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The newly elected Nana Addo Dankwa Akufo-Addo (2017-present) government submits its designate cabinet to parliament for vetting and approval. Outgoing finance minister Seth Terkper admits the government is likely to miss the fiscal deficit reduction target by 2%. The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) announce \$517m in additional funding towards the \$7.7 billion Sankofa oil and gas project. The Ghana Meteorological Agency (GMA) records a less harsh Harmattan wind compared to previous year, which could signal an improved cocoa crop for 2017. The Ghana Cocoa Board (Cocobod) aims for a 9-15% increase in production for the 2016-2017 season.

Akufo-Addo submits proposed cabinet to parliament

Newly elected president **Nana Addo Dankwa Akufo-Addo** (2017-present) submitted his proposed cabinet to parliament for approval on 11 and 12 January.¹ The appointment list confirms prior rumours of a technocrat-heavy cabinet. The highest-level position that Akufo-Addo has proposed is senior minister, putting forward **Yaw Osafo Maafo**.² The senior minister role is theoretically the second highest rank within the government (equivalent to deputy president), although the Ghanaian constitution does not make mention of the role. Some opposition party members, such as **Hassan Ayariga** of the **All People's Congress (APC)** party, believe that this nomination is entirely unconstitutional.³ Maafo is a former banker and served as finance minister from 2001 to 2005 under president **John Kofi Agyekum Kufuor** (2001-2009). The **World Economic Forum** in November 2001 named Maafo finance minister of the year,⁴ while **African Banker** magazine also named him **African** finance minister of the year.⁵ Sources believe Maafo is highly qualified for the job and has a sound reputation with the international community,

*"He is considered one of the most successful finance ministers in Ghana... He is armed to do this job and has lots of experience... He has enough motivation to do what he thinks is right and believes in. However, I have heard that due to his age – he is in his 70s – he gets more easily agitated."*⁶

During his vetting, Maafo reportedly stated that he could instigate a review of the **International Monetary Fund's (IMF)** three-year \$918m extended credit facility (ECF), which former president **John Dramani Mahama** (2012-2017) began in April 2015.⁷ This could be an early sign that the newly elected **New Patriotic Party (NPP)** government could seek to reduce repayments to the IMF. Maafo claimed that parliament did not approve the ECF, which the Akufo-Addo government may seek to emphasise in order to garner support for the re-evaluation of the ECF.⁸ This could spark support

¹ Multiple sources: Graphic Online, 11 Jan 2017; Graphic Online, 12 Jan 2017.

² Multiple sources: Graphic Online, 11 Jan 2017; Graphic Online, 12 Jan 2017.

³ My Joy Online, 17 Jan 2017.

⁴ Maafo shared the prize with then **Canada** finance minister **Paul Martin**.

⁵ Source, journalist, Accra

⁶ Source, journalist, Accra

⁷ Multiple sources: Source, journalist, Accra; www.imf.org

⁸ Source, journalist, Accra

within parliament for re-evaluation of the agreement's terms, given the foreseeable unpopularity of IMF influenced austerity and fiscal stabilisation measures.

Other key portfolios include:⁹

- **Ken Ofori-Atta**, finance minister. Ofori-Atta has a sound reputation in the private sector. Ofori-Atta holds a Masters of Business Administration (MBA) from the **Yale University School of Management (United States)** and is a former investment banker at **Morgan Stanley** and **Salomon Brothers** (now part of **Citigroup**). Ofori-Atta first started openly supporting Akufo-Addo's candidacy in the lead-up to the presidential elections in November 2016.¹⁰ Ofori-Atta has in the past shown a critical stance of government institutions, claiming these behaved "*more like a head teacher*" than a development partner;¹¹
- **Boakye Agyarko**, energy minister. Agyarko holds an MBA from **Pace University (US)**.¹² He was vice president of the **Bank of New York (US)** for 20 years and served as campaign manager for the NPP in the 2012 presidential elections.¹³ Agyarko's strengths are reportedly in negotiation and managerial skills, which should favour the delicate role of energy minister, especially against the recent backdrop of chronic load shedding;
- **Owusu Afriyie Akoto**, agriculture minister. Akoto will act as a close confidant to president Akufo-Addo.¹⁴ Akoto holds a PhD in agricultural economics from the **University of Cambridge (United Kingdom)**. He worked as chief economic adviser at the **International Coffee Organization (ICO)** and was CEO of **Goldcrest Commodities Ltd**. Akoto was MP for **Kwadaso constituency (Ashanti Region)** from 2009 to 2012 and 2013 to 2016. However, upon leaving his role, Akoto was largely unpopular, as locals claimed he was arrogant and did not meet voters' needs.¹⁵ Akoto is the son of **National Liberation Movement (NLM)** founder, **Baffour Osei Akoto**, which fought for independence in the 1950s in Ashanti Region;
- **Kan Dapaah**, security minister. Dapaah is an accountant by profession, and served as finance director of state-owned **Electricity Company of Ghana (ECG)**;
- **Alan Kyerematen**, trade and industry minister. Kyerematen held the same position under Kufuor from 2003 to 2007;
- **Dominic Nitiwul**, defence minister. Nitiwul holds an MBA from the **University of South Wales (UK)** and most recently was deputy minority leader of parliament for the NPP;
- **Ambrose Dery**, interior minister. Dery is a lawyer by profession, serving as attorney general under Kufuor from 2003 to 2004 and justice minister from 2007 to 2008;
- **Shirley Ayorkor Botchway**, foreign minister. Botchway served as deputy foreign minister, deputy information minister and deputy trade and industry minister under Kufuor. Botchway is a communications consultant, and public relations (PR) and marketing expert;
- **Gloria Akuffo**, attorney general. Akuffo has served as a member of the **Ghana Bar** for over 30 years, and served as deputy attorney general under Kufuor between 2001 and 2004.¹⁶

Akufo-Addo's proposed cabinet has many technocratic appointees. Candidates will take on their roles unless they face obstacles during the vetting process. So far there has been no evidence of this occurring. The list also shows a tendency to allow for relatively inexperienced candidates in the political sphere, such as Ofori-Atta and Dapaah. Akufo-Addo will need to promote transparency and oversight of ministerial activities to ensure that non-political appointees act in Akufo-Addo's and the NPP's best interests.

⁹ Multiple sources: Graphic Online, 11 Jan 2017; Graphic Online, 12 Jan 2017.

¹⁰ Source, journalist, Accra

¹¹ Source, journalist, Accra

¹² Prime News Ghana, 11 Jan 2017.

¹³ Prime News Ghana, 11 Jan 2017.

¹⁴ Source, journalist, Accra

¹⁵ Source, journalist, Accra

¹⁶ Multiple sources: Graphic Online, 11 Jan 2017; Graphic Online, 12 Jan 2017.

External factors will be the greatest challenge to the cabinet's success. The single most important is the strength of the cocoa price on futures markets, even though cocoa production in Ghana and **Côte d'Ivoire** is often a sufficient indicator to determine market prices (see below). Delays and setbacks for major investment projects may also hinder the cabinet. These including the restart of **AngloGold Ashanti Ltd's Obuasi** gold mine, the **Jubilee, Tweneboa, Enyenra, Ntomme (TEN)** and **Sankofa** oil and gas fields, and major power deals such as the **Early Power Ltd** 400MW liquefied petroleum gas (LPG) power plant (see *ARC Briefing Ghana September and November 2016*). The main forces that could constrain government-led investments are the continued fiscal restraints attached to the IMF's ECF, which could worsen, depending on the quality of government fiscal management. Markets have so far responded well to Akufo-Addo's election, as he has a credible reputation within the international community. In the shorter term, this should facilitate reliable access to international market debt financing and help consolidate a view within the investor community of a business-friendly operating environment in Ghana.

Terkper admits government likely to miss fiscal deficit target

Outgoing **National Democratic Congress (NDC)** finance minister **Seth Terkper** on 20 December announced that the government is likely to miss its fiscal deficit reduction target by 2%.¹⁷ The announcement shows the outgoing government did not adhere to its fiscal austerity targets.¹⁸ Terkper agreed to a programme with a fiscal deficit target of 5% of gross domestic product (GDP) – however he stated government fiscal deficit is likely to reach 7% of GDP.¹⁹ Terkper cites weak tax revenue performance and oil prices as reasons for the failure of the government to reach its targets.²⁰ There was a longer-than-expected slowdown of production at the UK-based **Tullow Oil**-operated **Jubilee** oil field, where faults with the **Kwame Nkrumah** floating production, storage and offloading unit (FPSO) in May reduced national oil output by as much as 49% in the second quarter of 2016. The government also claims that state-owned electricity company debt was greater than initially expected.²¹ In August, the ECG, together with state-owned transmission company, the **Ghana Grid Company Ltd (GRIDCo)**, and the generation company **Volta River Authority (VRA)**, owed in excess of \$1.53 billion to the government. Nevertheless, the Mahama administration managed to reduce the budget deficit from 10% of GDP between 2012 and 2014 to 6.3% of GDP in 2015.²² During new senior minister Maafo's vetting, he claimed that the national debt level today stands at 71-72% of GDP.²³ This is above the 67.4% level that **Bank of Ghana (BoG)** (central bank) governor **Abdul-Nashiru Issahaku** announced in December (see *ARC Briefing Ghana December 2016*). However, it appears that Maafo quoted the 2015 debt to GDP ratio, which was in fact 72%.²⁴ Nonetheless, public debt has risen from around 49% of GDP in 2012 (see *ARC Briefing Ghana December 2016*).

The fiscal burden that the Mahama government has left Akufo-Addo will restrict implementation of the NPP's ambitious manifesto. Despite assurances from the outgoing government that there would not be an overspend in the lead-up to the 2016 elections, it appears to have done exactly this. Competence and good financial health of public sector organisations will, however, be crucial to effective operation of vital infrastructure. This is likely to be Akufo-Addo's government's priority.

IFC to provide a further funding to the Sankofa oil & gas project

The **International Finance Corporation (IFC)** and the **Multilateral Investment Guarantee Agency (MIGA)**, both part of the **World Bank Group**, on 15 December announced that they will provide a

¹⁷ B&FT Online, 20 Dec 2016.

¹⁸ B&FT Online, 20 Dec 2016.

¹⁹ B&FT Online, 20 Dec 2016.

²⁰ B&FT Online, 20 Dec 2016.

²¹ B&FT Online, 20 Dec 2016.

²² B&FT Online, 20 Dec 2016.

²³ CitiFM, 10 Jan 2017.

²⁴ www.bog.gov.gh

further \$517m in funding towards the **Italy-based ENI SpA**-led \$7.7 billion Sankofa oil and gas project.²⁵ The added funding to the project, which is within the **Offshore Cape Three Points (OCTP)** project, will help launch the oil and gas project on schedule.²⁶ ENI believes the oil component is likely to come online by mid-2017 and the gas component by mid-2018.²⁷ The IFC had already invested \$700m in July 2015, thereby increasing the IFC's total contribution to the OCTP project to \$1.217 billion. ENI's subsidiary, **Eni Ghana Exploration and Production Ltd**, holds a 44.4% stake in the project, while **Netherlands-based Vitol Group** subsidiary, **Vitol Ghana Upstream**, holds 35.6% and the state-owned **Ghana National Petroleum Corporation (GNPC)** holds a 20% stake.²⁸ According to the IFC, the project, once operational, will provide Ghana with \$2.3 billion in revenues each year.²⁹ Local sources believe that the IFC's entry into the project does not raise concern about the launch date of the project, but could show worries about Akufo-Addo's plans to review the deal,

"Sankofa should be delivered on time. However, the current [NPP] government, previously in opposition, was of the view that the project cost was inflated. If the government decides to review the deal, it may send the wrong signal to investors and confidence may dip. This year will be tight. Great improvements should be expected in 2018. The revenues [from Sankofa] should be focused on milestone projects that can transform the economy. Using oil money to build railways will be great."³⁰

Further IFC and MIGA investment into the Sankofa project will only ensure a speedier launch of the project. Institutional support for large-scale projects such as this is essential, as this also encourages wide-ranging political backing of the project. There is a risk that the NPP government may seek to review the deal, as it had suggested in February 2016, in order to reduce the risk for the GNPC.³¹ The IFC's investment, however, may act as a political statement that makes it less likely the NPP will seek to review the deal.

GMA and farmers say mild Harmattan may lead to stronger cocoa crop

Members of the **Ghana Meteorological Agency (GMA)** observed on 3 January that the warm northerly **Harmattan** wind, which blows dust from December to March, is less harsh than usual.³² If the trend continues, there could be an improved cocoa crop for 2017, Ghana's single largest export. The cocoa industry regulator, the **Ghana Cocoa Board (Cocobod)**, is aiming to increase production between 9% and 15% (between 850,000-900,000 tonnes of cocoa) for the 2016-2017 season.³³ Akufo-Addo is reportedly seeking to increase this production to over 1 million tonnes, by introducing policy incentives for producers and exporters.³⁴ However, **Joseph Portuphy** of the GMA said that there had been no rain since 20 December, which could increase the possibility of dust, if the wind increased.³⁵ Following concerns of a severe Harmattan in November, it appears that at this stage of the dry season, there are no signs of severe weather conditions.³⁶ The dry weather reportedly leads producers to delay planting of crops other than cocoa, such as rice:

"For common foods like cereal, rice, et cetera, a lot of farmers avoid planting around this time because of the dry nature of the weather. Vast planting would usually begin around March-April when the rains begin. When I recently visited a rice farm, I saw that a lot of rice plants have dried

²⁵ Reuters, 15 Dec 2016.

²⁶ Reuters, 15 Dec 2016.

²⁷ www.eni.com

²⁸ Reuters, 15 Dec 2016.

²⁹ Reuters, 15 Dec 2016.

³⁰ Source, journalist, Accra

³¹ Graphic Online, 3 Feb 2016.

³² Reuters, 3 Jan 2017.

³³ Reuters, 3 Jan 2017.

³⁴ Reuters, 3 Jan 2017.

³⁵ Reuters, 3 Jan 2017.

³⁶ Reuters, 3 Jan 2017.

up and fallen off. They call this lodging. One of the farmers told me that usually around this time, the moisture that comes with the Harmattan helps [rice] crops. The absence of moisture increases the risk of lodging.”³⁷

The weather conditions in 2016 were less predictable due to the **El Niño** warm phase, which was reflected in highly volatile prices on the **International Commodities Exchange (ICE)** in **New York (US)**. The cocoa price decreased from \$3,300 per tonne in November 2015 to \$2,800 per tonne in the first quarter of 2016 (see *ARC Briefing Ghana October 2016*). The cocoa price has dropped over 18% since this peak – as of 23 January, cocoa is at \$2,165 per tonne.³⁸ The market expects production to increase this year, which raises doubts about Cocobod’s producer price increase. Cocobod announced in October that it would increase the producer price by 11.76% for the 2016-2017 season, after obtaining a record \$1.8 billion syndicated loan to purchase crops from domestic producers (see *ARC Briefing Ghana October 2016*). Analysts view this as a strategic move to prevent smuggling of cocoa beans to Cote d’Ivoire in order to sell the beans at a higher price, as well as to bolster support for the now defeated NDC in the lead-up to elections. Today’s producer price is roughly 2% higher than Cote d’Ivoire’s (see *ARC Briefing Ghana October 2016*). Nevertheless, this shows confidence in the crop, best represented in the ambitious production target increase for the 2016-2017 season, after a 5.1% drop in world production between the 2014-2015 and 2015-2016 seasons.³⁹

The abnormal Harmattan weather conditions could be a positive sign for cocoa crops, but could also increase both investors’ and producers’ perceived risk. The risk for crops other than cocoa is greater and could harm the economy, even in the event of boosted cocoa production. The variation between market prices and the government’s promised producer prices may prove risky for Cocobod which, similar to the investor community, would prefer stability in production.

³⁷ Source, journalist, Accra

³⁸ www.theice.com

³⁹ www.icco.org

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