

## AFRICA RISK CONSULTING

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*The Electoral Commission of Ghana (ECG) disqualifies 13 presidential candidates from the presidential election on 7 December for failing to meet eligibility criteria. The disqualification does not, however, affect the favoured candidates – president John Dramani Mahama (2012-present) of the National Democratic Congress (NDC) and Nana Addo Dankwa Akufo-Addo of the main opposition New Patriotic Party (NPP). The Ghana Cocoa Board (Cocobod) announces an 11.76% producer price increase for 2016/2017. Cocobod also announces a record \$1.8 billion syndicated loan with a consortium of 24 banks, to purchase cocoa from domestic producers for the 2016/2017 season. The International Monetary Fund (IMF) completes its third review under its \$918m extended credit facility (ECF).*

#### Electoral commission disqualifies 13 presidential candidates

The **Electoral Commission of Ghana (ECG)** on 10 October announced that it had rejected the applications of 13 presidential candidates, for failing to meet its criteria, which are more stringent than in previous elections.<sup>1</sup> The decision could limit the number of candidates in the upcoming presidential election on 7 December. The disqualified candidates are:

- **Hassan Ayariga, All People's Congress (APC);**
- **Akua Donkor, Ghana Freedom Party (GFP);**
- **Akwasi Addai Odike, United Progressive Party (UPP);**
- **Dr Papa Kwesi Nduom, Progressive People's Party (PPP);**
- **Edward Mahama, People's National Convention (PNC);**
- **Alfred Asiedu Walker, independent;**
- **Thomas N. Ward Brew, Democratic People's Party (DPP);**
- **Nana Konadu Rawlings, National Democratic Party (NDP);**
- **Richard Nixon Tetteh, United Development System Party (UDSP);**
- **Henry Herbert Lartey, Great Consolidated Popular Party (GCPP);**
- **Kwabena Adjei, Reformed Patriotic Democrats (RPD);**
- **Kofi Akpaloo, Independent People's Party (IPP);**
- **Nana Agyenim Boateng, United Front Party (UFP).<sup>2</sup>**

ECG chairperson **Charlotte Osei** announced that only four candidates are eligible to contest the election:

- **President John Dramani Mahama (2012-present), National Democratic Congress (NDC);**
- **Nana Addo Dankwa Akufo-Addo, New Patriotic Party (NPP);**
- **Ivor Kobina Greenstreet, Convention People's Party (CPP);**
- **Jacob Yeboah, independent.<sup>3</sup>**

Osei claims that several candidates filled in the application form incorrectly, while others used the same people more than once to endorse their candidacy.<sup>4</sup> Osei claims that she gave each candidate an

<sup>1</sup> B&FT Online, 10 Oct 2016.

<sup>2</sup> Citi FM, 10 Oct 2016.

<sup>3</sup> B&FT Online, 10 Oct 2016.

early warning to rectify the problems, but that each of the disqualified candidates ignored it.<sup>5</sup> Many candidates failed to provide the adequate number of endorsements or even pay the filing fee. Osei said the ECG will refer two candidates to the police and attorney general for investigation and possible prosecution after making false declarations.<sup>6</sup>

Disqualified candidates in the coming weeks may proceed to file for litigation against the ECG. Chief justice **Georgina Theodora Wood**'s office announced that she would assign as many as 17 courts in order to process all of the election-related cases. This includes three in **Accra**, two in **Ashanti** and **Western** regions, and one in each other region of the country.<sup>7</sup> The courts will also open on weekends in order to hear each case fairly and ahead of the election date, but there are fears that the process may lead to a delay of the presidential election.<sup>8</sup> The ECG heightened these fears after indicating that it had postponed balloting for presidential places, meaning that the ECG cannot say whether it will be ready to hold elections on 7 December until the cases are dealt with.<sup>9</sup> An early indication that the election date is likely to be respected is that courts have issued tight deadlines for these cases. In the case of the PPP, the ECG disqualified its candidate Nduom for failing to have the required number of subscribers on his forms.<sup>10</sup> The **Accra High Court** will give a ruling just one week after hearing oral submissions.<sup>11</sup> Although this shows the judiciary's commitment to adhere to the 7 December election date, there are still concerns that not all candidates will make legal cases in time for the courts to process the cases before the election.<sup>12</sup> Many speculate that the litigation will not change the election date:

*"These lawsuits will not affect the election, even though the ECG appears doubtful. The judiciary has had training on how to handle election petitions or disputes in the lead-up to the elections. They have long anticipated challenges."*<sup>13</sup>

It is difficult to evaluate the chances of litigation success of the disqualified candidates. However, local sources believe that the supreme court may try to influence the lower courts so that not all candidates are definitively disqualified, though it is unlikely that many will have their candidacies approved,

*"The supreme court is likely to order the ECG to at least add two out of the 13 disqualified presidential aspirants. [Dr Nduom of] the PPP is likely to be one of these. Dr Nduom and former first lady [Nana Konadou] Rawlings appear to have some legitimate basis for their suits in court."*<sup>14</sup>

Although this might appear to be beneficial to the favourites – Mahama and Akufo-Addo – it may also bolster the candidacies of previously marginalised, smaller-party candidates, which now feature on a significantly reduced list of candidates,

*"Their presence will not do much in terms of the number of votes they will garner. However, they are likely to hurt or injure the two dominant candidates. Some candidates like Rawlings and Dr Nduom are bent on working against the president and will campaign massively to seek him out... Candidates like Ayariga and Donkor have a sole aim, to campaign against the opposition leader (Akufo-Addo). Some have described these as paid agents of the ruling party."*<sup>15</sup>

<sup>4</sup> B&FT Online, 10 Oct 2016.

<sup>5</sup> Graphic Online, 11 Oct 2016.

<sup>6</sup> Graphic Online, 11 Oct 2016.

<sup>7</sup> My Joy, 22 Oct 2016.

<sup>8</sup> My Joy, 22 Oct 2016.

<sup>9</sup> My Joy, 22 Oct 2016.

<sup>10</sup> My Joy, 20 Oct 2016.

<sup>11</sup> My Joy, 20 Oct 2016.

<sup>12</sup> My Joy, 20 Oct 2016.

<sup>13</sup> Source, journalist, Accra

<sup>14</sup> Source, journalist, Accra

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

## Cocobod announces 11.76% cocoa price increase

The **Ghana Cocoa Board (Cocobod)** on 1 October announced that it will increase farmers' cocoa prices by 11.76% to 7,600 cedis (¢) (\$1,914) per tonne for the 2016/2017 season, up from ¢6,800 cedis (\$1,700) the previous year.<sup>16</sup> The cocoa season is from October to September. Cocobod's proposed price is higher than that of **Ghana's** neighbour and the world's largest cocoa producer, **Côte d'Ivoire**, which on 30 September increased the price paid to farmers to FCFA 1.1m (\$1,878) per tonne.<sup>17</sup> In Ghana, small-scale producers account for around 85% of national production, meaning that farmers' prices are significantly influential.<sup>18</sup> The announcement may indicate political involvement in the increase in the cocoa price, as an attempt to influence farmers to vote in favour of the incumbent government in the presidential elections on 7 December (see above). It may also act as an incentive for producers to seek to increase their production of cocoa. Cocobod is targeting production of 850,000-900,000 tonnes for the 2016/2017 season.

Ghana has set its cocoa price higher than that of Côte d'Ivoire before. In the 2014/15 season, Ghana's price was around \$1,759, compared to Côte d'Ivoire's \$1,718 per tonne. Cocobod argued that this prevented smuggling of cocoa beans to Côte d'Ivoire to sell at a higher price, which is largely true.<sup>19</sup> Cocobod also argued that a higher price would secure higher production targets, claiming that this would act as an incentive for producers to increase their output.<sup>20</sup> However, in 2014/15, Ghana missed its target by 130,000 tonnes (posting a total 720,000 tonnes), indicating that a higher cocoa price is too simplistic a variable to guarantee higher output.<sup>21</sup> Cocobod maintains that poor management of chemical inputs and resources leads to lower output. However, local sources believe that politics may be the reason behind the price increase, which could work in favour of Mahama ahead of presidential elections on 7 December,

*"The producer price increase for 2016/17 is not likely to impact on production levels. It is therefore not farfetched to say that the increase this year could be politically motivated rather than policy correction. In the event of lower-than-expected levels of production, [the government] will incur heavy losses because of interest payments on loans that have not been used."*<sup>22</sup>

Deputy finance minister **Cassiel Ato Forson** said that government would set up a stabilisation fund in order to mitigate negative effects of international price fluctuations.<sup>23</sup> Despite reaching a three-year high of over \$3,300 per tonne on the **International Commodities Exchange (ICE)** in **New York (United States)** in November 2015, international prices declined below \$2,800 in December, increased again to near November levels in March/April, before dropping again to \$2,842 at the present day.<sup>24</sup> The fluctuation is largely attributed to futures markets' fears and consequent optimism with respect to weather conditions in both Ghana and Côte d'Ivoire, due to both **Harmattan** winds and **El Niño**.<sup>25</sup> Ghana and Côte d'Ivoire cultivate almost exactly the same land area for production – around 1.7 million hectares – however, last year's crop was over 1.6 million tonnes in Côte d'Ivoire, compared to approximately 700,000 tonnes in Ghana.<sup>26</sup>

<sup>16</sup> Business & Financial Times, 4 Oct 2016.

<sup>17</sup> RFI, 30 Sept 2016.

<sup>18</sup> www.cocobod.gh

<sup>19</sup> Source journalist, Accra

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

<sup>21</sup> Source, journalist, Accra

<sup>22</sup> Source, journalist, Accra

<sup>23</sup> Business & Financial Times, 4 Oct 2016.

<sup>24</sup> www.nasdaq.com

<sup>25</sup> Bloomberg, 22 Jan 2016.

<sup>26</sup> www.cocobod.gh

### ...and Cocobod signs \$1.8 billion syndicated loan

Cocobod on 21 September announced it had signed a \$1.8 billion syndicated loan with a consortium of 24 banks to purchase cocoa beans from domestic producers.<sup>27</sup> The announcement ensures Cocobod has the finances to support the purchase of Ghana's forecasted domestic cocoa bean production. Cocobod has taken out syndicated loan facilities since 1993, but this is the largest to date.<sup>28</sup> The loan has an interest rate of 1.47%, while the total loan could increase by an additional \$200m if production levels exceed expectations.<sup>29</sup> This year, for example, Cocobod is expecting to purchase around 850,000-900,000 tonnes of cocoa beans.<sup>30</sup> However, Cocobod admits that this number may be less, perhaps even below 800,000 tonnes, due to a prolonged drought in the first quarter of 2016.<sup>31</sup> The largest banks that participated in the syndicated Cocobod loan include:<sup>32</sup>

- **Deutsche Bank (Germany);**
- **Natixis (France);**
- **Rabobank (Netherlands);**
- **Bank of Tokyo Mitsubishi (Japan);**
- **Nedbank (South Africa);**
- **Société Générale (France);**
- **Standard Chartered Bank (United Kingdom);**
- **Ghana International Bank (Ghana);**
- **DZ Bank (Germany).**

### IMF approves \$116.2m disbursement

The **International Monetary Fund (IMF)** on 28 September completed its third review under Ghana's \$918m extended credit facility (ECF) (see *ARC Briefing Ghana July and August 2016*).<sup>33</sup> The IMF disbursed a further \$116.2m under the ECF, bringing total disbursements to \$464.6m since the beginning of the programme in April 2015.<sup>34</sup> However, the IMF is increasingly concerned with Ghana's implementation of the programme and its accompanying economic policies. The IMF commented on Ghana's economic outlook after the government passed a law that could continue the **Bank of Ghana's (BoG)** (central bank) funding of the state budget (see *ARC Briefing Ghana August 2016*).<sup>35</sup> IMF deputy managing director **Tao Zhang** stated,

*"Implementation of the ECF-supported programme by the Ghanaian authorities continues to be broadly satisfactory, but the economic outlook remains challenging. There has been progress in stabilising the macroeconomic situation and reducing financial imbalance, but fiscal risks remain elevated."*<sup>36</sup>

Local sources criticise the IMF for lack of transparency, claiming that the organisation communicates one thing publicly, before making agreements with government that go against these statements,

*"The IMF has not been transparent with Ghanaians. On the one hand [the IMF] appears to be warning the government to watch out, and on the other hand it agrees to backroom negotiations. The IMF granted government waivers which will only worsen the economy.... The government will be saying to the IMF that if they don't give the government breathing space,*

<sup>27</sup> Reuters, 21 Sept 2016.

<sup>28</sup> CitiFM, 21 Sept 2016.

<sup>29</sup> CitiFM, 21 Sept 2016.

<sup>30</sup> Reuters, 21 Sept 2016.

<sup>31</sup> Reuters, 21 Sept 2016.

<sup>32</sup> Reuters, 21 Sept 2016.

<sup>33</sup> www.imf.org

<sup>34</sup> www.imf.org

<sup>35</sup> www.imf.org

<sup>36</sup> www.imf.org

*they are likely to lose the elections and there is no guarantee that a new government will continue with the programme.”<sup>37</sup>*

Although the government continues to reassure the IMF that it will not overspend government funds on the presidential elections, as was the case in the 2012 election, some commentators claim that there is still potential for the government to do so, with alleged discrepancies in the government’s mid-year budget and proposed spending for the first quarter of 2017.<sup>38</sup>

### **Implications**

The ECG’s disqualification of presidential candidates will not greatly affect the favourite candidates, Mahama and Akufo-Addo. There will inevitably be a significantly reduced number of candidates, which, even though unlikely to affect the probable victory of either of these two candidates, will have a greater chance of upsetting the dominance of the NDC and NPP. The quantity of cases and the pressure of time restraints will test the judiciary’s competence, putting significant pressure on courts to perform quickly and diligently.

Cocobod’s price increase, although publicly appearing to encourage higher production, does not have a track record in achieving this. Its decision to increase cocoa prices may be a result of political expediency rather than its aim to increase output, which it admits is related more to poor management of crops and inadequate chemical input and other resources. The size of Cocobod’s loan indicates a wish to increase productivity in the Ghanaian cocoa sector, which is deficient compared to that of Côte d’Ivoire. However, there remains the risk of lower-than-expected production, partially due to adverse weather conditions, which could convert Cocobod’s largest ever syndicated loan into excess debt, which it may struggle to reimburse.

The IMF’s announcement of the next disbursement of funds for Ghana is an encouraging sign for government funds and its relationship with the institution, especially as Ghana had clearly gone against the IMF’s recommendations in August. It would appear that the IMF is more flexible than in the past, while being firm on avoiding a government overspend during elections.

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<sup>37</sup> Source, journalist, Accra

<sup>38</sup> Source, journalist, Accra

### About Africa Risk Consulting:

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