

# Socio-Economic Transformation of Ghana and its Investment Opportunities

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## GEOGRAPHY AND PEOPLE

The Republic of Ghana extends inland from the Gulf of Guinea on the western 'bulge' of Africa, and is bordered by the Atlantic Ocean to the south, Togo to the east, Burkina Faso to the north and La Cote d' Ivoire to the west. With a surface area of 238,837 sq km, it is similar in size to Great Britain or the American state of Oregon. It is bisected by the Greenwich Meridian and lies entirely within the northern tropics between 4.50N and 110. Most of the country is relatively flat and lies below an altitude of 150m but several peaks in the east rise to above 800m. It has a tropical climate, warm to hot all year through, and can be divided into two broad geographic zones: the south and centre are moist and support a cover of a drier savannah environment. Ghana's population is estimated at 24.4 million, roughly ten percent of whom live in and around the capital city of Accra. Other major urban centres include Kumasi, Tamale, Tema, Takoradi and Cape Coast. More than 70 languages and major dialects are spoken countrywide, classified in four linguistic groups: Akan, Mole-Dagbani, Ewe and Ga. The most widespread Akan language is Twi, which is spoken by roughly half the population, including the Asante (Ashanti) people of Kumasi and the coastal Fante. Two-thirds of Ghanaians are Christian, another 15% are Islamic, and the remainder adhere to traditional beliefs.

## ECONOMY

The economy of Ghana, has a diverse and rich resource base, and as such, has one of the highest GDP per capita in Africa. Ghana remains somewhat dependent on international financial and technical assistance as well as the activities of the extensive Ghanaian diaspora. Gold, timber, cocoa, diamond, bauxite, and manganese exports are major sources of foreign exchange. An oil field which is reported to contain up to 3 billion barrels (480×106 m3) of light oil was discovered in 2007. Oil exploration is ongoing and, the amount of oil continues to increase.

The domestic economy continues to revolve around subsistence agriculture, which accounts for 35% of GDP and employs 55% of the work force, mainly small landholders. On the negative side, public sector wage increases and regional

peacekeeping commitments have led to continued inflationary deficit financing, depreciation of the Cedi, and rising public discontent with Ghana's austerity measures. Furthermore, according to the World Bank, Ghana's per capita income has barely doubled over the past 45 years.[5] Even so, Ghana remains one of the more economically sound countries in all of Africa. Timber and marine resources are important exports for Ghana, but are unfortunately declining. Agriculture accounts for roughly one-third of Ghana's GDP, while employing more than half of the workforce, mainly small landholders. Ghana's primary cash crop is cocoa. Ghana signed a Millennium Challenge Corporation (MCC) Compact in 2006, aimed at assisting in the transformation of the agricultural sector. The services sector accounts for 40% of GDP. Ghana's industrial base is relatively advanced compared to many other African countries. Industries include textiles, apparel, steel (from scrap), tires, flour milling, cocoa processing, beverages, tobacco, simple consumer goods, and car, truck, and bus assembly. Industry, including mining, manufacturing, construction and electricity, accounts for about 30% of GDP.

Ghana has experienced a stable political climate and an average annual GDP growth over the past ten years. Ghana was recognized for its economic and democratic achievements in 2006, when it signed a 5-year, \$547 million anti-poverty compact with the United States' Millennium Challenge Corporation. Ghana is currently on track to meet the Millennium Development goal of halving extreme poverty by 2015

### **Agriculture in Ghana**

Agriculture is Ghana's most important economic sector, employing more than half the population on a formal and informal basis and accounting for almost half of GDP and export earnings. The country produces a variety of crops in various climatic zones which range from dry savanna to wet forest and which run in east west bands across the country. Agricultural crops, including yams, grains, cocoa, oil palms, kola nuts, and timber, form the base of Ghana's economy.

### **Mining Industry in Ghana**

Mining industry of Ghana accounts for 5% of the country's GDP and minerals make up 37% of total exports, of which gold contributes over 90% of the total mineral exports. Thus, the main focus of Ghana's mining and minerals development industry remains focused on gold. Ghana is Africa's 2nd largest gold producer, producing 80.5 t in 2008. Production is dominated by AngloGold Ashanti. Ghana is also a major producer of bauxite, manganese and diamonds. The country has 23 large-scale mining companies producing gold, diamonds, bauxite and manganese, and, there are also over 300 registered small scale mining groups and 90 mine support service companies. Other mineral commodities produced in the country are natural gas,

petroleum, salt, and silver. Ghana's economy depends largely on exports of cocoa and gold.

### **Oil and Gas in Ghana**

15th January, 2011 marked an important day in the annals of Ghana as it pours its first barrels of oil from the Jubilee wells. Ghana is said to possess about 1.8 billion barrels of crude oil in the Jubilee fields alone making it the single biggest in Africa and second in the world. This would earn the country about 50% of its national revenue from the oil and gas in 20 years time. Naturally, expectations of Ghanaians in the oil prospects have gone beyond imaginable limits considering landmarks investments African countries like Nigeria, Libya, Algeria, Egypt and Angola have made from their oil.

As a matter of fact, those living in the West African Sub-Region do not need to be reminded that, being an oil producing country doesn't necessarily translate into national prosperity. And in Ghana's case, before the country became an oil producer at the end of 2010, the country has been a leading world producer of gold and cocoa for more than a century. But what do we see today? The country is still classified as developing, with not so impressive social indicators. Citing gold production for instance, comparing Obuasi, Tarkwa, Prestea, Dunkwa and Konongo major old gold mining towns in Ghana to Johannesburg, a wealthy city of gold industry in South Africa, tells the paradox of our homeland being a resource rich country and yet, not prosperous. It all depends on the ability of Ghana to process its vast resources into value-added tradable goods, using the combination of human capital and technology. This is the surest way for the country to benefit from its resource endowments.

### **International Trade**

Ghana is active in the United Nations and many of its specialized agencies, as well as the World Trade Organization, the Nonaligned Movement, the African Union (AU), and the Economic Community of West African States (ECOWAS). Exchange controls are liberalized and several private forex bureaux operate in Ghana, while the Bank of Ghana Exchange Control Department administers the allocation of exchange for payments for invisibles and capital. Ghana maintains a liberal trade and exchange system largely free of restrictions. A new Foreign Exchange Act has recently been passed to simplify the documentation and approval procedures that burdened the system under the old Exchange Control Act, effectively opening the economy to the global markets.

The Ghana Free Zones Scheme is an integrated programme aimed at promoting the processing and manufacturing of goods through the establishment of Export Processing Zones (EPZs). As a result, the whole of Ghana is accessible to potential

investors, who have the opportunity to use the free zones as focal points to produce goods and services for foreign markets. Completely private sector driven, the Government's role in the programme is limited to facilitation, regulation and monitoring of activities of zone developers/operators and enterprises.

**Factors leading to Structural Socio–Economic Transformation:**

- Need to modernize the Ghanaian society by planning urban and rural human settlements with good access roads, water supply, reliable utility services, adequate sanitation and waste management facilities;
  - Urgency of providing increasing levels of well-paid professional employment opportunities for the youth after graduating from universities, colleges and polytechnics;
  - Aspiration of Ghanaians for high standard of living with choices for better quality of life;
  - The moral imperative to eradicate illiteracy and endemic poverty in the rural agricultural and urban informal sectors;
  - Popular public demand for more employment opportunities to earn decent and sustainable incomes;
  - Need to provide adequate and equitable social and economic services infrastructure throughout the country;
  - Need for Ghana' s economy to become highly productive and globally competitive, and able to export quality manufactured and value-added industrial and agro-processed products;
  - Need to develop and apply technology and technical know-how to improve productivity in all aspects of the Ghanaian economy;
  - Need to create a booming economy where the construction, banking, housing, insurance, commercial, domestic and foreign trade sectors are contributing to industrial development and national prosperity;
  - Desire to achieve and maintain Ghana first mentality and national cohesion, as well as a flourishing democratic governance and rule of law;
  - Need to develop national capacity for sustainable management of the environment and natural resources.

**Factors Influencing an Accelerated Transformation of Ghana' s Economy, Focusing on Industrialization**

1. Modernization and Mechanization of Agriculture
2. Accelerated Agro-Based Industrial Development

3. Increased Investment in Human Capital Development
4. Integrated Mining and Manufacturing Industries
5. Integrated Oil and Gas Industry
6. Agricultural and Industrial Technology Development and Application
7. Accountable Governance, Institutional Renewal and Strengthening
8. Taking Advantage of Globalization, Foreign Trade and Aid
9. Accelerated Social, Economic, Telecommunication and Transportation Infrastructure Development
10. 10. Sourcing Finance for Ghana' s Long-Term Development

#### **WHY INVEST IN GHANA**

1. Political stability (multi-party democracy)
2. Economic stability
3. A fully liberalized economy
4. Strong government commitment to private sector development
5. An abundant and rich natural and mineral resource base.
6. Gateway to the Economic Community of West African States' [ECOWAS] market of some 240 million people
7. Strategic and central location in terms of subregional, regional and international trade and commerce with excellent sea and air connections, with daily flights to Europe & USA.
8. Existence of one of the best-trained, trainable, honest and stable workforce in Africa.
9. Competitive labour costs.
10. Quality business environment.
11. Good and ever improving infrastructure development eg. Telecommunications, roads and energy.
12. Free transferability of profits, dividends and capital gains.
13. Warm and friendly people
14. Modern, vibrant and fast growing financial sector.
15. Very peaceful and harmonious with a high degree of personal safety.
16. Membership of ACP/EEC, WTO. ECOWAS, AU, IMF, WORLD BANK, BRITISH COMMONWEALTH.
17. Duty and quota free access to the United States of America (AGOA) and European Union (ACP –EU) markets.

## **INVESTMENT GUARANTEE**

### **Constitutional Guarantee**

Ghana's 1992 constitution guarantees protection from arbitrary deprivation of property and guarantees compensation.

### **Dispute Settlement Guarantees**

1. The rules of procedure for arbitration of the United Nations Commission on International Trade Law (UNCITRAL Rules).
2. The Convention of the International Centre for the Settlement of Investment Disputes [ICSID]
3. International Chamber of Commerce [ICC]
4. Signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

### **Other Protection Mechanisms.**

1. Investment Incentive Agreement with the Overseas Private Investment Corporation [OPIC] of the USA.
2. Multilateral Investment Guarantee Agency [MIGA] of the World Bank Ghana is a signatory to MIGA convention. MIGA guarantees coverage (insurance) against non-commercial risks such as transfer restrictions, breach of contract, expropriation, war and civil disobedience.
3. Ghana also has an investment promotion and protection agreement with OPEC. Double Taxation Agreements [DTA's] with interested countries.
4. Ghana uses DTAs to rationalize the tax obligations of Investors from global tax sourced jurisdictions. Ghana has to date signed and ratified DTA's with France, The United Kingdom, Belgium, Italy, Germany and South Africa.

### **Investment Opportunities**

All areas are open to foreign participation with special focus on the following

**Cotton and Textile:** Production of improved varieties of cotton for export and local consumption, establishment of ginneries, farm to plant transport services, storage and handling facilities, production of chemicals including natural dyes, industrial starch, caustic soda, hydrochlorides and other finishing chemicals as well as production of textiles. Cotton production has been selected as one of the special Presidential Initiatives.

**Agro-Processing:** Establishment of manufacturing industries to add value to local agricultural and fishery products, especially cassava into industrial starch etc, cocoa beans into cocoa products, fruits into fruit juices, purees etc, rice into fragrant rice, flour etc. The scope for export of these products to regional and international

markets is quite significant. Production of cassava and industrial starch is under the Presidential Special Initiatives.

**Ethnic Beauty Products:** Production of universal and ethnic cosmetics such as hair and skin care products, using local raw materials which are in abundance e.g. soya bean oil, Shea butter, sunflower seed and sunflower oil, coconut oil, palm kernel or babasu oil etc.

**Floriculture:** An industry in its nascent stages, Floriculture offers a lot of opportunities as Ghana's climate, topography and other natural characteristics make it a conducive location for the cultivation of a myriad of exotic flowers. Species like heliconia, caribea, celosia, curcuma, gladioli, hibiscus, roses, ornamental palms and ferns perform well under natural condition. Cold storage facilities, green house construction, irrigation equipment and construction of small dams, as well as packaging materials, all provide opportunities. There are eleven cargo airlines operating flights with very competitive costs(\$0.74 – \$1.25/kg). These are British Airways, South African Airways, KLM, Lufthansa, Kenya Airways, Alitalia, Emirates, Britannia, Air Ivoire, Bellview and Ghana International Airlines. Ghana also has comparative advantage in its proximity to the main EU markets, with flights to London and Amsterdam averaging only six hours.

**Fine and Custom Jewellery:** With a tradition dating back to the 5th century B. C, Ghana has always had a vibrant gold smiting and jewelery making industry. As a major producer of gold and diamonds, vast opportunities exist in the production of fine jewelery, custom jewelery, accessories and services.

**Transport Services:** Identified as one of government's priority areas to be developed under its medium term plan, transport services offer exciting opportunities, especially in mass transportation, scheduled bus system, rail upgrades and passenger rail transport on chosen corridors, lake transport system (exports and imports to and from land locked neighbours of Burkina Faso, Mali and Niger), air transport operators for domestic and sub regional services, as well as, upgrading of existing trunk roads under BOT, BOO, BAT, BLT etc. systems.

**Seafood Processing:** Ghana's 540 km of coastline and 8,520 square km of water surface area provide an abundance of marine life (particularly tuna), aquaculture and inland fish species. Opportunities exist in harvesting and processing of tuna and various marine and aquaculture species as well as establishment of aquaculture (fish farms).

**Property Development:** Construction of residential houses (low cost housing, high rise quality apartments, retirement villages); Industrial Houses (light industrial parks, warehousing facilities) and Commercial Houses (regional and local shopping

centers/malls, office accommodation, storage etc.) as well as provision of construction equipment and building materials.

**Tourism:** One of the fastest growing sectors in the economy, tourism holds a lot of attractions for investors. Opportunities include provision of Hotel accommodation in the 3 – 5 star range in Accra and the regional capitals; Beach, Lake and River Resort development (including water sport and game fishing); development of Lodges and National Parks; development of Modern Convention / Event Facilities for large social gatherings in main cities; provision of complete Adventure for domestic and sub regional markets; and Rest Stops on key excursion routes. A newly introduced L I (1817) with its mouth-watering incentive packages has made this sector very attractive.

**Ceramics:** Provision of structural ceramics (including burnt bricks, tiles and murals), traditional ceramics (flower vases, pots, candle holders and lamps), crockery (plates, tea and coffee pots, cups, mugs), electrical products (insulators, plugs and capacitors), sanitary items (sinks, baths and wash basins) and clinical items (dental fixtures, fillers and bone joints).

**Information Technology/Electronics:** Establishment of centres of excellence for production of electrical and electronic products; manufacture and assembly of computer equipment; electronic commerce, Information network operation, medical transcription, legal databases, logistics management, insurance claim processing, back office operations etc.

**Apparel:** Opportunities in this sector have been enhanced with Ghana's receipt of its visa protocol under the African Growth and Opportunities Act (AGOA). Production and export of large-scale apparel and clothing especially Afro-centric clothing for niche markets in the United States and Europe look particularly attractive. Other areas are export of hand-woven indigenous textiles and manufacturing of upscale designer wear for mainstream overseas markets. Ghana's 'Kente' cloth is globally recognized and admired. This sector is under the Presidential Special Initiatives.

**Hand Tools:** While there exists a strong demand for steel and related products in Ghana and the sub region, there are no major producers in West Africa. This is in spite of widespread availability of natural resources and trained personnel. For instance, Opon-Manso, in Ghana is estimated to have an ore reserve of 174.4 million long tons. Industrial steel, agricultural implements like spades, shovel, forks, mattocks, pricks, hoes, shears scythes etc. are in great demand as well as construction/industrial tools like screwdrivers, hammers, anvils, handsaws, blades etc.