

**AFRICA RISK CONSULTING****Ghana Monthly Briefing February 2020**

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**Ghana Summary 12 February 2020**

*President Nana Addo Dankwa Akufo-Addo (2017-present) tasks the Office of the Special Prosecutor to conduct an inquiry into the Ghanaian public officials said to have been engaged in the bribery scandal against Netherlands-headquartered aircraft manufacturing giant Airbus. Germany-based Transparency International's 2019 Corruption Perceptions Index (CPI) ranks Ghana 80th out of 180 countries with a score of 41/100, and warns that corruption may feature prominently in electoral debates during the upcoming elections in December. Political parties row over the Electoral Commission's plan to compile a new voters' register. Ghana sells the largest ever Eurobond in sub-Saharan Africa, over-subscribing the \$3 billion sale by five times.*

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**Airbus bribery scandal causes political turbulence ...**

President **Nana Addo Dankwa Akufo-Addo** (2017-present) tasked the **Office of the Special Prosecutor** on 2 February to conduct an inquiry into the **Ghanaian** public officials alleged to have been engaged in the bribery scandal against **Netherlands**-headquartered aircraft manufacturing giant **Airbus** involving the purchase of three military planes by the government of Ghana between 2009 and 2015.<sup>1</sup> A source in Ghana said the scandal has been “forced into the political domain” in Ghana by the ruling **New Patriotic Party (NPP)**, which hopes to use the corruption scandal to “disarm” opposition **National Democratic Congress (NDC)** leader and former president **John Dramani Mahama**'s (2012-2017) election campaign for the upcoming December general elections.<sup>2</sup> The incident has also sparked concerns over the level of corruption in Ghana and the implications for the country's aviation development drive.

ARC's source said the NPP strongly suspects that Mahama handled the bribe-collection agreements. Mahama served as president from July 2012 to January 2017 and as vice-president from January 2009 to July 2012. The source mentioned that the NPP might have seen letters showing evidence of Mahama's involvement in the corrupt transaction. If implicated, Mahama's gambit for presidency in December will almost certainly be doomed to failure.

On 31 January, a **United Kingdom (UK)** court named Ghana as one of five countries in which Airbus paid or attempted to pay millions of dollars in bribes in exchange for contracts, leading the court to fine the company £3 billion (\$3.89 billion). Airbus admitted five counts of failing to prevent bribery, using a network of secret agents to pay large-scale backhanders to officials in foreign countries, including Ghana, to land high-value contracts. The court judgement said that Airbus subsidiaries conducted two campaigns, the first from 2009 to 2011 and the second from 2013 to 2015.

The court document alleged that contrary to section 7 of the **UK Bribery Act 2010**, Airbus failed to prevent persons associated with it from bribing others concerned with the purchase of military transport aircraft by the government of Ghana.<sup>3</sup> It also states that an Airbus defence company engaged a close relative of a high-ranking elected Ghanaian government official as an intermediary or agent in respect of the proposed sale of three military transport aircraft to the government of Ghana.

President Nana Akufo-Addo promptly referred the issue to the **Office of the Special Prosecutor** and has said Ghana will collaborate with its UK counterparts to determine the complicity or otherwise of

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<sup>1</sup> GhanaWeb, 2 Feb 2020

<sup>2</sup> Confidential source in Ghana

<sup>3</sup> MyJoyOnline, 3 Feb 2020

any Ghanaian government officials “past or present” involved in the said scandal.<sup>4</sup> The president has also said he wants “necessary legal action taken against any such official, as required by Ghanaian law”. Former justice minister and attorney general under Mahama, **Marietta Brew Appiah-Oppong**, has denied that Airbus officials paid or attempted to pay millions of dollars in bribes in exchange for contracts.

### ... with no gains in corruption fight ...

Germany-based non-governmental organisation **Transparency International’s 2019 Corruption Perceptions Index (CPI)**, released on 23 January, highlights that corruption is still a problem in Ghana, with its latest score the same as for the previous year.<sup>5</sup> The index, which is designed to give a sense of public sector corruption, rates countries on a scale of zero (highly corrupt) to 100 (very clean). Ghana scored 41 points, with a ranking of 78 out of 180 countries in 2018, but slipped to 80<sup>th</sup> place in 2019 with the same score.

Transparency International CPI Rankings: Ghana					
	2015	2016	2017	2018	2019
<b>Ranking</b>	56/168	70/176	81/180	78/180	80/180
<b>Score</b>	47	43	40	41	41

Transparency International says:

*“Known as a beacon of democracy in **West Africa**, Ghana dropped seven points on the CPI since 2014, moving from 48 in 2014 to 41 in 2019. Revelations of bribery in Ghana’s high court in 2015 and the murder of investigative journalist **Ahmed Hussein-Suale** in early 2019 cast serious doubts on the country’s anti-corruption efforts... Given recent scandals, corruption is expected to feature prominently in electoral debates during the upcoming elections in 2020.”<sup>6</sup>*

The corruption risk is likely to increase as elections approach. A senior local business executive warned ARC in March 2019 that business would face increasing risk of corruption as elections drew near (see *ARC Briefing Ghana March 2019*).

*“Whatever anyone says, there is an increase in corruption around elections. It happens every time. Both parties are involved. Both build campaign funds and use corruption to do so.”*

Another said:

*“Corruption manifests itself in a raft of government related projects to which government allocates money.”*

However, in a March 2019 overview of corruption and anti-corruption in Ghana, Transparency International was optimistic about hope for change:

*“In 2017, the Office of Special Prosecutor was established, which has the power to investigate and prosecute cases of corruption. In 2019, a right to information bill was also passed. These efforts, combined with the enhanced performance of the Auditor General’s office, offer hope for improvement.”<sup>7</sup>*

In the latest CPI report, Ghana compares favourably with its regional peers, particularly **Nigeria** which ranked 146<sup>th</sup> with a score of 26 points. Ghana also ranks higher than **Cote d’Ivoire** (106<sup>th</sup>

<sup>4</sup> Business Ghana, 4 Feb 2020

<sup>5</sup> ‘Ghana’, Transparency International 2018 Corruption Perceptions Index

<sup>6</sup> ‘Overview Of Corruption And Anti-Corruption In Ghana’, Transparency International, 20 Mar 2019

<sup>7</sup> ‘Overview Of Corruption And Anti-Corruption In Ghana’, Transparency International, 20 Mar 2019

position with 35 points), and **Guinea** (130<sup>th</sup> position with 29 points) and comes in above the **sub-Saharan Africa** average of 32 points.

TI CPI Rankings 2019: Regional comparison					
	Ghana	Senegal	Cote d'Ivoire	Guinea	Nigeria
<b>Ranking</b>	80/180	66/180	106/180	130/180	146/180
<b>Score</b>	41	45	35	29	26

### ... as storm brews over voters' register

A row between the ruling NPP and opposition parties over the **Electoral Commission's (EC)** plan to compile a new voters' register is intensifying, with the ruling party arguing that the electoral roll is bloated, making it susceptible to rigged elections, and opposition parties saying the move could lead to a constitutional crisis this close to December's general election.<sup>8</sup> As the row intensifies, concerns grow over the possibility that the opposition may use the new voter register as a scapegoat to dispute the election outcome, should they lose in December – which could strain the country's political and democratic credentials.

The EC says it will begin compiling the new voters' register on 18 April and end the exercise on 30 May. It says the current voter system is obsolete and it needs to update to a new **Biometric Voter Management System**. The ruling NPP and some civil society organisations, such as **Mass Action Committee**, back the EC, arguing that it will ensure transparency in the upcoming general election and beyond.<sup>9</sup>

The decision to compile a new register has faced fierce backlash by opposition political parties including the NDC, which argues that the timing is not only wrong, but is intended to give undue advantage to the ruling NPP in the December 2020 general elections. NDC general secretary **Johnson Asiedu Nketia** has said that the new roll won't be complete until 8 November, a month to the election, which he argues could cause a constitutional crisis.

Under the umbrella of the **Inter-Party Resistance Against New Voters' Register (IPRAN)**, opposition parties have orchestrated a series of demonstrations to protest the planned new electoral roll. IPRAN convener **Bernard Mornah** urged the general public to protest, calling on them to "*defend and protect our democracy and the integrity of our electoral process*".<sup>10</sup> The coalition, comprising the NDC and other political parties in opposition, has staged demonstrations in **Accra**, as well as in **Tamale, Kumasi and Bolgatanga**. Protests have not disrupted day-to-day business operations and have been peaceful.

IPRAN also argues that a Biometric Voter Management System is not needed and is a waste of scarce resources. The organisation claims that the well-conducted 2012 general election, 2015 district level election, 2018 referendum and 2019 district level elections are evidence that the current voter system is effective.

With elections approaching, the ruling NPP has begun its process to elect its flag bearer. President Akufo-Addo picked nomination forms to contest the NPP flag bearer position on 27 January.<sup>11</sup> NPP general secretary **John Boadu** said the president is the only one who has so far declared his intentions to contest the party head position. The NPP will hold its presidential primaries on 25 April.

<sup>8</sup> GhanaWeb, 6 Feb 2020

<sup>9</sup> GhanaWeb, 6 Feb 2020

<sup>10</sup> MyJoyOnline, 4 Feb 2020

<sup>11</sup> Daily Graphic, 27 Jan 2020

## Eurobond sale oversubscribed ...

Ghana sold the largest ever **Eurobond** in **sub-Saharan Africa** on 4 February, over-subscribing the \$3 billion Eurobond sale by five times more than the amount of money the country has asked for, to \$14 billion.<sup>12</sup> Ghana's success at selling bonds at the relatively lower rate than previous sales indicates the reduced risk in the Ghanaian economy and growing confidence in the country's medium- to long-term growth prospects. The sale will encourage the government to press on with reforms and critical infrastructure development, energy and initiatives in the run-up to the general election.

Market watchers were initially worried that Ghana might achieve little success in trading new bonds at the low rates, but investors responded very positively – a vote of confidence in the Ghanaian economy. Finance minister **Ken Ofori Atta** said the lower rates reflected the country's reduced risk premium demanded by the capital markets.

Ghana issued a \$750m tranche, which amortises and has an average life of 40 years, at about 8.9% from an initial 9.4%. This makes it the highest-yielding sovereign dollar bond so far in 2020. The bond was sold as part of a \$3 billion deal that was oversubscribed by almost 350%. Premium investors, which include **United States (US)**-based investment banks **Bank of America**, **JPMorgan-Chase** and **Morgan Stanley**, **South Africa**-based **Standard Bank Group** and UK-based **Standard Chartered**, arranged the sale. Government also sold \$1.25 billion of debt with an average maturity of six years and a yield of 6.375%. The third segment of \$1 billion has an average life of 14 years, yielding 8%. Ultimately, bids topped \$14 billion.

The sale is part of government's efforts to cut down on borrowing from international financial institutions as the country had extensively financed its budget with borrowed funds. Debt stock increased from GHS122 billion (\$22 billion) in 2016 to GHS214 billion (\$39 billion) in November 2019.<sup>13</sup> **World Bank** country director **Frank Laporte** on 9 February urged Ghana to be careful with its rate of borrowing, saying the country's debt situation reflects "*moderate to high risk of debt distress*".<sup>14</sup>

Government in recent years has intensified moves to generate foreign earnings and offset its debts through diverse financial reforms, which Ofori-Atta said on 5 February were beginning to bear fruit. Ofori-Atta is not alone in recognising Ghana's strong economic outlook, despite its debt problem, in recent weeks. Global financial news, research and data organisation **Bloomberg** on 3 February rated the Ghanaian cedi as the best-performing currency in the world against the US dollar.<sup>15</sup> The strengthening of the cedi is a remarkable turnaround from last year, when it weakened by almost 13%. Additionally, global ratings agency **Moody's** on 25 January upgraded Ghana's economic outlook from stable to positive.<sup>16</sup>

## Planner

9-10 Mar 2020 **Abidjan (Cote d'Ivoire)** Africa CEO Forum;

29 Feb 2020 **(Africa Caribbean Pacific)** Expiration date of the **European Union's** framework agreement with a 79-country bloc of **African, Caribbean and Pacific** states;

25 Apr 2020 **(Ghana)** Ruling **New Patriotic Party** holds presidential primaries;

3 Jun 2020 Accra **(Ghana)** West African International Mining Power Exhibition (WAMPEX);

1 Jul 2020 **(Africa)** African Continental Free Trade Area deadline for 90% tariff liberalisation;

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

<sup>12</sup> Modern Ghana, 4 Feb 2020

<sup>13</sup> GhanaWeb, 11 Feb 2020

<sup>14</sup> MyJoyOnline, 9 Feb 2020

<sup>15</sup> Bloomberg, 3 Feb 2020

<sup>16</sup> GhanaWeb, 25 Jan 2020

## Chronology

10 Feb 2020 **Accra (Ghana)** *Ghana News Agency*. **Ghana Stock Exchange** signs an MOU with the **London Stock Exchange Group** to strengthen their common interest in collaborating to support the development of the capital market in **Ghana**;

10 Feb 2020 **Accra (Ghana)** *Ghana News Agency*. Government and the **African Union** sign a **Host Country Agreement** for the secretariat of the **African Continental Free Trade Area** to be established in **Accra**;

10 Feb 2020 **Accra (Ghana)** *Global Data Point*. **Private Enterprise Federation** says **Ghana** lost about GHS12 billion (\$2.22 billion) to corruption at the **Registrar-Generals Department** and other relevant regulatory agencies in the country in 2018;

9 Feb 2020 **Accra (Ghana)** *MyJoyOnline*. **World Bank** country director **Frank Laporte** urges **Ghana** to be careful with its rate of borrowing, saying the country's debt situation is "moderate to high risk of debt distress";

6 Feb 2020 **Accra (Ghana)** *Business Day*. **United Kingdom**-based **Vodafone Group** to hand over management of its **Ghana** unit to its separately listed **South Africa** division in April, the latest step to bring the company's operations on the continent under one roof;

5 Feb 2020 **Accra (Ghana)** *MyJoyOnline*. Finance minister **Ken Ofori-Atta** says efforts to raise domestic revenue are beginning to bear fruit and will help the country to be less dependent on debt, a day after **Ghana** received about \$15 billion in offers for debt issuance that included **sub-Saharan Africa's** longest-yet **Eurobond**;

5 Feb 2020 **Accra (Ghana)** *MyJoyOnline*. State cocoa regulator **COCOBOD** releases figures that show **Ghana** exported 596,000 tonnes of cocoa beans this season as of January 2020, an increase on the previous season which stood at 591,000 tonnes; the harvest continues until mid-year and is expect to reach 850,000 tonnes;

4 Feb 2020 **Accra (Ghana)** *Modern Ghana*. **Ghana's** 2020 **Eurobond** has been oversubscribed by almost 350% as investors bid more than \$14 billion – the country was looking for \$3 billion;

2 Feb 2020 **Accra (Ghana)** *GhanaWeb*. Ghana orders a probe into accusations of bribery by **Netherlands**-based airliner manufacturer **Airbus** to ensure the purchase of three military planes between 2009 and 2015;

25 Jan 2020 **Accra (Ghana)** *GhanaWeb*. International credit rating agency **Moody's** reaffirms **Ghana's** credit rating at B3 with an upgraded outlook to positive from stable;

21 Jan 2020 **Accra (Ghana)** *Bloomberg*. Undisclosed sources say **Ghana** is delaying the sale of \$750m of shares in a gold mining fund as the government reviews the rules and processes that dictate mineral royalty payments;

20 Jan 2020 **London (United Kingdom)** *Today News Africa*. **Nigeria's** President **Muhammadu Buhari** tells **Ghana's** President **Nana Akufo-Addo** during a bilateral meeting at the **UK-Africa Investment Summit** that he closed the Nigeria border partly due to arms and drugs smuggling, not solely because of food products;

18 Jan 2020 **Accra (Ghana)** *GhanaWeb*. Government signs four agreements totaling nearly \$570m with the **World Bank** aimed to transform the economy, boosting education, improving sanitation and fighting flooding in **Accra**;

17 Jan 2020 **Accra (Ghana)** *Bloomberg*. Finance minister **Ken Ofori-Atta** says the financial sector clean-up risks escalating to \$3.5 billion as government considers increasing the guaranteed payback for some depositors;

16 Jan 2020 **Accra (Ghana)** *Modern Ghana*. **Ghana Cocoa Board (COCOBOD)** CEO **Joseph Boahen Aidoo** dismisses claims by **Western** media that **Ghana** and **Côte d'Ivoire** have formed

a “cocoa cartel” to control the world cocoa price;

15 Jan 2020 **Accra (Ghana)** *Modern Ghana*. State-run **Ghana Grid Company Limited** signs MoU with **Germany**-based **Siemens** to upgrade the country’s electricity grid using €250m (\$280m) of financing from Germany;

15 Jan 2020 **London (United Kingdom)** *S&P Global*. **United Kingdom**-based **Tullow Oil** says it will take impairments and an exploration write-off of around \$1.5 billion, primarily due to operational issues at a flagship field in **Ghana**;

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