

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing September 2022

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#### Ghana Summary 14 September 2022

*The Bank of Ghana (BoG) (central bank) hikes the policy rate by 300 basis points, the largest ever increase, to 22%, citing the depreciating cedi and increasing inflation as reasons for the move. The BoG decision comes as the government continues negotiations with the International Monetary Fund for a \$3 billion deal to help Ghana find its way out of the economic crisis it faces. President Nana Addo Dankwa Akufo-Addo (2017-present) acknowledges the public's requests for a ministerial reshuffle; however, he maintains that hiring and firing ministers is his decision alone. Akufo-Addo orders the Ghana Nuclear Power Programme Organisation (GNPPPO) to be moved from the energy ministry to the office of the president as he pushes for nuclear solutions to address Ghana's energy supply issues. Norway-based Aker Energy delays the submission of its development plan for the Pecan oil field, given the involvement of Russia-headquartered oil company Lukoil. Although Lukoil and its management are not subject to any international sanctions, the ongoing war in Ukraine may change this or present too great a reputation risk to Aker Energy.*

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#### Central bank hikes policy rate as IMF deal expected by December

The **Bank of Ghana (BoG)** (central bank) hiked the policy rate on 17 August by 300 basis points to 22%, the largest increase ever.<sup>1</sup> The BoG on 15 August called an emergency **Monetary Policy Committee (MPC)** meeting following the cedi's continued decline against the dollar, with inflation rising to 31.7% year-on-year in July (see *ARC Briefing Ghana Aug 2022*).<sup>2</sup> The BoG had decided at its 25 July meeting to keep the main interest rate unchanged at 19%, setting the next meeting for September. However, in the two days prior to the emergency meeting, the cedi lost approximately 10% of its value against the **United States (US)** dollar.<sup>3</sup>

The MPC has attributed **Ghana's** economic crisis to factors such as a stronger US dollar and the global economic climate, which was still recovering from the **Covid-19** pandemic when the war in **Ukraine** began. The war's knock-on effects have caused additional supply chain disruptions and increased the cost of importing goods. The ratings downgrade Ghana received in August (see *ARC Briefing Ghana Aug 2022*) has also further hampered access to the global capital market and loans, limiting the government's ability to execute the budget and finance other loans.<sup>4</sup>

The MPC announced during the emergency meeting that the BoG would purchase foreign exchange from the voluntary repatriation of export earnings from mining, oil and gas companies to help boost reserves.<sup>5</sup> The BoG will do this by paying cedi for foreign exchange, thanks to a new central bank policy that allows this. **Ghana Chamber of Mines** CEO **Sulemanu Koney** said members view the BoG's decision as a "*national call to action*" and are ready to assist when and where they can.<sup>6</sup> One mining company had already sold \$20m to the BoG by 30 August.

The decision to hike the rate comes amid government negotiations with the **International Monetary Fund (IMF)** for a \$3 billion deal to help Ghana find its way out of the economic crisis. **United Kingdom**-headquartered **Standard Chartered** chief economist for **Africa** and the **Middle East**, **Razia**

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<sup>1</sup> Reuters, 17 Aug 2022

<sup>2</sup> Reuters, 17 Aug 2022

<sup>3</sup> Graphic.gh, 16 Aug 2022

<sup>4</sup> Agence Ecofin, 17 Aug 2022

<sup>5</sup> Graphic.gh, 17 Aug 2022

<sup>6</sup> Graphic.gh, 30 Aug 2022

**Kahn** believes the hike will show the IMF that Ghana is serious about the deal and meeting its requirements.<sup>7</sup> IMF managing director **Kristalina Georgieva** met with President **Nana Addo Dankwa Akufo-Addo** (2017-present) on 5 September to discuss the progress of the deal, which is anticipated to be finalised by December.<sup>8</sup> Georgieva stated during the meeting that the IMF believes Ghana's economic issues have resulted from external shocks and not poor policy decisions made by Akufo-Addo's administration.<sup>9</sup>

Tightening monetary policy leads to less money in circulation in the economy which should create a slowdown in rising prices.<sup>10</sup> However, the action usually reaps reward in the longer term and when the external environment is more favourable.

### **Akufo-Addo rebuffs requests for ministerial reshuffle ...**

Akufo-Addo has met increased requests for a ministerial reshuffle from several factions of civil society, as Ghanaians face challenging economic times. **United Nations** peace ambassador for Ghana, Bishop **Samuel Owusu**, criticised Akufo-Addo for his refusal to reshuffle the cabinet during a TV interview with local media house **XYZ** on 2 September.<sup>11</sup> Owusu said the current economic crisis facing Ghana is evidence that the ministers appointed by Akufo-Addo have failed at their jobs, referring specifically to finance minister **Ken Ofori-Atta**. Minor opposition **Liberal Party of Ghana (LPG)** leader **Percival Kofi Akpaloo** has also appealed to Akufo-Addo to listen to citizens' appeals to reshuffle the cabinet to "*inject fresh energy into the administration*".<sup>12</sup> Policy think tank **IMANI Africa's** director **Franklin Cudjoe** also suggested on 11 August that Akufo-Addo should use the opportunity to reduce the number of ministers if a reshuffle takes place.<sup>13</sup>

However, Akufo-Addo has remained steadfast in his decision not to reshuffle his cabinet, stating he would not rely on public opinion in the process of hiring or firing ministers.<sup>14</sup> Akufo-Addo addressed the media during a working visit to the **Central Region** on 8 September, acknowledging that listening to public opinion is important for democracy, but that the decision to fire or not fire ministers is solely his to make. Akufo-Addo noted that he evaluates his ministers' performance daily and will act if they do not perform.<sup>15</sup> Akufo-Addo maintained his faith in Ofori-Atta, claiming that the finance minister will bring Ghana out of its economic crisis. Akufo-Addo noted that despite the challenges, Ghana's gross domestic product (GDP) has grown and its economy is considered one of the fastest growing in **Africa**.<sup>16</sup>

Ruling **New Patriotic Party (NPP)** general secretary **Justin Frimpong Koduah** defended Akufo-Addo's stance during an interview on 6 September with radio broadcaster **Peace FM**.<sup>17</sup> Frimpong Koduah said that the president is not afraid of a reshuffle and does not want to disrupt the consistency of his current administration, something Akufo-Addo believes is vital during a crisis.

### **... and promotes nuclear energy**

President Akufo-Addo has ordered the **Ghana Nuclear Power Programme Organisation (GNPPO)** to be moved from the energy ministry to the office of the president. The move aims to enhance coordination around introducing nuclear energy into Ghana's energy mix.<sup>18</sup> Ghana created the **Ghana**

<sup>7</sup> Reuters, 17 Aug 2022

<sup>8</sup> Business Ghana, 7 Sep 2022

<sup>9</sup> Business Ghana, 7 Sep 2022

<sup>10</sup> Sika Finance, 18 Aug 2022

<sup>11</sup> Ghanaweb.com, 7 Sep 2022

<sup>12</sup> Ghanaweb.com, 2 Sep 2022

<sup>13</sup> MyJoyOnline.com, 11 Aug 2022

<sup>14</sup> Business Ghana, 8 Sep 2022

<sup>15</sup> Business Ghana, 8 Sep 2022

<sup>16</sup> Business Ghana, 8 Sep 2022

<sup>17</sup> Ghanaweb.com, 6 Sep 2022

<sup>18</sup> Engineering News, 5 Sep 2022

**Atomic Energy Commission** in 1963, which has been operating a 30-kilowatt (kW) neutron source reactor, supplied by **China**, since 1994.

The GNPPPO was established in 2012 after the government decided in 2008 to add nuclear power into Ghana's energy mix.<sup>19</sup> The government submitted its plans to develop a nuclear energy programme to the **International Atomic Energy Agency (IAEA)** in 2013. In 2015, parliament passed the **Nuclear Regulatory Power Act**, which led to the establishment of the **Nuclear Regulatory Authority**, in line with the requirements of the IAEA, which maintains strict guidelines for developing countries to adhere to when developing nuclear energy.<sup>20</sup> The IAEA has completed two missions to Ghana, one in January 2017 and the other in October 2019. In 2020, Ghana met the IAEA's phase one nuclear infrastructure requirements.<sup>21</sup> The government set up **Nuclear Power Ghana** in 2018, which will oversee the construction and operation of any nuclear power plant in Ghana.

In 2021, the government released its first request for interest for a nuclear power plant, which received responses from five companies headquartered in either **Canada, South Korea, Russia** or the US. The government expects the first nuclear power plant contract to be signed by 2024 or 2025.<sup>22</sup> Akufo-Addo has said the move forms part of Ghana's move towards sustainable power production and the "*peaceful exploitation of nuclear energy*".<sup>23</sup>

Ghana is looking to nuclear energy to address its electricity supply issues, as demand has outpaced supply for several years.<sup>24</sup> Between 2012 and 2015, these shortages cost the country 5% of GDP. The cost of electricity has weighed heavily on citizens, and given the economic woes facing Ghana, alleviating this will be of vital importance for businesses to keep their lights on.

### Lukoil and Aker Energy at odds over Ghana's oil fields

Norway-headquartered **Aker Energy** has postponed the submission of its development plan for the **Pecan** oilfield over concern that the project could face issues due to the involvement of Russia-headquartered **Lukoil**. Aker Energy holds a 50% stake in the block where Pecan is located, with Lukoil holding 38%, the **Ghana National Petroleum Company** 10% and local company **Fueltrade** 2%.<sup>25</sup>

Aker Energy has expressed concerns that the project could face sanctions as a result of the ongoing Russia-Ukraine conflict, which has led to sanctions against Russian companies.<sup>26</sup> Aker Energy reports that given the concerns, the government has extended the deadline for the development plan to 30 September and the company remains in discussions with all parties involved. However, Lukoil has refuted the decision; on 18 August, it released a statement noting that Aker Energy's decision has no lawful grounds as the company and its management are not subject to sanctions.<sup>27</sup>

Former Russian oil minister **Vagit Alekperov** resigned as president of Lukoil in April after he became the subject of sanctions.<sup>28</sup> Given that Russia's special military operations in Ukraine show no signs of ending soon, further sanctions by the international community on Russian companies and individuals cannot be ruled out, and Aker Energy would be proceeding with caution. The impact of the invasion on **European** countries and across the world cannot be ignored, with many companies choosing to turn away from partnering with Russian companies or pulling operations out of Russia. Lukoil may

<sup>19</sup> Engineering News, 5 Sep 2022

<sup>20</sup> Engineering News, 5 Sep 2022

<sup>21</sup> World Nuclear News, 2 Sep 2022

<sup>22</sup> Engineering News, 5 Sep 2022

<sup>23</sup> Business Ghana, 1 Sep 2022

<sup>24</sup> Nuclear Energy in Ghana, South African Institute for International Affairs, March 2021

<sup>25</sup> Reuters, 17 Aug 2022

<sup>26</sup> Reuters, 17 Aug 2022

<sup>27</sup> Reuters, 18 Aug 2022

<sup>28</sup> Reuters, 18 Aug 2022

have done nothing wrong, but the reputational concerns for Aker Energy likely outweigh the benefits.<sup>29</sup>

## Planner

28-29 Oct 2022 **(Ghana)** Kwahu Summit;  
2023 **(Ghana)** New Patriotic Party (NPP) primaries;

## Chronology

9 Sep 2022 **Accra (Ghana)** *BBC News*. Former president **John Mahama** blames **Ghana's** economic issues on corruption, mismanagement of **Covid-19** funds, excessive borrowing and the high cost of banking reforms;

7 Sep 2022 **Accra (Ghana)** *Africa Business Insider*. **United States**-based credit rating agency **Fitch Solutions** says it expects **Ghana's** central bank, **Bank of Ghana**, to hike the monetary policy rate to 25% by December;

5 Sep 2022 **The Hague (Netherlands)** *Ghanaweb.com*. **Ghana's** foreign affairs minister, **Shirley Ayorkor Botchwey**, meets with her **Dutch** counterpart, **Wokpe Hoekstra**, to discuss deepening bilateral ties;

5 Sep 2022 **Accra (Ghana)** *World Nuclear News*. President **Nana Akufo-Addo** orders that the **Ghana Nuclear Power Programme Organisation** be transferred from the energy ministry to the **Office of the President** "to enhance proper coordination among the key institutions already established";

1 Sep 2022 **Accra (Ghana)** *TechCentral*. **Pan-African** e-commerce company **Jumia** partners with **Zipline** to launch on-demand drone delivery in **Ghana**, with plans to expand the service to **Nigeria** and **Côte d'Ivoire** soon;

31 Aug 2022 **Accra (Ghana)** *Bloomberg*. **Ghana's** currency drops past 10 to a dollar for the first time as investors await a financing deal with the **International Monetary Fund**;

30 Aug 2022 **Accra (Ghana)** *Bloomberg*. **Auditor-General** public accounts report says government and state companies were owed more than 16 billion cedis (\$1.6 billion) for outstanding loans and bills at the end of 2021, and urges for tighter control of state finances;

25 Aug 2022 **Accra (Ghana)** *BBC*. **Ghana Union of Traders Associations** says Ghanaian business owners are threatening to close shop on 29 August to protest the poor value of the Ghanaian currency, the cedi;

24 Aug 2022 **Accra (Ghana)** *Agence Ecofin*. President **Nana Akufo-Addo** commissions a 13 megawatt (MW) solar power plant, adding to **Ghana's** energy mix which consists mainly of gas and hydropower;

23 Aug 2022 **Accra (Ghana)** *GhanaToday*. Trade ministry deputy minister **Herbert Krapa** says **Ghana** is implementing a **National Export Development Strategy** to increase non-traditional export revenues to \$25 billion by 2029;

23 Aug 2022 **Accra (Ghana)** *Graphic.gh*. President **Nana Akufo-Addo** emphasises the measures government is taking to strengthen the northern border region and other points of entry against terrorism and violent extremism;

17 Aug 2022 **Accra (Ghana)** *Bloomberg*. **Bank of Ghana** (central bank) increases its benchmark interest rate by 300 basis points to 22% - its largest margin on record - to tame inflation and stabilise the tumbling exchange rate at a special monetary policy meeting;

<sup>29</sup> ARC Ghana analyst

22 Aug 2022 **Accra (Ghana)** *BusinessGhana*. **Office of the Special Prosecutor** commences investigation into suspected corruption and corruption-related offences in respect of auction sales of vehicles and other goods by the **Ghana Revenue Authority** between July 2016 and August 2022;

19 Aug 2022 **Oti (Ghana)** *Ghanaian Times*. Ten companies are awarded the rights to explore iron ore blocks in **Oti** region;

17 Aug 2022 **Accra (Ghana)** *Reuters*. **Norway**-headquartered **Aker Energy** says it will postpone submission of a development plan for its **Pecan** oilfield off **Ghana** amid concern the project could face sanctions over the war in **Ukraine** due to the involvement of **Russian** oil firm **Lukoil**;

### About Africa Risk Consulting:

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