A new debt crisis has begun to emerge across several of the world’s poorer economies, and Ghana is one country that has been particularly impacted. The crisis is global and comes from a boom in lending and borrowing after the last financial crisis, and the following fall in the price of commodities which low income countries, particularly in Africa, rely on for the basis of their economies.

Back in the early 2000’s a huge international civil society campaign forced international lenders to cancel a significant amount of debt. Ghana was among several countries that won debt relief in 2005.

But this victory did not stop international governments,
multinational financial institutions, and private lenders lending to those same countries, speculating on future growth and expecting to profit from the loans regardless of whether the countries could afford to pay.

If Ghana’s debt is not dealt with effectively, it will become more and more likely that the country will tip back into debt crisis. It could lead to increasing poverty as the government spends less on services that the public really need.

This resource will help you explore: Where has the debt come from? Why was it taken on? What options does Ghana have now to deal with debt a decade on? Read on to find out more.

“Africa is a paradox which illustrates and highlights neo-colonialism. Her earth is rich, yet the products that come from above and below the soil continue to enrich, not Africans predominantly, but groups and individuals who operate to Africa’s impoverishment.”

First President of the modern Republic of Ghana, Osagyefo Kwame Nkrumah
Ghana became the first African country to declare independence from the UK in 1957, starting a wave of freedom movements that spread across the continent, bringing an end to European colonial rule in Africa.

For much of its recent history, Ghana has relied on just a few commodities for its income. This led to some economic growth at times when the value of these commodities was high. It also

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**KINGDOM OF GHANA**

- **1471**: Europeans begin to arrive, build trade ports on the coast
- **1874**: The British claim the Gold Coast as a Crown Colony; Treaty of Fomena forces the Asante to pay 50,000oz of gold
- **1500’s-1700’s**: Trade in enslaved people expands to meet demand of new planation economies
- **1900**: Nana Yaa Asantewaa leads the last Asante uprising after the British demand more control and interest on the earlier treaty
- **1821**: The British government seizes trading ports, begins expanding control across local kingdoms
- **1950**: Ghana struggles for and wins independence in 1957
encouraged lenders, like the IMF and the World Bank, to offer loans to the government because the economy was growing. In 2012, former US President Barack Obama hailed Ghana as a 'model for democracy', saying it has become a ‘wonderful success story economically for the continent’. Ghana had begun producing and exporting oil the year before, and had made huge strides towards its development goals.

1966
Kwame Nkrumah, Ghana’s first President, is overthrown in a CIA supported plot. First loans issued to Ghana later that year

1971
Cocoa price crash and production collapses, leaving the economy in disarray

1980’s - 90’s
Ghana accepts IMF and World Bank loans and begins a structural adjustment reform package

2005
Ghana’s debt is cancelled by the IMF

2011
Oil pumping in Ghana begins

2013 - 2014
The price of gold and then oil falls globally

2016
Ghana’s debt reaches dangerous levels
What are the reasons behind Ghana’s debt?

Commodity dependence

Ghana’s economy depends on a few commodities. Gold, cocoa and oil make up 80% of Ghana’s exports. This is fine when these products have a high price on the global market but when the price crashes, the economy becomes extremely vulnerable. They also create few jobs, and big companies can make huge profits from them, often whilst not paying tax.

Colonialism

‘Commodity dependence’ started when Ghana was colonised by the British empire. Britain wanted raw goods to feed manufacturing back home. This meant countries like Ghana produced only a couple of commodities, one’s that Britain wanted, and it has largely remained this way to this day.
While it seems like a contradiction, after Ghana’s earlier debts were cancelled in 2005, lenders became more willing to offer the government loans. From 2008 there was a lending boom during which Ghana took on more debt each year, with lenders keen to exploit potential profits from interest. By 2015, £18.2 billion in loans had been taken on in just 8 years.

Despite the interest repayments becoming more and more difficult to keep up with, the World Bank continued to offer Ghana loans, even guaranteeing millions more if Ghana failed to pay off its private lenders. The government did not tell its people what many of the loans were used for and the debt has risen to crisis levels.

Suddenly, not only was the government having to cover billions in debt repayments, but also pay off the massive interest that was piling up. Then, in 2014 the value of commodity products fell dramatically. This meant the economy was getting less income from its exports and the cedi (currency) lost a lot of value. Both these factors meant that Ghana’s debts became much larger in value - and much more difficult to pay off.
While borrowing is often considered a healthy option for governments to manage their budgets, for many so-called ‘developing countries’ in the global South, debt has taken on another character, as a weapon of neo-colonial control. There are many players in this crisis in Ghana:

**The Ghanaian government:** It has not been transparent about its borrowing and about what it has used the money for. It has been accused of misspending the money and mishandling the economy.

**UK law:** Most of the debt that is owed by Ghana was issued under UK law, meaning if Ghana cannot pay its debt, the lenders can go to the UK courts to force the government to pay.

**The IMF:** The International Monetary Fund has offered many loans to Ghana, which are usually given to pay off an original lender when money is scarce (eg a bank) and come with several conditions, such as privatising of certain public services.

**The World Bank:** In 2015, even as it assessed Ghana’s economy to be at risk, it broke its own rules on sustainable lending and gave a $400 million
guarantee to a high-interest private loan to the country, the first such guarantee it has given for 15 years. About 20% of Ghana’s debt is owed to multilateral institutions, with over half that owed to the World Bank.

**Public Private Partnerships:** PPP’s are like a mortgage used by the government to build new infrastructure such as hospitals and schools. The World Bank has arranged several PPPs in Ghana. Instead of paying up front, the government gets a group of private companies to build the hospital, who manage the construction, maintenance, cleaning etc. The government (ie the taxpayer) then pays to use the hospital, covering maintenance costs, the debt and interest taken on by the private company to build it. All the while, profits go to the private company.

**Domestic lenders and private speculators:** Private lenders within and outside Ghana also make up a large proportion of the creditors, with 32% and 30% respectively of the total debt owed to these parties.

**Tax avoiding multinationals** or unfair tax rules for multinational companies mean that those that operate in Ghana are taking huge profits and putting them in their pockets, rather than paying a fair tax that could be levied for improving public services.

“We think that debt has to be seen from the standpoint of its origins. Debt’s origins come from colonialism’s origins. Those who lend us money are those who had colonized us before. They are those who used to manage our states and economies.”

*Thomas Sankara, former President of Burkina Faso*
The huge interest on the loans and pressure from the IMF and World Bank means that the Ghanaian government is having to prioritise paying off debts rather than funding essential public services like schools and hospitals, putting at risk huge gains in primary school attendance and reductions in infant mortality achieved over the past decade.

The IMF has:
- Imposed a freeze on new public sector employment.
- Removed subsidies for utility tariffs and fuel prices, meaning prices will go up.
- Pushed to reduce public spending in Ghana by 20% per person.

“The economy is very bad, it is very difficult to make ends meet. I haven’t been paid my civil servant salary for two months. This means I haven’t been able to send my children to school for two weeks, as I can’t pay the fees. We are dying slowly.”

Madam Maatyo Dedo Azu
Urgent action is needed to ensure Ghana does not fall into an extended debt trap in which government spending continues to fall, which will increase poverty and inequality.

Civil society organisations in Ghana don’t just want debt cancellation – they want to make sure the crisis leads to greater levels of transparency and accountability, rather than simply letting off a ‘bunch of crooks’.

Here is what the Ghanaian government could do:

• **Conduct a debt audit:** This means the government and lenders should publicly reveal how much debt there is, what the loans were taken out for, and what they were spent on.

• **Agree to a debt conference:** Civil society organisations have called for a conference with all the creditors and the government to agree to bring debts down to a sustainable level.

• **Default or threaten to default:** Defaulting means refusing to pay your debts. Currently, there is no legislation to protect governments in the case of bankruptcy as we have for companies. But, if lenders have lent irresponsibly, threatening to not pay could force lenders to agree better terms.

Here are some things you can do:

In Ghana - Support Ghanaian civil society organisations to engage critically with government policy and get their voices heard. Join up with VAZOBA’s efforts to organise Glocal Action Learning Concourses on Debt and Development in schools, colleges and community spaces.

In the UK - Connect with the Jubilee Debt Campaign to help to get debt on the political agenda, both in the UK and internationally, and advocate for fair distribution of economic resources for all people in Ghana.

Anywhere! - Have a conversation about who really owes who, whether it is morally right to lend and demand payment in this way, and who is responsible for Ghana’s debt situation today with your friends and family. Exploring the systemic issues behind the crisis is the first step!
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All-Afrikan Networking Community Link for International Development (AANCLID)
Integrated Social Development Centre (ISODEC)
VAZOBA Afrika and Friends Networking Open Forum
SEND Ghana
Kilombo Centre for Citizens Rights and Conflict Resolution
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