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President John Dramani Mahama (2012-present) has reshuffled the presidency office to improve discipline and competence. New chief of staff Julius Debrah is a ruling National Democratic Congress (NDC) cadre who can improve Mahama's electoral support in the Akan-speaking regions. The government becomes increasingly reliant on the International Monetary Fund (IMF) financial agreement as a way out of the worsening economic situation. However, lack of progress in reducing the public sector wage bill may impede finalisation of the agreement by the end of March. Power outages as part of the government's load shedding programme continue to undermine the business sector, particularly manufacturing and mining.

President Mahama overhauls the presidency

President **John Dramani Mahama** (2012-present) has reshuffled the presidency office 'Flagstaff House'. The changes were "long anticipated"¹ due to persistent infighting within the presidency. This led Mahama to issue "green letters" in July 2014 warning all staff that they were "dispensable".²

Throughout February Mahama "completely overhauled" the presidency.³ Mahama replaced his chief of staff **Prosper Bani** with former local government and rural development minister **Julius Debrah**. "The chief of staff was largely seen as incompetent and had lost control of the president's men."⁴ Local think tank **Imani Ghana** listed the office of the chief of staff at the presidency as a poor performer in its annual survey released in January. It said: "this office has been ineffective and profusely wasteful."⁵

Legal specialist and executive secretary **Raymond Atuguba** and communications adviser **Ben Dotse Malor** also left their posts in the presidency. The government's official explanations for the resignation of Atuguba and Dotse Malor is that they were on contracts and have returned to their respective positions at the **United Nations** and the **University of Ghana**.

"Presidency insiders say the two men were frustrated and resigned voluntarily. They could not cope with the sloppiness and incompetence of the president's men."⁶

"Bani failed to call the 'boys' to order or discipline the team which led to the resignation of Dotse Malor and Atuguba."⁷

Chief of staff Debrah now leads Flagstaff House. He is a ruling **National Democratic Congress (NDC)** cadre. Debrah is from the **Eastern Region**, the home region of the opposition **National Patriotic Party (NPP)**'s flag bearer, **Nana Akufo-Addo** and an NPP stronghold. He was the NDC's chairman for the Eastern Region during the controversial 2012 presidential elections. Under his reign the NDC increased their votes in the presidential election. The party secured 43% of the presidential vote, against the NPP's 56% - the closest the NDC had come to the NPP in the region in the last two

¹ Source, journalist, Ghana

² Daily Guide, 16 Jul 2014.

³ Bloomberg, 16 Feb 2015.

⁴ Source, journalist, Ghana

⁵ Imani Ghana, Jan 2015

⁶ Source, journalist, Ghana

⁷ Source, journalist, Ghana

elections.⁸ Debrah contested the **Suhum** parliamentary seat but lost narrowly to the NPP's **Opare Anseh**.

Debrah is a significant business player involved in the insurance, hotel, furniture and logistics sector.⁹ Prior to December, he owned five FM radio stations, which he has sold to former finance minister **Kwabena Dufour**. He retains a 15% stake in leading station **StarrFM**.

Debrah has served in several public office positions as the executive director of the **Ghana Tourism Authority** as well as the regional minister for Eastern Region and **Greater Accra**. He established the **National Sanitation Day**, a cleaning initiative each first Saturday of the month.

*"Debrah is one of the few ministers who lives in his own accommodation but receives rent allowance. He is quiet, sober, convincing and a tactical man. He is hard working and has a good command of communications. He has a track record for discipline and organisation."*¹⁰

There is also an ethnic political dynamic to Debrah's appointment.

*"President Mahama knows Debrah could increase his support from the **Akan**-speaking regions and especially since Debrah hails from the home region of the opposition leader. Debrah and his new chief of staff are both Akans. They appease the Akans who feel too much favour has gone to those from the **Volta Region**, the stronghold of the party and the three northern regions where the president comes from."*¹¹

...and increasingly relies on the IMF agreement

Mahama increasingly views an **International Monetary Fund (IMF)** financial agreement as his best way out of the worsening economic situation. He believes the IMF agreement can halt rising government debt and boost investor confidence. The agreement will reportedly provide \$1 billion financing over three years.¹² On 3 February Mahama said he expects to secure an agreement with the IMF by the end of March.¹³ He claimed that the government had adopted most of the IMF-prescribed measures in the 2015 budget. In January, finance minister **Seth Terkper** also said the government planned to finalise the agreement with the IMF in the coming weeks.¹⁴ Other government officials indicated the agreement would go before the IMF board in February.¹⁵ However, several local sources view this timeframe as unlikely and pointed to IMF reservations over the public sector wage bill.

*"The IMF still wants the government to do something about the wage bill...the payroll fraud costing Ghana 1 billion cedis (\$290m) and other financial scams."*¹⁶

Mahama has made several public comments in support of reducing the public sector wage bill. He claims the government aimed to reduce the wage bill to 40.5% of tax revenue in 2015, from 49.3% in 2014.¹⁷ He also said the government was aware of the importance of these measures and it aimed to reduce the budget deficit from 8.8% of gross domestic product (GDP) in 2014 to 3.5% by 2017, during the course of the IMF programme. Mahama's statements come as **Fitch Ratings** warned that volatility of the cedi may recur if finalising of the agreement faced further delays.¹⁸

Following an IMF mission to **Accra** in January, the IMF indicated progress towards the agreement in a statement from IMF communications director **Gerry Rice** on 5 February:

⁸ My Joy Online, 17 Jan 2015.

⁹ Source, journalist, Ghana

¹⁰ Source, journalist, Ghana

¹¹ Source, journalist, Ghana

¹² Reuters, 3 Mar 2015.

¹³ Reuters, 3 Mar 2015.

¹⁴ Bloomberg, 16 Jan 2015.

¹⁵ Source, journalist, Ghana

¹⁶ Source, financial analyst, Ghana

¹⁷ Reuters, 3 Mar 2015.

¹⁸ Reuters, 3 Mar 2015.

"I can furthermore say that we believe good progress has been achieved in recent weeks on the plan to clean up the payroll, finalise the remaining details of the government's medium-term reforms, as well as firm up financing assurances for the possible programme."

The opposition has also entered the debate around the IMF agreement, reflecting growing public support for the financial package. The shadow (NPP) finance minister, **Anthony Akoto Osei**, has openly criticised the government for the delay in signing the agreement.¹⁹

*"The president appears overwhelmed and might have underestimated these problems – worsening power crisis, the bleeding economy and rising cost of living. So far he has done more rhetoric than action, a situation which angers many Ghanaians who are tired of his 'mountain of promises.'"*²⁰

Power cuts continue to undermine business

Industrial power consumers continue to face regular 24-72 hour power outages as part of the government's load shedding programme. An employer association source claims that multinationals such as **Cocoa Cola** and **Cadbury** intend to reduce their operations and are considering laying off staff due to the power shortages.

The power cuts affect the mining sector severely. Ghana **Chamber of Mines** CEO **Sulemanu Koney** said that mining companies are considering selling assets due to an erratic power supply, and urged the government to lower taxes on diesel, which is used to fuel generators.²¹ Koney said that electricity is currently accounting for an unsustainable 20-30% of the cost of mining production.²²

The power ministry – established in November 2014 – has told the press that the situation would improve from April. Power minister **Kwabena Donkor** confirmed that the government has ordered several emergency barges with 1,000 MW capacity from **Turkey**, to ease power crisis.²³ The long-term outlook also remains positive, particularly following **General Electric (GE)**'s pledge to complete a 1,200 MW thermal plant within five years, following a meeting between GE's CEO **Jeff Immelt** and Mahama in late January.²⁴

With an eye on the 2016 presidential election, the opposition has started to organise street demonstrations against the power crisis. The NPP organised a street protest in Accra on 18 February. "Thousands" reportedly attended the "well-organised" protest.²⁵

Implications

Mahama's reshuffle of the presidency is viewed as both a political move, to improve votes in the Akan-speaking regions ahead of the 2016 elections, and a way to instill discipline at the presidency. Ultimately, the move is a reflection of the continuing crises under Mahama's administration. Mahama may follow the overhaul in the presidency with a reshuffle of the cabinet to signal a last ditch effort to improve electoral support leading up to the election.

As the economy continues to deteriorate and the power crisis worsens, the government is becoming increasingly reliant on an IMF package. This may provide the IMF and key donors with good leeway to force the government to pursue more public sector reforms, notably to reduce corruption around the wage bill. However, as the elections approach in late 2016, the longer the IMF agreement is delayed

¹⁹ My Joy Online, 17 Jan 2015.

²⁰ Source, journalist, Ghana

²¹ Bloomberg, 5 Feb 2015.

²² Reuters, 5 Feb 2015.

²³ Reuters, 2 Feb 2015.

²⁴ Reuters, 27 Jan 2015.

²⁵ Source, journalist, Ghana

the more difficulty Mahama will have in carrying out politically sensitive reforms involving austerity measures.

In the coming months, the business sector will continue to face power outages, increasing the cost of business, and undermining the economy. Investor confidence will remain at a low ebb until the government finalises the IMF agreement.