



REPUBLIC OF GHANA

MINISTRY OF FINANCE

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SUBMITTED
BY
KEN OFORI-ATTA
MINISTER FOR FINANCE

ON THE

2019 ANNUAL PUBLIC DEBT REPORT

30th
..... MARCH, 2020

ACTION REQUIRED

1. Parliament is respectfully informed of the 2019 Annual Public Debt Report (APDR), which has been prepared in line with Section 72 of the Public Financial Management Act, 2016 (Act 921).

BACKGROUND

2. This publication is in fulfilment of the requirements of Section 72(3) of the Public Financial Management Act, 2016 (Act 921), which mandates the Minister for Finance to notify Cabinet and thereafter submit to Parliament a comprehensive report of public debt activities of Government for the preceding year, no later than 31st March of the ensuing year.
3. Section 72 of the Public Financial Management Act, 2016 (Act 921) requires that the Public Debt Management Office prepares an Annual Public Debt report to cover the following:
 - a) borrowings and other government debt management operations;
 - b) guarantee and lending activities of Government; and
 - c) other financial arrangements entered into by Government.

DEBT DEVELOPMENTS IN 2019

4. Government's efforts in consolidating the macroeconomic stability gains and maintaining the growth momentum of earlier years positively impacted on public debt developments in 2019, as evidenced by the performance of key macroeconomic indicators during the year. The year under review was characterized by the following achievements, among others:
 - an impressive economic growth in the domestic economy;
 - containment of the fiscal deficit below 5.0 percent of GDP, for the third consecutive year;
 - a positive primary balance for the third consecutive year;
 - reduction in the inflation rate from 9.4 percent at the end of December 2018 to 7.9 percent at the end of December 2019; and
 - significant improvements in the balance of payments position.
5. On the back of these positive developments, the rate of public debt accumulation inched up to 15.9 percent (without the financial sector and energy sector bailouts) from a 2018 rate of 14.6 percent. In nominal terms, Ghana's public debt stock as at end-December 2019 stood at GH¢217,990.7 million, comprising external and domestic debt of GH¢112,509.4 million and GH¢105,481.2 million, respectively. The nominal debt-to-GDP ratio at end-December 2019,

inclusive of the costs associated with the financial sector and energy sector bailouts, stood at 63.0 percent, and 58.0 percent without the bailouts costs.

6. Another key development in 2019 was the successful issuance of Ghana's first triple-tranche Eurobond of US\$3,000.0 million in March 2019, which marked the seventh time that Ghana had participated in the International Capital Market (ICM). The 2019 Eurobond consisted of 7-year, 12-year, and 31-year Eurobonds of US\$750.0 million, US\$1,250.0 million, and US\$1,000.0 million, at coupon rates of 7.88 percent, 8.13 percent, and 8.95 percent, respectively. It was a landmark issuance, not only in Ghana, but across Sub-Saharan Africa, and was the largest deal size outside of Nigeria and South Africa.
7. An amount of US\$283.0 million from the Eurobond proceeds was used to buyback the 2023 Eurobond, and US\$1,872.7 million was used for budget support and critical infrastructure finance. Also, US\$ 843.9 million was used for liability management operations and US\$0.4 million remained in the Eurobond account.

WRITE-OFF ON DEFUNCT LOANS

8. Please recall that in 2019, the Ministry put in a request to Cabinet and Parliament for approval to write-off an amount of GH¢379.6 million, being expected loan receivable balances that are not recoverable.
9. Consequently, a total amount of GH¢370.1 million recorded in the Public Accounts of the Consolidated Fund was written-off following Parliamentary approval on 23rd December, 2019.

CONTINGENT LIABILITIES

10. An important development that adversely impacted public debt significantly in 2019 was contingent liabilities from both the financial and energy sectors. In January 2019, Government issued GH¢1,490 million to pay for expenses associated with the bailout of two universal banks (Heritage and Premium Bank).
11. Also, Government made payments amounting to GH¢6,602.9 million (US\$1,271.7 million) as bailout costs in respect of the energy sector. An amount of GH¢760.0 million of these payments was effected using bonds and the remaining GH¢5,842.9 million was honoured with cash. These payments were made to Independent Power Producers (IPPs) that had been contracted

by state-owned energy companies to provide electrical power using “take or pay” Power Purchase Agreements (PPAs), backed by Government guarantees.

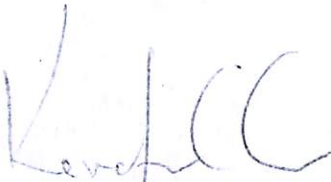
CONSULTATIONS ON THE REPORT

12. The 2019 APDR was prepared with representation from key Agencies of Government whose functions and activities relate to public debt operations. These include Bank of Ghana, the Controller and Accountant General’s Department (CAGD), E.S.L.A. Plc, Central Securities Depository (GH) Limited, Securities and Exchange Commission (SEC), as well as with the Management of the Ministry of Finance. Comments and concerns received during these consultations have accordingly been incorporated and reflected in the report, as appropriate.

CONCLUSION

13. The 2019 APDR comprehensively covers all aspects of public debt required to be reported on under the PFM Law. The Report demonstrates the steadfast determination of Government to deepen transparency in public debt reporting as required under the Law. To this end, Parliament is kindly informed of the 2019 APDR, which is in fulfilment of Section 72 of the Public Financial Management Act, 2016 (Act 921).

14. Submitted, please.



KEN OFORI-ATTA

MINISTER FOR FINANCE

DATED.....*30th MARCH, 2020*

