Sovereign Debt News Update No. 173: Debt Restructuring and the Conditions of Debt Relief: Somalia-Spain and Ghana-Belgium

By:

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Recent debt restructuring agreements involving Ghana and Somalia highlight not only the continuing efforts by African governments to secure relief from unsustainable debt burdens, but also the different terms and conditions through which such relief is being delivered. In July 2026, Somalia concluded its final bilateral debt relief agreement with Spain when she signed two agreements; one providing for debt reduction and another establishing a Debt Swap Programme through which the remaining debt would be channelled towards priority development projects, particularly in education and health. In August 2026, Ghana reached an agreement with Belgium to restructure €163 million owed to Belgium's export credit agency, bringing Accra closer to completing its broader external debt restructuring programme.

These developments raise wider questions about the role of bilateral creditors in African debt restructuring, the emergence of debt-for-development swaps as a restructuring instrument, and whether such arrangements complement or operate outside multilateral debt treatment mechanisms such as the G20 Common Framework. Further, the two agreements offer an opportunity to examine the changing terms of bilateral debt relief, while also highlighting an important question for debt justice: to what extent can development commitments attached to debt restructuring constitute a new form of conditionality? The question is particularly relevant in the Somali case, where debt relief is explicitly linked to a debt-for-development mechanism.

Somalia-Spain: Debt Relief Completes Somalia's Paris Club Journey

On 13 July 2026, the Federal Government of Somalia and the Kingdom of Spain signed two agreements in Madrid, a Debt Reduction Bilateral Agreement and a Debt Swap Programme Agreement, completing Somalia's bilateral debt relief arrangements with Spain. The African Legal Support Facility (ALSF), which has supported Somalia since 2020, described the signing as a significant achievement in Somalia's HIPC debt relief process following the country's attainment of the HIPC Completion Point in December 2023. The ALSF's initial support to Somalia's Paris Club negotiations contributed to the cancellation of US$1.4 billion in Paris Club debt, after which it continued to provide legal, financial and strategic advice on the country's bilateral debt arrangements, including the negotiations with Spain. Spain's agreement is therefore significant as the final bilateral debt relief agreement concluded by Somalia with a Paris Club creditor, rather than as a restructuring under the G20 Common Framework.

Under the agreements, a substantial portion of Somalia's outstanding debt to Spain will be cancelled, while the remaining amount will be channelled through a Debt Swap Programme to finance priority development projects. The mechanism is intended to redirect resources that would otherwise have been required for debt repayment towards domestic development priorities. A report by Dawan Africa similarly noted that the agreement was designed to convert debt relief into financing for development projects, with the resources expected to support public services, economic growth and Somalia's sustainable development objectives. The Somali government, however, did not disclose the value of the debt covered by the debt-for-development arrangement, the specific projects to be financed or the timetable for implementation. The ALSF statement only specifically identifies education and health as key areas for the use of the resources generated through the arrangement. The lack of detail will be important to monitor because the developmental impact of the debt swap will depend not only on the amount of debt cancelled or redirected, but also on the conditions governing how the resources are used, who sets the spending priorities, and what mechanisms are in place to ensure transparency and accountability.

The Somalia-Spain agreement also needs to be considered against Spain's wider advocacy for debt-for-development arrangements. A July 2026 contribution published by El Confidencial discussed Spain's efforts to promote a global mechanism through which poorer countries could exchange debt for development. This suggests that the Somali agreement is not necessarily an isolated bilateral initiative, but may also form part of a broader effort to institutionalise the use of debt swaps as a development financing instrument. Spain has previously worked with international financial institutions on approaches designed to redirect debt payments towards development programmes, and its agreement with Somalia provides a concrete bilateral example of that approach. The significance for African debt governance lies in the possibility that creditors may increasingly seek to incorporate development spending commitments into debt settlements, particularly where outright cancellation of the entire outstanding claim is not pursued. For debtor countries, such mechanisms can potentially provide resources for social sectors at a time when conventional development finance remains constrained. Yet from a debt justice perspective, the terms of those conditions remain important: development spending should not become a substitute for sufficient debt cancellation, nor should creditor-defined expenditure conditions undermine national policy space or democratic control over public resources.

Ghana-Belgium: €163 Million Restructured Under the Common Framework

Ghana's agreement with Belgium presents a different model of bilateral debt restructuring. On 21 August 2026, Ghana announced an agreement with Belgium to restructure €163 million owed to Belgium's export credit agency.

Finance Minister Dr Cassiel Ato Forson said the agreement would bring Ghana "closer to completing the debt restructure," while restoring confidence and supporting a more stable economic future. Unlike the Somalia-Spain arrangement, the Ghana-Belgium restructuring forms part of Ghana's wider treatment under the G20 Common Framework. Ghana requested for Common Framework treatment in January 2023, following the escalation of its debt crisis, and subsequently reached agreement with its Official Creditor Committee. The Memorandum of Understanding formalising Ghana's debt treatment with its Official Creditor Committee under the G20 Common Framework was signed by all participating creditors on 29 January 2025, with the agreed terms subsequently to be implemented through bilateral agreements with individual creditors. The Belgium agreement therefore represents the implementation of that broader restructuring framework at the level of an individual bilateral creditor.

The Belgium agreement comes after substantial progress across other parts of Ghana's restructuring programme. According to the IMF's Article IV 2026 review, by June 2026 Ghana had signed debt relief agreements consistent with the Official Creditor Committee's treatment under the G20 Common Framework with more than half of its bilateral creditors, while agreements in principle had also been reached with more than half of its commercial creditors. Ghana had already completed its domestic debt restructuring and its Eurobond exchange, while the remaining US$117.8 million Saderea Notes were exchanged in July 2026. The Belgium agreement therefore concerns a relatively small portion of Ghana's overall debt restructuring perimeter, but its importance lies in helping complete the official bilateral component of the restructuring. By end-June 2026, Ghana had fully restructured approximately US$40.2 billion of the US$41.2 billion in debt within the restructuring perimeter, equivalent to 98%. The development also illustrates a key limitation of the Common Framework: even after an overarching agreement is reached with the Official Creditor Committee, implementation remains dependent on a series of bilateral agreements with individual creditors. This fragmented process can significantly prolong the delivery of debt relief, reinforcing AfSDJN's longstanding criticism that the Common Framework is too slow and procedurally inadequate to provide timely and comprehensive restructuring for countries facing debt distress.

Common Framework or Bilateral Route? Two Different Restructuring Architectures

The contrast between Ghana and Somalia is particularly useful for understanding the fragmented nature of contemporary sovereign debt restructuring. Ghana's bilateral agreement with Belgium is explicitly part of the G20 Common Framework, an architecture established in 2020 to provide debt treatments for eligible low-income countries beyond the temporary Debt Service Suspension Initiative (DSSI). Ghana's official bilateral creditors agreed to a Common Framework treatment designed to be consistent with the parameters of its IMF-supported programme, and bilateral implementation agreements are being concluded creditor by creditor. By contrast, Somalia's case reflects the completion of the HIPC and Paris Club process rather than a new Common Framework restructuring. Somalia reached its HIPC Completion Point in December 2023 and subsequently continued concluding bilateral arrangements with individual Paris Club creditors. The 13 July 2026 agreement with Spain was the final bilateral debt relief agreement with a Paris Club creditor, according to the ALSF. The fact that the remaining Spanish debt is partly channelled into a debt swap therefore does not make the arrangement a Common Framework restructuring. Instead, it demonstrates that bilateral creditors can attach development-oriented mechanisms to debt relief outside the Common Framework. This is an important distinction for African governments and civil society organisations assessing the emerging debt architecture.

The different institutional contexts of the two agreements are also reflected in how the Paris Club records the underlying debt treatments. The Paris Club's records of Spain's debt treatments classify Ghana's 2024 treatment as “Common Framework”, while Somalia's 2024 treatment is classified as “HIPC Initiative Exit”. This distinction is critical. Although both cases involve European creditors and bilateral debt relief, the distinction affirms that they arise from different international debt treatment architectures and different stages of the debtor countries' debt resolution processes. Thus, while the Common Framework remains one mechanism for coordinated debt treatment, but it does not encompass all forms of sovereign debt restructuring. Paris Club arrangements, HIPC-related settlements, creditor-specific agreements and other bilateral mechanisms continue to operate alongside it. For AfSDJN, this fragmented architecture underscores the limitations of relying on creditor-led and non-binding arrangements to address systemic sovereign debt distress. It can also leave greater room for creditor-specific conditions to shape the terms on which relief is provided, including conditions concerning how resources released through debt restructuring are used. The Network has consistently called for a new comprehensive, fair and effective sovereign debt restructuring mechanism under the United Nations that would be binding on all creditors, including commercial creditors, arguing that the Common Framework has been too slow and inadequate in delivering timely and sufficient debt relief.

Debt Swaps as Conditionalities: Opportunity or New Layer of Creditor Influence?

The emergence of debt-for-development swaps within debt restructuring discussions nevertheless raises a broader question for debt justice discourse: when does a development-oriented debt swap provide meaningful fiscal relief, and when can it become another layer of conditionality attached to debt relief? The distinction is important because debt restructuring is ultimately intended to restore debt sustainability and create fiscal space for governments to meet social and developmental obligations. If debt cancellation is insufficient and a debtor is required to redirect part of the resulting fiscal space towards creditor-defined projects, the arrangement may reduce the government's discretion over public expenditure. At the same time, where a swap genuinely reduces debt-service obligations and enables resources to reach neglected social sectors, it can provide a tangible development benefit. As Rodrigo Olivares-Caminal, Rosario Bustillo and Candela Medrano-Marcos explain in their paper, "Debt-for-Development Swaps, a Restructuring Tool for Development," the effectiveness of debt-for-development swaps depends heavily on the debtor country's underlying financial and debt situation and on the existence of robust monitoring, verification and accountability arrangements. They nevertheless recognise that a swap can sometimes operate as a "top-up" to a restructuring, provided that robust monitoring, verification and accountability arrangements are in place. From an AfSDJN perspective, the central issue is therefore not whether debt swaps are inherently positive or negative, but whether they provide additional and meaningful debt relief, preserve debtor-country ownership, protect fiscal space and involve transparent and democratically accountable development commitments.

Conclusion

The agreements involving Somalia and Ghana show that the debate over African debt restructuring is moving beyond the question of whether creditors will provide relief, towards the equally important question of what form that relief will take and what conditions accompany it. The Ghana-Belgium and Somalia-Spain agreements ultimately demonstrate that sovereign debt restructuring remains governed by a fragmented architecture in which the terms, processes and conditions attached to relief can vary according to the creditor and restructuring framework involved. While debt-for-development swaps can potentially create fiscal space and support important social and environmental priorities, they should not substitute for the comprehensive debt reduction required where debt is unsustainable. For AfSDJN, these experiences reinforce the need for a new comprehensive, fair and effective sovereign debt restructuring mechanism based in the United Nations, binding on all creditors, including commercial creditors, and capable of delivering timely and sufficient debt relief.

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