One Hundred and Twelfth Sovereign Debt News Update: Ghana Reaches Draft Agreement with Official Creditors on Debt Restructuring Under the Common Framework

By:

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March 6, 2024

In January 2023, Ghana became the fourth country to seek treatment under the Common Framework. Exactly a year later, in a statement dated January 12, 2024, the government of Ghana has announced that Ghana had finally reached an agreement with its official creditors under the G20 led Common Framework for comprehensive debt treatment beyond the COVID-19 induced debt service suspension initiative to restructure $5.4 billion of official creditor debt.

Ghana's journey to arrive at this debt restructuring deal required the restructuring of most its domestic debt. Through the Domestic Debt Exchange Program, Ghana engaged a number of stakeholders to restructure its domestic debt worth 4 billion. This fulfilled a key condition under an International Monetary Fund (IMF) loan. This exchanges of domestic debt were required under an IMF $3 billion loan secured in May 2023.

As highlighted in the One Hundred and Seventh African Sovereign Debt News Update in December 2023, Ghana's bilateral creditors were close to issuing a Memorandum of Understanding (MoU). While the terms of the agreed debt treatment are expected to be formalised in an MoU between Ghana and Official Creditors, which will then be implemented through bilateral agreements with each member of the Official Creditor Committee, this agreement clears the path for the International Monetary Fund (IMF) Executive Board consideration of the first review of Ghana's three-year Extended Credit Facility Arrangement. The country received an upfront disbursement of $600 million when it agreed to the program in May. The second disbursement, which is anticipated to assist with the country's balance of payments, was expected in September 2023 when a visiting team from the Fund would be in the country. However, the IMF insisted on debt relief agreement with official creditors for the disbursement of the second $600m tranche. As such, in light of the recent developments, the IMF Executive Board is due to meet on Friday the 19th of January to consider the first review of Ghana's $3 billion rescue loan programme, with the sign off of the review unlocking the second $600 million disbursement.

In an interview on the sidelines of the World Economic Forum (WEF) annual meeting, Finance Minister Ken Ofori-Atta disclosed that Ghana is seeking to build on the positive momentum achieved in the restructuring process by resuming talks with bondholders. Ghana will continue discussions with holders of its outstanding Eurobonds. Moreover, officials are scheduled to travel to China on January 23, where discussions with China and France, co-chairs of Ghana's Official Creditor Committee, will take place.

The government of Ghana has expressed confidence that the debt treatment, which entails significant flow relief during the programme period, "*will allow for the allocation of additional financial resources towards critical public investments*". Ofori-Atta mentioned that the deal should "*trigger $1.25 billion in*

immediate financing" for the Ghanaian economy. A memorandum of understanding with the bilateral lenders could unlock $300 million World Bank support in Development Policy Operation (DPO) financing. In addition, the World Bank is expected to support the Ghana Financial Stability Fund with US$250 million to help address the impact of the Domestic Debt Exchange Programme (DDEP) on the financial sector.

Kristalina Georgieva, the Managing Director of the International Monetary Fund (IMF), welcomed the debt treatment agreement between Ghana and the Official Creditor Committee, saying, it is consistent with the objectives of the IMF-supported programme. In a statement, Kristalina Georgieva thanked the Official Creditor Committee, especially the co-chairs, China and France, for all their work to reach this agreement. In the meantime, the IMF has notified Ghana that it is monitoring events in the country after the passage of an anti-LGBTQ bill that is now under review in Ghana's courts. The Ghanian President perhaps to pre-empt jeopardizing the IMF's good graces has said that as of March 5, 2024 the anti-LGBTQ bill had not reached his desk for approval.

Ghana's debt restructuring, which is being conducted under the Common Framework, has been a lengthy and strenuous process. Notably, Ghana successfully restructured most of its domestic debt. However, it is imperative to highlight that this is a ***draft*** term sheet on debt relief, thereby requiring further engaging with the Official Creditors to ensure prompt finalization and implementation of the agreed terms. The One Hundred and Fourth Sovereign Debt News Update, which reported the announcement by Zambia that the revised deal to rework $3 billion of Eurobonds could not be implemented due to objections from official creditors, presents as a learning curve for Ghana.

The AfSDJN cautions the government of Ghana to tread carefully by analysing the terms of the MoU, and equally important, ensuring the establishment of consensus among the official creditors. The AfSDJN notes that Ghana's circumstances, as with Zambia's experience, expose the ineffectiveness of the G20 Common Framework in its current form. The AfSDJN contends that this continues to prove the case for 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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