

# Ghana Secures \$4.7bn Debt Cancellation



Dr Amin Adam addressing the media in Accra yesterday

By Jennifer Ambolley

**T**he Minister for Finance, Dr. Mohammed Amin Adam, has stated that Ghana has successfully renegotiated Eurobonds totalling \$13.1 billion. This, according to him, has resulted in a debt cancellation of approximately \$4.7 billion and expected savings of \$4.4 billion in debt servicing over the next three years.

These initiatives, Dr. Adam emphasised reflect Ghana's commitment to fiscal consolidation and sustainable debt management.

According to him, the government has also successfully secured a debt service relief amounting to \$2.8 billion between 2023 and 2026 from bilateral creditors, marking a significant milestone in Ghana's efforts to achieve fiscal sustainability and economic recovery.

Dr. Mohammed Amin Adam, the Minister for Finance, announced this at a joint press conference involving the Ministry of Finance (MoF), Bank of Ghana (BoG) and the International Monetary Fund (IMF) in Accra yesterday.

## Official Bilateral Debt Restructuring

Following Ghana's declaration of a debt standstill in December 2022, negotiations were launched to restructure official bilateral loans totalling \$5.1 billion. The Minister highlighted the extensive collaborative efforts that led to this favourable outcome, underscoring the importance of international cooperation in navigating global economic challenges.

Minister Adam stated, "we reached agreement with the Official Creditor Committee (OCC) under the G20 Common Framework on 11th June, 2024 to restructure Ghana's official bilateral loans totalling \$5.1 billion with an estimated debt service relief of \$2.8 billion between 2023-2026."

The agreement encompasses a revised payment schedule and lowered interest rates, affording Ghana the flexibility to prioritise strategic investments in infrastructure, social programs and economic diversification.

Minister Adam emphasised the beneficial effects of debt relief on Ghana's macro-economic stability and long-term debt sustainability.

With decreased debt servicing commitments, Ghana is now better equipped to expedite its economic recovery, bolster resilience against external economic fluctuations and promote inclusive growth.

## Current State of the Economy

Dr. Amin Adam commended Ghana's eco-

nomie resilience amid global challenges, citing a notable Real GDP growth rate of 4.7% in Q1 2024 marking a substantial recovery compared to previous periods.

He emphasised sectoral growth dynamics, stating "Industry led growth with a remarkable 6.8%, followed by Agriculture at 4.1% and Services at 3.3%."

Regarding inflation and currency stability, Dr. Adam noted, "Inflation has significantly reduced to 23.1% in May 2024 from a peak of 54.1% in December 2022, underscoring the effectiveness of our fiscal consolidation measures and prudent monetary policies."

He outlined strategies to stabilise the Cedi, including "tight monetary policies by the BoG and strategic engagements with multilateral partners," expecting substantial financial inflows to bolster reserves and support external balances.

## IMF-Supported Programme Implementation

Turning to the IMF-supported Post Covid-19 Programme for Economic Growth (PC-PEG), Dr. Adam highlighted Ghana's commitment to program objectives, noting the successful completion of the 2nd Review in June 2024.

"The approval by the IMF Executive Board for the 2nd Review signifies international recognition of Ghana's strong performance under the program," he stated.

The disbursement of the 3rd tranche of the IMF bailout totalling \$360 million was announced, bringing total disbursements to \$1.6 billion since the program's inception in May 2023.

Dr. Adam emphasised the structural reforms integral to the program's success, stating "We have made significant strides in enhancing public financial management systems, implementing regulatory reforms in the banking sector and reinforcing institutional frameworks to ensure economic resilience and sustainability."

## Debt Restructuring Programme

Dr. Adam acknowledged Ghana's progress in debt restructuring initiatives, initiated in 2022 to alleviate financial burdens and extended repayment periods. The Domestic Debt Exchange Programme (DDEP), completed in September 2023, saw an impressive participation rate of approximately 95%, restructuring GHS 203.4 billion in domestic debt.

Expressing gratitude, he noted, "The success of the DDEP was made possible by the unwavering support of all Ghanaians, reflecting a collective commitment to our economic recovery."

## Commercial Debt Restructuring

Addressing the restructuring of Eurobonds, Dr. Adam highlighted Ghana's swift negotiations and impressive outcomes. "We successfully negotiated a principal haircut of 37%, amounting to a market value loss of 45%, without contingent compensation mechanisms," he stated.

This achievement, he noted, "is significant, given the ambitious timeline and the fact that it is the fastest agreement reached under the Common Framework since its inception in 2020."

He indicated that this landmark achievement demonstrates the confidence in our country's leadership and administration's ability to steer economic

recovery, marking the first instance in recent memory where a debt restructuring has been both requested and concluded by the same administration.

## Energy Sector Reforms

Highlighting ongoing reforms in the energy sector, Dr. Adam said government has been negotiating with the energy sector Independent Power Producers (IPPs) to restructure legacy debt of over a US\$1 billion owed to the IPPs and Power Purchase Agreements (PPAs) to address the accumulation of arrears in the energy sector and work towards implementing critically needed reforms to make the sector more financially sustainable.

"The key objective of the exercise was centred on the restructuring of legacy debt, necessary amendments to the PPAs and other project documents arising from the restructuring exercise, as well as ensuring that ECG remains current on its payment obligations to IPPs under the respective PPAs going forward, he concluded.

After months of negotiations, significant progress was made in the energy sector including: "i. Agreements were reached on debt restructuring and Power Purchase Agreement (PPA) terms with Amandi, Cenpower, Early Power, CENIT and AKSA.

ii. Revised documentation for Amandi, Cenpower and Early Power is pending Parliamentary approval, with efforts underway to secure necessary regulatory and ministerial approvals by the end of July 2024.

iii. Finalizing the Sunon Asogli restructuring package is currently underway.

iv. ECG and GNPC have finalized commercial terms for master gas supply arrangements crucial to the restructuring, enabling GNPC to supply fuel to ECG for distribution to Independent Power Producers (IPPs) under a tolling arrangement.

v. Negotiations with Karpowership are actively progressing towards concluding the restructuring process promptly".

