

COVID-19

# COVID-19 and its impact on the Ghanaian banking industry

**Counting the cost**

16 April 2020



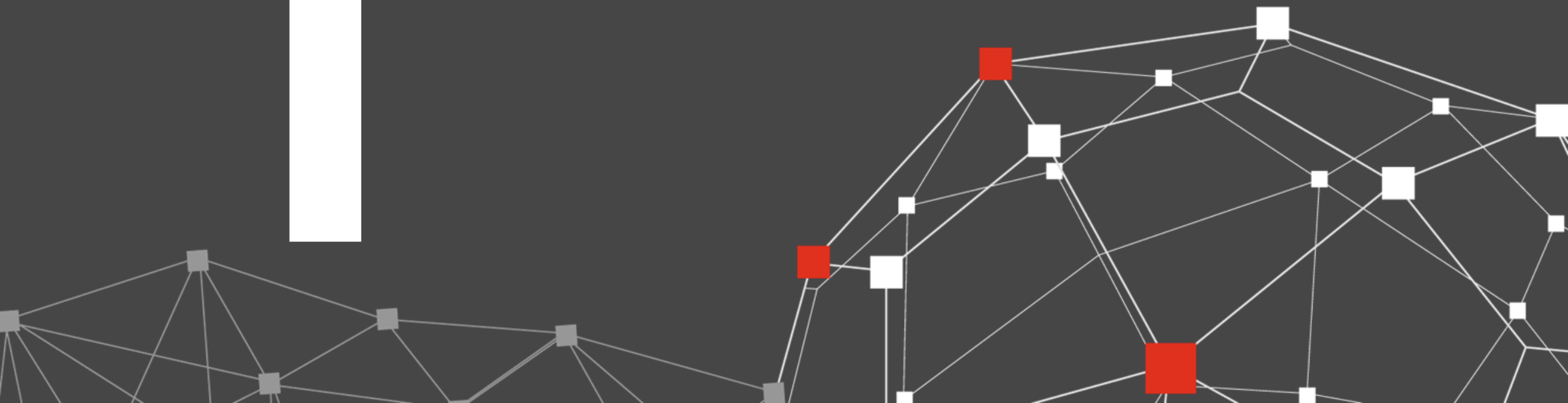


# Contents

Risks from COVID-19 and its impact on the global economy	3
Global policy responses to the COVID-19 pandemic	6
Impact on the Ghanaian banking industry	11
Immediate priorities for banks	15

# 1

## Risks from COVID-19 and its impact on the global economy



# COVID-19 pandemic: Global risks and impact on the global economy

## Global risks

### Recession and financial crises

Global economic recession and financial crises due to debt overhang

### Capital

Slowdown in capital investment and mass lay-off of workers leading to increased unemployment

### Supply chain

Rerouting, delays, disputes and knock-on impact on customers

### Sales

Decline in sales leading to cash flow and covenant issues

### Operations

Reduced resilience in key functions, infrastructure and services or unavailability of locations

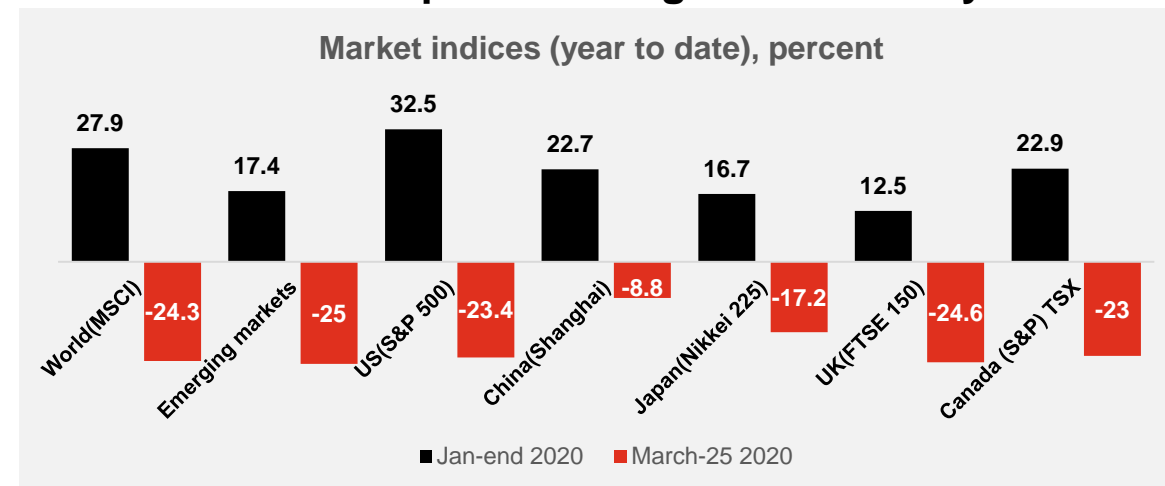
### Travel

Restricted or prohibited travel to some locations impacting business and leisure demand

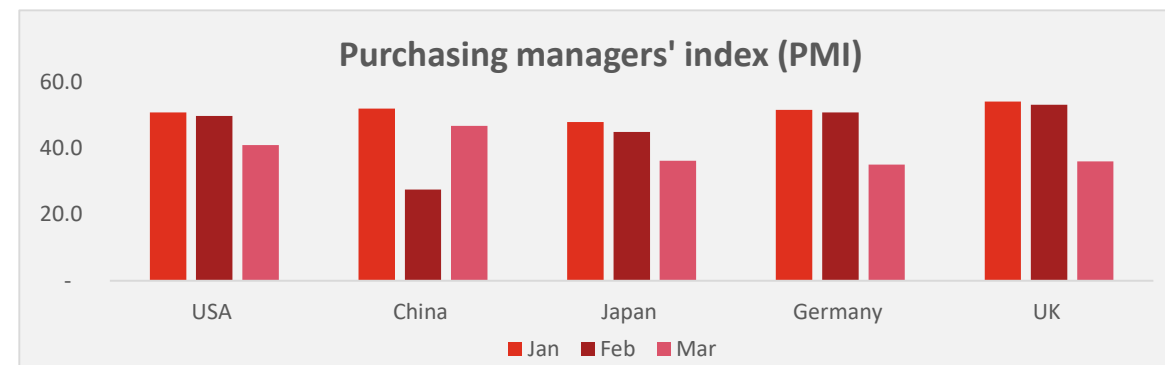
### Regulation

Compliance challenges in certain sectors

## Direct impact on the global economy



Source: *The Economist*, PwC analysis



Source: Trading economics, PwC analysis

### Oil price crash

Oil prices dipped by over 60% to USD22.87 per barrel for Brent crude as at 29 April, 2020 from about USD67.05 in 2 January, 2020

# PwC's COVID-19 CFO Pulse Survey

Recent findings of this biweekly survey of international CFOs highlighted global recession, reducing consumer confidence and consumptions as key concerns with respect to the pandemic



Global recession



Decrease in consumer confidence, reducing consumption



Financial impact



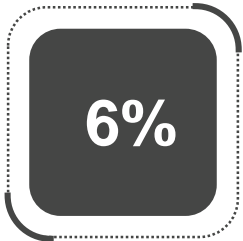
Effects on our workforce/reduction in productivity



Supply chain issues



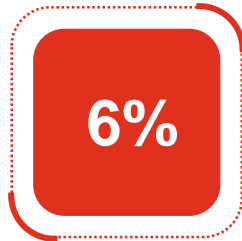
Not having enough information to make good decisions



Impacts on tax, trade, or immigration



Difficulties with funding



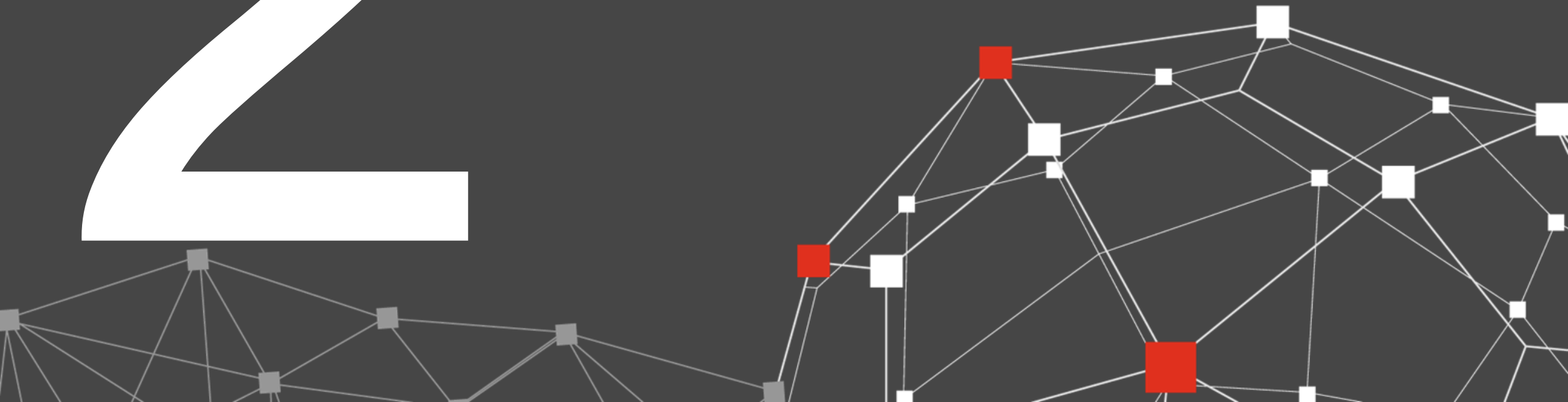
Cybersecurity risk



Fraud risk

# 2

## Global policy responses to the COVID-19 pandemic



# COVID-19 Pandemic- Key policy responses from selected countries



## United states of America

- Lowered Federal funds rate by 150bp to 0-0.25%
- Purchase of Treasury and agency securities in the amount as needed.
- Expanded overnight and term repos. Lowered cost of discount window lending. Reduced existing cost of swap lines with major central banks and extended the maturity of FX operations; broadened US dollar swap lines to more central banks.
- Authorized up to USD10b from the treasury Exchange Stabilization Fund to ease loan losses; among other key measures.



## United Kingdom

- Reduced Bank Rate by 65 basis points to 0.1%
- Expanded the central bank's holding of UK government bonds and non-financial corporate bonds by GBP200b (USD250b).
- Launched the joint HM Treasury–Bank of England COVID-19 Corporate Financing Facility which, together with the Coronavirus Business Loans Interruption Scheme, makes GBP330b (USD413b) of loans and guarantees available to businesses (15% of GDP); among other key measures.



## European union

- Established a Corona Response Investment Initiative to support public investment in hospitals, SMEs, etc., and stressed regions, with a view to mobilising funds (if needed) for the hardest-hit EU member states (up to EUR800m (USD873m) is available in 2020).
- Redirecting EUR1b (USD1.1b) from the EU Budget as a guarantee to the European Investment Fund to incentivise banks to provide liquidity to hard-hit SMEs among other key measures.



## China

- An estimated RMB1.3t (USD184b) (or 1.2% of GDP) of fiscal measures have been approved and are being implemented.
- Liquidity injection into the banking system, including RMB3t (USD425b) in the first half of February.
- Expansion of relending by RMB800b (USD113b) to support manufacturers of medical supplies and daily necessities (RMB300b or USD43b) as well as MSME firms (RMB300b or USD43b) and the agricultural sector (RMB100b or USD14b) at low interest rates, among other key measures.



## India

- An additional INR150b (USD2b) (about 0.1 percent of GDP) will be devoted to health infrastructure, including COVID-19 testing facilities, personal protective equipment, isolation beds, ICU beds and ventilators.
- Some stimulus measures have been announced at the state level, the largest — a INR200b (USD2.6b) package in Kerala (2.5% of state GDP; 0.1% of India-wide GDP), which includes some direct transfers to poor households, among other key measures.

# COVID-19 Pandemic- Key policy responses from selected SSA countries



## Kenya

- Offered 100% tax relief to persons earning less than KES24,000 (USD227); income tax reduced from 30% to 25%.
- The central bank lowered its policy rate by 100 bps to 7.25%; lowered banks' cash reserve ratio by 100 bps to 4.25%; increased the maximum tenor of repurchase agreements from 28 to 91 days; and announced flexibility to banks regarding loan classification and provisioning for loans that were performing on 2 March 2020, but were restructured due to the pandemic, among other key policy measures.



## Nigeria

- Contingency funds of NGN984m (USD2.6m) released to Nigeria's Centre for Disease Control and an additional NGN6.5b (USD17m) is planned.
- NGN15b (USD39m) grant from Federal Government to Lagos state government.
- Government to cut/delay non-essential capital spending by NGN1.5t (USD3.9b) (close to 1% of GDP).
- Three-month repayment moratorium on various classes of loans.
- Central Bank of Nigeria (CBN) has reduced interest rates on all applicable CBN interventions from 9% to 5% and introduced a one-year moratorium on CBN intervention facilities.



## South Africa

- The government will assist companies facing distress through the Unemployment Insurance Fund and special programmes from the Industrial Development Corporation.
- Within the realm of the budget, workers with an income below a certain threshold will receive a small monthly payment during the next four months.
- Funds will be available to assist SMEs under stress, mainly in the tourism and hospitality sectors.
- The central bank reduced the policy rate by 100 bps to 5.25% on 19 March, among other key policy measures.



## Sub-Saharan Africa

- The African Export-Import Bank (Afreximbank) has announced a USD3b facility, named Pandemic Trade Impact Mitigation Facility (PATIMFA), to help African countries deal with the economic/health impacts of the pandemic.
- The World Bank has also suspended debt repayment for some sub-Saharan African countries.
- IFC and World Bank, will increase COVID-19 related financing availability to USD8b as part of a USD14b package, up from an earlier USD6b, to support private companies and their employees hurt by the economic downturn caused by the spread of COVID-19.



# COVID-19 pandemic: Some policy measures taken by the Ghanaian government

Monetary policy	Fiscal policy
<p>In March 2020, the Bank of Ghana announced a number of monetary policy interventions, including:</p> <ul style="list-style-type: none"><li>• Cut in policy rate by 150 basis points to 14.5% on 18 March by the Monetary Policy Committee (MPC)</li><li>• Reduced primary reserve requirement from 10% to 8%</li><li>• Reduced capital conservation buffer from 3% to 1.5% revising provisioning and classification rules for specific loan categories, among other key policy measures</li><li>• Reduction of provisions for loans in the “Other Loans Especially Mentioned” (OLEM) category from 10% to 5% for all banks and Special Deposit Institutions (SDIs) as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity</li><li>• Loan repayments that are past due for Microfinance Institutions for up to 30 days shall be considered as “Current” as is the case for all other SDIs</li><li>• Suspension of distribution of dividends for the financial years 2019 and 2020</li></ul>	<ul style="list-style-type: none"><li>• Government has announced a USD100m financial commitment/ fund to help manage the socio-economic impact of COVID-19.</li><li>• Lower the cap on the Ghana Stabilisation Fund (GSF) from the current USD300 million to USD100 million in accordance with 16 Section 23 (3) of the Petroleum Revenue Management Act (PRMA).</li><li>• Arrange with Bank of Ghana to defer interest payments on non-marketable instruments estimated at GH¢1,222.8m to 2022 and beyond</li><li>• Adjust expenditures on Goods &amp; Services and Capex downwards by GH¢1,248m</li><li>• Secure the World Bank DPO of GH¢1,716m</li><li>• Secure the International Monetary Fund Rapid Credit Facility of GH¢3,145m</li><li>• Secure syndicated facility of GH¢3.0m from commercial banks in Ghana to support industry, especially pharmaceutical, hospitality, service and manufacturing sectors.</li><li>• Reduce the proportion of Net Carried and Participating Interest due Ghana National Petroleum Corporation from 30% to 15%</li><li>• Amend the Petroleum Revenue Management Act to allow a withdrawal from the Ghana Heritage Fund to undertake urgent expenditures in relation to the Coronavirus pandemic</li></ul>

# COVID-19 Pandemic: Some policy measures by the Ghanaian government (Continued)

## Some relief policies

Government has instituted the Coronavirus Alleviation Programme (CAP), with the objective to protect households and livelihoods, support micro, small, and medium-sized businesses, minimise job losses, and source additional funding for promotion of industries to shore up and expand industrial output for domestic consumption and exports.

Government, in collaboration with the National Board for Small Scale Industries (NBSSI), business & trade associations and selected commercial and rural banks, to roll out a soft loan scheme up to GHC600 million. The loan scheme will have a one-year moratorium and two-year repayment period for micro, small and medium scale businesses.

Government to absorb water bills of all Ghanaians from April to June 2020.

An insurance package, with an assured sum of GHC350,000 (USD60,000) for each health personnel and allied professional at the forefront of the fight.

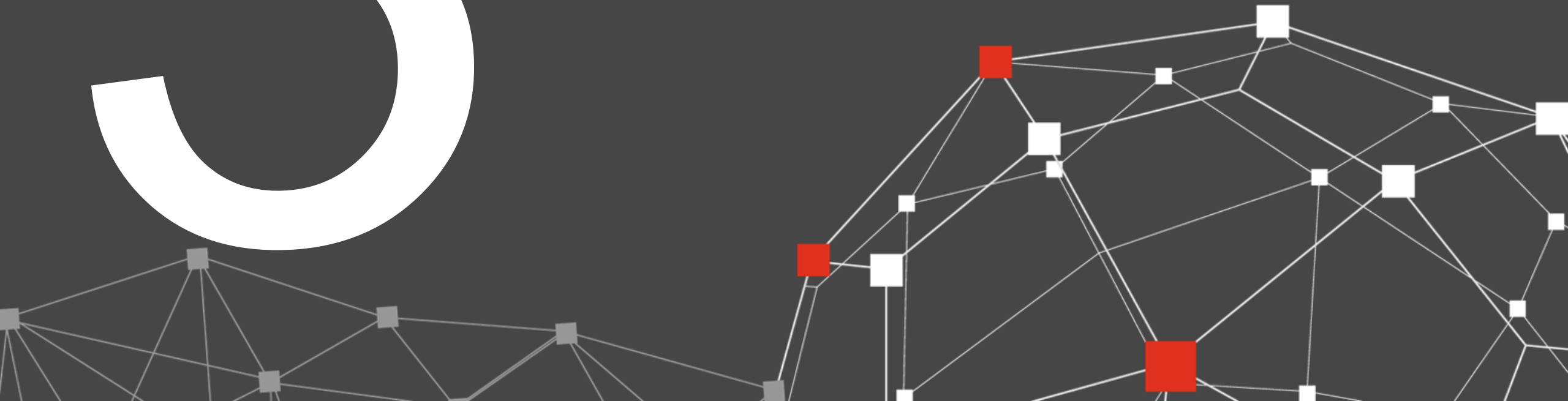
Frontline health workers to receive an additional allowance of fifty percent (50%) of their basic salary per month from March to June 2020.

## Restriction on movements and border controls

- On 17 March 2020, Ghana's parliament passed the Imposition of Restrictions Bill which gives the President of Ghana the power to impose restrictions on the movement of people reasonably required in the interest of defence, public safety, public health or the running of essential services. This was put in place in anticipation of the need to enforce restrictions to help control the spread of COVID-19 within Ghana.
- Effective 22 March 2020, the government closed the country's borders to incoming human/ passenger traffic for two weeks. This was extended for an additional two weeks, effective 05 April 2020.
- Effective 27 March 2020, the government further announced restrictions of movement within the Greater Accra and Greater Kumasi Metropolitan Areas, effective Monday, 30 March. The restrictions, expected to last two weeks, demand that all residents of the areas to remain home and only leave their houses for essential services (food, medicine, etc.). Workers in certain categories are exempt from the restrictions, including medical staff and health workers and providers of other essential services. This lockdown was extended for an additional week, effective 13 April 2020.

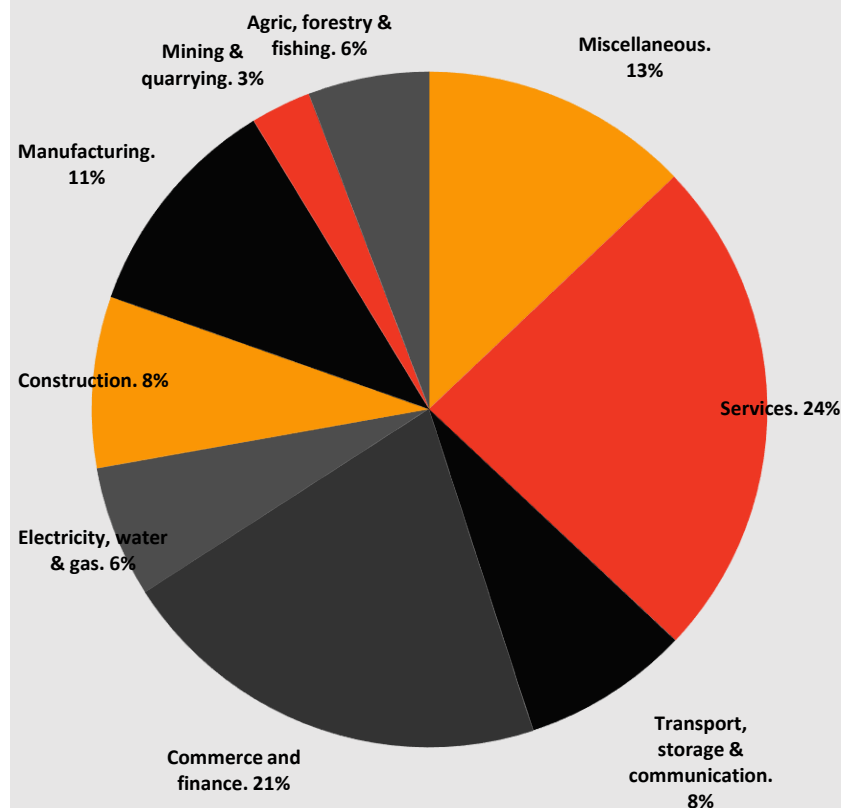
# 3

Impact on the  
Ghanaian banking  
industry

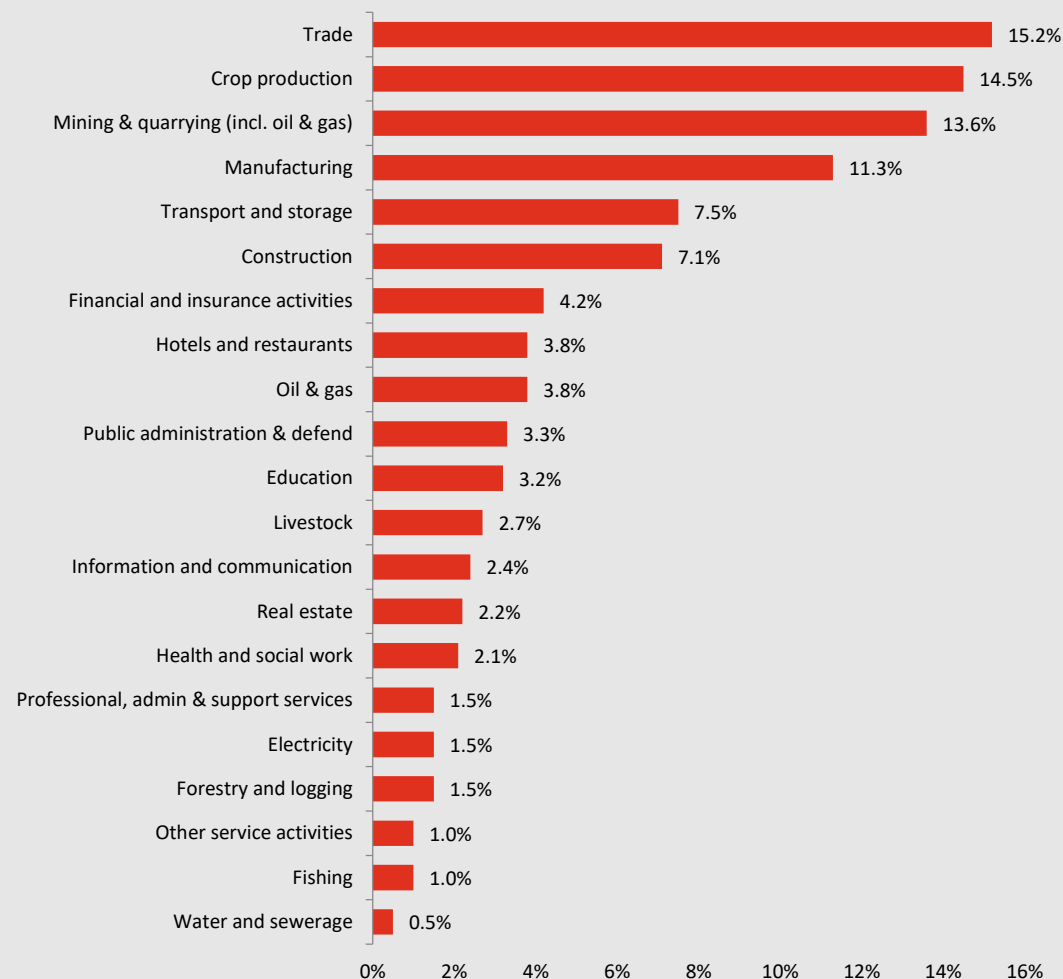


# Risks and challenges facing the banking industry

Banking industry credit exposures by sector in 2019



Top 20 contributors to real GDP by sectors

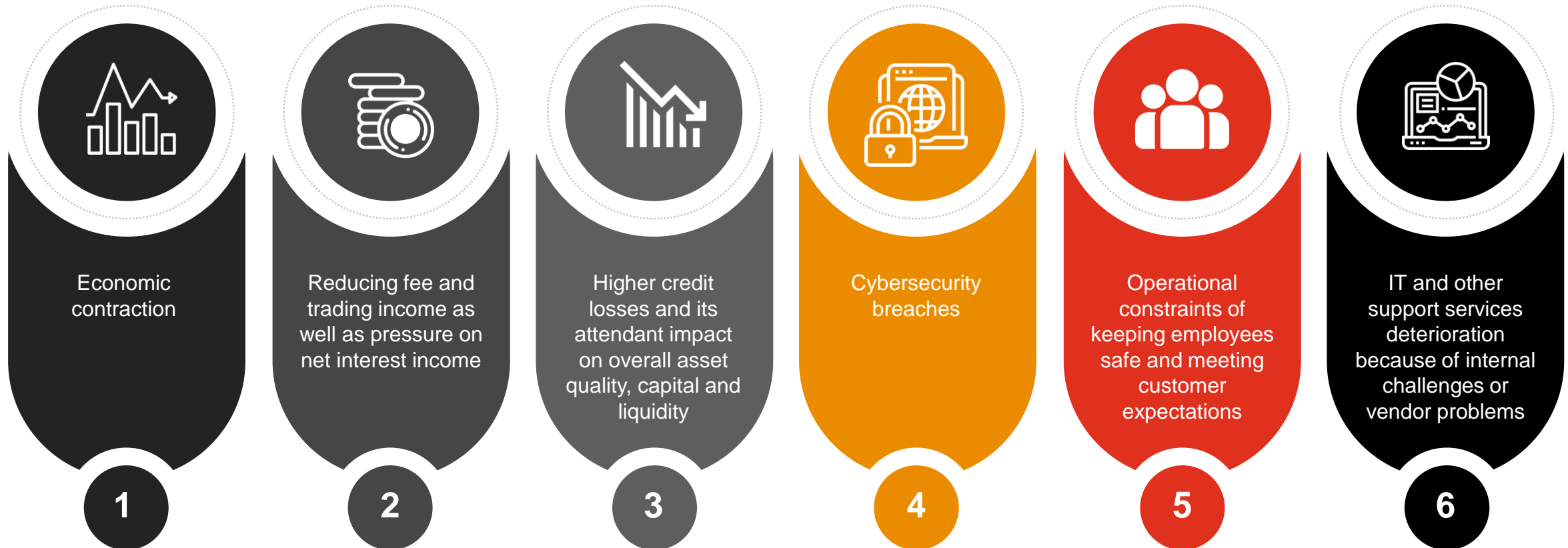


## Most vulnerable sectors

- Trade and commerce
- Hospitality/Leisure
- Construction
- Oil and gas
- Education
- Transport and storage
- Financial and insurance activities

# Risks and challenges facing the banking industry

With the economic slowdown, there is a heightened risk of:



# Banking industry focus on IFRS 9 expected credit losses

## Measuring expected credit losses (ECLs)

While the uncertainties arising from COVID-19 are substantial and circumstances are sure to change, we do not expect this to preclude banks from estimating their expected credit losses (ECLs). Estimating ECLs is challenging, but that does not mean it is impossible to estimate an impact, based on the reasonable and supportable information that is available.

## Identifying significant increases in credit risk (SICR)

A key element in determining ECL is the assessment of whether or not a significant increase in credit risk has occurred, and hence whether a lifetime, rather than 12-month, ECL is required. In many cases and in particular in Q1 2020, it is unlikely that banks will have sufficient timely data to update loan-level probabilities of default, which are often a core element of assessing SICR.

## Modifications and forbearance

To help borrowers cope with the financial consequences of COVID-19, many banks and governments have announced various types of relief programmes that involve payment holidays.

## Government relief programmes

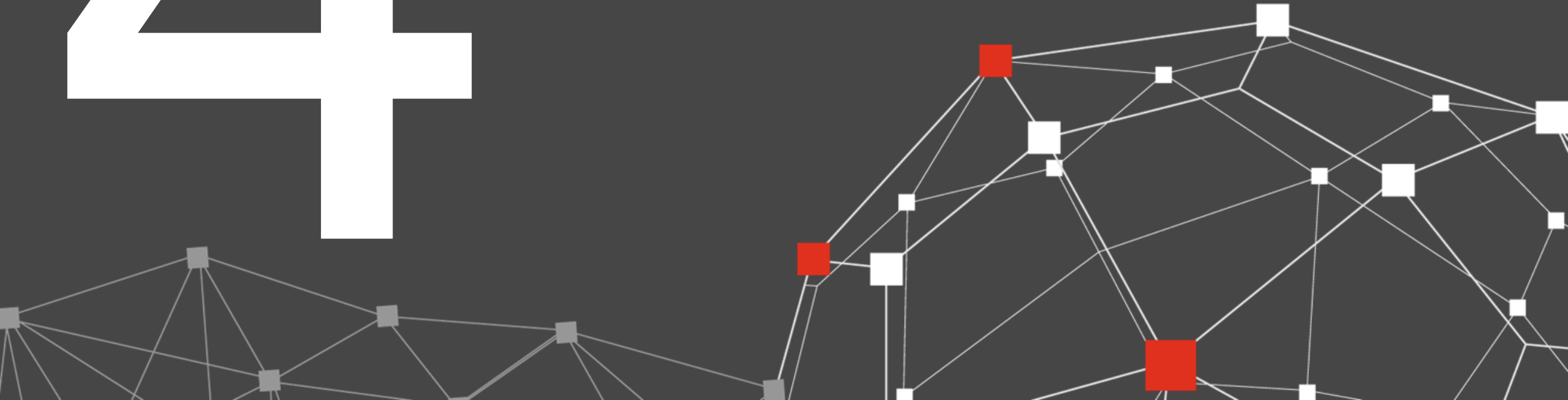
Many governments, central banks and other agencies are developing programmes to provide economic support. Where this intervention is made through the banking system (e.g. by providing funding or guarantees to banks at potentially advantageous rates or terms), a key accounting consideration is whether an element of the transaction is a government grant.

## Conclusion

The COVID-19 pandemic has given rise to unprecedented challenges that have affected virtually every aspect of modern life. The economic implications of the virus will have a consequent impact on many aspects of accounting and financial reporting. Banks face some of the biggest accounting challenges, and we hope this will help them navigate the key issues.

# 4

Immediate priorities  
for banks



# Leveraging insight from the PwC network, we have identified some immediate priorities for Banks

## Setting up your COVID-19 response: Sample strategy and operating model checklist

### Strategic considerations

- Establish a cross-functional steering committee, led by a C-suite member. Ensure senior representation from business divisions plus specialist leadership such as HR, Legal, IT, Operations, Risk, Communications, Finance, Health and Safety, Procurement, Sales and Crisis and Business Continuity.
- Establish and agree process for decision making and agree critical milestones.
- Determine reasonable worst-case scenarios to inform planning and assumptions.
- Consider likely trigger points for decision-making. Review and refresh Crisis, Continuity and Specialist plans (e.g. pandemic/COVID-19). Stress test assumptions and exercise plans.
- Prepare your core Incident Management Team (IMT) to coordinate response and containment efforts.
- Map critical stakeholders and agree communication strategies for them. Base the immediate response and communications on established facts from reliable, trusted sources.
- Appoint functional workstreams and owners and align activity with response objectives.
- Ensure alignment with organisation reputation, purpose and values (e.g. supporting the wider community response).
- Agree communications to staff and stakeholders - and feedback loops. Balance transparency and preparedness with not wanting to appear to be over reacting.

### Set up an Incident Management Team to coordinate your response

- Set clear roles, accountabilities and objectives.
- Agree meeting cadence and team ways of working.
- Agree communications and stakeholder engagement strategy.
- Use approved sources of information to monitor the spread of the virus and emerging clusters of cases.
- Embed an incident reporting mechanism.
- Identify critical decision triggers to manage and contain the virus (e.g. travel restrictions; office closing/work from home; meeting restrictions/virtual solutions).
- Deploy a rapid response process for your own cases and develop personnel recovery plans.
- Verify that technology infrastructure can support remote operations.
- Review supplier service availability and resilience.

### Scenario planning

- Evaluate COVID-19 specific scenarios for your organisation.
- Identify potential risks and assess impacts.
- Ensure business continuity plans include arrangements and processes for handling an infectious disease outbreak, epidemic and pandemic.
- Model the financial impact of scenarios and potential triggers for urgent action (e.g. breach of covenants).
- Identify strategic interventions to stabilise your organization.



# Setting up a COVID-19 response: Considerations (1 of 3)

## COVID-19 response strategy

### Workforce



#### Protect your people and plan your workforce

- Have you identified the critical work which delivers your P&L, the workforce that do this and the capacity of the organisation to move labour to sustain those critical activities?
- Do you have full visibility of your people (geography, nationality, visas, etc.) and the right processes and systems in place to track and move your workforce, where required, as well as the legal/tax implications of doing so?
- Do you have a system in place to monitor changing laws and regulations (e.g. travel restrictions) affecting your workforce?
- Have you completed workforce profiling to understand where work levels are likely to decrease or increase due to impact?
- How can you enable flexible/remote working arrangements in the event of quarantine and do you have the necessary infrastructure in place?
- Is a comprehensive set of people policies in place that addresses the risks identified by your scenario planning and any local, legal or regulatory requirements?
- Have you reviewed your HR policies to understand where risks are exacerbated/mitigated and the extent to which this supports/undermines the proposed response (e.g. flexible working, immigration, travel, and other relevant policies and regulations)?
- Have you put risk mitigation around employees working while ill and causing further spread by considering the ability to enforce policy changes quickly?
- Do you have a strategy to manage any defined benefit pension plans, as stock market and bond yield falls will have led to increased deficits at the same time that trustees and regulators are under increasing pressure for cash funding?

### Operations and supply chain



#### Maintain business continuity and protect your supply chain

- Have requirements of key suppliers, such as facilities management and IT service providers, been reviewed in light of any requirements that may change during a pandemic period (e.g. increased cleaning regimes)?
- Have you liaised with key third parties to ensure they will be able to continue to deliver desired service levels during the coming period?
- Are you monitoring exposure trends and restrictions against your supply chain?
- Have you performed an operational risk assessment and considered the impact of disruptions on critical business functions?
- Do you have visibility of critical supply chain parts and data to properly assess the potential damage and create immediate plans?
- Do you have any third-party single points of failure?
- Have you performed a risk assessment across all supply chain tiers? Have you considered using machine learning to find patterns that could be indicators of risk, or opportunity?
- Have you evaluated strategies for alternative sourcing, including the impact of tariffs to cost?
- Do you have a communications strategy in place for key supply chain stakeholders?
- Have you conducted scenario planning exercises to understand the operational implications, both financial and non-financial, of various scenarios?

# Setting up a COVID-19 response: Considerations (2 of 3)

## Communication strategy



### Provide clarity to employees and stakeholders and enable business continuity

- Have you created an internal and external stakeholder map for key communications (considering staff, customers, suppliers, regulators, etc.)?
- Do you have a clear communications strategy that can be implemented in a crisis to protect your reputation and maintain the trust of your stakeholders?
- How are you communicating with your employees?
- How are you keeping employees regularly informed about the latest updates and guidance?
- How are you providing reassurance and consistent messaging to all staff and showing a duty of care?
- How are your crisis communications aligned with your organisation's culture and communications requirements?
- How can best practice approaches be tailored to suit your organisation?

## Focus on data



### Gain insight and assess your exposure to risk

- Do you understand how an affected country/region might impact the commercial performance of your industry, your business, or that of your suppliers?
- Do you understand the potential impact of a global or country-specific slowdown on your business?
- Are you able to access robust data insights to underpin key decisions that you need to make?
- Do you have the time and skills to digest and analyse existing data sources in new ways to enable decision-making?
- Are you able to identify new data sources that may be required?
- Are you able to rapidly automate data capture processes for new data sources?
- Can you efficiently blend datasets to reveal insights?
- Do you have the skills and experience to manage sensitive data responsibly?
- Do you have models that answer your questions or issues, including challenging and validating data and model assumptions?

# Setting up a COVID-19 response: Considerations (3 of 3)

## Customers and revenue



### Balance customer care with commercial priorities

- Have you updated your sales and demand planning strategy, including assessing changes in customer behaviour (e.g. buyer habits)?
- Have you formed a coherent customer communications plan?
- Does your plan help to preserve and enhance customer loyalty?
- How does your health and safety plan extend to customers?
- Do your policies reflect the need to protect both your customer and commercial interests?
- Have you evaluated your competitive position under the new environment, identifying both risks and opportunities?
- Have you identified and created an action plan against the core marketing and sales priority areas?
- Can you innovate and invest in available sales channels?

## Head office functions



### Join up efforts on a cross-functional basis to ensure business continuity and resilience

- Do you need to financially or operationally restructure your business to reduce risk and protect value?
- Have you updated your working capital plans and forecasts?
- What contractual options are available to you as the customer, or could be used against you as the supplier?
- What contractual levers do you have available to suspend, terminate or change the terms of supply (e.g. invoking force majeure provisions, termination provisions and step-in rights)?
- What access do you have to emergency funding, increased production funding needs or government supported financing, tax and liquidity e.g. tax deferrals, rates holidays etc.?
- Have you considered the tax and regulatory implications of moving people to alternative locations? What systems and processes do you have in place to monitor movement of your employees?
- What insurance policies and access to emergency insurance do you have in relation to your scenarios (e.g. notifiable disease implications)?
- What technology infrastructure/resilience capabilities do you have?
- Can your IT infrastructure support vast remote access demand?
- How are you securing and maintaining your IT systems and data?
- Have you assessed whether the changes in the IT environment would increase the risk of a cyberattack?
- What are your triggers for making disclosures to the markets?
- Have you considered the personal and corporate tax and regulatory implications?

# How PwC can help

## We can work alongside you to tackle the challenges you face in responding to COVID-19

Crisis response and management	<ul style="list-style-type: none"><li>• Establish a crisis response structure with established workstreams, clear responsibilities and accountabilities.</li><li>• Develop likely, reasonable and worst case scenarios and their potential impact, to support crisis and response planning.</li></ul>		
Workforce	<ul style="list-style-type: none"><li>• Assess potential impact and develop options to identify and move labour with the key skills to support the P&amp;L of the organisation.</li><li>• Proactively manage where, when and how disruption will impact the availability and effective utilisation of skills in the business.</li></ul>	Operations and supply chain	<ul style="list-style-type: none"><li>• Perform an operational risk assessment, consider and plan for the impact of disruption on critical business functions.</li><li>• Understand your COVID-19 supply chain risks and impacts, including third party suppliers.</li></ul>
Communication strategy	<ul style="list-style-type: none"><li>• Develop a rapid communications plan and approach to build and maintain trust and reputation during the crisis for key stakeholders.</li><li>• Tailor best practice templates and communications materials such as emails, FAQs and intranet.</li></ul>	Focus on data	<ul style="list-style-type: none"><li>• Identify data needs and develop protocols for data extraction, preparation and analysis.</li><li>• Model the impact of scenarios on industry sector or business-level commercial performance and stress test commercial revenues against downside economic scenarios.</li></ul>
Customers and revenue	<ul style="list-style-type: none"><li>• Revise your sales strategy to deal with evolving customer behaviour and competitive environment (risks and opportunities).</li><li>• Prioritise actions to protect customer relationships and commercial interests.</li><li>• Model customer behavioural change.</li></ul>	Head office functions	<ul style="list-style-type: none"><li>• Legal, IT, commercial and insurance: Review existing insurance coverage, IT infrastructure and resilience, force majeure, contract clauses.</li><li>• Finance, treasury and tax: Financing (private or government), restructuring and cash flow.</li><li>• Investor relations: Market disclosure.</li></ul>

## References

COVID-19 Top 5 IFRS Accounting Issues for Banks

<https://www.pwc.com.au/assurance/ifrs/assets/COVID19-top-5-ifrs-accounting-issues-for-banks.pdf>

Considering the Potential Business Impacts of the COVID-19 Outbreak

<https://www.pwc.com/gx/en/issues/crisis-solutions/COVID-19.html>

IMF policy responses to COVID-19

[https://www.imf.org/en/Topics/imf-and-COVID19/Policy-Responses-to-COVID-19?utm\\_medium=email&utm\\_source=govdelivery](https://www.imf.org/en/Topics/imf-and-COVID19/Policy-Responses-to-COVID-19?utm_medium=email&utm_source=govdelivery)

PwC COVID-19 CFO Pulse survey

<https://www.pwc.com/us/en/library/COVID-19/pwc-COVID-19-cfo-pulse-survey.html>

Government of Ghana Policy Communiques



## Key Contacts

### **Vish Ashiagbor**

Country Senior Partner & Head, Financial Services  
vish.ashiagbor@pwc.com

### **Daniel Desmond Koomson**

Manager, Financial Services  
daniel.desmond.koomson @pwc.com



### **Oseini Amui**

Partner, Financial Services  
oseini.x.amui@pwc.com



**This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.**

© 2020 PwC. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way. 715220-2020