

AFRICA RISK CONSULTING

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Ghana Summary 22 February 2019

President Nana Addo Dankwa Akufo-Addo (2017-present) presents the ruling New Patriotic Party's (NPP) pro-business and heavily social programme to the public in his State of the Nation Address. Energy, oil and gas, and renewables remain central to the government's reform plan. Business can anticipate revisions to government revenue collection as Akufo-Addo singles out Ghana's numerous tax exemptions as a "growing menace to fiscal stability and revenue generation". Emille Short is to lead an inquiry into a rise of vigilante violence and political militias. Ghana has improved slightly in Transparency International's 2018 Corruption Perceptions Index, increasing its score by one point from 40 to 41, and its ranking by three places to 78 out of 180 countries surveyed.

Economy restored to health as IMF prepares April exit

President **Nana Addo Dankwa Akufo-Addo's** (2017-present) state of the nation address (**SONA 2019**) again highlighted **Ghana** as a prominent destination for foreign investment. In a speech delivered to parliament on 21 February, Akufo-Addo emphasised an economy restored to health on a path to significant growth, balanced with a mix of political reforms and strong social programmes in education, health, and job creation.¹

Akufo-Addo reported that his government had made significant progress on the economy – growth is up, the fiscal deficit almost halved, and inflation reduced to single digits. Akufo-Addo forecast 7.6% growth in GDP in 2019 – a substantial improvement on the 3.4% posted in 2016, but slightly lower than the 8.1% posted in 2017. Provisional data shows growth of 6.0% in the first three quarters of 2018. The fiscal deficit is a provisional 3.9% of GDP at the end of 2018, down from the 7.3% of rebased GDP in 2016. The debt-to-GDP ratio has declined from the 56.6% of GDP in 2016 to 54.8% at the end of 2018. Akufo-Addo said inflation has dropped to its lowest levels in six years – from 15.4% at the end of 2016, to 9% in January this year, resulting in lower interest rates. The trade balance posted a surplus, which the president anticipates will remain in surplus.

Progress in the economy has resulted in a successful conclusion to the **International Monetary Fund (IMF)** programme, scheduled to end in April. **United States (US)**-based ratings agency **Standard & Poor's (S&P)** gave Ghana an upgrade from B minus to B in September, with a stable outlook.² Akufo-Addo reiterated his commitment to breaking the "yo-yo nature of the boom and bust" through the discipline of a 2018 law capping the fiscal deficit at 5%. Akufo-Addo noted that objective of the law is to prevent Ghana calling for further IMF support, as it is the "seventeenth time Ghana has had to go to the IMF in the sixty-two years of her independence", all the while acknowledging the country's vulnerability to international commodities prices, notably of oil, gold or cocoa.

The SONA pointed to a number of focus areas providing opportunities for domestic and international business:

- Energy remains central to Akufo-Addo's transformation policies. Gas production tripled from 100 to 300 million cubic feet per day, giving rise to the government's aims to see Ghana use

¹ GhanaWeb, 21 Feb 2019

² MyJoyOnline, 15 Sep 2018.

local locally produced gas for the bulk of its thermal power to save foreign exchange on imported fuels.

- The president heralded the successful **Pecan-4A** results for oil and gas exploration and production company **Aker Energy** as the “*second biggest oil discovery in Africa*”, which have led to “*dramatic*” new interest of major oil companies.
- A target of 10% renewables in the energy mix – up from the current 1% and with a focus on mini-grids to improve access to rural communities.
- To promote the use of solar power for government and public buildings, a solar rooftop programme to install up to 200 megawatts of distributed solar power by 2030 in both residential and non-residential facilities in order to reduce government liabilities to the **Electricity Company of Ghana (ECG) (Power Distribution Services (PDS) Ghana Ltd)**.
- To build a recycling industry to reduce, re-use, recycle and dispose with an aim of managing 82% of the country’s plastics and creating basic-need products valued at a government estimate of GH¢2 (\$11m) billion per year.
- Tourism: “*Our music, our foods, our clothes and the quintessential akwaaba smile*” – the government aims to build on its success in increasing tourism by 20% with initiatives like the president’s “*Year of Return*”, commemorating the 400th anniversary of the arrival of the first 20 **West African** slaves in the US;

In March the government will outline its national car policy spelling out the terms, conditions and an incentive package for international companies taking part in the country’s planned car industry: **Germany-based Volkswagen, Japan-based Nissan** and **China’s Sinotruck** have signed memorandums of understanding to establish assembly plants while **Franco-Japanese Renault** and Japan’s **Toyota** are conducting feasibility studies.³

... although tax increases and adjustments loom to fund a heavy social commitment

Business can anticipate revisions to government revenue collection as Akufo-Addo singled out Ghana’s numerous tax exemptions as a “*growing menace to fiscal stability and revenue generation*”.⁴ Tax exemptions in import duties and domestic VAT exemptions grew from GH¢392m (\$71m), representing 0.6% of GDP, in 2010, to GH¢4.66 billion (\$845m), 1.6% of GDP, in 2018.

Akufo-Addo noted several other “*not sustainable*” areas where the government is likely to look to remove tax exemptions.⁵ These include corporate and individual income taxes, concessions on tax rates, petroleum tax reliefs, customs tax exemptions enjoyed by diplomatic missions, and waiver of processing charges at the ports. However, where other industries may be affected, Ghana’s textile industry has been granted a zero-rated VAT on the supply of locally made textiles for a period of three years.

On the social programme, the president reaffirmed much of what vice-president **Mahamudu Bawumia** highlighted in his new year’s address (*see ARC Briefing January 2019*). Akufo-Addo emphasised regional devolution and decentralisation and a mix of social delivery on health education and social welfare, using modern technology to deliver these changes.

- Education reforms will improve university administration, streamline teaching of teachers, emphasise vocational training, science and technology, and roll out a new global best practice, standards-based curriculum from kindergarten upwards.
- The recapitalised **National Health Insurance Scheme (NHIS)** and mobile phone renewal system has seen 70,000 members renew every week. The government has recruited some

³ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

⁴ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

⁵ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

25,000 new health personnel and delivered a new ambulance to every constituency (275) and introduced drone technology to deliver medicine to remote communities.

- In housing, the 2019 budget made provision for 200,000 housing units for middle and low-income brackets. Local banks have raised \$51m to complete projects already started. The government created a billion-cedi (\$200m) housing fund to support low-income buyers and a database of local and foreign developers to help build housing.
- Infrastructure programmes include making Ghana ports “*the most efficient in West Africa*”; desilting the **White Volta** to prevent flooding; investigating building new hydro-electric dams, and an irrigation dam at **Pwalugu**.⁶

In terms of political reform, Akufo-Addo noted that the government plans to hold a referendum to alter Article 55(3) of the constitution to pave the way for the direct, popular election, on partisan basis, of metropolitan municipal and district chief executives and the bedding down of Ghana’s new decentralised regions, which are designed to see “*that no one feels cut off from the centre or left behind... and every constituency gets the cedi equivalent of \$1 million a year for priority projects*”.⁷

An independent analyst commented on the president’s programme

*“There’s lots to do in the economy and lots of populist pledges to meet, but their ability to fund through taxation has become a struggle because their tax net is not well tuned. Tax policies change but there are still some hard decisions that will not be taken – for instance a cut in the public sector wage bill, which is still high. For any party to lay off public sector workers is politically impossible.”*⁸

Growth of vigilante violence threatens Ghana’s peaceful election prospects

A rise in political violence and vigilantism has prompted the government to appoint a four-man commission of inquiry into political violence to be led by prominent Ghanaian **Emille Short**. Both main political parties appear to have been involved in the recent political violence. In announcing the commission of inquiry, Akufo-Addo highlighted a shooting incident at the **National Democratic Congress (NDC)** executive meeting on 11 February that broke up the meeting and resulted in one fatality.

The issue came to the fore following the **Ayawaso West Wuogon (Greater Accra)** by-election on 31 January.⁹ A vigilante group reportedly attacked the NDC parliamentary candidate, **Delali Kwasi Brempong**, in the wake of which seven people were hospitalised, one with bullet wounds.¹⁰

*“The ruling NPP member of parliament had passed away and his widow decided to contest his seat. There was heavily armed security present and some other macho men, and it got violent. The NDC withdrew from the competition.”*¹¹

Previous by-elections in **Akwatia, Atiwa, Chereponi, Talensi** and **Amenfi West**, were also marked by violence.¹²

A Ghana analyst says the violent political vigilantism that started in the last election is a worrying development that is changing the character of politics in Ghana and could be a major factor in the next election:

⁶ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

⁷ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

⁸ Ghana analyst, commentator

⁹ Source, Ghana analyst

¹⁰ Source, Ghana analyst

¹¹ Source, Ghana analyst

¹² Ghana News Agency (GNA) 21 February 2019

*“A lot of politicians have started surrounding themselves with informal muscle men. They are deployed formally and informally. Some are run by the party, some are freelance, some are affiliated. They are empowered and trained – unemployed, political foot soldiers. There were reports and incidents of militia being trained by **South Africans**. [Former president **John Dramani Mahama** [2012-2017] deported them. People are getting worried about how this will play out in next year’s elections.”*

Corruption: still a problem in Ghana and a concern to the oil majors

Transparency International’s 2018 Corruption Perceptions Index (CPI) highlights that corruption is still a problem in Ghana, despite Ghana improving its score by one point and its ranking by three points in this year’s CPI survey.¹³ The index, which is designed to give a sense of public sector corruption, rates countries on a scale of zero (highly corrupt) to 100 (very clean). Ghana scored 41 points, up from 40 in the 2017 CPI, with a ranking of 78 out of 180 countries in 2018.

| Transparency International CPI Rankings for Ghana ¹⁴ | | | | | |
|---|--------|--------|--------|--------|--------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Ranking | 78/180 | 81/180 | 70/176 | 56/168 | 61/175 |
| Score (out of 100) | 41 | 40 | 43 | 47 | 48 |

With an oil licensing round coming up, the main concern for the companies that have shown an interest in investing in Ghana’s offshore oil province is a law that guarantees a 5% reserve for national content.¹⁵ Licence holders require a local partner:

“This is big money and [Ghana doesn’t] have a developed local industry so this has the potential to be politicised. Political affiliates are trying to secure the 5% because it is a big prize and it always has to be approved by the government.”¹⁶

President Akufo-Addo formally launched the oil and gas licensing round on 16 October, Ghana’s first since 2016 (see *ARC Briefing Ghana October 2018*).¹⁷ International oil companies were required to formally express interest by the end of November.¹⁸ The tender process is expected to end by mid-August.¹⁹

With oil’s contribution to state revenues in excess of \$800m since 2011, popular concern about the effect of oil on corruption has increased sufficiently for President Akufo-Addo to address it directly in his SONA2019:

“There is no avoiding the fact that the oil industry, unfortunately, has a reputation for corruption. Since the discovery of oil in our country, there has been heightened anxiety among the people that we do not fall into the same trap of the oil money benefitting individual officials to the detriment of the state and the general public.”²⁰

Akufo-Addo noted that in order to combat corruption in the oil industry and to promote transparency, the government has established a **National Register of Contracts** in which it has published all the

¹³ Transparency International 2018 Corruption Perceptions Index

¹⁴ www.transparency.org

¹⁵ Source, Ghana business analyst

¹⁶ The Oil and Gas Year, 16 Oct 2018.

¹⁷ The Oil and Gas Year, 16 Oct 2018.

¹⁸ Press Release, Ministry of Energy, Government of Ghana, 7 Sept 2018.

¹⁹ My Joy Online, 3 Sept 2018.

²⁰ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

petroleum agreements it has signed.²¹ The register provides a platform for citizens to scrutinise the oil contracts. The government has also passed the **General Petroleum Regulations**, which provide for the disclosure of beneficial ownership information of companies operating in Ghana’s oil and gas industry.

“This will ensure that people do not hide in the shadows to appropriate oil blocks to themselves, at the expense of the citizens of Ghana.”²²

Sources report that corruption is still rife in Ghana:

“We hear stories where NPP business interests are trying to usurp business with links under the former government and NPP operatives are successfully taking business deals away from the opposition. There is much noise made about a special prosecutor [appointed to fight corruption] but he hasn’t enough resources or any legislation to back him. It’s still not clear where corruption is going. There is a fear that with an election period coming up, the anti-corruption drive will be used by the ruling NPP as one of the pressure points against the opposition.”

Despite heightened fears of corruption in the presidency and among business, Ghana fares far better than its neighbours on corruption, only outdone by Senegal.

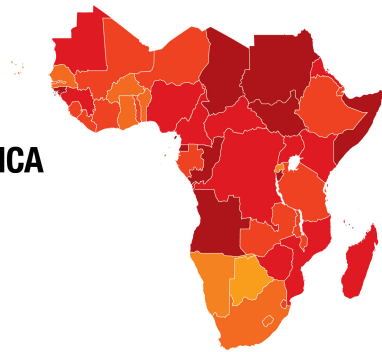
| TI CPI Rankings 2018: Regional comparison (West Africa) | | | | | |
|---|--------|---------|---------------|----------|---------|
| | Ghana | Nigeria | Cote d’Ivoire | Cameroon | Senegal |
| Ranking | 78/180 | 144/180 | 105/180 | 152/180 | 67/180 |
| Score | 41 | 27 | 35 | 25 | 45 |

CORRUPTION PERCEPTIONS INDEX 2018

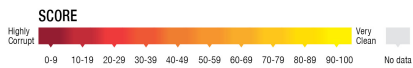
SUB-SAHARAN AFRICA

32/100

AVERAGE SCORE



| SCORE | COUNTRY/TERRITORY | RANK | SCORE | COUNTRY/TERRITORY | RANK | SCORE | COUNTRY/TERRITORY | RANK |
|-------|-----------------------|------|-------|--------------------------|------|-------|----------------------------------|------|
| 66 | Seychelles | 28 | 34 | Ethiopia | 114 | 23 | Mozambique | 158 |
| 61 | Botswana | 34 | 34 | Niger | 114 | 22 | Zimbabwe | 160 |
| 57 | Cabo Verde | 45 | 32 | Liberia | 120 | 20 | Democratic Republic of the Congo | 161 |
| 56 | Rwanda | 48 | 32 | Malawi | 120 | 19 | Angola | 165 |
| 53 | Namibia | 52 | 31 | Mali | 120 | 19 | Chad | 165 |
| 51 | Mauritius | 56 | 31 | Djibouti | 124 | 19 | Congo | 165 |
| 46 | Sao Tome and Principe | 64 | 30 | Gabon | 124 | 17 | Burundi | 170 |
| 45 | Senegal | 67 | 30 | Sierra Leone | 129 | 16 | Equatorial Guinea | 172 |
| 43 | South Africa | 73 | 28 | Togo | 129 | 16 | Guinea Bissau | 172 |
| 41 | Burkina Faso | 78 | 27 | Guinea | 138 | 16 | Sudan | 172 |
| 41 | Ghana | 78 | 27 | Comoros | 144 | 13 | South Sudan | 178 |
| 41 | Lesotho | 78 | 27 | Kenya | 144 | 10 | Somalia | 180 |
| 40 | Benin | 85 | 27 | Mauritania | 144 | | | |
| 38 | Swaziland | 89 | 26 | Nigeria | 144 | | | |
| 37 | Gambia | 93 | 26 | Central African Republic | 149 | | | |
| 36 | Tanzania | 99 | 26 | Uganda | 149 | | | |
| 35 | Côte d’Ivoire | 105 | 25 | Cameroon | 152 | | | |
| 35 | Zambia | 105 | 25 | Madagascar | 152 | | | |
| | | | 24 | Eritrea | 157 | | | |



#cpi2018

www.transparency.org/cpi

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²¹ Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

²² Full text of 2019 SONA quoted in GhanaWeb, 21 Feb 2019

Planner

20-22 Mar 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;
 25 Mar 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;
 April 2019 **Ghana** exits from **IMF** Programme;
 22-24 May 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;
 27 May 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;
 17-19 Jul 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;
 22 Jul 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;
 17-19 Sep 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;
 20 Sep 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;
 20-22 Nov 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** meets;
 25 Nov 2019 **Accra (Ghana) Bank of Ghana Monetary Policy Committee** press release;
 2020 **(Ghana)** Presidential elections

Chronology

21 Feb 2019 **Accra (Ghana) GNA** President **Nana Addo Dankwa Akufo-Addo** delivers his state of the nation address (**SONA 2019**);
 21 Feb 2019 **Accra (Ghana) My Joy Online**. The **World Bank** approves a \$40m grant to support tourism in **Ghana**;
 12 Feb 2019 **Accra (Ghana) My Joy Online**. **Qatar's** state-owned airline, **Qatar Airways**, plans to start flights to **Ghana** in July 2019;
 1 Feb 2019 **Accra (Ghana) Reuters**. The **United States (US)** imposes visa restrictions on **Ghana** after Ghana did not accept Ghanaians who were removed from the US;
 31 Jan 2019 **Accra (Ghana) My Joy Online**. The **Bank of Ghana** (central bank) states that Ghana has received \$866m in oil revenue since 2011;
 31 Jan 2019 **Accra (Ghana) Peace FM**, Violence breaks out at a by-election to elect a replacement for the late Member of Parliament for the area, **Emmanuel Kyeremanteng Agyarko**, 18 injured including one with a gunshot wound.
 28 Jan 2019 **Accra (Ghana) My Joy Online**. **France**-based automobile manufacturer **Renault** considers establishing an assembly plant in Ghana;

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

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