



AKUFO-ADDO'S CABINET LOOKS TO BOOST GHANAIAN ECONOMY

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SUMMARY

- Nearly two months into his term, Ghanaian President Nana Akufo-Addo has hit the ground running to fulfill his campaign promises to reduce corruption, increase government efficiency, and reset the economy through investment promotion, all of which should come as welcome news to foreign investors interested in a country that is already ranked the easiest to do business in West Africa, according to the [World Bank](#).
- Akufo-Addo has nominated a highly experienced and competent cabinet, including Finance Minister Ken Ofori-Atta and Trade Minister Alan Kyerematen, who will take the lead on renegotiating Ghana's IMF deal and promoting industrialization and local development through foreign investment, respectively. The new president has also announced the establishment of an independent Office of the Special Prosecutor by December 2017 to lead the administration's fight against corruption, which many Ghana watchers have cited as a major barrier to foreign investment.
- Akufo-Addo's cabinet is under pressure to act quickly to fulfill the President's campaign promises, and is already facing emerging challenges. For example, Minister Ofori-Atta discovered a \$1.6 billion hole in the budget that was unaccounted for by the previous government, sending Ghanaian dollar bonds tumbling and adding pressure to the government's financial woes. How Akufo-Addo and his cabinet are able to deal with these early challenges will be a bellwether of whether they will be able to successfully get the economy back on track and reassure investors.

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CONTEXT AND IMPLICATIONS

The NPP's strong mandate

Nana Akufo-Addo won the December 2016 election by the largest margin in Ghana's election history, defeating opposition candidate John Mahama by almost 10 percent and giving the New Patriotic Party (NPP) a strong mandate to move forward with its policy platform. The NPP also secured a majority in Parliament with 169 seats compared to 106 for the National Democratic Congress (NDC), the main opposition party. NPP supporters point to allegations of corruption and lack of accountability within the

Mahama administration, both of which were key campaign issues, as causes for the further weakening of the NDC'S position and public credibility. President Mahama was the first sitting Ghanaian president to fail to secure a second term, and the NDC is expected to focus on reinventing the party's image, while also trying to maintain a coherent opposition to the NPP, over the next four years.

Akufo-Addo's experienced, and bigger, cabinet

Akufo-Addo has moved quickly to appoint his cabinet in order to fulfill his ambitious campaign promises. One of his first actions as President was the creation of eleven new ministerial positions, increasing the cabinet size from 25 to 36. There has already been controversy over how many of these new positions will also include the creation of new ministries. New ministerial positions include the Minister of Special Development Initiative, held by Mavis Hawa Koomson, and the Ministry of Business Development, led by Ibrahim Mohammed Awal, and critics have suggested that these new positions represent patronage to keep the NPP coalition that elected Akufo-Addo happy. The increase in ministers may also present management challenges, especially as Akufo-Addo looks to maintain the support of the Akyem-Northerner-Ashanti coalition, a partnership of convenience between the Akufo-Addo faction of the NPP and the faction of former Ghanaian President John Kufour (2001-2009) that came together to win the general election. But political jockeying will be superseded by significant public pressure to revive the economy and close scrutiny over any indications of government corruption.

Many of Akufo-Addo's appointments have prior government experience and are widely respected for having performed in these roles, such as Minister of Trade Alan Kyerematen, who received widespread accolades for his programs to transform the Ghanaian economy under the Kufour administration, including building state-of-the-art infrastructure and promoting free trade zones, and Senior Minister Yaw Osafo-Maafo, a former finance minister, who was awarded Finance Minister of the Year by Banker Magazine and who many credit with helping turn around the Ghanaian economy between 2001 and 2005. Insiders suggest that Akufo-Addo has looked to combine private sector and government experience to create a balanced cabinet, a reflection of his recognition of the importance of the private sector in resetting Ghana's economy. The incoming Minister of Food and Agriculture, Dr. Owusu Afriyie Akoto, is a farmer with commercial and academic experience in the agriculture industry, and has pledged to create 750,000 jobs by May 2017. He plans to achieve this through his campaign, "Planting for Food and Jobs," aimed at increasing opportunities for producers of seeds, fertilizers, e-agriculture, and monitoring services. Similarly, Minister of Energy Boakye Agyarko has promised to leverage his experience in energy and finance to end the power crisis that has crippled many businesses and continues to hamper Ghana's economic growth. Akufo-Addo's Vice President, Mahamudu Bawumia, an economist who served as Deputy Governor of the Bank of Ghana until joining Akufo-Addo's ticket, also brings strong economic development experience. First-time cabinet appointees Finance Minister Ofori-Atta and Energy Minister Agyarko compensate for their lack of political experience with deep private sector backgrounds and party loyalty.

The Akufo-Addo Administration has also pledged to kick-start the Marine Drive Tourism Investment Project under the auspices of the Ministry of Tourism, Culture, and Creative Arts covering over 240 acres of prime beach land in Accra. The project is aimed at transforming the beach area into a tourism enclave, and the ministry is also seeking a private sector partner to develop the existing children's park into a world class park.



Other notable cabinet appointees include former Attorney General Joe Ghartey, who will lead the newly created Railway Development Ministry and is charged with supervising the development of Ghana's railway network across strategic parts of the country. Samuel Atta Akyea is at the helm of the newly created Ministry for Water and Sanitation and will be responsible for leading various water extension, sanitation, and treatment projects in the country.

Amid continued fiscal challenges, a focus on boosting the economy & curbing corruption

Akufo-Addo ran his campaign promising to root out corruption and promote economic development, and he is keen to show early results that demonstrate his administration's commitment to addressing these challenges. Government corruption will likely remain under intense scrutiny for the next four years, and analysts expect voters to hold Akufo-Addo accountable for investigating and punishing those found to engage in corrupt practices. His plan to appoint a Special Prosecutor by the end of 2017 to investigate corruption in government is an important first step, but Akufo-Addo will need to implement the institutional reforms that he has promised and demonstrate the political will necessary to prosecute corrupt officials irrespective of party affiliation.

Righting the economy will also be critical to Akufo-Addo's success. The Mahama administration was marked by an economic downturn that saw GDP growth fall from more than 8 percent in 2012 to less than 4 percent in 2016, Ghana's slowest growth in more than two decades. However, analysts are positive about Ghana's economic direction under Akufo-Addo. While campaigning, he made promises to improve the economy through tax cuts and business incentives, as well as an industrial policy designed to drive light manufacturing and processing. These policies are in part aimed at attracting increased foreign investment, which will be critical to the administration's ability to achieve these promises.

The centerpiece of Akufo-Addo's ambitious economic revitalization strategy is the "one village, one dam; one district, one factory; one constituency, one million dollars" program, which is likely to define his first term in office. The initiative aims to apply a fresh approach to drive economic growth in Ghana, focusing on local development and targeting Ghana's current 48 percent youth unemployment rate by building a dam for every village, constructing a factory in each district, and allocating each of the country's 275 constituencies with \$1 million every year towards projects designed to combat poverty. Kyerematen, who is reprising the role of Trade Minister after serving in the Kufour administration (2001-2009), will lead implementation of this strategy. Kyerematen's appointment was met with widespread acclaim from the business community, and he has said that increased foreign investment will be critical to the program's success, particularly in order to meet the target of building a factory in each district. Since taking office, Kyerematen has committed to increasing trade and export revenue, through programs such as the African Growth and Opportunity Act (AGOA) and has won the support of the Ghanaian National Chamber of Commerce.

Reflecting a recovering economy and optimism in the new administration, [the World Bank has projected 7.5 percent growth for the Ghanaian economy this year](#), the third-highest growth rate in sub-Saharan Africa for 2017. But meeting that projection won't come easily. On top of persistently high unemployment, the government is facing increasing pressure from the IMF following the fiscal tightening measures agreed to by the Mahama administration as part of a \$1 billion bailout deal signed in 2015. President Akufo-Addo announced on February 21 that the previous government missed all of its 2016 IMF targets. Indeed, Ghana was not able to lower its fiscal deficit to under 5.3 percent, as mandated by the IMF, evidence of continued



government expenditure exceeding revenue despite promises by the Mahama administration to rein in spending. While there are signs of hope that the IMF may be open to re-negotiating its deal, a process which would be led by Finance Minister Ofori-Atta, a retired investment banker with experience on Wall Street and an MBA from Yale's School of Management, this will only go so far in relieving pressure on the new government. In addition to increased pressure from the IMF, Ofori-Atta already faces the challenges of balancing the NPP's campaign promises and dealing with his recent discovery of a 1.6 billion gap in the budget.

The Road Ahead

The NPP is acutely aware of the pressure it faces in turning its campaign rhetoric into tangible and successful policy. Ghana watchers would be wise to pay particular attention to the decisions coming out of Ofori-Atta's Ministry of Finance, and in particular the results of Ghana's negotiations with the IMF. Minister of Trade Kyerematen will be another key player in the administration. The former's success in renegotiating the terms of the inherited IMF bailout will have a direct bearing on the latter's ability to implement the "one district, one factory" promise, which forms the cornerstone of the government's plans for rapid industrialization, growth, and investment. With a strong mandate and experienced cabinet, President Akufu-Addo appears to possess the building blocks for success—but achieving Ghana's economic recovery won't be easy.

ASG's Africa Practice has extensive experience helping clients navigate markets across Africa. For questions or to arrange a follow-up conversation please contact Cassidy Walters at cwalters@albrightstonebridge.com.

