



REPUBLIC OF GHANA

MINISTRY OF FINANCE

2020 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



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List of Abbreviations

ABRP	-	Annual Borrowing and Recovery Plan
BMS	-	Bond Market Specialist
BoG	-	Bank of Ghana
DSA	-	Debt Sustainability Analysis
JBRs	-	Joint Book Runners
MDA	-	Ministries, Departments and Agencies
MoF	-	Ministry of Finance
MTDS	-	Medium Term Debt Management Strategy
PDs	-	Primary Dealers
PFM	-	Public Financial Management
TDMD	-	Treasury and Debt Management Division



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Foreword

The Annual Borrowing and Recovery Plan (ABRP) for FY 2020 is the second in the series to be published by the Ministry of Finance. The Plan, which is an operational tool, is aligned to the 2020 Budget Statement and Economic Policy as well as the 2020-2023 Medium Term Debt Management Strategy.

To this end, the ABRP is aimed at informing market participants about Ghana's financing plans for 2020 as well as to ensure transparency and predictability in Government's borrowing operations. Maintaining permanent communication channels with the market players and the public is key to our debt capital market development and Management of this Ministry is committed to keep updating the investor community as and when fiscal policy changes, especially regarding Government's financing. The first in the series was our investor engagement which took place on Wednesday 18th March, 2020 on Ghana's Preparedness in Managing Emerging Global Risks (Covid-19).

The plan takes into account the current fiscal and monetary policies of Government and is also consistent with the fiscal consolidation measures and public debt management strategy of Government.

The governance reforms embarked upon in the past three years which have resulted in the establishment of the Fiscal Council, the Financial Stability Council, the State Interests and Governance Authority, and the Fiscal Responsibility Law are all geared toward ensuring a sustained macroeconomic stability. We expect that with restoration of macroeconomic stability, the borrowing costs of Government will begin to fall over the medium term. At the same time, we expect that the risk profile of Ghana to see significant improvement. This commitment to macro and financial stability will contribute significantly to Ghana's drive towards 'Ghana Beyond Aid'.

The inputs of stakeholders in producing this document, especially the Management of the Ministry of Finance, the Hon. Deputy Minister responsible for Finance, the Chief Director, Director and Staff of Treasury and Debt Management Division, the Bank of Ghana, the Controller and Accountant General's Department, the Ghana Stock Exchange and the Central Securities Depository are duly acknowledged.

It is our hope that our cherished investors and the general public find the content of this document useful.

God bless!



Ken Ofori-Atta
Minister for Finance



A. Introduction

1. In accordance with the 1992 Constitution, the Public Financial Management Act, 2016 (Act 921), the Financial Management Regulations, 2019 (L.I.2379), the 2020 Annual Budget Statement and Economic Policy was presented and approved by Parliament.
2. It is worth noting that the outcome of any budget estimates can result in a budget balance, surplus or deficit. The 2020 Budget resulted in a budget deficit which requires financing. A deficit budget is financed either from domestic and/or external sources. These financing come in the form of loans, securities (bills & bonds), divestiture, income generated from Government's investment assets, and balances brought forward from other revenue accounts. The borrowing activities, therefore, supports the financing requirement of the Government for budget implementation. This forms the basis for the preparation of the 2020 Annual Borrowing and Recovery Plan (ABRP).
3. In December, 2019, Parliament approved the Appropriation for the 2020 Budget Statement and Economic Policy of Government. The 2020 Annual Borrowing and Recovery Plan is prepared in the context of the 2020 Budget Statement and Economic Policy of Government of Ghana and the 2020-2023 Medium Term Debt Strategy (MTDS).
4. The Plan is published in fulfilment of Section 60 of the Public Financial Management Act, 2016 (Act 921) which requires the Treasury and Debt Management Office of the Ministry of Finance to prepare and publish an Annual Borrowing and Recovery Plan. The plan sets out the borrowing operations of Government over the fiscal year, the borrowing instruments to be used, and the indicative timing of such borrowings. This is also consistent with the cash flow requirement for the year.
5. This Plan fulfils the objectives of debt management in Ghana by:
 - ensuring that the financing needs of Government are met on a timely basis;
 - borrowing at a low cost to Government over the short, medium to long term, consistent with a prudent degree of risks;
 - promoting the development of the domestic debt market; and
 - pursuing any other action considered to positively impact on public debt.
6. A major risk to the Plan is the emergence of the global risk relating to Covid-19 pandemic. This has already affected financing conditions around major places in the world. Therefore, whenever necessary, this plan would be revised when the macroeconomic conditions change.
7. Following from this introductory statement, the rest of the plan will provide an overview of the 2020-2023 MTDS, show the gross financing requirements of Government, outlines the strategies envisioned to meet the financing requirements by the replacement of Joint Book Runners (JBRs) with the Bond Market Specialists



(BMS) as well as Government's plans for deepening engagements with investors and the general public.

B. Overview of the 2020-2023 Medium Term Debt Management Strategy

8. The 2020-2023 MTDS is focused on an appropriate financing mix to mitigate the costs and risks that could adversely affect the achievement of the desired composition of the public debt portfolio with respect to borrowing from external and domestic sources. The strategy is also geared towards diversifying the investor base. It seeks to continue the ongoing liability management programme to manage the risks embedded in the public debt portfolio as well as develop the domestic debt market.
9. In 2020, Government intends to issue or reopen medium to longer dated instruments (2-year, 3-year, 5-year, 7-year, 10-year, 15-year and 20-year) and refinance some of the maturing treasury bills and bonds.
10. The strategy also proposes issuances on the International Capital Market, and additional external borrowing for priority development projects, which cannot be financed on concessional terms.
11. Government will similarly continue its debt reprofiling programme in 2020.

C. Liability Management Operations

12. Government will continue the implementation of its liability management operations to actively manage the debt portfolio by redeeming partially the benchmark size bonds before maturity with the view to minimise refinancing risk.
13. Government's liability management operations for 2020 will include:
 - using part of the Eurobond proceeds to replace more expensive external and domestic debt based on market conditions;
 - coordinating with the Bank of Ghana to undertake bond exchanges and buyback operations based on market conditions;
 - building benchmark bonds through tap-ins/re-opens on existing bonds to create liquidity and facilitate more efficient market-making on the secondary market; and
 - building cash buffers to support debt management operations.

D. Gross Financing Requirement for 2020

14. The gross financing requirement of Government in line with the MTDS for 2020 is estimated at **GH¢67,669.83 million**. On net basis, the overall budget financing is **GH¢18,880.93 million**, equivalent to **4.7** percent of GDP arising from the Total Revenues & Grants and the Total Expenditure of the 2020 Budget Statement and Economic Policy of Government. Table 1 below gives details of the gross financing requirement for 2020.



Table 1: Projected Government Gross Financing for 2020

Item	GH¢ (Million)
Total Expenditure + Arrears	85,952.09
o/w Arrears	1,443.23
Interest Payment	21,691.48
Domestic	16,557.62
External	5,133.86
Non Interest Primary Expenditure	64,260.61
Total Revenue & Grants	67,071.16
Primary Balance	2,810.55
Maturities	36,704.30
Amortization	12,084.60
Interest Payment	21,691.48
Gross Financing Needs	67,669.83

o/w: of which

Source: MoF

15. The net financing is expected to be raised from domestic and foreign sources, disbursement on existing and new loans and other receipts of Government.
16. The net foreign financing of **GH¢10,619.26 million** is envisaged from the external sources. It 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 amortisation of external principal loans / contingent liabilities due for payments.
17. An amount of **GH¢15,849.01 million** is projected to be raised from the domestic sources. This includes credit from banking and borrowing from nonbank sector. Additionally, Government plans to build buffer of about **GH¢2,000.00 million** in excess of the net financing.
18. Government financing operations also include the net transfers to the various Petroleum Funds. Table 2 below gives an overview of 2020 financing of Government of Ghana fiscal operations.



Table 2: 2020 Government Financing Operations

Item	GH¢ (Million)
Financing	18,880.93
Net Foreign financing	10,619.26
Borrowing	22,703.86
o/w Project Loans	4,345.40
o/w Programme Loans	1,202.50
o/w Sovereign Bond	17,155.95
Amortisation (due)	(12,084.60)
Net Domestic financing	15,849.01
Banking	10,395.40
Non-banks	4,152.75
Other Domestic	1,300.85
Other Financing	(10,324.00)
Other Domestic Financing	(10,324.00)
Ghana Petroleum Funds	(557.51)
Transfer to Ghana Petroleum Funds	(1,858.36)
o/w Stabilisation Fund	(1,300.85)
o/w Heritage Fund	(557.51)
Transfer from Stabilisation Fund	1,300.85
Sinking Fund	(7,019.51)

Source: MoF

E. Borrowing Strategies

19. Government will use both domestic and foreign sources to meet the financing needs.

a) Borrowing from the Domestic Sources

20. For 2020, Government envisages to issue a gross amount of **GH¢81,372.60 million** on the domestic market to roll-over maturities, finance the 2020 Budget and build buffer for liability management operations. The projected issuances include about **GH¢ 63,110.58 million**, earmarked to rollover maturities and the remaining **GH¢18,262.00 million** will be fresh issuance to meet Government's financing requirements. Table 3 shows indicative Government's issuances for 2020.



Table 3: Proposed 2020 Issuance Calendar¹

Status	Quarter	91-Day	182-Day	364-Day	2-Year	3-Year	3-Year (\$)	5-Year	7-Year	10-Year	15-Year	20-year	Total
Published	Q1:2020	7,850.0	2,200.0	2,550.0	1,800.0	2,500.0	-	1,000.0	900.0	-	-	287.9	19,087.9
Plan	Q2:2020	7,822.7	1,427.5	2,498.3	844.1	2,294.3	-	1,512.5	1,231.6	1,067.4	591.7	394.5	19,684.5
Plan	Q3:2020	8,115.1	1,637.8	1,154.4	756.6	3,631.5	-	-	1,387.6	1,067.4	-	-	17,750.3
Plan	Q4:2020	8,418.3	1,668.9	958.2	5,225.2	-	2,079.8	3,029.1	1,416.8	1,067.4	591.7	394.5	24,849.9
	Total	32,206.1	6,934.1	7,160.9	8,625.9	8,425.8	2,079.8	5,541.6	4,936.0	3,202.1	1,183.4	1,076.8	81,372.6

Source: MoF

21. The zero financing Memorandum of Understanding signed between the Government and the BoG is still in force. Government will therefore ensure that proactive cash management measures are implemented to meet its liquidity requirements at all times.
22. Consistent with the securitisation of the contingent liability that was addressed in 2019, Government would ensure that any contingent liability that hits the 2020 cash flow would be securitised to forestall any financing imbalances. Cash payment of contingent liabilities will be made as and when necessary.
23. In line with the debt management objective of developing the domestic debt market, the Government in 2020 will issue a range of instruments (securities) of different tenor as follows:
 - Short-term securities : 91, 182 and 364-day treasury bills;
 - Medium-term securities : 2-year notes, 3-year to 7-year bonds; and
 - Long-term securities : 10-year bonds and beyond.
24. 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. Issuances of domestic securities will mainly be done in the Ghanaian Cedi.
 - **Short Term bill issuance**
25. The Ministry will issue 91-day and 182-day treasury bills on a weekly basis. In addition, the 364-day Treasury Bill will be issued on a bi-weekly basis on the first and

¹ The Issuance Calendar will be revised on rolling basis



third weeks of each month. These instruments will be issued through an auction process on each Friday with settlement date being T+1.

- **Medium and Long Term issuance**

26. Government plans to deepen its activities in the longer-end of the market. These instruments will be issued on Thursdays through the book-building process based on market conditions with settlement date being T+2.
27. The specific dates of the bond issuance will be announced in the quarterly issuance calendar and to be published at least two weeks in advance of the quarter to which it pertains.
28. In the event that the issuance day is a national holiday, the preceding business day will be the effective day of issuance, which will be published prior to the issue.
29. As part of Government's debt management strategy, existing securities may be reopened or tapped at key maturities to build benchmark bonds to enhance liquidity in the secondary market.

b) Borrowing from External Sources

30. With regards to external sources, Government will access the International Capital Market to issue a sovereign bond programme in 2020. The proceeds from the sovereign bond issuance are expected to be used to finance the 2020 budget and for liability management.
31. Consistent with the Debt Sustainability Analysis (DSA) ceilings, Government sought for approval from both Cabinet and Parliament to raise Eurobond funding of up to **US\$3.00 billion**.
32. Sovereign Bond Issuance Programme is made up of regular Eurobond, Green bond, and bridge loan, depending on market conditions. The proceeds of the Sovereign Bonds are expected to finance the budget and for liability management operations.

F. Debt Limits for 2020 Fiscal Year

33. To ensure that Government adheres to the fiscal rules in the Fiscal Responsibility law and debt sustainability, Government commenced the policy of establishing debt limits on the riskiest part of the portfolio in terms of debt accumulation.
34. The policy commenced in 2019, after the successful completion of the International Monetary Fund Extended Credit Facility programme.
35. For the 2020 fiscal year, the external non-concessional funding was identified to be the riskiest financing source for debt sustainability.



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36. Consequently, the 2020 Budget Statement placed a limit on contracting new non concessional loans for project financing. This is to ensure that public debt dynamics are on a sustainable path. Based on the 2020 Debt Sustainability Analysis and 2020-2023 macro-fiscal framework, total non-concessional debt limit is capped at **US\$3,750.00 million**. In addition, Government will only assess and implement projects and programmes that are self-financing to improve the solvency indicators and reduce debt levels.
37. The details of the proposed projects as captured in Appendix 10C of the 2020 Budget Statement and Economic Policy of Government are listed in Table 4 overleaf.



Table 4: Approved List of Non-Concessional Project Loans for 2020-2022

	PROJECT TITLE	MDA	POLICY OBJECTIVE
1.	Implementation of Rural telephony project	MOC	Expand communication infrastructure to the peri-urban and rural communities to enhance economic development
2.	Delivery of National Digital Literacy project	MOC	To deepen the e-commerce sector of the economy to enhance the livelihood of the populace
3.	Construction of a Forward Operating Base	MOD	To strengthen security at the western border of the country and to ward-off threats or challenges to the country's oil fields
4.	Purchase of night vision binoculars,monocular accessories and training	MOD	To raise effectiveness and safety of personnel
5.	Construction of 9 Centre of excellence for Council for Technical and Vocational Education and Training (COTVET)	MOEd	To modernise technical and vocational education and improve the technical and vocational competence of the Ghanaian labour force
6.	ICT project for school management system for Ministry of Education	MOEd	To introduce ICT in school management and achieve accountability in the use of resources
7.	Completion of University of Science Environmental Development, Somanya	MOEd	To create a higher educational institution and a centre of excellence that is focused on the study of the environment and science.
8.	Implementation of Rural electrification project	MOEn	Contribute to the achievement of Government's target of universal access to electricity (a minimum of 90% by 2020
9.	Construction of hospitals in Tema, Nkoranza, Korle-Bu Marternity and Urology, Anyinam, ,Obuasi and the Central Medical Stores, Accra Psychiatric Hospital	MOH	To improve access to quality health care services and infrastructure
10.	Delivery of 100 Ambulance Vehicles and medical equipment for selected health centres	MOH	To improve access to quality health care services and infrastructure
11.	Purchase of fire tenders and equipment of GNFS	MOI	To modern and strengthen Ghana National Fire Service
12.	Supply of Patrol boats and provision of specialised training in maritime operation for Ghana Police Service	MOI	To strengthen security around oil fields and territorial waters of Ghana
13.	Construction of sections of the Western, Central and ART Railway lines and Purchase of rolling stock	MRD	Improve efficient and alternative transportation system in Ghana
14.	Asphaltic overlay of Streets of Accra, Tamale and Sekondi Takoradi, Teshie Link and Streets of newly created regional capitals.	MRH	To improve road network in the country and make them motorable throughout the year
15.	Constrcution of Bridges Dikpe, Ankobra, and Iture Bridges and Emergency Bridges	MRH	To improve road network in the country and make them motorable throughout the year
16.	Construction of Bolga Bawku Road, Eastern Corridor Lot 1, refinancing of lot 5 and 6 of Eastern corridor road project, Peduase-Koforidua, Agona-Nkwanta-Tarkwa, Tamale -Walewale and Bechem-Akomadam road projects	MRH	To improve road network in the country and make them motorable throughout the year
17.	Expansion of Aflao, Takoradi, Berekum, Fanteakwa-Begoro, Weija, Kpong and Tarkwa water projects	MSWR	To improve access to portable water in deprived communities and reduce water borne diseases
18.	Land administration and reform project	MLNR	To modernise land administration in Ghana and reform the institution.
19.	Rehabilitation of NAFTI to a state of the art centre	MOEd	To Modernise the creative industry to play an important role in the development of talents for economic

Source: MoF



G. Development of Government Securities Market

a) Primary Market

38. The primary market of Government securities is currently driven by thirteen (13) Primary Dealers (PDs). Per the PD Guidelines, PDs have exclusive rights of access to an auction of Government securities where they buy the securities on wholesale and may sell to their clients through the secondary market.
39. PDs are also expected to participate actively in the secondary market trading of Government securities. This is expected to help develop a vibrant domestic bond market.
40. 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.

b) Secondary Market

41. The Ministry will collaborate with the Bank of Ghana in the implementation of the new guidelines for the 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), promotes market activity by utilizing the collateral and creates more continuous yield curve.
42. A Repo makes it possible for Government to lend a newly created security to relieve a short position of a market maker or remove a distortion if a particular bond is "squeezed" by a market participant, who holds a large proportion of the bond and is unwilling to lend it out. In these instances, Government may charge a slight penal rate to give the market a chance for self-correction.
43. Repos also help to smoothen cash flows across a Treasury Single Account (TSA), which enables Government to operate with a lower cash balance and reduce net interest cost. Repos reduces the risk of auction failures, as PDs use them as a mechanism for financing their positions.



c) Reforms to the Primary Market Issuances

44. In 2020, Government will implement reforms to the current PD system, as part of efforts to develop the market. Some of the reforms will include:
- development of a harmonised Primary Dealer manual to guide the market. A revision of the PD guidelines to ensure that PD obligations and privileges are well balanced, feasible and enforceable. Government will provide stronger oversight over PD's support to the secondary market and enforce strictly, all measures outlined in the guidelines; and
 - replacement of Joint Book Runners (JBRs) with the Bond Market Specialist (BMS), which will be under much stricter rules, requirements and obligations with regards to marketing, selling, distribution and trading of Government bonds.

H. Investor Engagement Plan

45. The Government will publish a Quarterly Issuance Calendar, which may be updated monthly, on a rolling basis, to reflect a full quarter financing programme. The Issuance Calendar sets out the timing and target for each issuance.
46. In addition, Government will continue to actively engage investors and market participants through monthly and quarterly Town hall meetings, Investor conference calls and investor education, to brief stakeholders on market developments, financing plans, financing operations, and investor views, as well as the performance of the PD and BMS systems.
47. Again, Government will also embark on periodic roadshows to strengthen, diversify the investor base and allow 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 participants and ensure ease of access to vital information
49. Bank of Ghana (BoG) 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, ABRP may be revised and published in the event of material changes pertaining to any of the following:
- review of the Budget Statement and Economic Policy, and the MTDS; and
 - significant changes in macroeconomic outlook and market conditions.

J. Debt Recovery Plan

51. The Government acknowledges that a number of sovereign guarantees and on-lent facilities have not been paid by beneficiaries in both the private and the public sectors.
52. Government will do a complete assessment of these loans and make appropriate recommendations to Cabinet and Parliament for their consideration.

K. Conclusion

53. The Borrowing and Recovery Plan for 2020 is expected to operationalise identifiable strategies enshrined in the 2020-2023 MTDS and the 2020 Budget and Economic Policy Statement. This Borrowing and Recovery Plan takes effect on 1st January, 2020 and elapses on 31st December, 2020.





REPUBLIC OF GHANA

MINISTRY OF FINANCE

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