

AFRICA RISK CONSULTING

Ghana Monthly Briefing March 2022

Ghana Summary 8 March 2022

Former president John Mahama (2012-2017) declares his candidacy for the National Democratic Congress (NDC) presidential primaries, marking his fourth presidential campaign. He is currently viewed as one of the frontrunners to be the NDC's presidential candidate. His candidacy injects new energy into the build-up to these internal party elections, scheduled for July or August. President Nana Akufo-Addo (2017-present) announces a cabinet reshuffle on 7 February. However, the NDC refuses to vote in favour of Akufo-Addo's (2017-present) ministerial appointments, causing stagnation in the cabinet. Ghana's debt challenges continue to dominate economic developments. The Credit Derivatives Determinations Committee (CDDC) rules on 24 February that Ghana's missed coupon payments on its foreign-denominated bonds count as a 'failure-to-pay event'. This essentially means that the country has defaulted on some of its debt. Ghana is also engaging in negotiations with China to help restructure its external debt and needs to secure a restructuring agreement to have its application for an International Monetary Fund (IMF) bailout approved. The IMF appoints an advisor to the Bank of Ghana (Central bank) on 7 February to help drive deeper institutional reforms. Officials raise concerns about the ongoing communal conflict in Bawku (Upper East region) after defence minister Dominic Nitiwul reveals on 8 February that there was an attempt to blow up a bridge in the town.

Former president launches leadership campaign

Former president **John Mahama** (2012-2017) on 2 March declared his intention to contest the **National Democratic Congress (NDC)** primaries which are expected to take place in July or August this year.¹ He made the announcement in **Ho (Volta region)** four days before the country's independence day commemorations were held in the city. Mahama lost his re-election bid in 2016 to the incumbent president, **Nana Akufo-Addo** who won the election with 53,72% of the vote to Mahama's 44.53%. Mahama was selected as the NDC's flagbearer in the 2020 election where he again lost to Akufo-Addo.² Mahama disputed the 2020 election but eventually conceded after the country's supreme court upheld the election in March 2021.³

The former president still retains significant support within the NDC despite leading the party to two consecutive electoral defeats. This was highlighted by the enthusiasm with which his candidacy was greeted in addition to NDC leaders in the **Ashanti** region already declaring their support for Mahama.

Mahama appears to have given thought to his candidacy and has already begun outlining the platform on which he wants to campaign on in the national election. This includes policies such as scrapping ex gratia payments to senior government officials, reducing public expenditure, combating corruption, and investigating and prosecuting allegedly corrupt politicians from the ruling **New Patriotic Party (NPP)**.⁴

Mahama clearly believes that the conditions are right for him to run for president again. The ruling NPP's favourability ratings are at historic lows due to Ghana's ongoing economic crisis. Ironically, Mahama lost his 2016 re-election due to perceptions of poor economic management, public financial mismanagement, and the fact that his government was embroiled in several corruption scandals. As

¹ Modern Ghana, 5 Mar 2023

² BBC, 11 Dec 2020

³ Reuters, 6 Mar 2021

⁴ Citi Newsroom, 6 Mar 2023

such, Mahama's public history could potentially be as much of a shortcoming as an advantage, but Mahama will be hoping that voters will want to return to a time before the current economic hardships. However, voters are just as likely to want new untainted leaders.

These past scandals and his debatable presidential track record will be used by his opponents in the NDC primaries. Thus far, the other individuals who have announced their intention to contest the NDC's leadership primaries are former finance minister **Kwabena Duffuor**, former mayor of **Kumasi** **Kojo Bonsu** and businessman **Ernest Koba**.⁵ Regardless, Mahama's decision to seek the NDC nomination once again has injected increased energy and tensions into the party's upcoming primaries. At present Mahama and Duffuor are perceived to be the frontrunners to become the party's presidential candidate.

Opposition blocks cabinet reshuffle

Akufo-Addo announced a cabinet reshuffle on 7 February making seven new appointments in his government.⁶ The president's proposed appointments were as follows:

- Trade and industry minister – **KT Hammond**, the member of parliament (MP) for **Adansi Asokwa**;
- Food and agriculture minister – **Brian Acheampong**, MP for **Abetifi**;
- State minister at the finance ministry – former deputy energy minister **Mohammed Amin Adam**;
- Chieftaincy and religious affairs minister – former local government minister **Stephen Asamoah Boateng**;
- Deputy energy minister – former deputy trade minister **Herbert Krapah**;
- Deputy Trade and industry minister – **Stephen Amoah**, MP for **Nhyiaeso**;
- State minister at the local government and rural development ministry – **Osei Bonsu Amoah**, MP for **Akuapem South**.

However, despite announcing this reshuffle on 7 February, the new ministers have still not assumed their new positions a month later due to a decision by the opposition NDC to refuse to support any new cabinet appointments.⁷ Under Ghanaian law, new ministers need to be approved by the parliament.

In response to this resistance, the NPP has indicated that it may push to hold a secret ballot vote on the matter to enable NDC parliamentarians to break their party line and approve these appointments.⁸ Until these appointments are approved, the government will remain less effective and weakened, especially given that these appointments affect important departments such as trade and industry.

Ghana's debt woes worsen as debt-restructuring deadline missed

Ghana missed its self-imposed 28 February deadline to restructure \$30 billion of its \$45 billion external debt.⁹ Ghana is struggling to convince its external creditors to agree to substantive debt restructuring despite the country's finance ministry succeeding in securing an 80% participation in its **Domestic Debt Exchange Programme (DDEP)**.¹⁰ It was hoped that the success of the DDEP would help drive the efforts to restructure external debt.

These efforts to convince bilateral and other external creditors were further complicated after the country was deemed by an international panel comprising investors and banks to have defaulted on some of its debt. The **Credit Derivatives Determinations Committee (CDDC)** ruled on 24 February

⁵ Ghana Plus, 2 Mar 2023

⁶ Modern Ghana, 7 Feb 2023

⁷ Cit Newsroom, 21 Feb 2023

⁸ Modern Ghana, 1 Mar 2023

⁹ Ghanaweb, 1 Mar 2023

¹⁰ My Joy Online, 13 Feb 2023

that Ghana's missed coupon payments on its foreign-denominated bonds count as a 'failure-to-pay event' which essentially means that the country has defaulted on some of its debt.¹¹ The CDDC ruling pertains to Ghana's **Eurobonds**. Ghana failed to meet its 18 January interest payment deadline on a \$1 billion Eurobond that matures in 2026. The missed payment began the clock on a 30-day grace period which expired on 17 February and opened the path for the CDDC to make its determination. The missed payment and CDDC declaration will likely trigger the payout of the insurance protection on Ghana's sovereign debt.

Ghana's currency, the cedi, is expected to weaken further following the CDDC declaration and the missed Eurobond payment. The currency has already fallen by 21% against the **United States** dollar since the start of 2023.¹² This damage is partly self-inflicted as the end-February deadline for external debt restructuring was imposed by Ghana's finance ministry and was not mandated by any international body. This shortcoming will also further complicate the external debt restructuring as it has reduced faith in the government to meet its deadlines.

Ghana needs to secure substantive debt restructuring as part of its efforts to qualify for a \$3 billion bailout from the **International Monetary Fund (IMF)**. Akufo-Addo has sought to moderate concerns regarding the debt situation and stated on 3 March that he was sure that the deal with the IMF would be secured by the end of March.¹³ However, this is far from certain and Akufo-Addo may be setting his government up for failure once again.

Part of the reason for this uncertainty is that Ghana is still in active negotiations with major bilateral creditors for debt restructuring. The most notable of these is Ghana's ongoing negotiations with **China**, which is estimated to hold around \$1.9 billion of Ghana's debt.¹⁴ A delegation from China's **Export-Import (Exim) Bank** travelled to **Accra** between 28 February and 2 March to begin these debt restructuring negotiations but this delegation was really tasked with opening negotiations and laying the foundations ahead of a high-level mission by the Ghanaian government to China in the latter half of March. Finance minister **Ken Ofori-Atta** has sought to set the tone for these current and future talks and appealed to the Exim bank delegation to grant Ghana an exemplary debt treatment solution.¹⁵ The government is pushing for this solution to include a moratorium on debt servicing, an extension of maturities, and lower interest rates.

Although China's debt accounts for less than 5% of Ghana's debt it has become a focal point in Ghana's debt drama.¹⁶ This is because the exact terms of this debt are not widely known, and China has been resistant to joining multilateral bodies committed to addressing developing country debt such as the **Paris Club**. International geopolitical rivalry has further aggravated this as the US and **European** creditors want to ensure that China also agrees to debt restructuring if they are to do so. The government appears to be optimistic that it will secure its desired exemplary debt solution from Ghana and has described the initial talks as "*cordial and fruitful*".¹⁷

The IMF also appointed a new resident advisor to the **Bank of Ghana (BoG)** (central bank) on 6 February as part of Ghana's ongoing efforts to secure the IMF bailout.¹⁸ The advisor, **Leonard Chumo**, will guide the BoG in strengthening its risk-based supervisory framework and help implement the **Basel II** and **Basel III** frameworks. The Basel frameworks are international banking recommendations issued by the **Basel Committee on Banking Supervision (BCBS)**. The Basel II and III frameworks lay out regulations for capital adequacy, liquidity requirements, and risk thresholds for banks. Chumo's appointment indicates that the IMF is utilising its leverage created by Ghana's

¹¹ Daily Maverick, 3 Mar 2023

¹² Moneyweb, 1 Mar 2023

¹³ Ghanaian Times, 3 Mar 2023

¹⁴ Ghanaian Times, 3 Mar 2023

¹⁵ Ghanaweb, 2 Mar 2023

¹⁶ CNBC Africa, 2 Mar 2023

¹⁷ Reuters, 2 Mar 2023

¹⁸ Ghanaweb, 14 Feb 2023

need for a bailout to push for deeper institutional reforms to bring the country's financial sector in line with best practices.

Bawku conflict escalating

Officials have raised concerns that the ongoing communal conflict in the northern town of **Bawku (Upper East region)** is intensifying after defence minister **Dominic Nitiwul** revealed on 8 February that there had been an attempt to blow up a bridge in the town. The explosive device was reportedly discovered and disarmed on 5 February.¹⁹ This marks a serious escalation in the conflict to potential acts of terrorism. The area around Bawku has repeatedly been the site of conflict between the **Kusasi** and **Mamprusi** ethnic groups. Authorities have deployed security forces to the area to enforce the peace, however, this appears to have aggravated the situation further (*See ARC Ghana Briefing Feb 2023*).

The discovery of the plot to destroy the bridge appears to have galvanised the government to respond more assertively to the deteriorating security environment. A week after the bomb was discovered, officials announced that 5,000 additional soldiers would be deployed to Bawku.²⁰

Planner

8 Mar 2023 **Accra (Ghana) State of the Nation Address**
 2023 **(Ghana) New Patriotic Party (NPP)** primaries;
 Dec 2023 **(Ghana) District, Local & Unit elections.**

Chronology

24 Feb 2023 **Accra (Ghana) Ghana Plus.** Officials announce that President **Nana Akufo-Addo's State of the Nation Address (SONA)** is postponed to 8 March;

5 Mar 2023 **Accra (Ghana) Ghana Business News.** **United Nations (UN)** resident coordinator **Charles Abani** urges Ghana to re-enact legislation on people with disabilities to bring Ghana in line with global standards;

5 Mar 2023 **Accra (Ghana) Ghana Business News.** Health officials confirm that 12 cases of **Lassa** fever have been recorded in the country resulting in two deaths;

5 Mar 2023 **Accra (Ghana) My News Ghana.** The **Ghana Boundary Commission** begins discussions with its counterparts in **Burkina Faso** to reaffirm the border between the two countries;

6 Mar 2023 **Ho (Ghana) Pulse.** Ghana commemorates the country's 66th Independence Day. The largest commemorations are held in Ho, **Volta** region;

3 Mar 2023 **Accra (Ghana) Ghana Today.** President **Nana Akufo-Addo** congratulates **Nigeria's** president-elect, **Bola Tinubu**, on his victory in Nigeria's presidential election;

3 Mar 2023 **Accra (Ghana) Ghana Today.** Health ministry launches its new public health workforce strategic plan to guide the restructuring of the sector;

1 Mar 2023 **Accra (Ghana) Ghana News Agency.** The opposition **People's National Convention (PNC)** party announces that it will hold its internal elections between March and May;

2 Mar 2023 **Accra (Ghana) Business Ghana.** Lands and natural resources minister **Samuel Abu Jinapor** reveals that three new gold mines and a new lithium mine will open in the **Ahafo, Upper East and West and Central Regions** by 2025;

¹⁹ My Joy Online, 8 Mar 2023

²⁰ Ghanaweb, 14 Feb 2023

2 Mar 2023 **Accra (Ghana)** *Business Ghana*. Official trade data indicates gold remained Ghana's leading source of export revenue, generating \$6.6 billion in 2022;

1 Mar 2023 **Accra (Ghana)** *ESI-Africa*. The **Ghana Grid Company (GRIDCo)** reveals that it will earn revenue from exporting electricity for the first time since 1983;

15 Feb 2023 **Johannesburg (South Africa)** *Tech Central*. **South African** telecommunications company, b, reveals that it will invest \$1 billion in **Ghana** over the next five years;

27 Feb 2023 **London (United Kingdom)** *Reuters*. Reports indicate that **Russia's Lukoil** is looking to sell its stake in **Ghana's** offshore **Pecan** oilfield which should hasten the development of the field;

21 Feb 2023 **Hong Kong (China)** *Fitch Ratings*. Global ratings agency **Fitch** downgrades **Ghana's** Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) to 'RD' (Restricted Default) from 'C';

1 Mar 2023 **Accra (Ghana)** *The Herald Ghana*. The **National Democratic Congress (NDC)** declares its opposition to the **Electoral Commission's** plan to make the Ghana Card the sole document required to register to vote;

27 Feb 2023 **Accra (Ghana)** *PeaceFM Online*. The **National Communications Authority (NCA)** warns that all unregistered SIM cards will be disconnected by 10 March;

20 Feb 2023 **Accra (Ghana)** *MyJoyOnline*. **Bank of Ghana** (central bank) reiterates that inflation is likely to peak in the first quarter of 2023 and gradually ease thereafter;

14 Feb 2023 **London (United Kingdom)** *Reuters*. **London-headquartered Tullow Oil** announces that its **Ghanaian** unit has filed for arbitration in London challenging two tax bills amounting to \$387m from Ghanaian authorities.

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