Bank of Ghana and CIRIP Ghana Forum on Non-Performing Loans and Post-Commencement Financing

Opening Remarks
by
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The Economic Adviser to the President,
The President of the Chartered Institute of Restructuring and Insolvency Practitioners, Ghana,
Representatives of the International Finance Corporation,
The President of the Association of Chartered Certified Accountants,
The President of the Institute of Chartered Accountants, Ghana,
Chief Executive Officers and Senior Executives of Banks and Specialised Deposit-Taking Institutions,
Licensed Insolvency Practitioners,
Distinguished Participants,
Ladies and Gentlemen.
Good morning.

I am pleased to open this forum, and I commend CIRIP Ghana for convening it. The Bank of Ghana values its collaboration with the Institute, whose statutory mandate makes it an important partner in strengthening Ghana's business rescue framework.

The subject before us sits at the intersection of business rescue, credit risk management and financial stability. Act 1015 gave Ghana a framework through which a distressed but viable business may be restructured rather than liquidated, and it gives post-commencement financing statutory priority. The challenge is to translate that provision into financing that banks can responsibly provide.

Consider the decision facing a bank when a corporate borrower enters administration. The existing facility is impaired. Yet the business retains productive assets, customers and a viable core, and it has orders it could fulfil with working capital to buy inputs while its restructuring plan is implemented.

The bank must decide whether it is looking at a viable business in temporary distress or an unviable business postponing an inevitable failure. That decision is difficult, for reasons this forum is well placed to address. It captures the central question before us:

How do we enable banks to support genuine recovery without concealing existing losses, weakening credit discipline or exposing depositors and the financial system to undue risk?

Ghana does not have to choose between liquidating every distressed business and relaxing standards to keep businesses alive. A disciplined rescue framework can preserve viable businesses while protecting financial stability. I would like to make three points.

First, rescue must begin with a credible test of viability

A business may be distressed without being fundamentally unviable. A cash-flow shock, changing market conditions or a mismatch between receivables and obligations may place a sound business under severe pressure. During restructuring it may need financing to retain employees, purchase inputs and complete existing contracts, without which productive capacity may be destroyed and creditors may recover less.

But the need for money is not evidence of viability. Most distressed companies need money. The first question is whether new money can reasonably restore the business to sustainable operations.

In the case I have described, the orders and remaining customers would be relevant but not sufficient. The bank would still need to establish whether those orders are real and profitable, what caused the distress, whether the business can generate sustainable cash flow, and whether the plan addresses those causes rather than rescheduling their consequences.

A credible assessment must rest on reliable information, realistic assumptions, capable management, transparent governance and a clear path to recovery. It should show how existing creditors will be treated and what shareholders and management will contribute, and it must be capable of independent scrutiny. These are questions about information, priority and accountability. A rescue plan that is to be treated as bankable must be built to be read by a credit committee. Distress in a borrower is not a reason to stop assessing. It is a reason to assess more carefully, and with greater urgency.

Second, new financing must support recovery without concealing existing losses

The priority that Act 1015 confers on post-commencement financing materially improves the position of a lender advancing funds after administration begins. But legal priority alone does not make a transaction prudent or bankable. It does not make the cash flows appear, and it does not guarantee repayment.

If the company passes that test, the bank must determine how the new financing will be used, protected and monitored. The facility may need to be ring-fenced for specified operating requirements, paid directly to approved suppliers, managed through controlled accounts and repaid from identifiable proceeds. It may require security, measurable milestones, regular reporting and exit triggers if the restructuring moves off course.

Equally, the old losses do not disappear because new financing has been provided. The existing impaired facility must remain properly recognised, classified and provided for. Calling an exposure post-commencement financing cannot convert a weak loan into a good one. There can be no blanket exemption from IFRS 9 or from prudential requirements, and no automatic favourable classification simply because a facility was granted after administration commenced. How new and legacy exposures should each be treated within that discipline is one of the questions I am putting to this forum, and I do not intend to pre-empt it this morning.

We can have this conversation now, because the banking sector is in a stronger position than it was. The industry's Non-Performing Loan ratio declined to 16.1 per cent in June 2026 from 23.1 per cent a year earlier, while the Capital Adequacy Ratio stood at 20.4 per cent. Capital of that order is what gives a bank the room to take considered risk. But that is progress, not sufficiency, and 16.1 per cent remains too high. Our regulatory measures require each regulated institution to reduce its ratio to no more than 10 per cent by the end of December 2026, alongside stronger credit appraisal, Board-approved reduction plans, effective recovery functions and the write-off of fully provisioned exposures with no realistic prospect of recovery.

High non-performing loans tie up capital, raise recovery costs and restrict new credit, most severely for smaller and higher-risk borrowers. Reducing them is therefore not merely a supervisory concern; it is part of Ghana's development agenda. Post-commencement financing must reinforce that discipline, not work around it.

Third, Ghana needs a predictable framework, not case-by-case improvisation

Banks, insolvency practitioners, borrowers and existing creditors need clarity on the evidence required, the controls that must be in place, the treatment of new and legacy exposures, and the consequences if a rescue fails. This is why the Bank welcomes the collaborative work under way with CIRIP Ghana, the Ghana Association of Banks, the Institute of Chartered Accountants Ghana and other institutions. Its purpose must be to convert the promise of Act 1015 into a coordinated, risk-sensitive and operational framework.

Such a framework must preserve clear roles. The insolvency practitioner provides credible oversight, and management remains accountable for accurate information and execution. Shareholders should not expect creditors or public institutions to carry losses while they retain the upside. Lenders must apply sound credit judgement, existing creditors need clarity on how their rights may be affected, and the supervisor must protect prudential standards. Complementary mechanisms may help, whether a secondary market in distressed assets or risk-sharing with development finance institutions, but neither should transfer predictable private losses onto the public balance sheet or sustain businesses with no prospect of recovery.

I invite this forum to focus on four practical questions:

1. What evidence should establish that a distressed company remains commercially viable, and who should assess that viability independently?
2. How should post-commencement financing be structured, ring-fenced, monitored and repaid, including security, controlled accounts, milestones and exit triggers?
3. How should new financing and existing impaired exposures be treated under IFRS 9 and prudential requirements, so that the new facility is assessed fairly while existing losses remain fully recognised?
4. How should risks and responsibilities be allocated among lenders, practitioners, shareholders, management and existing creditors, including where a rescue fails?

So that today produces more than discussion, I would ask the organisers to submit a consolidated record of your deliberations and recommendations to the Bank and the participating institutions, so that what is said here feeds directly into the work under way.

Conclusion

Ladies and gentlemen, the framework we develop will be tested in real credit committees, considering real businesses and real risks. Our objective is not a system that avoids risk. Such a system would finance nothing worth financing. It is a system that understands risk, prices it properly, manages it actively and holds the capacity to absorb losses when judgement proves wrong.

The practical test is whether a credit committee facing the decision I described can reach it on the merits: able to say yes to the right business on the right terms, to say no where further financing would merely extend decline, and to know the difference. Business rescue and financial stability are compatible objectives, but rescue must rest on commercial viability, transparency and accountability, and never on concealed losses or regulatory forbearance.

I thank all participants for their commitment to this work. With these remarks, I declare this forum duly open and wish you fruitful deliberations.

Thank you.