



REPUBLIC OF GHANA

MINISTRY OF FINANCE

STATEMENT TO PARLIAMENT

ON

GHANA'S DOMESTIC DEBT EXCHANGE PROGRAMME

THURSDAY, 16TH FEBRUARY 2023

SUBMITTED BY

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A. Introduction

1. Right Hon. Speaker and Honourable Members of Parliament, I appear before you today to provide an update to you and the people of Ghana on the Domestic Debt Exchange Programme (DDEP).
2. Mr. Speaker, in honouring the invitation from this august House to provide an update on our Domestic Debt Exchange Programme, I will present the context of the programme, outline its key features, and provide an update on the external debt restructuring exercise and the next steps.
3. I hope that in these truly challenging times, today's updates will provide a better understanding and clarify any lingering issues.
4. Mr. Speaker, when Government decided to implement the Domestic Debt Exchange Programme, our aim was to alleviate the debt burden in a transparent, efficient, and expedited manner while minimising its impact on investors holding Government bonds. It was launched on 5th December 2022 and finally closed on Tuesday, 14th February 2023.
5. Mr. Speaker, the DDEP is part of Government's broader fiscal policy as announced in the 2023 Budget Statement to address the current macroeconomic challenges.
6. With great relief and immense gratitude, Government is pleased to announce that as of 14th February 2023, approximately 85% of bonds were tendered in the Exchange (as determined by the Central Securities Depository).
7. On behalf of H.E. the President of the Republic, Nana Addo Dankwa Akufo-Addo, I wish to express our profound appreciation to the people of Ghana for their patience and support throughout these very challenging times. I also wish to extend our gratitude to the overwhelming number of bondholders who chose to participate in this all-important effort to pull the economy back from crisis.

B. Context of Ghana's Debt Restructuring

8. Mr. Speaker, the current debt restructuring programme is occasioned largely by a series of external shocks that hit the country since 2020 as well as some domestic factors.
9. I recall, as will many of us here, the deep uncertainty and confusion during the early days of the CoVID-19 pandemic. The constant revision of data and scenarios around this once-in-a-lifetime pandemic, which had exposed major weaknesses in critical systems in education, health, and the economy around the world. These weaknesses were further exacerbated by heavy disruption in global supply chains.
10. Mr. Speaker, amid the swirling chaos and darkened economic outlook, H.E. President Nana Addo Dankwa Akufo-Addo, put together a comprehensive plan which was

effectively executed leading to relatively lower death rate (1,462 compared to 258,562 in Africa and over 6.79 million globally), lower case counts, and the economy eking out a positive growth of 0.5% in 2020 compared to the many economies that went into recessions. However, this progress came at huge fiscal costs.

11. Government undertook major fiscal measures beyond what was programmed in the budget to accommodate the increased expenditure and the shortfalls in revenue. Therefore Government, with the approval of Parliament, mobilized funds to address the following three key interventions:
 - finance direct CoVID-19 intervention expenditures to protect lives and livelihoods;
 - support the funding gap in the budget occasioned by the CoVID-19 pandemic and its negative effects on revenue mobilization; and
 - address key structural weaknesses exposed by the pandemic.
12. Government received significant assistance to mitigate the pandemic and its impact on the economy which helped to reduce the fiscal burden. However, the drastic reduction in revenues coupled with the high expenditure to contain the speed of the pandemic and to protect lives as well as livelihood resulted in a wider deficit of **14.7%** of GDP in 2020 and **11.4%** in 2021 that needed to be financed.
13. Mr. Speaker, through these and other decisive measures, Government has managed and continues to pay compensations for all public sector workers every month, keep the lights on, improve key infrastructure and maintain security, despite heightened and increasing risks. This is in far contrast to the rolling electricity blackouts, long queues at fuel stations, empty shelves in shops and increased insurgent activities as reported elsewhere in Africa and even in the West.
14. Mr. Speaker, following these interventions, financing of Government and liquidity on our domestic market has severely reduced. The access to the International Capital Market is closed to Ghana whilst activity on our domestic bond market has slowed down significantly.
15. Mr. Speaker, at this juncture, let me touch on the current ongoing debt restructuring exercise. Stemming from the considerable deterioration in the domestic and external sectors, Government undertook an internal Debt Sustainability Analysis (DSA), which defined public debt to include public, publicly guaranteed debt of the Central Government, partial non-guaranteed debt of State-Owned Enterprises (SoEs) and expenditure arrears. This analysis revealed that public debt exceeded 100% of our GDP and debt servicing accounted for more than half of total government revenues and almost 70% of tax revenues
16. Arising from this considerable deterioration in the domestic and external sectors, Government undertook its routine Debt Sustainability Analysis (DSA) in 2022, which revealed that public debt (at general government level, including SOEs, ESLA, and Daakye), in present value terms, was **103 percent** of our GDP compared to the debt

sustainability limit of 55 percent for countries with medium debt-carrying capacity like Ghana. In addition, external debt service constituted **29 percent** of revenues compared to the **18 percent** debt sustainability threshold.

17. Mr. Speaker, provisional 2022 fiscal data also show that debt service comprising domestic interest payments, external interest payments, external debt amortization, and payment of domestic maturities not rolled-over all amounted to Gh¢81.6 billion, constituting 85.1 percent of all revenues in 2022. This implies that significant proportion of our revenues were used to service debt in 2022.
18. Mr. Speaker, the picture becomes more dire when we include compensations of Employees and Transfers to Statutory Funds. Thus, Debt Service, Compensation of Employees and Transfers to Statutory Funds amounted to Gh¢**144.3 billion** representing **150.4** percent of Revenues.
19. Mr. Speaker, at this level, Ghana was assessed to be at a “high risk of debt distress” and its debt classified as unsustainable. Let me clarify that, the current state of our debt is because of the lingering effects of the CoVID-19 pandemic, the Russia–Ukraine war. This has been exacerbated by the high macroeconomic instability experienced in 2022, occasioned by downgrades by rating agencies as well as the consequential pressures on Government finances due to the actions of non-resident investors and the delayed passage of our revenue bills.
20. Mr. Speaker, this situation is further compounded by the comparatively low levels of domestic revenue collected by Government. In 2022, tax to GDP was just about 12.6%; woefully below the SSA average of 18% and insufficient enough to meet pressures on the public purse.

C. Ghana’s Response

21. Mr. Speaker, following these developments, H.E the President during his address to the nation on the economy on 31st October 2022 had to declare that the economy is in crisis. Government therefore outlined key strategies in the 2023 Budget presented to this House, on Thursday, 24th November 2022 to address the economic challenges.
22. This was in line with the Government’s proactive application on 1st July 2022 for an IMF supported programme to restore macro-economic stability, ensure debt sustainability as well as social protection and underpinned by key structural reforms.
23. At the inception of negotiations with the IMF, it was agreed that Ghana would have to address its economic challenges on three fronts – embark on fiscal consolidation, undertake debt operations and secure financing assurances from development partners.
24. On 12th December 2022, following the three rounds of negotiations interspersed with several virtual meetings, a Staff Level Agreement (SLA) was reached on the reforms to be supported under a new 3-year Extended Credit Facility (ECF) of about US\$ 3.0

billion.

25. The SLA required, among others, that completion of a comprehensive debt restructuring covering domestic and external debt in addition to fiscal consolidation efforts and other structural reforms. This is one of the fastest agreements for a country undertaking a debt restructuring exercise. This is one of the fastest agreements for a country undertaking a debt restructuring exercise in achieving the SLA in December 2022.

D. Ghana's Debt Restructuring Programme

26. Mr. Speaker, the Ministry of Finance formally launched the Domestic Debt Exchange (DDE) on 5th December 2022 seeking to restructure about **Gh¢137 billion** worth of Government bonds and notes. As of December 2022, the total outstanding debt (Eligible and non-Eligible Holders) amounted to approximately **Gh¢137 billion**. Subsequent extensions of dates and payment of maturities meant that the remaining stock reduced from **Gh¢137 billion** to **Gh¢130 billion**.
27. However, the Eligible Bonds as per the Exchange Memorandum meant an exclusion of Pension Funds and Bonds that were subject to swap mechanisms for monetary and exchange rate policy operations. This then brought the eligible bonds for tendering to **Gh¢97,749,624,691**.
28. Mr. Speaker, out of the total **Gh¢97,749,624,691** eligible bonds for tendering, **Gh¢82,994,510,128** was successfully tendered. This accounted for about **85 percent** of outstanding eligible amounts and meeting the target of **80 percent** as expressed in the Memorandum of Exchange.
29. Mr. Speaker, Government is however mindful that the **Gh¢82,994,510,128** bonds that were successfully tendered represents **64%** of the outstanding debt stock of **Gh¢130billion** at the end of December, 2022.
30. In addition, though the external debt restructuring parameters are yet to be determined, Government on 19th December 2022, also announced a suspension of all debt service payments for certain categories of external debt, pending an orderly restructuring.

E. Domestic Debt Exchange Programme

31. Mr. Speaker, as I have indicated earlier, the domestic debt exchange programme was to alleviate the debt burden while minimising its impact on investors and the financial sector.
32. Participation in the programme has always been "Voluntary". The details of the domestic debt exchange are outlined in the Exchange Memorandum, and the subsequent amendments have been publicly available. The coverage of the Exchange includes all locally issued bonds and notes of Government as well as ESLA Plc and Daakye Plc bonds. Based on the results of the audit of the public debt, Government excluded Treasury-bills and Pension Funds from the exchange.

33. Mr. Speaker, since the first announcement of the DDE Programme on 5th December 2022, the Government has continued to engage with multiple stakeholders on the programme. It has been an intense exercise of balancing compassion with the unavoidable and difficult path to restoring our debt sustainability. As a result, a number of amendments to the terms of the offer have taken place, with the final extension deadline of 7th February 2023 and an administrative extension to 14th February 2023.
34. The various extensions were to allow Government to incorporate the feedback and insights it received from the various stakeholders including the Council of State, the Pension Funds, Organized Labour, the Ghana Association of Bankers, Securities and Exchange Commission, National Insurance Commission, Individual Bond Holders and Retirees.
35. The final terms of the DDEP was crafted to address the specific concerns of the different categories of holders, including;
- a. Category A- Collective Investment Schemes and Natural Persons below the age of 59;
 - b. Category B- Natural persons 59 years old or older; and
 - c. General Category Holders- representing all other holders except Category A and B.
36. The details of the results of the participation rate are as follows:
- **Category A Holders** issued 4,109 instructions and tendered an amount of Gh¢5,926,307,555. This represents 6.06 percent of the eligible bonds;
 - **Category B Holders** issued 1,340 instructions and tendered an amount of Gh¢423,012,028. This represents 0.43 percent of the eligible bonds; and
 - **General Category Holders** issued 4,489 instructions and tendered an amount of Gh¢76,645,190,545. This represents 78.41 percent of the eligible bonds.
37. Mr. Speaker, Government is mindful of the Exchange's ramifications on the country's financial health. As a result, the government is developing several prudential measures to mitigate the potential impact on domestic creditors, considering the need to preserve financial stability. Billions of taxpayer's monies were used between 2017 and 2019 to rescue the financial sector. We have no intention to imperil that work and we are determined to protect banks operating in Ghana and strengthen their capacity to finance the economic recovery and growth we see before us.
38. The respective regulators have assessed the potential impact of the Exchange on the financial sector. Working together, Bank of Ghana, the Securities & Exchange Commission, the National Insurance Commission, and the National Pensions Regulatory Authority are recalibrating their regulatory tools to accommodate the necessary forbearances for the respective sectors.
39. In addition, a Financial Stability Fund (FSF) is being established by Government with the help of development partners to provide liquidity and solvency support to banks,

pension funds, insurance companies, fund managers, and collective investment schemes to ensure that they are able to meet their obligations to their clients as they fall due.

40. Mr. Speaker, Government remains committed to the well-being and dignity of our Senior Citizens and Pensioners. Indeed, it has personally caused me great distress as a number of them have picketed at the premises of the Ministry of Finance since Monday, 6th February 2023. As I have already indicated in my Press Release dated 14th February 2023, Government will honour their coupon payments and maturing principals, like all Government bonds, in line with Government's Fiscal commitments.
41. Mr. Speaker, in seeking to understand the concerns of our Senior Citizens, I have met with them on three occasions. The most recent was yesterday 15th February, 2022, where I explained the terms of the new bonds.
42. Mr. Speaker, I subsequently wrote to their Convener, letting him know that all pensioners who did not participate in the exchange are exempted and therefore there will be no need for our Senior Citizens to picket at the Finance Ministry. Mr. Speaker, I would like to thank all those who helped in those discussions.

F. External Debt Operations

43. Mr. Speaker, this significant milestone will also build momentum for the external restructuring programme, which has also commenced. As part of this process, Ghana has officially asked its bilateral creditors for a Debt Treatment initiative under the G-20 Common framework.
44. Consequently, Ghana co-hosted a meeting with the Paris Club including both Paris Club and Non-Paris Club creditors on 10th January 2023. We reiterated the request for expedited treatment under the Common Framework and presented our economic and fiscal outlook as well as the steps undertaken so far with the DDEP.
45. We have started the process of negotiating in good faith with our commercial creditors. Two preliminary discussions and exchange of information have started on a good footing with representative committees and advisors. The members have indicated their commitment to establish a Creditor Committee to assess Ghana's request for debt treatment under the Common Framework by end February, 2023.
46. We hope our commercial creditors will understand our desire to negotiate with our bilateral creditor's softer terms than the ones we anticipate to propose to them, as a speedy process with the bilateral creditors is needed to pave the way for the discussions with private creditors. Mr. Speaker, we are also approaching major creditors like China and India to ensure that our discussions with the Paris Club is accelerated.
47. Mr. Speaker, we have also initiated discussions with the representatives of our international bondholders and their Advisors. Substantive discussions are due to start with them in the weeks to come.

48. The Government recognises the continued importance of the DDEP in closing the financing gap and enabling the government to meet the debt sustainability target of 55% of debt-to-GDP in present value terms by 2028.

G. Post Debt Operations

49. Mr. Speaker, we have already indicated that these debt operations were a composite part of a broader Government response strategy for addressing the current challenges. While we continue to secure an IMF programme to boost confidence in the economy, we are complementing this by enhancing our domestic mobilisation efforts.
50. Mr. Speaker, as already stated in the house in November 2022, Ghana lost access to the International Capital Markets (ICM) at the beginning of 2022. At the same time budget implementation was confronted with domestic financing challenges from the auctions as well as lower than estimated domestic revenue mobilization. These presented a very challenging macroeconomic environment during 2022, leading to a widened financing gap of the Budget and therefore became necessary for the Bank of Ghana to fund shortfalls at the auction market to avoid a disorderly default and prevent a deeper crisis.
51. Mr. Speaker, under these circumstances, it was necessary for the government to seek financing from the Bank of Ghana to augment its fiscal operations for the year. The Bank of Ghana, last week, concluded work on its financial accounts for 2022 and reports that the total overdraft extended to Government for 2022 was GHC 37,956.82 million. Mr Speaker, in line with Section 30 (6) of the Bank of Ghana Act, 2002, (Act 612), we are using this platform to inform the legislature of the financing of the budget by the Bank of Ghana. The Domestic Debt Exchange exercise and the External Debt Restructuring Program, will make such financing unnecessary, going forward in 2023 and beyond.
52. Mr. Speaker, all these efforts would be greatly enhanced if the Income Tax (Amendment) Bill, Excise Duty & Excise Tax Stamp (Amendment) Bills as well as the Growth and Sustainability Levy Bill, which are outstanding in this august House could be prioritized and passed.
53. Mr. Speaker, the passage of these Bills will enable Government to complete four (4) of five (5) agreed Prior Actions in the Staff Level Agreement since Tariff adjustment by the PURC, Publication of the Auditor-General's Report on COVID-19 Spending, and Onboarding of GETFUND, DACF and Road Fund on the GIFMIS have all been completed.
54. Mr. Speaker, I cannot emphasize enough, the need to secure the Board Approval for our IMF Programme by the end of March, 2023. I therefore entreat the House to prioritise the approval of the outstanding Revenue Bills and the various concessional facilities.

H. Conclusion

55. Mr. Speaker, let me take this opportunity to thank once again each and every one of you, for your collective efforts in passing the 2023 Budget Statement and the Finance Bills that accompanied it. We are still counting on you for the passage of all the outstanding revenue Bills which are necessary for effective Budget Implementation as well as boosting our efforts at increasing our Tax-to-GDP from less than 13% to the sub-Saharan average of 18%.
56. Mr. Speaker, as the international and domestic bond markets are shut for the financing of Government's programmes, we are relying on the Treasury Bills and concessional loans as the primary sources of financing for the 2023 fiscal year. We, therefore, call on this House to support the Government's financing requests to ensure a smooth recovery from the economic challenges.
57. Mr. Speaker, I want to assure you that I will come back to this august House with the necessary fiscal adjustments after the debt operation is completed for your consideration and approval.
58. On behalf of His Excellency the President, we wish to thank everyone who has tendered and supported the Domestic Debt Exchange programme. It is a truly remarkable act of sacrifice in our nation's history. We thank those who heeded our clarion call and took the selfless, patriotic decision to participate. Your names and deeds will never be forgotten. Your timely support is deeply appreciated. God bless you all.
59. We also appreciate the concerns of those who may still be uncertain in these choices, and I trust that we can continue to engage, work together to reset and fundamentally reposition our economy.
60. I am confident that with the programme Government has set out for this year, supported by Parliament, will get us out of the economic crisis that has besieged our economy since Covid-19 reached our shores back in March 2020. I am confident that with the conclusion of the Domestic Debt Exchange programme we will experience stability in the exchange rates, inflation and interest rates, bringing businesses and families some respite.
61. Mr. Speaker, with the successful completion of the DDEP, we believe that with the sustained support of Ghanaians and this august House, we will recover from this economic crisis sooner rather than later as indicated by H.E President Akufo-Addo. I am confident of this, that the Lord who has begun this good work will carry it on to completion as Phil.1.6.
62. We will, therefore, encourage Hon. Members to support the Government secure Board approval for the IMF programme to restore macro-economic stability, ensure debt sustainability as well as provide critical social protection for the benefit of Ghanaians.
63. Mr. Speaker, I thank you, the House and fellow Ghanaians for the attention. God Bless our Homeland Ghana.