

AFRICA RISK CONSULTING

Ghana Monthly Briefing December 2021

Ghana Summary 10 December 2021

Parliament passes the 2022 budget following a series of objections and walkouts from members of the ruling New Patriotic Party (NPP) and the opposition National Democratic Congress (NDC). The NDC strongly opposes the new 1.75% levy on all electronic transfers proposed by the 2022 budget. Ghana announces that it will avoid issuing further bonds in International Capital Markets (ICMs), favouring domestic borrowing to finance the 2022 budget. The Bank of Ghana (BoG) (central bank) Monetary Policy Committee (MPC) raise the benchmark interest rate to 14.5%, the first hike since 2015. The International Monetary Fund (IMF) and World Bank caution high risk of debt distress as the G20 Debt Service Suspension Initiative (DSSI) is set to expire at the end of 2021. Ghana detects 34 cases of the Covid-19 variant Omicron in returning travellers in November as Singapore levies travel ban on recent visitors to Ghana.

2022 Budget passes...

Ghana's parliament approved the 2022 budget following a series of walkouts and objections from the hung parliament. The ruling **New Patriotic Party (NPP)** succeeded in pushing through the 2022 budget on 30 November, despite significant resistance from the opposition **National Democratic Congress (NDC)** party. The 2022 budget is heavily influenced by **Covid-19** "containment and vaccination", and financial recovery through the implementation of the **Ghana COVID-19 Alleviation and Revitalisation of Enterprises Support (Ghana CARES)** programme launched by President **Nana Dankwa Akufo-Addo** (2017-present) on 18 November 2020 in **Accra** (see *ARC Briefing Ghana Nov 2020*).¹

Finance minister **Ken Ofori-Atta's** budget speech, delivered on 17 November, included an overview of Ghana's macroeconomic performance in 2021 (see below). A shortfall in revenue resulted in a fiscal deficit of 7.7% of gross domestic product (GDP) in 2021, above the target of 7.4% but an improvement on a deficit of 8.6% in 2020. The revenue shortfall was generated by lower than anticipated performance of corporate income tax, personal income tax, mineral royalties, domestic excise duty and communications services tax, all attributed to the economic fallout of the Covid-19 pandemic.² Expenditure in 2021 was below the 19.1% of GDP target set by government, totalling 18.4% of GDP (GHS' 80.7m (\$13.04m)).³ Government expenditure on employee wages amounted to GHS' 23.39m (\$3.78m), 0.3% above the government target.⁴

2021 Macroeconomic Performance ⁵	
Real GDP - Jun 21	3.5%
Non-oil real GDP - Jun 21	4.8%
End period inflation - Oct 21	11%
Budget deficit (cash basis % of GDP)	9.4%
Primary balance % GDP - Jun 21	7.7%

¹ Ministry of Finance, 17 Nov 2021

² Ministry of Finance, 17 Nov 2021

³ Ministry of Finance, 17 Nov 2021

⁴ Ministry of Finance, 17 Nov 2021

⁵ Ministry of Finance, 17 Nov 2021

Debt to GDP	76.1%
Gross International Reserves - Sep 21	4.9

New taxes and levies include a controversial 1.75% tax on electronic transfers, including mobile money payments (see further below), and the introduction of a new unified platform for **Metropolitan, Municipal and District Assemblies (MMDAs)** to administer property rates and collect revenue that will launch in January.⁶ The new taxes aim to increase revenue by 39% from 2021 levels. The increase in revenue is also enabled by the rollout of the 'Ghana Card' which has merged individuals **National Identification Authority (NIA)** number and **Social Security and National Insurance Trust (SSNIT)** number, replacing the old **Tax Identification Number (TIN)** system and broadening the tax base.⁷

2022 Macroeconomic Targets ⁸	
Real GDP growth	5.8%
Non-oil real GDP growth	5.9%
End period inflation - Oct 21	8%
Fiscal deficit (% of GDP)	7.9%
Primary surplus (% of GDP)	0.4%
Gross International Reserves	4 months

Total expenditure in 2022 is forecast to be 2.2% lower than the revised target at 25.2% of GDP. Interest payments on public debt will constitute 27.6% of the budgeted 2022 expenditure.⁹ Ghana's nominal debt stock accounted for 77.8% of GDP in 2021 including **Independent Power Provider (IPP)** payments and 72% of GDP without.¹⁰ Public debt is 47.9% external debt and 52.1% domestic debt.¹¹ Multi-national accountancy and financial services firm **Deloitte** noted that the rising debt-to-GDP ratio, coupled with "a downgraded credit rating and increasing inflation in advanced economies", will make government borrowing from international capital markets more expensive in 2022 and will increase interest expense on loans.¹²

The 2022 budget, new taxes and revisions to the administration of Ghana's tax base are positive steps towards addressing ballooning debt, which grew by 1.8% between August and September 2021. Ofori-Atta reassured parliament that

*"The elevation in the debt stock in 2021 arising from the impact of the Covid-19 pandemic seemed to be stabilising at the end of September 2021."*¹³

Deloitte applauded the government's decision to suspend access to the **International Capital Markets (ICMs)** and instead leverage domestic borrowing through the use of syndicated loans at commercial banks to diversify its borrowing sources.¹⁴ The government announced on 18 November that it would temporarily stop accessing the ICM through the use of **Eurobonds** and utilise other means of borrowing to finance the 2022 budget.¹⁵ The announcement led to a 2.6% fall in the yield on

⁶ [Deloitte](#), 24 Nov 2021

⁷ [Deloitte](#), 24 Nov 2021

⁸ [Ministry of Finance](#), 17 Nov 2021

⁹ [Deloitte](#), 24 Nov 2021

¹⁰ [Ministry of Finance](#), 17 Nov 2021

¹¹ [Ministry of Finance](#), 17 Nov 2021

¹² [Deloitte](#), 24 Nov 2021

¹³ [Vaultz News](#), 19 Nov 2021

¹⁴ [Deloitte](#), 24 Nov 2021

¹⁵ [Bloomberg](#), 18 Nov 2021

dollar bonds maturing in 2032, which had risen by 9.1% at news that Ghana's overall fiscal gap for 2021 was wider than originally forecasted.¹⁶

Despite the positive 2022 budget, some uncertainty remains. Policy responses and the economic impact of the new Covid-19 variant, Omicron, have yet to be reported. The **Organisation for Economic Co-operation and Development (OECD)** forecasts further supply shortages and inflation driven by the variant.¹⁷

... amid political opposition to electronic transfer tax

The opposition NDC strongly opposed proposals in the 2022 budget to implement a new 1.75% tax on electronic transactions including mobile money payments, beginning in February.¹⁸ NDC party members argued on 26 November that the electronic payment tax served as a disincentive to the growth of the digital economy.¹⁹ Some members of the ruling NPP similarly expressed their objection to the new electronic transfer levy, exiting the parliamentary chamber in protest on 26 November, leaving the remaining NPP members outvoted. Ghana's December 2020 elections resulted in a hung parliament, with both the NPP and NDC winning 137 of the 275 seats in parliament (see *ARC Briefing Ghana Dec 2020 and Jan 2021*). The final seat is filled by independent member of parliament for **Fomena** constituency **Andrew Amoako Asiamah**.²⁰ Parliamentary speaker **Alban Bagbin** noted this was the first instance of a majority walkout in the new hung parliament:

*"For the first time a majority has walked out from its own business."*²¹

However, the NPP pushed the budget through on 30 November despite continued objection to the electronic transfer levy by NDC members who voiced concern that the levy would slow financial inclusion.²² Mobile money transfers accounted for GHS'564 billion (\$91.9 billion) in 2020. The mobile money platform offers financial opportunity for Ghana's adult population, 40% of whom are 'unbanked'.²³

The parliamentary exchange over the 2022 budget highlights the dangers of a hung parliament. Efficacy of governance will require tight party control and alignment to avoid delay based on party policy differences.

Central Bank raises benchmark interest rate to 14.5% ...

The **Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** raised the benchmark interest rate by 1% on 22 November, surprising analysts at **United States (US)**-based financial and data services company **Bloomberg**.²⁴ The benchmark hike is the first in Ghana since November 2015 and raises the rate to 14.5%. The 1% increase undoes some of the 2.5% easing announced since 2020 and the onset of the Covid-19 pandemic.

The MPC cited headline inflation above the upper limit of the medium-term target band and significant risks to the inflation outlook as reasons for its rate decision.²⁵ Headline inflation rose from 7.5% in May to 11% in October with "*broad-based inflation pressures*" destabilising inflation expectations by the MPC. The MPC said the rate hike is intended to re-anchor inflation expectations and safeguard the central bank's price stability objective.²⁶ The MPC listed the contributions to Ghana's increasing inflation rate as:

¹⁶ [Bloomberg](#), 18 Nov 2021

¹⁷ [Financial Times](#), 1 Dec 2021

¹⁸ [Bloomberg](#), 26 Nov 2021

¹⁹ [Ghana Web](#), 30 Nov 2021

²⁰ [Pulse Ghana](#), 14 Jan 2021

²¹ [Bloomberg](#), 26 Nov 2021

²² [Reuters](#), 30 Nov 2021

²³ [Bloomberg](#), 26 Nov 2021

²⁴ [Bloomberg](#), 22 November

²⁵ [Bank of Ghana](#), 22 Nov 2021

²⁶ [Bank of Ghana](#), 22 Nov 2021

- Rising global inflation;
- High energy prices;
- Uncertainty over food prices;
- Uncertain investor behaviours.²⁷

... as IMF cautions high risk of debt distress

International Monetary Fund (IMF) managing director **Kristalina Georgieva** and head of funds strategy policy and review **Ceyla Pazarbasioglu** have cautioned that low-income countries are at high risk of debt distress unless creditors suspend debt-service obligations and renegotiate new terms. The **World Bank** currently lists Ghana at high risk of overall debt distress, along with 16 other **African** nations, with a further four African countries classified as experiencing debt distress.²⁸ In a blog post published on 2 December, the IMF heads stated:

“We may see economic collapse in some countries unless G-20 creditors agree to accelerate debt restructurings and suspend debt service while the restructurings are being negotiated.”²⁹

The blog post comes ahead of an expiry deadline for the **G20 Debt Service Suspension Initiative (DSSI)**, which took effect on 1 May 2020 and has provided \$10.3 billion in debt relief to over 40 eligible countries. The DSSI is due to expire at the end of 2021, forcing participating countries to resume debt service payments.³⁰

Ghana, despite being urged by the IMF to join the DSSI programme in January, has not participated in the debt relief scheme.³¹ Economists remain divided over whether the DSSI would have aided Ghana’s economic recovery, labelling the potential \$558.1m relief as “*postponed debt*” rather than “*savings*”.³²

Ghana’s approach to managing its debt (77.8% of GDP) remains focused on tight fiscal control and gradual recovery, leveraging domestic borrowing over ICM bonds. Despite plans to continue servicing debt as it becomes due, Ghana risks losing a safety net if the G20 fails to extend the DSSI in 2022.

Akufo Addo slams global travel bans...

President Nana Akufo-Addo has spoken out against global travel restrictions imposed in response to detection of the Covid-19 **Omicron** variant in Ghana. In a press conference delivered in tandem with **South Africa’s** visiting president, **Cyril Ramaphosa** (2018-present), on 4 December, Akufo-Addo described the restrictions as “*instruments of immigration control*” that would limit resumption of normal economic activity and recovery from the economic impact of the Covid-19 pandemic.³³

Ghana’s health authorities have detected 34 cases of the Omicron variant in travellers returning to Ghana between 21 and 25 November.³⁴ The **Noguchi Research Institute (NRI)** announced on 2 December that 34 of the 210 samples returned a positive result for Omicron:

“These are the first imported cases of the variant in Ghana and we are closely monitoring its potential spread in the community.”³⁵

Confirmation of the presence of the Omicron variant in Ghana was swiftly met by travel restrictions from other countries, including **Singapore**, which have banned entry to all passengers who have travelled to Ghana, **Malawi** and Nigeria within the past 14 days.³⁶ The ban affects passengers arriving

²⁷ [Bank of Ghana](#), 22 Nov 2021

²⁸ [World Bank](#), accessed 10 Dec 2021

²⁹ [International Monetary Fund](#), 2 Dec 2021

³⁰ [International Monetary Fund](#), 2 Dec 2021

³¹ [PFMTax](#), 28 Jan 2021

³² [Afronomics Law](#), 1 Jun 2021

³³ [BBC](#), 7 Dec 2021

³⁴ [Reuters](#), 2 Dec 2021

³⁵ [Reuters](#), 2 Dec 2021

³⁶ [Bloomberg](#), 3 Dec 2021

at or transiting through Singapore ports and airports from 5 December.³⁷ A statement from the Singapore ministry of health expressed fears that “*it is a matter of time*” before the omicron variant establishes itself in Singapore,

*“... should [it] be more transmissible than **delta** and become the globally dominant variant over time”.*³⁸

Cases of Covid-19 in Ghana remain low following a third wave of infections that peaked in early August (see *ARC Briefing Ghana August 2021*).³⁹ As of 10 December, Ghana had registered 131,246 cases of Covid-19 in its population of 31.7 million, with 1,228 Covid-19-related deaths.⁴⁰

The **World Health Organisation (WHO)** vaccine tracker reports that since 2 March 2021 when Ghana’s vaccination drive began, a total of 3.16 million Covid-19 vaccine doses have been administered in Ghana, with 4.33 million individuals (13.94% of the population) in receipt of a single dose and 1.56 million individuals (5.04% of the population) fully vaccinated.⁴¹

2021 in review and the year ahead

Ghana welcomed a new government in 2021, elected in the December 2020 general election. The new parliament is hung, divided evenly between the ruling NPP and opposition NDC parties with a single independent MP, **Andrew Asiamah Amoako**. The NPP’s hold on power is fragile; although Asiamah is currently allied to the NPP, President Akufo-Addo ejected him from the ruling party ahead of the December 2020 election.⁴²

Despite tight competition within parliament, which led to protracted debate of the 2022 budget, there is cross-party sponsorship for the controversial **Proper Human Sexual Rights and Ghanaian Family Values Bill 2021** (anti-LGBTQ+ bill).⁴³ **Julia Selman Ayetey**, a lawyer opposing the bill, notes

*“If passed, [the bill] would violate provisions of the 1992 constitution of Ghana and international human rights instruments.”*⁴⁴

Bloomberg notes that Ghana’s parliament risks its democratic reputation and strong links to Western lenders including the United States if the bill is passed. The popularity of the bill in parliament, despite significant criticism from international lenders, highlights shifting international influence in the West African region. **France’s** withdrawal from the **Sahel** and recent coup activity in **Mali** and **Guinea** (see *ARC Briefing Guinea*) have led to greater regional leadership; the **Economic Community of West African States (ECOWAS)**, currently chaired by Akufo-Addo, imposed sanctions on Guinea and Mali in September and November.^{45, 46}

France’s shifting geo-political agenda and withdrawal of half of the French troops posted to Mali has welcomed greater competition for international partnership, with **Russia, China, Turkey** and the **Gulf States** seeking to exert greater influence in the region.⁴⁷ The increasing strength of these actors in states adjacent to Ghana may offer greater opportunity and agency with regards to legislation viewed poorly by Western allies and lenders.

³⁷ [Bloomberg](#), 3 Dec 2021

³⁸ [Bloomberg](#), 3 Dec 2021

³⁹ [World Health Organisation](#), accessed 10 Dec 2021

⁴⁰ [World Health Organisation](#), accessed 10 Dec 2021

⁴¹ [World Health Organisation](#), accessed 10 Dec 2021

⁴² [News Africa](#), 25 Mar 2021

⁴³ [Bloomberg](#), 2 Dec 2021

⁴⁴ [Bloomberg](#), 2 Dec 2021

⁴⁵ [RFL](#), 17 Sep 2021

⁴⁶ [This Day](#), 9 Nov 2021

⁴⁷ [The Conversation](#), 25 Oct 2021

Planner

25-28 Jan 2022 **Accra (Ghana) Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** meets;

31 Jan 2022 **Accra (Ghana) Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** announces policy decisions;

Chronology

7 Dec 2021 **Lagos (Nigeria) Bloomberg**. **United States**-based internet and data specialist **Equinix Inc** will acquire **Nigeria**-based **MainOne Cable Company Ltd** for \$320m, as part of a **West Africa** regional expansion programme planned for 2022;

2 Dec 2021 **Accra (Ghana) MyJoyOnline**. **Ghana** has detected the **Omicron coronavirus** variant in 34 samples from travellers who returned to the country from 21-25 November;

30 Nov 2021 **Accra (Ghana) Reuters**. **Ghana's** parliament passes the 2022 budget backed by ruling **New Patriotic Party (NPP)**;

29 Nov 2021 **Accra (Ghana) MyJoyOnline**. Health service director-general **Patrick Kuma-Aboagye** says **Ghana** will ramp up its **Covid-19** inoculation campaign next month and make the vaccine mandatory for targeted groups including all public sector and health workers from 22 January;

26 Nov 2021 **Accra (Ghana) MyJoyOnline**. Parliament rejects the proposed 2022 budget citing concerns over a tax on electronic transactions including mobile money payments;

22 Nov 2021 **Accra (Ghana) MyJoyOnline**. **Bank of Ghana** (central bank) surprises the market by raising its prime interest rate by 100 basis points to 14.5%, citing inflationary pressures;

11 Nov 2021 **Accra (Ghana) S&P Global**. **Petroleum Commission** director of resource management says **Ghana** has received interest from a company to explore the **Eastern** basin, which may yield the country's largest oil find;

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