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Investigative journalist Anas Aremeyaw Anas allegedly exposes widespread corruption in Ghana's judiciary, leading to the dismissal of seven High Court judges and 22 other circuit court judges. The scandal undermines perceptions of the judiciary, particularly its ability to resolve election disputes independently and fairly. The government launches a delayed \$1 billion Eurobond sale and is forced into higher borrowing costs. Ghanaian authorities confirm that two Ghanaian students have joined Syria-based terrorist group Islamic State (IS).

Bribery investigation undermines judiciary

A comprehensive journalist investigation has allegedly exposed widespread corruption in Ghana's judiciary. The **Judicial Council** on 9 September suspended 22 circuit court judges and magistrates allegedly captured on video accepting bribes, and is investigating the conduct of 12 **High Court** judges also implicated in the bribery scandal.¹ The Judicial Council suspended seven of the 12 High Court judges on 5 October.² Investigative journalist **Anas Aremeyaw Anas**, working with local newspaper **Crusading Guide** as part of a two-year investigation, released the video to authorities the previous week and demanded that President **John Dramani Mahama** (2012- present) and chief justice **Georgina Wood** remove the judges from their positions.³ Anas claimed to have captured 180 members of the judiciary accepting bribes on video.⁴ The attorney general granted Anas immunity in late August under the whistle-blower act to pursue the investigation.⁵ As part of his investigation Anas, who is also a lawyer, allegedly offered the judges bribes to rule in favour of his clients.⁶

Judicial processes are continuing. Of the 22 suspended junior judges, 14 Circuit Court judges launched an appeal against their suspension with the High Court on 11 September.⁷ They claimed their suspension was “*contrary to law and due process*” because they had not been able to view the alleged evidence in the video footage.⁸ They also claimed the chief justice panel that suspended them had no legal basis.⁹ However, on 30 September an **Accra** High Court dismissed their application for an injunction against the suspension and to halt the panel investigation.¹⁰ In addition, on 29 September five prosecutors of the **Ghana Police Service** faced a **Criminal Investigations Department (CID)** panel over their alleged involvement in the bribery scandal.¹¹ The CID is also investigating some judicial officers implicated in Anas' investigation.¹²

Following the allegations, **Transparency International (TI)** and its local chapter **Ghana Integrity Initiative** called on authorities to ensure a thorough investigation without interference.¹³ TI also

¹ The Graphic, 9 Sept 2015.

² Bloomberg, 6 Oct 2015.

³ Reuters, 9 Sept 2015.

⁴ The Graphic, 8 Sept 2015.

⁵ BBC, 9 Sept 2015.

⁶ BBC, 9 Sept 2015.

⁷ BBC, 11 Sept 2015.

⁸ Reuters, 11 Sept 2015.

⁹ Reuters, 11 Sept 2015.

¹⁰ GNA, 30 Sept 2015.

¹¹ StarFM Online, 29 Sept 2015.

¹² StarFM Online, 29 Sept 2015.

¹³ Transparency International, 15 Sept 2015.

called for protection for Anas and other witnesses during the inquiry.¹⁴ Ghana ranked 61st out of 175 countries on TI's 2014 **Corruption Perceptions Index**.¹⁵

*"This will make the government more careful...they fear the scandal having a ripple effect and that they could be talking to Anas. But I'm not sure if you can place a premium on it for solving the corruption problem... and for Ghanaian stories come and go. Much depends on the investigation. If they are found guilty and removed from their positions, also if a criminal prosecution is added, then that would be a statement."*¹⁶

The investigation's video footage was compiled into Anas' three-hour documentary 'Ghana in the eyes of God; Epic of Injustice', which began free public screenings across Ghana in late September.¹⁷ Anas said that he wants the film to be accessible to as many Ghanaians as possible, "justice is for the people, let them see what justice means in this country".¹⁸ Anas has never made a public appearance without a disguise, to hide his extensive investigative work into corruption and malpractice.¹⁹

Mahama has defended the justice system. During a visit to **France**, he said: "The fight against corruption must be systematic"²⁰ and that the investigations and dismissals "show the robustness of our system"²¹.

The scandal undermines confidence in the judiciary's ability to resolve election disputes independently and fairly leading up to the December 2016 general elections. Sources close to the opposition **National Patriotic Party (NPP)** maintain the party has lost confidence in the judicial system to resolve election disputes fairly.²² After Mahama – the **National Democratic Congress (NDC)**'s presidential candidate – won the December 2012 presidential election with 50.7% of votes, his opponent, the NPP's **Nana Addo Dankwa Akufo-Addo**, challenged the results in the **Supreme Court**. The court eventually upheld Mahama's victory after eight months of legal proceedings. This judiciary bribery scandal comes as the NPP intensifies its demands for a new electoral register for the December 2016 elections. Police fired tear gas, rubber bullets and water cannons to disperse an NPP-led protest on 16 September at the **Electoral Commission (EC)** to demand a new register.²³ The NPP claims that the current register is inflated with ineligible voters, notably **Togolese** citizens in NDC strongholds in **Volta Region**.²⁴

*"The NPP have been careful not to politicise this scandal, because the judiciary is already politicised. The furthest they have gone is to say that corruption is endemic in the system."*²⁵

Government delays Eurobond launch and pays higher borrowing costs

The government launched a \$1 billion Eurobond on 8 October. It had delayed the launch due to unfavourable global economic conditions that have resulted in increased borrowing costs in emerging markets.²⁶ The government was expected to launch the Eurobond immediately after investor meetings in the **United States (US)** and **Europe** between 23 and 30 September.²⁷ It appointed **Barclays, Deutsche Bank** and **Standard Chartered** to market the Eurobond to international investors.²⁸ The government eventually accepted a 10.75% yield for the Eurobond sale.²⁹ It had

¹⁴ Transparency International, 15 Sept 2015.

¹⁵ www.transparency.org

¹⁶ Source, local journalist, Accra

¹⁷ BBC, 30 Sept 2015.

¹⁸ BBC, 30 Sept 2015.

¹⁹ BBC, 30 Sept 2015.

²⁰ RFI, 6 Oct 2015.

²¹ Bloomberg, 6 Oct 2015.

²² Source, consultant close to the NPP, Accra

²³ Joy FM, 16 Sept 2015.

²⁴ Reuters, 16 Sept 2015.

²⁵ Source, local journalist, Accra

²⁶ Reuters, 2 Oct 2015.

²⁷ Reuters, 22 Sept 2015.

²⁸ Bloomberg, 28 Sept 2015.

²⁹ Reuters, 8 Oct 2015.

reportedly wanted to pay a 9.5% yield.³⁰ The government was forced to launch the Eurobond sale – and accept the high borrowing costs – in order to finance the roll over of other loans.³¹

In the lead up to the Eurobond sale analysts said the government was faced with the prospect of higher yields due to concerns about the **Chinese** economy and a possible US policy rate increase.³² This is in the context of the lowest level of hard currency debt issuance among emerging market governments and companies in four years, due to low commodities prices and the economic slowdown in China.³³ On 28 September the government also reduced the Eurobond sale to \$1 billion.³⁴ Finance minister **Seth Terkper** told parliament in July that it would seek \$1.5 billion.³⁵

The opposition NPP has sought to capitalise on the Eurobond delay and higher yield:

“The NPP is saying that this is a sign of investors losing confidence in Ghana. It provides a huge political advantage to the NPP, and they are citing this as evidence that the NDC cannot manage the economy.”³⁶

The **World Bank’s International Development Association (IDA)** approved a \$400m guarantee on 22 September for the planned Eurobond sale, which reduced the risks of high borrowing costs.³⁷ Some analysts said that the World Bank guarantee would probably result in investors demanding a yield below the current market rates.³⁸ Yields on the government’s \$1 billion of Eurobonds due in 2023 have increased to 11.3%.³⁹ This is compared to 7.47% for the **Nigerian** government’s similar-maturity debt.⁴⁰ The average yield premium demanded for African sovereign bonds increased 160 basis points – as opposed to 100 basis points for emerging sovereign dollar bonds – in the third quarter.⁴¹

Also in the lead up to the planned Eurobond sale, on 18 September the government avoided a credit downgrade, when **Fitch Ratings** affirmed Ghana’s credit rating at ‘B’, two levels below investment grade, while maintaining a negative outlook.⁴² This also reduced the risk of higher borrowing costs for the Eurobond sale.⁴³ However, Fitch, like several analysts, cautioned that election year spending could derail attempts to reduce the fiscal deficit.⁴⁴ Fitch forecasts a fiscal deficit of 7.8% of gross domestic product (GDP) in 2015, higher than the government’s target of 7.3%, but lower than the 10.2% deficit recorded in 2014.⁴⁵ Fitch welcomed the government’s move to deregulate fuel prices, reducing the risk of the government re-introducing fuel subsidies.⁴⁶ It said that economic growth would slow to 3% in 2015, from 4.2% in 2014.⁴⁷

*“Fiscal and external risks remain high, complicated by a slowing economy and low commodity prices. An [**International Monetary Fund**] IMF programme, agreed earlier this year, has improved policy credibility, commitment to fiscal reforms and access to external financing.”⁴⁸*

Fitch also warned of increasing government debt. Government debt increased to 70% of GDP at the end of 2014, from 39% in 2011, a year before the last election in December 2012.⁴⁹ Foreign currency

³⁰ Reuters, 2 Oct 2015.

³¹ Reuters, 8 Oct 2015.

³² Reuters, 2 Oct 2015.

³³ Reuters, 30 Sept 2015.

³⁴ Bloomberg, 28 Sept 2015.

³⁵ Bloomberg, 28 Sept 2015.

³⁶ Source, local journalist, Accra.

³⁷ Bloomberg, 22 Sept 2015.

³⁸ Bloomberg, 22 Sept 2015.

³⁹ Reuters, 2 Oct 2015.

⁴⁰ Bloomberg, 22 Sept 2015.

⁴¹ Reuters, 2 Oct 2015.

⁴² Fitch Ratings, 18 Sept 2015.

⁴³ Bloomberg, 22 Sept 2015.

⁴⁴ Fitch Ratings, 18 Sept 2015.

⁴⁵ Fitch Ratings, 18 Sept 2015.

⁴⁶ Fitch Ratings, 18 Sept 2015.

⁴⁷ Fitch Ratings, 18 Sept 2015.

⁴⁸ Fitch Ratings, 18 Sept 2015.

⁴⁹ Fitch Ratings, 18 Sept 2015.

debt now makes up 60% of total debt, more than doubling since 2011.⁵⁰ Non-concessional financing drives the increase, exposing the government to a weaker exchange rate.⁵¹ In addition, domestic debt maturities have declined.⁵² Interest payments now account for one-third of government revenue.⁵³

The Eurobond sale will boost the cedi in the short term.⁵⁴ The anticipated dollar inflows due to the Eurobond sale led to the cedi gaining against the dollar in the third quarter, the first quarterly gain since the last quarter of 2014.⁵⁵ In July and September the cedi increased 13% against the dollar.⁵⁶ The cedi had weakened 36% against the dollar in the first two quarters of 2015.⁵⁷

The **Bank of Ghana's** foreign currency reserves also increased after industry regulator **Ghana Cocoa Board (Cocobod)** on 17 September signed a \$1.8 billion loan with international banks to finance the 2015/16 season that started on 2 October.⁵⁸ The loan, signed in **Paris** (France), will be used to purchase around 850,000 tonnes, according to Cocobod.⁵⁹ The government alleviated investor fears on 1 September when Cocobod confirmed that it had paid a similar \$1.7 billion loan taken out one year ago.⁶⁰ Investors feared Cocobod might default on the loan as a result of the poor harvest in 2015, down 23% from 2014, due to several factors including unfavourable weather conditions and poor farming practices.⁶¹

Ghanaian students join Islamic State

Ghanaian authorities are investigating claims of **Islamic State (IS)** recruitment activity in the country. On 28 August the government confirmed that two Ghanaian students have joined the **Syria**-based terrorist group, the first reported cases of Ghanaians joining IS.⁶² **National Security Coordinator Yaw Donkor** claimed that IS agents recruited the two students through radical online forums.⁶³ He said there were several other unconfirmed reports of Ghanaian students joining IS and authorities have launched investigations at several universities.⁶⁴ The recruits reportedly trained in a camp in **Niger**, before travelling to **Turkey** and Syria.⁶⁵ *“National security officials claim that IS is working through agents in (Ghanaian) universities.”*⁶⁶

However, government and security authorities have not made further announcements on the issue since August. An investigative journalist following the story questioned the authorities' response:

*“They say they are investigating, but no one knows what they are actually looking at. The authorities do not appear to be following this up.”*⁶⁷

Other local sources acknowledged the reports added another security dynamic in the lead up to the 2016 elections, but said the story was a *“timely distraction”* from the increasing economic problems.⁶⁸

Prior to these cases, there have been no significant reports of Islamist militancy in Ghana. The country has a minority Muslim population centered in the north.⁶⁹ IS affiliated groups are active in Africa in **Nigeria, Egypt, Libya, Mali and Tunisia.**⁷⁰

⁵⁰ Fitch Ratings, 18 Sept 2015.

⁵¹ Fitch Ratings, 18 Sept 2015.

⁵² Fitch Ratings, 18 Sept 2015.

⁵³ Fitch Ratings, 18 Sept 2015.

⁵⁴ Reuters, 8 Oct 2015.

⁵⁵ Bloomberg, 30 Sept 2015.

⁵⁶ Bloomberg, 30 Sept 2015.

⁵⁷ Bloomberg, 30 Sept 2015.

⁵⁸ Reuters, 17 Sept 2015.

⁵⁹ Reuters, 17 Sept 2015.

⁶⁰ Reuters, 1 Sept 2015.

⁶¹ Reuters, 1 Sept 2015.

⁶² BBC, 28 Aug 2015.

⁶³ BBC, 28 Aug 2015.

⁶⁴ BBC, 28 Aug 2015.

⁶⁵ BBC, 28 Aug 2015.

⁶⁶ Source, journalist, Accra

⁶⁷ Source, local journalist, Accra

⁶⁸ Source, journalist, Accra

⁶⁹ BBC, 25 Aug 2015.

⁷⁰ BBC, 25 Aug 2015.

Implications

Ghanaian courts are known to lack independence and are susceptible to bribery, particularly in cases involving politically linked businesspeople. However, producing documented evidence has proved difficult and therefore Anas' investigation is significant. The exposé will lead to more scrutiny of judiciary and government officials, and will reduce corruption risks in Ghana, particularly if dismissals and criminal proceedings are sought. However, the scandal damages perceptions of the judiciary and its ability to resolve election disputes, therefore increasing political risks around the December 2016 general election.

The high borrowing costs for the Eurobond sale is in the context of deteriorating economic conditions in emerging markets. However, the international markets have also lost confidence in the government's ability to emerge from the deteriorating fiscal position. The higher borrowing costs will translate to considerable pressure on repayment commitments amid an already poor fiscal position. Fitch underlines the importance of the government's adherence to the three-year IMF fiscal consolidation support programme signed in April. The injection of dollars will strengthen the cedi in the short term, but further volatility is expected in the medium term due to the lack of foreign reserves and overall poor fiscal position.

The prospect of Islamist militancy in Ghana remains low. However, terrorism risks have increased more broadly across the **West Africa** sub-region due to the deterioration in the security situation in southern Mali in recent months.

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