TRADE POLICY REVIEW MECHANISM

GHANA

Report by the Secretariat

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on Ghana. Volume B (Tables and Appendices) is presented in document C/RM/S/21B.

The report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by Ghana. As required by the Decision, in preparing its report the Secretariat has sought clarification from Ghana on its trade policies and practices.


NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
CONTENTS

SUMMARY OBSERVATIONS vii
(1) Ghana in World Trade viii
(2) Institutional Framework ix
(3) Trade Policy Features and Trends x
  (i) Recent evolution x
  (ii) Type and incidence of trade policy instruments xiii
  (iii) Temporary measures xvii
  (iv) New initiatives xviii
(4) Trade Policies and Foreign Trading Partners xviii

I. THE ECONOMIC ENVIRONMENT 1
(1) Main Features of the Ghanaian Economy 1
(2) Recent Economic Performance 3
(3) Trade Performance 4
  (i) Commodity pattern of trade 5
  (ii) Regional pattern of trade 7
(4) Outlook 9

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES 11
(1) General Framework 11
| (2)  | Structure of Trade Policy Formulation | 12 |
|      | (i) Legislative and executive branches of Government | 12 |
|      | (ii) Advisory bodies | 12 |
|      | (iii) Review bodies | 13 |
| (3)  | Trade Policy Objectives | 13 |
|      | (i) General trade policy objectives | 13 |
|      | (ii) Sectoral trade policy objectives | 15 |
|      | (iii) Objectives in the Uruguay Round | 18 |
| (4)  | Trade Laws and Regulations | 18 |
| (5)  | Trade Agreements and Arrangements | 19 |
|      | (i) Multilateral agreements | 19 |
|      | (ii) Regional agreements | 20 |
|      | (iii) Bilateral agreements | 21 |
|      | (iv) Other agreements or arrangements | 22 |
| III. | TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME | 23 |
|      | (1) Exchange Rate Movements and Trade | 26 |
|      | (2) Foreign Exchange Allocation | 29 |
|      | (3) Foreign Direct Investment and Trade | 30 |
|      | (i) Foreign investment in petroleum and gas | 32 |
|      | (ii) Foreign investment in minerals | 33 |
|      | (iii) Foreign investment in other sectors | 33 |
### IV. TRADE POLICIES AND PRACTICES BY MEASURE

#### (1) Overview 36

#### (2) Measures Operating Directly on Imports 38

<table>
<thead>
<tr>
<th>Measure Type</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Registration and documentation procedures</td>
<td>38</td>
</tr>
<tr>
<td>(ii)</td>
<td>Tariffs and special import taxes</td>
<td>38</td>
</tr>
<tr>
<td>(iii)</td>
<td>Tariff quotas</td>
<td>54</td>
</tr>
<tr>
<td>(iv)</td>
<td>Levies and charges</td>
<td>54</td>
</tr>
<tr>
<td>(v)</td>
<td>Import prohibitions</td>
<td>56</td>
</tr>
<tr>
<td>(vi)</td>
<td>Minimum import prices</td>
<td>56</td>
</tr>
<tr>
<td>(vii)</td>
<td>Import licensing</td>
<td>57</td>
</tr>
<tr>
<td>(viii)</td>
<td>Import quotas</td>
<td>58</td>
</tr>
<tr>
<td>(ix)</td>
<td>State trading</td>
<td>58</td>
</tr>
<tr>
<td>(x)</td>
<td>Countertrade</td>
<td>61</td>
</tr>
<tr>
<td>(xi)</td>
<td>Standards and other technical requirements</td>
<td>62</td>
</tr>
<tr>
<td>(xii)</td>
<td>Government procurement</td>
<td>64</td>
</tr>
<tr>
<td>(xiii)</td>
<td>Local content requirements</td>
<td>65</td>
</tr>
<tr>
<td>(xiv)</td>
<td>Rules of origin</td>
<td>65</td>
</tr>
<tr>
<td>(xv)</td>
<td>Anti-dumping and countervailing duty actions</td>
<td>65</td>
</tr>
<tr>
<td>(xvi)</td>
<td>Safeguard actions</td>
<td>66</td>
</tr>
<tr>
<td>(xvii)</td>
<td>Balance-of-payments measures</td>
<td>66</td>
</tr>
<tr>
<td>(xviii)</td>
<td>Free-trade zones</td>
<td>67</td>
</tr>
</tbody>
</table>

#### (3) Measures Directly Affecting Exports 67

<table>
<thead>
<tr>
<th>Measure Type</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Registration</td>
<td>67</td>
</tr>
<tr>
<td>(ii)</td>
<td>Export taxes, charges and levies</td>
<td>69</td>
</tr>
<tr>
<td>(iii)</td>
<td>Minimum export prices</td>
<td>69</td>
</tr>
<tr>
<td>(iv)</td>
<td>Export prohibitions</td>
<td>70</td>
</tr>
<tr>
<td>(v)</td>
<td>Export licensing</td>
<td>70</td>
</tr>
<tr>
<td>(vi)</td>
<td>Duty and tax concessions</td>
<td>71</td>
</tr>
<tr>
<td>(vii)</td>
<td>Export finance</td>
<td>72</td>
</tr>
<tr>
<td>(viii)</td>
<td>Export insurance and guarantees</td>
<td>73</td>
</tr>
<tr>
<td>(ix)</td>
<td>Export promotion</td>
<td>74</td>
</tr>
<tr>
<td>(x)</td>
<td>Export performance requirements</td>
<td>75</td>
</tr>
</tbody>
</table>
(4) Measures Affecting Production and Trade

<table>
<thead>
<tr>
<th>Measure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Assistance for research and development</td>
<td>75</td>
</tr>
<tr>
<td>(ii) Production subsidies and tax concessions</td>
<td>76</td>
</tr>
<tr>
<td>(iii) Pricing and marketing arrangements</td>
<td>78</td>
</tr>
<tr>
<td>(iv) Regional assistance</td>
<td>80</td>
</tr>
<tr>
<td>(v) Input subsidies</td>
<td>81</td>
</tr>
</tbody>
</table>

V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

(2) Agriculture

<table>
<thead>
<tr>
<th>Industry</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Dairy products</td>
<td>93</td>
</tr>
<tr>
<td>(ii) Foodstuffs</td>
<td>93</td>
</tr>
<tr>
<td>(iii) Fish, shellfish and products</td>
<td>101</td>
</tr>
<tr>
<td>(iv) Beverages and spirits</td>
<td>102</td>
</tr>
<tr>
<td>(v) Tobacco</td>
<td>103</td>
</tr>
<tr>
<td>(vi) Animals and products thereof</td>
<td>104</td>
</tr>
<tr>
<td>(vii) Grains</td>
<td>105</td>
</tr>
<tr>
<td>(viii) Oilseeds, fats and oils and their products</td>
<td>105</td>
</tr>
<tr>
<td>(ix) Other agricultural products</td>
<td>107</td>
</tr>
</tbody>
</table>

(3) Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Textiles and clothing</td>
<td>108</td>
</tr>
<tr>
<td>(ii) Footwear and trave goods</td>
<td>109</td>
</tr>
<tr>
<td>(iii) Transport equipment</td>
<td>109</td>
</tr>
<tr>
<td>(iv) Ores and metals</td>
<td>110</td>
</tr>
<tr>
<td>(v) Machinery and equipment</td>
<td>114</td>
</tr>
<tr>
<td>(vi) Energy products</td>
<td>114</td>
</tr>
<tr>
<td>(vii) Chemicals</td>
<td>115</td>
</tr>
<tr>
<td>(viii) Leather, rubber, wood, articles thereof and furniture</td>
<td>116</td>
</tr>
<tr>
<td>(ix) Pulp, paper and paperboard</td>
<td>120</td>
</tr>
<tr>
<td>(x) Other products</td>
<td>120</td>
</tr>
</tbody>
</table>
VI. TRADE DISPUTES AND CONSULTATIONS

(1) GATT Dispute-Settlement

(2) Other Disputes
SUMMARY OBSERVATIONS

1. The period since 1983 has seen a major transformation towards outward-oriented trade-related policies in Ghana. From the mid-1970s, the economy had stagnated under a highly protectionist inward-looking trading régime, with increasing Government intervention and a limited role for the private sector. More liberal economic policies, including substantial trade, foreign exchange and investment liberalisation, have been instrumental in improving economic performance since 1983.

2. Real GDP growth over the past decade has averaged 5 per cent annually, compared with population growth of around 3 per cent. While Ghana's external debt has risen substantially over the period to around US$3 billion, it has recently stabilized in money terms and fallen from some 64 per cent of GDP in 1987 to 53 per cent in 1990. Ghana has been able to meet its repayment obligations and all remaining external arrears were cleared by June 1990. Reductions in the debt service burden, along with export growth, have cut the debt service to exports ratio from around 70 to 40 per cent.

3. While much more needs to be achieved, a complementary mix of fiscal, monetary, trade and industrial policy reforms has already improved the efficiency of the economy and helped revive the traded-goods sector upon which Ghana heavily relies. Export volumes have grown, on average, by 10 per cent per annum during 1983-90. Cocoa, the main export, has expanded following substantial reductions in export taxes and the replacement of a fixed overvalued exchange rate with a market-determined one. Manufacturing output has increased by 80 per cent in the period as industries have benefited from increased availability of essential imported inputs. By 1990, merchandise exports and imports had grown to 15 and 21 per cent of GDP, respectively, compared with 2 per cent for both in 1983.
4. Despite a recent slowdown, prospects for the Ghanaian economy remain encouraging. Further reforms, aimed at creating a more welcoming environment for savings and investment, will reinforce the substantial progress to date and help sustain the trade-led recovery.

(1) Ghana in World Trade

5. Ghana's merchandise exports and imports each amount to 0.03 per cent of the world total. In 1989, it ranked respectively 93rd and 107th among individual exporters and importers. Ghana has improved its world ranking in exports from 100th in 1985, while its import ranking has remained unchanged.

6. Ghana's trade performance has fluctuated over the past decade. During the early to mid-1980s, the traded goods sector contracted as both exports and imports fell in relation to world levels. Between then and 1987, Ghana's export performance exceeded world trade growth. More recently, deteriorating terms of trade, due primarily to falling world cocoa prices, have dampened Ghana's export growth, such that the current account deficit, including official grants, has increased from 2 per cent in 1987 to more than 4 per cent of GDP in 1990.

7. This shows the vulnerability of Ghana's continuing high dependence on cocoa, which still accounts for around half of export receipts. Ghana is the world's third largest supplier of cocoa on the international market. Cocoa, minerals (especially gold) and timber products constitute about three-quarters of Ghanaian exports. There has, nevertheless, been some diversification of exports away from cocoa, partly towards non-traditional food exports.

8. Developed countries are Ghana's major trading partners, currently accounting for well over three-quarters of exports and imports. The European Communities account for around half of Ghana's trade. Ghanaian exports of cocoa and other important agricultural commodities receive preferential access to the EC under the Lomé Convention. During the last decade, Ghana's concentration of trade with EC countries has increased
substantially, while the trade share of the United States has declined. Intra-African trade remains, with the exception of significant imports of crude oil from Nigeria, a minor and declining share of Ghanaian trade, especially as a source of imports. Asian developing countries as a group have, however, expanded their share in Ghana’s exports and imports.

(2) Institutional Framework

9. Ghana’s trade policy is formulated through equal-ranking laws and decrees issued, since Parliament was dissolved in 1981, by the Provisional National Defence Council (PNDC), the ruling body chaired by the Head of State and Government. Several previous laws covering trade made obsolete by reforms, such as the Imports and Exports Act of 1980, are currently being revised. Responsibility for implementing and administering Government policies rests with the Committee of Secretaries (Ministers) who oversee the regulations issued by the relevant ministries.

10. The main bodies involved in setting economic policy, including design of trade policy reforms since 1983, are the Ministry of Finance and Economic Planning and the Bank of Ghana. Other ministries involved in trade-related policy formulation and implementation are the Ministries of Trade and Tourism; Agriculture; and Industries, Science and Technology. Informal procedures play an important role in policy formulation.

11. No separate body exists in Ghana to advise the Government on trade-related policies. However, a special sub-committee of the Committee of Secretaries (the Economic Management Team) chaired by the Prime Minister, has been responsible for reviewing, evaluating and coordinating policy reforms since its formation in 1983 when the Economic Recovery Programme commenced.

12. Ghana has no independent statutory body to review the Government’s economic policies, including the provision of public assistance to industries. The Government interacts both formally and informally with the private sector in formulating trade and industry policies. Twice-yearly high-level "think tank" meetings, chaired by a PNDC Member, are held with
the private sector. A Consultative Committee on Private Sector Development from the Ghana Investments Centre meets regularly with the private sector under the chairmanship of the Prime Minister.

(3) **Trade Policy Features and Trends**

13. Ghana succeeded to the GATT in 1957. It has not signed any of the MTN Agreements or Arrangements, but has observer status in the Agreements on Technical Barriers to Trade, Subsidies and Countervailing Measures, Import Licensing, Civil Aircraft and Anti-dumping.

14. Tariffs are applied on an m.f.n. basis to all imports, with the exception of preferences applied to a few goods since 1990 under the Trade Liberalisation Scheme of the Economic Agreement of West African States (ECOWAS). Preferential tariff margins of 20 per cent are to be raised to 100 per cent over 5 years, and the product coverage of the Scheme extended.

15. Ghana's participation in the Global System of Trade Preferences (GSTP) is limited to a preferential tariff of 17.5 per cent on imports of herbicides. It is not a signatory to the Protocol relating to Trade Negotiations among Developing Countries of the GATT.

16. In addition to duty-free access to the EC under the Lomé Convention, Ghana is a beneficiary to all Generalized System of Preference (GSP) Schemes. However, its export structure, still largely based on basic commodities and other agricultural products, limits the extent to which it can benefit in practice from such schemes.

(i) **Recent evolution**

17. Sweeping reforms in Ghana's economic policies were undertaken in 1983 to arrest the severe decline in economic performance since the mid-1970s. Deteriorating terms of trade, combined with poor economic management, including a fixed overvalued exchange rate, extensive government intervention through comprehensive price, distribution and import controls, as well as the maintenance of many State-owned enterprises, had harmed the country's productive and export capacity.
18. The Economic Recovery Programme, launched in 1983 with the assistance of the IMF and the World Bank, reversed the previous inward-looking trade policies. Central to the programme was the restructuring of the economy through trade and exchange liberalization to improve economic efficiency and promote export-led growth. The international competitiveness of Ghana's production, especially cocoa, was boosted by major currency devaluations and the introduction of a market-based exchange rate system. These have been complemented by fiscal and monetary policies to help control inflation - down from 123 per cent in 1983 to 37 per cent in 1990 - and to consolidate the balance of payments.

19. The Economic Recovery Programme was followed by a three-phase Structural Adjustment Programme covering 1987-89, 1989-91 and 1991-92. Successive trade reforms have removed many impediments to structural change and enhanced economic efficiency by exposing industries to greater international competition. Maximum tariff rates, initially reduced to 30 per cent, are currently 25 per cent. Progressive liberalization of the foreign exchange system between 1983 and 1990 culminated in the introduction of a market-based régime. At the same time, comprehensive import controls - comprising licensing, prohibitions and foreign exchange rationing - which had been intended to protect both domestic industries and the balance of payments, was dismantled and fully terminated in January 1989.

20. These import-opening measures reflected the Government's recognition that a severe shortage of imported inputs was seriously hindering the country's economic development. Export-oriented and efficient import-substitution industries were starved of essential foreign raw materials. The reform programme saw the urgent need to restore an incentives structure based on the price mechanism. For example, cocoa growers' returns had been reduced to about one-quarter of the world price through an overvalued exchange rate and burdensome taxation.

21. Trade reforms initially concentrated on revitalising the cocoa sector. Elsewhere, agriculture reform, proceeding more slowly at first, has accelerated in recent years. Agricultural self-sufficiency is no
longer a stated policy objective. Protectionist policies, such as domestic marketing arrangements for major crops are being wound-back and domestic prices brought more into line with international levels. Most subsidies on farm inputs like fertilizers, insecticides and handtools have been eliminated or heavily reduced, and the rôle played by the private sector in their distribution increased.

22. Despite substantial reductions, tariffs of respectively 20 and 25 per cent on consumer and luxury goods continue to provide relatively high and disparate levels of protection to domestic manufacturers. Moreover, trade liberalization in certain areas experiencing intense import competition has been reversed through the imposition, since 1988, of special additional import taxes of mainly 40 per cent on a range of consumer goods, such as cosmetics, alcoholic beverages and tobacco products. Goods subject to special import taxes account for around one-half of manufacturing value-added.

23. Trade restrictions have also increased in some areas of primary industry. Export controls on unprocessed forest products have been extended in recent years, as part of a strategy to increase domestic processing of natural resource-based products and help preserve the environment. Export prohibitions are to cover all air-dried sawn timber from 1994, and roundlogs entirely by 1993. Cocoa exports which, along with coffee and sheanuts, continue to be handled exclusively by a statutory marketing board, COCOBOD, are still taxed at a rate averaging 25 per cent of gross export returns.

24. Despite the substantial achievements to date in trade reform, wide disparities in assistance levels still prevail, both across broad sectors and between industries. The Ghanaian experience indicates that continued reforms designed to create a lower, more uniform assistance structure would improve economic performance by inducing a more efficient allocation of resources. Such a structure, neutral between sectors, would also reduce the vulnerability of the economy to external pressures by inducing diversification of the production and export base, and help combat inflation by making the economy more flexible and price competitive.
25. Following the termination of the import licensing system tariffs, including special import taxes, are the principal instrument restricting trade in Ghana. Combined rates, currently averaging 17 per cent (unweighted), are down substantially on the levels existing prior to the 1983 reforms when an essentially uniform tariff of 30 per cent was introduced. Although the tariff average has been reduced subsequently, disparities in the tariff régime widened with the introduction in 1986 of a four-tiered rate structure. Additional special import taxes, as well as a number of arrangements, including certain end-use tariff concessions, enabling various producers to import inputs at concessional tariff rates, contribute further to a more disparate and uncertain structure of tariff - as well as effective - protection.

26. Substantial tariff escalation is built into the schedule by the four-rate structure. Relatively higher tariffs on consumer and luxury goods - covering almost half of all tariff lines - discriminate against local production of capital goods and raw materials (dutiable at mainly 10 per cent). Special import taxes of mainly 40 per cent, applied to a range of goods already bearing higher tariffs, accentuate the tariff escalation, as does the special customs penalty of from 15 to 150 per cent on imported used motor vehicles older than five years, and the super sales tax of up to 100 per cent on imported "luxury" goods.

27. Special import taxes have been used in part to extend temporary protection to domestic producers in certain sensitive industries experiencing intense foreign competition following trade liberalisation. Their coverage was extended to light bulbs, car batteries and edible oils in 1990, and tomato and fish preparations in 1991. Although these are in principle temporary, they have seldom been eliminated. Cushioning producers for a prolonged period of time maintains inefficient production and creates the risk of undermining further efforts to liberalise trade.

28. Exclusive reliance on ad valorem tariffs contributes to the transparency of the Ghanaian tariff. The few remaining specific tariff
rates on alcoholic products and tobacco products were replaced by ad valorem rates of 25 percent in the change-over to the Harmonized System on 1 January 1990.

29. Ghana has not bound any part of its tariff schedule and has not offered to do so in the Uruguay Round. The absence of tariff bindings substantially diminishes the predictability of the Ghanaian tariff and increase uncertainty for producers and traders.

30. Minimum import prices are normally applied for customs valuation purposes, especially to shipments below US$5,000 which are not subject to compulsory pre-shipment inspection by a specialized private company, Société Générale de Surveillance (SGS). The apparently arbitrary nature of these arrangements, combined with the use of the notional concept of value contained in the Brussels Definition of Value, provides Customs with considerable discretion to determine import values for duty purposes, thereby reducing the transparency of the system.

31. Although customs clearance times have been reduced to 1-3 days on average, substantial delays of well over one week are not uncommon. Most delays concern disputes over valuation. Independent legal appeals over all customs disputes are now possible following the recent establishment of a statutory National Tax Tribunal.

32. The Government continues to be directly involved through State ownership in a number of important mining and manufacturing activities, such as soaps and detergents, boatyards, electrical appliances, paints, canneries and aluminium products. Many of the two hundred or so existing State enterprises have in the past received preferential treatment, such as Government funding to offset trading losses. Although new direct subsidies to offset trading losses of State-owned enterprises have virtually been eliminated, indirect assistance continues to be provided through concessional loans, Government loan guarantees on foreign borrowings, and arrears on taxes and charges for government services. At December 1989, outstanding government debt of State-owned enterprises stood at C 2.9 billion (equivalent to well under 1 per cent of GDP).
33. A moratorium exists on the establishment of new State-owned enterprises. The Government is also privatizing a number of such enterprises. Progress to date in the divestiture programme, while initially slow, has improved, with some 40 enterprises having been liquidated or divested as at February 1991. Moreover, major State-owned enterprises are being subjected to corporate plans and performance agreements to raise efficiency and financial responsibility.

34. Imports of cigarettes, stout, asbestos roofing sheets and fibre cement pipes are conditionally prohibited to protect domestic infant industries. Imports are permitted only to meet shortfalls in domestic production. Trade with South Africa is banned. Other bans and/or licensing arrangements apply to imports of uncut diamonds, contaminated food, scandalous literature, firearms, ammunition, explosives, certain pharmaceuticals and mercury, mainly for health, safety, security or morality reasons.

35. Government policy since 1986 has been to conclude countertrade deals on a number of non-traditional products, such as knocked-down furniture, fish products, salt and aluminium products, in exchange mainly for project investments in Ghana. However these arrangements, seen as a means of diversifying Ghana’s export base, have met with only limited success. Most countertrade was, until recently, conducted under bilateral counterpurchase agreements with centrally-planned economies, involving the exchange of traditional Ghanaian products like cocoa and timber for manufactured goods. As well as terminating some of these trade agreements as reforms have gone ahead in the former centrally-planned economies, efforts are being made to remove the countertrade provisions to make them more market-oriented.

36. Income from most service and certain other sectors is taxed at a higher (mainly 50 per cent) company rate than the standard 35 per cent. Moreover, a variety of income tax concessions, such as accelerated depreciation provisions, investment allowances and tax exemptions, are used to encourage investment and development, especially at the regional level. This differential taxation treatment, as well as discriminating against certain activities, erodes Ghana’s already narrow taxation base.
37. Local content is encouraged by income tax rebates which vary among agricultural and manufacturing sectors. To be eligible, companies must use local raw materials or labour in preference to imported machinery. Mining companies are also expected to give similar preferences to local content.

38. Export levies and prohibitions have been increasingly applied to unprocessed logs in order to promote domestic processing, employment and forest conservation. The Government intends extending export bans entirely to round logs by 1993 and air-dried sawn timber from 1994.

39. Direct export assistance is provided through income tax rebates to producers exporting a minimum of 5 per cent of their production. The rebate rate rises with the share of production exported to a maximum of 75 per cent if at least one-quarter of production is exported. Firms receiving the maximum rebate, therefore, face a reduced tax rate of 8.75 per cent compared with the standard rate of 35 per cent. Thus, arrangements provide financial incentives for firms to raise export shares. However, the scheme, which is open to all exporting producers of merchandise, discriminates against manufacturers by providing higher rebates below the uniform maximum rate for agricultural exports.

40. Those exporters of manufactured goods, which are net foreign exchange earners, receive special tax incentives as declared priority areas under the Investment Code. These include duty-free importation of materials and machinery, an investment allowance of 7.5 per cent and accelerated depreciation provisions. Net foreign exchange earners have also benefited in the past by being permitted to hold at least 25 per cent of their foreign receipts in special retention accounts.

41. Promotion and marketing of non-traditional exports is assisted by the Government through the operations of the Ghana Export Promotion Council. About two-thirds of the Council's expenditure is financed by the Government; the remainder comes from overseas assistance. The Timber Export Development Board is responsible for promoting the export of timber
products. Export finance is provided commercially by the private Export Finance Company which is also hoping to provide limited export insurance and guarantees commencing 1992.

42. Export procedures have been simplified following the abolition of the export licensing system. The only remaining documentation necessary relates to exchange control, which is now automatic. Non-traditional exporters must be registered with the Export Promotion Council and are usually required to follow minimum price guidelines set by the Council. These price guidelines, which are designed to protect exporters against unfair prices, cover a wide range of products, including numerous foodstuffs such as fresh and dried produce, canned products, nuts and chocolate products, as well as aluminium products, textiles, leather products, jewellery and pottery.

43. Export permits are required for certain limited products, including live and wild animals, firearms, non-ferrous scrap metals and, except for major exporters, round and sawn timber. Although firms are free to negotiate their own contracts, all mineral exports must be licensed and approved by the relevant authorities.

(iii) Temporary measures

44. Ghana has never taken recourse to GATT Article XIX. Between 1962 and 1989, Ghana used the balance-of-payments provisions of Article XVIII:B to impose a complex and comprehensive system of quantitative import restrictions. These were disinvoked in 1989 when Ghana terminated its import licensing system.

45. Ghana has no legislative procedures governing the use of anti-dumping and countervailing measures. Dumping is handled through the imposition of special taxes on imports, where these are considered to be causing injury to domestic firms. Arrangements for implementing special import taxes are largely informal, lack public scrutiny, and have no legal appeal procedures available to aggrieved parties, such as consumers and downstream producers. Sunset clauses have rarely been applied.
(iv) **New initiatives**

46. During the third phase of the Structural Adjustment Programme which runs until the end of 1992, the Government is pursuing the reform of the economy and trading system. A high priority continues to be the removal of impediments to structural change and efficiency associated with Government intervention. Efforts are being directed at promoting an industrial and agricultural base that is internationally competitive without government support and capable of generating increased exports.

47. With this in mind, the Government has embarked on a Medium Term Agricultural Development Programme that, being primarily funded by external assistance, attempts to establish a market-oriented sector, based on Ghana's comparative advantage and capable of responding efficiently to international price signals. A large share of expenditure under this programme is to be spent on the provision of essential infrastructure as well as extension services to improve farming techniques.

48. Similar objectives are to be pursued in manufacturing in an effort to boost industrial investment and historically low capacity utilization rates. The Government is reconsidering the provision of public support to distressed but potentially viable firms. This may include the extension of assistance against dumped goods.

49. The Government sees a priority need to press ahead with the divestiture and commercialisation of State-owned enterprises, in order to improve efficiency and raise the rôle played by the private sector.

(v) **Trade Policies and Foreign Trading Partners**

50. The comprehensive reforms introduced progressively since 1983 have been designed to integrate Ghana more fully into the world economy through the introduction of market-opening measures. The changing price incentives induced by these exchange and trade reforms have boosted traditional exports, especially cocoa, and helped promote a degree of export diversification.
51. Greater dependence on the world economy has strengthened Ghana's interests in, and reliance on, the multilateral trading system. At the same time, however, the Government wishes to strengthen regional trade ties despite the limited success of previous arrangements. Ghana, as a member of ECOWAS, has supported recent efforts to increase the coverage of the Trade Liberalisation Scheme which commenced on 1 January 1990. Furthermore, the strengthening of regional ties, including ECOWAS, is to receive priority as a first step in the formation of an African Economic Community. According to the Treaty adopted in June by the Organisation of African Unity, of which Ghana is a member, the Community is to be established over a transitional period of not more than 34 years. These developments would need to be outward-looking and structured in such a way as not to impede the non-discriminatory trade reforms that have heavily contributed to the Ghanaian recovery in recent years. The possible trade diversionary effects of regional developments would need to be minimised.

52. Access to Ghana's expanding market, mainly for capital and intermediate goods, has been provided to foreign suppliers on a largely non-discriminatory basis. Imports of consumer and "luxury" goods, although also benefiting from trade liberalisation measures, are still restricted by higher tariffs. Reductions in the rates on these goods, apart from reducing the misallocation of domestic resources, would help to raise real incomes and provide incentives to wage earners.

53. Trading partners will be concerned with the trade-distortive effects of Ghana's use of export prohibitions and other restrictions to increase exports of processed natural-resource based products. While such policies can provide short-term benefits to industries which use these products as inputs - an infant industry argument - they are also likely, by sending the wrong signals to manufacturers about the long-term viability of such industries, to commit Governments to supporting uneconomic production. Moreover, if the long-term viability of these processing industries continues to depend on Government support, these policies will affect the international competitiveness of other domestic industries.
54. Continuing reforms aimed at creating a less regulated and more open economy should present new opportunities in Ghana for foreign exporters, as well as raising Ghana's export potential in both traditional and non-traditional products. Although major steps have already been taken along these lines, the further adjustment to international prices of industries still enjoying relatively high levels of tariff protection would offer economic benefits for both Ghana's trading partners and - through improved resource allocation - for the domestic economy. Trade, investment and economic growth are closely linked, and increased efforts to remove impediments to international trade and investment can be expected to contribute to Ghana's further development.

55. A successful outcome to the Uruguay Round is viewed by Ghana as offering the best prospects for a small developing country to share in the rewards of more liberal world trade. While multilateral market-opening in the European Communities is likely to lead to a loss of Ghana's preferred position under the Lomé Convention, an open and more prosperous world economy would improve Ghana's prospects generally. New opportunities for emerging export-growth industries best suited to take advantage of expanding markets would improve Ghana's capacity to attract the foreign investment necessary for sustained development. It is therefore important that Ghana's trading partners assume their responsibility for assisting Ghana's autonomous liberalization process by ensuring market access and stable trading conditions for its developing export base.
I. THE ECONOMIC ENVIRONMENT

(1) **Major Features of the Ghanaian Economy**

1. The Republic of Ghana, called The Gold Coast prior to independence from Britain in March 1957, is a low-income developing country located on the Gulf of Guinea in the Sub-Saharan region of the west coast of Africa. It has an estimated population of 15 million (1990) and covers an area of approximately 240,000 square kilometres (Table I.1). Annual population growth over the past decade is estimated to have averaged around 3 per cent. The population is heavily concentrated in rural areas with only 5 per cent of the people living in urban centres.

2. Throughout most of the 1970s and early 1980s, the Ghanaian economy performed badly - output shrank; inflation accelerated to high levels; external as well as internal imbalances increased; and the economic situation grew desperate. Following the implementation of the Economic Recovery Programme in 1983, real GDP has grown on average at an annual rate of 5 per cent (Table I.2). However, while growing by some 2 per cent in domestic currency terms, real annual GDP per capita expressed in United States' dollars has continued to decline from close to $500 in 1985 to $400 in 1990 (Table I.1).

3. The economy has traditionally depended on the primary sector - agriculture, forestry, fishing and mining - for growth and development, accounting as it still does for some one-half of GDP (Table I.1). Ghana is endowed with a broad range of natural resources, including arable land, forests, and substantial mineral deposits of gold, diamonds, bauxite and manganese. Although the contribution of the primary sector to real GDP has fallen by some 15 per cent since 1983, primary exports, predominantly of cocoa, minerals (mainly gold) and timber, still contribute to over three-quarters of merchandise exports.

4. A major factor in reversing Ghana's economic deterioration has been the revitalization of its predominant exporting sector, cocoa. Responding to increased producer incentives through exchange rate reforms and other policy changes designed to raise efficiency, the cocoa-growing sector has expanded towards former levels. Moreover, non-traditional exports such as vegetables and fruits, in particular pineapples, have emerged under more liberal trade policies as potential growth areas. Agricultural output remains heavily influenced by international terms of trade movements and climatic conditions, such as the droughts experienced in 1987 and 1990.

---

1This reflects major devaluations in the exchange rate of the cedi against the US dollar of some 80 per cent between 1985 and 1990.
5. Manufacturing output, although exhibiting among the fastest growth since the commencement of the reform programme, remains overall some one-third below its 1977 level and continues to account for under 10 per cent of GDP. Five sectors, basic metal products, petroleum, food processing, beverages and wood products represent some two-thirds of industrial output and value added. Although capacity utilisation rates have doubled from the 20 per cent levels existing in 1984, excess capacity remains substantial. Growth in manufacturing has been uneven, with the best performing areas being petroleum refining, beverages and non-metallic minerals.

6. Services have recorded relatively strong growth over recent years - increasing their share of GDP from 38 to 43 per cent over the period 1983-1990, to be closely challenging agriculture (including forestry and fishing) - at 44 per cent of GDP - as the leading sector in the economy. Service industries employ over 60 per cent of the workforce. Much of the growth has occurred in areas benefiting from the public investment programmes aimed at improving infrastructure, like storage, transportation and communications. Wholesaling, retailing and financial services have also grown strongly in line with the development of a more open economy, and reforms to the financial system. Exports of services, however, remain relatively minor.

7. Although Ghana is a small trading nation by world standards and in 1989 ranked 93rd in terms of world exports and 107th for world imports, developments in the traded sector have a major bearing on Ghana's economic prosperity. Merchandise exports and imports in 1990 of about US$0.9 billion and US$1.2 billion, respectively, were correspondingly equivalent to 15 and 21 per cent of GDP (Table I.1). Rising current account deficits, accompanying adverse terms of trade movements, have been offset by enlarged surpluses on the capital account, mainly financed by external assistance.

8. Ghana remains critically dependant on continued external assistance from international organisations like the International Monetary Fund and the World Bank, as well as bilateral sources. At the end of 1990, Ghana's external public debt stood at US$2.9 billion, equivalent to just over 52 per cent of GDP. Although Ghana's indebtedness has increased substantially since the commencement of the recovery programme in 1983 - peaking as a proportion of GDP in 1987 at 64 per cent - provision of concessional finance as well as the recent conversion of bilateral debts to grants by several donor countries like Canada, France, Germany, the

\[\text{In 1980, Ghana was ranked 84th and 97th in world exports and imports, respectively. The corresponding rankings in 1985 were 100th and 107th.}\]
United Kingdom and the United States of America have helped stabilize the debt level and moderate the debt-servicing burden. The debt service to exports ratio has fallen from around 70 per cent in 1988 to less than 40 per cent, and is expected to be further halved by 1993 (Table I.3).

(2) **Recent Economic Performance**

9. Structural adjustment in response to the broad-ranging reforms implemented as part of the Economic Recovery Programme has helped revitalise the economy from the stagnation that had set in prior to 1983. However, despite considerable accomplishments, the economy has been confronted with a number of recent setbacks.

10. Economic growth measured by real GDP slowed in 1990 to just over 3 per cent. Agricultural output continued to suffer from depressed world prices for major exports, especially cocoa, upon which Ghana remains heavily reliant. Ghana's terms of trade have deteriorated continuously from 1987 by a cumulative 37 per cent, including falls of 16 and 10 per cent in 1989 and 1990, respectively. Sustained falls of 40 per cent over this period in the international price of cocoa reduced Ghana's export receipts in 1990 by an estimated US$100 million, despite an almost one-third increase in export volumes.

11. Despite continuous increases in export volumes, rising on average at an annual rate of 10 per cent during 1983-90, export receipts have failed in recent years to keep pace with import expenditure growth. Resulting increases in current account deficits, from 5 per cent of GDP in 1987 to 8 per cent in 1990 if official transfers are excluded, have been financed largely by additional inflows of external assistance on the capital account. Official grants and long-term concessional loans - rising to about 10 per cent of GDP in 1990 - have helped moderate recent exchange rate devaluations - totalling, in real terms, about 10 per cent over the period 1988-90 (Table I.4).

12. Manufacturing growth remains heavily constrained by the continued low levels of private investment, especially from overseas. Efforts to supplement low domestic saving levels of about 12 per cent of GDP with foreign investment have had only limited success, and investment continues to languish around 16 per cent of GDP, about half of which is publicly funded (Table I.5). These investment levels are well below those necessary to modernise industry and raise productive capacity in areas most suited to the structural transformation occurring in the economy.

13. Monetary policy has been recently directed at controlling inflation. Following monetary growth in earlier years which substantially exceeded targets, the stance of monetary policy was tightened markedly in 1989. Credit expansion decelerated sharply in 1989 and 1990 to help soak-up excess liquidity generated from excessive monetary growth in 1987-88. The
broad money supply has contracted in real terms in each year since 1989, in line with a more than halving of the nominal growth rates from 43 to 18 per cent over the period 1988-90.

14. After some initial successes in reducing annual inflation rates from 40 per cent in 1987 to 25 per cent in 1989, inflation again accelerated to 37 per cent in 1990, partly due to the flow-on effects of rising food - reflecting food shortages - and domestic petroleum prices in line with international levels. Interest rates continue to be low or negative in real terms despite large nominal increases, thereby providing a disincentive for savings.

15. Although the 1990 Budget outcome was affected by unanticipated revenue shortfalls and increased expenditures, fiscal restraint has been exercised under the recovery programme. Since 1982, the official (narrow) budget deficit has been reduced and modest budget surpluses recorded in recent years (Table I.6). This has been achieved by containing public expenditure growth to around 14 per cent of GDP, combined with taxation reforms to improve the collection and efficiency of raising Government revenue. Reduced official budget deficits have enabled the Government to reduce its net domestic borrowing requirements, and to retire since 1987 a substantial share of its debt with the Bank of Ghana.

(3) Trade Performance

16. Ghana's trade sector has grown considerably since the commencement of the Economic Recovery Programme. Exports and imports as a share of GDP have increased to an estimated 15 and 21 per cent in 1990, respectively, compared with 2 per cent for both in 1983. Reflecting mainly adverse terms of trade movements and poor weather conditions, the share of exports has declined since peaking at 17 per cent in 1987 and 1988, while that of imports jumped in 1990 from levels of 19 per cent in the previous three years.

---

3 However, a more appropriate measure of the fiscal deficit is to use the broad definition which includes capital expenditure financed through external project aid and excludes programme grants as revenue. On this basis, budgets have become more expansionary as deficits as a percentage of GDP have increased from 2.7 per cent in 1983 to 5.5 per cent in 1990.

4 Taxation revenue as a share of GDP has increased from around 7 per cent in 1984 to some 12 per cent in 1990.
Commodity pattern of trade

17. Despite some diversification in Ghana's export base since the mid 1980s, its export trade remains highly concentrated in a few product areas (Chart 1.1). Food, minerals (mainly gold) and aluminium account for well over three-quarters of exports (Tables 1.7 and AI.1). Cocoa is the dominant export, accounting in some years for up to half of total merchandise exports and about 90 per cent of food exports. Ghanaian exports, especially cocoa, have been adversely affected in recent years by falling world commodity prices over which Ghana has had little or no market power. Other food exports include fruits and fish products.

18. The main exports outside food, gold and non-ferrous metals (aluminium) are: raw materials, including mainly timber in both rough and sawn form; semi-manufactures like wood products such as plywood, and precious stones - mainly non-industrial diamonds; ores and minerals, mainly bauxite and industrial diamonds; and fuels, especially petroleum products like residual fuel oils.

19. The fastest growing exports since 1985 have been: gold, aluminium, food products, especially fruit and vegetables; wood and wood products, including furniture; natural abrasives, such as industrial diamonds; hand tools; alcoholic beverages; non-ferrous scrap metals; chemical materials and products, nes; as well as non-electrical and electrical machinery. Growing mainly from very low levels, most of these products still represent a small share of merchandise exports.

As the latest trade data for Ghana under the Standard Industrial Trade Classification (SITC) from Comtrade are for 1982, it was necessary to estimate more recent trading patterns from third-country trade data i.e. using recorded exports and imports of third countries to measure Ghanaian imports and exports, respectively. However, in a few cases, such as Ghanaian exports of gold and imports of crude petroleum, it was necessary to supplement incomplete third-country trade statistics with data from Ghana's balance of payments. Furthermore, eastern trading countries, such as China and the USSR, are not recorded in Comtrade, and recent data from a number of developing countries were not available. Several discrepancies were also found between the Comtrade data and the national balance of payments statistics. For example, aluminium exports by Ghana identified in Comtrade from third-country import data for mainly the United States and Germany, as well as alumina imports, are not recorded in Ghana's balance of payments figures. This is because the smelting of aluminium using imported alumina by the American-based group is essentially a tolling operation that earns Ghana a processing fee. Statistics on trade flows and the accompanying discussion presented in this Chapter should therefore be used cautiously.

Ghana is primarily a price taker on world export markets. Although a leading world supplier of cocoa, representing some 10 per cent of global supplies, its world significance has declined from being the first to the third largest exporter. A number of major new suppliers have also emerged onto the world market in recent years.
Charter 1.1
Concentration of Ghanaian exports, 1983-90

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>1984</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>1985</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>1986</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>1987</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>1988</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>1989</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>1990</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: The index is the Gini-Hirschman concentration index which measures the degree of diversification in exports. The higher the index value (i.e., the closer it is to 100), the more concentrated are a country's exports.


20. The Ghanaian Government has been attempting to diversify exports by developing a broader industrial base, and encouraging non-traditional export growth in areas such as fish, fruit products and semi-manufactured goods. To promote greater domestic value added in forestry products and environmental protection, for example, the Government has progressively implemented a number of export restrictions on unprocessed timber. Tighter controls have been foreshadowed in certain areas.

21. Reflecting the high reliance by Ghanaian industry on imported inputs not available locally, Ghana's imports are more diverse than its exports. The main product groups imported are electrical machinery and apparatus, especially equipment for distributing electricity, electric power machinery and switchgear and other electrical machinery, n.e.s.; other non-electrical machinery, most notably machines for special industries; chemicals, including mainly plastic materials, pharmaceuticals, organic chemicals and inorganic elements; food, such as wheat, rice, sugar, milk and cream; automotive products; other semi-manufactured goods, like nails, screws of iron, steel or copper, paper and paperboard; iron and steel, including universals, plates and sheets; other transport equipment, such as ships, boats and aircraft; and fuels, mainly crude oil or partly refined
petroleum. Together, these groups account for well over three-quarters of merchandise imports, and many of these product categories recorded the fastest growth rates since 1985 (Tables I.8 and AI.1).

22. Consumer goods represent a minor share of imports and, despite substantial trade liberalisation under the Economic Recovery Programme, have recorded little import growth. This is due mainly to the very low income levels in Ghana. Escalating tariffs and special import taxes on consumer goods as well as the imposition of super sales taxes on many "luxury" goods not produced domestically, also restrict these imports.

(ii) Regional pattern of trade

23. About 90 per cent of Ghanaian export trade is conducted with developed countries (Tables I.9 and AI.2). Well over half of its exports are with members of the European Communities. Germany, the United Kingdom, France, Spain and the Netherlands together take about half of Ghanaian exports. Together with Ghana's next most important trading partners, the United States of America and Japan, these countries accounted for almost three-quarters of Ghana's exports in 1989.

24. EC countries, especially the United Kingdom, Germany, the Netherlands, Italy and France, are also the major suppliers of Ghanaian imports, accounting for about half of total merchandise imports. Nigeria, supplying predominantly crude oil, was no longer the major single source of Ghanaian imports in 1989, being surpassed by the United Kingdom. EC suppliers and Nigeria, together with the United States, Japan and Canada, represent well in excess of four-fifths of Ghana's merchandise imports.

25. The major geographical trend to have emerged over the past decade has been the shift in emphasis of Ghana's trade from the United States of America to EC countries (Chart I.2). The share of exports to the United States has declined from 1982 when it was the major single export market, to some 14 per cent in 1989, about one-quarter of the total share of EC members. Exports to the United States declined in absolute terms over this period.

26. Ghanaian exports of cocoa and other important agricultural commodities receive preferential access to EC markets under the Lomé Convention. EC countries of Germany, France, Spain, Belgium, Ireland, the Netherlands, Denmark and Italy have recorded solid growth in Ghana's exports and imports. Next best performing import sources amongst developed countries have been Japan, Canada and Sweden.
Chart 1.2
Geographical composition of Ghanaian trade, 1982–89

Exports

1982

1989

Imports

1982

1989

Source: Tables 1.9 and A1.2.
27. Developing countries have apparently recorded modest growth as markets for Ghanaian exports, but their share as a group in Ghanaian imports has, it appears, declined by half since 1982. This reflects mainly a falling share in Ghanaian import trade by African countries - only partly explained by the decreased share of oil imports from Nigeria in 1989. Asian developing countries appear, however, to have performed far better, raising their group share for both Ghanaian exports and imports. India and Thailand have exhibited the strongest growth as export markets, while the fastest growing import sources include Hong Kong and Korea.

28. Apart from the substantial but lower import share of crude oil from Nigeria in 1989, the share of trade with African countries remains small. This is especially the case for Ghanaian imports.

(4) Outlook

29. The Government's economic targets for 1991-93 include: real GDP growth of at least 5 per cent; reducing annual inflation to 5 per cent; yearly balance of payments surpluses averaging US $90 million; and continued progress in achieving a more equitable income distribution. The 1991 Budget forecast is to achieve 4 per cent real growth in GDP and to lower the inflation rate to 10 per cent by the end of the year.

30. To meet these targets, gross investment as a share of GDP is projected to increase from 16 to 19.5 per cent in 1993. Private investment is expected to provide the bulk of this increase; rising from 8.6 per cent in 1990 to 10.6 per cent in 1993, compared with anticipated rises in public investment of from 7.4 to 8.9 per cent. Gross national savings are anticipated to rise from 11.6 per cent of GDP to 16.3 per cent in 1993, with private savings rising to 9.6 per cent.

31. Further deterioration is expected in the terms of trade with only modest recovery likely during the next decade. However, projected higher export volumes, especially in gold and cocoa as well as processed timber products and non-traditional commodities, are expected to enable average annual export growth of 12 per cent. Import growth is expected to rise in line with economic development.

32. A major source of future economic development is expected to be growth industries emerging from further structural adjustment of the

---


economy. The industrial sector is expected to be the fastest growing sector, raising its share of GDP from 14 to 16 per cent in 1993. Furthermore, agricultural output of food and industrial crops, boosted by the Medium Term Agricultural Development Strategy, is expected to increase to 4 per cent per annum by 1995-2000. The services sector, especially in the areas of transportation, communications and finance, is projected to expand in line with the economy.

33. Despite the setbacks confronted by the economy in 1990, the economy appears to be more resilient to external factors and is showing signs of recovering. However, of vital importance in promoting development is the need to expand private investment in areas growing from on-going structural change. Only then will the full rewards of trade-related reforms be realised.
II. TRADE POLICY REGIME: OBJECTIVES AND FRAMEWORK

(1) General Framework

34. The Republic of Ghana was the first British colony in sub-Saharan Africa to attain independence under majority rule. Formed as a unitary republic, it has been ruled since 31 December 1981 by a military Government headed by Flight Lieutenant Rawlings, who is both Head of State and of Government.

35. The Government has announced its intentions to transfer political power to a democratically-elected civilian régime. The National Commission for Democracy, aided by the Ghana Law Reform Commission, is to prepare a draft constitution by the end of 1991 to replace the 1979 Constitution, which has been suspended since the dissolution of Parliament in 1981.

36. Executive authority is exercised by the nine-member Provisional National Defence Council (PNDC), chaired by the Head of State. Government policy is implemented and administered by the Committee of Secretaries appointed by the PNDC. Of its 30 members, 19 have ministerial portfolios. The Chairman of the Committee of Secretaries is the Prime Minister, who is also a member of the PNDC.

37. Local government in Ghana is based on regions, each of which is administered by a District Assembly. Members are appointed in district elections for three-year terms. At the moment, there are ten regions in Ghana, each one being represented in the Committee of Secretaries by a Regional Secretary. Regional development programmes and budgets must be approved by the PNDC.

38. Judicial powers are exercised by the Supreme Court. The final court of appeal in Ghana, it has jurisdiction over matters relating to the interpretation and enforcement of the Constitution. Its operations have been largely curtailed under the military Government.

---

1 The Gold Coast merged with Togoland, a former Trust Territory of the United Nations, to form the Republic of Ghana in 1957.
(2) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government

39. The PNDC, which makes laws by decree, is currently composed of the Head of State (the Chairman) and 8 other members appointed by him. About half of these are former military officers. The PNDC performs both the executive and legislative functions of the Government. Laws and decrees have the same ranking and are implemented through regulations devised by ministries.

40. The Committee of Secretaries is responsible for implementing and administering Government policy as formulated by the PNDC. The Committee is composed of the Prime Minister (the Chairman), 19 Ministers and 10 Regional Secretaries, one for each region in Ghana. Decisions by the Committee must be ratified by the PNDC.

41. Trade policy formulation and review in Ghana is the responsibility of the Ghanaian Government. Since the dissolution of Parliament, responsibility for matters related to international trade have fallen mainly under the Ministry of Trade and Tourism. The Ministry of Finance and Economic Planning and the Bank of Ghana have played a major role in devising and implementing trade and industry reforms associated with the ongoing Economic Recovery Programme launched in 1983. Other Ministries and agencies involved in trade-related policy formulation and implementation are the Ministries of Agriculture; Industries, Science and Technology; Health; and Lands and Natural Resources, as well as the Ghana Customs, Excise and Preventive Services and the Internal Revenue Service both of which fall under the Finance Ministry.

42. The Ghana Export Promotion Council, an autonomous institution ascribed to the Ministry of Trade and Tourism, is responsible for promoting exports of non-traditional products. The Council's Board of Directors consists of three members from the public sector and four from private enterprise.

43. Regulation of domestic and foreign investment in all sectors except petroleum and mining which are subject to separate legislation is, under the Ghana Investments Code of 1985, vested in the Ghana Investments Centre (see Chapter III).

(ii) Advisory bodies

44. Ghana has no separate permanent advisory body to assist in the formulation of trade and industry policies.

45. The private sector participates in the process of trade and industry policy formulation through a series of formal and informal high level
meetings between Government members and officials, such as the Secretary for Trade and Tourism, and various private sector representatives. The interests of private producers are represented by bodies such as the Ghana Association of Manufacturers. Other private groups are represented by bodies like the Ghana National Chamber of Commerce.

46. A Government "Think Tank" on Private Sector Development Issues, comprising Government and private sector representatives, was established in 1988 to provide an input into the Economic Recovery Programme. Following its recommendations, the Government introduced in November 1988 bi-annual high level meetings with members of the private sector. These meetings include members of the PNDC, one of whom is normally Chairman, as well as Government appointees and officials of various ministries and departments.

47. The Ghana Investments Centre has, since December 1988, established a Consultative Committee on Private Sector Development to enable continuous interaction with private sector participants. The Consultative Committee meets privately about every two months under the Chairmanship of the Prime Minister who is also the Chairman of the Ghana Investments Centre. The Committee's composition expanded that of the "Think Tank".

(iii) Review bodies

48. Ghana has no statutory body to conduct independent reviews of Government economic policies. A special sub-committee of the Government Committee of Secretaries, called the Economic Management Team, has met regularly since its formation in 1983 to review, coordinate, evaluate and monitor policies in support of the reforms implemented as part of the Economic Recovery Programme. As such, the Team has played a major role in formulating policies to reform the Ghanaian economy.

49. The Team is chaired by the Prime Minister and comprises relevant ministers such as the Ministers of Finance and Economic Planning; Trade and Tourism; Industry, Science and Technology; and Agriculture, as well as the Chief Statistician and the Head of the Research Section of the Bank of Ghana. Decisions of the Team must be approved by the PNDC.

(3) Trade Policy Objectives

(i) General trade policy objectives

50. The Economic Recovery Programme, implemented in 1983, was a radical package of economic and trade policy reforms devised, in collaboration with the World Bank and the International Monetary Fund, to overcome Ghana's severe and worsening economic problems. The Programme, initially covering the period 1983 to 1987, has been supported by a three-phased Structural Adjustment Programme (SAP); the first phase from 1987 to 1989, the second from 1989 to 1991, and the current phase covering 1991-1992. Substantial
technical and concessional financial assistance from the World Bank and the Fund as well as other creditors and donors have supported Ghana's adjustment efforts.

51. The core objectives of the Economic Recovery Programme are to:

- shift relative prices in favour of production, particularly for exports and efficient import substitution industries;

- move progressively away from direct controls and Government intervention towards greater reliance on market forces;

- restore fiscal and monetary discipline;

- initiate the rehabilitation of the production base and the social and economic infrastructure; and

- encourage private savings and investment largely through structural and institutional reforms to enhance economic efficiency.

52. Key elements of the economic strategy have been a redirection from closed to more open trade policies. Imports have been liberalized in an effort to boost efficient production by ensuring availability of the necessary imported raw materials and capital goods. The initial focus of the reform programme was on revitalizing the agricultural sector, especially cocoa, to lay a foundation for sustainable more balanced future development. Export expansion and diversification, both important objectives, are promoted by various schemes, such as export tax rebates and duty drawback on imported inputs.

53. The principal measures adopted under the Programme have included reforms to the exchange rate system - including phasing-out of foreign exchange restrictions (see Chapter III), the elimination of import licenses, tariff reductions to a maximum rate of 25 per cent (excluding special import taxes), and commercialization and divestiture of several state-owned enterprises. These measures reflect a recognition by the Government that the maintenance of a fixed and overvalued currency had been a major impediment to economic restructuring, and that a system of import

---

²The International Monetary Fund has committed a total of SDR1,208 million to Ghana during 1983-91 through the Enhanced Structural Adjustment Facility (ESAF) and other concessional arrangements. The World Bank has supported Ghana with three Structural Adjustment Credits through the International Development Association (IDA), involving total commitments to the country of almost US$2 billion.
and price controls coupled with inefficient state-owned enterprises was severely retarding economic performance.

(ii) Sectoral trade policy objectives

(a) Agriculture

54. The current objectives of Ghana's agricultural policies are designed to consolidate and extend the gains achieved so far for agriculture and the economy generally under the reform programme. They are contained in the agricultural development programme devised in collaboration with the World Bank.

55. The agricultural programme replaced the previous largely ad hoc policies with a more deliberate and coordinated policy framework. This is directed at pursuing "a demand-driven national agricultural strategy whose goals are development-oriented, productivity-enhancing and competitiveness-promoting". To achieve this overall objective, the following specific aims are advanced in the programme:

- to increase food supply and provide for food security through supplying a nutritionally-balanced diet at affordable prices;
- to create opportunities for rural employment (at least two-thirds of the work force), and to reduce under-employment by raising labour productivity in production, marketing and value-added activities;
- to increase and diversify exports as well as, at least initially, import substitutes, to raise foreign exchange earnings;
- to improve linkages between agriculture and industry in an effort to promote resource-based industries; and
- to promote balanced regional development.

56. Fundamental to the Government's approach to agriculture is the development of an internationally efficient sector based on Ghana's comparative advantage, mainly in crops. This is to be achieved by reducing

---


4Ibid, p.iii.
the rôle played by the public sector and placing more emphasis on the private sector, for example, in supplying the necessary farm inputs. Agricultural growth will help alleviate poverty by increasing rural incomes and lowering food costs through improvements in marketing efficiency.

57. The systematic implementation of price- and market-based policy reforms are expected to create new opportunities for Ghana to exploit areas of natural comparative advantage. The major reforms include: (i) the maintenance of a market-determined exchange rate; (ii) the elimination of policies that have heavily taxed farmers; and (iii) government programmes to improve farming practices and techniques as well as providing the necessary infrastructure, such as irrigation facilities and roads.

58. Areas of natural comparative advantage identified by the Ministry of Agriculture as offering the best potential cover a wide range of agricultural and pastoral activities. These are cocoa, coffee, rubber, oil palm and kolanuts in the forest zone; maize, cotton, tobacco, root crops and legumes in the transitional zone; livestock in the interior savanna; and wetland rice in valley bottoms all around the country. The fisheries sub-sector, both inland and marine, is also seen as a potential growth industry.

(b) Industry

59. The objectives of the Government's National Industrial Policy are directed at developing rational, accelerated and technology-led industrial effort that:

- promotes dynamic, efficient, productive, profitable and sustainable operations led by market forces;
- develops strong intra- and inter-sectoral linkages to ensure the increased exploitation of, development, processing and utilization of the nation's natural resources to promote national self-reliance and to enhance exports;
- accords primacy to the accelerated and diversified development of the small and medium scale industrial sector;
- builds a vibrant private-sector capacity in industry;
- integrates women into industry;
- links the human-resource management and technical skill potential in the service industries to the industrial sector;
- is guided by resource and environmental conservation considerations;
promotes and exploits collective efforts at industrial self-reliance at sub-regional and regional levels; and

takes advantage of expanding domestic and international market opportunities.

60. Within these broad objectives, specific short-, medium- and long-term goals have been developed. The long-term goal is to promote balanced, environmentally-sound, technology-led growth producing diversified goods and services that satisfy export and domestic demand using local resources. Medium-term goals include the creation of a sustained improvement in industrial development and the expansion of production capacities with strong intra- and inter-sectoral linkages, using modern technology, improved entrepreneurial skills and establishment of industrial estates and export processing zones.

61. Short-term goals call for, amongst others, industrial restructuring through divestiture, liquidation, mergers, leases, contraction and rehabilitation of existing enterprises and the provision of appropriate support measures to potentially viable industries (PVEs) in both the public and private sectors. This includes checking against the possibilities of unfair import competition from "dumped" prices. A private study on any support arrangements required to enhance the competitiveness of domestic industries is being finalized for the Government.

62. The 1991 Budget foreshadowed the formation of the First Finance Company Ltd (FFCL) to provide venture capital as well as managerial and technical assistance to deserving PVEs.

63. Based on a number of selection criteria consistent with the goals and objectives of industrial policy, such as increased value added operations, utilization of raw materials and comparative dynamics of trade and competitiveness, several manufacturing sectors have been selected as priority areas. These are the agro-based industries of food, tree crops, natural fibres, aquatic resources, livestock and essential oils; forest-based industries like wood, paper, rattan and wood products; mineral-based production such as iron and steel, aluminium and precious metals; engineering industries foundning and forging capital goods;

---


6The consultancy study, funded by the World Bank, was not available in time for this report.
strategic sectors like chemicals, pharmaceuticals, electronics and petro-chemicals; and energy industries based on solar power and natural gas.

(iii) Objectives in the Uruguay Round

64. Ghana's general objective is to improve its world trade performance through the multilateral trading system. Successful completion of the Uruguay Round is seen by Ghana as a major contribution to the strengthening of the GATT system.

65. Of particular concern to Ghana in the Uruguay Round is to improve market access for its major export products. Ghana submitted to the Negotiating Group on Tropical Products indicative lists addressed to ten countries requesting liberalization of imports. The tropical products covered by these lists included mainly cocoa, coffee, fruits (especially pineapples), and wood products, such as plywood, veneer sheets and furniture.

66. Ghana is hopeful that the Uruguay Round will successfully tackle the problem of limited membership of Codes by other countries. For its own part, the Ghanaian Government is considering accession to the Codes on Government Procurement and Customs Valuation. According to the Government, past membership of Codes has not always been feasible as Ghana, like many developing countries, would have had difficulties in adhering to the obligations involved.

(4) Trade Laws and Regulations

67. Ghanaian trade policies are implemented mainly through decrees and laws issued by the PNDC. The principal law governing imports and exports is the Imports and Exports Act of 1980. However, trade liberalization has rendered this Act obsolete. The Law is currently being updated by the Ministry of Trade and Tourism to incorporate changes made to the trade régime.

68. Rules on the payment and drawback of import and excise duties, including customs valuation, are contained in the Customs and Excise Decree, 1972 and the Customs Regulations of 1976. Special laws regulate the importation of certain products, such as the Pharmacy and Drugs Act of 1961, the Arms and Ammunition Regulations of 1972 and the Mercury Law of 1976. The countries were Australia, Austria, Canada, Finland, Japan, New Zealand, Norway, Sweden, Switzerland and the United States of America.
1985. Importation of cigarettes, stout beer, asbestos (roofing sheets) and fibre cement pipes is regulated by the Imports and Exports (Special Licence) Regulations, 1985.

69. Exports of non-traditional goods are subject to the Imports and Exports (Non-Traditional Exports) Regulations, 1987. This law is currently being reviewed. Non-traditional exporters are required to register with the Ghana Export Promotion Council, which is responsible for the promotion of non-traditional exports. Export incentives, such as income tax rebates, are administered as part of the tax law by the Internal Revenue Service.

70. Foreign and domestic investment outside the petroleum and mining sectors is regulated by the Investment Code, 1985; the Investment Code (Benefits to Existing Enterprises Regulations), 1990; and the Investment Code (Areas of Special Priority) Instrument of 1991. Administered by the Ghana Investments Centre, the legislation provides general benefits and taxation concessions to approved projects, as well as special incentives to investment in declared priority areas of agriculture, manufacturing, construction/building, tourism and, more recently, certain related services. The Act also extends benefits to firms locating in nominated regional areas and for enterprises using, where possible, local materials and labour in preference to imported alternatives.

71. The GATT has not been directly incorporated into Ghanaian law. Consequently, no individual has the legal right to take the Ghanaian Government to court over violations of the General Agreement.

(5) Trade Agreements and Arrangements

(i) Multilateral agreements

72. Ghana acceded to the GATT on British sponsorship through a declaration under Article XXVI:5(c). After independence in March 1957, the Republic of Ghana was deemed, by the Declaration of the CONTRACTING PARTIES dated 17 October 1957, to be a contracting party to the GATT and to have acquired the rights and obligations under the GATT of the United Kingdom in respect of its territory. Ghana applied import restrictions for balance-of-payments reasons under Article XVIII:B of the GATT from 1962 until 1989 (see Chapter IV).

73. Ghana accords m.f.n. treatment to all countries, whether or not contracting parties to GATT, except for the trade bans imposed against the Republic of South Africa.

74. Ghana has participated in previous multilateral trade negotiations under the GATT, including the Tokyo Round. It is not a member of any particular country grouping within the Uruguay Round.
75. Ghana has not signed any of the Tokyo Round MTN Agreements. It has observer status in five Tokyo Round Codes, these being the Codes on Technical Barriers to Trade, Subsidies and Countervailing Measures, Import licensing, Civil Aircraft and Anti-Dumping.

76. Ghana is a member of the United Nations and other multilateral organisations with responsibilities in the field of trade or finance, such as UNCTAD, the International Monetary Fund and the World Bank. It participates in the international commodity agreements for cocoa, coffee and rubber. Of these, only the rubber agreement is currently operative.

(ii) Regional agreements

77. The Ghanaian Government has supported initiatives to form African regional and sub-regional economic groupings to encourage intra-African trade.

78. Ghana is a founding member of the Economic Community of West African States (ECOWAS) which was established in 1975. Its aims are to facilitate trade between member nations and to promote joint development efforts. Members have agreed in principle to the formation of a free-trade area by gradually reducing tariffs and non-tariff barriers among participating countries, and the creation of a customs union with a common external tariff applying to all non-member countries. However, to date the Scheme has achieved little progress and very few of the agreed arrangements have been implemented.

79. In an attempt to revitalize the Agreement, the ECOWAS Trade Liberalization Scheme was established in 1990 to provide for the free movement of specified goods between member countries by phasing out existing tariffs over five years. Ghana currently provides preferential tariff reductions of 20 per cent on imports of a few goods from certain countries granted Community status, such as tomato purée imported from Senegal. As under the initial ECOWAS Agreement, goods must be produced by firms granted Community status to be eligible for preferential tariffs under the scheme. To be awarded ECOWAS status, the main requirement is that firms have majority equity ownership by ECOWAS nationals. This unusual feature substantially restricts the trade coverage of the ECOWAS Agreement and appears to have discriminatory effects.

80. At the summit meeting of the Organization of African Unity held in June this year, members agreed to the formation of the African Economic Community (AEC). Its objectives are to, inter alia, promote economic, social and cultural development and integration of African economies; to raise economic self-reliance; and to co-ordinate and harmonize existing policies in order to foster the gradual establishment of the Community. The Treaty represents an extension of the Lagos Plan of Action agreed in 1980 which aimed at creating an African Common Market by the year 2000.
81. The AEC Treaty calls for the gradual establishment of the Community in six stages of variable duration over a transitional period not exceeding 34 years. The aim of the first stage, which is not to exceed 5 years, is to reinforce regional structures through strengthening existing arrangements, such as ECOWAS, and establishing new agreements. Following standardization of tariffs, customs procedures and internal taxes within regional communities in the second stage - to take not more than 8 years - a Free Trade Area is to be formed for intra-regional trade and a customs union for external trade within 10 years - the third stage. Tariffs among the various regional groupings are to be harmonized within 2 years in the fourth stage with a view towards adopting a common external tariff.

82. Adoption of common policies for agriculture, transport and communications, industry, energy and scientific research, as well as harmonization of monetary, financial and fiscal policies, together with the free movement of persons, is to be completed in the fifth stage within 4 years. Finally, within a further 5 years, the sixth stage aims are to consolidate an African Common Market through the establishment of a single market and the free movement of people, goods, capital and services.

(iii) Bilateral agreements

83. Ghana maintains bilateral trade agreements with a number of countries. Many agreements, such as those with Egypt, the German Democratic Republic, Bulgaria, Romania, Czechoslovakia, Hungary, Poland, Algeria, Cuba and USSR, cover countertrade deals involving the exchange of Ghanaian cocoa, timber and diamonds for imports of capital works and equipment, as well as sugar, pharmaceuticals and consumer goods. Following the dismantling of centrally-planned economies, efforts are being directed at removing countertrade arrangements from the agreements with eastern European countries.

84. Bilateral trade cooperation agreements also exist with other countries, including the United States, the United Kingdom, Italy, North Korea, Nigeria, Libya, Zimbabwe, Burkina Faso, Mauritania and the Federal Republic of Germany.

85. The Ghanaian Government has entered four Investment Promotion and Protection Agreements with the Governments of the United Kingdom, the

---

8 The aims of the sixth stage are also to establish a Pan-African Economic and Monetary Union, including a single African currency; a Pan-African Parliament and election of members by universal suffrage; executive organs for the Community; and to create African multinational enterprises in all sectors.

9 Agreements with Poland, Czechoslovakia and Hungary have recently expired and the possibility of new agreements is being considered by the Ghanaian Government.
Netherlands, Romania and China. Agreements operate for a minimum of ten years. Additional agreements are currently being considered with Germany, France, Switzerland, Italy, Bulgaria, USSR and Denmark. These are seen as complementing the Investment Code as a means of attracting the necessary foreign investment essential for Ghana’s economic recovery (see Chapter III).

86. These agreements give additional protection to foreign investors by providing guarantees against arbitrary expropriation of assets, as well as for fair, equitable and non-discriminatory treatment and recourse to acceptable dispute-settlement procedures. They provide the investor the right to be indemnified by his national government or its designated agency (such as the Multilateral Investment Guarantee Agency) against losses.

(iv) **Other agreements or arrangements**

87. Ghana is a signatory to the Lomé Convention between the European Communities and 69 ACP developing countries of the Sub-Sahara, Caribbean and Pacific areas. Under the Convention, Ghana receives duty-free access to the EC market for industrial and, more importantly for Ghana given its export structure, agricultural exports not subject to the arrangements of the EC’s Common Agricultural Policy. Several important or potentially-significant food products exported by Ghana, such as certain cocoa products, fruits and vegetables, are eligible for preferential treatment under this Convention.

88. In addition to specific non-reciprocal trade preferences, the Lomé Convention provides for technical cooperation and financial assistance to ACP countries. Grants and loans are available to assist national and regional development. Further funds have been established to stabilize earnings from agricultural commodities - including cocoa and cocoa products - exported to EC markets (STABEX) and provide a special financing facility for mining-dependent ACP economies (SYSMIN).

89. As a signatory of the Global System of Trade Preferences (GSTP) amongst developing countries, Ghana accords to all participating countries preferential tariffs on imports of herbicides negotiated with Brazil.

---

10 For agricultural products covered by the Common Agricultural Policy, the Convention ensures ACP countries more favourable treatment than other suppliers under the most-favoured-nation clause.
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

90. Major reforms to the foreign exchange régime have been implemented as a fundamental component of the Government's Economic Recovery Programme. From a prolonged period before 1983 of overvalued fixed exchange rates, a floating system now operates whereby currency rates are largely market-determined at weekly auctions conducted by the Bank of Ghana. The objectives of external sector reform have been to restore Ghana's international competitiveness through maintaining a market-based rate of exchange, and to improve the economy's efficiency by letting domestic prices more fully reflect international levels.

91. The major shift to a market-based exchange rate occurred in September 1986 with the introduction of a limited auction system involving dual exchange rates. Bidding was initially restricted to non-official or "Window II" transactions, such as non-traditional exports and imported inputs. Government or official transactions, such as importation of petroleum products and essential drugs as well as the exportation of cocoa and residual oil products, had to be conducted through "Window I" at the fixed exchange rate against the United States' dollar of $0.90. These arrangements continued until February 1987 when, with the closure of the first "Window", fixed exchange rates were completely discarded.

92. Since the introduction of the auction system which uses the "Dutch auction" marginal pricing method, over half of the foreign exchange sold has gone into manufacturing, while commerce and transport each accounted for 10 per cent. By supervising the operation of the bidding system and controlling the supply of foreign exchange auctioned, the Bank of Ghana can influence the exchange rate and the allocation of funds to priority areas.

---

1The long-standing régime of fixed exchange rates continued until 1983, despite the stated policy shift at the 30 per cent devaluation of 1978 to move towards a flexible exchange rate system. The exchange rate of $2.75 established against the United States' dollar in 1978 remained fixed until the introduction of the recovery programme in 1983. During this period, the wedge between the official and the parallel exchange rates for the cedi widened from about 5 to over 20 times.

2A multiple exchange rate system was initially introduced in 1983 where surcharges and bonuses were applied to foreign exchange payments and earnings, respectively. The exchange rates were unified in September 1983 when the currency was again devalued by over 90 per cent to a rate of $30 against the U.S. dollar. Subsequent devaluations in 1984, 1985 and 1986 further reduced the exchange rate for the cedi against the U.S. dollar by a further one-half. The policy adopted during this period was a pegged exchange rate system whereby a series of sizeable discrete nominal rate adjustments were made to restore the severe overvaluation of the exchange rate.

3Under the Dutch auctioning system introduced following the first auction, successful bidders are required to pay the rate of exchange bid by them, and not the market-clearing exchange rate.

4Access to the auction system was progressively liberalized so that by the end of 1989, (Footnote Continued)
However, several important developments implemented since 1988 have substantially curbed the Bank's monopoly controls and improved the efficient functioning of the exchange market.

93. These include the establishment since February 1988 of authorized private foreign exchange bureaux to operate in competition with the Bank of Ghana. Bureaux are permitted to purchase, albeit from restricted sources, and sell foreign exchange at freely negotiated market rates. However, the two markets remained segmented by the regulation preventing forex bureaux from participating in the weekly auction. This regulation was totally removed in April 1990 when, with the introduction of a wholesale foreign exchange system, an interbank currency market was created by permitting licensed forex bureaux to bid in the weekly auction on their own behalf. Dealers may now submit aggregate bids to the Bank without supplying supporting documentation. Since then, the market-based exchange rate has been set within a composite exchange rate system combining a two-tier foreign exchange market.

94. Accompanying the unification of the foreign exchange market has been a general narrowing in the spread between the auction and bureau exchange rates, with the auction rate tending to depreciate continuously towards the more stable bureau rate (Chart III.1). Between 1988 and 1991 the average annualized monthly volume of foreign exchange sold by auction increased from US$21 million to US$34 million. Purchases in the forex bureaux also increased over the same period, from US$6 million to some US$19 million.

(Footnote Continued)

5 Foreign exchange bureaux may be operated as separate entities by any person, bank or institution licensed by the Bank of Ghana. The number of bureaux rose rapidly and by June 1989 totalled over 140. By early 1990, the number had grown to about 180.

6 All bona fide import and service payments, as well as most capital transactions, may be funded through forex bureaux. They are permitted to purchase foreign exchange from non-traditional exporters and private transfers from abroad such as repatriated earnings. However, such restrictions have not been in practice a major restraint on the growth of the bureaux due to the recent expansion in the supply of these funds.

7 Since December 1989, eligible forex bureaux were permitted to participate in the weekly auction and bid for foreign exchange on behalf of their customers. They could not bid on their own account, except to meet their own import needs, and all bids had to be backed by firm bids from their customers. Dealers had to submit to the Bank individual bids along with supporting documentation.

8 Successful bidders are now able to determine the structure of their bids and sell to end-users at the auction rate plus a market-determined commission rate. Supporting documentation is only necessary if requested by the Bank. The requirement for dealers to surrender to the Bank funds not used for their intended use within 10 working days was also abolished on 27 April 1991. The Bank of Ghana is also able to buy and sell foreign exchange in the interbank market.

9 Remaining differences between the bureau and auction rates are relatively small and reflect mainly the commissions charged by authorized dealers.
A major factor behind the continued importance of the auction in allocating foreign exchange is the requirement preventing official international transactions, including foreign aid disbursements, from being channelled through forex bureaux.

<table>
<thead>
<tr>
<th>Jan 1989</th>
<th>Jan 1990</th>
<th>Jan 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction rate</td>
<td>Bureau buying rate</td>
<td>Difference (^a)</td>
</tr>
<tr>
<td>300</td>
<td>300</td>
<td>30</td>
</tr>
<tr>
<td>300</td>
<td>300</td>
<td>20</td>
</tr>
<tr>
<td>300</td>
<td>300</td>
<td>10</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

\(^a\) The difference between the two rates expressed as a percentage of the auction rate.


Since the unification changes in April 1990, transactions in the bureau market expanded substantially to average US$21 million per month during the last 8 months of 1990.
The spread is the difference between the highest and lowest bid rates expressed as a percentage of the lowest bid rate.


(1) Exchange Rate Movements and Trade

95. Reflecting the transformation of the foreign exchange system from a fixed rate régime to a flexible one based on market rates, the exchange rate of the cedi has devalued substantially in both nominal and real terms (Chart III.3). Since the 1983 reforms, the nominal and real effective exchange rates have depreciated continuously by around 100 and 90 per cent, respectively. Most of the currency’s decline occurred in the devaluations announced prior to the auction system being implemented in 1986. Since the introduction of the auction system, declines in the real exchange rate have been less pronounced - nominal depreciations have largely reflected the differential inflation rates between Ghana and its major trading partners.
In 1990, the real effective exchange rate was unchanged, compared with respective falls of 6 and 4 per cent in the previous two years.

96. Under the former fixed rate régime which had pegged the exchange rate against the US dollar at ₡ 2.75 since 1978, relatively high domestic inflation caused a more than fourfold appreciation in the real exchange rate of the cedi by 1983. Occurring at a time of badly deteriorating terms of trade due to falling international commodity prices, especially for cocoa, this drastically affected Ghana's trade performance. Merchandise exports as a proportion of GDP fell from an average of 17 per cent for 1971-1975 to around 5 per cent for the period 1976-1982. Imports, although cheaper due to the overvalued exchange rate, collapsed (from 14 to 5 per cent of GDP over the same periods) as protracted foreign exchange shortages prevented imports of raw materials and consumer goods.

97. Substantial real devaluations in the exchange rate since 1983, together with improved terms of trade, boosted Ghana's international competitiveness and revived its export sector. Merchandise exports peaked in 1987 and 1988 as a percentage of GDP at 17 per cent, and the current account deficit, including official grants, hovered around 1 to 2 per cent of GDP. More recently, worsening export performance, reflecting once again deteriorating swings in the country's terms of trade against mainly traditional exports, has raised the current account deficit to over 4 per cent of GDP (Chart III.3). Exports as a proportion of GDP have fallen to 15 per cent while import levels have continued to rise in 1990 to around 21 per cent of GDP. International currency reserves, equivalent to about 2.7 months of imports in 1989, are estimated to have fallen to around 2.4 months in 1990.

---

11Nominal exchange rate depreciations that compensate exactly for higher domestic inflation levels compared to major trading partners will leave a country's real exchange rate unchanged.

12Excluding official transfers increases the current account deficit. On this basis, the current account deficit as a proportion of GDP is much higher, equivalent to some 8 per cent in 1990.
Chart III.3
Current account balance as a share of GDP, exchange rate and terms of trade movements in Ghana, 1983-90

<table>
<thead>
<tr>
<th>Year</th>
<th>Terms of trade</th>
<th>Real effective exchange rate</th>
<th>Nominal effective exchange rate</th>
<th>Current account balance* (% GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>-20</td>
<td>-40</td>
<td>-80</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>-15</td>
<td>-30</td>
<td>-60</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>-10</td>
<td>-25</td>
<td>-50</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1987</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>1988</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>1989</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>1990</td>
<td>20</td>
<td>25</td>
<td>30</td>
<td>0</td>
</tr>
</tbody>
</table>

a Calculated including official grants. A negative balance indicates a deficit on the current account.


98. Current account deficits are more than offset by capital account surpluses. These have risen in recent years due predominantly to increased foreign aid disbursements, and a substantial decline in interest payments in line with the conversion of loans to grants by several major donor countries (Chart III.4). Private direct investment, although increasing strongly from US$12 million to US$53 million in 1990, remains a relatively small component of the capital account. Ghana's debt service to exports ratio currently stands at under 40 per cent, compared to around 70 and 60 per cent in 1988 and 1989, respectively.
Chart III.4
Capital account balances for Ghana and its components, 1983-90


(2) Foreign Exchange Allocation

99. The liberalization of major exchange controls has underpinned efforts to achieve a freer foreign exchange market. Many restrictions on access and use of foreign exchange have been abolished or relaxed and all bona-fide requests for exchange to import or make other payments, including transfers of profits, interest and dividends as well as repatriation of capital, can now be funded through the auction system. Prior to these reforms, the fixed exchange rate régime was supported by a complex system of foreign exchange controls.

100. Ghanaian residents are permitted to hold various foreign exchange accounts which can be used to pay for imports and other service payments through official channels only. Retention accounts in foreign currency of

13 The remaining backlog of "blocked funds" to be repatriated overseas was liquidated during 1990. Companies financed from locally-raised capital remain prohibited from transferring profits abroad. Expatriate employees in the private sector are permitted to remit through forex bureaux their total annual emoluments less living expenses.
up to 35 per cent of export earnings are available to non-traditional exporters. These accounts, if transferred through the Ghana Commercial Bank in London and the Bank of Ghana can, since April 1989, be held in the exporter's domestic bank. Such funds are exchangeable through forex bureaux without restrictions on their use. Exporters with exceptional foreign exchange commitments may operate special external accounts subject to Bank of Ghana approval and monitoring.

101. Non-traditional exporters may sell their export receipts through forex bureaux. The requirement that traditional exporters repatriate export proceeds in full to the Bank of Ghana within 60 days of shipment has been relaxed. As from 1 July 1991, these arrangements cover 45 per cent of the receipts from Ashanti Gold Mining Company and the entire profits of the Ghana Cocoa Board. Apart from these products, the surrender of foreign exchange earnings has been shifted from the Bank of Ghana to commercial and development banks.

102. Receipts from invisibles must be sold to authorized dealers. Capital controls continue to be applied, and all outgoing capital movements must be approved by the Bank of Ghana. Private persons are not normally granted foreign exchange to acquire securities or real estate abroad. Changes to overseas shareholdings by residents require Bank approval and lending to non-residents is generally prohibited.

103. Access to foreign exchange through the auction market is restricted to business travel up to a maximum of US$3,000 per trip. Non-resident travellers are permitted to take out any unused foreign currency that they brought in and declared upon entry.

104. Subject to certain exceptions authorized by the State Gold Mining Corporation, residents are prevented from trading in gold with persons other than authorized dealers. Imports of gold except those made by or on behalf of the monetary authorities are normally prohibited.

(3) Foreign Direct Investment and Trade

105. The Ghanaian Government is keen to attract foreign investment as a means of stimulating industrial development through the provision of capital as well as the transfer of technology and skills. A major

---

14 Retention rates for log exporters, reduced from 20 to 5 per cent in September 1987, were abolished in December 1988.
component of this strategy has been to improve access to foreign exchange by individuals and companies through liberalizing the foreign exchange market.

106. Other important changes were made to the investment régime during the 1980s to help improve the investment climate in Ghana (see below). However, despite these measures, both domestic and especially foreign investment levels have fallen well short of official expectations. In 1989, projects totalling investment of US$198.8 million were approved, compared with US$375.7 million in 1986. Investment growth has been limited to only a few areas, mainly in the petroleum and mineral (especially gold mining) sectors; a few non-traditional export industries such as pineapples; and, to a lesser degree, a few manufacturing activities like metal fabrication and chemicals. Certain service industries, such as the tourism and construction sectors are, however, emerging as potential areas for investment growth.

107. Domestic investments by Ghanaians have accounted for over half of total investment approvals since 1986. About one-third has represented joint ventures with foreign partners, and investment by wholly foreign-owned enterprises has been negligible. However, the ownership structure of projects has changed over this period, with the proportion of wholly Ghanaian-owned enterprises declining while the share of joint venture enterprises involving foreign partners has increased. In 1989, the respective shares were 41 and 55 per cent.

108. Approved foreign investment flows in Ghana declined from US$163.3 million in 1986 to US$63.2 million in 1989 (Chart III.5). About one-third of this investment represented equity finance as opposed to loans. Foreign investment in Ghana has mainly come from the European Communities, the United States of America, China and South Korea.
Foreign investment in petroleum and gas

109. Foreign investment in the petroleum sector is controlled by the Petroleum (Exploration and Production) Law 1984. Overseas companies wishing to operate in Ghana are required to enter joint ventures involving production-sharing contracts with the state-owned Ghana National Petroleum Company. These agreements are valid for a life of 30 years, or seven years if exploration is unsuccessful. Production royalties of 12.5 per cent of gross receipts are payable in addition to income tax.

110. Aspects of production-sharing contracts like work commitments and the division of profits between partners are negotiable and vary between projects. Exploration, development and production expenditures are to be fully financed by the foreign partner, and are recoverable from successful fields up to a maximum of 50 per cent of its gross petroleum revenue. The National Petroleum Company also acquires - without any financial consideration - a 10 per cent equity interest in the project, and may negotiate the purchase of a majority interest. International law takes
preference over domestic law in solving disputes covering production-sharing contracts.

111. Special income tax arrangements apply to the petroleum sector under the Petroleum Income Tax Law which was revised in 1987. These attempt to provide an adequate compromise between trying to attract foreign investment while at the same time ensuring that the Government receives sufficient revenue from the development of the country's oil resources. Petroleum income is taxed at a rate of 50 per cent and capital expenditure is depreciable on a straight-line basis over five years. Companies are exempt from taxes on capital gains, turnover and additional profits.

112. Companies involved in petroleum exploration and production can import equipment and materials free from customs duties.

(ii) Foreign investment in minerals

113. The Minerals and Mining Law of 1986 established the obligations and rights of miners. It has contributed to raising foreign investment in minerals, especially gold mining. Both domestic and foreign investment are covered by the same rules under the Act.

114. As for petroleum, the Government receives, at no cost to itself, a 10 per cent equity interest in all mining projects in Ghana, and may purchase another 20 per cent on terms negotiated with the lease holder. As well as paying income tax at a rate of 45 per cent, production royalties of between 3 and 12 per cent of gross revenue are payable, depending upon the mine's profitability. For mines exceeding an agreed threshold rate of return, an additional profit tax of 25 per cent is applied.

115. Investment incentives are provided for companies engaged in mining. These include: (i) accelerated depreciation allowances whereby three-quarters of the capital expenditure is deductible immediately, the balance being written-off in subsequent years at a rate of 50 per cent; (ii) carry forward of losses; (iii) an investment allowance of 5 per cent; and (iv) the capitalization of successful exploration and prospecting expenses against future mining income. In addition, firms may import free of duty plant and other equipment needed to establish and run their mining operations.

(iii) Foreign investment in other sectors

116. Investments outside the petroleum and mineral sectors are covered by the Ghana Investment Code of 1985 which is administered by the Ghana Investments Centre. While the Code does not generally discriminate between domestic and foreign investment, certain areas are reserved for Ghanaian nationals (Table III.1)
117. Areas reserved wholly for Ghanaians include: enterprises involved in retailing, wholesaling, producing brokerage and representing foreign businesses, unless having an employed capital of at least US$500,000; taxi and hire car services; advertising, real estate and travel; the manufacture of foam articles and cement blocks as well as garments and travel goods other than for export; textile screen hand printing; and tyre re-treading. All other activities are open to foreign participation.

118. Joint ventures with Ghanaians require foreign investment equivalent to at least US$60,000 for each non-Ghanaian partner. Unlike past arrangements, the Code does not specify minimum levels of local ownership for joint ventures - while these are determined largely by negotiation, a minimum level of 10 per cent is normally required. Only exporting enterprises earning net foreign exchange with capital of at least US $100,000 are permitted to be wholly-foreign owned.

119. The Code identifies certain broad national priority investment areas that the Government believe best suit Ghana's natural endowments. Projects approved in these areas receive special investment incentives not available to other approved projects, irrespective of their ownership structure (Table III.2). Declared priority areas are currently: (i) agriculture (such as the production, protection, processing and preservation of crops and livestock); (ii) manufacturing industries that are either export-oriented, use predominantly local raw materials or that produce agricultural machinery; (iii) construction and building industries such as real estate development and road construction; and (iv) tourism activities that are net foreign exchange earners. Activities falling within these declared priority areas were extended from 1 January 1991 to include inter alia, certain general services.

120. Special financial incentives contained in the Code for new investments in priority areas cover a range of taxation and other duty concessions which vary between sectors. The incentives include investment

---

15 Non-Ghanaians are only permitted to participate in wholesaling and retailing in joint-venture arrangements having at least 10 per cent Ghanaian ownership. Where the business is to be located outside the Accra-Tema area, the minimum foreign equity requirement is reduced from US$500,000 to US$250,000. Guidelines on Participation of Non-Ghanaians in Wholesale and Retail Trade - Section 16 of the Investment Code, 1985. Ghana Investments Centre.

16 Over the period 1986-89, the share of foreign ownership in joint ventures averaged some 75 per cent.

17 To be wholly foreign owned, the capital requirements must be sourced exclusively from the foreigner's own resources and the enterprise must export a major share of its production.

allowances; accelerated depreciation allowances; income tax rebates and exemptions, including locational incentives; deferment of stamp duties; and duty-free importation of essential plant and machinery. The most generous incentives apply to agriculture.

121. Benefits are extended to enterprises existing prior to 1 January 1988 wishing to reinvest at least US$100,000, provided the Centre is satisfied that the proposed investment is consistent with the general objectives of the Investment Code. These arrangements are due to expire on 1 January 1992.

122. The investment incentives provided are stipulated in a "Concessions Agreement" signed between the investor and the Centre. The Agreement also contains guarantees against expropriation by the Government. Additional protection is provided foreign investors through bilateral Investment Promotion and Protection Agreements signed with many major trading partners, as well as Ghana's membership of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank.

123. Further efforts were taken on 31 July 1991, to streamline the investment approval process and to make the Centre a "one-stop" investment agency. This was achieved through the formation of a standing Inter-Ministerial Technical Committee on Investment Applications (TCIA) comprising representatives of all government bodies involved in the investment approval process. The Committee, which has a permanent Secretariat located at the Centre, submits its recommendations to the Board of the Ghana Investments Centre for final approval.

124. At the same time, the application process has been simplified. Applicants are now required to complete a single consolidated application form, instead of a multiple one, thereby eliminating duplication and saving time.

125. These new arrangements are expected to reduce the total time taken to process investment approvals from eight to twelve weeks, to a maximum of six weeks.

126. The law regulating foreign investment in the fishing industry has recently been reviewed and the former maximum level for direct foreign ownership of 50 per cent revised upwards.

---

IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

127. Historically, Ghana has been a highly protected economy. Since independence in 1957, successive Governments promoted protectionist policies to control balance-of-payments problems and to encourage industrial development. Import substitution goals became a national policy objective, especially during the development plans implemented in the second-half of the 1960s and 1970s.

128. Under these policies, an elaborate system of protecting local industries developed involving the imposition of high tariffs, import quotas, prohibitions and licences, which severely limited the importation of manufactured goods, especially of so-called "luxury goods". An array of other incentives were offered aimed at accelerating industrialisation, such as providing fiscal incentives through income tax concessions. The result was a protective structure which provided highly disparate production incentives across activities. In effective rate terms, many industries, such as the assembly of electrical equipment, cosmetics, apparel and footwear, received high assistance while other industries were afforded low and sometimes negative assistance.

129. In response to the extreme economic crisis experienced by Ghana, policies changed in 1983 with the implementation of the World Bank/IMF sponsored Economic Recovery Programme. A high priority of the programme was to restore an incentives structure, based on market mechanisms, that would remove the distortions constraining the growth of efficient industries, such as cocoa.

130. To promote a more open economy less insulated from world competitive pressures, tariffs were lowered in 1983, as well as relatively small reductions in 1986, 1988 and 1990. Following the elimination of the previous highly restrictive import licensing system in 1989, ad valorem tariffs constitute the main barrier to imports. Consumer and luxury goods are mainly restricted by the current four-tiered tariff rate structure of free, 10 and, in the case of consumer and luxury goods, respectively 20 and 25 per cent. The substantial degree of tariff escalation inherent in the rate structure has at least the potential to reduce resource-use efficiency by providing relatively high incentives for the production of consumer/luxury goods, at the expense of raw materials and capital as well as intermediate goods.

131. Tariff escalation is accentuated by additional special taxes levied mainly on imports of consumer goods, such as alcoholic beverages, tobacco products, textiles, cosmetics and edible oils. Special import taxes of 10, 20 or 40 per cent are imposed by the Government to assist infant industries; to promote structural adjustment in selective sensitive industries; or to provide domestic producers relief against allegedly "dumped" imports. The
system of imposing special import taxes appears non-transparent; the precise reasons why individual products are subject to the special import tax are not clear. Goods subject to special import taxes account for approximately one-half of manufacturing value added. Super sales taxes to discourage "frivolous" consumption of mainly "luxury" products not produced domestically also restrict imported products.

132. Minimum import prices for valuation purposes operated by the Customs, Excise and Preventive Services have at least the potential to restrict import levels and to distort import patterns. Minimum export prices are also applied to non-traditional exports by the Ghana Export Promotion Council.

133. Conditional import prohibitions are maintained largely for protective reasons against a few goods, especially stout beer and cigarettes. Some other goods are prohibited for health, safety and security reasons. Trade with the Republic of South Africa is banned in accordance with the United Nations' resolution.

134. In order to promote domestic value added in timber exports and to preserve the environment, the Government is increasingly using export restrictions and prohibitions on unprocessed timber. Exports of roundlogs, currently banned for 18 tree species, are to be entirely phased out by 1993, and of air-dried sawn timber from 1994.

135. Non-border measures such as direct financial assistance to industry and, in the case of agriculture, subsidies on fertilizers, handtools, and other inputs, have been reduced or eliminated. Efforts are being taken to improve efficiency by commercialising and privatizing many State-owned enterprises through a major divestiture programme. The past proliferation of State-owned enterprises receiving large cash injections and preferential treatment by the Government had stifled development of the private sector. Private sector growth has also benefited from the virtual dismantling of the extensive system of price controls.

136. In agriculture, domestic marketing arrangements supporting administered prices, although being wound-back, continue to operate to varying degrees for a number of products, the most important being the monopoly arrangements for cocoa, coffee and sheanuts controlled by COCOBOD, the state marketing board.

137. Current policies for agricultural development are based on less Government intervention in the production, marketing and pricing of commodities and an increased role for the Government in providing basic infrastructural facilities, like irrigation and roads, as well as expanding agricultural extension services to farmers.
(2) Measures Operating Directly on Imports

(i) Registration and documentation procedures

138. An Import Declaration Form must be submitted to Customs for statistical and import-monitoring purposes by the importer at the point of importation. The forms collect information and are not submitted for approval as such. Required particulars cover the importer's name, address, source of funding, social security and income tax file numbers, details of the shipment (such as a description of the goods, quantity and c.i.f. value), and the countries of origin and consignment.

139. Importers of specified pharmaceuticals or drugs, arms and ammunition, telecommunication machines and equipment, chemicals and explosives must attach to the Import Declaration Form copies of the relevant import permits. In the case of horticultural products and food, forms must be accompanied by phytosanitary certificates issued by the appropriate authority from the exporting country.

140. The Import Declaration Form can be applied on either a consignment or individual product basis and is valid for three months from the date of issue. A set of forms can be purchased by the importer at a nominal charge of $5,000.

141. There are no registration or licensing requirements for importers.

(ii) Tariffs and special import taxes

142. The principal Act governing trade is the Imports and Exports Act of 1980 (Act 418). This largely obsolete legislation is currently being updated to incorporate past trade liberalisation changes. Other regulations affecting customs are the Customs and Excise Decree, 1972 and the Customs Regulations of 1976, which cover, inter alia, the levying of tariffs and excise taxes; payment of duty, refunds and drawback; goods used contrary to an authorised purpose; and exemptions from customs duties.

143. The Ghanaian Customs Tariff is a multiple-column tariff administered by Customs, Excise and Preventive Service (CEPS). With the exception of a few imported goods receiving preferential tariff treatment under ECOWAS (see Chapter II and Section (ii)(f) of this Chapter), the same tariff rates are applied to imports from all sources, irrespective of whether they are GATT contracting parties or not. Although Ghanaian imports enter almost exclusively at m.f.n. rates, several schemes provide for tariff concessions and exemptions (see Section (ii)(h) of this Chapter).

144. Duty rates specified in the Customs Schedule are the ECOWAS preferential tariff rate, left blank in all but a few cases (first column), the m.f.n. rate (second column), sales tax (third column), special tax
(fourth column) and the super sales tax (fifth column). For selected passenger motor vehicles, two additional columns are added to allow for the vehicle tax and the "customs penalty" applied to imported second-hand cars (see Section (ii)(a) below).

145. Ghana fully implemented the Harmonized Commodity Description and Coding system (HS) of classifying imports and exports to replace the CCCN Nomenclature on 1 January 1990. Ghana, in principle, adopted an 8-digit classification. In practice, these coincide very closely to the 5,019 six-digit HS code descriptions, with sub-divisions at the eight-digit classification level limited to only a few agricultural commodities, such as eggs. The introduction of the HS increased the number of tariff lines in the Ghanaian Customs Tariff by almost five-fold to just over 5,200.

146. Prior to the HS conversion, the Ghanaian Customs Tariff had undergone substantial reform as part of the trade liberalization efforts of the World Bank/IMF sponsored Economic Recovery Programme adopted in April 1983 (Table IV.1). The major tariff reform, initiated in 1983, simplified and lowered the tariff structure by making most imported goods dutiable at a uniform rate of 30 per cent. The only exceptions were several basic raw materials and a few concessionary goods which were dutiable at 25 per cent and from 10-20 per cent, respectively.

147. The predominantly uniform tariff structure remained stable until the introduction in 1986 of the existing four-tiered rate structure at levels of 10, 20, 25 and 30 per cent. This established an escalating tariff with raw materials (10 or 20 per cent) receiving a much lower tariff than consumer and luxury goods (25 or 30 per cent). Further changes in 1987 maintained the escalating tariff and raised rates to a peak of 35 per cent for consumer goods. Rates were subsequently lowered below 1986 levels by across-the-board type tariff reductions in 1988. Capital and consumer goods were reduced from 25 to 15 per cent and from 35 to 20 per cent, respectively. Most other tariff rates were lowered by 5 percentage points.

148. The current tariff structure comprises four ad valorem rates. These are free; 10 per cent for mainly capital goods and raw materials; 20 per cent for mainly consumer goods; and 25 per cent for mainly luxury goods. Tariffs, including special import taxes applied to certain products, average 17 per cent on an unweighted basis (see Section ii(b) below). The only general change in tariff rates since Harmonization was the reduction of duties on capital goods and non-basic raw materials from 15 to 10 per cent in the 1990 Budget.

---

1 The only change was in 1985 when the few concessionary rates were increased from 10 or 20 per cent to 20 and 25 per cent.
149. The four tiered-rate structure applied since 1986 contains a substantial degree of escalation. Tariffs on consumer and luxury goods of currently 20 and 25 per cent, respectively, are more than double those of 10 per cent on capital goods and raw materials. Non-uniform tariffs detract from the objective of efficient resource-use as they provide differential incentives among producers. The escalating tariff structure provides high levels of effective assistance or protection for the production of luxury and consumer goods, discriminating against the manufacture of raw materials, as well as capital and intermediate goods (Chart IV.1).

150. Tariff rates for motor vehicles are structured according to engine capacity and the type of vehicle. Imported passenger motor vehicles with an engine capacity of 1600 cc and below are dutiable at 5 per cent, compared to 15 per cent for vehicles having an engine size between 1600 and 1900 cc, and 25 per cent for those exceeding 2500 cc. Imported cross-country vehicles are dutiable at 5 per cent if the engine capacity is 1600 cc or below, and 25 per cent if the engine capacity exceeds 1600 cc. Commercial vehicles, motor bikes and cycles are duty-free.

151. A range of tariff rates apply to imported petroleum products: premium petroleum oil is dutiable at 11.3 per cent, kerosene 6.96 per cent, jet fuel free, aviation turbine kerosene 15.6 per cent, gas oil 7.51 per cent, unified gasoline 16.2 per cent, industrial/marine diesel oil 7.31 per cent, inland fuel oil 6.22 per cent and residual fuel oil 6.44 per cent. In view of the central role of petroleum products in the economy, tariffs on petroleum products are set taking into account the cost of imported crude oil and the retail prices desired by the Government.

---

2 The effective rate of protection (assistance), by measuring the percentage increase in the activity's value added resulting from the protective structure, is a useful summary measure of the extent to which an activity is assisted or penalized by the assistance structure. It measures net assistance by taking into account not only output or gross assistance (measured by the nominal rate) but also any penalties (e.g. from tariffs) and benefits (e.g. from subsidies) operating on the activity's inputs (Note IV.1). Thus, an activity facing an escalating tariff with inputs and outputs dutiable at 10 and 25 per cent, respectively, has the potential to receive a very high effective rate of assistance. For example, an activity subject to these duties with an estimated value added at world prices of 50 per cent, would receive an effective rate of assistance of 40 per cent. Activities with lower free-trade value added would have higher effective rates.

3 For passenger motor vehicles with diesel engines, the range of tariffs on imports is 5 per cent for engines of 1800 cc or below, 15 per cent for between 1800 and 2200 cc, and 25 per cent for above 2200 cc.
Chart IV.1
Escalation of effective rates of protection provided by the Ghanaian tariff structure, 1991

Note: Effective rates of protection have been estimated notionally for various levels of value added without assistance. Levels of effective protection decline as the value added of the activity increases. Thus the current escalating tariff structure has the potential to generate substantial disparities in effective protection both across different product categories and between activities with unequal value added. The probable range of value added for most activities in Ghana is between 20 and 50 per cent.

Source: GATT Secretariat estimates.
Note IV.1 The concept of the effective rate of protection (assistance)

The effective rate of protection is a summary indicator of the extent to which Government intervention, through making some groups in the community better-off (e.g. certain preferred producers) by making others worse-off (e.g. consumers and efficient exporters), affects the community's production patterns. A country's trade policies, which are themselves an extension of its domestic industry policies, change production patterns by altering the structure of incentives faced by producers. Some forms of government intervention, such as tariffs and quotas on competing imports - by excluding cheaper imports - as well as production and input subsidies, raise producers returns. Others, such as tariffs on material inputs - while assisting the producer of these inputs by making competitive imports more expensive - reduce incentives by lowering producer returns and penalising final users of intermediate inputs.

By ideally taking into account both the positive and negative effects of the assistance régime on production incentives, the effective rate measures the net change in producer incentives induced by governments. Activities with relatively high effective rates have their returns artificially raised by highly restrictive trade policies - these producers are subsidized at the expense of other less assisted producers, such as exporters, and consumers. Conversely, relatively low effective rates imply that producer returns have not been greatly increased (or even reduced in cases of negative effective assistance) since trade policies have been relatively liberal - these producers have been taxed relatively to more highly assisted producers.

The effective rate therefore provides a relatively simple tool which, although abstracting from supply responses to summarize a country's assistance structure, enables some insights to be gained into the likely impact of government policies on changing production patterns and income transfers throughout the community. Industries relying on prolonged government assistance - conveniently summarized in the activity's effective rate - although often technically efficient, receive substantial income transfers and would be uneconomic if traded at world (unassisted) prices. On the other hand, low and negatively assisted activities are penalized by being forced to pay higher prices for non-traded inputs, such as land and labour, to compete with the relatively advantaged highly assisted activities. Other groups, such as consumers and taxpayers, are penalised by having to finance, either through higher prices or taxes, the monetary costs of assistance transfers.

As well as generating large income transfers between community groups, Government policies that yield large disparities in effective assistance (net producer incentives) are more likely to change production patterns from their more optimal market-determined levels, thereby reducing the country's overall productive capacity. Productive resources will be competed away from relatively lowly assisted - more efficient - activities into more highly assisted - less efficient - activities. Only by having its limited resources employed in their most productive use will a country be able to maximise its production potential. A more uniform assistance structure (often referred to as a more level playing field) will therefore improve national welfare by allowing resources to be allocated by market forces into activities where they are most productive.
(a) Special import taxes

152. Additional special import taxes of 10 per cent were introduced in 1988 to provide temporary protection for a number of selected industries, such as certain drugs (anti-malarial and analgesics), garments (including second-hand clothing), cosmetics, toiletries, non-alcoholic beverages, rubber sandals and soaps. For alcoholic beverages, including beer and wine, tobacco products and textile fabrics, higher special taxes of 40 per cent were set. The special taxes on imported textile fabrics were reduced to 10 per cent in the 1990 Budget.

153. The coverage of special import taxes has been extended in recent years to provide further protection to local industries. Special taxes of 20 per cent were applied to imports of automotive batteries, light bulbs and edible oils in 1990, and of 10 per cent to imported tomato and fish preparations in 1991. Special import taxes, although in principle reviewed by the Government annually, have not been removed for any product and, except for the recent reductions on textile fabrics, rates have remained unchanged. Currently some 530 tariff items are covered by special import taxes of either 10, 20 or 40 per cent (Chart IV.2). This represents about 10 per cent of all tariff lines. More importantly, although only a dozen or so product groups are affected, goods subject to special import taxes account for about one-half of Ghana's manufactured value added.

154. Since special import taxes apply entirely to consumer and luxury goods they accentuate tariff escalation, increasing duties on a range of imports to 35, 40 and, in the case of alcoholic beverages and tobacco products, 65 per cent. On average, imports subject to the special tax are dutiable at a special rate of 12 per cent on top of the tariff of 25 per cent. Effective rates of assistance for activities producing these goods are dramatically increased as a result.

4 Most lines subject to the special import tax relate to textiles.
Chart IV.2
Special import taxes in Ghana, 1991

Note: Sectoral definitions are those used in the GATT Tariff Study. Average rates are on an unweighted (simple) basis.

Source: GATT Secretariat estimates.

155. The additional special import taxes are used by the Government either as a means of assisting infant industries; providing temporary protection to firms adjusting to structural changes induced by trade liberalization; or for relief against possible unfair import competition from alleged "dumped" prices. Where special import taxes are applied, it is not clear which products are protected under the different policy objectives. Requests for protection against imports are evaluated by the Government using such criteria as the long-term viability of the firm or industry without protection; the degree of value added by the activity; the employment consequences of industrial rationalization; the costs to consumers of

---

5 For example, in announcing the extension of special import taxes in the 1990 Budget, it was stated that "... it has been decided to give protection to three additional commodities namely: edible oils, auto batteries and lantern globes". No information was given on the reasons why the taxes were introduced.
protection through higher prices; and damage caused by dumped imports (see Section (xv) of this Chapter).

156. While imports of new motor vehicles are not subject to the special import tax, a special customs penalty is levied on imported vehicles exceeding 5 years in age. The scale of penalties ranges from 15 per cent of the c.i.f. price for vehicles between 5 and 7 years old, to 150 per cent for saloon cars older than 10 years.\(^\text{6}\)

(b) Average tariff levels and dispersion

157. The simple or unweighted average tariff, including special import taxes where applicable, is currently 17 per cent. At the sectoral level, the unweighted average tariff rate for agriculture is 22 per cent and for manufacturing 16 per cent (Chart IV.3). These sectoral definitions correspond to those used by the GATT Tariff Study (see Chapter V).

158. Tariff reforms since 1983 have lowered average tariff levels in Ghana. However, since then, the tariff structure has become more disparate, especially if special import taxes are taken into account. Of the total 5,212 tariff lines, 31 per cent bear rates of 25 per cent; 13 per cent are dutiable at 20 per cent; and about half have duties of 10 per cent. About 5 per cent of all tariff items are duty free (Chart IV.4). Greater dispersion in effective rates of assistance through a less uniform tariff structure is likely to contribute to a less efficient allocation of resources (Note IV.1).

---

\(^{6}\)For commercial vehicles older than 10 years, the rate of customs penalty is 100 per cent of the c.i.f. value.

\(^{7}\)Simple average tariff rates are reported because of the conceptual difficulties of calculating weighted averages. Import-weighted averages are misleading, being biased downwards because the weight, i.e. the import value, reflects the restrictive effect of the tariff. The weight therefore tends to decline with increasing tariff levels. For example, a prohibitive tariff would have a zero weight and not be reflected in the average tariff level. Averages using domestic production as weights are biased upwards because protection induces a greater output of the assisted product. Ideally, production patterns excluding the effects of assistance would be the correct weights to use, but these are difficult to estimate in practice.
Evaluating the impact that tariff reforms since 1983 may have had on resource allocation is difficult. This is because it is not altogether clear whether the efficiency gains from having a tariff structure with, on average, lower tariff levels have not been negated by the efficiency losses associated with having a more disparate spread of tariff, and hence effective, rates.
Chart IV.4
Tariff ranges in Ghana, 1991

<table>
<thead>
<tr>
<th>Per cent of tariff lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>30</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>10</td>
</tr>
</tbody>
</table>

Note: Sectoral definitions are those used in the GATT Tariff Study.

Source: GATT Secretariat estimates.

(c) Form of tariffs

160. All tariff rates in Ghana are ad valorem. Most remaining specific tariff rates were removed in 1988. Those few specific tariff rates left on alcoholic beverages and tobacco products were replaced with ad valorem rates of 25 per cent when converting to the HS.

161. Sole reliance on ad valorem tariffs has reduced the distortionary impact of tariffs on the economy. Unlike specific rates, ad valorem rates provide uniform rates across similar goods and set maximum levels on the assistance provided domestic industries. Assistance provided by ad valorem

8 Specific tariff rates distort production patterns and trade flows more than ad valorem rates. They provide disparate levels of assistance for similar goods, restricting more heavily imports of cheaper lines. By changing the relative prices of substitute goods in favour of the more expensive product, consumption goods are distorted away from the lower-priced product towards the dearer alternative. Domestic manufactures are encouraged to produce less expensive product lines where the level of protection against imports is greatest.
tariffs can only be increased by raising the tariff rate, while for specific rates, no ceiling is set and the rate of assistance varies inversely with changes in import prices. Levels of assistance are at their highest for specific rates when the domestic industry is least competitive internationally.  

(d) Tariff reclassifications

162. Major reclassifications were made as part of the change-over to the HS in 1990. These included mainly the disaggregation of 4-digit CCCN categories into 8-digit (corresponding mainly to 6-digit) HS classifications. At the same time, a few tariff rates were lowered to 10 per cent.

163. Ongoing tariff reclassifications do not frequently occur in Ghana. There have been few, if any, tariff reclassifications under the HS.

(e) Tariff bindings

164. None of Ghana's tariff rates are bound. No tariff obligations were necessary as Ghana acceded to the GATT on British sponsorship through a declaration under Article XXVI:5(c) of the General Agreement.

165. The Government has not offered to bind any tariffs as part of the Uruguay Round.

(f) Regional and bilateral trade

166. Ghana is a member of the 16-nation Economic Community of West African States (ECOWAS). ECOWAS aims at facilitating regional trade and integration by establishing a customs union to allow for the free movement of industrial and agricultural goods, persons, services and capital among member states. Under the trade liberalization programme of 1979, all tariffs on intra-ECOWAS trade were to have been phased-out by member states and a common customs tariff adopted by 1989. Non-tariff barriers, including

---

9 Specific rates can progressively cushion the domestic industry against less expensive imports by restricting imports more heavily when import prices decline. Domestic producers can therefore benefit from an added insurance element against the prospect of a sharp slump in world prices.

10 The ECOWAS Treaty was ratified in 1975 by the Governments of Ghana, Ivory Coast, Nigeria, Senegal, Benin, Guinea, Liberia, Sierra Leone, Togo, Guinea Bissau, Gambia, Upper Volta and Mali. Cape Verde became a member in 1978 following its independence from Portugal.

11 Ghana, classified as a "Group-3" country under the Agreement along with Ivory Coast (Côte d'Ivoire), Nigeria and Senegal, was to have reduced tariffs on imports from members on a straight-line basis over four years for priority industrial products, and six years for non-priority industrial products.
appropriate steps to harmonize and standardize customs procedures and regulations, were to be eliminated by May 1985.

167. Major delays and postponements in the implementation of the trade liberalization programme have, however, led to the scheme running drastically behind schedule. The Treaty provision of most-favoured-treatment between ECOWAS members was suspended in the early 1980s, and the Tribunal to be created under the Treaty for settling disputes not resolvable by agreement between member states has yet to be established.

168. A revitalised free-trade programme, the ECOWAS Trade Liberalization Scheme, covering 25 approved industrial goods produced by 20 agreed enterprises, was inaugurated on 1 January 1990 (Table IV.2). Imported products into Ghana eligible for preferential tariffs include paint from two designated Nigerian firms, as well as tomato purée, exhaust pipes and certain cotton fabric produced by three Senegal firms. The other firms whose goods are eligible for the scheme are Ghanaian. To be eligible for the reduced rates, firms producing the goods must be granted ECOWAS Community status.

169. The current 20 per cent margin of tariff preference applied on eligible imports by Ghana under ECOWAS is to be uniformly extended to 100 per cent over five years. It is intended to extend the list of approved goods to 42 by the end of 1991.

170. To be eligible for the reduced tariff rates, imports must be accompanied by a certificate of origin indicating that they emanate from ECOWAS members. To constitute ECOWAS origin, goods must either contain Community materials which represent at least 40 per cent of the total cost, or 60 per cent in quantity terms, of materials used in the production process; or have value added by the ECOWAS enterprise of at least 35 per cent of the products' f.o.b. price. The ECOWAS rules of origin do not differentiate between eligible products and member states.

171. Bilateral trade agreements exist between Ghana and a number of countries (see Chapter II). However, these in general do not provide for preferential market access to participating countries and contain no special dispute-settlement procedures. Many of these bilateral agreements, especially those with former centrally-planned economies, cover countertrade sales (see Section (x) below).

---

12 Tariffs are to be eliminated firstly on industrial goods produced by firms granted ECOWAS Community status. According to the Treaty, this requires firms to have at least 51 per cent of their equity owned by nationals of Member States from 1990, compared with a minimum of 35 per cent between the period 1983-89.
(g) Global system of trade preferences

172. Ghana grants a preferential tariff of 17.5 per cent on imports of herbicides from countries participating in the Global System of Trade Preferences (GSTP). This preference was negotiated with Brazil which in return accorded preferential access to salt imports from all participating countries.

173. Ghana is not a signatory to the Protocol Relating to Trade Negotiations among Developing Countries of the GATT.

(h) Tariff concessions and exemptions

174. A substantial share of Ghanaian imports of capital goods and raw materials enter at highly concessional, usually zero, rates. This is a major explanation why the average tariff rate derived from expressing duty collections as a percentage of the total value of imports is as low as 5 per cent. The widespread occurrence of concessions and exemptions from statutory tariff rates (including the special import tax) raises the discretionary element involved in Customs administration and erodes the transparency of the tariff system. They create unintended variations in effective assistance across producers which are difficult to measure.

175. The major concessional tariff schemes in Ghana are the investment incentives administered by the Ghana Investments Centre under the Investment Code of 1985, and the duty drawback scheme for exports operated by Customs, Excise and Preventive Services. Applying often to raw materials and capital goods, these concessional schemes increase tariff escalation, and provide higher effective assistance to producers of consumer and luxury goods.

176. As an investment incentive, the Government provides exemptions from import duties on plant, machinery, equipment and accessories imported exclusively to establish enterprises engaged in priority areas of investment approved by the Ghana Investments Centre. Activities specified by the Code as priority investment areas cover broadly agriculture, manufacturing, construction building and tourism. Certain service industries are also eligible for the special investment incentives.

177. These concessions were extended for two years until 1 January 1992 to cover imports of capital goods by enterprises existing as at 1 January 1988 in non-priority investment areas seeking to expand or rehabilitate their operations by reinvesting at least US$100,000. Duties on imports of spare parts used by the enterprise are exempt up to the value of the approved plant and machinery.

178. Firms manufacturing for export have been entitled to drawback of customs duties paid on imported plant and machinery since 1976. To be
eligible, goods must be exported within one year from the date of importation, and claims submitted within one year of the date of exportation. The maximum rate of drawback was increased from 95 to 100 per cent of the duties in 1990. Administrative procedures, which currently take about 6 months for processing applications and making payments, are being further streamlined. Until now, only a few firms have used the scheme.

179. Operating alongside the duty drawback scheme is a duty exemption system which provides approved major exporters with full exemption from paying tariffs on imported materials intended for export production. Bonded warehousing facilities are also available to licensed manufacturers for holding imported raw materials intended for manufacturing exports without paying duty.

180. The Ghanaian Customs Schedule contains several end-use provisions authorizing concessional, often free, duty rates on materials imported by manufacturers for use in specified products. These include duty-free importation of base metal materials imported for use in agricultural machinery and implements; steel wire for making hexagonal wire netting (chicken wire); materials for manufacturing fishing nets and floats; chemicals used in disinfectants, fungicides, weedkillers and mosquito coils; and materials for manufacturing or processing of natural products such as timber.

181. End-use provisions allow manufacturers of tobacco products to import unmanufactured tobacco at a concessional tariff rate of 10 per cent, instead of 25 per cent. Raw materials used in the manufacture of pharmaceuticals, as well as veterinary drugs, can be imported free, rather than 10 per cent. Materials used in the production of plastic pipes and tubings for water supply, sewerage or agricultural purposes are dutiable at 10 per cent. Plastic granules imported by the Ghana Cocoa Board (COCOBOD) for making plastic bags for agriculture are duty free.

182. Exemptions from customs duties apply to imports of plant, machinery, spare parts and raw materials by the Volta Aluminium Company Limited for use at the Tema Smelter or any of its mines. Plant and machinery for power stations imported by the Volta River Authority are also exempt. These are in accordance with the powers of the Commissioner to grant duty exemptions to statutory corporations and approved investment projects.

---

13 Only 8 firms, with a total of 18 duty drawbacks, benefited from the scheme between 1 January 1983 and May 1989.
(i) Customs valuation and clearances

183. Tariffs in Ghana are levied on the normal c.i.f. price of the imported product according to the Brussels Definition of Value (BDV) i.e. the price the goods would fetch if sold in an open market at arms length between buyer and seller. This is usually the transaction price, except where non-commercial factors are thought to have influenced the price. Regulations on customs valuation are prescribed by the Customs and Excise Decree of 1972 and the Customs Regulations of 1976. Ghana is currently considering the adoption of the GATT Code on Customs Valuation.

184. An exception to the general rule of BDV application is the customs valuation of imported second-hand vehicles, including motor cycles, side cars and other similar vehicles. The customs value for vehicles over 6 months old is determined according to a set depreciation scale, ranging from 85 per cent of the purchase price for a vehicle between 6 and 18 months of age, to 40 per cent for those vehicles exceeding 5 years old. The exchange rate at the date of importation is used to determine the local currency equivalent of the purchase price.

185. Goods re-imported into Ghana are exempt from duty unless subjected to overseas repair or processing, in which case duty is levied only on the value added by the overseas activity. This is normally taken to be the price paid by the importer to the overseas processor.

186. For a long time, Ghana had no autonomous appeals mechanism for resolving Customs disputes. Disagreements over customs matters were handled within the Government, usually by Customs in consultation with the Ministry of Finance and Economic Planning and the Ministry of Trade and Tourism. Decisions made were final and not subject to appeal.

---

14 The Brussels definition of value, which is based on a notional concept and defines normal price rather loosely, provides customs officials more leeway than the GATT Code in determining the import price for valuation purposes. Under the GATT Code, the primary method of customs valuation is the import's transaction value. If this method cannot be used due to a number of specified conditions not being met (such as the price being influenced by non-arms length factors), the Code lays down five other valuation methods which are to be applied in a hierarchical order. These are, in order, the transaction value of identical goods; the transaction value of similar goods; the deductive method; the computed-value method; and the fall-back method. The application of minimum customs values, except for special transitional arrangements available to developing countries, are not permitted under the GATT Customs Code.
187. Legislation was passed in 1988 establishing an independent tax tribunal for hearing appeals against Customs decisions and tax-related complaints. Called the National Tax Tribunal, its jurisdiction extends to handling disputes concerning the assessment or collection of any tax or duty, as well as trying all offences arising from contraventions to laws imposing taxes or duties, such as the Customs and Excise Decree, 1972 (Section 6 of the Act). Decisions by the Tax Tribunal are appealable within 30 days on matters of law only to the National Public Tribunal.

188. All import shipments, irrespective of source and value, are inspected by Customs to verify that duty self-assessed by the importer or his agent is valid and that the goods have been correctly represented. Ghana has adopted from UNCTAD the ASYCUDA system for clearing and recording imports (and exports). The system is fully operational at Tema, Ghana's major port, and Kokoda International Airport in Accra. The system is currently being extended to other ports in Ghana, including Takoradi (the major export port).

189. Despite substantial recent improvements, clearance of merchandise through Customs may still lead to substantial delays in some instances. All imported goods must be inspected by Customs and pre-notification procedures before shipment to speed-up clearance times appear poorly developed. While goods are cleared on average in 1-3 days, substantial delays of one week and longer are not uncommon. These delays are often associated with disagreements over an acceptable valuation for Customs purposes.

190. Prior to importation and inspection by Customs, goods with an f.o.b. value exceeding US$5,000 or its equivalent, except for second-hand vehicles and ammunition, must also be inspected by Société Généralé de Surveillance (SGS). Pre-shipment inspection is prescribed under the Imports and Exports Act 1980. SGS was appointed by contract as the pre-shipment inspection agency for the Bank of Ghana. There are proposals to make the Ministry of Trade and Tourism responsible for the supervision and administration of the pre-shipment inspection arrangements and to open pre-shipment inspection services to competitive practices.

---

15 National Tax Tribunal Law, 16 September 1988.

16 ASYCUDA, which is an acronym for Automatic System for Customs Data, is a computerized customs management system that covers most foreign trade procedures, including the production of trade statistics. Devised by UNCTAD, the system has been adopted by a number of developing countries through executed technical assistance projects which provide the software free of charge. Countries are required to meet the costs of computer hardware as well as financing international and national experts required to implement the system and train local personnel.
191. Compulsory pre-shipment inspections by SGS cover quality, quantity and price verification of the imported goods. The inspection occurs either at the seller's factory or warehouse, or at the port of shipment, depending upon the nature of the imports. After a satisfactory inspection, SGS issues the exporter with a Clean Report of Findings.

192. The c.i.f. price used for customs valuation purposes is the prevailing export price assessed by SGS. It is either the actual invoice price or, where judged to be higher, the prevailing market price determined by the inspection. A preliminary assessment of the normal export price conveyed to the exporter is later verified after inspection when SGS has received all final documents from the seller, including the settlement invoice.

193. Traders firstly appeal to SGS if the customs value determined by them is thought to be incorrect. Subsequent disputes are handled by SGS's principal, the Bank of Ghana. There is no formal Appeals Committee for resolving complaints from traders. Such complaints will in future be settled by the National Tax Tribunal established to handle customs disputes.

(iii) Tariff quotas

194. Ghana does not impose tariff quotas on imports.

(iv) Levies and other charges

195. Ghana applies a single-stage sales tax at the manufacturer's level on a wide range of products. The rates, reduced in the 1991 Budget, currently stand at 7.5 per cent for those products subject to the concessional rate; a standard rate of 17.5 per cent; and a rate on luxury goods of 35 per cent. Goods exempt from the sales tax include food; plant and machinery used in agriculture, manufacturing and mining; petroleum products; and exported goods.

196. Following a review of indirect taxes in 1987, discrimination in the imposition of sales taxes between imported and domestic products has been removed. Commencing in the 1988 Budget, sales taxes, which had formerly discriminated against imports by either exempting or being applied at lower rates to domestically-produced goods, are now levied uniformly across domestic and imported products. Furthermore, improved collection procedures

---

17 The prevailing export price is determined by SGS using a range of sources including the prices of comparable shipments to Ghana and other markets; local market information; published price lists; and commodity market reports and publications. It is adjusted to take into account special conditions attached to the delivery, such as the volume of order or seasonal influences.
appear to have resolved the previous under-collection of sales taxes on many domestically-produced goods, which in practice further discriminated against imports. On the other hand, the past practice of applying taxes on the duty-exclusive import price, which in effect taxed domestic products at a higher rate than imports, has been removed by taxing imports on their duty-inclusive price.

197. Super sales taxes were introduced in the 1990 Budget to restrict "frivolous" consumption of a broad range of luxury goods. The rates, together with their coverage, were reduced in the 1991 Budget from a range of 75 - 500 per cent, to rates of 10, 20, 30, 40 and 100 per cent. For imports, in contrast to the imposition of the general sales tax, the tax is levied on the c.i.f. value. Although the imposition of the tax does not discriminate between imported and domestically-produced goods, the fact that most goods subject to the tax are not produced domestically, means that the tax in practice falls almost exclusively on imports.

198. Passenger and 4-wheel drive non-commercial motor vehicles having an engine capacity above 1600 cc (or 1800 cc in the case of diesel engines) are also subject to a special purchase tax of 10 per cent. A zero rate applies to all other vehicles, including commercial cars, components and spare parts, motor cycles and bicycles. Sales and super sales taxes on motor vehicles increase in line with engine capacity in order to discourage consumption of larger cars.

199. Ad valorem excise duties are levied on the production of alcoholic and non-alcoholic beverages, tobacco and petroleum products. The current rates and the products affected are: tobacco (170.5 per cent of the wholesale selling price); beer (75.5 per cent) and stout (60.5 per cent); spirits (25 per cent); and non-alcoholic beverages (50 per cent). Specific excise taxes, ranging from ₺ 42.52 to ₺ 64.55 per litre, apply to petroleum products like petrol, gas oil, residual fuel oil and kerosene.

---

18 Those products subject to the tax cover a wide range of fresh fruits like bananas, citrus, grapes, apples, pears, peaches, apricots and berries (100 per cent); nuts (100 per cent); dairy products of cheese and butter (20 per cent); vegetables including onions, mushrooms and potatoes (20 per cent); fruit juices (100 per cent); food preparations like soups and sauces (20 per cent); alcoholic drinks such as wine and spirits (40 per cent); tobacco products like cigars (40 per cent); raw and dressed furskins (40 per cent); fabrics (20 per cent); floor coverings such as carpets (20 per cent); woollen clothing and garments (20 per cent); pearls, precious stones and jewellery (20 per cent); cameras, sound and video equipment (40 per cent); and passenger motor cars (10, 30 or 100 per cent depending on engine capacity).

19 Since luxury goods would attract the same rates of tax if produced in Ghana, the super sales tax does not distort resource allocation by encouraging domestic production.
(v) **Import prohibitions**

200. Only four commodities remain prohibited under the Imports and Exports (Special Licence) Regulations 1985. These are cigarettes; stout; asbestos roofing sheets; and fibre cement pipes. These conditional prohibitions are maintained to support domestic infant industries, and imports will only be allowed to meet shortfalls in domestic production.

201. Apart from these, Ghana maintains absolute and conditional prohibitions on a number of goods for health, safety and morality reasons. Absolute prohibitions cover diseased animals and carcasses; contaminated food; scandalous literature; obscene articles; dangerous weapons; and illegal goods. Rough or uncut diamonds are conditionally prohibited and may only be imported under licence from the Secretary of Finance and Economic Planning.

202. Imports from South Africa are banned.

203. The importation of arms and ammunition by post and machines for reloading of shot cartridges is prohibited by the Arms and Ammunition Regulations, 1962.

204. The Pharmacy Board has banned the use of a number of drugs for alleged adverse side effects. These include Butazolidin, Tanderil, Amidopyrine derivatives like novalgin and analgin, Zomar and Oxyquinoline derivatives. Other drugs such as Camoquine and mercury-based drugs are either withdrawn from use or, as in the case of Periactin and Tetracycline Syrup, are restricted imports which can only be imported under permit issued by the Ministry of Health.

(vi) **Minimum import prices**

205. Customs, Excise and Preventive Services administers minimum customs values as a means of preventing under-invoicing. These values are maintained and updated by the Commissioner in a Valuation List of Commodities. Minimum values, specified for over 2,200 products represent the lowest prices accepted by Customs unless special reasons exist for their non-application. In some cases, a good deal of discretion is exercised by Customs officers such as, for example, adjusting compiled values to take account of second-hand goods.

---

20. This is in sharp contrast to the period 1972 to 1982 when import prohibitions were used as a means of controlling balance-of-payments deficits and protecting domestic producers to encourage industrialisation.
206. Minimum values maintained by Customs are applied particularly rigidly for shipments below US$5,000 f.o.b. which are not subject to compulsory pre-shipment inspection by SGS. The basis of these minimum prices appears subjective for a number of products. Furthermore, prices do not generally distinguish between various countries of supply and often the one reference price is stipulated for the same product over a wide range of different sizes and specifications. For example, one price is set for imported colour televisions. Price information is obtained by Customs from a variety of sources, including SGS. The precise details on how Customs establishes and maintains its minimum prices were not available.

207. For goods covered by SGS pre-shipment inspections (i.e. shipments valued over US$5,000 f.o.b.), Customs will normally accept the import price stipulated by SGS in the "Clean Report of Findings" once they have checked that the merchandise has not been tampered with following inspection by SGS. However, there have been several cases where Customs have queried the prices approved by SGS.

(vii) **Import licensing**

208. During the 1970s, a comprehensive system of import licensing developed to protect both the balance of payments and domestic industries. Under the system, nearly all imports were licensed to one of three licence categories. Goods classified to the open general licence could be imported free by registered importers; those under specific licence required authorisation prior to importation; and goods on the list of special licence were importable only by importers having access to their own foreign exchange. The level and composition of imports were determined annually by the Government and the import licences and foreign exchange allocated according to this import programme.

209. Since January 1989 when Ghana terminated this comprehensive and complex import licensing system, import licences have been restricted to special regulations on the importation of arms and ammunition, pharmaceuticals, mercury and movies where licences are issued automatically.

---

21 There was no auctioning of import licences and licences allocated to importers were non-transferable.

22 The easing of import licensing occurred in stages. Following the stepwise widening of access to the auction for foreign exchange to include consumer goods, import restrictions that resulted from limited availability of foreign exchange were gradually relaxed during the 1987-89 period. By early February 1988, the import licensing system had been made virtually redundant by the inclusion of almost all consumer goods into the auction exchange system.
210. Importation of arms and ammunition, including explosives, into Ghana requires an import permit issued in writing by the Commissioner of Police. According to the Arms and Ammunition Decree of 1972, the Commissioner may impose whatever restrictions and conditions deemed necessary on the issuance of import permits.

211. All pharmaceuticals imported into Ghana must be registered with the Pharmacy Board in accordance with the Pharmacy and Drugs Act, 1961. Applications must be made in the prescribed manner and accompanied by the stipulated fee to the Board who, if satisfied that the proposed drug is beneficial, will direct that the drug be registered.

212. Dangerous drugs may only be imported by a medical practitioner or other person authorised to import the drug by a licence issued by the Minister of Health. The licence will be granted where the Minister, on receiving the prescribed form and fee, is satisfied that the person is an eligible person (Pharmacy and Drugs Act, 1961). Authorized drugs must be imported in a prescribed container bearing the necessary particulars, and these must be conveyed to the Pharmacy Board within 14 days from the date of being imported.

213. Imports of mercury must be licensed by the Secretary of Trade who may specify any conditions deemed necessary. These arrangements, contained in the Mercury Law of 1989, are imposed for health, safety and security reasons.

(viii) Import quotas

214. No import quotas are imposed in Ghana following the termination of the import licensing system in 1989.

(ix) State trading

215. The three major official state-trading enterprises are the Ghana National Trading Corporation, the Ghana National Procurement Agency and the Ghana Food Distribution Corporation. These bodies conduct their operations in direct competition with private companies. In addition to these, there are a large number of State-owned enterprises. Although the Government's divestiture and privatization programme is designed to reduce the size of this sector, the rôle played in Ghana by State-owned enterprises remains considerable.

216. The Ghana National Trading Corporation was established in 1961. Under the Ghana National Trading Corporation Investment Act, the Corporation is empowered to organise and handle imports (and exports) of all goods as determined by the Government. The Corporation operates fully on a commercial basis and receives no trading privileges from the Government. General
pricing policies are determined in consultation with the State Enterprise Commission and the Minister of Trade and Tourism.

217. The Ghana National Procurement Agency was set up by decree in 1976. Its objective is to engage in bulk purchases, both domestically and internationally, of consumer commodities designated as essential by the Secretary of Trade and Tourism, and to allocate and distribute them to internal users. Designated commodities handled by the Agency include mainly sugar, rice, wheat, maize, edible oil, baby foods, tyres and tubes, fertilizer, cement clinker, paper and newsprint, meat, fish and oil meals. The Agency operates in competition with private operators and has no monopoly rights.

218. The Agency is required to conduct its affairs along sound commercial lines to earn a reasonable rate of return on funds employed. Purchases are to be made "on the best terms obtainable as respect to price, quality and time of delivery and to advance industries within Ghana by making appropriate purchases within Ghana". Where the lowest tender is not awarded the contract, the reasons and particulars must be conveyed to the Ministry of Trade and Tourism. Imports by the Agency amount to around US$55 million annually.

219. Purchases are normally conducted by inviting tenders from a list of registered suppliers maintained by the Agency. To become an approved supplier, domestic and overseas firms must register with the Agency by supplying a satisfactory status report covering financial, commercial and managerial aspects of the company. A non-refundable application fee of US$300 is charged for each product to be registered. Registration is valid for three years, and suppliers rejected by the Agency are free to re-apply at any time.

220. In emergency situations or small orders, limited or restrictive tenders may be invited from selected registered suppliers. The Agency may, with the Government's approval, arrange long term agreements to purchase commodities with foreign governments, and negotiate supply arrangements under Trade Pact Agreements maintained by Ghana for the exchange of goods.

221. The Agency is empowered to raise loans and other credit facilities from approved banks and other financial institutions using Government guarantee.

222. The Ghana Food Distribution Corporation was established in 1971 to purchase, store, preserve, sell and distribute foodstuffs, such as meat, fish and their preparations. The Corporation conducts its affairs according to "sound commercial practices".

223. The proliferation in Ghana of State-owned enterprises involved in production can be traced back to the 1960s when state participation in
manufacturing was seen as an essential means of industrializing the country. The Ghana Industrial Holding Company (GIHOC) was formed to embrace a large number of statutory corporations. Through its sole ownership of GIHOC and joint ventures between GIHOC and other companies, the Government has been heavily involved in a wide range of manufacturing activities, including boatyards, bricks and tiles, canneries, distilleries, electronics, fibre bags, paper conversion, glass making, paints, metal sheet works and soft drinks.\textsuperscript{23}

224. Many State-owned enterprises have in the past received Government funding to offset trading losses. Government support has included assistance on capitalisation, restructuring, rehabilitation and expansion programmes. Many State-owned companies have been unable to repay Government loans or service Government-guaranteed foreign loans. At December 1989, State-owned enterprises owed the Government $2.9 billion. Budgetary transfers to State-owned enterprises, mainly to six corporations, have declined as a proportion of GDP from 0.8 per cent in 1987 to 0.6 per cent in 1990.\textsuperscript{24}

225. As part of the Economic Recovery Programme, the Government embarked on a major divestiture programme designed to privatize State-owned enterprises. The Divestiture Implementation Committee, formed in 1985 to oversee the privatization programme, approved a list of about 40 enterprises for divestment in late 1990.\textsuperscript{25} Private bids may also be made for any of the other more than 200 State enterprises, except for a "strategic group" of 22 core enterprises, comprising mainly monopolized public utilities, which are not at this stage up for sale.\textsuperscript{26} All State-owned enterprises disposed of so far have operated in direct competition with private suppliers.

226. Progress to date in divestiture has been slow. A number of State enterprises, some 23 as of February 1991, had been liquidated and a further 15 sold to the private sector. So far, sales have raised around $2 billion.

\textsuperscript{23}In addition, the Government is a major shareholder with foreign investors in certain manufacturing companies, such as Lever Brothers (soaps and detergents), Ghana Cement Works (cement), Ghana Sanyo Electrical Manufacturing Company (televisions, radios and electrical appliances) and Ghana Aluminium Products Limited (aluminium products).

\textsuperscript{24}The six State-owned enterprises are Ghana Consolidated Diamonds, the State Fishing Corporation, Posts and Telecommunications, State Shipping Company, The Ghana Railway Corporation and the Ghana Water and Sewerage Corporation.

\textsuperscript{25}The Divestiture Implementation Committee is responsible for handling the sale of enterprises recommended for divestiture by the State Enterprise Commission.

\textsuperscript{26}The core enterprises not for divestiture include the Electricity Corporation, Ghana Water and Sewerage Corporation, Volta River Authority, Architectural and Engineering Services Corporation, State Transport Corporation, City Express Services, Posts and Telecommunications Corporation, State Shipping, Ghana Railways Corporation, Ghana Ports and Harbours Authority, Omnibus Services Authority, State Goldmining Corporation, Ghana Oil Company and the Ghana Cocoa Board.
The Government intends to accelerate the divestiture programme, including some large enterprises in the gold and diamond mining sectors, by either outright sale, public or employee share issues, leasing, management contracts and liquidations. The moratorium on creating new state enterprises is to be maintained.

227. As well as the divestiture programme, the Government has attempted to commercialize State enterprises to improve efficiency and financial accountability. This has involved the setting with the Government of corporate plans and performance agreements specifying quantitative targets. These are used quarterly by the State Enterprise Commission to monitor and assess performance. Performance agreements with the 13 remaining priority state enterprises were signed in April 1991.

(x) Countertrade

228. Ghana's involvement in barter-trade arrangements go back to the 1960s when trade relations were established with centrally-planned economies of eastern Europe and Asia. Countertrade proposals are considered by the Ministry of Trade and Tourism.

229. In 1983, the Government introduced a policy of reserving 10 per cent of the annual cocoa bean crop for export by barter. In 1986, Ghana announced that seven non-traditional exports, namely knocked-down furniture, salt, pineapples, copra, fish products (especially tuna), liquified petroleum gas (LPG) and aluminium, would be exported under a new countertrade scheme designed to extend Ghana's export base and to compensate for unfavourable terms of trade effects on its traditional exports. In return, the Government prefers countertrading partners to finance project work in Ghana rather than supplying imports of consumer goods, such as the current construction by China of the National Arts Centre in Accra.


231. Bilateral countertrade deals have been completed with a number of countries, including the exchange of Ghanaian cocoa, timber and diamonds for imports of capital and manufactured articles with Yugoslavia, Egypt, East Germany, Bulgaria, Algeria, Cuba and the USSR. Some agreements, such as those with East Germany and Yugoslavia have recently been terminated, and efforts are being directed at removing the countertrade arrangements from agreements with those centrally-planned economies undergoing major reforms.
Under the existing arrangements with Cuba, Ghana exports lumber in return for imports of Cuban sugar.\footnote{The lumber exports to Cuba cover four types of lesser-known timber species that are not yet covered by the export bans.}

(xi) Standards and other technical requirements

232. Technical standards and regulations in Ghana have been set since 1973 for imports (and exports) by the Ghana Standards Board, which is a member of the International Organization for Standardization (ISO) and the Codex Alimentarius Commission. These are determined using a technical committee appointed by the Board to arrive at a consensus based on guidelines provided by the ISO. Other international standards, such as those of the Codex Alimentarius Commission, are taken into account to ensure conformity where possible. There have been no instances where international standards have been found to be inappropriate.

233. Based on advice from a Technical Committee, the Board issues new technical standards, or amends or revokes existing ones. The Ministry of Health and the Ministry of Agriculture are also involved in the setting and testing of standards. Specifications of new standards are published by the Ghana Standards Board in the Government Gazette. The Board is empowered with the authority to recommend to the Ministry of Trade and Tourism that imported goods not duly certified as complying with the Board’s standards be prohibited. Standards and technical regulations do not discriminate between imported and domestically-produced goods.

234. Technical standards in Ghana normally incorporate regulations on the marking, labelling and packaging of goods. Recent legislation requires that labels, in English, display the product's name; batch or code number; dates of manufacture and expiry; ingredients; net weight; directions for use; and details of the manufacture, including country of origin. All marks or labels must be in print other than rubber stamps and handwriting.

235. The testing requirements in force mainly cover the levels of radioactivity in milk and meat products; the wholesome quality of food and drugs; as well as standard quality testing for imports. Quality tests are concerned with ensuring that the characteristics and performance of the products are to sufficient standard, and that the goods are correctly labelled. The costs of any prescribed testing conducted locally are recouped by the Government through the imposition of fees. Recognised testing procedures and results conducted in the exporting country are usually accepted in Ghana. Responsibility for ensuring that overseas tests satisfy
the prescribed domestic standards rests with Société Généralé de Surveillance (SGS). To do this, SGS uses test certificates issued from the country of export.

236. Imports of live animals and animal products such as meat require a permit issued by the Ministry of Agriculture. This requires sanitary certificates from the Veterinary Department of the country of origin certifying that the animals are free from disease. In the case of meat and meat by-products, the animals must have been slaughtered in an approved abattoir, be free from radioactive contaminants, contain specified minimum levels of fat, and be passed in the exporting country as suitable for human consumption.

237. Importation of any plants (including cassava), plant products, plant disease or pest, soil, manure, grass and other packing materials or any other material liable to harbour dangerous diseases or pests of plant requires a permit to be issued by the Minister of Agriculture. A general phytosanitary certificate needs to accompany imports of plant and plant parts from all countries. The Minister is empowered to prescribe in the permit any conditions for importation, including restrictions on use.

238. Ghana maintains quarantine restrictions on imports of animals and plants. Under the Plant Importation Regulations (1965) that are currently being reviewed, imports of plants from specified countries have in the past been prohibited for disease reasons. Examples are maize from the United States; shallots from Togo; and potatoes from the United States and Scotland. Imports of tobacco seeds and cocoa, except for use in scientific research, are prohibited from all sources.

239. Live animals imported into Ghana are subject to quarantine regulations. Quarantine stations are maintained for this purpose by the Ministry of Agriculture. To be admitted into quarantine, cattle must first be examined to ensure that they are free from contagious diseases.

240. Special regulations administered by the Environmental Protection Council cover the importation of hazardous chemicals. Guidelines on the safe use and importation of agrochemicals are contained in the new Agrochemical Control Law which is expected to conform to the regulatory procedures developed by the Food and Agricultural Organisation (FAO).

28 These prohibitions are no longer operative and imports of these products from the designated countries are now permitted.
241. Government procurement in Ghana is by law the sole responsibility of the Ghana Supply Commission. However, the Commission does have legislative discretion to exempt specified organizations from this requirement, and to accept orders procuring supplies and stores from District Assemblies and educational institutions. Goods procured by the Commission include all forms of heavy and light equipment, such as electrical and mechanical engineering equipment, office supplies and furniture. Following the 1991 Budget, procurement of pharmaceuticals and other medical supplies for hospitals has been rationalized and is now the sole responsibility of the Commission. Prior to this, procurement of these goods was shared with the individual hospitals and the Ministry of Health.

242. The Government has taken steps to introduce greater discipline into public procurement and so avoid the haphazard procurement practices of ministries, departments and establishments. By passing the Ghana Supply Commission Law, 1990, it was hoped to improve the effectiveness of government procurement.

243. The Commission operates by procuring goods using public funds and selling them to organizations at a price which covers the Commission's expenses, including its overhead and interest costs. The fee charged by the Commission is 4 per cent of the purchase price for imports and 1.5 per cent for goods sourced domestically. The reduced fee on locally-made goods is intended to reflect the lower costs incurred by the Commission on domestic procurement. There is no margin of preference for local suppliers, but the Government is currently considering introducing a margin of 10-15 per cent on Government procurement contracts.

244. In procuring goods, the Commission must use its "best endeavours to make the purchase on the best terms obtainable in respect of price, quality and time of delivery and to advance local industry by making appropriate purchases within the country." Purchases exceeding US$99,000 must be let by open tender and, where other than the lowest bidder is accepted, particulars submitted to the Ministry of Finance and Economic Planning. Competitive tenders are advertised in national papers and circulated globally through the embassies represented in Ghana. There are no registration requirements for suppliers to lodge bids at open tenders. Only foreign firms having appointed local agents will be considered in the tendering of goods requiring after-sales service.

29 The operations of the Ghana National Procurement Agency in purchasing consumer commodities, such as food items, designated as essential by the Secretary of Trade and Tourism, are discussed in Section (ix) on State-trading enterprises.
245. Selective tenders may be used by the Commission on small contracts of below US$99,000. To be eligible for selective tenders, both domestic and international suppliers must be registered with the Commission to ensure their ability to discharge contractual obligations. Furthermore, the Commission may place direct orders with suppliers for products not exceeding US$10,000, in which case a certificate justifying direct purchase must be issued. Direct orders are usually limited to small urgent purchases where tendering would be contrary to the public interest.

246. In 1990, Government procurement by the Commission amounted to C$ 4.9 billion, compared to C$ 5.9 billion the previous year. The share of purchases let by open tender declined sharply from over three-quarters of total procurement in 1989 to one-third in 1990. Prior to 1991, all procurement had been purchased from foreign suppliers.

247. Efforts are being taken to decentralize responsibility for awarding, supervising and monitoring Government contracts on civil construction projects to district authorities. Newly-established district tender boards are now responsible for administering projects up to a value of C$ 250 million. Large contracts continue to be controlled by the Central Tender Board.

(xiii) Local content requirements

248. Enterprises in approved investment areas that utilise local raw materials or employ Ghanaian labour in preference to imported machinery are entitled to an income tax rebate which varies between sectors. In agriculture, the rebate equals the value of the Social Security contribution payable where the number of employees exceeds 20 persons. For manufacturing, the rebate is equal to the contributions paid for more than 100 employees, and for the construction and building industries, the rebate is paid for more than 75 employees, up to a maximum of 100 persons.

249. Mining companies are required to give preference to locally-made products and the employment of Ghanaians. Preferences for Ghanaian employees are aimed at encouraging the acquisition of skills and know-how.

(xiv) Rules of origin

250. Ghana does not apply rules of origin outside those operating under ECOWAS. The Government is considering the introduction of legislation on general rules of origin.

(xv) Anti-dumping and countervailing duty actions

251. Ghana has observer status in the GATT Committee on Anti-dumping. It has no formal legislative arrangements for treating dumping or countervailing
complaints raised by domestic producers. Rather, such complaints are handled on an informal basis.

252. "Deserving enterprises" are assisted against unfair import competition by imposing special taxes on imports at the tariff line level, irrespective of source: i.e. the special taxes are not related to the dumping margin of specific overseas suppliers. Special taxes currently range from 10 to 40 per cent. To receive anti-dumping relief, it must be established that dumping is occurring according to the definition that goods are being exported to Ghana at prices below domestic levels, and that imports are causing damage to local firms.

253. Arrangements for implementing special taxes as relief for anti-dumping are not made public and no appeal procedures exist for aggrieved parties like consumers. Decisions are made by the Government without recourse to an independent body.

254. As special taxes are applied to imports for other reasons, such as infant industry protection, it is unclear which goods are receiving anti-dumping relief. It would appear, however, that although only a few products are affected, these represent a significant share of domestic production. In principle, special taxes are time bound and subject to annual review, but this has seldom been the case in practice.

(xvi) Safeguard actions

255. Ghana has never taken any safeguard action under Article XIX. No domestic procedures exist nor is there any legal basis for such action.

(xvii) Balance-of-payments measures

256. The last consultations with Ghana on the use of import restrictions for balance-of-payments reasons under Article XVIII:B were held in November 1989. At these simplified consultations, Council agreed that as Ghana had fulfilled its obligations under Article XVIII:B and was no longer using trade restrictions for balance-of-payments reasons, further consultations with Ghana were unnecessary. The last full consultation was held in 1983.

257. Ghana was involved in a total of 13 consultations under Article XVIII:B since 1962. These consultations were necessary in view of Ghana's decision to introduce quantitative import restrictions to control its balance of

---

payments. At these first consultations, the Committee viewed the import restrictions applied by Ghana as consistent with Article XVIII:B and subsequently generally welcomed Ghana's on-going efforts to introduce fundamental economic reform and reduce its dependency on quantitative trade restrictive measures.

(xviii) Free-trade zones

258. Legislation enabling the formation of free-trade zones was passed in 1978 with the establishment of the Ghana Industrial Free Zone Authority. The functions of the Authority are to establish, manage and promote industrial free zones declared for that purpose. However, no industrial free-trade zones have yet developed in Ghana. The development of Export Processing Zones and industrial estates as a means of attracting foreign investment in Ghana is currently being actively considered by the Government.

259. The rules applying to industrial free zones specify that operating firms must have an initial minimum investment of US$250,000 or its equivalent. Approved businesses operating in a zone receive a number of concessions. These are exemption from income tax on profits and dividends received for 10 years; employment tax credits for 10 years; capital allowances on buildings, plant, equipment, structures, roads, furniture, fixtures and fittings; tax refunds in the event of double taxation; exemption from import duties on raw materials and equipment; and exemption from export, excise and sales taxes on exports. Furthermore, overseas financial transfers of firms operating in free zones for normal operations, payment of dividends to expatriate employees and payment of creditors are free from restriction.

260. Commodities purchased domestically from outside the free zone for use by an approved business are subject to normal export duties, and products for sale in Ghana are liable to customs duties. Goods from free zones require a certificate of origin to be exported outside Ghana. The Authority may request that an approved firm submit details on export prices.

(3) Measures Directly Affecting Exports

(i) Registration

261. Export procedures have been simplified over recent years with the abolition of the export licensing system. From 32 separate steps required to export in 1984, only 8 are now necessary (Chart IV.5). The only documentation necessary is now the exchange control form (A2) and the customs export entry form.
Chart IV.5
Export procedures in Ghana, 1991

Exporter prepares goods for shipment

Complete exchange control form (A2) and submit for approval by Bank of Ghana or authorised bank

Submit permits, A2 form, customs export declaration to Customs at time of shipment

Prepare shipping documents and pay freight bills

Prepare commercial invoice; complete marine insurance policies; prepare packing list

Obtain relevant permits necessary for certain exports e.g. timber

Exporter's bank mails documents to importer

Send documents to exporter's bank

Source: Ghana Export Promotion Council, Accra.

262. Non-traditional exporters are required to be registered with the Ghana Export Promotion Council. There are no restrictions on registration, provided the applicant's activities are registered as a business entity under the general law, he possesses a tax clearance certificate and completes a company and product profile form. Annual registration fees are $25,000 in the first year and $20,000 in subsequent years. There are no appeal procedures and the registration with the Council in no way limits the scope of the business.

263. Non-traditional exports include horticultural products; agricultural products other than cocoa, cocoa products, coffee, sheanuts, sheabutter and kolanuts; minerals, except for gold and hard minerals; locally manufactured goods, such as wood products and handicrafts; and salt.

264. Exports of yarns in commercial quantities must be in shipments exceeding 7.5 metric tonnes and must be packed in standard cartons not exceeding 25 kgs net weight. The mode of payment for these exports can only be by irrevocable letters of credit.
265. Exports of antiques are regulated by the National Museum Regulations, 1973. An export permit issued by the Ghana Museum and Monuments Board is needed to export antiques, and may be subject to any conditions as the Board sees fit.

266. In some other special cases, exports require permits from the appropriate organization. These are a health certificate from the Department of Animal Health and Productivity for live animals and pests; a permit from the Department of Game and Wildlife for wild animals; a police inspection report for non-ferrous scrap metals; a police permit for firearms; a permit from the Plant and Quarantine Department of the Ministry of Agriculture for plants and seeds; and, except for major registered exporters, a permit issued by the Forests Products Inspection Bureau for round and sawn timber.

(ii) Export taxes, charges and levies

267. Exports subject to duties are contained in the Third Schedule of the Customs and Excise (Duty Rates and Other Taxes) Law, 1989. All primary and manufactured exports, with the exception of cocoa beans, are dutiable at a zero rate. Apart from cocoa, no other exports have been taxed since 1986-87.

268. Export duty on cocoa beans is levied at a rate determined annually by the Secretary for Finance and Economic Planning. The duty, currently set at 100 per cent, is levied on the export receipts from cocoa beans of COCOBOD, less the Board's expenses. The rate of export duty as a proportion of the gross f.o.b. price of cocoa beans has declined significantly, from around 48 per cent in 1984-85 to an estimated 24 per cent in 1989-90 (Table IV.3). The revenue from the export duty as a share of taxes levied on international trade has fallen over the same period, from well above 50 to under 30 per cent.

269. All goods exported on drawback and under a re-importation certificate, as well as temporary imports under bond subsequently exported, are exempt from export duties.

270. Export of air-dried sawn timber of tree species identified as being endangered, such as makore, afrormosia, odum, hyeduua and utile, is discouraged by the imposition of Forest Improvement levies. Export of roundlogs of Kusia, Guarea, Ayan, Canarium and Afzelia also attract the levies. These export levies were increased in November 1990, and now range from 10-50 per cent of their f.o.b. value.

(iii) Minimum export prices

271. All non-traditional exports must follow minimum price guidelines determined by the Ghana Export Promotion Council. Exporters are advised and
encouraged to negotiate prices above the guideline levels. Although the minimum prices are used only as a guide and some exceptions may be permitted, exporters would normally be restricted from selling at prices below these minimum levels. Price guidelines are intended to protect exporters from unfair prices.

272. The minimum guideline prices are specified on an f.o.b. basis for a wide range of fresh and dried produce; medicinal plants and seeds; marine products; live animals and wildlife; aquarium fish; edible oil seeds and nuts; canned products; chocolate products; natural rubber; metal scrap; aluminium products; textiles; leather products; wood and ebony carvings; jewellery; and pottery. Prices are specified for eleven countries as well as ECOWAS members. For exports to other countries, the prices specified for the United Kingdom are to apply.

(iv) **Export prohibitions**

273. Ghana has been steadily reducing the number of log species that can be exported as lumber in order to promote domestic value added through additional processing of timber products, such as plywood and furniture, and to preserve the environment. At the end of 1989, 18 species were prohibited. Size restrictions also apply to exports of some roundlogs, such as more than 100 cms diameter for wawa trees.

274. There are indications that the Government intends to phase-out roundlog exports entirely by 1993. The Government has already announced that the export of air-dried sawn timber of all species is to be banned from 1994. Exports of roundlogs and air-dried lumber currently represent about three-quarters of timber exports.

275. Although in practice Ghana has not banned the exportation of any goods prohibited from being produced in Ghana, it is nevertheless committed to the export prohibition of domestically-banned goods.

276. **Exports of goods and services to South Africa are banned outright.**

(v) **Export licensing**

277. The previous requirement for traditional and non-traditional exports to be licensed was abolished in 1990.

---

31 The countries for which export prices are specified are the United Kingdom, Germany, France, Switzerland, The Netherlands, Belgium, Denmark, Sweden, Austria, Italy and the United States.
278. No mineral may be exported without a licence from the Secretary for Lands and Natural Resources. Although firms are free to negotiate their own contracts, such agreements are subject to approval from the Minerals Commission and the Bank of Ghana. In this way, the Government maintains some control over the mining and exporting of mineral products.

279. Gold and diamonds won by small scale miners must be marketed and exported by the Precious Minerals Marketing Corporation. The Corporation is charged with purchasing, grading, valuing and selling (including exporting) of all diamonds and gold produced by small-scale operators. Small scale miners are those working less than 10 hectares of land.

280. Special requirements exist for radio-active minerals should these be discovered in Ghana.

281. Exports of cocoa and cocoa products, coffee and sheanuts are handled exclusively by the Cocoa Marketing Company, a subsidiary of the Ghana Cocoa Board (see Section 4(iii) below). The Timber Export Development Board is responsible for developing and promoting exports of timber products. The Board does not engage in exports directly.

(vi) Duty and tax concessions

282. Direct export incentives in Ghana take the form of income tax rebates to firms engaged in the production and export of goods. All producers exporting their own merchandise goods are eligible for the rebate. Exports of services and merchandise by non-producers are excluded. The percentage of income tax rebated increases with the share of production exported, and varies between agricultural and manufacturing activities. The rates of rebate, increased substantially in the 1991 Budget, are available to exporters indefinitely.

283. To be eligible for the rebate, firms must export at least 5 per cent of their production. In agriculture, firms exporting up to 15 per cent of production receive a tax rebate of 40 per cent, while for manufacturing the rebate rate is 30 per cent. Between 15 and 25 per cent of production exported, the rates of rebate increase to 60 and 50 per cent, respectively. Both agricultural and manufacturing firms exporting above one-quarter of their production receive a tax rebate of 75 per cent.

284. Although the income tax rebate is applied to receipts from all sources and not just from exports, the scheme nevertheless provides a substantial financial incentive for firms to increase the proportion of production exported so that the rate of the rebate is maximised. Firms, for example, exporting above one-quarter of their production pay a reduced tax rate of 8.75 per cent on income from total sales, compared to the standard rate of 35 per cent. The implicit rates of export subsidy and marginal incentives
for a firm to raise exports and cross-over into higher tax rebate brackets can be substantial (Chart IV.6).

**Chart IV.6**
Export assistance in Ghana from the Income Tax Rebate Scheme, 1991

<table>
<thead>
<tr>
<th>Percentage of production exported</th>
<th>Rate of export subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>10.5</td>
</tr>
<tr>
<td>15</td>
<td>14.0</td>
</tr>
<tr>
<td>25</td>
<td>17.5</td>
</tr>
<tr>
<td>100</td>
<td>21.0</td>
</tr>
<tr>
<td>26.25</td>
<td>26.25</td>
</tr>
</tbody>
</table>

Note: Export subsidy rates are based on the standard company income tax rate of 35 per cent.

Source: Ghana Export Promotion Council, Accra.

285. Firms are also entitled to a complete drawback of tariffs paid on imported materials used in the production of exports (see Section (2)(i)(h) above).  

(vii) **Export finance**

286. The Export Finance Company Limited, a privately operated non-bank financial institution, commenced activities in mid 1990 to provide export

---

32 Although this scheme compensates exporters for the direct costs of tariffs on imported inputs, the tariff structure continues to discriminate against exporters by raising the prices paid for non-traded inputs, such as labour, to compete with protected import-competing industries.
finance to non-traditional exports. The company is jointly owned by four private companies and four public institutions, including the Export Promotion Council. In total, US$120 million in equity capital was raised.

287. Various schemes have been devised to provide finance to non-traditional exporters. However, due to financial constraints, only the scheme providing direct pre- and post-shipment credit to the exporter is currently operational. Disbursements under this scheme as at 31 March 1991 totalled GH¢ 3,973 million, and had been made to 238 exporters covering 406 transactions.

288. Funds for the Scheme are raised commercially from the capital market by the Bank of Ghana issuing to the public Export Finance Bills which have a maturity period of 91 days and are fully guaranteed by the Bank of Ghana. These borrowed funds are used by the Company to finance loans for a period of from 90 to 180 days, at interest rates that have varied between 21 and 39.5 per cent, depending upon the commercial cost of borrowing funds. The company's normal mark-up on these loans is 2 per cent.

289. The activities of the Company have focused on non-traditional exports which have in the past had difficulty attracting finance through the commercial banking system. The main export products financed include shrimps, lobsters, fish (fresh and salted), salt, pineapples, yams, medicinal plants, garments, canned foods, furniture and non-ferrous scrap metal. Processing of loan applications usually takes about 2-3 weeks.

290. The Refinance Scheme was devised to enable non-traditional exporters to refinance bank loans used to meet production and pre- and post-shipment credit requirements. As the interest rate charged by the Company on the refinancing facility was to be set 2 percentage points below the bank rate, commencement of the scheme requires substantial Government funding. As yet, the Government has rejected requests from the Company for the necessary funding.

291. Another scheme, the Export Support Infrastructural Development Scheme, is intended to provide finance to meet infrastructural demands by non-traditional exporters. No funds, however, have been made available by the Government for the operation of the scheme.

(viii) **Export insurance and guarantees**

292. It is the intention of the Export Finance Company to operate an Export Credit Guarantee and Export (Proceeds) Insurance Scheme to cover non-traditional exports. However, this scheme is not yet operational. It is envisaged that the scheme may commence operations on a limited basis in 1992.
Export promotion

293. The Ghana Export Promotion Council (GEPC), established in 1969 and working under the aegis of the Ministry of Trade and Tourism, promotes non-traditional exports, such as foodstuffs like tuna, shrimp, lobster, octopus and pineapples.

294. The activities of the Council are designed to broaden Ghana's export base by promoting non-traditional exports. As such, the Council assists mainly small exporters in identifying products and foreign markets with export potential using Ghana Missions and Trade Commissioners located abroad; provides advisory services on a wide-range of export needs, such as product development, pricing and shipping; and facilities trade by organising overseas and local trade fairs and streamlining export procedures. The Council provides its services to exporters free of charge.

295. The GEPC has identified handicrafts as a potential export activity that should be encouraged. To this end the GEPC, under a project funded by the Norwegian Government, is promoting the production of rattan furniture and products for export. Other handicraft products supported by the GEPC are textiles (kente and batik); carvings, beads and jewellery; straw products; and ceramic ware.

296. The Export Promotion Council has promoted the concept of the Export Production Village Company Programme as a means of promoting rural-based exports. Small rural producers are organized into local village companies who deal directly with the exporter. The Council assists in a variety of ways, including sponsorship, equity participation, sourcing of production inputs and credit as well as providing extension services. The coverage of the Programme includes agricultural products like fruits, vegetables, spices, staples and tree crops; shrimp farming; handicraft goods, such as batik, rattan furniture, straw baskets, jewellery and wooden items; and manufactured articles such as salt, processed cashew nuts and coconut fibre products.

297. About two-thirds of the Funding of the Council comes from the Government through an annual Budget appropriation. The remainder is financed by external assistance provided bilaterally from aid donors and international agencies like the United Nations Development Programme. Funds provided to the Council by the Government have increased significantly in recent years. In 1989, Government funds totalled $142 million, compared with $39 million in 1988. Government expenditure on the GEPC was already $145 million for the first half of 1989-90.

298. The Council has been negotiating with the Ministry of Agriculture and the FAO to compile a survey of international buyers, particularly of seafoods.
Export performance requirements

299. As a priority area under the Investment Code, investments in manufacturing activities for export receive special incentives. As well as permission to import machinery and raw materials duty free, firms receive an investment allowance of 7.5 per cent in the year incurred. As well, depreciation allowances of 40 per cent in the investment year and 20 per cent in the subsequent three years are authorized.

300. Although not defined in the Code, manufacturing for export has been interpreted by the Ghana Investments Centre to mean activities earning net foreign exchange. The same criterion is also used to allow 100 per cent direct foreign ownership in an approved project, instead of the normal joint-venture requirement.

301. Net foreign exchange earners in approved investment projects are allowed to hold in an external retention account at least 25 per cent of their foreign receipts for purchasing machinery and equipment, spare parts and other material inputs, including debt service, profit and dividend payments and remittances for expatriate personnel.

(4) Measures Affecting Production and Trade

(i) Assistance for research and development

302. The main bodies involved are the national research institutes of the Council for Scientific and Industrial Research which falls under The Ministry of Industry, Science and Technology. Relatively minor crop-specific research is conducted by various other bodies, such as in cocoa by the Ghana Cocoa Board (COCOBOD); cotton by the Cotton Development Board; palm oil by the Oil Palm Research Centre; and agriculture faculties at the universities.

303. Just over half of manpower resources of the Council are directed towards crop research, with livestock (17 per cent), cocoa (11 per cent) and food processing (9 per cent) the next most important. Research on cocoa absorbs almost half of total Government expenditure on agricultural research.

33 The main agricultural research institutes are Animal Research, Crops Research, Food Research, Aquatic Biology, Soil Research, Water Resources Research, Cocoa Research, Forests Product Research and Renewable Natural Resources.

34 In 1989, less than 3 per cent of the recurrent budget of COCOBOD, representing £500 million, was spent on cocoa research.
304. Agricultural research has in the past been disorganised and poorly directed. One problem has been the limited influence that the Ministry of Agriculture has had in setting the research priorities of the Council’s institutes. Efforts are being directed at increasing the role played by the Ministry in setting research programmes, and forging closer links between the research and extension services. Erratic levels of Government funding has also contributed to inadequate forward planning.

305. Public funding on agricultural research is projected to increase substantially above 1987 levels when it represented about 0.7 per cent of agricultural GDP. According to the Medium-term Agricultural Development Programme, research expenditure over the five-year period commencing 1991 is projected to total GH¢18,474 million. Most of this is to be funded through external assistance.

(ii) Production subsidies and tax concessions

306. Companies outside manufacturing, mining, agriculture, construction and real estate continue to be taxed at 50 per cent, compared with the general company income tax rate of 35 per cent. The reduction from 45 per cent in the general company tax rate was intended to bring the tax rate in Ghana more into line with international levels. However, the remaining two-tiered company tax rate with large sectoral disparities discriminates against certain economic activities, especially the services sector.  

307. Farming benefits from being able to carry-forward indefinitely losses against future income. Non-farming income, with the exception of losses in the construction and sale or letting of residential premises which can be carried-forward for two years, is not entitled to these provisions. Real estate developers (excluding companies) reinvesting a minimum of 20 per cent of their profits in the construction of residential properties may deduct half of the eligible investment against income in the following year.

308. Statutory depreciation rates on buildings vary between sectors. Buildings, depreciable at a uniform 10 per cent in the first year, are depreciable thereafter at an annual rate of 3 per cent, except for mining and timber companies which are depreciable at 10 per cent per year. The mining sector may depreciate exploration expenditure at 10 per cent annually (20 per cent in the year incurred). Depreciation of expenditure on plant and equipment, set at 20 per cent in the year incurred, is depreciable thereafter

35 The income tax rate on companies except those engaged in banking, insurance, commerce and printing was reduced from 55 to 50 per cent in 1989. In 1990, the top rate of company tax was lowered to 50 per cent, and that on income derived from construction reduced to 45 per cent.
annually at 10 (machinery) and 7.5 per cent (plant, furniture and fittings), except for mining and timber equipment which can be written-off on a yearly basis at 15 per cent. 36

309. An investment allowance of currently 10 per cent applies to capital expenditure incurred on plant and machinery by manufacturing concerns. The 1991 Budget extended the 10 per cent rate to all manufacturers. Prior to this, most manufacturers were eligible for an investment allowance of 5 per cent. 37

310. A number of income tax concessions remain available to enterprises located in priority investment areas. These are provided for under the Income Tax Decree (SMCD.5) and are administered by the Internal Revenue Secretariat.

311. In agriculture, income derived from cocoa farming and, during the first five years of operations following the first harvest, other tree-crops such as coffee, shea butter, rubber and coconuts, is exempt from taxation. Income derived from cash crops like maize, rice, pineapples, cassava and yam, as well as fish and poultry farming, is exempt from taxation for the first three years of operations. Cattle grazing is exempt from income tax for ten years while a five-year tax exemption applies to income earned from other livestock raising. Approved agricultural investments in priority areas receive an investment allowance of 10 per cent.

312. The construction and building industries benefit from having their income from such activities, including the erection of residential housing, exempt from taxation for the first five years of operations. Rent income from residential or commercial properties is not taxed until after the fifth year of rental.

313. For approved investments in other priority areas, accelerated depreciation provisions apply. In manufacturing, depreciation rates of 40 per cent in the year incurred and 20 per cent in subsequent years are allowed. In the construction and building industries, capital investments may be written-off over three years, with 50 per cent in the first year. An

36 Accelerated depreciation allowances by enabling firms to delay their tax payments provide recipients with an interest-free loan from the Government. The value of this assistance will be greater the faster the depreciation and the higher the prevailing interest rates.

37 Investment allowances provide the equivalent of a cash grant to firms investing in eligible plant and machinery. By reducing the after-tax cost of these investments, such allowances distort the mix of productive factors away from other inputs. Investment allowances encourage the substitution of eligible for non-eligible equipment and capital for labour.
investment allowance of 7.5 per cent also applies. Tourist industries receive identical allowances, except on buildings which are depreciable at 20 per cent in the initial investment period, and 10 per cent thereafter.

314. Payroll tax, at an annual rate of ₋50,000 per employee, is levied on Ghanaian and foreign firms employing expatriate labour. Activities exempt from payroll tax include mainly logging and saw milling, fishing, mining, farming, manufacturing activities operating in Ghana for longer than 5 years, and hospitals.

315. An enterprise re-investing in its operations is eligible to an investment allowance of 10 per cent.

316. Enterprises investing in approved projects are permitted to deduct immediately in full expenditure on scientific research.

(iii) Pricing and marketing arrangements

317. Pricing and marketing arrangements operate on a number of important agricultural industries, such as cotton, tobacco, rice, maize, sorghum, wheat, oil palm, rubber, cocoa, coffee and sheanuts. Except for the last three commodities handled by COCOBOD, the Ministry of Agriculture, aided by several statutory marketing boards, is responsible for the implementation of these policies.

318. A central feature of these arrangements was the setting of administratively-determined prices, mainly by the Agricultural Commodity Pricing Committee (ACPC) established in 1983. Although comprising originally 20 "scheduled" commodities, the list has been shortened, and the most important are now cotton, tobacco, rice and maize. Government marketing boards and state enterprises, dominating many of these commodities for which prices are set by the ACPC, must abide by these prices. Sales through other marketing outlets are not obliged to follow ACPC prices.

319. The influence of the ACPC on setting prices varies between commodities. In the case of cotton and tobacco, the ACPC behaves mainly as a regulatory agency that reviews the annual prices agreed between the growers' associations and the limited number of processors. For other commodities, especially cereals such as maize and rice, the ACPC has played an active role by setting guaranteed minimum prices applying on the domestic market.

38 The ACPC acts as arbitrator in the event of disagreement between the parties.
320. Agricultural pricing and marketing policies have in the past, by maintaining domestic prices above world levels to raise farm incomes and stimulate domestic production, produced differential incentives to grow particular crops. Domestic palm oil prices of more than double world levels, have encouraged the expansion of oil palm growing into marginal areas. Cereal production, especially of maize and sorghum, have also benefited in the past from relatively high domestic prices.

321. To support these higher domestic prices, access to cheaper imports have in the past been prevented by a number of trade barriers on competing commodities, such as relatively high tariffs, foreign exchange rationing and licensing restrictions on the importation of major goods, such as maize, crude palm oil, milk, flour and, to a lesser extent, rice. However, the extent to which domestic prices can be set above landed-duty-paid prices of competing imports has been diminished in recent years with removal of the non-tariff barriers restricting imports, such as the licensing arrangements requiring prior import approval from the Ministry of Agriculture.

322. Domestic prices on agricultural commodities are now limited by the tariffs applying to imported substitutes, mainly of 20 per cent on cereals and vegetable oils; 25 per cent on vegetables, fruits, nuts, spices and sugar cane; and 10 per cent on oil seeds.

323. Consequently, the very high nominal rates of assistance afforded major agricultural products in the mid 1980s, such as rates exceeding 50 per cent on maize, sorghum and rice, have been reduced. Since rice importation was opened-up earlier than for other cereals, nominal protection fell sharply for rice and in 1988, maize and sorghum producers were receiving almost triple the nominal protection afforded rice growers. By providing relatively high prices for maize and sorghum, these past sectoral policies encouraged the production of these cereals at the expense of rice growing.

324. In contrast to the protection afforded cereal (especially sorghum and maize) and oil palm farmers, the production of cocoa has been heavily taxed by the agricultural policies operated by COCOBOD, the sole buyer, grader, seller and exporter of cocoa produced in Ghana. Returns to growers had been

---

39 It has been estimated that the nominal protection afforded maize and sorghum production was almost triple that received by rice farmers in 1988. It was estimated that in 1985, domestic prices for maize and sorghum exceeded international levels by 50 per cent.

40 Although access to the foreign exchange auction to import sugar, rice and wheat has been reserved to the Ghana National Procurement Agency, the unlimited availability of foreign funds at similar exchange rates through foreign bureaus means that limited access to the auction system is no longer a major barrier against imports. Indeed, competition from rice imported by both the public sector and private traders has been an important factor behind the domestic price tracking more closely world levels in recent years.
suppressed for many years by high taxation levels on exports, an overvalued currency that reduced export receipts, and rigid pricing controls. Consequently, the domestic producer price as a share of the world price had fallen in 1986-87 to 23 per cent. Efforts since then to revive the cocoa industry have managed to raise the share to 46 per cent in 1988-89, and it is hoped to increase further the share to at least 55 per cent.

325. COCOBOD also sets the domestic producer price for coffee in consultation with farmers. Like cocoa, the coffee industry has been taxed in the past by policies that have discriminated against efficient exporting industries, such as the overvalued exchange rate. More recently, domestic prices for coffee have been rising to match more closely world levels; for example, the price set for the 1989-90 crop was raised from $74.4 to $110.4 per kg, equal to about 70 per cent of the export price.

326. Adding to the taxation of efficient export crops, especially cocoa, has been the inefficient operations and substantial cost-padding of COCOBOD. Efforts have been taken by COCOBOD to reduce its operating costs, initially well over 35 per cent of the f.o.b. export price of cocoa, to currently around 20 per cent. The longer-term objective is to lower this rate to 15 per cent. Staff retrenchments at the Board reduced the number of employees from 48,000 in 1988 to less than 43,000 in 1991. The Board's operations have been curtailed in an attempt to eliminate inefficiencies, such as removing its monopoly on cocoa haulage by privatizing the transport of cocoa to the ports, and refraining from supplying inputs to cocoa farmers. Operating expenditure by COCOBOD, which increased from C25,142 million in 1988-89 to C35,276 million in 1989-90, is expected to decline substantially in 1990-91 as a result.

(iv) Regional assistance

327. Approved investments by enterprises in more remote areas are entitled to income tax concessions, ranging from a reduction of 15 per cent for firms located within the Kumasi and Sekondi-Takoradi metropolitan areas, to 40 per cent in other country areas, including Wa, but excluding the Accra-Tema metropolitan region. Firms undertaking expenditure on basic infrastructure in regions lacking such facilities may be granted income tax reductions or deferrals.

---

327. Approved investments by enterprises in more remote areas are entitled to income tax concessions, ranging from a reduction of 15 per cent for firms located within the Kumasi and Sekondi-Takoradi metropolitan areas, to 40 per cent in other country areas, including Wa, but excluding the Accra-Tema metropolitan region. Firms undertaking expenditure on basic infrastructure in regions lacking such facilities may be granted income tax reductions or deferrals.

---

327. Approved investments by enterprises in more remote areas are entitled to income tax concessions, ranging from a reduction of 15 per cent for firms located within the Kumasi and Sekondi-Takoradi metropolitan areas, to 40 per cent in other country areas, including Wa, but excluding the Accra-Tema metropolitan region. Firms undertaking expenditure on basic infrastructure in regions lacking such facilities may be granted income tax reductions or deferrals.

---

327. Approved investments by enterprises in more remote areas are entitled to income tax concessions, ranging from a reduction of 15 per cent for firms located within the Kumasi and Sekondi-Takoradi metropolitan areas, to 40 per cent in other country areas, including Wa, but excluding the Accra-Tema metropolitan region. Firms undertaking expenditure on basic infrastructure in regions lacking such facilities may be granted income tax reductions or deferrals.

---

327. Approved investments by enterprises in more remote areas are entitled to income tax concessions, ranging from a reduction of 15 per cent for firms located within the Kumasi and Sekondi-Takoradi metropolitan areas, to 40 per cent in other country areas, including Wa, but excluding the Accra-Tema metropolitan region. Firms undertaking expenditure on basic infrastructure in regions lacking such facilities may be granted income tax reductions or deferrals.

---

The third scale of reduction, 25 per cent, applies to firms located within regional capitals other than the Accra-Tema metropolitan area, Kumasi, Sekondi-Takoradi and Wa.
328. In Ghana, a variety of input subsidies have operated to assist mainly agricultural producers. These included subsidies on the consumption of fertilizers, machinery, seeds, irrigation, credit and other inputs. Subsidy policies have been heavily revised in recent years and most input subsidies have by now been either reduced or eliminated.

(a) Fertilizers

329. Fertilizer subsidies had been a key element of the Government's self-sufficiency policies in agriculture since 1968. These subsidies have traditionally been provided by the Government, the sole importer of fertilizers through the National Procurement Agency, distributing to farmers via the Ministry of Agriculture fertilizers at prices set well below international levels. The rate of subsidy, equivalent to the difference between domestic and world prices, varied according to relative price movements. Losses on fertilizer sales, financed through the Government budget, had become a major drain on Government funding. In 1986-87, for example, the subsidy amounted to one-quarter of all expenditure on agricultural development, excluding cocoa.

330. Fertilizer subsidies have been phased out as part of the Economic Recovery Programme. The subsidy rate was reduced from 80 per cent in 1979 to 15 per cent in 1989, and was completely removed in 1990. As from 1990, official Government retail prices for fertilizers have been fixed on the basis of full cost recovery. Movements in domestic prices for major fertilizers over the period 1979-1990, together with the rate of subsidy provided farmers, are shown in Table IV.4. Subsidy reductions were achieved by progressively raising domestic prices, for example, by over fivefold in 1984; over 70 per cent in 1986; and, since then, more than doubling prices.

331. The effects of rising fertilizer prices on usage was moderated by the fact that despite the large subsidies, consumption remained low. Only some 5 per cent of cultivated land had been regularly fertilized, with 15 per cent of the maize area undergoing fertilizer application. Fertilizer usage had been constrained in the past by inadequate supplies imported by the Government, partly due to the shortage of foreign exchange. Earlier attempts to improve farmers access to fertilizers by transferring the distribution role to Government-owned Farmers' Services Companies in the Upper East, Upper West and Volta regions in 1984 failed to arrest the inefficiencies and inequities that had developed in the allocation and distribution of fertilizers.

332. As part of the programme to reduce/eliminate input subsidies, the Government agreed to transfer the importation and distribution of fertilizers from the Government to the private sector. The Ministry of Agriculture
agreed to withdraw from wholesaling during 1988-89, and from retailing during 1990-91, and thereafter from imports. Any firm, as from 1991, can import duty-free and market any type or grade of fertilizer at uncontrolled prices. The objective is to establish a competitive market that will provide farmers efficient access to fertilizers. While the Government has achieved some progress in meeting these aims, considerable slippage has occurred. There has been, it appears, some reluctance by major trucking companies to enter the supply and distribution of fertilizers.

333. The main beneficiaries of past fertilizer subsidies were the larger rice and maize farmers located in the Northern and Upper regions. Cocoa farmers, being light users of fertilizers, received negligible assistance from the subsidies.

(b) Seeds

334. Until the Ghana Seed Company (GSC) was abolished in September 1989, the Government had a monopoly in the supply of certified seed, mainly of rice and maize. The State-owned GSC was formed in the mid-1970s. However, although it provided seed at prices below cost recovery, its operations became so inefficient that excessive costs, distributional bottlenecks and supply shortages, especially of cocoa pods, ended up penalising and hampering the development of the agricultural sector. In 1987, it received over four times its budget provision, and cost the Government ₡ 22 million in 1988.

335. Arrangements for seed provision are currently being reviewed by the Ministry of Agriculture with a view to privatizing GSC’s operations, establishing a seed quality control and certification programme in the Ministry, creating a national agency to formulate policy on seed production, and relying on commercial marketing outlets.

(c) Pesticides and fungicides

336. Farmers are assisted by subsidies financed by the Ministry of Agriculture on the use of pesticides and insecticides. Most of the subsidies

\[\text{42}^\text{Imported fertilizers must be cleared with the Ministry of Agriculture and the Environmental Protection Council and be properly labelled with the nutrient content. The Government conducts sampling to analyse content of imported fertilizers.}\]

\[\text{43}^\text{Fertilizers will continue to be imported and marketed by the Government until it is demonstrated by the private sector that it is capable of supplying fertilizers at competitively-determined fair prices.}\]

\[\text{44}^\text{The provision of seed subsidies goes back to the early 1970s when a seed multiplication and import programme run by the Ministry of Agriculture supplied farmers with maize seed at one-third the cost and rice seed at three-quarters the cost. By 1976, the subsidy had been reduced to nil for paddy and half for maize.}\]
accrue to cocoa farmers, where the use of pesticides is important, through sales by COCOBOD at substantially below cost.

337. The Government supply of subsidized pesticides and fungicides had generated large shortages and inefficiencies in the distribution of these products. Under the Cocoa Rehabilitation Project, input subsidies on pesticides and fungicides are to be gradually eliminated and the input-supplying activities of COCOBOD privatized. Subsidies remain substantial, ranging from 80 to 90 per cent in 1990.

(d) Machinery and machinery services

338. The Ministry of Agriculture has traditionally provided machinery services, such as clearing, tillage and harvesting at subsidized prices. However, the provision of these services has declined drastically due to funding and efficiency difficulties.

339. Certain farm machinery is also supplied by the Government at subsidized prices. Certain handtools, such as sprayers, are supplied to cocoa farmers by COCOBOD at below import cost. In 1985, the subsidy on sprayers represented about three-quarters of the import cost.

340. Input subsidies are being eliminated and the provision of these services privatized as part of the Economic Recovery Programme.

(e) Credit

341. Interest rate controls and most regulations on sectoral allocation of credit have been removed as part of the recent deregulation of the financial system. The only remaining exception, requiring the commercial banks to lend a minimum of 20 per cent of their loans to the agricultural sector, was terminated by the Bank of Ghana in 1991.

342. The provision of adequate credit at the farm level has traditionally been a major constraint confronting farmers, and the Government has been keen to solve the farm credit problem. The National Investment Bank, founded in 1963, provides credit to agro-based industries and large-scale farming. Priority loans by the Investment Bank tend to be set according to the investment priorities established by the Government, such as export orientation, import substitution and capability to use local raw materials. In the past, high priority sectors have included the fishing and agro-business industries, as well as wood, clay mineral and basic capital manufacturing industries. On average, some two-thirds of the Bank's activities are directed towards manufacturing.

343. The Agricultural Development Bank was established in 1965 to provide credit facilities to agriculture. It has financed projects in crops,
livestock, fishing and agro-based activities. However, the Bank was not altogether successful in servicing the financial needs of small farmers. Even with the operations of the Investment and Agricultural Development Banks, less than 10 per cent of commercial bank finance goes into agriculture, and most of this to large-scale farmers.

344. Since 1976, Rural Banks, local community-owned banks usually with 15-20 per cent equity held by the Bank of Ghana, have been encouraged. Currently there are over 120 Rural Banks scattered in over 10 regions, compared with 75 banks in 1983. Rural Banks specialise in raising community funds and directing them to local small-scale farmers and cottage industrialists. Access to Rural Bank credit has increased rapidly, with total deposits rising from $146,000 in 1976 to $1,868 million in 1987.

345. A major recipient of the Rural Banking System are cocoa farmers. Rural Banks play an integral part in the Check System used by COCOBOD to pay cocoa farmers. Under this system which replaced the chit system, cocoa farmers redeem checks issued by the Board at the local rural bank. The prompt payment of cocoa farmers through the Rural Banks has greatly aided the mobilisation of local savings.

346. Cocoa farmers also have had access to small short term interest-free credit from COCOBOD through a scheme operated by the Cocoa Services Division to fund growers’ purchases of inputs. Farmers may purchase mistblowers and sprayers on credit with a deposit of $1000, the balance payable after sale of the crop. For purchases of insecticides, no deposit is payable. These operations are being phased out by COCOBOD.

(f) Extension services

347. Agricultural extension services, except for cocoa farmers which are serviced by COCOBOD, are the responsibility of the Ministry of Agriculture. Historically the system of providing extension services has performed badly, coming close to complete collapse on several occasions. However, efforts are being made to improve their effectiveness, and the creation of a new Department handling extension services in the Ministry signifies the high priority it is receiving. In 1989, just under one-quarter of the recurrent budget of the Ministry, or some $1,055 million, was spent on providing agricultural extension services.

45 The Agricultural Development Bank introduced a “commodity credit scheme” in 1969 to improve accessibility of small farmers to its facilities. Small farmers were allowed to group together on the basis of single commodities to borrow money, thereby waiving minimum farm size and security requirements.
348. Extension services by the Ministry have traditionally focused on crop production other than cocoa. This was reflected by the inclusion of the extension services in the Crops Division of the Ministry. As part of the current endeavours to completely overhaul agricultural extension services, the Ministry is broadening its base and providing extension services to not only crops, but also livestock, agro-forestry and inland fisheries. A National Extension Project has been adopted to rationalise and strengthen the system. A key objective is to increase the availability of trained extension officers to achieve a target of 1 per 500 farmers, a substantial rise over the current number of around 2800. The involvement of the private sector in providing extension services is also encouraged, especially in the area of high value crops like cotton, tobacco, fruits and vegetables.

349. The imbalance in favour of crops in the provision of extension services by the Ministry is compounded when account is taken of the activities of COCOBOD in cocoa growing. Some one-quarter of COCOBOD’s recurrent budget for 1989, or some €8,300 million, was spent on extension services. Cocoa absorbs four times the expenditure of the Ministry on extension services.

350. An important aspect of the Cocoa Rehabilitation Project is to reorganise the extension work carried out by the Cocoa Services Division of COCOBOD. It is now widely recognized that extension personnel should concentrate on providing technical advice rather than the past practice of directly supplying material inputs, such as fertilizers, insecticides and seed, as well as organising machinery repairs.

351. The provision of extension services has become fragmented, with over ten separate organizations being directly involved. Attempts are being taken under the Agricultural Services Rehabilitation Project to unify and rationalise these services. Much of the Ministry’s extension work is conducted through the Training and Visit System, involving regional projects or pilot extension schemes located in eight districts.

(g) Irrigation facilities

352. The Ghanaian Government has financed the construction and operation of a number of major irrigation projects to help alleviate the problems of water shortage on agriculture, especially on livestock grazing. Prospects for irrigation farming have been improved, with some 18 schemes, covering 6,700 hectares, of irrigation land being developed by the Government by 1988, compared with about 4,000 hectares in 1981. Two of these schemes exceed 2,000 hectares, while eight are less than 100 hectares.

353. Irrigation is mainly used to grow rice, vegetables, groundnuts and maize. The percentages of cultivated land under irrigation for these crops is about 15, 5, 2 and 0.5, respectively. Overall, only about 0.5 per cent of cultivated land is under irrigation.
354. Details of the irrigation programme as at May 1989 of the Ghanaian Irrigation Development Authority are given in Table IV.5. Development and operation costs of irrigation facilities are high in Ghana, ranging from an estimated US$40,000-50,000 per hectare. Operation and maintenance costs alone are high, as indicated by the annual average costs of US$190 per hectare based on 1989 prices for the Tono scheme.46

355. A major Irrigation and Water Resources Programme has been instigated recently at a total estimated cost of ₵ 26.4 billion over five years. Expenditure, largely financed from donor assistance, is expected to rise from ₵ 4 billion in 1991 to over ₵ 6 billion in 1995, peaking at over ₵ 7 billion in 1994. The schemes, listed in Table IV.6, are aimed at the crop, livestock and fishery sectors.

(h) Veterinary medicines

356. Livestock producers have received their veterinary medicines at subsidized prices.

(i) Development programmes

357. Government expenditure under the Medium-Term Agricultural Development Programme over the period 1991-1995 is projected to cost about ₵ 139.8 billion in 1990 prices (see Table IV.7). Much of this expenditure is to be financed from international assistance. In addition to the water resources programme mentioned above, major programmes to be financed include agricultural technology, a livestock development programme, a fisheries development programme and a marketing and agro-processing programme.

358. The agricultural technology programme involves proposed expenditure of ₵ 39.8 billion for research, adaptive trials and extension services for both tree and annual crops (Table IV.8).

359. Expenditure totalling ₵ 8.1 billion on health, nutrition, water resources, livestock stations and breed improvements are projected under the livestock development programme (Table IV.9). Some three-quarters of this projected expenditure will be in investments providing improved water storage and building facilities.

360. The fisheries development programme is directed at strengthening the research, planning and monitoring activities of the public agencies engaged

---

46. It has been estimated that, based on 1989 rice prices, irrigation projects exceeding a threshold cost of US$6,200 per hectare would be uneconomic. See Medium Term Agricultural Development Programme prepared by the Ministry of Agriculture, February 1990.
in the fisheries sector. Total expenditure is projected to be ₿ 9.6 billion, comprising spending on institutional strengthening of research and extension, vocational training; pilot aquaculture management and rehabilitation of the government research hatchery; development of infrastructure for inland fisheries at Lake Volta; and rehabilitation of vessels for marine monitoring (Table IV.10).

361. Marketing and agro-processing will be boosted by total projected expenditure of ₿ 15.2 billion. Its major components are the construction of grain storage facilities for lease to the private sector and the development of rural markets (Table IV.11).
V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

362. Inward-looking policies restricting trade to promote import-substitution industries, as well as broader macro-economic mismanagement of the Ghanaian economy during the 1960s and 1970s, precipitated the severe economic crisis that eventually led to the adoption of the Economic Recovery Programme in 1983. The severity of the economic problems experienced since the 1970s was reflected in prolonged contractions in industrial and agricultural output. Production of the main export commodities, such as cocoa, timber, gold and diamonds, fell by over one-half, as did production of major foodstuffs, like maize, rice, cassava and yams. Industrial output dropped so low that only 10-15 per cent of plant capacity was being utilized.

363. The introduction of the recovery programme changed Government policies from being strongly protectionist to more open trading policies aimed at reducing State involvement and developing outward-looking industries. The programme, developed in close collaboration with the World Bank and the International Monetary Fund, was supported by successive Structural Adjustment Programmes in 1987-88, 1989-90 and currently 1991-92. The cornerstone of reforms is to promote economic efficiency through the development of a more competitive and dynamic economy less reliant on Government support. The economy has become more market oriented in line with substantial reductions to the Government's role in production and resource allocation.

364. Tariff and other reforms to the trade régime, such as the termination of import licensing in 1989 and liberalization of the foreign exchange system, are showing signs of accelerating structural adjustment and encouraging resources to move into more competitive activities. Efficient traditional exporting industries, such as cocoa, timber and mining which were heavily penalised by past policies, have already benefited from these more open trade policies (Table V.1). Non-traditional exports like fruit and canned fish are also emerging and showing signs of steady growth. However, efforts to attract greater foreign investment through offering taxation and other concessions in mining, petroleum and processing industries have met with only limited success. Apart from the gold mining industry, which had experienced a resurgence due to rising world prices until their more recent decline, investment has generally remained at low levels.

365. The manufacturing base in Ghana continues to be concentrated within a few industries. The top five industries - basic metal products, petroleum, food processing, beverages and timber products - together account for around two-thirds of industrial output and value added (Table V.2).
366. Despite impressive achievements to date in tariff reform, substantial escalation contained in the tariff continues to discriminate against the output of raw materials and the production of intermediate and capital goods, in favour of consumer and luxury goods (Chart V.1). The effects of tariff escalation are compounded by the imposition of special taxes of 10 to 40 per cent on a range of consumer goods, as well as super sales taxes of 10 to 100 per cent on certain "luxury" goods, most of which are not produced locally. Tariff escalation is likely to distort the economy's resource allocation, as (both current and potential) industries assisted by the relatively high tariffs attract greater investment and are able to compete resources away from other, more lightly assisted, activities.

367. As well as promoting the growth of efficient industries through trade liberalization, an important aspect of the reform process has been to improve the competitiveness of State-owned enterprises, many of which had become uneconomic and a major drain on both the Government budget, and efficient producers. Under this ongoing programme, the role of the private sector in production is being extended by selling-off and privatizing a number of key State-owned enterprises. New measures have also been implemented to improve the performance of remaining State-owned enterprises. These reforms have been supplemented by the virtual removal of extensive price controls and greater reliance on the market mechanism.
Chart V.1
Tariff levels in Ghana by product category, 1991

Industrial products

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Textiles and clothing</td>
<td></td>
</tr>
<tr>
<td>1,15 Leather, footwear and travel goods</td>
<td></td>
</tr>
<tr>
<td>13 Transport equipment</td>
<td></td>
</tr>
<tr>
<td>6,7,8 Minerals and metals</td>
<td></td>
</tr>
<tr>
<td>11,12 Machinery</td>
<td></td>
</tr>
<tr>
<td>9 Coal and natural gas</td>
<td></td>
</tr>
<tr>
<td>10 Chemicals</td>
<td></td>
</tr>
<tr>
<td>3,4 Wood, pulp and paper products</td>
<td></td>
</tr>
<tr>
<td>2,14,16-23 Others</td>
<td></td>
</tr>
<tr>
<td>Industrial total</td>
<td></td>
</tr>
</tbody>
</table>

Agricultural products

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>32 Tobacco</td>
<td></td>
</tr>
<tr>
<td>29 Beverages and spirits</td>
<td></td>
</tr>
<tr>
<td>30 Dairy products</td>
<td></td>
</tr>
<tr>
<td>24 Foodstuffs</td>
<td></td>
</tr>
<tr>
<td>27 Oilseeds</td>
<td></td>
</tr>
<tr>
<td>26 Meat</td>
<td></td>
</tr>
<tr>
<td>25 Grains</td>
<td></td>
</tr>
<tr>
<td>31 Fish</td>
<td></td>
</tr>
<tr>
<td>28,33,34 Others</td>
<td></td>
</tr>
<tr>
<td>Agricultural total</td>
<td></td>
</tr>
</tbody>
</table>

Total

<table>
<thead>
<tr>
<th>All products</th>
<th>Per cent</th>
</tr>
</thead>
</table>

Note: Product categories are those used in the GATT Tariff Study.

Source: Tables AV.1-AV.18; GATT Tariff Study.
(2) Agriculture

368. Although its share has declined since the launching of the Economic Recovery Programme, agricultural output - including forestry and fishing - still accounts for about half of GDP in Ghana, employs about two in three of the labour force, and contributes up to two-thirds of total export earnings. The population is heavily concentrated in rural areas where they depend directly or indirectly on agriculture and related activities for their livelihood. Cocoa remains Ghana's major traditional export item, earning around half of the country's foreign exchange. Exports of fruit, especially pineapples and kolanuts, are non-traditional growth areas.

369. The major activity of the sector is the production of starchy staples (e.g. cassava and yam) which account for around two-thirds of agricultural GDP. Cocoa and cereals account for about 15 and 7 per cent of agricultural GDP, respectively. The remainder comprises mainly horticultural crops like vegetables, fruits, nuts and livestock (Table V.3).

370. Economic reforms introduced since 1983 have helped revitalise the agricultural sector. Regulatory and interventionist policies, combined with broader economic mismanagement in areas such as the maintenance of an overvalued currency, became major impediments to the sector's development. Hardest hit by these policies was the cocoa industry. By overtaxing the sector, these policies destroyed producer incentives and led to a protracted deterioration in not only the efficient cocoa growing industry, but agriculture in general.

371. Protectionist domestic marketing policies supported by import licensing restrictions aimed at raising output for other crops, particularly for maize, sorghum, rice and oil palm, increased domestic prices substantially above international levels. Under these policies, self-sufficiency ratios for major cereals had reached record levels - some 77 per cent compared with 35 per cent in 1983. Supported by tight import restrictions, these arrangements reinforced the decline of cocoa by encouraging resources out of the highly taxed cocoa growing sector into far less efficient, but assisted, agricultural activities.

372. Of key importance to the reform process has been the need to restore market incentives by removing impediments to the efficient expansion of the agricultural sector, beginning with the cocoa industry. The agricultural sector is in the process of adjusting to these fundamental policy changes, and the sector appears to be responding positively with renewed growth in both traditional and non-traditional sectors. Major changes affecting agriculture have been the implementation of a market exchange rate for the currency, and a pronounced shift away from administered prices towards greater reliance on market-determined levels. The closer tracking of international prices by domestic prices has been reinforced by the removal
of quantitative restrictions on imports and limiting tariff protection to a maximum of 25 per cent.

373. Reducing the role played by the Government in agricultural marketing and production vis-a-vis the private sector has been an important priority of the reform programme. The Government, however, continues to play a major role in the production and marketing of certain crops. Most important are the operations of the Ghana Cocoa Board (COCOBOD) which has responsibility for the purchase, distribution and export of cocoa, coffee and sheanuts. However, progress has been made in reducing the Board's controls over growing. The past practice of COCOBOD providing inputs like fertilizers, insecticides and sprays to farmers is being left to the private sector, and subsidies on these inputs are being terminated. At the same time, efforts have been taken to improve the operational efficiency of the Board, such as privatizing cocoa haulage and implementing large staff reductions. The Board's high costs have been a major factor reducing growers' returns on cocoa and coffee.

374. Other crops where the Government continues to influence farmers' returns include maize, rice and cotton. Domestic marketing arrangements for these crops include buffer stocks operated by the Ghana Food Distribution Corporation to support floor prices set annually by the Agricultural Commodity Pricing Committee. The Government is also in a position to influence prices negotiated between growers and processors for some other crops, especially oil palm and tobacco leaf.

375. An additional feature of the Government's agricultural policy reforms has been the removal of general input subsidies, previously available for important inputs like fertilisers, insecticides, seeds, certain handtools such as machetes and sprayers, and tractor services like ploughing. The supply of these inputs, especially fertilisers, is to be through an unregulated private market. The Government has also embarked on a programme of divesting publicly-owned agricultural enterprises and reducing subventions to remaining state-enterprises. Efforts are being directed at privatizing the operations of the Ghana Seed Corporation, recently abolished due to major inefficiencies in seed supply.

376. The Government attaches a high priority to rationalising and improving the effectiveness of agricultural extension services provided by the Ministry of Agriculture. The provision of these advisory services is to be boosted with additional recruitment of trained officers, and their extended coverage of a wider range of activities, such as fishing, forestry and livestock. Expenditure on the provision of basic infrastructural facilities and agricultural research is being substantially increased.

377. The Government continues to make increasing use of export restrictions on lumber in an effort to promote greater domestic value added
in timber-processing industries, such as plywood manufacture, and for environmental reasons.

(i) Dairy products

378. The production of dairy products in Ghana represents about 2 per cent of both manufacturing output and industrial value added (Table V.2). With small dairy herds and negligible output of commercial quantities of fresh milk, the industry mainly reconstitutes imported materials into finished products, especially milk and ice cream.

379. Imports of unprocessed and processed dairy products are dutiable at 25 per cent (Table AV.1). Ghana imports almost all of its requirements of milk and milk products. A super sales tax of 20 per cent is levied on the consumption, including imports, of cheese.

380. The dairy and other livestock industries will benefit from the Livestock Development Programme which, commencing in 1991, is designed to promote growth of the livestock sector through improvements in animal health, water supplies, nutrition, husbandry and breeding stock. Total expenditure on the Programme is projected to be some $8 billion over the five-year period 1991 to 1995.

(ii) Foodstuffs

381. This category covers a wide range of commodities, such as fruits, vegetables, tropical beverages, sugar, flour, preparations of cereals, and certain animal products like eggs. Food processing other than dairy products accounts for some 11 and 7 per cent of manufacturing output and value added, respectively (Table V.2).

382. Tariff information, including special import taxes where applied, together with other measures affecting trade in foodstuffs are summarized in Table AV.2.

(a) Fruit and edible nuts

383. Fruit output in Ghana, although relatively minor, is of increasing importance. The main fruits grown are pineapples, mangoes, oranges, melons and bananas.

384. Tariffs of 25 per cent apply to imports of fresh fruit. Fresh fruits sold in Ghana attract the super sales tax at a uniform rate of 20 per cent. As most fruits affected by the tax are imported, in practice it falls predominantly on foreign products.

385. A large share of fruits grown in Ghana are consumed locally, although certain fruits, especially pineapples, are becoming growth areas of
non-traditional exports. Pineapple production has increased in line with export growth, mainly to EC markets. In 1990, exports of pineapples had risen to US$3.8 million, compared with US$2.1 million in 1989 and US$0.9 million in 1986. Exports of other fruits remain relatively minor.

386. Nut production in Ghana comprises mainly groundnuts, cashew nuts, tiger nuts and kolanuts. These are seen as non-traditional export commodities having strong growth potential.

387. Imports of nuts into Ghana are dutiable at a tariff of 25 per cent and, as for domestic production, attract the super sales tax of 20 per cent.

388. Imports of fresh fruits and dried nuts amounted to US$3 billion in 1989, compared to US$1.5 billion in 1985. The main import sources for these products in descending order are Germany, France and the United Kingdom. Together, these markets account for two-thirds of the value of total imports. Exports, mainly to Switzerland and EC markets, increased from US$1.6 million in 1985 to over US$7 million in 1989.

(b) Fresh vegetables

389. The main vegetables grown in Ghana are peppers, okra, tomatoes, beans and peas. Minor exports of these products have been recorded in recent years.

390. All vegetables imported into Ghana attract a tariff of 25 per cent. With the exception of onions and shallots which attract a rate of 20 per cent, vegetables are free from the super sales tax.

(c) Prepared or preserved fruit and vegetables

391. Canning and preserving of fruits and vegetables is a small industry in Ghana, amounting to well below one per cent of manufacturing output.

392. Imports of canned and preserved fruits and vegetables are dutiable at a tariff of 25 per cent. A special tax of 10 per cent applies to imports of prepared or preserved tomatoes. The simple average rate of duty for products falling in this category is 26 per cent.

(d) Coffee, tea and spices

393. Coffee grown in Ghana is of the robusta type. It is an important export crop, earning around US$6.5 million in 1989. Most coffee is exported to the EC markets, mainly Germany, France and the Netherlands.

394. The marketing of coffee is handled by COCOBOD which is responsible for the purchase, sale and export of all coffee produced in Ghana. The
producer price is set each year by the Board in consultation with farmers. Like cocoa producers, coffee growers have been heavily taxed by the previous economic and agricultural policies operating in Ghana. The producer price of coffee which was increased for the 1989-90 crop year, from ₵ 74.4 per kg to ₵ 110.4 per kg, is equivalent to about 70 per cent of the f.o.b. export price. Coffee growers continue therefore to be heavily taxed by COCOBOD's operations.

395. Imported coffee and tea into Ghana enter at a tariff of 20 per cent.

396. Spices imported into Ghana are levied tariffs of either 20 or mainly 25 per cent. The unweighted average tariff rate is 25 per cent. Few spices are produced in Ghana.

(e) Cocoa and cocoa preparations

397. The cocoa growing industry continues to have a major bearing on the performance of the Ghanaian economy. It represented some 7 per cent of GDP in 1990, compared with 16 per cent in 1971. About one-quarter of all cultivated land is devoted to cocoa, with small-scale farmers of between 5 and 10 acres dominating the growing industry. With almost 90 per cent of its output exported in unprocessed form Ghana, although no longer the largest, remains the third biggest exporter of cocoa in the world behind Côte d'Ivoire and Brazil. Production of cocoa and cocoa preparations accounts for 4 per cent of manufacturing output (Table V.2).

398. Although fluctuating from year-to-year, cocoa exports continue to account for as much as half of the country's export revenue. Exports, predominantly in the form of unprocessed cocoa beans, amounted to over US$400 billion in 1989, before falling to US$361 million in 1990 due to falling export prices (Chart V.2). A relatively small amount of production is exported as cocoa butter and paste. Principal export markets are the United Kingdom and Germany.

A survey of cocoa farmers from the Ashanti Region indicated that up to one-third of the farm can be kept fallow in any one year. These farms tend to be heavily dependent on cocoa for their income, growing only minor plantings of other tree crops - such as oil palm, plantain and citrus - and food crops like maize, vegetable and starchy staples. See Commander, S., Howell, J., and Seini, W., Structural Adjustment and Agriculture, Theory and Produce in Africa and Latin America, Overseas Development Institute, London, Chapter 7.
Chart V.2
Export prices for cocoa and other traditional commodities, Ghana, 1983-90


399. Imports of cocoa beans and cocoa preparations are dutiable at 25 per cent.

400. Cocoa production in Ghana is completely controlled by the Government through domestic marketing arrangements operated by the Ghana Cocoa Board (COCOBOD). A Government monopoly created under legislation, COCOBOD operates as the sole buyer, grader, seller, storer and exporter of cocoa produced in Ghana. Producer or farmgate prices are set annually by COCOBOD.

401. Revival of the ailing cocoa industry has been a key feature of the Economic Recovery Programme launched in 1983. Prior to then, the industry had undergone a major contraction, such that annual output had more than halved to under 200,000 tonnes, and Ghana had been displaced from being the world's leading exporter.

402. The widespread deterioration of the industry in which Ghana has a comparative advantage was largely the result of economic policies which reduced, or largely removed, incentives for cocoa production. Paramount amongst these policies were the high rates of taxation on cocoa export receipts to help finance the Government budget. The maintenance of a
highly overvalued fixed exchange rate further reduced producer returns, even during periods of buoyant world prices. From the mid-1970s to the early 1980s, producer prices declined in real terms, with cocoa farmers receiving below 20 per cent of the world price. The cocoa industry collapsed as new plantings ceased and smuggling to neighbouring countries offering higher prices became a serious problem.

403. A programme to systematically raise cocoa-growing incentives by improving producer prices to at least maintain real prices was implemented as a prime objective of the recovery programme. In line with reforms to the exchange rate, involving major devaluations of the currency, and export taxation producer prices increased from ₡ 30,000 per tonne in 1984-85 to ₡ 224,000 in 1990-91 (Table V.4). Over the same period, the share of the world price received by producers rose from one-quarter to almost one-half (Chart V.3). Meeting the Government's objective of raising the producer price of cocoa to equal 55 per cent of the international level would still mean that cocoa exports remain heavily taxed. The export tax on cocoa is currently levied at a rate of 100 per cent on all proceeds from cocoa exports, net of payments to cocoa farmers and the costs of COCOBOD. 

\[\text{As from 1988, additional cocoa export receipts above those anticipated in local currency terms have been placed in a compensation account and shared 60:40 between farmers and the Government.}\]

\[\text{Real producer prices have declined by about 30 per cent since 1987-88, despite nominal prices being raised by around 60 per cent.}\]

\[\text{Because of the competitive nature of the world cocoa market, Ghana is likely to be a price taker on international markets. As such, Ghanaian cocoa exporters would have been unable to pass-on the tax to international consumers through higher world prices. Without being able to influence world prices, the incidence of the export tax would have been fully borne by Ghanaian cocoa growers (Note V.1).}\]
Chart V.3
Producer prices for cocoa as a share of the export price, 1983-90

Per cent

Note: Producer price includes bonus payments made in 1988 and 1989.

Note V.1 The incidence of export taxes

Whether it is the domestic producer or the foreign consumer who bears the incidence of an export tax depends on the demand conditions facing the product in the world market. If a country is "small" in the sense that the international demand for the country's exports of the taxed good is perfectly elastic, the country has no market power and is a price taker in the world market. Consequently, reduced export volumes as a result of the tax will not affect the world price - the country represents such a small share of world supply that it cannot influence international prices. In this case, domestic producers of the taxed export must bear the full incidence of the tax since they are unable to pass the tax forward onto foreign consumers through higher world prices.

On the other hand, if the world demand for the export is highly inelastic, the country may be able to influence its terms of trade and be to some extent a price setter on the world market. If such a "large" country is a sufficiently dominant supplier in world terms, reducing its export volume by taxation could raise world prices so much that export receipts increase rather than decrease. In this case, the domestic producers of the taxed export do not bear the full incidence of the tax since they are able to pass a share of the tax forward onto foreign consumers through higher world prices.

Although essentially an empirical question, the experience of other countries that have tried export taxes indicate that terms of trade gains are difficult to capture. This is especially so in the longer term, when the world demand for exports is likely to be elastic due to greater product and country substitution. Thus, efforts to extract greater export returns through taxing exports often fail and run the risk, in practice, of severely penalising the exporting industry, as well as the economy in general, by encouraging inefficient domestic processing of the taxed commodity (see Note V.2).
404. Returns to producers have also been increased by improvements in the efficiency and reductions in the operational costs of COCOBOD (Table V.5). Additional savings to the Board’s overhead costs, which are pooled and deducted from the Board's gross returns, are expected to further lower costs from the current level of 20 to 15 per cent of the f.o.b. price of cocoa. Under the Cocoa Rehabilitation Project, operational efficiency has been improved through (i) the transfer to the private sector of the supply of inputs like fertilisers, insecticides, cutlasses and spraying machines; (ii) the phased removal of input subsidies by June 1990; (iii) major staff reductions; (iv) the privatization of cocoa haulage from farms and to ports; (v) reductions in the number of buying centres; (vi) the divesting of well over half of the Board’s cocoa plantations; and (vii) better decision-making and performance monitoring through introduction of improved management and accounting systems.

405. As a result of improvements in producer returns, output of cocoa has increased substantially. Exports of cocoa products have increased continuously from 165,000 tonnes in 1984 to 280,000 tonnes in 1990, an increase of 70 per cent. Although part of the initial increases were undoubtedly the "clawing-back" by official marketing outlets of previously smuggled exports of cocoa through neighbouring countries, studies have indicated that farmers, with the usual lags in production, have responded well to the increased incentives by raising output through farm rehabilitation and new tree plantings. Income from cocoa farming, both for individuals and companies, is exempt from direct taxation.

(f) Sugar and confectionery

406. Ghana’s sugar requirements are almost entirely imported. Early efforts to establish a sugar industry processing locally grown sugar cane have met with only limited success. Output of refined sugar is currently valued at only 2.6 million.

407. In 1986, 110,000 tonnes of sugar cane was grown in Ghana. Sugar cane farmers sell their crop directly to small-scale sugar syrup processors.

408. Raw and refined sugar imported into Ghana are dutiable at 10 per cent. Sugar confectionery, excluding cocoa, is dutiable at 25 per cent.

---

5A number of models have measured a relatively elastic supply response for cocoa growing. Gbetibous has estimated, for example, an immediate price elasticity of supply of 0.14; a short-run elasticity of supply of 0.71; and a long-run elasticity of supply ranging between 0.95 and 1.25. See Gbetibous, M., Cocoa Production in Ghana and Export Prospects, World Bank (Mimeo), November 1987.
(g) Products of the milling industry

409. This category covers the manufacture of flour from products such as cereals, malt and starches as well as preparations made from cereals and flour. In Ghana, this includes predominantly the manufacture of flour from imported wheat. Flour is entirely consumed on the domestic market.

410. Output of products classified to this category represent some 4 and 3 per cent respectively of the value of manufacturing output and value added (Table V.2). Of this, well over three-quarters is due to flour milling.

411. Tariffs on cereal flours, groats and meal are 25 per cent. As wheat for flour manufacture is imported at a tariff rate of 10 per cent, substantial tariff escalation exists. This would provide flour milling relatively high effective rates of assistance. The retail price of wheat flour remains controlled by the Government.

412. Tariffs on preparations of cereals, flour and starch are a uniform 25 per cent, except for one tariff item covering "food preparations based on malt extract" which is dutiable at 10 per cent.

(h) Other foodstuffs

413. This group includes mainly eggs, natural honey and certain miscellaneous edible preparations, such as yeasts, sauces and soups. The main product falling into this category produced in Ghana is eggs. Ghana is almost self-sufficient in egg production, imports of which in fresh and dried form are dutiable at a tariff of 25 per cent.

414. Imports of other food preparations are dutiable mainly at 25 per cent.

(iii) Fish, shellfish and products

415. The fresh fish and fish processing industries are important growth areas in Ghana. They include not only Ghana’s coastal fishing resources, but also the substantial inland fishing waters centred on the Lake Volta region. Exports of fish and fish products increased to US$22 million in 1990, compared with US$13 million in the previous year. Seafoods, especially canned tuna, but also frozen fish, shrimps, lobsters and prawns, are amongst Ghana’s most significant non-traditional exports.

416. Tariffs on imported products falling under this category range from 10 to 30 per cent, including an additional special tax of 10 per cent on imports of prepared or preserved fish (Table AV.3). Imports of crustaceans are dutiable at a uniform tariff of 25 per cent.
417. The future importance of the fishing industry to the Ghanaian economy is recognised in the Medium-Term Agricultural Development Programme of the Ministry of Agriculture. Efforts are being directed under this Programme at raising domestic consumption and exports of fish. The predominantly private nature of the fishing industry is to be preserved, and Government involvement restricted to supplying the necessary public services and infrastructure. The Fisheries Development Programme, financed with the assistance of FAO, UNDP and various donor countries, is projected to cost the Government ₵10 billion over the five years commencing 1991.

418. The main priorities for marine fisheries under the Programme are; (i) to improve the outer harbour and drydock facilities at Tema; (ii) to strengthen the research facility at Tema to improve fish resource management in marine and coastal areas, and promote community-based management of inland areas; and (iii) to design and implement a monitoring, control and surveillance system for fleet operations in the coastal economic zone. Expenditure on marine fisheries under the Programme is projected to total almost ₵5 billion.

419. The strategy for the inland fisheries subsector is to develop a resource management plan that will include stock assessment surveys and collection of statistics, as well as the environmental and biological control of fish stocks to provide a firm and scientific basis for development. High priority is given to the development of aquaculture and culture-based fisheries, including the provision of necessary extension services for selected species and private hatcheries and to integrate aquaculture into existing irrigation dams. Development of inland fisheries under the Programme is expected to cost ₵2.3 billion over the next five years.

(iv) Beverages and spirits

420. Production of alcoholic and non-alcoholic beverages is an important industry in Ghana, accounting for some 8 per cent by value of manufacturing output. Its contribution to manufacturing value added is 15 per cent. The industry is dominated by the production of alcoholic beverages, mainly beer. Non-alcoholic drinks represent only 10 per cent of the industry's output.

421. Imports of stout beer are conditionally prohibited. Tariffs on alcoholic (including stout beer) and non-alcoholic beverages range from 10 to 65 per cent, including the additional special import tax of 40 per cent on top of the 25 per cent tariff applied to most alcoholic drinks, including beer and wine. This gives a simple average tariff rate of 37 per cent (Table AV.4). A super sales tax of 40 per cent is applied to the consumption, including imports, of most spirits and wine.
422. Imports of vegetable and fruit juices and most waters are dutiable at 25 per cent, whether bottled or not. The super sales tax at a rate of 100 per cent is applied to the consumption of all juices, whether imported or produced domestically.

(v) Tobacco

(a) Unmanufactured tobacco

423. Tobacco growing in Ghana is a minor agricultural activity. All the tobacco crop is consumed domestically. Imported tobacco leaf used by tobacco manufacturers to blend with locally grown leaf is dutiable at 10 per cent (instead of 25 per cent) under special end-use provisions contained in the customs tariff.

424. Marketing of the tobacco crop is organized by the two domestic processors (see below) and prices paid for leaf are negotiated each growing season with the grower's associations. These prices are, however, reviewed by the governmental Agricultural Commodity Pricing Committee which sets minimum prices for tobacco leaf. Prices are currently set at ₴ 345 per kilo for flue-cured leaf, ₴ 225 for fire-cured tobacco; and ₴ 192 for air-cured leaf. Bonuses on top of these prices of ₴ 93, ₴ 61 and ₴ 31 per kilo, respectively, are paid to farmers.

(b) Manufactured tobacco

425. Manufacture of tobacco products represents over 6 per cent of the value of total manufacturing output, and contributes to some 13 per cent of industrial value added. The process of manufacturing in Ghana is essentially a mixing operation with local manufacturers importing substantial leaf requirements for blending with domestically-grown leaf.

426. Imports of tobacco products are conditionally prohibited, leading in practice to complete protection for local manufacturers. Consequently, the duty rates which range from 25 to 65 per cent for those products subject to an additional special tax of 40 per cent, such as cigarettes, are, in practice, inoperative. The simple average duty applied to tobacco products, inclusive of the special tax, is 58 per cent (Table AV.5). Consumption of cigars is taxed by the super sales tax of 40 per cent applied to imported and domestically-produced products.

427. Tariff escalation in tobacco products is pronounced. Duties on most products of 65 per cent, combined with the end-use provisions which enable manufacturers to import leaf at the concessional rate of 10 per cent, would provide relatively high effective protection to tobacco manufacturers. Effective assistance would be even higher if the protective effects of the conditional prohibition on competing imports were included.
428. Some 80 per cent of the cigarette market is supplied by Pioneer Tobacco Company, a joint venture between UK interests (45 per cent), the Government (40 per cent) and local investors. The remainder is supplied by the Meridian Tobacco Company, a joint venture between the Government (56 per cent) and Rothmans International from the UK. Meridian obtains its local supplies of flue-cured tobacco from the Leaf Development Company which is jointly run with France's Proparco and the Dutch Development Finance Company FMO. Pioneer processes mostly flue-cured with some air-cured and fire-cured tobacco grown by farmers in the Brong-Ahafo region.

(vi) **Animals and products thereof**

(a) **Live animals**

429. Livestock production in Ghana comprises predominantly cattle, sheep, goats, pigs and poultry.

430. Importation of live animals is subject to quarantine and health regulations. Tariffs on imports of live animals range from free to 25 per cent, the simple average rate being 18 per cent (Table AV.6). The tariff on live poultry imports is either free or 20 per cent, depending on size. Nearly all other live animals, if imported, are subject to a duty of 20 per cent.

431. Although Ghana's varied vegetational zones support several forms of livestock, the prevalence of disease and the lack of animal feed continue to be major constraints on the industry.

432. The Livestock Development Programme currently being implemented by the Ministry of Agriculture as part of its Medium-Term Agricultural Development Programme has important implications for the grazing industries. Efforts will be directed towards improving animal husbandry practices and disease control. Direct, or indirect subsidies, on veterinary medicines are to be phased out and replaced by the parallel development of private veterinary services. For poultry and pig producers who rely on maize for animal feed, credit programmes are to be provided to finance the construction of on-farm storage facilities.

(b) **Meat**

433. Ghana produces about one-third of its beef requirements of around 200,000 tons annually. However, overall commercial livestock slaughterings in Ghana are insignificant, representing well under one per cent of manufacturing output. Meat imports, dutiable at 20 per cent, traditionally were sourced from neighbouring countries. More recently, meat imports have come from other markets.
434. Imported prepared or preserved meat and other meat products are mainly dutiable at 25 per cent, although a few products attract tariffs of 20 per cent. The simple average tariff is 23 per cent.

(vii) Grains

435. Cereal production in Ghana consists of mainly the growing of maize, sorghum, Guinea corn and rice which are mainly consumed domestically. Imported cereals are dutiable at 20 per cent, except for wheat and maize which are dutiable at 10 per cent and free, respectively (Table AV.7). The simple average tariff is 18 per cent.

436. Domestic marketing arrangements support guaranteed minimum prices set annually for maize, sorghum and rice by the Agricultural Commodity Pricing Committee. Initially set at higher levels to encourage domestic production, these prices were formerly underpinned by quantitative controls on imports operated by the Ministry of Agriculture. These policies greatly assisted the production of mainly maize and sorghum by raising domestic prices. However, the removal of these import restrictions in 1989 have curbed the extent to which domestic prices can exceed international levels.

437. This is especially the case for rice where significant import competition has driven the domestic price down towards the tariff-inflated world level. About half of Ghana's rice requirements are met from imports and rice farmers, who produced 127,000 tons of rice in 1990 compared with 54,000 tons in 1989, face competition from foreign rice.

438. The Ghana Food Distribution Corporation has traditionally been the Government body responsible for operating the marketing arrangements by purchasing surplus supplies at the prices set by the Agricultural Commodity Pricing Committee. It deals mainly in maize, rice, sorghum and millet and provides food to Government institutions such as schools. It purchases at buying centres located in major production areas, and handles about 10 per cent of the marketed maize crop and a smaller percentage of the rice crop. The Corporation's operations have been constrained by limited storage facilities and a lack of financial resources.

(viii) Oilseeds, fats and oils and their products

(a) Vegetable oils, vegetable seeds and oilcake

439. Tariffs, including special import taxes, on imported products classified to this category range from free to 40 per cent (Table AV.8). The simple average tariff rate is 17 per cent.

440. Tariffs on oil seeds are 10 per cent. Vegetable oils, dutiable at a tariff of 20 per cent, are in addition subject to the special import tax of 20 per cent in the case of palm, sunflower and cotton-seed oil. The simple
average duty for these products inclusive of the special import tax is 29 per cent.

441. Oil palm is processed into palm oil for local consumption. The palm oil industry has experienced substantial import competition over recent years, especially from Nigeria. It was largely in response to this import competition that the Government introduced in 1990 an additional special import tax of 20 per cent on imported vegetable oils competing with domestic production.

442. The palm oil industry was a major beneficiary of Ghana's past import policies. Domestic marketing arrangements, underpinned by previous quantitative restrictions allowing only imports of palm oil to meet shortfalls in domestic production, maintained domestic prices for palm oil at more than double world levels. Although the removal of import controls has narrowed this gap somewhat, the existence of tariffs and additional special taxes on competing imports of vegetable oils totalling 40 per cent, continues to drive a substantial wedge between domestic and world prices.

443. The wholesale price of palm oil and palm kernels and the prices paid by processors for fresh fruit bunches are set annually in Ghana by the group of "Major Producers of Palm Oil Products", in conjunction with major palm oil users, in particular, Lever Brothers. The producers' group comprises Benso Oil Palm Plantation, Ghana Oil Palm Development Corporation, Twifo Oil Palm Plantation, National Oil Palm Ltd and the State Oil Palm Plantations Rehabilitation and Development Committee. Prices are set on a "cost-plus" accounting basis, less processing and transport costs, to allow oil processors with a 25 per cent profit margin. These prices must, in principle, be approved by the Ministry of Agriculture. Although the Government has not directly intervened in setting prices since 1984, it maintains its influence over domestic prices through its major ownership of plantations and representation in the producers' group.

(b) Other fats, oils, waxes, and their products

444. Tariffs on these products range from 10 to 25 per cent, with a simple average of 14 per cent. Imports of margarine and crude coconut oil are dutiable at 25 per cent. Animal fats are dutiable generally at 10 per cent, compared with 20 per cent for imports of marine fats. Fats and acids for industrial uses attract a tariff of 10 per cent.

---

6 The existence of these highly protectionist policies for palm oil, while at the same time taxing cocoa growing, was a major factor behind the expansion of oil palm into marginal areas which would have been better suited to cocoa growing.

7 "Cost Plus" pricing arrangements administered by the Government have the potential to inflate costs and prices where they are underpinned by import restrictions.
445. The production of margarine rose substantially from about 1,000 tons in 1986 to well over 3,000 tons in 1988, the latest year for which data is available.

(ix) Other agricultural products

446. Cut flowers may be imported at a tariff of 25 per cent (Table AV.9). Tariffs on imports of other agricultural products of animal and vegetable origin included in this category range from free to 25 per cent. This yields simple average tariff rates for products of animal origin of 22 per cent and 9 per cent for those of vegetable origin.

(3) Industry

447. Since the mid 1980s, manufacturing has played an increasingly important role in the Ghanaian economy. Currently accounting for almost one-seventh of GDP, up from one-tenth in 1984, the sector has broadly recovered to its relative size of 1975 when the protracted economic decline commenced. However, as most manufacturing output continues to be consumed domestically, exports of manufactured goods outside processed timber and mining products remain limited.

448. Previous manufacturing policies had concentrated on the expansion of import-replacement industries. Imports were heavily constrained by high tariffs and quantitative restrictions; foreign exchange restrictions; administrative price controls were used on many goods instead of market forces to determine incentives and allocate resources; and heavy dependence was placed on large-scale public sector enterprises to develop important industries. These policies produced an industry structure heavily biased towards overprotected industries that were inefficient users of domestic resources. Development of industries had become heavily hampered by shortages of raw materials and capacity utilisation rates fell to, on average, less than 20 per cent.

449. As part of the Economic Recovery Programme commenced in 1983, the Government's objective has been to promote the restructuring of the industrial sector to develop more efficient industries less dependent on Government support. Extensive price controls which stifled market signals were removed on most products; tariffs reduced to a maximum level of 25 per cent on luxury goods; import licensing removed; and subsidies and transfers to industries substantially reduced, from 27 per cent of Government expenditure in 1983 to 10 per cent. Efforts have and continue to be taken to reduce the over-dependence on State-owned enterprises in the manufacturing sector. Some of the most unprofitable State enterprises have been liquidated; and a number of them have been sold-off to the private sector. A further 40 companies have been listed for divestment by 1993. The Government has also taken steps to improve the performance of public utilities by introducing annual corporate plans for monitoring results.
450. This has helped been achieved by the virtual elimination of direct subsidies to State-owned enterprises. However, it appears that State enterprises continue to benefit substantially through Government-provided concessional loans, guarantees on foreign borrowings and arrears on taxes and charges for Government services.

451. The fundamental changes implemented so far in the competitive environment have induced restructuring in the manufacturing sector (Tables V.6 and V.7). Some inefficient import substituting industries, such as textiles, clothing, leather products, paper products and printing, iron and steel, electrical equipment and appliances, and motor vehicles have contracted in the face of heavy competition from abroad. On the other hand, some relatively efficient industries have performed particularly well. These include non-alcoholic beverages, petroleum refining, non-metallic mineral products, especially cement, sawmill and wood products, aluminium and other non-ferrous basic metal products. Capacity utilisation in the manufacturing sector has more than doubled, on average, since 1984, and some industries like wood processing, beverages and tobacco are using around two-thirds of their installed capacity (Table V.8). Especially in the case of beverages and tobacco products, expansion remains aided by substantial tariff assistance and conditional import prohibitions.

452. Despite recent reforms, tariffs remain a substantial barrier to imports, especially against consumer and luxury goods. Tariff escalation, built into the tariff by the four-tiered rate structure, continues to at least potentially distort production patterns by providing relatively high protection for the manufacture of processed goods. This is compounded by the existence of special import taxes on a number of these products.

453. Exports are encouraged by income tax concessions. Foreign investment rules have been revised to provide for special taxation and other incentives in an effort to attract overseas investment. With the exception of mining, foreign investment has not so far been readily forthcoming.

454. Measures currently affecting trade and production in Ghanaian industries, together with data on tariff rates and special import taxes, are summarized in Tables AV.10-18.

(i) Textiles and clothing

455. Tariffs, including special import taxes, on textiles and clothing range from zero to 35 per cent. The simple average rate is 27 per cent. Imports of a variety of products, including both new and worn garments, woven fabrics of cotton, jute, flax, synthetic and artificial filament yarns, and special woven fabrics, are subject to the special 10 per cent import tax (reduced from 40 per cent in the 1990 Budget) on top of the general tariff of 25 per cent.
456. The Ghanaian textiles and clothing industry, once a significant share of manufacturing output, has undergone a major contraction since the commencement of the Economic Recovery Programme. Intense import competition from new, and especially worn apparel, has helped meet the clothing needs of low-income earners. Today, the textiles and clothing industry which had been previously encouraged by relatively high levels of protection through a virtual import prohibition, has virtually disappeared following restructuring largely induced by the changing competitive pressures exerted by the trade liberalisation measures.

457. Price controls continue to operate on cotton-printed textile fabrics.

(ii) Footwear and travel goods

458. Footwear production in Ghana is a relatively minor industry. Tariffs on footwear imports range from 10 to 30 per cent, including a 10 per cent special tax on top of the tariff of 20 per cent on imports of beach sandals and sports shoes. The simple average tariff rate for footwear is 20 per cent.

459. Imports of travel goods, handbags, etc, are dutiable at 25 per cent.

(iii) Transport equipment

(a) Motor vehicles

460. The assembly of final passenger motor cars and commercial vehicles from imported completely- or semi-knocked-down kits (ckd or skd) has been discontinued in Ghana. Although some vehicle assembly capacity was established through investments by foreign car producers such as Renault, these operations have collapsed, partly as a result of the transition to a more competitive economy.

461. Tariffs on imports of new completely-built-up motor vehicles increase with engine capacity and are either 5, 15 or 25 per cent (see Chapter IV). Imported ckd and skd kits for cars of all engine capacities can be imported free of duty. All motor vehicle parts, including used engines, are dutiable at 10 per cent. Commercial vehicles for transporting persons and goods are duty free.

462. Second-hand passenger and commercial motor vehicles exceeding five years of age are subject to an additional customs penalty. The scale of penalties range from 15 per cent of the c.i.f. price for vehicles between five and seven years old, to 150 per cent for saloon cars (or 100 per cent for commercial vehicles) older than 10 years. Tariffs on old imported second-hand motor vehicles, ranging up to 175 per cent, are the highest in Ghana. These duties, as well as the vehicle tax of 10 per cent levied on
the purchase of motor cars and 4-wheel drive vehicles with larger engine capacities, are imposed mainly for revenue reasons.

463. Special customs valuation procedures exist for imports of second-hand motor vehicles. These set customs values for duty purposes according to a pre-determined scale of depreciation charges (see Chapter IV). All imported second-hand vehicles must be inspected by Customs.

(b) Other

464. Aircraft, of which there is no production in Ghana, are dutiable at 25 per cent. A very minor shipbuilding and repair industry exists in Ghana to service mainly the fishing fleet. All boats and ships, except for pleasure craft which are dutiable at 25 per cent, may be imported duty free.

465. All imports of railway locomotives, rolling stock and parts thereof are free of duty.

(iv) Ores and metals

(a) Minerals, precious metals and stones

466. Ghana is naturally endowed with several valuable mineral deposits and the mining sector is a significant traditional growth area for the economy. Mineral exports are Ghana's second largest foreign exchange earner after cocoa. The most important mineral exploited is gold, which accounts for over three-quarters of all mineral exports and almost one-sixth of total export earnings. Other important minerals and precious stones mined in Ghana are alluvial diamonds, bauxite and manganese (Table V.9). Small quantities of limestone and kaolin clay are also mined.

467. Investment in the mining and exploration of all minerals in Ghana is controlled by the Minerals and Mining Law of 1986 which is administered by the Ministry for Lands and Natural Resources and the more recently formed Minerals Commission. Under this Law, all minerals are vested on behalf of the people in the Provisional National Defence Council. Exploration and disposal of any mineral requires a licence issued by the Minister for Lands and Natural Resources. Foreign companies are required to relinquish a 10 per cent interest in the project to the Ghanaian Government which may acquire a further 20 per cent on terms agreed with the lease holder (see Chapter III).

Since motor vehicles are an important input into many production and service activities, these duties raise the costs, and hence reduce the competitiveness, of other sectors.
468. The overhaul of the Minerals and Mining Law in 1986 improved the climate for attracting foreign and domestic investment into the Ghanaian mining sector which, until then, had experienced a massive slow-down in development. The new Law, based on the need to encourage greater foreign participation in the mining sector, established licensing procedures for prospecting and mining as well as developing the rights/obligations of all parties involved. The legislation contained several income tax and other investment incentives and rules governing the taxation of mining income. To date, total investment under the new arrangements has amounted to US$250 million.

469. Gold mining appears to have benefited most from the new arrangements. Production of gold has more than doubled since 1983 to almost 17,000 kgs in 1990 (Table V.10). An additional 95 prospecting licences have been issued, 75 to foreign companies. Four of these have already started production, and a further four have been granted mining leases. The role played by foreign investment has been significant, with a number of joint-venture projects being developed. One such project, Goldenrae Mining, has commenced gold production from its two leases at Kwabeng and Pameng.

470. Another large project was the opening of the Konono Gold Mines in 1988 by Southern Cross Mining Company, a joint venture between an Australian company (70 per cent) and the State Gold Mining Corporation. Total investment in the venture exceeds US$12 million.

471. A major rehabilitation and expansion programme for the largest gold mining company, the state-and-privately-owned Ashanti Goldfields Corporation, raised gold output. The programme is expected to cost in total US$160 million. Negotiations are well advanced with foreign companies to divest the Government's interests in three gold mines belonging to the State Gold Mining Corporation following rehabilitation and upgrading of its mining operations.

472. Gold and diamond production was boosted by the creation of The Precious Minerals Marketing Corporation (formerly the Diamond Marketing Board) by legislation in 1989 to promote the development of the precious metals and jewellery industry. The Board compulsorily markets all diamonds and gold produced by small-scale miners (those having holdings below 25 acres) through the appointment of licensed buying agents. The gold is purchased by the Corporation from licensed buying agents at about 90 per cent of the international price which is determined weekly based on the London Metals Exchange. Currently, there are six licensed agents.

9The international price of gold and diamonds is converted from US dollars to local currency using exchange rates quoted by foreign exchange bureaus. Prior to the Corporation (Footnote Continued)
The Board reported a 38 per cent increase in its export receipts from gold and diamond exports in 1990. Small jewellery sales are also produced and promoted by the Corporation.

473. Diamonds mined in Ghana are mainly of industrial quality (Table V.11). The main company involved in mining diamonds is the State-owned Ghana Consolidated Diamonds which operates mines at Akwatia. Negotiations are well advanced for the disposed of the State's interest in Ghana Consolidated Diamonds to an overseas firm which is expected to raise mine output by injecting new technology and equity finance. In 1990, diamond exports amounted to US$15 million, up from US$2 million in 1983.

474. Bauxite mining is undertaken by the Ghana Bauxite Company, a majority State-owned enterprise, in a relatively small open-pit operation located at Awaso. All bauxite mined in Ghana is exported unprocessed to the United Kingdom, and levels have risen from 70,000 tons in 1983 to 132,000 tons in 1990. The corresponding export values were US$1.4 million and US$10 million. The rehabilitation of the loading facilities at Takoradi has been an important factor in boosting exports.

475. Plans to construct an alumina refining plant to process the large bauxite deposits at Kibi have failed. A feasibility study was completed in 1987, but the depressed international market for aluminium since then has made the project uneconomic.

476. Ghana is the world's sixth largest producer of manganese ore, exporting around $20 million in 1990, compared with US$4 million in 1983. Manganese ore, mined in Ghana at Nsuta by the Ghana National Manganese Corporation (GNMC), is exported mainly as unprocessed manganese carbonate or manganese oxide. However, because of the near exhaustion of the more saleable oxide deposits, plans are underway to commission the long-delayed nodulising plant to convert reserves of manganese carbonates to manganese oxide. The plant has been non-operational since its construction for the GNMC by the American Fuller Company in 1982 at a cost of US$25 million. The oil-fired plant is capable of producing annually over 300,000 tonnes of manganese oxide nodules of high metallurgical content.

477. Quarrying and mining of limestone is restricted to Ghanaians.

(Footnote Continued)

being established, its predecessor, the Diamond Marketing Corporation, the single official purchaser of diamonds, could not offer competitive prices for diamonds because it had to use the overvalued official exchange rate. Small-scale gold mining was illegal prior to 1989. Consequently, gold and diamonds from the small-scale mining sector were previously smuggled across the border to neighbouring countries where prices were more attractive.
478. Tariffs on mineral ores are 10 per cent. Precious metals like gold and silver, if imported, are subject to a tariff of 25 per cent. Imports of diamonds are dutiable at a tariff rate of 25 per cent. A super sales tax of 20 per cent also applies to all purchases, including imports, of diamonds.

(b) Basic and non-ferrous metals

479. Tariffs applying to imports of basic metals range from free to 25 per cent. Iron and steel basic products and non-ferrous metals are mainly subject to a 10 per cent tariff.

480. Iron and steel production in Ghana is a relatively small operation limited to three companies involved in processing imported billets into iron rods. A Sponge Iron Plant using domestic iron ores is being considered. A feasibility study of a plant with annual capacity of 15,000 to 30,000 tons is scheduled.

481. The major non-ferrous metal manufactured in Ghana is aluminium produced by the Volta Aluminium Company from imported alumina derived from Jamaican bauxite. The smelter, located at Tema and owned jointly by the American firms of Kaiser Aluminium and Chemical Corporation (90 per cent) and Reynolds Metals Company (10 per cent), utilizes hydroelectricity generated by the Volta River Authority. The operation has in the past benefited from subsidised electricity prices and from being able to import all materials for the smelter duty-free.

482. Production of aluminium is an important manufacturing activity in Ghana, accounting for around one-fifth of total industrial output and value added. Most production is exported, mainly to the United States, Germany and the Netherlands for further processing within the company group. In 1989, exports to this market amounted to well over US$230 million. Aluminium is used domestically mainly as an input into the metal fabrication industries, such as the manufacture of building materials like louvre frames and trestles; household utensils like cutlery; handtools; and aluminium sheets and coils.

(c) Metal manufactures

483. Manufacture of basic metal products such as handtools, cutlery and general hardware, as well as fabricated metal products, represents an important component of Ghana's engineering industry. However, the low unit

10 Imports of alumina and exports of aluminium ingots are not recorded in the national balance-of-payments statistics. Under these arrangements, the smelting process is a tolling operation whereby the company pays a processing fee.
values of goods produced, such as simple handtools used in agriculture like sprayers and machetes, means that it accounts for only about 2 per cent of manufacturing output and value added.

484. Tariffs on imports range from free to 25 per cent, and average 13 per cent on an unweighted basis. Handtools are dutiable at mainly 10 per cent, except those used in agriculture which are duty-free. Cutlery is importable at a tariff rate of 20 per cent.

(v) Machinery and equipment

485. Production of machinery and equipment in Ghana is restricted mainly to the manufacture of simple agricultural implements such as disc ploughs and harrows, simple industrial machines like cement block-making machines and cassava graters.

486. The engineering industry is heavily dependent on imported raw materials, including steel plates, bars and motors. Local suppliers are used to source simple inputs, such as wood and plywood, paint, scrap iron, aluminium ingots, rubber and foam. The industry accounts for a very low share of manufacturing output.

487. Imports of non-electric machinery are constrained by tariffs which range from free to 25 per cent, equivalent to a simple average tariff of 10 per cent. Most agricultural machinery can be imported duty-free.

488. Electrical machinery and equipment classified in this category are dutiable at tariffs, including special import taxes, ranging from free to 40 per cent. The simple average tariff rate is 13 per cent. Most goods, with the exception of household appliances and television equipment that are dutiable at mainly 25 per cent, are subject to a tariff of 10 per cent.

489. Imports of auto-batteries are subject to an additional special tax of 20 per cent on top of the 10 per cent tariff. Light bulbs attract a special import tax of 20 per cent in addition to the tariff of 20 per cent.

490. Electrical machinery manufactured in Ghana is a small operation and comprises mainly assembly operations, such as for television receivers.

(vi) Energy products

(a) Petroleum sector

491. Petroleum refining accounts for about one-sixth of total manufacturing output, and one-twelfth of industrial value added. The country's sole refinery is operated at Tema by the Ghanaian-Italian Petroleum Company which is half owned by the Government. Local supplies of crude oil are heavily supplemented by imports, especially from Nigeria, but
also from Iran, Libya and Algeria (Table V.12). Exports of petroleum products are limited to small quantities of residual oil.

492. The Government is attempting to achieve self-sufficiency in petroleum products by intensifying exploration efforts (especially offshore) and by rehabilitating the refining and distributional infrastructure. The capacity of the Tema refinery is to be increased from 28,000 barrels per day (b/d) to 34,000 b/d at an estimated cost of US$35 million. Ghana Oil is to provide US$5 million and the remainder is to be funded by international agencies such as the World Bank.

493. Retail prices for refined petroleum products, which are controlled by the authorities, have increased substantially in recent years in line with the Government's policies of introducing world-parity pricing for these products. For example, the retail price of super petrol was increased over fourfold from G 235 in 1988 to above G 1000 in 1990. A flexible mechanism for determining the retail prices of petroleum products is being implemented to ensure that domestic prices fully reflect the costs of importation as well as domestic refining and marketing costs. As a result, subsidies on consumption of petroleum products have been eliminated and domestic petroleum prices will in future move in line with world levels.

494. Foreign participation in oil exploration and production is controlled by the Ghana National Petroleum Corporation through production-sharing contracts (see Chapter III). These have a maximum life of 30 years. Under the Petroleum Law of 1984, the Government acquires a 10 per cent interest in all ventures. The exact terms of the production-sharing arrangements are negotiated for each project, and the private contractors are permitted to obtain full recovery of exploration, development and production costs up to a maximum of half of the gross value of production.

(vii) Chemicals

495. The chemical sector in Ghana accounts for some 7 and 6 per cent of total manufacturing output and value added, respectively. The sector is mainly involved in the production of soaps, mainly by Lever Brothers, followed by pharmaceuticals. Together, these industries represent about three-quarters of all chemicals produced in Ghana.

---

11 Fuel prices more than doubled in four separate increases during 1990. The last of these rises, of 67 per cent in November 1990, was based on a full flow-on of the higher import costs; a further increase in excise taxes for main petroleum products, and the need to raise prices more into line with neighbouring countries to prevent smuggling.

12 Following these arrangements, retail petroleum prices fell on average by 12 per cent in March 1991, in line with falls in the world price of crude oil.
496. Tariffs on imported goods classified to this category range from free to 35 per cent, with a simple average of 12 per cent. Tariffs on organic chemicals, other chemical elements and compounds, colouring materials and paints are mostly 10 per cent.

497. The Government is seeking foreign participation in establishing a caustic soda plant in Ghana which would utilize the rich local salt deposits. However, as yet the project has attracted only mild interest. A major problem to be overcome would be the disposal of chlorine produced as a by-product of manufacturing caustic soda. One possibility being considered is the export of chlorine to Nigeria for further processing. The establishment of an alumina refining plant in the country would increase considerably the demand for caustic soda.

498. Imports of soaps, cleaning preparations, cosmetics and toiletries are subject to tariffs ranging from 20 to 35 per cent, including a special tax of 10 per cent. Most imports attract a duty of 35 per cent, so that the simple average tariff applying to these products is 28 per cent. As most inputs into the production of these goods are either duty-free or, to a lesser extent 10 per cent, the manufacture of these consumer/luxury goods is assisted by substantial tariff escalation.

499. The pharmaceuticals industry in Ghana comprises the manufacture of common-use drugs such as analgesics and medical supplies like syringes and bandages. Nearly all imports of pharmaceuticals and medical products are dutiable at 10 per cent. By far the main exception is anti-malarial drugs and analgesics which are subject to an additional special tax of 10 per cent to protect domestic supplies.

(viii) Leather, rubber, wood, articles thereof and furniture

(a) Leather

500. The manufacture of hides, leather and leather products is a relatively minor industry in Ghana. In total, these products account for well under one per cent of manufacturing output.

501. Tariffs on imports of raw hides and skins, leather and furskins range from 10 to 25 per cent. The simple average is 16 per cent. Imports and domestically-produced furskins are subject to a super sales tax of 40 per cent.

502. Imports of semi-manufactured leather products are dutiable at 10 per cent. Tariffs on manufactured leather articles are mainly 25 per cent. The only exception is articles of leather clothing, including gloves and belts, which are dutiable at a special import tax of 10 per cent in addition to the tariff rate of 25 per cent.
(b) Rubber

503. Rubber is mainly grown in Ghana by smallholders who sell their field grade rubber, mainly cup lump and coagulum to the private traders of the Leader Rubber Company and the Ghana Export Company. Ribbed, smoked sheets (RSS) grades are sold directly to the Ghana Rubber Estates Ltd.

504. Tariffs on raw rubber are 10 per cent. Imported semi-manufactured and manufactured rubber products are mainly dutiable at either 10 per cent, such as tyres, or 20 per cent for goods like hoses and pipes. The only exceptions are bicycle tyres which are free of duty, and articles of rubber clothing which are dutiable at a 25 per cent tariff and subject to an additional special import tax of 10 per cent.

505. Most of the rubber produced in Ghana is processed into tyres by the Government-owned Bonsa Tyre Co. Ltd. or exported to Eastern European countries formerly under barter trading arrangements. Today, rubber exports are made mainly under open market conditions. The manufacture of rubber products accounts for well under one per cent of total manufacturing output. Tyres and tubes are by far the most important.

(c) Wood

506. The timber industry is important to the Ghanaian economy (Table V.13). Processed timber products account for some 8 and 10 per cent of manufactured output and value added, respectively (Table V.2). Total timber exports, including value added products, rose from US$102 million in 1989 to US$135 million in 1990. This makes the timber industry one of the top three export earners, accounting for some 11 per cent of Ghana's foreign exchange receipts. Some 6 per cent of GDP comes from the forestry sector.

507. Tariffs on wood, wood-based panels, such as plywood, and semi-manufactured and manufactured articles of wood including furniture are predominantly 25 per cent, although they do range from 10 to 25 per cent. The simple average tariff rate applying to these products is 24 per cent.

508. It is the objective of the Government to encourage the production and export of value-added semi-finished and finished products, such as wood-based panels like veneers and plywood, and furniture to replace traditional exports of lumber. To achieve this objective, the Government has been progressively since the late 1980s introducing restrictions on exports of unprocessed timber, such as logs. Bans on the export of roundlogs have been widened to cover 18 species, and the export of green and air-dried lumber will be phased-out by 1994. Export levies of between 10 and 50 per cent of the f.o.b. price have been increased on a number of log species. These export restrictions are seen as a means of increasing
foreign currency earnings, generating greater employment and assisting in establishing sustainable forest management programmes.

509. The desirability of using export restrictions as a means of promoting domestic value-added processing and protecting the environment can be seriously questioned (Note V.2). While export bans on logs benefit downstream wood processing industries, they tax the forestry and basic timber industries by reducing domestic prices. With exports of unprocessed lumber still accounting for some three-quarters of the value of forestry exports, such policies may run the risk of reducing the country's longer-term export potential by preventing unprocessed exports and developing less efficient export-processing industries dependent on continued government support. Furthermore, the objective of using export restrictions to promote domestic value added appears to conflict with the goal of forest conservation since they are likely to encourage greater felling of trees to feed wood processing industries.

510. Exports of forestry products are promoted by the Timber Export Development Board, established by legislation in 1985. The Board is mainly responsible for the promotion and export of timber products; making projections of international demand for timber products; and the collation, analysis and dissemination of market information to the industry. All exports of timber products must be approved by the Forest Products Inspection Bureau in collaboration with the Board. The Board follows closely international prices of wood products from its London office to ensure that Ghanaian exporters receive realistic prices.

13 In the short-term, export receipts from timber products may in fact be reduced by such policies and, even if increased in the longer term, whether Ghana gains economically from these arrangements would depend upon the development of internationally efficient wood processing industries which are capable of surviving without Government assistance.

14 By in effect providing timber processors with an input subsidy, export restrictions may encourage greater depletion of forests especially if, as is often the case, they already benefit from having access to public forests at prices that do not reflect their true opportunity cost. Production controls on logging rates that do not discriminate against exports would generally be a more efficient means of preserving forests for environmental reasons.
Note V.2 Export restrictions to promote domestic processing and environmental conservation

Many developing countries, such as Ghana, are increasingly resorting to export taxes, bans and other means of restricting exports of natural resources, especially lumber, for the purposes of both conserving their use and promoting greater domestic value-added processing. The expectation is that these restrictions will generate employment, raise export receipts and boost the economy generally. However, the efficacy of using export restrictions to achieve these objectives is highly questionable.

Restricting exports of the primary resource encourages downstream processing by providing, in effect, an input subsidy to processors. By diverting export sales of the resource onto the home market, export restrictions lower the resource's domestic price. While processors benefit from lower domestic prices, raw material suppliers are penalized. Subsidizing exports of processed products indirectly through export restrictions on major raw material inputs, like subsidizing exports directly, risks encouraging inefficient industries which become permanently dependent on government support. Additional processing is only worthwhile if it can be performed economically at world prices for both outputs and inputs.

Moreover, encouraging greater domestic processing by restricting raw material exports is likely to conflict with environmental objectives, rather than helping to achieve them. For example, lowering domestic log prices by restricting lumber exports but not the exports of processed timber products, not only encourages processors to expand production, but reduces the financial incentives for processors to adopt efficient, less wasteful technology and processing practices. Similarly, the incentives for owners of natural resources to engage in conservation and reforestation practices are diminished. Export restrictions are likely therefore to be environmentally counterproductive since they reduce the market incentives for both owners and processors to conserve natural resources.

The most effective method of conserving natural resources is not through trade distorting measures, but rather by controlling their depletion with policies that do not discriminate between domestic and export markets, such as a logging quota or royalty payments on trees felled.
511. New export procedures were introduced in 1989 to enable exporters to sell directly abroad, thus eliminating the need for sales agents. A Forestry Improvement Fund was established by the timber industry to help fund afforestation, research and other activities. Exporters contribute one per cent of the f.o.b. value of log exports to the Fund.

512. Government assistance to the forestry sector has been limited to the provision of infrastructure, such as roads, railways and ports, and services, including the dissemination of information on improved forest practices and the finance of extension services. The Government implemented in 1989 the Ghana Forestry Resource Management Programme to develop, through the Tropical Forestry Action Plan, logging practices based on sustainable yields. Efforts are also being undertaken to develop and implement rural forest zones with special emphasis on priority areas in the Savanna areas of the Upper East, Upper West, Northern, Greater Accra, Eastern and Volta regions.

(ix) Pulp, paper and paperboard

513. The industry represents a minor share of manufacturing output. The main activity in Ghana is the manufacture of packaging containers and boxes of paper and paperboard.

514. Tariff escalation exists in the paper industry. Tariffs on basic wood pulp are 10 per cent, while for paper and paperboard and manufactured articles, tariffs of mainly 20 and 25 per cent apply. Articles of paper clothing are dutiable at 30 per cent, including a special import tax of 10 per cent. The simple average tariff rate for products classified to this category is 17 per cent.

515. Of greater importance is the production of printed matter which accounts for 1 and 2 per cent of industrial output and value added, respectively. Tariffs on books, brochures, newspapers and maps are duty free, while most other printed material is dutiable at 20 and 25 per cent.

(x) Other products

516. Production in Ghana in this heterogeneous residual category is dominated by salt, cement and glassware. The tariff rate for salt is 25 per cent, and for cement is 10 per cent. Tariffs on glass and glassware range from free to 35 per cent, including a special import tax of 10 per cent on certain glass woven fabrics, and average 14 per cent. Other mineral manufactures are dutiable at tariffs ranging from 10 to 25 per cent, with a simple average rate of 15 per cent.
517. Cement production represents some 2 per cent of manufacturing output and value added in Ghana. The cement industry is regulated by the Government through a Committee which allocates supplies at controlled prices. Consideration is being given to establishing a clinker and cement industry at Buipe using local limestone deposits.

518. Salt is a major potential non-traditional export earner, exporting in the first half of 1988 about 20,000 tons, valued at over US$1 million. Most exports go to Burkina Faso, Niger, Mali, Brazil, Togo and Côte D'Ivoire.

519. Salt is produced mainly on the coast from sea water through solar evaporation. Salt mining also has potential in the north. The Ministry of Lands and Natural Resources, in conjunction with the Export Promotion Council, are attempting to implement arrangements to improve salt marketing. These include extension of the Export Production Village concept by the Ghana Export Promotion Council to small-scale salt producers; introduction of the concept of "Salt Market for Export"; and the setting and administering of a national standard on salt by the Ghana Standards Board.

520. An indefinite ban imposed by the Bank of Ghana in 1988 to control outstanding foreign exchange repatriations from exporters, was lifted in late 1988. Since then, all salt exporters have been registered with the Export Promotion Council.

521. The manufacture of glass and glass products in Ghana was boosted with the reopening of the glass factory at Aboso with an annual production capacity of 25,000 tons.

522. Musical instruments and sound reproduction apparatus are dutiable at tariffs ranging from 25 to 65 per cent, including a special tax of 40 per cent on imports of records, magnetic tapes and discs. The simple average tariff rate for these goods is 39 per cent.
VI. TRADE DISPUTES AND CONSULTATIONS

523. Ghana has no statutory domestic procedures for conducting consultations or negotiations with trading partners in the event of trade disputes. Issues which may give rise to trade disagreements tend to be resolved through bilateral discussions with the parties concerned.

(1) GATT Dispute Settlement

524. Ghana has never been involved, as a complainant or defendant, in any GATT dispute settlement procedure under Articles XXII and XXIII.

(2) Other Disputes

525. Under the Lomé Convention with the European Communities, any dispute concerning the interpretation or the application of the Convention is to be referred to the Convention's Council of Ministers for settlement. The Council of Ministers is composed of the members of the EC Council, members of the EC Commission and a Government member of each ACP State. There have been no disputes involving Ghana.

526. Article 56 of the ECOWAS Treaty provides for the establishment of a Tribunal to settle disputes among member states on the interpretation of the Agreement. However, the Tribunal has yet to be established by the Authority of Heads of State, the principal governing body of ECOWAS. Once formed, decisions by the Tribunal would be final.

527. The GATT Secretariat is not aware of any formal trade disputes involving Ghana. The bilateral trade agreements concluded by Ghana contain no dispute settlement procedures and are subject to normal GATT rules and disciplines.