

Ghana



Debt summary

Along with most countries in the global South, Ghana's debt steadily increased from the 1970's when lending became a prominent tool in development. In the face of an unpayable debt burden, Ghana opted for the **Heavily Indebted Poor Countries (HIPC)** initiative in 2001, several years after qualifying. Through this scheme Ghana had US\$1.1 billion cancelled in 2004, completing the requirements for relief quickly in relation to many other HIPC nations.

Qualifying for the **Multilateral Debt Relief Initiative**, Ghana's debt stocks were reduced by half to \$3.6 billion in 2006. Since then, over just 5 years, the countries external debt has ballooned to over \$11 billion, a much higher figure than before cancellation. With Ghana's economy also increasing, this debt is considered to be sustainable, however, the IMF state that there is a moderate risk that "unproductive spending could easily derail the debt dynamics onto an unsustainable path". Having been recently classified as a middle income country, Ghana will not be eligible for any further debt relief in the future.

HIPC

Over two years after the country became eligible for the HIPC initiative the government decided to enter the programme. IMF conditionalities to complete the HIPC initiative included deregulation of the oil sector, with rising fuel prices causing hardships for poorer Ghanains. In recent years, the decision to enter HIPC has been contested with opposing parties stating that it was not the correct decision and that it compromised Ghana's position. Those in opposition to the government at the time stated that HIPC would make Ghana appear to be a broken nation thus putting off investors in the future. Further criticism has suggested that corruption within the government has prevented the newly available funds from reaching those in need.

Although HIPC cancelled a large proportion of the debt, Ghana's debt stock has now surpassed pre-HIPC amounts. This has led to fears that the country will be heavily indebted once more, with the huge debt placing pressure on the budget.

Economic marvel?

As a relatively peaceful and stable democratic nation, Ghana has been praised by international bodies. Their compliance with austerity measures and deregulation earned further support and has been said to contribute to a positive economic future. Ghana's economy has grown significantly, however, the 'trickle down' effect this has had has been limited. The economy has grown but so has the inequality in the country. Rural areas face particularly high poverty levels and reductions in poverty are regionally based. Impressive reductions in poverty from over 50% in 1991, to 28.5% have been largely attributed to changes in particular regions including Accra. In rural areas the poverty remains at nearly 40% and in certain regions such as the Savannah area poverty rates have risen in recent years.

Prof. Agyeman Badu Akosa, the former Director General of the Ghana Health Service stated that Ghana's middle income status was misleading; "on a human development index, we are not a middle income country". With continuing challenges this shows how the review of economic success is often narrow. For instance, there are continuing challenges preventing gender equality in the country. Literacy rates are 20% higher for men and females tend to be stuck within the informal work sector without job security or labour regulation. These challenges do not factor into the assessments of Ghana's economy, illustrating how a narrow and purely economic assessment can overlook some of the persistent problems.

Factfile

Population
24.6 million

Life expectancy
61 years

74 out of 1000
children die before the
age of 5

28.5%
of the population live
below the poverty line

Human Development
Index rated
135
out of 187 countries

8
Doctors per 100,000
people

For every
£1
the poorest 10% earn,
the richest 10% get
£16



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