INTERNATIONAL DEBT RENEGOTIATION: GHANA'S EXPERIENCES

By

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INTRODUCTION

Although the external debt problem of underdeveloped countries has received considerable recent attention, the actual renegotiation of the international debts of these countries has attracted relatively little critical analysis *(1)*. Yet between 1956 and 1977 eleven underdeveloped countries held thirty seven formal conferences to renegotiate their debts, indicating a generalised crisis in the international lending system. This paper is a study of Ghana's experiences in the renegotiation of her external debts between 1966 and 1974. These experiences indicate that far from being an exclusively or even primarily financial exercise, debt-relief involves complex economic, political and strategic considerations and pressures. In the case of Ghana, these pressures were to lead directly to three controversial devaluations of the national currency and directly or indirectly to three military coups. Further, far from setting the stage for resumed growth, so-called debt relief actually accelerated the slide into national bankruptcy and foreign dependence. The debt renegotiation mechanism constituted a potent instrument for forcing through major shifts in the economic policy and political direction of the country and co-opting vital areas of national decision-making. Nevertheless, the negotiations did not simply pit debtor against creditors, but initially reflected a complex alliance between the creditors, IMF and World Bank on the one hand and certain dominant local classes on the other, becoming a truly 'national' question only under the threat of wholesale national penury and the crippling exactions of the creditors. The working class was on the other hand the chief victim of debt policies.

THE DEBT RE-NEGOTIATION MACHINERY

To begin with, some explanation of the debt-renegotiating machinery may be necessary. The first step in the process is the so-called 'Paris Club'. This involves the 'informal' convening of all the creditors of the country concerned, the investigation of the debtor-country's liabilities and liquid assets, and a decision on the volume of debt-relief to be extended. In spite of its extensive use since it was first applied to the Argentine debts in 1956, there has been no attempt to institutionalize the Paris Club, the reason being that «Creditor countries have no desire to make rescheduling an easy matter for recipient countries» *(2)*. In fact the 'club' is formed primarily to protect and co-ordinate the interests of the creditors, and with the aim of preventing the debtor country from playing off individual

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creditors against each other. Until the Indonesian debt-settlement of 1970, debt rescheduling by the 'Paris Club' followed a fairly set pattern: First, a *consolidation period* of 2 to 3 years, involving the deferment of 50% – 70 % of the debt service payments due, a 2 to 3 year period of grace, and the addition of 5 extra years to the original repayment schedule. The short-term nature of the relief was conceived specifically to facilitate control over the policies of the debtor country and to give the creditors maximum leverage over the economic and political direction of the borrower. As one of the chief U.S. negotiators has explained, creditor countries have an interest in going «one year at a time because circumstances can change. You want to be sure you have the most up-to-date information on a country's policies and prospects before you reschedule it» *(3)*.

As a precondition for debt rescheduling, the debtor country is usually requested to negotiate a Standby Agreement with the IMF for the duration of the consolidation period. The IMF standby facilities are meant to accomplish two objectives: (1) make available to the debtor-country emergency supplies of foreign exchange over the consolidation period and; (2) commit the debtor-country to a specific policy-package considered by the IMF and the creditors as necessary to avoid a repetition of the financial crisis. This stabilization package, imposed and supervised by the IMF on behalf of the creditor countries, is the key to the political economy of debt renegotiation.

Associated closely with the development of the 'Paris Club' is the so-called 'consultative group' or 'aid consortium', a group of aid-donors which collaborate to pledge and extend aid as part of a debt-settlement 'package'. The 'consultative group' is made up almost entirely of the governments of the creditor countries. Officially, the function of the consultative group is to commit aid which will assist the debtor country through the stabilization/consolidation period. This 'aid' is a further inducement to the debtor-country to come to terms. In fact, the consultative meetings provide another forum for close scrutiny of the development programs and economic policies of the recipient country by the donors. In spite of their role simultaneously as creditors and aid-donors, the Western creditor-countries have insisted on a strict separation between the club and the consultative group, on the grounds that debt renegotiations are purely commercial issues and should not be confused with the «concessionary» assumptions underlying 'aid'.

Thirdly, and in many ways most important, is the role of the IMF and World Bank. The function of mediating debt-crises has to a very large extent devolved on these two «impartial international institutions». On the one hand, neither the IMF nor the World Bank will lend to a country that defaults on its debts or refuses to reach a negotiated settlement. This in turn shuts off the defaulting country from most Western official and banking loans. As already indicated, a stabilisation 'package', supervised directly by the IMF, is usually a precondition for any debt-settlement. This package is a combination of deflationary monetary and fiscal policies (cutback in government expenditure, credit and wage freeze, higher taxes and interest rates, abolition of consumer subsidies and price control, etc..) with devaluation. According to the monetarist orthodoxy of which the

IMF is a leading advocate, inflation is caused essentially by the injection of excess money into the economy, usually through excessive government spending and deficit financing. Inflation in turn throws domestic prices out of line with international prices, discouraging exports and encouraging imports, with adverse effects on the balance of payments and debt-service capacity. Although the stabilisation measures are supposed to stimulate recovery their real purpose is: firstly to generate savings for debt-service and foreign transfers (by reducing demand i.e. depressing still further the living standards of the debtor-nation); and secondly, to facilitate the elimination of restrictive trade and payments practices which hamper the free movement of goods and capital – an objective enjoined specifically by the Articles of the IMF.

The World Bank undertakes functions somewhat similar to those of the IMF with regard to the consultative group, its most important role being that of 'assisting' the debtor-country to draw up a development program that will meet the approval of the creditor-donors. Since the early 1960s both the IMF and the Bank have paid considerable attention to the debt situation of their members in their annual reviews, and provided warning signals of impending 'debt-crises'.

In general of course both government and private creditors and banks have been extremely reluctant to reschedule debts except to deter inevitable default. Although it is argued that debt-rescheduling would encourage financial indiscipline and «undermine respect for contractual obligations» *(4)*, the truth is that the debt question is crucial to the continued survival and functioning of the imperialist world system. *As Business Week* (March 1, 1976) commented: «A string of defaults or of debt moratoriums, or even any wide-spread rescheduling of loans, could put a serious strain on the giant banks that stand at the center of the world financial system».

ORIGIN AND STRUCTURE OF GHANA'S DEBTS

A number of structural and policy factors were responsible for the rapid accumulation of foreign debts by Ghana in the early sixties. Firstly the period from 1959 to 1965 was marked by extremely rapid growth of Ghana's primary export, cocoa, with production rising by more than 100%, raising Ghana's share of total world output from 28.4 % to 37.9 %. However this increasing production occured during the worst post-war collapse of commodity prices on external capitalist markets, leading to a sharp fall in real export earnings. Secondly, falling export earnings coincided with the inauguration of an ambitious «socialist» program of import-substitution industrialization emphasizing heavy public-sector investment, imports of technology and raw materials, and foreign borrowing, particularly in the form of suppliers credits. The government reacted to the resulting crisis in the balance of payments by introducing a range of foreign exchange controls and import licences and taxes, simultaneously restructuring imports away from finished consumer goods to raw materials and capital goods. However the performance of the import-substitution industries fell far below expectation. The almost total dependence of these industries on imported inputs, gross inefficiencies in production, and their lack of export potential exacerbated the balance of payments situation and led to serious shortages in both consumer and industrial inputs. The combined effect of the above developments was mounting inflation, aggravated in turn by government deficits.

However, Ghana's indebtedness must also be seen as the result of inter-imperialist competition for markets in newly independent African and other underdeveloped countries. Post-war British domination of the Ghana market, aided by tariff and currency restrictions, was in decline, challenged by other European, Japanese, and American exporters. After a long period of self-imposed isolation, the socialist countries were also re-entering the world capitalist market and competing against the capitalist countries in Africa. The main avenue of competition for the Ghanaian market was a very specific form of capital export-suppliers' credits. This type of capital export had become a leading form of inter-imperialist competition in the fifties and early sixties and an increasingly important way of stimulating uncompetitive national industries, improving the national balance of payments, and alleviating chronic capitalist unemployment and underemployment. The problems and abuses associated with the utilisation of these credits are well known *(5)*. Credits involving short amortization and high interest rates have often been used to finance projects with long gestation periods and marginal income-generating or export-earning capacity. A large portion of Western credits has traditionally gone into financing infrastructure.

By the end of 1965, 80% of Ghana's total estimated debt was in suppliers' credits. The breakdown by sources and value were as follows: Britain 31%, West Germany 24%, the Soviet Union 9%, the Netherlands 8%, Czechoslovakia 5 %, France 4%, Yugoslavia 4%, Japan 3%, Poland 2%. Britain alone contributed 44% of the *private* suppliers' credits by value.

The utilisation of suppliers' credits in Ghana provides one of the best examples of the difficulties mentioned above. Of the Western credits, 15% went into manufacturing, 16% into agriculture and fisheries, while almost 70 % went into infrastructure, transport, communications and other non-directly productive areas. The repayment terms for Western credits extended typically from 2–5 years, but occasionally to 7 or even 10 years for heavy capital equipment such as merchant or fishing vessels, at interest rates ranging from 4% to 6%. However only 9% of the projects were expected to generate income in less than 6 years. Of the remainder, 34% were expected to generate income between 6 and 12 years, and 46% required over 12 years to generate any income. It is easy to see the 'trap' inherent in this type of borrowing. The Soviet and Eastern credits were more favourable in this respect, with at least 34% in manufacturing and 18% in agriculture (excluding agricultural equipment, of which the East were large suppliers). Repayment periods were 12 years or longer at interest rates of 2–3% (Chinese loans were interest free and involved a grace period). 61% of the projects financed by the Eastern credits were expected to break even in 12 years or less *(6)*.

In Ghana these inherent difficulties were aggravated by poor control and management of the credits. On the side of the Ghana government, no central records were maintained of loans contracted, and consequently there was no knowledge (up until 1966) of Ghana's *total* debt liabilities under suppliers credits; loan agreements were sometimes signed by one Ministry while another was still engaged in the negotiation of the same loans; contracts spelled out the penalties for non-performance by the Government but levied no corresponding penalties against the foreign contractor, etc... The financial provisions of many of the contracts gave room for considerable abuse and manipulation by the foreign contractor *(7)*. Many of the projects originated with fast-talking foreign salesmen backed by government insurance guarantees, and often involved marginal feasibility studies, excess capacity and capital intensiveness, and few backward or forward linkages to the local economy. Breaches of contract, over-charging on capital equipment, delivery of obsolete or faulty plant and equipment and extensive corruption were common in the Western private contracts.

A further difficulty was that the bulk of Ghana's credits was contracted in an unusually short period (mid-1961 to end 1963) and given the short amortization associated with these credits, there was a tendency for the credits to mature more or less at the same time, resulting in a bunching-up of debt-repayments. The debt-service schedule therefore showed an exaggerated 'himp' spanning some five years, over which the bulk of the debts were to become due. According to SCOTT's estimates, 51% of Ghana's debt in 1963 was due in the next five years *(8)*. By 1966 the debt-service picture had worsened appreciably. According to World Bank data, 75 % of principal and interest on the total debt were due between 1966 and 1970. (Amortization and interest payments however differed widely for various categories of debt, from 93% for the Western private suppliers' credits, to 65% for the Eastern Credits, 44% for the U.K. and West German official credits, and 29% and 24% respectively for long-term loans from the World Bank, USAID, and the Export-Import Bank).

BACKGROUND TO THE DEBT RENEGOTIATION

The decisive collapse of the cocoa market in 1965 coincided with the commencement of large-scale debt-service by Ghana, estimated at 25% of total exports in each of the four years commencing from 1965. The government appealed to both Eastern and Western creditors for rescheduling of the credits and extension of new loans. In an agreement reached at the end of 1965, the Soviet Union and Eastern European countries agreed without preconditions to grant a three year moratorium on debt payments, to extend new credits, and to increase purchases of Ghana's cocoa. The position taken by the Western creditors was far more difficult. The Nato governments had been seriously embarrased by NKRUMAH's militant anti-imperialism and solidarity with the socialist countries, and support for the Congolese rebels; in 1965 Ghana's rapproachement with the Soviets was reportedly the subject of discussions at the highest levels of Nato *(9)*. Formally the Western creditors took the position that Ghana must first reach agreement with the IMF before rescheduling or further loans could be considered.

In May 1965 an IMF mission submitted its interim report. It demanded the imposition of a stabilisation programme with substantial cutbacks in government expenditure, cessation of subsidies to state enterprises, the curbing of domestic demand by reductions in the producer price of cocoa and other measures, the lifting of the monopoly of the national shipping line, the scaling down of trade with the socialist countries, and more liberal treatment toward foreign investment in Ghana *(10)*. In September, a World Bank mission concurred with this position, adding that Ghana's «development programs must be redesigned and re-oriented to achieve greater value for Ghana's money». Only thus, warned the mission, would Ghana be able to «regain the confidence of foreign investors, attract long-term finance and secure renegotiation of her debts» *(11)*.

The government vacillated: in July it announced acceptance of the preliminary report of the IMF, but pointed out that it merely coincided with plans for stabilisation made before the arrival of the mission *(12)*. However during the succeeding months, the attitude of the government toughened. Although there was some area of agreement between the government and the Fund-Bank missions, such as the reduction of the producer price for cocoa and the need to restrain government expenditure and reorganise the state enterprises, the main issues of disagreement were the trade and payments agreements with the socialist countries, and what was seen as a veiled attack on Ghana's world market cocoa strategy and socialist policies *(13)*. The concessions by the Soviet Union and Eastern European countries also strengthened the hands of the government; according to one report, it had been decided that if the Western creditors failed to come to terms, Ghana would unillaterally reschedule the Western credits *(14)*. On 22 February, 1966 the Finance Minister announced the government's position on the mission recommendations: Ghana would not submit to «the dictates of the Fund-Bank team» *(15)*. Two days later the government was overthrown in a military coup *(16)*.

The new military regime, the National Liberation Council (NLC) was faced with a number of options regarding the debts. It could declare a temporary default or unilateral moratorium on debt-service on the suppliers' credits while it investigated them and decided which ones to honour or repudiate. This option was strengthened by well-grounded suspicion of malfeasances in the contracts and abuses in their implementation, although the overwhelming evidence was only later to emerge. However this course of action may have invited reprisals from the creditor countries and the multilateral institutions, and necessitated a program of fundamental reform and self-reliance in Ghana. Or it could request a rescheduling of the debts and take advantage of the IMF standby arrangements and consortium aid. This did not preclude a subsequent investigation and repudiation of bad debts *(17)*. However the regime did not avail itself of any of these options; instead immediately pledging itself to the least ambiguous and most unfavourable course, it would honour all debts, both good and bad.

Unlike NKRUMAH, the NLC had no difficulty in coming to terms with the IMF. New economic measures announced six days after the coup closely reflected the 1965 Fund-Bank recommendations. The crucial factor in this turn around was the Ghanaian economic bureaucracy, particularly the National Economic Committee (NEC), a new body that consisted mostly of high civil servants. The NEC was to have a virtual monopoly over national economic policy. The bureaucracy had been opposed generally to NKRUMAH's 'socialist' public sector projects and to the Bilateral Payments Agreement and other forms of economic co-operation with the East, as well as to the utilisation of suppliers' credits and the financial provisions of the Seven Year Development Plan. The NEC was in all respects a remarkably pro-IMF group.

However the positions taken by the NLC were by no means entirely voluntary. Considerable external pressure was exerted to narrow Ghana's options, and in particular to defer any likelihood of debt-default. In initial contacts, the Western creditors, although clearly delighted at the turn of events in Ghana and sympathetic to the NLC's request for debt rescheduling and new aid, insisted that Ghana first reach agreement with the IMF. Aid was made conditional on this and on successful renegotiation of the debts. Leading creditors like Britain and Germany were also anxious to limit debt-concessions to Ghana, while on the other hand exerting pressure to extract the maximum advantages from Ghana *(18)*. In Washington, the World Bank also made it clear that it would only extend aid to Ghana «subject to effective action on stabilisation and debt-reorganisation» *(19)*. Ghana would also have to initiate a development program «appraised by the Bank». George WOODS, the President of the Bank, considered «maintaining the closest collaboration with the International Monetary Fund» a necessary prerequisite for evolving policies acceptable to the creditors and aid-donors *(20)*.

In March a joint Fund-Bank mission returned to Accra to negotiate the terms of a Standby Agreement (other Bank missions arrived in June, August and November). This was followed by the announcement in May 1966 of a two-year standby arrangement, permitting Ghana to draw $ 31 million immediatly, $ 17 million in December, and $ 25 million in May 1967. The terms of the standby arrangement imposed strict monetary and policy demands on Ghana. Government expenditures and central bank lending to the State and private sectors were to be sharply reduced; the central bank rate was to be raised from 4 1/2 % to 7%; import licensing and exchange controls were to be liberalised and eventually abolished; bilateral trade and payments were to be reviewed in order to abolish their 'discriminatory' features and the barter agreements terminated; and no new external loans of less than 12 years maturity (other than up to 360-day Trade Credits) were to be contracted without prior consultation with the IMF.

The NLC was also to cease reliance on suppliers credits, reorganise state enterprises and terminate state subsidies, and reduce expenditures on diplomatic representation, Ghana Airways, and administration. The IMF was also given powers of supervision over the Ghana economy for the period of the standby arrangement. The NLC was obliged to remain in «close consultation» with the IMF, and to furnish information on Ghana's «exchange, trade, monetary, credit and fiscal situation».

Subsequently government budgetary expenditure was reduced from ₵ 361 million in 1965 to ₵ 301 million in 1966–67, capital expenditure falling from ₵ 101 million to ₵ 43 million. Many of the state farms were transformed into agricultural research stations or sold, while state industries were put up for sale or private participation. Increases in wages were limited to 5% and strict limits imposed on bank credit. Import and exchange restrictions were increasingly relaxed, although only slowly, and two of the three barter agreements with the Eastern countries were terminated. In July 1967 the Exchange rate of the *Cedi* was devalued by 30%.

DEBT NEGOTIATIONS: 1966–68

Agreement with the IMF in turn cleared the way for debt-renegotiation. The first formal negotiating session with the Western creditors was held in London on June 1, 1966. This meeting was preceded by a preliminary meeting with the creditors in Washington on May 17 under the auspices of the IMF, at which Ghana had announced difficulties in meeting debt obligations and requested a meeting in Europe to consider temporary relief from payments on suppliers' credits. At the June meeting, Ghana put forward requests for temporary suspension of both principal and interest payments on all suppliers' credits, to be followed by arrangements for formal rescheduling in August or September, and the formation of a consortium to extend aid to Ghana. The alternative to a suspension of debt payments would be the prospect of a unilateral default *(21)*.

While apparently sympathetic to Ghana's position, the creditors were anxious to concede as little as possible. The crucial factor was the position taken by Britain, the largest creditor and chairman of the meeting. With the largest sums at stake and chronic balance of payments difficulties, the British stood to lose the most from a concessionary debt settlement. In prior bilateral meetings British officials had reportedly hinted that they might even «favour a unilateral decision by Ghana to default» on the instalments on British suppliers' credits rather than agree to the request for a temporary suspension of the debts *(22)*. Subsequently promises that there would be no discrimination in treatment of creditors, and that the request for rescheduling would be limited only to the credits contracted before the coup, were extracted from the Ghanaian delegation. The creditors' response was that since negotiators were government representatives they could not legally agree to a suspension of payments without first consulting the individual creditors; that Ghana should 'scrupulously' observe the principle of non-discrimination in repayments whether or not the individual debts were insured by state insurance agencies; that the rescheduling of the debts itself constituted a substantial balance of payments support and no commitment would necessarily be made to extend any further support; and that an aid consortium would have to be considered on entirely separate matter from the debt talks as such. Nevertheless *de facto* recognition was given to the suspension of payments for the next 3 months, with another meeting to be arranged later in the year.

This meeting was held in London from December 6 to 9. Ghana argued for a lenient long-term settlement, incorporating the repayment over the first three years of 15% of the debt service on the pre-coup medium-term suppliers' credits (1–12 Years) falling due between 1 June 1966 and 31 December 1968, a five-year grace period, and payment of the remaining

85% over the following 12 years, with interest of 2–3% on the deferred principal and interest. The creditors' terms were far more restrictive: 25% of the debt falling due between 1st June, 1966 and 31st December, 1968 to be repaid in that period, followed by two years' grace, and settlement of the remainder over four years. The eventual agreement designated a consolidation period of two and a half years (mid-1966 to end 1968), repayment of 20% of the debts, a grace period of two and a half years, and payment of the remainder over 8 years (July 1971 to April 1979) with gradually increasing instalments. But in response to Ghana's request for a nominal interest rate on the deferred principal and interest, the creditors maintained that «debt re-arrangement must be distinguished from aid» and that as a purely commercial transaction, relief could not be provided at «concessionary rates» *(23)*. Moratorium interest was to be determined in bilateral negotiations, and was to reflect the cost of borrowing in the respective creditor countries. In the subsequent bilateral negotiations the moratorium interest averaged 6.5%, corresponding to interest rates on the British market. Rather than grant a long-term settlement, the creditors held out the possibility of a second meeting in 1968 to consider further debt-relief.

Formal contact with the Soviet Union and Eastern countries was not made until March 1967 *(25)*, in part because of the deterioration of relations after the coup. Agreement on terms similar to those with the London countries was reached with Yugoslavia in that month, but at a moratorium interest of 3%. The 1965 agreement negotiated with the Soviets was not due to expire until November 1968, and in any event the bulk of Soviet debts fell outside the frame of reference of the London agreement, being long-term (i.e. over 12 years); nevertheless subsequent agreement produced a moratorium interest of two and a half. The NLC did not bother to negotiate with the GDR, Hungary, and China; the debts owed to these countries were simply rescheduled unilaterally.

Between the time of the first debt-meeting in 1966 and the second in October 1968, the Ghanaian position hardened appreciably. Detailed evidence had poured in of extensive fraud and corruption in the negotiations and implementation of some of the Western private credits, most of them British. There was also mounting public pressure for repudiation of bad debts. Nevertheless the regime did not choose to exploit this, preferring instead to stress the inadequacy of the 1966 settlement. While reaffirming the desire of the Government to meet in due course its «legitimate financial obligations», it argued that the rate of debt service would be conditioned by the capacity of the country to pay. It pointed to a substantial deficit between estimated receipts for visible and invisible exports, aid, and other sources, and the payments required for essential current imports and debt-servicing. Without a further re-arrangement of debt-service, it would be «unrealistic» to expect that the Ghana economy could generate the resources needed to meet both current payments and contractual obligations. When the conference opened in London, the Ghanaians pressed for a maximum moratorium interest of 3%, arguing that the economy could not support the burden of a higher interest rate. The creditors noted that Ghana had «faithfully adhered» to the terms of the 1966 Agreement and acknowledged the seriousness of the balance of payments situation.

They agreed to rearrange the debts maturing between 1st January 1969 and 30th June 1974, with 20% to be repaid over a further consolidation period of three and a half years, followed by two years grace, and the payment of the remaining 80% over seven and a half years (July 1974–October 1981). However the moratorium interest emerged as an issue of bitter controversy, with the creditors insisting that the interest rate follow the principle in the 1966 agreement and reflect the on-going rate in the individual creditor countries. The controversy over the interest rate led to the collapse of bilateral negotiations with Italy, Japan, Belgium, Norway, and the U.S. The 1966 and 1968 debt agreements provided immediate debt-relief by shifting downstream the bulk of the debt service due between 1966 and 1971 (see Table 1). However this relief was provided at high cost (Table 2).

Table 1 – Effect of 1966 and 1968 Agreement on Debt-Service Schedule Suppliers Credits (₵ millions)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Prior to Agreements (2/1966)	62.1	02.9	81.5	66.6	56.0	42.4	23.7	16.6	10.9	5.7	3.7	2.9
After Agreements (5/1969)		12.7	40.6	17.0	20.1	23.8	31.2	36.0	39.0	42.3	45.3	44.1

	1978	1979	1980	1981
Prior to Agreements (2/1966)	1.7	0.6	0.6	
After Agreements (5/1969)	43.1	29.8	21.4	19.4

Source: Government of Ghana, *Developments in the Ghana Economy Between 1960 and 1968* Accra 1969, p. 9.

Table 2 – Effects of 1966 and 1968 Debt Agreements on Ghana's Overall Debt Burden (₵ millions)

	Original Principal & Interest	Moratorium Interest	Total	(2) as % of (1)
	(1)	(2)	(3)	(4)
A. IMF Member Countries				
1966 Agreement	137.3	56.9	194.2	41.4
1968 Agreement	75.3	26.8	102.1	55.6
Total	212.6	83.7	296.3	39.4
B. Non-IMF Member Countries				
1966 Agreement	36.2	5.8	42.0	16.0
1968 Agreement	1.2	0.2	1.4	16.7
Total	37.4	6.0	43.4	16.0
C. IMF and Non-IMF Countries				
1966 Agreement	173.5	62.7	136.2	36.1
1968 Agreement	76.5	27.0	103.5	35.5
Total	250.0	89.7	339.7	35.6

Source : Ghana, *Ghana's External Debt Problem: Its Nature and Solution* (April 1970), p. 00.

The direct effect of 'debt-relief' was an increase in Ghana's overall debt burden by ₵ 89 million. Temporary relief was thus obtained at a cost of an additional 39% on the deferred principal and interest in the case of the IMF countries, and 16% in the case of the Soviet and East European countries. The tendency for so-called 'debt-relief' to intensify overall indebtedness was no 'paradox' peculiar to Ghana *(26)*. In the case of the Western credits, rescheduling entailed additional costs. Both the 1966 and 1968 Agreements reaffirmed and entrenched IMF supervision of the Ghana economy. Some of the creditor countries also took advantage of the negotiation to press on Ghana political and economic demands in no way related to the debts. West German negotiators for instance demanded the restoration of German properties in Ghana confiscated during the Second World War; the grant of landing rights in Accra to the German airline Lufthansa; the lifting of the monopoly of the Ghanaian national shipping line on transportation of official imports; and an agreement to protect German investments in Ghana *(27)*.

EFFECTS OF IMF STABILISATION

Perhaps of even greater long-term consequences for the Ghana economy were the effects of IMF stabilisation policies. The official rational for stabilisation was the arrest of inflation, the stimulation of domestic and export production, and (consequently) the improvement of balance of payments and debt-service capacity. Few of these objectives were in fact achieved. Stabilisation plunged the economy into deep recession and stagnation and intensified social and structural contradictions in Ghana. By August 1968 over 66,000 workers – some 10% of the total wage labour force in Ghana – had been dismissed from their employment, many of these unskilled workers in the construction industry. Officially, only 7% of the new unemployed were recorded as having been relocated. Unemployment in turn bred social unrest and crime: «Towns and villages [in the Central Region and Ashanti]... are being subjected to a wave of terrorism and dacoity unparalelled in the history of this country», complained the *Ghanaian Times* in February 1967. The military regime turned increasingly to legal repression and military force to deal with industrial and social unrest in 1967, decreeing the death penalty for any attempt to incite a general strike. The devaluation of that year failed to stem imports and stimulate exports; «in spite of the devaluation», noted the official *Economy Survey* in 1968, «the *quantum* of exports, instead of increasing, rather decreased... for all commodities except timber and diamonds, while the *quantum* of imports increased, contrary to expectations». Cocoa exports declined by almost 30% between the peak year of 1964/65 and 1968/69. These developments were not altogether surprising: 90% of Ghana's export of agricultural and mineral raw materials were priced in foreign exchange on international markets, and could not necessarily be expected to benefit from changes in the exchange rate of the *cedi*. Only 5% of total export, consisting of manufacturers, could be expected to benefit directly, particularly with considerable industrial over-capacity existing in Ghana. However these industries were almost entirely dependent on imported inputs; an attempt to liberalise the importation of industrial and agricultural inputs at the time of the devaluation had to be suspended when the rush for licences exceeded the available foreign exchange by some 300%. On the other hand Ghana's attempts under NKRUMAH to diversify export markets were reversed and the country reintegrated into the world capitalist market. Imports from the socialist countries fell from 26.3% in 1965 to 8.8% in 1969; exports declined from 21.3% to 7.2%. There was a corresponding gain in trade with Britain and the US in the same period.

While the poorer sections of the working class bore the brunt of stabilisation, significant concessions were extended to large (mostly foreign) companies and investors, in the form of lower taxes, liberalisation of exchange and import controls and investment privileges, and the scaling down of the operations of the state financial and economic organisations. In practice most expatriate companies continued to enjoy unrestricted access to local bank credit, sometimes guaranteed by the terms of joint-venture agreements with the state. IMF and Bank insistence on such joint-ventures led to control of some of the largest state industries enterprises being transferred to Western multinationals (Firestone Tyre and Rubber, Abbott Laboratories and International Hotels of the USA, Norway Cement ASA, etc...). On the other hand many small indigenous companies were driven to the verge of bankruptcy by the credit squeeze and devaluation, as well as the re-organisation of the import licence system to favour large, expatriate companies.

Stabilisation induced stagnation and deepening recession. Public sector investment fell by 17% in 1966, 20% in 1967, and 3.5% in 1968 but the expected increase in private investment largely failed to occur. In spite of strict adherence to IMF prescriptions, little Western aid materialised; complex aid-tying led to only 14% of pledged aid in 1967, and 21% in 1968, being utilised. A two-year development plan (1968–70) intended to restore growth failed to stimulate the necessary investment. Even monetary stability proved temporary, with Government's revenue base and tax effort actually declining during the period. Ironically, in the year, when stabilisation was «successfully» concluded (1968) Ghana was caught in a renewed payments crisis and threat of bankruptcy. Real per capita GNP declined from ₵ 142.00 in 1965 to ₵ 135.00 in 1969, due mainly to a fall in the living standards of the working poor. The military government admitted that stabilisation had created «serious hardships for large segments of the urban population» and generated «strong social pressures» *(28)*. Fundamentally, the reason for the failure of the IMF policies was that they ignored the basic causes of Ghana's difficulties: the stagnation of domestic agriculture and the decline of export earnings due to the organisation of external capitalist markets, aggravated by the problems of dependent semi-industrialisation. In particular domestic agriculture was completely ignored *(29)*. By forcibly depressing the standard of living of the mass of the people, stabilisation was able to repress the signs of inflation, but without removing its fundamental causes. But a second and more immediate reason was that even within the constraints of Fund-Bank prescriptions, far more attention was paid to effecting public savings than stimulating production: while Fund expenditure ceilings and guidelines were rigidly enforced, the Bank's «development package» was never really implemented *(30)*. This lends support to HARRINGTON's view that IMF stabilisation programs are «conceived to satisfy the needs of the lenders» rather than those of the debtor country *(31)*.

Lender interests were also protected by a veritable stream of advisors from the creditor countries, as well as the IMF and the World Bank. While the IMF designed the broad outlines of stabilisation as a whole, officials from the World Bank drafted the balance of payment projections presented to the creditors, the 1966–67 development budget and the 1968–70 Development Plan (later to be introduced by General ANKRAH as the «product of many Ghanaian hands and brains»). In 1967 these teams were supplemented by advisors from the Harvard Development Advisory Service (DAS), recruited with a grant from the Ford Foundation.

The DAS was to have overall responsibility for planning and sector programs in the Ministry of Economic Affairs. The IMF, the World Bank, the DAS, and the USAID collaborated closely *(32)*. Nevertheless this situation should be understood not in terms of a simple confrontation between 'lender' and 'national' interests, but in terms of the complex ways in which stabilisation co-opts certain dominant local interests into alliance with foreign capital and the multilateral institutions. The main local supports of stabilisation in Ghana were the higher bureaucracy and military and the larger indigenous business and cocoa interests. The economic privileges extended to these sectors, such as higher salaries for senior civil servants, an increase in the defence budget by over 100% between 1965 and 1969 (a 250% increase in the allocation for military salaries alone), and a succession of raises in the producer price of cocoa exacerbated existing social contradictions in Ghana.

THE 1970 DEBT CONFERENCE

By the time the third round of Ghana's debt-negotiations took place in London in July 1970, there had been a further hardening of attitudes on both sides. First, there had been important changes in the political context in Ghana. A democratically elected civilian government had succeeded the military regime. However, like the military, the government of Dr. BUSIA was strongly pro-Western. Secondly, Ghana's economy and debt-service capacity had failed to improve significantly, with growing urban unemployment and a sharp fall in living standards among the poorer strata of the working class. With substantial debt-service commencing once again, in 1972, the military government had conceded in its final budget (1969–70) that Ghana could not find the resources for debt-service on a sizeable scale «without resorting in the near future to internal measures severe beyond what is conceivable or humanly possible». The new Finance Minister, J. H. MENSAH, had also adopted a far more critical and militant attitude to the debts. In April 1970, he announced that Ghana intended to re-open negotiations with the creditors, on the grounds, firstly, that the economy could not be expected to generate the budgetary and balance of payments surpluses necessary to finance the debts in accordance with the 1968 understandings; secondly, because of the excessive nature of the moratorium interest extracted in 1966 and 1968. In the same speech he criticised the improprieties that had characterised many of the suppliers' credits, and singled out Britain, the leading creditor, for particular attack *(33)*. MENSAH warned that the creditors might not extend any further concessions to Ghana, either because they placed their own interests first, or because they did not find it «politicaly necessary» to assist Ghana. In that case Ghanaians should expect a «stormy and traumatic period» ahead.

When the third debt conference opened in London on July 7th, MENSAH presented a forceful case *(34)*. He reminded the creditors that many of the debts had gone to swell the «private fortunes of politicians and foreign contractors». He criticised the «improprieties and malfeasances» that had characterised the debts, and referred to growing pressures within Ghana to repudiate some of the debts. He also repeated his criticisms of the 1966–68 settlements: the short-term nature of the relief offered, when Ghana's problems were due to structural imbalances of a long-term nature; and the excessive burden of the moratorium interest. The settlements could be sustained by the economy of Ghana «only on the hypothesis of a continuation of the policy of stabilisation characterised by deteriorating standards of living and rising unemployment» *(35)*. An elected democratic government could not afford the «standstill policies» of stabilisation. MENSAH presented two alternative models of growth to the creditors: a «low growth model» consistent with continued stabilisation, in which economic growth would merely keep pace with population expansion; and a «high growth model» which would provide resources for some structural change, a modest increase in the standard of living, and relatively self-reliant economic development. MENSAH defended this second model as «the only one that is even minimally feasible as the economic policy of a freely elected government». A necessary precondition was that the creditors «release Ghana from the load of indebtedness». MENSAH also traded heavily on the pro-Western credentials of the new government and the hope of American support. He appealed to the creditors for help to «consolidate the unique political evolution in Ghana» and to «prove that national development under free political institutions is possible... more desirable and... more firmly based».

In place of the previous short-term settlements, Ghana now proposed a new settlement under which the total balance outstanding at 1st July, 1969 on the pre-coup medium-term debt would be consolidated and repaid in a single instalment by means of refinancing loans extended by the creditor governments. The refinancing loans were then to be treated as development aid to Ghana on soft terms, repayable over 40 years with 10 years grace and interest not exceeding 2%. In Ghana's view this proposal would have wiped out at one stroke the original contractual interest and the accumulated moratorium interest on the debts. Ghana also requested assistance to enable the Bank of Ghana obtain credit from foreign banks to liquidate about ₵ 100 million in outstanding 180-day trade credits. The creditors responded cooly to these proposals. They rejected the refinancing scheme proposed by Ghana. They also refused to extend the assistance requested to settle the 180-day credits, on the grounds that it would be improper for governments to «intervene in methods of ordinary business transactions». Far from sharing Ghana's criticisms of the previous agreements, the creditors regarded them as «very advantageous». In their view, Ghana's medium-debt service was «relatively minor» in relation to the total balance of payments situation; what was needed was additional aid rather than further debt relief. Particular controversy centered once more around the moratorium interest, with the creditors insisting that the principles established by the previous settlements be followed. On their side the creditors proposed relief amounting to only 25% of the debts covered by the 1966–68 agreements and due between July 1970 and mid-1972; however, as a compromise on the issue of moratorium interest, this was raised to 50% of the debts. This relief was to be extended by any of the three methods, each of which would incorporate a grant element of 61% (using a 10% discount rate); (a) refinancing loans having a grant element of 61%; (b) partial and temporary deferment of instalments of interest and/or principal due between 1st July, 1980 and 30th June 1972 for a period of ten years without interest; (c) additional program aid having an average grant element of 61%.

A number of considerations influenced the position taken by the creditors. Firstly, there were expected improvements in Ghana's balance of payments from an upswing in the cocoa market and early exploitation of oil deposits discovered at Saltpond. Secondly, some of the creditors were displeased with Ghana's financial and economic performance, particularly with expenditures on defense, administration, and education, and wanted to be in a position to exert influence on future policy. The British were also unhappy about the nationalisation of foreign business under the Business Promotion Act of 1969, and the failure to repatriate the proceeds of British businesses sold under the Act. Nevertheless the Ghanaian delegation found the arguments for denying a long-term settlement «unconvincing», and contrasted the treatment accorded Ghana with the «considerable relief» granted Indonesia in similar circumstances only three months previously.

Certainly both the similarities and dissimilarities between Ghana and Indonesia were striking. In both cases a left, militantly anti-imperialist government had been over-thrown by a patently anti-Communist pro-Western military regime. In both cases also a deepening balance of payments crisis and domestic inflation before the coup had been accompanied by rapid acquisition of credits from both East and West, producing a deteriorating debt-service situation. Yet in debt-settlements negotiated in the same period (1966 to 1970) Indonesia received consistently more generous treatment from the creditors than Ghana. The 1966 agreement re-arranged all Indonesia Government debts and publicly insured credits of more than 180 days falling due between July 1, 1966 and December 31, 1967 at 3–4% moratorium interest, three years' grace, and repayment over 8 years. The 1968 and 1969 reschedulings followed a similar principle. The final agreement in Arpil 1970 rescheduled all outstanding Indonesian debts over 30 years at no moratorium interest, with the possibility of a review after 1980 on the initiative of either Indonesia or the creditors to reduce or accelerate the rate of payment. The agreement also incorporated a bisqué clause permitting Indonesia to unilaterally defer payments of principal during the first eight years subject to certain conditions. Why the difference in treatment between the two debtors? Firstly, none of the Western creditors held an overwhelming proportion of Indonesia's debts, and therefore no one creditor could dominate the negotiations in the way the British did in Ghana's case. Secondly, the Indonesian debts were unique in that over 50% – \$ 1.3 billion out of the \$ 2.1 billion total – were owed to the socialist countries; assuming that similar or more favourable terms were negotiated by Indonesia with these countries (as required by the 1970 Paris Minute), the main burden of debt-relief would be shifted to the socialist countries. On the other hand a less generous re-arrangement would drain Western aid into servicing the Eastern debts. Third, and most crucial, were the strategic interests of the United States, a relatively minor creditor (10%). The U.S. saw debt-relief in terms of producing a «viable regime in Indonesia» with «warm and useful relations with the West», acting as a bulwark of anti-Communism in South-East Asia *(36)*.

True, similar strategic considerations had been involved in the case of Ghana. The Ghanaian delegation had believed that Ghana's transition to Western-style democracy was «obviously worth something to the West», and hoped that «in the final analysis America must take steps to help a democratic and pro-West Ghana to survive» *(37)*.

The American delegate to the Consultative Group meetings, Samuel ADAMS, indeed offered strong support to Ghana: «It is in the interest of all of us that we do what we can», he urged the creditor-donors *(38)*. But unfortunately the strategic interests involved were simply not as vital. In the view of the creditors Indonesia was a once-and-for-all case, not to be extended to other debtors. The Ghanaian delegation blamed the Indonesian settlement for the poor terms extended to Ghana; the creditors were «haunted by the fear of being cajoled into yet another Indonesian-type debt settlement involving a long moratorium and long amortization period and relatively low interest rates». A similar settlement with Ghana would «increase the probability of across-the-board settlements of this nature with other developing countries» *(39)*.

THE STRUGGLE OVER POLICY

Behind the sometimes bitter exchanges at the London debt negotiations and Consultative Group meetings lay profound policy differences. The representatives of the Government of Ghana had argued for a policy of recovery and economic expansion, while the creditors and the IMF had urged a policy of continued stabilisation. The 1970 Agreed Minute reflected almost entirely the demands of the creditors. The entrenchement of specific economic guidelines reflecting the views of the creditors in the Agreed Minute also raised an issue of constitutional gravity, although it was never to be openly acknowledged as such: the creditors were dictating policy to the Parliament of Ghana, and in effect usurping its sovereignity in the determination of national fiscal and economic policy. While the non-representative and repressive character of the military regime had formed a congenial political framework for secret negotiation and the enforcement of stabilisation policies, the new democratic government was to find itself increasingly squeezed between the demands of the creditors and those of its political constituencies, between capitulation to the creditors on the one hand and its claims to formal political and economic sovereignty on the other. As it was the 'victory' of the creditors proved pyrrhic. The next 18 months after the London Conference were to be marked by a struggle to determine the direction of Ghana's economic policy. MENSAH in the Ministry of Finance and Economic Affairs has had no intention of abandoning 'growth' policies. He believed that in order to attack inflation and ensure growth, government development expenditure needed to be expanded and imports liberalised, both to improve industrial capacity utilisation and to meet shortages of consumer necessities. In his next budget, immediately following the London Conference, he argued that the Ghana economy had began to show signs of recovery, and announced plans for a «purposive intervention by Government in favour of the further acceleration of economic growth». He also announced plans for a «resumption of public sector spending on a significant scale». Government recurrent expenditure rose from ₵ 314 million in 1969 to ₵ 355 million and ₵ 368 million in 1970 and 1971 respectively, while the capital budget rose from ₵ 56 million to ₵ 79 million and finally to ₵ 92 million. Imports were liberalised, the Open General Licence introduced in 1969 being extended until 1/3 of all exports by end 1970 and 2/3 by end 1971 had been put on OGL. These developments coincided with mildly favourable developments in the balance of payments, mainly due to an upsurge in world cocoa prices.

MENSAH's 'expansionist' policies were opposed by the creditors and the World Bank. A Bank report on Ghana's public finances in October 1970 expressed alarm over the rate of growth of current expenditure, particularly on defense, education and internal administration. It also critised increasing transfer of payments to the state enterprises. The report suggested that the annual growth rate of current expenditure be restricted to 4%, as opposed to 7.2 % and 11.4 % in the 1969–70 and 1970–71 budgets. However the report admitted: «This would be feasible only under conditions of great austerity... which admittedly may not be very easy for a popular democratic government to adopt» *(40)*. Nevertheless the report concluded that «in the short run, controlling the inflationary pressures and a complete cessation of new government programs and economy drive in the existing programs present the only hope». Western ambassadors in Accra were also critical of MENSAH's «spendthrift policies», particularly the number of new development programs in the budgets. Owing to MENSAH's failure to reach agreement with the Bank, the Ghana Consultative Group meeting in December 1970 refused to commit significant new aid to Ghana, and much of the aid pledged was not subsequently honoured.

Bilateral negotiations with Britain in November and December 1970 collapsed. As a result of pressure from the creditors, Fund Bank and DAS staff, the portfolio of Economic Affairs was detached from MENSAH's control in January 1971 and placed directly under the office of the Prime Minister *(41)*.

MENSAH's policies received a further setback with a growing government deficit and deterioration in the balance of payments in 1971. Deficits on the government's current and capital account doubled from ₵ 74 million to ₵ 141 million in 1971. Import liberalisation and relaxation of rules for entering the import trade had led to a mush-rooming of new small importers who ordered sizeable quantities of consumer goods. Temporary import surcharges introduced in 1970 failed to check rising imports. This situation coincided with a steady decline in the prices of most exports during 1971, culminating in the collapse of the cocoa market from the middle of the year.

To check the deteriorating trade balance and pressures on state revenues, the Government introduced an austerity budget in July, incorporating new import surcharges, a temporary ban on importation of cars and TV sets, new taxes ranging from 10–25% on certain categories of foreign exchange transfers, increases in fuel prices, withdrawal of housing and transport subsidies for public servants, a «national development levy» of 7 % on salaries, cuts in the defence budget, and a proposal to withdraw government scholarships from all but 5% of university students.

Less than two months later the creditors and IMF were advocating renewed austerity to check further decline in the trade balances. As a condition for calling another debt conference as provided under the 1970 Agreed Minute and extending new assistance, Britain insisted that Ghana reach agreement on new measures of stabilisation with the IMF and negotiate a drawing on the Fund. As in 1966, the World Bank also took the position that since Ghana needed emergency aid, it would have to rely primarily on the Fund. The IMF favoured a policy package that would include cuts in the development budget and devaluation or higher import surcharges. MENSAH opposed this, arguing that a new round of stabilisation would be politically dangerous and unlikely to succeed but his views were overruled *(42)*. In December 1971 the IMF draft Letter of Intent was presented to the Government, against the background of a serious deterioration in the Government's support among the trade unions, students, the military and bureaucracy, internal difficulties in the ethnic alliances that brought the government to power, and a resurgence of pro-CPP feeling. The draft called for a devaluation of the Cedi by 44% in terms of the dollar; cuts in the development budget, a ceiling of ₵ 137 million on bank credit, restriction of increases in current expenditures to 5% during the period of the standby arrangement, and fresh borrowings under suppliers' credits to be limited to $ 10 million during the standby period. Additionally, short-term debt arrears were to be reduced by $ 25 million before the end of 1972, and the 180 day credits eliminated altogether. Neither the IMF nor the World Bank could have failed to be aware of the dangers posed to BUSIA's fragile government by these measures *(43)*.

In spite of MENSAH's initial protest that the 1967 devaluation had not been sucessful and that the government might not have the support to survive a major devaluation, the IMF recommendations were accepted. On December 27 the Cedi was devalued by 44 % against the dollar; simultaneously the import surcharges and foreign exchange tax were abolished, the producer price for cocoa was raised from ₵ 8.00 to ₵ 10, and the minimum wage from ₵ 0.75 to ₵ 1.00. Barely two weeks later the government was overthrown in a military coup.

«KAFO DIDI» («EVEN THE DEBTOR MUST EAT»)

Thus twice – in 1966 and 1972 – indirect external pressures associated with the debts, and more directly the role of the IMF and the World Bank, had led to the forcible overthrow of civilian governments in Ghana. The 1972 coup however produced a different coalition of radical students, trade unionists, intellectuals and disenchanted civil servants and soldiers. This coalition was favourable to militant action on the foreign debts, now held to be the source of the nation's woes. 'Kafo didi' ('Even the debtor must eat') became the rallying cry of this coalition. «The creditor countries have insisted on their 'pound of flesh' «complained Colonel ACHEAMPONG, leader of the new regime, the National Redemption Council. The previous debt-settlements had been «based upon the premise that Ghana would persist in a policy of harsh stabilisation measures with attendant reduction in living standards and the retrenchement of human as well as material resources» *(44)*. The civilian regime had persisted in fruitless negotiations with the creditors:

> *Despite the known and deliberate policy of the creditor countries to exact from the crippled economy of Ghana every pound that they could get for the payment of dubiously incurred debts, the Busia administration... maintained a hopeless policy of sychophantic fraternization with the creditor countries... The fruitless journeys to the capitals of the creditor countries by [Prime Minister] Busia bear testimony to the futility of his attempts to elicit sympathy and understanding from strange people for whom the welfare of the masses of a small African country remains meaningless» (45).*

Firstly, the regime repudiated $ 94 million in credits owed to four British companies on grounds of corruption and breach of contract. Secondly, it unilaterally rescheduled the remaining $ 200 million in suppliers' credits on IDA terms, namely repayment over 50 years, with 10 year grace, 10% to be repaid over the following 10 years, and the remainder over 30 years. Thirdly, it rejected outright the total moratorium interest accumulated from the previous debt settlements. Official government and World Bank/IDA credits and loans were to be repaid according to the original schedules.

A renegotiated debt settlement was reached with the creditor countries in Rome in March 1974 *(46)*. Its terms differed radically from those of the previous settlements. It granted Ghana a repayment period of

28 years, including 10 years grace, at an interest of twenty one and a half percent per annum. The agreement also rescheduled the balance of the entire pre–1966 debt under supplier's credits, not merely those falling within a particular period, a concession applied previously only to the Indonesian debt in 1970, to Turkish suppliers' credits and commercial arrears in 1959, and to portions of the Argentine debt in 1956. The grant element incorporated in the Rome Agreement (63%, as opposed to 21% and 25% in 1966 and 1968 respectively) was also one of the highest ever extended in a multilateral agreement. Finally, the Agreement contained no mention of the IMF or policy guidelines.

CONCLUSION

As the case of Ghana demonstrates, debt settlement policies forced on Third World debtor-nations involve a complex of economic and political exactions and real suffering on the part of the debtor-nation, particularly of its working classes. IMF-type stabilisation policies, while increasing foreign penetration of the economy and external co-optation of policy-making, tends to intensify the social, political, and economic contradictions of underdevelopment and accelerate the slide into national poverty.

This must be linked directly with the emergence of repressive regimes in debtor-countries like Indonesia, Zaïre, Chile, Turkey, Peru as well as Ghana. As Kaminski has correctly remarked: «The practical means leading to debt repayment are possible only under a strong executive power. The external debt outstanding of developing countries is a factor leading to the emergence and growing strength of dictatorial regimes which ruthlessly violate human rights, and which in their domestic and foreign policies are subordinated to foreign dictate(s)» *(47)*.

NOTES

1. Existing studies include Henry J. Bitterman, *The Refunding of International Debt,* Durham, N.C.: Duke University Press 1973; and Albert C. Cizauskas, *International Debt Renegotiation: Lessons from the Past,* World Bank Reprint Series No. 101.
2. *OECD Development Assistance. Efforts and Policies: 1967 Review* (Paris: 1908), p. 85.
3. U.S. Congress, House Committee on International Relations, *Dollars, Diplomacy and Development:* Hearings June 29 and July 26, 1977. U.S. Government Printing Office, Washington 1977, p. 21.
4. *OECD, Development Assistance. Efforts and Policies:* 1966 Review (Paris: 1966), p. 115.
5. UN, Department of Economic and Social Affairs, *Export Credits and Development Financing,* New York; IBRD, *Suppliers Credits from Industrialised to Developing Countries,* Washington, April 3, 1967.
6. J.H. Mensah, *The State of the Economy and the External Debts Problem.* Accra: April 1970, pp. 6–7: Government of Ghana, *Ghana's External Debt Problem: Its Nature and Solution* (document presented by Ghana Government to the Creditor Countries), April 1970, p. 34.

7. Ghana, *Report and Financial Statements by the Accountant-General and Report thereon by the Auditor-General for the Year ended 31st December, 1964,* Accra: State Publishing Corp., 1967, pp. 5–6.
8. Douglas A. Scott, «External Debt – Management Policy in a Developing Country» in T.J. Farrer (ed.), *Financing African Development,* Cambridge, Mass; 1965, pp. 58–59.
9. W. Scott Thompson, *Ghana's Foreign Policy 1957–1966,* Princeton, 1969.
10. Ghana, *National Assembly Debates,* Vol. 40, Cols. 716–8; *Economic Survey 1965* (Accra 1966), pp. 50–51.
11. «Notes taken at Meetings held between the World Bank Mission and the National Planning Commission and Ministers and Principal Secretaries/ on 22nd September and 24th September, 1965» (Accra – n.d. Confidential).
12. National Assembly Debates, *op. cit.*
13. *National Assembly Debates,* 24th August, 1965, and Vol. 40, Cols. 882–3. Also note 19 below.
14. Interview, Former Finance Minister Amoako-Atta, Accra September 1978.
15. Ministry of Finance, 1966 *Budget Statement,* Accra – Tema: State Publishing Corporation (n.d.), p. 22.
16. For the involvement of the CIA in this coup, see John Stockwell, *In Search of Enemies: A CIA Story,* New York–Norton and Co., 1968, p. 21.
17. For a discussion of the options available to a debtor-nation short of outright repudiation, see Nurul Islam «The external debt problem of the developing countries with special reference to the least developed», G.K. Helleiner (ed.), *A World Divided,* Cambridge 1978.
18. E.N. Omaboe, «Report to the National Liberation Council by the Economic Delegation on their discussions in the United States of America, Canada, United Kingdom, and West Germany» (n.d.). The tour was conducted in May–June, 1966.
19. Abderrahman Tazi, IBRD Executive Director for Ghana, to Adomakoh, Governor, Bank of Ghana. March 23, 1966.
20. *Ibid.*
21. Omaboe, «Report to the National Liberation Council by the Economic Delegation...» *op. cit.*
22. *Ibid.,* p. 1.
23. *Ibid.,* pp. 11–12.
24. «Agreed Minute on the Repayment of the medium-Term Debts of the Government of Ghana and others Resident in Ghana», London, December 1966, p. 5.
25. E. N. Omaboe, «Report of the Trade and Economic Mission to Yugoslavia and the USSR» (March 1967).
26. Similar reschedulings increased Argentina's debt burden from $ 1,857 million to $ 1,956 million, Brazil's from $ 1,956 million to $ 2,094 million, Chile's from $ 1,219 million to $ 1,245 million. Indonesia's from $ 667 million to $ 784 million and Peru's from $ 934 million to $ 966 million. According to these figures the increase in Ghana's debt would seem very large: from $329.3 million to $ 425.8 million. Nurul Islam, «The external debt problem of the Developing Countries with special reference to the least developed», p. 232.

27. Omaboe, «Report... of the Economic Delegation...» *op. cit.,* pp. 13–14. This is not an unusual practice – The renegotiation of Chile's debt (1973) and Peru's (1976) was preceded by demands for payment of compensation for assets of foreign companies expropriated earlier. In the case of Peru's, both TNCs were closely related to the banks. Zaïre (1976) had to return assets previously nationalised from Belgian Companies.
28. *Ghana's Economy and Aid Requirements in 1968* (n.d.), pp. 5–6.
29. Both State Budgetary Allocation and Bank lending to Agriculture fell steeply during the stabilisation period, total bank loans declining from ₵ 13.8 million in 1966 to ₵ 3.8 million in 1968. As late as that year the World Bank commented that «program priorities and operational plans (in agriculture) are generally not yet established much less implemented». IBRD, *Economic Stabilisation in Ghana,* Washington, May 24, 1968, p. 24.
30. The dismal reports of the Bank in this period bear this out. e.g. the instructive comments on agriculture in *Economic Stabilisation in Ghana, p. 24.*
31. Congressman Harrington on Brazil, *Dollars, Diplomacy and Development,* p. 30.
32. Ronald T. Libby, «External Co-optation of a Less Developed Country's Policy making: the case of Ghana 1966–72», World Politics *Vol. 29. No.1.*
33. J. H. Mensah, *The State of the Economy and the External Debts Problem,* pp. 5–14.
34. The following account of the debt conference draws upon the official verbatim transcripts of the meetings held from 7 to 11 July, 1970. Unless otherwise indicated, all quotations below are drawn from this source..
35. Ghana, *Ghana's External Debt Problem: Its nature and Solution,* (April 1970) p. 3. This document contains the detailed case made by the Ghana Government to the Creditors.
36. 92nd Congress, 1st. Session, *Special Report on the Indonesian Debt Rescheduling,* Washington: U.S. Government Printing Office, 1971, pp. 2–7. Cizauskas (op. cit., 205–3) contrasts the influence exerted by «the political re-orientation of Indonesia after Sukarno's fall» with «the absence of any strong political motivation» in Ghan's case.
37. J. H. Mensah, «Report of the Ghana delegation to the Ghana Debt Conference – London 7–11 July 1970» (Report submitted to the Prime Minister). pp. 2–3.
38. Official Transcripts, Ghana Consultative Group Meeting, London July 15, 1970.
39. J.H. Mensah, «Report of the Ghana Delegation...» *op. cit.,* p. 8.
40. IBRD, IDA, *The Current Economic Position and Prospects of Ghana* – Vol. IV: *Public Finance,* Washington: October 1970, Report No. AW–18a1.
41. Mensah retained the portfolio of Finance. According to informants Mensah had become the *bete-noire* of the Western ambassadors and a «stumbling-block to the smooth operation of the Consultative Group» inherited from the NLC. Interview, H.P. Nelson, Accra – September 1978.
42. An excellent account of this policy dispute is presented in Libby, «External Co-optation of a Less-Developed Country's Policy-Making».

43. As early as 1967 a Bank mission had warned that with Ghana's domestic product stagnant and population increasing at 2.6% to 3% annually «any stabilisation policy based on a further decline in per capita consumption and investment could have undesirable economic and political consequences». IBRD, *Stabilisation and Development in Ghana,* Washington: March 14, 1967, p. xii.
44. Speech of 5 February 1972. *Speeches and Interviews by Colonel Acheampong* Vol. I, Accra: Ministry of Information (n.d.).
45. *Ibid.*
46. For some of the reasons behind this settlement, and an analysis of the later course of the Military regime, see my article «A Table of Two Regimes: Imperialism. Class, and the Military in Ghana», *Review of African Political Economy,* 15, 1979.
47. For a remarkable defense of the debt-repayment record of these regimes by Irving Friedman, Vice-President of City Bank, see U.S. Congress, *Dollars, Diplomacy and Development.*

RESUME

Cette communication étudie le mécanisme qui entre en jeu dans la re-négociation de l'endettement international et analyse l'incidence du rééchelonnement de la dette sur l'économie politique d'une nation débitrice du Tiers-Monde: le Ghana. Elle retrace les origines et la structure de la dette extérieure du Ghana au cours des années 1960 et démontre que le mécanisme de re-négociation de la dette avait servi, dans le cas du Ghana comme dans celui d'autres nations ayant des dettes semblables, à forcer le pays à effectuer de grands changements dans ses orientations économiques et politiques et à coopter les secteurs vitaux de la prise de décision sur le plan national. L'ensemble des politiques de stabilisation imposées par le FMI comme condition préalable au rééchelonnement de la dette visait surtout à offrir de nouvelles possibilités d'exploitation au Capital extérieur ; cependant, cela déboucha directement sur un renforcement des contradictions structurelles et sociales existant déjà. Il existe également un lien entre le renversement des régimes civils et l'apparition de régimes militaires autoritaires en 1966 et 1972 et les pressions exercées dans le cadre de l'endettement extérieur.