

The Financial Cost of Lesotho's Foreign and Domestic Public Debt

By Selloane Khoabane¹

Abstract

THE FINANCIAL cost of external public debt could have increased due to the recent depreciation of the Loti against major currencies, which could strengthen the case for increasing domestic debt. Thus this paper carries out a comparative assessment of the financial costs of external and domestic debt. The theoretical advantages and disadvantages of these two types of debt as identified in the literature are also reviewed. The findings of the study reveal that foreign debt remained financially cheaper than domestic debt despite the recent depreciation of the Loti against the currencies in which the bulk of Lesotho's foreign public debt was held and serviced. This was attributed to the highly concessional nature of Lesotho's external public debt. Consequently, the major recommendation of the paper is that highly concessional foreign public debt should continue to be preferred more than domestic debt so as to maintain the burden of debt on government budgetary operations at sustainable levels. Nonetheless, domestic debt should be gradually increased when the fiscal space allows so as to develop the domestic capital market as an insurance against the disadvantages of foreign debt. A conducive environment should be created to minimize the possible costs and risks of foreign and domestic debt.

Keywords: Debt Financing, Domestic Debt, Foreign Debt

JEL classification: G12, H63, H68, H74

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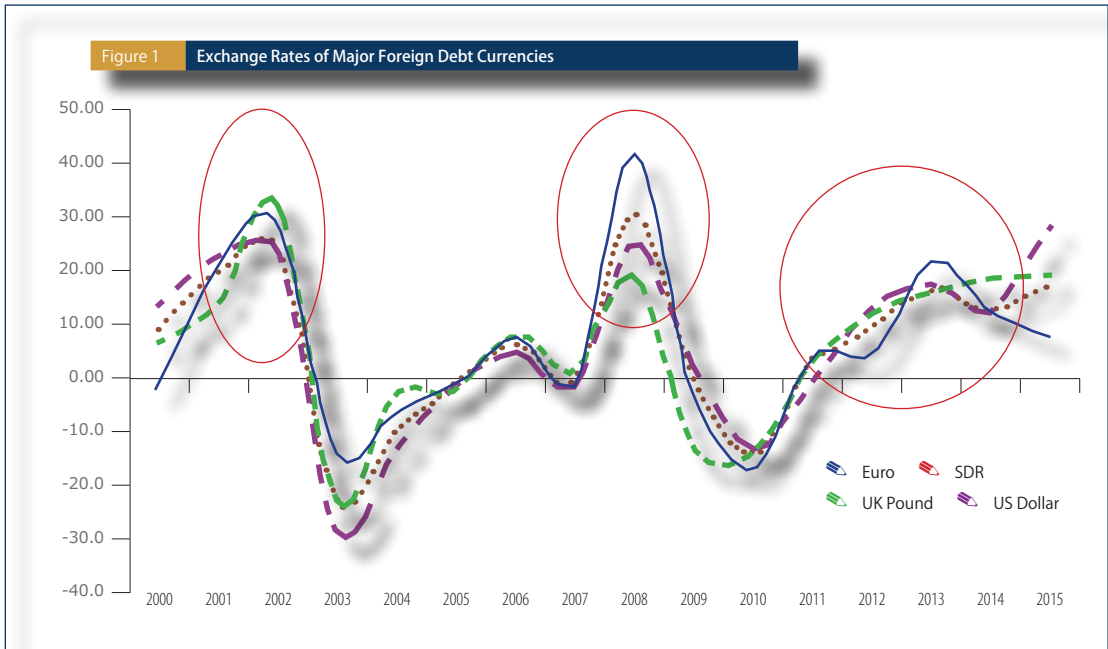
1 INTRODUCTION

THE GOVERNMENT of Lesotho (GoL), like other governments around the world resorts to the debt market for financing of fiscal deficits. In Lesotho, public debt comprises both external and domestic debt with the latter accounting for the bulk of total debt. As depicted in Table 1 below, foreign debt accounted for 89.0 per cent of total debt on average from 2008 to 2015. Domestic debt is wholly denominated in the domestic currency, while foreign debt is denominated in various foreign currencies.

Table 1	Domestic and Foreign Debt (Percentage of Total Debt)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Domestic	6.47	8.16	12.93	14.33	14.33	11.66	10.58	8.76	2992
Foreign	93.53	91.84	87.07	85.67	85.67	88.34	89.42	91.24	-1539
Source	Ministry of Finance and Central Bank of Lesotho								

Foreign currency denominated public debt exposes government to high costs of servicing such debt during periods of high depreciation of the domestic currency against the foreign currencies in which the debt is held and repaid. Between 2000 and 2015, there were 3 episodes of the Loti depreciation against Lesotho's major external public debt currencies. It depreciated quite substantially in 2001 and 2002 after which it appreciated for 3 successive years and then depreciated marginally in the next two years. The Loti depreciated significantly again in 2008. The last episode of depreciation started in 2011 and persisted to 2015. The depreciation is expected to have resulted in an escalation in the costs of external debt to the GoL.





Source: Bloomberg

It is on the basis of the aforementioned that the objective of this paper is to evaluate the financial costs of foreign and domestic debt to the GoL. While the financial cost is important, it is not the only factor that should be looked at when choosing between foreign and domestic debt. The theoretical issues that underpin the choice between foreign and domestic debt, specifically their advantages and disadvantages are also reviewed with the objective of strengthening the conclusion and recommendations of the paper.

The rest of the paper is structured as follows: Section 2 discusses the trend and structure of Lesotho’s public debt. Section 3 provides the literature review the covers the advantages and disadvantages of foreign and domestic debt. Section 4 elaborates the analytical framework and methodology for assessing the financial costs of foreign and domestic debt and the description of the data used in this study. Section 5 discussed the empirical results while Section 6 concludes the paper and provides recommendations.

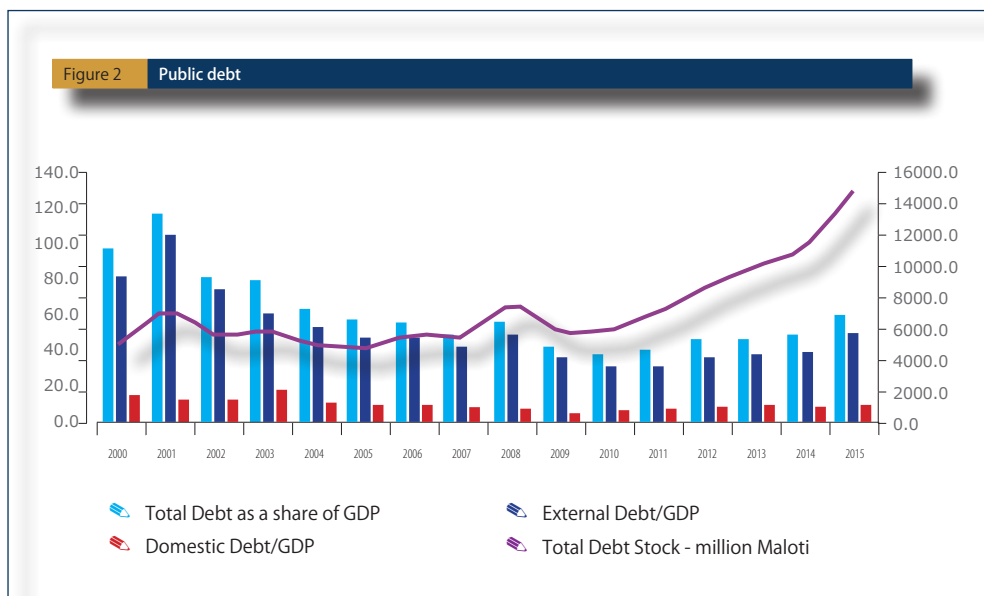
2 AN OVERVIEW OF LESOTHO'S PUBLIC DEBT – THE TREND AND STRUCTURE

The stock of public debt as a share of GDP declined steadily from 115.5 per cent in 2001 to a trough of 36.8 per cent in 2010 after which it increased from year to year and reached 58.7 per cent in 2015. The decline was due to a lower increase in the stock of debt in Maloti terms compared with a higher rise in GDP. External debt, which accounted for an average of 89.1 per cent of total debt over the period 2008 to 2015 was the main contributor to the movements in the total stock of debt, while domestic debt increased sluggishly with minor fluctuations.

Domestic debt is comprised of Treasury bills (T-bills) of 4 tenors, 91, 182, 273, and 364 days, Treasury bonds (T-bonds) of 3, 5, 7 and 10 years tenors and the Central Bank of Lesotho's on-lending to GoL of funds obtained under the IMF's extended credit facility loan for balance of payments support². The T-bills, which accounted for 26.0 per cent of domestic debt in 2015 are monetary policy instruments through which the Central Bank of Lesotho mops up excess liquidity and injects liquidity into the economy for purposes of maintenance of price stability. The size of the issuance of T-bills is determined on the basis of the liquidity conditions as estimated by the liquidity forecasting team of the CBL. The T-bonds were introduced in 2010 with the main objective of catalyzing the development of Lesotho's capital market. The issuances of T-bonds are intended to raise funds for public infrastructure development and to create alternative avenues for saving and investment in Lesotho. The Ministry of Finance determines the amount to be issued as part of the financing needs of the GoL each fiscal year, taking the GoL's capacity to repay the debt into account. The stock of T-bonds has increased from 19.4 per cent of total domestic debt in 2010 to 27.1 per cent in 2015. On average, GoL paid market rates of 8.0 to 10.0 per cent on domestic debt from 2008 to 2015.

² In 2010, Lesotho entered into an ECF arrangement with the IMF to restore balance of payments and fiscal sustainability, which were threatened by the slump in SACU revenue.





Source: Ministry of Finance and the Central Bank of Lesotho

GoL's foreign debt comprises both concessional and non-concessional debt. The bulk of Lesotho's concessional foreign debt has an interest rate of 0.75 per cent (including service charges), a debt service period of 35 years or more years, a grace period of 10 years and a grant element. As shown in Table A8, in the Appendix, concessional debt accounted for the largest share of total external debt at 88.0 per cent on average over the 2008 to 2015 period. Concessional debt as a share of total external public debt of above 90.0 per cent was recorded year after year from 2008 to 2011 after which it consistently went on a downward trend to reach 78.6 per cent in 2015.

3 LITERATURE REVIEW – ADVANTAGES AND DISADVANTAGES OF FOREIGN AND DOMESTIC DEBT

Debt can either be foreign or domestic and each of these two types has its advantages and disadvantages. Woo and Gray (2000) indicate that one important benefit of external debt

financing of budget deficits is that it is less costly compared with domestic debt. Christensen (2004) points out that most Sub-Saharan African (SSA) countries have access to external debt at favourable conditions including very low interest rates (lower than market interest rates), very long maturity and a grant element. The other advantages of foreign debt are that it provides foreign exchange (Christensen, 2004) and it has lesser crowding-out effects on private investment (Mlachila *et al*, 2002). However, as pointed out by Mlachila *et al* (2002) external debt increases economies' exposure to external conditions. This leads to high debt service costs during a depreciation of the exchange rate (Woo and Gray: 2000) and during periods of higher interest rates in the case of debt contracted at a floating rate (Mlachila *et al*: 2002). Mlachila *et al* (2002) found that the cheapest way to finance budget deficits in developing countries is through highly concessional foreign borrowing, which usually remains attractive despite depreciation of the domestic currency.

Villar *et al* (2012) are of the view that emerging market economies have increased their domestic funding vis-à-vis foreign currency funding and this has contributed immensely in the development of their domestic bond markets and contributed to increased domestic savings. Domestic debt reduces the currency risk as it is usually denominated in domestic currency and its service does not require foreign exchange (Christensen, 2004). Mlachila *et al* (2002) also point out that it reduces inflationary pressures and the risk of external debt crises. Nonetheless, there are some concerns regarding accumulation of domestic debt. As outlined in Christensen *et al* (2007) these may include crowding-out private investment and increasing the fiscal debt burden because of the high domestic interest rates. However, Presbitero (2012) is of the view that the prerequisites of a well-functioning economy such as a stable macroeconomic environment, an efficient money market, a broader investor participation and the presence of a sound legal, regulatory and supervisory framework are essential for achieving the balance between the benefits and costs of domestic debt. Christensen *et al* (2007) contend that strong debt management practices and fiscal discipline could minimize the costs and risks of domestic debt.



4 THE FINANCIAL COSTS OF FOREIGN AND DOMESTIC DEBT

4.1 The Analytical Framework

The paper measures the cost of debt as the cost of servicing public debt. According to the IMF (2009) the cost of servicing debt comprises interest payments and capital gains/losses due to the effects of exchange rate movements on foreign currency denominated debt. Thus the IMF (2009) proposes an indicator of interest cost adjusted for capital gains/losses as

$$C_t = \left(\sum_{j=1}^m e_j I_{jt}^{FX} + \sum_{j=1}^m (D_{t-1,j}^{FX} \Delta e_{t,j}) \right) + \sum_{j=1}^n I_{jt}^{DX} \quad |$$

Where C_t is the total nominal interest cost adjusted for capital gains/losses at time t , e_{jt} is the j^{th} exchange rate between the domestic currency and foreign currency j , I_{jt}^{FX} represents interest payments denominated in foreign currency j , and I_t^{FX} is the local currency interest payments and

$$\sum_{j=1}^m D_{t-1,j}^{FX} \Delta e_{t,j}$$

is the capital gain/loss arising from exchange rate changes associated with outstanding foreign exchange debt at time $t - 1$.

Another indicator of the cost of debt is the interest payments per unit of debt, calculated as the nominal interest payment relative to the outstanding stock of debt (IMF: 2009). This measure gives the unweighted average interest rate;

$$\bar{i} = \frac{I_t^*}{D_t} = \frac{\sum_{j=1}^m e_j I_{j,t}^{FX} + I_t^{DX}}{D_t^{DX} + D_t^{FX}} \quad 2$$

Where D_t^{DX} and $D_t^{FX} = \sum_{j=1}^m e_{t,j} D_{t,j}^{FX}$ are the outstanding domestic currency and foreign currency debt respectively.

4.2 The Analytical Methodology

This paper conducts a comparative analysis of the cost of foreign debt versus the cost of domestic debt. Adopting the analytical framework described above, the cost of foreign debt is measured as;

$$C_t^{FX} = \sum_{j=1}^m e_j I_{jt}^{FX} + \sum_{j=1}^m (D_{t-1,j}^{FX} \Delta e_{t,j}) \quad 3$$

The capital gains and/or losses are estimated as

$$\sum_{j=1}^m (D_{t-1,j}^{FX} \Delta e_{t,j}) = \sum_{j=1}^m P_{t,j}^{FX} \Delta e_{t,j} + \sum_{j=1}^m I_{jt}^{FX} \Delta e_{t,j} \quad 4$$

Where, $P_{t,j}$ is the principal repayment in foreign currency j at time t , $\Delta e_{t,j}$ is the change in the nominal exchange rate of currency j at time t and all the other variables are as previously defined. And the cost of domestic debt is measured as

$$C_t^{DX} = \sum_{t=1}^n I_t^{DX} \quad 5$$

The unweighted average interest rate on the foreign debt, measured as the interest cost of foreign debt as a ratio of the total stock of foreign debt, is calculated as

$$\bar{i}^{-FX} = \frac{\sum_{j=1}^m e_j I_{j,t}^{FX}}{D_t^{FX}} \quad 6$$

The unweighted average exchange rate on foreign debt, measured as the ratio of the capital gains and/or loss due to exchange rate fluctuations as a ratio of the total stock of foreign debt is given by

$$\bar{e}^{-FX} = \frac{\sum_{j=1}^m P_{t,j}^{FX} \Delta e_{t,j} + \sum_{j=1}^m I_{j,t}^{FX} \Delta e_{j,j}}{D_t^{FX}} \quad 7$$

The total cost of foreign debt as a ratio of the total stock of foreign debt is given by



$$\overline{ie}^{-FX} = \overline{i}^{-FX} + \overline{e}^{-FX} \quad 8$$

The unweighted average interest rate on domestic debt is given by the total interest cost of domestic debt as a ratio of total stock of domestic debt

$$\overline{i}^{-DX} = \frac{\sum_{j=1}^n I_{jt}^{DX}}{D_t^{DX}} \quad 9$$

4.3 Data

The data on all external debt variables covering the period 1966 to 2015 was obtained from the Ministry of Finance while the data on domestic debt (Treasury bills and bonds) for the period 2008 to 2015 was obtained from the Central Bank of Lesotho. Exchange rate data going as far back as 1966 was sourced online from <http://www.Fatop.com> to supplement data from the Central Bank of Lesotho. The use of data on a loan by loan basis facilitated incorporation of the different terms of each loan in relation to grace period and maturity into the calculations. It also ensured application of appropriate foreign currency exchange rates for calculation of capital gains and/or losses due to exchange rate fluctuations.

Table 2		Debt Data Descriptions
Variable	Description	Data Used
e_{jt}	is the j th exchange rate between the domestic currency and foreign currency j	Annual average nominal exchange rate ³ of the Loti against the foreign currency in which the interest payment or principal repayment was effected.
I_{jt}^{FX}	interest payments on foreign debt denominated in foreign currency j	Interest payments on foreign debt on a loan by loan basis denominated in the foreign currency in which the interest payment was made.
I_t^{PX}	interest payments on domestic loans	The cost of domestic loans to Government in the form of the discounted amount on 3, 5, 7 and 10 year Treasury bonds and on 92, 182, 273 and 364 day Treasury bills.
D_{tj}^{FX}	is the outstanding stock of foreign currency debt denominated in foreign currency j	Outstanding stock of foreign debt denominated in foreign currency in which the loan was contracted.
D_t^{DX}	is the outstanding stock of domestic debt	Outstanding stock of Treasury bills and bonds at time t .
P_{tj}^{FX}	Principal repayments of foreign currency debt at time t denominated in foreign currency j	Principal repayments on foreign debt on a loan by loan basis, denominated in the foreign currency in which the repayment was made.

4.4 Empirical Results

The external and domestic public debts expose the Government to debt servicing costs. In the case of foreign debt, the financial costs arise from interest payments, and financial gains and losses resulting from exchange rate fluctuations as Lesotho's foreign debt is denominated in foreign currencies. With regard to domestic debt, the financial costs arise from interest payments only as it is denominated in domestic currency.

³ The relevant exchange rate of the day of the transaction was the most ideal rate to use for increased accuracy of the estimates. However, the high number of transactions (31 000) on disbursements, interest payments and principal repayments and time constraints made it impossible if not impractical to compile the daily rates hence the use of annual average exchange rates.

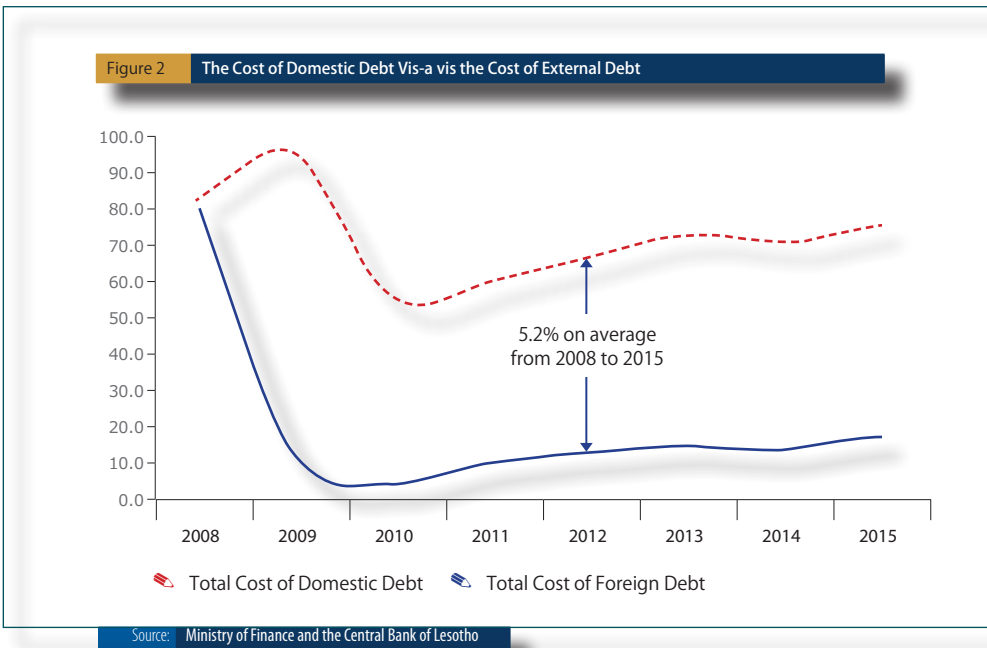


	2008	2009	2010	2011	2012	2013	2014	2015
Total Cost of Foreign Debt	3.85	0.42	0.13	0.31	0.42	0.53	0.54	0.73
Interest Payments	3.35	0.43	0.33	0.29	0.32	0.34	0.41	0.5
Exc* Rate Cost (Principal+)	0.5	-0.01	-0.2	0.02	0.1	0.19	0.13	0.23
Total Exc Rate Cost	0.59	-0.01	-0.24	0.02	0.13	0.23	0.16	0.3
Exc Rate Cost (Principal+)	0.5	-0.01	-0.2	0.02	0.1	0.19	0.13	0.23
Exc Rate Cost (Interest)	0.09	0.00	-0.04	0.00	0.03	0.04	0.03	0.07
Exc Rate Cost/ Total Cost	15.32	-2.38	-184.62	6.45	30.95	43.40	29.63	41.10
*Exchange								

Looking at the period 2008 to 2015, the financial costs of Lesotho's foreign debt was marginal, despite increasing exponentially since 2011. It rose from 0.13 per cent of GDP in 2010 to 0.73 per cent of GDP in 2015. Interest payments accounted for the bulk of the costs. With regards to the exchange rate component of the financial costs the Government realized some savings in 2009 and 2010 followed by losses up to 2015. The financial losses increased during periods of higher depreciation and *vice versa*. On the one hand, the financial gains realized in 2009 and 2010 were due to the appreciation of the Loti against the Euro, Special Drawing Rights and the UK Pound in 2009 and 2010. This was complemented by the minimal depreciation of the Loti against the US Dollar in 2009 and its appreciation in 2010. On the other hand, the financial losses from 2011 to 2015 were a result of the depreciation of these currencies during that period. As depicted in Tables A3 and A4 in the Appendix, the bulk of the principal repayments and interest payments on foreign debt were effected in these currencies. As shown in Table A1 in the Appendix, the cumulative loss on account of the depreciation of the Loti against the foreign currencies in which GoL's foreign debt was denominated amounted to M196.2 million over the 2011 to 2015 period. As depicted in Table 4, this cumulative loss accounted for 41.1 per cent of the total cost of foreign debt. This was a lot of money given the level of Lesotho's economic development.

Table 4 Interest Payments on Domestic and Foreign Debt (Per cent of GDP)								
	2008	2009	2010	2011	2012	2013	2014	2015
Domestic Debt	0.27	0.30	0.25	0.33	0.39	0.38	0.34	0.36
Foreign Debt	3.35	0.43	0.33	0.29	0.32	0.34	0.41	0.50
Source	Ministry of Finance and Central Bank of Lesotho							

Interest payments on domestic debt have also been on an upward trend with minor fluctuations. The difference between interest payments on domestic and foreign debt was marginal. Worth noting is the fact that interest payments on domestic debt rose above interest payments on foreign debt for three successive years from 2011 to 2013. This is interesting given that domestic debt accounted for 10.9 per cent of total debt on average from 2008 to 2015.



The graphical representation of the unweighted average interest rate on domestic debt (total costs arising from domestic debt as a ratio of the outstanding stock of domestic debt) and the unweighted average interest rate on foreign debt (the total costs of foreign debt as a ratio of the outstanding stock of foreign debt) shows that domestic debt is more costly to the GoL than



foreign debt. The costs of domestic debt exceeded that of foreign debt by an average of 5.2 per cent from 2008 to 2015. This is explained by the highly concessional nature of Lesotho's foreign debt as shown in Table A7 in the Appendix. As explained earlier, 88.0 per cent of public foreign debt was concessional in 2008 to 2015 and the interest rate on the bulk of this was 0.75 per cent, including service charges while the interest rate on domestic debt ranged between 8.0 and 10.0 per cent during the same period.

3 CONCLUSION AND RECOMMENDATIONS

The depreciation of the Loti against the currencies in which Lesotho's foreign debt was held and serviced has resulted in an increase in the financial costs of foreign debt to the GoL. It culminated in a cumulative loss of M196.2 million over the 2011 to 2015 period, which translates into 41.1 per cent of the total cost of foreign debt as a percentage of GDP. Nonetheless, domestic debt was financially more costly to the GoL than external debt despite the financial losses on foreign debt due to the depreciation of the Loti against the foreign currencies in which the bulk of Lesotho's public debt was held and serviced. These findings were in line with the findings of Mlachila *et al* (2002) who concluded that "financial costs of highly concessional loans are likely to be smaller over the long run, in spite of the risks inherent to foreign currency borrowing". This notwithstanding, both domestic and foreign debt have their advantages and disadvantages. It is on the basis of these two points that the following recommendations are made:

- Highly concessional foreign debt should continue to be the most preferred form of fiscal deficit financing over domestic debt to maintain the burden of debt on the fiscal operations at sustainable levels.
- A gradual increase in domestic debt should be pursued in times of fiscal surpluses with the objective of developing the domestic capital market. A developed domestic capital market will provide an avenue for supplementing where concessional foreign resources may not adequately meet the need for financial resources and also provide a cheaper alternative in the event that the Loti depreciates beyond the optimum level and raises the financial cost of foreign debt above that of domestic debt.

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APPENDIX

Appendix A1		Exchange Rates of Major Foreign Debt Currencies						
Currency	2008	2009	2010	2011	2012	2013	2014	2015
Loti per Unit of Foreign Currency (Annual Averages)								
Euro	12.07	11.69	9.71	10.10	10.55	12.83	14.39	15.51
Special Drawing Rights	13.02	12.96	11.17	11.45	12.58	14.62	16.48	19.41
UK Pound	15.11	13.10	11.32	11.63	13.02	15.10	17.88	21.27
US Dollar	8.27	8.42	7.32	7.26	8.21	9.65	10.88	13.99
Depreciation/ Appreciation Rates								
Euro	41.50	-3.14	-16.94	3.97	4.51	21.58	12.15	7.81
Special Drawing Rights	30.32	-0.45	-13.86	2.59	9.81	16.21	12.74	17.80
UK Pound	18.94	-13.27	-13.63	2.79	11.89	15.98	18.40	19.01
US Dollar	24.77	1.85	-13.06	-0.82	13.11	17.50	12.74	28.57
Source	Ministry of Finance and Central Bank of Lesotho							

Appendix A2		External Public Debt by Currency (Percentage Shares)				
Currency	2011	2012	2013	2014	2015	
Canadian Dollars	0.12	0.10	0.09	0.08	0.07	
Danish Kroner	0.24	0.21	0.21	0.18	0.15	
Euro	10.32	9.20	8.78	7.22	6.31	
European Currency Units	1.07	0.94	0.91	0.73	0.61	
Kuwaiti Dinars	2.36	2.60	3.04	3.51	3.63	
Maloti	1.51	1.29	0.98	0.85	1.17	
Norwegian Krone	0.08	0.07	0.06	0.05	0.04	
Pound Sterling	0.19	0.76	0.76	0.76	0.74	
Rand	3.50	5.15	6.44	8.07	9.39	
Saudi Riyals	0.34	0.90	1.18	2.39	2.69	
Special Drawing Rights	48.17	48.32	48.54	45.94	44.84	
Swedish Kronor	0.40	0.37	0.36	0.29	0.26	
Swiss Francs	0.64	0.58	0.56	0.49	0.47	
UAE Dirhams	0.00	0.00	0.00	1.02	1.67	
US Dollars	19.33	17.91	17.68	18.96	18.77	
Yen (000's)	7.43	6.32	4.96	4.40	4.22	
Yuan Renminbi	4.32	5.27	5.45	5.06	4.95	
Source	Ministry of Finance and Author's Calculations					



APPENDIX

Appendix A3 Principal Repayments by Foreign Currency (Percentage Shares)								
Loan Currency Amount	2008	2009	2010	2011	2012	2013	2014	2015
ADB Units of Account	0.10	0.06	0.14	0.25	0.65	0.88	1.11	1.11
Canadian Dollars	0.10	0.06	0.13	0.13	0.13	0.13	0.12	0.08
Danish Kroner	0.24	0.16	0.39	0.29	0.28	0.29	0.29	0.19
Deutsche Mark	0.05	0.03	0.06	0.05	0.05	0.06	0.05	0.04
Euro	20.51	17.11	18.59	19.80	20.32	22.07	14.38	11.72
European Currency Units	1.66	1.53	1.52	0.00	0.00	0.00	0.00	9.67
Kuwaiti Dinars	2.31	2.75	2.93	3.77	4.92	4.84	6.08	4.99
Netherland Guilders	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Norwegian Krone	1.28	0.73	0.83	0.09	0.08	0.08	0.08	0.05
Pound Sterling	1.09	0.12	0.23	0.18	0.19	0.22	0.24	0.18
Rand	1.90	1.65	1.31	1.88	1.95	1.64	1.71	12.04
Saudi Riyals	0.00	0.00	0.00	0.00	0.00	1.25	4.65	1.50
Special Drawing Rights	26.97	40.26	46.78	46.54	41.26	32.96	29.97	22.16
Swedish Kronor	1.59	1.58	0.43	0.44	0.44	0.22	0.17	0.11
Swiss Francs	0.33	0.25	0.53	0.60	0.62	0.66	0.68	0.54
US Dollars	41.85	33.70	26.12	25.96	29.10	34.68	40.45	35.62
Yen (000's)	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Source	Ministry of Finance and Author's Calculations							

APPENDIX

Appendix A4 Interest Payments by Foreign Currency (Percentage Shares)									
Currency	2008	2009	2010	2011	2012	2013	2014	2015	2015
Canadian Dollars	0.02	0.01	0.02	0.02	0.02	0.02	0.01	0.01	1.11
Chinese Yuan	0.55	5.10	7.23	3.74	3.49	0.00	0.00	0.94	0.08
Danish Kroner	0.24	0.13	0.20	0.17	0.14	0.13	0.11	0.08	0.19
Euro	16.71	13.41	14.31	14.06	9.07	6.86	5.27	4.14	0.04
European Currency Units	0.63	0.64	0.51	0.00	0.00	0.00	0.00	0.00	11.72
Kuwaiti Dinars	2.70	2.68	1.28	0.00	3.34	4.51	4.65	4.32	9.67
Norwegian Krone	0.73	0.23	0.15	0.05	0.05	0.04	0.03	0.02	0.18
Pound Sterling	0.44	0.08	0.46	0.34	0.49	0.47	0.38	0.57	12.04
Rand	0.00	0.00	1.00	3.88	7.36	5.76	3.91	3.51	1.50
Special Drawing Rights	54.25	26.50	22.94	27.54	27.49	32.08	41.68	45.16	22.16
Swedish Kronor	1.11	0.50	0.32	0.29	0.25	0.12	0.07	0.05	0.11
Swiss Francs	0.45	0.26	0.47	0.45	0.39	0.35	0.29	0.26	0.54
US Dollars	22.18	50.46	51.08	49.45	47.89	49.66	43.59	40.94	35.62
Yen (000's)	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Source	Ministry of Finance and Author's Calculations								

Appendix A5 Domestic and Foreign Debt (Percentage of Total Debt)									
	2008	2009	2010	2011	2012	2013	2014	2015	2015
Domestic	6.47	8.16	12.93	14.33	14.33	11.66	10.58	8.76	
Foreign	93.53	91.84	87.07	85.67	85.67	88.34	89.42	91.24	
Source	Ministry of Finance and Central Bank of Lesotho								

Appendix A6 Concessional and Non-concessional Foreign Debt (Percentage of Total Foreign Debt)									
	2008	2009	2010	2011	2012	2013	2014	2015	2015
Concessional	96.97	94.65	93.75	90.60	85.86	81.50	81.82	78.58	
Non-concessional	3.03	5.35	6.25	9.40	14.14	18.50	18.18	21.42	
Source	Ministry of Finance and Central Bank of Lesotho								



APPENDIX

Appendix A7 The Cost of Servicing External Debt (in Million Maloti)									
	2008	2009	2010	2011	2012	2013	2014	2015	2011-2015
Total Cost of Foreign Debt	518.12	61.05	21.11	57.98	83.85	117.01	127.88	184.66	571.38
Interest Payments	451.31	62.76	53.48	53.8	63.76	75.62	96.15	125.39	414.72
Exc* Rate Cost (Principal+)	66.81	-1.71	-32.37	4.18	20.09	41.39	31.73	59.27	156.66
Total Exc Rate Cost	78.61	-1.73	-38.93	4.46	25.21	50.33	39.52	76.68	196.2
Exc Rate Cost (Principal+)	66.81	-1.71	-32.37	4.18	20.09	41.39	31.73	59.27	156.66
Exc Rate Cost (Interest)	11.8	-0.02	-6.56	0.28	5.12	8.94	7.79	17.41	39.54
Exc Rate Cost/ Total Cost	15.17	-2.83	-184.41	7.69	30.07	43.01	30.90	41.52	34.34
*Exchange, +Principal repayments									

Appendix A8 Interest Payments on Domestic and Foreign Debt (Million Maloti)									
	2008	2009	2010	2011	2012	2013	2014	2015	
Domestic Debt	36.93	43.46	40.74	61.18	77.76	84.17	79.66	91.72	
Foreign Debt	451.31	62.76	53.48	53.80	63.76	75.62	96.15	125.39	
Source	Ministry of Finance and Central Bank of Lesotho								

Appendix A9 Cost of Domestic Debt Vis-à-vis the Cost of External Debt (Million Maloti except *)									
	2008	2009	2010	2011	2012	2013	2014	2015	
Domestic Debt									
Cost	36.93	43.46	40.74	61.18	77.76	84.17	79.66	91.72	
Stock	446.84	456.85	735.48	1021.70	1171.34	1152.69	1133.63	1212.96	
UIR*	8.26	9.51	5.54	5.99	6.64	7.30	7.03	7.56	
External Debt									
Cost	518.12	61.05	21.11	57.98	83.85	117.01	127.88	184.66	
Stock	6457.10	5143.10	4951.40	6110.10	7001.50	8736.88	9583.24	12632.38	
UIR*	8.02	1.19	0.43	0.95	1.20	1.34	1.33	1.46	
*Unweighted Interest Rate (Total Cost of Debt as a Percentage of the Stock of Debt)									