

# NARRATIVE REPORT ON GHANA



## PART 1: NARRATIVE REPORT

Ghana is ranked 117<sup>th</sup> on the 2020 Financial Secrecy Index, based on a secrecy score of 52 combined with a tiny scale weighting due to the fact that the Ghana accounts for 0.01 per cent of the global market in offshore financial services.

Ghana has long been touted as an inspiration for its true multi-party democracy and fairly well-performing economy in sub-Saharan Africa. Over a decade ago, Ghana took steps to become a secrecy jurisdiction, creating an international financial centre by granting Barclays Bank Ghana Limited the only offshore banking licence in the country.<sup>1</sup> Less than five years later, its tax haven had fallen apart amid international pressure, including inclusion on the Financial Action Task Force’s blacklist. But the framework that established the international financial centre still exists on Ghana’s law books.

### The history of Ghana as a secrecy jurisdiction

Formal proceedings to set up an international financial centre in Ghana began in 2005 when the then government under the leadership of President John Kufour<sup>2</sup> signed a Memorandum of Understanding with Barclays Bank Ghana to further investigate the establishment of an IFC in Ghana. In fact, in 2002, Kufour had already alluded to the direction Ghana would take in a [speech to the Ghana Investment Advisory Council](#), saying, “There are still some important issues to be resolved. For example, not much progress has been made on the proposals for the establishment of an offshore banking enclave.”<sup>3</sup>

Both parties to the MoU were to commit to the investigation of the proposed IFC in Ghana. In 2006, the government and Barclays Bank Ghana worked together to design the operational, legal, regulatory and organisational framework of the international financial service centre. This included research done by global consulting firm Grant Thornton on the feasibility of such a centre in Ghana, drawing on Mauritius’ experience.<sup>4</sup> Additionally, a working paper in 2006 — “Development of Offshore Financial Services Centre in Ghana: Issues and Implications” — was published by the Bank of Ghana, the nation’s central bank.<sup>5</sup> In 2007, Ghana’s Parliament amended the banking act to “facilitate the establishment of an International Financial Services Centre that seeks to attract foreign direct investment, income from licence fees payable in foreign currencies, create employment, enhance local skills and knowledge, strengthen the financial sector through expansion in the use of investment banking instruments and to provide for related matters.”<sup>6</sup> In 2007, the Bank of Ghana granted Barclays Bank Ghana the only licence to operate offshore banking services.

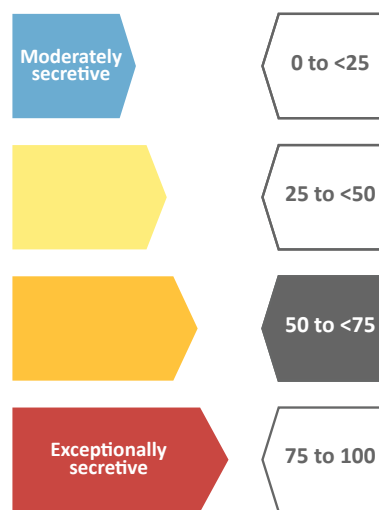
### The failure of offshore banking

The licence for Barclays Bank Ghana to operate offshore banking services was short-lived. After less than five years of operating offshore financial services, the government under the leadership of then-president John Evans Atta Mills<sup>7</sup> revoked Barclays Bank Ghana’s offshore banking licence in 2011 in a bid to exit the Financial Action Task Force’s (FATF) blacklist. Atta Mills himself was once a commissioner of the country’s Internal Revenue Service and also a tax lawyer. It was a move to save

Rank: 117 of 133

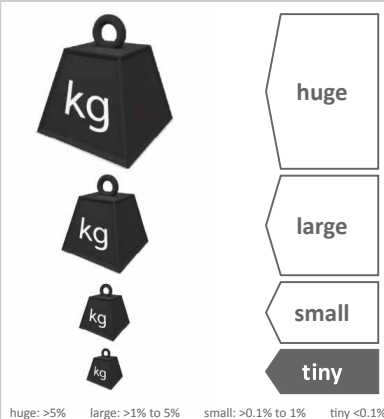
How Secretive?

52



How big?

0.01%



Ghana accounts for 0.01 per cent of the global market for offshore financial services. This makes it a tiny player compared to other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Full data is available here: <http://www.financialsecrecyindex.com/database>.

To find out more about the Financial Secrecy Index, please visit

<http://www.financialsecrecyindex.com>.

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face. As Central Bank Governor Mr. Kwesi Amissah-Arthur [remarked](#) in a Bank of Ghana monetary policy meeting, “Ghana was gaining a reputation for launder(ing), we did not want to confirm this misperception.”<sup>8</sup> FATF removed Ghana from its blacklist of money-laundering countries in 2012.<sup>9</sup>

The management of Barclays Bank Ghana, led by managing director Benjamin Dabrah, expressed [discontent with the withdrawal of the offshore banking licence](#) in 2011 and accused the government of not fulfilling its side of the bargain. “The country currently does not have the legislative framework and tax reforms to allow the smooth operation of an International Financial Services Centre,” he said.<sup>10</sup> Dabrah, who was [appointed managing director of Barclays Bank Ghana in 2008](#), took over when the bank was losing money for the first time and needed to reverse course.<sup>11</sup> Barclays Bank Ghana stayed in business and during his tenure made significant profits, which can be partly attributed to the offshore banking licence it had at the time. The withdrawal of Barclays Bank Ghana’s offshore licence in 2011 significantly impacted Barclays Bank Ghana’s finances and eventually led to Dabrah’s resignation in 2013.<sup>12</sup>

### The current state of play

Although the offshore banking services project in Ghana did not take off the overall legal framework establishing the international financial centre still exists. As a result, it would be easy to revive. Since the inception of the new government<sup>13</sup> in January 2017, there have been a series of institutional events, policy statements by government officials and new programmes and regulations that suggest that the re-establishment of an international financial centre is imminent. Indeed, the government said in its 2020 budget statement that its priorities for the year include establishing an international financial centre.<sup>14</sup>

The second most powerful person in Ghana, Vice President Mahamudu Bawumia, also head of the government’s economic management team and a former deputy governor of the central bank from 2006 to 2009, [revealed plans to revive the establishment of the international financial centre](#) in a meeting with the Chartered Institute of Bankers. He declared that “we have stated in 2018 we are reviving it [the international financial centre] and the law is still there. We’ll revive and implement that policy framework.”<sup>15</sup>

The first official policy statement on paper by the government towards reviving the international

financial centre appeared in the 2018 budget statement to parliament by the minister of finance and economic planning presented to Parliament in November 2017. [Page 151 of the Budget Statement](#) reads: “Mr. Speaker, positioning Ghana as an international financial services centre is intended to make it the preferred headquarters for all international banks operating in the sub-region. Ghana is also becoming the hub for the financial technology and payment systems for the region. The Hub is intended to host the international private equity and venture capital firms to support entrepreneurship and access to long term capital by the private sector in the sub-region.”<sup>16</sup>

Interestingly, the current minister of finance and economic planning, Ken Ofori-Atta, is not new to the scheme to set up an international financial centre. Ofori-Atta was the [co-founder and former chairman of local investment banking entity, the Databank Group](#) in Ghana from 1990 to 2012.<sup>17</sup> [Databank Financial Services](#)<sup>18</sup> was one of the institutions that pushed for Ghana to establish an offshore centre in 2006 during a meeting of the Ghana Investment Advisory Council headed by former President Kufour.

Ofori-Atta has personally used secrecy jurisdictions, including for Databank Financial Services. His name was found among the [Paradise Papers](#).<sup>19</sup> Ofori-Atta Ken Nana Yaw is listed in the International Consortium of Investigative Journalists’ Offshore Leaks database as a co-director (2001-2012) and president (2001-2012) of Songhai Financial Holdings Limited, an entity registered in the tax haven Bermuda.<sup>20</sup> Songhai Financial Holdings is a subsidiary of Databank Financial Services in Ghana.<sup>21</sup>

The selection of the new governor for the Central Bank was telling. In 2017, Ernest Addison, who had provided general direction in the Central Bank’s 2008 research titled [“Offshore Banking and the Prospects for the Ghanaian Economy,”](#) was appointed.<sup>22</sup> Government interference in the selection of governors is not new, and the trend seems to be continuing with the new government under President Nana Akufo-Addo, although the bank insists it is independent. Addison, too, has indicated Ghana’s intention of setting up an international financial centre. He [remarked](#) at an annual general meeting of the Ghana Association of Bankers in 2017 that “Ghana cannot have an international financial services centre with weak banks that have weak capital, thus, the issue of disclosure requirements expected of banks under the new governance regulations are very key within that international financial services framework”.<sup>23</sup> Under Addison’s leadership of the Central Bank.

several local commercial banks and non-bank financial institutions have been closed and their liabilities absorbed by the state, other consolidated into a state-owned bank, the Consolidated Bank of Ghana.

The OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes listed Ghana as "partially compliant" in 2018 because "compliance with annual filing of returns needs improvement and oversight of availability of ownership information was not sufficiently rigorous."<sup>24</sup> In February 2019, FATF wrote that "Since October 2018, when Ghana made a high-level political commitment to work with the FATF and GIABA to strengthen the effectiveness of its AML/CFT regime, Ghana has taken steps towards improving its AML/CFT regime, including by raising awareness on risk-based supervision in the financial sector and developing templates to collect and maintain statistics on TF investigations."<sup>25</sup> It identified several areas, however, that needed improving.

In February 2019, the European Commission put Ghana on its blacklist of countries with insufficient controls for anti-money laundering and counter-terrorism financing.<sup>26</sup> But after protests from European Union member states the following month that the "list of high risk third countries was not established in a transparent and resilient process that actively incentivizes affected countries to take decisive action while also respecting their right to be heard," the European Commission withdrew the list.<sup>27</sup>

Despite the moves to position itself as an international financial centre, Ofori-Atta expressed the government's commitment to implement the automatic exchange of financial accounts information under the Common Reporting Standard in 2018. He noted in the [2018 budget statement](#) that "to improve transparency and deepen the fight against tax evasion, the Automatic Exchange of Financial Information Bill will be laid before Parliament. The Automatic Exchange of Financial Account Information is the new standard for exchange of information through the use of the Common Reporting Standards."<sup>28</sup>

Most significantly, in 2016, [Ghana amended its companies law](#) to require registration of beneficial ownership, including name, address and date of birth (new Section 27 of the Companies Act 179).<sup>29</sup> The Beneficial Ownership register is expected to be launched in 2020.

Other measures the government has taken to regulate the financial sector include increasing the minimum capital requirement for operation of banks in the country from GHC120 million to GHC400 million. [The central bank justified the increase](#) by saying it is meant "to further develop, strengthen, and modernize the financial sector to support the government's economic vision and transformational agenda."<sup>30</sup> Furthermore, there have been moves by the current government to [digitise Ghana's economy](#).<sup>31</sup>

### Conclusion

It is puzzling that Ghana is pursuing an agenda of establishing itself as an international financial centre considering that it woefully failed in its quest to become one a decade ago. Beyond the dangers of international financial centres, such as facilitating money laundering and other illicit financial flows, the ability of the central bank to effectively regulate Ghana's financial system is questionable. The country's huge debts led to an IMF bailout in 2015, and it exited the programme in April 2019.<sup>32</sup> In spite of this, public sector debt was projected to exceed 66 per cent close of 2019 compared with 57.7% at close of 2017.<sup>33</sup> Cumulative financial sector costs (mainly bank bail-outs and restructuring) accounted for 4.6 per cent points of GDP in 2018-2019.

Alongside rising unemployment and the depreciation of the local currency (the cedi), two local banks — the UT Bank and Capital Bank — were reported by government to be insolvent in 2017 and had their licences revoked by the central bank. This was almost done too late and could have had spillover effects on the financial system.

Furthermore, given the secretive nature of international financial centres and the inability of the government and lawmakers to pass the right-to-information bill, which has been in and out of parliament for over a decade, one must rightly question the state of transparency and access to reliable and timely information in Ghana. Most telling, however, is that the central bank has to date not undertaken or made available a rigorous impact assessment to understand how the country and economy fared when Barclays Bank Ghana was granted an offshore banking licence. This calls into question the potential benefits of an international financial centre that are being promoted by government, including increased employment and expansion of the entire financial system.

## Endnotes

- 1 <https://www.ghanabusinessnews.com/2016/04/12/how-ghana-started-but-failed-to-remain-a-tax-haven/>; 23.01.2020
- 2 His tenure of office was from 2001-2008 on the ticket of the New Patriotic Party.
- 3 <https://www.ghanaweb.com/Ghana-HomePage/NewsArchive/President-Kufuor-s-Address-to-the-Investment-Advisory-Council-29396>; 25.01.2020.
- 4 Prichard Wilson 2009, Taxation and Development in Ghana: Finance, Equity and Accountability.
- 5 Vlcek William 2011, Offshore finance in Ghana: why not? Review of African Political Economy 38(127), 143-149, <https://doi.org/10.1080/03056244.2011.552704>
- 6 Banking Act, 2004 (Act 673).
- 7 President of Ghana from 2009-2014, National Democratic Congress party.
- 8 <https://www.modernghana.com/news/318925/1/why-barclays-gave-up-its-offshore-licence.html>; 25.01.2020.
- 9 [https://fic.gov.gh/wp-content/uploads/2015/11/483\\_Press-Release-FATF\\_Decision\\_Ghana\\_Nigeria.pdf](https://fic.gov.gh/wp-content/uploads/2015/11/483_Press-Release-FATF_Decision_Ghana_Nigeria.pdf); 23.01.2020
- 10 <https://www.modernghana.com/news/318925/1/why-barclays-gave-up-its-offshore-licence.html>; 25.01.2020.
- 11 <http://www.businessworldghana.com/people-and-profits-how-benjamin-dabrah-used-one-to-achieve-the-other/>; 25.01.2020.
- 12 <https://web.archive.org/web/20130526102248/http://www.ghanaweb.com:80/GhanaHomePage/NewsArchive/artikel.php?ID=268557>; 23.01.2020
- 13 The New Patriotic Party under the leadership of President Akufo-Addo (2017-2020). This was essentially the same party in power when the idea of international financial centre first came up and offshore banking license.
- 14 <https://www.myjoyonline.com/business/2019/November-19th/tuc-commends-2020-budget-urges-govt-to-consolidate-economic-gains.php>; 23.01.2020
- 15 <https://www.myjoyonline.com/business/2017/November-28th/govt-committed-to-making-ghana-west-africas-financial-hub-veep.php>; 25.01.2020.
- 16 <https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2020.
- 17 <https://www.mofep.gov.gh/team/ministers/ken-ofori-atta>; 25.01.2020.
- 18 The Statesman newspaper, now New Statesman Newspaper, noted that some institutions and companies comprising Ghana Investment Advisory Council (GIAC) included “The membership of the council includes representatives of international and local investors from African Communications Agency, Interplast, Tata Group, Databank Financial Services, BHI Holding Ltd. and Dannex. Others are Property Ventures, Heinz, Coca-Cola Company, Empretec, Barclays Bank Ghana, Standard Chartered Bank, Hewlett Packard, NEPAD Business Forum, and representatives from 23 companies. The council consists of a strategic balance of internationally-reputed investors. They include the President of Heinz Sea Food Europe and Area director, Adolfo Valescchi, Vice President of Coca Cola Africa, Robert Lindsey, Cheol-Woo Lee, vice president of Global Business Development, among others. In addition, the World Bank, IMF, GIPC, UNDP and Private Enterprises Foundation serve as observers on the GIAC”: <https://www.ghanaweb.com/GhanaHomePage/economy/Govt-set-to-transform-Ghana-into-financial-haven-102025>; 25.01.2020.
- 19 <https://offshoreleaks.icij.org/nodes/80031712>; 25.01.2020.
- 20 <https://offshoreleaks.icij.org/nodes/80031712>; 23.01.2020
- 21 <https://www.bbc.com/pidgin/tori-41883223>; 23.01.2020
- 22 <https://www.bog.gov.gh/privatecontent/Research/Sector%20Studies/off%20shore%20banking.pdf>; 25.01.2020.
- 23 <https://www.myjoyonline.com/business/2019/November-19th/tuc-commends-2020-budget-urges-govt-to-consolidate-economic-gains.php>; 23.01.2020

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24 <https://www.oecd.org/countries/ghana/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-ghana-2018-second-round-9789264291119-en.htm>; 23.01.2020

25 <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-february-2019.html>; 23.01.2020

26 [https://ec.europa.eu/commission/press-corner/detail/en/IP\\_19\\_781](https://ec.europa.eu/commission/press-corner/detail/en/IP_19_781); 23.01.2020

27 [http://www.europarl.europa.eu/doceo/document/E-8-2019-001012-ASW\\_EN.html](http://www.europarl.europa.eu/doceo/document/E-8-2019-001012-ASW_EN.html); 23.01.2020

28 <https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2020.

29 <https://www.ghanabusinessnews.com/2016/11/02/ghana-amends-company-law-to-establish-register-for-beneficial-ownership/>; 25.01.2020.

30 [https://www.bog.gov.gh/privatecontent/Public\\_Notices/Notice%20on%20New%20Minimum%20Paid%20Up%20Capital.pdf](https://www.bog.gov.gh/privatecontent/Public_Notices/Notice%20on%20New%20Minimum%20Paid%20Up%20Capital.pdf); 25.01.2020.

31 In presenting the 2018 Budget Statement, the Minister of Finance and Economic Planning declared:

“Mr. Speaker, government implemented the much-awaited National Digital Addressing System on October 18, 2017 to help formalise the economy. In 2018, Government through Ghana Post will develop postal codes to feed into the National Identification System. About 4,000 National Service Personnel will be engaged to emboss digital addresses on all landed properties nationwide. Mr. Speaker, after eight long years of inaction, the National Identification Programme was revived and on 15th September, 2017 the first ID card was issued to H.E. the President. The National Identification Authority will commence issuing ‘The Ghanacard’ after the amendment of the National Identification Authority Act, 2006 (Act 707) and subsequent

passage of the relevant LI. It will be the first ever multi-purpose card issued in Ghana to support government’s efforts at formalising the economy”;

<https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2020.

32 <https://www.ghanaweb.com/GhanaHomePage/business/Ghana-officially-exits-IMF-s-bailout-today-734969>; 23.01.2020

33 <https://www.imf.org/en/Publications/CR/Issues/2019/12/18/Ghana-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-48883>, 23.01.2020.

## PART 2: SECRECY SCORE

### OWNERSHIP REGISTRATION

- 27 1. Banking Secrecy
- 50 2. Trust and Foundations Register
- 40 3. Recorded Company Ownership
- 50 4. Other Wealth Ownership
- 0 5. Limited Partnership Transparency

### LEGAL ENTITY TRANSPARENCY

- 100 6. Public Company Ownership
- 100 7. Public Company Accounts
- 100 8. Country-by-Country Reporting
- 75 9. Corporate Tax Disclosure
- 100 10. Legal Entity Identifier

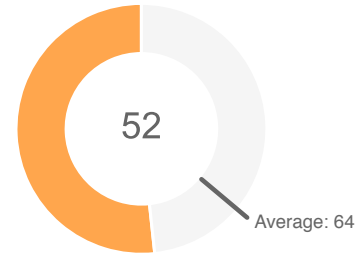
### INTEGRITY OF TAX AND FINANCIAL REGULATION

- 63 11. Tax Administration Capacity
- 0 12. Consistent Personal Income Tax
- 40 13. Avoids Promoting Tax Evasion
- 75 14. Tax Court Secrecy
- 25 15. Harmful Structures
- 80 16. Public Statistics

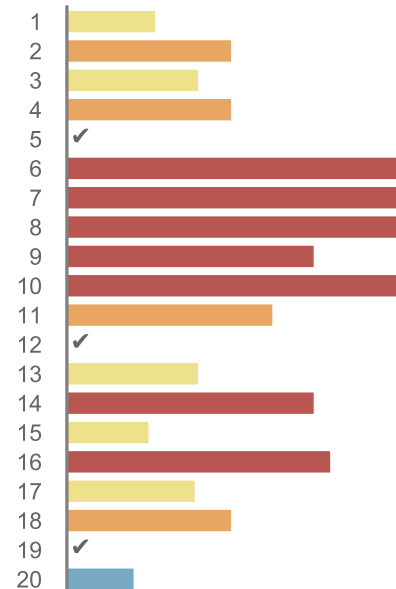
### INTERNATIONAL STANDARDS AND COOPERATION

- 39 17. Anti-Money Laundering
- 50 18. Automatic Information Exchange
- 0 19. Bilateral Treaties
- 21 20. International Legal Cooperation

## Secrecy Score



## Key Financial Secrecy Indicators



## Notes and Sources

The FSI ranking is based on a combination of a country's secrecy score and global scale weighting (click [here](#) to see our full methodology).

The secrecy score is calculated as an arithmetic average of the 20 Key Financial Secrecy Indicators (KFSI), listed on the right. Each indicator is explained in more detail in the links accessible by clicking on the name of the KFSI.

A grey tick in the chart above indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This report draws on data sources that include regulatory reports, legislation, regulation and news available as of 30 September 2019 (or later in some cases).

Full data is available here: <http://www.financialsecrityindex.com/database>.

To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrityindex.com>.