

International Comedian threatens to sue Ghana over Eurobond default

The government of Ghana is halfway through a process to convince holders of Ghana's \$13.1 billion of Eurobonds to return them in exchange for new versions that will pay them substantially less.

Such erosion of wealth is always a solemn affair but there is no law that stops a comedian or a few from showing up to liven up such a dull affair.

When the comedian also happens to be world-famous, then, well, social media will be set agog. Which is precisely what happened when [Michael Blackson](#) took to his pages to berate the Ghanaian government, most likely, after seeing the "exchange offer" document issued on September 5th.



Michael Blackson @MichaelBlackson · 15h

I'm so frustrated with Ghana 🇬🇭 that it's 2am here in Los Angeles California and I'm in my bed but can't sleep. I love Africa so much but sometimes the things they do is so unfair to their people

💬 134

↻ 400

❤️ 1K

📊 46K



Michael Blackson @MichaelBlackson · 21h

[zeffy.com/en-US/ticketin...](#)

💬 2

↻ 3

❤️ 19

📊 9.1K



Michael Blackson @MichaelBlackson · Sep 18

Don't get it wrong I have the utmost respect for my motherland but I won't let anyone take advantage. My main purpose of going back was to give back not get taken advantage of.

💬 57

↻ 153

❤️ 627

📊 28K



Michael Blackson @MichaelBlackson · Sep 17

I'm sure there are lots of people affected by this Ghana euro bonds fiasco so I'm fighting for all of us. People invested their life savings just to be taken advantage of

💬 77

↻ 318

❤️ 930

📊 35K



Michael Blackson @MichaelBlackson · Sep 17

Don't get it wrong I have the utmost respect for my motherland but I will not allow anyone to think they will get over on me.

💬 44

↻ 187

❤️ 733

📊 30K



The professional funny guy of Ghanaian-Liberian ancestry clearly felt deeply affronted. His tweet-storm attracted hundreds of thousands of views and was reported by all major Ghanaian media outlets.

The thread had facts, such as the total amount he has locked up in Eurobonds (\$1 million) and the intention he had when investing (to build an endowment for a charity school).

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-  **Michael Blackson**  @MichaelBlackson · Sep 17 ...
- When I bought the euro bonds it was paying 10% interest which will pay for the school and then Ghana 🇬🇭 kidnapped the money to use to pay their debt. Almost 3 yrs later tells me oh we are sorry but we can only pay u 1.95% and we will hold your money for 15 yrs. Smh
-  80  690  1K  113K  
-
-  **Michael Blackson**  @MichaelBlackson · Sep 17 ...
- I had no plans on opening up a nonprofit because I hate asking for anything but Ghana 🇬🇭 took the \$1m I invested to use to pay for the life of the school.
-  33  419  863  70K  
-
-  **Michael Blackson**  @MichaelBlackson · Sep 17 ...
- If it wasn't for the love and passion I have for the unprivileged youth of Ghana 🇬🇭 I would just hand my school to the people and walk away but I can't. I'll have to work a little longer than I expected to help those kids out.
-  16  335  729  40K  
-
-  **Michael Blackson**  @MichaelBlackson · Sep 17 ...
- Ghana 🇬🇭 is a great peaceful fun place to visit just be careful when it comes to any business move.
-  22  376  807  43K  
-
-  **Michael Blackson**  @MichaelBlackson · Sep 17 ...
- When I was wiring the money from the states my financial advisor advised me not to but I had confidence in my motherland and they proved me wrong.
-  40  454  1K  88K  
-

But it also had some rather curious speculations, such as the claim that the government of Ghana has diverted the Eurobond money to pay off China.

Well, when Ghana [stopped servicing its foreign debt](#) in December 2022, most external creditors were affected equally. Only a few like the World Bank and IMF were exempted. Also excluded were creditors that deal exclusively with the Bank of Ghana and those foreigners that still choose to lend Ghana money after 19th December 2022. Governments that have loaned funds to Ghana,

like China, were not exempted from Ghana's decision to stop paying interest and principal on foreign debts.

However, Blackson does have a minor point, which is that the so-called "bilateral creditors" (foreign governments that lend money to the government of Ghana) never really agreed to "haircuts". They, instead, agreed to extend the grace period during which Ghana needs not service their loans.

On top of that, they have agreements to lend Ghana \$3.8 billion more money that will not be subject to any restructuring, except that the IMF insists on \$3.3 billion of this amount being delayed until from 2026 onwards. China also has debts of \$655 million to Ghana that were collateralised with oil, cocoa, bauxite, and electricity sales. Essentially, they are immune to restructuring anyway.

If we are to really stretch Blackson's point, then it is the multilateral banks like the African Development Bank (AfDB), IMF, and World Bank that, having escaped unscathed, can be said to be receiving monies otherwise "diverted" from Mr. Blackson. Between 2022 and 2029, the IMF is all set to receive \$2 billion from Ghana in debt servicing payments. Let us not forget though that without its contributions (as indicated in the table below), Ghana would probably have shut down in 2023.

	2023	2024	2025	2026	Total
Pre-restructuring Financing Gap¹	3,364	3,864	4,304	2,373	13,904
Official Financing	687	2,043	1,148	734	4,612
IMF	600	1,320	720	360	3,000
World Bank ²	27	679	428	374	1,508
African Development Bank	60	44	0	0	104
Exceptional financing - Debt service relief³	2,677	1,821	3,156	1,639	9,293
Official creditors - based on January AIP	836	766	657	604	2,863
Exceptional financing expected from commercial creditors	1,841	1,055	2,499	1,035	6,430

Mr. Blackson does make a number of points about "fixing" whatever mess that got Ghana here in the first place, where international comedians are threatening to take it to the "World Court" (i.e. the International Court of Justice). He is probably better off suing in a London court, though (not legal advice).

The government of Ghana explicitly waived its immunity before courts in England when issuing the Eurobonds. It also said that the courts in Ghana will enforce judgments issued in the English courts, as well as some courts in Spain, France, and Italy that enjoy a certain recognition by the High Court of Ghana.

Seeing as Mr. Blackson hasn't even sought legal advice, it is unlikely that he plans to sue. So, what can he do? Well, first, he can choose to sign the documents tomorrow, the 20th of September, which is the early consent deadline. Holders of Ghana's Eurobonds who do that get a special fee of 1%. For Mr. Blackson, this means he will receive roughly \$10,000 if he signs tomorrow.

In addition, he gets to receive new Eurobonds that are worth less than what he bought. There are seven types of bonds in two flavours. In both cases, the Eurobond holder receives, but in the form of new bonds, two-thirds of the arrears that have accrued between December 2022, when the government stopped paying, and December 2023. (There are also some bonds called "down payment bonds" that pay out sooner, but I will ignore them from the analysis, which is already too convoluted as it is.)

The first flavour of the bond has the dreaded 37% haircut, meaning one-third of Blackson's money would be gone if he chooses this bond alone. That would be roughly \$370,000. The interest rates on these bonds, except for the bonds that cover the interest arrears, start at 5% and climb to 6% after 2028. Much lower than the 8.875% he would have received if, for instance, the Eurobond he bought was the one issued in March 2021 and maturing in 2042. He has said, however, that the promised rate was 10% a year, which can only mean the October 2015 one that had a 10.75% coupon rate. If that is correct, then he will be getting

roughly \$53,750 a year instead of the \$107,500 he was promised.

It is actually more complex than that, to be honest. Of the \$13.1 billion that Ghana owed through Eurobonds, \$1.6 billion of those must be replaced with a type of bond that pays very low interest rate of 1.5%. But there are no haircuts on those. Blackson can choose this bond but if there is demand above the \$1.6 billion cap from other investors, then he only gets a fraction. At any rate, what he gains by avoiding haircuts he will lose by getting interest of barely \$15,000 a year for his school instead of the \$107,500 he has been counting on.

(Obviously, nothing I have said so far is either legal or investment advice. This is merely a quick and dirty stroll to give readers a feel for the decision-making)

In short, the man just wanted to invest some money so that his charity school in Nsaba, Southern Ghana, would have an endowment for the future, yet he must now make some convoluted decisions (see the overview in the table below) or pay fees to his financial advisor to advise him to make those decisions (highly recommended!) And whatever he does he is destined to lose hundreds of thousands of dollars!

Everything we have said so far assumes that Mr. Blackson bought his Eurobonds at the issue price, that he will hold the new bonds to maturity, and that inflation is not a factor. All highly rebuttable assumptions. Of course, in the event he chooses to sell the new bonds he get, he may make a loss regardless how much he bought the original bonds for. There are all manner of assumptions that can go into calculating what the finance folks call, "exit yields", in this context. However, some factors offset others, and so the highly simplified narrative is still useful as a quick overview of the situation.

		DISCO OPTION			
Cap		No cap			
Consent fee <i>(for US\$ 1,000 original face value)</i>		\$ 10			
		Bond short	Bond long	Down Payment Bond	PDI Bond
Amount <i>(for US\$ 1,000 initial face value)</i>		\$ 242	\$ 348	\$ 40	<i>Accrued amount until 31/12/23 37% nominal haircut</i>
Terms of the "exit instrument"	<i>Interest rate</i>	5.00% (accruing from 01/01/2024) until 01/07/2028 6.00% afterwards		0 %	0 %
	<i>Maturity</i>	July 2029	July 2035 ¹	July 2026	Jan. 2030
	<i>First instalment</i>	Jan. 2026	Jan. 2030 ¹	July 2024	July 2024
Effective nominal haircut		37 %			37 %

Note: (1) First 10 semi-annual instalments representing c. 7.8% of principal, and last 2 instalments representing c. 11.0% of principal.

		PAR OPTION		
Cap		US\$ 1,600m		
Consent fee <i>(for US\$ 1,000 original face value)</i>		\$ 10		
		Bond Par	Down Payment Bond	PDI Bond
Amount <i>(for US\$ 1,000 initial face value)</i>		\$ 960	\$ 40	<i>Accrued amount until 31/12/2023 37% nominal haircut</i>
Terms of the "exit instrument"	<i>Interest rate</i>	1.50 %	0 %	0 %
	<i>Maturity</i>	Jan. 2037	July 2026	Jan. 2030
	<i>First instalment</i>	Jan. 2036	July 2024	July 2024
Effective nominal haircut		0 %		37 %

The central issue amidst all this complexity is that a very good champion of Ghana drawn to invest "back home" by the country's relentless image-polishing is turning out to be one of its most well-known international critics.

Be that as it may, if Mr. Blackson doesn't choose by tomorrow evening, he loses the \$10,000 inducement fee. He would then have up to September 30th to sign up. If by then he still hasn't signed, then he is technically in hold-out territory.

Only 5% of Zambia's Eurobond holders refused to sign the forms when the country restructured their Eurobonds in June 2024. Ghana would like to see a comparable level of participation (95% consent).

Since 1994, the vast majority of debt restructurings have seen a participation/consent rate of more than 90%. Excepting the Ukrainian episode of 1999, which saw a truly crazy situation of a 50%-plus holdout rate, restructurings in the last three decades have generally succeeded without much fanfare. Even Argentina's rollercoaster restructuring ride of 2005 saw an ~80% participation rate.

Ghana's own episode has been designed to include a 2-month grace period for holdouts. If holdouts submit their forms before the grace period expires, they will still get the new bonds described above. But there is another twist.

As part of the mechanism asking Eurobond investors like Blackson to sign up for the new bonds, certain contractual features in the majority of the bonds are also being activated.

These features allow more than 66% of investors to change certain clauses in the contracts on which the bonds are based, and more than 75% of them to vote changes to the payments terms.

In effect, if more than 75% of current holders of Ghana's Eurobonds choose to accept the new bonds, holdouts would then have up to November ending to sign up. Else, the new, lower-value, bonds that would have been assigned to them would simply be sold on the market and whatever monies are realised sent to them in cash minus any costs incurred in arranging the sale.

It is not hard, taking all the above into consideration, to understand the stress that Mr. Blackson is going through and the cause of his recent outbursts.

[The threats of Mr. Blackson are not the only interesting issue that has come up during the ongoing three-week exercise to restructure Ghana's Eurobond debt. A curious "strategic advisor" has also popped up. Read more about him [here](#).]