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# MACROECONOMIC ASSESSMENT OF GHANA'S ECONOMIC RECOVERY PROGRAM AND ITS IMPACT ON PRIVATE SECTOR DEVELOPMENT

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Draft Report

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## Preface

This report presents the findings and recommendations of a macroeconomic assessment of Ghana's Economic Recovery Program and its impact on private sector development. The study was commissioned by the U.S. Agency for International Development Mission to Ghana (USAID/Ghana). Funding was provided by USAID under the Private Enterprise Development Support Project (Project Number 940-2028.03).

This study was undertaken by SRI International and The Services Group, U.S. based consulting firms, in collaboration with Rutben Associates, a Ghanaian consulting firm specializing in investment and economic analysis. The project team in Ghana consisted of Peter Boone, Karen Hendrixson, and Ebenezer Nyakotey, whose primary contribution was the preparation of Annex III.

Prior to visiting Ghana, the team reviewed materials in the U.S. on Ghana's macroeconomic reform efforts, and interviewed individuals at USAID/Washington, the World Bank, the IFC and the IMF. The team then travelled to Ghana to conduct a series of in-depth interviews with GOG officials, members of the private sector, and representatives of the donor community from June 24, 1989, to July 7, 1989.

USAID/Ghana is in the process of carrying out a detailed study of the private sector in Ghana entitled "Manual for Action in the Private Sector (MAPS)." The MAPS exercise is a survey and description of the private sector in Ghana. When completed, it will provide USAID and other donors with programming options to support private sector development activities. The report which follows complements the ongoing MAPS program by providing a strategic overview of the Economic Reform Program, focussing on specific macro-policy issues affecting private sector growth.

The team would like to extend its appreciation to all of those individuals in Ghana and the U.S. who agreed to be interviewed. We would like to give special thanks to Andy Sisson of USAID/Ghana and Mike Borish of Austin Associates (MAPS/Ghana) for their valuable comments and assistance. However, the opinions expressed in this report, as well as any errors and omissions, are entirely the responsibility of the study team.

## Executive Summary

After a disastrous period of economic decline lasting from 1970-82, the Ghanaian economy has made an impressive turnaround through the Economic Recovery Program (ERP), which was initiated by the government in 1983. The ERP comprises a sweeping package of stabilization and liberalization measures. Key elements of the program include a series of exchange rate devaluations and restraints in the growth of domestic credit made possible by sufficient fiscal austerity. The program has also streamlined many of the procedures required for importing and exporting. Exports and economic growth have responded favorably to the more "level playing field" created by the liberalized trade environment. The government has also lifted most price controls, allowing for cost containment through price competition, while at the same time providing investors the opportunity for reasonable returns on capital. Overall, Ghana's structural adjustment program has been one of the most disciplined and successful programs of its kind in all of sub-Saharan Africa during the 1980s.

However, the program has not been implemented without problems. The rate of inflation has been just as bothersome under the ERP as in previous years. Restrictions on credit availability are also a problem, as they constrain the flow of capital to private sector enterprises. The parastatal divestiture program has also made very slow progress during the ERP.

Perhaps the most disappointing aspect of the ERP has been the slow rate of response by the private sector to the new policy initiatives. Private investment is low, representing only about 4 percent of GDP in 1988. Foreign investment inflows have barely increased during the ERP and average less than \$US 5 million a year, or about 4 percent of total private investment. The low levels of private investment are a matter of serious concern to GOG

officials, as it implies a strong dependency on donor aid inflows until such time as private sector driven growth leads the economy.

The study team has identified a number of weaknesses in the private investment climate which will need to be overcome to achieve an adequate private sector enabling environment. The current weaknesses include the private sector's lack of confidence in the public sector and banking institutions. Conversely, some high level public sector officials still view the private sector with suspicion and distrust. There are also some inadequacies in the 1985 Investment Code, including the incentive package which is uncompetitive by world standards, and the lack of clarity and automaticity in some of the provisions. In addition, the procedures for establishing new businesses are overly complex and act as barriers to entry. Finally, corporate income taxes rates are excessively high and are onerous to businesses.

Because of the seriousness of some of these investment climate problems, the government must take a more active role in improving the investment climate. The Ghana Investments Centre, whose role is to promote investment in Ghana, has been overly concerned with the regulation and control of investment, and its promotional effectiveness has been limited.

The net impact of the current policy environment, whether intentional or not, is not very welcoming to investors. The combination of administrative controls on the approval of new businesses and investments, shortage of credit, high taxes, and ineffective efforts to promote private investment have resulted in a reluctance by the private investment community, both local and foreign, to invest new capital in Ghana.

Experience in other African countries has shown that the economic "success cases" have been countries which have reduced

constraints on the private sector and have minimized taxes on businesses. The two countries in Africa with the highest economic growth rates in the 1980s -- Mauritius and Botswana -- have followed policy prescriptions which reduce impediments to business and keep taxes low.

Through the ERP, the government has made a number of trade policy reforms and there are indications that it may now be recognizing the need for liberalized investment policies as well. The government stated its commitment to private sector led development in its 1989 budget speech, emphasizing the need to bolster private investment promotion efforts. The government has had some success with the promotional activities of the Minerals Commission and the Export Promotion Council. However further measures are required to make Ghana a more competitive investment site.

The study team has drafted a set of policy recommendations aimed at improving the private sector enabling environment. These policy recommendations are in addition to the important macroeconomic reforms already underway such as the financial sector reform, the reform of the parastatal sector, and the unification of the auction and forex bureau exchange rates. It is the opinion of the team that unless bold new initiatives are undertaken by the government, investors will continue to delay or decline from making new investments in Ghana. The main policy recommendations are summarized below.

1. Implement changes in the Investment Code, including making the incentives more competitive, and increasing the specificity of certain provisions which currently lack clarity.

2. Encourage small business creation by streamlining business establishment procedures and exempting small manufacturing firms from the manufacturing permit requirement.
3. Draw up clearer lines of jurisdiction for the GIC so that the investment approval process is streamlined and GIC moves closer to a "one-stop shop" for investment approval.
4. Reduce corporate income taxes. Corporate income taxes are high and act as a disincentive to investment. The corporate tax rate should be reduced and the dividends tax lifted to eliminate double taxation and encourage equity financing.
5. Assess the prospects of establishing an Export Processing Zone. A market-oriented, low-tax environment could help to rapidly encourage labor-intensive investment and further diversify export earnings away from cocoa.
6. Strengthen the Ghana Investments Centre. More emphasis should be placed on investment promotion and investor support, and less on the screening and controlling of investments.
7. Expand the dialogue between the government and the business community. Lack of publicity about some of the new policy reforms reduces their favorable impact on private sector confidence.
8. Strengthen the private sector organizations' capacity for policy analysis. Private sector organizations could

play a larger role in the design of economic policies if their policy analysis capability was stronger.

Once these and other recommendations are implemented, the government would be in a better position to promote Ghana as an investment site. The government could take advantage of new investment reform measures and incentives by publicizing in leading international newspapers and magazines. The team is convinced that because of Ghana's recent macroeconomic reforms and rich natural and human resource base, the country has the potential for attracting significant new investment activities, provided it makes a serious effort to improve the investment policy environment.

## I. OVERVIEW OF GHANA'S ECONOMIC POTENTIAL AND PAST POLICIES

### Resource Base and Economic Potential

During the 1950s, Ghana was one of the most developed countries in sub-Saharan Africa. Per capita GNP was the highest in the sub-continent. At that time, Ghana's per capita income levels were equal to South Korea and Portugal. Government institutions were very well developed by African standards. The country had some of the best roads and ports in Africa. Educational facilities and social services were of high standard. Ghanaians were considered to be one of the most highly educated populations in Africa at the time.

Ghana has a rich natural resource base that offers very good opportunities in many economic activities. In the minerals sector, Ghana possesses one of the world's largest and richest reserves of gold in the world. The gold reserves contain between 15 and 18 grams per ton, compared with 5 grams per ton in South Africa. Ghana also has reserves of diamonds, manganese and bauxite. Conditions are favorable in Ghana for producing a number of export crops such as cocoa, coffee, rubber and tropical fruits. The potential for production of staple crops is also high due to good soils and adequate rainfall. Southern Ghana enjoys two rainy seasons which makes double cropping possible. The forestry sector contains sizeable though shrinking strands of tropical hardwoods. Nonetheless, Ghana's forests still cover over one third of the country's total area.

### Past Economic Performance

Economic performance in the 1950s and early 1960s was strong.<sup>1</sup> Ghana enjoyed several years of balance of payments surpluses. In 1957, the country had extremely healthy foreign exchange reserves of \$US 481 million. Ghana's economy was relatively open, as exports equaled 28 percent of GDP in 1960 compared with 21 percent for all of sub-Saharan Africa. Ghana was the world's largest producer of cocoa, producing 538,000 tons in 1965, which accounted for one third of world production at that time. In the early 1960s, overall government deficits were in the range of 2-4 percent of GDP, allowing the private sector access to borrowing. Savings represented 17 percent of GDP<sup>2</sup> in 1960 providing adequate resources for investment. Economic prosperity continued from the 1950s to the mid-1960s.

### Ghana's Economic Decline

Ghana's economic performance began to deteriorate in the late 1960s. Real GDP growth was only 2.2 percent per annum in the 1960s, markedly worse than the 4.0 percent average for all sub-Saharan Africa. The situation became even worse in the 1970s, with average annual GDP growth rates of zero percent for 1970-1982, compared with 1.8 percent for all of sub-Saharan Africa. These growth rates are based on officially recorded economic activity, and therefore they underestimate the true level of growth since an increasing portion of economic activity took place in the black

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<sup>1</sup> For a discussion of Ghana's economic policy during this period see Annex III.

<sup>2</sup>Savings in this context is an estimated flow from the national accounts.

market.<sup>3</sup> Even if estimates of the parallel market are included, however, economic growth performance during this time period was poor.

The stagnation in GDP was accompanied by disturbing changes in the structure of economic activity. Growth rates in agriculture and industry were even lower than the growth in GDP in the 1970s, indicating a shift from the productive sectors of the economy towards government and trading activity. Export volumes declined at a rate of 5.3 percent per year during the 1970s to the point where, in 1982, exports equaled only 3.3 percent of GDP compared with 28 percent in 1960. The balance of payments situation deteriorated such that the overall balance of payments deficit reached \$US 250 million in 1983.

Ghana's poor economic performance and inappropriate policies made access to official capital inflows difficult, and discouraged direct private investment flows. Therefore, foreign exchange for imports was restricted to export earnings. Consequently, imports also dropped, falling to three percent of GDP in 1982. Petroleum accounted for 50 percent of imports, and intermediate goods and capital goods accounted for only 30 percent. The lack of spare parts grew so severe that in 1982 an estimated 70 percent of the transport fleet was out of commission.

Despite the extremely poor balance of payments situation and the depletion of foreign exchange reserves, the government maintained an inflexible foreign exchange policy which pegged the cedi to the U.S. dollar at fixed rates of 1.15 from 1973 to 1977 and 2.75 from 1978 to 1982. Consequently the cedi became wildly overvalued. The World Bank has estimated that by 1982 the cedi was overvalued by 816 percent, and the disparity between the official

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<sup>3</sup>The estimated size of parallel market activities was 32 percent of GDP by 1982.

and the black market rates rose to 20:1 in that same year. Such drastic overvaluation reduced all incentives to export at the official exchange rate and as a result the flow of foreign exchange through official channels plummeted.

Exports were smuggled through the Ivory Coast and Togo through the black market. It is estimated that from 20,000-50,000 metric tons of cocoa were smuggled<sup>4</sup> annually through those two countries during 1980-82. Official exports of cocoa dropped from 538,000 tons in 1965 to 179,000 tons in 1983, and Ghana's share of the world cocoa market dropped from one third in the 1950s to one-tenth by 1983. The main reason for the disastrous decline was the low price paid to farmers by the Ghana Cocoa Marketing Board (now called COCOBOD) for their crop. The overvaluation of the cedi made it difficult for the COCOBOD to pay a high cedi price to farmers. In addition, the COCOBOD itself became very inefficient. By the early 1980s, the staff of the COCOBOD had bloated to over 100,000, thereby increasing marketing costs and effectively taxing farmers. As a result of these two factors, the share of cocoa crop revenues paid to farmers dropped from 68 percent in 1965 to 26 percent in 1981. By comparison, many other major cocoa exporting countries such as the Ivory Coast, Indonesia, and Malaysia were paying producers about 65 percent of the export price.

Despite the serious contraction in cocoa exports, cocoa's share of total exports remained relatively constant indicating that most exports had experienced a similar collapse. From 1970-80, for example, the export volume of gold, Ghana's second leading export, fell on average seven percent per annum while that of timber fell fourteen percent per year. Beginning in the late 1970s, Togo

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<sup>4</sup>See May "Exchange Controls and Parallel Market Economies in Sub-Saharan Africa; Focus on Africa," World Bank Staff Working Paper Number 711, 1985.

began to export gold, even though the nearest gold mine was located across the border in Ghana.

Imports became extremely cheap because of the overvalued currency. Demand for imports at the official exchange rate far outstripped the supply of foreign exchange and the government was forced to control all imports strictly. Thus by the 1970s it put into place an elaborate system of import licensing, high tariffs and quotas in an effort to ration scarce foreign exchange. Despite these control measures, more imports were licensed than foreign exchange would permit, leaving some licensed importers without foreign exchange. The economic rents that could be obtained from having access to foreign exchange at the low official rates were substantial, leading to corruption. Much of the scarce foreign exchange was used for commercial activities rather than for the productive sectors of the economy. This helped contribute to the economy's poor overall performance.

The fiscal performance of Ghana's public sector was extremely poor and was also a key factor in Ghana's economic problems. Government deficits were substantial throughout the 1970s. Because of Ghana's debt repudiation in the early 1970s and the country's poor economic performance, private credit from either domestic or foreign sources was not available. As a result, Ghana had to finance its deficits from the government owned banks, particularly the central bank. Overall government deficits reached 12 percent of GDP in the mid-1970s. In effect the government printed money to cover its deficits. This in turn led to high rates of inflation which also led to an overvaluation of the cedi. The substantial declines in exports and imports mentioned above also had a negative impact on public finances, as taxes on international trade typically provided 40 percent of government revenues. By 1983 tax revenues had fallen to 5.5 percent of GDP.

The persistent budget deficits forced the government to absorb almost all the credit in the economy, crowding out private borrowing. Overall, the government's share of the stock of debt outstanding to the domestic banking system reached 86 percent in 1982. One of the factors fueling government demand for credit was the fact that the income of state-owned enterprises (SOEs) did not cover their operating costs. The gap was filled by loans provided by the banking system or by government subsidies which, in turn, were financed by government borrowing. The combined operating deficits of SOEs in 1982 equalled 3 percent of GDP and were equivalent to total government spending on education, health, social security, and welfare for that year.

Data on savings and investment also suggest that the economy was seriously deteriorating. Savings as a percentage of GDP had dropped from an impressive 17 percent in 1960 to a mere 3.9 percent in 1982. Much of this drop was due to the maintenance of negative real interest rates, which averaged minus 30 percent in the 1970s, leaving no incentive to save in the banking system. There was an increasing preference for holding liquid assets outside the banking system, as firms and individuals sought to move out of financial assets and into fixed assets as hedges against inflation. These trends were aggravated by a drop in public confidence in the banking system in 1983 following the demonetization of the 50 cedi note and the freezing of all bank accounts holding amounts above 50,000 cedis.

Government deficits, as described above, contributed to the lack of domestic savings. Government absorption of most available domestic savings is also reflected in the poor performance of investment. From a respectable 24 percent of GDP in 1960, gross investment fell to only 3.5 percent of GDP in 1982. It is likely that net investment was negative through most of the 1970s. Ghana was losing more than physical capital. The rapid deterioration in

real wages and living standards caused an estimated two million of Ghana's better educated workers such as teachers, doctors and civil servants to emigrate, leaving Ghana with a shortage of human capital.

Policies toward foreign private investment were welcoming in Ghana until the early 1970s. With the overthrow of the Busia Government in 1972, however, there was a sharp switch in policy. The new regime, led by Colonel Ignatius Acheampong, reacted to the severe economic difficulties inherited from its predecessors with a program of economic nationalism. In 1975, decrees were issued which allowed the state to take a majority share in foreign-owned enterprises; many companies sold 55 percent to local hands. By 1977, an estimated 49 percent of manufacturing value-added came from the state-owned sector. By the early 1980s, manufacturing had slid into a precipitous decline and capacity utilization fell to about 20 percent by 1982.

Inflation averaged 34.9 percent per year from 1970-82 compared with 10.8 percent in the rest of sub-Saharan Africa. It was fueled largely by the need to print money to finance growing government deficits, and led to the lowering of real interest rates and to the excessively overvalued exchange rate. In an attempt to control inflation, the government imposed price controls on hundreds of commodities. These price controls aggravated existing shortages and introduced further economic distortions, affecting the profitability of many enterprises adversely. Consumer prices continued to rise, as small retailers were too numerous to monitor. Retail stores run by the government were constantly short of supplies. Profits were shifted from large producers, who were closely watched, to small retailers, who could sell at whatever prices the consumers were able to pay.

In addition to the major distortions and macroeconomic imbalances described above, three important external shocks in the early 1980s helped bring the Ghanaian economy to a complete halt. First, the extremely favorable terms of trade that the Ghanaian economy experienced with the two commodity price booms of the 1970s deteriorated rapidly in the 1980s. Secondly, Nigeria expelled roughly one million Ghanaian workers, equivalent to nearly one-tenth of Ghana's population, forcing them to be reabsorbed into the Ghanaian economy at a time of economic crisis. Finally, the severe drought of 1981-1983 created the worst food shortages since independence and contributed to widespread bush fires that reduced cocoa acreage.

As the economy collapsed, so did the government. A new government headed by Flight-Lt. Jerry Rawlings seized power on the last day of 1981. The new regime, the Provisional National Defence Council (PNDC), initially attempted to deal with Ghana's economic crisis by employing populist rhetoric and increased controls on the economy. It soon became clear, however, that these measures were insufficient to resolve the nation's economic crisis and that substantial economic reforms would have to be introduced.

## II. ECONOMIC RECOVERY AND STRUCTURAL ADJUSTMENT PROGRAMS, 1983-91

### Overview of the Economic Recovery Program

In the face of the total economic paralysis prevailing in Ghana by 1982, the Ghanaian Government established a National Economic Review Committee in early 1982 and gave it responsibility for initiating a program of national economic recovery. In July of that year, preliminary discussions were held with the International Monetary Fund (IMF) to investigate the possibility of receiving IMF support for Ghana's recovery efforts. The Economic Recovery Program (ERP) was introduced in April 1983 after close consultation with the World Bank and the IMF.

The ERP aimed at rebuilding Ghana's economy by completely reorienting national economic policy away from the economic distortions and destabilizing policies of the previous decade. The chief objective of the ERP has been to achieve macroeconomic stability and to improve the country's balance of payments, thereby putting the economy back on the path to positive real growth. This objective was to be achieved in three phases, beginning with a stabilization phase, followed by a rehabilitation phase, and then a liberalization and growth phase. Although the policy measures introduced under the ERP are classified into three distinct phases, many of these measures were, in fact, adopted in overlapping or concurrent fashion. Upon completion of an initial three-year program in 1986, a second stage of the ERP began. This phase, which is also part of IMF and World Bank structural adjustment agreements, covers the years 1987-91.

#### The Stabilization Phase

This phase of the ERP focused on the macroeconomic stabilization of basic economic indicators in order to halt Ghana's

growing economic instability. The policy instruments used included realignment of the exchange rate, the phasing out of most price controls, increases in interest rate levels, the gradual elimination of most government subsidies, and a sharp reduction in the fiscal deficit. The implementation of major policy reforms were concentrated in the first year of the ERP, April 1983 to June 1984, although further adjustments continued to be implemented in later years.<sup>5</sup>

The economic policies introduced under the ERP can be divided into four categories which are typical of IMF adjustment programs: (1) exchange rate policy; (2) prices and income policy; (3) monetary policy; and (4) fiscal policy. In light of Ghana's exchange rate history -- which included Prime Minister Busia's overthrow after the 1971 devaluation, and the refusal of subsequent governments to sufficiently adjust the cedi's value -- exchange rate policy was undoubtedly the most controversial aspect of the ERP.

The first adjustment in the cedi's value occurred in April 1983, when the government introduced a system of export bonuses and import surcharges. Although the cedi's official value remained at 2.75 cedis to one US dollar, the policy made exports more profitable and imports more expensive, and was, in essence, a devaluation. In October 1983, the two exchange rates were unified, setting the official exchange rate at 30 cedis to the US dollar.

This devaluation was followed by eight further adjustments over the next two years, in accordance with the IMF's quarterly performance requirements. By January 1986 the cedi's value had fallen to ninety cedis to the dollar. In total, the cedi was devalued by over 3000 percent in local currency terms in less than

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<sup>5</sup>. See Annex I for a chronology of key economic events under the ERP.

three years. In September 1986, the weekly foreign exchange auction was introduced. All the nation's available official foreign exchange was allocated through this auction, and the demand for and supply of foreign exchange each week determined the nation's official exchange rate.

In addition to adjusting the exchange rate, the ERP introduced new monetary policies. From 1975-83, the money supply in Ghana grew on average 40 percent per year, thus helping to fuel the tremendous rates of inflation in that period. Under the ERP, growth in the money supply has been tightly controlled. In addition, interest rates have been raised over time in order to mobilize domestic savings, while credit policies were initially re-oriented towards priority sectors of the economy, such as the agriculture, manufacturing, and export sectors.

Price controls on goods and services, which had for so long fuelled hoarding and profiteering, were also gradually lifted. Fees for government services -- such as railway tariffs, water and electricity rates, and road transport fees -- were significantly increased. Finally, in sharp contrast to the policies of previous governments, fiscal policy was tightened, thereby restoring discipline to Ghana's budgets.

#### The Rehabilitation Phase

The rehabilitation phase, initiated in the 1984-85 period, has focused on the rehabilitation of essential infrastructure such as the railways, roads, and the ports at Takoradi and Tema. Growing deterioration of these facilities had increasingly stymied exporters and impeded the transport of agricultural goods to urban markets. Infrastructural improvements were critical if exporters, private sector businessmen, and cocoa farmers were to respond to

the improved price incentives introduced under the ERP.<sup>6</sup> An important component of this phase has also sought to improve the capacity utilization of the manufacturing and transport sectors through the provision of spare parts and essential raw materials.

#### The Liberalization and Growth Phase

Finally, the liberalization and growth phase, occurring in the second and third years of the ERP, focused on the relaxation of trade and payment controls. Introduction of the foreign exchange auction was a key measure of this phase. Trade liberalization began with the introduction of special unnumbered licenses (SULs) in 1986, whereby anyone holding foreign exchange outside the banking system was automatically granted an import license. The import licensing system was gradually abolished to the point where importers today need simply to fill out a brief Import Declaration Form (IDF) for submission for monitoring purposes by five government ministries.<sup>7</sup>

The Structural Adjustment Program (SAP), was introduced in the 1987-88 period, marking a new round of IMF and World Bank lending. The SAP focuses on further institutional and policy reforms in the cocoa sector, the state-owned enterprise (SOE) sector, trade and exchange rate policy, and public sector management. Under the SAP, cocoa producer prices have been further increased and the COCOBOD staff reduced; the import regime has been liberalized; and the SOE

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<sup>6</sup>. The deterioration in the nation's infrastructure was such that despite the substantial price and exchange rate changes introduced in 1983 in favor of exporters, exports -- particularly timber, bauxite, and manganese -- were slow to respond owing to the lack of spare parts and poorly functioning railways and ports.

<sup>7</sup>. Import permits are still required for a small number of items in the following categories: arms and ammunition, explosives, chemicals, telecommunication equipment, and specified pharmaceutical products.

divestiture and restructuring program was initiated. In the public sector, civil service wages have been raised and surplus workers have been removed to increase the efficiency of government operations. Macroeconomic reforms in these areas, as well as reforms of the banking sector, will be ongoing in the remaining years of the SAP from 1989-91.

### Donor Support

World Bank and IMF financial support have been integral to the ERP and the two institutions have coordinated closely throughout the history of the program. IMF lending has occurred in support of the reforms in the fiscal, trade, and exchange regimes, as well as in the form of compensatory financing in the export sector. The World Bank has been heavily involved in structural adjustment reforms and lending, and has provided both policy-based loans as well conventional project and sector-based loans. Key areas of World Bank involvement have included reform of the COCOBOD, civil service reform, restructuring of the parastatal sector, and infrastructure rehabilitation. In addition, the World Bank has been instrumental in mobilizing donor funds through its leadership role in helping to coordinate Consultative Group meetings of major donors.

The ERP has required massive amounts of multilateral and bilateral donor support. In the 1984-87 period, total IMF lending in support of the ERP has come in the form of three successive Stand-by Arrangements, totalling SDR 501 million (about \$553 million), and a Compensatory Financing Facility worth SDR 179 million (approximately \$197 million). In the same period, the World Bank provided seven policy-based credits totalling nearly \$400 million, plus additional project and sector lending of \$268 million. Total commitments from the Consultative Group amounted

to a further \$420 million in the same years. A further \$530 million per year, on average, is anticipated from official grants and long-term loan disbursements over the 1988-91 period.

### **The Role of the Private Sector in Ghana's Economic Recovery**

Under the ERP, the long-run growth of the Ghanaian economy is highly dependent upon increased levels of private sector savings and investment. Indeed, the potential failure of such investment to materialize is one of the key impediments to the continued success of Ghana's economic recovery efforts.

The World Bank has estimated the adverse economic impact that would result should private sector investment fail to materialize. Insufficient private investment in the mining, manufacturing, construction, retail, and financial services sectors would limit annual growth rates to only four percent or less by the mid-1990s; if insufficient investment occurred as well in the agricultural sector, the negative impact on growth rates would be further compounded. In light of Ghana's population growth rate in excess of three percent per annum, per capita growth rates under a scenario of insufficient private investment would be stagnant or even negative. Total export levels would be an estimated 12 percent lower by 1995, while per capita real income would be four percent less than otherwise anticipated under successful pursuit of structural adjustment policies. Similarly, debt service ratios and balance of payments levels would also be negatively affected. These negative scenarios illustrate the important role that private sector investment and savings play in Ghana's continued economic recovery.

### III. THE MACROECONOMIC IMPACT OF THE ECONOMIC RECOVERY PROGRAM

#### Economic Growth

In response to the policy reforms and the substantial inflow of foreign aid introduced under the ERP in support of these policies, Ghana's gross domestic product (GDP) began to register positive growth rates for the first time in many years. Real GDP grew 8.6 percent in 1984 and averaged 5.3 percent per year from 1985-88. By contrast, real GDP had fallen on average by minus five percent in each of the three years preceding the ERP. Some of this "growth" can be attributed to activities which formerly occurred in the black market and which were unrecorded, and which now operate in official channels under the ERP. Nevertheless, the underlying true economic growth under the ERP has been substantially higher than in the preceding years.

#### Domestic and Foreign Investment

Gross domestic investment as a percentage of GDP has been rising significantly since the start of the ERP (see Table 1 below). From a low of 4 percent of GDP in 1982-83, investment rose to 12.5 percent of GDP in 1988. At this level, Ghana is on par with other sub-Saharan Africa countries but is well below the average of 24.6 percent for developing countries as a whole. Higher public investment has been the main factor behind the increase. Public investment in Ghana rose from 2 percent of GDP in 1983 to 8.3 percent in 1988. Public investment has been playing a leading role partly because of the need to rehabilitate Ghana's deteriorated infrastructure before private investment can respond.

Private investment, on the other hand, has not been rising significantly since the start of the ERP. After an initial gain

from 2 percent in 1983 to 4.4 percent in 1984, private investment has remained constant as a share of GDP. The reasons for the slow response in private investment include: (i) lack of domestic credit for investment projects (see section on credit below); (ii) the need for basic infrastructure to be restored before private investment can revive; (iii) slowness in the privatization of state-owned enterprises, which has delayed private local and foreign investment in the rehabilitation of rundown state enterprises; (iv) high income tax levels; (v) lack of an equity market in Ghana; and (vi) uncertainty or lack of confidence by private investors (especially foreign investors) in Ghana as an investment site.

Table 1

GHANA GROSS DOMESTIC INVESTMENT  
(Ratio to GDP at Current Market Prices; in Percent)

	1983	1984	1985	1986	1987	1988
Total Investment	4.0	6.9	9.6	9.7	10.8	12.5
Public	1.9	2.5	4.2	7.3	7.8	8.3
Private	2.1	4.4	5.4	2.4	3.0	4.2

Source: World Bank

Data on net foreign investment inflows (see Table 2 below) demonstrate that foreign private investment is not yet responding to the macroeconomic policy improvements introduced under the ERP.<sup>8</sup>

<sup>8</sup>Data on foreign investment are from World Bank data on balance of payments estimates, which in turn are derived from Bank of Ghana estimates.

At present, foreign investment represents only about 3 percent of total private investment in Ghana. From team member discussions with both government officials and private investors, it appears that most of the recent foreign investment inflows have been in the minerals sector, predominantly for gold. Given the recent policy measures, including devaluation of the cedi and lifting of export taxes on minerals, it is not surprising that this sector is attracting substantial amounts of investment.

Table 2

GHANA PRIVATE INVESTMENT  
(Ratio to GDP at Current Market Prices; in Percent)

	1983	1984	1985	1986	1987
Domestic Private Investment	2.0	4.3	5.3	2.3	2.9
Foreign Private Investment	0.1	0.1	0.1	0.1	0.1
Total Private Investment	2.1	4.4	5.4	2.4	3.0
Memorandum Item:					
Foreign Investment Expressed in Dollar Terms (Millions of Current Dollars)	2.0	2.0	6.0	4.0	5.0

Source: World Bank

It should be noted that the above data may underestimate actual foreign private inflows in that some of the recent foreign investments in the minerals and timber sectors have been made through existing companies' foreign exchange retention accounts, and were thus not always recorded by Bank of Ghana statistics. Nevertheless, the overall pattern is still clear; even if actual foreign investment inflows were three times higher than the

estimates, they would still be very small relative to what is needed to achieve dynamic economic growth. Given the limited opportunities for mobilizing local capital in the short run due to the poor health of the banking system and the lack of equity markets, Ghana will need to take further measures to attract foreign capital in order to achieve sustainable economic growth. Local private investment has been growing faster than foreign investment but is still low -- less than 3 percent of GDP in 1987. Recommendations for additional measures to encourage greater private investment, both Ghanaian and foreign, are presented in Chapter V of this report.

#### Investment in the Minerals Sector

The mineral sector is currently the one sector of the economy where substantial and long-term investment has clearly occurred. Both production and investment have responded strongly to the liberalization measures introduced under the ERP. Over 60 exploration licenses have been granted since 1986, and for the first time in over 40 years new gold mines have been opened. Accordingly, while total official employment in the sector fell by half in the 1970-84 period, total employment has now surpassed the levels reached in 1970 and is projected to continue rising.<sup>9</sup> As a result of current investments in the gold sector, it is estimated that gold production will rise from the 323,500 ounces achieved in 1987 to 700,000 ounces by 1990.

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<sup>9</sup>. From 1.0 percent of the total labor force in 1970, to 0.5 percent in 1984, to 1.1 percent in 1987.

While the sums that are scheduled to be spent on rehabilitation, prospecting, and new mine developments are very large, it is difficult to track precisely how much money has actually been invested to date, and how much has been spent on Ghanaian goods and services. The Minerals Commission is currently trying to compile data on mining investment flows at the request of the Bank of Ghana. Estimated expenditures by prospecting companies up to the first quarter of 1988 total 1.3 billion cedis. Out of this total, an estimated 400 million cedis (approximately \$2.5 million dollars) has been spent on Ghanaian goods and services.

### Credit

The banking system in Ghana has suffered from the generally low level of economic activities during the country's economic decline in the late 1970s and early 1980s, although a few of the institutions are still profitable and relatively efficient. The current distressed situation of the banking sector can be characterized by: (i) huge non-performing loan portfolios (roughly 65 percent of all loans outstanding are non-performing); (ii) inadequate provision for portfolio losses; (iii) high operational costs; and (iv) inadequate capital. Banks have also suffered from excess government interference in lending decisions, inadequate supervision and monitoring from the central bank, poor credit training and management and corruption.

The financial depth of the economy as measured by the ratio of M2 (money and quasi-money) to GDP is low by international standards; currently 16 percent of GDP. During the 1970s and early 1980s liquidity expansion was fueled by large government deficits financed by the central bank. Excessive money creation at a time

of stagnant growth caused inflation and turned administered deposit rates deeply negative in real terms, thereby undermining any incentive to save.

Since 1983, the Ghanaian authorities have followed a flexible interest rate policy aimed at mobilizing domestic savings. Accordingly, minimum rates for savings and time deposits were raised from 8.25 to 9.00 percent in 1983 to 18 to 23 percent in 1987. By 1988, all interest rates were fully liberalized.

Despite the deregulation, interest rates on savings deposits are still negative in real terms, about minus 6 percent in 1988, in light of an annual inflation rate of 27 percent. The negative real interest rates notwithstanding, deposits have increased in recent years. Total deposits with the commercial banks rose by 30 percent (adjusted for inflation) in 1986-87. About 25 percent of the increase was provisioned as required reserves. Although demand for loans from the private sector is high, the strict credit ceilings set by the Bank of Ghana since 1988 to control inflation have constrained banks from lending. Thus they have been able to expand loans by less than the increase in available funds, leaving the banks with excess liquidity. In response, the Bank of Ghana has put in place several measures to let banks lend more of this excess liquidity. These include allowing banks to increase commercial paper and finance cocoa bills. Despite these measures, in early 1989 the commercial banks had 4.5 billion cedis, \$ US 16 million, in excess reserves.

The persistence of this problem illustrates the difficulty of implementing monetary policy and managing liquidity in this complex situation. Government policies must take into account several factors -- the need to lower the rate of inflation, to restore the health of the banking system, and to provide adequate credit for efficient use in the private sector. The difficulty of achieving

these multiple objectives is compounded by the lack of instruments to manage monetary aggregates indirectly, which would be more flexible than direct controls.

Of the credit that has been made available, the net flows to the private sector<sup>10</sup> have been increasing substantially in recent years both in nominal and real terms (see Table 3 below). Much of this credit is for short-term trade financing, however, and not long-term investment financing. The private sector share of domestic debt outstanding increased from 12 percent in 1982 to 62 percent in 1988. The major factor accounting for the increased flows to the private sector was the large reduction in the central government's stock of debt to the banking system. The government's share of debt outstanding to the banking system has dropped from 93 percent in 1983 to 19 percent in 1988. If Ghana continues to achieve overall budget surpluses as it has in recent years, the government will be in a position to virtually eliminate its stock of debt to the banking system in the next one to two years, which will increase private firms' access to bank credit.

The World Bank, the African Development Bank and the Government of Japan are supporting a major financial sector adjustment program to restructure and reform the banking system. The program began in 1988 and about \$US 150-200 million will be injected into the banking system over the 1988-1989 period to recapitalize the banking system. Nevertheless it will take years before the banking system performs effectively as a vehicle of efficient financial intermediation.

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<sup>10</sup>The credit flows to the private sector are only rough proxies, in that the Bank of Ghana definition of private sector borrowing includes the parastatal sector.

Table 3

NET DOMESTIC LIABILITIES TO THE BANKING SYSTEM  
(Millions of Cedis; Year End)

	1983	1984	1985	1986	1987	Sept 1988
Net Domestic Liabilities:	22601	39237	66464	94590	105334	93023
Claims on Government	21059	24170	27176	29647	22220	17780
Claims on Public Entities	813	676	4795	5274	8610	9128
Cocoa Financing	521	3580	13545	16889	16471	-
Claims on Non-Bank Financing	200	897	13	-	-	-
Claims on Private Sector	2841	12153	21178	37455	46945	57706
Net Other Assets	-2833	-2239	-243	5325	11088	8409

Source: World Bank

Beginning in 1961 there has been discussion of starting a formal stock exchange in Ghana. One of the clear advantages of establishing a stock exchange would be that companies which need finance could raise equity, rather than undertaking additional borrowing which has to be repaid at high interest rates and can negatively affect cash flow. The issues holding up the establishment of an exchange are: (i) the small number of publicly traded companies (18); (ii) the poor quality of financial statements and accounts of most of the existing companies; and (iii) lack of confidence in the banking system -- which would affect the stock exchange because the banks will be actively

involved in the operations of the exchange. Once the current financial sector reform program begins to have an effect, the atmosphere may become more favorable to establish a stock market in Ghana.

### Inflation

Inflation has been as troubling under the ERP as in the previous period. From 1970-82 inflation averaged 34.9 percent annually and reached triple digit levels in several years. In the ERP period from 1983-88, inflation has averaged coincidentally the same 34.9 percent per year, on a compounded annual rate basis, despite the massive changes in the nominal exchange rate (see Table 4 below). If 1983, when inflation was 121 percent, is left out and treated as "one-time adjustment" because of the substantial devaluation that occurred, inflation for the 1984-88 period is somewhat more moderate at 22.1 percent. In 1988, inflation was 27 percent, which is too high and harmful to economic growth.

Table 4  
GHANA CONSUMER PRICE INCREASES  
1980-1988  
(Annual Percentages)

1980	1981	1982	1983	1984	1985	1986	1987	1988
50	116	22	121	40	10	24	40	27

Source: World Bank

One of the factors contributing to inflationary pressures is the continued depreciation of the cedi. Another factor is the

indexing of wages by government and the private sector to increases in the cost of living, creating a wage-price spiral. The government is trying to moderate inflation with sound fiscal and tight monetary policies. Because food accounts for nearly half of the basket of goods used to calculate the Consumer Price Index (CPI), any successes in raising food production should have a moderating effect on inflation. In the interim, however, persistent high rates of inflation will require the continuation of government imposed credit ceilings in the banking sector, thereby constraining borrowing by the private sector.

### Industrial Sector Performance

Under the ERP, the manufacturing sector has increased capacity utilization rates from about 21 percent in 1982 to an estimated 32 percent in 1988. Although the latest data available on capacity utilization by sub-sector are for the year 1985, Table 5 below shows that performance varies widely by industrial sub-sector. Those sub-sectors with above-average capacity utilization include the beverage, wood processing, non-ferrous metal, and food processing industries. With the exception of the wood processing, beverage, and non-ferrous metal sub-sectors, however, no manufacturing sub-sector in 1988 was producing near the levels of output achieved in 1977; manufacturing output in 1988 reached on average 62.1 percent of 1977 levels (see Table 6 below).

Capacity utilization rates must be interpreted with caution, however, because a significant portion of what is included in the capacity statistics is old, unusable equipment, especially in the parastatal sector. If this equipment were to be omitted from the capacity statistics, thereby capturing only that capacity that is realistically functionable, current capacity utilization rates might be much higher.

Table 5

**MANUFACTURING INDUSTRIES: ESTIMATED RATE OF CAPACITY UTILIZATION  
LARGE AND MEDIUM SCALE FACTORIES' PERCENTAGES**

Sub-Sector	1981	1982	1983	1984	1985
Textiles	20.0	10.0	16.0	17.3	19.7
Garment	24.0	20.2	25.0	20.2	25.5
Metals	24.1	42.5	55.0	20.1	16.2
Electricals	19.0	31.5	44.0	8.3	33.2
Plastics	23.4	20.0	35.0	30.4	28.0
Vehicle Assembly (Bicycle/ Motor Cycles)	n/a	15.0	20.0	7.6	19.9
Tobacco and Beverages	38.8	n/a	65.0	19.5	39.6
Food Processing	24.6	n/a	25.0	22.9	31.2
Leather	26.0	18.0	26.0	11.9	21.5
Pharmaceuticals	17.0	20.0	35.0	n/a	16.6
Cosmetics	15.0	15.0	20.0	n/a	n/a
Paper and Printing	31.0	25.0	30.0	17.3	14.5
Non-Metallic Mineral Manufactures	24.0	15.0	22.0	12.0	35.0
Chemicals	16.8	15.0	20.0	22.3	20.2
Rubber	20.2	27.0	22.0	15.0	16.0
Wood Processing	37.6	20.0	20.0	28.1	32.5
Miscellaneous	37.3	n/a	n/a	n/a	n/a
ALL MANUFACTURING INDUSTRIES	24.9	21.0	30.0	18.0	25.0

**Note:** Data for individual industries are obtained from Ministry of Industries. The estimate for all Manufacturing Industries is weighted arithmetic average. Using weights proportional to value of gross output in 1973.

**Source:** Ghana Statistical Service

Table 6  
INDEX NUMBERS OF MANUFACTURING PRODUCTION, 1982-88  
(1977=100)

Industry	Weight	1982	1983	1984	1985	1986	1987	1988
Food Manufacturing	15.00	38.2	46.3	29.3	41.8	40.6	50.5	53.6
Beverage Industries	8.11	50.7	42.5	60.0	59.3	75.1	85.2	89.0
Tobacco & Tobacco Products	7.75	38.1	33.7	63.4	61.3	57.6	54.9	58.0
Textile, Wearing Apparel, & Leather Goods	13.71	15.7	10.6	15.9	19.2	22.9	26.1	28.7
Sawmill & Wood Products	7.22	36.0	45.6	660.3	75.4	79.5	79.3	98.3
Paper Products & Printing	1.94	26.9	76.4	72.0	65.1	70.5	59.7	52.8
Petroleum Refinery	19.00	88.0	53.1	63.0	80.6	76.6	62.7	67.7
Chemical Products Other than Petroleum	6.56	17.1	18.6	40.4	31.8	38.0	51.9	67.5
Cement & Other Non- Metallic Mineral Products	2.98	46.5	50.3	42.4	63.6	47.4	49.7	73.4
Iron & Steel Products	3.25	30.9	12.8	26.3	46.2	38.8	42.9	18.3
Non-ferrous Metal Basic Industries	9.62	113.8	25.6	--	28.4	72.5	90.3	97.3
Cutlery & Other Non-ferrous Metal Products	0.49	4.4	9.1	10.1	34.6	55.2	51.9	46.2
Electrical Equipment & Appliances	1.34	14.8	4.0	19.1	28.4	51.0	31.5	47.1
Transport Equipment & Other Products	3.03	32.5	8.6	6.5	--	--	--	--
ALL MANUFACTURING	100.00	50.4	35.3	39.3	49.3	54.2	56.8	62.1

Source: Quarterly Digest of Statistics

As a percentage of gross domestic product, the manufacturing sector's share has risen from about 7 percent in 1983 to 9 percent by 1987 (in constant 1975 prices). Again, this is still far below the 14 percent share of GDP achieved in 1977. The construction subsector's contribution to GDP has remained relatively constant, at two to three percent for the 1982-87 period, while industry's share as a whole has risen from 12 to 14 percent of GDP. While separate data are not available, it is the belief of the Association of Ghana Industries that production of industrial raw materials -- such as palm oil, cotton, and tobacco -- have increased as well under the ERP owing to improved supplies of agricultural inputs, and in some cases, to the direct involvement of industrial firms in the development of local sources of raw materials.

No matter what actual capacity utilization is, it is clear that the manufacturing sector as a whole is benefitting from the increased availability of foreign exchange which has enabled access to a steady supply of raw materials and much-needed inputs.<sup>11</sup> For most firms, improved supplies of raw materials have translated into increased output. A number of firms, however, are suffering from the drop in consumer purchasing power and weaker demand for goods (for example, cigarettes).<sup>12</sup> For some of the previously protected import substitution firms, competition from imports is now presenting a hardship, especially in the textiles and pharmaceutical industries.

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<sup>11</sup>. West Africa magazine has reported (July 17 issue) that recent data published by the Statistical Service show manufacturing capacity utilization rates of 62.1 percent for 1988, up from 56.8 percent in 1987. These figures were regarded as provisional by the study team because no direct access to data was possible, but if the figures are correct it shows that the Ghanaian manufacturing sector is much healthier under the ERP than previously suspected.

<sup>12</sup>. Sales of beer and cigarettes have also been adversely affected by the introduction of high excise taxes which have dampened demand.

While the majority of manufacturing firms have benefited from the improved access to foreign exchange under the ERP, many firms are currently constrained by other fundamental aspects of the program; that is, tight credit ceilings set by the Bank of Ghana which limit or prevent commercial bank lending. The lack of available credit means that many firms currently lack sufficient working capital, much less have funds available for medium- or long-term investment essential to the country's future economic growth. Thus, while the initial effects of the ERP have been positive for the industrial sector and have boosted capacity utilization, current aspects of the ERP may well be constraining future growth and investment. These liquidity problems are compounded by the need for companies to deposit up-front at the foreign exchange auction 100 percent of the funds needed to establish a letter-of-credit.

#### Exports and Imports

The massive devaluation of the cedi under the ERP has substantially changed the economy away from one biased in favor of imports to one that is more of a "level playing field" which is more encouraging for exports. By 1986, the exchange rate had been substantially restored to a more competitive level. Both imports and exports have achieved highly positive growth rates under the policies of the ERP. The total volume of exports, which fell on average by 10 percent per annum in the 1981-83 period, rose by an average of 11.5 percent per annum in the 1984-87 period. In reflection of this growth, exports have registered an increasing share of total GDP, rising from eight percent in 1984 to 19.7 percent in 1987. Imports behaved similarly, growing at an average of 17.7 percent per annum in the 1984-87 period.

### Traditional Exports

Aided by massive devaluations of the cedi, improved infrastructure, the elimination of export taxes, and the introduction of foreign exchange retention allowances, Ghana's traditional exports have rebounded sharply under the policies of the ERP. With a devalued exchange rate, the cocoa marketing board was in a better position to pay more remunerative prices to farmers, thereby encouraging added output and deterring smuggling.<sup>13</sup> In response, cocoa production, Ghana's chief source of foreign exchange, grew by an estimated 17 percent over the 1983-88 period (see Table 7 for the volume of traditional exports). Of all Ghana's traditional exports, timber exports showed the most immediate and substantial response, quintupling in volume in the 1983-88 period.<sup>14</sup>

Initial performance of the mineral sector under the ERP was below expectations, owing to problems such as the late arrival of equipment and spare parts and the state of disrepair of infrastructural facilities, particularly roads and railways. The volume of gold exports showed only slight improvement in the first three years of the ERP; nonetheless, gold exports ceased to decline, thereby reversing the decline in gold output that had occurred in seven out of the previous nine years. By 1987, gold production began to increase sharply as the effects of rehabilitation efforts began to be felt and 1988 output was 30

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<sup>13</sup>. Smuggling has also declined due to financial constraints in the CFA-denominated countries bordering Ghana that had previously enjoyed greater prosperity and purchasing power.

<sup>14</sup>. Timber exports responded quickly to the availability of spare parts and equipment. The sector was also able to increase production rapidly owing to the shorter lead time needed to realize returns on investments in this extractive sector and the ease of marketing output.

Table 7  
EXPORTS OF MAJOR COMMODITIES, 1983-87  
( '000)

	1983	1984	1985	1986	1987	1988
Cocoa (tonnes) (a)	174	164	187	210	218	204 (b)
Gold (troy oz.)	278	286	285	292	324	362
Timber (cu. meters)	103	148	247	291	497	538 (b)
Bauxite (metric tonne)	82	44	124	226	201	300
Manganese (" tonne)	136	237	252	277	239	--
Diamond (carat)	605	342	631	557	436	225

Notes: (a) Cocoa and cocoa products.  
(b) Estimated.  
-- Not available.

Sources: Ghana Statistical Service, Ghana Minerals Commission, and World Bank

percent above 1983 levels.<sup>15</sup> Similarly, bauxite and manganese output registered substantial increases over previously low levels as the World Bank-financed rehabilitation of the Ghana Railway Corporation enabled improved carriage of these commodities. Between 1983-87, the volume of bauxite exports rose by 275 percent, and that of manganese by 175 percent.

It should be noted, however, that although the response of the export sector to the reforms contained in the ERP has been substantial, export levels of most traditional exports still remain below levels achieved in the 1970s. The volume of cocoa exports in 1988 was only an estimated 73 percent of 1977 levels, and that

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<sup>15</sup>. The operations of both the State Gold Mine Corporation and those of Ashanti Goldfields Corporation will benefit from current rehabilitation efforts. Rehabilitation of AGC, for example, is expected to raise output from 258,000 ounces in 1984 to 600,000 by 1990.

of timber was only 78 percent. Similarly, 1988 gold output was only 78 percent of 1977 levels, manganese was 79 percent, and diamond production has fallen to only 11 percent.<sup>16</sup> Only the export volume of bauxite, out of all of Ghana's traditional exports, has exceeded 1977 output levels. These figures demonstrate that despite the significant progress that Ghana has achieved under the ERP, the extent of the country's decline was such that the economy still must expand significantly in order to meet the export levels achieved over a decade ago.

#### Non-traditional Exports

Non-traditional exports have grown substantially under the ERP in response to the extended availability of foreign exchange retention accounts, currency devaluation, simplification of export procedures, and the duty-free importation of certain items needed for export production. In 1988, the value of exports of non-traditional items increased in current terms by 51 percent over 1987 levels, earning \$42.3 million, compared to \$27.9 million in 1987 and \$23.8 million in 1986 (see Table 8). In addition, the number of exporters and the variety of non-traditional products also grew. In the same period, the number of non-traditional exporters rose by over half, and the number of goods exported rose by 25 percent (see Table 9). Nine key product groups account for over 70 percent of total non-traditional exports. These groups include fish, pineapples, and other horticultural products (including rubber, spices, copra and other marine products); furniture and other value-added wood products; aluminum products; salt; canned fruits and vegetables; and chocolate.

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<sup>16</sup>. Diamond production has fallen pending further rehabilitation of and investment in Ghana Consolidated Diamond Corporation's operations.

Table 8

MAJOR NONTRADITIONAL EXPORTS BY TYPE, 1987-88  
(Millions U.S. Dollars)

	1987 (a)	1988 (a)
<u>Agricultural Exports</u>		
Tuna	11.1	14.3
Other Fish and Seafoods	3.6	6.7
Cocoa Waste	2.4	2.9
Pineapples	0.9	1.4
Kolanuts	0.5	1.0
Yam	0.1	0.2
Other Horticultural	0.1	0.2
Total Agricultural (b)	18.8	27.1
<u>Processed and Semi-Processed Exports</u>		
Aluminum Products	0.7	6.1
Wood Products	2.2	3.3
Salt	1.9	2.5
Canned Tuna	1.5	0.4
Other	2.8	2.9
Total Processed and Semi-Processed (b)	9.1	15.2

Notes: (a) Data are provisional.  
(b) Totals may not add due to rounding.

Source: Ghana Export Promotion Council

Table 9  
GROWTH OF NON-TRADITIONAL EXPORTS (a)  
UNDER THE ERP  
1986-88

	1986	1987 (b)	1988 (b)
<u>Exports by Sector (Million \$)</u>			
Agricultural	17.8	18.8	27.1
Processed and Semi-Processed	5.9	9.1	15.2
Handicrafts	0.0	0.1	0.1
Total (c)	23.8	27.9	42.3
<u>Total Number of Exporters</u>	n/a	725	1,331
of which:			
Agricultural Exporters	n/a	377	708
Processed and Semi-Processed Exporters	n/a	284	475
Handicraft Exporters	n/a	64	148
<u>Total Number of Export Items</u>	n/a	132	166
of which:			
Agricultural Products	n/a	55	65
Processed and Semi-Processed Products	n/a	65	84
Handicrafts	n/a	12	17

Notes: (a) Excluding residual fuel, LPG, veneer, plywood and transfers.  
(b) Data are provisional.  
(c) Totals may not add due to rounding.

Source: Ghana Export Promotion Council

Broken down by sector, agricultural products accounted for 64 percent of total non-traditional export earnings in 1988. Of these, fish and marine products were the most important, followed by cocoa waste and pineapples. Cocoa waste consists of products which were previously discarded but which earned nearly \$3 million in 1988. In the past three years, the value of pineapple exports alone has nearly quadrupled from \$433,000 in 1986 to \$1.62 million in 1988.<sup>17</sup>

Processed and semi-processed items accounted for the second largest share of non-traditional export earnings, with nearly 36 percent of the total. The most important products in this category are aluminum products, wood products, and salt. Handicrafts accounted for the smallest segment of total non-traditional export earnings in 1987, accounting for less than 0.2 percent. While the increase of non-traditional exports is substantial, these data are misleading because increases are relative to previously very small levels of output. To place the value of non-traditional exports in perspective, this sector's contribution to total exports in 1988 was only about 5.1 percent of total exports.

The World Bank estimates that non-traditional export levels will continue to respond positively to economic reforms, especially the introduction of foreign exchange retention accounts, over the next several years of the structural adjustment program. The estimated growth rate of non-traditional exports for the 1988-92 period is 72.6 percent (in constant 1984 cedis), and 23.1 percent for the 1992-95 period. While these increases appear quite large, it must again be remembered that in relative terms, the initial base level of total non-traditional exports was very low when the ERP began.

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<sup>17</sup>. The Export Promotion Council attributes the sharp rise in pineapple exports to the provision of credit for working capital to eight major exporters by the Ministry of Trade in 1987.

### Imports

Prior to the introduction of the Economic Recovery Program, import levels were severely depressed owing to foreign exchange shortages resulting from low export levels and reduced capital flows. As a result, there developed substantial shortages of spare parts, fuel, raw materials, and consumer goods. These shortages had a substantial negative impact on economic performance; for example, in 1983, an estimated 70 percent of the nation's road vehicles were out of service, and railway and port operations were hampered by the lack of spare parts.

By the 1985-87 period, foreign exchange inflows from donors enabled a sharp increase in imports in response to pent-up demand. Imports grew at an estimated average real rate of 17.6 percent per annum from 1984-87. Nonetheless, by 1987 real import levels had only recovered to the level achieved in 1976. Economic growth overall remains highly dependent on imports, with imports accounting for 26.1 percent of GDP in 1987, and import levels will remain high until higher value-added domestic industries become competitive with foreign goods.

### Employment and Wages

Data on employment and unemployment levels are not easily available, thereby making it difficult to ascertain the impact of the ERP on employment levels. Data from the 1984 population census and the preliminary results of the 1987 Ghana Living Standards Survey indicate that total unemployment has fallen from an

estimated 3 percent in 1984 to approximately 2 percent in 1987.<sup>18</sup> Within that same period a substantial change has occurred, however, in the distribution of employment between the agricultural and manufacturing subsectors.

Between 1984 and 1987, the percentage of those employed in the manufacturing and utilities sector has fallen from 11 to 7 percent (see Table 10). Estimates of formal employment in the agricultural sector rose by 5 percent in the same period, while the transport, finance, and commerce sectors registered decreases of varying degrees. In reflection of the new growth of the mining industry in Ghana under the ERP, employment in the mining sector has more than doubled in the 1984-87 period. Interestingly, despite redeployments from the civil service and parastatal sector, total employment in the government and "other services" sector rose slightly.

While total unemployment may have fallen slightly under the ERP, it seems clear that real wage levels, which fell substantially through the mid-1970s and early 1980s, have not yet recovered. From 1974-84, estimated total employment grew more rapidly than total output, thereby leading to a decline in total productivity and a fall of real wage levels. Beginning in 1980, the minimum wage was raised every year, but high rates of inflation in this period sharply eroded employees' real earnings. Table 11 illustrates that while nominal wage rates increased rapidly in the 1975-87 period, minimum wage levels in real terms fell steadily from 1975-84. Although the minimum wage in real terms began to recover in the 1985-87 period, persistent inflation has meant that by 1987 the real minimum wage was still less than half of the 1977

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<sup>18</sup>. Unemployment was defined using a standard definition of unemployment as would be measured in a developed country; that is, the percentage of the population actively searching for work within a given period. This definition does not take into account underemployment, which is widespread in Ghana.

level. (See Chapter IV below for further discussion of wage levels.)

Table 10  
EMPLOYMENT DISTRIBUTION BY SECTOR  
(In '000)

	1984	1987
Agriculture, Forestry, and Fishing	61.1	66.1
Mining	0.5	1.1
Manufacturing and Utilities	10.9	6.9
Construction	1.2	1.3
Commerce	14.6	13.5
Transportation and Communication	2.3	2.0
Finance and Business Services	0.5	0.4
Government and Other Services	8.7	8.8
Total Employment	100.0	100.0

Source: World Bank

Under the ERP, it has been deliberate government policy, supported by the IMF and World Bank, to gradually increase senior level civil service wages in order to retain and attract qualified personnel to the civil service. Despite a number of wage increases (three in 1987 alone), real wages remain severely depressed owing to persistently high rates of inflation. The lack of parity between skill and wage levels that has crept into civil service salaries over time, and the continued need to raise top-level civil

Table 11

MINIMUM DAILY WAGE AND NOMINAL AND REAL DAILY WAGES  
1977-87

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Minimum Wage:											
Cedis Per Day	3.0	4.0	4.0	5.3	12.0	12.0	25.0	35.0	70.0	90.0	90.0
Index Nominal Wage	100.0	133.3	133.3	177.7	400.0	400.0	833.3	1166.7	2333.3	3000.0	3000.0
Index Real Wage	100.0	77.0	49.3	44.3	46.1	37.7	35.2	35.3	64.0	66.0	47.2

Source: World Bank

service wages in order to attract qualified personnel, is illustrated by the fact that in real terms 1988 estimated civil service wage rates for clerical and unskilled workers were half of 1977 levels, while senior management levels were not quite one-third.

### Infrastructure

One highly positive impact of the reforms implemented under the ERP which should not be overlooked in terms of its effect on the private sector is the rehabilitation of Ghana's infrastructure. The need for infrastructure rehabilitation was widespread and rehabilitation work is still continuing. Major public sector infrastructure rehabilitation projects include the Ghana Railway Corporation, especially the western line which has historically carried a large proportion of Ghana's cocoa, timber, and other exports to the port of Takoradi; the ports of Tema and Takoradi; and the rehabilitation of major roads such as those connecting Accra and Kumasi, and Kumasi and the northern regions of Ghana. The French Caisse Central is currently studying a proposed extension of the runways at Kotoka international airport, and the addition of cold storage facilities to enable expanded exports by air of pineapples and other agricultural produce.

Projects to upgrade electrical generating units and water lines have also been introduced under the ERP. Telecommunications improvements include the introduction of direct-dial service between Ghana and Europe and the US in 1988, and the scheduled replacement of all telephone lines in Accra by 1989. These infrastructure rehabilitation projects are highly important to increasing the efficiency of private sector investments, to aiding the transport of goods to markets and for overseas export, and to

maintaining timely communications between Ghana and overseas exporters and importers.

#### Summary of the Macroeconomic Impact of the ERP

As measured by a wide range of macroeconomic indicators, Ghana's Economic Recovery Program has been a success. Under the ERP, the exchange rate has been substantially devalued to realistic levels and the balance of payments are now in equilibrium. GDP growth rates have averaged more than 5 percent per year for five consecutive years; the government has achieved overall fiscal surpluses in 1987 and 1988; and exports -- both traditional and non-traditional -- have responded positively to the devaluation and economic liberalization measures. In addition, much of the nation's infrastructure is being rehabilitated. Ghana's economic achievements are all the more impressive given the low levels of economic activity, widespread black market activity, and gross distortions characterizing the economy in the late 1970s to early 1980s. Today, Ghana's successful structural adjustment program is commonly viewed in the development community as a model for other developing countries.

Nonetheless, a number of considerable problems persist which - while they do not lessen the courage of the government's actions to date -- underscore the extent to which further reforms are needed. With the exception of the mining sector, private investment levels as a share of GDP have been stagnant since 1984. Inflation rates remain stubbornly persistent at levels that are inimicable to continued growth and investment. In reflection of the high rate of inflation, and further compounded by the poor health of the banking system, the lack of available credit remains a substantial constraint affecting the performance of many firms and businesses. The lack of credit has both short-term

implications, as firms lack sufficient liquidity to cover working costs, as well as medium and long-term effects as local funds are unavailable to fuel new investment critical to Ghana's long-term economic growth.

Even Ghana's positive achievements in terms of economic growth and increased export levels must be kept in perspective. With the exception of bauxite exports, none of the country's traditional exports has recovered to the levels achieved in 1977; this problem is further compounded by the currently depressed prices for gold and cocoa, Ghana's two chief earners of foreign exchange. While the growth of non-traditional exports is very encouraging in absolute terms, the initially low levels from which this growth is measured means that in relative terms it will still be a number of years before non-traditional exports can provide a substantial diversification of Ghana's total export receipts. And finally, while GDP growth rates have been healthy in real terms, good rains have been an important, if unpredictable, factor. Furthermore, when Ghana's population growth rate of over three percent per annum is taken into account, actual rates of growth average only some two percent per year.

The persistence of inflation and the need to substantially restructure and recapitalize Ghana's banking sector mean that credit problems will, for the most part, remain a substantial, and in the near-term, a probably unavoidable constraint on the private sector. The critical need to cure both these problems if Ghana's economic recovery is to be sustainable, and the means to achieve that, are a substantial component of the World Bank and the IMF programs with the government. In that sense, the problems of credit and inadequate liquidity probably are immutable "givens" of Ghana's current economic situation which are beyond the control of other donors or the private sector.

Similarly, the need to attract substantial private sector investment is vital if Ghana's economic growth is to continue. Chapter III has documented how the macroeconomic reforms of the ERP to date -- devaluation, trade liberalization, access to foreign exchange, and the like -- have made the economic "playing field" much more level and have put private sector firms in a better position to operate competitively. Chapter IV, below, examines the "enabling environment" -- the institutional, administrative, and legal structures -- currently in place that affect Ghana's attractiveness as a site for private investment and which affect the ability of the private sector to operate effectively. Understanding the characteristics and limitations of the so-called "enabling environment" is essential to explaining why the ERP's economic reforms to date have been insufficient to attract the levels of private sector investment necessary to sustained economic growth.

#### **IV. THE ENABLING ENVIRONMENT: THE EFFECT OF THE ECONOMIC RECOVERY PROGRAM ON THE BUSINESS CLIMATE AND INVESTMENT**

##### **Institutional Oversight and Management**

A number of institutions and agencies oversee, regulate, or administer private sector investments or operations. For investments, either by foreign or domestic investors, the Ghana Investments Centre (GIC) and the Minerals Commission are responsible for the promotion, oversight, and approval of all investments.<sup>19</sup> The promotion of non-traditional exports is the responsibility of the Export Promotion Council. The minimum wage is set by a Tripartite Committee composed of representatives of labor, government, and employers; while the Ministry of Productivity and Social Welfare administers labor policy and mediates industrial disputes. There are three major organizations which represent private sector interests: the Chamber of Commerce, the Ghana Employers Association, and the Association of Ghana Industries. These agencies and groups, and their impact on the business climate, will be discussed in turn.

##### **Investment Laws and Incentives**

In the 1984-86 period, the PNDC revised all legislation governing investments in the petroleum, mining, and all other sectors of the economy. In 1985, the government released a new investment code (see Annex V) which was viewed by the investment community as representing a new openness to foreign capital. The Code pertains to investments in all sectors except minerals and petroleum which are covered by separate legislation. The Code has

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<sup>19</sup>. With the exception of investments in the petroleum sector, which are the responsibility of the the Ghana National Petroleum Corporation and National Energy Board.

many strong points. Approved companies are provided guarantees against expropriation, and there are standard procedures for settling disputes by allowing arbitration under UNCTAD rules or within the framework of existing bilateral and multilateral treaties. The Code guarantees that initial investment can be repatriated and profits are fully remittable when realized. Foreign exchange earning enterprises may retain at least 25 percent of their export earnings in foreign exchange accounts with the Bank of Ghana. The code is concise and easy to read, and is not filled with excessive legalism which is difficult for investors to understand. Technical and legal terminology are clearly defined at the end of the Code. A "negative list" of enterprises reserved for Ghanaians is also presented in a very transparent manner.

The Ghana Investments Centre (GIC) is entrusted with the mandate under the Code to promote, approve, and oversee the implementation of all new investments in Ghana outside of mining and petroleum. Four categories are designated under the Code as priority areas for investment: (i) agriculture; (ii) manufacturing; (iii) construction and building; and (iv) tourism. Special incentives and incentives are automatically granted to investments approved by the GIC in the priority areas. Companies which are 100 percent foreign-owned can only apply for the incentives if they are net foreign exchange earners.

Although the Code contains a number of clauses that are attractive to investors, it still has certain weak points. The government is considering revising the Code to make it more attractive to investors. A few of the weak points in Code are highlighted below, and specific recommendations for improving the Code are presented in Chapter V of this report.

One of the chief problems of the Code is that incentives granted to businesses are low by international standards. The

incentives are particularly low when one takes into account the tax regime, which has a base tax rate of 45 percent even for the highest priority projects, and a final dividends tax of 30 percent, resulting in an effective corporate tax rate of up to 68 percent. Of the incentives offered (Section 12), only agricultural companies in tree crops and livestock (excluding poultry) are eligible for exoneration from company income tax. Even for those projects, exoneration is only partial and is provided on a declining basis over three years. A three-year exoneration is low by international standards; many countries elect to exonerate income taxes for 8-15 years and some even offer tax holidays in perpetuity to exporters participating in special incentive schemes. Not only is the three-year exoneration not competitive with what other countries offer, such a short tax holiday is not meaningful to an agricultural enterprise because of the very common time lag between the initiation of operations and the generation of profits. With tree crops investments, for example, there is likely to be a period of at least four years in which the firm is not generating profits; for livestock projects the profitable period usually begins even later. A three-year exoneration is likely to exonerate little if any profits from tax in Ghana.

The Code (Section 12) provides firms in all four priority areas with exemptions from import duty reductions during the period "to establish the enterprise once approved". Such a period of time is vague and subject to interpretation. Many countries offer import tax reduction over a pre-specified time period such as five years. Such a specification would add automaticity to the awarding of import duty exemptions, thereby reducing negotiations and administrative paperwork.

The Investment Code does not specify whether firms approved in the priority areas qualify for any special export incentives. Although there appear to be no export taxes for any of the priority

areas of the document, this is not specified anywhere in the code. For agricultural and manufacturing firms, legislation exists for rebates on corporate income tax (up to 60 percent) in proportion to the percentage of output exported. This is a very strong incentive to encourage exports, but it is the opinion of the team that it is seldom taken advantage of by exporters. This particular incentive is not mentioned in the Investment Code, nor is it publicized openly in export promotion or investment promotion literature.

Although the Code is quite transparent overall, there are a few clauses which are vague and could be subject to interpretation or protracted negotiations. One such clause is in Section 13 where it states that the Board of the GIC may grant deferment of stamp duty for up to five years "where it is satisfied that the circumstances prevailing at time of the application for the benefit justify such deferment." With such unclearly defined criteria, charges of favoritism or political interference in the granting of deferments would be difficult to disprove.

Another clause which could be open to interpretation is in Section 15, which states that "an immigrant quota in respect to the approved number of expatriate personnel" will be established. It is not clear who will establish the quota (such as the GIC or the Ministry of Productivity and Social Welfare) or what the criteria are. As such this clause could lead to protracted discussions and delays in establishment. Many governments require that a certain percentage of the total workforce, or total salary payments, say 90 percent, be composed of nationals. Such restrictions are transparent and are easily understood by all parties. Moreover, foreign investors do not usually object to such restrictions, since often competitive wages and labor availability are prime reasons for locating offshore.

The Code (Section 21) has a capital-intensive bias by requiring that 100 percent foreign-owned investments have a minimum value of \$US 100,000, and that joint ventures have a minimum value of \$US 60,000. In addition, to qualify for three of the activities otherwise reserved for Ghanaians, investors are required to invest a minimum of \$US 500,000. By comparison, in many of the countries which have been successful in attracting large amounts of foreign investment in the Caribbean and the Far East, a sizeable portion of the foreign ventures have initially invested less than \$US 100,000. Moreover, given that Ghana's comparative advantage in factor endowments lies chiefly with its abundant and inexpensive labor supply and its natural resource base, the capital-intensive bias of the code is encouraging investments in areas where Ghana has a comparative disadvantage.

Under the Code (Section 25), the GIC is given the authority to approve projects. Time limits are set for the GIC to submit the application for comments to the relevant ministry (14 days) and for the ministry to respond to the GIC (21 days). However one important step is given no time limit: the maximum time within which the GIC must make a final decision on the investment proposal, provided the application is complete. Many countries set time limits of 30 days for small projects and 90 for large projects. If an investor has not received a negative response from the authorities during the specified time period, the project is automatically approved and the incentives awarded. Such a clause guarantees investors a rapid turnaround on their applications and provides an incentive for government officials to act promptly.

There are two sections of the Code which might be alarming to investors which could be restated so that potential investors are not frightened away. Under Sections 33 and 36, investors are subject to fines and jail sentences if they do not provide information to the GIC or allow them to inspect their business

premises. These clauses place GIC in a policing role which is in conflict with the agency's promotional role.

### Investment in the Minerals Sector

Following the introduction of the new Investment Code in 1985, the Minerals and Mining Law (PNDCL 153) was introduced in July 1986.<sup>20</sup> The laws and regulations governing investment in the minerals sector were revised under the ERP in order to streamline the investment process and make investments more attractive to investors. Analysis of the regulatory environment governing investments in the mineral sector is useful for several reasons. First, investment is flowing into the mineral sector whereas investment flows into other sectors of the Ghanaian economy are stagnant. Two, the legislative and institutional oversight of investments in the mineral sector appears more streamlined and better administered than that in the sectors governed by the 1985 Investment Code, thereby providing comparative insights into how the GIC and Investment Code might be better administered.

The Minerals Commission is the institutional equivalent of the Ghana Investments Center. The Commission is responsible for (i) analyzing and making recommendations on national mineral policy; (ii) receiving and reviewing applications for exploration and development licenses; (iii) overseeing and monitoring activities of companies and individuals operating in the mineral sector; (iv) collecting data related to mining sector activities; and (v) publicizing investment opportunities in Ghana's mineral resource sector. While the Minerals Commission is established as an independent corporate body, the Commission operates under the aegis of the Ministry of Lands and Natural Resources.

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<sup>20</sup>See Annex V for legislation governing the mining sector.

Regulation and Monitoring: The regulatory and monitoring functions of the Minerals Commission are straightforward. Applicants for prospecting licenses must be registered as a company under Ghanaian law and must submit a working plan and financial projections to the Secretary for Lands and Natural Resources, the Minerals Commission, the Lands Commission, and if applicable, the Forestry Commission. Upon review of the adequacy of the applicant's technical and financial capabilities, a prospecting license is issued. On average, this process takes about three months, although it can take considerably less if the investor's application is complete. Unlike the application process through the GIC, all interested ministries and government agencies meet at the same time to consider applications, thereby speeding up the approval process.

Following issuance, prospectors must submit quarterly reports to the Minerals Commission. The required submission of quarterly reports has advantages for both the government and the investor. It enables the Minerals Commission to ensure, in a non-obtrusive fashion, that actual prospecting activities are occurring and that leases are not being acquired for purposes of speculation, or that land is not being tied up for non-productive purposes. Similarly, the government can determine if investors are spending funds as projected in their working plan; if such funds are not invested, the government has the right to collect those funds through the court system. From the investor's point of view, submission of such reports is advantageous in that it enables speedy issuance of a mining lease to begin production. Since the government is already fully apprised of the prospector's progress, the feasibility study can be quickly evaluated and a mining license can be issued in as little as two weeks.

Incentives: The Minerals and Mining Law provides the broad framework of rules and regulations within which investors can

negotiate terms of investment. Investment incentives and payments are delineated in the Minerals and Mining Law. No special incentives are granted to investors in the mining sector. The applicable corporate income tax rate is 45 percent, similar to all manufacturing enterprises. Royalties are assessed on a sliding scale, depending upon the mine's profitability, ranging from 3 to 12 percent of total revenue, as laid out in the Minerals (Royalties) Regulations (Legislative instrument 1349). Deferment of royalty payment is permissible if justified by cash flow projections. Similarly, while the standard foreign exchange retention rate is 35 percent, potential investors can negotiate higher retention levels if financial analysis warrants a higher rate. Unlike the Investment Code of 1985, the Minerals and Mining Law makes no linkage between the size of the investment and the permissible extent of foreign ownership. Under the Law, a 10 percent equity share of all mineral investments must go to the Ghanaian Government; the government then has the option to purchase, at full market value, a further 20 percent.

Role of Ghanaian Investors in the Mining Sector:

Historically, Ghana's gold mining sector has been dominated by two large gold mining firms (Ashanti Goldfields Corporation and the State Gold Mining Corporation) and by illegal gold mining by small-scale, Ghanaian miners. The reforms under the Economic Recovery Program have led to renewed interest in mining, predominantly for gold. As of June 1989, gold prospecting licenses have been issued to a total of 61 companies. Out of this total, licenses issued to Ghanaian firms outnumber those issued to foreigners by a ratio of more than two-to-one. While currently none of the Ghanaian prospecting firms have applied for a license to begin production, in the longer term this may signify increased medium-to-large-scale private Ghanaian involvement in a sector currently dominated by foreign, state, or joint venture foreign-state firms. To date, however, Ghanaian firms have yet to fulfill the financial and

technical capability requirements and, as of June 1989, leases for the commencement of gold production have been issued solely to foreign firms.<sup>21</sup>

In light of the capital and technical obstacles which may inhibit private Ghanaians from entering medium- to large-scale gold mining, at least in the short-term, the GOG introduced in April 1989 the Small-Scale Gold Mining Law (P.N.D.C.L. 218). The purpose of this law is twofold: to provide incentives to increase the involvement of Ghanaians in the mining sector; and to legitimize previously illegal small-scale mining operations and capture for the government those revenues previously lost to smuggling. By pursuing these objectives the GOG is attempting to increase Ghanaian involvement in a sector of the economy dominated by foreign investment, capital, and expertise without detracting from or limiting the role held by foreign investors. The evenhandedness of this approach is advantageous in that it seeks to maximize investment by investors of all types, and therefore government revenues, in toto.

#### **Business Establishment Procedures**

Procedures for establishing a business in Ghana are cumbersome, and can serve as barriers to entry for domestic investors. The law regulating the formation of companies in Ghana is the Companies Code of 1963 (Act 119). Three forms are required: (i) the application for registration, to be submitted to the Registrar General's Office; (ii) particulars of the company (form No.3); and (iii) a declaration of compliance (form No.4). These

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<sup>21</sup>. Out of the five foreign firms granted gold mining leases as of June 1989, only one had any private Ghanaian involvement (30 percent). It is anticipated that a sixth firm will be issued a lease as of July 1989, in which a minority equity share is also held by private Ghanaian investors.

forms require much of the same information and could be consolidated into one form to save time and paperwork. In order to receive a certificate of commencement of business, a stamp duty with a value of 0.2 percent of capital issue payable must be paid. As mentioned above, this stamp duty can be waived for up to five years but the criteria for waiving are not transparent.

An industrial license is also required for manufacturing production, regardless of the scale involved. The licensing authority rests with the Ministry of Industry, Science and Technology, or, if special incentives are being applied for, the GIC. Existing firms, no matter how small, may not begin operations, expand, or move without prior authorization from the Ministry of Industry, Science, and Technology. The practice is meant to prevent too many firms from entering the same industry and to ensure the use of appropriate technology, but the policy has a number of risks. For example, private monopolies might be created. If the screening of projects is too restrictive, supply might fall short of demand, resulting in monopolistic profits. Free market entry, however, would increase competition and weed out the inefficient firms, while reducing bureaucratic complexity.

### Taxation

The largest source of tax revenue in Ghana is from international trade representing about 45 percent of tax revenue. Income and property taxes account for about 25 percent, and taxes on domestic goods and services represent about 30 percent of total tax revenue. The corporate income tax rate is high, ranging from 45 percent for manufacturing, farming, and export sectors to 55 percent for the banking, insurance, commerce and printing sectors. The corporate income tax in Ghana (assuming an average rate of 50 percent) is high even when compared with other African countries.

In a survey of 29 sub-Saharan African countries only two other countries, Sierra Leone and Uganda, had rates higher than Ghana.<sup>22</sup> Countries in the Far East which have been very successful in attracting local and foreign investment have considerably lower corporate tax rates. For example, taxes are 30 percent in Taiwan and Korea, and 18.5 percent in Hong Kong.

The high corporate taxes are viewed by the business community as burdensome. The taxes result in an excessive reduction of cash flow and the profitability of investments. Taxes are withheld in a lump sum at the beginning of the fiscal year, based on the National Revenue Service projections of a company's earnings for the upcoming year. Businesses have complained that the government's estimates are usually overly optimistic, resulting in substantially reduced working capital for the firms throughout the fiscal year, at a time when capital is already generally tight to begin with.

The Ghanaian tax code is additionally onerous because of the 30 percent dividends tax in Ghana. By adding the dividends tax to the base corporate tax rate, there is an effective tax rate of up to 68 percent, depending on the percentage of profits retained. The policy of double taxation of dividends has an inadvertent anti-equity bias, by making debt financing cheaper than equity financing. This is particularly problematic in Ghana where companies have relied heavily on debt financing and are over-exposed.

The personal income tax rate and the capital gains tax rates are also comparatively high with top marginal rates of 55 percent. The top marginal rate for company capital gains is reached at a

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<sup>22</sup>See "Tax Policy in sub-Saharan Africa," by Z. Shalizi and L. Squire, World Bank, 1988.

relatively low income threshold: 1.2 million cedis (about \$US 3,750). There is a need to adjust personal income and capital gains rates downwards to counter the "bracket creep" whereby individuals rise to higher tax brackets over time because of inflation's impact on their nominal cedi earnings.

High corporate taxes and personal income taxes have several potentially adverse effects in Ghana. First, they reduce the private sector's capacity to accumulate reserves needed for rehabilitation and modernization. Second, they probably have helped to deter foreign investors who have found more hospitable fiscal environments elsewhere in Africa, or in the Caribbean or Far East. Third, entrepreneurial efforts have been diverted from formal productive activities, where financial activities are more readily audited, to areas such as real estate speculation or trading and black market activities, where earnings can be more easily hidden from authorities.

In an effort to broaden the tax base and capture more revenues from the informal sector the government has introduced a standard sales tax of 22.5 percent on goods sold in Ghana. Although the sales tax is regressive, in contrast with the personal and corporate tax rates which are progressive, the sales tax minimizes distortions and helps broaden the tax base, which could help to lower overall rates.

### **International Trade and Exchange Policies**

The Government of Ghana has taken significant measures under the ERP to pursue a flexible exchange rate policy and to liberalize the trade and exchange regime. The government has made many bold adjustments in the exchange rate since 1983 with a result that adequate incentives now exist to export. There is also open access

to foreign exchange, either through the foreign exchange auction which was started in 1986, or the foreign exchange bureaus which were started in 1988.<sup>23</sup> As of July 1989, there was a significant 40 percent differential between the auction rate and the bureau rate.

The amount of foreign exchange handled through the auction has increased steadily since its inception. More than 50 percent of the foreign exchange allocated in the auction has gone to manufacturing enterprises. Starting in 1987, consumer goods were eligible for importing through the auction, and in 1988 requests for transfers of current profits and dividends became eligible through the auction.

Blocked payments of dividends and capital from the past are being paid off through the auction with other arrears by the government, at the official exchange rate at the time of lodging. The arrears on capital and dividends stood at \$US 22 million as of July 1989. The government intends to have all arrears paid off by end-1990, in conformity with the provisions of its agreement with the IMF, although the government has not yet made an official public statement on this subject. A positive impact could be gained if the policy were made known internationally to the private investment community; although this may be a politically sensitive issue with some in-country groups who believe more government funds should be spent on segments of the population who have been adversely affected by the government's adjustment policies.

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<sup>23</sup>It should be noted, however, that firms wishing to make large imports of spare parts or inputs are, in effect, limited only to use of the auction because insufficient volumes of foreign exchange are currently available from the foreign exchange bureaus. In addition, it is often necessary to make successive bids in the auction before successfully winning foreign exchange requirements, thus slowing business operations.

Ghana's tariff structure provides for a relatively uniform and moderate level of protection, with import duties ranging from 10 to 25 percent depending on the category: (i) unprocessed raw materials - 10%; (ii) other raw materials and capital goods - 15%; (iii) basic consumer goods - 20%; (iv) luxury goods - 25%. In addition to the basic import duty there are specific taxes on imports to provide temporary protection to selected industries such as garments, beer, cigarettes, soaps and some food products. These special taxes raise the nominal protection rate for these goods from 10 to 25 percent to 25 to 90 percent. The special tax rates are being reviewed by the World Bank and the government with a view towards reducing them in line with a more uniform level of protection. No goods except illegal ones are prohibited from being imported in Ghana, although a few items (e.g. explosives) require special import permits.

Import procedures have been greatly streamlined in recent years by the increased availability of foreign exchange and the official abolishing of import licenses in 1988. Import licenses have now been replaced by a simple one-page import declaration form. The previous import licensing arrangement was procedurally complex and time consuming, often resulting in substantial delays in the arrival of imports and heavy administrative costs. One firm reported that it had taken five months and 65 visits to different government offices to obtain a license. Firms interviewed by the study team indicated that procedures are vastly improved under the present system.

On the export side, duties are very low and generally do not constitute constraints to export. Most commodities have no export tax, except cocoa, for which the cocoa board's marketing margin, although declining, adds an implicit tax of about 15 percent to cocoa exports. The government is reviewing with the World Bank ways of reducing this implicit tax over the next two years. Through

the World Bank Industrial Adjustment Credit of 1986 the government took steps to remove the procedural and policy impediments to non-traditional exports. These steps include removal of several of the permits needed to export, increases from 25 to 35 percent in the foreign exchange retention accounts for non-traditional exporters, and streamlining of duty drawback schemes. These efforts should have an important impact in raising exports.

### Investment and Export Promotion

#### Ghana Investments Centre

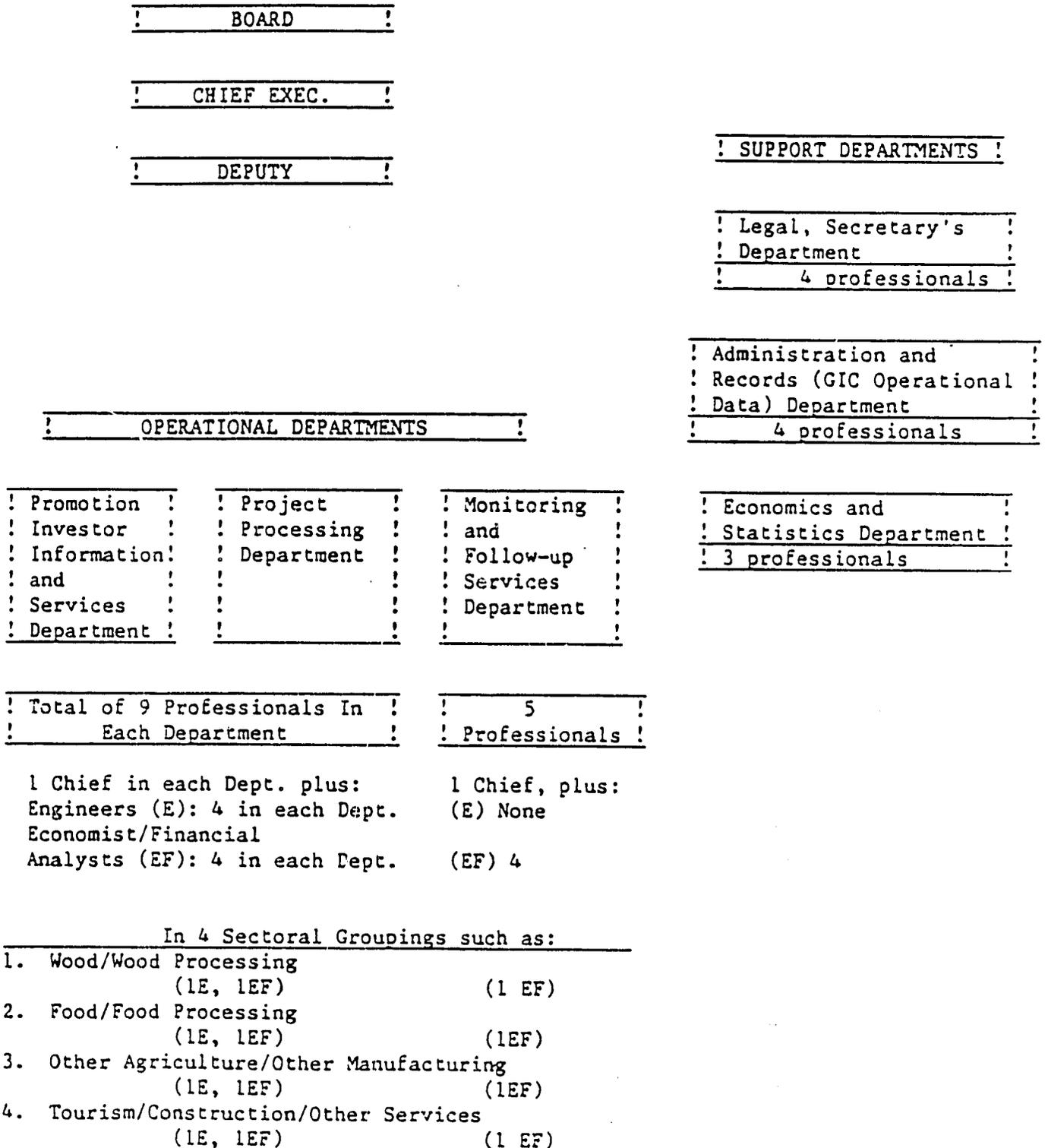
As discussed above, the Ghana Investments Centre (GIC) was, under the 1985 Investment Code, entrusted with the mandate of approving, promoting, and monitoring all new investments (both foreign and local<sup>24</sup>) in Ghana, excluding those in the mining and petroleum sectors. It was intended that the GIC become a "one-stop shop" for investment approval. The organizational structure of the GIC is shown below. The GIC has a total staff of 147 of whom 36 are professionals. The number of support staff, 111, is very large compared with investment centers in other countries, adding to the cost of GIC's operations.

Although the GIC's efforts to streamline the investment approvals process have resulted in a much more transparent process than before the 1988 Code, when various ministries battled for the right to approve/disapprove investment proposals, there are still problems which hamper the Agency's effectiveness. One of the difficulties facing the GIC is the inherent conflict between its promotional and investor support functions on the one hand, and its approval, monitoring, and penalization functions on the other hand

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<sup>24</sup>All local investments applying for incentives under the 1985 code.

**Figure 1**  
**GIC Organization**



which also have been mandated to the GIC in the Investment Code. The staff have been particularly preoccupied with the screening of projects. Project evaluation focuses on financial cash flow analysis and economic analysis with shadow pricing. Emphasis on project screening has left little time for two important functions -- investment promotion and investor support services.

Some of the control tendencies of the GIC apparently are a carryover from the previous policy environment when the government was interested in controlling the private sector, especially with regard to investment inflows and outflows. As the ERP reforms relating to trade and investment liberalization progress, however, it would be expected that the GIC efforts to control and screen investment would be reduced. Ultimately, the best test of the appropriateness of an investment decision, site selection, and choice of technologies would be the consumers who evaluate the price and quality of final products. Selection criteria for projects could then more appropriately focus on background checks on foreign firms, through the use of international data banks such as those of the IFC, UNIDO, and INTIB.

In the investment approval area, the GIC has followed an IFC Foreign Investment Advisory Service (FIAS) recommendation by creating a two-track system whereby the Chief Executive of the GIC has the authority to approve projects below \$US 500,000. Projects above \$US 500,000 must be approved by the Board of the GIC which meets once a month. This system has helped to some degree to streamline the investment approval process.

A total of 244 projects with a total investment value of \$541 million were approved by the GIC in 1987 and 1988. Total foreign equity participation approved amounted to \$70.3 million during this time period. Although the GIC's monitoring data are limited, there is strong evidence that most of the approved projects have not

proceeded. In a survey conducted by the GIC's Monitoring and Follow-up Services Division, questionnaires were sent to 154 projects which had been approved by the GIC in 1987-88. Of the 154 firms contacted, only 32 responded. Of the 32 responding firms only two had actually launched their projects. The others were not able to get started mainly because credit which they had anticipated being available through the local banking system was not forthcoming. Many of these firms are also on the government's list of distressed industries.

Through other contacts with firms outside of the scope of the above survey, the GIC is aware that some projects have taken off successfully. These include nearly all of the 67 projects approved in the timber sector. These projects were unique in that they had financing secured from offshore sources when they applied to the GIC for approval. In addition, the lead-in time to begin production in a logging operation is not very long. Other GIC-approved projects which have recently been successfully launched include the Novotel, a hotel in Kumasi, as well as the Wahome Manufacturing Company.

The GIC needs to improve its investor support function to assist investors to overcome any further bureaucratic and administrative obstacles which might prevent an investor from getting started. Ideally, the GIC Monitoring and Follow-up Services Division would not need a written survey to realize that many of the investors were having trouble launching their projects, since it is the role of that division to support investors all the way to establishment. Many of the subsequent approvals needed by the Bank of Ghana, Immigration, National Revenue Secretariat, Ministries of Productivity and Social Welfare and Lands, etc. are left to the investor to obtain after GIC approval takes place. There are blockages in the system and GIC staff resources are not

presently available to speed up the process or work out better coordination mechanisms.

In some cases there are still conflicts with ministries or other government officials over who has the authority to approve projects and issue licenses. In a recent example an agribusiness firm was approved by the GIC and pre-approved for loan funding by the Bank of Ghana, based on standard approval procedures authorized by the Investment Code. However after construction had begun the project was abruptly halted over alleged environmental concerns. The project was later allowed to start up again, but this type of "stop-go" treatment of investment projects and the apparent reluctance by parts of government to delegate to the GIC the full authority which it had already been entrusted under the Code, are not conducive to investment. The resolution of these conflicts through clearer lines of authority or subsidiary regulations is essential.

With regard to investment promotion, the GIC has had only limited success in organizing any systematic promotion efforts. Seminars have been held to brief diplomatic staff on investment procedures and investment opportunities. Draft information brochures and a draft investors' manual have been prepared with assistance from UNIDO, but the draft documents have never been put into final form. In addition, IFC (FIAS) has recommended specific strategies to target promising audiences: (i) resident Ghanaians; (ii) non-resident Ghanaians; and (iii) foreign investors, especially companies that are already in Ghana or companies who were in Ghana but left because of the previous policy environment. The GIC has only partially implemented these recommendations. A low cost, well targeted promotion approach should be taken utilizing existing networks such as overseas foreign embassies and missions in Ghana, and Ghanaian embassies abroad. The guidelines and investors' manual need to be finalized and would be the main

source of written material of the promotional efforts. A few of the recent policy environment changes should also be highlighted, given the substantial policy liberalization measures that have been taken in the past six years.

GIC will not be able to tackle the tasks of promoting investment and supporting investors in a professional way unless new staff and resources are made available. The GIC faces a major problem in attracting and retaining high level staff because of low level civil service salaries and incentives. The GIC also has no modern equipment such as computers and photocopy machines to operate with, which limits their productivity tremendously.

#### Investment Promotion in the Mining Sector

The Minerals Commission has sought to inform the general public and potential investors, both in Ghana and abroad, about Ghana's mineral potential. With the assistance of UNDP, the Commission has published a three-volume set of information relating to Ghana's mineral resources and regulations. The set, which costs \$250, is available to interested investors in both New York and Accra. In light of the large equity investment required for investments in the mineral sector and the quality of the information, this sum is not unreasonable for serious investors. In addition, the Commission is compiling a computer data base consisting of all previous geological and survey work in Ghana. For a fee, potential investors can obtain information and geological maps from this centralized data source.

In order to keep the Ghanaian public informed of developments in the mineral sector, the Minerals Commission also has held, in conjunction with the Ministry of Lands and Natural Resources and the Ghana Mineworkers Union, the first of several planned informational seminars. The promotional activities of the Minerals

Commission appear much more efficient and advanced than those currently conducted by the GIC. By comparison, information from the Commission is available on an organized, easily obtainable, basis; the Commission appears supportive of the promotional aspects of its work; and the agency is much better equipped with office equipment than the GIC.

#### Export Promotion Council

The Export Promotion Council was reorganized three years ago in order to focus its attention on the promotion of non-traditional exports. The Council's objective is to promote Ghanaian products overseas, to diversify Ghana's markets, and to encourage the export of new non-traditional goods. Overall, the Council is well organized and has been successful in its functions, especially in identifying new markets. An informative manual has been prepared which provides useful information on Ghanaian producers of non-traditional exports and on potential overseas buyers. Data compiled by the agency on non-traditional exports and exporters are of a high quality, exceeding that of many Ghanaian government agencies in both its breadth and its timeliness. The Council also works closely with Ghana's trade missions in London, New York, and Geneva in order to promote Ghanaian products overseas. The current strategy of the agency is to focus its efforts on the nine key export areas that account for over 70 percent of non-traditional export earnings.

The Council has conducted sessions which bring together private exporters with government officials. The purpose of those sessions is to identify bottlenecks in the exporting process and to reach agreement on measures to overcome them. Non-traditional exporters interviewed by the team described these sessions as useful arenas for dialogue and noted that as a result of some of these sessions a few key regulatory bottlenecks had been lifted.

As a sign of both the perceived usefulness of these meetings and the pent-up frustration of exporters, several exporters expressed regret that similar sessions have not been held for the past six months.

Although the Council has received high marks from a number of non-traditional exporters for both its aggressive support of the sector and for facilitating the dialogue between the government and non-traditional exporters, the Council operates on government subvention and lacks a firm financial basis to support its operations. In addition, the agency argues that the success of its efforts to promote Ghanaian exports is hindered by the lack of export support schemes employed in other successful exporting countries; for example, schemes for export credits and guarantees, insurance, and export refinancing.

#### Business Representational Groups

Three major groups represent the private sector: the Ghana Chamber of Commerce, the Ghana Employers Association (GEA), and the Association of Ghana Industries (AGI). The membership of these groups is often overlapping as many firms belong to more than one organization. In general, the Chamber represents small- and medium-sized firms, while the AGI is composed of larger industrial firms and focuses on industrial policy. The GEA is largely concerned with employment and wage issues; the GEA participates in the Tripartite Council, along with representatives of government and labor, to set minimum wage levels (see below). In addition, the Chamber of Mines represents the mining companies, including the state-owned mining companies, in discussions with government and in wage negotiations with the Mineworkers Union.

Business representational groups potentially have an important role to play in discussing the macro- and microeconomic policy dialogue. Talks between the government and private business groups can potentially improve the quality of government policies and can build local support and consensus for difficult government actions. The quality and frequency of the dialogue between the government and the private sector has improved in recent years, but there appears to be a belief among the business representational groups that further improvement and more frequent contact is necessary.

Discussions have taken place among the four representational groups with regard to possibility of a merger in order to pool their resources, reduce costs, and concentrate their offices in one location, thereby increasing their total effectiveness and influence. Not surprisingly, this proposal has met with some opposition from within the groups as various sectional interests fear a diminished level of influence. Nonetheless, the proposal has merit. A representative of one of these groups has argued that the government fails to effectively use the Paris-based Consultative Group meetings to obtain aid tailored to the specific needs of industry. A pooling of private sector representational resources would be one way to coordinate data collection and policy analysis with the specific aim of providing the government with specific information for use at the Consultative Group meetings, thereby better linking the ERP process to private sector development.

### **Labor Policies**

Labor policy is administered by the Ministry of Productivity and Social Welfare in accordance with a series of legislative acts and measures. At a national level, the minimum wage is set by a Tripartite Committee on Wages and Salaries representing workers

(represented by the Trade Union Congress, or TUC), the government, and employers (represented by the Ghana Employers Association). Wage levels at individual firms, however, are subject to negotiation between employers and employees, who may be represented by one of seventeen unions, and are established in the context of a collective bargaining agreement. As stated in the 1989 budget, the government's current wage policy prefers that private sector and parastatal wages be linked to productivity increases in order to reduce the inflationary impact of increasing wage/benefit packages. Negotiations on how best to measure and structure this linkage are scheduled to take place within the Tripartite Committee this year.

Collective bargaining agreements often have a duration of two to three years, although some contain a "wage opener" clause which permits renegotiation of wage levels sometime after the first year of the agreement is completed. Guidelines regarding severance pay and policies regarding firings are part of each individual collective bargaining agreement. Quite often, redundancy payments are quite large under these agreements; the size of these payments has been a significant factor stymieing the sale of the thirty-two state-owned enterprises slated for divestiture. Under law, strikes are illegal, although unauthorized work stoppages do occur.<sup>25</sup> The total workforce in Ghana in 1987 was an estimated 5.6 million persons. Out of this total, approximately 608,000 workers, or about 11 percent, are unionized.

### Wages

Labor policies and wages are significant not only owing to the impact on individual welfare and the cost of business operations, but also for labor's potentially inflationary impact on the .

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<sup>25</sup>. The TUC reportedly recorded 19 strikes in 1986.

economy. The benchmark for labor costs is the minimum wage, which, at its current level of 170 cedis per day, is exceptionally low for West Africa (about \$0.53 per day in mid-1989). It is somewhat misleading, however, to focus entirely on the minimum wage as an indicator of buying power. Few workers, in fact, receive only the minimum wage. The wages of agricultural laborers, for example, are affected by seasonal demands for labor which drive daily rates above minimum wage levels. In larger enterprises, even the lowest paid worker commonly receives a salary which exceeds the minimum wage. In addition, both public sector and private sector employers usually pay a variety of allowances for transport, canteens, housing, and the like; housing allowances, for example, are usually equal to 20 percent of an employee's base salary. As a result, these fringe benefits boost total wage levels to well above the minimum wage. Employee earnings are also boosted by the fact that allowances up to a specified maximum level are tax-free.

In 1986, for example, when the minimum wage was 90 cedis per day, the average daily wage for employees in public and private sector industries was roughly 338 cedis per day.<sup>26</sup> Private sector employers often use the minimum wage level as simply a benchmark for establishing higher salary levels and firms often await the government's announcement of new minimum wage levels before opening wage talks with their employees.

Over the 1980-86 period, average private sector monthly wages were consistently higher than average wage levels in the public sector, although this differential narrowed sharply in 1986.

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<sup>26</sup>. Based on data on average monthly earnings compiled by the Statistical Service. It could not be determined whether these data include allowances.

Discussions with several large (50 employees or more) private firms confirmed that allowances and benefits added 50 to 100 percent to unskilled employees' basic wage levels, which itself often exceeded the minimum wage.

Private sector wages are not consistently higher than public sector wages, however, but vary according to the individual sub-sector. Table 12 shows the differences between private and public sector wages over the 1980-86 period, as well as the differences between sub-sectors.

#### Use of Expatriate Labor

There exists no legislation which explicitly defines the number of expatriate personnel which may be employed and the Investment Code of 1985 is not very precise with regard to governmental preference or guidelines governing the hiring and employment of expatriates. Potential investors must submit requests for the number and type of expatriates to be hired at the time of their application to the Ghana Investments Centre. The GIC makes recommendations for the hiring of expatriates, and the Immigrant Quota Committee within the Ministry of the Interior both rules on requests to hire expatriates and issues work permits. The GIC must submit requests for the hiring of expatriates to the Immigrant Control Committee even if no incentives are being granted under the Investment Code.

General government policy holds that no expatriate will be approved for positions for which skilled Ghanaians are available. Many persons interviewed by the study team were uncertain as to how decisions were made governing the hiring of expatriates and whether specific quotas existed. To the extent that uncertainty or ambiguity exists, or is perceived to exist, in the hiring of expatriates, private sector investment and planning can be delayed or deterred.

Table 12

**AVERAGE MONTHLY EARNINGS PER EMPLOYEE IN ALL ESTABLISHMENTS**  
(Current Cedis)

	1980	1981	1982	1983	1984	1985	1986
<b>Public Sector</b>	441	579	607	1071	2122	3461	7332
Agriculture, Forestry, & Fishing	322	490	543	833	2199	2675	5752
Mining and Quarrying	612	862	863	2214	3354	10534	12287
Manufacturing	527	631	709	1256	2399	4108	8385
Electricity, Water and Gas	526	703	744	860	1980	3291	6540
Construction	328	516	518	891	1564	2475	5075
Wholesale, Retail Trades, Restaurants	417	481	577	859	1405	2681	5540
Transport, Storage & Communications	530	577	714	1014	2302	3503	10436
Finance, Insurance, Real Estate	520	714	720	1211	2290	4254	8562
Community, Social, Pers. Services	448	720	562	940	2027	2835	6682
<b>Private Sector</b>	581	672	868	1301	3280	4702	7549
Agriculture, Forestry & Fishing	416	683	734	1173	2973	3264	5402
Mining and Quarrying	676	785	1616	2109	4074	5998	6480
Manufacturing	567	713	841	1345	3940	5535	7844
Electricity, Water, and Gas	--	--	--	--	--	--	--
Construction	522	467	533	840	1615	3032	4612
Wholesale, Retail Trades, Restaurants	803	609	1197	1229	1529	2958	4781
Transport, Storage & Communications	603	955	999	1701	2671	6509	11846
Finance, Insurance, Real Estate	715	972	1469	1266	3940	7331	18642
Community, Social, Pers. Service	449	538	775	957	1984	3027	6127

Source: World Bank

In the mining sector, companies applying for prospecting or production licenses must submit with their work plans a schedule of proposed Ghanaianization of the work force. Interpretation of the need to limit expatriate involvement, however, appears to be highly flexible. Under the Minerals and Mining Law, investors in the mining sector are directed to give preference in employment to Ghanaians to the maximum extent possible "consistent with safety, efficiency and economy."

### Parastatal Policies

Government policy toward the parastatal sector focuses on (i) the selection of state-owned enterprises (SOEs) for liquidation and sale, and (ii) the improved management and accountability of SOEs remaining in government hands. Thirty-two SOEs have been selected for liquidation or for sale to private investors but to date, none of the thirty-two has been sold, although ten have been liquidated. There has been considerable interest among foreign firms (especially British ones) with regard to investment in some of the parastatals which are being divested.

Progress in the privatization of SOEs has been slowed for a number of reasons, including delays owing to the complexity of updating and auditing financial accounts and determining the actual market value of potentially saleable assets, and the high cost involved of retrenching redundant SOE employees. In addition, utilization of World Bank technical assistance to assist the State Enterprises Commission in the divestiture process was delayed. The original schedule for divestiture was arguably over-ambitious in light of these constraints. Despite these problems, however, the World Bank currently views the overall progress in the divestiture program as satisfactory.

The pace and completion of SOE divestiture is important to the private sector for several reasons. For one, the sale of selected SOEs provides potential investment opportunities for investors. Secondly, the divestiture and restructuring of SOEs releases a significant number of workers that the private sector -- primarily in the agricultural sector -- must absorb. In both 1987 and 1988, approximately 12,000 public service employees were removed from the government's payroll, and another 12,000 are scheduled to be removed in 1989.<sup>27</sup> In addition, it is estimated that SOEs employ an excess of 20,000 employees which will have to be laid off in order to improve the efficiency of those SOEs remaining in state hands. The private sector will have to absorb these employees, in addition to the estimated 180,000 persons entering the work force each year.

Perhaps most importantly, however, the pace of SOE divestiture has assumed for some investors and businessmen a symbolic role as a bellwether of the government's true intent regarding the private sector.<sup>28</sup> Rightly or wrongly, there appears to exist the perception that a failure by the government to divest or liquidate these properties as planned means that the government has not lost its previous suspicion of the private sector. Correspondingly, the successful divestiture of these properties may spark renewed interest in investment in Ghana.

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<sup>27</sup>. In 1987, 15,000 employees were actually targeted for redeployment by only 12,000 were actually redeployed.

<sup>28</sup>. It should be noted, however, that some Ghanaians within the private sector told the study team that they did not find the slow pace of divestiture efforts to be worrisome; rather, it was a sign that the government was proceeding carefully in order to ensure that divestiture was successful, and to avoid the mistakes and appearance of favoritism that characterized SOE divestiture under the National Liberation Council in the late 1960s.

### Summary of Key Obstacles and Opportunities

This chapter has examined the institutional, administrative, fiscal, and legal structures governing private sector investment in Ghana. This so-called "enabling environment" affects Ghana's ability to attract private investment, both Ghanaian and foreign, and affects the ability of the private sector to operate effectively. While the macroeconomic reforms introduced in the ERP have enabled the private sector to operate more competitively than in the past, these reforms are insufficient in themselves to ensure that the levels of private investment critical to continued economic growth will occur.

Examination of Ghana's investment laws and incentives and institutional environment demonstrates that the government has introduced a number of reforms in recent years to improve the investment climate. These include the introduction of new, more attractive, investment codes governing investments in all sectors of the economy; efforts to streamline the operations of the Ghana Investment Centre (GIC); payment of blocked dividends and capital; and reduction or elimination of export duties and the streamlining of import procedures. In the non-traditional export sector, the Export Promotion Council has been reorganized in order to better assist exporters and to promote Ghanaian products.

While a number of important reforms have been implemented, a number of these fall short of providing a fully positive environment for the the private sector and private investment. From an investment perspective, the analysis here identified a number of weaknesses, including the inadequacy of some of the incentives offered in the 1985 Investment Code; the lack of sufficient clarity in some of the Code's provisions; and the lack of automaticity in the consideration of investment applications. In addition, the procedures for establishing new businesses were

found to be overly complex and income tax rates too burdensome. By contrast, the operations of the Minerals Commission and legislation guiding investment in the mining sector appear to be adequate; indeed, this appears to be the only sector of the economy where investment is occurring at a satisfactory level.

From a promotional perspective, the GIC was found to be overly concerned with the regulation and monitoring of investment, as opposed to encouraging investors and assisting the start-up of new businesses. In addition, the GIC lacks effective promotional materials and is hampered by the inadequacy of its office equipment. By contrast, the Export Promotion Council and Minerals Commission appear to have taken an aggressive attitude in their promotional responsibilities in terms of the collection of data and publication of materials. The apparent success of these agencies is an encouraging sign of the seriousness of the government's intent and the potential ability of the government to increase both the attractiveness of the Investment Code and the effectiveness of the GIC.

Private investment is encouraged not just by effective promotional efforts, attractive tax levels, or other investment incentives, however, but by the perception that local and governmental attitudes are favorable to private investment. Private sector confidence in the efficacy of economic reforms and the commitment to economic, administrative, and other changes is much more easily undermined than it is reinforced. It can take much time to overcome the effect of quixotic policies of the past or the occasional arbitrariness of governmental action; for example, confidence in the banking sector is still weakened by the demonetization of the fifty cedi note seven years ago. It is in this light that many investors appear to view the progress in the government's SOE divestiture program as a sign of the government's commitment to increased private sector investment and growth. The

adoption of further measures clearly meant to promote private investment would be a positive step not only for improving the financial attractiveness and administrative ease of investments in Ghana, but is probably also necessary if the government is to underscore the seriousness of its commitment to attracting and respecting private investment.

One absolutely critical element in both understanding Ghana's current investment regime and climate, and in improving the strength of the private sector, is the relative competitiveness of Ghana's "enabling environment." If Ghana is to attract the level of private investment essential to sustaining the economic growth of the ERP, the country must offer an investment climate and business environment that is highly competitive -- financially, administratively, and politically -- with business opportunities available elsewhere in the world. The "level playing field" provided by the ERP is necessary but not sufficient to ensure successful levels of private investment. This is especially important in terms of attracting foreign private investment, but is applicable as well to attracting expatriate Ghanaian capital. While not denying the extensiveness of the government's reforms, it is insufficient to compare, for example, Ghana's 1985 Investment Code to the 1981 code that it replaced. Instead, Ghana's policies to promote and assist private investment must be compared to other developing countries which are also vying to attract offshore funds. For the most part, however, this recognition that the process of attracting investment is a globally competitive one appears to be missing from government efforts to date.

## V. RECOMMENDATIONS FOR FURTHER PRIVATE SECTOR DEVELOPMENT REFORMS

The Ghanaian Government, with assistance from multilateral agencies and donors, has made substantial progress in introducing important macroeconomic policy reforms conducive to economic growth and private sector investment. Nonetheless, as Chapter IV demonstrated, a number of areas remain where further adjustments are necessary if the enabling environment for private investment is to be made sufficiently welcoming. Recommendations for further macroeconomic, legal, and institutional reforms are made below.

### Macroeconomic Policies

As evidenced in Chapter III, the macroeconomic reforms introduced under the ERP have substantially created a "level playing field" which enables private sector firms to operate efficiently and competitively. Additional areas of reform planned in the 1989-92 period -- for example, unification of the auction and forex bureau exchange markets -- promise to further improve the macroeconomic operating environment. Two areas of macroeconomic policy remain troubling, however, and deserve special mention because of their implications for government reforms to encourage the private sector.

#### 1. Banking Sector Reforms and the Need to Increase Foreign Investment

While Ghana's record of economic growth under the ERP has been highly positive, continued growth requires the mobilization of greater levels of savings and investment. Achievement of this objective in the short-term is severely hampered by current credit ceilings on bank lending. The resultant shortage of financing for the private sector is sorely affecting the ability of firms to

cover working costs, much less make the medium- or long-term investment critical to sustained economic growth.

The banking sector is currently a key area of focus in the government's programs with the World Bank and the IMF but resolution of this problem will be difficult as it requires the complete restructuring and capitalization of the banking system, and the reduction of stubbornly persistent high rates of inflation. The likelihood that poor access to credit will continue in the near-term to hamper local investment strongly underscores the necessity for the Ghanaian Government to redouble its efforts to attract both foreign and expatriate Ghanaian offshore investment. In the short-term, offshore equity is the most immediately available source of much-needed investment in Ghana.

This does not mean that the difficulties suffered by businesses already established in Ghana should be ignored. Private sector representational groups should continue to reiterate to the government and agencies such as the World Bank that the implementation of financial sector reforms must proceed as quickly as possible.

## 2. Continued Reform of the Parastatal Sector

Reform of the parastatal sector and divestiture of state-owned enterprises (SOEs) has been much more complex and has proceeded much more slowly than anticipated by the government or the World Bank. Rationalization of SOE operations needs to continue in order to make those SOEs remaining in government hands more efficient and to ensure that these firms do not use credit resources that could be more productively lent to private business. In addition, the operational efficiency of some SOEs has important implications for the efficiency of the private sector; this is particularly true of

such bodies as the Ghana Railway Corporation or the Ghana Ports and Harbours Authority.

Equally important, the perception exists -- rightly or wrongly -- among some in the private sector that the slow progress made to date in SOE divestiture is simply due to government footdragging out of ambivalence over the role of private investment. Such perceptions play a role in investors' evaluation of the business climate and subsequently influence investment decisions. It is essential, therefore, that divestitures proceed in order to correct this perception and to reassure potential investors that the government firmly believes in the role of the private sector in Ghana's economic recovery.

#### Legal and Regulatory Reforms

1. Implement changes in the Investment Code

It is recommended that the government consider revising the Investment Code of 1985 (P.N.D.C.L. 116) along the lines suggested in Table 13 below.

Table 13

SUGGESTED IMPROVEMENTS  
IN P.N.D.C.L. 16 OF 1985

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Section 12

The import duty exoneration granted during "the period of establishment" is imprecise and subject to protracted discussions. The exoneration should be for a specific time period such as 5 years.

Income tax holidays should be extended for longer periods; for example, 8 years for priority projects.

Export incentives such as tax rebates and export duty exemptions should be specified in the code.

Section 13

All priority projects approved by the GIC should be automatically exempted from the stamp duty for five years. The current criteria for exemption are vague and subject to interpretation.

Section 15

Instead of an immigrant quota determined on a case-by-case basis, a pre-determined percentage of the workforce should be composed of nationals, to be determined by GOG.

Section 21

The minimum equity requirements for foreign investors should be reduced so as to eliminate the capital-intensive bias of the code. Minimum equity requirements for 100 percent foreign-owned ventures should be reduced from \$100,000 to \$50,000 and joint-ventures from \$60,000 to \$30,000.

Section 25

This section should specify time limit limits for investment approval decisions. For small projects (below \$500,000) a 30-day time limit is suggested; for larger projects (above \$500,000) a 90-day limit is recommended. If an investor has not received an answer during the time limit the project is approved by default.

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Table 13 (Continued)  
SUGGESTED IMPROVEMENTS  
IN P.N.D.C.L. 16 OF 1985

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Sections 33 and 36

These sections should be re-stated to replace fines and jail sentences for investors not providing GIC with information to less intimidating, but equally effective, penalties such as investors forfeiting benefits awarded to them under the code.

Schedule 16

Similar to Section 21, the minimum equity requirements for entry by foreigners into enterprises otherwise reserved for nationals should be reduced from \$500,000 to \$250,000.

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2. Streamline the Establishment Procedures for Small Businesses

The current lengthy process of establishing a business should be streamlined. The three bureaucratic forms required: (i) registration with the Registrar General's Office; (ii) particulars of a company (form No.3); and (iii) declaration of compliance should be consolidated into one form to facilitate business establishment.

Manufacturing licenses should not be required for small manufacturing companies below a certain size, say employed capital of 10 million cedis. This will permit more free market entry and will encourage greater capital formation.

### 3. Draw Up Clearer Lines of Jurisdiction for the GIC

Clearer lines of jurisdiction or subsidiary regulations are needed to give GIC the full authority to approve investment proposals and for the decision to be the final one.

### 4. Reduce Taxes

Corporate taxes are high and act as a disincentive to investment. The corporate tax rate should be reduced from an average base rate of 50 percent to a globally competitive rate of 35 percent in order to encourage investment. The dividends tax of 30 percent should be lifted to eliminate the double taxation of dividends and encourage equity financing.

## Investment and Export Promotion

### 1. Strengthen the GIC

In order to meet its mandate of increasing and promoting investment in Ghana the GIC needs to be substantially strengthened.

**Organizational Structure:** The structure of the GIC is basically sound, and follows from recommendations made in a 1987 IFC report. The three operational departments correspond to three stages of the project cycle: (i) project promotion and development; (ii) project evaluation and approval; and (iii) project monitoring and support services. The GIC is directed by a Chief Executive who reports to a Board of Directors. The Board is composed of key Ministers from economic and line ministers and is chaired by the Chairman of the PNDC.

In order to carry out effectively its mandate to encourage investment in Ghana, the GIC will have to focus more on investment promotion and investor support, and less on the screening of project proposals and the control of investors once they have been approved. As the liberalization measures of the ERP have created a much more open environment and a "level playing field" for investment, the need to control and direct foreign investment is reduced. Given basic information, private investors should be able to find their own investment opportunities with very little direction and screening from the government. The GIC should substantially streamline its screening procedures, leaving the financial and commercial analysis to the investor who is risking his own capital. The GIC might focus more on credit checks and ensuring that fundamental environmental or health concerns are met. Reducing the time spent on screening would allow the GIC to spend more time and effort on investment promotion and supporting investors in securing all necessary licenses, approval and permits in other government agencies.

Many investment promotion centers in other countries such as Taiwan, Kenya, and the Dominican Republic have a division which is responsible for researching the country's investment policy environment and advising the government on policies and procedures which encourage rather than hinder investment. These units also monitor the policies and incentive packages in other countries to ensure that their own policy and incentives are competitive. It is recommended that such a division be established in the GIC to ensure that Ghana's policies are conducive to investment.

**Staffing:** The size of the professional staff of the GIC -- 33 -- is adequate provided the GIC is able to attract and retain high caliber staff, including staff with private sector and banking backgrounds. Staff should have extensive business background in the sectors the GIC is promoting -- agribusiness, manufacturing

(especially wood and food processing), construction and tourism. As a service to investors, staff should know, or be trained in, the laws and regulations of doing business in Ghana, including incentives, taxes, and approval requirements.

The size of the non-professional staff -- 111 -- is overly large and clearly is disproportionate to their work output. A more streamlined core of support staff would be more cost effective and business-like.

**Staff Recruitment:** In order to attract staff of sufficient caliber and experience, and to create a "private enterprise environment" within the office as opposed to a "government office," it would be desirable to recruit some staff from the private sector, and to offer competitive remuneration packages. All staff members, with the exception of one or two possible technical assistants, would be Ghanaian.

**Training:** The GIC will only be as effective as its staff, therefore training is critical to its success. Two of the senior staff were sent to the Irish Development Authority for short in-service training courses. One of the staff was sent to the U.S. for training. In-country training could be developed for GIC staff on the Investment Code and incentives offered, targeted promotion strategies, and investor information systems.

**Resources:** A promotion center is often the first stop of a potential investor, and so the ambience of the center should reflect not only the professionalism of the center but also the basic health of the investment climate. At the time of the team's visit, the GIC's front sign needed painting and some of the offices needed refurbishing. A much more pressing problem than office refurbishment is an almost total lack of necessary office equipment. An organization that is responsible for investment

promotion, investor servicing and follow-up needs the business equipment to prepare and disseminate reports and information to investors. The GIC needs a photocopy machine, word processors and some microcomputers to maintain data files for mailing distribution lists, files on prospective investors and where they stand in the approval process, etc.

**Investment Promotion:** As improvements in the investment climate are implemented, they should be heralded by a carefully crafted press release campaign. Significant policy reforms, legislative changes, and the announcement of new incentives are newsworthy events are likely to be printed as news in international business publications. As such, their factual nature makes them even more persuasive than paid advertising.

Investment decisions are based on information. It is currently difficult to obtain access to key information needed to make a decision to invest in Ghana. Information on the Investment Code, labor laws, taxes and import duties should be summarized in short brochures and made available to potential investors. If the government is going to revise the code, then the GIC should print up new guidelines and brochures as soon as the new code is finalized.

Once the necessary legislative changes have been implemented and the informational materials prepared, the GIC should undertake a more substantial promotion effort. The promotion campaign should carefully target the investor audience, including: (i) resident Ghanaians through business organizations such as the Chamber of Commerce; (ii) non-resident Ghanaians through Ghana's embassies abroad and the international press; (iii) foreign companies including companies that are already in Ghana, companies which were in Ghana and have departed, and companies that have known expertise in the activities that have been given priority.

## 2. Expand Support for the Export Promotion Council

The Export Promotion Council is the main focus of the government's effort to promote non-traditional exports, which is a key part of the strategy for economic growth. Two of the Council's activities have had some positive results and should be further supported: (i) the exporter information booklet; and (ii) the government/private exporter meetings where the Council acts like an ombudsman between the two groups. Through these meetings the Council will be able to help ease bureaucratic obstacles to exporting.

The Council, which currently operates on a government subvention, will need an ensured inflow of funds to continue in its activities. Some of the more successful export promotion agencies in the Far East such as the Singapore Trade Development Board, the Hong Kong Trade Development Council and the Korea Trade Promotion Corporation have been either partly or entirely funded by an ad valorem levy on exports or imports. The possibility of a similar funding mechanism for the Ghana Export Promotion should be considered.

## 3. Assess the Prospects for an Export Processing Zone

Many countries such as Malaysia, Mauritius, South Korea, and the Dominican Republic have introduced export processing zones (EPZs) in order to attract investment. EPZs, like free trade zones, are areas designated by the government to provide internationally competitive tax and other incentives for companies engaged in international trade. Firms operating in EPZs, however, typically engage in the manufacture of goods destined for export markets. The chief benefits to the host country include employment generation and skills development through the value-added obtained

through labor-intensive light manufacturing. Additional employment opportunities can be generated outside the zone through the development of backward linkages to local industries.

EPZ development in Ghana offers the potential for creating labor-intensive industries at a time when the continuing redeployment of civil service and parastatal workers necessitates the development of new employment opportunities. Foreign exchange earnings from an EPZ offer partial diversification away from Ghana's traditional dependence on cocoa and gold exports as sources of foreign exchange. In addition, establishment of an EPZ -- with its market-oriented environment -- could help to increase the confidence of off-shore investors in the current Ghanaian business climate. Ghana already has some of the key ingredients to attract free zone investors, including an abundant and competitively priced labor force. In addition, legislation already exists in Ghana for the establishment of a free zone and land is still set aside for free zone development in the port of Tema. The government may wish to study the experiences of some of the countries with successful EPZs and explore the pre-feasibility of developing an EPZ in Ghana.

#### 4. Encourage Brainstorming Between Government Promotional Agencies

Four government agencies -- the Export Promotion Council, the GIC, the Minerals Commission, and the National Energy Board -- are involved in promotional or investor-oriented activities. While there appears to be contact between some of these agencies, regular meetings between representatives of these groups, perhaps on a quarterly basis, could enable the sharing of information and cross-fertilization of ideas. The resulting dialogue could help to prevent wasteful or duplicative efforts and assist in the development of a Ghanaian -- rather than a predominately donor-driven -- promotional strategy.

## 5. Improve Facilities to Support Non-Traditional Exports

Expansion of non-traditional exports is important to diversifying Ghana's foreign exchange earnings but may require additional storage or support facilities. The French Caisse Centrale has been studying ways to improve storage and transport facilities at Kotoka airport to assist the overseas shipment of non-traditional agricultural exports. There are additional areas, however, where facility improvements might be needed -- for example the ports -- and these should be explored.

### Institutional Reforms

#### 1. Establish an Inter-Ministerial Committee on the Private Sector

A number of developing countries have established inter-ministerial committees in order to formulate, coordinate, and implement government policy toward the private sector. Participation in such a committee can improve dialogue within the government, thereby helping officials to implement policy that integrates the work of various ministries. The Ghanaian Government may wish to establish a similar committee to produce a White Paper on the private sector and private sector investment. Formulation of such a policy document can be used to forge consensus within the government and would clarify the government's position and provide guidelines for ministerial action. Such guidelines, for example, could be used to expedite ministerial approval of investment applications submitted to the GIC. Publication of such a policy document can demonstrate to investors the firmness of the government's support for the private sector and can further

reinforce promotional messages contained in brochures issued by the GIC and other agencies.

While production of a White Paper can be an effective means for coordinating the government's position on the private sector and investment, it is a longer term task. To be effective, preparation of such a document must not be allowed to become a rationale for delaying other reforms that can be implemented with immediate effect in the short-term. Firm deadlines, for example one year, should be given for issuance of a final paper.

## 2. Strengthen Private Sector Representational Groups

There are currently three large private sector representational groups: the Ghana Employers Association, the Chamber of Commerce, and the Association of Ghana Industries; in addition the Chamber of Mines represents the mining companies. The three major groups have limited resources, which affects their ability to coordinate their efforts and to effectively influence government policy-making. Additional resources would strengthen the data collection and policy analysis capability of these groups and would enable the private sector to present substantive advice on policy. One immediate area where strengthened policy analysis capability could help the government and the private sector would be the preparation of documentation for use at the Paris-based Consultative Group meetings. Provision of detailed analysis and requests for channelling of aid funds to the private sector would serve to better link the ERP process to private sector development.

The merger of these three representational bodies into one group or into one umbrella organization would be one way to pool the resources and reduce the operating costs of these groups, thereby increasing their effectiveness. Discussions have been initiated in the recent past to form a more unified organization.

Such a merger could be supported administratively or financially by outside donors.

3. Encourage Government, Business, and Labor in Productivity-Wage Talks

It is current government policy that future wage increases be linked to increases in productivity. Talks are scheduled this year within the Tripartite Committee on Wages and Salaries -- comprised of representatives of government, business, and labor -- on how to structure this difficult linkage. This objective has important implications for the economic growth and for reducing the inflationary impact of wage increases and should be encouraged.

The Role of Donors in Assisting Private Sector Development

Most of the reforms suggested above require initiative by the Ghanaian Government. Nonetheless, there are a number of specific areas where donors could act to assist the private sector. These include:

1. Facilitate Discussions Between Government and the Private Sector

The quality and frequency of discussions between the government and the private sector appears to have improved substantially in the past several years but more such discussions should be scheduled with greater frequency and regularity to improve their effectiveness.

2. Channel Resources to Support Policy Analysis by the Private Sector

The policy analysis and data collection skills of the major private sector representational groups are widely acknowledged to be insufficient. Private donors could assist with the provision of training, administrative and/or financial support, and the supply of office equipment. Such assistance would be very cost effective in terms of the relatively small investment required and the potential benefit it could bring to the effectiveness of these groups.

3. Challenge the Private Sector to Articulate Its Needs

In conjunction with strengthening the policy analysis and data collection capabilities of major private sector groups, donors should challenge these organizations to articulate their needs and to make concrete suggestions for improvements in the ERP. While the private sector often is critical of government economic policy, this criticism is often not substantiated by factual analysis. Donors should challenge groups to provide substantive analysis of their complaints. This will not only force these bodies to improve communication between themselves and with their members, but will improve the quality of information available to donors, the private sector, and the government. The efficacy of this process will be helped, of course, by improvements in the dialogue between the private sector and the government as the constraints and possibilities for action under the ERP become better understood.

4. Provide Technical Assistance to Improve Managerial and Accounting Capabilities

Efficient business operations require effective mid-level managers and accountants. To improve the skills of the Ghanaian

workforce over the medium-and longer-term, agencies such as the Institute for Chartered Accountants or Management Association could be provided with technical assistance to help improve training opportunities.

# **ANNEX I**

## **CALENDAR OF KEY ECONOMIC EVENTS**

## ANNEX I

### CALENDAR OF KEY ECONOMIC EVENTS

March 1957	Ghana gains independence.
July 1957	The Ghana pound is introduced to replace the West African pound at par.
July 1965	The cedi is created, replacing the Ghana pound. One cedi equals US \$1.67.
February 1967	Currency reforms replace the cedi with the new cedi, at the rate of 1.02 cedis/US \$1.00.
December 1967	In an attempt to ease Ghanaian unemployment, many foreign residents are forced to leave Ghana.
December 1971	The cedi is devalued by 44 percent, to 1.82 cedis/US \$1.00.
February 1972	The cedi is revalued by 42 percent, to 1.28 cedis/US \$1.00.  Wage and price controls are introduced in attempt to reduce inflation, and a price and income board is established.  The newly established National Redemption Council Government (NRC) begins a drive toward economic self-sufficiency.
December 1972	The NRC Government introduces its participation policy for taking a majority share of the nation's timber and mining companies.
March 1973	The new cedi becomes known simply as the cedi.
April 1975	The Investment Policy Decree is introduced. Under the decree, full Ghanaian ownership of wholesale trading firms, and partial ownership of other firms, is required.
August 1978	After successive years of double and triple digit inflation, the cedi is devalued by 39 percent against the US dollar, to 2.75 cedis/US \$1.00.

## ANNEX I

### CALENDAR OF KEY ECONOMIC EVENTS (Continued)

- April 1983            The Economic Recovery Program is introduced. Export bonuses and import surcharges are introduced, lowering the effective exchange rate to 23.375 and 29.975 cedis/US \$1.00.
- Controlled prices and prices of government services are increased substantially to reflect the cedi's devaluation.
- New taxes on property and private vehicles are introduced and the government initiates an effort to increase tax collection.
- May 1983             Producer prices for cocoa farmers are raised from 12,000 to 20,000 cedis/tonne in order to increase cocoa production.
- October 1983         Interest rates are raised from 3 to 5 percentage points.
- In order to raise government tax revenues, retail prices of cigarettes and beer are raised by 33 and 75 percent, respectively.
- The two effective exchange rates are unified. The official exchange rate becomes 30 cedis/US \$1.00.
- December 1983       Price controls are eliminated on all but 23 goods.
- March 1984           The cedi is devalued by 14 percent, falling to 35 cedis/US \$1.00.
- Public sector wages and salaries are increased by 40 percent.
- May 1984             Cocoa producer price is raised to 30,000 cedis/tonne.
- June 1984            Cigarette and beer taxes are raised. Personal income tax rates are lowered.

## ANNEX I

### CALENDAR OF KEY ECONOMIC EVENTS (Continued)

- August 1984            The cedi is devalued by 9 percent against the US dollar, to 38.5 cedis/US \$1.00.
- Interest rates are increased by two percentage points.
- December 1984        The cedi is devalued by 23 percent, to 50 cedis/US \$1.00.
- Throughout the year foreign exchange retention schemes are introduced for principal exporters requiring imported inputs. Gold exporters are allowed to retain 35 to 45 percent of total foreign exchange earnings; timber exporters, 20 percent; and other mineral exporters 20 percent.
- Discussions begin regarding retrenchment and improved management of state-owned enterprises.
- January 1985           Civil service wages and salaries are doubled.
- April 1985            The cedi is devalued by a further 6 percent, to 53 cedis/US \$1.00.
- The special unnumbered licensing system (SULs) is introduced for imports.
- In order to raise government revenues many government fees are increased and taxes are raised on beer, cigarettes, airport services, and gasoline.
- Deposit interest rates are increased one percentage point.
- June 1985             Cocoa producer price is raised by 50 percent, to 56,600 cedis/tonne. Layoffs begin at the Cocoa Marketing Board.
- To encourage increased production, tobacco and cotton producer prices are raised 50 and 100 percent, respectively.

## ANNEX I

### CALENDAR OF KEY ECONOMIC EVENTS (Continued)

July 1985	<p>The list of goods with controlled prices is reduced to the following eight items: rice, soap, matches, drugs, cement, textiles, sugar, and baby food.</p> <p>The new Investment Code with improved incentives for investment is introduced.</p>
August 1985	<p>Further devaluation lowers the cedi's value to 57 cedis/US \$1.00.</p>
October 1985	<p>The cedi is devalued to 60 cedis/US \$1.00.</p>
December 1985	<p>By this time, a total of 16,000 employees of the Cocoa Board have been retrenched.</p>
January 1986	<p>The cedi is devalued by 33.3 percent, to 90 cedis/US \$1.00.</p>
April 1986	<p>Cocoa producer prices are raised to 85,000 cedis/tonne, a 50 percent increase.</p>
June 1986	<p>Fertilizer prices are raised 80 percent, although an element of subsidy remains.</p>
July 1986	<p>The Minerals and Mining Law is introduced. The law replaces previous legislation and introduces incentives to attract foreign investors.</p>
August 1986	<p>Interest rates are raised two percentage points, raising rate on 12-month time deposits to 20 percent, more than double October 1983 levels. Lending rates are also increased by 2 to 3 points, raising them 23 percent.</p>
September 1986	<p>A foreign exchange auction is introduced to determine the weekly exchange rate, known as the "Window II" rate. Cocoa exports, and imported oil and pharmaceutical goods are still imported at the "Window I" rate of 90 cedis/US \$1.00. All other goods use the Window II rate.</p>

## ANNEX I

### CALENDAR OF KEY ECONOMIC EVENTS (Continued)

- February 1987      The dual exchange rate is ended, and all imports and exports are priced at the prevailing auction-determined exchange rate.
- In the 1987 budget, import duties are substantially reduced on imported inputs critical to the economy, such as clinker, commercial vehicles, cotton, and non-luxury consumer goods. Taxes are again increased on beer and cigarettes.
- Effective this month, the export retention permitted non-traditional exporters is raised from 20 to 35 percent.
- By this date, a further 10,000 Cocoa Board employees have been retrenched.
- September 1987    To improve competition and efficiency in the banking sector, maximum borrowing and lending rates of commercial banks are decontrolled. Sectoral controls on the distribution of credit are abolished, with the exception of agriculture where a minimum of 20 percent of all loans must be made.
- January 1988      Beginning with the 1988 crop season, fertilizer subsidies are reduced to 30 percent.
- Corporate taxes for manufacturing, farming, and export sectors is reduced from 55 to 45 percent. Personal income taxes are adjusted to give relief from inflation-induced increases in the effective tax rate.
- February 1988     Private foreign exchange bureaus are introduced, allowing for the first time the legal purchase and sale of foreign exchange outside the banking system.
- May 1988          Effective with the beginning of the 1987/88 minor cocoa crop season, producer prices are raised to 165,000 cedis/tonne.

**ANNEX I**

**CALENDAR OF KEY ECONOMIC EVENTS (Continued)**

- January 1989            Fertilizer prices are raised by about 50 percent, thereby reducing the subsidy to 15 percent.
- Import licensing system is abolished, with the exception of a small number of items such as chemicals and explosives.
- April 1989            The small-scale gold mining law is introduced to encourage small-scale, Ghanaian miners and to capture for the government revenues from previously illegal gold mining activities.

Sources: Bank of Ghana and World Bank

# **ANNEX II**

## **ECONOMIC INDICATORS**

## Annex 2

TABLE 1: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY  
IN PRODUCERS' VALUES  
(Millions of Cedis in Current Prices)

ITEM	1975	1980	1981	1982	1983	1984	1985	1986	1987
<b>A. AGRICULTURE</b>	2518	24820	38553	49572	109927	133232	154003	244317	377481
Agriculture and Livestock	1567	19776	33558	44003	92047	110422	118656	175621	266077
Cocoa Produce Marketing	577	2269	1197	639	10228	11138	18755	41017	66030
Forestry and Logging	293	1805	2135	3235	5609	9300	11351	18870	34607
Fishing	81	971	1663	1695	2044	2372	5241	8809	10768
<b>B. INDUSTRY</b>	1109	5086	6653	5401	12199	28631	57209	87723	118947
Mining and Quarrying	105	462	369	285	1944	3214	3822	8783	13630
Manufacturing	736	3346	4338	3117	7101	17306	39562	57021	73720
Electricity and Water	33	223	456	513	358	2166	4045	8957	13279
Construction	236	1055	1491	1486	2796	5945	9780	12962	18319
<b>C. SERVICES</b>	1637	13202	27993	32740	62764	109068	132374	176675	245258
Transport, Storage, Communications	206	1130	2329	2568	7663	17451	18329	21995	27524
Wholesale and Retail Trade	642	7327	19074	22951	43120	76544	85032	97786	137963
Finance, Insurance, Business	276	1314	1927	2621	3311	4676	7746	15153	19250
Government and Other	513	3430	4663	4601	8670	10398	21267	41740	60521
<b>SUB-TOTAL</b>	5264	43108	73199	87712	184890	270931	343586	508715	741685
Less Imputed Bank Charge	77	651	1207	1802	2259	2865	5323	6903	11206
Import Duties	96	397	634	541	1407	2494	4786	9561	15520
<b>GDP at Market Prices</b>	5283	42853	72626	86451	184038	270561	343048	511373	746000
Percentage distribution									
<b>A. AGRICULTURE</b>	48%	58%	53%	57%	60%	49%	45%	48%	51%
Agriculture and Livestock	30%	46%	46%	51%	50%	41%	35%	34%	36%
Cocoa Production, Marketing	11%	5%	2%	1%	6%	4%	5%	8%	9%
Forestry and Logging	6%	4%	3%	4%	3%	3%	3%	4%	5%
Fishing	2%	2%	2%	2%	1%	1%	2%	2%	1%
<b>B. INDUSTRY</b>	21%	12%	9%	6%	7%	11%	17%	17%	16%
Mining and Quarrying	2%	1%	1%	0%	1%	1%	1%	2%	2%
Manufacturing	14%	8%	6%	4%	4%	6%	12%	11%	10%
Electricity and Water	1%	1%	1%	1%	0%	1%	1%	2%	2%
Construction	4%	2%	2%	2%	2%	2%	3%	3%	2%
<b>C. SERVICES</b>	31%	31%	39%	38%	34%	40%	39%	35%	33%
Transport, Storage, Communications	4%	3%	3%	3%	4%	6%	5%	4%	4%
Wholesale and Retail Trade	12%	17%	26%	27%	23%	28%	25%	19%	18%
Finance, Insurance Business	5%	3%	3%	3%	2%	2%	2%	3%	3%
Government and Other	10%	8%	6%	5%	5%	4%	6%	8%	8%
Imputed Bank Charge	1%	2%	2%	2%	1%	1%	2%	1%	2%
Import Duties	2%	1%	1%	1%	1%	1%	1%	2%	2%

Source: World Bank

## Annex 2

TABLE 2: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY  
IN PRODUCERS' VALUES  
(Millions of Cedis in 1975 Prices)

ITEM	1975	1980	1981	1982	1983	1984	1985	1986	1987
<b>A. AGRICULTURE</b>	2518	2957	2881	2724	2534	2780	2798	2890	2891
Agriculture and Livestock	1567	2017	2001	1916	1763	2035	1997	2001	1994
Cocoa Production, Marketing	577	545	521	432	370	339	384	454	469
Forestry and Logging	293	304	266	287	309	313	313	317	322
Fishing	81	92	93	89	92	93	104	118	106
<b>B. INDUSTRY</b>	1109	895	752	624	550	599	705	758	844
Mining and Quarrying	105	71	66	61	52	59	63	61	66
Manufacturing	736	575	464	369	328	370	460	511	562
Electricity and Water	33	43	48	44	41	39	47	55	65
Construction	236	206	174	151	129	132	135	132	152
<b>C. SERVICES</b>	1637	1765	1824	1758	1798	1917	2061	2195	2401
Transport, Storage, Communications	206	166	177	179	192	217	235	248	275
Wholesale and Retail Trade	642	556	545	489	463	510	580	632	743
Finance, Insurance Business	276	372	389	401	415	453	465	500	528
Government and Other	513	671	713	689	728	737	782	815	856
<b>SUB-TOTAL</b>	5264	5617	5457	5106	4881	5296	5564	5843	6137
Less Imputed Bank Charge	77	160	166	166	177	191	206	218	239
Import Duties	96	81	53	34	44	53	63	77	78
<b>GDP Market Prices</b>	5283	5538	5344	4974	4747	5158	5420	5702	5976
<b>Real GDP Growth</b>	-12.4%	0.5%	-3.5%	-6.9%	-4.6%	8.6%	5.1%	5.2%	4.8%
Percentage distribution									
<b>A. AGRICULTURE</b>	48%	53%	54%	55%	53%	54%	52%	51%	48%
Agriculture and Livestock	30%	36%	37%	39%	37%	39%	37%	35%	33%
Cocoa Production, Marketing	11%	10%	10%	9%	8%	7%	7%	8%	8%
Forestry and Logging	6%	5%	5%	6%	6%	6%	6%	6%	5%
Fishing	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>B. INDUSTRY</b>	21%	16%	14%	13%	12%	12%	13%	13%	14%
Mining and Quarrying	2%	1%	1%	1%	1%	1%	1%	1%	1%
Manufacturing	14%	10%	9%	7%	7%	7%	8%	9%	9%
Electricity and Water	1%	1%	1%	1%	1%	1%	1%	1%	1%
Construction	4%	4%	3%	3%	3%	3%	2%	2%	3%
<b>C. SERVICES</b>	31%	32%	34%	35%	38%	37%	38%	38%	40%
Transport, Storage, Communications	4%	3%	3%	4%	4%	4%	4%	4%	5%
Wholesale and Retail Trade	12%	10%	10%	10%	10%	10%	11%	11%	12%
Finance, Insurance Business	5%	7%	7%	8%	9%	9%	9%	9%	9%
Government and Other	10%	12%	13%	14%	15%	14%	14%	14%	14%
Less Imputed Bank Charge	1%	3%	3%	3%	4%	4%	4%	4%	4%
Import Duties	2%	1%	1%	1%	1%	1%	1%	1%	1%

Note: Figures are rounded.  
Source: World Bank

## Annex 2

TABLE 3

## GHANA: MACROECONOMIC FRAMEWORK

(Ratio to GDP at current market prices; in percent)

NATIONAL ACCOUNTS	1984	1985	1986	1987	1988	1989	1990	1991
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
GDP, factor costs	94.9	93.0	90.6	90.5	91.9	91.1	90.0	89.3
Indirect Taxes	5.1	7.0	9.4	9.5	8.1	8.9	10.0	10.7
Resource Gap	2.7	2.9	3.6	6.4	7.2	9.3	9.7	8.7
Total Expenditures	102.7	102.9	103.6	106.4	107.2	109.3	109.7	108.7
Consumption	95.8	93.3	93.9	95.6	94.7	95.1	93.7	92.1
Public Consumption	7.3	9.2	9.0	8.6	8.2	8.7	9.0	9.1
Private Consumption	88.6	84.2	84.9	87.0	86.6	86.4	84.7	83.0
Investment	6.9	9.6	9.7	10.8	12.5	14.3	16.0	16.5
Public Investment	2.5	4.2	7.3	7.8	8.3	9.6	10.9	11.0
Private Investment	4.4	5.5	2.4	3.0	4.2	4.6	5.1	5.5
National Savings	4.0	5.4	5.4	5.9	6.5	6.7	8.5	9.4
Public Savings	-0.6	0.1	1.7	3.3	3.0	3.0	4.0	4.8
Private Savings	4.6	5.4	3.7	2.7	3.4	3.7	4.5	4.7
Foreign Savings	2.8	4.2	4.2	4.9	6.0	7.6	7.6	7.1
Total Savings	6.9	9.6	9.7	10.8	12.5	14.3	16.0	16.5

Note: Details may not add to total due to rounding.

Source: World Bank

## Annex 2

TABLE 4: GHANA: BALANCE OF PAYMENTS  
(Millions of US Dollars)

ITEM	1979	1980	1981	1982	1983	1984	1985	1986	1987
A. Merchandise	184	132	-310	10	-100	-114	-96	-56	-198
Exports (f.o.b.)	1066	1104	711	641	439	567	632	749	827
Imports (c.i.f.)	-882	-972	-1021	-631	-539	-681	-729	-805	-1025
B. Non-Factor Services	-95	-104	-113	-85	-65	-91	-90	-115	-94.9
Receipts	82	107	120	105	38	38	38	48	79.3
Payments	-177	-211	-233	-190	-103	-129	-128	-163	-174.2
Government (n.i.e.)	-79	-84	-85	-66	-43	-39	-31	-76	-74.4
Travel	-27	-33	-34	-26	-10	-12	-10	-11	-11.5
Other	-70	-94	-114	-98	-50	-79	-86	-77	-88.3
C. Resource Balance [A+B]	89	28	-423	-75	-165	-206	-126	-171	-293
D. Net Factor Income	-46	-80	-81	-82	-82	-81	-110	-106	-132
Receipts	2	2	1	2	0	2	2	1	2
Payments	-48	-82	-82	-84	-82	-83	-112	-107	-134
Interest payments	-48	-82	-82	-84	-82	-79	-108	-102	-122
E. Private Transfer (net)	-3	-3	-4	-1	17	73	33	73	202
F. Current Account Balance [C+D+E]	40	-55	-508	-158	-230	-214	-264	-204	-224
Financed by:									
Grants (Official Transfers)	82	83	87	84	72	103	82	118	122
Official Long Term Loans (net)	108	96	49	16	15	84	110	211	254
Disbursements	123	120	78	55	84	118	135	257	304
Amortization	-15	-24	-29	-39	-69	-34	-25	-46	-50
Official Medium-Term Loans (net)	-14	-13	42	97	13	89	-70	-72	-23
Disbursements	0	0	49	103	68	170	153	133	109
Amortization	-14	-13	-7	-6	-55	-81	-223	-205	-132
Trust Fund	34	0	0	0	0	-1	-7	-11	-12
Direct Foreign Investment	-3	16	16	16	2	2	6	4	5
Private Capital (net)	-5	0	-13	-5	12	4	0	3	-3
Disbursements	0	0	4	4	42	11	5	5	1
Amortization	-5	0	-17	-9	-30	-7	-5	-3	-4
SDR Allocation	14	14	14	0	0	0	0	0	0
Capital n.e.s.	-26	12	0	13	61	-85	15	-69	33
Errors and Omissions	-105	-141	63	-36	-187	55	11	-38	-12
G. Net Capital Account	85	67	258	185	-13	251	146	147	362
H. Overall Balance [F-G]	125	12	-250	27	-243	37	-118	-57	139
I. Monetary Movements	-125	-12	250	-27	243	-37	118	57	-139
Financing									
IMF (net)	28	31	-12	-5	259	214	122	16	-25
Purchases					259	218	122	38	149
Repurchases			-12	-5	0	-4	0	-22	-174
Changes in SDR Holdings	-5	15	-6	-10	17	2*	0	16	-12
Foreign Exchange	-68	27	110	-44	0	-35	11	15	-31
Payments Arrears	-75	-79	141	35	-34	-208	-57	-4	-71
Bilateral Balances	-5	-6	17	-3	1	-10	9	-9	-7
S/T Liabilities of BOG						0	33	23	0
M/T Liabilities of BOG									7

Note: Details may not add to total due to rounding.

Source: World Bank

## Annex 2

TABLE 5

## MERCHANDISE EXPORTS, 1983-1991

(US\$ Million)

ITEM	Actual		1985	Projected		1988	Projected		1991
	1983	1984		1986	1987		1989	1990	
<b>COCOA [beans]</b>									
Volume (MT)	159,280	149,574	171,747	195,012	205,229	183,802	206,279	215,474	233,299
Unit Value (\$/MT)	1,583	2,351	2,189	2,434	2,100	2,227	1,600	1,700	1,700
Total Value (\$ million)	252	352	376	470	436	385	337	373	403
<b>COCOA [Products]</b>									
Volume (MT)	15,000	15,265	15,966	15,858	13,653	20,207	26,775	26,682	26,312
Unit Value (\$/MT)	1,573	2,461	2,261	2,144	2,124	2,227	1,270	1,349	1,349
Total Value (\$ million)	24	29	36	34	29	45	34	36	36
<b>COCOA [Total]</b>									
Volume (MT)	174,280	164,839	187,714	210,870	218,882	204,009	233,054	242,156	259,611
Unit Value (\$/MT)	1,582	2,315	2,195	2,387	2,263	2,108	1,589	1,689	1,689
Total Value (\$ million)	276	382	412	503	495	430	370	409	438
<b>GOLD</b>									
Volume ('000 fine oz.)	278	286	285	292	324	380	456	524	602
ACG		250	255	252	279	297	340	390	450
SGMC		36	30	40	45	63	94	110	125
Other						19	21	24	27
Unit Value (\$/fine oz.)	367	361	318	364	440	441	431	381	389
Total Value (\$ million)	102	103	91	106	142	167	196	200	234
<b>DIAMONDS</b>									
Volume ('000 carats)	439	425	640	565	397	329	329	329	329
Unit Value (US cents/carat)	640	660	860	800	1000	1200	1200	1300	1300
Total Value (\$ million)	3	3	5	5	4	4	4	4	4
<b>MANGANESE</b>									
Volume ('000 MT)	127	248	263	246	235	284	326	326	326
Unit Value (\$/MT)	39	34	34	33	32	28	30	31	32
Total Value (\$ million)	5	8	9	8	8	8	10	10	10
<b>BAUXITE</b>									
Volume ('000 MT)		45	124	226	226	275	316	364	364
Unit Value (\$/MT)		21	22	22	23	22	22	25	25
Total Value (\$ million)		1	3	5	5	6	7	9	9
<b>TIMBER</b>									
Volume ('000 cu. meters)	103	148	247	291	497	538	581	598	616
Unit Value (\$/cu. meter)	142	143	113	151	182	199	212	217	228
Total Value (\$ million)	15	21	28	44	90	105	123	129	139
<b>RESIDUAL OIL</b>									
Volume (MT)	112	124	199	202	159	169	169	169	169
Unit Value (\$/MT)	180	182	168	87	113	89	99	106	112
Total Value (\$ million)	20	23	33	18	19	15	17	18	19
<b>ELECTRICITY</b>									
Volume (mn kwh)		624	1,700	2,500	2,847	2,898	2,898	2,898	2,898
Unit Value (\$/mn kwh)		33,300	20,200	18,360	17,000	26,000	27,000	27,000	28,000
Total Value (\$ million)	12.0	20.8	34.3	46.0	49.0	75.0	77.0	80.0	82.0
<b>OTHER GOODS</b>									
Total Value (\$ million)	8	5	18	14	14	16	34	61	110
<b>GRAND TOTAL</b>	<b>441</b>	<b>567</b>	<b>633</b>	<b>748</b>	<b>827</b>	<b>828</b>	<b>838</b>	<b>919</b>	<b>1,047</b>

Note: Details may not add to total due to rounding.

Source: World Bank

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## Annex 2

TABLE 6: COCOA BEAN PRODUCTION, CONSUMPTION, PRICES,  
PAYMENTS TO FARMERS AND EXPORT RECEIPTS  
(Quantity in thousand tons; values in millions of cedis)

ITEM	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
<b>Production:</b>														
Main Crop	365	382	305	263	250	282	255	216	177	154	165	205	218	173
Mid Crop	8	12	14	8	15	14	3	9	1	4	9	14	9	15
Total	373	394	319	271	265	296	258	225	178	158	175	219	228	188
<b>Consumption:</b>														
Domestic 1/	-	-	-	-	-	35	26	31	25	15	20	25	30	
Export	334	342	270	233	221	253	240	201	160	148	165	188	211	219
Export Receipts	-	-	-	2423	2649	2541	1123	950	4828	12391	13737	22400	44634	75448
Net Payments to Farmers	209	237	242	362	727	1186	1132	2699	2192	3230	4064	7042	12518	19804
<b>Prices in Cedis Per Ton:</b>														
From Exports	1688	1526	2596	10399	11986	10043	4679	4726	30175	83723	96077	183676	229865	344826
To Farmer 2/ 3/ 4/	561	602	758	1333	2489	3603	3644	10628	12000	20000	30000	56600	85000	140000
Remainder	1127	924	1838	9066	9497	6440	1035	-5901	18175	63723	66077	127076	144865	204826

Source: World Bank

1985/86 Data are provisional and those of 1986/87-1987/88 are estimates.

- Note:
- 1/ Includes changes in stocks.
  - 2/ 1982/83-1986/87 include only main crop.
  - 3/ for 1986/87, price excludes bonus of 500 cedis/ton, paid in September 1988.
  - 4/ for 1987/88, price excludes bonus of 10,000 cedis/ton.

## Annex 2

TABLE 7: SUMMARY OF CENTRAL GOVERNMENT FINANCES  
(Millions of Cedis)

ITEM	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982	1983	1984	1985	1986	1987
<b>Total Revenue and Grants:</b>	815	1075	1539	2188	3026	3279	4545	5252	10241	22641	40311	73625	111046
- Tax Revenue:	655	917	1543	1605	2823	2969	4188	4439	8434	17830	31841	61587	95400
* Taxes on Income and Property	203	233	304	383	611	854	1339	1502	1730	4014	7704	14633	23396
* Taxes on Domestic Goods and Service	238	346	403	416	832	1410	1913	2148	1757	5590	8373	19858	26990
* Taxes on International Transactions	214	338	836	806	1380	706	937	789	4948	8227	15764	27096	45015
- Nontax Revenue	105	97	140	191	203	265	309	761	1750	3897	6850	8170	9609
- Grants	0	0	1	0	0	45	48	52	57	914	1620	3868	6037
<b>Expenditure:</b>	1439	1945	3018	4094	4672	7719	8844	9220	15175	27485	47891	70659	99135
- Recurrent:	997	1308	2322	3335	4077	6329	7917	8029	13564	23326	38461	60833	80583
* Wages and Salaries	-	-	-	-	-	-	-	2082	3743	5282	14524	26194	35920
- Development	441	637	695	760	595	1390	927	817	1192	3368	7303	9826	18552
<b>Net Lending</b>	273	250	276	247	115	267	361	374	420	791	2127	2667	4852
<b>Special Efficiency</b>													3000
<b>Current Account Deficit</b>	-183	-233	-783	-1147	-1051	-3050	-3372	-2777	-3323	-685	1850	12792	30463
<b>Overall Budget Deficit</b>	-897	-1120	-1754	-2154	-1760	-4707	-4659	-3968	-4934	-4844	-7580	299	4059
<b>Financing:</b>	897	1120	1754	2154	1760	4707	4659	3967	4934	4844	7580	-299	-4059
- Internal Loans	1060	942	1904	1045	1470	4225	5614	3752	4247	3028	4058	5315	-2879
of which Bank of Ghana	605	646	1437	419	380	3226	1809	434	455	0	2083	-180	-5875
- External Loans (net)	-1	5	-6	-8	290	482	0	215	687	1816	3522	-5614	-1180
- Other Receipts	-163	174	-144	1117	0	0	-955	0	0	0	0	0	0

Source: World Bank

Note: 1979/80-1987 figures are preliminary actuals and subject to revision.

## Annex 2

TABLE 8: SUMMARY ACCOUNTS OF THE BANKING SYSTEM  
(Millions of Cedis; End Period)

	1975	1980	1981	1982	1983	1984	1985	1986	1987	Sept 1988
<b>Net Foreign Assets:</b>	136	-358	-1160	-1024	-16676	-31440	-48702	-130656	-141707	-146244
Banking System	188	477	24	238	4031	9146	4610	5327	11140	9489
Net IMF Position	-52	-119	-78	-59	-8405	-23388	-39359	-113344	-137905	-139251
Post-1972 Payment Arrears	-	-537	-955	-1051	-10399	-15402	-12263	-18571	-10516	-11148
Pre-1972 Payment Arrears	-	-75	-54	-54	-335	-392	-209	-	-	-
Participation Arrears	-	-104	-97	-98	-1568	-1404	-1481	-4068	-5326	-5334
<b>Net Domestic Assets:</b>	1280	8404	12943	16004	22601	39237	66464	94590	105334	93023
Claims on Government	903	6526	10655	11064	21059	24170	27176	29647	22220	17780
Claims on Public Entities	101	400	441	527	813	676	4795	5274	8610	9128
Cocoa Financing	188	1559	2950	5553	521	3580	13545	16889	16471	-
Claims on Non-Bank Fin.	72	74	107	129	200	897	13	-	-	-
Claims on Private Sector	865	943	1345	1562	2841	12153	21178	37455	46945	57706
Net Other Assets	-849	-1098	-2555	-2831	-2833	-2239	-243	5325	11088	8409
<b>Revaluation Account</b>					16158	29930	41884	133135	179768	206880
<b>Money and Quasi Money:</b>	1374	7938	11637	14834	20495	34621	55625	85937	132263	142526
Money	991	6087	9415	11205	16411	27370	43950	65816	95042	101059
Quasi-Money	384	1851	2222	3629	4084	7251	11675	20121	37221	41468
<b>SDR Allocation</b>	42	108	146	146	1588	3106	4021	11132	11132	11132

Source: World Bank

Note:

1. For 1971-75, Net Foreign Assets valued at 1 Cedi = SDR 0.71842.
2. The series after 1978 is not strictly comparable with that of the preceding period because prior data on arrears' payments did not include arrears on service payment.
3. Excludes secondary banks up to 1983.

## Annex 2

TABLE 9: CLASSIFICATION OF LOANS AND ADVANCES 1/ BY PURPOSE  
(Millions of Cedis at End Period)

	1975	1980	1981	1982	1983	1984	1985	1986	1987	Sept 1988
<b>PRIMARY BANKS:</b>										
Agriculture, Forestry, Fishing	32.5	145.3	323.1	486.7	1105.4	2155.0	2897.4	4062.2	5920.1	5620.8
Mining and Quarrying	6.0	49.6	124.8	205.8	238.9	234.0	470.9	629.4	727.5	973.0
Manufacturing	109.0	311.6	325.0	357.9	587.1	1366.8	2350.1	4545.4	6559.7	8871.2
Construction	44.5	168.4	241.0	309.0	411.5	716.2	959.6	1553.8	1742.2	3264.2
Electricity, Gas and Water	1.5	115.2	23.5	40.3	47.8	17.8	31.0	44.9	128.7	58.6
<b>Commerce and Finance:</b>										
Import Trade	33.9	25.5	40.2	37.0	78.2	275.4	778.8	2632.8	2899.9	3284.1
Export Trade	19.1	260.8	336.7	250.1	90.4	187.0	430.9	1263.9	2276.0	2206.3
Other	75.4	210.0	262.2	258.3	636.3	954.9	2363.2	3559.3	2860.9	4771.2
Transport and Communications	42.9	147.6	188.5	176.1	215.2	345.7	663.9	1129.1	1168.9	1863.4
Services	19.7	53.9	93.1	81.8	166.1	306.0	578.4	1026.3	1391.8	3015.4
Miscellaneous	9.2	29.1	40.8	27.4	41.5	92.9	212.4	269.1	1355.2	535.5
<b>Total:</b>	<b>393.7</b>	<b>1517.0</b>	<b>1998.9</b>	<b>2230.4</b>	<b>3618.4</b>	<b>6651.7</b>	<b>11736.6</b>	<b>20716.2</b>	<b>27030.9</b>	<b>34463.7</b>
<b>SECONDARY BANKS:</b>										
Agriculture, Forestry, Fishing	72.0	267.1	346.6	615.2	907.5	1624.1	2310.5	3414.1	4792.9	4729.8
Mining and Quarrying	7.2	11.7	26.9	37.2	183.7	263.5	489.3	807.9	1903.7	281.1
Manufacturing	27.2	171.0	303.7	277.3	781.5	1921.6	3696.3	6255.0	8912.5	12092.7
Construction	33.1	113.3	159.0	202.2	383.2	557.7	1058.2	2345.6	4525.2	3965.3
Electricity, Gas and Water	0.8	0.8	2.5	1.9	1.8	3.6	6.8	1.2	40.8	4.3
<b>Commerce and Finance:</b>										
Import Trade	0.6	4.6	6.0	5.4	29.2	32.3	211.9	298.6	603.9	1041.2
Export Trade	0.0	8.6	92.9	13.0	8.1	0.4	59.1	187.3	382.6	405.7
Other	22.4	42.1	54.2	35.1	47.5	220.1	457.1	1482.7	1456.3	3152.2
Transport and Communications	19.1	64.2	130.4	122.9	184.2	308.0	490.4	892.4	1358.1	2915.2
Services	6.6	43.6	88.7	93.2	81.6	227.7	646.2	1585.2	1745.8	2203.2
Miscellaneous	1.4	49.0	101.4	68.6	85.7	185.0	238.5	669.9	733.5	493.4
<b>Total:</b>	<b>190.4</b>	<b>776.0</b>	<b>1312.3</b>	<b>1472.0</b>	<b>2694.0</b>	<b>5344.0</b>	<b>9664.3</b>	<b>17939.9</b>	<b>26455.3</b>	<b>31284.1</b>

Source: World Bank

Note: 1/ Excludes staff loans, unpaid interest, cocoa marketing advances, and consortium loans.

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## Annex 2

TABLE 10: INTEREST RATES  
(End Period)

	1975	1980	1981	1982	1983	1984	1985	1986	1987	Sept 1988
<b>Bank of Ghana:</b>										
Rate of Govt. Stocks From	5.0	5.0	19.5	5.0	5.0	5.0	5.0	5.0	5.0	-
To	8.0	13.5	19.5	10.5	19.5	19.5	19.5	19.5	19.5	-
Treasury Bill Rate	7.8	12.0	18.5	9.5	13.0	16.8	17.8	19.8	22.8	19.6
Other Advances	9.0	14.5	19.5	10.5	14.5	18.0	18.5	20.5	23.5	-
Bank Rate	8.0	13.5	19.5	10.5	14.5	18.0	18.5	20.5	23.5	26.0
<b>Commercial Bank Rates:</b>										
<b>Borrowing Rates:</b>										
<b>Fixed Deposits:</b>										
3 Months	7.6	12.1	18.3	8.5	11.5	14.8	16.8	-	18-22.0	18-22.0
6 Months	7.9	12.4	18.5	8.5	11.5	15.0	17.0	19.0	19-22.0	18-22.0
12 Months	8.0	13.0	19.0	9.0	12.5	16.0	18.0	20.0	22-22.5	19-22.5
24 Months	-	-	-	-	-	-	19.0	22.0	21-23.0	21-23.0
Savings Deposits	7.5	12.0	18.0	8.0	11.0	14.5	16.5	-	19-22.0	18-21.5
Bill Discount Rate From:	7.8	14.0	25.5	12.0	-	-	-	18.5	-	-
To:	8.5	14.5	25.5	12.0	-	-	23.0	18.5	-	-
<b>Lending Rates:</b>										
<b>Loans and Advances Secured by:</b>										
Government Securities	10.5	16.5	25.5	12.0	16.5	16.5	20.5	-	-	-
Stocks in Trade	12.5	18.5	18.5	18.5	19.0	22.5	23.0	-	-	-
Immovable Property From	11.5	17.5	17.5	17.5	14.5	16.5	23.0	-	-	-
To	12.5	18.5	18.5	18.5	14.5	16.5	23.0	-	-	-
Bank of Ghana Guarantees From	11.5	15.0	15.0	15.0	16.5	20.0	20.5	-	-	-
To	12.5	15.0	15.0	15.0	16.5	20.0	20.5	-	-	-
Other From	12.5	17.5	17.5	17.5	19.0	22.5	23.0	-	-	-
To	12.5	18.5	18.5	18.5	19.0	22.5	23.0	-	-	-
Unsecured Loans From	12.5	17.5	17.5	17.5	19.0	22.5	23.0	-	-	-
To	12.5	18.5	18.5	18.5	19.0	22.5	23.0	-	-	-
<b>First Ghana Building Society:</b>										
Savings Rates From-	5.0	8.0	8.0	6.0	6.0	8.0	-	-	NA	NA
To	5.5	8.5	8.5	6.0	6.0	8.0	-	-	NA	NA
Lending Rate From	10.0	14.0	14.0	10.0	10.0	15.0	23.0	22.5	NA	23.0
To	-	-	-	-	-	-	-	23.0	NA	30.0

Source: World Bank

Note: Effective September 1987, a liberalized system of determining borrowing and lending rates was introduced by the Central bank for all commercial and secondary banks.

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## Annex 2

TABLE 11: Ghana: Sectoral Distribution of Auction Funds, 1986-1987, 1988-Q1-Q3

	US\$M and % of Total									
	1986 (9/19 - 12/31/86)		1987		1988 - Q1		Total		1988 - Q2 - Q3	
	Amount (US\$M)	Share of Total %	Amount (US\$M)	Share of Total %	Amount (US\$M)	Share of Total %	Amount (US\$M)	Share of Total %	Amount (US\$M)	Share of Total %
Agriculture	1.7	4.5%	14.1	6.9%	8.0	10.4%	23.7	7.5%	6.5	4.9%
Transport	3.8	10.0%	24.6	12.1%	4.6	6.0%	33.0	10.4%	14.0	10.6%
Health	2.9	7.8%	11.0	5.4%	3.0	4.0%	17.0	5.4%	7.9	6.0%
Utility	0.5	1.3%	0.4	0.2%	0.0	0.0%	0.9	0.3%	0.2	0.2%
Tourism	0.2	0.6%	1.2	0.6%	0.0	0.0%	1.4	0.4%	0.0	0.0%
Commerce	0.5	1.3%	15.8	7.8%	12.3	16.1%	28.6	9.0%	23.2	17.6%
Industry	25.5	68.0%	103.2	50.8%	36.4	47.6%	165.1	52.1%	57.5	43.7%
Textiles	4.4	11.7%	16.3	8.0%	4.1	5.3%	24.7	7.8%	-	-
Brewery	2.5	6.6%	8.9	4.4%	2.9	3.8%	14.3	4.5%	-	-
Tobacco	1.9	5.0%	7.0	3.4%	2.3	3.0%	11.2	3.5%	-	-
Soap	0.5	1.2%	6.0	3.0%	3.1	4.1%	9.6	3.0%	-	-
Plastic & Rubber	2.3	6.1%	8.0	3.9%	2.4	3.1%	12.7	4.0%	-	-
Metal	2.9	7.8%	12.0	5.9%	2.6	3.4%	17.5	5.5%	-	-
Paper	1.6	4.3%	6.2	3.0%	1.4	1.8%	9.2	2.9%	-	-
Others	9.5	25.2%	38.9	19.2%	17.7	23.1%	66.1	20.8%	-	-
Energy	1.5	4.1%	13.1	6.5%	5.8	7.5%	20.4	6.4%	11.2	8.5%
Timber	0.1	0.3%	2.5	1.2%	1.1	1.4%	3.7	1.2%	2.0	1.5%
Construction	0.8	2.0%	3.3	1.6%	1.3	1.8%	5.4	1.7%	2.8	2.1%
Non-Traditional Exports	0.0	0.0%	0.9	0.5%	0.0	0.0%	0.9	0.3%	0.0	0.0%
Information	0.0	0.0%	1.9	0.9%	0.3	0.4%	2.2	0.7%	0.0	0.0%
Mining	0.0	0.0%	0.4	0.2%	0.0	0.0%	0.4	0.1%	0.1	0.1%
Financial Institutions	0.0	0.0%	7.8	3.8%	3.5	4.5%	11.3	3.5%	2.1	1.6%
Education	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Food Imports	0.0	0.0%	2.3	1.1%	0.0	0.0%	2.3	0.7%	0.0	0.0%
Miscellaneous	0.0	0.0%	0.6	0.3%	0.2	0.2%	0.8	0.2%	4.1	3.1%
Grand Total	37.6	100.0%	203.1	100.0%	76.5	100.0%	317.2	100.0%	131.6	100.0%

Source: World Bank

## Annex 2

TABLE 12: CONSUMER PRICE INDEX NUMBERS (1977=100)

Weight	CATEGORY	1979	1980	1981	1982	1983	1984	1985	1986	1987
100.0	Combined Index	267.3	401.2	868.6	1062.4	2357.4	3304.2	3647.2	4543.1	6352.0
49.2	Food	257.7	392.5	828.5	1125.4	2754.6	3058.5	2717.7	3268.8	4527.1
6.2	Beverage and Tobacco	317.8	514.3	1178.8	1059.2	2302.8	3907.2	4801.5	6369.4	8826.9
19.2	Clothing and Footwear	283.8	398.6	926.7	1049.0	2085.5	3604.3	4643.7	5732.6	8373.7
6.8	Rent, Fuel, and Power	185.3	297.8	643.2	691.0	1721.9	3142.7	3372.8	4807.3	6740.6
5.1	Furniture and Furnishings	287.2	471.8	1207.0	1256.4	2429.1	4765.2	5404.0	6829.0	9703.9
1.8	Medical Care and Health	280.8	435.8	727.1	995.5	1991.6	3143.8	4100.2	4754.5	5908.9
4.3	Transport and Communications	247.0	398.8	789.0	796.7	1608.4	3081.4	4741.5	6364.6	8551.8
5.5	Recreation and Entertainment	315.1	404.4	744.2	1019.6	1406.6	2660.6	4435.3	5317.0	7253.9
1.9	Misc. Goods and Services	320.7	431.1	890.2	1167.0	2255.1	3919.7	4987.1	5917.2	7543.9

Source: World Bank

## Annex 2

TABLE 13: MINIMUM WAGE: DAILY WAGE AND INDICES OF NOMINAL AND REAL WAGES

ITEM	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Minimum Wage:													
Cedis Per Day	2.0	2.0	3.0	4.0	4.0	5.3	12.0	12.0	25.0 1/	35.0 2/	70.0	90.0	90.0
Index Nominal Wage (1977=100)	66.7	66.7	100.0	133.3	133.3	177.7	400.0	400.0	833.3	1166.7	2333.3	3000.0	3000.0
Index Real Wage (1977=100)	225.4	144.2	100.0	77.0	49.9	44.3	46.1	37.7	35.2	35.3	64.0	66.0	47.2

Source: World Bank

Note: 1/ from April 1983  
 2/ from April 1984.

## Annex 2

Table 14

## GHANA EXPORT PROMOTION COUNCIL

DESTINATION OF GHANA'S NON-TRADITIONAL EXPORTS  
1986-1988

\*\*\*\*\*

BY COUNTRY  
-----  
PROVISIONAL

VALUE: IN 1000 U.S.DOLLARS

DESTINATION/COUNTRY	1986		1987		1988	
	VALUE	%	VALUE	%	VALUE	%
TOTAL NON-TRAD. EXPORTS	23,762.16		27,963.81		42,346.44	
***** OF WHICH -----						
AGRICULTURAL PRODUCTS	17,816.82	100.00%	18,788.71	100.00%	27,059.68	100.00%
***** OF WHICH -----						
EEC :TOTAL	3,927.44	22.04%	6,361.65	33.86%	5,664.62	20.93%
HOLLAND	2,087.59	11.72%	2,560.38	13.63%	3,044.12	11.25%
SPAIN	1,301.40	7.30%	2,281.61	12.14%	1,169.81	4.32%
UNITED KINGDOM	499.97	2.81%	867.31	4.92%	929.39	3.43%
FRG	17.54	0.10%	371.94	1.98%	251.38	0.93%
BELGIUM	5.10	0.03%	38.63	0.21%	178.42	0.66%
ITALY	0.55	0.00%	124.95	0.67%	42.87	0.16%
FRANCE	15.29	0.09%	115.57	0.62%	27.38	0.10%
DENMARK	-	-	1.26	0.01%	21.25	0.08%
OTHER DEVELOPED COUNTRIES:TOT	13,356.72	74.97%	11,756.75	62.57%	6,026.79	22.27%
USA	13,237.42	74.30%	11,356.34	60.44%	5,507.66	20.35%
SWITZERLAND	106.97	0.60%	380.11	2.02%	443.07	1.66%
FINLAND	-	-	7.34	0.04%	35.72	0.13%
JAPAN	3.67	0.02%	8.26	0.04%	24.48	0.09%
SWEDEN	-	-	-	-	4.89	0.02%
CANADA	8.27	0.05%	1.43	0.01%	3.66	0.01%
NORWAY	0.39	0.00%	2.89	0.02%	1.73	0.01%
AUSTRALIA	-	-	-	-	0.57	0.00%
AUSTRIA	-	-	0.38	0.00%	0.00	0.00%
ECOWAS :TOTAL	504.51	2.83%	632.44	3.37%	3,771.48	13.94%
COTE D'IVOIRE	1.32	0.01%	31.61	0.17%	2,669.71	9.87%
NIGERIA	460.68	2.59%	489.59	2.61%	775.16	2.86%
TOGO	41.49	0.23%	109.78	0.58%	242.08	0.89%
BENIN	-	-	-	-	74.19	0.27%
CAMBIA	-	-	0.19	0.00%	6.06	0.02%
LIBERIA	1.02	0.01%	1.27	0.01%	2.50	0.01%
SENEGAL	-	-	-	-	1.59	0.01%
BURKINA FASO	-	-	-	-	0.19	0.00%
OTHER AFRICAN COUNTRIES:TOTAL	0.00	0.00%	0.47	0.00%	178.42	0.66%
LIBYA	-	-	-	-	176.98	0.65%
GABON	-	-	-	-	1.44	0.01%
ZAMBIA	-	-	-	-	-	-
KENYA	-	-	0.47	0.00%	-	-

Source: Ghana Export Promotion Council

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## Annex 2

Table 14 (Continued)

DESTINATION/COUNTRY	1986		1987		1988	
	VALUE	%	VALUE	%	VALUE	%
OTHER COUNTRIES:TOTAL	28.15	0.16%	37.40	0.20%	11,418.36	42.20%
PUERTO RICO	-	-	-	-	5,832.58	21.55%
LAS PALMAS	-	-	-	-	5,498.00	20.32%
HONG KONG	13.27	0.07%	7.64	0.04%	56.75	0.21%
SINGAPORE	-	-	2.19	0.01%	30.64	0.11%
MEXICO	0.16	0.00%	-	-	0.19	0.00%
KUWAIT	12.17	0.07%	-	-	0.12	0.00%
MALTA	-	-	-	-	0.06	0.00%
SAUDI ARABIA	2.55	0.01%	-	-	0.03	0.00%
CHINA	-	-	25.33	0.13%	-	-
INDIA	-	-	0.27	0.00%	-	-
TAIWAN	-	-	1.97	0.01%	-	-
PROCESSED & SEMI PROCESS.TOT.	5,914.26	100.00%	9,113.21	100.00%	15,228.98	100.00%
OF WHICH						
EEC :TOTAL	3,418.67	57.80%	4,812.46	52.70%	6,761.00	44.40%
UK	1,233.14	20.85%	2,119.68	23.15%	3,820.48	25.09%
HOLLAND	2,074.52	35.08%	1,833.38	20.67%	925.85	6.08%
FRG	106.43	1.80%	235.37	2.47%	853.86	5.61%
ITALY	-	-	-	-	367.33	2.41%
SPAIN	-	-	117.94	1.51%	331.67	2.18%
IRELAND	-	-	61.01	0.68%	220.03	1.44%
FRANCE	-	-	180.18	1.98%	140.39	0.92%
DENMARK	4.58	0.08%	23.61	0.23%	89.96	0.59%
BELGIUM	-	-	183.29	2.01%	11.45	0.08%
OTHER DEVELOPED C'TRIES:TOT.	537.93	9.10%	555.65	6.10%	3,262.41	21.42%
USA	537.87	9.09%	536.90	5.89%	3,192.71	20.96%
FINLAND	-	-	-	-	23.61	0.16%
SWEDEN	-	-	18.65	0.20%	22.65	0.15%
CANADA	0.06	0.00%	0.10	0.00%	14.00	0.09%
SWITZERLAND	-	-	-	-	9.44	0.06%
ECOWAS:TOTAL	1,069.34	18.08%	3,081.70	33.82%	3,535.34	23.87%
B/FASO	460.19	7.78%	691.70	7.66%	848.75	5.57%
COTE D'IVOIRE	5.74	0.10%	657.69	7.22%	845.68	5.55%
NIGER	164.74	2.79%	755.30	8.29%	811.36	5.33%
TOGO	319.17	5.40%	518.99	5.69%	675.36	4.43%
NIGERIA	58.53	0.99%	324.66	3.56%	329.87	2.17%
MALI	-	-	5.72	0.06%	45.72	0.30%
BENIN	35.04	0.59%	114.11	1.25%	42.70	0.28%
GAMBIA	0.00	0.00%	1.91	0.02%	17.62	0.12%
LIBERIA	25.30	0.43%	2.93	0.03%	14.27	0.09%
SIERRA LEONE	-	-	2.43	0.03%	3.44	0.02%
SENEGAL	0.63	0.01%	0.26	0.00%	0.45	0.00%
GUINEA	-	-	-	-	0.11	0.00%
OTHER AFRICAN COUNTRIES:TOT.	0.00	0.00%	0.00	0.00%	7.04	0.05%
CONGO	-	-	-	-	3.53	0.02%
GABON	-	-	-	-	3.00	0.02%
MOZAMBIQUE	-	-	-	-	0.50	0.00%
ZAMBIA	-	-	-	-	0.01	0.00%

Source: Ghana Export Promotion Council

## Annex 2

Table 14 (Continued)

DESTINATION/COUNTRY	1986		1987		1988	
	VALUE	%	VALUE	%	VALUE	%
OTHER COUNTRIES:TOTAL	888.32	15.02%	673.40	7.39%	1,563.18	10.26%
CUBA	-	-	-	-	1,029.45	6.76%
SOUTH KOREA	-	-	-	-	242.22	1.59%
TAIWAN	28.94	0.49%	114.70	1.26%	233.13	1.53%
HONG KONG	-	-	-	-	57.94	0.38%
SAUDI ARABIA	-	-	-	-	0.43	0.00%
ROMANIA	859.38	14.53%	558.70	6.13%	-	0.00%
HANDICRAFT ITEMS:TOTALS	31.08	100.00%	61.89	100.00%	57.79	100.00%
.....						
OF WHICH						
.....						
EEC :TOTAL	22.85	73.52%	32.98	53.29%	17.60	30.46%
FRG	19.03	61.23%	3.87	6.25%	8.66	14.99%
UNITED KINGDOM	3.82	12.29%	1.14	1.84%	8.42	14.57%
HOLLAND	-	-	0.24	0.39%	0.24	0.41%
BELGIUM	-	-	27.59	44.58%	0.18	0.30%
DENMARK	-	-	-	-	0.11	0.19%
FRANCE	-	-	0.14	0.23%	-	-
OTHER DEVELOPED COUNTRIES:TOT	8.05	25.90%	19.74	31.90%	33.26	57.56%
USA	8.05	25.90%	18.71	30.23%	28.52	49.36%
CANADA	-	-	1.03	1.66%	3.35	6.66%
AUSTRALIA	-	-	-	-	0.57	0.98%
SWITZERLAND	-	-	-	-	0.21	0.35%
SWEDEN	-	-	-	-	0.12	0.20%
ECOWAS :TOTAL	0.18	0.58%	9.00	14.54%	4.13	7.15%
TOGO	0.06	0.19%	4.60	7.43%	2.30	3.98%
COTE D'IVOIRE	-	-	0.34	0.55%	1.57	2.71%
GAMBIA	0.05	0.16%	-	-	0.18	0.31%
LIBERIA	0.07	0.23%	0.30	0.48%	0.05	0.09%
B/FASO	-	-	-	-	0.03	0.06%
NIGERIA	-	-	3.58	5.78%	-	-
MALI	-	-	0.18	0.29%	-	-
OTHER AFRICAN COUNTRIES:TOT	0.00	0.00%	0.00	0.00%	1.24	2.14%
KENYA	-	-	-	-	0.94	1.63%
LESOTHO	-	-	-	-	0.30	0.51%
OTHER COUNTRIES:TOTAL	0.00	0.00%	0.17	0.27%	1.56	2.69%
TAIWAN	-	-	-	-	1.56	2.69%
ISRAEL	-	-	0.17	0.27%	-	-

Source: Ghana Export Promotion Council

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## Annex 2

TABLE 15: VALUES OF EXPORTS BY COUNTRY OF CONSIGNMENT  
(Percentage Share)

CONTINENT/COUNTRY	1975	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>Africa</b>										
Nigeria	0.8	0.6	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Gambia	0.0	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Togo	0.9	0.1	0.2	0.5	0.0	1.1	1.6	17.6	3.0	5.7
Senegal	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liberia	0.1	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Burkina Faso	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ivory Coast	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Egypt	0.8	0.4	0.5	0.2	0.4	0.4	0.3	0.3	0.4	0.3
Congo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Zaire	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Africa Total:	3.1	2.5	1.5	1.0	0.8	1.5	1.9	18.0	4.5	6.1
<b>America</b>										
Canada	0.7	0.5	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Argentina	0.9	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United States	13.9	16.5	18.4	7.8	8.8	22.3	20.3	6.7	5.9	11.1
America Total:	15.5	17.0	18.8	7.9	8.9	22.3	20.4	6.7	5.9	11.2
<b>Asia</b>										
China	1.9	1.7	2.0	1.9	3.1	1.2	2.8	0.0	2.6	4.7
Hong Kong	0.1	0.0	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Malaysia	0.0	0.1	0.2	0.4	0.7	1.2	0.9	2.6	0.7	1.6
Japan	8.7	6.8	6.4	9.3	8.4	12.8	7.8	7.4	12.8	13.1
Asia Total:	10.8	8.7	9.0	12.0	12.2	15.3	11.6	10.3	16.2	19.5
<b>Europe</b>										
United Kingdom	17.7	19.9	17.4	16.4	19.1	10.7	14.5	10.7	21.6	27.5
Belgium/Luxembourg	0.9	0.9	1.3	0.6	0.3	0.6	0.4	0.8	1.0	0.6
France	0.7	1.0	0.5	0.9	0.9	0.5	0.5	0.7	1.1	0.8
Italy	2.6	2.1	1.5	1.7	1.1	0.7	0.3	3.5	0.4	0.5
Yugoslavia	6.1	2.8	2.5	1.7	0.2	1.6	0.6	0.0	0.6	1.3
Romania	0.5	0.5	0.5	1.3	0.1	0.0	0.4	1.1	1.4	1.8
Netherlands	12.5	15.7	20.2	16.5	16.4	12.7	16.4	9.9	1.6	13.7
Fed Rep Germany	10.1	9.3	9.5	10.4	6.8	9.0	9.9	7.1	8.6	8.2
Switzerland	10.4	7.8	6.2	7.9	17.4	18.1	16.8	22.5	24.4	0.0
U.S.S.R.	8.3	11.0	11.1	21.4	15.8	7.0	6.3	8.6	12.8	8.7
Sweden	0.7	0.8	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Europe Total:	70.6	71.8	70.7	79.1	78.1	61.0	66.2	65.0	73.4	63.2
Grand Total:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: World Bank

## **ANNEX III**

# **EVOLUTION OF GHANA'S ECONOMIC POLICY**

## ANNEX III

### EVOLUTION OF GHANA'S ECONOMIC POLICY\*

Ghana became politically independent at a time when industrialization was generally considered a key factor in the modernization and development process. This was because of the belief that both backward and forward linkage effects are more powerful in industry than in agriculture. Therefore the industrial sectors with their powerful linkages with other sectors of the economy, are in a more favorable position to induce the expansion of other sectors and even help the initiation of new industries. Thus it was believed that an industrialization policy geared towards import substitution would induce faster growth and development than would a policy which favored expansion of primary exports through specialization according to comparative advantage.

On attainment of political independence therefore, Ghana embarked upon an ambitious industrialization programme aimed at transforming her predominantly agricultural economy within the shortest possible time. The strategy was import-substitution particularly in the basic industries and the emphasis was on large investments in the latest technology with the state playing a leading role. The government took active part in the economy by investing directly in large state enterprises. Public sector involvement in industry was therefore carried out through the establishment of parastatal bodies.

The stated objectives of industrialization were to exploit the country's vast natural resources; form a base for the development of other sectors of the economy; create jobs for the country's growing labor force; satisfy the basic needs of the population; assimilate, promote, develop and disseminate technologies and skills; modernize the society; and promote economic independence or self-sufficiency. The package of policies pursued by the governments, particularly in the 1960s and 1970s, were aimed at producing at home what was hitherto imported. This strategy was promoted by the use of a wide range of administrative controls such as import licensing, exchange controls, official determination of the rate of exchange, quantitative restriction on imports, and tariffs favorable to domestic production.

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## GOVERNMENT ECONOMIC POLICIES BETWEEN 1951-1966

During the 1951-1966 period, Ghana experimented with two different sets of economic policies:

- (1) Firstly, the government attempted to accelerate growth and development through specialization in primary commodity exports. Since international trade accounted for a large share of foreign and domestic revenues, the government in the fifties pursued policies designed to attract foreign investment into all sectors of the economy in order to promote growth and development.
- (2) Secondly, in the sixties, the whole philosophy of economic development changed and was focused on government-promoted industrialization through import substitution. The fundamental objective was to achieve a high and sustained rate of growth, create an efficient and diversified industrial sector, and to reduce to a minimum the dependence of the economy on imports. It was felt that such a development strategy would lead to less dependence on traditional exports for growth and development. It was also felt that lags in export incomes due to fluctuations in world prices of primary products would inhibit economic development to a lesser extent.

### Economic Policies in the 1950s

At the beginning of political independence on March 6, 1957, Ghana (then called the Gold Coast) inherited an economy dominated by private production for exports and dependent on international trade. Ghana furnished Europe, especially Britain, with raw materials, and received manufactured goods in exchange.

The 1950s were marked by infrastructure development, including the building of roads and communications and the building of hospitals and schools; the provision of public services; and an appropriate regime of tax incentives to encourage private initiative. The first 10-year Development Plan 1951-1960 (later converted to first Five-Year Plan) allocated 88.2 percent of planned total expenditures to social services and infrastructure as compared to 11.8 percent to agriculture and industry./<sup>1</sup> The basic principles underlying government economic policies in the 1950s may be found in a report submitted to the government by Professor Arthur Lewis, then Professor of Economics at Manchester University, London, England in 1950./<sup>2</sup> This development philosophy stemmed from the belief that infrastructural development is the key to economic development. Thus, government directed its efforts towards expanding the economic and social infrastructure: building

new roads and repairing old ones; expanding communication systems; building new hospitals, offices, hotels and schools; and providing supporting services to encourage private initiative through inducements for private entrepreneurs, particularly foreign private entrepreneurs./3

This emphasis on encouraging private foreign entrepreneurs in particular stemmed from the Lewis Report which stressed that the early stages of industrialization are usually based on the contribution of foreigners with the necessary knowledge and capital and on the conviction that industrialization would be impossible without bringing in the requisite knowledge and capital of expatriates./4

An equally important policy goal stressed by the government in the 1950s was the development and improvement of agriculture. It was believed that the most certain way to promote industrialization would be to lay the foundation it required by taking vigorous measures to develop agriculture in order to:

1. provide both the market for industry and industry's labor supply and;
2. raise food production per person and agricultural productivity in general to satisfy the large and increasing demand for food. It was believed that agricultural development would be the surest way to provide the market, the capital, and the labor for industrialization.

The goals of government policy in the 1950s are reflected in the various government development plans in this period, and may be summarized as follows:

1. the development of infrastructural facilities, both economic and social;
2. industrial development based on agricultural development;
3. the leading role of private entrepreneurs in directly productive activities; particularly foreign private entrepreneurs, aided by government provision of economic incentives; and
4. gradual industrial development restricted to a limited number of pilot industries which were to be handed over later to private enterprise.

In short, policies of the government in the 1950s were all intended to promote economic growth through encouragement and

inducements to private initiative. The choice of policies was aimed at promoting economic growth indirectly rather than the State investing in directly productive activities.

#### GOVERNMENT ECONOMIC POLICIES IN THE 1960S AND 1970S

The whole philosophy of government economic policy for accelerating growth and development shifted from one of encouragement of private initiative in the 1950s to one of pervasive public production in the 1960s. The outward-oriented economic policies of the 1950s were replaced by inward-oriented economic policies based on an import-substitution strategy of development combined with the expansion of the public sector. The aims of the new economic policies as reflected in the government's Seven-Year Development Plan (1963/64 - 1969/70) were to:

- (1) manufacture in Ghana those goods which were previously imported, especially consumer goods, to meet the requirements of the domestic market. The emphasis of the new policies was on direct public investment and direction of the economy.
- (2) maintain economic independence of the outside world, and Western Europe in particular, for those manufacturing goods that could be produced in Ghana. "Every time we import goods that we could manufacture, if all the conditions were available, we are continuing our economic dependence and delaying our industrial growth"./5
- (3) reduce the country's economic vulnerability by lessening its dependence on mono-crop agricultural exports as the means for economic development; and
- (4) increase employment opportunities for the growing population through the establishment of manufacturing 1960s were, however, more economic than political. The change can be attributed to three principal influences: industries at home and to diversify the structure of production in manufacturing.

The reasons for the change in government economic policies in the 1960s were, however, more economic than political. The change can be attributed to three principal influences:

- (1) the decline in both foreign exchange reserves and domestic revenues because of the falling world prices of cocoa, Ghana's chief export;

- (2) the need to raise economic growth rates and increase employment for a growing population and labor force; and
- (3) the failure of foreign private capital to respond to the various economic incentives provided by the government during the 1950s.

There was a continuous decline in the country's foreign exchange reserves position particularly in the 1960s. Exports and imports at that time constituted about 46 percent of gross domestic product (GDP) in Ghana. Thus, not only was Ghana's ability to import dependent on her ability to earn foreign exchange but also government revenues depended on export taxes and import duties. Between 1957 and 1960, there was a continuous yearly decline in the world market in the unit price of cocoa. This continuous decline in the world price of cocoa at a time of accelerated investment by the government, especially in the infrastructural sector, was a principal cause of the decline in foreign exchange reserves and the persistent unfavorable balance of trade during the period. The decline in the world price of cocoa led the government to believe that there was no future for the country's economic growth through expansion of exports of the country's primary products.

The second reason for the shift in government policy was the need to increase employment opportunities by the government. This was shown by the increasing rate of growth of the population and the increasing rate of unemployment of the labor force. It was felt that import-substitution, especially of consumer goods, would increase employment opportunities. The final reason for the shift in government economic policy was the failure of foreign private capital to respond to government incentives. Despite favorable conditions created by the government, net foreign inflow of capital showed a general decline since 1957./6

The political factors accounting for the shift in government policy could form the subject of a whole study and are not discussed here in detail. However, there seems to be evidence to suggest that in the 1950s, the Government of Ghana could not have afforded politically to initiate the economic policies that it adopted in the 1960s. The need to consolidate political power and to unite the country as well as the need to create a "favorable" image in the international community made it unwise for the government to introduce "radical" government economic policies at the beginning of political independence. It could, therefore, be argued that the open-door policies of the government in the 1950s were, in part, the result of some of these non-economic considerations.

## DEVELOPMENT STRATEGIES IN THE 1950S AND 1960S

The Ghanaian Government formulated five Development Plans in the 1950s and 1960s for the economic development of Ghana. The government's development strategies in these periods may be determined by examining the changing percentage allocation of government expenditures to various sectors of the economy since these changes may be taken as indicative of government's sectoral priorities.

An examination of government development plans reveals that the priority concern of government in the 1950s was to concentrate its resources on "support service", i.e. physical, social, and economic, and to aid private investors to operate in the directly productive fields of agriculture and industry through the provision of tax incentives. This emphasis on infrastructural support is borne out by the percentage allocation of planned investment expenditure (see Appendix 2). Under the first ten-year development plan, economic and production services and other infrastructural development services (Appendix 1) accounted for 85.2 percent of the government development budget.

Of the total estimated planned investment expenditures, only 35.1 percent was to be financed from loans and grants, with the remaining 64.1 percent was to be financed from domestic financial resources. This reliance on domestic financial resources for economic development had been one of the major distinguishing features of economic policy in Ghana in the 1950s. This is in contrast to the 1960s when borrowing from external sources was resorted to in order to maintain intended levels of government expenditures.

The 1950s also stressed the importance of agricultural development to the overall economic development of Ghana. However, despite pronouncements to this effect, the agricultural sector received only five percent of government budgeted expenditures (Appendix 3).

The second five-year development plan was launched in 1959 after a two year period of consolidation. Estimated planned expenditures increased by 373.0 percent over the first five-year plan. Under this plan, there was a relative decline in the emphasis placed on infrastructural development and allocation to education sector, but an increased emphasis was placed on industry. agriculture received only 6.5 percent of total planned government expenditures.

## DEVELOPMENT STRATEGIES IN THE 1960S

Government development strategies of the 1960s were basically to:

- (1) secure for the public sector control over resources of the country and to direct investment; and
- (2) substitute domestic production for previously imported merchandise.

The strategy of government encouragement and inducement to private initiative was shifted to government direct participation in and control of the economy. The Seven-Year Development Plan formulated during this period (1963/64 - 1969/70) was different in one fundamental respect from the previous development plans: it was formulated within the framework of a political philosophy which emphasized socialism as the only way of accelerating economic growth and its equitable distribution. The Seven-Year Plan showed a sizeable increase in total investment by the government. This is explained by reference to the desire of the government to achieve the fastest rates of growth within the shortest possible time. Investment in directly productive activities received greater emphasis under this plan, with emphasis on expansion of the industrial base of the economy through the establishment of state enterprises. Under this plan investment in industry received one-fifth of total planned investment.

The period of the 1960s was also characterized by the imposition of administrative controls. The problems faced by the country due to the falling world price of cocoa at a time of accelerated development expenditures, and the consequent balance of payment problems, resulted in the establishment of administrative controls and import restrictions as well as restrictions on foreign exchange transactions. These administrative controls and restrictions were aimed at creating an internal market protected by high customs duties and import quotas, thereby enabling the nascent industries to produce substitutes for commodities which were previously imported.

Although primarily it was the need to strengthen the country's balance of payments position that necessitated the institution of administrative controls in the first place the controls were also used to achieve the following objectives:

- (1) to regulate the flow and composition of imports into the country with a view to excluding the importation of "non-essentials".
- (2) to give preference to the public sector over the private sector in the rationing of scarce resources needed for production; that is they were used as a means

to increase the power of government to control and direct the economy.

- (3) to increase trade with the socialist countries and to change the geographical origin of imports. In addition to physical controls, tariffs were also used to achieve the objectives of the new development policies enumerated above. The tariff structure created incentives for production for the domestic market and discriminated against production for export.

The choice of state socialism as a strategy for economic development explains the expansion and predominance of the public sector in economic activity in Ghana during the First Republic (1960-1966), an activism that has remained a dominant economic characteristic down to the present time. For example in 1961 alone the government established 63 state enterprises, with 500 more envisaged under the country's Seven-Year Development Plan (1962/63 - 1969/70). The establishment of state enterprises was part of a conscious government policy to invest in activities that would accelerate economic growth, facilitate efficient public administration, and achieve social transformation.

#### THE PERIOD OF THE INTER-REGNUM AND THE SECOND REPUBLIC (1966 - 1972)

After the overthrow of the First Republican Government (1960-1966) by the Ghanaian military in a coup d'etat in February 1966, the National Liberation Council (NLC) was established in February 1966. The NLC government pursued a policy of stabilization of the economy. The Second Republic Administration that succeeded it in 1969 pursued a laissez-faire economic philosophy that emphasized free enterprise and de-emphasized the role of the state in economic activity. Overall the policy was to encourage the private sector and particularly indigenous Ghanaian initiative through legislation that reserved certain economic activities for Ghanaians.

In 1968, the NLC passed the Ghanaian Enterprises Decree (1968). This law marked the first direct attempt to open the way for local participation in certain sectors of the economy in post-independence Ghana./8 Under this law certain small-scale commercial enterprises were reserved solely for Ghanaian nationals.

The Ghanaian Business (Promotion) Act 1970 superseded the 1968 Decree. The purpose of that law was to wrestle the control of certain areas of commercial activity from domination by aliens and place it in the hands of Ghanaians. The law sought to restrict certain economic activities to Ghanaians in accordance with a schedule that excluded aliens from petty trading and from undertaking certain activities in the retail and wholesale trade sectors. Indigenization under both the 1960 and 1970 laws related

mainly to individual small and medium scale operations. These two laws affected only resident expatriates (Levantine and Indian businessmen and other immigrant communities from neighboring African countries); it did not affect branches and subsidiaries of multinational companies.

Two participation decrees promulgated in 1972 affected the multinational companies. Under these two acts of legislation, the state acquired a 55 percent equity shares in all mining and timber operations in Ghana. Under both laws, however, management was left in the hands of the minority partners of the joint-venture (the foreign partners). Under other two subsequent laws, the Investment Policy Decree 1975 and the Ghanaian Enterprises Development Decree (1975), national development by self-reliance was emphasized through the "use of legislative power of the State to capture the commanding heights of the economy and to sustain its growth".<sup>9</sup> Thus for the brief period of 1966-1971 when the ideological philosophy of development emphasized free enterprise and laissez-faire development strategies, the orientation of Ghanaian development philosophy over two decades was towards state control of the economy.

From the overthrow of the Second Republic Administration in January 1972 until the launching of the economic policies under the Economic Recovery Programme in 1983, there has been a continuous trend of nationalistic sentiments reminiscent of the period of the First Republic. Accordingly, almost throughout the history of its economic development strategy, government participation in the economy, control of foreign investment, and restructuring of corporate relationships with foreign investors have constituted the basic philosophy of Ghana's economic management.

The central objectives for the achievement of growth and development in the Ghanaian economy through a Government-supported, import-substitution strategy of industrialization, were to exploit the country's natural resources; form a base for the development of the other sectors of the economy; create jobs for the country's growing labor force; satisfy the basic needs of the population; assimilate, promote, develop and disseminate technologies and political independence. Outstripping real rates of growth of all other sectors, performance in the industrial sector was the leading force behind the high over-all growth rate of GDP in the early 1960s. However, after reaching its peak in the mid-1970s, the industrial sector began to decline steadily until 1983 when its skills to modernize the society; and promote economic independence and self-sufficiency.

As a result of the vigorous policies pursued by the Government towards the growth and development of the industrial sector at the early stages of political independence, the industrial sector exhibited strong growth performance during the first decade of

contribution to the country's GDP was barely 8 percent. The value of output of the industrial sector in 1976 was 1.54 billion cedis as compared to 700 million cedis in 1983, representing a drop of 55 percent. Between 1963 - 1970, the industrial sector grew by about 13 percent per annum. Between 1970-77, however, it stagnated at about 10 percent per annum only to assume its downward decline to the level of 8 percent reached in 1983.

Some progress was therefore made as a result of Ghana's vigorous industrial promotion efforts. The industrial sector for almost two decades (1960-1977) was the leading sector stimulating and promoting growth elsewhere in the economy. The manufacturing sector's output to GDP rose from 10 percent in 1960 to 14.0 percent in the mid 1970s and 13% in real terms. The sector's output, however, began to experience a decline in the mid-1970s, particularly after 1977, because of foreign exchange shortages due to a fall in export earnings. Consequently, the share of manufacturing output to GDP declined from its peak of 14 percent in the mid-1970s to about 5 percent in the early 1980s. Average capacity utilization in the industrial sector estimated at between 43 percent and 52 percent during the 1970/72 and 1975/77 period, recorded a sharp decline and fell to 21 percent in 1982. The growth performance was even worse in the light industries of textiles, garments and rubber sub-sector.

Although employment in large-scale manufacturing enterprises doubled during the 1960s its contribution to employment creation was minimal considering the amount of investment made in that sector. Of the estimated 3.5 million work force in 1970 only 1.6 percent were employed in large scale manufacturing although that sector took some 10 percent of capital formation. Scarcity of consumer goods put pressure on prices resulting in a decline in real wages and an accompanying fall in the standard of living.

According to the 1968 input-output table (the latest available), the manufacturing sector has done little to stimulate incomes and output in other sectors of the economy. Manufacturing industry's purchases are estimated to have taken only 3 percent of agricultural output, 12 percent of forestry output, 29 percent of fishing, and 7 percent in mining and quarrying output in 1968. Likewise inputs from the manufacturing sector to the above-mentioned sectors have been minimal and there was little productive interaction within the manufacturing sector itself. The only linkages of significance between the manufacturing and other sectors was with the service sector, particularly the transportation and construction sub-sectors. Thus domestic production had generally replaced imports with little use of domestic resources.

Although no recent data are available on inter-sectoral relationships, the high dependence on imported inputs to industry does not appear to have changed significantly. The industrial

sector on the whole therefore has failed to meet the aspirations of the government. It has failed to play a leading role and has become a lag sector failing to create jobs and higher standard of living for those it has employed. The economy has also become more dependent on external resources now than it was at the time of the beginning of the industrialization efforts.

The poor performance of Ghana's industrial sector after its strong initial surge was reflected in the under-utilization of its established capacity. In the mid-1970s average industrial capacity utilization was 52 percent compared to an all time low of 18 percent in 1984. The excess capacity problem in the industrial sector still persists today. Labor productivity in industry, like all other indicators of industrial performance, also declined by 43 percent between 1977 and the beginning of the 1980s.

Employment creation in the large establishments failed to correspond to the massive investment that went into their establishment because of the capital intensive nature of the investments. The small-scale and private enterprise sectors were the only sub-sectors which provided some employment to the growing labor force. Exports of industrial output were minimal and were dominated by export commodities such as aluminum products. Exports from the sector were low both in terms of volume and value and had been inhibited mainly by the distorted incentive structure created by administrative controls and the over-valued exchange rate.

The poor performance of the industrial sector during the mid 1970s and early 1980s was principally due to inappropriate economic policies pursued by various governments. The result of these policies was to inhibit the ability of the Ghanaian economy to cope with the changing external economic environment and the inter-related problems of capacity under-utilization, high unit costs, low productivity, widespread inefficiency and low competitive position in international markets.

The structural imbalance and poor performance in the industrial sector reveal the following structural weaknesses.

- (a) Input requirements for full capacity production far outstripped the amount of foreign exchange available. This was due to import dependence on external inputs for industrial production which was the result of the strategies adopted for industrial development and accentuated by trade and exchange regimes of governments over the period.
- (b) A divergence between full capacity production and the size of the domestic market for many industries. This occurred as a result of excessive regime of protection and an incentive system which encouraged the creation of new capacity rather than rehabilitation.

- (c) The insufficiency of availability of domestically produced raw materials compared to the domestic processing capacity created.

#### THE ECONOMIC RECOVERY PROGRAMME

It was in response to the above described economic malaise that the Ghanaian Government introduced a body of economic policy measures in 1983, the so-called Economic Recovery Programme (ERP), intended to arrest a further decline of the country's economic and financial situation. The programme is intended to remove the serious cost/price distortions in the economy and to realign relative prices in favor of the productive sectors of the economy. The ERP includes exchange rate adjustments to be determined through the market mechanism, trade liberalization, improved public sector management, and structural reforms.

The policy measures to be undertaken are embodied within a Structural Adjustment Programme (SAP) intended to remove structural bottlenecks, improve resource allocation and to create an efficient and well integrated economy. The SAP emphasizes increases in production through increased utilization of existing capacities while developing an appropriate policy framework based on efficient use of resources. The SAP also includes strengthening of the institutional framework to design and implement policies and programs for long-term industrial growth.

#### Government Industrial Sector Adjustment Programme (ISAP)

In the light of the serious structural weaknesses mentioned above, it became clear in the early 1980s that the industrial capacity of Ghana could only be effectively utilized after a sectoral restructuring and rehabilitation programme. Although the government initiated necessary macroeconomic policy reforms under the framework of the ERP launched in 1983, there was the felt need to shift the edge of reforms to the level of individual sectors. This led to the initiation of the Industrial Sector Adjustment Programme (ISAP) in 1986. Being an important growth sector, the industrial sector was intended to play a leading role in the government's efforts at returning the economy to the path of sustained growth.

The industrial sector adjustment programme was based on the premise that for some industrial establishments an enhanced capacity utilization coupled with rehabilitation could lead to profitable operation. The ISAP is a multi-year programme and contains two main strategic themes. First, output expansion in the short-run was to be achieved mainly through increased capacity utilization. This objective is to be met by removal of production

bottlenecks, amenable to short-term action such as provision of foreign exchange for importation of inputs and by selective rehabilitation of potentially viable firms. In the long-run, the strategy is to implement structural measures aimed at improving incentives in favor of exports, to create conditions for the market mechanism to play a bigger role in resource allocation, and to narrow the divergence between industrial resources and domestically available materials.

## ENDNOTES

1. Walter B. Birmingham (ed.), A Study of Contemporary Ghana (Evanston: Northwestern University Press, 1966), page 455.
2. Arthur Lewis: Report on Industrialization of the Gold Coast, Government Printing Press, Accra, 1950.
3. Ibid., page 104.
4. Ibid., page 93-94.
5. Ibid., page 112.
6. International Monetary Fund: International Financial Statistics 17 (July 7, 1964), page 130.
7. Ruth Nyakotey: "Decolonization of Foreign Investment Through Law", Paper presented at the African Studies Association (ASA) meeting, New Orleans USA, November 1985.
8. Ibid., page 12.

Annex III

APPENDIX 1

PROPORTIONATE DISTRIBUTION OF GOVERNMENT INVESTMENT  
EXPENDITURES (VARIOUS PLANS)

Plan	Percentage Distribution to	
	Agriculture and Industry	Social Services and Infrastructure
First Five-Year Development Plan	11.2	88.2
Second Five-Year Development Plan	20.3	79.7
Seven-Year Development Plan	37.3	62.7

SOURCE: E. N. Omaboe, "The Process of Planning," in  
A Study of Contemporary Ghana, eds, Walter Barr  
Birmingham et al., vol. 1: The Economy of Ghana  
(Evanston: Northwestern University Press, (1966), p.455

Annex III

APPENDIX 2

FINANCIAL ALLOCATION 1951 TEN-YEAR PLAN BY BROAD  
FUNCTIONAL CATEGORIES

<u>Categories</u>	<u>Ghanaian Pounds</u>	<u>Percentage of Total</u>
1. Economic and Productive Services	12,444,000	16.9
2. Communications	26,110,000	35.3
3. Social Services	24,542,000	33.0
4. Common Services and General Administration	10,896,000	14.8
Total	73,992,000	100.0

SOURCE: E. N. Omaboe, "The Process of Planning," A Study of Contemporary Ghana, eds Walter Barr Birmingham et al, vol. 1: The Economy of Ghana (Evanston: Northwestern University Press, 1966), p.442.

Annex III

APPENDIX 3

CAPITAL ALLOCATIONS UNDER THE FIRST AND SECOND DEVELOPMENT PLANS  
(Money Amounts in Thousands of Ghanaian Pounds)

Sector	First and Consolidation Plans	Percent	Second Plan for Immediate Implementation	Percent	Total Allocation
Agriculture and Natural Resources	7,616	6.48	10,425	7.90	24,668
Industry and Trade	5,548	4.72	15,418	11.68	25,331
Electricity	4,440	3.78	7,000	5.30	8,765
Communications	35,955	30.60	28,679	21.72	53,010
Local and Regional Government	6,000	5.11	9,220	6.90	18,852
Education	17,390	14.80	14,150	10.72	27,852
Information and Broadcasting	1,176	1.00	1,693	1.28	2,677
Housing	7,862	6.69	7,093	5.37	17,000
Health, Sanitation and Water Supplies	15,033	12.79	19,675	14.90	43,650
Police and Prisons	2,953	2.51	4,786	3.36	7,677
Miscellaneous	13,549	11.53	7,718	5.85	13,684
Contingencies	----	---	6,143	4.65	6,834
<b>Total</b>	<b>117,522.00</b>	<b>100.0</b>	<b>132,000</b>	<b>100.0</b>	<b>250,000</b>

Source: Gold Coast, The Ten-Year Development Plan

(Accra: 1951), pp. 31-34; Ghana, Planning Commission, The Second Development Plan (Accra: 1959), pp. 63-124; and Ghana, Planning Commission, The Seven-Year Plan

for National Reconstruction and Development; Financial

Years 1963/64-1969-70 (Accra: 1964) p. 34.

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## Annex III

APPENDIX 4PLANNED AND PROJECTED STRUCTURE OF INVESTMENT 1963/64-1969/70(A) BY SECTOR

	Million Ghana Pounds	Percentage of Total
(1) Planned Investment (State Sector)	333.3	32.79
(2) Projected Investment (Private Sector)	273.7	26.89
(3) Industrial Investment (State & Private)	269.3	26.49
(4) Depreciation	140.2	13.79
Total Investment	1,016.5	1000

(B) BY ECONOMIC SECTOR

	Million Ghana Pounds	Percentage of Total
(1) Agriculture	176.6	17.37
(2) Industry	206.4	20.30
(3) Mining	41.7	4.10
(4) Transport	62.9	6.80
(5) Housing	76.2	7.50
(6) Infrastructure	109.4	10.76
(7) Social Services	127.9	12.58
Other	75.2	7.40
Depreciation	140.2	13.80
Total	1,016.5	100.0

SOURCE: Ghana, Planning Commission, The Seven-Year Plan for National Reconstruction and Development: Financial Years 1963/64-1969/70 (Accra: 1964), p 271

Totals may not add due to rounding.

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# **ANNEX IV**

## **FRAMEWORK FOR TRACKING MACROECONOMIC INDICATORS**

## ANNEX IV

### FRAMEWORK FOR TRACKING MACROECONOMIC INDICATORS

The framework for tracking macroeconomic indicators recommended below was prepared at the request of the Accra USAID Mission. The framework is designed for the collection of data from a variety of sources and is intended to enable the monitoring of economic trends and developments affecting the private sector.

Many of these data are readily available from the Statistical Service and are published regularly, or can be obtained from government entities such as the Central Bank. In addition, the Minerals Commission and Export Promotion Board compile statistics in their respective areas with regularity. Among the most difficult data to track will be statistics on employment, which are not readily available from currently published sources.

While the Statistical Service does compile statistics on industrial capacity utilization by sector and sub-sector, such data are often not recent. USAID may wish to encourage the Association of Ghana Industries (AGI) to commence collection of this and other data relating to industry; for example, industrial employment, inventory levels, or rough measures of productivity. This would both improve the timeliness of the data and strengthen AGI's communication with its members. Similarly, AID might wish to explore with the Ghanaian Chamber of Commerce the possibility of collecting statistics on the development of new businesses. Such statistics might be derived from changes in the Chamber's own registry of members; the number of licenses issued by the Ministry of Industry for the establishment of businesses; or perhaps the number of new taxi cabs, or other forms of transport, granted licenses each year. The GIC would be the logical source of information to track investment projects approved and commenced in the non-minerals sector.

As the discussion above indicates, the suggested list of indicators is by no means an exhaustive one, but instead is a proposed starting point of those data of the greatest utility to USAID in monitoring the private sector. With time, it may be helpful to track additional indicators in areas of particular interest to AID.

## FRAMEWORK FOR TRACKING MACROECONOMIC INDICATORS

<u>DATA</u>	<u>FREQUENCY OF COLLECTION</u>	<u>SOURCE</u>
<u>Levels of Investment</u>		
1. Foreign and domestic, by sector and sub-sector	annually	Ghana Investments Centre, Minerals Commission, Statistical Service
2. Number & value of projects approved by the GIC	quarterly	GIC
3. No. of approved GIC projects commenced & value of investment	quarterly	GIC
4. No. of projects approved by Minerals Commission & of investment	quarterly	Minerals Commission
5. No. of projects approved by the National Energy Board and value of investment	annually (or as needed)	National Energy Board
6. No. & value of SOE divestitures	bi-annually	State Enterprises Commission
<u>Macroeconomic Data</u>		
1. Net credit flows to Central Government, parastatal, & private sector; sources of credit flows (multilateral, bilateral, and private)	annually	Central Bank, Ministry of Finance of Finance
2. CPI data	quarterly	Statistical Service
3. Minimum wage rates, current & real, and compensation in general across sectors	annually	Statistical Service, Ministry of Productivity and Social Welfare

4. GDP growth by sector and sub-sector	annually	Statistical Service
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Interest Rates

1. Deposits & lending	quarterly	Bank of Ghana
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Industrial Sector

1. Capacity utilization by sub-sector	bi-annually	Statistical Services, Association of Ghana Industries
2. Inventory levels	bi-annually	Association of Ghana Industries

Exports

1. Traditional Exports (cocoa, gold, timber, diamond, manganese, bauxite) by volume value, and market destination	annually	Bank of Ghana, Statistical Service, Minerals Commission, Timber Exports Development Board
2. Non-traditional exports, by sector (agriculture, processed & semi-processed) -by volume -by value -No. of exporters -No. of products -market destination	annually	Export Promotion Council

Employment

1. Total workforce	annually	Ministry of Productivity and Social Welfare
2. Total employed by sector and sub-sector	annually	Ministry of Productivity and Social Welfare
3. Total SOE and public sector employment	annually	Ministry of Productivity and Social Welfare

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# **ANNEX V**

## **RELEVANT LEGISLATION GOVERNING INVESTMENT**

## INVESTMENT CODE, 1985

WHEREAS the Government of the Provisional National Defence Council of Ghana has embarked on an Economic Recovery Programme to redress past decline in the economy of Ghana;

WHEREAS it is considered vital to encourage investment in the Ghanaian economy to enable increased production and productivity for national development, and to enable the exploitation of the immense natural resources of Ghana in a manner conducive to the mutual benefit of investors and the nation, to promote effective employment and the development of skills and technology requisite for the progress of Ghana;

WHEREAS as part of the Economic Recovery Programme, the Government has taken realistic steps to make Ghana's economic environment more competitive for investment;

WHEREAS it is deemed necessary and appropriate for a clear and stable institutional framework to be established for investors to operate within;

WHEREAS it is proposed to offer incentives and guarantees to encourage investment particularly in areas of national priority;

WHEREAS it is deemed expedient to modify the existing laws relating to investment;

WHEREAS the Government has enacted a Petroleum (Exploration and Production) Law, 1984 (P.N.D.C. Law 84) to govern investment in the exploration and production of petroleum;

WHEREAS the Government intends to enact a Minerals Code to update and systematize the law relating to investment in mining activities apart from petroleum; and

WHEREAS investment in all other areas shall be governed by this Code.

NOW THEREFORE in pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981, this Law is hereby made.

## PART I—THE GHANA INVESTMENTS CENTRE

1. (1) There is hereby established a body corporate to be known as the "Ghana Investments Centre", (hereinafter referred to as the "Centre"), which shall be an agency of the Government for the encouragement, promotion and co-ordination of investments in the Ghanaian economy. Establishment of the Centre.

(2) The Centre shall have perpetual succession and a common seal and may sue and be sued in its own name.

(3) The Centre shall have power for the discharge of any of its functions, to acquire and to hold any movable or immovable property, to dispose of such property and to enter into any contract or other transaction.

*INVESTMENT CODE, 1985*

Object and  
functions of  
the Centre.

2. Without limiting the general effect of subsection (1) of section 1, the Centre is empowered to carry out the following functions related to enterprises covered by the provisions of this Code:

- (a) to collect, collate, analyse and disseminate information about investment opportunities and sources of investment capital, and advise, upon request, on the availability, choice or suitability of partners in joint-venture projects;
- (b) to identify specific projects and invite interested investors for the implementation of such projects;
- (c) to initiate and organize promotional activities such as exhibitions, conferences and seminars for the stimulation of investments;
- (d) to grant approvals for the establishment of enterprises as specified under this Code;
- (e) to grant approvals which will qualify investors or enterprises for the benefits specified under this Code;
- (f) to secure all licences, authorities, approvals and permits required to enable any approval granted by the Centre to have full effect;
- (g) to maintain liaison between investors and Ministries, Government departments, agencies, institutional lenders and other authorities concerned with investments;
- (h) to monitor and enforce compliance with the terms and conditions of approvals granted under this Code;
- (i) to approve and keep record of all technology transfer agreements relating to investments under this Code;
- (j) to do all such other acts as are incidental or conducive to the attainment of the purposes of this Code, including recommending needed changes in legislation to encourage investments, and recommending the simplification of procedures relating to immigration, land acquisition, customs clearance and related matter.

The Board.

3. (1) The governing body of the Centre shall be the Board which shall be responsible for the discharge of the business and functions of the Centre.

(2) The Board shall consist of:

- (a) a Chairman and six other persons, including a Vice-Chairman and a Chief Executive all of whom shall be appointed by the Council having regard to their sound knowledge or practical experience of matters pertaining to investments in Ghana, or both.

*INVESTMENT CODE, 1985*

(3) Members of the Board except the Chief Executive shall hold office for a term of three years and shall be eligible for re-appointment; and a member may at any time resign his office by writing addressed to the Council.

4. (1) The Chairman shall preside at all meetings of the Board and in his absence the Vice-Chairman shall preside. Meetings of the Board.

(2) In the absence of the Chairman and the Vice-Chairman at any meeting of the Board, a member of the Board elected by members present shall preside at that meeting.

(3) The quorum for any meeting of the Board shall be four.

(4) The Board may co-opt any person to act as adviser at any meeting of the Board, so however that no person so co-opted shall have the right to vote on any matter coming before the Board for decision.

(5) Except as otherwise expressly provided under this Code, the Board shall determine the procedures for its meetings.

5. The Board may for the discharge of the functions of the Centre appoint Committees of the Board comprising members of the Board or non-members or both and may assign to them such functions as the Board may determine. Committees of the Board.

6. (1) The Chief Executive shall hold office upon such terms and conditions as the Council may on the advice of the Board determine. Chief Executive.

(2) Subject to such general directions as the Board may give on matters of policy, the Chief Executive shall be responsible for the day-to-day administration of the Centre and the implementation of the decisions of the Board.

7. The Board shall have an officer to be designated the "Secretary" who shall be appointed by the Board to perform the functions of maintaining a Secretariat of the Board and of ensuring accurate records of proceedings and decisions of the Board. The Secretary.

8. (1) The Centre may from time to time engage such employees, consultants and advisers as may be necessary for the proper and efficient conduct of its business and functions. Staffing, functioning and organisation of the Centre.

(2) The staff of the Centre shall be appointed in accordance with section 17 of the Provisional National Defence Council (Establishment) Proclamation (Supplementary and Consequential Provisions) Law, 1982 (P.N.D.C. Law 42).

(3) The Board may, on the recommendations of the Chief Executive create such departments in the Centre as it may consider necessary for the efficient discharge of the functions of the Centre.

**INVESTMENT CODE, 1985**

**Certain  
Financial  
Provisions  
Relating to  
the Centre.**

9. (1) The Centre may open and operate bank accounts.

(2) The Government shall provide to the Centre such funds as may be necessary for the efficient discharge of its functions under this Code.

(3) The Centre may levy such fees and charges for its services as may be determined by the Board.

(4) All assets of the Centre and all receipts from activities and transactions under the provisions of this Code as well as receipts from other authorised sources shall be credited to the Centre and may be used for any expenditure or obligations in connection with the performance of its object and functions.

**Exemption  
from  
Income Tax.**

10. The Centre shall be exempt from the payment of income tax.

**Transfer of  
Assets,  
Liabilities  
and Staff.**

11. (1) All assets, rights, obligations and liabilities of the Ghana Investments Centre established under the Investment Code, 1981 (Act 437) are hereby transferred to the Ghana Investments Centre re-established under this Code.

(2) All persons employed by the Centre immediately before the coming into force of this Code shall, on the coming into force of this Code be deemed to have been duly appointed under this Code, and shall continue to hold office as employees of the Centre.

**PART II—PRIORITY AREAS**

**Activities  
specified as  
priority  
areas.**

12. (1) The following categories of activities specified in Part A of each category in this subsection are priority areas of investment and any enterprise obtaining approval to engage in any such activity shall be accorded priority status and qualify for the benefits and incentives specified in Part B in relation thereto and the guarantees in Part 3 of this Code.

**A. Agriculture:**

(a) Production, protection, processing and preservation of crops and livestock;

(b) Any other agricultural activities, including services, as may from time to time be prescribed.

**B. Applicable incentives and benefits:**

(a) Government guarantee of land use for the establishment and operation of the project;

(b) requisite permission for importing essential plant, machinery, equipment and accessories required for the enterprise;

**INVESTMENT CODE, 1985**

- (c) exemption from payment of customs import duties on plant, machinery, equipment and accessories imported specially and exclusively to establish the enterprise once approved;
- (d) a corporate income tax rate of forty-five per cent with the allowances and deductions herein below provided:
  - (i) depreciation or capital allowance on plant, machinery, equipment and accessories to the extent of 100 per cent in the year of investment;
  - (ii) investment allowance of 10 per centum;
  - (iii) in the case of tree crops and livestock, excluding poultry, an income tax rebate over a three-year period to be specified by the Centre at the following rates:—
    - 75% in the first year;
    - 50% in the second year; and
    - 25% in the third year.
- (v) exemption of staff from payment of income tax relating to furnished accommodation on the farm.

**A. Manufacturing Industries:**

- (a) manufacturing for export;
- (b) manufacturing industries that predominantly use local raw materials;
- (c) manufacturing industries that produce agricultural equipment, machinery, spare parts and machine tools.

**B. Applicable Incentives and Benefits:**

- (a) requisite permission for importing essential machinery and equipment required for the enterprise;
- (b) exemption from the payment of customs import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively to establish the enterprise once approved;
- (c) investment allowance of seven and a half per cent;
- (d) depreciation or capital allowances of 40 per cent in the year of investment and 20 per cent in subsequent years.

**A. Construction and Building Industries:**

- (a) Real Estate Development;
- (b) Road construction;
- (c) Any other activity in the construction and building industries as may from time to time be prescribed.

*INVESTMENT CODE, 1983***B. Applicable Incentives and Benefits:**

- (a) requisite permission for importing essential machinery and equipment required for the enterprise;
- (b) exemption from the payment of customs import duties on plant, machinery, equipment, accessories (excluding building materials) imported specially and exclusively to establish the approved enterprise;
- (c) investment allowance of seven and a half *per centum* per annum;
- (d) exemption of staff from income tax relating to accommodation provided on building or construction site;
- (e) depreciation or capital allowances of 50 per cent in the year of investment and 25 per cent in subsequent years;

**A. Tourism:**

Enterprises concerned with the development of the Tourist Industry such as tourist accommodation, insofar as these are net foreign exchange earning.

**B. Applicable Incentives and Benefits:**

- (a) exemption from customs import duties on plant, machinery, equipment and accessories imported exclusively and specifically to establish the approved enterprise;
- (b) depreciation or capital allowance as follows:
  - (i) plant and machinery 50 per cent in the year of investment and 25 per cent in subsequent years;
  - (ii) buildings:—20 per cent in the year of investment and 10 per cent in subsequent years;
- (c) exemption from taxes and rates levied on building properties for a period not exceeding three years;
- (d) investment allowance of seven and a half *per centum* per annum.

(2) In addition to the benefits and incentives mentioned in subsection (1) where any enterprise with priority status undertakes or supports a programme of scientific research in Ghana approved by the Centre for the purpose of developing or advancing the said enterprise, the capital expenditure in respect of such research shall be fully deductible.

Deferment  
and Reduc-  
tion of  
Stamp Duty  
and Income  
T

13. (1) The Board may grant deferment of payment of stamp duty for a period not exceeding five years where it is satisfied that the circumstances prevailing at the time of the application for the benefit justify such deferment.

**INVESTMENT CODE, 1983**

(2) There shall be a reduction of the company income tax payable

- (a) for enterprises situated within Kumasi and Sekondi-Takoradi Metropolitan areas, a reduction of fifteen *per centum* on the company income tax payable;
- (b) for enterprises situated within regional capitals other than Accra-Tema Metropolitan area, Kumasi, Sekondi-Takoradi and Wa, a reduction of twenty-five *per centum* on the company income tax payable;
- (c) for enterprises situated in the rest of the country including Wa, but excluding Accra-Tema Metropolitan area, a reduction of forty *per centum* on the company income tax payable.

(3) The Board may grant a reduction or deferment of income tax payable to enterprises located in areas lacking in basic infrastructure where the enterprise undertakes the costs of such infrastructure.

(4) An enterprise which utilizes Ghanaian labour in preference to imported machinery shall be entitled to an income tax rebate as follows:

- (a) in the case of agriculture, where an enterprise employs more than twenty Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first twenty;
- (b) in the case of manufacturing industries, where an enterprise employs more than one hundred Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first one hundred;
- (c) in the case of construction and building industries, where an enterprise employs more than seventy-five Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first seventy-five

14. All foreign exchange earning enterprises may be permitted by the Bank of Ghana to retain in an external account under the supervision of the Bank of Ghana a portion of their foreign exchange earnings for use in acquiring spare parts and other inputs required for the enterprise which would otherwise not be readily available without the use of such earnings:

Foreign  
Exchange  
Earning  
Enterprises.

Provided that in the case of a net foreign exchange earning enterprise the Bank of Ghana shall permit the operation of an external account in which may be retained at least 25 per cent of the foreign exchange earnings for acquiring machinery and equipment, spare parts and raw materials as well as for debt service, profit and dividend payments and remittances in respect of quota for expatriate personnel.

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- Additional Benefits for Approved Enterprises.** 15. Without prejudice to section 12 an enterprise approved under this Code shall be granted the following benefits as appropriate:
- (a) establishment or manufacturing licence as appropriate;
  - (b) immigrant quota in respect of the approved number of expatriate personnel;
  - (c) personal remittance quota for expatriate personnel from any tax imposed by any enactment on the transfer of external currency out of Ghana;
  - (d) exemption from Selective Alien Employment Tax under the Selective Employment Tax Decree, 1973 (N.R.C.D. 201).
- Enterprises Reserved for Ghanaians.** 16. Enterprises listed in the Schedule hereto are reserved for Ghanaians, and may not be the subject-matter of applications to the Centre from non-Ghanaians, even where they may be regarded as coming within priority areas.
- Mining Activities Excluded.** 17. Mining activities shall not be governed by this Code.
- PART III—PROTECTION OF INVESTMENT AND TRANSFERABILITY OF CAPITAL**
- Transfer of Dividends, Approved Fees, Capital, etc.** 18. Subject to the provisions of this Code, an approved enterprise shall be guaranteed free transferability, through the Bank of Ghana or in the case of the net foreign exchange earning enterprise, through the external account opened with the permission of the Bank of Ghana in freely convertible currency of:
- (a) dividends or net profits attributable to the investment of such freely convertible currency;
  - (b) payments in respect of loan servicing where foreign loan has been obtained by an approved enterprise;
  - (c) fees and charges in respect of any technology transfer agreement approved under this Code;
  - (d) the remittance of foreign capital in the event of sale or liquidation of the approved enterprise or any interest in the approved enterprise attributable to foreign investment.
- Guarantee Against Expropriation.** 19. Subject to the provisions of this Code:
- (a) no enterprise approved under this Code shall be expropriated by the Government;
  - (b) no person who owns, whether wholly or in part, the capital of an enterprise approved under this Code shall be compelled by law to cede his interest in the capital to any other person.
- Dispute Settlement.** 20. (1) Where any dispute arises between a foreign investor and the Government in respect of any approved enterprise, all effort shall be made through mutual discussions to reach an amicable settlement.

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(2) Any dispute between the foreign investor and the Government in respect of an approved enterprise which is not amicably settled through mutual discussions may be submitted to arbitration:

- (a) in accordance with the rules of procedure for arbitration of the United Nations Commission on International Trade Law, or
- (b) within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which investor is a national are parties, or
- (c) in accordance with any other international machinery for the settlement of investment disputes agreed to by the parties.

(3) An approval of any enterprise may specify the particular mode of arbitration to be resorted to in the case of a dispute relating to that enterprise and such specification shall constitute the consent of the Government or any agency thereof and of the investor to submit to that forum.

**PART IV—MINIMUM FOREIGN CAPITAL REQUIREMENT AND APPROVAL FOR ESTABLISHMENT OF ENTERPRISE**

21. (1) No enterprise eligible for foreign participation shall be established or operated by a non-Ghanaian unless there is the investment of foreign capital or an equivalent in capital goods worth at least US\$60,000 by way of total equity capital in the case of a joint venture with a Ghanaian partner or an investment of foreign capital or an equivalent goods worth at least US\$100,000 by way of total equity capital where the enterprise is wholly owned by a non-Ghanaian. Minimum Foreign Capital Requirement, etc.

(2) Subject to subsection (1) the Centre shall have power to approve the establishment of any enterprise where:

- (a) the investor seeks the benefits and guarantees provided under this Code, or
- (b) a technology transfer agreement is intended to be entered into as part of the establishment or operation of the enterprise and at least twenty per cent of the share in the enterprise is owned by Ghanaian citizens.

(3) The Centre may only approve an enterprise wholly owned by a non-Ghanaian where it is a net foreign exchange earning enterprise.

(4) The Centre shall on approval of an enterprise under this section issue a certificate of approval in a form determined by the Centre.

(5) A certificate of approval issued by the Centre shall be deemed to be a manufacturing licence within the meaning of the Manufacturing Industry Act, 1971 (Act 356) in the case of a manufacturing enterprise or an establishment licence in the case of any enterprise other than a manufacturing enterprise.

**INVESTMENT CODE, 1983**

Appraisal of  
Enterprises.

**22. (1)** The Centre shall not approve any enterprise under this Code without due appraisal of the capacity of the enterprise to contribute to any of the following objectives:

- (a) development of the productive sectors of the national economy;
- (b) efficient utilization, expansion and diversification of the productive capacity of existing enterprises;
- (c) utilization of local materials, supplies and services;
- (d) the creation of employment opportunities in Ghana;
- (e) real increase in national export earnings;
- (f) real savings on national imports;
- (g) development and transfer of advanced technology, including the upgrading of indigenous technology;
- (h) country-wide distribution of viable enterprises;
- (i) such other objectives as the Centre may consider relevant for achieving the objects of this Code.

(2) The Centre may, by legislative instrument, specify from time to time, areas of special priority from the categories of activities specified in section 12 or priority geographical areas for the siting of specified enterprises.

(3) The location of an approved enterprise particularly the siting of an industry to take advantage of zones of local raw material production shall be taken into account in the consideration by the Centre of any application.

(4) The Centre shall also have regard to any effect the enterprise is likely to have on the environment and the measures proposed for the prevention and control of any harmful effects to the environment.

Avoidance  
of  
Monopolies.

**23.** In granting approval for investments under this Code the Centre shall have due regard to the need to generate constructive competition among enterprises and shall avoid a tendency to establish monopolies.

Application  
for  
Approval to  
Establish  
an Enterprise.

**24.** Any person who seeks an approval to establish an enterprise under this Code shall obtain an application form from the Centre and submit the form to the Centre upon completion together with a clear and concise statement about how the enterprise, if approved and established is likely to contribute to any of the objectives referred to in subsection (1) of section 22, and where applicable, to address the concerns contained in subsection (2) of section 22.

Copies of  
Applications  
to be sub-  
mitted to  
Relevant  
Government  
Establish-  
ments.

**25. (1)** The Centre shall on receipt of an application form submit within fourteen days a copy to the Ministry, Government Department or agency to whose administrative competence such enterprise belongs.

**INVESTMENT CODE, 1985**

2) Any Ministry, Government Department or agency to which a copy of the application is submitted shall within twenty-one days of the receipt of the report submit any comments or observations on the application to the Centre, and these shall be taken into account by the Centre in the appraisal of the proposed enterprise.

26. (1) When the Centre has resolved to approve an enterprise, the applicant shall be notified promptly in writing of this decision and shall be required to confirm in writing to the Centre within twenty-one days of such notification that he intends to proceed with the enterprise. Applicants  
to be  
Notified of  
Approval.

(2) In granting approval for investment the Centre may stipulate conditions in the approval certificate, the conditions to be complied with by the investor with regard to:

- (a) the amount and source of capital;
- (b) the nationality and number of shareholders;
- (c) the project size;
- (d) the training of Ghanaians in administrative, technical, managerial and other skills related to the operation of the enterprise;
- (e) the period of time to commence the implementation of the enterprise;
- (f) reporting on implementation of the project and operation;
- (g) the prevention and control of any damage to environment;
- (h) the utilization of local raw materials;
- (i) any other matter as is appropriate having regard to the objects of this Code.

**PART V—TECHNOLOGY TRANSFER AGREEMENT**

27. (1) The Centre shall maintain a record of all technology transfer agreements, including amendments thereto. Technology  
Transfer  
Agreements.

(2) Where an approved enterprise involves a technology transfer agreement the Centre shall:

- (a) evaluate such agreement;
- (b) advise the investor with regard to the choice and suitability of technology;
- (c) monitor and ensure compliance with the terms and conditions of such agreements.

28. (1) Where a technology transfer agreement has been approved by the Centre, a certificate of such approval shall be issued to the approved enterprise.

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(2) No technology transfer agreement relating to enterprise requiring approval of the Centre under this Code shall come into effect without the approval of the Centre.

Existing  
Technology  
Transfer  
Agreements.

29. (1) Copies of technology transfer agreements concluded and in force in relation to a Ghanaian enterprise before the commencement of this Code shall be submitted by the parties to the Centre within a period of six months of the commencement of this Code.

(2) The Centre shall maintain a record of all such agreements including any amendments thereto.

(3) No existing technology transfer agreements may be renewed without the approval of the Centre.

(4) The Centre may advise the parties regarding any existing technology transfer agreement particularly as to the suitability of the technology and the level of remuneration for the transfer.

Regulations  
to Govern  
Technology  
Transfer  
Agreements.

30. The Board may make regulations in respect of any of the following:

- (a) criteria for the approval of technology transfer agreements;
- (b) remuneration for technology transfer and reasonableness of fees;
- (c) reasonableness of duration of agreement;
- (d) restrictive business practices;
- (e) transfer and absorption of technology;
- (f) form and procedure for approval and monitoring of technology transfer agreements;
- (g) any other matter relating to technology transfer agreements that appears to the Centre to be reasonably necessary.

**PART VI—GROUNDS FOR CANCELLATION AND SUSPENSION OF APPROVALS**

Assign-  
ability of -  
Approvals.

31. No approval given under this Code may be assigned except with the prior written consent of the Centre.

Cancellation  
and Suspension  
of  
Approvals.

32. (1) The Centre shall cancel an approval where:

- (a) the approval has been obtained on the basis of fraud, or deliberate or negligent submission of false or misleading facts or statements;
- (b) an approval has been assigned without the prior written consent of the Centre.

(2) Where an approved enterprise:

- (a) applies any benefit conferred by or under this Code for purposes other than those for which the benefit was conferred;

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- (b) fails without reasonable cause stated in writing to submit a report required under this Code after sixty days' written notice of such default has been given;
- (c) fails without reasonable cause stated in writing to commence operations within the time stipulated in the approval;

the Centre may impose any of the sanctions provided in subsection (3) of this section.

(3) Where the Centre is satisfied that an approved enterprise has contravened any of the provisions of subsection (2) of this section, the Centre may:

- (a) suspend or cancel the approval;
- (b) decide that all fees, taxes, duties and other charges in respect of which benefits were granted to the enterprise be paid within such time as the Centre shall determine;
- (c) advise the Bank of Ghana to suspend any remittances including transfer of capital profits and dividends.

33. (1) Any person who:

Offences.

- (a) deliberately or negligently submits false or misleading statements;
- (b) refuses or neglects to give any information which the Centre may reasonably request for the purposes of this Code;
- (c) refuses without lawful excuse to admit an officer or a designated agent of the Centre into the business premises or otherwise obstructs any inspection by an officer or a designated agent of the Centre.

shall be guilty of an offence and liable on summary conviction to a fine not exceeding ₵50,000.00 or to a term of imprisonment not exceeding two years or both; and in the case of a continuing offence, to an additional fine not exceeding ₵5,000.00 in respect of each day on which the offence continues.

(2) Where an offence is committed by a body of persons:

- (a) in the case of a body corporate other than a partnership every director or officer of the body shall be deemed also to be guilty of the offence; and
- (b) in the case of partnership, every partner or officer of that body shall be deemed to be guilty of that offence;

Provided that no person shall be deemed to be guilty of an offence by virtue of this subsection if he proves that the offence was committed without his knowledge or that he exercised due care and diligence to prevent the commission of the offence, having regard to all the circumstances.

**INVESTMENT CODE, 1985****PART VII—GENERAL PROVISIONS**

**Records of  
Approved  
Enterprises  
and  
Investments.**

**34. The Centre shall maintain records containing the following particulars:**

- (a) projects approved for establishment and expansion;
- (b) capitalization of approved projects showing foreign equity investment;
- (c) technology transfer agreements;
- (d) such other particulars as the Centre may determine.

**Requests for  
Information,  
etc.**

**35. (1) The Centre may request any person to supply any estimates, returns or any other information whatsoever within his knowledge which the Centre is satisfied is necessary for ensuring the due compliance with the provisions of this Code and it shall be the duty of any such person to comply with the request.**

**(2) An officer or a designated agent of the Centre may at all reasonable times enter any premises used or is reasonably suspected to be used, for a purpose to which the Code applies, to carry out any inspection designed to obtain information required by the Centre.**

**(3) Any person who contravenes subsection (1) of this section shall be liable on summary conviction to a fine not exceeding Q250,000.00 or to a term of imprisonment not exceeding two years or both; and in the case of a continuing offence, to an additional fine not exceeding Q25,000.00 in respect of each day on which the offence continues.**

**Regulations.**

**36. The Secretary may on the advice of the Board by legislative instrument make regulations for:**

- (a) prescribing fees for any approval, licence or any matters required or authorised to be done under this Code;
- (b) providing for anything required to be prescribed under this Code; and
- (c) generally for the purpose of giving effect to the provisions of this Code.

**Official  
Secrecy.**

**37. Any person who in the course of his official duties in the administration of this Code has possession of or control over any document or information obtained under this Code and who communicates such document or information or any part thereof to any other person to whom he is not authorized to communicate it by any enactment or by the Board shall be guilty of an offence and liable on summary conviction to a fine not exceeding Q250,000.00 or to imprisonment for a term not exceeding two years or to both.**

**Modification  
of Existing  
Enactments.**

**38. The following enactments:**

- (a) the Exchange Control Act, 1961 (Act 71);
- (b) the Aliens Act, 1963 (Act 160)

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- (c) the Manufacturing Industries Act, 1971 (Act 356);
- (d) the Selective Alien Employment Tax Decree, 1973 (N.R.C.D. 201);
- (e) the Income Tax Decree, 1975 (S.M.C.D. 5); and

any other enactment relating to the functions of the Centre as provided under this Code shall have effect with such modifications as may be necessary to give full effect to this Code.

39. (1) The Investment Code, 1981 (Act 437) is hereby repealed.

Repeals and Savings, etc.

(2) Notwithstanding the repeal of the Investment Code, 1981 (Act 437) any agreement executed thereunder and in force immediately before the commencement of this Code shall continue in force as if made under this Code and applications pending before the Ghana Investments Centre under the Investment Code, 1981 (Act 437) shall be deemed made to the Centre:

Provided that agreements continued in force by this subsection shall unless modified by any new agreement entered into with the Centre, confer only the benefits previously enjoyed under the said agreements before the commencement of this Code.

(3) Where any enterprise in existence immediately before the commencement of this Code has duly complied with the Investment Code, 1981 (Act 437) in relation to any employed capital, specified in the First Schedule of that Code, the enterprise shall be deemed lawful notwithstanding the Schedule to this Code.

(4) Any licence issued under section 1 of the Manufacturing Industries Act, 1971 (Act 356) to any enterprise required to be approved under section 21 of this Code, and in force immediately before the commencement of this Code shall continue in force.

(5) Where, before the commencement of this Law, under any other enactment relating to investments in Ghana the assets of an enterprise were vested in another person or body of persons for the purpose of compliance with the terms of that enactment, the Centre shall continue to ensure full compliance with such enactment by exercising the powers conferred thereunder for that purpose including the power of disposal over such assets, and to this end any such assets shall unless already disposed of in accordance with such enactment be deemed to have been vested in the Centre.

40. (1) In this Code unless the context otherwise requires:

Interpretation.

- “approved enterprise” means an enterprise to which approval has been granted by the Centre under this Code;
- “benefits” includes facilities, entitlements and exemptions conferred on an approved enterprise;

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- "capital" means all cash contributions, plant, machinery, equipment, buildings, spare parts, raw materials and other business assets other than goodwill . . .
- "company" means a company registered under the Companies Code, 1963 (Act 179);
- "Council" means the Provisional National Defence Council;
- "customs import duties" includes import duty, sales tax and other related charges;
- "employed capital" in relation to an enterprise, means the net current assets plus net fixed assets of the enterprise as reflected in the accounts or statement of that enterprise submitted to the Central Revenue Department for the purpose of income tax returns for the year of assessment next following the year of assessment in which the enterprise was established;
- "enterprise" means an industry, project, undertaking, or business or an enlargement of any such industry, undertaking, project or business, or any part of any such industry, undertaking, project or business;
- "foreign capital" means convertible currency, plant, machinery, equipment, spare parts, raw materials and other business assets other than goodwill that enter Ghana with no initial disbursement of Ghana's foreign exchange and are intended for the production of goods and services related to the approved enterprise;
- "foreign exchange" has the same meaning as "external currency" as under the Exchange Control Act, 1961 (Act 71);
- "Ghanaian" means any citizen of Ghana or any company, partnership or association or body (whether corporate or unincorporate) the entire capital or financial interest in which is owned by citizens of Ghana, and includes the State and a statutory corporation;
- "Government" means the Government of Ghana;
- "market" means a public or open place established by local customs or by the appropriate local government council for the purpose of buying and selling and any other public place used substantially for the said purpose;
- "minerals" means all minerals and mineral substances other than mineral oils, natural gases and salt;
- "mining" includes any operation for exploration, prospecting, winning or obtaining of minerals, precious metals or precious stones;

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"own" in relation to any enterprise, includes the holding of any proprietary interest in the enterprise;

"petroleum" means crude oil or natural gas or a combination of both;

"Secretary" means the Provisional National Defence Council Secretary for Finance and Economic Planning;

"Technology Transfer Agreement" means any agreement relating to an enterprise approved under this Code involving:—

- (i) the assignment, sale and use of foreign patents, trademarks or other industrial property rights;
- (ii) the supply of foreign technical know-how or technological knowledge;
- (iii) foreign technical assistance, design and engineering, consultancy or other technical services in whatever form they may be supplied;
- (iv) foreign managerial, marketing or other services:

Provided however that an agreement shall not be regarded as a technology transfer agreement for the purposes of this Code if its duration does not exceed a period of eighteen months;

"year of assessment" has the same meaning as in the Income Tax Decree, 1975 (S.M.C.D. 5);

(2) In this Code "Ghanaian" includes any company incorporated in Ghana to the extent to which the capital of that company is owned by Ghanaians as defined in subsection (1) of this section.

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**SCHEDULE**
**Section 16****ENTERPRISES WHOLLY RESERVED FOR GHANAIANS**

1. Any enterprise concerned with retail or wholesale trade, unless such business is carried on by or within a department store or a supermarket which has an employed capital of not less than US\$500,000.00.
2. The sale of anything whatsoever in any market, petty trading, hawking or selling from a kiosk at any place.
3. Business representation for foreign companies unless the enterprise has an employed capital of not less than five hundred thousand United States dollars (US\$500,000.00) or its equivalent.

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4. Operation of taxi service and car hire service.
5. The sale under hire-purchase contract of motor vehicles including taxis or vehicles intended to be used in the operation of taxi service or a car hire service.
6. Produce brokerage unless the employed capital of the enterprise is not less than US\$500,000.00.
7. Advertising agencies and public relations business.
8. All aspects of pool betting business and lotteries.
9. Estate agency.
10. Travel agency.
11. Lighterage services.
12. Commercial transportation of passenger by land.
13. Bakery.
14. Manufacture of articles from foam materials.
15. Operation of beauty saloons and barbers' shops.
16. Manufacture of cement blocks for sale.
17. Manufacture or tailoring or both of garments other than for export.
18. Textile screen hand printing (including tie and dye).
19. Tyre retreading.
20. Manufacture of suitcases, briefcases, portfolios, handbags, shopping bags, purses, wallets other than for export.

Made this 13th day of July, 1985.

**FLT.-LT. JERRY JOHN RAWLINGS**  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 17th July, 1985.

**MINERALS AND MINING LAW, 1986**

**IN pursuance of the Provisional National Defence Council (Establishment) Proclamation 1981, this Law is hereby made:**

**PART I—OWNERSHIP OF MINERALS AND GOVERNMENT RIGHT OF PRE-EMPTION**

1. Every mineral in its natural state in, under or upon any land in Ghana, rivers, streams, water-courses throughout Ghana the exclusive economic zone and any area covered by territorial waters or continental shelf is the property of the Republic of Ghana and shall be vested in the Provisional National Defence Council for and on behalf of the people of Ghana.

All minerals property of Republic.

2. Where any land is required to secure the development or utilisation of a mineral resource the Council may acquire the land or authorise its occupation and use under any applicable enactment for the time being in force.

Compulsory acquisition of land.

3. (1) Except as otherwise provided in this Law or any other enactment, no person shall export, sell or otherwise dispose of any mineral unless he holds a licence granted by the Secretary for that purpose.

Exportation and disposal of minerals.

(2) An application for the licence shall be made in writing to the Secretary in accordance with such regulations as may be prescribed.

(3) The Secretary may issue the licence in such form and on such conditions as he may determine.

(4) A licence issued under subsection (3) of this section shall not be transferable.

4. (1) The Government shall have the right of pre-emption of all minerals raised, won or obtained in Ghana and from any area covered by territorial waters, exclusive economic zone, or the continental shelf and of products derived from the refining or treatment of such minerals.

Government's right of pre-emption.

(2) The Government may, by an Executive Instrument, appoint any statutory corporation to act as its agent for the exercise of the right of pre-emption conferred by subsection (1) of this section.

5. (1) The price to be paid for minerals or products taken in the exercise of the right of pre-emption under section 4 of this Law shall—

Price to be paid on pre-emption.

(a) where it has been provided for in a written agreement, be the price specified therein; and

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(b) where it has not been provided for in a written agreement, be the publicly quoted market rate prevailing for the minerals or products as delivered at the mine or plant where the right of pre-emption in respect of the minerals or products was exercised.

(2) Where there is no such agreement or prevailing market rate, the price shall be decided upon by an arbitration appointed under the Arbitration Act, 1961 (Act 38).

Right of pre-emption to extend to minerals already sold.

6. (1) The right of pre-emption under section 4 of this Law shall extend to all minerals or products sold to other customers by the person against whom such right is exercised, but which have not left the boundaries, territorial waters or air space of Ghana.

(2) The price to be paid for such minerals or products shall be the rate provided for in section 5 of this Law or the actual contract price at which such minerals or products were sold, whichever is less, together with—

(a) the actual cost of transportation from the mine or plant to the port, railway station or locality to which the minerals or products were taken in the exercise of the right of pre-emption;

(b) any actual penalty or damage which the person against whom the right of pre-emption is exercised may prove that he has suffered by reason of any cancellation or alteration of sea, rail, road or air transportation or of charter of vessels or planes for the transportation of the minerals or products; and

(c) any actual cost of insurance of the minerals or products.

(3) Any penalty or cost of damage payable by virtue of paragraph (b) of subsection (2) of this section, shall be paid only in respect of a charter or freight agreement entered into for a particular voyage or despatch by sea, air, rail or road and not in respect of a general charter or freight agreement for any prospective voyage or despatch.

Obstruction to exercise of right of pre-emption.

7. (1) Any person who obstructs the Government or its agent from exercising its right of pre-emption in respect of any minerals or products under this Law commits an offence and shall on summary conviction be liable to a fine not exceeding ₵500,000.00 or to imprisonment for a term not exceeding two years or both.

(2) Where any person is convicted of an offence under subsection (1) of this section, he shall in addition to any other punishment that the Court may impose, be liable to pay an amount equivalent to twice the value of the minerals or products and to the cancellation by the Secretary of any mineral right held by him under this Law.

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8. (1) Where a mineral right is for reconnaissance, prospecting or mining of minerals, the Government shall acquire a ten per cent interest in the rights and obligations of such mineral operations in respect of which no financial contribution shall be paid by Government. Government participation.

(2) The Government shall have the option to acquire on such terms as shall be agreed upon between the holder of a mining lease and the Government a further twenty per cent interest in the rights and obligations in any mining operations where any mineral is discovered in commercial quantities except that where the operation is for the mining of salt, the Government shall have the option to acquire a further forty-five per cent interest in the salt operations.

(3) Where the parties fail to agree on the terms of the acquisition by Government of any interest in any mineral operations under this section, the matter shall be referred to arbitration in accordance with section 31 of this Law.

(4) The provisions in subsections (1) and (2) of this section shall not exclude the Government from further participation in any mineral operations and any further participation shall be under such terms as the parties may agree.

## PART II—ADMINISTRATION

9. The Secretary shall in consultation with the Minerals Commission appoint an officer to be known as the Chief Inspector of Mines who shall exercise the powers and perform the functions specified in relation to him under this Law, and who shall, under the direction of the Secretary, generally supervise the proper carrying out of the provisions of this Law. Chief Inspector of Mines.

10. (1) The Chief Inspector of Mines or an officer authorised by him may at all reasonable times enter any reconnaissance, prospecting or mining area or any premises in such area other than dwelling house, for any of the following purposes— Functions of Chief Inspector of Mines.

- (a) to break up the surface of land in such area for the purpose of ascertaining the rocks or minerals in or under the land;
- (b) to take samples or specimen of rocks, ore or concentrates, tailings or minerals situated in an area under a mineral right for inspection or assay;
- (c) to inspect the explosives magazine upon any mine and direct in what manner any explosives shall be stored;
- (d) to inspect the area of mineral operations to ascertain whether any nuisance is created in the area by the mineral operations;
- (e) to examine documents and records required to be kept under this Law, any regulations made thereunder or

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the terms and conditions of any mineral right and take copies of such documents;

- (f) to enter into or upon any land through which it may be necessary to pass for the purpose of any survey; or
- (g) to give directions and effect all acts that are incidental or conducive to the attainment of his functions under this Law.

(2) The Chief Inspector of Mines or an officer authorised by him shall have power to hold an inquiry whenever a fire or an occurrence resulting in serious injury happens on any land subject to a mineral right.

Mines Manager.

11. (1) The holder of a mineral right shall at all times have a responsible manager in charge of his mineral operations.

(2) The holder of a mineral right shall notify the Chief Inspector of Mines in writing of every appointment of a manager and of every change of a manager.

Obstruction of Chief Inspector of Mines.

12. Any person who, without reasonable excuse hinders or obstructs the Chief Inspector of Mines or an officer authorised by him from carrying out any of his functions under this Law commits an offence and shall be liable on summary conviction to a fine not exceeding C100,000.00 or to imprisonment for a term not exceeding twelve months or to both.

Indemnity of officers.

13. The Chief Inspector of Mines or an officer authorised by him shall not be liable for any thing done or omitted to be done in good faith in the exercise of his powers or functions under this Law.

**PART III—MINERAL RIGHTS AND OTHER LICENCES**

Mineral rights.

14. (1) Notwithstanding any right or title which any person may have to any land in, upon or under which minerals are situated, no person shall conduct reconnaissance of, prospect for or mine any mineral in Ghana unless he has been granted a mineral right by the Secretary in the form of a licence or lease as the case may be.

(2) The Secretary shall on behalf of the Republic have power to negotiate, grant, revoke, suspend or renew any mineral right under this Law subject to a power of disallowance exercisable by the Council within thirty days of such grant, revocation, suspension or renewals. The powers of the Secretary under this subsection shall be exercised on the advice of the Minerals Commission.

Qualification for the grant of mineral rights.

15. Except for such persons as may be exempted by the Secretary on the advice of the Minerals Commission or except as otherwise provided in this Law, no person shall qualify for the grant of a mineral right unless it is a body corporate or an unincorporated body of persons registered or established in Ghana under an enactment for the time being in force.

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16. (1) Subject to the provisions of this Law, a mineral right shall be granted by the Secretary on such terms and conditions as the Secretary may on the advice of the Minerals Commission determine. Terms of a mineral right.

(2) Without prejudice to subsection (1) of this section every mineral right shall specify the shape, orientation and dimension, including diagram and plan of the area to which it relates and shall have appended thereto a programme of mineral operations approved by the Secretary.

17. (1) All applications for the grant, revocation, suspension or renewal of a mineral right shall be submitted to the Secretary in accordance with such regulations as may be prescribed. Application for mineral right.

(2) All applications for the grant or renewal of a mineral right shall have appended thereto a statement giving—

- (a) particulars of the financial and technical resources available to the applicant for the mineral operations;
- (b) an estimate of the amount of money proposed to be spent on the operations;
- (c) particulars of the programme of proposed mineral operations; and
- (d) particulars of the applicant's proposals with respect to the employment and training of Ghanaians.

(3) Copies of every application shall at the time of submission of the application to the Secretary be forwarded by the applicant to the Minerals Commission, the Lands Commission, the Forestry Commission in cases where forestry resources are to be affected by the mineral operations envisaged, and the Public Agreements Board.

18. (1) The Secretary shall notify the applicant in writing of his decision on the application, and where the application is approved, the notification of the approval shall include the terms and conditions on which the mineral right is to be granted. Grant of mineral right by Secretary and notification of grant.

(2) Where an application is approved and the applicant is notified under subsection (1) of this section, he shall within sixty days of the date of the notification or within such further period as the Secretary may allow, notify the Secretary in writing of his acceptance of the grant.

(3) The Secretary shall upon receipt of the notification of acceptance under subsection (2) of this section, grant a mineral right to the applicant.

(4) Where an applicant who has been notified under this section fails to notify the Secretary of his acceptance in accordance with subsection (2) of this section, the application shall lapse.

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(5) A mineral right granted by the Secretary under this section shall be deemed a requisite and sufficient authority over the land in respect of which the right is granted.

Transfer or assignment of mineral rights.

19. No mineral right or any interest therein shall be transferred, assigned or dealt with in any other manner without the prior approval in writing of the Secretary.

No removal of minerals without permission.

20. (1) The holder of a mineral right shall not remove or destroy any mineral obtained by him in the course of his mineral operations without the permission in writing of the Chief Inspector of Mines.

(2) Any permission granted under subsection (1) of this section shall be on such conditions as the Chief Inspector of Mines may determine.

(3) Notwithstanding the provision in subsection (1) of this section, cores and samples may be retained by a holder for the purpose of assay, identification or analysis of the mineral.

(4) Where any core or sample is retained under subsection (3) of this section, the holder shall maintain in respect of the core or sample such particulars as the Chief Inspector of Mines may, in consultation with the Director of Geological Survey determine sufficient for the identification of the core or sample and the location and geological horizon of its origin.

Licence for diverting water.

21. (1) No person shall obtain, divert, impound or convey water from any river, stream or watercourse for mining or other industrial purposes without a licence granted by the Secretary for that purpose.

(2) An application for licence under this section shall be made in writing to the Secretary in accordance with such regulations as may be prescribed.

(3) A licence for the obtaining, diverting, impounding or conveying of water from any river, stream or watercourse for mining or other industrial purposes shall be issued by the Secretary in such form and on such conditions as he may determine.

(4) A licence issued under subsection (3) of this section shall not be transferred without the prior approval in writing of the Secretary.

PART IV—TAXES, INCENTIVES AND BENEFITS

Royalties.

22. (1) A holder of a mining lease shall be liable to pay to the Republic royalty in respect of minerals obtained by him from his mining operations.

(2) The Secretary shall on the advice of the Minerals Commission determine the rate of royalty payable under this section by the holder of a mining lease, provided that the rate of royalty

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payable shall not be more than 12 per cent or less than 3 per cent of the total revenue of minerals obtained by the holder from his mining operations.

(3) Notwithstanding the provisions in subsections (1) and (2), the Secretary may in consultation with the Secretary for Finance and Economic Planning and on the advice of the Minerals Commission defer wholly or in part the royalty payable on any mineral for such period as he may determine where he is satisfied that it is in the national interest and in the interest of the production of such mineral so to do.

(4) Samples of minerals required for assay, analysis or other examination may be exempted from liability for royalties at the discretion of the Secretary.

23. (1) A holder of a mining lease shall pay income tax at the rate of forty-five per cent (45%). Payment of Tax.

(2) The holder of a mining lease shall be liable to pay Additional Profit Tax as provided under the Additional Profit Tax Law, 1985 (P.N.D.C.L. 122).

24. There shall be payable by every holder of a mineral right such annual rental charges as may be prescribed by regulations in respect of the area to which his licence or lease relates. Rental charges.

25. (1) Royalties, fees, rents or other payments which fall due in respect of any mineral right or otherwise under the provisions of this Law shall be a debt due to the Republic and recoverable in the court. Recovery of debts.

(2) The Secretary may, from time to time make such arrangements as appear appropriate to ensure that the holders of mineral rights comply with the provisions of this Law, and, without prejudice to the generality of the foregoing may accept guarantees, whether from shareholders or otherwise, in respect of such compliance.

26. The holder of a mining lease shall where qualified be entitled to the following capital allowances— Capital allowances.

- (a) depreciation or capital allowance of 75 per cent of the capital expenditure incurred in the year of investment and 50 per cent in subsequent years;
- (b) losses in each financial year not exceeding the value of capital allowances for the year may be carried forward;
- (c) investment allowance of five per cent;
- (d) capitalisation of all expenditure on reconnaissance and prospecting approved by the Secretary on the advice of the Minerals Commission where the holder starts development of a commercial find.

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Additional  
benefits.

27. The holder of a mineral right shall be granted the following benefits as appropriate—

- (a) exemption from payment of customs import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively for the commencement of the mineral operations and may after establishment receive additional relief from payment of customs and excise duties as provided in the Mining List;
- (b) exemption of staff from payment of income tax relating to furnished accommodation at the mine site;
- (c) immigration quota in respect of the approved number of expatriate personnel;
- (d) personal remittance quota for expatriate personnel free from any tax imposed by any enactment for the transfer of external currency out of Ghana;
- (e) exemption from the selective alien employment tax under the Selective Alien Employment Tax Decree, 1973 (N.R.C.D. 201).

Deferment  
of stamp  
duty.

28. The Secretary for Finance and Economic Planning in consultation with the Secretary may defer wholly or in part the payment of registration and stamp duties for a period not exceeding five years where the Secretary is satisfied that the circumstances prevailing at the time of the application for the benefit justify such deferment.

Transfer-  
ability of  
capital.

29. (1) Where the holder of a mining lease earns foreign exchange from his mining operations he may be permitted by the Bank of Ghana to retain in an external account a portion of his foreign exchange earnings for use in acquiring spare parts and other inputs required for the mining operations which would otherwise not be readily available without the use of such earnings.

(2) Where the net earnings of a holder of a mining lease from his mining operations is in foreign exchange he shall be permitted by the Secretary for Finance and Economic Planning, in consultation with the Secretary acting on the advice of the Minerals Commission, to retain in an external account, not less than 25 per cent of his foreign exchange earnings for acquiring machinery and equipment, spare parts and raw materials as well as for debt servicing, dividend payment and remittance in respect of quotas for expatriate personnel.

(3) An external account operated by virtue of subsection (2) of this section shall be held in trust on behalf of the holder by a trustee appointed by the holder with the consent of the Bank of Ghana.

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30. Subject to the provision of this Law a holder of a mining lease shall be guaranteed free transferability through the Bank of Ghana or in the case of a net foreign exchange earning holder through the external account opened with the permission of the Secretary for Finance and Economic Planning in convertible currency of—

Transfer of dividends, etc.

- (a) dividends or net profits attributable to the investments of such convertible currency;
- (b) payments in respect of loan servicing where a foreign loan has been obtained by the holder for his mining operations;
- (c) the remittance of foreign capital in the event of sale or liquidation of the mining operations or any interest therein attributable to foreign investment.

31. (1) Where any dispute arises between a holder of a mineral right and the Government in respect of any matter under Part IV of this Law all efforts shall be made through mutual discussion to reach an amicable settlement.

Dispute settlement.

(2) Where any dispute arises between a holder who is a citizen of Ghana and the Government in respect of any matter under Part IV of this Law which is not amicably settled as provided in subsection (1) of this Section, the dispute may be submitted to arbitration for settlement in accordance with the provisions of the Arbitration Act, 1961 (Act 38).

(3) Where any dispute arises between a holder who is not a citizen of Ghana and the Government in respect of any matter under Part IV of this Law which is not amicably settled as provided under subsection (1) of this Section the dispute may be submitted to arbitration—

- (a) in accordance with the rules of procedure for arbitration of the United Nations Commission on International Trade Law; or
- (b) within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the holder is a national are parties; or
- (c) in accordance with any other international machinery for the settlement of investment disputes agreed to by the parties.

(4) The Secretary on the advice of the Minerals Commission may specify the particular mode of arbitration to be resorted to in the case of a dispute relating to any matter under Part IV of this Law and such specification shall constitute the consent of the Government or the Agency thereof and of the holder to submit to that forum.

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## PART V—RECONNAISSANCE AND PROSPECTING

**Reconnaissance licence.** 32. (1) No person shall search for any mineral in Ghana by reconnaissance unless he is granted a mineral right in the form of reconnaissance licence by the Secretary.

(2) The Secretary may on application duly made and subject to the provisions of this Law grant a reconnaissance licence.

(3) A reconnaissance licence may be granted for a period not exceeding twelve months.

(4) A reconnaissance licence may in respect of any mineral to which the licence relates confer on the holder thereof an exclusive right to carry on reconnaissance for a specified mineral in the reconnaissance area.

**Restriction on grant of reconnaissance licence.** 33. (1) No reconnaissance licence shall be granted in respect of an area in or which constitutes—

(a) a prospecting area where another person holds in respect of that area a prospecting licence or a restricted prospecting licence in respect of a mineral to which the reconnaissance licence, if granted, would relate;

(b) a mining area where another person holds in respect of that area a mining lease in respect of a mineral to which the reconnaissance licence, if granted, would relate;

(c) a restricted mining area where another person holds in respect of that area a mining lease in respect of a mineral to which the reconnaissance licence, if granted, would relate.

(2) Where an area is subject to a reconnaissance licence which confers on the holder thereof an exclusive right to carry on reconnaissance over that area, for a specified mineral, no other reconnaissance licence shall be granted over that area in respect of the mineral to which such exclusive right relates.

(3) Where an area to which a reconnaissance licence relates becomes a mining area or part of a mining area the reconnaissance licence shall cease to have effect in relation to such mining area.

**Right of holder of reconnaissance licence.** 34. (1) Subject to this Law, any regulations made thereunder and the conditions that may be stated in the licence, a reconnaissance licence granted under this Law shall confer on the holder of the licence the right to carry on reconnaissance in the reconnaissance area.

(2) For the purposes of exercising the right conferred under subsection (1) of this section, the holder of a reconnaissance licence may enter the reconnaissance area and erect camps or temporary buildings including installations in any waters which form part of the reconnaissance area.

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(3) The holder of reconnaissance licence shall not engage in any drilling, excavation or other under surface operations, except where such operations are authorised by the licence granted to him.

35. (1) The holder of a reconnaissance licence may, not later than three months before the expiration of the licence, apply for a renewal of the licence in respect of all or part of the reconnaissance area. Application for renewal of reconnaissance licence.

(2) An application made under subsection (1) of this section shall be in such form as the Secretary may prescribe.

(3) Where an application for the renewal of a reconnaissance licence is made under this section, the Secretary may, if he is satisfied that it is in the public interest to do so, renew the licence with or without variations of any of the conditions attached to the original licence.

(4) No reconnaissance licence shall be renewed at any one time for a period exceeding twelve months.

36. (1) No person shall prospect for any mineral in Ghana unless he has been granted a prospecting licence by the Secretary. Prospecting licence.

(2) Subject to the provisions of this Law, the Secretary may on an application duly made grant a prospecting licence.

(3) Subject to subsection (5) of this section no prospecting licence shall be granted for a period exceeding three years.

(4) Except as provided in subsection (5) of this section the size of the area in respect of which a prospecting licence may be granted shall not exceed 150 square kilometres in the aggregate.

(5) The Council may in respect of any particular grant of a prospecting licence where it considers it in the national interest to exceed the limits provided in subsections (3) and (4) of this section, direct that the grant shall exceed the said limits.

(6) No prospecting licence shall be granted by the Secretary unless—

- (a) the applicant has adequate financial resources, technical competence and experience to carry on effective prospecting operations;
- (b) the proposed programme of prospecting operations is adequate;
- (c) the applicant's proposal for the employment and training of Ghanaian personnel are adequate;
- (d) the applicant is able and willing to comply with the terms and conditions applicable to the prospecting licence; and
- (e) the applicant is not in default.

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(7) No prospecting licence shall be granted in respect of land which constitutes a mining area.

(8) Where an area is subject to a prospecting licence, no other prospecting licence shall be granted over land in that area in respect of any mineral to which that prospecting licence relates.

(9) Where an area is subject to a reconnaissance licence which confers on the holder an exclusive right to carry on reconnaissance in that area in respect of a specified mineral, a prospecting licence shall not be granted in respect of the mineral to which such exclusive right relates to any person other than the holder of the reconnaissance licence.

Renewal of a  
prospecting  
licence

37. (1) The holder of a prospecting licence may, at any time but not later than three months before the expiration of the licence, apply to the Secretary for a renewal of the licence.

(2) An application for renewal of a prospecting licence shall state the period for which the renewal is sought and shall be accompanied by such documents as the Secretary may prescribe.

(3) Upon an application duly made under subsection (1) of this section, the Secretary may subject to the provisions of this Law, grant a renewal of the licence for a period not exceeding two years.

(4) Where the holder has made an application for a renewal of the licence over part of the area covered by the prospecting licence and the licence may expire before the application is granted the Secretary may extend the period of validity of the prospecting licence for such period as he may determine pending his decision on the application.

Extension of  
period of  
renewal.

38. (1) The Secretary may on the expiration of the period of renewal, and upon an application made in that behalf, grant a renewal of the licence for a further period not exceeding two years.

(2) Subject to the provisions of subsection (4) of this section and to any modification of the requirements contained in the prospecting licence, the prospecting area shall, in the event of the renewal of the licence in respect thereof, be reduced in size to eliminate therefrom—

(a) at the end of the initial period of the licence, not less than half of the initial area; and

(b) at the end of any period of renewal, half of the remaining area.

(3) The holder of a prospecting licence shall prior to the end of each of the periods specified in subsection (2) of this section, indicate the area or areas to be shed off from the prospecting area and, in default the Secretary shall determine the area to be shed off.

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(4) Where a person holds two or more prospecting licences for the same mineral or minerals, the Secretary may, for the purposes of subsection (2) of this section consider the area covered by these licences to be one area.

39. (1) Subject to subsections (2) and (3) of this section, the Secretary shall not renew a prospecting licence if—

Rejection of application for renewal of prospecting licence.

- (a) the applicant is in default;
- (b) the proposed programme of prospecting operations to be carried out during the period of renewal of the licence is inadequate.

(2) No application for the renewal of a prospecting licence shall be rejected on the ground that the applicant is in default unless the Secretary has given the applicant notice to remedy the default and the applicant has failed to do so within such reasonable period as may be specified in the notice.

(3) No application for the renewal of a prospecting licence shall be rejected on the ground that the proposed programme of operations is inadequate unless the applicant has been given an opportunity to make appropriate amendments to the programme and he has, within such reasonable period as the Secretary may permit, failed to do so.

40. (1) Where in the course of exercising his right under a prospecting licence, the holder discovers any mineral not included in his licence, he may apply to the Secretary for an amendment of his prospecting licence to include that mineral.

Discovery of minerals not included in prospecting licence.

(2) An application for an amendment of a prospecting licence under subsection (1) of this section shall—

- (a) specify the mineral discovered;
- (b) state particulars of the situation and the circumstances of the discovery; and
- (c) have appended thereto a proposed programme of prospecting operations in respect of that mineral.

(3) Subject to the provisions of subsection (4) of this section, the Secretary may permit the amendment of the prospecting licence to include the mineral discovered.

(4) No amendment of a prospecting licence shall be permitted under this section where a person other than the applicant holds a reconnaissance licence in respect of the area with the right to reconnoitre for the mineral discovered.

41. (1) Subject to the provisions of this Law, the holder of a prospecting licence may in the exercise of his rights under the licence, enter upon any land to which the licence relates—

Rights of holder of prospecting licence.

- (a) to prospect for the mineral to which the licence relates;

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- (b) to make boreholes and such excavations as may be necessary;
- (c) to erect camps and put up temporary buildings necessary for prospecting operations.

Obligation  
of holder of  
a prospecting  
licence.

42. (1) The holder of a prospecting licence shall—
- (a) commence prospecting operations within three months from the date of the issue of the licence, or at such time as the Secretary may specify;
  - (b) demarcate and keep demarcated the prospecting area in the prescribed manner;
  - (c) carry on prospecting operations in accordance with the programme of prospecting operations;
  - (d) notify the Secretary through the Chief Inspector of Mines of any discovery of the mineral to which his prospecting licence relates within a period of thirty days from the date of discovery;
  - (e) notify the Secretary through the Chief Inspector of Mines of the discovery of any mineral deposit which is of possible economic value within a period of thirty days from the date of discovery;
  - (f) fill back or otherwise make safe to the satisfaction of the Chief Inspector of Mines any borehole or excavation made during the course of prospecting operations;
  - (g) unless the Chief Inspector of Mines otherwise stipulates, remove, within sixty days from the date of the expiration of the prospecting licence any camp, temporary buildings or machinery erected or installed by him, and repair or otherwise make good any damage to the surface of the ground occasioned by such removal, to the satisfaction of the Chief Inspector of Mines;
  - (h) subject to the conditions of the prospecting licence, expend on prospecting not less than such amount as may be specified in the prospecting licence;
  - (i) submit to such persons at such intervals as may be prescribed, reports or other documents containing such information and supported in such manner as may be prescribed.

(2) Any monies required to be spent under paragraph (h) of subsection (1) of this section and which are not so spent shall be a debt due to the Republic and recoverable from the holder in the Court.

(3) The holder of a prospecting licence shall keep, to the satisfaction of the Secretary, full and accurate records of the prospecting operations showing such particulars as the Secretary may prescribe.

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(4) The holder of a prospecting licence shall at least once in every four months furnish the Secretary with copies of the records kept by him under this section.

(5) Records furnished to the Secretary under subsection (4) of this section shall, as long as the holder or his successor-in-title retains the prospecting licence over the area to which the records relate be treated as confidential and shall not be divulged without the consent of the holder.

(6) Nothing in this section shall prohibit the disclosure of any confidential information—

- (a) where such disclosure is necessary for the purposes of this Law or any other enactment;
- (b) for the purposes of a prosecution under this Law;
- (c) to any person being a consultant to or an officer employed by the Council who is authorised by the Secretary to receive such confidential information.

43. (1) The holder of a prospecting licence shall notify the Secretary of any amendment he wishes to make to his programme of prospecting operations and such amendment shall, unless rejected by the Secretary within two months, after he has been notified, have effect after that period. Amendment of programme of prospecting operations.

(2) The Secretary may, upon an application made to him by the holder of a prospecting licence, limit or suspend the obligation of the holder to carry on prospecting operations under such terms and conditions as he may on the advice of the Minerals Commission determine.

## PART VI—MINING LEASE

44. (1) Where a holder of prospecting licence has established that a mineral to which his licence relates exists in commercial quantities within the prospecting area he shall notify the Secretary of this in writing and may apply to the Secretary in writing for a mining lease in respect of the land which constitutes his prospecting area. Minerals found in commercial quantities, mining lease.

(2) An application under subsection (1) of this section shall be made not later than three months from the date of the notice or within such further period as the Secretary may determine.

(3) Subject to the provisions of this Law, upon an application duly made under subsection (1) of this section the Secretary shall grant the applicant a mining lease on such conditions as he may determine.

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Application  
for a mining  
lease by a  
non-  
prospecting  
licence  
holder.

45. (1) Where a person other than the holder of a prospecting licence establishes to the satisfaction of the Secretary that mineral in commercial quantities exists in any land, the person may apply for a mining lease over that land, notwithstanding that such person does not hold a prospecting licence over that land.

(2) Upon an application duly made under subsection (1) of this section the Secretary may grant the applicant a mining lease on such conditions as he may on the advice of the Minerals Commission determine.

(3) No mining lease shall be granted under this section in respect of any land which is held by another person—

- (a) under a mining lease or a restricted mining lease;
- (b) under a prospecting licence or a restricted prospecting licence;
- (c) under a reconnaissance licence which gives the holder exclusive rights in respect of a specified mineral and the application for a mining lease has been made in respect of that mineral.

Duration,  
area, etc. of  
mining lease.

46. (1) Except as provided in subsection (3) of this section, a mining lease shall be valid for a period not exceeding thirty years.

(2) Except as provided in subsection (3) of this section the size of the area in respect of which a mining lease may be granted shall not exceed 50 square kilometres for any grant or in the aggregate 150 square kilometres.

(3) The Council may in respect of any particular grant of a mining lease where it considers that it is in the national interest to exceed the limits provided in subsections (1) and (2) of this section, direct that the grant shall exceed the said limits.

(4) A mining lease shall not be granted to an applicant unless—

- (a) the proposed programme of mining operations submitted by him ensures the most efficient, beneficial and timely use of the mineral resources concerned;
- (b) the proposed programme of mining operations submitted by him takes proper account of environmental safety factors;
- (c) the area of land over which the mining lease is sought is not in excess of the area reasonably required to carry out the proposed programme of mining operations;
- (d) the applicant is not in default.

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(5) The Secretary shall not reject an application for a mining lease made under this Law—

- (a) on the grounds specified in paragraphs (a), (b), (c) of subsection (4) of this section unless the applicant has been given an opportunity to make appropriate amendments to his application or to his proposed programme of mining operations and has within such reasonable time as the Secretary may permit, failed to do so; or
- (b) on the grounds that the applicant is in default unless he has given the applicant notice of the default and the applicant has failed within such reasonable time as may be specified in the notice to remedy the default.

47. Where any land is subject to more than one prospecting licence no mining lease shall be granted over that land to any applicant for a mining lease unless—

Land subject to more than one prospecting licence.

- (a) the Secretary is satisfied that:
  - (i) the rights of any other holder of a prospecting licence over that land would not be substantially prejudiced by the grant of the mining lease; or
  - (ii) it is in the public interest that the mining lease be granted; or
- (b) any other holder of a prospecting licence over that land consents in writing to the grant of the mining lease.

48. (1) The holder of a mining lease may apply to the Secretary for the renewal of his lease at any time not later than one year before the expiration of such lease.

Renewal of mining lease.

(2) The Secretary may grant the renewal of a mining lease for a period not exceeding thirty years and on such conditions as he may determine.

(3) Where the holder of a mining lease has made an application for the renewal of the lease and the lease may expire before the application is granted the Secretary may extend the period of validity of the mining lease for such period as he may determine pending his decision on the application.

(4) Upon the renewal of a mining lease, the Secretary shall amend the lease accordingly and append thereto the programme of mining operations to be carried out during the period of renewal.

49. The holder of a mining lease shall notify the Secretary of any amendments he intends to make to his programme of mining operations and such amendments shall, unless the Secretary rejects them within three months after being so notified, have effect after that period.

Amendment of programme of mining operations.

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Rights conferred by mining lease.

50. Subject to the provisions of this Law, any other enactment and any conditions in the mining lease, the holder of a mining lease may enter upon the land to which his mining lease relates for the following purposes—

- (a) to take all reasonable measures on or under the surface to mine the mineral to which his mining lease relates;
- (b) to erect the necessary equipment, plant and buildings for the purposes of mining, transporting, dressing, treating, smelting or refining the mineral recovered by him during the mining operations;
- (c) to prospect within his mining area;
- (d) to stack or dump any mineral or waste product in a manner approved by the Chief Inspector of Mines.

Discovery of further mineral and other minerals.

51. (1) Where in the course of exercising his rights under this Law the holder of a mining lease discovers any further deposits of the mineral in respect of which he holds the mining lease or any other mineral not included in the mining lease, he shall within thirty days of such discovery, notify the Secretary in writing of the discovery.

(2) The notification given to the Secretary under subsection (1) of this section shall—

- (a) contain particulars of the mineral discovered; and
- (b) the site and circumstances of the discovery.

(3) The holder of a mining lease may on notifying the Secretary of the discovery of further mineral deposits or other mineral apply to the Secretary for the inclusion of the area of the further deposits or the mineral discovered in his mining lease.

(4) An application made under subsection (3) of this section shall have appended thereto the proposed programme of mining operations in respect of the further deposits or the mineral discovered.

(5) Where the Secretary is satisfied with the proposed programme of mining operations, he may approve the application on such terms and conditions as he thinks fit and shall accordingly amend the mining lease.

Enlargement of mining area.

52. The holder of a mining lease may apply to the Secretary for the enlargement of the mining area to which the lease relates and the Secretary may, subject to the provisions of this Law, approve the application if he is satisfied that such approval is in the national interest.

Obligation of holder of a mining lease.

53. (1) Subject to the provisions of this Law, the holder of a mining lease shall—

- (a) commence commercial production on or before the date specified in the programme of mining operations;
- (b) subject to subsection (2) of this section, develop and mine the mineral covered by the lease in accordance with the programme of mining operations;

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- (c) demarcate and keep demarcated the mining area in such manner as may be prescribed;
- (d) submit to the Secretary through the Chief Inspector of Mines, within three months from the date specified in the programme of mining operations, a diagram of the mining area;
- (e) keep and maintain in Ghana an address which shall be registered with the Secretary, and to which all communications and notices may be addressed;
- (f) notify the Secretary as soon as he starts commercial production.

(2) The Secretary may, on an application made to him by the holder of a mining lease, limit or suspend the programme of mining operations referred to in paragraph (b) of subsection (1) of this section for such period and on such terms and conditions as he may on the advice of the Minerals Commission determine if he is satisfied that in the circumstances it is fair and reasonable to do so.

54. (1) In pursuance of a localisation policy every holder of a mining lease shall submit for the approval of the Minerals Commission a detailed programme for the recruitment and training of the Ghanaian personnel.

Recruitment  
and training  
of  
Ghanaians

(2) For the purposes of subsection (1) of this section "localisation" means a training programme designed towards the eventual replacement of expatriate personnel by Ghanaian personnel.

55. The holder of a mining lease shall maintain at the address kept in accordance with paragraph (e) of subsection (1) of section 53 such documents and records as may be prescribed and shall permit an authorised officer at any reasonable time to inspect such documents and records.

Further  
Obligations  
of holder of  
mining lease

56. (1) Where the Secretary considers that the holder of a mining lease is using wasteful mining or treatment practices he may notify such holder accordingly and require him to show cause, within such period as the Secretary shall specify, why he should not cease to use such practices.

Wasteful  
mining and  
treatment  
practices

(2) If, within the period specified in a notice issued under subsection (1) of this section the holder of the mining lease fails to satisfy the Secretary that he is not using wasteful mining or treatment practices, or that the use of such practices is justified, the Secretary may order the holder to cease using such practices within such period as he may specify.

(3) Where the holder of a mining lease, after being ordered to cease using wasteful mining or treatment practices, fails to do so, the Secretary may cancel or suspend the mining lease for such period as he thinks fit.

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Merger of  
mining lease.

57. (1) Where the Secretary, after taking account of the public interest and the interests of the holders of mining leases covering neighbouring or contiguous mining areas, considers that the efficient and economic exploitation of the minerals concerned require the merger of all or part of the mining operations of such holders, he may direct the holders to effect such merger within such time and on such terms as he may specify.

(2) Before giving any directions under subsection (1) of this section, the Secretary shall afford the holders of the mining leases concerned reasonable opportunity to make representations to him in writing.

Suspension  
of produc-  
tion.

58. (1) The holder of a mining lease shall notify the Secretary—

- (a) one year in advance where he proposes to cease production from his mine;
- (b) six months in advance where he proposes to suspend production from his mine;
- (c) three months in advance where he proposes to curtail such production; and

shall, in all cases, give reasons for such cessation, suspension or curtailment.

(2) Where, for reasons beyond his control, the holder of a mining lease ceases, suspends or curtails production from a mine, he shall, within fourteen days of such cessation, suspension or curtailment, notify the Secretary of this.

(3) Upon receiving the notification under subsection (1) or (2) of this section or if he otherwise becomes aware of any cessation, suspension or curtailment of production, the Secretary shall cause the matter to be investigated and shall subject to any relevant requirement contained in the mining lease,

- (a) give his approval for such cessation, suspension or curtailment; or
- (b) direct the holder of the mining lease to resume full production at the mine by such date as he may specify.

(4) Approval of cessation, suspension or curtailment may be given subject to such conditions as the Secretary may on the advice of the Minerals Commission determine.

Permit for  
other busi-  
ness in  
mining area.

59. (1) No person shall carry on in a mining area any business for which a permit or other authorisation is required under any enactment for the time being in force unless that person has obtained the consent of the Secretary to carry on such business.

(2) Subject to subsection (1) of this section no person shall erect in a mining area building or other structure for the purpose of carrying on any such business without the consent of the holder of the mining lease.

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**60. (1) A company which is the holder of a mining lease shall not without the prior consent in writing of the Secretary—**

Control of  
Company  
holding  
mining lease.

- (a) register the transfer of any equity share or shares in the company to any particular person or a nominee of such person; or
- (b) enter into an agreement, arrangement, or understanding, (whether enforceable as a legal right or not) with any particular person,

if the effect of doing so would be to give to that particular person or any other person, control of the company.

(2) Upon an application duly made to him under subsection (1) of this section the Secretary shall give his consent if he considers that the public interest would not be prejudiced by the change of control of the company, otherwise he shall refuse to give his consent; and for the purpose of considering any such application the Secretary may request such information as he considers necessary to enable him determine the application.

(3) For the purposes of this section—

- (a) a person is deemed to have control of a company—
  - (i) if that person or his nominee holds or that person and his nominee hold a total of twenty per cent or more of the issued equity shares in the company;
  - (ii) if that person is entitled to appoint or prevent the appointment of half or more than half of the directors of the company; or
  - (iii) if that person is entitled to exercise or control the exercise of the right to cast votes in respect of not less than two-fifths of the total number of votes in respect of the issued equity shares in the company;
- (b) "Equity share" or "preference share" has the meaning assigned to it under section 48 of the Companies Code, 1963 (Act 179);
- (c) the reference in paragraph (a) (iii) of subsection (3) of this section to the entitlement to control the exercise of the right to cast votes shall be read as including an entitlement to control the exercise of that right directly and includes control that is exercisable as a result of or by means of trust.

**PART VII—RADIO-ACTIVE MINERALS**

**61. (1) The provisions of this Law relating to reconnaissance, prospecting and mining of minerals in Ghana shall, subject to the provisions contained in this Part apply to radio-active minerals with such modifications as may be necessary.**

Prospecting  
and mining  
of radio-  
active  
minerals

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(2) Where any radio-active mineral is discovered in the course of exercising any right under this Law or under any other enactment, the holder of the mineral right or such other authority shall immediately notify the Secretary or the Chief Inspector of Mines and the Director of Geological Survey of the discovery.

(3) Where any radio-active mineral is discovered on any land other than land subject to a mineral right, the owner of the land shall immediately notify the Secretary, the Chief Inspector of Mines and the Director of Geological Survey of the discovery.

**Holder of radio-active mineral right to report his operations.** 62. A holder of a licence or lease under his Part shall within the first week of every month furnish the Secretary with a true report in writing of the prospecting and mining operations conducted by him in the immediately preceding month with respect to radio-active minerals.

**Export of radio-active mineral.** 63. (1) No person shall export any radio-active mineral except under and in accordance with the terms and conditions of a permit granted by the Secretary on the advice of the Minerals Commission for that purpose.

(2) A permit issued under subsection (1) of this section shall be in such form and shall be subject to the payment of such fee as the Secretary may prescribe.

**Offence and penalties.** 64. (1) Any person who contravenes any of the provisions of this Part or obtains a permit by means of any false statement or representation commits an offence and shall on summary conviction be liable to a fine not exceeding ₦500,000.00 or to imprisonment for a term not exceeding two years or both.

(2) The court before which any person is convicted of an offence under subsection (1) of this section shall order the forfeiture to the State of any radio-active mineral obtained by the person convicted.

**Powers of search and arrest.** 65. (1) Any Police Officer not below the rank of an Inspector, any senior officer of the Mines Department, and any officer authorised in writing by the Secretary or the Chief Inspector of Mines may for the purpose of enforcing the provisions of this Part, without warrant—

(a) enter and search any place where he has reasonable grounds to suspect that an offence under this Part has been, or is about to be committed;

(b) search and arrest any person whom he has reasonable grounds to suspect to have committed, or is about to commit an offence under this Part;

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- (c) seize any radio-active mineral which he suspects to have been obtained contrary to the provisions of this Part;
- (d) seize any prospecting or mining apparatus which is used or about to be used in the commission of an offence under this Part.

**PART VIII—SURRENDER, SUSPENSION AND CANCELLATION OF  
MINERAL RIGHTS**

66. (1) The holder of any mineral right who wishes to surrender all or any part of the land subject to the mineral right shall apply to the Secretary through the Chief Inspector of Mines for a certificate of surrender not later than three months before the date on which he wishes the surrender to take effect;

Surrender of  
mineral  
rights.

(2) An application under subsection (1) of this section shall be in accordance with such regulations as may be prescribed.

(3) Subject to subsection (4) of this section upon an application duly made under subsection (1) of this section the Secretary shall through the Chief Inspector of Mines issue a certificate of surrender in respect of the land to which the application relates.

(4) The Secretary shall not issue a certificate of surrender—

- (a) to an applicant who is in default;
- (b) to an applicant who fails to give records and reports in relation to his mineral operations;
- (c) where he is not satisfied that the applicant will surrender the land in a condition which is safe and accords with good mining practice;
- (d) in respect of any land if the remaining area of the land after such surrender would not be of the shape or dimension prescribed with respect to any such area.

(5) Where a certificate of surrender is issued under this section the Secretary shall, where part only of the land subject to the mineral right is surrendered, amend the relevant licence accordingly or cancel the mineral right where the surrender is in respect of the whole area covered by the mineral right.

(6) The Secretary shall through the Chief Inspector of Mines give notice to the applicant of the amendment or cancellation of the mineral right and where there is surrender, issue a certificate of surrender.

(7) Land in respect of which certificate of surrender is issued shall be treated as having been surrendered with effect from the date on which notice of the surrender is given under subsection (6) of this section.

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(8) The surrender of any land under this section shall not affect any liability incurred by any person in respect of that land before the date on which the surrender took effect.

Suspension  
and cancella-  
tion of  
mineral right.

67. (1) The Secretary may suspend or cancel a mineral right if the holder—

- (a) fails to make any of the payments required by or under this Law on the due date;
- (b) is in breach of any provision of this Law or the conditions of the mineral right or the provisions of any other enactment relating to mines and minerals;
- (c) becomes insolvent or bankrupt, enters into any agreement or scheme of composition with his creditors, or takes advantage of any enactment for the benefit of his debtors or goes into liquidation, except as part of a scheme for an arrangement or amalgamation;
- (d) makes any statement to the Secretary in connection with his mineral right which he knows or ought to have known to be false; or
- (e) for any reason becomes ineligible to apply for a mineral right under the provisions of this Law.

(2) The Secretary shall before suspending or cancelling any mineral right give notice to the holder in such manner as shall be prescribed and shall in such notice require the holder to remedy any breach of the condition of his mineral right and where such breach cannot be remedied to show cause to the satisfaction of the Secretary why the mineral right should not be suspended or cancelled.

(3) On cancellation of a mineral right under this section, the right of the holder shall cease but without prejudice to any liabilities or obligations incurred by any person in relation thereto prior to the date of the cancellation.

Vesting of  
property on  
termination  
of mining  
lease.

68. (1) Except as may otherwise be provided in the mining lease, all immovable assets of the holder under the mining lease shall vest in the Republic on the effective date of the termination of the lease.

(2) All movable assets of the holder in the mining area which are fully depreciated for tax purposes shall vest in the Republic without charge on the effective date of such termination and any such property not then fully depreciated for tax purposes shall be offered for sale to the Republic within sixty days from the effective date of termination at the depreciated cost.

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(3) Where the Republic fails to purchase any assets offered for sale in accordance with subsection (2) of this section, the owner may remove or otherwise dispose of such assets within such period as the Secretary may determine and after the expiration of such period the assets shall become the property of the Republic without charge.

69. (1) Upon termination of a mineral right the former holder thereof shall deliver to the Secretary—

Delivery of documents to Secretary on termination of a mineral right.

- (a) all records which the holder is obliged under the provisions of this Law or regulations made thereunder to maintain;
- (b) all plans or maps of the area covered by the mineral right prepared by the holder or at his instructions; and
- (c) such other document relating to the mineral right as the Secretary may direct.

(2) Any person who fails to deliver, within thirty days from the date of his being called upon to do so by the Secretary, any document which is required to be delivered under subsection (1) of this section shall be guilty of an offence.

## PART IX—SURFACE RIGHTS

70. (1) The holder of a mineral right shall exercise his rights under this Law subject to such limitations relating to surface rights as the Secretary may prescribe.

Surface rights.

(2) The rights conferred by a mineral right shall be exercised in a manner consistent with the reasonable and proper conduct of the operations concerned so as to affect as little as possible the interest of any lawful occupier of the land in respect of which such rights are exercised.

(3) The lawful occupier of any land within an area subject to a mineral right shall retain the right to graze livestock upon or to cultivate the surface of such land in so far as such grazing or cultivation does not interfere with the mineral operations in the area.

(4) In the case of a mining area, the owner or lawful occupier of the land within the mining area shall not erect any building or structure thereon without the consent of the holder of the mining lease, or if such consent is unreasonably withheld, without the consent of the Secretary.

71. (1) The owner or occupier of any land subject to a mineral right may apply to the holder of the right for compensation for any disturbance of the rights of such owner and for any damage done to the surface of the land, buildings, works or improvements or to livestock, crops or trees in the area of such mineral operations.

Compensation for disturbance of owner's surface rights.

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(2) An application for compensation under subsection (1) of this section shall be copied to the Secretary and the Land Valuation Board.

(3) The amount of compensation payable under subsection (1) of this section shall, subject to the approval of the Land Valuation Board, be determined by agreement between the parties concerned and if the parties are unable to reach an agreement as to the amount of compensation, the matter shall be referred to the Secretary who shall in consultation with the Land Valuation Board determine the compensation payable.

Prevention of  
pollution of  
environment.

72. The holder of a mineral right shall in the exercise of his rights under the licence or lease have due regard to the effect of the mineral operations on the environment and shall take such steps as may be necessary to prevent pollution of the environment as a result of such mineral operations.

**PART X—BUILDING AND INDUSTRIAL MINERALS AND SMALL-SCALE  
MINERAL OPERATIONS**

Restricted  
licences and  
leases.

73. (1) No person shall—

- (a) search for any building or industrial mineral by reconnaissance;
- (b) prospect for any building or industrial mineral; or
- (c) mine any building or industrial mineral,

without a restricted reconnaissance licence, restricted prospecting licence or restricted mining lease respectively granted by the Secretary.

(2) Except as provided in this Part and subject to any specific provision made in this Law in respect of building and industrial minerals, the provisions of this Law relating to mineral rights shall apply to building and industrial minerals subject to such exemptions and modifications as the Secretary may on the advice of the Minerals Commission by regulations prescribe.

Limits on  
restricted  
licences and  
leases.

74. (1) A restricted reconnaissance licence, a restricted prospecting licence and a restricted mining lease shall not be amended to include therein any mineral other than the building or industrial mineral in respect of which the licence or lease was granted.

(2) Subject to subsection (3) of section 46 a restricted mining lease shall be valid for a period not exceeding fifteen years as the Secretary may on the advice of the Minerals Commission determine and may on an application made to the Secretary be renewed for further periods not exceeding fifteen years at any one time.

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(3) No restricted mining lease shall be granted to any applicant unless such applicant holds a restricted prospecting licence in respect of the building or industrial mineral applied for.

75. (1) No restricted reconnaissance licence, restricted prospecting licence or restricted mining lease shall be granted to any person who is not a citizen of Ghana.

Qualification for application for restricted licence or mining lease.

(2) The Secretary may on the advice of the Minerals Commission exempt any person from the provision of subsection (1) of this section where he is satisfied that—

(a) it is in the public interest that a restricted reconnaissance, a restricted prospecting licence or a restricted mining lease be granted to such person; or

(b) (i) the restricted reconnaissance licence, the restricted prospecting licence or restricted mining lease applied for is in respect of building or industrial minerals required for specific works; and

(ii) the applicant has given an undertaking that the minerals concerned will not be sold or otherwise disposed of for profit.

(3) The Secretary may cancel a mineral right granted under this Part where he is satisfied that the holder has entered into an arrangement with a person who is not a citizen of Ghana which arrangement has the effect of transferring to that person the benefit of such mineral right.

76. Nothing in this Law shall prevent—

(a) a local authority on land owned by it;

(b) the owner or lawful occupier of any land owned or occupied by him; or

(c) the holder of any mineral right on land to which the right relates,

Special rights of owner occupier with regard to building and industrial minerals.

from prospecting for and mining any building or industrial minerals to be used by such owner, occupier or holder solely for building, road making or agricultural purposes on such land, so long as the exercise of such right is not inconsistent with or detrimental to the right of any other person holding a mineral right in respect of such land.

77. (1) Where the Secretary after consultation with the Minerals Commission considers that it is in the public interest to encourage prospecting and mining of minerals in any area of land by methods not involving substantial expenditure or the use of specialised technology, he may by notice in the *Gazette*, designate that area for small-scale mineral operation and prescribe the mineral to be mined.

Small-scale mineral operations.

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(2) Where an area has been designated for small-scale mineral operation under subsection (1) of this section the Secretary may on the advice of the Minerals Commission in respect of that area and in relation to any mineral prescribed exclude or modify by regulation any of the provisions of this Law which would otherwise apply to prospecting or mining operations in that area and for the minerals prescribed.

(3) Nothing in subsection (2) of this section shall be read or construed as authorising anything to be done—

(a) which has the effect of modifying or extinguishing the rights of any person holding a mineral right over a designated area or any part thereof; or

(b) which affects the rights of any other person except to the extent that those rights might have been affected if no exclusion or modification had been made under subsection (2) of this section.

(4) The provision in section 75 of this Law which relates to the qualification of applicants for building and industrial minerals shall apply to applicants for small-scale mineral operation.

## PART XI—MISCELLANEOUS PROVISIONS

Preference  
for Ghana  
products and  
employment  
of  
Ghanaians.

78. (1) The holder of a mineral right shall in the conduct of his mineral operations, and in the purchase, construction and installation of facilities, give preference to—

(a) materials and products made in Ghana;

(b) service agencies located in Ghana and owned by

(i) Ghanaians;

(ii) companies or partnership registered under the Companies Code 1963 (Act 179) or the Incorporated Private Partnerships Act, 1962 (Act 152);

(iii) public corporation,

to the maximum extent possible and consistent with safety, efficiency and economy.

(2) The holder of a mineral right shall, in all phases of his operations, give preference in employment to citizens of Ghana to the maximum extent possible and consistent with safety, efficiency and economy.

Records and  
furnishing of  
information.

79. (1) The Secretary shall maintain records of all mineral rights granted under this Law and, subject to such conditions as the Secretary may prescribe, such records shall be open to inspection by members of the public during normal official working hours and members of the public may on payment of such fees as may be prescribed be permitted to take copies of such records.

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(2) The Secretary may, for the purposes of this Law, in writing request any person to furnish him within the period specified in the request, such information and documents as may be specified in the request.

80. (1) Any person who—

Offences.

- (a) conducts reconnaissance, prospects for or mines minerals otherwise than in accordance with the provisions of this Law;
- (b) in making application for mineral right or renewal thereof, knowingly makes any statement which is false or misleading in any material particular;
- (c) in any report, return or affidavit submitted in pursuance of the provisions of this Law, knowingly includes any information which is false or misleading in any material particular;
- (d) removes or disposes of any mineral contrary to the provisions of this Law;
- (e) carries on business in contravention of subsection (1) of section 59 or erects any building or other structure in contravention of the provisions of subsection (2) of section 59;
- (f) pollutes the environment contrary to section 72;
- (g) removes any building, fixed machinery or other movable property contrary to section 68;
- (h) places or deposits, or causes to be placed or deposited any mineral in any place with the intention to mislead any other person as to the mineral possibilities of such place;
- (i) mingles or causes to be mingled with samples or ore any substances which will enhance the value or in any way change the nature of such ore with the intention to cheat, deceive or defraud;
- (j) being engaged in the business of milling, leaching, sampling, concentrating, reducing, assaying, transporting or dealing in ores, metals or minerals, keeps or uses any false or fraudulent scales or weights for weighing such ores, metals or minerals, or uses any false or fraudulent assay scales or weights or enriched fluxes used for ascertaining the assay value of minerals, knowing them to be false or fraudulent;
- (k) fails, neglects or refuses to comply with any direction lawfully given under this Law;
- (l) fails neglects or refuses to allow or provide all reasonable facilities and assistance to any officer exercising any power under this Law;

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(m) obstructs, hinders or delays an authorised officer in the performance of his duties under this Law; or

(n) contravenes any of the other provisions of this Law,  
shall be guilty of an offence.

Offences by  
bodies of  
persons.

81. (1) Where an offence is committed under this Law or under regulations made thereunder by a body of persons—

(a) in the case of a body corporate, other than a partnership, every director or an officer of the body shall also be deemed to be guilty of the offence; and

(b) in the case of a partnership every partner or officer of that body shall be deemed to be guilty of that offence.

(2) No person shall be deemed to be guilty of an offence by virtue of subsection (1) of this section if he proves that the offence was committed without his knowledge or connivance and that he exercised all due care and diligence to prevent the commission of the offence having regard to all the circumstances.

Penalty.

82. (1) Any person found guilty of an offence under this Law for which no penalty has been provided shall be liable, on first conviction, to a fine not exceeding ₦500,000.00 or to imprisonment for a term not exceeding two years or to both.

(2) On a second or subsequent conviction for an offence under this Law, a Court may impose a penalty which does not exceed double the penalty referred to in subsection (1) of this section.

(3) The Court before which any person is convicted of an offence under this Law may in addition to any penalty that it may impose order the forfeiture to the Republic of any mineral in respect of which the offence was committed.

Regulations.

83. (1) The Secretary may, by legislative instrument make regulations for the conservation and development of mines and minerals and for the purpose of giving effect to the provisions of this Law.

(2) Without prejudice to the generality of subsection (1) of this section, regulations made under this section may provide for—

(a) the shape of areas over which mineral rights may be granted;

(b) the examination of any mine or mineral by an authorised officer;

(c) determining the qualities of the minerals to be extracted;

(d) the retention of any ore or specimen of any mineral by any person in charge of a mine or connected therewith for the identification of such ore or sample and for the taking by an authorised officer of samples of such ore or specimen;

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- (e) directions to be given to any person in charge of a mine or connected therewith by an authorised officer for the conservation and development of mines and minerals;
- (f) the making of returns of minerals won and for the valuation of such minerals;
- (g) the returns to be rendered in relation to accounts, books and plans required to be kept by holders;
- (h) the submission by any person in charge of a mine or connected therewith of such returns as the Secretary may specify in the regulations and for the maintenance by such person of such records;
- (i) the nature and adequacy of any map or plan required for the purposes of this Law;
- (j) the merger of mineral rights;
- (k) the contribution by parties benefitted by a fair share of cost of pumping in cases where pumping in one mine benefits other mines;
- (l) the restriction of prospecting operations in or near any river, dam, lake, or stream;
- (m) preventing the pollution of waters, springs, streams, rivers or lakes;
- (n) the manner in which areas and boundaries shall be marked, beaconed and surveyed and the fees payable in respect of such survey;
- (o) the grazing of cattle or other animals on the mineral area;
- (p) the gathering of firewood and the cutting down and use of timber for the purpose of carrying on prospecting and mining operation;
- (q) the renewal, transfer, assignment and surrender of mineral rights;
- (r) the protection of pits, shafts and such other dangerous places;
- (s) the reporting of accidents;
- (t) ensuring the safety of the public and the safety and welfare of persons employed in mines and the carrying on of mineral operations in a safe, proper and effective manner;
- (u) preventing the employment of incompetent persons to be in charge of machinery;
- (v) preventing injury to persons or property in a mining area by chemicals;

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- (w) regulating the use of explosive in mineral operations;
- (x) fees payable under this Law;
- (y) forms of applications and licences to be made and issued under this Law;
- (z) the penalties for offences against the regulations and anything which is to be prescribed.

**Interpreta-  
tion.****84. (1)** In this Law, unless the context otherwise requires—

“authorised officer” means a person authorised by the Secretary or the Chief Inspector of Mines to exercise any power or function under this Law;

“benefits” include facilities, entitlements and exemptions conferred on a holder in respect of a mineral right;

“building and industrial minerals” means barite, basalt, clay, dolomite, feldspar, granite, gravel, gypsum, laterite, limestone, mica, magnesite, marble, phosphate, rock, sand, sandstone, slate and talc, when mined for use in Ghana for agriculture, building, roadmaking or industry and such other minerals as the Secretary may from time to time declare, by notice published in the *Gazette*, to be building and industrial minerals when so mined;

“Capital” means all cash contributions, plant, machinery, equipment, buildings, spare parts, raw materials and other business assets other than goodwill;

“Chief Inspector of Mines” means the Chief Inspector of Mines appointed under section 9.

“citizen of Ghana” means—

(a) in relation to an individual, an individual who is a citizen of Ghana by virtue of any law for the time being in force in Ghana;

(b) in relation to a partnership or association of individuals, a partnership or association which is composed exclusively of individuals who are citizens of Ghana;

(c) in relation to a body corporate other than public corporation, a body corporate which is incorporated in Ghana under the Companies Code, 1963 (Act 179), and

(i) which is certified by the Secretary to be controlled by Government; or

(ii) whose membership is composed exclusively of persons who are citizens of Ghana; or

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- (iii) whose directors are exclusively citizens of Ghana; or
  - (iv) which is controlled by individuals who are citizens of Ghana;
  - (d) in relation to a public corporation, a corporation that is established in Ghana by or under any enactment;
- “continental shelf” or “the exclusive economic zone” means any area declared by any enactment for the time being in force as the continental shelf or the exclusive economic zone of the Republic;
- “Council” means the Provisional National Defence Council;
- “Customs import duties” includes import duty, sales tax and other related charges;
- “Foreign capital” means convertible currency, plant, machinery, equipment, spare parts, raw materials and any other business assets other than goodwill that enter Ghana with no initial disbursement of Ghana’s foreign exchange and are intended for or related to mineral operations approved under this Law;
- “Government” means the Government of Ghana;
- “holder” means the holder of a mineral right under this Law;
- “in default” means in breach of any of the provisions of this Law;
- “Map or plan” means a document containing geometrical numerical and verbal representations of a piece of land, which has been signed by a land surveyor and approved or certified in such manner as the Chief Inspector of Mines may require;
- “mine” when used as a noun, means any place, excavation or working wherein, whereon or whereby any operation connected with mining is carried on together with all buildings, premises, erections and appliances belonging or appertaining thereto above and below the ground for the purpose of winning, treating or preparing minerals, obtaining or extracting any mineral or metal by any mode or method or for the purpose of dressing mineral ores, and includes a quarry where building and industrial minerals are mined;
- “mine” when used as a verb, means intentionally to win minerals, and includes any operations directly or indirectly necessary therefor or incidental thereto, and “mining” shall be construed accordingly;

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- “mineral” means any substance in solid or liquid form occurring naturally in or on the earth, or on or under the seabed, formed by or subject to geological process including building and industrial minerals but does not include petroleum (as defined in the Petroleum (Exploration and Production) Law, 1984 (P.N.D.C.L. 84) or water;
- “mineral operations” means reconnaissance, prospecting or mining of minerals;
- “mineral right” means a right to reconnoitre, prospect for or mine minerals given by the Secretary in the form of a reconnaissance licence, a prospecting licence, a mining lease, a restricted reconnaissance licence, a restricted prospecting licence or a restricted mining lease;
- “mining area” means the land designated as a mining area in a mining lease;
- “Mining lease” means the area which is subject to a right to mine under section 44 or 45 of this Law;
- “mining operations” means the mining of minerals under a mining lease;
- “prescribed” means prescribed by Regulations;
- “a programme of mining operations” means such a programme approved on the granting of a mining lease and includes any amendment thereto made in pursuance of the provisions of this Law;
- “programme of prospecting operations” means such a programme approved on the granting of a prospecting licence and includes any amendment thereto made in pursuance of the provisions of this Law;
- “programme of reconnaissance operations” means such a programme approved on the granting or renewal of a reconnaissance licence and includes any amendment thereto made in pursuance of this Law;
- “prospect” means intentionally to search for minerals and includes operations to determine the extent and economic value of any deposit;
- “prospecting area” means the land subject to a prospecting licence;
- “prospecting licence” means a right to prospect acquired under section 36;
- “provided” means provided under this Law, a mining lease, or licence granted under this Law;
- “radio-active mineral” means a mineral which contains by weight at least one-twentieth of one per cent

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(0.05 per cent) of uranium or thorium or any combination thereof, including but not limited to the following—

- (a) monazite sand and other ores containing thorium;
- (b) carnotite, pitchblende and other ores containing uranium;

“reconnaissance” means the search for minerals by geophysical, geochemical and photo-geological surveys or other remote sensing techniques and surface geology in connection therewith but does not, unless a licence granted under section 32 so provides, include drilling, excavation or other subsurface techniques;

“reconnaissance licence” means a right to conduct reconnaissance acquired under section 32;

“reconnaissance area” means the land subject to a reconnaissance licence;

“regulations” means Regulations made under section 83 of this Law;

“Republic” means the Republic of Ghana;

“restricted mining area” means the land subject to a restricted mining lease;

“restricted prospecting area” means the land subject to a restricted prospecting licence;

“restricted mining lease” means a lease to mine building or industrial mineral;

“restricted prospecting licence” means a licence to prospect for building or industrial mineral;

“restricted reconnaissance licence” means a licence to search for building or industrial mineral by reconnaissance;

“Secretary” means the Provisional National Defence Council Secretary for Lands and Natural Resources;

“State” means the Government of the Republic of Ghana;

“termination” means the lapse of a mineral right by expiry of time, surrender or cancellation.

85. (1) The following enactments are hereby repealed—

- (i) The Minerals Ordinance, 1936 (Cap. 155);
- (ii) The Radio-Active Minerals Ordinance, 1946 (Cap. 151);
- (iii) Minerals Act, 1962 (Act 126);

Repeals and savings.

*MINERALS AND MINING LAW, 1986*

- (iv) The Mines and Minerals (Conservation and Development) Act, 1965 (Act 278);
- (v) Mining Rights Regulations, 1905 (Cap. 153); and
- (vi) Section 1 of the Minerals Act and Regulations (Amendment) Decree, 1968 (N.L.C.D. 308).

(2) The provisions of the Administration of Lands (Amendment) Decree, 1979 (A.F.R.C.D. 61) shall to the extent that they apply to mining rights cease to be operative on the coming into force of this Law and accordingly all references in that Decree to mining rights are hereby repealed.

(3) Notwithstanding the repeal in subsections (1) and (2) of this section, any regulations made under the repealed enactments shall so far as they are consistent with the provisions of this Law, continue in force as if they were regulations made under section 83 of this Law.

Transitional provisions relating to existing licences, etc.

86. Notwithstanding the repeal of the enactments referred to in section 85 of this Law, any licence, lease or permit granted under any of those enactments and subsisting immediately before the commencement of this Law shall continue in force subject to such conditions as the Secretary may determine.

Modification of existing enactments.

87. The following enactments—

- (a) the Administration of Lands Act, 1962 (Act 123);
- (b) the Concessions Ordinance, 1939 (Cap. 136);
- (c) the Concessions Act, 1962 (Act 124);
- (d) the Aliens Act, 1963 (Act 160);
- (e) the Selective Aliens Employment Tax Decree, 1973 (N.R.C.D. 201);
- (f) the Exchange Control Act, 1961 (Act 71);
- (g) the Income Tax Decree, 1975 (S.M.C.D. 5);
- (h) the Minerals Regulations, 1962 (L.I. 231) and

any enactment relating to minerals as defined under section 84 of this Law shall apply with such modifications as may be necessary to give full effect to the provisions of this Law.

Made this 4th day of July, 1986.

FLT.-LT. JERRY JOHN RAWLINGS  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 18th July, 1986.

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## MINERALS COMMISSION LAW, 1986

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981, this Law is hereby made—

### PART I—ESTABLISHMENT OF MINERALS COMMISSION

1. (1) There is hereby established a body to be known as the Minerals Commission in this Law referred to as the "Commission".

Establishment.

(2) The Commission shall be a body corporate with perpetual succession and a common seal and shall have power to sue and be sued in its own name.

(3) The Commission may for the purpose of its functions acquire hold or dispose of property whether movable or immovable.

(4) Where there is any hindrance to the acquisition of any property under subsection (3) of this section, the property may be acquired for the Commission under the State Property and Contracts Act, 1960 (C.A. 6) or the State Lands Act, 1962 (Act 125).

2. The Commission shall be responsible for—

Functions.

(a) formulating recommendations of national policy on the exploration for and exploitation of mineral resources with special reference to establishing national priorities having due regard to the national economy;

(b) advising the Secretary on matters relating to minerals;

(c) monitoring the operation of such policy as the Provisional National Defence Council may adopt relating to minerals and reporting;

(d) monitoring the operations of all bodies or establishments concerning minerals and reporting to the Provisional National Defence Council;

(e) receiving and assessing all public agreements relating to minerals;

(f) securing a firm basis of comprehensive data collection on national mineral resources and the technologies of exploration and exploitation for national decision-making;

(g) such other functions as the Provisional National Defence Council may assign.

3. The Commission shall be made up of such number of persons as the Provisional National Defence Council acting on the advice of the Secretary shall determine.

Composition of the Commission.

## MINERALS COMMISSION LAW, 1986

Qualifica-  
tion for  
membership.

4. (1) No person shall be qualified to be a member of the Commission who—

- (a) is not a citizen of Ghana;
- (b) has been adjudged or otherwise declared—
  - (i) a bankrupt under any law in force in Ghana and has not been discharged;
  - (ii) to be of unsound mind; or
- (c) is detained as a criminal lunatic under any law for the time being in force in Ghana; or
- (d) has been convicted and has not been granted a free pardon—
  - (i) for treason or for an offence involving the security of the State, fraud, dishonesty or moral turpitude; or
  - (ii) for any other offence on indictment;
- (e) has been found by the report of a commission or a committee of inquiry to be incompetent to hold public office or is a person in respect of whom a commission or a committee of inquiry has found that while being a public officer he acquired assets unlawfully or defrauded the State or misused or abused his office, or wilfully acted in a manner prejudicial to the interest of the State and such findings have not been set aside on appeal or judicial review; or
- (f) has had his property confiscated as a result of the findings of a commission or committee of inquiry, and such findings have not been set aside on appeal or judicial review;
- (g) is under sentence of death or other sentence of imprisonment imposed on him by any court; or
- (h) is otherwise disqualified by any law for the time being in force.

(2) Without prejudice to the provisions of subsection (1) of this section a member of the Commission shall cease to be a member if in the case of a person possessed of professional qualification, he is disqualified, otherwise than at his own request, from practising his profession in Ghana by an order of any competent authority made in respect of him personally.

Chairman.

5. The Provisional National Defence Council acting on the advice of the Secretary shall appoint a Chairman of the Commission on such terms and conditions as the Council may determine.

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6. A member of the Commission other than the Chairman and an *ex officio* member shall hold office for a period not exceeding three years and may on the expiration of that period be eligible for re-appointment.

Tenure of  
other  
Members.

7. The Chairman or a member of the Commission may at any time by notice in writing addressed to the Provisional National Defence Council resign his office.

Resignation.

8. The Chairman or a member of the Commission may be removed from office by the Provisional National Defence Council for inability to perform the functions of his office or for any other sufficient cause or for stated misbehaviour.

Removal.

9. (1) Subject to section 8 of this Law the terms and conditions of service of the members of the Commission shall be as stated in their letters of appointment.

Terms an  
condition  
of service  
of memb

(2) There shall be paid to the members of the Commission and persons co-opted under section 12 of this Law to attend meetings of the Commission such allowances as the Provisional National Defence Council may approve.

10. (1) The Commission shall meet for the despatch of business at such times and in such places as the Commission may determine but shall meet at least once every quarter.

Meetings.

(2) The Commission shall make provision for the regulation of its meetings subject to the provisions of this Law.

(3) The quorum at any meeting of the Commission shall be determined by the Commission.

(4) Every meeting of the Commission shall be presided over by the Chairman and in his absence by a member of the Commission appointed by the members present from among themselves.

(5) The validity of any proceedings of the Commission shall not be affected by any vacancy in its membership or any defect in the appointment of any of its members.

11. (1) Questions before the Commission shall be decided by a majority of the members present and voting.

Voting.

(2) The Chairman or the person presiding at a meeting of the Commission shall in the event of equality of votes have a second or casting vote.

12. Wherever it is deemed necessary, the Commission may co-opt any person or persons to act as adviser or advisers at any of its meetings but no person or persons so co-opted shall be entitled to vote at any such meeting.

Power to  
co-opt.

*MINERALS COMMISSION LAW, 1986*

## PART II—MANAGEMENT AND STAFF OF COMMISSION

Chief  
Executive.

13. (1) The Commission shall have a Chief Executive who shall be appointed by the Provisional National Defence Council upon the recommendation of the Secretary.

(2) The Chief Executive shall hold office upon such terms and conditions as the Provisional National Defence Council may determine.

(3) Subject to such general directives as the Commission may give, the Chief Executive shall be responsible for the day-to-day administration of the Commission and the implementation of the decisions of the Commission.

(4) The Chief Executive shall be responsible for the organisation and control of all the employees of the Commission.

(5) The Chief Executive may, in order to promote efficiency, delegate his function for the day-to-day administration to any officer of the Commission, but the Chief Executive shall not be relieved from ultimate responsibility for the discharge of any functions so delegated.

Staff of  
Commission.

14. (1) The Commission may from time to time engage such employees as may be necessary for the proper and efficient conduct of the business and functions of the Commission.

(2) The employees of the Commission, other than the Chief Executive, shall be appointed by the Commission acting in accordance with the advice of the Public Services Commission.

(3) The Commission may engage the services of such consultants and advisers as it may determine.

Execution of  
Contracts,  
etc.

15. (1) The application of the seal of the Commission to any document shall be authenticated by the signature of the Chief Executive or some members of the Commission authorised by the Commission to authenticate the application of the seal.

(2) The signature of the Chief Executive and the other members of the Commission shall be independent of the signature of any other person who is required or authorised to sign the document.

(3) The Commission may by instrument in writing under its common seal empower any person either generally or in respect of any specific matters as its attorney, to execute deeds on its behalf in any place outside Ghana and every deed signed by such attorney on behalf of the Commission and under his seal shall be binding on the Commission and shall have the same effect as if it was made under the common seal of the Commission.

*MINERALS COMMISSION LAW, 1986*

(4) Any instrument or contract which, if executed or entered into by a person other than a body corporate, would not require to be under seal, may be executed or entered into on behalf of the Commission by a member of the Commission or an employee of the Commission if such person has previously been authorised by a resolution of the members of the Commission to execute or enter into that particular instrument or contract.

(5) The Commission if it thinks fit, may by writing under its common seal appoint any person outside Ghana as agent to execute an instrument or enter into a contract and the instrument or contract if executed or entered into on behalf of the Commission shall have effect as if it had been duly executed or entered into as prescribed for the purpose of this section.

(6) Every document purporting to be an instrument executed or issued by or on behalf of the Commission and purporting to be—

- (a) sealed with the common seal of the Commission authenticated in the manner provided by subsection (1) of this section; or
- (b) signed by and under the seal of a person appointed as attorney under subsection (3) of this section; or
- (c) signed by a member of the Commission or other person authorised in accordance with subsection (4) of this section to act for that purpose,

shall be deemed to be so executed or issued until the contrary is shown.

## PART III—FINANCIAL PROVISIONS

16. (1) The Capital and Funds of the Commission shall include— Capital and funds of Commission.
- (a) any grants received from the Government as working capital for the Commission;
  - (b) grants received from the Government by the Commission for the discharge of its functions;
  - (c) any loans granted to the Commission;
  - (d) any moneys accruing to the Commission in the course of the performance of its functions under this Law;
  - (e) gifts and
  - (f) funds from any other source.

(2) All sums of money received on account of the Commission may be paid into such banks as may be determined by the Commission for the credit of the Commission's general current or deposit account, however, the Commission may invest as it deems fit any moneys not required for current use.

MINERALS COMMISSION LAW, 1986

Borrowing Powers.

17. (1) The Commission may obtain loans and other credit facilities on the guarantee of the Government from such banks as the Secretary and the Secretary responsible for Finance may approve.

(2) Without prejudice to subsection (1) of this section the Commission may with the prior approval of the Secretary and the Secretary responsible for Finance, borrow money from any other source.

(3) The Commission may borrow temporarily by way of overdraft or otherwise such sums as it may require for meeting its current obligations or discharging its functions under this Law.

(4) The Secretary responsible for Finance may on behalf of the Government guarantee the performance of any obligation or undertaking of the Commission under this Law.

Tax exemptions.

18. The Commission shall be exempted from the payment of such taxes, rates and duties as the Secretary responsible for Finance may in writing approve.

Accounts and Audit.

19. (1) The Commission shall keep proper books of accounts and proper records in relation thereto, and the account books and records of the Commission shall be in such form as the Auditor-General may approve.

(2) The books and accounts of the Commission shall, within three months after the end of each financial year, be audited by the Auditor-General or by an auditor authorised by him.

(3) The financial year of the Commission shall be the same as the financial year of the Government.

PART IV—GENERAL PROVISIONS

Access to information.

20. For the purposes of the attainment of its objects and the performance of its functions under this Law the Commission shall have access to all information and records of any department of state which are reasonably necessary for the said purposes.

Annual Report

21. (1) The Commission shall, as soon as possible after the expiration of each financial year but within six months after the termination of the year, submit to the Secretary an annual report dealing generally with the activities and the operations of the Commission within that year which shall, without prejudice to the generality of the foregoing include—

- (a) a copy of the audited accounts of the Commission together with the Auditor-General's report thereon; and
- (b) such other information as the Secretary may require.

*MINERALS COMMISSION LAW, 1986*

(2) The Secretary shall, as soon as possible after receiving the annual report of the Commission submit the report to the Provisional National Defence Council with such statement as he may find necessary.

(3) The Commission shall also submit to the Secretary such other reports on its activities as the Secretary may by writing reasonably request from time to time.

22. The Secretary may on the advice of the Commission by legislative instrument— Regulations.

(a) provide for the establishment of committees for the control of and the administration of any particular mineral;

(b) make regulations for the effective carrying out of the purposes of this Law.

23. (1) The Aluminium Industries Commission Decree, 1972 (N.R.C.D. 57) and the Integrated Iron and Steel Commission Decree, 1976 (S.M.C.D. 59) are hereby repealed and the Aluminium Industries Commission established under the Aluminium Industries Commission Decree, 1972 (N.R.C.D. 57) and the Integrated Iron and Steel Commission established under the Integrated Iron and Steel Commission Decree (S.M.C.D. 59) are hereby dissolved. Repeal of  
N.R.C.D. 57  
and  
S.M.C.D. 59.

24. On the coming into force of this Law the assets and liabilities of the Aluminium Industries Commission and the Integrated Iron and Steel Commission shall without any further assurance vest in the Commission established under the provisions of this Law. Vesting of  
assets and  
liabilities.

25. The staff and employees of the Aluminium Industries Commission and the Integrated Iron and Steel Commission appointed prior to the coming into force of this Law shall unless otherwise directed by the Secretary be deemed to be staff and employees of the Commission. Transfer of  
staff.

26. Any legal proceedings pending in any court on the coming into force of this Law to which the Aluminium Industries Commission or the Integrated Iron and Steel Commission was a party shall be continued by the Commission established under the provisions of this Law as if it were a party thereto. Legal  
proceedings.

27. The provisions of this Law shall have effect notwithstanding any enactment to the contrary, and any enactment in force immediately before the coming into force of this Law shall have effect with such modifications as may be necessary to give effect to the provisions of this Law. Provisions  
of this Law  
to override  
existing  
legislation.

*MINERALS COMMISSION LAW, 1986*

Interpreta-  
tion.

28. In this Law unless the context otherwise requires—

“mineral” means all minerals and mineral substances other than mineral oils and natural gases;

“Secretary” means the Provisional National Defence Council Secretary responsible for Lands and Natural Resources.

Made this 11th day of July, 1986.

FLT.-LT. JERRY JOHN RAWLINGS  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 18th July, 1986.

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## MINERALS (ROYALTIES) REGULATIONS, 1987

In exercise of the powers conferred on the Secretary responsible for Lands and Natural Resources by sections 22 and 83 of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153) these Regulations are made this 29th day of July, 1987.

1. Every holder of a mining lease shall be liable to pay royalty to the Republic in respect of his mining operations at the rate specified in the Schedule to these Regulations. Payment of royalty.
2. (1) The rate of royalty payable under these Regulations shall be based on the profitability of the mining operations. Variation of rate of royalty.  
 (2) Such profitability shall be determined by the application of the operating ratio, being the ratio as expressed in terms of percentage which the operating margin bears to the value of the minerals won from the mining operations during the yearly period.  
 (3) For the purpose of determining the operating margin of any mining operation, the operational cost shall be deducted from the total value of minerals won from such mining operations.
3. Every holder of a mining lease shall within thirty days after the expiration of every quarterly period pay to the Republic on account, royalties at the rate of three *per centum* of the gross value of minerals won in that quarter. Royalty payments to be made quarterly.
4. (1) Every person engaged in mining operations shall within thirty days after the expiration of every yearly period, submit to the Commissioner returns stating in detail the total value of minerals won by him from his mining operations during such yearly period. Yearly returns of mineral production.  
 (2) Such returns shall contain a signed declaration that the particulars contained in the returns are true and complete.  
 (3) The Commissioner may give notice in writing to any person engaged in mining operations to furnish him within the period specified in such notice fuller or further information as to any matter furnished in an earlier return or as to any other matter which the Commissioner may consider necessary for the purposes of these Regulations.
5. Every holder of a mining lease shall, within sixty days after the expiration of each yearly period compute the royalties payable for the year based on the formula prescribed in the Schedule to these Regulations and shall pay to the Republic the difference, if any, between the computation based on the formula prescribed in the Schedule and the sum of all royalties paid by the holder in respect of that yearly period. End of year reconciliation.
6. Where in any yearly period the operational ratio is less than thirty *per centum* then the difference between the actual operational cost and the operational cost that would make the operating ratio Carry forward of operational cost.

*MINERALS (ROYALTIES) REGULATIONS, 1987*

exactly equal to thirty *per centum* shall be added to the operational cost of the following yearly period for the purpose of calculating that period's operating ratio; provided that the difference to be carried forward shall not exceed the permissible capital allowance for the year of account.

Administra-  
tion of  
Regulations.

7. These Regulations shall be administered by the Commissioner of Internal Revenue who shall be responsible for the assessment, collection, recovery of royalties, receipt of returns, and issues relating to objections, and may for those purposes apply with such modifications as may be necessary such provisions of the Income Tax Decree, 1975 (S.M.C.D. 5) or any other law generally applicable to the assessment, collection, returns and recovery of income tax.

Payment into  
Consolidated  
Fund.

8. The Commissioner shall pay all royalties collected by him into the Consolidated Fund.

Offences.

9. (1) Any person who—  
(a) fails or refuses to pay any royalty payable by him under these Regulations;  
(b) contravenes any of the provisions of these Regulations, commits an offence and shall be liable to the same punishment for which a person might be liable for failure or refusal to pay income tax or for the contravention of such similar provision under the Income Tax Decree, 1975 (S.M.C.D. 5) or any other law generally applicable to the assessment, collection, returns or recovery of income tax.

(2) Notwithstanding sub-paragraph (1) of this paragraph where a person is found guilty of an offence under these Regulations the Secretary may in addition to any punishment which a Court may impose cancel or suspend the mining lease of such person.

Interpreta-  
tion.

10. In these Regulations unless the context otherwise requires—  
"Commissioner" means the Commissioner of Internal Revenue;  
"Court" includes a tribunal or other adjudicating body having jurisdiction in tax matters;  
"mining lease" has the same meaning as in section 84 (1) of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153);  
"operational cost" in relation to any period means—  
(a) the current expenditure wholly and exclusively incurred by the holder of the mining lease during that period for the purpose of mining, transporting, processing or sale of minerals won; provided that such current expenditure shall not include—  
(i) any royalty payable under these Regulations;

*MINERALS (ROYALTIES) REGULATIONS, 1987*

- (ii) any income tax or other tax on profit whether imposed in Ghana or elsewhere;
  - (iii) any payment under any agreement between the Republic and any person on the value of, or receipts from, minerals won;
  - (iv) in the case of a company any expenditure incurred in respect of the management and control of the company which in the opinion of the Commissioner are not directly related to the operations of mining, transporting, processing or sale of the minerals won;
- (b) capital allowances for the period deductible under the provisions of section 26 of the Minerals and Mining Law, 1986 (P.N.D.C. 153);

“processing” means the process by which the raw product of the mining operations are subject to any treatment designed to prepare them for use as such raw products;

“quarterly period” means in relation to any mining operation the period of three months immediately following from the commencement of these Regulations and thereafter each of the successive periods of three months or where a person commences mining operations after the commencement of these Regulations the first period of three months starting from the commencement of such mining operations and thereafter each of the successive periods of three months;

“Secretary” means the P.N.D.C. Secretary responsible for Lands and Natural Resources;

“value of minerals won” means the gross price at which such minerals are sold at the time of the sale;

“yearly period” means in relation to any mining operation the period of twelve months immediately following from the commencement of these Regulations and thereafter each of the successive periods of twelve months or where a person commences mining operations after the commencement of these Regulations, the first period of twelve months starting from the commencement of such mining operations and thereafter each of the successive periods of twelve months.

11. The Minerals (Royalties) Regulations, 1986 (L.I. 1340) are hereby revoked. Revocation.

12. These Regulations shall be deemed to have come into force on the 4th day of July 1986. Commencement.

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## MINERALS (ROYALTIES) REGULATIONS, 1987

## SCHEDULE

<i>Operating Ratio</i>	<i>Rate of Royalty</i>
(i) where the operating ratio is 30% or less	3%
(ii) where the operating ratio is more than 30% but less than 70%	3% plus 0.225 of every 1% by which the operating ratio exceeds 30%
(iii) where the operating ratio is 70% or more	12%

RICHARD KWAME PEPRAH  
*P.N.D.C. Secretary responsible for Lands and Natural Resources*

Date of Gazette notification: 28th August, 1987.

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**SMALL-SCALE GOLD MINING LAW, 1989**

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation 1981, this Law is hereby made—

**PART I—REGISTRATION AND LICENSING OF SMALL-SCALE GOLD MINERS**

1. (1) Notwithstanding any law to the contrary, no person shall engage in or undertake any small-scale gold mining operation unless there is in existence in respect of such mining operation a licence granted by the Secretary for Lands and Natural Resources or by an officer authorised in that behalf by the Secretary.

Licensing of small-scale gold mining.

(2) An application for a licence under this section shall be made in such forms as the Secretary may direct, to the relevant District Centre of the designated area and shall be accompanied by such fee as the Secretary may prescribe.

2. Subject to subsections (1) and (2) of section 75 of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153) no licence for a small-scale gold mining operation shall be granted to—

Qualification of applicants for small-scale gold mining licence.

- (a) any person who is not a citizen of Ghana;
- (b) any person who has not attained the age of eighteen years; or
- (c) any person who is not registered by the District Centre in the designated area under subsection (1) of section 9 of this Law.

3. Except otherwise provided in this Law, a licence granted by the Secretary shall be subject to such conditions as may be specified therein.

Conditions for the grant of a licence.

4. (1) A licence granted under section 1 of this Law to any person or group of persons other than a co-operative society shall be for a period not exceeding three years from the date of issue in the first instance and may be renewed thereafter for such further period as the Secretary may determine.

Duration of a licence.

(2) A licence granted to a co-operative society shall have effect for a period not exceeding five years from the date of issue and may be renewed thereafter for such further period as the Secretary may determine.

(3) The Secretary may by legislative instrument prescribe such fees as may be paid for the grant and renewal of a licence under this Law.

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**SMALL-SCALE GOLD MINING LAW, 1989**

Areas covered by licence.

5. The size of the area in respect of which a licence may be granted under this Law shall not exceed—

- (a) three acres in the case of a grant to any one person or group of persons not exceeding four in number;
- (b) five acres in the case of a grant to any group of persons not exceeding nine in number; and
- (c) twenty-five acres in the case of a grant to a co-operative society of ten or more persons.

Revocation of licences.

6. The Secretary may at any time revoke a licence granted under this Law where—

- (a) he is satisfied that the licensee has contravened or failed to comply with any of the terms and conditions of the licence or any requirement of this Law or of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153) applicable to him;
- (b) the licensee is convicted of any offence relating to the smuggling or illegal sale or dealing in gold, or
- (c) he is satisfied that it is in the public interest to do so.

Licence not transferable.

7. A licence granted under this law shall not be transferable.

District Centres and their functions.

8. (1) The Minerals Commission shall for the purposes of monitoring small-scale gold mining operations establish in an area designated as a small-scale gold mining operation area under subsection (1) of section 77 of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153), a Centre to be known as the District Small-scale Gold Mining Centre (hereafter in this Law referred to as the "District Centre").

(2) A District Centre shall in respect of its designated area have the following functions:

- (a) compile a register of all small-scale gold miners and prospective small-scale gold miners specifying such particulars as may be determined by the Secretary;
- (b) supervise and monitor the operation and activities of the small-scale gold miners and prospective small-scale gold miners;
- (c) advise and provide such training facilities and assistance as may be necessary for effective and efficient small-scale gold mining operations;
- (d) submit to the Minerals Commission in such form and at such intervals as may be directed by the Commission, reports or other documents and information on small-scale gold mining activities within the District.

**MERCURY LAW, 1989**

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981 this Law is hereby made:

1. Any person who—

- (a) imports any quantity of mercury into the country; or
- (b) has in his possession or buys, sells or transfers any mercury,

Possession etc. of mercury without licence.

except under a licence issued under this Law shall be guilty of an offence and shall on conviction be liable to a fine not exceeding ₦2,000,000.00 or to a term of imprisonment not exceeding two years or to both.

2. (1) The Secretary for Trade may issue a licence to any person authorising him to, import into the country, possess, buy, sell or deal in mercury, subject to such conditions as may be specified in the licence.

Power to grant and revoke licence.

(2) The Secretary for Trade may, at anytime cancel any licence issued by him under this Law if he is satisfied that—

- (a) the licensee is in breach of any of the terms and conditions of the licence or this Law; or
- (b) it is in the national interest to do so.

3. Any person who—

- (a) buys or receives any mercury from a person not authorised to sell or deal in mercury; or
- (b) sells or transfers any mercury to a person not authorised to buy or have possession of mercury,

Buying and transferring mercury from or to unauthorised person.

shall be guilty of an offence and shall on conviction be liable to a fine not exceeding ₦2,000,000,00 or to imprisonment for a term not exceeding two years or to both.

4. (1) Notwithstanding anything contained in any enactment to the contrary licensed small-scale gold miners may purchase from licensed mercury dealers such reasonable quantities of mercury as may be shown to be necessary for the purpose of their mining operations.

Small-scale gold miners authorised to possess mercury.

(2) Small-scale gold miners shall observe good mining practices in the use of mercury for carrying out mining operations.

5. Any small-scale miner who—

- (a) sells or deals in mercury;
- (b) is found to be in possession of more mercury than he reasonably requires for his mining operations; or
- (c) does not observe good mining practices in the use of mercury for his mining operations,

Offences and punishment.

*MERCURY LAW, 1989*

shall be guilty of an offence and shall on conviction be liable to a fine not exceeding ₦2,000,000.00 or to imprisonment for a term not exceeding two years or to both.

Cancellation of licence by court and forfeiture.

6. (1) The court before which any person who holds a mercury licence is convicted of an offence under this Law may order such licence to be cancelled.

(2) Any quantity of mercury with respect to which an offence has been committed under this Law shall by order of the court be forfeited to the State.

Burden of proof.

7. In any proceedings under this Law, the burden shall be on the person charged for dealing in or possessing mercury to prove that he holds a valid licence to possess or deal in such mercury.

Repeal.

8. The Mercury Ordinance (Cap. 184) is hereby repealed.

Interpretation.

9. In this Law unless the context otherwise requires—  
“mercury” means the metal known as mercury or quick silver.

Made this 19th day of April, 1989.

**FLT.-LT. JERRY JOHN RAWLINGS**  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 19th May, 1989.

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**DIAMONDS (AMENDMENT) LAW, 1989**

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981 this Law is hereby made:

1. The Diamonds Decree, 1972 (N.R.C.D. 32) is hereby amended as follows:

Sections 10,  
11 and 12 of  
N.R.C.D. 32  
amended.

(a) by the substitution for section 10 thereof of the following new section 10:

**"Failure to sell to the Corporation.** 10. Any finder who fails to sell any diamond to the Corporation or its local buying agent in accordance with section 1 shall be guilty of an offence and liable on conviction to a fine not exceeding two hundred thousand cedis or to imprisonment for a term not exceeding five years or to both";

(b) by the substitution for the words "five thousand cedis" and "ten years" appearing in section 11 thereof of the words "two hundred thousand cedis" and "five years" respectively;

(c) in section 12—

(i) by the deletion of the words "District Court" appearing therein; and

(ii) by the substitution for the words "one thousand cedis" and "two years" appearing therein of the words "two hundred thousand cedis" and "five years" respectively.

Made this 19th day of April, 1989.

**FLT.- LT. JERRY JOHN RAWLINGS**  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 12th May, 1989.

*SMALL-SCALE GOLD MINING LAW, 1989*

9. (1) Any person engaged in or wishing to undertake any type of small-scale gold mining operation shall register with the District Centre of the designated area where he operates or intends to operate. Registration of prospective licensees.

(2) The District Centre shall on the registration of any person under subsection (1) of this section issue a Certificate of Registration to such person.

(3) No person shall be granted a licence under subsection (1) of section 1 unless such person has been registered under subsection (1) of this section.

10. (1) There shall be established in every designated area a Small-scale Gold Mining Committee (hereafter referred to in this Law as "the Committee"). Small-scale gold mining Committees.

(2) The Committee shall consist of the following members:

- (a) the District Secretary or his representative who shall be the Chairman of the Committee;
- (b) the officer-in-charge of the District Centre;
- (c) a representative of the town Development and Planning Committee of the district;
- (d) two representatives of the C.D.R. in the district.

(3) The Committee shall assist the District Centre to effectively monitor, promote and develop small-scale gold mining operations in the designated area.

(4) The members of the Committee shall hold office for such periods and on such terms and conditions as the Secretary may determine.

**PART II—OPERATIONS OF SMALL-SCALE GOLD MINERS**

11. A person licensed to mine gold under this Law may win, mine and produce gold by any effective and efficient method and shall in his operations observe good mining practices, health and safety rules and pay due regard to the protection of the environment. Operations of small-scale gold miners.

12. Where a licence is granted in a designated area to any person other than the owner of the land, the licensee shall pay to the owner of the land such compensation for the use of the land as the Secretary may in consultation with the Minerals Commission and the Lands Valuation Board determine. Compensation for use of land.

13. No small-scale gold miner shall use any explosive in his operations. Use of explosives prohibited.

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*SMALL-SCALE GOLD MINING LAW, 1989*

**Purchase of mercury.** 14. A small-scale gold miner may purchase from any authorised mercury dealer such quantities of mercury as may be reasonably necessary for the purposes of his mining operations.

**Exemptions from income tax and royalties.** 15. For a period of three years from the date of the coming into force of this Law, all persons engaged in small-scale gold mining operations shall be exempted from the payment of income tax and royalties in respect of such mining operations.

**PART III—LICENCE TO DEAL IN GOLD AND MISCELLANEOUS PROVISIONS**

**Licence to buy and deal in gold.** 16. Without prejudice to any enactment empowering any person or body to purchase and deal in gold, the Secretary may in consultation with the Minerals Commission in writing, license such persons as he may consider fit, to buy and deal in such types and forms of gold and under such terms and conditions as may be specified in the licence.

**Sale of gold.** 17. (1) Any licensed small-scale gold miner or any person in possession of gold may sell such gold in his possession to authorised buyers only.

(2) A person shall be presumed to be lawfully in possession of gold until the contrary is proved.

**Sale of jewellery, etc.** 18. Nothing contained in this Law or in any other enactment shall be construed as precluding any person from dealing with or disposing of his gold jewellery, gold artifact or gold coin to authorised dealers or to any person whatsoever.

**Offences and punishment.** 19. (1) Any person who buys or sells gold without a licence granted under this Law or without a valid authority granted under an enactment for the time being in force shall be guilty of an offence and shall on conviction be liable to a fine not exceeding ₦5 million or to imprisonment for a term not exceeding five years or to both.

(2) Any person who—

(a) without a licence granted by the Secretary undertakes any small-scale gold mining operation contrary to subsection (1) of section 1 of this Law; or

(b) acts in contravention of any other provision of this Law in respect of which an offence has not been prescribed,

shall be guilty of an offence and shall on conviction be liable to a fine not exceeding ₦2 million or to imprisonment for a term not exceeding 2 years or to both.

*SMALL-SCALE GOLD MINING LAW, 1989*

(3) A court before which any person is convicted under this Law may in addition to any penalty that it may impose order the forfeiture to the State of the gold or other mineral in respect of which the offence was committed.

(4) Where an alien is convicted of an offence under this Law he shall after paying the fine or serving any imprisonment imposed on him, be liable to deportation under section 13 of the Aliens Act, 1963 (Act 160).

20. The Secretary may on the advice of the Minerals Commission, and the Chief Inspector of Mines make such regulations as may be necessary for the effective implementation of this Law. Regulations.

21. In this Law unless the context otherwise requires—

“authorised buyer” means a person authorised by the Secretary to buy gold;

“citizen of Ghana” has the same meaning as provided in section 84 (1) of the Minerals and Mining Law, 1986 (P.N.D.C.L. 153) but does not include a public Corporation;

“designated area” means an area designated as a small-scale mineral operation area by the Secretary by a notice published in the *Gazette*.

“gold” means gold dust, gold bullion, retorted gold, gold ore, gold amalgam, gold allo, precipitates containing gold, slag, concentrates, tailings and residue containing gold;

“licensed small-scale gold miner” means a person licensed under this Law to win and mine gold;

“Secretary means the P.N.D.C. Secretary responsible for Lands and Natural Resources;

“small-scale gold mining operation” means the mining of gold by any method not involving substantial expenditure by an individual or group of persons not exceeding nine in number or by a co-operative society made up of ten or more persons.

Made this 19th day of April, 1989.

**FLT.-LT. JERRY JOHN RAWLINGS**  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 2nd June, 1989.

**GHANA NATIONAL PETROLEUM CORPORATION  
LAW, 1983**

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981 this Law is hereby made:

1. (1) There is hereby established a body corporate to be known as the Ghana National Petroleum Corporation (hereafter referred to in this Law as "the Corporation").

Establishment of Ghana National Petroleum Corporation.

(2) The Corporation shall have perpetual succession and a common seal and may sue and be sued in its corporate name.

(3) The Corporation may for and in connection with the carrying out of its objects, acquire, hold and dispose of movable and immovable property and may enter into any contract or other transactions

(4) Where there is any hindrance to the acquisition by the Corporation of any property, such property may be acquired for the Corporation under the State Property and Contracts Act, 1960 (C.A.6), or, as the case may be, under the State Lands Act, 1962 (Act 125), and each such Act shall, as the case may be apply to any such acquisitions with such modifications as may be necessary to provide for the vesting of the property acquired thereunder in the Corporation and for the cost of such acquisition to be defrayed by the Corporation.

2. (1) The objects of the Corporation are to undertake the exploration, development, production and disposal of petroleum.

Objects and functions of the Corporation.

(2) Without limiting the generality of subsection (1) of this section the Corporation shall:

- (a) promote the exploration and the orderly and planned development of the petroleum resources of Ghana;
- (b) ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources;
- (c) obtain the effective transfer to Ghana of appropriate technology relating to petroleum operations;
- (d) ensure the training of citizens of Ghana and the development of national capabilities in all aspects of petroleum operations; and
- (e) ensure that petroleum operations are conducted in such manner as to prevent adverse effects on the environment, resources and people of Ghana.

(3) Subject to the provisions of this Law and any enactment for the time being in force the Corporation may:

- (a) advise the Secretary and the National Energy Board on matters relating to petroleum operations;
- (b) engage in petroleum operations, either alone or in association with others;

**GHANA NATIONAL PETROLEUM CORPORATION  
LAW, 1983**

- (c) enter into petroleum exploration and production agreements and other petroleum contracts providing for the assistance, participation or co-operation of contractors in connection with petroleum operations;
- (d) either alone or in association with others, buy, sell, trade, store, exchange, import or export petroleum and for this purpose, acquire or operate any installations, facilities or means of transportation;
- (e) engage in research and development programme related to petroleum; and
- (f) engage in such other activities, either alone or in association with others, as may be necessary or desirable for the carrying out of petroleum operations.

**Powers of the Corporation.**

3. The Corporation shall for the attainment of its objects under section 2 exercise the following powers:—

- (a) with the approval of the Secretary, form subsidiary and affiliate companies, branches or agencies in or outside Ghana to carry out activities which the Corporation is authorised to undertake;
- (b) enter into contracts and agreements with individuals or firms in or outside Ghana and with the approval of the Secretary purchase or own shares in other companies engaged in activities related to the objects of the Corporation or sell or transfer such shares;
- (c) purchase, lease, establish, complete, expand, repair and manage such factories, plants, installations and facilities as are necessary in connection with the exploration, development, production and disposal of petroleum and subject to such approval as may be required by any enactment, provide and manage road, marine and aviation communications as well as means of transport and other facilities;
- (d) to execute service or work contracts or consultancy agreements with firms or individuals, either Ghanaian or otherwise;
- (e) to own patent rights and to acquire licences and leases and the right to obtain and use any kind of information concerning inventions, designs and processes relating to the petroleum industry;
- (f) to execute agreements with purchasers for the export of crude oil and natural gas;
- (g) where expedient, to employ agents or contractors to carry out petroleum operations on its behalf;

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LAW, 1983**

- (h) to establish welfare and provident funds for the benefit of its employees; and
- (i) to do such other things and perform such other functions as may be necessary or expedient for the purpose of attaining its objects and carrying out its activities.

4. (1) The Corporation shall conduct its affairs on sound commercial lines and, in particular, shall take all necessary steps to ensure that, taking one year with another, its revenues are sufficient to produce on the fair value of its assets, a reasonable return. Corporation to operate on sound commercial lines.

(2) In determining what constitutes a reasonable return, the Corporation shall take into account all relevant economic and financial considerations, including but not limited to the need to generate net operating income in an amount sufficient:

- (a) to meet interest payments on borrowings and to provide for the repayment of loans made to the Corporation;
- (b) to provide for a reasonable proportion of the funds needed for expanding the Corporation's activities and for increasing its working capital;
- (c) to provide reserves for replacement of fixed assets and equipment, expansion or other purposes as required under section 18 of this Law and to the extent that the Board of Directors of the Corporation may deem necessary;
- (d) to provide for contributions to any welfare or provident fund established by the Corporation; and
- (e) to make such payments into the Consolidated Fund as may be required under section 21 of this Law.

5. (1) The governing body of the Corporation shall be a Board of Directors which shall consist of The Board of Directors of the Corporation.

- (a) a chairman appointed under paragraph (c) of this subsection;
- (b) the Managing Director of the Corporation;
- (c) six other persons appointed by the Council on the advice of the Secretary, one of whom shall be appointed as chairman.

(2) No person shall qualify for appointment as a member of the Board of Directors unless he is qualified in terms of section 6 of this Law.

(3) The Chairman and the other members to be appointed under subsection (1)(c) of this section shall be appointed from among persons who by virtue of their careers in the government

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LAW, 1983**

or public service or of their specialized knowledge are capable of contributing to the work of the Board of Directors.

(4) The remuneration of the members of the Board of Directors shall be determined by the Council on the advice of the Secretary.

(5) A member of the Board of Directors appointed under subsection (1)(c) of this section shall hold office for a term of three years or such shorter term as may be determined by the Council and shall continue in office until a successor is appointed or shall cease to hold office upon his resignation or removal.

(6) Any such member shall be eligible for reappointment on expiration of his term of office.

(7) The Council, on the re-commendation of the Secretary, may remove any member of the Board of Directors from office before the expiration of his term of office if in the opinion of the Council it is in the national interest to do so.

(8) A member appointed under subsection (1)(c) of this section may at any time resign his office by giving notice in writing addressed to the Council, and in the event of the death, resignation or removal of any such member another person shall, subject to the provisions of this Law, be appointed in his place to hold office until the expiration of the term of office of such member.

6. No person shall qualify to be appointed a member of the Board of Directors or the Managing Director of the Corporation who:—

Qualification  
of members  
of the Board  
of Directors,  
etc

- (a) is not citizen of Ghana;
- (b) has been sentenced to death or to a term of imprisonment exceeding twelve months without the option of a fine;
- (c) has been convicted of an offence involving dishonesty and has not been granted a free pardon;
- (d) has been declared an insolvent or a bankrupt under any law for the time being in force in Ghana;
- (e) is adjudged to be a person of unsound mind.

Meetings of  
the Board of  
Directors.

7. (1) All meetings of the Board of Directors shall be held at such time and place as the Chairman may determine but the Board shall meet at least once in every month.

(2) All meetings of the Board of Directors shall be held upon written notice to all members thereof and the notice shall state the agenda for the meeting.

(3) The notice shall be delivered to each member of the Board of Directors at least seven days prior to the meeting to which the notice relates unless a majority of the members of the Board of Directors decide to waive the requirements in respect of the notice under subsection (2).

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LAW, 1983**

(4) Subject to subsections (2) and (3) of this section the meetings of the Board of Directors shall be called by the chairman thereof or at the written request of the Managing Director or of any four directors; but when the Chairman is absent the meetings may be convened by the Managing Director.

(5) The quorum at every meeting of the Board of Directors shall be such number as the Board may determine.

(6) All decisions of the Board of Directors shall be taken at its meetings and the vote of a majority of the members present at such meetings shall be the act of the Board of Directors.

(7) The minutes of all meetings of the Board of Directors shall be kept by a secretary appointed for that purpose by the Board of Directors and shall be signed by the Chairman of the Board of Directors and kept in the custody of the Secretary.

(8) At every meeting of the Board of Directors the Chairman shall preside and, in his absence, a member appointed by those present shall preside.

(9) The Board of Directors may adopt rules not inconsistent with this Law for the proper conduct of their meetings.

8. (1) The Board of Directors shall, subject to the provisions of this Law, have general control of the management, property, business and funds of the Corporation and any other affairs and concerns thereof. Functions of the Board of Directors.

(2) Without prejudice to subsection (1) of this section the Board shall:

- (a) submit to the Secretary the annual report and the annual balance sheet and the profit and loss statement of the Corporation not later than three months following the end of the financial year of the Corporation or such earlier date as may be specified by the Secretary;
- (b) advise the Secretary and the National Energy Board on the terms and conditions for the sale, distribution and export of crude oil and petroleum products;
- (c) prepare and submit to the National Energy Board for review, before the end of each financial year of the Corporation by a date specified by the Board, the budget and work programme for the succeeding financial year;
- (d) approve items of income and expenditure in the budget subject to such guidelines as may be established by the Secretary;

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LAW, 1983*

- (e) adopt regulations concerning employment, retirement, administrative and technical matters, accounting and auditing;
- (f) subject to such guidelines and directives as the Secretary may issue, act as conciliator or appoint arbitrators in the settlement of disputes or claims affecting the Corporation and, in general, take any appropriate action of a legal nature for safeguarding the Corporation's interests;
- (g) execute contracts on behalf of the Corporation;
- (h) recommend to the Secretary the formation of affiliate or subsidiary companies;
- (i) administer the rights and powers vested in the Corporation by this Law;
- (j) administer, invest and utilise the welfare and provident funds of the Corporation's employees, with due regard for the interests of such employees, provided that:
  - (i) the welfare and provident funds of the Corporation's employees shall not constitute part of the Corporation's assets and funds; and
  - (ii) the Board of Directors shall submit to the Secretary an annual comprehensive report on all actions taken with respect to the welfare and provident funds;
- (k) submit proposals to the Secretary with respect to the utilisation of the Corporation's general reserves; and
- (l) do such other acts, not inconsistent with this Law or any other Law as may be expedient or necessary for the achievement of the objects of the Corporation.

Delegation  
of functions  
of the Board  
of Directors  
to Managing  
Director:

9. (1) The Board of Directors may delegate any of its functions under this Law to the Managing Director of the Corporation.

(2) The Managing Director shall be responsible to the Board for the due execution of any functions delegated to him under subsection (1) of this section.

Managing  
Director:

10. (1) The Corporation shall have a Managing Director who shall be the Chief Executive of the Corporation and shall, subject to directions of the Board of Directors, be responsible for the day-to-day business of the Corporation, for the implementation of the policy and decisions of the Board of Directors and for the administration, organisation and control of all the employees of the Corporation.

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(2) Subject to section 6 of this Law the Managing Director shall be appointed by the Council on the advice of the Secretary given in consultation with the Public Services Commission and shall hold office for a period of five years upon such terms and conditions as the Council may specify in his instrument of appointment, and may be re-appointed for further period of five years.

(3) The appointment of the Managing Director may be terminated by the Council by six months' notice or the payment to him of six months' emoluments in lieu of such notice and in addition he shall be entitled to receive all benefits that had accrued to him at the time of such termination.

(4) The Managing Director may, by writing, addressed to the Council, resign his appointment by giving six months' notice.

(5) Where the office of the Managing Director becomes vacant the Board of Directors shall notify the Secretary who shall, subject to section 6 of this Law, recommend another person for appointment by the Council

(6) A senior officer of the Corporation shall be designated by the Board of Directors to perform the functions of the Managing Director in the event of where the office of the Managing Director has become vacant or the Managing Director is temporarily absent or is otherwise incapable of performing the functions of his office.

(7) Subject to the general directions of the Board of Directors, the Managing Director may delegate to any senior officer of the Corporation any of its functions under this Law and may impose such conditions with respect to the exercise of such delegated functions as he may think fit, but nothing in this subsection shall be construed so as to absolve the Managing Director from ultimate responsibility for any act done by any person in pursuance of any such delegation

11. (1) Subject to the provisions of section 17 of the Provisional National Defence Council (Establishment) Proclamation (Supplementary and Consequential Provisions) Law, 1982 (P.N.D.C.L. 42) the Corporation shall engage such employees as may be necessary for the efficient discharge of its functions under this Law. Staff.

(2) The terms and conditions of service of such employees shall be governed by regulations made in respect thereof by the Board of Directors under section 27 of this Law.

12. (1) The books and accounts of the Corporation shall be audited each year by the Auditor-General or an auditor appointed by the Auditor-General. Aud.

**GHANA NATIONAL PETROLEUM CORPORATION  
LAW, 1983**

(2) The Auditor-General or the auditor appointed by him shall:

- (a) ensure that the operations of the Corporation are in conformity with its approved budget;
- (b) examine the annual balance sheet and profit and loss account of the Corporation and certify that these are in conformity with the Corporation's records and submit a report on the operations of the Corporation to the Board of Directors, and the Secretary within three months after the end of the financial year of the Corporation.

(3) The books of account of the Corporation and its subsidiary and affiliate companies shall be kept in such form as may be determined by the Board of Directors on the advice of the Auditor-General.

(4) For the purpose of discharging his duties, the Auditor-General or the auditor appointed by him shall have access, during normal business hours to all books, records, and other documents of the Corporation and also inspect all projects being undertaken by the Corporation.

Internal  
Auditor.

13. (1) The Corporation shall have an Internal Auditor who shall be appointed by the Board of Directors with the approval of the Secretary upon such terms and conditions as the Board of Directors may determine.

(2) Subject to the provisions of this Law, the Internal Auditor shall be responsible to the Managing Director for the performance of his functions.

(3) The Internal Auditor shall, as part of his functions under this Law, at intervals of three months prepare a report on the internal audit carried out by him during the period of three months immediately preceding the preparation of the report and shall as soon as practicable after the preparation of the report, submit the report to the Managing Director.

(4) The Internal Auditor shall make in the report such observations as appear to him necessary regarding the conduct of the financial affairs of the Corporation during the period to which the report relates.

(5) The Managing Director shall as soon as practicable after receiving such report forward copies thereof to the Chairman of the Board of Directors and the Auditor-General.

Financial  
year of the  
Corporation.

14. The financial year of the Corporation shall be the same as the Government.

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**15. (1)** Subject to the provisions of sub-section (2) of this section the Corporation may borrow sums required for the purpose of meeting any of its obligations or discharging any of its functions. Borrowing powers of the Corporation.

(2) The power of the Corporation to borrow money shall be exercisable only on the recommendation of the Secretary and with the approval of the Secretary responsible for Finance as to the amount, source of the loan and the term and conditions under which the loan may be effected.

(3) An approval given for the borrowing of any money under subsection (2) of this section may be either general or limited to a particular borrowing and may be with or without conditions.

(4) The Secretary responsible for Finance may approve the guarantee on such conditions as he thinks fit of the repayment of principal and the payment of interest on any authorised borrowing made under this section.

**16. (1)** The Government may from time to time approve advances and grants to the Corporation out of money provided by the Government for that purpose. Government Advances and Grants to Corporation.

(2) The Council may, acting on the advice of the Secretary, approve such special levies as may be imposed on crude oil imported into Ghana to provide funds for the Corporation during the first five years of its establishment.

(3) The Corporation shall, at such times and in such manner as the Secretary responsible for Finance may direct, make payments of such amount as may be so directed in or towards the repayment of the advances made to the Corporation under subsection (1) of this section and the payments of interest on any sum outstanding for the time being in respect of such advances at such rate as the Secretary may direct.

**17.** The Corporation may, with the approval of the Secretary responsible for Finance:— Debt Securities and Sinking Fund.

- (a) create and issue debt securities for the purpose of exercising its borrowing powers under section 15;
- (b) establish a sinking fund for the redemption of any debt securities so created; and
- (c) suspend its contributions to the sinking fund for such periods of time and subject to such conditions as may be approved.

**18. (1)** The Corporation shall establish and maintain a reserve fund to provide for expenditures which may reasonably be anticipated in the carrying out of the Corporation's long-term plan and the annual work programme approved by the Secretary. Reserve Fund.

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(2) The management of the reserve fund, the sums to be carried from time to time to the credit thereto, the charges to be made against the fund and any other application of the fund shall be as the Secretary responsible for Finance may approve on the recommendation of the Secretary.

Special  
Foreign  
Exchange  
Account

19. (1) The Corporation shall, with the approval of the Bank of Ghana, open a special foreign exchange account into which shall be paid all moneys received in foreign exchange by the Corporation.

(2) The Bank of Ghana, shall supervise and monitor the operation of the special foreign exchange account by the Corporation to ensure that it is in conformity with the approved purposes for which the account was established.

(3) The purposes for which the special foreign exchange account may be used shall include—

- (a) repayment of principal and interest due in foreign exchange on any borrowings made under section 15 of this Law;
- (b) payment for goods and services imported from outside Ghana;
- (c) such other payments as are required to be made in foreign exchange in respect of transactions related to the objects of the Corporations.

(4) The Corporation shall, at the end of every period of ninety days, transfer to the Bank of Ghana from the credit balance of its special foreign exchange account such sums of money as are not required within the succeeding period of ninety days for the purposes specified in subsection (1) of this section.

Payment of  
Taxes by the  
Corporation.

20. (1) Except as otherwise provided in this Law, the Corporation shall be liable to pay tax under the appropriate enactment as if it were a company registered under the provisions of the Companies Code, 1963 (Act 179).

Payment into  
the Consoli-  
dated Fund  
by the  
Corporation.

21. Upon approval by the Secretary of the annual profit and loss account, any surplus remaining after provision for taxes and the reserve fund established under section 18 of this Law has been made shall be transferred to the Consolidated Fund.

Importation  
of goods by  
the Corpo-  
ration, etc

22. (1) The Corporation may, subject to the requirements of any enactment relating to the importation of goods, import from outside Ghana materials, machinery and equipment that are exclusively required for its operations in Ghana, including component parts of machinery and plants, tools, instruments, spare parts, chemicals,

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minerals, means of transport, safety, and telecommunications facilities, pipelines and pumps, loading and jetty equipment, part installations, laboratory equipment, and such other items as the Secretary for Finance may from time to time approve.

(2) All materials, machinery and equipment imported by the Corporation under subsection (1) of this section shall not be liable to customs duties or other taxes and charges, but the Corporation shall be liable to pay handling and warehousing expenses and port dues and charges in respect of such items.

(3) Any contractor or sub-contractor of the Corporation engaged in petroleum operations shall be exempted from import or export duty and any taxes, charges, fees, duties or other imports other than the normal charges payable in respect of service actually rendered by agencies of the State, with respect to the import into or export from Ghana of plant, material, goods or equipment of any kind which are to be used for petroleum operations and which will, on the conclusion of such operations, become the property of the Corporation or be re-exported from Ghana.

(4) No materials, machinery or equipment in respect of which an exemption has been granted under subsection (2) or (3) of this section shall be disposed of in Ghana or re-exported outside Ghana by the Corporation, a contractor or subcontractor of the Corporation without the approval in writing of the Ministry responsible for Fuel and Power.

(5) All materials, machinery and equipment in respect of which an exemption is granted under subsection (2) or (3) of this section shall not be sold in Ghana unless, prior to such sale, the seller thereof has paid to the Comptroller of Customs and Excise such import duty as he would otherwise have paid in respect of such items if he has not been granted the exemption under subsection (2) or (3) of this section.

(6) Notwithstanding the provisions of subsection (3) of this section the Secretary responsible for Finance may grant exemption in respect of fees and charges payable in respect of the import or export of goods to be used in connection with petroleum operations if in his opinion such exemption is necessary for the carrying out of the purposes of this Law.

(7) The personal and household effects other than those specified in the Schedule to this Law of a non-Ghanaian employee recruited from outside Ghana by any contractor engaged in petroleum operations shall not be liable to import duty if such personal and household effects were imported into Ghana within six months after the arrival in Ghana of that employee to assume duty.

(8) The Secretary responsible for Finance may from time to time by notice published in the *Gazette* amend the Schedule to this Law.

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Non-disclosure of confidential information.

23. (1) No member of the Board of Directors, the Auditor-General or any auditor or an employee of the Corporation shall disclose or divulge any information which is considered by the Corporation to be of confidential nature to any person other than the Secretary, a member of the National Energy Board or of the Board of Directors or any employee or other appointee of the Corporation in the course of official business.

(2) In case of violation of subsection (1) of this section—

- (a) where the offender is a member of the Board of Directors he shall be dismissed from such office by the Council on the advice of the Secretary;
- (b) where the offender is an employee of the Corporation he shall be dismissed upon approval by the Board of Directors.

Acts of Corporation in respect of which approval of Secretary is required.

24. (1) The approval of the Secretary shall be required for any of the following acts of the Corporation:—

- (a) entering into petroleum exploration and production agreements;
- (b) adopting long-term plans;
- (c) adopting annual budgets; and
- (d) approving the annual balance sheet and statement of accounts.

(2) The Secretary may, after consultation with the National Energy Board and with the Board of Directors and management of the Corporation prescribe policy guidelines to be followed by the Corporation in the conduct of its activities, and the Corporation shall comply with such guidelines.

Vesting of assets and liabilities in the Corporation.

25. (1) On the coming into force of this Law there shall be transferred to and vested in the Corporation assets and liabilities of the Petroleum Department of the Ministry of Fuel and Power and the Corporation shall exercise such rights and discharge such obligations as are related to these assets and liabilities.

(2) On or after the coming into force of this Law the Corporation shall be responsible for the discharge of such liabilities and contracts as may have been incurred or entered into by the Petroleum Department before the coming into force of this Law in respect of any of the functions to be discharged by the Corporation under this Law and any matters relating to such liabilities and contracts shall be carried out by the Corporation as if the Corporation incurred those liabilities or entered into those contracts.

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**26.** There shall be transferred to the Corporation such members of staff of the Petroleum Department of the Ministry of Fuel and Power as the Secretary may consider necessary and such members of staff shall, subject to the provisions of this Law, be deemed to be employees of the Corporation. Transfer  
of Staff.

**27.** Subject to the provisions of this Law the Board of Directors Regulations.  
shall, with the approval of the Council make regulations providing for the conditions of service of the Managing Director and other employees of the Corporation.

**28.** Until the Board of Directors of the Corporation is duly constituted under section 5 of this Law the governing body of the Corporation shall be an Interim Management Committee appointed in accordance with the Interim Management Committees (Public Boards and Corporations) Law, 1982 (P.N.D.C.L. 6) to perform the functions of the Board of Directors under this Law. Transitional  
provision.

**29.** In this Law unless the context otherwise requires:

“affiliate company” means any shareholder of a contractor owing five per centum or more shares in the business of the contractor or any entity which controls, or is controlled by, or is under a common control with, the contractor;

“contractor” means any person, firm, body corporate or other entity which has entered into a petroleum agreement with the State and the Corporation to engage in the exploration and production of petroleum pursuant to the Petroleum (Exploration and Production) Law, 1983;

“Council” means the Provisional National Defence Council;

“crude oil” means hydrocarbons which are solid or liquid under normal atmospheric conditions and includes condensates and distillates obtained from natural gas;

“natural gas” means all hydrocarbons which are gaseous under normal atmospheric conditions and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas;

“petroleum” means crude oil or natural gas or a combination of both;

“petroleum operations” means exploration, development, production, transportation and disposal of petroleum;

Interpreta-  
tion.

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- “petroleum product” means any product derived from petroleum by any refining treatment process;
- “Secretary” means the Provisional National Defence Council Secretary responsible for Fuel and Power;
- “subsidiary company” means a subsidiary of the Corporation established under the Companies Code, 1963 (Act 179).

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*SCHEDULE*

**ITEMS NOT QUALIFIED FOR CUSTOMS EXEMPTION**

- Foodstuffs and alcoholic or non-alcoholic beverages for human consumption;
- Tobacco, tobacco products and smokers' requisites;
- Disinfectants and insecticides packed in containers of 10 litre contents or less;
- Fuel and lubricating oils;
- Medicines;
- Soap and other detergents;
- Tyres and tubes for passenger cars, motor cycles and motorized or non-motorized bicycles;
- Unused leather and leather wares;
- Wood and wood products;
- Paper and paper articles;
- Textiles other than those used for industrial purposes;
- Unused clothing and footwear;
- Glass and glaziers' requisites;
- Hand tools;
- Office requisites and office machinery;
- Passenger cars for not more than 11 passengers, as well as spare parts and accessories thereof;
- Motor bicycles;
- Firearms and ammunition;
- Office furniture;
- Medical instrument;
- Sanitary articles;
- Unused airconditioners, other than for working spaces;

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Unused furniture and other mechanical or non-mechanical  
appliances, apparatuses and household articles;  
sports and pleasure craft and the engines thereof.

Made this 16th day of June, 1983.

**FLT.-LT. JERRY JOHN RAWLINGS**  
*Chairman of the Provisional National Defence Council*

Date of Gazette notification: 5th August, 1983.

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