

AFRICA RISK CONSULTING

Ghana Monthly Briefing April 2022

Ghana Summary 11 April 2022

The ruling New Patriotic Party (NPP) forces four bills through parliament on 31 March, raising taxes for citizens and businesses. These bills are widely unpopular, but the government claims they are necessary to improve the government's fiscal position and secure a \$3 billion bailout from the International Monetary Fund (IMF). Securing this bailout is increasingly important as the World Bank revises its economic growth forecast for Ghana downward in its April outlook reports, while inflation and interest rates in the country remain high. United States (US) vice president Kamala Harris visits Ghana between 26 and 29 March, announcing that the US will commit \$100 billion towards combating insecurity and extremism in coastal West Africa. Harris also presses the government on the proposed anti-LGBTQ+ bill that is currently before parliament. However, President Nana Akufo-Addo (2017-present) indicates that the government is working towards moderating this proposed legislation. Authorities deploy an additional 1,000 security force members to Bawku (Upper East Region) after unknown gunmen kill a Ghana Immigration Service (GIS) officer on 3 April, marking a worsening of the security environment in the city.

Parliament forces through bills enabling increased taxes

Ghana's parliament passed four significant pieces of legislation on 31 March enabling increased revenue collection before adjourning for recess on 1 April.¹ The four pieces of legislation include:

- **The Excise Duty (Amendment) Bill, 2022** – this has increased tax rates on tobacco products to conform with **Economic Community of West African States (ECOWAS)** protocols. The bill also increased taxes on alcohol products as well as introduced a 20% excise tax on sweetened drinks;
- **The Income Tax (Amendment) (No.2) Bill, 2022** - this has increased income tax across the board and introduced a new income tax bracket at 35% on the top income earners. In addition, the bill introduced a new withholding tax on the realisation of assets, liabilities, and lottery winnings;
- **The Growth and Sustainability Bill, 2022** - this bill has introduced a special levy to raise revenue intended to bolster economic growth and fiscal sustainability in the economy. The state hopes that this levy will help the country recover from the shocks caused by the **Covid-19** pandemic and **Russia's** invasion of **Ukraine**;
- **The Ghana Revenue Authority (Amendment) Bill, 2022** - this expands the Ghana Revenue Authority's (GRA) capacity to monitor and collect revenue in the country.²

These four acts were passed by a slim margin of 137 votes for to 136 votes against.³ The bills were so close that two **New Patriotic Party (NPP)** members of parliament (MPs), who were in hospital, were brought in by ambulance to record their votes and ensure the passage of the bills.⁴ The opposition **National Democratic Congress (NDC)** was adamant in its opposition to these tax increases and taxes, well aware that these measures are deeply unpopular across society.

¹ GNA, 1 Apr 2023

² GNA, 1 Apr 2023

³ BBC, 1 Apr 2023

⁴ GNA, 1 Apr 2023

The country's business and labour organisations vocally opposed the new bills arguing that Ghana's private sector is overburdened due to the challenges caused by the Covid-19 pandemic and the country's ongoing economic struggles.⁵ The sharp increase in excise taxes on tobacco, alcohol, and sweetened drinks will impact manufacturers, retailers, and hospitality industries. The **Association of Ghana Industries (AGI)** has claimed that the new taxes will force businesses to cut down on expenditure and production levels to stay within their budgets, which would reduce the amount of revenue the GRA is able to collect.⁶

The passage of these new bills, especially the increase in income taxes, is also fuelling labour tensions in the country. The **Ghana Trades Union Congress (TUC)** has warned that the tax increases will push up the cost of living and increase strain on workers' finances. As such, the TUC has indicated that unions may need to push to reopen wage negotiations with private and public sector employers in response to this development.⁷

Government has pushed back against criticism of these bills arguing that the bills were essential to help stabilise the country's economy in revenue. Furthermore, the passage of these bills is required for Ghana to meet the **International Monetary Fund's (IMF)** requirements for the requested \$3 billion bailout.⁸ The government's position has been supported by the market's reaction to the passage of the bill; the local currency the cedi (GHS) strengthened by around 9.6% to \$0.93 following the passage of these bills.

Economy continues to struggle.

The **World Bank**, in its April 2023 edition of 'Africa's Pulse', revised Ghana's projected economic growth for 2023 down to 2% from an initial forecast of 2.7%, as an IMF bailout remains a priority for the government and the struggling economy.⁹ Africa's Pulse is a bi-annual publication of the office of the chief economist in the World Bank Africa region and analyses the short-term economic prospectus of African states.¹⁰

This slowing economic growth will be exacerbated by the **Bank of Ghana's (BoG)** decision on 27 March to increase the country's interest rate to 29.5%.¹¹ This means that the BoG has increased the interest rate by 125 basis points in the past 12 months, in its continued efforts to contain the inflation rate which remains at a very high 52.8%.¹² This increase in interest rates should help constrain inflation but it will do so by also constraining investment and consumer expenditure which will, in turn, slow economic growth.

The combination of high inflation and high-interest rates combined with low rates of economic growth indicates that Ghana is at risk of falling into a sustained state of stagflation (a phenomenon marked by rising prices and negligible economic growth). Stagflation is difficult for policymakers and central banks to combat as conventional monetary tools have a limited impact, which will deepen the economic malaise and increase voter frustration with the NPP ahead of the 2024 general election.

US vice president visits Ghana

President **Nana Akufo-Addo** (2017-present) hosted **United States (US)** vice president **Kamala Harris** on her visit to Ghana from 26 to 29 March as part of a three-country tour.¹³ The two discussed improving Ghana-US relations with Harris affirming the US' support for Ghana's debt reduction efforts. In addition, Harris announced that the US would commit \$100m in support to Ghana, **Benin,**

⁵ GNA, 22 Mar 2023

⁶ Ghana Business News, 6 Apr 2023

⁷ Ghana Plus, 3 Apr 2023

⁸ News Ghana, 4 Apr 2023

⁹ Pulse, 5 Apr 2023

¹⁰ World Bank, 5 April

¹¹ Reuters, 27 Mar 2023

¹² Deutsche Welle, 24 Mar 2023

¹³ US Embassy in Ghana, 29 Mar 2023

Côte d'Ivoire, Guinea and Togo to combat extremism and instability in coastal **West Africa**.¹⁴ These funds will be a major boost for Ghana's efforts to combat insecurity along its northern border as well as improving its maritime security.

Following their meeting, Akufo-Addo hosted Harris at a state dinner at the presidential palace, **Jubilee House** where Akufo-Addo declared that Ghana would accept the US' invitation to join the nascent **Atlantic Cooperation Initiative** as a founding member.¹⁵ The Atlantic Cooperation Initiative is a US-led effort to improve trans-Atlantic cooperation. The organisation was first touted in September 2022 in a statement by the potential founding nations, including Ghana.¹⁶ The initiative will comprise **Angola, Argentina, Brazil, Canada, Costa Rica, Côte d'Ivoire, Equatorial Guinea, Guinea-Bissau, Ireland, Mauritania, the Netherlands, Norway, Portugal, Senegal, Spain, and the United Kingdom**. The Atlantic Cooperation Initiative aims to align the member states actions on shared sustainable development and economic, environmental, scientific, and maritime governance goals across the Atlantic. Akufo-Addo's statement during the state dinner confirms that Ghana is intending to play an active role in this organisation.

Harris's visit underscored Ghana's strong relations with the US and further highlighted the importance placed on Ghana by the US in its Africa strategy. This relationship will likely become increasingly important as the US seeks to counter **Chinese** and **Russian** influence in Africa.

Anti-LGBTQ+ bill draws global criticism

Despite Harris' praise for Ghana, she did press Akufo-Addo on the current anti-LGBTQ+ bill currently before Ghana's parliament, noting that the US considers anti-gay legislation to be a human rights issue. This bill, the **Promotion of Proper Human Sexual Rights and Ghanaian Family Values Bill (2021)** has been before parliament since August 2021 and is expected to finally be addressed this year. The proposed law would further criminalise same-sex relations as well as mandate a fine or even jail for individuals who participate in public displays of same-sex affection or even cross-dressing. Furthermore, the bill calls for prison sentences of up to ten years for LGBTQ+ couples and even those who advocate for marriage equality. Even more drastic, the bill will empower the government to force intersex people into surgery and LGBTQ+ individuals into so-called 'corrective therapy'.¹⁷

As the bill has once again come to the fore of Ghanaian discourse it has drawn widespread criticism from international activists, nongovernmental organisations (NGOs) and even governments. Most notably, the **French** development, Francophonie and international partnerships minister, **Chrysoula Zacharopoulou** publicly condemned the bill and called on Ghana to respect its LGBTQ+ citizens.¹⁸

Akufo-Addo does not appear to be an avid supporter of the bill and even appears to be annoyed by the controversy generated by the bill. In his interactions with Harris during her visit, Akufo-Addo commented that "*substantial elements*" of the proposed bill are being reconsidered by parliament and will be modified.¹⁹ Furthermore, Ghana's attorney-general has addressed the legislature's constitutional and legal committee on elements of the bill which may not pass constitutional muster.

The government's concern over the bill is likely rooted in the fact that it threatens Ghana's reputation of being among the more liberal and business-friendly states in Africa. This reputation has played a major role in the government's efforts to position Ghana as an ideal site for multinationals to locate their regional headquarters. For the country to maintain this reputation, which has already been damaged by the ongoing economic turmoil, Ghana needs to ensure that multinationals can send their

¹⁴ Ghana Today, 30 Mar 2023

¹⁵ Ghana Today, 30 Mar 2023

¹⁶ White House, 20 Sep 2023

¹⁷ Advocate, 30 Mar 2023

¹⁸ Pulse, 6 Apr 2023

¹⁹ CNN, 29 Mar 2023

employees regardless of their sexual orientation. It should be noted that should the bill be debated on the floor of parliament, it could drive homophobic sentiment and even violence in the country.

Security environment deteriorates in Upper East Region

Authorities deployed an additional 1,000 security force members to **Bawku (Upper East Region)** after unknown gunmen kill a **Ghana Immigration Service (GIS)** officer on 3 April, marking a worsening of the security environment in the city.²⁰ Bawku is the site of a protracted dispute between the **Mamprusi** and **Kusasi** ethnic groups over the local chieftaincy but these ethnic tensions have escalated in recent months leading to increased incidents of conflicts and assassinations.²¹

Authorities have raised concerns that this deteriorating security situation will create an enabling environment for **Islamist** militants from across the nearby border with **Burkina Faso** to take root in Upper East Region. Ghana has largely managed to remain free of the Islamist militancy which has impacted most other major **West African** state, however, should these groups manage to establish themselves in the area, it will present a major security threat to Ghana. As such, the government will likely commit some of the security funding pledged by Harris towards improving the security environment along the country's border with Burkina Faso including in Bawku.

Planner

13 May 2023 **(Ghana) National Democratic Congress (NDC)** primaries;
4 Nov 2023 **(Ghana) New Patriotic Party (NPP)** primaries;

Chronology

7 Apr 2023 **Accra (Ghana) MyJoyOnline**. **International Monetary Fund (IMF)** raises concerns over a potential wave of debt restructuring requests as Ghana seeks an IMF-support programme while facing a hurdle to secure agreement with its bilateral creditors for a debt restructuring;

5 Apr 2023 **Accra (Ghana) GNA**. Ghana commences renegotiations of its bilateral treaty with the **Netherlands**;

5 Apr 2023 **Accra (Ghana) Ghana Plus**. **National Identification Authority (NIA)** officials announce that they have cleared the backlog for Ghana Cards to be printed and call on the public to collect these identity documents;

5 Apr 2023 **Accra (Ghana) Ghana Today**. President **Nana Akufo-Addo** swears two new supreme court justices into office;

4 Apr 2023 **Accra (Ghana) GNA**. The **National Patriotic Party** announces that it will hold its presidential primary on 4 November to select its flagbearer for the 2024 general election;

1 Apr 2023 **Accra (Ghana) GNA**. Parliament fails to approve a \$60.6m loan from the **World Bank** to bolster Ghana's **Covid-19 Emergency Preparedness and Response Project**;

31 Mar 2023 **Banda (Ghana) GNA**. Officials announce that **Chinese** investors will build the largest sugar-producing factory in Ghana in the country's **Banda** district;

31 Mar 2023 **Accra (Ghana) The Africa Report**. The **Ghana Chamber of Mines** raises concerns over an increase in clashes between mining companies' security personnel and illicit artisanal miners;

30 Mar 2023 **Accra (Ghana) GNA**. Five political parties, including both the ruling **New Patriotic Party (NPP)** and the main opposition **National Democratic Congress (NDC)** party, issue a call to amend Ghana's 1992 constitution to better address the country's development challenges;

²⁰ Pulse, 6 Apr

²¹ VOA, 7 Apr

29 Mar 2023 **Budapest (Hungary)** *Modern Ghana*. The inaugural session of the **Hungarian-Ghanaian Joint Economic and Technical Commission (JETC)** is held in Hungary;

28 Mar 2023 **Accra (Ghana)** *The Africa Report*. **Electricity Company of Ghana (ECG)** disconnects multiple state-owned buildings and institutions due to over \$478m in unpaid electricity dues;

28 Mar 2023 **London (United Kingdom)** *Reuters*. Government begins talks with the country's international bondholders on the restructuring of \$13 billion in external debt, following talks the signing of non-disclosure agreements by both sides;

28 Mar 2023 **Accra (Ghana)** *ESI Africa*. **African Development Bank (AfDB)** approves a \$28.49m grant to Ghana to construct renewable energy infrastructure;

27 Mar 2023 **Accra (Ghana)** *African Markets*. The **Bank of Ghana (BoG)** announces that it has delayed the introduction of the e-Cedi digital currency due to ongoing economic challenges;

23 Mar 2023 **Accra (Ghana)** *MyJoyOnline*. A group independent power producers rejects a proposal from the government to include \$1.4 billion in arrears as part of the nation's external debt restructure while pushing authorities to honour payments;

16 Mar 2023 **Accra (Ghana)** *News24*. Major **South African** gold mining houses, **Gold Fields** and **AngloGold Ashanti**, propose a joint venture in Ghana between Gold Fields' **Tarkwa** and AngloGold Ashanti's neighbouring **Iduapriem** mines. If approved, the deal will create the largest gold mine in Africa;

10 Mar 2023 **Perth (Australia)** *Mining Weekly*. **Australian** miner, **Piedmont Lithium**, denies allegations levelled by **Canadian** investment firm, **Blue Orca Capital**, that it paid bribes to Ghanaian politicians to secure mining licences in Ghana.

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