



Republic of Ghana

Investors Presentation

Ministry of Finance





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Table of Contents

- I GHANA HAS SUFFERED FROM A DETERIORATED GLOBAL MACROECONOMIC ENVIRONMENT**

- II THE REPUBLIC OF GHANA HAS MADE SIGNIFICANT PROGRESS IN RESTORING ECONOMIC AND FINANCIAL SUSTAINABILITY**

- III THE RESTRUCTURING OF THE EXTERNAL DEBT IS NECESSARY TO RESTORE DEBT SUSTAINABILITY AND ENSURE THE FULL FINANCING OF THE PROGRAMME**

- IV THE AUTHORITIES EXPECT TO ACCELERATE THEIR ENGAGEMENT WITH THEIR EXTERNAL CREDITORS**



Introductory Remarks



AD 1957

Speaker:

Hon. Ken Ofori-Atta

Minister for Finance

Dr. Ernest Addison

Governor of the Bank of Ghana



I Ghana has suffered from a deteriorated global macroeconomic environment





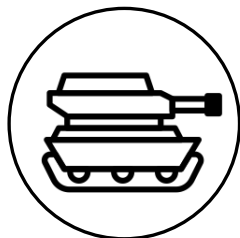
Ghana faced significant challenges in 2022 due to global & domestic factors

The global environment was marked by several shocks in 2020-2022...



Covid-19 pandemic

- Strong decrease in GDP due to global lockdown



Russian invasion of Ukraine in February 2022

- Severe impact on commodity prices, with inflationary pressures
- Geopolitical uncertainty



Global monetary policy tightening

- Increase in Developed Markets Central Banks interest rates to tackle inflation
- Increase in yields & capital outflows from emerging markets

... and has had a severe impact on Ghana's economy

Large impact of Covid-19 on GDP mitigated by a strong fiscal response

Increase in public debt and refinancing needs

Pressures on the monetary and external sectors

Decrease in domestic purchasing power

Mounting pressure on the external sector, on the exchange rate and on the level of international reserves

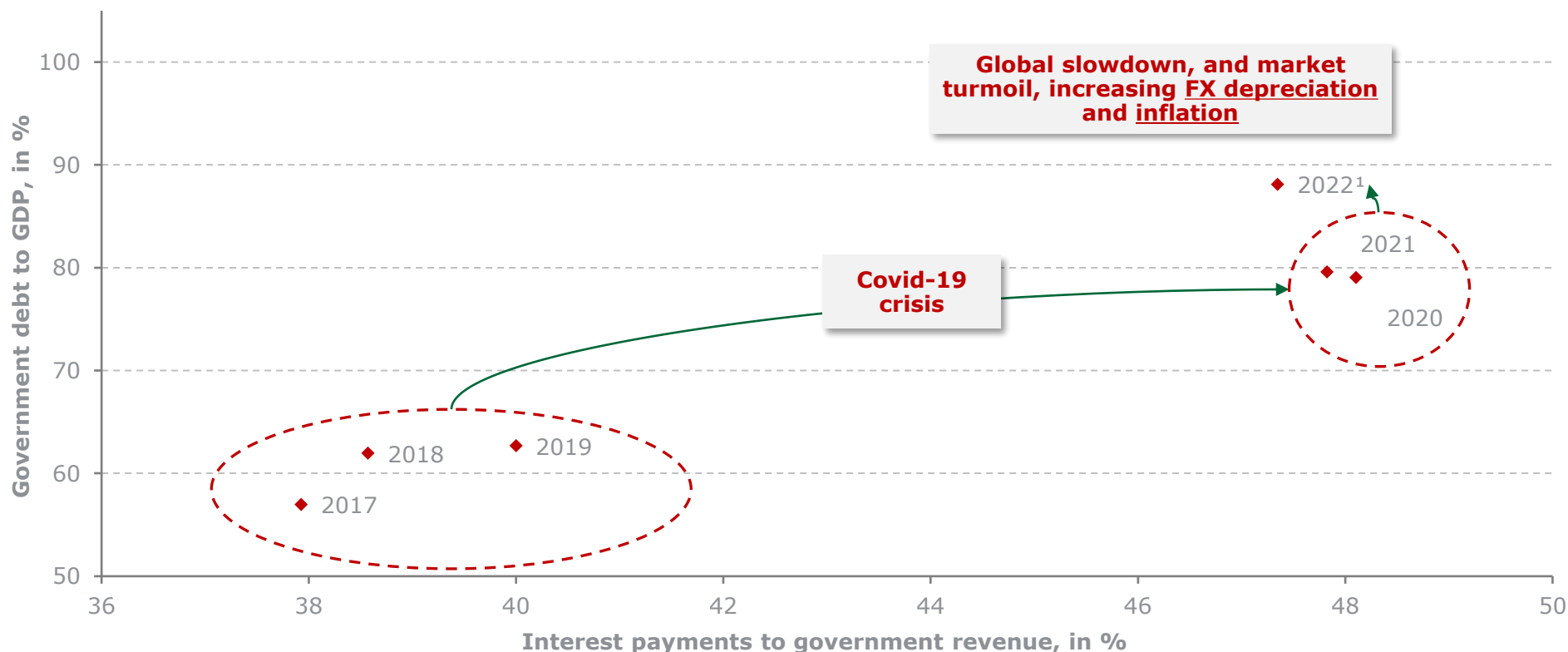
Decrease in available financing for Government operations and increase in financing costs



The combination of Covid, the war in Ukraine and the tightening of US monetary policy has put public finances under severe pressure

Ghana's economy has been particularly hit by the combined shocks of COVID-19 pandemic, the Russia-Ukraine war and the rapid tightening of global financing conditions last year. These shocks have had a severe toll on our economy, our Balance of Payments and our fiscal and debt positions

Government debt (% GDP) and interest payments (% revenues)



Our assessment of our debt position indicated a situation of High Debt Distress and an unsustainable debt path



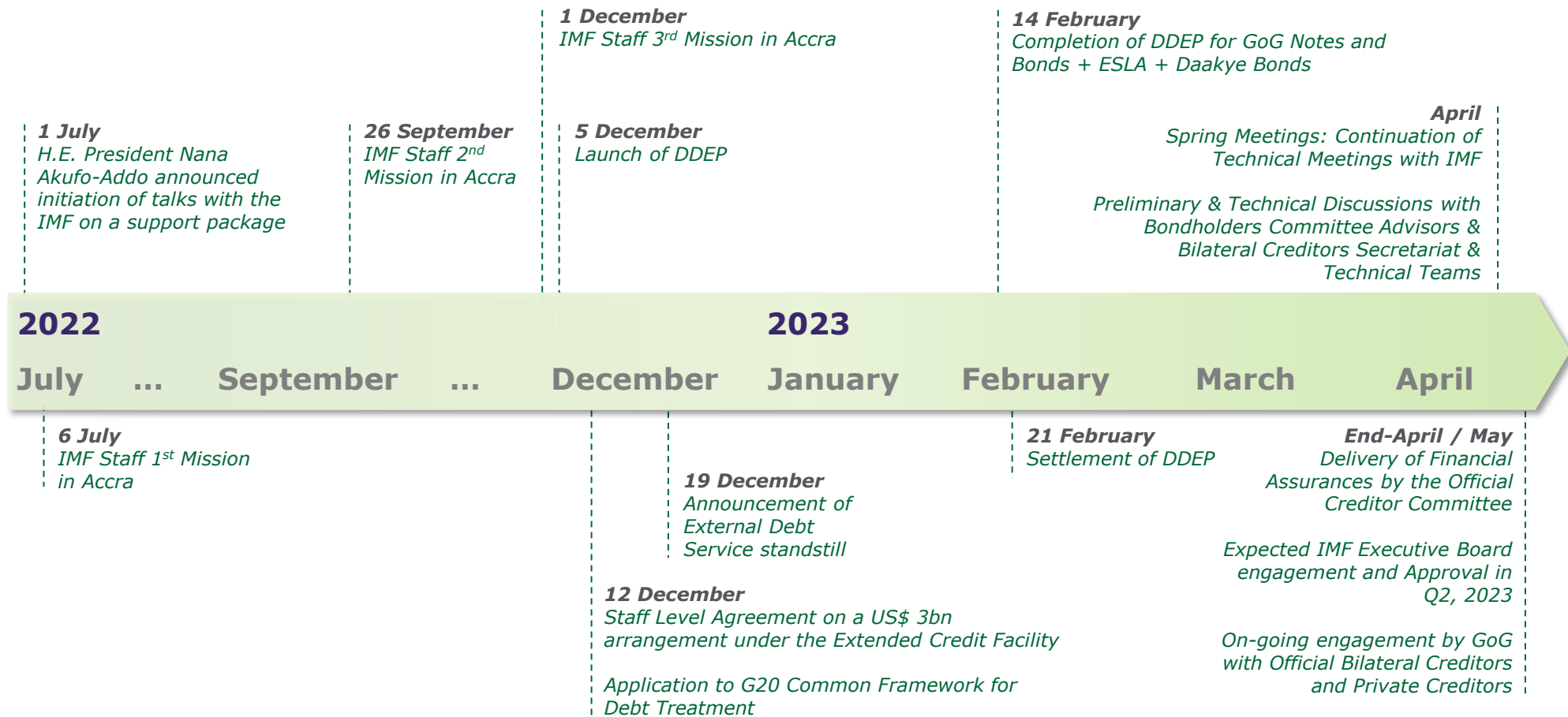
II The Republic of Ghana has made significant progress in restoring economic and financial sustainability





The Authorities adopted a proactive stance to restore economic and fiscal sustainability

Actions achieved since July 2022

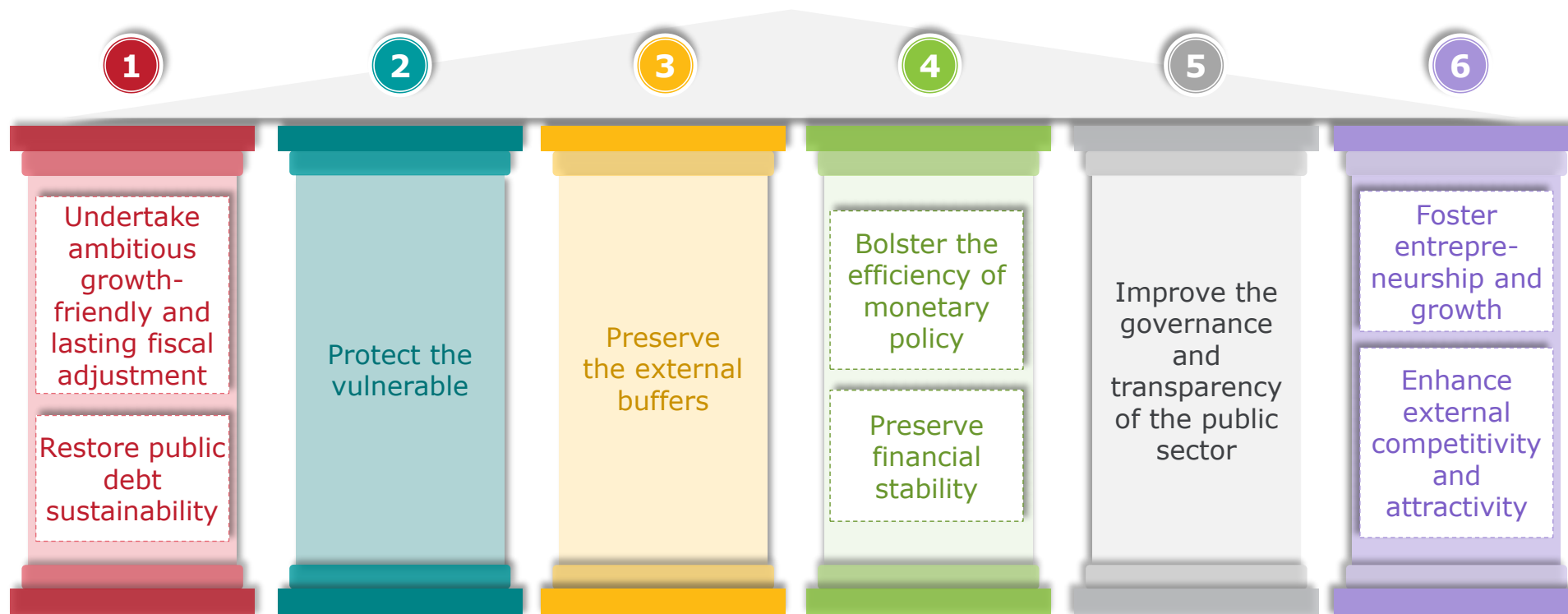




Ghana and the IMF reached a Staff-Level Agreement in December 2022



Programme duration	3 years, over 2023 to 2026
Amount granted	c. US\$ 3 billion
Facility type	Extended Credit Facility





The Authorities are committed to a bold reform agenda supported by the IMF

The Government is engaged in wide-ranging policies reforms, structured under the Post-Covid Programme for Economic Growth (PC-PEG)



Fiscal and Debt Sustainability

- Undertake fiscal adjustment with revenue and expenditure measures to improve debt sustainability and restore macroeconomic stability
- Address structural bottlenecks including SOE contingent liabilities, commitment controls & arrears accumulation, domestic revenue mobilization
- Implement debt management strategies whilst ensuring that impact on the economy in general and on the financial sector in particular is minimized



Monetary and Financial sector reforms

- Rebuild reserve buffers, mobilize external concessional financing from multilateral and bilateral partners, and suspend external debt service payments
- Enhance central bank independence and Monetary Policy interventions to address inflation and exchange rate depreciation
- Implement strong measures to support the financial sector (incl. the Financial Stability Fund)



Social Protection and Structural Reforms

- Safeguard social protection programmes and ensure the burden of adjustment is fairly distributed
- Reinforce and improve the targeting of social spending to protect the most vulnerable from the impact of the economic crisis
- Fast-track the implementation of growth-oriented socio-economic policies, such as Ghana CARES to mitigate the impact of the pandemic and support economic recovery



The Authorities have already taken decisive steps to restore macroeconomic stability and kickstart growth

Selected measures already undertaken as part of the Government's reform programme

Ambitious 2023 Budget enacted, with a frontloading of the fiscal consolidation programme

Comprehensive set of revenue enhancing measures, including increase in the VAT rate by 2.5p.p. and review of E-levy

Electricity tariff hikes bringing the cumulative increase to 60% since August 2022

Continued monetary policy tightening to bring inflation under control

Comprehensive set of structural reforms, notably public expenditure review



The Authorities have set ambitious macroeconomic objectives in the medium term



Reaching a 1.5% of GDP primary surplus in the medium term, i.e. a fiscal adjustment effort of >5p.p. of GDP

Fiscal revenues objective of c. 18.5% of GDP from 15.5% in 2022



Bringing inflation below 8% in the medium-term



Restoring external buffers with gross international reserves reaching 3 months of import cover by 2026



Reaching a real GDP growth target of 5% over the medium-term



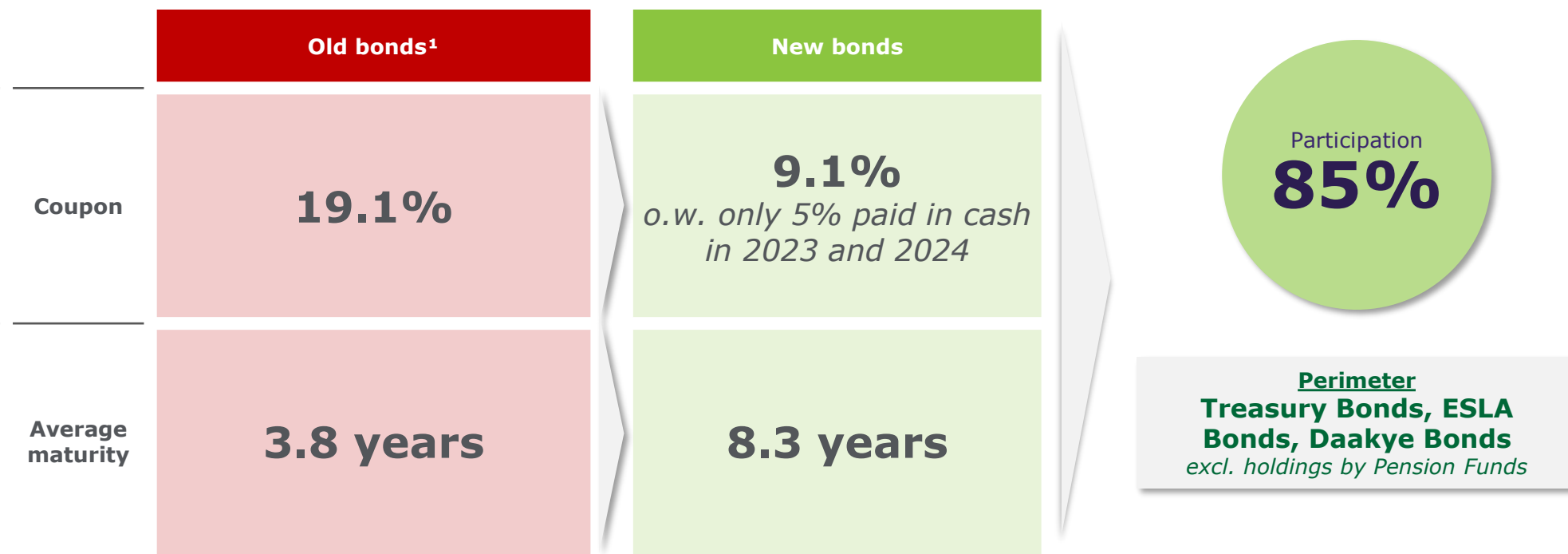
Enhancing competitiveness, with exports surpassing 37% of GDP in the medium run



In February 2023, Ghana successfully completed the first pillar of the Domestic Debt Exchange Programme

The Government of Ghana requested an effort of an unprecedented magnitude from its local bondholders in the form of a voluntary exchange, and reached a very high level of participation

Outcome of the Domestic Debt Exchange Programme




The February 2023 DDEP will produce debt service savings of GHS 34bn over 2023



Snapshot of domestic debt at end-2022

Category of debt	Amount eligible	Treatment	Participation rate
T-bonds (excl. Pension Funds)	GHS 91.5bn	Treated under standard DDEP Feb. 23 DDEP <i>GHS 98bn</i>	85%
Daakye bonds (excl. Pension Funds)	GHS 1.4bn		
ESLA bonds (excl. Pension Funds)	GHS 4.8bn		
<i>o.w. foreigners</i>	<i>GHS 13.8bn as at end-2022</i>		
Pension Funds holdings	GHS 29.2bn	Ongoing negotiations, expected to generate additional relief	
Cocobills	GHS 8.1bn		
US\$ local bonds	US\$ 0.8bn <i>GHS eq. 6.9bn as at end-2022¹</i>		
Local currency loans	GHS 0.7bn		
BoG non-marketable debt (incl. overdraft, other non-marketable)	GHS 77.6bn		
T-bonds matured before completion of the exchange	GHS 4.7bn	Excluded from the restructuring	
T-bills	GHS 34.2bn ²		
Total domestic debt as of end-22 (excl. budget and IPP arrears, and SDR on lending³)	GHS 259.2bn		

15 Notes: (1) At an end-2022 exchange rate (2) At face value (3) Budget and IPP arrears are classified as domestic debt in the DSA and representing an equivalent of GHS 34.9bn using interbank exchange rate as at 5 April 2023; not included in the DDEP perimeter but expected to be treated as part of the overall restructuring; SDR on-lending by the BoG to the Government of US\$1.0bn is classified as domestic debt



III The restructuring of the external debt is necessary to restore debt sustainability and ensure the full financing of the programme







An external debt treatment is required to restore debt sustainability and ensure the full financing of the Programme

The external debt treatment should be consistent with reaching IMF/WB LIC DSF thresholds by 2028 and ensure a return to adequate levels of international reserves

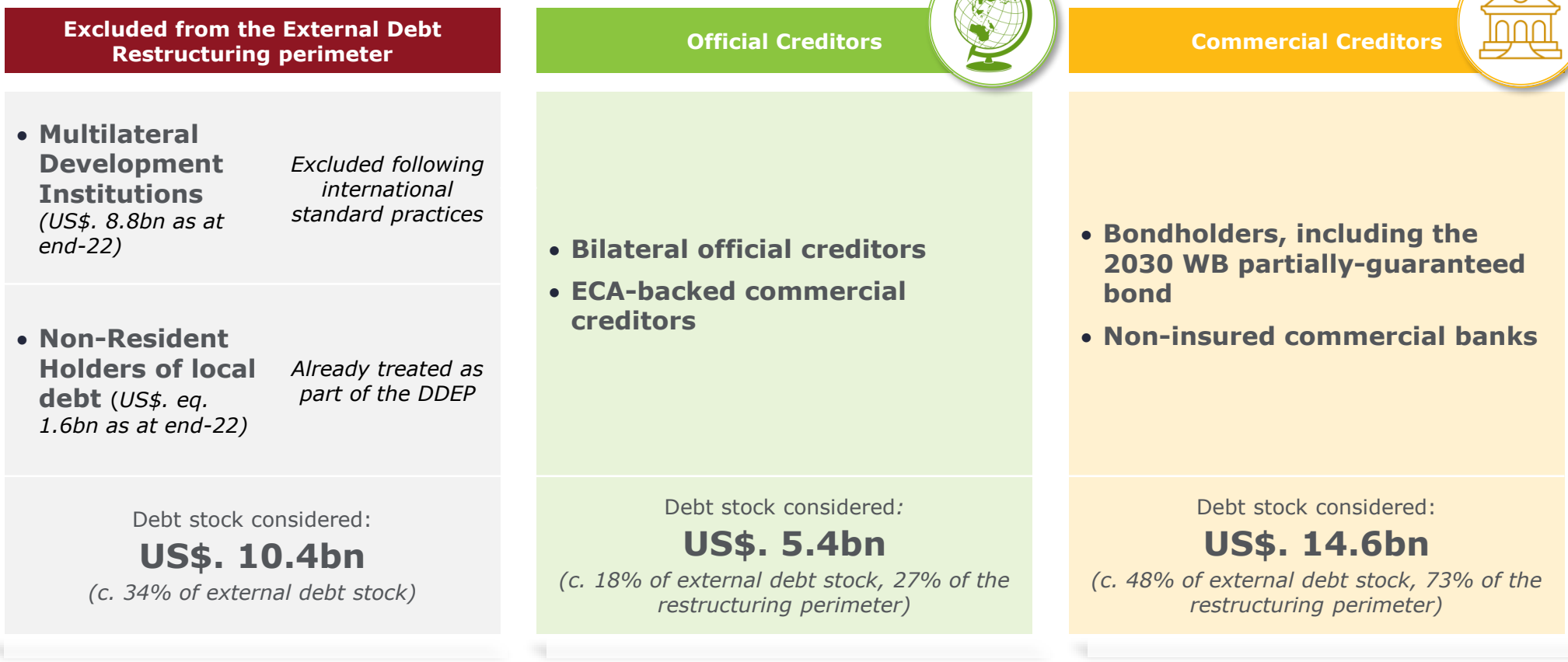
IMF/WB DSF thresholds for medium Debt Carrying Capacity

Debt Carrying Capacity	Overall Solvency indicator	External Solvency indicators		External Liquidity indicators	
	PV of Total PPG Debt in % of GDP	PV of PPG External Debt in % of GDP	Exports	PPG External Debt Service in % of Exports	Revenue
Weak	35%	30%	140%	10%	14%
Medium	55% 	40%	180%	15%	18% 
Strong	70%	55%	240%	21%	23%

The Debt Treatment is expected to generate sufficient external cashflow relief to ensure the full financing of the IMF Programme

Two thirds of the US\$ 30.5bn external debt are expected to be included in the External Debt Restructuring perimeter

Snapshot on external public debt¹ and restructuring perimeter (as at end-22)



US\$. 20bn eligible for restructuring *(66% of external debt stock)*



The external debt restructuring exercise will aim at reaching the IMF/WB LIC DSF targets

In 2022, the Government was in breach of 3 out of the 5 IMF/WB LIC DSF indicators

IMF/WB LIC DSF targets and Ghana's liquidity and solvency indicators

Debt Carrying Capacity	Overall Solvency indicator	External Solvency indicators		External Liquidity indicators	
	PV of Total PPG Debt in % of	PV of PPG External Debt in % of		PPG External Debt Service in % of	
	GDP	GDP	Exports	Exports	Revenue
Medium	55%	40%	180%	15%	18%
2022 DSA indicators ¹	89% ¹	43%	120%	12%	28% ²

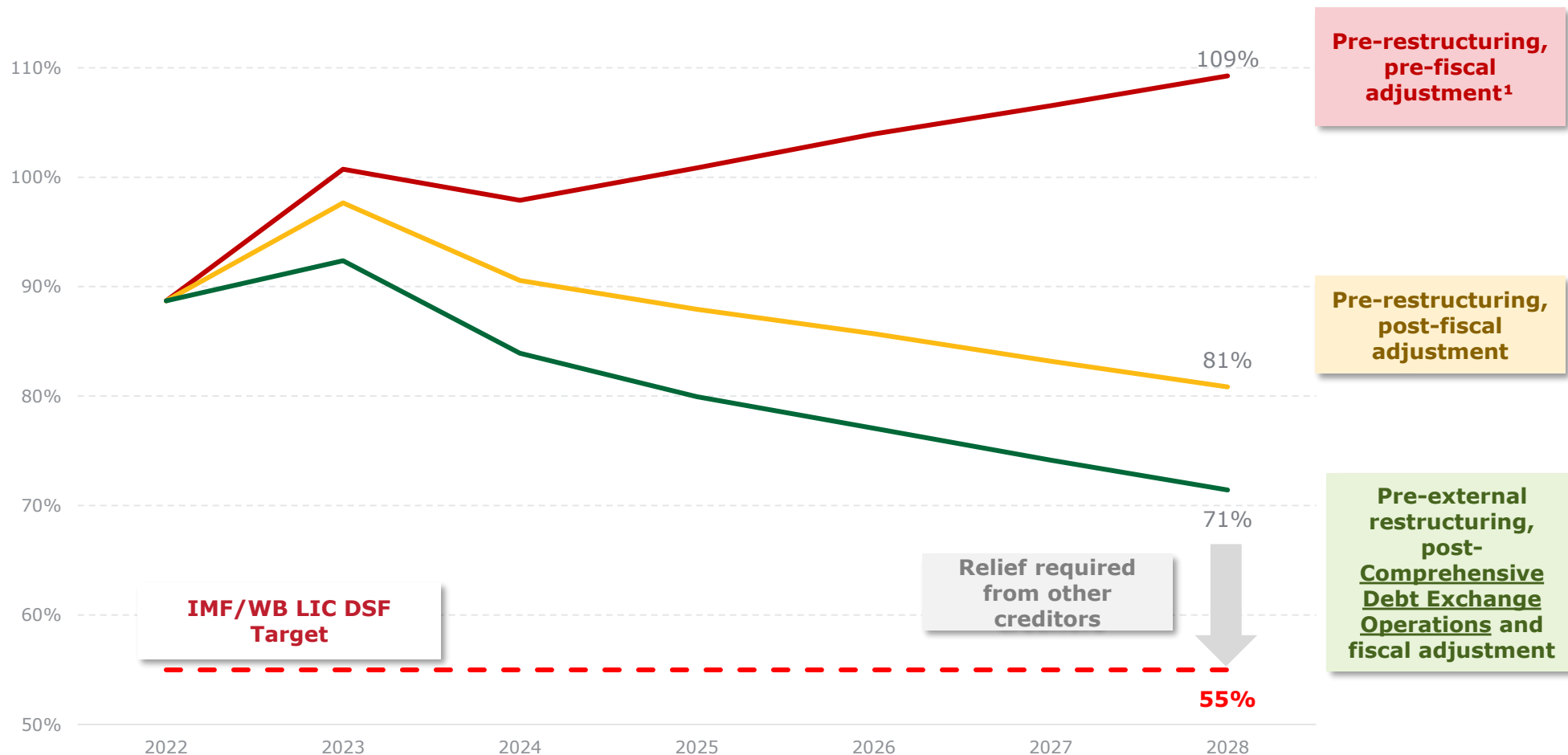
19 Note: (1) For stock indicators, value as at end-2022; 2022 value for the flow indicators, based on an exchange rate of 8.4GHS/US\$





The Authorities aim to ensure a fair burden sharing among all parties

Present value of overall PPG debt-to-GDP trajectory



20 Note: (1) Assuming a constant primary balance at its 2022 level, i.e. at (3.6%) of GDP



IV The Authorities expect to accelerate their engagement with their external creditors



Status of engagement with external creditors



OFFICIAL CREDITORS

COMMERCIAL CREDITORS

Format of the discussions

- Ghana applied to the G20 Common Framework for Debt Treatment on 12 Dec. 2022
- Official creditors are expected to form the Official Creditor Committee (“OCC”) by end-April

- A group of regional bondholders has formed a first *ad-hoc* committee
- International bondholders have formed a second *ad-hoc* committee

Status of discussions

- Official bilateral creditors are expected to deliver their Financing Assurances soon, thereby enabling the IMF Board Approval of the Programme

- Communication is on-going with the two Bondholders groups’ advisors

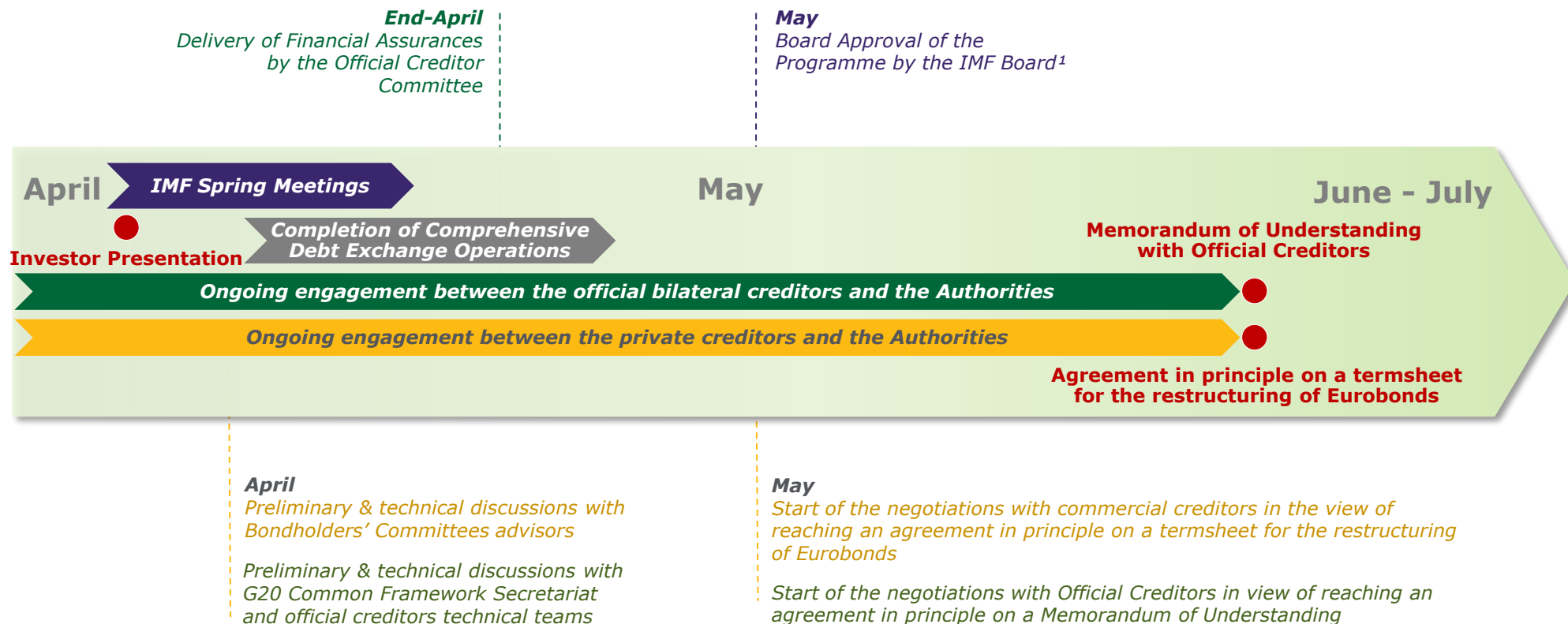
Next steps

- Extensive negotiations will be conducted on the basis of the DSA
- An MoU is to be signed between official creditors and the Republic of Ghana, reflecting an agreement in principle on the debt treatment
- Bilateral agreements need to be signed with each creditor reflecting the terms agreed upon by the OCC

- Extensive negotiations will be conducted on the basis of the DSA
- An agreement in principle is to be reached with private creditors and their advisors on a debt treatment that is (i) compliant with the IMF/WB LIC DSF targets and (ii) comparable across different creditor categories
- Such agreement in principle is then to be implemented (debt exchange)



Expected timeline for the External Debt Restructuring exercise





Key principles of our creditor engagement strategy

1

Transparency

2

**Good faith efforts
for a collaborative
process to restore
debt sustainability**

3

**Fair treatment
across creditors**

4

**Consistency with
IMF Debt
Sustainability
Analysis**

The Government of Ghana thanks all creditors and attendees of this presentation for their kind attention
Should creditors be interested in obtaining more information and engaging in discussions with the Government, they are invited to contact Ghana's Financial Advisor Lazard and Legal Advisor Hogan Lovells at the email address investors.ghana@lazard.com for any request or other inquiry they may have