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Ghana Cocoa Board (Cocobod) delays the start of the 2017/2018 cocoa season while it waits for the transfer of proceeds of its \$1.3 billion syndicated loan for the new season. Both Cocobod and President Nana Addo Dankwa Akufo-Addo (2017-present) pledge to maintain or raise farmgate cocoa prices despite a 41% disparity between Ghanaian and Ivorian prices. The International Tribunal for the Law of the Sea (ITLOS) rules in favour of Ghana in the maritime boundary delineation case with Côte d'Ivoire. Local media report that International Monetary Fund (IMF) officials are delaying the government's planned \$2.5 billion energy sector bond to rescue indebted state-owned energy sector bodies.

Cocobod delays start of cocoa season

Ghana Cocoa Board (Cocobod) CEO Joseph Boahen Aidoo announced on 29 September that Cocobod has delayed the start of the 2017/2018 cocoa season while it waits for the transfer of proceeds of its \$1.3 billion syndicated loan for the new season.¹ Cocobod announced on 20 September that it had signed a \$1.3 billion loan with several international banks for the purchase of cocoa in the 2017/2018 season.² The loan is smaller than that of the 2016/2017 season, when Cocobod took out a \$1.8 billion loan with international banks. However, the deal provides for an additional \$200m loan if required.³ Cocobod said that the 2017/2018 loan was oversubscribed by \$300m.⁴ Cocobod expects national cocoa production to reach 950,000 tonnes in the 2017/2018 season; the loan will provide for up to 850,000 tonnes worth of purchases.⁵ Total production in the 2016/2017 season was around 800,000 tonnes, up from 780,000 tonnes in 2015/2016.

It is unclear how long the delay of the cocoa season launch will last, or whether it will have a negative impact on output.⁶ Aidoo said that purchases are likely to begin from mid-October.⁷ Although he confirmed that the price review committee would meet imminently, Aidoo admitted said “*price reduction is impossible.*”⁸ The current disparity between the farmgate prices – the price paid to farmers – in **Ghana** and neighbouring **Côte d'Ivoire** is likely to lead to further uncertainty with regard to the international cocoa price and an increase in cross-

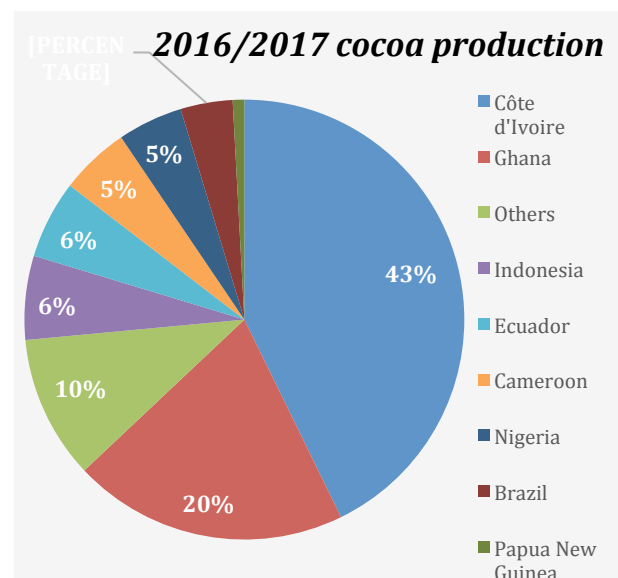


Figure 1: www.icco.org

¹ Bloomberg, 29 Sept 2017.

² Reuters, 20 Sept 2017.

³ Reuters, 20 Sept 2017.

⁴ Reuters, 20 Sept 2017.

⁵ Reuters, 20 Sept 2017.

⁶ Source, Ghana analyst, United Kingdom

⁷ Bloomberg, 29 Sept 2017.

⁸ Bloomberg, 29 Sept 2017.

border cocoa smuggling between the two countries.⁹ The Ghanaian farmgate price is currently 41% higher than that of Côte d'Ivoire.¹⁰ The two countries together produce approximately 63% of global cocoa – Côte d'Ivoire 43%, Ghana 20%.¹¹

... as both Cocobod and Akufo-Addo pledge to maintain or raise cocoa prices

Cocobod announced on 14 September that it would maintain the farmgate price for the 2017/2018 season at 7,600 cedis (¢) (\$1,720) per tonne, or increase it.¹² The decision may increase cocoa smuggling across the Côte d'Ivoire-Ghana border in light of Côte d'Ivoire's recent farmgate rate cut and current low international market prices.¹³ Côte d'Ivoire cut its farmgate price by 36% to FCFA 700,000 (\$1,290) per tonne in May – (25% lower than Ghana's farmgate price).¹⁴ Reportedly, cocoa smuggling from Côte d'Ivoire to Ghana in the 2016/2017 season was as much as 100,000-120,000 tonnes.¹⁵ Aidoo said that a reduction in the farmgate price was unthinkable,

*"As for the farmers' price, it is non-negotiable ... We're determined to at least keep it at current levels if we cannot increase it."*¹⁶

President **Nana Addo Dankwa Akufo-Addo**

(2017-present) affirmed Aidoo's pledge. On 2 October he said that the government would not reduce cocoa farmgate prices for the 2017/2018 season.¹⁷ Akufo-Addo said his government is committed to the welfare of Ghanaian cocoa producers, despite recent examples of the negative implications of maintaining unsustainable farmgate prices in neighbouring Côte d'Ivoire,

*"The price review for the coming season will not leave cocoa farmers short-changed. Government will make sure that the producer prices remain unchanged."*¹⁸

Akufo-Addo said he would cooperate with Côte d'Ivoire to address declining international cocoa prices,

*"We are fashioning far-reaching policies towards achieving a shared vision of an industrialised and prosperous domestic cocoa economy. This, I am sure, will reduce our vulnerability to the volatility of the markets and help deliver prosperity to our farmers and peoples."*¹⁹

Akufo-Addo met Ivorian counterpart President **Alassane Dramane Ouattara** (2011-present) on 16 October, reportedly in a bid to mitigate the risk of a further drop in international cocoa prices.

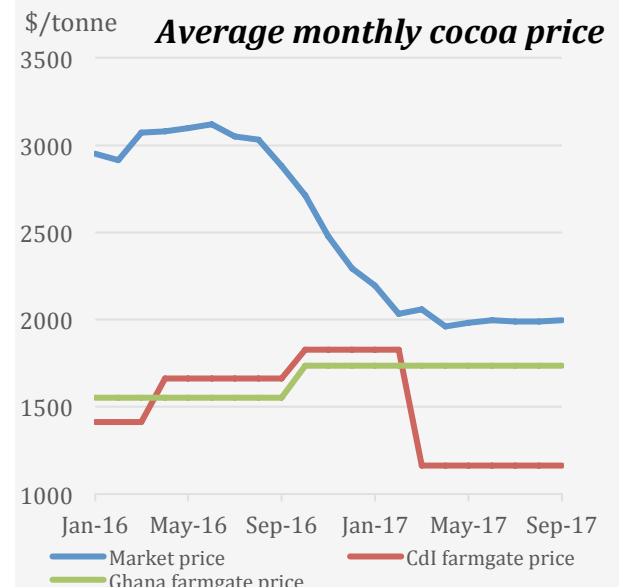


Figure 2: Multiple sources: www.cocobod.gh; www.conseilcafecacao.ci; www.nasdaq.com.

⁹ Source, Ghana analyst, United Kingdom

¹⁰ Bloomberg, 29 Sept 2017.

¹¹ Multiple sources: Bloomberg, 29 Sept 2017; www.icco.org.

¹² Reuters, 14 Sept 2017.

¹³ Source, Ghana analyst, United Kingdom

¹⁴ Reuters, 14 Sept 2017.

¹⁵ Reuters, 14 Sept 2017.

¹⁶ Reuters, 14 Sept 2017.

¹⁷ Reuters, 2 Oct 2017.

¹⁸ Reuters, 2 Oct 2017.

¹⁹ GNA, 3 Oct 2017.

According to one commentator, Akufo-Addo and Ouattara will not seek to undermine the other's interests,

"For now, [cooperating to strengthen international cocoa prices] remains a promise. However, Akufo-Addo and Ouattara are close pals and can achieve this through good faith. Due to its forward sales approach, Ghana offers a guaranteed price, irrespective of the world cocoa price... Ghana exerts more control over its supply chain, by securing a syndicated loan each year to pay for the crop."²⁰

Côte d'Ivoire, due to an unsustainably high farmgate cocoa price in early 2017, lost over 100,000 tonnes of production as traders refused to pay farmers the minimum guaranteed price. Cocobod's Ivorian counterpart, the **Conseil Café-Cacao (CCC)** (coffee cocoa council) has all but emptied its reserve funds, and as a result, is unable to increase its farmgate price, unless it obtains extraordinary budgetary support or sees an increase in international cocoa prices.²¹

At the time of writing, the projected launch of the cocoa season has not yet been announced. The delay could have a negative impact on production for the 2017/2018 season. It is also unclear how the large disparity between Ghanaian and Ivorian farmgate prices will affect market pressures. However, it is likely that cocoa smuggling from Côte d'Ivoire to Ghana will increase, considering the 41% price disparity. This in turn could lead to a decrease in the quality of Ghana's output – Ghanaian cocoa is reputed to be of better quality than that of Côte d'Ivoire. Cocobod and Akufo-Addo appear firm in their intention to maintain current farmgate prices into the coming season. However, Ouattara may seek to persuade Akufo-Addo to reconsider the inflexibility in Ghana's farmgate price policy.

ITLOS rules in favour of Ghana in maritime border delineation case

The **International Tribunal for the Law of the Sea (ITLOS)**, on 23 September, ruled in favour of Ghana in the maritime boundary delineation case with Côte d'Ivoire.²² The judgment does not negatively affect the **Tweneboa, Enyenra & Ntomme (TEN)** oil field, Ghana's second largest offshore oil and gas reserve.²³ The ruling, favourable to Ghana, removes a previous moratorium on new drilling operations in the disputed area.²⁴ The TEN oil field partners said on 23 September that they could now resume drilling to increase production with additional wells to reach their total capacity of 80,000 barrels per day (bpd).²⁵ Energy minister **Boakye Agyarko** said on 27 September that Ghana has gained 80km² of maritime space after the ITLOS ruling.²⁶ According to a local commentator familiar with the matter, the extra maritime area makes a significant difference for future exploration,

"The value of the extra maritime space goes beyond the discovery of new oil wells, it also has to do with the ability of the Ivorians if they have a place close by to drill the oil because they can go under the belly of the ocean and drain the oil from the Ghana side if we are close to each other."²⁷

The Côte d'Ivoire delegation agreed to abide by the decision and respect the conclusions of the court.²⁸ Executive director of the **Ghana Institute for Governance and Security (GIGS) David Agbee** believes that the amicable settlement of the dispute has been the greatest achievement of the case,

*"We believe the victory is for both countries and **West Africa** in general. This is because, without their [Côte d'Ivoire] cooperation and commitment to a peaceful resolution, the adjudication*

²⁰ Source, journalist, Accra

²¹ Source, West Africa analyst, United Kingdom

²² Press Release, 23 Sept 2017.

²³ Multiple sources: BusinessWire, 23 Sept 2017; ITLOS Press Release, 23 Sept 2017.

²⁴ My Joy Online, 27 Sept 2017.

²⁵ Multiple sources: BusinessWire, 23 Sept 2017; ITLOS Press Release, 23 Sept 2017.

²⁶ My Joy Online, 27 Sept 2017.

²⁷ Source, journalist, Accra

²⁸ Ghana Business News, 24 Sept 2017.

process would have been frustrated, which could have created insecurity on the oil fields of the disputed area.”²⁹

The arbitration proceedings of the dispute began in November 2014, after Ghana requested that the ITLOS:

- demarcate the complete course of the maritime boundary between the two countries; and
- determine the precise geographical coordinates of the single maritime boundary.³⁰

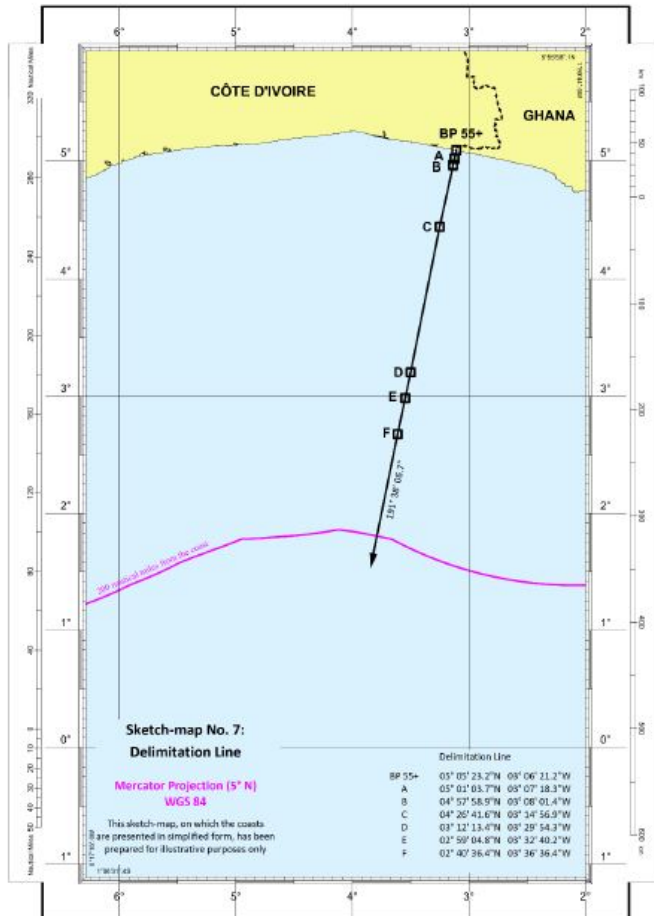


Figure 3: www.itlos.org

The ITLOS ruled in April 2015 that Ghana should stop all new drilling in the disputed area until the final judgment, inclusive of ongoing monitoring of the extraction activities.³¹ Ghana argued that the case was not one of maritime delimitation, but rather “a request to declare the existence of a boundary”.³² Côte d’Ivoire alleged that Ghana had attempted a “sudden redefinition [of the dispute]”, one of demarcation rather than delimitation.³³ Ghana sought to claim the “customary equidistance boundary”,³⁴ while Côte d’Ivoire claimed that Ghana suffered from terminological confusion in its definition.³⁵ Ghana claimed it had never violated this boundary, even as oil blocks were reissued and extended further out to sea.³⁶ Ghana argued that as Côte d’Ivoire’s eastern limit to concessions in the past coincided with Ghana’s western limit to concessions, this comprised a mutual recognition of a customary equidistance boundary.³⁷ However, Ghana claimed that the maritime boundary had never been clearly defined, despite this mutual recognition.³⁸ As former energy minister **Joe Oteng-Adjei** stated in October 2011,

“It has always been publicly known that [Ghana and Côte d’Ivoire] have not yet delimited their maritime boundary. It is also publicly known that in recent years the two governments have met in an effort to negotiate their maritime boundary in accordance with international law.”³⁹

Côte d’Ivoire claimed that this mutual recognition was an “act of prudence and caution, an act of restraint, aimed at avoiding conflict with a neighbour.”⁴⁰ However, Ghana claimed that Côte d’Ivoire never objected to any of Ghana’s activities until discovery of large oil deposits on the Ghanaian side,

²⁹ My Joy Online, 25 Sept 2017.

³⁰ ITLOS Press Release, 23 Sept 2017.

³¹ ITLOS Press Release, 23 Sept 2017.

³² ITLOS Press Release, 23 Sept 2017.

³³ ITLOS Press Release, 23 Sept 2017.

³⁴ ITLOS Press Release, 23 Sept 2017.

³⁵ ITLOS Press Release, 23 Sept 2017.

³⁶ ITLOS Press Release, 23 Sept 2017.

³⁷ ITLOS Press Release, 23 Sept 2017.

³⁸ ITLOS Press Release, 23 Sept 2017.

³⁹ ITLOS Press Release, 23 Sept 2017.

“It was only in 2009, after Ghana had discovered significant oil deposits just east of the agreed boundary, that Côte d’Ivoire abandoned its longstanding position and began to offer any protest.”⁴¹

The ITLOS special chamber ultimately dismissed Ghana’s claims of a so-called customary equidistant boundary, and proceeded to redefine the delimitation.⁴² Côte d’Ivoire and Ghana then argued for the methodology in defining the new maritime boundary.⁴³ Despite admitting that an equidistance methodology would be prejudicial to Côte d’Ivoire, the special chamber found that there was no reason to deviate from the equidistance methodology.⁴⁴ The special chamber then argued with the two parties on the base points, or coordinates, for defining the new maritime boundary (see *Figure 3*).⁴⁵

The ITLOS ruling has reinforced Ghana’s exploration and extraction rights, which will ensure the continuation of the TEN oil fields into the coming decades. The economic gain of Ghana’s oil field production comprises the bulk of forecast growth until 2020 (see *ARC Briefing Ghana September 2017*). The amicable resolution of the disagreement will ensure collaborative relations between Ghanaian and Ivorian governments for the foreseeable future.

IMF reportedly delaying issuance of \$2.5 billion energy sector bond

Local media reported on 10 October that **International Monetary Fund (IMF)** officials are delaying the government’s planned \$2.5 billion energy sector bond.⁴⁶ The reports indicate that the IMF may be seeking to influence the details of government’s debt issuances. The finance ministry had previously said that it planned to issue the bond in September, but the IMF reportedly insisted that the government issue the bond as sovereign debt, which caused further delays.⁴⁷ The government had in May begun planning the debt (initially set at \$2.35 billion), which it said should take the form of a special purpose vehicle to issue the long-term amortising bond. The debt would refinance state-owned energy sector bodies’ debt at the **Electricity Company of Ghana (ECG)**, the **Ghana Grid Co Ltd (GRIDCo)** and the **Volta River Authority (VRA)**. The government continues to claim that these state-owned companies could support the issue of the bond, rather than issuing the bond as sovereign debt.⁴⁸ The deputy information minister, **Kojo Opong Nkrumah**, confirmed that everything is in place to launch the issuance,

“We have gone through a lot of preliminary processes so far, a transaction advisor has been selected. The special purpose vehicle which we will be using for this transaction has also been put together. We are now completing our conversation between the transaction advisor and the various investors who are we expecting to put up the money for this bond as well.”⁴⁹

The state-owned energy sector debt, according to banking industry experts, has increased over the last four years and has negatively impacted lenders’ liquidity.⁵⁰ Although Opong Nkrumah claimed that the government does not need the IMF’s approval in order to issue the bond, it appears that the government is consulting the IMF to ensure positive relationships.⁵¹ The date upon which the government plans to issue the bond is unclear.

⁴⁰ ITLOS Press Release, 23 Sept 2017.

⁴¹ ITLOS Press Release, 23 Sept 2017.

⁴² ITLOS Press Release, 23 Sept 2017.

⁴³ ITLOS Press Release, 23 Sept 2017.

⁴⁴ ITLOS Press Release, 23 Sept 2017.

⁴⁵ ITLOS Press Release, 23 Sept 2017.

⁴⁶ Citi FM, 10 Oct 2017.

⁴⁷ Citi FM, 10 Oct 2017.

⁴⁸ Citi FM, 10 Oct 2017.

⁴⁹ Citi FM, 10 Oct 2017.

⁵⁰ Citi FM, 10 Oct 2017.

⁵¹ Citi FM, 10 Oct 2017.

Following the extension of the \$918m extended credit facility (ECF) in August (see *ARC Briefing Ghana September 2017*), it appears that the IMF will seek to uphold strict guidelines for the conditions of debt issuances. In the government's view, however, the energy sector bond will be paramount for the long-term financial recovery of the ECG, GRIDCo and the VRA.

Planner

30 May 2018 **Accra (Ghana)** *Press Release*. The **West Africa Mining & Power Exhibition & Conference** begins;

Apr 2018 **(Ghana)** *Press Release*. The government completes its ECF programme with the IMF;

19 Mar 2018 **Accra (Ghana)** *10 Times*. **Coastal and Maritime Surveillance Summit** begins;

25 Jan 2018 **Accra (Ghana)** *Eventbrite*. **Mining Investment West Africa** conference begins;

Dec 2017 **Accra (Ghana)** *Press Release*. The third parliamentary session ends;

7 Nov 2017 **Accra (Ghana)** *Press Release*. The **West African Clean Energy and Environment Exhibition and Conference** begins;

7 Nov 2017 **Accra (Ghana)** *Press Release*. The communications ministry hosts the **Tech in Ghana Conference**;

Oct 2017 **Accra (Ghana)** *Press Release*. The third parliamentary session begins;

Chronology

15 Oct 2017 **Accra (Ghana)** *My Joy Online*. **Côte d'Ivoire** President **Alassane Ouattara** will begin a state visit to Ghana from 16 October;

13 Oct 2017 **Accra (Ghana)** *Bloomberg*. The **Ghana Cocoa Board** may face a 1.25 billion cedi (\$285m) shortfall in its budget, as finance minister **Ken Ofori-Atta** admits that the board will need to decide between subsidies or a reduction in the cocoa producer price;

13 Oct 2017 **(Ghana)** *My Joy Online*. The **International Monetary Fund** announces that it expects debt-to-GDP to decrease to 66.1% by the end of 2018, down from the 2017 forecast of 70%;

10 Oct 2017 **Accra (Ghana)** *Citi FM*. Press sources claim that the **International Monetary Fund** has blocked the government's plans to issue a \$2.5 billion energy sector bond;

7 Oct 2017 **Accra (Ghana)** *GNA*. An explosion at a natural gas station kills at least 7 people and injures over 100;

3 Oct 2017 **Tema (Ghana)** *Graphic Online*. Subsidiary of **Turkey-based Karadeniz Energy Group, Karpowership Ghana Co Ltd**, announces that it has connected its 470MW powership to the national grid;

2 Oct 2017 **Accra (Ghana)** *Graphic Online*. The **National Communications Authority** approves the merger of **Bharti Ghana Ltd (Airtel)** and **Millicom Ghana Ltd**;

25 Sept 2017 **(Côte d'Ivoire, Ghana)** *Reuters*. The Ivorian government accepts the **International Tribunal for the Law of the Sea's** ruling in its dispute with Ghana over its maritime boundary;

25 Sept 2017 **Accra (Ghana)** *Bloomberg*. The **Bank of Ghana** (central bank) holds its main interest rate at 21%;

23 Sept 2017 **(Côte d'Ivoire, Ghana)** *Citi FM*. The **International Tribunal for the Law of the Sea** rules in favour of Ghana, following a three-year dispute with Côte d'Ivoire for delineation of their respective maritime border;

20 Sept 2017 **(Ghana)** *Reuters*. State-owned **Ghana Cocoa Board** announces that it has signed a \$1.3 billion loan with several international banks for the purchase of cocoa in the 2017/2018 season;

20 Sept 2017 **(Côte d'Ivoire, Ghana)** *Graphic Online*. Ghana and Côte d'Ivoire will reportedly appeal to the **African Development Bank** for a \$1.2 billion loan to build cocoa warehouses and value-added manufacturing facilities;

18 Sept 2017 **Accra (Ghana)** *GNA*. President **Nana Addo Dankwa Akufo-Addo** and state-owned oil producer **Ghana National Petroleum Corp** sign a 12-year liquefied natural gas supply deal with **Russia**-based **Gazprom PJSC**;

18 Sept 2017 **(Ghana)** *Press Release*. **Fitch Ratings** maintains Ghana's long-term foreign-currency issuer default rating at B, with a stable outlook;

14 Sept 2017 **Accra (Ghana)** *Reuters*. The **Ghana Cocoa Board** will reportedly maintain its current farmgate cocoa price at 7,600 cedis (\$1,720) per tonne, or 33.3% higher than neighbouring **Côte d'Ivoire**;

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