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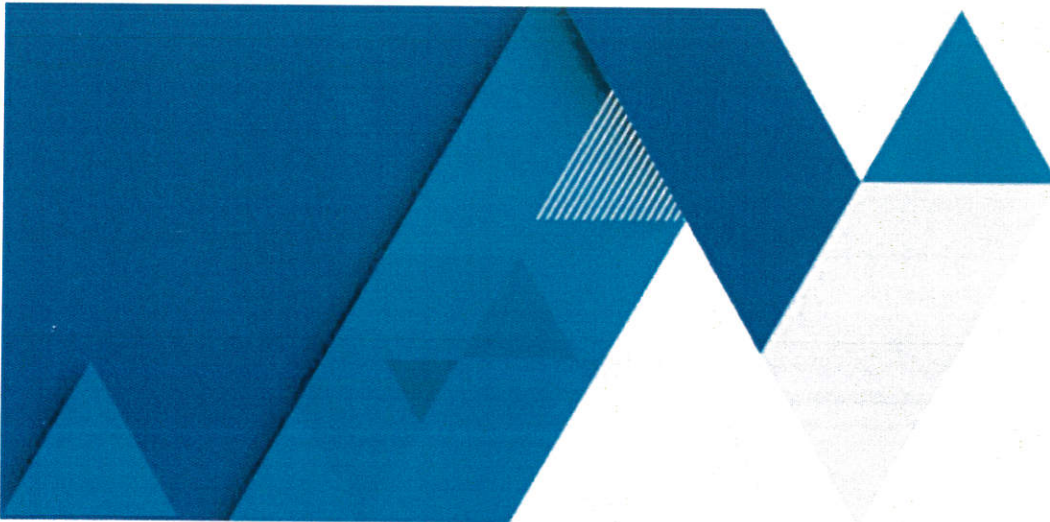
MINISTRY OF FINANCE

2021 ANNUAL BORROWING AND RECOVERY PLAN

In fulfilment of the requirements of section 60 of the Public Financial Management Act, 2016 (Act 921)

Prepared by
The Ministry of Finance

June, 2021



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List of Abbreviations and Acronyms

ABRP	-	Annual Borrowing and Recovery Plan
BMS	-	Bond Market Specialist
BoG	-	Bank of Ghana
DSA	-	Debt Sustainability Analysis
GSE	-	Ghana Stock Exchange
GDP	-	Gross Domestic Product
JBRs	-	Joint Book Runners
MoF	-	Ministry of Finance
MTDS	-	Medium-Term Debt Management Strategy
PDs	-	Primary Dealers
Repos	-	Repurchase Agreements
PFM	-	Public Financial Management
TSA	-	Treasury Single Account



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Foreword

The 2020 Fiscal year will go down in global history as a year of unprecedented health, financial and economic challenges. These events significantly changed economic narratives and despite its negative effects, has also brought a reawakened realization of innovation, technological development, and promoting a healthier relationship with nature and the climate.

Ghana was no different since we were hit hard by the impact of the Covid-19 pandemic. His Excellency the President took an exemplary and proactive set of interventions anecdotally called: "Fellow Ghanaians",

By the grace of God, we weathered one of the most turbulent economic scenes in the country leading to one of the lowest GDP growth in the last 40 years.

Once again, we have proven that we do not know when we will fall, but we know best how to get up and move forward to our destined goal of economic prosperity and growth.

For this, we have launched the Ghana CARES (Obaatanpa) programme to support us in this economic recovery.


It is in light of the above that Government in this 2021 Annual Borrowing and Recovery plan (ABRP) and in line with the 2021 Budget Statement and Economic Policy as well as the 2021-2024 Medium-Term Debt Management Strategy (MTDS), aims to implement a robust strategy geared towards leveraging the credit markets (domestic and international) to source adequate funding to support Government programmes.

We acknowledge the immense contributions of all stakeholders in the preparation of this document, especially the Management of the Ministry of Finance, the Senior Policy Advisors, the Chief Director, Director and Staff of the Treasury and Debt Management Division, the Bank of Ghana, Ghana Stock Exchange and the Central Securities Depository.

We look forward to a productive fiscal year and more engagements with the market.

Proverbs 21:5,

The plans of the diligent lead surely to abundance and advantage, but everyone who acts in haste comes surely to poverty.



KEN OFORI-ATTA



A. Introduction

1. The 2021 Annual Borrowing and Recovery Plan (ABRP) is prepared in accordance with: a) the 1992 Constitution, b) the Public Financial Management Act, 2016 (Act 921) and its Regulations, c) the 2021 Budget Statement and Economic Policy; as well as d) the 2021-2024 Medium Term Debt Strategy (MTDS).
2. The Plan is published in fulfilment of Section 60 of the Public Financial Management Act, 2016 (Act 921) which requires the Debt Management Office of the Ministry of Finance to prepare and publish an ABRP.
3. The Plan is complimented by a quarterly rolling Issuance Calendar which spells out the domestic borrowing operations of Government over the fiscal year, the instruments to be issued, and the indicative timing of such borrowings. This is also consistent with the cash flow projections for the fiscal year.
4. The ABRP also fulfils the objectives of debt management by:
 - ensuring that the financing needs of Government are met on a timely basis;
 - borrowing at a low cost over the short, medium to long term and consistent with a prudent degree of risk;
 - promoting the development of the domestic debt market; and
 - pursuing any other action considered to positively impact on public debt and fiscal stability.
5. The 2021 Budget Statement indicated a budget deficit of GH¢41,297.91 million which is expected to be financed from domestic and external sources which are as follows:
 - I. Domestic Sources: Government Securities (bills and bonds), Standard Loans, and balances accrued in the Sinking Fund and other Escrow Accounts.
 - II. External sources: Project loans and Sovereign Bonds (Eurobond, Sustainable Bonds) and Bridge Financing.
6. The global financing conditions has all year long shown resilience despite the economic stress from the Covid-19 pandemic. Increasing risk of inflation and long-term interest rates could tighten financing conditions and raise funding costs. The domestic environment indicates a positive medium-term outlook well anchored on stability in inflation expectations and recovery to growth. Supported by a prudent monetary policy stance, the fiscal policy for the medium term was carefully crafted to deal with the unintended social effects of the pandemic and the trade-off for fiscal consolidation and growth. Consequently, this ABRP is designed to support the economic conditions and assumptions for 2021 and would be revised accordingly when these conditions change.
7. Following from this introductory statement, the rest of the ABRP will provide an overview of the 2021-2024 MTDS, indicating the gross financing requirements of Government as well as outlining the strategies envisioned to meet the financing requirements. The borrowing activities, therefore, supports the financing requirement of Government for budget implementation.



B. Synopsis of the 2021-2024 Medium Term Debt Management Strategy

8. The MTDS provides an optimal financing strategy which focuses on ensuring an appropriate financing mix to attenuate the cost and risk of the public debt portfolio. The 2021 medium-term outlook points to a strong recovery of the economy from the downside effects of the Covid-19 pandemic.
9. Per the 2021 medium-term fiscal framework, the fiscal deficit is expected to moderate over the medium-term as Government implements its revitalisation and transformation agenda aimed at building back the economy. The fiscal deficit is, therefore, expected to reduce from the provisional 11.7% in 2020 to 9.5% in 2021 and ultimately, return to the Fiscal Responsibility threshold of below 5% of GDP by 2024.
10. The strategy proposes a continuous issuance of medium to long term domestic benchmark bonds in 2021. It also recommends issuances from the International Capital Market for Eurobond, Sustainable Bonds, Diaspora Bonds and, or syndicated loans of up to a limit of US\$ 5.0 billion and limits on other external borrowing especially for priority development projects, which cannot be financed on concessional loan terms. It also seeks to commence liability management programme for both the external and domestic debt with the sole objective of reducing interest cost and refinancing risks embedded in the public debt portfolio.
11. The Strategy ultimately seeks to respond to Government's proactive debt policy of diversifying the investor base, currency composition, extension of securities tenor, the introduction of new instruments as well as effective communication with the markets.

C. Liability Management Operations

12. Government will continue with the implementation of its liability management programme to actively manage the debt portfolio by redeeming partially the benchmark size bonds before maturity as well as bonds with higher coupon rates, with the view to minimize costs and refinancing risks subject to favourable market conditions.
13. Government will also in coordination with the Bank of Ghana undertake bond exchanges and buyback operations to mitigate the forex risk associated with bond redemptions which arises from high exposures to offshore investors based on market conditions.

D. 2021 Summary of Central Government Gross Financing Requirement

14. The gross financing requirement of Government for the budget funding, rollover of maturities and building buffer is estimated at GH¢108,780.14 million. The overall budget financing requirements for FY2021 is GH¢41,297.91 million (equivalent to 9.5 percent of GDP). Table 1 below gives details of the gross financing requirements for 2021.



Table 1: Projected Government Gross Financing Requirement for 2021

ITEM	(GH¢'MILLION)
Exp plus Arrears	113,750.23
o/w Arrears	3,700.00
Interest Payment	35,863.81
Domestic	28,368.07
External	7,495.75
Non Int Prm. Exp	77,886.41
Total Revenue & Grants	72,452.31
Primary Balance	(5,434.10)
Maturities	50,199.65
Amortisation	15,282.58
Buffer	2,000.00
Gross Financing Requirement	108,780.14

Source: MoF

15. The net foreign financing of **GH¢15,874.31 million** comprises of the sum of disbursements of the existing projects and programme loans by official creditors and commercial external borrowing; a portion of sovereign bond programme issuance; minus amortization of external principal loans and contingent liabilities due for payments.
16. An amount of **GH¢41,850.02 million** is projected to be raised from domestic sources. This includes credit from banking and nonbank sector of GH¢22,931.01 million and GH¢18,143.48 million, respectively.
17. Government financing operations also include the net transfers to the Petroleum and Sinking Funds. Table 2 below gives an overview of 2021 Central Government financing operations.
18. Additionally, Government plans to build cash buffer of about **GH¢2,000.00 million** in excess of the net financing to manage liquidity shortfalls.



Table 2: 2021 Summary of Central Government Financing Operations

S/N	ITEM	(GH¢' MILLION)
A	Financing	41,297.91
A1	Net Foreign Financing	15,874.31
	Borrowing	31,156.89
	<i>o/w Project Loans</i>	6,647.26
	<i>o/w Sovereign bond</i>	24,509.63
	Amortisation (due)	(15,282.58)
A2	Net Domestic Financing	41,850.02
	Banking	22,931.01
	Non-Banks	18,143.48
	Other Domestic	775.53
A3	Ghana Petroleum Funds	(332.37)
	Transfer to Ghana Petroleum Funds	(1,107.90)
	<i>o/w Stabilisation Fund</i>	(775.53)
	<i>o/w Heritage Fund</i>	(332.37)
	Transfer from Stabilisation Fund	775.53
A4	Sinking Fund	(16,094.05)

Source: MoF

E. Borrowing Strategies

a) Borrowing from Domestic Sources

19. For 2021, in line with the debt management objective of developing the domestic debt market, Government envisages to diversify the instrument mix to lengthen the maturity profile of the domestic debt portfolio. Below shows the range of instruments (securities) of different tenor with their respective issuance percentages:

- Short-term securities (91, 182, 364 - day treasury bills) - 18.3%
- Medium-term securities (2-year notes, 3-year to 7-year bonds) - 69.4%
- Long-term securities (10-year bonds and beyond) - 12.3%

20. Government is committed to maintaining the zero financing by central bank in accordance with the Fiscal agency agreement signed between the Government and the Bank of Ghana. Government will therefore ensure that proactive cash management measures are implemented to meet its liquidity requirements at all times.

21. All expected explicit contingent liabilities have been catered for in the gross borrowing requirements for FY2021. However, any implicit contingent liability that may arise during the period would be addressed by the provisions made in debt service projections and balances in the debt service reserve account to forestall any financing imbalances.



22. Primary issuance of medium and long-term securities is open to resident and non-resident investors, while for short-term issuance participation is open to domestic investors only. Government may also consider the use of reopens/tap issuances, bond exchanges, and private placements, in raising the funds as and when necessary, to build benchmark bonds as well as enhance liquidity in the secondary market. Issuances of domestic securities will mainly be done in the Ghanaian Cedi.

Short Term bill issuance

23. The 91-day and 182-day treasury bills will be issued on a weekly basis. In addition, the 364-day Treasury bill will be issued on a bi-weekly basis on the first and third weeks of each month. These instruments will be issued through the regular auction on each Friday with settlement date being T+1. However, if Friday happens to be a holiday, the Auction shall be held on the preceding Thursday or the preceding working day.

Medium and Long Term issuance

24. As part of Government's efforts to deepen its activities in the longer-end of the market, the medium to longer-term instruments will be issued on Thursdays through the book-building process with settlement date being T+2. However, if Thursday happens to be a holiday, the auction shall be held on the preceding Wednesday or the preceding working day. These issuances will be done through by the Bond Market Specialist.
25. The specific dates of the bond issuance will be announced in the quarterly issuance calendar which will be published barring any unforeseen circumstances at least two weeks prior to the quarter to which it pertains.

b) Borrowing from External Sources

26. This will comprise borrowing from multilateral, bilateral and commercial sources (International Banks and private Capital from the International Capital Market).
27. To diversify government's debt portfolio and leverage on various investor groups, the 2021 ICM Bond Issuance Programme is targeted at issuing Eurobond, Sustainable Bonds, Diaspora Bonds, and Syndicated loan from the ICM depending on market conditions.

F. Debt Limits for FY2021

28. To ensure that Government adheres to the fiscal rules in the Fiscal Responsibility Act and debt sustainability, Government commenced the policy of establishing debt limits on the riskiest part of the portfolio in terms of debt accumulation.
29. The debt limit policy commenced in 2019, after the successful completion of the International Monetary Fund Extended Credit Facility programme.
30. For the first time, the debt limits have been made comprehensive and covers all external non-concessional loans (ICM and Banks) and concessional funding in a non-accumulative basis.



31. Based on the 2021 Debt Sustainability Analysis and 2021-2024 macro-fiscal framework, total non-concessional debt limits are capped at US\$1,000.00 million and that of concessional capped at US\$1,500.00 million.
32. In addition, Government will only assess and implement projects and programmes that are self-financing with high potential for full recovery of the investment. Such projects/programmes must be high priority and have the capacity to propel economic growth and development. Importantly, such projects/programmes must have improved solvency indicators and ultimately, help reduce debt levels.
33. The details of the proposed projects as captured in Appendix 10C of the 2021 Budget Statement and Economic Policy of Government, listed in Table 3 below:

Table 3: Approved List of Concessional & Non-Concessional Project Loans for 2021-2024

S/N	PROJECT TITLE	MDA
Concessional Projects		
1	COVID-19 Medical Equipment Supply Project	MOH
2	COVID-19 Vaccines Programme	
3	Ghana COVID-19 Health Response Project	
4	Nortem Ghana Rural Electricity Infrastructure Development and Access Project	MOEn
5	Energy P4R	
6	Green Credit Line	
7	Ghana Productive Safety Net Project - Additional Financing	MCG/MOLGRD
12	ICT Enabled Distance Learning for Institute of Local Government Studies	
8	Integrated Rural Development Phase	
9	Public Financial Management Reform Project	MOF
10	Ghana CARES	
11	ICT-Based Distance Learning Project	MOE
13	Kpong Water Supply Expansion Project Phase II	MSWR
14	Affordable Housing Project	MWH
15	Volta Lake Transport Development Project	MOT
16	Digital Acceleration Project (DAP)	MOC
Non-Concessional Projects		
1	National Digital Literacy project	MOC
2	Construction of a Forward Operating Base	MOD
3	Completion of Military Housing Scheme	
4	Purchase of 6 aircraft from Czech Republic -Aero Vodochody Aerospace	
5	Completion of University of Science Environmental Development, Somanya	MOEd
6	Establishment of 12 State of the Art Technical and Vocational Education and Training (TVET)	
7	Vodacom ICT project for school management system for Ministry of Education	
8	Rural electrification project	MOEn
9	Ghana Transmission System Improvement Programme	
10	Rural electrification project	



Non-Concessional Projects (Cont'd)		
11	Construction of the new Accra International Conference Centre	MOFARI
12	Construction of Anyinam and Obuasi hospitals	MOH
13	Construction of Korle-Bu Marternity project	
14	Delivery of 100 Ambulance Vehicles	
15	Medical equipment for selected health centres	
16	Construction of two new Regional hospitals in Oti and Bono East regions	
17	Purchase of hospital equipment for various hospitals	
18	Construction and equipping of two district hospitals	
19	Rehabilitation of the Effia Nkwanta hospital and construction of a regional hospital in	
20	Completion of the Greater Accra Regional Hospital (Phase 2)	
21	Radiotherapy treatment capacity extention programme	
22	Construction of a new Psychiatric Hospital and the rehabilitation of Pantang Mental Hosnital, A denta	
23	Construction of regional hospitals - Agenda 111	
24	Construction of regional hospitals - Agenda 111	
25	Purchase of fire tenders and supply of fire equipment for GNFS	MOI
26	Construction of Takoradi Airport	MOT
27	Purchase of DAF and 200 units of Huanghai coaches	
28	Establishment of Assembly Plant for tractors, backbone loaders and fabrication of agriculture implements in Ghana	
29	Construction of sections of the Western and Central Railway lines.	MRD
30	Construction of Eduabin – Obuasi Section of The Western Railway Line	
31	Design & Construction of 40Km (Approx) of Standard Gauge Railway Line from Accra Junction to Kasoa	
32	Purchase of rolling stock from Dongfang Electric International Corp.	
33	Asphaltic overlay of roads of newly created regions (changed to Accra East)	MRH
34	Delivery and implementation of pedestrian bridges at hazardous road locations in Ghana	
35	Construction of Bridges Dikpe, Ankobra, and Iture Bridges and Emergency Bridges	
36	Construction of Bolga Bawku Road (UKEF) tranche 1	
37	Construction of Bolga Bawku Road (UKEF) tranche 2	
38	Construction of Adawso bridge (over the volta lake) and linking roads	
39	Construction of Eastern Corridor Lot 1	
40	Construction of Peduase-Koforidua road projects	
41	Construction of Tamale Walewale road projects	
42	Refinancing of lot 5 and 6 of Eastern corridor road project,	
43	Construction of three bridges (Buipe, Daboya and Yapei)	
44	Bamboi-Bole-Sawla-Wa and Kumasi (Suame Municipal Area) roads project PH 1	
45	Construction of Suame- Kumasi Interchange	
46	Construction of Kumasi ring road	
47	Construction of the Kumasi Judiciary Service and penitentiary facilities project	MWH
48	Construction of housing at the district level	
49	construction of drainage and ancillary sewage system in Accra	
50	All African Games Infra projects	MYS



Non-Concessional Projects (Cont'd)		
51	Expansion of Aflao water supply project	MSWR
52	Expansion of Berekum water supply project	
53	Expansion of Sunyani water supply project	
54	Expansion of Takoradi water supply project	
55	Expansion of Tarkwa water supply project	
56	Weija Water Supply and Dam Rehabilitation Proposal	
57	Begoro Municipality Water Project	
58	Expansion and rehabilitation of Kumasi water project	

Source: MoF

G. Development of Government Securities Market

a) Reforms to the Primary Market Issuances

38. As part of efforts to develop the domestic debt capital market, Government will implement reforms to the PD system. Some of the reforms will include:
- Strict implementation of the revised Primary Dealer (PD) Guidelines and Requirements and Responsibilities; and
 - Replacement of the Joint Book Runners (JBRs) with the Bond Market Specialist (BMS), which will be under much stricter rules, requirements, and obligations with regards to underwriting, marketing, selling, distribution and trading of Government bonds both locally and internationally.
39. These reforms, will help deepen the domestic market and enhance competition in the auction of Government securities. It is also expected minimize current inconsistencies between PD rights and obligations and incentivize PDs who want to put more effort into the domestic market development.

b) Primary Market

Per the revised PD Guidelines, PDs have exclusive rights of access to the auction of treasury bills, where they buy the securities on wholesale and may sell to their clients on the secondary market.

40. Bond Market Specialists (BMS) also as PDs will have the exclusive right to participate in the primary issuance of all Government Treasury bills, notes and bonds.
41. BMS and PDs are also expected to participate actively in the secondary market trading of Government securities. Assessment of BMS performance will include both the primary and secondary markets. This is expected to help develop a vibrant domestic bond market.
42. Treasury Bills are issued through competitive and non-competitive bidding at a multiple-price allotment. Treasury notes and bonds are, however, issued on a uniform allotment.



c) Secondary Market

43. The secondary market development is key priority of government. The implementation of the revised PDs Guidelines, Requirements and Responsibilities, is expected to further enhance the activities on the secondary market. The Guideline spells out a minimum market share each Bond Market Specialist must hold on the secondary market. This will encourage more activity and involvement of investors on the market. There will be continuous collaboration with the Ghana Stock Exchange and other relevant market players to implement policies that will further deepen the market.
44. The Ministry will collaborate with the Bank of Ghana and SEC in the implementation of the guidelines for Repurchase Agreements (Repos) to improve liquidity in the secondary market. This will support debt market development as it facilitates short-selling and market-making activities of Primary Dealers (PDs), and promotes market activity by utilising the collateral.
45. Government, per the revised PDs Guidelines, has adopted the wholesale auction to help create more activities in the secondary market. This is also in line with Government's strategy to encourage market making activity.

H. Investor Engagement Plan

46. Government will continue to actively engage investors and market participants through regular town hall meetings, conference calls and investor presentations with PDs and or BMS and key market players. The meetings will focus on market developments, financing plans, financing operations and investor views, as well as performance of the PD and BMS.
47. Due to the COVID-19, Government will also embark on periodic domestic virtual roadshows to strengthen the investor base and allow the local investors to build their domestic market presence.
48. All notices and data related to Government securities will be made available on the Ministry's website and updated regularly to improve communication with market players and ensure ease of access to vital information.
49. Bank of Ghana will on a weekly basis, publish the auction results as well as the targets for the ensuing week.

I. Policy Review

50. In line with PFM law, the ABRP may be revised and published in the event of material changes pertaining to review of the Budget Statement and Economic Policy, and the MTDS.



J. Conclusion

52. The Annual Borrowing and Recovery Plan for 2021 is expected to operationalise the strategies enshrined in the 2021-2024 MTDS.





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