

AFRICA RISK CONSULTING

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Ghana Summary 23 September 2020

Government statistics office Ghana Statistical Services announces that Ghana's economy experienced its sharpest contraction in almost four decades in April to June (Q2) 2020, when gross domestic product (GDP) shrank 3.2% compared to the same period in 2019. Main political parties release their manifestos ahead of the upcoming December election, followed by calls from both sides of manifesto theft. Ghanaian and Nigerian officials begin talks in Nigerian capital Abuja to resolve a diplomatic crisis between the two West African powerhouses arising from the alleged maltreatment of Nigerians in Ghana.

First economic contraction in 37 years

Government statistics office **Ghana Statistical Services (GSS)** said on 16 September that the economy experienced its sharpest contraction in almost four decades in April to June (Q2) 2020, when gross domestic product (GDP) shrank by 3.2% compared to the same period in 2019.¹ Economists were not surprised by the sudden nose-dive in the **West African** country's economy, which had been achieving world-leading growth rates prior to the economic fallout from the **coronavirus** pandemic.

GSS data show the main sub-sectors that contracted in Q2 2020 were:

- Hotels and restaurants (-79.4%);
- Trade, repair of vehicle, household goods (-20.2%);
- Manufacturing (-14.3%), and;
- Mining and quarrying (-5.6%).

The main sub-sectors that expanded in Q2 2020 were:

- Information and communication (74.2%);
- Health and social work (21.3%);
- Education (17.9%), and;
- Public administration and defence, social security (12.4%).

The growth downgrade in Q2 2020 was expected. Finance minister **Ken Ofori-Atta** in late March cut the country's economic growth forecast for 2020 to 1.5%, the lowest since 1983. The finance ministry's initial projection was growth of 6.8%, which would make Ghana the third-fastest growing economy in **sub-Saharan Africa**. Ghana's recent GDP figures compares favourably with those of **Nigeria** and **South Africa**, whose economies contracted by 6.1% and 17.1% respectively in the same period.

The impact of the coronavirus is not the only factor pulling down Ghana's growth projections. The **International Monetary Fund (IMF)** had slightly revised down Ghana's growth projections for 2020 in January, before the virus had been recorded in Ghana. The IMF in its **World Economic Outlook** report in January reduced its projection of growth in Ghana's GDP to 5.6% from its October projection of 6.5%, due to the global oil price collapse.²

¹ 'Newsletter: Quarterly GDP Q2 2020', Ghana Statistics Service, 16 Sep 2020

² 'Ghana', IMF's World Economic Outlook, Jan 2020

Much now depends on government's strategy to reignite the economy and control the virus. Government has outlined a raft of measures to prevent the economy from going into recession, including the **COVID-19 Alleviation and Revitalisation Enterprises Support (CARES)** programme, a GHS 100 billion (\$17.24 billion) project aimed at stimulating the economy. The first phase aims at supporting enterprises' recovery through injecting liquidity into the system and easing the cash-flow difficulties of businesses. The second phase aims at medium-term revitalisation through private sector job creation and acceleration in key sectors such as manufacturing, technology and finance.³

Government hopes this strategy will foster a fast and sustainable economic rebound. Senior officials at the finance ministry and the **Bank of Ghana (BoG)** (central bank) have been quick to assure that the recent GDP contraction is only a temporary blip and that economic growth is expected to resume in Q3, albeit at a slower pace than during the corresponding period of last year.⁴ This is based on the fact that the government has lifted most Covid-19-related restrictions on economic activity. The monetary policy committee (MPC) of the BoG is holding its 96th regular meeting between 22 and 25 September – the outcome will be a good indication of how the economy is performing in Q3.⁵

In regard to controlling the virus, after a positive start there are now growing fears that the government did too little to prevent a nation-wide outbreak. President **Nana Addo Dankwa Akufo-Addo** (2017-present) initially received much praise, both nationally and internationally, for his government's response to the virus outbreak. His administration adopted a business-friendly approach and was very hesitant to fully close down the country, instead choosing to enforce partial lockdowns in the country's two largest, and worst-hit cities, capital **Accra** and **Kumasi (Ashanti Region)**. Three weeks later, on 20 April, the president lifted the partial lockdown, becoming one of the first globally to do so.

Ghana Health Service (GHS) data shows that as at 23 September Ghana had slightly over 46,000 total recorded cases of Covid-19 and almost 300 deaths in its population of roughly 30 million people.⁶ President Akufo-Addo announced on 30 August the reopening of **Kotoka International Airport** to international travelers on 1 September, although land borders will remain closed.⁷ Akufo-Addo described new safety measures to prevent passengers bringing the virus into the country:

*"Any passenger arriving in Ghana must be in possession of a negative Covid-19 PCR test result from an accredited laboratory in the country of origin. The test should have been done not more than 72 hours before their departure. In addition, arriving passengers must undergo a Covid-19 test at the airport terminal at their own cost, though children under five will be exempt. Passengers who test positive for Covid-19 will be handled by the health authorities for further clinical assessment and management."*⁸

Different parties, similar manifestos

The ruling **New Patriotic Party (NPP)** on 22 August launched its party manifesto titled '*Leadership of Service: Protecting our progress, transforming Ghana for all*'⁹ for the upcoming December elections, while main opposition party **National Democratic Congress (NDC)**, after several postponements, launched its manifesto, titled '*Jobs, prosperity and more: The people's manifesto*', on 7 September.¹⁰ While the campaign will put the self-described ruling centre-right and liberal conservative party against the self-described social democratic opposition party, the parties share remarkably similar manifesto pledges, leading each party to accuse the other of manifesto theft.¹¹

³ B&FT Online, 17 Sep 2020

⁴ GhanaWeb, 20 Sep 2020

⁵ 'MPC Meeting – September 2020', Bank of Ghana (last accessed 23 Sep 2020)

⁶ Ghana Health Service, 23 Sep 2020

⁷ The Frontier Post, 31 Aug 2020

⁸ President Nana Akufo-Addo quoted in The Frontier Post, 31 Aug 2020

⁹ 'Leadership of Service: Protecting our progress, transforming Ghana for all', NPP, 22 Aug 2020

¹⁰ 'Jobs, prosperity and more: The people's manifesto', NDC, 2 Sep 2020

¹¹ Pulse, 14 Sep 2020

A comparison of the central policy documents of the two main parties shows that they share similar fundamental objectives for macroeconomic management. Both parties identify the same key topic areas, namely reinvigorating growth to pre-coronavirus level, jobs, diversification from oil, public infrastructure investment, reining in the fiscal deficit and tackling corruption.

The economy will be a key factor in the 2020 elections, which currently doesn't bode well for the incumbent despite being at the helm of one of Africa's best economic performers in recent years. The GDP contraction in Q2 2020 may prove devastating to Akufo-Addo's re-election bid. The last time quarterly GDP in Ghana contracted was in 2016, in the run-up to the December 2016 general election in which then-opposition leader Akufo-Addo defeated incumbent **John Mahama** (2012-2017). Akufo-Addo said on 27 June when the NPP re-nominated him:

*"We did not plan for this unthinkable crisis, but we did prepare our economy well for tougher times."*¹²

Recent local news media have released reports about a development-focused group of economists and other professionals named **Ghana Economic Dialogue (GED)** who fact-checked the NPP manifesto.¹³ The GED reportedly concluded that "*many aspects*" of the NPP manifesto are "*not reliable*," particularly regarding the fiscal deficit, government borrowing and GDP growth. The news articles report that the GED would analyse the NDC manifesto, but no information is available about this in news media. It appears that the GED analysis is politically motivated: a June news article about GED chief economist **Jerry Monfant** quotes him urging Ghanaians to vote against the current administration.¹⁴

Diplomatic and trade spat with Nigeria

Ghanaian and Nigerian officials on 4 September began talks in Nigerian capital **Abuja** to resolve a diplomatic crisis between the West African neighbours arising from the alleged maltreatment of Nigerians in Ghana.¹⁵ The deteriorating diplomatic relationship is affecting trade and business in Ghana due to Nigeria being its largest trade partner, with nearly 20% of Ghana's imports coming from Nigeria, and being home to more than one million Nigerians.¹⁶

There were possible signs this month that tension between the two regional powerhouses could be abating when President Akufo-Addo agreed to Nigerian house of representatives (lower chamber) speaker **Femi Gbajabamila's** request on 4 September for Ghanaian authorities to revise a law that requires a capital base of \$1m for businesses by foreigners, saying as Africans, Ghana should encourage comradeship.¹⁷ The legislative diplomacy dialogue became imperative as the parliaments of the two countries sought ways to resolve challenges and provide an enabling business environment for foreign traders, including Nigerians, in Ghana.

Tension over Nigerian businesses operating in Ghana has been rising over the past year. **Ghanaian Times** reported in August that more than 50 shops owned by foreigners were closed down in the **Tip-Toe Lane** at the **Kwame Nkrumah Circle** in Accra in one day for "*operating without the relevant documents*".¹⁸ Ghanaian Times quoted trade and industry ministry public relations officer **Prince Boakye-Boateng** saying that the shops were closed down due to the "*failure of the affected foreign traders to regularise their business*".¹⁹ However, the **Nigerian Union of Traders Association in Ghana's** national president, **Chukwuemeka Nnaji**, in an interview with Ghanaian Times, said its members have complied with all requirements.

¹² GhanaWeb, 27 Jun 2020

¹³ GhanaWeb, 23 Sep 2020; B&F Online, 22 Sep 2020

¹⁴ GhanaWeb, 22 Jun 2020

¹⁵ This Day, 4 Sep 2020

¹⁶ Nigerian High Commission in Accra (last accessed 23 Sep 2020)

¹⁷ Punch, 5 Sep 2020

¹⁸ Ghanaian Times, 14 Aug 2020

¹⁹ Ghanaian Times, 14 Aug 2020

A similar incident took place in November last year. The **Ghana Union of Traders Association (GUTA)** shut down 70 Nigerian-owned businesses, mostly in Accra, claiming that Ghanaian law stipulates that the sale of goods in the market must be reserved for Ghanaian citizens.²⁰ The response was seen as retaliation for the Nigerian government's decision to close its borders, costing Ghanaian traders (see *ARC Briefing Ghana November 2019*).

Ghanaian law prevents foreigners from running small retail shops, but they can own wholesale firms or other businesses in which around \$1m has been invested. The law is intended to protect smaller local traders and those running small businesses. Ghanaian authorities conducted an audit of retail shops in August and closed some Nigerian-run stalls amid rising tensions between market traders from both countries.

Nigeria's vice president, **Yemi Osinbajo**, on 16 September said that those Nigerian traders who are facing recent business regulations imposed by Ghanaian authorities "*will get justice*".²¹ Nigeria accuses Ghanaian authorities and GUTA of carrying out a targeted campaign against Nigerian businesses and traders in Ghana, and argues that it jeopardises Ghana's economy as well as that of Nigeria.

These tensions were worsened on 19 June when unidentified armed men took over the **Nigerian High Commission** in capital Accra and forced the demolition of two buildings under construction there. Nigerian foreign affairs minister **Geoffrey Onyeama** called the incident "*outrageous and criminal*" and the Nigerian community in Ghana responded with protests.²² President Akufo-Addo ordered an investigation of the demolition but offered little explanation and tried to brush the incident aside. Nigeria responded by publicly accusing the Akufo-Addo government of hostility and harassment towards Nigerians in Ghana.

Hostility in the past has escalated to mass deportations. Ghana expelled 100,000 foreigners – mostly Nigerians – in 1969 and Nigeria banished 1.2 million Ghanaians in the 1980s.²³

Planner

25 Sep 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee meeting ends;
 28 Sep 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee press release;
 5 Oct 2020 **(Ghana)** Deadline for presidential and parliamentary candidates to file their election nominations;
 6 Nov 2020 **(Ghana)** Deadline for participating political parties to distribute their final voters roll;
 18-20 Nov 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee meets;
 23 Nov 2020 **Accra (Ghana) Bank of Ghana** monetary policy committee press release;
 7 Dec 2020 **(Ghana)** General elections;
 10 Dec 2020 **(Ghana)** Announcement of general election results;
 Postponed **(Africa)** African Continental Free Trade Area deadline for 90% tariff liberalisation.

Chronology

23 Sep 2020 **Accra (Ghana) Ghanaian Times**. Main opposition party **National Democratic Congress'** director of elections **Elvis Afriyie-Ankrah** accuses government to attempting to rig the December elections via gross incompetence by the electoral commission in the conduct of the ongoing voter exhibition exercise;

²⁰ MyJoyOnline, 11 Nov 2019

²¹ Daily Post, 16 Sep 2020

²² 'Geoffrey Onyeama', Twitter, 20 Jun 2020

²³ BBC, 12 Sep 2020

21 Sep 2020 **Accra (Ghana)** *Reuters*. Three sources say government plans to list government-backed gold royalty fund **Agyapa Royalties** on the **London Stock Exchange** in October for around \$500m;

16 Sep 2020 **Accra (Ghana)** *MyJoyOnline*. Government misses three-year bond target, accepting all bids totaling GHS 823.64m (\$143.69m) of the GHS 1.5 billion (\$262m) target, for a three-year bond that will mature in 2023;

16 Sep 2020 **Accra (Ghana)** *MyJoyOnline*. Government statistician **Samuel Kobina Annim** says the economy contracted for the first time in almost four decades in Q2 2020, when GDP shrank 3.2% compared with growth of 4.9% in Q1 2020;

14 Sep 2020 **Accra (Ghana)** *The Africa Report*. **Germany-based Thyssenkrupp Industrial Solutions** CEO for **sub-Saharan Africa, Philipp Nellessen**, says his company is in talks with a bank to allow miners to lease rather than purchase equipment to help them overcome cashflow problems;

14 Sep 2020 **Accra (Ghana)** *Reuters*. Two sources say **Ghana** plans to increase the guaranteed farm gate cocoa price paid to farmers by at least 21% to 10,000 cedi (\$1,745) per tonne for the next cocoa season starting on 1 October;

7 Sep 2020 **Accra (Ghana)** *Pulse*. Opposition party **National Democratic Congress** launches its manifesto for the upcoming December elections;

7 Sep 2020 **(West Africa)** *Sahara Reporters*. President **Nana Akufo-Addo** is elected new chairman of the **Economic Community of West Africa States (ECOWAS)** at the 57th summit in **Niger**;

5 Sep 2020 **Accra (Ghana)** *Vanguard*. President **Nana Akufo-Addo** pledges to review **Ghana's** \$1m capital base legal requirement for foreign traders amid a growing diplomatic spat with regional neighbour **Nigeria**;

4 Sep 2020 **Accra (Ghana)** *Pulse*. Telecom sector leader **MTN Ghana** files papers at the **Supreme Court** seeking to review the **High Court's** decision regarding the declaration of MTN Ghana as a Significant Market Power (SMP);

3 Sep 2020 **Accra (Ghana)** *MoneyWeb*. **Accra High Court** dismisses the challenge by **South Africa-based MTN's** local unit to the **National Communications Authority's** decision to classify it as a Significant Market Player (SMP), aimed at exposing it to greater competition;

<COVID> 30 Aug 2020 **Accra (Ghana)** *MyJoyOnline*. President **Nana Akufo-Addo** confirms that **Ghana** is reopening its main airport to international flight passengers from 1 September, after putting in place new measures to help curb the spread of **coronavirus**;

28 Aug 2020 **Abuja (Nigeria)** *Twitter*. Information minister **Lai Mohammed** criticises **Ghana** over "incessant harassment of its citizens in Ghana and the progressive acts of hostility towards the country by Ghanaian authorities";

27 Aug 2020 **Accra (Ghana)** *Bloomberg*. Former president **John Mahama** vows to reverse the establishment of a gold royalty fund if he wins December's election, saying a plan to raise \$500m next month through an initial public offering of the fund is a "very shady deal";

22 Aug 2020 **Accra (Ghana)** *Pulse*. Ruling **New Patriotic Party** launches its manifesto for the upcoming December elections;

19 Aug 2020 **Abidjan (Cote d'Ivoire)** *Sika Finance*. Cote d'Ivoire and **Ghana** establish the '**Initiative Cacao Cote d'Ivoire-Ghana**', which aims to better coordinate common policies in the cocoa sector;

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

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