The Republic of Suriname announces the completion of the restructuring of its outstanding international bonds.

This operation alleviates debt service by USD 972 million over 2020-2026 and allows the Government to dedicate significant higher spending on society during trying times.

This transaction – that puts an end to complicated negotiations with bondholders - is the first successful sovereign debt restructuring achieved with bondholders since the pandemic.

The Republic has completed today the settlement of the restructuring of its two outstanding international bonds (the “Eurobonds”).

The Republic obtained on November 3rd, the instructions and consents required to exchange and/or modify 100% of the aggregate principal amount outstanding of each series of its 2023 and 2026 Bonds pursuant to the terms of its Invitation.

The two Eurobonds, capitalized at high rates of 9.25% (for the Bonds due 2026) and 12.875% (for the Bonds due 2023) and amounting to USD 912 million, were exchanged for (1) a fixed income instrument in the form of a new bond and (2) a “value-recovery instrument” (“VRI”) in the form of an oil-linked security.

The new bond is issued with a face value of USD 660 million, a 10-year maturity, and a coupon of 7.95%. During the first two years, only 4.95% will be paid in cash with the remaining 3% capitalized.
The new bond represents a 29% principal haircut on original face value and accumulated past due interest.

The issuance of the new bond is complemented with the issuance of an oil-linked security as a “value recovery instrument”, which is a contingent payment obligation of the Republic and only pays out if the Republic generates oil royalty revenues from Block 58.

After an initial USD 100 million of oil royalty revenues is allocated to the government, holders of the VRI will receive 30% of the yearly oil royalties from Block 58 until bondholders are compensated for the haircut they consented to. The VRI is structured to ensure that the Republic and its population will fully benefit from the other three sources of oil-related revenues of Block 58 beyond oil royalties (i.e. income taxes, a share in profit oil and dividends from Staatsolie), while receiving 70% of the oil royalty revenues until haircut is compensated and 100% afterwards. The VRI is limited to Block 58 and revenues of other oil blocks are unaffected. The VRI can be bought back early and/or redeemed at anytime if so desirable.

The debt restructuring provides significant fiscal space to navigate through the structural reforms and sustainably support economic recovery. Over the period 2020-2026, debt servicing, which amounted to USD 1,073 million under the previous bonds, will be reduced to USD 101 million.

The new coupon on the restructured instrument is 7.95% against 9.250% (2026 bond) and 12.875% (2023 bond).

“In 2016 and 2019, at a time of record low interest rate internationally, Suriname took out bonds that carried some of the highest interest rates in the world in both absolute terms (9.25% and 12.875%) and premium over the US Bonds (7.45% and 11.175%). Today, despite high interest rate environment, the new coupon has been reduced in absolute terms (7.95%) and only pays a premium of 3.08 % over US Bonds” explained Minister of Finance Stanley Raghoebarsing.

The first coupon payment will be made on January 15, 2024 at a 4.95% interest (0.08% over US Treasuries). No principal payment is due before January 15, 2027.

President Santokhi’s government inherited in 2020 an unsustainable public debt burden, reaching 148% of GDP, from 41% in 2015. The Government embarked on an ambitious reform agenda, requested an IMF-supported program and committed to reducing public debt. Thanks to difficult fiscal efforts and debt reduction, the public debt ratio is on track to be around 100% at the end of this year and reach 2018 levels by 2028.

The restructuring offer presents the following characteristics:

1. It significantly alleviates debt service in the short/medium term,
2. … contributes to bringing public debt back to sustainable levels on an accelerated pace
3. … helps avoid further unacceptable fiscal sacrifices,
4. while recognizing that bondholders could be “compensated” for the nominal losses incurred as part of the restructuring if the Republic of Suriname receives sufficient royalty revenues from Block 58.
The authorities are confident that the combination of Suriname’s efforts to implementing a broad range of economic reforms, strong commitment to fiscal consolidation, comprehensive treatment of the debt issue and sufficient debt relief will all contribute to ensure a more prosperous future for Suriname.

Lazard and White & Case LLP were respectively acting as the Republic’s financial and legal advisors and together with the Suriname Debt Management Office and the Ministry of Finance & Planning have worked on this result.