

# Analysing outcomes from debt restructurings

Debt Justice, October 2024



## Summary

In 2020, the G20 created the Common Framework for Debt Treatments, a new system for restructuring the debts of countries in debt crisis. But the Framework is failing. Only four countries have applied for the debt relief. Chad got no relief, after its main creditor - UK-based company Glencore - refused to give any. Meanwhile, Zambia, Ghana and Ethiopia are still waiting to complete the process - in Zambia's case, approaching four years after first applying.

Ghana and Zambia have now reached deals with their government creditors and private bondholders. But they are still waiting on debt relief from other private creditors. While the debt relief they are getting is significant it is not enough - just one economic or climate shock could push both countries back into debt crisis. Meanwhile Sri Lanka, Suriname and Ukraine have sought to get debt relief in alternative ways after they were considered too rich for the Common Framework - and are set to be left paying significantly more than Ghana and Zambia.

This briefing analyses the debt restructuring deals in Chad, Ghana, Sri Lanka, Suriname, Ukraine and Zambia. It finds that:

- Following debt restructurings, these countries will still be paying an average of 20% of government revenue on external debt payments. This is higher than two-thirds of lower income countries pay. Ghana and Zambia will have the lowest payments (15%-20% of government revenue) while Sri Lanka and Suriname will have the highest (26%-27%+).
- On average private creditors are being repaid 28% more than government creditors. Ghana is the one case where bondholders are not being paid more than bilateral creditors.
- Private lenders will still make \$14 billion of profit after the restructurings - a profit of 38% on what was lent (or the price bonds were bought at). The amount of profit depends on when bonds were bought and what payment scenarios are triggered on the restructured debt. However, we find no scenarios in any country where private lenders make a loss.
- Default and restructurings have cut the six countries' external debt by 18% on average in net present value terms, over \$30 billion. This amount could increase if non-bond private creditors are included in restructuring, but could also fall if triggers for higher debt payments are met in Sri Lanka, Suriname, Ukraine and Zambia.

The delays and uncertainties around the Common Framework mean that most countries in debt crisis, such as Kenya and Pakistan, are not using it but are continuing to pay in full. This is having huge costs on government budgets and in economic stagnation. But the governments which have undertaken restructurings are still better off than if they had continued paying in full. And while we conclude that the debt restructuring deals that have been signed do not offer enough relief, this is due to the intransigence of creditors and the weaknesses of the debt restructuring system, rather than negotiating failures on the part of debtor governments.

The Common Framework needs urgent improvements to make it more attractive and successful, including:

- Guaranteeing a legal suspension of payments to bilateral and private creditors when countries apply
- Making clear how much debt relief is on offer before applying
- Requiring enough debt relief to reduce a country to “moderate” risk of debt distress with “substantial space” to absorb a shock, so no negative event pushes a country straight back into debt crisis
- A faster process, including means to ensure all creditors comply with debt relief rather than drag out negotiations in the hope of being paid more
- Making it available to all countries in debt crisis

90% of debts owed to private companies by countries eligible for the Common Framework are governed by English law. The UK government should champion the above changes to the Common Framework, and in doing so should offer to change UK legislation so that

- There is a legal automatic suspension of payments when a country applies to the Framework, so long as they continue to negotiate in good faith
- No creditor can demand more than other creditors through UK courts<sup>1</sup>

If this legislation had existed, Glencore would not have been able to hold out on granting debt relief for Chad. There would have been greater pressure on Zambia and Ghana’s reluctant private creditors to reach deals in line with those agreed with bilateral creditors and bondholders. And private creditors would have more incentive to reach quick but effective debt relief deals.

Legislation by itself cannot solve all of the problems of the Common Framework, but it is a necessary part of reform. Creditors such as China have been reluctant to go

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<sup>1</sup> See Connelly, S., Patrício Ferreira Lima, K., and Tan, C. (2024). UK parliament responses to deal with sovereign debt crises: Proposals for legislative reform. GLOBE Centre and CBLP Briefing Paper. February 2024.

[https://warwick.ac.uk/fac/soc/law/research/centres/globe/policybriefs/uk\\_parliament\\_responses\\_to\\_deal\\_with\\_sovereign\\_debt\\_crises\\_proposals\\_for\\_legislative\\_reform.pdf](https://warwick.ac.uk/fac/soc/law/research/centres/globe/policybriefs/uk_parliament_responses_to_deal_with_sovereign_debt_crises_proposals_for_legislative_reform.pdf)

further on debt relief because of a fear that any action they take will not be matched by Western private creditors (as happened with the Debt Service Suspension Initiative, where China suspended payments, but Western private creditors refused). Therefore, the UK needs to offer to take action to ensure private creditors comply with more ambitious debt relief, to get others in the G20, such as China, to agree to more ambitious action.

## 1. Introduction

Since the Covid pandemic began, six countries have made progress with debt restructuring negotiations: Chad, Ghana, Sri Lanka, Suriname, Ukraine and Zambia. While in only two of these is the process complete (Chad and Suriname), this briefing analyses the current expected outcomes from these restructurings.

We look at four different measures:

1. What a government's external debt payments are expected to be, as a proportion of government revenue, after the restructuring
2. How much bilateral and private creditors are getting back compared to each other
3. How much profit private lenders will still make, after the restructurings
4. The amount of debt relief achieved through defaulting and restructuring, in net present value terms

The briefing analyses the situation as of September 2024. The current restructuring situation in each country is:

- **Chad:** Completed the "restructuring" in autumn 2022, but did not get any debt relief
- **Ghana:** Has reached restructuring agreements with bilateral creditors and bondholders. No agreements have been announced with non-bond private creditors, so this briefing does not include these debts in the analysis.
- **Sri Lanka:** Has reached a restructuring agreement with bilateral creditors. Has reached an in-principle agreement with some bondholders, but this has to be ratified by parliament and put to a vote of all bondholders. No agreements have been announced with non-bond private creditors, so this briefing does not include these debts in the analysis.
- **Suriname:** Has completed restructurings with bilateral creditors and bondholders
- **Ukraine:** Has reached an agreement with bondholders. Bilateral creditors have suspended all payments until 2027, when a restructuring is then expected to take place. No agreements have been announced with non-bond private creditors, so this briefing does not include these debts in the analysis.

- **Zambia:** Has reached restructuring agreements with bilateral creditors and bondholders. No agreements have been announced with non-bond private creditors, so this briefing does not include these debts in the analysis.

In the restructuring deals and proposals in Suriname, Sri Lanka, Ukraine and Zambia, payments increase, particularly to private creditors, if certain outcomes happen – usually, but not always, GDP being higher than expected by the IMF. These kind of contingent repayments in restructuring deals are not usually being matched by falls in payments if outcomes are worse than expected.<sup>2</sup> While the use of these clauses is increasing, they are not yet standard practice: in the Ghana deal there is no clause to increase payments on better outcomes.

### **1.1. Debt payments after restructuring**

We have generally calculated external debt payments after restructurings from IMF documents. These estimates are therefore based on IMF predictions of economic growth and change in government revenue and debt payments, which have historically tended to be overoptimistic.<sup>3</sup>

We find that Sri Lanka and Suriname will still be left paying respectively 26% and 27% of government revenue on external debt payments after the restructurings. This will keep them in the top 20 highest lower-income countries for external debt payments. Neither Sri Lanka nor Suriname were made eligible by the G20 for the Common Framework for debt restructuring. The IMF uses a different Debt Sustainability Analysis for them than it does for Chad, Ghana and Zambia, because it regards Sri Lanka and Suriname as richer and less vulnerable.

Zambia has potentially the lowest debt payments, averaging 14.8% of government revenue after the restructuring, but rising to 20.3% if there are just minor improvements in the Zambian economy, triggering higher debt payments on the restructured debt. We estimate Ghana will have external debt payments averaging at least 15.3%, but the IMF have not released figures yet, so this might well be higher. Chad is a different case because its debt payment burden was short- rather than medium-term. It needed debt relief between 2021-2023 and didn't get it, leaving the government paying 18.2% of government revenue on external debt payments during this period.

On average across the five countries which we have estimates for, governments will be left paying over 20% of government revenue on external debt payments despite

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<sup>2</sup> Only the proposed deal with bondholders in Sri Lanka has a fall in debt payments on worse outcomes.

<sup>3</sup> <https://www.imf.org/en/Publications/WP/Issues/2020/11/08/Optimism-Bias-in-Growth-Forecasts-The-Role-of-Planned-Policy-Adjustments-49804>

restructuring their debts, a higher rate than two-thirds of lower-income country governments pay.<sup>4</sup>

**Table 1. Summary of external debt payments after restructuring**

Country	Estimated government external debt payments as percentage of government revenue, post-restructuring
Chad	18.2% (2021-2023)
Ghana	15.3%
Sri Lanka	26.3% (baseline)
Suriname	27.2% (baseline)
Ukraine	N/A <sup>5</sup>
Zambia	14.8% (baseline) 20.3% (higher payments)
Average	20.4% (baseline)

**Box 1. Net present value**

Net present value is a way of calculating debt owed including the interest and principal payment schedule. The concept is based on the idea that the same nominal payments in the future are worth less than now. The reason why future payments are worth less is different depending on whose perspective a deal is looked at, but include inflation, economic growth and where else the money could have been invested. The IMF uses a discount rate of 5%.

In this briefing we use the IMF 5% discount rate for calculations of net present value, on the assumption that debtor government revenue will increase 5% a year in nominal terms, due to inflation and economic growth. When calculating profit for bondholders, the discount rate we use is the interest rate on US government bonds at the time the bondholder investment was made, for the duration of all the debt payments being covered.

**1.2. Comparison of payments to bilateral and private creditors**

To compare payments to bilateral and private creditors, we have calculated the net present value of the cash flows scheduled to creditors, from the date the debt restructuring negotiations commenced, so including periods of default. For this calculation we have used the IMF’s discount rate of 5%. We then compare the amount the creditor group is due to receive in net present value terms to how much debt stock was owed at the start of the restructuring process (i.e. the amount lent).

<sup>4</sup> We have calculated from World Bank and IMF sources the external debt payments as a percentage of government revenue for 87 low-income, lower-middle income and Small Island Developing States. This finds that two-thirds of these countries currently pay less than 20% of government revenue on external debt payments.

<sup>5</sup> There is not enough information in IMF documents about future debt payments to estimate

This gives a percentage for how much a creditor group is due to receive compared to how much it lent, which can then be compared between creditor groups. This assumes the debt payments will be met in full and on time.

We believe that this is the best method to compare creditor participation in debt relief, because it directly compares how much a creditor will get back after debt relief with how much was lent. Alternative methods, like looking at the percentage reduction in the net present value, perversely say a lender is giving more relief the higher the interest rate it charged originally – because a higher interest rate means a higher starting amount for the net present value.

Suriname's bondholders will get paid at least 39% more than bilateral creditors, which could rise to 104% if payments of oil revenue to bondholders are met. In the baseline restructuring cases in Zambia and Sri Lanka, bondholders are also being repaid more than governments (25% and 21% more respectively in the two countries' baseline cases).

In Sri Lanka, bondholders get paid more if Sri Lanka's GDP does better than expected by the IMF, and less if it does worse. There are no corresponding changes in payments to bilateral creditors. In the highest payment scenario, bondholders would get repaid 40% more than government creditors, while even in the lowest payment scenario, they still get repaid 4% more. In Zambia, both bondholder and bilateral payments increase on tiny improvements in the Zambian economy compared to what was expected, though the higher payments are more likely to be triggered for bondholders than bilateral creditors.

In Chad there was no meaningful debt restructuring, but its private creditors are still being paid 58% more than bilateral creditors, based on the higher interest rates they lent at originally. In Ukraine, bondholders are set to start being repaid later in 2024, while bilateral creditors have agreed to suspend all debt payments until 2027, when a restructuring will then be completed. This means the bondholder restructuring cannot be compared to the bilateral one – other than to say that bondholders are receiving payments for three years, while government creditors are not.

Ghana is the one case where bilateral creditors and bondholders are being repaid similar amounts. While the full information about the bilateral deal has not been made public, we estimate bondholders are receiving slightly less than bilateral creditors.

Across these five cases, on average private creditors are being repaid 29% more than government creditors.

**Table 2. Summary of amount more private creditors are being repaid than bilateral**

Country	Amount more private creditors are receiving compared to bilateral creditors, after restructuring
Chad	58%
Ghana	0%
Sri Lanka	21% baseline (6%-40% range across scenarios)
Suriname	39% (baseline) - 104% (maximum)
Ukraine	Unknown - bilateral creditors have extended suspension to 2027, following which there will be a restructuring.
Zambia	23% (Baseline) 31% (Higher payments)
Average	28% (Baseline)

### 1.3 Private sector profit

To estimate private sector profit following restructuring deals we have used two methods. Firstly, we assume bondholders bought the debt at face value when it was issued and have held it ever since. We calculate the total cash flow received on the original bond, the lack of payments during any default, and then the new cash flow from the restructured bond.

We discount the cash flows by the interest rate lenders could have got if they had lent to the US government at the time the bond was first issued, over a time period covering the whole length of the payments - original and restructured. We have done these calculations for each bond. The estimated profit is how much more the lender will make than if they had lent to the US government instead, and it assumes that bondholders will be paid in full on the restructured debt schedule.

However, bonds are being bought and sold every day. Many current bondholders will have bought the bonds more recently than when they were issued. And all of the countries that are restructuring debt have had bonds trading at well below their face value, in some cases for many years. For example, Zambia's bonds have traded well below face value since early 2018.

To estimate potential profit for more recent buyers of debt, we have used the average price over a period of years after a country's bonds have fallen in value. We have then calculated the cash flow from that date, including the period of default, and discounted it by the interest rate that lenders could have got from the US government at that date, and over the period of time of the cash flow. We then compare this present value amount with the amount paid for the bonds, to calculate the potential profit. The estimated profit is how much more the bond buyer will make than if they had lent to the US government instead, and it assumes that bondholders will be paid in full on the restructured debt schedule.

In cases where there are changes in payments based on future outcomes (Sri Lanka, Suriname and Zambia) we have done both sets of calculations for all bonds for the baseline, and the lowest and highest payments for bondholders.

This gives a range of scenarios, all of which could apply to individual bondholders, but none of which will apply to all bondholders. To calculate a central estimate for the profit private creditors could make in total, we have assumed that:

- Half of bonds have been held since they were first issued
- Half were bought at the average price over recent years
- Where there are changes in payments, the lowest, baseline and highest scenarios are all equally likely<sup>6</sup>

Using this methodology, our central estimate is that private lenders will still make \$14 billion of profit following the restructurings across the six countries, if paid in full on the restructured debt. This is a profit compared to if lenders had lent to the US government instead and is 38% of what was lent or what was paid for the debt. Such high profits are possible despite “haircuts” on the debt, because of the high interest rate paid prior to restructuring, or the low prices bonds were being bought at in recent years.

In all scenarios, we estimate that private lenders will make a profit. The lowest possible profit is \$1.9 billion – which assumes all bondholders bought the debt at face value when it was issued, none of the upside payment triggers are met in Ukraine, Zambia and Suriname, and the lowest downside triggers are met in Sri Lanka. The highest possible profit is \$26 billion, which assumes all bonds were bought in recent years, and all the highest upside payment triggers are met in Sri Lanka, Suriname, Ukraine and Zambia. Both the \$1.9 billion and \$26 billion figure are unrealistic – we think the \$14 billion estimate is a reasonable central case.

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<sup>6</sup> Only in Sri Lanka are there lowest, baseline and highest scenarios, which we have treated as all equally likely. In the other cases where payments could vary in the future – Suriname, Ukraine and Zambia, there are only baseline and higher payments. In these we have treated both baseline and higher payments as equally likely.



**Table 3. Summary of private lender profit after restructuring**

Country	Central profit estimate, \$ million	Central profit estimate, %	Lowest profit estimate, \$ million	Lowest profit estimate, %	Highest profit estimate, \$ million	Highest profit estimate, %
Chad	\$140m	9%	\$140m	9%	\$140m	9%
Ghana	\$2,815m	28%	\$242m	2%	\$5,389m	74%
Sri Lanka	\$3,626m	38%	\$422m	3%	\$7,051m	108%
Suriname	\$542m	80%	\$328m	49%	\$756m	112%
Ukraine	\$6,031m	50%	\$890m	5%	\$11,074m	228%
Zambia	\$886m	38%	\$127m	4%	\$1,670m	99%
<b>Total / weighted average</b>	<b>\$14,040m</b>	<b>38%</b>	<b>\$1,900m</b>	<b>4%</b>	<b>\$26,080m</b>	<b>115%</b>

#### **1.4 Amount of debt relief**

Following debt restructuring, countries are still heavily indebted, private creditors are generally being repaid more than public creditors and private creditors are still making profits. However, the governments which have undertaken restructurings are still better off than if they had continued paying in full.

We estimate that defaults and restructurings have cut the net present value of the six countries debt by an average of 18%. This amounts to savings of over \$30 billion. These amounts could increase if non-bond private creditors are included in debt restructuring on similar terms to other creditors (rising to 21%). However, these calculations are for the baseline deals – the amount of debt relief could also fall dramatically if triggers for higher payments are met in Sri Lanka, Suriname, Ukraine and Zambia.

The largest amount of relief is in Ghana, where the net present value of the debt is set to fall by 31%. This reflects the higher amount of relief, and the fact a greater proportion of Ghana's creditors are included in the restructuring. Zambia and Ukraine are receiving similar levels of relief from creditors included in the restructuring, but they have more external debt excluded (or not yet included through non-bond private debts for which deals have not yet been announced). Chad has received no relief and Suriname very little.

Table 4. Summary of debt relief by country

Country	Amount of debt relief achieved through default and restructuring (\$ million, net present value terms), baseline cases	Percentage reduction in NPV of external government debt	Percentage reduction in NPV if non-bond private creditors match bondholders relief	Percentage reduction in NPV of debt included in external government debt restructuring
Chad	\$0	0%	0%	0%
Ghana	\$9,282m	31%	36%	44%
Sri Lanka	\$6,314m	17%	19%	26%
Suriname	\$165m	7%	8%	13%
Ukraine	\$12,041m	21%	23%	44%
Zambia	\$4,324m	29%	38%	46%
<b>Total / unweighted average</b>	<b>\$32,126m</b>	<b>18%</b>	<b>21%</b>	<b>29%</b>

## 2. Chad

Table 5. Estimate of Chad's external debt prior to Common Framework debt restructuring<sup>7</sup>

Creditor group	NPV of debt, \$ million	% of debt owed
Private	\$1,257 million	53%
Bilateral	\$602 million	26%
Multilateral	\$493 million	21%
<b>Total</b>	<b>\$2,352 million</b>	

Chad applied for a debt restructuring through the G20 Common Framework at the start of 2021. At the time, we estimate that over half of Chad's debt, in net present value terms, was owed to private creditors – primarily the consortium led by Glencore.

<sup>7</sup> Neither the IMF or World Bank routinely report on the Net present value of debt owed. The World Bank says Chad's external debt was \$2,352 million in net present value terms in 2022. We have calculated the private and bilateral NPVs from debt service cash flows from IMF country documents <https://www.imf.org/en/Publications/CR/Issues/2023/01/12/Chad-First-and-Second-Reviews-Under-the-Extended-Credit-Facility-Arrangement-Requests-for-528092>. Our figure for multilateral debt is a remainder of what NPV is left after subtracting the private and bilateral estimates from the World Bank overall figure.

During its debt relief negotiations Chad continued paying private and bilateral creditors in full. In autumn 2022 it agreed a deal with creditors which made no changes to bilateral debt payments, and moved some payments to its main private creditor, a consortium led by Glencore slightly into the future. Bilateral creditors said negotiations could be reopened if oil prices fell. The oil price is currently down 20% since October 2022,<sup>8</sup> but no restructuring renegotiation has been announced.

The details of the debt relief agreements have never been made public. The IMF have published debt service data to external private and bilateral creditors from 2022 on.<sup>9</sup> The World Bank has historical data on payments to the Glencore consortium from 2014 to 2021.<sup>10</sup> These allows us to estimate Chad's external debt payments by creditor groups.

Chad had a problem with external debt payments from 2021 to 2023. This was not addressed by the debt restructuring process. External debt payments were 16.8%, 19.5% and 18.4% of government revenue across these three years, well above the IMF's sustainability threshold for Chad of 14% of government revenue.<sup>11</sup> Payments to the Glencore consortium accounted for 75% of external debt payments in 2022 and 2023.<sup>12</sup>

Chad applied for debt relief through the Common Framework to deal with the spike in payments between 2021 and 2023, but no debt relief was given to help with it. The IMF told us in conversations that Chad could not suspend payments to Glencore because the contractual basis of the contracts, with oil shipments as collateral, made this impossible. We don't know how true this is because the contracts have never been published, but work-arounds could have been considered, such as a change to English law (the legal jurisdiction for the debts) to enable a suspension of payments on application for the Common Framework.

Because the payments were not suspended, Glencore delayed negotiations while it continued to be paid. Chad was able to make the payments to Glencore because of new loans from the IMF, which effectively bailed the consortium out.

Chad's external debt payments have now started falling below the IMF thresholds, but this is no thanks to debt relief. In the years Chad needed debt relief, it did not get it. What Chad has done is cut government spending. Between 2020 and 2024

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<sup>8</sup> EG, Brent Crude was \$92 in October 2022, and in September 2024 it is \$72

<https://www.bloomberg.com/quote/CO1:COM>

<sup>9</sup> <https://www.imf.org/en/Publications/CR/Issues/2023/01/12/Chad-First-and-Second-Reviews-Under-the-Extended-Credit-Facility-Arrangement-Requests-for-528092>

<sup>10</sup> World Bank International Debt Statistics database.

<sup>11</sup> <https://www.imf.org/en/Publications/CR/Issues/2023/01/12/Chad-First-and-Second-Reviews-Under-the-Extended-Credit-Facility-Arrangement-Requests-for-528092>

<sup>12</sup> Calculated from <https://www.imf.org/en/Publications/CR/Issues/2023/01/12/Chad-First-and-Second-Reviews-Under-the-Extended-Credit-Facility-Arrangement-Requests-for-528092>

Chad's real public spending per person has been cut by 9%, and is expected to be cut by 15% by 2026.<sup>13</sup>

The Glencore consortium is being repaid far more than bilateral creditors. Based on the IMF and World Bank debt service data, we estimate private creditors are being repaid \$1.14 for every \$1 lent from the start of Chad's application to the Common Framework. In contrast, bilateral creditors are effectively receiving 72 cents for every dollar lent.

In total, over the full length of the Glencore loan and repayments, we estimate the consortium is making \$140 million more than if they had lent to the US government at the same time over the same repayment period.

**Table 6. Chad: Comparison of payments to private and bilateral creditors**

Creditor group	Nominal amount owed, end-2020	Net present value, based on current payment schedule from start-2021 on	For every \$1 lent, creditor group will receive
Private	\$1,106 million	\$1,257 million	\$1.14
Bilateral	\$837 million	\$602 million	\$0.72

### 3. Ghana

**Table 7. Ghana's external debt prior to debt restructuring<sup>14</sup>**

Creditor group	NPV of debt, \$ million	% of debt owed
<b>Private, total</b>	<b>\$19,632 million</b>	<b>66%</b>
Bondholders	\$16,490 million	55%
Non-bond private creditors	\$3,142 million	11%
<b>Bilateral</b>	<b>\$4,713 million</b>	<b>16%</b>
<b>Multilateral</b>	<b>\$5,574 million</b>	<b>19%</b>
<b>Total</b>	<b>\$29,920 million</b>	<b>100%</b>

Ghana defaulted on private and bilateral external debt in late 2022 and then started a restructuring through the G20 Common Framework. It reached a restructuring deal with bilateral creditors in January 2024, and an in-principle deal

<sup>13</sup> Calculated from IMF. Figure is real public spending per person not including interest and debt payments <https://www.imf.org/en/Publications/CR/Issues/2021/12/15/Chad-Request-for-a-Three-Year-Arrangement-under-the-Extended-Credit-Facility-Press-Release-511043>

<sup>14</sup> From the IMF <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 removed domestic currency debt owed to external creditors from this table because it was restructured through the domestic debt restructuring process

with bondholders in July 2024 which is currently being voted on. No deals have yet been announced with other private creditors, which amount to over \$3 billion.<sup>15</sup>

The deal with bondholders cancels 32% of principal payments and 37% of defaulted interest. The remaining defaulted interest is repaid between 2024-2030, with no additional interest. The principal is then repaid from 2026-2037. Mostly at 5%-6% interest, with \$1.6 billion at 1.5% interest. There are no increases or falls in payments due to changes in circumstance.<sup>16</sup>

The deal with bilateral creditors does not cancel any debt, but no payments at all are made until 2028. The full details have not been made public, but the principal is due to be repaid around 2040. We assume the interest remains unchanged, at an average of 2.8%.

We estimate that the deals with bondholders and bilateral creditors have reduced the net present value of Ghana's external debt by 31% (for these two creditor groups it is a reduction of 44%). There have been no public announcements about deals with non-bond private creditors, so we have not included these in the calculations. If non-bond creditors reduce debt payments by the same amount as bondholders, this will take the total debt relief to 36%.

**Table 8. Ghana's debt relief achieved through the restructuring<sup>17</sup>**

Creditor group	NPV of debt, \$ million, before debt relief	NPV of debt, \$ million, after debt relief <sup>18</sup>	Percentage reduction
Bondholders	\$16,490 million	\$8,450 million	
Non-bond private creditors	\$3,142 million	\$3,142 million	
Bilateral	\$4,713 million	\$3,471 million	
Multilateral	\$5,574 million	\$5,574 million	
<b>Total</b>	<b>\$29,919 million</b>	<b>\$20,638 million</b>	<b>31%</b>

<sup>15</sup> World Bank International Debt Statistics database and <https://www.imf.org/en/Publications/CR/Issues/2024/01/25/Ghana-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-544137>

<sup>16</sup> <https://www.prnewswire.com/news-releases/the-government-of-the-republic-of-ghana-and-representatives-of-bondholders-reach-an-agreement-in-principle-on-the-terms-of-the-eurobonds-restructuring-302179981.html>

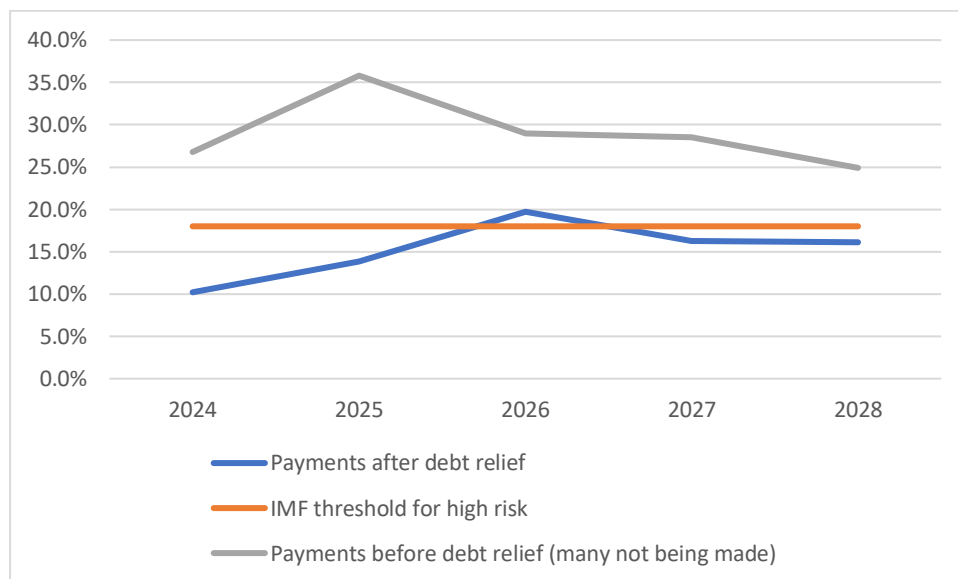
<sup>17</sup> Bondholder and bilateral NPV after debt relief has been calculated based on the publicly released information from creditors. We have not seen any announcements about restructuring of the non-bond private debt, so have not included any debt relief on this <https://www.prnewswire.com/news-releases/the-government-of-the-republic-of-ghana-and-representatives-of-bondholders-reach-an-agreement-in-principle-on-the-terms-of-the-eurobonds-restructuring-302179981.html> <https://www.bloomberg.com/news/articles/2024-01-17/ghana-wins-debt-moratorium-until-2026-from-official-creditors>

<sup>18</sup> This is just on the debt owed before the restructuring, it does not include new loans or debt payments made since

The IMF have said that the restructuring and IMF programme in Ghana should move the country to “moderate” risk of debt distress by the end of the IMF programme in 2026. Ghana is rated as a “medium” debt carrying capacity country by the IMF, so this implies that government external debt service payments should be less than 18% of government revenue. However, the IMF has not published what they expect Ghana’s debt service to be, given the restructuring deals which have been agreed so far.

Debt Justice and ISODEC have estimated that Ghana’s external debt payments will be below the IMF threshold in 2024-2025, and 2027-2028, but go above them in 2026.<sup>19</sup> This estimate is based on partial information.

**Graph 1. Ghana estimated external debt payments, percentage of government revenue, 2024-2028**



Ghana is the one case where it appears that bondholders are being paid back less than bilateral creditors. We estimate bondholders are receiving 64 cents for every dollar owed as of end-2020, while bilateral creditors are receiving 67 cents. However, the full details of the bilateral deal have not been published so this is based on incomplete information.

While Ghana is getting more debt relief than other countries in this study, whether due to the scale of relief not being enough, or the fact the process is still not complete, vital confidence has not been restored to financial markets. The cedi has been falling against the dollar since mid-2023, and this slide continues. This has contributed to high inflation, which is still over 20% a year as of August 2024.

While Ghana looks like the case with the largest amount of debt relief from private creditors, those creditors are still unlikely to make losses. For buyers of the original

<sup>19</sup> [https://debtjustice.org.uk/wp-content/uploads/2024/07/Ghana-restructuring-situation\\_07.24.pdf](https://debtjustice.org.uk/wp-content/uploads/2024/07/Ghana-restructuring-situation_07.24.pdf)

bonds, across the lifetime of the original and restructured bonds, they will make 2% more than if they had lent to the US government. However, on a majority of individual bonds buy-and-hold lenders will have made a loss – most of the profit is accounted for by Ghana’s \$1 billion 10.75% interest bond, which was partially guaranteed by the World Bank. The high interest rate, and World Bank guarantee, means we estimate buy-and-hold bondholders will make 66% profit from that bond alone.

However, many of Ghana’s bondholders will have bought bonds more recently. Ghana’s bonds traded well below face value for 9 months during 2020. Their price then fell rapidly from late-2021 on and have been trading at between 30 cents and 50 cents on the dollar since early 2022. We estimate that buyers of bonds at 53 cents, the average price from September 2021 to September 2024,<sup>20</sup> would make 74% profit compared to lending the same amount to the US government.

**Table 9. Ghana: Comparison of payments to private and bilateral creditors**

Creditor group	Nominal amount owed, end-2022	Net present value, based on current payment schedule from start-2023 on	For every \$1 lent, creditor group will receive
Bondholders	\$13,104 million	\$8,450 million	64 cents
Bilateral	\$5,186 million	\$3,471 million	67 cents

#### 4. Sri Lanka

Sri Lanka defaulted on external debt payments in April 2022. The G20 considered Sri Lanka too rich to be eligible for the Common Framework, so Sri Lanka has been conducting restructuring negotiations through an ad hoc process. 45% of Sri Lanka’s debt, in net present value terms, was owed to private lenders before the restructuring (36% to bondholders), compared to 29% to bilateral creditors, and 26% to multilateral lenders.

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<sup>20</sup> The one exception is the bond guaranteed by the World Bank which was priced at 78 cents on the dollar from September 2021 to September 2024. We have used this figure for this bond in our calculations.

**Table 10. Estimate of Sri Lanka’s external debt prior to debt restructuring<sup>21</sup>**

<b>Creditor group</b>	<b>NPV of debt, \$ million</b>	<b>% of debt owed</b>
<b>Private, total</b>	<b>\$16,722 million</b>	<b>45%</b>
Bondholders	\$13,317 million	36%
Non-bond private creditors	\$3,405 million	9%
<b>Bilateral</b>	<b>\$10,892 million</b>	<b>29%</b>
<b>Multilateral</b>	<b>\$9,873 million</b>	<b>26%</b>
<b>Total</b>	<b>\$37,487 million</b>	<b>100%</b>

Sri Lanka reached a provisional agreement with bilateral creditors in November 2023, which was finalised in June 2024. A “Joint working framework” with some bondholders was announced in July 2024,<sup>22</sup> and then a similar “in principle agreement” in September 2024,<sup>23</sup> just days before Sri Lanka’s presidential election. This in principle agreement has now been endorsed by the new Sri Lankan government, bilateral creditors and the IMF.<sup>24</sup> No deals have been publicly announced with other non-bond private creditors.

The proposed deal with bondholders cancels 27% of principal owed, and 11% of defaulted interest. The remaining defaulted interest is repaid from 2024-2028, then the main principal from 2029 to 2038. Interest rates start at 3.1%-4%, rising to 8.75%-9.75% from 2033 on. If Sri Lanka’s GDP is higher than expected by the IMF from 2025-2027 payments increase, with three tiers of increases depending on how much higher GDP is. There are also two sets of lower payments if Sri Lankan GDP is significantly lower than the \$88.6 billion average expected by the IMF for 2025-2027. The IMF now expects Sri Lanka’s GDP to be \$87.7 billion in 2024, suggesting that it is highly likely Sri Lanka will be left making the higher level of payments to bondholders.

The deal with bilateral creditors has been reported to include no cancellation of principal, but also no repayments until 2028, then principal repaid from 2028 to

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<sup>21</sup> Neither the IMF or World Bank routinely report on the net present value of debt owed. The World Bank says Sri Lanka’s external debt was \$37,487 million in net present value terms in 2022. We have calculated the bond NPVs from debt service cash flows from bond contracts, and estimated NPVs of non-bond private debt and bilateral debt from World Bank International Debt Statistics data. Our figure for multilateral debt is a remainder of what NPV is left after subtracting the private and bilateral estimates from the World Bank overall figure.

<sup>22</sup> See for analysis of the July deal: <https://debtjustice.org.uk/press-release/sri-lankas-bondholders-to-get-repaid-20-45-more-than-china>

<sup>23</sup> <https://www.londonstockexchange.com/news-article/70ZL/announcement-of-agreement-in-principle/16674142>

<sup>24</sup> <https://www.barrons.com/news/sri-lanka-approves-controversial-foreign-debt-deal-36ea1ca9> and <https://www.reuters.com/markets/asia/imf-bilateral-creditors-back-sri-lanka-125-bln-bondholder-debt-rework-2024-10-04/>



2042, with an interest rate of 2%. There are no changes in payments to bilateral creditors in response to changes in Sri Lanka's GDP.

We estimate that in the baseline cases these deals cut the net present value of Sri Lanka's debt by 17% (26% on just the bondholders and bilateral debt). These cuts in debt would be lower if the higher payment scenarios were triggered. There have been no public announcements about deals with non-bond private creditors, so we have not included these in the calculations. If non-bond creditors reduce debt payments by the same amount as bondholders, this will take the total debt relief to 19%.

**Table 11. Sri Lanka's debt relief achieved through the restructuring<sup>25</sup>**

Creditor group	NPV of debt, \$ million, before debt relief	NPV of debt, \$ million, after debt relief, assuming no higher payments <sup>26</sup>	Percentage reduction
Bondholders	\$13,317 million	\$10,226 million	
Non-bond private creditors	\$3,405 million	\$3,405 million	
Bilateral	\$10,892 million	\$7,669 million	
Multilateral	\$9,873 million	\$9,873 million	
<b>Total</b>	<b>\$37,487 million</b>	<b>\$31,173 million</b>	

At the start of its 2023 loan programme with Sri Lanka, the IMF set out a range of aims for Sri Lanka's debt restructuring. Analysis of the IMF's programme documents show that these mean Sri Lanka's external debt payments will still be well over 20% of government revenue for at least the next decade, peaking at 29% of government revenue in 2028 and 2029.<sup>27</sup> This is higher than the debt payments of the vast majority of lower-income countries.

In order to be able to keep making these high debt payments, the IMF says Sri Lanka must have a primary budget surplus of 2.3% of GDP for at least the next

<sup>25</sup> Bondholder and bilateral NPV after debt relief has been calculated based on the publicly released information from creditors. We have not seen any announcements about restructuring of the non-bond private debt, so have not included any debt relief on this <https://www.londonstockexchange.com/news-article/70ZL/announcement-of-agreement-in-principle/16674142> <https://asia.nikkei.com/Spotlight/Sri-Lanka-crisis/Sri-Lanka-s-debt-repayments-to-be-suspended-until-2028>

<sup>26</sup> This is just on the debt owed before the restructuring, it does not include new loans or debt payments made since

<sup>27</sup> Calculated by Debt Justice from <https://www.imf.org/en/Publications/CR/Issues/2023/12/12/Sri-Lanka-First-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-542441>

decade.<sup>28</sup> This means that for every \$7 the Sri Lankan government gets in tax revenue, only \$6 will be spent on public services and other spending by the government.

**Table 12. IMF predictions for Sri Lanka external debt payments post-restructuring**

	Foreign currency debt service as percentage of GDP	Government revenue as percentage of GDP	External debt service as percentage of government revenue
2024	2.8	12.9	21.7
2025	3.4	14.9	22.8
2026	4.4	15	22
2027	4	15.1	26.5
2028	4.4	15.2	28.9
2029	4.4	15.2	28.9
2030	4.3	15.2	28.3
2031	4.3	15.2	28.3
2032	4.2	15.2	27.6
2033	4.2	15.2	27.6
<b>Average 2024-2033</b>	<b>3.9</b>		<b>26.3</b>

[NB. The IMF documents do not have government revenue figures for 2029 on, so for these calculations we have assumed it remains at 15.2% of GDP]

Under the baseline deal, Sri Lanka's bondholders will be repaid 81 cents for every \$1 owed, 21% more than the 67 cents set to be received by bilateral creditors. This rises to 40% more in the highest upside for bondholders scenario. In the lowest downside scenario - if Sri Lankan GDP is 4% lower than expected by the IMF from 2025-2027 - bondholders would still get repaid more than bilateral creditors, compared to what they lent.

For bondholders who bought bonds at face value when they were first issued, we estimate they will still make 14% profit after the restructuring, compared to if they had lent to the US government. If payments rise to the highest scenario, the profit rises 28% of what was lent. Even in the lowest downside, buy-and-hold bondholders would still make 3% profit, compared to lending to the US government.

However, Sri Lanka's bonds have been bought and sold at well below face value for over four years - since the start of the Covid pandemic. From 2020 to late 2021 Sri Lanka's bonds traded at around 60 cents on the dollar. They then fell as default approached, and reached less than 25 cents on the dollar by late 2022. Since then

<sup>28</sup> The primary budget surplus measures how much a government is spending compared to how much revenue it is receiving, not including interest payments.

they have traded at between 25 cents and 55 cents. Between March 2020 and September 2024 the average price of Sri Lanka's bonds has been 52 cents.

For a buyer of the bonds at the average price of 52 cents on the dollar, they would make 80% profit in the baseline scenario, compared to lending to the US government. This would rise to 108% profit in the highest upside, and still be 57% profit in the lowest downside.

**Table 13. Sri Lanka: Comparison of payments to private and bilateral creditors**

Creditor group	Nominal amount owed, end-2021	Net present value, based on current payment schedule from 2022 on	For every \$1 lent, creditor group will receive
Bondholders	\$12,550 million	\$10,226 million (baseline)	81 cents (baseline)
		\$11,825 million (highest upside)	94 cents (highest upside)
		\$8,971 million (lowest downside)	71 cents (lowest downside)
Bilateral	\$11,400 million	\$7,700 million	67 cents

## 5. Suriname

**Table 14. Estimate of Suriname's external debt prior to debt restructuring<sup>29</sup>**

Creditor group	NPV of debt, \$ million	% of debt owed
Private	\$906 million	38%
Bilateral	\$478 million	20%
Multilateral	\$1,015 million	42%
Total	\$2.399 million	

Suriname defaulted on some of its external debt payments in November 2020. Its largest creditor group was lower-interest multilateral creditors (42% of debt owed), followed by private creditors, primarily through bonds with a net present value of \$764 million.

<sup>29</sup> Neither the IMF or World Bank routinely report on the net present value of debt owed. The World Bank says Suriname's external debt was \$2,399 million in net present value terms in 2022. We have calculated the bond NPVs from debt service cash flows from bond contracts, and estimated NPVs of non-bond private debt and bilateral debt from World Bank International Debt Statistics data. Our figure for multilateral debt is a remainder of what NPV is left after subtracting the private and bilateral estimates from the World Bank overall figure.

Suriname is not eligible for the G20's Common Framework as it is considered too rich but has sought to restructure its debt to external private and bilateral creditors. Suriname completed the restructuring with bondholders in December 2023,<sup>30</sup> following an agreement with Paris Club creditors in June 2022.<sup>31</sup> A restructuring agreement has also been reached with Chinese creditors.<sup>32</sup>

The deal with bondholders cancels just 2% of the amount owed (not including defaulted interest). And the interest rate is still a high 7.95% (down from rates of over 9% on the original bonds). The principal is repaid between 2027 and 2033. Furthermore, bondholders will get 30% of government royalties from an oil block development until 2050, up to a hard cap of \$689 million.<sup>33</sup>

Under the Paris Club agreement, no debt principal is cancelled, but principal payments are to be repaid over 15-20 years, with 7-8 years of no principal payments. We have assumed in our calculations interest rates on bilateral debt remain the same. The IMF has said there is some form of contingencies in the agreements with the Paris Club and China if Suriname's macroeconomic outlook improves,<sup>34</sup> but no detail has been released on these, so we are not able to include them in our calculations.

We estimate that the debt relief deals with bondholders and bilateral creditors have reduced the net present value of Suriname's debt by just 7% (a 13% reduction in the debt covered in the restructuring). And this assumes there are no extra payments due to oil revenue – if there are, Suriname is likely to end up paying more than it was due to prior to “debt relief”.

Using IMF documents, we have calculated that Suriname's external debt payments will average 27% of government revenue from 2024 to 2029 (the latest year with IMF data available).<sup>35</sup> This is based on IMF predictions for 3% real GDP growth over the time period, and we presume the IMF figures do not include any payments on the oil royalties part of the deal with bondholders.<sup>36</sup>

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<sup>30</sup> <https://gov.sr/restructuring-of-bondholders-finalized/>

<sup>31</sup> <https://clubdeparis.org/en/communications/press-release/the-paris-club-provides-a-debt-treatment-to-the-republic-of-suriname-24>

<sup>32</sup> <https://www.caribbeannationalweekly.com/business/surinames-president-wraps-up-successful-visit-to-china/>

<sup>33</sup> For our calculations we have assumed the most bondholders will get from the oil royalties is \$35.8 million a year from 2029 to 2050.

<sup>34</sup> <https://x.com/TheoMaret/status/1744706045857935367>

<sup>35</sup> <https://www.imf.org/en/Publications/CR/Issues/2024/07/30/Suriname-Sixth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-552783>

<sup>36</sup> The earliest royalties are realistic from the oil development are 2029 anyway.

Table 15. Suriname's debt relief achieved through the restructuring<sup>37</sup>

Creditor group	NPV of debt, \$ million, before debt relief	NPV of debt, \$ million, after debt relief, assuming no extra payments <sup>38</sup>	Percentage reduction
Bondholders	\$764 million	\$679 million	
Non-bond private creditors	\$142 million	\$142 million	
Bilateral	\$428 million	\$398 million	
Multilateral	\$1,015 million	\$1,015 million	
<b>Total</b>	<b>\$2,399 million</b>	<b>\$2,234 million</b>	

Suriname will repay at least 39% more to bondholders than bilateral creditors, and this could rise to over 100% more if the large oil payments to bondholders materialise. While the details of the restructuring deal with China have not been released, we estimate that on the original terms, Suriname was due to pay China 80 cents for every dollar lent,<sup>39</sup> far lower than the \$1.01-\$1.48 due to be repaid to bondholders under the restructured terms. We assume that the restructured payments to China will be similar to those to the Paris Club, which would be a fall from 80 cents on every dollar lent to 72 cents.

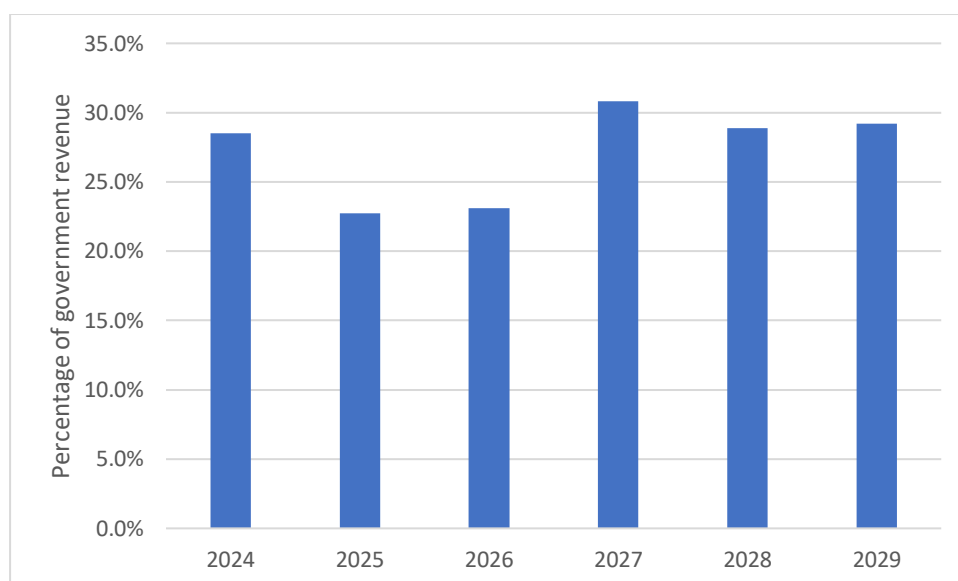
Even without any of the oil revenues, we estimate that a buyer of Suriname's bonds when they were first issued will make 49% more than if they had lent to the US government instead, following the debt restructuring, if they are paid in full on the new terms. If bondholders get the full amount of oil revenue, this would rise to 112% profit. We cannot estimate the profit buyers of Suriname's bonds at a later date will make, because we have no access to reliable data for the prices Suriname's bonds were trading at.

<sup>37</sup> Nominal debt data comes from the World Bank International Debt Statistics database. Bondholder and bilateral NPV after debt relief has been calculated based on the publicly released information from creditors. We have not seen any announcements about restructuring of the non-bond private debt, so have not included any debt relief on this <https://gov.sr/restructuring-of-bondholders-finalized/> <https://clubdeparis.org/en/communications/press-release/the-paris-club-provides-a-debt-treatment-to-the-republic-of-suriname-24> <https://www.caribbeannationalweekly.com/business/surinames-president-wraps-up-successful-visit-to-china/>

<sup>38</sup> This is just on the debt owed before the restructuring, it does not include new loans or debt payments made since

<sup>39</sup> In net present value terms at 5% discount rate.

**Graph 2. Suriname government external debt payments after restructuring, % of government revenue<sup>40</sup>**



**Table 16. Suriname: Comparison of payments to private and bilateral creditors**

Creditor group	Nominal amount owed, end-2020	Net present value, based on current payment schedule from start-2021 on	For every \$1 lent, creditor group will receive
Private (Bondholders)	\$675 million	\$679 million - \$998 million	\$1.01 - \$1.48
Bilateral (Paris Club, assuming similar terms for China)	\$550 million	\$398 million	\$0.72

## 6. Ukraine

For the first few months after the Russian invasion of Ukraine, the government kept paying its external debt. Then in September 2022 Ukraine reached agreements with bilateral and external private creditors to suspend debt payments for two years. Bilateral creditors have now agreed a further suspension until 2027, when they will restructure the debt. However, a restructuring deal was agreed with bondholders in August 2024, despite there being huge uncertainty over the duration of the war and Ukraine's ability to pay.

<sup>40</sup> Calculated from <https://www.imf.org/en/Publications/CR/Issues/2024/07/30/Suriname-Sixth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-552783>

Table 17. Estimate of Ukraine’s external debt prior to debt restructuring<sup>41</sup>

Creditor group	NPV of debt, \$ million	% of debt owed
<b>Private, total</b>	<b>\$24,852 million</b>	<b>44%</b>
Bondholders	\$22,322 million	39%
Non-bond private creditors	\$2,530 million	4%
<b>Bilateral</b>	<b>\$5,151 million</b>	<b>9%</b>
<b>Multilateral</b>	<b>\$26,552 million</b>	<b>47%</b>
<b>Total</b>	<b>\$56,555 million</b>	<b>100%</b>

Under the deal with bondholders,<sup>42</sup> 37% of principal is cancelled, but all of the suspended interest is to be paid. The interest rate on the principal and suspended interest varies across two different new bonds, and over time, rising from 0%-1.75% from 2024 to 2025, rising to 0%-4.5% from 2026 to 2027, then 3%-6% from 2027-2033 and 7.75% from 2034 on. Principal is to be repaid from 2029-2036. If in 2028 Ukraine’s nominal GDP is 3% higher than currently expected by the IMF, and real GDP is at least equal to current IMF expectations, then an additional 12% of the principal and defaulted interest is due to be repaid between 2030 and 2036, with accompanying interest.

The IMF said in June 2024 that in order for its targets for the debt restructuring to be met, and comparable treatment with official creditors implemented “any debt service payments on restructured instruments during the program period [2024-2027] must be restricted and kept at token levels”.<sup>43</sup> However, under the deal with bondholders, Ukraine will pay \$1.4 billion to bondholders between 2024 and 2027. The IMF does not give any information on what it expects total external government debt payments to be after the restructuring.

We estimate that the deals with bondholders, and the suspension of payments to bilateral creditors until 2027, have reduced the net present value of Ukraine’s external debt by 21% (for bondholders and bilateral creditors it is a reduction of 44%). There have been no public announcements about deals with non-bond private creditors, so we have not included these in the calculations. If non-bond

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<sup>41</sup> Neither the IMF or World Bank routinely report on the net present value of debt owed. The World Bank says Ukraine’s external debt was \$56,555 million in net present value terms in 2022. We have calculated the bond NPVs from debt service cash flows from bond contracts, and estimated NPVs of non-bond private debt and bilateral debt from World Bank International Debt Statistics data. Our figure for multilateral debt is a remainder of what NPV is left after subtracting the private and bilateral estimates from the World Bank overall figure.

<sup>42</sup> <https://www.londonstockexchange.com/news-article/PYP2/ukraine-reaches-agreement-with-bondholders/16578910>

<sup>43</sup> <https://www.imf.org/en/Publications/CR/Issues/2024/06/28/Ukraine-Fourth-Review-of-the-Extended-Arrangement-under-the-Extended-Fund-Facility-Request-551207>

creditors reduce debt payments by the same amount as bondholders, this will take the total debt relief to 23%.

**Table 18. Ukraine’s debt relief achieved through the restructuring<sup>44</sup>**

Creditor group	NPV of debt, \$ million, before debt relief	NPV of debt, \$ million, after debt relief <sup>45</sup>	Percentage reduction
Bondholders	\$22,322 million	\$11,873 million	
Non-bond private creditors	\$2,530 million	\$2,530 million	
Bilateral	\$5,151 million	\$3,599 million	
Multilateral	\$26,552 million	\$26,552 million	
<b>Total</b>	<b>\$56,555 million</b>	<b>\$44,514 million</b>	

Comparability of treatment with bilateral creditors is not being met, because payments to bondholders are resuming for three years while no payments are made to bilateral creditors, and there is no restructuring deal in place with bilateral creditors. When the bilateral restructuring does take place in 2027, it will have to take account of what has happened with the war and the Ukrainian economy for the previous three years, and the committed payments to bondholders.

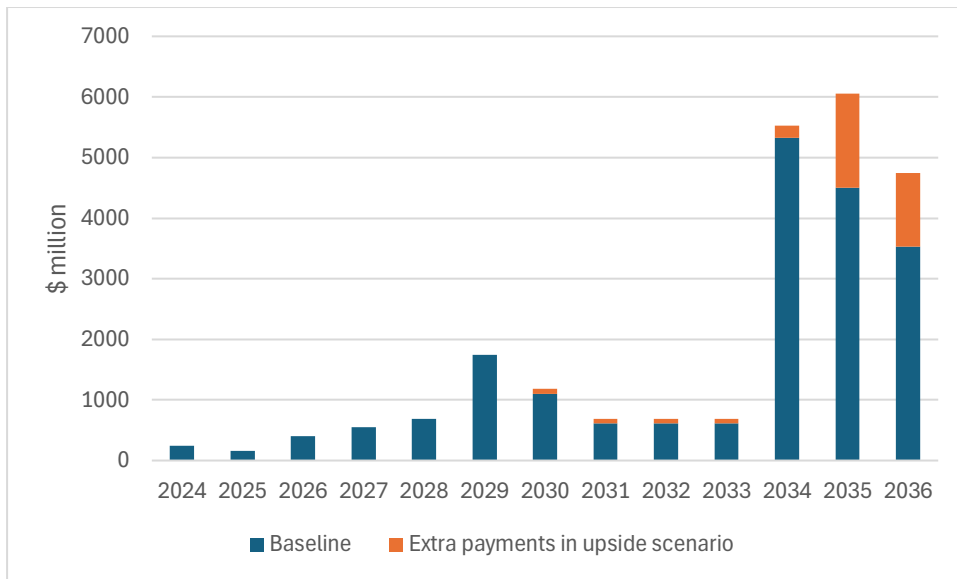
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<sup>44</sup> Bondholder and bilateral NPV after debt relief has been calculated based on the publicly released information from creditors. We have not seen any announcements about restructuring of the non-bond private debt, so have not included any debt relief on this <https://www.londonstockexchange.com/news-article/PYP2/ukraine-reaches-agreement-with-bondholders/16578910>

<sup>45</sup> This is just on the debt owed before the restructuring, it does not include new loans or debt payments made since



**Graph 3. Ukraine external debt service payments to bondholders post-restructuring**



For initial buyers of Ukraine’s bonds when they were issued, we estimate they will make 5% profit over the lifetime of the original and restructured bonds, compared to lending to the US government. This rises to 16% profit if the upside payments are triggered.

Ukraine’s bonds collapsed in price in late-2021 ahead of the Russian invasion. They have since traded at between 15 cents and 30 cents on the dollar.

For buyers of bonds at the average price of 25 cents on the dollar between January 2022 and September 2024, we estimate they will make 184% profit on what they paid for the debt following the restructuring, compared to if they had lent that amount to the US government. This rises to 228% profit if the upside payments are triggered.

## 7. Zambia

Table 19. Estimate of Zambia's external debt prior to debt restructuring<sup>46</sup>

Creditor group	NPV of debt, \$ million	% of debt owed
<b>Private, total</b>	<b>\$6,636 million</b>	<b>44%</b>
Bondholders	\$3,286 million	22%
Non-bond private creditors	\$3,350 million	22%
<b>Bilateral</b>	<b>\$6,140 million</b>	<b>41%</b>
<b>Multilateral</b>	<b>\$2,321 million</b>	<b>15%</b>
<b>Total</b>	<b>\$15,097 million</b>	<b>100%</b>

Zambia defaulted in late-2020 and applied for the Common Framework in early 2021. It reached a restructuring deal with bilateral creditors in July 2023. An initial deal with bondholders was announced in October 2023 but bilateral creditors, especially China, rightly said it was not enough debt relief.<sup>47</sup> A better agreement with bondholders was subsequently finalised in May 2024.<sup>48</sup> Zambia has yet to reach an agreement with other external private creditors.

The deals with bondholders and bilateral creditors include a baseline set of payments, and substantial increases in payments if Zambia's economy performs slightly better than expected by the IMF, or if Zambia moves from being judged as having a 'weak' debt carrying capacity by the IMF and World Bank, to a 'moderate' capacity. Payments to bilateral creditors also rise significantly if the debt carrying capacity changes, but there is not the same trigger based on IMF expectations the economy. Therefore, the higher payments to bondholders are more likely to be triggered than the higher payments to bilateral creditors.

No deals have been announced with Zambia's non-bond private creditors, which are a mixture of Chinese lenders, and Western banks.

Under the baseline deal, bondholders are repaid \$3.05 billion, compared to the \$3 billion owed originally (not including defaulted interest). \$1.7 billion of the principal repayments are made relatively quickly (between 2024 and 2031) while \$1.35 billion are moved far into the future - 2051-2053. On the earlier payments there is an

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<sup>46</sup> Neither the IMF or World Bank routinely report on the net present value of debt owed. The World Bank says Zambia's external debt was \$15,097 million in net present value terms in 2022. We have calculated the bond NPVs from debt service cash flows from bond contracts, and estimated NPVs of non-bond private debt and bilateral debt from World Bank International Debt Statistics data. Our figure for multilateral debt is a remainder of what NPV is left after subtracting the private and bilateral estimates from the World Bank overall figure.

<sup>47</sup> <https://debtjustice.org.uk/press-release/imf-and-governments-express-reservations-about-zambia-debt-deal-which-will-pay-bondholders-a-third-more-than-governments>

<sup>48</sup> <https://www.prnewswire.com/news-releases/zambia-external-bondholder-steering-committee-reaches-agreement-with-zambia-on-debt-restructuring-302098337.html>

interest rate of 5.75%, rising to 7.5% from 2031, but on the \$1.35 billion owed in the 2050s the interest rate is just 0.5%. Most of the debt relief is therefore provided by pushing \$1.35 billion of payments into the 2050s, with a small interest rate in the meantime, along with the period of no payments from 2021 to mid-2024.

However, if between 2026 and 2028 Zambia's exports and government revenues, in US dollars, are higher than the IMF's current expectations, even if just by \$1, then the \$1.35 billion of principal payments are brought forward to 2032 to 2035, and the interest rate increases to 7.5%. This increase would also happen if Zambia's debt carrying capacity rating by the IMF increases to 'medium' from weak, which could happen due to changes in the Zambian economy, but also changes in the global economy, such as higher GDP growth. There are no falls in repayments if Zambia's economy performs worse than expected, for example through being hit by shocks such as droughts or large falls in the copper price. In 2024, Zambia has declared continuing droughts are a national disaster and state of emergency.<sup>49</sup>

Under the bilateral creditor small principal payments of just 0.5% a year are made between 2026 and 2035, with the bulk of the principal payments from 2036-2043. The interest rate is 1% rising to 2.5% from 2038 on. If Zambia's debt carrying capacity improves to 'medium' principal payments are brought forward, with a final payment date of 2038, and the interest rate increases to 4%.<sup>50</sup> Unlike bondholders, these increased payments do not happen just on Zambia's exports and revenues performing better than the IMF's expectations.

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<sup>49</sup> <https://www.africanews.com/2024/03/01/zambia-declares-national-emergency-over-drought/#:~:text=Zambian%20President%20Hakainde%20Hichilema%20declared,recover%20a%20recent%20cholera%20epidemic.>

<sup>50</sup>

[https://www.parliament.gov.zm/sites/default/files/images/publication\\_docs/Ministerial%20Statements%20-%20Debt%20Restructuring.pdf](https://www.parliament.gov.zm/sites/default/files/images/publication_docs/Ministerial%20Statements%20-%20Debt%20Restructuring.pdf) And <https://www.reuters.com/world/africa/zambia-bilateral-creditors-agreed-debt-rework-memorandum-understanding-finance-2023-10-14/> And <https://www.bloomberg.com/news/articles/2023-06-24/zambia-to-pay-1-interest-after-mission-impossible-debt-deal>

Table 20. Zambia’s debt relief achieved through the restructuring<sup>51</sup>

Creditor group	NPV of debt, \$ million, before debt relief	NPV of debt, \$ million, after debt relief, assuming no extra payments <sup>52</sup>	Percentage reduction
Bondholders	\$3,286 million	\$1,883 million	
Non-bond private creditors	\$3,350 million	\$3,350 million	
Bilateral	\$6,140 million	\$3,219 million	
Multilateral	\$2,321 million	\$2,321 million	
<b>Total</b>	<b>\$15,097 million</b>	<b>\$10,773 million</b>	<b>29%</b>

We estimate that the deals with bondholders and bilateral creditors have reduced the net present value of Zambia’s external debt by 29% (for these two creditor groups it is a reduction of 46%). There have been no public announcements about deals with non-bond private creditors, so we have not included these in the calculations. If non-bond creditors reduce debt payments by the same amount as bondholders, this will take the total debt relief to 38%. These calculations are all in the baseline case – if Zambia ends-up making the higher payments, the amount of debt relief will fall significantly.

Under the baseline deal, according to the IMF Zambia’s government external debt payments will be above the IMF threshold of 14% of government revenue in 2024, 2026 and 2031. Over the period 2024 to 2034 government external debt payments will average 14.8% of government revenue. These projections are based on Zambian real GDP growing by 4.9% a year, well above the historical average of 3.4%.<sup>53</sup> In contrast, if Zambia had not defaulted on and restructured external debt, the IMF

<sup>51</sup> Nominal debt data comes from the Zambian government statistical release [https://www.mofnp.gov.zm/?page\\_id=3475](https://www.mofnp.gov.zm/?page_id=3475). Bondholder and bilateral NPV after debt relief has been calculated based on the publicly released information from creditors. We have not seen any announcements about restructuring of the non-bond private debt, so have not included any debt relief on this <https://www.prnewswire.com/news-releases/zambia-external-bondholder-steering-committee-reaches-agreement-with-zambia-on-debt-restructuring-302098337.html> <https://www.reuters.com/world/africa/zambia-bilateral-creditors-agreed-debt-rework-memorandum-understanding-finance-2023-10-14/>

<sup>52</sup> This is just on the debt owed before the restructuring, it does not include new loans or debt payments made since

<sup>53</sup> <https://www.imf.org/en/Publications/CR/Issues/2024/06/26/Zambia-Third-Review-Under-the-Arrangement-Under-the-Extended-Credit-Facility-Requests-for-551111>

expected its external debt payments to average 47% of government revenue between 2021 and 2027.<sup>54</sup>

If the higher payments under the restructuring deals are triggered, Zambia's external debt payments are projected by the IMF to be not just above the 14% threshold, but also the 18% threshold for 'medium carrying capacity' in 2024, 2026 and 2031-2034.<sup>55</sup> In the higher payment scenario, Zambia's public external debt payments will average 20.2% of government revenue between 2024 and 2034.

In the baseline case, bondholders will be repaid 63 cents for every dollar lent, 23% more than the 51 cents bilateral creditors will receive. In the upside case, bondholders will receive 95 cents, 31% more than the 72 cents bilateral creditors will receive. The upside case is more likely to happen for bondholders than bilateral creditors, due to the triggers for higher payments being more likely to be met for bondholders.

For bondholders who bought bonds when they were first issued, they will make 4% profit in the baseline scenario compared to lending to the US government, over the lifetime of the bonds, including interest payments before the default, the default and restructured payments. This rises to 38% profit if the higher payments are triggered.

However, many bondholders will not have bought Zambian bonds at face value when they were issued. Zambia's bonds fell to around 70 cents on the dollar between mid-2015 and mid-2016. They then rose back above 90 cents in 2017, but in early 2018 fell below 70 cents again. Between the start of the Covid pandemic and the restructuring deals they traded between 30 cents and 70 cents on the dollar, with an average price over these four years of 56 cents.

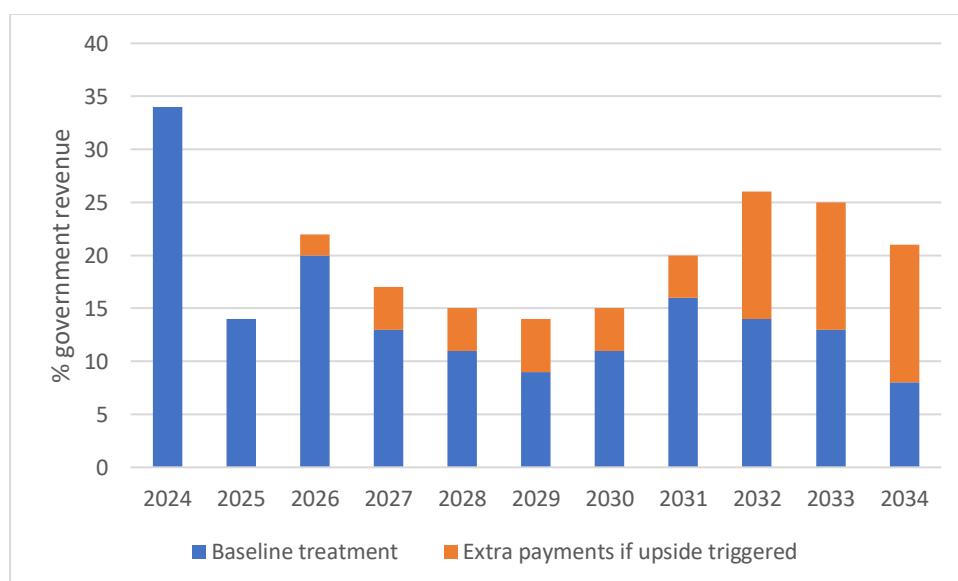
We estimate buyers of bonds at 56 cents on the dollar will receive a profit of 36% compared to lending to the US government, in the baseline scenario, rising to 99% profit in the higher payments scenario.

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<sup>54</sup> Calculated from <https://www.imf.org/en/Publications/CR/Issues/2022/09/06/Zambia-Request-for-an-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-Staff-523196>

<sup>55</sup> <https://www.imf.org/en/Publications/CR/Issues/2024/06/26/Zambia-Third-Review-Under-the-Arrangement-Under-the-Extended-Credit-Facility-Requests-for-551111> p124 (p16 of the Debt Sustainability Analysis)

**Graph 4. Zambia government external debt payments after restructuring, % of government revenue<sup>56</sup>**



**Table. 21. Zambia: Comparison of payments to private and bilateral creditors**

Creditor group	Nominal amount owed, end-2020	Net present value, based on current payment schedule from start-2021 on	For every \$1 lent, creditor group will receive
Bondholders	\$3,000 million	\$1,850 million - \$2,800 million	\$0.63 - \$0.95
Bilateral	\$6,300 million	\$3,219 million - \$4,567 million	\$0.51 - \$0.72

<sup>56</sup> <https://www.imf.org/en/Publications/CR/Issues/2024/06/26/Zambia-Third-Review-Under-the-Arrangement-Under-the-Extended-Credit-Facility-Requests-for-551111>