

## The potential profit for bondholders if debts are not cancelled



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Ethiopia, Ghana, Sri Lanka, Suriname and Zambia are all seeking a debt restructuring from their private and government lenders to make their debt sustainable. Ethiopia, Ghana and Zambia are doing so through the G20's Common Framework for Debt Treatments. Suriname and Sri Lanka are not eligible for this process – because they are regarded as 'too rich' by the G20 - but are negotiating in a similar way with their governmental and private creditors.

In all of these cases, private lenders have so far refused to cancel enough debt to make it sustainable.<sup>1</sup>

Of the five countries external debts to private lenders, 66% are owed as bonds.<sup>2</sup> The rest are less transparent forms of private company loans, such as loans direct from commercial banks. Bonds are bought and sold on financial markets every day, and the price they are trading at is public knowledge. This means we can compare the current price of the bonds with the face value amount of debt the bondholders claim they are owed.

Doing so shows us how much profit bondholders would make if they were paid in full, compared to if they sold the debt at current market prices, and reinvested this money in buying US government bonds, which also pay interest.

We have calculated the profit figure by looking at the price and payment profile for each individual foreign currency bond of the five countries. The amount of debt payments that would be received if the bonds were paid in full, minus the current price to buy the bonds, is the gross profit, compared to selling the bonds at their current market price.

However, this gross profit is not the best estimate of profit, because if the bonds were sold, the proceeds could be reinvested in safe assets and also receive interest. We have therefore taken away from the profit figure the interest that would be received if the same amount of money were invested in US government bonds, over the same timescale of each individual bond of the five countries.

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<sup>1</sup> In Zambia bondholders have refused to accept the IMF's Debt Sustainability Assessment, the basis for the debt relief deal, using this to hold up negotiations <https://www.reuters.com/world/africa/zambias-bondholders-slam-imf-debt-relief-targets-arbitrary-2022-09-14/>

In Suriname bondholders have rejected the government's debt restructuring proposal <https://www.bloomberg.com/news/articles/2022-07-25/oil-dreams-quash-debt-deal-progress-after-suriname-s-default>

In Ethiopia, bondholders have proposed lengthening the maturity of the debt by five years while keeping the interest rate the same, which would increase Ethiopia's total debt payments and bondholder profit: <https://www.reuters.com/world/africa/some-investors-offering-ethiopia-maturity-extension-2024-bond-sources-2023-02-23/>

In Sri Lanka, bondholders have said they are willing to negotiate, but have said they will take their own view on what level of restructuring will make Sri Lanka's debt sustainable, rather than accept the view of the IMF <https://www.asiaone.com/business/sri-lanka-bondholder-group-letter-imf>

In Ghana, there has not yet been any public statement by foreign currency bondholders

<sup>2</sup> Calculated from World Bank International Debt Statistics database.

We have also calculated how much profit bondholders would have made if they bought the debts when they were first issued, and held them to maturity, and were paid in full – again in comparison to if they had lent the same amount to the US government over the same time period.

Country	Average current market price of bonds (100 = face value)	Average interest rate of bonds	Total amount owed in external bonds, face value	Profit if paid in full, compared to current market price and reinvesting in US government bonds	Profit if bought bonds at issuance and paid in full, compared to lending to US government	Governing law jurisdiction for the bonds
Ethiopia	70	6.625%	\$1 billion	\$0.4 billion	\$0.4 billion	English
Ghana	38	7.9%	\$13.3 billion	\$19.4 billion	\$13.2 billion	English
Sri Lanka	35	6.7%	\$12.6 billion	\$10.4 billion	\$5.1 billion	New York
Suriname	73	9.4%	\$0.6 billion	\$0.3 billion	\$0.4 billion	New York
Zambia	45	7.9%	\$3 billion	\$1.9 billion	\$1.9 billion	English
			\$30.4 billion	\$30.8 billion	\$21 billion	

### Bondholders

There is no requirement for bondholders to disclose their ownership of bonds, and so who owns these debts is largely kept secret. However, the platform Refinitiv does have some ownership data. While not comprehensive, the largest known owners of the bonds are listed below. Collectively we have been able to identify around one-third of bondholders across the three countries, leaving two-thirds hidden.

We do not know when any individual bondholder bought their bonds, and so what their individual profit might be. If they bought the bonds at issuance and are paid in full, they make large profits from the high interest rates. If they bought the bonds recently and are paid in full, they make large profits from the difference between the price they paid for the debt and the face value, as well as future interest payments. And all bondholders stand to make profit if paid in full, compared to the current price they can sell the debt for. The current market price is the standard way bondholders account for the value of their bonds in their books – ie, they have already marked down any loss in value from the fall in price.

Debt Justice has previously found enough information on BlackRock’s ownership of Zambia’s bonds to estimate that they will make 110% profit if paid in full. BlackRock have never responded to Debt Justice or the Zambian Civil Society Debt Alliance’s figures or questions and has refused to provide any comment to Debt Justice.

### Known bondholders for Ethiopia, Ghana, Sri Lanka, Suriname and Zambia (Total bonds \$30,400 million)

Company	Amount of bonds held
BlackRock	\$2,111 million
PIMCO	\$633 million
Fidelity	\$490 million
Eaton Vance	\$452 million
Neuberger Berman	\$409 million
Goldman Sachs <sup>3</sup>	\$382 million

<sup>3</sup> Much of this is holdings reported in Refinitiv as being owned by NNIP. NNIP was taken over by Goldman Sachs in 2022.

Amundi	\$367 million
Capital Group	\$337 million
UBS	\$318 million
T Rowe Price Associates	\$201 million
Total of top ten holders	\$5,700 million
<b>Total of all known holders</b>	<b>\$11,004 million</b>

#### Ethiopia (Total bonds \$1,000 million)

Company	Amount of bonds held
Franklin Advisers	\$84 million
BlackRock	\$77 million
Capital Group	\$48 million
Eaton Vance	\$28 million
Wellington Management Company	\$19 million
abrdrn	\$12 million
UBS	\$11 million
Vontobel	\$8 million
Newton Investment Management	\$8 million
Azimut Capital Management	\$7 million
Total of top ten holders	\$304 million
<b>Total of all known holders</b>	<b>\$387 million</b>

#### Ghana (Total bonds \$13,300 million)

Company	Amount of bonds held
BlackRock	\$787 million
PIMCO	\$234 million
Fidelity	\$171 million
Goldman Sachs <sup>4</sup>	\$143 million
Neuberger Berman	\$124 million
J.P. Morgan	\$124 million
Amundi	\$114 million
Capital Group	\$99 million
UBS	\$95 million
RBC Global Asset Management	\$89 million
Total of top ten holders	\$1,981 million
<b>Total of all known holders</b>	<b>\$4,415 million</b>

#### Sri Lanka (Total bonds \$12,600 million)

Company	Amount of bonds held
BlackRock	\$1,051 million
PIMCO	\$379 million
Fidelity	\$266 million
Neuberger Berman	\$247 million
Eaton Vance	\$215 million
Goldman Sachs <sup>5</sup>	\$208 million
Capital Group	\$190 million

<sup>4</sup> Much of this is holdings reported in Refinitiv as being owned by NNIP. NNIP was taken over by Goldman Sachs in 2022.

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UBS	\$180 million
Amundi	\$173 million
T Rowe Price	\$135 million
Total of top ten holders	\$3,042 million
<b>Total of all known holders</b>	<b>\$4,991 million</b>

**Suriname (Total bonds \$581 million)**

<b>Company</b>	<b>Amount of bonds held</b>
Eaton Vance	\$181 million
T Rowe Price	\$53 million
Grantham Mayo Van Otterloo & Co	\$28 million
Global Evolution Fonds	\$20 million
Morgan Stanley	\$11 million
BlackRock	\$8 million
Frost Investment Advisors	\$8 million
BNP Paribas	\$8 million
Amundi	\$4 million
Kepler-Fonds	\$4 million
Total of top ten holders	\$323 million
<b>Total of all known holders</b>	<b>\$346 million</b>

**Zambia (Total bonds covered \$2,250 million)<sup>6</sup>**

<b>Company</b>	<b>Amount of bonds held</b>
BlackRock	\$187 million
Amundi	\$76 million
Fidelity	\$53 million
MFS Investment Management	\$49 million
Neuberger Berman	\$37 million
Pictet	\$32 million
UBS	\$30 million
Eaton Vance	\$28 million
Legal & General	\$27 million
Grantham Mayo Van Otterloo & Co	\$26 million
Total of top ten holders	\$546 million
<b>Total of all known holders</b>	<b>\$866 million</b>

<sup>6</sup> Refinitiv only has bondholder data for two of the three bonds.