Many decades of political stability and a generally pragmatic government fiscal policy has made Ghana one of Africa's strongest economies but it is still far short of maximising its potential. Youth employment is still unacceptably high and government revenues from taxation are only a fraction of what they should be. The discovery of oil and gas will help improve national revenues but accelerated growth will still come from better exploitation of its traditional resources in agriculture, mining and light industry. Nevertheless, this West African country is well poised to join the ranks of Africa's economic lions. Report by Neil Ford.

SPECIAL REPORT ON

GHANA

Africa's rising star

The rise of a West African Lion?

Many observers report that Ghana has it all. The mining and agricultural sectors have prospered from many years of political stability and improved economic management. Oil and gas has now been discovered offshore to generate more revenue for the government and feedstock for domestic industry.

Returning diaspora Ghanaians are setting up their own businesses and national infrastructure is being upgraded, often with Chinese money. Yet the government needs to keep its feet on the ground and accept that it still has much work to do. Oil money is all very well but the windfall is perhaps not as great as many believe.

Ghana's reputation as one of Africa's strongest economies has been built on 15 years of steady to strong economic growth, with GDP increasing by an average of 5% a year in the 1980s and 1990s. Yet perhaps its greatest strength is that this growth stems from economic diversification rather than over reliance on a single commodity or sector. Gold mining, cocoa production and even the growing IT sector have all contributed to economic development.

Providing the revenues are well managed, the oil boom should therefore provide the icing on the cake rather than the main source of revenue. With a population of 25m, anticipated revenues of $1bn a year equate to just $40 a year per person in Ghana. The mining and cocoa industries still generate more income for the government than oil and although this situation is not expected to last long, oil is unlikely ever to account for the bulk of state revenues.

Ghana was praised by the World Bank for using money saved through the Highly Indebted Poor Countries (HIPC) scheme to reduce poverty and spread economic development to poorer parts of the country. Indeed, it has been categorised a lower middle income country by the World Bank since 2009.

Gold mining is subject to concerns about future changes to legislation and rising costs.

This is recognition of the economic progress that has been made over many years but also means that the country is now excluded from many sources of donor funding.

Finance minister Seth Terkper said: "As we consolidate our middle income status and these facilities become less available to us, we should be in a position to borrow effectively from the capital markets."

Accra intends to launch another bond issue to help refinance its 2007 Eurobond and further issues could follow.

The required investment should not be difficult to secure. GDP stood at $39.2bn in 2011 and Accra estimates that it achieved growth of 6.7% last year, with a forecast of 7.8% growth for 2013.

Despite such progress, the government faces a growing budget deficit as a result of increased spending. The deficit grew to 7.3% in 2012 and is forecast to widen still further this year. Accra's view is that it is spending in order to promote future economic growth and that higher oil production will eventually balance the budget.

There is some truth in this and the government's response may also prove beneficial in the long term.

As in almost all African countries, Ghana has an inefficient tax gathering system that allows too many employed people to avoid paying income tax, while millions more remain outside the formal economy.

The required investment should not be difficult to secure. GDP stood at $39.2bn in 2011 and Accra estimates that it achieved growth of 6.7% last year, with a forecast of 7.8% growth for 2013

$1bn

Providing the revenues are well managed, the oil boom should therefore provide the icing on the cake rather than the main source of revenue. **With a population of 25m, anticipated revenues of $1bn a year equate to just $40 a year per person in Ghana**

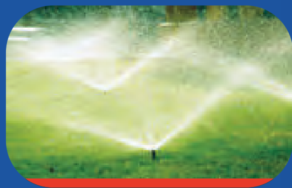
Revenue raising

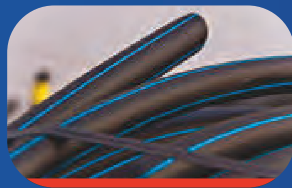
Following the victory of John Dramani Mahama in December's presidential election, the government has been setting out its economic strategy for the next few years. Terkper says: "We are widening the tax net and have formulated new tax policies which will be sent to parliament. We will also go to the bond markets, both the domestic and international bond markets, to get resources to implement our programmes … We have to run programmes that will fit into our status as a middle income country. This means we have to find new ways of collecting taxes and monitoring our projects to avoid wastage."

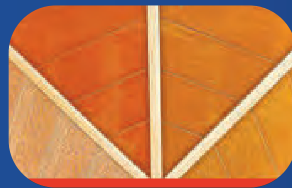
Interplast

PRODUCERS OF HIGH QUALITY PIPES & PROFILES


HDPE Pressure Pipes & Fittings

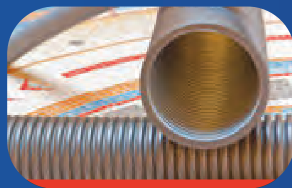

Irrigation Pipes


Cable Duct Systems


Panelast T & G


HDPE Hand Crafted Fittings


Warning Mesh


INCOR Pipes


PVC Pressure Pipes & Fittings


Conduit Pipes


Water Hose


Interplast Super Strength RC Pipes.


Sewer System


Trunking

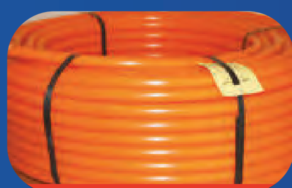

PPR Pipes & Fittings

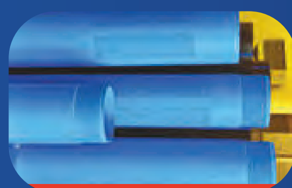

Barrier Mesh


IR Clip


HDPE Gas Pipes


Mosquito Netting


Isorange


Borehole Pipes


EVERLAST Doors & Windows


Profiles


Terrazzo Strips


Interplast Services

www.interplastghana.com
P. O. Box AD 330, Accra, Ghana
Tel: +233 30 2 819 000 **Fax:** +233 30 2 813 490
Email: pipes@interplastghana.com

everlast
The right choice for windows and doors

PANELAST
Ceiling & Wall Panelling

INCOR

Ghanian cocoa farmers are investing in increased production because of state guarantees.

His efforts on this front may be aided by the years he spent working in the national tax agency.

Although the government appear keen to balance its books, it remains to be seen whether it will grasp the nettle over fuel subsidies. Again, in common with many other African states, a large proportion of government spending continues to be directed at reducing fuel prices for the entire population. Any attempt to end the practice generally results in widespread protests because of the impact on transport costs and on other products that are moved by truck. However, the money would surely be best used to improve health and education services, or to invest in infrastructure that would benefit the general public.

Some infrastructure and services will benefit directly from the oil boom, particularly in the form of improved access to gas and electricity. Apart from the gas supplied by the Jubilee oil project, the scheme will provide feedstock to thermal power plants.

The 400 MW Bui hydro scheme, which is being developed by Sino Hydro and which is approaching completion, will provide yet more generating capacity. Apart from aiding domestic businesses, such projects could see Ghana resume its historic role as a regional power exporter. The country is currently forced to import electricity from neighbouring Côte d'Ivoire but could secure export revenues from supplying other states through the West African Power Pool.

$2.3bn

Trade volumes between Ghana and China continue to rise. Bilateral trade stood at $2.3bn for the first half of last year, 71% up on the same period in 2011

Although the Bui project is approaching completion, trade volumes between Ghana and China continue to rise. Bilateral trade stood at $2.3bn for the first half of last year, 71% up on the same period in 2011.

In addition, Beijing provided the Ghanaian government with a $3bn loan in 2011, which will be repaid in the form of crude oil and an understanding that Chinese firms would receive contracts on government backed schemes. Even established sectors of the economy are currently performing well. With production capacity of 1m tonnes a year, Ghana is the second biggest cocoa producer in the world, after Côte d'Ivoire. However, smuggling between the two countries – in both directions depending on national prices – makes it difficult to estimate the real size of the annual harvest.

Ghanaian cocoa has traditionally enjoyed a premium over the Ivorian crop because of its higher quality but traders report that the difference between the two cocoas is shrinking, possibly the two crops are mixed as a result of smuggling.

Nevertheless, Ghanaian farmers are continuing to invest in increased cocoa production because of government support for fertilisers and a state guarantee that farmers will receive at least 60% of the international value of cocoa for their crop.

The gold sector, which remains dominated by AngloGold Ashanti, Newmont and Gold Fields, has prospered on the back of the global economic crisis, as investors have sought safety in gold. International prices have doubled since 2008 and Ghanaian production has risen significantly year on year since then, reaching 100 tonnes in 2011.

The government sought to benefit in 2010 by increasing its royalty rate from 3% to 5%. Apart from the thousands of small scale artisanal Ghanaian miners, other foreign firms are now investing in the country. For instance, Viking Ashanti of Australia is developing the Akoase mine, where it hopes to increase the resource base to more than 1m ounces with further exploratory drilling this year.

The oil boom has reawakened criticism over the north-south economic split in Ghana. The government hopes to address this through improved transport links, particularly to the ports at Tema and Takoradi, although such promises have been made before.

Accra expects to transfer control of the existing western, eastern and central railway lines to a public private partnership, which would be expected to upgrade the western and eastern lines, which terminate at the two ports, while also bringing the abandoned central line back into use. Almost $3bn in funding is currently being sought from the Exim Bank of China and the Commercial Bank of China for the project.

Gas joins oil in offshore boom

Deepwater gas finds as well as oil are boosting the economy.

The Ghanaian oil sector continues to go from strength to strength. Output on the Jubilee project is being ramped up and a string of other commercial discoveries are at various stages of development.

It is possible that Ghana will overtake a host of other African oil producers, including Congo-Brazzaville, Equatorial Guinea, Gabon and South Sudan, to become the third biggest producer in Sub-Saharan Africa after Nigeria and Angola. The government will benefit from all this upstream activity in terms of oil export revenues, economic diversification and the supply of much needed energy resources to the local economy.

Stretching over the West Cape Three Points and Deepwater Tano blocks, the Jubilee project is being developed by a consortium led by Anglo-Irish firm Tullow Oil. Although output on Phase 1 was initially lower than forecast, it should eventually stabilise at around 125,000 b/d, doubling to 250,000 b/d when Phase 2 is completed.

The Jubilee partners are Tullow Oil (36.50%), Anadarko Petroleum (23.49%), Kosmos (23.49%), state owned Ghana National Petroleum Corporation (GNPC) (13.75%) and Sabre Oil & Gas (2.81%).

It is interesting to note that Tullow and Anadarko have been involved in many of the various other oil and gas discoveries that have been made on the continent over the past few years, including in Liberia, Côte d'Ivoire, Mozambique and Uganda. Taken collectively, these finds have opened up much more of the continent to oil exploration.

$750m

Following a competitive tender, the Ghanaian government awarded Chinese firm Sinopec a $750m contract to develop the National Gas Processing Project last year

The Jubilee reserves are located in a deepwater area, meaning that the water is too deep to allow the use of conventional hydrocarbon production technology, such as fixed platforms. As a result, the consortium is using a floating production storage and offloading (FPSO) vessel, which can undertake all of the functions that its name suggests.

With an eye to Ghanaian history, the FPSO has diplomatically been named Kwame Nkrumah. Oil is offloaded on to waiting tankers for shipment around the world. Although this method is more expensive per barrel


rlg
uhuru More than a tablet
The much anticipated is here, Rlg Uhuru.
Enjoy the freedom to work, away from the confines of your desk with the all-new windows 8-powered computer device from Rlg. With high-powered 3G function and smooth touchscreen response, the Uhuru is the ultimate working tool to get things done.
Work in freedom. Uhuru. More than a tablet.
Call 0302 768 258 | visit any Rlg showroom
www.rlgghana.com
rlg

produced, it removes the need for oil to be piped onshore and then loaded on to tankers at a dedicated oil terminal. The construction of such infrastructure takes time and is very expensive. Apart from Jubilee, the Tullow-led consortium has discovered the Akasa, Mahogany and Teak fields, plus the TEN project, which encompasses three smaller fields: Tweneboa, Enyenra and Ntomme.

Tullow reported that good progress was made on TEN in 2012 and the development plan for the project was submitted to the government in November. A tender for the front end engineering and design (FEED) contract has already been launched.

A second Ghanaian FPSO will be utilised on the project, where about 70% of the estimated 200-600m barrels of reserves comprise crude oil, with most of the remaining in the form of gas. The FPSO and oil gathering infrastructure will be developed with spare capacity in mind in order to serve future discoveries that may be made.

Tullow's most recent well, the Okure 1, identified a 17-metre-deep layer of oil in November, following on from the Wawa oil find in July. Angus McCoss, Tullow's exploration director, said: "Wawa 1 was the first of three important remaining exploration wells to be drilled in the second half of 2012, to close out the exploration phase of the Deepwater Tano Licence. It found light oil and gas condensate, trapped separately from TEN and demonstrates once again that liquid rich hydrocarbons are pervasive in this prospective licence. We look forward to the drilling of Okure and Sapele in the second half of 2012."

Apart from the discovery of Jubilee, about 75% of the wells drilled since 2007 have yielded oil, gas or other forms of hydrocarbons. As a result, it is little surprise that companies are queuing up to invest in Ghanaian hydrocarbon acreage. Other investors in the country include Afren, Hess Corporation, Hunt Oil and Norsk Hydro Oil and Gas, but – the Tullow consortium aside – it is Italian firm Eni that is perhaps enjoying most success.

In January, Eni estimated reserves on its Sankofa East field on the Offshore Cape Three Points block at 450m barrels of oil equivalent. The Sankofa East 2A well discovered 76 metres of oil and 23 metres of gas and condensate, prompting Eni to begin to plan for commercial development. The well was drilled in almost 1,000 metres of water, suggesting that yet another FPSO will be deployed here too. Eni Ghana Exploration and

In January, Eni estimated reserves on its Sankofa East field on the Offshore Cape Three Points block at 450m barrels of oil equivalent

Production operates the block with a 47.222% share, with the remaining equity held by Vitol Upstream Ghana (37.778%) and GNPC (15%). The consortium has signed a memorandum of understanding with the government regarding the commercial development of natural gas on the block. The development of the Sankofa reserves should confirm that Ghana is far from being a 'one hit wonder'.

More than just hot air

As with oil, gas from Jubilee is handled by the FPSO Kwame Nkrumah before being piped onshore. It is intended that all gas production will either be marketed within Ghana or reinjected to aid oil production, removing the need for gas flaring.

Much of the associated gas produced on Nigerian oil fields over the past 40 years has been flared, or burnt off, contributing to global warming and wasting a valuable natural resource.

However, unlike on other new African gas projects, there are currently no plans to process the gas into liquefied natural gas (LNG) for export, because the reserves thus far discovered are simply not large enough to support such multibillion-dollar investment. On a more positive note, however, the gas can be used within Ghana to supply thermal

The offshore Takoradi rig feeds gas to the Aboadze power plant, which is being expanded.

power plants and other industrial consumers.

The Ghana Gas Company (GGC) was set up to handle and market gas from Jubilee but the start date for operations has been delayed from December 2012 until July 2013. Construction work on the scheme was halted in September because GGC failed to pay contractors on time. The company blamed the Ministry of Finance for failing to transfer the necessary funding on time. It seems possible that the delay will be a temporary setback but the incident should underline the importance of sound management for Accra.

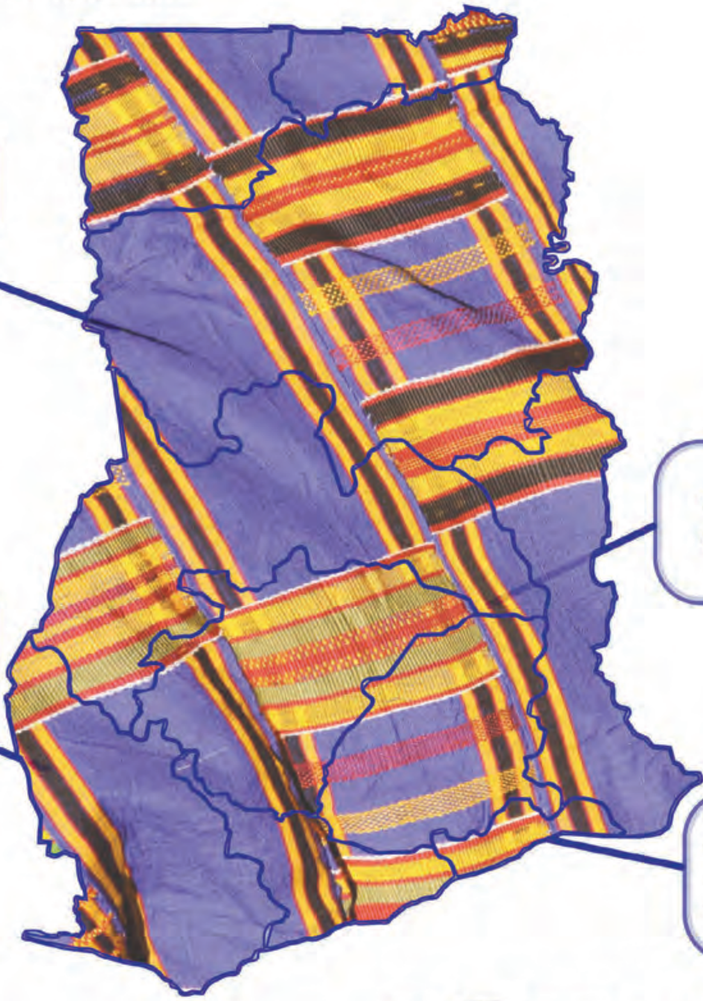
Following a competitive tender, the Ghanaian government awarded Chinese firm Sinopec a $750m contract to develop the National Gas Processing Project last year. Payment will be made in the form of oil supplies. Sinopec will be required to ensure supplies to the 220 MW Tema power plant and construct a 150km pipeline from Takoradi to the 330 MW Aboadze power plant. It will also be required to double handling capacity to 300m cubic feet a day. More gas will be required when the Takoradi power plant is expanded. In late January, Ghana's Volta River Authority (VRA) and the Abu Dhabi National Energy Company (TAQA) announced that they had concluded a financing deal for the $330m upgrade of the plant, which is already under way. The money is being provided by a consortium of development agencies, including the World Bank's International Finance Corporation, the African Development Bank, Deutsche Investitions- und Entwicklungsgesellschafte, the OPEC Fund for International Development and the Canada Climate Change Programme.

The Takoradi plant is now owned by Takoradi International Company, which in turn is owned by TAQA (90%) and the VRA (10%). It has already been converted to run on gas rather than oil and will now be turned into a combined cycle facility.

The number of units will be increased from two to three, boosting total generating capacity from 220 MW to 330 MW, but without increasing the amount of feedstock required. Combined cycle plants allow turbines to be powered using the heat from neighbouring units that would otherwise be wasted. All power produced will be sold to the VRA under a 25-year power purchase agreement.

MOHINANI GROUP

A part of the fabric of GHANA: Employing over 1,800 People. Manufacturing for Industries & Households. Representing some of the World's Biggest Brands & present across Ghana with over 500 Distributors Nationwide.



TAMALE
- Somotex Ghana Ltd.
- Poly Tanks

KUMASI
- Somotex Ghana Ltd.
- Poly Tanks

TAKORADI
- Somotex Ghana Ltd.

ACCRA
- Somotex Ghana Ltd.
- Poly Manufacturing Companies
- Masco Foods (Gh) Ltd.
- South West Estates & Tourism Ltd.
- Uniwell Trading Ltd.

LG Life's Good

PHILIPS sense and simplicity

KFC sogood

★POLYTANK The *name* in water storage.

TOYO TIRES driven to perform

MRF Tyres With Muscle

POLY PRODUCTS

POLY SACKS

POLY KRAFT

MOHINANI GROUP

Head Office: Plot No.: 15 Dadeban Rd., North Industrial Area,
P. O. Box 5334, Accra, Ghana, West Africa
T: +233 (0) 30 2229641/ 2231764/ 2229962. F: +233 (0) 30 2227050

The benefits of living in uninteresting times

The roots of Ghana's democracy have deepened over the last two decades; so how is the state of politics in West Africa's most stable country? Report by **Baffour Ankomah.**

GHANA'S POLITICAL SYSTEM IS A MIXture of the British and the American systems. A powerful Executive President sits side by side with a equally powerful legislature, and sometimes the tensions between the two wings of government can be epic.

After six peaceful and successful elections in the last 20 years, during which the government has changed hands three times between the two largest political parties in the country, the foundations of Ghana's democracy have been firmly put in place.

Unlike the harrowing period between 1966 and 1992 when the country was rocked by military coup after military coup, with political instability and economic retardation as the inevitable corollary, the past two decades have seen the roots of democracy growing deeper.

In fact, Ghana's presidents no longer lose sleep at all these days over the possibility of military coups because while the people will not accept such military adventurers, it will be a very mad soldier who will think today of overthrowing a Ghanaian government through the barrel of the gun. It is a testimony to how far the country has come in a volatile West African region that has had its fair share of rebel wars and civil strife.

Rather, today Ghanaian governments have to grapple with whether they will make the two terms of four each years in office that the electorate appears to have instituted by default. The country's 1992 constitution prescribes four-year terms for presidents, after which they are eligible to stand for another four-year term, and then retire. The headache for presidents therefore is how to make the second term, itself contingent on what they do in the first term to improve the lives of the people.

Ghanaian President John Dramani Mahama, who won a second term for the NDC in 2012.

In the past 20 years, however, the electorate appears to have settled into a pattern where they allow a governing party two terms in office, and then vote it out and bring in a new party.

It happened under President Jerry Rawlings and his National Democratic Congress (NDC) party which ruled from 1992–2000, and President John Kufuor and his New Patriotic Party (NPP) who governed from 2000-2008.

In 2008, voters returned the NDC to power under President John Atta Mills, and though Mills died suddenly in July last year, five months to elections in December, his Vice-President and successor, John Mahama, and the ruling NDC went on to win a second term which will take them to 2016.

But there is a caveat here: the NPP Presidential candidate in the December elections, Nana Akufo-Addo, is yet to accept defeat, having accused the Electoral Commission (EC) of using underhand means to deprive him of votes which were then added to Mahama's. The case is now before the Supreme Court of Ghana where Akufo-Addo is seeking to overturn Mahama's victory.

Whichever side the Supreme Court rules for, it will reinforce the already known fact that Ghanaian politics has become a two-horse race between the NDC and NPP, and it will stay so for a long time to come. Though there are six other smaller parties in the country, they are too small in size and influence to win power in the foreseeable future.

This state of affairs has brought an element of predictability into the country's politics and economy as businesses and businesspeople can have comfort in the knowledge that either an NDC or NPP win will not drastically change the status quo. The two parties are not too far away from one another in temperament and policies. While the NDC says it is a social-democratic party, the NPP says it is a centre-right party that encourages property-owning by individuals and companies – "the party of business" the NPP cares to add.

In reality, however, there is not much difference between the two parties by way of policy. In fact, they are so much alike in terms of that, that voters do not have much to choose between the two.

As a result, there is not much variation in how the country is run, whether under an NPP or NDC government. This brings stability to the economy and business planning as, give or take, the swing of government policy on either side of the party pendulum is slight.

This has made Ghana an attractive place to invest and do business. ■

Ethiopian Airlines now flies you straight into the heart of Zambia's vibrant mining region direct from Addis three times every week. With seamless connections into our hub from destinations across Africa and the world, there's no better way to access Ndola.

www.ethiopianairlines.com

Ethiopian

የኢትዮጵያ

THE NEW SPIRIT OF AFRICA

A STAR ALLIANCE MEMBER