



GHANA UPDATE

Countdown to the December elections

1) The IMF's belated approval of Ghana's 3rd ECF review – barely 11 weeks ahead of the December election - has delivered **a shot in the arm to the Mahama administration's** policy credibility¹. This was badly needed especially as the Opposition had begun to make political hay with the evidence of missed performance targets – both quantitative and structural - and a sharper economic slow-down than projected.

2) However, the **ECF report falls well short of a vote of confidence**², peppered as it is with such grim observations as:

- “Risks to the program remain elevated.”
- “A decisive break in inflationary pressure, which has stubbornly remained in the 15 to 19 percent range over the last 2 years, is far from evident.”
- “Banking system asset quality continues to deteriorate.”
- “State-owned enterprises (SOEs) in the energy sector have added to financial pressures.”
- “Domestic revenues are underperforming.”
- “A replay of the past spending splurges in election years would greatly heighten the risk of a full-blown economic and financial crisis.”

In our view, this means that the stage is now set for **a vigorous contest** between John Mahama, the center-left incumbent and his centre-right challenger³ - Nana Akufo-Addo - that **will almost certainly go to a run-off**.

3) The NPP has laid out **a supply-side agenda** of investment-led growth, fuelled by tax cuts⁴ but aimed at poverty-reduction. At the same time it has been pressing two devastating lines of attack against the NDC, viz.:

- **incompetent stewardship of the economy**, symbolized by the chronic power crisis but evidenced more specifically by the deterioration of economic growth and median living standards after 8 years of ballooning public debt⁵;
- egregious maladministration, epitomized by the proliferation of **procurement and judicial scandals** under the current administration.

¹ Although doubtless welcome, the simultaneous disbursement of USD 116 million ECF tranche will have paled into insignificance next to the combined proceeds of USD 2.55 billion realized in the preceding weeks from the 2016 COCOBOD financing and Ghana's fourth eurobond, the 9.25% of 2022.

² Indeed, it has been suggested that the Review was only approved *in extremis*, in the light of the slow-motion train-wreck in Nigeria and the Fund's concerns about the sub-region's ability to weather the melt-down of a second significant economy.

³ Although, the Electoral Commission has certified a total of four candidates tickets led, respectively by John Dramani Mahama (NDC), Nana Akufo-Addo (NPP), Ivor Kobina Greenstreet (CPP) and Jacob Osei Yeboah (Independent), the 2016 race will be as much a two-horse contest as every presidential election under the Third Republic

⁴ Some of the tax cuts envisaged are quite aggressive, such as reducing the corporate tax rate from 25-20%; eliminating the 17.5% VAT rate on financial services, real-estate sales and domestic airline tickets.

⁵ And this during a period marked by unprecedented export revenues.

4) The anecdotal evidence indicates a growing level of **popular disenchantment with the Mahama government** – even in historically die-hard NDC areas like the Volta⁶ and the Central⁷ regions.

How, then, does one reconcile the foregoing with the prediction of a close race? The explanation is that there are **two wild cards** in the deck.

5) First, the **fragile cohesion of the NPP** behind its standard-bearer. As will be recalled, the party has a significant dissident faction that remained loyal to Alan Kyeremanteng even after Akufo-Addo had trounced his rival in the NPP primary⁸. While the most prominent members of this faction⁹ were suspended from the national executive in October 2015 in an attempt to ‘stop the rot’, it remains to be seen how completely the recalcitrant tendency has fallen into line behind the party’s nominee¹⁰.

6) The second wild card relates to the **dispute over Ghana’s Electoral register**. Last year, an NPP investigation identified a number of anomalies, including:

- tens of thousands of citizens from neighbouring countries on the voters’ roll;
- a highly statistically significant surge in the number of registered voters in areas historically loyal to the ruling NDC.

Although the Opposition – and several civil society organizations – demanded that a new electoral register be compiled, the Electoral Commission objected that the cost would be prohibitive. Instead, the Commission conducted a **‘verification exercise’ that has notionally purged the voter rolls of invalid names**.

7) So, the election that had the makings of a lay-up for Akufo-Addo turns out to be a cliff-hanger headed for a run-off, with even the **provisional result liable to be challenged before the Supreme Court**¹¹.

We **expect to see Ghana’s bond prices exhibit growing volatility** as the scale of this uncertainty becomes progressively clearer.

⁶ Although this is the home region of party founder and ex-President J.J. Rawlings, one of the Paramount chief Togbe Afede IV (a Yale SoM classmate of your correspondent), has publicly accused the NDC for taking the Region for granted.

⁷ More dramatically yet, Seidu Adams a senior NDC organizer from Ekumfi – the Central region constituency that was home to the late President John Atta Mills – has since defected to the NPP, declaring, “It is clear that the NDC has failed the people of Ekumfi”.

⁸ Held two years ahead of the coming election, in keeping with NPP tradition, the contest resulted in a landslide victory for Akufo-Addo, who carried 94.35% of the ballots against Kyeremanteng’s 4.75%.

⁹ I.e. national chairman Paul Afoko, general secretary Kwabena Agyempng, and vice-chairman Samuel Crabbe.

¹⁰ The ambivalence of the Kyeremanteng faction towards Akufo-Addo’s candidature has been cited as contributing to his defeat in the 2008 and 2012 elections.

¹¹ As will be recalled, the 2012 results were ultimately decided by the Supreme Court ... in a 5-4 decision.

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