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Debate

Ghana's Debt Crisis and the Political Economy of Financial Dependence in Africa: History Repeating Itself?

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ABSTRACT

Recent accounts of the re-emergence of debt distress in Africa, while offering significant insights, fail to provide the historical political-economic context within which African indebtedness is set. On the surface, spending induced by the COVID-19 pandemic, economic fallout from the Russia–Ukraine war, and repeated examples of fiscal indiscipline by African governments appear to be the causes of the current wave of debt crises. Beyond these factors, however, this article argues that the present indebtedness, like previous episodes, is rooted in the economic and financial subordination of African economies. Specifically, the article places Ghana's extensive debt within the country's post-independence political-economic context, and thus traces the structural factors and external constraints that underlie its economic vulnerability and financial dependence. These include the collapse of developmentalism in the 1970s, the Structural Adjustment Programmes of the 1980s, and an exploitative transnational lending system dominated by Western commercial creditors. Internally, recent fiscal mistakes by the government, within its limited policy space, have exacerbated Ghana's indebtedness. The Ghanaian experience shows that unconditional debt cancellation, widely called for, is a necessary but insufficient measure to address the recurring cycles of indebtedness. Debt cancellation should be followed by broader economic and financial reforms, globally and domestically.

INTRODUCTION

> *The causes of Africa's debt are neither single nor simple*
>
> (Danso, 1990: 6)

On 1 July 2022, Ghana's president, Nana Akufo-Addo, directed his Finance Minister to engage the International Monetary Fund (IMF) for a

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debt-restructuring programme. Negotiations with the IMF concluded on 17 May 2023 with the approval of a US$ 3 billion, three-year Extended Credit Facility (IMF, 2023a). This loan agreement marks the 17th time since independence that Ghana has gone to the IMF for a debt-induced economic recovery programme. Far from being an exception, Ghana is one of several African countries in debt distress. The African Development Bank (AfDB) reported that as of February 2022, seven African countries were in debt distress, with a further 16 at high risk of joining them (AfDB, 2022).

The empirical literature on this current wave of indebtedness in Africa (see, for instance, Azolibe, 2022; Ndulu and O'Connell, 2021; Olaoye and Olomola, 2022) has provided important macro-financial insights on the continent's economic situation. However, the historical political-economic origins of the financial distress remain largely unaddressed. For instance, Olaoye and Olomola's (2022) econometric study of 44 countries found, rightly, that Africa's debt-induced growth is not socially inclusive; nor is it sustainable, since the growth is directed at servicing external debt. Azolibe (2022) has analysed the link between external debt accumulation and foreign direct investment between 1990 and 2017, and concludes that external debt accumulation in Africa arises from the use of loans for 'unproductive projects'. The solution to the continent's 'debt overhang' (Krugman, 1988), Azolibe suggests, is that African economies should invest external debt into 'productive capital projects and infrastructures' (Azolibe, 2022: 346). By doing that, he adds, the critical infrastructure will generate enough revenue to service the debt, thereby avoiding the nuisance taxes that governments introduce in their attempt to repay debts. Outside of academic circles, broader discussions of the current wave of debt distress (such as IMF, 2022; UNDP, 2022; World Bank, 2022) highlight COVID-induced spending and the disruptions to global trade from the Russia–Ukraine war. Recounting its role in addressing rising debt burdens, the World Bank (2022: 50) emphasizes the need for countries to work towards debt sustainability — namely, by improved transparency and debt management, policy reforms, increased domestic tax compliance, prudent public expenditures and increased domestic resource mobilization.

The fixation on COVID-19 and the Russia–Ukraine war, as well as the economistic prognosis and treatment of indebtedness offered by Azolibe and others, while macro-financially prudent, do not provide a holistic explanation of the current debt storm. In fact, they obscure the post-independence structural economic constraints that African economies have faced, and the political-economic context of transnational lending within which Africa's indebtedness is set. This article aims to mitigate this failing by historicizing and repoliticizing the African debt crisis, demonstrating that it must not be seen as isolated but rather as a consequence of Africa's long-standing economic subordination and dependence on external development finance. Ghana, much like other African countries, emerged from the eras of enslavement and colonialism with a dysfunctional economic structure,

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shaped into dependence on a narrow set of commodity exports to finance its development. The failed attempts to break out of such structural dependence in the context of global economic and financial constraints has occasioned the frequent recourse to borrowing and, consequently, indebtedness.

Accordingly, this article situates Ghana's 2022–23 debt crisis in the context of its post-independence political economy and makes three arguments. First, the rise and fall of the developmental Ghanaian state in the 1960s and 1970s ushered in the Structural Adjustment Programmes (SAPs) which in turn disrupted early independence attempts at structural economic transformation. The disruptive role of the SAPs not only returned Ghana to reliance on raw commodity exports based on the notion of comparative advantage; it also promoted liberalization, de-industrialization and Ghana's continued reliance on external development finance. Second, in the post-structural adjustment financialized order, Ghana remained reliant on a narrow set of primary commodity exports, and resorted to market-based development finance. The recourse to financialized strategies for development exposed Ghana to an exploitative transnational lending system dominated by Western private commercial lenders (mostly banks and pension funds). A third contingent argument regarding Ghana's indebtedness is that the underlying structural and external factors that cause vulnerability and financial dependence leave government with a small margin for policy error. As such, every fiscal slippage or idiosyncratic policy decision exacerbates government's financial distress. This constraint to domestic policy and fiscal space has not always been taken seriously by politicians and policy makers in the period since the Heavily Indebted Poor Countries (HIPC) debt relief, with various governments borrowing heavily, particularly in the last seven years (2017–23). The loans may have been justifiably spent on infrastructure projects and social programmes, but huge borrowing, mostly under the expectation of commodity price booms or low interest rates, has turned out to be risky and unwise, and has quickened Ghana's descent into crisis. Together, these three points shed light on how Ghana's (and, more broadly, Africa's) post-independence attempts to develop recreate the conditions for dependence on external finance.

The arguments raised in this article are not intended to dismiss the role of COVID-19 and the Russia–Ukraine war in the current wave of indebtedness in Africa and beyond. On the surface, it is tempting, considering the timing of the debt distress of several African countries, to blame the continent's troubles on those two factors. Between May 2020 and December 2021, for instance, 32 African countries signed onto the G20's Debt Service Suspension Initiative (DSSI). Recognizing the DSSI's failure to halt the debt vulnerabilities of distressed countries after its expiration in December 2021, the G20 instituted a Common Framework for debt treatment. So far, three countries, Chad, Ethiopia and Zambia (which defaulted on its US$ 42 million Eurobond debt payment; see Gort and Brooks, 2023), have been admitted for the debt treatment. These widespread cases of financial crisis

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unfolded in a period which saw a devastating pandemic and an attritional war in Ukraine. However, it was clear before COVID that many African countries were headed for a new debt crisis. Between 2010 and 2018, Africa's debt-to-GDP ratio increased from about 35 per cent to over 60 per cent. Within the same period, external debt servicing rose by over 250 per cent from about US$ 18.7 billion in 2010 to US$ 66.7 billion in 2018.[1]

Therefore, this article's point of departure is that, to fully understand the current debt crisis in Africa, it is important that we do not focus entirely on the immediate global shocks. Rather, we should emphasize the structural economic and financial constraints that post-colonial African economies have faced within the context of a hierarchical and exploitative global capitalist order. Unlike successful late industrializers in East Asia, such as South Korea or Taiwan, post-independence African developmentalist attempts have not only faltered under peculiar conditions (which are discussed in a later section), but have persistently created a pattern of dysfunctional economic growth that cripples the long-term potential for economic transformation. This 'perverse growth', as Arrighi and Saul (1968) and later Arrighi (2002) called it, is characterized by a combination of underdevelopment of the capital goods sector, and a dysfunctional pattern of domestic surplus capital absorption — for example, large income outflows on foreign direct investment. The shortage of development finance (particularly foreign exchange) that has accompanied this economic subordination has historically exposed African economies to a punitive global lending system under which a combination of loan conditionalities and high borrowing costs drive them into indebtedness. The internal and external factors that underlie the persistence of African indebtedness are explored further in the subsequent sections.

This article's emphasis on the historical structural constraints that occasion Africa's reliance on external finance and indebtedness is consistent with a variety of heterodox economics perspectives, especially those of early dependency theorists (notably Amin, 1974; Dos Santos, 1970; Furtado, 1956; Rodney, 1972; Sunkel, 1973) and recent accounts of the subordination of developing and emerging economies (Alami et al., 2023). An extensive review of dependency theory is not the focus of this article (see Kvangraven, 2020). However, the crux of dependency theory, which should guide our analysis of Africa's present crisis, is that underdevelopment in peripheral economies such as those of Africa and Latin America is explained by the mechanism of their integration into the world economic and political system. As such, Africa's persistent dependence on external finance and its ongoing debt crises are better understood by studying closely how the continent's economic and financial subordination limit its ability to sufficiently finance its development.

1. From the World Bank's International Debt Statistics Database (www.worldbank.org/en/programs/debt-statistics/ids).

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Ghana, the focus of this article, serves as a good case study, having gone through 16 debt restructurings since independence. During the crises of the 1980s, Ghana was the first African economy to be admitted to the structural adjustment programme; it signed onto the HIPC debt relief programme in the early 2000s; and since 2007, it has borrowed significantly from the Eurobond market. The commencement of commercial crude oil exploration in 2011 was expected to transform the Ghanaian economy, and yet by 2015 the country was going back to the IMF for its 16th bailout. And now, just a few years after completing the IMF programme in 2019, a new debt crisis has emerged. By unpacking Ghana's present crisis along with previous instances that necessitated an IMF restructuring, this article aims to extend the literature and policy discourse on the systemic, structural and historical factors that explain African economies' financial dependency.

The rest of the article proceeds as follows. The next section discusses the financial crisis in Ghana, the country's recourse to the IMF for a bailout and the fallout from that decision. The section concludes by restating a national and global concern: how did Ghana get into this financial chaos? A technical analysis of the (un)sustainability of Ghana's sovereign debt is then carried out in the subsequent section. This is followed by two sections that examine the rise and fall of developmentalism in the 1960s and 1970s, and discuss how structural adjustment, the solution to the 1980s crisis, compounded the problem by weakening the domestic capacity to diversify the Ghanaian economy, plunging it into another crisis in the late 1990s. The last substantive section concentrates on the post-HIPC period, demonstrating how commercial debt (Eurobonds) drove Ghana into its 2015 and current (2022–23) debt restructurings. The last section concludes with a discussion of the implications for debt management. In the analysis that follows, debt statistics are drawn from multiple sources: the World Bank's International Debt Statistics database, the Annual Public Debt Report 2021 of the Ministry of Finance (Ghana), and Eurobond data from Refinitiv Eikon Datastream.

GHANA'S DEBT CRISIS: MAKING SENSE OF THE UNFOLDING CHAOS

The formal declaration of a debt crisis in July 2022 was preceded by months of consistent downgrades of Ghana's long-term local and foreign currency issuer default rates by several agencies, notably Moody's Rating, Fitch Ratings and S&P Global Ratings. The systematic downgrades came on the back of rises in Ghana's debt stock and debt service levels, as well as heightened liquidity constraints. The volume of external debt in particular rose rapidly in the decade up to 2022. Between 2015 and 2021 alone, external debt increased by about 80 per cent, from US$ 20.1 billion to US$ 36.2 billion (Figure 1). In the same period, external debt service costs more than tripled from US$ 1.05 billion to US$ 3.23 billion (Figure 2). Excluding

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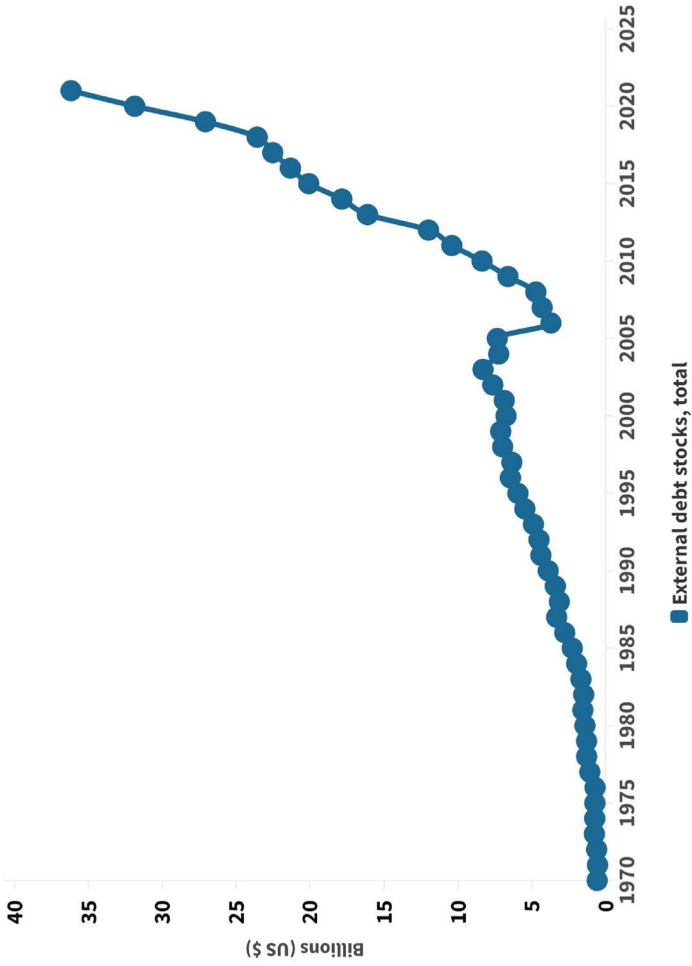
Figure 1. External Debt Stock, Ghana 1970–2022



Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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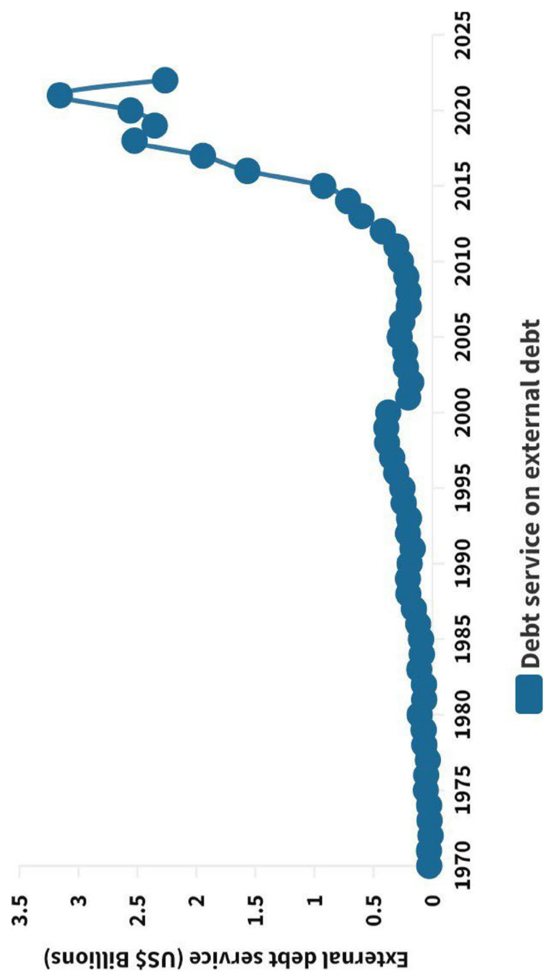
Figure 2. *Debt Service on External Debt, Ghana 1970–2022*



Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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amortization costs, these amounts imply that, on average, interest rates paid on external debt rose from about 5.9 per cent in 2015 to 8.9 per cent in 2021.

It was therefore not surprising that rating agencies decided to downgrade Ghana's economy. However, these ratings were often contested by the government, which questioned the methodology and conduct of rating agencies especially in the context of a devastating pandemic. For instance, a deputy minister of finance described Moody's February 2022 downgrade of Ghana as a grand scheme aimed at forcing the country to go to the IMF (Peace FM, 2022). And indeed, Ghana did apply for a US$ 3 billion facility from the IMF. The period between July 2022, when the debt crisis announcement was made, and May 2023, when the IMF approved the loan facility, has — to put it mildly — been a period of financial and economic troubles for both the Ghanaian government and the people. Three sets of fallouts from the July 2022 announcement are worth noting.

The first was the sharp depreciation of the Ghanaian cedi (GHC) against major trading currencies, along with general high inflation and rising interest rates. The cedi, which had already lost 19.2 per cent of its value against the US dollar in the first half of 2022, further depreciated by 54.2 per cent in November 2022 (Bank of Ghana, 2022a). Accompanying the cedi's depreciation was rising inflation. Standing at about 29 per cent in June, inflation rose to over 37 per cent in September 2022 (Bank of Ghana, 2023), marking the highest rate since 2001. This 20-year record did not last for long: inflation increased to around 54.1 per cent at the end of December 2022 (Ghana Statistical Service, 2023). Disaggregated data from the Ghana Statistical Service show higher rates for food inflation nationally, approximately 59.7 per cent, and food inflation in the Greater Accra region, approximately 66.7 per cent (ibid.). In an attempt to respond to inflation, the Bank of Ghana raised the policy rate by 250 basis points, driving interest rates from 24.5 per cent in October to 27 per cent in November 2022 (Bank of Ghana, 2022b). Consequently, as the cedi depreciated, inflation rose and interest rates spiked. The resulting increases in the costs of living and doing business provoked widespread frustrations and demonstrations (Myjoyonline, 2022a) and calls for the dismissal of the finance minister and resignation of the president. An equally frustrated President Akufo-Addo insisted that 'malevolent forces' — COVID and Russia–Ukraine — had plunged Ghana into the crisis (Ghana News Agency, 2022).

The second major fallout was the struggle for a domestic debt exchange programme. On 12 December 2022, Ghana reached a staff-level agreement with the IMF, subject to IMF Management and Executive Board approval, for a US$ 3 billion extended credit facility. The Board's approval was conditional, among others factors, on Ghana achieving a comprehensive debt restructuring with its creditors. Accordingly, the government offered a domestic debt exchange programe, delaying payment of institutional bondholders' investments and interest payments until 2024 (Ministry of Finance, 2022a). However, pension funds, trade unions, insurance firms and some

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financial institutions rejected the debt exchange as it would deprive them of returns on their investments (Myjoyonline, 2022b). The debt exchange was amended on 31 December 2022, excluding pension funds but bringing in individual bondholders including pensioners who invested privately in government bonds. Extending the debt exchange to individual bondholders gave rise to its own tensions and protests. Sophia Akuffo, a former Chief Justice of Ghana and one of several pensioners protesting their inclusion into the debt exchange programme, described the debt restructuring as 'wicked, disrespectful, unlawful and totally wrong' (Welsing, 2023). As the restructuring efforts with domestic creditors stalled, Ghana missed a 17 February 2023 deadline for a US$ 40.625 million coupon payment on its US$ 1 billion 2026 Eurobond. This effective default on the 2026 bond was preceded by a government announcement suspending all external debt payments with the exception of multilateral debt acquired after 19 December 2022.

The third major fallout from the decision to seek an IMF bailout has been intensified domestic debate on the cause of the debt crisis. On the one hand, the government has maintained that the pandemic and the war in Ukraine have derailed the Ghanaian economy. COVID-induced spending between March 2020 and June 2022, for instance, amounted to around GHC 21.8 billion (about US$ 2 billion) (Ministry of Finance, 2023). Pandemic spending is particularly evident in the significant increase in the government budget deficit from 8 per cent in 2018 to nearly 15 per cent in 2020 (Ministry of Finance, 2022b). The government has also contended — justifiably — that distortions in global supply chains and the rise in energy prices arising from the Russia–Ukraine war have driven spikes in fuel, transport and food prices in 2022 and 2023. Civil society organizations, opposition political parties, and a mass of Ghanaians, by contrast, blame the government's fiscal policy failures for the crisis. What are those fiscal policy decisions and to what extent do they amount to failure? A few examples from the last six years (2017–22) of Akufo-Addo's government are illuminating.

In its first budget statement on 2 March 2017, The Akufo-Addo government laid out an ambitious development agenda, including free senior high school education and large industrialization projects, such as the 'one district, one factory' programme and the 'infrastructure for poverty eradication' programme. Whether these policies were developmental remains questionable, given the ideology that guided their formulation, the structure of the policies, and the government's autonomy in their implementation, as pointed out by Mkandawire (2001). Certainly the results of the policies do not appear developmentalist, as they have hardly translated into export diversification or lower structural dependence on foreign finance. They were in fact more populist policies, or were at least implemented in a 'populist' manner, to placate the mass of the electorate whose votes the president courted in 2016 and 2020.

These questions notwithstanding, the social and economic investments were necessary and were rightly celebrated nationwide. However, the

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government set itself up to face revenue constraints when it abolished 18 taxes in the same 2017 budget. The reason, the finance minister maintained, was to 'eliminate nuisance taxes and provide tax incentives for the private sector to spur growth' (Ministry of Finance, 2017: 34). Among others, the 17.5 per cent financial service tax, the 17.5 per cent tax on domestic airline tickets, the 5 per cent tax on real estate sales, the 1 per cent Special Import Levy, and import duties on spare parts/petroleum were all abolished. Other taxes were significantly reduced: special petroleum tax went from 17.5 per cent to 15 per cent, the national electrification scheme levy from 5 per cent to 3 per cent, and the public lighting levy from 5 per cent to 2 per cent. To make up for the lost revenues, the government issued multiple domestic and external debt instruments in 2017 and 2018. In 2017, 10 new loan agreements, totalling about US$ 506.8 million, were signed (Ministry of Finance, 2018), with a further 23 new loan agreements worth US$ 971.6 million signed in 2018 (Ministry of Finance, 2019a). By abolishing most of the energy sector recovery levies mentioned, the government was also compelled to issue energy sector bonds to refinance debts owed to utility companies and petroleum service providers. For instance, 7-year and 10-year energy sector bonds worth GHC 4.7 billion (about US$ 1.04 billion) at an average coupon rate of 19 per cent were issued in 2017. Similarly, three energy sector bonds worth GHC 880.7 million (about US$ 181.4 million) were issued in 2018 (Ministry of Finance, 2019a).

Besides the increased borrowing that accompanied the sweeping tax cuts of 2017, two new oil discoveries announced by Aker Energy and Springfield E & P had an impact on government borrowing. In January 2019, Aker Energy, a Norwegian oil and gas firm, announced it had discovered a new oil reservoir at the Pecan Field in the Western Region, which it estimated held about 450–500 million barrels of oil (Graphic Online, 2019). In December 2019, Springfield E & P, a Ghanaian oil and gas firm, announced it too had made a significant discovery, that more than doubled the volume of its total discovered oil to 1.5 billion barrels (Springfield Group, 2019). These discoveries triggered the government's expectation of increased oil production and revenues (Ministry of Finance, 2019b), an expectation which motivated the issuance of additional Eurobonds and domestic bonds.

Overall, then, an ambitious development agenda that included free education, industrialization, government sector recruitment and banking sector reforms, all within the context of sweeping tax cuts, translated into increased borrowing. Initially, the government's huge external borrowing was enabled by globally low interest rates. The flow of cheap credit to emerging markets meant American and European investors were eager to invest in Ghana's bonds and the Ghanaian government borrowed enthusiastically, in the belief that interest rates would remain low. Policy decisions and heightened borrowing thus contributed to a rapid increase in public debt from about 54 per

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cent of GDP in 2017 to 98.7 per cent in 2023,[2] thereby increasing Ghana's vulnerability to interest rates rises and commodity price shocks, as well as the fallouts from COVID-19 and the Russia–Ukraine war.

The internal debate about the financial crisis, partly driven by competing political interests, has not always been clear-cut, with blame attributed to government policy failures, as well as the immediate global shocks of COVID and the war in Ukraine. While it is fair to point to policy mistakes, it is more important to highlight the structural factors that cause vulnerability and financial dependence, such as the persistent lack of export and industrial diversification, and large income outflows[3] from foreign direct investments. These issues, discussed in later sections of this article, have largely been ignored in the discourse on Ghana's crisis. More regrettably, the economic hardships that have accompanied the financial crisis and the partisan debates about its causes have fuelled a general sense of despair. The situation is best captured in the nationwide sentiment: how did we get here?

There are two ways to address the question of how Ghana descended into its current financial chaos. The first is to take a technical approach by concentrating on the issue of the (un)sustainability of Ghana's sovereign debt accumulation. The second, a nuanced approach, demands us to confront the political economy of Ghana's post-independence development, thereby tracing the structural economic and financial constraints that underlie the frequent descent to financial distress. This latter approach requires certain steps, as set out earlier in the introduction: (1) a deconstruction of the post-independence struggle to reverse the structural economic dependence inherited from colonialism, particularly the rise and fall of developmentalism in the 1960s and 1970s; (2) a critical assessment of structural adjustment's role in constraining the diversification of Ghana's economic structure, effectively consolidating its subordination and dependence; and (3) an analysis of the post-HIPC factors that contributed to the present wave of indebtedness. Before proceeding with these three steps, the technical issue of debt (un)sustainability is addressed in the next section.

THE (UN)SUSTAINABILITY OF GHANA'S SOVEREIGN DEBT

At the core of the current discourse on Ghana's debt is its (un)sustainability. This is peculiar neither to Ghana nor to the current wave of indebtedness across many developing and emerging economies. The theoretical benchmarks and policy debate on what levels of debt are sustainable or desirable

2. Debt to GDP at the beginning of 2023 stood at about 89 per cent. The IMF's historical debt statistics indicate the debt to GDP ratio will be about 98.7 per cent at the close of 2023. See: www.imf.org/external/datamapper/profile/GHA
3. That is, income outflows in the form of profits, interests and dividends accruing from foreign direct investment.

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Table 1. External Debt Sustainability Analysis and Baseline Scenario

Indicators	Threshold	2022	2023	2024	2025
PV of external debt to GDP	**40.0**	42.1	45.9	47.2	47.1
PV of external debt to exports	**180.0**	132.4	142.0	151.6	153.2
PV of external debt service to exports	**15.0**	18.2	18.8	18.0	19.7
PV of external debt service to revenue	**18.0**	28.9	30.7	27.4	29.8

Note: PV = present value
Source: Ministry of Finance (2021)

*Table 2. World Bank–IMF Debt Sustainability Framework for Low-income Countries**

	PV of external debt in % of		External debt service in % of		PV of total public debt in % of GDP
	GDP	Exports	Export	Revenue	
Weak	30	140	10	14	35
Medium	40	180	15	18	55
Strong	50	240	21	23	70

Source: IMF (2018b)
* Debt burden thresholds and benchmarks under the DSF

for an economy remain unsettled (see Lima, 2022). Notwithstanding the differing views, many economists concede that sovereign debt is sustainable if it can be 'repaid without interruption and without requiring a restructuring of the contractual terms by lenders' (Ndulu and O'Connell, 2021: i38). Debt sustainability is contingent on two things: (in)solvency and (il)liquidity, where insolvency is a borrowing country's 'inability or unwillingness to meet the present value of its contractual obligations' and illiquidity is its 'inability or unwillingness to service obligations that are coming due in the current period' (ibid.). The distinction between solvency and liquidity is not clear-cut, but illiquidity ultimately, through rising interest rates, disrupts a country's solvency (IMF, 2002).

In assessing Ghana's debt sustainability, the crucial considerations are those of external liquidity constraints, that is, its ability or inability to continue servicing external debt given the availability of foreign exchange. Focusing attention on the external constraint is necessary because the shortage of foreign exchange for servicing external debts might force a country to enter into default even if its domestic debt level is below a conventional threshold. As such, this section focuses on indicators such as debt to GDP ratio (Figure 3), external debt service as a percentage of government revenue (Figure 4) and external debt stock as a percentage of exports (Figure 5). The external debt sustainability analysis by the Ministry of Finance is shown in Table 1, and the joint IMF/World Bank thresholds for Debt Sustainability Analysis (DSA) are indicated in Table 2. The IMF assesses Ghana to have a medium debt capacity holding, corresponding to a debt to GDP threshold

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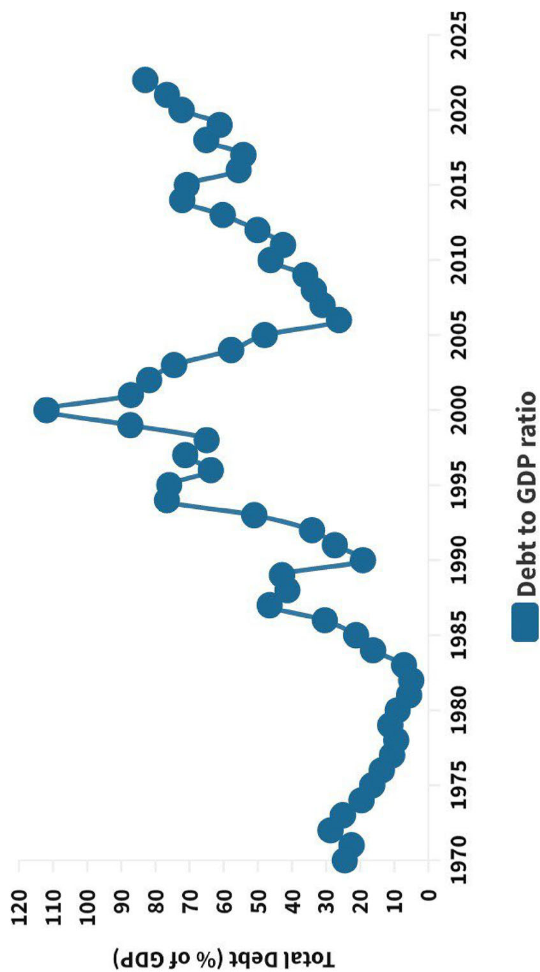
Figure 3. Debt to GDP Ratio, Ghana 1970–2022



Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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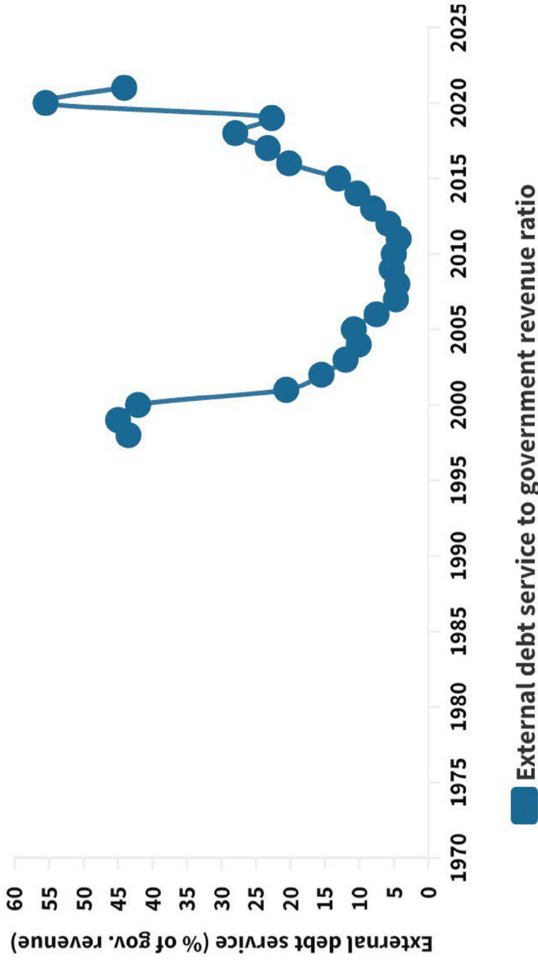

Figure 4. External Debt Service to Government Revenue Ratio, Ghana 1970–2022

Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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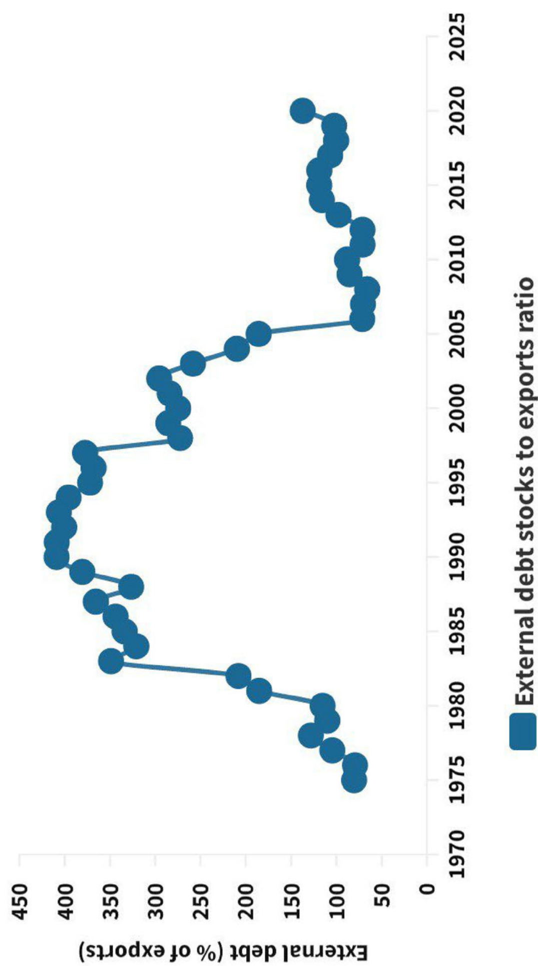
Figure 5. External Debt to Exports Ratio, Ghana 1970–2022



Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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of 55 per cent. Other indicators discussed here are the composition of debt holders, and the currency in which debt is denominated.

It is clear from Figures 3–5 and Tables 1 and 2 that several debt thresholds have been breached. The debt to GDP ratio which stood at about 88 per cent at the end of 2022 was a breach of both the IMF/World Bank and the African Union Commission's benchmarks of 55 per cent and 70 per cent respectively. External debt service (as a percentage of government revenue) at the close of 2021 was about 44.1 per cent, over 26 percentage points above the threshold of 18 per cent for a medium capacity debt holding country. The Ministry of Finance's DSA projections of debt service to government revenue (Table 1) for 2022–25 also exceed the benchmark of 18 per cent. Projections for external debt to GDP and external debt service to exports similarly go beyond their respective thresholds of 40 per cent and 15 per cent. External debt stock to exports (Figure 5 and Table 1) is the only indicator that does not exceed the sustainable level of 180 per cent. The IMF and World Bank Debt Sustainability Framework (DSF) judges that if a country's debt rises beyond any of the thresholds for any of the indicators requiring restructuring, it is in debt crisis. It is clear that, under this framework, Ghana is debt distressed.

Beyond the sustainability ratios is the question of the currency in which the debt is accumulated and serviced. Unable to secure significant external loans in their own currencies, African economies are forced to accumulate debt in foreign currencies. Early structuralist analyses in development economics, and more recent work by Eichengreen et al. (2005, 2023), have emphasized the links between foreign currency debt accumulation and balance of payments disequilibrium. Ghana largely issues external debt in foreign currencies such as the US dollar, euro, pound sterling and Japanese yen. Accumulating external debt in US dollars implies increased debt burdens with US interest rate hikes. As shown in Figure 6, the majority of Ghana's external debt is denominated in US dollars. In 1970, about 20 per cent of government debt was dollar denominated. By the close of 2004, that share had more than quadrupled to about 82 per cent; it subsequently dropped to about 48 per cent in 2008 due to HIPC debt relief. Ghana's entry into the Eurobond market since 2007 has, however, resulted in the re-accumulation of debt in US dollars, which now stands at about 83 per cent of total external debt (Figure 6).

Besides the matter of foreign currency domination, it is also relevant to note that foreigners held a significant share of government debt at the end of 2021. At first sight, the Ministry of Finance's data on Ghana's public debt between 2017 and 2021 (see Table 3) imply that on average, sovereign debt is equally split between locals and foreigners. For instance, at the end of 2021, 48.3 per cent of debt was externally held and 51.7 per cent was domestically held. However, disaggregation of the data shows that of the 51 per cent of total debt which is listed as domestic, about 18.5 per cent and 16 per cent was held by foreigners in 2020 and 2021, respectively. Non-residents

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Figure 6. Currency Composition of Ghana's External Debt, 1970–2020

Source: World Bank International Debt Statistics (www.worldbank.org/en/programs/debt-statistics/ids)

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Table 3. Composition of Public Debt, Ghana 2017–21

	% of Total Debt				
	2017	**2018**	**2019**	**2020**	**2021**
External Debt	53.2	49.8	51.7	48.6	48.3
Domestic Debt	46.8	50.2	48.3	51.4	51.7
	100.0	100.0	100	100.0	100.0

Holders of Domestic Debt 2020 and 2021

	2020		**2021**	
	Millions of Ghanaian Cedis (GHC m)	**% of Total**	**Millions of Ghanaian Cedis (GHC m)**	**% of Total**
Domestic Sector	**121,925.1**	**81.5**	**152,401.9**	**84.0**
Banking sector	76,716.7	51.3	91,032.2	50.2
Bank of Ghana	33,621.9	22.5	35,861.7	19.8
Banks	43,094.8	28.8	55,170.5	30.4
Non-Bank Sector	45,208.3	30.2	61,369.7	33.8
Individual Investors	12,136.2	8.1	16,717.6	9.2
Firms& Institutions	29,863.6	20.0	41,013.8	22.6
Rural Banks	1,689.0	1.1	2,006.7	1.1
Insurance Companies	858.2	0.6	1094.6	0.6
SSNIT	661.4	0.4	537.1	0.3
Foreign Sector	**27,687.2**	**18.5**	**28,995.3**	**16.0**
Foreign Investors	27,687.2	18.5	28,995.3	16.0
Total	**149,612.2**	**100**	**181,397.2**	**100.0**

Source: Ministry of Finance (2021)

thus held a large share of total government debt. While domestic creditors are often more lenient with government indebtedness, foreign creditors with less information on domestic economic and political conditions and little interest in the debtor country's development, pose difficulties for any potential debt restructuring. It has to be noted that the foreign share of domestic debt emerges as the result of non-resident bondholders' participation in the Local Currency Bond Markets (LCBM) in Ghana. LCBMs have opened up new financing opportunities in Africa, allowing countries to effectively borrow externally in their own currencies. However, as capital markets remain relatively less developed in most African countries, including Ghana, LCBMs have not played a significant role in the long-term private financing of African economies (Berensmann et al., 2015). Even as foreign investors' participation grows in African LCBMs, presenting new opportunities for development financing, Berensmann et al. caution against sweeping capital market liberalization to avoid volatile capital flows.

There has not always been agreement on what indicators matter in developing country debt sustainability. Analyses of debt sustainability have focused on two concerns: whether a country faces short-term liquidity constraints, or whether it is in severe crisis (effectively bankrupt). The

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predominant, often simplistic assessment of African indebtedness reduces the problem to illiquidity, leading to the proposition that a positive balance in current accounts of debtor nations is the optimum solution. As Ghosh (1986) observed, this view is the justification for frequent recourse to debt rescheduling, with the expectation that delaying debt repayments will not only postpone the liquidity problem but also resolve it. In the short run, debt rescheduling typically allows indebted countries to 'mobilize the bare minimum of new resources to enable orderly debt servicing' (Shadlen, 2003: 10). However, such a short-term measure simply postpones the need for significant restructuring by focusing on short-term liquidity constraints. With the exception of the 2004–2007 HIPC programme, Ghana's debt-restructuring programmes have mirrored this pattern.

POST-INDEPENDENCE GHANA: THE RISE AND FALL OF DEVELOPMENTALISM

Having addressed the issue of debt sustainability, we now turn our attention to the political-economic response to the question of why Ghana is in its current crisis. At the centre of this article's argument is the contention that Ghana's indebtedness arises from a historical pattern of structural economic subordination and financial dependence. This history of subordination dates back to the periods of enslavement and colonial plunder, under which African economies where shaped to be suppliers of labour and raw materials, and dependent on European finished commodities (Amin, 1974, 1976; Rodney, 1972). Specifically, this article's focus is on the post-independence era, explaining the external and internal factors that have limited Ghana's attempts to transform its economy and reduce its dependence on foreign finance. This demands due attention to Ghana's post-independence developmental struggles.

After achieving independence in 1957, President Kwame Nkrumah's seven-year development plan (1963–70) aimed to industrialize Ghana and break what Nkrumah referred to as a vicious cycle of poverty left behind by colonialism (Nkrumah, 1963). The big push agenda covered expansion of public services, the construction of the Volta River Project (a hydro-electric dam) and Import Substitution Industrialization (ISI) strategies that ranged from cocoa, timber and aluminium processing factories, to textiles/garment manufacturing and mechanized state farms. The outcome of this developmentalist agenda, which outlived Nkrumah's rule, continuing into the late 1970s, has been extensively documented (see Ewusi, 1981; Killick, 2010; Steel, 1972). Huge government investments drove a brief period of structural change, before the stagnation and sharp declines in the mid to late 1970s which culminated in the crisis of the early 1980s. In reflecting on the fall of developmentalism, two interlinked questions emerge: what factors accounted for the failure of ISI; and why, despite the surge in growth and

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structural change in the 1960 and 1970s, did Ghana (and Africa more generally) fail to break out of its inherited dependency?

The main problem with ISI was foreign exchange constraints. This was not peculiar to Ghana or Africa; early dependency and structuralist analyses of ISI, as Fischer (2018) observes, suggested that the liquidity constraints generated by late industrialization had the tendency to not only recreate, but even compound the initial dependence on primary commodities. The solution to such liquidity constraints — a favourable supply of external finance (debt) over an extended time — Fischer argues, was the point of difference between successful East Asian countries like South Korea or Taiwan and the less successful countries of Latin America and Africa. For instance, Ghana's deteriorating terms of trade from the intermittent collapses in commodity prices between 1964 and 1983 (Kraus, 1991) drove large balance of payments deficits. To address the foreign exchange crisis, Ghana resorted to measures such as suppliers' credits, raising tariffs on imports and imposing import licences, which aggravated rather than alleviated the crisis. For example, while suppliers' credits enabled Ghana to sustain its industrialization, their repayments were not spread out over long enough time periods to allow the investments to pay for themselves (Steel, 1972). Shorter repayment periods, mostly less than seven years, strained Ghana's finances and contributed to the balance of payments deficits.

The answer to the broader question of why developmentalism failed lies, among other factors, in a dysfunctional pattern of surplus absorption that accompanied Africa's developmentalist agenda (Arrighi, 2002; Arrighi and Saul, 1968). Arrighi and Saul argued that within the framework of their adverse integration into the world economy, the productive potential and structural transformation of independent African economies were constrained because the available surplus in such economies was ill-utilized. Specifically, they identified three problems: (1) a lack of development of the capital-goods sector; (2) conspicuous consumption by a domestic labour aristocracy comprised of urban workers and elites in bureaucratic employment; and (3) large income transfers abroad by multinational corporations.

On the first point, Arrighi and Saul argued that the international corporations that still dominated post-independence African economies tended to adopt capital-intensive production techniques. Capital-intensiveness promoted the use of imported specialized machinery which restrained the growth of demand for locally produced capital goods and thus translated to under-investment in the capital-goods sector. Consequently, the productive capacity of local economies and the expansion of the internal market were constrained, reasserting the dependence on the growth of world demand for domestic primary products. Secondly, the few, mostly urban workers in the capital-intensive corporations received relatively high wages: foreign oligopolies were willing to concede to wage increases since labour accounted for a low proportion of production costs and they could simply pass cost

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increases on to consumers. Together with elites who inherited a colonial wage structure, this domestic labour aristocracy absorbed a significant share of the surplus into unproductive, discretionary consumption. At the same time, the export of corporate incomes (profits, dividends, fees) to their home countries drained the available surplus.

Arrighi and Saul's Marxist dependency analysis of the failure of developmentalism is particularly relevant for situating domestic structural dysfunction within historical and external constraints. While drawing significantly on their Tanzanian experiences, their work is nevertheless relevant for and applicable to several African countries. Of course, writing in the 1960s meant they could not address the developmentalist crises of the 1970s. Arrighi (2002), however, rectified this, reaffirming and extending their earlier analysis. The dysfunctional pattern of surplus absorption, Arrighi (2002) restated, meant the structural changes in the 1960s and 1970s only produced a perverse growth,[4] defined as 'economic growth that undermines, rather than enhances the potentialities of the economy for long-term growth' (Arrighi and Saul, 1968: 150). Post-colonial Ghana, like many other African economies, faced this perverse growth, alongside intermittent global monetary and commodity price shocks.

Beyond the perversity of growth and global shocks, others have highlighted the domestic constraints to Ghana's developmentalist agenda, pointing at internal struggles for political settlement (Whitfield et al., 2015). Collectively, this confluence of external constraints and domestic factors limited Ghana's ability to break out of its structural subordination and dependence. By the late 1970s to early 1980s, the developmentalist dream, largely curtailed by foreign exchange shortages arising from declines in non-oil commodity terms of trade in the 1970s, descended into a crisis — inflation (of over 100 per cent in 1981), declining wages, collapsing public services and general shortage of consumer items (Graham, 1988). Therefore, when Jerry John Rawlings's military coup seized power in 1981, accepting the IMF and World Bank structural adjustment was really the only option.

STRUCTURAL ADJUSTMENT AND THE HIPC PROGRAMME

The popular explanation offered by the World Bank's Berg Report (World Bank, 1981), while acknowledging the stagflation and oil shocks of the 1970s, blamed the 1980s' crises on African governments' policy failures, excessive government expenditure and regulation. The IMF and World Bank solution was the SAPs, with the objectives of correcting balance of payments deficits, promoting economic growth and reducing poverty. However, the overwhelming verdict is that the SAPs were a failure, representing

4. The term 'perverse growth' was coined by Ignacy Sachs (1966).

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flawed solutions to a misdiagnosed economic crisis (Konadu-Agyemang, 2000; Loxley, 1990; Mkandawire and Soludo, 1998). Ghana, initially held up as an example of adjustment success, is a good case to understand how the SAPs not only failed to deliver what they promised, but exacerbated dependency and led to subsequent debt crises including the present situation. This section focuses on two problems: the SAPs' failure to diversify the economy, to the detriment of economic growth; and the deregulation and liberalization that eroded financial control and Ghanaian policy space.

The first problem with Ghana's SAP was its failure to address structural economic problems. Mkandawire and Soludo (1998) pointed out (as did others, such as Elbadawi and Ndulu, 1996) that Africa's structural dependence on imports and uncertain revenues from exports meant its economic growth and domestic policy were more vulnerable to external shocks such as those of the oil prices in the 1970s and the 1980s drought. If the crises had been correctly diagnosed this way, any structural adjustment would have focused on diversification, to avert the consequences of the Prebisch-Singer hypothesis.[5] As it was, as Mkandawire and Soludo observed, the Prebisch-Singer thesis was disregarded, and the SAP focused on increasing traditional raw commodity exports to earn foreign exchange and correct balance of payments problems. Since the SAP emphasized the restoration of equilibrium in the balance of trade and current accounts, the Ghanaian government had to create economic incentives for producers by undertaking sharp devaluations of its currency, the cedi (Kraus, 1991). For example, the devaluation of the cedi by 990 per cent in 1983 was necessary to halt the destruction of export capacity. In effect, Ghanaian exporters/producers were paid more cedis for exports. Gold production, as Kraus recounts, doubled between 1983 and 1990; timber production increased by 170 per cent within the same period. In contrast to these primary exports, the food production sector (non-cocoa agriculture), was treated by the SAP as a residual (Loxley, 1990). The government's inability to immediately diversify the export base recreated the structurally dysfunctional pre-independence economy.

The second problem with the SAP was its deregulation and financial liberalization policies. Far from focusing on long-term domestic-oriented economic growth, financial policies concentrated on stabilization and debt repayment. As Mkandawire (1999: 321) notes, since structural adjustment, economic policy 'has given overwhelming priority to financial policy instruments and objectives (exchange rates, interest rates) relative to the real side variables'. To be specific, financial liberalization in Ghana included a shift from fixed to free floating exchange rates of the cedi, restructuring of

5. The Prebisch-Singer hypothesis (Prebisch, 1950; Singer, 1950) is that the relative prices of primary commodities tend to follow a declining secular trend. This implies that the terms of trade of primary commodity exporting economies will deteriorate because the prices of primary products, relative to manufactured goods, tend to follow a declining trend in the long run.

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banks (privatization and sale/liquidation of some banks), the establishment of foreign exchange bureaus and removal of capital controls. These financial reforms had multiple effects. Mkandawire (1999) notes two broad areas that were negatively affected by the SAPs' financial reforms.

The first was the effect on the level of savings and investment. The success or failure of an economy's financial policy can be assessed first and foremost by its ability to mobilize resources through savings and efficiently allocate those resources for investment. Financial liberalization, Mkandawire contends, failed by not raising the levels of savings and investments in the adjusted countries. In Ghana, Mkandawire (ibid.) demonstrated that Gross Domestic Savings and Investment were lower in the adjustment years (1982–99) than in the 1960s and early 1970s. The second major consequence was the dysfunctional patterns of investment. While financial liberalization failed to stimulate domestic investment, it attracted speculative portfolio investment and foreign direct investments into mining, instead of manufacturing. At the same time, agricultural credit as a share of total bank lending in Ghana declined from 23.8 per cent in 1987 to an average of 10 per cent in 1992/93 (Hutchful, 1996).

The overall effect of the reforms in Ghana was that they failed to address the structural weakness in the economy while at the same time intensifying its adverse integration into globalized capitalism. Beyond external factors, the neoliberal elites that emerged in the course of the 1980s' crises captured key economic positions in Ghanaian government (particularly the Ministry of Finance and the Bank of Ghana). These neoliberal technocratic elites have pursued an anti-developmentalist agenda — namely, the destruction of domestic state capabilities and a focus on market-based development financing. It was no surprise that the debt began to build and soon transformed into another crisis in the 1990s. Having lost its reputation as a structural adjustment success, Ghana signed up for the HIPC debt cancellation from 2004 to 2007. While the HIPC programme resulted in the reduction of external debt by more than 50 per cent (Akolgo, 2022), it came with conditionalities similar to the SAPs: freezes in government recruitment, cuts in social spending, and increased recourse to market-based development finance. HIPC was a just a piece in the 'lending game' as Soederberg (2005) calls it. By failing to address the systemic issues, it was just a matter of time before other debt cycles emerged in the post-HIPC era.

POST-HIPC: THE DOMINANCE OF COMMERCIAL DEBT (EUROBONDS)

Can we therefore say, based on the analysis so far, that the present crisis is history repeating itself? While the pattern of structural weakness and reliance on foreign development finance persists, the post-HIPC period points to a significant shift in the global lending game to reinforce Ghana's dependency. The composition of public debt has changed, new actors

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Table 4. Ghana's Eurobond Issuances

Instruments	Issuance Date	Maturity	Coupon rate (%)	Amount Issued (US$ m)	Outstanding Amount (US$ m)
4-year	April 2021	2025	**0.000**	525	525
7-year	April 2021	2029	**7.750**	1,000	1,000
12-year	April 2021	2034	**8.625**	1,000	1,000
20-year	April 2021	2042	**8.875**	500	500
6-year	February 2020	2026	**6.375**	1,250	1,250
14-year	February 2020	2034	**7.785**	1,000	1,000
41-year	February 2020	2060	**8.750**	750	750
7-year	March 2019	2027	**7.875**	750	750
12-year	March 2019	2032	**8.125**	1,250	1,250
31-year	March 2019	2051	**8.950**	1,000	1,000
10-year	May 2018	2029	**7.625**	1,000	1,000
30-year	May 2018	2049	**8.627**	1,000	1,000
6-year	September 2016	2022	**9.250**	750	16
15-year	August 2015	2030	**10.750**	1,000	1,000
10-year	July 2014	2026	**8.125**	1,000	1,000
10-year	August 2013	2023	**7.875**	1,000	1,000
10-year	September 2007	2017	**8.500**	750	–
Total	–	–	–	**15,525**	**13,119.9**

Sources: Ministry of Finance (2021); Refinitiv Eikon Datastream

and instruments have emerged, but the export structure of the Ghanaian economy is still narrow, mainly gold and cocoa and, since 2011, crude oil. These three commodities alone account for more than 70 per cent of total exports. Gold and cocoa beans, the traditional exports dating backing to the colonial period, constitute nearly 50 per cent.[6] Underlying this lack of export diversification has been the burden of commercial debt.

A dominant feature of African debt after the HIPC debt relief has been the displacement of official bilateral and multilateral creditors. Commercial creditors, from banks to mutual and pension funds, now constitute the largest holders of government debt. About 57 per cent of Ghanaian sovereign debt is commercial, whereas bilateral and multilateral debt together make up about 34 per cent. Export credits and other concessional debts constitute less than 10 per cent of total public debt (see Figure 7). Commercial debt, owed mostly to Western banks and other investors, increased the cost of borrowing, particularly since Ghana entered the Eurobond market in 2007. In all, it has issued 17 Eurobonds worth US$ 15.5 billion. At the end of 2021, about US$ 13 billion of the US$ 15.5 billion was outstanding (Table 4).

Ghana's bonds have been lucrative for investors, and are often oversubscribed when issued. On average, bonds carry a fixed coupon of about 8 per cent, with some 2015 and 2016 bonds going as high as 10.75 per cent and

6. Data from the Observatory of Economic Complexity's trade database. See: https://oec.world/en/visualize/stacked/hs92/export/gha/all/show/2013.2021/

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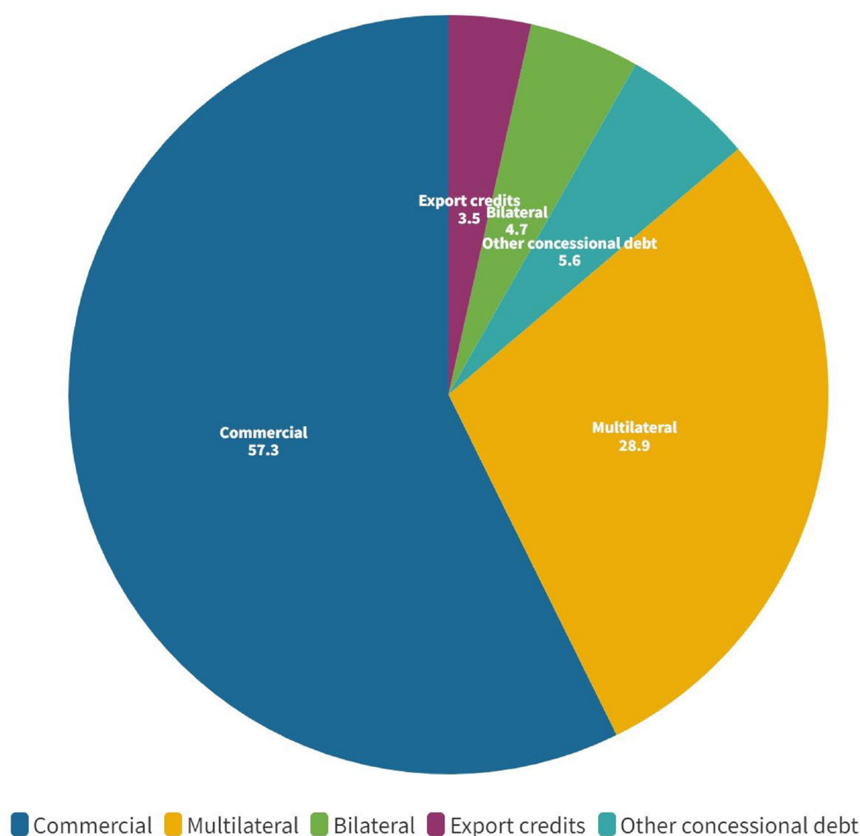
Figure 7. Composition of Ghana's Debt, 2021



Source: Ministry of Finance (2021)

9.25 per cent respectively (Table 4). Two questions emerge from this. Firstly, why do African countries like Ghana pay more to borrow from the capital markets? After controlling for factors such as the period of issue, credit ratings of issuing countries and their macroeconomic fundamentals, Olabisi and Stein (2015) found investors charged higher interest rates (on average by 2.9 percentage points) for African bonds. They conclude: 'higher coupon payments not explained by observable risk measures may only be described as a penalty on African governments due to investor bias. This penalty or premium represents a crude net present value estimate of $2.2billion' (ibid.: 99).

The second question is: why do African governments, despite the significant borrowing cost, have such a taste for Eurobonds? Unlike multilateral credit, Mutize (2021) explains, loans from Eurobonds do not come with conditionalities and governments are not required to give detailed explanations

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Table 5. Decomposition of Ghana's Public Debt, End 2022

	Debt Stock (end of period) 2022		
	(US$ m)	**(% total debt)**	**(% GDP)**
Total	**63,332**	**100.0**	**88.1**
External	**28,869**	**45.6**	**40.2**
Multilateral creditors	8,055	12.7	11.2
IMF	1,710	2.7	2.4
World Bank	4,750	7.5	6.6
African Development Bank	1,193	1.9	1.7
Other Multilaterals	401	0.6	0.6
Bilateral Creditors	5,438	8.6	7.6
Paris Club	2,867	4.5	4.0
o/w: Belgium	437	0.7	0.6
o/w: United Kingdom	430	0.7	0.6
Non-Paris Club	2,572	4.1	3.6
o/w: China	1,900	3.0	2.6
o/w: India	475	0.7	0.7
Bonds	13,104	20.7	18.2
Commercial creditors	2,272	3.6	3.2
Domestic	**34,463**	**54.4**	**47.9**
Held by residents, total	32,849	51.9	45.7
Held by non-residents, total	1,614	2.5	2.2
Short-term bills	5,009	7.9	7.0
Medium-to-long term bonds	19,934	31.5	27.7
Loans	76	0.1	0.1
Arrears	3,186	5.0	4.4
Other (Overdraft and SDRs on-lent)	6,258	9.9	8.7
Memorandum Items:			
Collateralized debt	619	1.0	0.9
Contingent liabilities	308	0.5	0.4
o/w: Public guarantees	284	0.4	0.4
o/w: Other explicit contingent liabilities	24	0.0	0.0

Source: IMF (2023b)

for the specific use of funds. The underlying focus of institutional investors is the bond issuer's willingness and/or ability to service the debt even if that means — as is mostly the case — engaging in debt refinancing. This has been the case in Ghana, with different governments ignoring the punitive premium on Eurobonds to quickly re-accumulate huge debts after the HIPC relief. It is those debts from Eurobond markets, rather than a Chinese debt trap as suggested by media accounts, that have driven Ghana's post-HIPC indebtedness. Based on the decomposition of Ghana's public debt in the IMF Staff report on the approval of the US$ 3 billion Extended Credit Facility (IMF, 2023b), China holds just 3 per cent of Ghana's debt (Table 5). In contrast, 20.7 per cent and 12.7 per cent of public debt is owed to Eurobond holders and multilateral institutions, respectively. Therefore, in terms of external holders of Ghana's debts, China's influence is minimal.

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By 2015, amidst an economically devastating electricity crisis in Ghana, it became clear that a decade of Ghana's borrowing from Eurobond markets had translated into another cycle of debt distress which required a three-year, US$ 1 billion IMF bailout (IMF, 2015). The 2015 IMF programme came with its own conditionalities, notably cuts in government spending, increased taxation, freezes in government recruitment, and financial reforms (ibid.). Simultaneously, several Eurobonds and domestic bonds were issued between 2017 and March 2019, to refinance previous debts. By 2018, it was evident that Ghana was at high risk of debt distress, based on the debt sustainability analysis of the IMF (see IMF, 2018a). It was simply a matter of time before the risk of debt distress, occasioned by the pattern of economic and financial subordination discussed so far, turned into a full debt crisis. The outbreak of the COVID-19 pandemic and then the Russia–Ukraine war aggravated Ghana's existing debt and general economic vulnerability.

CONCLUSION

The current wave of indebtedness that has followed a globally devastating pandemic has sparked debates about not only the present situation but also about the cycles of debt crises that have plagued post-independence Africa. Most empirical analyses of the current crisis point to a lack of macro-financial prudence on the part of African governments. Others have blamed the crises on the COVID-19 pandemic and the fallout from the Russia–Ukraine war. Focusing on Ghana, this article has argued that we need to extend our analysis of the debt storm beyond a narrow focus on the technical concerns of macro-financial imprudence and recent global disruptions. Instead, a nuanced account of the debt storm demands an emphasis on how Africa's history of structural economic subordination: (a) constrained domestic attempts to develop out of its dependence; and (b) sustained and intensified its dependence on external finance within the context of an unjust transnational lending system.

Accordingly, the article first engaged the ongoing debate in Ghana on the immediate causes and consequences of the financial crisis. Within the limits of its structural and external constraints, Ghana's huge borrowing between 2017 and 2023 turned out to be risky, particularly when combined with the massive tax cuts implemented in 2017. Beyond an account of the chaos unfolding in Ghana, a technical analysis of its sovereign debt sustainability was conducted. On several parameters, it is clear that even before COVID, Ghana's debts were unsustainable. To offer a holistic account of how Ghana got to this present crisis, its historical pattern of structural subordination and dependence was traced. After independence, developmentalist attempts to break out of Ghana's entrenched dependence failed due to a confluence of global constraints and domestic factors. Structural adjustment,

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which was advertised as the solution to the 1980s' crisis, returned Ghana to its pre-independence reliance on primary commodity exports. Additionally, the SAPs, with the support of domestic neoliberal technocratic elites, liberalized the economy, emphasizing the government's reliance on market-based finance for development. The recourse to financialized strategies exposed Ghana to an exploitative translational lending system dominated by Western investors. The resultant debt built-up, aggravated by domestic policy errors and COVID-induced spending, drove Ghana into its 2022–23 debt crisis.

Besides Ghana, several African countries (such as Chad, Ethiopia and Zambia) are facing debt distress, provoking widespread calls for debt forgiveness. The Ghanaian experience shows that debt cancellation, while necessary, is insufficient to address the cycles of indebtedness and restructurings. Debt cancellation can be the starting point for the transnational lending system to enforce responsibility by both lenders and borrowers. However, African governments have to go back to basics, which many are already doing. They need, first, to increase domestic production in place of imports for those basic commodities that can be produced locally. More importantly, they need to build the regional and continental alliances that can support diversification not in terms of the basket of raw materials exported, but in terms of building manufacturing capacities that support the export of refined commodities. In the context of halting the needless importation of basic items with high capacity for domestic production, the Ghanaian government has already taken steps by withdrawing foreign exchange support for the importation of rice, poultry and other commodities. This is commendable but not enough; such policy responses have been instituted before and abandoned once the short-term liquidity constraints receded. Broader structural reforms will be needed to follow the short-term measures.

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