GHANA

TRADE SUMMARY

The U.S. goods trade surplus with Ghana was $179 million in 2005, an increase of $15 million from $164 million in 2004. U.S. goods exports in 2005 were $338 million, up 9.0 percent from the previous year. Corresponding U.S. imports from Ghana were $158 million, up 8.9 percent. Ghana is currently the 89th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Ghana in 2004 was $258 million, down from $268 million in 2003.

IMPORT POLICIES

Tariffs

Ghana is a member of the WTO and the Economic Community of West African States (ECOWAS). Along with other ECOWAS countries, Ghana adopted a common external tariff (CET) in 2005. Ghana, however, has not yet fully implemented the CET. The ECOWAS CET requires that members simplify and harmonize *ad valorem* tariff rates into four bands: 0 percent, 5 percent, 10 percent, and 20 percent.

The Ghanaian government continues to support domestic private enterprise with financial incentives and tax holidays in order to develop competitive domestic industries with export capabilities. Nevertheless, Ghanaian manufacturers and producers contend that the country’s relatively low tariff structure puts them at a competitive disadvantage vis-à-vis imports from countries that enjoy greater production and marketing economies of scale. While tariff reductions have increased competition for local producers, the reductions have also reduced producer costs for imported raw materials and inputs. So there is, in fact, some local demand for further tariff reductions, especially on inputs used by local businesses. Ghana has responded by reducing the import duty on livestock ingredients, pharmaceutical raw materials, and inputs for textiles production. Tariff information is available on the Customs Excise and Preventive Service (CEPS) website (www.cepsghana.org).

Non-Tariff Measures

Importers are confronted by a variety of fees and charges in addition to tariffs. Since the end of 1998, a 12.5 percent value-added tax (VAT) has been added to the duty-inclusive value of all imports, with a few selected exemptions. In August 2004, Ghana introduced the National Health Insurance Levy of 2.5 percent, which in effect increases the VAT to 15 percent. In addition, Ghana imposes a 0.5 percent ECOWAS duty on all goods originating from non-ECOWAS countries and charges 0.4 percent of the sum of the free on board (FOB) value of goods and the value-added tax (VAT) for the use of the automated clearing system, the Ghana Community Network (GCNet). Importers have indicated that they would prefer a flat fee on each transaction. Further, under the Export Development and Investment Fund Act (Act 582), Ghana imposes a 0.5 percent duty on all non-petroleum products imported in commercial quantities. Imports of malt drinks, water, beer, and tobacco products are subject to excise taxes ranging between 5 percent and 140 percent.

The importation of used vehicles that are more than 10 years old is subject to taxes ranging from 5 percent to 50 percent of the C.I.F. (cost, insurance, freight) value of the used vehicles. All communications equipment is subject to import restrictions. Each year between May and October, there is a temporary ban on the importation of fish, except canned fish, to protect local fishermen during their peak season.

In May 2002, the WTO and Ghana's CEPS signed an agreement on customs valuation and trade facilitation to simplify customs procedures and facilitate swift clearance of goods. In April 2000, Ghana transitioned from using pre-shipment inspection to a destination inspection scheme. Four inspection companies currently have contracts with the government to perform the destination inspection.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Ghana has issued its own standards for most products under the auspices of its testing authority, the Ghana Standards Board (GSB). The GSB has promulgated more than 250 Ghanaian standards and adopted more than 3,057 international standards for certification purposes. The GSB determines standards for all products. Authority for enforcing standards for food, drugs, cosmetics, and health items lies with the Food and Drugs Board. Ghana intends to adopt more internationally-recognized standards and move away from its mandatory domestic standards, except for products that raise environmental or human health or safety concerns.

Ghana prohibits the importation of meat with a fat content by weight greater than 25 percent for beef, 42 percent for pork, 15 percent for poultry, and 35 percent for mutton. It also restricts the importation of condensed or evaporated milk with less than 8 percent milk fat by weight, with the exception of imported skim milk in containers. Imported turkeys must have their oil glands removed. Industry reports that products with coded expiration dates, though accepted by the GSB, can cause delays at the border because of the lack of bar-code-reading devices.

Ghana instituted a "Standards Board Conformity Assessment Program," which resembles problematic conformity certification programs adopted by several Middle Eastern countries. A private testing body operates the program. Costly and redundant testing result from the fact that the standards that the program tests against are unknown, the fee schedules are not published, and independent third party certifications and marks may not be recognized.

GOVERNMENT PROCUREMENT

Ghana is not a signatory to the WTO Agreement on Government Procurement. In December 2003, however, Parliament passed a public procurement law that codified guidelines to enhance transparency and efficiency and assign administration of procurement to a central body. In August 2004, the government inaugurated the Public Procurement Board. Tender committees and tender review boards are being formed and national dailies are publishing more public procurement notices. Section 60 of the procurement law allows procurement entities to give preference to domestic suppliers of goods and services. The government, however, has not yet determined the margin of preference or passed procurement regulations. Notwithstanding the new procurement law, companies cannot expect complete transparency in locally funded contracts. There have been recent allegations of corruption in the tender process, and the government has in the past set aside international tender awards in the name of national interest.

EXPORT PROMOTION

The government uses preferential credits and tax incentives to promote exports. The Export Development Investment Fund administers financing on preferential terms using a 12.5 percent interest rate, which is below market rates. Agricultural export subsidies were eliminated in the mid-1980s. The Export Processing Zone (EPZ) Law, enacted in 1995, leaves corporate profits untaxed for the first ten years of business operation in an EPZ, after which the tax rate climbs to 8 percent (the same as for non-EPZ companies); however, business producing traditional exports, e.g. cocoa beans, logs and lumber, remain untaxed. Under the 2006 budget, submitted to Parliament in November 2005, the government reduced the corporate tax rate for non-exporting companies from 28 percent to 25 percent, effective January 1, 2006. The 2005 budget reduced this rate from 32.5 percent to the previous rate of 28 percent.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Ghana is a party to the Universal Copyright Convention and a Member of the World Intellectual Property Organization (WIPO) and the African Regional Industrial Property Organization. Since December 2003, Parliament has passed six bills designed to bring Ghana into compliance with TRIPS requirements. The new laws address copyright, trademarks, patents, layout-designs (topographies) of integrated circuits, geographical indications, and industrial designs. In cases where trademarks have been misappropriated, the price and quality disparity is usually readily apparent. Piracy of copyrighted works is known to take place, though there is no reliable information on the scale of this activity. Holders of intellectual property rights have access to local courts for redress of grievances, although few trademark, patent, and copyright infringement cases have been filed in Ghana in recent years. Government-initiated enforcement is virtually non-existent.

SERVICES BARRIERS

The investment code excludes foreign investors from participating in four economic sectors: petty trading, the operation of taxi and car rental services with fleets of fewer than ten vehicles, lotteries (excluding soccer pools), and the operation of beauty salons and barber shops. Provision of services by professionals such as lawyers, accountants, and doctors requires membership in a professional body. Requirements for membership are identical for both Ghanaians and non-Ghanaians.

Ghana has committed to offering access to foreign telecommunications providers for most basic services, but has required that these services be provided through joint ventures with Ghanaian nationals. In 2004, the National Communications Authority (NCA) opened up the market by allowing additional carriers beyond the previous duopoly.

The NCA has yet to become an effective mechanism to resolve complaints of anti-competitive practices by Ghana Telecom, the partially state-owned national telecommunications operator.

Ghana allows up to 60 percent foreign ownership in the insurance sector. This cap does not apply to auxiliary insurance services. Ghana requires a high capital requirement for foreign firms to participate in the insurance sector, but allows them to provide a full range of services.

There are no limits on foreign participation in banking and other financial services. However, shares held by a single non-resident foreigner and the total number of shares held by all non-resident foreigners in one security listed on the Ghana Stock Exchange may not exceed 10 percent and 74 percent, respectively. The Central Bank must issue licenses for banking and leasing. For securities trading, a license is required from the Securities Regulatory Commission. Capital requirements for establishing a bank have been increased to 70 billion cedis (approximately $7.7 million), and it is now the same for both foreign-owned banking businesses and Ghanaian-owned banks. Prior to implementing the Bank of Ghana's universal banking policy in 2004, foreign-owned banking businesses faced higher capital requirements than Ghanaian-owned banks (50 billion cedis versus 25 billion cedis, approximately $5.6 million and $2.8 million, respectively).

INVESTMENT BARRIERS

The 1994 Investment Code (Act 478) eliminated the need for prior approval of foreign investment projects by the Ghana Investment Promotion Center. Investment registration, which the government undertakes essentially for statistical purposes, is supposed to be accomplished within five working days. However, according to the "Administrative and Regulatory Cost Survey," conducted by the World Bank and IFC-funded Foreign Investment Advisory Service in 2003, the actual time reported by respondents averaged two weeks. The World Bank reported in its "Doing Business 2005" report that the total time to start a business in Ghana was 81 days, an improvement from 129 days prior to 2003, but still significantly longer than in many other countries at a similar level of development.

Investment incentives have been written into the corporate tax and customs codes. Incentives include exemption from import tariffs for manufacturing inputs and equipment and generous tax breaks. Work visa quotas for businesses are in effect. The following minimum equity requirements apply, in the form of either cash or its equivalent in capital goods, for non-Ghanaians who want to invest in Ghana: (1) $10,000 for joint ventures with a Ghanaian; (2) $50,000 for enterprises wholly-owned by a non-Ghanaian; and (3) $300,000 for trading companies (firms that buy/sell finished goods) either wholly or partly-owned by non-Ghanaians. Trading companies must also employ at least ten Ghanaians.

The Ghanaian government at one point controlled more than 350 state-owned enterprises, but nearly 300 were privatized by the end of 2000 under the privatization program of former President Rawlings. The government of current President Kufuor reconstituted the Divestiture

Implementation Committee. By the end of 2003, total divestiture transactions numbered 318, and 36 remaining state-owned enterprises are slated for divestiture. The divestment of Ghana Commercial Bank, which is Ghana's largest bank and represents a contingent liability for the government, is ongoing, with the government selling shares on the Ghana Stock Exchange.

U.S. direct investment in Ghana is predominantly in the mining and energy sectors, but there is also significant U.S. investment in the seafood, telecommunications, chemical, and wholesale trade sectors. Wage rates in the mining sector are substantially higher than in other industries. U.S. and other foreign firms in Ghana are required to adhere to Ghanaian labor laws, including restrictions on the number of expatriates employed.

ELECTRONIC COMMERCE

Barriers to electronic commerce are mainly due to inadequate telecommunications and financial infrastructure. The payment system in Ghana is largely cash-based. The legalization of foreign exchange bureaus has made foreign currency readily available for small transactions. Local banks can facilitate the transfer of foreign payments abroad. Transfers of large quantities of foreign currency, however, can run into significant delays. The government is drafting a new Foreign Exchange Act, with the goal of liberalizing the foreign exchange market.

OTHER BARRIERS

U.S. businesses interested in Ghana should be aware of other barriers, such as limited and costly credit facilities for local importers and freight rates that are higher than those for potential European competitors. There are frequent problems related to the complex land tenure system, and establishing clear title can be difficult. Non-Ghanaians can have access to land on a leasehold basis. Frequent backlogs of cargo at the port hurt the business climate. The Customs Service is still phasing in an automated customs declaration system that was established in the last quarter of 2002 to facilitate customs clearance. Although the new system has cut down the number of days for clearing goods from the ports, the desired impact has yet to be realized because complementary services from government agencies, banks, destination inspection companies, and security services have not been established.

The high cost of local financing (with short-term interest rates currently above 25 percent) is a significant disincentive for local traders, inhibiting the expansion of most Ghanaian businesses from their current micro-scale operations and constraining industrial growth. The high cost of credit in Ghana is a function of the high risks of doing business in Ghana and equally high reserve requirements (although the Bank of Ghana reduced these from 44 percent to 24 percent in 2005). They also reflect high labor costs as well as the oligopolistic structure of the banking sector and inefficient directed lending to state-owned enterprises. Ghanaian banks are among Africa's most profitable due to wide interest/deposit rate spreads. The residual effects of a highly regulated economy and lack of transparency in government operations create an element of risk for potential investors. Bureaucratic inertia is sometimes a problem in government ministries, and administrative approvals take longer than they should. Entrenched local interests sometimes have the ability to derail or delay new entrants, and securing government approvals may depend upon an applicant's local contacts. The political leanings of the Ghanaian partners of foreign investors are often subject to government scrutiny. Corruption historically has been an issue with which foreign firms have had to contend.

The government has indicated its intent to address this issue, particularly through the passage of Public Procurement, Financial Administration, and Internal Audit Acts. However, these Acts have not yet been fully implemented and are not yet effective in reducing or eliminating government corruption.