One Hundred and Twenty-Eight Sovereign Debt News Update: Ghana's Sovereign Debt Landscape Post December 2024 Elections

By:

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As reported in the One Hundred and Twenty-Seventh Sovereign Debt News Update, Ghana headed for elections on the 7th of December 2024. These elections were largely seen as a race between the country's two big parties, the incumbent New Patriotic Party (NPP) and the opposition National Democratic Congress (NDC). On the 9th of December 2024, the then opposition leader and member of the NDC, John Dramani Mahama, was officially declared as President-elect. Mahama won with a wide margin of 56% of votes against NPP's Bawumia's 41%. Ghana celebrated the inauguration of President Mahama on the 7th of January 2025.

President Mahama's return to the Presidency came after a period of excessive borrowing to address an economic crisis made worse by higher global interest rates, the impact of the COVID19 pandemic and characterized by cost-of-living crisis for Ghanaians.

In the run-up to the elections, Mahama had committed to renegotiating the International Monetary Fund (IMF) program that came with a $3 billion bailout to fulfil his promise to reduce taxes, if he won the December elections. However even after convincingly winning December 2024 elections, President Mahama has now said that he does not seek to quit IMF deal but rather to make adjustments to the program to suit reality. In particular, the new President seeks to renegotiate the “multiplicity of taxes” agreed to as part of the programme as they have made Ghana “unpleasant for business”. Ghana's newly appointed finance minister, Cassiel Ato Forson, also announced plans to seek additional support from the International Monetary Fund (IMF) and other international partners to stabilize the nation's economy. Forson emphasized the government's commitment to fiscal consolidation, aiming to reduce inflation to single digits, improve credit ratings, and facilitate a return to the domestic bond market by mid-year. These measures are part of efforts to prevent a recurrence of the recent economic crisis and to promote sustainable growth. The Mahama administration has a lot of work to do to revive the economy, and as development economist Nii Quartey put it, *the scale of the crisis the new administration inherits is monumental*.

Rising Debt Levels and Fiscal Constraints

The reality of Ghana’s economic outlook includes fiscal pressures, coupled with inflation at 23.6%. The cedi has lost significant value against major currencies, high inflation and government debt sustainability remain a concern for investors. According to the credit agency S&P Global, Ghana's debt-to-GDP ratio is projected to remain above 60% until 2027, signalling a prolonged period of fiscal strain. This alarming statistic reflects not only the persistence of fiscal imbalances but also the broader challenges in mobilizing domestic resources effectively. On the 2nd of December 2024, the IMF Executive Board completed the third review of Ghana’s 36-month Extended Credit Facility (ECF) Arrangement. This allowed for the immediate disbursement of SDR 269.1 million (about US$360 million). According to the IMF Staff Report following that review, Ghana’s classification as a country with high debt distress will likely be reviewed after 2028. In its staff report, the IMF noted that Ghana still has the tag due to the near-term breach of the Debt Sustainability Analysis Threshold. The IMF has therefore emphasized that without sustained fiscal discipline and structural reforms, Ghana risks further deterioration of its macroeconomic stability.

Further, Ghana reportedly spent nearly half of revenue on debt servicing in 5 years. According to the 2024 United Nations report on Unpacking Africa's Debt , Ghana spent 42% of its revenue to servicing debt between 2017 and 2022. This marks a significant increase compared to the 2010-2016 period, during which 27% of Ghana's revenue was used to service debt. Undoubtedly, the 15% increase between the two periods underscores the increased fiscal pressures the country faced. In total, Ghana's debt servicing between 2010 and 2022 amounted to GH¢189 billion (USD$12.8 billion), with a staggering 81% of that paid in the latter five years. The impact of this has been significant constrains of the government's ability to invest in critical sectors such as education, healthcare, and infrastructure.

Government's Perspective

As the prior government prepared to handover to the new government, on Tuesday the 17th of December 2024, then Finance Minister Mohammed Amin Adam outlined key economic gains made under the prior government. According to Dr. Amin Adam, Ghana's economy had returned to a path of growth and stability despite the challenges of recent years. Addressing concerns about Ghana's debt, Dr. Amin Adam stated that the government had made strides in reducing the public debt stock: “The total public debt decreased by GHC46.8 billion from GHC807.79 billion in September 2024 to GHC761.01 billion in October 2024. This reduction brought the debt-to-GDP ratio down from 79.2 percent to 74.6.”

This view has been met with scepticism from stakeholders, including economists and civil society organizations, who question whether these policies of the previous government adequately addressed systemic inefficiencies and fiscal imbalances. Critics argue that while short-term measures may create an appearance of stability, the underlying structural issues remain unresolved, threatening long-term economic sustainability. This tension between the government's optimistic outlook and the reality of Ghana's fiscal challenges underscores the need for improved economic policies, especially by the incoming government. Ghana’s former President Akufo-Addo has since challenged President Mahama’s administration to achieve the debt-to-GDP ratio of 55% by the end of its tenure.

Domestic Legal Interventions on Irresponsible Borrowing

Meanwhile, in an effort to enhance fiscal accountability, legal initiatives aimed at curbing unconstitutional borrowing by state entities are gaining momentum and fostering critical discussions on debt transparency and governance. On the 15th of November 2024, Private legal practitioner Jonathan Amable filed a motion before the Supreme Court, seeking to block government from engaging in any new domestic borrowing or debt financing operations unless they are approved by parliament. The legal challenge centres on allegations that government has been raising funds through various debt instruments (such as Treasury bills, Treasury bonds and advances from the Bank of Ghana (BoG)) without obtaining necessary parliamentary approval for the terms of those borrowings.

According to Mr. Amable, who specialises in corporate and public finance legal advisory services transactions, these actions violate the 1992 Constitution which mandates that terms and conditions of government borrowings must be presented to and approved by parliament before becoming effective. The legal initiative has gained momentum as, on the 16th of December, Amable formally requested an expedited hearing from the Supreme Court regarding a constitutional injunction application filed against government that seeks to address concerns over the alleged unconstitutional borrowing practices. This is a development worth following as it points to the growing recognition of the role of domestic legal systems in safeguarding fiscal integrity, transparency and accountability, and the upholding of the rule of law. complementing international efforts to address debt sustainability issues.

2025 for Ghana

For Ghana, the broader context emphasizes the interconnected nature of sovereign debt crises, where local challenges reflect systemic issues in the global financial architecture. Addressing these challenges requires not only domestic reforms but also coordinated international efforts to ensure fairer terms of debt resolution. On the 3rd of January 2025, the government of Ghana paid Eurobond coupons totalling US$346 million as part of the restructuring terms under its US$13 billion restructured external debt, with the next coupon payment anticipated in July 2025. By making consistent debt payments, Ghana may help Ghana lift its Long-Term Foreign Currency (LTFC) Issuer Default Rating (IDR) from its current Restricted Default status to a triple C.

The IMF Staff report also notes that the Official Creditor Committee (OCC) is also working with Ghana on preparing bilateral agreements that can serve as guides for all OCC members to implement their Memorandum of Understanding. The needed agreements are expected to be signed by the end of June 2025. In the meantime, Ghana is hoping to soon finalize negotiations with commercial creditors.

Conclusion

Ghana’s debt situation underscores the critical need for comprehensive domestic legal and policy measures to enhance debt sustainability, strengthen public financial management, and ensure inclusive growth. The new Mahama administration must prioritize systemic reforms that align fiscal policies with long-term economic stability and development goals. More importantly, it must push for the expediting of the debt restructuring efforts under the G20 Common Framework. Over and above, Ghana’s experience, together with those of Zambia and Ethiopia, continue to expose the inadequacies of the Common Framework, demonstrating the need for a new comprehensive, fair, and effective sovereign debt restructuring system based in the United Nations, and that is binding on all creditors, including commercial creditors.

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