The Agency for International Development Presents

Critical Issues
for American Investors in
GHANA

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EXECUTIVE SUMMARY

Elections were held in Ghana late last year for president and for the national legislature—the first such popular elections in over 10 years. The return to democracy, and the sweep of the elections by the Provisional National Defence Council (PNDC) and its leader, Flight Lieutenant Jerry Rawlings—in power since 1981—bode well for political stability in Ghana. They also virtually ensure continuation of the program of broadly-based macroeconomic and regulatory reforms pursued by the Government under the auspices of the IMF since 1984-85.

Under this Economic Reform Program (ERP), Ghana has achieved remarkable economic progress in the face of years of politically risky reforms. Its annual economic growth has averaged 5.0 percent a year since 1987, inflation has been significantly reduced, and the Government's huge budget deficits have turned into surpluses since 1987. Some highly encouraging improvements in sectoral performance have been recorded, specifically in the mining sector—one of the foundations of Ghana's export business. 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.

The importance of the private sector to Ghana's long-term economic objectives, particularly in helping to achieve employment objectives, has been officially acknowledged since 1987. In tandem with this, the Government's official policy is to encourage private investment—including foreign investment—and it has worked hard to bring about the economic liberalization and regulatory reforms that will create a more favorable climate.

There have been some impressive gains as a result of these efforts, but a great deal more remains to be done. In spite of official government policy, and the existence of some generous tax and other concessionary packages offered to private investors, many current regulations remain quite restrictive. Collectively, these regulations project an image of Ghana as a country with excessive government intervention in private business.

Further reforms are required in the arena of commercial regulations, as well as in the country's financial sector. Improvements in the efficiency of the civil service are also needed. And unfortunately, there is still a legacy of distrust in some quarters between business and government, left over from previous, statist regimes which actively discouraged private investment.

The Government's slow progress in privatizing or liquidating the country's many state-owned enterprises—a keystone of its private investment program—has raised questions about its commitment to private sector development. However, there is a broad consensus that the investment climate in Ghana today is vastly improved over conditions six years ago, and Ghana now provides one of the more attractive investment climates in West Africa.

Ghana already has a significant level of foreign investment—a sector dominated by U.K.-based businesses. A number of large U.S. firms have been represented in Ghana for many years, however. And in the large increase in direct foreign investment in the mining sector of the past four years—encouraged by attractive Government incentive packages and the generally liberalized investment climate—U.S. firms have been well-represented. Overall, however, foreign investors still face some major problems establishing themselves in Ghana.

Probably the greatest constraint on expansion of the private sector is the deteriorated state of much of its physical and other infrastructure, which suffered badly from years of neglect. Although primary roads, rail lines, and the telecommunications system are steadily being rehabilitated and improved, many infrastructural bottlenecks and weaknesses remain, posing major problems to expansion of economic activity in many sectors.

Under the liberalized trade policies of the ERP, there have been very significant reductions in tariff barriers and the adoption of a flexible exchange rate policy. This has greatly facilitated access to raw materials, intermediates, and capital equipment on which growth in Ghana's manufacturing sector depends. However, it has also opened up the country's formerly highly-protected manufacturers to international competition, and many inefficient firms are being forced out of business.

Ghana has finally cleared all of its international debt arrears, but 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 and debt rescheduling. Support for Ghana in the international development lending community remains strong and this continued support has helped fuel much of the country's recent economic progress. Total inflows of external capital in concessionary loans and in the form of grants totalled $800 million in 1991.

Ghana has taken strong remedial action to revitalize its financial sector, and some progress is being made. However, severe credit limitations, in terms of the country's low savings rate, high interests rates (the result of the Government's continued tight monetary policies), and commercial banks' continued preference for short-term trade financing will continue to create obstacles for enterprises wishing to finance startup or expansions from domestic sources.

The Government's monetary policies, in tandem with its continued tough budgetary measures, are aimed at containing inflation—one of its biggest continuing challenges. Although inflation is estimated to have been about 13 percent in 1992, the success of the Government in restraining inflation is demonstrated by the fact that the rate was as high as 40 percent as recently as 1987. The Government's commitment to stringent monetary and fiscal policies bodes well for controlling inflationary pressures in the short and long term.

The Ghanaian government has also endeavored to change the tax code and taxation policies to spur private sector growth. A number of tax incentives are offered for businesses that invest in so-called "priority" areas identified by the Government, and attractive tax rebates are available for firms that export significant portions of their output. The Ghanaian corporate income tax rate was reduced recently to 35 percent, as was the tax rate on dividends—now 10 percent.

The principal areas of opportunity for foreign investors are in agriculture and agro-processing, mining, and tourism. Prospective investors should be mindful that Ghana is a signatory to the Lomé Convention, and for this reason, products exported from it can enter the European Community duty-free in most instances.

MAKING THE INVESTMENT DECISION

Country Overview

In 1982, the Ghanaian economy had virtually collapsed, the result of decades of neglect of the rural sector, rampant corruption, and a bloated public sector that drained government finances and exacerbated declining economic and social conditions.

Since 1984, however, Ghana has been undergoing a political and economic rebirth. Not only have fair and open elections been held for the first time in over 10 years, but, under the Government's broadly-based program of economic restructuring, Ghana's economy has changed from being one of the most distorted in Africa to a model of reform. Principal features of this economic transformation have been a reduction of the Government's extensive role in the economy and a steady commitment to market-determined prices, exchange rates, and interest rates. Broad reforms have also encompassed the restoration of fiscal and monetary discipline, rationalization of the public sector, and progress toward the rehabilitation of productive bases and economic infrastructure. The central bank has introduced a broader range of financial channels and instruments to encourage domestic savings and investment. And a weekly treasury bill auction, an interbank discount house, and a stock market have been established.

Ghana's structural and economic reform efforts represent one of the most comprehensive and stringent in the developing world.

The current political situation in Ghana is 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, and was elected in its own right to remain in power, in presidential and parliamentary elections held late last year. In addition, a new constitution was drawn up and ratified last year as well, in anticipation of these recent elections.

The result of the Government's sustained commitment to a far-reaching, difficult program of economic reforms has been encouraging. Ghana's annual economic growth has averaged 5.0 percent a year since 1985. Inflation and the public sector budget deficit have been significantly reduced, and prudent public spending policies have produced a succession of budget surpluses since 1987 (though a large Government budget deficit in 1992 has raised concerns that inflation may accelerate again). Ghana's external debt arrears of $440 million were cleared by the end of 1990. On the strength of this and other evidence of its rebounded international creditworthiness, Ghana last year returned to the international credit markets for the first time in 20 years. Finally, some extremely promising improvements in sectoral performance have been recorded, particularly in the export of gold and other metals and minerals.

Trends in the Economy and Business

Under the first phase of its Economic Recovery Program (1983-89), Ghana's economic policy was aimed at recovery and stabilization. For the 1990s, the policy and regulatory focus of the ERP is on private sector development, civil service reform, state enterprise reform, public expenditure and poverty alleviation programs, and tax policy changes to encourage the private sector. The Government is very aware that progress in each of these areas is a key to the long-term goal of sustainable, export-led economic growth.

However, Ghana still faces formidable structural and financial constraints. The economy remains highly dependent on foreign aid inflows (over $800 million in 1991), and levels of domestic savings and investment remain exceedingly low. The economy also remains vulnerable to fluctuations in the price of cocoa and gold—the major exports—and of oil, the major import. Also, the confidence of the private sector has not yet been fully restored. Infrastructural deficiencies, a heavy foreign debt burden, and the continued threat of a return to high inflation, as well as a residual anti-business bias inhabiting some Government agencies and ministries—a legacy from previous regimes that actively discouraged private investment—continue to undermine investor confidence.

Under the ERP, economic growth has been largely attributable to substantial donor inflows (the major source for increased public expenditures) and the exploitation of substantially under-used industrial capacity. However, the Government's long-term objective is to have increased private sector investment be the engine for sustained economic growth, and to reduce its reliance on the international donor community.

According to World Bank projections, private investment will have to double in real terms over the next five years if Ghana is to maintain the growth rates it has sustained since 1987. Earnings from traditional exports such as cocoa, gold, electricity, and timber are not expected to be sufficient in themselves to enable the economy to achieve this, however, and the Government is acutely aware that, for this reason, economic diversification is critical.

The Government also recognizes the need to pick up the pace of privatizing state-owned enterprises (which has lagged behind schedule) in the interests of enhancing efficiency in the economy, and to affirm its commitment to private-sector development.

How Investment Policy and Regulation Work

In theory, Ghana's investment policies and regulations encourage foreign investment; guarantee the free transferability abroad of profits, dividends, loan repayments, licensing fees, and the repatriation of capital; provide guarantees against expropriation; and provide adequate channels for the fair resolution of disputes with both private parties and civil authorities. In addition, foreign-owned enterprises receive equal treatment under the law with regard to taxes, access to foreign exchange and credit, and all other regulatory areas that pertain to the conduct of business and commercial transactions.

In practice, some regulations governing foreign (and Ghanaian) investors are restrictive by U.S. standards. No investment project can be implemented without the approval of the central government. 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 in other ways restricts private enterprise, and foreign investment in particular.

A wholly foreign-owned firm or a joint venture in which at least one of the partners is foreign must have explicit approval from the Bank of Ghana (the central bank) to gain access to domestic capital markets. The minimum equity for foreign investors is $10,000 (recently reduced from $60,000) for joint ventures with Ghanaian partners, but it is $100,000 for wholly foreign-owned investments. However, investment projects in the latter category are no longer required to be net earners of foreign exchange. Other recent amendments to the Ghanaian Investment Code have reduced the number of economic activities reserved for Ghanaians from 24 to 4.

With a view to facilitating the approval process for would-be investors—both Ghanaian and foreign—the Ghana Investment Centre (GIC) was established in 1985. Its mandate is to promote private investment from all quarters, coordinate investment efforts to dovetail better with the country's broader economic goals, and to facilitate the process of approval, licensing, and so forth for investment projects, by acting as a "one-stop shop" for the various required authorizations.

In practice, however, the GIC has concentrated on controlling investment projects to the detriment of investment promotion and the provision of investor support services. In addition, because of continuing jurisdictional conflicts with other agencies and ministries, it has failed to function as a single-stop center to help investors deal with the confusing thicket of regulations that stand in the way of most project approvals in Ghana. Investors are still required to negotiate an inefficient and often frustrating bureaucratic maze to secure the necessary approvals, which greatly prolongs the application process.

Institutions and departments that still effectively control various aspects of the investment application process include, not only the Ghana Investment Centre, but also the 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.

Nevertheless, most businessmen agree that the Ghanaian business climate has improved enormously in the last three to four years, and in fact, the climate it is much more favorable than in many other West African countries.

There is growing evidence that the Government is committed to facilitating investment from abroad. For example, it announced in its most recent budget statement that substantial changes would be initiated to simplify and make more transparent existing procedures for establishing a business. Furthermore, steps are being taken to remove a number of legal and administrative impediments to foreign investment. Commensurate with this objective, the Government plans to introduce changes to the GIC that will encourage it to function more in accordance with its statutory mandate—that is, as a promoter and facilitator of private enterprise.

A new investment code has been drafted and is expected to come into effect in February or March of 1993. It will delineate a number of new measures focusing on easing controls and reducing constraints to foreign investment.

Key Issues for American Investors

Prospective American investors should consider the following aspects of the operating environment in Ghana, as well as the highlights of investment opportunities:

A Stable Political Environment
The recent election of Flight Lieutenant Jerry Rawlings as President, and the sweeping of the PNDC—Rawlings' party—in parliamentary elections, guarantees the continuation of the economic and regulatory reforms of the past 8 years, and bodes well for Ghana's long-term political and economic stability.

Disciplined Economic Management
The Government's consistent adherence to a highly disciplined, far-reaching program of economic restructuring and a radical reform of its fiscal and monetary policies have earned Ghana the respect of the international donor community, and substantial, continuing financial assistance on concessionary terms from multilateral and bilateral lending agencies.

A Liberalized Trade Policy
A greatly liberalized trade policy is being followed, the foremost feature of which has been a significant reduction in tariff barriers. This has greatly facilitated access to critically-needed raw materials, intermediates, and capital equipment by Ghanaian and foreign investors alike.

Favored Treatment for Investors in Priority Development Areas
Ghana's investment codes provide a variety of attractive tax concessions and other incentives for investment in priority development areas, which include agriculture and agro-processing (including commercial fishing), manufacturing, tourism, building and construction, mining, and petroleum exploration and production. For example, all plant, machinery, and equipment required for an enterprise are fully exempted from import duties, and are eligible for accelerated depreciation schedules. In addition, enterprises that export as little as 5 percent of their output are eligible for rebates on the tax liability

on their operating income. These rebates range from 25 percent, to as much as 60 percent.

Significantly Reduced Tax Burden
The Government has worked hard to provide personal and corporate tax relief in the context of its need to improve its own revenue-collection capabilities. In 1991, the corporate tax rate for agriculture, manufacturing, real estate development, construction, and services was reduced from 45 percent to 35 percent; the capital gains tax was reduced from 55 percent to 5 percent (capital gains from publicly traded shares, mergers and acquisitions were exempted); 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 Natural Resource Base
Ghana is rich in natural resources. It possesses large mineral deposits (notably, one of the world's largest and richest reserves of gold), sizeable supplies of tropical hardwoods, a strong agricultural base, and still-underexploited fish stocks.

Favorable Labor Regulations
Labor regulationsand policies are generally favorable to business.

A Significant, Existing Foreign Investment Base
Ghana already has a very significant level of foreign investment. Owing to long-standing economic and other ties, the U.K. easily dominates the foreign investor community, and is represented by such large companies as Lonhro and Lever Brothers. However, the U.S. investment presence in Ghana is growing. Kaiser and Reynolds have operated a jointly-owned aluminum smelter in Ghana since the early 1980s. Other U.S. companies in Ghana include American Home Products, Sterling Pharmaceuticals, and Johnson's Wax. This community has recently been joined by two U.S. mining companies, and the number of mining firms represented is likely to grow.

Ready Access to Other Markets
Ghana enjoys a strategic location for international commerce. Through its membership in the Economic Community of West African States (ECOWAS) and as a signatory to the Lomé Convention, its products have duty-free access to regional, as well as European Community, markets.

Major Investment Opportunities and Constraints

Investment opportunities in Ghana that are worth highlighting include the following:

Mining
Ghana has gold, diamonds (mainly industrial-grade gems), manganese, and bauxite. The Ghanaian government offers particularly attractive incentive packages for investment in mining, and has made special efforts to attract foreign investors to this sector. These

efforts have been successful: three new gold mines opened between 1990 and 1992 (two of which have majority U.S. ownership) and many more foreign companies are prospecting new sites.

Agriculture and Agro-Processing
Investment opportunities include agricultural production and agro-processing related to a wide range of crops and fish resources. Among these are tree crops (rubber, palm oil, kola nuts, and coffee), horticultural produce (pineapples, avocados, limes, black pepper, chilies, and flowers), deep sea trawling (tuna), and coastal fishing and shrimping.

Forestry and Forestry Products
Ghana is rich with many commercially valuable varieties of tropical hardwoods. In line with Government policy in the past few years to conserve and better manage these forests, the industry is shifting gradually from the traditional export of raw logs to high-quality, value-added wood intermediates, wood products, and furniture. The timber sector is one of Ghana's most profitable export industries, and the Government's push to encourage the additional processing of Ghana's export timber has created investment opportunities.

Tourism
Ghana's tourism industry has been expanding rapidly since the mid-1980s. Since then, direct receipts from tourism have been growing at the rate of 35 percent a year on average. The Government is particularly aware of the potential of this sector, and has established a special investment program centered on the country's many historical attractions and the attractive beaches along its 350-mile coastline. There is a particular need for hotels, restaurants, and other tourist amenities.

Constraints on investment in Ghana include inadequate physical and other infrastructure, the limitations of the domestic credit markets and of financing instruments, and scarcity of manpower resources with sound managerial and administrative skills.

Poor Infrastructure
Ghana's infrastructure suffered badly from decades of neglect, but the primary roads, railroads, and the telecommunications systems are undergoing extensive, sustained programs of rehabilitation and upgrading, financed by the international donor community.

Limitations of Domestic Financing
Although the Government is making efforts to reform and strengthen Ghana's financial system, the commercial banking system as it exists requires considerable improvement in its performance, in terms of mobilizing savings and efficiently allocating credit to those economic activities that are most likely to be the source of sustained growth badly needed by the Ghanaian economy in the coming years.

In addition, trade financing mechanisms widely used by Western businesses are rudimentary or nonexistent in Ghana. Also, long-term lending for the establishment and growth of productive enterprises will be difficult to come as long as the Bank of Ghana pursues tight monetary policies in the interests of reducing the country's high rate of inflation.

Limitations of the Human Resource Base

Ghana has a ready supply of low-cost, unskilled labor, but most Ghanaians do not have up-to-date and advanced business skills. Skilled managerial and administrative personnel are difficult to come by, and much of current business training available in Ghana is outdated.

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

With recent elections, the current political situation in Ghana is stable, and bodes well for the country's future as a full-fledged, functioning democracy. The Government continues to liberalize the political system and the economy, and Ghana's human rights record continues to improve. Corruption exists, but it is not institutionalized.

1.1 Government and Politics

Although Ghana's political history since independence in 1957 has been turbulent--with nine governments, alternating between civilian and military rule—the current situation bodes well for a stable political and economic future. The present government, the Provisional National Defense Council (PNDC), seized power in a military coup in 1981. However, it recently legitimized its political role, by winning a majority of votes in multi-party election campaigns to elect a president, in October of last year. At the end of December, PNDC candidates also won a majority of the seats in popular elections for the national legislature. Both sets of elections were universally acknowledged by foreign observers to have been fair.

The PNDC chairman during the military government—and now, the elected President—is Flight Lieutenant Jerry Rawlings, a Sandhurst-educated Ghanaian military officer who headed the 1981 coup. The newly-elected government is organized along the lines of Ghana's popularly-approved 1992 constitution, and consists of the president, a prime minister, and the national assembly (Parliament).

In the 11 years following the seizure of power, the PNDC has been credited with re-organizing Ghana administratively, de-centralizing political power, and steering the country through some of the worst economic times it has experienced since independence, to a more stable situation that has gained the full confidence of the international lending community.

In particular, the PNDC'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 that has accompanied the program has increased the Government's popularity there, while liberalization of the economy has made the PNDC popular with the private-sector business class.

With the return to democratically elected leadership, and the Rawlings government pledged to continue with its policies of political and economic liberalization, Ghana's future seems quite promising.

1.2 Corruption

Economic mismanagement and official corruption in the state sector became the most prominent issues in Ghanaian politics throughout the 1970s and 1980s. Particularly in the early 1980s, when Ghana suffered unusually severe economic hardships, and even middle-class people had difficulties making ends meet, corruption became an all-pervasive and demoralizing force. The need to wipe it out was adopted as part of the manifesto of the PNDC when it seized power in 1981, and has been at the forefront of its program of reforms ever since.

Corruption still exists, but the situation is improving. Most corruption that does still exist is confined to the middle and lower levels of the public bureaucracy, and in the management of those state-owned enterprises that have not been privatized or liquidated.

1.3 International Relations

The PNDC's foreign policy over the years has represented a definitive about-face from the policies of earlier regimes, which had courted support from the Eastern Bloc countries. From the beginning, the Rawlings government has been keen to develop and maintain links with the U.S., the U.K., and other Western developed countries. It has succeeded in obtaining substantial financial and technical assistance from these nations, and from the multilateral lending organizations such as the IMF and the World Bank, and has adopted a positive attitude toward foreign investment.

Ghana is a member of the United Nations and some of its specialized agencies. It 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 12 West African counties 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 also a signatory to the Lomé Convention.

2. Economic Performance and Outlook

Ghana has achieved remarkable economic progress after 8 years of politically risky reforms. Annual economic growth has averaged approximately 5.0 percent per year, inflation and the Government's budget deficit have been significantly reduced, and some spectacular improvements in sectoral performance have been recorded, particularly in mining. 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

	1987	1988	1989	1990	1991	1992
Percent real GDP growth	4.8	6.3	5.1	3.3	5.0	3.9
Percent real GDP per capita growth	2.1	2.9	1.8	0.1	2.0	1.1
Percent consumption growth	29.0	27.2	21.5	19.4	20.0	N.A.
Savings as percent of GDP	5.2	6.4	6.0	4.9	5.0	N.A.
Inflation rate	39.8	31.3	25.2	37.2	18.0	10.0*

*Estimated

2.2 Structure of the Economy

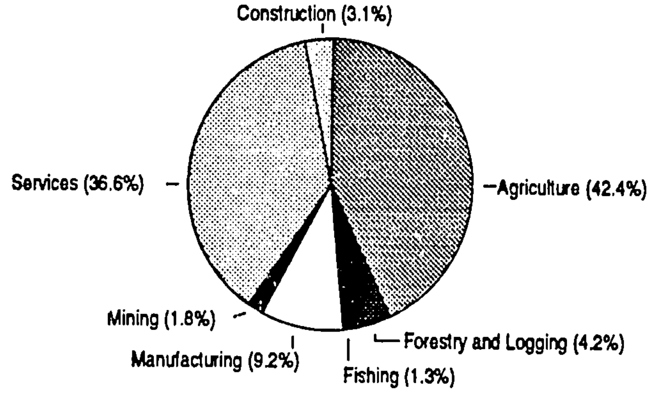
While much attention is directed at the country's urban economic activity, Ghana is still primarily an agricultural economy, as the pie chart on page 6 indicates. In addition, there is a vast informal sector engaged in production and trade that is not strongly affected by the monetized economy.

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

In the first 4 years of the 1980s, Ghana's GDP declined by an average of 1.7 percent per year, then grew by an average of 5.0 percent per year during 1984–87, and then declined slightly to an average of 4.9 percent per year during 1987–90. However, as the table below indicates, this pattern was not necessarily reflected in the growth rates for the major sectors of the economy during this period.

Composition of Ghana GDP (1992)



Sectors

Average GDP Growth Rates, by Sector
(percent real change)

	1980–84	1984–87	1987–90
GDP	–1.7	6.0	4.6
Agriculture	–1.5	1.3	1.8
Industry	–5.5	12.1	5.3
Services	2.1	7.8	7.4

In 1991, growth in GDP improved to 5.0 percent before dropping to 3.9 percent in 1992, following a poor cocoa harvest and a confluence of other setbacks to the economy.

Spending and Savings

As the following tables indicate, total consumption has stayed at approximately 93 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 6 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.

Ghana: National Expenditures
(percent of GDP)

	1980	1984	1987	1991
Consumption	95.1	93.4	92.8	92.0
Private	83.9	86.1	82.8	82.9
Public	11.2	7.3	10.0	9.1
Investment	6.1	6.8	13.3	16.5
Private	N.A.	N.A.	5.4	8.3
Public	N.A.	N.A.	7.9	8.2

(as a percent of GDP)

	1986	1987	1988	1989	1990	1991	1992
Private Investment	2.3	5.4	6.1	7.7	8.7	8.3	N.A.
Private Savings	4.2	5.8	7.3	8.1	6.5	6.7	N.A.
Government Surplus	0.1	0.5	0.4	0.7	0.2	1.6	6.3

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

Ghana: National Investment and Savings
(percent of GDP)

	1980	1984	1987	1991
Investment	3.7	6.8	13.4	16.5
Domestic Private Savings	5.3	N.A.	5.8	6.7
Government Savings	−1.8	N.A.	5.5	6.4

In 1980, capital formation was only 3.7 percent of GDP. It was financed by private savings of 5.3 percent of GDP and government savings of −1.8 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 1991 the situation was very different. Investment had increased to 16.5 percent of GDP, private savings were 6.7 percent of GDP, government savings were 6.4 percent, and private foreign savings financed the remainder. In short, domestic savings have increased slightly but the main source of financing for investment has been government savings, which have increased significantly due to donor aid flows. One does not yet see the changes in the pattern of savings that would indicate that domestic financing is making a major contribution to increased investment.

2.4 Economic Prospects, 1993–1996

Under the first phase of the ERP (1983–89), economic policy was aimed at recovery and stabilization. For the 1990s, the focus of the SAP has been 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 too low. The economy also remains vulnerable to fluctuations in the price of the major exports, cocoa and gold, and the major import, oil. Moreover, private-sector confidence has not yet been fully restored. Infrastructural deficiencies 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 5 years if Ghana is to maintain an annual 5-percent growth rate. Traditional exports, such as cocoa, electricity, and timber, are expected to grow slowly over the next 10 years. A continued dependence on these traditional exports, without diversification, will put continued economic growth at risk. USAID support for enhancing Ghana's capacity to promote non-traditional exports is embodied in an $80 million, 5-year Trade and Investment Program, signed in September 1992.

2.5 Implications for American Investors

- The Ghanaian government has demonstrated a political capacity and willingness to undertake significant 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 made.
- 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.

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 agricultural sector, including forestry, livestock, and fishing activities, accounts for about half of GDP, provides employment to about 66 percent of the total labor force, and represents about 45 percent of Ghana's export earnings. In recent years, the Government has placed special emphasis on the rejuvenation of cocoa production, the output of which has been stimulated by the producer price being raised by nearly 200 percent since 1986–87. Strict conservation plans are also being implemented in the timber industry, which will, in several years' time, place significant restrictions on the export of raw logs.

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.

Export crop production—particularly that of cocoa—has increased since an all-time low of 1983–84. However, Ghanaian agriculture is highly vulnerable to drought, and periodic droughts, as well as more systemic sectoral problems, have made output of food crops erratic since the early 1980s. Agricultural output under the Economic Reform Program (ERP) averaged only 1.9 percent per annum in the period 1984–88; jumped to 4.2 percent in 1989, and grew by only 1.2 percent in 1990.

Ghanaian agriculture continues to suffer from inefficient marketing and distribution of badly needed inputs, particularly improved seeds and fertilizers. Unfortunately, both the seed and fertilizer production and distribution sectors suffer from many problems, including years of poor management under parastatal ownership, an inadequate market development program, inefficient production, and poor quality control.

In 1990, the Government announced a medium-term adjustment program whose objectives include raising real agricultural growth to 6 percent a year. 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.

The percentage increases in agricultural output from the mid-1980s to the present average out to a rate that is less than the rate of increase in Ghana's population (3.4% per year). Because of this, the World Bank projects that the food deficit in Ghana will grow from the equivalent of about 128,000 metric tonnes of food in 1987, to a projected deficit of 578,000 metric tonnes in 1995.

Overall, the general trend in the sector is toward increasing producer prices (particularly for cocoa), privatizing the supply of inputs and the distribution networks for these materials, and increasing the efficiency of government marketing agencies. Improvements in the agricultural sector are also a focus of the international lending community.

A consortium of foreign donors approved funding in 1987 of $53.3 million 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 production), and logistical support for a maize and cowpea program. It also funds a national water supply master plan and pilot irrigation projects.

Cocoa

Ghana was the world's largest cocoa producer in the early 1960s, when annual output exceeded 450,000 tons. It was overtaken by Côte d'Ivoire in the late 1970s as the leading producer, however, and 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 fell to an estimated 265,000 tons in 1991–92, due to unfavorable weather.

To boost production, the Government has 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, and this has generally been successful in increasing production, as well as reducing smuggling. Meanwhile, to improve efficiency of the industry's parastatal organization, the Cocoa Marketing Board (Cocobod) staff has been cut by 35,000 to about 43,000. Subsidies have also been removed on essential production inputs provided to cocoa farmers, and the Government allowed licensed private buyers, for the first time, to purchase cocoa beans last year, as part of the overall effort to privatize cocoa purchasing and marketing operations. However, the planned divestiture of state-owned cocoa plantations has made only slow progress.

Palm Oil

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, with production in that year 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. The raising of oil palms and processing palm oil has developed into an important industry, and is now next to cocoa in importance in the agricultural sector. Besides its use as a domestic edible red oil, it provides an important raw material for the Ghanian soap- and fat-manufacturing industries, providing an agro-industry linkage.

Forestry

Ghana has substantial 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 there are more than 200 species of tropical hardwood, of which only forty are commercially exploited today. Commercial forestry is concentrated in the southern parts of the country. 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. The value of timber exports rose from $13 million in 1982 to some $133 million in 1991, even as the total volume exported fell to 396,000 cubic meters in that year, compared with 1.2 million cubic meters in 1983. More and more of the wood being exported is processed, creating value added. The Government intends to end the export of all raw logs and of all sawn timber by 1994, which is causing timber companies to re-tool to produce value-added timber products.

The industry's gradual shift from the traditional export of logs to that of value-added products is in line with the Government's conservationist policy. This has included bans on exports of more than 20 species, and the imposition of high duties on the exports of others. Overall, however, the lack of funds, lack of managerial and technical expertise, and the inefficiencies of Ghana's parastatal timber marketing organizations have interfered with the Government's objective of reducing forest losses and increasing timber export revenues at the same time through encouragement of wood processing.

Fisheries

Total fish catch in Ghanaian inland and marine waters varied between 350,000 metric tonnes and 390,000 metric tonnes in the years 1987–90.

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. 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. It also provided that 10 percent of the catch must be sold locally. As a result, annual tuna production gradually declined, down to some 31,000 tons in 1987. 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 Ghana's general economic difficulties.

3.2 Mining

Ghana is endowed with abundant mineral resources. As its colonial name of "Gold Coast" implies, 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. With the Government's policy, production has increased dramatically since then. Output was over 920,000 ounces in 1991.

The mining sector is still Ghana's second-largest industry, and exports of the four main metals and minerals—gold, diamonds, bauxite, and manganese—account for some 20 percent of total foreign exchange earnings.

Ghana and the foreign lending community are currently engaged in a massive effort to increase gold production and exports and encourage growth in the mining sector generally. In 1986, the Government enacted new mining legislation for gold and diamonds, and established a generous incentives system that allowed for external foreign exchange retention accounts, capital allowances, and a flexible royalties payment system. In addition, the international lending community has made substantial improvements to the country's deteriorated infrastructure. Since then, new investment in the sector has totalled over $540 million, and mining has become a particular magnet for foreign investment. New mines have been opened, and more than 80 foreign companies are surveying and prospecting.

The World Bank's International Finance Corporation (IFC) and the European Investment Bank have become prominent lenders in the drive to open new gold mines and to rehabilitate and expand old ones.

There are two recently-opened mines that feature majority ownership by U.S. interests. One is the Teberebie Mine, which is 90 percent-owned by the Boston-based Pioneer Group and 10 percent by the Ghana government. Teberebie began production in 1991, and is now producing at the rate of 100,000 ounces a year, a level expected to double in the near term. The other is Ghana-Australia Goldfields, Ltd., which is 51 percent owned by private U.S. interests, 10 percent by the Ghana government, and the remainder by Australian interests. It began production in 1992, and output is expected to be 100,000 ounces a year when it reaches peak production.

The largest gold producer by far is Ashanti Goldfields Corporation (AGC), which is 45 percent owned by the London-based investment firm, Lonhro, and 55 percent by the Ghanaian government (though the Government is in the process of selling off 35 percent of its share to the private sector). Preliminary estimates of the U.S. Bureau of Mines is that AGC's output for 1992 will be near one million ounces, its largest production yet for a single year. The mine is currently undergoing significant expansion which is heavily financed by the IFC.

Aggregate gold production has also been encouraged by the legalization of small-scale, artisanal mining in 1989, but there are no reliable figures for the contribution of this segment to total output.

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

Ghana was able to develop a diverse manufacturing sector in the first decades following independence in the context of a highly protectionist import policy, which substantially sheltered Ghanaian manufactures from competition, as well as through heavy government investment in manufacturing through direct ownership of plants and facilities.

Apart from traditional agro-allied industries, such as wood processing, cocoa processing, and brewing, Ghana developed a number of medium-sized, modern manufacturing enterprises, including an aluminum smelter operated by the Volta Aluminum Company (VALCO), vehicle assembly plants, steelmaking (from scrap), textiles and clothing, cement manufacture, oil refining and glassmaking. The sector has suffered chronically from low capacity utilization and other inefficiencies, a problem that was exacerbated by shortages of imported raw materials, as Ghana's general economic status deteriorated badly through the 1970s and early 1980s. Under the economic liberalization measures of the ERP, the manufacturing sector has suffered further from high domestic interest rates and the reluctance of local banks to lend.

Under these pressures, as well as the introduction of competition from imports under the trade liberalization measures of the ERP, Ghanaian manufacturing has been undergoing a severe contraction, with many privately-owned firms having gone out of business in the past several years. There is considerable public pressure for the Government to enact protectionist measures, but these have been resisted.

State enterprises still account for about half of total manufacturing output. Four-fifths of Ghana's manufacturers are small (under 20 employees), over 70 percent produce consumer goods, and more than one-third manufacture textiles, apparel, or footwear. Some three-quarters .f 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.

The Ghana government's official position has been to encourage foreign investment in manufacturing, but so far, most start-up operations in the sector since the mid-1980s have been 100 percent Ghanaian-owned. Under the 1985 Investment Code, the Accra-based Ghana Investment Center (GIC) is tasked with approval or rejection of new manufacturing project proposals. The GIC has approved hundreds of such proposals since then, but records demonstrate that only a relative handful have actually achieved fruition.

3.4 Tourism

Tourism in Ghana is still in its infancy, but is growing rapidly. Ghana now welcomes an average of 100,000 visitors a year, consisting of a combination of business and vacation travelers. It is now the fourth-largest source of foreign exchange earnings. Direct earnings from tourism have increased by an average of 35 percent per year since 1985. Ghana's tourism industry now provides direct and indirect employment to over 300,000 people.

Ghana's beaches, colonial forts, hospitable people, and rich culture hold considerable promise for investment in tourism once the supporting infrastructure is established. There is already 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 Ghana's 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 and a wildlife and nature park, together with the development of auxiliary hotels and service industries. It is hoped this will give added impetus to the growth of tourism, whose foreign exchange earnings rose from $19.5 million in 1985 to $110 million in 1991.

4. Recent Reforms To Encourage the Private Sector

Although the Government has undertaken far-reaching economic and financial reforms as the cornerstone of the ERP, and has substantially revised Ghana's investment code, it recognizes the need to carry out further reforms to encourage private investment and to encourage the mobilization and rational allocation of capital in the economy. It also appears that the Government intends to increase the pace of divestiture of Ghana's numerous parastatal companies, and to sell off its holdings in Ghanaian companies that are joint ventures with the private sector.

4.1 Government Policy Toward the Private Sector

The economic structure inherited by the PNDC at the time it seized power was heavily statist, the outcome of decades of a general policy regime which encouraged direct government ownership of or heavy levels of government involvement in most organized sectors of economic activity. In 1984, the many areas heavily influenced by Government ownership included transport (the State Transport Corporation, Ghana Railways Corporation, Ghana Airways, Omnibus Services Authority, for example), manufacturing (ranging from pharmaceuticals to steel products), agricultural processing and marketing for major cash crops, and even non-infrastructural services, such as vehicle repair.

By the early 1980s, the Government dominated virtually every segment of the Ghanaian economy, primarily through the existence of nearly 200 state-owned enterprises (SOEs). Almost all of these enterprises were producing import-substitution goods and were heavily dependent on imported raw materials.

At the same time, cumulative government investment, fiscal, and monetary policies had produced a climate that strongly discouraged private investment and entrepreneurship, and discouraged private savings.

Government policy has experienced a substantial reversal under the PNDC, however. From the beginning, the PNDC has embraced the idea that private investment is critical to the sustained and healthy economic growth that is a major long-term objective, and to improving the country's standard of living. Under the PNDC, it has consistently been the official policy of the Government to encourage private investment, even if all the necessary policy, monetary, fiscal, and other supports were not fully in place to encourage growth in the private sector.

In the early years of the ERP, the Government adopted a succession of formal devaluations of the Ghanaian currency, the *cedi*. A new Investment Code was adopted in 1985 which declared a wide spectrum of activities in agriculture, industry, tourism, and real estate development as priority areas for private sector development, provided guarantees against expropriation of assets, and provided as well for the repatriation of capital and dividends. The Code has since undergone revisions in critical areas.

In the second phase of the ERP (1987–89), the Government adopted a program for the divestiture of SOEs, as well as monetary, fiscal, and trade liberalization policies intended to directly encourage the private sector, including the liberalization of exchange controls.

Since 1989, the Government has adopted banking sector reforms which should improve what is still one of the most serious drawbacks to private sector growth in Ghana--access to capital. Even more recently, tax rates for corporate income have been reduced (from 50 percent to 35 percent), as has the withholding tax on capital gains (from 15 percent to 10 percent), and the marginal tax rates on personal income.

The Government's latest Policy Framework Paper (PFP) for 1991–93 acknowledges the critical role of private sector activity in sustaining economic growth in Ghana, and especially in helping to achieve Ghana's employment objectives in light of its rapid population growth. The PFP also identifies the need for the Government to further enhance the climate for private investment. As part of these efforts, the Government is attempting to improve the communication of new 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.

4.2 Other Measures Taken To Encourage Private Investment

Among other benefits for private investment adopted under the ERP, the following are notable:

- Substantially higher producer prices for cocoa;
- A broadly-based rehabilitation of the country's infrastructure;
- Liberalization of tariffs and other import barriers;
- A liberalized exchange rate through weekly foreign exchange auction, and the establishment of foreign exchange bureaus;
- Easier remittance of dividends, remittances, and profits; and
- Widespread removal of the price and distribution controls on commodities that were maintained under the previous regime.

In addition, Ghana has introduced a wide-ranging program of financial sector reforms to revitalize its ailing financial system. Significant progress is being made on several fronts.

The Bank of Ghana's (Ghana's central bank) regulatory powers and capabilities have been strengthened. The loan portfolios of all the major banks have been reviewed, and a Non-Performing Assets Recovery Trust has been created. This action has restored the viability of the domestic banks, a critical element in the future of the private sector, export-led growth that the Government wants to encourage.

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 encourage the market mechanism to play a greater role in the allocation of credit.

4.3 The SOE Divestiture Program

Also as part of its program to encourage development of Ghana's private sector, the Government adopted a program in 1988 for the privatization of many of the state-owned enterprises. Responsibility for carrying out this mandate was placed with the Divestiture Implementation Committee (DIC).

Progress in this sphere has been disappointing, however. In spite of its policy intent, the Government still owns 235 SOEs and has a controlling interest in many other operations whose activities include mines, farms, canneries, hotels, vehicle assembly plants, packaging, food processing, milling, dry-docking, and textile manufacture.

The delays have occurred for a number of technical reasons, but have made the Government subject to criticism from some quarters for a lack of commitment to divestiture. In addition, from time to time, the program has been subject to domestic criticism that too many of the nation's assets were being auctioned off to foreign interests.

By the end of 1990, only 35 SOEs had been privatized. These included four outright sales and the sale of shares in another eight. One joint venture was agreed upon, and 22 companies were liquidated. In 1991, there were eight outright sales, four joint ventures, and sales of shares in three SOEs.

The Government is currently working toward the partial privatization of the critical cocoa sector. Under this scheme, the state-owned Ghana Cocoa Marketing Board (COCOBOD) will lose its monopoly on all aspects of cocoa processing, marketing, and exports. COCOBOD has already signed an agreement with a German firm, Walter Schroeder, to undertake local processing of cocoa beans for the European market. The Government is also evaluating tenders submitted by both foreign and local companies for domestic marketing of cocoa. There have also been plans for months to sell off 57 of COCOBOD's plantations, but no actual sales have occurred to date.

In his budget speech in January 1993, the Secretary for Finance and Economic Planning announced an acceleration of the divestiture program. The list of companies is to be expanded, and is to include the sale of government-held shares in such profitable firms as Ashanti Goldfields Corporation, Standard Chartered Bank, Accra Brewery, Guinness Ghana Limited, Kumasi Brewery, and Pioneer Tobacco, Ltd.

5. Investment Climate

The investment outlook in Ghana has improved considerably since the mid-1980s as a result of policy and regulatory reforms. However, the Government needs to make further changes in critical areas if the investment climate is to improve. The recent upturn in direct foreign investment in Ghana is attributable almost entirely to new gold mining operations. U.S. investment is well-represented, but the U.K. is overwhelmingly the largest single source of foreign investment.

5.1 Recent Investment Performance in the Private Sector

No aggregate measures of profitability or performance for the private sector are available for Ghana.

In spite of efforts by the Government to improve the climate for private investment, all indications are that investor confidence in Ghana is not high. However, this can be attributed as much to economic factors, such as extremely high interest rates and the scarcity of credit, as to the enhancing character, or lack thereof, of investment regulations and policies.

Direct foreign investment has been increasing in Ghana in the past 5 years, but this has largely been in the mining industry—a direct response to the unusually high priority the Government and the international lending agencies have placed on revival of the mining sector, and the incentives provided to attract companies willing to open new mines.

5.2 Recent Private Investment Experience

A recent study conducted by the World Bank of the private sector in Ghana uncovered the following outstanding problems of establishing and conducting a business. Some of these are largely applicable to domestically owned businesses, but others are clearly applicable to prospective (and existing) foreign investors.

- The most critical constraint on the private sector is the lack of availability of credit. The slow pace of private investment and the inability of entrepreneurs to realize their investment, import, and production plans stem to a large extent from the ongoing credit squeeze, which has favored the financing of short-term trading operations, rather than long-term investment. New and smaller-scale manufacturing enterprises have been hurt more by this problem than established, larger operations, simply because banks know them better.

- Policies to provide badly-needed support services to the private sector have lagged behind the implementation of macroeconomic measures and the enactment of broad, policy-based incentives. Credit is a case in point; domestic banks still favor lending to state-owned enterprises. But other areas in which critically-needed services lag behind are support for the acquisition of technology, investment promotion, adaptive research, training, and quality control.
- The investment approval process, allocated to the Ghana Investment Centre, is still slow and cumbersome, with the workings of sector ministries which are also involved in the approval process working at cross-purposes with the new Investment Code.
- There is a general lack of confidence in the domestic private sector in the investment policies of the Government. In some respects, this is a holdover from the earlier decades of the post-colonial period, when the private sector was buffeted by unstable political and economic conditions, and official attitudes and policies toward the private sector were often inhospitable. The World Bank study specifically mentions the problem of gaps in Ghana's basic legal framework and uncertainty on the part of investors about enforcement of the law.
- There is a lack of associations and other institutions representing private business which can act as effective channels for communicating with the Government to articulate problems and influence policy-making. Mechanisms do not exist for continuous dialogue and contact between the private sector and government regulatory and policy-making agencies.

A recent survey of about 30 medium-scale and large firms in Ghana provides some preliminary information on the effect of the reforms on private investment at this end of the scale.

- 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 (pharmaceuticals); Star-Kist Foods; NCR; Motorola; The Pioneer Group (gold mining); and a handful of accounting/service firms (low equity investment).

However, British interests dominate foreign investment in Ghana. U.K. investments are led by Lonrho's joint venture with the government in West Africa's largest gold mine, Ashanti Goldfields Corporation Ltd.; by the diversified interests 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 investment 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

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.

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.

Skills Limitations of Human Resource Base
Some Ghanaians are well-trained and highly talented, with first-rate university educations and extensive practical experience. Most, however, 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. 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
Although official government policy seeks to encourage foreign investment, there is an underlying distrust of the private sector among elements of the general populace and government officials. This distrust is leftover from earlier regimes, when controls on foreign exchange and trading were so restrictive that most business people were forced to engage in illegal activity. Moreover, the Ghanaian legal system is not sophisticated, and much illegal activity still goes undiscovered and unpunished.

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 must confront an army 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, and so forth 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 4 months. However, significant improvements are likely in the near future.

Overall, the investment outlook in Ghana is encouraging. In spite of continued uncertainties, recent and ongoing reforms seem very promising.

5.4 Investment Opportunities

The following represent the most promising investment opportunities in Ghana:

Mining
Ghana has vast, commercially exploitable mineral resources: gold, diamonds, manganese, and bauxite. Exports of the four main minerals—gold, diamonds, bauxite, and manganese—account for some 20 percent of Ghana's total foreign exchange earnings. Ghana has the potential to be among the world's top gold producers, and it is one of the world's largest exporters of manganese.

Ashanti Goldfields Corporation (AGC), the largest Ghanaian gold mine and a joint British-Ghanaian government venture, is implementing an extensive expansion program that will expand production by 427,000 ounces annually. Over 80 companies (several from the U.S.) are involved in gold surveying or prospecting. Diamond production is also expected to rise dramatically with the significant amount of new investment anticipated from two Canadian and U.S. companies in the near future.

The Government is particularly concerned about encouraging foreign investment in the mining sector, and Ghana's comprehensive mining-sector legislation, the Minerals and Mining Law of 1986, provides special 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 30 years.

The Government has the right to take a 10 percent equity participation in prospecting activities and to extend its share if commercial quantities of a mineral are discovered.

Agriculture and Agro-Processing

The Government encourages investment in the agricultural sector, including 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, and so forth), root crops (cassava and yam), horticultural produce (pineapples, avocados, limes, black pepper, chilies, flowers, and so forth), and livestock ranching (cattle). Agro-processing offers particularly attractive opportunities for the foreign investor.

Specific incentives offered to investors in the agriculture sector include:

- Government guarantee of land use for the establishment and operation of the project;
- Permission for importing essential plant, machinery, equipment, and accessories required for the enterprise;
- Exemption from payment of customs import duties on plant, machinery, equipment, and accessories imported specially and exclusively to establish the enterprise once approved; and
- A corporate income tax rate of 35 percent, with a depreciation or capital allowance on plant, machinery, equipment, and accessories to the extent of 100 percent in the year of investment, and an investment allowance of 10 percent per annum.

In recent years, a special emphasis has been placed on the cocoa and forestry subsectors, the growth of which has been stimulated by higher price incentives for cocoa farmers and investment plans that are being implemented in the timber industry. As previously noted, the Government is in the process of privatizing the current monopoly on cocoa processing and marketing, and this should present some interesting opportunities for foreign investors.

Tourism

Ghana's tourism industry is expanding under a program designed to develop the country's many attractions. These include the large concentration of impressive forts and castles along the coast, vestiges of the history of early European contacts with Africa. The country's year-round sunshine, numerous coves, and palm-fringed beaches make 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 rainforests, through the transitional zone, to the northern savannah area.

Investor interest in the hotel industry has increased in recent years, an[illegible]ur-star and a five-star hotel have been opened in Accra, while others are undergoing substantial renovation.

Annual visitor arrivals have hit the 100,000 mark, a combination of business and vacation travelers. The following table demonstrates the rapid growth in tourism since 1985, in terms of total earnings:

Direct Earnings from Tourism

Year	Total Earnings (in US$ million)	Percentage Increase
1985	19.5	—
1986	26.6	36.4
1987	36.5	37.2
1988	55.3	51.5
1989	72.0	23.2
1990	81.0	12.5
1991	110.0	35.8

Source: Ghana Tourist Board, Ministry of Trade.

The tourism industry enjoys a range of special concessions and incentives. These include:

- Exemption from customs duties on plant, machinery, equipment, and accessories imported exclusively and specifically to establish the approved enterprises;
- Depreciation or capital allowances on plant, machinery, and buildings;
- Exemption from taxes and rates levied on building properties for a period not exceeding 3 years; and
- An investment allowance of 7.5 percent per year.

Investments are specifically required in the following:

- Beach hotels and resorts along the 334-mile coastline;
- Large capacity luxury and business class hotels;
- Tourist hotels and lodging camping sites in wildlife parks and other tourist sites;
- Recreational facilities, such as marinas;
- Tourist transport, such as coaches, cruise boats, and so forth; and
- A variety of catering facilities, including highway service areas or rest stops on major (tourist) routes, and also local cuisine restaurants.

Forestry Products

Timbering is now highly profitable. In line with government policy, the Ghanaian timber industry has shifted gradually from the traditional export of raw logs to that of value-added processed goods. The Government encourages investment in such wood processing industries as sawn wood, plywood, veneers, chipboard, fiberboard, and furniture.

Fishing

Since 1962, Ghana has attempted to develop a tuna-fish industry, essentially geared to the export market. Based originally on foreign enterprises, 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.

Manufacturing

The Government particularly encourages foreign investment in manufacturing, because much of Ghana's existing plant is outdated and/or poorly maintained. Manufacturing remains one of the more dynamic sectors, but it also requires more advanced management and marketing skills than those often available locally. Much of the growth in Ghanaian manufacturing in the past 5 years has stemmed from the rapid expansion in chemical products (notably soap), aluminum ingots, cement, and beverages, a modest expansion of textiles, iron and steel products, and a recovery for food processing.

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 measures, including the elimination of import licensing requirements on input supplies and the establishment of foreign exchange auctions.

6. Regulation of Foreign Investment

Although official government policy encourages foreign investment and some attractive incentives are offered, many current regulations remain restrictive. Collectively, these regulations project an image of Ghana as a country with excessive government intervention in private business. Nevertheless, most businesspeople agree that the Ghanaian business climate has improved enormously in the last three to four 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 in regard to taxes, prices, or access to foreign exchange, imports, and credit.

The 1985 Investment Code remains the definitive legislation for all but the minerals and petroleum sectors. On the recommendation of a private sector advisory group, this code was significantly amended in September 1992, with the aim of removing many of the bottlenecks which served as disincentives to foreign investment. The major features of the amendment include the repeal of that section requiring an enterprise to have some Ghanaian participation unless it is a net foreign exchange earner. Also, the minimum foreign capital requirement for joint ventures was reduced from $60,000 to $10,000 and the minimum equity capital for a wholly foreign-owned enterprise was reduced from $200,000 to $100,000. In addition, the amendment effectively reduced the number of sectors reserved for Ghanaians from 24 to 4. These restricted sectors include the operation of a taxi or car hire service, pool betting and lotteries, beauty salons and barber shops, and the sale of anything in a market, petty trading, or selling from a kiosk.

Other recent reforms to the investment code include:

- Laws requiring the licensing of all business establishments, including commercial and industrial enterprises, were abolished. As of October 1992, new companies are required merely to obtain a tax registration number from the Ghanaian Internal Revenue Service and establish compliance with tax assessment and withholding provisions of the law.

- A separate amendment assures immigration approval for two expatriate employees for a minimum investment level of US$10,000; and for four expatriate employees for investments in excess of US$500,000.

Investments in petroleum exploration and production 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 and 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.

The Ghana Investment Center (GIC) was established to spearhead the country's investment program. The GIC's official mandate is to encourage, promote, and coordinate investments in Ghana, acquire and dispose of property, and enter into contracts and related transactions. The GIC is meant to serve as a "one-stop shop" for investment facilitation and approvals, but to date, it has not proven effective in this role.

6.2 Government Investment Priorities and Related Regulations

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 production, processing, and preservation related to a wide range of crops, livestock, and fishery products. Among these are tree crops (rubber, palm oil, kola nuts, coffee, and so forth), horticultural produce (pineapples, avocados, limes, black pepper, chilies, flowers, and so forth), root crops, 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, and so forth.

In the tourism sector, priority areas include tourist accommodations and recreation facilities.

The investment code specifies that prospective investors must be screened to determine their capacity to contribute toward nine specific objectives, notably:

- Utilization of local materials, supplies, and services;
- Job creation;
- Increasing export earnings and/or saving on imports;
- Development and transfer of advanced technology; and
- Geographical dispersion of productive enterprises.

The GIC may stipulate the amount and source of capital, the nationality and number of shareholders, the project size, the training of Ghanaians, the time period for implementation, the extent of 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, its prerogatives in these areas are likely to remain on the books as an integral part of Ghanaian economic strategy.

6.3 Incentives for Investors

Incentives 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 for 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 income tax ranging from 25 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. The Ghana National Petroleum Corporation (GNPC) has developed a model petroleum agreement, but it 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 may also be possible to negotiate additional concessions. Incentives appear available equally to foreign and Ghanaian private investors.

The Government also offers specific incentive packages for other sectors as well.

Agricultural projects are 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*, an investment allowance of 7.5 percent is offered, with a depreciation or capital allowance of 40 percent in the year of investment, reducing to 20 percent in subsequent years.

In *tourism*, an investment allowance of 7.5 percent is offered, as well as a depreciation or capital allowance of 50 percent for plant and machinery in the first year of investment (25 percent in subsequent years). There is also a depreciation or capital allowance for buildings of 20 percent in the first year, and 10 percent per year thereafter.

In all cases, imports required for investment projects are exempt from duties.

There are additional tax reductions for enterprises located in Kumasi and Sekondi-Takoradi, and even larger reductions for enterprises located outside these areas.

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 $10,000 (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, four economic activities are identified in the Government's latest amendments to the Investment Code that are closed to foreign investors.

6.5 The Government Investment Centre

Although the Government intended the GIC function as a "one-stop shop" to facilitate the process of investment application and approvals, to a great extent, the GIC has concentrated its energies on controlling investment projects to the detriment of investment promotion and investor support services. One of the practical outcomes of this is that, after obtaining GIC approval, it is still necessary for the foreign investor to negotiate a considerable bureaucratic maze to secure other government approvals, thus prolonging the application process.

Jurisdictional conflicts also continue between the GIC and the line ministries over areas of authority; for example, in the area of authorization to approve projects and issue licenses. In general, government agencies such as the Ministries of Trade and Tourism and Energy have been reluctant to delegate authority to the GIC.

At the same time, the GIC is widely viewed as an ineffective source of assistance to potential investors seeking information, despite recent technical assistance from USAID and the United Nations Development Program to beef up its competence in this area. The GIC staff still lacks the training necessary to understand what foreign- and business people need to know to properly evaluate competing investment opportunities.

Many critical official decisions regarding investments (such as those concerning land use, employment of expatriate workers, utilities, and so forth) are made in other government agencies. Because of the GIC's difficulty in acting 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 4 months.

In spite of these problems, the Government is committed to making the GIC a truly viable institution that will more actively promote investment in Ghana and that will be more effective in assisting would-be investors to negotiate the approval process. Most immediately, it is searching for a new chief executive for GIC; someone who understands the needs of the private sector and is an effective advocate for it. Beyond this, the Government is considering merging the GIC with the Ghana Export Promotion Council and possibly, also, the Ministry of Trade.

6.6 Other Institutional Aspects of Investment

In general, prospective investors in Ghana are confronted with administrative procedures that are often unclear, tedious, and unnecessarily taxing, and that take an undue amount of time and, subsequently, expense, to process. Investors are also required to contend with numerous Government institutions and agencies that control various aspects of the investment process. These include not only the Ghana Investment Center, but also 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.

Moreover, procedures vary according to the subsector. At many subsectoral levels, an inordinate number of fees for filing, price approvals, forms, inspections, registrations, monitoring, and so forth, can create quagmires for prospective businesses.

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 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.

6.7 Acquiring Real Estate

Foreign investors may lease land in Ghana with most leases normally running for 30 years, and usually with no limits on, or minimal requirements for, foreign equity. However, the Government can confiscate land necessary for exploitation of natural resources, and reserves the right of preemption of all minerals or their products.

6.8 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 include:

- A limited company
- An unlimited company
- A branch of a foreign company
- A partnership
- A joint venture
- A sole proprietorship.

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

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

In the case of a joint venture with Ghanaian partners, the minimum foreign equity participation is $10,000. The shareholding structure of the firm may be determined by the partners.

Business entities in Ghana (particularly those involving foreigners) are generally limited companies; whole liabilities are limited. A limited company may be either public (the public can be invited to buy shares), or private (only private individuals can subscribe to shares issued). An investor can choose either of these. As a legal entity the private limited company in Ghana is similar to the private limited company in the United Kingdom.

Joint ventures are also common. Under the Investment Code, a minimum foreign equity capital participation of $10,000 is required of 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, or 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. preshipment 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. Eighteen months following incorporation, the company must file annual returns with the Registrar of Companies showing its audited balance sheet and profit and loss statement.

6.9 Regulation of Competition

There are no overt statutory controls on competition in Ghana.

6.10 Investment Protection

The Investment Code assures investors of a range of investment guarantees, particularly regarding the transferability of profits, dividends, royalties, and fees. Transfers abroad are guaranteed for dividend payments, debt servicing on foreign loans, charges for technology transfers, and in the event of the liquidation of the enterprise. The code also guarantees against expropriation, delays in currency transfers, breach of contract, and any forced changes in shareholding or local content.

The Investment Code guarantees investments against nationalization. When disputes arise requiring arbitration, the code specifies that these are to be settled through existing international machinery, the use of which is to be agreed upon by both parties.

Ghana has ratified the convention which established the Multilateral Investment Guarantee Agency (MIGA). MIGA encourages equity investment and other forms of direct foreign investment in developing countries by reducing non-commercial risks. It does this through its investment guarantee operations and by providing advice and technical assistance to governments of developing countries on their investment policies and programs.

For U.S. investors, 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 in Ghana, particularly in the mining, agro-processing, and manufacturing sectors.

Ghana has also signed Bilateral Investment Promotion and Protection Agreements with a number of countries to give further protection to investors from those countries. (The U.S. is not among these.)

6.11 Future Changes to the Investment Code

Further changes to the Investment Code are due to be made in 1993, with a view to broadly encouraging all forms of foreign direct and equity investment in the private sector, and in state-owned firms slated to be privatized.

The Government has invited USAID's Foreign Investment Advisory Service to assist in the formulation of such an investment policy statement, to develop further incentives based on models employed successfully elsewhere, and to develop a new mandate and structure for the Ghana Investment Centre.

6.12 Implications for American Investors

- Priority support and incentives are provided for projects with export potential, that predominately use local raw materials, or that produce agricultural equipment, machinery, spare parts, and machine tools.
- Tax and other incentives 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.
- Prospective investors in Ghana may face administrative procedures that are unclear and unnecessarily taxing in terms of both time and money required to realize all required investment approvals.
- A well-positioned local partner is 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 international 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

In 1983, Ghana's transport infrastructure was badly deteriorated, the result of decades of neglect and the lack of foreign currency to pay for services and raw materials. Since then, considerable improvements have been made in all transport sectors, but considerably more work is needed.

Under the first (1983–86) phase of the ERP, the Government allocated $1.5 billion, or 36 percent of total investment resources, to physical infrastructure. In December 1987, it launched a $222 million 5-year road and rail rehabilitation project.

Port Facilities
Ghana has two deep artificial harbors at Tema and Takoradi, each of which can handle ships up to about 30,000 deadweight tons. Some $80 million is currently being spent to rehabilitate them. The first stage of the work at Tema was completed in 1990. When the work is completed, dry tonnage capacity through Tema is expected to be 2.7 million tons, and the dry tonnage capacity at Takoradi, 1.6 million tons. New ports are also being developed on Lake Volta to create an inland waterway network.

One problem is the general inadequacy of storage facilities, particularly of refrigerated facilities. This is an increasingly critical problem if Ghana's export of horticultural products is to grow. The World Bank has committed $542,000 to improving cold-storage facilities at major transit points.

All of Ghana's manganese ore and bauxite shipments are shipped out of Takoradi.

Air Transport
There is an international airport at Accra, Takoradi, Kumasi, and Tamale also have airports serving domestic traffic. Accra airport was rehabilitated in 1990 at a cost of $12 million. The runway was resurfaced and the lighting system improved. In addition, a new

freight terminal was constructed. The terminal building at Kumasi airport is also being upgraded.

The national airline, Ghana Airways, offers domestic service, between Accra, Kumasi, Takoradi, and Tamale, as well as international service. Accra airport also is served by nine other international airline companies, including British Airways, KLM, Nigeria Airways, and Swissair.

Railroads

Ghana's railway network, covering nearly 600 miles, 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. However, the eastern and central lines remain in poor condition. All rail service is provided by Ghana Railway Corp., which transported an estimated 850,000 tons of freight in 1990, the highest tonnage in a decade. The company expected to handle more than 900,000 tons in 1991.

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 major 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 Japan agreed to finance a major 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 for the rehabilitation of three major roads in Accra that are considered vital to the country's import and export traffic. Targeted for rehabilitation in 1991 was the road between Tema and Akosombo to allow easier shipment of goods to Burkina.

Although work is now being carried out on the main roads, Ghana's feeder road network has severely deteriorated and now constitutes a major obstacle to increasing farm production and profitability and is therefore a key constraint on agricultural growth. The most recent data indicate that only one-third of the Ghanaian 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.

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 pursue very significant investments in feeder road rehabilitation efforts. At the rate of funding of the past few years, however, this rehabilitation will take more than 30 years.

7.2 Energy

Electricity

Although Ghana has an installed hydroelectric capacity of 1,072 megawatts, Accra is still subject to brownouts and electricity failures.

The main source of electricity is the Volta River Authority, with a 912 MW powerplant at Akosombo, which provides the bulk of all electricity consumed in Ghana. Some 60 percent of the output of the Akosombo plant 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 electrical power needs. The balance of electricity is produced by diesel units owned by the Electricity Corporation of Ghana (ECG) and the mining companies, and by a 160 MW 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 MW 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, 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 completed at a cost of $84 million.

The World Bank's International Development Association (IDA) 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.

Oil

Ghana is known to have substantial oil and gas reserves. Offshore oil in commercial quantities was discovered in the 1970s. Production in 1984, however, was less than 10 percent of Ghana's requirements and is now negligible. In 1983, new regulations were introduced and the establishment of the Ghana National Petroleum Corporation (GNPC), which retains an option in the operations of any company making a discovery, and the introduction of new legislation have provided the framework for foreign investment in the sector. There has been some interest among international companies, and this has 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 also 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 finds.

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 liquefied petroleum gas will be improved and the quantity supplied will be raised from 28,000 barrels to 34,000 barrels per day.

7.3 Telecommunications

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 to get a telephone, and service remains unreliable.

The extension of the natural telecommunications grid to the Brong Ahafo region 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 73. 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.

7.4 Private Business Services

Some major American accounting firms are represented through local offices (see Appendix D). Legal services are available and Ghanaian lawyers understand Western contract law. Subsidiary services that an American investor might expect, such as local financial planning, reference materials, and documentation are largely underdeveloped.

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

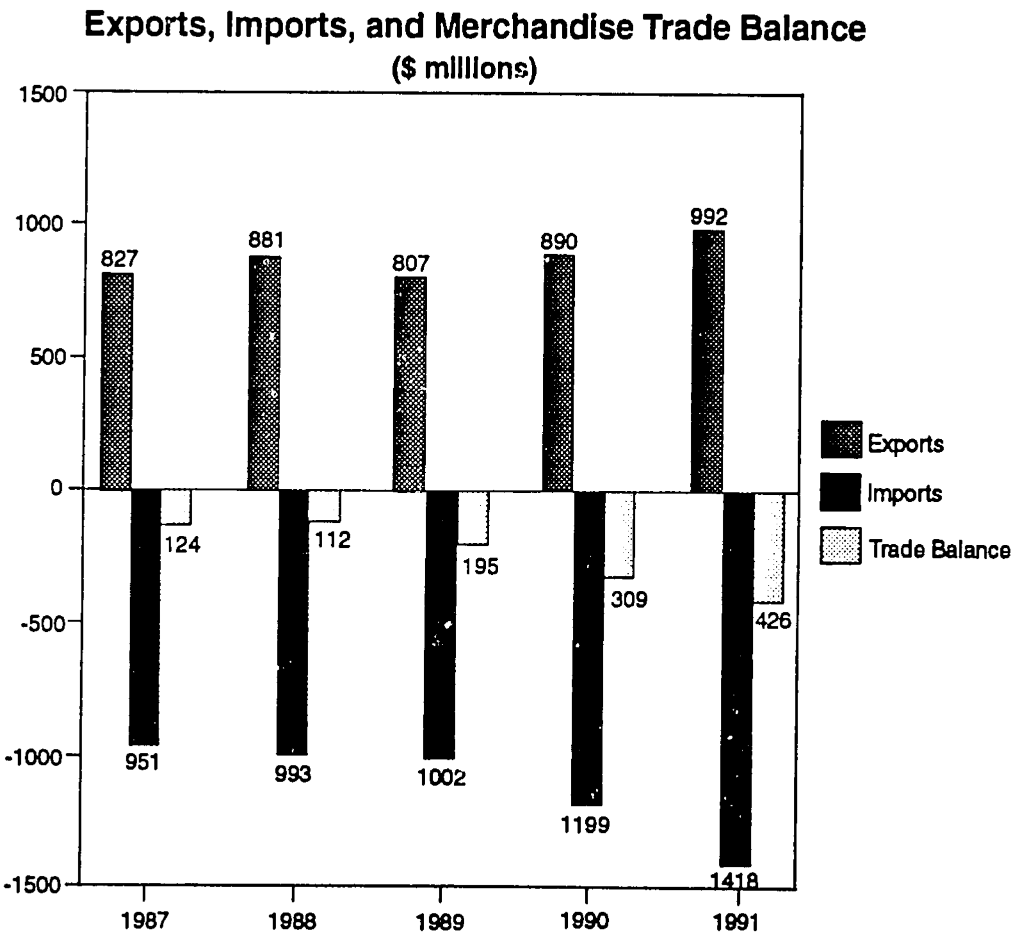
7.5 Implications for American Investors

- Infrastructure deficiencies significantly raise the cost of doing business in Ghana, and improvements will be slow.
- Business support services 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. The country's merchandise trade deficit has been growing steadily since the mid-1980s.

8.1 Summary of Ghana's Merchandise Trade



Source: IMF

8.2 Recent Performance

Although imports have been rising steadily since the mid-1980s, Ghana's export performance in 1987–1990 exceeded expectations. In 1990 this was in spite of low world prices for cocoa (the f.o.b. export value of cocoa declined by 25 percent during 1989–90.) Earnings from non-traditional exports rose by 80 percent in 1987–90.

According to IMF and World Bank data, Ghanaian exports increased to $992 million in 1991, while imports rose to $1.4 billion, leaving a trade deficit of $426 million. Part of this widening gap can be attributed to continued low prices on world markets for the major commodities of Ghana's export trade.

Although Ghanaian residents abroad have long been remitting large sums to their home country, 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 four basic commodities: cocoa, gold, timber and timber products, and electricity. These commodities account for 95 percent of the value of Ghanaian exports in a typical year.

Export earnings levels in any one year are therefore highly vulnerable to the fluctuations in world prices for cocoa and gold. Prices for both these commodities have been at sustained, low levels for the past several years, and this has contributed substantially to Ghana's worsening merchandise trade deficit.

The value of non-traditional exports (pineapples, kola nuts, furniture, etc.) have increased significantly in recent years. The Ghana Export Promotion Council aims 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 and expansion of existing mines. Timber exports are estimated to increase by only about 2.0 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 same 5-year period.

For the latter half of the 1990s, the estimate for growth in the traditional export sectors is fairly pessimistic, with cocoa exports growing at approximately 2.0 percent; gold, 5.0 percent; timber, 1.3 percent and electricity, 0.5 percent.

The growth of Ghanaian exports in general will require substantial streamlining and redirection of the efforts of public-sector institutions. Currently, the following government entities have an effect—not always optimally helpful—on various aspects of the export sector: the Ghana Export Promotion Council, the Ghana Investment Centre, the Customs, Excise and Preventive Services, the Bank of Ghana, and the Ministry of Trade and Tourism.

In addition, a severe lack of knowledge of international markets and how to penetrate them is a critical constraint on the expansion of exports. Ghanaian farmers and businessmen do not have a history of exporting or in general have any experience in exporting.

8.4 Imports

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 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.

As the previous table indicates, as the Ghanaian economy has recovered under the ERP, the demand for imports has risen sharply. Imports of goods and services together amounted to between 9.0 and 10.0 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 19–20 percent in recent years.

8.5 Direction of Trade

In 1991, 82 percent of Ghana's total exports went to industrialized countries (including Japan), while 72.5 percent of its imports came from this same group of nations. These percentages are representative of recent historical patterns of Ghana's direction of trade. Only 2.2 percent of its exports went to other African countries in 1991; 13 percent of its imports came from other African countries in the same year.

The U.S.-owned Volta Aluminum Company (VALCO) aluminum smelter at Tema helps to maintain the importance of the United States among Ghana's principal trading partners. Many of Ghana's raw materials and capital goods come from the United States. Data for

1991 show that U.S. exports to Ghana increased by 8 percent, while imports from Ghana rose by 21 percent from 1990 levels.

Because of longstanding trade links and investments, supplemented by export credit lines and aid tie-ins, the U.K. is consistently among Ghana's largest import suppliers. Other EC members, principally Germany and France, are increasing their market shares. These countries' exports are often tied to bilateral aid programs. Japanese exports, mostly tied to aid, 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 in autos, utility vehicles, and consumer electronics.

8.6 Exchange-Rate Policy

Recent macroeconomic reforms have included the substantial devaluation of the Ghanaian *cedi* (1983–86) and the adoption of a flexible exchange rate policy. In 1986, a weekly foreign exchange auction system was introduced. This has eased access to foreign currency, but foreign currency shortages remain a problem. Private trade in currency has also been legalized through licensed foreign-exchange bureaus. The bureaus have proliferated and substantially eliminated the parallel market for foreign exchange. The currently purchased through the foreign exchange bureaus can be used in much the same way as a foreign currency account.

The weekly foreign exchange auction through the Bank of Ghana was eliminated in March 1992 to foster greater reliance on interbank and private bureau sales of foreign exchange.

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 exporters' external financial obligations.

8.7 Currency

The unit of currency is the *cedi*, which 's divided into 100 *pesewas*. The *cedi* has depreciated steadily against the dollar since the mid-1980s. It depreciated less than 1.5 percent during 1991, but then lost approximately 33 percent of its value against the dollar during 1992, in spite of hopes that its fluctuations had stabilized.

The Government provides daily quotations for the opening sales of hard currency from its foreign exchange reserves.

Historical Average Exchange Rate
(cedis per $)

1987	1988	1989	1990	1991	1992
153.7	202.4	270.0	326.3	362.0	440*

*Estimate

8.8 Trade and Payments System

Trade financing mechanisms in Ghana are rudimentary. 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 is difficult to come by because of the tight monetary policy that the Bank of Ghana is pursuing to reduce the rate of inflation.

The limited availability of credit was the primary reason behind the Government's 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 brought about significant reductions in tariff barriers, which has led to an easing of the problem of supply of manufactured imports. The reductions in tariffs have greatly increased competition for local producers and manufacturers, while also reducing the cost of imported raw materials.

Under Ghana's Investment Code, duties are exempted on plant, machinery, and equipment imported specifically for the initial establishment of approved investments. The Government also has a duty drawback system, operated by the Customs, Excise and Preventive Services, but it is cumbersome and unsatisfactory. The 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 for these import transactions. Moreover, the system does not exempt sales or excise taxes. The system is essentially nonfunctional, with only four exporters having received a drawback, and that after a waiting period of up to 2 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 50 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 outward shipment. 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 5 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 5 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, because funding by the UNDP ceased in 1992. The network continues to receive some funding from the Geneva, Switzerland-based International Trade Center, but these amounts are insufficient by themselves, and TINET has become much less effective. According to the ITC technical adviser, the program needs funding for at least 3 to 4 years, after which it could be self-supporting on the basis of the business it generated.

8.13 Implications for American Investors

- Ghana is attempting to establish effective export capacity beyond the four major basic commodities, thus expanding some trade opportunities in non-traditional areas.
- Exporters may be confronted with complex administrative procedures, which may prove disruptive.
- 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 now amounts to about $3.9 billion. Virtually all of this debt is owed to publicly supported multilateral and bilateral lending agencies, such as the World Bank, the European Community (EC), the U.S. Agency for International Development (USAID), and others, which generally lend on long-term, concessional rates. The debt service ratio fell from 55 percent in 1988, to 36 percent in 1990, and to 31 percent in 1991 as a result of increased concessionary lending. By 1992, 75 percent of Ghana's borrowing from the International Monetary Fund was under ESAF terms, which involves a 10-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 76 percent in 1991.

Some 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 multilateral and bilateral donor support which continues to remain strong. Net distribution of official development assistance climbed steadily from $258 million in 1984 at the beginning of the recovery program, to $358 million in 1986, $437 million in 1987, and $670 million in 1991.

Delays in grants and concessional loans reduced the inflow of donor disbursements to only $269 million in 1992. However, disbursements are expected to rise to $449 million in 1993. This will contribute to an improvement in Ghana's balance of payments, from a deficit of $142 million in 1992, to a surplus of $240 million in 1993.

The United Nations Development Program (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).

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 since 1989 has stopped rising faster than real GNP. Disbursements were nine percent of GDP in 1989, nine percent in 1990, and was nine percent again in 1991. Thus, while donor assistance provides capital needed for further growth, it is no longer expanding proportionally as in the past.

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 the Caisse Française de Développement of France (CFD) are supporting a continuing 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, the program encourages privatizing fertilizer inputs by eliminating subsidies and reforming seventeen state agricultural projects. 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. The flight abroad of many of Ghana's best-trained people over the years has reduced the availability of talented managers. Labor regulations and policies are generally favorable to business. Labor costs are quite 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.

10.1 Profile of Labor Resources

There is generally 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. Some one to two million Ghanaians—many with critical, more advanced skills—have left the country over the years, leaving Ghana with a dearth of skilled managers and administrators.

Ghanaians do not possess the skills required for participation in the international arena; business education in Ghana is outdated. Most Ghanaians lack the skills, expertise, and experience necessary to produce and market products effectively, either domestically or internationally. In particular, they do not possess the market information needed to re-orient production to respond to foreign consumers. This has limited the private sector's ability to diversify into major export markets.

In addition to production and marketing information, private sector firms need to address general management deficiencies. 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 (MDPI), and various consulting firms have had some success in developing "tailor-made" or "in-plant" training courses. Prior to this, however, the training courses offered were basic and not designed to enhance the ability of Ghanaian firms to compete effectively internationally.

10.2 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 very substantially since 1975, and they continue to fall, forcing many workers to seek additional sources of income. In something of a reversal of general Government policy—but essential in the current political climate of high unemployment and high inflation—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 quite low, and labor-management relations are fairly good. The minimum wage is equivalent to less than 70 cents per workday, though industrial workers earn more than the minimum, and often receive extra allowances for transport, food, and housing.

10.3 Labor Unions

The Government has encouraged the formation of trade unions, but these must be registered. 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.

The implementation of the ERP, which has caused the shedding of probably in excess of 60,00 civil servants and parastatal organizations over the years, has been very unpopular with the trade unions. However, it has met less resistance from organized labor than many observers expected.

10.4 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.

Recent amendments to the Investment Code of 1985 assures immigration approval for two expatriate workers when there is a minimum foreign invesment equivalent to $10,000. Automatic approval is provided for four expatriates for foreign investment in excess of $500,000.

10.5 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. These are the Central Bank of Ghana, six 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.

The financial sector remains underdeveloped and largely unprepared for the task of mobilizing and directing substantial resources to support national development. In addition, under the stringent requirements of the ERP, the monetary policies of the Government have discouraged domestic savings until recently. Direct government ownership of and/or substantial government participation in most Ghanaian banks stifles the development of a vigorous, healthy banking community. Until recently a government-imposed salary structure (now largely ignored) inhibited the ability of able bankers with parastatal banks to find more remunerative employment in the quasi-private sector. Rural banks are operated by inadequately trained personnel. Informal credit systems help correct systemic illiquidity that renders formal bank credit unavailable to the average businessperson.

Under the terms of a structural adjustment credit for strengthening the financial sector, the World Bank is challenging the GOG to develop viable strategies for privatizing the banking industry through merger, corporate acquisition, or the sale of shares to the public.

11.2 Banks

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. Heavy government interference and forced lending at negative interest rates resulted in many bad loans being made. In 1988, 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.

A wide-ranging set of reforms introduced in 1988 and 1989 have aimed to: (1) enhance the soundness of the banks by improving the regulatory framework; (2) strengthen bank supervision; (3) restructure financially distressed banks; and (4) improve resource mobilization and increase the efficiency of credit allocation by the formal banking system.

Significant progress is being made. The Bank of Ghana's regulatory powers and capabilities have been strengthened. Bank supervision and asset quality have been significantly upgraded. 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 central bank bonds that will be redeemed over a five- to twelve-year period. Also, the amended Banking law of August 1989 required banks to maintain a minimum capital base equivalent to 6 percent of their assets. New financial institutions under a wider range of financial products have come into existence.

The banking sector still has many problems, however. Ghana's financial system is still relatively small. The total financial assets of banks and non-bank intermediaries amount to less than 20 percent of GDP, far below the level of other countries at similar stages of development with more robust growth. Also, the volume of credit extended by Ghana's banking system to productive enterprises is still quite low. As noted elsewhere, Ghanaian banks still prefer to make short-term loans to finance trade than to engage in long-term investment lending. Transaction costs involved in providing and obtaining financial services remain high. Organized credit information and collaboration across intermediaries remains scarce. Bill-based facilities, term finance, and its supporting secondary markets in securities are still in the early stages of development.

There are also many problems with technical skills and sector human resources generally. 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.

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 supervision and regulation, and the development and promotion of a healthy banking system.

Commercial banking services and the direct financing of investment projects are provided by the country's six commercial banks (see Appendix C).

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

There are also three development banks, for industrial development, for agriculture and agro-processing, and for housing construction, and these are also wholly state-owned (see Appendix C).

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

There are currently 120 rural banks in the country, which are meant to provide banking facilities for the rural communities in which they are located. However, this segment of the financial system has performed very poorly.

11.3 Non-Bank Financial Institutions

Three merchant banks operate in Ghana (see Appendix C). These institutions specialize in management and corporate financing, and money and capital market activities. These and the commercial banks place short-term deposits with two recently established discount houses to encourage development of Ghana's domestic money markets.

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.

Finally, 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.

The residual problems of the Ghanaian banking system notwithstanding, recent money supply figures published by the IMF suggest that confidence is slowly returning, as a result of the financial sector reforms which began in 1988. The IMF noted that 1991, when interest rates on deposit accounts were exceptionally high, saw a substantially greater flow of funds into the banking system compared with 1990. Time and savings deposits grew by 45 percent to C94.6 million. Demand deposits also rose by 7.2 percent, to C118.7 million.

Another encouraging sign was that loans made by commercial banks also rose in 1991—up by 24.1 percent, to C117.4.

11.4 Institutional Investors

There are no formal institutional investors in Ghana.

11.5 Capital/Equity Markets

Ghana's capital markets are expanding under recent reforms in the financial sector. New institutions have been born, while the old SOEs involved in the sector 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.

Ghana's equity markets took a significant step forward in 1990, when shares first began trading on the Ghana Stock Exchange (GSE). Trading volume in the first year was C145 million ($444,000), far exceeding original estimates of first-year activity of C60 million ($184,000). Thirteen companies are currently traded, and the Government announced last autumn its intention to divest itself of its 55 percent holding in Ashanti Goldfields Corporation to the public via the exchange.

The new stock market should 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. Ghanaian investment law is unclear as to whether foreign investors are allowed to trade in Ghanaian securities. However, the GSE's managing director has gone on record as calling for clarification in the law to allow foreign participation, and revisions to the Investment Code anticipated in 1993 may codify this.

Also, at least two venture capital institutions have been created, and preliminary studies have been completed for establishing the Ghana Venture Capital Company (GVCC), an A.I.D /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 suffered under the stringencies of recent economic reforms. Both these entities could play an important role in helping to augment alternatives provided by the financial sector.

11.6 Implications for American Investors

- Ghana's capital and equity markets, though still lacking in breadth and depth, are expanding under recent financial sector reforms, providing new sources of financing and markets for the economy.
- For the most part, however, American investors should not count on being able to finance investments or operations from local sources.

12. Monetary Policy and Inflation

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 outlook for inflation are more encouraging now than in many years.

12.1 Monetary Policy

Monetary policy has been one of the key macroeconomic reforms under the Economic Recovery Program, and achievements in this area will prove one of the keystones of success for sustainable growth of the Ghanaian economy in the long term.

The Government has moved away from the system of direct credit controls (in the form of credit ceilings on individual financial institutions) that were its chief instrument of monetary control in the early years of the ERP (1983–86). It has since moved toward the adoption of monetary instruments and open market operations to manage the money supply. These measures are seen as important steps toward less direct government interference in credit markets and allowing the market mechanism to play a greater role in the allocation of available credit.

The stringent measures the Government has followed in its efforts to control expansion in the country's money supply have caused hardship—principally through extremely high domestic interest rates, that ranged in excess of 35 percent in mid-1991. However, these measures appear to have succeeded in controlling growth in the money supply, from 46 and 55 percent in 1988 and 1989, to 13.3 percent in 1990 (though it expanded by 17 percent in 1991). This has been accompanied by a much-needed fall in the country's rate of inflation.

12.2 Inflation and Anti-Inflation Policies

The fight to contain inflation is one of the most serious problems confronting the Government. Inflation has been highly variable over the past years as a result of several factors, but 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 government measures, declined to 18 percent in 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).

One of the positive results of the Government's stringent monetary and credit policies to restrain inflation is that lending rates have achieved positive levels in real terms for the first time in years. This should promote savings, which Ghana badly needs to do to marshall the resources acquired for sustained economic expansion.

With the maintenance of the Government's monetary and credit policies, the prognosis is for further falls in the rate of inflation in the short and long term. On a long-term basis, the inflation outlook is also encouraging.

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.
- The inflation rate should continue to decline, the exchange rate stabilize and real interest rates should drop.
- Some indirect price controls still exist, primarily for key products in the agricultural sector, and investors should carefully examine the structure of price controls related to their particularly activities.

13. TAXATION

Some elements of tax policies remain a constraint to doing business, but recent changes in the tax rates are encouraging. The Government has significantly reduced tariffs and has provided personal and corporate tax relief.

13.1 Overview of Taxation Policy

Government tariff and tax policy continues to be a serious constraint on doing business in Ghana, even though corporate and personal income taxes and tariffs have been significantly reduced under the ERP.

Heavy 1990 tax increases on petroleum impeded growth. However, Ghana's tax reforms announced in the 1991 and 1992 budgets have been specifically geared to improving the climate for private sector activity and encouraging savings.

In addition, further steps are being taken to improve the regulatory framework of taxation. 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.

13.2 Principal Taxes

Corporate Income

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

The Government, in its 1992 budget, 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 30 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 the export sector, corporate tax rebates have also been raised, for agricultural firms, from a minimum range of 30 to 40 percent to a maximum range of 60 to 75 percent; and for manufacturing firms, from a minimum range of 25 to 30 percent to a maximum range of 60 to 75 percent, depending on the level of output exported. Also to encourage exports, the Government has established a system of duty drawbacks, but it has had limited effect. Under this system, manufacturers who import a raw material pay a duty on it, but if the final product is exported, the manufacturer can obtain a rebate. However, this is possible only if he provides documentation of the imports used to produce a particular export order. Few businesses take advantage of the system because it is so cumbersome and requires so much effort.

Dividends

In the 1992 budget, the withholding tax on dividends was decreased from 15 percent to 10 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.

The "super sales" tax that was levied on selected luxury goods has been abolished. However, a special sales tax on certain imported consumer goods—televisions, for example—will be maintained, but it has been reduced from 10–40 percent to a maximum rate of 10 percent.

Capital Gains

The Government, in its 1991 budget, 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, and this has resulted in 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, but they have also reduced the cost of imported raw materials, which the Government hopes will also spur privately-funded manufacturing and related enterprises.

Personal Income Tax

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 and are subject to its personal income tax. 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. For individuals subject to income tax, deductions are allowed for dependents, education, disability, and old age.

The 1992 budget increased the top marginal income tax rate, from 25 to 35 percent, but this will apply only to salaries over C14 million ($35,820).

13.3 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.

13.4 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.

13.5 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.

13.6 Accounting Requirements

Limited liability companies are required by law to keep books of accounts which are required to be audited by duly qualified accountants or auditors. A number of U.S.-based accounting firms maintain offices in Accra (see Appendix D).

13.7 Appeals

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

13.8 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 for certain investment activities; these can provide significant reductions in the effective tax burden.

14. 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).

14.1 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.

14.2 Trademarks

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

14.3 Copyrights

Ghana is a party to the 1952 text of the Universal Copyright Convention, but in addition, it has 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 50 years. Public corporations or other corporate entities receive protection for 50 years commencing from the date the work was made public.

14.4 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.

14.5 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.

Appendix A

USEFUL CONTACT ORGANIZATIONS

Government Agencies

Ghana Export Promotion Council
Republic House, Tudu Road
P.O. Box M 146, Accra
Telephone: 228813; 228830
Cable Address: EXPROMOC
Facsimile: 233-21-668263

Ghana Investments Centre
P.O. Box M 193, Accra
Telephone: 665125/9
Telex: 2229 INVEST GH
Cable Address: INVESTMENT

Major Private-Sector Associations

Association of Ghana Industries
P.O. Box 8624, Accra North
Telephone: 777283; 775311
(extension 69718, 69723)

Federation of Associations of Ghana Exporters (FAGE)
c/o National Marine Fisheries Association
P.O. Box 103, Tema
Telephone: 4065/6

Federation of Business and Professional Women
c/o Women's World Banking Gh. Association
P.O. Box 2989, Accra
Telephone: 667748

Ghana Association of Bankers
NCR New Building
P.O. Box 41, Accra
Telephone: 223466

Ghana Association of Consultants
(Do not yet have an address)

Ghana Association of Insurers
c/o Ghana Union Assurance Company Limited
P.O. Box 1322, Accra
Telephone: 664421, 665791

Ghana Chamber of Mines
P.O. Box 991, Accra
Telephone: 662719

Ghana Employers Association
P.O. Box 2616, Accra
Telephone: 228455

Ghana National Chamber of Commerce
P.O. Box 2325, Accra
Telephone: 662210; 662427

Ghana Real Estate Development Association
Trade Fair Site
P.O. Box 113, Accra
Telephone: 775676/8; 775311

National Marine Fisheries Association
P.O. Box 103, TEMA
Telephone: 4065/6

Women's World Banking Ghana Limited
P.O. Box 2989, Accra
Telephone: 667748

Product Associations

Federation of Ghanaian Jewellers
P.O. Box 2738, Accra
Telephone: 664099
Telex: 2289 EXPORT GH

Ghana Assorted Foodstuffs Association
P.O. Box 16073, Accra (Airport)
Telex: 2289 EXPORT GH

Ghana Furniture Producers Association
P.O. Box 32, Accra
Trade Fair Site
Telephone: 775311; 774251
Telex: 3027 BTH7 GH;
2289 EXPORT GH

Ghana Yam Exporters Association
c/o Ghana Export Promotion Council
P.O. Box M 146, Accra
Telephone: 228813; 228830; 228620

Horticulturists Association of Ghana
P.O. Box 9303, Accra
Telephone: 772139
Telex: 2649 GH
Facsimile: 772350

National Association of Cola Nut Dealers
P.O. Box 13588, Accra
Telephone: 221155; 727032
Telex: 2289 EXPORT GH

Precious Minerals Marketing Corporation
P.O. Box M 108, Accra
Telephone: 664931-4
Telex: 2058 GH
Facsimile: 668263

Salt Exporters Association
P.O. Box 16175, Accra
Telephone: 225542
Telex: 2289 EXPORT GH

Scrap Metal Exporters Association
c/o P.O. Box 8218, Accra
Telephone: 225822
Telex: 2242 AEL GH
Facsimile: 663988

Seafood Production Exporters Association
P.O. Box 347, Tema
Telephone: (0221) 6158
Telex: 2289 EXPORT GH
Facsimile: 668263

Timber Export Development Board
P.O. Box 515, Takoradi
Telephone: (0221) 2921-6
Telex: 2189

Vegetable Exporters Association
c/o Ghana Export Prom. Council
P.O. Box M 146, Accra
Telephone: 228813; 228830; 228620
Telex: 2289 EXPORT GH
Facsimile: 668263

Appendix B

USEFUL COUNTRY INFORMATION FOR BUSINESSPEOPLE

American Express

c/o Scantravel (Ghana) Ltd., P.O. Box 4960, Accra; telephone 664456.

Car Rental

Car rental in Ghana is expensive and not widely available. Avis Rent A Car has an office in Accra: P.O. Box 7914; telephone 228799/ 228760; telex 2300/2134.

Climate

Ghana's climate is tropical, with temperatures generally between 21 to 32 degrees Celsius (70 to 90 degrees Fahrenheit). Annual rainfall is up to 80 inches on the coast, decreasing inland. Accra's annual rainfall averages 30 inches, low for coastal West Africa. The southern part of the country is humid most of the year, but the north can be very dry. The rainy season extends from April to July (heavy rains) and from September to November (light rains).

Corruption

In Ghana, as elsewhere in Africa, 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 on its members in proportion to their success, such that every advancement in status and income enlarges the circle of relatives, clan kinsman, and tribal members who have claims on these resources.

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 Ghanaian contacts through social contacts 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.

Freedom of Expression

As recently as 1991, the PNDC continued to limit freedom of expression in Ghana through limitations on the right to publish and other restrictions. These have now been lifted, however, and the Ghanaian press is flourishing, with independently-published newspapers and magazines competing freely with Government-sponsored newspapers such as *The Ghanaian Times*.

There are no restrictions on bringing publications into the country from the outside, and western newsmagazines such as *Time*, *Newsweek*, and *The Economist* are available at major hotels and at newsstands in central Accra.

Holidays

The following official holidays will be observed in Ghana in 1993:

January 1	New Year's Day
April 9	Good Friday
April 12	Easter Monday
June 4	Uprising Day
July 1	Republic Day
December 3	Farmers Day
December 31	Revolution Day

Language

English is the official language of government and education, but about 100 native languages and dialects are spoken. Most younger Ghanaians speak some English.

Appendix C

Commercial and Merchant Banks

Major commercial and merchant banks in Accra are:

Barclays Bank (Ghana) Limited
P.O. Box 69, Accra
Telephone: 664506
Telex: 2494 BBGACC GH
Facsimile: 663420

Continental Acceptances Ltd.
Pegasus House (next to USAID)
47 Independence Avenue
P.O. Box 14596, Accra
Telephone: 668659
Telex: 2675 ACCEPT GH
Facsimile: 668657

Ghana Commercial Bank
International Banking Division
P.O. Box 871, Accra
Telephone: 666631
Telex: 2034 COMBANK
Facsimile: 662168

Merchant Bank Ghana Limited
P.O. Box 401, Accra
Telephone: 666383; 666331
Telex: 2191 MERBAN GH

Social Security Bank
P.O. Box 13119, Accra
Telephone: 221726
Telex: 2209 GH

Standard Chartered Bank (Ghana) Ltd.
P.O. Box 599, Accra
Telephone: 664591/5
Telex: 2671 SCBACC GH
Facsimile: 667751

The state-owned development banks are:

National Investment Bank
P.O. Box 3726, Accra
Telephone: 221312
Telex: 2161 INVESTOR

Agricultural Development Bank
P.O. Box 4191, Accra
Telephone: 228453
Telex: 2295

Bank for Housing and Construction
P.O. Box M.I., Accra
Telephone: 666143
Telex: 2096

Appendix D

AMERICAN FIRMS, BRANCHES, AND AFFILIATES IN GHANA

Organizations in Ghana

BHP-Minerals Ghana, Inc.
Plot G7704 Botwe Street
(Turn right at green sign just past Dimples.)
P.O. Box 16108
Airport-Accra
Telephone: 772544
Project Geologist: Eric Hanssen

Coopers & Lybrand-Boye, Abotsie & Co.
First Floor (Room 101)
Swanmill
Kwame Nkrumah Avenue
P.O. Box 2533
Accra
Telephone: 666177, 666166
Partner: E. M. Boye

Deloitte, Touche
4 Liberation Road
P.O. Box 453
Accra
Telephone: 775355, 774169, 229892
Telex: 2298
Resident Managing Partner:
Joseph K. Forson

Eveready Ghana Ltd.
Plot 18/6 Heavy Industrial Area, Tema
P.O. Box 2085
Accra
Telephone: 4323/5 Tema
Cable: UNICARBIDE, ACCRA
Acting Managing Director:
Steve Opare-Obisaw
Consultant: John B.A. Amponsah

IBM World Trade Corporation (Ghana)
Mobil House, Liberia Road
P.O. Box 1507
Accra
Telephone: 663244, 666201, D-663069
Cable: INBUSMACH
Telex: 2033
Branch Manager: J.E.A. Quansah

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

Johnson's Wax Limited
Accra-Tema Motorway
P.O. Box C537
Catonments Accra
Telephone: 712814/15/17
Cable: JOHNSONWAX ACCRA
General Manager: Ladi Nylander

Mobil Oil Ghana Limited
Mobil House, Liberia Road
P.O. Box 450
Accra
Telephone: 664921/5
Cable: MOBILOIL ACCRA
Telex: 2028, MOBIL ACCRA
Managing Director:
Abdel-Hamid Hussein

NCR Ghana Limited
Kwame Nkrumah Avenue
P.O. Box 1010
Accra
Telephone: 228168
Cable: NACERECO
Managing Director: Thomas K.N. Andoh

Peat, Marwick, Okoh & Company
Mobil House
Liberia Road
P.O. Box 242
Accra
Telephone: 664881/4
Partner: Herbert A. Morrison

Price Waterhouse Management Consultants
Opeibea House, Liberation Road
Airport
P.O. Box 16009
Accra
Telephone: 772008
Telex: 2040 REICOGH
Resident Manager: John Klinogo

Realimpact Consultancy
Republic House 6th Floor
Kwame Nkrumah Avenue
P.O. Box 6278 Accra
Telephone: 224786
Telex: 2412 REALIT GH
Mr. Moses Dovlo

Star-Kist International S.A.
P.O. Box 40
Tema
Telephone: 2981, 2982 Tema
Cable: Star-Kist Tema
Telex: 2124
Resident Managers: Dr. Erick A. Kwei
Mr. Ted Morgado

(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)

Sterling Products (Ghana) Limited
Ring Road South Industrial Area
P.O. Box 5760
Accra
Telephone: 221788, 221109
Cable: STERLPROD
General Manager: Patrick F. Annancy

Teberebie Goldfields Ltd.
P.O. Box 9894 Airport-Accra
Pegasus House
Independence Avenue
Telephone: 224351, 668712 (D)
Telex: 2180 GEMACO GH
Fax: 224351
Resident Director: Owen F. King

or:
P.O. Box 6
Tarkwa (Ghana)
Telephone: 362460

Technoserve Inc.
7 Koi Street
Osu Ako Adjei
Telephone: (21) 774743
Cable: TECHNOSERVE/GHANA
Country Program Director: Peter Reiling

Volta Aluminum Co. Ltd. (VALCO)
P.O. Box 626
Tema
Telephone: 4203/6, 6711, 4538 Tema
Telex: 24277 KAICOM G LONDON
Accra Office: Mobil House,
P.O. Box 1117
Accra
Telephone: 664921
Resident Manager: Ted R. Frostenson

U.S. Parent Organization

BHP-Utah International Inc.
550 California Street
San Francisco, CA 94104
Telephone: (415) 981-1515
Telex: 6712202 BHP UTAH
Fax: (415) 398-0154

Coopers & Lybrand
1251 Avenue of the Americas
New York, NY 10020
Telephone: (212) 489-1100
Cable: COLYBRAND
Telex: 12-6496

Deloitte, Touche
1114 Avenue of the Americas
New York, NY 10036
Telephone: (212) 790-0500
Cable: DEHANDS NEW YORK
Telex: 12-7824

IBM World Trade Corporation
360 Hamilton Avenue
White Plains, NY 10601
Cable: INBUSPLAINS
Telex: 233274, 423207, 620921

Kaiser Aluminum & Chemical Corp.
300 Lakeside Drive
Oakland, CA 94643
Telephone: (415) 271-3300
Cable: KAISERALUM
Telex: 335315

Mobil South Inc.
3225 Gallows Road
Fairfax, VA 22037
Telex:
RCA 232561
WVI 62785
Fax: (703) 846-4820

NCR Corporation
1700 South Patterson Boulevard
Dayton, OH 45479
Telephone: (513) 445-5000
Cable: NACERECO
Telex: 28-8093

Peat, Marwick, Mitchell & Co.
345 Park Avenue
New York, NY 10154
Telephone: (212) 758-9700
Cable: VERITATEM
Telex: 42-8038

The Pioneer Group Inc.
60 State Street
Boston, MA 02109
Telephone: (617) 742-7825

Price Waterhouse & Co.
1251 Avenue of the Americas
New York, NY 10154
Telephone: (212) 489-8900
Cable: PRICEWATER
Telex: 12-6799

Rulston Purina Overseas Battery Co.
Checkerboard Square
St. Louis, MO 63164
Telephone: (314) 982-1000

Reynolds Metals Co.
P.O. Box 27003-A
Richmond, VA 23261
Telephone: (804) 281-2000
Telex: 827-348
TWX: 710-956-0112

S.C. Johnson & Son Inc.
1527 Howe Street
Racine, WI 53403
Cable: JOHNWAX RACINE WISCONSIN
Telex: 264429

Star-Kist Foods Inc.
582 Tuna Street
Terminal Island, CA 90731
Telephone: (213) 548-4411
Cable: FRENCHSACO
Telex: 68-6265

Sterling Products International Inc.
90 Park Avenue
New York, NY 10016
Telephone: (212) 907-2649
Cable: STERLPROD
Telex: 22-4378

Technoserve Inc.
11 Delden Avenue
Norwalk, CT 06850
Telephone: (203) 852-0377
Cable: TECHNOSERVE/NORWALK, CONN
Telex: 965-981

Appendix E

TRAVEL REQUIREMENTS AND CURRENCY REGULATIONS

Travel Requirements

Passports
A valid passport is required for entering and departing Ghana.

Visas
U.S. citizens must acquire a visa prior to their arrival. Ghana missions and embassies are authorized to issue visas or entry permits to tourists and businesspeople. Tourist visas are normally of one month duration, and may be extended while in Ghana. Where no Ghana mission has been established, applications should be made to the nearest British Consulate. Visas are issued for a period not exceeding 30 days.

Extension of Stay
Visitors desiring to extend their stay beyond the period specified in his/her visa must apply to the Chief Immigration Officer, for an extension before expiration of the period of stay.[1]

Health Requirements and Conditions
Persons entering Ghana are expected to be in possession of a valid certificate of vaccination against yellow fever. They should also hold a valid certificate of vaccination against cholera if they are coming from an infected or an endemic area. It is also important for visitors to protect themselves by taking an anti-malaria drug before, during, and for at least one month after their stay in the country.

Customs Formalities
Bona fide personal baggage of a visitor is admitted free of duty. This allows exemptions for clothes and personal effects, for binoculars, sports and household goods, and a reasonable amount of films; Video cameras are allowed into the country upon payment of a minimal deposit in the form of any convertible currency. This amount is refunded any time the visitor is about to leave the country with the same item.

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[1] Immigration Headquarters, off Independence Avenue, near Captain Thomas Sankara Circle, Accra.

Unaccompanied baggage must be declared on a separate form at the time of arrival.

Currency Regulations

Ghanaian Currency
The currency unit in Ghana is the Cedi (indicated as ¢), which is divided into one hundred pesewas (P). Notes and coins in general circulation are:

- Notes: ¢1, ¢2, ¢5, ¢10, ¢20, ¢50, ¢100, ¢200, ¢500, ¢1,000
- Coins: 10p, 20p, ¢1, ¢5.

Currency Restrictions
Visitors are obliged to exchange their foreign currencies into local currency with a bank or with authorized hotels and licensed dealers, that is, Bureaux de Change. The exchange rate is subject to change or fluctuation in the markets. A weekly foreign exchange auction is practiced.

Visitors leaving Ghana may take out any unused imported foreign currency, but must produce evidence on their T5 Form currency declaration card completed at time of entry showing an endorsement that the foreign currency was brought into the country by the visitor and exchanged by a bank or a forex dealer.

There are three currency restrictions worth noting:

- The maximum cash amount a foreign visitor may either enter or depart Ghana with is $3,000;
- Remittance of profits must be done with approval of the Central Bank of Ghana; and
- All foreign currency transactions must be accompanied by receipts from either forex bureaus or banks.

Foreign Exchange Bureaus
Accra has many forex (foreign exchange) bureaus located in various parts of the city where one can exchange money. The two nearest forex bureaus to the U.S. Embassy and the USAID offices are:

- Ram/Chase Forex Bureau (opposite the UNDP office on Ring Road)
- First African Forex Bureau (at the Kwame Nkrumah Circle under the overhead bridge)

Most of the bureaus are located downtown. Forex bureaus accept travellers cheques; however, the rates are lower than cash. Personal checks are not accepted by most of the bureaus.

Appendix F

VISITORS' HEALTH INFORMATION FOR GHANA

Chloroquine-resistant malaria in Ghana is a dangerous, potentially deadly disease. Recommended prophylaxis is Chloroquine Phosphate (Aralen) 500 mg weekly (2 white tablets) and Proguanil (Paludrine) 200 mg (2 tablets daily), unless you have been advised to take other drugs. Prophylaxis should be continued for four weeks after leaving a malarial area. Non-drug measures to prevent malaria include wearing clothing that covers most of the body and liberally using insect repellents on exposed parts of the body especially during the evening and night.

Health care should be sought for high or sustained (more than 24 hours) fever, chills, severe headache, or other incapacitating symptoms. Anyone developing a febrile illness up to two months after departing West Africa should have malaria considered as a diagnosis.

Tap water and ice in Ghana is contaminated and not safe for drinking. Drink only bottled water or other bottled beverages.

If freshly, thoroughly cooked hot foods are eaten, most infections can be avoided. Raw fruits should be eaten only when they have unbroken skins and they are peeled. Raw vegetables and salads should be avoided as they are often contaminated with parasitic cysts or worms. Avoid foods, particularly those containing poultry, eggs, and dairy products, which may have been unrefrigerated for over an hour.

Many diarrheas are noninfectious and self-limited. A limited or bland diet which avoids fats and alcohol clears most diarrheas in 24 to 48 hours. The most important factor in treating any diarrhea is to replace lost fluids using potable water, tea, broth, carbonated drinks, or oral rehydration fluids. Seek medical advice if you run a high fever or have blood or mucus in your stool.

AIDS is a big problem in Ghana and in all of West Africa. Do not risk exposure through new sexual contacts. If you cannot abstain, at least use a condom.

Local Medical Facilities (Accra)

The following facilities and medical professionals are some of those frequently used by Americans in Accra.

Hospitals Recommended for Emergencies

37 Military Hospital
Open 24 hours for emergencies
Liberation Avenue (near Flagstaff House)
Telephone: 776111

Korle-Bu Teaching Hospital
Ring Road West
Accra
Telephone: 665401

Alternative Hospitals

Police Hospital
Ring Road, East Cantonments
Telephone: 776141

Ridge Hospital
Ridge Area
Telephone: 228382

Dentists

Dr. Victoria Barnor
North Labone Dental Clinic
No. 6 - 5th Circular Road
Telephone: 774160

Dr. Briget Asare
Ringway Clinic
No. 3 - 6th Ringway
Telephone: 227482

Physicians

Dr. Reginald Addae
Internal Medicine
Castle Road Clinic
Telephone: 662700

Dr. Kwasi Boadu
Gynecologist
Aboraa Hospital
Ring Road Central
Telephone: 221122; 223978

Dr. Frank Djabanor
Pediatrics (and Adult Internist)
St. Luke's Clinic, Airport area
Telephone: 775405

Appendix G

Lomé Convention Preferential Trade Arrangements

The Lomé Convention is a 16-year-old cooperation agreement between the 12 member States of the European Community (EC) and a group of 66 African, Caribbean, and Pacific countries. The latter are referred to in the context of the Convention as the ACP. 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.

In the Lomé articles Part 3, which deals with trade cooperation, the objective is to promote trade between the ACP States and the European Community by improving the conditions of access for their products to the community market. This provides considerable opportunities for exporters in ACP countries, since in most circumstances, products originating or processed in these countries can enter the European Community duty-free.

The pertinent clause reads:

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 aboard 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 qualifying for duty-free status under the Lomé Convention, 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 two or more operations specified in subparagraph (a) to (f);

(h) slaughter of animals.

In defining the concept of originating products, Annex II of Protocol I of the Lomé IV Convention provides a list of working or processing operations carried out on non-originating materials such that the product manufactured can receive "originating" status.

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

Appendix H

INCENTIVES, BENEFITS, AND CONCESSIONS UNDER THE INVESTMENT CODE, 1985 (P.N.D.C. LAW 116)

[reproduced from best available copy]

INCENTIVES, BENEFITS, AND CONCESSIONS UNDER THE INVESTMENT CODE, 1985 (P.N.D.C. LAW 116)

Under the Investment Code, 1985, prospective entrepreneurs are assured of a wide range of attractive GENERAL incentives, benefits and concessions offered to all investors. In addition, the entrepreneurs who invest in the declared priority areas of investment, also enjoy numerous packages of generous and attractive SPECIAL incentives, concessions and benefits.

These investment incentives and benefits are specially designed to grant relief from taxation in various forms , etc to investors. They include:-

- full (100%) exemption from customs import duties on plant, machinery and equipment required for the enterprise;
- accelerated depreciation;
- locational incentives in the form of tax reliefs;
- retention of at least 35% of export earnings in an external account;
- guaranteed immigrant quota in respect of the approved number of expatriate personnel;
- exemption of personal remittance quota for expatriate personnel from any tax on transfer outside;
- permission to operate an external account in which may be retained a portion of foreign exchange earnings for use in acquiring spare parts and other inputs for the enterprise;
- exemption from payment of Selective Alien Employment Tax.

In addition, the Investment Code, 1985 assures investors of other wide range of investment guarantees. These include:-

- guaranteed transferability of profits, dividends, royalties, directors' fees and capital in the event of sale or liquidation of the approved enterprise;
- guarantee against expropriation of the enterprise;
- guarantee against being forced to cede any interest in the enterprise.

In keeping with the pre-requisites of creating the required attractive and stable enabling environment for investors, the Code also sets out clear procedures for dispute settlement. Besides, since the country is a signatory to the Multilateral Investment Guarantee Agency (MIGA) convention, initiated at the 1985 annual meeting of the World Bank, the extra insurance cover for investors, participating in eligible investments in the productive sectors of the country's economy, provides further guarantees for investments against the following:-

- delays in currency transfers if such delays are attributable to the host government;
- expropriation and similar measures;
- breach of contract; and
- war and civil disturbances.

In addition, Ghana has signed Bilateral Investment Promotion and Protection Agreements (IPPAs) with a number of countries to give further protection to investors from those countries. Similarly such agreements would be signed with any other countries that ask for them.

SPECIFIC INCENTIVE PACKAGES FOR VARIOUS SECTORS

1. Agriculture

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

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

(c) Exemption from payment of customs import duties on plant, machinery, equipment and accessories imported specially and exclusively to establish the enterprise once approved;

(d) A corporate income tax rate of 45 per cent with the following allowances and deductions:

(i) Depreciation or capital allowance on plants, machinery, equipment and accessories to the extent of 100 per cent in the year of investment;

(ii) Investment allowance of 10 per cent per annum;

(iii) In the case of tree crops and livestock, excluding poultry, an income tax rebate over a three year period to be specified by the Centre at the following rates:

- 75 per cent in the first year;
- 50 per cent in the second year; and
- 25 per cent in the third year.

(iv) Exemption of staff from payment of income tax relating to furnished accommodation on the farm.

2. Manufacturing Industries

(a) Requisite permission for importing essential machinery and equipment required for the enterprise;

(b) Exemption from the payment of customs import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively to establish the enterprise once approved;

(c) Investment allowance of seven and a half per cent;

(d) Depreciation or capital allowances of 40 per cent in the year of investment and 20 per cent in subsequent years.

3. Construction and Building Industries

(a) Requisite permission for impo ting essential machinery and equipment required for the enterprise;

(b) Exemption from payment of customs import duties on plant, machinery, equipment, accessories (excluding building materials) imported specially and exclusively to establish the approved enterprise;

(c) Investment allowance of seven and a half per centum per annum;

(d) Exemption of staff from income tax relating to accommodation provided on building construction site;

(e) Depreciation or capital allowances of 50 per cent in the year of investment and 25 per cent in subsequent years.

4. Tourism

(a) Exemption from customs import duties on plant, machinery, equipment and accessories imported exclusively and specifically to establish the approved enterprise;

(b) Depreciation or capital allowance as follows:

(i) plant and machinery - 50 per cent in the year of investment and 25 in subsequent years;

(ii) buildings - 20 per cent in the year of investment and 10 per cent in subsequent years;

(c) Exemption from taxes and rates levied on building properties for a period not exceeding three years;

(d) Investment allowance of seven and a half per centum per annum.

5. Additional Incentives and Benefits

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

(ii) There is a reduction of the company income tax payable:

(a) for enterprises situated within Kumasi and Sekondi-Takoradi Metropolitan areas, a reduction of twenty five per centum on the company income tax payable:

(b) for enterprises situated within regional capitals other than Accra-Tema metropolitan area, Kumasi, Sekond-Takoradi and Wa, a reduction of twenty five per centum on the company income tax payable;

(c) for enterprises situated in the rest of the country including Wa, but excluding Accra-Tema Metropolitan area, a reduction of forty per centum on the company income tax payable.

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

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

(a) in the case of agriculture, where an enterprise employs more than one hundred Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first twenty;

(b) in the case of manufacturing industries, where an enterprise employs more than one hundred Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first one hundred;

(c) in the case of construction and building industries, where an enterprise employs more than seventy-five Ghanaians, to the value of the Social Security contribution payable in respect of every Ghanaian employee in excess of the first seventy-five.

(v) An enterprise approved under the Code is granted the following benefits as appropriate:

(a) establishment or manufacturing licence as appropriate;

(b) immigrant quota in respect of the approved number of expatriate personnel;

(c) personal remittance quota for expatriate personnel from any tax imposed by any enactment on the transfer of external currency out of Ghana;

(d) exemption from Selective Alien Employment Tax under the Selective Employment Tax Decree, 1973 (N.R.C.D. 201).

Protection of Investment and Transferability of Capital

(i) Subject to the provision of the Code, an approved enterprise is guaranteed free transferability, through the Bank of Ghana or in the case of the net foreign exchange earning enterprise, through the external account opened with the permission of the Bank of Ghana in freely convertible currency of:

(a) dividends or net profits attributable to the investment of such freely convertible currency;

(b) payments in respect of loan servicing where foreign loan has been obtained by an approved enterprise;

(c) fees and charges in respect of any technology transfer agreement approved under the Code;

(d) the remittance of foreign capital in the event of sale or liquidation of the approved enterprise or any interest in the approved enterprise attributable to foreign investment.

(ii) Subject to the provision of the Code:

(a) no enterprise approved under the Code will be expropriated by the Government;

(b) no person who owns, whether wholly or in part, the capital of any enterprise approved under the Code will be compelled by law to cede his interest in his interest in the capital to any other person.

(iii) Where any dispute arises between a foreign investor and the Government in respect of any approved enterprise, all effort will be made through mutual discussions to reach an amicable settlement.

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

(a) in accordance with the rules of procedure for arbitration of the United Nations Commision on International Trade Law, or

(b) within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the investor is a national are parties, or

(c) in accordance with any other international machinery for the settlement of investment disputes agreed to by the parties.

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