

Ghana needs debt cancellation, not a bailout for private lenders

The Ghanaian government is negotiating a new loan programme with the IMF. Since 2009 the IMF has lent Ghana \$2.4 billion¹ which has helped pay high interest rates to private lenders, while increasing Ghana's debt.

Ghana's government external debt service has increased from around 5% of government revenue from 2007-2012 to over 40% in 2021.² The last Debt Sustainability Analysis conducted by the IMF and World Bank in 2021 predicted that external debt payments would stay above 30% of revenue throughout the 2020s, and this was before the energy and food price crises this year. Debt service is well over the IMF threshold for debt sustainability of 18% of government revenue.

The people of Ghana are paying the price for these multiple crises. Even before the food and fuel price shocks, real public spending per person was expected to be lower by 2025 than in 2019.³ Inflation is well over 20%⁴ as import prices have increased and the cedi has fallen in value.

But one group of people continue to make money out of Ghana's crises: lenders, especially private lenders. Ghana is due to pay \$1 billion in external interest payments in 2022, 90% of which are to private lenders.⁵ Of Ghana's external debt principal and interest payments between 2022 and 2028, 56% are to Western private lenders, 24% to multilateral institutions, 11% to Chinese public and private lenders and 8% to other governments.⁶

The interest rate on Ghana's Eurobonds is between 7% and 11%.⁷ The supposed reason for these high interest rates was the risk of lending. That risk has materialised with a global pandemic and unprecedented price shocks. Ghana's high interest Eurobonds have been bought and sold on financial markets at well below face value since autumn 2021, reaching less than 50 cents on the dollar by June 2022.⁸ This means if paid in full bondholders will make mass profits out of Ghana, both from the high interest, and from buying the debt cheaply.

The people of Ghana need significant debt cancellation, rather than an IMF loan once again paying mass profit to private lenders. Any IMF loan programme must include a debt restructuring which cancels enough debt to reduce Ghana's debt sustainability to at least moderate with space to absorb shocks. Ghana must be politically and financially supported to default on any creditors who refuse to accept this necessary large scale debt cancellation. Savings from debt cancellation must be spent on providing basic needs and public services to the Ghanaian people.

This time, it is the people of Ghana who must be bailed out, not the profits of rich lenders. Any IMF programme that results in cuts in public services or regressive tax measures, and that does not introduce measures to protect the poor and vulnerable, will be unfair and punitive to the Ghanaian people.

Signatories:

Integrated Social Development Centre, Ghana
AbibiNsroma Foundation, Ghana
Caritas Ghana
ActionAid Ghana
Faith in Ghana Alliance
Tax Justice Coalition, Ghana

Supported by:

Asian Peoples' Movement on Debt and Development

The Bretton Woods Project, UK
Caritas Africa Lome-Togo
Center for Economic and Social Rights
Debt Justice UK
erlassjahr.de - Entwicklung braucht Entschuldung e.V. (Jubilee Germany)
Eurodad – European Network on Debt and Development
Global Call to Action Against Poverty (GCAP)
Global Justice Now, UK
Global Policy Forum
Institute for Social and Economic Justice, Pakistan
Jubilee Scotland
WoMin African Alliance

References

¹ SDR1.8 billion https://www.imf.org/external/np/fin/tad/extrans1.aspx?memberKey1=350&endDate=2099-12-31&finposition_flag=YES

² World Bank International Debt Statistics database and IMF and World Bank 2021 Debt Sustainability Analysis. Ghana's Finance Ministers issued many bonds with the advice of the IMF (M. Vander Stichele, The risky interconnectedness between investment funds and developing country debt, SOMO Discussion Paper, October 2019, p. 4-5, <https://www.somo.nl/the-risky-interconnectedness-between-investment-funds-and-developing-country-debt/>)

³ <https://debtjustice.org.uk/press-release/countries-in-debt-crisis-cut-public-spending-in-face-of-soaring-prices>

⁴ <https://www.theafricareport.com/211986/ghana-inflation-over-27-in-may-hits-new-18-year-peak/>

⁵ Calculated from World Bank International Debt Statistics database

⁶ Calculated from World Bank International Debt Statistics database

⁷ See for instance: M. Vander Stichele, The risky interconnectedness between investment funds and developing country debt, SOMO Discussion Paper, October 2019, p. 4. <https://www.somo.nl/the-risky-interconnectedness-between-investment-funds-and-developing-country-debt/>

⁸ For example see: <https://markets.businessinsider.com/bonds/ghana-republic-of-bond-2029-xs1821416234>