

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing November 2023

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#### Ghana Summary 10 November 2023

*Vice president Mahamudu Bawumia wins the ruling New Patriotic Party's (NPP) presidential primary on 4 November. Bawumia will now face the opposition National Democratic Congress (NDC) party's candidate, former president John Mahama (2012-2017), in the December 2024 presidential election. United States-headquartered ratings agency Fitch on 1 November upgrades Ghana's Long-Term Local-Currency Issuer Default Rating to 'CCC' from 'Restricted Default' (RD) indicating the success of the country's domestic debt restructuring. The government issues Ghana's first lithium mining licence to Barari DV Ghana Limited, a local subsidiary of Australian mining firm Atlantic Lithium Limited. Flooding displaces thousands of people in the Volta, Bono East, Savannah, and Greater Accra regions.*

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#### Vice president wins ruling party primary

Vice president **Mahamudu Bawumia** won the **New Patriotic Party's (NPP)** presidential primary by a convincing margin on 4 November, securing 61.43% of the votes, while his closest challenger – **Assin Central** member of parliament (MP) **Kennedy Agyapong** - secured 37.47%.<sup>1</sup> The remaining 1.1% of support was split between former agriculture minister **Owusu Afriyie Akoto** and former **Mampong** MP **Francis Addai Nimoh**. Bawumia's victory had been widely expected given that he had won the NPP's **Special Delegates Election** on 26 August with over 68%.<sup>2</sup> Bawumia will now be the NPP's flagbearer in Ghana's December 2024 general election where he will face off against former president **John Mahama** (2012-2017) who will be the opposition **National Democratic Congress (NDC)** party's presidential candidate.<sup>3</sup>

Bawumia faces several challenges as the NPP presidential candidate. First, he needs to heal any rifts that may have been caused by the primary election process. The wide margin of his victory indicates that a substantial majority of the party already supports him and the effort to unify the party has been made easier by Agyapong accepting the result and publicly declaring his support for Bawumia's candidacy.<sup>4</sup> Bawumia's larger challenge will be preventing NPP members and supporters from defecting to support former trade minister **Alan Kyerematen** who resigned from the ruling NPP party on 25 September and declared that he would contest the December 2024 presidential election as an independent (*See ARC Briefing Ghana Oct 2023*). The 2024 presidential election is expected to be a close-run affair, as such, even a loss of one or two percent of voters to Kyerematen could be a decisive factor.

Secondly, Bawumia needs to find a way to distance himself from Ghana's current economic challenges without causing division within the party. In order to do this, he will need to project his independence from President **Nana Akufo-Addo** (2017-present) and finance minister **Ken Ofori-Atta**. Ghana's 2024 general election is expected to centre around economic issues and which party and candidate voters believe is best suited to oversee the country's economic recovery. Bawumia's greatest weakness on this matter is the fact that he has been the vice president during the ongoing economic crisis. Otherwise, Bawumia has strong economic credentials given that he is a trained economist and a former deputy governor at the **Bank of Ghana (BoG)** (central bank).

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<sup>1</sup> News Ghana, 5 Nov 2023

<sup>2</sup> GNA, 26 Aug 2023

<sup>3</sup> Reuters, 14 May 2023

<sup>4</sup> Ghana Plus, 5 Nov 2023

The vice president has already taken steps to convey his independence from Akufo-Addo using his acceptance speech on 4 November to clearly state that he has his own priorities and vision for Ghana with Akufo-Addo appearing to accept that Bawumia needs to adopt this strategy.<sup>5</sup> However, the emergence of two centres of power with Akufo-Addo heading the state and Bawumia being the de facto head of the ruling party is a recipe for tensions within the government and legislative caucus.

Bawumia's candidacy is also significant as he is the first NPP presidential candidate from northern Ghana since 1992. The current vice president was born in **Tamale (Northern Region)** and the NPP is hoping that this will help the party make inroads into the NDC's historic strongholds in northern Ghana.

The fact that Bawumia is from the north will likely mean that he will choose a politician from central or southern Ghana as his 2024 running mate. At present, Agyapong is viewed as the frontrunner to be selected as Bawumia's vice presidential candidate.<sup>6</sup> The Assin Central MP has proven to be popular within the party and hails from Ghana's **Central Region**. However, other senior party figures such as the parliamentary majority leader **Osei Kyei-Mensah-Bonsu**, first deputy speaker **Joseph Osei Owusu**, energy minister **Matthew Opoku Prempeh**, and education minister **Yaw Osei Adutwum** are all viewed as contenders to be on Bawumia's election ticket.<sup>7</sup>

The conclusion of the NPP presidential primary election essentially marks the start of the 2024 presidential campaign. Even though Bawumia and Mahama will only officially commence campaigning in several months, their every public action will be planned and viewed through the prism of the 2024 election.

### Fitch upgrades local currency rating

United States-headquartered rating agency **Fitch** on 1 November upgraded Ghana's **Long-Term Local-Currency Issuer Default Rating (IDR)** to 'CCC' from 'Restricted Default' (RD), a three-level upgrade.<sup>8</sup> This upgrade indicates that Fitch believes that the domestic debt exchange programme (DDEP) was a success and that Ghana can meet its Cedi-denominated debt obligations. It should be noted that 'CCC' is still a sub-investment grade rating which indicates a low margin of safety and that a renewed default is a possibility. Regardless, the government will view this upgrade as a victory and cite it in defence of the state's economic recovery plan.

Fitch has kept Ghana's **Long-Term Foreign-Currency IDR** at 'RD' due to the government's failure to reach an agreement with Ghana's external creditors - Ghana has approximately \$30 billion in external debt and is seeking to restructure at least \$20 billion of this debt. Unfortunately, the majority of this debt is in **Eurobonds** which means that there are multiple creditors with whom the government needs to secure an agreement. Illustrative of these difficulties, the government's latest debt restructuring proposal was rejected by Eurobond holders on 17 October, resulting in a sharp fall in the market price of Ghana's government bonds.<sup>9</sup>

It is increasingly unlikely that Ghana will manage to reach a meaningful debt restructuring agreement before the end of 2023; however, it is expected to occur eventually given the backing of the **International Monetary Fund (IMF)** and the **World Bank** for such a deal. Furthermore, the longer Ghana's fiscal challenges persist the longer the state will continue to default on the Eurobond payments and the larger the loss these bondholders will incur.

<sup>5</sup> The Herald Ghana, 6 Nov 2023

<sup>6</sup> GhanaWeb, 7 Nov 2023

<sup>7</sup> My Joy Online, 7 Nov 2023

<sup>8</sup> Fitch, 1 Nov 2023

<sup>9</sup> Reuters, 17 Oct 2023

## First lithium mining licence issued

In a more positive economic development, it was revealed on 20 October that Ghana had issued the country's first lithium mining licence to **Barari DV Ghana Limited**, a local subsidiary of **Australian** mining firm **Atlantic Lithium Limited**.<sup>10</sup> The licence is a 15-year lease to extract and process lithium at the **Ewoyaa lithium project** in Ghana's Central Region. Atlantic Lithium Limited began exploration operations in Ghana in 2017 before identifying substantial lithium reserves in 2018. Ghana is currently estimated to have at least 180,000 tonnes of lithium in the Central, **Volta**, and **Western** regions.

Under the terms of the licence, Barari DV Ghana Limited must develop an in-country processing plant to ensure that the lithium is processed locally and not shipped in its raw form to be processed overseas. This will boost the value of these exports for Ghana and indicates that the country learnt from the mistakes it made in its gold and oil sectors.

The government is hoping to position Ghana as a major lithium exporter ahead of the anticipated boom in demand for the metal. Lithium is an essential component of the high-end batteries required for electric vehicle manufacturing and battery storage at renewable energy plants. As such, it is viewed as vital to the ongoing global energy transition.

Ghana has several comparative advantages in this sector, including its proximity to major markets such as **Europe** and **North America** as well as the fact that it is a safer and less controversial state to operate in than other African countries with major lithium reserves like **Mali** and **Zimbabwe**. Ghana is aware that the global shift away from fossil fuels will endanger the country's oil and gas industry and is thus actively seeking to develop a green energy and mining sector to compensate for this impending decline.

Illustrative of the perceived future importance of the sector, Mahama – the opposition presidential candidate – encouraged **Canadian** investors to take advantage of opportunities in Ghana's nascent lithium sector during a summit in **Toronto** on 22 October.<sup>11</sup>

## Flooding displaces thousands in Eastern regions

Flooding in Ghana's Volta, **Bono East**, **Savannah**, and **Greater Accra** regions has displaced over 26,000 people since 13 October.<sup>12</sup> Heavy rainfall resulted in the Volta River breaking its banks and authorities being forced to open the flood gates on the **Akosombo** and **Kpong** hydroelectric dams. This controlled spillage led to widespread flooding in areas along the lower reaches of the **Volta River**.

The worst affected areas are in the Volta region where the majority of displaced people are located. The **Ghana Armed Forces (GAF)** have been deployed to these areas and have conducted rescue and repair operations since 13 October. The World Bank has also committed to providing Ghana with a \$150m loan facility to fund the ongoing rescue and recovery operations as well as the necessary rebuilding of the flood-affected areas.<sup>13</sup>

In addition to the thousands of displaced people, the flooding has also caused widespread infrastructure damage and destroyed thousands of hectares of crops. Furthermore, health officials have reported a surge in cholera and typhoid cases in the Volta region.<sup>14</sup>

Southern Ghana is still in the midst of its rainy season which is expected to last until the end of November. Further heavy rainfall is anticipated in the coming weeks which will likely exacerbate the situation. Underscoring this, on 8 November, Prempeh, warned that the **Volta River Authority (VRA)** is monitoring the inflows at the Akosombo and Kpong dams and may need to conduct another

<sup>10</sup> Mining Weekly, 20 Oct 2023

<sup>11</sup> Modern Ghana, 23 Oct 2023

<sup>12</sup>OCHA, 18 Oct 2023

<sup>13</sup>News Ghana, 7 Nov 2023

<sup>14</sup> 3News, 23 Oct 2023

controlled spill.<sup>15</sup> Such a development will worsen the flooding and setback the rescue and recovery efforts.

Ghana is considered to be particularly vulnerable to the fluctuations of climate change. The country is set to experience more erratic weather in the coming decades and periods of intense rainfall are expected to become more frequent leading to increased intervals of flooding. Ghana currently lacks the necessary infrastructure to manage such deluges or the political will to permanently relocate communities out of at-risk areas. The government will need to address these shortfalls urgently if it is to mitigate some of the impacts of climate change.

### Planner

5-6 Dec 2023 **Accra (Ghana) United Nations** peacekeeping ministerial meeting;  
 19 Dec 2023 **(Ghana)** District level elections;  
 8–24 Mar 2024 **Accra (Ghana)** Africa Games;  
 December 2024 **(Ghana)** General election

### Chronology

7 Nov 2023 **Accra (Ghana)** *Reuters*. The **Ghana Cocoa Board (Cocobod)** borrows over \$150m from cocoa traders to finance cocoa bean purchases for the current season;

6 Nov 2023 **Ada West (Ghana)** *The Herald Ghana*. At least two people are killed in civil unrest instigated by a dispute between a local salt mining project and artisanal miners in **Ada West (Greater Accra Region)**;

5 Nov 2023 **Tamale (Ghana)** *Business Ghana*. Residents in **Tamale** stage a demonstration protesting the poor state of road and water infrastructure in **Northern Region**;

3 Nov 2023 **Accra (Ghana)** *Middle East Monitor*. Hundreds of Ghanaians march through Accra in support of **Palestine** and call for a ceasefire in the ongoing conflict in the **Gaza Strip**;

3 Nov 2023 **Accra (Ghana)** *AfDB*. The **African Development Bank (AfDB)** approves \$102.59m in grant funding to support Ghana's fiscal consolidation and economic recovery programme;

2 Nov 2023 **Accra (Ghana)** *Reuters*. **Turkish** port and container terminal operator, **Yilport Holdings**, announces that it will acquire a 35% stake in Ghana's **Takoradi Port** from the **Africa Finance Corporation (AFC)** for an undisclosed amount;

31 Oct 2023 **Accra (Ghana)** *Ghana Today*. **German** chancellor **Olaf Sholz** travels to Accra and meets with President **Nana Akufo-Addo** to discuss bilateral ties between the two countries;

31 Oct 2023 **Accra (Ghana)** *Financial Times*. **European Union (EU)** donates more than 100 military vehicles to Ghana that were originally seized from a ship off the coast of **Libya**, as part of efforts to shore up Ghana's security. The vehicles are part of a €20m (\$21.2m) support package for the country's military;

28 Oct 2023 **Garu (Ghana)** *Peace FM*. Security forces conduct an operation targeting criminal elements in **Garu (Upper East Region)** in response to an attack on intelligence officers on 24 October;

27 Oct 2023 **Accra (Ghana)** *GNA*. Scores are displaced by intercommunal conflict in **Nkwanta** municipality (**Oti Region**);

24 Oct 2023 **Accra (Ghana)** *Reuters*. Officials confirm that the government is looking to market additional oil and gas blocks in an effort to help generate state revenue;

<sup>15</sup> 3News, 8 Nov 2023

23 Oct 2023 **Accra (Ghana)** *News Ghana*. The three-day **Ghana Investment and Trade Week Summit** run by the **Ghana Investment Promotion Centre (GIPC)** begins in Accra;

23 Oct 2023 **Accra (Ghana)** *Business Ghana*. **Ashanti** regional minister **Simon Osei-Mensah** says **Chinese** investors have shown interest in investment opportunities and developmental projects in **Kumasi** (Ashanti region);

23 Oct 2023 **Accra (Ghana)** *Ghana Business News*. An official from the **World Bank** claims that Ghana's unfavourable business regulatory environment is undermining the country's entrepreneurial potential;

21 Oct 2023 **Accra (Ghana)** *Ghana Business News*. Opposition **National Democratic Congress (NDC)** and the minority caucus in parliament urge government to declare a state of emergency over recent floods;

20 Oct 2023 **Kasoa (Ghana)** *MyJoy Online*. Demonstrators in Kasoa (**Central Region**) blockaded the **Kasoa-Accra highway** in order to protest the poor quality of roads in the area;

20 Oct 2023 **Accra (Ghana)** *3News*. At least one person is killed in intercommunal conflict in the neighbouring towns of **Pankrono** and **Adabraka (Ashanti Region)**;

13 Oct 2023 **Accra (Ghana)** *The Africa Report*. President **Nana Akufo-Addo** asks the **United States** to launch a "global coalition of democracies" to fight violent extremist groups in **West Africa**;

13 Oct 2023 **Accra (Ghana)** *GNA*. Ghana and **South Africa** sign a mutual visa waiver agreement for holders of ordinary passports.

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