

AFRICA RISK CONSULTING

Ghana Monthly Briefing December 2019

Ghana Summary 7 December 2019

President Nana Addo Dankwa Akufo-Addo (2017-present) confirms that he will seek re-election as campaigning for national elections scheduled for December 2020 gets underway. Although Akufo-Addo has much to cheer about going into election campaigning, it will not be plain sailing for the president. Independent energy group, The Springfield Group, says it has discovered an oil block bigger than the Jubilee field. Akufo-Addo approves a GHS15.6 billion (\$2.82 billion) request by the finance ministry to support the financial sector clean-up.

Akufo-Addo must translate economic success to benefit citizens

President **Nana Addo Dankwa Akufo-Addo** (2017-present) confirmed on 4 December that he would seek re-election as campaigning for **Ghana's** national elections, scheduled for December 2020, gets underway.¹ Akufo-Addo has much to cheer about going into election campaigning; however, it will not be plain sailing for him. Since taking office, Akufo-Addo has seen an average economic growth rate of more than 6%, a slowdown in inflation to the lowest rates in at least six years, and a growing oil industry. Akufo-Addo's most significant challenge for 2020 will be translating the country's positive economic growth into real-life improvements felt by Ghanaian citizens.²

The ruling **New Patriotic Party (NPP)** plans to hold its presidential primaries in April. If nominated – which is almost inevitable – Akufo-Addo will face former president and **National Democratic Congress** leader **John Dramani Mahama** (2012-2017) for a third consecutive election. Akufo-Addo and Mahama's elections have been tightly contested. Akufo-Addo defeated Mahama by more than one million votes in 2016, the last general election, receiving 53.85% of the popular vote.

Many Ghanaians do not feel that Akufo-Addo has improved things, particularly in regard to infrastructure and corruption by public officials. Pan-African nonpartisan research network **Afrobarometer** published its latest survey on Ghana on 21 November, listing infrastructure and roads as citizens' most significant problems, beating "unemployment" to the top of the list for the first time since 2002.³ The government's 2020 budget has earmarked 9.3 billion Ghanaian Cedi (GHS) (\$1.68 billion) for infrastructure projects. However, only 51% of Ghanaians in the Afrobarometer report were optimistic that their situation would improve in 2020.

The latest Afrobarometer report also shows that approval ratings for the government's anti-corruption efforts have declined sharply since 2017, after more than doubling in the previous three years. More than half the respondents believe that the level of corruption in the country has increased. These findings fly in the face of Akufo-Addo's insistence on leading a successful fight against corruption in public life. Ghana ranked 78th out of 180 countries on **Transparency International's Corruption Perceptions Index** for 2018, three places below its 2017 position.

During Mahama's time in office, economic growth slowed to its weakest pace in more than two decades. Akufo-Addo told broadcaster **Citi FM** he wants a second four-year term,

¹ City FM, 4 Dec 2019

² ARC's Ghana analyst

³ Afrobarometer, 21 Nov 2019

"[To continue] all the strong work that is going into reconstructing our economy and laying the foundation for agriculture and for industry."⁴

Major achievements in oil, gold and cocoa sectors

Ghana has been one of **Africa's** economic success stories in recent years, and 2019 did not disappoint. Ghana has recorded groundbreaking achievements in its oil, gold and cocoa sectors – the mainstays of the economy – in 2019. The country also received positive reviews from the **International Monetary Fund (IMF)** and **World Bank** this year as well as making important economic strides, including the successful completion of the IMF bailout programme and a clean-up of the financial sector. This will boost national development and help Akufo-Addo's chances of being re-elected in December 2020.

Ghanaian independent energy group, **The Springfield Group**, said on 17 November that it will shortly announce two discoveries totalling 1.2 billion barrels of crude oil in a block off the coast of Ghana bigger than the **Jubilee** field.⁵ Ghana expects to be producing about 250,000 barrels of oil a day by next year, which would make it the fourth-largest producer in **sub-Saharan Africa**. Springfield's latest oil find could significantly boost production. Investors will also be attracted by deputy energy minister **Mohammed Amin Adam's** announcement on 6 November that the government intends to boost production in the oil sector by changing laws relating to oil drilling that will give companies more leeway in where and when they can drill (see *ARC Briefing Ghana November 2019*).⁶ The new drilling laws are expected to pass through parliament without contestation, meaning they could be implemented before the end of the year.⁷

In 2019 Ghana topped the rankings of Africa's largest gold producers – the World Bank announced in October that Ghana has overtaken **South Africa** in becoming the largest gold producer in Africa. Total gold output rose 15% in 2018 to 4.8 million ounces (see *ARC Briefing Ghana October 2019*).⁸ A mature mining sector, low-cost mines, relatively complementary policies and new development projects helped push the country past long-time front-runner South Africa, and will help the country increase the gap in 2020.

In the cocoa sector, Ghana established a floor price on cocoa sales to combat poverty among farmers. Ghana and **Cote d'Ivoire** announced in July the establishment of a **Living Income Differential (LID)** of \$400 a tonne on all cocoa contracts sold by either country for the 2020/21 season (see *ARC Briefing Ghana July 2019*).⁹ 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 Ghana and Cote d'Ivoire. The effects of the LID will be seen at the start of the 2020-2021 season on 1 October. The LID may have a significant impact on Ghana's national election given that the start of the season is several months before citizens take to the polls.

What to look out for in 2020? Investors are increasingly wary of excessive spending and a worsening public debt-to-GDP ratio, both of which are expected to worsen in 2020 in the run-up to the December election with a government eager to spend after the country ended its 16th bailout programme with the IMF in April. Finance minister **Ken Ofori-Atta** announced plans to increase spending by 20% in the 2020 **Budget Statement and Economic Policy** he presented to parliament on 13 November (see *ARC Briefing Ghana November 2019*).¹⁰ Ofori-Atta raised the budget deficit forecast for next year to 4.7% of gross domestic product (GDP) from 4.5% given in August, but continues to affirm that the shortfall will stay below the legislated 5% until at least 2023. However, containing expenditure is easier said than done.

⁴ City FM, 4 Dec 2019

⁵ MyJoyOnline, 18 Nov 2019

⁶ Reuters, 6 Nov 2019

⁷ Source, political analyst, West Africa

⁸ The Africa Report, 8 Oct 2019

⁹ Reuters, 11 Jul 2019

¹⁰ '2020 Budget Statement and Economic Policy', Ministry of Finance Government of Ghana, 13 Nov 2019

Financial sector clean-up

President Akufo-Addo on 7 December approved a GHS15.6 billion (\$2.82 billion) request by the finance ministry to support the financial sector clean-up.¹¹ Although the shake-up of Ghana's financial industry over the past two years has led to the loss of thousands of jobs and caused about GHS8 billion (\$1.44 billion) in investments to be temporarily frozen, it was highly necessary and has helped restore confidence in the financial sector and pushed it in the right direction.¹² Expect a more stable and faster growing financial sector in Ghana in 2020.

The approved funding is to protect depositors and investors of failed financial institutions as well as improve the liquidity of the sector. While the banking sector clean-up has caused considerable collateral damage – such as the 70,000 investors that can't access their savings – it will improve business and investor confidence in the long-run. **United States-based Moody's Investors Service** forecasts that with clean-up efforts well into effect, lending could grow by as much as 15% in Ghana this year, and on a much more stable basis than in the past.¹³ Ghana's banking sector is the second-largest in the **West African Monetary Zone** and recorded a 33.9% increase in total assets between June 2016 and June 2018, from GHS66.29 billion (\$11.97) to GHS100.35 billion (\$18.12).¹⁴

The **Bank of Ghana's (BoG)** (central bank) crackdown on the financial sector, which started in August 2017, has resulted in the revocation of licences of nine universal banks, 347 microfinance companies, 39 microcredit companies/money lenders, 15 savings and loan companies, eight finance house companies, and two non-bank financial institutions. The BoG attributed these structural adjustments to poor corporate governance and risk-management practices, abuse of related-party relationships and weak supervision, among other factors plaguing the industry.

The BoG has also announced several initiatives to improve transparency and operations in the finance sector. BoG governor **Ernest Addison** on 26 November directed banks to publish salaries of senior management to ensure transparency in their operations.¹⁵ The same day, vice president **Mahammudu Bawumia** said that the government will introduce a universal QR code in December to make Ghana a cashless society.¹⁶ On 29 November, the BoG introduced two higher denominations of the local cedi currency denominations, 100 and 200 cedi coins, to complement the existing series.¹⁷ In September, the BoG tightened up its compliance and lending regulations through employing additional staff and acquiring a new IT system.¹⁸

An Afrobarometer survey published in November shows that in spite of the recent shake-up, banks are considered “*very safe*” by a majority (58%) of Ghanaians, followed by mobile money wallets (36% “*very safe*”).¹⁹ Far fewer Ghanaians consider savings and loan companies, microfinance companies and traditional *susu* collectors safe places to keep their money.

¹¹ GhanaWeb, 7 Dec 2019

¹² ARC's Ghana analyst

¹³ Daily Maverick, 19 Aug 2019

¹⁴ Bank of Ghana, 2018

¹⁵ Pulse, 26 Nov 2019

¹⁶ Business Ghana, 26 Nov 2019

¹⁷ MyJoyOnline, 29 Nov 2019

¹⁸ Bloomberg, 10 Sep 2019

¹⁹ Afrobarometer, 27 Nov 2019

Planner

30 Jan 2020 Accra **(Ghana)** Ghana Trade Show;
 25 Apr 2020 **(Ghana)** New Patriotic Party holds presidential primaries;
 3 Jun 2020 Accra **(Ghana)** West African International Mining Power Exhibition (WAMPEX);
 1 Jul 2020 **(Africa)** African Continental Free Trade Area deadline for 90% tariff liberalisation;
 Dec 2020 **(Ghana)** Presidential and parliamentary elections;

Chronology

7 Dec 2019 Accra **(Ghana)** *GhanaWeb*. President **Nana Addo Dankwa Akufo-Addo** approves a GHC15.6 billion (\$2.82 billion) request by the finance ministry to support the financial sector clean-up;

6 Dec 2019 Accra **(Ghana)** *GhanaWeb*. Telecommunications regulator, the **National Communications Authority**, slaps **MTN Ghana** with \$26,500 fine following customer connectivity issues;

6 Dec 2019 Accra **(Ghana)** *GhanaWeb*. **Ghana Integrated Aluminium Development Corporation** CEO **Michael Ansah** says the corporation will have a 30% minimum stake in business entities selected to mine Ghana's bauxite resources;

5 Dec 2019 Accra **(Ghana)** *CGTN*. President **Nana Akufo-Addo** and **South African** counterpart **Cyril Ramaphosa** hold bilateral talks in Accra where they sign various agreements focusing on trade relations;

4 Dec 2019 Accra **(Ghana)** *Business Ghana*. **United States**-based commodities trader **Cargill** invests more than \$113m to expand its cocoa processing facilities in Ghana and **Cote d'Ivoire**, creating 85 direct and hundreds of indirect jobs;

4 Dec 2019 Accra **(Ghana)** *MyJoyOnline*. Parliamentary finance committee chairman **Mark Assibey-Yeboah** announces a plan to extend a levy on corporate earnings in selected sectors until 2024 as government struggles to meet revenue targets;

2 Dec 2019 Accra **(Ghana)** *GhanaWeb*. Government-controlled cocoa institution **Cocobod** says graded and sealed cocoa arrivals reached 208,000 tonnes between the start of this year's harvest on 1 October and 14 November, down 1% from 210,000 tonnes the previous season;

2 Dec 2019 Accra **(Ghana)** *Peace FM Online*. Clashes between Ghanaian and **Nigerian** traders in Accra leads to six arrests, three injuries and shop closures as Ghana-Nigeria relations worsen;

1 Dec 2019 Accra **(Ghana)** *GhanaWeb*. President **Nana Akufo-Addo** announces the postponement of the 17 December referendum that seeks to amend the law to enable metropolitan, municipal and district chief executives and unit committee members to be elected along political party lines;

29 Nov 2019 Accra **(Ghana)** *MyJoyOnline*. **Bank of Ghana** (central bank) announces the introduction of two higher denominations of the local cedi currency denominations, 100 and 200 cedis coins, to complement the existing series;

28 Nov 2019 Accra **(Ghana)** *MyJoyOnline*. President **Nana Akufo-Addo** and **Italian** prime minister **Giuseppe Conte** sign an MoU to enhance defence and security co-operation between the two countries;

26 Nov 2019 Accra **(Ghana)** *Business Ghana*. Vice president **Mahamudu Bawumia** says government will introduce a universal QR code in December 2019 to make **Ghana** a cashless society;

26 Nov 2019 Accra **(Ghana)** *Pulse*. **Bank of Ghana** (central bank) governor **Ernest Addison**

directs banks to publish salaries of senior management to ensure transparency in their operations;

21 Nov 2019 **Accra (Ghana)** *Afrobarometer*. **Afrobarometer**'s latest survey in **Ghana** lists infrastructure as citizens' most important problem, becoming top of the list for the first time since 2002;

19 Nov 2019 **Dubai (UAE)** *GhanaWeb*. **Ghana**'s aviation minister, **Joseph Kofi Adda**, announces at **Dubai Airshow** that Ghana intends to launch a new airline with **Boeing's 787-9 Dreamliners** by early 2020 with flights to **Europe, North America** and **Asia**;

19 Nov 2019 **Accra (Ghana)** *MyJoyOnline*. **Institute of Economic Affairs Ghana** research director **John Kwakye** says Ghana's natural resources including gold, oil, gas bauxite, manganese, and iron ore are worth over \$12 trillion;

18 Nov 2019 **Accra (Ghana)** *MyJoyOnline*. **Ghanaian** independent energy group, **The Springfield Group**, will announce shortly that it has made two discoveries totalling 1.2 billion barrels of crude oil off the coast of Ghana;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

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

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)