# Ghana’s Public Debt in 2023: Analysis and Key Insights

Explore Ghana’s public debt situation, key statistics, and strategies for managing debt.

Learn about the challenges and future projections for debt sustainability.

## Highlights

- An in-depth analysis of Ghana’s public debt situation, its causes, and its impact on the economy.
- Top 10 key statistics on Ghana’s public debt and economic outlook.
- Strategic recommendations for managing and reducing public debt.

## Content

### The Current State of Ghana's Public Debt

**Highlights:**

- An in-depth analysis of Ghana’s public debt situation, its causes, and its impact on the economy.
- Top 10 key statistics on Ghana’s public debt and economic outlook.
- Strategic recommendations for managing and reducing public debt.

**Research Methodology:** This article is based on data from the Ministry of Finance, Bank of Ghana, International Monetary Fund (IMF), and World Bank reports. The analysis includes both quantitative data from official government sources and secondary data from academic research and economic forecasts. Key areas of focus include debt composition, debt-to-GDP ratio, and the impact of debt on fiscal stability.

**Key Statistics and Facts:**

1. Ghana’s public debt reached approximately **GH₵575 billion** ($47 billion) in 2023, representing **74%** of the country's GDP.
2. External debt accounts for nearly **60%** of the total public debt, with significant exposure to international lenders.
3. Debt servicing costs in 2023 consumed over **45%** of government revenues.
4. Domestic debt makes up about **40%** of the total debt portfolio.
5. The IMF approved a **$3 billion** Extended Credit Facility (ECF) for Ghana in 2023 to help manage the debt crisis.
6. Ghana’s debt-to-GDP ratio has increased from **58%** in 2019 to **74%** in 2023 due to rising borrowing needs and economic shocks.
7. In 2022, Ghana initiated a domestic debt restructuring program to alleviate the burden of high-interest payments.
8. The government aims to reduce the debt-to-GDP ratio to **55%** by 2026 through fiscal consolidation measures.
9. Interest rates on domestic debt have reached **30%**, increasing the cost of borrowing.
10. Ghana's total debt servicing in 2023 amounted to **GH₵90 billion**, placing significant strain on government finances.

### Body of Article/Critical Analysis:

Ghana's public debt situation has become one of the most pressing challenges facing the economy. As of 2023, the country's total public debt stands at **GH₵575 billion**, or **74%** of GDP, placing significant pressure on government finances and threatening the country's fiscal stability. The rapid accumulation of debt has been driven by a combination of factors, including high fiscal deficits, global economic shocks, and the need for large-scale borrowing to finance infrastructure projects and social programs.

One of the primary concerns with Ghana's public debt is the high level of external borrowing. External debt, which accounts for nearly **60%** of the total debt portfolio, exposes the country to exchange rate risks and fluctuations in international financial markets. With a significant portion of the debt denominated in foreign currencies, the depreciation of the Ghanaian cedi has further increased the cost of debt servicing. In 2023, debt servicing consumed over **45%** of government revenues, diverting funds away from critical sectors such as education, health, and infrastructure development.

The domestic debt burden is also a critical issue. Domestic debt accounts for **40%** of Ghana's total debt and is characterized by high-interest rates, with rates reaching as high as **30%** on government bonds. This has increased the cost of borrowing domestically, limiting the government's ability to finance its budget deficit through the local market. Additionally, the large proportion of government spending allocated to interest payments has constrained the government's fiscal space, leading to cuts in public spending and a reduction in social services.

In response to the growing debt crisis, the Ghanaian government has taken several steps to address the situation. In 2022, the government launched a domestic debt restructuring program aimed at lowering interest payments and extending the maturity profile of domestic bonds. This restructuring has helped alleviate some of the immediate pressure on the government's finances, though it remains a temporary solution.

Additionally, the International Monetary Fund (IMF) approved a **$3 billion** Extended Credit Facility (ECF) for Ghana in 2023. The program is designed to support the government's fiscal consolidation efforts, enhance macroeconomic stability, and promote sustainable debt management. However, the IMF has urged Ghana to implement structural reforms, including improving public financial management, increasing domestic revenue mobilization, and reducing the public sector wage bill.

### Current Top 10 Factors Impacting Ghana's Public Debt:

1. **High Fiscal Deficits:** Persistent budget deficits have driven the need for increased borrowing.
2. **Exchange Rate Volatility:** Depreciation of the cedi has increased the cost of servicing external debt.
3. **Rising Interest Rates:** High domestic borrowing costs have exacerbated the debt burden.
4. **Global Economic Shocks:** COVID-19 and the Russia-Ukraine war disrupted global markets, reducing Ghana's export revenues and increasing borrowing needs.
5. **Debt Servicing Costs:** Debt servicing has consumed a large portion of government revenues, limiting fiscal space for public investments.
6. **Public Sector Wage Bill:** A significant portion of government spending goes toward public sector wages, leaving less for debt repayment.
7. **Oil Revenue Volatility:** Fluctuations in global oil prices have impacted Ghana's revenue generation, particularly from the oil and gas sector.
8. **Debt Restructuring Challenges:** Ongoing efforts to restructure both domestic and external debt have created uncertainty in financial markets.
9. **Infrastructure Projects:** Large-scale infrastructure investments, while necessary, have contributed to the rapid accumulation of debt.
10. **Weak Revenue Mobilization:** Ghana's low tax revenue base has limited its

ability to generate sufficient funds to finance the budget deficit and pay down debt.

**Projections and Recommendations:**

Looking forward, Ghana's public debt is projected to remain high in the short to medium term, with the debt-to-GDP ratio expected to stabilize around **75%** in 2024. However, with the government's commitment to fiscal consolidation and the support of the IMF program, the debt ratio could decline to **55%** by 2026. Achieving this target will require strict adherence to fiscal discipline, including limiting the budget deficit, improving domestic revenue mobilization, and reducing reliance on external borrowing.

One of the most important recommendations for Ghana is to enhance its revenue base through tax reforms. By broadening the tax base and improving tax compliance, the government can generate additional revenue to reduce its borrowing needs. Additionally, prioritizing investment in sectors that generate foreign exchange, such as agriculture, mining, and manufacturing, can help mitigate the impact of external shocks on public finances.

Ghana must also continue to pursue debt restructuring negotiations with its creditors to ease the burden of debt servicing. This includes seeking longer maturity periods, lowering interest rates, and reducing the overall debt stock where possible. Strengthening public financial management systems to improve transparency and accountability in government spending will also be critical for gaining investor confidence and ensuring the sustainable management of public debt.

**Conclusion:**

Ghana's public debt situation poses a significant challenge to the country's economic stability. While efforts have been made to address the issue through debt restructuring and IMF support, the country's debt levels remain high, and the cost of servicing the debt continues to strain public finances. To achieve sustainable debt levels, Ghana must implement fiscal consolidation measures, enhance revenue generation, and reduce reliance on external borrowing. By doing so, the country can regain control over its fiscal position and promote long-term economic growth.

**Notes:** This article provides a comprehensive analysis of Ghana's public debt in 2023, highlighting the key factors driving debt accumulation and offering recommendations for addressing the challenges.

**Bibliography + References:**

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