

AFRICA RISK CONSULTING

Ghana Monthly Briefing May 2020

Ghana Summary 11 May 2020

President Nana Addo Dankwa Akufo-Addo (2017-present) announces the lifting of a partial coronavirus lockdown in the Greater Accra Metropolitan Area and the Greater Kumasi Metropolitan Area, which will limit damage to businesses but risks causing a surge in covid-19 cases. Ghana Health Service's data shows that cases have increased rapidly since Akufo-Addo's announcement, but government's adoption of a rigorous test and trace programme may avert an uncontrollable outbreak. Finance minister Ken Ofori-Atta cuts the 2020 GDP growth forecast from 6.8% to 1.5% – which would be the country's worst performance in almost four decades – due to the pandemic and the global collapse in oil prices. National and foreign tech companies partner with government to help in the fight against coronavirus by developing mobile apps and using drones to deliver life-saving medication. Expect to see Ghana's tech sector play an increasingly significant role during the pandemic and when the economy rebounds.

Easing of lockdown restrictions – too soon?

President **Nana Addo Dankwa Akufo-Addo** (2017-present) announced on 19 April that authorities would ease restrictions in the **Greater Accra Metropolitan Area and Kasoa** and the **Greater Kumasi Metropolitan Area** beginning 23 April, allowing the nation's two largest cities to return to work.¹ Akufo-Addo's bold and brisk actions have made **Ghana** a trailblazer in **sub-Saharan Africa**, both in terms of his bespoke social-economy response – rather than following Western governments – and in terms of his exit strategy. Ghana is the first country in **sub-Saharan Africa** to lift the lockdown.

Looking at the immediate rise in cases following the ease of restrictions, it could appear that Akufo-Addo ended the partial lockdown too soon. Confirmed coronavirus cases surged around 24% in a matter of days after the easing of restrictions. Although government says this reflects a backlog of tests taken during the three-week partial lockdown in the Accra and Kumasi areas, the trend is a cause for concern. Ghana's health system would not cope with a major outbreak.

That said, there is logic behind the government's decision. Unlikely most nations in **Africa** and across the world, the Ghanaian government said it “*will tailor [its] solutions to our unique social, economic and cultural conditions,*” noting that “*there is no one-size-fits-all approach.*”² Given the weak health system and the severe impact a strict and long lockdown would have on the most vulnerable, government favored swift action and adopting a rigorous test and trace programme to avert an outbreak. Starting on 16 March, government implemented sweeping social distancing measures and travel restrictions. A week later Ghana closed its borders to travellers and, on 30 March, implemented a partial lockdown of major urban areas. The government has also expanded treatment and isolation centres, enhanced testing capacity and increased capacity to produce sanitizers and medicines.

As well as rigorous resting, government has favoured a community-based approach. Akufo-Addo frames the challenge as an “*all-Ghanaian matter*”, urging “*all stakeholders – political, religious, traditional and civil society leaders – to come together with the government*” to assure a coordinated response.³ This approach is a lesson drawn from the region's recent fight against **Ebola**. Akufo-Addo

¹ MyJoyOnline, 19 Apr 2020

² MyJoyOnline, 19 Apr 2020

³ MyJoyOnline, 19 Apr 2020

says this works better with the realities of the society and is an easier solution than the strict enforcement of social distancing.

Rather than enforcing a strict shutdown on civil liberties and the economy, Ghana has conducted mass pool testing that has helped the nation avoid an explosion in cases. Pool testing – using a single test on 10 samples combined – is a time saver and maximises the use of coronavirus test kits, which are in short supply globally. A positive result leads to individual testing of the entire batch to identify the infected sample. However, this method only works when the outbreak is small. Ghana will have to change this approach if cases continue to rise rapidly.

Growth severely dampened but swift rebound expected

Finance minister **Ken Ofori-Atta** has cut Ghana's 2020 GDP growth forecast from 6.8% to 1.5% – which would be the country's worst performance in almost four decades – due to the coronavirus pandemic and the global collapse in oil prices. While the pandemic has almost stopped Ghana's world-leading growth rates in its tracks – and will worsen the country's already high level of debt distress – the economy will rebound, and it will rebound faster than many of its **West African** neighbours due to the availability of additional fiscal and external financing options to the sovereign. But for the rest of 2020, expect the economy to be in a damage limitation phase.

Two of the top three global ratings agencies, **United States**-based **Moody's Investors Service** and **Fitch Ratings**, recently updated their macroeconomic projects for Ghana and painted a much less rosy picture than we have grown used to in recent years. This was largely expected given that their dampened projections ultimately emanate from the coronavirus outbreak. Moody's on 20 April forecast Ghana's debt to hit 70% of GDP in 2020 and changed the country's outlook to negative from positive. The decision to change the outlook to negative reflects the rising risks to Ghana's funding and debt service, with financing beyond immediate official creditor emergency support looking increasingly vulnerable. Fitch Ratings on 21 April forecast the fiscal deficit to widen from an estimated 7.6% of GDP in 2019 to above 10% in 2020. This will push the fiscal deficit further past the **Fiscal Responsibility Act**, which caps the targeted fiscal deficit at 5% of GDP.

The pandemic is forcing hard choices on most of the world, but the dilemma facing indebted poor countries, many of which are in sub-Saharan Africa, is particularly acute. Ghana is at a higher risk of debt default; Fitch forecasts general government debt to increase to 76.8% of GDP in 2020, owing to the combination of a wider fiscal deficit and currency depreciation.

Government has committed \$100m to support preparedness and response, and GHC 1.2 billion (\$212m) under its **Coronavirus Alleviation Programme** for the promotion of selected industries, the support of SMEs and employment, and the creation of guarantees and first-loss instruments. On 26 April, a major investment in healthcare infrastructure was announced, including the construction or upgrade of 100 district and regional hospitals.

Government has also been forced to make plans to compensate for the larger spending. Government plans to cut spending in goods and services, transfers and capital investment for a total of at least GHC 1.1 billion (\$194m) (0.3% of GDP). Government has also agreed with investors to postpone interest payment on non-marketable domestic bonds held by public institutions.

Questions have arisen over the transparency of government funds. **University of Ghana Business School** economist **Godfred Bokpin** has urged government to ensure transparency in the disbursement of stimulus package allocated for businesses.⁴ Businesses are still unaware of whether they can access the government's financial support package. Akufo-Addo said he expects disbursements of the GHC 600m (\$106m) to start in May.⁵ **Transparency International's** 2019 **Corruption Perceptions Index (CPI)** highlights that corruption is still a problem in Ghana, with its

⁴ Godfred Bokpin quoted in MyJoyOnline, 6 May 2020

⁵ Akufo-Addo quoted in GhanaWeb, 20 Apr 2020

latest score (released 23 January) the same as for the previous year (41), with a ranking of 80 out of 180 globally in 2019.

Tech solutions for coronavirus tracking

Government on 14 April launched an Internet software application **GH COVID-19 Tracker** to help people with symptoms of covid-19 report directly to the health institutions without necessarily visiting testing centres. Akufo-Addo's decision to lift the coronavirus lockdown and allow all businesses to open up was based on his country's "*ability to undertake aggressive contract tracing of infected persons,*" which has been enabled and strengthened by the country's flourishing and adaptable tech sector.⁶ Expect to see Ghana's tech sector play an increasingly significant role during the pandemic and when the economy rebounds.

Governments and health experts see tech as a fast and efficient way to help a large number of people stay healthy during the outbreak.⁷ In Ghana, tech solutions are helping experts and disease surveillance agencies prepare to contain coronavirus before it hits a particular region.

Accra-based software engineering company **Cognate Systems** is using technology to track coronavirus symptoms and hotspots using a platform called **Opine Health Assistant**, which it launched on 26 March. The app is free to use and collects data from mobile devices, sharing it with public health experts, data scientists, relief providers and disease surveillance teams. Cognate Systems co-founder **Kwabena Nuamah** said, so far, 6,000 people have used it. Nuamah says that after the coronavirus pandemic, Opine Health Assistant will be used to monitor different diseases in Ghana.

In addition, US-based medical product delivery company **Zipline** launched a programme in partnership with the Ghanaian government on 24 April to operate 30 drones out of four distribution centres to distribute vaccines, blood and life-saving medications to 2,000 health facilities across the country. Zipline CEO **Keller Rinaudo** said:

*"We'll do 600 flights a day...and serve 12 million people. This is going to be the largest drone delivery network on the planet."*⁸

President Akufo-Addo said in a statement:

*"No one in Ghana should die because they can't access the medicine they need in an emergency, that's why Ghana is launching the world's largest drone delivery service...a major step towards giving everyone in this country universal access to lifesaving medicine."*⁹

Zipline's success in Ghana and **Rwanda** is seen by some as the start of a drone revolution coming to sub-Saharan Africa.¹⁰ Countries across the continent are experimenting with the novel technology as a way to overcome poor infrastructure.

⁶ MyJoyOnline, 19 Apr 2020

⁷ World Economic Forum, 5 Apr 2020

⁸ Tech Crunch, 24 Apr 2020

⁹ Akufo-Addo quoted in Tech Crunch, 24 Apr 2020

¹⁰ Tech Crunch, 16 Sep 2019

Planner

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

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

Chronology

10 May 2020 **Accra (Ghana)** *MyJoyOnline*. President **Akufo-Addo** announces the extension of the ban on social gatherings to the end of May;

10 May 2020 **Tema (Ghana)** *France24*. President **Akufo-Addo** says a worker at a fish-processing factory in **Tema** infected 533 other workers at the facility with the coronavirus;

9 May 2020 **Accra (Ghana)** *Ghana Business News*. **Ghana Health Service** says that over 500 of the 921 new **covid-19** cases recorded on 9 May are from an unnamed industrial facility;

8 May 2020 **Accra (Ghana)** *Reuters*. According to a letter seen by **Reuters**, Ghana has directed **France-based Eni** and **Accra-based** privately-owned energy conglomerate **Springfield E&P** to begin talks to combine their adjacent oil and gas fields, **Sankofa** and **Afina**;

3 May 2020 **Accra (Ghana)** *News Ghana*. President **Nana Addo Dankwa Akufo-Addo** extends the closure of borders by another month, effective 4 May;

27 Apr 2020 **Accra (Ghana)** *Pulse*. **Ghana Statistical Service** says the informal sector grew by 5.9% in 2019, to a value of 45.2 billion Ghanaian cedis (\$7.79 billion);

23 Apr 2020 **Accra (Ghana)** *News Ghana*. **Ghana Statistical Service** says the economy grew by 6.5% in 2019, compared with the 6.3% recorded in 2018;

21 Apr 2020 **Accra (Ghana)** *MyJoyOnline*. Business activities resume in earnest in capital **Accra**, as well as **Kumasi**, **Tema** and **Kasoa**, following President **Nana Addo Dankwa Addo Akufo's** lifting of the lockdown order imposed in the cities;

21 Apr 2020 **Accra (Ghana)** *Fitch Ratings*. **United States-based Fitch Ratings** affirms **Ghana's** long-term foreign-currency issuer default rating at 'B' with a stable outlook;

20 Apr 2020 **Accra (Ghana)** *MyJoyOnline*. **United States-based** medical product delivery company **Zipline** launches emergency delivery of **covid-19** test samples using drones in more than 1,000 health facilities located in difficult to reach rural areas;

20 Apr 2020 **Accra (Ghana)** *MyJoyOnline*. **United States-based Moody's** predicts **Ghana's** debt to hit 70% of GDP in 2020 and changes the country's outlook to negative from positive;

19 Apr 2020 **Accra (Ghana)** *MyJoyOnline*. President **Nana Addo Dankwa Akufo-Addo** announces a slight ease to the lockdown, allowing most major cities to return to work from 20 April – making **Ghana** the first country in **sub-Saharan Africa** to ease movement restrictions;

16 Apr 2020 **Accra (Ghana)** *CPJ*. **United States-based Committee to Protect Journalists** says military should investigate the recent attacks on two journalists by soldiers enforcing **coronavirus** restrictions;

14 Apr 2020 **Accra (Ghana)** *News Ghana*. Government launches an internet software application to help people with symptoms of **coronavirus** to report directly to the health institutions;

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.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

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

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)