

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing May 2023

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#### Ghana Summary 8 May 2023

*President Nana Akufo-Addo (2017-present) and his administration are under increased pressure to address illegal gold mining in Ghana after a report into this criminality was leaked on 20 April. The report shows that illicit gold mining syndicates have ties to senior political figures within the ruling New Patriotic Party (NPP). This occurs during a period of heightened awareness of gold trafficking after a suspected gold smuggler was mentioned in the Qatar-headquartered Al Jazeera's gold smuggling documentary implying that he knew Akufo-Addo. Parliament approves seven additional loan agreements totalling \$910m in an emergency sitting on 2 May, increasing the country's debt burden. The United States-headquartered rating agency Fitch Ratings downgrades Ghana's Long-Term Local-Currency (LTLC) Issuer Default Rating (IDR) to 'RD' (restricted default) from 'CCC' on 21 April. As such, the agency will no longer provide credit ratings for bonds issued in the Ghanaian cedi. This comes amid continued slow economic growth and high inflation, although, inflation has declined faster than expected in the latest period. Political tensions are rising in Ghana ahead of the upcoming party primaries and next year's general election; as such, officials have called on parties to remain civil and avoid inflammatory language.*

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#### President under pressure to crack down on illegal gold mining

President **Nana Akufo-Addo** (2017-present) and his administration are facing increased pressure to tackle illegal gold mining, locally referred to as galamsey, an issue the country has long struggled with. Akufo-Addo has repeatedly pledged to address this form of criminality, and in July 2017 - his first year in office - promised he would combat the galamsey syndicates even if it cost him his re-election.<sup>1</sup> The matter has been brought to the fore of Ghanaian political discourse after a suspected **Canadian** gold trafficker **Alistair Mathias** was recorded by **Qatar**-headquartered news network **Al Jazeera** inferring that he knew Akufo-Addo.<sup>2</sup> This inference was made in Al Jazeera's Gold Mafia documentary series uncovering politically connected gold trafficking and money laundering syndicates in **Southern Africa**.

It should be noted that there is no evidence that Mathias does actually know the president, however, Akufo-Addo is clearly aware of the political damage such an alleged criminal connection can pose and has since written to Al Jazeera demanding the network retract any reporting that connects the him to Mathias and has even threatened to sue the network.<sup>3</sup> Al Jazeera has responded stating that it does believe it owes the president an apology as it included his right of reply in the documentary.

These revelations also occurred at the same time as a recent report by the former environment, science and technology minister **Kwabena Frimpong-Boateng** into illegal mining in Ghana was leaked to the press on 20 April.<sup>4</sup> The report was compiled when Frimpong-Boateng chaired the **Inter-ministerial Committee on Illegal Mining (IMCIM)** in 2021. The leaked report indicates that high-level figures within the ruling **New Patriotic Party (NPP)** may be connected to illicit gold mining in Ghana, including **Lord Commey**, the director of communication in the presidency, and the information minister **Oppong Nkrumah** among others.<sup>5</sup>

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<sup>1</sup> Citi Newsroom, 30 Apr 2023

<sup>2</sup> Ghana Business Review, 4 May 2023

<sup>3</sup> Graphic, 27 Apr 2023

<sup>4</sup> Pulse, 5 May 2023

<sup>5</sup> Citi Newsroom, 5 May 2023

The leaking of Frimpong-Boateng's so-called galamsey report was clearly timed to take advantage of the attention on illegal gold trafficking and mining brought about by the Al Jazeera documentary. The leaker has likely achieved their aims as well. The government is under intense pressure to crack down on illegal mining and any political figure with connections to these syndicates. The main opposition, the **National Democratic Congress (NDC)** issued a statement on 25 April demanding that the legislature forms a bipartisan commission of inquiry into the leaked report.<sup>6</sup> The NDC are clearly keen to take advantage of this latest scandal and connect the state's failure to tackle illegal gold mining to its more general attacks on the NPP's stewardship of the economy.

In an effort to get ahead of the growing scandal, the **Office of the Special Prosecutor (OSP)** and attorney-general, **Godfred Yeboah Dame**, have both announced that they have active investigations into the matter.<sup>7</sup> The OSP claims it has been investigating the claims in the report since last year.

However, these statements of promised and current investigations are unlikely to help Akufo-Addo, who will likely soon start facing questions as to why the report was not made public after it was completed almost two years ago and whether he is protecting allies within the NPP. The fact that figures such as Commey and Nkrumah were cited in the report is particularly damaging for the president.

Any prospective NPP leader will actively seek to distance themselves from Akufo-Addo to blame the president for Ghana's current economic woes, and this latest galamsey scandal will aggravate this situation. The leaked report and the inferences made by Mathias in the Al Jazeera documentary will also bolster the NDC's attacks on the NPP ahead of the 2024 election. The president will need to act quickly and decisively on this matter if he is to limit the damage to the NPP and the party's prospects in next year's general election.

### Parliament approves additional debt

Parliament approved seven new loans totalling more than \$910m in an emergency sitting on 2 May.<sup>8</sup> Five of these loans are from the **World Bank's International Development Association (IDA)** and comprise \$710m of the \$910m, intended for a variety of development projects including food resiliency, healthcare, public financial management, and digital acceleration projects. The remaining \$200m is comprised of a \$30m loan agreement with **South Korea** (denominated in Korean won) to finance the purchase of medical equipment, and a \$170m on-lending agreement with the **European Investment Bank (EIB)** to help establish the **Development Bank Ghana (DBG)** as a financially sustainable entity. These funds will be provided under a finance contract agreement.

These loans are all for important development projects but also highlight Ghana's continued dependence on external financing to fund these endeavours. The approval of these loans will also worsen Ghana's debt burden at a time when the state is trying to reign in and restructure its debt. The **Bank of Ghana's** (central bank) latest estimates assess Ghana's debt burden to be roughly equal to 93.5% of GDP, however, this is expected to worsen, and the **International Monetary Fund (IMF)** is already forecasting that Ghana's debt to GDP ratio will reach 98.7% by the end of 2023.<sup>9</sup> This is despite the recent conclusion of the **Domestic Debt Exchange Programme (DDEP)** and the country's ongoing restructuring negotiations with its major external creditors.

Further complicating this, the **United States**-headquartered ratings agency **Fitch Ratings** downgraded Ghana's Long-Term Local-Currency (LTLC) Issuer Default Rating (IDR) to 'RD' (restricted default) from 'CCC' on 21 April. As such, the agency will no longer provide credit ratings for bonds issued in the Ghanaian cedi.<sup>10</sup> This comes two months after Fitch downgraded the country's Long-Term Foreign-Currency (LTFC) IDR in February (*see ARC Briefing Ghana Feb 2023*). This means

<sup>6</sup> GNA, 25 Apr 2p23.

<sup>7</sup> The Herald Ghana, 3 May 2023

<sup>8</sup> Ghana Business News, 4 May 2023

<sup>9</sup> Ghanaian Times, 14 Apr 2023

<sup>10</sup> Fitch Ratings, 21 Apr 2023

that Ghana is viewed as having defaulted on its debt and the government will now need to offer significantly higher interest rates on any future bond issuances if it is to attract any interest.

### Inflation falls but economic growth sluggish

**Ghana Statistical Service (GSS)** indicated on 12 April that annual inflation fell to 45% in March from 52.8% in February, substantially better than the initially predicted 49.8%.<sup>11</sup> Importantly this was driven by both food price inflation and non-food inflation, indicating that consumer price pressures are easing somewhat. However, it should be noted that the inflation rate remains exceptionally high and will continue to place extreme pressure on Ghanaians.

This is also concerning given the country's continued mediocre economic growth. The GSS estimates that Ghana's economy only grew by 3.1% of GDP in 2022, compared with the 5.1% growth recorded in 2021.<sup>12</sup> The **United Kingdom**-headquartered **Economist Intelligence Unit (EIU)** is currently forecasting Ghana to only experience 1.3% growth this year. This sluggish growth combined with the persistently high inflation rate suggests that Ghana's medium-term economic prospects remain dire. The country is at risk of a persistent period of stagflation with limited monetary policy tools available to it to rectify the situation.

This will also fuel anger and discontent ahead of the 2024 election as Ghanaians will become poorer in real terms and the economy will fail to absorb new workers leading to increased unemployment rates over the coming year. The new government in the wake of the 2024 election is almost certain to inherit these fiscal and monetary challenges but will have little room to manoeuvre and deliver on their campaign pledges as the country's debt burden will further constrain spending. As such, the new government will likely need to seek additional bailouts from the IMF, World Bank, or other international donors to rectify the country's economy.

### Parties called to act with restraint as political tensions rise

The increase in political tensions caused by the upcoming party primaries and next year's general election has given rise to fears of political violence in the country, prompting the **National Peace Council (NPC)** to hold meetings with the leaders of the major political parties over the past month and call on them to act with restraint.<sup>13</sup> The NPC is an independent statutory body formed in 2011 and mandated to prevent, manage, and resolve conflict in Ghana and to build sustainable peace in the country. NPC chairperson **Ernest Adu-Gyamfi** commented that he sought to remind the parties that they could disagree strongly with one another without resorting to acrimony or disrespect.

In a related development, the **Ghana Police Service** has revealed that it had formed the **Police Election Security Secretariat**.<sup>14</sup> This is one of the initial planned strategic interventions in the police's preparations for next year's election. The secretariat will work with all political parties and stakeholders on election security issues.

### Planner

13 May 2023 **(Ghana) National Democratic Congress (NDC)** primaries;

<sup>11</sup> Bloomberg, 12 Apr 2023

<sup>12</sup> Reuters, 19 Apr 2023

<sup>13</sup> GNA, 19 Apr 2023

<sup>14</sup> Ghana Today, 21 Apr 2023

4 Nov 2023 **(Ghana) New Patriotic Party (NPP)** primaries;

### Chronology

3 May 2023 **Accra (Ghana)** *Ghana Business News*. France-based **Reporters Without Borders** ranks Ghana 60<sup>th</sup> on its 2023 **Press Freedom Index**, down from 62<sup>nd</sup> in 2022;

3 May 2023 **Accra (Ghana)** *GNA*. The minor political party, the **Liberal Party of Ghana (LPG)**, accuses both the **National Democratic Congress (NDC)** and the **National Patriotic Party (NPP)** of incompetent management of the economy;

3 May 2023 **Accra (Ghana)** *Ghana Business News*. **Ghana Health Service (GHS)** declares the **Lassa Fever** outbreak in the country to be over. This follows the final patient being discharged 42-days earlier on 10 March;

3 May 2023 **Accra (Ghana)** *GNA*. Former **National Patriotic Party (NPP)** general-secretary **Kwabena Agyei Agyepong** addresses the NPP's parliamentary caucus as part of his campaign to be elected as NPP leader;

2 May 2023 **Accra (Ghana)** *GNA*. An estimated 74 Ghanaians evacuated from **Sudan** arrive in Accra;

1 May 2023 **Accra (Ghana)** *GNA*. President **Nana Akufo-Addo** hosts **Japanese** prime minister **Kishida Fumio** in Accra, where the two leaders pledge to enhance bilateral ties and work together towards **United Nations Security Council (UNSC)** reform;

1 May 2023 **Accra (Ghana)** *Ghanaian Times*. The three new and revised taxes passed in the recent budget come into effect;

1 May 2023 **Bolgatanga (Ghana)** *GNA*. President **Nana Akufo-Addo** states that the government has made “*substantial progress*” towards securing a deal with the **International Monetary Fund (IMF)** for a bailout;

30 Apr 2023 **Ho (Ghana)** *GNA*. The local branch of the **National Democratic Congress (NDC)** holds a march for peace in **Ho Central Constituency**;

28 Apr 2023 **Accra (Ghana)** *GNA*. The **United Nations (UN)** commits \$517m in grants to help Ghana achieve its **Sustainable Development Goals (SDGs)**;

28 Apr 2023 **Accra (Ghana)** *Ghana Plus*. **United Kingdom**-headquartered **Economist Intelligence Unit (EIU)** forecasts that the **National Democratic Congress (NDC)** will win next year's presidential and legislative elections;

26 Apr 2023 **Accra (Ghana)** *GNA*. President **Nana Akufo-Addo** travels to **South Africa** to attend the four-day annual forum of the **Democrat Union of Africa (DUA)**;

26 Apr 2023 **Accra (Ghana)** *Ministry of Foreign Affairs*. The inaugural meeting of the **Ghana-Zambia Permanent Joint Commission for Cooperation (PJCC)** takes place at the **Accra International Conference Centre (AICC)**;

26 Apr 2023 **Accra (Ghana)** *GNA*. President **Nana Akufo-Addo** and **Austrian** Chancellor **Karl Nehammer** sign two bilateral agreements, one on defence and one on general cooperation;

25 Apr 2023 **Accra (Ghana)** *GNA*. The **Third Extraordinary Assembly of Heads of State and Government of the Gulf of Guinea Commission (GGC)** opens in Accra;

25 Apr 2023 **Accra (Ghana)** *Ghana Plus*. President **Nana Akufo-Addo** nominates Justice **Gertrude Araba Esaaba Torkornoo** as Ghana's new chief justice ahead of incumbent chief justice **Kwasi Anin-Yeboah's** impending retirement;

24 Apr 2023 **Accra (Ghana)** *GNA*. A congressional delegation from the **United States (US)** arrives in Ghana as part of an effort to consolidate bilateral ties between Ghana and the US;

20 Apr 2023 **Accra (Ghana)** *Ghana Plus*. Dr **Anthony Yaw Baah**, secretary-general of the **Ghana Trades Union Congress (TUC)**, gives an address criticising both the **National Democratic Congress (NDC)** and the **National Patriotic Party (NPP)** for poor governance;

20 Apr 2023 **Accra (Ghana)** *MyJoyOnline*. The **2022 Public Interest and Accountability Committee (PIAC) Annual Report** reveals that Ghana earned over \$1.42 billion from the production of crude oil in 2022, despite a marginal decline in production for the year;

19 Apr 2023 **Accra (Ghana)** *MyJoyOnline*. **Switzerland**-based safety standards-oriented company **OriginAll** identifies Ghana as a major transit point for the illicit shipment of gold to Switzerland, the **United Arab Emirates** and **India**, with over \$6 billion worth of gold exports unaccounted for from 2013 to 2016;

17 Apr 2023 **Accra (Ghana)** *Graphic*. Mobile networks disconnect unregistered SIM cards as ordered by the **National Communications Authority (NCA)**;

15 Apr 2023 **Accra (Ghana)** *MyJoyOnline*. **International Monetary Fund (IMF) Africa** department director **Abebe Aemro Selassie** discloses that Ghana has met all the pre-conditions for the executive board to approve its programme request, except financing assurance from the external creditors;

13 Apr 2023 **Oti (Ghana)** *GNA*. Former president **John Mahama** campaigns in Oti region as part of his efforts to be re-elected **National Democratic Congress (NDC)** leader ahead of the party's 13 May primary elections;

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