Sovereign Debt News Update No. 138: Ghana's Fiscal Path: Insights from Recent Credit Upgrades and Debt Management Efforts

By:

The African Sovereign Debt Justice Network

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Introduction

The upgrade of Ghana's credit ratings from ‘SD’ to ‘CCC+’ by global rating agency S & P Global Ratings arrives at a significant juncture for the country’s economy. This decision notably follows Ghana's demonstrable advancements in restructuring its commercial debt. In January 2025, Reuters reported that Ghana had signed a memorandum of understanding with official creditors which formalized debt restructuring agreements reached in 2024. In March 2025, the country’s Finance Minister Cassiel Ato Forson further commented that the country was now focused on finalizing individual bilateral agreements with its external creditors. In April 2025, the country also finalized its Fourth Review under the Extended Credit Facility Agreement it had with the International

Monetary Fund which would provide USD $370 million upon approval by the IMF Executive Board.

Amidst a backdrop of otherwise positive news, Ghana finds itself in a reported disagreement with Afreximbank concerning a $768.4 million debt. The country asserts this particular debt should be subjected to the same restructuring terms as its other loans, while Afreximbank has claimed otherwise. Perhaps, the resolution of this dispute will be pivotal in Ghana's ability to retain its current credit rating. Afreximbank's controversy with Ghana comes on the heels of an English case Afreximbank successfully brought against South Sudan over unpaid loans and reported in our Sovereign Debt News Update No. 134.

Nevertheless, S&P's foreign currency issuer update, maintains a stable outlook for both Ghana's foreign and local currency ratings, alongside an assessment of transferability and convertibility at CCC+, signals a degree of confidence in the country's near-term economic management and its capacity to navigate existing financial challenges and weather public financial management storms. This sentiment has been echoed by a group, the Gallant Cadres of the country's National Democratic Congress which commended Finance Minister Forson and President John Dramani Mahama for their efforts towards stabilizing the economy and reducing the country's public debt.

This update will address the implications of this rating decision, analyze the factors contributing to the stable outlook, explore the potential role of Ghana's debt disagreement with Afreximbank, and offer a concluding perspective on Ghana's path forward.

S & P's Stable Credit Outlook: An Analysis

The stable outlook assigned to Ghana's sovereign credit ratings is a noteworthy development, particularly when viewed against the backdrop of ongoing economic headwinds, changes to the political climate, and the complexities inherent in large-scale debt restructuring. In the words of development economist Nii Quartey, *'the scale of the crisis the new administration inherits is monumental'*. As stated in the One Hundred and Twenty Eighth Sovereign Debt Update, President Mahama's potential return to the presidency occurred amidst economic challenges stemming from prior heavy borrowing, exacerbated by rising global interest rates, the COVID-19 pandemic, and a significant cost-ofliving crisis in Ghana. Therefore, given the significant challenges the administration faced, an upgrade to the country's credit rating seems particularly commendable.

Several factors which likely underpin the S & P assessment include the successful Eurobond Exchange completed in October 2024 which represents a tangible achievement in Ghana's efforts to alleviate its debt burden. This successful operation has likely reduced immediate repayment pressures and improved the country's debt sustainability metrics, contributing positively to S & P's assessment of its ability to meet future obligations. Such proactive measures often signal a government's commitment to fiscal discipline and responsible economic management.

Furthermore, post-restructuring stability was a determining factor. The stable outlook suggests the perception of the immediate aftermath of the debt restructuring as manageable. While acknowledging the positive momentum of Ghana so far, S&P Global Ratings also tempered optimism with caution regarding Ghana's long-term debt sustainability. Their analysis highlighted the significant proportion of external debt, comprising 62% of total government liabilities, which translates to approximately 49% of Ghana's GDP. This is further corroborated by Finance Minister Forson's comments that over the next four years, the country is expected to pay about GH¢150.3 billion, representing 11.6% of GDP in domestic debt service obligation alone, of which 73.3% are due in 2027 (GH¢57.6 billion) (USD $4.6 billion) and 2028 (GH¢52.5 billion) (USD $4.2 billion).

Additionally, the country's 2025 budget shows a decrease in expenditure, which according to a Bloomberg report, is one of the drivers of the country's upgraded credit rating. While total expenditure is projected at GHS 269.1 billion (USD $21.61 billion) (20.7% of GDP), down from GHS 279.2 billion (USD $22.42 billion) (26.0% of GDP) in 2024, the government anticipates revenue and grants of GHS 223.8 billion (USD $17.97 billion), equivalent to 17.2% of GDP, and also aims to optimize domestic revenue mobilization through broadening the tax base, increasing non-tax revenue collection, adopting enhanced tax collection measures and modernizing tax administration through digitalization. Primary expenditure—excluding interest payments—is estimated at GHS 204.7 billion (USD $16.44 billion) (15.8% of GDP), a sharp decline from GHS 232.4 billion

(USD $18.66 billion) (21.7% of GDP) in 2024.

The maintenance of the transferability and convertibility assessment at CCC+ offers a nuanced perspective. This rating typically indicates that while there are currently no apparent impediments to the transfer and conversion of foreign exchange for debt service, these factors remain vulnerable to adverse economic or political developments. Furthermore, while progress has been made, risks related to Ghana's ability to access and utilize foreign currency still exist and warrant monitoring.

The ratings agency's decision likely takes into account the broader economic context in Ghana, including factors such as inflation trends, fiscal policy implementation, and growth prospects. Inflation, while still elevated at 21.2%, is reportedly on a declining path, primarily driven by the appreciating cedi and lower energy prices. The cedi's positive performance has prompted a growing call for the government to re-engage the capital markets and benefit from the currency's appreciation. This proposition is notable, considering Ghana's forced exit from the international capital market in mid-2022 due to financing hurdles and credit rating downgrades.

Nevertheless, the country's stable outlook may suggest that despite existing challenges, the ratings agency anticipates a degree of resilience or potential for improvement in these key economic indicators. The commitment and effectiveness of Ghana's government in implementing economic reforms and adhering to the terms of its debt restructuring agreements presumably played a crucial role in shaping the perceptions of the US-based rating agency. According to S&P, the outlook reflects a belief that the government will continue on a path of fiscal consolidation and prudent public financial management.

The Afreximbank Debt Restructuring Impasse: What's Next?

It is customary for creditors to agree to concessions such as extended repayment schedules, reduced interest rates, or principal write-downs (commonly referred to as "haircuts") during sovereign debt restructuring exercises to facilitate another country's economic recovery. However, Afreximbank has explicitly declined to incur any losses on its outstanding $768.4 million debt from Ghana. The Cairo-based institution asserts a claim of ‘preferred creditor status’, which, if recognized, would imply full repayment of its loans, senior to other creditors, and exemption from restructuring efforts.

Ghana's Minister of Finance, Cassiel Ato Forson, has however contested Afreximbank's position, stating: *‘Ghana's government does not acknowledge Afreximbank as possessing preferred creditor status, nor do we believe that their debt is senior to any other restructurable debt. The Afrexim debt is integral to our restructurable envelope.’*

If protracted, this dispute could delay Ghana's debt resolution, a process initiated following its default in December 2022. More critically, the ultimate resolution of this disagreement is poised to establish a significant precedent for the treatment of regional lenders, such as Afreximbank, in future sovereign debt negotiations across the African continent. This extends beyond Ghana, potentially influencing restructuring efforts in other financially distressed countries on the continent, including Zambia, Kenya, and Ethiopia.

Conclusion

The affirmation of Ghana's credit ratings with a stable outlook, following its successful Eurobond exchange, offers a cautiously optimistic signal regarding the country's near-term economic prospects. It acknowledges the progress made in addressing its debt vulnerabilities and suggests a degree of confidence in its immediate post-restructuring stability. However, it is crucial to recognize that this upgrade does not signify the end of Ghana's economic challenges. The 'CCC+' rating still indicates a high level of vulnerability, and the stable outlook is contingent on the sustained implementation of prudent fiscal policies and effective public financial management. The significant external and domestic debt burdens, coupled with the inherent risks associated with foreign exchange availability and high debt service payments, remain key concerns for long-term economic sustainability.

On the other hand, resolution of the country’s impasse with Afreximbank will not only determine the swiftness of Ghana's recovery but also establish a critical precedent for how regional lenders participate in future debt restructuring negotiations across Africa, impacting numerous other financially distressed countries. The outcome will undoubtedly shape the landscape of African debt resolution for years to come.

Moving forward, maintaining this stable outlook, and potentially achieving upgrades, will hinge on Ghana's ability to consistently implement sound fiscal policies, foster sustainable economic growth, and navigate any potential external shocks. The successful completion of the Eurobond exchange provides a foundation, but sustained commitment to reform and diligent economic management will be crucial in solidifying investor confidence and ensuring long-term economic stability and prosperity for Ghana. The world will be closely watching Ghana's progress in consolidating these gains and building a more resilient economic future.

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