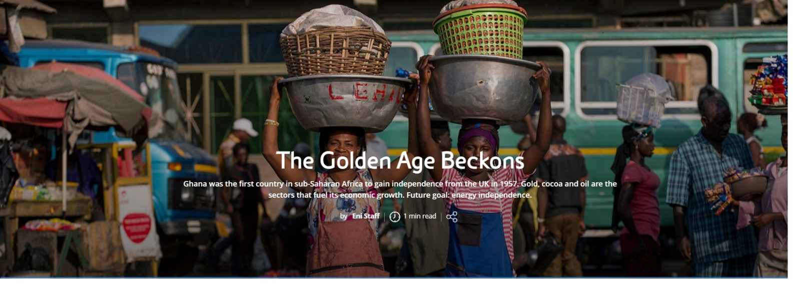


The Golden Age Beckons

Source: *Ghana Statistical Service*

And agriculture should be more supported precisely by the resources generated by the oil and gas, the **director of the Africa Center for Energy Policy (ACEP), Benjamin Boakye, tells us in an interview.** The development of the oil industry risks discouraging the government developing other growth drivers. In 2013, the contribution made by agriculture to the country's GDP was much higher, equal to 21.7%. Overall, the non-oil sector is still strong but has been shrinking slowly, from 6.5% in 2018 to 5.8%.

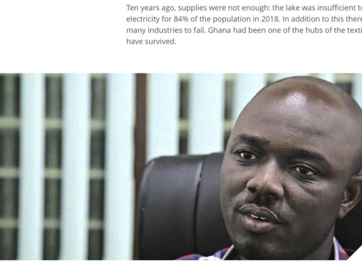
The collapse in the price of oil and the impact of COVID-19 have widened the internal debate about the need to accelerate the process of economic diversification. Ghana is not lacking in determination to rebalance its economy. The country shows a significantly lower degree of dependence on oil and gas than other producing countries in sub-Saharan Africa, such as Nigeria, Angola and Gabon. Similarly, there appears to be a clear strategy to break free from a dependence on imports of raw materials and accelerate regional integration. The country's strong support for the new African Continental Free Trade Area (AfCFTA) is also significant in this respect. The Ghanaian Parliament was among the very first to ratify it, confirming the Pan-Africanism that has always characterized Ghana. Last April, Accra won the competition to host the headquarters of the Secretariat.

Energy to light the country

Until 2007, biomass energy consumption amounted to 49%. In 2016, the use of biomass dropped to 39%. The use of hydrocarbons and a strong push towards electrification have transformed the energy sector. Today Ghana continues to develop both upstream and midstream infrastructure. In addition to Jubilee, the other two main fields - TEN and Sankofa – are concentrated in the Tano Basin. Three companies are active in the sector: Eni, the Norwegian Aker and the African Tullow. In 2019, Ghana produced almost 200,000 barrels a day. Oil is destined for export: crude oil is a major export (4.57 billion dollars in 2018). Gas, on the other hand, is essential to meet internal consumption, which is growing at a rate of 10-15% per year, and to fuel the electricity sector.

Before the development of OCTP (2018), the Ghanaian offshore exploration project, in which Eni is heavily involved, Ghana fueled its power plants mainly with oil and gas imported from Nigeria via the West African Gas Pipeline (WAGP). It also used a large hydroelectric power plant on the Volta River, in the south-eastern area of the country: the Akosombo dam, built in the 1960s by the Italian Salini Impregilo - the biggest artificial lake in the world. These sources still play an important role in Ghanaian electricity generation, but the growing contribution of gas from OCTP will gradually help Ghana achieve greater energy independence.

Ten years ago, supplies were not enough: the lake was insufficient to meet the energy needs of an African country that boasted of providing access to electricity for 84% of the population in 2018. In addition to this there was some discontinuity in Nigerian supplies. As a result, a massive blackout caused many industries to fail. Ghana had been one of the hubs of the textile industry in West Africa: the crisis wiped out the textile companies and only three have survived.



More than oil alone

Interview with the Director of the Africa Center for Energy Policy (ACEP), Benjamin Boakye.

FIND OUT MORE

The country was thus forced to review its energy policy. Encouraged by the World Bank and the International Monetary Fund, the Accra government identified gas production as the key to ensuring the diversification of the energy mix and the stability of low-cost supplies, also leveraging private investors. Thus, Eni's project, which consists of producing oil for export and gas for internal consumption, was welcomed.

At the same time, this policy of building a large number of power plants has created a problem of overcapacity. Every year, the government finds itself having to pay 450 million dollars to independent producers for electricity that goes unused. Experts believe that the sector needs to be reorganized, particularly to thin out an extremely overcrowded market, dominated by state-owned companies in some sectors, and by obstacles that impede the progress of other sectors. Particularly renewables.

Ghana's Gas Figures in 2018

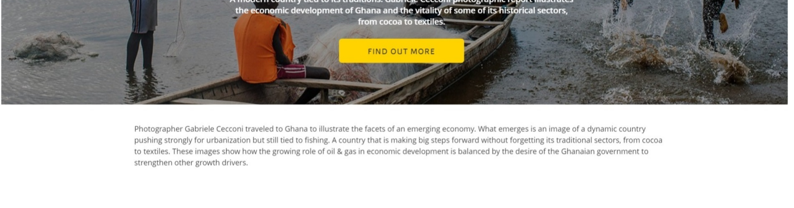
Reserves	Production	Reserves/production ratio
56 bln cubic metres as at 31st december	0.89 bln cubic metres	63 years
Consumption	**Per capita consumption**	**Production/ consumption ratio**
1.12 bln cubic metres	38 cubic metres/year	0.80

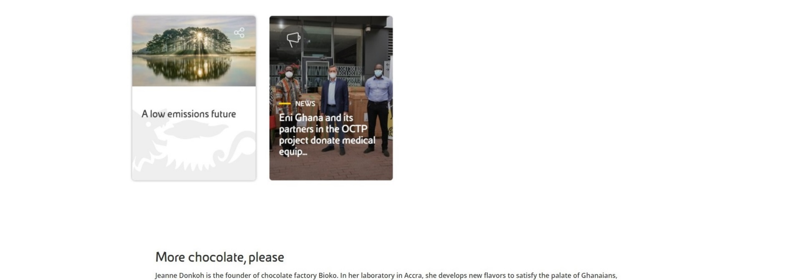
Source: *World Oil, Gas and Renewables Review 2019 – Eni*

The debate about the development of solar power is struggling to achieve a concrete solution. The goal of achieving an energy mix in which renewables will account for 10%, initially planned for 2020, has been moved forward to 2030. The authorities may theoretically be interested in developing renewable energy projects (the General Plan for Renewable Energy was published in 2019) but, given the availability of resources, they continue to favor more profitable projects related to oil and gas. The completed conversion of the Karpowership 2019 to generate electricity from oil and gas is significant as it contributes to reducing the carbon footprint in the energy transition.

The impact of COVID and recovery forecasts

After three consecutive years of high rate economic growth, in 2020 the country risks recording the lowest growth in the last 37 years, warns the IMF. The budget deficit to GDP ratio also risks expanding to 10%, the largest in six years, nullifying the effect of fiscal discipline efforts. Rising inflation, a weak currency and a restrictive monetary policy are also having an effect as the country prepares for presidential elections next December. With the collapse in the price of oil, the country's revenues have also shrunk. The energy sector has always influenced the country's economic performance and the balance of its public accounts. The recovery will have to wait until 2021, said the governor of the Bank of Ghana, Ernest Addison. But the turbulence in the oil market has not affected the activities of Eni, the only company currently carrying out exploration activities: the other energy companies are not planning to increase production.





Good Morning Ghana

A modern country tied to its traditions. Gabriele Cecconi photographic report illustrates the economic development of Ghana and the vitality of some of its historical sectors, from cocoa to textiles.

FIND OUT MORE

Photographer Gabriele Cecconi traveled to Ghana to illustrate the facets of an emerging economy. What emerges is an image of a dynamic country pushing strongly for urbanization but still tied to fishing. A country that is making big steps forward without forgetting its traditional sectors, from cocoa to textiles. These images show how the growing role of oil & gas in economic development is balanced by the desire of the Ghanaian government to strengthen other growth drivers.

Eni's activities

A low emissions future

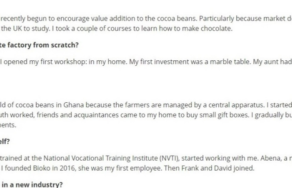
NEWS

Eni Ghana and its partners in the OCTP project donate medical equip...

More chocolate, please

Jeanne Donkoh is the founder of chocolate factory Bioko. In her laboratory in Accra, she develops new flavors to satisfy the palate of Ghanaians, who are not very accustomed to eating chocolate yet, despite Ghana being the biggest cocoa bean exporter. Jeanne told us her story.

This story begins in Bioko, a beautiful island in Equatorial Guinea. In 1876, Tetteh Quarshie, a Ghanaian farmer, arrived here, discovered the existence of cocoa bean crops and decided to import them into his country. Today Ghana is the world's second biggest cocoa bean producer. Exports amount to around 2 billion dollars a year, while chocolate imports are much lower, barely reaching 8 million. A new class of entrepreneurs have decided to bridge this gap; particularly because the demand for chocolate with a more cosmopolitan taste is growing in Ghana. Processing cocoa beans locally to produce chocolate and stimulate local consumption offer the opportunity to increase the industry's revenues, and create new jobs. Chocolate factories have therefore sprung up that exclusively serve the domestic market. For several years now, Bioko has been the name of an Accra chocolate shop. It was founded by brave and enterprising 63-year-old Jeanne Donkoh. This is her story.



Jeanne Donkoh

Four years ago you became a chocolate entrepreneur in Accra, but what did you do in your previous life?

I lived in the US. I worked as a legal assistant. Twenty years ago, my husband decided to return to Ghana. I followed him but our children still live in the US. Back in my country, I looked for a new job. The legal system in Ghana is completely different from the American one; so I struggled to fit into my sector. The opportunity to change my occupation came when I got a job in a hotel in Accra, where a public relations position had opened up. I took some courses in hotel management and specialized in the marketing with a master's degree. My enthusiasm for the job died down after 15 years, and the desire for a change returned. I was 58 and first I decided to take a sabbatical.

And what happened?

One afternoon, I was watching television when they showed a woman in Madagascar explaining how chocolate is made.

Was it love at first sight?

Exactly that. I had no idea how big the chocolate industry was. I was unaware of how important cocoa beans have always been to Ghana's exports. It took me a moment to understand the opportunity that could open up from processing our own cocoa beans to produce chocolate to be sold on the domestic market. In fact, until a few years ago, (most of the chocolates you could buy in Accra, were imported).

What has changed?

However, the government had recently begun to encourage value addition to the cocoa beans. Particularly because market demand was about to explode dramatically, I went to the UK to study. I took a couple of courses to learn how to make chocolate.

How do you set up a chocolate factory from scratch?

When I got back from London, I opened my first workshop: in my home. My first investment was a marble table. My aunt had a cocoa bean farm, which made my life easier.

Why?

It's quite complicated to get hold of cocoa beans in Ghana because the farmers are managed by a central apparatus. I started producing dark and white chocolate. Initially word of mouth worked, friends and acquaintances came to my home to buy small gift boxes. I gradually built up my courage because I received a lot of positive comments.

Did you do everything yourself?

Soon Abena, a very good cook trained at the National Vocational Training Institute (NVTI), started working with me. Abena, a mother of one, and I made chocolate in my kitchen. When I founded Bioko in 2016, she was my first employee. Then Frank and David joined.

How did you train your team in a new industry?

I wanted to hire creative, hardworking people who above all wanted to learn. I was lucky. There are many cooking schools in Ghana but very few chefs who know how to make chocolate. The Cocoa Processing Company is one of the few government companies that organizes training courses.

Ghana exports cocoa beans, but Ghanaians are not used to the taste of chocolate. What do you do to educate new consumers?

We organize tasting courses, go to schools and teach children the importance of cocoa beans for the Ghanaian economy. We organize intensive courses, especially in summer. We teach the health benefits of cocoa, whose nutritional values are almost entirely unknown. There is strong interest among the public, particularly because the government encourages people to eat chocolates made with our cocoa beans.

What kind of products do you create?

In our laboratory we make pralines, bars, and cookies. Dark, milk, white chocolate, with no added sugar. We teach our customers that the higher the % of chocolate, the less sugar has been added. We have fun with inclusions and use mostly local ingredients: like cashews. In our two stores, in the center of Accra, we sell packs of 12, 24 or 18, mainly as wedding gifts, which we can customize. Ada Sea Salt, for example, is made with 70% dark chocolate (cocoa beans, sugar, non-GMO soy lecithin, fresh vanilla) and natural fragrances. Gari & Peanut Butter is made using milk chocolate, with 50% cocoa, gari (cassava couscous) and peanut butter.

Is everyone crazy about Bioko?

We have a wide range of customers, especially young adults in their twenties or thirties. Lots of locals, several expats.

I can't help but ask you this question: what does it mean to have access to energy for your business?

Having a stable electricity supply is critical to our business. Chocolate must be kept in a temperate environment and the humid climate of Ghana, especially at certain times of the year, does not help. Unfortunately, until recently, the electricity supply was erratic and blackouts were very frequent. When I set up Bioko, I had to buy a big power generator, an expense that was outside my budget, so I was forced to postpone the purchase of a chocolate machine I needed. Today the power supply is more stable and less expensive, but the bill is still higher than in other countries. The result is that my products don't come cheap.

You used to live in the US and have come back to Ghana. What do you think the future holds for your country?

Ghana has a great future mainly thanks to its political stability. It is a country of young and dynamic people, with high standards and open to the world; everyone wants to improve their quality of life. I feel we have the right conditions for continued economic growth. I hope the impact of the pandemic will be temporary, and that the economy will continue to expand, perhaps at a faster rate, and that more and more jobs will be created.

And for your future, what would you like?

I am currently trying to convince my children to return to Ghana, I would like them to take over the reins of my business one day. The artisan chocolate industry is booming all over the world. You need to keep your eyes peeled for future opportunities. We are thinking of expanding artisan chocolate production to cocoa butter processing. The government is investing in the added value of cocoa, not only for export and trade, but also to allow chocolate producers to buy the raw material directly from farmers, decentralizing the distribution that is currently managed by a central body, the Ghana Cocoa Board.

More than oil alone

Ghana is aiming to diversify its economy and wants to invest the proceeds from oil & gas to provide increasing amounts of financing for education and agriculture. Interview with the Director of the Africa Center for Energy Policy (ACEP), Benjamin Boakye.

The discovery of oil and natural gas fields in 2007 gave a strong boost to the Ghanaian economy, which in a few years has established itself as one of the most dynamic in West Africa. Oil and gas exploitation has gradually reduced vulnerability to fluctuations in oil prices, decreased the country's dependence on very expensive energy imports, guaranteed a stable energy source, expanded access to electricity and reduced poverty. Above all, gas has taken on a leading role in the quest for energy independence. Today, the economic crisis due to the new coronavirus has highlighted how economic performance is influenced by the oil and gas sector. We discussed this with Benjamin Boakye, Director of the Africa Centre for Energy Policy (ACEP).

Benjamin Boakye

What is the impact of the pandemic crisis on the Ghanaian economy and energy predicted to be?

After three consecutive years of growth at a rate of around 6.3%, the country is likely to record the lowest growth in 37 years, according to the International Monetary Fund (IMF). As the price of oil has collapsed, revenues to the country from oil will fall significantly. At the same time domestic resource mobilization is negatively impacted. This constrains investment in strategic sectors such as agriculture and the diversification of growth drivers - a key aspect of the political agenda of the ruling government. The pandemic has also injected unplanned health expenditure and social interventions. This necessitated the drawdown of the Ghana stabilization fund to offset part of the emergency pressures in the health sector. In March, the Ministry of Finance presented a revised budget to parliament, which highlights the main fiscal challenges associated with the fall in oil revenues.

What are they?

In the short term, the forecasts indicate an 800 million dollar drop in oil revenues, initially estimated at around 1.5 billion. This is a very serious blow to the Ghanaian economy, particularly the capital budget which is heavily dependent on oil and gas revenue. The long term revenue projections have also been; some projects, such as the Pecan project of the Norwegian company Aker Energy, which was scheduled to start last spring has been postponed due to low oil price. The government has also allocated 572 million cedis (around 100 million US dollars) to containment measures for the pandemic, which are in addition to the 1.250 billion (around 216 million US dollars) of the new Coronavirus Alleviation Program (CAP) project to support families and businesses. As a result, Ghana Stabilization Fund (GSF), the fund regulated by the Petroleum Revenue Management Act, from 300 million dollars to 100 million dollars, allocating the other 200 million to the Covid emergency.

Any signs of recovery in the long run?

It is hoped that some interventions initiated by government will generate economic activities and revive growth. Government provided three-month 50% rebate of electricity for industry and domestic consumer within the same period water supplied for free. The CAP policy is also intended to assist companies and business in distress to engineer their recovery from the effects of the pandemic. However, these supports may not be adequate to ensure quick recovery. A lot of hard choices will have to be made by the government in the coming years to prevent further economic decline. Some of the hard choices will include fiscal consolidation and deliberate pruning of government expenditure. Remaining wasteful will push recovery further.

New loans?

Exactly. To bridge the gap, the Ghanaian government has procured 1 billion US dollars from the International Monetary Fund. A further 10 billion cedis have been allocated by the Central Bank of Ghana, and 3 billion US dollars raised from the sale of euro bonds on the global capital market. The government also launched a new subsidy program in the electricity sector to help people pay their bills. An operation costing 1 billion cedi (172 million US dollars). All of these adds to the public debt which will have to be redeemed.

Gas production guarantees the diversification of the energy mix, but what progress has been made in the debate on the development of solar power?

The priority of government is currently focused on optimizing the take or pay commitments on gas and power generation systems. This has constrained commitments to renewable energy. In the short to medium term the situations will remain the same, even though government continue to pledge on reducing Ghana's carbon footprint and implementation of its Nationally Determined Contributions to the climate agenda. However, the private sector and individual are at liberty to adopt renewable technology without waiting for government to fix its problems

The priorities are above all to ensure economic integration and the diversification of growth drivers, which are crucial aspects for sustainable development

Since 2010, oil and gas have been increasingly central to the national economy. It has strongly boosted economic growth but now needs to be recalibrated, promoting diversification in a way that, with the involvement of the private sector, will support both agriculture and, in particular, education. Effort at diversification has been really tokenistic. Government strategy to use oil revenue to propel growth in other sector should be improved. We have seen significant injection of the revenue back into the sector through the national oil company and other priorities that are in competition with the private sector. This requires urgent recalibration to diversify the economy and lessen the impact of the oil price volatility on the economy.

How is Ghana exploiting the wealth of resources without creating economic and social imbalances?

This remain an important question Ghana struggle to resolve. Series on policies have been initiated to increase the benefits of extractive sector to the economy. These policies include the passage of local content policy, revenue management law and relevant institutions to facilitate effective regulation of the oil and gas sector. All these are aimed at optimizing the oil sector to benefit the rest of the economy. The challenge however remains effective implementation. This is why the oil industry has become so important for the national budget even though it contributes less than 3% of GDP. Diversification is becoming increasingly urgent. Government is investing more and more of oil revenue in education and agriculture which is hoped to provide human capital and needed input for economic development. If these two sectors can be supported with significant revenue from the oil sector, it will create an expanded economy in the near term and create more jobs aimed at reducing socio economic imbalance.

Every year, the government pays 450 million US dollars to independent producers for electricity that is unused. How can this overcapacity problem be solved?

The problem of excess capacity can be addressed through effective policies to increase demand for electricity; even if it means pricing just below the marginal cost of the industry in the short to medium term. There have been policies in recent time to reduce nonpayment in the power sector. Government finally started the implementation of the Cash Waterfall Mechanism (CWM) this year to ensure that at least every player gets some revenue along the value chain even though revenue flow is still not enough to absorb the cost in the sector. However, the most critical fix for the power sector remain suspended; the introduction of private capital or injection of cash by government to retool the distribution sector. Unless the distribution sector issues are addressed, government will continue to absorb the energy sector debt. This has implication for how much revenue is available to government to address the socioeconomic challenges of the country.

A reading list for Sub-Saharan Africa

Non-fiction

- Africa: Altered States, Ordinary Miracles, Richard Dowden (PublicAffairs, 2010)
- Big Barrels: African Oil and Gas and the Quest for Prosperity, Nj Ayuk (Clink Street Publishing, 2017)
- History of Africa, Kevin Shillington (Red Globe Press, 2019)
- The State of Africa: A History of the Continent Since Independence, Martin Meredith (Simon & Schuster UK, 2013)

Fiction

- Americanah, Chimamanda Ngozi Adichie (Alfred A. Knopf, 2013)
- Ghana must go, Tayse Selasi (Penguin, 2013)
- Homegoing, Yaa Gyasi (Penguin, 2017)
- The Hundred Wells of Salaga, Ayesha Harruna Attah (Other Press, 2019)
- Things Fall Apart, Chinua Achebe (Heinemenn, 1958)