HOW NOT TO MISS A CRISIS: LESSONS FROM GHANA

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Executive Summary

Ghana's 2022 debt crisis was not a sudden accident but the culmination of vulnerabilities that had accumulated over more than a decade. Between 2022 and 2024, severe fiscal and balance-of-payments pressures, loss of international capital market access and a cascade of rating downgrades forced a comprehensive restructuring of domestic and external debt. By any measure, this had a major, painful impact on both domestic and foreign investors, and exposed weaknesses that had been building beneath Ghana's otherwise strong headline economic performance.

This paper reconstructs Ghana's post-HIPC debt trajectory and asks a central question: how did a country with relatively strong growth, repeated IMF surveillance and debt sustainability analyses (DSAs), and an established formal fiscal and debt-management framework, accumulate debt to the point of distress again? It examines whether the crisis resulted principally from unforeseen shocks or from warning signs hiding in plain sight.

The analysis finds that strong growth between 2010-2019, supported by commodity exports and social investment, masked persistent structural weaknesses, including low productivity (persistent decline in total factor productivity), a narrow export base, and limited economic diversification. Ghana accumulated debt faster than it strengthened the productive and revenue-generating capacity required to service it. At the same time, headline public debt understated the true fiscal exposure as liabilities accumulated in the **energy, cocoa and financial sectors**, alongside arrears, contingent obligations and other quasi-fiscal exposures.

The shift toward domestic borrowing, initially seen as a risk-mitigation strategy, transformed rather than eliminated risk. High domestic borrowing costs increased the interest burden and crowded out private credit, while growing sovereign exposures strengthened the sovereign-bank nexus. Significant non-resident participation in cedi-denominated securities further transmitted shifts in investor sentiment into domestic financing and exchange-rate pressures.

The crisis equally exposed important weaknesses in domestic institutions and external surveillance. Fiscal rules and expenditure controls existed but were weakly enforced, while institutional capacity, oversight, politicization, and resource constraints and accountability mechanisms proved insufficient to impose timely discipline. Although IMF surveillance and DSAs repeatedly flagged rising debt vulnerabilities, the analysis finds that rollover and liquidity risks, domestic debt–financial sector feedback loops, foreign-exchange exposure, contingent liabilities and the wider public-sector balance sheet were not sufficiently internalised. Optimistic baseline assumptions further risked understating how rapidly these vulnerabilities could crystallise. Borrowing that was insufficiently aligned with productivity-enhancing investments compounded these weaknesses.

The paper concludes with recommendations for strengthening public financial management and surveillance in Ghana with key lessons for developing economies, emphasizing comprehensive balance sheet reporting, regular stress-testing of domestic debt, and formal roles for non-governmental actors in fiscal oversight. These reforms are critical for building resilience and preventing future crises in similar economies.

Introduction

Ghana is often cited as a beacon of peace and democratic progress in Africa, having sustained multiparty governance and relative political stability for more than three decades. Yet persistent structural weaknesses, fiscal slippage, and uneven policy implementation have constrained economic diversification and transformation. As a result, the economy has repeatedly alternated between periods of rapid growth and episodes of fiscal distress.

In December 2022, Ghana declared a unilateral suspension of debt service payments on Eurobonds, most bilateral loans, and commercial term loans, effectively defaulting on most of its external public debt. This move followed years of sustained borrowing (both domestic and external) to close annual budget financing gaps. Ghana borrowed US$15.59 billion from the international capital market over the period 2007-2021 (9 issuances) to close budgetary financing gaps. These Eurobond borrowings did not go specifically to "self-repaying projects"; instead, they were used for budget financing, mostly spent on recurrent expenditure.

This led to escalating fiscal deficits, amplified by the impact of COVID-19, effects of the Russian-Ukraine war, sharp episodes of currency depreciation, and the loss of market access in 2022. At the time of the IMF-supported program approval in 2023, Ghana's public debt had surged from about 63 per cent of GDP in 2019 to about 93 per cent by the end of 2022. The headwinds of fiscal and balance of payments made it difficult for the government to service its debt and forced technical default.

Ahead of the 2022 crisis, Ghana implemented an IMF-supported programme (2015–2019) that was widely viewed as successful. The US$918 million IMF arrangement sought to restore policy credibility by strengthening debt sustainability, tightening the monetary policy framework, and reforming the banking system. The programme period saw a narrowing of trade and budget deficits, while real GDP growth rose to 6.5 per cent in 2019 from 3.4 per cent in 2015 and inflation declined from 17.7 per cent to 7.9 per cent by end-2019. However, the overall fiscal balance improved only marginally—from a deficit of 6.3 per cent to 5.8 per cent of GDP—suggesting that, despite clear gains, the programme did not fundamentally alter Ghana's underlying fiscal and structural constraints.

Rather than simply asking why Ghana defaulted, this paper begins from a more fundamental puzzle. Between 2010 and 2019, Ghana was widely regarded as one of Africa's strongest economic performers. The economy recorded sustained, albeit volatile, growth, successfully completed an IMF-supported reform programme, modernised a Public Financial Management framework anchored by fiscal rules, strengthened debt management institutions, and consistently received Debt Sustainability Analyses from the IMF and World Bank that did not signal an imminent sovereign debt crisis. At the same time, Government articulated the ambitious vision of a "Ghana Beyond Aid", signalling confidence that the country had laid the foundations for sustained macroeconomic stability and self-reliant development.

Yet, within only a few years, these favourable conditions gave way to one of the most severe sovereign debt crises in Ghana's history. By December 2022, the country had suspended payments on most of its external debt and entered a comprehensive debt restructuring programme. This sharp reversal raises important questions that extend beyond Ghana's experience alone. How could a country that appeared to possess the institutional safeguards associated with sound fiscal management nevertheless descend into debt distress? Why did strong economic growth, internationally endorsed fiscal reforms, fiscal rules, and repeated macroeconomic surveillance fail to prevent the accumulation of vulnerabilities? Were the warning signals fundamentally misunderstood, systematically underestimated, or obscured by headline macroeconomic indicators?

These questions also prompt a reassessment of the underlying philosophy that guided Ghana's economic strategy during the period. Was the "Ghana Beyond Aid" an illusion or an ambition of the political class that had become detached from Ghanaian reality? Equally, did the design of the 2015–2019 IMF programme place greater emphasis on achieving short-term fiscal consolidation than on embedding the deeper institutional reforms required for long-term fiscal resilience? More broadly, did both domestic institutions and international partners, including those responsible for debt surveillance, fail to identify emerging risks in time?

Against this backdrop, this paper examines the following interconnected questions: (i) Was Ghana's high growth from 2010 to 2019 truly balanced, or did it mask underlying weaknesses? (ii) To what extent did "hidden debt" and contingent liabilities—particularly in the energy, cocoa, and financial sectors—amplify the crisis? (iii) How was the rise in, and increased reliance on domestic debt managed, and did it introduce new risks? (iv) Why did macroeconomic monitoring and surveillance miss Ghana's underlying debt vulnerabilities? (v) Were the Fund programme objectives oriented towards reforms to build resilience, or primarily toward consolidation? (vi) Which domestic and international institutions could have provided stronger oversight, and did they all miss the crisis?

1 Up to the 2022 crisis: high, but volatile and unbalanced growth.

Ghana's economy has experienced marked cycles of growth and contraction since the year 2000, shaping its current condition. By the early 2000s, Ghana, like many Sub-Saharan African (SSA) countries, grappled with a heavy debt burden that restricted fiscal capacity. This hindered the provision of essential services, contributing to widespread poverty and unrest. The Heavily Indebted Poor Countries (HIPC) initiative was introduced to help eligible countries address unsustainable debt. Ghana reached its HIPC Completion Point in July, 2004, and ultimately benefited from this programme, receiving about US$3.7 billion in debt cancellation under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI).

Following debt relief under the HIPC initiative and the Multilateral Debt Relief Initiative (MDRI), Ghana saw its fiscal space expanded, which paved the way to access the international capital markets for the first time in 2007. The mid-2000s were characterized by strong GDP growth, averaging 6% annually, driven by cocoa exports, gold production, and later, oil production. This period also saw increased social spending and investment in infrastructure to close the huge gap in socioeconomic conditions, partly driving Ghana's gains in poverty reduction. In fact, according to the Bank of Ghana, significant HIPC resources were transferred to Ministries, Departments and Agencies (MDAs) during the period 2002 and 2003. The educational sector utilized about 17 per cent out of the cumulative HIPC relief funds, health sector received 6.47 per cent, roads and transport utilized 7.87 per cent, and water and sanitation also received 10 per cent. However, the expansion was also accompanied by rising fiscal deficits and an increasing dependence on external borrowing, setting the stage for future vulnerabilities.

By the early 2010s, Ghana's macroeconomic trajectory began to show signs of strain. The discovery and exploitation of oil boosted growth, but fiscal discipline weakened, particularly around election cycles. Election-driven spending booms produced some growth spurts but were quickly followed by deep fiscal and debt crisis. What is even more surprising is that this high spending often did not result in electoral victories for the ruling government, as the pattern of electoral outcomes shows a weak linkage between election spending and electoral outcomes.

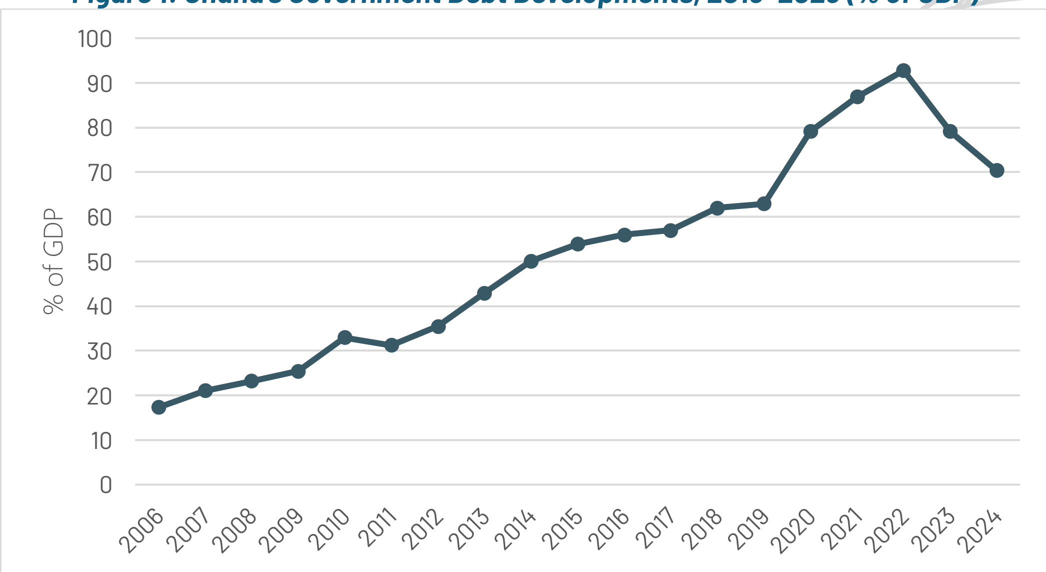
In this section, we show that Ghana's growth performance hid major vulnerabilities: it was obtained at the price of high and growing fiscal deficits, and was not diversified, nor based on private investment or high-quality public infrastructure.

1.1 Growing public deficits due to expensive borrowing strategies

1.1.1 Debt re-accumulation: high debt costs and contingent debt

Ghana's debt story typifies the challenges of fiscal management in resource-rich, lower-middle-income countries, with high infrastructure gaps and a growing middle class. After HIPC relief, Ghana started the decade with low gross public debt, but within twenty years, returned to debt distress, demonstrating the cyclical nature of fiscal vulnerability and the difficulty of maintaining debt relief gains. Fiscal deficits averaged 8.3 per cent between 2010 and 2024, while Ghana's gross public debt (comprising both domestic and external debt) rose sharply from about 38.9 per cent of GDP in 2010 to 92.7 per cent by 2022, before declining after the 2023–24 debt restructurings.

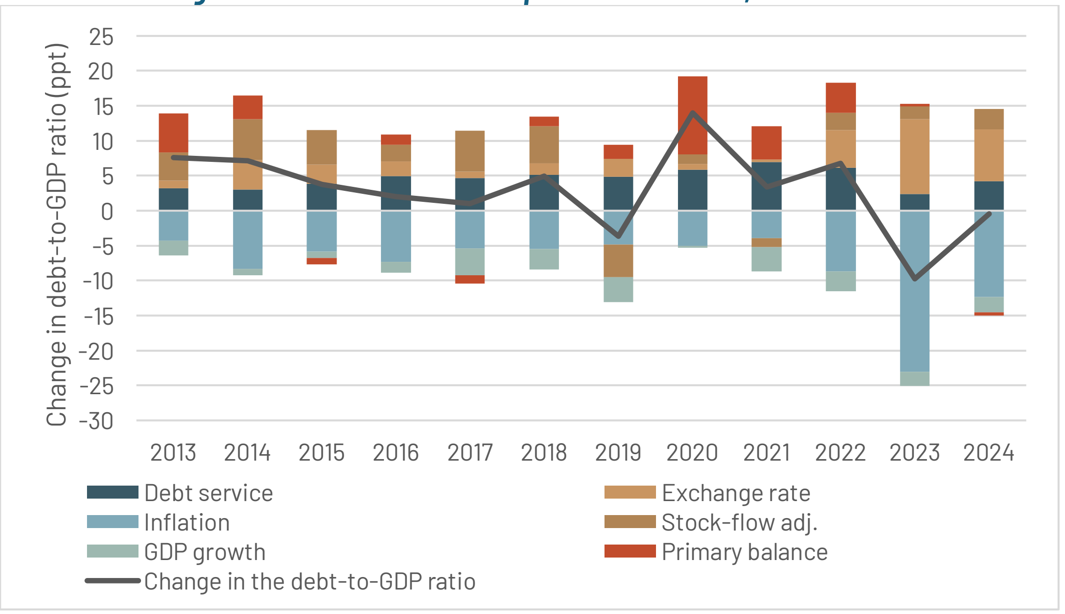
Figure 1: Ghana's Government Debt Developments, 2013–2023 (% of GDP)



Source: Africa Regional Economic Outlook of the IMF

Key turning points included increased Eurobond issuance (from 2007, accelerating after 2013), fiscal slippage and energy-sector costs, COVID-19 and terms-of-trade shocks, and exchange-rate depreciation. For instance, in 2022 alone, according to the Ministry of Finance, the depreciation of the Ghanaian Cedi alone added to the external debt stock GHS93.9 billion, equivalent to 0.2 per cent of GDP.

Figure 2: Public Debt Decomposition of Ghana, 2010-2024

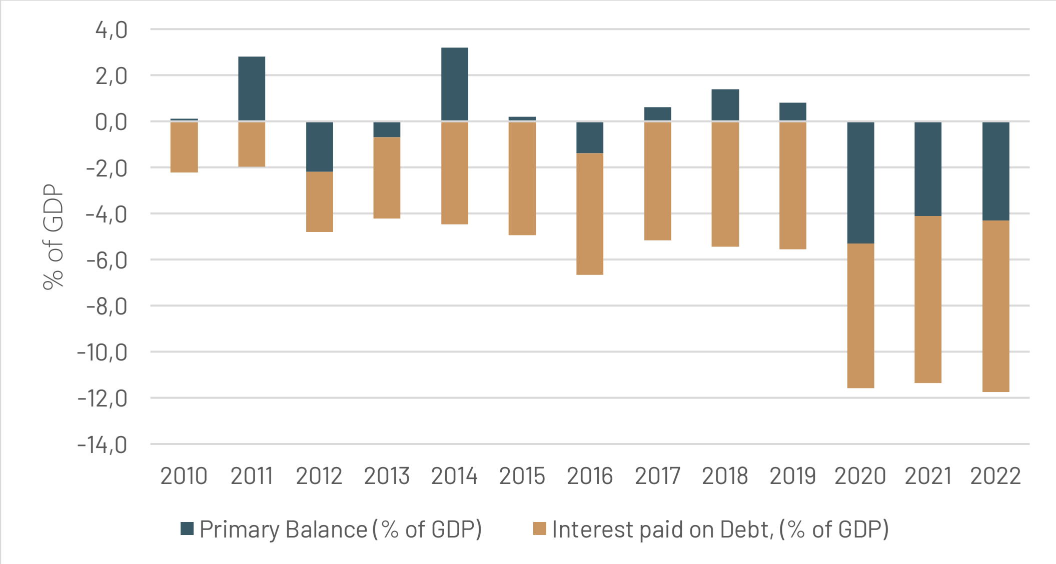


Source: FDL calculations based on the 2024 International Debt Statistics of the World Economic Outlook and International Financial Statistics.

A simple debt decomposition seems to indicate a paradox: until COVID-19, debt dynamics were not driven by primary deficits. The high interest bill and stock-flow adjustments played a stronger role, i.e. contingent debt that was not initially counted in the deficit. It is only in 2020 that primary deficits become dominant, and after 2022 that Cedi depreciation becomes the key driver.

By 2018–2020, debt service accounted for over 45 per cent of government revenues, amplifying perceptions of an unsustainable debt trajectory. Debt pressures are visible in the share of interest payment which had outgrown primary balance as a share of GDP.

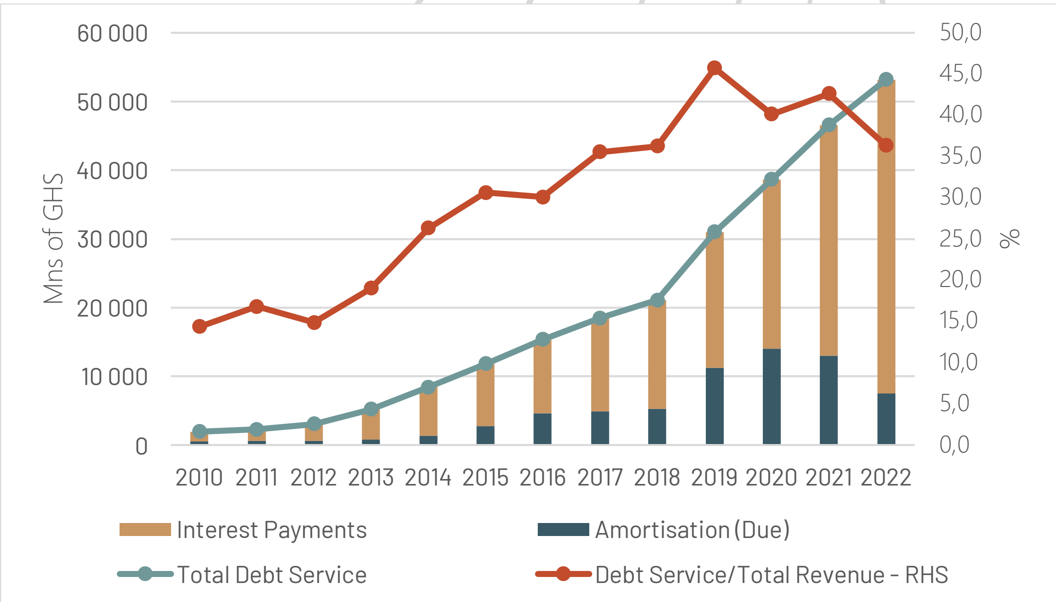
Figure 3: Primary Balance vs. Interest Paid on Public Debt as % of GDP, 2010-2022



Source: IMF World Economic Outlook database and Ministry of Finance of Ghana

Between 2018 and 2022, interest payments absorbed an outsized share of Ghana's public expenditure, averaging about 29 per cent of total spending. When combined with compensation of employees, these rigid obligations consumed nearly 60 per cent of the budget, leaving little fiscal space for critical investments in education, health, water, and other essential public services. As a result, the national budget was increasingly constrained in its ability to function as an effective policy tool for driving development and improving livelihoods. This created the foundation for the unsustainable borrowing cycle to close annual budgetary financing gaps.

Figure 4: Debt Service Trends:2018-2022



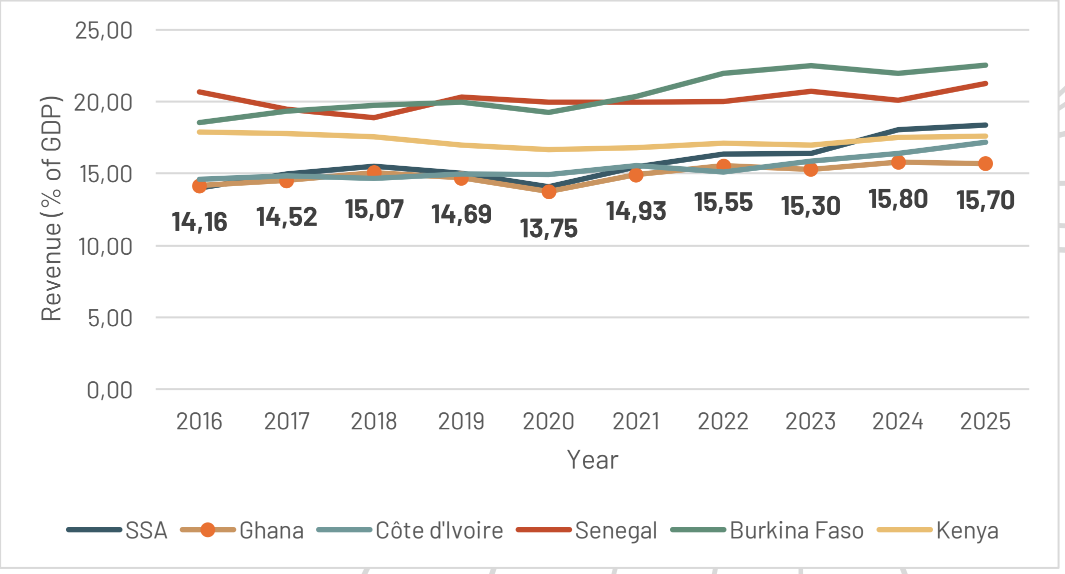
Source: Ministry of Finance of Ghana

1.1.2 Insufficient revenues

Inflationary pressures, currency depreciation, fiscal cost of the banking sector cleanup which commenced in August, 2017 and energy-sector arrears compounded these challenges, prompting Ghana to resort to IMF-supported programmes aimed at restoring stability. Yet, structural weaknesses in domestic revenue mobilization and expenditure control were not fully addressed under these successive IMF-supported programmes.

Chronic revenue underperformance kept tax revenues just around 13–15 per cent of GDP, below peer countries and well below the level needed to finance development and debt-service obligations. The Fiscal Responsibility Act, 2018 (Act 982) aimed to cap the deficit at 5 per cent of GDP but was suspended in 2020 due to COVID-19, and subsequent outcomes far exceeded the target, showing that legal rules without strong enforcement have a limited effect.

Figure 5: Comparison Revenue Performance: 2016-2025

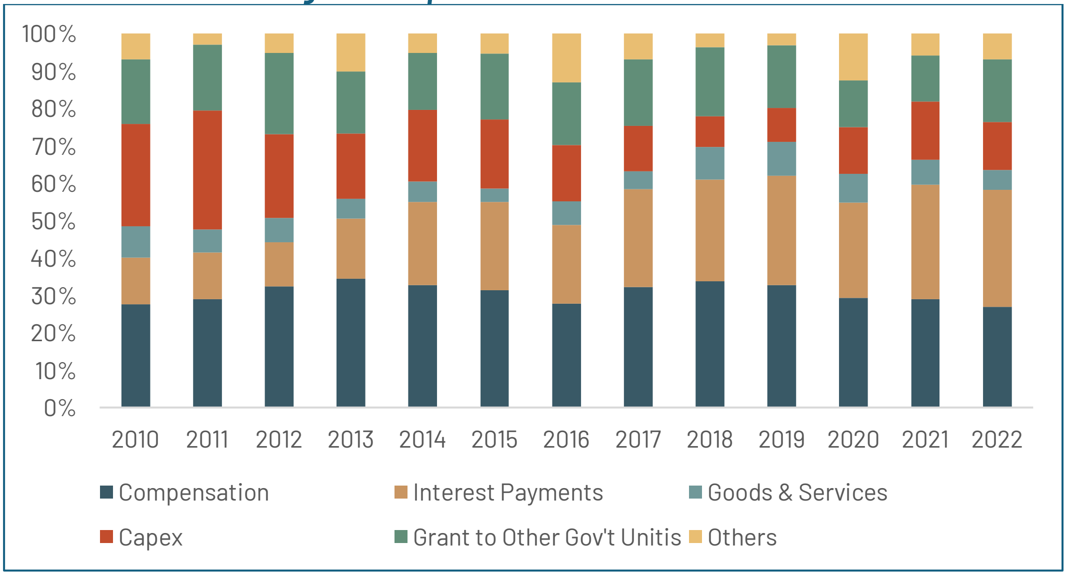


Source: MOF and IMF Fiscal Monitor

1.1.3 And inefficient expenditure policies keep investment low

At the same time, capital expenditure fell significantly as a share of government expenditure, decreasing as percentage of GDP from 27.5 per cent in 2010 to 15 per cent in 2016 and to 12.8 per cent in 2022, reinforcing structural imbalances in public spending. This dynamic establishes the fact that it has been extremely difficult to translate policy intent on infrastructure-led growth into tangible development outcomes.

Figure 6: Expenditure Trends:2018-2022

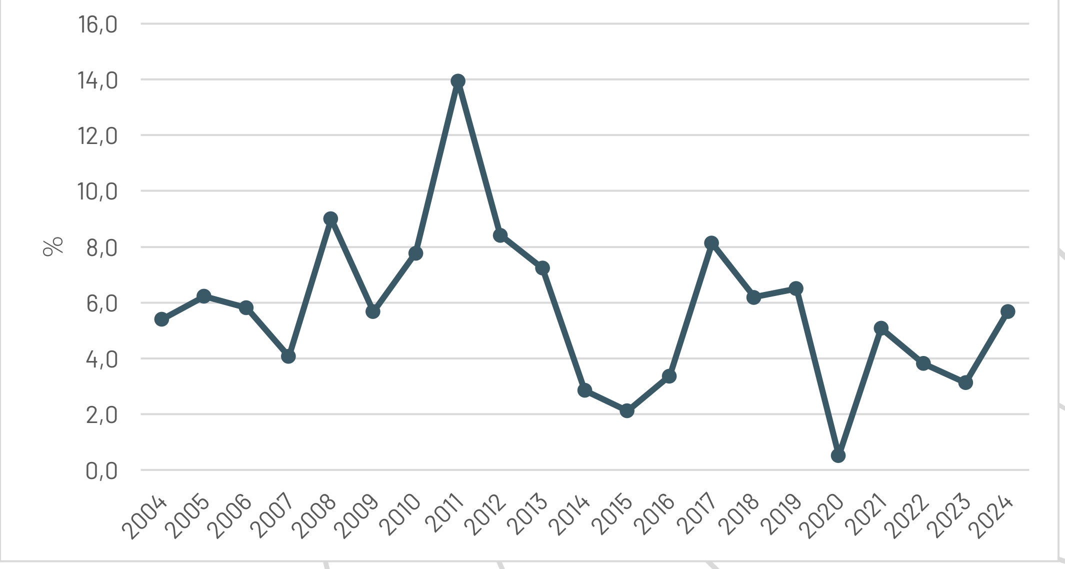


Source: Ministry of Finance of Ghana

1.2 Unbalanced growth performance

After the HIPC initiative, Ghana's growth was driven by commodities but accompanied by recurring fiscal deficits. The 2010 GDP rebasing increased the assessed GDP by roughly 60 per cent, elevating Ghana to lower-middle-income status and spurring growth, especially after oil production began in 2011. Real GDP growth averaged 6–7 per cent from 2010 to 2019, compared to the Sub-Saharan Africa average of 4.1 per cent (oil-exporting countries at 3.5%). However, growth was volatile, dipping below 3 per cent in 2014–2016 and again in 2020 due to COVID-19. It peaked at 14 per cent in 2011 (due to oil exports) and remained around 8 per cent in 2017–2018. On average GDP growth for Ghana for the period 2010-2019 was 6.7 per cent.

Figure 7: Real GDP Growth of Ghana, 2000-2025



Source: Africa Regional Economic Outlook of the IMF

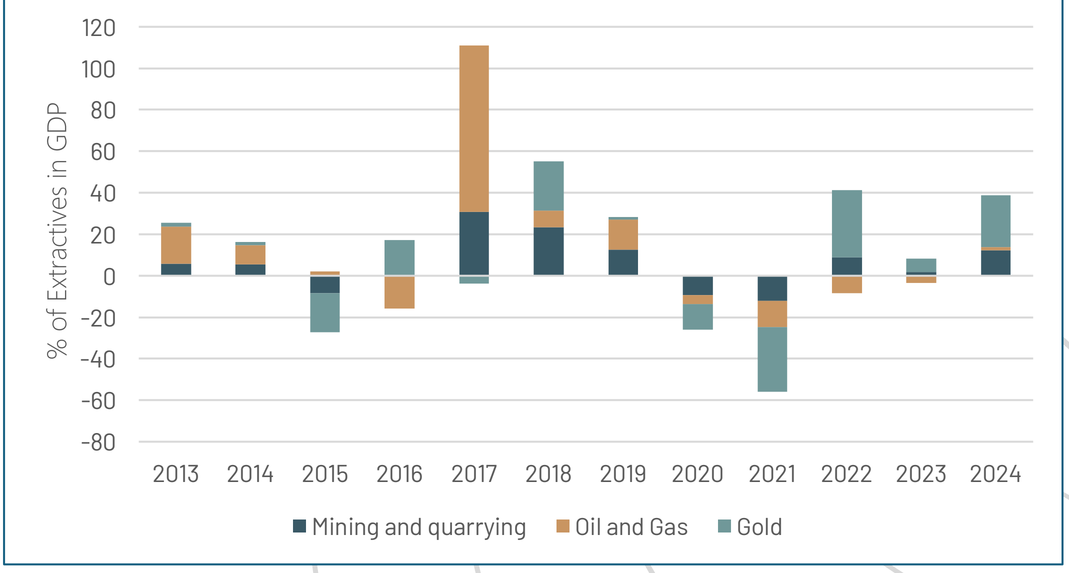
In real per capita GDP growth terms, for the period 2010-2019, the country recorded an average of 4.2 per cent compared to 1.5 per cent recorded for Sub-Saharan Africa, for the same period.

1.2.1 Narrow export base, low productivity growth

Despite apparent growth success, the World Bank in its 2018 Systematic Country Diagnostic report noted persistent structural weaknesses: a narrow export base (gold, cocoa, oil), limited manufacturing, low productivity in agriculture and services, and large public investment projects with uncertain returns. Growth was "jobs-lite" and increasingly reliant on extractives rather than broad-based productivity improvements.

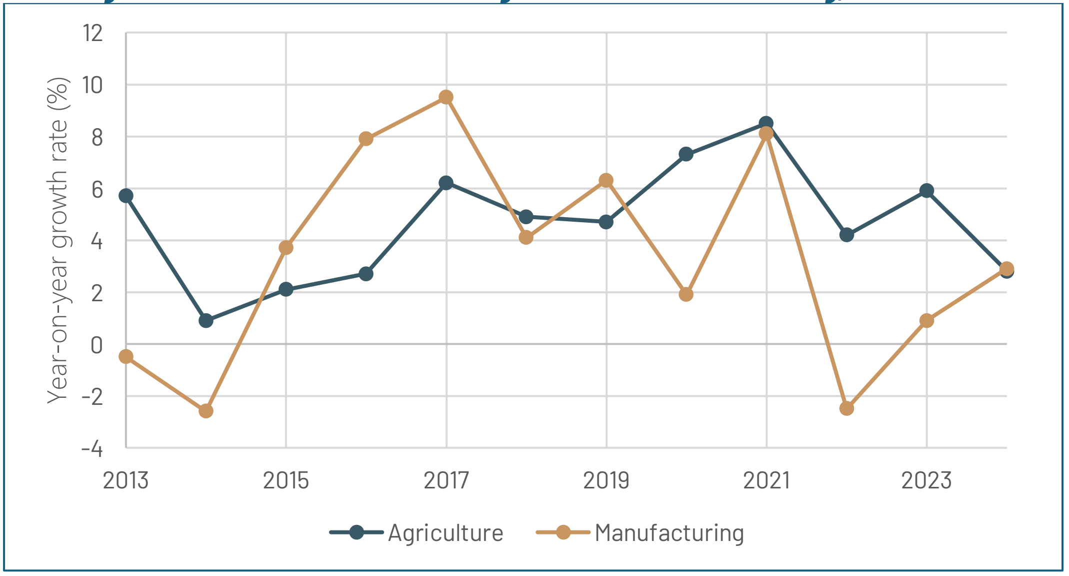
The growth pattern further underscores these imbalances: extractives (gold and oil) and parts of the services sector expanded relatively rapidly, while agriculture and labour-intensive manufacturing lagged. Between 2013 and 2024, growth in the extractive sector averaged about 5.6 per cent per year, compared with 4.7 per cent in agriculture and 3.3 per cent in manufacturing (Ghana Statistical Service, 2024). Over the same period, manufacturing accounted for an average of 10.8 per cent of GDP, agriculture, forestry and fishing for 19.6 per cent, and oil rents for 2.9 per cent. Recent World Bank economic updates further point to weak employment creation—especially for young people—despite headline GDP growth (World Bank, 2022; World Bank, 2025).

Figure 8: Real GDP Growth from Extractives, 2013-2024



Source: Ghana Statistical Service

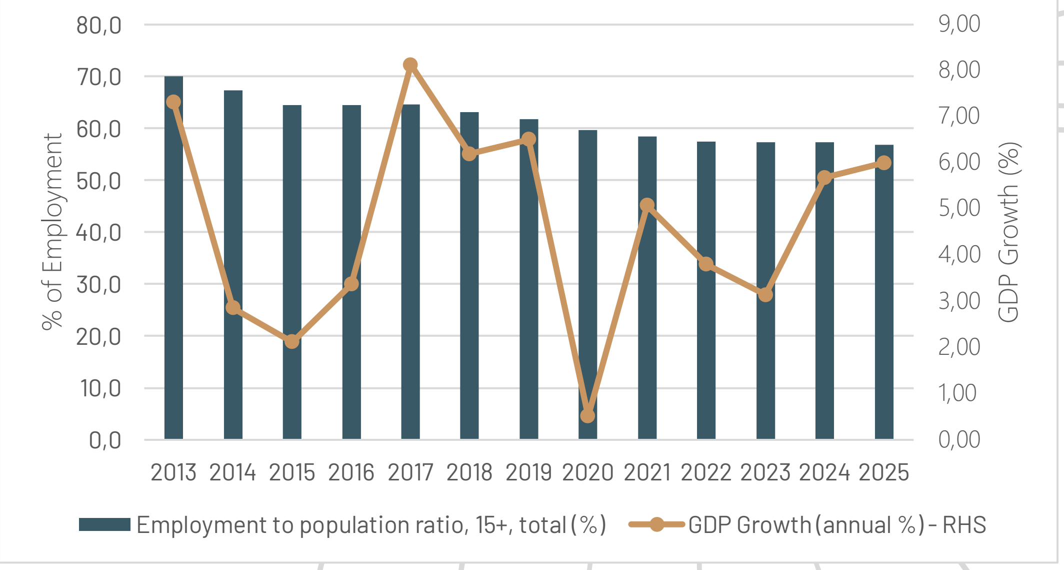
Figure 9: Real GDP Growth from Agriculture & Manufacturing, 2013-2024



Source: Ghana Statistical Service

While the average growth rate over the last two decades has been high (5.6 per cent of GDP), it has not been supported by structural transformations, diversification, and job creation.

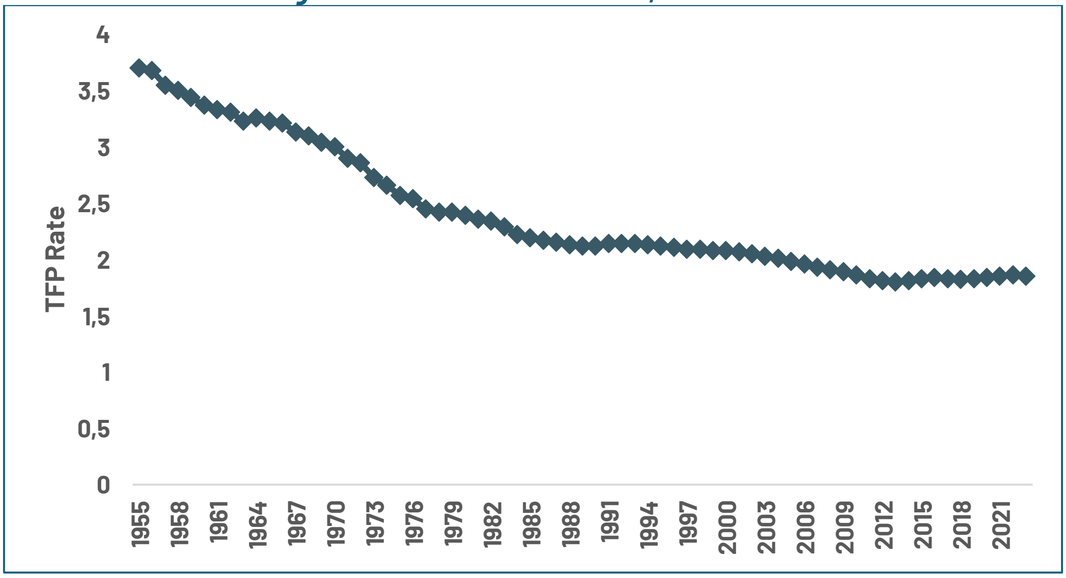
Figure 10: Trends in GDP and Employment, 2013-2025



Source: Africa Regional Economic Outlook of the IMF and ILO

Total Factor Productivity (TFP) analysis reinforces this concern. TFP has been on a persistent downward trend for more than four decades, signalling deep structural inefficiencies and a chronic absence of technology-driven growth. The evidence suggests that Ghana's output expansion has been largely driven by factor accumulation (labour, capital, and extractives) rather than by efficiency gains or innovation. This long-run decline in productivity raises fundamental questions about the durability, inclusiveness, and resilience of Ghana's growth strategy.

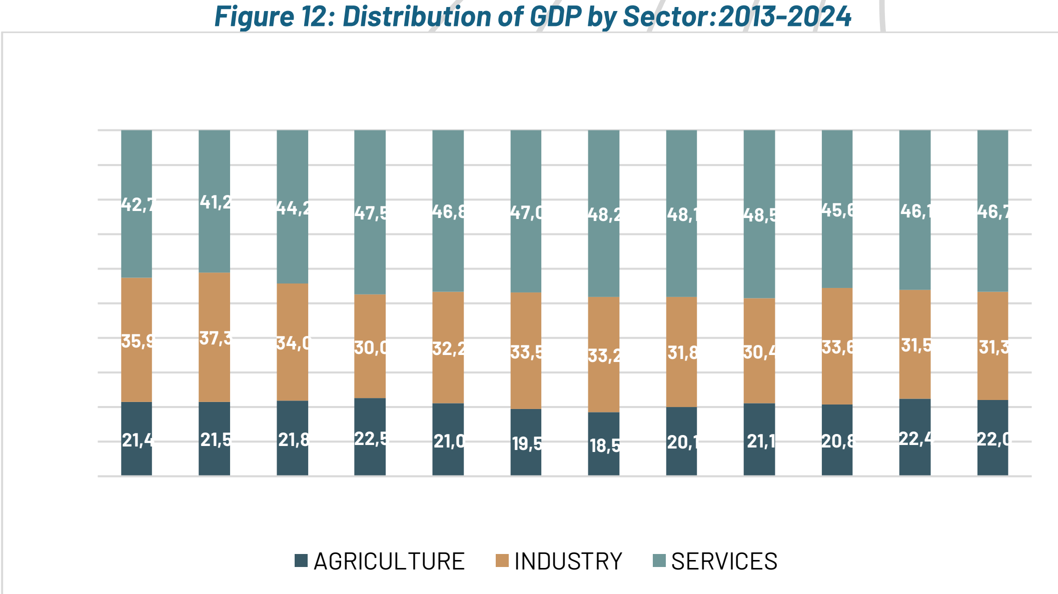
Figure 11: TFP Trends in Ghana, 1995-2023



Source: Calculation using data from Pen World Table and Ghana Statistical Service

Effectively, between 2013-2024, agriculture remained broadly unchanged at around one-fifth of GDP, industry showed considerable volatility driven largely by extractive activities rather than manufacturing, and services consistently dominated the economy. The absence of a decisive shift towards higher-productivity, export-oriented manufacturing confirms that economic growth was not accompanied by the structural changes necessary to broaden the tax base, diversify exports, enhance productivity, and improve debt-servicing capacity. This disconnect helps explain why strong headline growth did not translate into stronger fiscal or external resilience.

Figure 12: Distribution of GDP by Sector:2013-2024



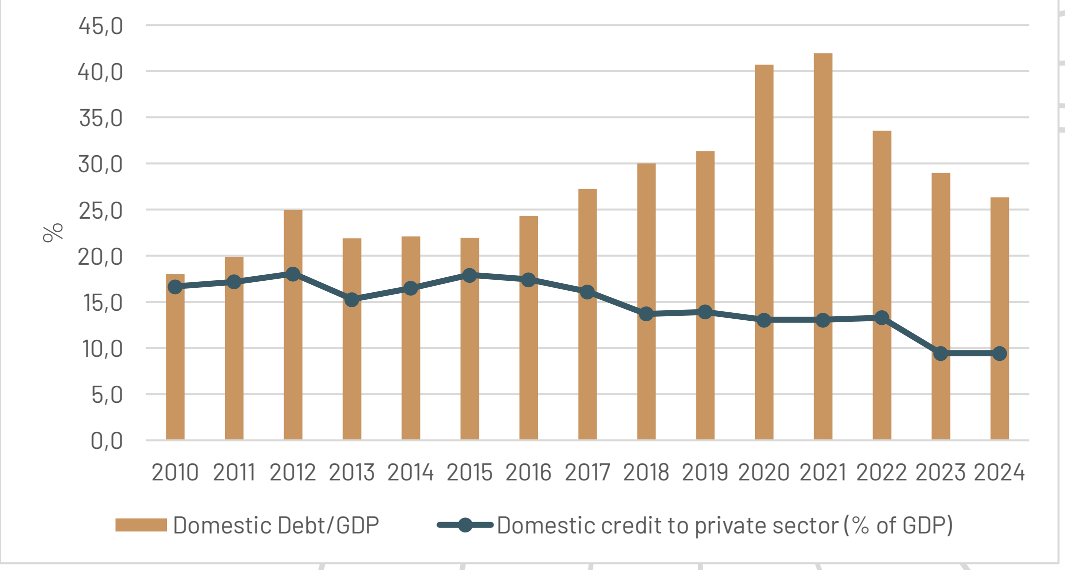
Source: Ghana Statistical Service

1.2.2 Public Investment Quality and declining private borrowing

Borrowing was frequently framed as financing for infrastructure and flagship programmes. In practice, a significant share was absorbed by recurrent spending, weakened by cost overruns, or generated limited growth payoffs due to shortcomings in project appraisal, selection, and execution. Petroleum revenues earmarked for priority infrastructure were also often diverted toward recurrent outlays and debt service. As fiscal pressures intensified, higher government borrowing increasingly crowded out private-sector credit and weighed on investment and potential growth.

The crowding-out channel became increasingly evident over time: private-sector credit growth slowed, while elevated domestic yields raised the cost of capital and constrained investment. This is consistent with a debt-overhang dynamic in which persistent fiscal imbalances and rising public financing needs dampen private-sector activity and weaken medium-term growth prospects.

Figure 13: Trends of Domestic Credit and Debt, 2010-2024



Source: World Economic Outlook database of the IMF/ Ministry of Finance of Ghana

2 The Illusion of Fiscal Prudence: Low Primary Deficits, Rising Hidden Liabilities

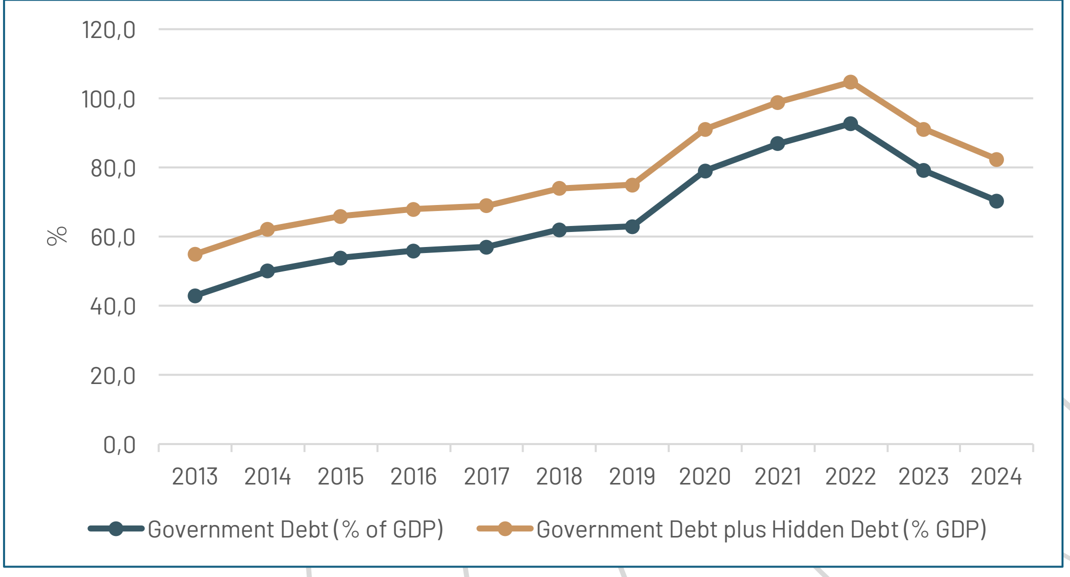
2.1 Hidden Debt and Contingent Liabilities

"Hidden debt" includes obligations not fully reflected in headline statistics: implicit guarantees to SOEs or special-purpose vehicles (SPVs), contingent liabilities like take-or-pay energy sector contracts, arrears, and bank resolution costs, and off-budget operations financed through SPVs.

National, World Bank, and IMF DSAs acknowledged these exposures, warning that SOEs represent potential undisclosed debt.

Official sources suggest energy sector arrears, financial sector resolution costs, and other contingent liabilities added at least 10–15 percentage points of GDP to Ghana's effective public-sector debt over the decade before the crisis. However, traditional debt assessment treated other forms of public debt differently. Many obligations were off-budget and were only gradually incorporated into DSA as and when they crystallized, contributing to an overly optimistic debt sustainability assessment.

Figure 14: Reported versus Hidden Debt



Source: Authors' calculation with data from Ministry of Finance of Ghana

Table 1: Disaggregation of Hidden Debt:2013-2023 (GH¢ million)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL DEBT	**53,081.30**	**79,570.20**	**100,158.80**	**122,165.50**	**142,546.70**	**173,102.20**	**233,875.90**	**315,117.20**	**362,512.70**	**448,002.80**	**610,010.60**
FINSEC COST	9,694.57	11,701.79	13,696.21	16,850.91	20,284.70	23,818.01	27,690.96	30,552.80	35,785.62	47,808.00	68,910.25
ENERGY (IPP) COST	1,985.64	2,396.75	2,805.25	3,451.39	4,154.70	4,878.39	5,671.64	6,257.80	7,329.58	9,792.00	14,114.15
CONTINGENT LIABILITY	N/A	N/A	N/A	9,920.74	2,217.02	14,376.90	16,949.00	14,738.40	15,713.40	15,862.70	15,829.70
TOTAL DEBT	**0.45**	**0.56**	**0.61**	**0.60**	**0.58**	**0.60**	**0.70**	**0.86**	**0.84**	**0.78**	**0.73**
FINSEC COST as % of GDP	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
ENERGY (IPP) COSTas % of GDP	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
CONTINGENT LIABILITY (On lending to SOEs) as % of GDP				0.05	0.01	0.05	0.05	0.04	0.04	0.03	0.02

Source: MOF, Compiled from Public Debt Reports

Table 2: Sources of Hidden Debt

Sectors	Sources of Hidden Debt
Energy Sector	• Payment shortfall from IPPs, State Owned Energy generation and distribution companies and their contractors • Gas suppliers • Legacy trade debt on the books of energy-sector SoEs
Central Bank	• Central Bank funding for auction shortfalls under a full rollover assumption and zero Central Bank financing arrangement
Financial	• Recapitalization of State-Owned Banks and allied financial institutions through GAT and direct budget transfers
Cocoa	• Cocoa Roads development • Cocoa Bills • Syndicated loan repayments
Securitised SPVs	• ESLA Plc issuances • Daakye Plc issuances
PPPs	• PPPs across the various sectors

Source: Authors' estimation

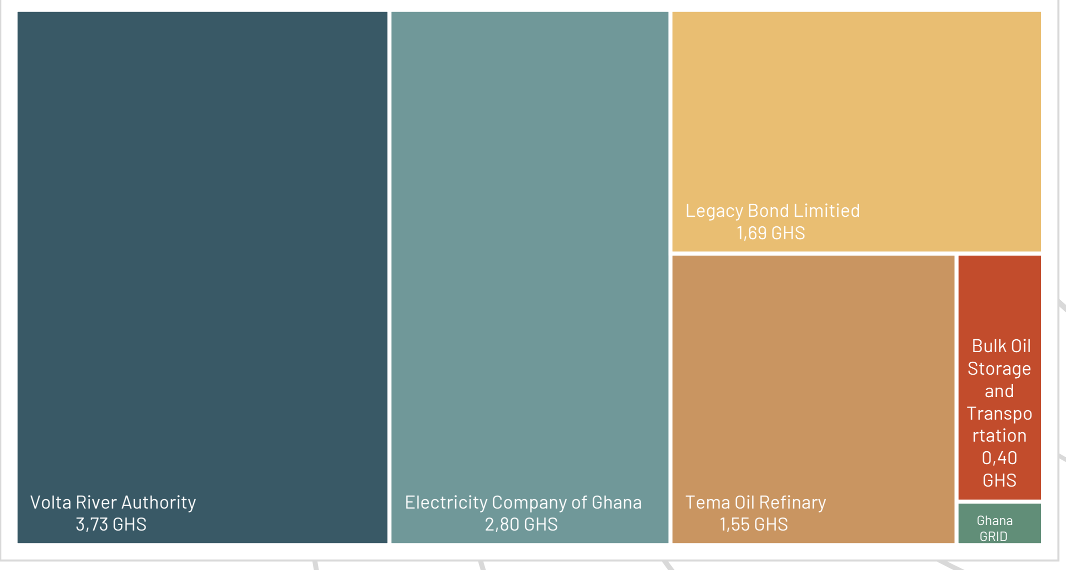
2.2 Energy Sector Arrears

The energy sector exemplifies Ghana's hidden debt issue. Over-contracted generation capacity, distribution losses, and below-cost tariffs led to arrears to Independent Power Producers (IPPs), fuel suppliers, and SOEs. Legacy energy arrears exceeded US$2.4bn (about 3 per cent of GDP) at the end of 2022, even after significant payments funded by Energy Sector Levy Act (ESLA) and ESLA PLC bonds. ESLA was introduced by the government in 2015 to address energy-sector debt by clearing outstanding debt, ensuring financial sustainability, and supporting infrastructure modernization of the energy sector.

ESLA PLC was a Special Purpose Vehicle (SPV) established in 2017 to leverage ESLA receivables to issue long-term domestic bonds of up to GHS10.0 billion to refinance energy-sector debt in Ghana. By the close of the ESLA Plc in 2023, an amount of GHS10.24 billion (equivalent to 1.2 per cent of GDP) had been novated to ESLA Plc and used fully to settle the debts of the sector. Although ESLA PLC was established in 2017 to refinance energy-sector debt, its long-term bonds were initially excluded from Ghana's official central-government debt statistics because ESLA was classified as a Special Purpose Vehicle (SPV). The IMF-World Bank Debt Sustainability Analyses reflected the fiscal implications of ESLA through energy-sector financing assumptions and contingent liability assessments, but it was only around the 2021 DSA that ESLA debt was explicitly incorporated into the broader public debt stock, even though they were not necessarily recorded as central-government debt in Ghana's narrower official classification

A World Bank (2025) programme document similarly highlights higher-than-expected contingent liabilities from the energy sector as a key risk to debt sustainability. The IMF 2024 ECF programme report shows that the government made budgetary transfers averaging 1.7 per cent of GDP to cover persistent energy sector cash flow shortfalls between 2019 and 2021; while arrears to Independent Power Producers (IPPs) and gas suppliers rose to 2.6 per cent of GDP by end 2024. Evidence shows that ESLA and ESLA PLC effectively securitized future fuel levies to pay past energy debts, shifting liabilities off the central government's balance sheet while leaving underlying inefficiencies and increased fiscal risks.

Figure 15: ESLA Payment Beneficiaries in Bns of GHS



Source: ESLA PLC and Ministry of Finance of Ghana

2.3 Cocoa Sector Liabilities

COCOBOD borrows annually through syndicated loans and cocoa bills, some guaranteed by the State. Delays, falling production, and quasi-fiscal activities weakened its finances. COCOBOD's mounting debts posed fiscal risks, and its domestic instruments were included in the domestic debt exchange.

COCOBOD's syndicated loans, typically raised from international banks each crop season, have historically been backed by anticipated cocoa export receipts. While this financing model provided liquidity for producer payments and operational costs, declining production volumes and volatile global cocoa prices undermined repayment capacity.

In recent years, loan rollovers became more frequent, and the institution increasingly relied on government guarantees to secure financing. This blurred the line between corporate and sovereign liabilities, effectively transferring risks from the cocoa sector to the public and the central bank balance sheet.

Beyond its core mandate, COCOBOD engaged in untargeted quasi-fiscal activities such as road construction in cocoa-growing areas, fertilizer subsidies, and social programmes. Although politically popular, these initiatives strained its finances and diverted resources from productivity-enhancing investments.

Analysts have repeatedly flagged COCOBOD's operational inefficiencies and rising debt as contingent liabilities for the state. By 2021, cocoa bills and syndicated loans accounted for a significant share of short-term debt exposure, compounding Ghana's fiscal and refinancing risk. Until the DSA debt perimeter was broadened in 2024, COCOBOD's seasonal cocoa bills and syndicated loans remained largely outside the measured public debt stock. This illustrates how important quasi-fiscal obligations could accumulate outside headline debt indicators while still affecting Ghana's overall debt sustainability.

2.4 Financial Sector Clean-Up and Guarantees

2.4.1 Financial Sector Fragility

Ghana's banking sector was undercapitalized for much of the decade preceding the 2017 clean-up, with weak governance and risk-management practices across parts of the system.

The 2017–2019 banking-sector clean-up and recapitalization was therefore critical to restore confidence and strengthen prudential standards, including by resolving weak institutions and reinforcing governance in line with core supervisory principles. However, the fiscal costs were significant. According to the IMF's 2024 review of Ghana's ECF-supported programme, the resolution and clean-up costs of the domestic banking system reached about 7.1 per cent of GDP over 2017–2021, largely absorbed by the state in the absence of an effective deposit insurance framework at the time.

In addition, recapitalization bonds equivalent to about 2.6 per cent of GDP were issued to support undercapitalized banks as part of broader financial-sector strengthening following the Domestic Debt Exchange Programme (DDEP). These interventions illustrate a "spillback" from the financial system to the budget: to safeguard financial stability and depositor confidence, the government effectively assumed losses that would otherwise have been borne within the financial system. This sovereign–financial nexus ("doom loop") heightened vulnerabilities and amplified the macro-financial consequences of the domestic debt restructuring.

These weaknesses — persistent fiscal deficits, weak revenue mobilization, quasi-fiscal operations, and rising sovereign exposure within the banking system — were visible well before the crisis. Yet political incentives and overly optimistic assumptions contributed to delayed recognition and corrective action by key domestic and external stakeholders, until risks crystallized.

Notwithstanding elevated vulnerabilities, fiscal policy continued to be approved through the budget process, market access was maintained for a time (including oversubscribed Eurobond issuances), and external partners continued to provide financing and complete programme reviews. This disconnect between underlying fundamentals and financing conditions raises questions about risk pricing, the effectiveness of domestic oversight, and the extent to which surveillance frameworks adequately captured liquidity and rollover risks.

This feedback loop is central to understanding the subsequent domestic-debt build-up. As fiscal financing increasingly shifted toward Cedi-denominated instruments, banks and other institutional investors became the primary absorbers of government issuance, tightening the sovereign–bank nexus and increasing the macro-financial costs of any loss of market confidence. The next section therefore broadens the lens beyond the banking system to examine how domestic debt expansion—alongside off-budget obligations and contingent liabilities—shaped Ghana's overall debt dynamics and amplified crisis transmission.

The banking resolution programme was mainly financed through government bonds issued to Ghana Amalgamated Trust (GAT) and other SPVs.

Reports listed GAT bonds, ESLA bonds, GETFund securitizations, and the Sinohydro deal as forms of contingent or hidden debt.

The financial sector cleanup, while restoring stability, had significant fiscal implications. Government recapitalization bonds issued to the GAT and other vehicles added directly to the public debt stock (c.10~15 per cent of GDP over the last decade). These guarantees blurred the line between explicit and hidden debt, increasing Ghana's exposure to fiscal risks and magnifying the impact of the 2023 domestic debt exchange on banks, individuals, pension funds, and insurance companies.

2.4.2 Perception vs Reality

Domestic borrowing was politically appealing because it was perceived to reduce exposure to exchange-rate risk and to avoid external conditionality. In practice, however, exchange-rate vulnerabilities persisted through sizable non-resident participation in domestic debt markets, while the financial-sector externalities of higher domestic yields and tighter sovereign–bank linkages were underappreciated. What was initially framed as a positive step toward financial deepening later proved to be a major amplifier of the crisis. Consistent with this experience, the IMF's 2025 Regional Economic Outlook cautions that rising domestic borrowing across Sub-Saharan Africa has increased vulnerabilities, with Ghana cited as a prominent example.

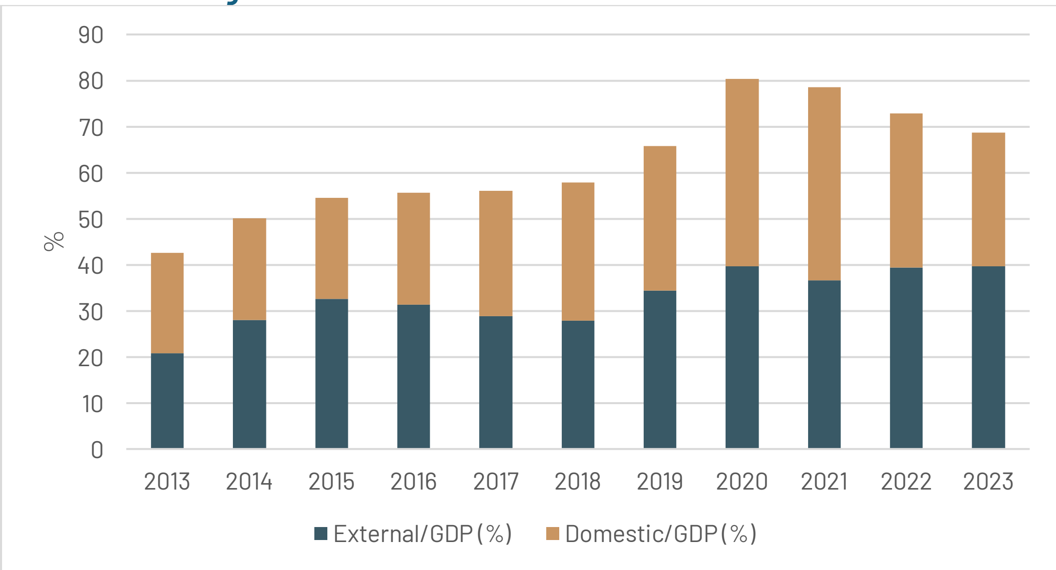
This triggered heightened demand for foreign exchange to repatriate funds, putting pressure on reserves and always accompanied by bouts of episodes of high currency depreciations. Such sudden reversals (non-resident holdings dropping to under 10 per cent by 2022) highlighted the vulnerability of Ghana's debt strategy to changes in investor sentiments and underscored the risks of heavily relying on non-resident investors in the domestic debt market.

3 The shift to high-cost debt by choosing reliance on domestic debt

3.1 The shift to domestic debt markets: attracting non-residents, tapping domestic savings for government or quasi-fiscal operations, ease of issuance

After 2010, debt composition shifted toward domestic instruments. In 2019, external debt was 34.2 per cent of GDP (52 per cent of total debt) and domestic debt was 31.4 per cent (48 per cent of total debt); by 2022, external and domestic debt were almost evenly split as a per cent of total debt. This shift towards domestic debt was often seen as positive "de-dollarization", but with increased non-resident holdings of domestic debt, the line between residency and exchange rate risks became "blurred" and rather exposed Ghana to sharp episodes of loops between exchange rate depreciation and higher interest rates. Ministry of Finance Medium Term Debt-Management Strategies consistently distinguished external borrowing, which carried direct exchange-rate exposure, from cedi-denominated domestic borrowing, which did not. In 2019, the Ministry explicitly described increased resident participation in longer-dated domestic instruments as part of its strategy to reduce foreign-exchange risk. Moreover, the increased reliance on domestic debt also intensified the bank-sovereign nexus (doom-loops), elevating both macroeconomic and default spillover risks to the financial sector in Ghana.

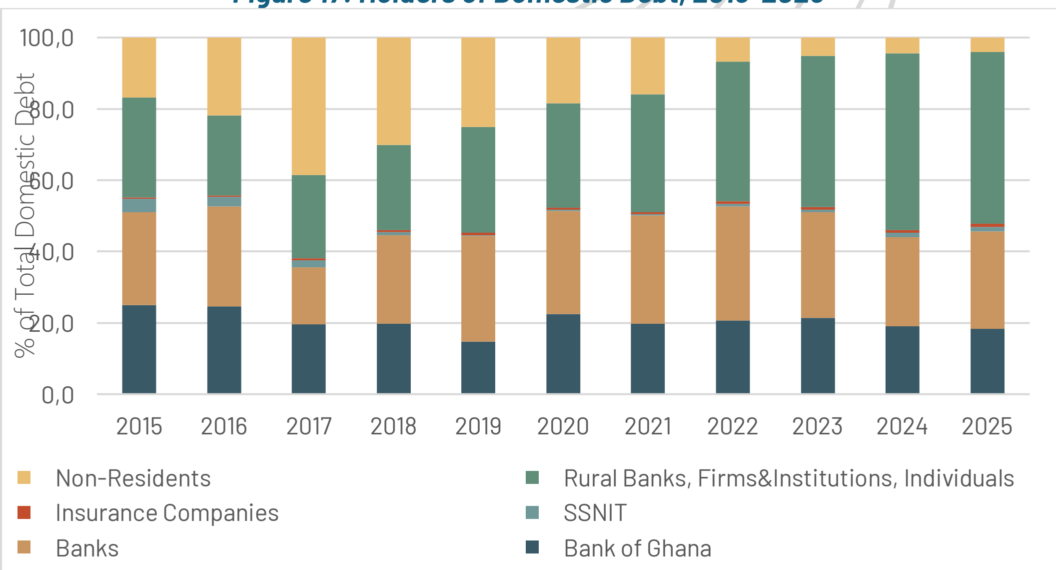
Figure 16: Ratio of External vs Domestic Debt of GDP



Source: Ministry of Finance of Ghana

Ghana, like other African economies, saw rapid growth in domestic bond markets from the mid-2000s. Domestic debt rose from about 31 per cent of GDP in 2019 to over 40 per cent in 2020-2021 before declining after the DDEP. Banks, pension funds, and insurance companies held most domestic government securities; by end-of-2021, over 30 per cent of domestic debt was on banks' balance sheets. Policymakers initially viewed this as positive, emphasizing prudent management and debt reprofiling.

Figure 17: Holders of Domestic Debt, 2015-2025



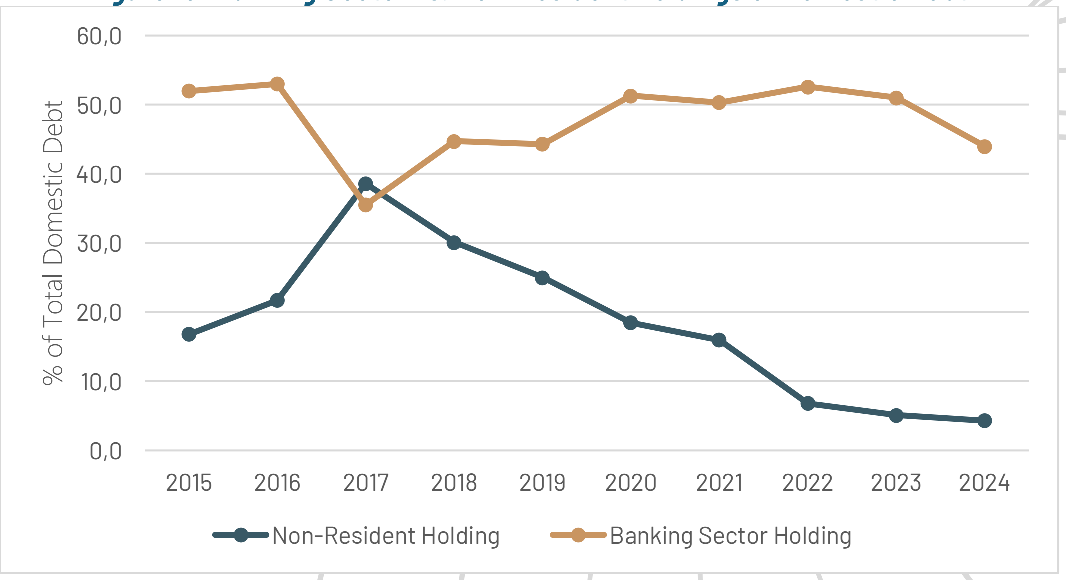
Source: Bank of Ghana

3.2 Attracting non-resident holders: a double-edged sword

Non-resident holdings of Ghana's domestic bonds increased to 38.5 per cent of total domestic instruments by 2017, indicating investor confidence in local currency markets and relatively high yields. However, as fiscal and external imbalances widened and the COVID-19 shock struck in early 2020, foreign investors started to exit, not rolling over maturing instruments, and with also rising premature rediscounts. Banks' exposure to government securities was substantial, with holdings accounting for about 49.8 per cent of banks' total investments. The DDEP subsequently weakened banks' capital and liquidity positions, prompting the Bank of Ghana to apply regulatory forbearance and provide liquidity support to contain broader financial instability and mitigate the risk of bank runs.

The banking-sector experience under the DDEP illustrates how distress in domestic sovereign debt can quickly translate into a systemic banking shock when sovereign exposures are large, concentrated, and effectively unhedged.

Figure 18: Banking Sector vs. Non-Resident Holdings of Domestic Debt



Source: Ministry of Finance of Ghana

3.3 Policies to develop resident holdings were useful but not costless

Ghana and other frontier economies welcomed rising investor demand for domestic instruments as evidence of financial deepening—expanding money and capital markets and reducing reliance on foreign-currency borrowing. Policymakers reinforced this shift through regulatory changes, arguing that greater issuance of Cedi-denominated securities would lower exchange-rate risk and reduce exposure to external shocks.

This shift was supported by a deliberate strategy to develop and better leverage the domestic market. A core objective of Ghana's Ministry of Finance's Medium-Term Debt Management Strategies (MTDS) has been to deepen the local market to reduce foreign-currency exposure and strengthen resilience. Alongside improvements in governance and market integrity, new instruments were introduced to extend liquidity across the yield curve. Reforms—including the establishment of the Ghana Fixed Income Market (GFIM), enhancements to the Primary Dealer system, and upgrades to settlement infrastructure—improved liquidity and broadened the investor base.

The reorientation toward domestic borrowing was also intended to tap the growing pool of long-term local savings, particularly pension assets accumulated under the National Pensions Act. Policymakers sought to channel these funds into government securities while limiting crowding out of private-sector credit.

Special-purpose vehicles such as ESLA Plc and Daakye were created to mobilize domestic liquidity for long-term infrastructure investment, particularly in the energy and education sectors. They were also intended to reduce dependence on external concessional financing, which declined after Ghana's transition to lower-middle-income status in 2010. Where sufficient domestic liquidity exists, expensive non-concessional external borrowing is not an efficient alternative.

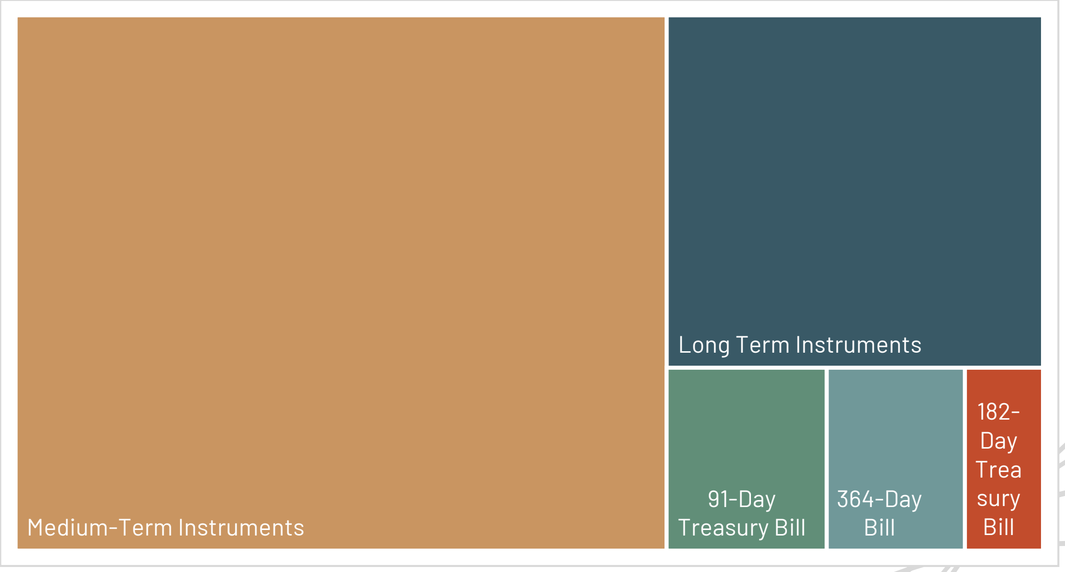
Speed and flexibility also favoured domestic borrowing. Compared with international capital markets, local issuance typically required less documentation and shorter lead times—an advantage that became especially valuable during episodes of fiscal stress. The Ghana Beyond Aid agenda reinforced the preference for domestic solutions before turning to external financing, although it did not fully evolve into a broad-based national ethos capable of sustaining widespread public support.

However, the aggressive shift toward domestic debt was not costless. Domestic borrowing costs increased, and private-sector credit was crowded out as banks reallocated portfolios toward government securities. This deepened the sovereign–bank nexus and heightened systemic risk within the financial sector.

The domestic debt market expanded rapidly between 2017 and 2019, supported by pension funds, insurance companies, and commercial banks. Yet the shift also concentrated sovereign exposure within the domestic financial system, increasing banks' and institutional investors' vulnerability to a deterioration in government creditworthiness.

In 2020, the COVID-19 shock intensified financing needs, and the government leaned heavily on the domestic market to fund emergency spending. Issuance rose markedly, and interest costs increased as banks absorbed a larger share of government securities.

Figure 19: Distribution of Domestic Debt, 2021



Source: Ministry of Finance of Ghana

3.4 Cost and Risk Analysis of Ghana's Public Debt

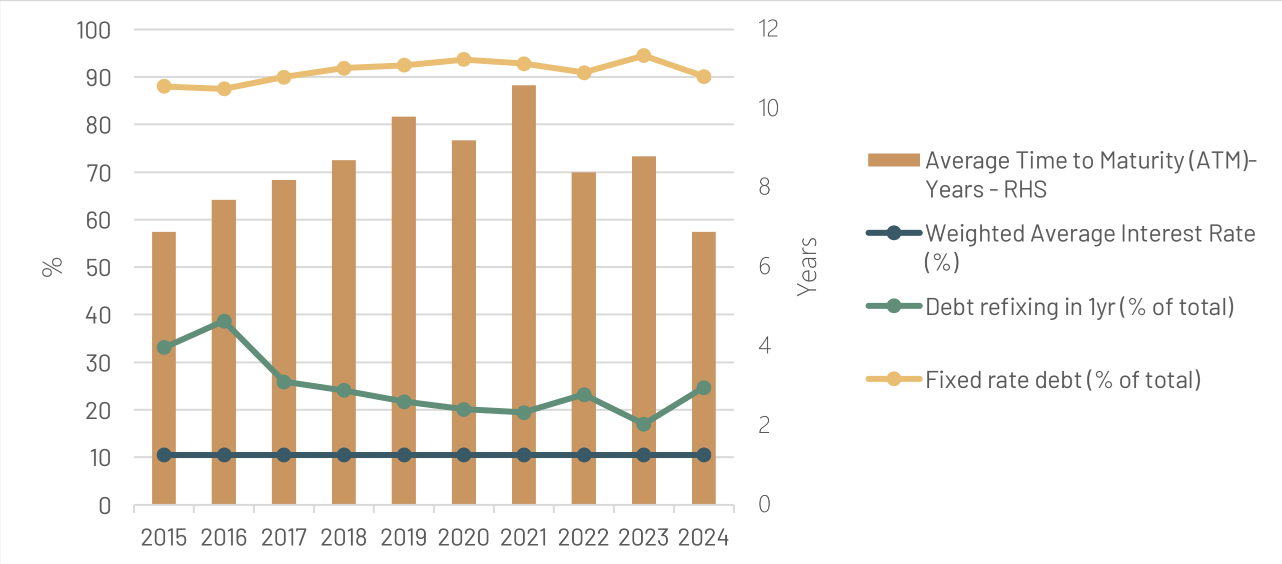
A cost-and-risk assessment of Ghana's public debt over 2016–2024 points to elevated vulnerabilities across all major risk dimensions. The structure of the debt portfolio made it expensive to carry and increasingly difficult to refinance.

Debt service costs remained high, with the weighted-average interest rate estimated at 10.7 per cent—consistent with historically elevated borrowing costs. Refinancing (rollover) risks also became material: the average time to maturity was 8.5 years, yet 17.5 per cent of the debt stock was scheduled to mature within one year, implying significant near-term rollover exposure.

Foreign exchange risk remained substantial. Foreign-currency-denominated debt averaged 54.5 per cent of total public debt, while short-term foreign-exchange (FX) debt amounted to 20.9 per cent of international reserves—exposing the portfolio to exchange-rate volatility and external liquidity pressures.

Taken together, Ghana's vulnerability therefore arose from a dangerous interaction between debt quantity and debt quality: a rapidly expanding debt stock was increasingly financed at high domestic interest rates, relatively short maturities and significant foreign-exchange exposure. This created a self-reinforcing dynamic in which rising interest payments increased borrowing requirements, refinancing occurred at progressively higher rates, and currency depreciation inflated the cedi value of foreign-currency obligations.

Figure 20: Cost and Risk Indicators, 2016 - 2024



Source: Ministry of Finance of Ghana

4 Did Macroeconomic Surveillance Miss the Risks?

4.1 Fiscal Health Assessment

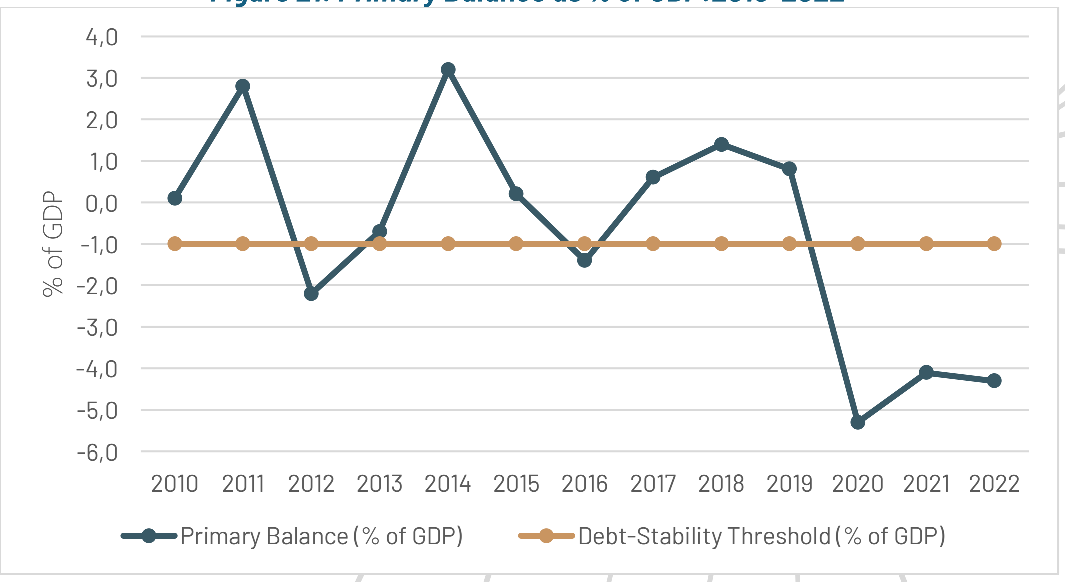
This paper uses the imbalance metric framework to assess fiscal and external vulnerabilities, considering five key indicators: persistent primary deficits, real effective exchange rate appreciation, reserves below three months of imports, inflation above 10 per cent, and interest payments exceeding 20 per cent of revenue. Applying these metrics for 2010–2022 reveals persistent imbalances, with negative primary balances, significant REER appreciation, inadequate reserves, high inflation, and interest payments consistently above 20 per cent of revenue.

Primary balance remained positive for most of the decade prior to the crisis, rarely breaching established thresholds. However, structural weakness in domestic revenue mobilisation and very rigid expenditure structures did not allow room for investment.

Other sources of vulnerabilities emerged, often not fiscal but from the balance of payments. The real effective exchange rate (REER) was for a greater part not broadly aligned with its fundamentals (mostly outside the ±10 per cent misalignment bands). This also could signify low capital inflows and high commodity price volatility, both of which undermine competitiveness.

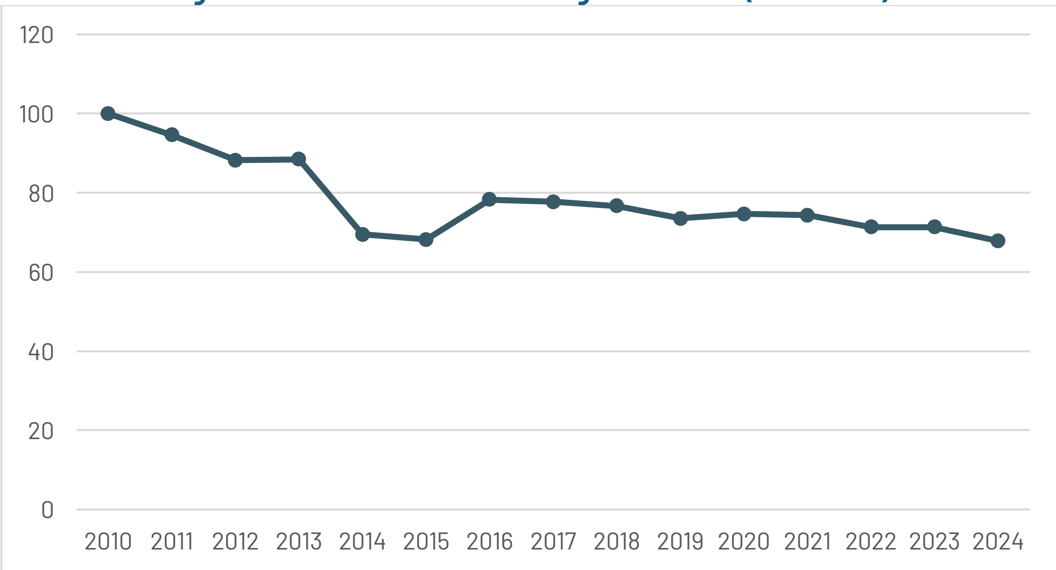
Gross International Reserves persistently hovered around the standard 3-months of import cover threshold. However, in 2012 and 2022, gross reserve position breached the threshold. Inflation also breached the target multiple times, peaking above 15 per cent in 2016 and rising as high as 54 per cent in 2022.

Figure 21: Primary Balance as % of GDP:2010-2022



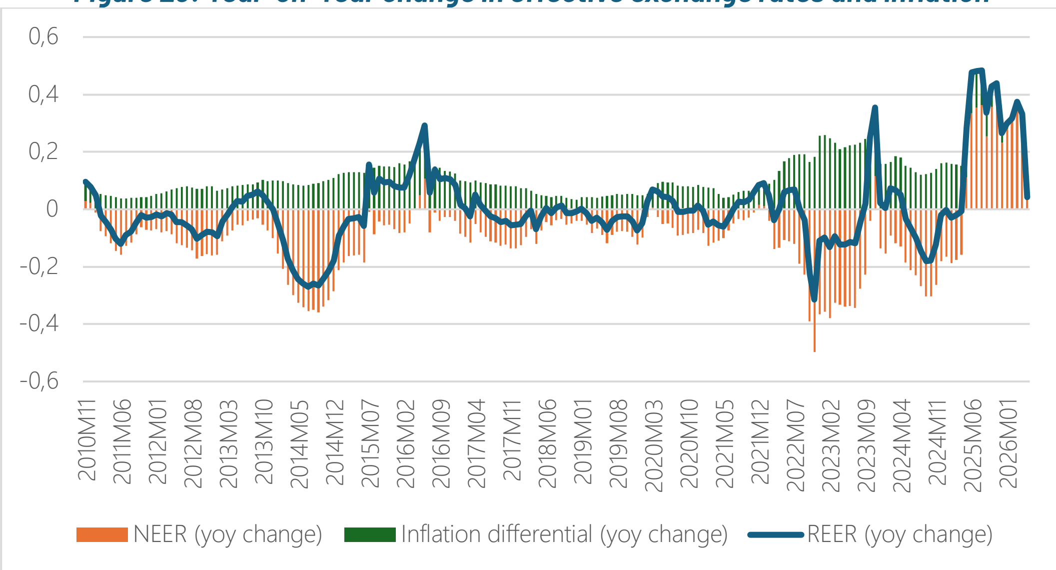
Source: Ministry of Finance of Ghana

Figure 22: Real effective exchange rate index (2010 = 100)



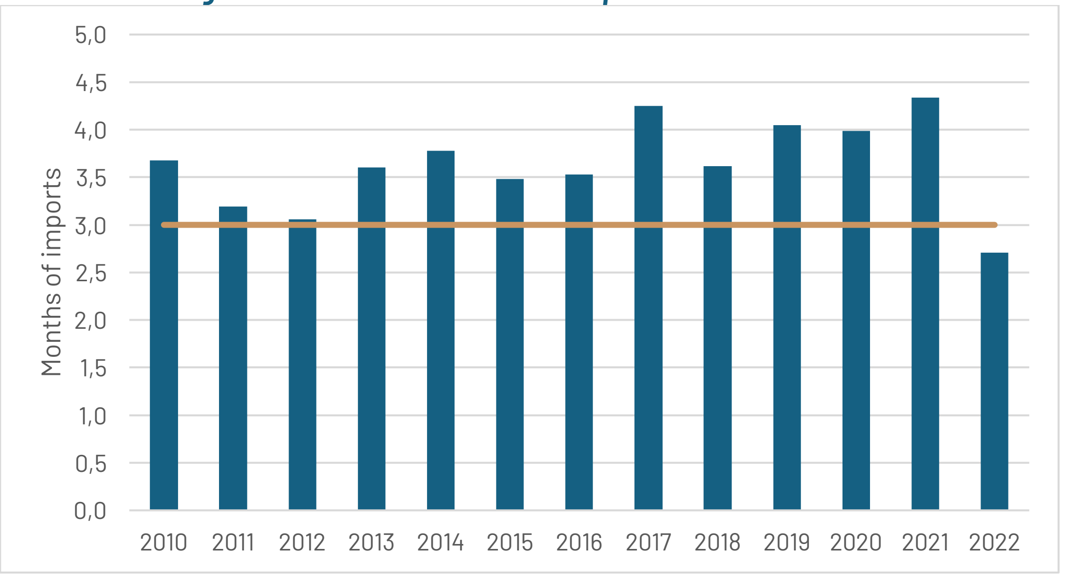
Source: IMF World Economic Outlook database

Figure 23: Year-on-Year change in effective exchange rates and inflation



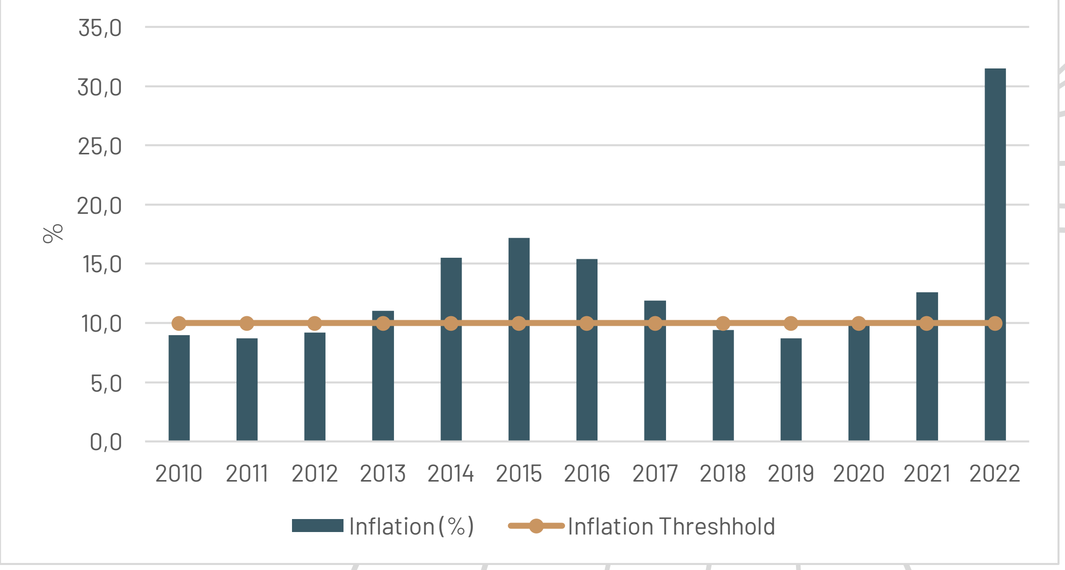
Source: Ministry of Finance of Ghana

Figure 24: Reserves-Months of Import Cover :2010-2022



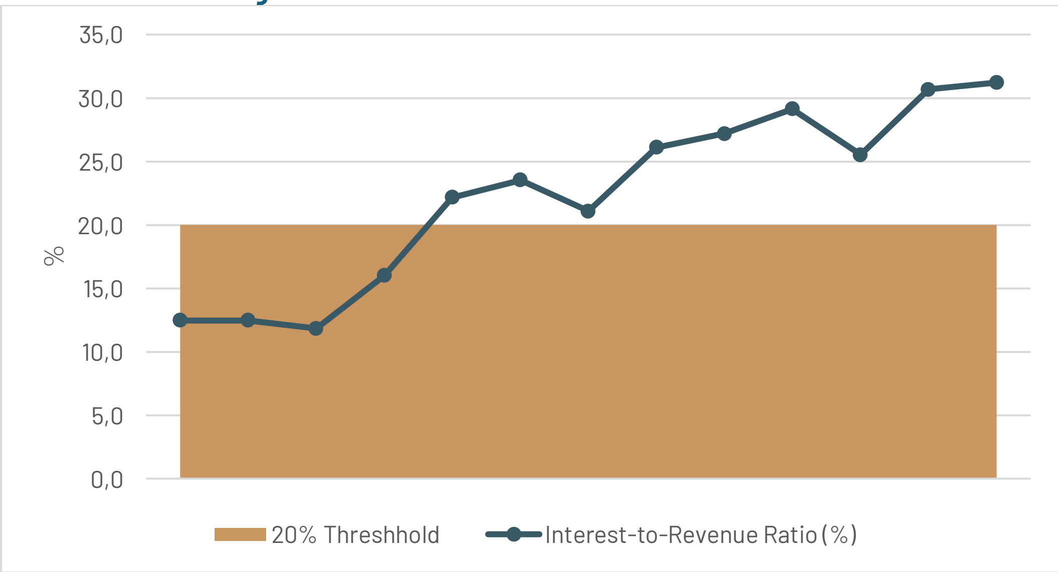
Source: Bank of Ghana

Figure 25: Inflation Trends: 2010-2022



Source: Ghana Statistical Service

Figure 26: Interest to Revenue Ratio:2010-2022



Source: Ministry of Finance of Ghana

4.2 Evolution of DSA Assessments

Successive joint IMF–World Bank Debt Sustainability Analyses (DSAs) gradually acknowledged the buildup of vulnerabilities. The 2015 DSA assessed Ghana as at high risk of debt distress but judged debt to be sustainable under assumptions of continued market access and fiscal consolidation. The 2019 DSA drew attention to fiscal instability linked to financial-sector clean-up costs, energy-sector liabilities, and weak domestic revenue mobilization, while the 2020 and 2021 DSAs placed greater emphasis on contingent liabilities and a more challenging external environment.

Notwithstanding these risk signals, DSA reports often expressed confidence in the authorities' proposed mitigation measures. For example, the 2019 assessment noted the Fund's satisfaction with initiatives such as expanding bauxite exports, broadening the tax base, and strengthening debt management to address identified vulnerabilities.

Over the past two decades, Ghana's debt sustainability challenges have persisted—and in several episodes intensified—particularly during periods without an IMF programme. The typically austere design of Fund-supported arrangements constrains expenditure and seeks to correct fiscal imbalances, while the associated financing and signaling effects can help ease external pressures.

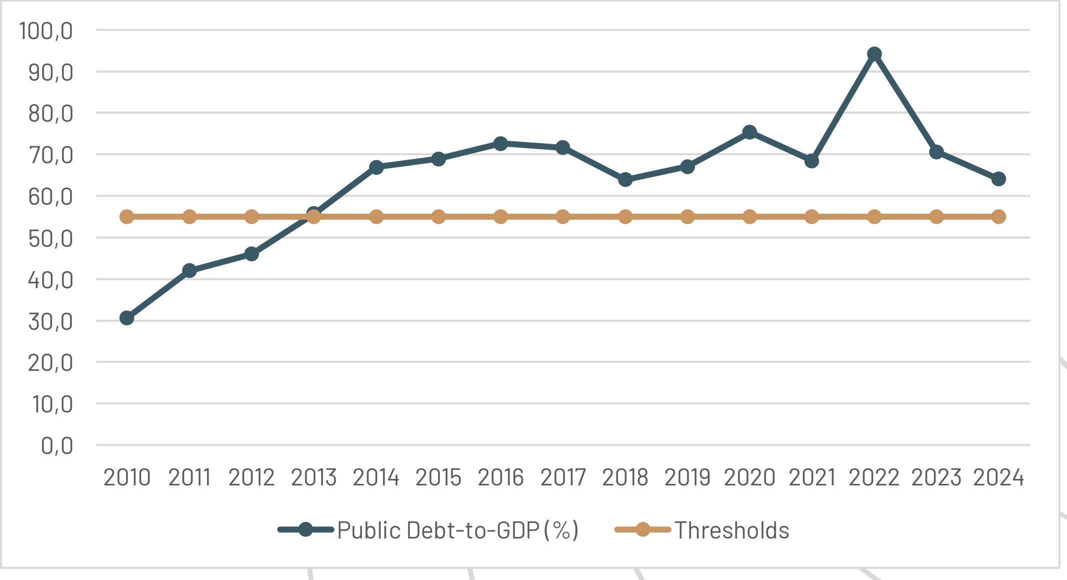
Yet, despite repeated recourse to the Fund for "policy credibility" and for liquidity or solvency support, debt sustainability remained fragile. Notably, several key DSA indicators breached their respective thresholds over 2010–2022.

The present value (PV) of public debt-to-GDP, which remained below the 55 per cent threshold in the early 2010s, rose sharply after 2014 and persistently exceeded sustainable levels—reaching nearly 93 per cent by 2022. During the 2015–2019 Fund programme, debt accumulation moderated, although the ratio remained above the benchmark.

Similarly, the PV of external debt-to-GDP exceeded the 40 per cent threshold from 2015 onward, reflecting in part the effect of exchange-rate depreciation on foreign-currency liabilities. The 2015–2019 Fund programme coincided with a modest reduction in this indicator, but it rose again during the COVID-19 period. Subsequent debt restructuring reduced the foreign-debt burden and improved this metric. Over the full period, however, the PV of external debt-to-exports remained below the 180 per cent benchmark.

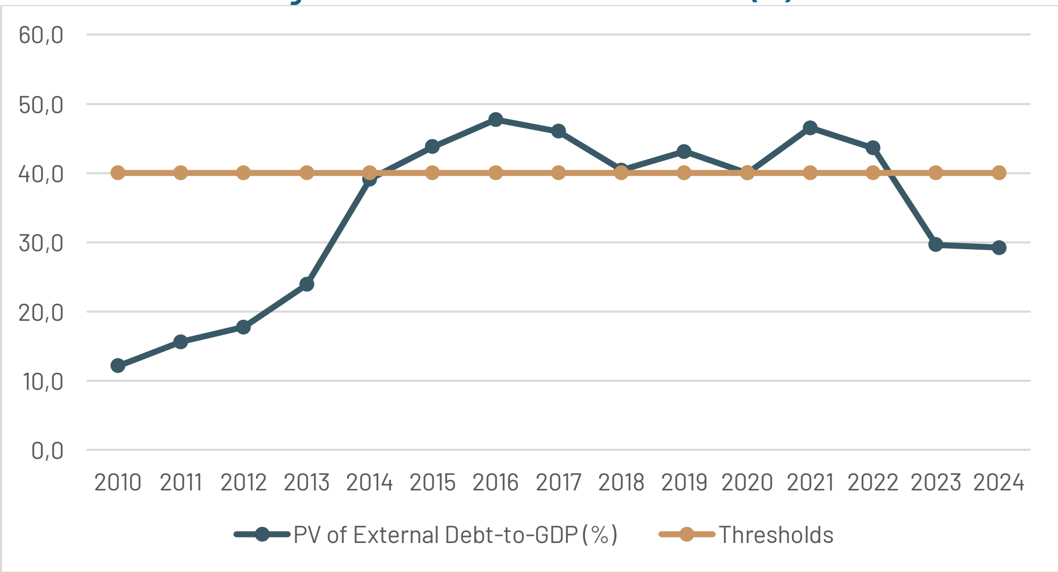
Liquidity indicators also weakened. Debt service-to-exports exceeded the 15 per cent threshold from 2015, while debt service-to-revenue breached the same benchmark as early as 2013 and rose to more than 40 per cent of government revenues by 2022. Taken together, these breaches point to systemic fiscal fragility, with solvency and liquidity risks reinforcing each other and ultimately contributing to debt distress and the need for restructuring.

Figure 27: PV of Public Debt to GDP: 2010-2022



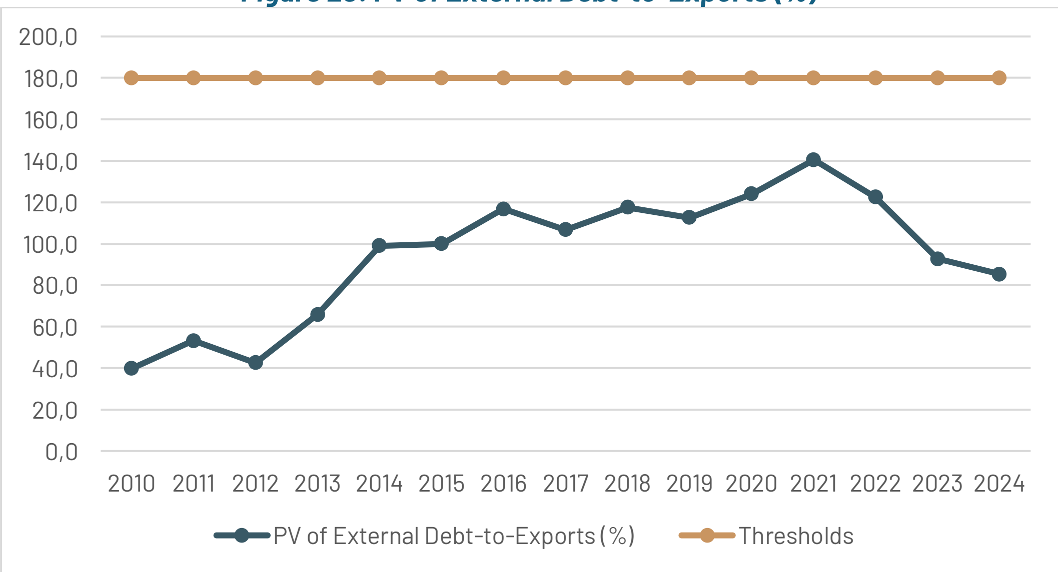
Source: Joint IMF/World Bank DSA Assessment Reports

Figure 28: PV of External Debt-to-GDP (%)



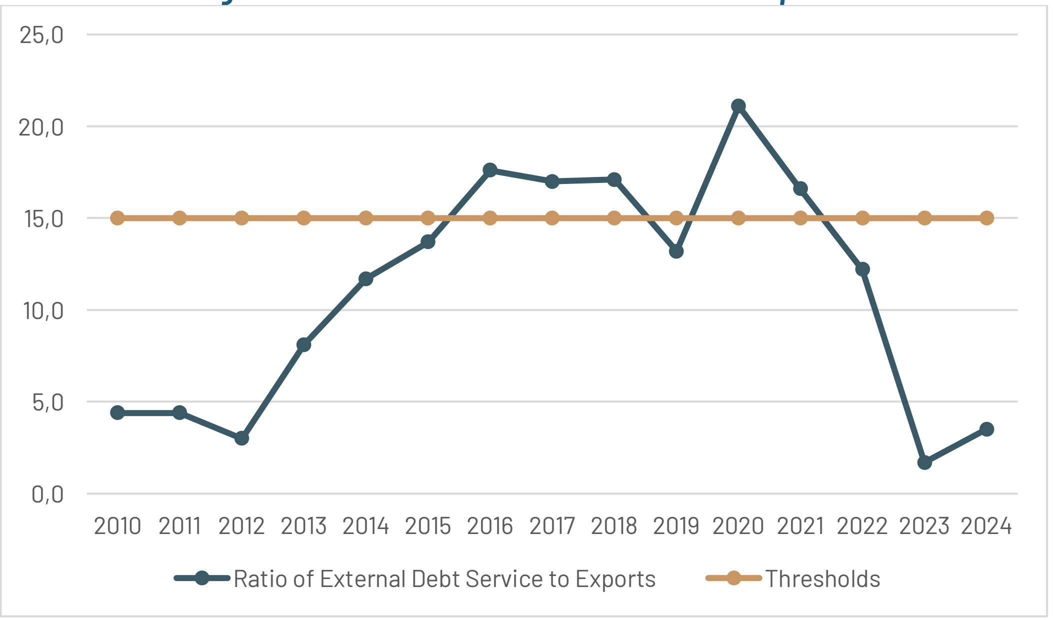
Source: Joint IMF/World Bank DSA Assessment Reports

Figure 29: PV of External Debt-to-Exports (%)



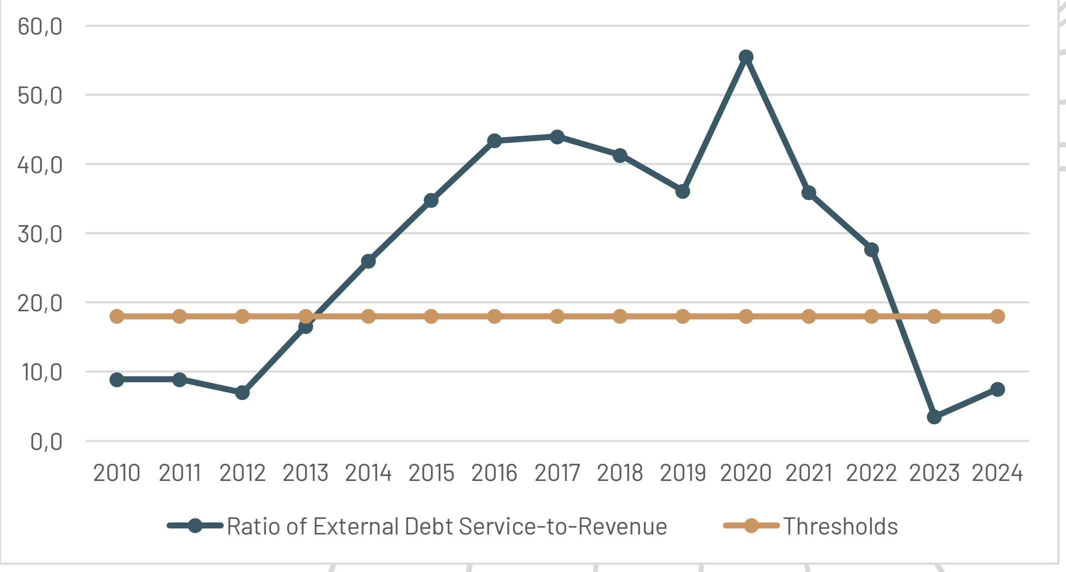
Source: Joint IMF/World Bank DSA Assessment Reports

Figure 30: Ratio of External Debt Service to Exports



Source: Joint IMF/World Bank DSA Assessment Reports

Figure 31: Ratio of External Debt Service-to-Revenue



Source: Joint IMF/World Bank DSA Assessment Reports

4.3 Why LIC DSF and not MAC DSA?

It is important to note, however, that the Low-Income Country Debt Sustainability Framework (LIC-DSF) used to assess Ghana appears insufficiently responsive to the country's evolving economic structure and debt dynamics. The framework relies on largely static, policy-dependent thresholds, a narrow set of solvency indicators, and limited treatment of market-access dynamics. These design features reduce its suitability for Ghana, which has maintained sustained access to international capital markets for about two decades, and may have contributed to delayed identification of vulnerabilities during the pre-crisis buildup.

In addition, the LIC-DSF does not offer a fully integrated assessment of the entire public debt portfolio—particularly domestic debt, which is often implicitly treated as lower risk. Indeed, public debt indicators are treated as "benchmarks" as opposed to thresholds. Recent experience challenges this presumption. In Ghana, domestic debt became broadly comparable in size to external debt, is priced at market-determined interest rates that are highly sensitive to macro-financial conditions, and—given significant non-resident participation—can transmit exchange-rate and capital-flow risks. These features also intensified the sovereign–bank "doom loop" as domestic financial institutions increased their exposure to government securities.

Taken together, these characteristics imply risk channels—liquidity stress, rollover risk, and financial-sector spillovers—that warrant analytical treatment comparable to that applied to external debt. More broadly, the LIC-DSF's emphasis on debt-service flows and the medium-term fiscal path limits its ability to capture liquidity, market-access conditions, and macro-financial transmission channels that increasingly drive sovereign risk in market-access economies. As a result, the framework may understate near-term vulnerabilities and systemic risk in countries such as Ghana, where domestic debt markets and financial-sector linkages play a central role in debt sustainability dynamics.

The recent proposed reform of the LIC-DSF would help in identifying earlier the kind of build-up in vulnerabilities in Ghana, but also its remedies. By putting more emphasis on overall debt-to-GDP levels, as well as an overall cost indicator (interest to GDP) and liquidity flows (GFN to GDP), it would have sounded the alarm not necessarily earlier, but in a more pointed manner, clearly indicating that the vulnerabilities stem from rapidly growing expensive domestic liabilities.

4.4 Surveillance Gaps

Given Ghana's long history of IMF-supported arrangements (the programme approved in 2023 was reportedly the country's 17th), observed surveillance shortfalls may also reflect limitations in programme design and the translation of diagnostic findings into binding reforms.

Over the past two decades, several gaps have appeared recurrent. IMF programmes could not consistently address institutional manifestations of deeper political-economy drivers of debt accumulation (including electoral competition and patronage-related spending pressures); rollover and liquidity risks were at times underweighted; stress-testing of domestic debt and its interaction with the banking system was limited; coverage of the wider public-sector balance sheet (including SOEs, guarantees, and other contingent liabilities) remained incomplete; and the sovereign–bank "doom loop" was not always assessed in a comprehensive, integrated manner.

These gaps point to a broader methodological question: whether Ghana was appropriately treated as an LIC-DSF case throughout the period, given its level of market access and the evolving structure of its debt. In particular, the framework's limited ability to quantify rollover, liquidity, and currency-related risks may have contributed to underestimation of the probability of rapid market closure—risks that became acute as investor confidence deteriorated following rating actions, including Moody's downgrade in February 2022.

4.5 Did They "Miss" the Crisis?

Although macroeconomic surveillance did not completely ignore Ghana's rising vulnerabilities, three limitations stand out. First, DSA baseline paths tended to be optimistic, assuming sustained fiscal consolidation (driven by domestic revenue mobilization, which was mostly missed) and robust growth while giving insufficient weight to plausible downside scenarios. Second, the analysis did not fully internalize domestic-debt dynamics and fiscal–financial feedback effects, leading to an under-appreciation of rollover, liquidity, and banking-sector channels. Third, IMF-supported programme design often prioritized near-term consolidation over reforms that address the structural drivers of recurrent debt accumulation—particularly in energy pricing, SOE governance, and tax policy and administration.

A recurring critique of Ghana's engagement with the IMF is that programme conditionality has historically favored fiscal consolidation over comprehensive structural reform. While Fund-supported arrangements have included structural benchmarks, the most binding and closely monitored conditions have typically centred on short-term stabilization—fiscal tightening, revenue measures, and monetary restraint. This pattern is consistent with findings from independent evaluations of IMF programmes (IEO, 2021 and 2008) in low-income and frontier economies, which note that reforms in energy pricing, SOE governance, and tax administration are often under-prioritized, weakly specified, or poorly sequenced despite their importance for long-run debt sustainability.

This is not to suggest that structural reforms were absent. Rather, across Ghana's numerous IMF-supported programmes, the operational emphasis on restoring macroeconomic stability often overshadowed the political coordination, administrative capacity, and sustained implementation required for deeper institutional change to drive resilience. From the Fund's perspective, stabilization is a sensible prerequisite for reform; however, Ghana's repeated recourse to IMF support—seventeen programmes over six decades—indicates that the stabilization-first sequence has not consistently translated into durable structural adjustment and resilience.

This record warrants sober reflection. Ghana's experience suggests that fiscal consolidation on its own is unlikely to resolve structurally driven debt problems. Absent reforms to energy-sector pricing and governance, stronger SOE oversight, improved public investment management, and sustained transformative domestic revenue mobilization that permanently widens the base, fiscal gains tend to erode once programmes end, or with the slightest of shocks. The IMF's ex-post assessments—including the 2024 Independent Evaluation Office report—similarly acknowledge that limited progress on structural reforms has contributed to repeated programme cycles in several African frontier economies, Ghana among them.

A forward-looking lesson is the need to rebalance programme priorities. Although fiscal consolidation can deliver quick and measurable improvements, the credibility of adjustment ultimately depends on politically difficult but system-shaping reforms that make consolidation durable. If Fund engagement remains relatively shallow on reforms that intersect with political incentives, institutional constraints, and distributional trade-offs, the long-run impact of programmes will remain limited. In Ghana—where key vulnerabilities are structural—macroeconomic stabilization without structural reforms is likely to be temporary.

Accordingly, the IMF's role should extend beyond crisis management toward sustained policy partnerships supporting governments to design, sequence, and implement reforms that strengthen institutions, raise productivity, reduce recurrent fiscal risks, and build resilience. For fragile and emerging economies facing complex and interacting shocks, this implies closer attention to domestic-debt dynamics, fiscal–financial linkages, and the political economy of reforms, alongside traditional macroeconomic adjustment.

5 Domestic Institutions' role in managing fiscal slippages and missed opportunities

5.1 Domestic Stakeholders did issue warning signals but were not heeded

Formal Institutions

Domestic oversight institutions strengthened reporting and transparency in some areas, but enforcement and independent scrutiny remained limited. The Ministry of Finance and the Public Debt Management Office expanded publication of Annual Public Debt Reports and Medium-Term Debt Strategies, yet these documents often relied on ambitious, non-binding targets. Parliamentary oversight was constrained by information asymmetries and partisanship, and key parliamentary committees generally approved borrowing plans and debt reports with limited independent analysis or stress testing. Fiscal rules and fiscal councils had limited practical traction, while central bank financing of the 2022 deficit added to inflationary and exchange-rate pressures. Accountability institutions—including the Auditor-General and anti-corruption bodies—documented irregularities, but follow-through was slow, contested, or incomplete.

Civil Society Organizations (CSOs)

Ghana's active CSO community, especially Africa Center for Energy Policy (ACEP), IFS, Oxfam, raised concerns about debt, energy inefficiencies, and revenue management, but had no formal role in decision-making. Their influence depended on political receptivity and media attention.

5.2 How Should Surveillance Improve?

Several institutional changes could have altered the debt trajectory: stronger enforcement of fiscal rules, earlier inclusion of SOE and SPV debt in ceilings as part of public debt for policy purposes, limits on banks' sovereign exposure, and rigorous CSO oversight.

Strengthen the technical ability to record and monitor debt dynamics and its sustainability

The Ministry of Finance should improve both its data coverage and its ability to analyse and communicate around its analysis, within a less fragmented institutional system.

Ghana should prioritise comprehensive domestic surveillance reforms, as stronger surveillance is central to restoring and sustaining sovereign debt sustainability. Effective surveillance entails systematic monitoring, reporting, and assessment of fiscal, debt, and macro-financial risks. Strengthening these functions would enhance policy credibility, improve early detection of vulnerabilities, and reduce the likelihood of future debt distress. Evidence from the IMF's *Fiscal Monitor* (2024) suggests that countries with more robust surveillance frameworks tend to exhibit stronger fiscal discipline and produce more reliable debt sustainability assessments—an outcome Ghana should target as it rebuilds macroeconomic stability.

A key reform priority is to integrate macroeconomic forecasting, debt sustainability analysis, and fiscal policy planning within a single, coherent analytical framework. Given Ghana's exposure to commodity-price volatility, exchange-rate swings, and domestic financing pressures, surveillance should incorporate forward-looking tools that identify risks before they crystallise. This requires stronger analytical capacity in the Ministry of Finance and related agencies, including routine use of scenario analysis, stress testing, and early-warning indicators.

Enhancing fiscal transparency and broadening data coverage is a second pillar of surveillance reform. Ghana's debt reporting has not always captured contingent liabilities, quasi-fiscal activities, and off-balance-sheet exposures in a timely and comprehensive manner. Key gaps include state-owned enterprise liabilities, energy-sector arrears, and obligations arising from public–private partnerships. Closing these gaps requires a public-sector balance-sheet approach that consolidates all public liabilities, alongside a clear and consistently applied framework for identifying, reporting, and clearing arrears—an area that has repeatedly undermined fiscal credibility.

Institutional coordination and independence are equally important. Fragmentation across the Ministry of Finance, oversight bodies, and regulatory institutions has weakened the coherence of macro-fiscal monitoring. Strengthening the mandate and independence of the Fiscal Council would improve the objectivity of fiscal assessments and reinforce compliance with fiscal rules. A well-resourced and autonomous council can scrutinise fiscal forecasts, monitor adherence to debt and deficit ceilings, and communicate material fiscal risks publicly supporting accountability and market confidence.

Operationalizing these reforms requires targeted measures that address the main sources of fiscal and debt vulnerability. Priority actions include:

- Comprehensive public-sector balance-sheet reporting: Expand coverage to include all SOE debt; publish arrears data regularly; and require explicit fiscal-risk statements for major PPPs and government guarantees.
- Strengthen fiscal responsibility mechanisms: Enforce credible debt and deficit ceilings; define transparent escape clauses; and empower an independent Fiscal Council to monitor compliance and publish assessments.
- Sovereign–bank firewall: Introduce prudential limits on banks' holdings of government securities; incentivize portfolio diversification; and develop bank resolution tools that do not rely on sovereign guarantees.
- Enhance macroeconomic surveillance: Conduct stress tests of domestic debt that explicitly model spikes in domestic yields, banks' valuation losses on sovereign securities, and recapitalization needs that feed back into public debt; quantify contingent-liability exposures through ceilings and scenarios in which a specified share of SOE or PPP obligations materializes; and incorporate political-economy diagnostics and structured engagement with CSOs.

6 Conclusion

Ghana's 2022 debt crisis was not a sudden accident; it was the predictable outcome of a prolonged accumulation of fiscal, macro-financial, and public-sector balance-sheet vulnerabilities. These vulnerabilities were visible in standard indicators (persistent deficits, rising interest-to-revenue ratios, weak reserves, and currency pressures) and in sector-specific stress in energy, cocoa, and finance—yet they were not addressed with sufficient speed or depth.

Although external shocks and tighter global financial conditions accelerated the break, the underlying drivers were largely domestic: weak revenue mobilization, procyclical (often election-linked) spending, rising interest costs, and repeated reliance on borrowing to finance recurrent outlays. Strong headline growth—largely commodity- and extractives-led—masked low productivity, limited diversification, and "jobs-lite" outcomes, while contingent liabilities and arrears accumulated through SOEs, special-purpose vehicles, quasi-fiscal operations, and financial-sector interventions.

The shift toward domestic borrowing—often framed as de-dollarization and market deepening—ultimately amplified risk. High domestic yields crowded out private credit and tightened the sovereign–bank nexus; sizeable non-resident participation in Cedi-denominated instruments blurred the boundary between domestic and external risk by transmitting capital-flow and exchange-rate shocks into the domestic market. Once confidence turned and market access closed, the adjustment became abrupt and costly, forcing debt restructuring and generating spillovers to banks, pension funds, firms, and households.

The crisis exposed gaps in domestic institutions and external surveillance. Fiscal rules existed but were weakly enforced; debt reporting improved but did not consistently capture arrears, guarantees, SOE risks, and other balance-sheet exposures; and oversight mechanisms (Parliament, accountability institutions, and civil society) lacked the authority, information, or incentives to impose timely discipline. International surveillance repeatedly assessed Ghana as high risk, but tools and programme design did not sufficiently internalize rollover and liquidity risks, domestic-debt/banking feedback loops, and full public-sector balance-sheet vulnerabilities—favoring optimistic baselines and delaying corrective action.

High domestic yields crowded out private credit and tightened the sovereign–bank nexus, while sizeable non-resident participation in cedi instruments "blurred" the distinction between domestic and external risk by transmitting capital-flow and exchange-rate shocks into the domestic market.

Ghana's experience ultimately carries a broader lesson for developing and frontier economies. Debt crises often begin when years of accumulated vulnerabilities finally become impossible to refinance. Strong growth, manageable headline debt ratios and continued market access can coexist with deteriorating debt quality, hidden fiscal exposures and mounting liquidity risks. Preventing the next crisis therefore requires looking beyond the debt stock to the balance sheet, beyond solvency to liquidity, beyond external debt to domestic financial linkages, and beyond fiscal rules to their enforcement. Ghana's experience shows that the warning signs can be visible long before the crisis. The policy challenge is to ensure that they trigger action while adjustment remains a choice.

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