

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

**REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL PUBLIC DEBT
MANAGEMENT REPORT FOR THE 2019 FINANCIAL YEAR**

1.0 INTRODUCTION

The Annual Public Debt Management Report for the 2019 Financial Year was first presented to the House Monday, 30th March, 2020 pursuant to Section 72 of the Public Financial Management Act, 2016 (Act 921).

The Report was referred to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of the House.

The Committee met and considered the Report with a Deputy Minister for Finance, Hon. Abene Osei Asare, and the technical teams from the Ministry of Finance and Bank of Ghana, and reports as follows:

2.0 REFERENCES

The Committee referred to the following documents

1. The 1992 Constitution
2. The Public Financial Management Act, 2016 (Act 921)
3. The 2019 Budget and Economic Statement

4. Standing Orders of Parliament

3.0 PURPOSE OF THE REPORT

The Purpose of the Report as stipulated in Subsection (1) of Section 72 of Act 921 is to inform the House on the:

- (a) borrowings and other government debt management operations,
- (b) guarantee and lending activities of Government, and
- (c) other finance arrangements entered into by Government.

Sub Section (2) of Section 72 further provides that the Annual Report should include:

- (a) information on the debt management strategy and the rationale for the strategy;
- (b) information on the contribution of the debt management strategy and the execution of the strategy in achieving the debt management objectives under section 58;
- (c) a list of outstanding government debt;
- (d) a list of outstanding government guarantees, including
 - (i) the amount and beneficiaries of the guarantees, and
 - (ii) an assessment of the fiscal risk embedded in the guarantees;
- (e) a list of lending operations, including outstanding amounts and beneficiaries of the loans and an assessment of the credit risk of the loans; and
- (f) a list of outstanding supplier's credit agreements and finance lease agreements and the financial terms of the agreements.

4.0 OBSERVATIONS

4.1 Revised Gross Domestic Product (GDP)

The Committee was informed that the nominal GDP for 2019 provisionally was **GH¢345.9 Billion** and it is this figure that informed the preparation of the Report. However, since the submission of the Report to Parliament, the Ghana Statistical Service (GSS) has published the GDP for 2019 at GH¢349.5 Billion. This new GDP figure affects all the ratios to GDP as contained in the Report.

4.2 Macro-Economic Performance for 2019

The Committee was informed that following the successful completion and orderly exit from the IMF's ECF programme, Government, in 2019, succeeded in consolidating the macroeconomic stability gains and the growth momentum of earlier years, as evidenced by the performance of key macroeconomic indicators. The year under review witnessed:

- an impressive growth in the domestic economy;
- containment of the fiscal deficit below 5.0 percent of GDP, for the third consecutive year;
- the achievement of a positive primary balance for the third consecutive year;
- a decline in inflation 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 Payment position.

The Committee observed that during the period under review:

- the Real GDP growth rate was 6.5% as per the revised GDP;
- Non-Oil GDP was GH¢334.6Bn (5.8%) as per the revised GDP
- Primary Balance (% of GDP) was 0.9 %
- Gross Public Debt of 57.4% of GDP exclusive of financial and energy sector costs as per the revised GDP

4.3 Inflation

The Committee observed that year-on-year Consumer Price Index (CPI) inflation for end-December 2019 was 7.9 percent, mainly reflecting the slowdown in non-food inflation, supported by the tight monetary stance taken by BoG

4.4 Government Borrowings

The Committee observed that Government estimated its borrowing requirement at **GH¢15,715.2Million for 2019**. Actual borrowing stood at **GH¢16,726.7Million** as at the end of December 2019. The financing from foreign sources was GH¢4,837.7Million, whilst domestic financing amounted to GH¢13,125.4Million.

Table 1 Government Borrowings

	Description	2018 (GH¢M)	2019 Revised Budget (GH¢M)	2019 Prov. (GH¢M)	% Dev. From Budget (GH¢M)
	Foreign (net)	2,724.2	8,237.9	4,837.7	(41.3)
	Domestic (net)	9,800.1	7,011.3	13,125.4	87.2
	Other Financing	(71.7)	1,536.0	(92.4)	(106.0)
	Ghana Petroleum Funds	167.2	(321)	(148.0)	(53.9)
	Sinking Fund	(947.1)	(748.9)	(996.0)	33.0
	Total Financing	11,672.8	15,715.2	16,726.7	6.4

4.5 Gross Public Debt

The Committee learnt that the total nominal gross public debt outstanding as at the end of December 2019 was **GH¢217,990.7Million (US\$39,344.2Million)**. The nominal increase in the total portfolio was due to increases in both the external and domestic components of the debt stock.

The Committee observed that per the report, the nominal debt stock as at the end of December 2019 was GH¢217,990.7Million (US\$39,344.2) representing 63.0

percent of GDP compared to 57.6 percent in 2018. This ratio includes the costs of the financial and the energy sector bailouts. Excluding these bailouts, the debt stock amounts to GH¢200,689.7Million (US\$36,221.7Million) representing 58% of GDP as at the end of December, 2019. Following the publication of the GDP for 2019 by the Statistical Service, the debit-to-GDP ratio has been revised downwards to 62.0 percent.

The increase in the domestic debt was due to net issuances to fund the budget while the increase in the external debt stock was due to the issuance of a Eurobond in March 2019 and exchange rate fluctuations during the year. The breakdown is captured in Table 2 below.

Table 2 Gross Public Debt

Debt Type	2018	2019 Prov.
In Millions of Ghana Cedis		
External Debt	86,202.5	112,509.4
Domestic Debt	86,899.7	105,481.2
Total Debt	173,102.2	217,990.7
In Millions of United States Dollars		
External Debt	17,875.4	20,306.4
Domestic Debt	18,020.0	19,037.9
Total Debt	35,895.5	39,344.2

4.7 Utilization of the 2019 EURO Bond Issuance

The Committee observed that in 2019 a total amount of **US\$3,000.0Million** was raised in three (3) tranches of 7-year, 12-year, and 31-year Eurobonds of US\$750.0Million, US\$1,250.0Million and US\$1,000.0Million, at coupon rates of 7.88 percent, 8.13 percent, and 8.95 percent, respectively. Out of the total amount, **US\$ 1,872.7Million** was used for Budget support and critical infrastructure finance.

US\$1,126.9Million was used for liability management operations whilst **US\$0.4Million** remained in the Eurobond Account.

4.8 Liability Management Operations

The Committee was informed that for 2019, Government put in place a number of broad range of non-distressed, market-sovereign debt transactions undertaken to secure funding, affect the debt portfolio profile and address debt portfolio risks.

One of such measures was Government replacing high interest-bearing paper in the portfolio with less expensive paper. In furtherance of this, an amount of US\$1,126.9Million from the Eurobond proceeds was used for liability management operations. Out of this amount, a buyback of US\$283.0Million of the 2023 Eurobond was carried out and this has reduced the outstanding stock of the 2023 Eurobond from US\$1Billion to US\$717Million.

On the domestic front, US\$843.9Million used for further liability management operations in domestic debt market. The remaining US\$0.4Million was lodged in the sinking fund.

4.9 Government Guarantees

The Committee observed that outstanding stock of Government guarantees as at the end of December 2019 amounted to GH¢2,277.3Million (Equivalent to US\$411.0Million).

4.10 Financial Sector Clean Up

The Committee observed that on-going reforms in the banking sector which begun in 2017, continued into 2019. In January 2019, Government further issued GH¢1,490Million as bailout cost for two (2) additional universal banks (Heritage and Premium Bank).

The interventions were undertaken to restore confidence in the nation's financial sector and provide relief to depositors and businesses, as well as to build a resilient financial system.

4.11 Public Private Partnership

The Committee was informed that Government was working to pass a law to regulate Public Private Partnerships in the country (PPPs). Even though PPPs have proved very useful, they have however become a source of fiscal risk because of the contingent liabilities arising from the issuance of Government guarantees in support of PPP projects.

Currently, a number of contracting authorities including MDAs, as well as Metropolitan, Municipal and District Assemblies (MMDAs), are in the process of developing various PPP projects, most of which are at the pre-investment stage awaiting commercial close. The passage of the law would help streamline these arrangements and reduce the associated fiscal risks.

4.12 On-Lending Arrangements

The Committee noted that most of the on-lending arrangements were not performing as was expected. It learnt that the stock of recoverable loans as at the end of December 2019, consisting of Export Credit Guarantee Department (ECGD) facilities, loans to SOEs, and other on-lent facilities to private companies amounted to GH¢17,104.1 Million. Out of this amount, GH¢2,983.0 Million were arrears mainly from on-lent loans provided to SOEs. During the year under review, a total recovery of GH¢7.6 Million was made from two (2) private companies, namely; Ghana Rubber Estates Limited (GREL) and Accra City Hotels (NOVOTEL).

The Committee was assured that the Ministry of Finance is putting in place tighter measures to help ensure that the State derives the expected benefits from them.


5.0 CONCLUSION

The Committee has carefully considered the Report and is of the view that the Report satisfies the requirements of Section 72 of Act 921.

The Committee accordingly recommends to the House to adopt this report and adopt the Annual Public Debt Management Report for the 2019 Financial Year in accordance with the Public Financial Management Act, 2016 (Act 921) and the Standing Orders of the House.

Respectfully submitted.

PARLIAMENT OF GHANA LIBRARY


HON. MARK ASSIBEY YEBOAH (DR)
CHAIRMAN OF THE COMMITTEE


EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE

June, 2020