



MINISTRY
OF
FINANCE

Economic Update by the:

Hon. Minister for Finance

On

Ghana's Domestic Debt Exchange Programme (DDEP)

Date: Monday, 6th February 2023

Time: 6pm

Location: Ministry of Finance

Introduction

Good Evening Ladies and Gentlemen:

1. On Monday 5th December, 2022, Government launched the Ghana Domestic Debt Exchange Programme as part of a broader response to recent macroeconomic challenges.
2. At that time, we indicated that the Debt Exchange Programme had been informed by the Debt Sustainability Analysis which revealed that:
 - a. Ghana's public debt had become unsustainable; and that debt servicing accounted for more than half of total government revenues and almost 70% of tax revenues, while total public debt stock, including that of State-Owned Enterprises and statutory funds, exceeded 100% of our GDP.
3. The essence of the debt exchange, we indicated, was to help restore our capacity to service our debt and meet other expenditure obligations. I must say that these essential considerations have not changed. Indeed, they are even more pressing today.
4. Prior to this launch, in November 2022, I presented the broad contours of our economic and financial landscape and the necessary response measures as part of the 2023 Budget Statement and Economic Policy.

Response Programme and Immediate Outcome

5. Since then, three (3) significant developments have occurred to pave our path to economic recovery:
 - i. Parliament, after sustained engagements, judiciously passed the 2023 Budget; paving the way for the implementation of key revenue-enhancement and expenditure-consolidating measures.

- ii. Government, over the past several months, aggressively pursued revenue enhancement and expenditure rationalisation measures towards facilitating macroeconomic stability.
- iii. The Ministry of Finance worked assiduously with all stakeholders to reach a Staff Level Agreement (SLA) on the IMF programme, in record time. The IMF Programme is broadly aimed at assisting government to restore macroeconomic stability with a strong focus on protecting the most vulnerable in our society.

DEBT OPERATIONS

6. **Ladies and Gentlemen**, undergirding the budget and the SLA was the Domestic Debt Exchange Programme. Our strategy has been to work diligently and with urgency to restore macroeconomic stability; including bringing down inflation, and stabilising the Cedi. These are necessary measures to protect businesses and restore the purchasing power of Ghanaians, within the shortest possible time.
7. It was our expectation that collectively, we would have concluded the Domestic Debt Exchange Programme by end January, to anchor our effort to alleviate the debt burden in the most **transparent, efficient, and sustainable manner**.
8. However, we admit that there were legitimate and critical concerns which needed deeper and broader consultations. The requisite efforts to address them have resulted in improved terms and changes in the closing date, with a final deadline of tomorrow.
9. Tomorrow, **Tuesday 7th February, 2023**, is the **final deadline** for institutions and individuals to sign up to Ghana's Domestic Debt Exchange Programme.
10. As a listening Government, we have re-engaged all stakeholders, on a daily basis; sometimes even deep into the night. The Governor and I, and our

Teams are all thankful to the Ghana Association of Banks (GAB); the Ghana Insurers Association (GIA); the Ghana Securities Industry Association (GSIA); the Individual Bondholders Forum; and the Pensioner Bondholders Forum, for their interest, insights and goodwill.

11. Today, I am here to provide an update of where we are, and to, once again, encourage the full support of all Individual and Institutional Bondholders.

Update on the DDEP

Distinguished Ladies and Gentlemen,

12. In December 2022, we invited all holders of Ghana's Bonds to volunteer to exchange their holdings for **New Bonds whose terms are compatible with our desired downward debt trajectory.**

13. This invitation was within the context that, for Ghana to reach the required debt sustainability threshold of debt-to-GDP of 55 percent, it was important to review the interest rates and maturities of the existing bonds.

14. Having listened to and acknowledged emerging concerns, we have recalibrated the framework of the DDEP, with the following constituting the terms of the improved and enhanced offer:

- i. All individual bondholders who are below the age of 59 years (Category A) are being offered instruments with a maximum maturity of 5 years, instead of 15 years, and a 10% coupon rate;
- ii. All retirees (including those retiring in 2023) (Category B) are being offered instruments with a maximum maturity of 5 years, instead of 15 years, and a 15% coupon rate.

15. The objective of this is to ensure that individuals, especially retirees, who put their hard earned savings in our domestic market, are not left in

hardship as a result of the DDEP and yet contribute to the resolution of our current crisis.

16. **We have been intentional in pushing the threshold of what is possible, in order to:**

- i. Safeguard the well-being of our pensioners;**
- ii. Preserve the savings of individuals;**
- iii. Protect the working capital of businesses;**
- iv. Ensure the health and stability of our financial sector; and**
- v. Restore macroeconomic stability.**

17. Indeed, since the first announcement of the DDEP, the Government has engaged in good faith discussions and extensive stakeholder engagements with all groups, in order to reach a resolution that ensures an orderly path out of our economic challenges, anchored by a sense of community and empathy.

A New and Stronger Partnership

18. Ladies and Gentlemen, these significant amendments have enabled Government to reach an agreement with key major domestic creditor categories including banks, insurance companies, capital market players and foreign holders of domestic debt in relation to their participation in the DDEP.

19. Undoubtedly, the participation of the banks, insurance companies and the securities industry, under the enhanced DDEP is a significant milestone which represents a response to a call to national duty. It is a critical step to restore macro-economic stability; accelerate Ghana's economic growth under an IMF Programme; and leverage other international financial support.

20. On the back of these recent developments, the comprehensive agreement with the key stakeholders, and the enhancement of the DDEP, Government:

- i. Expects the full participation of institutional stakeholders and mobilization of all qualified investors, to ensure the success of the debt exchange operation; and

- ii. Encourages eligible Individual Holders to voluntarily tender their holdings.
21. Frankly, non-participation or a lower-than-expected turnout for the DDEP will prolong efforts to resolve the current economic crisis. In addition, the prospects of international financial support and other financial assurances would be jeopardized. This development could further put strain and stress on the Government's capacity to honour key commitments. This is not what we want for our economy.
22. What we want is an economy that is back on track, stable, vibrant, productive, dynamic; meeting the needs of individuals, households, and enterprises; delivering shared and inclusive growth; and improving incomes and livelihoods.

Conclusion

23. Ladies and Gentlemen, tomorrow is the final deadline for this programme and we are hopeful that all domestic investors will participate.
24. Let me restate that, as a government, our singular motivation for taking this rather difficult road is to restore macro-economic stability, achieve debt sustainability and get the economy fully back on track. We know that these are necessary pre-conditions for creating jobs; safeguarding and enhancing incomes; fostering inclusive growth; and restoring hope to Ghanaians.
25. Through collective hard work and discipline, coupled with the abiding and abundant grace of the Almighty God, we have been focused on avoiding a full-blown economic crisis.
26. Indeed, the Grace of God assures us that *“Surely there is a future, and your hope will not be cut off.”* **Proverbs 23:18 ESV**
27. Our remarkable progress with the on-going International Monetary Fund Programme is a significant boost to our recovery efforts. Continuous

progress will steer us further away from the slippery precipice we recently faced. Therefore, the momentum must be sustained.

28. Considering the importance of a sustained economic recovery backed by an approved IMF programme in the first quarter 2023, it is crucial for groups and individuals to consider the merit of the enhanced DDEP, as well as the need for economic stability; and sign up by tomorrow to make it a successful one.
29. Let every Ghanaian be encouraged that the DDEP will bring us to a place of stability, economic recovery and transformational growth. We must do this together.
30. Government on its part is resolved to continue to undertake all necessary fiscal adjustments that would ensure that our sacrifices will pay-off and the collective good is upheld. Let each and every one play their part.
31. These are difficult times, no doubt, but if we hold on together, we can and we will emerge from this more resilient and more united than before. Then we shall, together, continue rebuilding our economy again; and enable businesses to thrive again; and bring back hope and cheer to our homes again.
32. Let us all speak one language: *Boa me na men boa wo*; and we shall then prevail and recover all. Let's do this together!
33. God Bless Ghana, and make her great and strong!
34. Thank you, and God bless us all.