

AFRICA RISK CONSULTING

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Ghana Summary 13 April 2022

Parliament pass the 'e-levy' bill implementing a 1.5% tax on all digital payments over GHS'100 (\$16). Finance minister Ken Ofori-Atta announces further cuts to government spending including a 30% reduction in the salary of ministers. Ghana's bonds rally following government measures to address the budget deficit. The Bank of Ghana (BoG) (central bank) hikes the key interest rate by 250 basis points to 17%, its highest in three years as inflation reaches a 6-year high at 15.7%. The BoG confirms plans to issue a further GHS'24 billion (\$3.24 billion) in bonds in Q2 2022 to roll over maturing bonds and meet government financing requirements. The International Monetary Fund (IMF) begins an Article IV consultation visit to Ghana. Nigeria seeks to join the Living Income Differential (LID) cocoa pricing syndicate established by Ghana and Côte d'Ivoire. Ghana may host an investor roadshow as the Kenyan and South African governments seek a West African partner to form a pan-African airline group. President Nana Akufo-Addo (2017-present) opens Ghana's land and sea borders and adjusts testing requirements for fully vaccinated passengers arriving in Ghana. Akufo-Addo announces plans to produce Covid-19 vaccines in Ghana by January 2024.

Parliament passes e-levy bill ...

Ghana's lawmakers have passed the controversial e-levy bill and implemented a raft of cost-cutting measures to bolster government revenue and meet budget deficit targets amid mounting concerns over Ghana's debt sustainability. Parliament approved the e-levy bill, initially proposed by finance minister **Ken Ofori-Atta** in November during the presentation of the 2022 budget statement (see *ARC Briefing Ghana Dec 2021*), on 29 March.¹ The bill initially proposed a tax of 1.75%, since revised to 1.5%, on electronic transactions including mobile money payments, bank transfers, merchant payments and inward remittances above GHS'100 (\$16).²

The new tax will result in potential revenue generation of GHS' 6.69 billion (\$1.1 billion) through widening the tax net to cover digital transactions.³ Ofori-Atta noted that Ghana's digital transactions totalled GHS' 500 billion (\$81 billion) in 2020.⁴ The majority (51.9%) of Ghana's gross domestic product (GDP) is generated by the services sector, dominated by the information and communication sector.⁵ Whilst the still growing GDP contributor is an obvious avenue through which to seek more tax, analysts critical of the government's approach have highlighted the risks of pursuing revenue from a single source.⁶

Industry stakeholders have led a mixed reception to the new e-levy. Some support it as a means to generate more government revenue and expand the public tax base, while others fear negative impact on digital payments and Ghana's online commerce. The e-levy bill faced protracted delay following successive walkouts by minority party **National Democratic Congress (NDC)** members, who account for 49.8% of parliamentary seats. NDC MPs claimed that the tax will price lower-income people and small business owners out of the digital economy.⁷ All charges are to be borne by the sender of

¹ [Joy Online](#), 29 Mar 2022

² [UNCDF](#), 7 Apr 2022

³ [UNCDF](#), 7 Apr 2022

⁴ [Ministry of Finance](#), 17 Nov 2022

⁵ [Stats Ghana](#), accessed 13 Apr 2022

⁶ [UNCDF](#), 7 Apr 2022

⁷ [Joy Online](#), 29 Mar 2022

electronic payments, except in the case of remittances, where the recipient will pay the e-levy.⁸ The bill failed to garner popular support, with a survey conducted in February suggesting that 73% of Ghanaians oppose the e-levy.⁹ President **Nana Akufo-Addo** (2017-present) in a speech on 12 April reiterated the government's commitment to ensuring transparency and good use of revenue collected via the e-levy.¹⁰

The new levy will place additional financial pressure on Ghanaians, already subject to significant inflation and rising prices.¹¹ Workers in the public sector also face austerity measures, announced by finance minister Ofori-Atta on 24 March.¹² These include:

- Fuel coupons allocated to government employees have been halved;
- Foreign travel and vehicle purchases by government officials have been frozen;
- Heads of SOEs will contribute 30% of their salaries from April – December 2022 to the consolidated fund;
- A cut of discretionary spending by 10% in addition to a 20% cut announced in January 2022;
- A 30% cut to ministerial salaries.¹³

Ofori-Atta also noted that renegotiation of capacity charges with Independent Power Producers (IPPs) are scheduled to conclude in Q3 2022, aiming to reduce excess capacity payments by 20%, while work to eliminate 'ghost workers' from the government payroll will conclude in December. A moratorium on the establishment of new public sector institutions will also be implemented by the end of April.¹⁴ Ofori-Atta's highlighted the problematic delay and shrinkage of the e-levy bill, stating

*"Government had already started the new year with spending cuts as Parliament failed to approve key revenue streams at the appropriate time."*¹⁵

Ghana is not the first country to impose a levy on electronic financial transactions. **Uganda** implemented a similar levy in 2018, taking a 0.5% charge on digital payments. However, the Ugandan government amended the measure following vocal public reaction and now only taxes withdrawals. **United Nations (UN) Capital Development Fund (UNCDF)** analysis of Uganda's e-levy demonstrated negative impacts for vulnerable groups.¹⁶ **Nigeria**, which imposes a similar e-levy, applies a fixed rate fee of NGN' 50 (\$0.12) on all transactions above NGN'10,000 (\$24). Nigeria's initiative has been more successful than Uganda's, with the **World Bank** predicting that the levy will generate NGN' 462 billion (\$1.13 billion) for government coffers in 2021.¹⁷

Government spending cuts and the introduction of the e-levy have sparked signs of recovery for Ghana's dollar bonds, which rallied at the end of March.¹⁸ Yields on Ghana's \$1-billion bonds set to mature in 2026 declined for a sixth consecutive day on 30 March.¹⁹ Ghana's bond rates continue to hold between 12.4% and 14.9% in April.²⁰

... as BoG hikes interest rates ...

The **Bank of Ghana (BoG)** (central bank) hiked the monetary policy rate by 2.5% (250 basis points) to 17% following a meeting of the **Monetary Policy Committee (MPC)** on 21 March.²¹ The MPC held

⁸ [UNCDF](#), 7 Apr 2022

⁹ [Reuters](#), 29 Mar 2022

¹⁰ [Ghana Web](#), 12 Apr 2022

¹¹ [Reuters](#), 29 Mar 2022

¹² [Reuters](#), 24 Mar 2022

¹³ [My Joy Online](#), 25 Mar 2022

¹⁴ [My Joy Online](#), 25 Mar 2022

¹⁵ [My Joy Online](#), 25 Mar 2022

¹⁶ [UNCDF](#), 7 Apr 2022

¹⁷ [Punch](#), 21 Jun 2021

¹⁸ [Bloomberg](#), 30 Mar 2022

¹⁹ [Bloomberg](#), 30 Mar 2022

²⁰ [Business Insider](#), accessed 12 Apr 2022

²¹ [Bank of Ghana](#), 21 Mar 2022

its meeting a week earlier than planned in response to macroeconomic developments and “*emerging risks to the inflation and growth outlook*”.²² The MPC decision raises Ghana’s benchmark rate to its highest in three years and constitutes a significant policy jump. A **Bloomberg** survey of seven economists anticipated a hike of 100 basis points (1%).²³

The BoG justified its decision citing rising inflation and the declining value of the cedi. A combination of the two pushed Ghana into a negative real interest rate for the first time since the new consumer price index series was introduced in 2019.²⁴ Inflation reached 15.7% at the end of February, a six-year high,²⁵ and now sits 5.7% above the central bank’s medium-term target band. Food inflation rose sharply from 12.8% in December 2021 to 17.4% in February, while non-food inflation rose from 12.5% to 14.5% in the same period.²⁶

The MPC press release stated the impact of the **Russia-Ukraine** conflict on global growth and recovery, citing rising commodity prices, supply-chain bottlenecks and the withdrawal of monetary policy stimulus by major advanced economies. The MPC noted that the impact on imports has far outweighed the gains made in exports and has led to a narrowing of the trade surplus:

“Total exports amounted to \$2.7 billion, a growth of 5.5% year-on-year, compared with \$2.6 billion as at February 2021.”²⁷

Bloomberg Quint analysis of the policy decision determined that policy makers were avoiding adding upside pressure to domestic market yields, after ratings agencies **Fitch Ratings** and **S&P** cut long-term debt assessments into junk territory (see *ARC Briefing Ghana Feb 2022*). Following the ratings cuts, Ghana’s bonds have traded at distressed levels, limiting Ghana’s re-financing options in the Eurobond market as the **United States Federal Reserve** continues to hike its rates. The BoG rate hike brings Ghana’s interest rate above inflation and seeks to maintain investment flows.²⁸

The next MPC meeting is scheduled to be held 18-20 May and will conclude with a press briefing and policy announcement on 23 May.

...with no plans for IMF support

President Akufo-Addo remains adamant that Ghana will not seek support from the **International Monetary Fund (IMF)** for funds to address its debt sustainability.²⁹ Ghana’s public debt now stands at \$50.8 billion, 80% of GDP. Upon conclusion of the 21 March MPC meeting, the presidency indicated plans to conclude an external financing arrangement of up to \$2 billion to manage the steady decline of the cedi. The BoG confirmed plans to issue a further GHS’24 billion (\$3.24 billion) in bonds in Q2 2022, of which GHS’20 billion (\$2.61 billion) will be used to roll over maturing bonds, leaving the remaining GHS’4.5 billion (\$589.35m) to meet government financing requirements.³⁰

The IMF began an article IV consultation visit to Ghana on 6 April, however, results of the visit have yet to be published on the IMF website.³¹

Nigeria eyes membership of cocoa sector’s LID system

Bloomberg reports that Nigeria is seeking to join the intergovernmental cocoa pricing syndicate, the **Living Income Differential (LID)** system, established by **Côte d’Ivoire** and Ghana in 2019.³² Bloomberg’s report follows claims made by **Cocoa Farmers Association of Nigeria (CFAN)** president

²² [Bank of Ghana](#), 21 Mar 2022

²³ [Bloomberg Quint](#), 21 Mar 2022

²⁴ [Bloomberg Quint](#), 21 Mar 2022

²⁵ [Bank of Ghana](#), 21 Mar 2022

²⁶ [Bank of Ghana](#), 21 Mar 2022

²⁷ [Bank of Ghana](#), 21 Mar 2022

²⁸ [Bloomberg Quint](#), 21 Mar 2022

²⁹ [Reuters](#), 25 Mar 2022

³⁰ [Reuters](#), 11 Apr 2022

³¹ [Ghana Web](#), 6 Apr 2022

³² [Bloomberg](#), 7 Apr 2022

Adeola Adegoke in February that Nigeria loses N'60 billion (\$143.5m) annually to non-collection of the LID.³³

While Côte d'Ivoire and Ghana currently produce 60% of the world's cocoa, Nigeria and **Equatorial Guinea** were former major suppliers of the commodity. **Ghana Cocoa Marketing Company UK Ltd** head **Fuad Mohammed Abubakar** stated that Nigeria's membership could be a game changer for the initiative and may encourage other cocoa producers to join the syndicate.³⁴ Nigeria's agriculture ministry is due to meet with Ghana's **Cocoa Board** in April to discuss membership and adoption of the LID system. The meeting comes ahead of plans outlined by the **European Union (EU)** to implement new legislation forcing chocolatiers, soy and meat producers to guarantee that their supply chains do not contribute to deforestation.³⁵ To date, fair wages have not been part of policy discussions.

Following the introduction of the LID in 2019, oversupply of the market, due in part to the Covid-19 pandemic and associated manufacturing delays, have kept cocoa prices subdued and failed to produce the results anticipated by LID members. **United Kingdom**-based campaign group **Fairtrade Foundation** reports that cocoa farmers receive only 6% of the price paid by chocolate consumers.³⁶ The LID has previously threatened to expose cocoa purchasers who undercut the system by refusing to conform to minimum price requirements (see *ARC Briefing Ghana Jul 2021*). However, if Nigeria successfully joins the LID, the syndicate may gain strength and exert greater influence over the cocoa markets, in a similar fashion to the role of the **Organisation of Petroleum Exporting Countries (OPEC)** in oil markets.

Will Ghana join a new pan-African airline group?

Ghana may soon host an investor roadshow for **Kenya Airways plc** and **South African Airways**. Kenya Airways CEO **Allan Kilavuka** announced in an interview on 7 April that the two airlines would seek to construct a combined airline group and hopes to attract a majority investor for a group holding company modelled on **British Airways** and **Iberia** owner and **London Stock Exchange (LSE)** listed **International Consolidated Airlines Group SA (IAG SA)**.³⁷

Kenya and South Africa's governments will both take a minority stake in the planned venture, titled the **Pan-African Airline Group**. The airlines are reportedly seeking a third carrier to join the group from **West Africa**, likely from Nigeria, Ghana, Côte d'Ivoire or **Senegal**.³⁸

Borders open as Covid-19 cases remain low

New cases of Covid-19 in Ghana remain relatively low, seeing roughly 100 new cases per week in March.³⁹ The **Omicron** variant, discovered in Ghana in November (see *ARC Briefing Ghana Dec 2021*), drove a fourth wave of infections in December and January. As of 12 April, Ghana had registered 161,071 cases of Covid-19 in its population of 31.7 million, with 1,445 Covid-19-related deaths.⁴⁰

³³ [The Guardian](#), 11 Feb 2022

³⁴ [Bloomberg](#), 7 Apr 2022

³⁵ [The Guardian](#), 17 Nov 2021

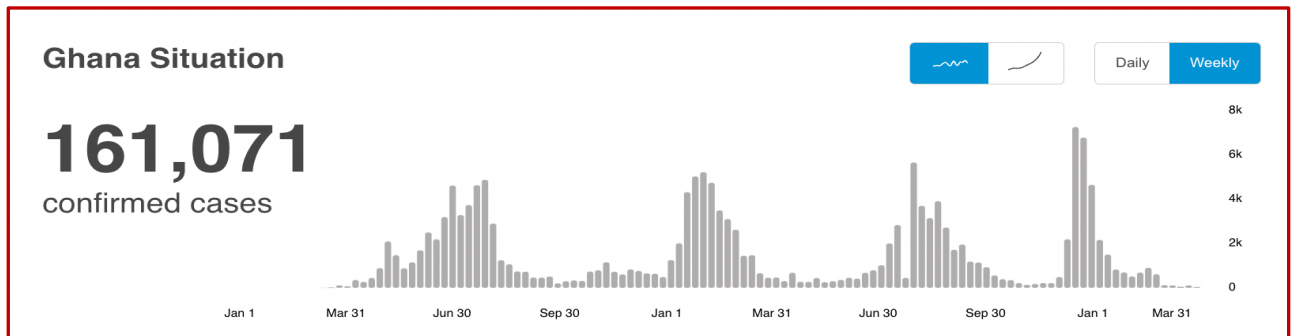
³⁶ [Fairtrade Foundation](#), accessed 12 Apr 2022

³⁷ [Bloomberg](#), 7 Apr 2022

³⁸ [Bloomberg](#), 7 Apr 2022

³⁹ [World Health Organisation](#), accessed 13 Apr 2022

⁴⁰ [World Health Organisation](#), accessed 13 Apr 2022



1- Extract World Health Organisation (WHO) data on 12 March 2022

President Akufo-Addo announced the re-opening of land and sea borders from 28 March, expressing hope that these measures would boost economic growth and reduce youth unemployment.⁴¹ Travellers to Ghana who are fully vaccinated against Covid-19 and arrive at sea and land borders are not required to provide evidence of a negative **Polymerase Chain Reaction (PCR)** test.⁴² However, citizens and visitors arriving by land and sea who are not fully vaccinated will be required to submit to a PCR test or show proof of a negative test taken 48 hours prior to arrival. Covid-19 vaccination will also be offered upon arrival to unvaccinated passengers.⁴³ Borders were reopened after parliamentary opposition party figures called on the president to do so earlier in March, including minority leader **Haruna Iddrisu**, who accused the government of profiteering from Covid-19 testing regimes.⁴⁴

President Akufo-Addo also removed restrictions requiring mandatory use of face masks in public spaces. From 28 March, all in-person activities including church and mosque services, conferences, cinemas and theatre as well as outdoor functions at sporting events and political rallies, are permitted to resume at full capacity, provided the participants are fully vaccinated.⁴⁵ Ghanaian newspapers including the **Ghanaian Times** report a significant drop in the number of individuals wearing masks and adhering to social distancing requirements in **Accra** from 29 March. The publication called for the reinstatement of measures to contain Covid-19 infections citing insufficient vaccination and risk of another wave of infections.⁴⁶

The **World Health Organisation (WHO)** vaccine tracker reports that since 2 March 2021, when Ghana's vaccination drive began, a total of 13.04 million Covid-19 vaccine doses have been administered in Ghana, with 7.72 million individuals (28.96% of the population) in receipt of a single dose and 4.78 million individuals (16.32% of the population) fully vaccinated.⁴⁷

Ghana will soon be able to support its own vaccination programme and that of its regional neighbours. President Akufo-Addo announced during the **State of the Nation Address** on 30 March that Ghana will begin to produce Covid-19 vaccines in January 2024.⁴⁸ Akufo-Addo announced plans to establish a **National Vaccine Institute (NVI)**, which will strategise and govern the first phase of commercial production of vaccine in Ghana.⁴⁹ A bill is due to appear before parliament to incorporate the NVI as a state-owned public sector institution.⁵⁰

⁴¹ [Bloomberg](#), 28 Mar 2022

⁴² [Bloomberg](#), 28 Mar 2022

⁴³ [Channels TV](#), 28 Mar 2022

⁴⁴ [Ghanaian Times](#), 16 Mar 2022

⁴⁵ [Channels TV](#), 28 Mar 2022

⁴⁶ [Ghanaian Times](#), 29 Mar 2022

⁴⁷ [World Health Organisation](#), accessed 12 Apr 2022

⁴⁸ [Reuters](#), 30 Mar 2022

⁴⁹ [Reuters](#), 30 Mar 2022

⁵⁰ [Reuters](#), 30 Mar 2022

Planner

18-20 May 2022 **Accra (Ghana) Bank of Ghana (BoG)** (central bank) **Monetary Policy Committee (MPC)** meets;

2023 **(Ghana) New Patriotic Party (NPP)** primaries;

Chronology

11 Apr 2022 **Accra (Ghana) Reuters**. The **Bank of Ghana (BoG)** (central bank) issues the government debt issuance calendar confirming that government will seek \$3.24 billion in bonds in Q2 2022, of which \$2.61 billion will be used to roll over maturing bonds;

7 Apr 2022 **Accra (Ghana) Ghana Web**. Vice president **Mahamadu Bawumia** delivers a 'state of the economy' speech at the **National Tertiary Students Confederacy (TESCON)** training and observation conference in **Kasoa (Central region)**;

5 Apr 2022 **London (United Kingdom) UK Gov**. UK prime minister **Boris Johnson** meets Ghana's President **Nana Akufo-Addo** at No. 10 Downing Street to discuss partnership opportunities between the UK and Ghana;

5 Apr 2022 **Accra (Ghana) Engineering News**. President **Nana Addo Akufo-Addo** cuts the ribbon on car manufacturer **Nissan's** new **Navara** semi-knockdown assembly plant in **Tema**, outside capital **Accra**;

30 Mar 2022 **Accra (Ghana) Ghana Web**. President **Nana Akufo-Addo** delivers the **State of the Nation Address** revealing that Ghana will begin to produce **Covid-19** vaccines by January 2024;

29 Mar 2022 **Accra (Ghana) MyJoyOnline**. **Parliament** approves a new 1.5% tax on electronic payments, known as the **e-levy**, after the opposition walked out in protest claiming it will price lower-income people and small business owners out of the digital economy;

28 Mar 2022 **Accra (Ghana) MyJoyOnline**. **Ghana** reopens land and sea borders after a two-year closure as it lifts some **coronavirus** restrictions in an attempt to bolster a flagging economy;

26 Mar 2022 **Accra (Ghana) France24**. The **Economic Community of West African States (ECOWAS)** says it will maintain sanctions against military leaders in **Mali** and will impose similar sanctions on **Guinea's** junta leaders if they do not provide a suitable transition timetable;

25 Mar 2022 **Accra (Ghana) Africanews**. Regional bloc **Economic Community of West African States** says it will maintain sanctions on **Mali** over the military rulers of the **Sahel** country delaying a return to civilian rule after a coup, and that it will give the military transitional government 12-16 months to arrange elections;

24 Mar 2022 **Accra (Ghana) Reuters**. Finance minister **Ken Ofori-Atta** announces a raft of spending cuts including a 30% reduction of ministerial salaries to tackle the government budget deficit, contain rising inflation and slow the decline of currency;

21 Mar 2022 **Accra (Ghana) MyJoyOnline**. **Bank of Ghana** (central bank) increases its benchmark interest rate for the second time since November, raising it to a three-year high of 17%, saying the **Russia-Ukraine** conflict was worsening already high inflation;

21 Mar 2022 **Accra (Ghana) MyJoyOnline**. Local media reports citing "reliable sources" claim President **Nana Akufo-Addo** could soon reduce the salaries of appointees, including ministers, heads of state enterprises and heads of municipal and district assemblies, by between 20% and 30%;

16 Mar 2022 **Accra (Ghana) Mirror**. **Ghanaian** gold mine owner **Bernard Antwi Boasiako** enters the race to buy **English** football club **Chelsea**;

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