

GHANA'S REDUCING DEBT BURDEN

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In the year 2000, more than a third of all government expenditure went into debt servicing. That is to say, taxes collected for development and provision of social services to the people of Ghana rather went to pay debts.

That was hardly surprising. You see, by close of December 2000, Ghana's nominal GDP was only US\$3.94 billion. In simple terms, gross domestic product (or GDP) is the value of all the goods and services produced in a country in a particular year. So, the value of all the goods and services produced in the country in 2000 was US\$3.94. However, our total public debt by the close of 2000 was US\$7.43 billion (almost twice our GDP). Actually, that put our total debt to GDP ratio at **189%**.

It was a terrible situation, and it was only a matter of time before the entire economy collapse under our debts. But thank God that there was a change of government in Ghana, and the NPP people came to power. So, after seven NPP years, what has happened to our debts?

Well, by the close of December 2007, Ghana's nominal GDP had risen to US\$14.05 billion. At the same time, our total public debt had declined marginally to US\$7.24 billion. That reduces our total debt to GDP ratio to **48%**.

Many people are impressed with Ghana's debt management in the last seven years; the international community, Ghanaians abroad, economists, everybody. Actually, not quite everybody. As for the NDC, they say they have not seen anything. According to Prof Mills and NDC people, our debt burden has come down not because of any fantastic debt management policies, but rather because we went HIPC.

That is interesting. You see, what the NDC forgets is that going HIPC is an economic policy. The NDC government could have gone HIPC in 1999 or 2000 but they didn't. In fact, when Ghana under the NPP decided to go HIPC in 2001, they said it was a "disastrous initiative" that was going to bring the country no benefit. Now that the benefits have come, they say the credit should not go to the NPP, and that it should rather go to the HIPC initiative. Well, that is politicians for you.

Date (end of)	GDP (US\$)	Total Debt (US\$)	Debt/GDP ratio
December 2000	3.94 billion	7.43 billion	189%
December 2007	14.05 billion	7.24 billion	48%

I have heard some people say that our total debt by December 2000 was 52 trillion old Ghana cedis, and that, it had increased to 72 trillion old Ghana cedis by the close of December 2007. That is misleading. As the dollar equivalents in the table above show, ϕ 52 trillion in December 2000 is actually higher than ϕ 72 trillion in December 2007. To say our public debt has gone up from what it was in December 2000 is dishonest. Not to mention that our nominal GDP has from US\$3.94 billion to US\$14.05 billion within the same period.