

AFRICA RISK CONSULTING

Ghana Monthly Briefing February 2022

Ghana Summary 10 February 2022

Ghana's finance ministry sets a final deadline for the Domestic Debt Exchange Programme (DDEP) for 10 February, a major step towards finalising the country's debt restructuring which is a prerequisite to securing an International Monetary Fund (IMF) bailout. The ongoing economic crisis is dominating the discourse in the New Patriotic Party (NPP) primaries which appears to be a two-person race between vice president Mahamudu Bawumia and former trade minister Alan Kyerematen. The economic crisis is also suspected to be the motivation behind the Ghana Revenue Authority's (GRA) push to force major multinational corporations in Ghana to pay millions in back taxes. These firms are disputing the veracity of these bills. The security situation in Bawku (Upper East region) is deteriorating after 11 people were killed in a series of incidents between 31 January and 6 February.

Debt exchange deadline reached

Ghana's finance ministry has set the final deadline for the **Domestic Debt Exchange Programme (DDEP)** for 10 February after extending the deadline for a fifth time on 7 February citing technical glitches experienced by bondholders trying to sign on to the programme.¹ The state remains adamant that the programme will come into effect this week. The commencement of the DDEP, which was formally launched on 5 December, is a major step in the country's efforts to restructure its debt burden and begin its economic recovery.

Finance minister **Ken Ofori-Atta** is hoping that the government has convinced enough of Ghana's domestic bondholders to exchange \$9.7 billion in domestic debt for new bonds, but the programme has received a mixed reaction thus far. ² Supporters of the DDEP have expressed relief that the government has taken aggressive steps toward restructuring its current debt burden and sees the programme as a necessary step towards securing \$3 billion in emergency credit from the **International Monetary Fund (IMF)**. However, the programme's detractors view the DDEP with suspicion and are fearful that they will lose their pensions and investments by partaking in the scheme.³

The DDEP has also suffered from the government's poor communication. Ghanaian finance officials were under pressure to institute a major debt restructuring ahead of the November discussions with the IMF and, as such, the creation and implementation of the DDEP have been rushed.⁴ This was compounded by the state renegotiating the terms of the exchange following a backlash from labour unions and pensioners' interest groups, such as the **Pensioners Bondholders Forum**. The amending of the terms of the DDEP has created uncertainty about the programme which has contributed to the slow rate of domestic debt holders to the scheme. In an effort to increase the number of people and institutions signing on to the scheme, Ofori-Atta extended the DDEP deadline four times.⁵ However, aside from the three-day extension due to technical issues, the implementation of the programme cannot be delayed further and should come into effect on 10 February.

¹ Ghanaweb, 7 Feb 2023

² Africa News, 6 Dec 2022

³ GNA, 6 Feb 2023

⁴ My Joy Online, 6 Feb 2023

⁵ My Joy Online, 31 Jan 2023

Ofori-Atta did issue a final public plea on 6 February for as many individual bondholders as possible to sign on to the DDEP and warned that the country's economic recovery would be imperilled if an insufficient number of domestic bondholders signed up for the DDEP.⁶ The government is yet to release the final figures of the DDEP, but local experts believe that less than 70% of domestic bondholders joined the programme.⁷ This is lower than ideal but may be sufficient to make an impact as large institutional bondholders such as the **Ghana Securities Industry Association (GSIA)** and pensions agreed to join the DDEP.⁸ Ofori-Atta's fears remain well-founded though as the country is in the midst of a debt crisis. The finance minister noted that debt servicing absorbs more than half of total government revenues and almost 70% of the country's tax revenue.⁹ Ghana's debt-to-gross domestic product (GDP) ratio is now estimated to be around 100%.

However, in a controversial move, the **Bank of Ghana (BoG)** (central bank) agreed to convert the estimated \$3.3 billion of debt owed to it by the government into loans and participate in the DDEP.¹⁰ This did provide a major boost to the DDEP both in increasing the value of restructured debt and the central bank's participation has lent legitimacy to the programme but has also been criticised for undermining the bank's independence and financial security. In addition, the **Institute of Economic Affairs (IEA)** has described the initial loans provided by the BoG to the government as unlawful.¹¹ The central bank did also draw a line at helping fund the planned 'stability fund' which will help underpin the exchange.¹² This fund will need to be financed by external partners.

Restructuring the country's external debt has also begun to dominate the country's international relations. President **Nana Akufo-Addo** (2017-present) petitioned **Germany's** finance minister **Christian Lindner** during a visit to **Accra** on 3 February to help convince **China** to participate in Ghana's external debt restructuring discussions.¹³ These negotiations are currently underway with both the **Paris Club** of creditor countries and under the **G20 Common Framework**.

This domestic and external debt restructuring is essential to Ghana securing the much-needed \$3 billion in credit from the IMF and was made clear under the staff-level agreement reached between the government and the IMF mission on 12 December (*see January ARC Ghana Briefing*). The agreement reached still needs to be ratified by the IMF's board, and while the board rarely votes against the recommendations of the respective mission, it had not ratified the agreement by end of January as initially expected. This was likely since the DDEP deadline was repeatedly extended, and Ghana has yet to implement all the necessary debt restructuring agreements, placing additional pressure to secure these agreements. Ofori-Atta has stressed that if the IMF funding is not secured by March the state could face a major liquidity crisis, which would dramatically exacerbate Ghana's ongoing economic woes.

It should be noted that even if all goes to plan regarding the debt restructuring and the IMF bailout is secured, the introduction of the DDEP was politically unpopular. Pensioners Bondholders Forum has pledged to continue to protest in Accra until the finance ministry exempts pension funds from the DDEP and the opposition **National Democratic Congress (NDC)** will continue to use this and the wider economic crisis to attack the ruling the **New Patriotic Party (NPP)** ahead of the 2024 general elections.

⁶ Ghanaweb, 7 Feb 2023

⁷ My Joy Online, 6 Feb 2023

⁸ Reuters, 27 Jan 2023

⁹ Ghanaweb, 6 Feb 2023

¹⁰ Bloomberg, 3 Feb 2023

¹¹ My Joy Online, 6 Feb 2023

¹² Reuters, 30 Jan 2023

¹³ Ghana Today, 6 Feb 2023

Economic crisis dominates NPP leadership primaries

Ghana's ongoing economic struggles are also a major feature in the build-up to the NPP's leadership primaries, expected to take place in the second half of the year. Former trade minister **Alan Kyerematen** lamented on 6 February that the worsening economic situation will make it difficult for the party to campaign ahead of the 2024 election.¹⁴ Kyerematen resigned from the cabinet on 5 January to focus his energies on campaigning to be elected as the next NPP leader (*see ARC Briefing Ghana Jan 2023*).

Kyerematen's complaints are valid and the rapid deterioration of Ghana's economy in the past two years has led to widespread public anger towards the government and the ruling NPP. Kyerematen is clearly seeking to distance himself – and by extension the NPP – from Akufo-Addo. Kyerematen is hoping that if he can successfully be elected as NPP leader, he can position himself as a solution to the country's challenges and not as a continuance of the Akufo-Addo era.

The former trade minister is also subtly criticising the government's handling of the economic situation to undermine his most significant rival, vice-president **Mahamudu Bawumia**. Bawumia is a leading figure in the government's response to the economic crisis and Kyerematen evidently wants to make Bawumia the face of Ghana's economic challenges and convince NPP members that Bawumia is too unpopular with voters to win an election. Notably, Kyerematen's vocal complaints about the difficulty created for the NPP by the state's handling of the economy occurred shortly after new opinion polls indicate that Bawumia is the frontrunner ahead of the NPP primaries.¹⁵ The polls were conducted by **Outcomes International Ghana** and the **Centre for Sustainable African Development Initiatives** which found that Kyerematen was the next favourite among NPP members to be party leader followed by **Assin Central** member of parliament **Kennedy Agyapong**.

Pursuit of back taxes undermines business sentiment

The government's budgetary challenges, which are largely rooted in the country's heavy debt burden, have fuelled a push by the state to pursue back taxes it claims it is owed. In recent weeks, major multinational corporations such as **South African** telecommunication group **MTN**, **Irish** energy firm **Tullow Oil**, South African mining group **Gold Fields**, and **United States (US)**-headquartered **Kosmos Energy** have all received substantial tax bills from the state, with each company disputing the legitimacy of these bills.¹⁶ The GHS 8.2 billion (\$773m) tax bill received by MTN has been the most high-profile of these disputes. The **Ghana Revenue Authority (GRA)** claimed that these funds relate to unpaid back taxes from between 2014 and 2018, but after 21 days of negotiations, MTN revealed that the government has agreed to scrap the bill.¹⁷ The status of the other companies' tax bills is currently uncertain but these companies will dispute these bills if the GRA persists.¹⁸

The fact that all of these companies were reportedly blindsided by these tax bills is arguably more concerning than the bills themselves. Countries retain the sovereign right to implement and collect taxes on corporations operating in their territory, but a clear and predictable tax regime is essential for a functioning business and investor environment. The affected companies universally indicated that they had not received prior notice that their back taxes were allegedly accruing over a period of years. This has led to the perception that the government is seeking to secure funds from these major firms to finance the state in the face of the ongoing economic challenges.

This perception that the GRA will be used haphazardly and unpredictably will raise concerns for current and potential investors and has undermined Ghana's efforts to position itself as a business-friendly location in **West Africa**.

¹⁴ Herald Ghana, 6 Feb 2024

¹⁵ Pulse, 30 Jan 2023

¹⁶ Daily Maverick, 3 Feb 2023

¹⁷ Daily Maverick, 3 Feb 2023

¹⁸ Moneyweb, 2 Feb 2023

Military accused of killing civilians in Bawku, Upper East region

A series of security incidents between 31 January and 6 February has left 11 people dead in the northern town of **Bawku (Upper East region)**. The deaths were related to the ongoing intercommunal conflict between the **Kusasi** and **Mamprusi** ethnic groups, but security forces deployed to the town to prevent the communal clashes have been blamed for the majority of the deaths. The first incident occurred on 31 January during which two people were killed and a further eight were killed in clashes on 1 February.¹⁹ In a final incident, another person was shot and killed on 6 February.²⁰

The military has been accused of using live ammunition when responding to incidents in the town and enforcing the night-time curfew. The military has denied these allegations, however, the security situation in Bawku is deteriorating, and so are relations between the local communities and the security forces deployed to enforce the peace. As such, there will likely be further clashes in Bawku in the near future both between the Kusasi and Mamprusi ethnic groups and between residents and security forces.

Planner

2023 **(Ghana)** New Patriotic Party (NPP) primaries;
Dec 2023 **(Ghana)** District, Local & Unit elections.

Chronology

7 Feb 2023 **Accra (Ghana)** *Ghanaweb*. **Fisheries and aquaculture development ministry** launches a new certification process to improve quality and safety in the fisheries sector;

7 Feb 2023 **Accra (Ghana)** *Citi Newsroom*. The **National Democratic Congress (NDC)** reshuffles its parliamentary leadership;

7 Feb 2023 **Accra (Ghana)** *Citi Newsroom*. Parliament reconvenes after the Christmas recess;

6 Feb 2023 **Accra (Ghana)** *Reuters*. Finance minister **Ken Ofori-Atta** encourages protesting pensioners to accept the government's debt swap deal;

6 Feb 2023 **Accra (Ghana)** *Ghanaweb*. Former president **John Mahama** releases a statement describing the economy as in a deep crisis and condemns President **Nana Akufo-Addo's** presidency as "*seven wasted years*", further claiming that the **National Democratic Congress (NDC)** was prepared to intervene and salvage the situation;

6 Feb 2023 **Accra (Ghana)** *Modern Ghana*. Civil society pressure group, **Arise Ghana**, calls for Finance minister **Ken Ofori-Atta's** resignation blaming the finance minister for the country's current economic woes;

6 Feb 2023 **Accra (Ghana)** *Ghanaweb*. Finance minister **Ken Ofori-Atta** delivers a public address updating the country on the state of the economy and the government's ongoing response to the economic challenges;

6 Feb 2023 **Accra (Ghana)** *Ghana Plus*. President **Nana Akufo-Addo** extends condolences to **Turkey** and **Syria** after a major earthquake impacted the two countries killing at least 5,000 people;

6 Feb 2023 **Riyadh (Saudi Arabia)** *Ghana Today*. Ghana becomes the newest member of the **Digital Cooperation Organization (DCO)**, a global multilateral body which aims to accelerate the inclusive growth of the digital economy;

¹⁹ Ghana Business News, 8 Feb 2023

²⁰ Modern Ghana, 7 Feb 2023

- 3 Feb 2023 **Accra (Ghana)** *ESI Africa*. **Ghana National Gas Company (GNGC)** signs a new agreement to develop a second gas processing plant in **Ellembelle** district (**Western Region**) which is expected to be completed by 2025. The new plant will expand Ghana's ability to process natural gas from the **Jubilee** and **TEN** fields and will bolster electricity generation;
- 3 Feb 2023 **Accra (Ghana)** *Africa News*. President **Nana Akufo-Addo** announces plans to establish a war college to bolster education and training with Ghana's military;
- 3 Feb 2023 **Accra (Ghana)** *Reuters*. **German** Finance minister **Christian Linder** visits Ghana for a two-day visit during which he meets with President **Nana Akufo-Addo** and Ghana's finance minister **Ken Ofori-Atta**;
- 2 Feb 2023 **London (United Kingdom)** *EIU*. United Kingdom-headquartered **Economist Intelligence Unit (EIU)** releases its annual **Democracy Index** which classifies Ghana as a 'flawed democracy';
- 30 Jan 2023 **Accra (Ghana)** *Central Banking*. The **Bank of Ghana (BoG)** increases the benchmark rate by 100 basis points to 28%, a notably more moderate increase than the 175 basis points many experts were anticipating;
- 29 Jan 2023 **Accra (Ghana)** *MyJoyOnline*. At least 4,000 **Burkinabe** nationals are seeking refuge in Ghana's **Bawku West District (Upper East Region)** after terrorists, believed to be jihadists, attacked several homes and a police station in the farming communities of **Zoago, Bugri** and **Zabre** on the border with Ghana;
- 30 Jan 2023 **Accra (Ghana)** *Business Ghana*. The inaugural edition of the **Annual Assembly of African Investment Promotion Agencies** is held in Accra;
- 24 Jan 2023 **Accra (Ghana)** *News24*. Officials confirm that Ghana has received \$4.8m from the **World Bank** under the institution's **Forest Carbon Partnership Facility (FCPF)**, which will be dedicated to forest conservation aimed at combatting carbon emissions;
- 23 Jan 2023 **Accra (Ghana)** *Africa News*. The auditor-general reveals that there was widespread misuse of **Covid-19** relief funds between March 2020 and June 2022;
- 17 Jan 2023 **Accra (Ghana)** *MyJoyOnline*. Addressing the **United Arab Emirates (UAE)-Ghana Business Forum** held on the sidelines of the Abu Dhabi Sustainability Week, President **Nana Akufo-Addo** describes **Ghana** as the best place to do business in **West Africa** due to the reduction in the cost of doing business and improvements of the business environment;
- 16 Jan 2023 **Accra (Ghana)** *Africa News*. The government extends the deadline for the debt exchange programme for a third time;
- 13 Jan 2023 **Accra (Ghana)** *Anadolu Agency*. President **Nana Akufo-Addo** pardons eight students who had been accused of insulting the president;
- 13 Jan 2023 **Accra (Ghana)** *AlJazeera*. The government and trade unions agree to increase public servants' wages by 30% in 2023;

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