



REPUBLIC OF GHANA

INFORMATION PAPER TO PARLIAMENT

SUBMITTED BY

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MINISTER FOR FINANCE

ON THE

2021 ANNUAL PUBLIC DEBT REPORT

31st
..... MARCH, 2022

PARLIAMENT OF GHANA LIBRARY



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ACTION REQUIRED

1. Parliament is respectfully informed of the 2021 Annual Public Debt Report (APDR) which has been prepared in fulfilment of the requirements under Section 72 of the Public Financial Management Act, 2016 (Act 921).

BACKGROUND

2. The preparation of the 2021 APDR is part of Government's effort to improve transparency and accountability in public debt management. The 2021 APDR is the sixth in the series since the passage of the Public Financial Management Law.

3. The Report is in fulfilment of the requirements under Section 72 of the Public Financial Management Act, 2016 (Act 921), which enjoins the Minister for Finance to submit to Parliament a comprehensive report of public debt activities of Government for the preceding year, no later than 31st March of each current year.

4. Section 72 (1) of the Public Financial Management Act, 2016 (Act 921), requires that the Public Debt Management Office prepares an Annual Public Debt Report to cover the following:

- a) Central government borrowings and other Government debt management operations;
- b) guarantee and lending activities of central Government; and
- c) other financing arrangements entered into by Government.

HIGHLIGHTS ON 2021 DEBT DEVELOPMENTS

5. The year 2021 was particularly difficult for the global economy. Economic rebounding in the face of financial stress, occasional flare-ups of the COVID-19 pandemic, and lingering bottlenecks in the global supply chain affected growth projections. The World Bank estimated that output and investments in emerging economies, including Ghana, would remain below pre-pandemic levels, largely due to tighter fiscal and monetary policies.

6. In 2021, Ghana's economy continued to recover from the COVID-19 pandemic, spurred by strong fiscal consolidation measures aimed at containing the effects of the pandemic, keeping economic activities robust and anchoring macroeconomic gains. These measures contributed to a sharp rebound of output in 2021.

7. The major focus of Government's debt management strategy for the period under review was to pursue an appropriate financing mix to minimize the costs and risks that could

adversely affect the debt portfolio and continue Government's ongoing liability management programme to reduce refinancing and interest rate risks in the portfolio. In light of the adverse spill over effect of the pandemic, Government issued Eurobonds on the ICM, new instruments on the domestic market and reopened medium-term instruments to raise adequate financing to support the budget.

8. The provisional stock of public debt outstanding as at end-December 2021 was GH¢351,787.0 million (US\$58,640.0 million), comprising external debt of GH¢170,009.8 million (US\$28,339.2 million) and domestic debt of GH¢181,777.2 million (US\$30,300.8 million), respectively. As a percent of GDP, the debt-to-GDP ratio was 80.1 percent at end-December 2021, up from the 76.1 percent recorded in 2020. This is mainly attributed to the financial sector clean-up cost, energy sector payments, and COVID-19 related expenditures.

9. In addition, during the period under review, interest rates in the money market generally trended downwards in line with easing inflation expectations and the MPR in 2021. Consequently, the rate on the 91-day Treasury Bill (T-bill) declined by 160 basis points from 14.09 percent as at end-December 2020 to 12.49 percent as at end-December 2021. Similarly, the interbank weighted average interest rate decreased by 88 basis points, from 13.56 percent recorded in December 2020 to 12.68 percent over the same period. The average lending rate of Deposit Money Banks (DMBs) also declined to 20.04 percent in December 2021 by 106 basis points from 21.10 percent recorded in the corresponding period in 2020, consistent with developments in the interbank market.

10. As part of measures to mitigate the fiscal risks to Government that could arise from public entities across different sectors of the economy requesting for Government support, Sections 67, 73, and 76 of the PFM Law require that a credit risk assessment is undertaken to ascertain the creditworthiness of that entity before support is granted. In 2021, nine (9) entities were assessed based on different request lines. In addition, credit risk assessments were conducted on four (4) entities in the energy and aviation sectors seeking payroll support to address their short-term and medium-term financial challenges.

11. Government continued ongoing efforts to bailout depositors and investors of the failed financial institutions, following completion of the bailout exercise in the banking sector at the end of December 2020. Thus, the bailout for investors of the failed Fund Management Companies (FMCs), which started in 2020, continued in 2021. During the year under review, Government provide bailout package to the claims of investors of sixteen (16) failed FMCs for which liquidation orders had been obtained. Partial payments were also made on validated claims of customers of another seventeen (17) FMCs for which liquidation orders

were still pending at the court to provide relief for investors who had gone a year without any payments.

12. In light of these developments, Government is committed to pursuing its fiscal consolidation measures to ensure a sustainable level of public debt, while safeguarding macroeconomic stability through fiscal discipline and prudent debt management.

RECORD OF CONSULTATIONS ON THE REPORT

13. The preparation of the 2021 APDR witnessed extensive consultations from key stakeholders whose functions relate to public debt operations, including the Bank of Ghana, Controller and Accountant General's Department, Securities and Exchange Commission (SEC), Central Securities Depository, E.S.L.A Plc, and Daakye Trust Plc as well as Management of Ministry of Finance. The comments provided and concerns raised during these consultations have accordingly been incorporated in the report.

CONCLUSION

14. The 2021 APDR comprehensively covers all aspects of public debt required to be addressed under the PFM Law. The report demonstrates the determination of Government to deepen transparency and accountability in public financial management and debt reporting. To this end, Parliament is respectfully informed of the 2020 APDR in fulfilment of Section 72 of the Public Financial Management Act, 2016 (Act 921).



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