

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing December 2016

---

#### Ghana Summary 14 December 2016

*The opposition New Patriotic Party (NPP) candidate, Nana Akufo-Addo, wins the presidential election with 53.85% of votes. Akufo-Addo beat outgoing president John Dramani Mahama (2012-present) of the National Democratic Congress (NDC), who obtained 44.4% of the total vote. The NPP also secured 62% of total parliamentary seats, while the NDC won the remaining 38%. The Bank of Ghana (BoG) (central bank) lowers its benchmark policy interest rate by 0.5%, to 25.5%, citing a positive outlook for inflation. The BoG announces that public debt has reached \$27.76 billion, now at 67.4% of gross domestic product (GDP).*

---

#### Opposition candidate Akufo-Addo wins presidential election

**Electoral Commission of Ghana (ECG)** chairperson **Charlotte Osei** on 9 December confirmed that the candidate of the opposition **New Patriotic Party (NPP)**, **Nana Addo Akufo-Addo**, had won **Ghana's** presidential election.<sup>1</sup> Akufo-Addo won 53.85% of the vote (5,716,026 votes) in the presidential election, while outgoing president **John Dramani Mahama** (2012-present) of the **National Democratic Congress (NDC)** won 44.4% with 4,713,277 votes.<sup>2</sup> The NPP won 171 seats (62% of total), compared to the NDC's 104 seats (38%), overturning its minority in parliament of 122 seats from the 2012 election.<sup>3</sup> Akufo-Addo will assume the role of president until Ghana's next election in 2020.

Ghanaians voted for both a presidential and parliamentary candidate in their respective constituencies on 7 December.<sup>4</sup> The election was a close contest, as analysts had predicted, but the peaceful transition consolidates Ghana's reputation as a paragon of effective **African** democracy. Investors reacted positively to Akufo-Addo's election win. The cedi (¢) rose by 0.8% in value against the dollar (\$) following the ECG's announcement.<sup>5</sup> According to the NPP's campaign strategist and director, **James Kwabena Bonfes Jr**, Akufo-Addo's stance on anti-corruption significantly aided his victory.<sup>6</sup> Former coup leader and subsequent NDC president **Jerry John Rawlings** (1981-1993 / 1993-2001) applauded Akufo-Addo's victory, but stressed that it has imposed a large responsibility to tackle corruption.<sup>7</sup> Local analysts confirmed this view,

*"Investors are fairly optimistic about an Akufo-Addo administration due to his assurance to reduce corruption, introduce greater financial discipline in government, reduce government spending, a perceived competent economic team and willingness to involve the private sector in his programme's objectives. They have also reacted well to Akufo-Addo's pledge to reduce import levy taxes, corporate taxes and value-added taxes (VAT) on financial services."<sup>8</sup>*

---

<sup>1</sup> My Joy, 9 Dec 2016.

<sup>2</sup> My Joy, 9 Dec 2016.

<sup>3</sup> www.ec.gov.gh

<sup>4</sup> Graphic Online, 7 Dec 2016.

<sup>5</sup> Bloomberg, 9 Dec 2016.

<sup>6</sup> News Ghana, 9 Dec 2016.

<sup>7</sup> News Ghana, 9 Dec 2016.

<sup>8</sup> Source, journalist, Accra

The ECG's results also showed that the NPP won a majority of parliamentary seats, doing particularly well in swing regions – **Central Region, Western Region, Brong Ahafo Region and Greater Accra**.<sup>9</sup> Local commentators see this as the NDC's largest loss during the election,

*“The greatest battle grounds were Central Region, Western Region, Brong Ahafo Region and Greater Accra. The NDC lost all these battlegrounds to the NPP. Traditionally, the NPP has two comfort regions – Ashanti Region, [Eastern Region and Upper East Region]. The NDC has four stronghold regions – Volta Region, Northern Region, Upper East Region and Upper West Region. The two parties won their comfort regions. However, the NPP surprised Ghanaians by securing four seats in Upper West Region.”*<sup>10</sup>

Voters decided between 1,158 parliamentary candidates across Ghana, contesting 275 seats in parliament.<sup>11</sup> The outgoing foreign minister, **Hanna Tetteh** lost her seat to NPP candidate and former telecommunications minister **George Andah** in **Awutu Senya West** constituency (Central Region).<sup>12</sup>

Region	NPP	NDC	Total Seats
<b>Ashanti Region</b>	44	3	47
<b>Brong Ahafo Region</b>	20	9	29
<b>Central Region</b>	19	4	23
<b>Eastern Region</b>	28	5	33
<b>Greater Accra Region</b>	21	13	34
<b>Northern Region</b>	14	17	31
<b>Upper East Region</b>	3	12	15
<b>Upper West Region</b>	5	6	11
<b>Volta Region</b>	1	25	26
<b>Western Region</b>	16	10	26
<b>Total</b>	<b>171</b>	<b>104</b>	<b>275</b>

Akufo-Addo narrowly avoided a run-off election, which occurs when the top candidate wins less than 50% of votes.<sup>13</sup> Voter turnout was 68.62% of a total 15,712,499 registered voters, down from 79.43% in 2012 of a total 14,158,890 registered voters.<sup>14</sup> The electoral list has increased by approximately 1.5 million voters in the past four years. Some Ghanaians claimed that the higher participation rate in 2012 was evidence of election rigging,

*“The NPP and some Ghanaians have felt vindicated that the 2012 elections were rigged, considering this year's voter turnout of 68%. According to this theory, Ghana recorded low turnout because those people who did not vote are either dead or due to a reduction in multiple voting, as election authorities showed a lot more vigilance this time. Voter apathy affected the NDC in their Volta Region, where, although the NDC won, they had a reduction in the number of*

<sup>9</sup> My Joy, 9 Dec 2016.

<sup>10</sup> Source, journalist, Accra

<sup>11</sup> Africa News, 7 Dec 2016.

<sup>12</sup> BBC, 9 Dec 2016.

<sup>13</sup> My Joy, 9 Dec 2016.

<sup>14</sup> Multiple sources: Ghana Business News, 9 Dec 2016; www.ec.gov.gh.

*votes compared to 2012. On average, across each constituency in this stronghold region, [the NDC] lost about 3,000 votes.”<sup>15</sup>*

Mahama’s government had a difficult term in office. Issues included a recurring *dumsor* power crisis, with significant load shedding over the course of his mandate (see *ARC Briefing Ghana January & March 2016*). Furthermore, the **International Monetary Fund (IMF)** \$918m extended credit facility became a highly politicised issue, and restrictive for government debt financing and wider economic policy (see *ARC Briefing Ghana August 2016*). Local commentators believe these factors contributed to voter disaffection with the NDC and Mahama,

*“The economy, three years of power cuts, the rising cost of living, financial indiscipline and corruption allegations against Mahama and his cabinet appointees contributed to his defeat. The two main factors were corruption and perceived weakness of the president to sanction and discipline his appointees... [Akufo-Addo]’s energy plans are not too different from Mahama’s – more of a continuation. What I perceive them doing is reviewing contracts and asking for value for money. The power crisis is a difficult area for the NPP since Ghana is not yet out of this mess.”<sup>16</sup>*

Despite the **National Peace Council Ghana (NPC)**’s warnings that political parties should refrain from declaring winners of the election, the NPP announced Akufo-Addo the winner with 80% of polling station results collated.<sup>17</sup> The NPC claimed that this could risk election violence.<sup>18</sup> Prior to the ECG’s announcement of the election result, other opposition candidates conceded defeat, including **Dr Papa Kwesi Nduom** of the **Progressive People’s Party (PPP)**, **Ivor Greenstreet** of the **Convention People’s Party (CPP)** and **Nana Konadu Agyeman Rawlings** of the **National Democratic Party (NDP)**.<sup>19</sup> Mahama conceded defeat later in the evening of 9 December, ensuring a smooth handover of power.<sup>20</sup> The government reportedly deployed over 68,000 security officials across the country to ensure peaceful voting.<sup>21</sup> The government reportedly also ensured that no alcohol could be sold within 500 metres of a polling station, and banned the use of motorcycles within 400 metres of a polling station.<sup>22</sup> Minor clashes broke out between NPP and NDC supporters in **Chereponi** (Northern Region), near the border with **Togo**, leading to one death and critical injuries to several people.<sup>23</sup>

There were no prior indications that elections would be delayed or impeded. The ECG on 6 December confirmed that all provisions were in place to hold the elections.<sup>24</sup> ECG chair Osei confirmed that the government expected a strong presence of election observers, including 400 foreign observers and 12,000 local observers.<sup>25</sup> Ghana employs a biometric voting system, which reduced the scope for electoral fraud.<sup>26</sup>

### **Veteran opposition candidate Akufo-Addo ends 8-year NDC rule**

Akufo-Addo, originally from **Ga-Maami** (Accra), has a reputation as a careerist politician, after being an outspoken campaigner against military rule in the 1980s.<sup>27</sup> Akufo-Addo served as attorney general from 2001 to 2003, and as foreign minister under NPP president **John Kofi Kufuor** (2001-2009),

<sup>15</sup> Source, journalist, Accra

<sup>16</sup> Source, journalist, Accra

<sup>17</sup> My Joy, 9 Dec 2016.

<sup>18</sup> My Joy, 9 Dec 2016.

<sup>19</sup> My Joy, 9 Dec 2016.

<sup>20</sup> Source, journalist, Accra

<sup>21</sup> Africa News, 7 Dec 2016.

<sup>22</sup> Africa News, 7 Dec 2016.

<sup>23</sup> BBC, 7 Dec 2016.

<sup>24</sup> Africa News, 7 Dec 2016.

<sup>25</sup> Africa News, 7 Dec 2016.

<sup>26</sup> Reuters, 7 Dec 2016.

<sup>27</sup> Source, journalist, Accra

between 2003 and 2007, which indicates competency and good reputation in the international community.<sup>28</sup>

This election was the fourth time that Akufo-Addo ran for president and the third time as NPP flag bearer. Akufo-Addo ran in NPP primaries in 1998 against the eventual winner Kufuor, obtaining only 31.65% of votes, against Kufuor's 64.8%.<sup>29</sup> In 2008, Akufo-Addo won the most votes of the NPP primaries (48%), but lost the general election by less than 0.5% in a run-off election against the NDC's candidate, the late president **John Atta Mills** (2009-2012).<sup>30</sup> Akufo-Addo ran again in 2012 for the NPP, but lost to Mahama, who secured 50.7% of votes in the first round, thereby avoiding a run-off election.<sup>31</sup> Akufo-Addo took the result to the **Supreme Court**, which narrowly ruled Mahama the victor.<sup>32</sup> Many commentators commended Akufo-Addo for peacefully accepting Mahama's victory, despite a marginal loss by 300,000 votes.<sup>33</sup>

Akufo-Addo is firmly part of Ghana's political elite.<sup>34</sup> Akufo-Addo is related to three of the founding members of the **United Gold Coast Convention (UGCC)**<sup>35</sup> – **Joseph Boakye Danquah** (great uncle), **Edward Akufo-Addo** (father) and **William Ofori-Atta** (uncle) – which, together with the late **Kwame Nkrumah** (1960-1966), sought independence from **British** colonial rule.<sup>36</sup> Prior to his career in politics Akufo-Addo worked as a legal practitioner for law firms in the **United Kingdom (UK)**, **United States (US)** and Ghana, also sitting on both the UK and Ghana bar associations.<sup>37</sup> Akufo-Addo served as chairperson of **DHL (GH) Ltd** and **Kinesec Communications (Co) Ltd**.<sup>38</sup> He is the founder of the **Statesman** newspaper, a longstanding media voice for the NPP.<sup>39</sup>

### Bank of Ghana cuts benchmark policy rate to 25.5%

The **Bank of Ghana (BoG)** (central bank) monetary policy committee on 21 November lowered its benchmark policy rate by 0.5% to 25.5%.<sup>40</sup> The BoG revised the rate due to a positive outlook for inflation and as a measure to boost growth, which it considered a greater risk.<sup>41</sup> BoG governor **Abdul-Nashiru Issahaku** said that the measure would seek to boost consumer demand, aiming to mitigate global economic factors,

*“The outlook for inflation is broadly positive as reflected in the continued decline in underlying inflation, stability in the foreign exchange market, low aggregate demand conditions and general high real interest rates.”<sup>42</sup>*

Issahaku said that low commodity prices and disruptions in oil production continue to negatively impact growth conditions.<sup>43</sup> Issahaku believes that the inflation outlook should remain stable if major market conditions do not cause significant shocks.<sup>44</sup> The BoG's measure of inflation, consumer price index (CPI) inflation minus energy and utility prices, declined from 16.9% to 15.2% between September and October.<sup>45</sup> Analysts believe that the BoG could further lower its benchmark interest

<sup>28</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>29</sup> Multiple sources: My Joy, 9 Dec 2016; [www.antwi-boasiko.blogspot.fr](http://www.antwi-boasiko.blogspot.fr)

<sup>30</sup> BBC, 12 Oct 2008.

<sup>31</sup> BBC, 8 Dec 2012.

<sup>32</sup> BBC, 30 Aug 2013.

<sup>33</sup> Peace FM, 7 Dec 2016.

<sup>34</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>35</sup> The so-called 'Big Six'

<sup>36</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>37</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>38</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>39</sup> [www.nanaakufoaddo.org](http://www.nanaakufoaddo.org)

<sup>40</sup> Ghana Business News, 22 Nov 2016.

<sup>41</sup> Ghana Business News, 22 Nov 2016.

<sup>42</sup> Ghana Business News, 22 Nov 2016.

<sup>43</sup> Ghana Business News, 22 Nov 2016.

<sup>44</sup> Ghana Business News, 22 Nov 2016.

<sup>45</sup> Ghana Business News, 22 Nov 2016.

rate in 2017 as inflation rates are lowering at a faster rate.<sup>46</sup> This is reportedly due to a base effect from fuel and utility subsidies that raised prices.<sup>47</sup> Some commentators believe inflation is lowering due to lower consumer demand,

*“In my opinion, inflation is going down because of dampened demand, because high prices of goods and services are meaning that people are unable to buy... Companies cannot continue to increase prices when people cannot afford to buy goods and services.”<sup>48</sup>*

### Public debt reaches \$27.76 billion

Issahaku on 21 November announced that Ghana’s public debt stands at ₵112.4 billion cedi (\$27.76 billion).<sup>49</sup> The announcement shows that Ghana may have started to increase its spending ahead of the 7 December elections. The public debt stock stood at ₵110 billion (\$27.17 billion) in August, meaning a 2% increase over the last three months.<sup>50</sup> Of the total \$27.76 billion, the majority comprised external debt, at 39% of gross domestic product (GDP), while internal debt comprised 28.4% of GDP – totalling 67.4% of GDP.<sup>51</sup>

*“The **World Bank** has said that Ghana’s debt of 67.4% of GDP is extremely high for a lower-middle income country, as the average for these is between 40-45%. Therefore, the NPP has a difficult task finding the resources to implement its policy plan.”<sup>52</sup>*

Public debt has risen from around 49% of GDP in 2012.<sup>53</sup> Issahaku confirmed that debt stood at ₵9 billion (\$2.22 billion) in 2009, indicating a 1,150% increase in public debt since then.<sup>54</sup> However, it is important to note that the previous government accrued the majority of this debt before Mahama assumed office – public debt stood at \$22.74 billion in August 2013.<sup>55</sup> Local analysts believe that public debt will rise by the end of 2016,

*“It is my view that the level of public debt will go up by the end of the year. With a new government in place, by the end of Q1 2017, the true state of Ghana’s economy will be clearer. The huge debt inherited from the NDC is a big restriction to the incoming government. In 2017, the new government will not really be able to do much due to this debt... Loan repayments and interest on loans total ₵17.5 billion (\$4.29 billion). This is more than 25% of the government’s total budget for 2017. The government has little fiscal space in 2017.”<sup>56</sup>*

### Implications

Investors’ reaction to the NPP’s election win is significant, and could change the perception of Ghana as a developing nation, especially if the new government is able to stabilise the economy. The NPP’s dominance in parliament will help to ensure the implementation of the incoming government’s proposed policies. Wins in swing regions of Ghana, as well as minor improvements in NDC stronghold regions, appear more a failure of the NDC to retain its traditional voters. The public’s favourable view of the NPP and Akufo-Addo is likely to dip over the coming years if voters feel that they are unable to bring about real economic and social change. Akufo-Addo’s commitment to tackle corruption appears sincere. He will need to keep a close eye on his cabinet, as well as government agencies and companies, in order to ensure successful implementation of this promise. Akufo-Addo’s promise to

<sup>46</sup> Reuters, 21 Nov 2016.

<sup>47</sup> Reuters, 21 Nov 2016.

<sup>48</sup> Source, journalist, Accra

<sup>49</sup> News Ghana, 22 Nov 2016.

<sup>50</sup> News Ghana, 22 Nov 2016.

<sup>51</sup> News Ghana, 22 Nov 2016.

<sup>52</sup> Source, journalist, Accra

<sup>53</sup> www.indexmundi.com

<sup>54</sup> News Ghana, 22 Nov 2016.

<sup>55</sup> www.mofep.gov.gh

<sup>56</sup> Source, journalist, Accra

reduce certain tax measures could spur foreign investment, as his government seems committed to adopt a business friendly stance.

Although the BoG's announcement of reduced interest rates appears positive for the economy, it would appear that inflation must meet consumer demand levels. International commodity market prices certainly hinder encouraging growth conditions in Ghana, and offset much of the BoG's effort to stabilise the economy.

The NPP has inherited a burdensome level of public debt from Mahama's government. Despite Mahama's efforts to reduce this indebtedness, Akufo-Addo will be forced to balance his policy objectives with debt responsibilities.

---

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.briefing.africariskconsulting.com](http://www.briefing.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)