ECONOMIC GOVERNANCE PLATFORM

OPEN SOCIETY FOUNDATIONS

SUSTAINABLE DEBT MANAGEMENT IN GHANA

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Produced By
ECONOMIC GOVERNACE PLATFORM

With Funding Support From
OPEN SOCIETY FOUNDATIONS

ISBN: 978 - 9988 - 52 - 993 - 2

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FOREWARD

Public debt remains a critical component of economic management, providing governments with the resources to drive development, expand infrastructure, and deliver essential public services. However, the sustainability and transparency of debt acquisition and management have profound implications for economic stability, fiscal responsibility, and the well-being of citizens. Ghana's debt trajectory over the past decades has underscored the need for a more prudent and accountable approach to debt governance, particularly as the country faces recurring economic crises linked to unsustainable borrowing practices. This is underscored by the fact that debt unsustainability has been at the core of the all the seventeen (17)nIMF bailouts that Ghana has had to sign up to.

This report is a timely and an in-depth examination of Ghana's debt landscape, offering a three-pronged research approach that delves into the patterns of debt accumulation, the effectiveness of debt management frameworks, and the state of debt transparency and accountability. By unpacking these critical dimensions, the report seeks to provide a comprehensive and evidence-based understanding of Ghana's debt dynamics and their far-reaching implications for economic governance.

In an era where debt vulnerabilities have become more pronounced, particularly in developing economies, there is an urgent need for enhanced policy reforms, institutional oversight, and citizen engagement in debt-related decision-making.. The report does not only present a rigorous analysis of Ghana's debt situation but also provides actionable recommendations to inform policy discourse, guide economic reforms, and strengthen fiscal discipline. Thus the significance of this study cannot be overstated.

It is our hope that this report will serve as a vital resource for policymakers, civil society organizations, researchers, and development partners who are committed to promoting responsible debt management in Ghana and beyond. The findings presented herein should stimulate constructive dialogue and inspire reforms that ensure Ghana's debt policies are aligned with long-term economic stability and inclusive growth.

We extend our sincere appreciation to Open Society Foundation Africa for the funding support that made this study possible. To the the research team and all stakeholders who contributed to this report, we are very grateful. May the insights and recommendations presented herein contribute meaningfully to a future of enhanced debt sustainability and economic resilience for Ghana.

Abdulkarim Mohammed
Coordinator, Economic Governance Platform

PREFACE

Public debt remains a critical issue in the economic discourse of many developing nations, particularly in Sub-Saharan Africa, where borrowing has become a key instrument for financing development. Ghana, like many other developing countries, has relied on external and domestic borrowing to support its fiscal operations, infrastructure development, and social programmes. However, the persistent cycle of debt accumulation, unsustainable debt service obligations, and the recurring need for financial bailouts raise fundamental questions about the prudence, transparency, and sustainability of the country's debt management strategies. This report provides a comprehensive examination of Ghana's debt landscape, focusing on three interconnected areas: (1) Debt Accumulation, Mitigation, and Sustainability; (2) Debt Management Mechanisms and Frameworks; and (3) Debt Transparency, Communication, and Accountability.

Historically, Ghana has oscillated between periods of debt relief and renewed accumulation. The country's post-independence development was largely fueled by external borrowing, leading to a debt crisis as early as the 1970s. By 2001, Ghana's debt-to-GDP ratio had exceeded 60%, necessitating participation in the Heavily Indebted Poor Countries (HIPC) Initiative. While this intervention temporarily restored debt sustainability, it also created fiscal space that facilitated further borrowing, including Ghana's entry into the international commercial bond market in 2007. The resultant expansionary fiscal policies, coupled with increased reliance on non-concessional financing, exacerbated debt vulnerabilities, ultimately leading to repeated financial crises and the need for International Monetary Fund (IMF) interventions.

Despite multiple IMF-supported programs, Ghana's debt trajectory remains precarious. The country exited an Extended Credit Facility (ECF) program in 2019, only to find itself in another debt-induced crisis by 2022, prompting yet another IMF engagement. This cyclical pattern underscores the urgent need for a critical assessment of the drivers of debt accumulation, the effectiveness of existing debt management frameworks, and the level of transparency and accountability in public debt administration. This report, therefore, seeks to bridge the knowledge gap by synthesizing evidence-based research and providing actionable recommendations to inform policy reforms.

The first segment of the study, Debt Accumulation, Mitigation, and Sustainability, explores the structural and economic factors contributing to Ghana's rising debt levels. It interrogates the macroeconomic and political drivers of debt, the role of fiscal policy in exacerbating or mitigating debt burdens, and the implications of the current debt stock on long-term economic stability. This section also examines Ghana's participation in various debt relief and restructuring initiatives, assessing their effectiveness in achieving sustainable debt levels.

The second segment, Debt Management Mechanisms and Frameworks, scrutinizes the existing institutional arrangements and policy tools employed in managing public debt. This includes an evaluation of debt acquisition processes, fiscal rules, legislative oversight, and the efficacy of Ghana's debt management strategies. The study further compares Ghana's debt management frameworks with international best practices to identify gaps and propose potential reforms that could enhance fiscal discipline and debt sustainability.

The third segment, Debt Transparency, Communication, and Accountability, addresses the governance and institutional weaknesses that undermine effective debt management. Transparency and accountability are crucial in ensuring public trust and investor confidence. This section investigates the role of government institutions, civil society organizations (CSOs), and international partners in promoting debt accountability. It also examines the challenges associated with data transparency, reporting inconsistencies, and the implications of limited stakeholder engagement in debt-related decisions.

Presenting these studies as interrelated components of a single report aims to provide policymakers, financial analysts, and development practitioners with a holistic understanding of Ghana's debt crisis and pathways to sustainable debt management. Each segment contributes to the overarching goal of fostering a robust debt governance system that prioritizes transparency, fiscal prudence, and long-term economic resilience. As Ghana continues to navigate its complex debt landscape, the insights from this study will serve as a valuable resource for shaping policies that can break the cycle of recurrent debt crises and promote sustainable economic development.

EXECUTIVE SUMMARY

Ghana has been an active participant in the international capital markets since 2007 when it issued its first Eurobond. Over the years, successive governments have increasingly relied on external borrowing to bridge budget deficits and sustain economic activities. While Ghana has at times accessed favourable credit terms, the overall debt trajectory has been marked by unsustainable borrowing practices, weak fiscal discipline, and limited transparency. The assessment by major credit rating agencies—Moody's, Standard & Poor's, and Fitch—has significantly influenced the country's access to global financial markets. However, the downgrade of Ghana's credit rating in 2022, coupled with an International Monetary Fund (IMF) and International Development Association (IDA) assessment revealing unsustainable debt levels, has effectively shut Ghana out of international capital markets, leading to its 18th IMF bailout.

The Ghanaian government reported a debt-to-GDP ratio of 75.9%, but after the IMF's assessment, the figure was revised to 105%, highlighting discrepancies in debt reporting. The variation arose due to the government's exclusion of contingent liabilities, such as energy sector debts and other off-balance-sheet obligations. This discrepancy underscores the urgent need for standardized and transparent debt accounting and reporting mechanisms. Civil society organizations (CSOs), international financial institutions, and academia have consistently raised concerns about Ghana's inefficient debt management, weak parliamentary oversight, and inadequate scrutiny of loan agreements and their fiscal implications.

In response to these challenges, the Economic Governance Platform (EGP), with funding support from Open Society Africa, commissioned three in-depth studies on Ghana's debt management framework. These studies examined key dimensions of the country's debt landscape: Debt Management Mechanisms and Frameworks - Analyzing Ghana's institutional and legal frameworks for debt accumulation and repayment. Debt Transparency, Communication, and Accountability -- Assessing the effectiveness of public debt reporting, parliamentary oversight, and stakeholder engagement. Debt Accumulation, Mitigation, and Sustainability -- Evaluating Ghana's borrowing patterns, debt servicing strategies, and policy options for long-term fiscal sustainability.

KEY FINDINGS

The studies reveal that Ghana's fiscal policy is highly procyclical, influenced by commodity and electoral cycles, with significant fiscal slippages around election periods. This has left the economy with limited buffers to absorb external shocks like the COVID-19 pandemic and the Russia-Ukraine war. Expenditure overruns—driven by wages, subsidies, and social programs—along with structural budgetary rigidities (e.g., interest payments, DACF, and employee compensation) consume most of the government's revenue. These trends have reinforced the country's dependence on borrowing and deepened its debt burden.

Weaknesses in the procurement regime have further exacerbated the problem.

Between 2012 and 2021, nearly 86% of high-value government contracts were awarded through sole-sourcing or restricted tendering,

in violation of competitive procurement norms. This, combined with inflated pricing, poor contract management, and political interference, has led to financial waste, cost overruns, and increasing debt. Poor contract negotiations and irregular terminations have also resulted in unnecessary legal liabilities for the government.

Debt transparency and accountability remain major concerns. Prior to the IMF-supported program, government reporting significantly underrepresented the true debt position. Official debt levels were reported at 75.9% of GDP, while the joint IMF-World Bank Debt Sustainability Analysis (DSA) revealed a present value debt-to-GDP ratio of 105%, placing Ghana in debt distress. Additionally, the external debt service-to-revenue ratio stood at 34%, far above the 18% sustainability threshold. The government excluded financial sector clean-up costs and energy sector liabilities from public debt figures, distorting the fiscal outlook. Debt collateralization arrangements, such as ESLA and DAAKYE, further compromised transparency and restricted fiscal flexibility.

Bank of Ghana's financing of government deficits through overdraft facilities also contributed to inflationary pressures and was not fully disclosed until the IMF's DSA flagged it. Similarly, the central bank's discretionary powers under existing laws and its dual role in debt operations and liquidity management need clearer separation and stronger oversight.

The studies also identified several critical gaps in Ghana's debt management practices, including the absence of an independent fiscal council to oversee government expenditure and borrowing. All three studies strongly recommended the establishment of such a body to scrutinize budget planning, revenue mobilization, and deficit financing strategies.

RECOMMENDATIONS

1. Strengthen Domestic Revenue Mobilization

Ghana must broaden its tax base and enhance compliance through digitalisation and targeted tax education. Closing loopholes in trade misinvoicing, property taxation, exemptions, transfer pricing, and illicit financial flows especially in the extractives sector can significantly increase revenue. Current tax exemptions on VAT, income tax, and import duties result in a revenue loss of nearly 4% of GDP. Reversing this trend is critical for sustainable financing.

2. Reinforce Anti-Corruption and Financial Oversight

To tackle illicit financial flows and reduce leakages, anti-corruption agencies like the Office of the Special Prosecutor (OSP) and EOCO must be empowered and resourced. The adoption of modern technologies, such as Blockchain, can improve traceability, reduce fraud, and increase public trust. Regular audits and enforcement of anti-money laundering measures should be standard practice.

3. Control Public Spending and Boost Efficiency

Ghana must reduce wasteful and rigid public spending—particularly on wages, subsidies, and non-priority programs. A streamlined payroll, better procurement governance, and the proposed establishment of a Department of Government Efficiency—or a fully independent and well-resourced Fiscal Council—could help enforce fiscal discipline. Parliament must also be empowered to scrutinize fiscal policies and borrowing decisions more effectively.

4. Reform the Legal Framework for Fiscal Responsibility

Amendments to the Fiscal Responsibility Act and Public Financial Management Act are essential to introduce clearer rules, including debt and deficit limits, and to enforce penalties for non-compliance. The escape clause must include a strict timeline for returning to fiscal rules after emergencies. Parliamentary oversight over deviations should be mandatory.

5. Improve Budget Execution and Expenditure Tracking

Full integration of MDAs and MMDAs into the Ghana Integrated Financial Management Information System (GIFMIS), alongside the Ghana Electronic Procurement System (GHANEPS), will enhance spending oversight and ensure that only projects with approved budgets proceed to implementation. This reform, already part of Ghana's IMF program, is crucial for transparency and accountability.

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6. Institutionalize a Credible Debt Sustainability Framework

Ghana should fully adopt and implement a forward-looking Debt Sustainability Framework (DSF) aligned with international standards. This includes routine reviews of debt dynamics, stress testing against shocks (like commodity price fluctuations or recessions), and applying risk mitigation measures. All public investments must undergo a rigorous Public Investment Management (PIM) appraisal process, with only vetted projects receiving financing—particularly those exceeding US$1 million.

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7. Re-establish and Protect the Sinking Fund

Reviving the Sinking Fund with regular contributions will help manage debt repayments and reduce rollover risks. Parliamentary oversight of the Fund is essential to ensure its proper use and sustainability.

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8. Curb Inflationary Financing and Strengthen Central Bank Oversight

The Bank of Ghana's lending to government, capped at 5% of the previous year's revenue, should be strictly enforced and any exception jointly approved by Parliament, the Governor, and the Finance Minister. Additionally, the Bank's debt management operations must be clearly separated from its monetary policy functions to maintain credibility and avoid conflicts of interest. All significant foreign borrowing or guarantees must receive parliamentary approval.

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9. Institutionalize an Independent Fiscal Council

Establishing a politically independent Fiscal Council is central to strengthening fiscal accountability. The Council should have a legal mandate, clear powers, and operational independence to evaluate fiscal risks, assess policy credibility, monitor debt targets, and track compliance with fiscal rules. It should also support Parliament with independent analysis.

10. Promote Transparency in Debt Reporting and Classification

All public debt—whether central government, contingent liabilities, or off-balance-sheet arrangements such as ESLA and DAAKYE—must be fully disclosed. Underreporting debt distorts Ghana's fiscal outlook and undermines investor confidence. The Public Debt Management Office (PDMO) should regularly publish accurate and comprehensive debt data.

11. Enhance Post-Loan Monitoring and Evaluation

A strong post-loan monitoring system must be developed under the Fiscal Council to ensure that borrowed funds are used effectively and deliver value for money. All major loan agreements must include a business case, logical framework, and monitoring and evaluation plan.

12. Strengthen Procurement Governance and PFM Reform Integration

The dominance of sole-sourcing and restricted tendering—especially in high-value contracts—has reduced competition and inflated public costs. Reforms must prioritize competitive tendering and be integrated with broader Public Financial Management (PFM) reforms, such as project appraisal and transparent reporting.

13. Shift Focus from Debt-to-GDP to Broader Sustainability Indicators

Reliance on headline debt-to-GDP ratios alone can mask risks. Ghana must embrace forward-looking indicators from the IMF/IDA Debt Sustainability Framework to better assess debt risks and ensure more responsible borrowing decisions.

14. Promote Stakeholder Engagement and Fiscal Strategy Transparency

The development and implementation of Ghana's Fiscal Strategy must be inclusive and transparent. Civil society, Parliament, and the public must be engaged in shaping and monitoring the country's path to debt sustainability.

METHODOLOGY

The studies adopted a qualitative research approach with quantitative support from secondary data, relying primarily on a thorough review of literature and secondary data to assess Ghana's debt management systems. This included a review of existing research, policy documents, and reports to provide context and understanding of the key issues surrounding debt accumulation, fiscal discipline, and public financial management in Ghana.

Data was gathered through a desktop review of publicly available documents from credible sources such as the World Bank, International Monetary Fund, and Ghanaian government institutions. Key documents reviewed included the Public Financial Management Act, Public Procurement Act, national budgets, debt reports, and relevant Ministry of Finance publications. Additionally, the authors compiled and analysed their own data to identify gaps, trends, and inconsistencies in debt reporting and procurement practices.

The research also incorporated comparative insights by referencing international best practices in debt management, transparency, and accountability. These benchmarks provided a basis for evaluating Ghana's performance and formulating practical recommendations aimed at improving debt sustainability and strengthening institutional frameworks.

ABBREVIATIONS

ATM	Average Time Maturity
BoE	Bank of England
BoG	Bank of Ghana
CAG	Controller and Accountant General
CAPEX	Capital Expenditure
CRAs	Credit Risk Assessment
CSO	Civil Society Organisation
DACF	District Assembly Common Fund
DBG	Development Bank Ghana
DCC	Debt Carrying Capacity
DDEP	Domestic Debt Exchange Programmes
DOGE	Department of Government Efficiency
DSF	Debt Sustainability Framework
E-Levy	Electronic Levy
ECF	Extended Credit Facility
ECOWAS	Economic Community of West Africa States
EGP	Gross Domestic Product
EOCO	Economic and Organised Crime Office
FC	Fiscal Policy
FSD	Fiscal Strategy and Document
GDP	Gross Domestic Product
GHANEPS	Ghana Electronic Procurement System
GIFMIS	Ghana Integrated Financial Management Information System
GPGC	Ghana Power Generation
GRA	Ghana Revenue Authority
HIPC	Heavily indebted Poor Country
ICM	International Capital Capacity
ICT	Information Communication Technology
IDA	International Development Association
IFFs	Illicit Financial Flow

IMF	International Monetary Fund
LAC	Latin America and the Carridean
MDAs	Ministry Department and Agencies
MMDAs	Metropolitan Municipal and District Assembly
MoF	Ministry of Finance
MPC	Monetary Policy Committee
MTDMS	Medium Term Debt Management Strategy
MTRS	Medium Term Expenditure Framework
NDC	New Democratic Congress
NDF	Net Domestic Financing
NPP	New Patriotic Party
OCC	Official Creditor Committee
OECD	Organisation of Economic Cooperation and Development
OMO	Open Market Operation
OSP	Office of the Special Prosecutor
PAYE	Pay as You Earn
PBCOSIs	Public Boards, Corporations and other Statutory Institution
PBO	Parliamentary Budget Office
PDMO	Public Debt Management Office
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure and Tracking System
PFMA	Public Financial Management Act
PIN	Personal Income Tax
PSBR	Public Sector Borrowing Requirement
PV	Present Value
SoEs	State Owned Enterprises
SSNIT	Social Security and National Insurance Trust
SSSS	Single Spine Salary Structure
TSA	Treasury Single Account
UNCITRAL	United Nations Commission on International Trade Law
VAT	Value Added Tax
WAMZ	West African Monetary Zones

INTRODUCTION

Managing public debt has become one of the most pressing economic challenges for developing nations, especially in Sub-Saharan Africa, where borrowing is often used as a primary tool for financing growth and development. In Ghana, both external and domestic borrowing have long supported fiscal operations, infrastructure expansion, and essential social programs. Yet, the country continues to grapple with a recurring pattern of rising debt levels, unsustainable debt servicing burdens, and periodic reliance on financial assistance. These trends raise critical concerns about the effectiveness, transparency, and long-term sustainability of Ghana's debt management strategies. This report presents an in-depth analysis of Ghana's public debt environment, structured around three key areas: (1) Debt Accumulation, Mitigation, and Sustainability; (2) Debt Management Mechanisms and Frameworks; and (3) Debt Transparency, Communication, and Accountability.

Historically, Ghana has oscillated between periods of debt relief and renewed accumulation. The country's post-independence development was largely fueled by external borrowing, leading to a debt crisis as early as the 1970s. By 2001, Ghana's debt-to-GDP ratio had exceeded 60%, necessitating participation in the Heavily Indebted Poor Countries (HIPC) Initiative. While this intervention temporarily restored debt sustainability, it also created fiscal space that facilitated further borrowing, including Ghana's entry into the international commercial bond market in 2007. The resultant expansionary fiscal policies, coupled with increased reliance on non-concessional financing, exacerbated debt vulnerabilities, ultimately leading to repeated financial crises and the need for International Monetary Fund (IMF) interventions.

Despite multiple IMF-supported programs, Ghana's debt trajectory remains precarious. The country exited an Extended Credit Facility (ECF) program in 2019, only to find itself in another debt-induced crisis by 2022, prompting yet another IMF engagement. This cyclical pattern underscores the urgent need for a critical assessment of the drivers of debt accumulation, the effectiveness of existing debt management frameworks, and the level of transparency and accountability in public debt administration. This report, therefore, seeks to bridge the knowledge gap by synthesizing evidence-based research and providing actionable recommendations to inform policy reforms.

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Presenting these studies as interrelated components of a single report aims to provide policymakers, financial analysts, and development practitioners with a holistic understanding of Ghana's debt crisis and pathways to sustainable debt management. Each segment contributes to the overarching goal of fostering a robust debt governance system that prioritizes transparency, fiscal prudence, and long-term economic resilience. As Ghana continues to navigate its complex debt landscape, the insights from this study will serve as a valuable resource for shaping policies that can break the cycle of recurrent debt crises and promote sustainable economic development.

SEGMENT 1:

DEBT ACCUMULATION, MITIGATION AND SUSTAINABILITY IN GHANA

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Dr Theophilus Acheampong is an economist and political risk analyst with over ten year's knowledge and experience working with private investors, governments and international organisations on the intersections between natural resource extraction and public financial management.

01

BACKGROUND

Over the past three years, Ghana's economy has gone through severe economic and financial challenges, indicated by 20-year-high inflationary trends, local currency depreciation, dwindling foreign reserves, and rising debt vulnerabilities. The root cause of the country's recurrent crises is the political economy whereby fiscal policy in Ghana is notably procyclical related to commodity and electoral cycles (competitive clientelism). Debt acquisition is mainly fuelled by the financial need to fill revenue-expenditure gaps. Most nations incur or accumulate some debt as part of their normal fiscal operations. However, the nature of debts incurred and the processes of their acquisition, their management including resettlement and reporting, or associated accountability, play important roles in determining the effectiveness and sustainability of debt management.

Ghana's own experiences on debt acquisition through borrowing and that of other countries clearly indicate that the choice of book-runners, timing of debt acquisitions, kind of lenders to borrow from, the agreed terms of debt acquired and how such funds are applied are not always motivated by the best interests of the State. Besides borrowing, debts are also accumulated through unfavourable judicial judgements emanating from administrative and or political decisions that may be made in error/unknowingly, deliberately/knowingly, or out of outright blunders for varied reasons. Again, there are debts that arise from poor procurement decisions, unfavourable market conditions, and currency depreciation, among others.

While many of the gaps in debt management are well-known and discussed in fiscal policy discourse in Ghana, they are not well documented and coherently packaged to allow for effective CSO advocacy to influence prudent debt management. This is the basis for undertaking this study to help bridge the information gap.

Divided into three different but connected segments of debt accumulation, mitigation and accountability, each segment provides further insight premised on documented and synthesised evidence from both publicly available data and information. It is envisaged that the findings from this study will influence reforms in debt management policy and practice in Ghana, given that this has become even more imperative in the current debt-laden economic context.

The rest of the report is structured as follows:

- **SEGMENT 1:** reviews Ghana's recent economic performance based on two epochs: the pre-pandemic era from 2010 to 2019 and the post-pandemic performance from 2020 onwards.

- **SEGMENT 2:** critically analyses the root causes of the country's debt accumulation, mitigation and sustainability. On debt accumulation, we focus on the following factors: financial necessity—the result of persistent revenue underperformance and expenditure overruns, leading to perennial revenue-expenditure gaps to be filled by domestic and external borrowing; Fraudulent procurement practices—leading to project cost escalations; High incidence of judgement debts from negligent financial decisions; and Political economy-fuelled borrowing—to satisfy political interests and for personal gains. Secondly, on debt mitigation, the following factors are analysed: effective revenue mobilisation strategies, expenditure rationalisation and rebalancing, and effective use of the Ghana Integrated Financial Management System (GIFMIS) to manage expenditure. Lastly, debt sustainability focuses on the institutionalisation of the Debt Sustainability Analysis (DSA) framework and periodic tests of debt sustainability against agreed benchmarks.

- **SEGMENT 3:** concludes the report with broad recommendations on addressing debt accumulation, mitigation and sustainability in Ghana.

GHANA'S ECONOMY IN PERSPECTIVE

1. Ghana's economy has gone through severe economic and financial challenges over the past three years. This is indicated by 20-year-high inflationary trends, local currency depreciation, dwindling foreign reserves, and rising debt vulnerabilities since 2022. The economic challenges also forced Ghana to default on its external debt obligations in December 2022 and eventually approach the IMF for a bailout in May 2023. The IMF Executive Board in May 2023 approved Ghana's US$3 billion, 36-month arrangement under the Fund's Extended Credit Facility (ECF) and disbursed the first tranche of US$600 million for budget support. The IMF programme aims to (1) restore macroeconomic stability and debt sustainability — comprehensive debt restructuring to both domestic and external debt, financial sector stability, private sector-led growth by improving the business environment, governance, and productivity; and (2) undertake wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth — ambitious structural reforms tax policy, revenue administration, and public financial management, address weaknesses in the energy and cocoa sectors.[1] Pursue tight monetary and flexible exchange rate policies to help bring inflation back to single digits and rebuild international reserves.

2. Funding releases are tied to Ghana meeting programme conditionalities and other performance criteria as shown. The country has managed to secure US$1.92 billion (64%) of the total US$3 billion available after it met most of these conditionalities. Another US$360 million is expected to be released to the country in May 2025 based on December 2024 performance criteria. The fifth and sixth reviews of the ECF are scheduled to take place in October 2025 and April 2026, using end-June 2025 and end-December 2025 performance criteria for evaluation. Ghana's economy has shown signs of modest stabilisation and rebound. The Statistical Service reported expansions in GDP growth of 4.8% in Q1 2024, 7% in Q2 2024 and 7.2% in Q3 2024, with improvements in mining and quarrying, crops, information and communications, construction and manufacturing activities driving this[2]. Likewise, inflation averaged 24% in 2024 from 39% in 2023, although this was still outside the central bank's long-term policy target range of 6%-10%. Continued gradual disinflation is expected for 2025 and the medium term, which should provide a cushion for households and businesses. IMF projects 2025 real GDP growth of 4.4% and 11.5 percent inflation (Figure 1)[3].

3. Pre-pandemic economic performance (2010-2019) started to improve or trend in the right direction, especially given the challenges that the economy went through from 2014-16, occasioned by the 'dumsor' crisis. Following the boom of the first few years of commercial oil and gas production, Ghana's economy witnessed a startling decline, with GDP growth decreasing from an average of 10.22% between 2011 and 2013 to 2.84% of GDP between 2014 and 2016 (Figure 1). The slowdown in the economy was primarily caused by persistent electricity shortages (known locally as 'dumsor')[4]. For example, about 50% of the country's small-scale industries lost several hours daily due to a lack of reliable power. These outages were estimated to have reduced the country's GDP by 2% in 2014 (US$618 million) alone, and cumulative losses of over US$3 billion in the four years of dumsor, costing several job losses.[5]

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5. https://energyforgrowth.org/article/is-ghanas-dumsor-over; https://www.pulse.com.gh/ece-frontpage/power-crisis-dumsor-cost-us-dollar3billion-nana-addo/0hs73z6

Figure 1: Ghana selected economic indicators, 2022-29

	2022 Actual	2023 Actual	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
	(annual percentage change, unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	3.8	2.9	4.0	4.4	4.9	5.0	5.0	5.0
Non-extractive GDP	3.1	3.0	3.5	4.5	5.0	5.0	5.0	5.0
Extractive GDP	8.9	2.5	7.0	3.9	4.3	4.5	4.7	5.0
Real GDP per capita	1.8	1.0	2.0	2.5	3.0	3.2	3.2	3.2
GDP deflator	28.2	33.1	20.4	10.6	7.8	7.8	7.7	7.6
Consumer price index (end of period)	54.1	23.2	18.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	39.2	21.9	11.4	8.0	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)							
Central government budget								
Revenue	15.7	16.0	17.1	17.2	18.1	18.1	18.0	18.0
Expenditure (commitment basis) [1]	27.5	19.6	20.7	19.8	20.0	19.8	19.8	20.3
Overall balance (commitment basis) [1]	-11.8	-3.6	-3.5	-2.7	-1.9	-1.7	-1.8	-2.2
Primary balance (commitment basis)	-4.3	-0.3	0.5	1.5	1.5	1.5	1.5	1.3
Non-oil primary balance (commitment basis)	-6.3	-1.8	-1.2	0.1	0.2	0.2	0.2	-0.1
Public debt (gross)	92.7	83.1	78.0	72.2	67.2	63.0	59.4	56.8
Domestic debt	49.7	38.8	33.5	30.0	28.0	26.0	24.3	23.5
External debt	43.0	44.4	44.5	42.2	39.1	37.0	35.1	33.4

Source: IMF (2024)

4. **The resultant stagnation, coupled with the country's large fiscal and external imbalances, led to Ghana applying to the International Monetary Fund (IMF) in April 2015 for a three-year USD918 million ECF programme.[6]** During the programme implementation, real GDP growth rose again from 2017-2019, averaging 6.96% year-on-year. However, this sustained performance was curtailed by the COVID-19 pandemic. Also, despite the country's relatively modest growth and other positive macro indicators, the concern remained about the lack of trickle-down at the micro-level. For example, about 25% of the country's population lived in poverty, while youth unemployment was higher than the national average[7]. Furthermore, inequality also rose from 41.9% in 2006 to 42.3% in 2013 and 43.0% in 2017.[8] The same can be said for multidimensional poverty, where 46% of Ghana's population is classified as being multidimensionally poor due to the lack of health insurance coverage, undernutrition, school lag and households with members without any educational qualification.[9] This is despite modest gains from 55% in 2011 to 46% in 2017, translating to a 1.5% percentage point reduction per annum.[10]

5. **Part of the answer to unravelling this puzzle of strong macro-fundamentals but weak transmission to the micro-economy lies in understanding where Ghana earns and spends its resources.** Revenue performance has not been impressive even after the discovery and export of crude oil in commercial quantities in 2010. The highest total revenue-to-GDP recorded was 23.2% in 2012, and the lowest was 15.3% in 2019. On the other hand, Ghana's expenditures kept rising from 26.0% of GDP in 2010 to a high of 30.3% of GDP in 2016 before declining to 19.4% in 2019. A closer look at the data shows that Ghana has had a persistent 5% average gap between revenue and

6. https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15159
7. Jumpah, E.T., Ampadu-Ameyaw, R. and Owusu-Arthur, J. (2020), "Youth employment in Ghana: economic and social development policies perspective", World Journal of Entrepreneurship, 7. Management and Sustainable Development, Vol. 16 No. 4, pp. 413-427. https://www.statista.com/statistics/812039/youth-unemployment-rate-in-ghana/
8. https://www.oxfam.org/en/ghana-extreme-inequality-numbers
9. https://www.undp.org/sites/g/files/zskgke326/files/migration/gh/UNDP_GH_MPI_Report_2020.pdf
10. ibid

expenditure (Figure 2). This gap (budget deficit) was financed by borrowing from the domestic and external capital markets. Further compounding the expenditure issues are the structural rigidities in Ghana's budget whereby the top three expenditure items, namely employee compensation for workers on the government payroll, interest payments, and grants other government funds such as the District Assemblies Common Fund (DACF), consume all of its revenue and grants.

6. The COVID-19 pandemic and resulting economic crisis drastically affected Ghana's resource (revenue) envelope and expenditure commitments. Ghana dramatically increased expenditure in response to the pandemic to address the crisis and impact on livelihoods. Between 2020 and 2021, Ghana's total expenditure grew by 5.7% and 2.3% year-on-year as a share of GDP, while revenue, on the other hand, barely increased (Figure 3). Overall, Ghana injected an additional GHS21.84 billion into the economy during the pandemic. These monies came from various sources, including the GOG Contingency Fund, World Bank Group Funds, African Development Bank, European Union, Bank of Ghana COVID-19 Bonds and other GoG funds. The finance ministry estimated that the 2020 overall fiscal deficit would rise from a targeted 4.7% to 7.8% of GDP. However, the actual deficit outturn was almost twice the amount at -13.80 % of GDP in 2020 and -12.10 % in 2021. Despite these interventions to mitigate the negative consequences of the pandemic on the Ghanaian economy and livelihoods, these slippages were compounded by the procyclicality of fiscal policy in Ghana under the Fourth Republic, whereby Ghana did not have enough buffers to fully meet the exigencies of such major external shocks as the pandemic.

7. The rising cost of living and unemployment has negatively impacted living standards. The latest numbers indicate that overall unemployment, as measured by the share of the labour force without work but available for and seeking employment, remained at 3.9% in 2022[11] (same as 2021), while youth unemployment[12] remains much higher. More recent assessments show that in 2022, 26.8% of Ghana's population lived below the international poverty rate of US$2.15 per day in 2017 PPP terms, up two percentage points from 24.8% in 2021.[13] This translates to another 620,000 people. The economic challenges, including the COVID-19 pandemic, debt crisis, high inflation and lower growth projections, mean that poverty in 2024 and beyond will be at their highest levels in over a decade.[14] Ghana's 'international poverty' rate is estimated at 32.9% for 2024.[15] Consequently, several civic groups held disruptive anti-government marches against the increasing cost of living and the introduction of new consumer taxes such as the Electronic Transaction (e-levy). The incumbent New Patriotic Party (NPP) administration eventually lost power to the main opposition, the National Democratic Congress (NDC), in the December 2024 presidential and parliamentary elections, with one of the biggest losing margins in Ghana's Fourth Republic.

11. https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=GH
12. Kwakye, Kwabena Gyan; Dadzie, Christabel Ewuradjoa; Elmaleh, David Jacques.
Ghana Economic Update - Preserving the Future: Rising to the Youth Employment Challenge (English).
Ghana Economic Update; 6th edition Washington, D.C. : World Bank Group.
http://documents.worldbank.org/curated/en/099625006292235762/P177994040f93403091ea0857af510b164
13. https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-gha.pdf
14. ibid
15. ibid

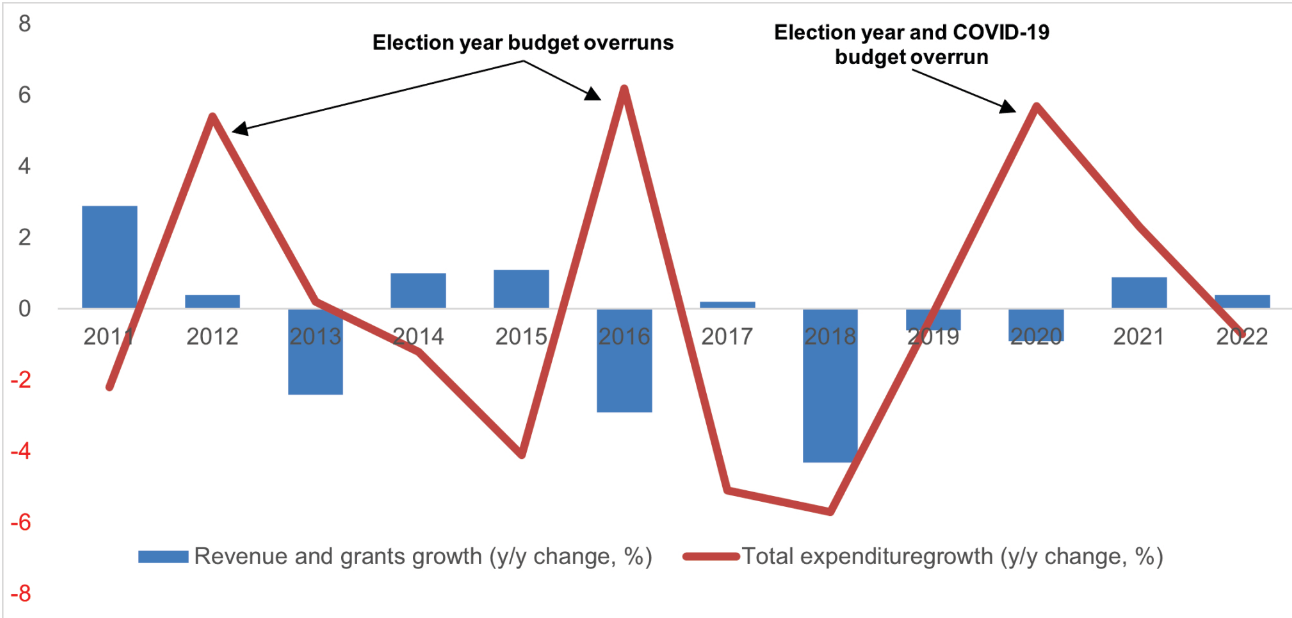
UNDERSTANDING THE ROOT CAUSES

8. Ghana's economy and finances were already precarious before Putin invaded Ukraine on 24 February 2022. Such large fiscal volatility around election cycles for the past years means Ghana did not have enough buffers to withstand major external shocks such as the COVID-19 pandemic and the follow-on Russian- Ukraine war. The political economy drives these perverse outcomes, whereby fiscal policy in Ghana is notably procyclical related to commodity and electoral cycles (Figure 2).[16] Consider, for example, Ghana and Chile, both commodities-exporting nations. Empirical data shows that Chile's intra-year expenditure growth rate has remained fairly constant, even with a major dip in revenues during the 2007-09 financial crisis.[17] On the other hand, Ghana's expenditure and revenue growth ebbs and flows with the political business cycle and is even more precarious during election years. To overcome the fiscal election cycles, Ghana introduced the Fiscal Responsibility Act, 2018 (Act 982), and set up a Fiscal Council in 2018. Act 982 imposes a de facto 5% cap on fiscal deficits in any given year, among other measures.[18] However, Act 982 was suspended during the COVID-19 pandemic to allow the government to meet certain priority expenditures, hindering long-term fiscal sustainability. Commentary[19] to a 2018 World Bank report[20] noted that ***"fiscal deficits [in Ghana] increased sharply and above 5% of gross domestic production (GDP) in all but the 2004 election year since 2000…And the level of overshooting in fiscal election cycles has increased over the past decade with the discovery of offshore oil fields in 2017. Between 2005 and 2012, public expenditure rose rapidly – related to increased spending on wages due to the introduction of the single spine salary structure".***

9. Ghana, before the pandemic, had been borrowing its way to finance our development; both external and domestic borrowings increased as did interest payments. For example, Ghana borrowed US$9.5 billion in Eurobonds from 2007 to 2019, with such recourse to external financing becoming a core part of the budget financing mix and even being sometimes celebrated with 'Kenkey Parties'[21] at the Ministry of Finance. These vulnerabilities are aptly captured by the IMF in their May 2023 assessment[22] of the Ghanaian economy for the 17th IMF programme (2023-2026) where they state that ***"Large external shocks have exacerbated pre-existing fiscal and debt vulnerabilities, resulting in a loss of international market access, increasingly constrained domestic financing, and reliance on monetary financing of the government. Decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence eventually triggered an acute crisis."***

16. https://blogs.worldbank.org/africacan/will-procyclicality-override-ghanas-new-fiscal-responsibility-law
17. Adam, A., & Mihalyi, D. (2017). Optimizing Ghana's Fiscal Rule. Natural Resource Governance Institute. https://resourcegovernance.org/sites/default/files/documents/optimize-ghana-fisal-rule.pdf
18. http://ir.parliament.gh/bitstream/handle/123456789/1831/FISCAL%20RESPONSIBILITY%20ACT%2c%202018%20%28ACT%20982%29.pdf?sequence=1&isAllowed=y
19. ibid
20. Ghana - Priorities for Ending Poverty and Boosting Shared Prosperity (English). Washington, D.C. : World Bank Group. http://documents.worldbank.org/curated/en/175681543268250421/Ghana-Priorities-for-Ending-Poverty-and-Boosting-Shared-Prosperity
21. https://www.ghanaweb.com/GhanaHomePage/NewsArchive/FLASHBACK-Ministry-of-Finance-holds-Kenkey-Party-to-celebrate-Ghana-s-IMF-ECF-programme-1573988 | https://twitter.com/GHOneTV/status/1109179185136844800
22. https://www.imf.org/en/Publications/CR/Issues/2023/05/17/Ghana-Request-for-an-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-Staff-533541

Figure 2 Historic volatility of government budget showing election-related procyclicality



Source: Author's construct

DEBT ACCUMULATION, MITIGATION & SUSTAINABILITY

This section of the report focusses on debt accumulation, mitigation and sustainability. Trends in debt accumulation in Ghana are emphasised together with mitigating techniques and the long-term debt sustainability prospects.

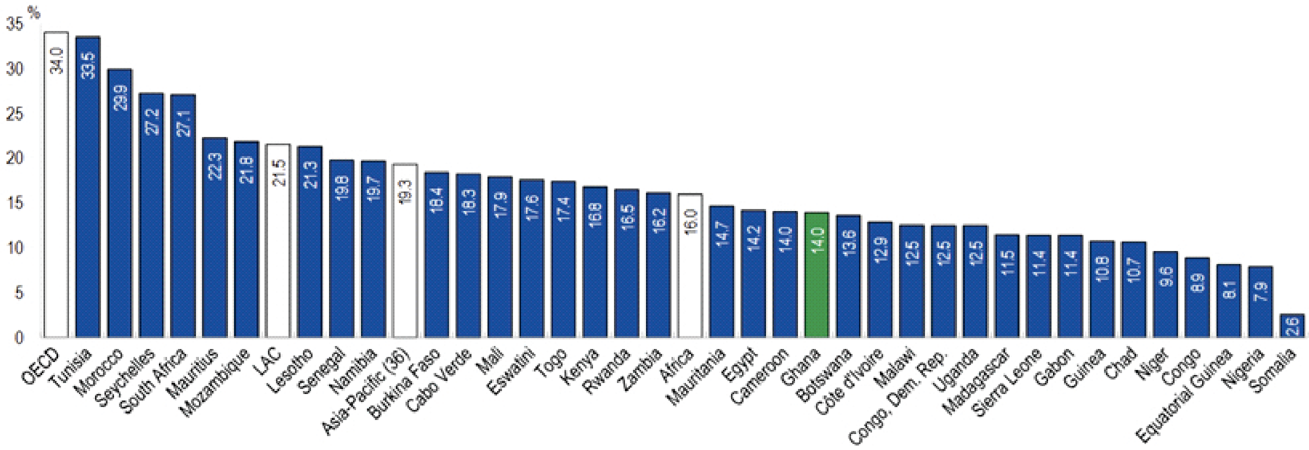
DEBT ACCUMULATION

Financial Necessity [persistent revenue underperformance and expenditure overruns, leading to perennial revenue-expenditure gaps to be filled by domestic and external borrowing]

1. Ghana has experienced persistent revenue underperformance due to a narrow tax base, tax exemptions, and inefficiencies in tax collection. While there have been some gradual increases over the last twenty years, Ghana's tax-to-GDP ratio was 13.8% in 2022, significantly below the government's target of 18% to 20 % (Figure 3). This figure is positioned in the middle range compared to other nations in sub-Saharan Africa but slightly below the average for countries with a similar per capita income level (Figure 3).[23] Ghana's tax-to-GDP ratio of 13.8% in 2022 was two percentage points lower than the average of the 36 African countries in 2024 (16.0%).

23. Ministry of Finance, 2024. Survey of the Tax System. Accra: Ministry of Finance, Ghana. https://mofep.gov.gh/news-and-events/2024-10-10/survey-of-the-tax-system

Figure 3 Tax-to-GDP ratio, 2022

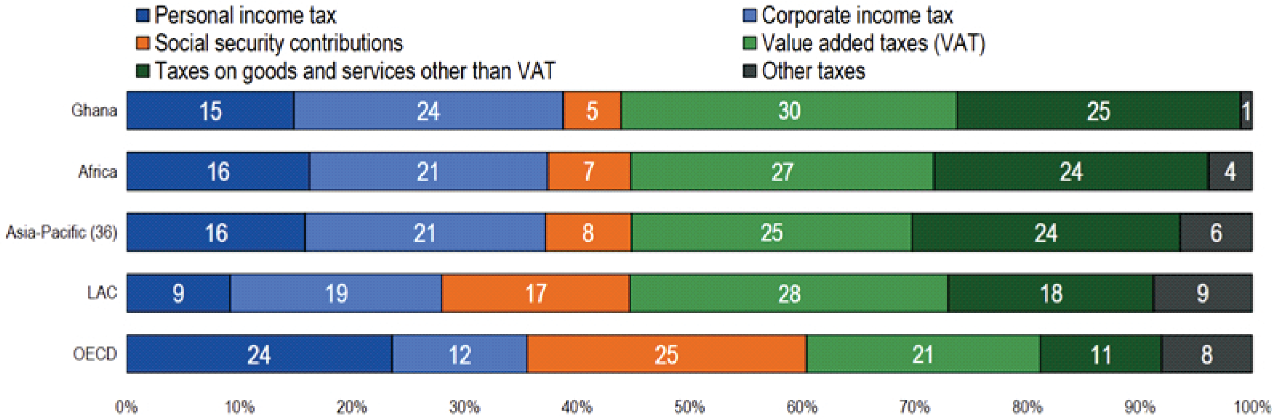


Source: OECD 2024[24] | Note: The Africa average and the averages for Asia-Pacific (36 economies), LAC (26 countries) and the OECD (38 countries) are unweighted.

2. Ghana's tax structure—the share of each tax in total tax revenues—comprises taxes on goods and services (indirect taxes: 55%) as the primary source of government revenue, followed by taxes on income, profits and capital gains (direct taxes: 40%) and other taxes (5%)—Figures 4 and 5. Within goods and services, VAT contributes the highest share of revenue at 30%, followed by taxes on goods and services other than VAT at 25%. Personal income tax (PIT) has multiple exemptions that adversely affect revenue collection. PIT constitutes around 15% of Ghana's overall tax revenues (2% of GDP); this is lower than the SSA average of about 18% of revenues and 3.5% of GDP.[25] In 2022, less than 25% of adult Ghanaians contributed to payroll taxes through the Pay-As-You-Earn (PAYE) system. The PIT system features a seven-band rate structure that is considered progressive; however, it is compromised by various exemptions that reduce the tax base, such as the exemption for retirement funds. The intricacies of the tax system, combined with inadequate enforcement measures, further exacerbate issues related to compliance.[26] The actual revenues from general sales tax were below anticipated levels. In 2022, 33% of total tax revenues were generated from imported goods, which includes VAT on these products, a decrease from 54% in 2000. The share of import duties in total tax revenue decreased from 18% in 2000 to 13% in 2022.

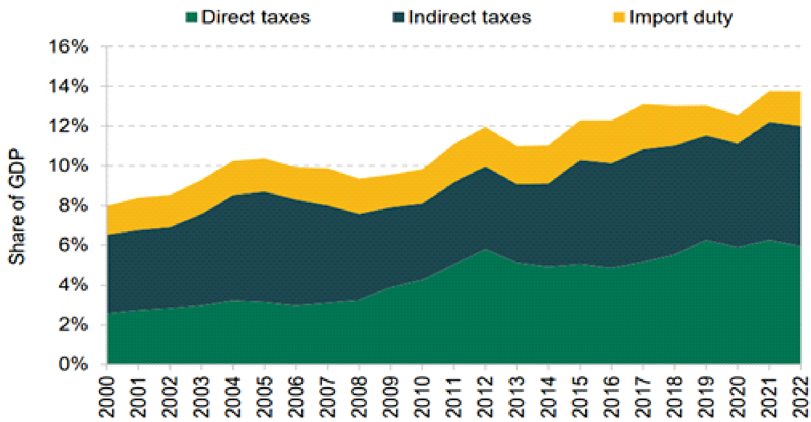
24. https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-tax-revenues/revenue-statistics-africa-ghana.pdf
25. ibid
26. Kwakye, K.G., Kimani, E.G. and Elmeah, D., 2024. 8th Ghana Economic Update. Strengthening domestic revenue systems for fiscal sustainability. World Bank Group. https://documents1.worldbank.org/curated/en/099073124093539928/pdf/P18123118ad6860d1184d115ab0b4281321.pdf

Figure 4 Ghana Tax Structure



Source: OECD 2024

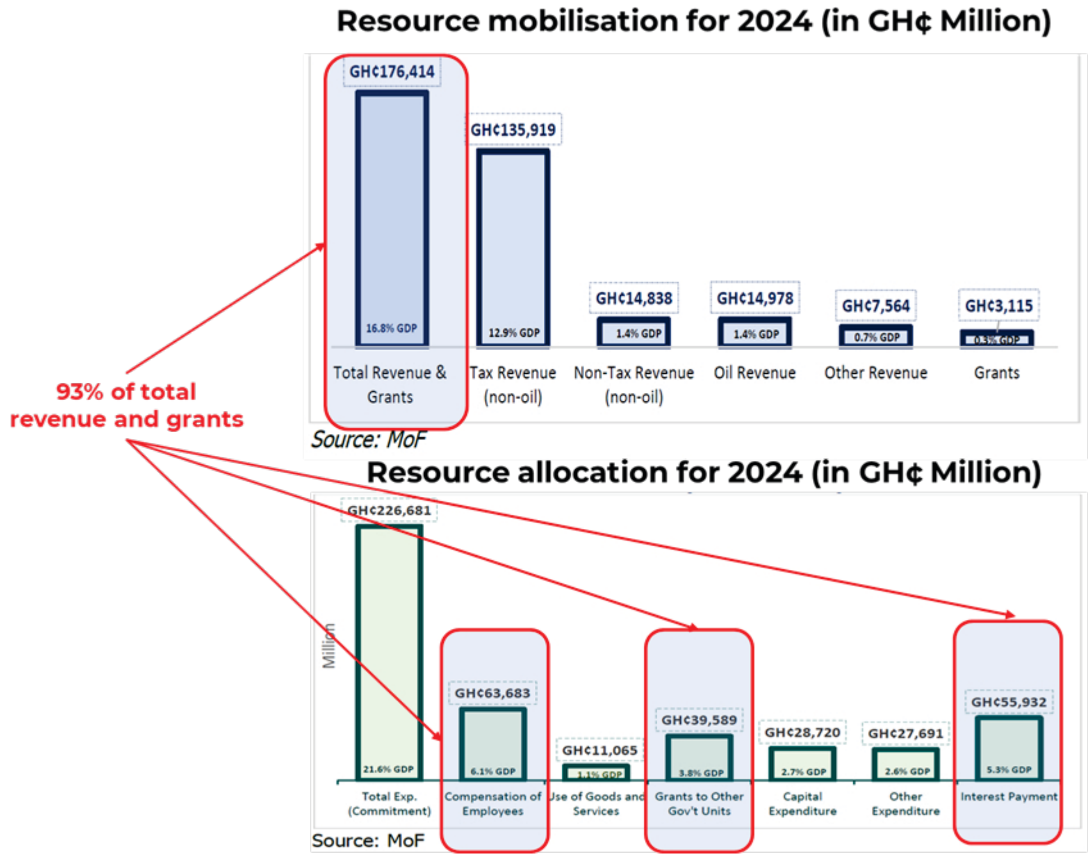
Figure 5 Taxes as a share of GDP



Source: Institute for Fiscal Studies

3. Expenditure overruns, often driven by wage bills, subsidies, and social programs, create budgetary deficits. Programmed total expenditures (commitment) for 2024 amounted to GH¢226.7 billion, representing 21.6% of GDP. The projected primary expenditure, excluding interest payments, was GH¢170.7 billion, representing 16.2% of GDP. Among the projected expenditures for the year in review, compensations represented the largest item compared to the others (Figure 6). Three items, namely employee compensation, grants to other government units and interest payments, consume almost all the non-oil tax revenue, leaving very little for other priority spending such as capital expenditure. The World Bank (2018) reported that education spending was fragmented, with a budget driven primarily by the wage bill rather than strategic objectives.[27] Estimates for total revenue & grants and total expenditure (commitment) indicate that the projected overall balance on a commitment basis shows a deficit of GH¢50.1 billion, equivalent to 4.8% of GDP. The Primary balance on a commitment basis shows a surplus of GH¢ 5.7 billion, equivalent to 0.5% of GDP. The overall balance, on a cash basis, reflects a deficit of GH¢61.9 billion, which corresponds to 5.9% of GDP. The revenue-expenditure gap is frequently filled through domestic and external borrowing, increasing the national debt burden. As of the end of 2022, the public debt stood at 92.2% of GDP, amounting to approximately US$66.5 billion. This comprised domestic public debt at 50 percent of GDP and external debt at 43 percent. The domestic and external debt restructuring completed are expected to lead to a reduction in the public debt over the medium term to 55% of GDP by 2028.

Figure 6 Structural rigidities in the budget using the resource envelope for 2024



Fraudulent procurement practices—leading to project cost escalations

27. *World Bank, 2018. Ghana – Priorities for Ending Poverty and Boosting Shared Prosperity. World Bank Group, Washington, DC*

4. Weak procurement systems enable inflated contract pricing and misallocation of funds. In addition to interest payments and compensation, expenditure plans for goods and services, capital expenditure, and grants to other government institutions are implemented using public procurement. Government expenditure plans for the 2024 project were projected at 21.6% of GDP for government spending. For these spending to be truly transformational, they are contingent on the effectiveness of the procurement system in delivering value for money, ensuring transparency, and maintaining accountability. Over the past ten years, Ghana has seen a significant rise in procurement irregularities committed by Ministries, Departments and Agencies (MDAs), and Public Boards, Corporations, and other Statutory Institutions (PBCOSIs) have recorded a sixteen times increase in irregularities. The COVID-19 epidemic aggravated these problems, resulting in loosening procurement criteria for the purchase of such basic needs.[28] For example, the government is reported to face an additional GHS15 billion cost burden for overruns on 55 stalled infrastructure projects.[29]

5. Non-competitive bidding processes lead to higher-than-necessary project costs. Most claimed irregularities in Ghana are connected to single sourcing and restricted tendering, indicating weaknesses in non-competitive procurement practices. The problem is exacerbated even more by the inadequate application of procurement rules combined with political will and interest in imposing sanctions.[30] Internal auditors, for example, are not included in the procurement process, and the public procurement system is not properly integrated with public financial management and governance control systems. Weak professional standards and ethics in public procurement have increased corruption risks. Such overpricing and cost escalations in government contracts exacerbate debt accumulation. Weak procurement systems and non-competitive bidding policies—which result in inflated contract pricing—often contribute to debt accumulation. Public projects frequently exceed their initial budgets, forcing the government to borrow additional funds to cover the costs, thereby increasing the national debt burden. A study from 2010 to 2020 by the IMANI Centre for Education Policy and the Africa Centre for Energy Policy ranked 11 Ministry of Development (MDAs) with the most procurement irregularities. The Ministry of Finance had the most irregularities (34.3%), followed by Health (GH¢33.3 million; 23.2%) and Local Government, Decentralization and Rural Development (GH¢23.5million; 16.4%).[31] A recent publication estimates the state's loss due to irregularities in public institutions at GH¢99.57 billion over the past decade.[32] In his recent State of the Nation's Address (SONA 2025), the president asserted that the government is facing an additional cost burden of GH¢15 billion due to the cost overrun of 55 infrastructure projects.[33] The projects are currently incomplete mainly because of debt defaults and the ensuing restructuring, resulting in an impressive US$2.95 billion in undisbursed funds.

28. Imani Centre for Education Policy & Africa Centre for Energy Policy, 2024. Public Procurement Reforms: An Analysis of The Drivers of Procurement Irregularities in Ghana. https://imaniafrica.org/wp-content/uploads/2024/06/Public-Procurement-Reforms-ACEP_IMANI.pdf
29. https://citinewsroom.com/2025/02/mahama-55-stalled-projects-could-cost-ghana-ghs15bn/
30. https://imaniafrica.org/wp-content/uploads/2024/10/IMANI-OXFAM-Final-Report_3rd-Fiscal-Recklessness-Index-2021_2023.pdf#page=11.38
31. https://imaniafrica.org/wp-content/uploads/2024/06/Public-Procurement-Reforms-ACEP_IMANI.pdf
32. https://graphicnewsplus.com/newspapers/1695/details
33. https://newscenta.com/amp/gh%E2%82%B515bn-cost-overruns-hit-55-projects-due-to-delays/?amp=1

High incidence of judgement debts from negligent financial decisions

6. Poor contract negotiations and breaches lead to avoidable financial liabilities. It is reported that Ghana has paid over GH¢1.89bn from 2000 to 2019 in judgment debts, primarily resulting from contractual breaches that frequently align with changes in government.[34] This figure equated to 135% of new multilateral loans contracted by the government in 2019.[35] It is important to highlight that approximately GH¢1.4 billion of this value is attributed to purported contractual violations by government entities. Negligence, illegal contract terminations, and corruption among public officials are the main factors contributing to these debts.[36] A further instance of this issue is the US$170 million judgment debt that Ghana was mandated to pay independent power producer, Ghana Power Generation Company (GPGC) Limited for wrongful contract termination. The tribunal of the United Nations Commission on International Trade Law (UNCITRAL), located in London, determined that Ghana's contract termination was unjustified, resulting in significant financial repercussions.[37]

7. On the other hand, government termination of employment contracts without adhering to the stipulated legal procedures or without just cause, often forces affected employees to seek redress using legal channels. If the termination is deemed unfair or wrongful, the government may be required to compensate the employee, resulting in significant financial liabilities.[38] For instance, the Ghana Ports and Harbours Authority unlawfully terminated Dr. Boye Boye's (Medical officer) employment. The court awarded him one year's salary as damages for breach of contract resulting from the unlawful termination.[39] Several such unfair dismissals have been reported in the review of legal cases and open source searches.

Political economy-fuelled borrowing—to satisfy political interests

8. Governments borrow excessively to fund politically motivated projects, often prioritising short-term electoral gains over long-term sustainability. Evidence shows that successive Ghanaian governments borrow excessively to support politically driven projects, usually prioritising short-term electoral gains over the economy's long-term sustainability.[40] Historically, Ghana has had notable budget deficits during election times, ascribed in part to higher government expenditure simply to win voters' support by winning impending elections. Politically motivated overspending, especially during election periods, eliminates earlier gains and is occasioned after by years of Bretton Woods imposed austerity programmes.[41] A 2014 Bank of Ghana study showed that public debt accumulation results from fiscal excesses during election cycles in the country, and this is rather pervasive.[42] Evidence of significant budgetary pressures in recent years persists, driven mainly by fiscal excesses during election cycles.[43] From roughly 54% of GDP in 2017 to 98.7% in 2023, such borrowing habits have caused public debt to rise rapidly. This escalation has made Ghana more vulnerable to economic shocks and required interventions by foreign financial institutions.[44]

35. https://www.graphic.com.gh/business/business-news/a-20-year-review-of-judgment-debt-payments-in-ghana-impact-causes-remedies-i.html and https://www.theafricareport.com/326791/ghana-why-civil-society-groups-riled-up-over-140m-trafigura-judgement-debt
36. https://citinewsroom.com/2021/07/ghana-lost-gh%C2%A21-89-billion-to-judgement-debts-between-2000-and-2019-report/
37. https://www.graphic.com.gh/news/general-news/ghana-loses-gh-1-9bn-in-judgment-debts-over-last-two-decades.html
38. https://thefourthestategh.com/2021/06/full-report-ghana-to-pay-170-million-judgment-debt-as-london-court-declares-covid-19-and-election-excuse-as-intrinsically-weak https://www.myjoyonline.com/an-employee-can-get-compensation-for-unjustified-termination-legal-expert
39. https://www.globalhealthrights.org/wp-content/uploads/2018/06/DR-FESTUS-NII-BOYE-BOYE-V-GHANA-PORTS-HARBOURS-AUTHORITY.pdf
40. Abdulai, A.G. and Sackeyfio, N., 2022. Introduction: The uncertainties of Ghana's 2020 elections. African Affairs, 121(484), pp.e25-e53.; Buertey, J. T. I., Atsrim, F. K., Boateng, K., Brace, R., & Aaron, L. (2024). An Evaluation of the Causes, Impact and Perceptions about Abandoned Public Funded Projects in Ghana. Current Approaches in Engineering Research and Technology, 6, 94-126.
41. BTI Transformation Index, 2024. Ghana Country Report 2024. https://bti-project.org/en/reports/country-report/GHA

42. Asiama, J., Akosah, N. and Owusu-Afriyie, E., 2014. An assessment of fiscal sustainability in Ghana. Bank of Ghana Working Paper WP/BOG-2014/09. Accra: Bank of Ghana. https://www.bog.gov.gh/wp-content/uploads/2019/07/Fiscal-Sustainability-in-Ghana.pdf?
43. Enu, P. and Okonkwo, C.B., 2015. Political business cycle and its effects on the Ghanaian economy. Global Journal of Management Studies and Researches, 2(2), pp.110-131.
44. Abotebuno Akolgo, I., 2023. Ghana's Debt Crisis and the Political Economy of Financial Dependence in Africa: History Repeating Itself? Development and Change, 54(5), pp.1264-1295.

9. Clientelism and patronage networks drive fiscal decisions, sometimes at the expense of economic prudence. Often, the quest for short-term, high-profile projects to win or retain political power has led to unproductive debt. For example, Ghana's government launched the Saglemi Housing Project in 2012, which sought to build 5,000 affordable homes. However, only 668 units were completed, with reasons cited being mismanagement and corruption.[45] Without producing the expected advantages, this project not only failed to solve housing shortages but also increased the country's debt burden. Strong rivalry among the main parties defines Ghana's political scene—"competitive clientelism". Ghana is often described as having a political settlement based on competitive clientelism. With each electoral cycle, the two major parties, namely the NDC and NPP, have become increasingly competitive. But while the parties identify themselves with different ideologies - the NDC claims to be social democratic while the NPP claims to be liberal democratic - in practice, they are more distinguishable by clientelism and group loyalties. Neither party is associated with consistent and coherent policies, and parties have pursued agendas contrary to their publicly stated ideologies to respond to their stakeholders. Politicians use public bureaucracy as a means of maintaining power through the discretionary allocation of market privileges, patronage public employment, single-sourced procurement contracts, and preferential access to natural resources.

This approach often leads to financial indiscipline since governments fund initiatives with immediate political gains but lack long-term economic viability. Such binge-buying fuels public debt and budget deficits, eventually compromising economic stability.[46] Another example is the staggering cost of the National Cathedral Project, estimated to exceed US$450 million, which raises concerns about the country's fiscal prudence. Between 2020 and 2024, the Ghanaian government disbursed over GH¢339 million (US$58 million) towards the National Cathedral's construction.[47] The allocation of such significant resources to the National Cathedral Project diverted funds from pressing development priorities, such as healthcare, education, and road infrastructure.

Parochial interest-fuelled borrowing—for personal gains

10. Corruption and self-serving financial interests lead to misallocating borrowed funds. "Ghost names"—non-existent workers paid for by governments—exemplify another aspect of corruption influencing public funds. Over 81,000 suspected ghost names were found by a recent investigation into the activities of the National Service Authority.[48] Funds set aside for these fictitious workers aggravate the country's financial burden without any benefits for the delivery of public services.[49] Additionally, several well-known cases demonstrate how the country poorly manages borrowed funds. For instance, the liquidity support of GH¢620 million given by the Bank of Ghana to the then Capital Bank was misappropriated, with the bank eventually collapsing and some of its directors eventually being charged and convicted for financial crimes.[50] Funds meant to help the bank stabilise were allegedly utilised for personal purposes by major shareholders, which caused the bank to go bankrupt. Such mismanagement not only wastes the borrowed funds but also compromises the stability of the financial industry, which calls for more borrowing to handle the consequent crises.[51]

45. https://citinewsroom.com/2021/04/a-summary-of-the-controversial-saglemi-housing-project
46. Odijie, M.E. and Imoro, M.Z., 2021. Ghana's Competitive Clientelism and Space for Long-Term Stable Policies. SAGE Open, 11(3), p.21582440211031513.
47. https://citinewsroom.com/2024/07/over-gh%C2%A2339m-spent-on-national-cathedral-since-2020-abena-osei-asare and https://www.dezeen.com/2025/01/21/national-cathedral-of-ghana-adjaye-government-investigation
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51. https://dailyguidenetwork.com/how-capital-bank-blew-gh%C2%A2620m-the-inside-story

11. Politically connected individuals and elites benefit from infrastructure and procurement contracts, often with inflated costs. Project failures and financial inefficiencies are the effects of inflated government project expenses—often termed corruption. According to a Ghanaian study, government officials occasionally ask contractors for bribes equivalent to 10% of the contract value. This habit not only increases project expenses but also helps to abandon projects when contractors refuse to follow such illegal requests. Further inflating project costs by charging fees subsequently added in the contract amounts by illegal intermediaries acting as liaisons between contractors and public servants. These dishonest behaviours cause resource waste and unfinished projects by taking borrowed funds away from their intended developmental uses.[52] Another example is the Ghana Social Security and National Insurance Trust (SSNIT) software scandal. The trust procured ICT infrastructure at US$72 million, significantly exceeding the initial estimated amount for the project. Investigations suggested that the procurement process was marred by irregularities, leading to inflated costs and financial losses for the state.[53]

12. A lack of transparency in loan agreements results in mismanagement and unproductive debt accumulation. Most often, the concealment of information regarding loan agreements, including interest rates, repayment schedules, and collateral requirements, constitutes a lack of transparency. Such lack of clarity sometimes helps public officials and financial managers to participate in unethical behaviour, including embezzlement and fund diversion for personal benefit. Several banks collapsed under Ghana's banking crisis between 2017 and 2020, which is attributed to poor corporate governance and mismanagement. Subsequent investigations found that some bank officials capitalised on the lack of transparency to provide unsecured loans to cronies, which consequently led to major financial losses, eventually resulting in the insolvency of these institutions.[54] Research on Ghana's public debt crisis revealed that a major contributor to the nation's unsustainable debt levels is the unproductive use of borrowed funds, which are usually covered under opaque agreements.[55]

DEBT MITIGATION

Effective revenue mobilisation [including closing tax loopholes (trade mis-invoicing; exemptions; property taxes; transfer pricing; money laundering; fraud; corruption; informal sector; natural resource revenue]

13. Enhancing tax compliance and broadening the tax base to increase revenue collection through digitalisation and tax education. Ghana's Revenue Authority (GRA) is focusing on enhancing tax compliance and expanding the tax base to increase revenue collection. The authority has introduced digital solutions to streamline tax administration and reduce compliance burdens, such as online filing and payment systems.[56] Legislative changes, such as the Income Tax (Amendment) (No. 2) Act, 2023, have been enacted to expand the tax base and enhance compliance.[57] The GRA has developed various channels for taxpayer service delivery, including websites, newsletters, email correspondence, educational brochures, seminars, and media engagements. The GRA collaborates with other government agencies and stakeholders to enhance revenue mobilisation, such as establishing partnerships with MMDAs to improve property rate collection. However, challenges persist in integrating informal sector businesses into the tax system. In September 2023, the Government of Ghana published the maiden edition of its Medium-Term Revenue Strategy (MTRS),[58] which outlines the government's tax revenue objectives and the main tax policy and administration interventions to be undertaken between 2024 and 2027.

52. Damoah, I., Akwei, C., Amoako, I. and Botchie, D., 2018. Corruption as a Source of Government Project Failure in Developing Countries: Evidence from Ghana. Project Management Journal. 49. 17-33.
53. https://web.archive.org/web/20180227212747/http://citifmonline.com/2018/02/23/eoco-ends-probe-into-72m-ssnit-software-scandal-heads-to-roll
54. https://www.ghanaweb.com/GhanaHomePage/business/Collapsing-local-banks-unfortunate-IEA-to-BoG-877933
55. https://www.myjoyonline.com/ghanas-public-debt-crisis-lessons-for-the-present-and-the-future
56. World Bank, 2020. Enhancing Revenue Mobilization through Improved Tax Compliance and Administrative Systems, Ghana. Washington DC: The World Bank.
https://openknowledge.worldbank.org/server/api/core/bitstreams/c76c39d2-6998-56ff-bda6-8e31c3819dbd/content

57. EY Global, 2023. Ghana new laws introduce new taxes affecting individuals and businesses. https://www.ey.com/en_gl/technical/tax-alerts/ghana-s-new-laws-introduce-new-taxes-affecting-individuals-and-b?

58. World Bank, 2024.
Eighth Ghana Economic Update : Strengthening Domestic Revenue Systems for Fiscal Sustainability (English). Ghana Economic Update Washington, D.C. : World Bank Group.
https://documents1.worldbank.org/curated/en/099073124093539928/pdf/P18123118ad6860d1184d115ab0b4281321.pdf
https://mofep.gov.gh/sites/default/files/reports/revenue/Ghana%20Medium%20Term%20Revenue%20Strategy%20%28MTRS%29%202024-2027_v2.pdf

14. Closing tax loopholes in trade misinvoicing, exemptions, property taxation, transfer pricing, and illicit financial flows in the extractives sector. Trade misinvoicing is the intentional distortion of import or export value, quantity, or quality meant to avoid taxes and tariffs. In Ghana, this activity causes significant revenue losses. Trade mis-invoicing reportedly cost Ghana US$3.2 billion in 2015, according to the Global Financial Integrity.[59] Furthermore, abuse or overextension of tax exemptions compromises the tax base. In certain instances, exemptions are approved without careful impact assessments, resulting in notable losses in revenue. Recent estimates from the Ministry of Finance and the World Bank[60] show **the tax exemptions from Value Added Tax (VAT), personal income tax (PIT), and import duties resulted in a loss in revenue of 3.9% of GDP**—this does not include corporate income tax exemptions.[61] While property taxes can be a stable revenue source, they are underutilised in Ghana due to outdated valuation rolls and inefficient collection mechanisms. Peer countries such as Rwanda and Uganda have implemented successful property tax regimes, contributing to higher tax-to-GDP ratios.[62] Within Ghana, recent donor-funded digitalisation interventions at the sub-national level show some local authorities experiencing a five-fold increase in revenue from property taxes and business levies.[63] Lastly, although Ghana instituted transfer pricing rules in 2012, ongoing updates and enforcement are required to meet changing needs.[64] The government must ensure that agreements with extractive companies are fair and reflect current economic conditions that can optimise revenue.[65]

15. Addressing illicit financial flows, including money laundering, fraud, and corruption, to improve tax efficiency. By strengthening anti-corruption institutions, improving financial transparency and monitoring, enforcing anti-money laundering rules, and doing regular audits, the Ghanaian government can fight illicit financial flows (IFFs). Investigating and punishing corruption-related offences depends critically on the Office of the Special Prosecutor (OSP), The Economic and Organised Crime Office (EOCO), and other State Bodies. Using digital technologies and distributed ledgers such as Blockchain can help lower fraud and increase government revenue. Ghana must strengthen its information-sharing agreements and cooperative investigations with other nations to track and repatriate illegal money. Adopting thorough constitutional reforms that address political campaign financing issues and the clientelist nature of Ghana's politics will likely reduce criminality and increase tax efficiency. These steps can help Ghana to lower IFFs significantly, increase tax efficiency,[66] and create a more open and stronger economic environment.

16. Integrating the informal sector into the tax system to ensure a more comprehensive revenue mobilisation strategy. Notwithstanding the efforts already mentioned, challenges still exist, especially in including informal sector businesses in the tax system. Studies have revealed that micro and small businesses sometimes suffer from heavy compliance obligations, which might discourage them from officially organising their activities. Dealing with these challenges calls for customised solutions that consider the particular situation of these businesses, including simplified tax regimes and support systems meant to cut compliance expenses and complexity.,[67][68]

59. https://www.ghanabusinessnews.com/2019/02/12/ghana-loses-over-3b-to-illicit-financial-flows-through-trade-misinvoicing-in-2015-gfi/ and https://www.gfintegrity.org/wp-content/uploads/2019/01/GFI-2019-IFF-Update-Report-1.29.18.pdf
60. Supra (n 59)
61. https://www.mofep.gov.gh/sites/default/files/speeches/Presentation-by-Minister-for-Finance.pdf
62. Supra (n 59), at p.20
63. https://www.giz.de/en/workingwithgiz/90294.html
64. National Resource Governance Institute, 2016. Transfer Pricing in the Extractive Sector in Ghana. Case Study. https://resourcegovernance.org/sites/default/files/documents/nrgi_ghana_transfer-pricing-study.pdf?
65. Acheampong, T., Ali-Nakyea, A. (2022). Competitiveness of Ghana's Upstream Petroleum Fiscal Regime: Fit for Purpose?. In: Acheampong, T., Kojo Stephens, T. (eds) Petroleum Resource Management in Africa. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-83051-9_7
66. United Nations, 2022. Tackling Illicit Financial Flows in Africa Arising From Taxation and Illegal Commercial Practices. https://www.un.org/osaa/sites/www.un.org.osaa/files/tackling_iffs_in_tax_reform_and_illegal_commercial_practices_-_nov_2022.pdf?
67. Peprah, J.A., Andoh, F.K., Avorkpo, E.A., Dafor, K.N., Afful Jr, B. and Obeng, C.K., 2022. Compliance Burden and Tax gap among micro and small businesses: Evidence from Ghana. Sage Open, 12(4), p.21582440221126985.
68. Avorkpo, E.A., 2021. Compliance Burden And Tax Gap Among Micro And Small Size Businesses In Ghana.

Expenditure rationalisation and rebalancing [including through: curbing recurrent expenditure; beefing up capital expenditure (CAPEX); improving expenditure efficiency; minimising costs of projects

17. **Curbing recurrent expenditure, mainly by streamlining public sector wages and reducing wasteful government spending.** Launched in 2010, the Single Spine Salary Structure (SSSS) was designed to standardise public sector salaries to promote fairness and equity.[69] The initiative aimed to tackle disparities; however, its execution resulted in a notable rise in the wage bill, prompting additional reforms to ensure that compensation is in line with productivity. In 2023, a 30% decrease in discretionary budget allocations was declared, accompanied by salary reductions for high-ranking government officials, including the president and ministers. The implementation of these austerity measures was intended to alleviate budgetary constraints and showcase a commitment to fiscal responsibility.[70] **Suggestions to establish departments focused on the reduction of unnecessary government expenditures.** In this regard, a proposal is to create a US-like Department of Government Efficiency (DOGE) to promote fiscal discipline and accountability in public spending.[71] The intended I**ndependent Fiscal Council can fill this role if it is well-resourced and allowed to function devoid of politics.**

18. **Increasing capital expenditure (CAPEX) to ensure productive investments that yield long-term economic benefits and minimise cost overruns in government projects.** Prioritising public goods and human development allows the Ghanaian government to enhance capital expenditure (CAPEX) and ensure sustainable economic benefits over the long term. Securing funding for CAPEX while minimising reliance on external borrowing requires enhancing domestic revenue collection efforts. Balancing expenses with investment returns requires careful management of funding sources. Collaboration between public and private sectors will facilitate mobilising additional resources for capital projects. The establishment of the Development Bank Ghana (DBG) as one of the country's development finance institutions is critical for providing critical anchor sectors with sustained financial support over the long term.

69. https://fairwages.gov.gh/wp-content/uploads/2021/09/Government-white-paper.pdf
70. https://www.ecofinagency.com/public-management/2701-46371-ghana-govt-to-crack-down-on-wasteful-public-spending?
71. https://www.ghanaweb.com/GhanaHomePage/business/Ghana-should-establish-DOGE-to-reduce-government-waste-Dr-Kwakye-proposes-1972274?

Effective use of the Ghana Integrated Financial Management System (GIFMIS) to manage expenditure.

19. Strengthening expenditure tracking and monitoring to enhance fiscal discipline, transparency and accountability. Public financial management in Ghana is centralised and actioned through GIFMIS. Although the GIFMIS has many clear advantages, some practical difficulties still exist. Many Metropolitan, Municipal, and District Assemblies (MMDAs) lack the required technological setup to enable GIFMIS as it is.[72] This compromises the system's functionality by including inadequate servers, computers, and consistent internet access. For instance, in rural locations, unstable and slow Internet connections disrupt real-time data processing and access within GIFMIS.[73] Both timely financial reporting and decision-making suffer from this inconsistency. Some staff members show resistance to transition from conventional manual procedures to the automated GIFMIS system.[74] This is because a lack of knowledge of the advantages of the system or fear of redundancy can be the causes of this opposition, hence influencing the general system effectiveness and adoption rate. Financial reporting will be consistent and accurate if all Ministries, Departments, and Agencies (MDAs) are included in GIFMIS. This is one of the conditionalities (structural benchmarks)[75] under Ghana's 17th IMF programme whereby 549 MDAs and Metropolitan, Municipal and Districts Assemblies (MMDAs) are being onboarded onto GIFMIS (end-March 2025 structural benchmark). Additionally, the government is also finalising the integration of the Ghana Electronic Procurement System (GHANEPS) with GIFMIS to ensure that only projects/purchase orders that have approved budgets and allotments proceed to award contracts, thus enhancing governance. GIFMIS helps to track financial transactions in real time. This consequently ensures timely monitoring and reporting. This real-time guarantee accuracy and current of financial data by allowing swift detection and correction of anomalies. Public accountability and prudent choices depend on such transparency. Through digital channels connected with GIFMIS, improving public access to financial information would promote transparency. Additionally, easy access to and review of government financial data by citizens would help foster an open culture and hold public officials responsible for financial decisions.[76]

20. Prevent financial leakages by integrating government revenue and expenditure tracking systems. Regular expenditure tracking with the Public Expenditure Tracking System (PETS) and Public Expenditure and Financial Accountability (PEFA) can show the flow of resources from the central government to service delivery points, thus aiding in identifying leakages and bottlenecks.

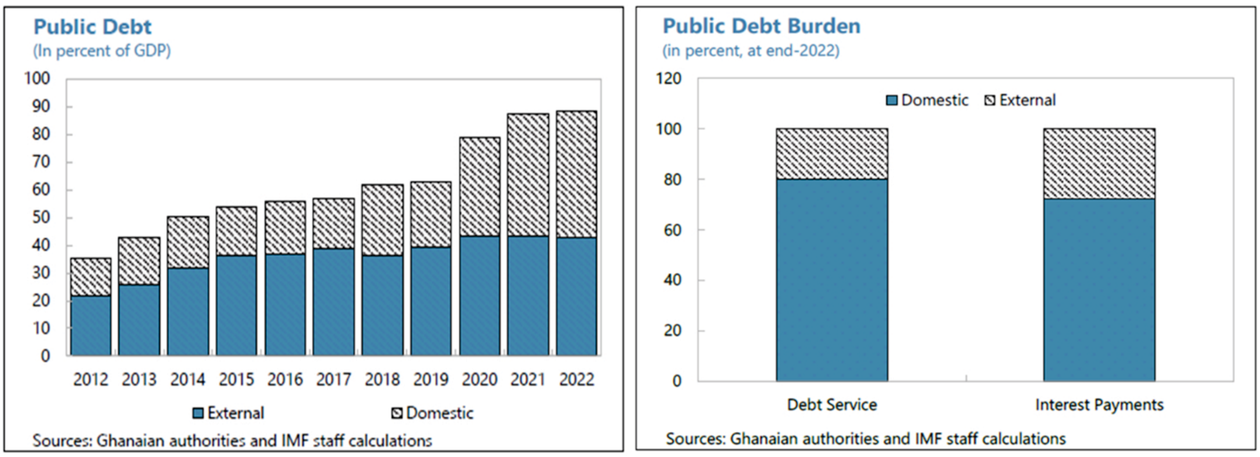
72. Alatarige, C., 2023. Assessing the limitations of Ghana Integrated Financial Management Information System (GIFMIS) implementation in Metropolitan, Municipal, and District Assemblies (MMDAS). A case of Anloga District Assembly. Ghana Journal of Higher Education Management, 9(1).
73. Donkor, J.S., 2022. Challenges to the Implementation and Usage of GIFMIS E-Procurement Tool in the Metropolitan, Municipal and District Assemblies (MMDAS) In Ghana: A Case of Sefwi Wiawso Municipal Assembly (SWMA). Journal of Research in Business and Management, 10(11), pp.34-45.
74. Kwakye, A.K., 2016. Benefits and challenges of integrated financial management information system (Case study GES Obuasi municipal) (Doctoral dissertation).
75. International Monetary Fund. African Dept. "Ghana: Third Review Under the Arrangement Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Ghana", IMF Staff Country Reports 2024, 334 (2024). https://doi.org/10.5089/9798400294907.00276. https://blog-pfm.imf.org/en/pfmblog/2019/01/gfmis-a-tool-for-improving-transparency-and-accountability?
76. https://blog-pfm.imf.org/en/pfmblog/2019/01/gfmis-a-tool-for-improving-transparency-and-accountability?

DEBT SUSTAINABILITY

1. Ghana remains in debt distress, and the debt is unsustainable. Ghana's public debt increased dramatically over the last three years following the completion of the previous (16th) IMF programme in 2019. Interestingly, the 16th programme, which was initially scheduled to run for three years from April 2015 to August 2017, also aimed to "restore debt sustainability and macroeconomic stability to foster a return to high growth and job creation while protecting social spending",[77] especially given the domestic electricity crisis at the time — a.k.a 'dumsor'. The new NPP government, on winning the December 2016 elections, negotiated with the Fund in August 2017 to extend the IMF programme for an additional year to end in April 2019. While debt management improved, Ghana's continuing reliance on foreign investors through the issuance of Eurobonds increased the country's exposure to market sentiment and exchange rate risk. This was further compounded by the fact that the debt was increasingly being collateralised and revenues becoming encumbered to fund various manifesto infrastructure projects, some of which were criticised over the lack of value for money. The large fiscal deficits and the economic slowdown in the wake of the COVID-19 pandemic and the Russia- Ukraine war led to an increase in public debt from 63% of GDP in 2019 to 88.1% of GDP at end-2022.

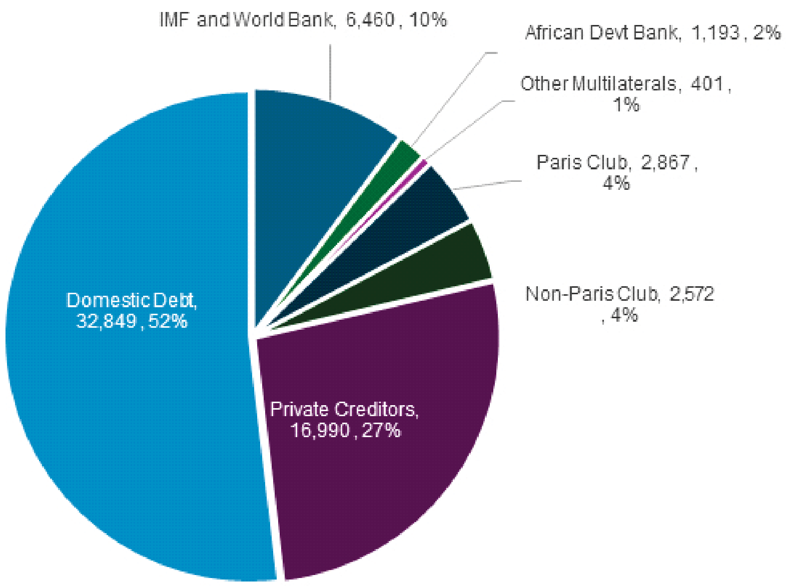
2. External debt amounted to US$30.48 billion (42.4% of GDP), while the domestic debt makes up the remaining US$32.85 billion (45.7% of GDP) as of end-2022. The biggest holders of the country's external debt are Eurobonds (US$13.1 billion), multilateral creditors (IMF, World Bank, African Development Bank and others: US$8.06 billion) and bilateral creditors (Paris Club and non-Paris Club members: US$5.4 billion). On the domestic front, the largest debt holdings of the government are in medium-to-long-term bonds (US$18.32 billion) followed by other overdraft facilities (US$6.3 billion), short-term bills (US$5.01 billion) and arrears (US$3.2 billion). Domestic debt constituted 80% of the overall debt service in 2022 due to high interest rates and short average maturity.

Figure 7 Ghana public debt burden, 2012-2022



77. https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15159

Figure 8 Ghana debt composition by creditor category, 2022 (US$ million)



Data Source: International Monetary Fund

Institutionalisation of Debt Sustainability Analysis (DSA) Framework

3. Establishing a robust framework to assess Ghana's debt sustainability in line with international best practices is key. The Debt Sustainability Framework (DSF) serves as an internationally acknowledged framework aimed at assisting low-income nations in matching their financial needs with their ability to repay. This process includes ongoing evaluations of a nation's anticipated debt stress for the upcoming years, examining susceptibility to economic and policy disruptions. The framework categorises countries' debt-carrying capacity into three classifications: strong, medium, or weak, while establishing specific thresholds for debt indicators associated with each category. The full implementation of the DSF would allow Ghana to assess its debt sustainability in relation to established international benchmarks.[78]

4. Regularly reviewing debt dynamics to ensure prudent borrowing decisions. Regular debt sustainability analyses offer systematic assessments of a nation's debt status, considering economic circumstances and possible risks. In the context of Ghana, this entails analysing prospective debt pathways in light of existing policies and economic trends, examining the responsiveness of debt indicators to adverse scenarios, including economic recessions or fluctuations in commodity prices, and assessing the probability of debt distress while categorising the associated risk level. The clarity in these analyses promotes accountability and enhances the confidence of creditors and investors.[79]

78. https://www.imf.org/en/About/Factsheets/Sheets/2023/imf-world-bank-debt-sustainability-framework-for-low-income-countries
79. https://www.worldbank.org/en/programs/debt-toolkit/dsa

5. Strengthening debt management institutions to align with fiscal policy objectives. Establishing strong institutions is essential for efficient debt management. Creating a dedicated Debt Management Office (DMO) would ensure a specialised entity tasked with overseeing public debt and that borrowing practices are in accordance with the nation's repayment capabilities and developmental objectives. The government can improve the technical expertise of public officers by offering training for officials in debt analysis, risk assessment, and financial management to elevate the quality of debt-related decisions. More importantly, fully implementing the Government Integrated Financial Management Information Systems (GIFMIS) could leverage technology for real-time monitoring and reporting of debt, thereby enhancing transparency and facilitating informed policymaking.

Periodic Tests of Debt Sustainability Against Agreed Benchmarks

6. Conduct periodic stress tests to evaluate Ghana's ability to meet its debt obligations under different economic scenarios. Stress tests on public and external debt reveal that the most important factors in debt dynamics are real GDP growth, exports, and contingent liabilities.[80] It is important to emphasise that evaluating how debt metrics respond to adverse scenarios, such as economic downturns or commodity price shocks, is considerably pertinent.[81] The combined impact of significant external shocks and existing weaknesses led to a severe economic and financial crisis. The COVID-19 pandemic, along with the tightening of global financial conditions and ongoing geopolitical conflicts, has intensified fiscal and debt vulnerabilities. The government encountered significant development needs and intricate social and political conditions, leading to a fiscal policy response that fell short of sustaining investor confidence. This ultimately led to a loss of access to international capital markets in late 2021, along with growing challenges in refinancing domestic debt and central bank liabilities. This situation compelled the government to increasingly depend on monetary financing from the Bank of Ghana, resulting in a severe crisis.

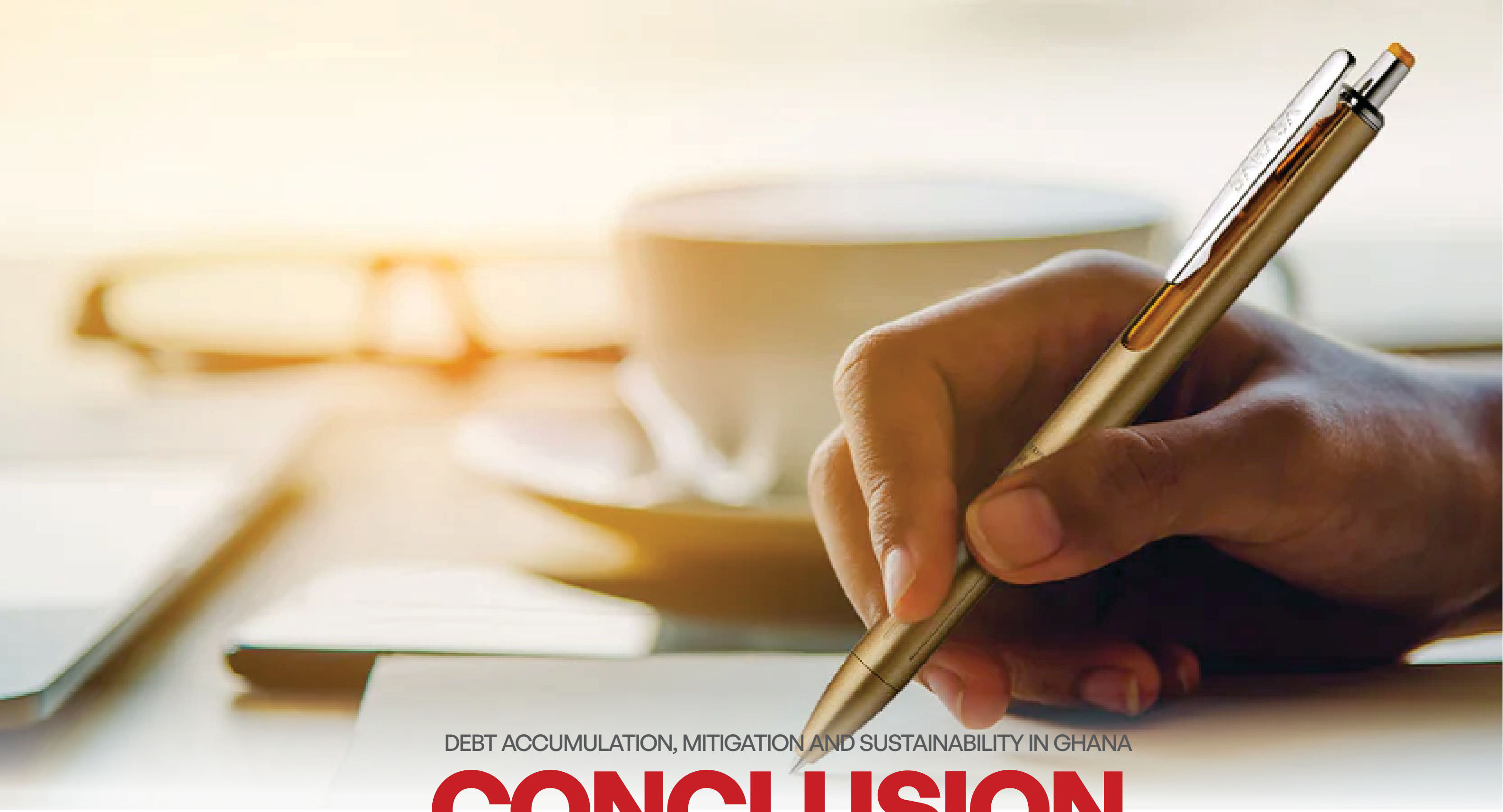
7. Ensuring that debt-to-GDP ratios, interest payment burdens, and other fiscal indicators remain within acceptable limits. Ghana's external and overall public debt is evaluated as being in distress, indicating that the debt situation is unsustainable. Even with the expectation of optimal fiscal adjustments and the inclusion of the finalised domestic debt restructuring in the baseline, numerous debt burden indicators still demonstrate significant and prolonged violations. In 2021, the nation experienced a decline in international market access due to a significant downturn in market sentiment and an increase in market spreads. The sovereign bond spread increased from 660 basis points in mid-2021 to over 3400 basis points by early 2023, currently hovering around 3000 basis points. This trend is accompanied by multiple downgrades from global rating agencies, indicating a persistent decline in Ghana's public finances and external position.[82]

8. Independent Fiscal Council to check and ensure the alignment of borrowing strategies with long-term macroeconomic stability goals. The government should implement precise fiscal regulations to ensure that debt remains within sustainable boundaries in relation to GDP. This involves establishing objectives for budget deficits and debt-to-GDP ratios while ensuring that borrowing maintains financial stability. The European Central Bank highlights the necessity of decreasing public debt to mitigate market apprehensions

80. https://documents1.worldbank.org/curated/en/099080924144534669/pdf/BOSIB14ff36db40401b9ba1fc786df67a57.pdf
81. Kinda, M.T., Mlachila, M.M. and Ouedraogo, R., 2016. Commodity price shocks and financial sector fragility. International Monetary Fund.
82. World Bank, 2024. Joint World Bank-IMF debt sustainability analysis, Ghana. World Bank Group. https://documents1.worldbank.org/curated/en/099080924144534669/pdf/BOSIB14ff36db40401b9ba1fc786df67a57.pdf

regarding the sustainability of sovereign debt.[83] The government should adjust borrowing and expenditure according to fluctuations in the economic cycle. It should also enhance public investment in times of economic downturns to foster growth while reducing borrowing during periods of expansion to avoid overheating the economy. This approach contributes to economic stability and upholds investor confidence. The International Monetary Fund advocates for policies to reconcile development needs with macroeconomic stability.[84]

83. https://www.ft.com/content/8f2dac5d-b64a-43dc-8f4b-5e76e1a60a43
84. IMF Development Committee, 2022. Making debt work for development and macroeconomic stability. International Monetary Fund.



CONCLUSION

As Ghana struggles with growing public debt levels, fiscal deficits, and limited external borrowing, debt accumulation has become an urgent issue. Internal and external factors, such as infrastructure financing needs, economic shocks, and exchange rate volatility, have driven debt accumulation.[85] The country has responded with domestic fiscal adjustments, IMF support and a three-tier debt restructuring exercise. It has also sought to improve domestic revenue mobilisation, increasing public expenditure efficiency by cutting down on waste and corruption, and other innovative financing schemes such as green and concessional financing. Maintaining macroeconomic stability and propagating inclusive development depend on sustaining the debt levels in Ghana. Maintaining debt sustainability over the long run depends on structural reforms, including diversifying Ghana's economic base.

RECOMMENDATIONS

1. Enhance tax compliance and broaden the tax base to increase revenue collection through digitalisation and tax education. Close tax loopholes in trade misinvoicing, exemptions, property taxation, transfer pricing, and illicit financial flows in the extractives sector. Tax exemptions from Value-Added Tax (VAT), personal income tax (PIT), and import duties resulted in a revenue loss of 3.9% of GDP—this does not include corporate income tax exemptions.

2. Strengthen anti-corruption institutions, improve financial transparency and monitoring, enforce anti-money laundering rules, and conduct regular audits to fight illicit financial flows (IFFs). Investigating and punishing corruption-related offences depends critically on the Office of the Special Prosecutor (OSP), The Economic and Organised Crime Office (EOCO), and other State Bodies. Using digital technologies and distributed ledgers such as Blockchain can help lower fraud and increase government revenue.

3. Curb recurrent expenditure by streamlining public sector wages and reducing wasteful government spending. Suggestions have been proposed to establish a US-like Department of Government Efficiency (DOGE) to promote fiscal discipline and accountability in public spending. However, the intended Independent Fiscal Council can fill this role if it is well-

85. https://www.worldbank.org/en/country/ghana/overview

resourced and allowed to function devoid of politics. The Fiscal Council will evaluate fiscal performance against targets, evaluate fiscal risks and long-term sustainability of the public finances, and scrutinise tax and welfare policy costing. There is also the need to resource Parliament's capacity to scrutinise fiscal policy (including loans) effectively.

4. Amend the Fiscal Responsibility Act, 2018 (Act 982) and PFM Act, 2016 (Act 921) to tighten the sanctions regime for flouting the rules. This should have a clear debt anchor and deficit ceiling (rules using the overall balance, including the primary balance).

5. Strengthen expenditure tracking and monitoring to enhance fiscal discipline, transparency and accountability. Under Ghana's 17th IMF programme, 549 MDAs and Metropolitan, Municipal and Districts Assemblies (MMDAs) are being onboarded onto GIFMIS (end-March 2025 structural benchmark). The government is also finalising the integration of the Ghana Electronic Procurement System (GHANEPS) with GIFMIS to ensure that only projects/purchase orders with approved budgets and allotments proceed to award contracts, thus enhancing governance.

6. Full implementation of the Debt Sustainability Framework (DSF) would allow Ghana to assess its debt sustainability with established international benchmarks. This includes regularly reviewing debt dynamics to ensure prudent borrowing decisions. In the context of Ghana, this entails analysing prospective debt pathways in light of existing policies and economic trends, examining the responsiveness of debt indicators to adverse scenarios, including economic recessions or fluctuations in commodity prices, and assessing the probability of debt distress. Project financing shall strictly be limited to projects that have gone through the Public Investment Management appraisal process and issued with the Seal of Quality. Any loan/project over US$1 million needs a clear business case with a logical framework showing outcomes and impacts – monitory and evaluation component.

7. Re-establish the Sinking Fund with regular payments to service debt [both interest and principal]. The power is given to the Minister to create a Sinking Fund [PFM Act, Act 921, §37(1-4) and the Controller & Accountant-General is bound to administer the Sinking Fund [PFM Act, §39(1-3).

SEGMENT 2:

DEBT MANAGEMENT MECHANISM AND FRAMEWORK

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2.1 BACKGROUND

Ghana has traditionally relied on loans to fund a significant part of its budget, a practice that increased the country's vulnerability to debt crises. As early as 1973, the country faced a debt crisis involving heavy servicing obligations. By 2000, Ghana's debt had escalated to over 100% of GDP, compelling it to sign on to the Heavily Indebted Poor Countries (HIPC) Initiative, which offered relief of a substantial amount of multilateral and bilateral debt. As a result, the debt/GDP dropped sharply to a sustainable level of 26% in 2006. However, rather than consolidating the gains, Ghana exploited the space created to increase its borrowing, which was extended to the Eurobond market in 2007 when Ghana issued its first bond of $750 million at a coupon rate of 8.5%. This marked the beginning of a new era of commercial borrowing and debt accumulation. In 2010, Ghana became a middle income country through elevation of its GDP through rebasing. This caused the debt/GDP to dip sharply, creating space for further borrowing. Also in 2010, Ghana started producing oil in commercial quantities, which increased the capacity and appetite for borrowing. Further, the accession of the country to middle-income status, combined with its oil-producing position, led to the reduction of the country's access to concessional financing. This forced Ghana to take on more commercial and other loans with higher interest rates, fuelling the debt burden. By 2022, Ghana faced a severe debt crisis, with its debt/GDP reaching over 105%. Credit rating agencies severely downgraded Ghana's debt and the country essentially became bankrupt, suspending its external debt servicing obligations. Along with other economic problems, Ghana sought financial bailout from the IMF, the seventeenth time in its history. The Extended Credit Facility (ECF) supporting the programme obligated the country to restructure its domestic and external debt to ensure the attainment of sustainability by 2028. The restructuring involved heavy discounts and the lengthening of debt obligations.

The recurrence of Ghana's debt crises is due, to a large extent, to shortcomings in debt management, including: inadequate control over debt accumulation and mitigation measures; poor debt transparency and accountability; and deficient debt management mechanisms and frameworks. While these challenges with debt management may be known, they may not be sufficiently and coherently documented to facilitate CSO articulation and advocacy to effectively get them addressed. It is to fill this gap in technical enquiry and information that the Economic Governance Platform(EGP) decided to sponsor this research.

The EGP research is divided into three but interconnected segments covering respectively: i) Debt Accumulation, Mitigation and Sustainability; ii) Debt Management Mechanisms and Frameworks; and iii) Debt Transparency, Communication and Accountability. The main objectives of the overarching research are: i) To provide up-to-date and relevant data and information that adequately describe and assess the state of debt management in Ghana; ii) To provide pragmatic recommendations to guide key economic decision making; and iii) To inform reforms in debt management policy and practice.

This particular study, headed “Debt Management Mechanisms and Frameworks,” constitutes the second segment of the EGP research and has the following components:

i) Institutional Framework;
ii) Legal Framework;
iii) Market Development;
iv) Debt Portfolio Management;
v) Debt Service Management, and
vi) Risk Management.

“The study is expected to produce effective and efficient debt management mechanisms and frameworks that would contribute to achieving the overall goal of sustainable debt management in Ghana.

2.2 INSTITUTIONAL FRAMEWORK

The Bank of Ghana (BoG) and Ministry of Finance (MoF) are the main institutions tasked with Government debt management. The two institutions play complementary roles in this regard.

The Role of the Bank of Ghana in Debt Management

The role of the Bank of Ghana in debt management is expressed in both the 1992 Constitution and the Bank of Ghana Act, 2002 (Act 612). The role takes various forms, including acting as banker to Government to the extent of keeping its deposits and also lending to Government as necessary.

In the Constitution, Article 183(2b) mandates the Bank to be the sole custodian of State funds of Ghana both in and outside Ghana. By notice published in the Gazette, the Bank may authorize any other person or authority to act as a custodian of any such funds as may be specified in the notice. “State funds” is defined to include loans contracted by the Government. It is common for central banks to be custodians of state funds. The Bank of England (BoE), for example, manages the UK Government's accounts, while the US Federal Reserve (Fed) serves as the US Government's bank and keeps its accounts. This function is good for record keeping and transparency. In Ghana, it has sometimes been suggested that Government should keep its accounts with commercial banks and not BoG to insulate the Bank from monetary financing by default such as when overdrafts occur automatically. However, for efficiency of Government account management, and in order to avoid commercial banks turning around to lend back Government's own money to it by buying its securities, allowing BoG to keep and manage state funds would seem to be in order and must be maintained. The important thing to do is to put in proper safeguards against the risk of the Bank engaging in automatic monetary financing.

In the BoG Act, Sections 28, 29, 30, 31, 32, 46 and 51 spell out various roles of the Bank relating to the management of Government funds or debt. Section 28 on Custodian of State Funds is the exact replica of Article 183(2b) of the Constitution, mandating the Bank to be the sole custodian of state funds. Section 29 on The banker for Government, mandates the Bank to receive, collect, pay and remit money, bullion and securities on behalf of the Government. Central banks, invariably, act as bankers to their Governments, so this provision is in order. The BoG may also act as banker to any Government institution or agency. This opens the way for the Bank to keep the accounts of, and lend to, public institutions or agencies. Section 29 exempts the Bank from paying interest on amounts deposited in a Government account. This exemption contrasts with Section 30, where the Bank is obliged to charge interest on loans granted to Government.

Section 30 of the BoG Act on Temporary advances [as amended by Section 16 of Bank of Ghana (Amendment) Act, 2016 (Act 918)] gives the option to BoG to make advances and loans to Government on overdraft or in any other form that the Board may determine or make direct purchases from the Government, treasury bills or securities representing obligations of the Government. The total loans, advances, purchases of treasury bills and securities made should not at any time exceed five percent of the total revenue of the previous fiscal year. Further, an advance made shall be repaid within three months after the grant of the advance, and where an advance remains unpaid after the due date, the power of the Bank to make further advances in a subsequent financial year shall not be exercised unless amounts due in respect of outstanding advances have been repaid. For transparency sake, BoG must be required to report monthly to the Finance Committee of Parliament outstanding loans made to Government and the duration of the loans for the adherence to the limits and duration to be clearly verified. The Section states that where repayment of advances and overdrafts is unduly delayed, the Bank may transfer the debt to the public through the sale of treasury bills. This provision seems appropriate since the Bank indirectly receives payment of the “high-powered money” (as a central bank's direct lending to Government is called) it lent to the Government in the first instance, while the public becomes the new creditors of Government. The Section obliges BoG to charge interest on advances granted at the rate that the Board in consultation with the Minister shall determine. However, contrasted with Section 29 above, which exempts BoG from paying interest on Government deposits, this subsection appears to represent an asymmetrical treatment of Government loans and deposits to the detriment of Government.

The Section provides for lending in excess of the statutory limit of 5% in case of emergency. In that case, the Governor, the Minister and the Controller and Accountant General are obliged to meet to decide the limit of borrowing that should be made by Government and the Minister is obliged to submit a report to Parliament within seven sitting days. This subsection is flawed in several respects and needs appropriate amendments. First, instances of emergency should have been clearly defined to reduce the risk of abuse. Second, the decision about the new borrowing limit should be made by the Governor, Minister and Parliament to introduce an element of transparency and accountability into such a crucial decision. It is recalled that this Section was abused in 2022, when BoG far exceeded the lending limit of 5% of the 2021 revenue. The reason given by the Governor and Minister was that the Bank acted to save the economy from collapse. However, the consequences have continued to linger in the economy with excessive inflation and depreciation. Further, BoG was compelled to be part of the Domestic Debt Exchange Programme (DDEP) that led to heavy discounting of the Bank's bond holdings, resulting in the Bank making a hefty loss and posting an equally-sizable negative equity in 2022. Further, Government arbitrarily wrote off a chunk of the BoG debt. The Section further provides that where the total loans, advances, purchases of treasury bills and securities made under the Section is five percent of the previous fiscal year's total revenue, the Governor should notify the Minister and Parliament of the attainment of the limit and the Minister should report to Parliament on the remedial measures to be taken.

Section 30 is one of the most important and controversial provisions in the BoG Act, given its potential economic and financial consequences. Our review of the literature revealed that major banks, such as the Bank of England (BoE), used to make direct loans to Government to finance its spending. The lending was found particularly helpful during the War Years when the Government was in desperate need of money, which other institutions were not in the same position to provide. Lending roles of many major banks have evolved to a point where they no longer directly finance the budget deficit. The banks only purchase Treasury paper in the secondary market when they want to supply liquidity to the market in line with their monetary policy operations. Their Governments do not borrow directly from the banks to finance the fiscal deficit. Indeed, Government borrowing from European Union (EU) central banks is said to be illegal under the Maastricht Treaty. In addition, doing so would conflict with the EU's monetary policy. The majority of Government's borrowing is financed through the issuance of their bonds, which are marketable and sold by their Debt Management Offices (DMOs) on behalf of their Governments. The banks' purchases of financial assets, including Government bonds, via the secondary market under the programme of quantitative easing (qe), are not undertaken to meet their Governments' borrowing requirements. Instead, they provide the Monetary Policy Committees (MPCs) with an additional tool to lower interest rates to support nominal demand in order to meet the inflation target. The US Fed too does not lend directly to Government; it rather does so indirectly. Unlike other central banks that issue or create money, the Fed does not—it is the Treasury that does. However, the Fed creates "Federal Reserves"—or electronic money—with which it buys loans held by financial institutions like banks. It does this when it wants to inject liquidity into the economy in the conduct of monetary policy. The loans the Fed holds are traditionally "Treasuries"—the bonds, bills and notes that the Treasury issues when it borrows money from the public. Therefore, the Fed may be said to lend to the Treasury indirectly rather than directly.

However, we recognize the BoE, the Fed and European central banks to operate in an environment where the Government can easily raise financing from the rest of the public—both internally and externally—making direct lending by the central banks to their Governments unnecessary. However, in developing countries, Government borrowing from the rest of the public may be constrained by liquidity constraints and lack of developed Government debt markets. In that situation, the Central Bank may provide direct financial accommodation to Government. However, central banks' direct lending to Government—technically called "money printing"—represents the most inflationary source of financing the budget. Therefore, such lending should be kept to the barest minimum. The norm is to cap this lending in the Central Bank's Charter. The cap is normally related to revenue, implying that Government can only increase its borrowing if it mobilizes more revenue, a sort of incentive factor. "Monetization of the deficit," as this phenomenon is called, is dangerous in the sense that it allows unacceptably high deficits to be maintained with dire consequences for the economy. Governments have a penchant for using central bank money to finance their budget deficits rather than borrowing from the "commercial markets." This is because they can get the funds more cheaply from the central banks. In fact, as seen under Section 30(5) above, the BoG Act provides that interest charged on loans to Government should be agreed between the Board and the Minister. Because of lack of a developed Government Debt Market in Ghana, BoG should provide some financial accommodation to Government. However, given that lending by BoG to Government represents the most inflationary source of financing the budget, such lending should be restricted. The limit of 5% is appropriate. However, it should be strictly monitored by Parliament. The decision to exceed the limit in case of emergency, as well as the timeline to return to the limit, should be made by the Governor, Minister and Parliament.

Section 31 on Management of the Public Debt entrusts the BoG with the issue and management of government loans publicly issued upon the terms and conditions that are agreed between the Government and the Bank. The preponderance of the literature has central banks managing Government debt. The BoE has, historically, played a role as Government's debt manager. The Fed also sells and redeems U.S. government securities such as savings bonds and Treasury bills, notes and bonds. Thus the Fed manages Government debt. Management of Government debt is, therefore, to be preferred subject to transparency, in terms of recording and accounting, and due oversight by Parliament. Section 32 on Adviser to Government on fiscal matters obliges the BoG to advise Government on the monetary transactions of the Government and Government agencies, and the international and local contracts to which the Government is a party and which relate to the object and functions of the Bank. Section 51 on Power to borrow and guarantee authorise the BoG, without the prior approval of the Minister, to borrow money from foreign institutions for a period not exceeding ninety days for the day-to-day operations of the Bank. The Bank is also authorised to borrow money from foreign institutions and pledge assets held by it as security for the repayment of the loan. Further, the BoG may lend money or grant short-term credits to any financial institutions as well as lend to those institutions in the ordinary course of business—all without the approval of the Minister. Section 31 further provides that the Bank MAY, at the written request of the Minister, guarantee a loan granted to the Government or an agency of Government by a foreign institution. The Bank is required to put a limit on the aggregate of guarantees issued by it in each year. The Bank may also request security to cover its exposure for any guarantee it issues. The Government, on the other hand, may guarantee on behalf of the Republic, loans granted by BoG. This Section seems to give open-ended discretions to BoG to borrow, guarantee and pledge its assets to foreign entities, while also inviting Government to guarantee loans granted by the Bank. For purposes of transparency, accountability, safety and oversight, these transactions should be subject to Parliamentary approval. Major banks have Oversight Committees or Independent Evaluation Offices to scrutinize and oversee such transactions, features that are also recommended for the BoG.

The Role of the Ministry of Finance

The role of the Ministry of Finance (MoF) in debt management is largely captured in the Public Financial Management Act (PFMA), 2016 (Act 921). Among other things, the PFMA attempts to put in place an effective system to ensure efficient management of the public debt with the MoF, as the chief Government treasury, playing a key role, as expected.

Section 13 of the PFMA on Fiscal Policy principles requires the formulation and implementation of Fiscal Policy to be guided by the objectives of sufficient revenue mobilisation to finance Government programmes and the maintenance of prudent and sustainable levels of public debt. The objectives also have relevance for good debt management. The aim to control the budget deficit, consequent borrowing and debt accumulation, while reinforcing the need for prudent and sustainable debt levels. These are, obviously, sound fiscal policy principles, which, if adhered to, would help bring sanity to the debt situation. Section 15 on the Fiscal Strategy Document, on the other hand, requires the Minister to submit a Medium-Term Debt Management Strategy, including debt sustainability analysis and sensitivity analysis of macrofiscal risk scenarios, to Cabinet for approval not later than the end of May of each financial year. This provision appropriately obligates the Minister to prepare and submit to

Cabinet for approval a medium-term debt management strategy featuring, most importantly, debt sustainability and risks analyses. What is not clear, however, is what follows after the Cabinet approval, in terms of implementation of the debt management strategy. A follow-up monitoring process to ensure implementation of the debt management strategy would be important.

Sections 54-78 of the PFMA relate generally to Public Debt Management. They provide detailed directives and rules on public debt acquisition and management and spell out the functions of the Debt Management Office (DMO), the role of Parliament in Government borrowings, the purpose for which Government can borrow, objectives and strategy for debt management, what constitutes Government debt, the various government debt securities and other monitoring and supervisory mandates. The PFMA defines "Debt" to include a financial liability created by (a) borrowing, (b) credits accepted under supplier's credit agreements, (c) the issuance of debt securities, and (d) assumption of the payment obligations under a guaranteed loan. The definition of Government debt here is helpful for purposes of proper recording and accounting. There have been instances when the classification of certain financial transactions as loans—and therefore belonging to the public debt—has been seriously contested. A clear example was the Agreement signed between the Ghana Government and the Chinese Synohydro Company in 2017 that involved the exchange of Ghana's bauxite for money from the Company to be used for infrastructure projects. The Government argued that the transaction was a barter transaction involving the exchange of bauxite for infrastructure and therefore did not amount to a loan, while the Opposition maintained that it was a loan. It took the IMF to intervene to declare that it was effectively a loan.

FUNCTIONS OF THE PUBLIC DEBT MANAGEMENT OFFICE

The MoF, as the Government treasury, is designated as the key agency responsible for public debt management. Section 54 of the PFMA requires the MoF to have an office that is responsible for public debt management.

The Public Debt Management Office (PDMO) is mandated to: (a) handle debt management operations of the Government; (b) assess risks for government guarantees and lending; (c) assess all forms of credit agreements including suppliers' credit, buyer's credit, mixed credit and finance lease agreements to be entered into by the Government; (d) assess the feasibility of borrowing requirements implied by the path for the fiscal deficit in the Fiscal Strategy Document; (e) formulate the Medium-Term Debt Management Strategy; and (f) perform any other functions that may be determined by the Minister.

The mandate of the PDMO is sufficiently comprehensive, covering important elements of Government debt management. We would only suggest that in addition to the PDMO's stated functions, it should also be obligated to ensure proper recording/accounting of the debt. Further, the debt figures as well as all the assessments and other information relating to the PDMO's functions should be published regularly for purposes of transparency.

Section 55 of the PFMA on Government borrowing and debt management, reiterates Article181 of the Constitution by authorizing the Minister to raise a loan on behalf of the Government, both within and outside the country and in local and foreign currencies. In so doing, the Minister is not to delegate his power to any other person. Further, the proceeds of all borrowings on behalf of the Government should be paid into and form part of the Consolidated Fund and utilised for any of the purposes stated in Section 57. Also, Government should cause to be opened a bank account for purposes of depositing all government borrowings. Section 58 PFMA explains Debt management objectives to include: ensuring that the financing needs of Government are met on a timely basis, borrowing costs to Government are as low as possible over the medium to long term, consistent with a prudent degree of risk, the development of the Ghanaian debt market is promoted, and any other action considered to impact positively on public debt is pursued. The Minister is charged with the responsibility of ensuring that these debt management objectives are achieved. This Section contains some of the key objectives of debt management, but other important ones remain. In particular, the objectives must specifically ensure that: i) borrowing is controlled; ii) borrowing is transparent and fully recorded and accounted for; iii) borrowing is strictly in line with the purposes stated in Section 57; and iv) borrowing is in line with long-term debt sustainability.

Section 59 of the PFMA on Debt management strategy elaborates on the functions of the PDMO to include: submitting to the Minister, a Medium-Term Debt Management Strategy (MTDMS) for the management of government debt; on a rolling basis, updating the MTDMS at least once a year; and submitting the update to the Minister. The Minister, on the other hand, is charged to review the MTDMS and submit the strategy to Cabinet for approval and publish the approved MTDMS on the website of the Ministry and any other medium determined by the Minister. The MTDMS is supposed to be based on the debt management objectives set out in Section 58, for consistency, and should take into account: the cost and risk embedded in the current debt portfolio, future borrowing requirements and debt recovery mechanisms of the Government, the macro-economic framework of the country, prevailing market conditions, and any other factors that may be relevant for the development of the MTDMS. The MTDMS should also include guidelines or ranges for the acceptable market risks in the debt portfolio and planned borrowings and other debt management activities to promote development of the Ghanaian debt market. More importantly, upon approval of the MTDMS, all Government borrowings and other debt management operations are supposed to be undertaken in compliance with the MTDMS and approved revisions to the strategy.

The MTDMS is an important instrument for prudent debt management and long-term debt sustainability. While the MTDMS goes through various levels of Government and is eventually published by the Minister, which ensures transparency, it would have been helpful if it had been subjected to independent scrutiny before its finalization to ensure its credibility. Here is where a Fiscal Council (FC) or a Parliamentary Budget Office (PBO) for that matter, if available—and which we strongly recommend—would have played a useful role.

Section 60 of the PFMA on Annual borrowing and recovery plan further requires the PDMO to prepare an annual borrowing and recovery plan to meet the aggregate borrowing requirements of Government for each financial year. The plan should be based on the approved MTDMS and should include: planned borrowing operations over the year, borrowing instruments to be used, and the indicative timing of the borrowings. Further, the annual borrowing and recovery plan should be updated at least every six months. Also, the Minister was obliged to review and approve the plan and updates to the plan, which should be published on the Ministry's website. The annual borrowing and recovery plan represents another important element of Government debt management. Linking it with the MTDMS appropriately synchronizes debt management and promotes long-term debt sustainability. Publishing the annual borrowing and recovery plan also enhances borrowing and debt management transparency. It is important, therefore, for the requirements under Section 60 to be fully observed by the PDMO and the Minister, who are the principal duty bearers in this regard.

Section 61 of the PFMA relates to Issuance of government debt securities in the domestic debt market. This subject is discussed in detail in Section 3.1.3 below under the Role of the MoF and BoG in the Issuance Calendar. Section 62 on Issuance of government debt securities abroad provides that the issuance should be in the manner and on the terms and conditions approved by Parliament and be based on the annual borrowing and recovery plan. Parliamentary approval for all Government loans is an important element of oversight and debt management. It is even more important for foreign borrowing that carries extra risks, including currency and exposure risks. It is also appropriate that foreign borrowing is subjected to the annual borrowing and recovery plan under Section 60.

Section 63 of the PFMA on Borrowing from banks and other financial institutions authorizes Government to borrow from banks and other financial institutions by means of a loan agreement. Such borrowing should, however, be on the terms and conditions approved by Parliament and should be based on the annual borrowing and recovery plan. It is appropriate that Government borrowing from banks, just like any other borrowing, is subject to Parliamentary approval to ensure controlled, prudent and sustainable borrowing. Here also, subjecting the borrowing to the annual borrowing and recovery, helps debt synthesis and management.

Section 78 of the PFMA on Power to appoint agents gives the discretion to the Minister to appoint issuing agents, registration agents, primary dealers and other agents to facilitate primary and secondary market transactions in government debt securities. The BoG is given the complementary role, in its capacity as a fiscal agent for Government, to facilitate the issuance, management, redemption and repayment of government securities, on the terms and conditions that may be agreed in a fiscal agency agreement. The fiscal agency agreement should provide, among others, for the duties and responsibilities of the BoG, the remuneration due the Bank and any reporting required by the Minister. For purposes of this section, an “issuing agent”, “registration agent”, “primary dealer” and “other agents” is regarded as an agent appointed in accordance with the Public Procurement Act, 2003 (Act 663) who acts on behalf of Government. As the central bank, BoG's role in the management of the public debt, including, as specified in Section 31 of the Bank's Act, “the issue and management of government loans publicly issued upon the terms and conditions that are agreed between the Government and the Bank”, is unquestioned and appropriately reiterated here. When it comes to other agents playing various roles, including the issue and trading in Government securities, however, there is a need for stricter rules to avoid potential abuses by Government officials for personal gains. We know of examples where, public officials entrusted with Government debt trading involved agencies in which they had personal interests and profited from the dealings. To avoid these infractions, Parliamentary oversight is crucial and should be included in Section 78 of the PFMA.

The Roles of MoF and BoG in the Issuance Calendar

Section 61 of the PFMA on Issuance of government debt securities in the domestic debt market provides that the issuance should be by way of auction or any other method approved by the Minister. The Minister should, by regulations, or rules or guidelines published in the Gazette, regulate the format of, and criteria for, the auction and the procedures for participation, bidding, and allocation in auctions.

Box 1: Illustrative Government's Issuance Calendar for January to March 2024

Government's issuance calendar January-March 2024 contained the following information:

1. Government publishes herewith the Issuance Calendar for the period January to March 2024 as part of its efforts to improve transparency in the issuance of Government securities.

2. The Calendar is developed based on the 2024 domestic maturities for the period and the Net Domestic Financing (NDF) from the 2024 Budget Statement and Economic Policy. It describes the securities that are intended to be issued in respect of Government's Public Sector Borrowing Requirement for the period January to March 2024.

3. Reference to the successful completion of the Domestic Debt Exchange Programme (DDEP), Government's financing from the domestic market will be the issuance of only Treasury bills. As such, Government plans to issue a gross amount of GH¢61,094.60 million for the period, January to March, 2024 of which GH 41,387.42 million is to rollover short term maturities and the remaining GH¢19,707.17 million is fresh issuance to meet Government's financing requirements.

4. Please note that the stated gross borrowing amount is indicative to guide the market and may be revised when transaction adverts are published. Government may update the issuance calendar on a rolling monthly basis, to reflect a full quarter financing programme.

5. Accordingly, Government aims to meet its financing needs through the issuance of Treasury bills as detailed: i. 91-day, 182-day and 364-day bills will be issued weekly; ii. This will be done through the primary auction with settlement being the transaction date plus one working day.

6. Government expects that this January to March 2024 Calendar meets the requirements of market participants. 7. Government assures all stakeholders and the public, that it will continue to strive for greater predictability and transparency in the domestic capital market.

Source: Treasury and Debt Management Division, MoF

Box 1 represents a typical Issuance Calendar (IC). The IC is issued in advance for the quarter ahead. In principle, the IC represents the amount of money Government intends to borrow by issuing securities in the Government debt market. The amount is calculated as the sum of maturing securities and the Net Domestic Financing (NDF) for the quarter as stated in the budget. The sum is also referred to as the Public Sector Borrowing Requirement (PSBR) for the period. The IC describes the types and amounts of the various securities to be issued. The IC in Box 1 is for the period, January-March 2024. By issuing the IC ahead, market participants are appropriately informed of Government's borrowing plans. The IC enhances transparency in the issuance of Government securities and it is an important tool for public debt management. The IC is prepared by the MoF in consultation with the BoG. It is then BoG that conducts the auction of the Government securities to market participants—banks, other institutions, individuals. The proceeds of the sale are paid into Government accounts with the BoG. The conduct of the Government debt operations by BoG invariably occurs simultaneously with the Banks's conduct of Open Market Operations (OMO) that is meant to manage liquidity in the economy. The OMO entails a separate sale/purchase by the Bank of Government's short-term securities or the Bank's own bills to market participants. The OMO proceeds are, however, kept in a separate, sterilised account. Keeping the two accounts—Government's and OMO's---separate is crucial in ensuring that the OMO proceeds do not fund the budget, as that would be counterproductive to the liquidity sterilisation objective. In practice, however, the possibility of OMO proceeds funding the budget is real, especially in instances where, as happened in the past, Government's account at the Bank is allowed to be overdrawn, without going through the normal process of BoG providing loans or advances to Government as provided for under Section 30 of the BoG Act.

Box 2: Domestic Issuances and Redemptions

The MoF Public Debt Statistics Bulletin provides information on actual domestic debt issuance and redemptions. For example, in 2023, the Bulletin reported that total domestic debt issued amounted to GH 161.29 billion, an increase of 63.4 percent over the end-2022 figure of GH 98.71 billion. This reflected increased resort to the domestic market by Government in the wake of losing access to the international market. Similarly, total maturities increased by 49.7 percent to GH 133.72 billion in 2023 from GH 89.31 billion in 2022.

In line with the above, net issuances recorded in 2023 was GH 27.57 billion compared with net issuances of GH 9.40 billion recorded in 2022, representing a drastic increase in net issuances by 193.3 percent. Total net issuances for the 91-day and 364-day treasury bills recorded the largest positive increases for the period with a total of GH 12.63 billion and GH 12.10 billion, respectively. The high net issuances of these instruments reflected growing investor appetite for short-dated instruments in the face of economic uncertainties. The high turnover of those instruments, however, implied higher cost of Government debt. Government, on the other hand, paid off maturities for the 2-year note and 3-year bond in an effort to reduce the number of instruments on the domestic debt market.

2.3 LEGAL FRAMEWORK

2.3.1 Legal provisions regarding debt management

The 1992 Constitution contains legal provisions on debt management.

Article 182 on PUBLIC DEBT provides that the public debt of Ghana should be charged on the Consolidated Fund and other public funds of Ghana. Further, the public debt should include interest on that debt, sinking fund payments and redemption moneys in respect of that debt and the costs, charges and expenses incidental to the management of that debt. Since Article 181 requires all loan funds to be paid into the consolidated fund, it is logical that the public debt is equally charged on the consolidated fund. Article 182, however, does not exclude 'other public funds' for the charging of the public debt. Thus, creating a sinking fund, for example, purposely for servicing the public debt is legitimate—and indeed economically sensible, as it guarantees prompt and seamless debt payments.

2.2.2 Provisions regarding loan agreements, including with external creditors

Article 181 on Loans gives the discretion to Parliament, by a resolution supported by the votes of a majority of all the members, to authorise the Government to enter into an agreement for the granting of a loan out of any public fund or public account. Further, no loan should be raised by the Government on behalf of itself or any other public institution or authority otherwise than by or under the authority of an Act of Parliament. The Article directs that any moneys received in respect of loans should be paid into the Consolidated Fund (CF) and form part of that Fund or into some other public fund of Ghana either existing or created for the purposes of the loan.

The Article is to apply as well to an international business or economic transaction to which the Government is a party as it applies to a loan. A "loan" is defined here to include any moneys lent or given to or by the Government on condition of return or repayment, and any other form of borrowing or lending in respect of which moneys from the CF or any other public fund may be used for payment or repayment or moneys from any fund by whatever name called, established for the purposes of payment or repayment whether directly or indirectly, may be used for payment or repayment. The Minister is charged to present to Parliament any information concerning any discrepancies relating to the granting of loans, their repayment and servicing, the payment into the CF or other public fund of moneys derived from loans raised on institutions outside Ghana.

Clearly, and appropriately, Article 181 applies to both domestic and foreign loans. Its key provisions include prior Parliamentary approval for all loans and lodgement of all loan proceeds in the CF or other public fund created for the purpose. However, since foreign loans carry greater risks, including higher default risk and exchange risk, the requirements should have been more stringent such as a need for greater prior Parliamentary scrutiny before it even reaches the approval stage, where Governments can use their majority to have their way. That said, the Article should put to rest the argument sometimes made by Governments that some loan agreements do not require Parliamentary approval. In particular, financial agreements with the IMF—and other international financial institutions—require Parliamentary approval contrary to the suggestion, sometimes, by Governments that they do not. The Article also requires all loan funds to be lodged in the CF fund or other fund(s) created for the purpose. This makes monitoring of the funds by Parliament easier.

The PFMA also contains several provisions relating to loan agreements. As indicated under Section 3.2.1 above, Section 56 of the PFMA requires the terms and conditions of all government borrowings, both domestic and external, to be laid before Parliament for approval in accordance with article 181 of the Constitution. Parliament has an obligation to ensure that these provisions are observed by the Minister and Government. Parliament will then have no excuse to complain about excessive borrowing by Government since they would be complicit in the action, except to add that Government could still use its majority, if it had one, to overcome any objections by the Opposition or Minority. Section 62 of the PFMA on Issuance of government debt securities abroad states, in particular, directs that the issuance should be in the manner and on the terms and conditions approved by Parliament and also, in line with Section 60, be based on the annual borrowing and recovery plan. As noted under 3.1.2 above, the annual borrowing and recovery plan importantly links debt management with the MTDMS, synchronizes debt management and promotes long-term debt sustainability. Publication of the plan, as required, also enhances borrowing and debt management transparency. The important things are compliance and enforcement, with Parliament expected to play its oversight role accordingly.

Section 37 of the PFMA on Sinking Fund and Debt Servicing gives the Minister the discretion to create a Sinking Fund (SF). The SF should be used to redeem specified debt obligations of Government. The Minister is required, as part of the annual budget, to specify and provide an update on the loans to be redeemed by the SF. The SF is important for ensuring that loans can be readily paid. From that standpoint, its creation must be obligatory and not left to the discretion of the Minister as the provision seems to suggest. Section 38 on Sources of money for the Sinking Fund indicates the sources to include: periodic contributions of specified amounts determined by the Minister as part of the annual budget; repayment inflows of money on-lent by the Ministry to covered entities, state-owned enterprises and public corporations; moneys that accrue to the Fund from investment of moneys of the Fund; moneys borrowed or raised from capital markets for the purpose of redemption of existing debts; moneys approved by Parliament for debt repayment under Section 23 of the Petroleum Revenue Management Act 2011 (Act 815); and any other moneys that the Minister, with the approval of Parliament, determines to be paid into the Fund. The SF needs to be fully-funded on a continual basis so as to guarantee prompt loan repayments. The six sources named should ensure availability of enough funds in the SF for its intended purpose. It is important for monies from those sources to be readily and timely remitted to the Sinking Fund to ensure its continual replenishment as loans are repaid from it.

Section 39 on Administration of Sinking Fund mandates the Controller and Accountant-General (CAG) to administer the SF. The CAG is directed to invest moneys of the SF. The Minister, on the other hand, is to issue an Investment Policy Statement (IPS) to guide investment of the SF. It will not be economical for the SF to sit idle. Investing it, as required in this Section is, therefore, appropriate as it would earn returns for, and augment, the Fund. The IPS required from the Minister for the investment of the Sinking Fund should ensure prudent choice of high-yielding investments to the extent possible. Section 40 on Bank account of the Sinking Fund directs the CA to pay moneys for the Sinking Fund into a bank account opened for the purpose with the approval of the Minister. Further, the bank account opened for the Sinking Fund shall be considered to be part of the Treasury Single Account (TSA), which is the consolidated government bank account at BoG. It is appropriate for a bank account to be opened for the Sinking Fund from which it will be invested under the IPS. While it may make sense to consider the SF bank account as part of the TSA, it is important for it to be properly demarcated and used solely for debt servicing. In particular, using the SF for other purposes apart from debt servicing must be totally avoided. Section 41 on Payment from the Sinking Fund directs that a payment should not be made from the Sinking Fund unless the funds are required for the redemption of a loan specified under Section 37, including a buyback of a debt obligation on the open market. Restricting the SF for loan repayments is in order as we noted above. Diverting it for any other expenditures must be strictly avoided so that it fully serves its intended purpose.

Section 42 of the PFMA on Accounts and audit mandates the Controller and Accountant-General to keep accounts of the Sinking Fund in accordance with Generally Accepted Accounting Principles and in the form agreed to by the Auditor-General (AG). The CAG is also directed to submit the accounts of the Fund to the AG for audit within three months after the end of the financial year. The AG, on the other hand, should, not later than three months after the receipt of the accounts, audit the accounts and forward a copy of the audit report to the Minister. Section 43 on Annual report and other reports further provides that the CAG should within one month after receipt of the audit report, submit an annual report to the Minister covering the activities and operations of the Sinking Fund for the year to which the report relates. Further, the annual report should include the report of the AG and a report on the performance of the Sinking Fund relative to its statutory object. The Minister, in turn, should, within one month after the receipt of the annual report submit the report to Parliament with the statement that the Minister considers necessary. The CAG should also submit to the Minister any other reports which the Minister may require in writing. These are comprehensive provisions regulating the SF, which is an important fund. In particular, it is proper for the SF to be regularly audited by the Auditor General (AG). It is also appropriate for the AG to forward his report to the Minister. It is even more appropriate that a report is finally submitted to Parliament as that ensures broader and stricter oversight.

Section 44 on Transfer of money directs that the total sum of money located in any bank immediately before the coming into force of this Act, which constitutes moneys designated for the repayment of loans, shall at the coming into force of this Act be transferred into the Fund created under Section 37. This is an appropriate mopping-up exercise, geared to ensuring maximum mobilisation and consolidation of funds for the SF.

2.2.3 Budget or Fiscal Rules

A budget or fiscal rule relates to numerical targets set to guide and control fiscal policy, aimed at ensuring long-term sustainability. The rule includes, but is not limited to, expenditure targets or deficit targets.

The Constitution, in and of itself, does not contain explicit budget or fiscal rules. This is not unexpected, since budget or fiscal rules are easily changeable and, therefore, should not be entrenched in a Constitution that is a more durable document.

The Public Financial Management Act (PFMA), on the other hand, contains several provisions on budget or fiscal rules to guide and control fiscal policy.

Section 15 on Fiscal Strategy Document mandates the Minister to, not later than the end of May of each financial year, prepare and submit to Cabinet for approval, a Fiscal Strategy Document (FSD). The FSD is quite comprehensive and includes: the Medium-Term Fiscal Framework of the Government with measurable fiscal objectives and targets to guide short and medium term fiscal planning for the ensuing three to five year period, consistent with the fiscal principles and fiscal policy objectives of Government; an updated and comprehensive medium-term macroeconomic and fiscal forecast covering current developments and multiple year projections in line with the co-ordinated programmes of economic and social development policies; the Medium-Term Expenditure Framework of the Government with a resource envelope and overall expenditure ceiling; a statement of policy measures the Government shall implement in order to stay within the confines of the fiscal policy objectives; a comprehensive and quantified fiscal risk statement for the public sector showing the impact of alternative macroeconomic assumptions on the forecast fiscal balances, and quantified risks of guarantees, contingent liabilities and public private partnerships; the Medium-Term Debt Management Strategy including debt sustainability analysis and sensitivity analysis of macrofiscal risk scenarios; a progress report on the implementation of the FSD for the previous financial year; and the alignment of statutory and other earmarked funds to national macro-fiscal goals and targets.

Further, the FSD progress report should include: an update on the macroeconomic forecasts and fiscal outturns; the implementation of the fiscal policy and progress against the fiscal principles and rules, including targets where feasible; an explanation of deviations from the fiscal principles, rules and targets for the short and medium term objectives; and an explanation of the measures taken to respond to deviations. In addition, the Minister is given the option to propose specific numerical fiscal rules in the FSD to constrain Government with specific reference to one or more budget aggregates. The numerical rule is required to be consistent with the Fiscal Policy objectives and Fiscal Policy indicators specified under Sections 14 and 16 of the PFMA, the Petroleum Revenue Management Act, 2011 (Act 815), and (c) any other relevant enactment.

The Fiscal Strategy Document (FSD) is an important document for guiding fiscal policy. Its key components are: the Medium-Term Fiscal Framework (MTFF), with multi-year objectives and targets; the Medium-Term Expenditure Framework (MTEF), with a resource envelope and expenditure ceiling; and the Medium-Term Debt-Management Strategy (MTDMS), including debt sustainability and risk sensitivity analyses. Even more importantly, it also gives the Minister the discretion to propose numerical fiscal rules in the form of budgetary aggregates to constrain Government. If all these components were fully prepared and implemented, fiscal policy would be effective and sustainable. Unfortunately, the Minister is required to submit the FSD to Cabinet only, where most discussions and decisions do not see the light of day and evade public scrutiny. The FSD is such an important document that it should be submitted rather to Parliament—or at least the Parliamentary Budget Committee—so that it can be subjected to effective scrutiny and oversight.

Section 16 of the PFMA on Fiscal policy indicators directs that compliance by Government with the fiscal policy objectives, fiscal policy principles and other requirements should be assessed in accordance with the following indicators: the non-oil primary balance or non-oil fiscal balance, as a percentage of gross domestic product; and any two of the following fiscal policy indicators: public debt as a percentage of gross domestic product; capital spending as a percentage of total expenditure; revenue as a percentage of gross domestic product; or wage bill as a percentage of tax revenue. The Ministry of Finance is required to review the fiscal policy indicators every five years. This Section contains key fiscal policy indicators required to ensure compliance with, and achievement of, fiscal policy objectives and principles. Most of the indicators reflect the (Economic Community of West African States (ECOWAS) and West African Monetary Zone (WAMZ) fiscal policy convergence criteria for the members, such as primary balance/GDP, public debt/GDP, CAPEX/total expenditure, revenue/GDP, wage bill/tax revenue. However, unlike the ECOWAS and WAMZ indicators that are expressed in quantitative terms, the PFMA indicators are specified as qualitative criteria only. These indicators are important as they measure fiscal policy prudence and efficiency. Unfortunately, however, no indication is given regarding their enforcement. To ensure compliance, there is a need to include enforcement and oversight requirements.

Section 17 of the PFMA on Cabinet to adhere to targets in Fiscal Strategy Document enjoins Cabinet, subject to article 76(2) of the Constitution, to adhere to the targets set out in the Fiscal Strategy Document: in making decisions with implications for public finances; in determining, formulating and implementing the policies of the Government; or in performing any function conferred on it by the Constitution, this Act or any other enactment. This Section makes the targets in the FSD—including any fiscal rules that it may contain—binding on Cabinet. The problem, however, is that Cabinet has been known to work mostly in secrecy, with most of its deliberations and decisions unknown to the public. The section should, therefore, have included explicit enforcement and oversight provisions, including possible involvement of Parliament, to assure compliance.

Section 18 of the PFMA on Suspension of rules or targets provides that a fiscal target or rule provided for in the Fiscal Strategy Document may be suspended with the prior written approval of Cabinet where any of the following events occur: a natural disaster, public health epidemic, or war as a result of which a state of emergency has been declared by the President under article 31 of the Constitution; an unanticipated severe economic shock, including commodity and oil price shocks and the Minister is of the opinion that the implementation of any of the fiscal targets or rules would be unduly harmful to the fiscal and macroeconomic or financial stability of the country. Where any of the above events occur, the Minister is required to submit a memorandum to Cabinet to request approval to suspend any of the rules or targets in the Fiscal Strategy Document. Further, the Minister should state in the memorandum: the reasons why the implementation of the fiscal rule or target would be harmful to the finances and macroeconomic or financial stability of the country; the period within which the fiscal rule or target is to be suspended; and a fiscal adjustment plan setting out the measures to return to a position of compliance with the fiscal rule or target within a period of not more than five years. Section 18 appropriately specifies conditions for suspending the fiscal rules and targets set by the Minister. This is the "escape clause" that is usually included in such rules. The Section also, appropriately, enjoins the Minister to indicate the suspension period as well as a plan to return to the rules and targets within five years. Here again, it would be important to involve Parliament in enforcement of the provision.

Unlike the PFMA that gives the Minister the discretion to provide his own numerical fiscal rules and targets, the Fiscal Responsibility Act (FRA), 2018 (Act 982) contains explicit numerical fiscal rules.

Section 1 of the FRA states the Object of the Act to be to provide for fiscal responsibility rules to ensure macroeconomic stability and debt sustainability. It states further that fiscal responsibility rules should: correct distorted incentives; ensure fiscal discipline; prevent fiscal slippages; and improve fiscal and debt sustainability. The FRA states the appropriate purpose of fiscal rules embodied in the Act, viz. to ensure "macroeconomic and debt sustainability."

Section 2 on Fiscal responsibility rules states that, despite the fiscal policy indicators stated in section 16 of the Public Financial Management Act, the following numerical fiscal responsibility rules shall apply in the management of public finances: (a) the overall fiscal balance on cash basis for a particular year shall not exceed a deficit of five percent of the Gross Domestic Product for that year; and (b) an annual positive primary balance shall be maintained. While, as noted above, Sections 15 and 16 of the PFMA enjoin the Minister to specify fiscal rules in the Fiscal Strategy Document, they do not specify exact numerical figures. Under the FRA, however, actual numerical targets are specified, viz. 5% overall deficit ceiling and a positive primary balance. The overall deficit determines the amount of borrowing required and, therefore, the rate of debt accumulation. The basis for the 5% deficit ceiling is not given, but it is important that for it to be consistent with long-term debt sustainability. Indeed, the ECOWAS and the WAMZ, both of which Ghana is a member, have set deficit ceilings of 3% and 4% respectively for the members. We would recommend the more stringent ECOWAS ceiling of 3% for Ghana, since it is more likely to guarantee debt sustainability. The primary budget balance, which excludes interest payments from government expenditure, is a truer representation of budgetary performance and is more closely related to fiscal and debt sustainability. Therefore, the required positive primary balance will reinforce the overall fiscal deficit ceiling to ensure the FRA goals of fiscal and debt sustainability.

Section 3 of the FRA on Suspension of fiscal responsibility rules gives the discretion to the Minister to suspend the fiscal responsibility rules due to a force majeure, or unforeseen economic circumstances or both, including: a natural disaster, public health epidemic, drought or war where a state of emergency has been declared by the President under article 31 of the Constitution; an unanticipated severe economic shock, including commodity price shocks; and periods where the Gross Domestic Product growth rate is one per cent or less. The force majeure or unforeseen economic circumstances should be such that the Minister is of the opinion that the implementation of any of the fiscal responsibility rules should be harmful to the fiscal, macroeconomic, or financial stability of the country. It requires that, where the Minister suspends the fiscal responsibility rules, he should, within thirty days, present before Parliament for approval: facts and circumstances for the suspension of the set fiscal responsibility rules in a given financial year; plans for restoring the public finances of the country within a reasonable period after the force majeure or unforeseen economic circumstances have elapsed; and a quarterly break down of the revised deficit target for the year as part of the budget presented to Parliament.

It is normal for fiscal rules to include a "suspension clause" in case of unforeseen shocks to the economy. Therefore, Section 3 is well-placed. The section also appropriately enjoins the Minister to inform Parliament when he suspends to rule and to indicate plans to return to the rule. We know that the Minister suspended the rule in 2020 citing the Covid pandemic as the unforeseen shock and informed Parliament subsequently. However, there is no evidence that the Minister indicated plans to return to the rule. As of the time of writing—in November 2024—the rule remains suspended. This points to the dereliction of the mandates of both the Minister and Parliament, which has failed to exercise its oversight role. The law needs to be tightened to ensure that both the Minister and Parliament exercise their statutory roles under the FRA.

Section 4 of the FRA on Vote of censure gives Parliament the discretion, and in accordance with Article 82 of the Constitution, to pass a vote of censure on the Minister where the Minister breaches Section 2 by more than one percentage point. We know that after the Minister suspended the fiscal rule in 2020, the overall deficit shot up to over 15% by the end of that year and then declined slightly to about 12% each in 2021 and 2022. All these figures were above the 5% deficit ceiling by far more than the 1 percentage point threshold necessary to trigger a vote of censure on the Minister by Parliament. However, Parliament did not invoke its censorship mandate. Subsequently, the deficit declined below 5% in 2023 and is projected to remain below 5% in 2024 as well. This is due to the positive impact on the budget of the Domestic Debt Exchange Programme (DDEP) implemented in 2023 that involved heavy discounts of Government bonds held by investors as a requirement under the IMF-sponsored programme.

Section 5 of the FRA on Review of fiscal responsibility rules enjoins the Minister to submit to Parliament a review of the fiscal responsibility rules every five years. The FRA was passed in 2018. Therefore, it is six years old and past the five-year deadline for its review. We, therefore, call on Parliament to call out the Minister to submit his review accordingly. Section 6 on Reporting mandates the Minister to present a quarterly report to Cabinet on the fiscal performance and adherence to the fiscal responsibility rules with a lag period of three months. The report should propose corrective measures in instances where quarterly targets are breached. We do not know if the Minister has been reporting quarterly to Cabinet on the performance and adherence to the fiscal rules as per this Section, since proceedings at Cabinet Meetings are not made public. It is also not clear how this requirement can be enforced. In fact, as with many of our laws, enforcement of the FRA is rather loose, allowing the Minister to breach the provisions with impunity. We recommend a review of the Act to include strict enforcement provisions so as to strengthen its effectiveness.

2.2.4. Borrowing rules

On borrowing rules, it is worth reiterating that, per Article 181 of the Constitution, Parliament may, by a resolution supported by the votes of a majority of all the members of Parliament, authorise the Government to enter into an agreement for the granting of a loan out of any public fund or public account and that, for emphasis, no loan should be raised by the Government on behalf of itself or any other public institution or authority otherwise than by or under the authority of an Act of Parliament. Further, it is recalled that any moneys received in respect of loans are required to be paid into the Consolidated Fund and form part of that Fund or into some other public fund of Ghana either existing or created for the purposes of the loan. Article 181 is categorically clear about the requirement for all agreements for loans contracted by Government for itself or for any other public institution to be laid before, and approved by, Parliament. This provision should put to rest the argument sometimes made by the Government that some loan agreements do not require Parliamentary approval. In particular, as stressed above, financial agreements with the IMF—and other international financial institutions—require Parliamentary approval contrary to the suggestion, sometimes, made to the contrary. The Article also requires all loan funds to be lodged in the consolidated fund or other fund(s) created for the purpose. This should make it easy for Parliament to monitor the funds.

The PFMA also contains important rules regarding Government borrowing.

Section 55 on Government borrowing (and debt management) gives the authority to the Minister, subject to article181 of the Constitution and this Act, to raise a loan on behalf of the Government, both within and outside the country and in local and foreign currencies and that the Minister should not delegate this power to any other person. Vesting the authority to borrow on behalf of Government solely in the Minister is expected to avoid abuse by unauthorised persons. On the other hand, it may be argued that this amounts to overconcentration of power in one individual. From that standpoint, the Section could have provided for the Minister to delegate his authority to specified person(s) under given circumstances. The Section reiterates the requirement in the Constitution (Article 181) that all proceeds from borrowings should be paid into the consolidated fund. It goes further, however, to indicate that the Minister must open a bank account for this purpose. As seen in the earlier sections of this report, the account must necessarily be opened at the BoG, which is "the sole custodian of State funds." Centralising the account at BoG engenders simplicity and efficiency in its management.

Section 56 on Approval of Parliament of terms and conditions of government borrowings requires that the terms and conditions of all government borrowings should be laid before Parliament and should not come into operation unless the terms and conditions are approved by a resolution of Parliament in accordance with article 181 of the Constitution. It further provides that Parliament may, from time to time, by resolution, approve standard terms and conditions for government borrowings. including: the nature of facility; purpose of government borrowing; condition of drawdown; terms of interest payment and repayment; pre-payment and cancellation; fees and charges in respect of the borrowing; tax gross-up and indemnities; other indemnities; events of default; conduct of business by the parties; payment mechanisms; costs and expenses; remedies and waivers; amendments and waivers; governing law and jurisdiction; agent's option; arbitration; waiver of immunity; conditions precedent; conditions of payment; documents to be submitted; collateral security; and force majeure.

This Section reiterates the provisions of Article 181 of the Constitution requiring Parliamentary approval for all Government borrowings. Beyond this requirement however—and importantly—Section 56 of the PFMA mandates Parliament to determine, from time to time, detailed terms and conditions for Government borrowings, including but not limited to: the nature of facility; purpose; terms of interest; pre-payment; cancellation; fees and charges; costs and expenses; remedies and waivers; conditions precedent; documents to be submitted; collateral security; force majeure; arbitration; and governing law and jurisdiction. Effective exercise of this mandate should ensure more prudent borrowings and avoidance of the problems sometimes encountered with loans including payment difficulties, judgement debts and judicial matters.

Section 57 on Borrowing purposes provides that Government may borrow: to finance government budget deficit as approved by Parliament; to build up and maintain a liquidity buffer at a level or range determined by the Minister (where "liquidity buffer" means the accumulation of funds reserved for debt restructuring and cash management); to on-lend funds to local government authorities, state owned enterprises, public corporations or any other entity as approved by Parliament; to honour obligations under outstanding government guarantees; to refinance outstanding government debt, including repayment of a loan prior to the maturity date of the loan and repurchase of government debt securities; and for any other purpose as may be approved by Parliament. It further provides that the issuance of a government debt security under this section should be in accordance with the Medium-Term Debt Management Strategy and the annual borrowing plan. The stated purposes for borrowing are in order, especially as all borrowings are subject to Parliamentary approval. However, borrowings for on-lending to local governments, SOEs and public corporations, in particular, need strong prior-scrutiny so that they do not crystalize into permanent Government liabilities. Such borrowings should be appropriately classified as part of the total public debt to avoid the debt being understated as has been the case sometimes.

Section 73 on Borrowing by local government authorities, public corporations and state-owned enterprises provides that borrowing by a local government authority, a public corporation or a state-owned enterprise should be in accordance with this Act. It further provides that a local government authority, public corporation or state owned enterprise is liable for the debt and other obligations of that entity without recourse to Government, unless otherwise explicitly guaranteed by Government in accordance with this Act. This Section presumes the capacity for local governments, public corporations and SOEs in accordance with the Act. The Section, however, stresses that those entities are liable for their debt and other obligations, unless they have explicit Government guarantee. The fact, however, is that whether the entities borrow on their own or receive on-lent borrowings from Government as under Section 57, the debts would still be counted as part of the total public debt. In view of that, they should be strictly monitored and controlled.

Section 74 on Borrowing by local government authorities specifically provides that, without limiting Section 73, a local government authority may borrow funds only from within the country and up to the limit determined by the Minister in consultation with the Minister responsible for Local Government, and consistent with the medium term debt strategy and annual borrowing and recovery plan. Further, a local government authority should obtain prior written approval of the Minister for the issuance of debt securities to the public or borrowing of an amount above the limit determined by the Minister. This Section limits local governments' borrowing to domestic borrowing only and up to limits set by the Minister of Finance in consultation with the Local Government Minister. The borrowing must also be consistent with the Medium-term Debt Strategy and Annual Borrowing and Recovery Plan. These provisions provide adequate controls and oversight of local government borrowing and should foster overall debt management. Here also, enforcement is key.

Section 75 on Reporting requirements of local government authorities requires that a local government authority should, not later than ten working days from the date of signing a loan agreement, issuance of a debt security or obtaining an overdraft, submit to the Minister a record of the transaction. Further, a local government authority should submit to the Minister annually and upon request data on the total outstanding debt of that local government authority and any other information that the Minister may specify. The Public Debt Management Office (PDMO) is also required to keep, in a timely manner and in an appropriate database, comprehensive and accurate records of outstanding local government debts. This Section requires local governments to provide reports on loan agreements and outstanding debts to the Minister. The PDMO is also required to keep record of outstanding local government debts. These reporting and recording requirements are appropriately directed to ensuring availability of adequate information on local government borrowings and debts and they enhance overall debt management. Again, compliance and enforce are critical.

Section 76 on Borrowing by public corporations and state-owned enterprises specifically require that a public corporation or state-owned enterprise may borrow funds up to the limit determined by the Minister and consistent with the annual borrowing and recovery plan. Further, those entities should obtain the prior written approval of the Minister in respect of: borrowing of an amount above the limit determined by the Minister or borrowing from a foreign market. "Foreign market" here is defined as a financial market that represents the mechanisms for issuing and trading securities of an entity domiciled outside the country. Unlike local governments, public corporations are permitted to borrow both locally and internationally. The borrowing limits must, however, be determined by the Minister and must be consistent with the annual borrowing and recovery plan. These are appropriate safeguards for prudent borrowing by these entities and well-tailored to good debt management—and must be strictly followed and enforced.

Section 77 on Reporting requirements of public corporations and state-owned enterprises requires a public corporation or state-owned enterprise to, not later than twenty working days after the end of each quarter, submit to the Minister a record of outstanding debt and new borrowings including overdrafts and corporate debt securities issued. The entity should submit to the Minister annually and upon request a record of the total outstanding debt and borrowing operations of that public corporation or state-owned enterprise and any other record that the Minister may specify. On the other hand, the Public Debt Management Office should keep in a timely manner and in an appropriate database, comprehensive and accurate records of outstanding debts of public corporations and state-owned enterprises. This Section requires public corporations and SOEs to report their borrowings and outstanding debt regularly to the Minister. It also requires the PDMO to maintain timely and comprehensive record of outstanding debts of these entities. These requirements are appropriate and must be strictly complied with and enforced.

The MoF's National Borrowing and Government Lending Guidelines (Link: https://mofep.gov.gh/sites/default/files/basic-page/National-Borrowing-Guidelines.pdf) provides further information on borrowing by public corporations and SOEs.

Section 16 states that: an MDA, MMDA, SOE or Public Corporation desiring to borrow should state the purpose for which the borrowing is intended and should be in line with the development agenda of Government. For the purpose of this guideline, MDA, MMDA, SOEs and Public Corporations' borrowings include; Bridge Finance; Short-Term Loans; Municipal Bonds; Corporate Bonds; Overdrafts; and Hire Purchase Agreements. The Ministry of Finance, on the other hand, may borrow to finance the budget deficit or expenditure, build buffers, perform passive and active liability management and also for domestic market development. This Section also contains appropriate and reinforcing guidelines for borrowing by public entities. It is important to ensure compliance with the guidelines so that the borrowings do not crystalise into permanent public debt. In particular, these public entities should borrow based on their own balance sheets without, or with limited, government guarantees.

Section 17 on Short-Term Borrowing provides that short-term borrowing/financing by GoG and public entities may be pursued as a means to temporarily manage liquidity. Conditions under which short-term borrowing is permitted include: paying operating expenses in anticipation of cash inflows from revenues; financing of current or capital investments using short-term debt in anticipation of non-recurring revenue, such as from the sale of assets, receipt of grants, or issuance of a long-term debt (bridge loans) as may be determined by the Minister for Finance; and financing expenses from any other exogenous shock that the economy or an entity may face. The stated purposes for short-term borrowing are generally acceptable. The mention of possible financing of capital investments using short-term debt, however, may be misplaced as this risks potential defaults as the capital investments are likely to yield returns only in the long-run, long after the loans fall due for repayment.

Section 18 on Medium to Long-Term Borrowing provides that all medium to long-term borrowing, as far as practical, may be used to finance capital investments and/or capital related expenditures. Limits for borrowing and guarantees should be set by the Minister to control GoG and public entities external and domestic borrowing to ensure debt sustainability. Medium- and long-term borrowing is appropriately tailored to financing capital expenditures, which equally take time to yield returns. It is also appropriate for the Minister to set limits for borrowing and guarantees in conformity with debt sustainability.

Section 19 on External Borrowing Limits provides that the maximum external borrowing limits per annum would be guided by: borrowing limits recommended under the latest Debt Sustainability Analysis (DSA) report; the current MTDS; the current year's budget statement; the current ABRP; and guarantee ceilings recommended under the DSA and MTDS for any sectoral or institutional borrowing. Given the greater risks associated with external borrowing, including exchange rate, interest rate and rating risks, it is appropriate that limits for such borrowing are to be guided by broad debt sustainability criteria. Enforcing the guidelines would help avoid the usual crises associated with external debt.

Section 20 on Domestic Borrowing Limits, on the other hand, provides that the maximum domestic borrowing limit would be guided by the current MTDS and a quarterly Government treasury issuance calendar, which may be revised periodically depending on Government priorities. In addition to the stated guidelines for domestic borrowing limits, just as for external borrowing, the limits must also be tailored to debt sustainability to ensure sustainability of the entire public debt.

2.2.5 Budget financing rules

On budget financing rules, Section 57 of the PFMA on Borrowing purposes provides, among others, that Government may borrow for stated purposes, including to finance government budget deficit as approved by Parliament. While Section 57 proposes that Government may borrow for various purposes, the budget deficit is the principal purpose for Government borrowing. The borrowing is needed to fill the gap between revenue and expenditure. The budget deficit is also the principal source of debt accumulation. This provision, however, does not specify a specific rule for budget financing.

It is recalled that Section 2 of the FRA on Fiscal responsibility rules provides, among others, that the the overall fiscal balance on cash basis for a particular year shall not exceed a deficit of five percent of the Gross Domestic Product for that year; and an annual positive primary balance should be maintained. The Section has an implicit budget financing rule to the extent that the 5% deficit rule implies borrowing/financing of equal measure. A budget financing rule could be explicitly formulated. For example, one rule that is seen to be prudent—and that has been used by some countries—is to require that only capital expenditure (CAPEX) should be financed by borrowing. This rule ensures that loans are used exclusively for development or productive purposes and thereby assure adequate returns for repayments and avoid debt crises. This is a rule that is worth consideration by Ghana.

2.2.6 Borrowing/loan oversight rules

Article 181 of the Constitution on LOANs represents the most comprehensive and emphatic borrowing/loan oversight rule. This Article is reinforced by several Sections in the PFMA as we have seen. Article 181 is categorically clear about the requirement for all agreements for loans contracted by Government for itself or for any other public institution to be laid before, and approved by, Parliament. Again, as we have repeatedly said, this Article should put to rest the argument sometimes made by that some loan agreements do not require Parliamentary approval. All loan agreements, including even financial agreements with the IMF and other international financial institutions, are subject to this requirement. The Article is also clear about the need for all loan funds to be lodged in the consolidated fund or other fund(s) created for the purpose. This makes monitoring of the funds by Parliament easier.

The PFM also contains rules on borrowing/loan oversight. Section 56, in particular, which reinforces Article 181 of the Constitution, gives Parliament complete oversight over Government borrowings/loans from initiation of such borrowings/loans to their completion. The issue is whether Parliament has adequate capacity and time to scrutinise all borrowings/loans so as to ensure that they meet expected standards in terms of the terms, purposes and safeguards. This is where, a Fiscal Council (FC) or Parliamentary Budget Office (PBO) would be helpful. As it prevails in other jurisdictions, the FC/PBO consists of independent professionals who assist Parliament in exercising its fiscal oversight role by providing independent analysis of government budgets, loans and projects, among other functions. An FC/PBO is recommended for Ghana as a matter of urgency to fill the gap in parliamentary fiscal oversight.

2.4 MARKET DEVELOPMENT

2.4.1 Government (domestic and external debt) markets

The Ministry of Finance Guidelines for the Government Securities Market, Primary Dealers and Bond Market Specialists provides information that throws some light on the Government domestic debt market.

Government securities (bills, notes, bonds) are said to constitute direct, unsecured and unconditional obligations of the Government. The principal and discount/interest on Government securities represent a charge on the Consolidated Fund. They are issued for the financing of Government transactions, to redeem maturing securities and for the development of the Ghana financial markets; by providing risk-free benchmark securities that act as reference for the issue of debt instruments in the money and capital market by corporates and nongovernment institutions. The securities are said to include: Short term securities: 91-Day; 182-Day; and 364-Day Treasury Bills; Medium-term securities: 2-year Treasury Notes; 3-year Medium-Term Bonds; 3-year Medium-Term USD Bond; 5-year Medium-Term Bonds; 6-year Medium-Term Bonds; and 7-year Medium-Term Bonds; Long term securities: 10-year Long-Term Bonds; 15-year Long-Term Bonds; and 20-year Long-Term Bonds; and Any other securities that may be issued

Ghana's domestic debt market, where Government raises funds from investors to supplement its revenue for financing spending, is relatively shallow. The market is dominated by short-term treasury bills (less than 1-year maturity) and medium-term treasury notes (up to 10-year maturity). Long-term treasury bonds (over 10-year maturity) are relatively limited. The dominance of short-term securities is dictated by investor preference. Ghana has faced long-running macroeconomic instability, which increases uncertainty and risk for long-term investments, prompting investors to remain at the short end of the market. This, however, increases the cost to Government given the high turn-over rate for short-dated instruments. Secondary market trading of Government securities is available. However, over-the-counter (OTC) market trading, whereby securities are traded directly between parties, often through brokers or dealers, is limited or virtually non-existent. As indicated under Section 3.1.1 above, the Bank of Ghana manages Government debt to the extent that it issues and sells the above-mentioned securities on behalf of Government. The Bank may buy directly Government securities or redeem maturing bills held by other investors, in which case the Bank would be advancing loans to Government in consonance with Section 30 of the Bank's Act. As required under that Section, the total advances provided by the Bank to Government should not exceed 5% of the previous year's revenue. Enforcing this limit is critical for safeguarding macroeconomic stability.

Bank of Ghana bills are issued for Open Market Operation (OMO) purposes, i.e. for the management of market liquidity. They are the 14-day and 56-day securities and others that may be introduced by the BoG from time to time. In addition to issuing Government securities for Government debt management, the BoG may also issue its own bills/instruments in the form of OMO for purposes of liquidity management. The Bank may also issue separate Government instruments for this purpose. However, it is important that the proceeds of such issues are appropriately sterilised and kept separate from the proceeds of Government instruments issued for debt management so as to ensure effective liquidity management.

Box 3: Ilustrative Government Debt Dynamics (2023)

In 2023, Government debt dynamics uniquely reflected ongoing debt restructuring under the IMF programme, Ghana's loss of access to international capital markets and the suspension of the country's external debt servicing.

Domestic Issuances and Redemptions of Government Debt

In 2023, total domestic debt issued amounted to GH 161.29 billion, an increase of 63.4 percent over the end-2022 figure of GH 98.71 billion. Similarly, total maturities increased by 49.7 percent to GH 133.72 billion from GH 89.31 billion. This means net issuance recorded in 2023 was GH 27.57 billion compared with net issuance of GH 9.40 billion recorded in 2022, representing a sharp increase of 193.3 percent. The increase was largely due to Government's resort to higher domestic borrowing in the face of Ghana's loss of access to international capital markets. Total net issuances for the 91-day and 364-day treasury bills recorded the largest positive increases of GH 12.63 billion and GH 12.10 billion, respectively. Government, however, had to pay off maturing 2-year notes and 3-year bonds. The dominance of short-dated instruments, investors preference, was clearly apparent here.

Secondary Market Activity

Secondary market trading for Government securities slowed down in 2023 relative to 2022. The total number of trades fell by 14.5 per cent from 463,783 trades in 2022 to 396,327 trades in 2023, with the 91-day bill recording the highest number of trades in the year (309,959). Similarly, the volume of trades decreased sharply by 55.0 percent from GH 200.23 billion in 2022 to GH 90.10 billion by end-2023. The highest trading volumes were still concentrated in the 91-day, 182-day and 364-day bills.

Domestic Non-Marketable Debt

The stock of non-marketable domestic debt as at end-2023 fell drastically from GH 26.72 billion to GH 0.99 billion, representing a decrease of 96.3 percent. The main reason for the fall in the stock of non-marketable debt is that, following the DDEP, most of the non-marketable debts were restructured and converted to marketable debt.

External Debt Portfolio

As at end-December 2023, provisional stock of central government external debt stood at GH 351.13 billion (US$30.14 billion), which was 41.72 percent of GDP. External debt accounted for the larger share of the total public debt portfolio in 2023 (57.7%), which it has maintained for three (3) consecutive years. The external debt stock as at end-2023 was made up of central Government debt of GH 348.24 billion (US$29.90 billion) and Government-guaranteed debt to State Owned Entities of GH 2.88 billion (US$0.24 billion). The share of Government-guaranteed debt has decreased significantly over the reporting period as fewer government guarantees have been issued in recent years.

External Debt Disbursement

Total disbursements in 2023 summed up to GH 16.24 billion (US$1.48 billion), representing a decrease compared to the end-December 2022 amount of GH 19.96 billion (US$2.49 billion). The relatively lower external disbursements over the period was on account of the slowdown in project disbursements from bilateral and commercial creditors as implementation of Government's debt restructuring programme progressed. Disbursements in 2023 were largely on the account of inflows from multilateral sources (85.4%). This was followed by disbursements from commercial sources (9.7%), bilateral creditors (3.8%) and other concessional creditors (1.1%).

Currency Composition of External Debt

USD-denominated debt continued to account for the largest portion of the external debt portfolio at end-December 2022 (69.1%), although it decreased relative to its share as at end-December 2023 (70.1%). This was followed again by EUR-denominated debt which increased from 18.7 percent to 19.5 percent over the same period. Debt denominated in Chinese Yuan (CNY) also increased slightly from 3.2 percent in 2022 to 3.3 percent in 2023. Other currencies, including GBP and Japanese Yen (JPY) among others, accounted for the remaining share of approximately 8.0 percent at end-2023, a slightly decrease from 8.1 percent recorded at end-2022. These figures show the dominance of the USD in international transactions generally.

Interest Rate Structure of External Debt

The external debt portfolio consisted largely of fixed-rate debt which accounted for 85.9 percent of the total stock of external debt as at end-December 2023, whereas variable-rate debt accounted for 13.6 percent in the external debt portfolio. Interest-free debt, which consisted of subsidised loans from some bilateral creditors, accounted for 0.6 percent as at end-December 2023. The share of interest-free debt in the portfolio continues to dwindle as fewer of such loans have been sourced and disbursed in recent years. The reducing share of interest-free loans implies increased cost of Ghana's loans, with potentially higher servicing obligations.

External Debt Service

Total external debt service payments on central government debt as at end-December 2023 totaled GH 5.90 billion, comprising principal repayments of GH 4.22 billion and interest payments and other charges of GH 1.69 billion. This represented a steep year-on-year decrease of 68.1 percent over the end-December 2022 position of GH 18.50 billion. The sharp fall in external debt service was due to the partial halt in debt servicing due to Government's ongoing external debt restructuring exercise.

MOF Public Debt Statistical Bulletin, Aug 2024

2.4.2 Holders of Government domestic and external debt

Table 1: Classification of Domestic Debt by Holders (Provisional), 2020-2023

GH¢ Millions	2020	%	2021	%	2022	%	2023	%
Total Domestic Debt	159,576.19		193,603.74		206,184.19		257,295.92	
Banking Sector	85,609.84	51.8	97,616.11	50.4	107,714.79	52.2	130,576.84	50.7
BoG	33,621.92	21.1	35,861.75	18.5	42,277.78	20.5	54,530.68	21.2
DMBs	48,987.92	30.7	61,754.37	31.9	65,437.01	31.7	76,046.16	29.6
Non-Bank Sector	48,331.05	30.3	65,932.66	34.1	83,199.59	40.4	112,206.74	43.6
SSNIT	1,486.17	0.9	1,165.00	0.6	1,417.06	0.7	1,638.07	0.6
Insurance Companies	945.89	0.6	1,213.55	0.6	1,625.65	0.8	1,864.43	0.7
Others	45,898.99	28.8	63,554.11	32.8	80,156.88	38.9	108,704.23	42.2
Foreign Sector	27,693.48	17.4	39,002.22	15.0	13,820.39	6.7	13,057.04	5.1

Source: MOF Public Debt Statistical Bulletins

Holders of Domestic Debt

The banking sector retained its dominant share of the domestic debt portfolio, accounting for over 50 percent during 2020-23. Bank of Ghana, solely, held an average of 20%. This is significant for a single entity and shows the central bank's significant participation in the Government debt market. It is noted that the Bank's share increased from 18.5% in 2021 to 20.5% in 2022. It is recalled that the Bank advanced a huge loan of over GHS40 billion to Government in 2022, which, in and of itself, was expected to increase its share of Government debt by even a higher amount than stated. The huge monetary financing in 2022 prompted an imposition of zero BoG financing of Government under the IMF programme. The Non-Bank sector's share of the debt (comprising individuals and firms & institutions, among others) increased sharply from 30.3% in 2020 to 43.6% in 2023. This signals the increased participation of the non-bank sector in the domestic market. The share of the Foreign Sector (non-resident holdings) declined sharply from 17.4% in 2020 to 5.1 percent in 2023. The decline would similarly involve a significant repatriation of funds with consequent pressure on the exchange rate. The figures generally indicate a shift from foreign holders to domestic holders, which, generally, is a good development as it potentially entails less risk when the debt is domestically domiciled.

Domestic Debt Stock by Tenor

The proportion of medium-term debt continued to remain dominant in the domestic debt portfolio in 2023, accounting for 48.1 percent of the domestic debt portfolio, although this was a reduction over the end-2022 figure of 60.0 percent. Conversely, the share of short-term debt increased from 16.6 percent to 26.1 percent over the same period, primarily due to Government's increased issuance of treasury bills following the implementation of the DDEP. The share of long term debt also rose slightly from 22.7 percent in 2022 to 25.3 percent in 2023.

Table 1: Classification of Domestic Debt by Holders (Provisional), 2020-2023

GH¢ Millions	2020	%	2021	%	2022	%	2023	%
Total External Debt	**213,573.38**		**247,908.64**		**350,606.06**		**503,771.83**	
Commercial	79,754.54	37.3	96,031.29	38.7	144,296.44	41.2	203,074.00	40.3
Eurobonds	58,607.03	27.4	78,707.35	31.7	109,013.69	31.1	152,644.32	30.3
Multilateral	51,055.93	23.9	49,147.31	19.8	67,153.42	19.2	105,976.01	21.0
Other Concessional	9,795.10	4.6	9,568.00	3.9	12,678.02	3.6	17,585.61	3.5
Bilateral	9,859.13	4.6	8,568.89	3.5	11,711.48	3.3	17,146.49	3.4
Other (Export Credits)	4,501.65	2.1	5,885.8	2.4	5,753.01	1.6	7,345.40	1.5

Source: MOF Public Debt Statistical Bulletins

During 2020-23, external debt rose from by GHSU290.2 billion from GHS213.6 billion to USD503.8 billion. The increase reflected a significant exchange rate effect due to the sharp cedi depreciation. Actual additional borrowing would be minimal, given Ghana's loss of access to international capital markets during most of the period. The debt was dominated by commercial holders, who accounted for an average of about 40%, which was also generally on an uptrend. To the extent that commercial debt tends to be more expensive, its dominance increases the cost of Government's external debt. The other large holders of the external debt were Eurobond holders (accounting for and an average of about 30%) and multilateral holders (accounting for an average of about 20%). Other concessional loans accounted for only an average of about 4% and followed a declining trend. Bilateral loans accounted for an average of about 4% and also followed a declining trend.

2.4.3 Pricing competitiveness of Government securities

Domestic Debt Pricing

The Ministry of Finance Guidelines for the Government Securities Market, Primary Dealers and Bond Market Specialists provides some information on the pricing and allotment of Government securities.

According to the Guidelines, competitive bids are ranked in descending order of price or ascending order of discount/interest rate. Bills are sold to applicants whose competitive bids are at or above the lowest price or at or below the highest rate at which the Auction Committee (AC) decides that any competitive bid should be accepted (the "lowest accepted price" or "highest accepted rate"). Where allotments are made by the Multiple Price/Rate Method, applicants whose competitive bids are accepted purchase bills at the prices or rates at which they bid. Competitive bids which are accepted and which are made at prices above the lowest accepted price or below the highest accepted rate will be satisfied in full. Competitive bids which are accepted and which are made at the lowest accepted price or highest accepted rate may be satisfied in part only or on a pro-rata basis. Where allotments are made by the uniform allotment rate method (which shall be restricted to the first issue of GOG note or a bond), all successful bidders will purchase the notes and bonds at the accepted rate, irrespective of the rates quoted. Competitive bids which are accepted and which are made at rates below the highest accepted rate would be satisfied in full. Competitive bids which are accepted and which are made at the uniform allotment rate may be satisfied in part only. In making a competitive bid, each bidder represents and undertakes that it has not discussed its bid, or the bid of anyone else, with any other person nor, in any other way whatsoever, has disclosed its bid to any other person, or had anyone's bid disclosed to it, nor has it colluded or sought to collude with any other person as to its own bid or that of any other person or the pricing of the auction generally.

In practice, the auction could result in a failure to the extent that Government may not realise its bills target in full, unless the AC decides to move up the accepted price to ensure that the target is met. Often, when there is market failure, the BoG makes up the slack by purchasing the shortfall. This development, however, risks increasing monetary financing with consequent destabilising consequences. Ideally, the AC must always be prepared to accept all bids until the Government target is met so as to avoid any market failures.

External Debt Pricing

Ghana's external debt, like that of its peers, is priced as a spread over a global benchmark interest rate, particularly US Treasury yields or LIBOR (London Interbank Offer Rate). The higher the spread, the more expensive (or less competitive) is the price of the debt. The pricing is influenced by a number of factors related to risk. The interest rate on the debt is determined largely based on credit risk. The factors that influence the interest rate include: i. Credit rating by credit rating agencies (the lower the rating the higher the interest rate and vice versa); and ii. Risk premium (additional spread to account for country-specific risk, which includes macroeconomic indicators, debt sustainability, political stability). Other factors may also affect interest rates such as global interest rates, investor demand and currency risk.

Ghana issued its first Eurobond in 2007 in the amount of USD750 million with a tenure of 10 years and a coupon of 8.5%. The purpose was to raise money for infrastructure projects, particularly in the energy and roads sectors. Ghana was the first sub-Saharan African country outside South Africa to issue a Eurobond, setting a precedent for other African countries. Ghana has subsequently issued more Eurobonds with the pace accelerating from 2017, bringing the total issue to over USD10 billion. The yields have generally been between 7.5%-10.0%. In general, Ghana's bond yields have been higher than those of many of its peers, such as Senegal, Kenya, Cote d'Ivoire, Kenya and Zambia, who have been able to obtain yields of 5.0% and below, ostensibly due to the perceived lower risks for those countries. This reflects the higher risk attached to Ghana's debt due to its severer economic crises. Under the country's debt restructuring programme, Ghana reportedly managed to reduce the interest rate on its Eurobond debt from over 8% to below 5%.

The IMF reported in its October 2024 Regional Economic Outlook for Sub-Saharan Africa that sovereign spreads had narrowed significantly since their mid–2022 peak, partly in response to easing global financial conditions, and despite recent increases during the global financial-market turmoil in July and August. In addition, more sub-Saharan African countries had returned to Eurobond markets over the course of the year. Ghana, however, has been locked out of the Eurobond markets since 2020. Thus, while some of Ghana's peers have returned to the markets, it is unclear when Ghana would be able to do so. It will be wise, however, to wait until conditions for return are favourable so as to avoid prohibitive yields. Having said that, Ghana needs to reduce its resort to the Eurobond market to reduce the risk of re-emergence of a debt crisis. This calls for more prudent fiscal management, in particular beefing up tax collection and controlling expenditure so as to curtail the budget deficit and associated borrowing. Increasing ownership of natural resources would also allow Ghana to raise the capital needed for development internally and thereby reduce the resort to external borrowing.

2.5 DEBT PORTFOLIO MANAGEMENT

2.5.1 Maturity Profile of Government Domestic Debt

Government issues securities with a mix of maturities in line with its expenditure requirements. The maturities usually range from short-term (less than 2 years) to medium-term (2-5 years) to long-term (above 5 years). Investors may, however, have their preferred maturities based on their perception of current and future economic conditions. Where investors perceive certain and good future economic conditions, they would prefer to hold longer-dated securities and vice versa.

The MoF Public Debt Statistics Bulletin provides information on maturity profile of Government domestic debt. The available data for 2020-23 is shown in Table 3.

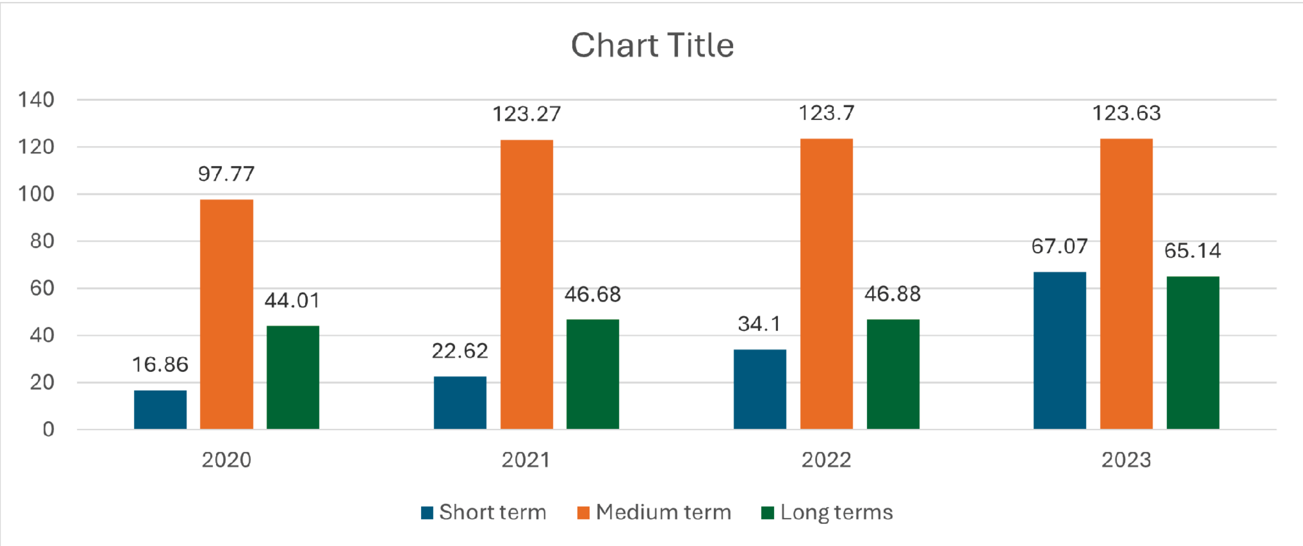
Table 3: Classification of Domestic Debt Stock by Original Tenor, 2020-2023

(GH₵' millions)	2020	%	2021	%	2022	%	2023	%
Total Domestic Debt	159,576.19		193,603.74		206,184.19		257,295.92	
Short Term	16,861.02	10.6%	22,616.96	11.7%	34,192.34	16.6%	67,069.03	26.1%
Medium Term	97,768.18	61.3%	123,271.38	63.7%	123,665.14	60.0%	123,632.95	48.1%
Long Term	44,005.17	27.6%	46,662.64	24.1%	46,877.30	22.7%	65,138.63	25.3%

Source: Ministry of Finance

During 2020-23, Government domestic debt was dominated by medium-term debt (2-5-year tenure). Its share, however, declined steadily from 61.3% to 48.1% (Table, Fig). Long-term debt (over 5-year tenure) followed in importance, with average share of about 25%. Short-term debt (less than 2-year tenure) saw its share rise steadily from 10.6% to 26.1% over the period. The significant development, therefore, seems to have been the increasing substitution of short-term debt for medium-term debt. This reflects increasing investor preference for short-term debt, in the face of economic uncertainties and crises. This change, however, results in increasing cost of Government debt due to the high turnover of short-term debt.

Table 3: Classification of Domestic Debt Stock by Original Tenor, 2020-2023



Source: Ministry of Finance

2.5.2 Interest Rate Profile of Government Domestic Debt

In general, interest rates are determined by supply and demand for loanable funds. In the Government debt market, in particular, interest rates (or yields or returns) are determined by actual or perceived current and future economic conditions and risks. Normally, investors demand higher yields/returns for longer-dated instruments to compensate for future economic uncertainties and risks. The yield curve is then upward sloping and is said to be normal. However, where investors themselves are pessimistic about the future economy, then they will demand more short-term instruments, pushing up their prices and lowering their yields. The yield curve then turns downward sloping and is said to be inverted. Yield curves may depict monetary policy decisions or other domestic or global factors. Every yield curve will, therefore, carry its own peculiar story.

Box 3: Interest Rates

	2023:08	2023:09	2023:10	2023:12	2024:01	2024:03	2024:04	2024:05	2024:06	2024:07	2024:08
Monetary Policy Rate %	30.00	30.00	30.00	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Treasury Instruments (interest equivalent)											
91-Day Bill % p.a.	26.35	28.20	29.40	29.39	28.93	26.40	25.68	25.18	24.91	24.80	24.85
182-Day Bill % p.a.	27.84	29.84	31.37	31.70	31.44	28.90	28.03	27.04	26.84	26.75	26.76
364-Day Bill % p.a.	30.88	32.29	33.16	32.97	32.05	29.50	28.64	27.96	27.83	27.81	27.90

b. Secondary Market

	2023:08	2023:09	2023:10	2023:12	2024:01	2024:03	2024:04	2024:05	2024:06	2024:07	2024:08
New Bonds (Post DDEP)											
4-Year Bond % p.a.	19.32	16.13	25.14	17.14	18.51	18.08	20.44	24.82	22.06	22.06	27.36

5-Year Bond % p.a.	18.29	26.52	16.98	21.36	16.35	22.59	18.55	18.71	23.63	23.63	26.77
6-Year Bond % p.a.	18.27	25.03	18.95	14.73	23.98	20.85	19.47	20.22	15.12	15.12	25.84
7-Year Bond % p.a.	18.34	23.94	27.85	14.97	24.87	24.04	25.82	15.00	15.54	15.54	26.43
8-Year Bond % p.a.	18.35	23.32	19.45	16.20	24.79	12.49	18.75	15.08	15.52	15.52	26.19
9-Year Bond % p.a.	18.34	22.94	13.69	29.11	19.44	25.38	22.27	14.79	15.09	15.09	25.93
10-Year Bond % p.a.	18.33	22.70	26.33	14.89	19.46	29.43	17.00	14.65	15.15	15.15	26.93
11-Year Bond % p.a.	19.90	22.53	13.80	16.00	22.36	29.71	21.97	15.39	19.18	19.18	27.15
12-Year Bond % p.a.	20.82	22.43	15.10	15.95	25.37	42.00	18.49	15.41	27.19	27.19	26.84
13-Year Bond % p.a.	19.89	22.42	13.88	14.80	13.64	13.75	15.09	11.75	15.51	15.51	27.02
14-Year Bond % p.a.	19.86	22.39	13.91	14.96	26.31	13.70	13.31	22.48	15.40	15.40	27.35
15-Year Bond % p.a.	15.10	22.44	13.98	15.29	22.50	13.09	23.61	22.48	26.42	26.42	26.53

Source: Bank of Ghana

It has to be said that the DDEP has completely changed the interest rate profile of Government's debt. The first fundamental change is the general sharp reduction in the interest rates from the previous forties to twenties. This should bring a big relief to Government debt service and the budget as a whole.

Within the Treasury Instruments segment (91-day to 364-day bills), the rates are higher the longer-dated the instrument, implying a normal yield curve for that segment. The rates also shown a general downward trend over the period, August 2023-August 2024. The declining trend is to be expected as interest rates in general, led by the Monetary Policy Rate, though sluggishly, have declined over the period. It may also reflect strong investor appetite for the short-dated bills that escaped the DDEP, leading to depressed yields.

The Secondary Market segment (comprising 4-year to 15-year bonds post DDEP), have shown rather mixed developments, with no clearly definitive patterns. Considering the end points (August 2023 and August 2024), however, it can be said that the rates have generally moved up, more significantly with the longer-dated bonds. The upward movement of the rates in the face of decline in general interest rates and inflation—and increasing the cost of Government debt as a consequence—is rather surprising. It seems to reflect generally investor demand for higher yields for these instruments, given the painful experience under the DDEP.

Table 4: New Financial Terms of the New Bond during the Domestic Debt Exchange Programme:

New Bonds	Interest Rate	Interest Payment	Maturity
New 2027 Bond	1. From and including the Settlement Date to but excluding 1st January 2024: 0% 2. From and including 1st January 2024 to but excluding 1st January 2025: 5% 3. From and including 1st January 2025 to but excluding 23 December 2027: 10%	Semi-annually, in arrears, on 30 June and 31 December of each year, commencing on 30 June 2024	23 December 2027

New Bonds	Interest Rate	Interest Payment	Maturity
New 2029 Bond	1. From and including the Settlement Date to but excluding 1st January 2024: 0% 2. From and including 1st January 2024 to but excluding 1st January 2025: 5% 3. From and including 1st January 2025 to but excluding 23 December 2029: 10%	Semi-annually, in arrears, on 30 June and 31 December of each year, commencing on 30 June 2024.	23 December 2029
New 2032 Bond	1. From and including the Settlement Date to but excluding 1st January 2024: 0% 2. From and including 1st January 2024 to but excluding 1st January 2025: 5% 3. From and including 1st January 2025 to but excluding 23 December 2032: 10%	Semi-annually, in arrears, on 30 June and 31 December of each year, commencing on 30 June 2024.	23 December 2032
New 2037 Bond	1. From and including the Settlement Date to but excluding 1st January 2024: 0% 2. From and including 1st January 2024 to but excluding 1st January 2025: 5% 3. From and including 1st January 2025 to but excluding 23 December 2037: 10%	Semi-annually, in arrears, on 30 June and 31 December of each year, commencing on 30 June 2024.	23 December 2037

Source: Ministry of Finance

Table 4 provides a segmented profile of interest rates for the new bonds under the DDEP. Maturing in 2027, 2029, 2032 and 2037, the new bonds attract segmented interest rates (or coupons) ranging of 0%, 5% and 10%. These represent substantial discounts from yields on the old bonds, some of which were in the forties. These discounts bring considerably relief to Government debt service and the budget in general. They should also engender the transition to long-term debt sustainability. Achieving this goal will, however, require more than debt restructuring. A strong fiscal adjustment effort requiring significant revenue and expenditure reforms must be a key component.

2.6 DEBT SERVICE MANAGEMENT

2.6.1 Interest and Principal Payment Record

Government services its debt in the form of interest and principal payments. Where debt service is delayed, arrears accrue. Historically, Ghana has a good record of timely servicing its external debts. Domestic debt payments, however, commonly delay, leading to the piling up of arrears, which create inefficiencies in fiscal management. Ghana's seventeen IMF-sponsored financial-bailout programmes invariably made it conditional for the country to be current on servicing its debts, especially the external component. On 19th December 22, prior to the approval of Ghana's seventeenth IMF-sponsored External Credit Facility (ECF) programme in May 2023, Ghana announced the suspension of all of its debt service payments under certain categories of external debt, pending, what the Ministry of Finance (MoF) described as, an orderly restructuring of the affected obligations. The suspension included payments on: Eurobonds, commercial term loans, and most bilateral debt. The suspension excluded payment of multilateral debt, new debts (whether multilateral or otherwise) contracted after 19th December 2022 or debts related to certain short-term trade facilities. The MoF also indicated that it was evaluating certain specific debts related to projects with the highest socio-economic impact for Ghana, which might have to be excluded. The suspension was said to be an interim emergency measure pending future agreements with all relevant creditors. The Government said it stood ready to engage in discussions with all of its external creditors to make Ghana's debt sustainable through a fair, transparent and comprehensive debt restructuring exercise in line with international best practices.

At the time of writing this report, the suspension was still in place, almost two years since it was announced. The IMF reported that, after the external debt service suspension announced by the Government in December 2022, Ghana accumulated around US$ 2.6 billion of external arrears to bilateral and commercial creditors in 2023 (IMF: Ghana: Second Review under the Extended

Credit Facility, July 2024). Meanwhile, since the suspension, the cedi has witnessed steep depreciation, a development that would have been much worse if external debt payments were being made. Resumption of the debt payments would certainly place additional pressure on the cedi. The suspension of external debt payments, indeed, marked a water-shed moment in Ghana's economic history, the second time only that the country had taken such a decision after the first one in the early 1970s, taken by the then military regime to repudiate Ghana's external debts on the declaration that they had been tainted with corruption.

External Debt Service

In its Annual Public Debt Report for the 2023 Financial Year, the MoF reported that total external debt service on central Government debt for 2023 amounted to US$541.3 million, compared to an outturn of US$2,247.1 million in 2022 (See Table). Out of the total amount, principal repayments which constituted US$ 387.7 million were less than the programme amount of US$691.1 million. Compared to the outturn in 2022, principal repayments were lower by US$579.5 million in 2023. The relatively lower principal payments in 2023 were due to the suspension of debt service payments. Interest payments also decreased from US$1,279.9 million in 2022 to US$153.6 million in 2023. Interest cost as a share of debt service cost in 2023 was 28.4 percent. Interest payments for 2023 was lower than the programmed target of US$1,195.7 million. A breakdown of the creditor category of external debt service (principal and interest payments) recipients in 2023 showed that multilateral creditors were the largest recipients of debt service payment of US$264.1 million, followed by commercial creditors with US$138.9 million, and bilateral creditors with US$138.3 million. However, the debt service paid in 2023 to bilateral and commercial creditors were those outstanding prior to the suspension of the external debt service payments announced on 19th December, 2022.

Table 5: External Debt Service by Creditor Category, 2022 & 2023

Description *(in millions of US$)*	2022	2023 Prog.	2023 Prov.	Dev. From Prog.
Principal	967.2	691.1	387.7	(303.4)
Multilateral	145.8	170.5	178.5	8.0
Bilateral	473.8	288.9	123.6	(165.3)
Paris Club	310.5	193.6	80.5	(113.1)
Non-Paris Club	163.4	95.3	43.1	(52.2)
Commercial	331.6	231.7	85.6	(146.1)
ICM	16.0	-	-	-
Interest and charges	**1,279.9**	**504.7**	**153.6**	**(351.1)**
Multilateral	71.0	78.7	85.6	6.9
Bilateral	90.0	54.4	14.7	(39.7)
Paris Club	49.6	34.3	8.7	(25.6)
Non-Paris Club	40.4	20.1	6.0	(14.1)
Commercial	79.6	53.1	53.3	0.2
ICM	1,039.3	318.4	-	(318.4)
Total debt service	**2,247.1**	**1,195.7**	**541.3**	**(654.4)**
Multilateral	216.7	249.2	264.1	14.9
Bilateral	563.8	343.3	138.3	(205.0)
Paris Club	360.1	227.9	89.2	(138.7)
Non-Paris Club	203.7	115.4	49.1	(66.3)
Commercial	411.2	284.9	138.9	(146.0)
ICM	1,055.3	318.4	-	(318.4

Source: Ministry of Finance

The Ministry of Finance reported that considering the new structure of domestic debt resulting from these exchanges, domestic market interest rates were expected to remain consistent with the sustainable debt path. The refinancing rates on T-bills were expected to remain temporarily high. This was consistent with the debt being on a sustainable trend, as the funding needs reduced through reduced coupons, part of which were capitalised, and the maturities extended.

External Debt Restructuring

On external debt restructuring, the MoF reported that the parameters involved bilateral debt and commercial debt (including Eurobonds). The external restructuring was to complement the DDEP as part of efforts to achieve sustainable debt levels. On 13th December, 2022 Ghana formally requested for debt treatment under the G20 Common Framework for Debt Treatment Beyond the Debt Service Suspension Initiative (CF-DSSI), Ghana's bilateral creditors subsequently established the Official Creditor Committee (OCC) on 12th May, 2023 under the auspices of the Paris Club and co-chaired by France and China, to restructure the bilateral debt. On the commercial debt (Eurobonds), the Government has received counterproposals on the debt treatment scenarios from Eurobond bondholder groups. Discussions with bondholders and their advisors started in 2023 and are expected to continue in 2024. Government is hoping to converge towards a solution in compliance with the comparability of treatment principle of the Common Framework.

3.5.2 Cash-Flow Management

Government cash-flow management is an integral part of debt management. Cash-flow management involves forecasting, monitoring and controlling the movement of funds into and out of Government accounts. Inflows into Government accounts usually emanate from tax and non-tax receipts. Outflows, on the other hand, finance government obligations, including payment of employees, funding of public services and infrastructure projects, and servicing past debt. The norm is inflows usually fall short of the outflows because of availability of limited receipts to fund almost unlimited expenditure needs. The resulting receipts-expenditure gap is usually financed by borrowing, which, in turn leads to further debt accumulation. Effective cash-flow management is important for controlling borrowing, debt accumulation and eventual debt crises.

An important element of Government cash-flow management is forecasting inflows (revenues) and outflows (expenditures), which is undertaken, initially, at the point of preparing the budget. Getting the forecasts right ensures certainty, stability and efficiency in Government finances, while maintaining trust with the public and investors and ensuring timely payment of obligations and effective use of public resources. However, in Ghana, Government cash-flow forecasting tends to be often off the mark. On the one hand, revenue forecasts invariably tend to be over-optimistic. It has been suggested that the tendency to overestimate revenue may be motivated by Government desire for higher spending. Expenditure, on the other hand, is often under-projected, a tendency that might be motivated by an attempt to project a reasonable level of the deficit, such as one conforming to a statutory target. The problem is that these shortcomings in forecasting often result in deficit overruns that fuel borrowing and debt accumulation.

Effective and efficient cash-flow management also requires strict post-forecasting monitoring of both revenue and expenditure. The revenue sources must be closely followed by the revenue agency while enforcing tax compliance. The fact that revenue forecasts tend to exceed outcomes does not mean that the forecasts are sufficiently ambitious. Indeed, Ghana is known to collect tax revenue of less than 14% of GDP, which is much less than the 20-25% average for its middle income peers. However, the Ghana Revenue Authority often announces that it has exceeded the revenue target set by Government. Maximising revenue mobilisation requires plugging loopholes in the tax system, including relating to trade mis-invoicing, uncollected property taxes, tax exemptions, tax evasion, money laundering, tax fraud and corruption. Expenditure also requires close monitoring to reduce overruns while enhancing efficiency. In particular, expenditure commitments, most of which occur at the local government levels, require close monitoring to reduce the spate of arrears. Waste in expenditure must also be reduced to the barest minimum, while ensuring that expenditure is well-targeted to intended ends so as to enhance outcomes.

3.6 RISK MANAGEMENT

Successful debt management requires effective risk management involving analysis and mitigation measures. Debt risk analysis is carried out mostly in the context of the Debt Sustainability Analysis (DSA) framework. The MoF conducts DSAs almost annually. The IMF also conducts its own DSAs under the Article IV Consultation and Financial Programme frameworks.

In its 2022 Annual Public Debt Report, the MoF reported that the outcome of Ghana's DSA conducted in 2021 indicated a sustainable debt trajectory, albeit at high risk of debt distress for both overall and external debt. This was said to be largely on account of financial and energy sector bailout costs, and the one-off fiscal costs of measures to boost economic activity following the impact of the COVID-19 pandemic.

In June 2022, Government updated the DSA to evaluate the solvency and liquidity status of the country's total public debt portfolio, while considering current and future debt service obligations. The objective of the 2022 DSA was to guide and inform policy decision for an IMF-supported programme. The scope for the DSA exercise covered Public and Publicly Guaranteed (PPG) debt of the central government. It also captured debt contracted independently by selected SOEs, which were not explicitly backed by government guarantee and deemed to be the most important for the assessment of public debt dynamics over the next four (4) years. These included: ESLA Plc, cocoa bills, Daakye Plc, and contingent liabilities arising from both the financial and energy sectors. The analysis was conducted at a time when the global and domestic economic activity in the year 2022 slowed down more broadly and sharply than anticipated, triggering a series of events that led to serious economic challenges, as investor confidence was further reduced. This subsequently manifested in credit rating downgrades, leading to restricted access to the International Capital Markets (ICM), tightening of domestic financing conditions, as well as increased cost of borrowing. The combined effects of these external and domestic developments contributed to the rapid depreciation of the cedi and compounded the debt service burden of Government. The DSA relied on baseline scenarios anchored on macroeconomic assumptions and the medium-term fiscal framework in the 2023 Budget Statement. The results of the 2022 DSA showed that Ghana's debt was at "high risk of debt distress and unsustainable." The DSA identified risks and vulnerabilities associated with the debt portfolio and proposed policy interventions to mitigate these risks and vulnerabilities. One such mitigation policy intervention was the decision by the Government to embark on the debt treatment programme aimed at reducing the debt burden. This was critical to secure the IMF funding of US$3 billion to help address the economic challenges. On 19th December 22, prior to the approval of Ghana's seventeenth IMF-sponsored External Credit Facility (ECF) programme in May 2023, Ghana announced the suspension of all of its debt service payments under certain categories of external debt. The suspension included payments on: Eurobonds, commercial term loans, and most bilateral debt. The announcement made by the Government to suspend external debt servicing and the DDEP triggered a sovereign default in 2023.

In July 2023, the technical working team recalibrated the 2022 DSA in line with Ghana's IMF supported programme and post-DDEP. The objective of the 2023 DSA was to assess the impact of the ongoing debt operations programme on Ghana's debt dynamics over the medium to long-term. The analysis was conducted at the time when the DDEP had been completed and based on the parameters for the external debt restructuring. The DSA relied on a baseline scenario anchored on the revised macroeconomic targets in the 2023 Mid-Year Fiscal Policy Review and aligned with the IMF supported macro-fiscal programme targets. The results of the updated DSA showed that Ghana's external and public debt was in "debt distress". However, the completion of the DDEP exercise was already having a positive impact on the debt trajectory. The fiscal efforts, combined with the successful domestic debt restructuring contribute to the decrease in government debt levels in Present Value (PV) terms. The Debt Carrying Capacity (DCC) of Ghana was still rated "moderate" with an overall risk rating of "debt distress" on the back of implementation of the debt restructuring programme. The medium-term outlook fiscal framework is anchored on restoring debt sustainability. The outlook for 2023 DSA shows that the granularity in the risk rating is unsustainable and overall risk of public and external debt remain in "debt distress". However, it is expected that successful implementation of the ongoing fiscal adjustment and external debt restructuring will positively impact the debt trajectory in the medium-term towards achieving a landing zone of 55 percent PV of debt-to-GDP by 2028. Following the analysis conducted, some recommendations were proposed to ensure that the factors that occasioned the unsustainable debt are dealt with.

These included:
i. The limit for non-concessional borrowing for 2024 of US$84.7 million (in PV terms) as part of efforts to enhance fiscal consolidation. The debt limit applies to central government borrowing as well as covered entities; ii. Zero ceiling on any collateralised debt over revenue streams or other assets for covered entities for 2024, in line with the IMF-supported programme; iii. Concessional lending (multilateral and bilateral sources) will be maximised primarily for the use of project infrastructure.

In the 2023 Annual Public Debt Report, the MoF stated that as part of measures to ascertain fiscal risk posed by public entities, the Government conducted Credit Risk Assessments (CRAs) on four entities that sought government 'no objection' to borrow for capital expenditure needs and/or to refinance existing debt. The CRAs were in line with Sections 73 and 76 of the PFM Law. As at end-December 2023, two entities were granted 'no objection' for the requested support. Two entities were not granted 'no objection' due to the debt limit imposed on central government as well as covered entities under the IMF-ECF programme. To mitigate fiscal risk to Government, a number of entities were required to pay an upfront and non-refundable charge with respect to 'no objection' requests to borrow for capital expenditure needs and/or to refinance existing debt. This is in line with the implementation of the Fees and Charges Act, 2022 (Act 1080).

The performance of the debt management strategy in 2023 revealed that the costs and risks indicators of the domestic debt portfolio had improved due to the DDEP. The weighted average interest rate reduced from 21.2 percent at end-December 2022 to 13.7 percent at end-December 2023. Average Time to Maturity (ATM) improved from 2.7 years at end-December 2022 to 6.1 years at end-December 2023. However, the ATM for external debt showed a reduction to 10.0 years at end-December 2023, from 10.5 years at end-December 2022. On the total debt portfolio, the ATM improved from 8.4 years at end-December 2022 to 8.8 years at end-December 2023 (Table 6). Interest rate risks on the domestic debt portfolio had significantly improved based on the Average Time to Re-fixing (ATR) and Debt re-fixing in one year. The ATR improved to 6.1 years at end- December 2023 from 2.7 years at end-December 2022. Domestic interest rates to be re-fixed in one year also improved to 28.0 percent at end-December 2023 from 45.5 percent at end-December 2022. This was mainly on account of the DDEP. Interest rate risk slightly worsened for external debt as about 12.1 percent of external debt required is expected to be re-fixed within one year at end-December 2023 compared to 15.3 percent at end-December 2022.

Table 6 : Cost and Risk Indicators of Existing Debt Portfolio (2021 - 2023)

		External Debt			Domestic Debt			Total Debt		
Risk Indicators		2021	2022	2023 Prov	2021	2022	2023 Prov	2021	2022	2023 Prov
Cost of Debt	Weighted Av. IR (%)	5.2	6.9	5.3	17.9	21.2	13.7	11.3	12.5	8.7
Refinancing Risk	Average Time to Maturity (ATM)-Years	14.8	10.5	10.0	3.2	2.7	6.1	10.6	8.4	8.8
	Debt Maturing in 1 Year (% of Total)	3.1	4.8	5.3	30.5	45.5	28.0	13.1	15.5	12.3
Interest Rate Risk	Average Time to Re-fixing (ATR)-Years	14.4	10.0	9.7	3.2	2.7	6.1	10.3	8.1	8.6
	Debt Re-fixing in 1 Year (% of Total	13.0	15.3	12.1	30.5	45.5	28.0	19.4	23.2	17.0
	Fixed Rate Debt (& of Total)	88.7	87.7	92.1	100.0	100.0	100.0	92.8	90.9	94.5
Foreign Exchange (FX) Risk	FX Debt (% of Total Debt)							51.3	60.7	71.6
	ST FX Debt (% of Reserves)							13.3	33.8	35.5

Source: Ministry of Finance

Table 7 : Cost and Risk Indicators of Existing Debt Portfolio (2023 - June2024)

		External Debt		Domestic Debt		Total Debt	
Risk Indicators		2023	June2024 Prov	2023	June 2024 Prov	2023	June 2024 Prov
Cost of Debt	Weighted Av. IR (%)	5.3	5.4	13.7	14.5	8.7	8.7
Refinancing Risk	Average Time to Maturity (ATM)-Years	10.0	9.9	6.1	5.8	8.8	8.8
	Debt Maturing in 1 Year (% of Total)	5.3	5.1	28.0	27.4	12.3	11.1
Interest Rate Risk	Average Time to Re-fixing (ATR)-Years	9.7	9.4	6.1	5.7	8.6	8.4
	Debt Re-fixing in 1 Year (% of Total	12.1	16.7	28.0	34.2	17.0	21.4
	Fixed Rate Debt (& of Total)	92.1	86.3	100	100.0	94.5	90.0
Foreign Exchange (FX) Risk	FX Debt (% of Total Debt)					59.3	62.6
	ST FX Debt (% of Reserves)					35.5	43.3

Source: Ministry of Finance

The MTDS aimed at mitigating the costs and risks in the debt portfolio. The debt strategy applied in 2024 showed that some of the costs and risk indicators remained unchanged given that the domestic debt market is focused on the short end. Accordingly, the Weighted Average Interest rate and the Average Time to Maturity (ATM) for the entire debt portfolio remained unchanged at 8.8 years and 8.7 percent, respectively, from end-December 2023 to end-June 2024. However, for the same period, the debt re-fixing in one year as a percentage of total debt stock increased from 17.0 percent to 21.4 percent. The share of foreign currency debt of the total debt stock increased to 62.6 percent as at end-June 2024 from 59.3 percent in December 2023.

In the DSAs conducted by the IMF, risk is assessed based on perceived shocks to the baseline macroeconomic and financial indicators. These indicators include: economic growth, exports, commodity prices, interest rates, primary fiscal balance and depreciation. The impact of quantified changes in these variables is assessed on various measures of debt sustainability, including: PV (Present Value) of debt-to-GDP ratio; PV of debt-to-exports ratio; debt service-to-exports ratio; and debt service-to-revenue ratio. Previous DSAs consistently found Ghana to face a high risk of debt distress. This was a clear warning for the country to undertake the necessary fiscal adjustments that would place the debt on a downward trajectory. However, such adjustments were not taken and borrowing was increasingly resorted to, especially commercial borrowing. This exacerbated the debt burden.

The last DSA conducted by the IMF for Ghana was in the context of the Second Review under the Extended Credit Facility in July 2024. The Fund reports that under the baseline scenario, which accounts for the outcome of the domestic debt restructuring and the agreement between Ghana and its Official Creditor Committee (OCC) but does not incorporate the impact of the contemplated restructuring of external commercial claims, the present value (PV) of external debt-to-GDP breaches its threshold until 2027, while the external debt service-to-revenues exceeds its thresholds throughout the full-time horizon of the DSA. The external debt service-to-exports ratio breaches its threshold from 2032 to 2034 and later from 2040 to 2043, and the PV of debt-to-exports ratio remains below its threshold under the baseline throughout the full-time horizon of the DSA. The PV of public debt-to-GDP, which reflects the outcome of the domestic debt restructuring and the bilateral debt treatment agreed with the OCC, breaches its 55 percent benchmark until 2034. Stress test results show that a combined contingent liability shock would put overall public debt well above the current unsustainable trajectory throughout the full DSA horizon. In addition, developments over the past few years and stress tests highlight the sensitivity of the debt ratios to commodity prices, exports and exchange rate shocks.

The MoF seems to have quite a comprehensive debt risk analysis system in place, including relating to interest rate risk, credit risk, foreign exchange risk, refinancing risk and overall sustainability risk. Such a system should provide enough signals about emerging risks to debt sustainability. Both the MoF and IMF analyses are known to pick up signals pointing to risks of debt distress and unsustainable debt. However, the problem lies in lack of follow-up risk management or mitigation measures. Such measures, particularly counteracting fiscal adjustments and management of existing debt, as necessary, must be institutionalised and implemented timely so as to avoid the perennial debt crises.

CONCLUSION AND RECOMMENDATIONS

Ghana has traditionally used loans to fund a significant part of its budget, a practice that increased the country's vulnerability to debt crises. The recurrence of Ghana's debt crises was also compounded by shortcomings in debt management, including: inadequate control over debt accumulation and mitigation measures; poor debt transparency and accountability; and deficient debt management mechanisms and frameworks. While these challenges with debt management may be known, they may not be sufficiently and coherently documented to facilitate CSO articulation and advocacy to effectively get them addressed. It is to fill this gap in technical enquiry and information that the Economic Governance Platform(EGP) decided to sponsor this research. The EGP research aimed: i) To provide up-to-date and relevant data and information that adequately describe and assess the state of debt management in Ghana; ii) To provide pragmatic recommendations to guide key economic decision making; and iii) To inform reforms in debt management policy and practice.

This particular study—Debt Management Mechanisms and Frameworks— constitutes the second segment of the EGP research and has the following components: i) Institutional Framework; ii) Legal Framework; iii) Market Development; iv) Debt Portfolio Management; v) Debt Service Management, and vi) Risk Management. The study is expected to produce effective and efficient debt management mechanisms and frameworks that would contribute to achieving the overall goal of sustainable debt management in Ghana.

The study found both strengths and weaknesses in Ghana's debt management mechanisms and frameworks. On the basis of the findings, the study makes the followings recommendations for the attention of policy makers and economic managers, particularly those with the mandate for debt management.

1. Given that lending by BoG to Government represents the most inflationary source of financing the budget, such lending should be restricted. The limit of 5% imposed under Section 30 of the BoG Act should, therefore, be strictly monitored by Parliament. A decision to exceed the limit in case of emergency, as well as the timeline to return to the limit, should be made by the Governor, Minister and Parliament.

2. Section 31 of the BoG Act seems to give open-ended discretions to BoG to borrow, guarantee and pledge its assets to foreign entities, while also inviting Government to guarantee loans granted by the Bank. For purposes of transparency, accountability, safety and oversight, these transactions should be subject to Parliamentary approval. Major central banks have Oversight Committees or Independent Evaluation Offices to scrutinize and oversee such transactions, features that are also recommended for the BoG.

3. The Fiscal Strategy Document, which includes a Medium-Term Debt Management Strategy, debt sustainability analysis and sensitivity analysis of macrofiscal risk scenarios, that the Minister of Finance is supposed to submit under Section 13 of the PFMA, is such an important document that it should not be left at the Cabinet level. A follow-up monitoring process to ensure implementation of the debt management strategy, including by, say, a Fiscal Council, is important.

4. Debt is appropriately defined in Sections 58-74 of the PFMA. This should always be used as a point of reference so that any transactions that constitute debt are appropriately captured under the public debt without recourse to external bodies for interpretation.

5. The Public Debt Management Office (PDMO) of the Ministry of Finance should be mandated to ensure proper recording/accounting of the public debt. In particular, debt figures as well as all the assessments and other information relating to the PDMO's functions, should be published regularly for purposes of transparency.

6. The Medium-Term Debt Management Strategy (MTDMS) under Section 59 of the PFMA is central to prudent debt management and long-term debt sustainability. It would, however, be important for it to be subjected to independent scrutiny before its finalization to ensure its credibility. Here is where a Fiscal Council (FC) or a Parliamentary Budget Office (PBO), for that matter, if available—and which we strongly recommend—would play a useful role.

7. The discretionary power given to the Minister under Section 78 of the PFMA to appoint agents, registration agents, primary dealers and other agents to facilitate primary and secondary market transactions in government debt securities, should be

subjected to stricter rules and controls to avoid potential abuses by Government officials for personal gains.

8. In managing Government Debt Issuance under Section 61 of the PFMA, it is important for BoG to strictly separate its involvement in Government Debt Operations from its own conduct of Open Market Operations (OMO). This is to avoid undermining the Bank's liquidity management object if OMO funds get mixed up with Government funds.

9. Article 181 of the Constitution, reinforced by relevant Sections of the PFMA, is categorically clear about the requirement for all agreements for loans contracted by Government for itself or for any other public institution to be laid before, and approved by, Parliament. This provision should, therefore put to rest the argument sometimes made that some loan agreements do not require Parliamentary approval. In particular, financial agreements with the IMF—and other international financial institutions—should require Parliamentary approval.

10. The PFMA has important provisions about the Sinking Fund. We wish to add our voice to the importance of the Fund as it would facilitate future debt payments and help avert debt crises. We, therefore, strongly support entrenchment of the Fund and its close oversight by Parliament.

11. The Fiscal Responsibility Act needs to be amended to include a limited duration for a return to the rule after its suspension by the Minister when he invokes the escape clause due to emergency. The law also needs stricter Parliamentary oversight. A Fiscal Council would also be an important body for monitoring the Act.

12. The existing practice whereby in case where Government does not realise its domestic borrowing target, when auction failure is said to have occurred, and the BoG makes up the slack by purchasing the shortfall risks increasing monetary financing with consequent destabilising consequences. Ideally, the securities Auction Committee must always be prepared to accept all bids until the Government target is met so as to avoid any market failures occurring by default.

13. It is important that the pursuit of long-term debt sustainability involves a strong fiscal adjustment strategy, including revenue-enhancing and expenditure-control reform measures. To the extent possible, debt restructuring, such as the recent DDEP, should play a minimal role, if at all.

14. The MoF's debt sustainability and risk analyses should be followed up with risk management and mitigation measures. Such measures, particularly counteracting fiscal adjustments and management of existing debt, as necessary, must be institutionalised and implemented timely so as to avoid the perennial debt crises.

SEGMENT 3:

GHANA'S DEBT TRANSPARENCY, COMMUNICATION AND ACCOUNTABILITY REGIME

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03

BACKGROUND

Disclosure and transparency laws regarding accounting for public debt have been elevated to the forefront. This is largely because of the growing threat hidden debt poses to low-income countries already highly in debt with annual refinancing needs that exceed the debt-carrying capacity. However, it is not peculiar to low-income countries. The World Bank in a widely publicized report documented that: (i) debt statistics are systematically under-reported; (ii) hidden debt accumulates in boom years and tends to be revealed in bad times, often during IMF programs and sovereign defaults; and (iii) in debt restructurings, higher hidden debt is associated with larger creditor losses. Hidden debt implies government financial commitments and contingent liabilities that do not receive official recognition and explicit budgetary allocations but are later assumed by the government as additional debt outside the normal budget (Esfahani and Kim, 2002). Often, a general government approach to accounting for public debt is sidelined. A rather narrow central accounting methodology is adopted that systematically underestimates total government obligations across central or federal and state-level or state-owned enterprises.

Public debt is consistently and pervasively underreported — by an average of 1 percent of each country's GDP, totalling $1 trillion of hidden debt across all countries and years and equating to more than 12 percent of total foreign borrowing by all countries (World Bank, 2024). Most times, the approach tends to systematically underestimate a country's solvency position (lower debt to GDP ratio) whilst the liquidity position (debt service to revenue ratio) is threatened as has been the case recently in Ghana, Kenya, Zambia, and Nigeria among others. For these countries especially in the case of Nigeria with a debt limit rule of 40% of GDP set by the National Assembly of Nigeria, the solvency outlook did not immediately reveal the fiscal vulnerability, but liquidity measured as the debt service proportion to total revenue gave these countries up. The underlying development has more to do with hidden debt or overdraft arrangements (particularly with Ghana and Nigeria) with central banks that for lack of transparency and accountability eluded the investors and citizens.

Model simulations show that hidden debt has adverse effects on default risk, debt-carrying capacity, and asset prices and is, therefore, welfare detrimental (World Bank, 2024) and affects analysts who want to ensure the lendability and dependability of a borrower (Sosa-Padilla, 2024). According to the IMF (2024), these potentially dire consequences can be avoided by strengthening domestic legal frameworks and aligning them with best practices especially requiring debt management and fiscal reports to include the disclosure of loan-level information—key legal features for facilitating transparency. Whilst debt disclosure and transparency increase accountability, Ghana's procurement regime has featured prominently in the latest IMF-supported program. The competitive tendering process has largely been replaced with sole-sourced and restricted tender. The lack of disclosure and opaque practices have equally assumed macro criticality. Calls have been ripe to review transparency and weak procurement governance for the country's sustainable development.

Whilst at the global level hidden debt or debt accountability and procurement practices have been recognized as cornerstones for macroeconomic policy analysis, the Economic Governance Platform is taking practical steps to ascertain Ghana's debt transparency, communication, and accounting regime in the light of recent debt-induced macroeconomic instability that has resulted in the country's 17th IMF supported program that was approved on May 17th. Key structural reforms under the current program include the institutionalization of a fiscal council and other fiscal reforms. It is legitimate then to ascertain the existing disclosure, transparency, communication, and overall accountability mechanism in the country's public debt management.

Research Objectives

The broad objectives are:

i) To provide up-to-date and relevant data and information that adequately describe and assess the state of debt management in Ghana;

ii) To provide pragmatic recommendations to guide key economic decision-making; and

iii) To inform reforms in debt management policy and practice.

Specifically, this assignment is focused on Debt transparency, communication and accountability with emphasis on the following:

Debt Transparency

Debt recording/accounting transparency [including comprehensive coverage of Government and quasi-government debts].

Procurement transparency [including the openness of the process, use of competitive bidding to the extent possible].

Project contracts transparency [including energy sector Power Purchase Agreements (PPAs); road contracts; other project contracts].

Debt Communication

Debt information publication [including clear and timely information to investors and the public about levels and composition, management strategies, policies, and operations—to build trust, confidence, and market stability].

Debt Accountability

- Parliamentary approval for external loans.
- Parliamentary oversight over use of loans.
- Monitoring of debt by a Fiscal Council.
- Enforcement of sanctions for infractions of debt rules and processes.

3.2 GHANA'S DEBT TRANSPARENCY, COMMUNICATION AND ACCOUNTING

3.2.1 Legal Framework for the Acquisition of Public Debt

The primary legislative framework for debt management in Ghana is the 1992 Constitution of the Republic of Ghana under Article 181. Article 181 (1) specifies that: "Parliament may, by a resolution supported by the votes of a majority of all the members of Parliament, authorize the Government to enter into an agreement for the granting of a loan out of any public fund or public account". The secondary legislative framework is provided for under a The Public Financial Management Act, 2016 (Act 921) b. Public Financial Management Regulations, 2019 (LI 2378) and c. The Public Procurement Act, 2003 (Act 663) and the Public Procurement (Amendment) Act, 2016 (Act 914). Fiscal Responsibility Act, 2018 (Act 982); Securities Industry Act, 2016 (Act 929); and Securities Industry Regulations, 2003 (L.I 1728).

3.2.2 Reasons Why the Government of Ghana Borrows

The reasons for which the government of Ghana may borrow are provided for under section 57 (1) of the Public Financial Management Act. Specifically:

57(1) Government may borrow for the following purposes:

- to finance government budget deficit as approved by Parliament.
- to build up and maintain a liquidity buffer at a level or range determined by the Minister.
- to on-lend funds to local government authorities, state-owned enterprises, public corporations, or any other entity as approved by Parliament.
- to honour obligations under outstanding government guarantees.
- to refinance outstanding government debt, including repayment of a loan prior to the maturity date of the loan and repurchase of government debt securities; and
- for any other purpose as may be approved by Parliament.

3.2.3 Institutions Allowed to Contract Public Debt in Ghana

Institutions allowed to borrow in Ghana include.

- The Ministry of Finance on behalf of the Government
- Local Government Authorities
- Public Corporations
- Other entities

Section 55(1) of the PFMA says the Minister (of Finance) has the authority to raise a loan on behalf of the Government, both within and outside the country and in local and foreign currencies. The Minister shall not delegate a power granted under this subsection to any other person.

Section 66 (1) says the Minister may issue a guarantee on behalf of the Government in respect of the obligation of a local government authority, public corporation, or other entity if, considering the debt management objectives and the debt management strategy of the Government, the Minister is satisfied that

- it is in the public interest to issue the guarantee; and
- the beneficiary of the guarantee has the ability to repay the underlying loan; and fulfil all payment and other obligations under the underlying loan and under the guarantee and related agreements.

The Public Debt Management Office shall, before the issuance of a government guarantee assess the local government authority, public corporation, or other entity to ascertain the fiscal risk of that local government authority, public corporation, or other entity to the Government in respect of that guarantee and this guarantee shall be subject to prior approval by parliament.

Section 74 (1) says a local government authority may borrow funds only from within the country, and up to the limit determined by the Minister in consultation with the Minister responsible for Local Government, and consistent with the medium-term debt strategy and annual borrowing and recovery plan.

3.2.4 The Key institutions involved in the management of public debt

According to the Public Financial Management Act 2016, Act 921, section 4, sub-section 2 (d), it is the responsibility of the Minister (of Finance), "to manage Government property, financial assets, Government debts, Government guarantees and other contingent liabilities specified under this Act".
The Minister is also tasked with the duty to prepare and submit to parliament not later than the end of May of each financial year for approval a fiscal strategy document which includes among other things a Medium-term debt management strategy and this shall comprise debt sustainability analysis and sensitivity analysis of macro-fiscal risk scenarios.

Section 55(1) says the Ministry of Finance is mandated to have an office that is responsible for public debt management under the supervision of the Chief Director in accordance with the Civil Service Act, 1993 (PNDC Law 327). This public debt management office is duty-bound to;

- handle debt management operations of the Government.
- assess risks for government guarantees and lending.
- assess all forms of credit agreements including suppliers' credit, buyer's credit, mixed credit, and finance lease agreements to be entered into by the Government.
- assess the feasibility of borrowing requirements implied by the path for the fiscal deficit in the Fiscal Strategy Document.
- formulate the Medium-Term Debt Management Strategy; and
- perform any other functions that may be determined by the Minister.

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3.2.5 Legal Framework for Public Debt Management Strategy

Preparatory stage

- Identification of the project by a sector minister or government agency.
- Submission of a proposal to MOF.
- MOF does a financial evaluation of the project.
- Conveys the outcome of the due diligence and asks the entity to go ahead with the project.
- Entity to draft the requisite documentation for cabinet approval.
- Approval stage
- Cabinet informs MoF and sector minister of its approval.
- Cabinet issues approval letter authorizing MoF to seek parliamentary approval.
- Preparation of a parliamentary memorandum by MoF/Sector Minister on the proposed loan.
- Legal analysis of the draft credit agreement.
- MoF requests parliamentary ratification/approval for the borrowing.
- Signing and execution stage
- The clerk of parliament advises the Minister of Finance of legislative approval.
- The MoF proceeds to sign the relevant executable agreements after final legal review.

3.2.5.1 The Narrow Focus or Application of the Law

The budget deficit provides an explicit indication of the government's borrowing requirement. Since introducing the local currency in July 1965, two principal factors have driven public debt accumulation: fiscal deficit and exchange rate variation. The fiscal deficit to debt build is through the budget approved by Ghana's Parliament. The gap between projected revenue and projected expenditures is explained through the financing arrangement in the budget which is subject to approval. The Minister of Finance must articulate the financing mix in closing the deficit for the year in terms of the domestic versus external financing arrangement. External financing (external loan application) must come through to Parliament for approval. However, domestic financing usually takes the form of short-term bills (91-day, 182-day, and 364-day), Notes, and Bonds. It appears that a premium is placed by the practice of the law on external loan acquisition that requires express Parliamentary approval whilst domestic borrowing is left to the Ministry of Finance once the budget is approved by Parliament. Except for the budget approval including the deficit and the financing arrangement, the terms of domestic debt issuance such as Treasury Bills, Notes, and Bonds are not necessarily laid in Parliament for approval, unlike external loan acquisitions. However, the Treasury and Debt Management Unit of the Ministry of Finance prepares the annual borrowing requirements (usually quarterly) and makes this available to the Bank of Ghana which is then published to guide the market for the quarter.

3.2.5.2 Public Debt Communication

The Public Financial Management Act 2016 (Act 921) requires regular dissemination of public debt to investors and the public. Specifically: "Sections 71 and 72 of the Public Financial Management Act, 2016 (Act 921) mandate the Public Debt Office to provide accurate and timely information in respect of debt stock, through annual debt reports, quarterly debt statistical bulletins, monthly newsletters, and other information related to public debt and debt management activities and that this should be available on the website of the Ministry of Finance, again, information relating to public debt policies and guidelines are also published on this website (see MoF website accessed 2nd January 2025). Section 72 (3) states that "The Minister shall (a) review the annual report; and (b) after notifying Cabinet, submit the report to Parliament not later than 31st of March each year" Public debt is also communicated through the annual budget and economic policy statement of government and the associated mid-year reviews. The Bank of Ghana through its regular Monetary Policy Committee (MPC) publishes the 'Summary of Economic and Financial Data' which contains information on public debt and its composition.

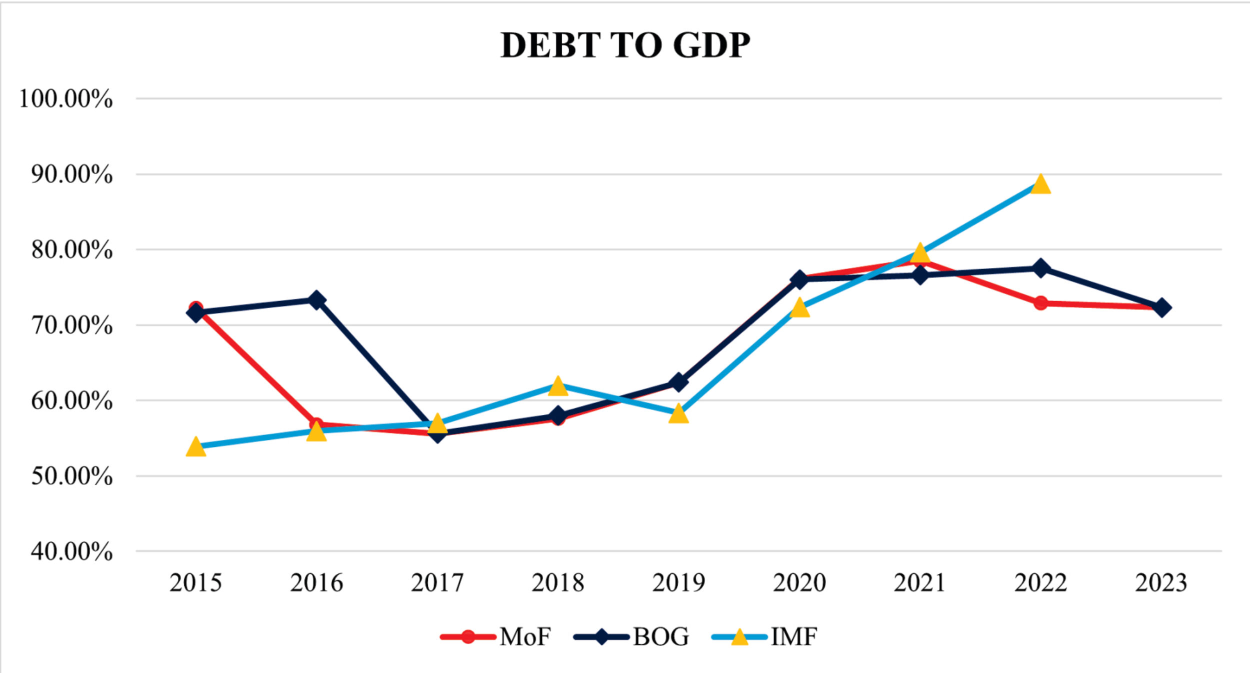
3.2.5.3 The Practice of Debt Accountability

Ghana's public debt accountability tends to rely on the central government approach rather than a general approach to accounting for all live government debt accumulation including publicly guaranteed debt and that of State-owned Enterprises (SOEs). This development implies that debt perimeters are used to account for the country's public debt. This has also resulted in contested rating downgrades by the 3 major rating agencies. On the 4th of February 2022, a Rating Agency (Moody's) downgraded Ghana's Long-Term Issuer and Senior unsecured bond Ratings to Caa1 from B3 and changed the outlook from negative to stable. The rating agency cited the "increasingly difficult task government faces in addressing the intertwined liquidity and debt challenges, pandemic induced revenue underperformance, tight funding conditions on international markets, materially decreasing governance and institutional strength and inflexibilities in the government budget" in contrast, the African Peer Review Mechanism (APRM) denounced Moody's rating issued in February 2022, downgrading the Government of Ghana's long-term foreign currency sovereign rating from B3 to Caa1, with a stable outlook following Ministry of Finance objection. The above notwithstanding, the fixation on Debt to debt-to-GDP ratio, a more consecutive and traditional approach does not give the total picture. The other challenge is the excessive collateralization of the fiscal revenue in the last 8 years. These included GetFund Levy, ESLA, etc. This approach allowed the government to ringfenced the cash flows rather than consolidating them into the Consolidated Fund. This meant the principal accumulation of these debts and their effects were not properly included in the public debt analysis. Excessive reliance on external debt to shore up the stability of the local currency and exposure to investor sentiments have contributed to the debt debacle. The IMF in its concluding remarks as part of the 16th IMF-supported program as follows "Debt management has improved, though reliance on foreign investors has increased Ghana's exposure to market sentiment and exchange rate risk. Debt collateralization and revenue monetization should be limited to avoid encumbering revenues. Planned infrastructure projects should be transparently managed, be consistent with debt sustainability, and ensure value for money"

3.2.5.4 Comparative Analysis of Public Debt Among Major Sources

The comparative analysis of public debt-to-GDP percentages reported by the Ministry of Finance (MoF), Bank of Ghana (BOG), and International Monetary Fund (IMF) reveals intriguing patterns of variance across these institutions. The analysis identified three years with particularly significant variations between institutional reports. 2015 showed the highest variance of 33.95%, with a maximum difference of 18.30 percentage points between institutions (MoF and IMF). During this year, while MoF and BOG reported similar figures of 72.2% and 71.6% respectively, the IMF's figure stood notably lower at 53.9%. The second-highest variance of 31.03% was observed in 2016, with a maximum difference of 17.36 percentage points. This year was particularly interesting as it showed unusual disagreement between domestic institutions, with BOG reporting 73.3% while MoF reported 56.8%, and IMF aligned closer to MoF at 55.94%.

The year 2022 emerged as the third most variant period, with a variance of 21.77% and a maximum difference of 15.87 percentage points. During this year, the IMF reported notably higher figures at 88.77% compared to MoF's 72.9% and BOG's 77.5%. This divergence pattern suggests potential differences in measurement methodologies or assessment criteria among the institutions. However, the analysis also revealed periods of strong consensus among the institutions. 2017 showed the lowest variance at 2.48%, with nearly identical reporting between MoF and BOG at 55.6%, while the IMF figure was only slightly higher at 56.98%. Similarly, 2021 demonstrated a relatively low variance at 3.92%, with all three institutions reporting within a 3 percentage point range, suggesting improved alignment in measurement methodologies.



Source: Author's construction, 2025

3.2.5.5 IMF-Supported Program and Public Debt Accountability

The International Monetary Fund maintains relationships with member countries across 3 major dimensions namely: policy assessment/advice usually through its Article IV consultative report or surveillance, lending or program-based arrangement, and capacity building. Though public debt statistics are a cornerstone of macroeconomic analysis as investors, taxpayers, and academic researchers all have a keen interest in the level and composition of a country's public debt (World Bank, 2024), these statistics are subject to major limitations and incomplete reporting (World Bank, 2021; Horn et al., 2021). Given the intricate link between public debt statistics and macroeconomic policy, the IMF sanctions member countries under Article VIII of the IMF's Articles of Agreement, that misreport information to the Fund face unless misreporting is solely due to a lack of capacity. In 2001, following an IMF Executive Board meeting, Ghana had to revise its external debt position by USD 115 million for which reason Ghana was sanctioned. Hidden or off-balance debt tends to be enterprising during boom times or periods of GDP growth and for most of those times, the assistance of the IMF is mute, and the Article IV surveillance report which is largely advisory does not reveal that systematic underreporting. However, in crisis times as revealed in the case of Mozambique in 2016, Zambia in 2020, and most recently in the case of Ghana (2022 and 2001), the IMF Debt Sustainability Analysis (DSA) tends to be more stringent and effective in for public debt and its classification.

The Fund tends to have the upper hand when a member country is experiencing crisis and therefore is seeking program support or is under a program with the Fund in the accounting and treatment of public debt. In July 2021, the IMF Article IV consultation concluded that Ghana's debt was largely sustainable or at high risk of debt distress. Specifically, the Fund notes "that risks to Ghana's capacity to repay have increased, Directors concurred that they are still manageable and that Ghana's capacity to repay the Fund remains adequate" (IMF, 2021). The report further states that "the Debt Sustainability Analysis (DSA) shows that Ghana remains at high risk of external and overall debt distress under the baseline, even though the public debt is assessed as sustainable going forward". This notwithstanding, international investors walked away from the country just a couple of months after the release of the IMF having reached a different conclusion. This resulted in the loss of market access that also triggered portfolio outflows, dwindling international reserves, and the run on the local currency.

A) The 17th IMF-Supported Program and Ghana Debt Sustainability

Ghana since 2018 has reported fiscal deficits along two parallel lines or below the budget line as regards the financial sector clean-up costs and the energy sector indebtedness though the country had long adopted a fiscal rule that recognizes all exceptional expenditures. The government adopted such an approach to enable it to comply with the fiscal deficit target under the 16th Fund supported and later the Fiscal Responsibility Act 2018 (Act 982) The IMF in 2021 recognized that this treatment had added approximately 7% of GDP to the debt stock after their reclassification. The table below is illustrative

Table 1: Comparison GOG and IMF (all-inclusive) debt positions

COVID-19 Update of Public Debt (% of GDP)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Debt (including Financial Sector Bailout/Energy Costs)										
GOG: 2020 Budget [Sept 2019]	56.8	55.5	57.6	60.6	na	na	na	na	na	na
GOG: 2020 Debt Report	56.8	55.5	57.6	63.0	na	na	na	na	na	na
IMF: Article IV	56.8	57.3	59.0	63.1	63.3	63.1	62.3	60.6	60.2	na
IMF: RCF [COVID]	56.8	57.3	59.0	63.2	68.7	67.2	66.2	65.1	64.1	63.3

Source: Tekper, 2020

This pointed to clear dangers that the country was in from 2018 that their off-balance sheet application had created an impression of sustainable fiscal deficit. Though, the IMF Article IV consultation had given the country the green pass the Fund had raised significant downside risks to the DSA, By the end of 2021, the country's fiscal and debt sustainability had raised significant doubts by both international and domestic investors. The country's Eurobond was trading in excess of 1000 BPs above US treasury yields needing an IMF intervention by the end of 2021. The Ministry of Finance stated during the presentation of the 2023 budget presentation that "provisional public debt as at end of September 2022 indicated a total gross public debt of GH¢467,371.32million (US$48,871.34 million), representing approximately 75.9 percent of GDP" This was after the country made a distress call to the IMF for Fund supported program on the 1st of July 2022. This call triggered a debt sustainability analysis that will inform the lending decision of the IMF. In summary, the country had transitioned from a high risk of debt distress to debt distress across all the categories of benchmarking (see table below)

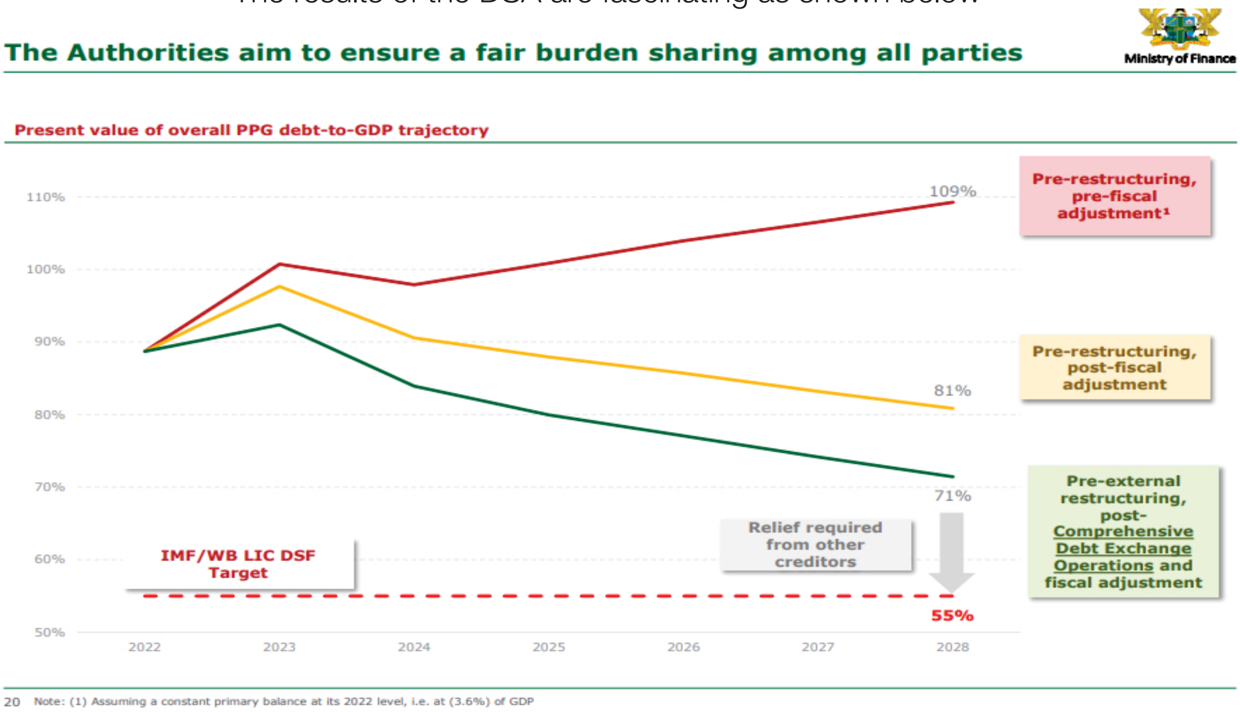
Ghana: Joint Bank-Fund Debt Sustainability Analysis[1,2]	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Unsustainable*
Application of judgment	*No*

As a medium debt-carrying country, the present value of the public debt should not exceed 55% and the external debt service to revenue ratio should not exceed 18% as well, the two main indicators the Fund relies on. The country had breached the two main indicators and the variance analysis (98% in the case of Present value to GDP ratio, solvency, and approximately 89% in the case of external debt service to revenue ratio, a liquidity measure) shows the enormity of the situation as presented below.

DSA Indicator	Threshold	Current Status	Variance
PV of Debt/GDP (solvency measure)	55%	109%	98.1%
External Debt Service/Revenue (liquidity measures)	18%	34%	88.9%

Source: Author's estimation using data from IMF, MoF, World Bank, MoF DSA Results

The results of the DSA are fascinating as shown below



Source: Ministry of Finance, 2023

Systematic issues that emerged from the recent DSA underpinned the debt restructuring. The Ministry of Finance had indicated a debt stock that was significantly below 100% whilst just a year or less ago the Fund had indicated public debt to be largely sustainable only for a later DSA to reveal a worse situation. The striking difference lies in the comprehensiveness of the debt classification for the recent Fund-supported program. The DSA considers all centrally accumulated debt as well as SOEs and all collateralized debt such as Daakye Bonds, ESLA Bonds, Cocobills, and government indebtedness to the Bank of Ghana as shown below.

Domestic Debt (MoF, 2023)

Snapshot of domestic debt at end-2022

Ministry of Finance

Category of debt	Amount eligible	Treatment	Participation rate
T-bonds (excl. Pension Funds)	GHS 91.5bn	Treated under standard DDEP **Feb. 23 DDEP** *GHS 98bn*	**85%**
Daakye bonds (excl. Pension Funds)	GHS 1.4bn		
ESLA bonds (excl. Pension Funds)	GHS 4.8bn		
o.w. foreigners	*GHS 13.8bn as at end-2022*		
Pension Funds holdings	GHS 29.2bn	Ongoing negotiations, expected to generate additional relief **Comprehensive Debt Exchange Operations** *GHS 123bn*	
Cocobills	GHS 8.1bn		
US$ local bonds	US$ 0.8bn *GHS eq. 6.9bn as at end-2022*[1]		
Local currency loans	GHS 0.7bn		
BoG non-marketable debt (incl. overdraft, other non-marketable)	GHS 77.6bn		
T-bonds matured before completion of the exchange	GHS 4.7bn	Excluded from the restructuring	
T-bills	GHS 34.2bn[2]		
Total domestic debt as of end-22 *(excl. budget and IPP arrears, and SDR on lending*[3]*)*	**GHS 259.2bn**		

Source: MoF, 2023

B) Post Loan Acquisition and Monitoring and Fiscal Council

The process of acquiring debt, especially external debt is well regulated by the regulatory framework as outlined above. However, post- loan acquisition monitoring mechanism is weak except for what is provided for in the publication of the annual debt report. However, Parliament's capacity to monitor the utilization of borrowed funds or oversight responsibilities in this regard is mute.

Rather, the Ministry of Finance has a lean way when the loan arrives Section 100 (1) of the Public Financial Management Act, 2016 (Act 921) requires the Parliament of Ghana to ensure that: “Any legislation to be laid before Parliament or proposal submitted for the approval of Parliament shall be accompanied by a fiscal impact analysis stating the estimated effect on revenues and expenditures for the financial year in which the legislation or proposal is expected to come into effect" For a covered entity and in furtherance to section 100 of the PFM Act, "Any Legislation or Proposal to be laid before Parliament or proposal submitted for the approval of Parliament shall be accompanied by a Fiscal Impact Analysis" (Regulation 12 of the Public Financial Management Regulations (2019). However, all these provisions are before the transaction. After the transaction, managing moral hazard in terms of monitoring whether the central government or a covered entity is largely left to the spending entity. The Fiscal Council was made largely redundant, and its independence was compromised given its advisory capacity.

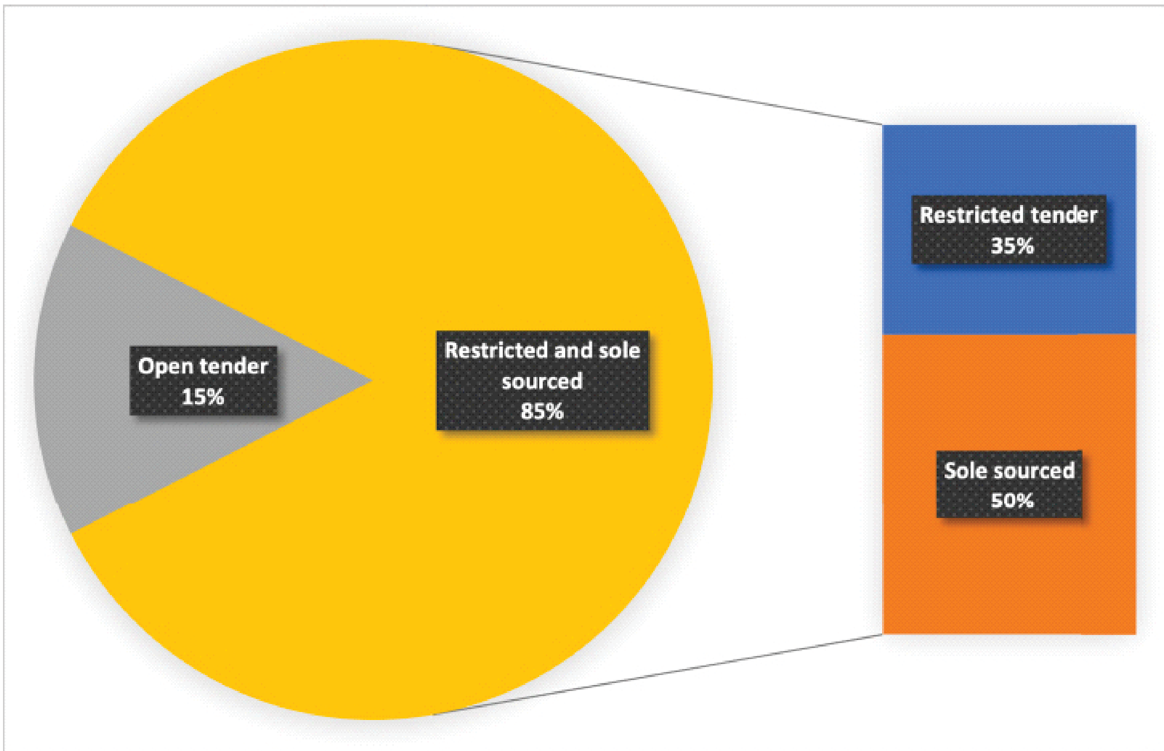
3.3 Public Procurement in Ghana

Public procurement accounts for more than 15% of Ghana's GDP and it entails the process by which governments and other publicly funded entities acquire goods, works, and services needed to implement public projects (World Bank, 2013). The Bank contends that reducing bottlenecks, combatting corruption, and building capacity in procurement help governments maximize the buying power of their budgets and improve the quality-of-service delivery to their citizens and that competitive and transparent public procurement systems are therefore a key element to achieving sustainable development and more prosperous societies in Africa. To this end, the government of Ghana codified the fragmented procurement system into unified law by enacting the Public Procurement Act in 2003. The Act formed the foundation and the standardization of public procurement. The Act considered the decentralization strategy and the development context of the country underpinned by the need to ensure a competitive process in the public procurement of goods, works, and services. The Act has subsequently been amended as the Public Procurement (Amendment) Act, 2016 (Act 914), and the Public Procurement Regulations 2022 L.I.2466. The basic tenet of the Act is competitive procurement. However, provision is made in Section 35 (3) of the Public Procurement Act, as Amended as "If the procurement entity uses the method of procurement other than competitive tendering, it shall include in the record required a statement of the grounds and circumstances on which it relied to justify the use of that method."

3.3.1 The Practice of Public Procurement in Ghana

The competitive process, though, is the regulatory framework's default position; it is observed more in breach than in compliance. Empirical analysis of the procurement reveals disturbing developments. The practice of the country's procurement has delivered less value for money. It is essentially a procurement economy driven more by restricted or sole-sourcing procurement methods. Boakye et al. (2023) reviewed 1143 transactions by PBCOSIs (Public Boards, Corporations, and other Statutory Institutions) and MDAs (Ministries, Departments, and Agencies), published on the website of the Public Procurement Authority, between 2012 and 2021. They found a significant preference for restricted tenders and sole-sourced procurement methods and that out of a contract value of GHS 23.9 billion, the cumulative value of restricted tenders and sole-sourced procurement methods was about GHS 20.3 billion, representing 85% of the contract value whilst open tenders had a contract value of GHS 3.6 billion, forming the remaining 15% of the contract value as evidenced by the figure below.

Figure 7: Open tender, restricted tender and sole-sourced procurement methods among MDAs and PBCOSIs



Source: Author's construct based on data from the PPA

Though restricted tenders and sole-sourced procurement methods were to be accompanied by a justification, the authors found that considerable big-ticket procurement was without justification as shown below:

Table 3: Open tender, restricted and sole-sourced contracts among PBCOIs and MDAs between 2011 and 2021 (GHS million)

	Open tender	Restricted tender	Single sourced
PBCOSIs			
Justification		8,280.52	1,938.69
No justification		8.11	1,446.40
Total for PBCOSIs	**3,344.99**	**8,288.62**	**3,385.09**
MDAs			
Justification		51.24	525.63
No justification		13.26	8,388.86
Total for MDAs	**257.66**	**64.50**	**8,618.78**

Source: Auditor General's Reports

Though, considerable feedback from the Auditor General Report and other empirical analyses, not much progress has been made in improving the procurement economy. IMANI with funding from Oxfam recently released the 'Fiscal Recklessness Index' covering the period 2021 to 2023. The IMANI report observed that, despite the composite financial irregularities have declined (GHC4.9 billion) compared to the previous assessment from 2015 to 2020 (GHC13.9 billion), there is evidence of a positive growth rate in the financial irregularities since 2021 implying a high risk of financial irregularities occurring. A disaggregated analysis of MDAs revealed that the Ministry of Finance is the most fiscally reckless institution in Ghana followed by the Ministry of Communication, the Ministry of Roads and Highways, the Ministry of Health, and the Ministry of Food and Agriculture as the top five fiscally reckless institutions for the period of assessment as shown below:

Fiscal Recklessness Rank						
Ministry/Year	2015-2020	2021	2022	2023	2021-2023	Relative Movement
Finance	1	1	1	1	1	0
Food and Agriculture	12	3	7	3	2	-10
Communications	14	#N/A	2	15	3	-11
Roads & Highways	3	10	10	2	4	1
Health	2	4	4	4	5	3
Justice & Attorney General	6	2	13	12	6	0
Fisheries & Aquaculture	16	13	3	13	7	-9
Education	10	6	9	5	8	-2
Lands & Natural Resources	23	15	5	15	9	-14
Interior	17	9	6	6	10	-7
Gender	11	8	11	8	11	0
Works and Housing		5	21	9	12	12
Energy		7	21	15	13	13
Other Agencies	15	18	8	11	14	-1
Local Government & Decentralization	9	11	12	7	15	6
Youth & Sport	22	16	14	15	16	-6
Sanitation	25	#N/A	20	10	17	-8
Defence	18	14	17	15	18	0
Employment	4	12	19	15	19	15
Tourism, Arts & Culture	13	#N/A	15	15	20	7
Trade and Industry	7	17	16	15	21	14
Environment	19	#N/A	#N/A	14	22	3
Foreign Affairs & Regional Integration	5	#N/A	18	15	23	18
Transport	24	20	21	15	24	0
Railway Development		#N/A	21	15	25	25
Information	26	#N/A	21	15	26	0
Chiefteincy and Regious Affiliation	27	19	21	15	27	0

Procurement-Induced Energy Sector Indebtedness

The biggest threat to Ghana's fiscal sustainability pathway is the energy sector indebtedness. The IMF-supported program has recognized the macro criticality of the sector's downside risk and included a line item in the national budget going forward rather than the usual off-balance sheet treatment. The program has also required structural reforms such as the Electricity Tariff Adjustments and publishing updated ESRP after Cabinet Approval among others. The sector shortfall or annual government subsidy far exceeds the combined budgetary allocation to the critical sectors of the economy including food and agriculture, health, and education. The table below is illustrative

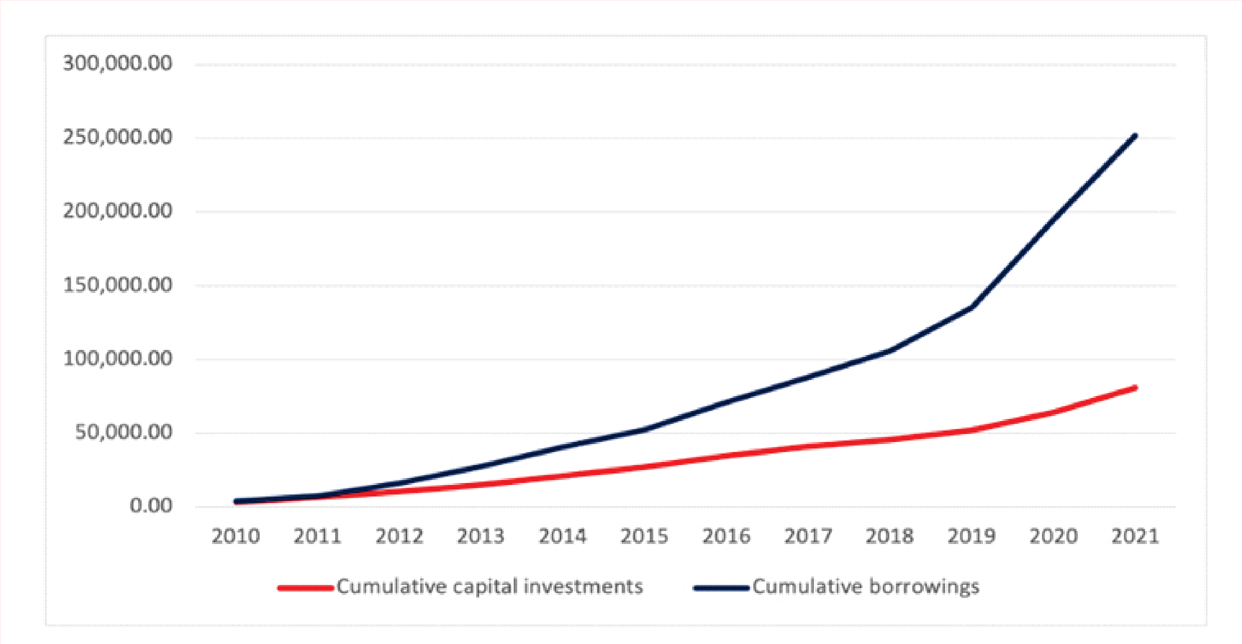
	2023	2024	2025	2026	TOTAL
Power sector shortfall	23,652.60	22,935.17	24,942.00	26,088.76	97,618.53
Social sectors					
Agriculture	532.63	568.50	626.89	697.08	
Fisheries and aquaculture	31.48	33.02	36.54	41.28	
Roads	2,639.47	2,964.67	4,189.94	5,967.12	
Education	4,212.22	6,835.68	8,420.72	10,009.01	
Gender and social protection	1.08	0.86	1.02	1.46	
Health	134.50	144.13	158.81	175.94	
Total CAPEX	**7,551.38**	**10,546.87**	**13,433.92**	**16,891.90**	**48,424.06**

Source: Africa Centre of Energy Policy (2023)

Three factors have principally driven these losses including technical (made up of generation, transmission, and distribution), commercial (exchange rate variations), and collection losses. The lack of transparency and accountability in the energy value chain, and political economy influence manifesting in governance interference in the operations of state institutions in the energy sector leaves much to be desired. The government in 2017 lamented the procurement issues with the many agreements with Independent Power producers in a Take or Pay contract.

3.4 Implications of Procurement Infractions

These infractions constrain the public investment process in delivering value for money and probably explain why public loan acquisition does not lead to economic diversification, greater economic transformation, and inclusive productivity growth. Reasons for government borrowing are provided in section 57(1) of the Public Financial Management Act 2016 (Act 921). Still, the evidence on the ground puts to the fact that public sector borrowing is more consumption-based budget driver than public investment. Whilst capital investment receives less, the procurement process in utilizing the limited funding for capital expenditure is also saddled with procurement infractions that deliver less value for money. The result is that the economy could not sustain the rate of debt accumulation as a substantial portion of those debts were not invested in enhancing the cash flow generation capacity of the economy and for that matter little economic wealth was created. Questions have been asked whether the economy could sustain the accumulation of nearly USD 2 billion annually in the last 6 years in the run-up to the debt-induced macroeconomic instability that peaked in 2022.



Source: ACEP 2023

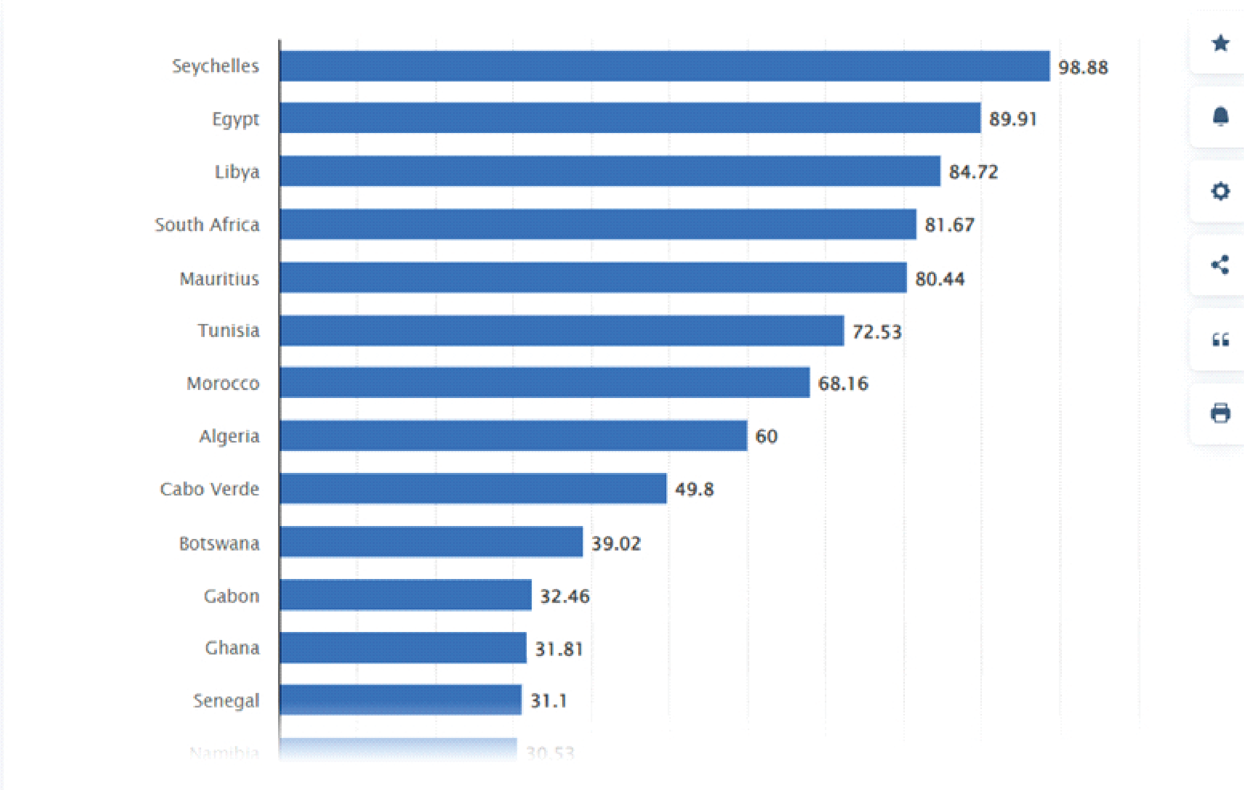
Ghana has been active in the International Capital Market until it was priced out (lost market access) from the 3rd quarter of 2021 as evidenced in the figure below.

Year	Amount	Coupon Rate (%)	Maturity Period (Years)
2007	US$750 million	8.50	10
2013	US$1 billion	7.875	12
2014	US$1 billion	8.125	12
2015	US$1 billion	10.75	15
2016	US$750 million	9.75	5
2018	US$1 billion	7.625	10
	US$1 billion	8.627	30
2019	US$750 million	7.88	8
	US$1.25 billion	8.13	13
	US$1 billion	8.95	32
2020	US$1.25 billion	6.4	7
	US$1 billion	7.9	15
	US$750 million	8.8	41
2021	US$525 million (actual received	0 (zero-coupon)	4
	~US$400 million)	7.75	7
	US$1 billion	8.625	12
	US$1 billion	8.875	20
	US$525 million		

Source: Acheampong, 2024

Though the government boosted of adding more roads to the country's road stock and boosted massive infrastructure compared to any other government in the country's history, Ghana's performance on the African Infrastructure Development Index in 2022 was less desirable compared to other African countries as shown below:

Africa Infrastructure Development Index in 2022, by Country



Source: Statista, 2023

Ghana's score of 31.81 compared to Seychelles with 98.88 is worth noting whilst the country trails Côte d'Ivoire with a score of 49.6.

At the same time, Ghana scores 56 and misses out on the top ten in Africa on the International Monetary Fund (IMF) uses the Mean Speed (MS) score to measure road quality across countries. The MS score is based on the travel time between major cities and is calculated by dividing the road distance between cities by the travel time. The IMF uses the MS score to assess road infrastructure and access gaps and to analyze the cost-benefit of road investments. The list below highlights this development. Ghana's score is significantly lower compared to Cˆote d'Ivoire with a score of 78.

Rank	Country	Mean score
1	South Africa	100
2	Namibia	99
3	Morocco	95
4	Botswana	91
5	Libya	90
6	Algeria	88
7	Zimbabwe	83
8	Egypt	83
9	Côte d'Ivoire	78
10	Tunisia	78
	Ghana	**56**

Source: Author's construction based on IF data

3.5 IMF-supported Program and Public Procurement Reforms

As part of the ongoing IMF-supported program, the government has committed to several structural reforms including the development of a strategy to tighten commitment controls and prevent arrears' build-up will be developed by June 2023 (structural benchmark). The aim is to 'integrate public procurement with GIFMIS to ensure that only those projects/purchase orders that have approved budgets and allotments can obtain procurement approvals to award contracts' Also All the tenders should be placed and processed via E-tendering functionality as evidenced by the program demands. Additionally, 'GIFMIS will be tightly integrated with other systems including Hyperion, E-procurement, bank clearing system (SWIFT and GHIPSS) and GRA's tax portals to ensure real-time data exchange (end-December 2023)'.

Overall, the program stipulates that “Public procurement transparency will continue to be reinforced by the roll-out of the e-procurement system and its integration with GIFMIS and that transparency of procurement will be strengthened by facilitating the access to beneficial ownership information of companies awarded public procurement contracts”.

CONCLUSION

Ghana has struggled to manage its debt sustainably since independence. Characterized by dwarf revenue and high expenditure rigidities, the difference has always been explained by borrowing. Though structurally, revenue (below peer countries with similar economic features) has not performed optimally, it has not constrained the government from spending. This borrowing in many instances has not been transparent whilst post-loan acquisition monitoring has been weak. In 2001, the country was sanctioned for materially understating her external debt by USD 115 million with the reinstatement being made in 2003. The legal framework provides different requirements for borrowing with a stricter Parliamentary approval requirement for external debt relative to domestic borrowing.

Though the Public Financial Management Act and its Regulations provide for fiscal impact analysis to accompany bills or projects by either the central government or a covered entity, the legislative framework for post-transaction (loan acquisition) is mute. The government tends to have greater flexibility in accounting for public debt in good times and usually when the country is not in a program with the IMF. Debt and revenue collateralization in good times is magnified in crisis periods as recently witnessed in Ghana and earlier in the case of Mozambique and Zambia. Whilst the government reported public debt far below 80% in the run-up to the recent debt-induced macroeconomic instability, the joint IMF-International Development Association of the World (IDA) determined that the country's debt to GDP in present value terms(a solvency measure) had exceeded 100%, far above the policy dependency threshold of 55% whilst also breaching the liquidity threshold measured as the external debt service to revenue ratio. Generally, the government relied on a central accounting framework in public debt measurement whilst ignoring quasi-government debt from SOEs.

Whilst borrowing has been on the rise, a limited amount has gone into investment and capital spending. This notwithstanding, procurement in the allocation of the capex has also been saddled with sole-sourced or restricted tenders to the detriment of the competitive tendering process. Nearly 85% of all government big-ticket procurement transactions have either been done through sole-sourced or restricted tender whilst the Ministry of Finance leads the fiscal recklessness index. The internal fiscal restraint agent in the form of the Fiscal Council was rendered useless in an advisory capacity.

APPENDIX

ACTIVITY MATRIX

Issue/Item	Activity	Output	Time-Lines (2024)
1. **Implementation Plan**	• Write Implementation Plan	• Written Implementation Plan	20th September
2. **Institutional Framework**	• Review the role of Bank of Ghana in debt management • Review the role of Ministry of Finance in debt management • Review the joint roles of MoF and BoG regarding Issue Calendars	• Written review of Bank of Ghana role in debt management and recommendations for reforms • Written review of the role of Ministry of Finance in debt management and recommendations for reforms • Written review of the joint roles of Ministry of Finance and Bank of Ghana regarding Issue Calendars and recommendations for reforms	27th September
3. **Legal Framework**	• Review the legal provisions regarding debt management • Review the provisions in regarding loan agreements with external creditors	• Written review of legal provisions for debt management and recommendations for reforms • Written review of legal provisions for loan agreements with external creditors and recommendations for reforms	

	• Review budget or fiscal rules • Review borrowing rules • Review budget financing rules • Review borrowing/loan oversight rules	• Written review of budget or fiscal rules and recommendations for reforms • Written review of borrowing rules and recommendations for reforms • Written review of budget financing rules and recommendations for reforms • Written review of borrowing/loan oversight rules and recommendations for reforms	4th October
4. **Market Development**	• Review Government domestic and external debt markets in terms of liquidity and efficiency • Holders of Government domestic and external debt	• Written review of Government domestic and external debt markets in terms of liquidity and efficiency and recommendations for reforms • Written review of Government domestic and external debt and recommendations for reforms • Written review of pricing competitiveness of	11th October

	• Review pricing competitiveness of Government securities	Government securities and recommendations for reforms	
5. **Debt Portfolio Management**	• Review maturities profile of Government domestic and external debt • Review investor profile of Government domestic and external debt • Review Issuance Calendars of Government domestic borrowing	• Written review of maturities profile of Government domestic and external debt and recommendations for reforms • Written review of investor profile of Government domestic and external debt and recommendations for reforms • Written review of Issuance Calendars of Government domestic borrowing and recommendations for reforms	18th October
6. **Debt Service Management**	• Review payment record of interest and principal of Government debt • Review of Government cash-flow management	• Written review of payment record of interest and principal of Government debt and recommendations for reforms • Written review of Government cash-flow management and	25th October

		recommendations for reforms	
7. **Risk Management**	• Review risk analysis of Government debt • Review risk mitigation measures	• Written review of risk analysis of Government debt and recommendations for reforms • Written review of risk mitigation measures and recommendations for reforms	29th October
8. **Draft Report**	• Write Draft Report	• Written Draft Report	10th November
9. **Final Report**	• Write Final Report and Policy Brief based on feedback from EGP	• Written Final Report and Policy Brief based on feedback from EGP	22nd November

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