

IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA



REPORT OF THE  
**FINANCE COMMITTEE**

*ON THE*

**REQUEST BY THE GOVERNMENT OF THE  
REPUBLIC OF GHANA FOR APPROVAL OF THE  
2020 INTERNATIONAL CAPITAL MARKET (ICM)  
FUNDING PROGRAMME FOR AN AMOUNT UP TO  
THREE BILLION UNITED STATES DOLLARS  
(US\$3,000,000,000.00) TO FINANCE GROWTH-  
ORIENTED EXPENDITURES IN THE 2020 BUDGET  
(INCLUDING RESTRUCTURING THE ENERGY  
SECTOR) AND TO CONDUCT LIABILITY  
MANAGEMENT OF REFINANCING THE 2023, 2026  
AND 2030 EUROBONDS AND OTHER DOMESTIC  
DEBT SECURITIES**

*DECEMBER, 2019*

## **1.0 INTRODUCTION**

The request by the Government of the Republic of Ghana for approval of the 2020 International Capital Market (ICM) Funding Programme for an amount up to Three Billion United States Dollars (US\$3,000,000,000.00) to finance Growth-Oriented Expenditures in the 2020 Budget (including restructuring the energy sector) and to conduct Liability Management of Refinancing the 2023, 2026 and 2030 Eurobonds and other Domestic Debt Securities was presented to the House on Monday 2<sup>nd</sup> December, 2019 by the Hon. Deputy Minister for finance, Mr. Kwaku Agyeman Kwarteng on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the request was referred to the Committee on Finance for consideration and report.

The Committee was assisted in its deliberations by a Deputy Minister for Finance, Hon. Charles Adu-Boahen and a team of officials from the Ministry of Finance.

The Committee is grateful to the Hon. Deputy Minister and the officials from the Ministry of Finance for the assistance.

## **2.0 REFERENCES**

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana



- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Budget Statement and Economic Policy of the Government of Ghana for the 2020 Financial Year.

### **3.0 BACKGROUND**

As part of measures contained in the 2020 Budget Statement and Economic Policy, Government stated its intention to raise up to US\$3.00 Billion from the International Capital Markets (ICM) to finance growth-oriented expenditures, including restructuring of the energy sector and liability management.

Pursuant to the approval granted to Government to issue up to US\$3.00 Billion on the International Capital Market (ICM) for Regular Eurobond, Green Bonds *among others* for the 2019 fiscal year, the Government of Ghana on the 19<sup>th</sup> day of March 2019 successfully issued US\$3.00 Billion of bonds. The issuance was in three tranches of 7-year, 12-year and 31-year Eurobonds of US\$750.00 Million, US\$1.25 Billion and US\$1.00 Billion priced at 7.6875%, 8.125% and 8.950% respectively.

In line with the proceeds utilisation plan as approved in the 2019 Budget, an amount of US\$2.00 Billion was used for critical infrastructure to support the budget and the remaining US\$1.00 Billion for liability management operations. **[Please find attached as APPENDIX "A" details of the utilisation of the 2019 Eurobond proceeds]**

The 2020 bond issuance is aimed at raising an amount up to US\$3.00 Billion to finance Growth-Oriented Expenditures in the 2020 Budget

(including restructuring the energy sector) and to conduct liability management of refinancing the 2023, 2026 and 2030 Eurobonds as well as some other domestic debt securities.

#### **4.0 PURPOSE OF THE ISSUE**

The purpose of the 2020 International Capital Market (ICM) Funding Programme, among others, is to continue the diversification of the country's sources of funding. The indicative utilization of the bond issue is as follows:

- ❖ Two Billion United States Dollars (US\$2,000,000,000.00) to finance growth-oriented expenditures in the 2020 Budget. Of this amount, One Billion United States Dollars (US\$1,000,000,000.00) will be used to restructure the energy sector; and
- ❖ One Billion United States Dollars (US\$1,000,000,000.00) to conduct liability management of refinancing the 2023, 2026 and the 2030 Eurobonds and other domestic debt securities.

#### **5.0 PROVISIONAL PLAN FOR THE UTILISATION OF 2020 BOND PROCEEDS**

The proposed financing plan involves issuing of up to US\$3.0 Billion in bonds to be disbursed as follows:

❖ Budget Support	US\$1.00 Billion
❖ Restructuring of Energy Sector	US\$1.00 Billion
❖ Liability Management	US\$ 1.00 Billion
<b>Total</b>	<b><u>US\$ 3.00 billion</u></b>

**[Please find attached as APPENDIX "B" details of the planned utilisation of the 2020 Bond proceeds]**

## **6.0 OBSERVATIONS**

### **6.1 Eurobonds Issued by Government**

The Committee observed that as at the end of November 2019, Ghana had issued seven (7) Eurobonds amounting to US\$9.50 Billion. Of this amount, the outstanding balance as at the end of November 2019 stood at US\$7.695 Billion. The difference of approximately US\$1.805 Billion represents the amount that has been paid off on the 2007, 2013, 2015 and 2016 issuances.

### **6.2 Bond Types**

The Committee was informed that the International Capital Market (ICM) funding programme for the year 2020 will include regular Eurobond, Green Bond, Sustainable Development Goals (SDG) Bond, Sukuk Bond and Syndicated/Bridge Loan, depending on market conditions.

### **6.3 Consistency with National Debt Strategy**

The Committee noted that the International Capital Market (ICM) funding programme for the year 2020 is consistent with the Medium Term Debt Strategy (MTDS) of Government to adequately finance the budget at the least cost and at prudent level of risk. In this regard, a portion of the proceeds will be used for liability management operations such as buybacks, debt switches, bond exchanges and bond refinancing to re-profile external and domestic debt, extend tenors and reduce associated refinancing risk.



#### **6.4 Benefits of the ICM Programme**

The Committee observed that the issuance of debt securities on the ICM improves on liquidity and reduces the default risk over the country's debts whilst ensuring continued market access.

The issuance also protects the national currency against speculative attacks and improves the position of the currency as it increases the foreign reserves.

Again, the proceeds of issuances on the ICM are expected to help Government reduce the short-end risks of the national debt portfolio which significantly impacts fiscal management.

#### **6.5 Bonds with Highest Coupon Rates to be Refinanced**

The Committee further observed that Government's immediate concern currently relates to the refinancing of the existing bonds with the highest coupon rates so as to reduce the risks and costs associated with their maturity. These bonds include the 2023, 2026, and the 2030 Eurobonds which were issued at 10.75%.

#### **6.6 Restructuring the Energy Sector**

The Committee was informed that Ghana is seeking the support of World Bank to create an Energy Sector Fund to be funded to the tune of up to US\$2.00 Billion in concessional long term debt.

The Fund will focus primarily on refinancing the existing debt relating to Independent Power Producers (IPPs) within Ghana's Energy Sector or outrightly purchasing some of these plants with the primary goal of facilitating extended and cheaper financing to key producers and

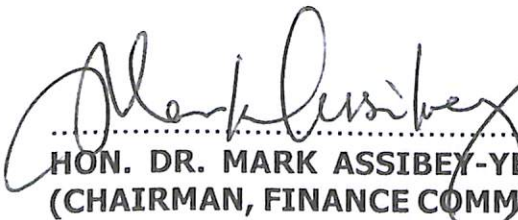
stakeholders with the aim of reducing Government's excess capacity payments and overall costs within the sector.

To demonstrate its commitment to this objective, Government intends to use part of the proceeds from the 2020 International Capital Market Funding Programme to complement the financing from the World Bank.

## **7.0 CONCLUSION**

The Committee, after carefully scrutinising the request, respectfully recommends to the House to adopt this report and approve by resolution, the **request by the Government of the Republic of Ghana for approval of the 2020 International Capital Market (ICM) Funding Programme for an amount up to Three Billion United States Dollars (US\$3,000,000,000.00) to finance Growth-Oriented Expenditures in the 2020 Budget** (including restructuring the energy sector) and to conduct **Liability Management of Refinancing the 2023, 2026 and 2030 Eurobonds and other Domestic Debt Securities** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.

  
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**HON. DR. MARK ASSIBEY-YEBOAH**  
**(CHAIRMAN, FINANCE COMMITTEE)**

  
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**MS. EVELYN BREFO-BOATENG**  
**(CLERK, FINANCE COMMITTEE)**



4<sup>TH</sup> DECEMBER, 2018

# APPENDIX "A"

Utilisation of 2019 EUROBOND Proceeds			
		US\$'mn	CedisGH¢'mn
	Bridge loan Receipt	500.00	2,610.08
	Realised EUROBOND Proceeds	3,000.00	-
<b>Initial Deductions</b>			
	Buyback of 2023 Bond	303.10	-
	Charges	14.19	-
	Repayment of Bridge Financing	501.30	-
<b>Utilisation Breakdown</b>			
1	<i>Balance transferred into T-Main</i>	2,181.41	11,815.08
2	<i>Bridge Amount transferred to T-Main</i>	498.36	<u>2,610.08</u>
	<i>Total</i>		<u>14,425.16</u>
3	Bridge Usage		2,608.35
	<i>o/w Liability management</i>		2,078.35
	<i>MFIs support</i>		530.00
4	Remaining Balance on bridge loan		1.73
	<i>Sub-Total</i>		2,608.35
5	<i>Eurobond Usage</i>		11,815.08
6	Budget Implementation Support		8,106.00
7	Liability Management (Domestic & External)		3,708.10
	<i>o/w Auction Shortfall</i>		3,398.06
	<i>Domestic Buy-Backs</i>		310.04
	<i>Sub-Total</i>		11,814.10
8	Remaining balance in A/C		0.98
	<b>TOTAL</b>		<b>14,425.16</b>
*** 2019 budget amount GH¢ for Budget Support was GHS9.6bn			
*** 2019 budget amount GH¢ for Liability Management was GHS4.8bn			



# APPENDIX "B"

PROVISIONAL PLAN FOR THE UTILISATION OF 2020 EUROBOND PROCEEDS		
NO.	ITEM	AMOUNT (GHSMN)
	<b>TOTAL EXPECTED PROCEEDS PER THE BUDGET</b>	<b>17,160.00</b>
1	Budget Support	5,720.00
2	Restructuring of Energy Sector	5,720.00
3	Liability Management	5,720.00
	<b>Proposed Budget Support Details:</b>	
a	Infrastructure for Poverty Eradication Programme	972.34
b	Road Infrastructure	1,200.00
c	Planting for Food & Jobs	400.00
d	Pwalugu Multipurpose Dam	400.00
e	One District One Factory	150.81
f	Railways Development	117.45
g	Zongo Development Fund	100.37
h	Free SHS	2,029.28
i	Capitalisation of New Regions	149.00
j	Livelihood Empowerment Against Poverty	200.75
	<b>TOTAL</b>	<b>5,720.00</b>
<p><b>**Note: These are proposed budget implementation areas and are subject to change</b></p>		