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Allegations of bribery emerge against energy minister Boakye Agyarko after newly elected president Nana Addo Dankwa Akufo-Addo (2017-present) swears in 12 cabinet ministers. Opposition National Democratic Congress (NDC) member of parliament (MP) Mahama Ayariga alleges Agyarko bribed Appointments Committee of Parliament (ACP) members ahead of the vetting process. Vice president Mahamudu Bawumia announces discovery of \$1.6 billion in undisclosed expenditure under the outgoing NDC government. MP Mark Assibey-Yeboah warns this could lead to International Monetary Fund (IMF) sanctions. Senior minister Yaw Osafo-Maafa confirms that the government will seek to review the \$918m extended credit facility (ECF) with the IMF, claiming that the Akufo-Addo government's policy objectives are otherwise untenable.

Allegations of corruption against energy minister Agyarko

Soon after president **Nana Addo Dankwa Akufo-Addo** (2017-present) swore in the majority of his ministerial appointees on 28 January, allegations of corruption arose against energy minister **Boakye Agyarko**. If proven, evidence of corruption in the Akufo-Addo government would discredit Akufo-Addo's credibility just a few weeks after coming to power. Main opposition **National Democratic Congress (NDC)** member of parliament (MP) **Mahama Ayariga** alleged on 27 January that Agyarko had bribed members of the **Appointments Committee of Parliament (ACP)** before they vetted Akufo-Addo's ministerial propositions.¹ Ayariga alleged that Agyarko had made a 3,000 cedis (¢) (\$688) payment to each member of the ACP before the vetting process. The ruling **New Patriotic Party (NPP)** parliamentary majority leader **Osei Kyei-Mensah-Bonsu** said that he was "scandalised and very worried"² about the allegations. Agyarko was the only minister targeted in the allegations.

Parliament set up a five-member committee on 31 January to investigate the allegations.³ It will start a public hearing of ACP members on 15 February to review Ayariga's allegations against Agyarko.⁴ The committee will investigate allegations that ACP chairperson **Joseph Osei-Owusu** received a bribe from Agyarko, and then distributed funds to NDC chief whip **Alhaji Mohammed Muntaka-Mubarak**, who in turn distributed the payments to the remaining ACP members.⁵ However, Agyarko, Osei-Owusu and Muntaka-Mubarak have all denied the allegations.⁶ Agyarko has threatened legal action against Ayariga.⁷

The charges against members of the ACP may be politically motivated. Members of the committee are:

- NPP MP for **Essikado-Ketan (Western Region)** and committee chairman, **Joe Ghartey**;
- NPP MP for **Offinso South (Ashanti Region)**, **Ben Abdallah Banda**;
- NPP MP for **Juaben (Ashanti Region)**, **Ama Poma Andoh**;
- NDC MP for **Yilo Krobo (Eastern Region)**, **Magnus Kofi Amoatey**; and

¹ Graphic Online, 31 Jan 2017.

² Graphic Online, 31 Jan 2017.

³ Graphic Online, 31 Jan 2017.

⁴ Graphic Online, 13 Feb 2017.

⁵ Graphic Online, 13 Feb 2017.

⁶ Graphic Online, 13 Feb 2017.

⁷ Graphic Online, 13 Feb 2017.

- NDC MP for **Talensi (Upper East Region), Benson Tongo Baba**.⁸

The national **Commission on Human Rights and Administrative Justice (CHRAJ)** will stream the public hearings live on television.⁹ In March the committee will submit a report to parliament, which will decide if the claims are true.¹⁰ Reportedly, however, there is little evidence for Ayariga's claim:

*"From a legal perspective, Ayariga is yet to produce evidence over his claim that Agyarko attempted to bribe minority MPs. He has, however, since the claim had two other minority MPs back his claim. Muntaka-Mubarak swore by **Allah** that he never gave them such money... The minority MPs are not united over the allegations – some have denied it flatly. This makes the claim less believable."*¹¹

Other analysts back the view that the allegations are seeking to smear the Akufo-Addo government,

*"This has nothing to do with Agyarko's alleged bribe, but a general perception about institutional corruption. Ghanaians have always doubted that their MPs are not corrupt... It is no wonder this allegation resonated well with the general populace. It's simply Ghanaians looking for evidence to nail the MPs about how corrupt they are."*¹²

International anti-corruption agency **Transparency International (TI)** on 25 January published its **Corruption Perceptions Index (CPI)**.¹³ TI cited Ghana as having the second worst decline in the 2016 index; its ranking dropped to 70 of 176 countries worldwide, down from 56 the previous year.¹⁴

It appears that Ayariga is seeking to discredit the Akufo-Addo government, rather than draw attention to genuine corruption. Such allegations will put pressure on the government, due to the risk of a decrease in popularity. However, the allegations illustrate the challenges facing parliament, in which patronage networks and political considerations influence its decision making.

New government says it discovers undisclosed expenditure

Vice president **Mahamudu Bawumia**, on 1 February, said that the new government has discovered undisclosed expenditure totalling ₵7 billion (\$1.6 billion).¹⁵ The announcement reveals the extent of poor public financial management under the previous government, and will curb the current government's spending plans (see below). Former finance minister **Seth Terkper** announced in December that the government was likely to miss its fiscal deficit reduction target by 2%.¹⁶ The **Bank of Ghana (BoG)** (central bank) confirmed on 23 January that the fiscal deficit stood at 7% of GDP in November 2016, against a target of 4.7% set in early 2016. The BoG called for the new government to address the deficit. New finance minister **Ken Ofori-Atta** said that the actual fiscal deficit is "*closer to double digits*".¹⁷ Bawumia claimed this constituted severe mismanagement by the previous government:

*"We have been very surprised by the fiscal data ... How are you supposed to manage an economy with faulty data?"*¹⁸

Political commentators say the announcement indicates increased transparency from the incoming government:

⁸ Graphic Online, 13 Feb 2017.

⁹ Graphic Online, 13 Feb 2017.

¹⁰ Graphic Online, 13 Feb 2017.

¹¹ Source, legal practitioner, Accra

¹² Source, political analyst, Accra

¹³ www.transparency.org

¹⁴ www.transparency.org

¹⁵ CitiFM, 1 Feb 2017.

¹⁶ B&FT Online, 20 Dec 2016.

¹⁷ Reuters, 1 Feb 2017.

¹⁸ CitiFM, 1 Feb 2017.

*“The NPP is trying to let Ghanaians know the true state of affairs to sustain the goodwill it is enjoying from a broad section of the population... The NDC in a news conference led by their spokesperson on finance in parliament and former deputy finance minister **Ato Forson** acknowledged the \$1.6 billion was spent. However, they gave a confusing reason. Forson claims the misunderstanding stems from the fact that the new administration does not appreciate the accounting system that was used. So in reality they have not denied spending that much.”¹⁹*

NPP MP **Mark Assibey-Yeboah** on 7 February said the government risks **International Monetary Fund (IMF)** sanctions due to the undisclosed expenditure.²⁰ IMF sanctions would impede the successful implementation of the NPP manifesto and could also worsen relations with the IMF. The government has a three-year \$918m extended credit facility (ECF) with the IMF, signed in April 2015. Newly appointed senior minister **Yaw Osafo-Mafo** announced on 20 January that the government aims to review the IMF ECF (see below). The government’s negotiating leverage would be reduced if it faced an IMF sanction for alleged financial mismanagement, despite this arising from the previous administration. Assibey-Yeboah says a sanction would be similar to when the IMF issued a \$39m fine in 2000 after the government of former president **Jerry John Rawlings** (1981-2001) allegedly provided misleading financial information.²¹ As Assibey-Yeboah states,

“On the face of the reality that the arrears date back to 2014, it would suggest that when the previous administration entered into negotiations with the IMF, full disclosure of data was not made available to the fund.”²²

The economic legacy that the NPP inherits from the NDC government is worse than expected. The additional expenditure leaves the NPP with less room to push through its policy objectives. 2017 will be a challenging year for the NPP administration, where financial obligations will take precedence unless there is debt or fiscal restraint relief. The IMF’s flexibility with the government will be the main determinant of this.

IMF concludes visit to Ghana

The IMF completed a visit to Ghana on 10 February noting that large fiscal slippages will require significant fiscal consolidation.²³ The visit was neither a staff visit, consultation nor an executive board visit. The sole objective of the IMF visit was to meet with the new government and discuss economic policies.²⁴ Mission chief **Joël Toujas-Bernaté** met several government members between 6 and 10 February in order to evaluate 2016 economic developments and to make a forecast for 2017.²⁵ Bernaté stated that Ghana’s GDP growth of 3.6% in 2016 exceeded the agreed target of 3.3%.²⁶ Bernaté also noted that the current account deficit decreased to 6.5% of GDP, which increased domestic pools of hard currency.²⁷ However, Bernaté highlighted that the fiscal deficit context deteriorated, reaching 9% of GDP compared to an agreed target of 5.25%.²⁸ Bernaté attributed this to poor extractives revenues performance and large government expenditures.²⁹ This led to an increase in the government debt-to-GDP ratio, close to 74% at the end of 2016.³⁰

Bernaté commended the new government’s commitment to the IMF’s ECF through its policy proposals, signed in April 2015:

¹⁹ Source, journalist, Accra

²⁰ Graphic Online, 7 Feb 2017.

²¹ Graphic Online, 7 Feb 2017.

²² Graphic Online, 7 Feb 2017.

²³ www.imf.org

²⁴ www.imf.org

²⁵ www.imf.org

²⁶ www.imf.org

²⁷ www.imf.org

²⁸ www.imf.org

²⁹ www.imf.org

³⁰ www.imf.org

“The new government has expressed its intent to continue with the current programme with the IMF. Officials outlined bold policies to restore fiscal discipline and debt sustainability and also to support growth and private sector development... The new government’s intentions to reduce tax exemptions, improve tax compliance and review the widespread earmarking of revenues should help in this regard.”³¹

Bernaté also praised the BoG’s monetary policy, which Bernaté claims “was instrumental in mitigating inflationary pressures in 2016.”³²

The IMF had announced in January that it planned to meet the new NPP government to discuss implementation of the three-year ECF.³³ The implementation of the ECF will make it more difficult for Akufo-Addo to cut taxes and achieve double-digit growth in 2017, as pledged in his election campaign. Fiscal consolidation measures appear incompatible with the spending plans of Akufo-Addo’s NPP manifesto.³⁴ However, without discussing the cost of these policies and getting approval from the IMF, many of his campaign promises are open to revision or reversal.

Finance minister Ofori-Atta will play a key role in shaping the government’s relationship with its main international lenders. Senior minister Osafo-Mafo confirmed on 20 January long-standing speculation that Ofori-Atta would seek to renegotiate the ECF.³⁵ Osafo-Mafo emphasised the need for review of the ECF for the new government to implement its campaign promises:

“Akufo-Addo now came out with a manifesto, and in that manifesto, he needs physical space to move it. The current programme literally squeezes all the physical space out and therefore, from the point of view of the programme of the NPP, the IMF programme must be reviewed.”³⁶

Outgoing president **John Dramani Mahama** (2012-2017) received popular criticism for the strict fiscal reform measures the ECF imposed on government. However, it appears that no member of Akufo-Addo’s government sought to raise the issue during the IMF’s visit.

Local sources confirm the government’s election campaign promises will complicate the implementation of the IMF programme, and vice versa,

“The NPP will face a big impact from IMF restrictions this year, especially if debt-to-GDP is almost 72%. The IMF will impose restrictions in expenditures that could lead to growth. The NPP cannot survive under such a regime, and therefore it must find a way around that because surely its policy prescription to reduce taxes and tolls, generate mass employment is not in tandem with IMF recommendations to the state.”³⁷

The government also faces increasing debt obligations. The BoG on 16 January announced plans to issue ₵17.4 billion (\$4.1 billion) bonds within the first quarter of 2017.³⁸ The BoG claims ₵15.5 billion (\$3.6 billion) will be used to service debt repayment.³⁹ The government will divide issuances into three bond instalments, totalling ₵6.7 billion (\$1.56 billion) in January, ₵5.3 billion (\$1.23 billion) in February and ₵5.4 billion (\$1.26 billion) in March.⁴⁰ The government’s total debt in January stood at ₵112 billion (\$26 billion), with interest payments exceeding ₵10.5 billion (\$2.44 billion) in 2016, up from ₵6.3 billion (\$1.46 billion) in 2014.⁴¹ Local sources believe the planned bond issuance is a logical step,

³¹ www.imf.org

³² www.imf.org

³³ Reuters, 12 Jan 2017.

³⁴ Reuters, 20 Jan 2017.

³⁵ Reuters, 12 Jan 2017.

³⁶ Reuters, 20 Jan 2017.

³⁷ Source, journalist, Accra

³⁸ B&FT Online, 18 Jan 2017.

³⁹ B&FT Online, 18 Jan 2017.

⁴⁰ B&FT Online, 18 Jan 2017.

⁴¹ B&FT Online, 18 Jan 2017.

“Government is going to lose revenue if it goes ahead with the promised tax cuts so they would have to raise money through the bonds. Again, the bonds are meant to take care of rolling expenditures or pay maturing or matured debts, because no serious government will use tax revenue to pay off bonds, especially when current interest rates are better than the rates at which they were raised.”⁴²

The bond should also strengthen the national currency,

“A cedi-denominated bond will increase the demand for the cedi. Additionally, foreign investors will bring their dollars and convert them to cedis. Both of these phenomena should help slow down the decline of the national currency.”⁴³

The IMF does not appear overly positive about the current state of the Ghanaian economy. However, the IMF appears content with the government’s stance towards it, at least on the surface. Growth in 2016 was above target, though the debt level continues to be a major concern. Akufo-Addo will aim to appease the IMF while maximising the possibility for his government to implement his policy targets.

⁴² Source, financial consultant, Accra

⁴³ Source, financial consultant, Accra

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