1999 Country Reports on Economic Policy and Trade Practices
Released by the Bureau of Economic and Business Affairs
U.S. Department of State, March 2000

GHANA

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise indicated)

	1997	1998	1999 1/
Income, Production and Employment:			
Nominal GDP 2/	6,884	7,630	N/A
Real GDP Growth (pct) 3/	4.2	4.6	4.5
GDP by Sector:			
Agriculture	2,574	3,090	N/A
Manufacturing	640	656	N/A
Services	1,976	2,220	N/A
Government	730	832	N/A
Per Capita GDP (US$)	385	415	N/A
Labor Force (000s)	8,240	8,480	8,734
Unemployment Rate (pct)	22	20	20
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	40.8	17.6	3.9
Consumer Price Inflation (end-of-period)	20.8	15.7	12.6
Exchange Rate (Cedis/US$ annual average)	2,250	2,346	3,100
Interbank (mid-rate)			
Balance of Payments and Trade:			
Total Exports FOB 4/	1,491	1,830	1,880
Exports to U.S. 4/	154	144	140
Total Imports CIF 4/	2,128	2,213	2,253
Imports from U.S. 4/	314	223	253
Trade Balance 4/	-637	-383	-373
Balance with U.S.	-160	-79	-113
External Public Debt	5,651	5,922	5,750
Fiscal Deficit/GDP (pct)	2.6	2.3	N/A
Current Account Deficit/GDP (pct)	8.5	3.5	N/A
Debt Service Payments/GDP (pct)	8.6	8.4	N/A
Gold and Foreign Exchange Reserves	508	508	364
Aid from U.S.	52	58	60

Aid from All Other Sources	N/A	N/A	N/A

1/ 1999 figures are all estimates based on most recent data available.
2/ GDP at factor cost.
3/ Percentage changes calculated in local currency.
4/ Merchandise trade.
5/ Data not available.

1. General Policy Framework

Ghana operates in a free market environment under a popularly elected civilian government. In December, 1996, Ghana had its second experience in multiparty elections since the inauguration of the 4th Republic in January, 1993. President Jerry John Rawlings was reelected for a second four-year term which will expire in December of 2000.

Rawlings headed a "provisional" regime from the end of 1981 until January, 1993, when democratic government under a written constitution was restored. Unlike the first parliament, the present has an opposition presence with 67 seats out of 200. An independent judiciary acts as the final arbiter of Ghanaian laws. The next presidential and parliamentary elections are scheduled for the year 2000.

Since 1983 Ghana has pursued an economic reform agenda aimed generally at reducing government involvement in the economy and encouraging private sector development. Inflationary pressures as a result of government expenditure overruns prior to 1992 and 1996 presidential and parliamentary elections have been contained to some extent. However, fiscal performance by government in the third quarter of 1999 is the basis for concern since government has resorted to heavy domestic borrowing to make up for shortfalls from mainly non-tax revenue, leading to rising domestic interest rates.

The Bank of Ghana is currently pursuing a tight monetary policy in an attempt to absorb excess liquidity in order to sustain the downward trend in inflation. Inflation, measured at about 71 percent at the end of 1995, has consistently declined to 9.4 percent at the end of May, 1999, the lowest for 20 years before rising to 12.6 percent in October of 1999. Following the steady fall in inflation, the Central Bank cautiously made reductions in the bank rate or rediscount rate from 45 percent in 1995, to 27 percent in April, 1999. Lending rates, which fell accordingly, have started rising as the Bank intensifies its open market operation to keep money supply within target. Increases in domestic prices of petroleum products to make up for corresponding increases in world crude oil prices, and the rapid depreciation of the local currency against major foreign currencies, are exerting intense inflationary pressures.

The government's economic program has focused on the development of Ghana's private sector, which historically has been weak. Privatization of state-owned enterprises continues, with about two-thirds of 300 enterprises sold to private owners. Despite the energy crisis in 1998, Ghana achieved real economic growth of 4.6 percent as against 4.2 percent recorded in 1997. Growth in 1999 is expected to be lower than the government projection of 5.5 percent due to the effect of terms of trade shocks in 1999 arising from a decline in world prices of cocoa and gold and increases in oil prices. Agriculture (which still accounts for about 41 percent of GDP and employs about 60 percent of the work force) and manufacturing have recorded much slower growth. Other reforms adopted under the government's structural adjustment program include the elimination of exchange rate controls and the lifting of virtually all restrictions on imports.

The establishment of an Interbank Foreign Exchange Market has greatly expanded access to foreign exchange. The elimination of virtually all local production subsidies is further indication of the government's intention to move toward a market orientation for the economy.

2. Exchange Rate Policy

The foreign exchange value of the Ghanaian cedi is established independently through the use of Interbank Market and Foreign Exchange bureaus, and currency conversion is easily obtained. The foreign exchange auction procedure was abandoned in 1992. Ghana fully accedes to Article IV of the IMF convention on free current account convertibility and transfer. Through the Bank of Ghana's intervention, the cedi depreciated by about 13 percent in 1998 as compared to an annual average of about 25 percent during 1993 to 1997. Depletion of the Bank's foreign exchange reserves in 1999, mainly as a result of higher oil import bills and shortfall in external program assistance, has resulted in a sharp depreciation of the cedi and a shortage of major foreign exchange. In general, the exchange rate regime in Ghana does not have any particular impact on the competitiveness of U.S. exports. This may change, however, if the euro continues its fall in relation to the dollar.

3. Structural Policies

Ghana progressively reduced import quotas and surcharges as part of its structural adjustment program. Tariff structures are being adjusted in harmony with the ECOWAS Trade Liberalization Program. With the elimination of import licensing in 1989, importers are now merely required to sign a declaration that they will comply with Ghanaian tax and other laws. Imported goods currently enjoy generally unfettered access to the Ghanaian market.

The government professes strong support for the principle of free trade. However, it is also committed to the development of competitive domestic industries with exporting capabilities. The government is expected to continue to support domestic private enterprise with various financial incentives. Ghanaian manufacturers seek stronger protective measures and complain that Ghana's tariff structure places local producers at a competitive disadvantage relative to imports from countries enjoying greater production and marketing economies of scale. High local production costs frequently boost the price of locally manufactured items above the landed cost of goods imported from Asia and elsewhere. Reductions in tariffs have increased competition for local producers and manufacturers while reducing the cost of imported raw materials.

The government successfully reintroduced value-added tax (VAT) in December, 1998, at a ten- percent rate. Government has proposed an increase to 12.5 percent to make up for anticipated revenue shortfalls in 2000. Additionally, government is expected to broaden the tax base and enhance compliance. All these, although significant, are not enough to reduce net domestic borrowings in order to ease pressure on inflation and domestic interest rates. In 1998, government's domestic interest payments were about 30 percent of its domestic revenue, more than the local budget for both health and education.

Despite successful structural reform in other parts of the economy, one disappointment in Ghana's recent efforts has been that of its divestiture program. The Divestiture Implementation Committee (DIC) published an action plan in April 1999 detailing an agenda for the divestiture of several major enterprises and outlined specific annual targets for receipts. Since then, the actual implementation has included only two divestitures, that of the State Transport factory and that of GHACEM, a cement factory, totaling US$31.5 million.

4. Debt Management Policies

Ghana's total outstanding external debt, including obligations to the IMF, totaled approximately USD 5.7 billion at the end of the second quarter of 1999. Outstanding obligations to the IMF under medium-term facilities stood at USD 305 million at the end of the same period. At that time, outstanding long-term debt was about USD 5 billion (about 88 percent of total debt), of which USD 1.5 billion and USD 3.5 billion were owed to bilateral and multilateral institutions, respectively. The size of external debt as a proportion of GDP continues to decrease from its 1994 level of 97 percent to 79 percent of GDP in 1998. Ghana's debt service ratio in 1998 was 31 percent. In 1991 Ghana cleared all external debt arrears. Ghana is a heavily indebted poor country (HIPC) but has not asked to be the beneficiary of debt relief or rescheduling in recent times. To better manage its debt portfolio, since August, 1997, government has applied a moratorium on public and public guaranteed non-concessional borrowings.

Persistent balance of payments deficits have resulted in a continuing increase in foreign indebtedness. Swings in commodity prices, especially gold and cocoa, have a dramatic impact on Ghana's export revenues. In 1999, Ghana suffered from external shocks not only from the falling prices of these commodities but also the increase in the world price of crude oil. These are estimated to cumulatively affect the balance of payments by about 370 million dollars in 1999. This deficit is reflected in reduction in imports, lower GDP, and exchange rate adjustments. The government is expected to sustain its present level of external program assistance and increase receipts from the divestiture of state-owned enterprises to moderate the volatility of the cedi.

5. Significant Barriers to U.S. Exports

Import licenses: Ghana eliminated its import licensing system in 1989 but retains a ban on the importation of a narrow range of products that do not affect U.S. exports. Ghana is a member of the WTO.

Services Barriers: The Ghanaian investment code prohibits foreign participation in the following sectors: small-scale wholesale and retail sales, taxi and car rental services with fleets of fewer than ten vehicles, lotteries, and barber and beauty shops. Current insurance law requires at least 40 percent Ghanaian ownership of insurance firms in Ghana.

Standards, Testing, Labeling, and Certification: Ghana has promulgated its own standards for food and drugs. The Ghana Standards Board, the national testing authority, subscribes to accepted international practices for the testing of imports for purity and efficacy. Under Ghanaian law, imports must bear markings identifying in English the type of product being imported, the country of origin, the ingredients or components, and the expiration date, if any. Non-complying goods are subject to government seizure. Several highly publicized seizures of goods (pharmaceuticals and food items) with expired shelf-life dates are occasionally carried out. The thrust of this law is to regulate imported food and drugs; however, by its terms the law applies to non-consumable imports as well. Locally manufactured goods are subject to comparable testing, labeling, and certification requirements. Four pre-shipment inspection firms contracted by government also perform testing and price verification for some selected imports that are above USD 5,000.

Investment Barriers: The investment code guarantees repatriation of dividends, loan repayments, licensing fees and repatriation of capital. It also provides guarantees against expropriation or forced sale and sets forth dispute arbitration processes. Foreign investors are not subject to differential treatment on taxes, access to foreign exchange and credit, or importation of goods and equipment. Separate legislation covers investments in mining and petroleum and applies equally to foreign and Ghanaian investors. The investment code no longer requires project approval from the Ghana Investment Promotion Center (GIPC). The U.S. Embassy reports growing problems related to government violations of private sector landowning rights and property rights.

Government Procurement Practices: Government purchases of equipment and supplies are usually handled by the Ghana Supply Commission (the official purchasing agency) through international bidding and, at times, through direct negotiations. Former government import monopolies have been abolished. However, parastatal entities continue to import some commodities. The parastatals no longer receive government subsidies to finance imports.

6. Export Subsidies Policies

The Government of Ghana does not directly subsidize exports. Exporters are entitled to a 100 percent refund for duty paid on imported inputs used in the processing of exported goods. Bonded warehouses have been established which allow importers to avoid duties on imported inputs used to produce merchandise for export. Firms involved in exports enjoy some fiscal incentives such as tax holidays and preferential tax/duty treatment on imported capital equipment. Firms under the export processing zones all benefit from the same incentives.

7. Protection of U.S. Intellectual Property

After independence in 1957, Ghana instituted separate legislation for copyright (1961) and trademark (1965) protection based on British law. Subsequently, the government passed modified copyright and patent legislation in 1985 and 1992, respectively. Prior to 1992 the patent laws of the United Kingdom applied in Ghana. Ghana is a member of the Universal Copyright Convention, the World Intellectual Property Organization, and the English-Speaking African Regional Intellectual Property Organization, and is also a signatory to the WTO Agreement on TRIPs. IPR holders have access to local courts for redress of grievances. Few infringement cases have been filed in Ghana in recent years. Ghana has not been identified as a priority country in connection with either the Special 301 Watch List or Priority Watch List.

Patents (Product and Process): Patent registration in Ghana presents no serious problems for foreign rights holders. Registration fees vary according to the nature of the patent, but local and foreign applicants pay the same rate.

Trademarks: Ghana has not yet become a popular location for imitation designer apparel and watches. In cases where trademarks have been misappropriated, the price and quality disparity would be apparent to all but the most unsuspecting buyer.

Copyrights: Enforcement of foreign copyrights may be pursued in the Ghanaian courts, but few such cases have actually been filed in recent years. The bootlegging of computer software is an example of copyright infringement taking place locally. There is no data available to quantify the commercial impact of this practice. Pirating of videotapes is another local practice that affects U.S. exports, but the evidence suggests that this is not being done on a large scale. There is no evidence of a significant export market for Ghanaian-pirated books, cassettes, or videotapes.

In summary, infringement of intellectual property rights has not had a significant impact on U.S. exports to Ghana. Pirated computer software may become a more significant problem in the future, however, as computer use grows.

8. Worker Rights

a. The Right of Association: Trade unions are governed by the Industrial Relations Act (IRA) of 1958, as amended in 1965 and 1972. Organized labor is represented by the Trades Union Congress (TUC), which was established in 1958. The IRA confers power on government to refuse to register a trade union, but the current government or the previous military regime has not exercised this right. No union leaders have been detained in recent years, nor has the right of workers to freely associate otherwise been circumscribed.

b. The Right to Organize and Bargain Collectively: The IRA provides a framework for collective bargaining and protection against anti-union discrimination. Law prohibits civil servants from joining or organizing a trade union. However, in December, 1992, the government enacted legislation which allows each branch of the civil service to establish a negotiating committee to engage in collective bargaining for wages and benefits in the same fashion as trade unions in the private sector. While the right to strike is recognized in law and in practice, the government has on occasion taken strong action to end strikes, especially in cases involving vital government interests or public order. The IRA provides a mechanism for conciliation and arbitration before unions can resort to industrial actions or strikes. Over the past four years there have been several industrial actions involving salary increase demands, conditions of service, and severance awards. 1999 saw a number of short-lived “wild cat” strikes by doctors and industrial workers.

c. Prohibition of Forced or Compulsory Labor: Ghanaian law prohibits forced labor and it is not known to be practiced. The International Labor Organization (ILO) continues to urge the government to revise legislation that permits imprisonment with an obligation to perform labor for offenses that are not countenanced under ILO Convention 105, ratified by Ghana in 1958.

d. Minimum Age of Employment of Children: Labor legislation in Ghana sets a minimum employment age of 15 and prohibits night work and certain types of hazardous labor for those under 18. The violation of child labor laws is common and young children of school age can often be found during the day performing menial tasks in the agricultural sector or in the markets. Observance of minimum age laws is eroded by local custom and economic circumstances that compel children to become wage earners at an early age. Inspectors from the Ministry of Labor and Social Welfare are responsible for enforcement of child labor laws. Employers who violate laws prohibiting heavy labor and night work by children are occasionally prosecuted.

e. Acceptable Conditions of Work: In 1991 a Tripartite Commission composed of representatives from government, organized labor, and employers established minimum standards for wages and working conditions. The daily minimum wage combines wages with customary benefits such as a transportation allowance. The current daily minimum wage is Cedis 2,900, about 85 cents at the present rate of exchange. This sum does not permit a single wage earner to support a family and frequently results in multiple wage earners and other family-based commercial activity. A much-vaunted, government-commissioned study on reform of the civil service (including a serious revision of grades and salary levels) was implemented in June, 1999. By law the maximum workweek is 45 hours, but collective bargaining has established a 40-hour week for most unionized workers.

f. Rights in Sectors with U.S. Investment: U.S. investment in Ghana is concentrated in the primary and fabricated metals sectors (gold mining and aluminum smelting), food and related products (tuna canning and beverage bottling), petroleum marketing, and telecommunications. Labor conditions in these sectors do not differ significantly from the norm, save that wage scales in the metals and mining sectors are substantially higher than elsewhere in the Ghanaian economy. U.S. firms have a good record of compliance with Ghanaian labor laws.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1998

(Millions of U.S. Dollars)

Category	Amount	
Petroleum		-1
Total Manufacturing		(1)
Food & Kindred Products	0	
Chemicals & Allied Products	0	
Primary & Fabricated Metals	(1)	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	0	
Wholesale Trade		0
Banking		0
Finance/Insurance/Real Estate		0
Services		0
Other Industries		0
TOTAL ALL INDUSTRIES		(1)

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.