



Introducing Ghana



Achieving returns in a country at the cusp of a new entrepreneurial age





SpaceGH-An Introduction

Our Accra based company, SpaceGH was established in 2008 to offer ;

Business Advisory

Market Intelligence

Analytical Support

Research Services

To international companies, individuals and entrepreneurs seeking opportunities in the Ghanaian market

To date we have provided services for clients across the following sectors;

Telecoms

Retail

Banking

Leisure and Hospitality

Real Estate and Construction

FMCG

Our local presence, rich Pan African networks , corporate experience, means we're uniquely well positioned to offer you the following services

Opportunity Identification, assessment, evaluation and sizing

With our:

Deep country knowledge and insights

Sound commercial background

Multi sector track record

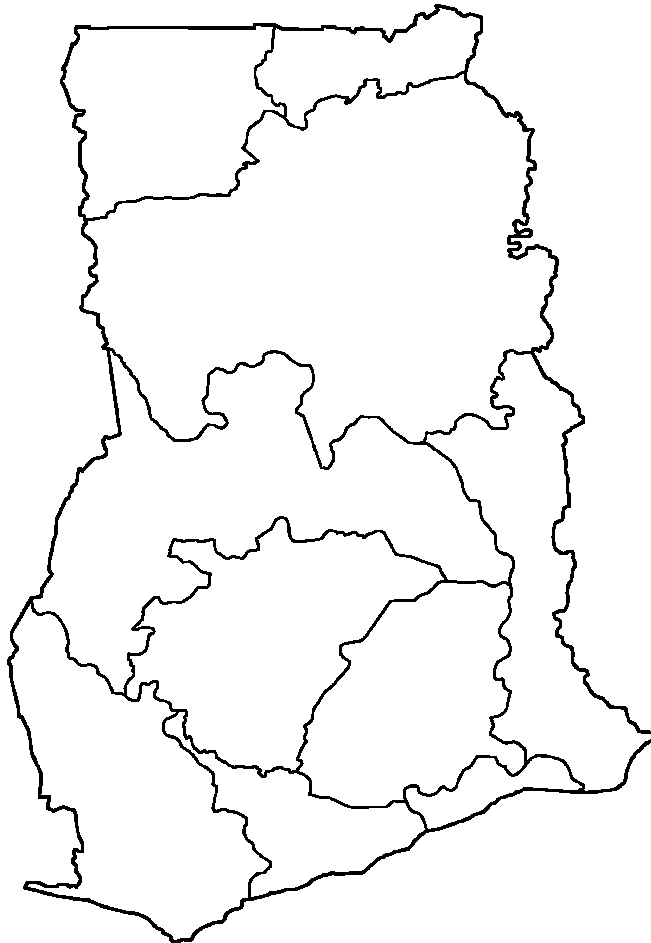
Extensive regional networks

We are able to assist companies seeking to explore opportunities in the Ghanaian market.

Our experienced team will assist you in identifying emerging opportunities and critical trends, segment understanding , market sizing, competitive landscape and environmental analysis



Ghana is a former British colony in West Africa stretching from the Atlantic Gulf of Guinea to the edge of the Sahara



- A country approximately 239,460 sq km in size; roughly the size of the United Kingdom
- Gulf of Guinea coastline of 539km
- With a population of approximately 25 million
- Achieved independence in 1957
- Governed via a multiparty democracy interspersed with periods of military rule
- Country rich in natural resources : Gold, timber, industrial diamonds, bauxite, manganese, fish, rubber, hydropower, petroleum, silver, salt, limestone
- More recently crude oil, natural gas
- Official language is English
- Over 100 ethnic groups and several indigenous languages with the most spoken being Akan (Central and West coast), Ga (Accra and South East coast), Ewe (East), Hausa (North).
- Currency is the Ghana Cedi (GHS)
- Current President is John Dramani Mahama



Ghana lies at the heart of a region that has been at the forefront of African trade, culture since the first millennium BC

Originally named the Gold Coast due to its vast gold reserves and wealth of its rulers

Ruled by various powerful aristocratic kingdoms before the British

Flourishing trade with West African neighbours and Europeans

Named after the ancient West African kingdom located 900km north of present day Ghana that flourished up to the 11th century AD

The country obtained independence from Great Britain in 1957, the first African country to do so and assumed the name Ghana

A rich culture of sculpture, metallurgy, mining and agriculture





From Nkrumah to Mahama: A story of an African post independence economic journey

1957-1966 – Post Independence Euphoria

Post independence, Ghana's first president was Dr Kwame Nkrumah

Pan African Socialist ideology and economic principles

State owned key enterprises with limited private sector

Large civil service

Large trade surplus and buoyant economy driven by agricultural exports

Characterised by substantial state investment in large infrastructure projects, education

This period saw the construction of the Akosombo Hydroelectric Dam on the Volta River.

Laid foundation for Ghana's high literacy rate

Ghana's position as the world's dominant producer and exporter of cocoa, gold

Deposed in a coup by a US backed military junta.

End of the post independence optimism.

1966-1992- Political Upheaval and Economic Decline

A series of military coups interspersed with brief periods of civilian democratic rule

Ended with the ascension to power of the government of Flt Lt Jerry John Rawlings.

Suspension of the constitution, banning of politics and introduction of Socialist Marxist economic principles

Followed by a severe economic decline

Mass emigration of the entrepreneurial and professional classes

Decimation of Ghana's once prosperous middle class

IMF intervention and structural adjustment

Beginning of economic recovery

Adoption of a new constitution

Start of a new period of democratic government



With the emergence of a new political consensus and the dawn of a new democratic era in 1992 Ghana has been on an upward economic trajectory

20 years of stable civilian democracy in Ghana has ushered in a period of political stability and economic growth.

Five successive civilian presidents have moved the country back towards more centralist economic policies

A robust private sector has emerged as relative economic stability has attracted both an influx of returning Ghanaians as well as a steady stream of FDI inflows

Traditional sectors such as mining, agriculture continue to be the target of much FDI

However the GDP contribution from emerging new high growth sectors such as telecoms, Banking, FMCG, real estate and construction is increasing and positively impacting growth.





Ghana continues to reap the dividend of a stable, maturing democracy and good governance...

Late in 2010, Ghana was upgraded to a lower middle income economy status.

World Bank projections indicate that Ghana, which began exporting oil in 2011, will have the fastest growth rate on the continent

Estimated at 13.4% in 2011 and 10.4% in 2012 (World Bank Global Economic prospects 2011).

Outstripping regional giants Nigeria and South Africa

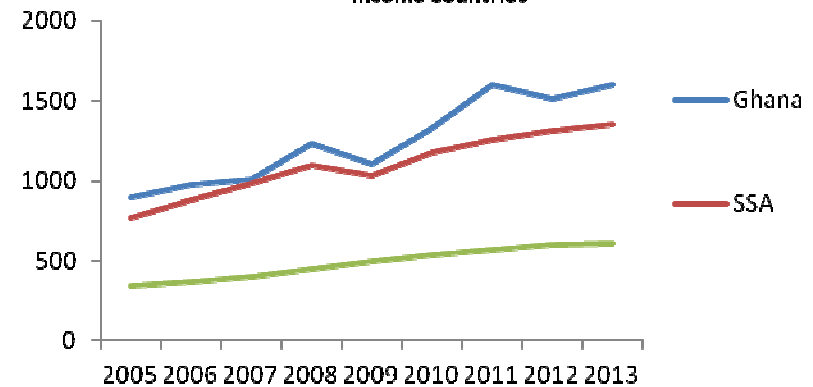
Ghana is widely regarded as a rapidly maturing African democracy, with peaceful elections and transitions of power since the multi-party system was introduced in 1992.

The constitution prevents undue power concentration in any one ethnic or religious group.

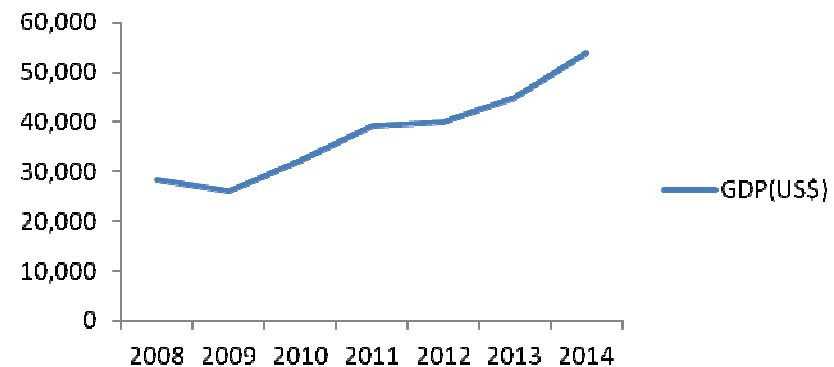
A free media climate has stimulated open and lively debate and aided the democratization process.

Relatively strong ethnic cohesion has helped keep tensions – common elsewhere in Africa – at bay.

The per capita GDP of Ghana compared to that of SSA and Low Income Countries



Nominal GDP (US\$ million)





Slowly but surely investment and an entrepreneurial culture have returned to Ghana

Good socio political fundamentals have been supported by

Strong Macroeconomic Fundamentals

Buoyed by strong prices and increased output key commodities gold and cocoa have provided a boost to the countries foreign reserves

These commodities along with substantial exports of diamonds, bauxite, manganese and individual remittances are major sources of foreign exchange earnings.

The mining sector has been a key beneficiary of increased FDI flow with **over \$ 4.3 billion** invested Gold exports are forecast to reach \$6.3 billion in 2013 – A ten fold increase from 2002.

Extractive industry and commodity growth has been augmented by growing investment in and GDP contribution from emerging new high growth sectors such as telecoms, FMCG, real estate and construction with their local consumption focus and rich value chain is increasing and positively impacting growth.

Changing demographic dynamics

An influx of returning highly skilled, relatively prosperous Ghanaians attracted by the new economic and political landscape

A generation of young Ghanaians who have come of age in the 1990s and 2000s without the baggage of the Rawlings era

Regional Macro Dynamics – The Nigeria Effect

Infrastructural challenges, high operating costs, bureaucratic inefficiencies and daunting corruption have made Nigeria an increasingly difficult and expensive place to do business

An investment friendly tax regime, streamlined bureaucracy, lower entry costs and a cheaper but highly educated workforce have positioned Ghana as an attractive entry point for businesses seeking an alternative entry point to the lucrative West African market



Ghana is one of the top-ten fastest growing economies in the world, the fastest growing economy in Africa.....

Ghana Economy in Numbers

US\$1410	GNI
US\$ 90	GDP (PPP)
billion	GDP per Capita
US\$3520	GDP growth
8.7%(2012),	
14.3%	
(2011)	
50%	GDP composition by sector:
27.3%	Services
22.7%	Industry
	Agriculture
4.8 million	Size of the middle class
\$598	Average monthly income





.... and one of the continents biggest recipients of FDI

.

Ghana Is one of the largest recipients of FDI in Africa

An amount of **\$ 3.5 billion**, representing about 7% of total FDI inflows to developing countries.

In the first quarter of 2012, the Ghana Investment Promotion Centre recorded a total of 95 new projects with a total estimated value of **US\$1.18 billion**.

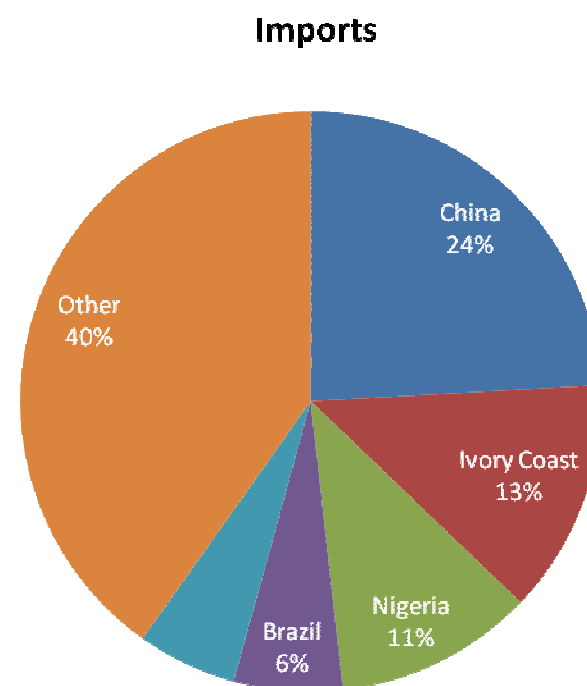
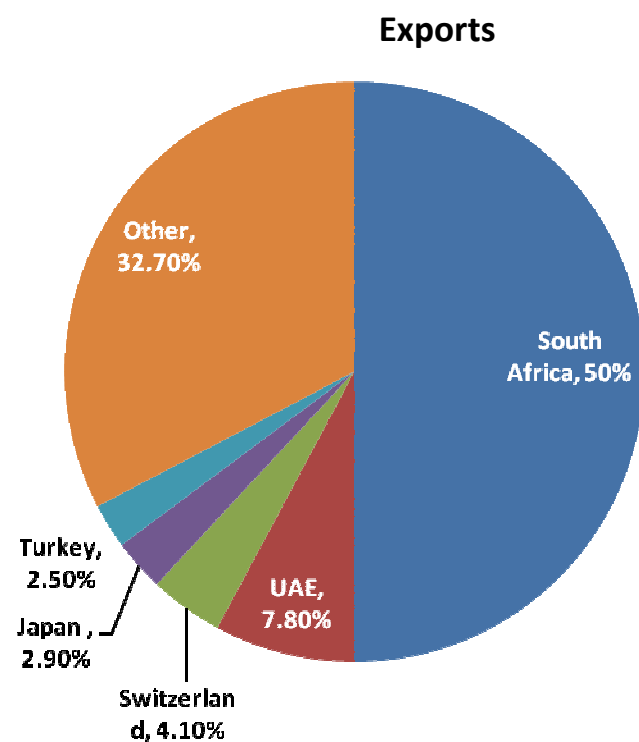
The estimated value represents an increase of **67.98%** compared to the value recorded in the same quarter of 2011.

The FDI component of the estimated value of the newly registered projects was **US\$979.85 million**. This is a significant increase of about **178%** over the recorded FDI value in the corresponding quarter of 2011.

The USA with an FDI value of **US\$407.21 million** ranks first and China remains the top source of FDI to Ghana in terms of the number of projects

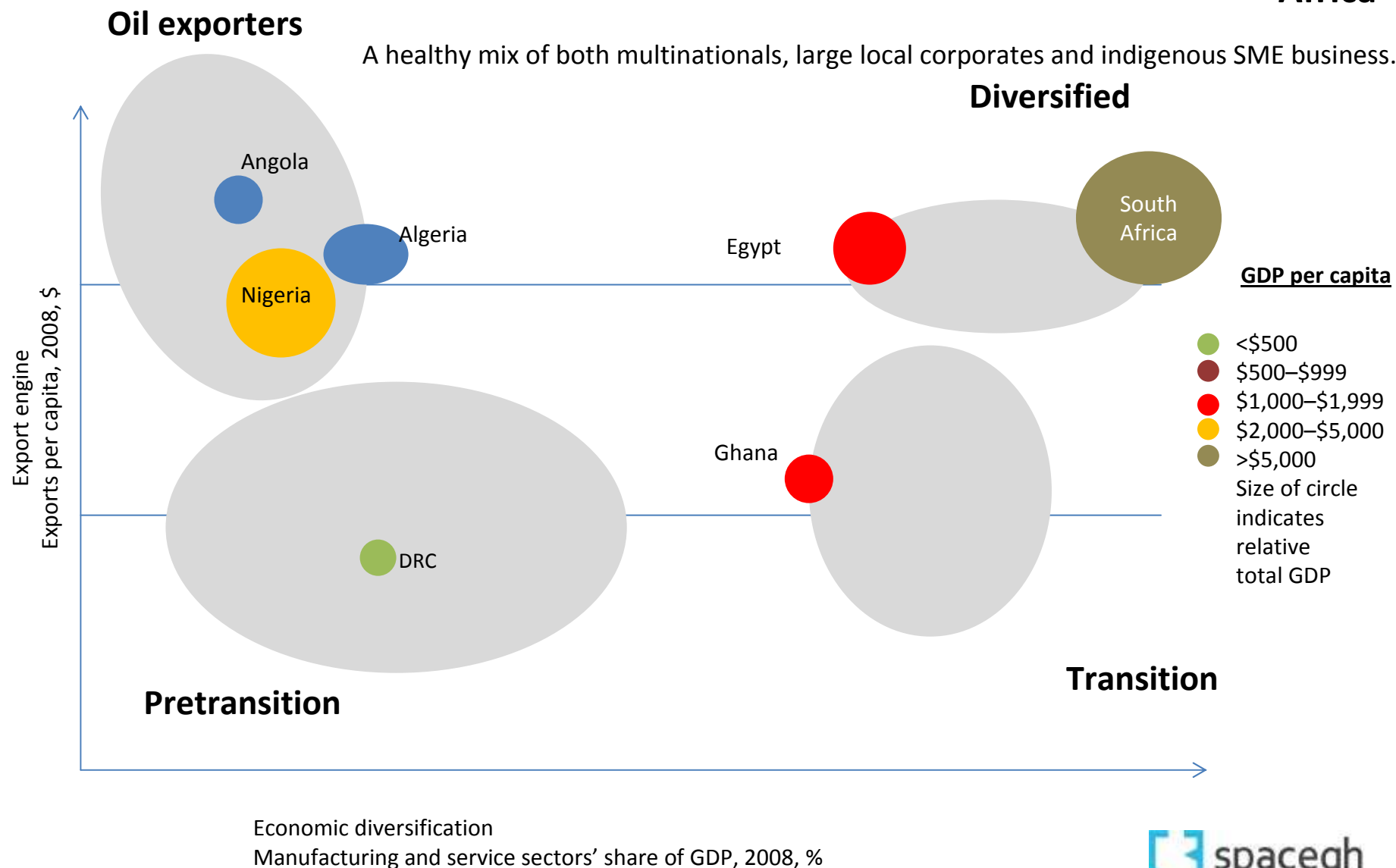


China,, South Africa and Nigeria top the list as Ghana's biggest trading partners





The economy of Ghana, Africa, has a diverse and rich resource base, and as such, has one of the highest GDP per capita in Africa





The economy continues to be extractive and commodity industry led....

Ghana's extractive industry remains the primary source of government revenues.

It accounts for 17.5% of total corporate tax revenues and 27.6% of foreign exchange revenues.

Main mineral exports are;

Gold

Bauxite

Manganese

Diamonds

Crude Oil

Natural Gas

The extractive sector is also the largest attractor and beneficiary of FDI with over 65% of all FDI going directly or indirectly into the industry value chain.

The domestic economy revolves around services, which accounts for 50% of GDP and employs 28% of the work force.

The Agribusiness sector is also significant, with over 39% growth in the first quarter of 2011 with respect to the same period of the previous year in 2010, making it currently one of the most important sectors of the Ghanaian economy.

Main commodity exports are;

Cocoa

Timber



Ghana contains the second largest area of gold deposits in Africa, after South Africa.

Gold accounts for over 90% of Ghana's total mineral exports and is its main source of FX revenues

Ghana also produces significant quantities of bauxite, manganese and diamonds, although diamond output has been affected by the 2007 closure of Ghana Consolidated Diamonds.

Key Players



A global gold player, with operations in 10 countries. Its combined proven and probable ore reserves add up to 63.3 million ounces. The company has two operations in Ghana: the Obuasi and Iduapriem mines



One of the world's largest gold producers, with attributable production of 3.6 million ounces per annum from eight operating mines in South Africa, Ghana, Australia and Peru. It holds a 71% stake in its subsidiary, Gold Fields Ghana



The world's largest gold producer, with significant assets and operations in the US, Australia, Peru, Indonesia, Ghana, Canada, New Zealand and Mexico.

In Ghana, the company has a land package covering approximately 3,380 square kilometers. It has two development projects in Ghana: Ahafo and Akyem.



Despite initially problematic output at country's Jubilee field, the outlook for Ghana's nascent status as an oil producer remains bright

While oil exploration, offshore drilling have been ongoing since the 70s in the Tano basin
The industry has only really taken off in the last few years with the discovery of an oilfield with reserves of over 3 billion barrels in 2007
Ghana's reserves are likely to continue to grow at a rapid rate as the appraisal of the Greater Tweneboa, Southeastern Jubilee and West Cape Three Points prospects continues.
Industry plagued by controversies
Lack of robust international oil company presence - smaller independents have more limited capital investment capabilities.
Absence of downstream infrastructure capable of processing domestic crude leaves country reliant on refined product imports.
Key Players include:
Lukoil
Vitol
Kosmos
Anadarko
GNPC
Tullow



COURTESY: TULLOW OIL





The country has a diverse agricultural resource base

Incorporating aquaculture and Fruits and vegetables in addition to grains, soft commodities and livestock.

Cocoa remains the primary cash crop

Government support has aided output growth.

The industry remains underdeveloped lacking in scale and sophistication, with small-scale farms dominating production and impeding overall efficiency.

Fertilizer use remains minimal, impeding yields and output growth.

Rising domestic and regional incomes create opportunities for producers and, more specifically, for vertically integrated producers that also have interests in processing.

.

Growing oil revenues are expected to facilitate greater investment in agriculture.

A forecast for strong beer consumption growth represents a massive opportunity for sorghum producers.

Increased fertilizer adoption, in line with greater access to credit for farmers, is likely to dramatically boost yields and agricultural efficiency

Potential opportunities will arise within other parts of the agriculture value chain

Agribusiness subsector – Recent market entries by large multinational agrichemical, seed and fertilizer players; Syngenta, Bayer, BASF

Downstream agricultural processing; bulk buying local food processors

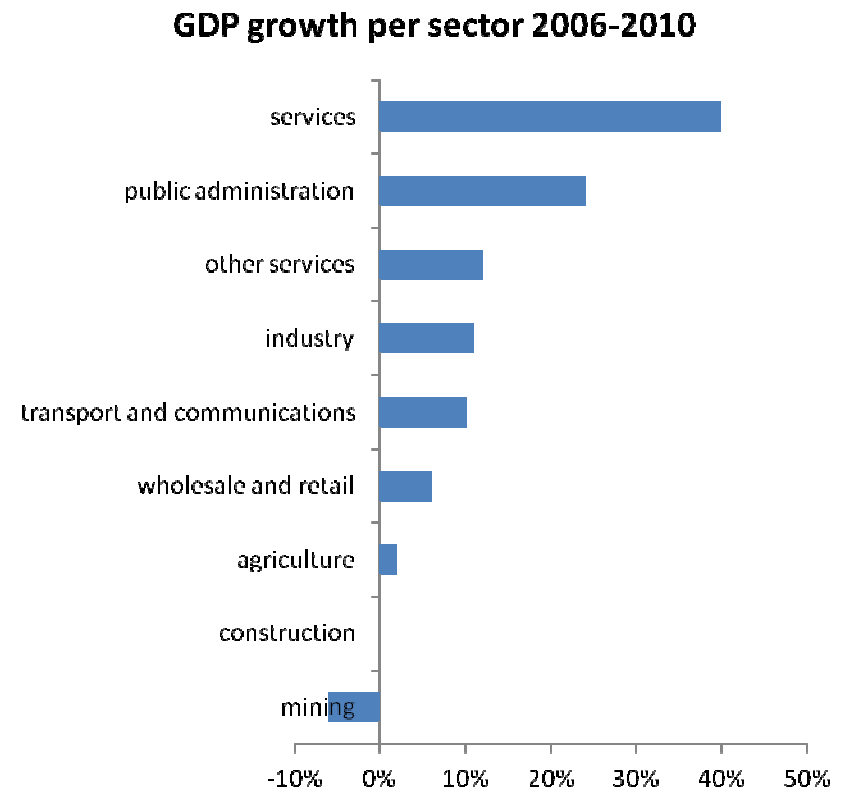
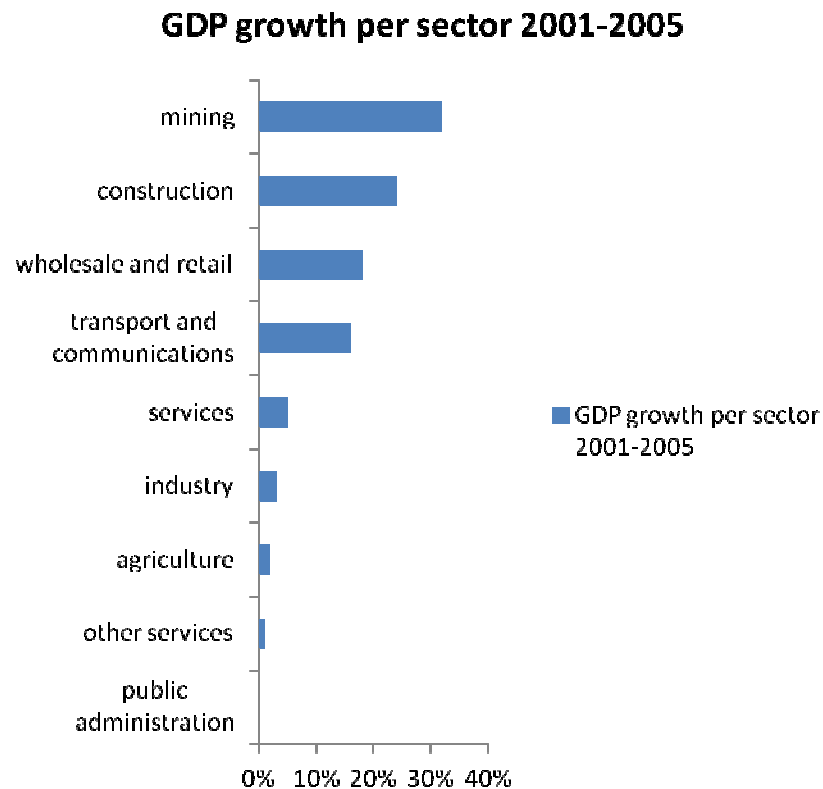
Logistics and infrastructure subsectors; heavy agricultural machinery and parts, transporting vehicles, storage and refrigeration



However emerging new sectors are slowly gaining ground...

Between 2001-2005, mining and commodities were the principal growth drivers

But between 2006 and 2010, this trend shifted with trade and commerce as the principal growth drivers





Strong telecoms sector growth

Tempered by intense competitiveness and downward price pressure

The Ghanaian telecoms sector like in most of Africa has seen exponential growth over the past decade

Ghana currently has a mobile telecoms penetration of over 100%

The sector is forecasted to maintain strong growth for the next 5 years

Driven by multiple SIM ownership and increased coverage in underserved geographies

However downward pressure on ARPU and saturation will position data as the next big source of growth and revenue for operators

Key players are;

- The largest and dominant operator with 45% market share

Bharti Airtel

Vodafone

Tigo

Globacom

Data is the next frontier

The four biggest mobile operators **have been investing considerable resources to upgrade and expand their 3G** networks

Arrival of submarine cables Main One, WACS and GLO-1, along with the increasing availability of low-cost smartphones is expected to drive the uptake of 3G services.

19.4% of the total mobile subscriber base are expected to be broadband subscribers by 2017.





Ghana's infrastructure is expected to undergo significant investment over the medium term....

.....As oil revenues are directed into social and economic infrastructure projects to support broader economic growth

Key Growth Sectors and Key Players

Water infrastructure



Significant investment is planned to upgrade Ghana's deficient and outdated water infrastructure. Conti Infrastructure Ghana is hoping to start work on a US\$595mn sanitation and water project in Accra in 2013.

Electricity infrastructure



Ghana's drive to reduce carbon emissions, supported by a renewable energy act in 2011, is driving investment into converting thermal power plants into more fuel efficient plants and renewable power projects. The independent power project (IPP) is being developed by Abu Dhabi National Energy Company PJSC (TAQA) in cooperation with the Volta Power Authority.

Another key project is the 155MW PV solar power plant being developed by Blue Energy. The US\$400mn project is the largest of its kind in Africa and could pave the way for greater renewable investment.

Low-income housing



A key focus for the government as it seeks to reinvest oil revenues.

Italconstruct International has proposed a plan to build 4,120 homes, and has asked the government for a US\$200mn loan.



On a larger scale, a US\$600mn plan to develop two satellite towns has been announced by emerging market investment firm Renaissance Group,



Financial Services have been one of the biggest beneficiaries of the socio-economic, demographic and political shift in Ghana.

In the last decade the Ghanaian financial services sector has evolved from being a sleepy oligarchy dominated by a handful of state owned retail institutions and old colonial legacy banks

To an intensely competitive industry with a healthy mix of regional, pan African and local players offering ever more sophisticated propositions

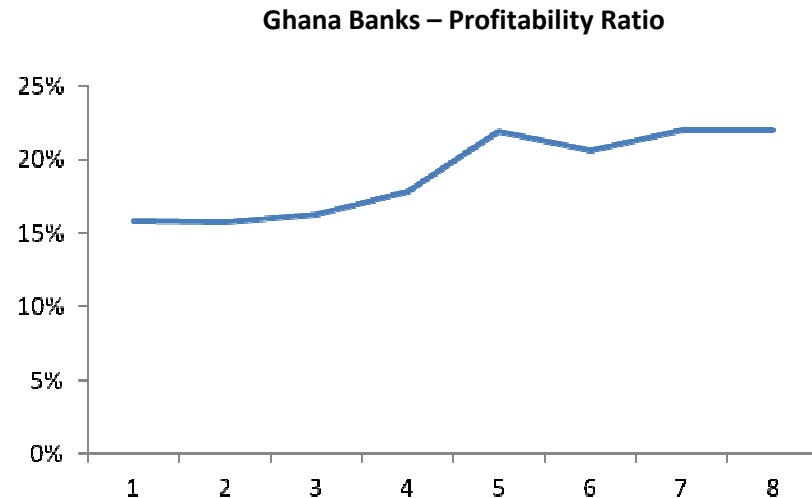
Strong sector growth opportunities, global macro economic dynamics have all led to regional and pan African banking proliferation

As investors look inward for better returns

Nigerian banks in particular, buoyed by surplus liquidity from local IPOs and seeking new cross border business and opportunities

Have been aggressive in their entry into the Ghanaian market

Recently South African institutions have followed suit with organic and acquisition based entry strategies





Financial Services

Key players in this sector

Local Banks

Ghana Commercial Bank (GCB)

The country's largest bank with significant state shareholding

Access to civil service payroll and deposits

Significant exposure to oil sector

Agricultural Development Bank

Dominant in the Agricultural sector

Has seen a surge in PAT on the back of buoyant soft commodity prices.



Colonial Legacy Banks

Strong SME Focus

Large footprint

Embroidered in recent controversies around its offshore license

Focus on HNIs

Recent acquisition of ABSA indicates a realigning of its Africa strategy

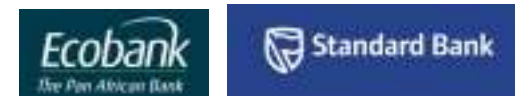
Nigerian Banks



Nigerian banks flocked to Ghana on mass in the last decade seeking to capitalise on the flow of Nigerian capital to Ghana as well as position themselves as Pan African players

Aggressively competitive, predatory, innovative and credited with breathing life into the previously staid Ghanaian banking sector.

Pan African Players



Ghana is Ecobank's most important market accounting for over 50% of the bank's profits in 2012.

Recently acquired The Trust Bank amid much controversy





The burgeoning oil economy is bringing a new source of liquidity and funds which could be gainfully invested in the real economy.

Minimum capital requirements are forcing smaller players to submit to mergers and acquisitions creating opportunities for new entrants

Ecobank

FirstRand Group

Standard Bank

Relatively developed mortgage and VAF market

Lowest level of NPLs in the region

Opportunities to build high quality assets

The ongoing expansion of credit reference bureau should aid risk management.





Tourism has become one of Ghana's largest foreign income earners (ranking fourth in 2011),

Tourism contributed to 4.9% of GDP in 2009, attracting around 500,000 tourists.

Tourist destinations include Ghana's many castles and forts, beaches and World Heritage buildings and sites.

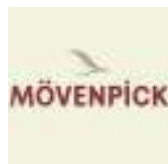
It is unique in this position in the region

Recent entrants into the market include;

Swiss owned Movenpick Group

The Holiday Inn Group

Golden Tulip





Other emerging sectors

Real estate

Experiencing exponential growth on the back of Nigerian and Ivorian investment, growing young , affluent segment seeking lifestyle choices

Automotive

Ghana is the second largest market in the region for automobiles

Retail

The formal retail sector is projected to experience significant growth

Shoprite have recently entered the market with a 12000 sqm retail development in the upmarket Accra Mall, squarely targeted at the affluent and expatriate segments .

Another 15000 sq m is scheduled to come online in the medium term in the new Weija mall being constructed on the outskirts of Accra by a major South African developer

Indigenous Lebanese owned retailers, Koala and Maxmart have also significantly increased capacity to compete with the new entrants

The impact of this will be felt across the value chain with real estate, logistics, storage, food processing companies, agric small holders all set to benefit.





Market Entry

The Basics



Strong growth, numerous sector opportunities relative political maturity, the Ghana story is compelling

Size is not everything.....

Ghana is not a “mini Nigeria”

Ghana has not had the legacy of interethnic conflict and civil war that is at the root of many African socio-political challenges

Cohesive culturally and ethnically with less rigidly defined tribal , cultural boundaries

Peace of mind, ease of operating, quality of life

The value of these factors is sometimes overlooked in the quest for the supernormal returns in other parts of the continent.

Our regional neighbours have long cottoned on to this

Nigerians are amongst the largest consumers of Ghanaian education, real estate, hospitality

Multinationals are figuring this out too:

Coca Cola

Standard Chartered

Syngenta

Shell (Downstream)

Virgin Atlantic

The CIA



Strong growth, numerous sector opportunities relative political maturity, the Ghana story is compelling

The key to doing business in Ghana - People and The Right Local Partnerships = Profitability

- Highly literate professional and working class
- Legacy of excellent and compulsory free education of the pre Rawlings era
- Strong British cultural centre of reference, affectations
- But very strong traditional values
- Proud legacy- first African country to obtain independence
- The Ashantis were the only Africans other than the Zulus to defeat the British on the battlefield
- Ghana is not a “mini Nigeria”
- Ghana has not had the legacy of interethnic conflict that is at the root of many African socio-political challenges
- Cohesive culturally and ethnically with less rigidly defined tribal , cultural boundaries

Ghana's legacy is that of strong socialist governments and ideologies

A system that bred a class of highly, quietly competent technocrats and academics

But was never a breeding ground for the thriving capitalism

This was further reinforced by the very left leaning, radical revolutionary policies of the Rawlings era

Wealth, flamboyance were viewed with dangerous suspicion and could lead to confiscation, persecution, incarceration and even death

That legacy is still pervasive amongst the Ghanaian middle class- the segment most affected by the policies of that era.

A lot of restraint is shown around displays of wealth or status

Entrepreneurship is still viewed with some discomfort and suspicion



How to make it work for you in Ghana

Do....

- Secure the **RIGHT** local partner
- Reliable and knowledgeable
- Professional
- Extensive local networks and connections
- Knowledge of and access to the right people
- Deep local knowledge and understanding
- Shared values and understanding of your culture

Don't...

- Try to go it alone
- Underestimate local skill and talent
- Try and enter the market “virtually”.
- Misread Ghanaian politeness and restraint



Case Studies

Banking

Retail

Hospitality



Ghana has a well developed investment legislative framework

Domestic Laws governing the establishment of business in Ghana are in accordance with the provisions made in the following legal legislation:

The Companies Code, 1963 (Act 179) The Partnership Act, 1962 (Act 152) The Business Name Act, 1962 (Act 151)

The investor, whether a Ghanaian or a foreigner, who wants to establish a resident business entity has to register with the Registrar General's Department(RGD) under one of the Acts named above except where the entity is to operate in the country as a representative of non –resident business entity.

In that case it does not go through the process of incorporation under Act 179 but simply submits the required documents to the Registrar who registers them in the register of External Companies.

The legal framework for investment in Ghana is regulated by different agencies in the economy. These are:

Registrar General's Department • Ghana Investment Promotion Council (GIPC) • Ghana Immigration Service (GIS) • Ghana Revenue Authority(GRA) • Environmental Protection Agency (EPA) • Ghana Free Zones Board



Key Agencies

Registrar General's Department
Ghana Investment Promotion Centre (GIPC)
Ghana Immigration Service (GIS) • Ghana
Revenue Authority (GRA) Environmental
Protection Agency (EPA)
Ghana Free Zones Board
Petroleum Commission

Expatriates Foreign investors are given an expatriate quota depending on the equity capital each invested in the business.

- However there is an opportunity to apply for an increase in the number of the expatriate staff depending on one's circumstances. After registration with the GIPC, companies can apply for residence permit for their permanent expatriate staff. Investment Incentives and Guarantees