

## AFRICA RISK CONSULTING

### Ghana Monthly Briefing February 2024

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#### Ghana Summary 13 February 2024

*Ghana reaches a debt restructuring agreement with its external creditors allowing the board of the International Monetary Fund (IMF) to approve a \$600m tranche payment under the Extended Credit Facility (ECF) arrangement. This, combined with similar funding from the World Bank, will greatly help Ghana's economic reform efforts. In another notable economic development, the Bank of Ghana (BoG) (central bank) cuts interest rates for the first time since 2021 in response to falling inflation rates. However, the pace of the decline in inflation may slow following the introduction of new taxes in the form of an emissions levy. The government also intends to introduce value-added tax (VAT) on electricity. The security environment in Bawku (Upper East region) has once again deteriorated amid a surge in armed clashes and attacks between ethnic Kusasi and Mamprusi groups in the city.*

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#### IMF approves tranche funding after credit agreement reached

The board of the **International Monetary Fund (IMF)** has approved a \$600m tranche payment to **Ghana** under its **Extended Credit Facility (ECF)** arrangement.<sup>1</sup> This is the second payment under the \$3 billion, 36-month ECF arrangement, bringing the total disbursement to \$1.2 billion. The IMF agreed on 19 January to disburse this second tranche payment after Ghana's government succeeded in reaching a debt restructuring agreement with its **Official Creditor Committee (OCC)** under the **G20's Common Framework** on a debt.

Under the agreement, a large proportion of the \$20 billion in external debt earmarked for restructuring will be restructured. Specifically, Ghana's debt repayments from 2023 will now be repaid in 2039 and 2040, while debt service due in 2024 has been postponed until 2040 and 2041.<sup>2</sup> In addition, the OCC agreed to exempt \$2.8 billion worth of bilateral obligations from debt-service payments between 2023 and 2026. Finance minister **Ken Ofori-Atta** said Ghana's creditors had agreed to extend the cut-off date for qualifying debt from March 2020 to December 2022, thus providing substantially more relief for Ghana.

Securing a comprehensive debt restructuring agreement with the country's major external and bilateral creditors was essential for Ghana to unlock additional budgetary support. In addition to the \$600m released by the IMF under the ECF, the restructuring agreement also unlocked \$300m in **Development Policy Operation (DPO)** financing from the **World Bank's International Development Association (IDA)**, and \$250m from the World Bank's **Ghana Financial Stability Fund**.<sup>3</sup> This latter batch of funding aims to address the impact of the **Domestic Debt Exchange Programme (DDEP)** on Ghana's financial sector. The DDEP is the main instrument used in Ghana's domestic debt restructuring.

The \$300m in DPO funding provided by the IDA is the first of three such payments intended to help restore fiscal sustainability in Ghana, support financial sector stability and private sector development, improve energy sector fiscal discipline, and strengthen social and climate resilience.<sup>4</sup> This funding is intended to work hand-in-hand with the IMF's ECF tranche payment in a way that is consistent with the **Joint World Bank-International Monetary Fund Debt Sustainability**

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<sup>1</sup> IMF, 19 Jan 2024

<sup>2</sup> BNN Bloomberg, 17 Jan 2024

<sup>3</sup> Ministry of Finance, 12 Jan 2024

<sup>4</sup> World Bank, 23 Jan 2024

**Framework.** The ECF tranche payment also aims to help fund structural fiscal and governance reforms in Ghana.<sup>5</sup> These include bolstering domestic revenues, improving spending efficiency, strengthening public financial and debt management, preserving financial sector stability, enhancing governance and transparency, and helping to create an environment more conducive to private sector investment.

Securing the debt restructuring agreement with its OCC is a major step in Ghana's economic recovery efforts. The debt restructuring will provide the government with greater financial and budgetary flexibility with which to address the country's substantial economic challenges. The resulting release of around \$1.15 billion in funding from the IMF and World Bank will further bolster its reforms. Ghana will need to aggressively pursue these reforms to further stabilise the economy and to meet the threshold requirements needed to qualify for further IMF and World Bank funding under the respective ECF and DPO programmes.

### Central Bank cuts interest rate

The **Bank of Ghana (BoG)** (central bank) cut the country's main interest rate by 100 basis points from 30% to 29% on 29 January.<sup>6</sup> This is Ghana's first interest cut since 2021 and potentially marks the beginning of the BoG gradually lowering interest rates in the face of falling inflation. The BoG rapidly increased interest rates over the past two years in response to Ghana's economic crisis, which witnessed inflation reach a high of 54.1% in December 2022.<sup>7</sup> Since that peak, inflation has fallen to 23.2% as of December 2023.

Ghana's interest rate of 29% is the second-highest interest rate in **Africa**, behind only **Zimbabwe** (130%). This will continue to place downward pressure on the country's inflation rate, which should lead to continued declines in consumer price inflation (CPI). Further declines in inflation will motivate the BoG to institute further interest rate cuts in the coming months. The BoG's **Monetary Policy Committee (MPC)** is expected to meet in March, during which a similar rate reduction is anticipated.

The BoG is facing a challenge to ensure that inflation continues to decline while not inflicting too much damage with high interest rates. Elevated interest rates constrain credit and liquidity in the economy, placing strain on indebted citizens and discouraging local investment and consumer spending. This task has been made easier by the release of funding by the IMF and the World Bank (see above), which should help Ghana's monetary and fiscal policymakers navigate this economic process. However, the ruling **New Patriotic Party (NPP)**, which is desperate for Ghana's economic conditions to improve before the 9 December general election, will welcome the falling levels of inflation and the corresponding interest rate cuts.

### Emission levy comes into effect

The BoG is likely to be very cautious in its approach to easing inflation over the coming months, as Ghana will experience some inflationary drivers over the short-to-medium term. The most noteworthy of these are new taxes being imposed by the state such as the new emissions tax and the planned imposition of value-added tax (VAT) on electricity. The new emissions tax came into effect on 1 February after parliament approved it in December.<sup>8</sup> The levy aims to combat greenhouse gases in Ghana and help the country to achieve its climate change goals. However, the new emissions levy is unpopular and has been denounced by transport associations and independent power producers (IPPs). Under the new regulations, an annual levy of between \$6 and \$24 will be enforced on all vehicles based on their exhaust emissions. Furthermore, an \$8 levy will be charged per tonne of carbon dioxide (or equivalent) emitted by power producers in the country.

In response to the implementation of the tax, the **Ghana Private Road Transport Union (GPRTU)** announced on 10 January that it would soon increase its fares in order to pass this cost on to

<sup>5</sup> IMF, 19 Jan 2024

<sup>6</sup> Reuters, 29 Jan 2024

<sup>7</sup> IMF, 29 Jan 2024

<sup>8</sup> BBC, 2 Feb 2024

consumers.<sup>9</sup> Similarly, **Independent Power Generators, Ghana (IPGG)**, representing the country's IPPs, has warned that the introduction of the levy will force IPPs to increase their rates as well.<sup>10</sup>

Ghanaians were already on track to experience a sharp increase in electricity costs, as the state is planning on introducing a 15% VAT on electricity consumption.<sup>11</sup> This new tax was meant to be implemented on 1 February but authorities suspended it following widespread public condemnation. The country's largest labour federation, the **Ghana Trades Union Congress (TUC)**, called on its members to demonstrate against the proposed new VAT on 13 February.<sup>12</sup> Although the government has suspended the implementation of VAT on electricity usage for now, it is expected to implement it eventually. Such tax increases and new taxes are an instrumental part of the government's fiscal consolidation and the reforms agreed upon with the IMF. As such, the government is expected to force through the taxes regardless of the widespread unpopularity and political cost. The anticipated increase in electricity and transport costs will lead to an increase in the cost of living and slow the decline of inflation over the coming months.

### Resurgence of violence in Upper East region

The insecurity in and around **Bawku (Upper East region)** has increased further with yet another surge in violent clashes between the **Kusasi** and **Mamprusi** ethnic groups. This latest spike in clashes was instigated when a Mamprusi man was killed after allegedly being caught attempting to steal cattle from a Kusasi community on 12 January.<sup>13</sup>

In the latest development, the **Ghana Armed Forces (GAF)** on 21 January denied executing three civilians in Bawku on 18 January.<sup>14</sup> According to the GAF, the three men who were killed were armed gunmen who attacked patrolling soldiers and were killed in the subsequent gunfight. This incident was followed by clashes, believed to be revenge attacks, on 13 January in the **New Station, Daduuri**, and **Maziama** areas of the city. On 17 January, two people were killed and several others injured when suspected Kusasi gunmen opened fire on the public behind the **Bawku Divisional Police Station**. In response, suspected Mamprusi militants murdered a well-known Kusasi professor in the nearby **Bolgatanga** area. This culminated in an incident in which a group of four gunmen attacked a GAF patrol in Bawku's **Sabongari** area on 18 January, leading to a shootout in which three of the gunmen were killed. This led to unfounded allegations that the GAF had executed the assailant, a claim that the military was forced to deny. In a related matter, also on 18 January, patrolling security forces intercepted two men attempting to ignite a rocket-propelled grenade (RPG) at a petrol station in the city. Although security forces prevented the attack, the fact that the suspects managed to obtain such a weapon is a matter of concern.

The insecurity in Upper East region is rooted in a dispute over the local chieftaincy between the Kusasi and Mamprusi ethnic groups. Both communities claim they have the inherent right to the chieftain's throne and the related lands and resources. The dispute goes back decades, with its origins in **Britain's** colonial-era practice of appointing local chiefs as regional leaders. These traditional leaders have been maintained as a form of local governance in Ghana.

The latest surge in violence has illustrated the extent to which the government's efforts to increase security and mediate the Kusasi-Mamprusi dispute have failed. All these incidents occurred despite the renewal on 12 January of the 20:00 to 05:00 (local time) nightly curfew in Bawku; the curfew was subsequently expanded to 18:00-06:00 on 24 January.<sup>15</sup> The security situation continues to deteriorate and is increasingly defined by the proliferation of weapons in Bawku and the surrounding areas. There is a growing risk that the dispute will escalate to a wider open conflict, potentially

<sup>9</sup> Pulse, 2 Feb 2024

<sup>10</sup> GNA, 4 Feb 2024

<sup>11</sup> BBC, 9 Feb 2024

<sup>12</sup> Ghanaian Times, 5 Feb 2024

<sup>13</sup> GNA, 21 Jan 2024

<sup>14</sup> GNA, 21 Jan 2024

<sup>15</sup> 3news, 24 Jan 2024

spreading to other regions with established Kusasi and Mamprusi communities. As such, the government and the GAF are under pressure to contain the situation and further enhance the security measures in place in Bawku.

### Planner

8-24 Mar 2024 **Accra (Ghana)** Africa Games;  
9 Dec 2024 **(Ghana)** General election

### Chronology

9 Feb 2024 **Accra (Ghana)** *The Herald Ghana*. A dispute over the chieftaincy in **Kaleo (Upper West Region)**, reaches the **Supreme Court**, potentially setting up a challenge between the judiciary and the **National House of Chiefs**;

9 Feb 2024 **Kumasi (Ghana)** *3news*. **Asante** traditional leaders officially take receipt of looted Asante items being returned by the **Los Angeles-based Fowler Museum**;

8 Feb 2024 **Accra (Ghana)** *GNA*. **Switzerland's Klick Foundation** carbon credit procurement agency grants \$850m in funding for six projects in Ghana aimed at reducing emissions;

8 Feb 2024 **Accra (Ghana)** *Business Ghana*. Ghanaian officials reach an agreement with **China's Southern China Airlines** for the latter to operate a direct flight between Accra and **Guangzhou**;

5 Feb 2024 **Kwahu (Ghana)** *My Joy Online*. At least two people are killed in clashes between police and a vigilante mob in **Kwahu (Eastern region)**;

4 Feb 2024 **Accra (Ghana)** *3news*. **Switzerland**-based air quality technology company **IQAir** ranks Accra as the city with the worst air pollution with an **Air Quality Index (AQI)** of 371;

3 Feb 2024 **Accra (Ghana)** *3news*. President **Nana Akufo-Addo** dismisses 24 district chief executives (DCEs);

1 Feb 2024 **Accra (Ghana)** *3news*. **Tertiary Education Workers Union of Ghana (TEWUG)** embarks on a nationwide strike over the government's failure to address its pension and conditions of service demands;

1 Feb 2024 **Accra (Ghana)** *3news*. **Bank of Ghana (BoG)** governor **Ernest Addison** announces that Ghana's **Purchasing Managers' Index (PMI)** improved to 51.8 in December from 51.6 in November;

31 Jan 2024 **Accra (Ghana)** *Ghana Today*. Ghanaian and **British** officials sign two memoranda of understanding (MoU) focussing on trade and scientific cooperation, marking the end of the **9<sup>th</sup> United Kingdom-Ghana Business Council** in Accra;

31 Jan 2024 **Accra (Ghana)** *India TV News*. Former **Maldivian** president **Mohamed Nasheed** relocates to Ghana after resigning from active politics in his home country;

31 Jan 2024 **Accra (Ghana)** *3news*. Former president **John Mahama** announces his opposition to **LGBTQI+** rights during an address to religious leaders in **Eastern** region;

30 Jan 2024 **Accra (Ghana)** *3news*. **Germany**-headquartered human rights organisation **Transparency International** ranks Ghana 70<sup>th</sup> out of 180 countries in its latest **Corruption Perceptions Index (CPI)**;

30 Jan 2024 **Binduri (Ghana)** *3news*. The **Upper East Regional Co-ordinating Council** imposes a temporary ban on motorbikes in **Binduri** district (**Upper East region**) as part of its enhanced security measures in the area;

26 Jan 2024 **Accra (Ghana)** *Modern Ghana*. The **Committee to Protect Journalists** calls for authorities to investigate an alleged assault on a reporter outside the ruling **New Patriotic Party (NPP)** offices in Accra;

25 Jan 2024 **Accra (Ghana)** *France24*. The **High Court** in Accra sentences to death six people, including three soldiers, after convicting them of planning a coup d'état in 2021;

25 Jan 2024 **London (United Kingdom)** *Africa News*. The **British Museum** and the **Victoria & Albert Museum** in London agree to loan items looted from **Ghana's Asante** people during the colonial era to Ghana's **Manhyia Palace Museum**;

25 Jan 2024 **Tallin (Estonia)** *GNA*. Vice President **Mahamudu Bawumia** holds bilateral talks with Estonia's President **Alar Karis** and prime minister **Kaja Kallas**;

24 Jan 2024 **Accra (Ghana)** *3news*. President **Nana Akufo-Addo** appoints Army Chief of Staff Major General **Thomas Oppong-Peprah** as Ghana's new **Chief of Defence Staff** effective 1 February;

23 Jan 2024 **Accra (Ghana)** *3news*. **South African** opposition politician **Julius Malema** attends a meeting organised by Accra-based youth activist group **AriseGhana** during which he warns of the threat that corruption poses to Ghana's democracy;

18 Jan 2024 **Accra (Ghana)** *Pulse*. Separatist **Western Togoland Governing Council** and **Defence Council** announce the formation of a task force to conduct an anti-voting campaign in the areas of **Volta** and **Oti**, regions they claim should be an independent Western Togoland state;

15 Jan 2024 **Accra (Ghana)** *3news*. Two people are killed when an illegal mine collapses in **Amenfi East Municipality (Western region)**, highlighting the risks posed by illegal mining;

12 Jan 2024 **Accra (Ghana)** *3news*. Interior minister **Ambrose Dery** announces the extension of the curfew in **Bimbilla (Northern region)** but reduces the curfew hours to between midnight and 04:00 (local time).

### About Africa Risk Consulting:

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