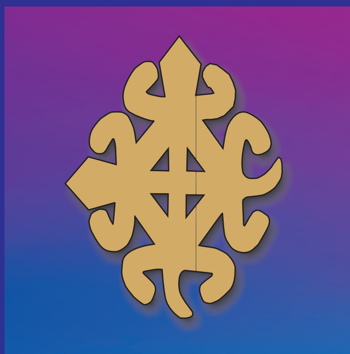
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT ON THE IMPLEMENTATION OF THE INVESTMENT POLICY REVIEW

GHANA



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- Details and percentages in tables do not necessarily add to totals because of rounding.
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Abbreviations

ADR	Alternative dispute resolution
AVRL	Aqua Vitens Rand Water Ltd.
BIT	Bilateral investment treaties
ECOWAS	Economic Community of West African States
EPZ	Export processing zone
FDI	Foreign direct investment
GDP	Gross domestic product
GFZB	Ghana Free Zone Board
GIPC	Ghana Investment Promotion Centre
GNPC	Ghana National Petroleum Corporation
GOIL	Ghana Oil Company Limited
GPHA	Ghana Port and Harbour Authority
ICT	Information and communication technology
IEC	International Electro-technical Commission
IPO	Initial public offers
IPR	Investment policy review
ISO	International Organization for Standardization
MPIP	Multi-purpose industrial park
MSME	Micro small and medium enterprises
NLC	National Labour Commission
SME	Small and medium enterprise
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TSSP	Trade Sector Support Programme
UNCTAD	United Nations Conference on Trade and Development
VAT	Value added tax
VCFC	Venture capital financing companies
WAGPP	The West African Gas Pipeline Project
WTO	World Trade Organization

Report on the Implementation of the Investment Policy Review of Ghana

1. Introduction

The Investment Policy Review (IPR) of Ghana was completed in 2003. It provided the government with policy recommendations on how to improve Ghana's investment framework, investment promotion efforts and strategies and the overall enabling environment to attract and benefit from foreign direct investment (FDI).

In 2006, UNCTAD also prepared a Blue Book on Best Practice in Investment Promotion and Facilitation, with the financial support of the Japan Bank for International Cooperation. The blue book identified 15 practical measures to be implemented over a period of 12 months intended to move Ghana towards best practice in investment promotion and facilitation.

In accordance with paragraph 149 of the Accra Accord to assist developing countries on follow-up to investment policy reviews, UNCTAD carried out a mission to Ghana in July 2008 to assess the extent to which the IPR and blue book recommendations had been implemented.[1] The findings of the mission are summarized in this report. This report was made possible through the financial support of the Government of Germany.

2. Summary of findings

The government is committed to its stated goal of creating a "golden age" for business in Ghana. The political commitment to improve the business environment is reflected in its policies and programmes for reforms. Under two umbrella programmes, namely, the Private Sector Development Strategy for the period 2004 to 2008 and the Trade Sector Support Programme (TSSP) for the five-year period 2006 to 2010, cross cutting issues that impact trade and investment are comprehensively addressed. In addition, the Gateway Project and the Micro, Small and Medium Enterprise (MSME) Project, including numerous cuts in corporation

[1] This report was prepared by Lena Chia and consultant Jean Chin under the direction of James Zhan.

tax since 2003 to stimulate private sector growth and boost investment into Ghana, have all given impetus to private sector development and this is commendable.

This report provides an assessment of the developments in policymaking that have taken place in Ghana since the publication of the IPR in 2003. Below is a summary of the key findings:

- In the investment framework, three out of six recommendations are fully implemented. An area where substantial progress has been made is in the implementation of the new Labour Act and the role of the National Labour Commission (NLC). Industrial action has fallen significantly since the enactment of the new law and the NLC has played, and continues to play, an effective role in resolving labour disputes. The government is also to be commended for taking on the mammoth task of introducing comprehensive land reforms. If successful, this could serve as a model and case study for other countries, particularly those in the region, where similar issues prevail. Revisions to the Investment Code, as recommended, have started but the revised code is still in a draft form. Little progress has been made regarding the recommendation on reinforcing the regulatory framework and institutions dealing with infrastructure development and privatization.

- Some headway has been made on operational issues, particularly through initiatives under the Private Sector Development Strategy and the Trade Sector Support Programme to implement the booster programme recommended by the IPR. The private sector strategy is being augmented by the trade support programme. One operational area of particular concern is that of electricity. The situation reached crisis point in 2006–2007, leading to significantly increased production costs. Shortages persist and if not adequately addressed, could seriously reduce Ghana's attractiveness as an FDI location and hamper its growth prospects. More thought should be given to how infrastructure projects can be implemented more effectively, in particular how private financing could be mobilized to complement donor and government funding. Infrastructure projects are still mostly donor and government funded.

- On the Gateway Project, progress has been substantial and impressive, particularly in relation to the privatization and upgrading of ports. This has led to concrete results and translated into significantly increased traffic through the ports, particularly in Tema, far exceeding the targets set by the Ghana Port and Harbour Authority (GPHA). In addition, the recommendation to convert the free trade zones into multi facility economic zones has almost been fully implemented in the Tema free trade zone and similar plans are underway for other zones.

- With regard to small and medium enterprises (SMEs), the recommendations are being implemented mainly through the MSME Project. There has been a shift in government policies in recent years. The emphasis on attracting FDI is being reinforced by policies to encourage local entrepreneurship and the growth of the Ghanaian private sector. This policy goes in the right direction and will enable the country to reap more benefits from FDI. The MSME Project is still in its infancy and although conceptually sound, the challenge lies in its implementation. Access to finance remains the biggest stumbling block for SMEs. Properly implemented, the access to finance component of the MSME Project would contribute significantly to the development of the private sector, which is largely dominated by SMEs.

- For the development of human resources and technology policy appropriate policies have been formulated but generally they have yet to be operationalized. Despite high unemployment, there continues to be a shortage of technical and management skills to meet the needs of the private sector. The recent education policy reforms which include plans for public–private partnerships for enhancing labour skills require implementation for these to bear fruit. It may also take some time for technology policies to be reformed as the national industrial policy is currently still being drafted under the TSSP.

- In the area of investment promotion, the Ghana Investment Promotion Centre (GIPC) has focused efforts on targeting sectors, in particular the information and communication technologies (ICT) and agroprocessing sectors. Ghana witnessed an increase in FDI inflows in 2006 and 2007 which were more than five times the 2005 levels. The increase is attributed mainly to FDI in the financial sector from neighbouring countries. The GIPC is also enhancing its delivery services to tap potential foreign and domestic investors seeking to invest outside Accra. In 2008, it set up one-stop shops in the Ashanti and northern regions with plans to open others in the remaining eight regions of the country.

- Of the Blue Book measures, seven have been implemented, three others with varying progress and five have yet to be implemented.

Overall, policies are generally well conceived but implementation is not always consistent. Planned reforms are often delayed or curtailed and sometimes even derailed, as in the case of the draft bill on Competition and Fair Trade Practices developed in 1992 with the assistance of UNCTAD. The act has yet to be implemented. Thus, despite ongoing efforts in addressing improvements to the investment environment, investors continue to encounter obstacles. The results of the 2008 Executives Opinion Survey for the World Economic Forum 2008 Competitiveness Report indicated that the five biggest challenges faced by businesses operating in Ghana are, in descending order of importance, access to finance, inadequate infrastructure, bureaucracy, work ethics and corruption.

3. Implementation of recommendations on the investment framework

3.1. FDI entry and treatment

The IPR recommended reviewing the 1994 Investment Code and including considerations for easing company establishment and ownership restrictions by sector. The draft investment code is awaiting submission to the Cabinet and the Parliament for approval. The proposed revised code includes provisions for significant changes in key areas including immigration quotas for investments and minimum equity requirements for foreign investments.

The IPR recommended that Ghana conclude new bilateral investment treaties (BITs) and double taxation treaties and ratify existing ones with all target countries to bolster investor confidence. Since 2003, Ghana has negotiated two BITs with Barbados and Botswana. To date, Ghana has signed and ratified seven BITs and six double taxation treaties. A double taxation treaty signed with Barbados in 2007 is currently awaiting ratification.

3.2. FDI establishment and operation

There are provisions in the revised investment code on streamlining the roles and functions of the GIPC, the Ghana Free Zones Board and the Ghana Export Promotion Council, and the processing of investment applications. However, it should be noted that the proposed revised code is still in draft form and how the final version will deal with these issues remains to be seen.

3.3. General measures

(a) Taxes and tax administration

The general corporation tax rate was reduced twice since 2003. In 2006, it was reduced to 25 per cent from 28 per cent in 2005 and from 32.5 per cent in 2003. The corporation tax rate for companies listed on the Ghana Stock Exchange has been lowered to 22 per cent while the rate for companies engaging in non-traditional exports remains at 8 per cent. Withholding tax on goods and services was reduced from 7.5 per cent to 5 per cent in 2005. These tax cuts were aimed at encouraging private sector growth and boosting investment into Ghana. Value added tax (VAT) has remained at 12.5 per cent. However, a 2.5 per cent national health insurance levy was introduced in 2004 on all goods and services subject to VAT.

The IPR recommended that the tax system be placed on an equal footing with international standards, particularly in respect of withholding tax, tax auditing and tax administration. These systemic issues are being addressed but progress has been slow on the whole. A notable attempt has been made, however, to improve the system starting with large taxpayers. In 2004 the Ministry of Finance and Economic Planning and the Revenue Agencies Governing Board created a Large Taxpayer Unit. The unit incorporates the operations of the Customs Exercise and Preventive Services, the Internal Revenue Service and the Value Added Tax Service to serve large taxpayers who contribute about 60 per cent of the total tax revenue of the country. The establishment of the Large Taxpayer Unit has resulted in reducing time lags in the audit of large taxpayers. Although this measure has not lessened delays in obtaining tax refunds because adequate funds have not been provided by the Ministry of Finance, the problem has been somewhat alleviated with the option of obtaining tax credits in lieu of refunds.

The IPR highlighted the protracted delays in obtaining refunds under the duty drawback scheme. While automation, the creation of a department to administer applications for drawbacks in 2003 and the introduction of new guidelines in August 2004 have reduced the processing time to two days, it can still take over a year to obtain a refund as the funds made available for this purpose remain very limited. The Ministry of Finance has recently requested that the Revenue Agencies Board double the size of funds set aside for duty drawback repayments from 0.16 per cent to 0.32 per cent of the Customs Exercise and Preventive Service's monthly revenues. The government has, as an interim measure, authorized a one-off payment to clear as much as possible the backlog of outstanding claims.

(b) Land reforms

The IPR recommended establishing a task force to reform land laws and facilitate foreign/domestic, freehold or leasehold ownership by the establishment of land banks coordinated by the GIPC. The investment policy review identified various problems associated with the complicated process for acquiring land and the difficulties encountered in establishing clear title. These issues are being addressed through the five year Land Administration Project that began in 2003 with the objective of establishing an efficient, transparent and cost-effective land administration system to guarantee security of tenure. The project is being implemented by the Ministry of Lands, Forestry and Mines and includes comprehensive policy, legal and institutional reforms in land administration. Under the Land Administration Project, government land agencies, i.e. the existing Lands Commission, Survey Department, Land Title Registry and the Land Valuation Board, will be reorganized and merged into one corporate entity, the Lands Commission. The creation of this "one-stop shop" will remove overlapping functions in these agencies and provide for a quick, efficient and cost-effective system for land registration. It will ensure sound and sustainable land planning and use, consistent with national development goals. Decentralization, automation and the streamlining of registration procedures have already reduced the time taken to register a deed from over 36 months to two months. Customary land secretariats have also been established in each region to reduce uncertainty and insecurity in land tenure. By August 2008, 38 secretariats had been established across Ghana.

The Lands Commission Bill was passed by Parliament in October 2008. Efforts are also under way to complete the drafting of a separate Land Bill to update and consolidate existing land laws in a single piece of legislation. This process is expected to be completed in mid-2009. Five specialized land courts have recently been established to strengthen the judiciary's capacity for managing land cases. The judiciary has made substantial progress in reducing the backlog of land cases and the creation of the land courts is expected to alleviate this further and also prevent the emergence of a backlog in the future. These developments are very encouraging and the challenge remains for the overhaul to be completed.

The IPR recommended the establishment of land banks coordinated by the GIPC. The government and the GIPC have established a land bank that can be accessed by investors, with the assistance of officers who are specifically assigned to the projects. Information on land acquisition and the land bank is also available on the updated GIPC website.

(c) Labour dispute mechanism

The IPR recommended strengthening consultation with the private sector and unions to improve labour dispute settlement mechanisms and facilitate flexible working hours. The new Labour Act was enacted in 2003. It consolidated the old labour laws under a single law and brought them into conformity with the standards of the International Labour Convention to which Ghana is a signatory. It provided for the establishment of the National Labour Commission (NLC) whose principal function is to settle labour and industrial disputes through Alternative Dispute Resolution (ADR) and in particular the use of mediation and arbitration. The decisions of the NLC are legally binding. Since it began operations in April 2005, the NLC has received over 2,000 cases and has succeeded in resolving over 55 per cent of these cases. Budgetary constraints and increasing cutbacks have led to a growing backlog and have impeded the ability of the NLC to handle a higher number of cases. Plans to establish district and regional offices have also been put on hold.

The 2003 act has limited the influence of the Trade Union Congress by not requiring unions to be affiliated to the congress and empowering the Chief Labour Officer to issue collective bargaining certificates. The act also stipulates the restrictive conditions under which legal strike action can be taken. As a result, the number of strikes held since the act entered into force has fallen significantly. Other salient features of the act include provisions on flexible working time, the possible inclusion of productivity based pay under collective bargaining agreements and minimum requirements for determining severance pay which correspond to international norms. The National Tripartite Committee has also been established under the act with representatives from the government, employers' organizations and trade unions. The principal responsibilities of the committee include determining the daily minimum wage and advising on employment and labour market issues. As discussed below in section VII on human resource development, the act also provides for the registration of private employment agencies and the establishment of public employment centres to assist both job seekers and employers. Overall, progress in this area has been substantial. The NLC has proven to be effective in settling disputes and should be strengthened in order for it to fulfill its functions more efficiently.

(d) Judicial reforms

The IPR did not include specific recommendations on judicial reforms. However, it is worth noting that there have been some positive developments in this area. Within the context of ongoing reforms in the administration of justice in Ghana, commercial courts were established under the High Court in March 2005 to try general commercial claims. Alternative dispute resolution was introduced for the first time in the court system and made mandatory in pretrial settlement procedure. To date, 75 per cent of all cases sent to the commercial courts have been settled through ADR. Transcripts of judgements are available within 48 hours. The commercial courts are now being extended within and beyond Accra and their jurisdiction will be expanded to include commercial crimes and investment-related land disputes.

(e) Infrastructure development and privatization

The IPR recommended reinforcing the regulatory framework and institutions dealing with infrastructure development and privatization. This matters because there is limited progress in this area. These are discussed in detail in sections IV(C) and IV(D) below.

(f) Competition law

A draft bill on competition and fair trade practices was developed in 1992 with the assistance of UNCTAD. The bill covered both competition and consumer protection but was never passed into law. Currently, separate laws on competition and consumer protection are being developed under the TSSP. The previous bill is being updated taking into account international best practice and other competition legislation including those in the European Union, the Gambia, Mauritius, South Africa, the United Republic of Tanzania and Zambia. Best practice models such as the competition law models of UNCTAD and of the Commonwealth secretariat are also being used as reference documents. The establishment of a Competition Commission and Consumer Protection Authority are also envisaged in efforts to promote a transparent competition and consumer protection regime.

(g) Intellectual property rights

New intellectual property laws were introduced in order to comply with the requirements of the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. These include the Patents Act 2003 (Act 657), Trade Marks Act 2004 (Act 664), Copyright Act 2005 (Act 690), Industrial Designs Act 2003 (Act 660), Geographical Indications Act 2003 (Act 659) and the Layout Designs (Topographies) of Integrated Circuits Act 2004 (Act 667). An agreement giving effect to the implementation of a three-year project funded by the Government of Switzerland was signed on 18 November 2008. The project covers technical assistance to be provided by the Swiss Intellectual Institute to modernize intellectual property administration and laws in Ghana and to promote enforcement and utilization, as well as enhancing public awareness and sensitizing the judiciary to intellectual property issues.

4. Implementation of recommendations on operational issues

The IPR recommended launching a booster programme to revive investment by domestic and established foreign investors. Emphasis was placed on supply-side actions to encourage the expansion of existing businesses and reinvestment by existing investors in new projects. It also recommended addressing issues that can be reviewed and implemented within six months to one year, with concrete results envisaged over a three year time frame. Under the Private Sector Development Strategy, the action plan provided for the implementation of a range of reforms to support the private sector and to achieve a “golden age of business” in Ghana. The strategy seeks to address the regulatory constraints and administrative bottlenecks experienced by the private sector at three levels: (i) challenges encountered in accessing regional and global markets; (ii) legal, regulatory, institutional and infrastructure constraints that increase the cost of investing and doing business in Ghana; and (iii) weaknesses in management, skills capacity and competence at the firm level. Reforms undertaken under the Private Sector Development Strategy included:

- The establishment of GIPC offices in the provinces, namely in Kumasi (to cater for the middle belt) and Tamale (the northern belt) to improve access to its services;

- Automation and the opening of a front office in the Registrar General Department. This has reduced the time taken to register a limited liability company from 10 days to five days and sole proprietorship from five days to three. Branches have been opened in Takoradi and Kumasi and soon in Tamale. Together with reforms undertaken by the Environmental Protection Agency, the average time taken to establish a business in Ghana has been reduced from 129 days in 2003 to 34 days in 2008;[2]

- Commercial courts were established under the High Court in March 2005 to try general commercial claims. Alternative dispute resolution (ADR) was introduced for the first time in the court system and made mandatory in pretrial settlement procedure. To date, 75 per cent of all cases sent to the commercial courts have been settled through ADR. Transcripts of judgements are available within 48 hours. The commercial courts are being extended beyond Accra and their jurisdiction will be expanded to include commercial crimes and investment-related land disputes;

- Client service units and culture change training programmes are being introduced to improve efficiency in the public sector.

Notwithstanding these improvements, more effort is required to reduce bureaucracy and improve the delivery of services by the public

[2] World Bank (2009). *Doing Business Report*.

sector. Bureaucracy and corruption are still significant impediments to investing and doing business in Ghana, as cited in the survey for the World Economic Forum 2008 Competitiveness Report. Although the average time taken to start a business in Ghana has been reduced considerably since 2003, according to the World Bank, Ghana is ranked 87 worldwide in overall terms for "ease of doing business" and 137 for establishing a business.[3]

The TSSP also incorporates a recommendation in the IPR on providing a booster programme to help increase Ghana's competitiveness in international and domestic markets and to improve the legal and regulatory environment for business and consumers. It consists of 27 projects across 10 areas with close monitoring of the targets.

4.1. Access to finance

The IPR identified access to finance as a serious constraint and recommended its inclusion in the booster programme. Since 2003 the amount of credit extended to the private sector has increased threefold from $940 million to $2.99 billion in 2007, with significant annual increases since 2005. It coincides with the influx of foreign banks and the lowering of secondary reserve requirements by the Bank of Ghana. To encourage lending, secondary reserve requirements were lowered from 35 per cent to 15 per cent in 2005 and abolished in 2006.

The restructuring of the financial sector has gathered pace since 2003. It has resulted in increased liberalization and a shift to a market-based regime from one which was previously characterized by a system of strict monetary controls and direct government intervention. The reforms have yielded results, including the entry of a significant number of foreign banks. The number of banks with majority foreign shareholdings increased from eight in 2003 to 14 in 2007 while the number of local banks remained the same, bringing the total number of banks currently operating in Ghana to 23. Most of the new foreign banks are from Nigeria. Other new entrants include subsidiaries of banks from Asia – the International Commercial Bank from Malaysia and Baroda Bank from India. Existing banks, too, have increased their investments, an example being Barclays Bank Ghana, which, in a span of six months, increased its branches from 18 to 134. The visible increase in foreign interest is perhaps mainly a result of the

[3] Ibid.

introduction of the universal banking license in 2003 and a liberalized approach to issuing new licences alongside other reforms in the sector. Both measures were aimed at opening the banking industry to new competition. Universal banking allows banks to engage in all areas of banking, such as retail, corporate and investment, without the need for separate licences. It removed the monopolies previously enjoyed by banks in the respective sectors and provided room for banks to diversify and make available a wider range of products. Although universal banking resulted in higher capital requirements for banks, 7 million cedis ($7.7 million)[4], the requirements are still very low by international standards and are indicative of the relative size of banks in Ghana. Under the new threshold, foreign banks are now subjected to national treatment in terms of capital requirements. Previously, the required minimum for foreign controlled banks was 5 million cedis ($5.5 million) and 2.5 million cedis ($2.75 million) for local banks.

Notwithstanding the expansion of credit to the private sector, access to finance remains a major impediment to doing business in Ghana. SMEs in particular continue to have very limited access to the credit facilities afforded by banks. They face high interest rates because of the perceived high risks of default. As such, the government has embarked on various initiatives under the TSSP to make credit available to these enterprises, particularly through activities undertaken in conjunction with the Micro Small and Medium Enterprises (MSME) project, the Export Development and Investment Fund and the Venture Capital Trust Fund as discussed below in section VI. Under the TSSP, the government has also recently introduced enabling legislation for the establishment of credit reference agencies to facilitate credit risk assessment and encourage lending to individuals and enterprises with sound credit ratings.

In 2007, the government launched an offshore banking platform to promote the growth of the financial services industry and to turn Ghana into a regional financial hub. It follows the Mauritius model and is the first of its kind in the African mainland. It was developed in partnership with Barclays Bank Ghana, which was granted an exclusive license for 18 months to operate under the facility. The government is confident that with the relative economic and political stability of Ghana in the subregion coupled with the recent discovery of oil, the potential for the country's financial sector to

[4] Based on an average exchange rate in August 2008 of 1 cedi to US $1.10. All references in this report of cedis equivalent in US dollars are based on this average exchange rate.

expand within the region is tremendous. If realized, this could lead to significant capital inflows into the economy.

4.2. Tariff structure

The IPR recommended a review of the tariff structure and the removal of inconsistencies as an element for inclusion in the booster programme. The Ministry of Trade is in the advanced stages of establishing a Tariff Advisory Board which will provide a structured and transparent mechanism for the private sector to seek tariff reviews and the application of WTO-compliant trade contingency measures including countervailing duties and safeguard measures. There is currently no structure in place for seeking tariff reviews. The ministry has completed a review of tariff structures and their impact on local industries with a view to removing inconsistencies once the Tariff Advisory Board is functioning. The establishment of the board would constitute a major output under the import–export component of the TSSP. The longer-term objective of the ministry is for the Tariff Advisory Board to mature into a fully fledged International Trade Commission based on international best practices and consistent with WTO rules and principles.

As a member of the Economic Community of West African States (ECOWAS), Ghana is also committed to adopt the ECOWAS Common External Tariff to enhance regional economic integration. Ghana is negotiating exceptions to the common external tariff. However, the negotiations are slow and the initial deadline of 1 January 2008 has lapsed.

4.3. Infrastructure

The IPR highlighted infrastructure bottlenecks faced by investors as a major constraint and recommended that these be addressed under the booster programme. Inadequate infrastructure was listed in the 2008 Executive Opinion Survey by the Association of Ghana Industries as the second most serious constraint faced by the private sector in Ghana. Acknowledging the urgent need to address this issue and to complement donor funds, the government turned to the international capital markets and embarked on its first international bond issue in October 2007. The bonds, the first by a West African country, were oversubscribed and $750 million was raised. They were bought by investors in the United States, the United Kingdom and other European countries. The funds will be invested in energy and other infrastructure projects.

The Ghana Railway Corporation, the Ghana Water Company and the Electric Company of Ghana have been delisted from the privatization programme. However, the government is examining ways to involve private financing in infrastructure development particularly through schemes such as "build-operate-transfer". One such example is the $1.6 billion contract awarded in August 2007 by Ghana Railway Corporation to a consortium led by Dubai-based Kampac Oil Company to rehabilitate and extend the rail network in western Ghana. The 35-year concession covers the construction of 800 km of new railway line and the rehabilitation of 400 km of existing line between the port city of Takoradi and Kumasi on a build-operate-transfer basis. The new line will link Takoradi with Hamile, located by the border with Burkina Faso in the northwest. In addition to strengthening freight links, the project will also support the operations of the proposed inland port at Boankra. Under the agreement, the consortium was also awarded exclusive mineral and mining rights valued at over $2 billion.

The power crisis in Ghana worsened since 2003 and it reached a critical point in 2006–2007 when electricity was shut off for 12 hours every two to three days. This was brought about by increased demand and drought, causing the Akosombo hydroelectric plant, which generates two thirds of Ghana's power supply, to operate at only a third of its capacity. The crisis had a tremendous knock-on effect on production costs and Ghana's gross domestic product (GDP) fell[5] as businesses were forced to operate under reduced hours and had to resort to purchasing generators to meet their needs. Four of the biggest mining companies operating in Ghana spent $45 million to purchase a power plant to ensure adequate power supply for their operations in the longer term. It is estimated that Ghana is 400 to 1,000 MW short of meeting its current electricity needs and that supply will have to double by 2013 to keep pace with demand. Although the worst of the crisis is over for the time being, power cuts are still common and many businesses continue to support their operations with diesel-run generators. This adds considerably to production costs as oil prices remain high. There are currently no plans to introduce off-peak tariff schemes as was recommended by the IPR.

[5] The World Bank has estimated the costs to be about $980 million from September 2006 to December 2007.

The situation in 2006–2007 forced the government to introduce emergency measures and to step up reforms in the power sector. As a stopgap measure, the government purchased emergency generators to provide 200 MW of electricity and renewed its efforts to increase supply in the longer term through the refurbishment of the 125 MW Efasu Barge, the commissioning of several new power plants and the construction of the 400 MW Bui dam that is expected to bridge the gap between demand and supply when completed in 2012. These projects are mainly donor and government funded, with the Chinese Government contributing $562 million in loans and grants for the construction of the Bui dam by a Chinese company. It is notable that a large part of the proceeds from the $750 million sovereign bond issue has been earmarked by the government for investments in the power sector.

The government is taking steps to encourage private sector investments in power generation. This includes, as recommended by the IPR, the unbundling of the transmission system from the state-owned Volta River Authority through the creation of the National Grid Company (GRIDCO) to provide open and equal access for both public and private power producers and tariff reforms to attract investments. Notwithstanding these efforts, private financing in power generation remains extremely limited.

The West African Gas Pipeline Project (WAGPP) and the West African Power Pool (WAPP) are regional initiatives that will also contribute to improving power supply. The WAGPP project has been delayed several times and is not yet completed, although it was expected to be operational by end 2008. It will provide low cost natural gas to thermal generating plants. These plants currently run on diesel and the availability of natural gas is expected to enhance the capacities of these plants and significantly lower generation costs. The WAPP is expected to encourage investments in power generation and improve power supply by providing a regional market for trade in electricity amongst countries in the West African subregion. There is discussion between Chinese and Ghanaian partners in investments on a power project to turn out a targeted output of 560 MW in 2009. However, the operationalization of the plant is subject to gas from the WAGPP becoming available.

In addition to current constraints in power generation there are also severe bottlenecks in the national transmission and distribution networks. There are currently no plans to open these networks to the private sector. The state-owned Electricity Company of Ghana that is responsible for power distribution is being restructured but is no longer slated for privatization. Historically, government subsidies and low tariff levels have resulted in chronic underinvestment in new power generation capacities and in the upgrading and expansion of the transmission and distribution networks.

Ghana also faces problems of inadequate water supply. In 2006, the Ghana Water Company entered into a contract with Aqua Vitens Rand Water Ltd (AVRL), a Dutch–South African joint venture between Vitens-Evides International and Rand Water Services, whereby the operations of the Ghana Water Company will be managed by AVRL for five years. However, since AVRL took over, the situation has worsened and there is currently an acute water shortage across the country, particularly in Accra where supplies have fallen to less than half the daily requirement. Although tariffs have risen, supplies continue to drop and water quality remains poor. Drought, crumbling infrastructure and a chronic lack of investment have exacerbated the problem. It is estimated that more than 50 per cent of supply is lost through broken or leaking pipes. In addition, despite abundant water resources, these cannot be utilized due to the lack of infrastructure. The government has recently ordered a mid-term review of the contract with AVRL. Despite the lack of public funding, there are currently no plans to privatize the Ghana Water Company. The government has yet to announce policies to resolve the problem in the long term.

4.4. Privatization

The IPR recommended "packaging" slated privatization offerings as good commercial propositions for investors. Until recently, the most common and preferred form of privatization was through the sale of assets through competitive tender. However, the disposal by the government of major stakes in Ghana Oil Company Limited (GOIL) and the State Insurance Company through initial public offers (IPOs) in 2007 signaled a shift in government policy. IPOs provide an opportunity for public participation and are in line with the government's policy to encourage its citizens to invest and to acquire shares in these companies. The GOIL IPO was the first by a state owned enterprise and was largely oversubscribed. The government sold 49 per cent of its shares in GOIL, the second largest oil marketing company in Ghana, through the IPO. It retains a 51 per cent controlling stake in the company. Similarly, the government disposed of 60 per cent of its stake in the State Insurance Company, Ghana's largest insurance company, through an IPO that was also vastly oversubscribed.

As in the case of GOIL, the government has ensured its continued influence in the State Insurance Company by remaining the single largest shareholder in the company. Both IPOs attracted interest from institutional investors, in particular, banks and insurance companies, as well as from retail investors.

The government is currently progressing with privatization in the telecommunications sector. The sale of 75 per cent of its stake in Westel to Celtel International, a subsidiary of Zain, the Kuwaiti telecommunications company, for $120 million was completed in July 2008. The government retains a 25 per cent share in Westel through the Ghana National Petroleum Corporation (GNPC). As part of the sale agreement, Celtel will reduce its shareholding to 70 per cent within three years when it floats 5 per cent of its shares on the Ghana Stock Exchange. Westel is the second largest fixed line operator in Ghana and is licensed to provide landline and mobile telecommunications services. The government is currently in talks to sell 70 per cent of Ghana Telecom, the largest fixed line and second largest mobile operator in Ghana, to Vodafone for a reported $900 million. The capital injection will go some way to rehabilitating old equipment and recapitalizing Ghana Telecom. With the exception of Ghana Telecom, the remaining handful of state-owned enterprises that are currently slated for privatization are small. As such, there is currently very little activity in the Divestiture Implementation Committee, which is primarily responsible for the privatization of state-owned enterprises.

4.5. Labour productivity

The IPR identified low labour productivity and the lack of relevant skills as an impediment to investing in Ghana. This remains an issue for investors.[6] The IPR recommended that on-the-job training be encouraged and suggested offering fiscal incentives to companies providing it. According to companies interviewed for this report, there are currently no fiscal incentives for on-the-job training and many are providing in house training of their own accord to meet their needs. The TSSP includes a component on improving the linkage between education and the needs of industry and this is complemented by the 2007 education reforms as discussed below in section VII. This initiative is recent. There is also an overall need for a change in mindset and work ethics. This has to be inculcated and would not be achieved overnight.

[6] Executive Opinion Survey for the World Economic Forum *2008 Competiveness Report*.

4.6. Promoting manufacturing and export-oriented industries

The IPR recommended that existing manufacturers should be encouraged to expand and diversify under the booster programme. The TSSP tackles this issue on two fronts. Firstly, activities under its production capacity component include developing incentives for enhancing strategic sectors and formulating a comprehensive national industrial policy. The latter will be implemented under the Industrial Sector Support Programme to be developed under the TSSP. Secondly, initiatives under its trade support services component assist exporters in expanding and developing new value added products. These activities are ongoing.

5. Implementation of recommendations on the Gateway Project

The IPR recommended strengthening the Gateway strategy, and linking it to attracting FDI. In this context, the IPR had recommended (a) establishing Ghana as the major West African hub for trading and warehousing activities; (b) establishing Ghana as a centre for regional maritime engineering, technology and services; and (c) setting up Multi-Facility Economic Zones.

5.1. Establish Ghana as a major West African hub for trading and warehousing activities

The IPR recommended establishing bond-to-bond “hassle free” land transport links with neighbouring countries, so that customs checks are only at the bonded warehouse areas. The West Africa Transport and Transit Facilitation Project[7] on improving access by Ghana’s landlocked neighbours, Burkina Faso and Mali, to Ghana’s ports and facilitate trade in the subregion, will rehabilitate and strengthen road links serving the three countries. It will also enhance the capacity of customs and transport authorities to manage the movement of transit traffic along the road corridor by inter alia constructing a Satellite Transit Truck Village adjacent to the port of Tema, upgrading customs-related information and communication technology (ICT) and extending the cargo tracking system. Work has yet to commence on the project, which is expected to be completed in 2014. In the meantime, an electronic tracking system has been introduced under the TSSP to monitor transit cargo to Ghana’s neighbouring countries. However,

[7] Funded by the World Bank – http://go.worldbank.org/I2GIFONJK0.

this has yet to result in the reduction of checkpoints. The rehabilitation and extension of the rail network in western Ghana will link the port city of Takoradi with Hamile, located near the border with Burkina Faso.

Since establishing an efficient land transport system would take time, the IPR recommended introducing cargo ferries to increase sea transport to neighbouring countries. A small number of ferries were in operation until recently but have now ceased to operate as they did not prove popular because their charges were too high. The IPR recommended initiating negotiations with neighbouring countries to set up inland ports, with joint ownership by the countries involved. There has been no progress on this. The IPR recommended accelerating the establishment of the proposed Free Inland Port Area in Boankra. The development of the inland port in Boankra has been stalled due to a lack of funds. The government is currently looking for a strategic investor to help develop the port. When completed, the port will ease congestion at the ports in Tema and Takoradi and reduce the need for customs clearance at these ports.

5.2. Establish Ghana as a centre for regional maritime engineering, technology and services

The ports in Tema and Takoradi are being transformed into landlord ports under the Gateway Project. Operational activities have mostly been outsourced to third parties and the role of the Ghana Port and Harbour Authority (GPHA) has been reduced to marketing, regulating and monitoring port activities and providing marine services and port infrastructure. Under the landlord port concept, the GPHA earns income from leasing port infrastructure to private companies on long-term concessions. These companies then invest in the necessary terminal superstructure to operate the facility. In Tema, this form of outsourcing has resulted in the privatization of 75 per cent of stevedoring activities and the complete privatization of shore handling services. Existing port assets are being leased and the management and operations of the new container terminal, quay 2, were transferred to Meridian Port Services in 2007 under a 20 year concession. During this period, an annual leasing fee and royalties comprising 25 per cent of gross stevedoring revenue and 10 per cent of gross shore handling revenue will be paid to GPHA. Meridian Port Services has invested $54 million in the infrastructure and $35 million in the superstructure of the terminal. GPHA has also granted licences to five shipping companies to operate off-dock terminals to handle their containers and is undertaking a feasibility study to assess the possibility of expanding the port further into the sea.

These privatization efforts have been largely successful and the entry of private operators in conjunction with the landlord port concept has resulted in the modernization and expansion of facilities. Various financial incentives are being offered to encourage these investments including a reduction in import duties on plant and equipment and tax concessions for project financing. In terms of investment promotion, in line with its objective of developing Tema into a modern and efficient container port, GPHA specifically targets shipping companies such as Maersk and Bollore, big players in Africa, as prospective investors and the strategy appears to have paid off. The injection of private capital and expertise has expanded the port’s capacity for handling cargo and has increased efficiency by reducing the turnaround time for vessels to six days. However, some challenges still remain. These include lengthy delays due to customs procedures for cargo clearance. It currently takes at least a week to complete customs clearance. The availability of only two deep berths has also resulted in long queues for bigger vessels calling at the port. There is a further lack of cargo storage space and the problem has been exacerbated due to a very large number of containers that remain unclaimed at the port.

GPHA has continued to promote Tema as the gateway to its landlocked neighbours Burkina Faso, Mali and Niger. There has been a significant increase in the volume of transit and trans-shipment cargo through Tema. Volumes have increased from 145,000 tons in 2000 to 888,000 tons in 2006. GPHA projected that container traffic through Tema would reach 485 TEUs in 2010. However, this target was reached in 2006. GPHA attributes Tema’s success to a combination of factors including competitive tariffs, high security and cargo safety, reduced vessel turnaround times and modern facilities.

Privatization efforts are also ongoing at Takoradi port. Unlike Tema, Takoradi is mainly used for the export of commodities such as manganese, bauxite and timber. Its importance is likely to increase following the discovery of oil in Ghana. There are currently seven stevedoring companies operating in Takoradi. The IPR recommended attracting FDI to maximize Ghana’s existing position in shipbuilding and repair, by creating a cluster of maritime-based economic activities to serve domestic and regional needs. In line with this recommendation, GPHA is developing the slipway and dry dock at Takoradi to accommodate bigger vessels with the intention of expanding its ship repair industry to serve the ECOWAS subregion.

All these initiatives are consistent with the objectives of the Gateway Project to make Ghana the gateway to West Africa, and the recommendations of the IPR to establish Ghana as the regional hub for trading and warehousing activities as well as the centre for regional maritime engineering, technology and services. Although challenges remain, the improvements made to the port in Tema, which have already resulted in a significant increase in cargo traffic, are probably the most impressive in terms of concrete results from reforms which have taken place in Ghana since 2003.

5.3. Set up Multi-Facility Economic Zones

The IPR recommended the establishment of Multi-Facility Economic Zones to replace existing free trade zones in Ghana, which have not been very successful. An area in the Tema Export Processing Zone (EPZ) has been earmarked for a multi-purpose industrial park (MPIP). This initiative, undertaken through the Gateway Project, is in line with the IPR's recommendation to transform the EPZ and surrounding non-zone areas into industrial parks or Multi-Facility Economic Zones.

The MPIP is open to all domestic and foreign enterprises, regardless of whether they export. In addition to off-site infrastructure, when completed, the MPIP will provide on-site infrastructure managed by the Ghana Free Zones Board (GFZB), as well as common service facilities for the ICT, furniture and textile sectors in conjunction with the MSME Project. In addition to its aim of attracting a critical mass of enterprises into the erstwhile dormant zone, the MPIP will also complement and leverage from the MSME Project with the proposed development of the ICT Park, Furniture City and the textile development centre. It is envisaged that, in time, the entire EPZ will be transformed into an MPIP. There are currently 19, mostly Ghanaian, tenants in the MPIP. Their activities include cocoa and shea nut processing, textiles, plastics and prefabricated housing. Although some companies have yet to start operations, this is a vast improvement from the situation in 2003 when there was only one tenant in the EPZ. The MPIP concept appears to hold more appeal particularly amongst enterprises that previously did not qualify to locate in the EPZ due to the 70 per cent export requirement. In this regard, the GFZB and the GIPC should update their investment promotion strategies to emphasize the features of the MPIP concept that are different from that of an EPZ. Much of the information material, including in particular, those available on government-sponsored websites, continues to emphasize the EPZ features of the Tema enclave with little or no reference being made to the MPIP. Efforts should also be made to develop and implement a joint strategy by GFZB and GIPC to promote the MPIP to attract FDI. As noted in the IPR, the activities of the GFZB and GIPC are poorly coordinated and often overlap.

Under the MPIP there is plan to develop a “Furniture City” that seeks to relocate small furniture producers to form a cluster and provide them with common facilities. These include workshops, equipment, manufacturing and storage facilities, a showroom and an administrative centre as well as a technology and design centre. Similarly, the objective of the ICT Park is to create an industry cluster and will include common facilities and infrastructure that are tailored to the needs of the sector. These activities are in line with the cluster approach advocated in the IPR for the development of SMEs. This approach is also carried forward in plans to develop sector clusters in future projects, including the Shama Industrial Park, the Sekondi Industrial Park and the Ashanti Technology Park, all currently classified as EPZs. To overcome the current shortage of industrial land, the government has also embarked on a policy of acquiring land across the country with the aim of transforming it into sector-based industrial parks.

Although investments in the physical EPZs have been insignificant, the EPZ classification scheme has experienced reasonable success in Ghana. As outlined in the IPR, an enterprise is eligible for EPZ status without being located in an EPZ as long as 70 per cent of its products or services are exported. There are currently 150 EPZ-classified enterprises mostly located around Accra. The scheme has attracted investments across various sectors including textiles and garments, agroprocessing, ICT, pharmaceuticals, plastics, wood processing, metals, energy, printing and fibreglass manufacturing. The government is currently reviewing incentives available under the scheme.

6. Implementation of recommendations on SMEs

The IPR emphasized the importance of using foreign direct investment as a tool for economic development. In order for Ghana to maximize the developmental benefits from FDI in the long term, it recommended that priority be accorded to initiatives for the development of local SMEs. SMEs account for over 90 per cent of businesses registered in Ghana. In May 2007, the Micro Small and Medium Enterprises (MSME) Project was launched. It provides financing and technical support for MSMEs and is coordinated by the Ministry of Trade, Industry, Private Sector Development and President's Special Initiatives and implemented in conjunction with the TSSP. It includes a comprehensive range of activities to address the major constraints affecting the growth of MSMEs in Ghana.

The IPR underlined that access to finance is a major constraint to the expansion of the private sector, and in particular, the development of SMEs. It recommended improving financing for SMEs as an area for inclusion in its proposed booster programme. Facilitating access to finance is one component of the MSME Project. It includes instruments aimed at enhancing MSMEs' access to bank loans. Among them are the Partial Credit Guarantee Programme whereby the government will bear 50 per cent of the losses incurred by participating financial institutions on defaults arising from lending to MSMEs under the project, and the line of credit facility, which will provide funds to support term loan schemes for MSMEs. Technical assistance will also be provided to financial institutions to develop innovative financial instruments to enhance lending to MSMEs. These initiatives are in addition to funds available under the Export Development and Investment Fund and the Venture Capital Trust Fund. The latter was established under the Venture Capital Trust Fund Act (Act 680) in November 2004 and was operational in December 2005. The objectives of the fund are to provide financial resources for SMEs and to promote the development of the venture capital industry in Ghana. Funding is made available to SMEs through Venture Capital Financing Companies (VCFCs) established in partnership with the private sector. These companies are tax exempt institutions and their sole business is to support SMEs that qualify for equity, quasi-equity and credit financing. The companies also provide selected SMEs with management and other forms of technical assistance to boost the company's capacity to effectively utilize the funds as intended. There are currently four VCFCs operating with a total capital of approximately $46 million. Loans are granted at low interest rates on a long-term basis. To ensure continued commitment, a minimum equity contribution of 51 per cent is required from the SME owner to access funds from a VCFC. Although funds are generally available for all sectors of the economy, current priority sectors include agriculture, pharmaceuticals, ICT and tourism. At the end of 2007, the VCFCs had invested approximately $5.3 million in the following sectors: agriculture (33 per cent), services (25 per cent), financial (17 per cent), ICT (17 per cent) and manufacturing (8 per cent). This is a relatively modest sum considering the amount available for lending to SMEs.

The IPR proposed three schemes for the development of SMEs: a Small Aggregation Initiative, incubators and programmes for microenterprises. The MSME Project will support the establishment of business incubators and the creation of Common Services Centres to support MSMEs. This includes, as mentioned earlier, the establishment of industry clusters in the Tema MPIP. It has already earmarked an Information and Communications Technology (ICT) Park to provide infrastructure and business support services for export-oriented ICT SMEs; a Furniture City which will relocate small-scale furniture producers and provide them with common facilities; a Clothing Technology and Training Centre to train SMEs in the garment business to service their equipment and upgrade their production systems; as well as the creation of Common Service Centres for MSMEs under public–private partnerships. A pilot scheme will also be initiated to promote and facilitate subcontracting and partnership agreements between MSMEs and large companies in the construction subsector. The TSSP is also undertaking a Technology Innovation and Capital Goods Initiative for SMEs. Studies have been completed and the potential sectors identified are machinery, transport equipment and automotive products.

The discovery of commercial quantities of oil and gas in the western territorial waters of Ghana in 2007 has turned the country into a significant investment destination for the oil and gas industry. Both Shell and Total have already shown an interest following the discoveries by Tullow of the United Kingdom and Kosmos Energy of the United States and production is expected to begin in 2010. It is likely that FDI inflows into this sector will increase rapidly in the near future. This is an immense opportunity for the government to build up the oil and gas sector to accelerate economic development in Ghana. It has already created incentives, in line with international best practices, to attract investments into this sector. However, it is equally important that effective linkages with the local economy are set up to fully exploit its potential to benefit local industry. The government has recently established a Local Content Committee to encourage and facilitate local participation in the development of the sector and to tap the opportunities arising from the oil and gas supply chain and infrastructure.

Ghana's Model Petroleum Agreement provides for "local content" in all phases of petroleum operations if the quality and quantity are comparable to industry standards and are priced competitively. The GNPC is empowered to monitor the use of local personnel, goods and services. The model agreement requires the investor to submit his employment requirements, materials, goods and services requirements for operations to the GNPC for approval. In addition, the GNPC has identified some ancillary business opportunities for local enterprises including onshore support and logistics; real estate; transportation and supply chain services; telecommunications, banking and insurance services; and a host of construction opportunities from pipeline manufacturing to the construction of onshore and offshore structures.

7. Implementation of recommendations on human resource development and technology policies

The IPR identified a shortage of technical and management skills in the local labour market. Technical and vocational education was found to be lacking in key areas such as accounting, information technology and management of relevance to industries' needs. In this context, the IPR recommended the development of public–private sector partnerships to enhance labour skills and provide incentives for firms to undertake training programmes. It also recommended establishing joint private–public financing schemes to upgrade training in secondary and tertiary education as well as in technical schools.

The TSSP includes an education–industry linkage component to strengthen the links between technical education and training with the needs of industry, particularly in the strategic sectors. The outputs envisaged under this component include the establishment of a skills advisory group comprising members of academia, the private sector and government; alignment of the curriculum of tertiary institutions to industry needs; establishment of specialized training centers for certain target sectors; and attachment programmes for undergraduates in industry with funding provided under the 2007 national budget. It also provides for the development of linkages between tertiary, research and development institutions and industry, for which a coordinating committee has been established and workshops held to promote greater understanding of the issues.

These TSSP initiatives are complemented by education reforms introduced in September 2007 to link education with industry needs, including through partnerships with the private sector. Secondary and vocational education and training are to be restructured under these reforms. The focus of secondary education will be to prepare students either for entry into tertiary institutions or for the job market through apprenticeships and in house training in partnership with industry. The Council for Technical and Vocational Education and Training has also been established to develop policies, coordinate and regulate all aspects of technical vocational education and training. These initiatives are very new and they represent a step in the right direction. The government's commitment to address the current gap in skills is commendable. However, it is important that the government follows up rigorously on the implementation of these policies.

Progress has also been made in the ICT sector through two other initiatives. The Ghana Telecom University College was established in 2005 by Ghana Telecom to provide graduate programmes and degree programmes in telecommunication and multimedia engineering and ICT. Previous to this, the Kofi Annan Centre of Excellence in ICT, Ghana's first advanced information technology institute, was established in 2003 through a partnership between the Governments of Ghana and India to promote the growth of the ICT sector in the ECOWAS region. The centre's mission is to provide market-oriented training for ICT professionals, develop and apply research and innovative technologies for socio-economic development of West Africa and catalyze growth of the ICT sector in ECOWAS countries. The centre provides basic and advanced computing courses ranging from a six-week certificate course to a 10-month diploma course. Between 2004 and 2005, 1,223 persons were trained and between 2006 and 2007, the centre turned out 1,478 trainees.

The IPR recommended encouraging the establishment of private sector educational institutions that offer "twinning programmes" (e.g. with foreign university/college degrees awarded within Ghana) to make the country a regional centre of educational excellence with appropriate support facilities/incentives to attract FDI into this sector. The first accredited private tertiary institution was established in 1997. Today, there are over 20 such institutions in Ghana. However, none offer "twinning programmes" and many are funded by religious groups. These institutions mainly cater to students who are unable to gain admission into public universities. Currently, only 5 per cent of students enter tertiary education.

The IPR also recommended appropriate incentives should be considered in order to attract FDI into the tertiary education sector. Incentives given include duty-free ICT materials, five-year tax holidays for residential accommodation and all fiscal incentives available to the hospitality industry.

The IPR noted that there were no employment agencies in Ghana and recommended that an agency be established to register the unemployed, gather information on skills and education and provide recruitment services and training. The Labour Act 2003 provides for the registration of private employment agencies and the establishment of public employment centres to assist job seekers in securing employment, and employers in finding suitable workers from persons registered with the centres. There are currently 62 centres across Ghana and five youth employment centres situated in Accra, Cape Coast, Kumasi, Takoradi and Tamale.

The IPR recommended undertaking a “technology foresight” exercise with a view to assessing Ghana’s local technological competence according to global standards. This aspect will be incorporated in the national industrial policy that will be implemented under the Industrial Sector Support Programme to be developed under the TSSP. This exercise requires an assessment of Ghana’s technological competence for the identification and development of selected strategic sectors. This step will contribute significantly to long-term planning on technological development to meet industries’ needs. A National Technical Education and Vocational Training Council will be involved in reviewing industries’ needs.

The IPR recommended providing support and appropriate incentive schemes for collaboration and initiate a network that brings together private sector and government research and development institutions. It also recommended that the Ministry of Environment, Science and Technology could play a key role in implementing the national research and development policy by coordinating the different public institutions involved and the private sector. The selection of priority technology areas for research and development must be based on industry needs. The Ministry of Education, Science and Sports is currently responsible for policy issues relating to science and technology while the Council for Scientific and Industrial Research, a statutory organization, is responsible for coordinating scientific and industrial research. As mentioned above, the 2007 education reforms provide for the development of linkages between tertiary, research and development institutions and industry. A coordinating committee has recently been established and several workshops have been held to discuss this issue.

The IPR recommended strengthening the institutions dealing with quality control and standards, and involving industry in the monitoring of such standards. It also recommended training local staff in ISO (International Organization for Standardization) certification. The government is adopting measures to improve the development and application of standards in Ghana. This includes elaborating a national five-year strategic plan for standards and strengthening institutions, including in particular, the Ghana Standards Board responsible for the overall management and coordination of standardization issues in Ghana. The standards board is currently undergoing restructuring as part of this process. The GSB elaborates standards and certifies products under its certification scheme. Ghana mainly adopts international standards, especially ISO, Codex Alimentarius and International Electrotechnical Commission (IEC) norms. Standards are elaborated by a technical committee composed of various stakeholders including industry representatives. The Ghana Standards Board inspects goods at customs offices to ensure compliance and if requested, it also issues exporters with compliance certificates under the voluntary Export Certification Scheme. The board has recently extended its services to include ISO 9001 certification through a pilot scheme.

8. Implementation of recommendations on investment promotion

The IPR recommended that the mandates of the GIPC, the Ghana Export Promotion Council and the Ghana Free Zone Board be reconfigured with a view to consolidating their institutional links. This should result in a streamlined programme for investment promotion, including in new export-oriented areas such as information technology. Reconfiguration of these institutions and their consolidation into one single agency should be a priority. This issue is considered in the draft revised Investment Code.

The IPR also recommended that the GIPC should assume the functions of a one stop centre and assist investors in obtaining all required authorizations, licenses and permits (including land acquisition) from the relevant authorities. The GIPC should also establish investment servicing at the national and regional levels. The GIPC has opened a one stop shop in two regions in 2008 and has a plan to extend it to the remaining eight regions of the country within three years.

The IPR further recommended that the GIPC should play a strategic role in spearheading initiatives to capitalize on the privileges available under the African Growth and Opportunity Act and the Cotonou Agreement. There is apparently little focus on this in its investment promotion platform. Since 2003, the GIPC has concentrated its investment promotion efforts primarily on the development of key strategic sectors of the economy. These sectors include agriculture, infrastructure, ICT/media, financial, services, manufacturing, tourism, health and education.

9. Implementation of the 15-Point Action Plan of the Blue Book

In 2006 UNCTAD provided Ghana with a Blue Book on Best Practices on Investment and Facilitation. It contained 15 practical measures implementable over a year which would help to move Ghana towards best practice. Varying progress was achieved in its implementation: seven measures were fully implemented, partial progress was achieved for three measures and five measures have yet to be implemented.

Progress of each of Blue Book measure is given below.

9.1. Measure 1: Revise the Bilateral Investment Treaty Model to guide future negotiations and expand the double taxation treaty network.

The GIPC is currently reviewing a model BIT with assistance from UNCTAD. The model BIT will take into account balanced interests of investors and the state and also address the development dimension and will help to guide future negotiations.

9.2. Measure 2: Improve the application of the new labour law.

This measure has been fully implemented by the National Labour Commission (NLC). The NLC has prepared and disseminated information material including pamphlets, guides and calendars to increase public awareness of the provisions of the new labour law. The NLC has also embarked on a nationwide awareness programme. This includes holding workshops as well as a weekly radio programme to inform and educate the public on the provisions of new Labour Act and the role of the NLC. There are also plans to cooperate with the GIPC to disseminate information to investors.

9.3. Measure 3: Develop a training programme to increase productivity among factory workers.

A training programme to increase productivity among factor workers at the national level has not been developed.

9.4. Measure 4: Reform the duty drawback refund system and set deadlines and penalties in the administration of customs duty drawback.

There has been some improvement in the processing of duty drawback applications. Although it now only takes two days to process an application, it still takes more than a year to obtain a refund as funds in the escrow account remain the same. The Ministry of Finance has recently requested the Revenue Agencies Board to double funds set aside for duty drawback from 0.16 per cent to 0.32 per cent of the Customs Exercise and Preventive Service's monthly revenues to reduce payment delays.

9.5. Measure 5: Attract investment in new power generation projects.

There is no evidence of incentives specifically packaged to attract FDI in power projects.

9.6. Measure 6: Commercialize VoIP calling facilities.

The government does not currently plan to legalize the grey market in international calling by allowing for the commercialization of the Voice over Internet Protocol (VoIP). Thus, there has been no progress in the implementation of this measure.

9.7. Measure 7: Develop a Land Bank Portal.

A Land Bank Portal has been made available on the updated GIPC website.

9.8. Measure 8: Set up an online tax information service.

There has been some progress in the implementation of this measure. An online tax information service has been established by the Large Taxpayer Unit to serve large taxpayers. It includes information on new practices and interpretations of tax legislation and rules, some of which are relevant to other taxpayers. Due to resource constraints, no immediate plans are envisaged to introduce a general online tax information service.

9.9. Measure 9: Prepare a model stability agreement for mining.

The stability agreement between the government and Goldfields Mining Ltd. was intended as the model for such an agreement. However, after two years, the agreement has yet to receive parliamentary approval, as required under the Minerals and Mining Act 2006 (Act 703) for it to enter into force.

9.10. Measure 10: Develop a package of measures to facilitate investment in value adding downstream processing of minerals.

A working group has been convened to discuss possible measures to encourage value added downstreaming activities.

9.11. Measure 11: Enact the competition law.

Progress has been slow in this area. A National Reference Group has recently been formed to discuss competition law issues. Its members include representatives from the government, trade unions and non-governmental organizations. The drafting of the new Competition Bill still has a long way to go before it can be submitted to cabinet.

9.12. Measure 12: Establish a digital one-stop shop.

A plan is in the pipeline but nothing concrete has yet materialized.

9.13. Measure 13: Set up a promotion strategy in two key sectors and prepare and distribute investment promotion material.

The GIPC is focusing on seven sectors, and in the last years, active promotion of the ICT and agri-business sectors were carried out.

9.14. Measure 14: Design an investment promotion training programme for diplomats.

UNCTAD will be delivering the training programme for diplomats in the course of 2009.

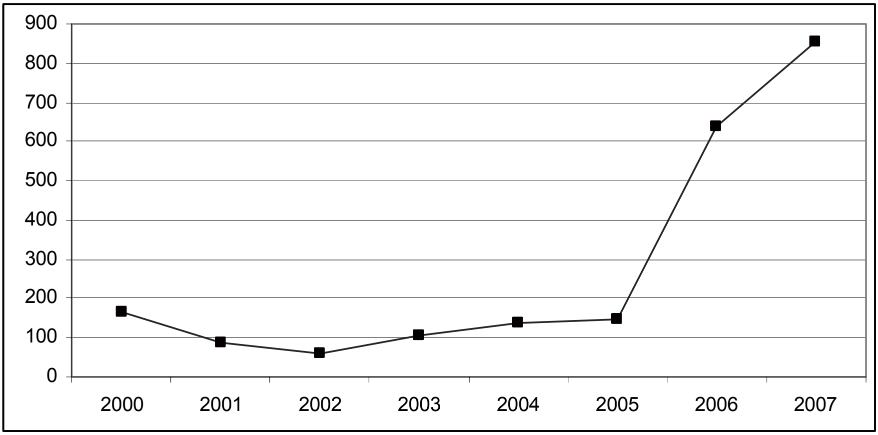
9.15. Measure 15: Organize a matchmaking event with 10 large and medium size Asian transnational corporations.

The matchmaking event took place in conjunction with the World Investment Forum and UNCTAD XII in April 2008. Business networking events were organized with foreign investors from Brazil, China, Germany and the United States. It included a “Ghana–China B2B event: Invest in Ghana”. The Association of Ghanaian Industries organized bilateral meetings between foreign companies and the domestic private sector.

10. FDI attraction performance

There has been a steady increase in FDI inflows into Ghana since 2003 with steep annual increases reported in 2006 and 2007. In 2006, FDI inflows increased more than fourfold in 2006 from $145 million in 2005 to reach $636 million, making Ghana the tenth largest recipient of FDI in Africa in that year. This was largely due to two large investments by United States firms Newmont Mining Corporation and Alcoa Inc. It is notable that FDI inflows in 2006 exceeded the combined FDI inflows from 2000–2003. Although in 2007, Ghana was not among the top 10 FDI recipients in Africa, FDI inflows reached a record level of $855 million (see figure 1).

Figure 1. FDI inflows into Ghana, 2000–2007
(millions of dollars)



Source: UNCTAD World Investment Report 2008.

With the exception of a few large foreign investors in mining, FDI inflows into Ghana are mostly in the form of small- and medium-scale projects. Between 2005 and 2007, there was an influx of foreign banks.

Clearly the sector relating to the oil industry is poised to attract new FDI. However, the current global economic situation and the falling price of oil may dampen the prospect of FDI growth in the near term.

FDI statistics are provided by the various agencies which approve FDI projects. There is very little coordination between the agencies concerned. The GIPC is currently making efforts to collate all FDI statistics from these agencies in order to enhance the reliability of the data. Separately, the Bank of Ghana has recently launched the Foreign Private Capital Flows Survey to coordinate all private capital inflows into the country.

11. Conclusion

Since 2003, the government has launched a wide range of reforms to improve the business environment, promote private sector growth and increase FDI into Ghana. These are generally well conceived and are commendable. The record of implementation of recommendations is relatively good, although some initiatives are too recent to assess, particularly as planned reforms can fall short when it comes to implementation. A checklist of the assessment of the implementation status for each recommendation is provided in tables 1–6.

A hard-fought election in December 2008 and the acceptance of the results by the all parties had boosted Ghana's image in the African continent as a country that plays by the rules of democracy. Its political stability stands out as a key favourable point with investors. The new government's manifesto on the economy is to be business friendly and compatible with rapid growth. It is important that there is a continuation of policies in order to maintain investors' confidence, sustain the current momentum in implementation and ensure that these reforms remain on track. The current bleak economic situation should not deter the government's reform efforts. The administration should build on its current efforts to address all the key recommendations in the IPR that remain outstanding or were partially implemented. Bottlenecks identified by the IPR still persist, and in the case of power supply, the situation has worsened significantly. Accelerating private investment in the power sector is a long-term solution that requires strong commitment and sustained actions. It should not be done in half measure as is the case now. It is critical that these bottlenecks are adequately addressed in order to avoid negative impacts on future economic growth and FDI inflows. To attract quality FDI, which can create greater benefits for the economy, there is also a need to vigorously implement comprehensive policies on human resource development, medium and small enterprise development and technology development.

In the last year the robust economy coupled with the new discovery of oil and gas have boosted investors' confidence. The discovery of commercial quantities of oil and gas in its territorial waters in 2007 has presented Ghana with a tremendous opportunity to develop the oil and gas sector as an engine for growth and an accelerator for economic development. It is important that income from this sector is used carefully to achieve the objective of turning Ghana into a middle-income country by 2015. It could provide the much needed funding for infrastructure and other critical development projects in the country. The government is taking a step in the right direction to encourage local participation in the development of the industry for the benefit of the local economy.

Table 1. Summary of implementation achievements: investment framework

IPR recommendation	Result	Comment
Review 1994 Investment Code with a view to easing company establishment and ownership restrictions by sectors.	XX	In draft form, but remains to be adopted.
Initiate new and ratify existing BITs and double taxation treaties.	XX	Partially accomplished.
Modernize tax system in accordance with international standards.	XXX	Creation of a Large Taxpayers Unit eased tax audits for the large taxpayers who account for 60 per cent of income tax paid. It will allow tax credits in lieu of tax refund.
Improve labour dispute settlement mechanisms and facilitate flexible working hours in line with best practices.	XXX	A National Labour Commission (NLC) was set up in 2005 to deal with disputes. The new Labour Act also provides for flexible work hours in line with international norms.
Reform land laws and establish land banks.	XXX	The Land Commission was streamlined and various departments, viz., the Survey Department, Land Titles, and the Land Valuation Board are brought together as one. Thirty-eight Customary Land Secretariats have been set up throughout Ghana**.**
Reinforce regulatory framework and institutions dealing with infrastructure development and privatization.	X	No progress.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal

Table 2. Summary of implementation achievements: booster programme

IPR recommendation	Result	Comment
Improve access to finance for exporters and SMEs.	XXXX	Several instruments were created to facilitate access of MSMEs to finance.
Review tariff structure and remove inconsistencies.	XXX	Tariff Advisory Board is established. Review of tariff structures completed and inconsistencies to be removed.
Remove infrastructure bottlenecks.	XX	Limited progress. Most projects are still donor and government funded.
Introduce off-peak electricity tariff rates.	X	No change.
Provide fiscal incentives to firms for on-the-job training.	X	No change.
Package and promote slated privatization offerings.	+	Policy shift and privatization is carried out through IPOs to allow for public participation.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal

Table 3. Summary of implementation achievements: Gateway Project

IPR recommendation	Result	Comment
Establish bond-to-bond “hassle free” land transport links with neighbouring countries.	XX	The West Africa Transport and Transit Facilitation Project will enhance the capacity of customs to manage the transit cargo of Burkina Faso and Mali through Ghana’s ports. Electronic tracking system introduced under the TSSP but checkpoints have not been reduced.
Introduce cargo ferries to increase sea transport to neighbouring countries.	X	A small number of ferries were in operation but services have ceased due to lack of demand as charges were too high.
Initiate negotiations with neighbouring countries to set up inland ports.	X	No progress.
Accelerate the establishment of the proposed Boankra Inland Port.	X	Project stalled due to insufficient funds. The government is looking for a strategic investor to help develop the port.
Create a cluster of maritime-based economic activities to serve domestic and regional needs.	XXX	Tema port facilities and services have improved. Dry dock at Takoradi is being upgraded to serve the ECOWAS subregion.
Establish Multi-Facility Economic Zones.	XX	Part of the Tema EPZ being transformed into a MPIP. Plans underway to convert all other EPZs into MPIPs.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal

Table 4. Summary of implementation achievements: SMEs

IPR recommendation	Result	Comment
Introduce Small Aggregation Initiative for SME development.	XX	A Plan on Technology Innovation and Capital Goods Initiative for SMEs is formulated under the TSSP. Potential sectors include machinery, transport equipment and automotive products.
Establish incubators for SMEs.	XX	The MSME Project provides for the establishment of business incubators and Common Services Centers for MSMEs, viz. ICT Park, Furniture City and the Clothing Technology and Training Centre.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal

Table 5. Summary of implementation achievements: human resources and technology policies

IPR recommendation	Result	Comment
Public–private sector partnership to enhance labour skills.	XX	The policy is formulated in the TSSP and 2007 educational reforms, and yet to be implemented.
Encourage the establishment of private sector educational institutions that offer “twinning” programmes.	X	There are numerous tertiary institutions but none offer “twinning” programmes.
Establish private–public financing schemes to upgrade training in secondary, tertiary and vocational education.	XX	Outlined in the TSSP and 2007 educational reforms but not yet implemented.
Undertake a “technology foresight” exercise to assess Ghana’s technological competence.	XX	A national industrial policy under the TSSP is being formulated and will incorporate this aspect.
Promote cooperation and collaboration between the private sector and government research and development institutions.	XX	The 2007 education reforms provide for linkages between tertiary, research and development institutions and industry. A coordinating committee has been established.
The Ministry of Environment, Science and Technology to implement the national research and development policy.	X	Not yet implemented.
Strengthen institutions dealing with quality control and standards, and involve industry in the monitoring of standards.	XX	A national five-year strategic plan for standards and the strengthening of institutions, including in particular, the Ghana Standards Board has been formulated. The board has launched a pilot scheme for ISO 9001 certification.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal

Table 6. Summary of implementation achievements: investment promotion

IPR recommendation	Result	Comment
Reconfigure the mandates and consolidate institutional links between the Ghana Export Promotion Council, the Ghana Free Zone Board and the GIPC for investment promotion.	XX	The issue is considered in the revised Investment Code but the revised Code is still in draft form.
The GIPC should assume the functions of a one-stop centre for all required authorizations, licenses and permits and should also establish investment servicing at the national and regional levels.	XX	Partial progress. One-stop service provided in two provinces.
The GIPC should take advantage of the privileges provided under the African Growth and Opportunity Act and the Cotonou Agreement to attract FDI.	X	More should be done.

Key to table:

+	different policy direction taken		
XXXX	surpassed expectations	XXX	fully or largely accomplished
XX	partially accomplished	X	no change or reversal