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President John Dramani Mahama's (2012- present) cabinet experiences significant turbulence. Transport minister Dzifa Attivor resigns after allegedly overspending on a bus rebranding contract for the Metro Mass Transit Co (MMT). Power minister Kwabena Donkor resigns following a gas turbine scandal and a premature declaration that the power crisis is over. The Public Utilities Regulatory Commission (PURC) increases electricity and water tariffs by 59.2% and 67.2-89% respectively.

Transport minister resigns after alleged overspend

Two separate government controversies have resulted in the resignation of two ministers as President **John Dramani Mahama's** (2012- present) cabinet experiences significant turbulence. In the first incident, transport minister **Dzifa Attivor** resigned on 23 December.¹ Local press sources brought attention to her reportedly excessive \$947,000 expenditure on the rebranding of 116 buses for the **Metro Mass Transit Co (MMT)**, a public transportation company providing rapid transit bus services.²

*"She was forced to resign after the story broke... The story broke because an insider in the [ruling National Democratic Congress] NDC party was not happy and leaked details to the minority leader, Osei Kyei Mensah Bonsu, who questioned the amount paid in parliament... She is hurt but [is] a loyal minister to Mahama and so she resigned honourably. She is only a scapegoat."*³

The transport ministry had opened a tender for the MMT contract, which **Smarttys Management and Productions** – a local public relations, media and events company – won.⁴ Smarttys CEO **Selassie Ibrahim** is an actress, television host and also a well-known supporter of the NDC.⁵ Press sources claim she benefited from nepotism to win the contract, though there is no publicly available evidence of this.⁶

*"Ibrahim was instrumental in organising actors and actresses in the country ahead of the 2012 elections to support President Mahama, and she is billed to do the same this time [in presidential elections expected towards the end of 2016]. This project and other ones were given to her as a favour... Her company inflated the cost... The contract was with the blessing of the president."*⁷

The resignation came one day after seven Ghanaian citizens commenced court action against the government. The court action revealed a pro-forma invoice from Smarttys to the government putting the cost of rebranding at \$2,887 per bus.⁸ It later emerged that the final invoice that Smarttys' accounts officer signed put the total cost of rebranding at \$7,984 per bus – over three times the price of the initial quote.⁹ Industry experts deemed this an "outrageous" amount.¹⁰ After the court action

¹ Graphic Online, 23 Dec 2015.

² Graphic Online, 23 Dec 2015.

³ Source, journalist, Accra

⁴ CitiFM, 23 Dec 2015.

⁵ Graphic Online, 23 Dec 2015.

⁶ Graphic Online, 23 Dec 2015.

⁷ Source, journalist, Accra

⁸ CitiFM, 23 Dec 2015.

⁹ CitiFM, 23 Dec 2015.

and extensive media coverage, popular pressure increased on chief of staff **Julius Debrah** to take action.¹¹ Debrah instructed attorney general and justice minister **Marietta Brew Appiah-Opong** to carry out an investigation into the matter.¹² The details of the investigation were not communicated publicly, only internally within government.¹³ Nonetheless, it is this report which press sources claim was the main reason that the government backed her resignation.¹⁴ They also allege that Attivor may have been forced to resign because of negligence.¹⁵

Moreover, groups such as the **Taxpayers League Ghana** – a local taxpayers’ association – have demanded the arrest of both Attivor and Ibrahim.¹⁶ Amidst continuing media controversy surrounding the issue, the parliamentary transport committee is expected to carry out a hearing into Attivor’s resignation, to better understand the extent of her involvement in this particular deal.¹⁷

“We need to know exactly what went wrong so that will also inform us to continue with our oversight work in an advanced manner.”¹⁸

However, there are questions about the credibility of the committee:

“The investigative committee is a sham. Nothing is happening. No-one is yet to be questioned as details are already known in the report to the attorney general submitted to chief of staff Julius Debrah.”¹⁹

Power minister resigns following failure to resolve power crisis

Ghana’s continuing power shortages have sparked the resignation of power minister **Kwabena Donkor**. Following his pledge to resign if he failed to solve the load-shedding problem by the end of the year,²⁰ Donkor tendered his resignation on 31 December.²¹

“We [promised to] fix this problem and I indicated that come 1 January 2016, if there is still load-shedding, I would not sit in this chair, I would have failed and I will sack myself before anyone sacks me.”²²

Despite government efforts to assure significant production increases throughout 2015, the main power projects proved insufficient to meet demand. A 235-megawatt (MW) **Turkish**-owned power barge, **Karadeniz Powership Aysegül Sultan**, arrived at **Tema Port** on 29 November (see *ARC Briefing Ghana December 2015*), with a second barge expected in mid-2016.²³ State-owned power producer **Volta River Authority (VRA)** also received a 250MW gas powered plant from **United Arab Emirates**-based **Africa and Middle East Resources Investment Group (AMERI)** in October.²⁴ However, power shortages and load-shedding continue to impact business operations negatively. In May 2015, the **Institute of Statistical, Social and Economic Research (ISSER)** of the **University of Ghana** published a report stating that the Ghana government’s load-shedding activities that cause regular power cuts, costs the country \$686m, up to 2% of gross domestic product (GDP), annually.²⁵ The report stated that the power cuts lowered the 1,250 sampled micro and small-scale enterprises’

¹⁰ Graphic Online, 23 Dec 2015.

¹¹ Graphic Online, 23 Dec 2015.

¹² Graphic Online, 23 Dec 2015.

¹³ Graphic Online, 23 Dec 2015.

¹⁴ Graphic Online, 23 Dec 2015.

¹⁵ CitiFM, 23 Dec 2015.

¹⁶ Ghana Web, 25 Dec 2015.

¹⁷ Ghana Web, 25 Dec 2015.

¹⁸ Ghana Web, 25 Dec 2015.

¹⁹ Source, journalist, Accra

²⁰ Graphic Online, 31 Dec 2015.

²¹ Graphic Online, 31 Dec 2015.

²² GhanaWeb, 30 Dec 2015.

²³ Karadeniz Energy Press Release, 29 Nov 2015.

²⁴ CitiFM, 24 Oct 2015.

²⁵ Graphic Online, 15 May 2015.

(MSEs) sales by up to 48%.²⁶ Furthermore, only 20% of these MSEs had back-up generators, meaning that the vast majority were unable to operate during the power cuts.²⁷ Head of policy at the **Africa Centre for Energy Policy (ACEP)**, **Ishmael Ackah**, estimated the country would need \$4 billion of investment over the next 10 years to solve the power crisis.²⁸

Discussions at the presidency allegedly led directly to Donkor's resignation.²⁹

*"Donkor had heated exchanges with Mahama over his performance. Mahama insisted he had not fulfilled the promise to end the power crisis. Donkor insisted he had."*³⁰

*"Donkor is seen as pompous. In the past he critiqued his own government for fielding incompetent people to handle the energy portfolio. Some experts have said the job was given to him to test his competence."*³¹

Following discussions with Mahama, Donkor issued a statement on 30 December to announce the end of the load shedding.³² Press sources viewed this as a frantic attempt to avoid sacking or forced resignation.³³ Within 24 hours, **William Amuna**, CEO of national power grid company **Ghana Grid Co (GRIDCo)**, contradicted Donkor's statement, affirming that the load shedding had in fact not ended, even though major improvements were made throughout the year.³⁴ **Ben Boakye**, director of operations at ACEP attributed the government's failure to end load shedding to a lack of energy investments to counter growth in demand.³⁵ ACEP executive director **Mohammed Amin Adams** described Donkor's announcement as "*unnecessary and premature*".³⁶

Mahama recognises these power shortages are the most serious challenge of his term in government (see *ARC Briefing Ghana December 2015*). The prompt contradictions to Donkor's statement on behalf of two influential actors in the sector (GRIDCo and ACEP) were reportedly the main cause for Mahama's ultimatum to Donkor to resign or face dismissal.³⁷

*"The president was angered by his announcement to Ghanaians that the power crisis was over. He was given the option to resign or be fired."*³⁸

Donkor was already under pressure since, earlier in December, **Norwegian** newspaper **Verdens Gang (VG)** alleged irregularities in a contract between his ministry and a **United Arab Emirates (UAE)**-based power plant developer **Africa and Middle East Resources Investment Group (Ameri Group)**.³⁹ On 15 February 2015, Donkor reportedly signed a \$510m contract with Ameri Group for 10 **General Electric (GE)** gas turbines, in a build-own-operate-transfer (BOOT) model.⁴⁰ The plant would be installed at the **Aboadze Thermal Power Enclave** and yield 250 megawatts of electricity.⁴¹ Ameri Group reportedly acquired the turbines from **Turkey**-based subsidiary of **Greece**-based company **Metal Constructions of Greece (METKA)**. However, METKA released a statement that this deal totalled \$350m, that is, \$160m less than the Ghana government paid to Ameri Group.⁴² VG judged this

²⁶ Graphic Online, 15 May 2015.

²⁷ Graphic Online, 15 May 2015.

²⁸ Graphic Online, 15 May 2015.

²⁹ Graphic Online, 31 Dec 2015.

³⁰ Source, journalist, Accra.

³¹ Source, journalist, Accra.

³² Graphic Online, 31 Dec 2015.

³³ Graphic Online, 31 Dec 2015.

³⁴ Ghana Business News, 31 Dec 2015.

³⁵ Reuters, 30 Dec 2015.

³⁶ Ghana Web, 30 Dec 2015.

³⁷ GhanaWeb, 31 Dec 2015.

³⁸ Source, journalist, Accra

³⁹ VG, 12 Dec 2015.

⁴⁰ StarFM, 12 Dec 2015.

⁴¹ StarFM, 12 Dec 2015.

⁴² StarFM, 12 Dec 2015.

as overpaying, citing a similar example in **Algeria** involving **Sonelgaz**, where eight identical turbines were sold for \$161m.⁴³ Adams claimed that the Ghana government could have acquired the turbines for \$220m.⁴⁴ The government defended the excess expenditure, stating it was for all costs including auxiliaries, balance of plant, civil works, sub-station, installation of equipment, cost of financing, operation and maintenance.⁴⁵ ACEP is sceptical that these costs could have amounted to the remaining \$290m.⁴⁶ Since then, Ameri Group has sued VG, seeking \$150m for

*“[an] incessant and relentless defamatory campaign against a fair and transparent business deal between our client and the government of Ghana”.*⁴⁷

However, Donkor’s resignation has little to do with the Ameri Group deals, as those were made under the directive of the presidency.⁴⁸

In his New Year speech, Mahama reiterated his government’s commitment to keeping its promises:

*“Each and every member of this government will uphold the promises that have been made to you, the people whose interest we serve. Those who fall short of that commitment have been and will continue to be asked to tender their resignation and relieved of their responsibilities.”*⁴⁹

Mahama is expected to announce a reshuffle of his cabinet “soon”.⁵⁰ The two vacant positions in his government will reportedly not be filled until then.⁵¹ Sources claim the replacements are likely to be “new faces”.⁵²

An upsurge in PURC tariffs

The **Public Utilities Regulatory Commission (PURC)** has increased electricity and water prices by 59.2% and 67.2-89% (depending on usage) respectively.⁵³ The increase came into effect on 14 December.⁵⁴ This marks the first significant increase in electricity tariffs since 2013.⁵⁵ The PURC said that it had delayed this revision for several months in order to sensitise the public to the increase. The PURC highlighted the shift from hydropower to the more expensive thermal power production, whilst the **Ghana Water Co Ltd (GWCL)** cited increasing chemical and power purchase costs as the main justifications for its increase.⁵⁶

The opposition **National Patriotic Party (NPP)** called the increase “*the highest level of insensitivity ever witnessed by Ghanaians under the Fourth Republic*”, especially as inflation is as high as 17% and “*dumsor*” power cuts still affect many Ghanaians.⁵⁷ Key business players also criticised the move. **Adjei Baah**, president of the **Ghana Chamber of Commerce and Industry (GCCI)**, said he was “*shocked and surprised*” at the decision, which goes against government claims that there was extensive sensitising of the public in the lead-up to the increase.⁵⁸ Nonetheless, the utility increase is less than the 128.6% and 400.2% increases that the state-owned power producer VRA and GWCL respectively requested.⁵⁹

⁴³ VG, 12 Dec 2015.

⁴⁴ StarFM, 12 Dec 2015.

⁴⁵ StarFM, 12 Dec 2015.

⁴⁶ Ghana Business News, 15 Dec 2015.

⁴⁷ Ghana Web, 20 Dec 2015.

⁴⁸ Source, journalist, Accra

⁴⁹ CitiFM, 1 Jan 2016.

⁵⁰ Source, journalist, Accra

⁵¹ Source, journalist, Accra

⁵² Source, journalist, Accra

⁵³ Reuters, 7 Dec 2015.

⁵⁴ Reuters, 7 Dec 2015.

⁵⁵ Ghana Business News, 8 Dec 2015.

⁵⁶ Reuters, 7 Dec 2015.

⁵⁷ The Africa Report, 8 Dec 2015.

⁵⁸ allAfrica, 8 Dec 2015.

⁵⁹ Ghana Business News, 8 Dec 2015.

Press sources stated that this decision is heavily linked to Ghana's engagement to fulfil the **International Monetary Fund's (IMF)** three-year \$918m package, signed in April 2015.⁶⁰ In this deal, the Ghana government committed to restoring the fiscal balance.⁶¹ In September, Ghana's debt-to-GDP ratio stood at 70.9%, and the IMF predicted this would increase to 75% by the end of 2015.⁶²

Implications

Mahama has shown that he is not afraid to take decisive action where ministers underperform. In the cases of both the transport minister and the power minister, he avoided direct personal implication in the various scandals throughout December. Both ministers appear to have accepted the blame, resigning rather than forcing Mahama to dismiss them. However, sources allege the president was to some degree complicit in these cases, making the ministers scapegoats in order to protect his image ahead of elections later this year. Regardless of the extent of blame apportioned to the president, his ability to deliver on his promises will be pivotal to convincing the public to re-elect him.

The power crisis remains Mahama's toughest challenge and the main source of criticism in the press. The knock-on effects of continued power cuts, outside of Ghanaian social discontentment and suppression of local SMEs, are detrimental insofar as the country's ability to attract and retain foreign direct investment. This is especially true for greenfield investments, where operating risks greatly determine project feasibility. The incoming minister, when announced, will need to uphold the improvements made over the last year whilst assuring measurable increases in power generation. If he/she is to reassure business in the short term, there will need to be a guarantee of recovery, and regardless of personal conviction, significant investment is required to afford this guarantee.

In parallel, Mahama faces pressures towards fiscal consolidation from his financial backers, namely the government's three-year deal with the IMF, which demands greater fiscal revenues and reduced public debt for compliance. Mahama at this stage would appear to be struggling to achieve the correct balance between appeasing Ghana's creditors (which implies 'unpopular' decision-making) and making progress towards a successful election campaign (which implies delivering on his promises).

⁶⁰ The Africa Report, 8 Dec 2015.

⁶¹ The Africa Report, 8 Dec 2015.

⁶² CitiFM, 14 Sept 2015.

About Africa Risk Consulting:

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