AFRODAD

AFRICAN FORUM AND NETWORK ON DEBT AND DEVELOPMENT

Commentary on the Creditor Committee for Ghana under the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative Statement

On 12th May 2023, the Creditor Committee for Ghana under the Common Framework for Debt Treatment beyond the Debt Service Suspension (DSSI) Initiative was formed with its leadership being co-chaired by China and France. This was followed by dispatchment of approximately $600 million on 15th May, 2023 from the International Monetary Fund (IMF) as a first tranche of the anticipated $3 billion conditional bailout package. The announcement on the formation of the "Creditor Committee" looks positive on the surface, but in fact it continues to be the piecemeal approach that the G20 Common Framework has adopted throughout its process on load restricting in developing economies. The whole process is a creditor driven initiative with a sole aim of ensuring that revenue generated and savings in the Ghanaian economy go directly towards paying debt under the watch of the IMF.

AFRODAD takes note of the effects that come with the implementation of the G-20 Common Framework Debt Restructuring process. The whole process is a mess since it has increased Ghana's debt accumulation ratio to GDP. It is ironical that while Ghana is struggling to repay its debt, under the Common Framework for Debt Treatment beyond the Debt Service Suspension Initiative, the country external savings gained from restructuring its external debt will be utilised to a tune of 70% to repay the debt. The process is not to save the country and its citizens but to save for debt repayment. We believe that African countries, Ghana included should be able to save and invest in economically viable sectors that enhance their domestic resource mobilisation plans than a "save-for-debt repayment" syndrome promoted by the creditor committee initiative in Ghana.

Notably, under the Common Framework for Debt Treatment beyond the DSSI in Ghana, IMF has proposed eight fundamental programmes and policies that must be adhered to. These includes cutting down on spending on social protection sectors and tightening fiscal consolidation measures. We see this proposal as profit-oriented without taking into consideration the general effect it will have on service delivery on the citizens. We believe that while there is a need to cut expenditures, reduce deficit, and contain debt growth in Ghana, the initiatives must ensure that the social spending budgeting is not reduced given its direct impact on poor citizens who are unable to afford basic needs. At the same time, increment in the prices of goods including automatically adjusting fuel prices and electricity tariffs in Ghana in order to repay the debt will further accelerate an already bend-down economy where citizens disposal income has shrunk. Thus, without a reformed global financial architecture as highlighted in the Harare Declaration, to make it aligned to the citizenry and people's voice, the initiative by the creditor committee is but just a flop to the Ghanaians aspirations.

In conclusion, AFRODAD believes that there is a need to establish an equal playing ground through a multilateral legal framework under the UN to prevent and resolve sovereign debt crises without favorism and seniority syndrome. These are alternative strategies that we believe will address structural reform of the international financial architecture. At the same time, the involvement of IMF and WB in the G-20 Common Framework initiative in Ghana sends an alarm on the role of these multilateral institutions. The austerity measures as per the IMF requirements are not for the benefit of the Ghanaians but instead to help the G-20 and Paris Clubs repose their debts from Ghana while the citizens are left without service delivery. AFRODAD therefore calls for realistic debt repayment and a restructuring process that does not disadvantage African countries i.e., the process should be a creditor-debtor driven initiative, and, aligned with the country's economic aspirations.