

PUBLIC DEBT BULLETIN

ISSUE 4, December 2019

Ministry of Finance, Republic of Maldives

Resource Mobilization and Debt Management Department
For enquiries: dmd@finance.gov.mv

Contents

Abbreviations	3
1. Disbursed Outstanding Debt	4
2. External Debt	7
2.1 Creditor Breakdown of External Debt	7
2.2 Currency Composition of External Debt	8
2.3 External Debt Disbursements	9
2.4 External Debt Service	9
3. Domestic Debt	10
3.1 Short-Term Domestic Debt	11
3.2 Long Term Domestic Debt	11
3.3 Domestic Debt Servicing	11
4. Government Guaranteed Debt and On-Lending	12
5. Summary Debt Statistics	Error! Bookmark not defined.

Abbreviations

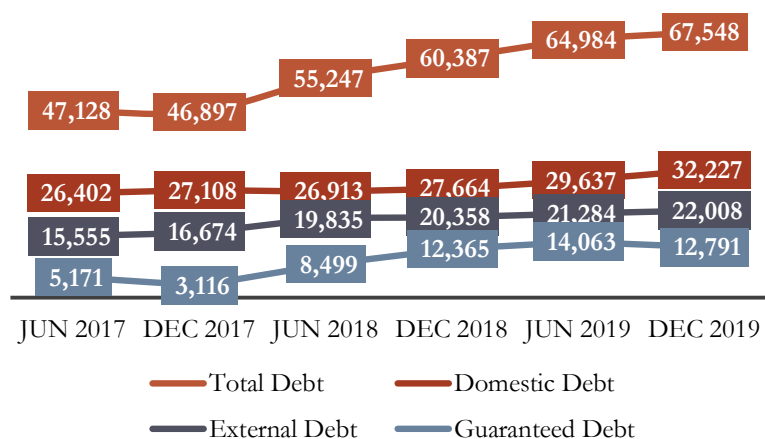
ADB	Asian Development Bank	JPY	Japanese Yen
AED	United Arab Emirates Dirham	KFAED	Kuwait Fund for Arab Economic Development
AIA	Addu International Airport Private Limited	KWD	Kuwaiti Dinar
AIIB	Asian Infrastructure Investment Bank	LT	Long Term
ASH	Ahmed Siyam Holdings Private Limited	MACL	Maldives Airports 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 Sub regional 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	International Netherlands 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 December 2019, DOD stood at MVR 67,548 million, an increase of 12% compare to December 2018

Figure 1 shows the trend in DOD from June 2017 to December 2019.

Figure 1: Disbursed Outstanding Debt (MVR millions) Jun 2017- Dec 2019



As at the end of December 2019, the total debt increased by MVR 7,161 million compare to December 2018. This was mainly driven by an increment in domestic debt during this period. The domestic debt increased by 16% during this period, while the direct external debt and the guaranteed debt increased by 8% and 3% respectively.

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.

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. It is agreed that the Government of India will assume the debt servicing under this facility, thus effectively eliminating the debt burden on Government of Maldives.

Additionally, Government issued 2 bonds in the domestic market during the second half of 2019; (1) MVR 250 million bond subscribed by the Maldives Pensions Administration office. (2) MVR 200 million bond subscribed by the Bank of Maldives.

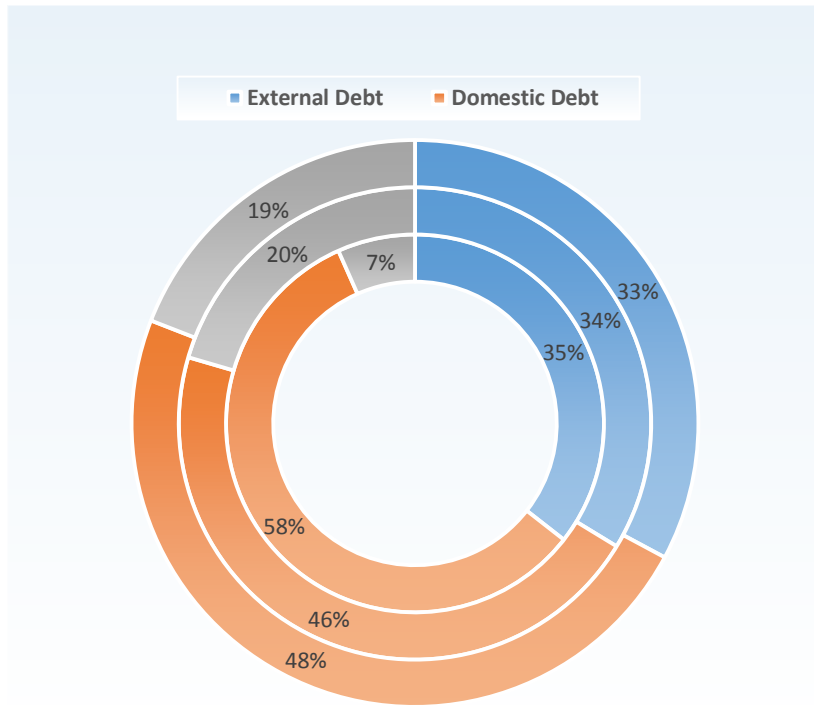
The increase in direct external debt is mainly driven by high disbursements made for VIA terminal development project as the project implementation has resumed in 2019.

The increase in guaranteed debt is mainly from disbursements made under loans for which Government has provided Sovereign Guarantees to state owned enterprises (SOEs) in prior years. Many of the projects being implemented with the support of sovereign guarantees are expected to be completed during 2020.

Total debt has increased by 44% during the 2-year period between December 2017 and December 2019. Guaranteed debt increased by MVR 9,674 million since December 2017 and stood at MVR 12,791 million at the end of December 2019.

Figure 2 shows the comparison of the change in shares of Disbursed Outstanding Debt for Dec 2017, 2018 and 2019.

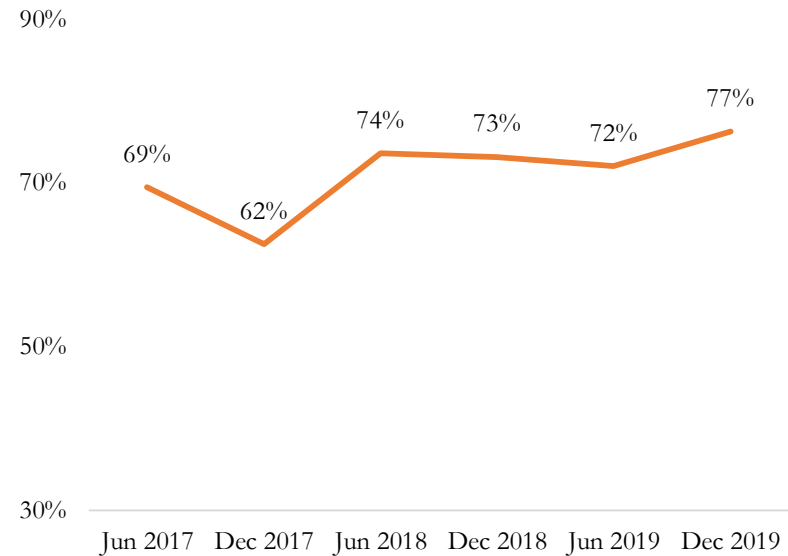
Figure 2: Shares of Disbursed Outstanding Debt 2017-2019 (Inner Ring: Dec2017; Middle Ring: Dec 2018; Outer Ring: Dec 2019)



At the end of December 2019, the total debt to GDP stood at 77%. This is an increase of 5.5 % compared to December 2018.

Figure 3 shows the trend in debt as a percentage of GDP from June 2017 to December 2019

Figure 3: Disbursed Outstanding Debt as a percent of Gross Domestic Product, June 2017-Dec 2019



Given the high level of investments towards infrastructure projects financed by debt, Debt to GDP has increased significantly during the past few years and thus far Government has been unable to meet the debt targets outlined in the Fiscal Responsibility Act (7/2013).

Ministry of Finance is currently working to introduce a new legislation to strengthen the debt management function of the Government and introduce best practices into the legal framework

Key Activities, July-Dec 2019

- ✓ Submitted the Medium Term Debt Strategy 2020-2022 to Peoples' Majlis
- ✓ Preparation of the National Budget 2020
- ✓ Loan signing - OFID Outer Island Harbors, Water Supply and Sewerage Facilities 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 IIFC for support to the Maldives
- ✓ A 10 year Treasury bond issued in the domestic securities market
- ✓ A 6 year Treasury bond issued in the domestic securities market
- ✓ Sovereign guarantee to RBI – MMA swap facility arrangement
- ✓ SLA signed with HDC for financing of remaining 7.6% finance of 1530 housing unit project
- ✓ Signed amendment agreement 1 and 2 – 1530 housing unit project, CDB/HDC
- ✓ The maturity period of the USD 100 million bond subscribed by Abu Dhabi Fund for Development (ADFD) has been extended by 3 years.
- ✓ Loan facility from Kuwait Fund extended till 31st December 2019_ water and sewerage project in Fuvahmulah
- ✓ ADB President Mr. Takehiko Nakao visit to Maldives
- ✓ A delegation of the World Bank Executive Directors visit to Maldives
- ✓ WB mission - Visit of Mr John Room, Director, Regional Director (Sustainable Development) for World Bank South Asia Region
- ✓ The Director-General of the OPEC Fund for International Development (the OPEC Fund) Dr Abdulhamid Alkhalifa visit to Maldives
- ✓ Moody's mission - Rating review
- ✓ WB MUDRP appraisal Mission
- ✓ Maldives Sustainable Fisheries Project - 5th Implementation Support Mission
- ✓ Housing Sector Strategy Mission
- ✓ Joined the Human Capital Project, WB
- ✓ SFD project review Mission
- ✓ Department reorganization as per DeMPA recommendation
- ✓ Implemented the DeMPA recommendation of user restrictions for the debt recording system.
- ✓ Training on Public Sector Debt Statistics

Key Events Planned, Jan– June 2020

- ✓ Debt audit 2016-2018
- ✓ Loan signing - SFD Affordable Housing and Fisheries Sector Development Project
- ✓ Loan negotiation with ING - Reclamation Project
- ✓ Sign a grant agreement with Abu Dhabi Fund for Development (ADFD)
- ✓ ADFD Waste to Energy Project
- ✓ Issue a Sovereign Guarantee for 1700 Housing Units project to be implemented by HDC
- ✓ Negotiation with World Bank on ARISE Project.
- ✓ Negotiation with World Bank on a Loan for Capacity Building
- ✓ CEB Financing facility for budgeted projects
- ✓ Issue a Sovereign Guarantee for 7000 housing units finishing work
- ✓ Issue a Sovereign Guarantee for road project
- ✓ Financing Cricket stadium project
- ✓ Sukuk Issuance
- ✓ Islamic Finance Market Development Master Plan
- ✓ Samurai Bond issuance
- ✓ Publishing a borrowing plan
- ✓ SECA Financing facility for budgeted projects
- ✓ Additional financing for VLA project
- ✓ Complete transferring all SLAs from MS Excel to the debt recording system
- ✓ Start submitting data to World Bank's Public Sector Debt Statistics database
- ✓ SLA restructuring
- ✓ Restructuring of Sovereign Guarantees
- ✓ Implement DeMPA recommendations

2. External Debt

Total direct external DOD increased by 8% at the end of December 2019 when compared to December 2018. DOD as at the end of December 2019 stood at MVR 22,104 million.

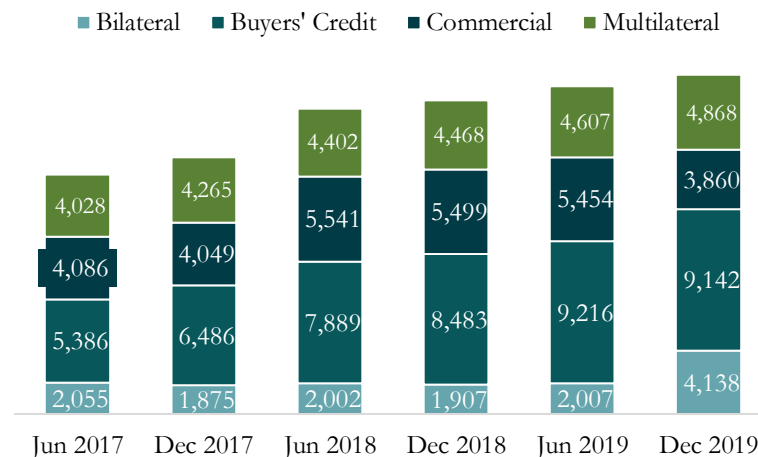
83% of external DOD consists of loan facilities while 17.4% are securities issued by Government of Maldives. 96% of the external DOD is at fixed interest rates.

2.1 Creditor Breakdown of External Debt

42% of the external DOD are buyer's credit facilities, while 22% of the portfolio is loan facilities from multilateral financial institutions. Bilateral and commercial loans account for 19% and 18% of the portfolio respectively.

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

Figure 4: External DOD by Creditor Category (MVR millions) Jun 2017 - Dec 2019



The share of bilateral loans increased by MVR 2,131 million during the second half of 2019 and stood at MVR 4,138 million at the end of December 2019. The share of buyer's credit facilities slightly declined in comparison to the first half of the year.

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 40%. 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 December 2019.

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

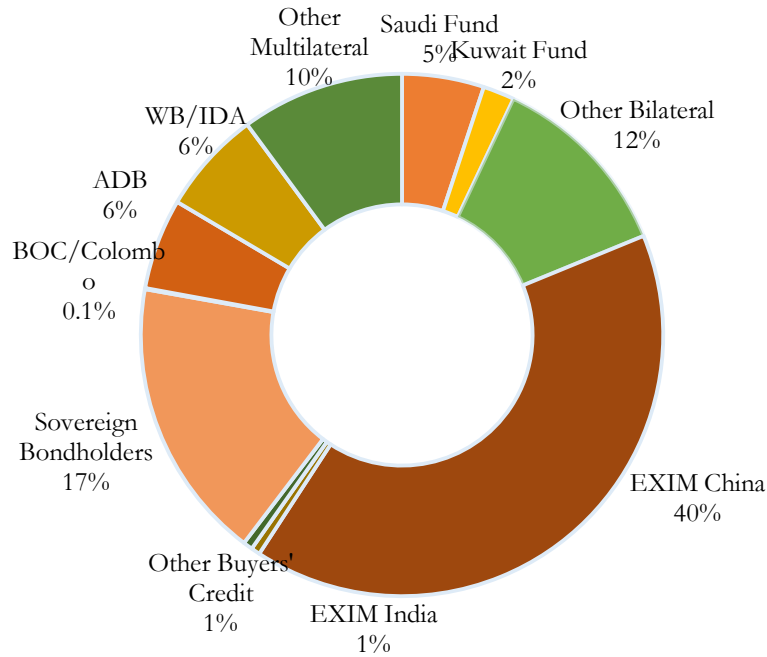
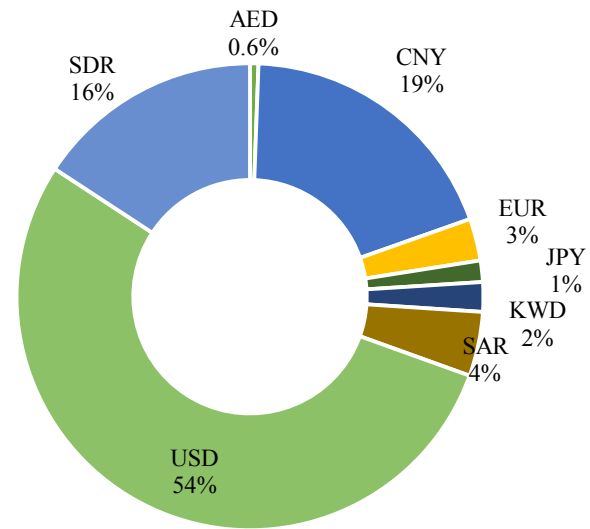


Figure 6 gives the currency composition of external DOD as at the end of December 2019, with the SDR portion decomposed to its basket currencies.

Figure 6: Currency Composition of External Disbursed Outstanding Debt, Dec 2019



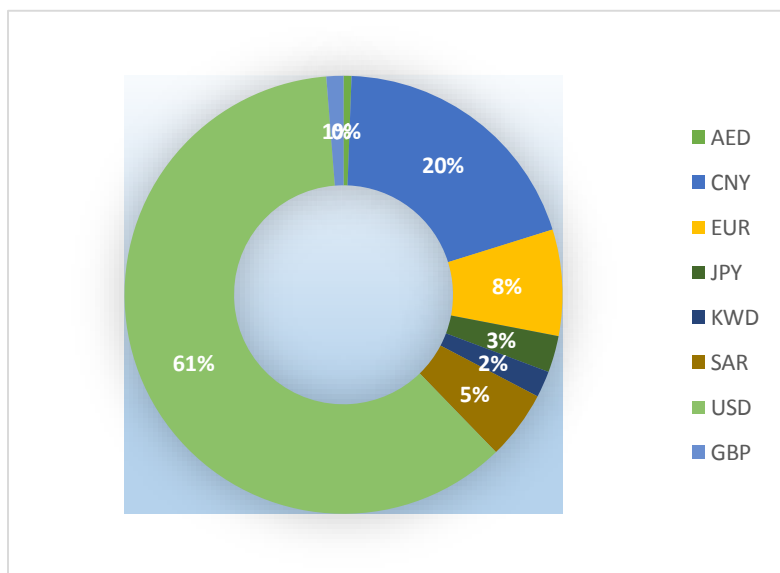
2.2 Currency Composition of External Debt

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.

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.

Figure 7: SDR Decomposed Currency Composition of External DOD, Dec 2019



As depicted in figure7, 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 61%, EUR from 3% to 8%, and JPY from 1% to 3%, CNY from 18% to 20% and introduces GBP into the composition, with a share of 1.3%.

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 2,561 million of committed external debt was disbursed during 2019.

As at the end of December 2019, MVR 19,544 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 2020.

2.4 External Debt Service

As at the end of December 2019, MVR 1,551 million was spent for the servicing of external debt, representing a decline of 4.2% compare to December 2018. As at the end of December 2019, 61% of the total debt service cost incurred on loan repayments, while the rest was for interest and other payments.

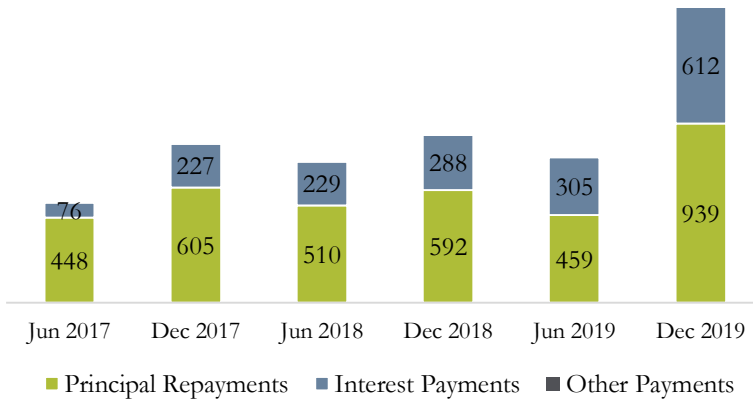
The interest cost of external debt increased by 18% at the end of December 2019 when compared to December 2018. This increment can be largely attributed to the increase in interest cost

of bilateral debt with the increase in disbursements for VIA terminal development project during 2019.

External debt servicing cost was equivalent to 7% of the total revenue and grants in 2019. The ratio has been maintained compare to 2018.

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

**Figure 8: External Debt Servicing (MVR millions)
June 2017-December 2019**

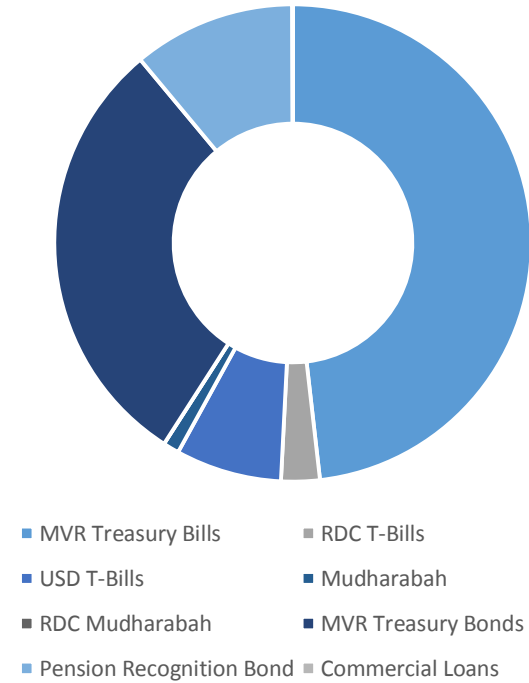


3. Domestic Debt

Domestic DOD increased by MVR 4,562 million at the end of December 2019, in comparison to 2018, to reach a total of MVR 32,227 million.

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

Figure 9: Domestic Debt by Instrument Category



3.1 Short-Term Domestic Debt

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

Government issued USD Treasury bills of USD 100 million during 2019. Additionally MVR 300 million was borrowed during the second half of 2019, increasing the short-term domestic debt by 27% as at the end of December 2019 when compared to December 2018.

The short term debt stood at MVR 19,095 million which accounts to 59% of domestic debt. Treasury bills accounts for 7.2% total domestic debt.

3.2 Long Term Domestic Debt

Long term domestic debt instruments include long term treasury bonds issued to MMA⁵, 5 to 10 year maturity treasury bonds and the Pension Recognition Bond held by MPAO⁶, as well as long term commercial loans.

At the end of December 2019, long term domestic DOD stood at MVR 13,132 million, representing an increment of 3.8% compare to December 2018.

3.3 Domestic Debt Servicing

Domestic debt servicing cost increased by 37% as at the end of December 2019 compared to December 2018.

Short term domestic debt servicing cost increased by 66% compare to December 2018, while long term debt servicing cost decreased by 1% compare to the same period.

Figure 10 shows the domestic debt servicing cost from December 2017 to December 2019.

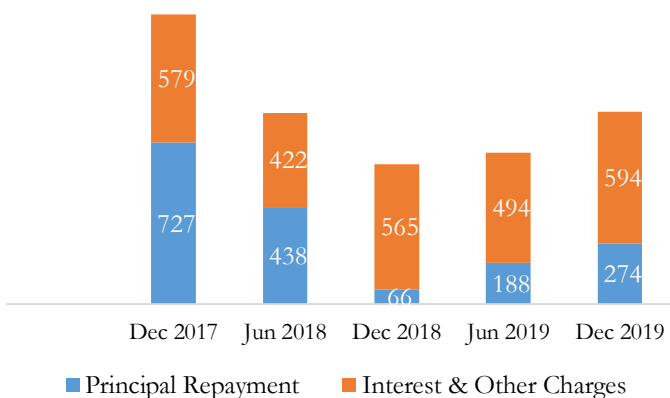
³ Reverse Dual Currency (RDC) instruments are issued in USD and repaid upon maturity in USD. However, the coupon payments are made in MVR.

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

⁵ This 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.

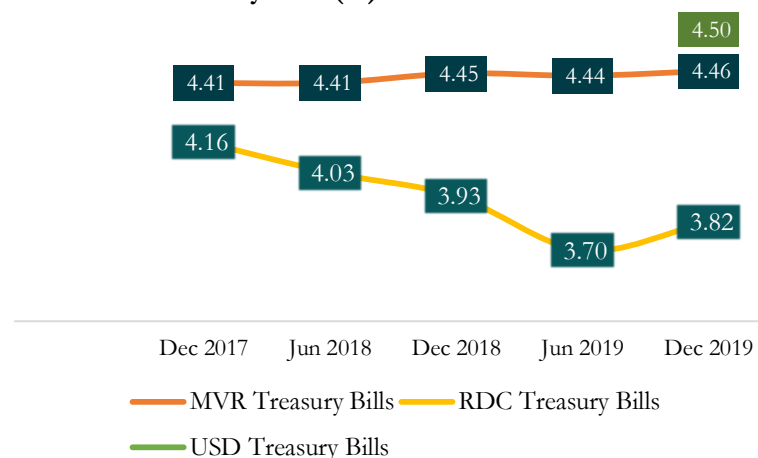
⁶ This is a bond issued by the Government to pensioners, administered via the MPAO, which is paid over time, upon their retirement. The interest on the bond is paid into the pensioners' retirement savings account.

Figure 10: Domestic Debt Servicing (MVR millions) Dec 2017 - Dec 2019



During the second half of 2019, the WAIR for all MVR and RDC Treasury bills increased marginally, and USD Treasury bills were issued at a rate of 4.5%.

Figure 11: Weighted Average Interest Rate for Treasury Bills (%) Dec 2017 - Dec 2019



4. Government Guaranteed Debt and On-Lending

Government guaranteed debt outstanding increased by 14.5% by the end of December 2019 in comparison to December 2018. The total outstanding guaranteed debt stood at MVR 12,791 million at the end of 2019.

HDC, STO, STELCO and ASH are the biggest beneficiaries of government guaranteed debt. The new guarantee issued in the 2019 include the guarantee issued to ITFC totaling USD 150 million, supporting STO’s oil trade financing activities and the guarantee issued to Reserve Bank of India against the USD 400 million currency swap arrangement to Maldives Monetary Authority.

90% of the guaranteed DOD is owed to external creditors, with ICBC, EXIM China and ITFC holding majority of the debt. ICBC account for 37% of guaranteed DOD. Majority of the 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 December 2019, guaranteed DOD was equivalent to 15% of GDP, and MVR 11,490 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 December 2019 amounted to MVR 7,968 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. Further, during the second half of 2019, two additional loans were on-lent to HDC and IASL, for the purpose of developing 1530 housing units in Hulhumale undertaken by HDC and to purchase additional aircrafts by IASL.

Figure 13 Government guaranteed and on-lent loans

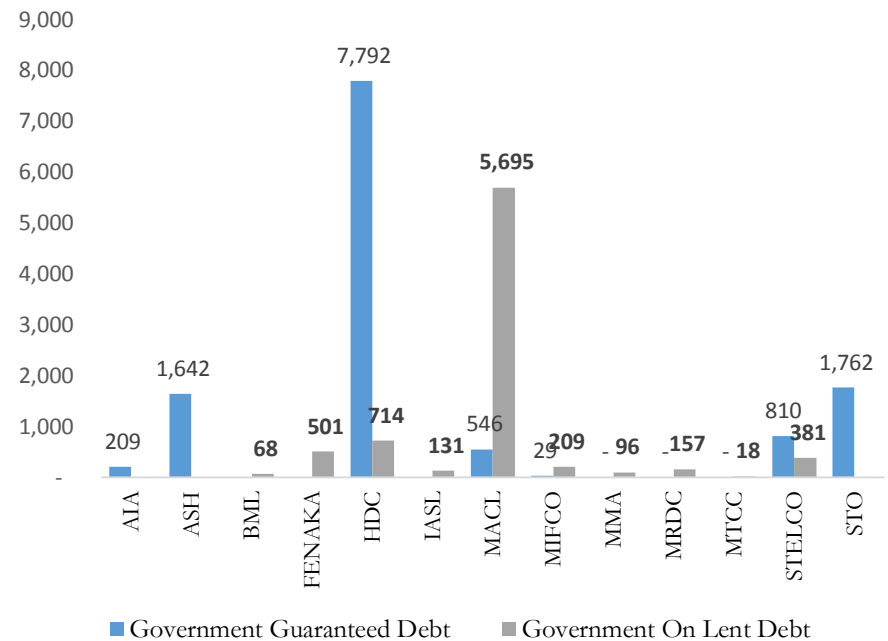


Figure 13 shows the government guaranteed and on-lent loans outstanding by beneficiary as at the end of December 2019

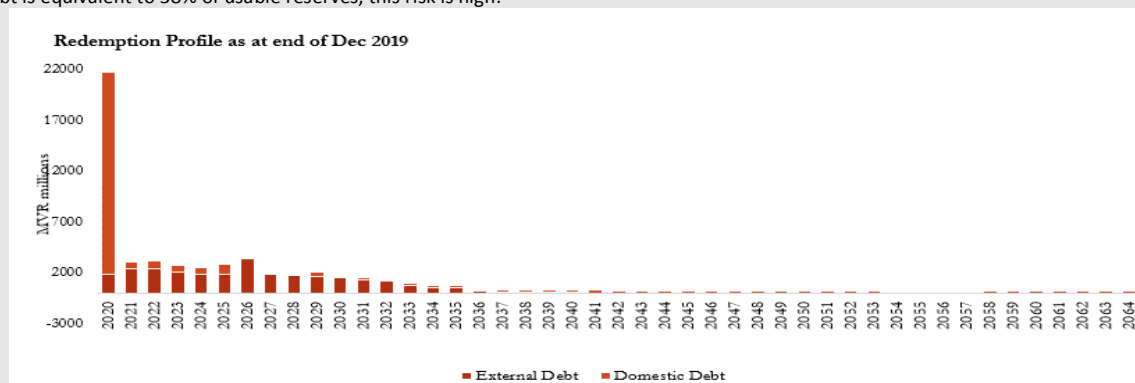
Debt Burden and Risk Indicators as at end December 2019

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 35% of the total debt portfolio (equivalent to 25% 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 35% 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 38% 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 December 2019 is seen to fall due during the next few years. This is due to reliance on short term treasury bills which poses a significant refinancing risk as Government may have to offer a higher rate to roll over these securities. Further, the two bullet payments on sovereign bonds will be due in the next few years. Government of Maldives is currently to refinance the maturing bonds in a cost-effective manner.

Indicator		Dec 2019
Debt to GDP		70%
Debt to Exports		106%
Debt to Revenue		256%
Debt Service to Exports		12%
Debt Service to Revenue		29%
Refinancing risk	Debt maturing in 1yr (% of total)	35%
	Debt maturing in 1yr (% of GDP)	25%
	ATM External Portfolio (years)	7
	ATM Domestic Portfolio (years)	8
	ATM Domestic Portfolio (years) without MMA Bond & PRB	2
Interest rate risk	ATM Total Portfolio (years)	8
	ATR (years)	7
	Debt refixing in 1yr (% of total)	35%
Exchange Risk	Fixed rate debt (% of total)	81%
	FX debt as % of total	56%
	ST FX debt as % of usable reserves	38%

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

5. Summary of Debt Statistics

	Dec 2017	Jun 2018	Dec 2018	Jun 2019	Dec 2019
Total Outstanding Debt (MVR millions)	46,897	55,247	60,387	64,984	67,026
External Debt	16,674	19,835	20,358	21,284	22,008
Domestic Debt	27,108	26,913	27,664	29,637	32,227
Guaranteed Debt	3,116	8,499	12,365	14,063	12,791
External Debt by Creditor (MVR millions)	16,674	19,835	20,358	21,284	22,008
Saudi Fund	487	775	919	948	1,117
Kuwait Fund	269	267	306	435	429
Other Bilateral	1,119	961	683	623	2,593
EXIM China	5,935	7,426	8,093	8,896	8,892
EXIM India	201	181	162	142	122
Other Buyers' Credit	349	282	229	179	129
Sovereign Bondholders	3,853	5,390	5,394	5,394	3,845
BOC/Colombo	196	151	106	60	15
Other Commercial	-	-	-	-	-
ADB	1,449	1,387	1,333	1,290	1,238
WB/IDA	1,381	1,343	1,308	1,289	1,408
Other Multilateral	1,435	1,672	1,827	2,028	2,222
External Debt by Loan Currency (MVR Millions)	16,674	19,834	20,357	21,284	22,008
AED	73	79	70	124	129
CNY	3,605	3,968	3,914	4,047	3,940
EUR	980	845	727	620	668
JPY	332	331	322	315	309
KWD	269	267	306	435	429
SAR	487	775	919	948	1,117
USD	7,349	10,098	10,704	11,437	11,996
SDR	3,578	3,472	3,396	3,357	3,421
Domestic Debt by Maturity (MVR million)	27,108	26,913	27,664	29,637	32,227
Short Term	14,493	14,287	15,014	17,008	19,095
MVR Treasury Bills	12,889	12,971	13,512	14,042	15,468
RDC Treasury Bills	664	719	767	840	840
USD Treasury Bills	-	-	-	1,541	2,307
Mudharabah	540	540	490	370	350
RDC Mudharabah	-	-	216	216	-
Murabahah	-	57	29	-	-
Wakalah bi al-Istithmar	-	-	-	-	-
ST Commercial Loans	400	-	-	-	130
Long Term	12,614	12,626	12,650	12,629	13,132
MMA Bond	6,233	6,197	6,161	6,123	6,087
Pension Recognition Bond	3,312	3,361	3,423	3,440	3,530
Pension Bonds	3,048	3,048	3,048	3,048	3,498
Sukuk Murabaha	-	-	-	-	-
LT Commercial Loans	20	20	19	18	17
Government Guaranteed Debt (MVR Millions)	3,116	8,499	12,365	14,063	12,791
Government On Lent Debt (MVR Millions)	1,663	1,659	2,291	8,372	7,968

Sovereign Credit Rating	Rating	Outlook	Date	Date
Moody's	B2	Negative	Jul-18	Nov-19
Fitch	B+	Stable	May-19	May-19

Gross Domestic Product (MVR Millions)	75,052	82,504	82,504	90,188	87,837
---------------------------------------	--------	--------	--------	--------	--------