

CLASSIFICATION

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number	
		641-0125	
		2. Country	
		Ghana	
		3. Category	
		CASH GRANT	
3. To		4. Date	
JOSEPH B. GOODWIN, USAID/GHANA			
7. From		6. OYB Change Number	
PROGRAM OFFICE		N/A	
9. Approval Requested for Commitment of		8. OYB Increase	
\$9.0 MILLION		To be taken from: N/A	
11. Type Funding		10. Appropriation Budget Plan Code	
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant		72-113/41014 GSS3-93-31641-KG39 641-T-604A	
<input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None		13. Estimated Delivery Period	
12. Local Currency Arrangement		FY 93-94	
15. Commodities Financed		14. Transaction Eligibility Date	
		N/A	
16. Permitted Source		17. Estimated Source	
<input type="checkbox"/> U.S. only <input type="checkbox"/> Limited F.W. <input type="checkbox"/> Free World <input checked="" type="checkbox"/> Cash \$9.0 Million		<input type="checkbox"/> U.S. <input type="checkbox"/> Industrialized Countries <input type="checkbox"/> Local <input type="checkbox"/> Other	
18. Summary Description			

The Trade and Investment Program (TIP) is an \$80 million initiative designed to address the constraints that limit private sector investments and production for export. TIP consists of a \$60.0 million cash grant which address the principal enabling environment constraints to export production and investment. In addition, TIP has a \$20.0 million project component to strengthen the principal public sector institutions involved in investment and export promotion, for support to private sector associations and firms to improve their capacity to export and to obtain export financing. Funding is also provided for program management and support.

With the obligation of these funds the cumulative obligations for the program is \$17 million out of a total life of Program level of \$60 million.

TIP will expand non-traditional exports from the 1991 level of \$62.0 million to \$250 million by 1997. To accomplish this objective, TIP resources will be used to assist the public and private sectors in overcoming the policy, technical and

(continued on the following pages)

19. Clearances	Date	20. Action
		<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
		Authorized Signature JOSEPH B. GOODWIN
		Date 5/21/93
		Title MISSION DIRECTOR, USAID/GHANA

institutional constraints limiting non-traditional export growth. TIP conditionality will assist the Government of Ghana (GOG) to focus on critical policy constraints limiting the enabling environment for non-traditional export expansion. The dollars from the cash grant will be disbursed over five tranches. Conditionality is as follows:

Tranche 1. Prior to disbursement of \$5.0 million under the first tranche of program funds the GOG will submit to AID, in form and substance satisfactory to AID;

- 1) Specimen signatures of the responsible officers for TIP on behalf of the Ministry of Finance and Economic Planning (MFEP) and the Ministry of Trade and Tourism (MOTT); and the name of the banks and numbers of the bank accounts to be used to transfer US dollars during implementation.
- 2) Evidence that the Trade and Investment Management Unit (TIMU) and the Trade and Investment Management Office (TIMO) have been established along with an action plan and budget for 1993.
- 3) Evidence that the Trade Policy Unit (TPU) of the Ministry of Trade and Tourism has been established, along with an action plan and budget for 1993.
- 4) Evidence that the Foreign Investment Advisory Service (FIAS) has been requested to assist Ghana in developing an Investment Promotion Statement (IPS).
- 5) Evidence that exporters are allowed to sell foreign exchange at the highest legal exchange rate.
- 6) Evidence that a Board of Directors has been appointed for the Ghana Export Promotion Council (GEPC), with adequate private sector representation and that the Board has been given the mandate to develop a Strategic Plan for the Council.
- 7) Evidence that the GOG has established and funded an environmental monitoring plan to monitor the possible impact of program activities on the environment.

Tranche 2. Prior to Disbursement of \$13.0 million under the second tranche of program funds, the GOG will submit to AID, in form and substance satisfactory to AID:

- 1) Evidence that regulations for a streamlined duty and tax relief system for imported inputs used by direct and indirect exporters have been issued.

- 2) Evidence that the GOG has published i) a handbook of gazetted import and export procedures; ii) exchange control regulations; and iii) foreign collaboration procedures.
- 3) Evidence that the requirement making first time exporters pre-pay their foreign exchange surrender requirements have been eliminated.
- 4) Evidence that all minimum price guidelines for foreign exchange retention have been eliminated
- 5) The Ghana Export Promotion Council requirement for Internal Revenue Service Certificate, as a prerequisite as an exporter is eliminated.
- 6) Evidence that income tax benefits have been extended to export marketing firms, as well as producers.
- 7) A Strategic Plan to streamline export processing and export clearance documentation
- 8) An action plan and budget for TIMO for 1994 and disbursement data for 1993.
- 9) An action plan and budget for the TPU for 1994 and disbursement data for 1993
- 10) An approved Strategic Plan for GEPC along with an action plan and budget for 1994.
- 11) Evidence that the Investment Promotion Statement (IPS) is being developed.
- 12) Evidence that the Investment Code has been changed to reflect the elimination of most fiscal incentives (will become transparent as a part of tax code); remove need for GIC approval; and recommendations of the Private Sector Advisory Group (PSAG).
- 13) Evidence that the Bank of Ghana has established an Export Credit Guarantee Fund, (ECGF) administered through the private sector.¹
- 14) Evidence that the environmental monitoring plan is being implemented.

¹ At the present time, this is planned as an activity of the World Bank. However, if the World Bank does not implement this component, USAID/Ghana will do so with available Africa Economic Policy Reform Program (AEPRP) funds.

15) Evidence that the following recommendations of the Private Sector Advisory Group (PSAG) regarding investment have been approved:

- i) The negative list that reserves areas for domestic investment be reduced to four.
- ii) The minimum foreign capital requirement for a joint venture with a Ghanaian partner be reduced to \$10,000.
- iii) The minimum capital requirements for investment in export trading be waived.
- iv) The registration of firms be simplified by the adaption of a new and single form, the GH/92/01 and registration is through the Registrar General's Department. The manufacturing license will be abolished and the Manufacturers Industry Act of 1971 (Act 356) repealed so that no registration and approval from GIC will be required.

Tranche 3. Prior to disbursement of \$17.0 million under the third tranche of program funds, the GOG will submit to AID, in form and substance satisfactory to AID:

- 1) Evidence that the ECGF is being implemented.
- 2) An action plan and budget for 1995 for TIMO along with disbursement figures for 1994.
- 3) An action plan and budget for 1995 for TPU along with disbursement figures for 1994.
- 4) An action plan and budget for 1995 for GEPC along with disbursement figures for 1994.
- 5) Evidence that the GOG has approved a FIAS approved IPS along with an action plan and budget for 1995 to implement the strategy.
- 6) Evidence that the streamlined system of duty and tax relief for exporters is being implemented.
- 7) Evidence that the strategic plan to streamline export processing and documentation requirements is being implemented.
- 8) Evidence that the GOG has initiated a review of commercial codes, business regulations, lending instruments and legal and commercial documentation in the context of

international conventions and standards and disclosure of financial data.

9) Evidence that the environmental monitoring plan is being implemented.

Tranche 4. Prior to disbursement of \$13.0 million under the fourth tranche of program funds, the GOG will submit to AID, in form and substance acceptable to AID:

- 1) An action plan and budget for 1996 for TIMO along with disbursement data for 1995.
- 2) An action plan and budget for TPU for 1996 along with disbursement data for 1995.
- 3) An action plan and budget for GEPC for 1996 along with disbursement data for 1995.
- 4) An action plan and budget for implementing the IPS for 1996 along with disbursement data for 1995.
- 5) Evidence that the streamlined system of duty and tax relief for exporters is being implemented.
- 6) Evidence that the strategic plan to streamline export processing and documentation requirements is being implemented.
- 7) Evidence that the ECGF is being implemented.
- 8) Evidence that the GOG has begun implementation of the findings of the review of commercial codes, business regulations, lending instruments and legal and commercial documentation.
- 9) Evidence that the environmental monitoring plan is being implemented.

Tranche 5. Prior to disbursement of \$12.0 million under the fifth tranche of program funds, the GOG will submit to AID in form and substance satisfactory to AID:

- 1) An action plan and budget for TIMO for 1997, along with disbursement figures for 1996.
- 2) An action plan and budget for TPU for 1997, along with disbursement figures for 1996.
- 3) An action plan and budget for 1997 for GEPC, along with disbursement figures for 1996.

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- 4) An action plan and budget for implementing the IPS.
- 5) Evidence that the ECGF is being implemented.
- 6) Evidence that the streamlined system of duty and tax relief for exporters is being implemented.
- 7) Evidence that the strategic plan to streamline export processing and documentation requirements is being implemented.
- 8) Evidence that the environmental monitoring plan is being implemented.