

## AFRICA RISK CONSULTING Ghana Monthly Briefing May 2019

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### Ghana Summary 24 May 2019

*President Nana Addo Dankwa Akufo-Addo (2017-present) signs the Right to Information Act, which allows citizens access to information as a means to hold the government to account. The government invites investors to propose solutions to enhance the country's bauxite and aluminium industry. The government hopes to use revenue from the industry to boost infrastructure projects. A Reuters investigation has uncovered a multi-billion-dollar gold smuggling market from Africa to the United Arab Emirates.*

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### Right to Information Act signed after years of delay in parliament

President Nana Addo Dankwa Akufo-Addo (2017-present) on 21 May signed into law the **Right to Information Act (RTI Act)**, which aims to allow citizens access to information as a means to hold the government to account.<sup>1</sup> If enforced, the RTI Act could prove a critical tool to keep the government to account and fight against state corruption. Akufo-Addo's signing of the bill came after years of delay in parliament, and several months after the country dropped four places in the **Reporters Without Borders' (RWB) World Press Freedom Index 2019**, which ranks countries in order of national press freedom.<sup>2</sup> That said, Ghana still ranks very high, coming third on the continent and 27<sup>th</sup> globally in 2018.<sup>3</sup>

After signing the bill, Akufo-Addo told parliament,<sup>4</sup>

*"The purposes of the RTI Act as set out in its preamble are to provide for the implementation of the constitutional right to information held by any public institution and to foster a culture of transparency and accountability in public affairs...I want to thank the seventh parliament for its courage, sense of responsibility and commitment to good governance in passing this significant piece of legislation."*

Akufo-Addo said that the implementation of the RTI Act was due to start next year and that he was happy that it was signed into law under his watch.<sup>5</sup>

Ghana's **1992 Constitution** enshrines the right to public information; however, for over a decade the country has struggled to pass an RTI law.<sup>6</sup> Ghana's **Institute of Economic Affairs** drafted an RTI bill in 1999; however, it was not until March 2018 that an RTI bill was presented to parliament.<sup>7</sup> It then took over a year before the president signed it into law after parliament passed the bill.<sup>8</sup> This led to protests from the media and civil society groups, which accused politicians of deliberately delaying

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<sup>1</sup> Africa News, 22 May 2019

<sup>2</sup> www.rsf.org

<sup>3</sup> www.rsf.org

<sup>4</sup> Africa News, 22 May 2019

<sup>5</sup> Africa News, 22 May 2019

<sup>6</sup> Daily Graphic, 21 Jul 2017

<sup>7</sup> Daily Graphic, 21 Jul 2017

<sup>8</sup> www.ghana.gov

the passage of the law to prevent damaging information from becoming public.<sup>9</sup> Politicians argued that the bill needed finetuning in certain areas, particularly national security.<sup>10</sup>

RWB's World Press Freedom Index lists Ghana's media as the third freest on the continent (behind **Namibia** and **Cape Verde**).<sup>11</sup> However, RWB downgraded Ghana's ranking from first on the continent in its 2018 rankings following the murder of investigative journalist **Ahmed Hussein Suale Dive** in January (see *ARC Briefing Ghana January 2019*):

*"A group of investigative journalists had to spend part of 2018 in hiding after producing a documentary about Ghanaian soccer corruption. A ruling party parliamentarian who had been named in the documentary publicly threatened one of the journalists without ever being sanctioned. The journalist was shot dead in the street a few months later. Journalists are rarely arrested but several were attacked with impunity in 2018, in some cases by police officers. Although Ghana continues to be seen as one of the most democratic countries in **Africa** and Chapter 12 of its 1992 constitution guarantees media pluralism and independence, a third of the media is owned by the state or by businessmen linked to the government."*<sup>12</sup>

An increase in the number of physical attacks on journalists has led to calls for the media to boycott the activities of the police.<sup>13</sup> The president is on record to have condemned the attacks.<sup>14</sup> Journalists have praised Akufo-Addo for passing the RTI Act and believe it will make their work easier, especially in the area of accessing official government data.<sup>15</sup>

Over the past two decades, many other African countries have adopted RTI laws, indicating an acknowledgement that transparency is an essential condition of democracy, which in turn improves donor relations.<sup>16</sup> These countries include **South Africa, Angola, Zimbabwe, Uganda, Nigeria, Ethiopia, Rwanda, Liberia, Malawi** and **Guinea**.<sup>17</sup>

### Government calls for investment in aluminium industry

Ghana's government has begun inviting investors to submit solutions to enhance the country's bauxite reserves, the mainstay of the aluminium industry. The government seeks to leverage its vast mineral resources to fund infrastructure projects.<sup>18</sup> The second annual **Mining Investment West Africa** conference and exhibition for leaders of the mining, quarrying and construction materials industries takes place in Accra on 28-29 May, bringing together 150 attendees from ten countries.<sup>19</sup> Ghanaian state-owned **Ghana Integrated Aluminium Corporation (GIADC)** chief executive officer **Michael Ansah** announced on 20 May that the government aims to increase annual aluminium output from 1 million to 5 million metric tonnes.<sup>20</sup> Ansah said the government is open to receiving proposals from interested parties until the end of the year on how to expand production and build refining and smelting capacity for the manufacturing of alumina and aluminium.<sup>21</sup>

The government created the GIADC in 2018 to implement its strategy for the aluminium industry. Akufo-Addo is seeking to use the proceeds of bauxite mining to build schools, hospitals, bridges and roads:<sup>22</sup>

<sup>9</sup> Africa News, 22 May 2019

<sup>10</sup> Africa News, 22 May 2019

<sup>11</sup> www.rsf.org

<sup>12</sup> www.rsf.org

<sup>13</sup> Africa News, 22 May 2019

<sup>14</sup> Africa News, 22 May 2019

<sup>15</sup> Africa News, 22 May 2019

<sup>16</sup> Source, analyst, London

<sup>17</sup> Africa News, 22 May 2019

<sup>18</sup> Bloomberg, 22 May 2019

<sup>19</sup> www.mininginvestmentafrica.com

<sup>20</sup> Bloomberg, 22 May 2019

<sup>21</sup> Aluminium Insider, 24 May 2019

<sup>22</sup> Bloomberg, 22 May 2019

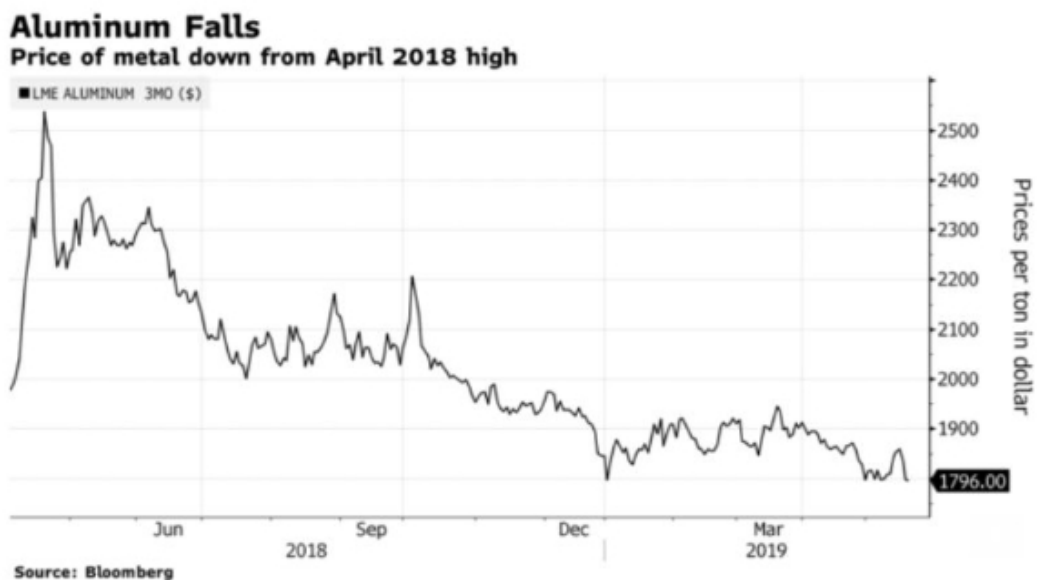
*"[Ghana] cannot in the modern era, stumble twice on our journey of giving value to our significant natural resources or bauxite, and thereby, accelerating our industrial development and transformation."*

Akufo-Addo concluded a \$2 billion deal with **China-based Sinohydro Corporation** in March, in which Ghana will supply China with aluminium as payment for the \$2 billion worth of infrastructural projects it would undertake in the country.<sup>23</sup> However, the **International Monetary Fund (IMF)** has raised concerns about some of the terms and conditions in the Sinohydro deal regarding financial ownership.<sup>24</sup> Under the agreement, the GIADC is required to set up an offshore escrow account for revenue generated from selling bauxite in order to secure GIADC's repayments to Sinohydro with the provision that the funds will be for the exclusive benefit of Sinohydro.<sup>25</sup> The IMF stated:<sup>26</sup>

*"Committing future bauxite receivables to debt service and locking bauxite sales receipts in the escrow account limits [Ghana's government's] ability to exercise discretion of how the proceeds are allocated ... Government estimates that Ghana's bauxite resources can potentially deliver over \$500 billion in revenue. It will, however, take considerable effort and time to put into place GIADC's capabilities to produce enough refined bauxite to cover debt service under the agreement."*

Aluminum prices fell to a two-year low on 10 May.<sup>27</sup> **United States (US)**-based aluminium producer **Alcoa's CEO, Roy Harvey**, said in January that approximately 30-40% of the world's aluminum smelting operators are losing money.<sup>28</sup> According to an analyst and industry consultant at the independent news outlet, **Aluminum Insider**:

*"The current aluminum price is unsustainable for the majority of the world's aluminum smelters, meaning those are making losses and risk capacity closures if the price does not increase soon, to over \$1,900 per tonne. However, China's aluminum exports for April and the latest US trade tariffs, do not give much optimism."*<sup>29</sup>



<sup>23</sup> Ghana Business News, 2 Mar 2019

<sup>24</sup> GhanaWeb, 3 May 2019

<sup>25</sup> GhanaWeb, 3 May 2019

<sup>26</sup> GhanaWeb, 3 May 2019

<sup>27</sup> Aluminium Insiders, 13 May 2019

<sup>28</sup> Reuters, 18 Jan 2019

<sup>29</sup> Aluminium Insiders, 13 May 2019

## Multi-billion-dollar gold smuggling market discovered between Africa and the UAE

Ghana has been implicated in a **Reuters** investigation that found that billions of dollars' worth of gold are being smuggled out of Africa every year through the **United Arab Emirates (UAE)**.<sup>30</sup> The research identified a significant gap between the amount that many African states reported in gold exports, and the amount the UAE indicated in African gold imports. There was a \$609m gap between Ghanaian official gold export figures and official figures for UAE gold imports from Ghana in 2016.<sup>31</sup> The gold smuggling market has flourished from Africa's gold small-scale "*artisanal*" businesses and the UAE's weak gold import regulations.

Customs data shows that the UAE imported 446 tonnes or \$15.1 billion worth of gold from Africa in 2016, up from 67 tonnes or \$1.3 billion in 2006.<sup>32</sup> Overall, between 2006 and 2016, the share of African gold in UAE's reported gold imports increased from 18% to almost 50%.<sup>33</sup> Much of the gold is not recorded as exports by African states, indicating that large amounts of gold are leaving Africa with no taxes paid to the countries that produce them. The major international mining companies in Africa say that they do not send gold to the UAE, suggesting that the illicit flow is from "*artisanal*" or small-scale miners.<sup>34</sup>

Illegal mining or "*galamsey*" has plagued Ghana's gold industry for the past 20 years and is growing (see *ARC Briefing Ghana January 2019*). Despite the government's promised action on destructive illegal mining activities to transform them into regulated small-scale mining entities, communities of illegal miners remain a significant problem for mining companies. Akufo-Addo told attendees at the **Investing in African Mining Indaba in Cape Town** (South Africa) in February this year that artisanal mining has given way to "*large-scale and dangerous*" operations run by foreign-controlled criminal syndicates.<sup>35</sup> Ghana has sent security forces into mining areas to halt operations so miners can be registered and regulations put in place. Most recently, 58 suspected illegal miners within the **Atiwa and Amansie Central Districts** in the eastern and western regions were arrested on 29 April as part of the Ghanaian security forces' **Operation Vanguard**.<sup>36</sup> Operation Vanguard was launched in July 2017 to combat the activities of illegal miners.<sup>37</sup>

The **Civil Society Platform on Oil and Gas Ghana** released a report on 17 December highlighting the forms and nature of corruption risks in Ghana's extractive sector (see *ARC Briefing Ghana December 2018*).<sup>38</sup> The report, entitled "*Lifting the veil on the typologies and nature of corruption risks in Ghana's mining oil and gas sector*", aims to inform the public about the corruption tendencies that are depriving Ghana of revenue it should be receiving for development from the extractive sector.<sup>39</sup> The report describes the significant loss of revenue to the **Ghana Revenue Authority (GRA)** resulting from its failure to account for over \$10 billion of gold exported between 2014 and 2016, due to its failure to keep track of exports.<sup>40</sup> Ghana has also arrested and expelled thousands of Chinese miners in the past six years over concerns that a rush of mainly Chinese-led ventures is harming the environment (see *ARC Briefing Ghana December 2018*).

Mining import restrictions are much less stringent in the UAE, China and **India**, where consumer demand for gold is high, compared to Western states.<sup>41</sup> Much of Africa's gold goes to UAE's central

<sup>30</sup> Reuters, 9 May 2019

<sup>31</sup> Reuters, 9 May 2019

<sup>32</sup> Reuters, 9 May 2019

<sup>33</sup> Reuters, 9 May 2019

<sup>34</sup> Reuters, 9 May 2019

<sup>35</sup> Reuters, 9 May 2019

<sup>36</sup> GhanaWeb, 30 Apr 2019

<sup>37</sup> GhanaWeb, 30 Apr 2019

<sup>38</sup> GhanaWeb, 17 Dec 2018

<sup>39</sup> GhanaWeb, 17 Dec 2018

<sup>40</sup> My Joy Online, 17 Dec 2018

<sup>41</sup> Reuters, 9 May 2019

commodity marketplace, the **Dubai Multi-Commodities Centre (DMCC)**. DMCC's head of commodities, **Sanjeev Dutta**, said in January that the centre is building relationships with most gold-producing African countries and that it has established a strict framework on responsible sourcing and sustainability, called the **Dubai Good Delivery**.<sup>42</sup> Dutta said:

*"We track right from responsible sourcing to sustainable development, things like human rights etc. ... We demand export certificates."*<sup>43</sup>

However, the **African Union's** senior adviser on industrial development, **Frank Mugenyi**, said the UAE is "cashing in on the unregulated environment in Africa".<sup>44</sup>

An economist who has studied capital flows in Africa, **Leonce Ndikumana**, described this as a "classic case of export under-invoicing" to reduce taxes.<sup>45</sup> US economist **Matthew Salomon**, who has researched the use of trade statistics to identify illicit financial flows, shares this red flag concern:

*"Persistent discrepancies in the trade of particular goods and between particular countries can identify significant risks of illicit activity."*<sup>46</sup>

Ghana is Africa's second-largest gold producer, after South Africa.<sup>47</sup> Gold accounts for 5% of the country's GDP and 90% of the total mineral exports.<sup>48</sup> Ghana's gold output rose to 2.805 million ounces in 2017, up 10.2 percent from the previous year.<sup>49</sup>

## Planner

27 May 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;  
 28-29 May 2019 **Accra (Ghana) Mining Investment West Africa** conference and exhibition;  
 17-19 Jul 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;  
 22 Jul 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;  
 17-19 Sep 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;  
 20 Sep 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;  
 20-22 Nov 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;  
 25 Nov 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;  
 2020 **(Ghana)** Presidential elections;

## Chronology

23 May 2019 **Accra (Ghana) Reuters**. **Kweku Andoh Awotwi**, managing director of **Tullow Ghana**, has been promoted to executive vice president of **Tullow Oil plc**, following a reorganisation of the group structure;  
 22 May 2019 **Accra (Ghana) Reuters**. Ghana's producer price inflation was flat at 7.1% year-on-year in April;

<sup>42</sup> Reuters, 9 May 2019

<sup>43</sup> Reuters, 9 May 2019

<sup>44</sup> Reuters, 9 May 2019

<sup>45</sup> Reuters, 9 May 2019

<sup>46</sup> Reuters, 9 May 2019

<sup>47</sup> Reuters, 1 Jun 2018

<sup>48</sup> Reuters, 1 Jun 2018

<sup>49</sup> Reuters, 1 Jun 2018

22 May 2019 **Accra (Ghana)** *Africa News*. President **Nana Addo Dankwa Akufo-Addo** signs into law the **Right To Information Act**;

17 May 2019 **Accra (Ghana)** *My Joy Online*. **The Economist Intelligence Unit** forecasts the economy to grow 6.5% in 2019, which is 1.1% lower than the government forecast;

15 May 2019 **Volta Region (Ghana)** *Sowetan*. Security forces crack down on separatists who are calling for an independent state in eastern **Volta Region**;

10 May 2019 **Accra (Ghana)** *Reuters*. **Norway**-based holding company **Aker ASA** expects Ghanaian authorities to approve a revised \$4.4 billion development plan for the offshore **Pecan oilfield** by the end of the third quarter of 2019;

9 May 2019 **Accra (Ghana)** *GhanaWeb*. **Italy**-based oil company **Eni** discovers gas and condensate at its **Cape Three Point** offshore production block;

7 May 2019 **Accra (Ghana)** *My Joy Online*. Railway development minister **Joe Ghartey** says that four bidders have been selected to compete for construction of the **Ghana-Burkina Faso** railway project;

5 May 2019 **Johannesburg (South Africa)** *Reuters*. **United States**-based oil company **Occidental Petroleum Corp** enters a binding agreement to sell the **Ghana, Algeria, Mozambique** and **South Africa**-based assets of **Anadarko Petroleum Corp** to **France**-based **Total S.A.** for \$8.8 billion if it acquires Anadarko;

29 Apr 2019 **Accra (Ghana)** *Offshore Technology*. Oil company **Aker Energy** completes its appraisal drilling campaign at the **Deepwater Tano Cape Three Points** block and estimates there are 5-15 million barrels of oil;

29 Apr 2019 **Accra (Ghana)** *Business Day*. **MTN Ghana**'s earnings grow 38.6% year-on-year in the first quarter of 2019;

### About Africa Risk Consulting:

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