

## Export Promotion in Ghana



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## Acronyms and Abbreviations

ACET	African Center for Economic Transformation
AGOA	African Growth and Opportunity Act
ATR	African Transformation Report
BPD	Barrels Per Day
CET	Common External Tariff
DFI	Designated Financial Institutions
EDAIF	Export Trade, Agricultural and Industrial Development Fund
EPA	Economic Partnership Agreement
ETLS	ECOWAS Trade Liberalization Scheme
FAGE	Federation of Association of Ghanaian Exporters
FAO	Food and Agriculture Organization of the United Nations
FTA	Free Trade Area
GEPA	Ghana Export Promotion Authority
GFZB	Ghana Free Zones Board
GSA	Ghana Standards Authority
GSP	Generalized System of Preferences
GTFC	Ghana Trade Fair Company
ISSER	Institute of Statistics, Social and Economic Research
NES	National Export Strategy
NTE	Non-Traditional Export
PEF	Private Enterprise Federation
SC	Smooth Cayenne
SPEG	Sea-freight Pineapple Exporters of <i>Ghana</i>
WHO	World Health Organization

## Introduction

The *2014 African Transformation Report* identified export competitiveness as one of the key pillars needed to transform African economies, and, specifically, Ghana's economy. There is, therefore, an urgent need to take a holistic view of the policies, regulations, and practices needed, with buy-in from all stakeholders, to create a mutually reinforcing framework that fosters export competitiveness and a business-friendly environment in Ghana. This will not only lead to the complete overhaul and diversification of the entire export sector value chain, but also will strategically position the country to take full advantage of the various free-trade agreements being negotiated—such as the ECOWAS trade agreement, Economic Partnership Agreement (with the EU) and the African Growth and Opportunity Act (with the US)—in order for Ghana to become a leading export country in West Africa. In what follows, we examine recent developments in the export sector, Ghana's exports potential, the legal and regulatory environment for exports, key issues and challenges, and recommendations.

### 1. Overview of Exports and Imports in Ghana

Over the past decade, the value of merchandise exports from Ghana has increased from US\$2,562.4 million in 2003 to US\$13,752 million in 2013, representing export-to-GDP ratios of 32 percent and 31 percent, respectively, and an average growth rate of 22 percent over the period (Table 1). However, exports have not grown as fast as imports even including the production and export of crude oil. Merchandise imports have increased from US\$3,210 million in 2003 to US\$17,600 million in 2013, representing an import to GDP ratio of 40 percent. This has resulted in a substantial widening of the trade deficit.

**Table 1: Trends in Merchandise Exports, 2003-2013 (Millions of US\$)**

Year	Merchandise Exports	Merchandise Imports	Trade Deficit	Growth Rate of Exports	Export/GDP Ratio	Import/GDP Ratio
2003	2562.4	3210.2	-647.8	24.2	32.0	41.0
2004	2784.6	4297.0	-1512.4	8.7	31.0	48.0
2005	2802.2	5347.3	-2545.1	0.6	30.0	58.0
2006	3726.7	6753.7	-3027.0	33.0	30.0	55.0
2007	4172.1	8061.3	-3889.2	12.0	28.0	54.0
2008	5269.7	10268.5	-4998.8	26.3	18.65	31.0
2009	5839.7	8046.3	-2206.6	10.8	22.5	31.0
2010	7960.1	10922.1	-2962.0	36.3	25.2	34.2
2011	12785.4	15968.4	-3183	60.6	35.0	43.7
2012	13542.7	18000.0	-4457.3	5.9	34.1	44.7
2013	13751.9	17600.0	-3848.1	1.5	31.1	39.8

Source: Bank of Ghana

The composition of Ghana's merchandise exports has also not experienced any major transformation over the last decade. The country continues to export primary commodities such as unrefined minerals, raw agricultural products, and crude oil, together contributing about 86 percent of the country's total exports. Mineral exports are dominated by gold, which accounted for US\$4,965.7 million (96.6%) of total mineral export earnings, and contributed 37.1 percent to the

country's total export earnings in 2013 (Table 2). Cocoa beans, which used to be the second leading export earner before oil production commenced, as of 2013, contributed just 11 percent to total export earnings, with a value of US\$1,612.1 million. The growth rate over the last five years has been sluggish, growing annually by about 7.4 percent, compared to gold's rate of 19 percent.

The commencement of crude oil production in commercial quantities in 2011 displaced cocoa, making oil exports the second largest export earner (28.3%) after gold in 2013. This amounted to US\$3,885.1 million with an average production of 90,000 barrels per day (bpd) and an annual growth rate of 7.5 percent. Although it was expected that crude oil production would peak at 120,000 bpd by the end of 2011, production thus far has been below expectations. Moreover, the slowing global economy has resulted in a steep fall in crude oil prices in recent months. This makes over-reliance on crude oil export a big risk and underscores the need to diversify and widen the scope of export products. It is also important to note that the performance of timber exports can be best described as abysmal. The share of timber in merchandise export revenues has declined from 6.8 percent in 2003 to 1.2 percent in 2013, reaching its lowest ebb (0.9%) in 2012. According to the Ghana Export Promotion Authority (GEPA), this decline is largely due to substantial deforestation.

Non-traditional exports (NTEs), which are exports outside the major or traditional export products, hold the key for Ghana's export diversification drive. Ghana's NTEs—which mainly include products such as cocoa paste, veneer, canned tuna, cashew nuts, horticultural products, handicrafts—accounted for about 17.5 percent of the total export earnings with a total value of US\$2,418.6 million in 2013. Growing at an average of 15 percent per annum, the key driver of the NTEs sub-sector are cocoa paste and cocoa butter, contributing almost a quarter of the total NTE's earning and a growth rate of 17 percent. The country's performance in some key fresh agricultural products has also been impressive. The top five leading agricultural NTE products are cashew nuts and oil seeds, fresh or chilled tuna, shea-nuts, pineapples, and bananas. In 2013, the highest agricultural export earner was cashew nuts and oil seeds, accounting for more than half (US\$155.6 million) of the US\$306.11 million worth of fresh agricultural product exports. Its annual growth rate has been remarkable, averaging about 100 percent since 2008.

Another emerging agricultural product is medicinal plants. Between 2012 and 2013, exports of medicinal plants increased more than 200 percent, increasing from US\$14.2 million to US\$43.1 million. It is also important to note that horticultural exports such as pineapples and banana have been increasing in recent times. Fresh pineapple exports, which greatly slumped in volume during the mid 2000s as a result of a shift in market demand away from the Smooth Cayenne (SC) variety to the MD2 variety, produced primarily in Costa Rica, have recently experienced growth. Pineapple exports recorded an increase from US\$10.6 million in 2008 to US\$19.2 in 2013 million with an average growth rate of about 13 percent.

However, textile and garments, shea nuts, handicrafts and wood products have actually declined consistently in exports value over the last few years. Wood products export, for example, has fallen from a value of US\$164.8 million in 2008 to US\$90.4 million in 2013 while that of shea nuts has declined from US\$26.5 million in 2009 to US\$8.1 million in 2013, with a growth rate of negative six percent (-6%) over the period. According GEPA, the main factor explaining these declines in value is inadequate production volumes to meet international demands.

### **Pattern of Ghana's Export Destinations**

The data available indicates that the EU remains Ghana's largest export destination, accounting for almost half (47%) of all exports over the last decade. Countries within the bloc such as the Netherlands, France, Germany and United Kingdom have since 2003 consistently featured in the top

five major export destinations (Table 4, in appendix). However, countries such as Japan, Spain, Belgium and Nigeria, which featured quite prominently in Ghana's export destination 10 years ago, have all fallen off, giving way to emerging economies such as China, Turkey, India and Portugal. This is mostly a promising development, since these countries present enormous market opportunity by the sheer size of their populations and growing middle classes with increased purchasing power.

However, the fall in exports to Nigeria is worrisome. Although data shows that the ECOWAS economy (34.8%) has overtaken the EU (31.5%) in regard to NTEs destination in 2013, losing the Nigeria market, the biggest economy in Africa, is a big blow. Table 3 shows that exports to Nigeria have fallen from US\$393.929 million in 2005 to US\$141.093 million in 2013, declining more than 64 percent. Major products affected by this decline are exports of plywood veneered panels and aluminum plates. GEPA attributes this decline mainly to Nigeria's ban on the importation of over 150 products, from abroad or the ECOWAS sub-region, in spite of various trade liberalization policies in the sub-region. It is, however, noteworthy that emerging products—such as spirits, liqueurs and alcohol products as well as cocoa chocolate and palm kernel—have experienced rapid rise in export value to Nigeria, with room to be exploited further.

## 2. Ghana's Potential

Ghana has a wealth of potential to diversify and increase its NTEs receipts. More specifically, after interviews with government agencies, private sector associations, and some industry leaders, as well as reviews of performance trends of NTE products over the years, this report identifies the following products as having the greatest potential to lead Ghana's export diversification agenda: cocoa processing, horticultural products, fresh and processed fish, palm oil, cashew-nuts/sheabutter/oil seeds, natural rubber, yam, medicinal plants, and professional services (such as medical and educational services). Most of these products have consistently featured in the top 10 leading NTEs products table over the period. The strong performance of these export products along with the potential the country has in terms of favorable climate, available land with good soil, and a competitively priced workforce, attests to the fact that these products can be targeted to champion Ghana's export diversification agenda. These priority products will not only lead to the diversification of export composition, but also their strong linkages with other sectors of the economy—such as agriculture and manufacturing—will enhance the productive base and the competitiveness of the Ghanaian economy.

However, it should be noted that the success of export-oriented policy is dependent on future foreign demand. The following paragraphs take a brief look at the potential of each of these products or services.

*Cocoa Processing:* Ghana is the world's second largest producer of cocoa—the main ingredient for chocolate—and has great potential to add value to its raw cocoa exports. The cocoa industry (beyond raw beans) offers opportunities to increase export earnings through increased processing of intermediate and finished products. Less than 25 percent of cocoa beans are processed locally, allowing Ghana to capture only about 5 percent of the US\$28 billion of the global intermediate cocoa processing industry. Given that Ghanaian cocoa is regarded to be of the highest quality and trades at a higher price than cocoa from other origins, the industry can benefit immensely from value addition through increased investments and innovations.<sup>i</sup>

*Horticultural Products:* The potential for horticultural exports in Ghana is enormous given that most tropical fruits do well in most parts of the country. Moreover, Ghana has demonstrated its ability to

compete in the European horticultural market, largely through exports of pineapple and banana. The country's ability to survive the transition from the SC to MD2 and the ability of most exporters to acquire Global GAP certification, which is the key barrier to entering the European market, are enough evidence to support the country's export potential. Also, the country's two existing banana export companies—Golden Exotics Ltd (GEL), a subsidiary of Compagnie Fruitière SA, and Volta River Estates Ltd—which are the only two companies producing export-class bananas in Ghana, have well-established logistical chains and considerable presence in the EU market.

*Fresh Fish and Processed Fish:* With a coastline nearly 550km long and well endowed with varieties of fish, and with the steady growing demand of aquaculture products over the years, the potential is great for Ghana to expand production of fish for export. According to FAO's 2012 State of World Fisheries and Aquaculture report, global aquaculture production was 62.7 million tonnes with an estimated value of US\$130 billion in 2011. Unfortunately, Africa's contribution to this is very insignificant (1.4 million tonnes, representing 2.2 percent). Although Ghana's production is small (10,200 tonnes, 0.79%) relative to the African total production, it is the 6<sup>th</sup> leading producer in Africa after countries like Egypt (which contributes 71%) and Uganda (7.7%). The FAO report further states that Ghana has made rapid progress to become a significant or major aquaculture producer in the region and has potential to increase production for both domestic and international markets.

*Cashew Nuts and Shea Nuts/Oilseeds:* Cashew nut is the single most important non-traditional agricultural export in Ghana with export volume of 271,536.7 kg in 2013 and an annual growth rate of about 70 percent over a decade. With about 3,950,000 hectares of arable land and huge global demand, there is potential to produce on a larger scale and double exports.

*Palm Oil Exports:* Countries like Malaysia and Indonesia have seized the opportunity embedded in palm oil exports due to high global demand. Ghana's average yield of 6 tonnes/hectare is less than Malaysia's average yield of 19 tonnes/hectare. Ghana has potential, judging from the suitable climate and good soil for its cultivation, particularly within the middle belt of the country—notably the Western, Eastern and Central regions. Between 2012 and 2013, the volume of palm kernel exports increased more than a 100-fold, from 4.46 million kg (US\$0.262 million) to 62.82 million kg (US\$4.38 million), according to a 2013 report from the Institute of Statistics, Social and Economic Research (ISSER).

*Yam:* Yam is an important staple food crop in Ghana and most parts of West Africa. Ghana is the leading exporter of yam, accounting for over 94 percent of total yam exports in West Africa, despite the fact that it is only the third largest producer in the world, after Nigeria and Cote d'Ivoire.<sup>ii</sup> Although the volume of export has been fluctuating in recent times, in 2012 alone the country exported 25.079 million kg of yam valued at US\$12.251 million, largely to UK, USA and Netherlands.<sup>iii</sup> However, its potential for export and income generation has not been fully realized due to problems and inefficiencies within the country's production, handling and trading systems.

*Natural Rubber:* Before Ghana discovered cocoa, rubber was the leading export product in Ghana.<sup>iv</sup> However, despite growing global demand, the nation has not been able to sustain and expand production of the natural rubber that still does so well in the Western Region of Ghana. But, despite fluctuation in the volume of production in recent times, the value of exports has experienced consistent growth, increasing from US\$24.8 million in 2009 to US\$68.3 million in 2013 with an annual growth rate of about 8 percent (Table 2).

*Medicinal Plants:* The World Health Organization (WHO) estimates that herbal medicine is still used by about 75–80 percent of the world population, while about 25–30 percent of all modern medicines are directly or indirectly derived from higher plants.<sup>v</sup> According to a World Bank report, the global pharmaceutical market has risen from US\$550 billion in 2004 to close to US\$900 billion in the year 2008, growing at an annual growth rate of between 5–15 percent. In Ghana, the value of medicinal plant exports has increased rapidly from US\$8.1 million in 2008 to US\$43.1 million in 2013, with an average annual growth rate of more than 50 percent. But, unlike China and India, which export US\$3.6 billion and US\$1.1 billion respectively, Ghana has not been able to capitalize on its herbal wealth by promoting its use in the developed world, due to the non-availability of standardized herbal drugs, their formulations and packaging.

*Service Exports:* According to WTO estimates, Ghana’s annual foreign exchange earnings from professional services exports—such as education, medical, and consultancy services—is about 500 percent higher than the revenue accrued from the oil and gas industry.<sup>vi</sup> It estimates that in 2013 Ghana’s total professional services trade accounted for about US\$2.5 billion; though a marginal fraction of the world total services of US\$4.64 trillion, it was much higher than the net revenue of the oil and gas industry, which is hovering around US\$500 million. Ghana has not fully harnessed the opportunities that exist to export such services to the sub-region. With expansion in medical facilities, fast expanding public and private universities, and expertise in a wide range of academic and professional disciplines, the country stands to gain greatly if enough attention is paid to enhancing its competitiveness.

### **3. Policy and Regulatory Environment**

The Ministry of Trade & Industry is the lead policy advisor to government on trade, industrial and private sector development with responsibility for the formulation and implementation of policies for the promotion, growth and development of domestic and international trade and industry. The following are the relevant agencies that aid the ministry’s work in the export industry: Ghana Export Promotion Authority (GEPA); Ghana Standard Board (GSA); Ghana Trade Fair Company (GTFC); Ghana Free Zones Board (GFZB); and the Export Development, Agricultural and Industrial Fund (EDAIF). GEPA is responsible for the facilitation, development and promotion of Ghanaian exports, while GSA promotes standardization, inspection activities, product certification schemes, etc. Another government agency that plays a critical role in exports is Ghana Shippers Authority under the Ministry of Transport. Its main role is to promote and protect the interest of shippers—exporters and importers—through the negotiation of freight rates and other matters.

A Ghana Trade Policy document produced in 2004 provides clear and transparent guidelines for the implementation of Government’s domestic and international trade agenda. The fundamental principle underlying the Trade Policy is that the private sector is the engine of growth, with Government providing a trade enabling environment to actively stimulate private sector initiatives. This is to be achieved through the full spectrum of trade policy instruments across the following objectives: Creating a fair and transparent import-export regime; facilitating trade; enhancing production capacity for domestic and export markets; domestic trade and distribution; consumer protection and fair trade; protection of intellectual property rights and multilateral trade.

### **4. Ongoing Initiatives**

The export sector has witnessed some noteworthy developments over the last few years, among them the formulation of the National Export Strategy (NES), the accession to the African Growth



Opportunity Act (AGOA) and the Economic Partnership Agreement (EPA), the ECOWAS Common External Tariffs (CET).

### ***The National Export Strategy***

One major development has been the crafting of the National Export Strategy, which was launched in August 2013 together with the National Export Development Programme. In spite of Ghana's subscription to regional and multilateral trade agreements, the non-existence of its own policy document on export promotion strategy partly explains why Ghana could not take full advantage of these agreements. Spanning a five-year period, the principal objective of the NES is to *develop* the potential of the non-traditional export sector to enable it to make maximum contribution to GDP growth and national development to consolidate and enhance Ghana's middle-income status, create formal decent job opportunities and ensure high standards of living for the people. The NES further aims to achieve strategic growth target revenue of US\$5.0 billion by the fifth year of its implementation. In this regard, a working group—comprising officials from MOTI, MOF, GEPA, EDAIF, Private Associations, etc.—under the National Export Development Programme has been formed to identify and implement the development of priority products to increase exports. Twenty four export development projects have been designed.

### ***African Growth and Opportunity Act (AGOA)***

AGOA is the US government's trade initiative with 39 sub-Saharan African countries. There are over 7,000 products that are available under AGOA and a Generalized System of Preferences (GSP) list to enter the United States duty-free. The program has spurred the export of processed agricultural products, manufactured goods, apparel and footwear from qualifying nations. However, Ghana, according to trade figures from the Ministry of Trade, has not made the most of this AGOA opportunity. Compared to peer-countries, Ghana's exports to the US under AGOA have not been significant. In 2012, the country exported US\$245 million under AGOA to the US, which was only one-quarter of Côte d'Ivoire's exports of US\$995 million. Kenya, an economy that is about the same size as Ghana's, exported US\$355 million in the period. FAGE explains that Ghana's inability to take full advantage of AGOA has been due to Ghana not being able to build the productive capacity to meet the demand requirements under AGOA. As the initiative is about to end and a new scheme is being considered for review this year, the critical question is: How can the country maximize the benefits that a new AGOA will present to increase its exports to the vast US market?

### ***The Economic Partnership Agreement (EPA)***

Another international trade agreement that presents potential for Ghana's burgeoning NTEs is the EU-ECOWAS Economic Partnership Agreement (EPA). The ECOWAS Commission has ratified the full EPA in 2014, awaiting the ratification of member countries. However, many civil society organizations and individuals still remain skeptical and have raised several concerns about Ghana signing the full EPA. Among some of the concerns raised are that Ghana's trade regime with the EU would lead to rapid dismantling of tariffs on goods originating from the EU and thereby precipitate the premature collapse of the manufacturing sector, and huge revenue losses by the state. There are also strong protests against signing EPAs on the ground that it will lead to the devastation of the agricultural sector and impoverish farmers. Proponents have, however, argued that, given that the EU is the country's largest export destination, accounting for almost half of all exports, full EPA offers guaranteed and greater market access, as well as several other advantages that could be much greater than the removal of tariffs, particularly as the new negotiated terms are better than the interim EPA (see the box below). These arguments notwithstanding, the critical issue is how the country can take a full advantage of the EPA, given internal constraints that inhibit export

competitiveness, such as a lack of productive capacity, poor infrastructure, inefficient customs management, excessive red tape, and difficulties meeting technical standards in high-value export markets.

#### **Key Elements of the Full EPA**

- ✓ 100% duty free access to the EU market by ECOWAS products
- ✓ 75% duty free access to the West African market by EU products
- ✓ Transitional period of 20 years
- ✓ Liberalization of Group A products at 0% when the agreement enters into force
- ✓ Liberalization of Group A, Group B and Group C products at the end of each five-year period following the entry into force of the agreement.
- ✓ Products for liberalization process are basically inputs, intermediary goods, and capital equipment
- ✓ Exemption—25% of sensitive and special products from the West Africa region

*Note: Products for liberalization are inputs (A), intermediary goods (B), and capital equipment (C), while sensitive products on exclusion list include agricultural and agro-processing products, infant-industries products, high fiscal revenue products, etc.*

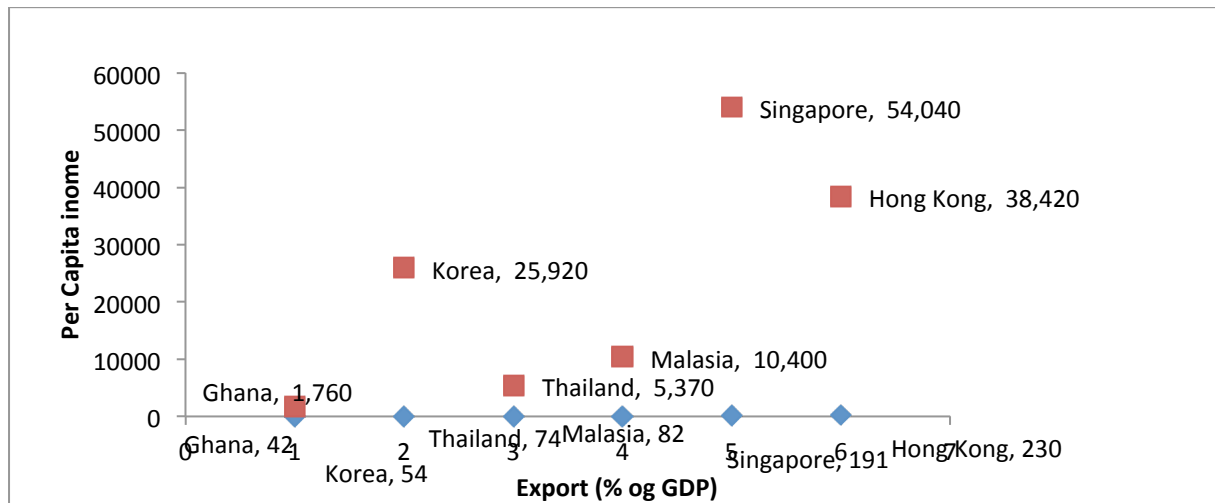
#### **ECOWAS Common External Tariffs**

Since 2004, Ghana has supported the adoption of an ECOWAS Common External Tariff (CET), which is considered a major condition needed for the establishment of a Customs Union and the deepening of the integration agenda of the sub-region. All the Member States agreed to adopt and apply the ECOWAS CET rate, which is expected to be effective from January 1, 2015. Even if this is formally adopted, there are concerns about its practical implementations. In spite of the existence of the ECOWAS Trade Liberalization Scheme (ETLS), which is essentially a Free Trade Area (FTA), it has so far been implemented haphazardly with many barriers along the roads, due to lack of commitment from some member states. The issue is how ECOWAS can ensure commitment and effective monitoring of the CET application for compliance. The trade analysts have pointed out that Nigeria, for example, with significant productive capacities, and a more protectionist trade policy, would find it hard to align itself with a CET designed by countries with different structural features and policy objectives.

#### **Benchmarking with other countries**

There are now several examples of developing countries that have been able to develop competitive export industries and have been rewarded with remarkable economic growth. As shown in Figure 1, countries like Singapore, South Korea and Malaysia, for example, have GDP per capita 30 times, 14 times and 6 times, respectively, higher than that of Ghana's, largely on accounts of export success. South Korea, for example, is one of the top 10 exporters in the world, registering a rise of exports as percentage of GDP from 29 in 1995 to 54 in 2013.

Figure 1: Per Capita Real GDP and exports/GDP in 2013



Source: World Bank Indicator, 2014

So how did these countries make it to the top? What did they do right that Ghana did not? A look at the *Global Export competitive index* indicates that—quite apart from the fact that the export drive of these countries is anchored on a highly productive base, market diversification and deliberate active government policies—the low cost of doing business in these countries’ ports compared to Ghana’s amply provides the answer. Table 5 shows the World Bank’s Trading Across Borders indicators, which measures the time and cost (including document preparation; customs clearance and inspections; inland transport and handling; and port and terminal handling) associated with exporting and importing a standardized cargo of goods by sea transport as of June 2014. While Ghana is ranked 120, Malaysia, Mauritius, Taiwan and Korea are ranked 11, 17, 32 and 3 (see Table 5). In Ghana, the number of documents an exporter needs before exporting is 6 compared to 3 and 4 in Korea and Malaysia. An exporter in Ghana spends on average 19 days to get goods exported from the ports compared to 11 in Malaysia and 10 in Mauritius. Moreover, it costs a Ghanaian exporter almost twice as much (US\$875) to pay for a container to export than an exporter in Singapore (US\$460). Ghana is also ranked the lower (67) than countries like South Africa (71) and Mauritius (89) with regard to the Distance to Frontier, which measures the distance of each economy to the “frontier” (i.e., the best performance observed on each of the indicators across all economies in the *Doing Business* sample, where 0 represents the lowest performance and 100 the frontier).

These, among other things, clearly show that Ghanaian exporters are trading in a relatively inefficient business environment that compromises their ability to compete effectively in the international market.

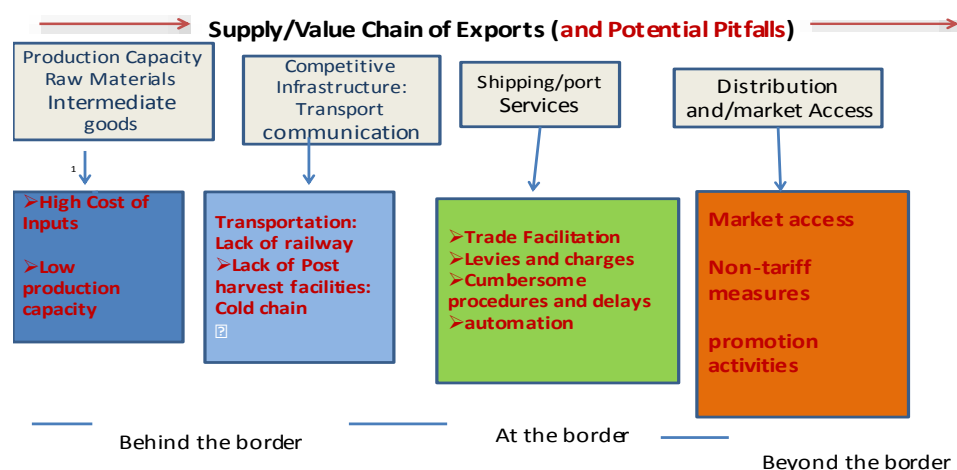
**Table 5: Trading Across Borders Indicators for Export by selected Countries**

Economy Name	Rank	Distance to Frontier	# of Documents to export	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
<b>Ghana</b>	120	67.1	6	19	875	7	41	1360
<b>Korea, Rep.</b>	3	93.45	3	8	670	3	7	695
<b>Malaysia</b>	11	89.94	4	11	525	4	8	560
<b>Mauritius</b>	17	87.74	4	10	675	5	9	710
<b>Singapore</b>	1	96.47	3	6	460	3	4	440
<b>Taiwan, China</b>	32	84.38	5	10	655	6	10	720
<b>South Africa</b>	100	71.05	5	16	1830	6	21	2080

Source: World Bank, Doing Business, Trading Across Borders, 2015

### 5. Challenges and Key Export Issues

Engagements with key stakeholders within the export industry—including government MDAs, private business associations, and some industry leaders—brought out a plethora of challenges that face the entire value chain of NTEs in the country. Overall, Ghana’s export performance reflects issues that are related broadly to behind-the-border issues, at-the-border issues, and beyond-the-border issues. More specifically, the challenges confronting the export sector, as articulated by the key stakeholders, range from production, transportation, and support services to port and shipping and marketing and distribution issues. The issues relating to each chain of activity have been summarized in the chart below. In what follows, we discuss these challenges and key issues under five key themes: production capacity, competitive infrastructure, export credits and export finance, trade facilities, and market access and distribution issues. With an exception of export finance, which is a cross-cutting issue, each of these issues relates to a particular value chain shown below.



### i. Lack of Production Capacity and Sustainable Supply Sources

The majority of the respondents interviewed, particularly agricultural product exporters, pointed out that while the country has a comparative advantage in many of its export products, it lacks competitive advantages, often due to production bottlenecks. Issues included land fragmentations, lack of irrigation facilities, high cost of inputs and farmland management, unreliable utility services, and inability to retain skilled labor and agronomists. Another issue mentioned several times is inadequate research to develop high-yielding seeds. The following paragraphs discuss these challenges in detail.

*Lack of Land for Large Commercial Farming:* One headache for non-traditional agricultural exports producers is the unavailability of large tracts of land for commercial farming. In Ghana, lands are often fragmented and one therefore has to negotiate with a large group of people in order to obtain a large tract of consolidated land. This predictably results in land disputes, raising concerns about land tenure security and property rights. Quite apart from losing the advantages that emanate from economies of scale production—such as technical and managerial efficiency that leads to lower per unit costs of output—exporters are often unable to satisfy the high market demand. In most cases, the markets for NTE products are there but producers do not have the capacity to consistently meet orders. Land fragmentation means that most export farmers operate on an average farmland size of 2 hectares and the lack of irrigation facilities to ensure production all year round.

Exporters—particularly horticultural producers of fruits such as pineapple—complained that they are gradually losing their farmlands to rapid urbanization, because they do not have titles or long-term leasing agreements. Land owners are threatening to take back their lands from pineapple and vegetable farmers in areas where lucrative estate development is on the rise, as observed by the Sea-freight Pineapple Exporters of *Ghana (SPEG)*. Many of these farms for horticultural production cannot be moved too far off from the ports because of limited availability of cold chains.

*High Input Costs:* High input costs relating to energy, water, labor, tariffs on imported raw materials or ineffective duty drawbacks (see box below), particularly for the processed and semi-processed exporters, and high field management costs for export farmers have been mentioned as some of the inhibiting factors that render Ghana export products uncompetitive.

#### Issues with Duty Drawbacks in Ghana

The provisions for Ghana's duty drawback scheme are laid down in sections 40 to 42 of the Customs, Excise and Preventive Service (Management) Law of 1993. This is a refund on import duties after the importer re-exports previously imported products (Same-state Drawback). It is also a refund of import duties paid on imported raw materials used in the production of finished goods and exported (Material Drawback). Claims must be made within 12 months from the date of export. This is essentially an export incentive scheme geared towards reducing input cost for exporters and making them more competitive. However, many of the exporters interviewed, particularly those engaged in processed products, complained that the procedure to get the refund is too cumbersome and when one submitted all the required export documents, it took months to get duties paid back.

According to some exporting firms, even where and when these inputs are available, the cost of accessing them are too high compared to their competitors abroad. Not even exporters within the free zone enclave are spared these high input costs, particularly utility costs. For example, some of the cocoa processing factories lamented that their electricity bills, even from the national grid, are two times higher than what their competitors in, for example, the Netherlands, pay. Moreover, despite the fact that the free zone law guarantees them reliable water, about 40 percent of their water needs are sourced from water tanker vendors, which triple their water bills.

*Lack of Research and Other Ancillary Facilities:* Another key concern that needs to be addressed is the non-existence of facilities dedicated to the entire spectrum of the value chain of NTEs. There are no agricultural products—with the exception of cocoa—that are furnished with facilities dedicated to the entire spectrum of its value chain, i.e., from research to production to marketing. Thus, should there be an alteration in the market, the country does not have the capacity to swiftly adapt. This is what occurred in 2004, when the demand for Ghana's local pineapple variety slumped in the European markets with the introduction of a new variety (MD2).

*Inconsistent Supply of Raw Materials:* Some of the producers and firms complained about the inconsistency of raw materials supplied by domestic providers. According to the firms, in order to avert a disruption in their production, they must rely on foreign sources to augment their raw materials. Case in point: Blue Skies, one of the leading producers of processed fruit juice. The company has to import about half of its raw materials, including oranges and mangos, from neighboring countries Burkina Faso and Cote d'Ivoire because domestic producers cannot meet their demands. The key informant blamed the drop in the supply of fruits such as mango, pineapple, coconut, and pawpaw on the recent decline of the number of farmers engaged in fruit production in the country. This observation is buttressed by a recent FAO (2013) report, which finds that, since 2004, the number of pineapple exporters has declined from 50 to just 14.

## **ii. Competitive Infrastructure Gap**

The efficient organization and delivery of infrastructure services such as roads, transportation, energy, and telecommunication is vital to creating export competitiveness and successful businesses. At least that is the view point of many stakeholders interviewed. They said that poor infrastructure— bad roads, unreliable supplies of electricity and water, and inadequate pack houses and cold chain facilities—is one of the major challenges facing the export industry in Ghana. The erratic electricity supply and resulting high cost of using generators is the common thread that runs through all complaints about poor infrastructure.

Another issue that is of great concern to exporters is transportation. The lack of an efficient transportation system, such as rail or a dedicated road network, is hampering competitiveness. The collapse of railway transportation in the country is of particular concern to many industry players as its absence not only delays transportation of perishable products, but also hinders bulk transportation of export products from the production base to the port of exit. Respondents particularly mentioned the inability of the government to develop railway lines to the Boankra Inland Port, in order to create devanning centers outside Tema and thereby facilitate transit trade and ease congestion at the port.

Another complaint that emerged from interviews was inadequate storage facilities and cold chains for products. Most NTEs are perishable and require storage facilities such as cooling vans to preserve quality while they are being transported from the production point to the point of exit.

### **iii. Lack of Access to Finance**

Access to export financing, working capital, and long-term financing is critical to expanding production capacity. However, the overwhelming majority of the respondents believe that the fundamental problem facing the export industry is lack of access to affordable credit. High lending rates as a result of a volatile macroeconomic environment, plus the mainstream banks' reluctance to finance agricultural producers and exporters are the main barriers to exporters in the country accessing external finance.

Although respondents felt that the establishment of the Export Trade, Agricultural and Industrial Development Fund (EDAIF) has greatly benefited exporters in the country, it has to be re-examined. This is because the scheme has so far failed to address exporters' financing constraints since a lack of lending to agricultural product exporters still persists. Under current arrangement, EDAIF provides funds at subsidized interest rates (12.5%) but the loans are administered through Designated Financial Institutions (DFIs), which, according to exporters, are often reluctant to release funds even after they have been approved by EDAIF. The DFIs collect 10 percent of the interest as fees, with the remaining 2.5 percent going to EDAIF.

However, per the agreement, the DFIs are asked to bear the full risk. This discourages the DFIs to lend EDAIF funds as they can lend their own funds at higher interest rates commensurate with the risk they are taking. They therefore are said to not be keen on marketing the EDAIF facility, by making it difficult for applicants to access funds.

### **iv. Trade Facilitation Bottlenecks**

It is well acknowledged that effective trade facilitation increases exporter competitiveness by allowing exporters to trade goods and services in a timely manner and with low transaction costs. However, if trade policies, procedures, and practices are cumbersome or applied inefficiently, they can create major barriers to the fluid movement of goods from export departure to import arrival.<sup>vii</sup> Exporters, associations, and Ghana Shippers Authority officials interviewed identified several bottlenecks that impede free flow of goods at the country port of exit, particularly Tema Port. These include congestion, inadequate automation of processes and clearing systems, and manual documentation that leads to cumbersome processes involved in obtaining necessary licenses and permits from multiple statutory bodies and private agencies; inadequate equipment such as gantry cranes and handling facilities; inadequate space for devanning containers; and failure to land containers within the 24-hour stipulated period due to rising cargo volumes at the ports. GSA estimates that, over the last decade, container traffic at the ports of Tema and Takoradi has increased by 40 percent and 28 percent, respectively. There is also the high cost of doing business at the country's ports and borders, which as shown in Table 4 to have reduced the country's global export competitiveness. These shipping charges, which many of the respondents think are often illegally hyped, include charges by shipping service providers for shipping agents, clearing agents, freight forwarders, and consolidators.

Moreover, although Ghana continues to implement the ECOWAS Trade Liberalization Scheme (ETLS), which was started in 1989 to promote intra-West African trade, a number of factors still impede Ghana's effort to increase exports to other countries in West Africa. Some major challenges include: the absence of real time updated records of certified products and registered companies under the scheme to establish the rules of origin and, therefore, qualification for duty exemption; presence of non-tariff barriers (too many border check points on linking roads); and poor infrastructure, particularly lack of shipping lines that directly link countries within the sub-region.

#### **v. Limited Market Access and Market Diversification**

One critical issue of concern for Ghanaian exporters is difficulty with breaking into the global competitive market. Exporters need to know how to obtain information about overseas markets and how to exploit opportunities that are identified. Producers and exporters also have to attain high performance standards in terms of product consistency, tight planning and logistics, quality assurance, food safety, and traceability. However, while many producers and exporters claim to have obtained certification (such as GlobalGap for horticultural products), many still have poor knowledge of markets, poor management, and weak marketing channels. Although the country is gradually diversifying its export destinations, particularly to West African markets, challenges remain in breaking into the Asian market, which offers great size and opportunity. Training offered by the Ghana Standards Authority and certain international consultants with regards to meeting international standards and providing certification is expensive for smallholder farmers. And although GEPA is mandated to promote Ghana's exports and create market access abroad, lack of funds often limits the scope of their activities, pricing them out of participating in international trade fairs or organizing them locally.

Also, as previously discussed, Nigeria—the economic giant in the region—has not respected the ECOWAS Trade Liberalization Scheme and put a tall list of trade prohibitions on certain products, which is stunting regional trade and, by extension, frustrating economic integration in the sub-region.

#### **vi. Concluding Remarks and Recommendations**

In conclusion, as an International Trade Centre report points out, the key policy issue is not whether to export, but how to do so in a way that provides for sustainable income growth and increase foreign exchange earnings. Access to inputs of materials, capital, technology, and a range of services is critical for international competitiveness. Thus, export success depends both on achieving economic production and being able to deliver goods and services to the world market at competitive prices. Also critical for a successful export strategy is a comprehensive and clearly articulated approach to active trade policy and regulatory practices, with buy-in by all stakeholders, including government and its export agencies, private export associations, think tanks, and civil societies. Based on the foregoing, the following recommendations are made to positively transform the export subsector:



<b>Issue or challenges</b>	<b>Solutions/Recommendations</b>
<b>Lack of Production Capacity and Sustainable Supply Source</b>	<p>Government should increase support for large-scale commercial farms for all selected agricultural export products through land acquisition and provision of subsidy for purchase of tractors. Size, consistency, and flexibility in product supply matter for export competitiveness. Large scale also helps in product traceability and standardization.</p> <p>There must be a zoning policy where certain lands are allocated securely for production of export crops.</p> <p>Government should strengthen its support for research and development on export products, particularly in the development of high standard seeds and planting materials, which should be made readily available to farmers</p> <p>Increase and improve the quality of training of extension services to ensure internationally acceptable production practices that meet global demand.</p> <p>Government must ensure that the free zones work effectively by providing efficient utility services to produce competitive export products.</p>
<b>Competitive Infrastructure Gap</b>	<p>Government should provide reliable utility services such as energy and water supply, particularly to those within the EPZs.</p> <p>It should also provide reliable transport services: Private investors as well as government should invest in cold vans and stores at all vantage points. Government should prioritize the development of railway transport to reduce transportation time and cost.</p> <p>Government should provide financial support to increase the institutional capacity of export service agencies such as GEPA, Ghana Shipping Authority, Ghana Standards Authority, and private export associations and federations.</p> <p>Government should streamline to ensure that existing export incentives schemes—such as the Custom Duty Drawback, Corporate Tax Rebate, Export Proceeds Retention Scheme, and Up-Front Duty Exemption duty drawbacks—are active and working efficiently to benefit exporters and the country. GIPC should repackage these incentives to attract more export-oriented FDI into the country.</p>
<b>Lack of Export Credits and Export finance</b>	<p>Government should ensure macroeconomic stability and reduce domestic borrowing in order to bring interest rates down and free up funds to the private sector.</p> <p>More innovative export financing models are needed. For example, a rethinking of the funding model of EDAIF is needed so that it takes a more venture capitalist approach or it uses the funds to subsidize interest rate from the banks.</p> <p>The proposed Ghana EXIM Bank must be subjected to a national dialogue to seek buy-in from all stakeholders. If it has to be set up, it should be modeled on global best practice and private-led in order to limit governmental control.</p>
<b>Trade Facilitation bottlenecks</b>	<p>Government should establish an efficient and effective single window system to enable exporters/shippers to submit their documentations at a single location and/single entity. This will go a long way to reducing the time and cost of doing business at the port and harbors.</p>

	<p>Government should simplify customs procedures and promote the automation of the entire shipping and clearing system to reduce the need for human interventions and paperwork. This will reduce handling costs and charges at the ports.</p> <p>The Ghana Shipper's Authority should intensify its educational activities to exporters and importers to present the right set of documentations and lobby to reduce delays and charges at the port.</p> <p>Government should take immediate steps to spearhead a push to ensure that member states such as Nigeria commit to the tenets of the ECOWAS Trade Liberalization Scheme.</p>
<b>Limited Market Access and Market Diversification</b>	<p>GEPA should be supported in embarking on aggressive market research and promotion activities in new and emerging markets such as Asia and Africa.</p> <p>Government should ensure that exporters build enough capacity through trainings and financial support to take full advantage of the bi/multilateral trade agreements such as the EPA, AGOA, and ECOWAS.</p> <p>The Ghana Standards Authority, in collaboration with the export association, should ensure that exporters obtain internationally acceptable certification and standards by providing subsidized training to exporters.</p>

## Appendix

**Table 2: Composition of Ghana's Merchandise Export (2008-2013)**

	2008 (US\$, mil)	2009 (US\$, mil)	2010 (US\$, mil)	2011 (US\$, mil)	2012 (US\$, mil)	2013 (US\$, mil)	Contribution to exports (%)	Av Growth Rate (%)
<b>Gold</b>	2246.2	2551.4	3803.5	4,920.20	5,643.30	4,965.70	36.1	18.9
<b>Cocoa beans</b>	1225.1	1422.4	1594.36	2,027.90	2,192.70	1,612.10	11.7	7.4
<b>Timber</b>	316.8	179.8	189.5	165.7	121.4	165.8	1.2	-8.1
<b>Oil</b>	0	0	0	2,778.50	2,976.10	3,885.10	28.3	7.5
<b>Non-Traditional</b>	1340.9	1215	1629.2	2423.3	2364.4	2418.6	17.6	14.7
<b>NTEs of which:</b>								
<i>Processed/Semi-Processed</i>	<b>1,150</b>	<b>1061.91</b>	<b>1461.48</b>	<b>2122.79</b>	<b>2083.9</b>	<b>2110.03</b>	<b>87.24</b>	<b>14.93</b>
<b>Cocoa Paste/butter</b>	314.4	376	666.24	894.3	680.2	528.8	21.86	16.97
<b>Canned Tuna</b>		110.5	116.4	178.6	175	144.1	5.96	7.82

Articles of Plastic		93.8	86.4	131	133.1	147.3	6.09	11.20
Natural rubber		24.8	42.2	72.5	68.3			7.23
textiles and garment	20.9	32.8						11.39
wood products	164.8	93.9				90.4	3.74	-8.60
other	304.6	540.7	550.24	846.39	1027.3	1099.53	45.46	32.30
<i>Agriculture Products</i>	<b>187.6</b>	<b>150.86</b>	<b>164.93</b>	<b>296.97</b>	<b>276.38</b>	<b>306.11</b>	<b>12.66</b>	<b>14.72</b>
Cashew Nuts/oil seeds	62.6	20.2	24.4	149.7	91.3	155.6	6.43	99.60
fish and seafood	61	27.7	37.4	10.3	45	24.4	1.01	39.82
Shea-nuts		26.9	13.8	25.1	26.3	8.06	0.33	-6.28
medicinal plants		8.1	21.1		14.2	43.1	1.78	52.80
Pineapple		10.6	13.6	17	16.8	19.2	0.79	13.28
bananas		11.6	15.5	15.4	15.3	2.3	0.1	-13.53
Other	17.8	6.56	39.13	79.47	67.48	55.75	2.31	100.79
<i>Handicraft</i>		<b>2.27</b>	<b>2.78</b>	<b>3.57</b>	<b>4.1</b>	<b>2.5</b>	<b>0.10</b>	<b>5.34</b>
Other Exports	140.66	471.06	743.54	469.76	244.81	704.6	5.12	79.17

Source: Ghana Export Promotion Authority, 2014

**Table 3: Major Destination of Ghana's Merchandise Exports (2003-2013)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Netherlands	11.3	12.2	12.5	11.3	11.0	13.2	13.2	11.8	10.2	7.9	7.7
United Kingdom	10.7	9.9	8.3	8.7	9.0	6.8	7.7	7.1	4.7	4.3	4.9
United States	4.3	1.4	6.7	6.7	5.9	5.9	3.8	5.7	8.5	3.8	4.8
France	7.6	6.8	5.6	4.4	6.2	5.6	5.8	5.8	18.9	13.9	12.5
Italy	4.6	3.6	3.7	2.8	2.5	1.9	1.7	1.7	8	12.2	9.9
Germany	6.2	4.5	4.4	3.8	4.6	2.8	3.6	3.4	0	0	5.2
Spain	3.8	2.9	2.5	5.7	2.8	0	0	0	0	0	0
Belgium	3.6	4.7	5.8	5.2	4.4	2.6			0	0	0
Japan	5.3	4.2	3	2.6	3.5	1.3	3.2	3.2	0	0	0
Nigeria	1	1.2	1.4	1.5	1.7	0	0	0	0	0	0
Malaysia	0	0	0	0	0	0	0	0	2	4	0
Ukraine	0	0	0	0	0	11.5	5.7	4.2	3	3.8	0
Turkey	0	0	0	0	0	0	2.7	3.9	3.1	3.4	2.2
China P.R Mainland	0	0	0	0	0	0	0	0	3.9	8.2	7.5
India	0	0	0	0	0	3.1	3.5	4.1	2.2	3.3	5.8

<b>Portugal</b>	0	0	0	0	0	0	0	0	0	0	3.5
<b>Others</b>	41.6	48.6	46.1	47.3	48.7	45.3	49.1	49.1	35.5	35.2	36
<b>Overall Total</b>	100	100	100	100	100	100	100	100	100	100	100

Source: World Development Indicators, World Bank

**Table 4: List of Products Exported to Nigeria, 2005-2013, (US\$ in thousands)**

Product Label	2005	2006	2007	2008	2009	2010	2011	2012	2013
All products	393,929	69,845	80,509	85,976	79,345	101,101	196,990	249,021	141,093
Spirits, liqueurs, other spirit	0	0	0	0	856	18,571	34,287	25,229	33,716
Plywood, veneered panels and similar	333,913	50,999	35,904	55,560	35,548	31,603	39,490	77,542	15,511
Margarine	2,465	0	132	1,745	9,151	10,884	16,123	12,594	13,565
Ethyl alcohol & other	91	0	0	0	65	44	453	98	11,090
Palm oil & its fraction	0	0	0	0	2,768	5,286	6,581	23,874	7,288
Preserved fruits nes	0	0	0	0	3,258	4,182	31,712	1,152	7,153
Chocolate and other cocoa food	42	20	1,937	289	561	754	5,557	4,779	6,066
Aluminum plates, sheets and strip,	45,076	13,403	19,558	20,206	3,623	1,073	10,075	4,202	4,207
concentrates of coffee and tea	357	128	1,094	450	2,139	1,753	3,486	6,996	3,816
Veneer	2,333	19	0	643	2,117	3,334	8,185	58,014	3,481
Aluminium bars, rods	41	10	0	0	0	0	2	1,468	2,822

Source: Compiled from UN COMTRADE, 2015

**Key informants interviewed:**

1. Mr. Charles Folikumah: Head of Exports, and Mr. Aggrey Fynn, PPMD, Ministry of Trade and Industry:
2. Mr. Stephen Normeshi, General Manager, Ghana Export Promotion Authority (GEPA)
3. Mr. Frank Obeng, Head Corporate Affairs and Research, Export Development and Agricultural Investment Fund (EDAIF)
4. Mr. Agyemang, Chief Economists; Private Enterprise Federation
5. Mr. Stephen Mintah, General Manager, Sea-freight Pineapple Exporters of Ghana (SPEG)
6. Mr. George Kporye, Corporate Affairs & Administration Manager, Golden Exotic Limited, Free zone company
7. Mr. Anthony Anthony Sikpa, President, Federation of Ghanaian Exporters (FAGE)
8. Mr. John Andre, Managing Director, Barry Callebaut, Tema Free Zone
9. Mr. Emmanuel Martey, Deputy Chief Executive Officer, Ghana Shippers Authority

## End Notes

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