REPUBLIC OF GHANA

MINISTRY OF FINANCE

REVISED

2024-2027 MEDIUM-TERM DEBT MANAGEMENT STRATEGY

In Fulfilment of the Requirements of Section 59 of the Public Financial Management Act, 2016 (Act 921)

7th August, 2024

Contents

Abbreviations

ABRP	-	Annual Borrowing and Recovery Plan
ATM	-	Average Time to Maturity
ATR	-	Average Time to Re-fixing
BoG	-	Bank of Ghana
COCOBOD	-	Ghana Cocoa Board
DDEP	-	Domestic Debt Exchange Programme
DPO	-	Development Policy Objective
DSA	-	Debt Sustainability Analysis
ECF	-	Extended Credit Facility
ESLA	-	Energy Sector Levy Act
FX	-	Foreign Exchange
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
IR	-	Interest Rate
MTDS	-	Medium-Term Debt Management Strategy
PD	-	Primary Dealer
PFM	-	Public Financial Management
SOEs	-	State-Owned Enterprises
ST	-	Short-Term
T-bills	-	Treasury bills
US	-	United States

Introduction

1. The 2024-2027 Medium-Term Debt Management Strategy (MTDS) was produced and published to inform the market and guide the Annual Borrowing and Recovery Plan (ABRP).
2. However, there has been significant development in the implementation of the 2024 Budget, and this necessitated some revisions in the 2024 Mid-Year Budget. These include the revised 2024 macroeconomic aggregates and positive but significant development in Ghana’s debt restructuring efforts.
3. The revision of the macroeconomic aggregates has also necessitated a comprehensive review of the 2024 MTDS. This revised strategy builds on the original macroeconomic framework and incorporates updated economic projections and other policies.
4. The revised MTDS is designed to ensure that Ghana’s debt management policies remain aligned with the current debt restructuring, the IMF-supported programme, and government’s overall economic development objectives. The revised MTDS also reflects the government’s commitments to debt transparency, accountability, and prudence in debt management policies.

Performance Review of the MTDS for January to June 2024

5. Government’s debt management objective, as embodied in the 2024 MTDS, was to focus on the appropriate financing mix to mitigate costs and risks in the debt portfolio and sought to continue government’s debt operations programme to ensure debt sustainability while meeting government’s funding needs.
6. The domestic financing strategy proposed continuous issuances of Treasury bills (T-bills) on the domestic market to finance the 2024 Budget. In addition to the programmed net domestic finance, the strategy was to build cash buffers for cash management purposes and support debt operations. The strategy also envisaged issuances/re-opens of the newly exchanged bonds and paying down the holdout bonds.
7. On the external front, the strategy proposed financing from the IMF-Extended Credit Facility (ECF), and the World Bank Development Policy Objective (DPO) to support the 2024 budget implementation.
8. For the first half of 2024, government raised an amount of GH¢26,853.28 million (net issuance) for the first half of the year to support the implementation of the 2024 budget. Also, Government

paid about GH¢348.13 million (including the local US Dollar bonds) to bondholders who did not participate in the Domestic Debt Exchange Programme (DDEP).

9. Government also received total amount of US$960.0 million from the IMF for the second and third disbursements under the ECF programme and US$300.0 million from the World Bank DPO to support the 2024 budget.
10. To bring debt levels back onto a sustainable path, debt limits were placed on non-concessional external borrowing to support the reduction in the rate of debt accumulation. Total new non-concessional debt of US$50.2 million was contracted as at end-June 2024.
11. The implementation of the strategy is evidenced in the costs and risks indicators of the public debt portfolio (Table1).

Table 1: Cost and Risk Indicators of Existing Debt Portfolio (2023 - June 2024)

Risk Indicators		External Debt		Domestic Debt		Total Debt	
		2023	June 2024 Prov.	2023	June 2024 Prov.	2023	June 2024 Prov.
Cost of Debt	Weighted Av. IR (%)	5.3	5.4	13.7	14.5	8.7	8.7
Refinancing Risk	Average Time to Maturity (ATM) – Years	10.0	9.9	6.1	5.8	8.8	8.8
	Debt Maturing in 1 Year (% of Total)	5.3	5.1	28.0	27.4	12.3	11.1
Interest Rate Risk	Average Time to Re-fixing (ATR) – Years	9.7	9.4	6.1	5.7	8.6	8.4
	Debt Re-fixing in 1 Year (% of Total)	12.1	16.7	28.0	34.2	17.0	21.4
	Fixed Rate Debt (% of Total)	92.1	86.3	100	100	94.5	90.0
FX Risk	FX Debt (% of Total Debt)					59.3	62.6
	ST FX Debt (% of Reserves)					35.5	43.3

Source: Ministry of Finance

12. The MTDS aimed at mitigating the costs and risks in the debt portfolio. The debt strategy applied in 2024 showed that some of the costs and risk indicators remained unchanged given that the domestic debt market is focused on the short end. Accordingly, the Weighted Average Interest rate and the Average Time to Maturity (ATM) for the entire debt portfolio remained unchanged at 8.8 years and 8.7 percent, respectively, from end-December 2023 to end-June 2024.
13. However, for the same period, the debt re-fixing in one year as a percentage of total debt stock increased from 17.0 percent to 21.4 percent.
14. The share of foreign currency debt of the total debt stock increased to 62.6 percent as at end-June 2024 from 59.3 percent in December 2023.

Revised Baseline Macroeconomic Assumptions for 2024

15. The 2024 Mid-Year Budget indicated that growth was more resilient in 2023 and quarter one of 2024 than projected.
16. Inflation had decelerated significantly to 22.8 percent by end-June 2024 from the peak of 54.1 percent in December 2022. Interest rates had shown a downward trend at the shorter end of the yield curve in 2024. The 91-day T-bill rate dropped from 35.4 percent in December 2022, to 24.9 percent at end June 2024.
17. Overall, the 2024 Mid-Year Budget indicated improvements in the fiscal balances. Government also made significant strides in the debt restructuring programme.
18. Consequently, the revised macroeconomic targets for the 2024 are set in Table 2 as follows:

Table 2: Revised Macroeconomic Assumptions

Indicator	2024 Budget	2024 Revised Budget	Variance
		(in millions of GH¢ unless otherwise stated)	
Nominal GDP	1,050,978.3	1,020,179.9	(30,798.4)
Revenue & Grants	176,414.2	177,219.8	805.6
Expenditure	238,293.9	231,362.3	(6,931.6)
o/w Interest Payments	55,932.4	47,998.9	(7,933.5)
Primary fiscal balance (cash)	(5,947.3)	(6,143.6)	(196.3)
Overall fiscal balance (cash)	(61,879.7)	(54,142.4)	7,737.3
Gross International Reserves (in months of import cover)	3	3	-
		GDP (in Percentage change)	
GDP at constant prices	2.8	3.1	0.3
Real GDP (Non-oil)	2.1	2.8	0.7
		(as a Percentage of GDP)	
Revenue	16.8	17.4	0.6
Expenditure	22.7	22.7	-
Interest Expenditure	5.3	4.7	(0.6)
Primary fiscal balance (cash)	(0.6)	(0.6)	-
Overall fiscal balance (cash)	(5.9)	(5.3)	0.6

Source: Ministry of Finance

Revision to the Financing Strategy

19. The revised financing strategy for 2024 continues to build on the strategy implemented within the original 2024-2027 MTDS. All aspects of the financing strategy outline in the 2024 MTDS remain in effect.

Debt Management Policies

20. To ensure prudent public debt management, the following policies have been revised. All policies in the original 2024-2027 MTDS remain in effect, except as modified in this revised 2024 MTDS.

Debt Limits on External Borrowing

21. One of the main goals of the IMF-ECF programme is to implement fiscal consolidation measures to restore debt sustainability and macroeconomic stability. The debt limit set for non-concessional borrowing has been scaled down from US$84.7 million to US$73.9 million in present value terms for 2024. The limit applies to central government borrowings, State-Owned Enterprises (SOEs), and covered entities.

Annual Borrowing Plan

22. Following the revision of the 2024-2027 MTDS, Government will update and publish an Annual Borrowing and Recovery Plan (ABRP), consistent with Section 60 of the 2016 PFM Law, to meet the aggregate borrowing requirements for the remaining half of 2024.

Conclusion

23. The updated 2024-2027 MTDS, having considered the impact of the debt restructuring programme, global and domestic market environment, and related economic vulnerabilities, recommends an appropriate financing mix to mitigate the costs and risks to achieve a desired composition of the public debt portfolio, while borrowing from domestic and external sources.

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