REPUBLIC OF GHANA

MINISTRY OF FINANCE

2024-2027 MEDIUM-TERM DEBT MANAGEMENT STRATEGY

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

December 2023

REPUBLIC OF GHANA

MINISTRY OF FINANCE

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Abbreviations

ABP	-	Annual Borrowing Plan
ATM	-	Average Time to Maturity
ATR	-	Average Time to Re-fixing
BoG	-	Bank of Ghana
BoP	-	Balance of Payments
COCOBOD	-	Ghana Cocoa Board
COVID-19	-	Corona Virus Disease 2019
DDEP	-	Domestic Debt Exchange Programme
DSA	-	Debt Sustainability Analysis
ECF	-	Extended Credit Facility
ESLA	-	Energy Sector Levy Act
FX	-	Foreign Exchange
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
IPPs	-	Independent Power Producers
IR	-	Interest Rate
MDAs	-	Ministries, Departments and Agencies
MoF	-	Ministry of Finance
MTDS	-	Medium-Term Debt Management Strategy
MTFF	-	Medium-Term Fiscal Framework
PC-PEG	-	Post-COVID-19 Programme for Economic Growth
PD	-	Primary Dealer
PFM	-	Public Financial Management
SOEs	-	State-Owned Enterprises
ST	-	Short-Term
TDMD	-	Treasury and Debt Management Division
USD	-	United States Dollars

VRA	-	Volta River Authority
WB	-	World Bank

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Foreword

This annual publication is the eighth since the implementation of the Public Financial Management Law in 2017.

The Ministry of Finance published the 2023 Medium-Term Debt Management Strategy (MTDS) at a time when the economy was going through a very difficult period amidst unprecedented global turbulence and uncertainties.

A lot has happened since then, embarking on a debt restructuring programme to alleviate fiscal pressures by reducing debt servicing costs, improving debt sustainability indicators, and ensuring macroeconomic stability and economic growth.

We are happy to announce the successful conclusion of three debt exchanges, marking the completion of the comprehensive Ghana's Domestic Exchange Programme (DDEP). This milestone would not have been possible without the unwavering signs of responsibility and commitment demonstrated by all Ghanaians especially those who tendered their bonds.

The Ministry hereby confirms that it does not anticipate any further exchanges on its or Ghana Cocoa Board (COCOBOD)'s domestic instruments under this programme, except the technical re-opening of the past 2023 exchange under the same terms. This exception is to accommodate holders who were unable to tender their holdings in a timely manner. We are also working on our Independent Power Producers (IPPs) transactions in the domestic restructuring.

As the DDEP is concluded, the Ministry of Finance now looks forward to making progress in the restructuring of external debt, encompassing Eurobonds, commercial loans, and bilateral debt.

The ongoing debt restructuring has necessitated the need to formulate and design the 2024 debt strategy, taking into account the revision of the medium-term macroeconomic indicators in line with the IMF-supported macro-fiscal programme targets.

To preserve debt sustainability and in line with the debt conditionality under the Fund-supported programme, the 2024 MTDS will guide Government borrowing for 2024 and the medium-term.

We want to use this opportunity to thank the public, especially the investors, for their forbearance during these difficult times.

We wish to extend our sincere thanks to all staff of the Ministry of Finance, Bank of Ghana, and the Controller and Accountant General's Department for their commitment to the process.

Dr. Mohammed Amin Adam (MP)
Minister of State
For Minister

Introduction

1. The debt management operations for 2023 were conducted against the background of an IMF-supported Post-COVID-19 Programme for Economic Growth (PC-PEG) anchored on restoring macro-economic stability and debt sustainability; coordinating an equitable debt operation programme; negotiating a strong IMF programme, among others.

2. Among the highlights of 2023 is the Government's success in securing an approved IMF-supported Programme and the execution of a debt restructuring programme to alleviate fiscal pressures by reducing debt servicing costs, improving debt sustainability indicators over the medium to long-term and ensuring macroeconomic stability and economic growth.

3. Over the period December 2022 to December 2023, the economy demonstrated continued resilience evidenced by a steady but modest recovery. Growth in 2023 has been more resilient than earlier expected, inflation has declined in line with the fundamentals, the fiscal and external balances have improved, and the exchange rate has largely stabilized.

4. Public debt accumulation has slowed down significantly, as government continued to consolidate its public finances, the domestic debt exchange programme, and the ongoing external debt restructuring.

5. Public Debt -to-GDP ratio declined from 72.9 percent of Gross Domestic Product **(**GDP) at the end of December 2022 to 72.3 percent of GDP as of December 2023, reflecting the completion of domestic debt exchange. The completion of external debt restructuring is expected to further improve Ghana's debt situation.

6. The results of the 2023 updated Debt Sustainability Analysis (DSA) show that both Ghana's external and public debt were in 'debt distress' but the ongoing fiscal adjustments and the debt operation will positively impact the debt trajectory in the medium-term.

7. Consequently, Government will continue its effort to implement its debt operations programme anchored on a return to a sustainable debt path.

8. Accordingly, the 2024–2027 Medium Term Debt Management Strategy (MTDS) has been prepared in fulfilment of Section 59 of the Public Financial Management (PFM) Act, 2016 (Act 921) with the overall objective of proposing a suitable financing mix for 2024 and the medium-term to mitigate the costs and risks in Government's public debt portfolio.

Objective and Scope

9. The debt management objectives as outlined in in Section 58 of the PFM law, are to ensure that:
    a) the financing needs of Government are met on a timely basis;

b) borrowing costs to Government are as low as possible over the medium to long term, consistent with a prudent degree of risk;
c) the development of the Ghanaian debt market is promoted; and
d) any other action considered to impact positively on the public debt.

10. This MTDS covers the period commencing from the financial year 2024 to 2027. The scope for coverage is public debt, including debt contracted by the Central Government as well as debt of Energy Sector Levy Act (ESLA) and Daakye Plc, and some debt of State-Owned Enterprises (SOEs) and excludes debt owed to the IMF for Balance of Payments (BoP) purposes.

Performance Review of 2023 MTDS

11. Government's debt management objective, as embodied in the 2023 MTDS, was to ensure Government's financing requirements were met at the lowest possible cost, with a prudent degree of risk in line with the Medium-Term Fiscal Framework (MTFF) and Government's debt restructuring programme.

12. The strategy envisaged restructuring of both domestic and external debt portfolios in 2023 to reduce the cost of debt service. The strategy also proposed issuances of Treasury bills (T-Bills) and zero financing from the Bank of Ghana and proposed a preferred external borrowing on concessional terms from multilateral and bilateral development partners to support the budget.

13. In July 2023, Government had to revise the 2023-2026 MTDS in line with the revised macro-fiscal targets for the remaining half of 2023. The revision was to account for the impact of the Domestic Debt Exchange Programme (DDEP) and the ongoing external debt restructuring programme. The revised 2023 MTDS, therefore, incorporated the increase in the financing gap from zero to GH¢46,871.8 million to support the Budget.

14. For the period under review, Government as at end-December 2023 issued GH¢22,005.1 million in T-bills (net issuance) to support the Budget, as Ghana is currently unable to access both the domestic and external bond markets.

15. As part of efforts to bring debt to sustainable levels, and in accordance with the International Monetary Fund Extended Credit Facility (IMF-ECF) Facility agreement, Government placed an upper limit on non-concessional borrowing at US$66.2 million (in present value terms) for 2023. As at end-December 2023, Government did not contract nor guarantee any external non-concessional loan.

Table 1: Cost and Risk Indicators of Existing Debt Portfolio (2021 - 2023)

Risk Indicators		External Debt 2021	External Debt 2022	External Debt 2023 Prov	Domestic Debt 2021	Domestic Debt 2022	Domestic Debt 2023 Prov	Total Debt 2021	Total Debt 2022	Total Debt 2023 Prov
Cost of Debt	Weighted Av. IR (%)	5.2	6.9	5.3	17.9	21.2	13.7	11.3	12.5	8.7
Refinancing Risk	Average Time to Maturity (ATM) – Years	14.8	10.5	10.0	3.2	2.7	6.1	10.6	8.4	8.8
	Debt Maturing in 1 Year (% of Total)	3.1	4.8	5.3	30.5	45.5	28.0	13.1	15.5	12.3
Interest Rate Risk	Average Time to Re-fixing (ATR) – Years	14.4	10.0	9.7	3.2	2.7	6.1	10.3	8.1	8.6
	Debt Re-fixing in 1 Year (% of Total)	13.0	15.3	12.1	30.5	45.5	28.0	19.4	23.2	17.0
	Fixed Rate Debt (% of Total)	88.7	87.7	92.1	100.0	100.0	100.0	92.8	90.9	94.5
Foreign Exchange (FX) Risk	FX Debt (% of Total Debt)							51.3	60.7	71.6
	ST FX Debt (% of Reserves)							13.3	33.8	35.5

Source: Ministry of Finance

16. The performance of the debt management strategy in 2023 revealed that the costs and risks indicators of the domestic debt portfolio have improved due to the DDEP. The weighted average interest rate reduced from 21.2 percent at end-December 2022 to 13.7 percent at end-December 2023. Average Time to Maturity (ATM) improved from 2.7 years at end-December 2022 to 6.1 years at end-December 2023. However, the ATM for external debt showed a reduction to 10.0 years at end-December 2023, from 10.5 years at end-December 2022. On the total debt portfolio, the ATM improved from 8.4 years at end-December 2022 to 8.8 years at end- December 2023 (Table 1).

17. Interest rate risks on the domestic debt portfolio had significantly improved based on the Average Time to Re-fixing (ATR) and Debt re-fixing in one year. The ATR improved to 6.1 years at end-December 2023 from 2.7 years at end-December 2022. Domestic interest rates to be re-fixed in one year also improved to 28.0 percent at end-December 2023 from 45.5 percent at end-December 2022. This was mainly on account of the DDEP. Interest rate risk slightly worsened for external debt as about 12.1 percent of external debt required is expected to be re-fixed within one year at end-December 2023 compared to 15.3 percent at end-December 2022.

18. About 71.6 percent of the debt portfolio is exposed to exchange rate risk, as at end- December 2023, compared to the end-December 2022 figure of 60.7 percent. The main exposure of the debt portfolio is to the United States Dollars (USD) and EURO, which make up about 71.6 percent and 20.1 percent of the external debt stock respectively.

Baseline Macroeconomic Assumptions for 2024-2027

19. The 2024-2027 MTDS is prepared in line with the objectives and policy priorities in the 2024 Budget Statement and policy priorities of the 3-year IMF-Supported PC-PEG. Guided by the medium-term policy objectives, the following macroeconomic targets are set for 2024-2027:

- overall Real GDP growth to average 4.3 percent for the period;
- non-Oil Real GDP to grow at an average of 4.1 percent for the period;

- inflation to be within the target band of 8±2 percent;
- primary balance to record a surplus of 0.5 percent of GDP in 2024. The primary balance is expected to improve further to a 1.5 percent of GDP from 2025 onwards;
- gross international reserves are expected to improve to US$10.1 billion (4.4 months of import cover) by 2027.

20. Based on the overall medium-term macroeconomic objectives and targets, specific revised macroeconomic targets for the 2024 fiscal year are set as follows:

- overall Real GDP growth of at least 2.8 percent;
- non-Oil Real GDP growth of at least 2.1 percent;
- end-Period inflation rate of 15.0 percent;
- primary Balance on Commitment basis at a surplus of 0.5 percent of GDP; and
- gross international reserves (including oil funds and encumbered/pledged assets) to cover not less than 3.0 months of imports.

21. Provisional macroeconomic data, upon which the 2024 MTDS was formulated, are presented as follows:

Table 2: Macroeconomic Assumptions

Description	2022	2023 Proj.	2024 Budget	2025 Indicative	2026 Indicative	2027 Indicative
		(in millions of GHS unless otherwise stated)				
Nominal GDP	610,222	850,656	1,050,978	1,216,854	1,372,186	1,548,313
Revenue and Grants	96,651	133,875	176,414	211,035	249,536	281,088
Expenditure	168,848	172,968	226,681	258,146	302,378	317,831
o/w Interest	45,687	34,773	55,932	65,840	73,529	60,484
Primary Fiscal Balance	(26,510)	(4,321)	5,666	18,730	20,687	23,741
Overall Fiscal Balance	(72,197)	(39,093)	(50,267)	(47,111)	(52,843)	(36,743)
Gross International Reserves (in millions of USD)	6,253	6,186	6,621	7,378	8,520	10,080
			(in percentage change)			
GDP at Constant Price	3.1	2.3	2.8	4.4	4.9	5.0
Real GDP (Non-oil)	3.8	2.8	2.1	4.4	4.8	5.0
			(as a percentage of GDP)			
Revenue	15.8	15.7	16.8	17.3	18.2	18.2
Expenditure	27.7	20.3	21.6	21.2	22.0	20.5
Interest	7.5	4.1	5.3	5.4	5.4	3.9
Primary Fiscal balance	(4.3)	(0.5)	0.5	1.5	1.5	1.5
Overall fiscal balance	(11.8)	(4.6)	(4.8)	(3.9)	(3.9)	(2.4)

Source: Ministry of Finance

Financing Strategy

22. The 2024 debt strategy offers the best financing mix to mitigate the costs and risks in the debt portfolio and seeks to continue Government's debt operations programme to promote debt sustainability while meeting the funding needs.

23. The domestic financing strategy proposes continuous issuances of T-bills on the domestic market to support the 2024 budget. In addition to the programmed net domestic financing, the strategy is to create cash buffers for debt operations and cash management purposes.

24. The strategy also envisages issuances / re-opens of the new exchanged bonds and pay down of the holdout bonds. The domestic financing strategy further proposes the issuances of Government paper to address commercial banks' recapitalisation cost arising from the DDEP in the financial sector.

25. On the external front, the strategy proposes financing from the IMF-ECF and World Bank Development Policy Objective (DPO) to support the budget in 2024. The ECF and DPO will be disbursed in tranches to address the budgetary and external financing gaps.

26. Over the medium-term, Government will continue its debt operation programme and will explore opportunities coupled with liability management operations to reduce the level of risk embedded in the debt portfolio.

Foreign Currency Risk Benchmark

27. For external debt portfolio, a strategic benchmark of 70±5 percent exposure to the US Dollar will be maintained to ease down pressures on gross international reserves.

Interest Rate Risk Benchmark

28. The current interest rate resetting in a year in the domestic debt portfolio poses eminent interest rate risk for the debt portfolio due to investors' preference for shorter-dated securities. Over the medium-term, the percentage of marketable domestic debt to be re-fixed within a year is expected to be within the range of 30-35 percent.

Refinancing Risk Benchmark

29. To reduce refinancing, the ATM of the debt portfolio is expected to be not less than 8 years.

Debt Management Policies

30. As part of the above stated strategy, and in support of Government's commitment to maintain sustainable debt levels, the implementation of critical debt management policies which were outlined in the 2024 Budget Statement and Economic Policy have already commenced. These are:

Debt Restructuring Programme

31. Following the successful implementation of the DDEP, Government has stepped up efforts to reach an agreement with its external creditors to finally complete the external debt restructuring.

Debt Limits on External Borrowing

32. The outlook for Ghana's debt sustainability shows that the granularity in the risk rating is unsustainable and overall risk of public and external debt remain in 'debt distress. To ensure that the factors that occasioned the debt unsustainability are dealt with, the following actions will be taken in 2024 by Government:
    - Project financing shall strictly be limited to projects that have gone through the PIM appraisal process and issued with the Seal of Quality by the Minister responsible for Finance in accordance with the Public Financial Management (Public Investment Management) Regulations 2020, L.I. 2411.

- An upper limit on non-concessional borrowing of US$66.2 million (in present value term) for 2023 has been extended to 2024 with an upper limit of US$84.7 million (in present value terms), as part of efforts to enhance fiscal consolidation and reduce budgetary slippages. The debt limit applies to central government borrowing as well as all SOEs and covered entities.

- Zero ceiling on any collateralised debt over revenue streams or other assets for all Ministries, Departments and Agencies (MDAs) and SOEs as announced in the 2023 Mid-Year Budget Review has been extended to 2024. This is in line with the tenets of the IMF-ECF supported programme. These includes the fourteen (14) SOEs namely: Tema Oil Refinery, Ghana National Petroleum Company, Ghana National Gas Company, Volta River Authority, Electricity Company of Ghana, Ghana Grid Company Ltd, Ghana Water Company Limited, Ghana Infrastructure Investment Fund, Daakye PLC, ESLA PLC, Ashanti Gold Corporation, COCOBOD, GIADEC and BOST.

Concessional Loans

33. Government will maximise the use of concessional financing primarily for infrastructure provision. All external debt financing shall be largely applied to infrastructure and self-financing projects. Additionally, Government is committed to optimise concessional external financing from multilateral and bilateral creditors. The emphasis on concessional financing is to minimize the impact of Forex and interest cost on the portfolio.

Credit Risk Assessment

34. As part of measures to contain fiscal risks, Government will intensify its credit risk assessment of SOEs and other public entities. Though there is a debt limit on borrowing by SOEs, the Ministry of Finance (MoF) will collaborate with State interest and Governance Authority (SIGA) to address structural challenges and thereby improve the credit worthiness of these SOEs.

35. As part of the implementation of the Fees and Charges (Miscellaneous Provisions) Regulations, 2024 (L.I. 2481), covered entities are required to pay an upfront fee and a non-refundable charge when requiring support from Government with respect to Guarantees, On-lending facilities, and "No-Objection" to borrow on their own books. This is in line with measures to mitigate fiscal risk to Government.

Implementation of the Zero-Financing with Bank of Ghana

36. In view of zero financing agreement with the Bank of Ghana (BoG), Government will explore possible sources of financing to build buffers to support its cash management operations.

Development of the Domestic Debt Market

37. As T-bills were excluded in the DDEP, Government will continue to actively engage investors at the short end of the debt market to maintain a functional short-term domestic debt market until the bond market is restored. It is envisioned that Government will continue progress in implementing the reform agenda to restore confidence to the domestic debt market.

Annual Borrowing Plan

38. For effective implementation of the strategy, Government will prepare and publish an Annual Borrowing Plan (ABP) (consistent with Section 60 of the 2016 PFM Law) to meet the aggregate borrowing requirements of Government in 2024. The borrowing plan will include the instruments to contain financing cost and propose building buffers to reduce Government's exposure to volatilities on debt markets.

Engagements with Investor and Market Participants

39. Government will engage in extensive investor relations activities, including town hall meetings, conference calls, roadshows, and investor presentations. The engagements will be done with Primary Dealers (PDs), Bond Market Specialists (BMS), Export Credit Agencies (ECAs), Trade Insurance Agencies, and key market players. These exchanges will be focused on issues surrounding market development and Government's financing plans and debt restructuring operations. It will also provide an avenue for gathering reliable market intelligence first-hand.

Conclusion

40. The MTDS for the period 2024-2027 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance Government's 2024 Budget and Economic Policies. The cost-risk trade-off of alternative borrowing strategies under the MTDS has been evaluated within the medium-term context.

41. The MTDS, having considered both global and domestic market environments and related vulnerabilities, recommends an appropriate financing mix to mitigate the costs and risks to achieve the desired composition of the public debt portfolio with respect to borrowing from external and domestic sources. The debt strategy also takes into consideration the Debt Sustainability Framework, which is concerned with long-term sustainability of debt and the on-going external debt restructuring.

42. With the coming into force of the MTDS for the period 2024-2027, the approved MTDS for the period 2023-2026 has been annulled.

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