Ghana

This West African gem owes its economic growth to cocoa, cashews, gold and, of course, oil, says Emmanuel Nambware

Ghana continues to be touted as one of the world's leading emerging economies, with a population hovering at around 24 million. It was considered the centre of Africa's struggle for independence in the 1950s, under its charismatic first president, Dr Kwame Nkrumah. The country suffered a temporary slowdown in the ensuing years due to political turmoil, characterised by several military *coup d'états*. Ghana's electoral process is now tested and mature, and the country has managed to conduct peaceful elections more than five times, with smooth transitions between different parties. Last year, the incumbent National Democratic Congress party won the general election with 50.7% of the vote.

Now Ghana has re-emerged as the beacon of Africa's democracy and stability, and is a leader of the pack among African frontier markets. It has a growing, diversified economy and is continuously building robust institutions.

Economically, Ghana depends on a diverse range of commodities, specifically minerals and oil. It is the second-largest producer of cocoa in the world and the second-largest gold producer in Africa. Production for recently discovered oil is still at a nascent stage and more deposits continue to be discovered.

A pot of gold

As host to some of the world's leading mining houses, including AngloGold Ashanti and Newmont, Ghana enjoyed gold production of 2.97 million ounces in 2010 and nearly 1.5 million ounces in the first half of 2011. Gold production in Ghana has grown by almost 1,000% since the 1980s. Investment in mining continues to increase and the government and environmental agencies are making efforts to take control of an emerging crop of informal miners.

Ghana produced more than one million tonnes of cocoa during the 2010/11 season and the crop remains its leading export. About 20% of the cocoa is processed locally, while the rest is exported.

Agricultural production in Ghana is diverse: cashew nuts, maize and fisheries make up a significant part of the industry. The government has also devised a programme to fast-track the development of agriculture in the country's key farming areas, with the intention of avoiding the so-called 'Dutch disease' (the risk that manufacturing declines as exploitation of natural resources rises). This is an upfront move to avoid the pitfalls experienced by other countries, such as the Netherlands, that discovered gas or oil.

Oil found in 2007 has given a new impetus to Ghana's economy. The Jubilee field, which could potentially produce 120,000 barrels per day, achieved production levels of 95,000 barrels per day by the end of 2011. Despite some initial technical hitches that led to a shortfall in achieving targets, oil helped to drive Ghana's economic growth of 14.4% in 2011. Other wells are supposed to come on-stream in 2013 and 2014, and double-digit growth rates are projected for the next five years. Growth generated by related downstream and ancillary services has also been good.

When the oil was found, Ghana passed legislation to ensure that there was an equitable and investment-focused use of oil revenues, making it probably one of few countries with robust laws on distributing such revenues.

Investment in infrastructure

Infrastructure remains a challenge for Ghana, particularly its roads. Significant investment has been channelled into major road networks, but there is considerable room for improvement. Northern Ghana, where most of the agriculture is concentrated, is struggling to achieve full productive capacity since farmers are unable to transport goods to

COUNTRY FILE

Population size: 24.7 million
Area: 238,535 km^2
% growth in 2011: 14.4
Type of govt: Parliamentary democracy
Official language: English
Capital city: Accra
Largest city: Accra
GDP (Actual 2011): $39bn
Currency: Ghanaian cedi (GH¢)
Currency rate against the pound: 2.92

A worker checks sacks of cocoa leaves in a Ghanaian warehouse

ALAMY

TOP TIPS FOR DOING BUSINESS IN GHANA

1. Grasp a few Ghanaian phrases – it breaks the ice during meetings. Some examples are *akwaaba* (welcome); *nante yie* (goodbye); *meda ase* (thank you); and *eti sen?* (how are you?).

2. **Maintain an 'apolitical' stance should you encounter political discussions.**

3. Partner with an organisation that can guide you through the local legal, regulatory and business framework.

4. **Network. Network. Network. Given the personable nature of Ghana's community, a relevant personal network is essential to achieve business success. A local business partner can also assist here.**

5. Know your football.

the markets and ports in the southern parts. To resolve this and some other infrastructure challenges, a bilateral loan of $3bn has been arranged with China Development Bank. Funding has also been sourced for increasing, and improving, water and sewer reticulation systems in the major towns. Meanwhile, a gas pipeline to fire thermal power stations has been laid and is expected to come on-stream by 2013, fuelled by Jubilee field gas.

Trade with China has been increasing alongside growing Chinese interest in African commodities and raw materials. Trade between Ghana and China reached $3.5bn in 2011, making up 2.10% of Africa's total. The recent deals China has managed to finance and the role it is playing in the country's infrastructural development have marked Ghana out as a key partner in the coveted Chinese-Africa trade.

Ghana's banking industry is quite robust, comprising a mix of both large and small local banks, global international banks and African regional banks. Overall, 29 banks operate in the country and there is a sizeable space for rural community banks that are owned and run by the communities. Some of the major banks are listed on the Ghana Stock Exchange, which has also listed some of the international companies operating in Ghana, including Tullow Oil and TOTAL Petroleum.

Investment in infrastructure

A number of banks in Ghana have recapitalised following an order from the central bank to increase minimum capital requirements to $31m. The deadline was December 2012 and almost all of the banks are said to have achieved this requirement. There are reports of a plan by the regulators to further increase the minimum requirement to $53m.

Vibrant competition exists within the banking industry and product innovation remains a key feature. Changes in legislation for pension funds are likely to stimulate more innovation as banks look to take a share of an industry that the government held close for many years.

In 2007, Ghana became the first sub-Saharan African country to issue a successful eurobond. It floated a $750m, 10-year bond at 8.50%, which was remarkably oversubscribed, despite being issued right at the dawn of the credit crunch. Buoyed by a positive outlook and B+ ratings from Fitch and Standard & Poor's, the bond auction saw bids close to $1.4bn at a time when capital was elusive in the major markets.

The local bond market was also opened to foreign investors in 2007 and has grown significantly. To illustrate the point, a local five-year bond issued in 2007 was GH¢50m (US$50m then) in size while the most recent issue was GH¢998m (US$525m). A primary dealership system has been put in place as the key central point for redesigning the fixed income market. The Bank of Ghana realises the importance of markets in smoothing out shocks in interest rates and FX markets. So it is working to perfect regulations and processes to bring the country to a par with world standards.

The Bank of Ghana is the second central bank (after South Africa) to successfully implement an inflation-targeting monetary policy in Africa.

Market outlook

A key question for 2013, according to Standard Chartered's research on Africa, is whether confidence in FX rate stability will persist.

The cedi weakened dramatically in early 2012 (largely due to trade-related pressures, declining confidence in the currency and fears about a potential election-related boom/bust cycle). But since then it has stabilised. The Bank of Ghana intervened effectively in the interbank market, triggering some reversal of speculative holding of FX and enabling the cedi to appreciate.

Debt-service commitments, especially coupon payments due on Ghana's 2017 eurobond, and any sign of weakening investor appetite for Ghanaian local-currency debt may soften the authorities' resolve to stabilise the currency. Given continuing trade imbalances, any short-term portfolio outflows might see the re-emergence of pressure on the cedi.

Emmanuel Nambware is head of rates trading at Standard Chartered Ghana, which has operated in the country for around 117 years