

THE EFFECTS OF GHANA'S DOMESTIC DEBT EXCHANGE PROGRAM ON FUTURE INVESTMENTS.

The Domestic Debt Exchange Program (DDEP) is a strategy implemented by the government of Ghana as part of requirements to restructure both its domestic and external debt to be able to secure a bailout of U.S \$3 billion from the International Monetary Fund (IMF) due to the economic downturns in the last few years.

The motive underlying this initiative is to stabilize the economy and bring the country's debt to sustainable levels. As of January 2023, the inflation rate stands at 56.3% and the public debt at GHC467.4 billion representing 75.9% of GDP, according to Emmanuel Ebo Hawkson in an article posted in the Daily Graphic on the 7th of February, 2023. The program was launched on 5th December, 2022 but is set to commence in 2023. This will see government employ procedures to reform the domestic bonds for a set of four new ones maturing in 2027, 2029, 2032 and 2037. Annual interest will be fixed at 0% in 2023, 5% in 2024 and 10% in 2025. This issue has raised discrepancies pertaining as to whether the quality of it being a sine qua non to alleviate our country's suffering is appropriate or not. Those who are in favor of this policy are basing their opinions on the grounds that this is a sacrifice that we all must make as a nation to restore the economy and the last resort in procuring funds to enable it develop both structurally and financially.

The reason for writing this article is to highlight the effects of Ghana's domestic debt exchange program on future investments.

This article points out five ways in which the DDEP will affect future investments, namely;

- Potential investors seeking to invest will be discouraged.
- Investors who have already invested will seek to withdraw their principals.
- Credit worthiness of the country will be negatively affected.
- Loss of confidence in the government.
- High standard of living leading to hardships and poverty.

First and foremost, investors, both internal and external who have already invested in the economy and other government corporations will seek to withdraw their monies for fear of unforeseen problems in the future. The Ghana Individual Bondholders Forum have estimated 50% to 90% losses on their investments and may also lose up to 88.2% considering the current inflation level. In view of this, any investor in trepidation of incurring loss is likely to withdraw his or her investments. This will lead to a decline in the level of investments making the country prone to more economic crises.

In addition, this plan will discourage new investors from investing in the economy. This is because, taking into consideration the present state of our economy, debts and the confounding nature of the program, it will not attract investors and thus reduce the rate of investments in the country in the future.

Then again, the country will lose credibility from external and internal organizations and this will adversely impinge the investment rate in the country. This is because, seeking for a bailout and all these mechanisms put in place to restructure and mitigate debt levels imply that the country is unable to financially maintain itself. This initiative will expose our inabilities to the rest of the world, reduce its credit worthiness and render it difficult to gain aid from further credit facilities or potential investors. If this occurs, then investment rates in the future may drastically fall, leading to deterioration in the country's revenue.

Also, as a result of these dilemma and hardships being experienced in the country, people will lose trust and confidence in government and will be reluctant to invest their principal into the economy. This is as a result of government breaching the agreement that induced the investors to exchange their money for the bonds. If this becomes the case, then the rate at which investments thrive will fall leading to negative consequences in the economy and thus affecting lives in Ghana.

Finally, many investors and firms depend on the dividends they receive. However, if government modifies the maturity years, then it means that most stakeholders shall be financially insecure. Also, firms and industries whose capital is reliant on the investments of the people will either lay-off workers or go completely out of business. This will bring about unsolicited troubles like increment in the dependency ratio, escalation of unemployment rates and disruption of peace and stability. Notable among these problems congruent to this perspective is that the rate of investments will diminish. This is because there will be no principal to invest in the economy, signifying an alarming decline in the economic growth of the country.

We would conclude on the note that the implementation of the DDEP was unanticipated, risible, and unreliable. We would like to emphasize that this program will wield an undesirable impact on the lives of the affected stakeholders, firms and thus influence investments negatively in the future based on the points detailed above.

ST THOMAS AQUINAS DEBATE SOCIETY.

- ISAAC AZUMAH
- JURIST KWAAKYE
- ELVIS OWUSU

