

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing February 2022

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#### Ghana Summary 9 February 2022

**United States (US)-based global ratings agency Moody's downgrades Ghana's sovereign credit rating from 'B3' with a negative outlook to 'CAA1' with a stable outlook. S&P Global Ratings simultaneously complete a review of Ghana's credit rating maintaining a rating of 'B-/B' with a stable outlook. The finance ministry accuses Moody's of institutionalised bias against African economies as Ghana's dollar-denominated bonds fall further following the credit rating downgrade. Economist James Dzansi urges government to seek a financing arrangement with the International Monetary Fund. The Bank of Ghana (BoG) Monetary Policy Committee (MPC) holds the policy rate at 14.5%, cautioning that it may call extraordinary meetings ahead of the next meeting scheduled for the end of March. US-based ratings agency Fitch Ratings predicts that policy rates will rise to 15% in 2022. The ministry of lands and natural resources levies a \$6m fine against Spain-based Maxam Corp. following an explosion in mining village Apiatse (Western region) after a collision between a motorcycle and a truck carrying 10 tons of explosive. The truck in question was heading to Chirano gold mine, operated by Canada-based and Toronto Stock Exchange (TSX)-listed Kinross Gold Corporation. A fourth wave of Covid-19 infections is in decline. Ghana Port Health office retracts possible \$3,500 fine for unvaccinated maritime workers and passengers to protect Ghana's import network and ports.**

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#### Moody's downgrades Ghana's sovereign credit rating ...

Global credit rating agency **Moody's Investors Service** downgraded **Ghana's** sovereign credit rating from 'B3' negative outlook to 'CAA1' with a stable outlook on 4 February.<sup>1</sup> The rating decision noted future difficulty for government "*addressing its intertwined liquidity and debt challenges.*"<sup>2</sup> In its decision, Moody's forecasts that interest payments will absorb more than half the government's revenue over the foreseeable future, "*which is exceptionally high compared to peers at all rating levels.*"<sup>3</sup>

The rating review took into consideration Ghana's new fiscal strategy, which aims to consolidate debt and borrow from external partners for favourable terms. Moody's notes that the window of opportunity for government to deliver this strategy is bound by balance of payments pressures, which are likely to build while it relies on domestic sources of finance:

*"The strategy comes with sizeable implementation risks, especially in a still-fragile post-pandemic environment and while international market creditors price in very wide risk premia."*<sup>4</sup>

Ghana's sovereign dollar bonds fell sharply on 6 February, following Moody's downgrade with long-term debt falling by as much as \$0.03.<sup>5</sup> Ghana had planned to issue \$3.92 billion in bonds in Q1 2022, however, international bond yields of 10%+ since Q4 2021 have shut Ghana out of the market.<sup>6</sup>

Moody's decision follows that of **United States (US)-based credit risk agency Fitch Ratings**, which downgraded Ghana's long-term foreign-currency **Issuer Default Rating (IDR)** from 'B' to 'B-' with a

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<sup>1</sup> [Moody's](#), 4 Feb 2022

<sup>2</sup> [Moody's](#), 4 Feb 2022

<sup>3</sup> [Moody's](#), 4 Feb 2022

<sup>4</sup> [Moody's](#), 4 Feb 2022

<sup>5</sup> [Reuters](#), 7 Feb 2022

<sup>6</sup> [Reuters](#), 7 Feb 2022

negative outlook on 14 January (see *ARC Briefing Ghana January 2022*).<sup>7</sup> Fitch similarly cautioned that loss of access to **International Capital Markets (ICMs)** in 2022/2023 following a pandemic-generated surge in government debt may constrain government options and fiscal policy decisions. **James Dzansi**, economist at the Ghana-wing of the **United Kingdom (UK)**-government agency sponsored policy thinktank, the **International Growth Centre (IGC)**, suggests that the government approach multilateral donors while there is still “*breathing space*”.<sup>8</sup>

In response to Fitch rating’s credit downgrade, the finance ministry on 16 January highlighted alternative sources of finance for the 2022 budget, totalling \$1.5 billion, \$700m of which are **Special Drawing Rights (SDR)** from the **International Monetary Fund (IMF)** (see *ARC Briefing Ghana January 2022*).<sup>9</sup> Dzansi claims that an agreed policy package with the IMF would lend credibility to Ghana’s borrowing and support government access to ICMs.<sup>10</sup> Without an IMF agreement, Ghana risks reaching a debt crisis point and losing access to ICMs prior to concluding negotiations with the IMF.

Inability to access ICMs and dollar-denominated bonds suggests that US-based global ratings agency **S&P Global Ratings** may have been overly optimistic in its affirmation on 4 February of Ghana’s rating as ‘B-/B’ with a stable outlook.<sup>11</sup> Referring to the introduction of new taxes under the 2022 budget and fiscal strategy, S&P predicted that general government debt will stabilise at 77% of gross domestic product (GDP) in 2022, before gradually declining to 75% in 2025, “*if the planned fiscal measures bear fruit*”.<sup>12</sup>

However, the **Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)**, in a press statement released on 31 January, cited public debt of 78.4% of GDP as of 31 November 2021, compared to 76.0 percent of GDP (GH¢291.6 billion) at the end of December 2020.<sup>13</sup> The central bank reports Ghana’s total debt stock as composed of domestic debt (40.8% of GDP) and external debt (37.6% of GDP).<sup>14</sup> Moody’s press statement, released on 4 February, cites government debt at 80% at the end of 2021; a disparity from both BoG and S&P figures.

The finance ministry has been highly critical of Moody’s and Fitch following their downgrades. In a press statement issued on 7 February, it accused Moody’s of “*institutionalised bias against African economies*” and “*highly conservative postures and low risk tolerance for African sovereign credits*”.<sup>15</sup> The government has begun the process of formally appealing the credit rating decision on the basis that Moody’s omitted key material information, including budget control measures, fiscal adjustment measures and balance of payment statistics:

*“We remain absolutely confident in our resolve to overcome the current challenges with fiscal discipline and growth, in line with the president’s vision to build a strong, resilient and prosperous economy and a Ghana Beyond Aid.”*<sup>16</sup>

It remains to be seen whether Ghana’s appeal will be successful, and whether investor confidence can be restored in Ghana’s governmental and fiscal policies. Ghana’s commitment to service debt amid rising interest rates is likely to cut into social spending programmes and potentially decrease support for the incumbent **New Patriotic Party (NPP)**. This is risky territory for a hung parliament with individual members of parliament beginning to sharpen their public image ahead of the 2023 party primaries.

<sup>7</sup> [Fitch Ratings](#), 14 Jan 2022

<sup>8</sup> [The Africa Report](#), 8 Feb 2022

<sup>9</sup> [My Joy Online](#), 17 Jan 2022

<sup>10</sup> [The Africa Report](#), 8 Feb 2022

<sup>11</sup> [S&P Global Ratings](#), 4 Feb 2022

<sup>12</sup> [S&P Global Ratings](#), 4 Feb 2022

<sup>13</sup> Bank of Ghana, 31 Jan 2021

<sup>14</sup> Bank of Ghana, 31 Jan 2021

<sup>15</sup> [Ministry of Finance](#), 7 Feb 2022

<sup>16</sup> [Ministry of Finance](#), 7 Feb 2022

## Bank of Ghana holds rates

The Bank of Ghana's MPC voted at its 31 January meeting to hold the policy rate unchanged at 14.5%, despite the threat of rising inflation.<sup>17</sup> The MPC raised the benchmark rate by 100 basis points from 13.5% to 14.5% at its meeting in November; its first increase since 2015 (see *ARC Briefing Ghana December 2021*).<sup>18</sup> In its 31 January press statement, the MPC noted its view that the effects of the November policy rate hike are yet to be fully transmitted to the economy, and its expectation that “*the decisive implementation of the fiscal correction measures, especially the 20% cut in expenditure*” will moderate the upside risks to Ghana's inflation outlook.<sup>19</sup>

Annual inflation has exceeded the central bank's threshold of 6-10% for four consecutive months.<sup>20</sup> Government statistician **Samuel Kobina Annim** announced on 12 January that annual inflation had increased from 12.2% in November 2020 to 12.6% in November 2021 (see *ARC Briefing Ghana January 2022*).<sup>21</sup> The MPC cautioned that while it intended to wait for the November policy rate hike to take effect, it may call an extraordinary meeting to re-assess the inflation outlook over the forecast horizon and take the necessary policy decisions accordingly.<sup>22</sup>

The next scheduled MPC meeting will take place on 23-25 March.<sup>23</sup> US-based **Fitch Solutions**, the global market insight subsidiary of Fitch Ratings, reviewed the last rate hike in November, publishing expectations that the MPC would raise rates by a further 50 basis points, to 15% by the end of 2022.<sup>24</sup>

## Ghana hands out \$6m fine after explosion

The ministry of lands and natural resources has handed a fine of \$6m to **Spain**-based explosives specialist **Maxam Corp** after a Maxam-operated vehicle exploded in **Apiatse (Western region)** on 20 January, killing 13, wounding over 100 others and causing extensive structural damage.<sup>25</sup> The Maxam Corp vehicle transporting 10 tons of explosives to the **Chirano** gold mine, operated by **Canada**-based and **Toronto Stock Exchange (TSX)**-listed **Kinross Gold Corporation**, was hit by a motorcycle. The collision caused a fire, causing the explosives to ignite.<sup>26</sup> The resultant blast killed 13 people, injured close to 200, and caused extensive structural damage to the village of Apiatse.<sup>27</sup> The **US Embassy** and Ghana's **National Disaster Management Office (NADMO)** responded to the disaster on 3 February, delivering humanitarian relief supplies including clothing, medical supplies, drinking water, mattresses and food.<sup>28</sup>

Local eyewitness accounts and film footage from the scene of the fire suggest that emergency response protocols were not followed and that individuals near the blast site were not alerted before the explosion.<sup>29</sup> The truck was reportedly ablaze for 45 minutes prior to the explosion, during which time crowds gathered to take photos of the scene.<sup>30</sup> However, police spokesperson **Kwesi Ofori** confirmed that the Maxam vehicle was escorted by a Maxam security car, which evacuated a nearby school and closed a local fuelling station in response to the fire.<sup>31</sup>

The lands and natural resources ministry issued a \$6m fine to Maxam Corp on 8 February, of which \$1 million is an administrative fine for breaching regulations and \$5m is a fee for damages, to be paid in

<sup>17</sup> [Bank of Ghana](#), 31 Jan 2022

<sup>18</sup> [Bloomberg](#), 22 Nov 2021

<sup>19</sup> [Bank of Ghana](#), 31 Jan 2022

<sup>20</sup> [Bloomberg](#), 12 Jan 2022

<sup>21</sup> [Bloomberg](#), 12 Jan 2022

<sup>22</sup> [Bank of Ghana](#), 31 Jan 2022

<sup>23</sup> [Bank of Ghana](#), accessed 9 Feb 2022

<sup>24</sup> [Fitch Solutions](#), 23 Nov 2021

<sup>25</sup> [Anadolu Agency](#), 9 Feb 2022

<sup>26</sup> [Reuters](#), 24 Jan 2022

<sup>27</sup> [Reuters](#), 24 Jan 2022

<sup>28</sup> [US Embassy](#), 4 Feb 2022

<sup>29</sup> [Reuters](#), 24 Jan 2022

<sup>30</sup> [Reuters](#), 24 Jan 2022

<sup>31</sup> [Reuters](#), 24 Jan 2022

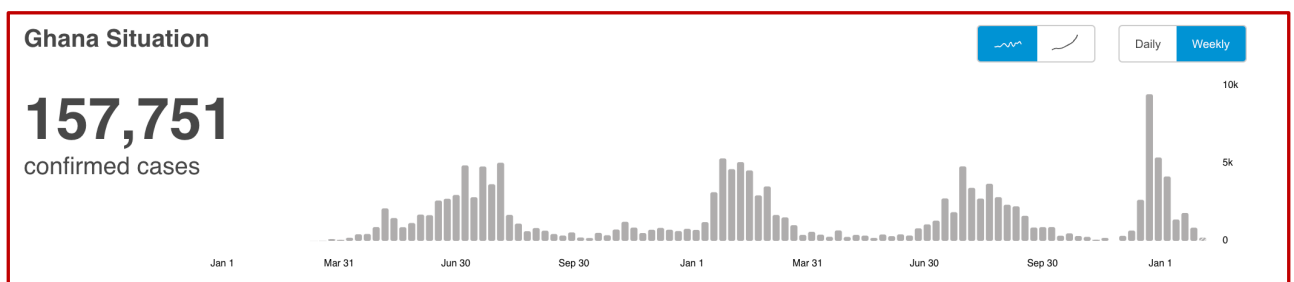
monthly instalments over an 18-month period.<sup>32</sup> Ghana's mining regulations typically limit fines to \$10,000; however, lands minister **Samuel Abu Jinapor** justified the sizable fine imposed by a three-member committee appointed to investigate the incident on the basis of the "nature and totality of the circumstance leading to this tragic incident".<sup>33</sup>

The land ministry confirmed that it had terminated the operating licence of **Maxam Ghana**, the local branch of Spain-based Maxam Corp, prior to the launch of the investigation. Maxam Ghana will only be eligible to reapply for a licence following payment of the \$1 million administrative fine.<sup>34</sup> The company is banned from transporting ammonium nitrate and fuel oil on public roads leading to mines or civil work sites without prior approval of the chief inspector of mines.

Maxam Ghana has rejected responsibility for the explosion and violation of any regulation, instead blaming the transport agent, Ghana-based **Arthaans Logistics**.<sup>35</sup> However, in a statement Maxam Ghana noted it would pay the fine to ensure "the continuity of the business" and to protect the employment of its workers and sub-contractors, and comply with the measures of the lands and natural resources ministry.<sup>36</sup>

### Fourth wave of Covid-19 in decline

A fourth wave of Covid-19 infections, driven by the presence of the Omicron variant, discovered in Ghana in November (see *ARC Briefing Ghana December 2021*) is now in decline. As of 7 February, Ghana had registered 157,751 cases of Covid-19 in its population of 31.7 million, with 1,419 Covid-19-related deaths.<sup>37</sup>



1- Extract World Health Organisation (WHO) data on 7 February 2022

Ghana began implementing new restrictions for international travellers on 10 December, in a bid to prevent an increase in new Covid-19 cases and encourage vaccination uptake (see *ARC Briefing Ghana January 2022*). As of 12 December, all persons above the age of 18 must provide evidence of full vaccination against Covid-19 upon arrival in Ghana. The new international travel requirements implement a system of fines against airlines that allow unvaccinated or undocumented passengers to board a flight bound for Ghana.<sup>38, 39</sup> Airlines will face a penalty of \$3,500 per unvaccinated passenger arriving in Ghana, as well as an additional penalty of \$3,500 per passenger boarding a flight bound for Ghana without completing a health declaration.<sup>40</sup>

The **Ghana Port Authority (GPA)** advised on 20 December that all crew arriving on vessels at ports in Ghana were required to be fully vaccinated. Crew unable to provide vaccination cards to prove full vaccination against Covid-19 would face a fine of \$3,500 per unvaccinated person.<sup>41</sup> However, on 10 January, the **Ghana Port Health** office under the **Ghana Health Service (GHS)** circulated a letter

<sup>32</sup> [Reuters](#), 8 Feb 2022

<sup>33</sup> [Anadolu Agency](#), 9 Feb 2022

<sup>34</sup> [Anadolu Agency](#), 9 Feb 2022

<sup>35</sup> [Ghana Web](#), 9 Feb 2022

<sup>36</sup> [Ghana Web](#), 9 Feb 2022

<sup>37</sup> [World Health Organisation](#), accessed 8 Feb 2022

<sup>38</sup> [Al Jazeera](#), 14 Dec 2021

<sup>39</sup> [Ghana Health Service](#), 15 Dec 2021

<sup>40</sup> [Al Jazeera](#), 14 Dec 2021

<sup>41</sup> [Nepia](#), 21 Jan 2022

withdrawing the notice of enforcement.<sup>42</sup> Further clarification was provided on 21 January, advising that fines for unvaccinated passengers had been suspended until further notice, and confirming that any passenger or crew member entering Ghana and interacting with Ghanaian citizens was required to be fully vaccinated.<sup>43</sup>

The decision to waive fines for maritime workers and travellers is intended to protect Ghana's port facilities and its position as goods and import gateway to **West Africa**.<sup>44</sup> The imposition of fines sparked concerns that shipping lines would avoid Ghana's ports to avoid regulatory complications. US-based maritime news publication **Maritime Executive** reports that fewer than 60% of the maritime workforce is fully vaccinated against Covid-19.<sup>45</sup>

The **World Health Organisation (WHO)** vaccine tracker reports that since 2 March 2021 – when Ghana's vaccination drive began – a total of 9 million Covid-19 vaccine doses have been administered in Ghana, with 6.08 million individuals (19.59% of the population) in receipt of a single dose and 2.91 million individuals (9.39% of the population) fully vaccinated.<sup>46</sup> The US embassy in Ghana delivered 1.7 million doses of the **Pfizer** vaccine on 24 December, bringing the total number of doses delivered to Ghana by the US to 7 million.

## Planner

23-25 Mar 2022 **Accra (Ghana) Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** meets;  
2023 **(Ghana) New Patriotic Party (NPP)** primaries;

## Chronology

7 Feb 2022 **Accra (Ghana) Anadolu Agency**. Minister of lands and natural resources **Samuel Abu Kinapor** announces a \$6 million fine for **Spain**-based blasting solutions specialist **Maxam Corp** after an explosives transport vehicle exploded in **Apiate (Western region)** killing 13 people on 21 January;

6 Feb 2022 **Accra (Ghana) Bloomberg**. **Ghana** to appeal a debt downgrade by global credit rating agency **Moody's Investors Service**, saying it was "gravely concerned" and that the ratings company left out key data to arrive at its decision;

4 Feb 2022 **Accra (Ghana) Reuters**. Global credit rating agency **Moody's Investors Service** downgrades Ghana's sovereign credit rating from B3 to CAA1 cautioning that interest payments would absorb half of Ghana's government revenue in the future;

4 Feb 2022 **Accra (Ghana) Ghana Web**. **United States (US)**-based global credit ratings agency **S&P Global Ratings (Standard & Poor's)** maintain Ghana's rating as 'B-/B' with a stable outlook citing introduction of new taxes and planned fiscal measures;

3 Feb 2022 **Accra (Ghana) Fitch Ratings**. Leading ratings agency **Fitch Ratings** assigns **Ecobank Ghana Limited** a Long-Term Issuer Default Rating (IDR) of 'B-' with a Negative Outlook and Viability Rating of 'b-';

2 Feb 2022 **Accra (Ghana) ECOWAS**. The **Economic Community of West African States (ECOWAS)** decides not to place further sanctions on **Burkina Faso**, following the coup that took place on 24 January;

1 Feb 2022 **Accra (Ghana) CDC Group**. **British** development finance institution (DFI) **CDC Group** announces the appointment of **Kwabena Asante-Poku** as coverage director for **Ghana**,

<sup>42</sup> [Ghana Port Health](#), 10 Jan 2022

<sup>43</sup> [Maritime Executive](#), 21 Jan 2022

<sup>44</sup> [Maritime Executive](#), 21 Jan 2022

<sup>45</sup> [Maritime Executive](#), 21 Jan 2022

<sup>46</sup> [World Health Organisation](#), accessed 16 Jan 2022

effective 1 February, amplifying the DFI's presence in **West Africa** and strengthening its reach across the continent;

31 Jan 2022 **Accra (Ghana)** *Bank of Ghana*. The **Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** concludes its first meeting of 2022, maintaining the policy rate at 14.5%;

27 Jan 2022 **Accra (Ghana)** *Africa Defence Forum*. **Ghana, Benin and Togo** sign a pact to work together to reduce illegal, unreported and unregulated fishing in the **Gulf of Guinea**;

18 Jan 2022 **Accra (Ghana)** *Safety4Sea*. The **Ghana Port Authority (GPA)** confirms that while **Covid-19** vaccination is mandatory for all seafarers on board vessels docking at Ghanaian ports, it has suspended the imposition of fines of up to \$3,500 against unvaccinated persons to give vessel owners time to fully vaccinate their crews;

21 Jan 2022 **Accra (Ghana)** *Reuters*. An explosion caused by a motorbike colliding with a truck carrying explosives kills 13 people in the mining town of **Apiate** (Western region);

16 Jan 2022 **Accra (Ghana)** *MyJoyOnline*. Finance ministry says in a bid to reassure investors that **Ghana's** widening **Eurobond** yields fail to account for the country's economic rebound from the fallout from the **Covid-19** pandemic;

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