

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing April 2020

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#### Ghana Summary 14 April 2020

*President Nana Addo Dankwa Akufo-Addo (2017-present) announces a two-week lockdown extension to control the spread of coronavirus in Ghana, where confirmed cases are low but on the rise. While it's still early days, there are indications that December's general election will be postponed due to the virus. The government outlines its economic stimulus package to fund its response to the virus, and gets financial support from a number of international actors, including the International Monetary Fund (IMF). Vice president Mahamudu Bawumia notes that the global pandemic will cause African countries to become more self-reliant, which could be a silver lining for Ghana and many of its regional neighbours amidst the coronavirus crisis.*

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#### End-of-year election in jeopardy

President **Nana Addo Dankwa Akufo-Addo** (2017-present) on 4 April announced the extension of the previously two-week lockdown in **Ghana** for an additional two weeks from 5 April. Schools are closed, and public gatherings, religious events and funerals are banned, but businesses and other workplaces can continue to operate under strict social distancing guidelines.<sup>1</sup> The pandemic is likely to have profound, long-lasting detrimental effects on politics, business and society in Ghana.

As the pandemic appears to be leveling off in some of the worst-hit **European** countries, there are mounting fears that **Africa** – with much fewer health and financial resources – will be the next eye of the storm. Ghana has confirmed 566 coronavirus cases and six fatalities, and 10 of the country's 16 regions have recorded at least one case of the deadly infection.<sup>2</sup> However, there has been a recent spike in confirmed cases in the **West African** country. Government continues to assure the public that the situation is under control but demands strict compliance to lockdown protocols and safety measures. Over 35,000 joint police and military personnel have been deployed to enforce the directives. **Ghana Police Service** has vowed to be tough on 'Covidiot' who will not adhere to the president's "stay at home" directive.

Ghana started a two-week lockdown on 30 March in three cities – **Accra**, **Tema** and **Kumasi** – that were identified as hotspots for the spread of the virus. President Akufo-Addo announced the order on 27 March, citing the need to prevent the spread of the virus and trace people who have been in contact with positive cases. The lockdown prompted a mass movement of people out of the three affected cities. Interestingly, Akufo-Addo excluded his home region, the **Eastern Region** – which has the third-highest number of confirmed coronavirus cases – in his latest ban extension. There are fears that this has led to the virus spreading within the region and into other regions.

Reports of increasing cases in the Eastern Region have provoked calls for more testing centres to be opened across the country. Currently there are two testing centres: **Noguchi Memorial Institute for Medical Research** in the capital, Accra, and **Kumasi Centre for Collaborative Research in Tropical Medicine** in Kumasi. The severe lack of testing facilities prevents Ghana from recording the full extent of the pandemic, which ultimately inhibits the government's response and prevents the country from being able to control the spread.

Ghana has recorded a spike in confirmed covid-19 cases in recent weeks. The **Ghana Health Service (GHS)** says the increase in cases was a result of "enhanced contact tracing and testing," particularly on

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<sup>1</sup> Modern Ghana, 4 Apr 2020

<sup>2</sup> World Health Organisation, 13 Apr 2020

foreign nationals who had recently arrived in the country. That said, testing is very limited and the actual number of cases is likely to be significantly higher.

If the upward trend continues, Ghana's upcoming general election, scheduled for December this year, is likely to be postponed. There are already early indications that this may happen. The **Electoral Commission of Ghana (EC)** on 25 March announced a suspension of an exercise to compile a new voter register until it gets the green light from the health ministry, GHS and other experts. If the all-clear comes before the end of April, it may be possible to begin and end the electoral process by all the due dates, and conduct actual voting on 7 December. To change the general election date, two-thirds of parliament will have to vote in favour of an amendment bill. A delayed election will jeopardise Ghana's highly regarded democratic credentials and is likely to add fuel to the bitter rivalry between ruling **New Patriotic Party (NPP)** leader Akufo-Addo and main opposition **National Democratic Congress (NDC)** leader and former president **John Dramani Mahama** (2012-2017). NDC general secretary **Asiedu Nketia** has already claimed that the ban on public gatherings is a conspiracy to rig the election.

### Can Ghana afford an adequate fiscal response?

President Akufo-Addo on 28 March outlined economic measures in response to the coronavirus pandemic, in which government will make available a minimum 1 billion Ghanaian cedi (\$172m) stimulus package for businesses, individuals and households. Strong confidence and growth rates, coupled with a \$3 billion Eurobond issued in January, mean Ghana is better equipped than many of its West African neighbours to finance a decent response to the virus. Finance minister **Ken Ofori-Atta** said without the recent Eurobond, Ghana "*would have been in tatters completely*".<sup>3</sup>

Government introduced a range of measures to boost liquidity and prevent businesses from closing. The **Bank of Ghana (BoG)** (central bank) cut the policy rate by 1.5% and the reserve requirement by 2%. Government is also extending the tax filing date from April to June and has introduced a 2% reduction in interest rates by banks, effective 1 April. The stimulus package is a soft loan scheme which will have a one-year moratorium and two years' repayment plan.

Ghana is also being supported financially by international funding agencies, governments and businesses. The **International Monetary Fund (IMF)** executive board on 13 April approved a \$1 billion disbursement to Ghana to address the pandemic, to be drawn under the **Rapid Credit Facility (RCF)**.<sup>4</sup> The disbursement is intended to help Ghana address the urgent fiscal and balance of payments needs that it is facing, improve confidence, and catalyse support from other development partners. The IMF noted the severe impact of the Covid-19 pandemic on Ghana, with slower growth projected amid tightened financial conditions:

*"... the exchange rate is under pressure. The budget deficit is projected to widen this year given expected lower government revenues and higher spending needs related to the pandemic."*<sup>5</sup>

The IMF described Ghana's response to the pandemic as "*timely, targeted, and proactive, focused on increasing health and social spending to support affected households and firms*".<sup>6</sup>

The IMF acknowledged the BoG's steps to ensure adequate liquidity, preserve financial stability, and mitigate the economic impact of the pandemic, while allowing for exchange rate flexibility to preserve external buffers.<sup>7</sup> However, it also noted that the uncertain dynamics of the pandemic creates significant risks to Ghana's macroeconomic outlook and that Ghana continues to be classified at "*high risk of debt distress*".

<sup>3</sup> Financial Times, 29 Mar 2020

<sup>4</sup> IMF press release No. 20/153, 13 Apr 2020

<sup>5</sup> IMF press release No. 20/153, 13 Apr 2020

<sup>6</sup> IMF press release No. 20/153, 13 Apr 2020

<sup>7</sup> IMF press release No. 20/153, 13 Apr 2020

*“The authorities remain committed to policies consistent with strong growth, rapid poverty reduction, and macroeconomic stability over the medium-term. Additional support from other development partners will be required and critical to close the remaining external financing gap and ease budget constraints.”<sup>8</sup>*

In addition to the IMF’s RCF support, some companies have responded to the government’s call to support the country’s fight against covid-19. **South Africa**-based mining giant **Gold Fields** has committed more than \$830,000 to fight the pandemic in its operating areas in the **Western Region** and other parts of Ghana. The **Ghana National Chamber of Commerce and Industry** donated 100,000 cedi (\$17,216) into the **National COVID-19 Trust Fund**.

Even with this support, Covid-19 poses a high risk of stopping the Ghanaian economy’s world-leading growth rates over the next couple years. Taking note of this, **World Bank-IMF Development Committee** chairman and Ghanaian finance minister **Ken Ofori-Atta** said Africa has reached a “*break the glass moment*”, an emergency in which international actors need to take drastic action to prevent a catastrophe.<sup>9</sup>

African governments have also been calling on the international community for debt relief during the global pandemic. Former deputy finance minister and **Ajumako-Enyan-Esiam Constituency (Central Region)** MP **Cassiel Ato Forson** says **Chinese** debt constitutes 30% of all debts Ghana owes, but he believes China will not agree to debt relief.<sup>10</sup> African governments want \$100 billion in assistance support for a moratorium on all external debt and some debt write-offs so that they can use the money that would have been used to pay the interest on the debt principal on coronavirus responses, healthcare and developmental projects, which would benefit Africans as well as the international community. Finance minister Ofori-Atta has said:

*“African debt to China is \$145 billion or so, over \$8 billion of payments is required this year... So that needs to be looked at.”<sup>11</sup>*

The Chinese government has recognised that developing countries face a greater challenge from coronavirus, but it is yet to mention any specific debt-relief measures.

Government has to control the outbreak but is unable to mount anything like a western-style response. President Akufo-Addo is well-aware of this. On 4 March, he told Ghanaians that measures taken against the spread of coronavirus were working, but that its response needed to be nuanced.

*“In doing this, we cannot afford to copy blindly and do all the things some other well-developed countries are doing...there is no one size fits all approach.”<sup>12</sup>*

An ARC source in **Europe** said if European countries are through the worst of the outbreak and begin recovering before the eye of the storm reaches Africa, this will allow European countries to provide more assistance through financial support, healthcare equipment donations and humanitarian support, should some African countries need it.<sup>13</sup>

### ... a silver lining?

Vice president **Mahamudu Bawumia** on 10 April spoke about how African countries need to get ready for a radical change in their global economic outlook after coronavirus, saying the global pandemic will usher in more self-reliance in the production of goods and services:

*“We in Africa have to get ready for this new future.”<sup>14</sup>*

<sup>8</sup> IMF, 13 Apr 2020

<sup>9</sup> Financial Times, 29 Mar 2020

<sup>10</sup> GhanaWeb, 10 Apr 2020

<sup>11</sup> The Independent Ghana, 11 Apr 2020

<sup>12</sup> News Ghana, 29 Mar 2020

<sup>13</sup> Source, humanitarian professional

<sup>14</sup> The Independent Ghana, 11 Apr 2020

The Coronavirus pandemic is pushing countries to become more self-reliant, which may be a silver lining for many commodity-reliant countries in Africa, such as Ghana. The global pandemic will push Ghana and other African countries to develop their domestic industries and decrease their reliance on importing essential goods. This diversification will reduce many African countries' dependency on commodities, such as Ghana's dependence on oil, gold and cocoa.

The coronavirus pandemic may also encourage such countries to develop domestic supply chains. The benefits of stronger domestic supply chains include greater control of supplies from suppliers due to proximity and face-face-interactions, reduced supply chain costs, increased domestic revenue, shorter supply chains, greater predictability of delivery times, reduced tax and tariff burdens and community development.<sup>15</sup>

Ghana's commodity dependency is increasing, with oil, gold and cocoa being the main exports, leaving Ghana heavily exposed to international price trends. When the **Brent** crude oil price collapsed from \$70 a barrel in January to lower than \$30 in April, this tore up government budgets. Finance minister Ofori-Atta has cut Ghana's GDP forecast to 1.5% from 6.8% in 2020, the lowest in 37 years, due to Covid-19 and the collapse in oil prices.

### Planner

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;

### Chronology

13 Apr 2020 Accra (**Ghana**) *IMF*. **International Monetary Fund** executive board approves a \$1 billion disbursement to **Ghana** to address the **Covid-19** pandemic;

13 Apr 2020 Accra (**Ghana**) *MyJoyOnline*. **United States (US) Securities and Exchange Commission** charges former banker at a subsidiary of a US bank, **Asante Berko**, for arranging at least \$2.5m in bribes to be paid to **Ghana** government officials to gain approval for a client's power plant project;

7 Apr 2020 Accra (**Ghana**) *Bretton Woods Project*. **Ghana's Sankofa** gas project – backed by the **World Bank** – left Ghana with a \$250m bill for unused gas in 2019 due to a 'take or pay' clause in the public-private partnership contract;

7 Apr 2020 Accra (**Ghana**) *EMPEA*. **International Finance Corporation** provides \$2.5m in financing to **Ghana**-based health care group **New Crystal**;

6 Apr 2020 Accra (**Ghana**) *African Business*. Government announces that it will absorb all water bills for the next three months, following fears of an interrupted supply and lack of employment during the **coronavirus** pandemic;

4 Apr 2020 Accra (**Ghana**) *Modern Ghana*. President **Nana Addo Dankwa Akufo-Addo** extends the closure of **Ghana's** borders by two weeks from 5 April;

2 Apr 2020 Accra (**Ghana**) *Pulse*. Government says it expects to borrow 17.9 billion Ghanaian cedi (\$3.1 billion) in Q2 2020 (April-June 2020);

30 Mar 2020 Accra (**Ghana**) *Bloomberg*. Finance minister **Ken Ofori-Atta** cuts **Ghana's** GDP forecast to 1.5% from 6.8% in 2020, the lowest in 37 years, due to **Covid-19** and the collapse in oil prices;

29 Mar 2020 (**Africa**) *Financial Times*. **World Bank-IMF Development Committee** chairman and **Ghanaian** finance minister **Ken Ofori-Atta** says **Africa** has reached a "break the glass

<sup>15</sup> Business Ghana, 7 Apr 2020

moment", an emergency in which international actors need to take drastic action to prevent a catastrophe;

28 Mar 2020 **Accra (Ghana)** *AFP*. President **Nana Addo Dankwa Akufo-Addo** announces a two-week lockdown in the **Greater Accra Metropolitan Area** and the **Greater Kumasi Metropolitan Area** to limit the spread of **Covid-19**;

26 Mar 2020 **Accra (Ghana)** *Pulse*. Information minister **Kojo Opong Nkrumah** says President **Nana Akufo-Addo** has instructed finance minister **Ken Ofori-Atta** to conduct an economic impact assessment of potential lockdown measures;

24 Mar 2020 **Accra (Ghana)** *World Oil*. **Tullow Ghana** notifies **Denmark**-based **Maersk Drilling** of the early termination of its contract for the **Maersk Venturer** deep-water drillship;

17 Mar 2020 **Accra (Ghana)** *Mining.com*. **Russia**-based gold producer **Nordgold** acquires a relevant interest in **Cardinal Resources' Ghana** project, giving the company voting power of approximately 19.9% of the total share capital outstanding;

17 Mar 2020 **Accra (Ghana)** *MyJoyOnline*. **Ghana Health Service** confirms another case of **Covid-19**, bringing the total number of recorded cases to seven, and the passport office in **Accra** closes down;

16 Mar 2020 **Accra (Ghana)** *MyJoyOnline*. Government announces a raft of measures that effectively put the country in lockdown, including a ban on public gatherings and schools, as confirmed **Covid-19** cases rise to six;

16 Mar 2020 **Accra (Ghana)** *Nasdaq*. **South Africa**-based **AngloGold Ashanti** says an employee at its **Obuasi** mine in **Ghana** tested positive for **Covid-19** but maintains that operations at the mine will continue;

15 Mar 2020 **Accra (Ghana)** *MyJoyOnline*. Government announces a travel ban for persons from the worst affected countries as confirmed cases increase;

12 Mar 2020 **Accra (Ghana)** *Pulse*. Health ministry confirms **Ghana's** first two cases of **Covid-19** and President **Nana Akufo-Addo** makes available \$100m to enhance preparedness;

12 Mar 2020 **California (United States)** *Reuters*. **United States (US)**-based tech giants **Facebook** and **Twitter** say they have taken down a network of **Russia**-linked fake accounts operating out of **Ghana** and **Nigeria** which targeted the US.

### About Africa Risk Consulting:

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