

AFRICA RISK CONSULTING

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A United States airstrike that killed Iranian major general Qassem Soleimani heightens tensions in the Middle East and raises concerns over an increase in terrorism attacks in Africa – what does this mean for Ghana? President Nana Addo Dankwa Akufo-Addo (2017-present) says Ghana will join a new West African currency, the Eco, as early as next year but urges members of the currency union to ditch a planned peg to the euro. Chocolate producers undermine the newly introduced fixed Living Income Differential by scaling down purchases and negotiating discounts on other parts of the price.

Instability and security concerns

A **United States (US)** airstrike that killed **Iranian** major general **Qassem Soleimani** on 3 January has heightened tensions in the **Middle East** and raised concerns over an increase in terrorism attacks in **Africa**. While Africa does not appear to be a focal point of the emerging conflict between the US and Iran, **Western** businesses and nationals in **Ghana**, and elsewhere in Africa, should tighten security procedures as a precaution.¹ ARC has conducted an overview of Ghana's safety and security situation.

There is a heightened terrorism risk due to the Soleimani-linked terror cells aligned to global terrorist groups such as **al-Qaeda** that operate in Ghana, as well as the country's location in a region with a high level of terrorism activity. While there have been no recent attacks in Ghana, the US airstrike has heightened the risk of an attack by a network of Iran-backed terror cells. **The Washington Institute** fellow on **Shia Islamist** militarism, **Phillip Smyth**, believes Iran will look to show its influence on a global scale and he thinks Iran may look for "low-hanging fruit or easier targets that they can go after" in an "unexpected location" – which may be in Africa.² **United Kingdom (UK)**-based newspaper **The Telegraph** published a report in June 2019 saying Soleimani was setting up terror cells in several African countries including Ghana, **Sudan, Chad, Niger, The Gambia** and the **Central African Republic**, to target the US and other Western military bases on the continent.³

Ghana ranked 86th in the **Institute for Economics and Peace's Global Terrorism Index 2019**, which is a 36-place drop in its ranking on the previous year.⁴ Ghana (as well as **Guinea, Rwanda, Mozambique** and **Zimbabwe**) had the worst deterioration in **sub-Saharan Africa** in 2018. Ghana's poor ranking is largely due to the emerging terrorism threat in the **Sahel** region. West Africa has operatives and surrogates of al-Qaeda functioning in the Sahel region and **Boko Haram** militants operating around the **Lake Chad Basin**. Consequently, Ghana has intensified security in its **Upper East** region and its northern border with **Burkina Faso**.

Ghana is a relatively safe country in terms of criminal activity, faring well against most of its regional neighbours. **Global Initiative's Africa Organised Crime Index 2019** classifies Ghana as 'low criminality, high resilience' and ranks it 10th (1st being the safest) on the continent.⁵ That said, Ghana's **Bureau of Public Safety** expressed concern in July about the growing incident of violent crimes

¹ ARC's Tanzania analyst

² Voice of America, 4 Jan 2020

³ The Telegraph, 24 Jun 2019

⁴ Global Terrorism Index 2019, Institute for Economics and Peace, visionofhumanity.org

⁵ Africa Organised Crime Index 2019, Global Initiative, globalinitiative.net

including murder in the country.⁶ The bureau's 2019 half-year report says crime and violent crime continue to be a matter of concern as the two account for over 60% of all public safety events reported between April and June 2019. It noted that violent crime events increased by over 43% in the second quarter and account for more than 25% of deaths over the first half of the year.

New currency by year-end?

President **Nana Addo Dankwa Akufo-Addo** (2017-present) said on 7 January that Ghana will join a new West African currency, the **Eco**, which will replace the **France**-backed **CFA franc**, as soon as next year but urged members of the currency union to ditch a planned peg to the euro.⁷ Akufo-Addo noted the potential positive effect of sharing a currency with Ghana's regional neighbours by removing trade and monetary barriers, but there remain several major changes that need to happen if the Eco is to replace the Ghanaian cedi in the next couple years.⁸

Akufo-Addo's statement came after **Cote d'Ivoire's** President **Alassane Ouattara** (2010-present) and his French counterpart, **Emmanuel Macron** (2017-present), announced on 21 December that the **West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine) (UEMOA)** – formed of mostly former French colonies⁹ – agreed to cut some financial links with France which have underpinned the region's common currency since its creation in 1945. UEMOA members will no longer have to keep half their reserves in the French treasury and a French representative will no longer sit on the currency union's board. Further details have not been disclosed.

While Ouattara called it an historic day for Cote d'Ivoire and the whole of West Africa, Akufo-Addo has been slower to applaud the deal. Akufo-Addo has said that Ghana opposes plans to keep the eco pegged to the euro and urged regional authorities to push for a "*flexible exchange rate regime*".¹⁰

An unidentified official told the UK-based **Financial Times** that France would remain heavily involved in the new currency.¹¹ The official said daily information sharing would continue with France and if reserves were to fall below a certain level, France would be entitled to request the reintroduction of its seat on the Eco's monetary policy committee. France will reportedly also have the right to nominate one independent member of the monetary policy committee. The chosen candidate would not officially represent the French government and would have no reporting role.

Those who see the CFA franc (originally an abbreviation of **Colonies Françaises d'Afrique**) as a colonial relic will applaud the agreement between the UEMOA and CFA franc countries. Macron wants to dismantle France's traditional relationships and sphere of influence in Africa in favour of more business-oriented relations. Macron has shown interest in building closer ties with non-francophone states such as **Nigeria** and **Ethiopia** – with Ghana likely to be high on his list as well.

The adoption of the Eco has significant support from **Economic Community of West Africa (ECOWAS)**¹² leaders, who view the currency as a tool for the attainment of economic development initiatives. The 15 ECOWAS members agreed on 29 June to adopt the Eco, which they plan to launch in 2020 (see *ARC Briefing Ghana July 2019*).¹³ In July, ARC noted that the 2020 timeline for adopting the new currency was unrealistic because there has been no significant progress with respect to the design, production and testing of currency notes. A wide array of complex issues still needs to be addressed for the currency to be fully beneficial. Currently only five of the 15 member states meet the

⁶ GhanaWeb, 22 Jul 2019

⁷ MyJoyOnline, 29 Dec 2019

⁸ ARC's Ghana analyst

⁹ The eight members of the UEMOA are Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

¹⁰ GhanaWeb, 9 Jan 2020

¹¹ Financial Times, 22 Dec 2019

¹² The 15 members of ECOWAS are Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

¹³ Al Jazeera, 30 Jun 2019

criteria to adopt the currency – **Cape Verde, Cote d’Ivoire, Guinea, Senegal and Togo**.¹⁴ Ghana would be the bloc’s largest economy, ahead of neighbour Cote d’Ivoire.

Cocoa premium detracts buyers

Chocolate producers are reportedly undermining Ghana and Cote d’Ivoire’s newly introduced fixed **Living Income Differential (LID)** by scaling down purchases and negotiating discounts on other parts of the price.¹⁵ Ghana and Cote d’Ivoire in July introduced the LID of \$400 a tonne on all cocoa contracts sold by either country for the 2020/21 season (see *ARC Briefing Ghana July 2019*).¹⁶ The premium replaces an earlier proposal for a floor price for cocoa contracts and is part of a wider plan to combat poverty among farmers in the neighbouring countries. Global cocoa companies, including **Hershey, Mars and Blommer Chocolate**, have reportedly endorsed the plan.¹⁷

However, trade sources say chocolate producers have partially offset the new cost by negotiating down another charge paid for West African cocoa – the country premium, or ‘differential’, which covers bean quality differences and is a key element in the cocoa price. The country premium for Ghanaian beans over the spot futures contract hit a record 250 pounds per ton in August as buyers have been storing large quantities of cocoa. However, the country premium has since fallen sharply, with one source saying some cocoa was sold in the 2020/21 season with no country differential. Ghana and Cote d’Ivoire have reportedly had to slash the 2020/21 country premium to encourage sales because the summer stockpiling strengthened the industry’s bargaining position and allowed buyers to slow purchases.

The country premium has also led to smuggling between the Ghana and Cote d’Ivoire border. Due to the importance of the cocoa industry to the Ghanaian economy, which provides about 7% of the country’s gross domestic product (GDP) and generates about \$2 billion in foreign exchange annually, the government provides cocoa farmers with generous subsidies for their crop. These subsidies cause a big disparity between the price of cocoa in Ghana and in its neighbour, Cote d’Ivoire. An anonymous source from the **Conseil Café-Cacao** (coffee and cocoa board), Cote d’Ivoire’s cocoa regulator, claims that 100,000 tonnes of cocoa were smuggled from Cote d’Ivoire to Ghana from October 2017 until February 2018.¹⁸ However, a Cocobod representative dismissed these allegations, saying the stringent measures in place in Cote d’Ivoire make it unfavourable for farmers there to send their cocoa to Ghana.¹⁹

The Ghanaian and Ivorian governments are looking to revamp the cocoa industry and may end up scrapping the LID after national elections, which Ghana will hold in December 2020, if demand is low for the 2020/21 season.²⁰ As it stands, Ghana’s state cocoa marketing board, **Cocobod**, says graded and sealed cocoa arrivals stood at 456,000 tonnes as of 19 December, which is unchanged from the previous year.²¹ But sources in the industry are saying many buyers are holding off, hoping the LID will be scrapped.

¹⁴ Quartz, 3 Jul 2019

¹⁵ Reuters, 17 Dec 2019

¹⁶ Reuters, 11 Jul 2019

¹⁷ Reuters, 11 Jul 2019

¹⁸ Business Report, 28 Feb 2018.

¹⁹ Source, Cocobod representative, Accra

²⁰ ARC’s Ghana analyst

²¹ GhanaWeb, 2 Jan 2020

Planner

30 Jan 2020 Accra **(Ghana)** Ghana Trade Show;

25 Apr 2020 **(Ghana)** Ruling **New Patriotic Party** holds presidential primaries;

3 Jun 2020 Accra **(Ghana)** West African International Mining Power Exhibition (WAMPEX);

Dec 2020 **(Ghana)** Presidential and parliamentary elections;

Chronology

8 Jan 2020 Accra **(Ghana)** *GhanaWeb*. **Ghana Statistical Service** says the inflation rate in December 2019 eased to 7.9%, which is a 0.3% drop from the previous month and below the target of 8%;

8 Jan 2020 Accra **(Ghana)** *GhanaWeb*. **Bank of Ghana** (central bank) says deposits at commercial banks grew by 17.1%, from \$11.82 billion to \$13.85 million, in October compared to the previous year;

7 Jan 2020 Accra **(Ghana)** *Syndigate Media*. **Standard Chartered Bank Ghana** appoints **Kwabena Nifa Aning** and **Sheikh Jobe** as independent non-executive director and executive director respectively;

2 Jan 2020 Accra **(Ghana)** *GhanaWeb*. State cocoa marketing board **Cocobod** says graded and sealed cocoa arrivals stood at 456,000 tonnes as of 19 December, which is unchanged from the previous year;

2 Jan 2020 Accra **(Ghana)** *GhanaWeb*. **United Kingdom**-based oil producer **Tullow Oil's** shares dropped by nearly a fifth as the company's update on the commercial viability of its new well offshore **Guyana** disappointed investors;

2 Jan 2020 Johannesburg **(South Africa)** *Business Day*. **MTN Group** agrees to sell its 49% holdings in **Ghana Tower Interco** and **Uganda Tower Interco** to **AT Sher Netherlands Coöperatief** for \$523m as it refocuses on high-growth markets on the continent and in the **Middle East**;

29 Dec 2019 Accra **(Ghana)** *MyJoyOnline*. President **Nana Addo Dankwa Akufo-Addo** reaffirms that Ghana will join a new **West African** currency, the Eco, which will replace the **France**-backed CFA franc in eight regional countries;

20 Dec 2019 Accra **(Ghana)** *Mining.com*. **South Africa**-based **AngloGold Ashanti** pours the first gold at its **Obuasi** mine in Ghana, five years after mining activities were suspended;

17 Dec 2019 Accra **(Ghana)** *Reuters*. Chocolate makers are undermining **Ghana** and **Cote d'Ivoire's** newly introduced living income premium by scaling down purchases and negotiating discounts on other parts of the price;

11 Dec 2019 Accra **(Ghana)** *MyJoyOnline*. Government statistician **Samuel Kobina Annim** says annual inflation rose the highest level in four months, to 8.2% in November from 7.7% in October, as the Ghanaian cedi continued to weaken;

11 Dec 2019 Accra **(Ghana)** *GhanaWeb*. Wholly-owned **Ghanaian** company **Springfield E&P** officially announces that it has discovered 1.5 billion barrels of oil and 0.7 trillion cubic feet of gas off the **Atlantic** coast;

9 Dec 2019 Accra **(Ghana)** *MyJoyOnline*. **United Kingdom**-based **Tullow Oil's** chief executive officer **Paul McDade** resigns, the company suspends its dividend and shares dive;

About Africa Risk Consulting:

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

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