THE AGENCY FOR INTERNATIONAL DEVELOPMENT PRESENTS

CRITICAL ISSUES FOR AMERICAN INVESTORS IN *GHANA*

October 1991

This document has been prepared for USAID by independent consultants. The views expressed herein are not necessarily those of USAID or of the United States Government.

Contents

GHANA

EXECUTIVE SUMMARY

- The current political situation in Ghana is relatively stable. The present government has recently begun to liberalize the political system, and there are some indications that the human rights picture may be improving. Corruption exists, but it is not institutionalized.

- Ghana has achieved remarkable economic progress after seven years of politically risky reforms. Its annual economic growth has averaged approximately 5.5 percent a year, inflation and the government's budget deficit have been significantly reduced, and some spectacular improvements in sectoral performance have been recorded, particularly in exports. Nevertheless, Ghana still faces formidable structural and financial constraints, and sustained economic growth over the long term will require that private investment play a much greater role.

- Although the agriculture sector remains the main pillar of the economy, economic growth in the past few years has resulted in a relative decline in the share of agriculture and an increase in the share of services, while the industrial sector has stayed more or less the same. The overall performance of all sectors has improved significantly since the implementation of reforms under the ERP.

- The government acknowledges in theory the critical role of the private sector in economic growth, particularly in helping to achieve employment objectives. It also recognizes the need to further enhance the climate for private investment. In some areas, however, there is still a residual distrust between the government and the private sector. The government's slow progresss in privatizing state-owned enterprises in particular has raised questions about its commitment to private sector development.

- The recent upturn in foreign direct investment in Ghana has been attributed almost entirely to new gold mining investments.

U.S. investment is comparatively large, but is still dwarfed by British investment. The investment outlook in Ghana has improved considerably as a result of recent reforms under the ERP. A number of constraints, however, continue to cloud the investment climate and pose major problems for foreign investors.

- Although official government policy seeks to encourage foreign investment and some generous incentives are offered, many current regulations remain quite restrictive. Collectively, these regulations project an image of Ghana as a country with excessive government intervention in private business. Nevertheless, most businessmen agree that the Ghanaian business climate has improved enormously in the last two to three years, and that it is much more favorable than many other places in West Africa.

- Ghana's infrastructure has suffered badly from years of neglect. Although it is currently receiving extensive rehabilitation and upgrading, financed by aid donors, a number of infrastructural bottlenecks and weaknesses pose constraints to private investors. Deterioration of the country's infrastructure network has also been a major factor affecting the growth of exports, both directly and indirectly, by impeding the distribution of inputs and spare parts to productive enterprises.

- Ghana's exports consist predominantly of raw materials or primary commodities, with little value added. Under the ERP, a liberal trade policy has been followed, with a significant reduction in tariff barriers and the adoption of a flexible exchange rate policy, However, the country's duty drawback system is extremely cumbersome, and trade financing mechanisms are rudimentary or nonexistent.

- Although Ghana has finally cleared all of its international debt arrears, its total external debt remains relatively high. The country's debt service ratio, however, has fallen significantly in recent years as a result of increased concessional lending. Overall, donor support for Ghana remains strong and has helped fuel much of the country's recent economic progress.

Ghana possesses a large pool of inexpensive, unskilled labor. Better salaries and conditions abroad have reduced the number of available talented managers. Labor regulations and policies are generally favorable to business. Labor costs are relatively low, and labor-management relations are fairly good. Although the government encourages the formation of unions, it does not push for high wage settlements, preferring that agreements be based on productivity and ability to pay. Living conditions for expatriates in Accra are, by and large, comfortable.

Ghana has confronted the devastation of its financial system and taken strong, remedial action to revitalize the sector. Significant progress is being made on several fronts, but financial capabilities in Ghana will remain limited for some time to come.

Containing inflation remains one of the biggest challenges facing the government. Inflationary pressures have recently been restrained by the government's stringent monetary policy, and both the short-term and long-term outlooks for inflation are more encouraging. The government maintains a variety of subtle price controls on a number of major products, particularly in the agricultural sector.

Public finance has improved significantly in recent years, after strenuous government efforts to control expenditures. Increased revenues, combined with increased donor resource flows, have led to significant investment in the rehabilitation of existing infrastructure. This rehabilitation, particularly of roads, ports and telecommunications, has improved the business environment.

Tax policy remains a constraint to doing business in Ghana, but recent changes provide some hope of a more favorable future climate in the country. Under the ERP, the government has significantly reduced tariffs and has provided personal and corporate tax relief.

The protection of intellectual property is an evolving area of law in Ghana, but strides have been made in recent years to afford protection to a variety of intellectual property under both local and international law. Ghana is a member of the World Intellectual Property Organization (WIPO) and the English-Speaking African Regional Industrial Property Organization (ESARIPO).

MAKING THE INVESTMENT DECISION

COUNTRY OVERVIEW

The key to an understanding of today's Ghana is an understanding of the Ghana of yesterday. At independence in 1957, Ghana had a diversified industrial base, good infrastructure, and strong social services, backed by large foreign-exchange reserves. Throughout the 1960s and 1970s, however, a neglect of the rural sector, corruption, increased political repression and a growing public sector drained government finances and exacerbated economic and social conditions. With the private sector weakened by expropriations, Ghana's economy became one of the most distorted in all of Africa. By 1982, it had virtually collapsed.

In sharp contrast, today's Ghana is going through a rebirth. Under the government's stringent Economic Recovery Program (ERP), Ghana's economy has changed from being one of the most distorted in Africa to being hailed as a model of reform. Among the ERP's principal features have been a reduction of the state's role in the economy and a movement toward market-determined prices, exchange rates, and interest rates. Broad reforms have also encompassed the restoration of fiscal and monetary discipline, the rationalization of the public sector, and the rehabilitation of productive bases and economic infrastructure. Moreover, to encourage domestic savings and investment, the central bank has introduced a broader range of financial channels and instruments. A weekly treasury-bill auction, an interbank discount house, and a stock market have been established. In short, Ghana's structural and economic reform effort represents one of the most comprehensive and stringent in the developing world.

Politically, today's Ghana is also going through something of a rebirth. In contrast to the country's turbulent history since independence, with nine governments alternating between civilian and military rule, the current political situation in Ghana is relatively stable. The present government, the Provisional National Defense Council (PNDC), led by Flight Lieutenant Jerry Rawlings, has been in power since the end of 1981. Recently it has started down the path to democracy, a political road that is compatible with private-sector, free-market activity and market-oriented economic growth. Over 100 local administrative districts were created in 1988 and district-level elections were held in 1989. More important, a consultative body charged with drafting a new democratic constitution has been formed. Upon its completion, the new constitution will set the stage for the convening of national elections.

In sum, today's Ghana is on the move, following a liberal course both politically and economically. The result of recent reforms has been encouraging. Annual economic growth averaged approximately 5.5 percent a year during 1984-89. Inflation and the government's budget deficit have also been significantly reduced. In fact, prudent spending policies produced a succession of surpluses in 1986-89. External debt arrears of $440 million were cleared by the end of 1990. Finally, some spectacular improvements in sectoral performance have been recorded, particularly in exports.

Trends in the Economy and Business

Under the first phase of the ERP (1983-89), economic policy was aimed at recovery and stabilization. For the 1990s, the focus of the ERP is on private-sector development, civil-service reforms, state-enterprise reform, public-expenditure and poverty-alleviation programs and tax-policy changes. Steady progress in each of these areas will lay a solid foundation for sustainable economic growth. In the meantime, however, Ghana still faces formidable structural and financial constraints. The economy remains highly dependent on foreign aid inflows, and levels of domestic savings and investment remain exceedingly low. The economy also remains vulnerable to fluctuations in the price of cocoa, the major export, and oil, the major import. Moreover, private-sector confidence has not yet been fully restored. Infrastructural deficiencies, a heavy foreign debt burden, and increasing inflationary pressures continue to undermine investor confidence.

Sustained economic growth over the long term will involve new challenges for Ghana. Under the ERP, growth was brought about essentially through substantial donor inflows, expenditures through the public sector and the exploitation of excess industrial capacity resulting from the previous years of economic stagnation. In the future, reliance on these sources of growth is not feasible. Donor inflows cannot be counted on to keep the expansion going. Excess capacity has, in many sectors, been absorbed, and growth can only be expected to occur through increased private-sector investment.

According to World Bank projections, private investment will have to double in real terms over the next five years if Ghana is to maintain an annual five-percent growth rate. Traditional exports, such as cocoa, gold, electricity and timber, are expected to grow slowly over the next ten years. A continued dependence on these traditional exports, without diversification, will put continued economic growth at risk.

How Investment Policy and Regulation Work

In theory, Ghana's investment policy encourages foreign investment, guarantees the free transferability of dividends, loan repayments, licensing fees, and the repatriation of capital, provides guarantees against expropriation and delineates dispute arbitration. In addition, foreign investors are not supposed to be subject to differential treatment on taxes, prices, or access to foreign exchange, imports, and credit.

In practice, some regulations governing foreign investors in Ghana are quite restrictive. Current government policy limits the payment for technology, discourages the use of modern techniques, makes it difficult to employ foreign technicians who can pass on new skills to Ghanaians and restricts foreign investment. In addition, foreign firms are treated differently from domestic firms in certain respects. The minimum equity for foreign investors is $60,000 (joint venture) or $100,000 (wholly-owned); projects in the latter category must be net earners of hard currency. In addition, a wholly owned foreign firm or a joint venture must have explicit approval from Bank of Ghana (the central bank) to gain access to the domestic capital market. Finally, twenty economic activities identified in the government's Investment Code are closed to foreign investors or are subject to a higher minimum investment.

Spearheading the country's investment program is the Ghana Investment Center (GIC), whose official mandate is to encourage, promote, and coordinate investments in Ghana, acquire and dispose of property, and enter into contracts and related transactions. The government intended to make the GIC a "one-stop shop" for investment facilitation and approvals. In actuality, the GIC is not fully staffed and is not yet able to serve as a one-stop facility for the investor.

To a great extent, the GIC has concentrated on controlling investment projects to the detriment of investment promotion and investor support services. As a result, the GIC is not as helpful to investors as it could be. For example, after obtaining the GIC's approval, it is the investor who must negotiate the bureaucratic maze to secure other government approvals, thus prolonging the investment process.

The GIC also continues to conflict with other ministries over lines of authority, namely who is authorized to approve projects and issue licenses. Government agencies, such as the Ministry of Trade and Tourism and the Ministry of Energy, have been reluctant to delegate authority to the GIC. The resolution of these conflicts through clearer lines of authority or subsidiary regulations is badly needed.

At the same time, the GIC is widely viewed as an ineffective source of assistance to potential investors who visit Ghana seeking information. Despite recent technical assistance from the United Nations Development Program, the GIC staff still lacks the training to understand what foreign and business people need to properly evaluate competing investment opportunities.

In short, despite its official role in investment promotion, project approvals and the determination of incentives, the GIC lacks an internal budget that supports investment promotion. Further, it lacks the authority to deal effectively with project-approval processes because many critical official decisions (such as those concerning land, expatriate workers, utilities, etc.) are made in other government agencies. Because of the GIC's difficulty in following through in jurisdictions outside of its own, project approvals have been delayed beyond a reasonable period of time. In some cases, the process can take over four months.

In general, prospective investors in Ghana are confronted with a plethora of administrative procedures that are often unclear, tedious, unnecessarily taxing and take an undue amount of time and, subsequently, expense to process. Investors also must confront government institutions and departments that control various aspects of the investment process, including the Ghana Investment Center, Customs, Excise and Preventive Services, Bank of Ghana, the Ministry of Trade and Tourism, the Ministry of Finance, and the Ghana Export Promotion Services. Currently, investors must deal with all of these agencies in order to obtain a review and approval of their operations.

Moreover, procedures vary according to the subsector. At many subsectoral levels, an inordinate number of fees for filing, price approvals, forms, inspections, registrations, monitoring, etc., have created a quagmire for businesses. These fees are particularly taxing on prospective investors who are trying to improve their cash flows. Such fees amount to penalizing entrepreneurs hoping to succeed in new ventures.

Despite these problems, most businessmen agree that the Ghanaian business climate has improved enormously in the last two to three years, and that it is much more favorable than many other places in West Africa. As evidence of the improvement, business leaders point to the recent establishment of the TCIA (Inter-Applications Ministerial Technical Committee on Investments), designed to streamline the investment-approval process. This committee is actively reviewing past regulations that have hindered private-sector development and is proposing to modify or eliminate them.

Key Issues for American Investors

A discussion of general issues for business is given in section 5.3, and for the economy in section 2.4. American investors in particular should consider the following aspects of the operating environment in Ghana:

✓ *a stable political environment*

In contrast to the country's turbulent history since independence, with nine governments alternating between civilian and military rule, the current political situation in Ghana is relatively stable. The present government, the Provisional National Defense Council (PNDC), led by Flight Lieutenant Jerry Rawlings, has been in power since the end of 1981. Recently, it has started down the path to democracy, a political road that is compatible with private-sector, free-market activity and market-oriented economic growth.

✓ *highly disciplined economic management*

Ghana has launched a successful economic reform program, which serves as an example for potential investors of just how rapidly reforms can be effected. In many ways, Ghana is an outstanding success story of economic reform programs in sub-Saharan Africa. This highly disciplined economic management has earned Ghana the respect of the international financial community and substantial concessionary finance from multilateral financial institutions and bilateral donors.

✓ *a liberal trade policy*

Under the ERP, a liberalized trade policy has been followed, with a significant reduction in tariff barriers and an increased supply of manufactured imports. The reductions in tariffs have increased competition for local producers and manufacturers, while also reducing the cost of imported raw materials.

✓ *improved banking-sector and capital-market development*

Ghana has confronted the twenty-year devastation of its financial system and taken strong, remedial action. The government introduced a wide-ranging program of financial-sector reforms in 1988-89 to revitalize the ailing financial system. The reforms aim to: (1) enhance the soundness of local banks by improving the regulatory framework and strengthening bank supervision; (2) restructure financially distressed banks; and (3) improve resource mobilization and increase the efficiency of credit allocation by the banking system. Significant progress is being made in all three areas. The Bank of Ghana's regulatory powers and capabilities have been strengthened. The loan portfolios of all of the banks have been reviewed and a Non-Performing Assets Recovery Trust (NPART) has been created. This action has restored the viability of the banks, a necessary element in the future of private-sector export-led growth. Finally, the movement from a system of direct credit controls to the adoption of monetary instruments and open market operations to manage monetary policy are important steps that will allow the market mechanism to play a greater role in the allocation of credit over time, with less direct government interference.

✓ *significantly reduced tariffs and taxes*

In the past, the government pursued a policy of high tariffs and income taxes. Under the ERP, however, it has significantly reduced tariffs and has provided personal and corporate tax relief. In 1991, the corporate tax rate for agriculture, manufacturing, real estate, construction and services was reduced from 45 percent to 35 percent; the capital gains tax was reduced from 55 percent to 5 percent and capital gains from publicly traded shares, mergers and acquisitions were exempted from the tax; the withholding tax on dividends was decreased from 30 percent to 15 percent; and capital allowances were extended to all enterprises in the manufacturing sector.

✓ *a well-endowed resource base*

Ghana is comparatively rich in natural resources. It possesses large mineral deposits (notably one of the world's largest and richest reserves of gold), sizable supplies of tropical hardwoods, a strong agricultural base and an excellent potential for producing stable foodstuffs, and still- underexploited sea resources.

✓ *an increasingly influential private sector*

A private-sector committee, composed of business leaders, has been established to advise the government on revisions of laws that will promote private-sector activity. Moreover, the government is attempting to improve the communication of policy decisions to the private sector, intensify its efforts to promote private-sector development, disseminate more information on private-sector opportunities, foster debate on key private-sector concerns among a wider audience, and revitalize the divestiture program in order to reduce the size of the public sector. These activities demonstrate the government's commitment to encouraging a greater role for the private sector in the economy, and they help to send signals that Ghana is a safe and financially attractive country in which to do business and invest.

✓ *ready access to other markets*

Ghana enjoys a strategic location for international commerce. In addition, it is a member of the Economic Community of West African States (ECOWAS) and a signatory of the Lomé Convention, which give it ready access to regional, as well as European, markets.

The Divestiture Implementation Committee (DIC) has reported that about 154 local and foreign firms have so far expressed an interest in nine state-owned enterprises. This takes the total number of firms sold to fourteen. Sixty-three companies expressed interest in cold stores or vessels of the State Fishing Corporation, twenty-nine in Accra Breweries, and sixteen in the Brick and Tile Company. Also popular were the various catering rest houses located in Kumasi, Tamale, Sunyani, Ho and Cape Coast. Some of the prospective investors have visited the various potential investment sites and submitted concrete proposals.

MAJOR OPPORTUNITIES AND CONSTRAINTS

A general list of investment opportunities in Ghana is provided in section 5.4. For U.S. firms in particular, however, certain **opportunities** are worth highlighting:

mining

Ghana is endowed with abundant mineral resources: gold, diamonds, manganese, and bauxite. As its colonial name of "Gold Coast" implied, Ghana ranks among the world's top potential gold producers. Over eighty companies (several from the U.S.) are surveying or prospecting; eight have mining licenses, and several are in production.

agriculture

Ghana's economy is dominated by its agricultural sector. Investment opportunities include the production, processing and preservation of a wide range of crops, livestock and fishery products. Among these are tree crops (rubber, palm oil, kola nuts, coffee, etc.), root crops (cassava and yam), horticultural produce (pineapples, avocados, limes, black pepper, chilies, flowers, etc.), deep sea trawling (tuna), coastal fishing and shrimping, inland lake fishing and fish farming, and livestock ranching (cattle).

forestry

Ghana has rich reserves of tropical rain forests. Timber is now highly profitable since the export price is around 200 percent of production costs, compared with a difference of 30 percent in 1983. In line with government policy, the industry has shifted gradually from the traditional export of logs to high-quality, value-added processed goods.

fisheries

Since 1962, Ghana has attempted to develop a tuna-fish industry, essentially geared to the export market. Based originally on foreign--mainly Japanese and Korean--enterprises, the industry initially recorded encouraging results.

manufacturing

Although growth has slowed in recent years, manufacturing remains one of the more dynamic sectors in the economy. More than any other sector, manufacturing has probably benefited the most from the relaxation of investment controls and other economic liberalization under the ERP.

tourism

After more than a decade of decline, Ghana's tourism industry is expanding again under a program designed to develop the country's many attractions. These attractions include the large concentration of forts and castles along the coast, which represent vestiges of the history of early European contacts with Africa.

Meanwhile, **constraints** on investment involve infrastructure, export biases, domestic financing and human resources.

poor infrastructure

Ghana's infrastructure has suffered badly from years of neglect. Although it is currently receiving extensive rehabilitation and upgrading, financed by aid donors, a number of infrastructural bottlenecks pose constraints to private investors.

an anti-export bias

Since independence, the Ghanaian government has had a distinct bias against exports, a vestige of the country's more xenophobic outlook in the recent past.

limited sources of domestic financing

Trade financing mechanisms are rudimentary or nonexistent in Ghana. Domestic money markets and such instruments as bankers' acceptances usually do not exist. Term lending for the immediate future will be difficult to come by because of the tight monetary policy that the Bank of Ghana is pursuing to reduce the high inflation rate.

limited human resources

While some Ghanaians are well trained and highly talented with first-rate university educations and extensive practical experience, most do not have the knowledge and skills necessary to produce and market products effectively, either domestically or internationally. This has limited the private sector's ability to diversify into major foreign markets.

▪ ▪ ▪

On balance, Ghana provides a challenging, but potentially rewarding, investment site for U.S. investors in West Africa. The country's many investment opportunities must be assessed in the context of local constraints. Investments must be carefully focused, and designed with a medium- to long-term outlook.

1. POLITICAL BACKGROUND

The current political situation in Ghana is relatively stable. The present government has recently begun to liberalize the political system, and there are some indications that the human rights picture may be improving. Corruption exists, but it is not institutionalized.

1.1 GOVERNMENT AND POLITICS

Despite the country's turbulent history since independence, with nine governments since 1957 alternating between civilian and military rule, the current political situation in Ghana is relatively stable. The present government, the Provisional National Defense Council (PNDC), is led by Flight Lieutenant Jerry Rawlings, a charismatic, populist leader who seized power from an elected government on December 31, 1981, and suspended the constitution. The parliament has been suspended and political parties banned since that time. Current rule is by decree of the nine-member Provisional National Defense Council (PNDC).

Structure of Government

The national government is composed of the Committee of Secretaries appointed by the PNDC. Of this group, nineteen have ministerial portfolios and ten are responsible for the various regions of the country.

Although Ghana continues to be ruled by a provisional government, with close links to the military, it is nevertheless trying to define and create a stable form of government, free of corruption and accountable to the broad mass of Ghanaians in the countryside as well as in the cities.

In 1988, the PNDC began a concerted effort to decentralize the government in an attempt to give the populace more voice. As part of this decentralization process, the Ghanaian government has created 110 administrative districts and has decentralized nearly twenty-two line ministries. In early 1989, elections were held for the local, non-party district assemblies, of which two-thirds of the members were elected by universal suffrage and one-third appointed. A range of political responsibilities has since devolved to these newly formed district assemblies, which have become Ghana's only forum for popular involvement in decision-making. While strapped for funds and primarily preoccupied with small, local development projects, the district assemblies are being taken seriously and serve as a base for a representative form of government. The next district election is scheduled for February 1992.

The district assemblies (DAs) have been given responsibility for eighty-seven functions, covering aspects of health, education, agriculture, and the maintenance of the social and economic infrastructure in their areas. They are provided with funds by the central government, and have powers to raise revenue locally. Chairman Rawlings has said on more than one occasion that they are the first stage in providing elected government at the national level.

The process of political reform is also moving forward at the national level. In July 1990, the PNDC, through the National Commission on Democracy (NCD), organized a series of public seminars in each of the country's ten regions on Ghana's political future. Participants spoke freely, often criticizing the PNDC. In his speech to the nation on January 1, Chairman Rawlings announced that a new constitution would be drafted by the end of 1991 and charged the NCD to report on the democratization forums held in 1990. Given Ghana's history, the Chairman is suspicious of multi-party politics, but has accepted the idea of a party system. Rawlings also repeated that the idea of a party process would continue and chastised central-government officials who have not taken the decentralization process seriously and who have ignored the district assemblies.

The NCD released its report on democracy in April 1991. According to the report, the new government will have a constitutional structure, with an elected president and a prime minister who must command a working majority in the national assembly. It further recommends that national elections be on a party basis, with some provisions for independent candidates. As a result of the report, in May the PNDC announced the formation of a consultative body and selected a group of constitutional experts to convene in July to discuss and draft a constitution. The 260-

member Consultative Assembly (CA) will include elected representatives from the district, municipal and metropolitan assemblies and other "identifiable bodies," including tailors, hair stylists, and garage owners. The PNDC seeks the involvement of broad masses of Ghanaian society and believes, according to one prominent member of the PNDC, that "constitution-making can be done by all since it affects the life of every single person in the society."

Legislative and presidential elections are to be held before the end of 1992. In the meantime, political parties are proscribed until the Consultative Assembly finishes its work at the end of this year.

Ghana's Political Future

What path Ghana will take is still uncertain, but clearly the dialogue has begun, and 1991 is a transitional year for the country. The PNDC has been in power for nearly ten years, and most Ghanaians realize it is time for a change. The PNDC government has made a start on the path to democracy, a political road that is compatible with private-sector, free-market activity and market-oriented economic growth.

The government's economic recovery program has been important in generating fundamental changes in the political scene and has radically altered the nature of the PNDC's civilian constituencies. The shift in resources to the rural areas has increased the government's popularity there, while liberalization has endeared the PNDC to the private-sector business class.

In recent months, however, the PNDC has been considering how its policies can be sustained under the future pluralist system and how, under such a system, it can maintain its popular support. There is a genuine concern to maintain the ERP, and not to squander the gains of the past seven years of austerity. Yet the PNDC is fully aware that many aspects of the ERP are unpopular at the political level because of their effects on urban and state-sector jobs.

One concern is that it takes a tough government to implement tough policies. A more accountable government (by Western standards) might not be so ready to implement the very economic program that the IMF and World Bank are advocating. This has given rise to much debate about the PNDC's ability to transform itself into an effective political party, one with the necessary credentials to receive a popular mandate and maintain the pace of economic reform.

1.2 Human Rights

There are some indications that the human rights picture may be improving. In late June, the government granted a general amnesty to Ghanaians in exile and invited them to come home. Excluded from the offer were "those who fled the country because of their involvement in subversive activities against the government." The amnesty was accompanied by an invitation to those whose relatives or friends are in jail for opposition to the PNDC to write to the government for redress. The move is seen as an oblique admission that the government is keeping political prisoners and is prepared to reconsider some cases. Much of the international focus is on those identified by Amnesty International as being held without trial. Despite some apparent softening, however, the government remains undecided about what to do with the detainees.

To hold trials now and find the prisoners guilty would seriously dent the PNDC's image at a time when international pressure to liberalize is strengthening. Such moves could conceivably prompt a contraction in aid funds. On the other hand, a set of "liberal" findings, along with some genuine concessions allowing more freedom of the press, could earn a great deal of goodwill.

1.3 Corruption

As is true elsewhere in Africa, in Ghana the line of demarcation between government and business is somewhat blurred because ethnic and family relationships play such an important role in both spheres. The extended family imposes responsibility upon its members in proportion to their success in life, such that every advancement in status and income enlarges the circle of relatives, clan kinsmen, and tribal members who have claims upon resources. The burden of generosity is best borne by trading favors among peers; an official in the Ministry of Transport might find his niece a secretarial job in the Ministry of Health, while an official in the Ministry of Health might help his brother become director of a firm distributing veterinary products, and so on.

This pattern of behavior is readily transposed to dealings with foreigners: a pattern of personal friendships and small favors helps to cement merely economic relationships and facilitate the solution of business problems. Thus it is useful to cultivate Ghanian contacts through social events and tokens of appreciation.

Occasionally, of course, one finds this process overstepping the bounds of good business manners into extortion, bribery, or fraud. Under these circumstances, the best defense is an absolute refusal to cooperate, explaining gently that while one values friendship and would like to accommodate, the laws of the United States provide severe punishments for activities that might be considered entirely appropriate in other countries. This strategy is usually successful.

Thus, corruption exists, but the situation is improving, and things are much better today than they were before the Rawlings government cracked down. Most of the corruption that does exist takes place in the middle and lower levels of the bureaucracy and in the management of state-owned enterprises. For instance, the procurement manager of Cocobod was recently sacked following the discovery of a number of instances of corruption.

Economic mismanagement and official corruption at key resource-distribution points in the state sector became the most prominent issues in Ghanaian politics throughout the 1970s and 1980s. Corruption became an all-pervasive and demoralizing force, and the need to wipe it out was adopted as the main justification for all subsequent coups and became a major item on every party's manifesto.

1.4 Freedom of Expression

There is growing dissatisfaction in some quarters with a series of laws implemented by the PNDC that limit freedom of expression. These include laws that limit the right of habeas corpus; that license newspapers, which some groups argue curbs freedom of the media; that regulate religious organizations; that provide for the execution of political offenders; and that provide for detention without trial. A group calling itself "Movement for Freedom and Justice" has been particularly outspoken in calling for the repeal of these laws.

Although there has been some improvement in recent years as the Rawlings government has moved to open up the political process, freedom of expression is really only allowed at the district level and remains curbed at the national level.

1.5 International Relations

The PNDC's policies regarding international relations were initially associated with strengthening contacts with the Eastern Bloc countries, but the government has consistently been keen to maintain and develop its traditional links with Western developed countries, seeking substantial financial and technical assistance from them and from multilateral organizations, such as the IMF and the World Bank, and adopting a positive attitude toward the role of foreign investment in the Ghanaian economy.

Ghana is a member of the United Nations and some of its bodies and specialized agencies, including the ILO, IMF, UNIDO, WHO, and the World Bank. The country is also a member of the African Development Bank, the Economic Community of West African states (ECOWAS), the West African Clearing House (established in 1975 by the central banks of twelve West African countries to settle payments for goods and services on a multilateral basis), the United Nations Economic Commission for Africa, the General Agreement on Tariffs and Trade (GATT), the International Cocoa Organization and the International Coffee Organization. Ghana is a signatory of the Lomé Convention.

1.6 Implications for American Investors

- Ghana offers a relatively stable and predictable political environment for U.S. investors.

- Recent moves toward democratization and improvements in the areas of human rights, corruption and freedom of expression are encouraging.

- Corruption, while present, is not necessary for doing business. Most of the corruption today takes place in the middle and lower levels of the bureaucracy and in the management of state-owned enterprises.

2. ECONOMIC PERFORMANCE AND OUTLOOK

Ghana has achieved remarkable economic progress after seven years of politically risky reforms. Its annual economic growth has averaged approximately 5.5 percent a year, inflation and the government's budget deficit have been significantly reduced, and some spectacular improvements in sectoral performance have been recorded, particularly in exports. Nevertheless, Ghana still faces formidable structural and financial constraints, and sustained economic growth over the long term will require that private investment play a much greater role.

2.1 Summary Table of Major Indicators

SUMMARY TABLE OF MAJOR INDICATORS
(% change)

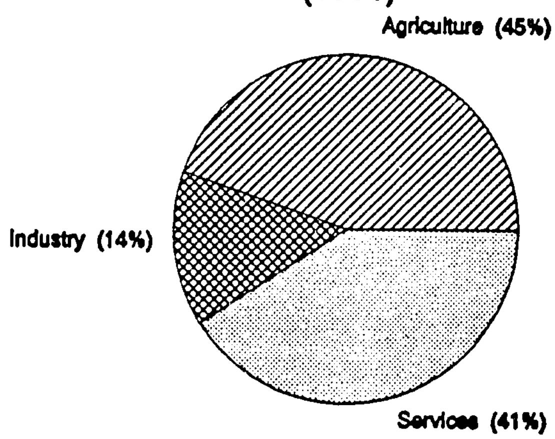
	1985	1986	1987	1988	1989	1990	1991-96p
GDP	5.1	5.2	4.8	6.2	6.1	2.7	4.0
GDP per capita	2.5	2.5	2.1	0.6	0	-1.8	2.0
Consumption	20.3	32.7	29.0	27.2	21.5	19.4	20.0
Savings	5.7	5.8	5.2	6.4	6.0	4.9	5.0
Inflation	10.5	24.6	39.8	31.4	25.2	37.0	10.0

2.2 STRUCTURE OF THE ECONOMY

While much attention is directed at the country's urban economic activity, one should keep in mind that Ghana is primarily an agricultural economy, and that there is a vast informal sector engaged in production and trade that is not strongly affected by the monetized economy.

Composition of GDP

(1990)



The agricultural sector, which includes cocoa production, forestry and fishing, remains the bedrock of the economy, accounting for approximately 44.6 percent of GDP, with cocoa's share of the sector currently at 15.4 percent. Industry currently contributes about 14.4 percent to GDP, of which 63.2 percent is from manufacturing. Finally, the services sector contributes about 41 percent to GDP, of which about one-third is from the government. Economic growth in the past few years has resulted in a relative decline in the share of agriculture and an increase in the share of services, while the industrial sector has stayed more or less the same as a share of GDP.

2.3 Structural Performance

The first four years of the decade were characterized by a decline in GDP of 1.7 percent per year. The growth rate turned positive at five percent per year during 1984-87, and then declined slightly to 4.6 percent per year during 1987-90. In 1990, the growth rate fell to three percent largely as a result of poor weather and crop conditions.

Sectors

GDP GROWTH RATES
(% real change)

	1980-84	*1984-87*	*1987-90*
GDP	*-1.7*	*5.0*	*4.6*
Agriculture	*-1.5*	*1.3*	*1.8*
Industry	*-5.5*	*12.1*	*5.3*
Services	*2.1*	*7.8*	*7.4*

The growth of GDP originating in agriculture shows a similar pattern: negative growth at the beginning of the decade and then positive growth throughout the second half of the decade. The turnaround in agriculture stemmed largely from increased cocoa prices. Meanwhile, GDP in industry declined at a rate of 5.5 percent during 1980-84, accelerated sharply to 12.1 percent during 1984-87, and then slowed down to 5.3 percent during 1987-90. Services have averaged over more than seven-percent growth since economic reforms were introduced in the mid-1980s.

Spending and Savings

As the following tables indicate, total consumption has stayed at approximately 93 percent to 95 percent of GDP throughout the past decade. There has been a gradual shift, however, in the composition of consumption, with private consumption increasing and public consumption decreasing. Capital formation has increased sharply from about six percent of GDP in 1980 to 16 percent in 1990. This has been achieved largely, however, by obtaining resources from abroad, rather than by decreasing consumption. Overall, the government's economic reform program has opened up the economy to foreign capital inflows that now finance an increased amount of investment.

EXPENDITURES
(% of GDP)

	1980	1984	1987	1990
Consumption	95.1	93.4	93.2	93.8
Private	83.9	86.1	83.2	84.9
Public	11.2	7.3	10.0	8.9
Investment	6.1	6.8	13.3	16.0
Private	n.a.	n.a.	5.4	8.6
Public	n.a.	n.a.	7.9	7.4

This same trend is discernible in the investment and savings pattern over the past decade.

INVESTMENT AND SAVINGS
(% of GDP)

	1980	1984	1987	1990
Investment	3.7	6.8	13.4	16.0
Domestic Private Savings	5.3	n.a.	5.6	6.6
Government Savings	-1.8	n.a.	2.1	1.2
Foreign Savings	0.2	0.2	5.7	8.3

Private transfers are presented as foreign savings.

In 1980, capital formation was only 3.7 percent of GDP. It was financed by private savings of 5.3 percent of GDP, government savings of -1.8 percent of GDP and foreign savings of 0.2 percent of GDP. Since the government's current expenditures were larger than its revenues, private savings had to finance the deficit as well as capital formation.

By 1990, the situation was very different. Investment had increased to 16 percent of GDP, private savings were 6.6 percent of GDP, government savings were 1.2 percent, and foreign savings amounted to about 8.3 percent of GDP. In short, domestic savings have increased slightly, but the main source of financing for investment has been the increased inflow of foreign resources. One does not yet see the structural changes in the pattern of savings that would indicate that domestic financing is making a major contribution to increased investment.

2.4 Economic Prospects 1991-1996

Under the first phase of the ERP (1983-89), economic policy was aimed at recovery and stabilization. For the 1990s, the focus of the ERP is on private-sector development, civil-service reforms, state-enterprise reform, public-expenditure and poverty-alleviation programs and tax-policy changes. Steady progress in each of these areas will lay a solid foundation for sustainable economic growth. In the meantime, however, Ghana still faces formidable structural and financial constraints. The economy remains highly dependent on foreign aid inflows, and levels of domestic savings and investment remain exceedingly low. The economy also remains vulnerable to fluctuations in the price of cocoa, the major export, and oil, the major import. Moreover, private-sector confidence has not yet been fully restored. Infrastructural deficiencies, a heavy foreign debt burden, and increasing inflationary pressures continue to undermine investor confidence.

Sustained economic growth over the long term will involve new challenges for Ghana. Under the ERP, growth was brought about essentially through substantial donor inflows, expenditures through the public sector, and the exploitation of excess industrial capacity resulting from the previous years of economic stagnation. In the future, reliance on these sources of growth is not feasible. Donor inflows cannot be counted on to keep the expansion going. Excess capacity has, in many sectors, been absorbed, and growth can only be expected to occur through increased private-sector investment.

According to World Bank projections, private investment will have to double in real terms over the next five years if Ghana is to maintain an annual five-percent growth rate. Traditional exports, such as cocoa, gold, electricity and timber, are expected to grow slowly over the next ten years. A continued dependence on these traditional exports, without diversification, will put continued economic growth at risk.

2.5 Implications for American Investors

- The Ghanaian government has demonstrated a political capacity and willingness to undertake signficant structural and economic reforms. In fact, the success of its economic reform program serves as an example for potential investors of just how rapidly economic reforms can be effected.

- Recent reforms have offered specific benefits for investors, most notably, more reasonable prices for raw materials and intermediate inputs, rehabilitation of infrastructure, liberalization of tariffs and other import barriers, a liberalized exchange rate through the foreign exchange auction and the foreign exchange bureaus, easy remittance of dividends, income and profits, and reduced corporate taxes and other tax reforms.

- Business confidence is nevertheless low. Infrastructural deficiencies, a heavy foreign debt burden, and inflationary pressures continue to keep investors wary about the future.

3. SECTORAL ANALYSIS OF THE ECONOMY

Although the agriculture sector remains the main pillar of the economy, economic growth in the past few years has resulted in a relative decline in the share of agriculture and an increase in the share of services, while the industrial sector has stayed more or less the same. The overall performance of all sectors has improved significantly since the implementation of reforms under the ERP.

3.1 Agriculture

Ghana's economy is dominated by its agricultural sector. Including forestry, livestock and fishing activities, the agricultural sector accounts for about half of GDP, provides employment to about 66 percent of the total labor force, and represents close to 75 percent of Ghana's foreign-exchange earnings. In recent years, a special emphasis has been placed on the cocoa and forestry subsectors, the growth of which has been stimulated by price incentives for cocoa farmers and investment plans that are being implemented in the timber industry.

The agricultural sector has made Ghana nearly self-sufficient in food, except for rice, wheat, fish, and beef. Cocoa is the main cash crop, followed distantly by copra, peanuts, pineapples, kola nuts, coffee, cotton, and shea nuts. Non-traditional export crops are encouraged but remain modest.

The overall performance of the sector has been poor since the early 1960s, reaching a low point in 1983 when food shortages were widespread (partly because of a severe drought). This situation reversed in 1984, principally as a result of the incentives provided under the ERP. Growth between 1984 and 1988 averaged 1.9 percent per annum. In 1989, it jumped to 4.2 percent, but grew by only 1.2 percent in 1990, primarily because of poor rains.

The experience of the period 1984-1988, when agricultural growth under the ERP averaged 1.9 percent per year (which is less than the population increase), suggests that the problems of the agricultural sector are deeper and require more than simply improving incentives. While export-crop production, particularly cocoa, has increased sharply, food-crop production has been erratic. In fact, the World Bank projects a growing food deficit in the agricultural sector if actions are not taken to address the difficulty facing the sector.

The World Bank projects that the food deficit in Ghana will grow from the equivalent of about 128,000 metric tons of food in 1987 to a projected deficit of 578,000 metric tons in 1995. This projected increase in the deficit is made worse by the persistence of continued year-to-year production fluctuations as a result of erratic rainfall patterns. For example, although the production of cereals, which accounts for seven percent of agricultural GDP, rose by five percent in 1990 as a result of increases in millet and sorghum production, maize and rice output dropped by over 20 percent.

The projected growing deficit, if it comes to pass, has serious implications for the Ghanaian economy. A deficit would change the relative terms of trade from export to food crops and reduce significantly the positive balance of trade from agriculture. (Indeed, the positive balance of trade from agriculture is projected to fall from $270 million in real terms in 1988 to $86 million in 1995.)

Meanwhile, supply input obstacles continue to hamper increased agricultural productivity. According to Ghana's Medium-Term Agricultural Development Plan, the goal of which is to achieve and sustain a four-percent annual growth rate in the agricultural sector, a more efficient use of improved seeds and fertilizers is necessary. Both the seed and fertilizer industries, however, currently suffer from serious problems and constraints, including years of poor management, an inadequate market-development program, and inefficient production and quality-control efforts.

Overall, the general sectoral trend is towards increasing incentives, privatizing the supply of inputs and the distribution network, and increasing the efficiency of government marketing agencies. At the same time, various agricultural projects have been undertaken with foreign assistance. In June 1987, foreign donors approved funding for a $53.3 million project to rehabilitate and partially privatize government agricultural services. The program is wide-ranging, providing finance for agricultural inputs, extension services, a national agricultural research plant with emphasis on rice and cotton-growing, and logistical support for a maize and cowpea program. It also funds a national water-supply master plan and pilot irrigation projects. The program includes privatizing government fertilizer distribution and tractor-hire services, and the divestment of other (unspecified) agricultural public enterprises.

cocoa

Ghana was the world's largest cocoa producer in the early 1960s, when annual output exceeded 450,000 tons. Overtaken by Côte d'Ivoire in the late 1970s as the leading cocoa producer, however, Ghana now accounts for just over one-tenth of world output, with annual production averaging 250,000 tons in 1978-82 and hitting a low of 159,000 tons in 1983-84. This decline has been attributed to aging trees, widespread disease, bad weather and low producer prices. Smuggling has also reduced official purchases. Cocoa production increased to 301,000 tons in 1988-89, although it subsequently tailed off in 1989-90 and 1990-91.

Cocoa output for 1991-92 is forecast to be 240,000 tons. By May 1991, 200,000 tons had been bought from farmers. Ghana is aiming to produce 300,000 tons of cocoa annually by 1993.

To boost production, the government increased the price paid to cocoa farmers from 36 percent of the average f.o.b. price in 1987-88 to about 50 percent in 1990-91. Meanwhile, the industry's overstaffed parastatal, the Cocoa Marketing Board (Cocobod), is slated for restructuring. In 1990, it removed subsidies on essential inputs used by cocoa farmers. At the same time, forty-seven of its plantations have been offered for divestiture.

palm oil

Among other industrial crops, palm oil has recently shown an encouraging recovery. In 1983 Ghana was an importer of palm oil, whereas by 1986 it had virtually resumed self-sufficiency. Palm-oil production in that year was estimated at slightly more than 50,000 tons. More efficient cultivation and processing have been stimulated by such factors as higher local prices paid for processed oil and the shortage of imported vegetable oils. Output levels are projected at over 80,000 tons for 1992. Palm oil has by now developed into an important industry, coming next to cocoa in the agricultural sector. Besides its use as domestic edible red oil, it provides an important raw material to the soap- and fat-manufacturing industries, thus promoting agro-industry linkages.

forestry

Ghana has rich reserves of tropical rain forests. Forests in Ghana cover about one-third of the total area (although not all of this is suitable for commercial exploitation) and the sector accounted for 4.5 percent of GDP in 1988. Commercial forestry is concentrated in the southern parts of the country. In the northern and upper regions, forestry is important to the local population mainly for firewood. The timber industry employs an estimated 70,000 people, or about 15 percent of the total work force. The export of logs is currently the third-largest earner of foreign exchange after cocoa and gold, but during 1989, the export of eighteen log species was banned for environmental and ecological reasons and the government intends to end the export of all raw logs by 1992 and of all sawn timber by 1994. Whether this will come about, given the large amount of foreign exchange earned by the industry, remains to be seen.

Total exports rose from $13 million in 1982 to some $56 million in 1986. Ghana exported an estimated $88 million worth of timber in 1989 and $120 million in 1990. The volume of timber exported was, however, only 370,000 cubic meters in 1989, compared with 1.2 million cubic meters in 1983. Much of the wood being exported was processed, and the capacity utilization of the processed-wood sector rose to 70 percent in 1989, from only 30 percent in 1983.

In line with government policy, the industry has shifted gradually from the traditional export of logs to that of high-quality, value-added processed goods. Ghana has more than 200 species of tropical hardwood, of which only forty are commercially exploited today. Moreover, some 30 percent of the timber cut in the forest reportedly remains unexploited.

fisheries

Since 1962, Ghana has attempted to develop a tuna-fish industry, essentially geared to the export market. Based originally on foreign--mainly Japanese and Korean--enterprises, the industry initially recorded encouraging results, and from a modest beginning of 5,400 tons in 1962, production reached a peak of some 40,000 tons in 1982. The port of Tema has been developed into a tuna base of internationally accepted standards, including a cannery with an initial capacity of 4,000 tons per year.

The activities of the distant fishing fleet have been affected by the creation, pursuant to the Law of the Sea, of exclusive economic zones within coastal areas, up to 200 nautical miles offshore. Furthermore, the Fisheries Decree of 1979 banned operations by foreign vessels in Ghana and limited foreign participation in joint ventures to a maximum of 50 percent of shareholding. As a result, annual production gradually declined, down to some 31,000 tons in 1987. The Fisheries Decree also provided that 10 percent of the catch must be sold locally. The status of the tuna industry is currently being reviewed.

In recent years, the industry has been badly hit by fuel shortages (though these have eased since 1983), inadequate storage facilities, and the general economic difficulties of recent years. The most recent available figures indicate a fish catch in 1988 of 302,900 tons.

3.2 MINING

Ghana is endowed with abundant mineral resources: gold, diamonds, manganese, and bauxite. As its colonial name of "Gold Coast" implied, Ghana ranks among the world's top potential gold producers. Its annual output of gold peaked at over 900,000 ounces per year in the early 1960s, but by 1983 it had fallen to 285,000 ounces. In 1989, output recovered to over 400,000 ounces. Ashanti Goldfields Corporation (AGC), the largest producer and a joint venture with Britain's Lonrho, is implementing an extensive expansion program and expects to produce well over 400,000 ounces in 1991. Over eighty companies (several from the U.S.) are surveying or prospecting; eight have mining licenses, and several are in production.

Although the mining sector has declined in relation to other sectors in recent years, the sector is still Ghana's second-largest industry, and exports of the four main minerals--gold, diamonds, bauxite and manganese--account for some 20 percent of total foreign-exchange earnings.

Ghana is currently engaged in a massive effort to increase its gold production and exports. In the most optimistic scenario, some 2.7 million ounces will be exported by 1992. In pursuit of this aim, both large- and small-scale producers are being encouraged. The response has been positive. A number of mining companies saw their investments come on stream in 1990.

Support for the drive to increase gold output has come from a number of institutions, notably the World Bank's International Finance Corporation and the European Investment Bank. New legislation passed in 1989 legalized unregistered gold mining. In response, an estimated $380,000 in increased gold sales from small-scale miners materialized almost overnight. Until then, gold losses from such mining were estimated at 20 percent of total output.

3.3 MANUFACTURING

Although growth has slowed in recent years, manufacturing remains one of the more dynamic sectors in the economy. The index of manufacturing output rose by 18 percent in 1986 and 12 percent in 1987. Much of this growth has stemmed from the continued rapid expansion of chemical products (notably soap), aluminum ingots and beverages, a modest expansion of textiles, iron and steel products, and a recovery for food processing.

Apart from traditional agro-allied industries, such as wood processing, cocoa processing and brewing, Ghana has a number of medium-sized modern manufacturing enterprises, including an aluminum smelter operated by the Volta Aluminum Company (VALCO), vehicle assembly plants, steel-making (from scrap), textiles, cement manufacture, oil-refining and glass-making. Most of these were established after independence during the early 1960s. Virtually all industries have subsequently been affected by shortages of raw materials and parts as well as rising costs.

State enterprises account for about half of total industrial output. Four-fifths of Ghana's manufacturers are small (under twenty employees), over 70 percent produce consumer goods, and more than one-third manufacture textiles, apparel, or footwear. Some three-quarters of the country's industrial enterprises are in the Accra-Tema metropolitan area, with most of the rest in Kumasi and Secondi-Takoradi. The only significant manufactured exports are aluminum and wood products, augmented by small quantities of textiles, soap, beer, pharmaceuticals, iron rods, and canned tuna. Semi-processed exports, also modest, consist mainly of tropical food products (cocoa liquor/paste and fruit juice, tropical oils, groundnut paste, and shea butter).

3.4 Tourism

After more than a decade of decline, Ghana's tourism industry is expanding again under a program designed to develop the country's many attractions.

In general, Ghana's beaches, colonial forts, and rich culture hold promise for tourism investment once the supporting infrastructure is established. Annual visitor arrivals have hit the 100,000 mark, consisting of a combination of business and vacation travelers. There is a large number of hotels, guest houses and hostels in the country, concentrated mainly in the urban centers, from which trips can be arranged to the various tourist attractions and sites. Interest in the hotel industry has increased in recent years, and two four-star hotels have been opened in Accra, while others are undergoing substantial renovation.

The Tourism Development Scheme for the Central Region is a major part of the development of this sector. It involves the creation of a large tropical rain forest, wildlife and nature park, together with the development of auxiliary hotels and service industries. This, it is hoped, will give added impetus to the growth of tourism, which earned $19.5 million in 1985 and $72 million in 1989.

3.5 Implications for American Investors

- With the growth of the service sector in recent years, American investors will have particular opportunities and incentives in this area; the more stable economic and political environment will make such investments more attractive.

- Most opportunities in agriculture will focus on processing and upgrading capacity.

4. STATE'S ROLE IN THE ECONOMY

The government now acknowledges in theory the critical role of the private sector in economic growth, particularly in helping to achieve employment objectives. It also recognizes the need to further enhance the climate for private investment. In some areas, however, there is still a residual distrust between the government and the private sector. The government's slow progresss in privatizing state-owned enterprises in particular has raised questions about its commitment to private sector development.

4.1 STRENGTH AND ROLE OF THE PUBLIC SECTOR

The government's latest Policy Framework Paper (PFP) for 1991-1993 acknowledges the critical role of private-sector activity in sustaining economic growth in Ghana, especially in helping to achieve Ghana's employment objectives. It also points out the need for the Ghanaian government to further enhance the climate for private investment. As part of these efforts, the government is attempting to improve the communication of policy decisions to the private sector, intensify its efforts to promote private-sector development, disseminate more information on private-sector opportunities, foster debate on key private-sector concerns among a wider audience, and revitalize the divestiture program to reduce the size of the public sector. These activities, it is hoped, will demonstrate the government's commitment to encouraging a greater role for the private sector in the economy and help send signals that Ghana is a safe and attractive country in which to do business.

Meanwhile, official government policy toward the parastatal sector focuses on: (1) liquidating and selling selected state-owned enterprises (SOEs) and (2) improving the management and accountability of SOEs remaining in government hands. The government has insisted that it is willing to give up, at a minimum, majority shareholding and management control of many state-owned enterprises. A Divestiture Implementation Committee (DIC) is the government's coordinating agency for the divestiture program.

The government has listed seven possible forms of divestiture, including outright liquidation, outright sale, total or partial sale of shares to the general public, joint ventures, worker shareholding through individual workers or the Trade Union Congress (TUC), community shareholding, and institutional shareholding. In practice, only outright sale and joint ventures have been actively pursued so far.

In actuality, though, progress in privatizing SOEs has been slower than anticipated. The government controls 235 SOEs and has stakes in many other firms. The companies include mines, farms, canneries, hotels, vehicle assembly plants, packaging, food processing, milling, dry-docking and textile-manufacturing firms. In 1988, it offered thirty-two SOEs for joint-venture participation by private investors. In 1990, forty-two enterprises were identified for priority divestiture, but only twenty-three enterprises were actually liquidated or divested.

Delays have occurred for a number of reasons. For example, the complexity of updating and auditing financial accounts and determining the actual market value of potentially salable assets, along with the high cost involved in retrenching redundant SOE employees, have caused delays. In addition, the World Bank technical support to assist the State Enterprises Commission in the divestiture process was delayed. In short, the original schedule for divestiture was arguably overambitious in light of these constraints.

The slow pace of divestiture can be interpreted as a sign that the government is proceeding carefully in order to ensure that divestiture is successful and to avoid the mistakes and appearance of favoritism that characterized SOE divestiture under the National Liberation Council in the late 1960s. At the same time, however, a perception exists among some investors and businessmen that the government's failure to divest or liquidate these properties as planned means that the government has not lost its previous suspicion of the private sector.

4.2 Strength and Role of the Private Sector

The private sector in Ghana, in turn, still harbors a residual distrust of the government. Memories of the government's arbitrary and capricious treatment of the private sector have not disappeared. Many businessmen still have vivid recollections of 1979, when bank accounts were frozen and persons with significant balances were detained and interrogated.

The ability of private businesses to develop and expand is a problem in Ghana. The Ghanaian business community is reluctant to expand the physical and human-resource capital of its businesses for fear of drawing the government's attention. Private Ghanaians with significant capital to invest--both residents and non-residents--are still hesitant because of previous history. Although resident Ghanaians are now taking tentative steps to invest in more highly visible activities, many still prefer to maintain a low profile by horizontally diversifying rather than expanding one or two operations. Many non-resident Ghanaians demonstrate their unwillingness by channeling remittances into real estate assets (i.e., buying land, building houses, etc.) rather than capital assets.

The government recognizes this problem and is attempting to improve its relationship with business. Most businessmen agree that the business climate has improved enormously in the last two to three years, and that it is much more favorable than in many other places in West Africa. As evidence of the improvement, business leaders point to the private-sector advisory committee that is charged with recommending changes in government laws and regulations. This committee is actively reviewing past regulations that have hindered private-sector development, especially laws regarding deregulation, liberalization and exchange-rate reforms, and is proposing to modify or eliminate them. The membership of the advisory group has been taken mainly from the private sector. The intention is to give the foreign and local private sector increased access to the levers of economic decision-making.

Meanwhile, most private-sector organizations in Ghana still lack the resources to represent the interests of their members effectively. They have not been able to provide the government with systematic proposals to develop policies and to resolve private-sector problems. They also lack the policy-research and analytical capabilities needed to assess and present their positions effectively.

Nonetheless, a number of positive changes are occurring in this area. The United Nations Development Program (UNDP) is assisting the Ghana National Chamber of Commerce (GNCC) in upgrading its capability to provide services to its members and to conduct research and communicate with the government on issues important to its members. The UNDP has indicated that it will continue to support this effort through the end of 1992.

4.3 Implications for American Investors

- Most private sector organizations in Ghana remain weak and still lack the resources to effectively represent the interests of their members.

- American investors should expect to have to deal with parastatals in most sectors.

5. INVESTMENT CLIMATE

The recent upturn in foreign direct investment in Ghana has been attributed almost entirely to new gold mining investments. U.S. investment is comparatively large, but is still dwarfed by British investment. The investment outlook in Ghana has improved considerably as a result of recent reforms under the ERP. A number of constraints, however, continue to cloud the investment climate and pose major problems for foreign investors.

5.1 Recent Investment Performance

No aggregate measures of corporate profitability or performance are available for Ghana. The upturn in foreign direct investment in 1988 (the last year for which data are available) has been attributed almost entirely to new gold-mining investments, however, indicating that investor confidence is not high.

5.2 Experience of Private Investors To Date

Several recent surveys provide a picture of the investment climate from the viewpoint of existing domestic businesses.

- The major constraint on new investment identified by all firms was credit (89 percent), although demand was also a major problem facing all size groups.
- Uncertainty about the economy was seen as a constraint on investment by 37 percent of the respondents.
- Medium- and large-scale firms also expressed reservations about the government's attitude toward private investment; 36 percent saw it as a moderate or major problem.
- Taxes were seen as a moderate or major problem for new investment by 62 percent of the respondents.

- Almost one-fourth of large-scale firms saw obtaining government approvals (including investment-code benefits) as a moderate or major problem.

A recent survey of about thirty medium- and large-scale firms provides some preliminary information on the effect of the reforms on private investment.

- In general, production was up, largely because of the improved supply of raw materials. This was not universal, however. Several companies were experiencing problems because of a variety of factors--weak consumer demand, import competition, obsolete machinery, and tight liquidity. The worst affected were textiles, drugs and other medicines.

- All companies were constrained by a tight cash flow caused by the high cost of imports, the need for prior deposit at the foreign-exchange auction, debt service on loans borrowed in foreign exchange, and improved tax collection.

- Nevertheless, nearly all companies were making new investments. Most, with the notable exception of textiles and drugs, felt that they could compete against imports. There was a flurry of export activity among several companies, including agricultural equipment, beverages, matches, furniture and aluminum products.

U.S. investments form one of the largest stocks of foreign capital in Ghana. In 1983, U.S. direct investment in Ghana was valued at $181 million. The largest percentage is represented by the Volta Aluminum Company (VALCO) smelter, a Kaiser/Reynolds subsidiary. Other significant U.S. investments include those by Mobil Oil Company (petroleum-product imports and distribution); Eveready Battery (Ralston-Purina); Johnson's Wax (insecticides); Sterling Products and A.H. Robbins (pharmaceuticals); Star-Kist Foods; NCR; IBM; Pioneer Group (gold mining); and a handful of accounting/service firms (low equity investment).

Rivaling, if not exceeding, the stock of U.S. investment in Ghana is that from the U.K. British investment is led by Lonrho's joint venture with the government in West Africa's largest gold mine, Ashanti Goldfields Corporation Ltd.; by the multitudinous undertakings of Unilever's United African Company (UAC); and by Barclays and Standard Chartered Banks. Other substantial U.K. investments include those by British Petroleum (BP), Shell (with the Netherlands), British-American Tobacco, and Cadbury-Fry. Investments by other countries in Ghana include Nestlé and UTC (Switzerland) and SCOA and CFAO (France). In addition, Lebanese nationals (some with Ghanaian citizenship) own a wide range of manufacturing, timber, construction and commercial operations.

No significant disputes have occurred in recent years, and there is only one unsettled case pending (in the tourism sector--it does not involve a U.S. firm). Ghana is a member of the International Center for the Settlement of Investment Disputes (ICSID).

5.3 Investment Outlook

The investment outlook in Ghana has improved considerably as a result of recent reforms under the ERP. A number of constraints, however, continue to cloud the investment climate and pose major problems for foreign investors.

Under the first phase of the ERP (1983-89), economic policy was aimed at recovery and stabilization. It also was aimed at making the business climate more conducive to private investment. Along these lines, it has offered significant benefits for private investors, most notably:

- more reasonable prices for cocoa
- rehabilitation of infrastructure
- liberalization of tariffs and other import barriers
- a liberalized exchange rate through the foreign exchange auction and the foreign exchange bureaus

- easy remittance of dividends, remittances and profits
- reduced company taxes and other tax reforms.

In addition, Ghana has confronted the twenty-year devastation of its financial system and taken strong, remedial action. The government has introduced a wide-ranging program of financial sector reforms to revitalize the ailing financial system. Significant progress is being made in on several fronts. The Bank of Ghana's regulatory powers and capabilities have been strengthened. The loan portfolios of all of the major banks have been reviewed and a Non-Performing Assets Recovery Trust (NPART) has been created. This action has restored the viability of the banks, a necessary element in the future of private sector export-led growth. Finally, the movement from a system of direct credit controls to the adoption of monetary instruments and open market operations to manage monetary policy have served as important steps to allow the market mechanism to play a greater role in the allocation of credit over time and less direct government interference.

Continuing Business Problems and Constraints

Despite recent progress in providing a more accommodating investment climate, investors in Ghana continue to face a number of formidable problems and constraints. These include:

poor infrastructure

> Ghana's infrastructure has suffered badly from years of neglect. Although it is currently receiving extensive rehabilitation and upgrading, financed by aid donors, a number of infrastructural bottlenecks pose constraints to private investors.

an anti-export bias

> Despite a more liberalized trade regime, Ghana continues to exhibit a distinct bias against exports.

There are many reasons for this anti-export bias. First, the export sector has traditionally been associated with colonial rule. This belief continues in a number of ways. In particular, it is believed that exporting raw materials (cocoa and timber) does not provide the basis for industrial development. Second, the exporter is ususally believed to be violating exchange control regulations. In particular, exporters are believed to under-invoice so that part of their payment can be kept in foreign currency beyond the control of the central bank. Third, exporters that deal with foreign markets appear to be involved with outsiders. Such persons are often suspect within the community because of such connections and the difference in behavior that often emerges.

limited sources of domestic financing

Despite recent financial sector reforms, trade financing mechanisms are still rudimentary or nonexistent in Ghana. Domestic money markets and such instruments as bankers' acceptances usually do not exist. This means that money lent as working capital remains tied up until the transaction is completed, rather than recycled to finance new export transactions.

In addition to the limited availability of pre- and post-shipping finance for working capital, term lending for the immediate future is difficult to come by because of the tight monetary policy that the Bank of Ghana is pursuing to reduce the high inflation rate.

limited human resources

While some Ghanaians are well-trained and highly talented, with first-rate university educations and extensive practical experience, most do not have the knowledge and skills necessary to effectively produce and market products, domestically and internationally. Many do not have the basic production know-how to redirect domestic firms to produce products for the international market. Many also do not possess market information needed to reorient production to respond to foreign consumers. This has limited the private sector's ability to diversify into major foreign markets and to provide well-placed and reliable joint venture partners for foreign investors.

ambivalent attitude toward foreign investment

Altough official government policy seeks to encourage foreign investment, many current regulations remain quite restrictive. These restrictions limit payments for technology, discourage the use of modern techniques, make it difficult to employ foreign technicians who can pass on new skills to Ghanaians and restrict foreign investment. In addition, foreign firms are treated differently from domestic firms in certain respects. The minimum equity for foreign investors is $60,000 (joint venture) or $100,000 (wholly-owned); projects in the latter category must be net earners of hard currency. In addition, a wholly-owned foreign firm or a joint venture must have explicit approval from Bank of Ghana (central bank) to access the domestic capital market. Finally, at least twenty economic activities identified in the government's Investment Code are closed to foreign investors or are subject to a higher minimum investment.

bureaucratic hurdles and delays

Prospective investors in Ghana are confronted with a plethora of administrative procedures that are often unclear, tedious, unnecessarily taxing and take an undue amount of time and expense to process. Investors also must confront a plethora of government institutions and departments in order to obtain review and approval of their operations. Moreover, procedures vary according to the subsector. At many subsectoral levels, an inordinate number of filing fees, fees for price approvals, forms, inspections, registrations, monitoring, etc. have created a quagmire for businesses. As a result of these bureaucratic hurdles, project approvals have been delayed beyond a reasonable period of time. In some cases, the process can take over four months.

Overall, the investment outlook in Ghana is mixed. Recent reforms offer promising new opportunities for foreign investors, but continued constraints pose major problems for business.

5.4 Investment Opportunities

Principal investment opportunities in Ghana are the following:

mining

Ghana is endowed with abundant mineral resources: gold, diamonds, manganese, and bauxite. As its colonial name of "Gold Coast" implied, Ghana ranks among the world's top potential gold producers. Its annual output of gold peaked at over 900,000 ounces per year in the early 1960s, but by 1983 it had fallen to 285,000 ounces. In 1989 output recovered to over 400,000 ounces. Ashanti Goldfields Corporation (AGC), the largest producer and a joint venture with Britain's Lonrho, is implementing an extensive expansion program and expects to produce well over 400,000 ounces in 1991. Over eighty companies (several from the U.S.) are surveying or prospecting; eight have mining licenses, and several are in production.

Although the mining sector has declined in relation to other sectors in recent years, it is still Ghana's second-largest industry, and exports of the four main minerals--gold, diamonds, bauxite and manganese--account for some 20 percent of total foreign-exchange earnings.

Major investments under the ERP have boosted the minerals sectors. The new comprehensive mining-sector legislation, the Minerals and Mining Law of 1986, set up new incentives for investors. These include a corporate tax rate of 45 percent, capital allowances that permit companies to write off 75 percent of capital investment against tax in the first year and 50 percent of the balance in subsequent years, and permission for companies to use offshore retention bank accounts for the service of loans, dividend payments and expatriate staff remuneration. Companies are allowed to retain from 25 percent to 45 percent of gross foreign-exchange earnings from minerals sales. Reconnaissance licenses are issued for renewable periods of one year, while prospecting licenses are valid for three years. Mining licenses are valid for up to thirty years. The government has the right to take a 10 percent participation in prospecting activities and to extend its share if commercial quantities of a mineral are discovered.

agriculture

Investment opportunities in the agricultural sector include the production, processing and preservation of a wide range of crops, livestock and fishery products. Among these are tree crops (rubber, palm oil, kola nuts, coffee, etc.), root crops (cassava and yam), horticultural produce (pineapples, avocados, limes, black pepper, chilies, flowers, etc.), deep sea trawling (tuna), coastal fishing and shrimping, inland lake fishing and fish farming, and livestock ranching (cattle).

Some of the general incentives offered include a government guarantee of land use for the establishment and operation of the enterprise, permission to import essential plant, machinery, equipment and accessories, and exemption from the payment of customs duties on such plant, machinery and equipment, as well as fiscal concessions and corporate tax relief.

In recent years, a special emphasis has been placed on the cocoa and forestry subsectors, the growth of which has been stimulated by price incentives for cocoa farmers and investment plans that are being implemented in the timber industry.

forestry

Ghana has rich reserves of tropical rain forests. Timber is now highly profitable since the export price is around 200 percent of production costs, compared with a difference of 30 percent in 1983.

In line with government policy, the industry has shifted gradually from the traditional export of logs to that of high-quality, value-added processed goods. Ghana has more than 200 species of tropical hardwood, of which only forty are commercially exploited today. Moreover, some 30 percent of the timber cut in the forest reportedly remains unexploited.

fishing

Since 1962, Ghana has attempted to develop a tuna-fish industry, essentially geared to the export market. Based originally on foreign--mainly Japanese and Korean--enterprises, the industry initially recorded encouraging results, and from a modest beginning of 5,400 tons in 1962, production reached a peak of some 40,000 tons in 1982. The port of Tema has been developed into a tuna base of internationally accepted standards, including a cannery with an initial capacity of 4,000 tons per year.

manufacturing

Although growth has slowed in recent years, manufacturing remains one of the more dynamic sectors in the economy. The index of manufacturing output rose by 18 percent in 1986 and 12 percent in 1987. Much of this growth has stemmed from the continued rapid expansion of chemical products (notably soap), aluminum ingots and beverages, a modest expansion of textiles, iron and steel products, and a recovery for food processing.

Meanwhile, efforts are being made to develop new industries, with both foreign and domestic ownership. More than any other sector, manufacturing has probably benefited the most from the relaxation of investment controls and other economic liberalization under the ERP. The elimination of import licensing requirements on input supplies and the establishment of the foreign-exchange auction have ensured a steady supply of critical raw materials, spare parts and intermediate inputs. As a result, manufacturing, which was running at 18 percent capacity in 1983, had rebounded to 37 percent by 1990.

tourism

After more than a decade of decline, Ghana's tourism industry is expanding again under a program designed to develop the country's many attractions. These attractions include the large concentration of forts and castles along the coast, which represent vestiges of the history of early European contacts with Africa.The year-round sunshine at the country's numerous coves and palm-fringed beaches makes Ghana a potential winter vacation destination. In addition, Ghana has five National Parks, five Game Production Reserves (game parks that raise stock for live sale and food), two Wildlife Sanctuaries and one Strict Nature Reserve. These reserves spread across the country from the tropical rain forests through the transitional zone to the northern savannah zone.

Annual visitor arrivals have hit the 100,000 mark, a combination of business and vacation travelers. There are a large number of hotels, guest houses and hostels in the country, concentrated mainly in the urban centers, from which trips can be arranged to the various tourist attractions and sites.

Interest in the hotel industry has increased in recent years, and two four-star hotels have been opened in Accra, while others are undergoing substantial renovation. The tourism industry has been granted a priority status in the national economy, and investors enjoy a wide range of special concessions and incentives, including: (1) exemption from customs duties on plant, machinery, equipment and accessories imported exclusively and specifically to establish the approved enterprises; (2) depreciation or capital allowances on plant, machinery and buildings; (3) exemption from taxes and rates levied on building properties for a period not exceeding three years; and (4) investment allowances of 7.5 percent per year.

5.5 Implications for American Investors

- Opportunities for U.S. investors in Ghana are wide-ranging, but are particularly promising in the tourism, agriculture, fishery and mining sectors.

- Overall, the investment outlook for U.S. companies in Ghana is mixed. Recent reforms offer promising new opportunities, but continued constraints pose major problems.

6. REGULATION OF FOREIGN INVESTMENT

Although official government policy seeks to encourage foreign investment and some generous incentives are offered, many current regulations remain quite restrictive. Collectively, these regulations project an image of Ghana as a country with excessive government intervention in private business. Nevertheless, most businessmen agree that the Ghanaian business climate has improved enormously in the last two to three years, and that it is much more favorable than many other places in West Africa.

6.1 GOVERNMENT POLICY

In theory, Ghana's investment policy encourages foreign investment; guarantees the free transferability of dividends, loan repayments, licensing fees, and the repatriation of capital; provides guarantees against expropriation; and delineates dispute arbitration. In addition, foreign investors are not supposed to be subject to differential treatment on taxes, prices, or access to foreign exchange, imports, and credit.

Spearheading the country's investment program is the Ghana Investment Center (GIC), whose official mandate is to encourage, promote, and coordinate investments in Ghana, acquire and dispose of property, and enter into contracts and related transactions. In short, the GIC is meant to serve as a "one-stop shop" for investment facilitation and approvals.

The 1985 Investment Code is the central law governing investment, and it applies to all sectors, except petroleum and mining. Investments in Petroleum are regulated by the Petroleum Law of 1984, the Ghana National Petroleum Corporation Law of 1983 and the Petroleum Income Tax Law of 1986. Investments in mining are governed by the Minerals nd Mining Law of 1986, the Minerals Commission Law of 1986, and the Minerals (Royalties) Regulations of 1987. By and large, the government has shown considerable flexibility in interpreting these laws and many recent revisions have been favorable to foreign investors.

6.2 INVESTMENT PRIORITIES OF THE GOVERNMENT

The Investment Code of 1985 designates four priority areas for investment: agriculture (including production and processing), manufacturing, construction and tourism.

Industrial priority goes to projects that have export potential, that predominately use local raw materials, or that produce agricultural equipment, machinery, spare parts or machine tools.

In the agriculture sector, priority areas include the production, processing and preservation of a wide range of crops, livestock and fishery products. Among these are tree crops (rubber, palm oil, kola nuts, coffee, etc.), root crops (cassava and yam), horticultural produce (pineapples, avocados, limes, black pepper, chilies, flowers, etc.), deep sea trawling (tuna), coastal fishing and shrimping, inland lake fishing and fish farming, and livestock ranching (cattle).

> In the manufacturing sector, the emphasis is on manufacturing for export and manufacturing activities that predominantly use local raw materials.
>
> In the construction sector, priority is given to real estate development, road construction and the production of building materials, including accessories such as plumbing materials, electrical fittings, locks, hinges, etc.
>
> In the tourism sector, priority areas include tourist accommodations and recreation facilities.

The code specifies that prospective investors must be screened to determine their capacity to contribute toward nine specific objectives, notably: the utilization of local materials, supplies, and services; job creation; increasing export earnings and/or saving on imports; the development and transfer of advanced technology; and geographical dispersion. The GIC may stipulate the amount and source of capital, nationality and number of shareholders, project size, training of Ghanaians, time for implementation, utilization of local raw materials, and other criteria. A tourism enterprise will be approved only if it is a net earner of foreign exchange. Although the government has demonstrated considerable flexibility and pragmatism in applying such performance requirements, they are likely to remain an integral part of its economic strategy.

6.3 INCENTIVES FOR INVESTORS

Attractive incentive packages are extended to any business that invests in the declared priority areas, either as a wholly foreign-owned enterprise, a joint venture, or a wholly-Ghanaian owned enterprise.

Most of these incentives and concessions are specially designed to grant relief from taxation.

General incentives under the Investment Code include: exemption from customs duties on imported plant, machinery, equipment, and accessories; accelerated depreciation; and an investment allowance. Investors may also be granted deferment up to five years of payment of stamp duty. Depending on the sector, limited income-tax rebates or exemptions may apply. Enterprises that are net earners of foreign exchange may retain 25 percent to 35 percent of such earnings for needed imports and remittances, including debt service, the payment of expatriate salaries, and profits and dividends. Investments outside the Accra-Tema area qualify for a reduction in corporate tax ranging from 15 percent to 40 percent, with further reductions on deferment if an investor installs basic infrastructure in an area lacking it.

In certain sectors, firms utilizing Ghanaian labor instead of imported machinery receive income-tax rebates. GNPC has developed a model petroleum agreement, but has been flexible in adapting its provisions to specific cases and circumstances. Mining ventures receive accelerated depreciation and an investment allowance, may carry forward losses and capitalize pre-mining expenses, and are permitted other exemptions or allowances on imports, personal income taxes/remittances, and expatriate quotas. It might be possible to negotiate additional concessions. Incentives appear available equally to foreign and Ghanaian private investors.

In addition, the government offers specific incentive packages for various sectors.

> Agricultural projects will be given a corporate income-tax allowance of 45 percent, a plant and equipment allowance of 100 percent, and an investment allowance of 10 percent.
>
> In manufacturing and construction, the investment allowance is 7.5 percent, with depreciation and capital allowances of 40 percent and 50 percent respectively, halving in subsequent years.
>
> In tourism, the investment allowance is 7.5 percent and the depreciation allowance 50 percent for plant and 20 percent for buildings, halving in subsequent years. In late 1990, an addition to the investment code was enacted allowing firms that had previously not qualified for incentives to register for them. All such firms, however, had to have been set up before January 1988 and had to reach a minimum domestic reinvestment threshold.

In all cases, imports required for the projects will be exempt from duties. Additional tax reductions are to be made for those located in Kumasi and Sekondi-Takoradi, while other areas (excluding Accra-Tema) will be given even larger reductions.

6.4 LIMITATIONS ON FOREIGN INVESTMENT

In practice, some regulations governing foreign investors in Ghana are quite restrictive.

- Current government policy limits payment for technology, discourages the use of modern techniques, makes it difficult to employ foreign technicians who can pass on new skills to Ghanaians, and restricts foreign investment.

- Foreign firms are treated differently from domestic firms in certain respects. The minimum equity for foreign investors is $60,000 (joint venture) or $100,000 (wholly-owned); projects in the latter category must be net earners of hard currency.

- A wholly-owned foreign firm or a joint venture must have explicit approval from the Bank of Ghana (the central bank) to gain access to the domestic capital market.

- Finally, twenty economic activities identified in the government's Investment Code are closed to foreign investors or are subject to a higher minimum investment.

Spearheading the country's investment program is the Ghana Investment Center (GIC), whose official mandate is to encourage, promote, and coordinate investments in Ghana, acquire and dispose of property, and enter into contracts and related transactions. The government intended to make the GIC a "one-stop shop" for investment facilitation and approvals. In actuality, the GIC is not fully staffed and is not yet able to serve as a one-stop facility for the investor.

To a great extent, the GIC has concentrated on controlling investment projects to the detriment of investment promotion and investor support services. As a result, the GIC is not as helpful to investors as it could be. For example, after obtaining the GIC's approval, it is the investor who must negotiate the bureaucratic maze to secure other government approvals, thus prolonging the investment process.

The GIC also continues to conflict with the ministries over lines of authority, namely who is authorized to approve projects and issue licenses. Government agencies, such as the Ministries of Trade and Tourism and Energy, have been reluctant to delegate authority to the GIC. The resolution of these conflicts through clearer lines of authority or subsidiary regulations is badly needed.

At the same time, the GIC is widely viewed as an ineffective source of assistance to potential investors who visit Ghana seeking information. Despite recent technical assistance from the United Nations Development Program, the GIC staff still lacks the training necessary to understand what foreign and business people need to know to properly evaluate competing investment opportunities.

In short, despite its official role in investment promotion, project approvals and the determination of incentives, the GIC lacks an internal budget supportive of investment promotion. Further, it lacks the authority to deal effectively with project approval processes because many critical official decisions (such as those concerning land, expatriate workers, utilities, etc.) are made in other government agencies. Because of the GIC's difficulty in following through in jurisdictions outside of its own, project approvals have been delayed beyond a reasonable period of time. In some cases, the process can take over four months.

In general, prospective investors in Ghana are confronted with a plethora of administrative procedures that are often unclear, tedious, and unnecessarily taxing and that take an undue amount of time and, subsequently, expense to process. Investors also must confront numerous government institutions and departments that control various aspects of the investment process, including the Ghana Investment Center, Customs, Excise and Preventive Services, the Bank of Ghana, the Ministry of Trade and Tourism, the Ministry of Finance, and the Ghana Export Promotion Services. Currently, investors must deal with all of these agencies in order to obtain review and approval of their operations.

Moreover, procedures vary according to the subsector. At many subsectoral levels, an inordinate number of fees for filing, price approvals, forms, inspections, registrations, monitoring, etc., have created a quagmire for businesses. These fees are particularly taxing on prospective investors who are trying to improve cash flows. Such fees amount to penalizing entrepreneurs hoping to succeed in new ventures.

Despite these problems, most businessmen agree that the Ghanaian business climate has improved enormously in the last two to three years, and that it is much more favorable than that in many other places in West Africa. As evidence of the improvement, business leaders point to the recent establishment of the TCIA (Inter-Applications Ministerial Technical Committee on Investments), designed to streamline the investment approval process. This committee is actively reviewing past regulations that have hindered private-sector development and is proposing to modify or eliminate them.

6.5 Acquiring Real Estate

Foreign investors may lease land in Ghana. with most leases normally running for thirty years, and usually with no limits on, or minimum requirements for, foreign equity. The government, however, can confiscate land necessary for exploitation of natural resources, and reserves the right of pre-emption of all minerals or their products.

6.6 Establishing a Business

According to the 1963 Companies Code, anyone can form an incorporated company in Ghana as long as the proper registration procedures are followed.

The types of business enterprises that can be established are wide-ranging, including:

- Limited company
- Unlimited company
- Branch of a foreign company
- Partnership
- Joint venture
- Sole proprietorship

Most often, business entities in Ghana (particularly those involving foreigners) are limited companies; whole liabilities are limited. A limited company can be either public, meaning that the public can be invited to buy shares, or private, meaning that only private individuals can subscribe to shares issued. An investor can choose either of these. The private limited company in Ghana is similar to the private limited company in Britain.

Joint ventures are also common. Under the Investment Code, a minimum foreign equity capital of $60,000 is required from any foreign investor who intends to enter into a joint venture with a Ghanaian. The foreign shareholder is required to satisfy this either in cash transferred through the Bank of Ghana or its equivalent in the form of goods, plant and machinery, vehicles or other tangible assets imported specially and exclusively to establish the enterprise once approved. The imported items must be covered by the S.G.S. pre-shipment certificate, stating the value and condition of the goods.

Application for the registration of a company must be made to the Registrar General. A company is duly registered after its regulations have been lodged with the Registrar of Companies and a certificate of incorporation has been issued. The company must file annual returns with the Registrar of Companies showing its audited balance sheet and profit and loss statement after eighteen months of incorporation.

The steps required to establish a business in, and export from, Ghana are tedious, unnecessarily complicated, and costly. The government requires prospective exporters to deal with multiple ministries--in many instances up to six or more--even before their enterprises can be established. This translates into maintaining a system that causes excessive delays, discourages entrepreneurs from moving into the formal sector, and essentially retards growth. At sub-sectoral levels, an inordinate number of fees, arbitrarily determined, have placed undue administrative and financial burdens on new investors who are attempting to commence operations.

A substantial streamlining and redirection of institutional resources is critical to attracting foreign investors. Currently, a number of institutions control various aspects of the investment process: the Ghana Investment Center, Customs, Excise and Preventive Services, the Bank of Ghana, the Ministry of Trade and Tourism, the Ministry of Finance, and the Ghana Export Promotion Services. Currently, investors must deal with all of these agencies in order to obtain review and approval of their operations.

6.7 Local Content Requirements

Under the Investment Code, wholly (100 percent) foreign-owned ventures can be considered under the following conditions:

- the venture must be a net foreign-exchange earner;
- the foreign equity investment must be at least $100,000.

In the case of a joint venture with Ghanaian partners, the minimum foreign equity investment must be $60,000. The shareholding structure of the firm may be determined by the partners.

6.8 Regulation of Competition

There are no unfair regulations or controls on competition in Ghana.

6.9 Investment Protection

The Investment Code assures investors of a wide range of investment guarantees, particularly regarding the transferability of profits, dividends, royalties and fees. It also guarantees against expropriation, delays in currency transfers, breach of contract and any forced changes in shareholding or local content.

Significant disputes have occurred in recent years, and there is only one unsettled case pending (in the tourism sector--it does not involve a U.S. firm). Ghana is a member of the International Center for the Settlement of Investment Disputes (ICSID).

In 1989-90, the government concluded bilateral Investment Promotion and Protection Agreements (IPPAs) with the U.K., the Netherlands, Romania and China. The agreements cover procedures for dispute resolution and spell out measures to adopt in case of expropriation. Arrangements are also provided for the repatriation of investment capital and dividends. Several countries report that their businessmen believe a bilateral agreement affords greater protection for their investment ventures in Ghana. But the agreements do not offer investment incentives or repatriation benefits that exceed the provisions of the 1985 Investment Code and other, existing legislation. Other European countries are negotiating bilateral investment agreements with the GIC.

The Overseas Private Investment Corporation (OPIC) offers investment insurance and loan programs in Ghana. One loan was granted in 1988 to a firm that entered into a joint-venture partnership in the gold-mining sector. Substantial potential exists for increased OPIC activity on behalf of firms planning new investment, particularly in the mining, agro-processing and manufacturing sectors. Ghana is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, which provides insurance to foreign investors against non-commercial risks. Ghana has also signed Bilateral Investment Promotion and Protection Agreements with a number of countries to give further protection to investors from those countries. Similar such agreements would be signed with any other country that asked for them.

The Investment Code guarantees investments against nationalization; when disputes arise needing arbitration, they will be settled through existing international machinery. Transfers abroad will be allowed for dividend payments, debt servicing, charges for technology transfers, and in the event of the liquidation of the enterprise.

6.10 Implications for American Investors

- Priority goes to projects with export potential, that predominately use local raw materials, or that produce agricultural equipment, machinery, spare parts and machine tools.

- Attractive incentive packages are extended to any business that invests in the declared priority areas, either as wholly-foreign owned, a joint venture, or a wholly-Ghanaian owned enterprise.

- Foreign firms in Ghana do not receive national treatment in certain respects.

- Prospective investors in Ghana are confronted with a plethora of administrative procedures that are often unclear, tedious, unnecessarily taxing.

- A well-positioned local partner is thus highly advisable.

7. INFRASTRUCTURE

Ghana's infrastructure has suffered badly from years of neglect. Although it is currently receiving extensive rehabilitation and upgrading, financed by aid donors, a number of infrastructural bottlenecks and weaknesses pose constraints to private investors. Deterioration of the country's infrastructure network has also been a major factor affecting the growth of exports, both directly and indirectly, by impeding the distribution of inputs and spare parts to productive enterprises.

7.1 Transport

Under the first (1984-86) phase of the ERP, the government allocated $1.5 billion, or 36 percent of the total, to physical infrastructure. In December 1987, the government launched a $222 million five-year road and rail rehabilitation project.

Port Facilities

Ghana has two deep artificial harbors at Tema and Takoradi, and some $80 million is to be spent rehabilitating them. The first stage of the work at Tema began in September 1989 and was completed in September 1990. Dry tonnage through Tema is now expected to rise by 50 percent to 2.7 million tons, and that through Takoradi by 128 percent to 1.6 million tons. In addition, new ports are being developed on Lake Volta to create an inland waterway network.

One problem is that storage facilities are inadquate. Freshly harvested fruits need to be refrigerated while awaiting transport from the fields to the airport and shipment at the airport and harbors. Such refrigeration facilities are not readily available. The World Bank, however, has committed $542,000 to improving cold-storage facilities at transit points.

Air Transport

There is an international airport at Accra, while Takoradi, Kumasi and Tamale have airports serving internal traffic. Accra airport was rehabilitated during 1990 at a cost of $12 million. The runway was resurfaced and the lighting system improved. In addition, a new freight terminal was constructed. Work is also being undertaken to extend and upgrade the terminal building at Kumasi airport.

Railroads

The railway network, covering nearly 1,000 kilometers, connects Sekondi/Takoradi with Kumasi and Accra, and there are branch lines to Prestea, Awaso, Kade and Tema. The western section (Takoradi-Kumasi), which is the export corridor for cocoa, timber and minerals, has been renovated under a $240 million program, the bulk of which was financed by the World Bank. Preliminary figures for 1989 show that while passenger traffic in that year was 11 percent below that of the previous year, freight traffic was up by 3.2 percent in volume terms. Further improvements to improve capacity would be beneficial.

Roads

Ghana has over 32,000 kilometers of roads, of which about 12,000 kilometers are main roads and 4,000 kilometers are surfaced. The government began a $122 million project in mid-1985 to improve all trunk roads and some 2,900 kilometers of feeder roads, with repairs to be made on several bridges and drainage systems, and an asphalt overlay to be put on 275 kilometers of the Accra-Kumasi road's northern section. The project has been funded by the government ($50 million) and IDA ($40 million), among others. Work is now well under way on the 135-kilometer Anyinam-Kumasi highway linking Kumasi to Tema port, and in early 1987 Japan agreed to finance an $80 million program to rehabilitate the vital main road between Kumasi and Takoradi port to improve the flow of timber and cocoa exports. This is in addition to an earlier World Bank loan of $22 million for the rehabilitation of three major roads in Accra that are considered vital to the country's import and export traffic. Another main route targeted for rehabilitation in 1991 was the road between Tema and Akosombo to allow the easier shipment of goods to Burkina.

Although work is now being done on the main roads, Ghana's feeder-road network has severely deteriorated. It now constitutes a major obstacle to increasing farm production and profitability and is therefore a key constraint on agricultural growth. Most of the feeder-road network is presently impassable as a result of years of neglect. The most recent road-condition data indicate that only one-third of the network is in good or fair condition (6,900 kilometers), while two-thirds (14,100 kilometers) is in poor or very poor condition. This has led to frequent disruptions of goods and passenger transport in most rural areas of Ghana, with scores of farm areas losing access to markets.

Given the critical role of feeder roads in agricultural-sector development and the high payoff to investment in this sector (a recent World Bank study indicated an average rate of return of 24 percent in Ghana), the government needs to continue feeder-road rehabilitation efforts. In fact, a significant expansion in investment needs to be made. At the rate of funding of the past few years, the rehabilitation of Ghana's feeder roads will take more than thirty years.

7.2 ENERGY

Ghana is blessed with tremendous hydroelectric resources. Its installed hydro-capacity is 1,072 megawatts, but Accra is still subject to brownouts and electricity failures.

Electricity development has made considerable progress, particularly in the public sector. The main source of supply is the Volta River Authority, with six 127 megawatt turbines. Its power plant at Akosombo provides the bulk of all electricity consumed in Ghana, some 60 percent of which is purchased by a single customer, the U.S. Volta Aluminum Company (VALCO), for its smelter. The dam also provides Togo and Benin with most of their needs. The balance is produced by diesel units owned by the Electricity Corporation of Ghana (ECG) and mining companies, and by a hydroelectric plant at Kpong, some 40 kilometers downstream from Akosombo.

A third dam at Bui on the Black Volta has been under study for some time, with the aim of increasing power supplies in northern Ghana and/or for sale to Côte d'Ivoire and Burkina Faso. There have been difficulties in raising the funds needed for the 450 megawatt generating plant, however. Other sites with the potential for power generation on the Pra, Tano, White Volta and Akobra rivers will not be developed as long as financing is scarce and the government is unwilling to increase its debt burden.

In December 1989, after two years' work, the first phase of the extension of the national grid to the northern region was commissioned. The extension links northern Ghana to the power generated from the Akosombo Dam. The next phase is to connect major towns in the Upper East region with the regional capital Bolgatanga. The project will cost $100 million. In the final phase, electricity will be exported across the northern border to Burkina Faso. The rehabilitation of the Akosombo Dam has been scheduled to commence in 1991. It will take six years and cost an estimated $84 million.

Meanwhile, the World Bank's International Development Association approved $40 million in financial assistance in August 1989 to provide reliable and widespread electricity in the urban and southern parts of the country. The project is due to be completed in June 1993 at a cost of $118 million. In preparation, some institutional restructuring has been started to make the ECG a more commercially oriented organization. There will be a 20 percent cutback in staff, as well as organizational and financial restructuring.

Ghana continues to try to build up its domestic petroleum industry. Offshore oil reserves in commercial quantities were discovered in the 1970s. Production in 1984, however, was less than 10 percent of Ghana's requirements and was negligible by 1990. In 1983, new regulations were introduced and the Ghana National Petroleum Corporation (GNPC), which retains an option in the operations of any company making a discovery, was set up. Although no significant find has been made following the changes, they have encouraged some interest among international companies, and have yielded a number of agreements. The most prominent of these has been with Amoco of the U.S. to prospect in ten offshore blocks between Ada and the western border with Togo. Petro Canada International is prospecting in the Tano Basin, and Diamond Shamrock in the Keta Basin. To date, the Saltpond and Tano River Basins have given the most cause for optimism, and the government has encouraged companies to operate there. In 1989, three companies, two U.S. and one Dutch, spent $30 million on drilling wells in the Tano Basin alone, but systematic seismic tests and drilling have yet to produce commercially significant results.

The country's refinery at Tema underwent the first phase of a major rehabilitation in 1989, and a second began in April 1990. The latter will take more than two years and cost an estimated $36 million. Once rehabilitation is completed, the distribution of liquified petroleum gas will be improved and the quantity supplied will be raised from 28,000 barrels per day to 34,000 barrels per day.

7.3 COMMUNICATIONS

Telecommunications in Ghana have improved in the past few years. Main city centers are linked by microwave relay, and satellite-linked international direct-dial service was introduced in 1988.

Although Ghana is making strides and it is much easier today to have telecommunications equipment installed, it is still not easy or quick to get a telephone, and service remains unreliable.

The extension of the natural telecommunications grid to the Brong Ahafo region in June 1989 and the rehabilitation of the earth satellite station improved telecommunications services in the country at large. The number of telephone circuits has been increased by 78 percent to seventy-three. Together with regional improvements carried out under the auspices of ECOWAS, Ghana's internal and external telecommunications connections have improved markedly. The government announced in 1990 that it intended to separate the posts-and-telecommunications corporation into two autonomous units. Looking ahead, talks have taken place between the government and bilateral agencies about a proposed $782 million project to bring telephone facilities to within three kilometers of rural communities with populations of less than 5,000 over the next eleven years.

There are four national daily newspapers, with an estimated total circulation of about 435,000, and several other national papers published at least once a week. There are one television station and one radio station serving an estimated 2.5 million sets.

7.4 Private Business Services

Some major American accounting firms are represented through local offices. Legal services are available and lawyers understand Western contract law. But many of the subsidiary services that an American investor might expect, such as local financial planning, reference materials, and documentation are often underdeveloped.

Mail services are generally satisfactory but, at times, can prove to be unreliable.

7.5 Implications for American Investors

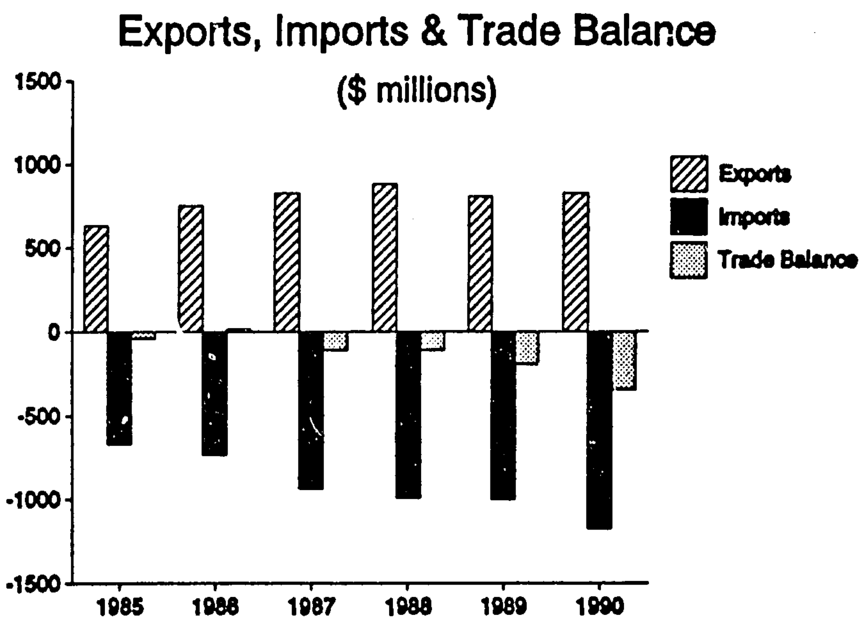
- Infrastructure deficiencies significantly raise the cost of doing business in Ghana, and improvements will be slow.

- Business support services for U.S. firms are available, but remain inadequate.

8. FOREIGN TRADE AND BALANCE OF PAYMENTS

Ghana's exports consist predominantly of raw materials or primary commodities, with little value added. Under the ERP, a liberal trade policy has been followed, with a significant reduction in tariff barriers and the adoption of a flexible exchange rate policy, However, the country's duty drawback system is extremely cumbersome, and trade financing mechanisms are rudimentary or nonexistent.

8.1 SUMMARY OF MAJOR INDICATORS



8.2 Recent Performance

Although imports rose significantly in 1990, Ghana's export performance exceeded all expectations, and this was in spite of low world prices for cocoa (f.o.b. export value of cocoa declined by 25 percent during 1989-90.) Earnings from non-traditional exports (as broadly defined) rose by 80 percent.

According to recent data from the IMF and World Bank, Ghanaian exports increased to $826 million in 1990, while imports rose to $1.17 billion, leaving a trade deficit of $346 million.

Although Ghanaian residents abroad have been remitting large sums to Ghana in recent months, net official and private transfers in recent years have been unable to cover Ghana's very large deficit on services, with the result that the current account balance has remained in deficit since 1981.

8.3 Exports

Ghana's exports consist predominantly of raw materials or primary commodities, with little value added, and are concentrated in four basic commodities: cocoa, gold, timber and electricity. These commodities provided $722.1 million or 87.5 percent of Ghana's exports in 1990, compared to $409.2 million or 93.2 percent in 1983.

Exports are particularly dominated by cocoa, which accounts for between 50 percent and 75 percent of earnings, depending on the size of the crop and world prices. The value of non-traditional exports have increased significantly in recent years, with more than half, $27 million, coming from the agricultural sector. Although the volume of such exports increased by 25 percent in 1989, however, a poor performance in the tuna and aluminum industries and declining export prices saw earnings fall by 18 percent to $7.8 million. The Ghana Export Promotion Council continues to aim to boost the value of non-traditional exports to 15 percent of total exports.

In terms of the traditional export sector, the World Bank estimates that medium-term (1991-95) prospects for an increase in export value are encouraging for cocoa and gold, but not so for timber and electricity. The bank estimates that the value of cocoa exports will increase by 20 percent during 1990-93 as a result of increased production and an increase in cocoa prices. Likewise, gold exports are projected to increase by approximately 18 percent per year as a result of the production from new mines and the rehabilitation of existing mines. Timber exports are estimated to increase by only about two percent per year over the 1990-95 period, as a result of both environmental concerns and government policy to push for more value-added timber exports. Electricity exports are projected to remain essentially stagnant over the five-year period.

For the latter half of the 1990s, the estimate for traditional export-sector growth is even more pessimistic, with cocoa exports growing at approximately two percent, gold five percent, timber 1.3 percent and electricity 0.5 percent.

A number of infrastructural bottlenecks inhibit the growth of Ghanaian exports. Exporters are confronted with a plethora of administrative procedures that are unclear and take an undue amount of time and expense to process. Moreover, procedures vary according to the subsector.

The growth of exports in general will require substantial streamlining and redirection of institutional resources. Currently, the following government institutions have an effect on various aspects of the export sector: the Ghana Export Promotion Council, Ghana Investment Center, Customs, Excise and Preventive Services, the Bank of Ghana, and the Ministry of Trade and Tourism.

A recent survey of Ghanaian exporters in a range of products indicates that lack of knowledge is a significant constraint on the expansion of exports. Ghanaian farmers and businessmen do not have a history of exporting or in general any experience in exporting. This means that they often have no knowledge of what the world market is for their products or how to penetrate that market.

8.4 IMPORTS

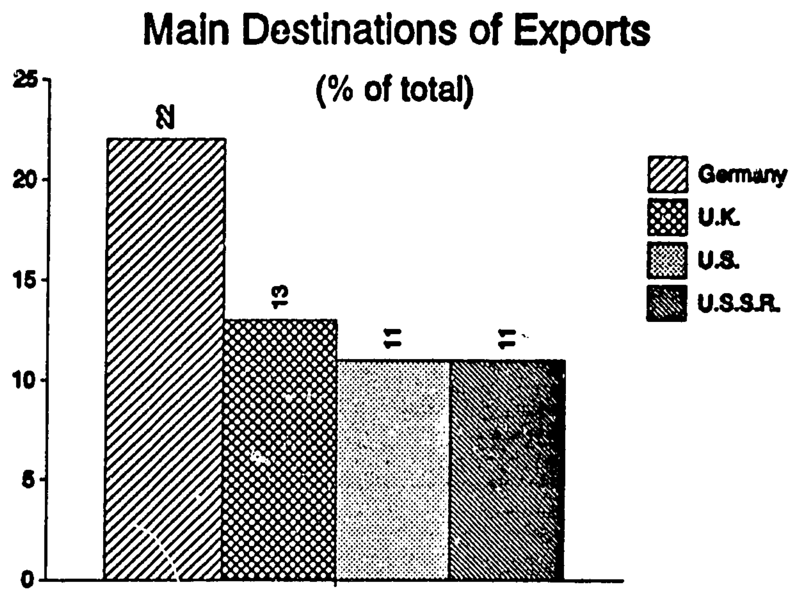
Imports are led by crude oil and petroleum products. Other significant imports are: industrial raw materials and intermediate goods, foodstuffs (wheat, rice, meat, processed foods), machinery, vehicles, and fertilizer.

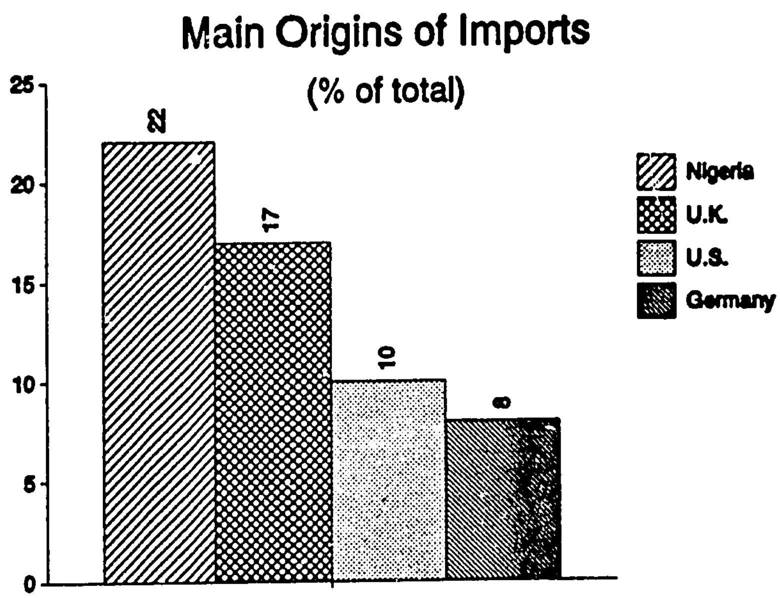
World Bank figures on imports show that fuel and energy, mainly oil, accounted for 14 percent of total imports in 1988, capital goods 43 percent, intermediate goods 30 percent and consumer goods 10 percent.

Ghana's import needs are wide-ranging. Investment goods of all types are needed; apart from construction, there is little production of capital goods, and even the construction industry is heavily dependent on imported equipment and materials. Raw materials for industry and agriculture are needed for almost every sector. Petroleum products are imported; crude oil is imported and then refined.

Imports of goods and services amounted to between nine percent and ten percent of GDP at the lowest point of the economy during 1982-84. With the implementation of the ERP, this share has risen steadily to 19 percent in 1990. In current prices, the share has increased from a low of threo percent in 1983 to 29 percent in 1990. As the economy has recovered, it has become evident that the demand for imports has risen sharply.

8.5 Direction of Trade





The U.S.-owned Volta Aluminum Company (VALCO) aluminum smelter keeps the U.S. among Ghana's principal trading partners. Many of its inputs come from the U.S. Data for 1990 show that U.S. exports to Ghana increased by 12.8 percent, while imports from Ghana rose by 32.2 percent from 1989 levels.

The U.K. is the largest supplier because of long-standing trade links and investments, supplemented by export credit lines and aid tie-ins. Other EC members, principally Germany and France, are increasing their market shares. Exports are often tied to aid programs. Japanese exports, mostly aid-tied, are rising rapidly. EC members and the U.S. are the main suppliers of machinery and equipment, commercial vehicles, industrial inputs, processed foods and beverages, and consumer goods, while Japan and South Korea dominate autos, utility vehicles, and consumer electronics.

8.6 EXCHANGE-RATE POLICY

Recent reforms have included the adoption of a flexible exchange-rate policy. As a result of the adoption of this policy, the exchange rate was successively devalued between 1983-86. In 1986, a foreign-exchange auction system was introduced, followed in 1988 by the legalization of private trade in currency through licensed foreign-exchange bureaus. Since 1988, the exchange spread between the auction rate and the bureau rate has been reduced from 50 percent to approximately 3 percent today. As a result, there is an essentially unified and floating exchange rate, which means that a competitive exchange exists for exporters.

Foreign exchange is available through a central-bank auction or from private foreign-exchange bureaus. The bureaus have virtually eliminated the parallel market for foreign exchange.

Since foreign-exchange bureaus were established in March 1988, they have proliferated quickly. By July 1990 there were 148 of them, ninety-nine in Accra and thirty in the Ashanti region, with the remainder in other urban centers.

As part of its effort to rehabilitate the export-oriented sectors of the economy, the government has allowed exporting companies to retain a proportion of their foreign exchange, on the assumption that this will ease the import of essential inputs and spare parts. The retained export earnings can be used for the import of equipment, spare parts and essential inputs (fairly broadly defined), as well as for meeting the exporters' external financial obligations.

8.7 CURRENCY OUTLOOK

The unit of currency is the cedi, which is divided into 100 pesewas. Its value, C362 per U.S. dollar in October 1991, stands at less than one percent of its 1978 value of C2.75 per U.S. dollar. Although the cedi depreciated steadily during 1990, from 303 cedis per dollar to 340 cedis, its outlook is bright for remaining relatively stable against the U.S. dollar.

Average Exchange Rate (cedis per $)

1987	1988	1989	1990	1991
153.7	202.4	270.0	326.3	362.0

8.8 TRADE AND PAYMENTS SYSTEM

Trade-financing mechanisms are rudimentary or nonexistent in Ghana. Domestic money markets and such instruments as bankers' acceptances usually do not exist. This means that money lent as working capital remains tied up until the transaction is completed, rather than being recycled to finance new export transactions.

In addition to the limited availability of pre- and post-shipping finance for working capital, term lending for the immediate future will be difficult to come by because of the tight monetary policy that the Bank of Ghana is pursuing to reduce the high inflation rate.

The limited availability of credit was the primary reason behind the government's recent decision to establish the Export Finance Company (EFC). The EFC's function is to supply short-term credit to exporters. As of April 1991, the EFC had advanced over C3.9 billion for pre-export finance.

Under the ERP, a liberalized trade policy has been followed by a significant reduction in tariff barriers and an increased supply of manufactured imports. The reductions in tariffs have increased competition for local producers and manufacturers while also reducing the cost of imported raw materials.

The government, however, currently employs a duty drawback system, operated by the Customs, Excise and Preventive Services, that is extremely cumbersome and unsatisfactory. The present system requires the presentation of documentation of imports used to produce a particular export order. This is not only awkward but significantly increases the amount of administration involved. Moreover, the system does not exempt sales or excise taxes. In fact, the system is essentially nonfunctional, with only four exporters having received a drawback and that after a waiting period of up to two years.

8.9 Licensing Requirements

Imports are generally not controlled in Ghana. In some instances, special permits are required for restricted goods.

With a few exceptions, there are also no controls on exports. The main categories of restricted exports are military hardware and antiques and collectors items over fifty years old, including works of art. These require special permits and certificates from the Ghana Export Promotion Council and other relevant issuing institutions as a prerequisite for their exportation. Other items that require permits are agricultural produce, game and wildlife, and timber products.

8.10 Invisibles

All bona fide transfers of profit and dividends have been made eligible for funding through the foreign-exchange auction market. All receipts from invisibles must be sold to authorized dealers. Foreign currency notes may be imported freely. Repurchases of foreign exchange acquired for the purpose of foreign travel are subject to a processing fee of five percent.

All payment for invisibles requires the specific approval of the Exchange Control Department of the Bank of Ghana, and documentary evidence must support all applications. Most foreign-exchange purchases for invisible payments are subject to a processing fee of five percent ad valorem, with the exception of invisible payments relating to imports.

8.11 Capital Transactions

All capital transfers must be approved by the Bank of Ghana; applications for such transfers must be supported by documentary evidence and are considered on their merits.

8.12 Regional and International Affiliations

Recently, the Trade Information Network (TINET) for West Africa has begun to have an effect on developments in the region. It has organized a number of buyer-seller meetings resulting, in one instance, in C40 million worth of deals being concluded. Despite this success, the project is in some danger, for its funding is due to stop at the end of the trial period, which ended in July 1991. It was funded until then by the UNDP and managed by personnel from the International Trade Center (ITC). According to the ITC technical adviser, the program would need funding for at least three to four years, after which it could be self-supporting on the basis of the business it generated.

While ECOWAS's share of world trade went from 1.4 percent in 1981 to just 0.6 percent in 1990, intra-ECOWAS trade increased from 4.3 percent of members' total trade in 1981 ($2.3 billion) to 6.6 percent ($2 billion) in 1990.

8.13 Implications for American Investors

- Ghana has not been able to establish effective export capacity beyond the four major basic commodities, thus limiting some trade opportunities in non-traditional areas.
- Exporters are confronted with a plethora of administrative procedures, which are unclear and take an undue amount of time and expense to process. Moreover, procedures vary according to the subsector.
- The lack of instruments such as bankers' acceptances means that financing options are limited, at least domestically.

9. EXTERNAL DEBT AND AID

Although Ghana has finally cleared all of its international debt arrears, its total external debt remains relatively high. The country's debt service ratio, however, has fallen significantly in recent years as a result of increased concessional lending. Overall, donor support for Ghana remains strong and has helped fuel much of the country's recent economic progress.

9.1 EXTERNAL DEBT

Although Ghana has finally cleared all of its international debt arrears, its total external debt still amounts to about $3.6 billion. The debt service ratio fell from 56 percent in 1988 to 35 percent in 1990 and is projected to decline to 30 percent this year, as a result of increased concessionary lending. By 1992, 75 percent of Ghana's borrowing from the International Monetary Fund will be under ESAF terms, which involve a ten-year repayment period, a 5.5-year grace period, and interest at only 0.5 percent. Meanwhile, the multilateral share of official loans to Ghana increased from 40 percent in 1984 to 71 percent in 1990.

A little respite in Ghana's debt pressures came between November 1989 and February 1990, when a combined total of $425 million in bilateral debt was canceled by West Germany ($285 million), the U.S. ($114 million) and France ($26 million). Further debt cancellation came in late 1990, with the cancellation of a total of $77 million worth of debt by France and Canada.

9.2 FOREIGN AID

Ghana's economic progress has been fueled by strong donor support. Net distribution of official development assistance climbed steadily from $258 million in 1984 at the beginning of the recovery program, to $358 in 1986, to $437 million in 1987, and to $573.7 million by 1990. At the most recent meeting of the Consultative Group for Ghana (CGG) held last May, the donor community committed $970 million of official development assistance for 1991. The World Bank, the African Development Bank, the EC, Denmark, and the U.S. all increased their assistance levels significantly from 1990 commitments. Estimates of donors' 1992 commitments have not been made, but based on the recent meeting, the funding levels are likely to approximate 1991's levels. Clearly, donor support for Ghana remains strong.

The CGG is composed of representatives of all bilateral and multilateral western donor countries and agencies. Bilateral donors include USAID, ODA, CIDA, Caisse Centrale, Germany, Japan, and Denmark. Multilateral donors include the World Bank, the UNDP, the EC, and the IMF.

The UNDP has been particularly supportive of efforts to strengthen the government institutions that service the private sector and the private export sector, namely the Ghana Investment Center (GIC) and the Ghana Export Promotion Council (GEPC). UNDP has helped the GIC establish its feasibility-analysis unit and the GEPC its trade-information network.

Altogether, over twenty-five multilateral and bilateral donors support Ghana's structural adjustment programs. All donors give grant aid or a combination of grant aid and concessionary loans. Many donors provide food aid, including Japan, the U.S., Canada, and Italy. Most donors do not impose additional policy conditionalities on the government; rather, they accept the conditionalities required by the IMF and World Bank.

While increasing in recent years, however, donor assistance has, since 1989, stopped rising faster than real GNP. Disbursements were nine percent of GDP in 1989, nine percent in 1990, and are anticipated to be nine percent again in 1991. Thus, while donor assistance provides capital needed for further growth, it is no longer growing and providing the impetus that it did previously.

Several donors have disbursed a portion of their assistance directly through the foreign-exchange auction. From 1988 through 1990, Japan put $148 million into the auction, the U.K. $99 million, CIDA $128 million, the EC $24 million, and USAID $24 million. The U.S is the only donor that places policy conditionalities as a requirement for the disbursement of funds into the auction. Nearly all donors, however, require an accounting for the actual use of local currency.

In addition to official development assistance, Ghana received approximately $1.1 billion in balance-of-payment support during 1983-90, through a series of IMF standby and concessionary (structural adjustment facility and enhanced structural adjustment facility) arrangements.

Donors such as Japan, Germany, the EC and Caisse Centrale De Cooperation Economique (CCCE) are supporting the rehabilitation and upgrading of the transport and telecommunications systems and port, harbor and airport facilities.

The World Bank is the single largest donor to Ghana, having provided over $3 billion between 1984 and 1990. World Bank assistance covers a wide range of sectoral areas, including education, agriculture, finance, and infrastructure, especially road rehabilitation.

The World Bank's Agricultural Sector Rehabilitation Project (ASRP) has been concerned with a wide range of issues, some relating directly to private-sector reform within the agricultural sector. For example, ASRP encouraged privatizing fertilizer inputs by eliminating subsidies and reforming seventeen agricultural SOEs. In addition, the World Bank is implementing a Rural Financing Project that seeks to complete the financial restructuring of rural banks, thus enabling them to mobilize more deposits and increase the flow of credit to the largest and most important sector of the economy. The World Bank is currently developing two new projects that will enhance the performance of the agricultural sector in Ghana. These are the National Feeder Roads Rehabilitation and Maintenance Project, a project that addresses the institutional development needs of the Department of Feeder Roads, and the National Agricultural Extension and Training Project, a project intended to strengthen the government's agricultural extension service begun under the ASRP.

The World Bank is also addressing financial constraints by supporting a $265 million Financial Sector Reform Program. The program provides funding for major bank restructuring with the main objectives of enhancing the soundness of the banking system by improving the regulatory framework, strengthening banking supervision conducted by the Bank of Ghana, restructuring financially distressed banks, improving deposit mobilization, increasing efficiency in credit allocation, and developing money and securities markets.

9.3 Implications for American Investors

- Continued donor support for Ghana represents a strong vote of confidence by the international financial community in the country's overall economic policy and direction. This vote of confidence, in turn, provides positive signals for investors.

- Opportunities for U.S investors exist in several projects financed by foreign donors, especially the World Bank, African Development Bank, and U.N. bodies. Many of these projects require engineering and consulting services, or specialized equipment, areas in which U.S. business has a particular advantage.

10. LABOR

Ghana possesses a large pool of inexpensive, unskilled labor. Better salaries and conditions abroad have reduced the number of available talented managers. Labor regulations and policies are generally favorable to business. Labor costs are relatively low, and labor-management relations are fairly good. Although the government encourages the formation of unions, it does not push for high wage settlements, preferring that agreements be based on productivity and ability to pay. Living conditions for expatriates in Accra are, by and large, comfortable.

10.1 PROFILE OF LABOR RESOURCES

There is usually no difficulty in finding adequate labor for most industries. Many Ghanaian workers are trained, although productivity is often low. Adequate technical personnel are available, but their expertise is limited largely to low- to middle-level technology.

Ghanaians do not possess the skills required for participation in the international arena; business education in Ghana is dated. Most Ghanaians lack skills, expertise, and experience in production and marketing. While some individual Ghanaians are well-trained and highly talented with first-rate university educations and extensive practical experience, many do not have the knowledge and skills necessary to produce and market products effectively, either domestically or internationally. They do not have the basic production know-how to redirect domestic firms to produce products for the international market. They do not possess the market information needed to reorient production to respond to foreign consumers. This has limited the private sector's ability to diversify into major foreign markets.

In addition to production and marketing information, private-sector firms in general need to address existing management deficiencies. In recent months, Ghana's educational and training institutions have made efforts to ascertain the specific needs of the private sector. The Ghana Institute of Management and Public Administration (GIMPA), the Management

Development and Productivity Institute (MDPI0) and various consulting firms have had some success in developing "tailor-made" or "in-plant" training courses. In the past, however, the training courses offered were basic and not designed to enhance the ability of Ghanaian firms to compete effectively internationally. Also, the programs of instruction at Ghana's universities are too research- and academic-oriented and do not provide students with the skills required to meet the practical needs of today's Ghanaian private sector.

Better salaries and conditions abroad have reduced the number of available talented managers. Some one to two million Ghanaians--many with important skills--have left the country, but some may return as the economy and working conditions improve and new job opportunities are created.

10.2 Under- and Unemployment

In June 1989, the government published its first employment figures since 1979. Overall employment fell for the first time in 1986, by 10.9 percent. Despite efforts to reduce the number of jobs in the public sector, its share of recorded employment, which was 74.5 percent in 1979, was 84.5 percent in 1981 and almost unchanged at 84.0 percent in 1986.

Although these figures are alarming, unemployment statistics are relatively meaningless since they cover only those registered with the Employment Service. Until recently, open unemployment was rare owing to the abundance of opportunities for self-employment in the services sector, particularly in urban areas. There is, in addition, widespread underemployment in both towns and country. Available studies of rural employment indicate that there is a shortage of labor in rural areas at certain times of the year, particularly in the cocoa sector.

10.3 Incomes Policy

As a matter of general policy, the government encourages workers and employers to regulate wages and working conditions through the process of collective bargaining.

The minimum daily wage has been reviewed several times under the PNDC government. In 1989, the rate was increased to C170 and then in March 1990 to C218. Real wages and salaries are estimated to have fallen by an enormous 83 percent between 1975 and 1983, and they continued to fall through 1989, forcing many workers to seek additional sources of income. In something of a reversal of general government policy but essential in the political climate, civil servants received a 45 percent salary supplement in November 1990, in compensation for increased fuel and transport costs resulting from the Persian Gulf war.

Labor regulations and policies are relatively favorable for business, labor costs are low, and labor-management relations are fairly good. The minimum wage is equivalent to less than 70 cents per work day, though industrial workers earn more than the minimum, and often receive extra allowances for transport, food and housing.

10.4 Labor Unions

The government has encouraged the formation of trade unions, but such unions must be duly registered with the Registrar of Trade Unions, who is also the Chief Labor Officer. There are now seventeen registered trade unions, generally known as National Unions.

The Trade Union Congress acts as the sole representative of the trade-union movement in Ghana. It does not negotiate on behalf of any particular trade union, but coordinates the activities of the various affiliated unions, and speaks on behalf of the whole movement. It is represented on a number of boards and committees that deal with matters of direct concern to workers.

Although very unpopular with the trade unions, the implementation of the ERP has met less resistance from organized labor than many observers expected. The most serious challenge to date was on the issue of incomes rather than redundancies. In April 1986, the unions threatened a general strike in response to the government's decision, under pressure from the IMF, to abolish leave allowances. These are a crucial perk that substantially supplemented low public-sector wages and are particularly important to the lower-paid. The government was forced to climb down on the issue and substantially revise the 1986 budget, shifting resources back to the recurrent budget at the expense of development spending. Resentment has since begun to gather force on the redundancy issue, however, with many former state-sector employees claiming that severance pay and redeployment commitments have not been met.

10.5 Employment of Expatriates

There are no limitations on the use of foreign technicians and executives. The number of persons and their qualifications do have to be approved by the Immigrant Quota Committee on the recommendation of the Ghana Investments Center, or other relevant government agencies.

No immigrant or visitor is permitted to seek or accept employment unless the employment is within an authorized immigrant quota. Immigrants intending to work are required to obtain the necessary permits before their arrival in Ghana. The Immigration Department will not consider applications for work permits from persons who are in the country as visitors.

An immigrant quota is the number of non-Ghanaians a firm may employ in Ghana. This is approved by the Secretary of the Interior on the recommendations of the Ghana Investment Center.

10.6 Expatriate Living Conditions

Living conditions for expatriates in Accra are, by and large, comfortable. According to the U.S. State Department, it is a slight hardship post, with a 25 percent pay bonus. Medical facilities are extremely limited, however, particularly for emergency medical treatment. There is a severe shortage of trained physicians, nurses, and medical equipment. Some expatriates report having to be flown out of the country, either to Abidjan or Dakar, for emergency medical treatment. All foreign visitors are required to have a yellow-fever vaccination and are strongly advised to take anti-malaria pills, since Ghana is a high-risk malaria-infected area.

Food prices are relatively high and many Western products are not readily available. Educational facilities for expatriate families are also quite limited, with schooling available at the American School up to only the ninth grade. There is an International School, but it is rather crowded.

10.7 Implications for American Investors

- Foreign companies usually do not have difficulty in finding adequate labor for most industries.

- Many Ghanaian workers are well-trained, but productivity is often low.

- Extensive training will be required for management positions and positions requiring special skills.

- The number of foreign technicians, executives and other personnel that a firm can bring into the country is restricted by an immigrant quota set by the government.

- Living conditions for expatriates in Accra are, by and large, comfortable.

11. FINANCIAL SECTOR

Ghana has confronted the devastation of its financial system and taken strong, remedial action to revitalize the sector. Significant progress is being made on several fronts, but financial capabilities in Ghana will remain limited for some time to come.

11.1 OVERVIEW OF FINANCIAL SECTOR

Ghana's financial system is built around a number of financial institutions, namely, the Central Bank of Ghana, commercial banks, development banks, rural banks and non-bank institutions. All financial institutions, with the exception of the rural banks, have their head offices in Accra.

As a result of deficiencies inherent in the financial system since independence, the banking sector in Ghana has not served its conventional role of mobilizing savings and/or directing them to the most profitable sector. Since independence, the financial system has been dominated by state-controlled banks whose mandate was to provide funds to priority sectors identified by the government. The result was that most loans were based upon political, not economic, criteria.

This problem was complicated by the fact that most loans were made at negative real interest rates. Heavy government interference and forced lending at negative interest rates had a number of destructive consequences. Many bad loans were made. In fact, in a 1988 review of the financial sector, it was determined that most of the existing banks were effectively bankrupt, with some having as much as 80 percent of their portfolio in non-performing loans. Also, the policy of lending at negative interest rates discouraged banks from either mobilizing savings or lending.

Adding to the above problems, banks do not lend as a result of a series of institutional constraints:

- firms do not know how to present their loan requests in a way that banks can deal with effectively;

- loan officers lack the skills to analyze projects;
- audited accounts are not always available; and
- cash-flow projections are not done and no market analysis is provided by clients.

In confronting the twenty-year devastation of its financial system, the PNDC government has taken strong, remedial action to revitalize the ailing banking sector. A wide-ranging set of reforms introduced in 1988 and 1989 aims to: (1) enhance the soundness of the banks by improving the regulatory framework and strengthening bank supervision, (2) restructure financially distressed banks, and (3) improve resource mobilization and increase the efficiency of credit allocation by the banking system.

Significant progress is being made in all three areas. The Bank of Ghana's regulatory powers and capabilities have been strengthened. The loan portfolios of all of the banks were reviewed; a Non-Performing Assets Recovery Trust (NPART) was created and non-performing loans totaling C46.9 billion were exchanged for bonds that will be redeemed over a five-to-twelve-year period. This action has restored the viability of the banks, a necessary element in the future of private-sector export-led growth.

Efforts to identify and develop competent local managers are still underway. Improvements in the credit-analysis and management capacity of Ghana's banks have been slow, and most banks are still staffed by officers in dire need of training in cash-flow lending, export lending, credit management and other fundamental banking skills.

11.2 Banks

The Bank of Ghana, the central bank, is responsible for the issuance and management of currency, the regulation and control of foreign exchange, monetary and credit policies, bank supervisors, and the development and promotion of a healthy banking system.

Commercial banking facilities and the direct financing of investment projects are provided by the country's six commercial banks. These are:

- Ghana Commercial Bank
- Standard Chartered Bank (Ghana) Limited
- Barclays Bank (Ghana) Limited
- Social Security Bank
- National Savings and Credit Bank
- Bank for Credit and Commerce

These commercial banks operate through 275 branches throughout the country. They handle over 70 percent of all banking business in the country. Standard Chartered, Barclays and Bank for Credit and Commerce have partial state participation, while the Ghana Commercial Bank, Social Security Bank and National Savings and Credit Bank are wholly state-owned.

The development banks include the National Investment Bank, the Agricultural Development Bank, and the Bank for Housing and Construction. The National Investment Bank is an industrial development bank, providing financial assistance to manufacturing and processing industries, including agro-industrial projects. It maintains branches in all the major regions. The Agricultural Development Bank serves mainly the agricultural sector, food production, livestock breeding, poultry farming, fishing and the processing of agricultural produce. It has thirty-one branches throughout the country. The Bank of Housing and Construction finances the construction and housing sectors. It operates eight branches throughout the country.

The Ghana Cooperative Bank has fifty branches throughout the country. Although it specializes in servicing the cooperative societies, it also provides financial services to the general public.

Rural banks are unit banks established to provide banking facilities for the rural communities in which they are located. They are owned, managed, and patronized by the local towns. Some of these banks also operate agencies that cater to communities that are not in a position to make use of the bank's facilities because of distance. Savings mobilized are invested in small-scale agricultural activities, cottage industries, transportation and trading. There are currently 120 rural banks in the country.

11.3 NON-BANK FINANCIAL INSTITUTIONS

Three merchant banks operate in Ghana: the Merchant Bank Ghana Limited, the Ecobank Ghana Limited, and the Continental Acceptances Bank Ghana Limited. These institutions specialize in management and corporate financing, underwriting and the marketing of stocks and shares. The Merchant Bank Ghana Limited has branches in Kumasi and Takoradi only.

There are nine insurance companies currently operating in Ghana. The State Insurance Corporation, which is wholly state-owned, is the largest. It transacts all classes of insurance business.

In a bid to improve financial intermediation in the country, the non-bank financial institutions that constitute the insurance and trust companies have joined forces with the banking institutions to establish a discount house. This is with a view to bringing into a single market those institutions with cash balances for their intensive and effective use.

Meanwhile, the Home Finance Company (HFC) Limited was incorporated in 1990 to finance the construction of 3,000 houses in Ghana by establishing an indexed mortgage financing system. This joint venture is between the government, Social Security National Investment Trust and Merchant Bank (Ghana) Limited, with funds provided by the World Bank. The ultimate objective of HFC is to attract long-term funds for investment in the housing sector.

11.4 INSTITUTIONAL INVESTORS

There are, in effect, no formal institutional investors in Ghana.

11.5 CAPITAL/EQUITY MARKETS

Ghana's capital markets are expanding under recent financial-sector reforms. New institutions have been born, while the old SOEs in finance are being reorganized and restructured. Two discount houses have emerged to create an interbank market and allow banks to adjust reserve positions. One of them intends to concentrate on the rediscount of trade-backed paper. Three merchant banks have set up operations to serve corporations with a variety of debt and equity products.

On the equity side, a newly established stock exchange began trading in the shares of twenty or so listed companies in November 1990. Up to March 12, 1991, 762,500 shares had changed hands to a value of C93.6 million. Daily activity at the exchange averaged 23,828 shares bought and sold to a value of C2.9 million. Although there are currently stringent minimum investment criteria for registration on the exchange, it is hoped that share ownership will encourage the formation of new companies and increase productive savings and investment.

One of the clear advantages of the stock exchange is that companies that need finance can raise equity, rather than undertake additional borrowing that has to be repaid at high interest rates and can negatively affect cash flow. The new stock market will take on increasing importance in Ghana's financial sector as the quality of financial statements and accounts of existing companies improve and confidence in the banking system is restored.

Meanwhile, at least two venture-capital institutions have been created recently, and preliminary studies have been completed for establishing the Ghana Venture Capital Company (GVCC), an AID-CDC-sponsored private venture-capital facility that will provide medium- and long-term capital, principally through equity and quasi-equity-type investments.

In March 1991, the government, through the Ministry of Finance and Economic Planning, formed the First Finance Company (FFC), a public venture-capital institution. Proponents of the FFC see it as a source of venture capital for the restructuring of so-called distressed but "potentially viable enterprises," private firms that may indeed be viable but have fallen victim to recent economic reforms. Both these firms will be watched closely and could play an important role in helping to augment financial-sector alternatives.

11.6 MONETARY POLICY

Another important change in the financial sector has been the movement by the government away from a system of direct credit controls and towards the adoption of monetary instruments and open market operations to manage monetary policy. These measures are seen as important steps towards less direct government interference and allowing the market mechanism to play a greater role in the allocation of credit over time.

In general, the financial sector from 1957 to 1990 was characterized by an excess of demand for credit as a result of persistent, negative real interest rates. In 1991, the government began a vigorous program to soak up excess liquidity by introducing the sale of government securities at positive real rates. The resulting high interest rates, combined with falling inflation, mean that borrowers are currently paying real rates of 13 percent to 15 percent for loans. At this rate, borrowing for medium- and long-term uses has evaporated. If inflation rates continue to fall, the Bank of Ghana is expected to begin to lower interest rates, thus providing an incentive for borrowing to resume. Given the weaknesses in the financial system, however, it will be some time before the banking system will provide medium- to long-term finance.

The government is using monetary and credit policies to restrain inflation. Lending rates have been raised to high levels in real terms, thereby promoting financial savings. Although credit policy remains restrictive, the additional net repayment by the government to the banking system will allow adequate increases in real terms in credit to the private sector and state enterprises.

The government is also phasing in a new system of monetary control that involves a shift in the instruments of monetary policy away from credit ceilings on individual banks to limits on the net domestic assets of the Bank of Ghana. To make this new system work, the institutional capacity of the Bank of Ghana has been strengthened; new Bank of Ghana monetary instruments were introduced at market-determined yields; the bank reserve requirements were rationalized; and stepped-up efforts were made to absorb the excess liquidity from the economy. In short, the government is reducing the money supply and controlling a critical link in the inflationary process.

11.7 Implications for American Investors

- Ghana's capital and equity markets are expanding under recent financial sector reforms, providing new sources of financing and markets for the economy.

- American investors, however, should not count on being able to finance investments or operations from local sources, at least not to a significant extent.

12. INFLATION AND PRICE CONTROLS

Containing inflation remains one of the biggest challenges facing the government. Inflationary pressures have recently been restrained by the government's stringent monetary policy, and both the short-term and long-term outlooks for inflation are more encouraging. The government maintains a variety of subtle price controls on a number of major products, particularly in the agricultural sector.

12.1 INFLATION AND ANTI-INFLATION POLICIES

As successful as Ghana has been at macroeconomic reforms, it has failed to control inflation. The inflation rate has been 25 percent or more since 1984, with the single exception of 1985 when good crops caused a 12 percent decline in food prices. That decline held the overall inflation rate to only 10 percent. Subsequently, inflation accelerated to 25 percent in 1986 and 40 percent in 1987, before beginning a gradual descent to 25 percent in 1989. In 1990, the rains came late, and food prices rose by about 40 percent. Contributing to the inflation was a 50 percent increase in fuel prices, sparked by the Persian Gulf war and a large government tax increase. The food and fuel price increases explain virtually the entire 37 percent increase in the overall CPI last year.

The failure to contain inflation is one of the most serious problems confronting the government. Inflation has been highly variable over the past several years as a result of several factors; the effect of weather on food-crop production is one of the most important. Since reaching nearly 40 percent in late 1990, the inflation rate, as a result of vigorous action by the government, declined to 17.8 percent in June 1991. This decline has been achieved by a stringent monetary policy that has resulted in a severe shortage of credit and very high interest rates (real rates during the first six months of 1991 averaged over 10 percent and nominal rates averaged over 30 percent.) These conditions make any type of term lending improbable in the short term.

The explanation for inflation, however, is not as simple as it appears. One can explain price fluctuations in a particular year, but the consistent pattern of double-digit inflation since 1984 cannot be due simply to price fluctuations. One fundamental explanation for inflation is the rapid growth in the money supply. Since 1983, the broad money supply has grown by an average of 45 percent per year. The latest spurt in money-supply growth occurred at the end of 1989 when a large cocoa crop was harvested. The government paid for a large part of the crop by increasing the money supply. During one month alone, the amount of money in circulation increased by 18 percent and the narrowly defined money supply increased by 22 percent. The rapid increase in the money supply allowed inflation to surge when the prices of food and fuel rose dramatically. Without the increase in money supply, economic activity would have slowed down markedly, keeping down inflation to some extent.

The Bank of Ghana is currently making progress on the inflation front. Within the next year, the inflation rate should decline, the exchange rate stabilize, and real interest rates drop. The government has made the reduction of inflation a priority objective needed for investor confidence. If successful, it will send a strong message to the private sector concerning the government's commitment to sound macroeconomic policies.

The government is using monetary and credit policies to restrain inflation. Lending rates have been raised to positive levels in real terms, thereby promoting financial savings. While credit policy remains restrictive, the additional net repayment by the government to the banking system will allow adequate increases in real terms in credit to the private sector and state enterprises. The government is also phasing in a new system of monetary control that involves a shift in the instruments of monetary policy away from credit ceilings on individual banks to limits on the net domestic assets of the Bank of Ghana. To make this new system work, the institutional capacity of the Bank of Ghana has been strengthened; new Bank of Ghana monetary instruments were introduced at market-determined yields; the bank reserve requirements were rationalized; and stepped-up efforts were made to absorb the excess liquidity from the economy. In short, the government is reducing the money supply and controlling a critical link in the inflationary process.

In 1991, the outlook for inflation is excellent. The current food crop is likely to be larger than last year's, resulting in a decline in food prices. Fuel prices have already been cut once this year, and another decrease is possible. Recent data suggest that the rate of inflation is already below 20 percent. The government announced that prices increased by only 17 percent from June 1990 to June 1991. The Ministry of Finance and Economic Planning expects the inflation rate to drop even further, to 10 percent, by year's end. Both the IMF and the World Bank believe that this target is attainable. As inflation falls, so should interest rates, and therefore by next year term lending will be more attractive.

On a long-term basis, the inflation outlook is also encouraging. As noted earlier, the government has successfully developed the policy instruments needed to control the money supply, thereby containing the source of inflation. The other major systemic cause of inflation, deficit spending, has not been a problem. The government has been able to run a small budget surplus in each of the last four years.

12.2 Price Controls

There are various subtle price controls on a number of major products, primarily in the agricultural sector.

For example, the Ghana National Procurement Agency (GNPA) regularly buys wheat on the world market--almost exclusively from the U.S. and Canada on export enhancement terms--and allocates it at a fixed price to the flour-milling companies that make up the flour-production sector of Ghana. Allocations are made on the basis of each mill's production capacity. The mills, in turn, are required to sell 80 percent of their flour production to designated bakeries in certain districts at an administered price.

This price, as well as the price at which the GNPA will sell to the mills, is agreed upon during negotiations involving the Ministry of Trade, the millers, the Prices and Income Board, and the regional bakers associations. The GNPA is currently responsible for coordinating the call forwards of the commodity flow through the ports and the distribution system.

Parastatals thus control the coordination, allocation and pricing of goods in this sector.

12.3 IMPLICATIONS FOR AMERICAN INVESTORS

- Inflation should not pose a problem to investors as long as the government maintains its current tight monetary policy.

- Within the next year, the inflation rate should continue to decline, the exchange rate stabilize and real interest rates should drop.

- Price controls exist, primarily in the agricultural sector, and investors should carefully examine the structure of price controls related to their particularly activities.

13. PUBLIC FINANCE

Public finance has improved significantly in recent years, after strenuous government efforts to control expenditures. Increased revenues, combined with increased donor resource flows, have led to significant investment in the rehabilitation of existing infrastructure. This rehabilitation, particularly of roads, ports and telecommunications, has improved the business environment.

13.1 OVERVIEW OF THE FISCAL SITUATION

Public finances have improved after strenuous government efforts to control expenditures. In 1990, the budget surplus (excluding capital outlays financed through external project aid) amounted to 0.2 percent of GDP. The overall fiscal deficit was 5.6 percent of GDP (includes project aid). Total expenditures were higher than budgeted, reflecting unanticipated expenses for the Liberian peacekeeping effort, plans for the 1991 Non-Aligned Movement conference in Accra, and higher net lending to state enterprises.

The current public financial picture is in sharp contrast to previous ones. For the best part of two decades, until the implementation of the ERP, the Ghanaian economy was bedeviled by unbalanced budgets, with the resulting deficits financed mainly from internal sources. Consequently, money supply rose rapidly and this led, in conjunction with persistent shortages of consumer goods, to high inflation. Although successive administrations adopted fiscal stringency as a policy aim, results often failed to match aspirations, with spending cutbacks concentrated on capital rather than current spending, to the detriment of economic development.

It has been an important tenet of the ERP, and a condition of IMF funding, that the budget deficit must be reduced and resources be redirected from recurrent to capital spending. Rapid inflation and the difficulty of resisting popular pressures for higher wages and lower prices (as well as the problems of enforcing cuts in civil-service numbers) have complicated this task. In February 1984, for example, the government reversed an earlier decision to raise the retail price of rice and maize. The government achieved a surplus each year between 1986 and 1989, however, and simultaneously boosted the percentage of spending on development projects.

13.2 Public Expenditures

The fall in world cocoa prices in 1989 cost $200 million in lost government revenue, and income from company taxes and excise duties fell short of expectations. In addition, subsidies to non-commercial public-sector organizations were higher than planned. Consequently, in the 1990 budget, both current consumption and investment spending by the government were scaled down. The government's projected revenue of C273 billion and expenditure of C257 billion implied a fall of four percent in real terms. Other measures introduced to curtail public spending included a five-gallon weekly petrol ration for public vehicles. To curb private demand, a super sales tax, ranging from 50 percent to 500 percent, was levied, mainly on luxury consumption; the range was subsequently reduced to 10 percent to 100 percent in the 1991 budget. In the same vein, from February 1990 the tax on importing large-capacity petrol-engine cars was increased. The 1991 budget was forecast to be in surplus by C44 million, with revenue at C385 million and expenditure at C341 million, demonstrating government attempts to stay in line with IMF policy and contain expenditure growth while increasing revenue (they grew by 33 percent and 41 percent respectively in the 1991 budget), although the surplus was well below the peak achieved in 1989.

13.3 Government Revenues

With reforms in the tax system, government revenues have increased significantly in recent years, both absolutely and as a percent of GDP. Increased revenues combined with increased donor resource flows have led to significant investment in the rehabilitation of infrastructure that deteriorated badly during the late 1970s and early 1980s. This rehabilitation, particularly that of roads, ports and telecommunications, has improved the ability of exporters to get their produce out of the country and to communicate better with their clients.

13.4 IMPLICATIONS FOR AMERICAN INVESTORS

Increased government revenue, combined with increased foreign aid flows, will strengthen the government's ability to address infrastructure needs.

14. TAXATION

Tax policy remains a constraint to doing business in Ghana, but recent changes provide some hope of a more favorable future climate in the country. Under the ERP, the government has significantly reduced tariffs and has provided personal and corporate tax relief.

14.1 OVERVIEW OF TAXATION POLICY

Government tariff and tax policy continues to be a serious constraint on doing business in Ghana. In the past, the government pursued a policy of high tariffs and income taxes. Under the ERP, it has significantly reduced tariffs. Likewise, recognizing that tax rates are high, it has provided personal and corporate tax relief.

While Ghana's 1991 tax reforms have been geared to improving private-sector activity, the 1990 tax increases on petroleum have impeded growth. Petroleum prices were raised four times in 1990 for a cumulative increase of between 266 percent and 326 percent, depending on the product. The price increase has given the government an extra C80 billion in revenues, above and beyond the higher cost of petroleum. Part of that revenue has been used to reduce other tax rates. Nonetheless, the extremely high petroleum prices have significantly slowed economic development because of the increased distribution and transportation cost.

In its 1991 budget message, the government announced major tax reductions. Further steps are being taken to improve the regulatory framework. A joint public-private-sector commission is reviewing laws and regulations to eliminate or revise those that are perceived as having a negative effect on business.

14.2 PRINCIPAL TAXES

Corporate Income

Ghana's corporate income-tax regulations apply with equal force to Ghanaian and foreign-owned companies.

The government, in its 1991 budget message, lowered the corporate tax rate from 45 percent to 35 percent and capital allowances were extended to all enterprises in the manufacturing sector.

Corporation tax is assessed at the beginning of each year of assessment (usually January) and the tax is payable within thirty days of the service of the notice of assessment. Corporations may, however, take advantage of the quarterly payments in arrears and settle their liabilities in four quarterly installments in March, June, September and December.

To spur on the export sector, corporate tax rebates have also been raised from a minimum range of 30 percent to 40 percent to a maximum range of 60 percent to 75 percent for agricultural firms, and from a minimum range of 25 percent to 30 percent to a maximum range of 60 percent to 75 percent for manufacturing firms, depending on output exported. The government has also established a tariff-rebate system for exports.

This system has had limited effects, however. At present, manufacturers who import a raw material pay a duty on it. Once the final product is exported, the manufacturer can obtain a rebate only if he provides documentation of the imports used to produce a particular export order. Few businesses actually use the current system because it is so cumbersome and requires so much effort.

Dividends

In the 1991 budget message, the withholding tax on dividends was decreased from 30 percent to 15 percent.

Sales

Sales-tax rates apply on the same goods imported or locally manufactured. The sales tax on imported goods is levied on the duty-inclusive values, that is, c.i.f., plus any duties that are paid. For locally manufactured goods, the sales tax is levied on the selling price.

A super sales tax is levied on some selected luxury goods. The tax, which ranges from 50 percent to 500 percent, is levied on the c.i.f. value in addition to any other taxes that apply.

Capital Gains

The government, in its 1991 budget message, announced that the capital gains tax was to be reduced from 55 percent to 5 percent and that capital gains from publicly traded shares, mergers and acquisitions were exempted from the tax.

Customs Duties and Import taxes

Generally, all imports are subject to customs duties. Import duty rates imposed on various categories of imports are as follows: 10 percent on all raw materials and capital goods, 20 percent on all consumer goods, and 25 percent on all luxury goods.

Under the ERP, a liberalized trade policy has been followed with a significant reduction in tariff barriers and an increased supply of manufactured imports. The reductions in tariffs have increased competition for local producers and manufacturers while also reducing the cost of imported raw materials.

Personal Income

Ghana's personal income tax operates on a progressive-rate system. Personal income taxes at specified rates are paid based on assessments made each year by the Commissioner of Internal Revenue. The tax is levied on all income incurred in, derived from, brought into, or received in Ghana. In the case of non-residents, if a person carried on any trade, business, profession or vocation in Ghana, part of the operations of which may be carried on outside Ghana, the full gains or profits of that business, profession or vocation are deemed to be derived from Ghana. This includes all profits, interest, royalties, dividends and discounts.

In a bid to ease the burden of the ERP on private consumption, the 1988 and 1989 budgets raised tax thresholds by between 140 percent and 300 percent, and sought to cut tax revenue from income and property from 68.5 percent of total revenue in 1988 to 17.3 percent in 1989. In the 1991 budget, the threshold below which individuals pay no tax was increased by 58 percent to C60,000, while the threshold for paying the top tax rate (also reduced from 55 percent to 50 percent) was increased from C1.2 million to C2.1 million. Deductions are allowed for dependents, education, disability and old age.

14.3 Determining Taxable Income

Profits to be assessed are based on the full amounts of the profits for the basis year. To arrive at the full amount of profits, stocks or inventories are to be valued. The generally accepted basis of valuation is cost, or market value, whichever is lower.

14.4 Depreciation

Assets can be revalued at intervals to be decided by the owner. But note must be taken of the fact that capital allowances that are deductible from assessable income are computed on the cost of the assets to the owner.

14.5 Tax Treaties

Double-taxation agreements exist between Ghana and the following countries: the United Kingdom, Sweden, Denmark, Nigeria, The Gambia and Sierra Leone. Foreign companies would have to be resident in any of the above-mentioned countries to obtain the reliefs established in the agreements. There is also the Commonwealth Development Corporation Concessions regulation, which is similar to the double-taxation agreement but applies only to commonwealth countries.

14.6 Appeals

Appeals on tax matters can be heard through the legal system or through discussions with the relevant ministry or department.

14.7 Implications for American Investors

- Business taxes in Ghana remain relatively high, despite recent reductions, and can significantly raise the cost of doing business.
- Tax incentives are available in certain sectors and activities; these incentives can help provide significant reductions in the effective tax burden for investors.

15. INTELLECTUAL PROPERTY PROTECTION

The protection of intellectual property is an evolving area of law in Ghana, but strides have been made in recent years to afford protection to a variety of intellectual property under both local and international law. Ghana is a member of the World Intellectual Property Organization (WIPO) and the English-Speaking African Regional Industrial Property Organization (ESARIPO).

15.1 PATENTS

Ghana is a signatory to the International Union for the Protection of Industrial Property (the Paris Union), which provides for uniform standards of protection among all parties to the agreement. Under the protocols and regulations of ESARIPO, the regional organization is empowered to grant patents and register industrial designs. Those seeking to register a patent or industrial design would file an application at the local industrial property office in the Registries Department. Local representation by an attorney or legal practitioner who has the right to present applications is necessary.

15.2 TRADEMARKS

Trademarks registered with ESARIPO members are automatically registered in Ghana. This remains an evolving area of Ghanaian law.

15.3 COPYRIGHTS

Ghana is a party to the 1952 text of the Universal Copyright Convention, but in addition it has further local legislation to ensure the protection and enforcement of copyrights within the country. Application must be made within Ghana showing that the work is an original literary, artistic (including maps, plans and diagrams), or other work spelled out in the legislation. Once the copyright is granted, individuals receive protection for their lifetime plus fifty years. Public corporations or other corporate entities receive protection for fifty years commencing from the date the work was made public.

15.4 Redress

Ghana's legal system is based on British common law. Lawsuits are allowed within the system and usually begin in the High Court. Ghanaian law provides for injunctive relief from the unauthorized use of certain intellectual property, especially copyrights, and for the recovery of damages.

15.5 Implications for American Investors

- U.S. businesses should not experience any significant difficulties in protecting intellectual property in Ghana.

- In order to ensure maximum protection, the U.S. investor should register all necessary patents, trademarks and copyrights before establishing operations in Ghana or as soon as possible thereafter.

FORMAL VS. INFORMAL SECTORS OF AFRICAN ECONOMIES

The economies of sub-Saharan African (and other developing) countries are typically segmented into formal and informal sectors. In the African context, these are not simply synonymous with legal and illegal markets, although the formal sector usually complies with laws and regulations more diligently than does the informal.

The formal sector is "modern" in the sense that its organization is bureaucratic rather than patriarchal, whereas the informal sector follows "traditional" organizational patterns and relies on "traditional" relationships of authority and status.

But the crux of the difference is that the formal sector is *literate* rather than *illiterate*--i.e., the formal sector keeps written records, especially written accounts that can be examined by tax officials and auditors, whereas informal sector economic operators keep records in their heads.

The result is that the formal sector either endures or pays bribes to avoid the taxes and regulatory burdens that the informal operator can escape simply by disappearing into a crowded market street or into the bush. This gives the informal sector a cost advantage over the formal, which means that its economic surpluses, reinvestments, and growth are often much larger than those of the formal sector, despite the latter's purported advantages of communications, technology, and scale of operations.

Structural adjustment programs of the World Bank and the IMF always target governments' budget deficits by cutting spending but also by improving revenue collection, including by trying to tax the informal sector. Although the goal is more equitable sharing of the cost of government, the effect is sometimes to put fiscal reform in contradiction with economic growth.

LOME CONVENTION PREFERENTIAL TRADE ARRANGEMENTS

The Lomé Convention is a cooperation agreement between the European Community (EC) and the African, Caribbean and Pacific Group of States (ACP). The former has twelve member states and the latter comprise of sixty-six. This convention was concluded in order to promote and expedite the economic, cultural and social development of the ACP States through trade, financial and technical assistance.

Under this convention, the chapter on Trade Cooperation has as its object to promote trade between the ACP States and the Community by improving the conditions of access for their products to the community market.

The pertinent clause reads:

2. *Products originating in the ACP States shall be imported into the community free of Customs duties and charges having equivalent effect.*

   The following products shall be considered as products originating in an ACP State.

   (a) products wholly obtained in one or more ACP State.

   (b) products obtained in one or more ACP States in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing.

Sufficient working or processing means that the goods obtained receive a classification under a different tariff heading from that covering each of the products worked or processed. The incorporation of non-originating materials and parts in a given product obtained shall only make such products lose their originating status if the value of the said materials and parts incorporated exceeds 5 percent of the value of the finished product.

When products wholly obtained in the EC or in their overseas territories or ACP States undergo working or processing in one or more ACP States, they shall be considered as having been wholly produced in that or those ACP States, provided that the products have been transported directly.

Eligible products shall be accompanied by evidence of originating status, the movement certificate EURI.

However, products which fall under a common organization of the treaty establishing the European Community or are subject on import into the Community, to specific rules introduced as a result of the implementation of the Common Agricultural Policy (CAP) may be excluded or subject to quantitative restrictions or the safeguard clause.

The following products shall be considered as wholly obtained either in one or more ACP States or in the Community.

(a) mineral products extracted from their soil or from their seabed;

(b) vegetable products harvested therein;

(c) live animals born and raised therein;

(d) products from live animals raised therein;

(e) products obtained by hunting or fishing conducted therein;

(f) products of sea fishing and other products taken from the sea by their vessels;

(g) products made abroad their factory ship exclusively from products referred to in subparagraph (f);

(h) used articles collected there fit only for the recovery of raw materials;

(i) waste and scrap resulting from manufacturing operations conducted therein;

(j) goods produced there exclusively from the products specified in subparagraphs (a) to (i).

For the purpose of para.2(b) the following shall always be considered as insufficient working or processing, whether or not there is a change of tariff heading:

(a) operations to ensure the preservation of merchandise in good condition during transport and storage;

(b) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching, washing, painting, cutting-up;

(c) (i) changes of packaging and breaking up and assembly of consignments;

(ii) simple placing of bottles, flasks, bags, cases, boxes, fixing on cards or boards.

(d) affixing marks, labels and other like distinguishing signs on products or their packaging.

(e) (i) simple mixing of products of the same kind where one or more components of the mixture do not meet the conditions as originating product.

(ii) simple mixing of products of different kinds unless one or more components of the mixture do not meet the conditions as originating product.

(f) simple assembly of parts of articles to constitute a complete article;

(g) a combination of tow or more operations specified in subparagraph (a) to (f)

(h) slaughter of animals.

In defining the concept of originating products, Protocol I of the Lomé III Convention gives a list of working or processing operations carried out on non-originating materials which result in a change of tariff heading without conferring the status of "originating products" on the products resulting from such operations.

The Lomé Convention has a provision for financial assistance in trade promotion so that exporters from any ACP country may participate in trade fairs and exhibitions.

Useful information

Government agencies and associations

Government agencies

GHANA INVESTMENTS CENTRE
P.O. Box M 193, Accra
Tel.: 665125/9
Telex: 2229 INVEST GH
Cable address: INVESTMENT

GHANA EXPORT PROMOTION COUNCIL
Republic House, Tudu Road
P.O. Box M 146, Accra
Tel.: 28813, 28830
Cable address: EXPROMOC
Fax: 233 21 668263

Major private-sector associations

ASSOCIATION OF GHANA INDUSTRIES
P.O. Box 8624, Accra-North
Tel.: 777283
775311 Ext. 69718, 69723

GHANA ASSOCIATION OF BANKERS
NCR New Building
P.O. Box 41, Accra
Tel.: 223466

GHANA ASSOCIATION OF INSURERS
c/o Ghana Union Assurance Co. Ltd.
P.O. Box 1322, Accra
Tel.: 664421, 665791

GHANA CHAMBER OF MINES
P.O. Box 991, Accra
Tel.: 662719

GHANA CONSULTANTS ASSOCIATION
(being created)

GHANA EMPLOYERS ASSOCIATION
P.O. Box 2616, Accra
Tel.: 228455

GHANA FURNITURE PRODUCERS ASSOCIATION
Trade Fair Site
P.O. Box 31, Accra
Tel.: 774251, 776825, 775311

GHANA NATIONAL CHAMBER OF COMMERCE
P.O. Box 2325, Accra
Tel.: 662210, 662427

GHANA REAL ESTATE DEVELOPMENT ASSOCIATION
Trade Fair Site
P.O. Box 113, Accra
Tel.: 775676/8, 775311

NATIONAL MARINE FISHERIES ASSOCIATION
P.O. Box 103, Tema
Tel.: 4065/6

AMERICAN FIRMS, BRANCHES, AFFILIATES IN GHANA*

ORGANIZATIONS IN GHANA	U.S. PARENT ORGANIZATION
AGRICARE LIMITED P.O. Box 3934, Kumasi Phone: 4993 Accra Office: P.O. Box 1610 Phone: 228914, 229300 Cable: AGRICARE KUMASI General Manager: Joseph C.E. Inkumsah	PFIZER INTERNATIONAL INC. 235 East 42nd Street New York, NY 10017 Phone: (212) 573-2323 Cable: PFIZERSUB NEW YORK Telex: RCA 234008
BHP-UTAH GHANA INC. Plot G7704 Botwe Street (Turn right at green sign just past Dimples.) P. O. Box 16108 Airport-Accra Phone: 772544 Manager: John Coates	BHP-UTAH INTERNATIONAL INC. 550 California Street San Francisco, CA 94104 Phone: (415) 981-1515 Telex: 6712202 BHP UTAH Fax: (415) 398-0154
COOPERS & LYBRAND First Floor (Room 101) Swanmill Kwame Nkrumah Avenue P.O. Box 2533, Accra Phone: 666177, 666080 Partner: E. M. Boye	COOPERS & LYBRAND 1251 Avenue of the Americas New York, NY 10020 Phone: (212) 489-1100 Cable: COLYBRAND Telex: 12-6496
DELOITTE, HASKINS & SELLS 4 Liberation Road P.O. Box 453, Accra Phone: 775355, 774169, 229892 Telex: 2298 Resident Managing Partner: Joseph K. Forson	DELOITTE HASKINS & SELLS 1114 Avenue of the Americas New York, NY 10036 Phone: (212) 790-0500 Cable: DEHANDS NEW YORK Telex: 12-7824
DUPAUL WOOD TREATMENT (GHANA) LTD P.O. Box 9720 Airport, Accra Phone: 223796 Telex: 2065 TXW Managing Director: Dr. Kwame Duffuor	KIC INTERNATIONAL CORP. 4109 Fruit Valley Road Vancouver, WA 98660-1290 Phone: (206) 696-0561 Telex: 152-823 (ITT) 4742023 Fax: 696-3132

EVEREADY GHANA LTD.
Plot 18/6 Heavy Industrial Area, Tema
P.O. Box 2085, Accra
Phone: 4323/5 Tema
Cable: UNICARBIDE, ACCRA
Acting Managing Dir.: Steve Opare-Obisaw
Consultant: John B.A. Amponsah

RALSTON PURINA OVERSEAS
BATTERY CO.
Checkerboard Square
St. Louis, MO 63164
Phone: (314) 982-1000

GOLDEN GULF SEAFOODS AFRICA LTD.
Kokomlemle
P.O. Box 15665, Accra-North
Phone: 228345
Vice President (Quality Control):
Terry M. Clark

GOLDEN GULF, INC.
P.O. Box 225
Montrose, AL 36559
Phone: (205) 928-1020
Telex: 593068 GGI MBL
Fax: (205) 928-1202

HOSPITALS INTERNATIONAL LTD.
P. O. Box 5609 Accra North
Farrar Avenue (behind Yoofi Pharmacy)
Near Asylum Down Hill
Cable: HOSPITAL-UD, ACCRA
Phone: 222684
Telex: 3033 GH
Director: Godwin K. Anagbo
Chairman: George A. Habib

HOSPITALS INTERNATIONAL INC.
P.O. Box 255
Brewster, N.Y. 10509
Phone: (914) 279-7958
Telex: 6714389 (via MCI)

IBM WORLD TRADE CORPORATION (GHANA)
Mobil House, Liberia Road
P.O. Box 1507, Accra
Phone: 663244, 666201, D-663069
Cable: INBUSMACH
Telex: 2033
Branch Manager: J.E.A. Quansah

IBM WORLD TRADE CORPORATION
360 Hamilton Avenue
White Plains, NY 10601
Cable: INBUSPLAINS
Telex: 233274, 423207, 620921

MASAI Developers Ltd.
8 First Norla Street
Labone
P. O. Box 4918
Accra
Phone: 777303, 229809, 774008
FAX: (021) 772639
Managing Director: Mr. Edward Annan

115

JOHNSON'S WAX LIMITED
Accra-Tema Motorway
P.O. Box C537, Cantonments Accra
Phone: 712814/15/17
Cable: JOHNSONWAX ACCRA
General Manager: Ladi Nylander

S.C. JOHNSON & SON, INC.
1527 Howe Street
Racine, WI 53403
Cable: JOHNWAX RACINE WISCONSIN
Telex: 264429

MOBIL OIL GHANA LIMITED
Mobil House, Liberia Road
P.O. Box 450, Accra
Phone: 664921/5
Cable: MOBILOIL ACCRA
Telex: 2028, MOBIL ACCRA
Managing Director: Abdel-Hamid Hussein

MOBIL SOUTH INC.
3225 Gallows Road
Fairfax, VA 22037
Telex: RCA 232561
WVI 62785
FAX: (703) 846-4820

MOTOROLA COMMUNICATIONS
Dept. of Dizengoff Ghana Ltd.
West Industrial Area
P.O. Box 3403, Accra
Phone: 222787 (direct), 221831 ext. 45
Cable: DIZEWACO
Telex: Accra 2032
Manager: Aharon Rosenberg

MOTOROLA INC.
1303 E. Algonquin Road
Schaumburg, IL 60196
Phone: (312) 397-5000
Cable: MOTOL, SCHAUMBURG, ILLINOIS
Telex: 28-2562
TWX: 910-221-4978

NCR GHANA LIMITED
Kwame Nkrumah Avenue
P.O. Box 1010, Accra
Phone: 228168
Cable: NACERECO
Managing Director: Thomas K.N. Andoh

NCR CORPORATION
1700 South Patterson Boulevard
Dayton, OH 45479
Phone: (513) 449-2000
Cable: NACERECO
Telex: 28-8093

PEAT, MARWICK, OKOH & COMPANY
Mobil House
Liberia Road
P.O. Box 242, Accra
Phone: 664881/4
Partner: Herbert A. Morrison

PEAT, MARWICK, MITCHELL & CO.
345 Park Avenue
New York, NY 10154
Phone: (212) 758-9700
Cable: VERITATEM
Telex: 42-8038

PFIZER LIMITED
Ring Road Central
P.O. Box 1610, Accra
Phone: 228914, 229300
Cable: PFIZER ACCRA
Country Manager: Christian Amey

PFIZER INC.
235 East 42nd Street
New York, NY 10017
Phone: (212) 573-2444
Cable: PFIZERSUB N.Y.
Telex: RCA 234008

116

PHARCO LABORATORIES LTD.
West Labadi Industrial Estate
P.O. Box 1441, Accra
Phone: 777691, 777692
Cable: PHARCO
General Manager: Samuel A. Kudolo

A.H. ROBINS INTERNATIONAL CO.
1407 Cummings Drive
Richmond, VA 23220
Phone: (804) 257-2000
Cable: ROBINCO
Telex: 82-8317

PRICE WATERHOUSE MANAGEMENT CONSULTANTS
Opeibea House, Airport Road
P.O. Box 16009, Accra
Phone: 772008
Cable:
Resident Manager: John Klinogo

PRICE WATERHOUSE & CO.
1251 Avenue of the Americas
New York, NY 10154
Phone: (212) 489-8900
Cable: PRICEWATER
Telex: 12-6799

REALIMPACT CONSULTANCY
Republic House 6th Floor
Kwame Nkrumah Avenue
P.O. Box 6278 Accra
Phone: 224786
Telex: 2412 REALIT GH
Mr. Moses Dovlo

STAR-KIST INTERNATIONAL S.A.
P.O. Box 40, Tema
Phone: 2981, 2982 Tema
Cable: Star-Kist Tema
Telex: 2124
Resident Managers: Dr. Eric A. Kwei
Mr. Ted Morgado

STAR-KIST FOODS, INC.
582 Tuna Street
Terminal Island, CA 90731
Phone: (213) 548-4411
Cable: FRENCHSACO
Telex: 68-6265

(Star-Kist has three joint ventures in Ghana, all with Mankoadze Fisheries Ltd: Pioneer Tuna Fishing Co., Ghana Tuna Fishing Development Co. Ltd., and Pioneer Food Cannery Ltd., Tema)

117

STERLING PRODUCTS (GHANA) LIMITED
Ring Road South Industrial Area
P.O. Box 5760, Accra
Phone: 221788, 221109
Cable: STERLPROD
General Manager: Patrick F. Annancy

STERLING PRODUCTS INTERNATIONAL INC.
90 Park Avenue
New York, NY 10016
Phone: (212) 907-2649
Cable: STERLPROD
Telex: 22-4378

SUN GOLD (GHANA) LTD
51 Latebu Close
P.O. Box 0-1619
Osu, Accra
Phone: 774155
Managing Director: Sam Ṣaka

KIBI GOLDFIELDS INTERNATIONAL
1150 Woodcliff
South Elgin, IL 60177
Phone: (312) 697-7500

TEBEREBIE GOLDFIELDS LTD
P.O. Box 9894 Airport-Accra
Pegasus House
Independence Avenue
Phone: 224351, 668712(D)
Telex: 2180 GEMACO GH
FAX: 224351
Resident Director: Owen F. King

or: P. O. Box 6274
Phone: 228988/229675/229699
FAX: (021) 228988
c/o Fugar & Company
Wesley House
Liberia Road (Opposite Mobil House)
Accra
Director: Willie E. Fugar

THE PIONEER GROUP, INC.
60 State Street
Boston, MA 02109
Phone: (617) 742-7825

TECHNOSERVE, INC.
18 Church Crescent, North Labone
P.O. Box 135, Accra
Phone: 775949
Cable: TECHNOSERVE/GHANA
Country Program Director:
Paul Warnka

TECHNOSERVE, INC.
11 Delden Avenue
Norwalk, Connecticut 06850
Phone: (203) 846-3231
Cable: TECHNOSERVE/NORWALK, CONN
Telex: 965-981

118

VOLTA ALUMINUM CO. LTD. (VALCO)
P.O. Box 626, Tema
Phone: 4203/6, 6711, 4538 Tema
Telex: 24277 KAICOM G LONDON
Accra Office: Mobil House,
P.O. Box 1117, Accra
Phone: 664921
Resident Manager: Ted R. Frostenson

KAISER ALUMINUM & CHEMICAL CORP.
300 Lakeside Drive
Oakland, California 94643
Phone: (415) 271-3300
Cable: KAISERALUM
Telex: 335315

REYNOLDS METALS CO.
P.O. Box 27003-A
Richmond, Va. 23261
Phone: (804) 281-2000
Telex: 827-348
TWX: 710-956-0112

Mr. John Passler
c/o Regimanuel Limited
No. 6 Wungon Close
East Cantonments
P. O. Box 8124
Accra-North
Phone: 774463
Telex: 2264 MANDAF

Mr. Rolf Bolt
Social Security Bank
Head Office
Kokomlemle
Accra
Phone: 229811 ext 13

Mr. William Platt
Chief Operating Officer
Social Security Bank
Head Office
Kokomlemle
Accra
Phone 229277

Mr. Craig McAllister
Chief Operating Officer
National Savings and Credit Bank
Head Office
Ring Road Central
Accra
Phone: 228322 ext 1116

Mr. Jim Wilson
Managing Director
Valley Farms Ltd.
North Industrial Area
P. O. Box 4155
Accra
Phone: 223726, 224137
Telex: 2476

Mr. Gerald Guice
Integral (GH) Ltd.
P. O. Box 10219

NOTE: When writing to firms in Ghana, one must use a post office box number since mail is not delivered to home or office.

Prepared January, 1991 by the Economic/Commercial Section, U.S. Embassy, Accra.

Mailing address:	P.O. Box 194	<u>or</u>
	Accra, Ghana	Accra
	Phone: 775297, 775298	Department of State
	Telex: 2579 EMBUSA GA	Washington, D. C. 20521-2020

* This list is prepared as a convenience, and does not purport to determine legal, tax or other status. It is based on information provided by the firms, and the U.S. Embassy does not assume responsibility for its accuracy or completeness.