One Hundred and Seventh African Sovereign Debt News Update: Ghana's Bilateral Creditors Close to Issuing Memorandum of Understanding

By:

The African Sovereign Debt Justice Network

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As Ghana continues to experience delays under the G20 Common Framework, sources have described some significant progress that the country has made with its external bilateral creditors on the terms of restructuring the bilateral debt, especially with China. According to the World Bank Country Director, Pierre Frank Laporte, the country's bilateral creditors are close to "*issuing an assurance*" in the form of a Memorandum of Understanding (MOU) that will aid the International Monetary Fund (IMF) Board meeting on Ghana scheduled for January 11, 2024.

The Official Creditor Committee is reportedly close to reaching a deal with Ghana on its debt restructuring". According to Laporte, "*It is for this reason why the IMF has gone ahead to schedule the January 11, 2024 date*". The IMF needs this financing assurance from the bilateral creditors that they will participate fully in Ghana's programme by agreeing to the debt restructuring. The disclosure by Mr Laporte comes at a time when concerns have been raised about the new date the IMF is scheduled to have a board meeting to assess the second review of Ghana's performance under the Fund programme and approve the disbursement of $600 million from the $3 billion bailout package for the country. Initially, the IMF Board was expected to meet on Ghana's programme for the second review in November 2023. However, the challenge in reaching an agreement with China on the debt restructuring compelled the Fund to reschedule the date on two occasions: in the first week of December 2023 and December 21, 2023.

Officials of the Government of Ghana have expressed confidence in securing a deal, especially highlighting the significant progress that has been made with all the bilateral creditors on restructuring of their debt. Ghana's Finance Minister, Ken Ofori-Atta, is on record saying that the government is very confident that it will soon reach a deal with all its bilateral creditors to facilitate the IMF Board meeting on Ghana. He added that "*Ghana will continue with the necessary engagements with all its bilateral creditors to resolve all the concerns that have come up before the new board meeting date of January 11, 2024*".

However, there have been different opinions on this from economic analysts and civil society think-tanks. Associate Finance Professor at Andrews University in Michigan, U.S.A, Williams Peprah, has warned that Ghana might lose time if the country does not opt for a lengthy debt repayment structure with China. Referring to the Zambia and Sri Lanka examples, Prof. Peprah recounted that China was reluctant in granting debt restructuring proposals for these two countries, pushing them into unfavourable economic situations. "*Our government should rather possibly negotiate for a lengthy repayment period. The Chinese are not interested in negotiating debts down because they feel that once they do that, more countries will come forward for similar treatments,* " he said. While Ghana's Finance Minister is expecting that the Chinese are going to give the country a haircut of 20 to 40%, it is not certain. In Zambia's

case, China gave the government a 1.0% haircut on the coupon, which is the interest payment and not on the principal. For Sri Lanka, China lengthened the payment process. Economist and Political Risk Analyst, Dr. Theo Acheampong has also predicted that Ghana will get less that its expected savings for the external debt restructuring. Further, Speaker Alban Bagbin has expressed reservation about successive government's resort to the IMF for bailout during economic crisis. "*No society in the world has been developed through the support of the IMF. So, we have been there 17 times and we are worse off, yet we are going again. Cap in hand, begging for salvation*," he stressed. The Ghana International Trade and Finance Confer¬ence (GITFiC) has since called for debt cancellation for Ghana to give the country some financial relief.

Meanwhile, the World Bank is expected to provide some financial support amounting to $300 million in budget to complement the assistance coming from IMF under the Fund programme. The Bank is working with the IMF to ensure that the necessary pre-conditions are met by Ghana before the necessary financial assistance is given. As such, the World Bank is waiting for Ghana to pass the second review under the Fund programme, before its component of funding is advanced to the country.

As Ghana navigates the complexities arising from its debt crisis, it is equally faced by a galloping inflation, a depreciating currency, a general decline in the quality of life coupled with the high cost of living. It has become clearer that the completion of the review and unlocking of the $600 million disbursement hinges on Ghana's official creditors swiftly reaching an agreement on specific terms of debt treatment. The AfSDJN continues to urge the IMF to actively and urgently commence deliberations on a new comprehensive, fair and effective sovereign debt restructuring mechanism based in the United Nations that would be binding on all creditors, including commercial creditors, and that would make it difficult for hold-out creditors to prevent sovereign debt workouts .

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