

Black star, black gold

The discovery of substantial oil reserves in Ghanaian waters has transformed the country's economic trajectory: the black gold provides the prospect of paying down debt, investing in infrastructure and achieving sustainable middle-income status. **Stephen Williams** reports.



When the final analysis for 2011 is completed, the IMF confidently forecasts that Ghana's growth will record a 13% upturn, the highest in sub-Saharan Africa. As oil revenues from the offshore Jubilee Field's production begin to flow, "Economic growth [will be] boosted by strong activity in other sectors of the economy. Inflation is now firmly in single digits, and the Ghanaian cedi has remained broadly stable against the dollar, underpinned by an improved external position," Christina Daseking reported in September this year, after leading an IMF research team to Accra.

Daseking went on to say: "A preliminary assessment of fiscal performance during the first half of the year shows strong improvements in tax revenues over the same period in 2010. It suggests that full-year fiscal targets are achievable with continued control over expenditures. The government has also cleared a sizeable part of its previous arrears, which had contributed to high non-performing loans in the banking sector ... Discussions with the Bank of Ghana focused on the challenges of maintaining low inflation, in the context of sizeable foreign currency inflows [ie oil revenues]. The mission encouraged the Bank of Ghana to further build up its foreign reserve buffer, while carefully managing the impact on domestic liquidity and allowing some adjustments in the exchange rate in response to market forces."

In fact, the Ghanaian economy has, according to GDP indicators, posted a reasonably strong performance since the turn of the millennium, with annual growth rates rising from 4.2% in 2001 to 7.3% in 2008. It dipped in 2009 to 4.7% as the global economic crises took its toll, but in 2010 the economy recovered to achieve a 5.9% growth rate and production and Ghana's oil, discovered in 2007, began to flow in December. This was an industry record – 40 months from the discovery of oil to production of crude. Production from Jubilee stood at 16.7m barrels between January and September this year.

The story does not end there. In October 2011, the Jubilee Field operator, Tullow Oil Ghana, signed a one-year contract with Seadrill, to secure its ultra-deepwater semi-submersible rig, West Leo, for operations in its Deepwater Tano Block, offshore Ghana.

The West Leo is being constructed at Jurong Shipyard in Singapore, the same shipyard where the floating, production, storage and offloading vessel *Kwame Nkrumah* (now lifting oil

in the Jubilee Field) was also built. West Leo is scheduled to be delivered to the owners in January 2012 and will sail to Ghana to drill development wells in the Deepwater Tano Block, where the Tweneboa and Enyera discoveries are expected to be developed. Tullow also operates the Deepwater Tano licence and holds a 49.95% stake alongside partners Kosmo Energy and Anadarko Petroleum, each with 18%, Sabre Oil & Gas holding 4.05% and the Ghana National Petroleum Corporation (GNPC) holding 10%.

It is anticipated that Tweneboa and Enyera will be developed and produced together. After a successful appraisal of Enyenra, Tullow commented: "This excellent result demonstrates that we are close to declaring the Enyenra and Tweneboa development as 'commercial'. Although the ultimate extent of the fields are yet to be fully determined, confirmation of this up-dip extension and long oil column in Enyenra is very encouraging." Tullow expects to commence working with West Leo in April 2012 and it is predicted that Ghana will be West Africa's third-largest oil producer after Nigeria and Angola. Ghana's total oil reserves are estimated to be at least 1.25bn barrels.

And Tullow is being joined in Ghana by other companies. Dr Oteng-Adjei, Ghana's Minister of Energy, reports that there are 13 different petroleum operations currently being undertaken along the country's shoreline at different stages of exploration and development. Nigerian-based Sahara Energy Fields and Hess Ghana/Rockfield, for example, are seeking exploration and production rights over blocks offshore adjacent to the West Keta block and East Cape Three Points of the Jubilee offshore field.

In a bid to improve the generation and distribution of power for both industry and the private consumer, who frequently have endured power outages in the country, the Ghana Natural Gas Company (GNGC) has been established to own, manage and develop a national network of upstream gas pipelines and gas storage facilities, dealing with natural gas, among other related products –



Ghana's black gold: the country's new-found oil revenues are giving a strong push to an already-growing economy.

400MW Bui Hydroelectric Project, and 132MW capacity from the Takoradi 3 Thermal Project by the middle of next year.

Mining

But it is clear that Ghana has also made notable progress in other economic sectors – it was not just oil revenues and improvements to the power network that boosted the black star's impressive growth performance in 2010. The country's economy was underpinned by one of its traditional export earners, gold, and the mining sub-sector in general.

Last year this sub-sector grew by 13.3% – quite a contrast to the sector's contribution to GDP in the mid 1980s, which was as low as 1%. But, it is generally conceded, Ghana's gold mining industry, the second-largest in Africa after South Africa in terms of production (with Mali and Tanzania third and fourth), should be doing more to improve its contribution to the host country's economy.

For example, the mining companies had been asked to pay their taxes in foreign currency, but it is understood that Newmont Ghana Gold (a division of Newmont, one of the world's biggest gold miners) is the only mining company that has complied with this government request. In October it paid more than \$47m (GH¢71.44m) in taxes to the government for the third quarter of 2011.

This amount comprises \$39m for corporate income tax, \$6m for the national fiscal stabilisation levy, and \$2m as mineral royalties for September. Newmont provides employment, directly and indirectly through contractors, for about 5,000 Ghanaians.

Interestingly, in another development in October 2011, the Great Consolidated Diamonds Ghana Ltd (GCDGL), a member of the Jospong Group of Companies, was launched with a seven-member board of Ghanaian directors to steer the affairs of this indigenous diamond mining company. The company's chief executive, Siaw Agyepong, commented that the time had come for Ghanaians to take their destiny into their own hands with regard to the exploitation and management of the nation's resources that, to the detriment of the country, had for too long only been in the hands of foreign entities.

Agriculture still the key sector

The AfDB/OECD's *Africa Economic Outlook* reports that, in 2010, agriculture grew at 4.8% – with cocoa output recording nearly 640,000t in 2009/10. Agriculture remains a mainstay of the economy, accounting for more than one third of GDP and about 55% of formal employment. Ghana's primary cash crop is cocoa, which typically provides about one third of all export revenues. Other products include timber, coconut and other palm products, shea nuts and coffee.

The continued strong performance of the cocoa industry reflects increased government support to the sector, namely the higher domestic prices the government pays to farmers, improved disease and pest control programmes, rehabilitation of feeder roads in cocoa-growing areas, and payment of bonuses to cocoa farmers. The current producer price of GH¢3,200/t (\$1,950) represents 75.15% of the net free-on-board price and is the highest in the history of the industry.

especially from the offshore Jubilee Field where significant amounts of associated gas might be anticipated.

Outlining a major initiative by the ministry, Oteng-Adjei said that the establishment of the GNGC was an opportunity for government to help address the shortage of Liquefied Petroleum Gas in Ghana as supply of the product had always been below demand.

A budget for power

Oteng-Adjei's ministry, according to a document leaked to the local press, says the oil and gas sector will require a total of \$9bn and the power sector needs \$4.2bn in investment to meet the government's aspirations. The document states that the upstream oil and gas sub-sector (including the Jubilee oil fields) needs \$5bn; the midstream including gas commercialisation objectives requires \$1bn and downstream operations such as refining, petroleum transportation and petrochemicals will absorb a further \$3bn.

As for the power sub-sector, it is forecast that \$1bn will be required to increase power generation capacity (including expansion, extension, voltage improvement, and a technical losses reduction project) with a further \$700m needed for the upgrade, expansion and establishment of new bulk supply points in the grid. The National Electrification Programme, involving grid extension and mini-grid development using solar photovoltaics, wind turbines and micro hydro, will cost \$1.5bn in fresh investment.

Oteng-Adjei had confirmed that generation capacity was increased from 1,810MW in 2009 to 2,185.5MW by the addition of 375.5MW of thermal generation – the additional capacity provided by the completion of the Tema Thermal 1 and 2 power plants and the Sunon Asogli Power Plant.

Oteng-Adjei pledged that the government's efforts at expanding the generation capacity to 5,000MW in the medium term would continue, with an additional capacity of 265MW ready by the end of 2011 through the completion and inauguration of one unit of the



The Ghanaian government has frequently pledged to accelerate agriculture modernisation and agro-based industrial development. Earlier this year, in July, Ghana's Ministers of Food and Agriculture and Trade and Industry launched AGRIFA 2011, an initiative designed by the Agricultural Trade and Investment Promotion Centre to promote local agricultural produce for both the domestic and the international markets.

In the wake of the global surge in food prices there has been a renewed focus on food production. For example, a pilot project researching the suitability of large-scale rice and beans cultivation in the Wegbe-Kpalime area of the Volta Region was launched in October. Togbe Adza Wiah Kwesi II, the Chief of Wegbe-Kpalime district, says that, if proven feasible, rice and beans cultivation "could considerably increase the livelihood opportunities of the people".

Providing key support for the agriculture sector, Diageo's Ghanaian unit (which brews Guinness stout) expects pre-tax profits to increase 30% in the current financial year as the economy continues to expand. "The Ghanaian economy will be the fastest growing in the world this year, with growth averaging about 8% in the next five years," Rob Pilkington, the company's director of finance predicts bullishly, adding that the beverage industry should grow at a similar rate, enabling Guinness Ghana to post volume growth of between 9% and 9.5% a year.

Guinness Ghana Breweries Ltd (GGBL) reported a profit before tax of GH¢462,000 (\$283,000) for the year ended June 2011, reversing a loss of \$2.68 the previous year.

Guinness Ghana will spend \$2.43m on cutting debt and \$17.37m on infrastructure, water supply and electricity, according to its managing director Ekwunife Okoli.

Ghana's services sector also recorded a 6.1% growth in 2010, up from 5.9% in 2009. Financial services and the expansion of the telecommunications industry continued with the telecom sector growing by 10.8%, raising the total telephone penetration to 17m in 2010 from 15.2m in 2009. Mobile telephony accounts for about 98% of telecom lines.

New inter-bank switch

One of the most significant developments within the financial services sector has been the Ghana Interbank Payment and Settlement Systems (GHIPSS) that is scheduled to go live this month (November). GHIPSS is a national electronic switch that has received extensive testing to guarantee total inter-operability among the

The lure of Ghana's climate and beaches, as well as its cultural attractions, are making tourism an important economic force.

country's commercial banks.

Much effort has been placed in ensuring the system is secure. As Ghana joins the league of countries with modern payment systems, this switch will enable all existing automated teller machines (ATM) cards to work in all ATM machines while all ATM cards will also be accepted in the 'e-zwich' point of sales devices. It is not entirely clear whether the banks will levy fees on customers using an alternative ATM to where they bank.

However, when fully operational, it will become an e-commerce gateway. Anticipating this development, a number of businesses in Ghana are positioning themselves to take advantage of the opportunity to develop online shopping services. Inter-bank transactions can be completed seamlessly, creating a platform for people to shop and pay online.

Airline and hotel reservations are the most common forms of e-commerce but a number of retail outlets, restaurants, and other service providers might also provide the opportunity for customers to make enquiries and place orders online.

Furthermore, the switch service will enable taxes, registration fees and levies to be paid to government authorities online, removing the human interface and reducing the opportunity for corruption and misappropriation.

Tourism's astonishing attractions

And, not to be overlooked, Ghana's astonishing tourism attractions lure a substantial numbers of visitors. A fine, tropical climate, miles of golden beaches and a rich cultural heritage draw the typical tourist to the country, but there has also been an upsurge in conference travel.

The tourism industry is comparatively young - until 1993 there was not even a Ministry of Tourism, but it is now recognised that the tourism sector is a vital foreign exchange earner for Ghana - perhaps now the fourth most vital after mining, cocoa and the oil industry. Ghana is generally a very safe country and although phone snatching seems to be on the rise in Accra, the country still has relatively low crime levels compared to other tourist destinations. Certainly violent crime is almost unknown.

So it might seem curious (but reassuring for visitors) that, last year, a specialised plain-clothed Tourist Police unit was formed within the Ghana Police Service to provide an extra layer of security at hotels, restaurants, museums, airports, bus stations, markets, beaches and national parks.

As for Ghana's national parks, although small compared to other African countries, various species of antelope, monkeys, lions and elephants can all be seen in them and birds and butterflies are particularly numerous in Ghana's forests. Eco-tourism projects are springing up, and for history buffs and culture vultures, Ghana boasts 42 European forts and castles, including Elmina and Cape Coast, which are recognised by Unesco as World Heritage Monuments. These forts are particularly appreciated by African-American visitors who are searching for their ancestors' possible roots.

Colourful traditional festivals full of pomp, pageantry, the beating of drums, the blowing of horns and musketry (the firing of muskets), with chiefs carried in procession by attendants riding on gilded palanquins beneath giant parasols, can still be witnessed throughout the country - and Ghana's traditional open markets, found in every town and city, provide the unforgettable experience of an African trading bazaar. ■

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DR. KWAME KYEI
CEO



UNITY OIL Company Ltd. is a wholly Ghanaian owned business entity duly licensed by the National Petroleum Authority as an Oil Marketing Company to procure, store, distribute and sell petroleum products.

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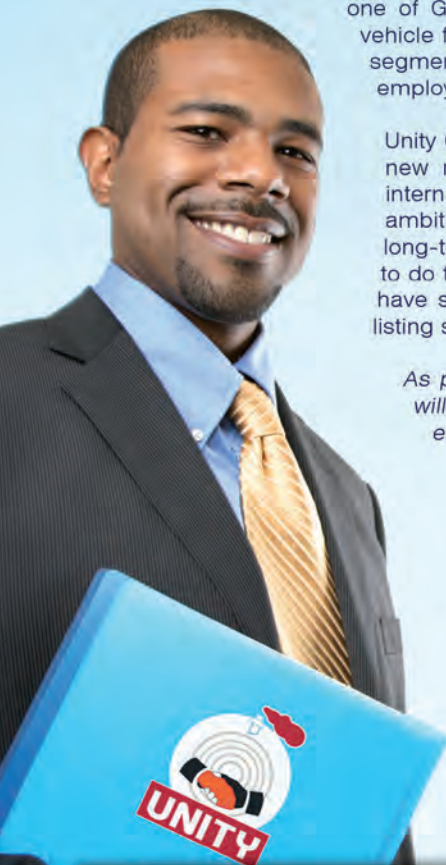
Kumasi has been the first to benefit from the company's expansion and from its commitment to creating job opportunities. "In just 15 years Unity Oil has become a major force in bringing the benefits of the oil economy to Ashanti and across several rural areas too", says the CEO Dr. Kwame Kyei Baffour.

In Kumasi, Unity plays a prominent role in city life; the company operates a popular radio station, Light FM, and owns the world class Sports Hotel [www.sportshotelghana.com]. Dr. Kyei is a well known Christian and is one of Ghana's leading charity donors. For Kyei, Unity Oil, is also a vehicle for spreading the benefits of economic development across all segments of society; the large majority of the company's 1,650 employees are women.

Unity Oil is now increasing its storage capacity and is expanding into new regions of the country and beyond. "Our aim is to expand internationally using Ghana's own oil" declares Dr. Kyei. To reach this ambitious goal Unity plans to add to Ghana's refining capacity. The long-term vision of Unity Oil is in fact to establish an oil refinery, and to do this we are ready to partner with credible foreign investors who have sound financial resources. Unity also plans to raise capital by listing shares on the Ghana Stock Exchange.

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Developing Accra

Karim Ibrahim, managing director of Dream Realty, talks about his company's exciting projects for the future.



African Business: What is Dream Realty?

Karim Ibrahim: Dream Realty is a company mainly dealing in real estate development. For the next five years we will be concentrating on developments in Accra. We are a partnership between Jamil Ibrahim Estates, a renowned construction company based in Beirut, Lebanon and the Fakhry family of Ghana, who are best known for the Interplast factory that mainly manufactures pipes. Dream Realty was established about three years ago and has acquired five locations in Accra to develop. The first project started about six months ago, is called the Octagon in Accra Central.

African Business: What is the Octagon? When will it be completed and who will benefit from it?

Karim Ibrahim: The Octagon project is located in Accra Central. The location is very impressive because a number of prestigious hotels are already being built. It is very close to all the ministries, within walking distance of Independence Square, the courts in Accra and the High Street financial district that overlooks the ocean. The Octagon could be described as the first of its kind, an office compound in Ghana. It is going to be divided into five blocks.

The construction involves about 50,000 sq metres of offices and for the first time in Accra, the concept is to set up offices for all businesses – be it small or large-scale firms. It also has about 5,000 sq metres of retail space, all with an impressive 6.5 metre height on the main road. All will be up for sale.

At the moment, we are still at the foundation works. It is going to take us about six months to reach ground level. For such a project to be truly successful, one main component is parking space. Therefore we are creating five rows of parking spaces, two of which are over 20,000 sq metres underground. That will result in about 1,200 car parking lots.

Of course, we took into consideration all the companies that are going to be housed in The Octagon and also all their visitors.

Hopefully we will start selling in February 2012. As a strategy, we always start selling at a certain price and then after every 10% of the project is sold, the price will attract a premium of between

10 and 20%. And it is on a first-come, first-served basis so that the people who invest with us at the beginning will benefit from being an early mover in the end. If, in the end, we have any space left – and I expect we will not – then we will consider renting.

The project is divided into five blocks, A to E. As for Block C, the main block is at the middle of the U-shaped project, we are going to hold on to it for at least a year from now to give an opportunity to anybody who would like to buy the whole block and turn it into a hotel or office for a single company, or even turn it into small to medium-size apartments.

The block is for sale and you can turn it into whatever is appropriate to its strategic location. Otherwise we are going to be advertising for small businesses, big companies, as well as professional such as lawyers, doctors and so on.

The location is so strategic that anybody would benefit from it. In addition, it is a physical address. Today, in Accra there is always this problem about locating a company. If you want to visit any company it takes forever to get directions to the place. In the case of the Octagon, once completed, you will just say, 'our office is at the Octagon, Block C, third floor'. That is the whole idea of the project.

African Business: Can you describe the 'Kente-Fence' concept and tell us why it has been chosen as Dream Realty's signature?

Karim Ibrahim: You know the project's land is a roundabout in Accra Central with a circumference of 400m. We thought about what to do with it very carefully. We are not selling the fence for any advertisements. We want to keep the fence looking great!

We came up with the idea of doing something for the people of Ghana. So we went to all the regions of the country to pick the best *kente* (traditional cloth) from each region and then had them professionally photographed. We will then be wrapping the whole project with this 'Kente-Fence' that will look very nice – very colourful and very different from the usual dull and very boring construction site fences. It will present a very patriotic face of Ghana.

The message is that we are not here just as hard-hearted



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business people but we want to instil more pride in Ghanaian culture and let people enjoy their environment, especially when they are held up in traffic in Accra Central. With the 'Kente Fence', they will not have to endure looking at a blank, unattractive wall or yet more advertising boards!

African Business: What about your next projects?

Karim Ibrahim: We have three other landmark projects; two of them are ready to begin construction development. One is the Riviera project, which is on Accra's High Street, very close to the Octagon. The land is directly overlooking the ocean. The view from this land is absolutely spectacular. The plan for the Riviera is four residential buildings of apartments of about 400 sq metres, which is also a new concept in Ghana. In the middle and the whole frontage will be a very high-end boutique hotel of about 100 rooms. Some of them are bungalows with a private garage and incorporate a private Jacuzzi. I think this will be one of the most fantastic projects to be developed in Accra.

The other one is at Labadi and it is directly on the ocean as well. There are going to be medium-sized apartments, 250 to 300 sq metres, with a huge swimming pool. The design of the project is V-shape, where every single apartment has a full open-ocean view with the swimming pool in the middle. It is not going to be a high construction; it will have seven buildings of about four floors. It is a compound-style project that is going to look very attractive.

We also own land at the airport, about six acres, but to be honest, we have not yet decided what is going to be done with it because things are going very rapidly in Accra. By the time we get down to start, we will see what will be best suited for that land.

African Business: Ultimately, how does Dream Realty plan to impact upon Ghana and the construction landscape of the country?

Karim Ibrahim: First of all, it is to introduce revolutionary new concepts with our developments. Already, with the Octagon, we are introducing the idea of the purchase of offices. That is very unusual in Accra where hardly anybody sells offices, as rentals were once extremely inexpensive. But in recent years, office rental rates have increased dramatically. Today, statistics show that the average cost of a decent office is about \$37/sq metre a month. We intend to sell a square metre here at \$3,000, and owners of the properties will recoup their outlay in less than six or seven years. So this is already a revolutionary idea.

The Riviera, in fact, is the same concept because earlier on land was relatively cheap and rentals too, so nobody wanted to move into a residential building without a house that has a swimming pool and a big private garden. Today, that is becoming unaffordable. Therefore we are going to be building structures. The Riviera is going to be about 14 to 15 floors high. We are not doing small or medium-sized apartments but large apartments, of about 400 sq metres, plus duplexes of about 800 sq metres, which is bigger than any house in Accra. So that is also a new concept.

Construction-wise, on site here at the Octagon, we have batching plans that can pool 60 cubic metres an hour, fully computerised. We are not going with the traditional construction methods that were used earlier in Accra. We are trying to revolutionise this construction work to make it quicker and better. I don't even know of any building in Accra that has 40 sq metres of indoor car park attached nor combined with three acres of land. This is also very new.

Of course, these features carry a big cost to the project but I think it is worth it because it is going to be a landmark project in Accra Central. I cannot predict, but I know people are going to love it when it is finished, and will relish this idea in Ghana. ■

As elsewhere in Africa, the commencement of oil production is beginning to feed through into the Ghanaian real estate sector. Although oil revenues are only now beginning to reach the government coffers, investors have already begun to invest in new housing developments in anticipation of the impact of hydrocarbons on the wider economy. Coupled with Accra's huge, although delayed, plans for social housing, this should result in a transformation of the country's property stock in urban areas. By **Neil Ford**

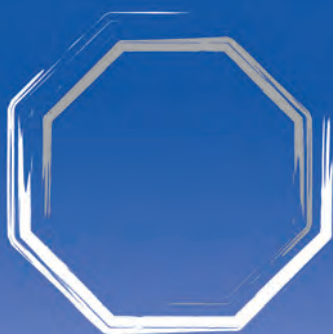
Building Ghana one property at a time

Estimates vary but government figures reveal that the Ghanaian housing deficit stood at 1m homes earlier this year and is forecast to reach 2m by 2020. United Nations statistics bear out this assessment, predicting a shortfall of 5.7m rooms in urban areas by 2020. At present, just 30-40,000 new houses are built in the country each year, 95% by the private sector and 5% by the state. Speaking at the stakeholders' consultative workshop on improving access to housing in Ghana in Accra in May, UN advisor Graham Tipple said that 3.8 new rooms needed to be completed every minute over the next nine years in order to make up the shortfall. He added: "Business as usual will not keep pace as we need new approaches to ease up the supply chain."

There appears to be a wide consensus over the obstacles to more rapid property development. Akwete Akita, the executive director of HFC Bank, said that problems in land ownership, low income levels and the high cost of building materials were all acting as constraints on property development. Rent controls also deter investment in property and as across most of sub-Saharan Africa, the housing sector has rarely been seen as part of national economic strategy.

The minister of water resources, works and housing, Alban Bagbin, listed the main difficulties as "access to land with good title and free from disputes; inadequate long-term finance for the housing sector; heavy reliance on expensive imported building materials and undeveloped local building materials industry." He added: "Government is also aware that the problem can only be solved with the active participation of the private sector."

Foreigners have equal rights with Ghanaians in property and land



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Ghana's infrastructure projects, such as upgrading roads to improve access, will support property development.

The private sector is expected to develop most new housing, but Accra will seek to encourage construction through the simplification of building and land regulations and by providing financial support where appropriate

ownership, as well as with regard to financial incentives. All profits can be taken out of the country and there is no capital gains tax on property income. In order to tackle uncertain land and property ownership, the government has launched the Land Title Registration scheme, although it is expected to take many years to complete its work. However, leases must be registered with the Lands Commission or a court and so there is already closer monitoring of rental agreements.

The ministry of water resources, works and housing is currently drawing up new regulations to enable the development of affordable, well-built housing. As under the previous government's policy, the private sector is expected to develop most new housing, but Accra will seek to encourage construction through the simplification of building and land regulations and by providing some financial support where appropriate. At the same time, it plans to improve existing building code regulations and can also help more directly by funding ancillary infrastructure, such as road links.

Carlo Matta, the chief executive officer of Laurus Development Partners, said: "There is a persistent need for sustainable, high-quality real estate in Ghana but too often, buildings remain unfinished because of a lack of capital and development expertise." He added: "I think there is a huge housing deficit especially in the mid and lower segment in Ghana. Obviously, there is no proper mortgage industry but the problem will be solved by increasing the supply and also by being able to support the development of the mortgage industry. Obviously for us it is an interesting sector and we are exploring it actively and hope in the near future to be able to launch mid-income housing projects in Ghana."

A combination of strong growth in the Ghanaian economy and political stability has opened up some new sources of funding. The Chinese government has offered a \$3bn loan facility, while the United States Ex-Im Guarantee Bank has also offered strong support.

Much of this money will be used for infrastructural projects, such as road, rail and water schemes, all of which could support property development. The Mallam-Tetteh-Quarshie road is already being upgraded by China Railway Wujia Corporation with money from the Millennium Challenge Account.

Most up-market residential areas of Accra lie in the eastern half of the city, including North Labone Estates, Roman Ridge and Ringway Estates. Investment in the coastal town of Tema is also increasing, while Ghanaians returning to the country after many years living overseas are boosting demand for more expensive property. The oil boom has encouraged the development of higher cost properties to provide accommodation for well-paid foreign workers and Ghanaians connected to the oil and gas sector. However, it could also drive up land and property prices for the bulk of the population in some parts of the country. Housing in most parts of the world is developed on a piecemeal basis, with either single properties or estates constructed by private companies.

However, it is becoming increasingly common in Sub-Saharan Africa for governments to follow the South African strategy of mass developments in order to make up the shortfall in the housing stock and improve existing housing conditions for the bulk of the population. In Ghana, the government often provides the land, with private companies constructing a variety of homes: low cost properties to be sold or leased in exchange for the land acquisition; and higher cost homes that can then be sold to generate property.

Some of the biggest investors to date are: Swiftform, with 20,000 homes; Ital Construct with 12,000; Agu Resources with 10,000; and Sethi Green City Developers with 5,000. The key to such ventures is the emergence of a mortgage market and the government has encouraged local banks to provide a much wider range of home loans to potential purchasers. The most high-profile deal, however, is the contract to provide 200,000 housing units that was awarded to STX Engineering and Construction Ghana.

The company is 90% owned by Korean firm STX Constructions Company Ltd and 10% by Ghana's own GK Airports Company Ltd. The contract between the government and the company was signed in December 2009. Under the management agreement, HFC Bank is to manage the government's interest in the project with regard to "location, design and specifications, cost and pricing, quality and standard of the housing units".

Three categories of housing will be developed:

The first component of 30,000 housing units is intended as part of the off-take by the government for the security services. This component is financed by a supplier's credit concessional facility and secured with a sovereign guarantee to be issued by the ministry of finance and economic planning;

The second component is also part of the off-take agreement, will provide 60,000 affordable housing units. This will be in line with the President's directive in his 2010 State of the Nation address to involve metropolitan and district assemblies in order to spread the housing benefits to every part of this country;

The third component involves the provision of 110,000 housing units for the private sector by STX in a joint venture with the government acting through HFC Bank Limited. The government of Ghana would not be required to commit any funds for the third phase of the project except the provision of associated infrastructure.



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FORTRESS GROUP IS BASED OUT OF HONG KONG WITH BRANCH OFFICES IN USA, CHINA, GHANA, LIBERIA, CAMEROUN, CHAD, CONGO (D.R.C.) & SOUTH AFRICA. THE PRINCIPAL ACTIVITY OF THE GROUP IS THE SUPPLY OF CEMENT & CONSTRUCTION RELATED MATERIALS TO KEY EMERGING MARKETS IN AFRICA. FORTRESS GROUP ALSO PROVIDES AFFORDABLE HOUSING SOLUTIONS TO DEVELOPING COUNTRIES IN AFRICA.

IN MOST COUNTRIES IN AFRICA, THE DEMAND FOR CEMENT FAR EXCEEDS SUPPLY. PRODUCTION CAPACITIES ARE VERY LOW & PRODUCTION HAS NOT KEPT UP WITH THE PACE OF DEVELOPMENT. AFRICAN COUNTRIES HAVE TREMENDOUS GROWTH OPPORTUNITIES AND NEED TO BUILD THEIR INFRASTRUCTURE.

THE GOAL OF FORTRESS GROUP IS TO PROVIDE THESE COUNTRIES WITH ALTERNATIVE SOLUTIONS FOR THE SUPPLY OF CEMENT & OTHER CONSTRUCTION RELATED MATERIALS AT AFFORDABLE PRICING AND ON A CONSISTENT BASIS. WITH THE STRONG NETWORK OF CEMENT MILLS IN ASIA THAT FORTRESS GROUP IS ASSOCIATED WITH, THIS GOAL IS BEING MET SUCCESSFULLY. FORTRESS HAS A PROVEN TRACK RECORD OF SUCCESSFULLY SUPPLYING ORDINARY PORTLAND CEMENT TO THE AFRICAN MARKET.

THE COMPANY HAS A STRATEGIC PAN-AFRICAN INVESTMENT AGENDA AND IS ACTIVELY PURSUING OTHER MARKET OPPORTUNITIES IN AFRICA. IT HAS ESTABLISHED KEY PARTNERSHIPS IN AFRICA TO ENHANCE THE CAPACITY OF LOCAL ASSOCIATES, WHILE AT THE SAME TIME ENSURING PROFITABLE RETURN ON INVESTMENT AND SUCCESSFUL TRADING TRANSACTIONS, THEREBY HELPING TO IMPROVE THE QUALITY OF LIFE IN THE HOST COUNTRIES.

FOR FORTRESS GROUP AND ITS AFRICA TRADING AND INVESTMENT TEAM THE FUTURE LOOKS BRIGHT AND THE COMPANY REMAINS FULLY COMMITTED TO WORKING WITH ITS LOCAL TRADING AND INVESTMENT PARTNERS IN EXPLORING MUTUALLY BENEFICIAL MARKET OPPORTUNITIES.



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Booming construction: new regulations will boost the development of affordable, well-built housing in Ghana.

However, the project has been delayed, partly because of disagreement between the STX partners, generating a great deal of criticism of the policy. Bagbin responded: "We may be facing frustrations in our quest to commence the construction of the 30,000 housing units but the larger war we have declared as a government is to ensure that both the public and private sectors combine forces to bridge the 1.5m housing deficit within the shortest possible time. The Ghana National Housing Project and the Savannah Accelerated Development Authority are the NDC government's bold response to this housing deficit." He said that the government would do all that it can to ensure that the project takes off, but has also suggested that the project could be "redesigned".

There has been some conflict in the commercial sector between foreign tenants, who prefer long leases, and Ghanaian landlords, who are used to short leases that enable them to increase rents on a regular basis. However, the commercial sector is booming as the economy continues to grow. Accra Mall shopping centre was completed in 2007 with South Africa's Shoprite and Game retailers as anchor tenants, while other, smaller centres have already been constructed. A great deal of new office space is being developed close to the airport and on Independence Avenue in Accra. Unlike in the residential sector, commercial tenants have traditionally paid a year's rent in advance, avoiding the need for a deposit.

Laurus Development Partners is developing a \$60m integrated shopping and office project called One Airport Square at Airport City, an emerging business centre in the capital. The 17,000 square metre complex was designed by Italian architect Mario Cucinella and is scheduled for completion in 2013. Project investment firm Actis, which has already developed shopping malls in Nigeria, provided much of the funding for the scheme.

Actis' director for real estate, Amanda Jean-Baptiste, said: "Ghana is of course key to our strategy. For Actis, Ghana was the obvious choice for Laurus' base. Accra is fast becoming the business hub of the region with a flourishing economy and growing numbers of multinationals choosing to locate here. We see great demand for office and leisure facilities. This is what Laurus will deliver. The key driver for our entry into the real estate market is our recognition of the increase in consumer expenditure in this market and the need for retailers to formalise value chain offerings."

Oil revenue will complement existing remittances, turning Ghana into a middle-income economy within a generation and encouraging investment in real estate for a long time to come. ■

Ghanaian property shortlist

Who owns the land?

Be sure to validate that the person/group you are buying real estate from is the correct owner. There have been many instances of land being sold by unauthorised owners, or being sold to more than one buyer. To protect yourself, ensure a land title review is performed at the appropriate government office and a land valuation is also performed. There is usually a fee for these, which is paid at the buyer's expense. Always review all documents yourself, and involve yourself in all steps of the property buying process. As an extra safety measure, have an independent lawyer review your documents before you transfer funds.

Ghana real estate development requirements

If you are purchasing undeveloped land in Ghana, there are often development time-line requirements set forth by the government. It is common that you are required to build at least basic infrastructure, such as a well and building or foundation, within a two-year period. Developing the land also helps to ensure fewer questions of ownership, or unwanted harvesting of trees or other assets of the property. Development requirements should be determined before any purchase at a governmental office.

Property leasing

Agent fees are generally calculated as a percentage of the yearly rent and paid either by the tenant or the landlord. Lease terms are generally two to five years but could be as long as 10 years. Landlords occasionally offer a rent-free period, but generally not longer than three months.

Tenant covenant

Generally, a rental deposit equivalent to three months' rent is required. In instances where the tenant pays a year or more upfront, there usually isn't any other deposit required. Subleasing is generally only allowed with the landlord's prior written approval. Landlords do not usually allow tenants to assign their lease, although this depends on the financial credibility of the subtenant.

Service charges and maintenance

The tenant should budget for operating costs, municipal rates and taxes, cleaning services and additional security costs, which are generally not provided by the landlord. Tenants contribute towards the upkeep of common areas and the management of the property. The landlord undertakes to repair and maintain the structure and common parts. The tenant must bear the cost of leaving the premises in its original condition when occupied, fair wear and tear excluded.

Property taxes and other costs

The tenant pays documentation fees, which cover the legal costs of drawing up the lease. Additional fees include telephone and computer installation, and a rental deposit.

Land leasing

Most property or land sales in Ghana are made on a leased basis. No individual or company may own the land indefinitely. Sales are made for various leasing terms from 25 to 150 years. Usually leasing terms are shorter for non-Ghanaians but every leasing term is negotiable. Be sure to discuss details with your agent.

Best Practices

The best way to ensure a safe step into Ghana property ownership is to use an official, registered Ghanaian real estate agency.

Source: Tips from Broll and New Ghana Property