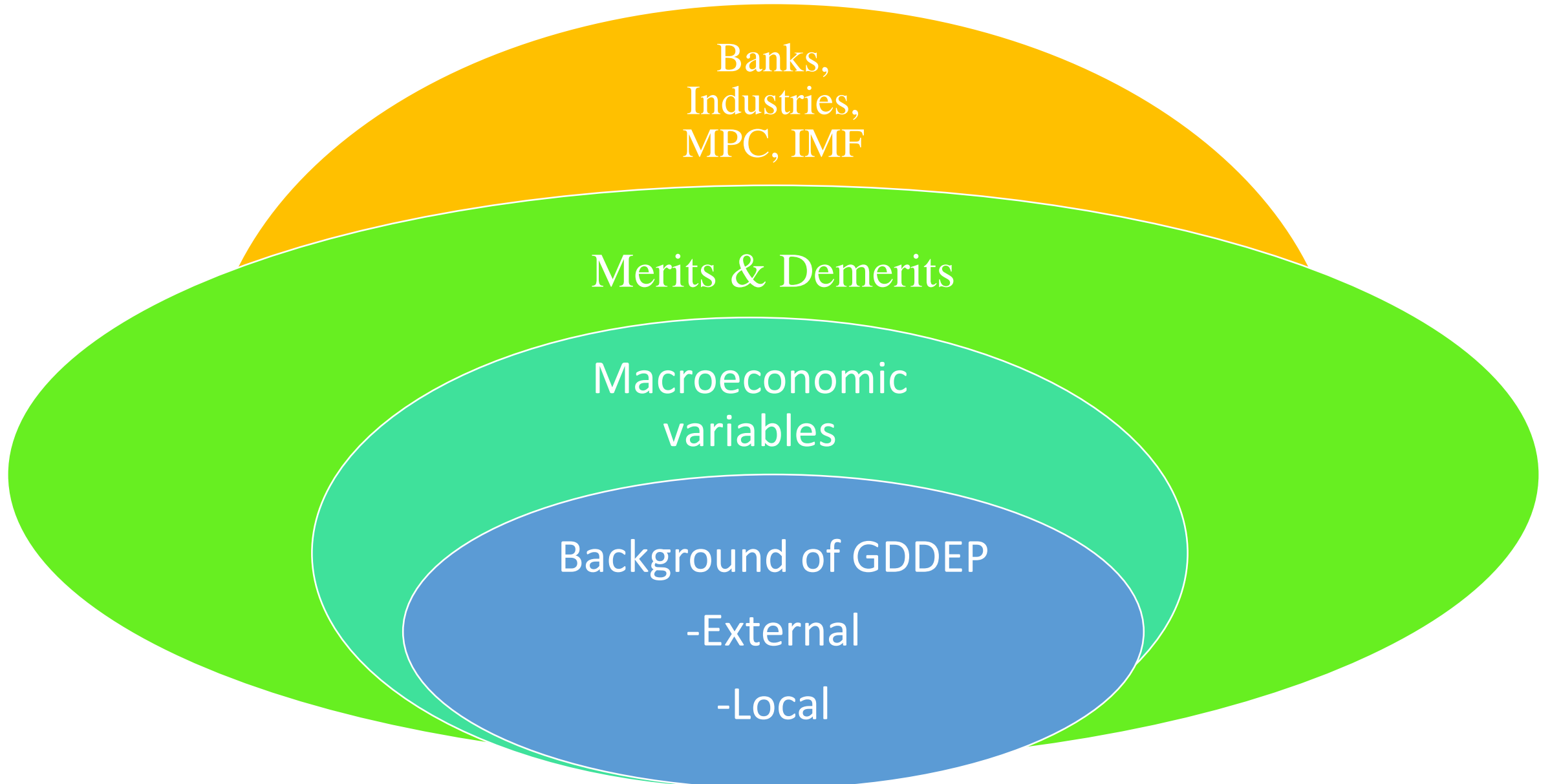




Tema Region-General Meeting
Debt exchange program-Its effects on Industries
on 30th May, 2023 @8.00am

Presented by : Charles Atuahene

Effects of DDEP on Industries- Outline.



Summary of Key Terms of GDDEP.



❖ On 5 December 2022, the Government of Ghana announced a Domestic Debt Exchange program. The Ghana Domestic Debt Exchange Programme (GDDEP) is an arrangement through which registered institutional and individual bondholders in Ghana will exchange their eligible domestic bonds (all locally issued bonds and notes of the Government and E.S.L.A. Plc and Daakye Trust Plc bonds excluding Treasury bills(T- bills) for new benchmark bonds with the same aggregate principal amount (plus applicable capitalized accrued and unpaid interest).

Summary of Key Terms of GDDEP

❖ The GDDEP was initially launched on 5 December 2022. Offers to exchange any of the old bonds must be made by 19 December 2022. The settlement date of the transaction was 23 December 2022. The dates for offers to exchange and settlement dates have been postponed severally. The Transaction Timetable was amended by extending, among other relevant dates, the Offer Expiration Date to 10 February 2023 and the Settlement Date to 21 February 2023.

Summary of Key Terms of GDDEP.



- ❖ Only the Eligible Bonds that are listed under “Eligible Bonds” in the Exchange Memorandum (the “Eligible Bonds”) were eligible for exchange for New Bonds in this Invitation to Exchange.
- ❖ Eligible bond holders comprise individual bondholders and institutional bondholders except bonds held by pension funds.
- ❖ Eligible Holders were split into three different categories depending on whether they are Collective Investment Schemes (CIS) Holders or Individual Holders below the age of 59 years old as of 31st January 2023 (Category A), Individual Holders aged 59 years or older as of 31st January 2023 (Category B) or other Eligible Holders (General Category).

Summary of Key Terms of GDDEP

- Category A Holders and Category B Holders whose validly submitted Offers or Exchange Instructions were accepted by the Republic received category A New Bonds and category B New Bonds respectively due 2027 (50%) and 2028 (50%).
- In exchange for Eligible 2023 Bonds, General Category Holders received seven (7) New General Bonds, maturing one per year consecutively from and including 2027 through and including 2033.
- In exchange for Eligible Post-2023 Bonds, General Category Holders received twelve (12) New General Bonds, maturing one per year consecutively from and including 2027 through and including 2038.

Summary of Key Terms of GDDEP



- ❖ For the avoidance of doubt, unlike General Category Holders, the exchange consideration for Category A Holders and Category B Holders did not vary depending on whether they tendered Eligible 2023 Bonds or Eligible Post-2023 Bonds.
- ❖ Interest on the New Bonds will be paid in cash (“Cash Interest”), except that with respect to the New General Bonds only, and only during the period from and including the Settlement Date to but excluding 14 February 2025, the Republic will pay a specified portion of the interest (the “PIK Interest”) by instead increasing by such amount the principal amount of such New General Bonds

Other Information on the GDDEP



- The Government intends to exchange domestic non-marketable debt and Cocoa bills, under comparable terms at a later stage. The Government also intends to exchange USD denominated local notes at a later stage. External debt restructuring parameters will be renegotiated in due course.
- On 19 December 2022, the Ministry of Finance suspended debt service on external debt (with details) until renegotiations take place.

Other Information on the GDDEP.



- ❖ On 19 January 2023, the Bank of Ghana agreed with institutional investors to rollover matured cocoa bills effective 20 January 2023.

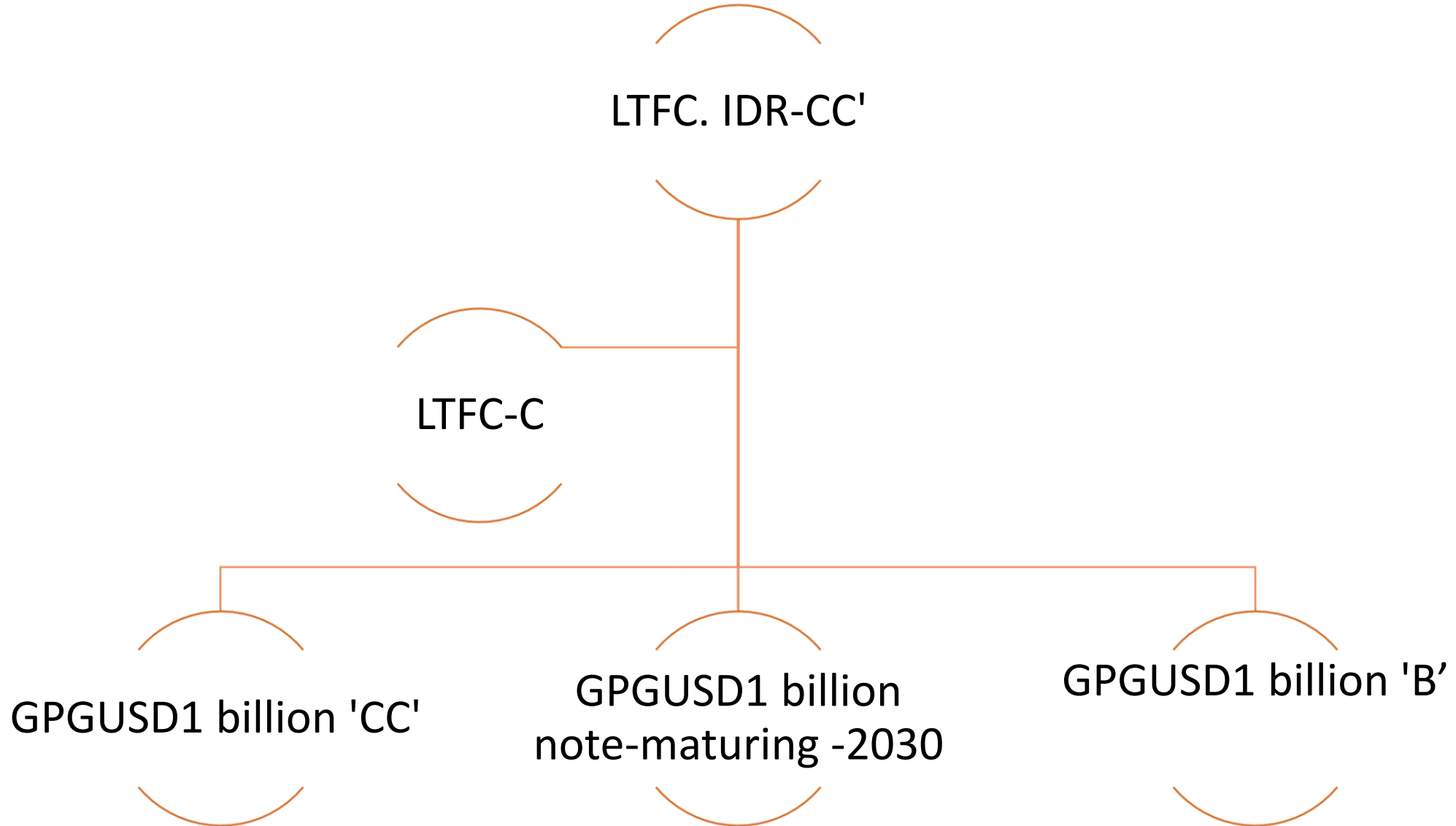
- ❖ The GDDEP was a voluntary programme, however the government expected the participation of all regulated financial institutions (banks, insurance companies, collective investment schemes) in the programme. For those entities that did not participate in the GDDEP, they will continue to hold the old bonds. However, the Government reserves the right to ensure that old bonds do not benefit from their non-participation in the GDDEP.

Fitch Downgrades following the GDDEP



- Following the announcement of the GDDEP, the country was downgraded by the ratings agencies. The old bonds were trading at deep discounts prior to and after the announcement of the programme.

Fitch Downgrades -Long-Term Foreign-Currency - Issuer Default Rating-Ghana's partially-guaranteed USD1 billion notes



GHS-denominated Eligible Bonds (the “GoG GHS Eligible Total-GHC130.016Billion



GoG GHS Eligible Bonds-119.020 billion

E.S.L.A. GHS Eligible Bonds-8.374 billion

Daakye GHS Eligible Bonds -2.622 billion

GHS-denominated Eligible Bonds (the “GoG GHS Eligible Bonds”) GHC130.016Billion.



		TOTAL	CAT	CAT	
S/N		BONDS GHC	A GHC	B GHC	Total GHC
1			65.008	65.008	130.016
2	PRE-Expected returns 25%		16.252	16.252	32.504
3	Post =Expected returns-23 only		10%	15%	
4	Coupons		6.5008	9.7512	16.25
5	Coupon Loss from DDEP				16.25
	Consumption : % of GDP	69.20%			11.245
	Savings. : % of GDP	18.60%			3.0225

Multiplier effect on DDEP VRs Pre-DDEP interest rate in 2023.



- The multiplier effect refers to the impact that a change in one economic variable (ie income) has on other related variables (ie expenditure) in the economy. It can be calculated as:
- $\text{Multiplier} = 1 / (1 - \text{MPC})$
- Where MPC represents the marginal propensity to consume, which is the proportion of each additional Ghana cedi of Interest income that can be spent rather than saved.
- Private consumption: % of GDP 69.20%
- Investment or savings:% of GDP 18.60%
- Source : CEIC Data (Sept. 2022) for the GDP rates.

Multiplier effect on DDEP VRs Pre-DDEP interest rate in 2023.



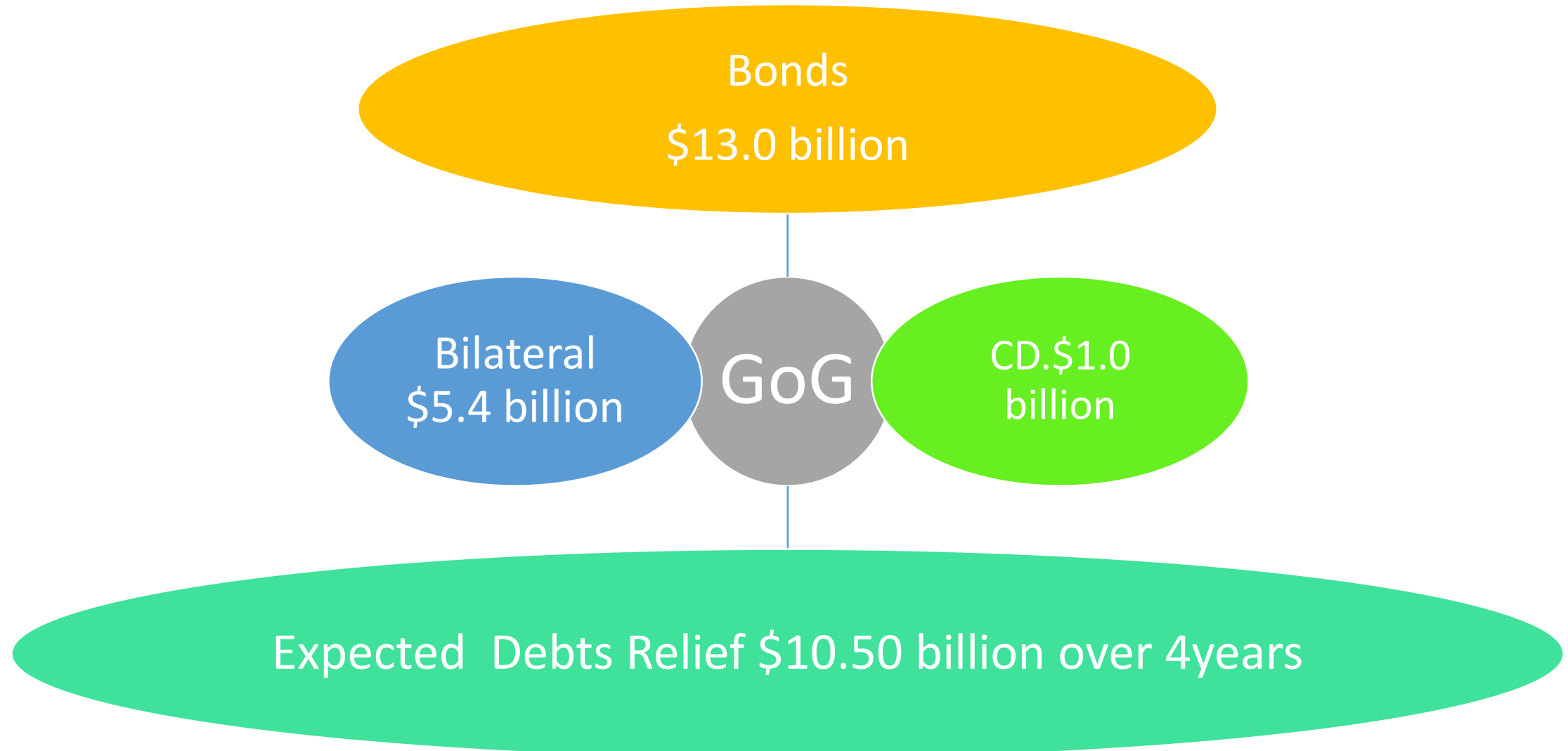
- Assuming an MPC of 0.692, we can calculate the multiplier effect of consumption GHC11.245 billion as follows:
- In this case, the MPC is given as 0.692. Therefore, the multiplier can be calculated as:
- Multiplier = $1 / (1 - \text{MPC}) = 1 / (1 - 0.692)$
- Multiplier = $1 / (1 - 0.6920) = 1 / 0.3080 = 3.24675324675$
- Where MPC represents the marginal propensity to consume, which is the proportion of each additional dollar of income that is spent rather than saved.

Multiplier effect on DDEP VRs Pre-DDEP interest rate in 2023.



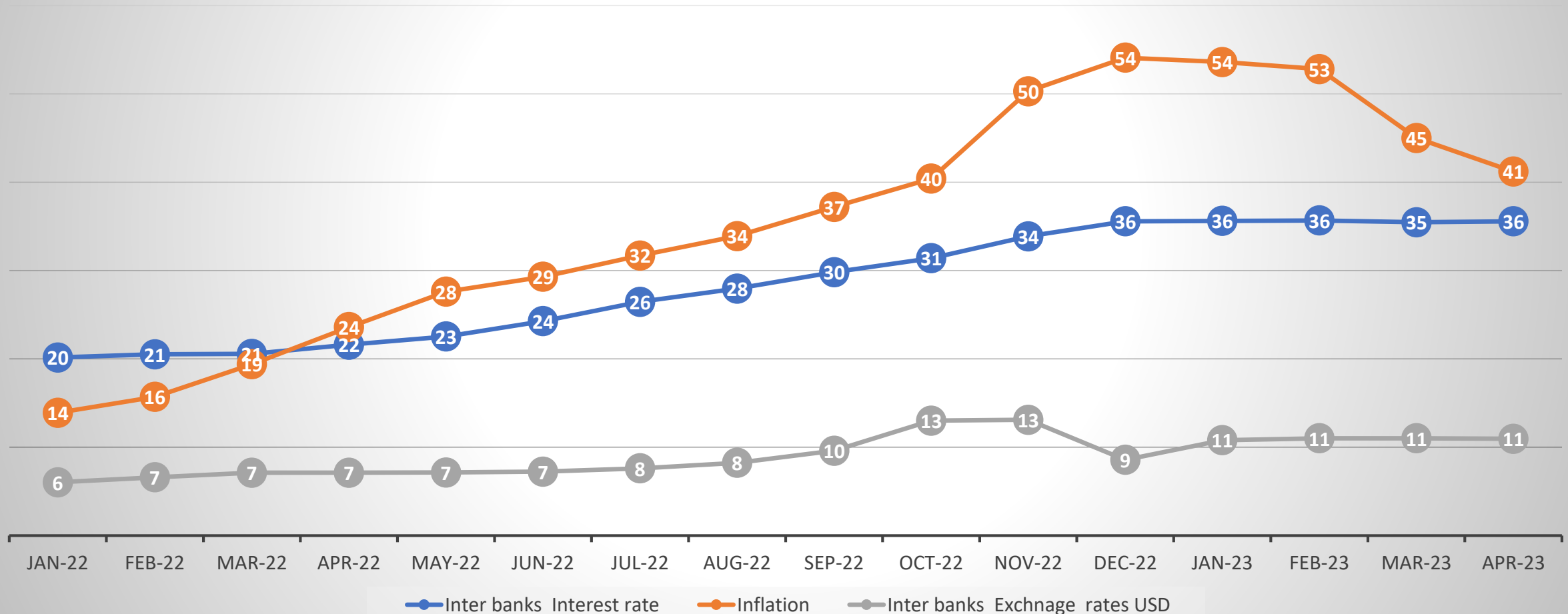
- This means that an initial increase in spending of GHC11.245billion will result in a total increase in economic activity of GHc36.45billion (i.e., GHC11.245 billion multiplied by 3.24675324675) due to the multiplier effect.
- **Multiplier effect of consumption of GDP :GHC36.45billion**
- **Multiplier effect of Savings of GDP : GHC16.25billion**
- **NB: “All other things being equal”**

GoG- Restructuring of external debts –USD\$14.0 billion & Bilateral creditors USD5.40 billion (Paris Club & backed by China)



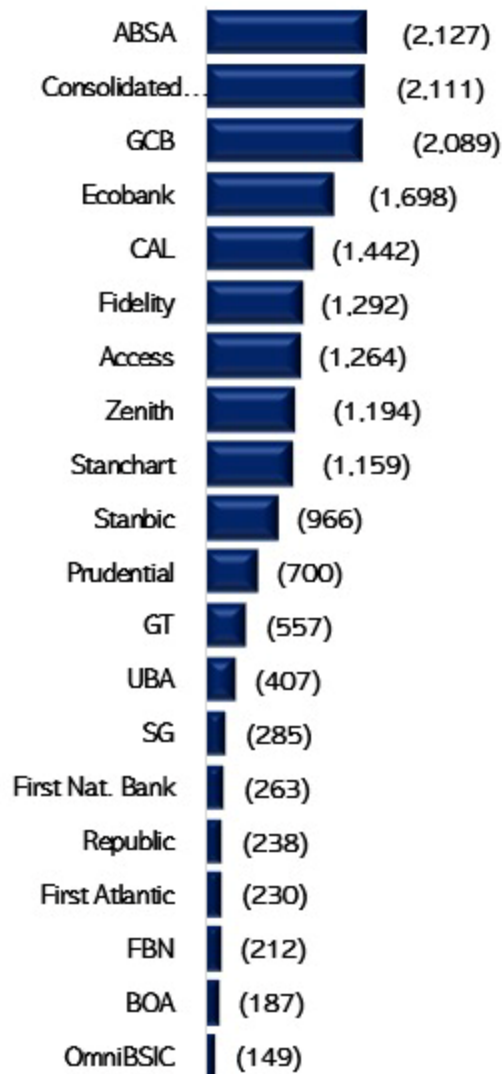
Inflation, Interest rates and Exchange rates movement

Macroeconomic variables Jan 22 - April 23

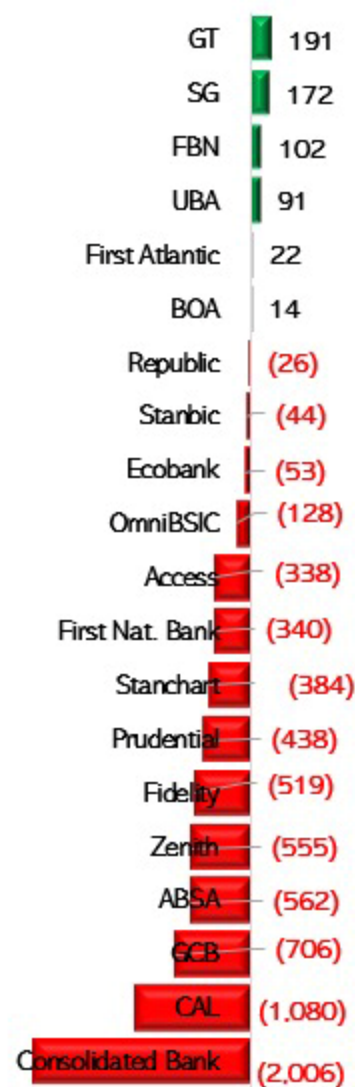


Banking Industry Review FY2022 (20 out of 23 Banks Published as at 28th April 2023)

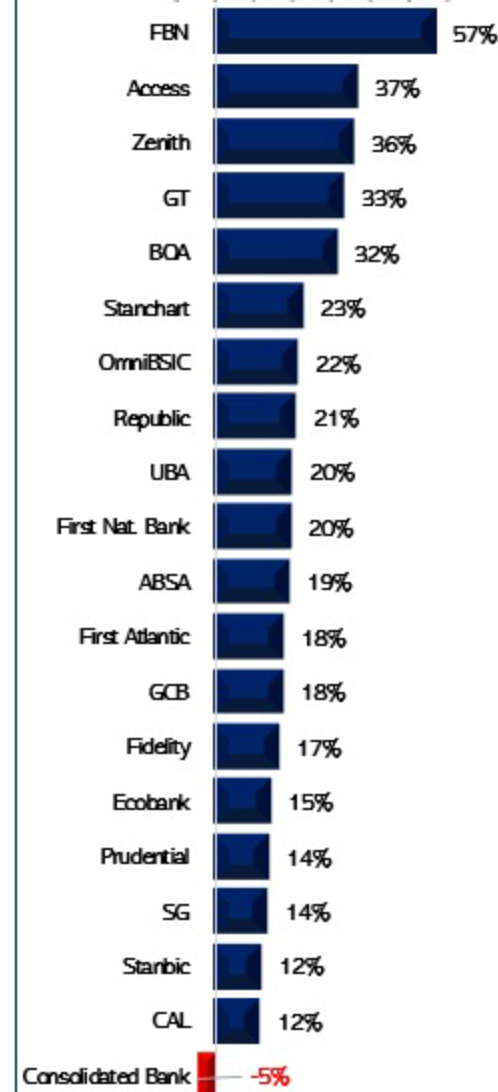
Impairment (GH¢ M)



PBT (GH¢ M)



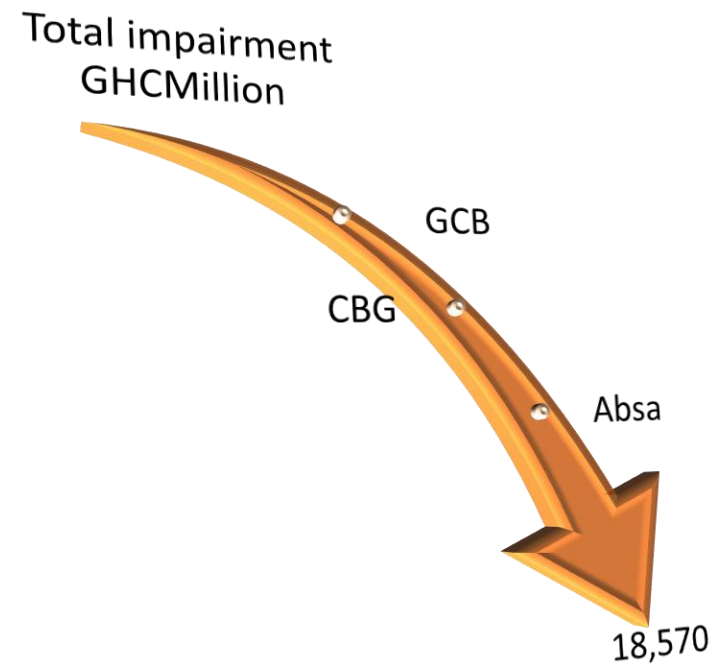
CAR



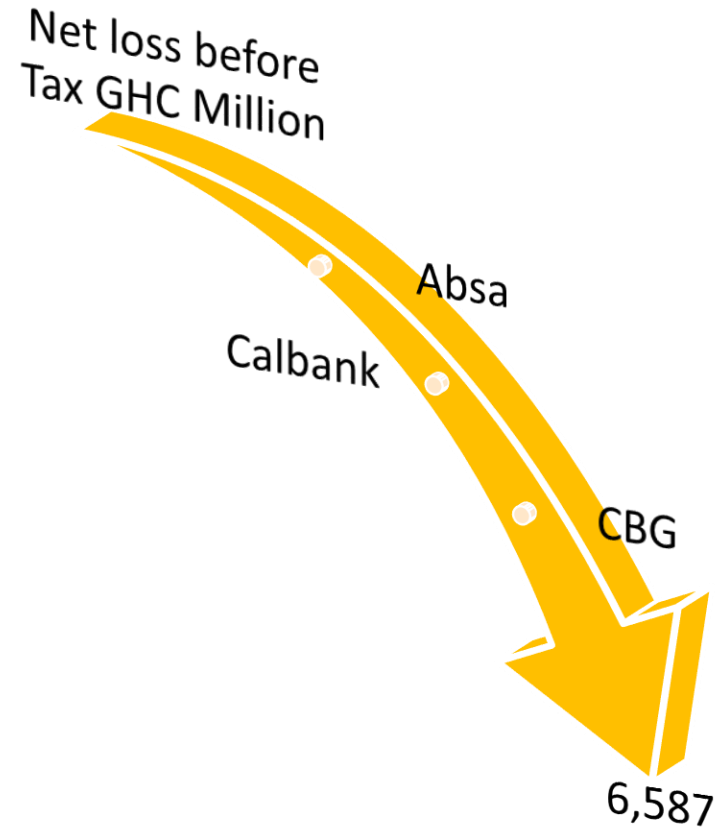
The Following banks are yet to publish

- ADB
- NIB
- UMB

Banking Industry review 20 banks-Y/E 2022



Banking Industry review 20 banks-Y/E 2022



TOP 5 BANKS PBT-2022

Total 5 Top banks PBT 578m



191m- GT Bank

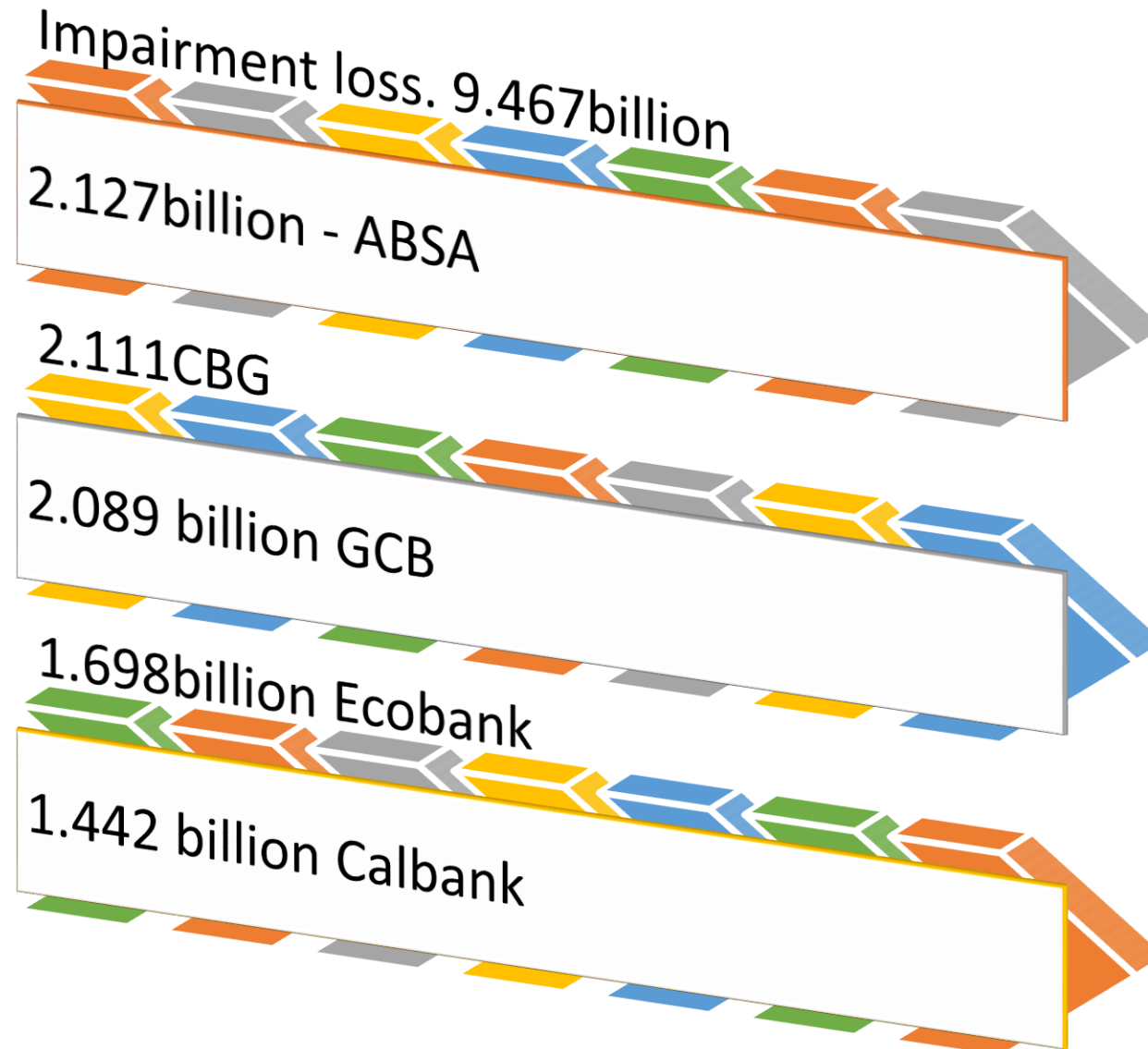
172m SG

102m. FBN

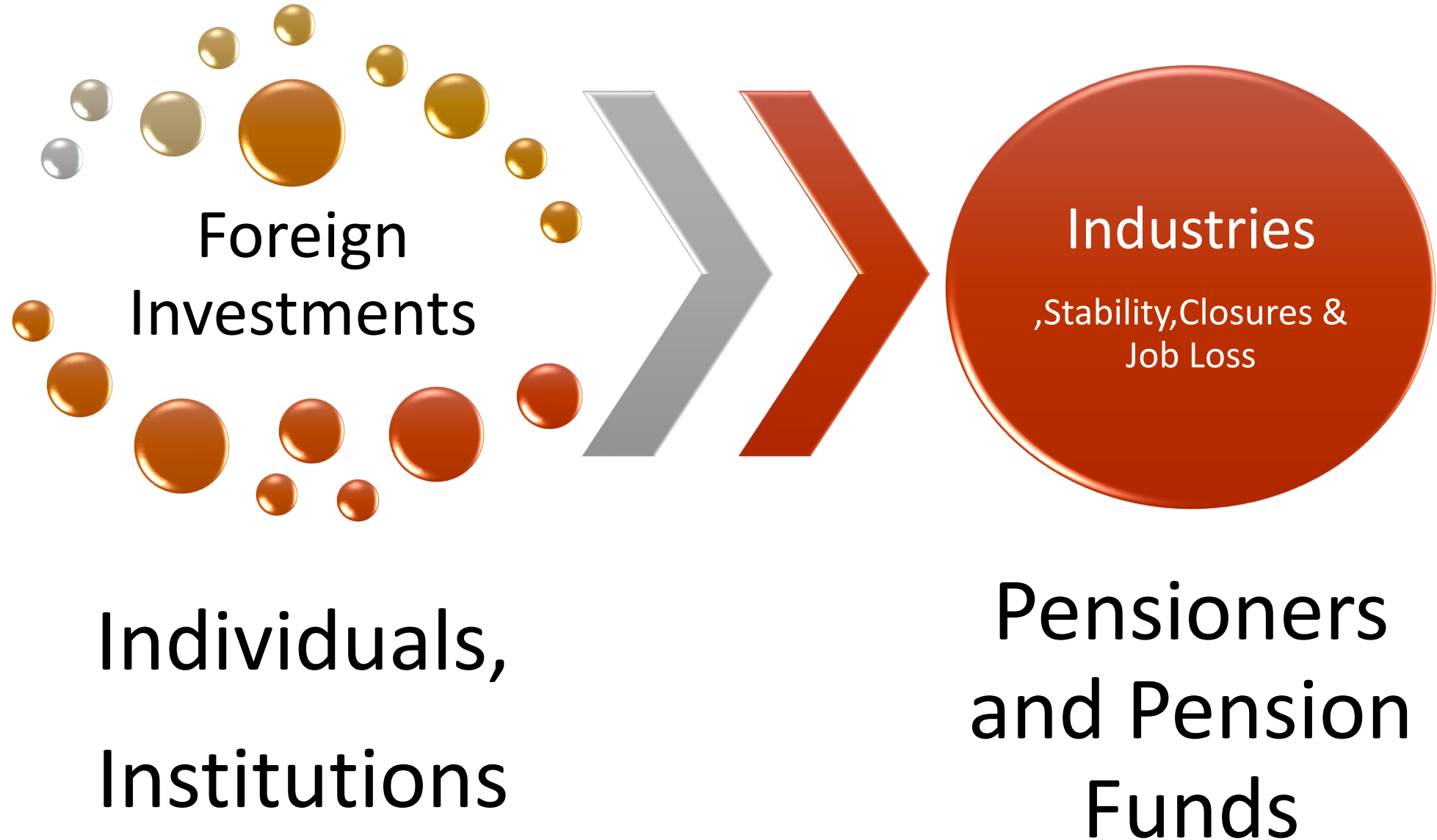
91m UBA

22m FAB

TOP 5 banks impairment provision-2022



Expected GDDEP effects on industries



Strategies – GoG

- ❖ Establishment of Financial Stability Fund (FSF) USD\$1.5billion (GoG , \$500million , World Bank \$250million, Others Development Partners etc.
- ❖ Lowering TB rates, DDEP rates
- ❖ Expected future lower interest rates
- ❖ IMF to support BOP –USD3.0billion over 3years
- ❖ Other multilateral institutions may come on board
- ❖ BOG – Monetary policy, gold for oil.
- ❖ GOG – Halted ongoing major projects.
- ❖ Precedence- Macro economic stability

Possible Merits from DDEP

- Debts relief of USD\$10.5billion between 2023 and 2026

Lower Interest rates

- Governance discipline

Reduce Inflation

- Strengthening of Ghana cedis

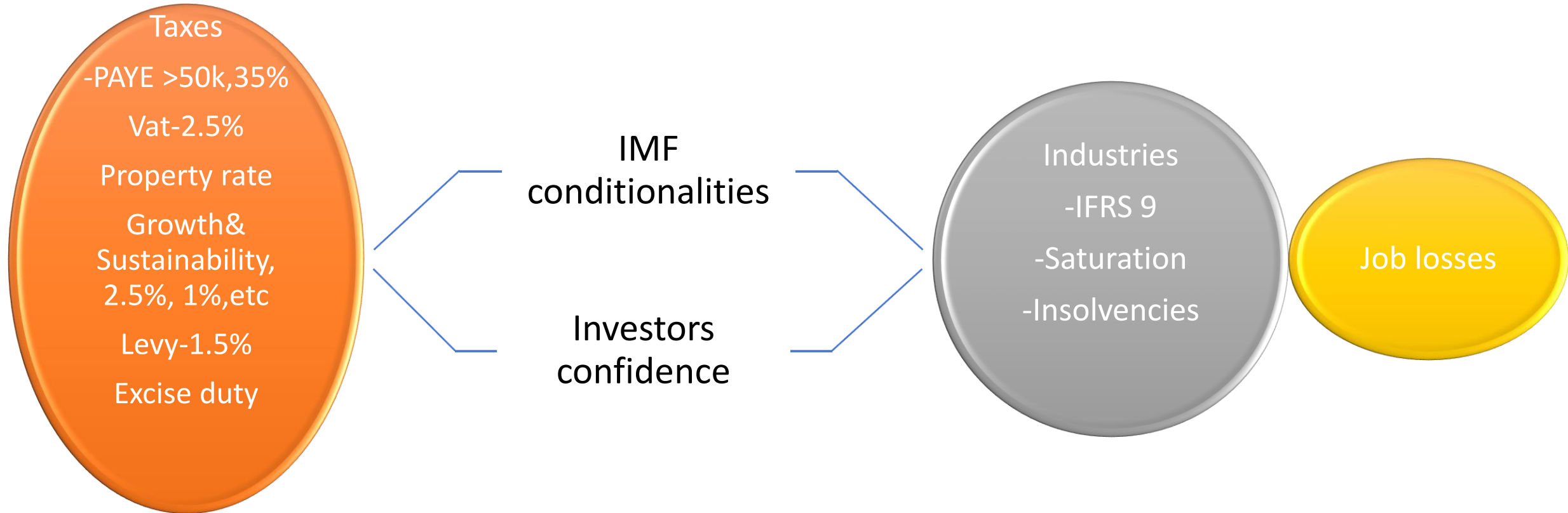
Booster of Investors confidence

- National Debt burden reduction

Economic stability

- Increase Tax revenue to GDP

Possible Demerits from DDEP



IMF-Conditionalities and Industries.

S/ N	CONDITIONALITY	COMMENTS/ACTIONS	EXPLANATION/TARGETS	RISKS
1	Fiscal Consolidation	<p>Achieve a primary surplus of 1.5% of GDP by 2025 through to 2028</p> <p>Deepen Public Financial Management (PFM)</p>	<p>contingent on:</p> <ul style="list-style-type: none"> -domestic revenue mobilization -public spending <p>prioritizing a set of structural fiscal reforms</p> <p>Tax Policy; Energy Sector Reforms; and SOE Reforms.</p>	<p>mobilize domestic revenue .</p> <ul style="list-style-type: none"> -parliament being uncorperative -public spending <p>widespread tax expenditures</p> <p>resistance to change</p> <p>lack of capacity</p>

IMF-Conditionalities and Industries.

S/ N	CONDITIONALIT Y	COMMENTS/ACTIONS	EXPLANATION/TARGETS	RISKS
1		Accelerate energy sector reforms	<p>energy pricing more cost reflective</p> <p>implementing an upfront weighted-average electricity tariff adjustment</p>	<p>Risk of not achieving cost-recovery through tariff reforms.</p> <p>Inability to implement the Energy Sector Reform policy changes, resistance from stakeholders.</p>

IMF-Conditionalities and Industries

S/ N	CONDITIONALITY	COMMENTS/ACTIONS	EXPLANATION/TARGETS	RISKS
6	Governance	Finalize the audit of COVID-19 spending prepared by the Auditor General National Anticorruption Action Plan (NACAP)	Prepare new guidelines for Emergency Expenditure Management	Political interests compromising
7	Debt Management and Restructuring	Complete the comprehensive public debt	restore public debt sustainability	Resistance from creditors
8	Social Protection	Double cash transfer Living Empowerment Against Poverty (LEAP)	double the level of benefits of the LEAP	Lack of Political patronage
9	Communication Strategy	building public awareness Of the program	Implementing a strategy For engagement	divided political environment

Strategies – Industries SWOT ANALYSIS

INTERNAL FACTORS

STRENGTHS +

Reduced debt burden
Improved liquidity
Increased flexibility

WEAKNESSES –

Risk of default
Loss of investor confidence
Potential credit rating downgrade
Idiosyncratic risk

EXTERNAL FACTORS

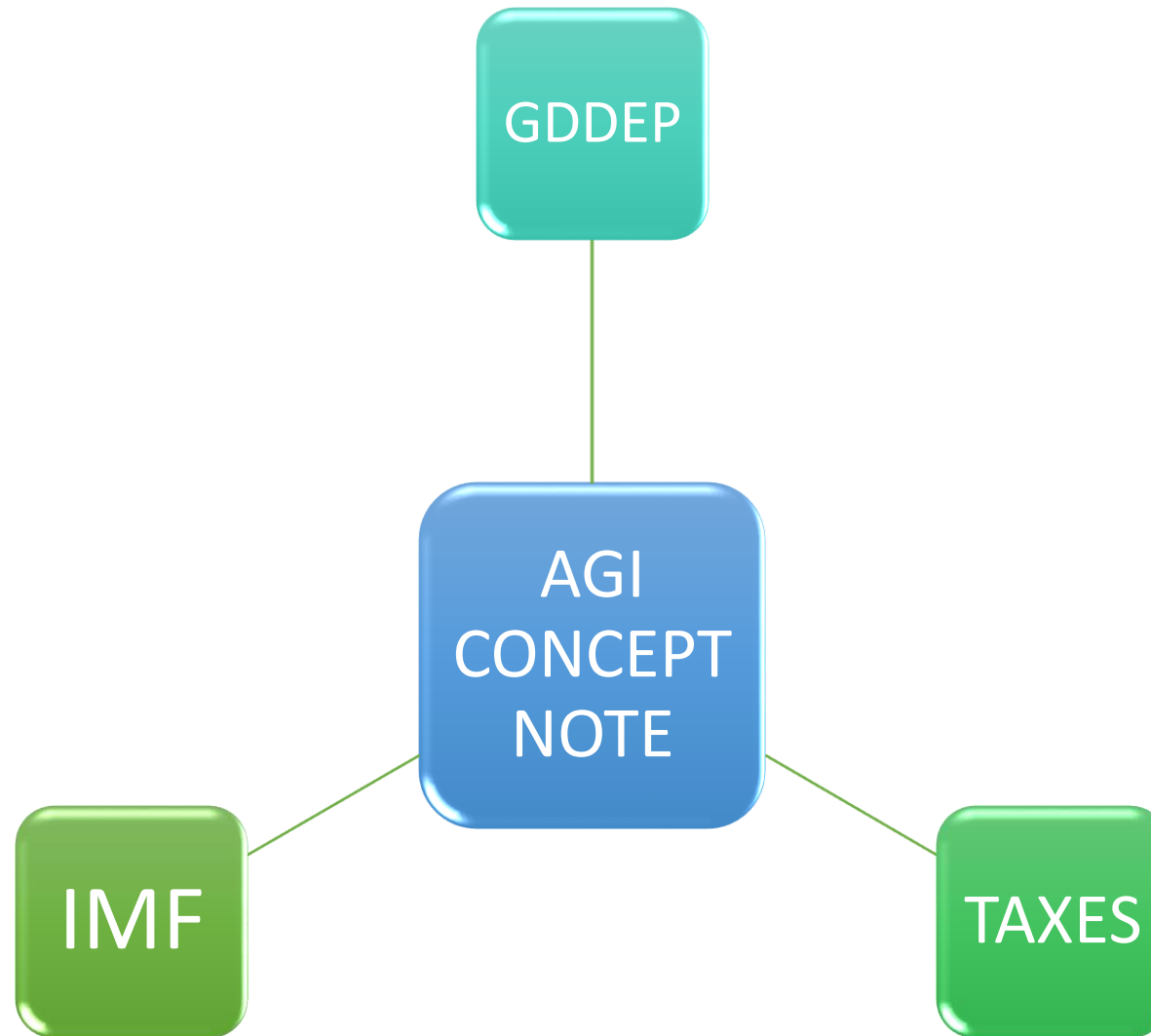
OPPORTUNITIES +

Positional strategy(CONFIDENCE)
Attractiveness(BOD, ETHICS)
Lobbying to establish PF
Strategic partnerships

THREATS –

IFRS 9 Financial Instruments
Macroeconomic indicators
Predicted Financial institutions Insolvency

GDDEP – Effects on Industries, AGI



GDDEP – Effects on Industries

END

DISCUSSIONS

THANK YOU.