

AFRICA RISK CONSULTING Ghana Monthly Briefing July 2022

Ghana Summary 12 July 2022

The government begins formal talks with the International Monetary Fund (IMF) on a support package after facing pressure from citizens and increasing economic pressure. Political pressure group Arise Ghana holds protests against what it calls worsening economic conditions. The group presents the finance ministry and parliament with a petition demanding the cancellation of the Electronic Transaction Levy (E-Levy) and a reduction in the high levels of inflation and the price of fuel. Development Bank Ghana (DBG) officially launches operations, five years after the initiative was started, with \$700m in seed capital, raised through a consortium of international funders.

Government approaches IMF for support ...

The government has begun formal talks with the **International Monetary Fund (IMF)** regarding a support package amid increasing economic pressure and protests from **Ghanaians** over the rapidly rising cost of living. President **Nana Addo Dankwa Akufo-Addo** (2017-present) authorised the move on 1 July, which cabinet approved on 30 June.¹ The talks are expected to restore investor confidence in the government and its efforts to overcome the economic crisis it is facing.² Ghana's **Eurobonds**, previously trading at distressed levels, gained two days in a row (7 and 8 July) following the announcement that the government would approach the IMF.³

Between a slow recovery from the **Covid-19** pandemic and the impact of the **Ukraine-Russia** conflict, specifically the increasing price of petroleum and imported goods, Ghana has been facing one challenge after another.⁴ Ghana recorded a balance of payments deficit of \$934.5m in the first quarter of 2022, more than double the \$429m deficit for the same period in 2021.⁵ Inflation reached an 18-year high of 27.6% in May (see *ARC Briefing Ghana Jun 2022*) and economic growth slowed to 3.3% in the first quarter.⁶ The cedi has depreciated 23.5% against the **United States (US)** dollar since January. The controversial **Electronic Transaction Levy (E-Levy)** tax (see *ARC Briefing Ghana Apr 2022*) has not generated anticipated revenue, having produced only GHS'60m (\$7.2m) in the first two months of its implementation, against anticipated revenue of GHS' 600m (\$73m) for the first two months of implementation and annual receipts of GHS' 6.69 billion (\$1.1 billion).⁷ The government lowered the proposed 1.75% tax to 1.5% in response to opposition pushback, while implementation of the E-Levy only took place on 1 May instead of 1 January as initially planned.⁸

An IMF staff team, led by mission chief for Ghana **Carlo Sdravovich**, was scheduled to hold talks between 6 and 13 July.⁹ In a statement released at the start of the visit, Sdravovich stated:

¹ Graphic.gh, 1 Jul 2022

² Reuters, 1 Jul 2022

³ Ghanaian Times, 8 Jul 2022

⁴ Reuters, 7 Jul 2022

⁵ Reuters, 1 Jul 2022

⁶ Reuters, 7 Jul 2022

⁷ Newsghana.com, 11 Jul 2022

⁸ Myjoyonline.com, 12 Jul 2022

⁹ Myjoyonline.com, 5 Jul 2022

“The IMF stands ready to assist Ghana to restore macroeconomic stability, safeguard debt sustainability, and promote inclusive and sustainable growth, and address the impact of the war in Ukraine and the lingering pandemic.”¹⁰

Ghana had strongly opposed approaching the IMF, with finance minister **Ken Ofori-Atta** vowing in November 2018 that “we will not have to be rescued in that manner in the future” (see *ARC Briefing Ghana Nov 2018*).¹¹ The former **National Democratic Congress (NDC)** government of **John Dramani Mahama** (2012-2017) agreed a three-year programme with the IMF in April 2015, giving it access to a \$918m **Extended Credit Facility (ECF)** (see *ARC Briefing Ghana Apr 2015*).¹² The ECF became a highly politicised issue in the lead up to the December 2016 elections, and was restrictive for government debt financing and wider economic policy (see *ARC Briefing Ghana Aug 2016, Jan 2017*). When Ofori-Atta took over as finance minister in January 2017, Ghana's inflation rate had averaged 17.46% across 2016. By October 2018, year-on-year inflation was down to 9.5%, bringing Ghana in line with the IMF's target of single-digit inflation.¹³ By November 2018, Akufo-Addo's **New Patriotic Party (NPP)** government had almost halved the budget deficit and introduced reforms to control spending and curb inflation, allowing Ghana to exit the IMF programme in December 2018.¹⁴

However, with debt levels reaching 76% of GDP at the end of 2021 and interest payments becoming the government's largest annual expense in recent years, Ghana now has few options left.¹⁵ US-based credit rating agency **Fitch Solutions** highlighted Ghana's dire situation in its **July 2022 African Monitor Report**. The report mentions that Ghana will miss its 2022 revenue target by GHS' 11.5 billion (\$1.42 billion).¹⁶ The agency anticipates the fiscal deficit to remain high but at least narrow from 9.3% of gross domestic product (GDP) in 2021 to 8.5% in 2022, assisted by increased oil revenue and a widening tax base. A more substantial narrowing of the deficit is being prevented by elevated public expenditure, which will remain elevated if the government does not make additional fiscal consolidation efforts.¹⁷

Ghana is seeking access to an IMF **Enhanced Domestic Programme** rather than another ECF arrangement, with the government suggesting that this programme would not require debt restructuring or cuts to its flagship programmes. However, it is unclear if the IMF will agree to this proposal. Trade and industry minister **Alan Kyeremanteng** addressed Ghana's business community in Accra on 4 July, assuring it that the government would work to get the best deal possible. Referencing the previous IMF programme, Kyeremanteng noted:

“The IMF itself cannot create prosperity for us, however, it comes in purely for stabilisation, balance of payment and liquidity support.”¹⁸

Given the unpopularity of the previous IMF programme, the government's latest bid for IMF support has drawn criticism from organisations such as the **Trade Union Congress**, which has called the move a “*tragic mistake*”.¹⁹ The NDC has also been critical of the move, calling on the NPP to relieve Ofori-Atta and vice-president Dr **Mahamudu Bawumia** of their roles.²⁰ The IMF talks have created some space for the NDC to campaign against the move ahead of the 2024 presidential elections; however, citizens will not be quick to forget that the NDC also approached the IMF previously. Accra-based policy and education think tank **IMANI Africa** CEO **Franklin Cudjoe** said the NDC should not think the NPP's current economic woes will give them an advantage in the 2024 election, claiming

¹⁰ Myjoyonline.com, 5 Jul 2022

¹¹ Ken Ofori-Atta quoted in Business Ghana, 21 Nov 2018.

¹² IMF, 3 Apr 2015.

¹³ Ghana Statistical Service Statistical Bulletin October 2018, 14 Nov 2018

¹⁴ Pulse.gh, 5 Jul 2022

¹⁵ Reuters, 7 Jul 2022

¹⁶ Myjoyonline.com, 12 Jul 2022

¹⁷ Myjoyonline.com, 12 Jul 2022

¹⁸ Pulse.gh, 5 Jul 2022

¹⁹ Graphic.gh, 4 Jul 2022

²⁰ Ghanaweb.com, 8 Jul 2022

that two years are sufficient to turn the situation around and restore faith in the party and its ability to lead the country.²¹

It appears that the government was banking on the success of the E-Levy tax to assist the ailing economy, which lower-than-expected receipts have failed to do. Akufo-Addo will now be facing pressure on two fronts – the IMF talks and defending the government’s decision to implement the e-levy bill. Ofori-Atta announced on 11 July that he had postponed the mid-term budget review, scheduled for 13 July, pending the outcome of the budget support talks with the IMF.²² The review will now take place on 27 July.²³

... as protests erupt over economic hardship

Ghana’s economic woes are rapidly becoming a source of political and social unrest. Political pressure group **Arise Ghana** held protests in capital **Accra** on 28 and 29 June against what it called “*worsening economic conditions*”.²⁴ The protests, which turned violent, culminated in the group presenting the finance ministry and parliament with a petition demanding that government cancel the E-levy and take steps to reduce the high levels of inflation and the price of fuel.²⁵ Organisations such as the **Importers and Exporters Association of Ghana** joined the protest, similarly airing their grievances against the government and the rising cost of living.²⁶

Despite the group’s attempts to conduct the protests within the requirements of the law, clashes with the police force ensued. After Arise Ghana notified it of the planned protest, the **Ghana Police Service (GPS)** sought a ruling from the **Accra High Court** on the time and location of the protest. The court ruled on 27 June that Arise could stage a demonstration between 8am and 4pm, commencing at **Obra Spot** and ending in **Independence Square**.²⁷ Arise appealed the ruling, but no result was reported and protests went ahead.

While the protests began peacefully on 28 June, police dispersed protestors with tear gas after the GPS reported on **Twitter** that 12 police officers were injured after protestors began throwing objects including stones at them.²⁸ Police arrested 29 people amid rumours that they would also arrest the organisers of the protest for contravening the court ruling.²⁹ Leading Arise Ghana member **Bernard Mornah** told local media house **Citi Newsroom** that the violence was premeditated by the police and involved firing rubber bullets on protestors.³⁰ This has not been confirmed and an investigation into the events of the day is reportedly underway.

A second day of protests went ahead on 29 June, culminating in Arise Ghana presenting its petition to government institutions. Military personnel and additional police officers were deployed to **Jubilee House**, the official residence and office of President Akufo-Addo.³¹ However, no additional violence or arrests were confirmed. The two-day protest is recorded as one of the largest anti-government protests in the last five years.³²

Development Bank launches

Development Bank Ghana (DBG) has officially launched, five years after the initiative began. The government-owned bank has kicked off operations with \$700m in seed capital, raised through a

²¹ Pulse.gh, 12 Jul 2022

²² Bloomberg, 11 Jul 2022

²³ Graphic.gh, 12 Jul 2022

²⁴ Graphic.gh, 29 Jun 2022

²⁵ Graphic.gh, 29 Jun 2022

²⁶ Ghanaweb.com, 29 Jun 2022

²⁷ Myjoyonline.com, 28 Jun 2022

²⁸ Myjoyonline.com, 29 Jun 2022

²⁹ Africanews, 29 Jun 2022

³⁰ Ghanaweb, 29 Jun 2022

³¹ Graphic.gh, 29 Jun 2022

³² The Africa Report, 11 Jul 2022

consortium of international funders.³³ The government contributed \$250m, in partnership with the following funders:

- **African Development Bank (AfDB)** - \$40m
- **European Union (EU)** through the **European Investment Bank** - \$177m
- **Kreditanstalt für Wiederaufbau (KfW)** (**German Development Bank**) – \$47m
- **World Bank** - \$200m.³⁴

The DBG's primary goal is to *"help restructure key sectors of the economy over some time by supporting all the institutions that are critical to the transformation of [small-medium enterprises] SMEs"*.³⁵ DBG CEO **Kwamina Duker** said the bank will achieve this by lending \$600m to small businesses in the next two years. Lack of credit and financing options has stifled the economic growth of an integral sector of the Ghanaian economy, with Ghana's commercial banks offering few opportunities for SMEs to access long-term financing at rates that allow them to grow.³⁶ Trade and industry minister **Alan Kyerematen**, noted in a 2019 report that up to 92% of businesses in Ghana are classified as SMEs, employing approximately 80% of the workforce and contributing 70% of gross domestic product (GDP).³⁷

Four commercial banks – **CalBank**, **Consolidated Bank Ghana**, **Fidelity Bank of Ghana** and **GCB Bank** – have signed up to receive loans of between \$5m and \$30m from the DBG, which they will use to make loans to SMEs. DBG has not disclosed the interest rate that will be charged; however, Duker said it will be lower than those currently available via commercial banks.³⁸ In May, the interest rate was hiked 200 basis points to 19% (*see ARC Briefing Ghana Jun 2022*). Lower interest rates are likely to be attractive financing options for SMEs.

Investigations into Covid-19 expenditure launched

Finance minister Ken Ofori-Atta delivered a breakdown of the expenditure of Covid-19 funds to parliament on 22 June. It was revealed that in total, government mobilised GHS' 18.19 billion (\$2.2 billion) in 2020, of which GHS' 12 billion (\$1.4 billion) was spent.³⁹ The money was mobilised from the government's contingency fund, **World Bank** groups, the IMF, African Development Bank (AfDB), **European Union (EU)**, Bank of Ghana and various Covid-19 bonds. Ofori-Atta clarified that the status of the utilisation of funds excluded funds provided by the **National Covid-19 Trust Fund** and the **Ghana Private Sector Covid-19 Fund**.

Following Ofori-Atta's presentation, a minority group in parliament, led by **Haruna Iddrisu**, called for an ad-hoc committee to be established to probe the utilisation of the Covid-19 funds.⁴⁰ The group alleged that President Akufo-Addo and Ofori-Atta have given different figures on the expenditure of the Covid-19 funds. On 30 March, during the **State of the Nation Address**, Akufo-Addo stated over GHS' 17 billion (\$2.1 billion) had been spent. Ofori-Atta defended his presentation, claiming that the president was referring to the amount mobilised.⁴¹ Speaker of Parliament, **Alban Sumana Kingsford Bagbin**, directed two existing parliamentary committees to conduct the investigations and present their findings in October.

³³ Africa Business Magazine, 15 Jun 2022

³⁴ Reuters, 14 Jun 2022

³⁵ Agence Ecofin, 16 Jun 2022

³⁶ Reuters, 14 Jun 2022

³⁷ Ministry of Trade and Industry, accessed 11 Jun 2022

³⁸ Reuters, 14 Jun 2022

³⁹ Graphic.gh, 23 Jun 2022

⁴⁰ Graphic.gh, 22 Jun 2022

⁴¹ Myjoyonline.com, 22 Jun 2022

Planner

28-29 Oct 2022 **(Ghana)** Kwahu Summit;
 2023 **(Ghana)** New Patriotic Party (NPP) primaries;
 2024 **(Ghana)** Presidential and parliamentary elections;

Chronology

11 Jul 2022 **Accra (Ghana)** *Bloomberg*. Finance minister **Ken Ofori-Atta** postpones the mid-term budget review pending the outcome of budget support talks with the **International Monetary Fund (IMF)**;

11 Jul 2022 **Accra (Ghana)** *Ghanaweb.com*. **Ghana Immigration Service** remains on high alert after suspicions are raised that 64 members of **Boko Haram** in **Nigeria**, who broke out of jail, may enter Ghana;

10 Jul 2022 **Accra (Ghana)** *Myjoyonline.com*. **Ghana Medical Association** joins other labour unions in demanding the payment of a **Cost of Living Allowance (COLA)** after government's failure to pay several groups of public sector workers;

9 Jul 2022 **Mfantseman (Ghana)** *Ghana Business News*. **Australia**-headquartered **Atlantic Lithium** says it is exploring the feasibility of lithium deposits in the **Mfantseman Municipality**;

8 Jul 2022 **Accra (Ghana)** *Newsghana.com*. The 2021 Auditor-General's report reveals that state institutions lost GHS'17.4 billion (\$2.1 billion) to financial infractions and irregularities;

8 Jul 2022 **Accra (Ghana)** *Business Ghana*. The **World Bank** forecasts that Ghana's intra-**Africa** exports could increase 132% by 2025, in its new report on the **African Continental Free Trade Agreement (AfCFTA)**;

8 Jul 2022 **Accra (Ghana)** *Ghanaweb.com*. **Serbia** opens its embassy in **Accra**, its first embassy in **Africa** in four decades;

7 Jul 2022 **Accra (Ghana)** *World Health Organisation*. **Ghana** announces the preliminary finding of two cases of **Marburg** virus disease, from the same family as the **Ebola** virus;

6 Jul 2022 **Accra (Ghana)** *Bloomberg*. **International Monetary Fund (IMF)** begins talks with **Ghana** as the country is set to seek as much as \$1.5 billion in financial support;

4 Jul 2022 **Accra (Ghana)** *MyJoyOnline*. Finance ministry says a delegation from the **International Monetary Fund (IMF)** is scheduled to arrive in **Accra** to start talks with Ghanaian government representatives over an economic support package;

1 Jul 2022 **Accra (Ghana)** *Ghanaweb.com*. Full implementation of the **Electronic Transfer Levy (E-levy)** begins;

1 Jul 2022 **Accra (Ghana)** *Ghanaian Times*. **Canada**-headquartered **Asante Gold Corporation**, lists on the **Ghana Stock Exchange (GSE)** and begins trading to raise capital to finance operations;

1 Jul 2022 **Accra (Ghana)** *MyJoyOnline*. Government agrees to hold formal talks with the **International Monetary Fund** on a financial support package, only days after hundreds took to the streets protesting mounting hardship;

30 Jun 2022 **Accra (Ghana)** *GhanaWeb*. **Russian Embassy in Ghana** claims that the Ghanaian media is misreporting the causes of rising food prices, and instead blames these on **Western** states;

28 Jun 2022 **Accra (Ghana)** *GhanaWeb*. Police arrest 29 protestors and disperse an **Arise Ghana** demonstration against economic hardship following violent clashes between police and demonstrators which injured 12 police officers;

27 Jun 2022 **Accra (Ghana)** *Ghana Web*. **China-based Beijing Everyway** sues the Ghanaian government for \$50m in the **United Kingdom-based London Court of International Arbitration** for wrongful abrogation of a traffic management system contract that has since been re-awarded to **China-based Huawei**;

23 Jun 2022 **Accra (Ghana)** *Financial Conduct Authority*. **United Kingdom-based Financial Conduct Authority (FCA)** fines Ghana-based **Ghana International Bank Plc (GIB)** £5.8m (\$7.1m) for poor anti-money laundering and counter-terrorism financing controls governing correspondent banking services to overseas banks;

23 Jun 2022 **Valetta (Malta)** *Ghanaian Times*. Tourism minister **Ibrahim Mohammed Awal** and **Malta**'s President **George Vella** meet to discuss deepening relations in the fields of tourism, culture, trade and investment;

22 Jun 2022 **Accra (Ghana)** *MyJoyOnline*. Finance minister **Ken Ofori-Atta** delivers a breakdown of **Covid-19** expenditures to parliament, revealing the use of more than GH'1 billion (\$103.5m) to support households;

22 Jun 2022 **Accra (Ghana)** *Pulse.gh*. **Ghana Chamber of Bulk Oil Distributors** CEO **Senyo Hosi** says his organisation is working with stakeholders, including the **National Petroleum Authority**, energy ministry and **Bank of Ghana** (central bank), to avert a fuel shortage in Ghana;

21 Jun 2022 **Accra (Ghana)** *Ghanian Times*. **Sweden** inaugurates a new honorary consulate general in Accra, aimed at deepening bilateral and economic co-operation;

20 Jun 2022 **Accra (Ghana)** *TechCrunch*. **Ghana-based fintech start-up Fido** raises \$30m equity investment in Series A round to roll out new products and expand across **Africa**;

20 Jun 2022 **Accra (Ghana)** *Finextra.com*. **Bank of Ghana** (central bank) launches **GhanaPay**, a common mobile wallet open to the country's financial services sector;

17 Jun 2022 **Accra (Ghana)** *Ghanaian Times*. **United States (US)** department of commerce projects the value of trade between the US and Ghana, currently \$2.7 billion, to double by 2024;

16 Jun 2022 **Accra (Ghana)** *Pulse.gh*. **Institute for Energy Security** projects that the price of petrol and diesel will increase by 10% and 15% respectively in July;

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