly increased, with the share of interest cost in total debt service increasing from 31% during the first half of 2018 to 40% during the same period 2019. This increase can be largely attributed to the USD 100 million bond issued in 2018.

External debt servicing cost was equivalent to 7% of the total revenue and grants in 2018, and this ratio is expected to be the same in 2019.

The trend in external debt servicing is depicted in Figure 8.

Figure 8: External Debt Servicing (MVR millions)
Dec 2016 - Jun 2019

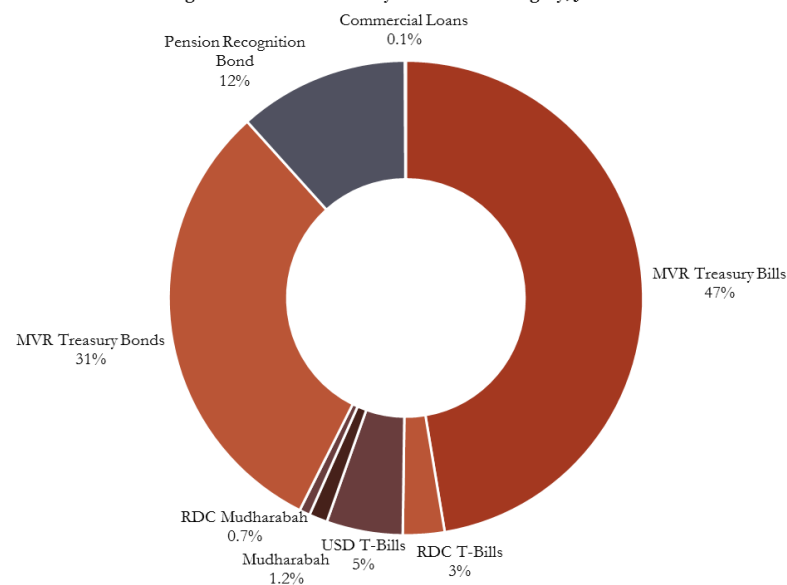


3. Domestic Debt

Domestic DOD increased by MVR 1,973 million in the first half of 2019, to reach a total of MVR 29,637 million.

Figure 9 shows total domestic debt outstanding by instrument category at the end of June 2019.

Figure 9: Domestic Debt by Instrument Category, Jun 2019



3.1 Short-Term Domestic Debt

Short-term domestic instruments comprises MVR, RDC³ and USD Treasury bills, and MVR and RDC Mudharabah⁴.

³ RDC instruments are issued in USD and repaid upon maturity in USD. However, the coupon payments are made in MVR.

⁴ Mudharabah is a form of partnership where one party provides the funds while the other party provides expertise to undertake a specific trade.

During the first six months of 2019, Government issued USD Treasury bills of USD 100 million, increasing the short term domestic debt by 13%, to reach MVR 17,008 million. The short term to total domestic DOD ratio increased from 54% to 57% due to this issuance.

55% of domestic debt is held in Treasury bills, which makes up 97% of short term domestic debt, while the rest is held as Mudharabah (3%).

3.2 Long Term Domestic Debt

Long term domestic debt instruments include long term treasury bonds issued to MMA⁵, 5 to 8 year maturity Treasury bonds and the Pension Recognition Bond held by MPAO⁶, as well as long term commercial loans.

At the end of June 2019, long term domestic DOD stood at MVR 12,629 million, representing a marginal reduction in the outstanding as no new long term domestic debt was issued in 2019.

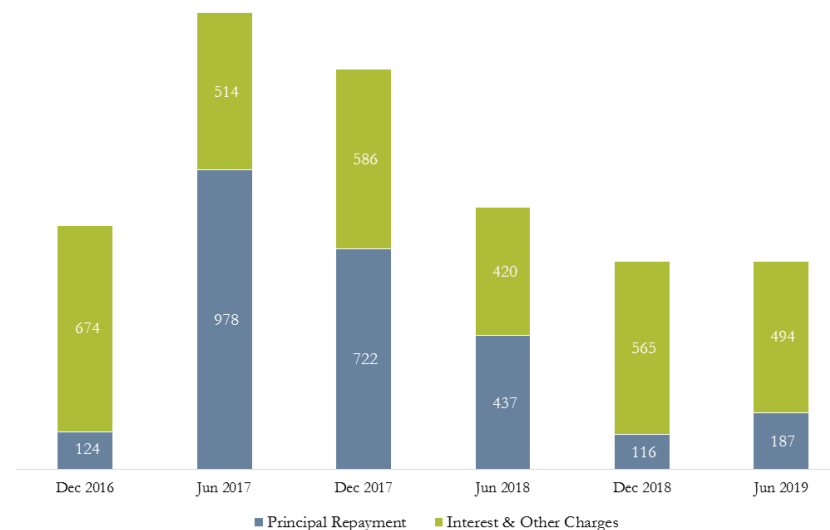
3.3 Domestic Debt Servicing

Domestic debt servicing cost for the first half of 2019 decreased by 21% compared to the same period in 2018, due to the full repayment of a short term domestic loan from BML as well as redemption of several Islamic instruments during the period.

Short term domestic debt servicing cost decreased by 29% in the first six months of 2019 compared to the same period of 2018, while long term debt servicing cost decreased by 3%.

Figure 10 shows the domestic debt servicing cost from December 2016 to June 2019.

Figure 10: Domestic Debt Servicing (MVR millions) Dec 2016 - Jun 2019



During the first six months of 2019, the WAIR for all MVR and RDC Treasury bills increased, and USD Treasury bills were introduced at a rate of 4.5%.

Figure 11 shows the trend in the WAIR for Treasury bills during the period.

⁵This is a conversion of the outstanding debt held by MMA in the Ways and Means account into a long term Treasury bond in December 2014.

⁶ This is a bond issued by the Government to pensioners, administered via the MPAO, which is paid over time, upon their retirement. The interest on the bond is paid into the pensioners' retirement savings account.

Figure 11: Weighted Average Interest Rate for Treasury Bills (%) Dec 2016 - Jun 2019

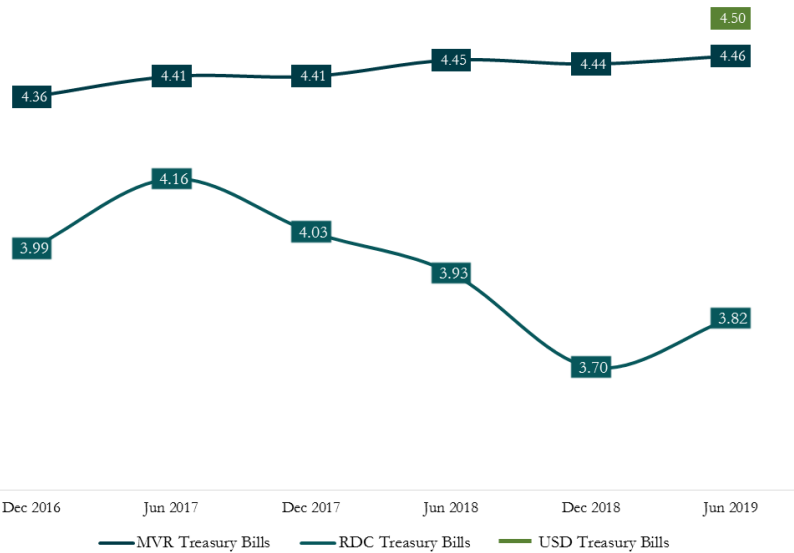
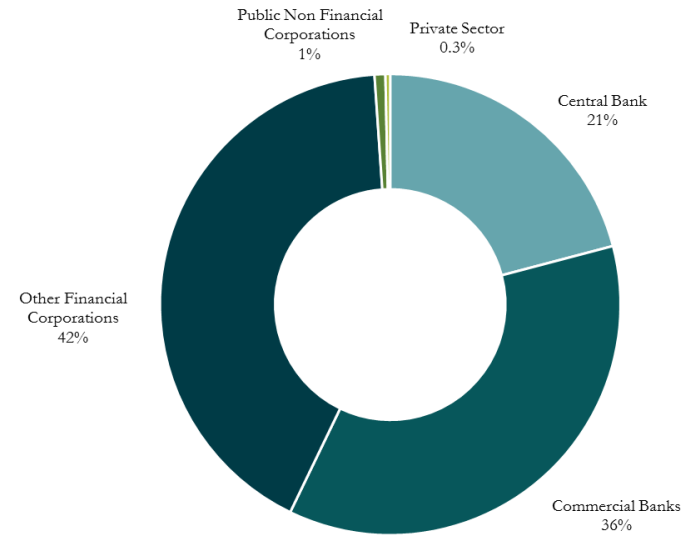


Figure 12: Domestic DOD by Ownership, Jun 2019



3.4 Domestic Debt by Ownership

Other Financial Corporations, which includes finance and insurance companies, pension funds and other fund accounts, held the largest share of domestic debt (42%) at the end of June 2019, while commercial banks and MMA also held a significant share (36% and 21% respectively). Public Non-Financial Corporations held 1% and the private sector held 0.3%.

Figure 11 shows the share of domestic debt by ownership as at the end of June 2019.

4. Government Guaranteed Debt and On-Lending

Government guaranteed debt outstanding increased by MVR 1,697 million during the first half of 2019, and stood at MVR 14,063 million at the end of June 2019. HDC, STO, STELCO and ASH are the biggest beneficiaries of government guaranteed debt. One new guarantee was issued in the first half of 2019 to ITFC totaling USD 150 million, supporting STO’s oil trade financing activities.

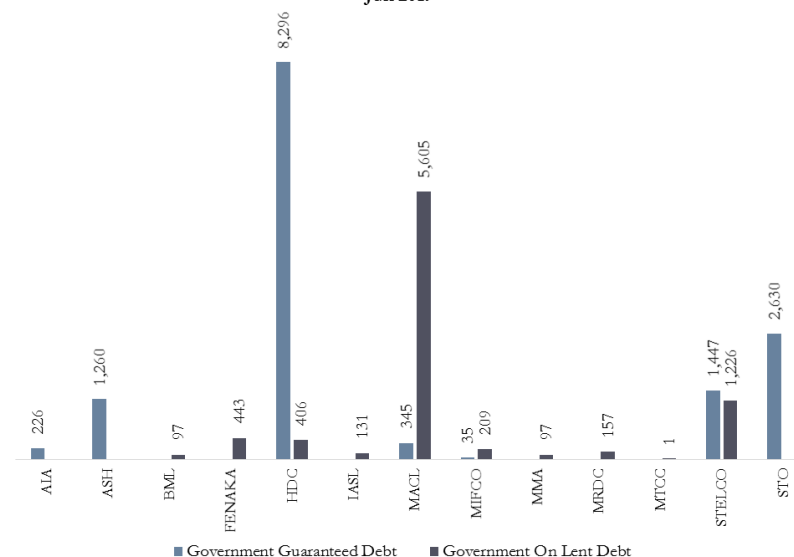
90% of the guaranteed DOD is owed to external creditors, with ICBC, EXIM China and ITFC holding 63%. Of the guaranteed domestic DOD, 79% is held by commercial banks while the remaining is held by MMA. With the exception of a corporate bond issued by MACL, all guaranteed debt are standard loans, and 99.9% of the guaranteed DOD is denominated in USD. 75% of the guaranteed DOD are at variable interest rates.

As at end June 2019, guaranteed DOD was equivalent to 16% of GDP, and MVR 7,807 million of committed government guaranteed debt remained undisbursed. No guarantees has officially been triggered over the past five years.

Total loans on-lent to state owned enterprises outstanding at end of June 2019 amounted to MVR 8,372 million. MACL, STELCO and FENAKA are the biggest beneficiaries of on-lent debt. One new loan was on-lent in the early part of 2019 to MPL for the payment made by government on behalf of MPL, for purchase of buses.

Figure 13 shows the government guaranteed and on-lent loans outstanding by beneficiary as at the end of June 2019.

Figure 13: Government Guaranteed and On Lent Debt Outstanding (MVR millions)
Jun 2019



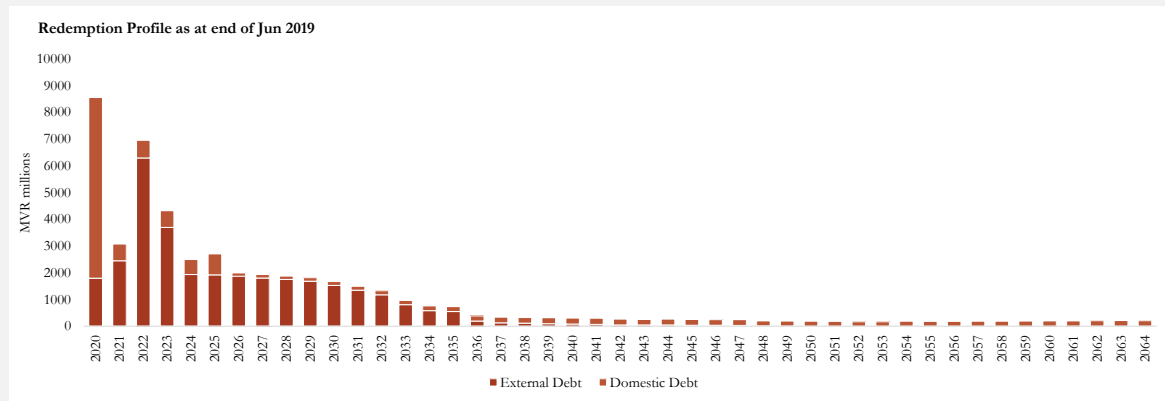
Debt Burden and Risk Indicators as at end June 2019

Refinancing risk, interest rate risk and exchange rate risk is high in the Maldives' debt portfolio.

Refinancing risk is the risk that debt will have to be rolled over at unusually high cost, or, cannot be rolled over at all. This risk is high as 34% of the total debt portfolio (equivalent to 21% of GDP) is set to mature within the next 12 months, and the Government faces the need to seek favorable alternatives to refinance this amount.

Interest rate risk is the risk of increases in the cost of the debt arising from changes in interest rates. Although 81% of the Government's debt is at fixed rates, as 34% of the debt is maturing in the next 12 months, there is a risk that interest costs could increase.

Exchange rate risk is the risk of increased costs due to exchange rate fluctuations. This risk is partly mitigated due to the high level of USD denominated debt in the external portfolio. However, due to the high level of external debt, being 56% of the total, of which short term debt is equivalent to 30% of usable reserves, this risk is high.



The redemption profile shows how much Maldives' owes and when. The refinancing risk is evident here, as a large portion of the portfolio as at the end of June 2019 is seen to fall due during the next few years. Further, two bullet payments on sovereign bonds are seen to be fast approaching. Government of Maldives is currently working towards making arrangements to refinance the maturing bonds without significantly increasing the cost of borrowing.

Indicator	Jun 2019
Debt to GDP	63%
Debt to Exports	94%
Debt to Revenue	233%
Debt Service to Exports	2%
Debt Service to Revenue	6%
Refinancing risk	
Debt maturing in 1yr (% of total)	34%
Debt maturing in 1yr (% of GDP)	21%
ATM External Portfolio (years)	7
ATM Domestic Portfolio (years)	9
ATM Domestic Portfolio (years) without MMA Bond & PRB	2
ATM Total Portfolio (years)	8
Interest rate risk	
ATR (years)	7
Debt refixing in 1yr (% of total)	34%
Fixed rate debt (% of total)	81%
Exchange Risk	
FX debt as % of total	56%
ST FX debt as % of usable reserves	30%

Note: The calculations in this box includes explicitly guaranteed contingent liabilities as part of external and domestic debt.

5. Summary Debt Statistics

	Dec 2016	Jun 2017	Dec 2017	Jun 2018	Dec 2018	Jun 2019
Total Outstanding Debt (MVR millions)	43,299	45,497	46,897	55,247	60,387	64,984
External Debt	11,726	15,555	16,674	19,835	20,358	21,284
Domestic Debt	26,402	26,949	27,108	26,913	27,664	29,637
Guaranteed Debt	5,171	2,994	3,116	8,499	12,365	14,063
External Debt by Creditor (MVR millions)	11,726	15,555	16,674	19,835	20,358	21,284
Saudi Fund	473	455	487	775	919	948
Kuwait Fund	253	250	269	267	306	435
Other Bilateral	1,464	1,350	1,119	961	683	623
EXIM China	4,708	4,777	5,935	7,426	8,093	8,896
EXIM India	220	221	201	181	162	142
Other Buyers' Credit	415	387	349	282	229	179
Sovereign Bondholders	-	3,845	3,853	5,390	5,394	5,394
BOC/Colombo	286	241	196	151	106	60
Other Commercial	-	-	-	-	-	-
ADB	1,413	1,438	1,449	1,387	1,333	1,290
WB/IDA	1,336	1,373	1,381	1,343	1,308	1,289
Other Multilateral	1,159	1,217	1,435	1,672	1,827	2,028
External Debt by Loan Currency (MVR Millions)	11,727	15,554	16,674	19,834	20,357	21,284
AED	79	69	73	79	70	124
CNY	3,020	3,086	3,605	3,968	3,914	4,047
EUR	1,052	1,033	980	845	727	620
JPY	336	342	332	331	322	315
KWD	253	250	269	267	306	435
SAR	473	455	487	775	919	948
USD	3,111	6,819	7,349	10,098	10,704	11,437
SDR	3,403	3,500	3,578	3,472	3,396	3,357
Domestic Debt by Maturity (MVR million)	26,402	26,949	27,108	26,913	27,664	29,637
Short Term	14,456	14,317	14,493	14,287	15,014	17,008
MVR Treasury Bills	12,796	12,305	12,889	12,971	13,512	14,042
RDC Treasury Bills	935	691	664	719	767	840
USD Treasury Bills	-	-	-	-	-	1,541
Mudharabah	320	320	540	540	490	370
RDC Mudharabah	-	-	-	-	216	216
Murabahah	127	63	-	57	29	-
Wakalah bi al-Istithmar	278	139	-	-	-	-
ST Commercial Loans	-	800	400	-	-	-
Long Term	11,946	12,631	12,614	12,626	12,650	12,629
MMA Bond	6,304	6,268	6,233	6,197	6,161	6,123
Pension Recognition Bond	3,175	3,236	3,312	3,361	3,423	3,440
Pension Bonds	2,383	3,048	3,048	3,048	3,048	3,048
Sukuk Murabaha	58	58	-	-	-	-
LT Commercial Loans	26	21	20	20	19	18
Government Guaranteed Debt (MVR Millions)	5,171	2,994	3,116	8,499	12,365	14,063
Government On Lent Debt (MVR Millions)	1,603	1,623	1,663	1,659	2,291	8,372
Sovereign Credit Rating				Rating	Outlook	Date
Moody's				B2	Negative	Jul-18
Fitch				B+	Stable	May-19
Gross Domestic Product (MVR Millions)	67,837	75,052	75,052	82,504	82,504	90,188

6. Glossary

ATM	A measure of weighted average time to maturity of all principal repayments in the portfolio. ATM measures the average length of time it takes for all debt instruments to mature. A longer ATM implies lower refinancing risk and vice versa.
ATR	A measure of weighted average time until all principal repayments in the portfolio become subject to a new interest rate. The longer the period, the longer the interest exposure.
Debt to GDP	The ratio of outstanding debt to GDP which is a measure of the debt burden of a country.
Disbursement	Resources, such as goods, services, or funds, taken by the borrower against a loan agreement
DOD	Total amount which has been disbursed and which is due to be repaid.
Long term debt	Outstanding debt with a maturity of one year or more.
On Lent loans	Loans that are borrowed by government and then re-lent to a domestic entity.
Refinancing Risk	The possibility that a borrower cannot refinance its debt by borrowing to repay existing debt.
Short Term debt	Outstanding debt with a maturity of less than one year.
WAIR	The weighted average level of interest rates on outstanding loans. The weight to be used is determined by the value of the loan as a percentage of the total.