

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing October 2020

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#### Ghana Summary 19 October 2020

*Finance minister Ken Ofori-Atta says the European Union's (EU) inclusion of Ghana in the countries it blacklists for non-compliance with money laundering rules is like "a sledgehammer thrown at us". EU ambassador Diana Acconcia clarifies why the EU added Ghana to blacklist in May. Deputy finance minister Charles Adu Boahen says government will delay the \$500m initial public offering (IPO) of government-backed gold royalty fund Agyapa Royalties on the United Kingdom-based London Stock Exchange to give the special prosecutor time to conduct a corruption risk assessment. Armed assailants of secessionist group Western Togoland Restoration Front declare Western Togoland in eastern Ghana a sovereign state.*

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#### Ghana responds to inclusion in EU money-laundering blacklist

Finance minister **Ken Ofori-Atta** on 7 October said the **European Union's (EU)** inclusion of **Ghana** in countries it has blacklisted for non-compliance with money laundering rules is like "*a sledgehammer thrown at us*".<sup>1</sup> The EU's latest list of blacklisted countries became effective on 1 October and there are no indications that it plans to remove Ghana from the list in the near term.<sup>2</sup> The EU's anti-money laundering methodology stated it would give third countries "*taking commitments to address concerns*" a deadline of 12 months.<sup>3</sup>

The **European Commission (EC)**, the executive branch of the EU, on 7 May included Ghana in its list of high-risk third countries that pose "*significant threats*" to the EU's financial system due to an observation by intergovernmental anti-money laundering and terrorism organisation **Financial Action Task Force (FATF)**. The FATF added Ghana in February to its list of "*jurisdictions under increased monitoring*", also referred to as the '**FATF Grey List**', which requires listed countries to address strategic deficiencies in their regimes to counter money-laundering, terrorist financing and proliferation financing.

The decisions by the EU and the FATF place greater scrutiny on financial transactions between Ghana and the EU, which Ghana-based business contacts expect will have a significant impact on the financial services industry. EU member states now require regulated entities to apply enhanced due diligence to transactions or relationships involving Ghana. Correspondent banks are likely to further scrutinise Ghanaian banks with respect to their AML, **Countering the Financing of Terrorism (CTF)** and sanctions programmes. The additional costs and time to transitions are likely to disincentivise investment in the country.

Ofori-Atta is highly critical of the move and says it does not reflect the current status of Ghana's AML and CFT regimes. His commitment to tackle the problem is a good sign. Over the coming months, the government is likely to increase the capacity of regulatory bodies, particularly the **Bank of Ghana** (central bank) and the **Financial Intelligence Centre**, to enforce compliance. Ofori-Atta said most recently:

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<sup>1</sup> GhanaWeb, 7 Oct 2020

<sup>2</sup> 'EU policy on high-risk third countries,' European Commission (last accessed 19 Oct 2020)

<sup>3</sup> 'EU policy on high-risk third countries,' European Commission (last accessed 19 Oct 2020)

*“As you know, the EU put us on the grey end of the blacklist because of our discussions with the FATF. That’s quite debilitating and so we are hopeful to be off the list in December and that the EU will also expeditiously take us out of that.”<sup>4</sup>*

Ofofi-Atta added:

*“It sometimes looked quite incongruent. When we see issues such as **HSBC Bank** right at your door and then we feel like a sledgehammer is being thrown at us for an event that has not occurred but in preparedness, we are moving aggressively to get that and we’ll seek your support when we get off the FAFT list, that the EU reciprocates quickly.”<sup>5</sup>*

EU ambassador **Diana Acconcia** on 12 October clarified that the EU added Ghana to its blacklist in May because Ghana had failed to comply with checks that could forestall possible money laundering.<sup>6</sup> Acconcia dismissed concerns that the move was due to state corruption, saying “*there is no evidence of money laundering*” on the part of any official in the current administration.<sup>7</sup>

Ghanaian news media reported that Ghana’s embassy in **Belgium** has been ordered by its banker, **ING Bank**, to withdraw all its money and that the bank will close the embassy’s accounts.<sup>8</sup> However, Acconcia said the reports were false and that the matter has nothing to do with Ghana being blacklisted but is instead a business decision on the part of the bank. ING Bank has given no reason for its decision to close the embassy’s accounts.

The EU blacklist has been controversial in **EU-African** relations for several years. Some African finance ministers point out that the EU has done little to crack down on its multinationals exploiting tax treaty loopholes to dramatically reduce their tax obligations in African states each year. African critics also complain that the EC gives them little chance to explain their laws.

To be removed from the list, as **Ethiopia** and **Tunisia** were this year, governments must comply with the EU’s AML regulations and make information on beneficial owners of companies and trusts publicly available.

### Offering: Blacklist Compliance Assistance

We have partnered with international risk consultancy **Forensic Risk Alliance** and international law firm **White & Case**, both subject matter experts, to assist Ghanaian banks with sanction and blacklist compliance in a number of ways:

- Independently reviewing **Financial Crime Compliance** programmes and recommending enhancements. We can benchmark clients’ programmes to international standards and advise on any top-ups required for compliance programmes. Our combined team can deal with all aspects of compliance, from policies and procedures to tuning transaction-monitoring systems. We can address this on a global basis in terms of examining how well the compliance function works at any overseas branches (branches of emerging market banks are a frequent focus for overseas regulators);
- We can help prepare for an audit (e.g. by a correspondent banking provider) or a regulator;
- We can assist in negotiations with international partners; and,
- We can help with a response to any regulatory enquiries or review.

<sup>4</sup> GhanaWeb, 7 Oct 2020

<sup>5</sup> GhanaWeb, 7 Oct 2020

<sup>6</sup> Pulse, 12 Oct 2020

<sup>7</sup> Pulse, 12 Oct 2020

<sup>8</sup> Pulse, 12 Oct 2020

## Government gold royalty fund on hold

In a letter to special prosecutor **Martin Amidu** on 1 October, deputy finance ministry **Charles Adu Boahen** stated that government will delay the \$500m initial public offering (IPO) of government-backed gold royalty fund **Agyapa Royalties** on the UK-based **London Stock Exchange (LSE)** to allow the special prosecutor ample time to conduct its corruption risk assessment of the transaction. The decision will boost confidence for the company's prospects on the international capital market, should the investigation produce no red flag concerns.

Government's decision came after the main opposition party, the **National Democratic Congress (NDC)**, raised allegations about transparency and corruption around the deal.<sup>9</sup> The NDC has called for an independent probe into the valuation of the company's royalty rights and questioned its proposed registration in offshore tax haven **Jersey**.<sup>10</sup> Public interest and accountability committee former chairman **Steve Manteaw** has demanded that the special prosecutor look into allegations of nepotism and cronyism in investigations into the Agyapa Royalties deal.<sup>11</sup> Government responded that there is nothing nefarious about Agyapa Royalties and that it will comply with international corporate governance standards.<sup>12</sup>

Government planned to raise capital by leveraging Ghana's gold royalties through Agyapa Royalties, which holds equity interests, including mining royalties, in the state's gold assets. Undisclosed sources on 21 September said Agyapa Royalties had hired **United States (US)**-based **Bank of America** and **JPMorgan Chase** to list on the LSE.<sup>13</sup> Government intended to raise non-debt cash up front by floating almost half its shares in Agyapa Royalties on the London and Ghana stock exchanges. Deputy finance minister Boahen has previously said the listing provides an opportunity to raise funds without increasing the national debt burden, and that the capital raised will be invested in infrastructure, education, health and housing.

Ghana wants to take advantage of the precious metal's strong performance to raise \$400-\$500m from the IPO. Gold prices have surged since the start of the global **coronavirus** pandemic, with prices exceeding \$2,000 per ounce in August. Ghana-based contacts have reported receiving increasingly numerous requests from international clients wanting to buy and export gold from Ghana.

## Secession attempt in Western Togoland

Armed assailants of secessionist group **Western Togoland Restoration Front (WTRF)** on 25 September declared **Western Togoland** in eastern Ghana a sovereign state, and blockaded major entry points to the **Volta region**.<sup>14</sup> The ongoing Western Togoland rebellion has raised security and business disruption concerns, and risks destabilising the region. The US embassy for Ghana advises citizens to avoid travel to the Volta Region until the security situation is resolved.<sup>15</sup>

State security officers have arrested dozens of separatists in recent weeks, which has escalated tensions. Ghanaian media reported on 14 October that a militia called **Dragons of Western Togoland** sent a video of caution to energy minister **John Peter Amewu**, Volta Regional minister **Archibald Yao Letsa** and member of parliament (MP) for **North Tongu, Samuel Okudzeto Ablakwa**, warning that it will move to claim "*the motherland*" in the next 21 days.<sup>16</sup> The group reportedly said it has 4,300 men trained in a neighbouring country to invade parts of the Volta Region to claim their motherland.

<sup>9</sup> Reuters, 6 Oct 2020

<sup>10</sup> MyJoyOnline, 6 Oct 2020

<sup>11</sup> Citi Business News, 6 Oct 2020

<sup>12</sup> MyJoyOnline, 6 Oct 2020

<sup>13</sup> Reuters, 6 Oct 2020

<sup>14</sup> Graphic Online, 25 Sep 2020

<sup>15</sup> Government of the United States, 28 Sep 2020

<sup>16</sup> GhanaWeb, 14 Oct 2020

Local media reported that secessionists first attacked on 25 September, seizing two police stations in North Tongu district, taking the officers hostage and stealing weapons from the armouries after blocking entry and exit points in the Volta Region.<sup>17</sup> The WTRF claimed responsibility for the attacks.

The secessionists under the leadership of **Togbe Yesu Kwabla Edudzi II** released a press statement demanding Ghanaian authorities come to the negotiation table to be facilitated by the **United Nations**. Their request included the immediate release of all group detainees and the immediate termination of all related court proceedings.

**Governance Research Bureau** warned on 30 September that escalation in attacks in the Volta Region by secessionists could create insecurity and prevent people in the region from voting in the December elections. The Volta Region is a stronghold for the NDC, meaning destabilisation in the region would disproportionately disadvantage the opposition party in the upcoming election. Government has refuted opposition parties' claims that there was intelligence failure on its part in containing violence in some parts of the Volta Region.

Western Togoland has been a member state of the **Unrepresented Nations and Peoples Organisation (UNPO)** since 2017. A previous unsuccessful attempt to declare Western Togoland independent from Ghana took place in 2017.

### Planner

6 Nov 2020 **(Ghana)** Deadline for participating political parties to distribute their final voters' roll;

18-20 Nov 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee meets;

23 Nov 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee press release;

7 Dec 2020 **(Ghana)** General elections;

10 Dec 2020 **(Ghana)** Announcement of general election results;

1 Jan 2021 **(Africa) African Continental Free Trade Area** to commence.

### Chronology

19 Oct 2020 **Accra (Ghana) B&FT Online. African Continental Free Trade Area** secretary general **Wamkele Mene** says the continental trade regime will commence implementation on 1 January 2021;

<COVID> 18 Oct 2020 **Accra (Ghana) Graphic Online.** President **Nana Akufo-Addo** says active **covid-19** cases in **Ghana** now stand at 398 with a 98.5% recovery rate, and the economy is recovering faster than anticipated;

13 Oct 2020 **Accra (Ghana) Reuters.** **South Africa**-based mobile operator **MTN's Ghana** unit says it is withdrawing a legal challenge it had filed to the Ghanaian **Supreme Court** over the market regulator's move to designate it a significant market power, "in expectation that the action will pave the way for further discussions and an amicable resolution";

12 Oct 2020 **Accra (Ghana) Pulse.** **European Union (EU)** ambassador **Diana Acconcia** says the EU added Ghana to its blacklist in May because Ghana failed to comply with checks that could forestall possible money laundering but that "there is no evidence of money laundering" on the part of any official in the current administration;

7 Oct 2020 **Accra (Ghana) Bloomberg.** Finance ministry says independent power producer **Cenpower Generation** will switch to natural gas from crude oil to fuel its electricity plants, which will save government \$3 billion over the next two decades as part of its initiative to renegotiate power deals with independent producers;

<sup>17</sup> Graphic Online, 25 Sep 2020

6 Oct 2020 **Accra (Ghana)** *Reuters*. Deputy finance ministry **Charles Adu Boahen** says government will delay the \$500m initial public offering (IPO) of the state-owned gold royalty fund **Agyapa Royalties** on the **London Stock Exchange** after main opposition party **National Democratic Congress (NDC)** raised concerns about transparency and governance;

28 Sep 2020 **Accra (Ghana)** *Ghana Business News*. **Bank of Ghana** (central bank) monetary policy committee maintains policy rate at 14.5%, citing improved outlook to growth and inflation;

25 Sep 2020 **Western Togoland (Ghana)** *Graphic Online*. Armed assailants of secessionist group **Western Togoland Restoration Front** declare **Western Togoland** in eastern **Ghana** a sovereign state, and blockade major entry points to the **Volta region**;

24 Sep 2020 **Accra (Ghana)** *MyJoyOnline*. President **Nana Akufo-Addo** says **Ghana** will increase the guaranteed **cocoa** price it pays to farmers during the upcoming growing season by 28% to 10,560 cedis (\$1,837) per tonne.

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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### About ARC Briefing:

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