Invest in Ghana: **Focus KUMASI** March 2008

MILLENNIUM CITIES INITIATIVE (MCI)
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INVEST IN GHANA: FOCUS KUMASI

March 2008

Millennium Cities Initiative
The Earth Institute at Columbia University
New York, 2008

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PREFACE

Ghana, along with 189 other countries, adopted the Millennium Declaration in 2000, which set out the Millennium Development Goals (MDG) to be achieved by 2015. The MDG implementation process is spearheaded by Ghana's National Development Planning Commission.

This Guide is part of the Millennium effort and was prepared by the Millennium Cities Initiative (MCI), which is an initiative of The Earth Institute at Columbia University, undertaken in cooperation with the MDG Support Team at the United Nations Development Programme and the Columbia Program on International Investment. The MCI is guided by Jeffrey D. Sachs and co-directed by Susan Blaustein and Karl P. Sauvant. Its initial effort focusses on helping eight cities in seven African countries attract more foreign direct investment (FDI). The cities are: Kisumu, Kenya; Blantyre, Malawi; Kumasi, Ghana; Akure, Nigeria; Bamako–Segou, Mali; Louga, Senegal; and Mekele, Ethiopia. For more on the MCI, see the MCI website: www.earthinstitute.columbia.edu/mci/.

The Millennium cities were chosen in part for their proximity to the Millennium *villages* (http://www.earth.columbia.edu/millenniumvillages/). In the case of Kumasi, the second Millennium city to have an investors' guide prepared for it, the Millennium village is Bonsaaso in the Amansie-West District of the Ashanti region.

The idea behind this Guide is to offer the reader a brief description of investment opportunities in the Kumasi area, supplemented by a description of the investment climate and of the broader context of Ghana and West Africa. The MCI does not believe that serious investors can be attracted to an area through a purely 'promotional' approach, one that promotes the positive while hiding the negative. So the Guide is written to be credible. The challenges that potential investors would face are described along with the opportunities they may be missing if they ignore Kumasi.

The Guide is intended to make Kumasi and what Kumasi has to offer better known to investors. Although we have had the foreign investor primarily in mind, we believe that the Guide will be of use to domestic investors in other parts of Ghana as well. While by no means the sole driver of growth and development, foreign direct investment does have a distinctive role to play. Not only does it bring scarce capital, it also brings know-how, technology and access to foreign markets. Furthermore, it helps improve the competitiveness of domestic enterprises, which must be the foundation of all growth.

We hope that our investor readers find this Guide a useful practical tool.

ACKNOWLEDGEMENTS

This Guide was prepared by the Millennium Cities Initiative (MCI) of Columbia University (see Preface), under the responsibility of Karl P. Sauvant, Co-Director, MCI, and Executive Director, Columbia Program on International Investment, and Joerg Simon, Senior Investment Adviser, MCI. The preparation of the Guide and its release were done together with the United Nations Conference on Trade and Development (UNCTAD). We are grateful to the Ghana Investment Promotion Centre, the Kumasi Metropolitan Assembly and the Office of the Regional Minister for Ashanti for their cooperation in this project and in the MCI's work in Kumasi more generally. We are also grateful to the Association of Ghanaian Industries and the Office of the Asantehene for assistance with the workshop held in connection with the Guide. We thank Vishwas P. Govitrikar, the lead consultant for the Guide, and Abenaa Akuamoa-Boateng, the MCI project manager in Kumasi, for their role in developing this Guide, including the organization and conduct of a feedback workshop in Kumasi.

Our thanks are owed to the companies and government agencies that participated in the workshop in Kumasi, as well as to the government agencies that participated in a feedback meeting in Accra hosted by the Ghana Investment Promotion Centre. Among those who provided inputs to the Guide or the workshop, we should particularly like to thank Robert Ahomka-Lindsay, K. Amponsah-Efah, S.B. Apeadu, Patricia Appiagyei, Akenten Appiah-Menka, Mariam Asigri, Ginger Baker, Amy and Thomas Bello, Susan Blaustein, Philomena Boakye-Appiah, Giannetto Caraceni, Jeffrey and Tony Cheung, Pat Egham, James Geisel, Adonis Halaby, Jemima Mills, Umesh Menon, Ayuko Nimura, Awudu Osman, Emmanuel Osei, Augustine Otoo, E.A. Owusu-Ansah, Kingsley Twumasi and Joseph B. Winful. In addition, the Ghana Investment Promotion Centre and its website were important sources of information for the Guide.

The preparation of the Guide was undertaken in parallel with four other related efforts, all focussing on investment opportunities in Kumasi and the regulatory framework governing it. More specifically, KPMG Special Services BV in cooperation with KPMG Ghana prepared an investment opportunities report which will be available at http://www.earthinstitute.columbia.edu/mci/ and www.cpii.columbia.edu. The United Nations Industrial Development Organization (UNIDO) provided the list of investors in Kumasi interested in foreign collaboration contained in Appendix A; a CD is available upon request from comfar@unido.org. A report by Kingsley Twumasi outlines investment opportunities in mining around Kumasi and will be available at http://www.earthinstitute.columbia.edu/mci/ and www.cpii.columbia.edu. And DLA Piper prepared an assessment of the regulatory framework for FDI, currently being finalized. The results of these efforts were extremely valuable for the preparation of this Guide.

Photographs for the Guide were provided by Prince Okyere and Vishwas P. Govitrikar; they pertain to Kumasi and neighbouring areas. Administrative assistance in Kumasi was provided by Emmanuel Kwarteng. Nelson Vigneault designed the Guide.

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Kumasi's natural endowment is phenomenal and can provide basic raw materials for many industries. In addition, at present, Ghana provides one of the best investment environments in Africa, with long tax holidays, duty-free entitlements, immigration quotas, and a good chance to do profitable business. Among the areas investors can explore are agriculture, medicinal plants, timber, mining for gold and industrial diamonds, etc.

Giannetto Caraceni, General Manager, Modern Wood Technology Co. Ltd

The Kumasi Metropolitan Assembly is delighted by the publication of this guide and hopes that it serves to make Ghana's second largest city widely known to investors abroad. As the guide shows in some detail, Kumasi and the surrounding districts abound in opportunities for entrepreneurs. My colleagues and I look forward to welcoming investors from all over the world and assure them in advance of our support and assistance.

Patricia Appiagyei, Metropolitan Chief Executive

EXECUTIVE SUMMARY

Kumasi is a substantial city of 1.6 million people in the rainforest region of Ghana, about 270 km northwest of the capital, Accra. In the pre-colonial period, it was the seat of the Ashanti kingdom, which occupied an area somewhat larger than the present-day Ashanti region. It remains the seat of the Asantehene, the traditional king of the Ashanti people, and the capital of Ghana's most populous region.

Kumasi is governed by its Metropolitan Assembly. The Ashanti region as a whole is under the purview of the Regional Minister, who is appointed by the Government of Ghana. The traditional authorities, symbolized by the Asantehene and the Asanteman Council, control the land in the region, a matter of some consequence to investors.

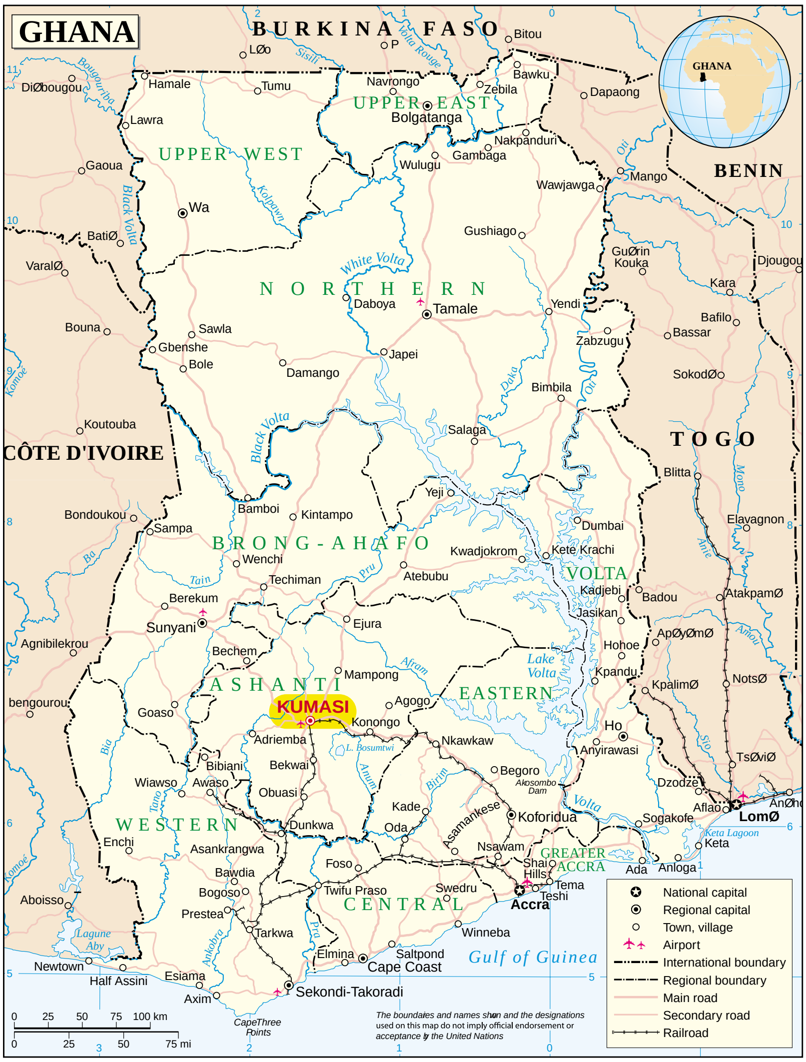
Its central location makes Kumasi the commercial and transport hub of much of Ghana. It used to be a major railway junction and will no doubt become one again, as the government has recently signed a number of contracts with private firms to rehabilitate and expand the country's dilapidated railway network. It is also one of two candidates under consideration to host Ghana's second international airport. The road arteries connecting Kumasi to Ghana's major cities (and to other West African countries such as Burkina Faso) are in good shape, although increasingly congested. Several road rehabilitation projects are also in the works.

Investment opportunities abound in and around Kumasi. One area of opportunity is agriculture and agro-processing. The Ashanti region produces 20% of Ghana's cocoa, which runs a very close second to gold in Ghana's exports and commands a 10% price premium on the world market for its superior quality. The region also grows a large number of other crops, including a variety of fruits. There are thus opportunities in such areas as commercial cocoa farming and cocoa processing, as well as fruit-juice and vegetable-oil processing. There are also opportunities in tourism, since Kumasi is the historical capital of the Ashanti kingdom as well as a natural stopover for tourists following the North-South slave route. The city also attracts significant numbers of business travelers. One specific opportunity area identified in the Guide is thus hospitality facilities, since Kumasi lacks sufficient hotels and restaurants of superior quality. There are opportunities as well in retail space, light manufacturing, including pharmaceuticals in particular, and mining. Yet others may be found in textiles, horticulture and infrastructure. Highly attractive incentives are available to make many of these opportunities even more tempting.

The domestic market in Ghana is growing and is especially important for investors in certain sectors, e.g. pharmaceuticals. As far as the regional market is concerned, Ghana is one of the 15 members of the Economic Community of West African States (ECOWAS). With regard to overseas markets, it is one of the African, Caribbean and Pacific States (ACP) that receive preferential treatment from the European Union. It also qualifies under the Generalised System of Preferences (GSP), which gives it preferential access not only to the EU but to many other rich markets, e.g., Japan. Ghana's access to the US market is guaranteed by the African Growth and Opportunity Act (AGOA), which covers more than 6,400 items.

The operating environment has its challenges. The power supply can be erratic; the land-acquisition process can be complex and time-consuming; transport can be a challenge; and the tax system can be difficult. Nonetheless, things have been improving steadily in Ghana. And Kumasi offers a location, a climate and a business-friendly environment that make this city one of the most attractive places in which to invest in West Africa.


WEST AFRICA
MAURITANIA
NIGER
MALI
SENEGAL
BURKINA FASO
GUINEA
BENIN
NIGERIA
SIERRA LEONE
CÔTE D'IVOIRE
GHANA
LIBERIA
TOGO


GHANA
BURKINA FASO
BENIN
TOGO
CÔTE D'IVOIRE
UPPER EAST
UPPER WEST
NORTHERN
BRONG-AHAFO
VOLTA
ASHANTI
EASTERN
WESTERN
CENTRAL
GREATER ACCRA
KUMASI
Accra
Bolgatanga
Wa
Tamale
Sunyani
Koforidua
Ho
Cape Coast
Sekondi-Takoradi
Navrongo
Bawku
Zebila
Tumu
Hamale
Lawra
Nakpanduri
Gambaga
Wulugu
Gushiago
Yendi
Daboya
Sawla
Gbenshe
Bole
Damango
Japei
Bimbila
Salaga
Yeji
Bamboi
Kintampo
Sampa
Wenchi
Techiman
Atebubu
Kwadjokrom
Kete Krachi
Kadjebi
Jasikan
Berekum
Ejura
Bechem
Mampong
Goaso
Agogo
Konongo
Adriemba
Nkawkaw
Bibiani
Bekwai
Begoro
Wiawso
Awaso
Obuasi
Kade
Oda
Dunkwa
Asankrangwa
Enchi
Foso
Bawdia
Bogoso
Twifu Praso
Swedru
Prestea
Tarkwa
Winneba
Elmina
Saltpond
Esiama
Half Assini
Axim
Newtown
Nsawam
Shai Hills
Tema
Teshi
Ada
Anloga
Keta
Sogakofe
Aflao
Dzodze
Anyirawasi
Kpandu
Hohoe
Lake Volta
Akosombo Dam
Gulf of Guinea
Lake Bosumtwi
Black Volta
White Volta
Volta
Oti
Daka
Pru
Tano
Ankobra
Pra
Birim
Afram
Asamankese
CapeThree Points
Lomé
Dapaong
Mango
Kara
Bassar
Sokodé
Blitta
Atakpamé
Kpalimé
Badou
Bouna
Bondoukou
Gaoua
Koutouba
Agnibilekrou
Aboisso
Lagune Aby
National capital
Regional capital
Town, village
Airport
International boundary
Regional boundary
Main road
Secondary road
Railroad
0 25 50 75 100 km
0 25 50 75 mi
The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations

Ghana in brief

Official name:	Republic of Ghana
Capital:	Accra
Form of government:	Multi-party democracy
Head of state and of government:	President John Agyekum Kufuor
Location:	West Africa (see map), with a Gulf of Guinea coastline of 539 km.
Surface area:	239,460 sq. km, mostly below 500 m, of which water 8,520 sq. km.
Climate:	Tropical, with temperatures between 21° and 32°C. Warm and dry along the southeast coast; hot and humid in the southwest, with rainfall over 2,000 mm; hot and dry in the north, with rainfall under 1,000 mm. Two rainy seasons: March to July and September to October.
Population:	23 million (2007 estimate)
Religions:	Christian 69%, Muslim 16%, traditional African and other 9%.
Languages:	English is the official language. Among the indigenous languages, the languages in the Akan family are spoken by nearly half the population.
GDP:	USD 10.2 billion – at purchasing power parity, USD 59.4 billion (2006).
GDP per capita:	USD 445 – at purchasing power parity, USD 2,600 (2006).
Currency:	Ghana cedi (GH¢), which replaced the old cedi in July 2007, at a rate of old 10,000: new 1.
Exchange rate:	USD 1 = GH¢ 0.98 on 1 January 2008 (UN operational exchange rate)
Time zone:	GMT

Kumasi in brief

Location:	270 km northwest of Accra, Ghana's capital.
Climate:	Tropical, 21° to 34° Celsius round the year.
Notable features:	Historically, the capital of the Ashanti kingdom; now the second largest city in Ghana and capital of the most populous region (Ashanti).
Population:	City 1.6 million; Ashanti Region 3.9 million (projected).
Religion:	Christian 79%, Muslim 16%, traditional African and other 1%, no religion 4%.
Languages:	English, languages in the Akan family. The main ethnic group in the area is Ashanti.
Economic activity:	Cocoa, timber, mining, light manufacturing, wholesale and retail trade.

Source:
Millennium Cities Initiative, Earth Institute, Columbia University (hereafter 'Millennium Cities Initiative'), drawing on various sources.

Kumasi has much to offer foreign investors. The people are genuinely friendly, the climate is pleasant, and opportunities abound in many sectors: hospitality, retail trade, construction and health care, to name a few. Of course there are challenges, in infrastructure for example, but they are being addressed. We certainly plan to stay and even to expand and diversify.

Adonis Halaby, Managing Director, Northern Industries Limited

The Ashanti region is the most populous in Ghana and among the richest in natural resources, as evidenced by the presence of a large number of companies, both foreign and domestic, already active in such areas as mining and timber. There are other resources as well, including those needed for many kinds of agro-processing, in which the Government particularly welcomes investors. My office stands ready to do whatever it can to help investors explore this region and exploit its opportunities.

E.A. Owusu-Ansah, Regional Minister, Ashanti

I. THE BROADER CONTEXT

1. A sketch of Ghana and West Africa

The country

Ghana is a West African land of low plains about the size of the United Kingdom. Known as the Gold Coast when it was a British colony, it was the first country to achieve independence from colonial rule in sub-Saharan Africa (1957). To its west lies Côte d'Ivoire, to the north Burkina Faso, to the east Togo and to the south the Gulf of Guinea. Among its rivers is the Volta, rising in Burkina Faso and draining into the Gulf of Guinea. The Akosombo Dam built on the river in the mid-60s led to the formation of the largest man-made lake in the world, Lake Volta (about 8,500 km^2). The dam supplies most of Ghana's electricity.

The population of Ghana was estimated to be about 23 million in 2007, a relatively high 40% of it urban. The greatest concentration is in Greater Accra (just over three million) and the Ashanti region (nearly four million), with much of the latter in turn being concentrated in and around Kumasi, Ghana's second largest city and the focus of this Guide. The main ethnic groups include the Akan, the Mole-Dagbon, the Ewe and the Ga-Dangme, with the first of these accounting for a bit less than half the population. There are said to be over 50 languages and dialects in Ghana but English, the official language, is widely spoken.

After a longish post-independence period of one-party regimes and military coups, a new constitution restored multiparty democracy in 1992. There have been four democratically elected presidents and parliaments since then and the next election is due in December 2008. The single-chamber parliament currently has 230 members and four political parties. Freedom of the press is well established in Ghana, with over 50 newspapers, eight television stations (four of them cable TV) and 140 radio stations.

As indicated by the three charts below, Ghana has turned in a performance strikingly superior to its West African neighbours when it comes to governance.

In 2000, Ghana was one of the 189 countries that adopted the Millennium Declaration of the United Nations, which set out the Millennium Development Goals (MDG) to be achieved by the year 2015. As shown in Table I.1 below, Ghana has made very substantial progress towards reaching a number of these goals, such as eradicating extreme poverty, achieving universal primary education and reducing maternal mortality. Progress on a few of them has been less satisfactory, most notably on reducing child mortality.

FIGURE I. 1. **Governance in West Africa: Controlling corruption**[a]

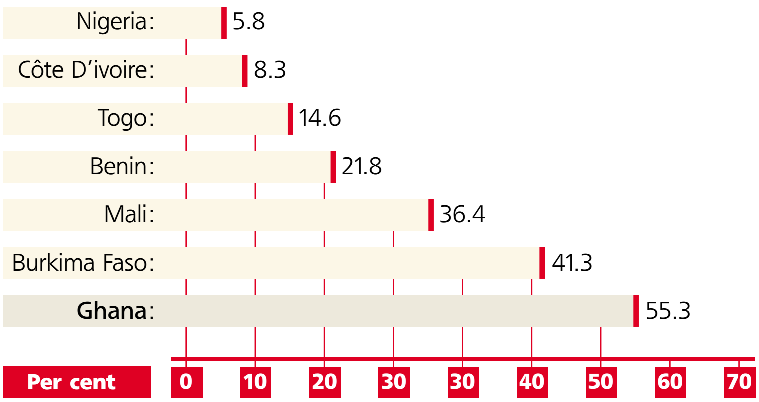


FIGURE I. 2. **Governance in West Africa: Government effectiveness**[a]

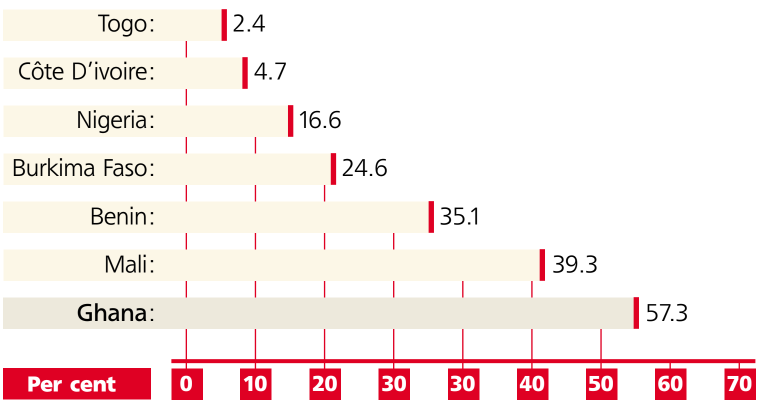
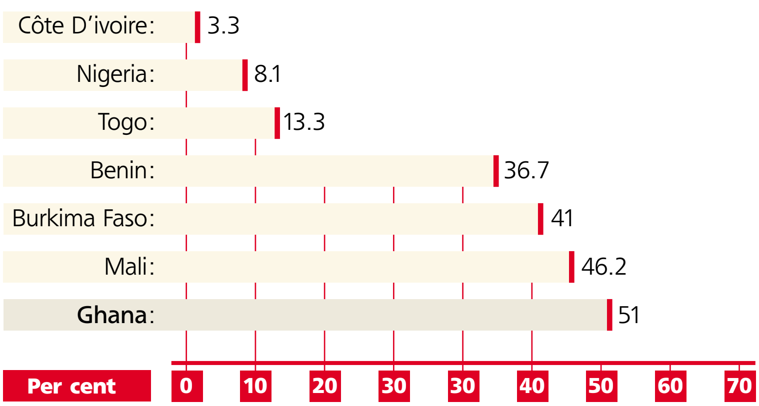


FIGURE I. 3. **Governance in West Africa: Rule of law**[a]



[a] A country's percentile rank indicates the percentage of countries it surpassed in performance. Thus, Ghana's percentile rank of 55.3 in controlling corruption indicates that it performed better than 55.3% of the 212 countries surveyed, i.e., better than 117 other countries. Nigeria, by contrast, did better than only 5.8% (or 12) of the 212 countries surveyed. A higher score indicates better performance.

Source: The source for all three figures above is the World Bank, Worldwide Governance Indicators, 1996-2006, http://info.worldbank.org/governance/wgi2007/sc_chart.asp.

Ghana's natural-resource-driven economy is the third largest in West Africa and the tenth largest in the continent. It is the second largest exporter of lumber and gold in Africa, and the second largest exporter of cocoa *in the world*.

Apart from gold, there are significant deposits of diamonds, bauxite and manganese in the country, as there are large areas of arable land and forests, and substantial marine and riverine fishing stocks. Industries include auto assembly, textile and tire manufacturing, flour and steel milling, and food processing. Ghana's tourism sector is growing and has had beneficial side effects, such as infrastructure development.[1] For more on Ghana's economy, see **I.2 The economy** below.

The region

Ghana is a founding member of the Economic Community of West African States (ECOWAS), brought into existence by a treaty signed in Lagos, Nigeria, in May 1975. The initial idea was to promote trade and development through progressive regional integration. However, unlike some other African groupings (e.g., the East African Community), ECOWAS has found it difficult to make much progress on the economic front, given the political instability of some of its members. It has instead found itself playing a role primarily in peace-making. The ECOWAS Monitoring Group (ECOMOG) has deployed its forces in Côte d'Ivoire, Guinea-Bissau and Sierra Leone, with some success.

1 World Bank, MIGA, *Snapshot Africa: Ghana*, January 2007.

TABLE I. 1. Ghana's progress towards the Millennium Development Goals

MDG goals	MDG indicator and target	1990	2000	2003	2004	2005	2006	2015 TARGET
Eradicate Extreme Poverty	Halve the proportion of people whose income is less than $1/day	51.7%	39.5%	35.8%	34.6%	33.4%	28.5%	26%
Achieve universal primary education	Gross national primary school enrolment	72.7%	79.5%	85.7%	86.3%	85.7%	90.7%	100%
Promote gender equality	Eliminate gender disparity in primary education	85%	93%	98%	94%	95%	96%	100%
Reduce child mortality	Reduce under-5 mortality by two thirds (rate per 1,000)	122	112	112	112	111	-	40
Improve maternal health	Reduce maternal mortality by three-quarters (MMR per 100,000 live births)	740	540	-	-	241	-	185
Combat infectious diseases	Halt and reverse the spread of HIV/AIDS (prevalence % of population ages 15-49)	2.4%	2.3%	3.6%	3.1%	2.7%	-	<2.4%
Ensure environmental sustainability	Reverse loss of resources (% of land area covered by forest)	32.7%	26.8%	34%	32%	24.2%	-	>33%
Partnership for new technologies	Fixed lines and cellular subscribers (per 100 people)	0. 3	1.7	5.0	9.1	-	-	

Source: Adapted from the European Commission, Development, Country Profile: Ghana, http://ec.europa.eu/development/Geographical/RegionsCountries/Countries/Ghana.htm.

Nevertheless, with increasing democratization and stability in West Africa, ECOWAS might be expected to return to its original task of promoting trade and development. With a potential integrated market of over 250 million consumers, the economic potential of the Community is huge. The 15 ECOWAS members are: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. (Mauritania was a founding member but withdrew in 2002.)[2]

Ghana is a prominent member of ECOWAS and President Kufuor has served two recent terms as president of the Community. The country is also a strong advocate of regional integration in the framework of ECOWAS and part of the ECOWAS grouping for the negotiation of an Economic Partnership Agreement (EPA) with the European Union.[3] ECOWAS-EU EPA negotiations were launched in 2003 in Cotonou, Benin. Ghana signed an interim EPA on 12 December 2007, defining the modalities for trade liberalization between Ghana and the European Union.[4]

2. The economy

The Ghanaian economy has been doing well in the new millennium, with GDP growth accelerating from under 4% in 2000 to over 6% in 2006 (Figure I.4 below), while inflation, which had risen to about 30% in 2001, was just over 10 % in 2007 (Figure I.5). According to the 2008 budget, approved by parliament in early December 2007, the Government projects a real GDP growth of 7% in 2008, an inflation rate of also around 7%, the building up of enough international reserves to provide three months' import cover, and an overall budget deficit of 4% of GDP.[5]

The Government's economic priority, as expressed in its presentation of the 2008 budget, remains facilitating growth and reducing poverty, especially through the development of infrastructure. The infrastructure focus will be on building and paving rural roads, 'dualizing' an additional 200 km of the Accra-Kumasi highway, building five new hydropower plants, and improving the transmission and distribution network for electricity.

Although agriculture looms large in the Ghanaian economy, employing some 60% of the workforce, the share of industry in the composition of the GDP is relatively substantial (Figure I.6 below).

With regard to privatization, which often offers foreign investors major opportunities, Ghana has a mixed record. On the one hand, it has been one of the most active divestors in Africa. In terms of sales value, only South Africa was ahead of Ghana over the ten-year period 1991-2001, when Ghana earned nearly USD 1 billion in sales.[6] By the end of 2005, 351 firms had been privatized.[7] On the other hand, there has been little progress on privatizing major infrastructure enterprises. Of the four slated for divestiture since 1998, three – Tema Oil Refinery, Ghana Airways, and the Ghana Commercial Bank – remain state-owned.

Most privatizations have involved foreign investors, often with local participation. Privatization is done through a bidding process, the bids being judged on the bidder's financial as well as management resources. The government's current priorities for privatization are the Agricultural Development Bank, the Ghana Commercial Bank, Ghana Oil, Ghana Telecom, the State Insurance Company, the Tema Oil Refinery, and Western Wireless.

2 On ECOWAS, see the Community website, http://www.ecowas.int/ and the US State Department fact sheet at http://www.state.gov/p/af/rls/fs/15437.htm.

3 This is now required under the Cotonou Agreement of 2000, which replaced the Lomé Convention between the EU and the 79 African, Caribbean and Pacific (ACP) states (all of them former European colonies).

4 *Daily Guide*, 13 December 2007, www.dailyguideghana.com

5 As reported by the *Ghanaian Chronicle* of 6 December 2007.

6 See IMF Country Report No. 07/211, Appendix II, June 2007.

7 Government of the United States, November 2007.

FIGURE I.4. Real GDP growth in Ghana and sub-Saharan Africa

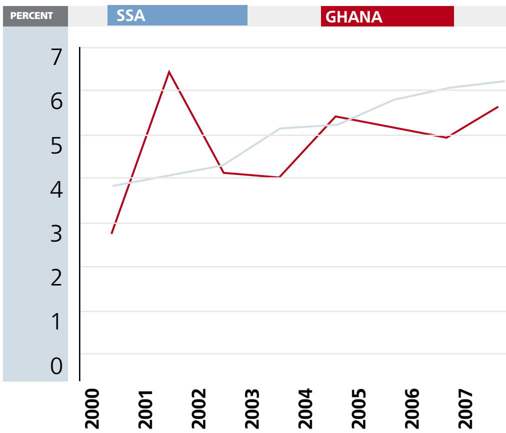
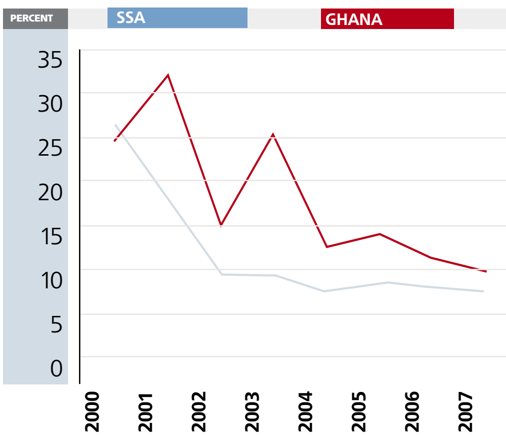


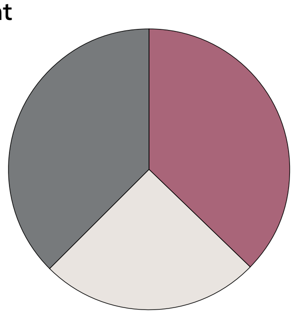
FIGURE I.5. Inflation in Ghana and sub-Saharan Africa



***Source*:** The source for both figures above is the IMF Country Report on Ghana, No. 07/210, June 2007.

FIGURE I.6. Sectoral composition of GDP, 2006 (estimate)

Sector	Percent
AGRICULTURE	37.2
INDUSTRY	25.4
SERVICES	37.3



Source: Ghana at a Glance, World Bank, February 2007.

Markets for investors

The domestic market in Ghana is small but growing, given the country's sustained growth for a number of years. The regional market is provided by the 15-member ECOWAS. As noted above, progress towards economic integration has been slow in ECOWAS, although there are positive signs that it is happening, such as the 2005 agreement on a common external tariff (CET) with four bands: 0% (capital goods), 5% (raw materials, hand tools, some vehicles), 10% (intermediate goods) and 20% (finished goods).

The government is also pursuing a project (sponsored by the World Bank) to make Ghana the 'gateway' to the 250-million-strong West African market. The idea is to position the country as a West African hub for import, export, storage, assembly, distribution, manufacturing, and transhipment of goods, services and passengers. As part of the project, the government will i) undertake a review of customs practices and procedures, as well as of regulations governing port and aviation services, to ensure that they are up to international standards; ii) build institutional capacity in key organs such as Customs, Excise and Preventive Services (CEPS), the Ghana Immigration Service (GIS), the Ghana Ports and Harbours Authority (GPHA) and the Ghana Investment Promotion Centre (GIPC); and iii) seek financing for infrastructure development in the FTZs, focussing on water and sanitation systems, sewage and waste treatment, and road and rail links to the Tema port. [8]

With regard to overseas markets, Ghana is not eligible under the European Union's 'Everything But Arms' initiative, as it is not what the United Nations calls a 'least developed country (LDC)'.[9] However, it *is* one of the African, Caribbean and Pacific States (ACP) and enjoys the preferences the EU offers ACP countries (now being revised through an Economic Partnership Agreement, as mentioned above). It also qualifies under the Generalized System of Preferences (GSP), which gives it preferential access not only to the EU but to many other rich markets (e.g., Japan) as well.

As far as the US market is concerned, what is most relevant is the African Growth and Opportunity Act (AGOA) – see Box I.1 below.

8 United Nations Conference on Trade and Development, 2003.

9 Broadly speaking, LDCs are not only poor but have little economic diversification and very low levels of skills. Most countries in sub-Saharan Africa are LDCs. Among ECOWAS's 15 members, there are only three that are *not*: Côte d'Ivoire, Ghana and Nigeria.

Box I.1. AGOA

The *African Growth and Opportunity Act* (AGOA) was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering them the best access to the US market available outside of free-trade agreements. The Act covers some 6,400 items, including textiles and apparel. The *AGOA Acceleration Act*, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established, or be making progress towards establishing, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. Currently, 38 sub-Saharan countries qualify as eligible, including Ghana, which became AGOA eligible on 2 October 2000.

AGOA eligibility is not the same as eligibility under the provisions applying to apparel (ready-made garments), an item of special interest to a number of African countries. Ghana became apparel eligible on 20 March 2002. Since then, Ghana's apparel exports to the US have grown from under half a million dollars to nearly 10 million dollars (2006).

Source: AGOA websites: www.agoa.gov/index.html and www.agoa.info/index.php?view=trade_stats&story=apparel_trade.

Exports and imports

Ghana's exports increased substantially between 2003 and 2007, from about USD 2.5 billion to just under USD 4 billion. Imports rose even more over the same period, leaving a trade deficit of about USD 3.7 billion.[10] As Tables I.2 and I.3 below indicate, Ghana's principal export products remain gold and cocoa, while imports are dominated by oil.

The European Union remains Ghana's principal trading partner (53% for exports and 33% for imports), with the United Kingdom, The Netherlands, Germany, France, Italy and Belgium being the main bilateral European partners. Ghana's exports to the EU consist mainly of primary products, led by cocoa (60% of exports).[11] Other important trading partners in 2006 were South Africa and Burkina Faso as export destinations and China, Nigeria and the United States as sources of imports. Ghana's exports to the US are also mainly agricultural and mineral, but exports of apparel under AGOA provisions have been growing from a very low base (see box on AGOA above).

10 IMF country report No. 07/210, June 2007.

11 'EU relations with Ghana' at the European Commission's website, http://ec.europa.eu/development/Geographical/RegionsCountries/Countries/Ghana.htm.

Table I.2. Top 10 export products and export destinations in 2006, with values

Export products	USD million	Export destinations	USD million
Manufactured gold	1,133.45	South Africa	935.11
Cocoa beans	1,097.16	Burkina Faso	457.14
Wax-based printed fabrics	228.43	The Netherlands	403.56
Other	168.87	Switzerland	299.46
Bananas	119.12	France	165.11
Cocoa paste	83.74	United Kingdom	145.40
Timber & wooden ornaments	78.74	Belgium	145.30
Monetary gold	68.78	United States	106.98
Cocoa butter, fat and oil	53.47	Germany	96.68
Plywood	52.03	Malaysia	94.97

Table I.3. Top 10 import products and import sources in 2006, with values

Import products	USD million	Import sources	USD million
Petroleum products	647.18	China	506.76
Currency and stamped paper	208.70	United Kingdom	479.39
Cement clinker	162.74	Nigeria	474.10
Used vehicles,1500-1900 cc	106.84	United States	351.29
Broken rice	102.20	Belgium	305.39
Frozen mackerel	75.82	Germany	290.59
Sugar	64.54	India	218.28
Other apparatus	57.88	South Africa	206.35
Polythene in primary forms	53.32	France	197.16
Used vehicles, 1900-3000 cc	51.07	The Netherlands	194.87

Source: Ghana Investment Promotion Centre (GIPC).

Note: The list of products and the list of countries are unrelated to each other in both Table I.2 and Table I.3. Total exports in 2006 were valued at USD 3,680 million by the IMF, while total imports were valued at USD 6,523 million (fn. 10 above).

Foreign direct investment

FDI has shown an upward trend in Ghana for some time. It was barely discernible in 2004 and 2005 but saw a steep rise in 2006 (Figure I.7 below), primarily because of a substantial new investment by the US-based Alcoa in aluminium processing and bauxite mining. Major FDI projects in Ghana are mainly in natural resources and related activities: mining (for gold, bauxite, diamonds and manganese), off-shore oil and natural gas exploration, and resource-based manufacturing (e.g., the processing of pineapples and fish). The United Kingdom is the principal source country, followed by the United States, China and India. In services, foreign firms play an important role in banking, telecommunication and construction (road-building, public works and hotels). Most FDI goes into the Greater Accra region, with the Ashanti region a somewhat distant second. In recent years, there has been an increase in FDI in the energy sector.[12]

Aid, debt, reserves, etc.

Ghana has benefited very substantially from the Highly Indebted Poor Countries (HIPC) initiative,[13] as well as the Multilateral Debt Relief Initiative (MDRI). External debt, which stood at 120% of GDP in 2000, had dropped to 22% in 2006 (Figure I.9 below). Foreign reserves are projected to be USD 2,568 million in 2007 by the IMF and total donor support is projected to be USD 1,039 million.[14] The largest source of foreign exchange is remittances from abroad, which totalled about USD 4 billion in 2006.[15]

12 United Nations Conference on Trade and Development (UNCTAD), 2003.

13 In 2002, the IMF and the World Bank agreed on a comprehensive package that provided relief to the tune of USD 3.7 billion (World Bank, 2002).

14 IMF Country Report No. 07/210, June 2007.

15 US Government, *Background Note: Ghana*, 2007, http://www.state.gov/r/pa/ei/bgn/2860.htm.

FIGURE I.7. **FDI inflows, 2003-2006 in USD Million**

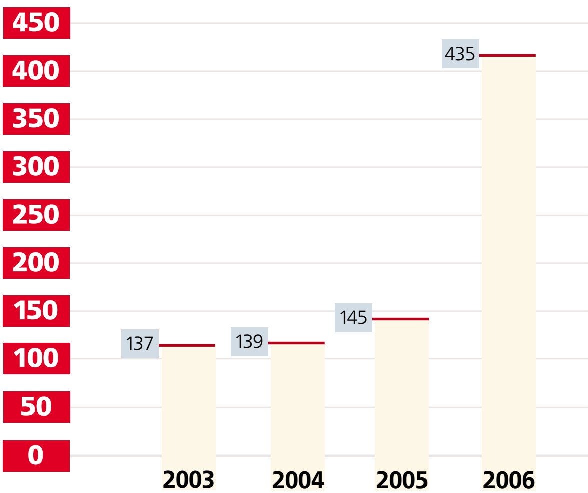
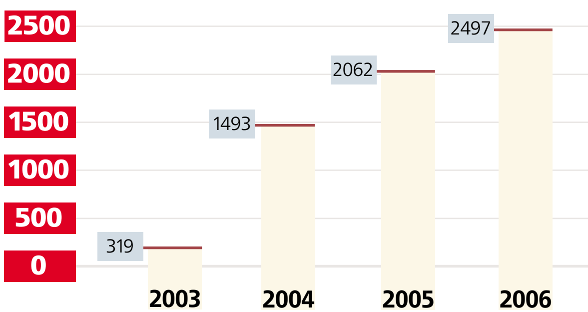
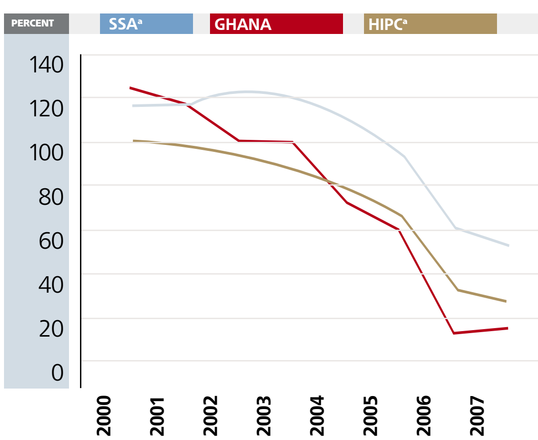


FIGURE I.8. **FDI stock, 2003-2006 in USD Million**



Source: The source for both figures above is UNCTAD, *Country fact sheet: Ghana*, 2007.

FIGURE I.9. **Ghana's external debt as a percentage of GDP, 2000 - 2006**



Source: IMF Country Report No. 07/210, June 2007.

[a] 'SSA' stands for sub-Saharan Africa excluding Zimbabwe and 'HIPC' for Heavily Indebted Poor Countries.

Kumasi is a good place to do business, peaceful and stable. Our experience in the hotel industry over the past ten years has been very positive. Although there are a great many hotels in Kumasi, especially since the recent Africa Cup event held here in January this year, there are also opportunities for *high-quality* hotels, whether small or large.

Jeffrey Cheung, Manager, Royal Park Hotel

On behalf of the Asanteman Council and on my own behalf, I heartily welcome this effort to make the traditional seat of the Ashanti kingdom, Kumasi, more widely known to investors abroad. Both the city and its environs need more investment to bring out their full potential in a great variety of sectors, from agriculture to tourism. One key requirement for many kinds of investment is land, which in the Ashanti region is controlled by the traditional authorities. We welcome investors and offer the assistance of the Stool Secretariat in facilitating leases wherever we can.

Otumfuo Osei Tutu II, Asantehene

N.B. The Asantehene is the traditional King of the Ashanti people and the head of the Asanteman Council.

II. INVESTING IN KUMASI

1. Introduction

Kumasi is the second largest city in Ghana and the capital of the Ashanti region. It has historically been the seat of the Ashanti kingdom and is now a commercial and transport centre rivaled only by Accra. The city lies some 270 km northwest of Accra, in a rainforest belt, in the middle of one of Ghana's major cocoa-producing regions.

The city is administered by the Kumasi Metropolitan Assembly, with the Mayor serving as the city's chief executive officer. The region as a whole is under the purview of the regional minister appointed by the central government. Also important is the traditional authority symbolized by the *Asantehene*, the traditional King of the Ashanti people. The Asantehene still commands a special respect in the region and, with his *Asanteman* Council, plays a critical role in issues related to land. The current Asantehene is Otumfuo Osei Tutu II, a descendant of the 17th century ruler Osei Tutu I. The Asantehene also holds the title of Kumasehene, the ruler of Kumasi.

The Metropolitan Assembly has lately taken a more active role in business matters and is working with business and trade organizations to enhance the city's investment climate. In 2007, for example, the Mayor and her team undertook a valuation of several non-operational factories, so as to market them more effectively to potential investors. Another priority of the Mayor has been reducing congestion in the city and putting into place a feasible and enforceable land use plan.

As might be expected of a major commercial centre, some 70% of the employment in the metropolitan area is in services, which are dominated by wholesale and retail trade. Other service activities of significance are in transport, banking, education, handicrafts (e.g., woodworking, weaving and pottery), and the professions. Kumasi is home to a number of national educational institutions, including the Kwame Nkrumah University of Science and Technology. Notable features of the city include the Kumasi National Cultural Centre, especially the Prempeh II Jubilee Museum that focusses on Ashanti history, and the Kumasi Central Market, said to be the largest open-air market in West Africa.

Much economic activity in and around Kumasi [16] revolves around timber. The quality of the wood available in the area, both hardwood (*odum* and *papao*) and softwood (*wawa* and *koto*), is regarded highly by investors. There is also cocoa – the Ashanti region accounts for 20% of Ghana's cocoa production. The city is known as well for its small enterprises and artisanal activities, particularly in the areas of furniture-making and vehicle engineering. Woodwork, leatherwork and cloth weaving [17] are established skills in the local population. There are shoe-making skills in Kumasi too, since the city once hosted a state-owned shoe factory. Significant non-traditional skills in the Kumasi workforce are displayed in the broad range of automotive workshops within the Suame

16 The focus of this Guide is on the city as well as the surrounding region, in particular the four districts bordering Kumasi.

17 Mainly of the well-known *kente* cloth, which consists of long woven strips sewn together for use as garments and is associated in particular with the Ashanti people.

Magazine[18] and also in breweries such as the Guinness brewery in the city. Finally, the Ashanti region is one of the main gold mining areas of Ghana and one of AngloGold Ashanti's two gold mines in the country is at Obuasi near Kumasi.

Several initiatives to help Kumasi attract more foreign direct investment are being taken. Apart from the work of the Millennium Cities Initiative, one aspect of which is represented by this Guide, the Ghana Investment Promotion Centre (GIPC) has established, with the cooperation of MCI, a regional office in Kumasi. The metropolitan area already has a number of foreign investors in it (see **Chapter IV, section 2,** below for a sampling), although not as many as that in Accra. Industrial activity in the area was adversely affected in 2007 by the power crisis but the power supply has improved since December 2007 (see **II.4. The business environment** below).

The main advantages of investing in Kumasi may be summarized as follows:

- a central location in Ghana and the neighbouring region,
- a pleasanter, less humid, climate than the other major cities in Ghana,
- a lower-cost environment than elsewhere (in particular Accra) in Ghana, and
- the availability of skilled staff, primarily through the presence of the well-regarded Kwame Nkrumah University of Science and Technology, which is nearby.

2. Opportunities for investors

Opportunities for investment in Kumasi and the surrounding districts are mainly to be found in cocoa (both processing and farming), agro-processing (in particular, fruit juices), tourism (in particular, hotels), retail space (primarily the construction of malls and parking lots), and pharmaceuticals. These are described in the first part of the present section. There are also possibilities in some other fields, including mining in particular, which are described more briefly in the second part of this section. It is important to note that the specific opportunities described below are meant to be *illustrative*. These are by no means the only opportunities for investment in Kumasi. This section draws extensively on the report on investment opportunities in Kumasi, prepared by KPMG Special Services BV in cooperation with KPMG Ghana for the Millennium Cities Initiative in 2008 (see **Sources consulted** at the end of the Guide).

Main areas of interest to potential investors

Cocoa

Ghana is the world's second largest producer of cocoa, with an estimated production in 2006-2007 of 720,000 tonnes.[19] (The largest, Côte d'Ivoire, had an estimated production of 1,300,000 tonnes in 2006-2007.) Cocoa production in Ghana has increased by roughly 75% over the past ten years, an increase of over 300,000 tonnes. Ghana's global market share is now around 18% and Ghanaian cocoa beans command, on average, a 10% price premium in international markets.

Cocoa is mainly consumed as chocolate confectionery; chocolate-coated biscuits and ice creams; and beverages, cakes and snacks containing cocoa powder. The principal ingredients in chocolate

18 A 200,000-strong settlement that once housed a military magazine, i.e., ammunition storage facility.

19 International Cocoa Organization (ICCO), February 2007.

are cocoa paste, which accounts for the basic chocolate flavour; cocoa butter, which provides the characteristic mouth-feel; sugar; and a flavouring agent. Milk or milk powder is added to produce milk chocolate; nuts, biscuits and other fillings are added to make filled chocolates. Small amounts of cocoa butter are also used in cosmetic products.[20]

Cocoa prices have been volatile over the past 10 years. Table II.1 shows the fluctuations in just the past year. Now that cocoa marketing systems have been liberalized in most countries, the fluctuations in international prices are much more likely to be reflected in farm-gate prices.

Key players in the cocoa sector in Ghana include the following:[21]

- farmers who cultivate cocoa, typically on farms of around 10 acres (4 hectares), and are represented by the Cocoa, Coffee and Sheanut Farmers Association of Ghana;
- the Ghana Cocoa Board (COCOBOD), which purchases, markets and exports cocoa and cocoa products; exercises a quality-control function; and helps develop the sector through monitoring and assistance;
- Licensed Buying Companies (LBCs), of which there are currently 19, represented by the Licensed Cocoa Buyers Association of Ghana (LICOBAG), that buy cocoa from the farmers and deliver it to COCOBOD; and
- hauliers, who transport cocoa from various buying centres in the hinterland to the three take-over centres at the ports in Accra, Takoradi and Tema, and are represented by the Cocoa Hauliers Association of Ghana.

Other relevant entities are the Cocoa Marketing Company (CMC), which actually sells the fermented and dried beans on the world market on behalf of COCOBOD, and processing companies (currently five, including one chocolate manufacturer) that produce cocoa cake, butter, and powder.

Research by KPMG suggests that investment opportunities in the cocoa sector include the following: cocoa-processing, hybrid cocoa farming, organic cocoa farming, chocolate manufacturing, and soap-making (from cocoa pod waste). Of these, the first three are the most promising. The last two are much less so, on account of low demand, high costs and other constraints. The details in the presentation of opportunities below are meant to be illustrative. Variations of these would be perfectly possible.

TABLE II.1. International cocoa prices in 2007

	Month	Price per ton (in USD)
1	January	1,701.99
2	February	1,813.88
3	March	1,924.20
4	April	1,977.20
5	May	2,004.84
6	June	2,016.69
7	July	2,152.65
8	August	1,902.09
9	September	1,938.08
10	October	1,914.68
11	November	1,966.84

Source: International Cocoa Organization, *ICCO Monthly Averages of Daily Prices*, www.icco.org/statistics/monthly.aspx?AD=2007&MD=1&AH=2007&MH=11&Tipo=Tabla&Datos=USD.

20 Ibid.

21 Government of Ghana (COCOBOD), 2007.

Cocoa-processing

Greenfield investment in a cocoa-processing plant with an annual capacity of 50,000 tonnes could produce cocoa butter and cocoa powder for export. Industry sources consulted by KPMG suggest that a plant could be built in two years, start production in the third and reach full capacity in the fourth. The possible downside is an unexpected shortage of bean supply because of a spell of adverse weather conditions. This risk might be mitigated by having sourcing agreements from neighbouring regions as well. (Ghanaian regulations currently preclude the import of beans from neighbouring *countries*.)

Four existing companies – the Cocoa Processing Company, the West African Mills Company, Afrotropic and Barry Callebaut – currently process about 215,000 tonnes (none of it in Kumasi), which is less than 30% of Ghana's current production. The Government has set a target of 40% processing by 2010.[22]
For potential investors, there are several advantages in setting up in Kumasi. One is the greater quality control made possible by proximity to the source of raw material. Another is the low labour costs, the minimum wage of unskilled workers being less than USD 2 a day. A third is the incentives on offer: agro-processing enterprises using indigenous raw materials enjoy a five-year tax holiday, with a 10% corporate tax rate thereafter (if in a regional capital outside Accra and Tema, such as Kumasi).

Relevant factors to be considered are infrastructure, labour and land. With regard to the first, roads between Kumasi and the ports at Accra and Tema are adequate and the hauliers mentioned above are experienced in transporting cocoa products. Feeder roads from the farms could be a problem, as they are generally in poor condition. However, a number of rural road improvement projects are in the works. The power supply had serious problems in 2007, on account of drought, but investors report an improvement since December 2007.

The labour force is generally well regarded and, as for the 100 or so technical and supervisory staff required for a project of this size, Kumasi has the advantage of having the Kwame Nkrumah University of Science and Technology nearby. The regulatory environment is generally favourable and Ghana is one of the top ten reformers according to the World Bank.[23] COCOBOD can help facilitate the start-up, as can the Metropolitan Assembly and the Kumasi office of the Ghana Investment Promotion Centre (GIPC), which has been set up recently.[24]

Hybrid cocoa farming

Hybrid trees are generated through cross-breeding and offer such benefits as increased yields, a shorter time to fruition and lower height. A hybrid farm can produce at least 50% and, more commonly, between 100% and 200% higher yields. Industry participants estimate that between 20% and 40% of all cocoa trees in Ghana are hybrid trees. Significant numbers of farmers are thus already familiar with hybrid breeding and cultivation. One key issue in the cocoa industry in Ghana is quantity rather than quality improvement, since Ghana already produces the best-quality bean available in the mass market in cocoa.

The implementation of a 10,000-acre hybrid farm would appear to be relatively easy. Industry participants believe that minimal training costs would be required to educate the farmer. One cost model developed by a scientific research institute estimates that USD 110 would be sufficient to train a farmer in hybrid cultivation. The seedlings would be a one-time investment, as farmers could then cultivate and breed their own hybrids.

22 Ibid. The Archer Daniels Midland Company is expected to set up a 60,000-tonne-capacity plant in Kumasi in the near future.

23 On the regulatory framework, see Chapter III, Section 2 below. See also Doing business in Ghana in Section 4 on the Business environment in the present chapter.

24 Note, however, that for most licences and permits the investor needs to deal with bodies in Accra.

The principal cost would be the lease cost of around USD 1 million *per annum* for 10,000 acres.[25] Although hybrid conversion may be done in phases, some analyses suggest that it may be more profitable to convert completely to hybrids upon farm acquisition. Latest hybrids produce yields within two to three years. Thus there would be no revenue for the first three years but an estimated revenue of USD 1.7 million in all subsequent years, assuming an average yield of around 3,000 tonnes and a world cocoa price of about USD 1,900 per tonne over the next decade.

Since the factor most likely to be problematic is the condition of rural roads, investors will need to consider the trade-off between close proximity to urban land with steep lease costs and cheap farmland that is less accessible. Labour and regulations are unlikely to present any obstacles. One of the advantages of the project from the point of view of Ghanaian authorities would be job creation, as hybrid farming requires twice the labour inputs of a traditional farm. A possible negative impact would be on the environment, as hybrid farming would require more use of fertilizers, leading to soil depletion. Training for farmers in environment-friendly techniques and best practices, as well as more research in hybrid farming, could mitigate this.

Note that cocoa farmers and producers are exempted from paying income tax.

Organic cocoa farming

Organic farming is basically chemical-free farming, i.e., farming using natural fertilizers and natural pest-control methods. The world demand for organic cocoa is very much on the upswing. Industry participants believe that the global organic chocolate and confectionary market has grown from about USD 171 million in 2002 to USD 304 million in 2005, representing a compound annual growth rate of 21.1%. The current global production of organic cocoa is around 26,000 tonnes, of which the Dominican Republic alone accounts for about 16,000. Informed sources foresee global production growing by nearly 24% *per annum* over the next five years to reach 76,000 tonnes.

There is little organic cocoa production in Ghana at the moment.[26] Industry participants expect this to change and production to grow by 1,000-2,000 tonnes a year over the next five years. Given the way demand has outstripped supply, organic cocoa currently commands a significant price premium on the world market, of 25-30% above the price for non-organic cocoa.

One opportunity in cocoa is thus to establish a farm with a total capacity of 1,000 tonnes a year. The estimate for the land required is 9,200 acres, which should be easy to acquire. Converting a traditional cocoa farm to an organic one would have a short lead-time and pay-back period. Although the certification process (through COCOBOD) can take up to three years, investors may be able to realize a certain premium by selling their produce in the meanwhile as 'organic conversion cocoa'.

By the very nature of organic farming, there would be no adverse environmental impact. There is, however, a risk that natural fertilizers and pest-control methods may not be entirely effective. Unforeseen weather conditions are also a risk but these are a risk for all rain-fed cultivation. Some industry participants suggest that there could be protests by conventional farmers against the premium prices paid to organic farmers and that these could lead COCOBOD to require buyers to reduce the premium they pay on organic cocoa.

Note again that cocoa farmers and producers are exempted from paying income tax.

25 Foreign investors cannot own land in Ghana but leases of up to 50 years are available. Ghana has also recently developed a land bank directory of land available for various uses, to help investors decide on target areas for expansion. For further discussion of the land issue, see Land in Chapter III.

26 The only certified major producer of organic cocoa is AgroEco in the Eastern Region, with a production capacity of 100 tonnes, although in 2006-2007 AgroEco was able to harvest only 27 tonnes because of drought.

Agro-processing

As indicated in Chapter I, the Ghanaian economy is growing strongly and growth is expected to continue. This is reflected in the growing demand for a variety of consumer products, one of these being soft drinks, including fruit juices. According to some informed sources, imports of fruit juices have lately been growing by as much as 60% *per annum*. Ghana is also a significant producer of fruits as well as an exporter [27] and the production volume is increasing. According to the Ministry of Food and Agriculture, citrus fruit production in one of the Ashanti region's ten citrus-growing districts has grown by 11% *per annum* since 2002 to reach 17,200 tonnes in 2006.

With growing domestic demand and growing availability of raw material, one serious investment opportunity is in fruit-juice production.[28] The opportunity is not confined to supplying the domestic market. For a variety of reasons, Ghana may be an appropriate base for a regional strategy, although transport conditions can be difficult. There are also overseas markets, such as the European Union. With overseas markets, in particular, FDI would be indispensable, since these markets are dominated by a small number of suppliers and retailers. For example, four supermarkets account for over 80% of all grocery sales in Britain.

The soft drinks market in Ghana is estimated to be in the region of USD 150 million, about USD 85 million of it in carbonated soft drinks and USD 65 million in non-carbonated soft drinks. The carbonated portion is currently dominated by the Coca-Cola Bottling Company of Ghana, which has a 95% market share. The non-carbonated portion includes both imports and domestic products. (For an example of a successful, though very small, local company producing fruit juices in Kumasi, see Box II.1 below.) Typically, imports cost more than three times as much as domestic products. Thus, Just Juice, a British company, sells its orange, pineapple and apple fruit-juice drinks for GH¢ 4.3 a litre, while Kalyppo, a domestic producer, sells its orange and pineapple drinks for GH¢ 0.3 for 250 ml (at GH¢ 1.20 a litre, about three and a half times cheaper).

The cost of establishing a fruit-juice-processing plant with an annual production capacity of 3 million liters is likely to be in the region of USD 3-5 million, including plant and machinery, land (a five-acre industrial site in Kumasi), and operating costs. The advantages for potential investors are closeness to sourcing sites and the availability of qualified personnel from the Kwame Nkrumah University of Science and Technology, although expatriate staff may initially be needed. Much supplementary material for packaging and the like is also available from local sources. The challenges are rural roads, which are particularly important if the sources of fruit are small farms in scattered locations, and power and water supply in Kumasi. Existing processors like the Coca-Cola bottling plant have invested in sizeable water storage capability as well as electricity generators to minimize the impact of water shortages and periodic black-outs. Investors will also need cold-storage facilities in the plant and in the transport fleet.

Opportunities in agro-processing are by no means confined to fruit-juice processing. Vegetable-oil processing is another area with considerable potential. A related agricultural opportunity is in commercial farming, to supply processors (see Box II.2 below). Table II.2 shows the top agricultural produce items in Ghana, ordered by value in international dollars.

Note that agro-processing enterprises using indigenous raw materials enjoy a five-year tax holiday, with a 10% corporate tax rate thereafter.

27 According to the Export Promotion Council, the country exported fruits worth USD 30 million in 2006, with the main exports being pineapples and bananas.

28 As noted earlier, the opportunities described here are illustrative. Many other opportunities, alternative or supplementary, may be worth exploring.

TABLE II.2. **Top 20 food and agricultural commodities in Ghana, 2005**[a]

Rank	Commodity	Production (Int 1000)[b]		Production (MT)	
1	Yams	785,419	C	3,892,259	F
2	Cassava	701,779	C	9,738,812	F
3	Cocoa beans	566,852	C	736,000	F
4	Plantains	528,098	C	2,380,858	F
5	Groundnuts in shell	188,294	C	389,649	F
6	Taro (coco yam)	185,436	C	1,800,000	F
7	Maize	134,516	C	1,157,621	F
8	Game meat	93,341	C	57,000	F
9	Chillies & green peppers	93,174	C	270,000	F
10	Pimento, allspice	65,344	C	22,000	F
11	Oranges	52,722	C	300,000	F
12	Rice, paddy	51,507	C	241,807	F
13	Sorghum	48,711	C	399,300	F
14	Tomatoes	47,386	C	200,000	F
15	Okra	41,283	C	100,000	F
16	Indigenous cattle meat	35,684	C	17,253	F
17	Indigenous chicken meat	34,176	C	29,300	F
18	Coconuts	28,489	C	315,000	F
19	Millet	24,519	C	143,798	F
20	Hen eggs	21,859	C	25,175	F

[a] **F** = FAO estimate
C = Calculated figure

[b] Production in Int $1,000 is calculated on the basis of 1999-2001 international prices. International commodity prices are used to calculate the total value of each commodity, in order to avoid the use of exchange rates and also to improve and facilitate international comparative analysis of productivity at the national level.

Source: Adapted from FAO, Major food and agricultural commodities and producers, http://www.fao.org/es/ess/top/country.html?lang=en&country=81&year=2005.

Box II.1. Investment story: Fruit-juice processing

MASIG Natural Fruits Industries is a small domestic business, started and owned by Mariam Asigri, a teacher by profession. Encouraged by those who had sampled her juices at a variety of social functions, Ms Asigri set up her business as a cottage industry in 1999. Technical assistance and advice was provided by the Food Research Institute in Accra and the Kwame Nkrumah University of Science and Technology near Kumasi. The company remains small, with five current employees, but would like very much to expand.

MASIG produces juices using the following fruit: bananas, guavas, watermelons and the fruit of the cashew tree. It is considering adding mango juice to its products and has deliberately stayed away from the most common juices, made from pineapples and oranges. Its banana juice in particular has been very successful. On average, MASIG produces 150 cartons, containing 30 bottles of 33 ml each, of juice every month. Retailers usually sell a 33-ml bottle for 60 pesewas (GH¢ 0.6). The sources of raw materials are varied, from the local market to a cashew plantation owned by Ms Asigri's husband. The typical quantity of bananas used in a month, for example, is around 400 kg.

Ms Asigri assesses the investor's environment as mixed: the location and climate are a plus, while power and water are persistent problems. Then there is bureaucracy. The registration and incorporation process for this small Ghanaian business took more than eight months. Now that the company is established, such problems have mostly disappeared. The biggest challenge the company has faced is one it shares with most SMEs in Ghana: a lack of financing. Commercial banks charge interest at rates near 25%, while the kind of financing available from such government bodies as the Ministry of Trade is both too limited and too loaded with paperwork.

The best things about Kumasi, according to Ms Asigri, are its location and the safety it offers its residents. The company's future plans are to expand and to export. It sees the prospect of further ECOWAS integration as a plus, since it would create a larger market.

Source: Millennium Cities Initiative, drawing on information provided by MASIG.

Box II.2. Investment story: Oil processing

Golden Web Ltd is a Ghanaian company listed on the Ghana Stock Exchange, of which Mr Thomas Bello, the founder and managing director, owns 51%. The company began as a cottage industry in Mr Bello's house in 1994. Mr Bello is a production engineer by training and had previously been engaged in the family business of exporting grey parrots. (The export of wildlife is now much more stringently controlled in Ghana than it used to be.)

Golden Web crushes some 50 tonnes of oil seeds — groundnuts, soy beans, sunflower seeds, coconuts and palm kernels – a day, to produce around 20 tonnes of crude oil. It then refines about 10 tonnes of the crude oil to produce about 4 tonnes of cooking oil. The company's turnover in 2006 was Old Cedi 6,766,833,904 (approximately USD 680,000). There are 45 core employees and a further 50 seasonal ones. At the moment, there are no expatriates, although the company is considering hiring two temporary technical employees from India.

Mr Bello sees the investment climate as generally positive, with two major reservations. One has to do with financing. Getting loans to expand capacity is difficult for SMEs in Ghana, as interest rates are very high (25%) and the conditions attached to the loans excessively stringent. The other reservation has to do with infrastructure, in particular with the power supply. Although infrastructure has seen a positive trend over the past half a dozen years, electricity remains unreliable and of poor quality, which affects the business generally and can damage machinery. Asked about the greatest challenge he faces, Mr Bello again mentions two things: difficult financing and an inadequate and unreliable supply of raw materials.

Golden Web would like the government to focus much more intensively on agriculture. It sees the greatest opportunity in the Kumasi area in commercial farming, which could solve a key problem for agro-processors like itself. The government ought to be doing much more to facilitate investment in commercial farming, which is needed to lower raw-material costs and assure processors of a dependable supply. Competing with cheap oil imports would otherwise remain very difficult for companies like Golden Web.

The company sees its future as lying in expansion, especially into export markets in neighbouring countries. It would thus like to see much more effective trade integration in the 15-member Economic Community of West African States (ECOWAS).

Source: Millennium Cities Initiative, drawing on information provided by Golden Web Ltd.

Tourism

Kumasi lies at a significant transport intersection for both Ghana and the wider region. Much of Ghana's primary road network converges on Kumasi and the city has to cope with substantial numbers of people and vehicles in transit. Infrastructure projects such as the outer ring road, the airport upgrade and the inland port are aimed at alleviating the pressures created by Kumasi's role as a national and regional transport hub. As the ancient capital of the Ashanti kingdom, the city is also a tourist attraction in its own right, with sites such as the Manhiya Royal Palace, the craft villages and Lake Bosomtwe. It is also well located to serve as a stopover for tourists following the North-South slave route.

One obstacle to exploiting the full potential of Kumasi as a magnet for both business and holiday visitors is the lack of sufficient quality accommodation. The focus of the big chains like the Hilton and the Intercontinental is on Accra, where both have new projects. The only comparable new project in Kumasi is the refurbishment of the City Hotel as a 5-star hotel, being carried out by the Chinese State Hualong Construction Ltd for the Ghana Libyan Arab Holding Company, which will be run by Golden Tulip Hospitality Management. While there are a number of 2- and 3-star hotels in Kumasi, few meet the expectations of foreign travellers. (For one that seems to, see Box II.3 below.)

Occupancy levels for 4- and 5-star hotels have risen to over 80% in Ghana despite an increase in the accommodation available. Apart from foreign travellers, events such as weddings and funerals also make demands on hotel accommodation and facilities,

Box II.3. Investment story: Hospitality

Royal Park is a small, attractive hotel in a relatively quiet area of southern Kumasi, called Adiebeba. This is a family business, owned by Tony and Jeffrey Cheung. Tony Cheung came to Kumasi from Hong Kong in the 1970s, with a textile company he worked for. In the late 1990s, he decided that there was a place in the hospitality sector for a small new hotel and Royal Park began operating with 10 guest rooms in 1998. Tony Cheung was joined by his son, Jeffrey Cheung, in 2003, who has now largely taken over the day-to-day management of the hotel.

By 2008, the hotel had expanded to 20 rooms, with an average annual occupancy rate of about 60%. The room charges range from USD 60 for a single to USD 100 for a suite. The guests divide about 50-50 between foreigners and Ghanaians from elsewhere in the country. The foreign guests come mainly from the United States, followed by Britain and Nigeria. The hotel's Chinese Garden Restaurant is very popular with both visitors and locals. At present, there are 50 employees, three of them expatriates.

Mr Jeffrey Cheung sees the investor's environment as largely positive, with some reservations. The city is highly congested and moving about in it is time-consuming. There are also problems with the power supply which, despite some improvements, remains erratic and expensive. The raw materials for the restaurant are both sourced locally (meat, vegetables, etc.) and imported (rice, ingredients for Chinese cooking and the like). There are no major problems in this area. There are no special difficulties with the bureaucracy either.

The hotel's greatest challenge has been workforce skills, which are limited. Mr Cheung is sceptical about alleviating this problem through anything like a hospitality training school. Some of his employees may be able to profit from such formal training but many would not. For the moment at least, the hotel has to rely on on-the-job training. Asked what most needs government attention, Mr Cheung mentions education and tourism promotion. What he likes best about the city and the country is that both offer a peaceful and stable environment for business.

The hotel plans to expand its current facilities in the foreseeable future. There are no short-term plans to acquire additional hotels either in Kumasi or elsewhere.

Source: Millenium Cities Initiative, drawing on information provided by Royal Park Hotel.

as in Ghana they generally involve large numbers of guests and considerable expense. What is true of hotels is also true of restaurants and entertainment venues more generally: there is a dearth.

There is thus a clear opportunity in the hotel sector in Kumasi. The cost of establishing a new 160-room 4- or 5-star hotel in Kumasi is likely to be in the region of USD 25-30 million, with construction costs of USD 25 million (based on six floors, each of 2,000 m^2) and land costs of USD 1.5-2.5 million (based on a three-acre site in central Kumasi). Assuming an occupancy rate of 75% and an average room rate of USD 150, revenues would run to about USD 6-7 million *per annum*.

Positive features of Kumasi for such a project include the city's location, the ongoing investment in the metropolitan infrastructure by the Government, and access to an educated workforce (see below). There is also the Government's interest in promoting tourism, although Government expenditures on promotion have thus far been modest. One priority for a potential investor is likely to be staff training. Customer service standards are generally poor and hospitality training is in short supply, although there is now a Hotel Catering and Tourism Training Centre (HOTCATT) in Accra.[29]

As Table II.3 indicates, the availability of managerial, professional, technical and skilled workers is well above the sub-Saharan African average in Ghana, while that of unskilled workers is only average. The work week is shorter than average and levels of unionization are very high.

29 The corporate tax rate for hotels used to be set at a lower level (25%) than the tax rate in general (32.5%). However, the rate was reduced to 25% across the board in 2006.

TABLE II.3. Labour market: Hotels[a]

Category	Ghana	Kenya	Madagascar	Mali	Mozambique	Senegal	Tanzania	South Africa	Mauritius	Average
Availability of managers	3.0	2.7	2.0	3.5	2.2	2.5	2.2	3.4	2.8	2.7
Availability of professionals	4.2	3.3	3.4	4.0	2.6	3.0	1.7	3.4	3.4	3.2
Availability of technical workers	3.8	3.7	2.4	2.0	2.6	3.0	2.7	3.6	2.6	2.9
Availability of skilled workers	4.2	3.7	2.8	2.0	2.4	3.4	3.8	4.0	2.4	3.2
Availability of unskilled workers	4.2	4.5	3.8	4.0	3.8	5.0	4.7	4.4	3.8	4.2
Ease of finding workers with command of language	3.8	4.3	2.8	4.0	2.6	3.8	3.5	4.2	3.0	3.6
Number of weekly work hours per employee	40.0	47.5	44.6	45.3	42.4	46.5	50.2	42.0	46.4	45.0
Percentage of unionized workers	96.0	83.3	21.0	81.7	56.2	54.0	21.3	17.8	5.0	48.5
Average annual turn-over rate	1.7	5.6	8.4	6.3	2.7	1.6	17.1	7.3	15.8	7.4

Source: Adapted from the World Bank and MIGA, *Snapshot Africa – Ghana: Benchmarking FDI Competitiveness*, January 2007.

[a] The availability of labour is rated from 1 to 5, with a higher score indicating greater availability.

Retail space

Kumasi's importance as a transport and commercial hub is growing and consumers are increasingly demanding greater convenience in shopping. As things stand, Kumasi's central business district is chock-full of petty traders, cottage industries and cars, resulting in cramped and undeveloped markets as well as serious traffic congestion. The Metropolitan Assembly is fully aware of the problem and moving to alleviate it, by such actions as moving the woodworkers and the small engineering shops out of the city centre.

Under these circumstances, there are opportunities in developing modern retail space. Modern retail has been expanding fast in emerging markets, including Ghana, primarily in Accra. The Metropolitan Assembly is also promoting this kind of investment in Kumasi. It has, for example, already identified sites for two shopping malls and one parking facility. One mall is to be located in the heart of the Asokwa sub-metro area, near the lake road, and to cover about 30,000 m^2; the other is to be in the heart of the Tafo Pankronu area along the Mampong road and to cover about 35,000 m^2. The parking facility is planned to be in the heart of the central business district along the Asokwa link and will cover 800 m^2.

Construction should not be a constraint on developing retail space, since quite a few international construction and civil engineering companies are already engaged in projects in Kumasi, such as Taylor Woodrow (a Taysec subsidiary, UK) the leader of the market with a turnover exceeding $50 million, Bilfinger Berger (Germany), Sogea-Satom (Vinci, France), Sade (France) and China International Construction Company (China). A number of domestic companies, e.g., Interplast and De Simone, are also active in Kumasi. Among the construction projects in the city are the City Hotel mentioned earlier and the Baba Yara stadium, which was upgraded to host some of the 2008 African Cup of Nations matches.

Skills should not be a constraint either, given the amount of construction activity already ongoing in the city, as well as the proximity of the Kwame Nkrumah University of Science and Technology, which has a College of Architecture and Planning that graduates students with qualifications in architecture, building technology and planning. Most construction equipment is available from Mantrac Ghana, the authorised dealer for Caterpillar products in Ghana, and cement is available as well, although rising prices are a cause for concern. New commercial space is exempted from tax on rental income during the first five years.

Pharmaceuticals

Demand for pharmaceutical products is rising in Ghana with an increase in incomes. The budget of the Ghana Health Service has grown by more than a third every year since 2002. In 2006, it was about USD 500 million, some 20% of it funded by donor grants. Private spending on health care is small but also rising.

Rising demand apart, there is a special incentive that creates an attractive investment prospect for pharmaceutical manufacturing in Ghana. This is the legislation that requires 20 common drugs and their combinations to be manufactured locally.[30] These are:

- **Capsules:** Ampicillin, Chloramphenicol, Oxytetracycline, Chlordiazepoxide, Tetracycline, Indomenthacin
- **Syrups:** Chloroquine and Paracetamol
- **Tablets:** Aspirin, Chloroquine, Diazepam, Paracetamol, Phenobarbitone, Prednisolone, Dexamethasone, Folic Acid, Vitamin B Complex, Paracetamol / Aspirin / Caffeine combinations, Aspirin / Caffeine combinations, Paracetamol /Caffeine combinations.

30 The Food and Drugs Board Law (1992), as amended by the Food and Drugs (Amendment) Act (1996).

According to informed sources, 36 other drugs might be added to this list in 2008. The Ghana Health Service spent about 30% of its budget in 2006 (or USD 150 million) on domestically produced drugs.

There is thus an opportunity to supply a captive domestic market as well as to use Ghana as a regional supply centre. At the moment there are 35 pharmaceutical manufacturers in Ghana. These include companies with foreign links – e.g., Phyto-Riker Pharmaceuticals and PZ Cussons Ghana Industries – as well as domestic companies such as the Ayrton Drug Manufacturing Company, Kinapharma, the Kama Group and M & G Pharmaceuticals. Several of these have plans to expand both within Ghana and into neighbouring countries. While active ingredients for locally manufactured drugs will generally need to be sourced in from outside Ghana, filler materials (e.g., starch) could be sourced from within the Ashanti region, giving the manufacturers the benefit of proximity to their bulkiest raw materials.

The cost of establishing a plant with an annual capacity of 2 billion tablets and capsules is likely to be in the region of USD 6-8 million. Once again, the Kwame Nkrumah University of Science and Technology can be a source of qualified staff, as it graduates around 100 students from its pharmacy-related courses. One issue that would call for ongoing assessment is continued political commitment to a restricted market for common drugs.

Other areas of interest to potential investors

Mining[31]

Mining makes a significant contribution to the Ghanaian economy and a very large one to the country's export earnings. As indicated in Table I.2 in Chapter I, gold remains the export leader, valued at USD 1,133 million in 2006. The well-known Ashanti Goldfields merged with AngloGold in 2004 to create the world's second-largest gold producer, AngloGold Ashanti, which owns the mine at Obuasi near Kumasi that has been yielding gold for over 100 years. Other minerals produced in Ghana include bauxite, manganese and diamonds. Thirteen major companies are currently active in the mining sector in Ghana, along with over 300 small-scale operators.

The basic law that governs the sector is the Mining and Minerals Law of 1986 (PNDC Law 153). All minerals are owned by the State and mining rights are granted by the Ministry of Land, Forestry and Mines. Artisanal mining and the mining of construction minerals are reserved for Ghanaians. The Government is entitled to an equity interest of 10% in mineral ventures, with the option of acquiring an additional 20% at a fair market price. Royalties vary from 3% to 12% of the gross value of minerals produced. Leases are granted for up to 30 years and are renewable. The income tax rate is 35%, with an additional profit tax of 25%.

The four districts that border Kumasi hold much mining potential. The Atwima Nwabiagya District has large deposits of quartzite (clay) at Afari and Mfensi that can support the ceramics industry. Large bauxite deposits have been found in the hills around Kyereyaaso near Nyinahin. There are identified gold deposits at Beposo, Nyameani and Aduampong, while Sewua and Krofrom are known to have copper deposits.

31 This section draws on a paper prepared for the Millennium Cities Initiative by Kingsley Saforo Twumasi, of the GIPC's regional office in Kumasi. The paper will be available on MCI's website: www.earth.columbia/mci/

In addition to mining, potential investors may also wish to consider related opportunities in supplying key inputs such as mill balls, drill bits, cyanide and activated carbon, as well as refining activities and the production of jewelry, commemorative coins and the like. At the moment, all bullion is exported for refining abroad, although feasibility studies have confirmed the viability of refining gold in Ghana. Such a facility could also serve gold producers in neighbouring countries such as Burkina Faso and Côte d'Ivoire.

Other opportunities

As noted earlier, the opportunities described in some detail above are meant to be illustrative. A variety of other opportunities can also be found in Kumasi, both in the sectors mentioned earlier and in others. There are opportunities in textiles and garments, horticulture, leather goods, woodworking (taking advantage of the local teak), metal work, infrastructure, training institutions, waste management and recycling, et al.[32] One example involving roofing sheets and focussing on the local market is described in Box II.4 below; another one involving bamboo bicycles is described in Box II.5 below. Opportunities for cooperation with domestic investors identified by UNIDO are contained in Appendix A.

As another example of an opportunity in light manufacturing, one might consider leatherworking. A sizeable state-run shoe factory operated in Kumasi until the early 1980s and held a number of key government supply contracts, such as supplying footwear to the armed forces and the police.

32 The Ghana Investment Promotion Centre (GIPC) offers a number of very useful sector profiles that investors may wish to consult (http://www.gipc.org.gh/home.aspx). Also useful are the sector profiles and opportunity assessments provided by the Multilateral Investment Guarantee Agency (MIGA) in its *Snapshot Africa – Ghana: Benchmarking FDI Competitiveness*, January 2007, available through MIGA's fdi.net website. A paper on *Investment Opportunities in the Agro-Processing Sector in the Kumasi Metropolis and its Environs*, prepared for the Kumasi Metropolitan Assembly, is available from the KMA or the GIPC (Kyei-Baffour, October 2006).

Box II.4. Investment story: Roofing sheets

Northern Industries Limited is a manufacturer of corrugated steel roofing sheets. It is a joint venture in the same family, the Halabys. Adonis Halaby, who runs the company as Managing Director, is a US citizen and the foreign partner of his father, who is a Ghanaian citizen of Lebanese origin and owns 52% of the company. The company began in 1975, although the senior Mr Halaby had been doing business in Ghana for some 30 years before that.

Northern Industries Limited currently has 40 employees, 15 of them core employees and the remaining 25 hired on a daily basis. There is only one expatriate other than Mr Halaby, the Deputy MD, who is Lebanese. The company's turnover is at present around USD 1.5 million, reflecting something of a slowdown. The roofing-sheet industry is now quite competitive in Kumasi, with a total of 13 factories.

Mr Halaby sees the investor's environment as generally positive. The GIPC Act of 1994 is certainly investor-friendly and a number of attractive incentives are available. The trend in infrastructure is also generally positive. Telecommunication has improved tremendously. The quality of roads has been improving as well; however, the road network has not kept up with the increase in the number of cars. Power and water supply have also improved but remain problematic, especially in Kumasi. Electricity in particular is unreliable and expensive. The company's biggest hassles, however, have been with the way the tax system operates. Tax assessments are often unrealistic and refunds dependent on an audit process that is often lengthy. In addition, imports are only cleared when a tax clearance certificate is obtained, which involves long delays and hassles. (The company's raw material is basic steel sheets, which are imported.)

Mr Halaby's candidate for the issue that most urgently needs government attention is red tape and true decentralization of the government agencies to support processing and decision making in Kumasi instead of travelling to Accra to obtain results. If this issue could be addressed, it would be much easier to exploit the opportunities in and around Kumasi, which he thinks are varied and abundant. There are opportunities in the hospitality industry (e.g., hotels and restaurants), in the retail sector, in construction and in health care, especially emergency services. The best thing about Kumasi and Ghana more generally, according to Mr Halaby, is the people, who are genuinely friendly.

The company's future plans are to expand its business by capturing more market share nationwide and possibly to diversify into the industrial mining and construction sectors, mainly in the Kumasi metropolis.

Source: Millennium Cities Initiative, drawing on information provided by Northern Industries Limited.

Following its closure, the factory was placed on the government's divesture list and has since passed through several foreign owners. At present, part of the site is being used for goods storage by some local companies. Leatherworking skills are still to be found in Kumasi and leather goods manufacturing may offer an opportunity to a suitable investor, although imports are very competitive.

Yet another example might be jute sacking. A state-owned jute-sacking factory once operated in Kumasi. Production ceased at this site a number of years ago. Given the prominence of cocoa production both around Kumasi and within Ghana as a whole, there would appear to be a significant potential market for jute sacking for the transport of cocoa. Currently, most sacking used for this purpose is imported from Asia.

As far as infrastructure is concerned, opportunities may be found in road rehabilitation and construction, as the Metropolitan Assembly is planning various projects including the construction of a ring road to improve the congested traffic in the city.[33] There are also opportunities related to the planned inland port at Boankra, about 30 km from Kumasi, which will be an inland freight terminal with customs facilities, intended to relieve the pressure on the ports at Tema and Takoradi, as well as to reduce the high costs incurred by importers and exporters from northern Ghana and countries such as Burkina Faso, Mali and Niger. The whole area is 400 acres and the port is being developed in three phases, on a BOT (build-operate-transfer) basis. Further information may be secured from the Ghana Shippers Council as well as the Ghana Investment Promotion Centre.[34] Yet another set of infrastructure opportunities may arise if it is decided that the country's second international airport will in fact be in or near Kumasi.

33 See KPMG, February 2008, for details.

34 See Appendix B for contact details.

Box II.5. Building bamboo bicycles in Kumasi: An unorthodox investment opportunity

Lack of access to efficient transportation limits human development in poor countries. In such a setting, bicycles are the most cost effective and reliable means of transport for farm products, market goods, personal transport, distribution of medicines, and a host of other services. The ubiquitous Black Mamba bicycles of Africa are of ancient design and are imported from China and India. They are heavy, often of poor quality and cannot handle the difficult road conditions typical of Ghana.

The Earth Institute at Columbia University has developed a prototype bicycle that can be built largely from locally available sustainable material, bamboo. The bike is designed to carry significant loads on poor local roads and off-road, using up-to-date designs evolved from extensive experience in bicycle development in the United States. Because production using bamboo does not require access to advanced infrastructure while drawing on skills needed for all bicycle construction, a sustainable bicycle-building facility can be established in Kumasi. Proof of concept was undertaken in late 2007 in Ghana, where staff of The Earth Institute trained largely unskilled locals in the elements of bicycle-frame building, using bamboo frame sections and locally available steel parts. Bamboo-framed bicycles are light, can easily deal with rough roads and can be modified for numerous purposes. They are suitable for both sexes. The prototype costs approximately $100 to build and has been enthusiastically received.

Having established that it is feasible to build a new and much more suitable type of bike for Ghana, The Earth Institute seeks an investor to build the bamboo bike at scale, first for the Ghanaian market, then throughout sub-Saharan Africa.

Bicycles are essential transportation in Africa. Building the right bike in Kumasi is not only commercially feasible but can also help raise people from poverty. For more information, see http://www.bamboobike.org.

Source: The Earth Institute at Columbia University and http://www.bamboobike.org.

3. Incentives, EPZs and related matters

Incentives in Ghana[35]

Incentives in Ghana include tax holidays and reductions, investment allowances, exemptions from import duties, etc. These are specified in the Income Tax Decree of 1975 (amended by the Income Tax Act of 1998), and the Ghana Investment Promotion Centre Act of 1994. There are also a number of sector-specific laws. Incentives can be sectoral or regional, as with lower tax rates for construction or tax exemptions for rural banks, or intended to promote exports, such as duty drawbacks on imports of raw materials if these are used to manufacture export items. Among the main incentives on offer are the following[36]:

Tax holidays

- Rental income from residential and commercial premises for the first 5 years after construction.
- Rural banks for 10 years from commencement.
- Cocoa farmers and producers are exempted from paying income tax. Cattle ranches and tree crops (coffee, oil palm, shea butter, etc.) for 10 years from commencement. Non-cattle livestock farming, fish farming and cash crops for 5 years from commencement. Agro-processing also for 5 years from commencement.
- Enterprises in free zones for 10 years after commencement.
- Non-resident air and sea transport income is exempted.
- Manufacturing enterprises using local raw materials for 3 years.

Special corporate tax rates

For non-traditional exports – exports other than those of cocoa, coffee, timber and logs, electricity, unprocessed gold and any other mineral in its natural state – the rate is 8%. It is also 8% for enterprises in free zones (see below) after the tax holiday for the first 10 years.

Tax rebates

Manufacturing enterprises in regional capitals outside Accra and Tema (e.g., Kumasi) receive a 25% tax rebate, while those outside regional capitals receive a 50% rebate.

Capital allowances

These vary according to sector. For example, buildings of a permanent nature other than those used in mining and petroleum exploration receive a capital allowance of 10%. Unutilized capital allowances are carried forward indefinitely.

Losses carried forward

Five years for enterprises in farming, mining and export manufacturing.

Free zones[37]

Ghana's free zones were established in May 1996, the enabling legislation being the Free Zone Act of 1995. There is one in the Greater Accra Region and two other sites located at Mpintsin and Ashiem near Takoradi. The seaports of Tema and Takoradi, the Kotoka International Airport, and all lands related to these areas are part of the free zone. Free-zone status can also be granted to enterprises outside these zones, if they export more than 70% of their products. Among the incentives for free-zone enterprises is a ten-year tax holiday, followed by an 8% corporate tax rate.

UNCTAD reported in 2003 that free-zone companies did indeed see numerous benefits in their status, including the speeding up of various procedures and support from the Ghana Free Zones Board, the regulatory authority, in dealing with labour and immigration issues, in addition to the tax benefits.

35 See also III.1 Taxation in Ghana below.

36 See also the GIPC website, http://www.gipc.org.gh/home.aspx, Investment Incentives, Benefits and Guarantees, for further details.

37 This section draws on DLA Piper, 2007; Ghana Free Zones Board, Ghana EPZs, http://www.gfzb.com/indexgfzb.cfm; Government of the United States, November 2007; and UNCTAD, 2003.

The zones are privately built and operated, with the government's role being limited to facilitating, regulating and monitoring the activities of developers and users. The Tema zone offers dedicated utility supplies, including an on-site power sub-station. The free zone in Ashanti, located near the Kwame Nkrumah University of Science and Technology, is still being developed. The Free Zones Board would like to see it emphasize information and communication technologies, given its easy access to KNUST.

UNCTAD's 2003 report also urged the conversion of the free zones into multi-facility zones, i.e., industrial parks that housed domestically oriented enterprises along with exporters, offered world-class infrastructure facilities, and followed best practices in regulatory matters. Among other things, such a zone would make full use of developed land even if the desired numbers of exporters could not be attracted. It would also nurture enterprises that might grow into exporters. The Government has thus far taken no action along these lines.

Investment and tax treaties

Bilateral investment treaties (BITs)

Ghana has been quite active in seeking bilateral agreements on protecting and facilitating investment. Twenty-five BITs had been concluded by June 2007. Of these seven have been signed and ratified, while the remaining 18 have been signed but are awaiting ratification. A further 18 are yet to be concluded.

The countries involved in all 43 of these agreements are shown in Table II.4 below.

Double taxation treaties (DTTs)

Ghana has also sought bilateral agreements to help foreign enterprises avoid double taxation. It has to date signed and ratified DTTs with France and the United Kingdom. An agreement has also been signed with Germany, although it is yet to be ratified. Negotiations have nearly been concluded with Belgium and Italy.

Table II.4. Ghana's bilateral investment treaties (BITs)

Signed & ratified	Signed but not ratified	Negotiations in progress
China	Benin	Australia
Denmark	Botswana	Belgium
Germany	Bulgaria	Canada
Malaysia	Burkina Faso	Czech Republic
Netherlands	Côte d'Ivoire	Ethiopia
Switzerland	Cuba	Finland
United Kingdom	Egypt	Indonesia
	France	Israel
	Guinea	Jamaica
	India	Morocco
	Italy	Nigeria
	Mauritania	Pakistan
	Mauritius	Philippines
	Romania	Singapore
	South Africa	South Korea
	United States	Spain
	Zambia	Togo
	Zimbabwe	Turkey

Source: Ghana Investment Promotion Centre (GIPC), *Investment promotion and protection agreements*, http://www.gipc.org.gh/pages.aspx?id=39, and the United Nations Conference on Trade and Development (UNCTAD), Country-specific lists of BITs, www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1

4. The business environment

Infrastructure

The infrastructure in Ghana presents a mixed picture. Telecommunication has seen very fast growth in the past few years, while in electricity there have been serious difficulties; the road network is good, though many rural roads are in poor condition; the ports at Tema and Takoradi have seen increases in efficiency along with heavier traffic burdens; and so on. The Government is certainly aware of the critical importance of infrastructure for investment and development, and is taking a variety of measures to improve quality and reliability.[38]

Energy

The power sector in Ghana is relatively more developed than in many sub-Saharan African countries, with over half the households having access to *electricity*. This is nearly twice the rate of access Ghana itself had 20 years ago. However, as in most African countries, there is a sharp difference between urban and rural access. Only about one-fifth of rural households have access to electric power, although again this is twice the percentage of five years ago.[39]

There has recently been an energy crisis in Ghana, mainly due to drought, which has meant low inflows to the Akosombo reservoir and a 25% reduction in power supply. Although the supply in Kumasi is said to be more reliable than that in Accra, blackouts and brownouts have been common and have seriously affected businesses in mining, manufacturing and services. (However, investors say that there has been some improvement since December 2007.) A recent investment climate assessment by the World Bank concluded that Ghana is already foregoing major new investments, jobs, and growth as a result of the power cuts.[40] An increased use of private generators by companies means higher costs, ultimately passed on to the consumer.

The Government is trying to encourage increased private-sector participation in the power sector. A Canadian company is said to be working on a project to produce energy from waste, which may add 30 MW to the national capacity. The issue also has a regional aspect. The West African Gas Pipeline (WAGP), which runs mostly offshore from Lagos to Takoradi, has almost completed construction and will give Ghana access to Nigerian natural gas. It is estimated that WAGP will save between 15,000-20,000 barrels per day of crude oil for Ghana, by substituting natural gas from the WAGP to run its power plants. The pipeline is owned by a consortium that includes private players (Chevron and Shell, with a 55% stake together) as well as public ones (SOEs from Nigeria, Ghana, Benin and Togo). The power plants in Tema and Takoradi are expected to be the WAGP's key customers.

Water and sanitation

On 17 December 2007, the *Ghanaian Chronicle* wrote an editorial on a 'lurking water crisis' in Ghana that said supply in Accra was meeting only half the demand of 140 million gallons a day. Kumasi meets 50% of its current demand, with a daily shortfall of 18 million gallons. While the Ghana Water Company is trying to address this issue, it is unlikely to be resolved in the short term. This constitutes a constraint on business operations in the city, especially those in the food and agro-processing sectors.

Water and sanitation are also important for Ghana to reach its Millennium Development Goals (on which see Table I.1 in Chapter I). Roughly half the population has access to safe water in Ghana today and about a third has access to sanitation facilities. The Ghana Water Company Ltd

38 For further information on infrastructure and its constraints in Kumasi see MCI's forthcoming publication *Assessing Infrastructure constraints on business activtity in Kumasi, Ghana*,

39 World Bank, 28 November 2007.

40 Ibid.

operates 82 urban water supply systems around the country. Its problems include obsolete facilities, intermittent supply and weak financial performance, all aggravated by an urban population growth rate of 3.5%. The growth rate in Kumasi, according to the KMA, is 5.5%.

Note that, as shown in Table II.5 below, Ghana's telecommunication costs are relatively low by African standards, especially for calls to the United States. This is also true for Internet costs and for power usage charges. It is not true for water costs, which are average-to-high for the countries shown, or for the power demand charge, which is quite high.

Transport

The transport sector offers a brighter picture. Ghana has one international (Kotoka in Accra) *airport*, four regional ones and a number of *airstrips* scattered over the country. A second international airport is planned, which may be in or near Kumasi. A number of major international *airlines* fly regularly to Kotoka, including British Airways, Delta, Emirates, KLM and Lufthansa. Two commercial airlines (Citilink and Antrak Air) connect Kumasi to Accra with several regular flights daily.

Ghana also has two deep-water *ports*, at Tema and Takoradi, which handle some

Table II.5. Utility costs in selected African countries

	Telecommunication costs (USD/minute)			**Internet costs**	**Electricity costs**		**Water costs (USD/m³)**
Country	Local calls	International call to adjacent country	International call to the United States	High bandwidth Internet (USD/mo.)	Usage charge for industrial use (USD/kWh)	Demand charge for industrial use (USD/kVA)	Water for industrial use
Ghana	**0.14**	**0.28**	**0.39**	**252[a]**	**0.09**	**12.5**	**1.10**
Kenya	0.04	0.16	0.88	1,690	0.06	3.68	0.42
Mali	0.03	0.59	0.89	1,089	0.12	2.91	0.56
Mauritius	0.03	0.19	0.19	188	0.06	3.25	0.38
Mozambique	0.06	0.42	0.77	594	0.05	5.25	0.88
Nigeria	0.16	0.43	1.45	236	0.28	n/a	0.91
Senegal	0.23	1.07	1.07	57	0.14	13.10	1.56
Tanzania	0.07	0.47	1.11	1,900	0.06	6.01	0.67
Uganda	0.07	0.38	0.76	3,548	0.10	2.33	0.76

Source: Adapted mainly from the World Bank and MIGA, *Snapshot Africa – Ghana: Benchmarking FDI Competitiveness*, January 2007, with costs for Ghana also taken from the Ghana Water Company and the Electricity Corporation of Ghana.
[a] Other sources suggest the cost might be as low as USD 80/mo.

7 million tonnes of cargo a year. The growth in cargo handled has put pressure on handling capacity; on the other hand, administrative and customs procedures have seen an increase in efficiency.[41]

There is a substantial *road network* in Ghana, of just under 50,000 km. Trunk roads linking major centres account for about 12,000 km of this, of which 5,600 km are paved. Urban roads account for about 4,000 km, roughly half of them paved. Rural feeder roads total a little under 33,000, only about 1,000 km of them paved. Thus, only about one-sixth of the network (or 17%) consists of paved roads, while 97% of passenger traffic and 94% of the freight tonnage is handled by the road network.[42]

The Ghana Road Fund, established in 1985 and restructured through the Road Fund Law in 1997, has as its first charge the preservation of existing roads. The fund had a total revenue of around USD 113 million in 2005, received primarily through the fuel levy, with a small percentage coming from vehicle registration, bridge tolls, etc. The condition mix of the roads in 2004 was 41% good, 32% fair and 27% poor. Generally, the trunk roads are in good condition, while the feeder roads are not. This is a matter of concern, for several key sectors such as agro-processing are directly affected by the condition of their supply routes for raw material.

As for Kumasi, the Metropolitan Assembly has initiated a number of measures to reduce congestion in the central business district and various road projects are being implemented. The Asafo interchange has just been completed, after significant delays. The KMA's urban roads unit is looking to complete the inner ring road, create an outer ring road and rehabilitate the bus terminal. The 70 km outer ring road will redirect traffic that has no business in Kumasi and facilitate traffic for the proposed dry inland port at Boankra.

The route is to go from Afrantwo through Asenua, Abirem, Kwamo, Feyiase, Adagya, Brofoyedu, Ahenema Kokoben, Abuakwa, Koforidua, Amanfrom and back to Afrantwo. The current status of the project is that the route has been defined, the acquisition survey has been completed, property impacts have been assessed and the process of compensation payment has started. Since the funding has not yet been fully secured, construction may not begin till 2010.

With regard to *railways*, only about a third of the network, the portion linking Accra, Kumasi and Takoradi is functional and even that is in poor condition. However, there are several new rehabilitation and construction projects under way.[43] The government has signed a USD 1.4 billion agreement with Peatrack Limited, a Ghanaian firm, for the rehabilitation of the Ghana Railway Corporation's Eastern Line from Tema near Accra to Kumasi (about 300 km) and its extension from Kumasi via Ejura, Nkoranza, Techiman, Kintampo, Tamale and Bolgatanga to Paga, which would be about 450 km. A branch is envisaged east of Tamale to Yendi (about 100 km, near the border with Togo), where there are ore deposits.

A consortium led by the Dubai-based Kampac Group has signed a USD 1.6 billion contract with the Ghana Railway Corporation to build Ghana's new Western railway project. The main idea is to build an entirely new line to Hamile in the north-west, on the Burkina Faso border, from Asawinso, railhead of an existing branch from Dunkwa on the Takoradi-Kumasi line. The new railway would pass through Bibiani, Goaso, Sunyani, Wenchi, Bole and Wa. In addition, the consortium is required to rehabilitate approximately 400 km of existing lines, the most important being that from Takoradi to Kumasi. This is a BOT (build, operate, transfer) contract for 35 years, after which the line will become the property of the government.

41 Ibid.

42 Government of Ghana, 22-28 June 2005.

43 Various reports in Railways Africa, http://railwaysafrica.com/index.php?option=com_content&task=view&id=493&Itemid=35.

Telecommunications

The National Communications Authority (NCA), set up by an Act of Parliament in 1996, is the regulatory authority for telecommunications in Ghana. There are currently two fixed-line operators and four mobile ones in Ghana. As Table II.6 below makes clear, the truly remarkable progress in coverage has come from the mobile operators, who have given Ghana a telecom penetration rate of nearly 30%, well above average for Sub-Saharan Africa. In 2006, Ghana's teledensity grew the fastest in all of Africa.

Internet subscriptions are low, however, and usage, though much greater, is still limited. In 2006, there were only 22,000 Internet subscribers in Ghana, while users were nearly 610,000, which is 2.7% of the population.[44] In 2007, there were 10 Paging Service providers, 128 Internet Data Service Providers, 106 VSAT Data Operators, 128 FM Stations and 24 TV Stations.[45]

The financial sector

There were 25 licensed banks in Ghana in 2006, 13 of them foreign. There were also 23 insurance companies and 38 other licensed non-bank financial institutions, engaged in such activities as mortgage lending and leasing. The prime rate, which in Ghana is the rate at which the Bank of Ghana does its overnight lending to banks, was 13.5% in late February 2008, while the three-month treasury bill rate was 10.78%. The rate commercial banks charged on their loans was 20-25%.

Given these rates, it is easy to see why businesses regard a lack of access to credit as one of their major problems in Ghana. Borrowers often have to have a business plan with an aggressive timeline and high margins in order simply to service the debt. Only the larger businesses can access credit from overseas sources at a lower cost. One reason for the high interest rates is the risk the lender needs to assume. The lack of a credit rating standard or agencies

44 International Telecommunication Union (ITU), *ICT Statistics Database*, http://www.itu.int/ITUD/icteye/Indicators/Indicators.aspx#.

45 Government of the United States, February 2007.

Table II.6. Telecommunications in Ghana

Company		Type of service	As of 31/12/2005	As of 30/06/2007
Ghana Telecom	FIXED	Subscriber base	321,500	362,236
		Number of pay phones	11,364	31,499
Westel	FIXED	Subscriber base	2,798	2,665
		Number of pay phones	Nil	165
Scancom (Areeba)	MOBILE	Subscriber base	1,012,000	3,392,389
Mobitel (tiGo)	MOBILE	Subscriber base	350,000	1,469,908
Kasapa	MOBILE	Subscriber base	63,000	238,669
GT-Onetouch	MOBILE	Subscriber base	270,000	1,222,544

Source: National Communications Authority, http://www.nca.org.gh/index.asp, and World Bank, 28 November 2007.

for Ghanaians, the complicated land tenure system in various parts of the country, the settlements with no fixed addresses, and the ease with which borrowers can evade their obligations all contribute to the high interest rates.

Several measures are being taken to address these issues, especially for the smaller enterprises, including a new credit bill. Banks have put into place training programmes, small accounts, micro-lending, and other incentives geared to educating and encouraging customers in saving and bookkeeping. Insurance policies for defaults are now being automatically included in the loan process. Loan syndication, although rare and usually only required by the government, has been gaining momentum as the private sector's demand for such loans has been increasing. There is also venture funding available, although only about half the business community understands private equity and even fewer have the modern corporate governance principles in place to qualify for these funds.[46]

Human resources

The workforce in Ghana has much to commend it. MIGA's recent FDI competitiveness study reported that the investors it surveyed in nine African countries believed Ghana to possess the best supply of skilled workers in sub-Saharan Africa; that companies were generally able to staff operations fully with local residents; and that Ghana's health care and school systems were better than the other profiled countries.[47]

English is widely spoken, especially in urban areas. Labour regulations and policies are generally favourable to business. Labour-management relations are fairly good. A revised Labour Law (Act 651) passed in 2003 became effective in March 2004. Under the 2003 Labour Law, the Chief Labour Officer issues collective bargaining agreements (CBA) in lieu of the Trade Union Congress (TUC). Also, instead of the labour court, a seven-member, tripartite (including employees, employers and the Government) National Labour Commission has been established to resolve labour and industrial disputes. Orders of the Commission may be enforced by application to the High Court.[48]

Kumasi in particular has an attractive workforce. As noted earlier, the city is home to numerous educational institutions, including the noted Kwame Nkrumah University of Science and Technology, which has a student population of nearly 23,000, including both undergraduate and post-graduate students. Literacy is high in Kumasi. More than 15% of the population has a senior secondary education and about 10% has tertiary or technical education. Labour costs are approximately 10-15% cheaper than in Accra.

When jobs are eliminated because of changes in production schedule or corporate structure, workers are entitled to compensation. Disputes in the amount of compensation may be referred to the National Labour Commission for a final determination. The Commission also sets the daily minimum wage, currently under USD 2.[49] Employers are required to make a statutory monthly contribution of 12.5% of a worker's base salary to the Social Security and National Insurance Trust.

Strikes and lockouts require a 7-day notice period. Any termination of the contract of employment as a result of a lawful strike or lockout is void. An employer may not employ any person to perform the work of a lawfully striking worker except for minimum essential maintenance services. Disputes involving essential services are to be resolved by the Commission within three days by compulsory arbitration. Picketing in support of a lawful strike is

46 DLA Piper, December 2007.

47 World Bank and MIGA, January 2007.

48 DLA Piper, December 2007, and Government of the United States, February 2007.

49 This has been revised upwards to GHC2.25. *Source*: *Daily Graphic*, March 6, 2008 pp24-25.

permitted. Strikes and lockouts are prohibited during a period of negotiation, mediation or arbitration.

Work and residence permits are issued to expatriates employed by companies in Ghana against immigration quotas, whereas investment-related automatic work permits are granted when specified levels of capital are invested by foreign owned businesses. A foreign enterprise that makes a direct investment through the GIPC under the Investment Act of 1994 is automatically entitled to a specific number of visas/work permits based on the size of its investment. An investment of USD 10,000 entitles an enterprise to a visa/work permit for one expatriate employee, an investment of over USD 10,000 but less than USD 100,000 entitles the enterprise to two expatriates, while an investment above USD 500,000 entitles it to four expatriates. The enterprise may apply for extra visas/work permits but will have to justify why a foreigner must be employed rather than a Ghanaian. There are no restrictions on the issuance of work and residence permits to Free Zone investors and employees.

The cost of severance pay is in most cases higher than the international norm and may be stifling the growth of labour-intensive production. Employees with less than five years' tenure are entitled to one month of salary for every year of employment, while employees with five years or more are entitled to two months of salary for every year of employment, up to a maximum of two years of severance. However, these amounts can be negotiated further and may end up even larger. In addition, the new dispute resolution mechanisms, which provide for seeking redress before taking a strike action and expeditious settlement of grievances that involve essential service workers, are often not enforced because the stakeholders lack an adequate working knowledge of the new labour laws. Recognizing the benefits of more widespread knowledge of these matters, UNCTAD has recommended the preparation of informational material and the organization of a nationwide awareness programme.[50]

Consulting a local attorney on labour issues is strongly recommended.

The private sector in Kumasi

The private sector in Kumasi includes both foreign and domestic companies. Foreign companies (see **Chapter IV, Section 2**, below for a sampling) are to be found in a large variety of sectors: agro-processing, banking, construction, consumer goods, logistics, timber and wood products, tourism, et al. They range from large multinationals like Coca Cola and Maersk to small family businesses like Northern Industries and Royal Park (Boxes II.3 and II.4 above).

The domestic private sector is, of course, much larger. A very substantial part of it consists of micro enterprises in the informal sector, such as those in the famous Suame Magazine. Then there are SMEs like Golden Web (Box II.2 above) in light manufacturing and services such as tourism and construction. Private-sector organizations like the Association of Ghanaian Industries (AGI) cater mainly to their needs. (There is no association dedicated to foreign investors in Kumasi.) One of the major constraints on the domestic private sector in Kumasi, and indeed in Ghana, is the difficulty of obtaining financing at reasonable rates. Some domestic investors believe that the sector as a whole is also hampered by a culture of non-cooperation, which makes it harder to grow.

For investor perceptions of the investment climate in Kumasi, see **Chapter IV** below.

50 United Nations Conference on Trade and Development, 2006.

Doing business in Ghana

The International Finance Corporation (IFC), the private-sector arm of the World Bank, regularly carries out surveys of the investment climate in most countries of the world, investigating regulations that enhance business activity and those that constrain it. These investigations deal with such topics as starting a business, registering property and paying taxes.

The tables and figures presented below are adapted from the most recent report[51] by the World Bank and the IFC, which covered 178 countries. The countries selected as comparators are the same countries that appeared in the governance charts in Chapter I, six of Ghana's neighbours.

The annual *Doing Business* reports also take note of countries undertaking significant reforms. Ghana has been among the top 10 reformers for the past two years, with significant accomplishments in reducing delays and increasing the efficiency of its public services – as is obvious from the tables and figures below.

The first table below deals with *registering property*, based on the case of an entrepreneur who wants to purchase land and a building in the largest business city. Benin has the fewest procedures but Ghana ties for second place with Mali and Togo. More important is how long it takes to go through these procedures and here Ghana is a very close second to Mali. When it comes to cost, Ghana is far and away the best, *nine* times cheaper than the next best.

51 World Bank, International Finance Corporation (IFC), *Doing Business 2008: Ghana*, 2007.

Table II.7. Registering property in West Africa

Country	Procedures (number)	Duration (days)	Cost (% of property value)
Benin	3	118	11.4
Burkina Faso	8	182	12.2
Côte d'Ivoire	7	62	16.9
Ghana	**5**	**34**	**1.3**
Mali	5	29	21.2
Nigeria	14	82	22.2
Togo	5	295	13.9

The next table deals with the *effective tax* that a medium-sized company in the second year of its business would be required to pay, including corporate income tax, turnover tax, labour contributions, property and property transfer tax, dividend tax, capital gains tax, fuel tax, stamp duty and so forth, *less* the standard deductions and exemptions. Note that Ghana has the least number of payments and the second lowest total tax rate (after Nigeria). The time taken in hours, however, is not something in which Ghana shines.

Contract enforcement is an important part of the business environment in any country. The case on which the following figure is based involves a dispute between two businesses, located in the country's most populous city, in which the seller sues the buyer. The efficiency of contract enforcement is measured by the number of procedures, the time (in days) and the cost in court and legal fees (as a percentage of the amount at stake). What the chart below provides is the global ranking of each of the seven countries so measured. Note that Ghana ranks 51st among the 178 countries surveyed, far ahead of the second best, Nigeria, which ranks 93rd.[52]

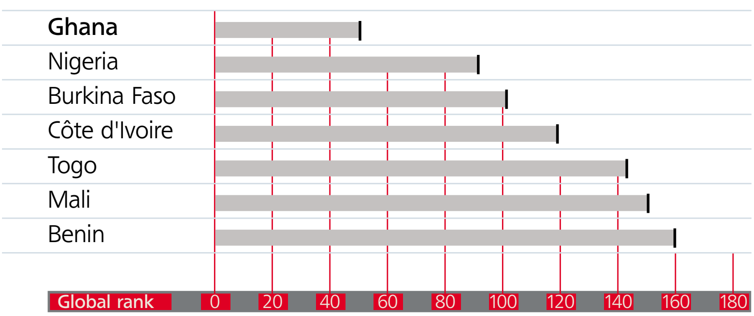
See also the section on the new commercial court under **Chapter III.2, Legal framework for investment.**

52 Ghana ranks *fourth* in contract enforcement among the 46 sub-Saharan African countries surveyed, after Namibia, Tanzania and Rwanda.

Table II.8. Paying taxes in West Africa

Country	Payments (number)	Time (hours)	Total tax rate (% of profit)
Benin	55	270	73.3
Burkina Faso	45	270	48.9
Côte d'Ivoire	66	270	45.4
Ghana	32	304	32.9
Mali	58	270	51.4
Nigeria	35	1,120	29.9
Togo	53	270	48.2

FIGURE II.1. Enforcing contracts in West Africa: Global rankings



Source: The source of data for both of the tables above, as well as for the figure, is the World Bank and IFC's *Doing Business 2008: Ghana*, 2007.

5. Kumasi as an investment location: A summary for investors

Strengths	Opportunities
• Stable multi-party democracy in Ghana, with a development-oriented Government • Access to a well-educated English-speaking workforce in Kumasi • Kumasi's strategic location in West Africa and a new EPZ in the works nearby • Substantial natural resources in cocoa, timber and minerals around Kumasi	• Cocoa cultivation and processing • Agro-processing, for domestic and regional markets • Retail space and construction generally • Tourism, especially hotels • Pharmaceuticals • Mining
Weaknesses	**Threats**
• Infrastructure constraints, especially in electricity, water supply, rural roads and railways • Centralized regulatory bureaucracy in Accra • Long and complex process of land acquisition	• No discernible general threat (The MIGA FDI competitiveness report[53] identifies regional competition and power problems as threats in specific sectors such as horticulture and ICT.)

53 World Bank and MIGA, January 2007.

Kumasi is an emerging agro-processing hub. Oilseed processing is a new sector with the potential to produce huge quantities of biodiesel and cooking oils. This in turn creates a large potential for commercial farming, to produce soya beans, groundnuts and sunflower seeds. There is ample land for farming and the land tenure system in Kumasi and its surrounding areas is good. The road network is also mostly good. Investors in commercial farming are invited to link up with agro-processors to establish a good supply chain.

Thomas W. Bello, Managing Director, Golden Web Ltd

The Ghana Investment Promotion Centre is the foreign investor's gateway to Ghana. The importance we attach to investment in the Kumasi region is clearly shown by the establishment of our new regional office in the city. This guide identifies a number of specific opportunities that await investor attention. There are yet others that investors can begin exploring by visiting our website: http://www.gipc.org.gh/home.aspx _ Investment Opportunities. Let me assure all investors, whatever their origin and focus, that they are our clients and that we will do all we can to facilitate their establishment in and around Kumasi.

Robert Ahomka-Lindsey, Chief Executive, Ghana Investment Promotion Centre

III. TAXES AND LAWS

1. Taxation in Ghana

The table below draws mainly on an IMF report dated June 2007, which summarizes the situation as of 2006. It has been updated through consultation with the Internal Revenue Service of the Government of Ghana.

54 This table is not intended to be exhaustive. Investors should seek expert advice before investing. See also the fiscal incentives available in Chapter II.3, Incentives, EPZs and related matters.

TABLE III.1. Taxes in Ghana: A summary[54]

Tax	Nature of tax	Exemptions & deductions	Rates
1. Taxes on profits and income			
1.1. Tax on companies:			
Internal Revenue Act, 2000 (Act 592) as amended. Internal Revenue Regulations 2001 (LI 1675) and amendments.	Levied on domestic and foreign companies operating in Ghana. Taxable income includes net profits and interest, royalties and rent income of companies formed exclusively for real estate development but does not include dividends from other companies, which are taxed at 8%. For domestic subsidiaries of non-resident companies, a further floor for net profits is that the subsidiary's share of the consolidated group profits should at least be equal to the subsidiary's share of group turnover. Agro-processing companies as well as venture-capital firms enjoy carry-over losses, while export-oriented manufacturers enjoy rebates.	Levied on domestic and foreign companies operating in Ghana. Taxable income includes net profits and interest, royalties and rent income of companies formed exclusively for real estate development but does not include dividends from other companies, which are taxed at 8%. For domestic subsidiaries of non-resident companies, a further floor for net profits is that the subsidiary's share of the consolidated group profits should at least be equal to the subsidiary's share of group turnover. Agro-processing companies as well as venture-capital firms enjoy carry-over losses, while export-oriented manufacturers enjoy rebates.	Basic rate of 25%. Non-traditional exports: 8%; rural banks: 8%; and income of financial institutions from loans to farming enterprises or leasing companies: 20%. Agro-processing companies: in Accra and Tema; 20%; in regional capitals other than Tamale, Bolgatanga and Wa: 10%; all other locations: 0%.

Tax	Nature of tax	Exemptions & deductions	Rates
1.2. Taxes on individuals:			
1.2.1. Income tax			
Internal Revenue Act, 2000 (Act. 592) as amended. Internal Revenue Regulations 2001 (LI 1675) and amendments.	Payable on income received by, derived from, brought into, or accruing to persons in Ghana. In addition to wages and salaries, income includes profits, interest receipts, dividends (which are taxed at the source), rental income (which may be taxed at a 10% final tax), and payments in kind (other than dental and medical costs). **N.B.** Tax on dividends and rent income has been reduced to 8%, while benefits in kind (accommodation and vehicle) have been expanded in the 2nd Schedule of Act 592.	Exemptions include: a) income derived from cocoa production; b) income derived from farming for an initial period of three to ten years (tree crops and cattle farming 10 years, cash crops 10 years, and fish and non-cattle livestock farming 5 years); c) interest paid by resident financial institutions; and d) pensions and retirement benefits. Deductions include social security contributions (not exceeding 17.5% of income), Contributions to a long-term savings scheme (not exceeding 17.5% of income) and life insurance premiums (not exceeding 10% of the sum assured or 10% of income). Other deductions include 30% of rental income, as well as rates and mortgage interest on the property.	First GHC 2,400,000: 0% Next GHC 2,400,000: 5% Next GHC 12,000,000: 10% Next GHC 79,200,000: 17.5% Over GHC 96,000,000: 25%
1.2.2. Capital gains tax			
Internal Revenue Act, 2000 (Act 592) as amended.	Levied on realized capital gains from the sale of buildings, businesses and business assets. For non-residents only gains on assets in Ghana are chargeable.	In addition to the original purchase price, deductions are allowed for improvements and alterations. Capital gains arising during a merger, amalgamation, or re-organization of companies are exempt. Capital gains arising out of disposal of securities of companies listed on the Ghana Stock Exchange are exempt for the first 20 years of the life of the Exchange. Other gains not chargeable are those on agricultural land and trading stock.	Flat rate of 5%.

Tax	Nature of tax	Exemptions & deductions	Rates
2. Taxes on goods and services			
2.1. Value-added tax:			
Value Added Tax VAT) Act, 1998 (Act. 546), as amended (Acts 595, 579, 629, 639 and 671), with repeal of Customs, Excise, and Preventive Service (Management) (Amendment no. 2) Act 1995 (Act 500) and Service Tax Act, 1995 (No. 501) as amended.	Levied on value added, using the invoice credit method. The tax is levied on domestic sales and imports, with deductions for VAT paid on inputs to production of taxable goods. Input tax credits carried forward for three months, after which they can be refunded for exporters. Threshold of GHC 100 million per year for retailers only.	Zero-rated: exports of taxable goods and services; goods shipped as stores on vessels and aircraft leaving Ghana; locally produced textbooks and exercise books; and locally manufactured agricultural machinery, implements or tools. Exemptions: animal, agricultural and agrifood products in their natural state from Ghana and other ECOWAS member countries. Also exempt are agricultural and fishing inputs specified in the law; industrial and mining equipment; petroleum, diesel fuel, and kerosene; medical, dental, and hospital services; essential drugs and specified active ingredients for essential drugs; educational and training services approved by the Ministry of Education; transport services; rental of property; construction services; financial services, such as insurance; issue transfer, receipt of, and money dealing; provision of credit but excluding professional advice.	Rate of 12.5%.
2.2. Excise tax:			
Various laws and decrees relating to tobacco and alcohol products. Also petroleum products Budget 2005. Customs and Excise (Petroleum Taxes and Petroleum-related Levies) Act 2005, Act 685.	*Ad valorem* excise duties.	None.	Tobacco products are taxed at 140% of ex-factory price and the VAT rate of 12.5%. Mineral/aerated water: 20%; beer: 50%; spirits: 25%. All alcoholic beverages are also subject to the VAT rate of 12.5%.

Tax	Nature of tax	Exemptions & deductions	Rates
3. Taxes on international trade			
3.1. Import duty:			
Customs and Excise Tariff, 1973 (L.I. 838); Customs and Excise Tariff (Amendment) Regulations, 1976 (L.I. 1080); Customs and Excise Tariff (Amendment) Regulations, 1977 (L.I. 1286); et al.	Levied on most imported goods, generally as *ad valorem* taxes on the c.i.f. value, except for some petroleum oils under AS code 2710 that have specific rates.	Exemptions are granted for special purposes. Beneficiaries of exemptions include imports of the Volta Aluminum Company Ltd, diplomats, and plant, machinery, and equipment used in mining. Other exempted goods include aircraft parts, agrochemicals and foodstuffs of West African origin. Duty-free include agricultural machinery and tractors, crude oil, veterinary drugs and commercial buses with a seating capacity of 30 or more.	There are four *ad valorem* rates: 0% (capital goods), 5% (raw materials, hand tools, some vehicles), 10% (intermediate goods) and 20% (finished goods) Penalties ranging from 2.5% to 50% are imposed on imported vehicles over 10 years old.
3.2. Export taxes:			
All laws related to taxes on international trade have been consolidated into the Customs, Excise and Preventive Service (Management) Law, Part III; Customs and Excise (duty rates and taxes) Law, 1991 (P.N.D.C 262); and Customs and Excise (Duties and other taxes) (Amendment) 2000, Act 578.	A tax is levied on the f.o.b. price received by the Ghana Cocoa Marketing Board for all cocoa exported from Ghana. A tax was introduced in the 2001 budget on curls, logs (squared and round), and lumber. The tax on curls was taken off by Act 686.	None.	The cocoa export tax rate is determined by the Minister of Finance. Usually, 100% of all proceeds from cocoa exports after paying producer costs and COCOBOD's marketing and other costs are transferred to the central budget. 20% on logs (round or square)

Tax	Nature of tax	Exemptions & deductions	Rates
4. Other taxes			
4.1. Taxes on minerals and mining:			
Internal Revenue Act 2000 (Act 592) as amended; and Regulations 2001 (L.I. 1675) as amended. Minerals and Mining Act 2006 (Act 703) as amended.	The Minerals and Mining Law makes taxable any holder of a mining lease. Tax is also payable on the carry-forward cash balance of an individual involved in mining operations. There are no tax holidays. Mining companies under Act 592 can carry over losses for a period of five (5) years.	Exemptions include the exemption of staff from the payment of income tax relating to accommodation at the mine site.	Mining operations: 25% Rate of royalty: 5%.
4.2. Petroleum income tax:			
Law 1987 (P.N.D.C.L. 188).	This law covers all persons carrying on petroleum operations and is payable on income from the sale of petroleum less deductions.	Deductions allowed: a) rent; b) interest paid on loans; c) repairs of premises used for the business; d) bad and doubtful debts; e) contributions to a pension fund approved by the Commissioner; where such contributions exceed 25% of the employee's remuneration, only a 25% deduction is allowed; and f) losses incurred during a previous year of accounting, with the deduction being a sum equal to or less than the amount of the loss.	Petroleum companies: 25%* - unless provision is made in a particular petroleum agreement making alternative arrangements for paying the tax at a different rate, or another tax altogether. The Government is now working on a new Petroleum Income Tax law.

2. Legal framework for investment[55]

Ghana's legal system is based on a mixture of British law and customary law. British law applies to most cases, including criminal law, and a mixture of statutory and customary law applies to other matters such as interests involving the acquisition of land. Enforcement of foreign judgments in Ghana is based on the doctrine of reciprocity. On this basis, judgments from Brazil, France, Israel, Italy, Japan, Lebanon, Senegal, Spain, the United Arab Emirates, and the United Kingdom are enforceable.

The judicial system consists of upper and lower courts and reflects the two sources of the system. The British legacy is reflected in the Superior Courts of Judicature, which consists of the Supreme Court of Ghana, with broad powers of review, including rulings on the constitutionality of legislation and executive action; the Court of Appeal, which hears appeals from Circuit Courts, the High Court and the Regional Tribunals; the High Courts, which include the Fast Track Courts division and the Commercial Courts division; and the Regional Tribunals, which have specialized criminal jurisdiction.

The tribal legacy is evident in the Traditional Courts, i.e., the National House of Chiefs, the Regional House of Chiefs and the Traditional Council. This second branch deals primarily with matters involving land, inheritance, marriage, and the nomination, election or deposition of a chief. These tribunals tend to be less formal than the British system and more geographically accessible, which makes them preferable for most citizens. Appeals from this second branch are heard by the Supreme Court of Ghana.

The Commercial Division of the High Court was inaugurated in March 2005. Six judges hear disputes of a commercial nature, including banking and finance issues, the restructuring of commercial debt, and intellectual property. The court's jurisdiction covers all of Ghana. The court operates with a number of special rules meant to expedite the process. For example, the court is required to conduct mandatory pre-trial conferences within 30 days of written arguments. Mediation is handled by judges who are trained mediators and who recuse themselves if mediation fails. Mandatory mediation has proven successful in keeping the caseload low: between March 1, 2005 and July 31, 2006, of 403 cases referred to pre-trial conference, more than one in five (86) was resolved there, with 126 still pending. With more than 200 cases being disposed of at trial or with default judgment, this amounts to a clearance rate of more than 40% for the total 665 cases filed within 17 months. The average time to dissolve a commercial dispute, from filing to enforcement of the decision as measured by Doing Business, fell from 552 to 487 days.[56] One of the valuable by-products of establishing the commercial court has been the judicial training institute, first created for the commercial court but now providing training to all justice personnel in Ghana.

It is worth noting that Global Integrity, which provides information on governance and corruption around the world, gave high marks to Ghana in 2004 on the independence of the judiciary, the protection of witnesses in corruption cases, and the safety of judges when adjudicating these cases.[57]

55 This section draws mainly on a report on the regulatory framework prepared for the Millennium Cities Initiative (DLA Piper, December 2007) and on UNCTAD's investment policy review of Ghana (UNCTAD, 2003).

56 See *Ghana – Establishment of the commercial court* by Sandra Cofie (World Bank, IFC, December 2007).

57 DLA Piper, December 2007.

Investment law

The Ghana Investment Promotion Centre Act of 1994 is the principal legislation governing foreign direct investment (FDI) in Ghana. However, there are a number of areas in which various special regimes apply – see below. The Act was aimed at easing the establishment of businesses and attracting investment, and created the Ghana Investment Promotion Centre(GIPC) to promote and facilitate FDI in most sectors – see **Box III.1** on the GIPC below. Among other things, the Act specifies minimum capital requirements – see **Priorities and restrictions** below.

Special regimes

Mining

Under the Mining and Minerals Law (PNDC Law 153) of 1986, all minerals are owned by the State. Exclusive mining rights are granted by the Ministry of Mines and Energy. The legislation applies equally to Ghanaians and foreigners, except for the provisions relating to artisanal mining and construction minerals, which activities are reserved for Ghanaians. Moreover, the Government is entitled to a free equity interest of 10% of mineral ventures and may acquire a further 20% at a fair market price. The law prescribes the maximum periods for reconnaissance, prospecting or mining leases as well as the maximum acreage that can be authorized per licence for prospecting or mining.

Fisheries

Under the Fisheries Law of 2002, the Ministry of Agriculture regulates all fishery activities. The law stipulates that Ghanaian citizens, the Ghanaian Government, a Ghanaian public corporation, or a Ghanaian limited liability company must hold a 50% interest (at a minimum) in all tuna-fishing vessels. It further provides that at least 10% of all Skipjack, Yellowfin, Bigeye and Albacore tuna catches landed in Ghana must be offered for sale to persons engaged in fish-processing in Ghana. According to UNCTAD, restrictions on ownership in fishing have affected the industry's ability to raise capital for fleet renewal and productivity improvements, which in turn has left fish exporters in an uncompetitive position and heavily dependent on EU trade preferences.[58]

58 United Nations Conference on Trade and Development, 2003.

Box III.1. Ghana Investment Promotion Centre

The Ghana Investment Promotion Centre (GIPC) was re-established under the Ghana Investment Promotion Centre Act of 1994 (Act 478) to encourage, promote and facilitate investment in all sectors of the economy except mining and petroleum, which are governed by special regimes. Among other things, the GIPC

- initiates and supports measures to enhance the investment climate;
- promotes investment within and outside Ghana;
- collects, collates and disseminates information about investment opportunities and sources;
- advises on the availability or suitability of partners in joint ventures; and
- assists existing investors in such matters as permits and licenses.

The Centre is governed by an eight-member Board of Directors, the majority of whom are from the private sector. With the support of the Millennium Cities Initiative, the GIPC has re-established its regional office in Kumasi. It has, in any case, been working with the Kumasi Metropolitan Authority to showcase the city, its resources, and the companies located in it through brochures, so as to help the KMA attract more foreign direct investment. Its activities have focussed on such issues as fixing the railroads linking Kumasi to Accra and Takoradi, facilitating development of the proposed inland port facility near Kumasi, and trying to create industrial parks of 100 acres in all regions of Ghana, including Ashanti.

The current Chief Executive is Robert Ahomka-Lindsay. For contact details, see Appendix B.

Source: Millennium Cities Initiative, drawing on information provided by the GIPC and other sources.

Forestry

Forestry is a major export item for Ghana. The Government is trying to promote a sustainable industry and has initiated a series of measures such as a ban on the export of logs, the designation of reserve areas, and the concept of an "annual allowable cut." The Timber Resource Management Act provided for a more efficient and transparent allocation process based on a new contract scheme, which has, however, been poorly implemented. Ineffective policy implementation has also hampered FDI in downstream processing and the wood industry continues to export products with little value added.

Incorporation and exit

All companies partly or wholly foreign-owned must register with the GIPC and indicate the amount of capital invested. There is no screening process. Beyond this, there are a number of steps to be gone through which are the same as for domestic investors – see Table III.2 below. (See also the GIPC website, http://www.gipc.org.gh/home.aspx, for further details. On minimum capital requirements, see **Priorities and restrictions** below.)

Closing a business is one area where Ghana does not do notably well in comparison with its neighbours, according to the World Bank / IFC survey cited earlier. Exit is a little faster than the comparator countries, the cost a little higher and the recovery rate about average.[59]

59 World Bank and IFC, *Doing business 2008,* 2007.

Table III.2. Starting a business in Ghana: Procedures, time and cost

N.B. The exchange rate in February 2008 was USD 1 = GH¢ 0.96.

Procedure	Time to complete	Cost to complete
Check for the availability of company name and obtain incorporation forms	1 day	GH¢ 13
Apply to the Registrar-General's Department to obtain an incorporation certificate	2 days	GH¢ 66
A Commissioner of Oaths authenticates forms required for the certificate to commence business	1 day	GH¢ 2
Obtain from the Registrar-General's Department the certificate to commence business	2 days (simultaneous with previous procedure)	0.5% of the statedcapital + GH¢ 10 (registration fee
Deposit paid-in capital in an account	1 day	No charge
Obtain a company stamp	1 day	GH¢ 3.5
Apply for business licenses at the Metropolitan Authority	7 days (simultaneous nature of the procedure)	GH¢ 91.5 (but varies according to the business)
Inspection of work premises by the Metropolitan Authority	1 day (included in previous procedure)	No charge
Register employment vacancies with the Employment Centre	1 day (simultaneous with previous procedure)	No charge
Apply for Social Security	1 day (simultaneous with previous procedure)	No charge
Obtain the Environmental Certificate	25 days (simultaneous with previous procedure)	Variable

Source: The World Bank and IFC's *Doing Business 2008: Ghana*, 2007.

Priorities and restrictions

Priorities

The Government particularly welcomes FDI in the following sectors: agro-processing, ICT, manufacturing and tourism.

Minimum capital requirements

Enterprises with partial foreign ownership must invest at least USD 10,000, while wholly foreign-owned companies must invest at least USD 50,000 – unless they are trading companies, in which case the capital requirement rises to USD 300,000. Foreign-owned trading companies are also required to hire at least 10 Ghanaians, as are joint ventures in trading.

Equity restrictions

In fisheries, FDI is restricted to 50% in a tuna-fishing vessel. In insurance, it is restricted to 40%. In mining and petroleum, the State has the right to a 10% share at no cost and a further 20% at a fair market price. In companies listed on the Ghana Stock Exchange, FDI is restricted to 74%, with no single foreign investor allowed to hold more than 10%. In privatization, there is no specific limit to foreign ownership but joint ventures that are at least 25% locally owned are encouraged.

Reservations

Certain activities are reserved for Ghanaian investors. According to Section 18 of the GIPC Act, these are:

- the sale of anything whatsoever in a market, including petty trading, hawking or selling from a kiosk at any place,
- the operation of taxi and car hire service, except with a fleet of at least 10 new vehicles,
- all aspects of pool betting and lotteries, except football pools, and
- the operation of beauty parlours and barber shops.

Investment protection, investor treatment & dispute settlement

Protection against expropriation

Expropriation without compensation is forbidden by Ghana's Constitution (Article 20, Sections 1 and 2). The GIPC Act (Section 28) further guarantees that expropriation of a foreign-owned enterprise may not occur unless it is in the national interest, undertaken for a public purpose, and carried out with fair and adequate compensation. The Act also provides that compensation shall be paid in convertible currency and without undue delay. The fairness and adequacy is to be determined by the High Court of Ghana. There have been no cases of expropriation of foreign property since the new Constitution came into effect in 1992.

Intellectual property

With regard to intellectual property, Ghana is a party to the Universal Copyright Convention and a member of the World Intellectual Property Organization (WIPO), the English-speaking African Regional Industrial Property Organization (ESARIPO) and the World Trade Organization (WTO). Since December 2003, parliament has passed six bills designed to bring Ghana into compliance with WTO TRIPS (Trade-Related Aspects of Intellectual Property Rights) requirements. The new laws are: Copyright, Trade Marks, Patents, Layout-Designs (Topographies) of Integrated Circuits, Geographical Indications, and Industrial Designs. Legislation necessary for effective implementation has not yet been passed.

Piracy of protected goods is known to take place, though there is no reliable information on the scale of this activity. In cases where trademarks have been misappropriated, the price and quality disparity is usually obvious. Holders of intellectual property rights have access to local courts for redress of grievances, although few such cases have been filed in Ghana.

Investor treatment

While there is no legal guarantee of national treatment for foreign investors, Ghana's record has been positive in this regard. Non-discrimination can be strengthened through bilateral treaties and Ghana has either concluded or is close to concluding 38 bilateral investment treaties. (See **Table II.4. Ghana's bilateral investment treaties (BITs)** above.)

Dispute settlement

All investors have equal access to the Ghanaian judicial system. However, the Government is placing an increasing emphasis on alternative mechanisms such as arbitration and mediation.[60] The Arbitration Act of 1961 (Act 38) provides the legal basis for arbitration and the enforcement of arbitration awards. It also provides for the enforcement of foreign awards in accordance with the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, adopted in New York on 10 June 1958.

In addition, Section 29 of the GIPC Act of 1994 provides that a dispute between an investor and the Government may be submitted to international arbitration i) in accordance with the rules set by the United Nations Commission on International Trade Law (UNCITRAL), ii) by using other international machinery for the settlement of investment disputes such as the International Centre for Settlement of Investment Disputes (ICSID)[61], associated with the World Bank, and iii) within the framework of an international agreement on investment protection (e.g., a bilateral investment treaty). Notably, the Act provides that if the parties cannot reach agreement on one of the three methods, the choice of the investor shall prevail.

The main alternative dispute resolutions centres in Ghana are the Ghana Arbitration Centre and the Ghana Commercial Conciliation Centre of the American Chamber of Commerce. The Ghana Arbitration Centre, established in 1996 to handle commercial disputes, is a private organization supported mainly by its membership dues. It is situated in Accra but its arbitrators can travel to the location of a particular dispute and can apply the centre's rules or the rules specified by the parties.

The centre provides training and certification for its members and the business community and has specific requirements for its arbitrators as well as third party arbitrators who work with the centre. The centre is in need of funding to train and educate further, to establish a library and to broaden is presence outside of Accra.

Land

The 1992 Constitution identifies three kinds of land in Ghana: *public* lands, which are controlled by the state; *stool* lands, which are controlled by traditional authorities (in Kumasi, the Asantehene) on behalf of the community; and *private* lands, owned by individuals, families and clans. Foreigners may *not* own land of any kind but may lease it. Leases for foreigners can be up to 50 years in length and are renewable.[62]

Problems with land in Ghana are similar to those found elsewhere in Africa. The process of acquiring land can be complex and time-consuming. The land, once acquired, may turn out not to be secure, because the lessor had no clear right to it in the first place. This is not necessarily a matter of fraud. Titles to land may be unclear and certainly unrecorded, which can raise questions about the legality of the lease.

60 As noted above, mediation is mandatory in cases before the commercial court.

61 Ghana has signed and ratified the Convention on the Settlement of Investment Disputes, which allows for arbitration under ICSID.

62 United Nations Conference on Trade and Development, 2003.

The main policy governing land is the National Land Policy, which was originally adopted in June 1999 and amended in 2002. The policy reflects the government's strategy on land management and administration. Following the launch of the National Land Policy, the government instituted the Ghana Land Administration Project (the 'LAP'). The LAP is a decentralized land management design, which involves the town and country planning department and traditional authorities in order to develop a more transparent and efficient planning process. One key component of the LAP is the establishment of land information through commissioned maps of areas, in order to support planning and land registration.

Given Kumasi's position as the seat of the Asantehene, land rights issues and disputes so prevalent in other parts of the country are said to be less so in Kumasi. The Ashanti Stool Land Secretariat has a leading role in ensuring that leases of land within the tribal system are properly recorded and documented and are consolidated into one agency overseen ultimately by the Asantehene. The time taken to acquire land in and around Kumasi is also said to be significantly shorter than elsewhere. Nonetheless, the process is not quite as smooth and straightforward as it might be. Foreign investors, in particular, find it complex and time-consuming. The involvement of both the Stool Land Secretariat and the Government of Ghana's Lands Commission in the process increases its complexity. Another issue is the sometimes short lease terms of ten years or less, which make it difficult to implement substantial projects.[63]

Consulting a local attorney on land issues is strongly recommended.

Foreign exchange, etc.

Ghana's foreign exchange regime was gradually liberalized over a period of years following the inception of the structural adjustment programme in 1983. By 1990, the exchange rate was market-determined. Today, Ghanaian cedis are easily exchanged for dollars and most major European currencies. With specific reference to foreign investors, it is also important to note that section 27 of the GIPC Act guarantees the unconditional transferability, through any authorized dealer bank in freely convertible currency, of dividends, interest payments, technology transfer fees and the remittance of the proceeds of sale by an enterprise.

Parliament passed a new Foreign Exchange Act in November 2006. It is expected to integrate the country's foreign-exchange market into the global financial system and give legal backing to the policies of the 1980s that liberalized the foreign-exchange regime. It also liberalizes capital account transactions. Payments or transfer of foreign currency can only be made through institutions such as banks or persons licensed to make money transfers.
With regard to offshore loans, the Bank of Ghana must approve the loan agreement. The Bank inspects the terms of the loan, especially the interest rate, to ensure that it conforms to current international rates.

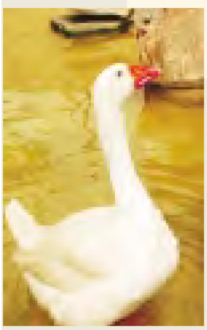
Performance requirements

Performance requirements are limited to some specific contexts. As a condition of privatization, especially in telecommunications, acquiring companies may need to meet performance targets. Enterprises in free zones must export 70% of their products. Investors are not required to source their materials locally, although special incentives are available to manufacturers who do. Joint ventures are required in a few industries, such as mining, insurance and fisheries. Local employment is required only in the case of trading firms.

63 DLA Piper, December 2007.

Kumasi is the commercial capital of Ghana and most major roads from our northern and eastern neighbours converge in Kumasi. The city is also safe and the people are friendly. Among the many opportunities it offers are those in agro-processing, particularly fruit-juice processing, since the surrounding area grows a large variety of fruits, along with other crops. It is thus an attractive location for potential investors to consider.

Mariam Asigri, CEO, MASIG Natural Fruits Industries



IV. INVESTOR & INVESTENT CLIMATE

1. Investor assessment of the investment climate

This is a summary of investor opinions of Kumasi as an investment location. It is based mainly on a closed session with the business community held as part of a workshop in Kumasi on 19 February 2008. Twenty-five companies, all but two of them domestic, participated in the workshop. In addition, consultations were also carried out with a number of individual investors, both foreign and domestic. What follows should be taken as no more than broadly indicative of investor opinion in Kumasi.

Attractions and drawbacks

Investors were asked what they saw as Kumasi's most appealing features as a place to do business in. The clear favourite was *a business-friendly environment*, followed by *safety*, *location* and *climate*. As the commercial centre of central Ghana, Kumasi is much more business-oriented than, say, Accra, where the dominant presence is that of the government. It is also safer, with a low crime rate, although one should note that Ghana generally is a safe place to live and work, in contrast with several of its West African neighbours. The location is central, with good links to other cities in Ghana as well as in neighbouring countries such as Burkina Faso. The possible addition of an international airport (Ghana's second, after Accra) would strengthen the locational advantage of Kumasi yet further. [64] The climate in Kumasi is much more pleasant and less humid than the port cities of Accra and Takoradi. Other features mentioned as being of some interest to investors were the cost of living, which is significantly lower than in Accra, and access to raw materials, which is important to investors in a variety of fields, including agro-processing, wood-processing and mining.

When it came to the major drawbacks of the area, *inefficient utilities* ranked at the very top, followed by *roads*, *health care* and *land*. Power and water are the main utilities with serious problems. Since late 2007, the supply of electricity has improved considerably [65] but it remains unreliable and, according to some investors, expensive. With regard to water, Kumasi is currently meeting just over 50% of its demand. As for roads, the major arteries linking cities are generally adequate, although traffic has increased substantially as a result of its proximity to other countries and cities on the Kumasi-Accra route and a road trip to the capital city (a distance of 270 km) can take four or five hours. This route passes through

64 At the moment, the matter is undecided. The two candidates are said to be Kumasi and Tamale, in the Northern Region. Any major upgrade would take time.

65 In 2007, Ghana suffered from an energy crisis, brought about by drought. See Infrastructure in Chapter II.4. The business environment above.

the city. The main road problems, however, are within Kumasi, especially in and around the central business district, which is very congested. Health care is an issue for all investors and, in particular, for foreign investors. Land is similarly an issue for foreign investors in particular. They can only lease land and the process is not as straightforward as it might be.[66] Other areas of concern included the centralization of government functions in Accra and the absence of a functioning railway system.

The role of government

A substantial majority of investors were unhappy with the performance of the national government in areas that most affected business, although an even larger majority agreed that there had been *some* progress in the way the government dealt with business. One source of dissatisfaction was the need to go to Accra for a variety of permits and procedures. Even when an office had been opened in Kumasi, decisions still tended to be made in Accra; so that the local office served as little more than a collection and courier agency. Registration and licensing was another area that needed improvement, as was the process of land acquisition.

On the other hand, most business representatives were satisfied that there were a number of mechanisms for business-government dialogue in place, such as the Association of Ghanaian Industries, the Chamber of Mines, and the National Chamber of Commerce and Industry. With regard to whether the city authorities should have a role in investment matters, the feeling was that they should, in particular in providing information. It was suggested that the Kumasi Metropolitan Assembly should establish a committee on investment.

Some specific points

- There had been definite progress in infrastructure in the past five years. The areas that had seen the most progress were *telecommunication* and *roads*.

- Infrastructure areas that had seen the least progress were *electricity* and *water*.

- There had also been significant progress in human resources in the past five years. Progress was most noticeable in workforce *skills*. On the other hand, there had been little progress in workforce *attitudes*. Commitment and productivity were weak.

- The tax system had improved with respect to *levels of taxation*. It had not improved much when it came to *transparency*, *complexity* and *bureaucracy*. Tax assessments were often unrelated to profits and refunds were difficult to get.

- Governance issues (red tape and corruption) continued to be a concern. Several (domestic) participants also expressed concerns about the business culture in Ghana. Local businesses tended to avoid cooperation with others, which held them back. There was also a casual attitude towards respecting contracts.

- Opportunities in and around Kumasi included commercial farming; agro-processing (fruit juices, vegetable oils, etc.); housing, including low-cost housing; health services; and waste management and recycling.

Conclusion

Investors in Kumasi, both foreign and domestic, are enthusiastic and upbeat about their city and its potential. They would like to see the city authorities do more to promote investment in the city. They would also like to see the national government simplify and genuinely decentralize bureaucracy.

66 See the section on Land in Chapter III above.

2. Foreign investors in Kumasi and in Ghana

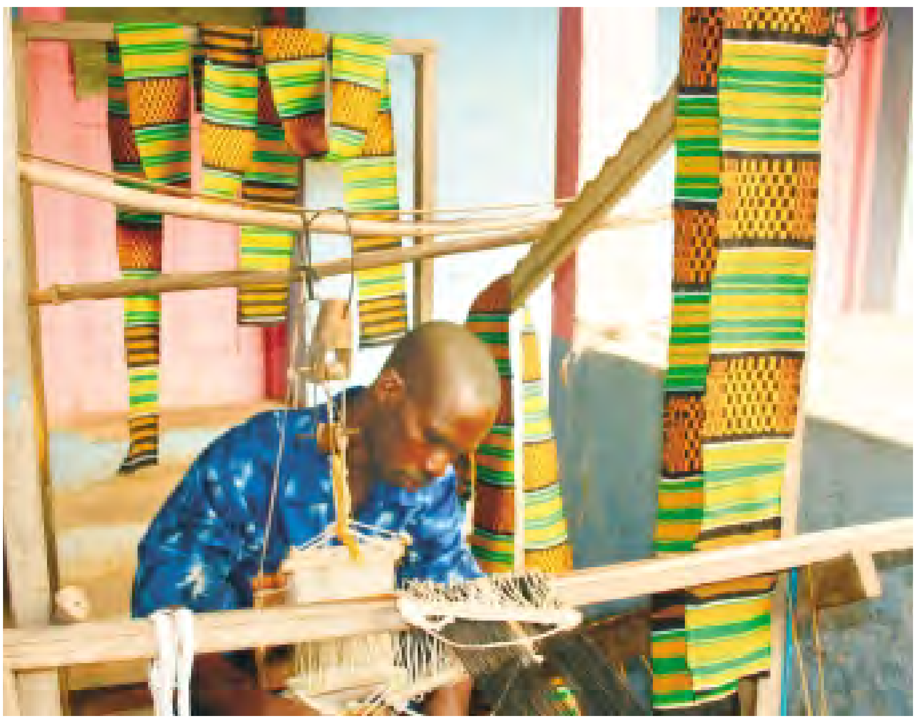
A. Foreign investors in Kumasi

This list is not meant to be exhaustive.

Company name	Major foreign ownership	Nature of business
Agriculture and related activities		
Agro-APK Star Ltd	USA	Farming
Jerusalem Agricultural Investments Ltd	France	Poultry project
Kassab Bakery Ltd	Lebanon	Bread making
Building and Construction		
A.J. Fanj Construction Ltd	Lebanon road-building	Civil engineering and
Limex Construction Ltd	Germany road-building	Civil engineering and
Consar Co. Ltd	Italy	Civil engineering and construction
Manufacturing		
A.S. Halaby Industrial Engineering Ltd	Lebanon	Heavy duty cranes, trail ers and agric implements
Apex Global Ltd	India	Manufacture of oxygen
Coca Cola Bottling Co. Ltd	Spain	Non-alcoholic beverages
Guinness Ghana Breweries Ltd	Ireland/USA	Alcoholic and non-alcoholic beverages
Modern Wood Technology Co. Ltd	Italy	Veneer plywood and moulding production
Northern Industries	United States	Corrugated roofing sheets
Wood Pillar Co. Ltd	Italy	Lumber veneer
Export Trade		
Conlos Co. Ltd	Switzerland	Waste cocoa and coffee beans
M. J. Steel Ltd	India	Steel products

Company name	Major foreign ownership	Nature of business
Financial services		
O.I. Sinapi Aba Savings and Loans Ltd	United States	Banking
Stanbic Bank Ghana Ltd	South Africa	Financial services
UBA	Nigeria	Financial services
Tourism services		
Golden Tulip Kumasi City	Libya	Hotel management
Moti Mahal Restaurant Ltd	USA /India	Restaurant
Royal Park Hotel	China	Hotel and restaurant
Business support services		
Maersk (A.P. Moller Maersk A/S)	Denmark	Shipping
Prosiah Ltd	France	Haulage of dry cargo and mass bus - transportation
V.L.M. Co. Ltd	India	Advertising

Source: Millennium Cities Initiative.



B. Foreign investors in Ghana

This list is not meant to be exhaustive.

Company name	Major foreign ownership	Nature of business
Financial services		
SG-SSB	France	Banking services
Barclays Bank of Ghana Ltd	United Kingdom	Banking services
Stanbic Bank Ghana Ltd	South Africa	Banking services
Bank of Baroda	India	Banking services
Standard Chartered Bank	United Kingdom	Banking services
Manufacturing		
Uniliver Ghana Ltd	United Kingdom	Consumer products
Interplast Ltd	India	Water pipes
PZ Cusson Industries Ghana Ltd	United Kingdom	Beauty and health care products
Nestlé Ghana Ltd	Switzerland	Consumer products
Guinness Ghana BreweriesGroup	Ireland	Beverages
Infrastructure		
Empire Builders Ltd	Italy	Real estate development
Naak Estates Ltd	United Kingdom	Real estate development
J.V.M. Barbisotii & Sons / De Simone	Italy	Building and road construction
Grove Properties	United States	Real estate development
MTourism		
Anpmabu Beach Resort Ltd	Netherlands	Beach resort and restaurant
Axim Beach Resort	Germany	Beach resort and hotel
Royal Park Hotel & Restaurant	China	Hotel and restaurant
House Mart Entertainment Ltd	Britain	Entertainment and restaurant
MICT services		
Ghamal Telecommunications Company Ltd	Malaysia	Provision of telecommunication facilities
Cable View Network ltd	Malaysia	Multi-channel subscriber-based television services
TV3 Network	Malaysia	Free-to-air television operation

Source: Ghana Investment Promotion Centre.

Appendix A

UNIDO list of domestic investors interested in foreign collaboration

This list is based on interviews with domestic investors in Kumasi carried out by a UNIDO consultant in January 2008. It is included here for the use of foreign investors with an interest in collaborating with local investors.

	Name of company/person	Sector	Support needed	Type of support
1	Andrew Oppong Managing Director AOFAC P.O. Box 5296, Kumasi Ghana Nsenie Road, Adum, Kumasi	Leather/Shoes	Support in takeover of government leather tannery	Joint venture
2	Kwame Ahenkaan Dapaah Ahenkan Dapaaah Co. Ltd Northern Patasi, New Bekwai Road, Near Parks & Gardens Tel: 020-8167833 / 0242 842374 Email: ahenkendaps@yahoo.com	Blocks and other building materials	Support in purchase of new machinery and expansion of production	Asset-based support
3	Agricare Lmt. 1. Noah Kwasi Bioh Human Resource Manager Phone-051-50093/50758 2. S.B.Apeadu (C.A.GH) Managing Director 3. Daniel K. Gyasi Production Manager 4. A.Seffah Boachie	Animal feed	Technology support to improve production and productivity	Joint venture
4	A.K.Yeboah Afihene Yeboah Afihene Industries Ltd Mattress House, O.T.B.405/6 Fuller Road, P.O. Box 1315, Kumasi Mobile:024-718633	Furniture	Technology support in processing saw dust	Joint venture
5	Mariam Asigri Managing Director P.O. Box UP 520, Kumasi Tel: 024-3215698 / 0277-895004	Fruit juices	Support in technology, manpower training and packaging	Joint venture

	Name of company/person	Sector	Support needed	Type of support
6	Peter Bedu Ansah Executive Director Cita Printing Press Ltd, Sepe Buokrom, P.O. Box 3952, Kumasi, Ghana. Tel: 233 51 70769	Printing/ Publishing	Support in new product development	Joint venture
7	Suame Magazine Industrial Development Organization(SMIDO) P.O. Box SE 224, Kumasi, Ghana Tel: 051-20659 1. George A. Asamoah, President 2. Nyaaba Aweeba Azongo, Consultant 3. Sarpong Boateng,Vice President	Industry association	Awaiting project details. Support required for overall development of the cluster of vehicle maintenance and repairs.	Asset-based support
8	Osei Tutu Onaz, Director Paxdec Ltd, P.O. Box FN 269, FNT, Kumasi-Ashanti, Ghana Tel: 0244-116788	Construction	Financial support in real estate development	Joint venture
9	Thomas K. Abobigu, Director Unijay Limited P.O. Box AY 279, Kumasi, Ghana Tel: +233-51-21110	Garments	Support in expansion of facilities and technology upgrading	Asset-based support
10	Alfred Kojo Obeng Managing Director Approacher's (GH) Ltd P.O. Box KS 11369, Kumasi, Ghana Marian Obeng (Mrs.)	General publishers	Support in adding new products	Asset-based support
11	Thomas Akum-Yong, Director Taysteps Ltd, Box KS 5110, Kumasi, Ghana. Tel: 050-29653 / 23148	Furniture & joinery manufacturers	Support in marketing and new product development	Asset-based support
12	Thomas W. Bello, Managing Director/ Chairman Golden Web, P.O. Box AH 8520, Kumasi, Ghana Tel: +233-51-30923	Oilseed processing factory	Support in raw material sourcing and training manpower	Joint venture
13	Kwaku Appiah-Menka II Executive Director, Appiah Menka Complex Ltd, P.O. Box 8528, Plot 9, Block A, Asokwa Industrial Area, Kumasi, Ghana Tel: +233-51-23055	Technologists in oil & fats products	Support in diversification into plastic packaging for captive consumption and raw material sourcing	Joint venture

	Name of company/person	Sector	Support needed	Type of support
14	Joseph Akwasi Agyemang Managing Director Three Star Paper Works Enterprise P.O. Box 4725, Jachie industrial area, Kumasi, Ashanti, Ghana - West Africa threestarspaper@yahoo.com Tel: +233244781818/5123989	Paper products	Support in cheaper sourcing of raw materials and expansion of production	Asset-based support
15	Peter Kwame Nkrumah Managing Director Pangrove Enterprises Limited P.O. SE 392, Suame-Kumasi, Ghana Tel: +233 51 21290	Soap manufacturing	Support in technology upgrading	Joint venture
16	Alhaji Mohammed Osei Badu Managing Director Mobs Asonaba Enterprise P.O. Box 45, BONWIRE, GHANA Tel: +233 51 83011	Kente fabric manufacturing	Support in cheaper sourcing of raw materials and for market access for finished products (exports)	Joint venture
17	Nana Asante Frempong Managing Director Wonoo Ventures Limited P.O. Box No 1652, Kumasi, Ghana Tel: +233 21 229968 nanasant@ghana.com	Kente fabric manufacturing	Support in market access and for new projects in Millennium Village	Joint venture
18	Alex Kwadwo Nsiah, Proprietor Alex Kwadwo Nsiah Enterprise P.O. Box 5057, Atwima Foase, Kumasi Ghana Tel: +233 20 9138267 alex.nsiah@yahoo.com	Handicrafts	Support in market access and financing for expansion	Asset-based support
19	Paul Addai, Jr., MD Jolly World Cool Ltd Yamoah Brempong GM Tel: +233244033053	Paper products/ toilet rolls/ disposable food packing	Support in market access and cheaper raw material source	Joint venture
20	Asare Asare Farms Ltd Tel: +233243702362	Agriculture/ Poultry	Support for overall development of farming business especially new products like moringa	Asset-based support

Source: UNIDO, Investment and Technology Promotion Division, Investment Promotion Unit.

Appendix B

Pointers to further Information

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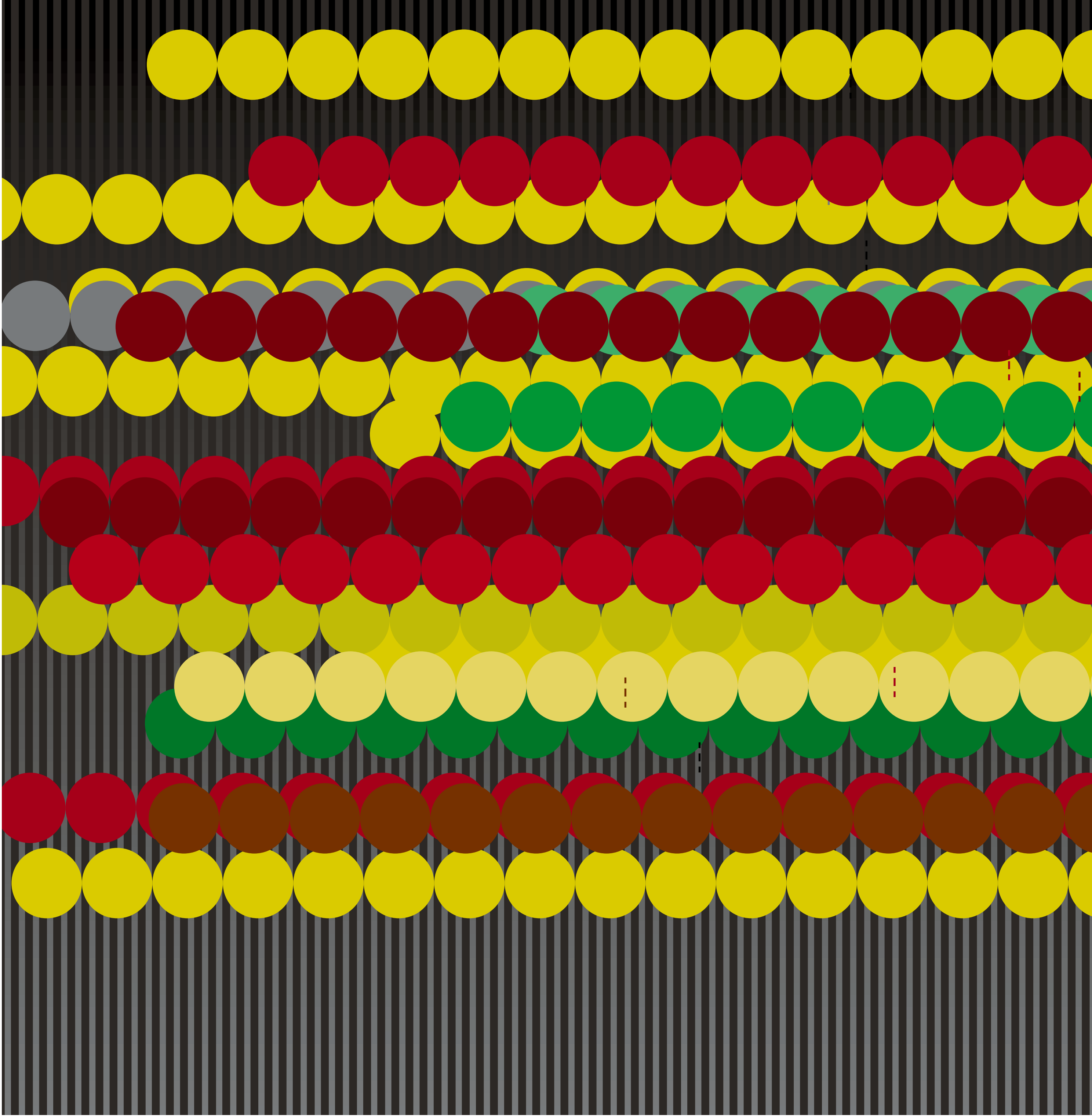

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