



# Investment Climate in Ghana and Business Opportunities for Japanese Companies

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## 1. Background

Ghana is a resource-rich nation with considerable endowment in both natural resources and human capital. When these resources are well harnessed and deployed creatively in a transparent manner, they should catalyse Ghana's economic development rapidly.

The current government has adopted a 'Ghana Beyond Aid' agenda which is a national transformation agenda comprising a vision of a Ghana we want and the mind-set and behavioural changes that we Ghanaians commit to make in order to pursue that vision.

The vision calls for transforming our economy, which has always been on the production and exports of raw materials, to one based on manufacturing and high value addition services; an economy that provides opportunities, jobs, and prosperity to all Ghanaians.

As a country, we recognise that the economic transformation and growth of our economy that will make us prosperous and move us beyond aid, will have to be financed primarily by domestic resources and also by foreign private investment.

Ghana's long-term vision sets out to achieve consistently higher levels of GDP growth and job creation, through increased domestic production focused on value addition to our raw materials and international trade. This

really requires a new policy orientation as above, capable of transforming Ghana into an industry-driven economy that delivers high levels of productivity as well as decent jobs, on a scale significant and widespread enough to achieve equitable social and economic development.

Ghana's credentials as a beacon of democracy in Africa due to its political stability and deepened democratic governance underpins the great opportunity to implement long-term policies, develop local and international partnerships to promote mutually beneficial activities and further attract local and foreign investment, e.g. investments from Japan as seen with the establishment of a vehicle assembling plant in Ghana by Toyota and others.

## 2. Investment Opportunities

*Ghana is the 2nd largest economy in West Africa (by nominal GDP USD68 billion; and by population 28.8 million):*

- 1) We are one of the fastest growing economies in the World (7.4% growth at end of 2018).
- 2) We are the 4th top destination for FDI in Africa but 1st in West-Africa (USD3.3 billion) in 2018.
- 3) We are strategically located within the Economic Community of West Africa States (ECOWAS) sub-

Before his appointment as Ambassador of Ghana to Japan in 2018, His Excellency Frank Okyere worked in the well-established family-owned business, then known as Oyoko Contractors from 1977, first as a Project Manager, then in 1988, Project Director, then rising through the ranks to come the Managing Director in 1999, in the now Oyoko Europarts Ltd. H. E. Frank Okyere's experience in the Private Sector provides an ideal basis in serving as Ambassador, because his affinity with the private sector, ensures that Ghana will benefit greatly from his networking and cooperation with Japanese and Singaporean business. It is upon such foundations that the Government's vision to have a 'Ghana Beyond Aid,' can be tangibly realised.



regional market (total population of 367 million, 234 million of which are English-speaking).

- 4) Our shipping time to major global markets is relatively short:
  - 15 days to Europe by Sea or 6 hours by Air
  - 18 days to USA by Sea (direct) or 30 days (trans-shipment)
- 5) We have two major Sea Ports, Tema & Takoradi, with Tema Port undergoing a USD 1.5 billion upgrade to triple capacity at the end of 2019.
- 6) We also currently have one of the most modern airports in the ECOWAS sub region.

### 3. Business Regulatory Reforms

*Ghana is currently implementing a comprehensive programme for Business Regulatory reforms:*

- 1) Targeted interventions at the level of all public institutions are aimed at improving our performance in the World Bank “Ease of Doing Business” index.
- 2) The establishment of an E-Registry which documents all business related laws, regulations, policy directives, administrative notices etc. to ensure openness and transparency
- 3) The introduction of a Regulatory Impact Assessment programme to be implemented in each public institution by Regulatory Impact Units
- 4) The adoption of a special programme to provide targeted regulatory relief for SMEs

### 4. Significant Market Access Opportunities

*Ghana has significant market access opportunities to export markets under existing regional and bilateral trade regimes:*

- ECOWAS Trade Liberalisation Scheme (ETLS), as a member of the ECOWAS
- The African Growth Opportunity Act (AGOA), with the USA
- The Economic Partnership Agreement (EPA), with the European Union
- Continental Free Trade Area (CFTA), with the African Union

### 5. Strategic objectives of our Industrial Policy

- Job creation
- Export diversification
- Providing targeted support to companies investing in Ghana to compete with imports
- Promoting Ghanaian participation and collaboration in foreign commercial transactions through joint ventures, technology licensing, subcontracting, franchise arrangements etc.
- Using the power of Government procurement to support local investments
- Promoting even and spatial distribution of industries - “One District One Factory”
- Investing in new strategic anchor industries as new growth poles of the Ghanaian economy
- Promoting the establishment of Industrial Parks and Special Economic Zones to enhance the eco-system for industrial activity
- Revitalizing domestic industries by providing stimulus support

### 6. Incentive Packages for Industries

#### 6.1 Free Zone Enterprises

*Under the Ghana Free Zones Act, firms can either locate in an Export Processing Zones or as a stand-alone and enjoy the same incentives as long as 70% of its goods or services are exported. The following fiscal and non-fiscal incentives are available under the law:*

#### Fiscal Incentives

- 100% exemption of import duties and levies
- 100% exemption of export duty
- 100% exemption of income tax on profits for 10 years. Thereafter, the tax rate will not exceed 15%
- Total exemption from payment of withholding taxes from dividends arising out of free zone investments
- Relief from double taxation for foreign investors

#### Non-Fiscal Incentives

- No import licensing requirements
- Minimal customs formalities
- 100% ownership of shares by any investor (foreign or national) is allowed.
- No conditions or restrictions on repatriation of dividends or net profit, foreign loan servicing and technology transfer agreement
- Permitted to operate foreign currency accounts with

banks in Ghana.

- Up to 30% of annual production of goods and services are authorized for sale in the local market. At least 70% must be exported.
- Free zone investments are guaranteed against nationalization & expropriation.
- Inspection on export and import is easily and quickly done by customs officers.

## 6.2 Incentive Package for One-District-One Factory (1D1F Enterprises)

*The One-District-One Factory Initiative was instituted by President Nana Addo Dankwa Akufo-Addo, to address the challenge of slow economic growth at the district level, through a massive private sector-led nationwide industrialization drive. This initiative will equip and empower communities to utilize their local resources in manufacturing products that are in high demand locally and internationally:*

### 1) Corporate Tax

- Tax holiday of five years after commencement of operations. The tax holiday may be renewed on application by the company and subsequent approval by the Minister for Finance.

### 2) Exemptions, Waiver of Import Duties and Levies on Equipment, Machinery, Plants and Parts and Raw Materials

- Industrial plants, machinery or equipment and parts imported for 1D1F enterprises are exempted from payment of taxes, levies and Customs Import Duty.
- An enterprise whose Plant, Machinery or Equipment and Parts are not zero rated under the Customs, Excise and Preventive Service Management Act, 1993 may submit an application for exemption from import duties and related charges on the plant, machinery or equipment at the Customs Division of Ghana Revenue Authority (GRA).
- 100% exemption from payment of direct and indirect duties and levies on all raw material imports for 1D1F production for domestic market and exports
- Exemption from payment of withholding taxes from dividends
- Relief from double taxation for foreign investors and employees participating in 1D1F enterprises

### 3) Guarantees

- Guarantees for the repatriation of dividends or net profit of foreign investors participating in 1D1F enterprises, subject to existing foreign exchange

regulations

- Guarantee against nationalization and expropriation of investments in 1D1F companies
- Foreign owned 1D1F companies can employ a specified number of expatriate workers on request with the approval of GIPC, but on a sliding scale based on the number of years of continued operation.

### 4) Other Incentives

- Provision of Subsidy on Interest Rates for 1D1F Companies by Government: Standardized interest rates to be charged by 1D1F Participating Financial Institutions (PFIs) shall not exceed 20% per annum; associated net interest rate to be paid by beneficiary 1D1F companies shall not exceed 10% with Government providing related subsidy on interest rates.
- Insurance Risk Cover : A special credit risk insurance guarantee scheme shall be established to support medium to long term financing for 1D1F companies.

## 7. Strategic Anchor Industries for Investment

*The following listed sectors are opened for foreign investment:*

- Petrochemicals
- Iron and Steel
- Integrated Bauxite and Aluminum
- Industrial Chemicals (incl. Industrial Salt)
- Pharmaceuticals
- Vehicle Assembly
- Garments and Textiles
- Agribusiness, e.g. Vegetable Oils and Fats, Industrial Starch
- Machinery and Equipment Manufacture

## 8. Why Ghana?

- 1) Stable macro-economic environment
- 2) Strong democratic credentials
- 3) Political stability
- 4) Safe haven for investors
- 5) Good enabling infrastructure – energy, roads, sea ports, airports, telecoms, new railway network (under development)
- 6) Access to commercial justice
- 7) Educated workforce and Skilled manpower

