# GHANA

## TRADE SUMMARY

The U.S. trade surplus with Ghana was $161 million in 2004, an increase of $34 million from $127 million in 2003. U.S. goods exports in 2004 were $306 million, up 46.3 percent from the previous year. Corresponding U.S. imports from Ghana were $145 million, up 77.1 percent. Ghana is currently the 87$^{th}$ largest export market for U.S. goods. The stock of U.S. foreign direct investment (FDI) in Ghana in 2003 was $249 million, down from $266 million in 2002.

## IMPORT POLICIES

Ghana has progressively eliminated or reduced its import quotas, tariffs, and import licensing requirements through the structural adjustment program it initiated in the early 1980s. The import licensing regime was eliminated in 1989, but some imports, such as pharmaceuticals, mercury, gambling machines, handcuffs, condensed or evaporated milk, arms and ammunition, and live plants and animals require special permits. The tariff system has been simplified and harmonized to match the four tariff levels of the Economic Community of West African States (ECOWAS) trade liberalization program. Under this system, there are four *ad valorem* import duties: 0 percent, 5 percent, 10 percent, and 20 percent. The standard rate of duty is 20 percent. The zero-rate duty continues to apply to agricultural and industrial machinery, solar, wind, and thermal energy, and educational materials. A one percent processing fee applies to duty-free goods, except on education, health, and agriculture sector goods. In 2002, the government increased the duty from 0 percent to 5 percent for imported fish, selected commercial vehicles, and selected building materials. Also in 2002, an additional one percent examination fee was levied on imported used vehicles. Importers are charged 0.04 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.

In 2000, Ghana imposed an additional 0.5 percent ECOWAS duty on all goods originating from non-ECOWAS countries. In 2001, under the Export Development and Investment Fund Act (Act 582), Ghana instituted a 0.5 percent duty on all non-petroleum products imported in commercial quantities. Since the end of 1998, a 12.5 percent 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. Additional excise taxes ranging between 5 percent and 140 percent are applied to malt drinks, water, beer, and tobacco products.

In August 2002, Ghana abolished its 10 percent tax on selected "non-essential" imports in an effort to bring its tariff structure into harmony with ECOWAS and WTO provisions. In February 2003, the government considered adding 20 percent to the existing import duty on rice and poultry products but decided against it following consultations with its trading partners.

However, the government did increase import duties from 10 percent to 20 percent on some imported finished products for which locally manufactured products are available, such as cement, doors, windows and their frames, corrugated iron sheets, and nails. In August 2002, the ban on importing used vehicles that are more than 10 years old was replaced with a system of penalties 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 Customs Excise and Preventive Service (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.

In order to develop competitive domestic industries with exporting capabilities, the Ghanaian government continues to support domestic private enterprise with financial incentives and tax holidays. 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 and inputs for textiles production. Tariff information is available on the CEPS website (www.cepsghana.org).

The government has indicated its intention, along with other ECOWAS countries, to begin the phased implementation of the Common External Tariff on January 1, 2005. This will entail immediately harmonizing 5,100 tariffs (93 percent of all tariff lines) with little or no variation from the ECOWAS values. For the remaining seven percent of tariff lines, Ghana will likely pursue one or all of the following options: (1) phase in over a period of three years the remaining 400 tariff lines (constituting a large percentage of Ghana's overall customs revenues) to the slightly higher ECOWAS rates; (2) try to negotiate with ECOWAS a permanent exception to some or all of these disputed rates; or (3) agree to harmonize the rates over time, but in practice hold on to national rates.

## 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.

**GOVERNMENT PROCUREMENT**

Ghana is not a signatory to the WTO Agreement on Government Procurement. However, in December 2003, Parliament passed a public procurement law that codified guidelines to enhance transparency and efficiency and give 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 procurements. Section 60 of the procurement law allows procurement entities to give preference to domestic suppliers of goods and services. However, the government has not yet determined the margin of preference or passed procurement regulations.

**EXPORT SUBSIDIES**

The Ghanaian government uses preferential credits and tax incentives to promote exports. The Export Development Investment Fund administers financing on preferential terms using a 15 percent rate of interest, which is lower than 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. The tax rate for non-exporting companies is 32.5 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), the African Regional Industrial Property Organization, and the World Trade Organization. In December 2003, Parliament passed five of the six bills designed to bring Ghana into compliance with TRIPS requirements. The new laws are: Trade Marks, Patents, Layout-Designs (Topographies) of Integrated Circuits, Geographical Indications, and Industrial Designs. The government expects Parliament to pass the remaining Copyright bill in 2005. In cases where trademarks have been misappropriated, the price and quality disparity is usually readily apparent. Piracy of protected goods 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. The government has allowed a duopoly to dominate both domestic and international services but in 2004 announced plans to open up the market by allowing additional carriers. The government has adopted a reference paper on regulatory principles, which obliges Ghana, among other things, to ensure cost-oriented interconnection with its major suppliers. The National Communications Authority, established to regulate the market, has yet to become an effective mechanism to resolve complaints of anticompetitive 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. Foreign-owned banking businesses face 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 2004" report that the total time to start a business in Ghana was 85 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 are no longer subject to official discretion; they have been made automatic through incorporation 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, though relaxed, remain 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 had been privatized by the end of 2000 under the privatization program of former President Rawlings. The Kufuor government has reconstituted the Divestiture Implementation Committee; by the end of 2003, total divestiture transactions numbered 318. Thirty-six remaining state-owned enterprises are slated for divestiture. However, the divestment of Ghana Commercial Bank, which is Ghana's largest bank and represents a contingent liability for the government, has yet to materialize.

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.

Several U.S. investors operating in Ghana continue to struggle with longstanding and costly investment or trade disputes with the government. However, most investors do not encounter such difficulties.

## ELECTRONIC COMMERCE

Barriers to electronic commerce are mainly due to a financial infrastructure that is inadequate for electronic commerce to thrive. 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.

## OTHER BARRIERS

U.S. businesses interested in Ghana should also 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. It has not yet had the desired impact because complementary services from government agencies, banks, destination inspection companies, and security services are not up to speed.

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 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 of up to 20 percentage points. The residual effects of a highly regulated economy and occasional 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. President Kufuor has instituted a policy of "zero tolerance" for corruption, and has confirmed his commitment to free markets and trade.