The Debt Tracker

April 1, 2024 – April 30, 2025

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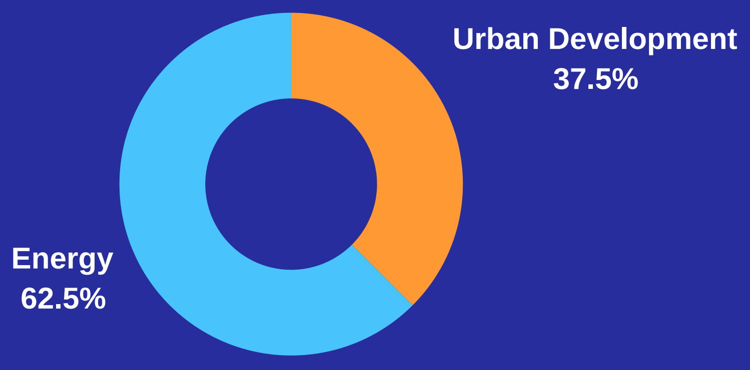
Africa Centre for Energy Policy

Debt acquired - US$ 400 million

Newly Approved Loans to Ghana between April 1, 2024 and April 30, 2025			
Date Approved	**Amount**	**Purpose**	**Lender**
17-05-2024	US$150m	Additional Financing Agreement to finance the ongoing Greater Accra Resilient and Integrated Development (GARID) Project	International Development Association of the World Bank Group
04-09-2024	US$250m	Support for the Energy Sector Recovery Program and the National LPG Promotion Policy	International Development Association of the World Bank Group

Classification of Loans by Sector



Energy Sector Debt (Under-recoveries)

US$ 876.54 million

Data for the Debt Tracker is primarily sourced from parliamentary records, relevant government contracting documents and the official website of the Public Utilities Regulatory Commission (PURC).

Tracking Ghana's Path to Debt Sustainability

Introduction

The IMF's Debt Sustainability Analysis, conducted before Ghana's 17th Programme with the Fund, revealed that the country was in debt distress with a medium debt-carrying capacity. This underscored the need for Ghana to reassess its fiscal management, particularly towards the resolution of its governance and institutional inefficiencies. The energy sector, a major driver of Ghana's economic challenges, required urgent reform to ensure fiscal and macroeconomic stability and prevent a relapse into debt distress.

Over a year after the approval of the IMF Extended Credit Facility (ECF), Ghana has made progress in its debt restructuring efforts, both domestically and externally. The approval of a fourth tranche this year under the ECF brings total disbursements to $2.36 billion. However, while these measures provide temporary relief, lasting debt sustainability depends on addressing deep-rooted governance challenges.

This debt tracker monitors the relationship between Ghana's debt sustainability and key fiscal governance decisions, with a particular focus on the energy sector – a long-standing pressure point on the national budget.

Newly Approved Debt

Following the completion of debt restructuring and the phased release of the IMF facility, the government continues to secure commercial loans to support development initiatives. Between April 1, 2024, and April 30, 2025, Parliament approved two new loan agreements, totalling US$400 million from the World Bank. However, the effectiveness of these loans in driving sustainable development is heavily contingent on sound fiscal policies.

While some of these newly acquired funds may contribute to capital investment, the trend shows that recurrent expenditure continues to dominate overall spending. Recent fiscal data reveals that recurrent expenditure rose from 86.3% of total government spending in 2023 to 87.0% in 2024. This growing dominance of recurrent spending highlights a fiscal framework disproportionately focused on short-term consumption rather than strategic investments for long-term growth and value creation. This imbalance hinders Ghana's ability to break free from debt dependence and increases the risk of reverting to debt distress.

Energy Sector Debt

The energy sector remains a critical factor in Ghana's debt management efforts. There has been a longstanding trend of the sector's debts and losses being borne by the national budget, depriving Ghanaians of social spending that hitherto would have improved social welfare and quality of life.

To curb the sector's debt accumulation, the IMF recommended quarterly electricity tariff adjustments to reflect changing economic conditions. These adjustments, however, have not yet translated into the expected increase in revenue for electricity distribution companies. Between April 1, 2024, and April 30, 2025, the Electricity Company of Ghana (ECG) declared approximately US$855.39 million in tariff revenue under the Cash Waterfall Mechanism (CWM), falling 50.74% short of the projected US$1.73 billion. This shortfall – which does not include interest, drawdowns on letters of credit, or judgment debts – further deepens the sector's financial crisis.

Remarkably, the unrecovered revenue of US$876.54 million exceeds the US$400 million in new loans approved by Parliament during the same period (i.e., 219.14% of newly approved loans), reemphasizing the fact that it is a significant contribution to the debt that cannot be overlooked. Without a comprehensive overhaul, the prevailing inefficiencies will continue to erode the sector's viability, undermining Ghana's debt sustainability efforts.

Conclusion

Effective loan utilization and accountability are essential for Ghana's journey toward debt sustainability. The government must prioritize capital projects in allocating newly approved loans to generate long-term returns and offset the growing debt burden.
Equally crucial is a comprehensive reform of the energy sector, given the magnitude of impact on national debt. Despite quarterly tariff adjustments by the PURC, ECG continues to under-recover revenue, creating a vicious cycle of deficits that carry over into subsequent quarters, threatening overall economic stability.

Urgent interventions are needed to address the root causes of debt accumulation. A complete transformation of the power distribution sector – focusing on managerial and technical efficiency – is critical to ensuring the financial sustainability of the electricity value chain. This would ease fiscal pressure and free up resources for social and economic development, ultimately improving the well-being of Ghanaians.