

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing October 2018

#### Ghana Summary 26 October 2018

*President Nana Akufo-Addo (2017-present) signs a collaboration agreement in the cocoa sector with neighbouring Cote d'Ivoire. Ghana becomes a full member of l'Organisation internationale de la Francophonie (OIF, la Francophonie), an organisation of states and governments that have a notable affiliation with French culture. Ghana increases its energy production, becoming a net exporter of energy and offering cheap power domestically. Akufo-Addo formally launches an oil and gas licensing round, demonstrating Ghana's commitment to the continued rapid development of its oil and gas sector.*

#### Ghana and Cote d'Ivoire agree to collaborate in cocoa sector...

President **Nana Akufo-Addo** (2017-present) and his **Ivorian** counterpart, President **Alassane Ouattara** (2010-present), cemented their commitment to the **Abidjan Declaration** on 10-11 September with an agreement to “address the challenges of the cocoa sector”.<sup>1</sup> The agreement commits both governments to improving the production and marketing of cocoa in **Ghana** and Cote d'Ivoire, persuading the **African** private sector to invest in cocoa, as well as promoting cocoa consumption in local and regional markets.<sup>2</sup> Most importantly, the agreement shows both governments eager to improve cocoa prices for cocoa growers long-term.<sup>3</sup> In 2016, the cocoa industry accounted for 14.5% of the country's gross domestic product (GDP).<sup>4</sup>

The disparity between cocoa prices in Cote d'Ivoire and Ghana has long been a point of contention, both for the respective governments and for cocoa farmers in Cote d'Ivoire, the biggest producer of cocoa globally (see *ARC Briefing Ghana March 2018*). The Ghanaian government provides its cocoa farmers with generous subsidies for their crop, making Ghana an attractive destination for cocoa smugglers from Cote d'Ivoire. An anonymous source from Cote d'Ivoire's cocoa regulator, the **Conseil Café-Cacao** (coffee and cocoa board), claims that 100,000 tonnes of cocoa were smuggled from Cote d'Ivoire to Ghana from October 2017 until February 2018.<sup>5</sup>

The Abidjan Declaration stipulates that the **Ghana Cocoa Board (Cocobod)** and its Ivorian counterpart, the **Conseil Café Cacao**, will work to achieve parity in cocoa buying prices.<sup>6</sup> This move will discourage cocoa smuggling from Cote d'Ivoire.<sup>7</sup> To begin to achieve this parity in cocoa pricing, one of Cote d'Ivoire's largest cocoa exporters, **Saf-Cacao**, has raised its price for cocoa by 7% to \$1.34 per kilo, but Cocobod's price has remained the same as last year (\$1.53 per kilo)<sup>8</sup> despite an increase in the global price of cocoa this year.<sup>9</sup> As a result, the Abidjan Declaration is unpopular among Ghana's 800,000 cocoa farmers who have threatened to halt production if the government does not increase

<sup>1</sup> Ghana News Agency, Web, 3 Oct 2018.

<sup>2</sup> Hacking Africa, 19 Oct 2018.

<sup>3</sup> Hacking Africa, 19 Oct 2018.

<sup>4</sup> Ghana Statistical Service, Apr 2018.

<sup>5</sup> Business Report, 28 Feb 2018.

<sup>6</sup> GhanaWeb, 3 Oct 2018.

<sup>7</sup> GhanaWeb, 3 Oct 2018.

<sup>8</sup> GhanaWeb, 3 Oct 2018.

<sup>9</sup> Bloomberg, 1 Oct 2018.

cocoa producer prices for the 2018/2019 season.<sup>10</sup> This is causing a political headache for the government, which promised cocoa farmers a good price for their cocoa in order to gain vital votes during the 2017 election.<sup>11</sup> Most of Ghana's cocoa farmers could not survive without government subsidies or international aid, as they often fail to cover their farming costs.<sup>12</sup>

The Ghanaian government and Cocobod appear unable to justify the continued rate of subsidy for cocoa growers. Cocobod CEO **Joseph Boahen** announced on 1 October that Cocobod incurred a debt of 2 billion cedis (\$410m) in 2017 from buying subsidised cocoa.<sup>13</sup> Moreover, analysts from **United States-based Fitch Solutions** predict that although Ghana and Cote d'Ivoire produce 60% of the world's cocoa combined,<sup>14</sup> their plan to influence the global price of cocoa through a price fixing "cartel" will not be able to affect the global cocoa market, as many Ivorian growers sell their product directly to private buyers rather than the Conseil Café Cacao.<sup>15</sup>

Investors should take note of the Ghanaian government's efforts to influence the global price of cocoa, as well as its strategy to engage the private sector in the cocoa industry and increase local consumption of cocoa products. Although it is unlikely that the "cartel" of Cote d'Ivoire and Ghana will be able to dictate the global price of cocoa, cocoa prices and subsidies have the potential to become politically contentious.

### ... as Ghana becomes a full member of la Francophonie

President Akufo-Addo announced Ghana's full membership of **l'Organisation internationale de la Francophonie (OIF, la Francophonie)** at the OIF's 17<sup>th</sup> summit in **Yerevan (Armenia)** on 12 October.<sup>16</sup> La Francophonie is an organisation of 58 member states<sup>17</sup> and governments that have a notable affiliation with **French** culture and often speak French.<sup>18</sup> Ghana has been an associate member of la Francophonie since September 2006 and is now one of a small number of mainly English-speaking countries to hold membership of the **Commonwealth** and la Francophonie.<sup>19</sup> Several of these countries are African: **Cameroon, Rwanda, Seychelles** and **Mauritius** join Ghana, with **Canada, Cyprus, Dominica, Saint Lucia** and **Vanuatu** as members of la Francophonie and the Commonwealth.<sup>20</sup> Ghana's membership of la Francophonie is good news for investors, as it demonstrates that Ghana is eager to increase trade links with its neighbours, as well as the rest of la Francophonie.

Addressing the summit in Yerevan, Akufo-Addo encouraged increased trade between members of la Francophonie.<sup>21</sup> This would work to Ghana's benefit, particularly with regard to regional trade within **West Africa**:

*"As a country bordered to the north, east and west by French-speaking countries... Ghana recognises the strategic importance of our immediate neighbours."*<sup>22</sup>

<sup>10</sup> Confectionery News, 5 Oct 2018

<sup>11</sup> Bloomberg, 23 Feb 2018.

<sup>12</sup> Financial Times, 8 Oct 2018.

<sup>13</sup> GhanaWeb, 2 Oct 2018.

<sup>14</sup> Hacking Africa, 19 Oct 2018.

<sup>15</sup> Reuters, 27 Sept 2018.

<sup>16</sup> Business Ghana, 15 Oct 2018.

<sup>17</sup> Albania, Principality of Andorra, Armenia, Kingdom of Belgium, French Community of Belgium, Benin, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Canada-New-Brunswick, Canada-Quebec, Cape Verde, Central African Republic, Chad, Comoros, Congo, , Cyprus, Democratic Republic of the Congo, Djibouti, Dominica, Egypt, Equatorial Guinea, France, Gabon, Ghana, Greece, Guinea, Guinea-Bissau, Haiti, Ivory Coast, Laos, Lebanon, Luxembourg, former Yugoslav Republic of Macedonia, Madagascar, Mali, Morocco, Mauritius, Mauritania, Moldova, Monaco, Niger, New-Caledonia, Qatar, Romania, Rwanda, Saint Lucia, São Tomé and Príncipe, Senegal, Seychelles, Switzerland, Togo, Tunisia, Vanuatu, Vietnam (Francophonie website)

<sup>18</sup> Business Ghana, 15 Oct 2018.

<sup>19</sup> Business Ghana, 15 Oct 2018.

<sup>20</sup> Julia Marion, The Round Table, 2009.

<sup>21</sup> Business Ghana, 15 Oct 2018.

Showing his commitment to la Francophonie, Akufo-Addo stated his aim for Ghana to become a bilingual country where both French and English are spoken, along with indigenous languages.<sup>23</sup> The Ghanaian government has already established a bilingual classroom project in which both French and English are spoken in Ghanaian schools.<sup>24</sup>

One example of Ghana's collaboration with its neighbouring Francophone states is the recent cocoa agreement signed by President Akufo-Addo and his Ivorian counterpart, President Ouattara (see above).<sup>25</sup> The recent power line from northern Ghana to **Ouagadougou (Burkina Faso)** (see below) also attests to Ghana's effort to connect with its Francophone neighbours.<sup>26</sup>

### Ghana becomes a net exporter of energy

President Akufo-Addo announced at the inauguration of the **Bolgatanga-Ouagadougou Power Interconnection Project** on 5 October that Ghana is now a net exporter of electricity.<sup>27</sup> The project will transport 100 megawatts per day from northern Ghana to Burkina Faso.<sup>28</sup> This meets roughly one third of Burkina Faso's entire energy demand.<sup>29</sup>

Ghana's energy sector has been transformed over the last 21 months from providing an erratic service to consumers in Ghana to producing a surplus of electricity.<sup>30</sup> The failure of former President **John Mahama** (2012-2017) to solve Ghana's energy crisis and persistent power cuts cost him popularity as president and his loss in the December 2016 elections.<sup>31</sup> In 2015, industrial power consumers faced regular 24-72 hour power outages as part of the government's electricity load-shedding programme (see *ARC Briefing Ghana March 2015*). The success of Akufo-Addo's government with the energy sector has benefitted Ghana's general public and industrial sector alike. Everyday electricity users have seen prices decrease by as much as 17.5%, while the price of industrial electricity usage has decreased by as much as 30%.<sup>32</sup>

The government is making efforts to promote the development of renewable sources of energy, making further improvements to the country's energy supply. The **African Development Bank (AfDB)** approved a \$1.5m grant to Ghana on 24 September to aid investment in renewable energy through feasibility studies and enhancing public sector skills regarding renewable energy.<sup>33</sup> Vice President **Mahamadu Bawumia** announced on 9 October that public institutions will begin to use solar power to decrease demand on the country's energy resources.<sup>34</sup>

These developments within the energy sector are good news for investors to Ghana. A cheap and reliable source of power is vital to the development of an industrial economy and makes Ghana an increasingly easy place to do business. Furthermore, the rapid improvement of the country's energy sector since Akufo-Addo came to power indicates that Ghana is robustly and effectively governed.

### Akufo-Addo formally launches oil and gas licensing round

President Akufo-Addo formally launched an oil and gas licensing round on 16 October.<sup>35</sup> International oil companies are required to formally express interest by the end of November 2018.<sup>36</sup> This is

<sup>22</sup> Nana Akufo-Addo in Business Ghana, 15 Oct 2018.

<sup>23</sup> Business Ghana, 15 Oct 2018.

<sup>24</sup> Daily Guide Africa, 13 Oct 2018.

<sup>25</sup> GhanaWeb, 3 Oct 2018.

<sup>26</sup> Africa Power Monitor, 16 Oct 2018.

<sup>27</sup> GhanaWeb, 7 Oct 2018 and Africa Power Monitor, 16 Oct 2018.

<sup>28</sup> Africa Power Monitor, 16 Oct 2018.

<sup>29</sup> Ecofin Agency, 8 Oct 2018.

<sup>30</sup> Africa Power Monitor, 16 Oct 2018.

<sup>31</sup> GhanaWeb, 16 Mar 2016.

<sup>32</sup> Africa Power Monitor, 16 Oct 2018.

<sup>33</sup> Water Power Magazine, 27 Sept 2018.

<sup>34</sup> My Joy Online, 9 Oct 2018.

<sup>35</sup> The Oil and Gas Year, 16 Oct 2018.

Ghana's first oil and gas licensing round since 2016.<sup>37</sup> The tender process is expecting to end by mid-August 2019.<sup>38</sup>

During this licensing round, the energy ministry warned current licence holders that petroleum agreements that are dormant could be terminated unless their "*minimum work obligations*" are met.<sup>39</sup> This shows that the government is eager to maximise the oil recovery rate and capitalise financially on Ghana's oil wealth.<sup>40</sup> After producing its first barrel of oil in 2010,<sup>41</sup> Ghana now produces around 200,000 barrels of oil per day.<sup>42</sup> This rapid scaling up of oil production, coupled with the recovery of the global oil price since the 2014 crash, led analyst **Imad Mesouda** to deem Ghana in a "oil boom" (see *ARC Briefing Ghana May 2018*).<sup>43</sup> Akufo-Addo told media on 16 October that the country's oil is currently extracted more quickly than its reserves are being added. Akufo-Addo said the government hopes that exploration from the new licensing will help to bolster Ghana's oil reserves, and enable Ghana to sell as much oil as possible while the global price is relatively high.<sup>44</sup>

The recent licensing round shows investors that Ghana's government wants to develop its oil potential rapidly, and in turn should accommodate investors willing to move forward with exploration and extraction plans. This, coupled with the recent conclusion of a territorial dispute with neighbouring Cote d'Ivoire over offshore oil reserves, bodes well for prospective investors in Ghana's oil and gas sector.

### Planner

21-23 Nov 2018 **Bank of Ghana** MPC meeting date;  
 26 Nov 2018 **Bank of Ghana** MPC press release;  
 Dec 2018 (**Ghana**) *News24*. **National Democratic Congress (NDC)** presidential election primaries;  
 7 Nov or 7 Dec 2020 (**Ghana**) *Ghanaweb*. General election due;

### Chronology

23 Oct 2018 **Accra (Ghana)** *Reuters*. **United Kingdom**-based **Tullow Oil** plans to increase oil production to 180,000 barrels per day by the end of 2018;  
 16 Oct 2018 **Accra (Ghana)** *Upstream Online*. President **Nana Akufo-Addo** formally starts the oil and gas licensing round, the first since 2016;  
 12 Oct 2018 **Accra (Ghana)** *GhanaWeb*. President **Nana Afuko-Addo** states it will transition from an associate member of French-speaking international organisation, **La Francophonie**, to a full member;  
 11 Oct 2018 **Accra (Ghana)** *My Joy Online*. The **International Monetary Fund** revises **Ghana's** gross domestic product growth to 6.3% for 2018, down from an original forecast of 6.8%;  
 9 Oct 2018 **Accra (Ghana)** *My Joy Online*. Vice-president **Mahamadu Bawumia** states that

<sup>36</sup> Press Release, Ministry of Energy, Government of Ghana, 7 Sept 2018.

<sup>37</sup> Upstream Online, 16 Oct 2018.

<sup>38</sup> My Joy Online, 3 Sept 2018.

<sup>39</sup> The Oil and Gas Year, 16 Oct 2018.

<sup>40</sup> The Oil and Gas Year, 16 Oct 2018.

<sup>41</sup> Oilprice.com, 18 May 2018.

<sup>42</sup> Press Release, Ministry of Energy, Government of Ghana, 7 Sept 2018.

<sup>43</sup> CNBC, 16 Mar 2018.

<sup>44</sup> The Oil and Gas Year, 16 Oct 2018.

public institutions will start using solar power to reduce electrical demand;

8 Oct 2018 **Accra (Ghana)** *My Joy Online*. President **Nana Akufo-Addo** states that **Ghana** is now a net exporter of electricity;

29 Sep 2018 **Accra (Ghana)** *GhanaWeb*. **Ghana** and **Cote d'Ivoire** plan to joint announce the price of cocoa for the 2018/2019 year in October and to set a floor price for cocoa on the global commodity market;

27 Sep 2018 **Accra (Ghana)** *The West Australian*. **Australia**-based gold explorer, **Azumah Resources**, states that its **Wa** gold project in **Ghana** tabled a 21% increase in its mineral resource inventory;

24 Sep 2018 **Accra (Ghana)** *My Joy Online*. **United States (US)**-based business development company, **Investigroup LLC**, signs a \$10 billion memorandum of understanding with **Oman**-based **MFAR Group of Companies** to renovate and construct roads in **Ghana**;