

Analysis of Ghana’s debt restructuring negotiations

Integrated Social Development Centre, Ghana (ISODEC) and Debt Justice UK

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1. Summary

In January it was announced that Ghana had reached an in principle debt restructuring agreement with bilateral creditors. This was followed in April with an announcement that talks had so far failed between Ghana and bondholders. The proposed bond restructuring deal had been rejected by some bondholders as being too much debt relief, while the IMF said it was not enough.¹

We have used the details that have been released about these deals to estimate that the bilateral restructuring deal will mean lending governments will effectively receive 62 cents back for every dollar lent. In contrast, the deal being discussed in April 2024 would have seen bondholders get back 71 cents on the dollar – 15% more than governments, even though they lent at much higher interest rates originally.

For bondholders to give as much debt relief as governments would require them to also reduce the amount they receive back to 62 cents. Compared to the original Net Present Value of the bonds, this would be a 50% cut in total required by bondholders, to match the repayment terms agreed by bilateral lenders.

Restructuring proposal	Amount of nominal debt owed, end 2022 (ie, amount lent)	Estimate of Net Present Value following restructuring proposal	Estimate of effective amount creditor will get back for every \$1 lent
Bilateral creditors	\$5.19 billion	\$3.23 billion	62 cents
April 2024 with bondholders	\$13.1 billion	\$9.31 billion	71 cents

2. Bilateral restructuring

It had been reported that Ghana’s restructuring with bilateral creditors involves:

- No reduction in the principal amount owed
- No payments at all until 2028, and principal payments moved until 2039 to 2041
- There have been no reported changes in the interest rate

From the World Bank International Debt Statistics database, we have calculated that the average interest rate on Ghana’s bilateral debt is 2.8%.

According to the IMF, Ghana owes \$5.19 billion of bilateral debt in nominal terms, and the Net Present Value of this before the restructuring was \$4.71 billion.²

¹ <https://www.prnewswire.com/news-releases/the-government-of-the-republic-of-ghana-and-representatives-of-bondholders-held-constructive-private-discussions-between-16th-march-and-12th-april-2024-302116357.html>

² <https://www.imf.org/en/Publications/CR/Issues/2024/01/25/Ghana-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-544137>

We have estimated that the Net Present Value of the restructured debt will be \$3.23 billion, using a 5% discount rate. This is based on:

- No payments of principal or interest from 2023 to 2027
- Interest payments of 2.8% on outstanding principal from 2028 on
- Principal payments in equal amounts from 2039 to 2041

A Net Present Value of \$3.23 billion means that for every dollar lent (ie, amount owed at end-2022) bilateral creditors are effectively being repaid 62 cents.

3. Bondholders restructuring

According to the IMF, Ghana owed \$13.1 billion in external bonds at end-2022, with a Net Present Value of \$16.49 billion.³

In April 2024 Ghana announced it had been discussing a restructuring scenario with bondholders, but that this had been rejected by some bondholders.⁴ However, they also announced that the IMF have indicated the scenario does not deliver enough debt relief during the IMF's programme in Ghana.

The details of the scenario discussed with bondholders has been released. It includes:

- A \$130 million fee to be paid by Ghana in 2024
- A maximum of \$1.6 billion owed through a new bond which would not have any cut in principal, but which would have an interest rate of 1.5% and be repaid between 2034 and 2043
- The rest of the pre-default principal would have a 33% cut, then be repaid between 2026 and 2038 with interest rates of 5% to 6.5%
- Missed interest payments during the default would be turned into principal, have a 33% cut and be repaid (with no interest) from 2024 to 2030

We estimate that if this deal had been agreed, it would reduce the Net Present Value of Ghana's debt to bondholders to \$9.31 billion. This would mean for every dollar lent by bondholders, they would be repaid 71 cents – 15% more than bilateral creditors are set to receive.

³ <https://www.imf.org/en/Publications/CR/Issues/2024/01/25/Ghana-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-544137>

⁴ <https://www.prnewswire.com/news-releases/the-government-of-the-republic-of-ghana-and-representatives-of-bondholders-held-constructive-private-discussions-between-16th-march-and-12th-april-2024-302116357.html>

4. Ghana external debt owed and average interest rates

Creditor group / creditor	Debt owed, nominal \$ billion, end-2022 ⁵	Debt owed, Net Present Value, end-2022 ⁶	Average interest rate ⁷
Multilateral	\$8.1 billion	\$5.57 billion	1.7%
World Bank	\$4.75 billion	\$3.13 billion	
IMF	\$1.71 billion	\$1.38 billion	
AfDB	\$1.24 billion	\$0.76 billion	
Bilateral	\$5.19 billion	\$4.71 billion	2.8%
China	\$1.03 billion	\$0.91 billion	
UK	\$0.48 billion	\$0.48 billion	
India	\$0.48 billion	\$0.5 billion	
Belgium	\$0.45 billion	\$0.44 billion	
Other Paris Club	\$2.52 billion	\$2.17 billion	
Other non-Paris Club	\$0.23 billion	\$0.22 billion	
Private			
Bonds	\$13.1 billion	\$16.49 billion	7.5%
Other commercial	\$2.83 billion	\$3.14 billion	6.4%
Local currency debt held by non-residents	\$1.61 billion	\$2.48 billion	

⁵ <https://www.imf.org/en/Publications/CR/Issues/2024/01/25/Ghana-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-544137>

⁶ <https://www.imf.org/en/Publications/CR/Issues/2024/01/25/Ghana-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-544137>

⁷ Calculated from World Bank International Debt Statistics database