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Finance minister Ken Ofori-Atta presents the 2018 Budget and Economic Policy Statement to parliament, focusing on job creation. The government auctions a 6 billion cedi (¢) (\$1.4 billion) local currency bond to investors in the United States (US) and the United Kingdom (UK) through a special purpose vehicle to restructure state-owned energy sector companies' debt, but fails to meet its target. Joseph Boahen Aidoo, the CEO of the state-owned cocoa sector regulator, Ghana Cocoa Board (Cocobod), says that the government is investigating the use of revenues from a \$1.8 billion syndicated loan from the 2016/2017 cocoa season, after the previous National Democratic Congress (NDC) withdrew \$400m of Cocobod funds under unclear circumstances.

Finance minister Ofori-Atta presents 2018 budget to parliament

Finance minister **Ken Ofori-Atta** on 15 November presented the **2018 Budget and Economic Policy Statement** to parliament, with the slogan "*Putting Ghana back to work*".¹ The new budget will focus on job creation by continuing the President **Nana Addo Dankwa Akufo-Addo** (2017-present) government's emphasis on investment in human capital, infrastructure, agriculture, agribusiness, entrepreneurship and innovation.² Ofori-Atta highlighted some of the current government's economic performance:³

- Real GDP growth of 7.8% in the first half of 2017, against 2.7% in the same period of 2016. The government expects real GDP growth to reach 7.9% at the end of 2017, against a previous target of 6.3%;
- A reduction in inflation from 15.4% in December 2016 to 11.6% at the end of October;
- A reduction in interest rates, from a peak of 25.5% in January to 11% in July. This has translated in a reduction in commercial banks' lending rates to 28.9% in September 2017, down from 31.7% in December 2016;
- A 4% depreciation in the cedi (¢) against the dollar as of October 2017, against a 4.3% depreciation at the same period in 2016;
- A reduction of public debt from 73% of GDP in December 2016 to 68.3% in September 2017;
- A 50% increase in gross international reserves to \$7.2 billion, or 4.1 months of import cover, as at September 2017, up from \$4.8 billion, or 2.5 months of import cover, as at September 2016;
- A balance of payments surplus of 0.3% of GDP (\$379.3m) in the first three quarters of 2017, against a deficit of 1.6% of GDP (\$1.3 billion) in 2016;
- Notable improvements in key sectors, such as 4.3% growth in agriculture, 17.7% in industry and 4.7% in the services sector.

Local sources confirm that the government has performed well on most metrics,

"On this year's performance, we have so far recorded a significant improvement in virtually all the key indicators... However, the euphoria that greeted the 2017 budget... was largely absent. Many said that they did not see some of the tax cuts they were promised in the previous budget,

¹ GNA, 15 Nov 2017.

² GNA, 15 Nov 2017.

³ GNA, 15 Nov 2017.

such as import duties on spare parts. Whether true or false, traders feel that taxes are still high.... Nonetheless, this government still enjoys huge goodwill from the populace.”⁴

In addition, Ofori-Atta outlined the government’s ambitions for improvements in fiscal management, such as the implementation of a treasury single account (TSA) at the **Bank of Ghana (BoG)** (central bank), adoption of a competitive tender process for government contracts, and capping statutory funds at 25% of government tax revenues.⁵ With regard to operational costs for business, Ofori-Atta said that the government would reduce electricity tariffs between 11-21% depending on the type of consumer, with the largest cuts applying to high voltage draws.⁶

Insofar as macroeconomic trends that affect Ghana’s exports, the government is projecting a mixed outlook in commodity prices.⁷ The government forecasts that crude oil prices will end at \$50.3 per barrel at the end of 2017 and will stay around this level in 2018, against \$43 per barrel in 2016.⁸ The government expects cocoa prices to increase to \$2,110 per tonne in 2018, up from \$2,050 per tonne in 2017, but still far below \$2,890 per tonne in 2016.⁹ Moreover, the government, based on the **World Bank’s Commodity Markets Outlook**, expects gold prices to end at \$1,250 per fine ounce at the end of 2017, and drop to \$1,238 per fine ounce in 2018.¹⁰

The government set the following objectives for the 2018 fiscal year:

- A 6.8% GDP growth rate;
- End-year inflation of 8.9%, and average inflation of 9.8%;
- Fiscal deficit of 4.5% of GDP;
- Balance of payments surplus of 1.6% of GDP;
- Gross international reserves to cover at least three months’ worth of import cover.

Finally, the government said that it has set the following macroeconomic targets for the medium term (2018-2021):

- An average real GDP growth of 6.2%;
- Inflation between 8±2%;
- A fiscal deficit between 3-5% of GDP;
- A balance of payments surplus of 2%;
- Gross international reserves of at least four months’ worth of import cover.

The economic performance of Akufo-Addo’s government has improved significantly from the previous **National Democratic Congress’ (NDC)**, although the current **New Patriotic Party (NPP)** administration has benefitted from a surge in oil revenues since the end of 2016. The most notable improvement in management of the economy and stimulating growth would appear to be the BoG’s interest rate policy, which is aiming to push bank’s lending prices down to market rates. Furthermore, the tangible growth in Akufo-Addo’s priority sectors such as agriculture and industry will strengthen the government’s reputation into 2018.

Government begins road show for \$1.4 billion energy sector bond

The government on 12 October began a roadshow in the **United States (US)** and the **United Kingdom (UK)** to sell a €6 billion (\$1.4 billion) local currency bond to investors.¹¹ Local media had previously reported that **International Monetary Fund (IMF)** officials were delaying the government’s planned energy sector bond, but the bond that the government appears to be selling to

⁴ Source, journalist, Accra

⁵ GNA, 15 Nov 2017.

⁶ GNA, 15 Nov 2017.

⁷ GNA, 15 Nov 2017.

⁸ GNA, 15 Nov 2017.

⁹ GNA, 15 Nov 2017.

¹⁰ GNA, 15 Nov 2017.

¹¹ Bloomberg, 12 Oct 2017.

investors is \$1.1 billion lower than previous estimates of €10 billion (\$2.5 billion).¹² However, according to Ofori-Atta, the \$1.4 billion energy sector bond will act as a “*first tranche*”¹³ to “*size up the market and then come back.*”¹⁴ The government began receiving bids on the energy sector bond from 26 October.¹⁵ The government will use the proceeds to partially service the debt arrears of state-owned energy companies – **Electricity Company of Ghana (ECG)**, the **Ghana Grid Co Ltd (GRIDCo)**, and the **Volta River Authority (VRA)**.¹⁶ The finance ministry set up a special purpose vehicle, **Energy Sector Levy Act (ESLA) Plc**, to issue the bonds, for which the Energy Sector Levy Act, passed in December 2015, provides.¹⁷ The IMF has said that the ESLA bonds will be classified as government debt, even if it claims to act as a special purpose vehicle for state-owned energy companies.¹⁸

UK-based **Standard Chartered Plc**, the lead arranger, said that the government split the total €6 billion (\$1.37 billion) into a €2.4 billion (\$546m) seven-year bond and a €3.6 billion (\$824m) 10-year bond.¹⁹ International media reports claim that the yield could range between 18-20%.²⁰ However, Standard Chartered later said that they extended the sale period, after demand for the 10-year bond fell short of its target.²¹ The lead arrangers said that they received bids for €2.5 billion (\$568m) (104%) for the seven-year version, but only €902m (\$205m) (25%) for the 10-year version.²² Yields averaged 19% for the seven-year bond.²³

However, the government failed to reach its target of €3.6 billion (\$824m) for the 10-year bond, to settle state-owned energy sector utilities’ debt.²⁴ Although the government extended the sale of the 10-year bond, arrangers managed to raise only €2.3 billion (\$519m), or 63%, with a yield of 19.5% - €1.3 billion (\$305m) below its original target.²⁵ Despite failing to reach the €3.6 billion (\$824m) target, **Fidelity Bank** treasury head **Sam Aidoo** said that the arrangers will return to the market to issue the remaining funds “*when the market is ripe*”.²⁶ Local commentators believe that despite the less-than-expected return on the bond, it should be considered a success,

“Considering that the ESLA was very risky since it was without sovereign guarantee, [this] is a huge success. Investors gave Ghana over \$1 billion for a high-risk bond... It was prudent to not add it to public debt stock.... The IMF wants government to use sovereign debt and add it to public debt stock and the government kicked back against this position.”²⁷

It appears that despite a lower than hoped return on its bond issuance, the ESLA will help restructure the state-owned energy sector companies’ debt in the short-to-medium term. It is unclear how the debt restructuring will affect the companies’ financial position in the near future, however.

Cocobod CEO says government investigating use of syndicated loans in 2016/2017

Joseph Boahen Aidoo, the CEO of the state-owned cocoa sector regulator, **Ghana Cocoa Board (Cocobod)**, said at a press conference on 1 November that the government is investigating the use of revenues from a \$1.8 billion syndicated loan from the 2016/2017 cocoa season.²⁸ The announcement

¹² Bloomberg, 12 Oct 2017.

¹³ Bloomberg, 12 Oct 2017.

¹⁴ Bloomberg, 12 Oct 2017.

¹⁵ Reuters, 23 Oct 2017.

¹⁶ Source, Ghana analyst, United Kingdom

¹⁷ E.S.L.A., 1 Nov 2017.

¹⁸ Bloomberg, 27 Oct 2017.

¹⁹ Reuters, 23 Oct 2017.

²⁰ Reuters, 23 Oct 2017.

²¹ Bloomberg, 27 Oct 2017.

²² Bloomberg, 27 Oct 2017.

²³ Bloomberg, 27 Oct 2017.

²⁴ Bloomberg, 6 Nov 2017.

²⁵ Bloomberg, 6 Nov 2017.

²⁶ Bloomberg, 6 Nov 2017.

²⁷ Source, journalist, Accra.

²⁸ GNA, 2 Nov 2017.

follows Aidoo's statement in February that the previous NDC government had withdrawn \$400m of Cocobod funds under unclear circumstances.²⁹ After Aidoo's appointment as Cocobod CEO in February, allegations against the former NDC government have surfaced, which claims the former government used these funds to help support its re-election campaign.³⁰ However, on 1 November, Aidoo said that the \$400m had been withdrawn on 20 December 2016, after the NDC had lost the presidential elections.³¹ Aidoo stated that,

*"It is still surprising how the full drawdown of \$400m was fully expended between 20th December 2016 and 6th January 2017 when the NPP government took over... Audit findings into the utilization of the amount will be made known to Ghanaians at the appropriate time when the full facts are unravelled."*³²

Aidoo said that although the \$1.8 billion syndicated loan was signed in order to purchase 850,000 tonnes of cocoa, these funds had reportedly been used fully by January, purchasing just 587,125 tonnes.³³ However, opposition NDC members, including former housing minister **Samson Ahi**, have said that the funds were used to pay for Cocobod contractors instead,

*"The \$400 million drawdown, for example, was used to pay contractors. It's not as if the money was shared among NDC members."*³⁴

According to a Ghana-based journalist, Cocobod is conducting a second investigation internally, together with the help of the **Economic and Organized Crimes Office (EOCO)**, to inquire about the conditions of the construction of a guesthouse in **Bole (Northern Region)**.³⁵ According to the journalist,

*"A number of persons working at Cocobod have been invited for questioning. However, details on the investigation [are] sketchy but it's ongoing."*³⁶

The opening of investigations at Cocobod appears highly sensitive, both due to the amount of funds allegedly concerned and the possible political dimension of the investigation. The NPP government raised the issue early on after entering power. Therefore, the NPP and Cocobod will need to respect due process in conducting the investigation in order to allay concerns of political influence in the process.

Planner

30 May 2018 **Accra (Ghana)** *Press Release*. The **West Africa Mining & Power Exhibition & Conference** begins;

Apr 2018 **(Ghana)** *Press Release*. The government completes its ECF programme with the IMF;

19 Mar 2018 **Accra (Ghana)** *10 Times*. The **Coastal and Maritime Surveillance Summit** begins;

25 Jan 2018 **Accra (Ghana)** *Eventbrite*. The **Mining Investment West Africa** conference begins;

Dec 2017 **Accra (Ghana)** *Press Release*. The third parliamentary meetings ends;

²⁹ Reuters, 1 Nov 2017.

³⁰ Source, Ghana analyst, United Kingdom

³¹ Reuters, 1 Nov 2017.

³² Citi FM, 2 Nov 2017.

³³ Reuters, 1 Nov 2017.

³⁴ Reuters, 1 Nov 2017.

³⁵ Source, journalist, Accra

³⁶ Source, journalist, Accra

Chronology

20 Nov 2017 **Accra (Ghana)** *Press Release*. The **Ghana Investment Promotion Centre** announces that total investment in Ghana reached \$5.63 billion in Q1-Q3 2017, with an FDI component of \$4.37 billion;

16 Nov 2017 **Accra (Ghana)** *Press Release*. Local government minister **Hajia Alima Mahama** announces the creation of 38 new metropolitan, municipal and districts assemblies;

15 Nov 2017 **Accra (Ghana)** *Graphic Online*. Finance minister **Ken Ofori-Atta** presents the 2018 budget to parliament, with an emphasis on job creation, targeting 6.8% GDP growth in 2018;

14 Nov 2017 **Accra (Ghana)** *Reuters*. Deputy energy minister **Mohamed Amid Adam** confirms that the government is in negotiations with **United States**-based **Exxon Mobil Corp** to allow the firm to undertake deep-water exploration;

8 Nov 2017 **Accra (Ghana)** *Graphic Online*. The government will reportedly receive €100m (\$116m) from the **German** aid agency **KfW** in 2018, to support renewable energy sector development;

6 Nov 2017 **(Ghana)** *Bloomberg*. Ghana fails to obtain 2.3 billion cedis (¢) (\$816m) for its 10-year bonds that it plans to use to settle state-owned energy utilities' debt;

2 Nov 2017 **Accra (Ghana)** *Citi FM*. CEO of the cocoa sector regulator **Cocobod**, **Joseph Aidoo**, says that the government is investigating the former **National Democratic Congress'** apparent withdrawal of \$400m from a total \$1.8 billion syndicated loan for the 2016/2017 cocoa crop season;

27 Oct 2017 **(Ghana)** *Bloomberg*. The government extends the issuance of its local currency bonds to restructure state-owned energy company debt, after receiving ¢902m (\$205m) against a target of ¢2.5 billion (\$568m) for its seven-year bonds;

18 Oct 2017 **(Côte d'Ivoire, Ghana)** *Press Release*. Presidents **Alassane Ouattara** and **Nana Addo Dankwa Akufo-Addo** sign a strategic partnership agreement, covering defence, security, agriculture, maritime and energy sectors;

18 Oct 2017 **(Ghana)** *Reuters*. State-owned cocoa sector regulator **Cocobod** reportedly begins talks with the **Export-Import Bank of China (China Exim Bank)** to obtain a \$500m loan to "overhaul the sector and protect against global price volatility";

15 Oct 2017 **Accra (Ghana)** *My Joy Online*. **Côte d'Ivoire** President **Alassane Ouattara** will begin a state visit to Ghana from 16 October;

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