

Investment Climate

Macroeconomic Situation:

Ghana is currently experiencing good growth, but high inflation. With weak export earnings, and a falling cedi, the current account-deficit is estimated to have been 9% of GDP in 1999. Forecasts predict that GDP growth will remain relatively strong, recovering from the (EIU estimated) growth rate of 4.2% in 1999 to 5.2% in 2000 and 5% in 2001. If Ghana sticks closely to its IMF adjustment programme aid inflows should continue to bridge the financing gap. It is expected that the cedi will remain weak in 2000, falling by 26%, although the depreciation should slow to 10% in 2001. Monetary policy was tightened in the last quarter of 1999 to bring inflation back under control, and will be unchanged in 2000 in order to offset a marginally expansionary fiscal policy.ⁱ

Business Environment:

Economic reforms have created a new business environment for the private sector. They include removal of price controls, the lowering of the corporate tax, sales tax and excise tax, removal of controls on interest rates, bank charges and credit allocation. The private sector can now source equity and loans through venture capital companies, equity through the Ghana Stock Exchange and equipment from leasing companies. Current trade liberalisation includes tariffs reduction to a maximum of 25% and the abolition of the import licensing system.

Privatisation:

The Government has accelerated its program of divestiture of state owned enterprises and rehabilitation of roads, ports and the telecommunication systems, and highlighted the promotion of private sector participation in the power industry in its “Ghana Vision 2020”. “Through public-private partnerships and joint ventures into commercial viable Ghanaian power utilities the state-owned entities transform themselves and assume a leadership role in the development of the proposed West Africa Power Pool.”ⁱⁱ

Power Sector:

In the power sector the Government has introduced Independent Power Production (IPP) schemes, and reforms, such as increasing low electricity tariffs towards international levels. Since the mid-1980s the Government of Ghana has been financing projects using small levies on petroleum products. The US\$ 250,000 raised annually is paid into an Energy Fund and used to promote renewable energy and energy efficient projects. (According to the EIU, there may be a need though for greater co-ordination of an increasing number of power projects that have been proposed since the 1998 power crisis.ⁱⁱⁱ)

Institutional reforms of existing power utilities, including the establishment of Independent Power Production (IPP) schemes, aim to shift the power sector away from its monopolistic and centralised structure. To support the development of IPPs, a new utility, the National Transmission Utility (a subsidiary transmission company) will be registered to manage distribution on the national interconnected system. This will be structured as an exclusive license.

Price Index (1998 estimates)

Energy source	Cost	Note
Petroleum products	1 Cedi/litre ^{iv}	
Electricity tariffs	3US cents/kWh ^v	Residential or Commercial
PV Panels Costs	\$/Wp	Retail or wholesale volume
SWH Costs	\$/m2	

Taxes and Tariffs

The **corporate tax** rate in all sectors is 35 per cent except for income from non-traditional exports (8 per cent). **Tax holidays** are available depending on sector (i.e. 10 years for rural banks, 5 years for agriculture and agro-industry) **Locational incentives** (tax rebate) are also available, ranging from 25% to 50% rebates (50% being for industries located outside regional capitals). **Capital expenditure** for research and development can be fully deductible. **Accelerated depreciation allowance** is applicable to all sectors except banking, finance, commerce, insurance, mining and petroleum. Almost all sectors are allowed five years for **loss/carry-over**. **Reduced import duties** on solar energy equipment range from 27% to 5%; although the Ministry of Mines and Energy has said that there is a complete waiver of all import duties on solar panels.

Country-specific Barriers

Despite Government activities in RE technologies, financial schemes available to entrepreneurs and consumers are still rare and the range of policy instruments narrow. Mechanisms for maintenance of renewable energy equipment are weak and the awareness of RETs is in general not well developed. Low electricity tariffs discourages the use of alternative forms of energy production.

ⁱ The Economist Intelligence Unit, Country Report Ghana, p.1

ⁱⁱ Ghana Vision 2020, quoted in Abeeku Brew-Hammond, p.12

ⁱⁱⁱ EIU, p.1

^{iv} 1 Cedi/litre =about 2.5 US cents per 100 litres

^v Bulk supply tariffs for produced power is dependent on the mode of generation. These tariffs have since September 1998 been set for hydro systems at 90 Cedis per kWh (US cents 3.75/kWh in early 1999 and US cents 2.25/kWh in early 2000) and for thermal systems at 139.2 Cedis per kWh (US cents 5.8/kWh in early 1999 and US cents 3.5/kWh in early 2000). On the average 95.0 Cedis /kwh (US cents 4.0/kwh in early 1999 and US cents 2.5/kWh in early 2000) is the bulk tariff for all generating options in the country.