SUMMARY

1. Since Ghana's last Trade Policy Review (TPR) in May 2008, the country's well-functioning democratic institutions, its rich natural resources, and good governance have helped attract foreign investment and contributed to strong economic growth. Its social policy has focused on health and education and the fight against poverty. These efforts have led to impressive improvements in Ghana's income per capita, to around US$1,600 in 2012, and in its Human Development Index. Nevertheless, over a quarter of the population still lives below the poverty line of US$1.25/day. Thus, the challenge is to maintain the current economic expansion but ensure that greater benefits accrue to the poor so as to reduce inequalities.

2. Ghana's macroeconomic performance has been rather mixed. In recent years, expansionary fiscal and monetary policies have again led to unsustainable budget deficits, followed by a massive currency depreciation and annual inflation exceeding 10%. In particular, Ghana has not met several of the primary convergence criteria for the planned ECOWAS West African Monetary Zone (WAMZ) between six ECOWAS Members that do not participate in the West African Monetary Union; under the WAMZ, the Ghanaian cedi would be tied to a common regional currency. In July 2013, the Government attempted to moderate the growing deficit through tax increases, particularly on trade. The share of taxes on international trade has risen to 4% of GDP and to over a third of fiscal revenue, thus emphasizing the dependence of the Government on international trade taxation for the financing of its budget.

3. Ghana's trade has expanded dynamically. Exports, consisting essentially of three primary commodities (gold, crude oil, and unprocessed cocoa), more than trebled during the review period, to US$14 billion in 2012 under the effect of strong world prices and production increases, whilst imports grew faster still, to US$17 billion. Foreign direct investment soared to US$16 billion in 2012, from less than US$4 billion in 2007. These investments have gone mostly to the gold mining and petroleum sectors. Attracting investments into other sectors of the economy remains a policy challenge, although Ghana has worked successfully to improve its business environment. Achievements include new commercial courts; reformed land administration; and new business registration procedures. Innovative procedures have also been developed to help enforce intellectual property rights.

4. Ghana has made large investments across the country in the information and communication technology, in fibre optic broadband in particular, in order to improve its still low internet connectivity rates. The number of schools with computers continued to rise. The bandwidth price has declined significantly, and the cost of mobile communications in Ghana is among the lowest in Africa. Efforts have been made to improve both the road network and its safety. Ghana has passed laws to facilitate access of small and medium-size enterprises to private credit, which is often listed as a main obstacle to production and trade in sub-Saharan Africa. As a result, the legal rights of borrowers and lenders have both been improved, and transactions made more secure.

5. The 2013 amendment to the investment law raises the minimum capital that foreigners must invest to levels above those specified in Ghana's 1994 GATS horizontal commitments, and excludes new activities from foreign competition. It is likely to affect mainly smaller investors, particularly from the other members of the Economic Community of West African States (ECOWAS), under which free movement of persons and capital has been fully established. In 2013, ECOWAS members concluded the negotiations on a common external tariff (CET) for the region, and those on an Economic Partnership Agreement with the European Union, Ghana's main trade partner. Overall, ECOWAS integration is slow in taking hold.

6. Ghana has modified several features of its transit system since its last TPR. As a result, transit flows have nearly doubled, showing that traders respond rapidly and favourably to appropriate trade facilitation measures. However, considerable efforts are still required for trading across borders, so as to bring import and export procedures into conformity with the standards of a modern economy. Specific issues include: very slow clearance procedures; defective scanners or inefficiencies in their use; multiple destination inspection agencies that duplicate the work of customs officers; and frequent physical inspection of goods. In addition port operations are congested and expensive, resulting in long cargo backlogs and additional port charges, while numerous compliance-checking agencies slow procedures further and add to their costs. These

problems currently constitute a major bottleneck to Ghanaian companies' competitiveness, as witnessed by the relatively slow growth in cargo operations in recent years.

7. The conformity assessment procedures in place at the border for health, safety, and security reasons need to be rationalized, notably those on "high risk goods" (HRGs). The customs classification of HRGs dates from the early 1990s and is problematic, as some products are inspected twice, by both the Food and Drug Authority and by the Ghana Standards Authority. While Ghana's SPS legislation was modernized in 2012, the 1973 Standards Act does not make a clear distinction between voluntary standards and technical regulations: Ghanaian product standards on regulated products are considered as technical regulations and their imports inspected accordingly.

8. Ghana's MFN tariff was modified frequently between 2008 and 2013, when it averaged 12.8%. It consists of zero, 5%, 10%, and 20% bands, the last two applicable to more than 40% of tariff lines. Following Ghana's adoption of the HS 2012 tariff classification, the share of the 2013 tariff that is bound under the GATT/WTO increased from 14.7% to 16.3% of total tariff lines, but it remains rather low. Ghana also bound other duties and charges (ODCs) at zero on non-agricultural and most agricultural goods, but in reality numerous ODCs are applied on all imports, and their number and incidence have increased. Meanwhile, widespread tariff and other import duty exemptions schemes available in Ghana's statutes effectively allow many operators not to pay customs duties, ODCs, VAT or other taxes. About 25% of the otherwise payable import duties is forgone annually in exemptions of various sorts. This reflects inconsistencies between Ghana's economic structure and its tariff regime. The application of the ECOWAS CET could stabilize Ghana's tariff regime and address some of these inconsistencies.

9. Several schemes are in place to promote exports of non-traditional products with a view to diversifying Ghana's export base. Key programmes include market access facilitation for export companies, technical advisory services on export product development, trade information services, and export-related human resources development. The main entity is the Ghana Export Promotion Authority (GEPA), funded mainly by the Export Development and Agricultural Investment Fund, itself funded by a 0.5% levy on all non-petroleum imports. GEPA works in close cooperation with the UNCTAD/WTO International Trade Centre in Geneva to identify and support exports of new products. Meanwhile, claims of export duty drawback take a long time to be paid, if at all; and the fact that exports from export processing zones in 2012 were three times the cumulative levels of imports and production suggests that the regime needs to be revisited.

10. Agriculture has grown sizeably since 2007, underpinned by an appropriate policy environment and growing world prices of cocoa, of which Ghana is the world's second largest producer, with annual exports of over US$2 billion. Cocoa procurement, pricing, and exports are still under a government monopoly, which has yet to be notified to the WTO. Domestic prices of other agricultural products have grown dynamically, boosting nominal farm incomes proportionately. Ghana has met the NEPAD's objective of allocating 10% of government expenditure to its agriculture, and food output has grown accordingly, faster than population growth. The tariff, which averages nearly 16%, is the main trade policy instrument, along with exemptions from the payment of VAT on certain domestic products but not imports.

11. In contrast, growth has been sluggish in the fishing and livestock subsectors, and the performance of forestry and logging has been strongly negative in recent years, particularly in 2011 and 2012 following measures to restrict illegal activities and attempts to stem the rate of deforestation. Ghana is looking to import timber to exploit its idle wood-processing capacity. Large investments are needed to restore growth in the fishing sector, affected by illegal fishing practices, and the absence of vessel registration and a proper licensing framework. In principle, foreign participation in the fishing sector is required in the form of joint ventures with local partners; in practice, most of the fishing industry is foreign-owned.

12. Ghana is also richly endowed with gold, and exports in 2012 were valued at nearly US$5 billion, nearly three times the 2007 level, following strong rises in production and, particularly, world prices. However, in 2013, the price of gold fell by over 25%, highlighting the need for revenue stabilization mechanisms as is the case for the oil sector. The small-scale mining industry employs over 500,000 persons. Although non-Ghanaians are not allowed to engage in small-scale mining, since 2008 there has been large influx of foreign miners to exploit gold mines without licences; hundreds were arrested and expelled from Ghana in May 2013.

13. Ghana's economy has been boosted by the commencement of oil production in 2010, triggering the creation of a fourth national energy regulatory body. Ghana has also set up two sovereign petroleum wealth funds so as to manage petroleum revenues in a responsible, transparent, accountable, and sustainable manner for the benefits of the citizens. A new "Local Content and Local Participation Policy in Petroleum Activities – Policy Framework" requires operators, when advertising employment, to give preference to Ghanaians who have the requisite qualification, competence and experience, in all operations, including the award of oil blocks, oil field licences, drilling, oil-lifting licences, aviation, transportation, and catering. To be involved, foreigners must partner with Ghanaians; the latter should carry at least a 5% equity interest, reviewable at the discretion of the Minister, but that cannot be transferred to non-Ghanaians.

14. The Government also announced in January 2014 that this local participation policy would be extended to the whole energy sub-sector. Meanwhile, production came to a halt in 2013 at the state-owned oil refinery, partly for want of investment and because of low prices imposed by the Government with a view to redistributing income and smoothing out price fluctuations. In response, the Government increased ex-refinery prices of petroleum products and utilities so as to align them with import costs, thereby phasing out its fossil fuel subsidy. The downstream petroleum industry has been further deregulated, including procurement, storage, and bulk distribution of petroleum products. This should increase market efficiency, although fuel shortages still persisted in early 2014. Since 2008, Ghana has become a net and growing electricity exporter, despite frequent domestic power cuts. Total installed generation capacity is about 2,828 MW, up from 1,800 MW in 2004; generation is open to competition, but transmission and distribution are still under monopoly. The regulated price of electricity quadrupled between 2007 and 2013, the largest increase taking place in 2013.

15. Performance in the manufacturing sector has been mixed, with expanding agri-processing industries contrasting with failing aluminium production at Ghana's state-owned smelter. Export bans are in place on scrap metals to ensure inputs for the local steel mills, while import bans are in place to promote local pharmaceutical capacity. Ghana issued a detailed National Industrial Policy in 2011.

16. Few restrictions to market access are in place in the services sector, mainly in certain maritime transport, trading, and certain retail activities. The liberal environment in road transport has helped promote trade and attract investment. Similarly, a liberal regime also prevails in air transport, whereby several routes from Ghana to other countries are served by carriers from third countries, which in no small part explains the dynamism of the subsector. In financial services, a number of new foreign banks have joined the Ghanaian banking industry since 2007, and state participation has been reduced, as has the related incidence of non-performing loans.

17. In conclusion, as a result of its abundant raw materials, good governance, and policy reforms, Ghana stands out as one of the best locations for investment in sub-Saharan Africa. Among the promising sectors are agri-food processing, down-stream oil, gas, and minerals processing, as well as the energy and mining-related services subsectors. Prospects would be enhanced if the authorities undertook to tighten monetary and fiscal policies, and overhaul the import system. The responsiveness of certain activities of the Ghanaian economy to appropriate reforms suggests that other sectors could perform particularly well if the right policies were put in place.