In collaboration with

GHANA INVESTMENT PROMOTION CENTRE

Ghana
Covid-19 Response Report

oxfordbusinessgroup.com

December 2020

Content Guide

Part 1

Contents

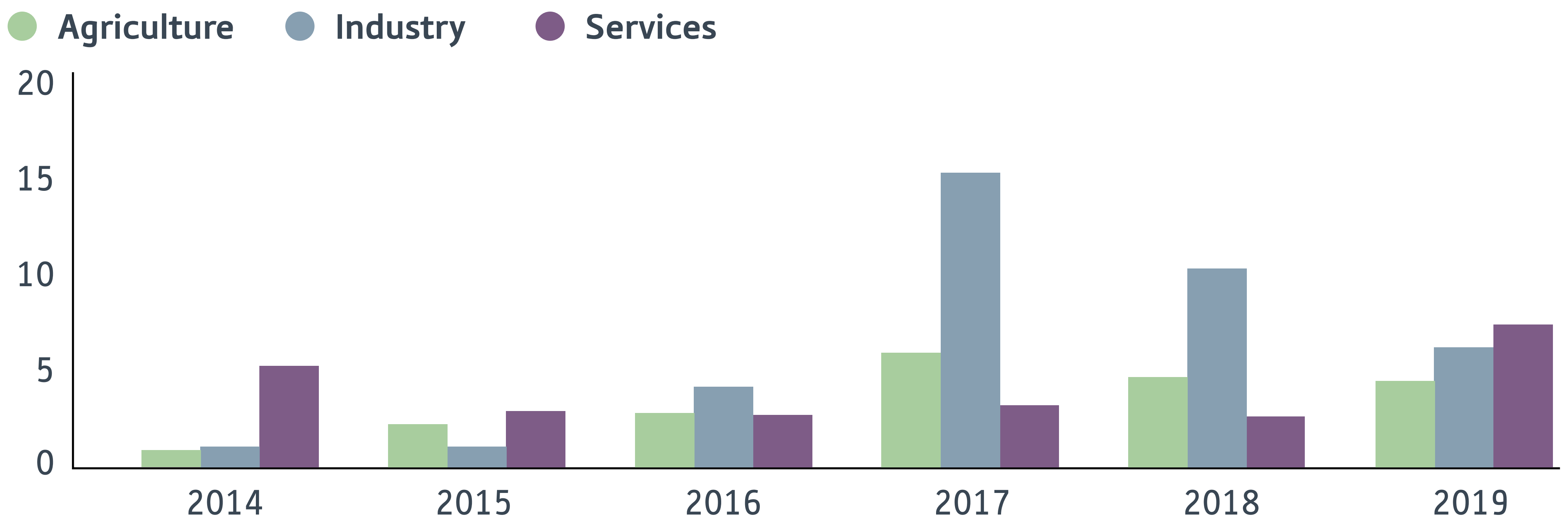
Macroeconomic Overview

Ghana had been achieving consistent and strong economic growth leading up to the pandemic and related oil price decline, which impacted the economy simultaneously in 2020. Strong GDP growth averaging 7% over 2018 and 2019 was accompanied by declining inflation – from 17.45% in 2016 to 7.18% in 2019 – and a significant improvement in the trade balance that saw a $1.8bn deficit in 2016 turn into a $2.26bn surplus by August 2019.

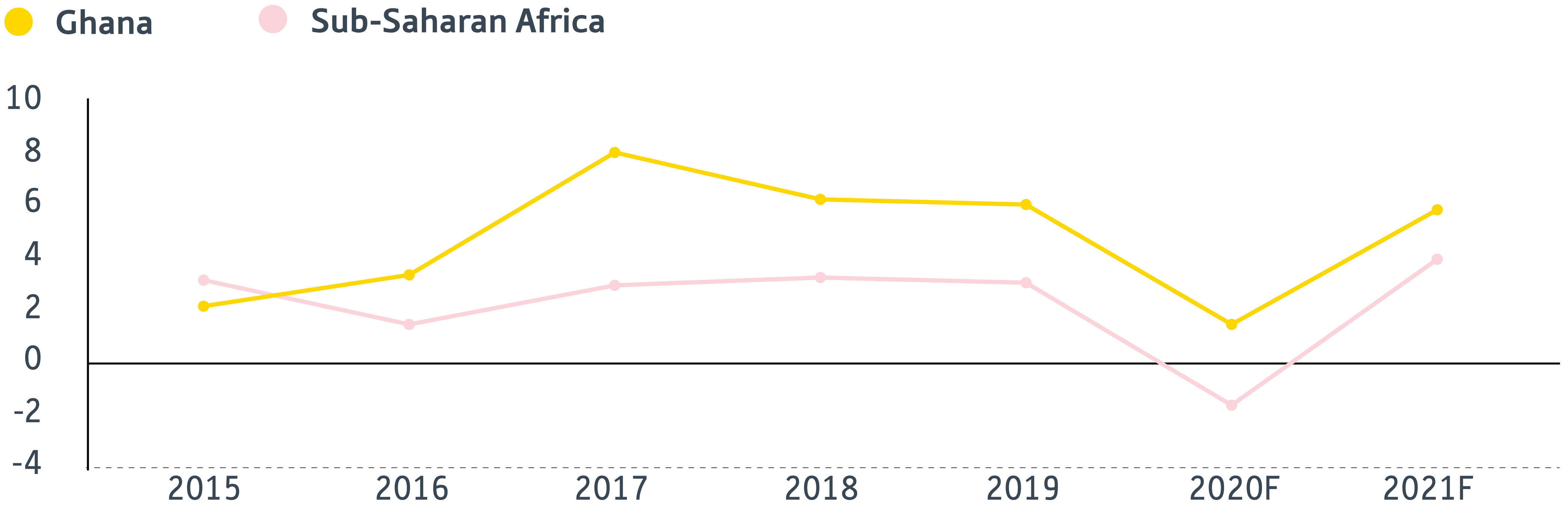
The services sector, which contributes approximately 46% of the total output of the country, remains the largest component of GDP, while industry – buoyed by developing mining and oil and gas activities – has seen the most significant growth, with expansion of 15.7% in 2017, 10.6% in 2018 and 6.4% in 2019. Agriculture, while declining in relative importance, continues to provide a significant portion of employment. Crop yields, especially for staple foods, have seen steady annual increases, and the sector provides an important source of foreign currency through cocoa exports. The broader economy was growing at double the average pace of emerging economies worldwide before the pandemic, and outpaced the World Bank's estimate of 2.3% average growth for sub-Saharan Africa in 2019.

Under the Ghana Beyond Aid initiative, the administration of President Nana Akufo-Addo has been prioritising efforts to formalise the economy, diversify the manufacturing base and overhaul the taxation structure. An IMF programme that concluded in early 2019 resulted in fiscal reform and the stabilisation of the budget deficit, while the Bank of Ghana (BoG), the central bank, finalised a clean-up of the banking and non-banking financial sector that same year. Both paved the way for a more resilient economy.

Real GDP growth by sector, 2014-19 (%)



Real GDP growth, 2015-21F (%)



Graph source: *GSS; IMF April 2020 World Economic Outlook*

Mahamudu Bawumia

Vice-President of Ghana

How would you evaluate the government's handling of the Covid-19 pandemic?

Considering the uncertainty around Covid-19, we relied on science and available data to guide our policy, with a focus on containing the virus with the three Ts: testing, tracing and treatment. Compared to other countries in West Africa, Ghana has been able to conduct many tests, which helped a lot from a medical perspective, as we were able to isolate and treat patients at an early stage. Contact tracing was also key in our response, keeping in mind that asymptomatic people can still transmit the virus. We have had a very high recovery rate as a result, and five regions of the country have registered no active cases.

We were one of the first countries in West Africa to implement a lockdown, which made a big difference but also resulted in other challenges because of the nature of our informal economy. The loss of livelihood among a large portion of the urban population required us to respond to those in need with food packages, as well as with free water and electricity.

Our strategy has proved effective thus far, and we continue to follow global best practices and experiences to adapt our approach where necessary. As President Nana Akufo-Addo mentioned at the beginning of the crisis, our objective has been to protect the lives and livelihoods of our citizens.

What steps are being taken to further build domestic industrial capacity and deepen self-reliance?

Since 2016 our policy framework has been driven by President Akufo-Addo's vision of a Ghana Beyond Aid. Before Covid-19 we had already begun working to build a more self-reliant economy, with agricultural programmes like Planting for Food and Jobs aimed at supporting farmers with seeds and fertiliser, as well as the One District, One Factory initiative to boost industrialisation. The industrial mobilisation that took place during the pandemic might turn out to be a game-changer and propel the economic recovery.

Providing personal protective equipment was a challenge, and there are some types of masks that cannot be produced domestically. However, we successfully mobilised local textile companies to produce a large quantity of basic cloth masks in a very brief time. This was an essential part of our response to the pandemic, as we decided to make masks compulsory early on. Covid-19 has jump-started our Ghana Beyond Aid vision and has allowed us to be more self-reliant. This experience has shown us that government procurement should be directed to local industry as much as possible.

Mahamudu Bawumia

Vice-President of Ghana

To what extent have digital solutions been deployed in the fight against Covid-19?

Digitalisation and the use of digital solutions are key to transforming Ghana. Three years ago we began a process of issuing digital IDs to everyone, creating digital addresses, introducing mobile money payments and granting online access to government services. Given the lockdown and social-distancing measures that were implemented, digital solutions became essential in the country. We have also developed a mobile app to manage contact tracing and deployed drones to deliver test samples to our testing centres.

In light of the pandemic, which key sectors are in need of additional investment in Ghana?

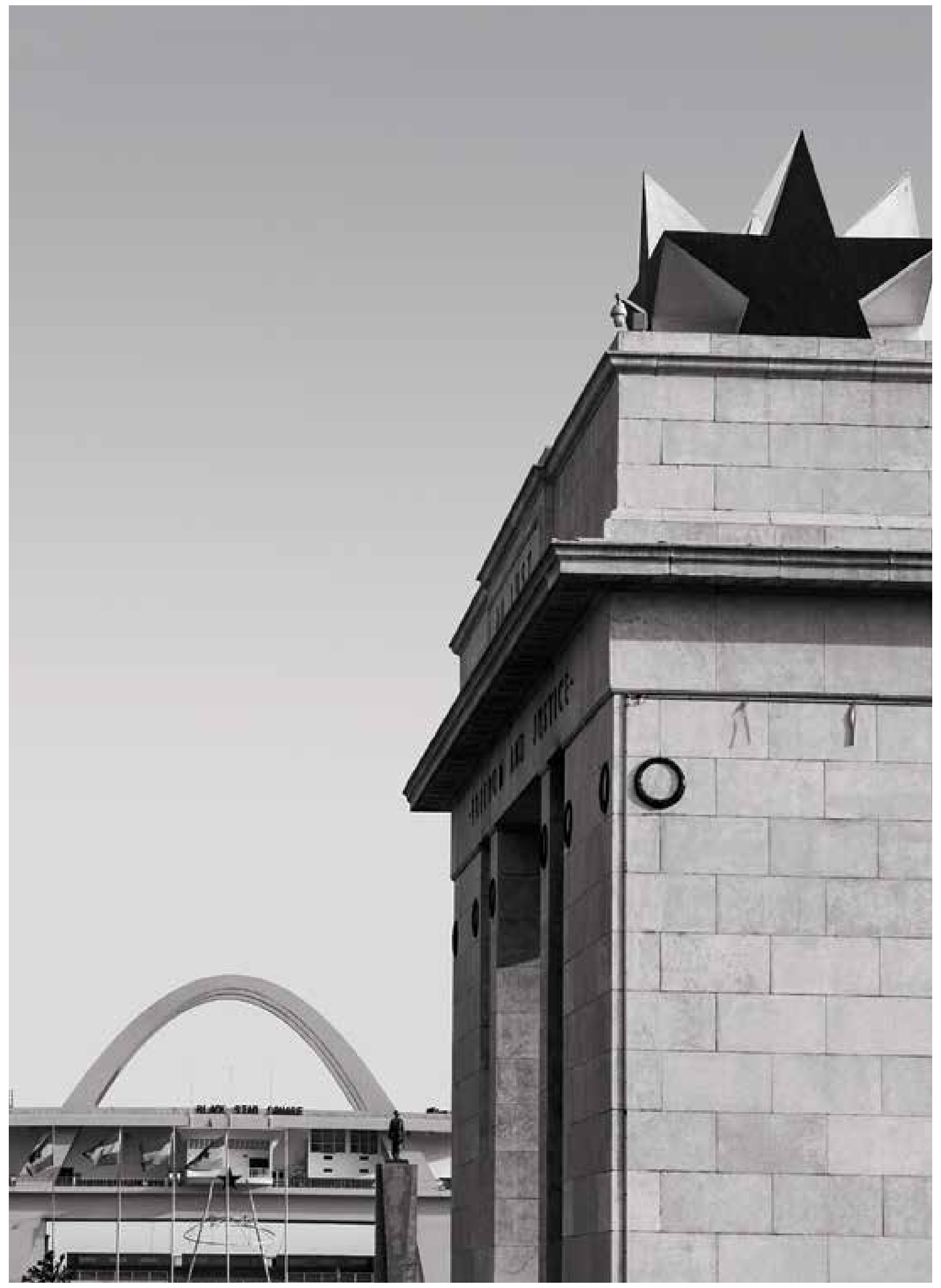
Further investment in the agriculture sector is essential, as food security and self-sufficiency are critically important. We are also implementing the Covid-19 Alleviation and Revitalisation of Enterprises Support (CARES) programme, which will require more investment in industry and could provide a major source of employment. Another important area for investment is infrastructure – specifically transport infrastructure such as new and upgraded roads, railways and ports. We recently launched an online delivery tracker through which anyone can check the progress of infrastructure projects the government is currently undertaking, broken down by district and sector. It is the first time that we have such a tool to promote transparency and accountability.

In the industrial sector, we should leverage our location as the headquarters of the African Continental Free Trade Area Secretariat to become a regional manufacturing centre. We believe our country has the potential to be a centre in many areas such as petrochemicals, financial services, education and digital services.

We have achieved a lot in recent years in terms of digital services in particular, reducing the cost of data and expanding broadband. We are now at a stage where we have all infrastructure in place and will be connecting it in 2021 to achieve a fully integrated system across the country.

Given the logistical challenges posed by Covid-19, how can Ghana ensure safe and secure elections in December?

Ghana is one of the most peaceful countries in West Africa, according to the Global Peace Index. This is because we are committed to democracy; elections are contentious, but they are not violent. In 2020 we successfully put in place a new voter registration system despite the challenges of the Covid-19 pandemic. Safety protocols such as social-distancing measures were implemented in order to ensure that the Electoral Commission could perform its job in the best way, while also ensuring the security of our citizens. Fortunately, the registration process was completed peacefully. This experience has helped us to prepare for the upcoming elections in December 2020, and we are confident there will not be any issues.



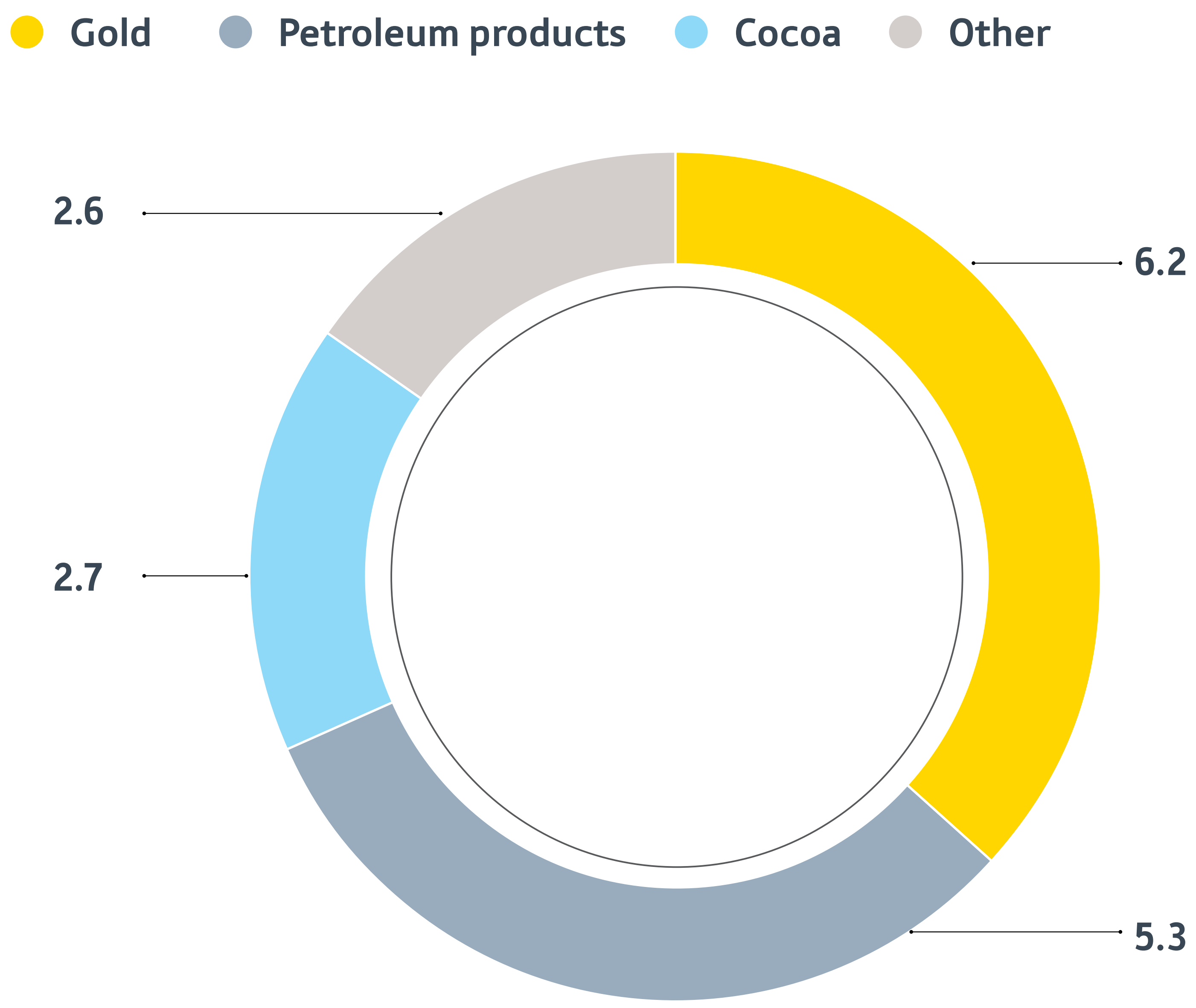
Exports

Ghana has long been one of Africa's leading commodity exporters, with its three main export commodities contributing to a trade surplus of $2.26bn (3.4% of GDP) by the end of 2019, up from $1.8bn (2.8% of GDP) in 2018. Ghana became the continent's largest producer of gold and second-largest producer of cocoa in 2019, while crude oil exports also yielded higher returns.

However, as reliance on these core commodities has made Ghana vulnerable to external shocks, the government has rolled out a number of initiatives to boost the value of other export products. Non-cocoa tree crops have seen success in recent years, with the promotion of cashew, coffee, mango, oil palm, coconut and rubber leading to both increasing yields and more developed production standards.

Gold remained the most important export product in 2019, providing 36% of the value generated by commodities exports, at $6.23bn. Gold production also makes up the majority of activity in the mining sector, with 90% of sector revenue generated by its extraction.

Value of export commodities, 2019 ($ bn)



Cocoa prices, production and exports have been relatively steady in recent years, providing the country with approximately $2.71bn worth of foreign exchange earnings through exports in 2019. Ghana ranks second only to Côte d'Ivoire by export value for the commodity, and in recent years the two countries have begun cooperating together and gaining more power in the global cocoa market.

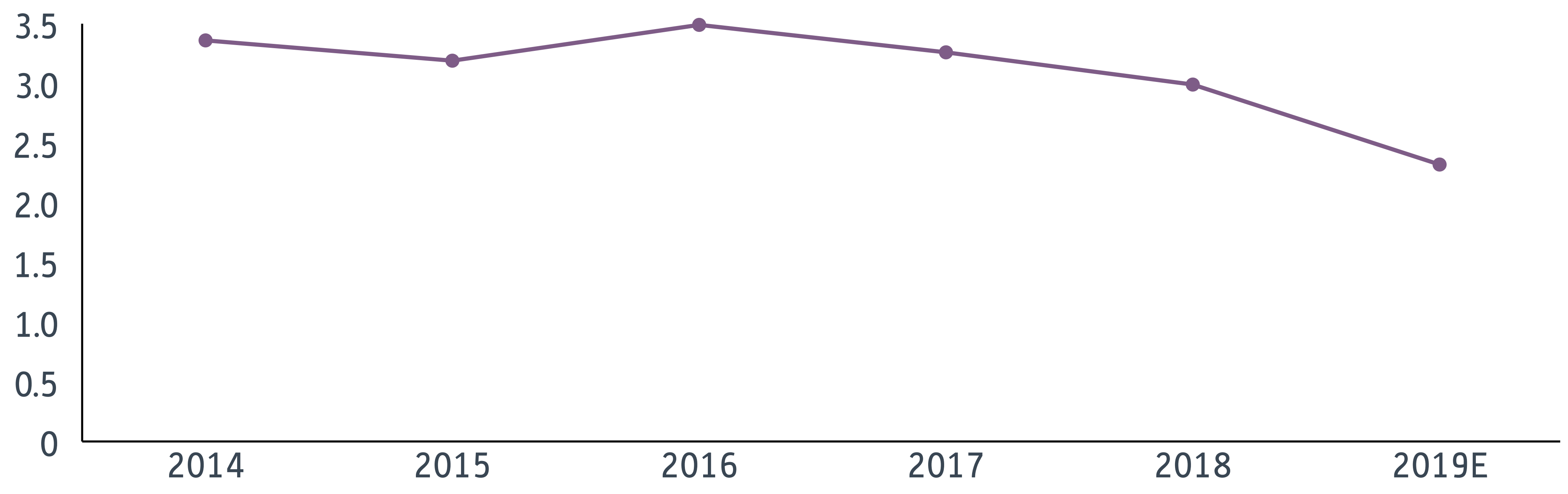
While cocoa beans as a raw material continue to make up the bulk of cocoa-related exports, some domestic producers have started building chocolate value chains, setting the stage for increased earnings in the future in the form of finished products.

The country's oil and gas sector, meanwhile, has been a major driver of economic growth since oil was discovered in 2007. Petroleum products accounted for $5.31bn in foreign exchange earnings in 2019 and $937.7m in revenue for the central government through crude oil liftings to increase the flow of liquids, surface rentals and corporate taxes.

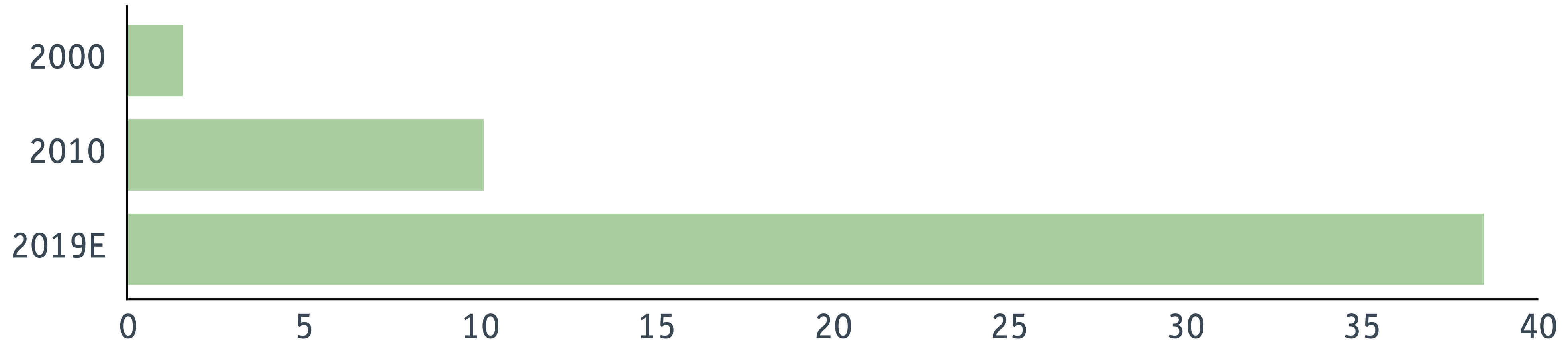
Graph source: *Trend Economy, Chamber of Mines*

Foreign Direct Investment and Regional Trade

FDI inflows, 2014-19E ($ bn)



FDI stock, 2010-19E ($ bn)



The long-term trend for foreign direct investment (FDI) in Ghana has been encouraging. By the end of the first half of 2020, Ghana had recorded total investments of $869.5m, with total FDI amounting to $785.6m. Investments were largely concentrated in the three main export commodity segments of oil and gas, mining and cocoa. Although the total value of investments decreased, there was a higher number of greenfield investments, at 45 compared to 30 in 2018.

The government has pledged to enact a number of reforms to attract more FDI, including an overhaul of the regulatory system to ensure greater ease of doing business and improved transparency and accountability. The Ghana Investment Promotion Centre is developing a virtual one-stop shop for investors and is collaborating with the Diaspora Affairs Office of the President to facilitate investment from Ghanaians abroad. The six-phase Railway Master Plan is expected to attract significant investment in 2020, following other recent infrastructure investments such as the Master Project Support Agreement with Chinese state-owned firm Sinohydro to construct $2bn in projects that include roads, bridges, hospitals and housing.

In July 2019 Accra was selected by the African Union as the host city of the African Continental Free Trade Area (AfCFTA) Secretariat, due in part to Ghana's long history of pan-African engagement. In this context, Ghana has been building up its trading potential with major infrastructure upgrades at key ports and airports, and more investments are planned for rail and road. While the implementation of the AfCFTA has been somewhat delayed by the Covid-19 pandemic (see Part 3), the outlook for increased regional trade remains positive in the long term.

Graph source: *UNCTAD*

Agriculture

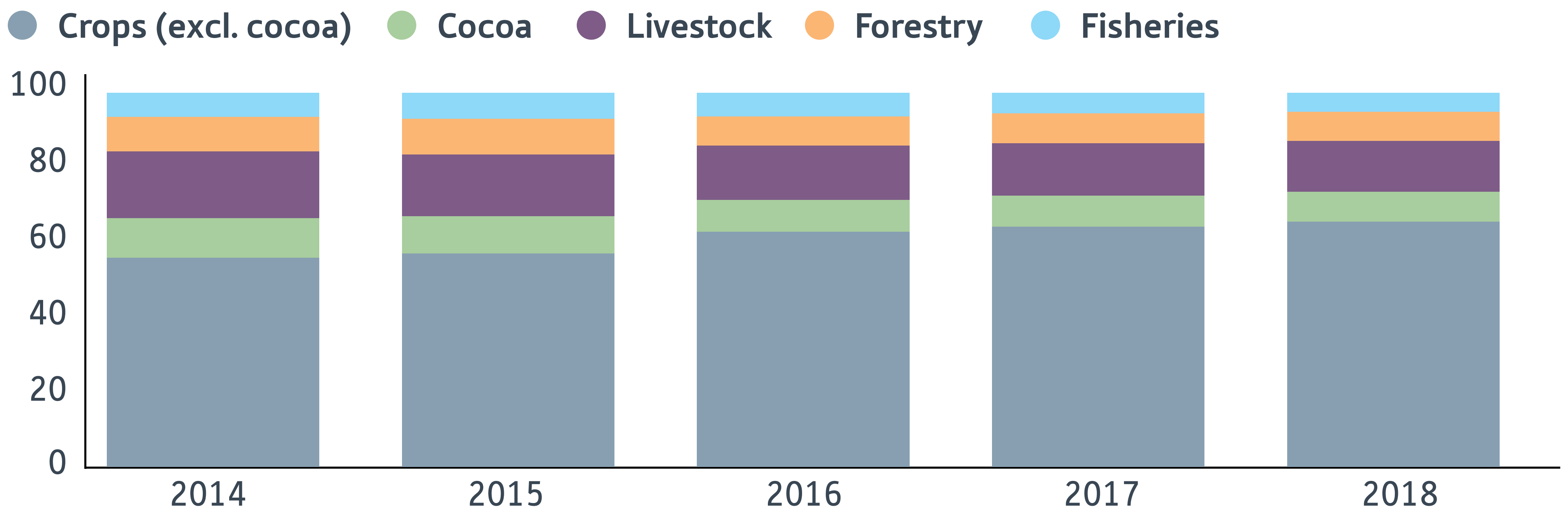
The government has embarked on large-scale agricultural modernisation efforts since 2017, chief among them the Planting for Food and Jobs initiative, which is aimed at boosting food security and accelerating rural development. Other programmes include Rearing for Food and Jobs, which aims to intensify domestic livestock production; Planting for Export and Rural Development, which targets the production of selected tree crops for export earnings; Greenhouse Capacity Development, which includes training in greenhouse vegetable production in rural areas; the Mechanisation Module, which has resulted in the distribution of 6270 units of agricultural machinery and equipment as of mid-2020; and irrigation development under several schemes for some 7140 ha of land.

In recent years, the productivity of most food crops has increased significantly. National maize production rose by 71% from 1.7m tonnes in 2016 to 2.9m tonnes in 2019, while paddy rice increased by 34% from 688,000 to 925,000 tonnes over the same period. This growth in staple crop yields has helped reduce food imports to the country, signifying a higher degree of food security.

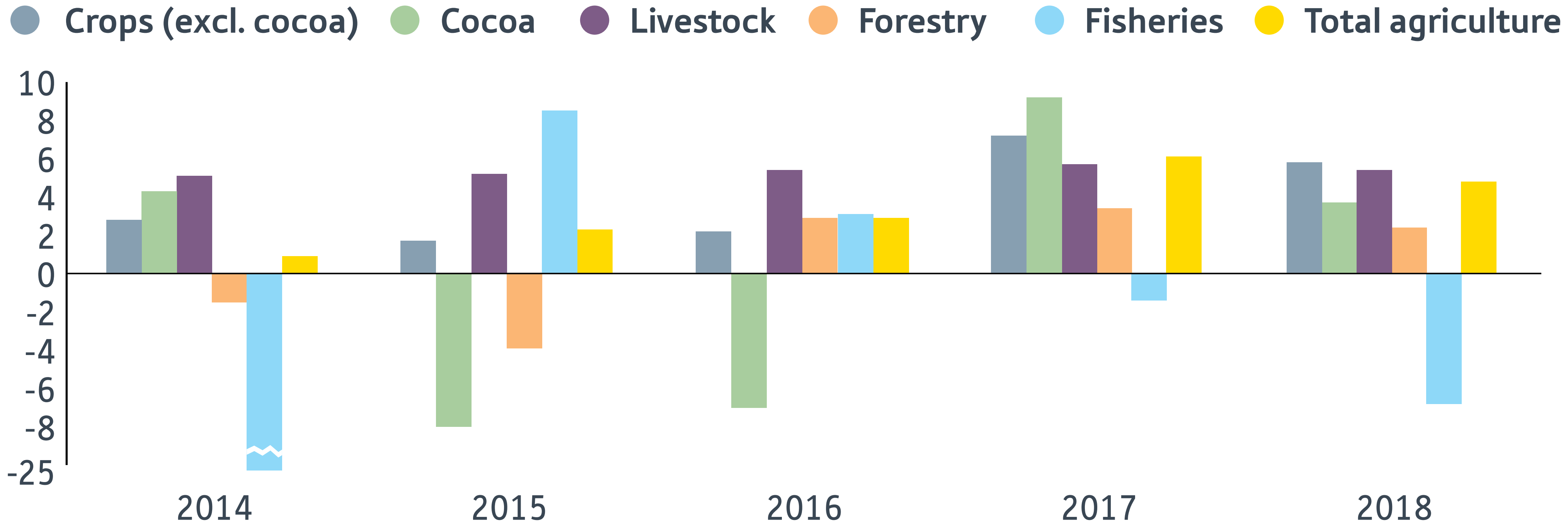
While the total value of agricultural imports in 2019 was down only slightly compared to previous years, at GHS13.3bn worth of products compared to GHS13.5bn in 2018 and GHS14.4bn in 2017, the composition of imports reveals the shift towards greater food security.

In 2019 imports of meat were down 35%, from GHS744m in 2018 to GHS484m; rice imports declined by 6%, from GHS8.9bn to GHS8.4bn; and the value of cereal imports was reduced by 10.6%, from GHS817m to GHS730m. Cereal production declined more sharply the previous year – dropping by 38% in 2018. However, the total value of agricultural imports remained largely unchanged due to more purchases of fertiliser, live animals, mechanical appliances and agricultural vehicles.

Subsector contributions to agricultural output, 2014-18 (%)



Agriculture growth rates by subsector, 2014-18 (%)



Graph source: *GSS*

Industry and Tourism

Industrial development and import substitution are key goals of the Akufo-Addo administration. Manufacturing is being encouraged through a number of major projects and initiatives, business reforms and fiscal measures to tackle structural challenges and improve investor confidence. The Ministry of Trade and Industry launched the 10-Point Industrial Transformation Agenda in 2017, which aims to expand the manufacturing sector, reduce unemployment and accelerate socio-economic development via investment in strategic industries such as automotive, iron and steel, pharmaceuticals, textiles, vegetable oils and fats, and industrial chemicals.

Another key programme is One District, One Factory, which, according to the mid-year budget review for 2020, has 232 projects at various stages of implementation, 76 of which are completed and operational. Over 150 of the 260 districts in the country are benefitting from the programme.

While tourism is among the sectors hit hardest by the pandemic in many countries around the world due to travel restrictions, it has been one of the key drivers of Ghana's diversification in recent years. In particular, 2019 witnessed high visitor growth and an increased focus on investment in tourism infrastructure as the Year of Return initiative drove many international travellers to the country. The programme was initiated on the 400th anniversary of the arrival of the first enslaved Africans to the US, and primarily targeted the Ghanaian diaspora and those of African heritage at large. The campaign encouraged those with African roots to travel, reconnect with their history, and invest in Ghana and the continent. According to Barbara Oteng-Gyasi, the minister of tourism, arts and culture, the initiative yielded approximately $3.3bn in tourism receipts from 1.13m arrivals. The average expenditure per tourist jumped by more than $200 in 2019 to $2931, compared to $2708 per visitor in 2018.

Key programmes

One District, One Factory

232 projects at various stages of implementation: **76 completed**

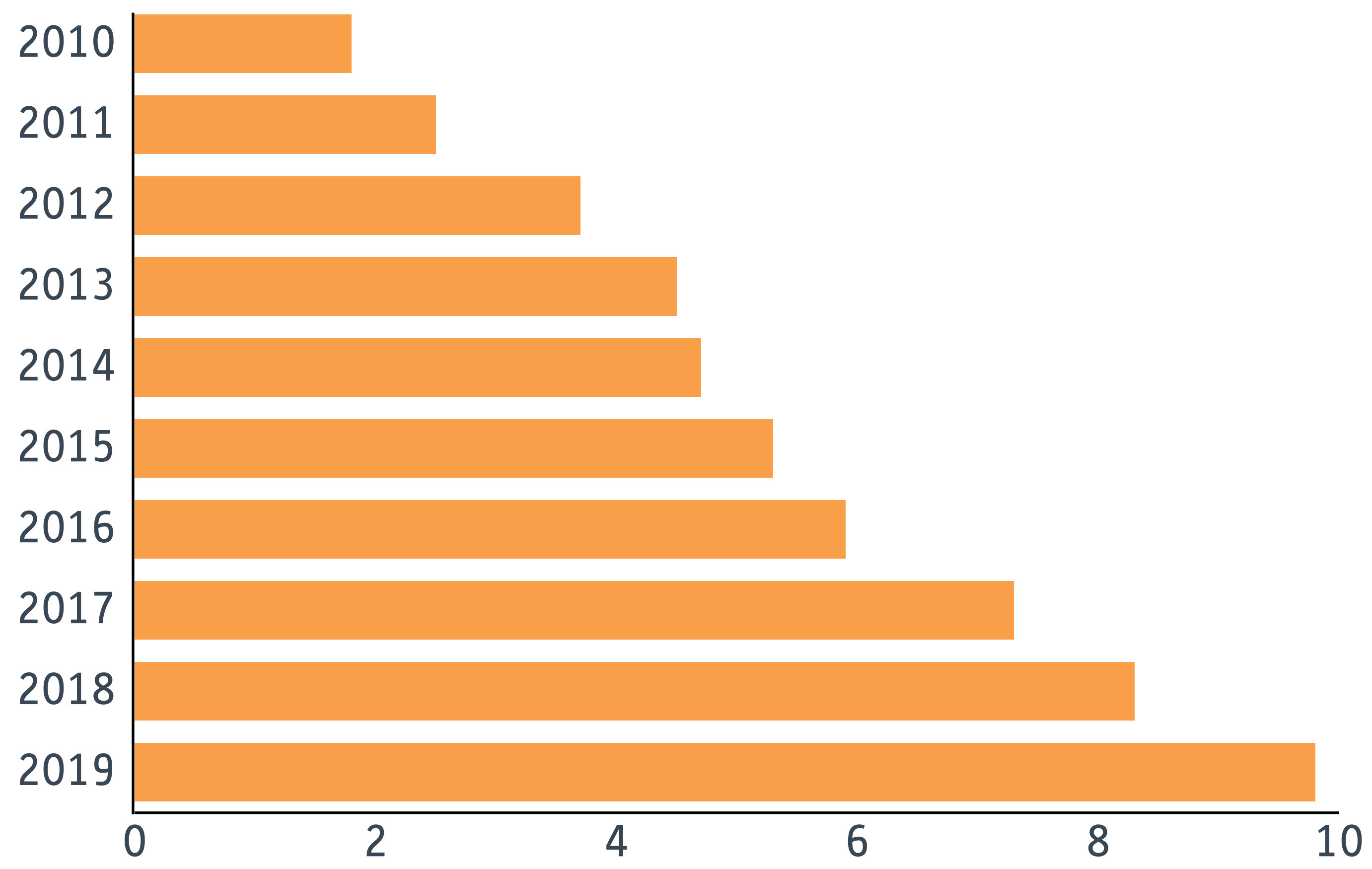
154 out of 260 districts benefitting from the programme

Year of Return

2019 brought in **$3.3bn** in tourism receipts from 1.13m arrivals

Average tourist spend was **$2931,** compared to $2708 in 2018

Leisure tourism spending, 2010-19 (GHS bn)



Graph source: *MoF; MoTAC; WTTC*

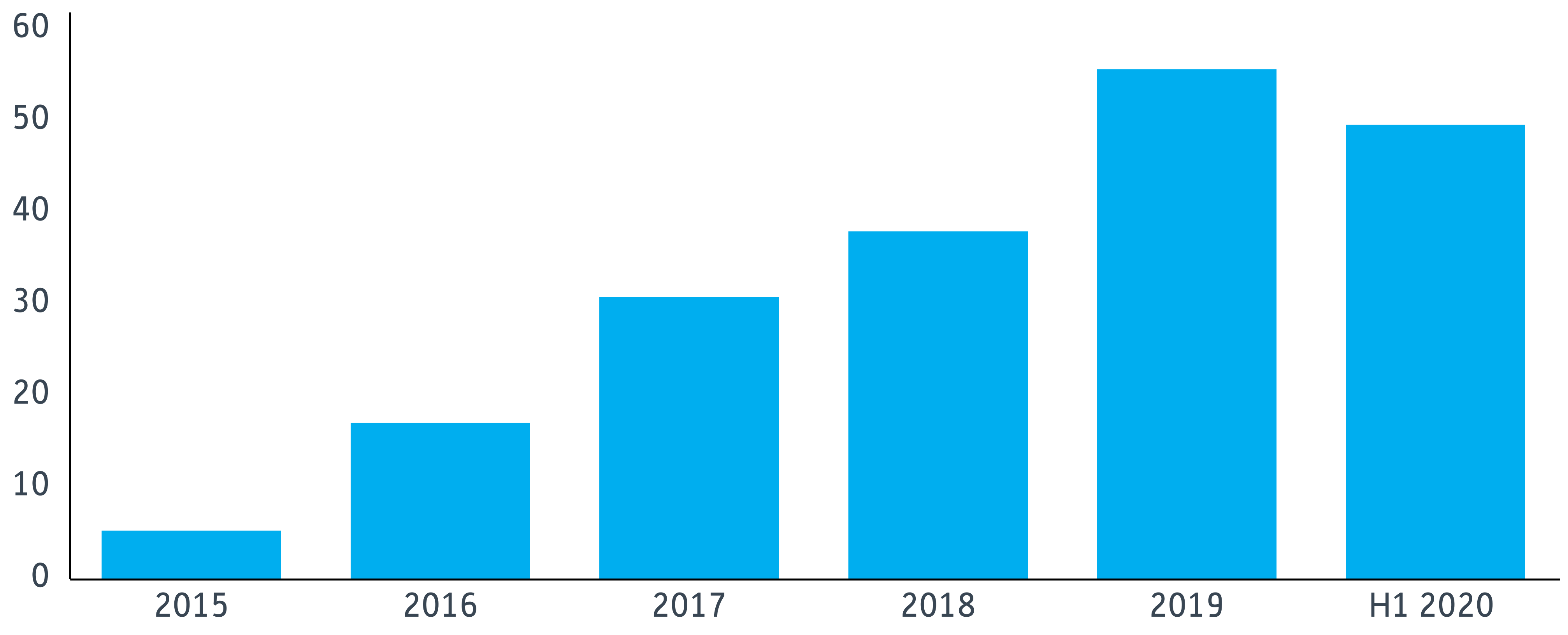
Financial Sector

A sector review by the BoG in 2015 and 2016 revealed severe challenges with solvency, liquidity and asset quality in the domestic banking industry, with some banks showing significant under-provisioning and capital shortfalls. In response, the BoG carried out a multi-year clean-up of both the banking and non-banking financial sector. Measures included a new minimum capital requirement of GHS400m, expanded regulatory power for the BoG and a new corporate governance directive designed to boost public confidence.

The exercise altered the banking landscape considerably. As a result of the new requirements, a number of domestic banks, specialised deposit-taking institutions and microfinance institutions were forced to close or merge. This saw the number of banks in operation fall from 36 in mid-2017 to 27 two years later, and to 23 as of 2020. In order to stave off a collapse of the sector and protect the funds of an estimated 4.6m depositors and 81,700 investors, the government spent GHS21.6bn. Part of the spending went towards creating Consolidated Bank Ghana, an institution set up to control the assets of five failed institutions and which now manages the country's second-largest branch network.

The overhaul was a success, with both assets and deposits at the remaining banks increasing significantly. Assets rose from GHS89.1bn in August 2017, at the start of the clean-up, to GHS115.2bn in August 2019, when the rationalisation was concluded, and deposits climbed from GHS55.7bn to GHS76bn.

Trade volume on the Ghana Fixed-Income Market, 2015-H1 2020 (GHS bn)



Banking sector clean-up between August 2017 and August 2019

The number of banks decreased from **36 to 23**

Total sector assets climbed from GHS89.1bn to **GHS115.2bn**

Total sector deposits rose from GHS55.7bn to **GHS76bn**

New minimum capital requirement of **GHS400m** was instituted

Cost of clean-up to government totalled **GHS21.6bn**

Graph source: *MoF*

Part 2

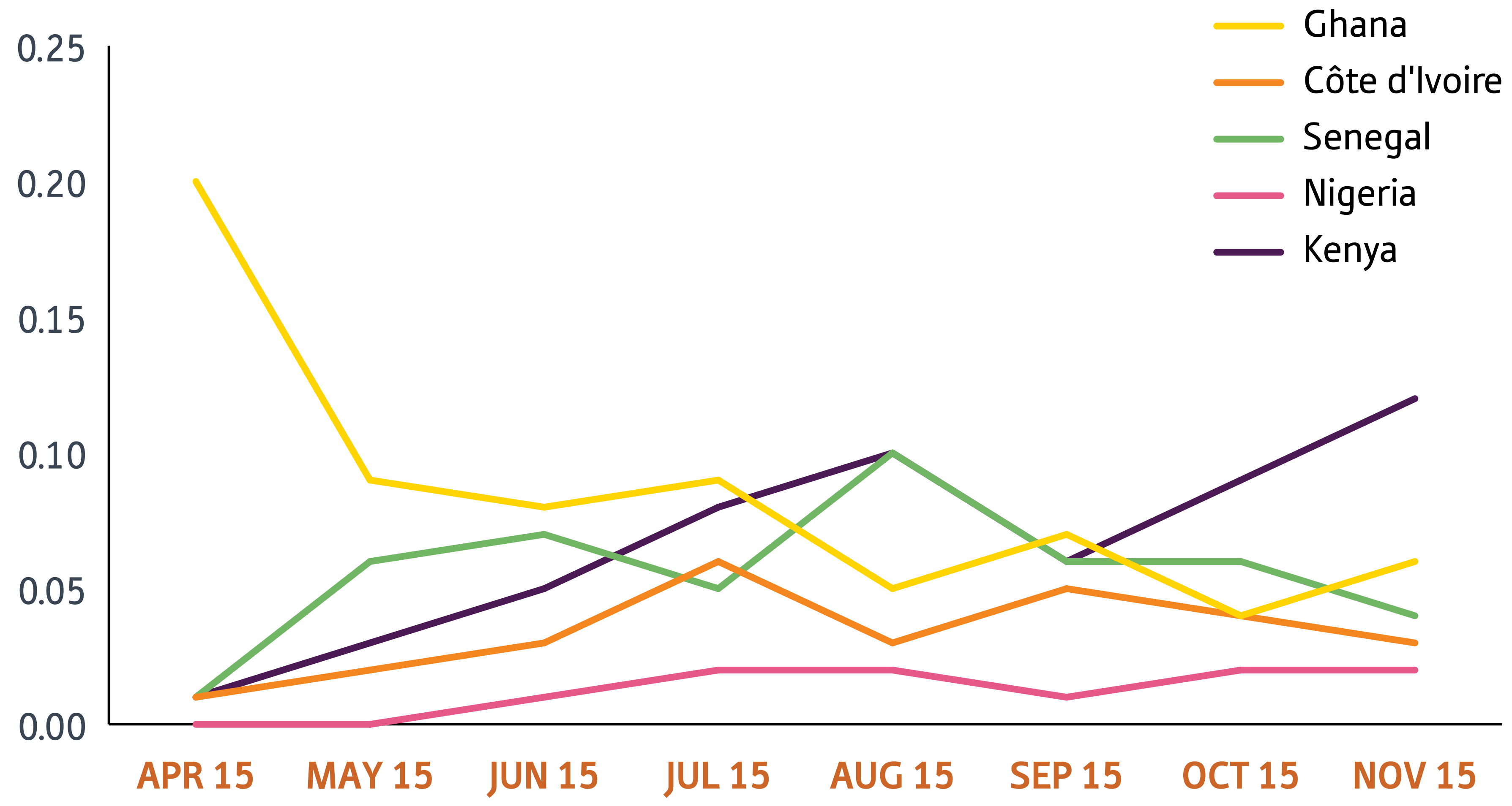
Part 2: Response

Timeline of Covid-19 Measures in Ghana

As one of the first countries on the continent to respond to the Covid-19 pandemic, Ghana has largely been able to contain the health and economic consequences with a combination of decisive enforcement, supportive measures and investment in critical health infrastructure. On March 17 the country barred entry for all travellers, excluding returning Ghanaian nationals, who had visited a country with more than 200 confirmed Covid-19 infections. At the same time, a mandatory 14-day quarantine for all travellers was instituted. By March 24, 1030 people had been isolated and regularly tested, 10% of whom tested positive. Ghana closed its land borders on March 22.

On March 30, when the number of confirmed cases was fewer than 200, Ghana imposed a two-week partial lockdown in the metropolitan areas of Accra and Kumasi that was later extended for another week. During the lockdown, residents of the affected areas were permitted to go to food markets, petrol stations and banks, but there was no exemption for religious services and mass gatherings such as funerals. Since the end of the lockdown on April 20 a gradual loosening of restrictions has been implemented. Face masks were declared mandatory in public places and enforcement has been ramped up, with severe consequences – including jail time –announced in mid-June for those who fail to comply.

Daily Covid-19 tests per 1000 people, rolling seven-day average of selected dates



Graph source: *Our World in Data*

March 12
First cases recorded

March 15
Ban on public gatherings

March 17
Travellers barred entry if coming from a country with 200+ confirmed cases

March 22
Border closure and mandatory quarantine in Accra

March 27
Mandatory quarantine in Tamale

March 30
Partial lockdown in Accra and Kumasi, and enhanced surveillance and testing

April 2
Hotel exit testing

April 20
Partial lockdown lifted, with border closure and ban on public gatherings still in place

May 10
Ban on public gatherings extended to May 31

May 31
Borders to remain closed until further notice, and phased resumption of public life to begin in June

September 1
Air borders reopen for international travel

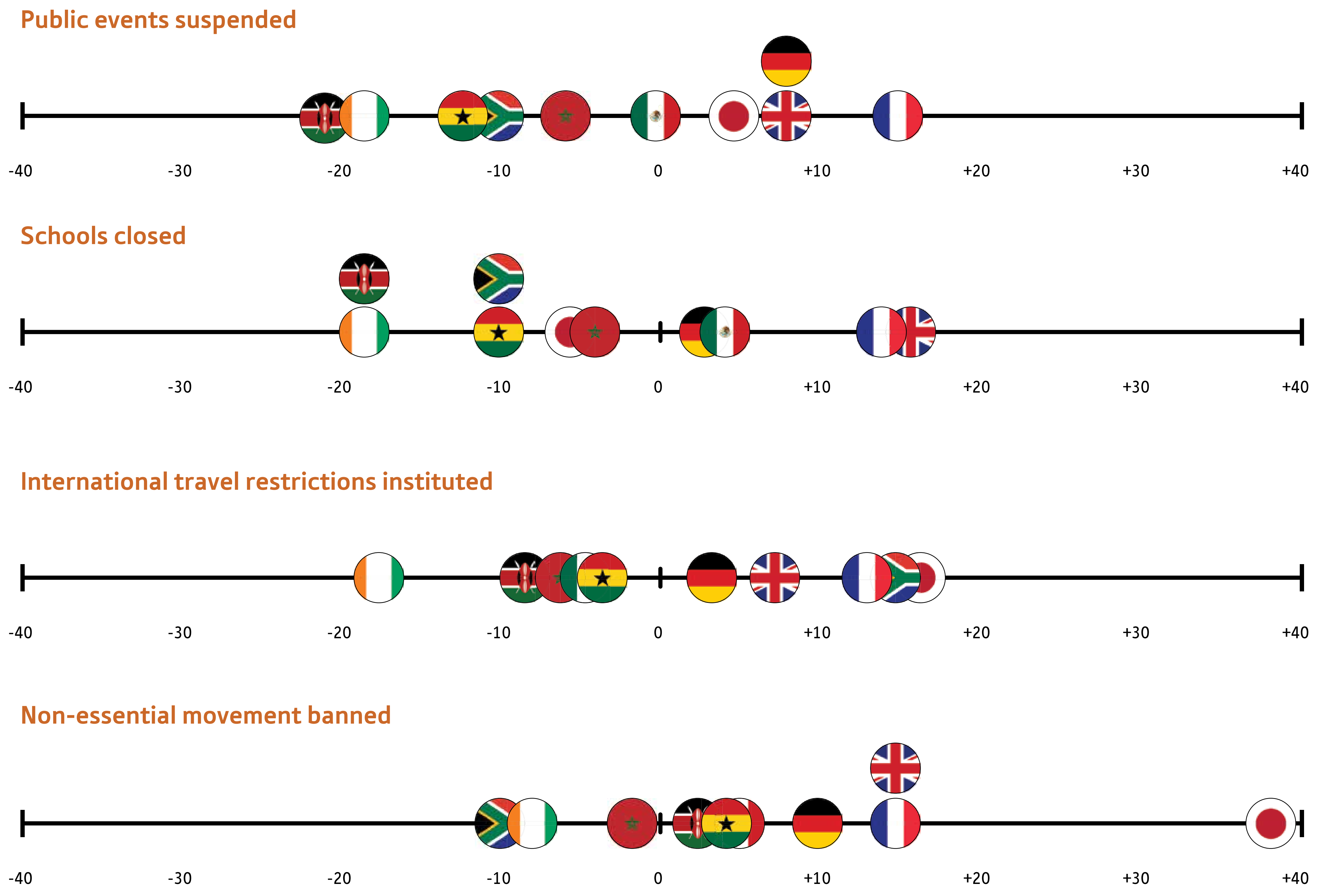
Timeline of Covid-19 Measures in Ghana

Case Study

HYPERCLEAN GHANA LIMITED

Founded in 2015, HyperClean provides cleaning services to commercial and domestic clients in Accra, Kumasi, Takoradi and surrounding cities. To adapt to new demands and hygiene requirements, it retrained staff, sourced new cleaning products and materials with antibacterial components, and established strict protocols for worker and client safety. As an essential service, the firm was able to continue operations, including cleaning and disinfecting Jean Nelson Aka Hall at the University of Ghana, which housed suspected Covid-19 patients. Relying on scientific protocols, these services were completed without any infection of the cleaning staff. The rising cost of commercial cleaning operations and a decline in foot traffic and revenue for commercial clients such as retailers and schools has seen the domestic cleaning segment gain greater relative importance, particularly as more households look for cleaning services. Nonetheless, the company expects demand for outsourced commercial cleaning to rise significantly following the establishment of stricter hygiene standards in office and retail spaces as economic activity picks up.

Timing of action relative to third death in selected countries (days)



Graph source: *Our World in Data*

Yofi Grant

CEO, Ghana Investment Promotion Centre (GIPC)

How do you anticipate the pandemic will affect the inflow of foreign direct investment (FDI) during 2020?

The mitigating measures put in place by the government of Ghana, which seek to address the short- and medium-term challenges of the pandemic, have contributed to the Ghanaian economy's resilience in the face of Covid-19.

Prior to the pandemic, the GIPC began the year on a very positive note, having registered projects with $181m in FDI in the first quarter of 2020. More FDI is expected thanks to efforts to promote Ghana as a destination for investment in sub-Saharan Africa.

By the end of the first half of 2020 the GIPC recorded $785.6m worth of FDI, resulting in a significant increase of 409% over the $123m recorded in the first half of 2019. We remain cautiously optimistic about FDI inflows for the rest of 2020, following engagement with potential investors during this time.

Furthermore, as greater attention has been directed towards attracting diaspora investment through the Beyond the Return Initiative, we are hopeful that the year 2020, despite its challenges, will see increased flows of FDI – contrary to what was predicted by the UN Conference on Trade and Development.

To what extent will Covid-19 drive longer-term shifts in Ghana's investment promotion strategy?

As a client-focused and service-oriented institution, GIPC's investment promotion activities have been affected by Covid-19, since it primarily reaches out to the investing public through inbound and outbound missions, and other investor-engagement activities.

During the height of the pandemic, when a lockdown was imposed on parts of the country, we continued to engage prospective foreign and domestic investors through digital platforms and assured them of our assistance during the pandemic. Even after the lockdown we continued to engage investors on different online platforms through webinars and other social tools. Technology has become one of the most important enablers of doing business, especially in the Covid-19 era. Moving forwards, an even more accelerated use of digital platforms for the centre's operations will augment – but not necessarily eliminate – the human capacity to attract investors.

In addition, with the African Continental Free Trade Area agreement set to commence in January 2021, our strategy will be geared towards impact investment and targeting investors in sectors that will give Ghana the competitive advantage needed in the Fourth Industrial Revolution.

We have also embarked on a strategy to engage the diaspora community and attract the necessary investment to drive the Ghana Beyond Aid initiative, with the creation of the Diaspora Investment Desk a key achievement in this regard.

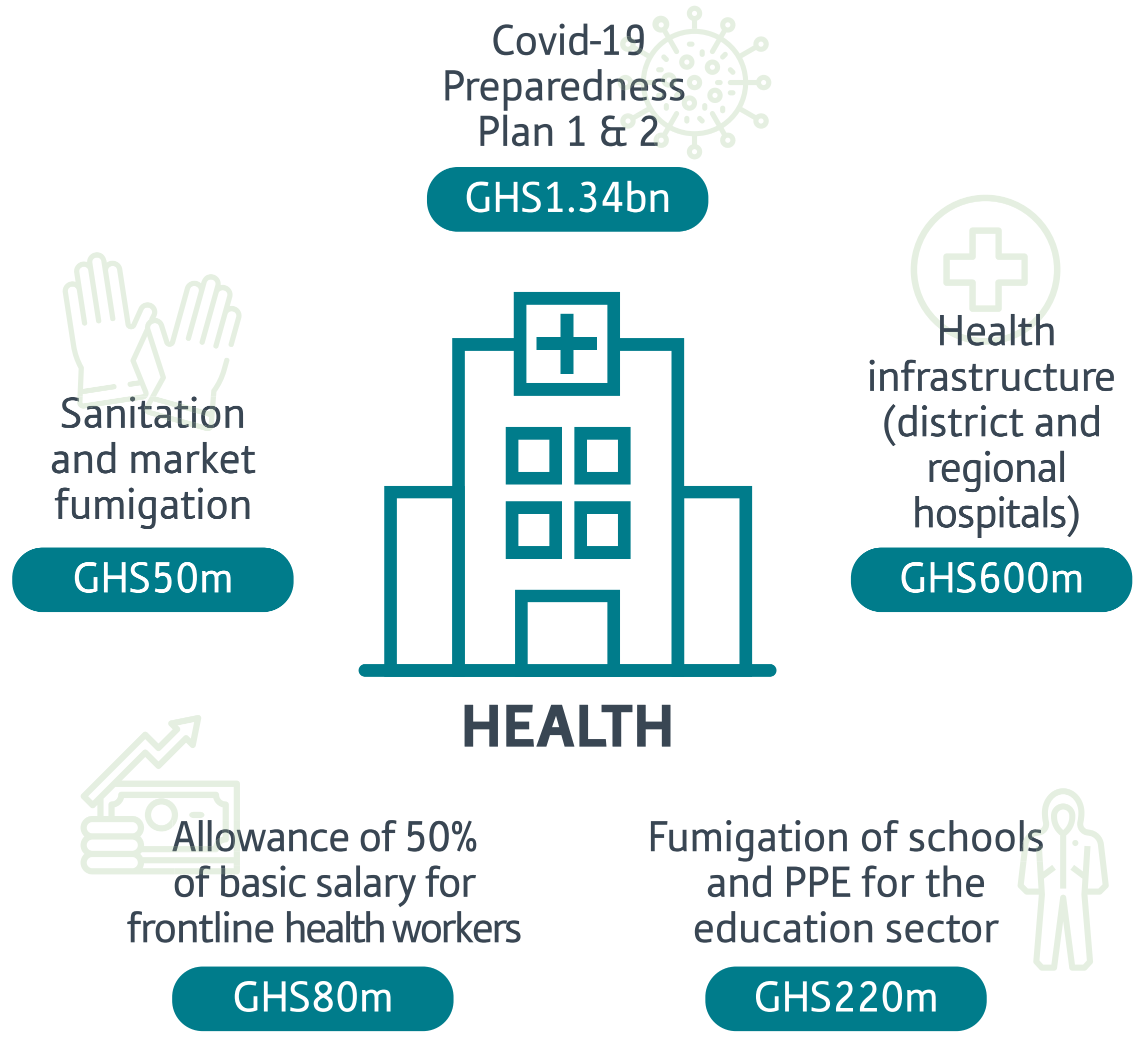
Government Relief Mechanisms

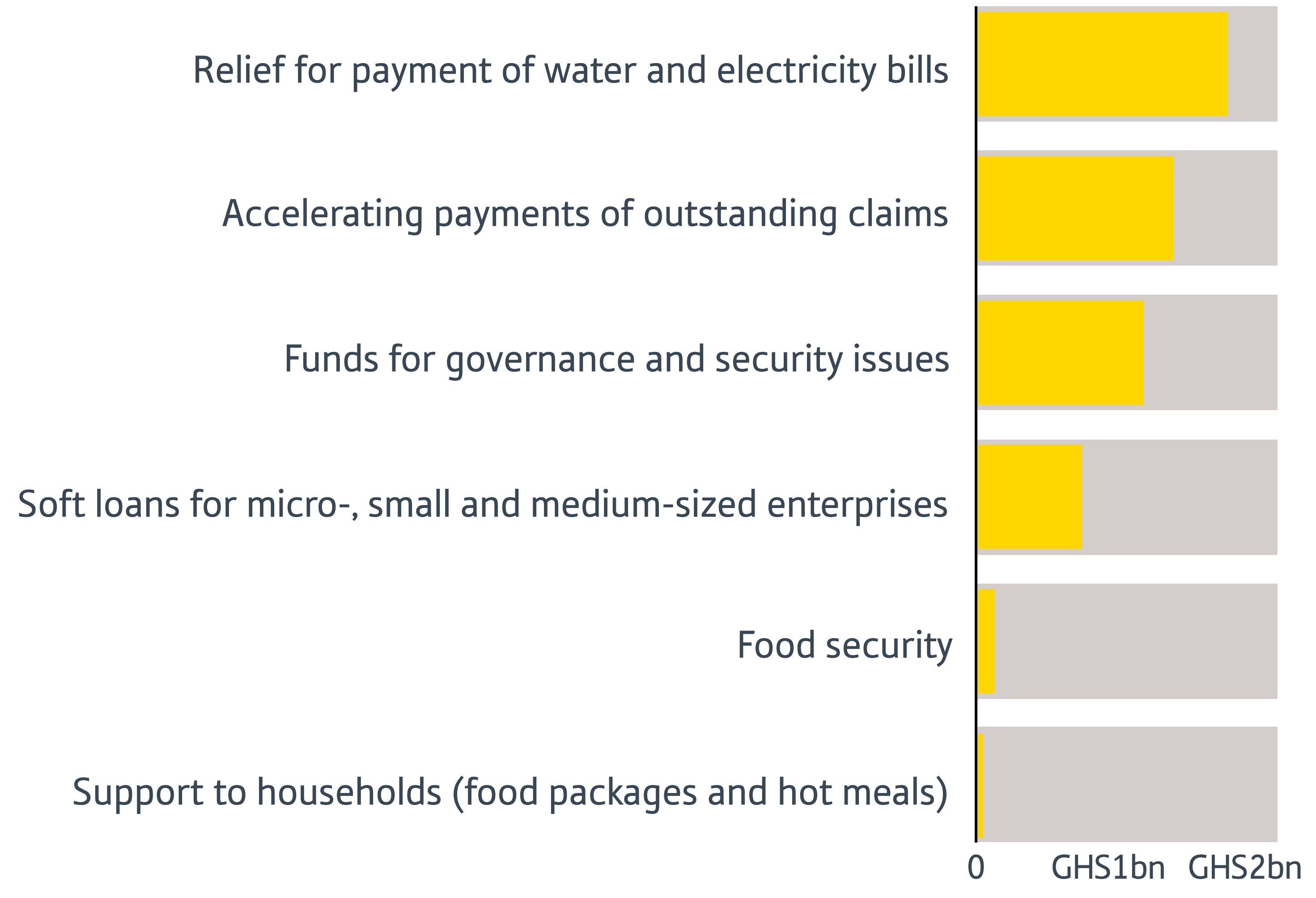
Anticipating the need to prepare for the virus even before the first case of Covid-19 was confirmed in Ghana, the government established a GHS560m Emergency Preparedness and Response Plan (EPRP). The EPRP was created to help contain the spread of the virus by strengthening the nation's capacity in surveillance, diagnosis and case management. For example, the EPRP helped fund national laboratories to ensure early detection of Covid-19 cases.

Moreover, to ensure compliance with the quarantine rules and provide relief to affected individuals, funds were directed towards social and financial support, including free health services to Covid-19 patients and families in isolation.

Following the implementation of the lockdown and with growing awareness of the economic and financial impact on households and businesses, the government decided to provide relief through a temporary 50% subsidy on electricity, at a cost of GHS1bn.

Key interventions by government





This was extended as a livelihood preservation programme to 4,086,286 households and 686,522 businesses. Similar subsidies were provided to ensure a free supply of drinking water to the 522,864 domestic and 10,763 commercial customers of Ghana Water Company.

To ensure that small businesses could stay afloat during and in the immediate aftermath of the lockdown, a GHS600m Coronavirus Alleviation Programme was created and financed through withdrawals from the national Contingency Fund. The programme involved a soft loan scheme rolled out through the National Board for Small Scale Industries, in collaboration with commercial and rural banks. More than 700,000 applications for assistance were handled through an online portal, which was open from May 20 through June 26.

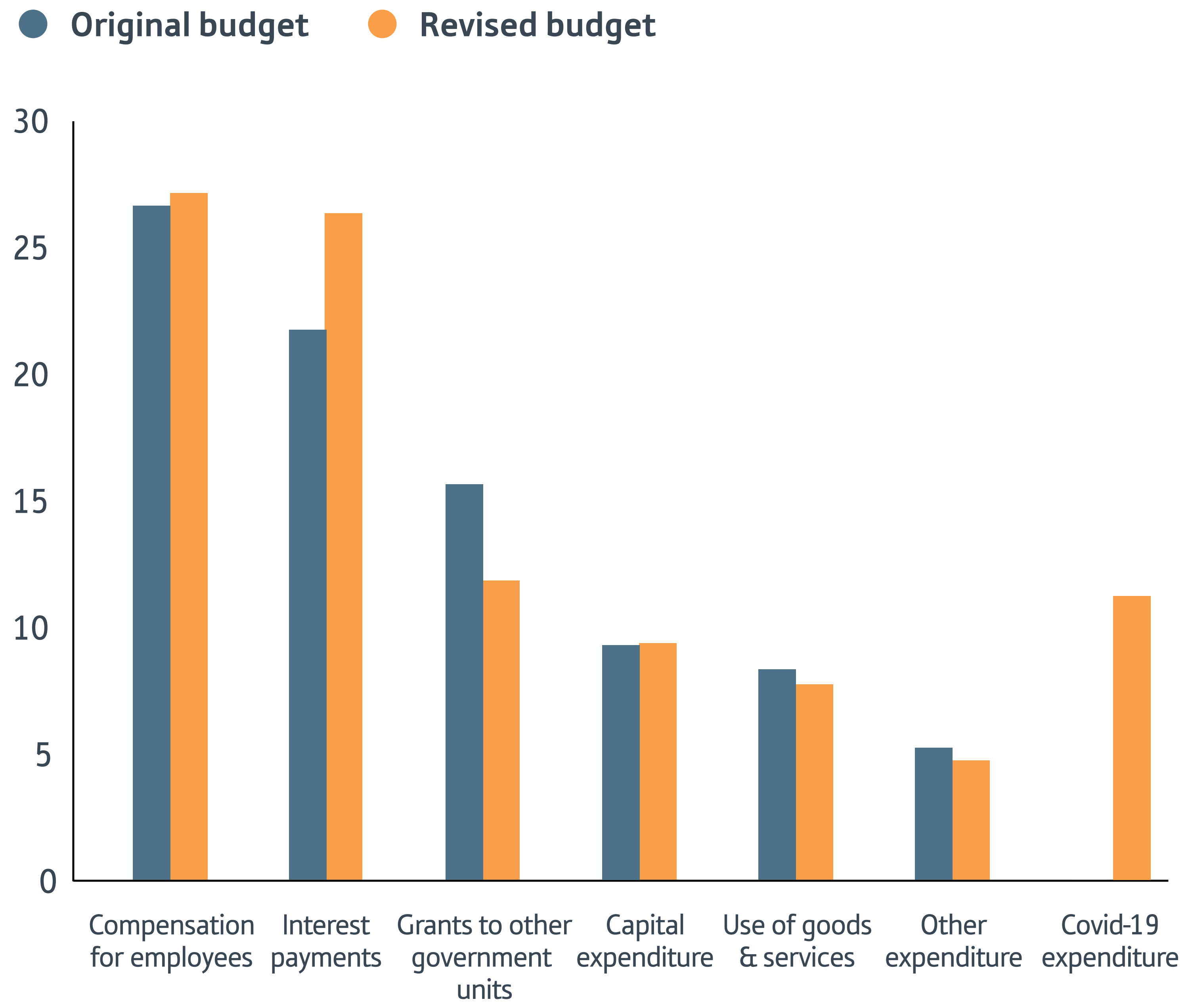
Graph source: *MoF*

Fiscal and Monetary Measures

Keenly aware of the economic risk that the health crisis posed to the country, the administration of President Nana Akufo-Addo and the Bank of Ghana (BoG), the central bank, quickly responded with a host of monetary and fiscal measures. On March 18 the BoG was the first central bank in sub-Saharan Africa to cut its monetary policy rate, which it reduced from 16% to 14.5%. This was accompanied by other measures to boost liquidity, including lowering the reserve requirement and reducing capital adequacy ratios. Ghana also received $1bn from the IMF under the Rapid Credit Facility, while the World Bank is providing $100m to the country. On May 15 the Monetary Policy Committee kept the policy rate unchanged at 14.5% and announced a new 10-year, GHS5.5bn bond purchase to provide emergency financing, with the potential for future purchases to rise to GHS10bn.

The economic fallout of the pandemic, compounded by declining oil prices and significant global trade reductions, contributed to considerably lower revenue and increased expenditure during the first half of 2020. This prompted a mid-year budget review that set out the strategy for the rest of 2020 – one which strongly deviated from the original.

Government spending, FY 2020 (GHS bn)



The planned budget for 2020 estimated GHS67.1bn in tax and non-tax revenue. Following receipts of just GHS22bn in the first half of the year, 26% short of the target, the revised budget projected GHS53.7bn in total annual revenue. The most significant shortfalls are anticipated in non-tax revenue, with a reduction from GHS13.1bn to GHS6.7bn; taxes on international trade, which are expected to fall from GHS5.8bn to GHS4.7bn; and taxes on domestic goods and services, for which the government is anticipating a decrease from GHS19.1bn to GHS15.9bn.

Meanwhile, government spending increased beyond predications in the first half of the year, with Covid-19-related spending driving the mid-year total up to GHS46.45bn, 11.5% over the original target. The revised budget accounts for GHS96.3bn in expenditure for the full year, 13.9% more than the initially budgeted GHS84.5bn. The bulk of GHS11.8bn in additional expenditure is directly attributable to Covid-19 spending. As a result, the revised fiscal deficit for 2020 is expected to come to 11.4% of GDP – more than the 5% allowed under the Fiscal Responsibility Act of 2018, but a legally permissible gap as the act allows for suspension under severe circumstances.

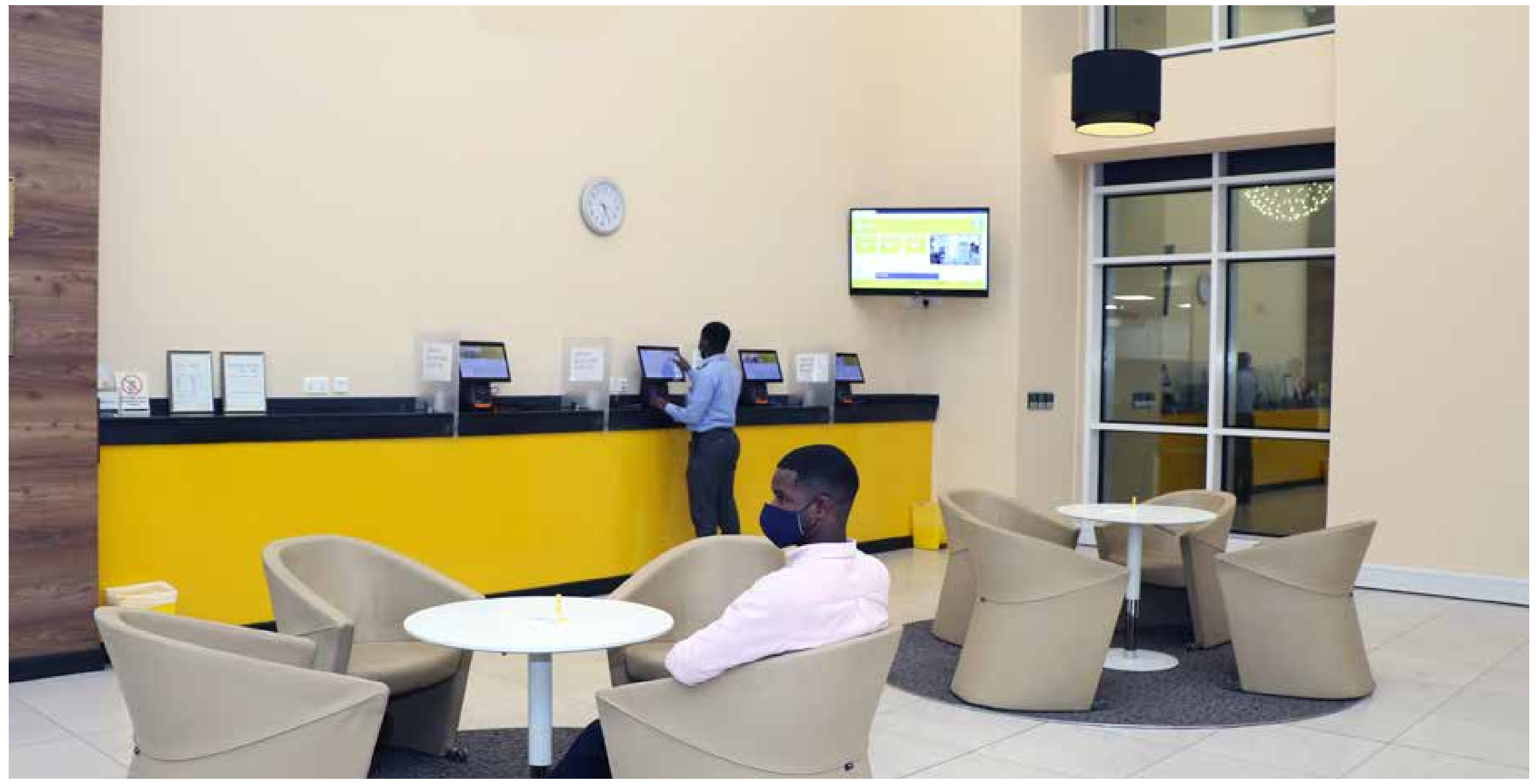
Graph source: *MoF*

Part 3

Financial Impact and Mobilising Funds

The implementation of banking reforms and the clean-up of the country's financial sector, in addition to efforts to reduce the exposure of banks to oil and gas activities – all of which took place prior to 2020 – proved to be fortuitous.

"It was crucial that the government finalised the financial clean-up when it did, as it enhanced the strength of the local economy and the private sector ahead of the pandemic," Cecilia Hesse, managing director of Temple Investments, told OBG.



Case Study

CalBank

CalBank was established in Ghana in 1990 as a merchant bank. After a successful initial public offering in 2004, the bank was listed on the Ghana Stock Exchange and received its universal banking licence. Since then it has provided financial services to multinationals, local corporates, small and medium-sized enterprises (SMEs), public sector institutions and retail customers through a network of 29 branches, over 100 ATMs and more than 170 agents.

Covid-19 has led businesses to take unprecedented measures to mitigate previously unknown risks. CalBank made investments in additional technology and cybersecurity infrastructure to ensure business continuity. Personal protective equipment was deployed across its branches and approximately 25-30% of staff worked remotely using the bank's e-meeting tools.

The economic impact of Covid-19 has reverberated through the Ghanaian financial sector. Banks immediately faced a decrease in general business activity. Individual clients, uncertain about their personal employment, focused on protecting savings and made only essential expenditure. Business clients in the education, construction, manufacturing, transportation and hospitality sectors were particularly affected by reduced revenue. In response, CalBank reviewed customer business cycles and rescheduled or reduced interest and principal payments based on client cash flow. Furthermore, the bank has organised webinars with SMEs and business experts to help firms build resilience to the challenges of Covid-19.

One key operational strategy has been to improve customer access to banking services via upgrades to CalBank's digital banking applications. The updated CalBank App enables customers to conduct various transactions from their mobile devices. The bank has benefitted from increased transaction volume on the app as customers quickly adjusted to using electronic channels.

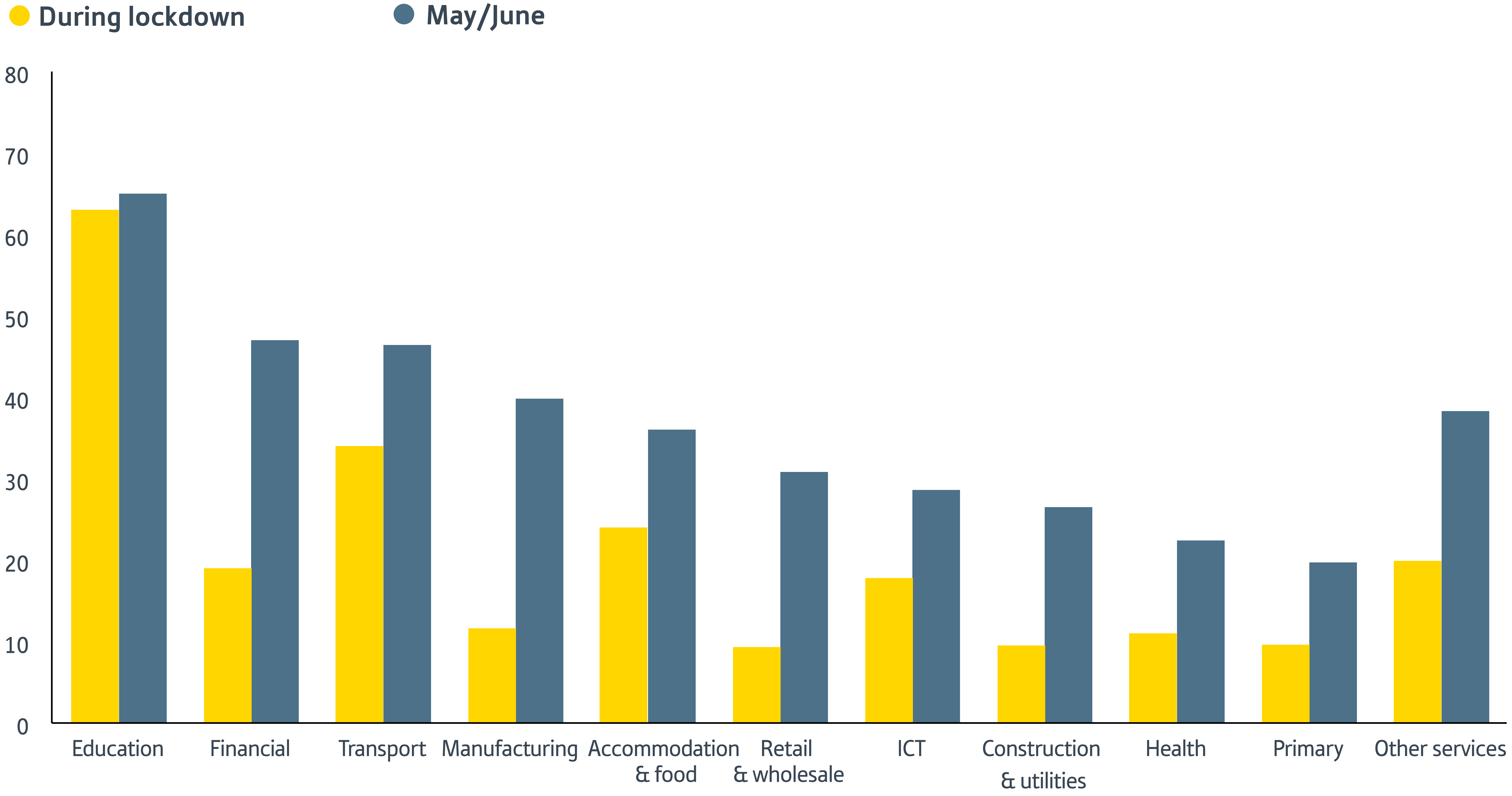
Moreover, CalBank has implemented measures to enhance social distancing between customers and bank staff. An example is DigiBank, a self-service banking platform accessible by customers within CalBank branches from wall-mounted tablets, yielding greater client service efficiency. DigiBank has helped fulfil the bank's target of fully paperless operations. The initiative, part of a long-term digital transformation strategy initiated prior to the pandemic, has become more urgent in recent months.

Financial Impact and Mobilising Funds

The financial sector was indeed in a position of relative strength at the start of the health crisis due to the reform undertaken by the Bank of Ghana (BoG), the country's central bank, along with the Securities and Exchange Commission and other government agencies. The rebuilt sector's fundamentals helped it withstand the shocks resulting from the pandemic: in April 2020 the capital adequacy ratio – at 20.7% – was well above the regulatory limit of 11.5%, which the government revised down from 13% in response to the crisis. Moreover, total assets grew by 25.1% in May 2020, more than double the 11.9% expansion witnessed in May 2019.

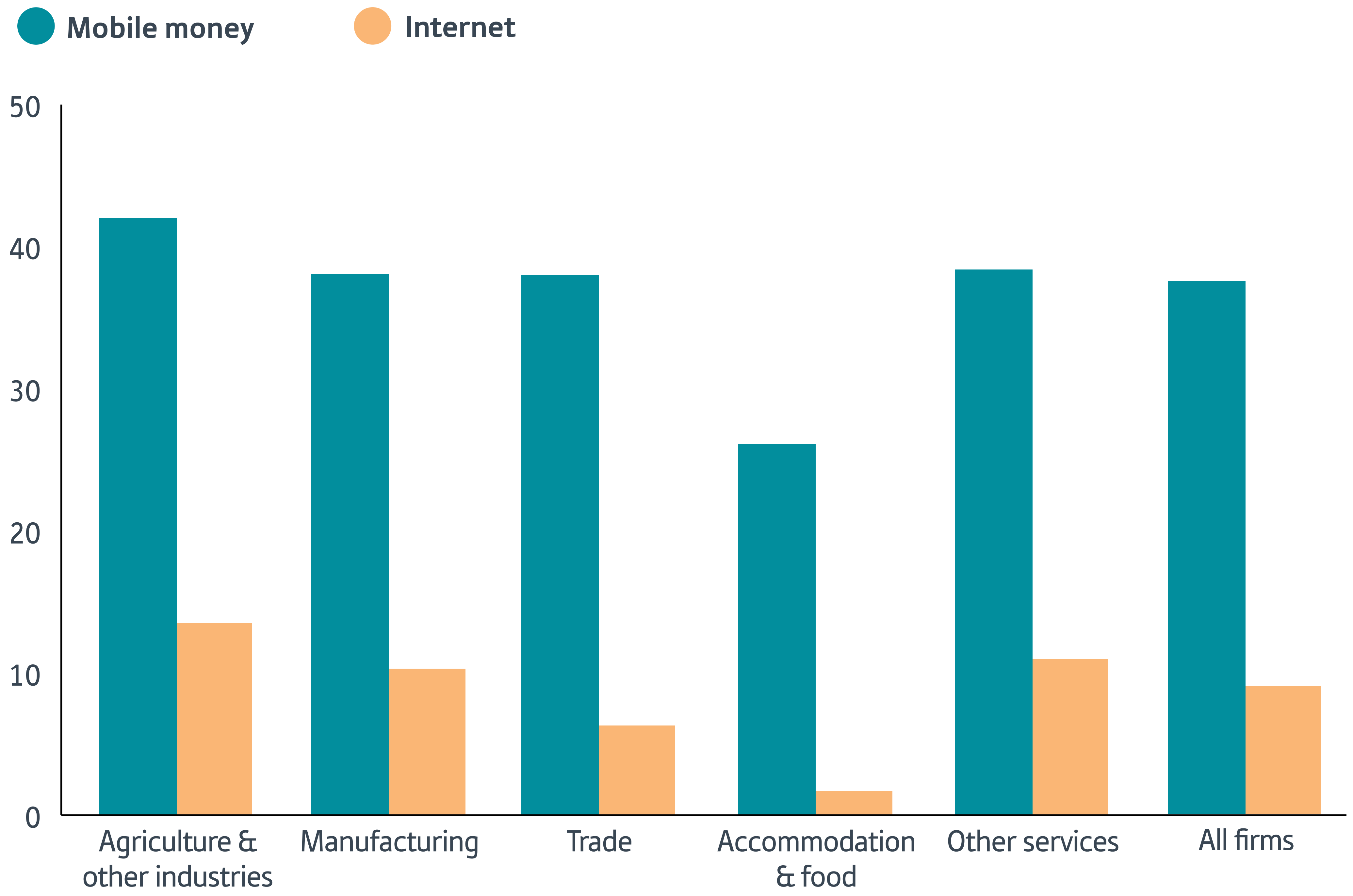
Financial institutions were quick to activate their emergency response teams after the outbreak of the pandemic and were able to revise their plans for the year. Some 47% of financial services firms closed during the lockdown – among the highest percentage of any sector – and by May nearly 20% of companies remained shuttered, on a par with the average for all companies in the country.

Temporary or permanent closures by sector (% of companies)



Financial Impact and Mobilising Funds

Share of firms using mobile money and internet for sales, May-June 2020 (%)



Although reform fortified the banking sector, the industry faced several challenges after the onset of the pandemic. Extra costs were incurred to continue operations while adhering to social-distancing measures, such as providing staff with the equipment needed to work from home.

Cybersecurity risks and expenses also increased. Philemon Hini, cyber-analyst at e-Crime Bureau, told OBG, "There has been a significant rise in the number of cyberattacks in the financial sector, with social-engineering attacks, phishing campaigns and malware attempts among the main threats as a consequence of a large proportion of bank employees working from home." Fortunately, the BoG began pushing banks to improve cybersecurity in 2019 via a directive that provided a framework for establishing IT security protocols.

To facilitate the transactions of Ghanaians affected by the lockdown, the government required banks to scrap fees for mobile and digital transfers of less than GHS100. While this slightly affected the revenue of some financial institutions, the move resulted in greater uptake of digital transfers and mobile money. Previously, most transactions were driven by peer-to-peer transfers.

Meanwhile, the reduction of commercial banks' reserve requirements from 10% to 8% and the capital conservation buffer being lowered by 1.5 percentage points helped maintain liquidity and interbank lending. The interbank rate stood at 13.6% in August 2020, down from 15.2% in December 2019. The BoG also granted a six-month moratorium on principal repayments for selected businesses, with industry experts anticipating that about 30% of banks' loan portfolios will be restructured to make lending more affordable for corporate and retail borrowers, and help them avoid default.

The impact of the pandemic on the financial sector was manageable in the first half of 2020; Ghana Commercial Bank and Ecobank, the two largest banks in the country, both reported double-digit profit growth in the first quarter. However, the industry saw deposit growth slow from 7% in May 2019 to 5.3% in May 2020. The after-tax profit margin ratio for the sector fell to 5.4%, from 44.1% in the same period a year before.

Graph source: *GSS, BoG*

Financial Impact and Mobilising Funds

The banking sector will play a central role in Ghana's economic recovery by providing loans to companies looking to rebuild or expand. The government is working with financial institutions to create structures that allow for easier collateral recovery and more official guarantees, which would help banks provide more financing to SMEs. Several additional measures by the BoG – including a GHS3bn syndicated loan facility and a 200-basis-point interest rate cut – have already enabled the sector to provide about GHS7bn to borrowers between March and June 2020.

As part of efforts to mobilise more resources for the transformation of industry, agriculture and housing, the government is working with Germany's KfW Development Bank, the World Bank, the French Development Agency and the European Investment Bank to operationalise Development Bank Ghana (DBG) in the second half of 2020. The DBG is meant to act as a promotional bank, mobilising medium- to long-term funds by providing credit guarantees, refinancing loans, extending term loans, and offering business development services and factoring.

The Ministry of Finance (MoF) forecasts that international institutions will provide $500m to DBG by the end of 2021.

Case Study

PRUDENTIAL BANK
...Truly dependable

Prudential Bank, a private Ghanaian institution, was established in 1996 in Accra. It specialises in domestic and international banking, project finance, SME financing, e-banking services, international money transfers and fund management. The bank has a network of 43 locations, complemented by a number of electronic channels.

Following the lockdown and implementation of social-distancing measures, fees were scrapped on transactions below GHS100 through mobile money and mobile banking applications between March and June to promote cashless exchange. While this has affected the revenue of all financial service providers, Prudential Bank saw a strong increase in the use of electronic products, mobile applications, internet banking and mobile money – a trend the bank expects will continue after Covid-19. "The pandemic has demonstrated to those who did not believe in electronic banking or e-commerce that having those options is necessary," John Addo, managing director of Prudential Bank, told OBG. "Most banks had already begun the process of digitalisation, and Covid-19 has provided a clear sense of urgency."

Since the start of the pandemic Prudential Bank has started rolling out contactless cards, adding Visa and UnionPay to its gh-link card payment offering. For the mass market, the bank has expanded the functionality of USSD and mobile application features. Customers are now able to register on non-smartphone devices and transact directly between bank accounts and mobile wallets. These innovations have helped drive traffic from bank branches to ATMs and electronic channels.

Looking ahead, the bank is continuing to invest in financial technology solutions. Anticipating opportunities in other retail segments, Prudential Bank is rapidly scaling up its capabilities in the e-commerce and remittances.

Industrial Disruptions and Opportunities

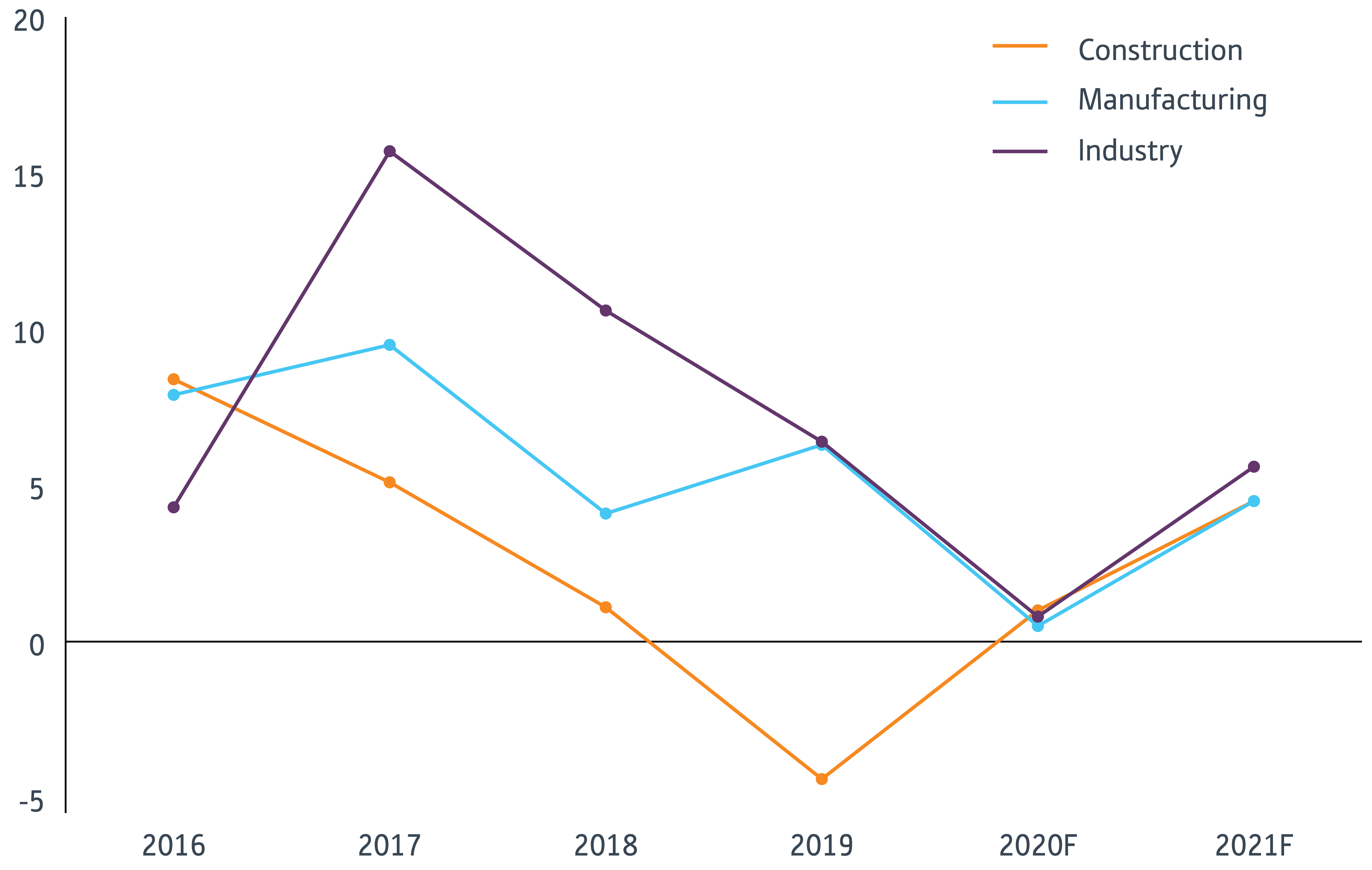
Supply chain disruptions brought on by the pandemic were initially driven by the ripple effect of factory closures in China. Yet, as Covid-19 spread, increased logistics costs and declines in demand due to global trade and economic slowdowns added to the struggles faced by industrial players.

The effects of the pandemic were acutely felt in the first quarter of 2020, before Covid-19 had established a major foothold in the country and widespread lockdown measures were in place.

According to the Ghana Statistical Service, industrial GDP growth that quarter was 1.5%, down significantly from the 8.4% expansion witnessed in the first quarter of 2019.

The MoF had initially projected growth of 8.6% for the sector in 2020, with the One District, One Factory (1D1F) programme anticipated to accelerate manufacturing and mining and quarrying, including oil and gas, while the electricity segment was expected to record double-digit growth. Instead, revised figures from the mid-2020 budget review indicate that the government now expects 0.8% growth for the year, with oil and gas most affected, at an annual decline of 7.7%.

GDP growth, 2016-21F (%)



*at constant 2013 prices

The review stated that Covid-19 workplace protocols drove up costs at factories, while revenue declined due to fewer exports. The timelines for many factories under construction have been delayed, although several projects remain slated for the fourth quarter of 2020.

A survey published in May 2020 by the Ghana National Chamber of Commerce and Industry looked at the impact of the pandemic and resulting lockdown on businesses across all sectors, and found that industry featured a comparatively higher number of redundancies. The crisis also had a very negative impact on revenue, particularly for SMEs.

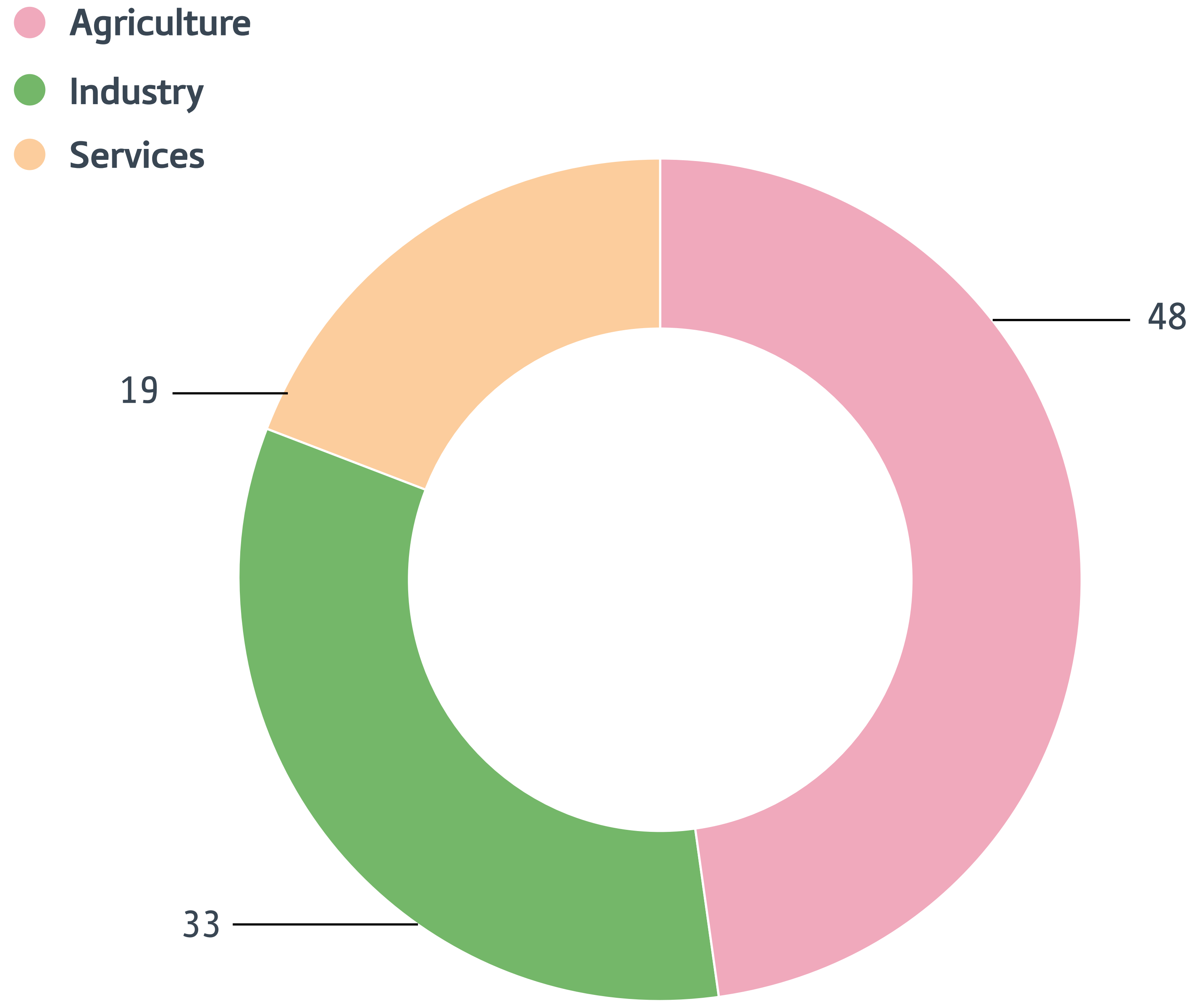
Industrial Disruptions and Opportunities

While industry as a whole was negatively affected by the pandemic, certain subsectors such as textiles, processed food and pharmaceuticals were better placed to weather the storm. A total of 36 1D1F projects, jointly funded by the government and financial institutions to encourage import substitution, commenced in mid-2020.

Construction is also anticipated to begin in the fourth quarter of 2020 on 58 small-scale processing factories under the Enable Youth 1D1F banner, with funding from the African Development Bank. Meanwhile, some established manufacturers were able to tap government relief programmes as the pandemic took hold, with the utilities subsidisation scheme providing relief to local factories so they could maintain production levels.

Prior to the pandemic automotive assembly and manufacturing looked poised for rapid growth. The authorities laid the groundwork for attracting large-scale investment in early 2019 with the Automotive Manufacturing Development Policy, which positioned the segment as one of the Strategic Anchor Initiatives under the Ministry of Trade and Industry's Industrial Transformation Agenda.

Distribution of nominal prices, Q1 2020 (%)



*at basic prices

However, Covid-19 had a swift and negative impact on the global automotive industry, threatening some of Ghana's targets as component manufacturing plants closed in Asia, North America and Europe.

Nonetheless, in early August Volkswagen opened its first assembly plant in Ghana, a facility in Accra with capacity for 5000 Amarok, Caddy, Passat, Polo, Teramont and Tiguan models per year. Other international automakers are expected to follow suit, including Nissan, Toyota and Sinotruk. Domestic manufacturer Katanka Group was also issued a licence to continue automotive assembly operations. Moving forwards the government is planning to create an Automobile Industry Development Centre to monitor compliance with regulations, coordinate technical processes for licensing, and create financial and skills development programmes.

Tax incentives introduced in 2019, as well as the Customs Amendment Bill of March 2020 banning the importation of cars older than 10 years and the country's strategic position as an export centre in West Africa, are important drivers of Ghana's continued attractiveness as a destination for industry. This is especially notable with the African Continental Free Trade Agreement coming into force.

 Graph source: *GSS*

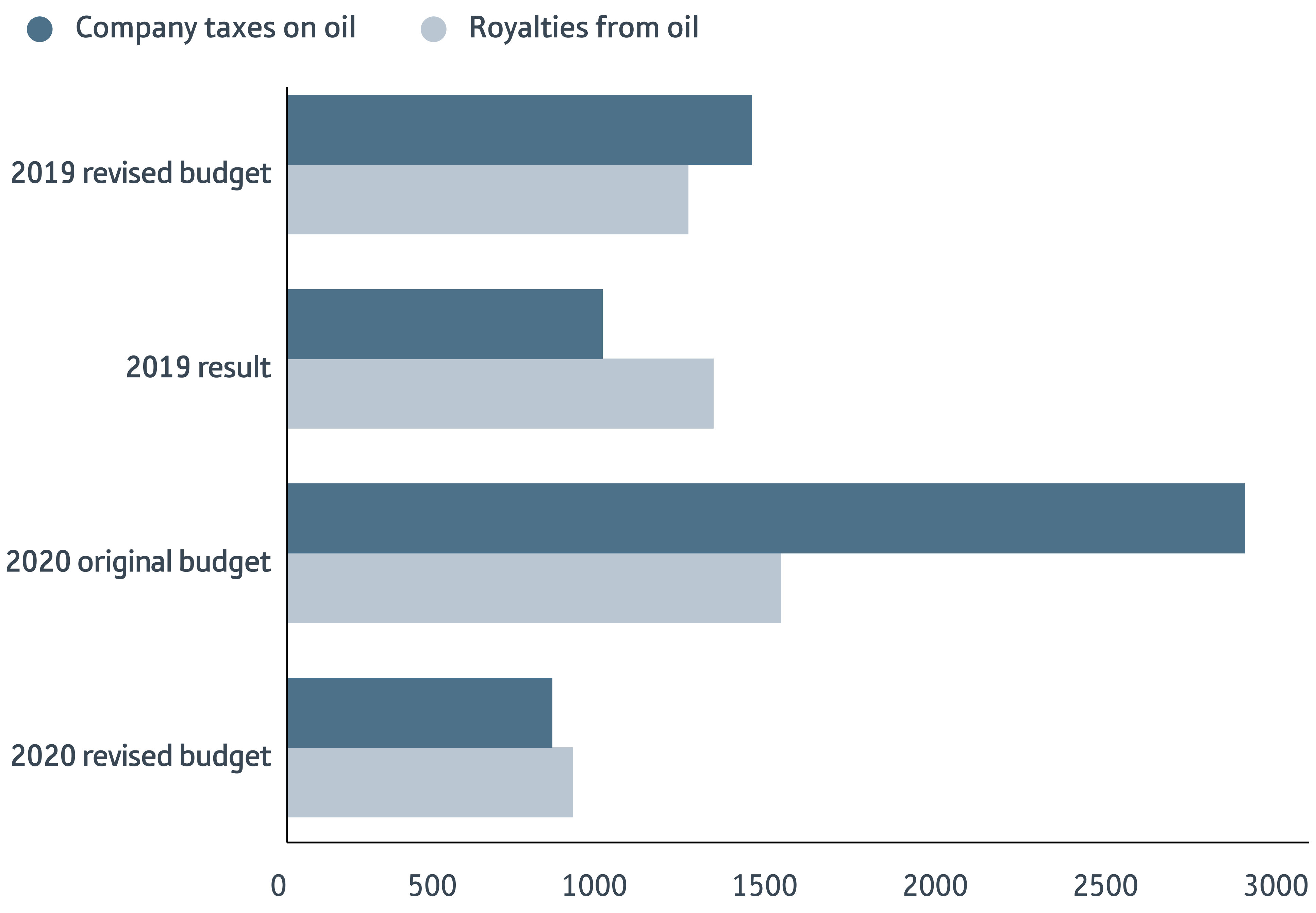
The Role of Energy

The most wide-reaching impact of the pandemic on the energy sector was seen by oil and gas. The National Petroleum Commission announced in mid-July 2020 that $4.7bn worth of oil projects were postponed indefinitely due to the pandemic, most notably the $4.4bn Aker Energy Ghana field. Italy's Eni and Tullow Oil of the UK, as well as Ghana's Springfield Group, were also forced to delay activities. The government has been partnering with companies to try to cushion the effect. "The government has given energy companies certain privileges that enable us to continue performing required work," Kevin Okyere, CEO of Springfield Group, told OBG. "The government has also amended various petroleum agreements, granting firms more time to complete activities without penalty."

As a result of slower activity, anticipated government revenue from oil royalties fell by GHS611.3m, from nearly GHS1.5bn in the initial 2020 budget to GHS838.5m in the revised budget. This figure is down from the GHS1.25bn collected in 2019. Taxes on oil companies are expected to decline even more, with the revised 2020 budget anticipating a takeaway of GHS777.6m, more than GHS2bn below the projections in the initial budget and GHS148.1m below the GHS925.7m collected in 2019.

Low demand due to subdued industrial and trade activity affected oil prices. In early 2020 oil was trading at over $60 per barrel but fell to below $10 in April. Prices later recovered to $40 by the end of June, and stood at approximately $45 in late November. The fluctuations have impacted overall business sentiment. According to a survey of business leaders in Ghana conducted by OBG in September 2020, while only 14% of respondents operated in the energy sector, 37% expected that the oil price would significantly or very significantly impact their company's recovery plan. By comparison, 49% expect it to moderately impact recovery, while 11% expect it to insignificantly or very insignificantly affect recovery. The remaining 3% said it would have no effect.

Government revenue from oil, 2019-20F (GHS m)



 Graph source: *MoF*

The Role of Energy

While hydrocarbons were heavily affected by the pandemic, Covid-19 has not had an adverse effect on power supply or demand, according to the Ministry of Energy (MoE). As of August 2020 system peak demand topped out at 2957 MW, on March 19. By comparison, installed generation capacity stands at 5018 MW, with dependable and available generation capacity at 4742 MW and 3158 MW, respectively.

Key actors such as the MoE, the Volta River Authority, Ghana Grid Company, the Electricity Company of Ghana and independent power producers (IPPs) collaborated on a Covid-19 preparedness plan and successfully took measures to ensure uninterrupted power supply, even during the lockdown period.

While a number of projects such as the Early Power Project in Tema and the Pwalugu multipurpose dam continue, construction in other areas of the power sector is likely to be delayed.

Looking beyond the pandemic, a number of long-term initiatives are set to move the energy sector forwards. In 2019 the government began restructuring the industry, particularly contracts with IPPs and gas suppliers. To that end, the Energy Sector Task Force is responsible for implementing the Energy Sector Recovery Programme. Included in its remit is the modification of existing contract terms for power purchase agreements, which have traditionally placed a significant financial burden on the state.

As part of the ongoing strategy to diversify the energy mix, Ghana will continue to develop plans for nuclear power generation. The International Atomic Energy Agency completed a progress review in late 2019, concluding that the country had successfully implemented the agency's previous recommendations. To ensure the successful commissioning of a nuclear power plant, an owner-operating company, Nuclear Power Ghana, was established in mid-2019.

Support from Mining

Mining will continue to be a key contributor to the economy and – compared to many other sectors – was not significantly impacted by the pandemic. This is particularly the case with gold mining operations. In 2018 Ghana overtook South Africa as the continent's largest gold producer, and the mineral remains the main export commodity by value.

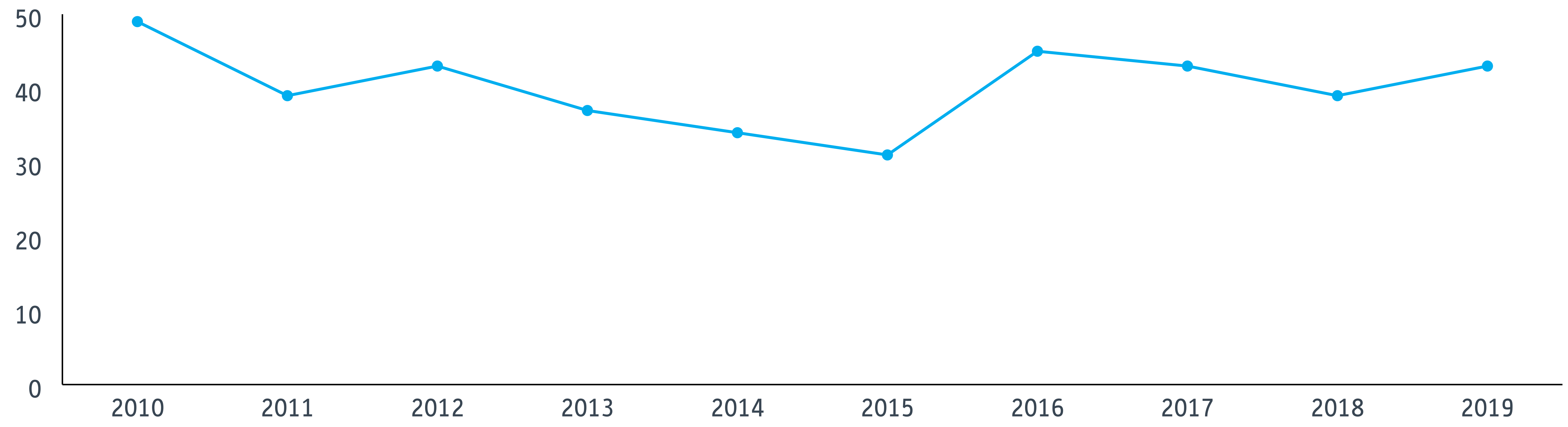
Work continued as scheduled across most of the country's 14 large-scale gold mines, as mining was exempt from the nationwide lockdown. However, the sector was not without its challenges. Four mining sites confirmed a number of Covid-19 infections, with the Prestea mine operated by Golden Star quarantining 60 workers in May 2020.

Nevertheless, operators and the Ghana Chamber of Mines, the main industry association, do not anticipate further operational disruptions and expect to meet production goals for 2020. If anything, the pandemic is likely to accelerate the adoption of mechanisation, digitalisation and automation in daily activities, boosting the sector's efficiency and profitability.

To ensure continuity, the Ghana Chamber of Mines was quick to respond to the crisis. It issued Covid-19 guidelines for companies, supported the supply chain and coordinated with the government on pandemic-related directives. Under the umbrella of the chamber, major mining companies donated GHS11.5m to the Ministry of Health in April for the procurement of essential medical equipment and other supplies that were needed for the pandemic response.

While the price of oil and many other commodities declined in the first three quarters of 2020, the global economic downturn and uncertainty caused by the Covid-19 pandemic resulted in a gold price spike. Indeed, precious metal prices are expected to be 13% higher in 2020 than in 2019, according to statistics from the World Bank.

Share of mineral receipts in total exports, 2010-19 (%)



Graph source: *Ghana Chamber of Mines*

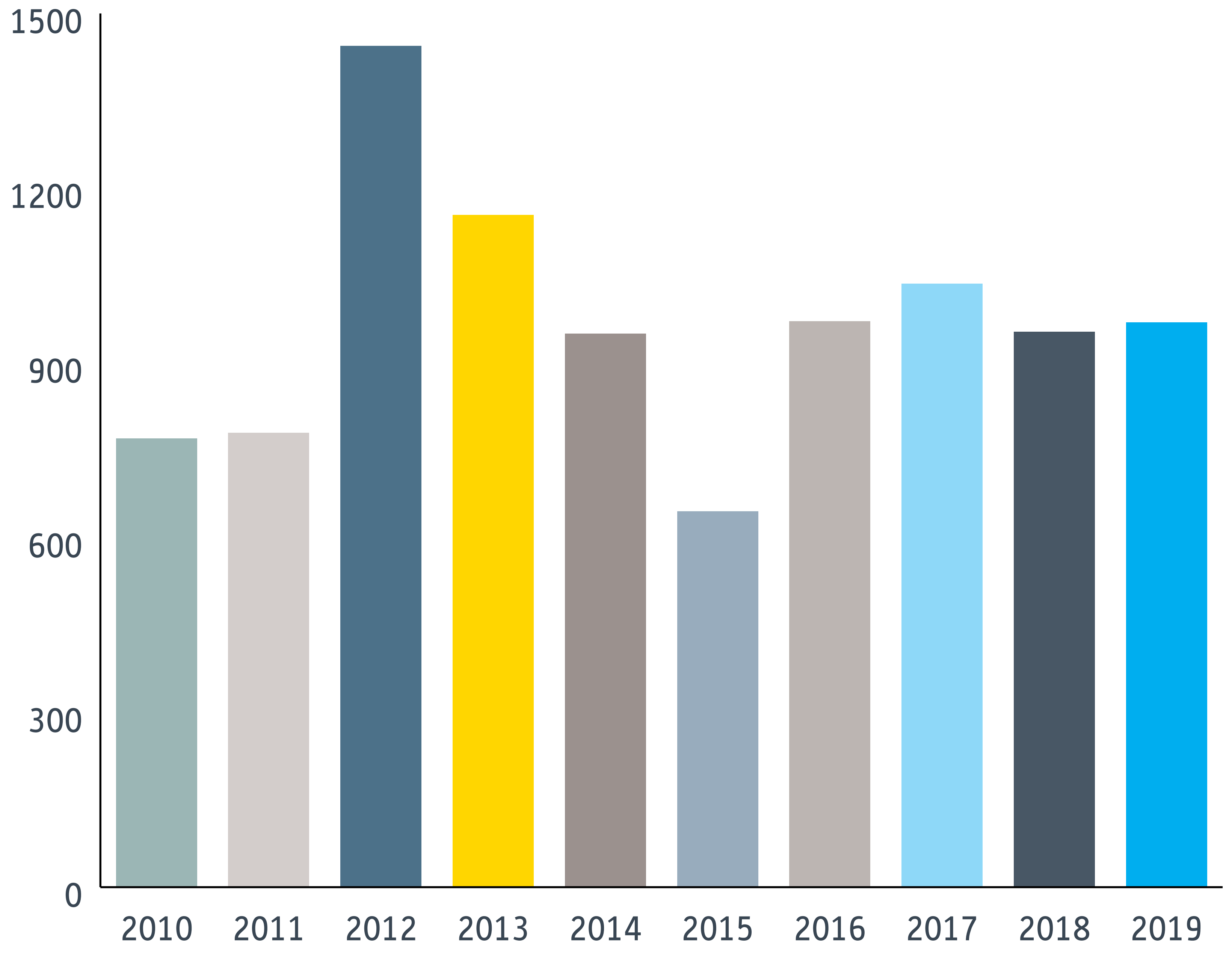
Support from Mining

The resilience of the mining sector will provide a welcome source of revenue for the government during a tough year globally. Ghana collected GHS1.1bn in mineral royalties in 2019, significantly more than the GHS804m projected in the 2019 revised budget.

In 2020 similar revenue was anticipated in the original budget and, unlike most other revenue sources, is expected to remain close to target. The 2020 budget projected GHS1.1bn in mineral royalties, while the revised budget expects slightly less, at GHS1bn. This should help the government offset expected shortfalls from oil and gas royalties and taxes.

Meanwhile, efforts to formalise the sector gained urgency during the pandemic, and the government is continuing to target illegal mining, which has led to environmental degradation, forest destruction and water contamination. In 2019 the Inter-Ministerial Committee on Illegal Mining began implementing

Total investment in the mining sector, 2010-19 ($ m)



its Community Mining Programme to create opportunities for residents in mining communities. It also trained 140 drone pilots, who will be deployed to track and monitor artisanal and small-scale mining.

Furthermore, the authorities have worked to diversify the industry in recent years as well, with bauxite becoming more important to Ghana's mineral exploitation strategy. However, aluminium prices fell by 21.5% between late January and early April as transport and construction projects were cancelled or stalled.

Nonetheless, the $2bn Master Project Support Agreement between Ghana and Chinese state-owned construction firm Sinohydro, which involves critical infrastructure development in exchange for revenue from refined bauxite sales, will remain important to the long-term development of both the sector and general infrastructure.

Graph source: *Ghana Chamber of Mines*

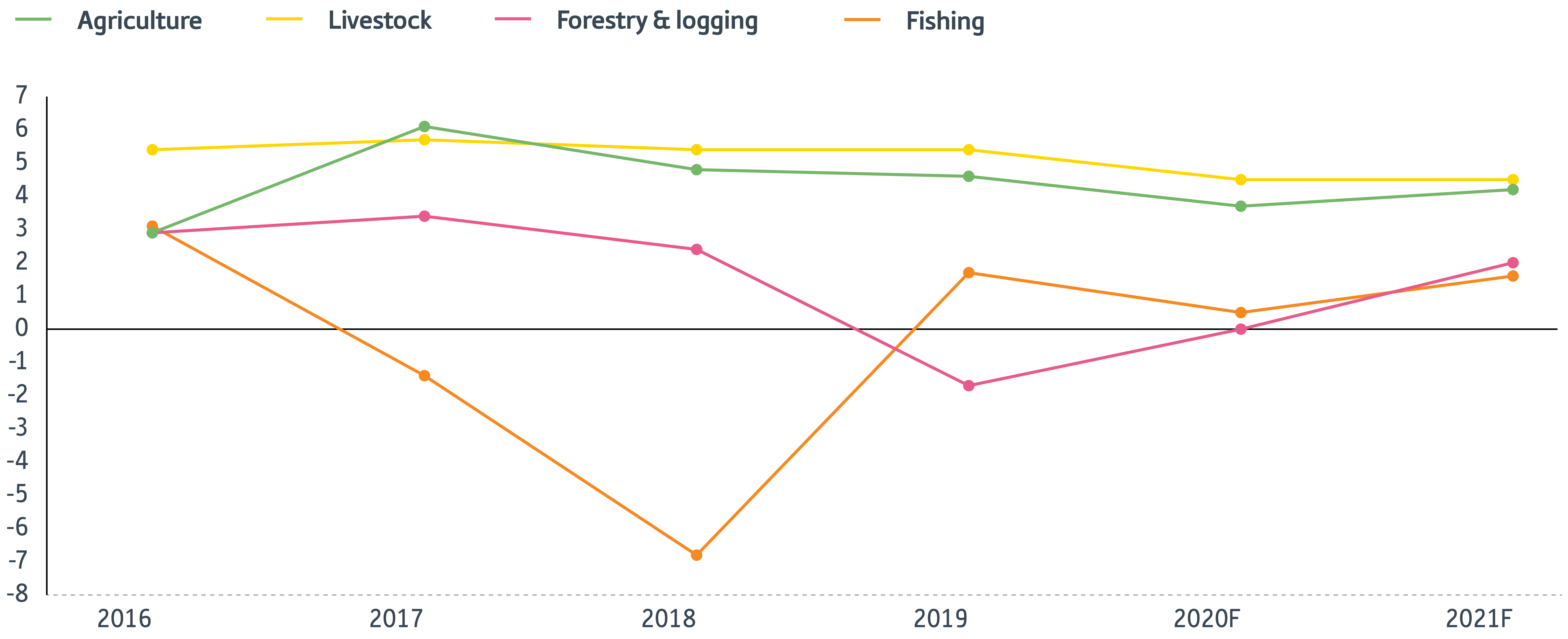
Effects on Agriculture

The agriculture sector was hit particularly hard by the pandemic. The lockdowns and restrictions on public gatherings such as markets had the most direct but short-lived impact across the agricultural value chain. This was clearly reflected in food prices, which witnessed a burst of heightened inflation, rising from 8.4% in March to 14.4% in April and 15.1% in May. The spike was fuelled by panic buying in anticipation of the lockdowns in Accra and Kumasi, as well as the fumigation of market stalls. However, food inflation eased in June to 13.8% before settling at 12.6% in October.

While the lockdown was limited to urban areas, it adversely affected rural farmers' ability to access services, such as tractor repairs, and source inputs, including spare parts, which are largely located in large urban areas. In the poultry segment, the supply of imported day-old chicks and feed fell while their prices rose. The struggle was compounded by the fact that sales during the generally profitable Easter season were muted as individuals avoided large gatherings.

Export bans, rising global market prices and freight cost increases of up to 100% also impacted the cost of agricultural inputs and imported staples such as rice, wheat, soya bean, poultry and cooking oil. Meanwhile, logistical challenges and a global decrease in demand for certain goods resulted in lower prices for some of Ghana's agricultural exports. For instance, the price of cashews declined by 60% between January and April 2020.

Agriculture GDP growth, 2016-21F (%)



*at constant 2013 prices

 Graph source: *MoF; GSS*

Effects on Agriculture

These challenges resulted in lost wages for many in the agriculture sector, which employs 44.7% of the country's workforce. A joint study, conducted by the World Bank, the Ghana Statistical Service and the UN Development Programme in May and June 2020, found that 77% of firms in agriculture and related industries encountered lower sales.

However, the sector fared better than the economy as a whole, where 91% of all firms reported a fall in sales. Around half (52%) of agriculture and other industrial firms reported facing difficulties finding inputs, while nearly three-quarters (74%) reported cash flow problems. Furthermore, 30% reported decreased access to finance – higher than in any other sector.

To an extent, the agriculture sector was prepared for the pandemic's supply chain disruptions due to the Planting for Food and Jobs (PFJ) programme. Started in 2017, the PFJ aims to modernise the sector by providing access to inputs such as seeds and fertiliser, strengthening market infrastructure and conducting training – all while encouraging self-sufficiency in food production. Between 2017 and mid-2020 the government invested GHS1.9bn through the programme, increasing the sector's average annual growth rate from 4% in 2014-16 to 5.2% in 2017-20. Before the pandemic the PFJ supported 1.2m farmers, but after the outbreak of Covid-19 the Ministry of Agriculture mobilised to register an additional 300,000 beneficiaries in the programme.

Other initiatives including One District, One Warehouse, which is aimed at reducing post-harvest losses, and a rural markets construction plan are on track to be completed by the end of 2020. The 50 warehouses and 50 rural markets will provide critical infrastructure to mitigate post-harvest losses and open another sales avenue to secure farmers' incomes.

Effects on Agriculture

Ghana is the world's second-largest cocoa producer after Côte d'Ivoire, and the crop is the most important agricultural product for export. Global demand for chocolate and other cocoa products fell as a result of the economic headwinds brought on by the pandemic, which drove down cocoa prices. In July 2020 the global market price reached a 15-month low, at $2150 per tonne.

According to Reuters, this may jeopardise a 2019 arrangement between Ghana and Côte d'Ivoire that guarantees a minimum income to farmers of the crop by charging the industry a premium of $400 per tonne for beans. The plan, however, is dependent on international prices staying within an average range. With prices below this point, the earnings of farmers in both countries could be lower than the stipulated minimum income. There is reason for optimism, however, as the global price for cocoa rebounded to just above $3000 per tonne in November.

While the pandemic has impacted pricing, production levels were minimally affected in the first three quarters of the year. In mid-August the Ghana Cocoa Board announced that it anticipated 900,000 tonnes of cocoa output in the 2020/21 season, up 5.8% from the forecast for 2019/20.

Cocoa and chocolate companies worked with the government during the pandemic to implement health guidelines, optimise local networks and deploy digital tools to manage the crisis. Farmerline, a Ghanaian technology company, used its service with a network of growers to conduct a health and safety campaign, disseminating information from the World Health Organisation directly to farmers in 14 local languages.

CEO Viewpoint

MAXWELL INVESTMENTS GROUP

Maxwell Ampong
CEO, Maxwell Investments Group

The Covid-19 pandemic has resulted in significant price fluctuations in the agricultural commodities trading space. While local demand for goods skyrocketed, there have been supply chain disruptions on the ground. This is especially notable as farmers lack access to information about the international market – a challenge that existed before the pandemic but is now much more serious.

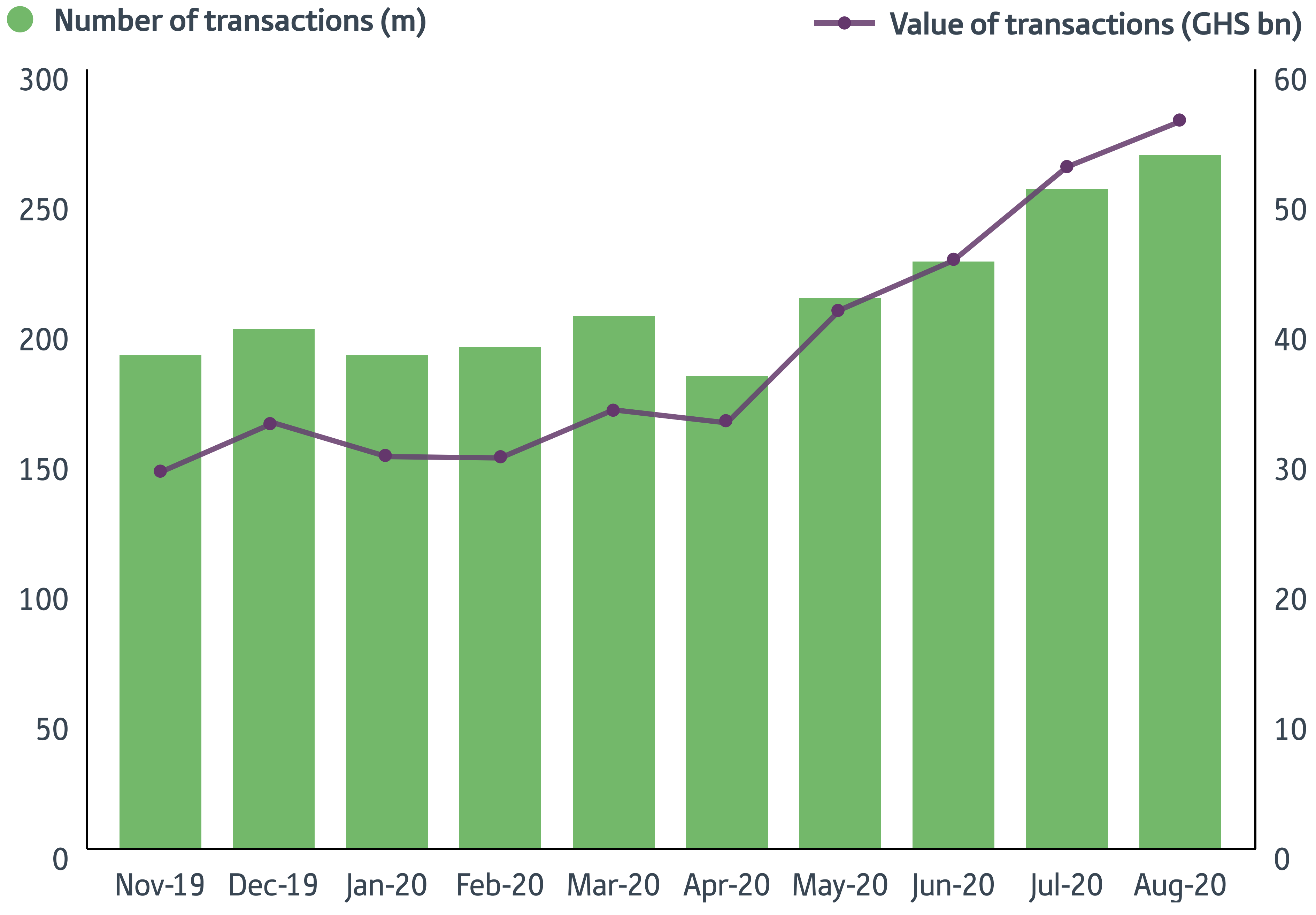
However, the crisis has provided opportunities to anyone looking to enter the agriculture sector and those that can fill the need for new systems; it is clear that innovations developed today will be here to stay. Additionally, the African Continental Free Trade Area will be a driving force in the long term, providing opportunities not only for operators in the sector, but for supporting businesses such as those providing logistics and training.

Leveraging ICT

With the crisis intensifying the need for efficient and contactless access to funds – especially among vulnerable populations – the government launched a number of policies aimed at widening financial inclusion and digital payments. Prior to the Covid-19 pandemic Ghana was already a major player in the digital transformation field and had rapidly adopted mobile money solutions. “The rapid uptake of mobile money in Ghana is driving greater financial inclusion and opening up opportunities for mass adoption of financial products such as insurance and pensions,” Murthy Chaganti, CEO of AirtelTigo Ghana, told OBG.

Moreover, several successful e-government initiatives led to less waste and enhanced accountability in the public sector. The government leveraged these experiences during the pandemic, and it is expected that the momentum of digitalisation will be sustained in the years to come.

Mobile money transactions, 2019-20



Technology was deployed in novel ways to fight the virus. Notably, a number of local and pan-African health care start-ups leveraged innovations to help tackle the new challenges posed by Covid-19. Collaborating with drone delivery start-up Zipline, the government began using drones to expedite the transfer of Covid-19 test samples and medical supplies to remote areas in April 2020.

“The stock of medicine in Ghana is concentrated, with distribution originating from a central warehouse, but these medications have to reach the entire country,” Daniel Marfo, CEO of Zipline Ghana, told OBG. “As a result, delivery times often vary significantly, with rural areas having more trouble receiving timely shipments than big cities. Supplying medication through autonomous drone delivery proved to be crucial in saving time, and helped with both the provision of medication and effective Covid-19 testing.”

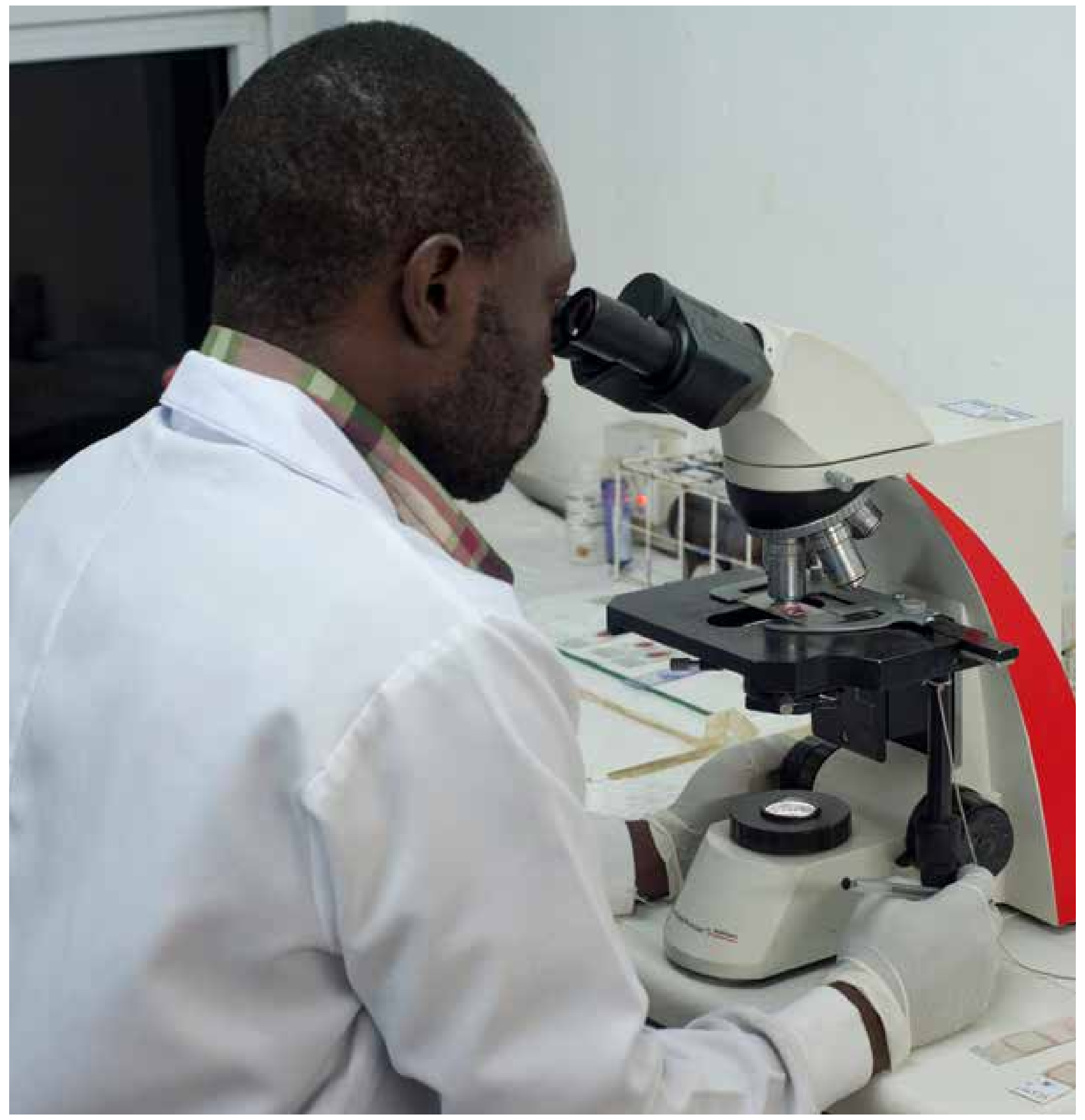
Graph source: *BoG*

Leveraging ICT

The pandemic also significantly expanded the uptake of e-health solutions in the country, and a number of software programmes have been used to track infected Ghanaians. Alongside this, a new rapid-results testing programme was established, which saw the country conduct 370,000 tests between March and mid-July.

In the pharmaceutical space, Ghanaian start-up mPharma – which acquired Kenya's second-largest pharmaceutical chain, Haltons, in 2019 – has been using technology to address inefficiencies in supply chains with the aim of lowering drug prices. As Covid-19 began to cause global disruptions in drug supply chains and threatened the supply of important medicine in Ghana, mPharma launched a price control programme in mid-March 2020 called Mutti Keep My Price. The initiative allows patients in need of chronic disease medication to continue paying the same price for their prescriptions for up to six months, regardless of market prices.

The urban lockdowns and social-distancing measures have also provided greater impetus for the development of the e-commerce ecosystem. This comes on the back of sustained growth in the number of cashless transactions, with the use of mobile money seeing a dramatic increase in previous years.



CEO Viewpoint

Yvette Adounvo Atekpe
Regional Managing Director, Dimension Data

As an essential service provider, Dimension Data was permitted to visit its clients during the lockdown to ensure business continuity. The firm saw a significant increase in demand capacity from the financial services sector, where many employers adopted a work-from-home policy, resulting in the need for increased bandwidth and cybercrime protections. In health care, telehealth solutions such as remote diagnosis became critical, and we gained new clients who needed remote access to education. E-commerce and education are two key sectors in which Covid-19 accelerated a digital transformation. This transformation will transcend the post-pandemic era and is changing how these sectors will function now and for the foreseeable future.

The pandemic also highlighted inequalities in terms of internet access. The current last-mile infrastructure was inadequate to address the latent demand. Digital solutions are now considered an essential utility, and we are witnessing the rollout of fibre-to-the-home, fibre-to-the-curb and other broadband connectivity solutions in response to higher demand from Ghanaians for reliable, high-speed internet connectivity.

Part 4

CARES Programme

In May 2020 Ken Ofori-Atta, the minister of finance, unveiled the Covid-19 Alleviation and Revitalisation of Enterprises Support (CARES) programme. CARES is a GHS100bn economic response and development plan, which will be rolled out in two phases over three-and-a-half years.

The first "stabilisation" phase covers the second half of 2020 and includes the expansion of most of the schemes that were implemented as part of emergency response and immediate relief efforts to the pandemic, including a further extension of free water and electricity supply for three months from June.

The first phase includes a GHS150m expansion of the Coronavirus Alleviation Programme Business Support Scheme (CAPBuSS), which was set up to provide soft loans to micro-, small and medium-sized enterprises, and initially funded with GHS600m. GHS50m of the new credit will be reserved for the arts, media and education, and CAPBuSS will be complemented by a new programme targeting larger businesses employing 100 or more people.

In addition to the funding programmes covering businesses of all sizes, the government has created a GHS2bn credit guarantee facility that can be accessed by businesses, particularly those aiming to ensure job retention. This will allow borrowing at longer tenors and support struggling businesses, as well as to provide finance to companies that are looking to leverage opportunities created by Covid-19.

With unemployment rising amid the pandemic, two new schemes are intended to provide relief and long-term solutions.

The Ministry of Employment and Labour Relations is establishing a national unemployment insurance scheme, and in collaboration with faith-based organisations and the private sector, the government is setting up a seed fund for a retraining programme. Jointly, these measures aim to improve the long-term resilience of the Ghanaian labour market.

Key pillars of CARES programme

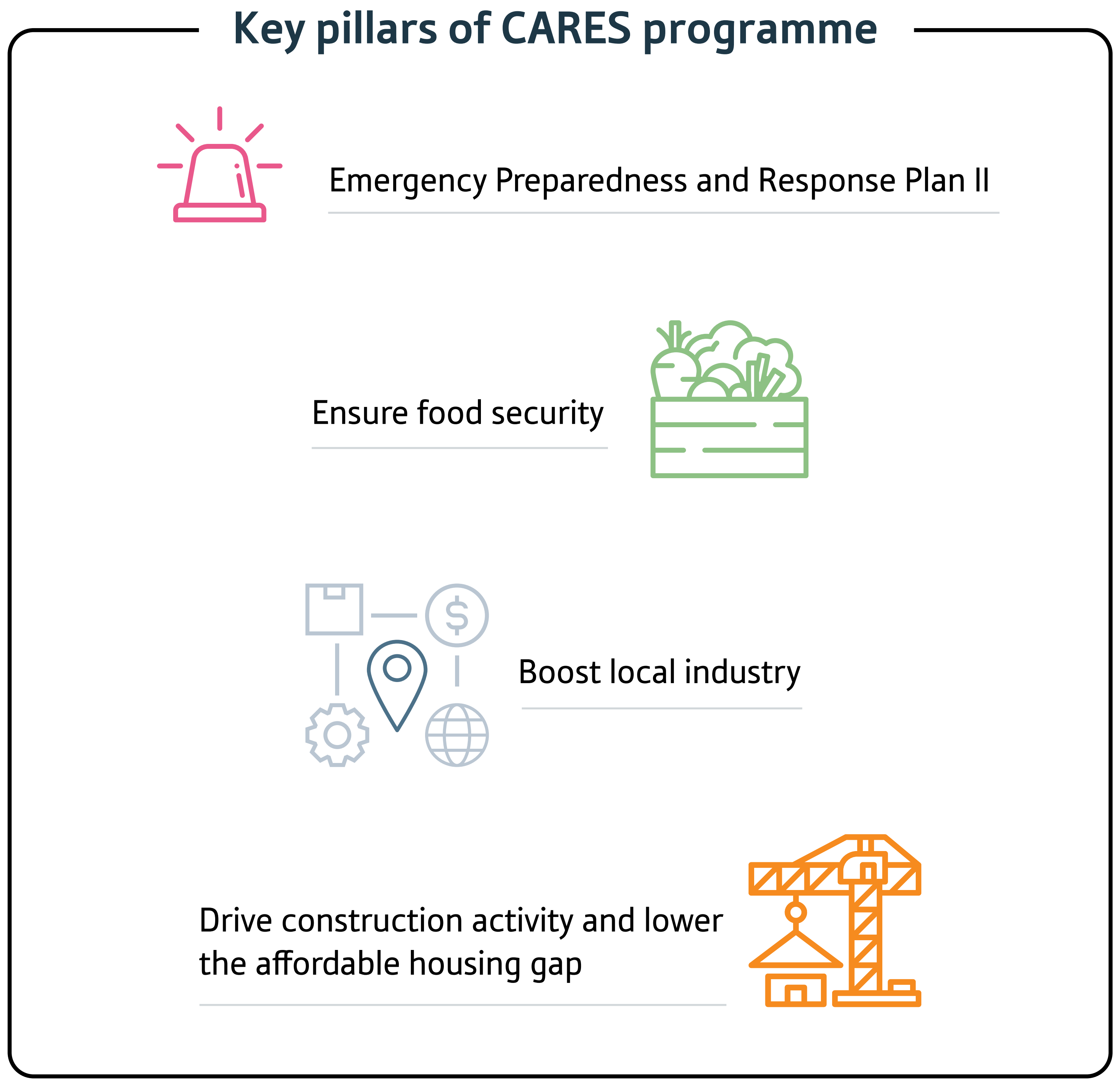
"Stabilisation" phase includes expansion of emergency response and immediate relief efforts, and extension of free water and electricity supply

GHS150m worth of additional funding for MSMEs, including **GHS50m** for the arts, media and education

GHS2bn credit guarantee facility

National unemployment insurance scheme and seed fund for retraining programme

CARES Programme



Following on from the Emergency Preparedness and Response Plan, the first phase of CARES includes an Emergency Preparedness and Response Plan II, which will support the health care system.

As a response to the lack of hospitals in the country, the president announced Agenda 88 in late April 2020, which seeks to ensure that residents in each of the country's 88 districts have access to a regional hospital as part of the move towards universal health care.

The plan includes the construction of a new hospital in the Western Region and the rehabilitation of the Effia Nkwanta Regional Hospital in Sekondi. Subsequently, Agenda 88 was augmented and renamed Agenda 111, with goals to establish 100-bed hospitals in every district within one year, a regional hospital in each of the six regions within 24 months, and to build two new psychiatric hospitals and three infectious disease centres in each of the ecological zones.

These infrastructure upgrades will provide long-term benefits to the health care system and will also ensure immediate relief in the battle against Covid-19 by providing isolation centres across the country. Health care personnel are also being trained to improve their response to the pandemic and being provided with better technology for case management. The rollout of a national infection prevention and control programme with a focus on water, sanitation and hygiene standards will accompany these efforts.

Following the country's experience with rapid food price fluctuations, global supply chain disruption and challenges to domestic agricultural production, food security became a top priority. The first phase of CARES aims to address this by expanding the Planting for Food and Jobs and Rearing for Food and Jobs programmes; providing rice millers with the means to purchase paddy rice directly from farmers; offering financial support to the Ghana Commodity Exchange and the National Buffer Stock Company to enhance agricultural storage and trading facilities; and establishing a food security monitoring committee, which will be chaired by the Ministry of Agriculture and comprise representatives from government agencies, local markets and transport companies.

Industrial plans, meanwhile, will target agro-processing – specifically the processing of rice, poultry, cassava, sugar and tomatoes under the first phase of the CARES programme.

Infographic source: *MYBR*

CARES Programme

The second phase of CARES covers the years 2021-23, and functions as a revised and accelerated version of the Ghana Beyond Aid agenda, with the aim of revitalising and transforming the economy. Ghana Beyond Aid is driven by the vision of a more self-reliant economy, and the pandemic has fostered both greater urgency to meet this goal and opportunities for its implementation.

At the start of the crisis, like many other countries, Ghana faced a shortage of personal protective equipment (PPE) and encountered difficulties importing PPE from abroad. The local textiles industry was able to quickly provide millions of cloth masks, which was essential, as Ghana implemented one of the first and strictest compulsory mask laws in Africa.

Under CARES, the government will expand the local procurement of goods and services, as part of the immediate response to Covid-19 and beyond. Industries that could see short- and long-term benefits include textiles, pharmaceuticals and fast-moving consumer goods. Alongside increased domestic

procurement, policies promoting import substitution and targeted support for light manufacturing, export expansion should provide further incentives to kick-start various value-added industries.

The Agenda 111 programme for health care infrastructure expansion will help drive construction activity. Additionally, in order to boost job opportunities and help close the affordable housing gap, which is estimated at 2m units, under CARES the government will expand the National Housing and Mortgage Fund created in 2019.

In collaboration with Ghanaian banks, the fund seeks to ensure that more low- and middle-income earners have access to mortgages and other financing options. Currently, Stanbic, Republic and GCB Bank offer low-interest mortgages to public sector workers and financing to local developers, while GCB Securities has established an affordable real estate investment trust. Looking ahead, more financial service providers are expected to create similar products, which will boost homeownership and construction.

Private Sector Participation

Of the total expenditure of the CARES programme, 70% is to be funded by the private sector. In order to attract investment and raise those funds, various legislation will be pursued to establish a stronger investment framework. The goal set by CARES in the second phase is for Ghana to become the premier investment destination in West Africa and among the top five on the continent.

Incentives will include tax exemptions and greater clarity on public-private partnership (PPP) regulation. The Ghana Investment Promotion Centre (GIPC) and the Ghana Free Zones Authority will have increased capacity as well.

Ghana is looking to build on the PPP and concession agreements it already has in place, particularly when it comes to infrastructure upgrades, where the Ghana Infrastructure Investment Fund (GIIF) will play an important role. As a government-owned fund with a paid-in equity balance sheet of $325m and $275m committed in 12 transactions, GIIF aims to use its anchor equity to act as a catalyst to develop private sector funds into social and economic infrastructure assets. The fund is seeking to raise up to $250m in lines of credit in the form of 12- to 15-year debt from development finance institutions and corporate bonds for on-lending to additional projects.

As 30% of CARES spending will be covered by the government, and due to the increased strain on revenue and unforeseen added expenditure, it will be crucial to find ways to increase public revenue and improve the efficiency of spending. The government has set itself the goal of improving the tax-to-GDP ratio from the current 13% to 20% by 2023.

Tax incentives

Proposed decrease in communication service tax (CST)

- Effective September 2020, the government proposes lowering the CST from 9% to 6%
- This initiative is meant to promote digitalisation as part of the CARES programme

Value-added tax (VAT) on commercial properties

- As part of the government's attempt to mobilise revenue, it proposes to enforce VAT on commercial properties

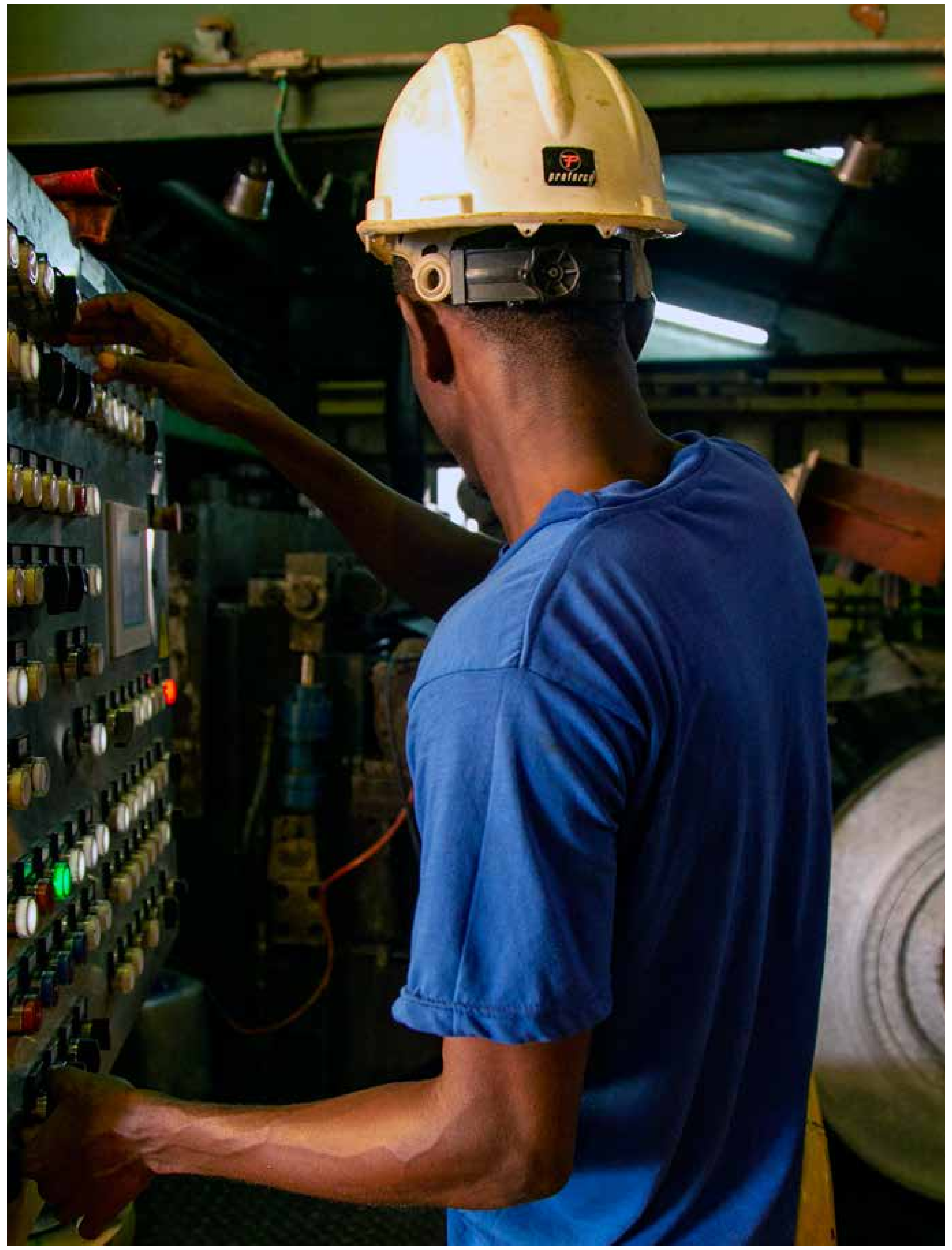
Gains from realisation of assets and liabilities

- Government intends to enforce the submission of returns for gains from realisation of assets and liabilities

Revenue mobilisation

- Government intends to enhance revenue mobilisation through improved efficiency measures by:
  - Broadening the tax base through digitalisation and tax education;
  - Simplifying the tax filing system to help reduce revenue leakage;
  - Conducting regular tax audits;
  - Prosecuting tax offenders;
  - Implementing a revised Transfer Pricing Regulation;
  - Passing the Tax Exemption Bill; and
  - Implementing an effective property rate collection system

Infographic source: *KPMG*



CEO Viewpoint

Michael Okyere Baafi
CEO, Ghana Free Zones Authority (GFZA)

A number of companies located in the free zones enclave in Tema have been negatively impacted by the Covid-19 pandemic. During the lockdown, most of the firms operating within the enclave were asked to stop producing and manufacturing. These mostly multinational companies have large capital bases and therefore required significant commitments from the government in terms of stimulus support. As a result, the Ministry of Trade and Industry has introduced a more sustainable package that can be harnessed by industries in the free zones enclave to provide relief to their businesses. The GFZA has also become more flexible in some of its administrative conventions in order to protect free zone companies during the current circumstances.

Free zones around the world have been game-changers when it comes to transforming economies, and free zones in Ghana hold the potential to boost a number of key sectors that will be instrumental for a sustainable economic recovery. Manufacturing businesses in particular are central to achieving greater export revenue and attracting foreign exchange. However, other industries, such as financial services, are also poised to benefit from increased economic activity in the free zones. The GFZA is in the middle of completing a five-year development plan to make Ghana's free zones more competitive. In the near term, we expect most activity to be generated by the automotive segment, where many companies are being established because of our infrastructure and regulatory environment. In the longer term, the current measures being undertaken are expected to result in $4bn worth of exports within the next five years.

At the same time, we have been supporting the drive for more indigenous companies to establish in the free zones. Most of the free zone companies that are performing well in Ghana are multinationals, so we have decided to encourage more local investors to do business in the free zones by providing certain incentives and advantages over their international competitors.

Any company that is incorporated in Ghana, exports 70% of its products, and meets the financial and environmental standards of the GFZA can benefit from free zone incentives. In addition, we are encouraging youth participation in the free zones by training young entrepreneurs to develop the necessary know-how to thrive through incubation units. The presence of more multinational companies setting up under the free zones legislation also provides benefits to Ghanaian workers in the form of skills and knowledge transfer.

AfCFTA

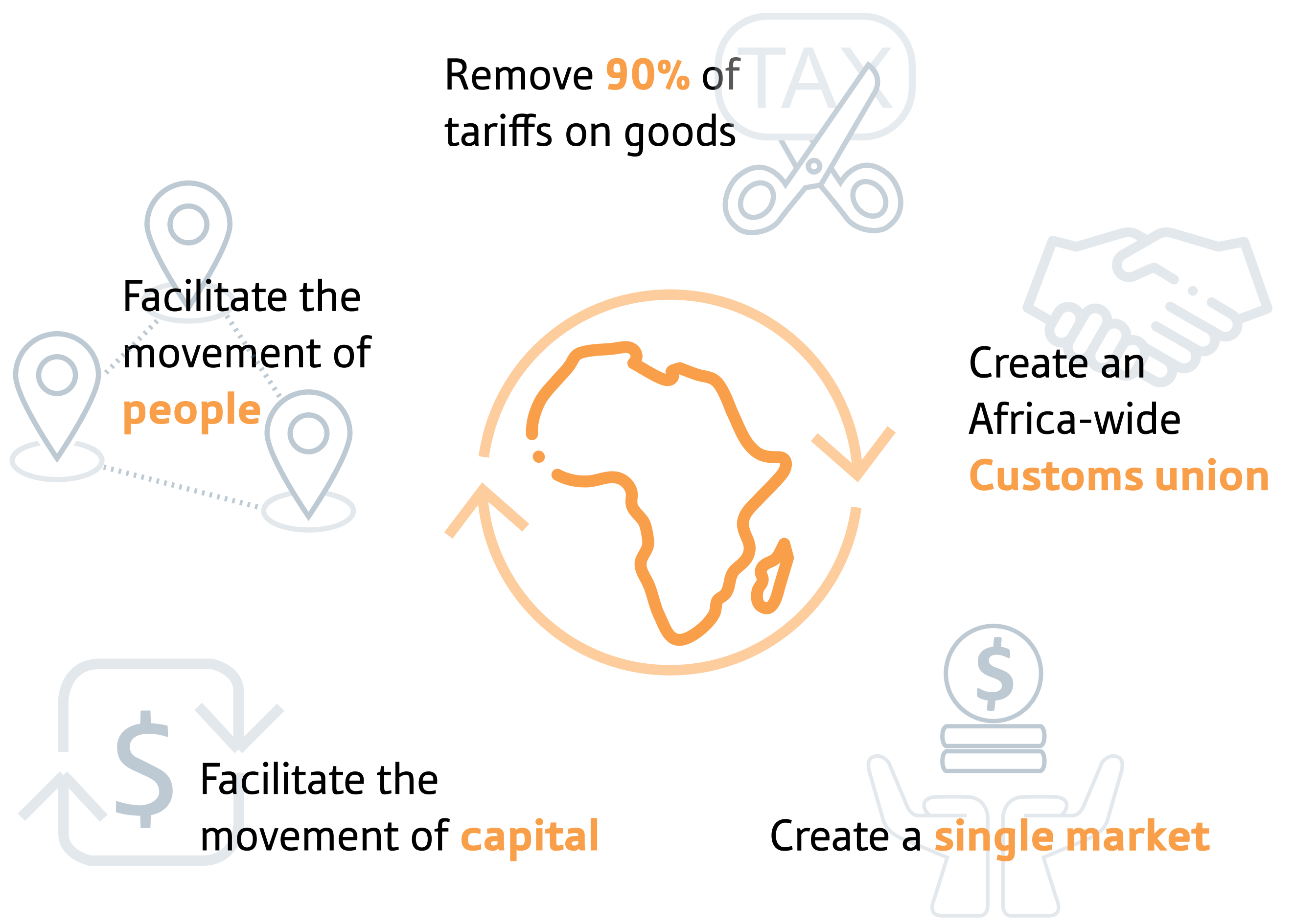
With Accra selected as the headquarters of the African Continental Free Trade Area (AfCFTA) Secretariat, the country is working to reposition itself on the global stage and seize a number of opportunities. The government aims to capitalise on its position by developing the country as a regional centre for manufacturing, logistics and digital services, with work also under way to promote Ghana as a regional financial base with the establishment of an international financial services centre.

To facilitate the establishment of the various centres, the Ministry of Trade and Industry is carrying out a regulatory reform programme to improve the business environment in the country. The government is also implementing a paperless Customs-clearance processing system intended to eliminate red tape, and improve the transparency and cost-efficiency of administrative regulations.

Meanwhile, the GIPC has initiated a review of the GIPC Act 865. This is intended to simplify business registration procedures in addition to further improving the ease of doing business in the country. Ghana is also moving towards the implementation of a one-stop shop concept, where companies are able to register and obtain licences online.

While the implementation of the AfCFTA was postponed from July 2020 to allow governments to focus on tackling the pandemic, there is renewed momentum behind the initiative as it is widely recognised that the economic recovery from Covid-19 in Africa will require greater trade, which suffered from Covid-19-related border closures and restrictions on production and mobility. The AfCFTA is anticipated to be a valuable tool for stimulating economic activity across the continent when it becomes operational in January 2021.

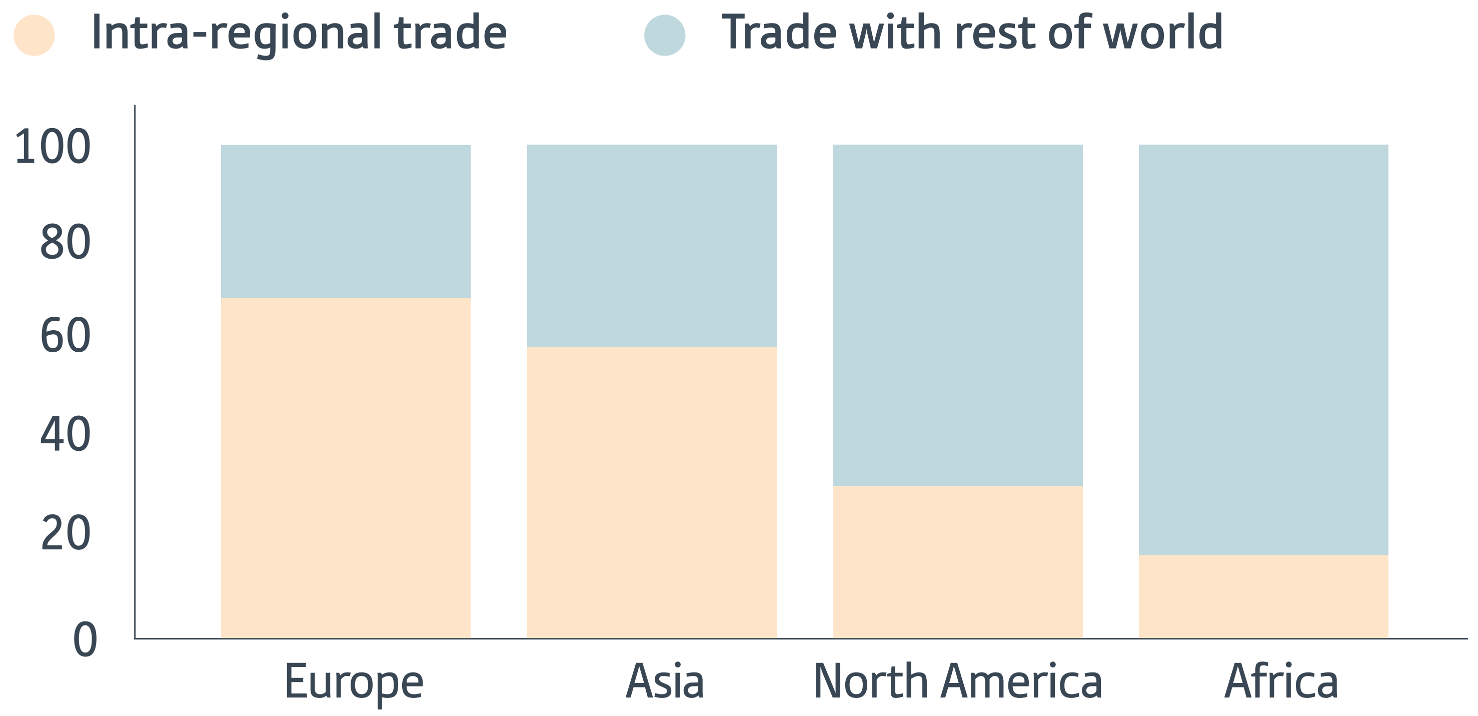
The AfCFTA was unveiled in March 2018 and has since been signed by 54 of the 55 African Union members. It aims to:



Infographic source: *KPMG*

AfCFTA

Breakdown of trade by region, 2017 (%)



When fully operational by 2030, AfCFTA is expected to cover a market of **1.2bn people** and a combined **GDP of $2.5trn**

In late September 2020 Wamkele Mene, the secretary-general of the AfCFTA Secretariat, told a business conference in South Africa that AfCFTA negotiations over e-commerce and digital trade would be fast-tracked, with Covid-19 heightening the need for an adequate legal and governance framework. These talks, which were initially planned for phase three of the trade zone, will now take place early in 2021 as part of phase two, alongside competition policy, intellectual property rights and investment protocols.

The focus on digital trade will include efforts to speed up Customs-clearance procedures between countries, with border delays currently slowing down regional trade. International media also reported that the 54 AfCFTA signatories were moving ahead with talks on the taxation of e-commerce platforms.

Beyond simply providing alternative payment options, the development of digital platforms is impacting the way companies do business. “In light of travel restrictions, people are finding different solutions for their businesses, such as digital payment platforms that do not require people to travel from one place to another and allow them to receive their goods while hopefully paying in their local currency,” Solomon Asamoah, CEO of the GIIF, told OBG. “This new way of conducting trade should be developed a lot faster than previously expected.”

Graph source: *Brookings Institution*

Digitalisation

According to Yvette Adounvo Atekpe, regional managing director of digital services provider Dimension Data, there was a significant rise in the number of clients requesting services in Ghana since the outbreak of Covid-19. "There was a particularly large increase in demand for reliable and secure connections from the financial sector, where ensuring business continuity meant having a safe and fast internet connection for the staff working from home," Adounvo Atekpe told OBG. Other segments where internet usage saw a spike included the health sector, as many telehealth services were rolled out during the lockdown, and in education, as students and teachers turned to remote learning.

A common sentiment among players in the sector is that the country has been forced into digital transformation, with many sectors making digital shifts that will sustain the drive for greater digitalisation even in the post-pandemic period.

This move towards digitalisation in the private sector comes on the back of a sustained and targeted digitalisation agenda implemented by the government in the years preceding the pandemic. Some of the pillars of this agenda include the rollout of a national ID, mobile money interoperability and a national address system. Together, these innovations hold the key to a formalisation of the economy.

With budgets stretched thin due to increased expenses and lower revenue, the national ID is a welcome source of revenue, as it is expected to widen the tax base significantly. The government has announced that all national ID numbers will function as tax ID numbers, which is set to drastically increase the number of tax-registered individuals, which currently stands at just 3m. Some 15m people had already registered for the national ID as of mid-2020, and universal adoption forecast in 2021.

Case Study

IPMC

IPMC was founded in 1992 as an IT firm providing systems integration, software development and IT training services to the nascent but fast-growing ECOWAS region. As of 2020 the company employed more than 700 people in 19 offices across seven countries in West Africa, with its headquarters based in Accra.

The initial economic impact of the Covid-19 pandemic in early 2020 caused a slowdown in its supply chains, resulting in delays to ongoing data centre and end-user computing projects. This led to reduced liquidity and the closure of the company's training facilities in April. However, the sector bounced back rapidly through an increase in online services and has been reporting normal earnings since August.

"The Ghanaian government reacted swiftly and responsibly to control the Covid-19 pandemic, and provided interventions to reduce costs and improve business earnings, which helped the economy to stay resilient," Amar Deep S Hari, CEO of IPMC, told OBG. "We have noticed growth in demand for automation across most sectors of the economy," he added.

Signalling ongoing demand for digital services across a variety of businesses, IPMC continued work on an IT solutions project for Africa World Airlines (AWA), a regional service operating out of Ghana.

The airline, which resumed domestic flights in May 2020 and international flights in September 2020, has been upgrading its software systems. The IT and cloud solutions provided by IPMC aim to enable AWA to implement better controls, manage its inventory, reduce operating costs and improve customer service.

Digitalisation

	Key figures	Key features
National ID	**15m** registered users	Functions as tax ID
Mobile Money Interoperability	Increased by nearly **600%** in the first half of 2020	Allows people to transact across platforms
National Address System	Unique address for each **5-sq-metre** grid	Enables e-commerce growth

Case Study

Margins Group, a majority-Ghanaian-owned company founded in 1990, has five subsidiaries split between two divisions: Margins ID Group and Margins Supplies Group. Through the special-purpose vehicles Identity Management Systems I and II, Margins Group is engaged in a PPP with the National Identification Authority as a primary contractor and technical partner for the Ghana National Identity System (NIS).

Under the NIS project, Margins Group has been registering and issuing multi-application smart cards – known as Ghana Cards – to all citizens and foreign residents. The rollout of mass registration of the Ghana Card started in 2019 and continued throughout 2020.

While the pandemic resulted in some registration delays between March and June, as of October 2020, 15.5m Ghanaians were registered and 14m cards had been issued.

Covid-19 has added another dimension and greater urgency to the national ID project. "This digital transformation not only allows for greater contactless interaction, it will also allow the government to transfer funds directly to the most vulnerable citizens," Moses Baiden, CEO of Margins Group, told OBG.

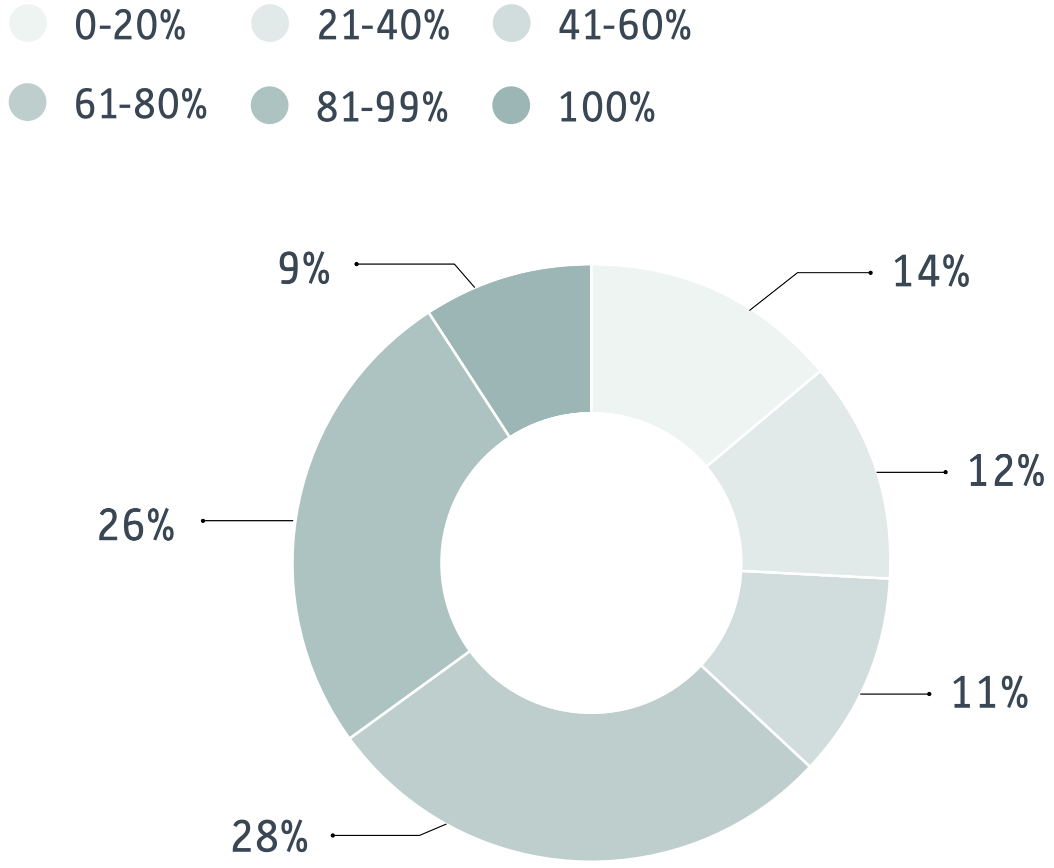
The Margins Group company Intelligent Card Production Systems (ICPS), a 9001-2015-certified card-manufacturing facility with a production capacity of over 100m cards per year, produces the Ghana Cards as well as cards for banking clients. ICPS was set to add an Europay, Mastercard and Visa (EMV) certification to its other global certifications in 2020, but travel restrictions initially prevented the audit from taking place. However, using remote audits and assessments, Margins was able to secure the EMV certification while adhering to Covid-19 protocols.

Table source: *GHIPSS; NIA; GhanaPostGPS*

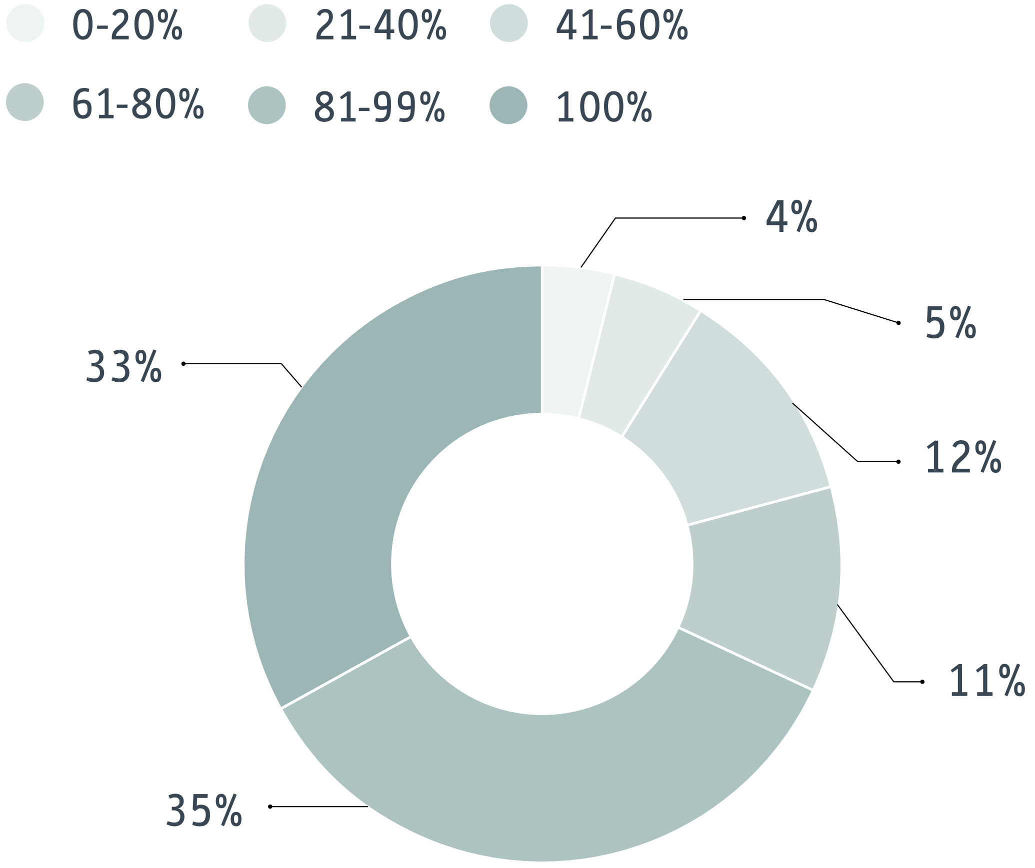
Outlook

A survey of C-suite business executives in Ghana conducted by OBG in September 2020 indicated that most companies are back to work. With a combined 63% of companies already operating at or above 60% capacity, 79% of business leaders were anticipating that their company would operate above those levels by January 2021. The proportion indicating their company would be fully operational by that date was 33%, significantly higher than the 9% operating at full capacity in September.

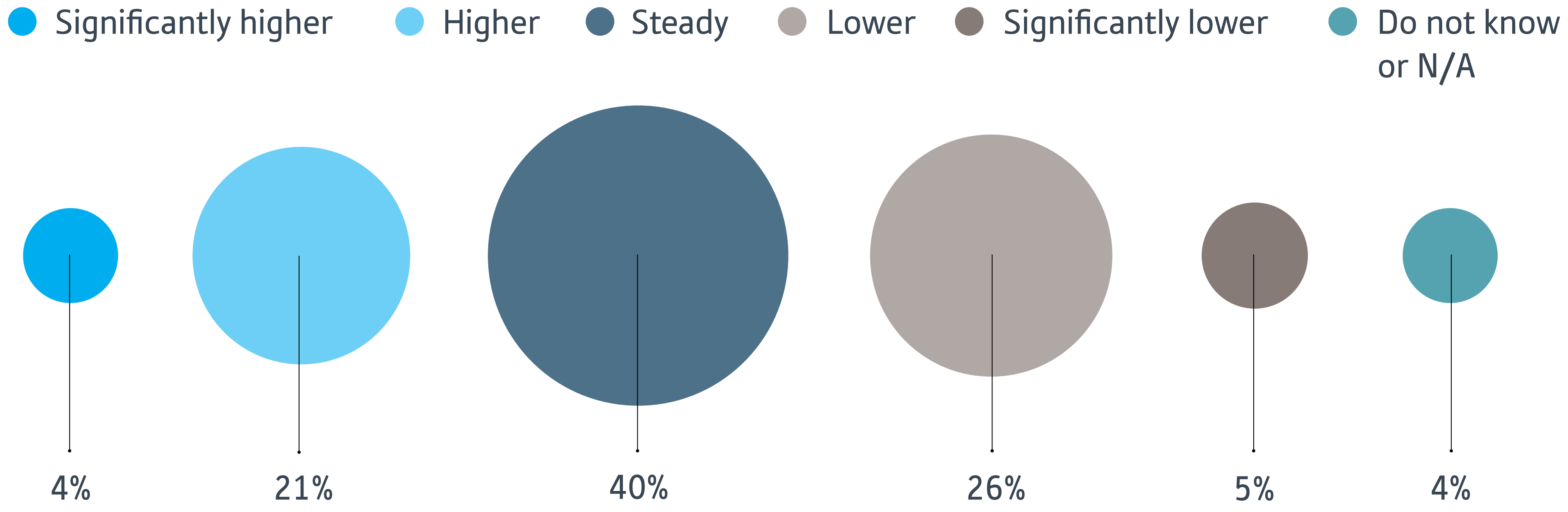
At what capacity is your company currently operating?



At what capacity do you expect your firm to operate by January 2021?



What is your revenue forecast from in-country operations over the next 12 months?



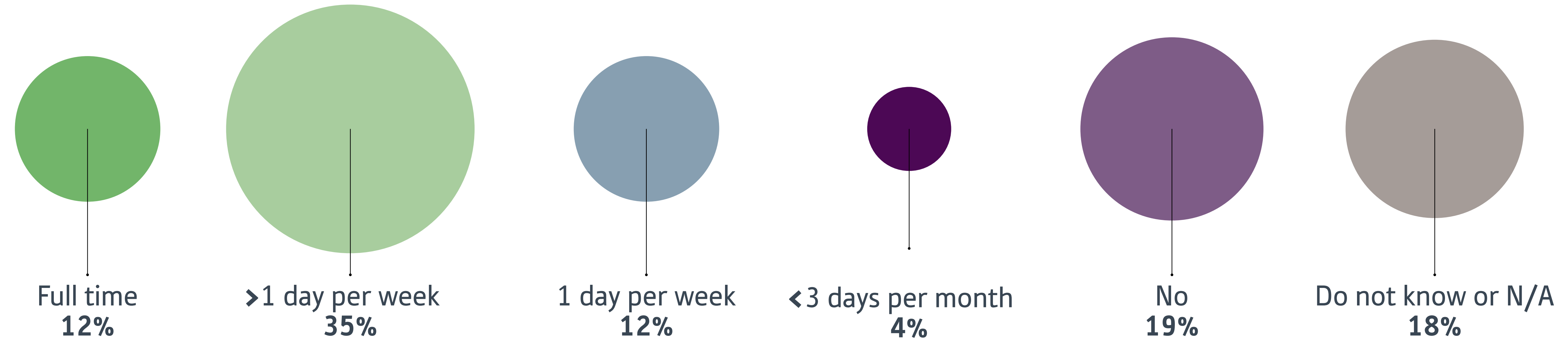
Company revenue forecasts for the next 12 months are also encouraging, with 40% of respondents expecting returns to be steady and 25% indicating higher or much higher revenue. Approximately 65% of executives see their domestic capital expenditure increasing over the same period, while only 11% anticipate a decrease of any size.

Although executives are keen to return to business as usual, the period of lockdown and social distancing has made remote work a part of the "new normal" for a large proportion of firms. Only 19% responded that remote work would not be a part of company policy post-pandemic, with 59% aiming for at least one day per week of remote work for their staff.

Graph source: *OBG Ghana Covid-19 CEO Survey*

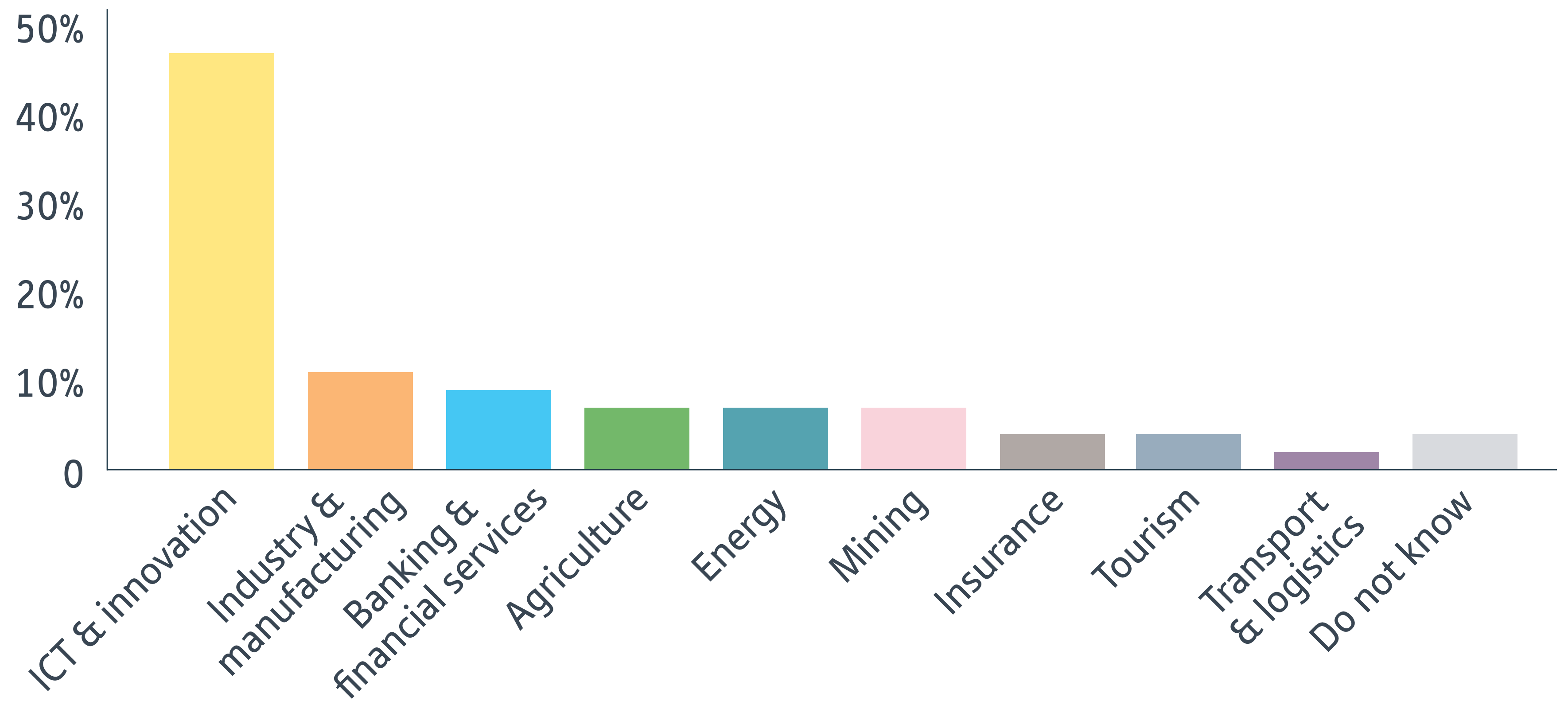
Outlook

Do you plan to retain remote work as part of your company policy after the pandemic passes?

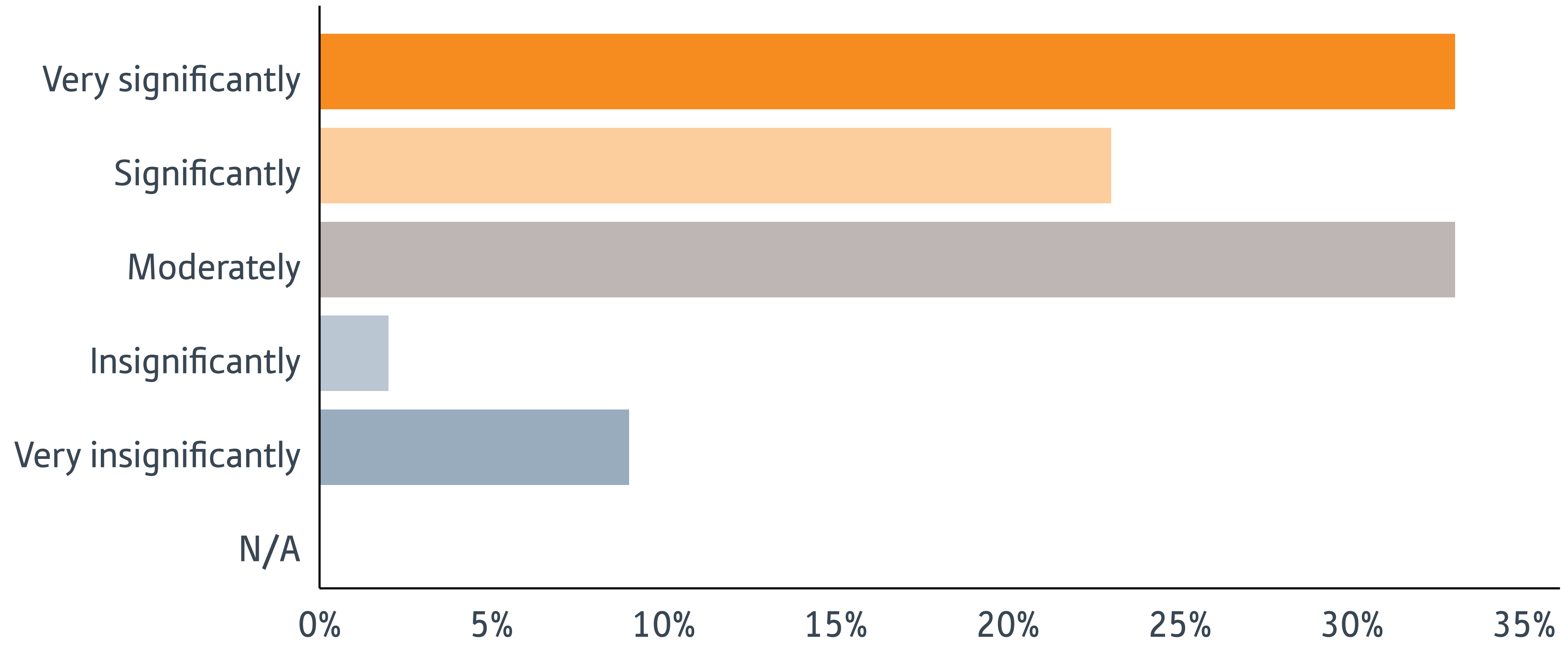


The option to maintain remote work has been greatly expanded by the adoption of digital solutions. According to local business leaders, one of the key drivers of the economic recovery will be digitalisation and innovation. Nearly half of respondents identified ICT and innovation as the sector with the greatest potential to drive growth and recovery in 2021, followed at some distance by industry and manufacturing (11%).

Which of the following sectors has the greatest potential to drive growth and recovery in 2021?



To what extent is your firm currently investing in innovative tech solutions to allow operations to resume or continue to run smoothly?



This renewed focus on digitalisation is also evident from the high proportion of companies investing in innovative tech solutions to allow operations to resume or continue running smoothly.

A majority of respondents (56%) are investing significantly or very significantly, with only 11% indicating they are doing so to an insignificant or very insignificant extent.

The high cost of technology is the most commonly cited barrier, with 40% indicating this reason. Other hurdles include inadequate digital infrastructure (18%), skills gaps (11%) and cybersecurity risks (9%).

Graph source: *OBG Ghana Covid-19 CEO Survey*

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