Sixty Third Sovereign Debt News Update: Ghana Requests for G20 Common Framework Restructuring After Hesitation

By:

The African Sovereign Debt Justice Network

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Ghana has formally requested debt relief under the G20 Common Framework for debt treatments beyond the Debt Service Suspension initiative (DSSI) on Tuesday, January 10, 2023. However, the West African country has sought reassurances that the negotiations can be accelerated before proceeding.

Ghana is understood to have reached out to the Paris Club of creditor countries in December 2022 to receive assurances that the Common Framework process could be fast-tracked given the long delays experienced by other countries that have attempted the process.

Chad is the first country to have reached a debt treatment agreement with official and private creditors under the G20 Common Framework. It took Chad

almost two years to come to an agreement with its creditors. Ethiopia also requested debt relief from its creditor governments in early 2021 under the Common Framework initiative, but a 21-month civil war has complicated progress. Zambia is also optimistic about completing a Common Framework deal very soon, having reached a staff-level agreement with the International Monetary Fund (IMF) for an economic program and having had the IMF complete a Debt Sustainability Analysis that will form the basis of its discussion with creditors during the proposed restructuring.

In December of 2022, Ghana launched a domestic debt exchange initiative and suspended payments on its 13 billion dollar Eurobonds, commercial loans and other bilateral obligations. All these steps may signal Ghana's interest in partaking in the Common Framework initiative. A Paris Club official has indicated that the group had received a letter from Ghana's government but has declined to provide additional details. If Ghana receives assurances from the Paris Club, it is understood that the country would quickly sign into the Framework. Similarly, sources close to the IMF noted that *Ghana going through the Common Framework programme was under discussion, the most probable outcome, and the preferred option for the Paris Club*.

While Ghana's finance ministry has not confirmed interest in exploring the Common Framework, the finance minister has noted that the "*Common Framework is plagued with difficulties*" and the government would need speed guarantees to sign up to it in order not to "*derail momentum*." A source has also disclosed that Ghana's request came as part of a virtual presentation by its finance ministry before a group of Ghana's creditors- the Paris Club.

The Common Framework was engineered to deal with impoverished countries' insolvency and protracted liquidity problems and functions together with the IMF-supported reform program. G20 official creditors—traditional "Paris Club" creditors, such as France and the United States, and new creditors, such as China and India, agreed to coordinate to provide debt relief consistent with the debtor's capacity to pay and maintain essential spending needs. The Common Framework requires private creditors to participate on similar terms to overcome collective action challenges and ensure fair burden sharing.

According to the Institute of International Finance, Ghana’s public debt was 467.4 billion cedis ($47.7 billion) in September 2022, of which about $4 billion was bilateral. $1.9 billion of this debt was held by Paris Club countries and $1.7 billion by China.

Consistent with Ghana's hesitation to participate in the G20 Common Framework, the AfSDJN continues to call 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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