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# DEBT BULLETIN

DEBT MANAGEMENT DEPARTMENT  
MINISTRY OF FINANCE

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## Abbreviations

ADB	Asian Development Bank
AED	United Arab Emirates Dirham
AIA	Addu International Airport Private Limited
AIIB	Asian Infrastructure Investment Bank
ASH	Ahmed Siyam Holdings Private Limited
ATM	Average Time to Maturity
ATR	Average Time to Refixing
BCG	Budgetary Central Government
BML	Bank of Maldives Limited
BOC	Bank of Ceylon
CNY	Chinese Renminbi
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DeMPA	Debt Management Performance Assessment
DFI	The Development Finance International Group
DOD	Disbursed Outstanding Debt
DMD	Debt Management Division
DSSI	Debt Service Suspension Initiative
EUR	Euro
EXIM	Export-Import Bank of
FENAKA	Fenaka Corporation
FX	Foreign Currency
GBP	Great British Pound
GDP	Gross Domestic Product
GOM	Government of Maldives
GPE	Global Partnership for Education
HDC	Housing Development Corporation Limited
IASL	Island Aviation Services Limited
ICBC	Industrial and Commercial Bank of China
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ING	International Netherlands Group
IsDB	Islamic Development Bank
IMF	International Monetary Fund
ITFC	International Islamic Trade Finance Corporation
JPY	Japanese Yen
KFAED	Kuwait Fund for Arab Economic Development
KWD	Kuwaiti Dinar
LT	Long Term
MACL	Maldives Airports Company Limited
MDB	Multilateral Development Bank
MIFCO	Maldives Industrial Fisheries Company
MMA	Maldives Monetary Authority
MPAO	Maldives Pension Administration Office
MPL	Maldives Ports Limited
MRDC	Maldives Road Development Corporation Limited
MTCC	Maldives Transport and Contracting Company
MTDS	Medium Term Debt Management Strategy
MVR	Maldivian Rufiyaa
OFID	OPEC Fund for International Development
PG	Publicly Guaranteed
PPG	Public and Publicly Guaranteed
PRB	Pension Recognition Bond
PSDS	Public Sector Debt Statistics
RBI	Reserve Bank of India
RDC	Reverse Dual Currency
RMDMD	Resource Mobilization and Debt Management Department
SASEC	South Asia Sub regional Economic Cooperation

SAR	Saudi Riyal
SDR	Special Drawing Rights
SFD	Saudi Fund for Development
SLA	Subsidiary Loan Agreement
ST	Short Term
STELCO	State Electric Company Limited
STO	State Trading Organization
USD	United States Dollar
VIA	Velana International Airport
WAIR	Weighted Average Interest Rate
WB	World Bank

## 1. PPG Disbursed Outstanding Debt<sup>1</sup>

At the end of December 2020, PPG DOD stood at MVR 86,544 million.

As at the end of December 2020, the total debt increased by MVR 18,587 million compared to December 2019. This was mainly driven by an increment in domestic debt and disbursements under previously issued publicly guaranteed loans. The domestic debt increased by 29% during this period, while the publicly guaranteed debt increased by 46%. The direct external debt increased by 13% during this period.

Increase in domestic debt comes primarily from the issuance of treasury bonds worth USD 250 million (equivalent MVR 3,853 million), subscribed by the State Bank of India, Male' Branch.

Additionally, Government has received a rapid credit facility from IMF through MMA, amid the Covid-19 pandemic, amounting MVR 447 million during this period to support the balance of payment and subsequently as budget support to the Government.

The increase in direct external debt is mainly driven by high disbursements made under VIA development projects and budget support loans obtained to support the cash flow constraints due to COVID-19, which in total added MVR 2,193 million to the direct external DOD during this period.

The increase in publicly guaranteed debt during this period is mainly due to the disbursement of MVR 6,164<sup>2</sup> under the guarantee issued to Maldives Monetary Authority for USD swap facility and from disbursements made under loans for which Government has provided Sovereign Guarantees to state owned enterprises (SOEs) in previous years. Many of the projects being implemented with the support of sovereign guarantees were expected to be completed during 2020, but the ongoing Covid-19 pandemic might affect the implementation of the projects which might result in delays in completion.

<sup>1</sup> This section includes PPG of GOM. Wherever explicit publicly guaranteed debt is included will be specified throughout this Bulletin.

Total public and publicly guaranteed debt have increased by 27% between December 2019 and December 2020.

Figure 1 shows the trend in DOD from June 2018 to December 2020.

Figure 1: Disbursed Outstanding Debt (MVR millions) June 2018 - Jun 2020

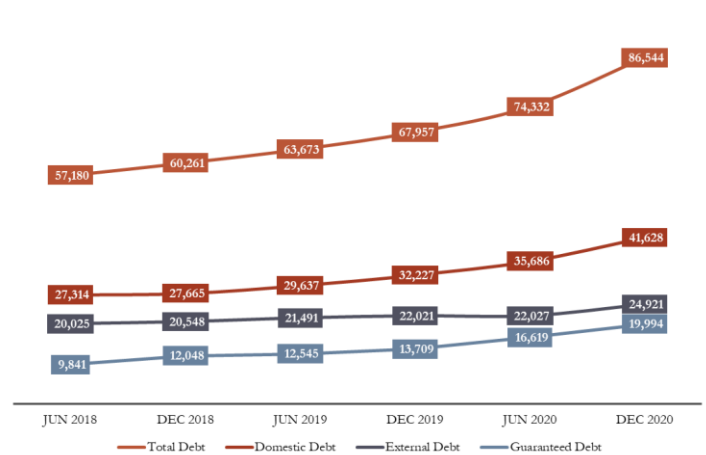
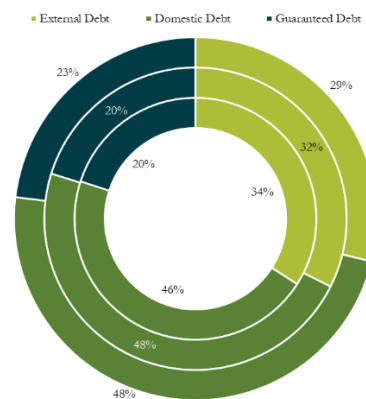


Figure 2 shows the comparison of the change in shares of Disbursed Outstanding Debt for June 2018, 2019 and 2020.

Figure 2: Shares of PPG Disbursed Outstanding Debt 2018-2020 (Inner Ring: December 2018; Middle Ring: December 2019; Outer Ring: December 2020)

Figure 2: Share of Disbursed Outstanding Debt, Dec 2018, 2019 & 2020  
Inner Ring: Dec 2018; Middle Ring: Dec 2019; Outer Ring: Dec 2020

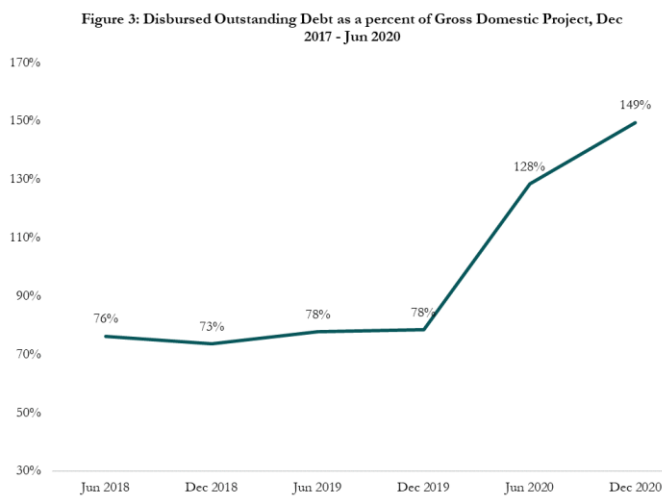


<sup>2</sup> MVR 2,311.5 of this was prepaid by MMA during January 2021

At the end of December 2020, the total PPG debt to GDP stood at 149%.

Figure 3 shows the trend in debt as a percentage of GDP from June 2018 to December 2020.

**Figure 3: PPG Disbursed Outstanding Debt as a percent of Gross Domestic Product, June 2018 - December 2020**



The significant increase in debt as a percentage of GDP compared to 2019 is due to the contraction of GDP and due to the increase in financing need due to the Covid-19 pandemic. GDP declined by 33% compared to December 2019. This has made it even more difficult to meet the debt to GDP targets outlined in the Fiscal Responsibility Act.

## 2. Direct External Debt

Total direct external DOD increased by 12% at the end of Dec 2020 when compared to Dec 2019. DOD as at the end of Dec 2020 stood at MVR 24,921 million.

78% of external DOD consists of loan facilities while 22% are securities issued by GOM. 88% of the external DOD is at fixed interest rates.

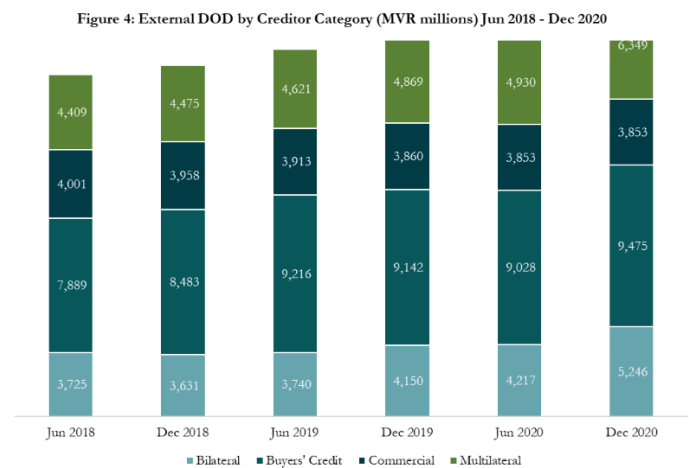
## 2.1 Creditor Breakdown of Direct External Debt

38% of the external DOD are buyer's credit facilities, while 25% and 21% of the portfolio is loan facilities from multilateral financial institutions and bilateral agencies respectively. Commercial facilities account for 15% of the portfolio.

When compared to December 2019, the share of bilateral loans increased by MVR 1,095 million during the second half of 2020 and stood at MVR 5,246 million at the end of December 2020. The share of buyer's credit facilities increased by MVR 333 million during the same period.

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 38% of Maldives external debt outstanding as of December 2020. Sovereign bondholders<sup>3</sup> make up the total share of commercial debt which is 15% of external debt.

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



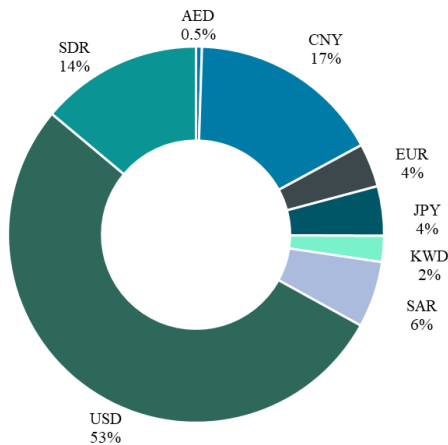
<sup>3</sup> Sovereign Bondholders include the Eurobond issued in 2017 and the 2018 private placement with ADFD

## 2.2 Currency Composition of Direct External Debt

The currency composition of external debt shows that USD, SDR, and CNY makes up 84% of external DOD. The rest is denominated in AED, EUR, JPY, KWD and SAR.

**Figure 6** gives the currency composition of external DOD as at the end of December 2020.

**Figure 6: Currency Composition of External Disbursed Outstanding Debt, December 2020**

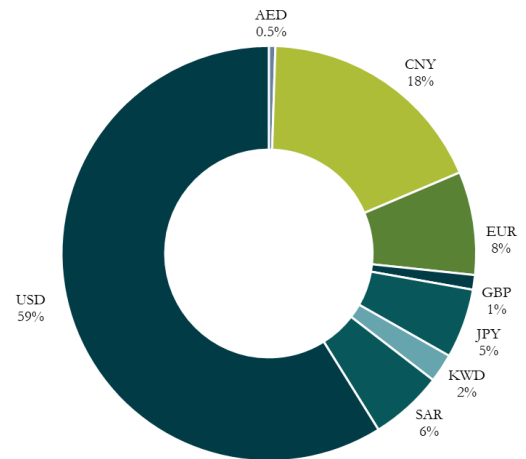


As depicted in figure 7, the currency composition changes slightly when SDR is decomposed into the individual currencies that the basket holds. It increases the share of USD from 53% to 59%, EUR from 4% to 8%, and JPY from 4% to 5%, CNY from 17% to 18% and introduces GBP into the composition, with a share of 1%.

61% of the external DOD is held in USD. The MVR/USD peg is fixed, and all the other foreign currencies have a cross exchange rate to MVR/USD. In 2011, MVR depreciated by approximately 20% against USD, which led to a significant increase in government debt. At present, CNY based debt is the most significant source of foreign exchange risk and requires close monitoring.

**Figure 7: SDR Decomposed Currency Composition of Direct External DOD, June 2020**

**Figure 7: SDR Decomposed Currency Composition of External DOD, Dec 2020**



## 2.3 Direct External Debt Disbursements

MVR 2,534 million of external loan commitments was disbursed during the second half of 2020.

As at the end of December 2020, MVR 28,084 million of external loan commitments remained undisbursed. This significant increase in committed undisbursed balance when compared to December 2019 is because there were several new loans were signed in 2020 that has not started disbursements yet.

## 2.4 Direct External Debt Service

As at the end of December 2020, MVR 520 million was spent for the servicing of external debt, representing a decrease of 35% compared to December 2020. Interest cost of external debt decreased by 28% when compared to the same period. The decrease in debt service payments during the second half of 2020 is due to the debt suspension received under the G20 DSSI.

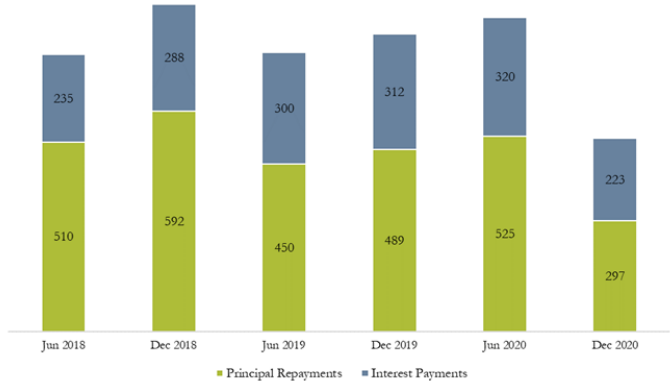
As at the end of December 2020, 57% of the MVR 520 million was on loan repayments, while the rest was for interest and other payments.

Maldives participated in the Debt Service Suspension Initiative (DSSI) introduced by the G20 and received suspension for approximately MVR 370 million in debt service payments during May to December

2020. This initiative was extended up to June 2021 and the government has participated in the extension and expect to receive suspension on approximately MVR 497 million on debt service payments from Official Creditors.

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

Figure 8: External Debt Servicing (MVR millions) June 2018- December 2020

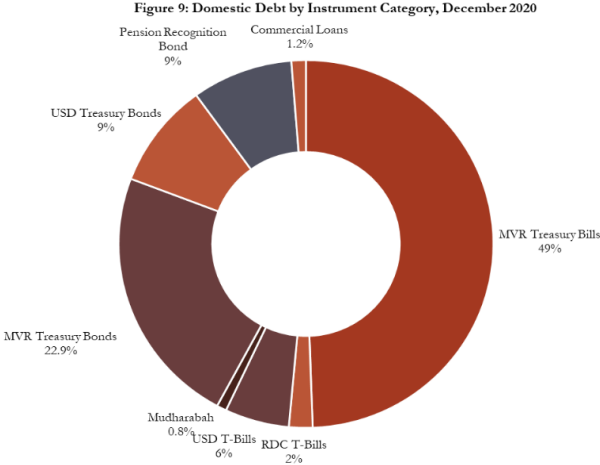


**3. Direct Domestic Debt**

Domestic DOD increased by MVR 9,402 million at the end of December 2020, in comparison to December 2019, to reach a total of MVR 41,628 million.

Figure 9 shows total domestic debt outstanding by instrument category at the end of December 2020.

Figure 9: Direct Domestic Debt by Instrument Category



**3.1 Short-Term Direct Domestic Debt**

Short-term domestic instruments comprise MVR, RDC<sup>4</sup> and USD Treasury bills, Mudharaba<sup>5</sup> and loans from domestic banks.

As of December 2020, the short-term debt stood at MVR 24,123 million which accounts to 58% of total domestic debt. 99.9% of short-term domestic debt comprises of treasury bills.

**3.2 Long Direct Term Domestic Debt**

Long term domestic debt instruments include long term MVR and USD treasury bonds and loans obtained from domestic banks.

At the end of December 2020, long term domestic debt stood at MVR 17,506 million, representing an increment of 25% compared to December 2019.

**3.3 Direct Domestic Debt Servicing**

Domestic debt servicing cost increased by 103% as at the end of December 2020 compared to December 2019.

Short term domestic debt servicing cost increased by 66% compared to December 2019. This is mainly

<sup>4</sup> Reverse Dual Currency (RDC) instruments are issued in USD and repaid upon maturity in USD. However, the coupon payments are made in MVR.

<sup>5</sup> Mudharabah is a form of partnership where one party provides the funds while the other party provides expertise to undertake a specific trade.



because of a bullet repayment of a domestic short-term loan and increase in treasury bill issuance during the period.

Long-term debt servicing cost increased by 188% compare to the same period. This increase is because of the redemption of a long-term MVR bond during the second half of 2020.

Figure 10 shows the domestic debt servicing cost from December 2017 to June 2020.

Figure 10: Domestic Debt Servicing (MVR millions) Jun 2018 - Dec 2020

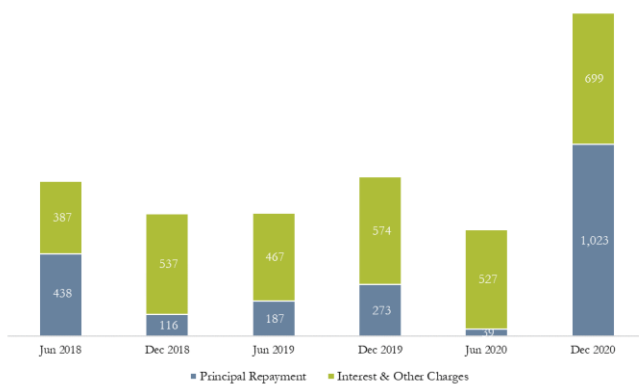
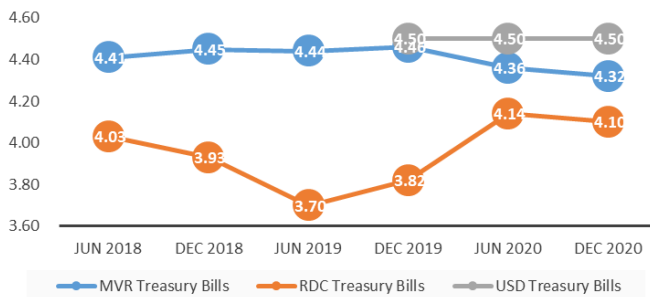


Figure 11: Weighted Average Interest for Treasury Bills (%) June 2018 - December 2020



During the second half of 2020, the WAIR for all RDC Treasury bills and MVR Treasury bills declined marginally, and USD Treasury bills were at a rate of 4.5%.

#### 4. Government Guaranteed Debt and On-Lending

Government guaranteed debt outstanding increased by 46% by the end of December 2020

in comparison to December 2019. The total outstanding guaranteed debt stood at MVR 19,994 million at the end of December 2020.

HDC, STO, STELCO and ASH are the beneficiaries with biggest portion of guaranteed debt outstanding as of December 2020. The new guarantees issued in the 2020 include the guarantee issued to ITFC totaling USD 15 million to support STO’s oil trade financing activities and the guarantee issued to Exim-India totaling USD 19.25 million for completion of remaining roads in Hulhumale’ Phase I and II.

96% of the guaranteed DOD is owed to external creditors, with ICBC, EXIM China and ITFC holding majority of the debt. ICBC account for 29% of guaranteed DOD. Majority of the guaranteed debt are standard loans, and 99% of the guaranteed DOD is denominated in USD. As of June 2020, 93% of the guaranteed DOD are at variable interest rates.

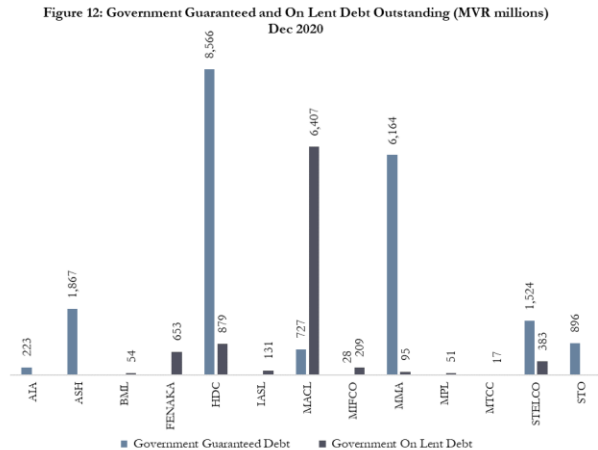
As at December 2020, total guaranteed debt was equivalent to 35% of GDP, and MVR 28,116 million of committed government guaranteed debt remained undisbursed. The increase in committed undisbursed balance is because of the issuance of a sovereign guarantee amounting to approximately MVR 293 million during this period.

Total loans on-lent to state owned enterprises outstanding at the end of December 2020 amounted to MVR 8,849 million, which is an increase of 13% compared to December 2019. This increase is mainly attributed with the disbursements under VIA development projects and Hulhumale’ island Development Project Phase II, which are on-lent to MACL and HDC respectively.

MACL, HDC and FENAKA are the biggest beneficiaries of on-lent loans.

As the Covid-19 pandemic had a negative impact on the revenue of SOEs, upon request, GOM has deferred the debt service payments under some SLAs.

**Figure 13** shows the government guaranteed and on-lent loans outstanding by beneficiary as at the end of December 2020



## 5. Recent institutional developments in Debt Management

The upgrading of the debt management system of the Commonwealth Secretariat’s to its latest version (Meridian) is under implementation. This will improve the overall functions of the existing debt recording and management system with more comprehensive debt instrument coverage.

The Ministry has drafted a structure to introduce domestic treasury instruments and is under discussion with relevant stakeholders to finalize it. Also, the government has taken an initiative to identify gaps in the legal framework in relation to Islamic Finance.

Ministry is in the process of formulating a Fiscal Risk Statement and plans to finalize the report by the end of May 2021. The DMD is also working towards drafting a revision policy for the debt data dissemination, to ensure that there is a set procedure in revising historical records.

In addition, together with international experts, the Ministry is working towards drafting a Debt Law which will strengthen and improve the current legal framework governing debt management functions, in line with DeMPA recommendations.

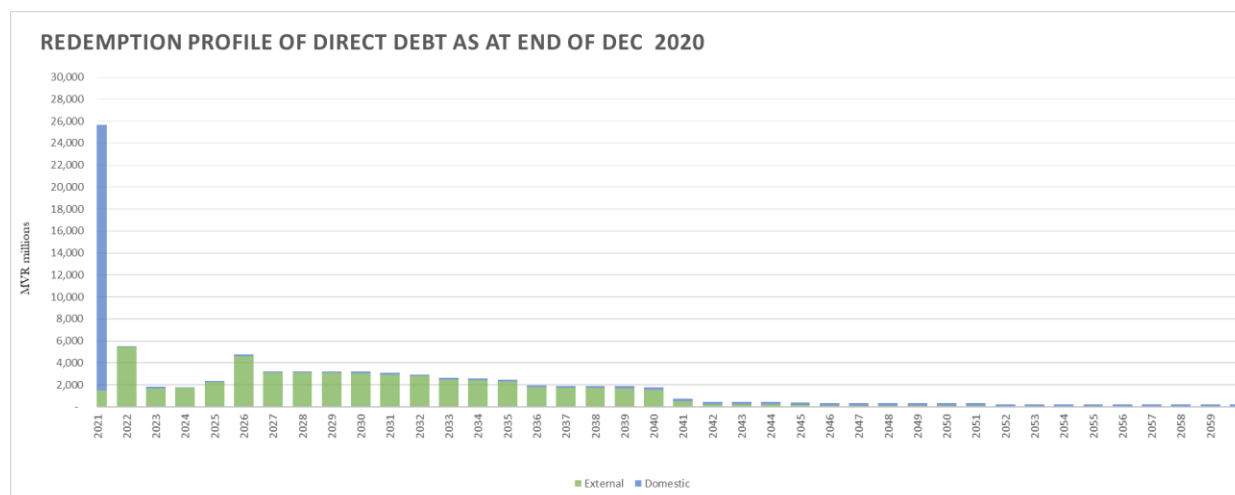
With the assistance from WB’s ongoing PFM project, DMD is in the process of recruiting two international consultants to for its Front Office and Middle Office. The consultants will assist to strengthen the current internal processes to make sure best practices in debt management are followed.

Also, for the first time, information on sovereign guaranteed debt were included in the National Budget for 2021 -2023. To strengthen investor relations, in November 2020, Government engaged with investors to provide the most recent updates in the Maldivian economy.

The DMD has taken an initiative to improve timely reporting of debt data for the policy makers, which will ensure more informed decision making by introducing a debt dashboard with a quick snapshot of the debt portfolio.

Given the unexpected financing requirement as a result of the sharp decline in revenue in 2020 due to Covid-19, DMD was able to raise financing and meet the Government’s financing requirements.

## 6. Debt Burden and Risk Indicators as at December 2020



The redemption profile shows how much the Government owes and when repayments will be due. The refinancing risk is evident here, as a large portion of the portfolio is maturing in less than a year. This is mainly the treasury bills issued by the Government. Further, the bullet payment of the euro bond issued in 2017 will be due in 2022<sup>6</sup>. Government of Maldives is currently working towards refinancing the maturing bond in a cost-effective manner.

### Debt Risk Indicators

Indicator		Dec 2020
Debt to GDP		149%
Debt to Exports		272%
Debt to Revenue		441%
Debt Service to Exports		12%
Debt Service to Revenue		19%
Refinancing risk	Debt maturing in 1yr (% of total)	38%
	Debt maturing in 1yr (% of GDP)	44%
	ATM External Portfolio (years)	10
	ATM Domestic Portfolio (years)	7
	ATM Domestic Portfolio (years) without MMA Bond & PRB	2
	ATM Total Portfolio (years)	9
Interest rate risk	ATR (years)	9
	Debt refixing in 1yr (% of total)	38%
	Fixed rate debt (% of total)	97%
Exchange Risk	FX debt as % of total	48%
	ST FX debt as % of Gross International Reserves	7%

<sup>6</sup> As part of a liquidity management exercise carried out by the Government, 76.79% of the Euro bond maturing in 2022 was settled in April 2021 under a Tender Offer.

## 7. Summary of Debt Statistics

	Jun 2018	Dec 2018	Jun 2019	Dec 2019	Jun 2020	Dec 2020
<b>Total Outstanding Debt (MVR millions)</b>	<b>57,180</b>	<b>60,261</b>	<b>63,673</b>	<b>67,957</b>	<b>74,332</b>	<b>86,544</b>
External Debt	20,025	20,548	21,491	22,021	22,027	24,921
Domestic Debt	27,314	27,665	29,637	32,227	35,686	41,628
Guaranteed Debt	9,841	12,048	12,545	13,709	16,619	19,994
<b>External Debt by Creditor (MVR millions)</b>	<b>20,025</b>	<b>20,548</b>	<b>21,491</b>	<b>22,021</b>	<b>22,027</b>	<b>24,921</b>
Saudi Fund	765	909	939	1,109	1,274	1,418
Kuwait Fund	267	306	435	429	434	557
Other Bilateral	2,693	2,417	2,366	2,613	2,509	3,271
EXIM China	7,426	8,093	8,896	8,892	8,844	9,354
EXIM India	181	162	142	122	102	84
Other Buyers' Credit	282	229	179	129	81	37
Sovereign Bondholders	3,850	3,853	3,853	3,845	3,853	3,853
BOC/Colombo	151	106	60	15	-	-
Other Commercial	-	-	-	-	-	-
ADB	1,387	1,333	1,290	1,239	1,193	1,590
WB/IDA	1,343	1,308	1,289	1,410	1,480	1,617
Other Multilateral	1,679	1,834	2,042	2,221	2,257	3,142
<b>External Debt by Loan Currency (MVR Millions)</b>	<b>20,025</b>	<b>20,548</b>	<b>21,491</b>	<b>22,021</b>	<b>22,027</b>	<b>24,921</b>
AED	79	70	124	129	142	127
CNY	3,968	3,914	4,047	3,940	3,787	4,136
EUR	844	726	620	667	589	933
JPY	331	322	323	309	305	1,061
KWD	267	306	435	429	434	557
SAR	765	909	939	1,109	1,274	1,418
USD	10,330	10,961	11,738	12,124	12,183	13,226
SDR	3,442	3,341	3,264	3,315	3,314	3,464
<b>Domestic Debt by Maturity (MVR million)</b>	<b>27,314</b>	<b>27,665</b>	<b>29,637</b>	<b>32,227</b>	<b>35,686</b>	<b>41,628</b>
<b>Short Term</b>	<b>14,687</b>	<b>15,014</b>	<b>17,008</b>	<b>19,095</b>	<b>22,102</b>	<b>24,123</b>
MVR Treasury Bills	12,971	13,512	14,042	15,468	18,080	20,575
RDC Treasury Bills	719	767	840	840	1,063	851
USD Treasury Bills	-	-	1,541	2,307	2,309	2,312
Mudharabah	540	490	370	350	350	350
RDC Mudharabah	-	216	216	-	-	-
Murabahah	57	29	-	-	-	-
Wakalah bi al-Istithmar	-	-	-	-	-	-
ST Commercial Loans	400	-	-	130	300	35
<b>Long Term</b>	<b>12,627</b>	<b>12,651</b>	<b>12,629</b>	<b>13,132</b>	<b>13,585</b>	<b>17,506</b>
MMA Bond	6,197	6,161	6,123	6,087	6,049	6,011
Pension Recognition Bond	3,361	3,423	3,440	3,530	3,573	3,631
MVR treasury Bonds	3,048	3,048	3,048	3,498	3,498	3,526
USD Treasury Bonds	-	-	-	-	-	3,853
Sukuk Murabaha	-	-	-	-	-	-
LT Commercial Loans	20	20	18	17	465	485
<b>Government Guaranteed Debt (MVR Millions)</b>	<b>9,841</b>	<b>12,048</b>	<b>12,545</b>	<b>13,709</b>	<b>16,619</b>	<b>19,994</b>
<b>Government On Lent Debt (MVR Millions)</b>	<b>5,642</b>	<b>6,438</b>	<b>7,302</b>	<b>7,859</b>	<b>8,370</b>	<b>8,879</b>
<b>Sovereign Credit Rating</b>				<b>Rating</b>	<b>Outlook</b>	<b>Date</b>
Moody's				B3	Negative	May-20
Fitch				CCC	-	Nov-20
<b>Gross Domestic Product (MVR Millions)</b>	<b>75,052</b>	<b>81,994</b>	<b>81,994</b>	<b>86,788</b>	<b>57,942</b>	<b>57,942</b>