
KUMASI INVESTMENT ROAD SHOW

Regulatory Framework for Investing in Ghana

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PRESENTATION OUTLINE

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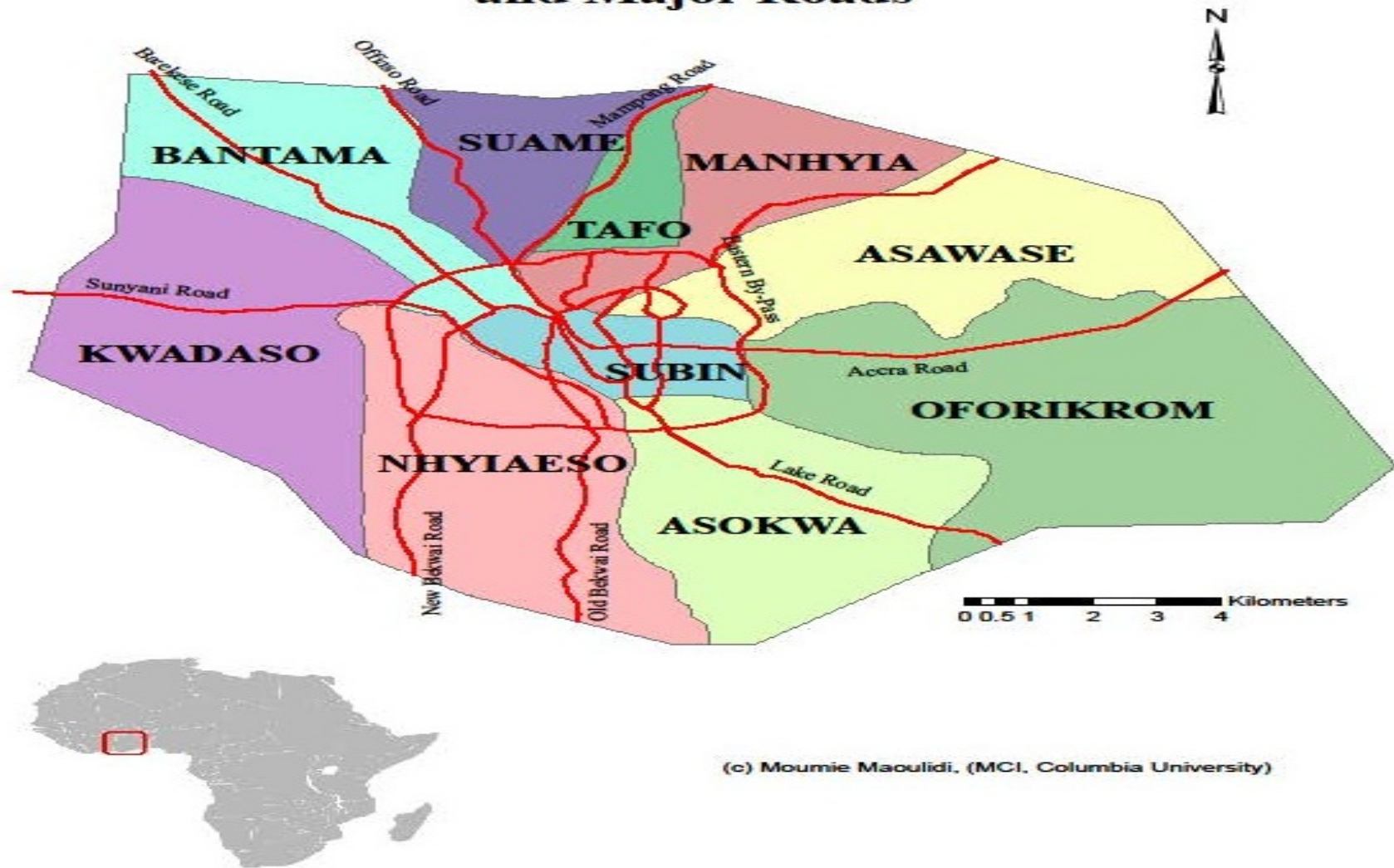
FDI - OVERVIEW

- ❑ Strong economic growth has been accompanied by significant increases in FDI inflows into the country
- ❑ From 2006 to 2010, FDI into Ghana increased at a compound annual growth rate of 41%, that is from \$636 million to \$2.527 billion.
- ❑ Over the last 2 years, there was a tremendous increase in FDI inflows from \$2.527 billion to \$6.821 billion representing 46%

- ❑ Ranked 3rd among top five recipient of Foreign Direct Investment into Africa for 2011 with US\$3.2 billion inflows



Map of Kumasi Showing Sub-Metro Areas and Major Roads



KUMASI IN BRIEF

- ❑ It is located 270km northwest of Accra
- ❑ It is the capital of the most populous region in Ghana- Ashanti region and the most populous metropolis in Ghana with approximately 4.78 million and 2.035 million respectively (2010, Pop. Census)
- ❑ English and Twi are the most common medium of communication
- ❑ Major economic activities include cocoa, timber, mining, light manufacturing, wholesale and retail



GHANA INVESTMENT PROMOTION CENTRE (GIPC)

- ❑ The Ghana Investment Promotion Centre (GIPC) is a government agency re-established in 1994 under **Act 478** to promote, coordinate and facilitate investment in the Ghanaian economy.
- ❑ **Our functions include:**
 - ñ Investment advisory services
 - ñ Joint venture search
 - ñ Identification of specific projects for investment promotion
 - ñ Grant of investment incentives and provision of investor support services
 - ñ Registration of technology transfer agreements
 - ñ Negotiation of Bilateral Investment Treaties



KEY SECTORS FOR INVESTMENT

- ❑ **Oil and Gas**
- ❑ **Energy**
- ❑ **Infrastructure**
 - Roads
 - Public housing and property development
 - Rail transport and ports
- ❑ **Agriculture**
- ❑ **Tourism**
- ❑ **Manufacturing including Agro-processing**
- ❑ **Services**
 - Information and Communications Technology
 - Financial services
- **Education**



STRATEGY FOR ATTRACTING INVESTMENTS

Our overriding strategy over the next 12 months is to create jobs and sustain economic growth through FDI inflows.

Principles underlying the strategy;

- ñ Setting clear objectives with achievable milestones
- ñ Empowering the agency's team and processes
- ñ Adherence to a consistent policy description
- ñ Delegating to trusted leadership
- ñ Incorporating 'Best practices' from elsewhere
- ñ Widening the spheres of influence
- ñ Pegging performance to milestones



THE THREE PILLARS OF THE STRATEGY

Image

- ñ Projecting the right image and reputation of GIPC

Experience

- ñ Ensuring that every investor and anyone else who influences decision has only positive experience where execution of commercial opportunities in Ghana are concerned.

Direct Investments into Tangible Results

Translating direct investments (both foreign and domestic) into jobs, infrastructure, high impact interventions on critical economic indicators and key factors driving investment decision

1. Sophistication of our financial services sector
2. Access to power and other utilities
3. Land Access
4. Skilled workforce availability
5. Robust incentives that benefit investors, and in the longer term the country
6. Sound regulatory practices that are reputationally respected



SECTORAL DISTRIBUTION OF REGISTERED PROJECTS BY GIPC FROM SEPT 1994 TO JUNE 2013

| SECTOR | NO. OF PROJECTS | TOTAL ESTIMATED COST US\$ M |
|-----------------|-----------------|--------------------------------|
| AGRICULTURE | 242 | 1,323.79 |
| BUILDING/CONST | 409 | 11,593.44 |
| EXPORT TRADE | 220 | 94.27 |
| GENERAL TRADING | 771 | 1,493.52 |
| LIAISON | 244 | 219.19 |
| MANUFACTURING | 1044 | 10,286.33 |
| SERVICE | 1381 | 3,774.07 |
| TOURISM | 403 | 282.46 |
| TOTAL | 4,714 | 29,067.07 |



GEOGRAPHICAL DISTRIBUTION OF REGISTERED PROJECTS BY GIPC FROM SEPT 1994 TO JUNE 2013

| REGION | NO. OF PROJECTS | TOTAL ESTIMATED COST US\$ M |
|------------|--------------------|--------------------------------|
| ASHANTI | 271 | 3,195.62 |
| BRNG AHAFO | 40 | 354.21 |
| CENTRAL | 108 | 420.11 |
| EASTERN | 105 | 241.45 |
| ATER ACCRA | 3879 | 16,890.77 |
| NORTHERN | 43 | 357.33 |
| UPPER EAST | 8 | 3.79 |
| UPPER WEST | 4 | 1.97 |
| VOLTA | 56 | 98.17 |
| WESTERN | 200 | 7,503.65 |



INVESTMENT PROCEDURE UNDER THE GIPC ACT

Step 1 - Registration with Registrar General's Department

Incorporate your company at the Registrar General's Department and obtain the following :

- 1.Certificate of Incorporation**
- 2.Certificate to Commence Business**
- 3.Company's Regulations**

Step 2 - Minimum Equity Contribution for foreigners

Compliance with GIPC Act 478 regarding minimum equity requirements either in Cash or in Kind as follows:

- ñ **Joint Venture**
US\$ 10,000.00
- ñ **100% Foreign-Owned**
US\$ 50,000.00
- ñ **Trading Enterprises**
US\$ 300,000.00

Step 3 - Registration with GIPC

This process takes up to five statutory working days to complete, provided all documents are in order.

Registration with the GIPC entitles Investor to the Incentives and Guarantees under the GIPC Act 478



INVESTMENT PROCEDURE UNDER THE GIPC ACT

Step 4 – Ghana Revenue Authority and SSNIT

All enterprises must register directly with the Ghana Revenue Authority for purposes of statutory tax (rebates and exemptions) and with SSNIT for the social security contribution of staff.

Step 5- Environmental Impact Assessment Certificate

Enterprises must register to obtain an environmental permit from the Environmental Protection Agency (EPA).

Step 6- Business Permit from the MMDAs

It takes approximately 7 days to get business license

However the cost varies, depending on the type of business and the category in which it falls.



INVESTMENT INCENTIVES & GUARANTEES

ñ Custom duties exemptions for plant, machinery, equipments and parts thereof

ñ Graduated and reasonable corporate taxes

ñ Location incentives of 25% in Kumasi Metropolis and 50% tax rebates for manufacturing companies outside Kumasi

ñ Tax holidays ranging from 5-10 years depending on sectors

ñ Automatic immigrant quotas depending on paid-up capital

ñ US\$ 10,000 – US\$ 100,000 – 1 quota

ñ US\$ 100,000 – US\$ 499,999 – 2 quotas

ñ US\$ 500,000 and above – 4 quotas

ñ Other attractive tax concessions such as accelerated depreciation for plants and buildings, five-year loss carry-over and R&D expenditure deductibility

ñ Relief from double taxation for foreign investors and employees where applicable



INVESTMENT INCENTIVES & GUARANTEES

- ñ Full repatriation of dividends and net profit attributed to investment
- ñ Transfer of funds in respect of servicing of foreign loans
- ñ Guarantee against expropriation (also enshrined in the Constitution of Ghana)
- ñ Remittance of proceeds in the sale or liquidation of investment

INCENTIVES FOR STRATEGIC INVESTMENTS

For the purpose of promoting identified strategic or major investments, the Board in consultation with the appropriate agencies as the Board may determine and with approval of the President, negotiate specific incentive package in addition to the incentive provided under section 23 & 24 of the GIPC Act.



INVESTMENT INCENTIVES -CORPORATE TAX

| Type of Company | | Percentage (%) |
|--|---|----------------|
| All companies | | 25 |
| Companies engaged in non-traditional exports | | 8 |
| Hotels | | 22 |
| Companies listed on the Stock Exchange | | 22 |
| Financial Institutions | Income from loan to farming enterprises | 20 |
| | Income from loan for a leasing company | 20 |



TAX HOLIDAYS (FROM START OF OPERATION)

| Sector | | No. of years | Percentage (%) |
|--|--|----------------------|----------------|
| Real Estate | | 5 years | |
| Rural Banks | | 10 years tax holiday | 8 |
| Agriculture and Agro-Processing | Cocoa farmers and producers | Income tax exempt | |
| | Cattle ranching | 10 years | |
| | Tree cropping (e.g. coffee, oil palm, shea-butter and coconut) | 10 years | |
| | Livestock excluding cattle and poultry | 5 years | |
| | Fish farming, poultry and cash crops | 5 years | |
| Agro-Processing – converting fish, livestock into edible canned products | | 5 years | |
| Waste processing (including plastics and polythene) | | 7 years | |
| Free Zones Enterprise/Development (after 10 years of operation) | | 8% | |



INVESTMENT GUARANTEES

Double Taxation Agreements (DTA's)

- ñ Ghana uses Double Taxation Agreements (DTA) to rationalise tax obligations of investors who come from global tax sourced jurisdictions with a view to saving the investors the incidence of double taxation.
- ñ Ghana has signed and ratified DTAs with **France** and the **United Kingdom**. Another DTA has been signed and ratified with the **Republic of Germany**. It has also concluded arrangements on same (yet to sign and ratify) with **Belgium, Italy** and **Yugoslavia**.



INVESTMENT GUARANTEES

Constitutional Guarantee

- ñ Ghana's 1992 Constitution guarantees protection from arbitrary deprivation of property and guarantees compensation.

Dispute Settlement Guarantee

- ñ The rules of procedure for arbitration of the United Nations Commission on International Trade Law (UNCITRAL Rules)
- ñ The Convention of the International Centre for the Settlement of Investment Disputes (ICSIP)
- ñ International Chamber of Commerce (ICC)

Other Protection Mechanisms

- ñ Investment Incentive Agreement with the Overseas Private Investment Corporation (OPIC) of the USA.
- ñ Multilateral Investment Guarantee Agency (MIGA) of the World Bank.



INVESTMENT GUARANTEES

Bilateral Investment Treaties (BITs)

- ñ Ghana has concluded 21 BITs (some of the agreements have been ratified while others are awaiting ratification)

Alternative Dispute Resolution (ADR) Mechanisms

- ñ Ghana encourages dispute settlement under ADR including arbitration, mediation and conciliation.

Commercial Courts

- ñ Commercial Division of the High Court established in March 2005



ACTIVITIES RESERVED WHOLLY FOR GHANAIANS

- ❓ Foreign investors are therefore not allowed to invest in these sectors except where such activity is specifically exempted by, and so stated in the GIPC Act 478. They include;
- ✓ The sale of anything whatsoever in a market, petty trading, hawking or selling from a kiosk at any place.
- ✓ Operation of taxi service and car hire service. (A non-Ghanaian may undertake this service provided the person has a minimum fleet of ten new vehicles).
- ✓ All aspects of pool betting business and lotteries, except football pools.
- ✓ Operation of beauty salons and barbering shops.



CONCLUSION

The Government of Ghana is committed to the adoption of sound economic policies aimed at creating an enabling environment for doing business in Ghana and for that matter Kumasi.



CONTACT US

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