

AFRICA RISK CONSULTING

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Ghana Summary 10 January 2023

The International Monetary Fund (IMF) announces on 12 December that it has reached a staff-level agreement with Ghana's government for \$3 billion to be disbursed via the IMF's Extended Credit Facility (ECF). Government agrees to a comprehensive debt restructuring programme to secure the agreement, triggering global rating agencies, which view this restructuring as a de facto debt default to further downgrade Ghana's sovereign credit rating. Trade and industry minister Alan Kyerematen submits his resignation to President Nana Akufo-Addo (2017-present) to focus on his campaign ahead of the ruling New Patriotic Party's (NPP) upcoming leadership primaries in which he is considered one of the leading candidates. Kyerematen's resignation increases expectations of an imminent cabinet reshuffle. The opposition National Democratic Congress (NDC) holds its elective conference on 17 December, electing former party general secretary Johnson Asiedu Nketiah the new party chairperson. Asiedu Nketiah defeats the incumbent party chairperson, Samuel Ofose Ampofo by 5,569 votes to 2,892. The #FixTheCountry movement holds protests in Tamale (Northern region) on 7 January, calling for constitutional review and expressing discontent with the handling of the economic crisis.

Staff-level agreement reached with the IMF

The IMF announced on 12 December that it had reached a staff-level agreement with Ghana's government and the relevant authorities for a \$3 billion three-year agreement which will be disbursed via the IMF's **Extended Credit Facility (ECF)**.¹ The agreement still needs to be ratified by the IMF's executive board, however, the institution's board votes against the recommendations of the respective mission and this ratification are largely viewed as a formality. As such, Ghana should gain access to the ECF funds before the end of January 2023.

This ECF funding is a bailout that will go a long way to stabilising Ghana's economy which has been in a state of crisis for several months marked by rapid currency depreciation and soaring inflation. Global currency markets reacted favourably to the news of the IMF agreement and the cedi strengthened by more than 31% from GHS 12.98/\$1.00 on 11 December to GHS 8.95/\$1.00 by 16 December. This currency strengthening should go some way in helping reduce inflation in the country as it will make imported goods such as food and fuel more affordable, a promising development as **Ghana Statistical Service** has indicated in several reports that such imported goods were major contributors to the current surging inflation levels.² Consumer price inflation is currently at a 21-year high reaching 50.3% in November compared with 40.4% in October.³

In order to secure the ECF agreement, Ghana had to make several concessions to the IMF, namely agreeing to a comprehensive debt restructuring programme that has seen Ghana suspend payments on some of its foreign debt obligations, a move which is essentially a voluntary debt default.⁴ This programme includes a suspension on payments servicing Ghana's **Eurobond** debt which accounts for \$13.1 billion of the country's total \$28.4 billion external debt.⁵ Ghana has also agreed to approach the **Paris Club** of creditor countries and apply to participate in the **G20 Common Framework** process for debt relief and restructuring agreements.

¹ IMF 12 Dec 2022

² Al Jazeera, 14 Dec 2022.

³ Al Jazeera, 14 Dec 2022.

⁴ IMF, 12 Dec 2022

⁵ Reuters, 5 Jan 2023

Ghana has also introduced a debt exchange programme under which Ghana would ask its creditors to exchange around \$9.7 billion in domestic debt for new bonds.⁶ The deadline for this programme ends on 16 January, however, this exchange programme has faced intense local opposition, which has a deadline of 16 January, especially from labour unions who are fearful that such a debt exchange would negatively impact workers' pension plans which hold government bonds.⁷ The government elected to exempt pension funds from the domestic debt restructuring to avoid a threatened countrywide indefinite strike over this matter.⁸

The debt restructuring programme also had the negative result of triggering credit rating downgrades by global rating agencies. **United States**-headquartered **Fitch Solutions** and **Standard & Poor's (S&P)** both announced credit ratings downgrades for Ghana on 21 December. Fitch downgraded Ghana's Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) to 'C' from 'CC' and downgraded the issue rating on Ghana's partially-guaranteed \$1 billion notes maturing in 2030 to 'CC' from 'B'.⁹ S&P lowered its sovereign rating for Ghana to 'selective default' from CC in its second downgrade for Ghana in December after lowering its rating for Ghana's long-term bonds to CC from CCC-plus on 6 December (*see ARC Briefing Ghana Dec 2022*).¹⁰ These cuts occurred a month after US-based **Moody's** announced that it had cut Ghana's credit rating by two levels from Caa2 to Ca.¹¹ These rating cuts were widely expected as all three agencies had previously warned that they would view any large-scale debt restructuring to be the equivalent of a debt default (*see ARC Ghana Briefing Nov 2022*).

These rating cuts will result in Ghana needing to offer higher interest rates on its government-backed bonds. This will increase the cost of borrowing for the government and hurt its debt burden. However, the government has accepted this as the necessary consequence of securing the IMF bailout as access to the ECF will help stabilise the country's economy and enable the state to meet most of its budgetary obligations. This stabilisation is essential for the economic crisis to end and for the state to commence the recovery process.

Trade minister resigns ahead of ruling party primaries

Trade and industry minister **Alan Kyerematen** submitted his resignation to President **Nana Akufo-Addo** (2017-present) on 5 January 2023 as Kyerematen moves to focus his energies on campaigning to be elected as leader of the ruling **New Patriotic Party (NPP)**. The NPP will hold its leadership primaries on a yet-to-be-confirmed date later this year.¹²

Kyerematen's resignation has intensified speculation about the NPP leadership race as his decision to exit the government coincides with emerging perceptions that the contest has narrowed to a two-horse race consisting of Kyerematen and Ghana's vice president **Mahamudu Bawumia**. Other potential candidates believed to be considering a run for the party leadership are **Assin Central** member of parliament (MP) **Kennedy Ohene Agyapong** and agriculture minister **Owusu Afriyie Akoto**.¹³

The perception that the primaries will come down to Kyerematen and Bawumia appears to have permeated across the NPP's senior leadership, leading to growing calls for the two men to reach an agreement to form a joint ticket with one taking the role of leader and the other of deputy leader.¹⁴ Such a negotiated alliance is unlikely as both men currently believe they have a viable chance of

⁶ Africa News, 6 Dec 2022

⁷ Pulse, 15 Dec 2022

⁸ Reuters, 23 Dec 2022

⁹ Fitch Ratings, 21 Dec 2022

¹⁰ My Joy Online, 21 Dec 2022

¹¹ Ghanaweb, 1 Dec 2022

¹² The Herald Ghana, 6 Jan 2023

¹³ Ghanaweb, 23 Dec 2022

¹⁴ Ghanaweb, 9 Jan 2023

winning the primary but such an agreement could bring about party unity and ensure that the NPP puts forward the strongest ticket in the 2024 general election.

The NPP will consolidate into two camps – centred on Kyerematen and Bawumia respectively – in the coming months in absence of a grand agreement. This will elevate political tensions within the NPP and potentially even cause divisions within the cabinet and the NPP parliamentary caucus which could lead to legislative gridlock given that the NPP-led coalition has a single-seat majority in parliament.

Kyerematen's resignation has also increased pressure on Akufo-Addo to announce a cabinet reshuffle. The president has not appointed a permanent replacement but has rather made finance minister **Ken Ofori-Atta** the acting trade and industry minister.¹⁵ This decision has also caused tension within the NPP and the opposition **National Democratic Congress (NDC)** as Ofori-Atta has shouldered much of the blame for Ghana's ongoing economic crisis.¹⁶

The political fallout from the country's economic crisis has also placed pressure on Akufo-Addo to reshuffle his cabinet. The NPP itself is eager for Akufo-Addo to remove and replace poor-performing ministers, creating the view that he is taking aggressive action.¹⁷ The NPP is fearful that public anger over the economic crisis will hurt during the 2024 election and, as such, is eager to change the discourse around governance in the country and has suggested consolidating ministries in a cost-cutting exercise

Among the ministers considered most likely to be removed are Akoto, who is expected to follow Kyerematen's example and focus on his party leadership campaign, fisheries minister **Mavis Hawa Koomson**, labour relations minister **Ignatius Baffuor Awuah**, and natural resources minister **Samuel Jinapor**.¹⁸

The fate of the broadly unpopular Ofori-Atta also remains uncertain. The finance minister remains a close ally of Akufo-Addo, and reports indicate that the president was impressed by Ofori-Atta's success in securing a \$3 billion financing agreement with the **International Monetary Fund (IMF)**, but Kyerematen's resignation will likely force Akufo-Addo's hand leading the president to announce a cabinet reshuffle sooner rather than later.

Opposition elects new leader

The opposition NDC party held its elective conference on 17 December, electing **Johnson Asiedu Nketiah**, the former NDC general secretary, as chairperson.¹⁹ Asiedu Nketiah defeated the previous incumbent **Samuel Ofose Ampofo** by 5,569 votes to 2,892. **Awudu Sofo Azourka** was re-elected as the party's first deputy chairperson, and former MP **Fifi Kwetey** was elected as the new NDC general secretary, while **Barbara Serwaa Asamoah** retained her position as deputy general secretary²⁰ **Sammy Gyamfi**, who ran unopposed, was re-elected as the national communications officer while former deputy **Ashanti** regional minister, **Joseph Yamin**, was elected as the party's national organiser.²¹

This new executive committee has been tasked with preparing for and winning the 2024 general election. The NDC are in a strong position to regain power given the widespread frustration over the NPP's handling of the economic crisis but Asiedu Nketiah will need to unify the party behind him and begin presenting his case against the ruling party. Asiedu Nketiah should face no challenges in achieving this given his former role as the party's general secretary and the fact that several executive members retained their positions.

¹⁵ The Herald Ghana, 6 Jan 2023

¹⁶ Ghana Plus, 7 Jan 2023

¹⁷ Ghanaweb, 6 Jan 2023

¹⁸ Ghanaweb, 23 Dec 2022

¹⁹ Graphic, 20 Dec 2022

²⁰ My Joy Online, 18 Dec 2022

²¹ My Joy Online, 18 Dec 2022

Demonstrations called demanding systemic government reforms

The '#FixTheCountry' movement held protests in **Tamale (Northern region)** on 7 January, indicating that widespread societal frustration with the government and its mishandling of the Ghanaian economy has continued despite the announcement of the staff-level agreement with the IMF.²² The movement coincided the protests with Constitution Day (celebrated on 7 January) and demanded a review of Ghana's constitution.

The #FixTheCountry is a rapidly growing movement advocating for major governance reforms in Ghana. The movement is comprised of multiple different nongovernmental organisations (NGOs) and activist groups and is particularly strong in northern Ghana. The ongoing economic crisis has re-invigorated Ghana's civil society and labour movements and the widespread social frustrations have led to several protests in recent months. This is significant as Ghana is entering a period of elevated political sentiment as the ruling party will hold its leadership primaries this year and the country will hold its general election next year. This has created opportunities for social and labour movements to pressure political parties to meet their demands while the economic insecurity caused by the high inflation levels has caused a sense of urgency to secure gains for workers and vulnerable groups.

Planner

2023 **(Ghana) New Patriotic Party (NPP)** primaries;
2024 **(Ghana)** General election

Chronology

9 Jan 2023 **Accra (Ghana) Ghana Plus**. Opposition politicians condemn the use of the presidential building, **Jubilee House**, in a music video by **United States (US)** rapper **Meek Mills**, claiming that this violates security protocols about the building, calling for any officials who authorised the use of the building to be dismissed;

9 Jan 2023 **Accra (Ghana) GNA**. **Ghana Revenue Authority (GRA)** announces that the agency exceeded its customs revenue collection target by 7.95% in 2022 bringing in GHS 22.26 billion (\$2.13 billion);

7 Jan 2023 **Accra (Ghana) Modern Ghana**. **Ghana** commemorates the 30th anniversary of the founding of the fourth republic;

6 Jan 2023 **Accra (Ghana) Citi Newsroom**. Finance Minister **Ken Ofori-Atta** is appointed as acting trade and industry minister following the incumbent's resignation on 5 January;

6 Jan **Accra (Ghana) The Herald Ghana**. Majority leader in parliament and minister delegate for parliamentary affairs, **Osei Kyei-Mensah-Bonsu**, announces that he will retire at the end of the current parliamentary term and will not contest the 2024 election;

4 Jan 2023 **Accra (Ghana) Channel Africa**. Officials announce **Covid-19**-related restrictions on travellers from **China** as of 6 January. This follows surging Covid-19 rates in China after that country ended its zero-covid strategy;

4 Jan 2023 **Accra (Ghana) MyJoyOnline**. President **Nana Akufo-Addo** defends local **Akonta Mining Company**, previously investigated by the minerals commission for unpermitted mining, confirming that the company is no longer engaged in illegal operations and there is no need to pursue Akonta's chairman and **New Patriotic Party (NPP)** member **Bernard Antwi-Boasiako**;

3 Jan 2023 **New York (United States) Business Day**. Global ratings agency **Fitch** lists Ghana along with **Nigeria** and **South Africa** as the three "significant risks" in **Sub-Saharan Africa** in 2023;

²² 3News, 3 Jan 2022

2 Jan 2023 **Accra (Ghana)** *MyJoyOnline*. **Ghana Airports Company (GAC)** updates **Covid-19** guidelines for passengers arriving at the **Kotoka International Airport (KIA)** stating that arrivals from **China** will be required to present a negative Covid-19 PCR test taken no more than 48hrs before departure;

29 Dec 2022 **Accra (Ghana)** *Ghana Today*. President **Nana Akufo-Addo** swears the new gender, children and social protection minister **Lariba Zuweira Abudu**, and her deputy, **Francisca Oteng Mensah**, into office;

29 Dec 2022 **Accra (Ghana)** *My Joy Online*. **Ghana Revenue Authority (GRA)** announces the complete reversal of its benchmark discount policy on goods and vehicles from 1 January;

25 Dec 2022 **Bawku (Ghana)** *Pulse*. Six people are killed in renewed communal clashes in **Bawku (Upper East region)** related to a chieftaincy dispute, following initial clashes on 17 December;

24 Dec 2022 **Accra (Ghana)** *Reuters*. Officials extend the deadline to register for the domestic debt exchange until 16 January;

22 Dec 2022 **Ouagadougou (Burkina Faso)** *The North Africa Post*. Home security minister **Albert Kan-Dapaah** meets with senior **Burkina Faso** leaders and officials where the two countries affirm their commitment to security and anti-terrorism cooperation;

17 Dec 2022 **Accra (Ghana)** *Pulse*. At least seven people are killed in an intercommunal conflict in **Bawku (Upper East region)** related to a chieftaincy dispute;

16 Dec 2022 **Ouagadougou (Burkina Faso)** *My Joy Online*. **Burkina Faso** summon the **Ghanaian** ambassador to explain Ghana's President **Nana Akufo-Addo's** claims that Burkina Faso had hired the controversial Russian private military company, the **Wagner Group**;

15 Dec 2022 **Accra (Ghana)** *Financial Times*. President **Nana Akufo-Addo** says **Burkina Faso** has allegedly become the latest country in **Africa** to contract mercenaries from **Russia's Wagner Group** to fight insurgents;

13 Dec 2022 **Washington D.C (United States)** *Africa News*. President **Nana Akufo-Addo** attends the **US-Africa Leaders' Summit**;

11 Dec 2022 **Accra (Ghana)** *Business Insider Africa*. The cedi (GHS) completes a week as the best-performing currency globally following a rally fuelled by expectation of a bailout agreement with the **International Monetary Fund**;

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