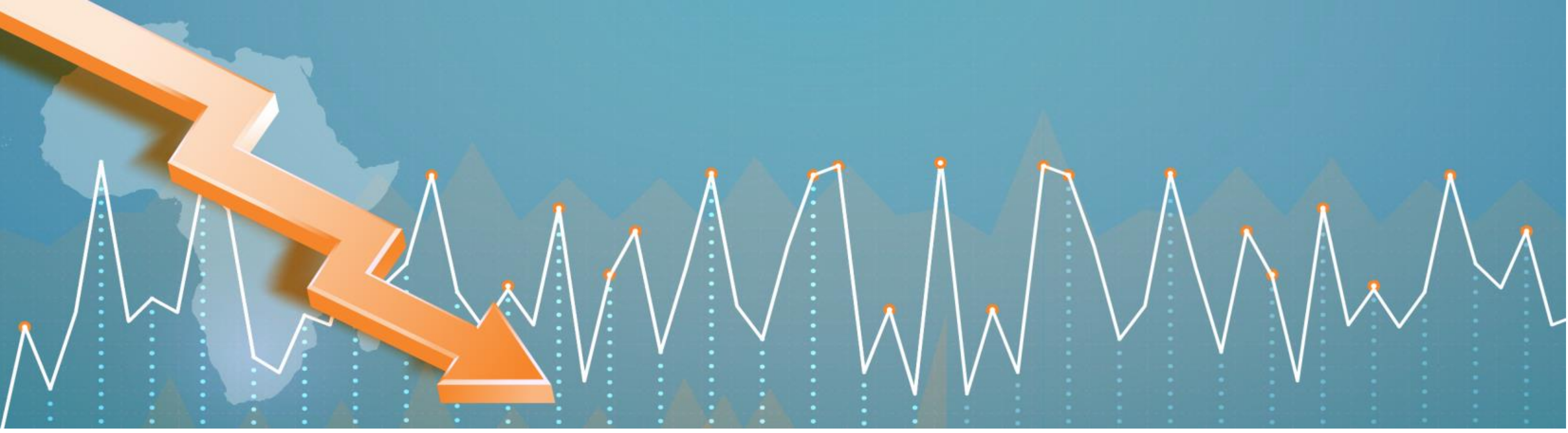


Key takeaways from the network engagement meeting with public debt managers in Africa

25 November 2021

1. Credit rating agencies consider the following as key indicators when accessing country ratings – economic growth, diversification of economic activities, indicators of governance or structures, level of public debt and the dependence on foreign aid and inflows.

2. When considering all economic sectors, Credit Rating Agencies share the view that if something cannot be measured, it cannot be rated for example, the contribution of the informal sector to GDP and employment.

3. Record number of credit rating downgrades and negative outlooks have been recorded in Africa since the outbreak of the COVID-19 pandemic although there are exceptions e.g., Benin.

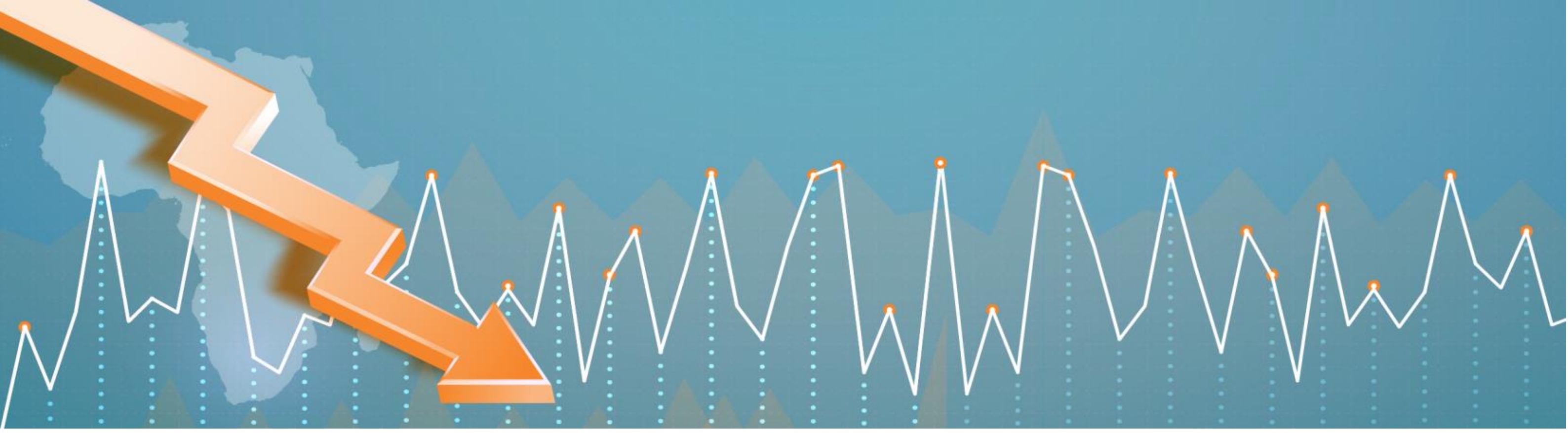
4. The perception and narrative of investors about a country, leads to price determination which could affect the cost of borrowing negatively and eventually investment decisions. This should be proactively managed through communication and transparency.

5. Management of Credit Rating Agencies -

    - part of the national agenda with dedicated persons to be accountable for managing the process on an ongoing basis.
    - public debt managers to be mindful of the risks, uncertainties and vulnerabilities facing the public debt portfolio and report/inform decision and policy makers accordingly.
    - ideally short to medium term strategies should be developed to address any problems or challenges that may affect the credit ratings of countries.

6. Some public debt managers in Africa felt that they might be at the wrong end of credit rating actions due to perceptions and unequal treatment which may negatively affect their spreads when compared to equally rated/ lower rated sovereigns in other regions.

7. To manage high volatility in the country’s risk spreads, Ghana is focusing only on those investors with whom they have a long and stable relationships with, and who are regular buy and hold investors of Ghana government bonds, rather than focusing on speculative or hedge funds.



8. Investors are placing high value on rating actions and credit ratings of individual countries – sharing of reliable information and building trust with credit rating agencies should be a priority for the Public Debt Office (DMO).

9. Public Debt Offices should be open to the opinions of investors and credit rating agencies and must understand the factors that affect their ratings negatively of positively.

10. DMO's have a key role to play in managing credit rating agency relationships to co-ordinate and facilitate credit rating interactions with relevant ministries and other stakeholders on social and economic issues, monetary policies, strength of financial institutions and work done by civil societies.

11. Managing credit rating agencies and investors is about transparency, communication and sharing of regular and accurate information on a continuous basis.