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Finance minister Seth Terkper announces that the government has issued a \$750m Eurobond with a five-year maturity. President John Dramani Mahama (2012-present) introduces his party's 2016 manifesto ahead of presidential elections in December, promising that domestic gross domestic product (GDP) growth will rise to 8% by 2017. AngloGold Ashanti confirms that illegal mining continues at its Obuasi gold mine, where the company has suspended production since 2014. The Ghana National Gas Co (Ghana Gas) announces the signature of a \$500m deal with China-based Yantai Jereh Oilfield Services Group Co Ltd for the construction of a 290-kilometre natural gas pipeline, linking the Tullow Oil-operated Tweneboa-Enyenra-Ntomme (TEN) oil fields to thermal plants at the port of Tema. IronRidge Resources Ltd announces the acquisition of a 238 square kilometre highly prospective hard rock lithium resource near Winneba, with an estimated 1.48 million tonnes of resource.

Ghana issues \$750m Eurobond

Finance minister **Seth Terkper** on 8 September announced that the government has issued a \$750m **Eurobond** with a coupon rate of 9.25%.¹ This is Ghana's fifth Eurobond to date, the majority of which will mature between 2020 and 2022.² The bond is a back-end amortising maturity, with a weighted average tenor of five years.³ The notes will list on both the **Irish Stock Exchange** and the **Ghana Stock Exchange**.⁴ The issue contradicts previous reports that Ghana would wait until later in the year for a new Eurobond, as a proposed \$1 billion Eurobond in early August received limited investor interest.

According to Terkper, this renewed confidence relates directly to the launch of **Tullow Oil's Tweneboa-Ntomme-Enyenra (TEN)** offshore oil fields on 18 August.⁵ However, some analysts argue that it reflects increasing investor appetite for high-yield emerging market assets, rather than the improvement of Ghana's economic conditions.⁶ The TEN fields will reportedly reach a peak of 80,000 barrels per day (bpd) in production by the end of 2016, but will initially produce 25,000 bpd.⁷ Terkper revealed that the government abandoned the previous \$1 billion Eurobond because investors were demanding higher-than-expected yields.⁸ Investors were reportedly suggesting a 10.75% yield for the Eurobond in August.⁹

*"Investors did not shun the original bond. They were rather offering terms that Ghana did not consider favourable. They did so because they could not trust Ghana to pay the interest, so Ghana withdrew and returned after the latest **International Monetary Fund (IMF)** review... There is no known tension between the IMF and the government, but the IMF is having difficulty*

¹ Reuters, 9 Sept 2016.

² Reuters, 9 Sept 2016.

³ GhanaWeb, 13 Sept 2016.

⁴ GhanaWeb, 13 Sept 2016.

⁵ Reuters, 9 Sept 2016.

⁶ Reuters, 9 Sept 2016.

⁷ Reuters, 9 Sept 2016.

⁸ Reuters, 9 Sept 2016.

⁹ Reuters, 9 Sept 2016.

accepting figures from the government about our international and domestic debt. They appear inconsistent and misleading.”¹⁰

Sources close to IMF talks with the Ghana government on 2 September confirmed that Ghana is likely to receive the next disbursement under its \$918m extended credit facility (ECF) within the next month.¹¹ This would indicate that the suspicions that tension was mounting between the IMF and the government are probably unfounded. It appears, therefore, that the government will receive full support from the IMF in the lead-up to elections on 7 December. However, although the IMF publicly communicated that the government is on track to meet its objectives, sources report that the IMF was not entirely satisfied with the government’s fiscal performance.¹²

Mahama launches new NDC manifesto and proposes regional repartitioning

President **John Dramani Mahama** (2012-present) on 13 September introduced the ruling **National Democratic Congress (NDC)** manifesto ahead of presidential elections in December.¹³ During the speech, Mahama promised that domestic gross domestic product (GDP) growth would rise from 3.9% in 2015, to 4.1-4.3% in 2016, and up to 8% by 2017.¹⁴ Mahama also promised that inflation would decrease below 10%, compared to above 15% throughout 2016.¹⁵ Mahama pledged to reduce the government’s exposure to fiscally dominating borrowing, such as the IMF loan.¹⁶ Mahama appears to be increasingly unpopular, maintaining a marginal advantage over opposition candidate **Nana Akufo Addo** of the **New Patriotic Party (NPP)**. The most recent **Goodman AMC** opinion polls show that voters favour Mahama by just 3% over Addo.¹⁷ Addo therefore represents a significant threat to Mahama’s re-election hopes:

*“Mahama and the NDC do not want to leave any chances that can lead to them losing the elections. This year’s election appears to be a competition of promises. [Mahama’s] promises follow audacious promises by his rival Addo... However, according to **IMANI Center for Policy and Education**, Mahama would require a minimum of \$24 billion above their proposed 5-year spend to achieve even 75% of their manifesto. Where would they get such money?”¹⁸*

In addition, Mahama announced that he plans to increase Ghana’s regions from 10 to 15.¹⁹ This appears to be a political strategy to favour the NDC in future elections, by dividing regions into blocs that are likely to give the NDC an advantage over opposition parties. Mahama also promised to create a **Western-North** region, from where much of Ghana’s gold, cocoa and food production comes.²⁰ Many of Mahama’s election promises are indicative of a noticeable fall in popularity in the last year:

*“There is growing disenchantment about Mahama’s presidency, especially among the elite class and floating voters. But he still commands support from the party’s stronghold **Volta Region**. If Mahama wins, it will not be because he is popular but because the opposition failed to take advantage of the general public’s extensive concerns.”²¹*

¹⁰ Source, journalist, Accra

¹¹ Reuters, 2 Sept 2016.

¹² Reuters, 2 Sept 2016.

¹³ CitiFM, 17 Sept 2016.

¹⁴ Bloomberg, 13 Sept 2016.

¹⁵ Bloomberg, 13 Sept 2016.

¹⁶ Bloomberg, 13 Sept 2016.

¹⁷ www.goodmanamc.blogspot.com

¹⁸ Source, journalist, Accra

¹⁹ GhanaWeb, 14 Sept 2016.

²⁰ GhanaWeb, 14 Sept 2016.

²¹ Source, journalist, Accra

Illegal mining continues at Obuasi mine

South Africa-based **AngloGold Ashanti** confirmed on 30 August that illegal mining continues at its **Obuasi** gold mine, where the company has suspended production since 2014.²² The reports indicate that the government is failing to maintain security at the mine site.²³ Illegal miners are expanding operations at the mine, using explosives to access gold at depths of up to 50 metres.²⁴ The illegal mining has reportedly led to the death of at least 78 people in 2016. Despite this, AngloGold's Ghana managing director, **Eric Asubonteng**, reaffirmed the company is maintaining its long-term social commitments at the mine, including water treatment, free electricity provision, medical equipment and a malaria programme.²⁵

AngloGold filed a request for arbitration at the **International Centre for Settlement of Investment Disputes (ICSID)** in **Washington D.C.** (US) on 8 April, to resolve the dispute. However, AngloGold's stance appeared non-conciliatory and indicated that tensions were building between the company and the government. AngloGold is especially unsatisfied with government protection of the facilities, as the mine has continued to suffer illegal miner incursions.

*"Government has done very little about the threat of galamsey [illegal mining], which has polluted many rivers and forced closure of three water treatment plants across the country. As of now, government is yet to send the military back to protect the mine after they withdrew. Crucially, galamsey miners are not concerned with the police, as these do not put them at real risk. A committee has been formed to eradicate the illegal miners based mostly in the northern part of the mine, but nothing has happened."*²⁶

Ghana Gas signs \$500m natural gas pipeline deal

The **Ghana National Gas Co (Ghana Gas)** on 7 September announced that it had signed a \$500m deal with China-based **Yantai Jereh Oilfield Services Group Co Ltd** for the construction of a 290-kilometre natural gas pipeline.²⁷ The pipeline will link the Tullow Oil-operated Tweneboa-Enyenra-Ntomme (TEN) oil fields to thermal plants at the port of **Tema**.²⁸ The announcement consolidates investment in periphery and network infrastructure for Ghana's budding oil and gas sector. The pipeline reportedly will have a daily capacity of 500 million standard cubic feet (scf), which Ghana Gas CEO **George Sipa-Adjah Yankey** says will make Ghana energy sufficient within the next two years.²⁹

*"Government is yet to communicate the details of the project, but the prospects are bright. Following the passage of the new **Petroleum Revenue Management Act**, which puts an emphasis on local content participation, a lot of projects will get local contractors."*³⁰

The Petroleum Revenue Management Act, which parliament enacted in 2011 and amended in July 2015, largely aims to improve how funds from oil revenue are allocated to reinvestment in the government budget.³¹ Some of these funds are reinvested in the **Ghana Stabilisation Fund (GSF)**, which seeks to offset the impact of oil price volatility.³² One of the GSF's responsibilities is to make competitive lending available to local businesses in order to participate in the national petroleum value chain.³³

²² Reuters, 30 Aug 2016.

²³ Reuters, 30 Aug 2016.

²⁴ Reuters, 20 Aug 2016.

²⁵ Reuters, 30 Aug 2016.

²⁶ Source, journalist, Accra

²⁷ Bloomberg, 7 Sept 2016.

²⁸ Bloomberg, 7 Sept 2016.

²⁹ Bloomberg, 7 Sept 2016.

³⁰ Source, journalist, Accra

³¹ News Ghana, 9 Jul 2015.

³² www.ghana.gov.gh

³³ www.ghana.gov.gh

IronRidge Resources acquires lithium project

Australia-based **IronRidge Resources Ltd** on 6 September announced that it has acquired a 238 km² highly prospective hard rock lithium resource near **Winneba**, with an estimated 1.48 million tonnes at 1.67% concentration of lithium.³⁴ The announcement shows that mining investment in Ghana is slowly recovering from the global commodities slump. The mine was registered in 1962, but was not used for lithium exploitation.³⁵ IronRidge expects to complete a feasibility study within four years.³⁶ Global demand for lithium is increasing at an unprecedented rate since the emergence of consumer electronics use of lithium ion batteries for electric vehicles and energy storage.³⁷ Lithium has almost quadrupled in price in the last two years, though has dropped in recent months due to significant lithium discoveries.³⁸ Ghana's **Mineral Commission** CEO **Tony Aubynn**, however, stated that they are yet to carry out geophysical and mapping procedures at the mine, which will become Ghana's only lithium mine.³⁹

Implications

The government's successful issuance of the \$750m Eurobond shows that investor interest was not as low as previously thought. The government, in addition to the launch of the TEN fields, appears to have a reliable means of funding its proposed economic plan, though will face stringent fiscal controls until the completion of the IMF extended credit facility. If Mahama does achieve re-election, and if analysts' estimates of the funding required to support the ambitious growth plan are correct, Ghana will undoubtedly need to continue international market borrowing of a similar scale.

Even though there are encouraging signs for diversification of Ghana's mining sector into lithium, the government will need to consolidate and protect existing projects, especially those that are as lucrative as the Obuasi mine could be once production restarts. The resurgence of gold prices back to pre-2014 levels⁴⁰ makes it difficult to understand why such projects are still stagnant.

The new Petroleum Revenue law appears to favour local contractors for lucrative construction deals such as the Ghana Gas pipeline, and will be an important contributor to the resurgence of Ghana's economy.

³⁴ www.ironridgeresources.com.au

³⁵ www.ironridgeresources.com.au

³⁶ www.ironridgeresources.com.au

³⁷ www.ironridgeresources.com.au

³⁸ www.ironridgeresources.com.au

³⁹ Source, journalist, Accra

⁴⁰ www.nasdaq.com

About Africa Risk Consulting:

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