

PRESS BRIEFING BY HON. KWADWO BAAH-WIREDU,
MINISTER OF FINANCE AND ECONOMIC PLANNING ON
GHANA'S US\$750 MILLION FACILITY FROM THE
INTERNATIONAL MARKET

1. Good Afternoon Ladies and Gentlemen. It is with great honour that I am here today to share with you the news on Ghana's debut Sovereign Bond Issue.

2. Prior to our bold step on the global market, the country's main sources of external financing were from multilateral institutions such as the World Bank, the International Monetary Fund, and the Africa Development Bank Group, and bilateral countries such as the United Kingdom, Canada, Germany, the USA, Japan, Denmark and the Netherlands. Some commercial banks including Fortis bank, ING bank, HSBC and the KBC bank, have also been of assistance.

3. While these sources have traditionally been the main source of funding, they also came with some challenges which had to be resolved. While the average terms of new commitment from traditional external creditors have been mostly concessional, these funds were not adequate to support government's accelerated infrastructure development programme which is in line with our medium term investment plan.

4. Ghana on September 27th 2007 became the first Sub-Saharan African sovereign country (except South Africa) to access the International Bond Market with a benchmark issue of US\$750 million, 10-year tenure and at a coupon rate of 8.5 percent. The deal was about four times (4 times) oversubscribed with a high quality book of investors made up of

about 40 percent from the US market, 36 percent from the UK market, and the rest from other European countries, the Middle Eastern region and Asia. Ghana is the first post-HIPC country to access the International Capital Markets. Ghana is at the moment rated B+ by both Fitch and Standards and Poor and the bond issue also received a B+ rating.

5. The overwhelming response to the bond issue is a confirmation of the confidence international investors has in the Ghanaian economy. We are very pleased with the deal. A lot of work had gone into the preparatory process and it represents the results of the efforts the country has made over the years.

6. Access to the International Capital Markets caps a historic process of transformation in economic management based on disciplined policies, good governance, fiscal and monetary policy transparency, and structural reforms. It came as the next logical step after Ghana completed the HIPC programme and successfully completed the PRGF programme with the IMF which classified Ghana as a matured stabilizer.

7. To close the infrastructure gap to facilitate the accelerated growth strategy towards middle income status, Government has to invest in growth catalytic areas to remove bottlenecks constraining growth. Special effort has been made to ensure the efficient use of the proceeds. A Capital Markets Committee (CMC) set up by the Government identified a portfolio of projects which were viable for capital market finance, as a complement to projects financed by Development Partners. Projects selected for capital market finance had to meet the following criteria: - the project should be

high yielding with a high economic rate of return to allow the project to pay for itself; and they should be growth catalytic by removing critical bottlenecks in the economy.

8. These projects are mainly in the energy sector and the transport sector (road and rail) where the economic rate of return for projects have been identified as very high and can have significant impact on economic growth and employment. Part of the proceeds would also be leveraged into Public Private Partnerships (PPP) to encourage private sector participation in the provision of key infrastructural services in Ghana, and to play its role as partners for development.

9. Accessing the international capital markets comes with flexibility in policies but it also comes with the market discipline which requires that we are able to maintain good policies for macroeconomic stability and debt sustainability. We would need to manage the fiscal deficit, keep inflation low and maintain exchange rate stability even while pursuing accelerated growth. We need to achieve rapid growth with stability.

10. It is important to add, Ladies and Gentlemen, that the proceeds of the debt are coming to supplement domestic resources and other traditional sources of financing development projects.

11. Among the numerous benefits of this maiden sovereign bond issue is serving as a benchmark for the corporate sector in Ghana to develop their balance sheets to take advantage of capital market resources whether local or foreign; and it should provide strong policy signals for increased FDI

flows into the country. It is also good for domestic capital market development, which is one of the priority objectives of the financial sector reforms.

12. As we celebrate our successful access to the international capital markets, we should not lose sight of the challenges this poses. The success of the bond on the market depends to a large extent, on fiscal discipline and macroeconomic stability.

13. I would like to use this opportunity, Ladies and Gentlemen, to encourage colleague Ministers, MPs and all well meaning Ghanaians to support the Government in our effort to efficiently manage the economy.

Thank you for your attention.