



REPUBLIC OF GHANA

MINISTRY  
OF  
FINANCE

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Date **6<sup>TH</sup> FEBRUARY 2022**

## PRESS RELEASE

**FOR: IMMEDIATE RELEASE**

### **RE: MOODY'S DOWNGRADES GHANA'S RATING TO CAA1 AND STABILIZES THE OUTLOOK**

**Accra, Sunday, 6<sup>th</sup> February 2022.** Reference is made to a publication by Moody's Ratings, on 4<sup>th</sup> February 2022, that the Rating Agency has downgraded Ghana's Long-Term Issuer and Senior unsecured bond Ratings to Caa1 from B3 and changed the outlook from negative to stable.

2. According to Moody's, the downgrade is due to the "increasingly difficult task government faces in addressing the **intertwined liquidity and debt challenges, pandemic induced revenue underperformance, tight funding conditions on international markets, materially decreasing governance and institutional strength and inflexibilities in the government budget**".

3. We believe that the recent fiscal consolidation measures as announced by the Finance Minister and the 2022 budget, which is anchored on debt sustainability and a positive primary balance, largely address these concerns. We are at odds to understand Moody's assertion of the deterioration of Ghana's institutional strength given Ghana's reputation as a beacon of democracy in Africa.

4. In a clearly contradictory manner, Moody's justifies the "Stable Outlook" despite the downgrade to "Caa1" by acknowledging Government's strong track record in delivering effective fiscal policies and the maintenance of a variety of funding sources.

5. They also acknowledged the institutional strength of Ghana and the dynamic nature of our economy and attractive growth prospects over the medium-term. "*The stable outlook balances Ghana's significant fiscal challenges, large refinancing needs and constraints on access to funding against the government's pre-pandemic track record of relatively effective policy delivery and maintenance of a variety of funding sources. Ghana's institutional framework and dynamic economy remain key credit supports, with economic growth forecasts of around 5% over the medium term*". It may appear from this admission from Moody's about our strong and disciplined pre-Covid fiscal performance that we are being downgraded due to the efforts we made to recover from the negative impact of the pandemic.

6. Prior to the announcement, between 28th January to 3rd February 2022, Moody's virtually engaged Senior Government Officials of the Ministry of Finance and the Bank of Ghana on various issues. The Moody's team was led by Lucie Villa (Lead Analyst on Ghana at Moody's) and supervised by Matt Robinson. It is worthy to note that Lucie Villa only recently (beginning of Jan 2022) took over as the primary analyst covering Ghana for Moody's. We are very concerned that Ms. Villa may not properly understand and evaluate Ghana's deepening credit story since obtaining our first credit rating back in 2003. She also has not visited the country since assuming the role and as such this downgrade at this critical time was based entirely on a desktop exercise, virtual discussions and what we believe to be the omission of critical data provided.

7. The Government of Ghana is therefore completely puzzled by the decision to downgrade Ghana's credit rating to Caa1, despite the series of progressive engagements we had with the team from Moody's, the quality of the data supplied, as well as the medium-term economic and fiscal focus of the Government, underpinned by key fiscal consolidation reforms such as the policy decision to cut expenditure by 20%, as recently announced by the Minister for Finance.

8. Perhaps, this singular action by Moody's confirms the notion held by many that there is an urgent need for reforms in the conduct of rating agencies given their ownership structure and the ramifications that their actions have on Sovereigns especially in Africa. The call for rating reform which was loud during the peak of the COVID-19 pandemic must be revived as a matter of urgency.

9. The sentiments expressed by the South African Revenue Services Commissioner recently that *"While we understand the underlying factors that the rating agencies point out, we think that during such a time of crisis, where the whole world is recalibrating and redefining its economic status, for any downgrades to be issued during this time is like kicking us when we are down"* ...must guide rating agencies in these unprecedented global difficulties facing economies big and small. We shall actively continue to support the global outcry against this leviathan.

10. Unfortunately, it is also worthy to note that on a regional basis, there is ample evidence that Sovereigns on the African continent in particular have suffered more adverse rating actions than any other continent since the pandemic, despite the fact that the impact of COVID has been relatively manageable in Africa. We are gravely concerned about what appears to be an institutionalized bias against African economies in this aspect, as credit rating analysts assume highly conservative postures and low risk tolerance for African sovereign credits with little regard for the adverse impact on the cost and access of financing for African Sovereigns.

11. The Government of Ghana has therefore decided to formally **appeal** the credit rating decision based on the following;

- The omission of key material information from the assumptions driving some of Moody's forecasts and projections such as the 2022 budget expenditure control measures, 2022 upfront fiscal adjustments and inaccurate balance of payment statistics;

- The appointment of a new primary credit analyst, only four weeks prior to such a major credit rating decision; and the committee's refusal to consider deferring such a monumental rating action until the analyst had enough time to more fully understand both the quantitative and qualitative aspects of the Ghana credit story
- Very far-fetched conclusions made on Ghana's Environmental, Social and Governance credentials (ESG) without any supporting quantitative analysis or data.

12. Unfortunately, Moody's rejected our appeal and went ahead with the downgrade despite all the concerns raised which we believe were not factored into their decision.

The Government wishes to state that it is optimistic about the future as confirmed by other credit rating agencies and remains fully committed to restoring fiscal rectitude in public finances. The recently announced expenditure rationalization measure to decisively strengthen fiscal consolidation of the 2022 budget underscores the government's resolve to address critical concerns over the economy, create jobs for the youth, obtain a positive primary balance and stabilize debt.

13. The Government will continue to pursue ongoing efforts to revitalize the economy amidst the COVID pandemic. In line with this, senior officials from the Ministry of Finance and the Bank of Ghana shall continue to engage the public and investors on the Government's medium-term economic and fiscal strategy.

14. We remain absolutely confident in our resolve to overcome the current challenges with fiscal discipline and growth, in line with the President's vision to build a strong, resilient and prosperous economy and a Ghana Beyond Aid. **End**



**ISSUED BY THE PUBLIC RELATIONS UNIT  
MINISTRY OF FINANCE**

**THE NEWS EDITOR**