

GHANA'S DEBT RESTRUCTURING POLICY AND ITS REPERCUSSIONS ON THE FUTURE OF INVESTMENTS

Have you ever lent money to a friend and they had a hard time paying you back? It can be frustrating and cause tension in the relationship. Well, imagine if that friend was a whole country and the amount of money owed was in billions of dollars. That's the situation Ghana finds itself in with its debt restructuring policy.

As a high school student, you may not be directly affected by Ghana's debt, but you could be indirectly impacted in the future. Ghana's debt restructuring policy could have a significant effect on the future of investments in the country. Investors may be hesitant to invest in a country that is struggling with debt, which could limit economic growth and job opportunities.

This is what informs our stance. We feel this entire idea has far reaching negative consequences on the entire country and across various stakeholders so as to affect the future of investments.

To illustrate the negative effects of Ghana's debt, let us imagine a scenario. Imagine your school's headmistress borrowed a large amount of money to build a new state-of-the-art assembly hall as O'Reilly does not have one. However, the school's budget was not sufficient to pay back the loan, and the principal had to come up with a debt restructuring plan. The plan involved cutting back on extracurricular activities, such as sports teams and music programs, to save money and pay off the debt. As a result, you and your friends may have to give up the activities you love and miss out on opportunities to develop your talents.

Similarly, Ghana's debt restructuring policy could result in the country cutting back on essential services, such as healthcare and education, to save money and pay off the debt. This

could have long-term consequences for the country's development and its citizens' well-being.

First off, over time, the initiative may expose Ghana to interest rate risk. The government is essentially locking itself into a reduced interest rate environment by exchanging its present high-interest, short-term domestic debt for lower-interest, longer-term debt. The government might end up paying more debt service costs than it would have if it had kept its current debt profile if interest rates were to rise in the future. This might have a detrimental effect on the nation's fiscal stability and constrain its capacity to fund important infrastructure and social programs. Investors will never feel comfortable investing in such a volatile market as ours is becoming, with no guarantees. When the chances of pushing developmental projects like hospitals, roads, schools, affordable houses and the like are absent, what is to shore investor confidence and a will to stay and thrive?

Second, the program might have an effect that crowds people out. The government might reduce the quantity of credit accessible to the private sector by raising its own borrowing. Private businesses may find it more challenging to obtain finance as a result, which may restrict their ability to make investments and grow. As a result, this can impede Ghana's economic expansion and reduce available investment prospects.

Again, there will be a disruption of plans and loss of value of the invested funds on the part of investors if this policy is rolled out. Banks will lose out on profits and in effect, investor confidence which has been on the decline since some banks were closed sometime ago. There is significant mistrust in the air and among ourselves as students, we have come to believe, as has been communicated by our parents who have been affected by that unfortunate happening in the past that, we will be better investing in dollar accounts as we grow and make monies for ourselves and our families. And like the business teachers have explained to us, there is

not risk free investments as bonds and treasury bonds were believed to be. Just like that, a significant percentage of our generation has lost trust in the local economic markets, can we begin to imagine the loss and gap this will create and the effect it will mean to our local currency and life?

Furthermore, it is possible that the program will not deal with the fundamental problems that caused Ghana's high levels of debt. The nation's financial stability and future investment prospects may continue to be at danger due to the government's fiscal deficit and reliance on borrowing to fund its budget. The program might only offer a temporary solution to a long-term issue without addressing these fundamental problems.

Last but not least, the program's effectiveness will depend on how well the government carries it out. There is a chance that the program will not be carried out as anticipated given Ghana's history of bad budgetary management and inadequate institutional frameworks. Unintended repercussions from this could further reduce the country's future investment opportunities.

In conclusion, while the domestic debt exchange scheme might help Ghana's finances in the short term, its long-term effects on the debt profile and investment prospects of the nation are unclear. However, the future of investment looks bleak with investor confidence clearly dented and economic hardships rampaging unchecked.

Before moving forward with this initiative, the government must carefully weigh the possible risks and trade-offs to make sure it achieves its intended aims and does not have unanticipated detrimental effects on the future of the nation.

O'REILLY SENIOR HIGH SCHOOL

Sowah Freda (3 Arts 4)

Narkie Nartey Priscilla Eunice (3 Science 1)

Akuetteh Martha (3 Arts 2)