

Ghana needs debt cancellation, and is right to default until creditors agree

Ghana is in a debt crisis. We welcome the fact the government of Ghana is seeking to restructure its external debt to help resolve the crisis and make the debt sustainable. We also welcome Ghana's suspension of most external debt payments until creditors agree to cancel enough debt to make it sustainable. We however decry the increasing failure to heed heightened warnings by Civil Society on the elevated vulnerability risks of unsustainable debt by Ghana and many African countries amid grossly insufficient measures by governments and international creditors to address this problem that has undermined development progress in Africa for several decades running.

Ghana's lenders, particularly private lenders, lent at high-interest rates because of the supposed risk of lending to Ghana. The interest rate on Ghana's Eurobonds is between 7% and 11%. That risk has materialised with the global Covid pandemic, rising food and energy prices, and increasing global interest rates. Given that they lent seeking high returns, it is only right that following these economic shocks, private lenders willingly accept losses and swiftly agree significant debt cancellation for Ghana.

Ghana's bonds are trading at between 35 and 40 cents on the dollar.¹ This means that bondholders who bought the debt closer to 100 cents on the dollar have already written significant amounts off on their books. And speculators who have bought the debt more recently, since the bonds started falling in price in the autumn of 2021, stand to make huge profits unless there is significant cancellation of the debt.

Some of Ghana's bondholders have formed a committee to negotiate the debt restructuring, with BlackRock, Abrdn, Amundi (UK) limited, Greylock Capital Management and Ninety One on the Steering Committee. They have called for "the timely exchange of detailed economic and financial information among the committee, the Ghanaian authorities and the IMF".² We call for this information to be released to the Ghanaian people as well, including by the bondholders. In particular, the bondholders should release:

- How much Ghanaian debt they each individually own
- When they bought the debt
- What price they paid for the debt

Such a release will be in line with the persistent policy calls by African Civil Society organisations for improved transparency and accountability in the political, institutional and administrative processes in public debt management at all levels as recommended in the African Borrowing Charter.

The debt restructuring needs to make Ghana's debt sustainable with an economy and public spending that meets the basic needs of the people of Ghana. At the least, the amount of debt relief should move Ghana to being at moderate risk of debt distress, with space to absorb shocks, under the IMF's Debt Sustainability Framework.

Ghana has applied for debt restructuring through the G20 Common Framework and has asked for the process to be expedited. We agree that the process should be quick, but it also needs to cancel enough debt to make Ghana's debt sustainable.

¹ Except for the bond partially guaranteed by the World Bank, which threatens to complicate the restructuring, see: <https://www.ft.com/content/fa3fddb7-72a7-475d-81f3-22bb68caaea6?desktop=true&segmentId=d8d3e364-5197-20eb-17cf-2437841d178a#myft:notification:instant-email:content>

² <https://mofep.gov.gh/press-release/2022-12-29/ghana-euro-bondholders-form-representative-committee>

Under the Common Framework, private and bilateral creditors take part in the debt restructuring, but multilateral creditors do not. The average interest rate on Ghana's debt owed to private lenders is 7.5%, while on bilateral debt it is 1.8%, and multilateral debt it is 0.8%.³ Of Ghana's scheduled foreign currency external debt service (principal and interest) between 2023 and 2029:⁴

- 64% is to private lenders
- 20% is to multilateral institutions
- 10% is to China
- 6% is to other governments

This heavy indebtedness on the private creditor side is a continued warning to other African countries courting the Eurobonds and Commercial Debt route of financing development without appropriate policy and legal frameworks in place to safeguard countries in times of difficulty. As it stands now, the key challenge in handling Ghana's debt restructuring is to get private lenders to agree to a significant debt cancellation.

The G20 can help by making clear that Ghana will be politically and financially supported to remain in default on any creditor which does not accept the necessary debt restructuring. Furthermore, Ghana's foreign currency bonds are governed by English law. The UK parliament could update their Debt Relief (Developing Countries) Act to specify that no creditor can sue under English law for more than they would have got if they had taken part in the Common Framework debt restructuring.

The people of Ghana have suffered extensively from the crisis. High inflation has dramatically hit real incomes, while falling public spending per person threatens to reduce access to vital public services. Wealthy private lenders must share in the costs of a crisis they helped to create and cancel the debt.

As the international creditor community focuses on resolving the Ghanaian case, it is worth highlighting that the debt crisis in Africa is a pervasive problem and we seek to draw attention to the Harare Declaration⁵ which decries with enormous concerns the risk of seeing another debt crisis in Africa such as that which unfolded in the late 1980s and 1990s and calls for a reformed international financial architecture through the United Nations, which delivers sustainable development finance to all countries.

Signed-by

Integrated Social Development Centre (ISODEC), Ghana

Ghana Integrity Initiative

Caritas Ghana

Action Aid Ghana

AbibiNsroma Foundation, Ghana

Faith in Ghana Alliance, Accra

Tax Justice Coalition, Ghana

African Forum and Network on Debt and Development (Afrodad)

African Sovereign Debt Justice Network

ACTSA

Christian Aid

CNCD-11.11.11, Belgium

Debt Justice Norway

Debt Justice UK

erlassjahr.de - Entwicklung braucht Entschuldung (Jubilee Germany)

³ Calculated from World Bank International Debt Statistics

⁴ Calculated from World Bank International Debt Statistics

⁵ <https://afrodad.org/campaigns/the-harare-declaration-2021/>

Eurodad – European Network on Debt and Development
The French Platform on Debt and Development
Global Justice Now, UK
Global Policy Forum
International Trade Union Confederation
Jubilee Scotland
Oikos – Cooperação e Desenvolvimento, Portugal
Oxfam
People's Coalition for the Right to Water, Indonesia
Public Services International
Third World Network