

AFRICA RISK CONSULTING

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Ghana Summary 6 June 2022

The International Monetary Fund's (IMF) executive board approves the \$3 billion bailout for Ghana on 17 May. This was only feasible after the successful conclusion of debt restructuring talks with Ghana's largest external creditors, including China. This is a welcome economic development which hopefully will help stabilise Ghana's economy and facilitate recovery from the ongoing economic crisis. In a potentially fateful move, the opposition National Democratic Congress (NDC) elects former president John Mahama (2012-2018) as its candidate for the 2024 presidential election. Mahama has strong name recognition and political support within the NDC, but he is also known for poor economic management during his first term. This reputation may not score well with an electorate that is living through a major economic crisis. At least seven people are killed in intercommunal violence in Savannah Region's North Gonja district, highlighting the persistent security concern of intercommunal and ethnic tensions in Ghana.

International Monetary Fund approves Ghana bailout

The **International Monetary Fund's (IMF)** executive board approved a \$3 billion 36-month **Extended Credit Facility (ECF)** arrangement for **Ghana** on 17 May.¹ The board took five months to approve the ECF arrangement, which was agreed upon in December, as it was contingent on Ghana achieving specific debt-restructuring outcomes which the country has now done. This included a domestic debt restructuring of approximately GHS 97.7 billion (\$8.68 billion) and an external debt restructuring of approximately \$20 billion.²

Ghana's external debt comprises almost \$5.6 billion in bilateral debt and \$14.6 billion in debt held by private overseas creditors, primarily banks and **Eurobond** holders. It was this external debt restructuring which presented the more significant challenge, as **China** needed convincing to participate in the multi-party debt restructuring negotiations. China - including Chinese state-affiliated banks - is estimated to hold close to \$1.9 billion of Ghana's debt.³ As such, any debt restructuring agreement without China's buy-in was a non-starter. Private creditors in particular were also unlikely to agree to any proposal if major creditors such as China were not also involved.

Prolonged talks have been held between the **Paris Club** of creditor countries, major private creditors, and China over the past five months. These talks used the **G20's Common Framework** platform to facilitate these talks which eventually resulted in a comprehensive debt restructuring agreement being reached on 9 May.⁴ This agreement was partly reached as a result of Ghana securing an 85% participation rate in its **Domestic Debt Exchange Programme (DDEP)** in February and passing a package of finance bills in March allowing for tax increases (*See ARC Briefing Ghana Mar and Apr 2023*). The exact details of the debt restructuring agreement have not yet been made public so it remains unclear how the burden for the restructuring has been spread amongst Ghana's creditors or how Ghana will handle the \$1.9 billion worth of Eurobond debt repayments which are due in November.

The \$3 billion ECF funding will be paid in a series of tranches over the three-year period, with the first disbursement of \$600m already released.⁵ As per the IMF's statement, these funds are earmarked to

¹ IMF, 17 May 2023

² Reuters 11 May 2023

³ Ghanaian Times, 3 Mar 2023

⁴ Daily Maverick, 12 May 2023

⁵ IMF, 17 May 2023

help Ghana address its “*immediate policy and fiscal challenges*”. This will include meeting the country’s most urgent budgetary obligations as well as financing the necessary reforms needed to meet Ghana’s debt restructuring obligations. The remaining tranches will be paid out in regular intervals on the condition that Ghana meets the targets outlined in its IMF agreement, including implementing a fiscal consolidation policy, efforts to stabilise public finances, structural adjustment reforms related to tax policy, revenue administration, and public financial management. In addition, Ghana has pledged to implement strict measures to address structural weaknesses in the country’s energy and cocoa sectors.

This latter point is particularly important - the **World Bank’s** country director to Ghana, **Pierre Frank Laporte**, has said the energy sector has been a major contributor to Ghana’s debt challenges due to the mismanagement of the tariff system and unsustainable purchase agreements with the country’s independent power producers (IPPs). These decisions forced Ghana to accrue more debt to cover shortfalls.⁶

Underscoring that the IMF bailout is not an immediate cure for Ghana’s economic woes, **United States**-headquartered rating agency **Standard & Poor’s (S&P)** affirmed its SD/SD (selective default) long- and short-term foreign currency ratings and its 'CCC+/C' long- and short-term local currency ratings on Ghana on 2 June.⁷ The affirmation of these ratings indicates that S&P still views the country as a sub-investment rate and in a state of selective default despite the IMF bailout. S&P further noted that it does not expect Ghana to bring its debt-to-GDP ratio below 55% before 2028, making it unlikely that Ghana’s economy will qualify for a rating upgrade for several years at least.

Although the IMF-mandated reform and debt restructuring programmes will be difficult for the government to accept, the announcement that the bailout was approved was much-needed positive economic news. In response, the cedi rapidly strengthened to \$1 to GHS 10.85 on 18 May from \$1 to GHS 11.55 a month earlier.

The injection of funds from the ECF will help stabilise Ghana’s economy, stabilise the local currency, and enable the country’s fiscal and monetary policy authorities to begin properly addressing the high inflation and interest rates. Ghana’s economy will take several years to recover from the ongoing crisis, but the IMF bailout does offer the first indication that the end of the crisis is in sight.

Former president wins NDC presidential primary

The opposition party, the **National Democratic Congress (NDC)** elected former president **John Mahama** (2012-2017) as its presidential candidate during its primaries held on 13 May, marking the start of Mahama’s fourth presidential campaign after his successful run in 2012 and two losing campaigns in 2016 and 2020. Mahama won the primary by a landslide securing an estimated 98.9% of the votes cast, beating former **Kumasi** mayor **Kojo Bonsu** who received the remaining 1.1%.⁸ Notably, former central bank governor **Kwabena Duffuor** – who had been perceived as Mahama’s only real competition for the nomination – withdrew from the race late on 12 May. Duffuor claimed that the primary election was being rigged and, as such, he would not contest the election, leaving Mahama with a clear path to victory.

Mahama was considered the frontrunner ever since he first announced his candidacy on 2 March.⁹ The former president retains widespread support within the NDC and undoubtedly has the largest name recognition within the party. However, Duffuor could have been a serious challenger given that his background as a former central bank governor would position him well ahead of a general election which is expected to focus on economic issues. In contrast, Mahama lost his 2016 re-election campaign to incumbent president **Nana Akufo-Addo** (2017-present) due to perceptions that he had mismanaged the economy. As such, the NDC has undermined their strongest position ahead of the 2024 election by selecting Mahama as its flagbearer.

⁶ GNA, 3 Jun 2023

⁷ S&P Global, 2 Jun 2023

⁸ Ghana Plus, 15 May 2023

⁹ Ghana Business News, 3 Mar 2023

The NDC will still seek to pin the current economic crisis on the ruling **New Patriotic Party (NPP)**; however, the NPP will cite the falling economic growth and surging fiscal debt observed in 2016 after Mahama's first term ended. While the current economic crisis is far worse, the NPP will be able to use the **Covid-19** pandemic as a mitigating factor. Such a strategy will be even easier if the economy manages to stabilise and begin to recover in the coming months thanks to the debt restructuring agreements and IMF bailout.

The ruling party will only hold its leadership primary on 4 November but is largely expected that either vice president **Mahamudu Bawumia** or former trade minister **Alan John Kwadwo Kyerematen** will be the NPP flagbearer. Regardless, the eventual nominee will seek to claim credit for any success the government has had in stabilising the economy while assigning blame for the crisis to Akufo-Addo and finance minister **Ken Ofori-Atta**.

A month ago, the NPP's task of retaining power seemed hopeless, however, the combination of positive economic developments and the NDC's decision to put forward Mahama as its presidential candidate once again has breathed new life into the build-up to the 2024 election.

Intercommunal violence in Savannah region

The frequent occurrence of communal violence in Ghana was highlighted once again on 1 June after seven people were killed in clashes between ethnic **Mamprusi** and **Gonja** communities in the **Lukula** and **Nyoagbini** areas of **Savannah Region's North Gonja** district.¹⁰ In addition to the fatalities, over 50 homes were destroyed.¹¹ The clashes were fuelled by longstanding ethnic tensions between the two groups in the area, which are rooted in land and resource disputes as well as sentiment among the Mamprusi that the district's predominantly ethnic Gonja officials neglect Mamprusi villages in favour of predominantly Gonja areas.¹² This resentment has been a source of repeated intercommunal conflict between the two groups.

It is currently unclear what instigated the latest round of conflict; however, unconfirmed reports indicate that it was started after Mamprusi members attempted to prevent a Gonja chieftain from the district capital, **Daboya**, from arriving in the area. Officials deployed police officers to enforce the peace but this measure was largely ineffective. To avoid further conflict, authorities may need to deploy a more robust police or armed forces presence to the area as was required in **Bawku (Upper East Region)** which has been marked by persistent incidents of deadly intercommunal violence for several months. Ghana does not presently have

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4 Nov 2023 **(Ghana) New Patriotic Party (NPP)** primaries;
8-24 Mar 2024 **Accra (Ghana)** Africa Games

Chronology

5 Jun 2023 **Accra (Ghana) Business Ghana**. An **Israeli** economic and trade mission holds meetings with agricultural sector operators in **Northern Region** to discuss potential areas for collaboration;

5 Jun 2023 **Accra (Ghana) News Ghana**. **National Petroleum Authority (NPA)** confiscates 73,000 litres of crude oil and 108,000 litres of diesel from fuel traffickers arrested off the coast of the **Western Region**;

4 Jun 2023 **Accra (Ghana) GNA**. **Association of Ghana Industries (AGI)** calls for the government to change the way it calculates Value-Added Tax (VAT) on imported raw materials;

¹⁰ My Joy Online, 1 Jun 2023

¹¹ Pulse, 1 Jun 2023

¹² My Joy Online, 1 Jun 2023

- 4 Jun 2023 **Accra (Ghana)** *DW*. Authorities confirm that the government is committed to hosting the upcoming **Africa Games**, scheduled to be held in Accra between 8 and 23 March 2024, despite the ongoing economic crisis;
- 3 Jun 2023 **Binduri (Ghana)** *Modern Ghana*. Health officials confirm at least one person has died in an **Anthrax** outbreak in **Binduri (Upper East region)**. The outbreak is believed to be related to the consumption of meat from an infected cow;
- 2 Jun 2023 **Accra (Ghana)** *GNA*. **Joe Ghatey**, the member of parliament for the **Essikadu-Ketan** constituency, reveals his intent to contest the ruling **New Patriotic Party's (NPP)** presidential primary in November;
- 1 Jun 2023 **Accra (Ghana)** *Reuters*. Labour union leaders request additional time to consider the government's proposal to restructure workers' pension funds worth approximately \$2.7 billion;
- 31 May 2023 **Accra (Ghana)** *Ghana Plus*. Supreme court rules that the **Imposition of Limits Act** which was passed in 2020 to enable the implementation of **Covid-19** pandemic restrictions was unconstitutional and is struck down;
- 30 May 2023 **Obuasi (Ghana)** *The South African*. Security forces clash with protesting illegal artisanal miners in **Obuasi (Ashanti region)**;
- 29 May 2023 **Accra (Ghana)** *My Joy Online*. Parliament announces that it has declared the **Assin North** constituency seat empty after the incumbent member of parliament, the **National Democratic Congress (NDC)**'s **James Gyakye Quayson**, failed to renounce his dual citizenship by the set deadline. The **Electoral Commission** will now organise a by-election for the seat;
- 29 May 2023 **Accra (Ghana)** *The Herald*. The **Judicial Service Staff Association of Ghana (JUSAG)** announces that it has suspended its ongoing strike for two weeks until 12 June to allow for renewed wage negotiations;
- 24 May 2023 **Accra (Ghana)** *Ghanaian Times*. **Bank of Ghana** launches its new **Financial Industry Command Security Operations Centre (FICSOC)** to bolster cybersecurity and defence in Ghana's banking sector;
- 24 May 2023 **Kumawu (Ghana)** *Ghana Plus*. The **New Patriotic Party's (NPP)** **Ernest Yaw Anim** wins the **Kumawu (Ashanti Region)** by-election by 70.91% ensuring that the ruling party retains control of the seat and thus the status quo in parliament;
- 23 May 2023 **Accra (Ghana)** *Ghanaian Times*. The government lifts all **Covid-19** restrictions at Ghana's ports of entry after the **World Health Organisation (WHO)** announced on 5 May that Covid-19 was no longer considered a Public Health Emergency of International Concern (PHEIC);
- 22 May 2023 **Accra (Ghana)** *Reuters*. The **Bank of Ghana** maintains its main interest rate at 29.5% in response to consumer price inflation recording four months of consecutive declines to 41.2% at the end of April;
- 17 May 2023 **Accra (Ghana)** *Reuters*. **Public Utilities Regulatory Commission (PURC)** increases electricity rates by 18.36%.

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