



BREAKING THE CYCLE OF IMF SUPPORT ADDRESSING GOVERNANCE INEFFICIENCIES AND DRIVERS OF PUBLIC DEBT IN GHANA

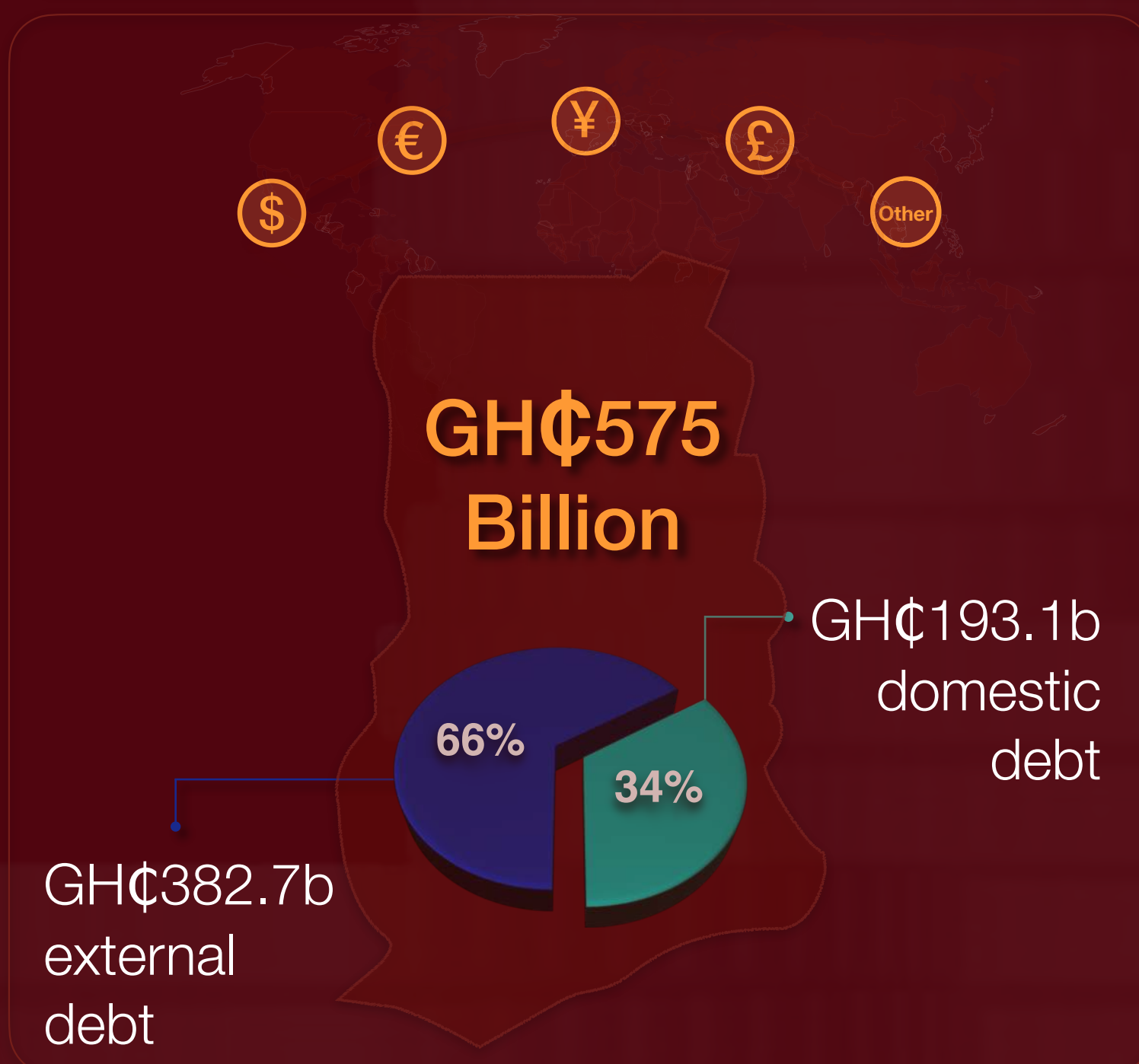
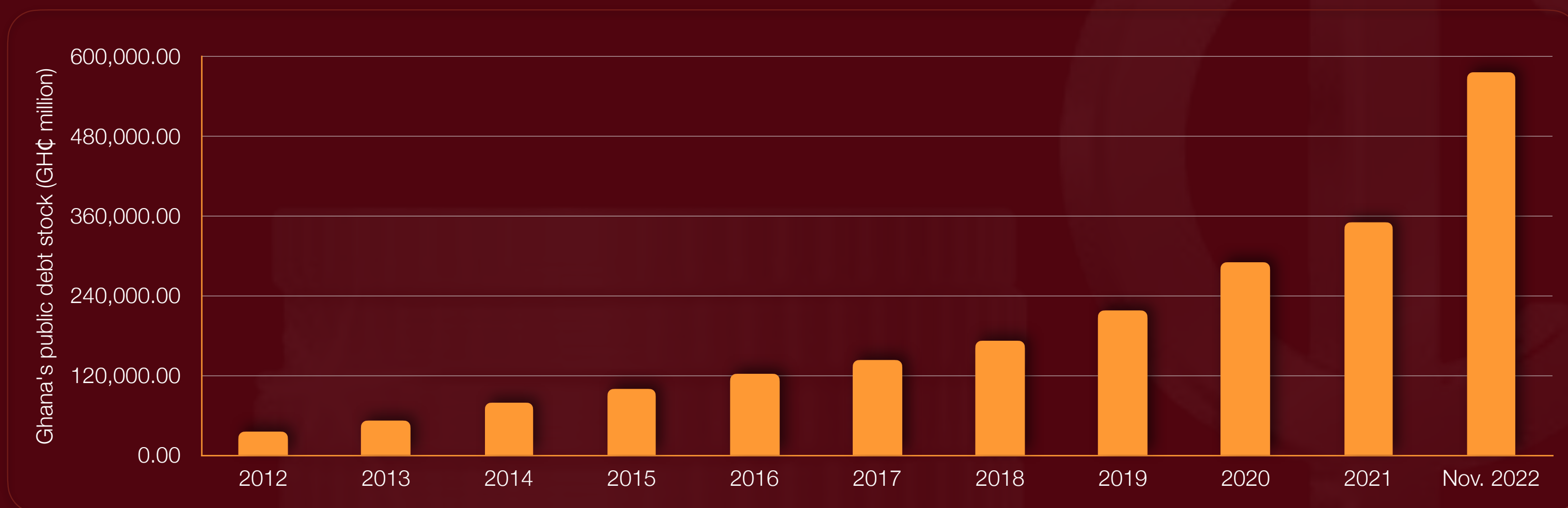
Report Summary



Africa
Centre for
Energy Policy

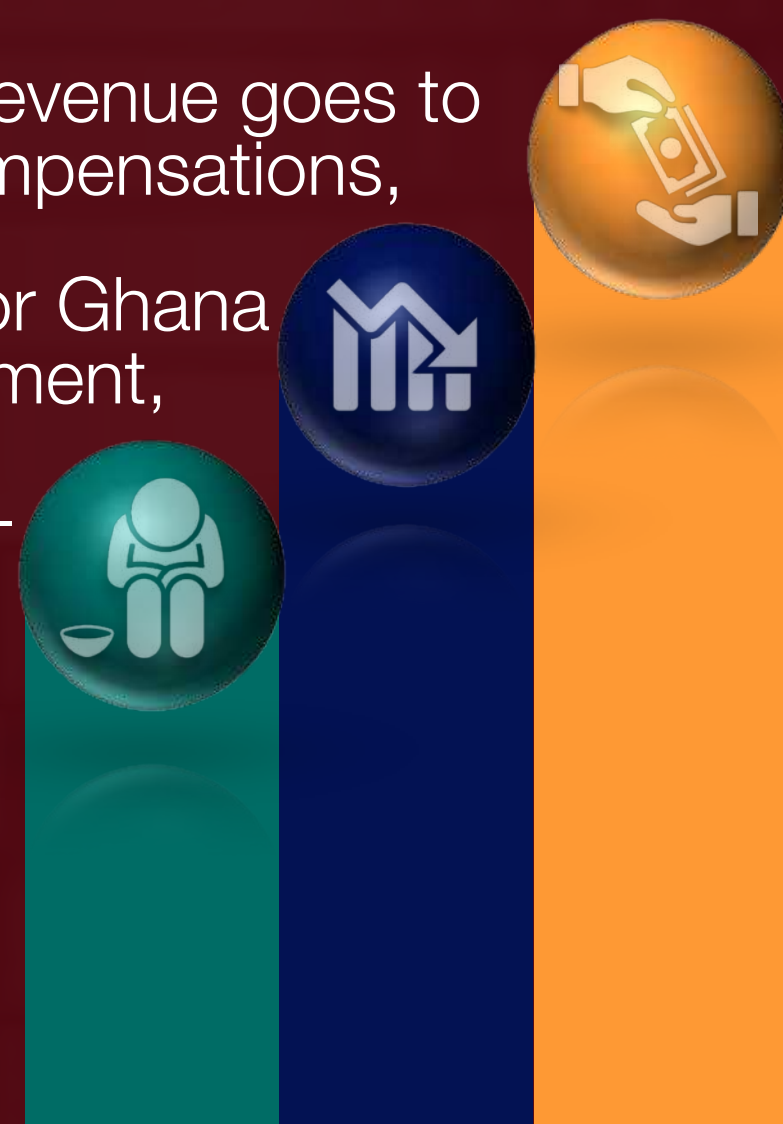
Ghana's Debt Trajectory

Ghana's public debt surged from **GH¢35 billion** to **GH¢575 billion** between 2012 & November 2022



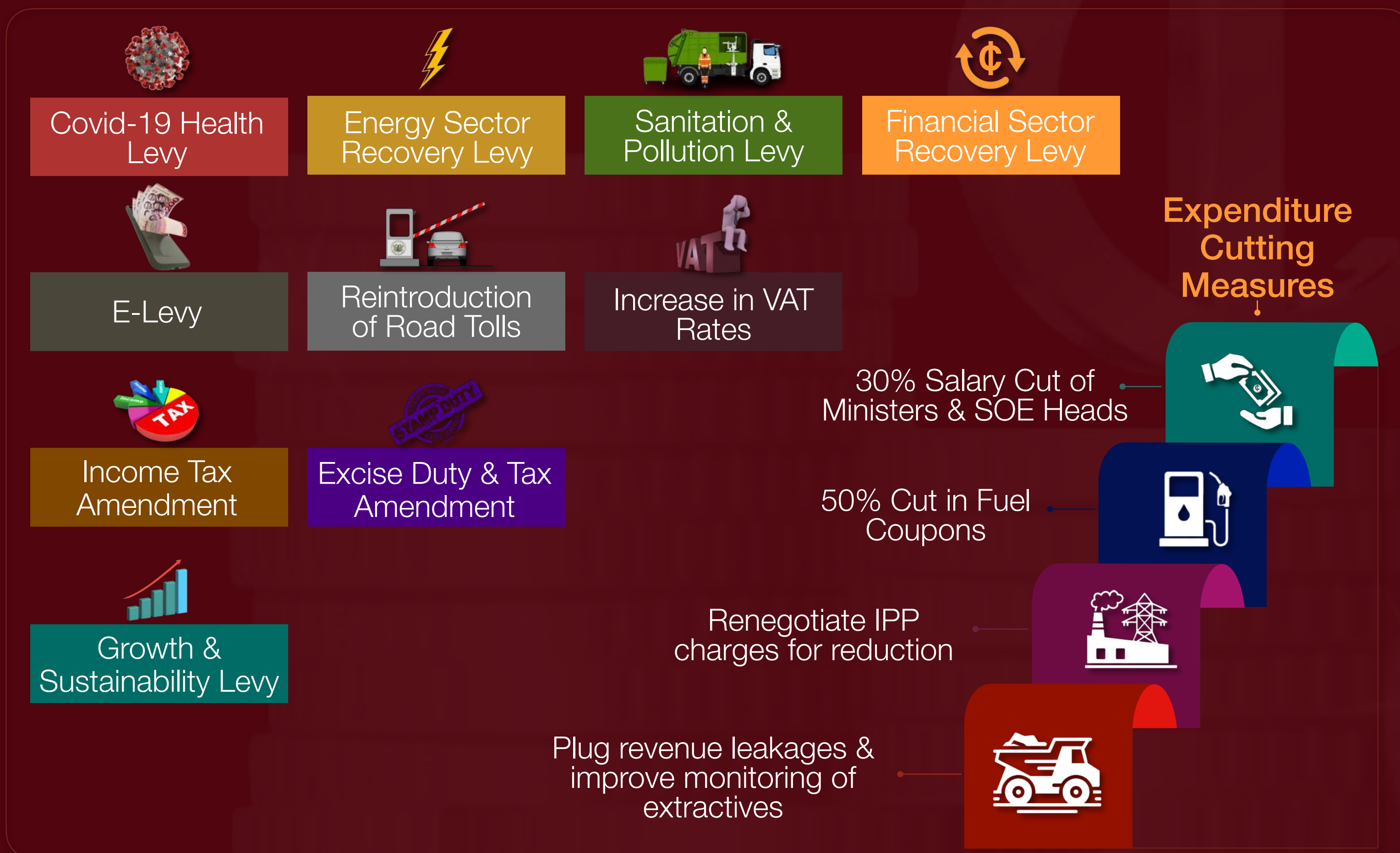
Impact of the rising public debt

- 94% of domestic revenue goes to pay interests & compensations,
- making it difficult for Ghana to finance development,
- thus, stalling socio-economic growth.



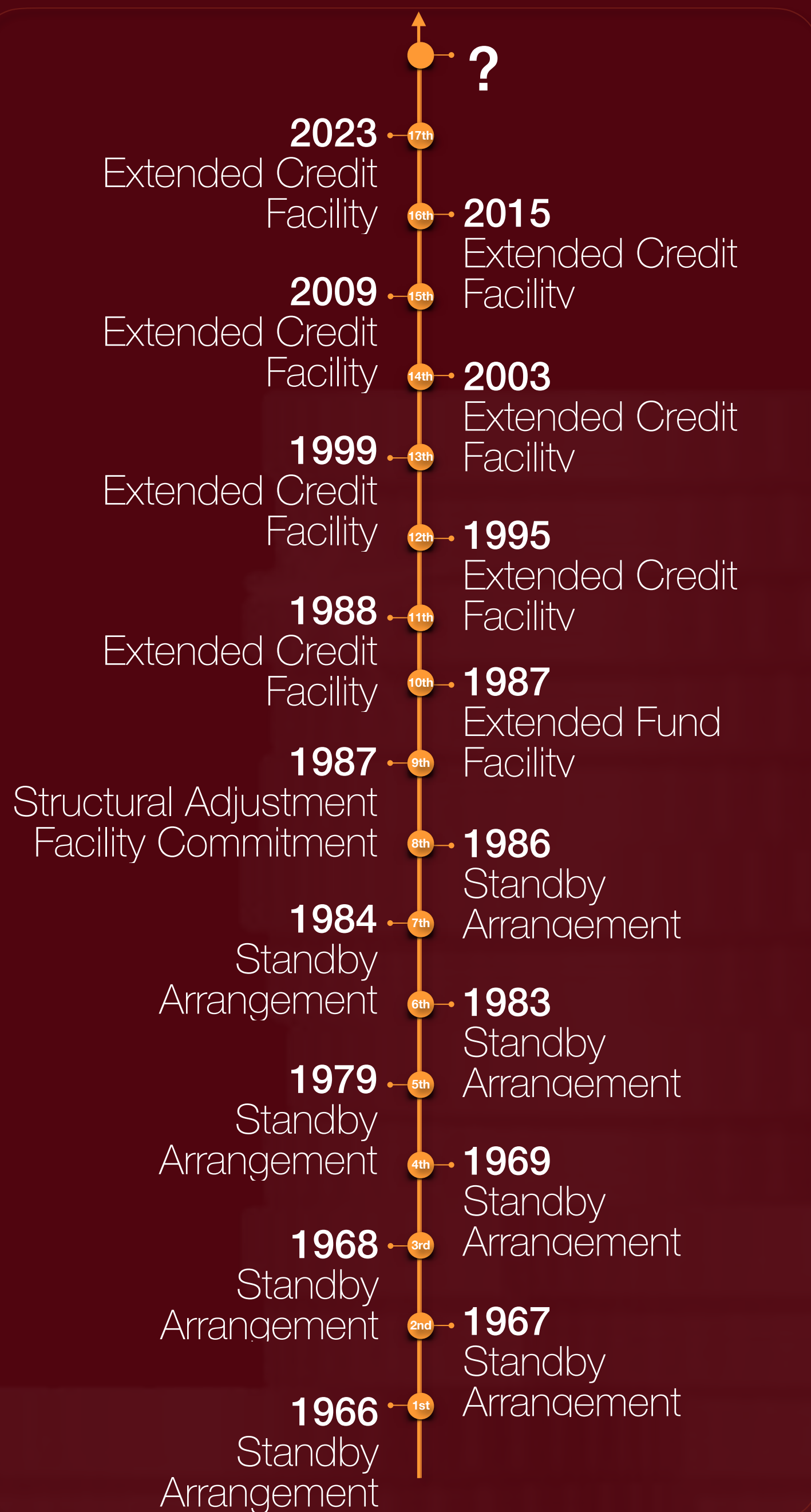
Approach Towards Fiscal Consolidation

The government of Ghana implemented various policies to stimulate economic growth (2021-2023)



These policies & measures, among others, fell short of economic sustainability & failed to keep the **government's resolve to avoid IMF.**

Ghana & the IMF; 17 Times & Counting



Averagely, Ghana approaches the IMF every 4 years.

Will Ghana make an 18th appearance in the next 3-4 years?

Will interventions suffice?

Managing Public Debts

Borrowing at high interest rates can be worthwhile if investments can generate returns that can at least pay the interest and amortisation of the principal. But,



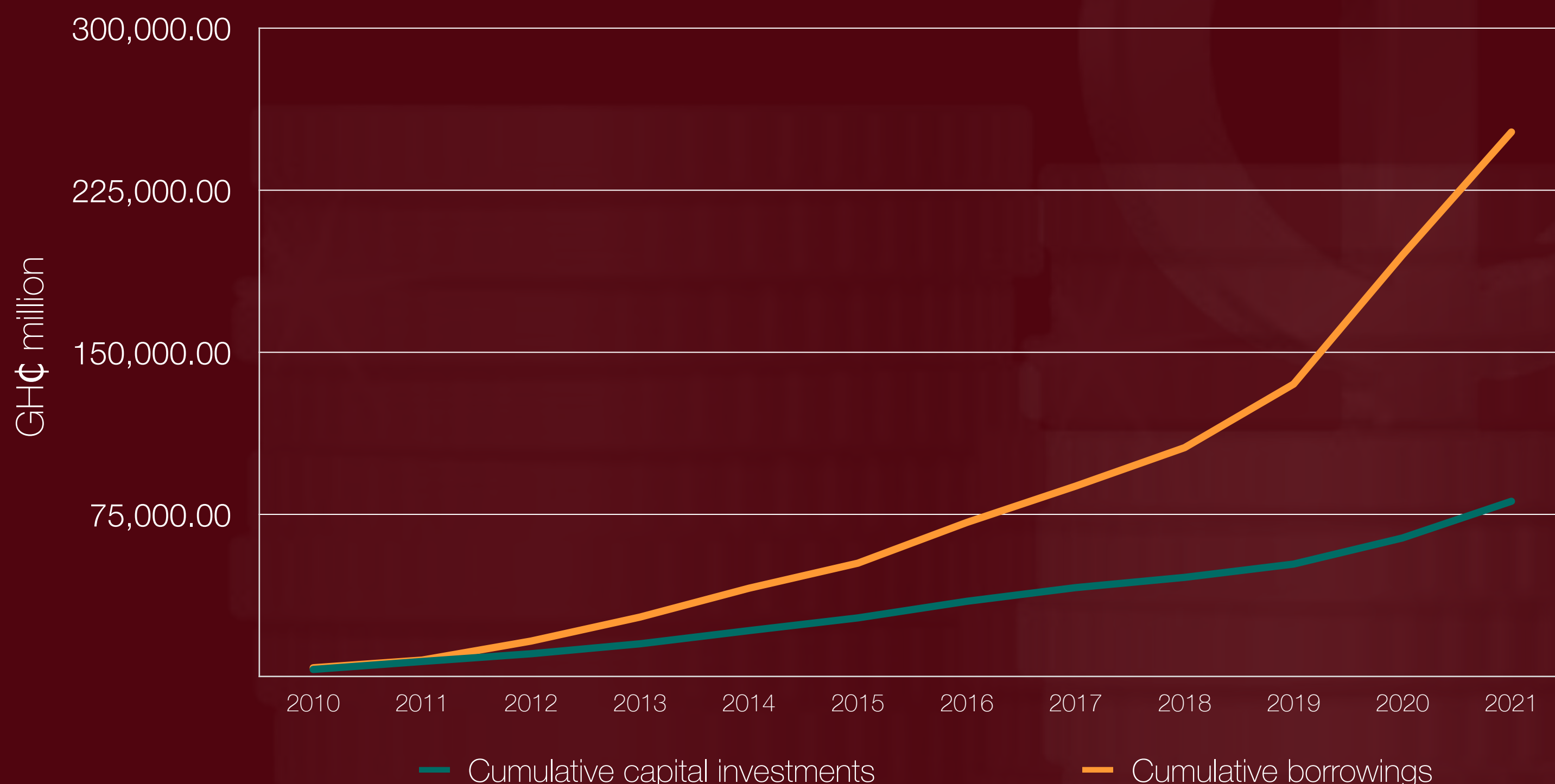
What investments are the borrowed funds aligned to?

What robust measures are instituted to ensure the efficiency of government operations to reduce exposure to debt?



What investments are borrowed funds used for?

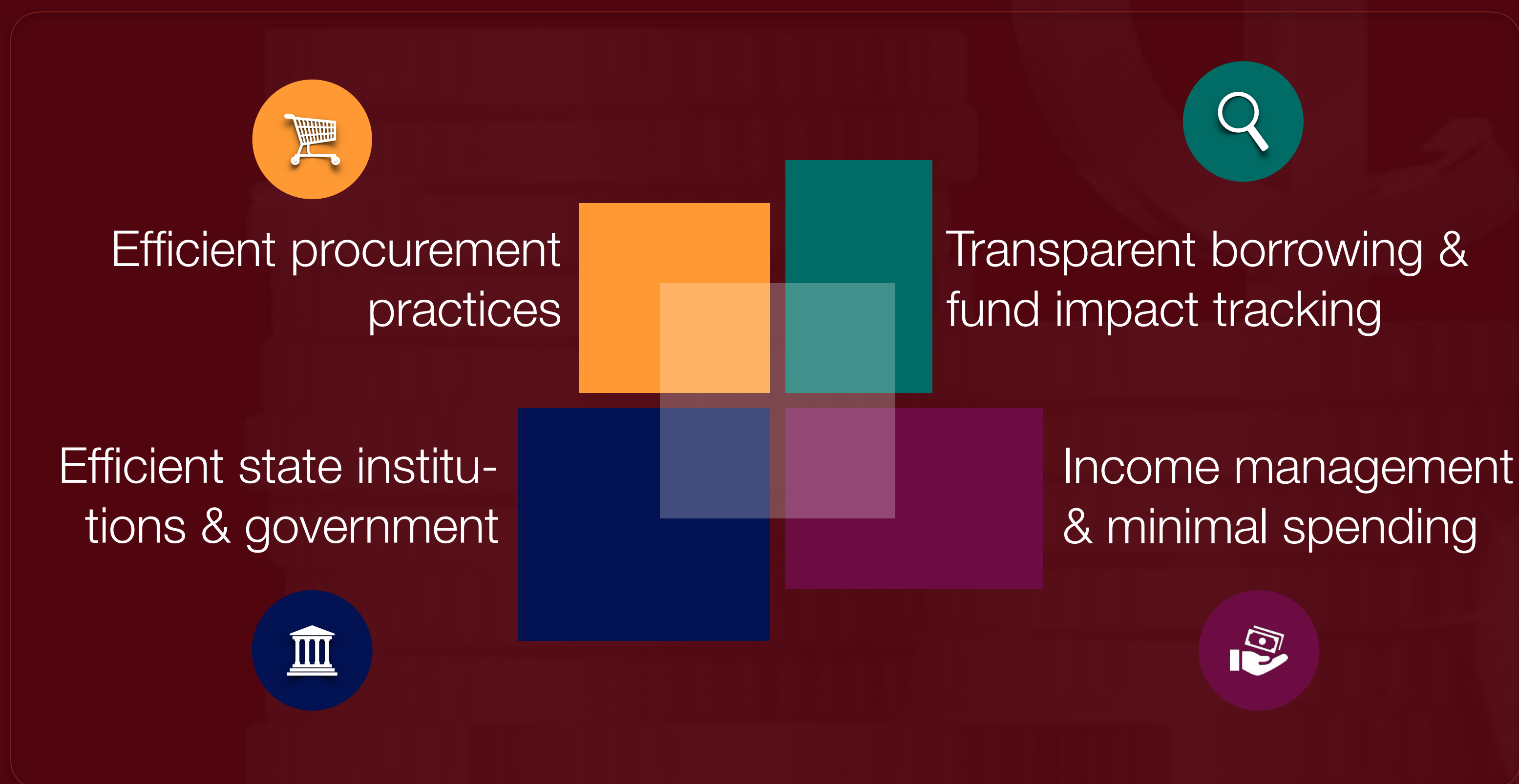
Widening gap between capital investments and debt accumulation.
Has government invested much into capital projects?



Borrowing to finance current expenditures or short-term projects can create a **debt burden** that must be repaid in the future.

What Robust Measures Are Instituted To Ensure the Efficiency of Government Operations?

Borrowing requires optimising the institutional arrangements for government operations to generate the needed returns.



Debt Drivers - Inefficiencies in Government

Operations

Government inefficiencies in procurement, expenditure planning, loan monitoring, & institutional operations result in resource misallocation, poor service delivery, & weakened institutions.



Patronising
Procurement
Systems



Procurement irregularities between MDAs & PBCOSI surged from **GH¢3.91 million** to **GH¢363.23 million**, highlighting system weaknesses



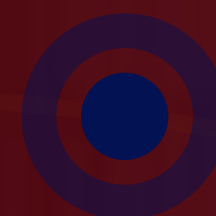
Poor
Contingency
Planning &
Overspending



The gov't of Ghana lives beyond its means as revenue-expenditure gap widens since 2011



Gaps in Loan
Monitoring
Mechanism



Many loan-funded projects lack real-time monitoring & undergo delayed project performance audits



Inefficient
State
Institutions &
Governments



Ghana's expansionary government, project delays, and poor delivery hinder investment returns and debt repayment

Debt Drivers - Spotlight on Energy & Extractive Sectors

Despite its importance for economic growth, government actions hinder Ghana's extractive sector (oil, gas, mining), highlighting the need for policy optimization.



Decisions around oil production

The government's indecisiveness led to oil production drop from 71 million to 52 million barrels between 2019 - 2022



Wasted gas resources

Gas wastage through flaring and reinjection led to loss of about \$395 million without accounting between 2019 - 2022



Power sector debts and under-recoveries

The government projects to spend up to GH¢97 billion to cover power sector shortfalls between 2023 - 2026



Revenue stream diversion into secret jurisdiction

\$200M+ in revenues was not deposited into the PHF as mandated due to the diversion of 7% of Ghana's interest in the Jubilee and TEN fields to the Cayman Islands

Resolving Ghana's Debt Requires More Than Just IMF

The governance structure needs significant changes for long-term accountability, efficiency, & effective policy implementation.

Recommendations

National dialogue for effective procurement system



1

Perform audit of state agencies for optimal operations



3

Private sector participation with state regulation in power sector



5

Active citizenship and dialogue for debt sustainability



7



Align expenditures with revenue to reduce deficit



Assess expenditure effectiveness & project capacity



Transparently enforce laws in the energy & extractive sectors



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Read full report at

acep.africa/ghanas-debt-drivers/

