

AFRICA RISK CONSULTING

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President Nana Akufo-Addo (2017-present) dismisses energy minister Boakye Agyarko over a controversial energy deal with United Arab Emirates-based energy company AMERI Group (Ameri). Finance minister Ken Ofori-Atta announces continued International Monetary Fund (IMF) oversight of Ghana's public finances. The Bank of Ghana (BoG) (central bank) issues \$1.2 billion in bonds to merge five insolvent banks. Ghana and Cote d'Ivoire end their maritime dispute, allowing the development of the Tweneboa, Enyenra and Ntomme (TEN) oil fields to continue.

Akufo-Addo sacks energy minister over energy deal

President **Nana Akufo-Addo** (2017-president) sacked energy minister **Boakye Agyarko** on 6 August after Agyarko reportedly misled the president into approving a deal with **United Arab Emirates**-based energy company **AMERI Group (Ameri)**.¹ The deal, since cancelled, would have seen the government spend more than 1 billion Ghanaian cedis (\$209m) to buy Ameri out of its existing deal with the government for managing power plants² and hand the deal over to a third party, **Greece**-based industrial conglomerate **Mytilineos**, for 15 years.³

The deal proposed by Agyarko drew criticism not only from Akufo-Addo, but also the main opposition party, the **National Democratic Congress (NDC)**, and civil society organisations.⁴ All urged the government to reject the deal as bad value for money.⁵ Agyarko's proposal was an extension of a deal that the government of former president **John Dramani Mahama** (2012-2017) negotiated in 2015.⁶ The initial deal was described as "*unreasonably expensive*" due to alleged corruption,⁷ and was signed off during a litany of energy deals that were reported at the time to be the fastest increase in power generation in Ghana's history.⁸ Mahama had reportedly sought to increase Ghana's energy output in early 2015 to "*fix the power sector deficit*"⁹ amid an energy crisis and persistent power cuts due to limited energy output (see *ARC Briefing March 2016*).¹⁰ Mahama's failings in power management not only impeded business operations in the country, but also damaged Mahama's popularity as president.¹¹

Agyarko reportedly convinced President Akufo-Addo to approve the deal on 31 July by executive order.¹² However, a joint parliamentary committee on energy and finance rejected the approval as neither the attorney general nor the minister of finance had ratified it.¹³ Akufo-Addo named **John**

¹ GhanaWeb, 7 Aug 2018.

² Modern Ghana, 22 Aug 2018.

³ GhanaWeb, 7 Aug 2018.

⁴ GhanaWeb, 30 Jul 2018.

⁵ GhanaWeb, 30 Jul 2018.

⁶ StarrFM, 28 May 2018.

⁷ StarrFM, 2 Aug 2018.

⁸ Reuters, 25 Feb 2016.

⁹ www.parliament.gh

¹⁰ GhanaWeb, 27 Feb 2015.

¹¹ GhanaWeb, 16 Mar 2016.

¹² StarrFM, 2 Aug 2018.

¹³ GhanaWeb, 7 Aug 2018.

Peter Amewu as new energy minister on 9 August.¹⁴ Amewu previously held the position of natural resources and lands minister.¹⁵

The apparent vigilance of government, opposition and civil of society in the face of potentially corrupt practice in the public sector will boost investor confidence in Ghana. The episode demonstrates to investors that powerful stakeholders in Ghana are focused on the proper use of public funds and clean business practice, which bodes well for Ghana's economic development and limits corruption risk in Ghana.

Ofori-Atta announces continued IMF oversight of public finances

Finance minister **Ken Ofori-Atta** stated on 20 August that the government does not intend to ask the **International Monetary Fund (IMF)** for a second bailout.¹⁶ In an interview with **United-States (US)**-based news agency **Bloomberg**, Ofori-Atta said the government will seek other services from the IMF such as the **Policy Support Instrument (PSI)** programme. The PSI programme would see Ghana engage in policy dialogue with the IMF and be subjected to two assessments of economic and financial policy per year.¹⁷

After taking nearly \$1 billion in credit from the IMF in 2015 following years of public overspending and collapse of the cedi, Ghana's economy has improved dramatically.¹⁸ Ghana's GDP grew by 8.5% in 2017, while GDP growth is expected at a rate of 8.3% in 2018.¹⁹ An IMF delegation to Ghana praised the country's economic growth, a fall in the rate of inflation below 10%, and a rapidly decreasing budget deficit in June (see *ARC Briefing Ghana June 2018*).²⁰

The government's demonstrated fiscal prudence will bolster investor confidence in Ghana, which is already high. Seeking IMF oversight of public finances once the bailout ends suggests that the government will continue its responsible management of the country's economy, creating a stable investment environment.

Bank of Ghana issues \$1.2 billion in bonds to merge five insolvent banks

The **Bank of Ghana (BoG)** (central bank) issued \$1.2 billion in government bonds on 1 August to clear the debt of five insolvent banks, **Unibank Ghana, Royal Bank, Beige Bank, Sovereign Bank and Construction Bank**, and merge them to create **Consolidate Bank Ghana Ltd**, a state-owned bank.²¹ The revocation of the banks' licences to complete the merger is a BoG solution that attempts to resolve longstanding issues with Ghana's banking sector, namely poor governance and non-performing loans.²² BoG governor **Ernest Addison** accused Sovereign Bank, Beige Bank and Construction Bank on 1 August of obtaining their operating licences "*by false pretences through the use of suspicious and non-existent capital*".²³ Addison also said that an independent audit completed of Unibank Ghana revealed that its shareholders and related parties had taken out loans and withdrawals worth 5.3 billion cedis (\$1.09 billion) without following due process.²⁴ Addison appointed **United Kingdom**-based auditor **KPMG** as Unibank Ghana's administrator on 20 March after Unibank took \$498m in liquidity support from the BoG over the previous two years.²⁵

¹⁴ Reuters, 9 Aug 2018.

¹⁵ www.ghana.gov.gh

¹⁶ Bloomberg, 20 Aug 2018.

¹⁷ Bloomberg, 20 Aug 2018.

¹⁸ Bloomberg, 20 Aug 2018.

¹⁹ Bloomberg, 11 Apr 2018.

²⁰ International Monetary Fund, Press Release, 26 Jun 2018.

²¹ Africanews, 1 Aug 2018.

²² Business Day, 2 Aug 2018.

²³ Business Day, 2 Aug 2018.

²⁴ Business Day, 2 Aug 2018.

²⁵ Reuters, 20 Mar 2018.

The BoG had tried to support failing banks for a long time preceding the merger, as some banks had struggled to recover money from borrowers since 2014 (see *ARC Briefing Ghana April 2018*).²⁶ A BoG report released in July showed that the stock of non-performing loans in Ghana grew from 7.1 billion cedis (\$1.46 billion) to 8.63 billion cedis (\$1.77 billion) between April 2017 and April 2018, despite the BoG's extensive efforts to "sanitise" the country's banking sector.²⁷ **UT Bank** and **Capital Bank** were forced to close in August 2017 and transfer their assets to the BoG as a result of their untenably high liabilities in the face of so many non-performing loans.²⁸

The BoG imposed a greatly increased capital requirement for commercial banks in September 2017, raising the figure from 120m cedis (\$27.2m) to 400m cedis (\$90.4m).²⁹ The policy aims to price out Ghana's smaller banks that were particularly badly hurt by non-performing loans.³⁰ Banks have until December 2018 to comply with the increased capital requirement.³¹

In issuing government bonds to shoulder the debt of five insolvent banks, the government is attempting to use Ghana's buoyant economy to resolve long-term issues in the banking sector that other policies have failed to fix. The merger is a creative departure from previous ineffective policies. As such, it could be more successful in improving Ghana's troubled banking sector.

Ghana and Cote d'Ivoire end maritime dispute

Ghana and **Cote d'Ivoire** agreed on their maritime boundary on 10 August by accepting the ruling of the Special Chamber of the **International Tribunal for the Law of the Sea (ITLOS)**.³² The ITLOS delineated the border in September 2017 (see *ARC Briefing Ghana October 2017*).³³ The Cote d'Ivoire delegation agreed at the time to accept the court's decision on the ITLOS ruling, despite its favouring Ghana.³⁴

The 10 August agreement is the culmination of negotiations between a joint Ivorian and Ghanaian commission, which saw both countries work together to plot seven coordinates to determine the boundary announced by ITLOS in an amicable end to the dispute.³⁵ The joint commission will continue with regular meetings and has committed to usher in greater cooperation between Ghana and Cote d'Ivoire in areas related to the maritime boundary, including hydrocarbons and other natural resources.³⁶ The countries' willingness to cooperate is good for investors eager for the unbridled development of the oil sector.

From an investor perspective, the resolution of the dispute has immediate positive commercial effects on Ghana. The ITLOS ruling worked in Ghana's favour protecting the country's **Tweneboa, Enyenra and Ntomme (TEN)** oil fields,³⁷ and therefore facilitated the growth of Ghana's vital oil industry, mounting to roughly \$3 billion in exports during 2017.³⁸ Shortly after the agreement, **Ireland**-based oil company **Tullow Oil** announced on 15 August that oil production from the TEN oil fields off Ghana's coast are expected to reach their full capacity of 80,000 barrels per day by 2020 after yielding only 56,000 barrels per day at present.³⁹ Tullow had previously held back work on the TEN oil fields

²⁶ The Statesman Online, 22 Mar 2018.

²⁷ Myjoyonline, 10 Jul 2018.

²⁸ Reuters, 14 Aug 2017.

²⁹ Bloomberg, 8 Sept 2017.

³⁰ Business Day, 2 Aug 2018.

³¹ www.bog.gov.gh

³² GhanaWeb, 10 Aug 2018.

³³ Ghana Business News,

³⁴ Ghana Business News, 24 Sept 2017.

³⁵ GhanaWeb, 10 Aug 2018.

³⁶ GhanaWeb, 10 Aug 2018.

³⁷ Press Release, 23 Sept 2017.

³⁸ Pulse, 23 May 2018.

³⁹ Reuters, 15 Aug 2018.

due to the maritime dispute, but can now carry out its planned developments uninhibited by the diplomatic disagreement.⁴⁰

Planner

18-21 Sep 2018 **Bank of Ghana** MPC meeting date;
 24 Sep 2018 **Bank of Ghana** MPC press release;
 21-23 Nov 2018 **Bank of Ghana** MPC meeting date;
 26 Nov 2018 **Bank of Ghana** MPC press release;
 7 Nov or 7 Dec 2020 (**Ghana**) *Ghanaweb*. General election due;

Chronology

23 Aug 2018 **Accra (Ghana)** *News24*. Former president **John Mahama** announces his bid to seek the nomination of the opposition party, the **National Democratic Congress**, for the 2020 presidential elections;

23 Aug 2018 **Accra (Ghana)** *Reuters*. Minority leader **Haruna Iddrisu** wants the **International Monetary Fund** to decide whether a \$2 billion infrastructure deal with **China** in exchange for bauxite will add to the debt burden;

20 Aug 2018 **Accra (Ghana)** *Business Day*. Finance minister **Ken Ofori-Atta** states Ghana wants the **International Monetary Fund (IMF)** to continue scrutinising its public finances after its bail-out programme ends in April 2019;

14 Aug 2018 **Accra (Ghana)** *EWN*. **Bank of Ghana** (central bank) deputy governor **Elsie Awadzi** plans to prosecute executives of failed banks which were merged to become state-owned **Consolidated Bank Ghana**;

11 Aug 2018 **Accra (Ghana)** *Graphic*. Senior minister **Yaw Osafa-Maafu** and **Cote d'Ivoire** state mediator **Adama Toungara** agree on plotted maritime boundaries as per the **Special Chamber of the International Tribunal for the Law of the Sea** ruling;

9 Aug 2018 **Accra (Ghana)** *Reuters*. President **Nana Akufo-Addo** names **John Peter Amewu** as new energy minister, **Kofi Adda** as aviation minister, and **Kwaku Asomah-Cheremeh** as lands and natural resources minister;

6 Aug 2018 **Accra (Ghana)** *africanews*. President **Nana Akufo-Addo** dismisses energy minister **Boakye Agyarko** over reports that Agyarko misled the president in the **Ameri** power deal;

4 Aug 2018 **Accra (Ghana)** *Graphic*. The **African Development Bank** offers \$1.2 billion in loans to **Ghana** and **Cote d'Ivoire** to make the cocoa industry more attractive to the youth;

2 Aug 2018 **Accra (Ghana)** *Punch*. President **Nana Akufo-Addo** swears in **Jean Mensa** as new electoral commission chair;

1 Aug 2018 **Accra (Ghana)** *africanews*. The **Bank of Ghana** (central bank) merges five stressed banks – **Unibank**, **The Royal Bank**, **Sovereign Bank**, **Beige Bank**, and **Construction Bank** – into a new bank called **Consolidated Bank Ghana Ltd**;

28 Jul 2018 **Accra (Ghana)** *My Joy Online*. **United States (US)** ambassador to **Ghana**, **Robert Jackson**, states that no US base is being built in Ghana though a defence agreement is in force which allows for 800 US troops in Ghana;

⁴⁰ Reuters, 15 Aug 2018.

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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