

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing June 2020

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#### Ghana Summary 11 June 2020

*President Nana Addo Dankwa Akufo-Addo (2017-present) announces further easing of various coronavirus-induced restrictions in Ghana, allowing academic institutions and religious places to re-open under strict physical distancing conditions while keeping the nation's borders closed. The country has around 10,000 confirmed covid-19 cases and around 50 deaths, making it the second worst outbreak of the virus in West Africa (after Nigeria) on paper, but it has also conducted a continent-leading testing and contact-tracing strategy. The European Commission includes Ghana among 12 countries in its list of high-risk third countries that pose "significant threats" to the European Union's financial system due to deficiencies in anti-money laundering and counter-terrorist financing strategy. Ghana's telecommunications sector regulator, the National Communications Authority (NCA), says Ghana will implement a set of policies to reduce the dominance of South Africa-based MTN – Africa's largest telecoms company – in the country's telecoms market.*

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#### Political response to coronavirus

President **Nana Addo Dankwa Akufo-Addo** (2017-present) on 31 May announced the easing of various **coronavirus**-induced restrictions in **Ghana**, allowing academic institutions and religious places to reopen under strict physical distancing conditions while keeping the nation's borders closed.<sup>1</sup> The country has around 10,000 confirmed covid-19 cases and around 50 deaths, making it the second worst outbreak of the virus in **West Africa** (after **Nigeria**), on paper.

**Ghana Health Services** has recorded a spike in cases since government partially eased coronavirus restrictions on 20 April – the first country in **Africa** to do so. However, Ghana has conducted an aggressive testing and contact tracing strategy, which means the high case number is expected. Ghana has conducted far more tests than any other country in the region, and second only to **South Africa** on the continent. While the trend is concerning, the Ghanaian government has a better grip on the outbreak than most other governments in Africa. It also has better capacity to handle the impacts of the pandemic (see *ARC Briefing Ghana April & May 2020*).

However, the coronavirus outbreak could cause a major stir in Ghana's political sphere with elections scheduled for December. While government maintains that the election will go ahead, the lockdown has already slowed down election preparations. If the outbreak is not controlled in the coming months or if there is a second wave of infections, Ghana's strong democratic record will be in danger and the country could find itself in a constitutional crisis similar to that in **Ethiopia** (see *ARC Briefing Ethiopia May 2020*). For now, all indications are that the election is going ahead in December despite the coronavirus outbreak. The **Electoral Commission of Ghana** said on 28 May that delayed plans to create a new voters' register will resume in June and will last a period of 40 days, and that the scheduled December election will go ahead.

The ruling **New Patriotic Party (NPP)** has been gearing up for an expected tightly-fought election. On 9 June it endorsed President Akufo-Addo as its candidate for presidential election, after the nominations for candidates closed with only Akufo-Addo filing for the position. The upcoming general election will be a two-horse race based on the records of the previous **National Democratic**

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<sup>1</sup> Graphic Online, 31 May 2020

**Congress (NDC) government**, led by former president **John Mahama** (2012-2017), and that of the **NPP government** under **Akufo-Addo**.

### Ghana on EU “Grey List”

The **European Commission (EC)**, the executive branch of the **European Union (EU)**, on 7 May included Ghana among 12 countries in its list of high-risk third countries that pose “*significant threats*” to the EU’s financial system due to deficiencies in anti-money laundering and counter-terrorist financing strategy. The EC has stated that, while the delisting will occur in 20 days, restrictive measures will only apply from 1 October. If Ghana is blacklisted, financial transactions between Ghana and the EU will not be sanctioned but will face greater scrutiny and be more time consuming because financial institutions will have to apply extra checks.

The EC cited the 21 February findings of **France**-based intergovernmental organisation **Financial Action Task Force (FATF)**, in which the FATF added Ghana to the list of ‘*Jurisdictions under Increased Monitoring*’, also referred to as the ‘**FATF Grey List**’. The FATF grey list requires listed countries to address strategic deficiencies in their regimes to counter money-laundering, terrorist financing and proliferation financing. This followed the completion of an FATF Mutual Evaluation Report in 2018.

These developments will have a significant impact on the financial services industry in Ghana. The EC and FATF announcements will change the perceived risk of conducting business in or with Ghana. Once in effect, the EC ‘blacklisting’ requires that regulated entities in all member states apply enhanced due diligence to transactions or relationships involving Ghana; this can be extremely costly and will impact investment in the country.

The EC’s decision is likely based on the significant lack of reported money-laundering activities in Ghana. This indicates a potential lack of oversight and enforcement capabilities as well as the potential for unreported nefarious activities. Ghanaian lawyer and businessman **Elikem Nutifafa Kuenyehia** claims “*the key challenge, as with most legal matters in Ghana, is enforcement*”, and notes that he has not seen any money-laundering reports in the justice system and the estate agent sector.<sup>2</sup>

Financial institutions in Ghana should be seeking to demonstrate to international business partners that their anti-money laundering (AML), counter-terror financing (CTF) and sanctions programmes are designed in full compliance with international expectations, including those set out by FATF, and that the programme is operating effectively.

The government’s commitment to tackle the problem is a good sign. Over the coming months, the government is likely to increase the capacity of regulatory bodies, particularly the **Bank of Ghana** (central bank) and the **Financial Intelligence Centre**, to enforce compliance.

Other African countries on the FATF grey list include **Botswana, Mauritius and Zimbabwe**. Outside Africa, the list includes **Bahamas, Barbados, Jamaica, Nicaragua, Panama, Cambodia, Mongolia and Myanmar**.

### Government clips MTN Ghana’s wings

Ghana’s telecommunications sector regulator, the **National Communications Authority (NCA)**, said on 6 June that Ghana will implement a set of policies to reduce the dominance of South Africa-based **MTN** – Africa’s largest telecom company – in the country’s telecoms market.<sup>3</sup> MTN Ghana issued a statement saying it respects the government’s move, which will see the company lose a portion of its market share to competitors such as **Vodafone Ghana** – in which government has a minority shareholding – **AirtelTigo, Glo, Expresso** and others.<sup>4</sup>

<sup>2</sup> Elikem Nutifafa Kuenyehia quoted in The Africa Report, 14 May 2020

<sup>3</sup> National Communications Authority, 8 Jun 2020

<sup>4</sup> Business Ghana, 10 Jun 2020

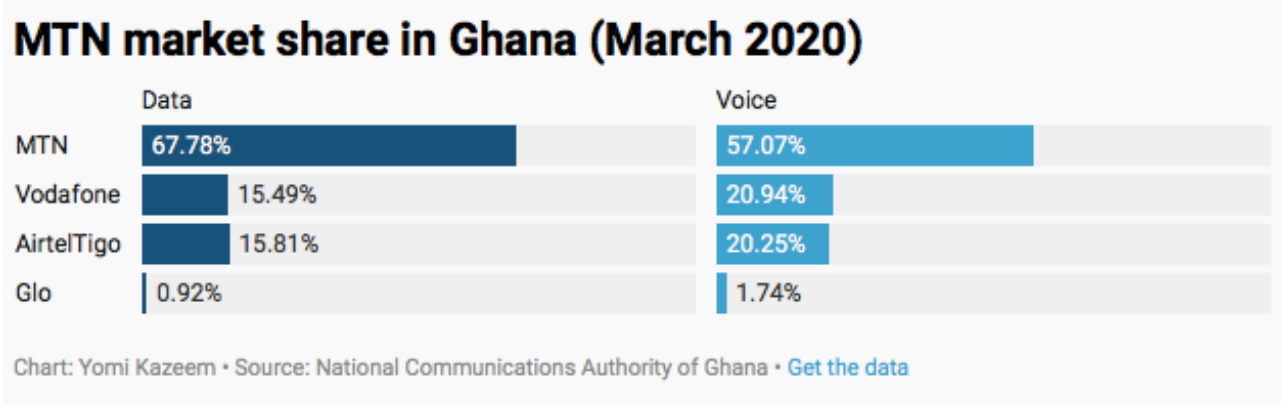
The NCA declared MTN a “Dominant/Significant Market Power”, requiring the regulator to take corrective action to allow more market competition.<sup>5</sup> These measures will include a favourable connection rate for disadvantaged operators, the setting of floor and ceiling pricing on all minutes, data, text messages and mobile money, and ensuring the operator vendors are not subject to exclusionary pricing or behaviour.

The government’s move, however, may come at a cost to the nation’s telecoms sector. Pro-trade NGO **CUTS International** regional director and competition economist **Appiah Kusi Adomako** has questioned the government’s move. Adomako argues that the NCA’s move to clip the wings of a significant investor and innovator in Ghana’s telecoms sector could be counterproductive. Adomako notes how MTN Ghana invested and expanded services across the country whilst other market players slowed their rate of expansion, including the government, which is a minority shareholder in Vodafone Ghana.

*“The biggest question is whether MTN gained dominance through disadvantaging rivals or simply because rivals were inefficient. If competitors were inefficient, then the new measures are simply intended to bail out or reward inefficiencies.”<sup>6</sup>*

But there is also good reason for government to prevent MTN from obtaining too much market dominance, as has been the case of **Safaricom** in Kenya. Despite previous suggestions of possible regulation to avert market monopoly, Safaricom remains the dominant force in Kenya’s telecom sector. In the absence of tighter regulation, Kenya’s second and third largest mobile phone operators – **Airtel** and **Telkom** – have been forced to merge to create a stronger challenger to Safaricom. Safaricom’s **M-Pesa** mobile money service is the dominant payment system in Kenya, and it is estimated that up to 40%-50% of the country’s GDP passes through the platform. Ghana may be trying to avoid having a similar scenario with MTN Ghana, whose parent, MTN, is based in South Africa.

MTN Ghana is the leading provider of mobile telecoms services in Ghana. The company has over 17.83 million subscribers out of the country’s 31 million population, accounting for more than double the share of its nearest competitors, Vodafone and AirtelTigo.



Source: Quartz Africa<sup>7</sup>

<sup>5</sup> National Communications Authority, 8 Jun 2020

<sup>6</sup> My Joy Online, 10 Jun 2020

<sup>7</sup> Quartz Africa, “Ghana’s move to curtail MTN’s market share is about mobile money, not voice”, 9 June 2020

## Planner

Dec 2020 **(Ghana)** General elections;

Postponed **(Africa)** African Continental Free Trade Area deadline for 90% tariff liberalisation.

## Chronology

9 Jun 2020 **Accra (Ghana)** *Ecofin Agency*. Vice president **Mahamudu Bawumia** launches a single digital payment platform on which citizens can pay taxes and other financial obligations;

6 Jun 2020 **Accra (Ghana)** *Reuters*. **National Communications Authority** says **Ghana** will implement a set of policies to reduce the dominance of **South Africa**-based **MTN** in the country's telecommunications market;

4 Jun 2020 **(Africa)** *Bloomberg*. **Africa's** sovereign bonds have been among the biggest beneficiaries of the risk-on mood sweeping global markets as economies reopen from **coronavirus** lockdowns - **Gabon** and **Nigeria** posted returns of more than 30% this quarter, while **Ghana**, **South Africa** and **Egypt** are deep into double digits;

4 Jun 2020 **Accra (Ghana)** *Ghana Business News*. **Chamber of Mines** calls for the establishment of an incentive scheme to help reduce the high cost of exploration and to attract the required investments into the high-risk business of mineral exploration;

3 Jun 2020 **Accra (Ghana)** *Global Fleet*. Government bans the importation of cars older than 10 years in an effort to encourage carmakers to set up factories in **Ghana**;

2 Jun 2020 **Accra (Ghana)** *EMPEA*. **United Kingdom**-based **CDC Group** leads a \$17m investment in **Ghana**-based prescription drug inventory management company **mPharma**;

1 Jun 2020 **Accra (Ghana)** *MyJoyOnline*. **Chamber of Mines** says industrial gold output from **Ghana** increased 6% in 2019 from the previous year while small-scale gold production dropped 20%;

31 May 2020 **Accra (Ghana)** *MyJoyOnline*. President **Nana Akufo-Addo** announces that **Ghana** is to begin stage one of its lockdown easing on 5 June, after recording fewer pandemic-related deaths than anticipated;

29 May 2020 **(Ghana & Cote d'Ivoire)** *Candy Industry*. **United States**-based major chocolate producer **Hershey** commits to 100% direct-sourced cocoa in **Ghana** and **Cote d'Ivoire** by 2025;

28 May 2020 **Accra (Ghana)** *MyJoyOnline*. **Electoral Commission of Ghana** says delayed plans to create a new voters' register will resume in June and will last a period of 40 days, and that the scheduled December election will go ahead;

27 May 2020 **Accra (Ghana)** *Bloomberg*. **University of Ghana** finance lecturer **Godfred Bokpin** says the global oil slump could realign the economy "with a focus on the non-oil sectors, particularly agriculture";

19 May 2020 **Accra (Ghana)** *Ghanaian Times*. President **Nana Akufo-Addo** launches a 600m Ghanaian cedi (\$104m) **Coronavirus Alleviation Programme** business support scheme intended to support small and medium-scale enterprises;

18 May 2020 **Accra (Ghana)** *World Oil*. **France**-based oil major **Total** abandons a plan to acquire oil assets from **United States**-based **Occidental Petroleum** in **Ghana**.

16 May 2020 **Accra (Ghana)** *MyJoyOnline*. **Bank of Ghana** (central bank) keeps its key interest rate unchanged at 14.5% and says it has concluded a \$1 billion repo facility with the **United States Federal Reserve** to improve the country's foreign exchange liquidity;

13 May 2020 **Accra (Ghana)** *Graphic Online*. Finance minister **Ken Ofori-Atta** says the economy could not have withstood a continued partial lockdown imposed on major cities **Accra**, **Tema**,



**Kaso** and **Kumasi** beyond the three weeks;

### About Africa Risk Consulting:

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**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.

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